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TARIFF AUTHORITY FOR MAJOR PORTS

G. No. : 134

New Delhi, 22 September 2005

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 received from the Visakha Container Terminal Private Limited (VCTPL) for revision of its Scale of Rates (SOR) for its operations at the Visakha Container Terminal in Visakhapatnam Port Trust (VPT) as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

TARIFF AUTHORITY FOR MAJOR PORTS

Case No. TAMP/31/2005 – VCTPL

Visakha Container Terminal Private Limited (VCTPL) - - - - -

Applicant

O R D E R

(Passed on this 30th day of August 2005)

This case relates to a proposal received from the Visakha Container Terminal Private Limited (VCTPL) for revision of Scale of Rates (SOR) for its operations at the Visakha Container Terminal in Visakhapatnam Port Trust (VPT).

2.1. The Scale of Rates of the VCTPL was last fixed by this Authority vide its Order number TAMP/16/2003-VPT dated 10 September 2003. This Authority had approved the Scale of Rates at 10% less than the (then) rates prevailing at the Chennai Container Terminal Limited (CCTL) except for two items i.e. quay crane charge and transportation charge. The tariff for these two items was fixed at the (then) existing tariff level at the CCTL. Further, the charges for some of the miscellaneous services offered at the request of the trade were also approved as proposed by the VCTPL.

2.2. Recognising the fact that the initial tariff proposal of the VCTPL was based on projections / estimations and CCTL tariff structure was adopted as a base it was decided to review the tariff with reference to the actual financial and operational data at the end of the validity period of its SOR prescribed till 31 March 2005.

3.1. Accordingly, the VCTPL had initially in March 2005 filed a proposal with a request to continue with the existing tariff for one more year subject to conversion of dollar denominated tariff into rupee terms at the exchange rate prevailing at the time of its initial tariff fixation i.e. US \$ 1 = Rs.48/-. When this proposal was under process following the usual consultation procedure, the VCTPL withdrew the proposal and agreed to file a fresh proposal in line with the revised guidelines for tariff fixation announced in March 2005.

3.2. The initial proposal filed by the VCTPL was, therefore, closed as withdrawn and the validity of the existing SOR was extended for period of 3 months from the date of its expiry on 31 March 2005.

4.1. In this backdrop, the VCTPL filed a fresh proposal for revision of its SOR for a period of 3 years from 1 July 2005 to 30 June 2008.

4.2. The VCTPL has reported that the container traffic has increased gradually from 17508 TEUs during the year 2003-04 (for 9 months operation) to 45517 TEUs in the year 2004-05. This increase is on account of temporary diversion of ICD traffic, due to congestion at JNPT / NSICT. As per the present trend, it expects the traffic to grow in either of the following two ways:

- (i). Scenario I – A conservative growth rate
A conservative traffic growth is expected on account of the bullish nature of the charter market for container ships which is likely to continue till mid 2006 and tough competition from the upcoming container terminals on the west coast. In this scenario, traffic is expected at the level of 63,000 TEUs, 80,000 TEUs and 1,05,000 TEUs for the years 2005-06 to 2007-08 respectively.
- (ii). Scenario II – An optimistic growth rate
Under this scenario, it expects a better growth rate as the above factors will not have an adverse effect, and also taking into account of the pace of industrialisation in and around Visakhapatnam. In the optimistic scenario, the traffic is projected at 75,000 TEUs, 1,10,000 TEUs and 1,40,000 TEUs for the years 2005-06 to 2007-08 respectively.

In either case, the tariff is proposed at a uniform level. This is because, though additional income is likely to be generated on achieving higher throughput as anticipated in Scenario II, it also envisages additional investment which is inevitable on account of the provisions in Concessional Licence Agreement (CLA) when a throughput level of 100000 TEUs is reached. The VCTPL has requested to consider Scenario - I only for the purpose of scrutiny. It has clarified that Scenario – II is only for the purpose of information.

5.1. The main points made by the VCTPL in its proposal are summarised below:

(i). Compliance with the Tariff Guidelines:

- (a). In the absence of specific mention of life of equipment in the CLA, the life of the assets based on the Company's Act, 1956 has been considered for computation of depreciation.
- (b). Since its CLA was signed on 11 September 2002 well before the date specified in the revised guidelines (i.e. 29 June 2003), royalty payable to the 2nd lowest bidder M/s. Seaways Shippings has been included as a cost item for tariff revision purpose.
- (c). At the proposed level of tariff, the ROCE is expected to be 5.85 % for the year 2005-06, 14% for the year 2006-07 and 24.94% for the year 2007-08. An average ROCE for the 5 years from its operations during 2003-04 till 2007-08 (considering 'negative' ROCE during the 1st two years) works out to 4.19%. Average ROCE for the 3 years under projection works out to 14.93% as against 15% cap prescribed in the tariff guidelines.
- (d). The capacity of the terminal based on the existing equipment is reported at 100000 TEUs. The capacity utilisation with the minimum projected traffic of 63000 TEUs will be 63% which is more than 60% benchmark prescribed in the tariff guidelines for allowing return linked to capacity utilisation.
- (e). The CLA does not make any specific mention of installing the equipment, till such time the traffic reaches 1 lakh TEUs. The CLA, however, requires to maintain a productivity level of 15 moves per hour and to deploy state of art facilities commensurate with the traffic. It had deployed two numbers of second hand quay gantry cranes, four numbers of Reach Stacker, two used RTG, etc., during the initial years. It was felt that if adequate equipment are not provided, shipping lines would not find it attractive enough to use its terminal and the project would be a non-starter. When 100000 TEUs mark is reached, it proposes to invest Rs.100 lakhs further during the year 2006-07 to construct workshop building and Rs.278 lakhs during the year 2007-08 on IT as per the terms of the CLA. It has, therefore, requested to consider the same for computation of ROCE.
- (f). The management fees payable to its promoters Dubai Ports International (DPI) and United Lines Agency Pvt. Ltd., based on separate management contracts entered with them have been included as a cost. A detailed note arguing 'arms length relationship' has been attached in support of its claim.

(ii). Other Assumptions made in the cost statement:

- (a). Presently there are 86 employees on roll. It plans to recruit additional manpower. The estimation of salaries and wages include cost of recruitment of additional manpower. Salaries are assumed to increase by 10% per annum on account of increments and promotions.

- (b). The rent for backup space allotted by the VPT is estimated at Rs.2.30 per sq. mtr. per fortnight based on the rate proposed by the VPT in its general revision proposal as against Rs.1.811 per sq. mtr. per fortnight payable at the existing level.
 - (c). The fuel cost is escalated by 15% p.a. based on the escalation in the fuel cost observed during last three years.
 - (d). The power cost for Quay Crane, reefer is computed proportionate to the throughput whereas power cost for other facilities is assumed considering it as a semi variable cost. In addition to this, fixed cost of Rs.2.5 lakhs towards maximum demand charges is also considered. Average power consumption is taken at 36 units per TEU for the purpose of estimation of power cost.
 - (e). Annual Repairs and maintenance cost is estimated at 3% on the gross block as against the actual repairs and maintenance cost of around 1% of gross block incurred during the previous two years. It is assumed that the increase in the volume will increase usage of equipment and also recognising that there are second hand equipment, the repair and maintenance cost will increase year after year. Hence higher percentage is considered for purpose of estimation of repairs and maintenance cost.
 - (f). Administrative expenses are assumed at current level plus 10% annual escalation; marketing expense is estimated at an average of 3% of the revenue.
 - (g). Insurance cost estimates include insurance coverage of Rs.14 lakhs towards two old RMQGC under replacement value as per the terms of CLA in addition to the other insurance cover for its assets and third party liability.
 - (h). Most of the other expenses towards operating activities like lashing / unlashing reefer monitoring etc., are outsourced activities and expenditure is projected based on the throughput projections and contractual terms.
 - (g). Debtors are assumed at one month of the revenue projections. Other items of current assets like cash balance, store and spares, inventory are assumed in line with the revised guidelines. Current liabilities are assumed as fifteen days average cash expenses.
- (iii). Major modification in the proposed SOR vis-à-vis existing SOR:

Compliance of revised tariff guidelines:

- (a). Composite box rate inclusive of charges for all services viz. ship to shore transfer, movement between berth and yard, lift on and lift off at yard and also including wharfage is proposed as against the existing itemised rates for quay crane, transportation, wharfage in the existing SOR. Accordingly, the composite rate for 20 ft container is proposed at Rs.4200/- as against Rs.2350/- applicable for these composite service as per the existing SOR. This means increase of 78.7% from the existing tariff level.
- (b). The proposed box rate also includes charges for planning of stowage and lashing / unlashing.
- (c). The revised guidelines allows it to prescribe a concessional tariff for transshipment not exceeding 1.5 times the handling charges for the normal handling operation in loading or unloading cycle. Tariff for handling transshipment container is, however, proposed same as proposed for handling a normal import / export container.

- (d). The unit of charging for power supply and monitoring of reefer container is proposed to be on 4 hourly basis.
- (e). A general condition of allowing 40% concession on all relevant handling charges relating to coastal voyage of the container is proposed in line with the revised guidelines.

Other major modification in the proposed SOR.

- (a). All the existing dollar denominated tariff are proposed in rupee terms for ease of accounting.
- (b). Premium of 100% is proposed in case of handling Out Of Gauge (OOG) container and 300% premium in case of storage charge for such containers.
- (c). Free period for import-laden container has been reduced from 5 days to 3 days, for empty container (import) from 12 days to 10 days and export laden container from 12 days to 7 days.
- (d). The impact of the increase proposed in some of the major tariff items from the existing tariff level (after converting dollar denominated tariff into rupee terms considering the current exchange rate of around Rs.44) is tabulated below:

SI.No.	Particulars	Proposed increase in % for 20' container	
		Laden	Empty
1.	Composite handling charges (including wharfage)		
	(a). for import / export container	78%	122%
	(b). ICD containers	79%	143%
	(c). Transshipment container	226%	226%
2.	Lift on/ lift off	25%	100%
3.	Hatch cover handling		
	(a). Without landing hatch cover on quay	127%	127%
	(b). with lading hatch over on quay.	82%	82%
4.	Shifting of containers within vessel (Restow)		
	(a). With landing	155%	155%
	(b). Bay to bay	274%	274%
5.	Extra movement (internal transportation)	50%	50%
6.	Charges for supply of electricity to reefer container	130%	-
7.	Shutout containers	132%	106%
8.	Storage charge (apart from reduction in free days proposed)	62%	62%

5.2. In accordance with the consultative procedure prescribed, the proposal filed by the VCTPL alongwith the cost statements and the proposed SOR were forwarded to the VPT and the concerned user organisations for their comments.

6.1. The comments received from the VPT and VSAA were forwarded to the VCTPL as feed back information / comments.

6.2. The VCTPL in response has furnished its comments on the points made by the VPT and the VSAA.

7.1. Based on a preliminary scrutiny of the proposal, the VCTPL was requested to furnish additional information / clarification on various points. The VCTPL has furnished its response on the queries raised by us. Some of the important queries raised by us and the replies furnished by VCTPL are summarised below:

Sr.No.	Queries raised by us	Reply furnished by VCTPL												
1.	The reasons for projecting the throughput lower than the Minimum Guaranteed Throughput (MGT) stipulated in the CLA.	<p>The projections are higher than the MGT prescribed in the CLA for all three years. A comparison of the MGT (as calculated for the financial year) and the traffic projections made in the cost statement is tabulated below:</p> <table border="1" data-bbox="738 591 1398 748"> <thead> <tr> <th data-bbox="743 598 895 651">Year</th> <th data-bbox="900 598 1155 651">MGT (as per financial year)</th> <th data-bbox="1160 598 1393 651">Projections</th> </tr> </thead> <tbody> <tr> <td data-bbox="743 658 895 687">2005-06</td> <td data-bbox="900 658 1155 687">41500</td> <td data-bbox="1160 658 1393 687">63000</td> </tr> <tr> <td data-bbox="743 687 895 716">2006-07</td> <td data-bbox="900 687 1155 716">72950</td> <td data-bbox="1160 687 1393 716">80000</td> </tr> <tr> <td data-bbox="743 716 895 745">2007-08</td> <td data-bbox="900 716 1155 745">104400</td> <td data-bbox="1160 716 1393 745">105000</td> </tr> </tbody> </table>	Year	MGT (as per financial year)	Projections	2005-06	41500	63000	2006-07	72950	80000	2007-08	104400	105000
Year	MGT (as per financial year)	Projections												
2005-06	41500	63000												
2006-07	72950	80000												
2007-08	104400	105000												
2.	<p>(i). The reasons for applying scaling down factors while estimating income from transshipment containers.</p> <p>(ii). Revised income estimation duly accounting for the concessional tariff applicable for coastal container in line with the revised tariff guidelines.</p> <p>(iii). The VCTPL has estimated around 2% of import / export containers and 5% of ICD containers to stay at its terminal for 2-3 days after availing the free storage period on account of documentation delay, etc. The income estimation may be modified to include income from levy of storage charge for such containers.</p>	<p>(i). There are two distinct operations in case of transshipment i.e. one at the time of discharging the container from the first carrier and the second at the time of loading the container on to the second carrier. Both these operations would essentially count towards counting the number of TEUs for the purposes of throughput whereas, revenue estimation is only for 50% of the throughput. Another scaling down factor is applied to allow concessional tariff for coastal transshipment container in line with the tariff guidelines. Experience shows that in most cases one voyage is foreign and the other is coastal.</p> <p>(ii). The income estimation does not take into account the concessional tariff applicable for coastal containers since it is negligible. In the year 2003-04, 14,111 foreign containers were handled as against 67 coastal containers i.e. 0.47%, and in the year 2004-05 only 120 coastal containers have been handled against 31805 foreign containers i.e. 0.38%.</p> <p>(iii). Two CFSs (CWC CFS and SRAUAW CFS) already exists and another two (CONCOR and Gateway Ditriparks) are coming up within next few months. This additional infrastructure is likely to reduce the stay of containers. Further, with increase in regular and two way ICD traffic, the frequency of trains available would also increase consequently the evacuation would be faster reducing the stay of an ICD container. Income estimation includes the income from storage charges under the head 'Other income'. It has also furnished the details of average dwell time of various containers for the financial year 2004-05.</p>												
3.	Break up of the cost elements included under the head marketing expenses, administrative expenses, management expenses and other operating expenses. The actual marketing expenses for the year 2004-05 is reported at Rs.36 lakhs as against estimation of Rs.127 lakhs at the	<p>(i). It has furnished the breakup of various items of expense. The actual marketing expense for the year 2004-05 is 3.63% of total income. Thus a rate of 3% on the total income is considered as marketing cost for the next three years without considering any inflation. This is well within the actual expense for the year 2004-05 and hence is justified.</p> <p>(ii). In the case of administrative expenses, the annual escalation of 10% adopted earlier has been revised to 6.5% on the basis of WPI of all commodities.</p>												

	<p>time of initial tariff fixation. This reduction is stated to be on account of the decision of the VCTPL to use the office of its group companies as market development centre instead of opening new office. In the light of this decision made by the VCTPL, justify the estimate of marketing expenses for the year 2005-06 at almost double the actuals of the previous year.</p>	<p>(iii). Management expenses refers to Technical Service payment to DPI and ULA. Since it is fixed in nature, no inflation is considered.</p> <p>(iv). Other operating expenses mostly relate to expenses covered under contracts and are directly related to the throughput achieved.</p>
4.	<p>(i). Reasons for considering annual escalation of 10% for estimation of salary and wages inspite of the specific provision in the revised tariff guidelines to estimate expenditure based on the current movement in the Wholesale Price Index of all commodities.</p> <p>Justification for 40% increase in the estimation of salary and wages for the year 2007-08 over the estimates of previous year.</p> <p>(ii). The estimate of lease rentals should be revised taking into consideration the existing rates of VPT instead of considering it at the level proposed by the VPT in its (initial) general revision proposal which was also withdrawn by the port. Also, furnish detailed computation of this estimation.</p> <p>(iii). The basis of estimating increase in the consumption of power in workshop, operation cabin, highmast, IT, Canteen and pump house, etc., by 25% for the year 2005-06 over the previous year consumption and 50% additional consumption in case of workshop and operation cabin during the year 2006-07 over the previous year.</p> <p>(iv). The detailed working of fuel estimates indicating the physical consumption and per TEU fuel cost.</p> <p>(v). Furnish a copy of contract or agreements entered by the</p>	<p>(i). As per the prevailing market levels, salaries in respect of skilled employees like RMQGC / RTGC/ Reach Stacker operators as well as other supporting staff are high and, therefore, the increment will be more than 10%. It has, however, considered annual increase of 10% only for the years 2005-06.</p> <p>As per CLA, once the terminal reaches 100,000 TEUs mark per annum, 2 Nos. RMQGCs and other back up equipment are to be procured. Before the new equipment are commissioned, it is inevitable to recruit and train the employees well in advance. It is, therefore, planning to recruit as many as 47 new employees in the Engineering and Operations departments during the year 2007-08. In view of this position, salaries for the year 2007-08 are estimated to increase by 40% over previous year.</p> <p>(ii). As suggested, the estimates of lease rental is revised. Lease rent for 1,64,500 sq. mtrs of backup area is estimated @ Rs.18.10 per 100 sq. mt. per fortnight taking into consideration the existing rates of the VPT. This works out to Rs.74,47,738/- per annum In case of a perceptible increase in the rent in near future, it will approach TAMP for necessary revision in its tariff.</p> <p>(iii). The consumption centers have been identified and wherever the operations are directly related to throughput i.e.. RMQGC's and reefer point, estimation have been increased proportionately to increase in the throughput. Power cost at workshop, operation cabin, highmast, IT, Canteen and pump house etc., have been considered as semi-variable / semi-fixed and accordingly estimates have been rationalised to a rate of 25% based on experience in operation. During the year 2006-07, Workshop, Operations cabin (which are connected to a single meter) will have a connected load of 300 KW, as against the current load of 150 KW. These consumption centres are expected to consume 50% more power as compared to 2005-06 in view of the proposed construction of the new workshop building.</p> <p>(iv). The detailed working of fuel estimates has been furnished.</p> <p>(v). The copies of the various contracts with reference to services out sourced have been furnished.</p>

	<p>VCTPL with the contractors for offering various outsourcing services like lashing / unlashing, reefer monitor, internal transportation, etc., to validate the estimates of 'other operating expenses' for the services outsourced.</p> <p>(vi). Substantiate the increase in the estimation of insurance premium by Rs.14 lakhs from the year 2005-06 onwards stated to cover the two old RMQGCs under replacement value with documentary support.</p> <p>(vii). Furnish detailed computation of royalty estimation and a statement indicating the likely loss, if royalty / revenue share payable by the VCTPL to the VPT are not taken into account.</p> <p>(viii). Annual escalation of 10% considered in the estimation of administrative expenses do not comply with the revised tariff guideline and hence may be modified.</p>	<p>(vi). The insurance is due for renewal on 15 June 2005 and the related quotation for this additional premium to cover two old RMQGCs under replacement value has been furnished.</p> <p>(vii). The computation of royalty estimate at the rate quoted by the next lowest bidder is given below. The likely losses if royalty / revenue share payable to VPT are not taken into account has also been indicated.</p> <table border="1" data-bbox="738 772 1350 963"> <thead> <tr> <th>Year</th> <th>No. of TEUs</th> <th>Rate per TEU</th> <th>Total Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>2005-06</td> <td>63,000</td> <td>35</td> <td>22,05,000</td> </tr> <tr> <td>2006-07</td> <td>80,000</td> <td>48</td> <td>38,40,000</td> </tr> <tr> <td>2007-08</td> <td>1,05,000</td> <td>55</td> <td>57,75,000</td> </tr> </tbody> </table> <p>(viii). The average inflation as per Wholesale Price Index (WPI) for all commodities) is reported at 6.5% for the year 2004-05. Accordingly, administrative expenses, is estimated applying an annual inflation rate of 6.5%.</p>	Year	No. of TEUs	Rate per TEU	Total Amount (Rs.)	2005-06	63,000	35	22,05,000	2006-07	80,000	48	38,40,000	2007-08	1,05,000	55	57,75,000
Year	No. of TEUs	Rate per TEU	Total Amount (Rs.)															
2005-06	63,000	35	22,05,000															
2006-07	80,000	48	38,40,000															
2007-08	1,05,000	55	57,75,000															
5.	<p>The notes on Annual Accounts 2003-04 states that incidental expenditure during the construction period including upfront fee paid to the VPT amounting to Rs.1126.75 lakhs has been allocated to building, plant and machinery and the preliminary expenses of Rs.1 lakh as on 31 March 2003 has also been written off to the Profit and Loss Account. For the purpose of tariff fixation, preliminary and pre-operative expenses including the upfront fees may be spread over the licence period in line with the principle adopted at all other private operators.</p>	<p>The incidental expenditure during the construction period has been capitalised by allocating the same to the Building and Plant and Machinery as per the Guidance Note on "Incidental Expenditure incurred during the construction period" issued by the Institute of Chartered Accountants of India. The upfront fee of Rs.3.19 crores paid as initial contract fee is different from Premium amount. The upfront fee which is a one time payment has been included in the incidental expenses incurred during the construction period and was capitalised along with the other preoperative expenses. Subsequently, the VCTPL has furnished the gross block and depreciation of Plant and Machinery and Building excluding the component of upfront fees. As the amount of preliminary expenses is very much low at Rs.1 lakh, it has been written off to Profit and Loss Account as recommended by the Statutory Auditors.</p>																
6.	<p>Please confirm whether the depreciation has been computed as per the Companies Act or based on the life norms prescribed in the Concession Agreement whichever is higher.</p>	<p>It is confirmed that depreciation has been computed as per the Companies Act, 1956 or based on the life norms, whichever is higher.</p>																
7.	<p>(i). Forward a copy each of the agreements signed by the VCTPL for the technical service</p>	<p>(i). Copy of relevant agreements signed with the promoters for the technical service to be rendered by them has been forwarded. During the year 2003-04,</p>																

	<p>to be rendered by its promoter.</p> <p>(ii). Furnish a certificate from auditors establishing an "Arms-Length Relationship" of the transaction between the VCTPL and its promoters i.e. United Liner Agencies India Pvt. Ltd. (ULA) and Dubai Port International (DPI) as defined under Section 92(A) of the Income Tax Act to justify inclusion of Technical Service Fee as cost for tariff revision purpose in line with the revised tariff guidelines.</p>	<p>the management fee was paid to M/s. ULA, however, due to insufficient funds, the payment to DPI for the years 2003-04 and 2004-05 and to ULA for the year 2004-05 were not paid. As per the Agreements, the payment has, however, to be made whenever sufficient cash flows are available.</p> <p>(ii). The requisite certificate from the Chartered Accountant establishing 'arms length relationship, of the said transactions as per the IT Act u/s 92 (C) has been furnished. The Chartered Accountant has certified that the fees payable to DPI and VLA for the services provided under the respective agreements has been determined having regard to 'arm's length price' computed as per provisions of Section 92 (C) of Income Tax Act, 1961.</p>
8.	<p>(i). Confirmation whether the proposed additions to the gross block to the extent of Rs.100 lakhs and Rs.278 lakhs during the years 2006-07 and 2007-08 are in accordance with the terms of the CLA.</p> <p>(ii). This Authority in its earlier Order has observed that the investment proposed to be made by the VCTPL at the time of initial tariff fixation was in excess of the level envisaged in the CLA and hence it had categorically mentioned that only if volume builds up to justify the capacity created, investments made in the excess of limits prescribed in the CLA will be allowed return. As stated earlier, the actual traffic handled for the last two years and the projections for the next three years is less than the minimum guaranteed throughput and also lower than the present capacity of 1 lakh TEUs. In the light of this position, justify the additions of Rs.259 lakhs to the gross block during the year 2004-05 and proposed addition during the year 2006-07 and 2007-08 for the purpose of claiming return on this investment.</p> <p>(iii). Indicate the increase in the capacity of the terminal with the proposed addition to the gross block during the years 2006-07 and 2007-08.</p>	<p>(i). During the year 2006-07 it is proposed to construct a Workshop Building at a cost of Rs.100 lakhs and during the year 2007-08 it intends to acquire software and hardware worth Rs.278 lakhs. All these additions are as per the requirements of operations and in accordance with the terms of the CLA.</p> <p>(ii). The actual throughput and the projections are not less than the MGT fixed in the CLA as explained at point 1 above. As per CLA, it has to go for additional investment in the equipment when it crosses 100000 TEUS. The CLA does not stop it from additional investment in other areas of operations. No equipment was acquired during the year 2004-05, except Forklift which was shown as "Work-in-progress" during the year 2003-04. All the additions proposed to the gross block during the year 2004-05 are out of the original project cost and will be capitalised after completion and commissioning.</p> <p>(iii). No increase in the present capacity of 1 Lakh TEUs is envisaged in view of the proposed additions to the gross block. These investments were envisaged in the original project cost itself, but, were deferred to reduce the initial financial outlay and hence are being taken up now.</p>

	<p>(iv). Indicate reduction in the unit operating cost, if any, or any improvement in the operational efficiency on account of the proposed fresh investment.</p> <p>(v). The assets may be classified into business assets; business related assets and social obligation assets as prescribed in the revised tariff guidelines for computation of return on capital employed (ROCE).</p>	<p>(iv). The current software used in the terminal i.e. 'SPARCS' (Synchronous Planning And Real Time Control System) provides a tool for yard and vessel planning using graphical interface. On attaining 80000 TEUs per annum, the system has to be upgraded by adding a companion product estimated at a provisional cost of approximately Rs.278 Lakhs. This will have additional capability of automation in certain activities, which are currently being done manually. Creating a workshop building with modern maintenance equipment will provide clean and hygienic work environment, efficient maintenance support, high degree of automation consequently reducing the maintenance cost and equipment downtime. Adequate store space in the workshop building will ensure good housekeeping and efficient inventory management. All these measures will substantially contribute towards enhancing the level of technical skills required for qualitative maintenance, which will spin off towards operational efficiency as well. However, as far as the reduction in unit operation cost is concerned, it will not be very significant.</p> <p>(v). All the assets considered for computation of ROCE are business assets only.</p>
9.	<p>(i). The estimation of sundry debtors at one month's total revenue is not in line with the revised tariff guidelines. Since all the charges are collected in advance by the major ports and private operators except for the two items for which the norms are prescribed in the revised guidelines and also recognising that a specific provision is also proposed to be included in the SOR for collection of payment in advance, justify the estimates of sundry debtors at one month's revenue.</p> <p>(ii) Please furnish the closing balance of the capital stores as on 31 March 2005, purchases proposed and the average consumption during each of the years.</p>	<p>(i). The Sundry Debtors relates to outstanding terminal handling charges. VCTPL is a new terminal and the performance in the last two years is below the expectations. In this scenario, though it is insisting for payments in advance, some of the major customers are paying with delay which cannot be avoided keeping in view the present volume of business. Thus, one month of total revenue is considered as sundry debtors.</p> <p>(ii). There was no balance of capital stores as at 31 March 2005 and hence it is inevitable for the Company to procure necessary capital stores and the same is provided for in the accounts. The average consumption is estimated at Rs.118 lakhs p.a. during the three years.</p>
10.	<p>The CLA stipulates that on expiry of the licence period, the licensor shall be liable to pay terminal value to the licensee based on an estimation of the fair value of the assets by an independent engineer. In this</p>	<p>As per the CLA, the company has to invest further at different phases of volumes achieved. The exact details and cost of investment cannot be estimated at this juncture. Hence, the estimation of the terminal value of the Container Terminal after 30 years, in the absence of exact and precise particulars of investments, is not possible. As per CLA, a Registered</p>

	regard, furnish an estimate of the terminal value of the container terminal at the end of the license in order to annualise the impact of the same over the entire period of the project at the prevailing PLR/cost of the debt.	Valuer will decide the terminal value.																								
11.	Justify proposal to levy 100% premium over the charges proposed for handling normal container and a premium of 300% over the applicable storage charges in case of Out of Gauge Container with reference to the cost of additional services required to be provided.	<p>The Out of Gauge (OOG) containers are handled inside the terminal by attaching special handling gears as these cannot be handled in the normal way. This process also requires additional manpower an additional time equivalent to the time required for handling at least 6 normal containers. Considering these additional activities involved, the premium of 100% on handling charges is considered reasonable and justified.</p> <p>The OOG containers are either over width or over height or both, whereby they occupy the adjacent slots which under normal circumstances can be used for stacking of in-gauge containers. The loss of stacking slots will be between 2 to 14 containers. Considering this loss of stacking slots, a premium of 300% over the applicable storage charge is reasonable and justified.</p>																								
12.	Separate tariff may be prescribed for coastal vessels / coastal containers including composite box rate for coastal containers at a concessional level not exceeding 60% of the tariff proposed for normal containers related charges instead of general note under various sections in this regard.	Since the TAMP Order regarding the concessional tariff for Coastal Containers / vessels is only valid for two years i.e. upto 31 st January 2007, whereas the proposed SOR as per the revised guidelines from TAMP is likely to be valid for three years i.e. upto June 2008, it is appropriate to retain this item (about concession rate) as a note instead of prescribing separate tariff in the SOR.																								
13.	Furnish itemised breakup of composite box rate proposed.	<p>The break-up of proposed composite box rate has been furnished as tabulated below:</p> <p>A. <u>Import / Export Container:</u></p> <table border="1"> <thead> <tr> <th>Item</th> <th>20' Empty</th> <th>20' Laden</th> </tr> </thead> <tbody> <tr> <td>Quay Crane</td> <td>1316</td> <td>1516</td> </tr> <tr> <td>Wharfage on</td> <td>74</td> <td>74</td> </tr> <tr> <td>Wharfage on cargo</td> <td>-</td> <td>860</td> </tr> <tr> <td>Transportation</td> <td>750</td> <td>750</td> </tr> <tr> <td>Lift On / Off in the</td> <td>400</td> <td>500</td> </tr> <tr> <td>Lift On / Off from/</td> <td>400</td> <td>500</td> </tr> <tr> <td>Total</td> <td>2940</td> <td>4200</td> </tr> </tbody> </table> <hr/> <p>B. <u>ICD Container:</u></p> <hr/>	Item	20' Empty	20' Laden	Quay Crane	1316	1516	Wharfage on	74	74	Wharfage on cargo	-	860	Transportation	750	750	Lift On / Off in the	400	500	Lift On / Off from/	400	500	Total	2940	4200
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		Item	20' Empty	20' Laden
		For normal container	2940	4200
		Additional cost for ICD		
		(a). Transportation from CY to the rail flat and vice versa	750	750
		(b). Lift On / Off from / to the rail flat	400	500
		Total	4090	5450
14.	<p>Explain the basis of the rebates proposed in the composite rates when port equipment are not used by the terminal user.</p> <p>(iii). Indicate benchmark levels of productivity and propose incentive for better performance of the terminal and disincentives for performance below the benchmark levels. Also, indicate the rationale for proposing such benchmark levels and the incentives / disincentives.</p>	<p>(a). If Ship's Gear is used for loading / unloading instead of quay crane, a rebate of 30-34% over the normal handling charges is proposed. (b). If terminal user deploys his own trailer(s) for transporting containers inside the terminal, a rebate of 50% on the normal transportation charges is proposed. (c). If terminal user deploys his own equipment for lifting containers from the Yard, a rebate of 50%/ 62% for laden / empty containers on the normal lift on / lift off charges is proposed.</p> <p>It has invested on high cost equipment like RMQCs, RTGCs, Reach stacker, etc., to demonstrate a distinct improvement in productivity and quality of system and if the same are not used, then, there is a loss of opportunity leading to an opportunity cost for VCTPL. In addition, the fixed cost element will continue to remain the same irrespective of whether the equipment is deployed or not. Taking this factors into consideration rebates have been proposed. The percentage of rebate in case quay crane is not deployed is proposed comparatively lower than the rebate offered for other handling equipment because the element of fixed cost in case of quay crane is high (by way of higher investment).</p> <p>(iii) It is bound by the CLA to ensure productivity level of 15 moves per berth hour and this could be considered as the benchmark level of productivity under normal circumstances. The scheme for the incentive / disincentive is being worked out based on productivity levels and shall be presented to TAMP in due course.</p>		
15.	<p>(i). Explain the reasons for proposing around 228% hike in tariff for transportation of empty ICD container from rail flat to CY and vice versa and lift on lift off as against 60% to 80% hike proposed for other tariff items in the composite service.</p> <p>(ii). Incorporate a suitable rate for a container from foreign port reaching Indian port for subsequent transshipment to Indian port on coastal voyage.</p>	<p>(i). It has not explained any specific reasons for the steep hike proposed, but has only made a comparative statement of existing vis-a-vis the proposed rate for this item.</p> <p>(ii). Since there could be an amendment in the directive from the Ministry in this regard and consequently in the concessional rates, a general note is prescribed about concession applicable for the containers transhipped to any Indian Port under coastal voyage.</p>		

16.	Explain the rationale for proposing 100% increase in lift on/ lift off of empty containers as against 25% increase proposed for laden container.	The option was to increase the charges for both laden and empty containers by 100% on the basis of 'cost plus' tariff. However, to encourage more laden containers to correct the imbalance in the import / export figures, the increase in the charges of Lift on and Lift off in respect of laden containers was restricted to 25%.
17.	The tariff for handling hatch cover without landing it on the quay and charges for shifting of containers within vessels is proposed to be increased in the range of 127% - 274% as against 60% - 80% increase proposed in handling container charges. Explain the reasons for proposing such differential increase with reference to addition in the cost of service provided.	The handling of hatch cover includes discharge and loading operations by the quay crane. Each operation is equivalent to handling of OOG container vis-à-vis the size of the hatch cover, the time taken and the operating skills required. Handling of hatch cover will be equivalent to handling 4 normal size containers by quay crane and the rates are proposed accordingly.
18.	(i). Explain the basis of the rate proposed for pre-trip inspection and reefer run test. (ii). Justify the proposed increase of 131% in the electricity charges with reference to power cost and other cost of services provided.	(i). Pre Trip Inspection (PTI) / run test is an optional service provided to trade. The rate proposed is towards separate space provided inside the terminal with power supply, payment to be made to the contractors for performing PTI or Run Test, sending reports to the respective lines and other administrative cost involved. (ii). As per the actual figures of 2004-05, the unit cost of reefer electricity works out to Rs.260/- per shift of 4 hours (i.e. 40 unit consumed per four hours X average cost of electricity cost Rs.6.50 per unit) plus monitoring cost Rs.10 and other overheads to the extent of Rs.30/- per reefer container.
19.	(i) As regards shut out container, justify the proposed increase of 132% in case of laden container and 106% in case of empty container with reference to the increase in the cost of service provided and also with reference to the deficit position at the current tariff level. (ii). Explain the reasons for deleting free storage available in case of shut out container as per the existing SOR. Modify the proposed provision to state explicitly the period till when the storage charge will be applicable.	(i). Whenever a container is shut out, it has to be shifted from the stacking yard nominated for the vessel on which it is shut out to the stacking yard nominated for the vessel on which it is to eventually loaded. As such, the shifting charges i.e. charges towards lift on, transportation and one lift off are applicable and the proposed tariff is arrived at accordingly. (ii). Shut out generally takes place on account of non availability of space on the vessel, change in plan, default by shipper, change of vessel schedule, etc. The terminal is very rarely responsible for shut out of a container; however, it is adversely affected. When a container is declared shutout its space gets blocked. The customer must, therefore, either pay for occupying terminal space or arrange to shift the container out of the terminal till it is ready to ship out by another vessel. Viewed from this point, it has proposed to eliminate free storage in case of a shutout container and to levy storage charge immediately after a container is shutout. This is reasonable and justified.
20.	Explain the basis of arriving at the proposed rate for shifting of container within the terminal, container cleaning charges and charges for other services.	The proposed rate for shifting of container includes cost for shifting a container from one stack in the CY to another, lift on, transportation by truck and lift off. Container cleaning charges involves cost for supply of water and providing facilities for cleaning the container in a separate washing pit and clearing the waste debris

		from the terminal to outside without effecting environment. For other services, additional administrative costs are involved since they are not routine activity. The proposed charges of Rs.500/- for delay in submission of documents is on account of unwarranted delays which involves additional administrative and operational cost. The proposed charges are more of a deterrent nature than actual cost based tariff.
21.	Justification for the proposed increase of 100% in case of direct loading, fixing / removal of seal / hazardous stickers with reference to increase in cost of service provided.	Direct loading charges are applicable for containers arriving late after cut off time of a particular vessel. This involves additional activities shifting, planning and execution. In case of fixing / removal of scale / hazardous stickers additional staff is required for providing this services. In fact the shipping lines are supposed to undertake these activity prior to entry of container inside the terminal. The charges are more of a deterrent nature then on actual cost based tariff.
22.	(i). The reasons for proposing reduction in free period for import laden container from 5 days to 3 days, import empty container from 12 days to 10 days and export laden container from 12 days to 7 days and in addition proposing 62% increase in the storage charges.	(i). Since May 2005, there are three CFSS already in operation in Visakhapatnam and the fourth one is expected to be operational by June 2005. With the increase in container traffic, the increase in stay of containers inside the terminal may lead to congestion inside the terminal. To avoid this and to enable faster clearance of cargo to the consignees through the CFSSs, it is proposed to reduce the free period. The storage charge takes into account the cost involved in the lease rent, yard monitoring and housekeeping required in case of over stayal of a particular container. (ii). As suggested, proposed the note no. (1) has been modified to state free dwell time (storage) period for import containers shall commence from the day after the day of landing of the container and for export containers the free period shall commence from the time container enters the terminal as per the revised tariff guidelines.
23.	Justification for the proposed increase of 41% in the charges for supply of fresh water for foreign-going vessel with reference to increase in the procurement cost of water and service provided.	The original site did not have water facility in the terminal. It has installed a municipal water pipeline at a cost of Rs.15 Lakhs (approx.) which provides 15 kiloliters of water per day. This is proposed to be increased to 25 kiloliters per day at a one-time cost of Rs.1.5 lakh. In addition to this, its monthly water bill is in the range of Rs.15000 to 16000/-. The water available is barely sufficient for its needs and therefore any arrangement for supply of water to a vessel must be on a cost-plus basis. Viewed from this perspective, the proposed tariff is considered reasonable and justified. This service is optional and till date, no vessel has availed this service.

7.2. The VCTPL has clarified that the existing tariff were fixed on parameters other than 'cost plus' basis, whereas, the proposed tariff is on 'cost plus' basis, therefore, the proposed charges for various activities do appear to be comparatively much higher than the existing one.

8. The VPT was also requested to furnish additional information / clarification on the some of the points with reference to this proposal. The VPT has furnished the requisite information. Some of the main queries raised by us and reply furnished by the VPT are summarised below:

Sr.No.	Queries raised by us	Reply furnished by VPT
(i).	Please furnish specific comments on reasonableness of traffic projections made by the VCTPL for the years 2005-06, 2006-07 and 2007-08 in comparison to the MGT prescribed in the CLA.	The VCT was commissioned on 26 June 2003 as such the first year of operation is to be reckoned as July 2003 to June 2004. The TEUs handled by the operator for the period July 2003 to June 2004 is 17500 TEUs as against 20,000 TEUs stipulated in the CLA and for the period July 2004 to June 2005, the traffic handled by the VCTPL is 48782 TEUs as against 25000 TEUs prescribed in the (LA).
(ii).	Please clarify whether the dispute between the VPT and the VCTPL as regards the lease rentals is settled. If so settlement may be conveyed.	Dispute as regards payment of lease rentals for 1,14,700 sq.mtr. area has been settled but, dispute with reference to 49,800 sq.mtr. of area still continues and the matter referred to arbitrator.
(iii).	Confirm whether the estimation of lease rentals payable by the VCTPL for the years 2005-06, 2006-07 and 2007-08 are in line with the lease rent prescribed in the SOR of the VPT and also in accordance with the terms of the CLA.	The lease rental of Rs.74.48 lakhs has been paid by the VCTPL for the year ended on 31 March 2005 as per Scale of Rates of VPT. The estimation of lease rentals payable as per its SOR is Rs.74.48 lakhs for each of the subsequent years 2005-06, 2006-07 and 2007-08.
(iv).	Indicate the royalty amount quoted by the next bidder.	The NPV of royalty and upfront fee quoted by the next bidder M/s. Seaway Shipping Ltd., Secunderabad is Rs.16.22 crores. Subsequently, it has furnished detailed working in this regard for the entire project period.
(v).	Furnish comments on the reasonableness of the investments made by the VCTPL and also confirm whether it is as per the terms of the CLA.	It has no comments to offer on the investments made by the VCTPL in the project. This has to be certified by Company Auditors of the VCTPL.

9.1. A joint hearing in this case was held on 5 July 2005 at the VPT premises. At the joint hearing, the VCTPL, VPT and the concerned users made their submissions. The VCTPL made a slide presentation bringing out the salient features of its proposal. Further, a joint written submission was filed by the Visakhapatnam Steamship Agents Association (VSAA), Container Shipping Lines Association (CSLA), and Vizagapatnam Chamber of Commerce and Industry (VCCI).

9.2. At the joint hearing, the VCTPL was advised to initiate action on the following points:

- (i). To furnish all requisite information with reference to the gaps observed in the information furnished earlier.
- (ii). To submit all documents relating to its functioning and accounts filed by it before the Registrar of Companies.
- (iii). To moderate the increase proposed in tariff in view of the demand made by the users. Also, examine the possibilities of proposing tariff increase in a graded manner within the prescribed tariff validity period.

9.3. The VCTPL has responded to the points made at the joint hearing. It has furnished copy each of Annual Return and Annual Reports submitted to Registrar of Companies for the year 2002-03 and 2003-04.

9.4. It has furnished revised cost statement. In the revised cost statement, the management fees has been spread over a period of 30 years. As regards assessment of Terminal Value, the VCTPL has reiterated its earlier submission that it would not be feasible to forecast the terminal value receivable at the end of 30 years at this stage since there are numbers of uncertainties. Life of existing equipment is between 8 to 15 years and, therefore, it will undergo replacement

between 15 to 20 years before expiry of the licence period. Equipment procured in year 20 will have residual value of only 5 years at completion of the project period. It is difficult to determine the procurement value of equipment to be acquired after 15 to 20 years and residual value thereto at the end of 30th year at this juncture. The revised cost statement furnished by the VCTPL at the existing tariff level reflects the following:

Years	2005-06	2006-07
Average deficit (Rs. in lakhs)	(-) 1339	(-) 1176
ROCE	(-) 9.32%	(-) 6.95%

9.5. In view of strong objection raised by the users, against steep hike proposed by VCTPL, it has proposed tariff increase in graded manner for the years 2005-06 and 2006-07. The main modification proposed by the VCTPL vis-a-vis its earlier proposed Scale of Rates as summarised below:

- (i). Upward revision proposed in composite box rate proposed to be revised in graded basis year to year.

For 2005-06:

- 16.7% hike proposed in the composite rate for laden container as against 78% proposed earlier. With reference to empty container the hike proposed in composite rate is 47.4% as against 122% proposed earlier.
- Storage charge on containers (Section 1.10) proposed to increase by 27.5% over the prevailing tariff as against 62% proposed earlier.

For 2006-07:

- Composite rate proposed to increase by 14.28% on compounded basis (i.e. over tariff proposed for 2005-06).
- Storage charge proposed to increase by 12% on compounded basis.

- (ii). Tariff for transshipment container proposed to be reduced by 10% from earlier proposed tariff i.e. from Rs.4200 to Rs.3780 for a 20' container for both these years. It has clarified that this reduction is proposed eventhough its cost does not permit the same.

- (iii). Tariff hike for all other items are as proposed by it in its initial proposal.

9.6. The VCTPL has accordingly furnished separate Scale of Rates for the years 2005-06 and 2006-07 in view of the above modifications and has proposed to consider validity of its Scale of Rates for period of two years only instead of three years prescribed in the revised tariff guidelines.

9.7. Additional revenue generation to the tune of Rs.419 lakhs and Rs.777 lakhs for the year 2005-06 and 2006-07 is estimated on account of the proposed hike in the tariff. ROCE at the proposed tariff level is stated to be (-) 2.81% for the year 2005-06 and 6.12% for the year 2006-07 (average 1.66% for both the years).

9.8. It has clarified that as per its financials it is eligible for revision proposed as per its initial proposal of April 2005, however, keeping in mind the sentiments of the trade a graded increase in composite box rate, storage charge is proposed and transshipment charges proposed earlier is reduced by 10% as a special case. It has hoped to be compensated in the next tariff revision cycle.

10. Since the revised proposal of the VCTPL was in the processing stage and the validity of its SOR was to expire on 30 June 2005, this Authority by its Order on 22 July 2005 extended the validity of its existing SOR for a further period of three months from 1 July 2005 to 30 September 2005 or till notification of the final Order whichever is earlier.

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 <http://tariffauthority.gov.in>

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

- (i). The existing Scale of Rates of the Visakha Container Terminal operated by the Visakha Container Terminal Private Limited was fixed by this Authority vide its Order dated 10 September 2003. Since that was the initial tariff fixation of the VCTPL, validated cost position was not fully available. Low traffic volumes coupled with ahead-of-schedule investments made by the operator constrained this Authority from applying the usual cost plus model in this case. Recognising the fact that VCTPL will compete with the Chennai Container Terminal Limited (CCTL) for traffic, the initial tariff was benchmarked against the (then) existing Scale of Rates of the CCTL and was fixed 10% less thereof except for two items i.e. quay crane and transportation charges fixed at par with CCTL tariff.
- (ii). The VCTPL has reported loss of Rs.1421 lakhs and Rs.1341 lakhs during the years 2003-04 and 2004-05 respectively and anticipates further loss of Rs.1339 lakhs and Rs.1176 lakhs during the year 2005-06 and 2006-07 at the existing tariff level after considering interest and depreciation but without taking into consideration the return on its investment. It is noteworthy that the initial tariff was allowed knowing fully well that it would not adequately cover the admissible cost and permissible return, as it was found not justifiable to pass on the capital cost and other fixed expenses relating to the investments made, which was substantially higher than the levels warranted by the CLA, on the under-utilised capacity. As this analysis progresses further, it can be seen that the position is not very different even now. In view of the peculiar situation of high investment and low volumes, the operator cannot reasonably seek compensation for past losses suffered in the immediately succeeding tariff cycle. The objective should be to achieve better utilisation of the capacity created and for this purpose, tariff should act as an incentive to induce growth. A tariff structure fully loaded with all cost and maximum return, given the present and anticipated volumes in future, may not perhaps lead the terminal in this direction. The VCTPL has subsequently realised this position and revised its initial proposal so as to balance its financial compulsion of reducing the revenue deficit and the immediate necessity of building up volumes.
- (iii). The revised tariff guidelines prescribe tariff validity cycle of three years. The VCTPL in its revised proposal has, however, furnished projections for two years only and requested this Authority to approve the proposed tariff for two years. The intention is to seek gradual increase in tariff and to undertake a comprehensive review at the end of two year period. In view of the deficit position estimated by the VCTPL even at the proposed level of tariff, this Authority accepts the request of the VCTPL for two year validity period. This will also enable this Authority to review its cost position based on actuals available at the end of validity period of two years. The analysis is, therefore, restricted for the period of two years i.e. 2005-06 and 2006-07.
- (iv). The actual traffic handled by the VCTPL for the year 2003-04 is reported at 17508 TEUs (for nine month's of operation) and 45517 TEUs for the year 2004-05. The VCTPL has clarified that substantial increase in the throughput handled during the year 2004-05 is mainly due to congestion at the JNPT and NSICT leading to diversion of ICD containers to its terminal, which was a temporary phenomena and may not expected to continue. Accordingly, throughput for the years 2005-06 and 2006-07 are projected at 63000 TEUs and 80000 TEUs respectively considering a conservative growth rate. As against current general trend growth in container traffic, the VCTPL has projected a growth rate of 38% and 27% in its container traffic for the years 2005-06 and 2006-07 respectively even under conservative scenario. The traffic projections made by VCTPL are relied upon for the purpose of this analysis.

However, if any undue advantage is found to have accrued to the terminal operator due to wrong estimation, adjustment will be made in the tariff at the time of next review of tariff in line with the revised tariff guidelines.

Traffic projections under optimistic scenario have been furnished only for information and hence not considered for the purpose of this analysis, as requested by the VCTPL.

- (v). The income from storage charge has been estimated assuming 2% of import / export container will stay at the terminal for 2 days after availing the free storage period and 5% of ICD container will stay at the terminal for average period of 3 days after availing free period of 15 days. From the historical data furnished by the VCTPL, it has been noticed that 11% of import / export containers have stayed at the terminal for 3 to 6 days after availing the free storage period. Like-wise, 10% of the ICD traffic has stayed at the terminal for 12 days after availing free storage period. The VCTPL expects that with increased availability of off-dock CFS facilities in and around the terminal, dwell time of containers inside the terminal will reduce. Improvement in the frequency of trains, evacuation of containers moving by rail is also expected to be faster which is also likely to contribute towards reduction in the dwell time of containers. These projects will need time to stabilise and even then, there may not be a drastic reduction in average dwell time of containers in comparison to the past actuals at least in the two years time horizon under consideration.

As regards income estimation from transshipment container, it has clarified that in most cases one leg of voyage is foreign and the other is coastal and accordingly, the income estimation is done considering the concessional tariff applicable for coastal containers in line with the revised tariff guidelines.

In respect of other tariff items, the ratio of coastal containers to foreign-going containers in the past two years is reported negligible at around 0.38% to 0.47% and hence the concessional tariff applicable to coastal containers has not been considered in the income estimation.

For the purpose of this analysis, the operating income as estimated by the VCTPL is considered. At the time of next review, if it is found that the actual storage income varies widely from the estimates furnished, the additional accrual will be set off against future tariff revision in line with the revised tariff guidelines.

- (vi). The VCTPL has projected recruitment of additional four employees which will have a financial impact of Rs.15.12 lakhs during the year 2005-06 and three additional employees with an additional cost of Rs.4.92 lakhs for the year 2006-07. These additions being marginal are allowed as proposed.

The salaries and wages for the year 2005-06 and 2006-07 are estimated to escalate by 10% over the previous year's figure in addition to the cost of additional manpower proposed to be recruited. Generally, the escalation factor equivalent to the inflation level is considered by this Authority for estimation of expenditure of the major ports and private operators. Even though inflation seems to be relevant only to the variable component of wages, escalation is allowed on the entire wage cost to take care of the general annual increase in pay levels. The VPT has also pointed out that 5% increase in salaries and wages is the general trend. The revised guidelines for tariff fixation recently notified by this Authority in March 2005 specifically require the expenditure to be projected in line with traffic adjusted for price fluctuation with respect to the current movement of wholesale price index for all commodities announced by the Government of India which is reported at 6.44% for the financial year 2004-05. Accordingly, the estimation of salaries and wages is modified by allowing annual escalation of 6.44% for the years 2005-06 and 2006-07 over the respective previous year's figure. The cost of additional manpower is, however, counted as estimated by the VCTPL.

- (vii). The VCTPL pays lease rentals for the lands allotted to it by the VPT. The VCTPL in the revised cost statements has included estimated lease rentals of Rs.74.75 lakhs for each of the years 2005-06 and 2006-07 for 1,64,500 sq. mtr. of back up area at the lease rentals prevailing in the SOR of VPT. The estimation of lease rental agrees with the figures furnished by the VPT and hence are accepted. These estimates are based on the prevailing lease rentals for VPT lands. If the relevant Scale of Rates of VPT is revised upward with any significant financial burden on the lessee, it is open for VCTPL to come up for an ahead-of-schedule review.
- (viii). (a). The fuel cost has been estimated based on the past actuals with adjustment for anticipated volume. In addition, the VCTPL has considered 15% escalation in the fuel cost based on the past trend. In view of the specific provision in the revised tariff guidelines for allowing annual escalation of expenditure, annual escalation in fuel cost is allowed at 6.44% with suitable adjustment for anticipated volumes.
- (b). The unit rate of power is estimated at Rs.4.67 and Rs.4.91 for the year 2005-06 and 2006-07 as against the actual unit rate of Rs.4.45 for the year 2004-05. Annual escalation of 5% has been considered by the VCTPL for estimating the unit rate of the power which is found to be within annual escalation allowed for other items of cost and hence is accepted. Consumption of power by quay gantry crane and equipment for handling reefer container varies with the throughput projections. The power consumption estimations with reference to these equipment are accepted as furnished by the VCTPL. The VCTPL has considered 25% increase in the consumption of power in respect of the workshop, DG house, IT, Security, Canteen, etc., for the year 2005-06 over the previous year's consumption. It is relevant to mention that consumption of power in all these centres are more of fixed in nature and will not generally vary with the throughput. The VCTPL has not furnished any reasonable justification for increase in consumption of power in these centres. Estimated consumption of power in respect of these specific centres are, therefore, maintained at actual consumption level reported for the year 2004-05.

The proposed additional investment for construction of new workshop building during the year 2006-07 has not been considered for the purpose of this analysis for reasons explained in sub-paragraph [xvi (b)]. That being so, the additional power consumption in the workshop and operation cabin estimated on account of the proposed investment is also not considered for the purpose of this analysis.

- (ix). Repairs and maintenance cost is estimated at 3% of gross block of fixed assets (excluding leasehold land premium) for the years 2005-06 and 2006-07 at Rs.227 lakhs and Rs.230 lakhs respectively. The repairs and maintenance cost allowed for other private operators like the NSICT is at 1.15% of the opening block of assets; at CCTL, it was 2% on equipment cost and 1.5 % on the civil works.

At the time of initial tariff fixation of the VCTPL, the repairs and maintenance cost estimated by the VCTPL at Rs.403 lakhs for the year 2004-05 which was found to be very high in comparison to the estimates of other private operators and hence it was moderated based on the percentage of maintenance cost prescribed for the CLA in the absence of any basis for estimating the cost. It is found more appropriate to base the estimates for future on the actuals for 2004-05, which is available now.

Actual repairs and maintenance cost for the year 2004-05 is reported at Rs.69 lakhs which is about 1% of the gross asset value. No major addition is proposed to the equipment during the two years under projections except the proposed construction of new workshop building in the year 2006-07. The VCTPL has justified that increase in volume will increase usage of equipment and since some of the equipment are second hand, repairs and maintenance cost is estimated at a higher percentage of 3% of the gross block as against actual repairs and maintenance cost

of around 1% of the gross block during the previous two years. It is relevant here to note that ageing of the equipment will be gradual and no special circumstance is projected to show that such a happening will be on an accelerated manner within the next two years. Since the value of the assets gradually reduce due to depreciation and maintenance cost increases with age, it is found reasonable to consider a slightly higher percentage of gross block as repair and maintenance cost. The repairs cost for equipment is considered at 2% of the gross block of fixed assets excluding lease hold land premium and upfront fee as considered in the CCTL also recognising the second hand equipment in use at VCTPL. For civil works, it is computed at 1% of the gross block of relevant assets based on the actual position obtained from the VCTPL.

- (x). The insurance cost for the year 2004-05 is reported at Rs.54 lakhs by the VCTPL. For the year 2005-06 and 2006-07, the VCTPL has considered additional insurance premium of Rs.14 Lakhs in order to cover the two old quay gantry cranes at replacement value as per the terms of the CLA and has also furnished a quotation obtained in this regard. It is relevant to mention that in case of other private operators also like CCTL, VSL, SWPL and PSA SICAL the insurance cost has been estimated on historical cost of assets and not on replacement cost. Even the VCTPL has insured equipment and assets on historical value for the years 2004-05 and 2005-06. The CLA in VCTPL case specifically requires insurance cover to be taken at replacement value. It is not explained how the replacement value of the equipment in reference was determined. Nevertheless, the position reported by VCTPL is relied upon for this exercise subject to verification of actuals at the time of the next review. The estimates of insurance premium as furnished by VCTPL are considered in this analysis.

The activities relating to lashing and unlashng operation, reefer monitoring, transportation of container, etc., have been outsourced by the VCTPL and separate agreements have been entered with the contractors in this regard. It is assumed that the competitive price prevailing in the market has been ascertained while outsourcing these services to the contractors and arms length relationship of the transaction is maintained. Based on these assumptions, the expenses estimated for services outsourced are admitted in this analysis. The estimation of other operating expenses relating to security, water charges, etc., are taken with an annual escalation of 6.44% over the previous year's figure since these expenses are generally fixed in nature.

- (xi). The VCTPL has claimed royalty payable to the extent quoted by the second highest bidders M/s. Seaways Shippings as an item of cost and requested to consider the same in line with the revised tariff guidelines.

It is noteworthy that this item was not allowed earlier as a pass through. In fact, the initial tariff fixation order of VCTPL straightaway rejected inclusion of this item as a cost element for tariff computation.

As per the revised guidelines for tariff fixation, in case of bids finalised before 29 July 2003, the tariff computation must take into account royalty / revenue share payable by the private operators to the landlord port as cost for tariff fixation so as to avoid the likely loss on account of this item not being taken into account, subject to maximum of the amount quoted by the next lowest bidder. The CLA was signed by the VCTPL on 11 September 2002 and in view of the deficit position reflected in its cost statement, it is required to consider royalty as quoted by the next lowest bidder in line with the revised tariff guidelines.

It is significant to note that assessing the second highest bid value is simpler in a revenue share model as other parameters are frozen. The royalty model, the bid values are more than one and the successful bidder was selected based on the NPV assessment. It is, therefore, not correct to consider only one of the bid values in isolation and allow royalty to the extent quoted by the second highest bidder. Applying the same principle of allowing second highest bid value of revenue share, the royalty model should recognise only the portion of royalty equivalent to the proportion of NPV relevant to the second highest bid.

The VCTPL has considered royalty per TEU quoted by the next lowest bidder at Rs.35 and Rs.48 over its own throughput projections for arriving at the royalty figure. It has not taken into consideration the minimum guaranteed throughput quoted by the next lowest bidder which was another variable factor in the bid. The VPT on our request has furnished the NPV of the revenue stream quoted by the next bidder (excluding upfront fee which is uniform) at Rs.13.03 crores. This is found to be 51% less than the relevant assessment for the VCTPL's bid. This means, only 51% of the royalty quoted by VCTPL can be admitted for tariff computation purpose, based on the principles set in the revised tariff guidelines. Accordingly, royalty amount payable by the VCTPL for the two years under projection is reduced by 51% and allowed at the level quoted by the next lowest bidder.

- (xii). The marketing cost for the year 2005-06 is accepted as estimated by the VCTPL since it is comparable to the 2004-05 actuals. The VCTPL has, however, estimated this cost at 3% of the total operating income for the year 2006-07 which is a 27% increase over the previous year's estimate. The nature of this expenditure does not allow it to be treated as a variable cost which should vary with income. The estimate of marketing expense for the year 2006-07 is, therefore, modified considering an annual escalation of 6.44% over 2005-06 estimates.

The administrative expense has been estimated by the VCTPL considering 6.5% annual escalation. In order to maintain consistency with other estimations, annual escalation is considered @ 6.44% though the impact of this modification is negligible.

- (xiii). At the time of initial tariff fixation, the VCTPL had furnished an estimate of management expenses of Rs.100 lakhs for each of the years 2003-04 and 2004-05 and stated that it related to the additional marketing expense to be incurred for initial five years for short video films, site creation etc., and was an unavoidable cost for start up of the terminal to achieve the projected throughput. Relying on the explanation furnished by the VCTPL, the estimate of this expense was amortised over the project period on the ground that extensive marketing effort will reap the benefit over longer period of time.

The VCTPL in the current proposal has stated that the management expenses refers to Technical Service payment made by the VCTPL to the Dubai Ports International (DPI) and United Liner Agencies (ULI). The earlier statement made by the VCTPL for inclusion of this item as cost is, therefore found not to be correct since at that point of time, technical service fee payable by the operator to its promoters or associated entity was not allowed as item of cost for tariff fixation by this Authority.

As per the revised guidelines for tariff fixation 'Technical Services Fee' payable by the private terminals to their promoters or to their 'associate entity' can be admitted as an item of cost for tariff fixation purposes if yardstick of 'arms length relationship' of this transaction is established as defined under Income Tax Act. The VCTPL has furnished the certificate from its Chartered Accountant certifying that the technical service fee payable by the VCTPL to the DPI and ULA has been determined having regard to 'arms length price' computed as per the provisions of section 92 (C) of the Income Tax Act 1961. The VCTPL has expressed its inability to furnish the Assessment Order of the Income Tax Authorities for the past years since the assessment is still pending. The certificate issued by the CA establishing the arms length relationship of the transaction of the management fee payable by the VCTPL to its promoter company is relied upon for allowing this expense as an item of cost for the present exercise subject to verification at the time of next review based on the IT assessment order in this regard. Since the benefit of the technical services is expected to be available for the entire project, the management fee payable by the VCTPL is spread over the remaining period of the project.

As per the agreements, management fees of 1 lakh US dollar and 2 lakh US dollar are payable to United Liner Agencies (ULA) and Dubai Ports International (DPI) respectively each years for period of five years from the date of the agreement. The VCTPL has clarified that major portion of management fee could not be remitted

during the past two years on account of insufficient funds. The agreement provides payment of the fee in the subsequent period also as and when sufficient funds are available. Accordingly, in its computation, it has considered the outstanding amount of management fee payable for the previous two years and balance payable for the next three years and amortised the same over the remaining period of the project. It is relevant to mention this expenditure has already been booked as expenditure for the years 2003-04 and 2004-05 as per financial documents furnished by the VCTPL. As mentioned earlier, there is no justification in this case for seeking compensation from future users of its terminal for the revenue gap in the past.

In view of these observations, the management expense payable for the next three years as per the terms of agreement is considered for this tariff revision and amortised over the remaining period of 28 years of the project in line with the treatment considered for the upfront fee. This treatment is allowed subject to the conditions that VCTPL will produce at the time of next review the IT assessment orders for each of the years to show that the Income Tax Authorities have allowed this expenditure. If such an evidence is not produced, estimated expenditure allowed now will be set off in the next tariff review.

- (xiv). The VCTPL has stated that depreciation has been computed as per the Companies Act, 1956 or life norms of the assets whichever is higher. This is in line with the revised tariff guidelines. Depreciation rate considered for some of the assets like computer hard ware and software at 33.33% is found to be higher than the depreciation rate considered by other private operators in the range of 20% to 26.5%. It is to be recognised that the Companies Act allows some freedom to the management to decide the rate of depreciation within the broad guidelines prescribed. That being so, for the purpose of this analysis the depreciation rate considered by the VCTPL is taken into account. The actual depreciation charged in the accounts for the years 2005-06 and 2006-07 will be verified at the time of the next review.

The VCTPL has stated that the incidental expenses of Rs.11.26 crores incurred during construction period including upfront fee of Rs.3.19 crores paid to VPT has been capitalised to building and Plant & machinery. Upfront fee cannot be depreciated at the rate applicable for the plant & machinery and building. It has to be amortised over the project period in line with principle followed in case of other private operators. In view of this position, the upfront fee as indicated by the VCTPL has been excluded from the gross block of plant and machinery and building and shown separately. Suitable adjustment has been done in depreciation on account this modification.

Likewise, non-refundable lease hold premium of Rs.56.75 included by the VCTPL as part of the gross block of fixed assets and depreciated accordingly has been shown as a separate entry along with other such relevant payments which require to be spread over the project period.

- (xv). The VCTPL has stated that the preliminary expense being very less at Rs.1 lakh only, the same has already been written off to Profit & Loss Account during the year 2003-04. Since it is a minuscule amount, the treatment given by the VCTPL will not have any significant effect on the tariff and hence it is not modified though this amount needs to be amortised over the project period in line with the principle adopted at all other private operators.
- (xvi). (a). The gross block reported by the VCTPL for the financial year 2004-05 is Rs.76.30 crores which includes lease hold land premium and upfront fees paid to the VPT. Addition of Rs.1 crore in the gross block has been considered during the year 2006-07 for construction of new workshop. No increase in the present capacity of the terminal of 1 lakh TEUs per annum is anticipated in view of the proposed addition.

As admitted by the VCTPL also, the CLA does not make any specific mention of installing equipment till the traffic level reached 1 lakh TEUs. The CLA requires deployment of RMQGC during the 3rd phase when the throughput level reaches 1 lakh TEUs. As against this position, the VCTPL has already deployed two nos. of 2nd hand quay gantry crane, 4 reach stackers, 2 used RTGs during initial years to achieve productivity of 15 moves per hour as specified in the CLA. It is relevant to mention here that this Authority during the initial tariff fixation had made a categorical observation that investment made in excess of the limits prescribed in the CLA would be allowed return only if the volume builds up to justify the investment. The throughput achieved by the VCTPL during the year 2004-05 and the future projections for next two years is found to be less than the present capacity of 1 lakh TEUs. Further, it does not envisage any additional volume or increase in the present capacity or any significant reduction in per unit cost on account of the proposed investment for new workshop building. There is no reduction in the repair and maintenance cost estimated even after the commissioning of the proposed workshop. On the contrary the expenses under this head is projected to increase steeply. Further, the proposed investment only adds to the power cost. Operational efficiency, expected to be achieved on account of this new workshop building has also not been quantified to justify the proposed addition to the gross block. In view of the above position, it is not found reasonable to consider the proposed addition to the gross block for the purpose of tariff computation. Hence, the proposed additional investment on workshop is excluded from the estimated gross block. The estimate of depreciation has also been adjusted on account of this modification.

- (b). The VCTPL was requested to review the estimation of sundry debtors made at one month of the revenue in view of the fact that tariff are generally collected in advance by major ports and private operators before providing the services. The VCTPL has clarified that some of the major customers are making delayed payments which cannot be avoided in view of the low volume of its business. The estimation of sundry debtor by the VCTPL is not found to be in line with the revised tariff guidelines. If the VCTPL allows credit facility to some of its customers it is an internal arrangement of the operator and this burden cannot be passed on to all the users through tariff. The basis of estimation of cash balance is found to be in line with the revised tariff guidelines. In view of the modifications done in the estimations of operating cost, the estimation of current assets, however, stands modified. Stores and spares consumption has been estimated considering average consumption for six months, which is in line with the revised tariff guidelines. As regards capital stores, the VCTPL has estimated 1 crore each for the years 2005-06 and 2006-07 based on its one year requirement. It has not furnished any documentary support to validate this estimate. In the absence of any documentary support to validate this estimate, the estimation of capital stores consumption of Rs.1 crore during each of the years 2005-06 and 2006-07 are not allowed.

The estimate of current liabilities at 15 days of fuel and power cost, repairs, marketing, administrative cost, etc, is accepted. In view of modification in the estimation of the operating expenses, the estimation of the current liability stands modified.

It is relevant to mention that the computation of return on capital employed is only a theoretical exercise in this case since the cost statement reflects deficit position at operating cost level.

- (c). The capital employed subject to the modification explained in the foregoing paragraph works out to Rs.60.35 crores for the year 2005-06 and Rs.54.15 crores for the year 2006-07.

The revised tariff guidelines for tariff fixation prescribes a pre-tax rate of 15% return on capital employed in case of business assets. The return is linked to the capacity utilisation factor of the terminal and maximum permissible return of 15% is allowed for capacity utilisation of 60% and above. The VCTPL has reported that all its assets are business assets only. The capacity utilisation is at the level of 63% and 80% for the years 2005-06 and 2006-07 at the assessed capacity of 1 lakh TEUs reported by VCTPL and hence the return on capital employed is computed accordingly as per the revised tariff guidelines.

- (xvii). The CLA stipulates that on expiry of the license period, the licensors shall pay for and acquire the whole of the undertaking's assets and liabilities at a price equal to the aggregate of the fair value determined by an independent expert and the termination payment as per the terms of the CLA. The VCTPL has expressed its inability to furnish the terminal value receivable at the end of the 30th year, in view of various uncertainties involved. In the absence of any detailed figure, the depreciated book value of container handling equipment at the end of the project period as indicated by the VCTPL at the time of initial tariff fixation is annualised over the remaining period of the project discounted at the prevailing cost of debt.
- (xviii). Subject to the discussion above, the cost statement has been modified. The modified cost statement is attached as **Annex-I**. The result disclosed by this statement is summarised as shown in the table given herein under:

Surplus (+) / deficit (-) 2005-06		Surplus (+) / deficit (-) 2006-07		Average Surplus (+) / Deficit (-) as a % of operating income
(Rs. in lakhs)	As % of operating income	(Rs. in lakhs)	As % of operating income	
(-) 1301.73	(-) 106.14%	(-) 965.42	(-) 61.49%	(-) 83.82%

It can be seen from the above table that the modified cost statement shows an average deficit of around 83% for the years 2005-06, 2006-07 over the operating income estimated at the prevailing rates.

The VCTPL has explained that 75% of its volume is handled by four big lines for which a separate tariff arrangement exists and hence the proposed increase will not affect them as the SOR will only be a ceiling. Thus, this tariff revision exercise is practically relevant in the context of the balance 25% of the traffic.

Some of the users have compared the tariff with the CCTL and raised strong objection on the increase proposed. It is relevant to mention the tariff of the major ports and private operators is generally fixed based on port-wise / terminal-wise cost plus approach and allowing permissible return on its investment and the revised tariff guidelines also prescribes the same approach. As stated earlier, the initial tariff fixation of the VCTPL was benchmarked against the then prevailing tariff of the CCTL in the absence of availability of validated cost statements. Subsequently, the tariff of CCTL has been revised upwards by 17%.

The tariff in respect of the major component i.e. the composite box rate and also the storage charge is proposed to be increased in a graded basis to smoothen the impact of revision on the trade. The tariff for other items is proposed to increase in the range of 82% to 274%. The main contributor to revenue is the charges for handling activities which are now proposed to be consolidated under the box rate. This item alone accounts for about 87% of the revenue. Against the deficit position of 83%, the increase sought for this item is relatively lower. The increase sought by VCTPL in

composite box rate is 16.7% over the existing tariff for the year 2005-06 (which on account of rounding off works to around 18.8%) and 14.28% increase is proposed for the year 2006-07 over the tariff proposed for 2005-06 in case of laden containers.

The additional revenue proposed to be generated by the tariff revision is Rs.415 lakhs for 2005-06 and Rs.777 lakhs for 2006-07. It is also to be noted the additional revenue for the year 2005-06 will not be available fully as tariff is not going to be revised retrospectively. Further, full realisation of additional revenue also may not be possible in view of the special arrangement reported by VCTPL for 75% of the throughput. In view of the deficit position depicted by the cost statement, there is a case for increasing the tariff at the level proposed by the VCTPL. As observed in the preceding paragraphs, income from storage charges, is found to be under estimated. Further, the traffic projections is based on a conservative growth rate. Most importantly, the volume is yet to be achieved to make full use of the investments made. Considering all these facts, the increase proposed by the VCTPL is allowed subject to the specific modifications discussed in the subsequent paragraph.

The actual physical and financial performance will be reviewed at the end of the prescribed tariff validity period with reference to the projections relied upon for this tariff revision. Variation, if any, will be adjusted in future tariff in the manner prescribed in the revised tariff guidelines.

- (xix). The VCTPL has proposed to modify the existing terminology of Over Dimensional Container (ODC) as Out of Gauge (OOG) container. It has clarified that ODC is used in colloquial parlance whereas the correct term commonly used to describe container of non-standard dimension is OOG container. The proposed modification in the terminology is accepted.

A premium of 100% over the applicable handling charges and a premium of 300% over the applicable storage charges in respect of OOG containers is proposed as against the existing premium of 25% applicable in case of handling charge. The VCTPL has justified that this additional premium of 100% on handling charges is on account of additional manpower to the extent of atleast 6 normal containers, requirement of special gears, etc., for handling such OOG containers. It is relevant to mention that in case of other private operators like PSA SICAL, CCTL and even VCTPL (at the time of initial tariff fixation) a premium of 25% has been prescribed over the applicable handling charges for such over dimensional containers. There is, therefore, no extraordinary circumstance warranting the proposed premium of 100% to 300% in respect of these containers. The proposed provision is, therefore, modified in line with the premium allowed in case of other private terminal operators. As regards the premium proposed in storage charge, it has clarified that storage of an OOG container will lead to loss of stacking slots of 2 to 14 normal containers and hence the proposed premium of 300% over the applicable storage charges is reasonable. In case of hazardous containers, it has proposed a premium of 25% over the applicable handling charge. It is relevant to mention that in case of other private operators, no premium is explicitly prescribed in case of storage charge. In the absence of any cost details by the VCTPL despite a specific request, it is difficult to assess the reasonableness of the premium proposed by the VCTPL. To start with, this Authority approves premium in storage charges at the same level as prescribed for handling charge in respect of OOG and hazardous containers.

- (xx). The VCTPL has not updated the conditionality relating to payment of penal interest on delayed payment / refund which should be 2% above the prime lending rate of State Bank of India (SBI) as per the revised guidelines for tariff fixation. The proposed provision is modified to prescribe a penal interest rate of 13%.
- (xxi). The VCTPL has proposed to introduce a general note about granting 40% concessional tariff on all handling charges in the some of the relevant schedules instead of prescribing separate concessional tariff for these categories of coastal containers. It has argued that this Authority's Order relating to concessional tariff for

coastal vessels / containers is valid only till January 2007 whereas the validity of its proposed SOR is beyond this date and hence it is appropriate to prescribe it as a general note instead of prescribing separate tariff. While this argument partly justifies the proposed provision, the main consideration for accepting the argument of VCTPL is the fact that all tariff items in the SOR are proposed to be in rupee terms only. Since coastal trade is to be charged concessional rates in rupee terms, a simple conditionality in the SOR prescribing the minimum concessions to be given to coastal trade will be sufficient instead of introducing separate schedule of each rates for coastal containers.

(xxii). One of the major modifications in the proposed SOR is denomination of all the tariff items in rupee terms as against dollar denominated tariff in the existing SOR in respect of handling charge, storage charge, wharfage on containers, etc., Revised tariff guidelines allow an option of denominating composite box rate and container related charges in dollar terms in the case of foreign-going vessels. This provision is to be seen more for dealing with the demand for dollar denomination. As a matter of fact, two major container handling terminals, viz. JNPT and NSICT follow rupee denominated tariff structure right from the beginning. As pointed out by the VCTPL, the dollar denominated tariff are also ultimately converted to rupee terms at the time of billing. There has been no specific objections from any users for denominating tariff in rupee terms except a general remark made by the VPT to examine the matter. Significantly, the VCTPL has pointed out that its proposal in this regard is based on suggestions made by many of its users. The revenue estimates in this case do not take into account fluctuation in foreign exchange rate. The proposal for denomination of all tariff items in rupee terms is accepted.

(xxiii). The VCTPL has proposed a composite box rate inclusive of handling by ship to shore transfer, movement between berth and yard, lift on / lift off at yard and also wharfage component as against separate tariff prescribed in the existing SOR for various operations. It is noteworthy that the revised tariff guidelines encourage prescription of composite box rate. The revised proposal seek a graded increase in the composite box rate of 16.7% (which on account of rounding off works out to 18.9%) for the year 2005-06 and 14.2% for the year 2006-07 in case of a laden container as against 78% increase sought in its initial proposal. In case of empty container, the revised proposal seeks graded increase in the composite box rate of 47% for the year 2005-06 and 14.2% for the year 2006-07 as against 121% increase sought in its initial proposal. The differential tariff between empty and laden container is comparable to the differential tariff prescribed in the JNPT and the NSICT for such containers. In case of ICD laden containers, the increase proposed in the composite rate in the revised proposal is 33% over the prevailing tariff in the year 2005-06 and 9.88% increase in the year 2006-07 as against 79% proposed in its initial proposal.

Since the increase proposed in graded manner is lower than the overall level required to bridge the cost deficit, this Authority approves the tariff for handling charges as proposed by VCTPL.

(xxiv). The handling charges for transshipment container is prescribed at US \$ 17.10 for 20 ft. container in the existing SOR and in addition to this wharfage component is also levied. Consolidated rate for handling a 20' transshipment container works out to Rs.1286 as reported by the VCTPL considering the current exchange rate. As against this, the VCTPL had initially proposed a composite rate of Rs.4200 per TEU which was subsequently reduced by 10% at Rs.3780 per TEU. The increase proposed for transshipment container is around 194% from the present level of tariff. It should be noted that the existing rates for transshipment container adopted based on the (then) prevailing tariff of CCTL is lower than the similar charge for normal containers (US \$ 17.50) even though transshipment operation involves double handling.

The VCTPL has clarified that in case of a transshipment container in addition to the movements involved for an export container, there is extra activity of loading back into the vessel which entails lift on from the stack, placement on trailer, transportation

on trailer, lift on by quay crane and finally lift off on the vessel. Hence the composite box rate for transshipment containers based on the actual movements involved should be double the rate proposed for a 20' laden container whereas the rate proposed by it is only Rs. 3780 per TEU in the recast proposal.

The composite tariff proposed by the VCTPL for handling transshipment container is 1.35 times the charges for handling a normal import / export container. The revised tariff guidelines allow tariff for transshipment containers at the level not exceeding 1.5 times the handling charges for the normal handling operation in loading or unloading cycle. Since the proposed rate complies with the revised guidelines, the proposed charges for handling transshipment is approved.

- (xxv). The tariff for handling hatch cover without landing is proposed to be increased by 127% whereas handling hatch cover with landing on quay is proposed to be increased by 82%. The VSAA and VPT have pointed out that handling of hatch cover forms the natural function of vessel handling; and, hence there is no reason to burden the vessel operator with such an exorbitant hike.

The VCTPL has justified the proposed increase is reasonable recognising the fact that each operation of handling hatch cover by quay crane will be equivalent to handling four normal size containers taking into consideration the additional time taken and the skill involved. In this context, it is relevant to mention that the tariff prescribed for similar operation (without landing on quay) is around 85% of the quay crane charges for handling a 20' loaded container at CCTL and PSASICAL and around 40% of the composite box rate at NSICT and JNPT. In the case of hatch cover landing on quay, the corresponding charges are around 200% of quay cranes charges for normal container handling at CCTL and PSASICAL and around 100% of the composite rate at JNPT and NSICT.

The proposed rates for hatch cover opening without landing is around 45% of the composite box rate and the rate for opening hatch cover with landing is around 90% of the composite rate. The proposed rates compare with the differential maintained at other terminals and hence approved.

- (xxvi). The increase proposed in tariff of restow container is in the range of 155% to 274% from the present tariff level. The VCTPL has explained that restow container involves extra activity of loading back container into the vessel in addition to the usual movements involved for a normal container. The VCTPL has clarified that the charges proposed for restow container is less than the actual cost involved in undertaking the restow activity. Even though the increase proposed in tariff for restow container is found to be higher with reference to the existing rate, the tariff differential with charges proposed for handling a normal 20' container is within the range of such differential maintained at other private operators for the same operations. That being so, the proposed tariff is allowed.

- (xxvii). The charges for shut out container is proposed to increase by 132% in case of laden container and 106% in case of empty container. The VCTPL has explained that a shut out container has to be shifted from the stacking yard nominated for the vessel on which it is shut out to the stacking yard nominated for the vessel on which it is to eventually loaded. It has justified that, the proposed tariff takes into consideration the shifting charges i.e. charges towards lift on, and transportation and one lift off. For the purpose of this analysis, the existing transportation charges and lift on and lift off charges are notionally increased by 16.7% as proposed by the VCTPL in the composite box rate and compared with the charges proposed for shut out containers. The result is more or less comparable to the position obtaining in other private terminals for the same operations. That being so, the proposed tariff for shut out container is accepted.

- (xxviii). The VCTPL has proposed charges for Pre Trip Inspection (PTI) and Reefer Run test excluding the charges for electricity supply as against the existing SOR prescribing the tariff for these two services inclusive of charges for electricity supply. Since none

of the users have raised any objection on the proposed tariff structure, this Authority is inclined to approve the same. Incidentally, both the services are optional and rendered only at specific request by users. The unit of levy of electricity charges for reefer container is proposed on four hourly basis as against existing prescription on 8 hour basis. The proposed modification in unit of levy of reefer container is in line with the revised tariff guidelines and hence is accepted.

The VCTPL has proposed to increase the charges for supply of electricity by 130% from the present level. The power consumption is considered at 40 units per four hour by a 20' reefer container for arriving at the proposed rate. It is relevant to mention that average consumption of power by the reefer container has been considered in the range of 40 units to 45 units per 8 hour shift in case of Visakhapatnam Port Trust, New Mangalore Port Trust, Mormugao Port Trust, etc. While it is understandable that unit rate of electricity can vary from place to place, the reasons why the same type of service should consume electricity differently at different places and that too almost double at the VCTPL by reefer container are not discernable. It is, therefore, found reasonable to allow the maximum consumption in the VCTPL case based on the position obtained at other major ports. Accordingly, the tariff for supply of electricity is modified considering an average power consumption of 22.5 unit per four hour basis in case of a 20' container. The per unit rate and the overhead cost is considered as indicated by the VCTPL. The tariff for a 40' container is prescribed in the ratio of the differential tariff maintained in the existing SOR.

- (xxix). The free period is proposed to be reduced from existing 5 days to 3 days in case of import laden container, from existing 12 days to 10 days for empty import container and in case of export laden container the existing free period of 12 days is proposed to be reduced to 7 days. The revised tariff guidelines already gives the flexibility to the port / private operators to propose free period. That being so, the reduction proposed in the free period is accepted.

In addition to proposing reduction in free period, the VCTPL has also proposed to increase storage charge in a graded basis by 27.5% during the year 2005-06 and another 12% during the year 2006-07. It has clarified that this is to avoid congestion in the terminal and to act as a deterrent. It has to be recognised that the scope of yard congestion in VCTPL is very limited considering the facility available and the traffic to be handled in near future. Further, with the availability of four CFS in and around the terminal, the stay of containers in the terminal may not be for a prolonged period. It is, therefore, found not necessary to burden the users immediately with reduction in free period and increase in storage charges. That being so, the proposed increase in storage charges is not accepted. This will, however, not have any significant impact on the revenue since the total annual income from storage charges estimated by VCTPL is around Rs.5 lakhs which is less than 1% of the total income.

- (xxx). (a). The charges for direct loading, fixing of seal, fixing / removal of hazardous sticker is proposed to be increased by 100%. Some of the tariff items under miscellaneous services are proposed at existing tariff level. These are miscellaneous services and mostly offered at the request of the customer. The tariff proposed for these miscellaneous services are, therefore, approved.
- (b). The VCTPL has introduced a new tariff for container cleaning charges at Rs.500 per 20' container. The proposed tariff for container cleaning charges is stated to include cost for supply of water, cleaning the container, clearing the waste debris from the terminal and also involve additional administrative cost. Since this is an optional service offered at the request of the customer, this Authority approves the rate as proposed by the VCTPL. The other tariff items newly introduced like charges for issuance of additional documents by the terminal in addition to the normal routine documents, charges for VIA

cancellation, and charges for delay in submission of documents is found to be more of a deterrent as stated by the VCTPL and hence accepted.

- (c). The charges for other services like, visitor's entry pass, photography, etc., are miscellaneous services, hence this Authority approves the proposed tariff. As regards entry fee for vehicles, it is relevant to mention that this Authority in case of the South West Port Limited (SWPL) and Visakha Seaport Limited (VSL) had observed that such a fee should not be levied particularly in respect of vehicles arriving or leaving relevant terminal for delivery / dispatch. A suitable note that the vehicle entry fee will not be applicable to vehicles entering / leaving the VCTPL for delivery / dispatch of container / cargo is prescribed in line with the provision prescribed in case of the other private operators recently.
- (xxxi). As per the revised tariff guidelines, the private operators are required to propose incentive for better performance of the terminal and disincentive for performance below the benchmark level. The VCTPL has assured to forward such proposal based on productivity levels, however, no proposal has been received so far in this regard. The VCTPL is advised to incorporate such scheme based on the experience gained in the operation while formulating its next proposal for review of tariff.
- (xxxii). Some of the provisions governing the tariff have been modified to make it more explicit with reference to composite box rate, additional services, etc. This Authority is inclined to approve the proposed modifications. Some of proposed provisions which are not in line with the common prescription at other major ports / private terminals and the revised tariff guidelines have been modified.
- (xxxiii). The VCTPL has proposed two set of Scale of Rates for the year 2005-06 and 2006-07 in view of its recast proposal for graded increase in composite handling charge and storage charge. Since the tariff proposed for other items are same for both the years, it is not found necessary to prescribe separate Scale of Rates for each of the years. A suitable note stating that rates prescribed will be revised upwards by 14.28% after 31 March 2006 is introduced in the relevant schedules.

13.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the revised Scale of Rates of the VCTPL attached as **Annex-II**.

13.2. The revised Scale of Rates and conditionalities will become effective after expiry of 30 days from the date of notification of the Order in the Gazette of India and the validity of the existing Scale of Rates is extended till implementation of the revised Scale of Rates.

13.3. The revised Scale of Rates shall be in force till 31 March 2007 from the effective date of its implementation in view of specific request made by the VCTPL and due to the fact that the cost statement only till this period has been relied upon for this analysis. The approval accorded will automatically lapse thereafter unless specifically extended by this Authority.

(A.L. Bongirwar)
Chairman

ANNEX - I**COST STATEMENT OF VISAKHA CONTAINER TERMINAL PRIVATE LIMITED**

(Rs. in Lakhs)

Sr. No	Particulars	Actuals	Actuals	Estimates as furnished by VCTPL at existing tariff		Modified Estimates	
		2003-04	2004-05	2005-06	2006-07	2005-06	2006-07
	Throughput (in TEUS)	17,508	45,517	63,000	80,000	63,000	80,000
	Capacity Utilisation			63%	80%	63%	80%
I	Operating Income						
	i) Income from containers operations	316.87	824.00	1,184.82	1,514.20	1184.82	1514.20
	ii) Other Income	36.70	167.36	41.58	55.74	41.58	55.74
	Total Operating Income (I)	353.57	991.36	1,226.40	1,569.94	1226.40	1569.94
II	Operating Cost						
	i) Salaries & Wages	172.61	231.04	269.26	301.11	261.03	282.77
	ii) Rent for back-up-space	61.97	74.48	74.48	74.48	74.48	74.48
	iii) Fuel & Power	80.24	138.32	183.50	236.82	164.30	196.08

	iv) Repairs & Maintenance	32.86	68.58	227.21	230.21	123.61	123.61
	v) Other Operating Expenses	84.99	119.01	168.74	207.48	150.00	184.93
	vi) Insurance	65.44	54.09	68.09	68.09	68.09	68.09
	vii) Royalty	8.75	22.76	22.05	38.40	15.44	19.60
	viii) Marketing Expenses	74.79	35.75	36.79	47.00	36.79	39.16
	ix) Administrative Expenses	237.70	84.29	89.77	95.61	89.72	95.50
	x) Management Expenses	106.17	134.58	21.75	21.75	14.14	14.14
	xi) Amortisation of upfront fee and non-refundable lease hold premium	-	-	-	-	12.53	12.53
	Total Operating Costs (II)	925.53	962.90	1,161.64	1,320.94	1010.13	1110.88
III	Depreciation	410.59	646.23	646.23	649.57	617.24	617.24
IV	Operating deficit	(982.55)	(617.77)	(581.47)	(400.57)	-400.97	-158.18
V	Finance & Miscellaneous exp						
	(i) Interest on long term debt	430.00	713.28	747.52	765.22		
	(ii). Bank Guarantee Charges	8.78	10.13	10.13	10.13		
	Sub-total (V)	438.78	723.41	757.66	775.35		
VI	Deficit	(1,421.33)	(1,341.18)	(1,339.13)	(1,175.93)	-400.97	-158.18
VII	Credit back of the amount receivable at the end of the project period		-	-	-	4.71	5.25
VIII	Deficit after credit back of amount receivable at the end to the project		(1,341.18)	-1339.13	-1175.93	-396.26	-152.93

IX	Capital Employed	7,576	5,682	6,239.20	5,762.47	6036.50	5416.64
X	Return on Capital employed	1136.47	852.31	935.88	864.37	905.47	812.50
XI	Net deficit after return	-2119	-1470	-1517	-1265	-1301.73	-965.42
XII	Net deficit as percentage of operating income		-135.29%	-123.72%	-80.57%	-106.14%	-61.49%
XIII	Average net deficit for the two years 2005-06 and 2006-07 as % of operating income					-83.82%	
Note							
1).Repairs and maintenance cost estimate considered as per the estimated percentage of repairs and maintenance envisaged in the CLA.							
		Rs. in lakhs					Rs.. In lakhs
	Equipment	Net Fixed assets 2005-06	Net fixed assets 2006-07		As per the CLA terms	Maintenance cost for 2005-06	
	(1) Equipment	4802.0496	4802.05		3%	144.06	
	(2) Civil	2148.49	2148.49		1%	21.48	
	(3) Software/ Hardware.	249.75	249.75		15%	37.46	
	Total	7200.2915	7200.2915			203.01	
		5941.95		Net fixed assetsfor 2004-05 excluding upfront fee and lease hold land premium			
	Insurance Cost for the year 2004-05 Rs. 54.08 lakhs works out to 0.8% of Gross Block of Assets (excluding land) reported at Rs. 7574 Lakhs.						
	period						
	5) Preliminary expense and upfront fee for Rs. 942 lakhs has been ammortised over the period of the project as per the general policy adopted by the Authority						
	6) Amount receivable at the end of the project period Rs.. 2977 lakhs has spread over the life of the project at the NPV (discounting factor considered as 11.5%)						

ANNEX-II

VISAKHA CONTAINER TERMINAL PRIVATE LIMITED

SCALE OF RATES

DEFINITIONS AND CONDITIONS

This Scale of Rates sets out the charges payable to Visakha Container Terminal Private Limited (VCTPL) from time to time for the use of services and facilities provided by Visakha Container Terminal Private Limited (VCTPL).

1. DEFINITIONS

In this Scale of Rates, unless the context otherwise requires, the following definitions shall apply:

- (i). **"Container"** means any freight container complying with all relevant prevailing ISO standards. Generally, it is designed to facilitate the carriage of goods by one or more modes without intermediate reloading; fitted with devices permitting ready handling and with unique identification numbers and markings.
- (ii). **"Per Day"** means per calendar day or part thereof.
- (iii). **"Port"** means the Visakhapatnam Port Trust (VPT) whereas "Terminal" means the Container Terminal, operated by Visakha Container Terminal Private Limited.
- (iv). **"VCTPL"** means Visakha Container Terminal Private Limited, a company incorporated in India, its successors and assigns.
- (v). **"Reefer"** means any Container for the purpose of the carriage of goods, which require refrigeration.
- (vi). **"Transshipment Container"** means container discharged from a vessel and placed in the custody of the VCTPL for the purposes of shipment on another vessel declared on a transshipment manifest and Import Advance List.
- (vii). **"Coastal Vessel"** means any vessel exclusively employed in trading between any port or place in India to any other port or place in India and / or having a valid coastal license issued by the competent authority.
- (viii). **"Foreign-going Vessel"** means any vessel other than a coastal vessel.
- (ix). **"Hazardous container"** means a Container containing hazardous goods as classified under IMO.
- (x). **"Out of Gauge (OOG) Container"** means a Container carrying over dimensional cargo beyond the normal size of standard containers and needing special devices like slings, shackles, lifting beam, etc. Damaged Containers and Container requiring special devices for lifting is also classified as Out of Gauge Container.
- (xi). **"FCL"** means containers said to contain Full Container Load.
- (xii). **"ICD"** means Inland Container Depot.
- (xiii). **"LCL"** means containers said to contain less than full container load (Container having cargo of more than one importer/exporter).
- (xiv). **"Shut Out Container"** means a container, which has entered in to the terminal for export for a vessel as indicated by VIAN and is not connected to the vessel for whatsoever reason.
- (xv). **"Tonne"** means one metric Tonne of 1,000 kilograms or one cubic metre.
- (xvi). **"VIAN"** means Vessel Identification Advise Number.
- (xvii). **"ICD Container"** means containers discharged from a vessel and placed in the custody of the VCTPL for the purposes of loading on a Train, inside the Terminal.

Also **"ICD Container"** means containers discharged from a Train inside Terminal and placed in the custody of the VCTPL for the purposes of shipment on a vessel.

2. GENERAL

- (i). (a). A foreign-going vessel of Indian flag having a General Trading Licence can convert to coastal run on the basis of a Customs Conversion Order.
- (b). A foreign-going vessel of foreign flag can convert to coastal run on the basis of a Coastal Voyage License issued by the Director General of Shipping.
- (c). In cases of such conversion, coastal rates shall be chargeable by the load port from the time the vessel starts loading coastal goods.
- (d). In cases of such conversion coastal rates shall be chargeable only till the vessel completes coastal cargo discharging operations; immediately thereafter, foreign going rates shall be chargeable by the discharge ports.
- (e). For dedicated Indian coastal vessels having a Coastal Licence from the Director General of Shipping, no other documents will be required to be entitled to coastal rates.
- (ii). All charges worked out shall be rounded off to the next higher rupee on the grand total of each bill.
- (iii). (a). Users shall pay penal interest on delayed payments of any charge under this Scale of Rates. Likewise, the VCTPL shall pay penal interest on delayed refunds.
- (b). The rate of penal interest will be 13%p.a. The penal interest will apply to both the VCTPL and the users equally.
- (c). The delay in refunds by the VCTPL will be counted beyond 20 days from the date of completion of services or on production of all the documents required from the users, whichever is later.
- (d). The delay in payments by the users will be counted beyond 10 days after the date of raising the bills by the VCTPL. This provision shall, not apply to the cases where payment is to be made before availing the services as stipulated in the MPT Act, 1963.
- (iv). A premium of, 25% will be levied in case of Hazardous cargo containers / Out of Gauge containers over the applicable handling and storage charges prescribed for respective categories of containers.
- (v). In case of coastal containers concession is applicable on composite box rate. The composite box rate on all coastal containers shall not exceed 60% of the corresponding charges for normal containers. In case of transshipment of coastal containers similar concession in handling charges will be allowed with reference to applicable handling charges for normal handling operation in loading or unloading cycle.
- (vi). The charges prescribed in the Scale of Rates are exclusive of all applicable taxes. All applicable taxes will be collected at actuals.

3. APPLICATION

- (i). Import and Export rates shall apply when:
- (a). a loaded or empty container is discharged from a vessel, eventually delivered out of VCTPL; or
- (b). a loaded or empty container is received at VCTPL yard, eventually is shipped.
- (ii). Transshipment container rates shall apply to a loaded or empty container when it is discharged from the first carrier onto VCTPL's premises and remained in the custody of VCTPL until it is transhipped in its original status by VCTPL to a nominated second carrier.

SECTION- I

1. CONTAINER OPERATIONS**1.1. A. COMPOSITE RATE FOR HANDLING IMPORT AND EXPORT CONTAINERS:**

Sl. No.	Particulars	(In Rs.)		
		Container not Exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(a).	Laden Containers -Import / Export	2800	4200	5600
(b).	Empty Containers - Import / Export	1960	2940	3920
(c).	Transport to Rail Flat from CY or Vice Versa and Lift on/Lift off			
	- Loaded	1250	1875	2500
	- Empty	1150	1725	2300

Notes:

- (1). Services in the case of item no. (a) and (b) above include handling by quay crane and lashing/unlashing, transport between CY and quayside, lift on or off at CY, landing and loading the container from or to the trailer, data handling, processing and wharfage.
- (2). Services in the case of item no. (c) above includes transportation from CY to rail siding and loading the container on rail flat or vice versa.
- (3). The rates prescribed in Sl.No. (a) and (b) above will be applicable till 31 March 2006. Thereafter, the composite rate prescribed in Sl.No. (a) and (b) above will be revised upwards by 14.28% for the respective categories of containers.
- (4). In case of coastal containers, concessional tariff not exceeding 60% of the applicable tariff will be levied.

- (5). Export Containers are to be delivered to VCTPL for loading at least 6 hours before berthing of the vessel.

B. REBATES:

Rebates as follows shall be applicable to users for carrying out various operations with their own arrangements with the prior written permission of the VCTPL when the VCTPL equipment are not available for some reason.

Sl. No.	Description	(In Rs.)		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(a).	If the ship's gears are used for loading / unloading containers from ship to shore or vice versa	300	450	600
(b).	If the terminal user deploys his own tractor trailer for transporting containers from quay to container yard or container yard to quay	250	375	500
(c).	If the terminal user deploys his own equipment for lifting containers from the container yard to truck and vice versa	167	250	334

Notes:

1. The rebates prescribed above will be applicable till 31 March 2006. Thereafter, the rebates prescribed above, will be revised upwards by 14.28% for respective categories of containers.
2. In case of coastal containers, 60% of the applicable rebates prescribed will be allowed.
3. No rebate will be admissible for back to town containers handled by private equipment.

1.2. HANDLING OF TRANSHIPMENT CONTAINERS:

Particular	(In Rs.)		
	Container not exceeding 20 feet in length	Container Exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
Laden & Empty	3780	5670	7560

Notes:

- (1). The above charges apply to the complete cycle of transshipment i.e. discharge from the first carrier to the loading onto the second carrier, including lashing/unlashing charges. Services include handling by quay crane (discharge and loading), transport between CY and quayside, lift on and off, stowage planning on vessel and yard, data handling, processing and wharfage.
- (2). In case of transshipment of coastal containers, concessional tariff at 60% of the prescribed rate will be applicable.
- (3). Container from a foreign port which reaches an Indian Port 'A' for subsequent transshipment to Indian Port 'B' will be levied the concessional charges relevant for its coastal voyage. In other words, containers from / to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for the concession.
- (4). Any Transshipment container delivered out of VCTPL by road or rail shall be charged the import/export container rate.
- (5). A shut out charge as per Schedule 1.8 shall apply:
- (i) if the carrier is changed after berthing of the originally nominated carrier; or
 - (ii) if the nomination is changed from a later carrier to an earlier carrier after the earlier carrier is berthed.
- (6). The vessel on which the transshipment container is to be loaded shall be declared at time of submission of the Import advance list of the vessel on which the said transshipment container is imported or else the transshipment container shall be treated as normal container for the purpose of fixing tariff.

1.3. LIFT ON OR LIFT OFF:

Sl. No.	Particulars	(In Rs.)		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(a)	Laden	500	750	1000
(b)	Empty	400	600	800

1.4. HATCH COVER HANDLING FOR ONE OPERATION (both opening and closing):

Sl. No.	Particulars	(In Rs.)
(a).	Without landing Hatch Cover on the quay	1260
(b).	With landing Hatch Cover on the quay	2520

Note:

- (1). Half the rate shall be applicable if there is only one activity, i.e. either an opening or closing operation.
- (2). In case of coastal containers, concessional tariff not exceeding 60% of the applicable tariff will be levied.

1.5. SHIFTING OF CONTAINERS WITHIN VESSEL (Restows):

Sl. No.	Particulars	(In Rs.)		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(a).	Loaded or empty Container shifted by landing and reshipping	2520	3780	5040
(b).	Loaded or empty Container shifted without landing and reshipping	1260	1890	2520

Note:

- (1). Reefer related charges will be applicable as per Schedule 1.7.
- (2). In case of coastal containers, concessional tariff not exceeding 60% of the applicable tariff will be levied.

1.6. INTERNAL TRANSPORTATION

Sl. No.	Particular	(in Rs.)		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(a).	Laden and Empty	750	1125	1500

Note:

- (1). Internal Transportation Charges apply when a container is required to be moved by a trailer within VCTPL upon customer's request.

1.7. REEFER RELATED AND OTHER GENERAL SERVICES

Sl. No.	Particulars	(In Rs.)		
		<u>Container not exceeding 20 feet in length</u>	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length

(a)	Pre Trip Inspection (PTI) (Excluding the electricity charges)	300	450	600
(b)	Reefer Run Test (Excluding the electricity charges)	300	450	600
(c)	Charges for supply of electricity (including connecting and disconnecting, monitoring at Reefer yard) per 4 hours or part thereof-	186	279	372

Notes:

- (1). Services include only plugging/unplugging and monitoring of the temperature. No maintenance will be performed on malfunctioning reefers.
- (2). PTI and Run Test of the reefer containers are optional services and shall be rendered when requested. This excludes charges for supply of power and monitoring of the reefer during the PTI/Run test. The PTI/Run test includes checking of the working condition of reefer machinery and reporting of the condition to the customer.
- (3). These charges will be applicable for restow reefer containers also.

1.8. CHARGES FOR A SHUT OUT CONTAINER

Where an Export container or a Transshipment container is shut out, the following rates shall apply:

Sl. No.	Particulars	<u>(In Rs.)</u>		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(a).	Laden	1750	2625	3500
(b).	Empty	1550	2325	3100

Notes:

- (i). Shut out charges apply when a container is shut out by one vessel and subsequently shipped by another vessel.

(ii). The storage charges shall be levied in terms of Schedule 1.10.

1.9. Additional Charges

Sl. No.	Particulars	(in Rs.)		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
1	Direct Loading - Laden and Empty	875	1313	1750
2	Shifting of containers within the terminal including Lift on, Transportation , Lift off - Laden - Empty	1750 1550	2625 2325	3500 3100
3	Container Cleaning Charges (High pressure water wash)	500	750	1000
4	Cancellation of Document - Per EIR	75		
5	One Door Open Charge (Per container)	500		
6	Fixing / Removal of Seal (per seal)	200		
7	Fixing/ removal 'Hazardous Sticker' (per container)	200		
8	Customs inspection within the terminal (per container)	400		
9	Plugging/ Unplugging of Reefer Container (per container)	50		
10	Non-Declaration/ Mis-declaration of Hazardous Container (per container)	3000		
11	Issuance of documents per document or part thereof (maximum of 5 pages)	150		
12	VIA Cancellation	1000		
13	Weighment of Trailer with or without Containers /Cargo (per weighment)	100		
14	Delay in submission of the relevant documents beyond the prescribed time (charges are per 'document')	500		

Notes:

- (1). **Direct loading** charge applies when, at the request of customers, VCTPL accepts an export container delivered to the terminal after the prescribed closing time or accepts the list of export containers that are already in CY before the cut off time but not included in the export advance list submitted before the cut off. This charge is in addition to all applicable charges in a normal export cycle.
- (2). **'Shifting of container'** charges shall be applicable whenever there is a change in shipment status or container status involving actual shifting of the container or any shifting done at customer's request for any purpose including shifting for availing any other service provided by terminal. Shifting is a consolidated charge levied for lift on, transportation and lift off.

Change of shipment status applies when:

- (i) A transshipment container in VCTPL premises is changed to an import container;

- (ii) An import container in VCTPL premise is re-exported;
- (iii) An export container is delivered out of VCTPL premise;
- (iv) A local delivery container is changed to an ICD Container after landing or vice versa
- (v) A transshipment container whose outbound VIAN is not declared prior to the berthing of the inbound carrier;
- (vi) An Export container arriving by Rail whose outbound VIAN is not declared at least 6 hrs prior to the arrival of the Train at Rail Siding in the terminal.

Change of container status applies each time the detail of an import or export container whose POD, Size, Status or weight (varying by +/- 2 ton) is changed after processing by VCTPL.

- (3). **Container Cleaning Charges:** These services are optional and the relevant charge is applicable when the containers are cleaned with water.
- (4). **Cancellation charge for EIR** applies when EIR is cancelled at the request of customer.
- (5). **“One Door Open” Charge** is applicable for handling container which requires only one door to be kept open (e.g. Onions) and when door opening and securing is carried by the terminal.
- (6). **Fixing / Removal of seal**
Bottle seals shall be fixed on every container arriving at the terminal - by rail / road / sea - without a proper bottle seal on it, prior to allowing its entry. The terminal staff shall be at liberty to do this without having to obtain prior consent of the shipping lines. The list of such containers on which a seal is affixed by the terminal shall be intimated to the lines.
Seals shall be removed at the request of the customer.
- (7). **Fixing/ removal of ‘Hazardous Sticker’**
Hazardous stickers indicating the IMCO class only shall be affixed on a container (Four Stickers) carrying hazardous cargo. Similarly old stickers on the container shall be removed from a container carrying non-hazardous cargo. In either case, the customer has to intimate in writing to VCT to undertake the said activity, within the terminal.
- (8). **Customs Inspection**
The inspection of a container shall be allowed at a nominated point only, on the written request of the customer. The container doors can be opened only under customs supervision.
- (9). **Plugging/ Unplugging of Containers**
The Plugging / unplugging of reefer containers on board the vessel / train / truck shall be done at the request of the customer.
- (10). **Non-Declaration/ Mis-declaration of Hazardous Container**
The Customer has to declare the hazardous nature of the cargo as per the IMCO rules and furnish the relevant hazardous details to VCTPL. The charges are for non declaration / mis-declaration of the hazardous nature and also for not furnishing the full particulars of the hazardous nature including the IMCO class, UN NO, EPS, MFAG, correct technical name, contact details of the person in case of emergency.

However, the liabilities and costs towards the consequences arising due to non-declaration or mis-declaration shall be on the customer's account.
- (11). **Issuance of documents**
The charge is towards Additional documents issued by the Terminal apart from the normal routine Terminal Reports (Vessel reports /yard report/ reefer report etc) forwarded to the line.
- (12). **Cancellation of VIA**
Cancellation of VIA applies when the VIAN allocated by VCTPL is subsequently cancelled on request by Vessel Operator for reasons whatsoever.
- (13). **Weight of Trailer with or without Containers/Cargo**
The service of weighment of trailers /truck is an optional service and shall be offered on the request of the users. The charge includes issuing of the requisite certificate with the weight indicated on it.
- (14). **Delay in submission of the relevant documents**
The relevant documents include Import and Export Advance Lists, Hazardous Manifests, Restows, Import Bay plans and any other document that may be required and declared in due course for smooth operations. The time limit for submission of documents will be notified in advance by VCTPL and any notification thereto will be carried out in consultation with users.

1.10. CHARGES FOR STORAGE OF CONTAINERS**(a) Import - Laden Containers**

Sl. No.	Particulars	<u>(In Rs. per day)</u>		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	First 3 days	Free	Free	Free
(ii).	from 4 to 15 days	99	198	297
(iii).	from 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(b) Import - Empty Containers

Sl. No.	Particulars	<u>(In Rs. per day)</u>		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	first 10 days	Free	Free	Free
(ii).	from 11 to 15 days	99	198	297
(iii).	from 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(c) Export - Laden Containers

Sl. No.	Particulars	<u>(In Rs. per day)</u>		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	first 7 days	Free	Free	Free
(ii).	from 8 to 15 days	99	198	297
(iii).	from 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(d) Export - Empty Containers

Sl. No.	Particular	<u>(In Rs. per day)</u>		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	first 7 days	Free	Free	Free
(ii).	from 8 to 15 days	99	198	297
(iii).	from 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

		exceeding 20 feet in length	upto 40 feet length	upto 45 feet length
(i).	first 7 days	Free	Free	Free
(ii).	from 8 to 15 days	99	198	297
(iii).	from 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(e) ICD Containers – Laden & Empty

Sl. No.	Particulars	(In Rs. per day)		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	first 15 days	Free	Free	Free
(ii).	from 16 to 30 days	99	198	297
(iii).	from 31 to 45 days	198	396	594
(iv).	Beyond 45 days	396	792	1188

(f) Transshipment Containers – Laden & Empty

Sl. No.	Particulars	(In Rs. per day)		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	first 30 days	Free	Free	Free
(ii).	from 31 to 45 days	99	198	297
(iii).	from 46 to 60 days	198	396	594
(iv).	Beyond 60 days	396	792	1188

(g) Shut Out Containers – Laden & Empty

Sl. No.	Particulars	(In Rs. per day)		
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i)	from 1 to 15 days	99	198	297
(ii).	from 16 to 30 days	198	396	594
(iii).	Beyond 30 days	396	792	1188

Notes:

- (1). Free dwell-time (storage) period for import containers shall commence from the day after the day of landing of the container and for export containers the free period shall commence from the time container enters the terminal.
- (2). For the purpose of calculation of free time, Sundays, Customs notified holidays and the Terminal's non-operating days shall be excluded.
- (3). Transhipment containers whose status is subsequently changed to local FCL/LCL or ICD container shall be levied storage charges at par with the relevant import containers.
- (4). Total storage period for shut out container shall be calculated from the day following the day when the container has become shut out till the day of shipment / delivery.
- (5). The storage charges on abandoned containers/shipper owned containers shall be levied upto the date of receipt of intimation of abandonment in writing or 75 days from the day of landing of the 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 following:
 - (a). the Line shall resume custody of container along with cargo and either take it back 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 the 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 Customs Authorities and the same cannot be destuffed within the prescribed time limit of 75 days, the storage charges will cease to apply from the day 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 Line/consignee from the terminal premises to the Customs bonded area and in that case, the storage charge shall cease to apply from the day of such removal.

1.11 CHARGES FOR REMOVAL OF GARBAGE

A consolidated charge of Rs. 2000/- per truck trip shall be payable for removal of garbage collected on board of ship.

1.12 CHARGES FOR SUPPLY OF FRESH WATER

For Foreign going vessel, Rs.200/- per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of Rs.1000/-.

For Coastal vessel, Rs.120/- per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of Rs.600/-.

SECTION - II**2. OTHER SERVICES****2.1 VISITOR ENTRY PASS**

	Yearly	Monthly	Daily
(a). Per Application	Rs.250	Rs.100	Rs.20

2.2 VEHICLE ENTRY PASS

Per Entry Rs.100/-

Note:

- (1). The vehicle entry fee will not be levied on vehicles entering/leaving VCTPL's terminal for delivery/dispatch of containers/cargo.

2.3 PHOTOGRAPHY

- | | |
|--|-------------------|
| (a). Film Shooting and Photography | Rs.10,000 per day |
| (b). Taking Photographs of Goods Imported / Exported | Rs. 500 per day |
| (c). Taking Photographs of Crews and Others | Rs. 250 per day |
| (d). Videography (related to operational activities) | Rs. 3000 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/31/2005–
VCTPL** - **Proposal received from the Visakha Container Terminal Private Limited (VCTPL) for revision of Scale of Rates (SOR) for its operations at the Visakha Container Terminal in Visakhapatnam Port Trust (VPT).**

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

Visakhapatnam Steamship Agent's Association

(i). The proposed composite tariff exceeds the prevailing tariff by 78% in respect to laden container and 120% in case of empty containers. This will have a direct impact on the Terminal Handling charge (THC) to the end user and also discourage movement of empty container in this location.

(ii). The charges proposed for transportation of laden ICD box from CY to rail flat and vice versa including LOLO has been reduced which is encouraging for attracting cargoes from ICD's. In respect of transportation of the empty ICD containers the tariff is, however, proposed to be increased by 32% which will have indirect burden on the exporters.

(iii). The stevedoring charges for transshipment container is proposed to be increased by over 200% which will distract the transshipment at the port of Vizag. The proposed tariff is almost at par with tariff at Singapore port and higher than the tariff at Colombo port. Since the development of VCTPL is dependent mostly on transshipment, tariff for this item should be kept at a reasonable level to attract trade.

- (iv). The proposed increase of 100% in lift on / lift off charges in respect of empty container is discouraging.
- (v). The handling of hatch cover forms the natural function of vessel handling. Loading / discharging a container is possible only by handling the hatch covers. Thus, there is no reason to burden the vessel operator with undue hike of 127% (without landing on quay) and 82% (with landing on quay) over the prevailing rates.
- (vi). The proposed increase of 127% to 155% in the tariff for shifting of containers within the vessel (restows) will discourage vessel operator from shifting to accommodate more cargo from this port consequently reducing the productivity.
- (vii). The charges towards supply of electricity has been increased by 100% even though the duration of shift has been reduced to 4 hours from the existing unit of levy for 8 hours. In fact, splitting of shifts should actually benefit the end user rather than burdening them.
- (viii). Shut out charges is proposed to be increased drastically by 132% in the case of laden and 105% in case of empty container. In addition to this, storage charge is proposed on shut out containers which would unnecessarily burden the exporters.
- (ix). The direct loading charge is proposed to be increased by 100% which is unjustified. Further, the increase proposed for various miscellaneous services under Section 1.9. are also unreasonable.
- (x). The free time in respect of import / export containers in general is proposed to be reduced drastically and in addition to that the storage charge is also proposed to be

increased by 62%. This will cause undue burden on both the importers and exporters.

The storage charge newly proposed for shut out containers will unduly penalise the exporters.

- (xi). A comparative position of the prevailing tariff vis-à-vis the proposed rate furnished by it shows that the overall rise proposed in tariff is far over 100% which is highly unjustified at the time when the container trade is just growing in this port. Any undue increase will have an adverse affect on the trade at this port. An overall increase of 10% to 12% can be considered as against the exorbitant hike proposed by VCTPL.

Visakhapatnam Port Trust (VPT)

- (i). Hike proposed in respect of laden containers is 78% and in respect of empty containers it is 120%.
- (ii). Hike proposed in storage charges is 64%. Further, free days have been reduced from 5 days to 3 days in case of import laden containers and from 12 days to 7 days in case of export laden containers.
- (iii). The charges for hatch cover handling (without landing on quay) is proposed to be hiked by 131% from existing Rs.544/- to Rs.1260/- and in case of operation with landing hatch cover on the quay, the increase proposed is 85% from Rs.1361/- to Rs.2530/-. This operation forms a natural function of handling containers. The reasons for the hike proposed for this item is, therefore, not clear.
- (iv). The tariff for re-stows is proposed to be increased by 159% from existing level of Rs.970/- to Rs.2520/- in case of loaded or empty container shifted by landing and re-shipping. Similarly in case of loaded or empty container shifted without landing and re-shipping, the hike proposed is 282%.
- (v). Container related charges are to be prescribed in dollar denomination as per the tariff guidelines, however, the VCTPL has proposed the storage and other container related charges in Rupee terms. This issue may be examined by the TAMP.
- (vi). Annual inflation in salaries has been assumed by VCTPL @ 10%, however, in cost statement escalation is considered @ 11.90% for the year 2006-07 over

the estimates of 2005-06 and @ 40.86% for the year 2007-08 over the estimates of previous years. Normal increase in salaries will be 5% per annum.

- (vii). A comparison of the throughput projections as per CLA vis-à-vis the estimation made by the VCTPL are as follows:

(in TEUS)

Particulars	2005- 06	2006- 07	2007- 08
As per CLA	47,000	81,600	1,12,000
As per proposal	63,000	80,00	1,05,000

The throughput projections made by the VCTPL during the years 2006-07 and 2007-08 is less in comparison to the CLA, thereby revenue estimation is less to that extent.

- (viii). The VCTPL has considered the exchange rate as Rs.48 per US\$ while arriving at the composite rate which is not correct. As per TAMP guidelines, the exchange rate to be adopted is Rs.43.52 prevalent on 1st February 2005.
- (ix). The VCTPL has proposed same tariff for foreign container / cargo and coastal container / cargo which is not correct. The rates for coastal container / cargo other than thermal coal, POL iron ore and iron ore pellets should not exceed 60% of the tariff prescribed for foreign container/ cargo related charges as per tariff guidelines.
- (x). For the purpose of estimation of insurance cost, the assets value has been taken as Rs.73.71 crores and Rs.76.30 crores for the years 2003-04 and 2004-05 as against their actual value of Rs.91.84 crores for both these years.
- (xi). The operating expense is estimated to increase from Rs.963 lakhs in 2004-05 to Rs.2097 lakhs in 2007-08. The increase is at the level of 51.30 %, 24.98% and 15.16% for the years 2005-06, 2006-07 and 2007-08 on the respective previous years as against actual increase of 4% reported during the year 2004-05 over 2003-04 actuals.
- (xii). 123 numbers of employees has been considered for estimation of salary and wages whereas actual number of employees are 83 only. The number of

employees for the next three years is not projected and in the absence of such information there is no justification for abnormal increase in salary expenditure.

- (xiii). Depreciation charges for each of the years - 2005-06 to 2007-08 is not commensurate with asset block as reflected in CLA and tariff proposal.

2. The VCTPL in response has furnish the following comments:

On the comments of the VPT

- (i). The actual traffic handled by VCTPL during the period July 2002 to June 2004 was 24,250 TEUs and not Rs.17,500 TEUs as erroneously stated by VPT. The MGT requirement has been duly complied with.
- (ii). The modified lease rentals as indicated by the VPT as per the rates in its prevailing SOR has been considered in the revised calculation.
- (iii). The initial tariff was not on cost plus basis. It was mainly based on the CCTL tariff as was existing in 2003. Further, being inaugural tariff it was pegged low to act as an incentive for inducement of container from the hinterland. Subsequently, the tariff of CCTL has been increased by 17% despite they doing a volume which is more than 12 to 13 times of its annual throughput.
- (iv). The existing THC is a loss making proposition and, therefore, needs to be realigned according to the actual costs of various activities.
- (v). (a). Allowing large free period or nominal storage charges will create conditions for potential congestion. Extra free period was allowed to its customers in the initial two years when CFS facilities outside were inadequate. At present, the situation is different as there are three operational CFSs which provide 30 days free period.
- (b). In view of fall in the dollar denomination by over 15% in last three years, the revenue from storage charge (presently denominated in dollar terms) has not been at the level estimated at the time of initial tariff fixation.
- (c). The yearly outflow towards payment of royalty, lease rentals, housekeeping, site maintenance, security, insurance, etc., is to the

tune of Rs.140 lakhs per annum apart from recovery of the capital cost.

In view of the above points, the proposed hike of storage charge is considered reasonable.

- (vi). To avoid congestion inside the terminal and to enable faster clearance of cargo to the consignees through the CFS, the free period for import laden is proposed to be reduced.
- (vii). The charges proposed for restow container is less than the actual cost involved in undertaking the restow activity. A normal import container arriving in a vessel – is discharged from the vessel by quay cranes – placed on the trailer and shifted to its designated yard location – off loaded from the trailer and stacked in the yard. On the other hand, in case of restow container in addition to these movements involved for a normal container there is an extra activity of loading back into the vessel which again involves lift on from the stack, placement on trailer, transportation on trailer, lift on by quay crane and finally lift off on the vessel. This entails the composite box rate of Rs.7400/- for a 20' container and Rs.11,100/- for a 40' container. Whereas the charges proposed by it is only Rs.2520/- for a 20' and Rs.3780/- for a 40' container.

In the case of movement without landing the container, one quay crane movement is involved. Quay crane charges for one move i.e. Rs.1316/- should apply, whereas it has proposed Rs.1260/- only.

- (viii). As regards its proposal to levy all container related tariff items in rupee terms, it has clarified that its earnings estimated on dollar terms at the time of initial tariff fixation declined due to fall in dollar rate since then. Secondly, dollar denomination of tariff involves infructuous conversion at the time of billing as well as payment. During the last two years, number of our customers have suggested rupee denominated tariff to bring in simplicity and convenience in accounting and transaction. In view of the above position, it is not found reasonable to prescribe income in dollar currency and the expenditure in rupee terms unless some advantage accrues from economic stand point.
- (ix). Inflation @ 10% considered in salaries and wages bill estimation between 2005-06 and 2006-07 is based on the industry average. Another 1.9% is towards new recruitments in IT and Finance for the year 2006-07.

- (x). It has furnished the detailed computation of MGT financial year wise and confirmed that its projections are higher than the MGT prescribed in CLA for all the three years.
- (xi). Concessional tariff on containers moving through coastal vessels has already been incorporated in proposed tariff as per revised tariff guidelines.
- (xii). The asset value shown by VPT as regards insurance estimate are in fact gross block of actual fixed assets for the years 2003-04 and 2004-05 as per respective Balance Sheets of the VCTPL. On the other hand, the total value of assets of Rs.105.68 crores along with jetty (which is owned by VPT and leased to VCTPL) has been considered for estimating the insurance cost for both the years.
- (xiii). Certain operating expenses like direct operating expenses, marketing expenses, royalty, etc., will vary directly in proportion to the throughput. On the other hand, certain other expenses like, salaries, administrative expenses, repairs and maintenance will vary at a fixed rate whereas some expenses like insurance, rent technical fees etc., will remain fixed over a period. Thus it would be misleading to deduce operating expenses between year to year as to very high or very low without considering the above mentioned factors.
- (xiv). The original manning plan envisaged strength of 123 personnel. However, it was later decided to outsource some of the activities. As a result final requirement of personnel reduced to 83 for the year 2004-05.
- (xv). The CLA basically covers the minimum investment needed for handling equipment such as RMQCs, RTGCs, Reach stackers etc,. Besides these, there are many other elements involved in the overall project costing. For the purpose of depreciation, assets reflected in its Balance sheet has been considered in the tariff proposal.

On the comments made by the VSAA

- (i). Transshipment container is discharged from the vessel by quay crane, placed on the trailer, shifted to its designated yard, off loaded from the trailer and stacked in the yard and thereafter it is to be loaded back in the vessel. Thus, this extra activity of loading back into the vessel involves lift on from the stack, placement on trailer, transportation on trailer, lift on by quay crane and finally

lift off on the vessel. This entails the composite box rate of Rs.7400/- for a 20' laden container and Rs.11000/- for a 40' laden container. Where the charges proposed by it for transshipment container is only Rs.4200/- and Rs.6300/- for 20' and 40' container respectively.

Reducing the rate for transshipment container is not the answer for increasing traffic. During the year 2004-05 only a handful of lines were able to bring transshipment cargo for a limited spell and that too was well below 10% of throughput handled. The Lines need to do aggressive marketing effort for sustainable growth of transshipment container through its terminal.

- (ii). The existing tariff for reefer container is US\$ 4.95 or Rs.240 per shift of 8 hrs or part thereof. Taking into consideration the current electricity tariff of APTRANSCO and the number of units consumed per hour by a reefer container, the existing tariff is grossly inadequate and needs to be increased by over a 100%. It has, however, proposed to maintain the tariff at Rs.250/- only per 4 hour slab.

3. A joint hearing in this case was held on 5 July 2005 at the VPT premises. At the joint hearing, the following submission were made:

Visakhapatnam Steamship Agent's Association

- (i). We understand that VCTPL venture should be financially strong so that they can effectively serve the Trade.
- (ii). We have made a comparison of various charges in our written submission. Please consider them and moderate the proposed increase in tariff.

Container Shipping Lines Association.

- (i). The imbalance between revenue and cost is mentioned to be huge. It cannot be passed on to trade over a short span of time.
- (ii). The discounts given at the discretion of VCTPL may not be available to smaller operators. So, there is a need to bring down the proposed ceiling rates.

(iii). There is a trade imbalance in this region. Need for empty containers is, therefore, inevitable. The exorbitant increase proposed for empties will ultimately affect the trade.

(iv). VCTPL has strong potential for transshipment. Steep increase proposed for transshipment is ill timed.

(v). We request TAMP to look at the impact of the proposed revision on the users rather than going only by cost and return to the Terminal in a straitjacket manner.

Visakhapatnam Port Trust

(i). The proposal appears to be as per the tariff guidelines. But in the interest of Trade and keeping in view the growth potential, the proposed increase may be moderated.

Visakha Container Terminal Private Limited.

(i). We will work out whether Technical Service fee can be spread over the entire project period. Likewise, we will assess terminal value of assets and furnish to TAMP.

(ii). We will re-examine the proposed storage charges and free period.

(iii). Out of the total traffic, 13% is only empty. This is well in line with all India average. There is no case for any differential treatment for empties here alone.

(iv). Trade should bring in transshipment which is now negligible.

(v). 75% of our volume is handled by 4 big lines. We have separate arrangement with them. The proposed increase will not affect them and the SOR will only be a ceiling.

4. At the joint hearing, the VSAA made a presentation explaining the proposal and also filed a joint written submission on behalf of Visakhapatnam Steamship Agents Association, Container Shipping Lines Association (India) and Vizagapatam Chamber of

Commerce and Industry. Some of the main submissions made by them are summarised below:

- (i). Steep increase proposed in the range of 78% to 274% in many of the tariff items will have adverse impact on the trade and also make the terminal uncompetitive.
- (ii). The proposed tariff appears to be much higher in comparison to rates prescribed in CCTL.
- (iii). Till recently transshipment of boxes meant for Kolkata and Haldia were taking place at Singapore, however, with co-operation and efforts from all the parties involved, transshipment of containers has started taking place at Vizag. The proposed increase of 226% in transshipment charges would totally discourage this activity at Vizag.
- (iv). Handling of ICD containers at Visakhapatnam is still in a promotional stage. Though there are some constraints to bring the traffic to Vizag like availability of sufficient boxes to induce placement of rakes, etc., all efforts are being made to sustain the traffic and to increase the volumes. In view of the above, the proposed increase of 80% for this item will deter the ICD container traffic from patronising Vizag port.
- (v). Though the terminal is in operation for two years, there has been no increase in the availability of trailers commensurate with the needs. Similarly, there is no regular scheduling of trains by CONCOR. In view of both these reasons, at times the boxes idle at Terminal for considerable time without reaching the customers in time, therefore, the proposed reduction in free time as well as increase in storage charges (after free time) will add further burden on the customers.
