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TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 223

New Delhi 4th October 2002

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from M/s. PSA SICAL Terminals Limited for revision of tariff for its container terminal at the Tuticorin Port Trust.

(S. Sathyam)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/21/2002-TPT

M/s. PSA SICAL Terminals Limited

- - -

Applicant

ORDER

(Passed on this 20th day of September 2002)

This case relates to a proposal received from M/s. PSA SICAL Terminals Limited (PSA SICAL) for revision of tariff for its container terminal at the Tuticorin Port Trust (TPT).

The PSA SICAL has made the following points in support of its proposal:

- (i). It has met the service commitment to its customers by way of achieving higher operational efficiency. In the year 2001, the availability of berth on arrival was 98%; the Gross Crane Rate was 26 moves per hour; and, the Vessel rate was 35 moves per hour. The average vessel-port stay was reduced from 2 days to 12 hours; and, new shipping services were introduced. High service level was provided at a low price, which benefited the vessel/container operators, logistics providers, shippers/consignees etc.
- (ii). The following rationale for a comprehensive tariff review are highlighted:
 - (a). To simplify the existing tariff structure;
 - (b). To encourage the efficient use of limited port resources;
 - (c). To improve the price structure to follow the principle of value-based pricing;
 - (d). To sustain the existing high level of service standard;
 - (e). To ensure the financial stability of the company for providing a high quality service to all the users continuously.
 - (f). To achieve overall competitive pricing vis-à-vis the competitor ports.
- (iii). The cost of the terminal is expected to increase (during the period from 2002 to 2004) on account of the following reasons:
 - (a). High cost of operations – With the expiry of the warranty period of the container handling equipment in the year 2001, the regular maintenance, replacement of parts and repair cost are expected to increase manifold. The manpower cost is expected to increase above the inflation rate, as competitive salaries have to be paid to retain the talented resources.
 - (b). Additional capital investment – With the increase in volumes in the year 2003 and 2004, the increase in the equipment fleet, upgrading of systems (EDI, hardware) and expansion of space will be required to maintain the high service level.
 - (c). EPCG Penalty – As only a portion of the tariff was allowed to be dollar denominated, it is not possible to meet the progressive obligation on account of EPCG; and, the penalty will apply from the years 2002 to 2004.
- (iv). The proposal will increase the overall revenue by 28%. The financial indicators for the period from 2002 to 2004 (in accordance with the TAMP guidelines of using

ROCE and/or ROE under the 'cost plus model') with the proposed revision are indicated below:

Sl. No.	Indication	Rate
1.	ROCE (using profit before tax)	16.7%
2.	ROE* (using profit before tax)	19.0%
3.	ROE* (using profit after tax)	17.6%

*Note: Equity refers to shareholders' funds, which includes retained earnings.

The ROCE and the ROE figures are modest and below the TAMP prescribed norms for major port trusts/terminals. As per the International accounting definition of ROE (using profit after tax), the average ROE is only 17.6%, which barely commensurates the high commitment and risk undertaken by the shareholders for this capital-intensive project in a highly competitive market.

2.2.

The following percentage increases are proposed over the existing tariffs:

Item	Upto 20' Laden		% Increase
	Present	Proposed	
Import – Export Containers:			
-QC charges (USD)	17.22	22.00	27.76
-Planning, lashing/unlashing, supervision charges (USD)	8.04	10.00	24.38
-Container Wharfage (USD)	0.92	1.00	8.70
-Transport from/to CY and LOLO (Rs.)	625.00	16.00(USD)	28.00
Transshipment Containers:			
-Stevedorage charges (USD)	37.31	37.31	-
-Planning, lashing/unlashing, supervision charges (USD)	16.08	16.08	-
-Container Wharfage (USD)	1.84	1.84	-
-Cargo Wharfage (Rs.)	1000.00	20.00(USD)	-
Shifting Containers (Loaded or empty):			
-Stevedorage charges without landing on the wharf (USD)	8.61	USD 33.00	98.20
-Planning, lashing/unlashing, supervision charges (USD)	8.04		
-Stevedorage charges with landing on the wharf (USD)	25.83	USD 66.00	94.86
-Planning, lashing/unlashing, supervision charges (USD)	8.04		
Shutout Container charges (USD)	22.97	30.00	30.60
Hatch cover charges:			
-Without landing hatch cover on the quay (USD)	14.35	25.00	74.22
-With landing hatch cover on the quay (USD)	35.94	50.00	39.12
Lift on/Lift off (LOLO) charges:			
-LOLO (Rs.)	315	850	4.29
-Cargo wharfage (Rs.)	500		

Item	Upto 20' Laden		% Increase
	Present	Proposed	
Extra movement charges (Rs.)	500	800	60
Reefer related and Other general services			
-Pre-trip Inspection (including supply of electricity) (USD)	32.15	40.00	24.42
-Connecting or disconnecting services onboard a vessel (USD)	2.30	3.00	30.43
-Supply of electricity (including connecting and disconnecting, monitoring at reefer yard) per shift or part thereof (USD)	5.17	6.50	25.73
-Cleaning of container (USD)	1.50	3.00	100.00

- (i). The tariff for empty import-export containers upto 20' is increased by the same percentage as applied to the 20' laden containers.

The tariffs for both laden and empty transshipment containers upto 20' are kept the same despite the element of cargo wharfage is missing in the case of empty container.

Extra movement charges for empty containers of upto 20' are proposed same as that of laden containers.

- (ii). The cargo wharfage is merged with the LOLO. The LOLO charges for upto 20' empty container (the element of cargo wharfage is missing in the empty container) are proposed to be increased by 150%.
- (iii). The storage charges in respect of import and export containers and transshipment and re-export containers are rationalised by way of re-statement/adjustment of the slabs and an increase in the rates in the range of 33% to 166%. The free period for storage of import and export container is reduced from 5 to 3 days.
- (iv). The tariffs in respect of some of the other services are proposed for increase as indicated below:

- Taking photographs of goods imported/exported (per day)	100%
- Taking photographs of crew and others (per day)	300%
- Videography (related to operational activities)	67%

The charges for the application for the visitors entry passes, temporary entry passes or vehicle overnight parking charges are removed and instead the charges for application/renewal of visitors passes on yearly, monthly and daily basis are proposed.

- (v). The charges in respect of following new service has been proposed:

Item	Upto 20' Laden	
	Present	Proposed
Direct loading (USD)	Nil	10.00
Change of shipment status- loaded and empty (USD)	Nil	15.00
Change of container status- per container (USD)	Nil	2.00
Reshuffling charges (Rs.)	Nil	600.00

Item	Upto 20' Laden	
	Present	Proposed
Trucking charges- between CY and Port railway siding (Rs.)	Nil	500.00
Cancellation of document- per EIR (Rs.)	Nil	75.00
Request of document- per document		
-landing certificate	Nil	100.00
-Shipping statement	Nil	100.00

2.3. Some of the important assumptions reportedly made in formulating the tariff revision proposal are summarised below:

- (i). Traffic increase of 0% in the year 2002 and 10% each in the years 2003 and 2004.
- (ii). Annual Inflation of 5.08% based on a five year historical average inflation rate published by the Ministry of Finance.

INR depreciation of 5% per annum against USD and 3% per annum against SGD based on the yearly average depreciation rate for the years 1997 to 2001.
- (iii). 78.5% of the revenue collected will be denominated in USD.
- (iv). All the deferred revenue expenditure (except upfront royalty payment amortised over 10 years), is amortised over a period of 5 years on an average.

3.1. The PSA SICAL has requested the Authority not to circulate the information contained in Section 3 (form II – paragraph B, form III and IV) and Section 4 (paragraph A-2, A-3, A-4, B) of the proposal, which is commercially sensitive and reflective of its strategic and tactical policies in managing business and is its proprietary right.

3.2. The request of the PSA SICAL for not circulating some of the information could not be accepted. Following the practice followed in cases of all general revision proposals received from Port Trusts or other Private Terminals, it was decided to circulate Form II (income estimates) and Form III A (consolidated cost statement) along with the proposal. The PSA SICAL was also informed accordingly.

4.1. In accordance with the procedure prescribed, a copy of the proposal was forwarded to various concerned port users and representative bodies of port users and the Tuticorin Port Trust (TPT) for comments. The comments received from them are summarised below:

The Customs Licensed Agents' Association (CLAA)

- (i). There is no justification for rate revision by the PSA SICAL at this juncture on account of following reasons:
 - (a). It does not have a commitment for the port labour, which is a big advantage if compared to other neighbouring ports.
 - (b). It is already earning huge profits due to appreciation of the USD.
 - (c). It has not invested any amount in the additional infrastructure and development of area for customs examination, CFS, additional RTG, etc in particular.
 - (d). The traffic has grown by more than 35% bringing increased revenue.

- (e). If the tariff is hiked, the importer/exporters who are attracted by the CHAs even from the hinterland of the other neighboring major ports by their efficient marketing, value-added service & co-operation at a minimum cost will have a choice of moving away from this port.
- (f). Any hike in tariff in this period of general economy recession will affect the importer/exporter.
- (ii). The charge of USD 8.04 towards lashing and unlashng shall be eliminated, which the PSA SICAL is now trying to disguise under the heading 'Stevedorage'. Transportation from/to CY and LOLO shall not be clubbed with Stevedorage and be allowed to continue in Rupees only (instead of USD as proposed) as was charged earlier.
- (iii). As regards storage, the existing slab and tariff shall continue as otherwise it will increase the cost of import and export containers, which have to wait at the terminal for more than 3 days for arrival of vessels.
- (iv). The cargo wharfage which is clubbed under the heading LOLO shall be charged separately as the cost for separate LOLO shall not be available, if such a situation arises.
- (v). The PSA SICAL is already saving equivalent to USD 19.34 and USD 29 in respect of containers upto 20' and upto 40' respectively on account of direct loading. Further collection of separate charges for direct loading cannot be encouraged.
- (vi). Any new charge proposed shall not be approved, as it will increase the cost further.

The Tuticorin Steamer Agents' Association (TSAA)

- (i). The PSA SICAL is trying to monopolise the container operations at the Tuticorin and exploit the trade in the guise of simplification and rationalisation.
- (ii). To cover the exorbitant charge of USD 8.04 per container towards lashing/unlashng, now it has proposed to collect the charge under Stevedorage for all the import and export containers.
- (iii). A condition in the BOT Bid document emphasises on the collection of the Terminal Handling charges in Indian rupees only; however, the PSA SICAL Terminal has been allowed by the Tuticorin Port Authorities and also by the TAMP to collect major portion of the Terminal Handling charges in USD. The USD appreciates regularly and results in huge margin of profits to it. In addition, other charges are also proposed to collect in USD in the name of Stevedorage.

No facilities for Customs examination at the CFS and separate space for stacking DG containers has been provided till date as per the BOT agreement.

- (iv). Under the activities of stevedorage, the charges pertaining to on-board vessel activities can be recovered, however, the proposal indicates collection of the transportation and LOLO charges also in USD under the stevedoring activities in the name of simplification, which shall be refrained. Lashing/unlashng cost will only be considered under the "Stevedoring" activities and not the other charges.
- (v). The proposal for increase in the transshipment laden container charges includes Stevedoring charge of USD 37.31, lashing/unlashng charges of USD 16.08, container wharfage (twice) USD 1.84 and cargo wharfage (twice) Rs. 1000/-, which amounts to USD 75/20'. The same formula is applied on the empty containers also which must be disregarded, as there is no justification to raise the existing tariff level.

- (vi). In respect of the Reefer related charges, other general service charges, Extra movement charges, Shut out charges, Storage charges, and Transshipment and re-export containers charges, status quo shall be maintained without any change in the tariff.
- (vii). In the pretext of merging wharfage and LOLO charges, the LOLO charges are proposed as Rs. 850/- per 20' and Rs. 1275/- per 40' containers. Hence, on every LOLO, additional collection of Rs. 850/20' and 1275/40' will be made, whereas, the wharfage is required to be paid once. The charge shall, therefore, be maintained under different headings of cargo wharfage and Lift on/ILft off.
- (viii). As there is no justification for rate increase in respect of hatch covers and shifting of container within the vessel, request for rate hike shall be disregarded and current rate level shall be maintained.
- (ix). Hitherto, no additional charges were imposed on the users on availing of the facilities of direct loading of the container. The direct loading eliminates various other operations and hence does not bring substantial savings to the terminal. In spite of securing substantial savings to the tune of Rs. 940 per 20' and Rs.1410 per 40' container, an additional cost to the tune of USD 10 per 20' and USD 15 per 40' containers, for direct loading is also proposed, which must be disregarded.
- (x). The rate of re-shifting is on the higher side and may be agreed at Rs. 315/20' and Rs. 470/40'.
- (xi). The rates for the trucking are on the higher side and may be kept as optional.
- (xii). The introduction of the new proposed charge viz. 'change of shipment status' and 'change of container status' are not agreed to.
- (xiii). Presently, no such charge exists for cancellation of EIR. The TPT is extending the facilities for acceptance or cancellation of equipment requisition without collecting any additional charge. The PSA SICAL must also extend such facilities.
- (xiv). The tariff for the other services may be maintained at par with the TPT.
- (xv). The PSA SICAL is bound to issue any certificate/statement on the request of the users for which it has rendered the service and no charges can be collected for that.
- (xvi). The Tuticorin Port does not have a sound infrastructure with shippers/importers base. The C&F Agents and MLOs are struggling hard to attract the shippers or importers to use the Tuticorin port on various attractive terms, services and facilities. Any increase in the container handling charges now, will definitely affect in diminishing the container movements at the Tuticorin Port. Since the Chennai Port has emerged as a competitor of the TCT, the TAMP may not agree for any increase in the tariff as well as any new proposal.

The Indian Chamber of Commerce and Industry (ICCI)

- (i). To attract more transshipment containers, the PSA SICAL must maintain the same Stevedoring charges and not collect cargo wharfage of Rs. 1000 per 20' Laden container. If the transshipment charges at the Tuticorin Port are cheaper than neighbouring ports, the vessel owners will become interested to transship their containers from the Tuticorin. The free days period may also be extended from 15 to 21 days.
- (ii). Due to worldwide recession in the economy, the exporters are already facing stiff competition and any further burden on the shipper/consignee is not advisable. The PSA SICAL must maintain the existing tariff for the next two years and revise the tariff only when the world economy improves.

Tuticorin Port Trust (TPT)

- (i). The recurring charges viz. the import/export laden containers charges payable by MLOs and the shippers or consignees are increased by 27% and 26% respectively; the import and export containers charges payable by shipper or consignee are increased by 4%; and, the charge for empty containers payable by the MLO are increased by 150%. This cannot be correlated with the general increase in total income.
- (ii). The total income shown under Form II "Traffic and Income forecast" under (B) does not exactly matches with Form III relating to the cost statement.
- (iii). The RRM and the other contract costs are increased by 93% in the year 2002 (as compared to 2001), which appears to be on a higher side.
- (iv). The staff cost is proposed to be increased by 21% and 54% in the year 2002 and 2003 respectively over the respective previous years which seems to be on a higher side.
- (v). The amount of EPCG penalty approximately amounting to Rs. 9 crores (without change) cannot be verified in the absence of relevant information. The commitment under the EPCG scheme to be taken into account for fixation of rates for the BOT operator was not agreed to by the TAMP in the Order notified on 28 December 1999.
- (vi). The elements of expenditure mentioned at para 6, 7 and 8 are the major items contributing to a reduction in the surplus by 65% in the year 2002 if compared to the year 2001.
- (vii). Though the interest on loan payments has been considered, the income on account of interest on investments is not considered in the income side of the cost statement.
- (viii). In the cost statement, net surplus after tax is considered, whereas the tax benefits to be availed u/s 80(IA) of the Income tax are not included.
- (ix). In certain cases, the Rupee rates and US Dollar rates are clubbed and the revised rates are proposed in US Dollars which may not be agreed to. At the time of fixation of tariff for the services provided by the PSA SICAL in 1999, the proposal of the PSA SICAL to fix all the charges in dollars was not approved by the Authority and only the charges payable by the shippers or mainline operators were fixed in US Dollars.
- (x). The free period proposed as 3 days against 5 days shall not be agreed to as the free period at the Tuticorin Port was changed to 5 days from 3 days to coincide with the BOT operator.
- (xi). The PSA SICAL has strongly objected to the Authority against the levy of a special rate for capital dredging charged on the container vessels and had requested to retain the concessional special rate for dredging in order to withstand the existing competition. The same logic holds equally good now for the PSA SICAL.
- (xii). In the light of above facts and based on the assumption that the Chennai port shall improve its market share and the Cochin Port shall maintain its existing market share in the following years, no increase is warranted.

The Shipping Corporation of India Ltd. (SCI)

The comments of the TSAA are self-explanatory and have been given on the basis of consensus arrived at among the local Liner agents and other Terminal users. The comments furnished by the Tuticorin Steamer Agents' Association, are endorsed.

4.2. A copy each of the comments received from the users was sent to the PSA SICAL as feed back information.

5. The PSA SICAL has responded on the comments of the port users and the TPT. The points made by it on the important issues raised by the CLAA, the TSAA, the ICCI and the TPT are summarised below:

- (i). The bid document specifically permits the successful bidder to denominate the Terminal Handling charges in dollar terms.
- (ii). Direct loading is not encouraged since this service is disruptive and makes planning difficult. This affects continuous operations since the loading sequence has to be interrupted to wait for the container with correct weight. Though this requires a premium charge to be levied for this service, as such services are reluctantly provided at the request of the customers, still the charge is restricted to an absolute minimum to cater to the urgent or light cargoes like textiles, garments and perishable products.
- (iii). Similarly, the tariff for storage is also restructured to avoid use of transit terminal as a storage yard.
- (iv). The prescription of a common rate for laden and empty transshipment containers is an international practice and also, the amount of resources required for an empty or laden container are same. This simplifies the tariff structure and encourages transshipment of cargo rather than empty containers through the TCT.
- (v). The grouping of existing tariff items into a composite charge for import and export cycle is an attempt to simplify the charges for all in line with the international practice. No extra item is added.

Denomination of the LOLO and transportation charges in dollar terms, paid by the MLOs is an already accepted Indian practice.

- (vi). The last year has been an exceptional year when the hinterland trade was challenged by bottlenecks in the nearby Ports. However, the tariff revision takes into account a normal growth in volume and the extra cost, while being competitive.

On the comments of the TPT

- (i). The difference in the income shown in Form II and Form III represents 'other income items' included in form III which is not affected by tariff.
- (ii). The increase in the RRM cost in the year 2002 and beyond is mainly due to expiry of the warranty period of all the equipment during the year 2001. To keep the RRM cost low, the warranty period was negotiated and extended to avoid full RRM cost in the year 2001. The benefit is passed on to the users by holding the existing tariff beyond the 2 years period. The projected RRM cost is comparable to international experience.
- (iii). To maintain a highly productive workforce, reasonable increase in the staff cost is required. Also, with an increased competition for trained and disciplined workers, the overall compensation package must remain competitive.
- (iv). The interest earned on the investment is included as 'Other income' in the Form III statement.
- (v). Even though 80 (IA) benefit of the Income Tax Act will be availed, the Minimum Alternate Tax is still payable.

- (vi). The clubbing of some of the tariff items is an intermediate step taken to simplify the tariff structure to make it more customer-friendly, in response to comments received from international clients. The Mumbai Port has similar arrangement approved. For cargo-related services (payable by the shippers and the consignees), the charges remain denominated in Rupees.
- (vii). The free period is reduced to 3 days to discourage the use of container yard (premium land) as a storage space, which will improve the yard utilisation and service level to the users. This change is also made in response to the reduction in the average dwell time from > 8.5 days in the early 2000 to 4.5 days by the end of 2001. The proposed free storage period will reduce the dwell time further and the users would experience better service without any impact on their financials.
- (viii). Even with the proposed increase, the tariff will still be competitive as compared to all regional ports and other Indian greenfield container terminals of similar productivity levels.

The objection to the dredging levy was mainly because this adds on to the marine charges, which are already a few hundred percentage more expensive when compared to other international ports handling similar vessels.

6.1. On a preliminary scrutiny of the proposal, the PSA SICAL was requested to furnish the additional information/clarification on various issues arising out of the proposal.

6.2. Some of the important queries raised by us are summarised below:

Financial / Cost Statements:

- (i). Detailed computation of the Income projected for the years 2002, 2003 and 2004.
- (ii). Reasons for assuming storage rent for the years 2002, 2003 & 2004 at a lower figure than the actual figures for the year 2001.

Detail of average dwell time for the years 2000 & 2001 and that projected for the years 2002, 2003 and 2004 along with reasons for assuming a lower figure.
- (iii). Detailed computation of the RRM & other contract costs as well as the Staff costs (indicating number of staff in various categories and annual cost of each category).
- (iv). Justification and basis of computation of EPCG penalty projected for the years 2002 to 2004 along with relevant documentary support.
- (v). Details of the additions to the asset block projected for the years 2002, 2003 and 2004 and position of debt and equity for the corresponding years.
- (vi). Detailed schedule of depreciation indicating the normal life of the assets, rate of depreciation, and method adopted for computation.
- (vii). Schedule of payment of interest and repayment of debt – both in Indian as well as in foreign currency, if any.
- (viii). To amortise Deferred Expenditure and upfront payment over the entire concession period for the purpose of tariff exercise.
- (ix). Detailed computation in respect of restatement of foreign currency assets and liabilities at the closing exchange rates to justify a large amount on account of exchange fluctuation included in the projections of costs for the year 2002, 2003 and 2004.

- (x). Installed capacity and capacity utilisation of the terminal for each of the years under consideration; and, the basis of capacity estimation.
- (xi). Financial statements (Profit & loss Account, Balance Sheet, Cash flow statement) indicating the IRR on the Project cost and the IRR on the Equity Capital based on the actuals for the years upto 2002; and, projections at the current level of tariffs and costs for the remaining period of the concession agreement.
- (xii). Revised traffic projections for the year 2002 in light of the actual traffic in the first three months i.e. from January 2002 to March 2002.

Scale of Rates

- (i). Not to consider the components relating to cargo-handling, transportation and other related infrastructure for the purpose of denominating concerned tariff items in US dollar terms.
- (ii). To furnish the justification for the proposed composite rate (including planning, lashing/unlashing, supervision charges) for stevedorage for import & Export containers and transport from / to CY and LOLO, which are at present in rupees and the basis of percentage increase applied in arriving at the proposed rate.
- (iii). Stevedorage for transshipment containers:

Reasons for replacing the earlier approved slab rate prescribed for transshipment of containers 'more than 400 Teus' and 'less than 400 Teus'.
- (iv). Basis of the components of charges for shifting of containers and to explain inclusion of planning & lashing/unlashing, etc., which is at present optional. Justification for a proposal steep increase of more than 155%.
- (v). Lift on / Lift off and Extra movement charges: To explain the reasons for removing the distinction between prescription of LOLO charges by transfer crane and other equipment and to justify the proposed tariff with reference to the cost of providing services/equipment cost.
- (vi). (a). To furnish the justification for increasing the pre-trip inspection charges and details of services provided to Reefer-related and other general services.

(b). To Justify the increase in the charges for the supply of electricity with reference to the present tariff of the electricity supply and the average consumption of electricity per shift.

(c). To explicitly prescribe about Cleaning of containers to be optional.
- (vii). (a). Justification for reduction in the free days /slabs as well as increase in the proposed storage charges.

(b). Reasons why a generally accepted position of allowing free periods of 3 days allowed on import and 7 days on exports; and, free period to commence from the following day of landing from the date of receipt cannot be made applicable at the TCT.

(c). Free period to exclude Sundays, customs notified holidays and the Terminals non-operation days.
- (viii). To explain the services rendered and/or the operations performed by the Terminal Operator for proposing the direct loading charges and reasons for prescribing this charge in dollars.

- (ix). To furnish details of service/ operations performed by the terminal operator for proposing charges for change of shipment/container status along with cost details and justification for denominating the charge in dollar terms.
- (x). To furnish details of the services rendered and/or the operations performed by the Terminal Operator for proposing charges for reshuffling / trucking indicating reasons for prescribing this charge in dollars.
- (xi). To explain the position regarding amendment in the definition of the transshipment container to provide for containers coming from or going to the TPT yard. Since the SOR envisages operations only at the TCT, there is a need to reckon with the inter-terminal movements of containers especially with reference to coastal arrivals/departures so as to avoid levy of double charges at each of the terminal.

7. In addition to submitting the requisite information, the important point made by the PSA SICAL are summarised below:

(i). Storage Rent

- (a). In the year 2000 and 2001, many of the containers fell into the 6-22 days slab period. With the improved efficiency in the yard and the gate management, the dwell time is expected to reduce from 2002 onwards, and more containers will fall under the free slab period.
- (b). Most of the revenue generating containers in the yard will be moved to CFS due to their enbloc tie-up with the MLOs, due to commence in May 2002 as per the Customs notification.
- (c). The average dwell time for years 2000, 2001 and 2002 has been 8.1, 5.5 and 4.3 respectively and, is projected as 4.3 in respect of each of years 2003 and 2004.

(ii). Staff costs

The increase in staff cost is more than the projected annual increment because the staff headcount is expected to increase by 20 in the year 2002 and by 40 in 2003 in line with the addition of the CHES; and also, because a special bonus was introduced w.e.f. January 2002 to all the local staff excluding the Managing Director.

(iii). CITOS/EDI Annual Licence fee

With holding tax @ 15% is payable as per Article 12 of the double taxation agreement entered into between the GOI and the Government of Singapore; and, and R&D cess of 5% (statutory cess) is levied by the Government as per the Research and Development Cess Act. Both of these are to be payable by the PSA SICAL as per the CITOS agreement signed.

(iv). EPCG penalty

The calculations of the scenario under revised tariffs subsequent to the initial submissions to the TAMP are revised and restated in the cost statement. The revised calculations indicate an amount of penalty of Rs. 7.5 crores, 3.3 crores and 3.7 crores as against the earlier figures of Rs. 8.5 crores, 9.5 crores and 5.4 crores for the years 2002, 2003 and 2004 respectively.

(v). Asset Block

The projected additions to the Asset Block consists of additional quay cranes, yard cranes, prime movers and expenditure on further yard development. The equipment

cost has been revised downwards (by way of the reduced rate of import duty to 10%) following the recent budget announcement.

(vi). Depreciation

The depreciation is the minimum depreciation that has to be provided before declaring any dividend as per Section 205 of the Company's Act. The rates were derived in accordance with Schedule XIV and Section 350 of the Company's Act, 1956.

(vii). Amortisation of Deferred Expenditure

(a). The deferred expenditure consist of upfront royalty payment to the Port Trust and other expenses which were incurred during the startup phase of the project, such as training, marketing and travelling expenses.

The benefit from the start-up expenses mainly accrues during the preliminary phase of the project, which would at most be enjoyed over 5 years. Subsequently, recurring expenditure had to be incurred to generate continued benefits and hence, these expenses should not be spread over the entire concession period.

(b). Although front-end royalty is not a recurring expenditure, it is required to be amortised in 10 years so that the cost sheet can accommodate higher royalty-related expenditure at a later date. This is to be seen in the context that relatively high future expenditure on royalty is not brought forward for tariff consideration.

(viii). Foreign Exchange Differences

The exchange differences that are recorded arise from the difference between the booked rate and the prevailing rate on the date of closing of the accounts of foreign currency payments, which is in accordance with Clause 9 of the Indian Accounting Standard AS 11. The delayed payment was a result of the requirement of approval from the Reserve Bank of India for all foreign currency payments.

(ix). Return on Capital Employed

(a). The revised computations modifying the Return on Capital Employed component have been submitted. Notwithstanding that the terminal's theoretical capacity is 300000 TEUs, the current throughput assumptions are making full use of the practical capacity of the terminal with immaterial spare capacity unutilised.

(b). The practical capacity is less than 300000 TEUs due to the existing less than ideal trade practices, which has resulted in severe peaks and troughs in the operations of the terminal.

(c). The reserves retained are fully utilised in the current business and will be fully reinvested in the future capital expenditure requirements. According to the projections, even the full reinvestment of the reserves is insufficient to meet the capital requirements of the company, requiring the need to call for capital from the shareholders.

(ix). Return on Investment

The IRR figures are computed, based on the modified IRR (MIRR) method instead of the conventional IRR method using which any values for the IRR could not be derived due to the extremely unfavourable returns to the company. The IRR works out to 14% and 10% on the project cost and the equity capital respectively.

(x). Throughput Projections

The current throughput projections for the year 2002 to 2004 are realistic, notwithstanding the modest year-on-year increase in the throughput as at March 2002. It would be extremely challenging to maintain the supernormal growth in throughput seen in the 2nd half of the last year, as this growth was due to service problems at the neighbouring ports, which has since been resolved.

(xi). Activitywise cost statements

The terminal activities are intertwined and cannot be separated meaningfully. Preparing separate cost statements for each activity would entail the synthetic allocation of costs to each activity, which will neither be accurate nor truly reflect the real cost of the activities.

(xii). Components of Composite Tariff

- (a). Composite tariff rate is an intermediate step taken to simplify the existing tariff structure so as to make it more customer-friendly, in response to the comments from the international clients. The Mumbai Port has similar arrangement approved.
- (b). US dollar denominated tariff is important as it helps in fulfilling the export obligations as per requirements of the EPCG scheme.

(xiii). Treatment of Cargo Wharfage

Cargo wharfage charges have been combined and simplified into a single item under the LOLO charges. This charge will continue to be paid by the shippers/consignees and is denominated in Rupee.

(xiv). Stevedorage for Import & Export containers and Shifting of containers

- (a). All the vessel calls have approved to handle their vessels including the provision of stowage planning, lashing/unlashing, and supervision services, which is an essential and integral part of the total services provided to the users. Without this integration, the terminal productivity and the service quality will be affected.

This service must be considered as a critical node in the entire process flow and not an optional / independent service.

- (b). The existing tariff for shifting of containers is not reflective of the impact of providing on-board container shifting service. Hence careful planning is required to avoid un-productive shifting work that affects the overall terminal efficiency.

(xv). Stevedorage for transshipment containers

- (a). The proposed tariff is market competitive and is payable by the MLOs and not the Shippers/consignees, as the transshipment cost is a part of the sea-freight.
- (b). As regards replacing of the earlier slab rate of 'more than 400 teus' and 'less than 400 teus', it is not practical to establish a predefined structure for giving discounts. Market dynamics changes and the private operators should have the flexibility to discuss such rates in confidence with our users directly.

(xvi). Shut out and Hatch cover charges

Current tariff for both operations is not reflective of the work involved and the impact on the terminal efficiency. For shut out operations, re-planning and exceptional or additional handling of boxes is required. For hatch cover movement, the time taken is equivalent to about 5 moves and the risk involved is higher due to the heavier load.

(xvii). Lift on/Lift off and Extra movement charges

Differential equipment cost within the terminal will encourage practices of choosing the type of equipment to be used by the users. The focus must be on the quality of the service provided and not on the equipment used.

(xviii). Reefer-related and other general services

(a). Pre-trip inspection is an optional item and involves complete inspection of the refrigeration system including moving parts. The increase in the tariff is in line with the overall increase required.

(b). The unit rate of electricity has increased by 25% and the maximum demand charges by 75%, from the time the last tariff was approved.

(c). Cleaning of Containers is optional and charges are paid when requested.

(xix). Storage charges

(a). To encourage faster movement of the boxes so that the terminal yard should not be used as storage space and to reduce the likelihood of yard congestion and increase the overall capacity of the terminal, reduction in the free days/slabs is done. The ultimate beneficiary is still the trade.

This change is also made in line with the reduction in the average dwell time from > 8.5 days in the early year 2000 to 4.5 days by the end of year 2001.

(b). For imports, it is in line with the rest (i.e. 3 days free storage). For exports, 7 days cited above is not practical for the TCT as the majority of the market does not require this. Incidentally, there are some direct loading boxes and almost all exports boxes arrive at the terminal within the free storage period.

With the reduction of free storage from 5 days to 3 days, there shall be no impact on exporters because all the major cargo-generating cities are within 30 hours by road.

(c). As regards exclusion of Sundays, Customs notified holidays and Terminal non-operating days for calculation of free day, the TCT operates 24 hours a day and 7 days a week. For efficient terminal to continue, it cannot be made to follow the less efficient nodes in the logistics supply chain. Any attempt to do so will deteriorate the efficient processes achieved to date.

(xx). Direct loading charges

(a). Direct loading is a "premium service" requested by customers that TCT provides at a "cost". Such operations are disruptive to efficient operations and the overall terminal capacity. Additional resources are required to be deployed for such exceptional operations, stowage planning, and actual handling. The users asks for this service as it helps to increase the slot utilisation of their vessels (i.e. avoid sailing with empty slots), facilitate tight connection at the transshipment hubs (eg. Colombo), and get their cargoes to the market before their competitors.

- (b). Since this service is a vessel-related charge and paid by the container operator (who also earns its revenue in US dollars), it is proposed to be denominated in US dollars.

(xxi). Charges for change of shipment/container status

This requires the deployment of additional resources in order to effect and update the changes. This is a "punitive" charge and its purpose is to instill discipline in the trade and facilitate efficient operations at the terminal.

(xxii). Charges for reshuffling/trucking

- (a). At the request of the customers, reshuffling of the containers may be required in order to have access to the containers over stowed. Such activity is not required in the normal course of operations and can be avoided altogether if the users do not make the last minute changes or requests.
- (b). Trucking charge applies, when at the request of the customers, the TCT transports containers between the port's railway siding/marshalling yard and the TCT.
- (c). Reshuffling is different from LOLO, which is paid for while delivery of issue of containers at the TCT. This is also different from extra movement, which is paid for if the container is moved from one yard block to another at the request of the customer.
- (d). As regards proposing of same rates for empty and loaded container, the charge is not related to the cargo. It is for any extra lifting of the container at the request of the customers.

(xxiii). Inter-Terminal Movement

In Tuticorin, there is no inter-terminal movement since there is no terminal other than the TCT, who is open to work jointly with the TPT to arrive at a solution should such a situation arise.

8.1. A joint hearing in this case was held on 7 June 2002 at the Tuticorin premises in Tuticorin. At the joint hearing, the following submissions were made:

PSA SICAL Terminals Limited (PSA SICAL)

- (i). We will give all the information necessary. We are transparent.
- (ii). We have given a hard copy of our slide presentation. Please take that into consideration.
- (iii). We only do container handling. To breakdown our costs further is difficult.
- (iv). The CITOS and the TSF are different. There are other software available about terminal handling. There is a cost involved in development of the software. We are not paying a 'fee' to the PSA.
- (v). As regards Lashing/Unlashing, we have given a comparative table CHPT Vs. TCT. We do much more than what the CHPT does. Our charge is fully justified.
- (vi). Direct loading is an inefficient operation; and, must be discouraged. We will like to avoid it, if we can. Still, we have retained it only to help the users. But, they must be prepared to pay for our costs.

- (vii). In the EPCG, only a part of the income has been recognised. There is therefore a slight shortfall; and hence, the 'penalty'. In spite of this, the route that we have followed has been cheaper than the non-EPCG route.
- (viii). As regards the free period at the TCT, the import containers stay longer. We, therefore, wish to standardise at 3 days. There is no need to give more time for export containers.
- (ix). In Singapore, we have bilateral agreements with the users. The Regulator does not interfere. The Regulator is more concerned with Safety, Conservancy, Environment, etc.
- (x). Our capacity here is 3,00,000 TEUs, but we cannot achieve that with the present equipment. Some augmentation is required. There is no international norm for the cranes.
- (xi). As regards the Staff cost, we are functioning with very few staff now. The increase envisaged is therefore nominal/reasonable; it is not phenomenal.
- (xii). In the RRM, normal replacement and maintenance cost is what we have taken into account. There is no flab in our estimation.
- (xiii). The CSLA talks of standard facilities; yes, we will give all that, but there will have to be a cost. No service can be 'free'.
- (xiv). There is no discrepancy between Form II and III. There is only a difference of the interest income.
- (xv). Lumping of items is done for simplification based on our understanding of the MBPT system. If we are wrong, the TAMP may please correct our error.
- (xvi). With regard to reshuffling at the yard, only LOLO will be charged. We guarantee there will be no additional wharfage.
- (xvii). The CITOS was developed in-house by the PSA. We could have bought it in the market. In that case, the expenditure would have been allowed. Why penalise for availability of in-house software capability? It has nothing to do with the TSF.

Customs Licence Agents Association (CLAA)

- (i).
 - (a). The TCT just a landing place. It is more like a bus stand. No facilities are provided. No facility for storage, stuffing/destuffing etc.
 - (b). No additional storage facility for the hazardous cargo; no additional storage facility for the cargo; no buffer yard.
- (ii). What are the BOT conditions? Has the PSA SICAL fulfilled them? The TAMP must go into the details here.
- (iii). Any increase allowed must be linked to provision of additional facilities.
- (iv). Any increase has to be moderate. Otherwise, we will lose the traffic to other ports.
- (v). The actual cost of lashing/unlashing is less than \$1; whereas, they are charging \$8.04. The TAMP must carefully scrutinise. Do not accept what they say.

(The PSA SICAL agrees to circulate the comparative details so that the users can give specific comments about the charges proposed by the TCT.)

- (vi). The overdimensional cargo is handled everywhere and not unique to the TCT. Why shall they charge 5 times the tariff? It is exorbitant.
- (vii). Charging additional \$10 for direct loading is nonsense. At least, blind collection of the normal tariff, even if the service is not availed of, is not correct.
- (viii). Holidays must be excluded for calculation of the free period.
- (ix). There is no justification for dollar denomination of LOLO, cargo wharfage and transportation.
- (x). Bundling of all these charges is not correct. They must be separately itemised.
- (xi). A moderate increase of 5% only can, if at all, be considered.

Container Shipping Lines Association (CSLA)

- (i). The PSA SICAL is a modern port. All that was stated in their presentation is what is expected of a modern terminal. That cannot become the basis of a revision.
- (ii). There is a sudden steep increase in the maintenance/repairs. Is this realistic? Compare with other terminals to develop a uniform norm.
- (iii). EPCG penalty shall not be admitted as a cost item. It is also a one time feature. It shall not become a computation in perpetuity.
- (iv). If compared with the CCTL tariffs, the PSA SICAL's proposal is lavish. An increase of 28% is not rationalisation from the user point of view.
- (v). Creation of additional storage facility must be paid for by the additional traffic. There is no need to burden today's user for such investments.
- (vi). Any increase given shall be uniform for TEU and FEU.
- (vii). What does it mean by "Improved utilisation of the port resources" ? We need more details.
- (viii). A steep increase is proposed for handling of empties, which is unjustified.
- (ix). 0% growth in some years. How can this be so? They boast so much about their aggressive marketing.
- (x). Number of cranes is inadequate. If there are 2 vessels berthed, there are delays in operation of the second vessel even after berthing. The wasteful cost on berth hire must be eliminated in such cases.
- (xi).
 - (a). Let us wait for the Working Group recommendations with regard to performance Standards.
 - (b). Volume discount schemes operating must be continued.
 - (c). We have listed several inefficiencies, these must be removed.
- (xii). The TSF payment for CITOS must not be allowed.
- (xiii). Upfront royalty, preliminary expenses, etc. cannot be considered in a 10/5 year perspective; and, must be spread over the whole project period.

- (xiv). The ODC cannot be charged 5 times more; elsewhere (eg. NSICT) it is only 2 times more.

Tuticorin Steamer Agents Association (TSAA)

- (i). Lots of items of activities are proposed to be grouped together, which is irrational. This is an attempt to cloud the issue about the \$8.04 charge.
- (ii). Lashing/Unlashing is the only activity relevant for stevedoring. Ignore the others and, accordingly, slash the charge.
- (iii). We have given a detailed written submission. Please take into account all the issues raised therein.
- (iv). Storage charges are calculated w.r.t. the actual arrival at the storage point and not w.r.t. arrival in the port area.
- (v). (a). The CHPT charges 25% extra for the dangerous cargo whereas the PSA SICAL want 50% more.
(b). Also, specify what is 'dangerous cargo'.
(c). With regard to the ODC, please specify the 'dimensions'.

[The PSA SICAL says that the principle of 8 hourly unit with reference to shifts, they are willing to uniformly adopt every where.]

- (vi). All the ports/terminals give special concessions to the ICD cargo, even the TPT does, But, the TCT (PSA SICAL) refuses to do so. Please direct them suitably.
- (vii). Concessions for the 'empties' must be given.

Indian Chamber of Commerce and Industry (ICCI)

- (i). The trade is already hard hit by recession. The proposed increase will be unbearable.
- (ii). Direct loading is done in very few cases. It is a nominal burden. The PSA SICAL shall not charge extra and the facility must continue.

Indian National Shipowners' Association (INSA)

- (i). The PSA SICAL tariff structure is anti-coastal traffic. This must be corrected. Separate low rates for coastal vessels shall be prescribed.
- (ii). They should not ask us to replace damaged fenders. Please give an appropriate direction.

Tuticorin Port Trust (TPT)

- (i). The 'capacity' has relevance for royalty. We will, therefore, like to know exactly what they think about augmentation of capacity.
- (ii). Let the 'free days' be same for the TPT and the TCT.
- (iii). We do not support the proposal for a tariff hike.
- (iv). Phenomenal increases in the staff cost have been envisaged, which is unjustified.

- (v). The PSA SICAL may correct the discrepancy between the Form II and the Form III.
- (vi). The PSA SICAL gets cash benefit u/s 80-A of the Income Tax Act, which is not incorporated in the statement, which it may correct.

8.2. At the joint hearing, the Container Shipping Lines Association (CSLA) submitted its comment (including additional comments) on the proposal. The points made by the CSLA are summarised below:

- (i).
 - (a). The port has started operations in the year 2000. The heavy equipment used by ports has a reasonably long life. Whether or not under warranty, the regular maintenance cost cannot be that astronomical. The initial warranty period would have taken care of any serious material defects in the equipment.
 - (b). The growing experience indicates that more TEU can be handled per staff and the total staff cost per TEU will be lower. The private operator may have the flexibility in maintaining the requisite staff levels. Therefore, the expectation that increase in the manpower costs due to salaries will have a bearing on a per container based tariff do not hold good.
 - (c). The capital investments due to higher volumes is not a reason for tariff increase since increase in volumes will by itself pay for the investment. Creating infrastructure or expansion of service shall not be included as a charge on existing customers.
 - (d). The EPCG penalty incurred due to poor management cannot be a cost to the customers account. Moreover, the figures of the penalty are different in the models 'with' and 'without' change, which the port needs to clarify. Penalty is normally imposed for contravention of law and, therefore, not normally reimbursable. As per this proposal the user is not only expected to compensate for the penalty, but also guarantee a return on the same.
- (ii). The comparison of prices with other established ports is interesting but the port must realise that it has an obligation towards those Lines which have moved to this new port on the promise of efficiency and better service. Also the comparison with the CCTL now needs to be made with the rates prescribed by the TAMP vide their order of 15 March 2002.

Under the scheme of making composite rates, some INR based rates have been clubbed with the US dollar based rates and the total is denominated in US dollar (ofcourse with a hefty increase).
- (iii). Another reason for tariff increases has been given as 'improve utilisation of the port resources' but it is not clear exactly how this will come about.
- (iv). The only rate which is not increased is the transshipment cost, which may be because of competition from Colombo but, major shipping Lines either use a port for its entire package of competitive services or they don't. The transshipment volumes cannot be expected to flourish in the midst of very high rates for all other services.
- (v).
 - (a). The 35% growth in 2001 over 2000 is not only because of congestion problems at the Chennai, but also, due to new services, the TCT attracted in 2001, significant being the direct service to US east coast.
 - (b). Even without a change in tariff, and year 2002 volume, projected to be at same levels as year 2001, the income has been shown decreased by Rs.11545000/- [(42% decrease) reference form II], which has not been explained in the proposal.

- (c). A reduction of Rs.8.37 lakhs in the income from yard operations in 2002 over 2001 is also not explained even when the volumes have been projected to remain the same.
- (vi). Cost has been shown inflated on account of :-
 - (a) RRM & contract costs (reference comments under point 2)
 - (b) EPCG penalties (reference comments under point 2)
 - (c) Amount of interest on loan is shown increasing over the years though there is no significant increase in the total capital. This will however not have an effect on the ROCE in any case.
- (vii). Once these anomalies are corrected the net surpluses will give an ROCE of much higher than 7% of the capital employed shown in the cost statement for 2002 without a change in tariff. Hence there is no justification for giving a tariff increase as the TCT is already making handsome surpluses.
- (viii). The idea of ROCE of 18% is intrinsically flawed. A nascent unit in a capital-intensive business like ports can only expect initial losses (fortunately not in the case of TCT) and eventually positive returns though probably never in the range of 18%.
- (ix). (a). Gross crane rate may have improved from 24 to 26 moves/hour, but this is the standard expected out of any new private port.
(b). Vessel rate has moved from 30 m/hr to 35 moves/hour which in fact much lesser than other ports like NSICT/JNPT.
- (x). With only 2 RMQCs and 4 RTGCs deployed by the TCT, whenever two vessels are berthed, several delays are experienced in commencement of the vessel operations from the time of berthing, as the terminal is unable to simultaneously cope with feeding, receipt and delivery of containers. This leads to additional port stay of the vessels adding to the vessel's call cost and trucks detention costs. Such idle time has not been accounted in calculation of the gross crane rate or the gross berth productivity shown by the TCT, and the cost of these inefficiencies has found no mention in the proposal. Therefore, there is no case of giving a tariff increase on the basis of productivity.
- (xi). As a modern terminal, the TCT is required to give EDI reports in a standard UNEDIFACT format for all discharge, load, gate in and out moves and exchange BAPLIE at no extra cost. Such efficiency improvement do not find concrete mention in the proposal.
- (xii). From the information provided, it is not possible to see the division between the equity and the loans. Further, it is not clear why the figures of capital employed are different in model 'with' and 'without change'.
- (xiii). The most logical model appear to be to compare the result after interest with the equity alone as this is what the capital owner takes. As per this model, in 2001 the return is 28%.

8.3. At the joint hearing, the PSA SICAL has agreed to furnish the following information/documents:

- (i). Circulation of the comparative details of the CHPT and the TCT about lashing/unlashing (within a weeks time) to enable the users to give specific comments (with in a weeks time thereafter) on the charge proposed by it.

- (ii). With reference to the TPTs observation about installation of new equipment, to furnish relevant details of equipment (simultaneously to the TPT also) within a weeks time to enable the TPT to give its comments thereon within weeks time thereafter.
- (iii). As regards facilitation of examination of admissibility of some components of computer-related expenses, to furnish a copy of the agreement between it and the PSA Corporation about supply and maintenance of the CITOS system.

9. The PSA SICAL has responded by furnishing the information relating to the services rendered under the head lashing/unlashing stowage planning and supervision charges, the proposed additions to the capital block, a copy of the agreement with the PSA Corporation; and, written clarifications on some of the important issues surfaced during the joint hearing. The important points made by it are summarised below:

- (i). The following assets are proposed to be added:
 - (a). One Quay Crane, two Rubber Tyred Gantry Cranes and five Prime Movers & Trailers at a total value of Rs.36.08 crores including import duty at the present rate of 10%.
 - (b). Civil works for yard development and genders at a cost of Rs.2.84 crores.
 - (c). Other replacements and system up gradations at a cost of Rs.3.28 crores.
- (ii). The terminal management and operation software has been specifically developed and customised for the Tuticorin Container Terminal by the PSA Corporation. This is not in the nature of technical services fees paid for using promoter's goodwill, brand name or image and hence is not a payment for an intangible gain. This is clearly an identifiable product which if not had been supplied by the PSA Corporation, another agency would have been engaged for this service; hence, is justified for admissibility as a cost.
- (iii). Unlike the Major ports, which perform different activities like handling varieties of cargo, warehousing, estate management, stuffing/de-stuffing operation, etc; the PSA SICAL performs only one integrated activity of handling containerised cargo. All the elements of the operational process are integrated into one single activity to ensure efficiency and high productivity. Hence it is difficult to split the total cost into fractions representing costs of individual elements of one integral component.

It is also not possible to provide efficient service to our demanding customers by eliminating any of the elements of the operational process. In our case, this exercise will not be reflective of the integrated nature of the service.
- (iv). The rationale behind clubbing of stevedoring, container wharfage, lashing/unlashing, planning and supervision, lift-on/lift-off and transport to CY into one charge is to simplify the charges which has no impact to our customers as these charges are paid for by the MLOs. The charges for LOLO and transport has been allowed to be dollar denominated in the case of the MBPT. This will reduce the EPCG penalty. If the policy permits, it is requested to consider this point favourably.
- (v). The figures for EPCG penalty indicated in the submission for 2002 and beyond, are based on the projected shortfall in the generation of dollar earnings as compared to the export obligation in the licence. This is because of the environment in which we operate, policies of the Finance Ministry and the RBI and the decisions regarding dollar service by the Authority, which are accepted respectfully. Even with this payment to the Government in the years 2002, 2003 and 2004, there is an overall gain because of savings in upfront payment of import duty, which has already been passed on to the customers.

- (vi). The utilisation factor of the currently operating 2 Quay Cranes and 4 RTGs is already comparable with international standards. However, we still have additional berth capacity, which can be exploited by adding more CHE. With the projected additions to the asset block already furnished as item 7(a) of our supplementary submissions, the capacity will increase to 3,00,000 TEUs/year.

The two important issues requiring consideration are -

- (a) The not-so efficient trade practices has limited the utilisation factor of the CHE which we will be added to the asset block; and,
- (b) The need to add this capacity at one go, since step-wise addition may not be practical due to high transportation cost.

Since the servicing of the capital related charges will have to be done with the above two practical constraints, due consideration be given to our prudent capacity addition decision and our high operational efficiency factor while calculating the return on shareholders' fund.

- (vii). The tariff has been restructured in line with the charges at the competing ports. For discounts, customised service agreements with the clients to suit their specific needs may be considered. Since besides volumes, there are many other considerations in such customised deal, these agreements are kept confidential and it is not practical to publish any discount structure.
- (viii). In order to be sensitive to the trade needs, the direct loading service may be provided at a premium service fee. Such an operation results in inefficiencies causing vessel delays, additional resources for exceptional activities in planning and actual handling and sub-optimal utilisation of resources.

To improve the utilisation of limited port resources, this practice must be discouraged but not completely shut out for customers who need this service for their late and urgent cargo. Hence, the charge to reflect the premium the customer has to pay for such exceptional service.

- (ix). The year 2002 is the first full year after the expiry of warranty for all the imported CHE and other electrical equipment. Hence the big percentage increase as compared to 2001. Even though the life of the CHE is nearly 20 years, continuous replacement/refurbishment of several individual components on a regular periodicity is an absolute must to maintain high efficiency and reliability, which is a common international practice in all container terminals.

In addition, Tuticorin Container Terminal suffers the following disadvantages.

- (a). Poor quality of power results in frequent failure of sophisticated electronic components and associated parts. This assumes more significance in the new generation equipment.
- (b). Spares management is more difficult resulting in higher inventory carrying cost.

Even so, the projected RRM cost is comparable with the local and international standards of similar efficiency and reliability levels.

- (x). Without Planning, Supervision, etc. it will not be possible extend the fast and efficient service as per the customers demand. The services provided under this charge are more comprehensive and complete than what was provided in Chennai previously.

Though the Chennai's stevedoring rate for this charge was benchmarked, the indicative break-up of the cost was submitted to satisfy the TAMP's requirement.

Even with this component, our tariff compared in totality, was extremely competitive in relation to both local and regional ports. With our total cost structure and other information submitted as per the requirements of the TAMP, it is requested that the issue relating to "Planning, Supervision and Lashing/unlashing" be closed and our proposal for tariff revision be considered based on the data submitted for the comprehensive tariff revision.

- (xi). The deferred expenditure capitalised consists of up-front royalty payment and other expenses, which were incurred during the start-up phase. Like training marketing and traveling expenses, the benefits from these would at most be enjoyed over 5 years, since the company needs to be continuously rejuvenated to sustain its efficiency and competitive edge.

Although the front-end royalty is not a recurring expenditure, it is required to be amortised in 10 years so that our cost sheet can have provision to accommodate higher royalty-related expenditure at a later date. This is to be seen in the context that relatively high future expenditure on royalty is not brought forward for tariff consideration.

10.1. As decided in the joint hearing, a copy of the PSA SICAL letter dated 8 June 2002 about the details of services rendered by the PSA SICAL under the head "lashing/unlashing, stowage planning and supervision charges", as compared to the services provided at the Chennai Port was forwarded to the concerned representative bodies of port users viz. the TSAA, the TCLAA and the CSLA for comments. The comments received from them are summarised below:

Tuticorin Steamer Agent's Association (TSAA)

- (i). The comparative details furnished by the PSA SICAL about the services provided at the CHPT and the TCT with reference to the lashing and unlashing charges do not reflect the real picture. The services rendered at the CHPT and the PSA SICAL at Tuticorin are identical and there is no difference at all in the matter of operation too. But the CHPT does not collect separate charges for lashing, unlashing, supervision, planning etc., as against the separate levy made at the TCT.
- (ii). The details of the services rendered and charges levied by the PSA SICAL and the CHPT indicate that the PSA SICAL is collecting more charges when compared to the CHPT. The quantum of excess amount collected by the PSA SICAL is Rs.224 and Rs.134.50 in respect of loaded 20 ft. and 40 ft. container and Rs.330 and Rs.304.50 in respect of empty 20 ft. and 40 ft. container respectively.
- (iii). The proposal of the PSA SICAL hence need not be considered and Orders may be issued for stopping collection of US\$ 8.04 per container as lashing and unlashing charges etc.

Tuticorin Custom House Agents' Association (TCHAA)

They have reiterated the comments offered by the TSAA.

10.2. The CSLA has not furnish any comments so far.

11.1. The TPT has responded to the information furnished by the PSA SICAL about the equipments proposed for installation by the PSA SICAL for container handling.

11.2. The TPT has confirmed that the proposed addition of equipments costing Rs.36.08 crores approximately will be adequate to meet the estimated traffic throughput of 3,00,000 TEUs in the year 2003.

12. The CITOS/EDI Annual licence fee is stated to be paid as per contract with PSA International and as quoted by the suppliers with further addition of 15% withholding tax and 5% R&D cess to the annual fee payable. The PSA SICAL was requested to furnish the relevant documents in

support of this to assess the admissibility of this item as a cost for tariff purposes. The PSA SICAL, however, has not furnished any details of documentary support and/or detailed working based on which it has revised the EDI installation and licence fee.

13. It is noteworthy that the PSA SICAL has earlier provided the estimated bread up of the lashing/unlashing, planning, and supervision activity. The comparative table indicating the working of estimates of cost per box arrived as Rs.403 and Rs. 324 by using the return on capital employed method and return on equity cost of debt method respectively furnished by the PSA SAICAL is given below:

Sl. No.	Items	Cost (Rs/Box) submitted on 22.09.2000	Revised Cost (Rs/Box)
(i).	CITOS – Tuticorin: Capital related Charge	166	108
(ii).	Hardware: Capital related charge	59	38
(iii).	Annual software maintenance cost	60	60
(iv).	Annual hardware maintenance cost	36	36
(v).	Yard consolidation	10	10
(vi).	Supervision services	36	36
(vii).	Lashing/Unlashing	36	36
(viii).	Total cost	403	324

They have also informed that the charges are apportioned as 85% to vessel –related cost and the other 15% is yard gate related and based on that the cost per box is arrived at Rs.246.

14. The PSA SICAL vide its letter dated 7 September 2002, in addition to furnishing the relevant EPCG related documents like copy of the EPCG licence, Bill of entry for the machineries imported has made the following points with reference to the EPCG matter:

- (i). The export obligation applicable is four times the CIF value of the machine imported to be earned in five years i.e. US dollar 46 millions to be earned in five years in a certain percentage prescribed for each year. It has already sent the actual and projected US dollar earnings, the shortfall and the consequent EPCG penalty details based on the duty saved of Rs.21.61 crores. Even with the EPCG liability, the savings in the upfront import duty have already been passed on to the customers and, therefore, it is requested that EPCG liability be considered in the tariff exercise.
- (ii). The Tuticorin Customs House has objected to collection of dollar charges in rupees for which direct representation as well as the intervention of shipping ministry with the CBEC, Revenue department and the DGFT is solicited for an early resolution to this issue. For the purpose of submission to TAMP, it is assumed that rupee collection of dollar charges will be accepted towards fulfillment of export obligation.
- (iii). Notwithstanding the resolution of removal of the ambiguity in realisation of the dollar charges is being resolved, the decision of the licencing/monitoring Authority on the third-party earnings is still awaited as if the TPT's earnings through the vessel-related charges at the 7th berth is accepted as third party earnings for fulfillment of export obligation, then consideration can be made during the next revision.
- (iv). It is also requested to include the LOLO and transportation charges paid for by the MLO's as dollar denominated services which will help to reduce the EPCG penalty.

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

- (i). The existing Scale of Rates for the Tuticorin Container Terminal operated by the PSA SICAL was fixed by this Authority by its Order dated 8 December 1999. It is noteworthy that it was the initial fixation of tariffs for the PSA SICAL; and, the (then) existing rates at the CHPT was allowed to be adopted without any detailed scrutiny of

the cost position of the Terminal. Following the usual tariff validity cycle adopted of two years the existing tariffs at the PSA SICAL fell due for a review in December 2002. Nevertheless, this Authority in its Order dated 5 January 2001 directed the PSA SICAL to furnish its proposal by 1 May 2001 for a review of the existing Scale of Rates since the reasonableness of the charge for lashing/un-lashing, stowage planning and supervision could not be established. Since alteration of one tariff item in isolation was found not desirable, this Authority decided to advise the PSA SICAL to submit its proposal for an ahead-of-schedule general review. In April 2001, the PSA SICAL requested for an extension of the time by 3-4 months to formulate a comprehensive proposal which was agreed to. Even though a number of correspondence had taken place since then, the PSA SICAL did not come up with a comprehensive proposal for review of its tariffs. In this circumstance, we were constrained to send a final communication to the PSA SICAL intimating that this Authority would be constrained to proceed further *suo motu* to decide the long pending representation about the lashing/un-lashing charges, if the proposal for review of the Scale of Rates was not received by 31 January 2002. In this backdrop, the PSA SICAL has submitted the proposal under consideration by the first week of February 2002.

- (ii). While submitting the proposal in the prescribed proforma, the PSA SICAL has requested that information contained in many of the schedules are confidential in nature and hence they need not be circulated to different user/representative bodies of Port users as a part of the consultative process adopted. It is a different matter that the request of the PSA SICAL was not acceded to and as per the usual practice adopted, relevant information was shared with users. We cannot but make this observation since there is an upsurge in the practice of classifying most of the information as confidential by some of the Private Terminal Operators. It is relevant here to mention that this Authority likes to promote transparency in the tariff setting process and is keenly interested in sharing of relevant details with the concerned stake holders. A mere request to treat an information confidential may not be sufficient for this Authority from withholding such information from the consultation processes. Such requests must adequately explain the reasons for classifying the information as confidential and also explain whether any irreparable damage will be caused to the Operator if the request is not acceded to.
- (iii). The cost statement furnished by the PSA SICAL is based on a calendar year method. The proforma for submission of proposals prescribed by this Authority is on a financial year basis. The reason for the deviation made by the PSA SICAL appears to be because of maintaining their annual accounts on a calendar year basis. While this case is processed on the basis of calendar year figures, the PSA SICAL is advised to furnish cost detail on a financial year basis in future.

The PSA SICAL has furnished cost statement for its terminal as a whole based on the estimates for the years 2002, 2003 and 2004. It has expressed its inability to furnish sub-activitywise costing details which are necessary to justify the proposed rates for individual tariff items. To facilitate a proper appraisal of its proposal, the PSA SICAL was advised to furnish additional information/clarification. While we have received some details, the information furnished on many accounts like break-up of RRM cost, details of debt, etc. are not adequate to justify the veracity of the projections and for a detailed analysis. That being so, the analysis is carried out based on the information made available and approximations, wherever necessary.

- (iv). The approach adopted by the PSA SICAL on assuming 0% growth in throughput for 2002 has been questioned by some of the users. The PSA SICAL has sought to explain that the growth rate in the earlier two years was exceptional because of congestion at the neighbouring Chennai Port; with the private terminal operator at the CHPT now, even if half of the traffic diverted returns to the CHPT, there will be a negative growth at the TCT. It has further explained that assuming zero growth itself is an optimistic estimation.

The PSA SICAL has estimated income from dwell time from containers substantially on a lower side for the year 2003. It has explained that such an estimation is due to the facts like improved efficiency, enbloc movement of containers to off-dock CFSs, etc. It is noteworthy that the average dwell time for 2000 and 2001 indicates a declining trend.

In the absence of any other reliable data, the traffic and income projections furnished by the PSA SICAL have been relied upon for this analysis without any modification. If this approach seems to have given undue advantage to the Terminal Operator, such undue benefits accrued to the PSA SICAL will be set off against the future revision of tariffs. This position will be reviewed at the time of the next general review/revision of tariffs.

- (v). The total operating cost (excluding the EPCG penalty) projected for the years 2002 to 2004 are much higher than the projections furnished on the last occasion. Even if it is conceded that the projections given at the time of initial fixation of tariffs were not based on the actual operation of the terminal, the costs projected now are on the higher side in the context of the present inflation rate which is around 2%. The PSA SICAL has not furnished a detailed computation of the cost by segregating additional cost due to additional throughput and cost increase due to inflation. In the case of tariff revisions of major port trusts decided recently, an annual escalation of 6% only has been allowed. There are no exceptional circumstances projected in this case warranting adoption of a higher escalation factor. That being so, the expenses projected for 2002, 2003 and 2004 are moderated by adopting an annual escalation factor of 6%.

A substantial increase in the running, repair, and maintenance (RRM) cost of equipment has been projected for the year 2002, 2003 and 2004 as compared to the actuals of 2000 and 2001. The reason for such a steep hike in the RRM cost has been explained to be due to expiry of warranty period for the container handling equipment. The PSA SICAL is in operations for nearly 3 years now and its equipment can be reasonably expected to be relatively new. Merely because the warranty period is over, the ageing of equipment does not happen in an accelerated manner; unless there is a major revamping programme, the maintenance cost can be taken to increase following the normal trend. While the PSA SICAL has furnished break-up of this items of expenditure relating to repairs and maintenance, electricity and contract cost, no further details about norms of fuel and power consumption per unit/hour adopted for working the cost projections have been given. It is noteworthy that the PSA SICAL had furnished such an estimate on the last occasion. There is no reason why a similar estimation cannot be furnished by the PSA SICAL now. In the absence of a detailed working, the cost projections for the years 2002-2004 are moderated by considering the projected increase in throughput and an annual escalation factor of 6%.

Annual staff cost is projected to escalate by about 21%, 27% and 13% for the years 2002, 2003 and 2004 respectively. The PSA SICAL has pointed out that its staff strength is expected to increase as a sequel to induction of additional container handling equipment; and, escalation in cost is also due to introduction of a special bonus scheme for all local staff. The PSA SICAL has also reasoned that it has to offer attractive compensation to its work force to retain the existing talents. While payment of attractive compensation package to its employees is a management's decision, it is to be recognised that labour turnover cannot be totally arrested since it is a normal occurrence in the job market, particularly where supply of skilled person for a specific trade is scarce. As has been brought out by some of the users, labour cost per TEU is expected to go down with an increase in volume in a mechanised system of operations. The projections of employees cost for the years 2002, 2003 and 2004 are, however considered at the levels estimated by the PSA SICAL since they are less than the figures arrived at by allowing an annual escalation of 6% on the adjusted figures with reference to required manpower.

- (vi). Preliminary expenses incurred are proposed by the PSA SICAL to be written off in the initial 5-year period. Likewise, upfront royalty payment is amortised in the initial 10 years. The PSA SICAL has clarified that the benefit of preliminary expenses will be derived by them in the initial period and further expenditure will be necessary for continued benefits. It has also argued that the approach of writing off the upfront payment in the initial 10 years is to avoid heavy burden on tariff during the later years when the per TEU royalty rate will increase substantially. The preliminary expenses and upfront payments are relevant for the project and, therefore, it is reasonable to spread such expenditure over the entire period of the licence instead of loading the burden on tariffs in the initial period. Significantly, this approach has been adopted by this Authority in the case of CCTL also.
- (vii). The life norms of some of the assets adopted by the PSA SICAL for computation for depreciation differ from the life prescribed in the Concession Agreement for renewal of such equipment. The PSA SICAL has, however, certified that the rates of depreciation adopted by it are in accordance with the Companies Act. It has already been decided by this Authority that in the case of private terminals, the depreciation norm given in the Companies Act or the life of the asset prescribed in the Concession Agreement, whichever is less shall be taken into account for arriving at depreciation cost for the purposes of tariff fixation. That being so, the approach adopted by the PSA SICAL is accepted.
- (viii). The projections for annual license fee for CITOS / EDI, claimed as an item of cost, are stated to be as per a contract with the PSA INTERNATIONAL and as quoted by EDI supplier. There is a further addition of 15% withholding tax and 5 % R & D cess to the annual fees payable. The PSA SICAL has pointed out that CITOS is an internationally recognised terminal operating system developed by the PSA in house and the annual payment is for the right to use the system; if this was not available with the PSA, it would have had to acquire another system from some other source at some cost; and, therefore, this expenditure must be allowed as an admissible cost. The payment for CITOS is akin to Technical Services Fee payable to the promoter/parent company claimed as an item of cost by another private operator. The license for equipping and operating the container terminal was awarded to the PSA-SICAL on the basis of the technical and financial capabilities of the main promoter company - the PSA Corporation and the former was only a special purpose vehicle (SPV) incorporated as required by the License Agreement. The promoter company is expected to make available all their expertise to the SPV. It has in fact been, inter alia, indicated in the C.A. that the PSA SICAL will be using customised PSA's Computer Integrated Terminal Operating System (CITOS I) that integrates all terminal operations for efficient and effective services. There is no indication therein that this will be at a cost. In addition to annual fees, there is an initial capital cost of developing and installing customised CITOS at the TCT. While the capital cost is allowed to take care of the argument that some expenses would have been incurred on this item if it had been procured from elsewhere, the annual license fee is excluded from admissible items of cost for the stated reasons and on the analogy of Technical Service Fee disallowed in the case of other private terminals.
- (ix). The PSA-SICAL have considered EPCG penalty as an item of cost for the years 2002 to 2004. Though they have furnished some details of the computation, those do not make the position very clear. The CSLA has objected to considering EPCG penalty as a cost item as this one time liability cannot be perpetuated in tariffs. Under the EPCG scheme, a lower customs duty is payable on the imported equipment subject to the importer undertaking to export, in five years, goods equal in value to four times the duty saved. The PSA-SICAL considers only the revenue from container handling charges charged by it towards the export obligation. The vessel-related charges are dollar-denominated and that income, though derived by the TPT, are dollar earnings on account of the import of the container handling equipment by the Terminal Operator. The export obligation may be discharged through a third party also. Besides, even after considering the EPCG penalty, payments the IRR of this project becomes only marginally lower. In view of these reasons, this item was not

considered admissible when the tariff was fixed initially. The PSA-SICAL has advanced no arguments to counter this and has stated that the concerned authorities have not yet accepted its argument. It has added that it will be fulfilling about 65 % of the export obligation and penalty will be payable for non-fulfillment of the remaining 35% obligation. The penalty consists of two elements viz. shortfall in the duty and interest thereon. It is to be recognised that customs duty payable would have been added to the capital cost of respective assets, if the EPCG benefit had not been availed. In this case, therefore, it will be reasonable to consider the shortfall in customs duty component relating to the concerned asset by treating it as a deferred payment. While the element of the 35 % shortfall in duty is considered as admissible item of cost and spread over the remaining life of assets, the interest element is excluded as the PSA SICAL has chosen to avail of the EPCG scheme knowing full well that there is no guarantee that dollar denominated tariffs will be approved. Under the new EXIM policy no penalty will become payable in the case of such future transactions. If the PSA SICAL succeeds in convincing the authorities about the fulfillment of their obligations considering the dollar denominated vessel related income derived by the port, suitable adjustments will be carried out in the tariffs at the time of the next general review.

- (x). The foreign currency assets and liabilities at the end of each of the years have been restated at the closing exchange rates and difference due to such restatement has been adjusted in the cost of assets or reckoned in the revenue as the case may be. The accounts for 2001 include a large amount as loss on account of exchange fluctuation. It has been clarified that the accounting treatment is in accordance with the Indian Accounting Standards (AS 11); and, that the delayed payment was a result of the requirement for approval from the RBI for all foreign currency payments. This Authority has already decided to allow only the loss on account foreign exchange variation in respect of the actual instalment of repayment of foreign debt during the year concerned. The PSA-SICAL has not indicated any foreign currency debt. The projections of other expenses for 2003 & 2004 are on the basis of the figure for 2002, which includes the exchange loss on this account. The projections for other expenses are, therefore, moderated on this account.
- (xi). One of the main items of expenditure considered by the PSA SICAL is the royalty payment it has to make to the TPT as per the Concession Agreement. This liability accounts for about 11.4%, 15.4% and 19.2% of the operating income estimated on the basis of the existing tariffs for the years 2002, 2003 and 2004 respectively. As has been mentioned earlier, the existing tariffs were allowed to the PSA SICAL by accepting its proposal to adopt the (then) existing CHPT rates. That being so, there was no detailed cost analysis carried out then.

It is admitted that the issue of admissibility of 'royalty' as a cost item has come under a focused scrutiny only in the case relating to the CCTL which was disposed of in March 2002. In that case, this Authority decided not to allow 'revenue share' as a cost element for computation of tariffs at the CCTL. This Authority held that allowing royalty in tariff would mean that the CCTL (Private Terminal Operator) and the CHPT (the Licensor), both of whom enjoyed a dominant position, could enter into any commercial arrangement between themselves and pass on the consequential cost to customers. This Authority also observed that there had been no commitment from anywhere about consequential tariff adjustments and the CA also did not give any assurance to the Licensee about tariff adjustments corresponding to the royalty quoted.

In view of the principle set out in the CCTL case, it is necessary to accord a similar treatment in the case of the PSA SICAL also. It is noteworthy that no extraordinary circumstances appear to emerge in this case warranting any exceptional consideration. That being so, royalty has not been considered as an admissible item of cost for this tariff exercise.

- (xii). The terminal operator has projected an addition of assets worth Rs.42.20 crores during 2002 & 2003. It has later explained that 1 QGC, 2 RTGCs and 5 prime movers and trailers at a total value of Rs. 36.08 crores are proposed to be added in addition to civil works relating to yard development and fenders at a cost of Rs. 2.84 crores and other replacements and systems up-gradation at a cost of Rs. 3.28 crores. In the Concession Agreement, the capacity of the terminal with the minimum number of container handling equipment is indicated as 300,000 TEUs. The PSA-SICAL has guaranteed this level of traffic from the 6th year onwards till the 30th year. The TPT has pointed out during the joint hearing that additional capacity is to be created by the TPT or other BOOT operator when the existing capacity is reached and that capacity has relevance to royalty. The minimum number of container handling equipment required under the C.A. has already been provided. The addition to the installed capacity with the additional equipment planned has not been indicated. The TPT has also vaguely certified that the proposed addition is adequate to handle 300,000 TEUs. It is not a categorical assertion that additional equipment are necessary for handling this traffic. In this backdrop, there is no justification for considering the proposed investment on additional equipment this tariff exercise.
- (xiii). The PSA-SICAL had initially considered a return @ 18 % of capital employed consisting of Net Block + Working Capital + Deferred Expenditure. On being pointed out that in the case of private terminal operators this Authority considers only a pre-tax return on equity, the PSA SICAL has modified the cost statement to provide for return on equity + reserves @ 20 %. The authorised (and paid up) share capital was increased to Rs. 150,000,000 in September 1999. The projections indicate additional capital injection of Rs.350,000,000 in the year 2003. The injection of the additional equity is linked with the outlay required for additional equipment planned. Since acquisition of additional equipment is not considered justified and admitted for this tariff exercise, the additional equity injection also is likewise disallowed.

The CSLA has observed that a nascent unit in a capital intensive business like ports can only expect initial losses and eventually positive returns though probably never in the region of 18%. This Authority has already decided to allow actual interest on the debt capital and a pre-tax return of 20% on equity in the case of private port terminals. This model is being adopted in this case also. It is noteworthy that it has already been decided to review the existing model of allowing ROCE/ROE in the tariffs of the Major Port Trusts/Private Terminals. If the review results in adoption of a different model, such a change will be effected prospectively in the case of all major ports/private terminals. Till such time, it is not possible to adopt a different approach in respect of the PSA SICAL alone.

The PSA SICAL has considered its entire reserves for claiming a return of 20%. It is noteworthy that only the funds from reserves invested in admissible assets can qualify for return. Considering the moderated figures of fixed assets and estimates of working capital as furnished by the PSA SICAL, it is found that funds to the extent of Rs.2.4 crores for 2002, Rs.1.99 crores for 2003 and Rs.5.4 crores for 2004 from the reserves are invested in the capital employed of the Terminal; and, hence, they will only qualify for allowing 'return'.

- (xiv). Against the assessed capacity of 300,000 TEUs, throughput projected are 223,387 TEUs and 245,725 TEUs which indicate a utilisation factor of 74.46% and 81.91% respectively for 2003 and 2004. The Terminal Operator has stated that practical capacity is less due to the less than ideal trade practices, which has resulted in severe peaks and troughs in the operations of the terminal. It is noteworthy that the CA indicates a minimum throughput of 3 lakh TEUs with the existing fleet of equipment. This estimation can be reasonably seen to have been made with reference to the achievable productivity parameters, prevailing/indicated trade practices, etc. That being so, there is no reason why such a figure cannot be relied upon for comparison. Till such time the assessed capacity is reached, returns are to be restricted to the capacity utilisation, as has been done in the case of many of the Major Port Trusts and Private Terminals.

- (xv). Subject to the analysis given above, the cost statement for the terminal is modified; and, the modified cost statement is attached as **Annex I(a)**. The modified cost statement discloses an average net surplus of 37.64% over the net operating income for the years 2003 and 2004. This indicates that not only there is no justification for any upward revision of tariffs, but, there is in fact a case for reduction of the existing rates. It is noteworthy that the existing tariffs at the PSA SICAL are an adoption of the (then) rates of the CHPT. Even at the 1992 tariff level, the container handling activity at the CHPT was showing a revenue surplus and cross-subsidising other Port activities. The burden of cross-subsidising other activities does not arise in the case of the Private Terminal Operator.
- (xvi). As has already been explained, one of the major issues necessitating this review is the reasonableness of the charge for lashing/unlashing, stowage planning and supervision. While fixing the tariffs on the first occasion, the PSA SICAL had adopted the market rate charged by the Stevedores at the CHPT for this item. In the CHPT context, this charge was for payment towards labour gangs of the erstwhile Dock Labour Board. The PSA SICAL had earlier admitted that such labour booking did not arise in the context of its operation. The break-up of cost as furnished by the PSA SICAL in the proceeding relating to a representation filed by the TSAA about this charge indicates that about 80% of this charge accounts for expenditure on capital and maintenance cost relating to computer hardware and software. This fact was not disclosed when the PSA SICAL submitted its tariff application at the time of commencement of its operation. Since the computer-related expenditure cannot be relevant only for lashing/unlashing activity the terminal operator was advised to spread this item of cost over all relevant activities. Even after one and a half years since this advice was rendered, the PSA SICAL had not done any such exercise while formulating its proposal for this review. Now, in this exercise, even after considering all admissible computer-related expenses, the terminal as a whole shows an overall revenue surplus position. Since there is no justification for specifying a tariff item primarily to meet expenditure relating to computer hardware and software, it is found reasonable to delete the existing tariff item relating to lashing/un-lashing, stowage planning and supervision. An insignificant cost of Rs.36 per box relevant for lashing/unlashing is taken to have been included in the charges for stevedoring.
- (xvii). The PSA SICAL has furnished an estimate of income from the tariff item of lashing/unlashing, etc. charges. Since this tariff item is decided to be deleted, the estimated income arising out of this tariff item has also been excluded from the estimates of total operating income. Even after this exclusion, the modified cost statement (**Annex I(b)**) depicts an average surplus of about 27.82% over the net operating income for the years 2003 and 2004.

The cost position clearly shows that there is a case for reducing the existing tariffs at the PSA SICAL to the extent of surplus available. But, it has been held by this Authority in its Order relating to the CCTL that a decision on tariff must also take into account other non-cost issues also.

Irrespective of the fact whether some of the costs items are not allowed in tariff computation, the actual transactions will be governed by the provisions in the agreement, relevant statutes, etc. This means these outflows are to be met by the PSA SICAL out of the return on equity considered in the tariff computation. The return allowed in this case may not, perhaps, adequately cover such flows. In a similar circumstance relating to the CCTL case, this Authority found it appropriate to bear in mind the implications of its decision on the privatisation process and accordingly fix tariffs at the CCTL which resulted in an average net surplus of 19.5% after accounting for all admissible costs and admissible return on equity.

Another noteworthy factor is that this is the first time a tariff review is being made on the basis of the PSA SICAL's cost position. Even now it is found that the data base is not sound enough to indicate the true and fair position conclusively. This compels us to allow a margin of error in estimation.

Further, the EPCG default position estimated will undergo a change in view of the decision to discontinue the existing tariff item for lashing/unlashing, etc. which has been denominated in dollar terms.

Bearing in mind all these facts, this Authority decides to reduce all the existing tariffs to the extent of 15% only even though the cost position, if considered in isolation, warrants a higher reduction.

In the absence of a detailed sub-activitywise costing analysis furnished, a 15% across-the-board reduction over the existing tariffs is effected in the revised Scale of Rates. If the PSA SICAL desires redistribution of reduction in rates across different tariff items, it can come up with such a suggestion with justifications in support thereof within 3 weeks from the date of notification of this Order. To facilitate such adjustments, the revised Scale of Rates notified alongwith this Order is allowed to come into effect after expiry of 30 days from the date of notification of this Order in the Gazette of India.

(xviii). The PSA SICAL was requested to furnish financial statements (Profit & Loss Account, Balance Sheet and Cash-flow statement) indicating the IRR on the project cost and the IRR on the equity capital based on the actuals for the upto 2002 and, projections at the current level of tariffs and costs for the remaining period of the Concession Agreement. It has replied that using the conventional IRR computation method the results do not give any values for IRR; and, therefore, computed IRR based on the modified IRR method. The IRR by conventional method has not shown any meaningful value because all income and costs are considered at the current level whereas the royalty payments are considered at the rates quoted for different years. This item also can be brought to the current level by adopting an average per TEU royalty rate arrived at by applying the NPV of all the royalty payments during the entire concession period. Computation of IRR adopting this royalty rate for the entire period on the last occasion revealed a comfortable figure of 25.32 % and 33.74 %. This is reduced marginally by 0.50% even after EPCG penalty was considered in full i.e. EPCG obligation not met even partially. If similar computation is made now it may not perhaps give very different results.

(xix). The PSA SICAL was requested to furnish cost statements for various sub-activities for which a tariff item has been proposed by it. Such cost statements have not been furnished. The PSA SICAL has only argued that its terminal activities are inter-wined and cannot be meaningfully separated. Such cost statements are necessary to determine the reasonableness individual tariff items proposed. In the absence of such details, this Authority has no other alternative but to allow continuance of the existing tariffs structure available at the PSA SICAL. The PSA SICAL is advised to draw up its proposal supported by costing details for individual activities at the time of the next general revision/review of tariffs.

The overall cost position considered for the terminal as a whole takes into account the admissible expenditure as estimated by the PSA SICAL. This means, a cost deficit, if any, under one of the components of services is made good by surplus available in some other components.

(xx). The PSA SICAL has proposed dollar denomination of certain components of tariffs relating to cargo handling, transportation and other related infrastructure. This Authority has clarified in many of its earlier Orders that such items cannot be dollar denominated. The issue has been dealt within the earlier Order dated 8 December 1999 relating to the PSA SICAL; and, the position has not materially changed since then. This policy is uniformly being followed in the case of other private and port trust terminals and there is no reason to depart from that stated position in this case. The need to fulfill the EPCG obligation is not an exceptional ground to make a deviation in the case of PSA SICAL.

- (xxi). The existing Scale of Rates prescribes a corresponding rate denominated in rupee terms wherever a dollar denominated tariff is prescribed. The rates denominated in Indian rupee terms is for coastal vessels. Like re-statement of coastal vessel rates with reference to foreign-going vessel rates at the time of each of the general review/revision, the coastal vessel rates for container handling are to be re-stated with reference to the dollar denominated tariff computed at the current changed rate. It is noteworthy that a concession of 30% available in the coastal vessel rates over the foreign-going vessel rates is not relevant for container handling charges. Because of restatement of coastal rates for container handling, there will be an additional income on this account which has not been considered in the cost statement for want of detailed break-up. If this additional income is considered the surplus position will increase further.
- (xxii). Existing tariff for transshipment containers prescribes different slab rates for handling 'more than 400 TEUs' and 'less than 400 TEUs'. No such distinction has been retained in the proposed tariff. The CSLA has observed that the existing structure of having lower rates for higher volume should continue. In reply to a query regarding the reasons for the proposed change, the terminal operator has stated that it is not practical to establish a predefined structure for giving discounts; the private operator should have the flexibility to discuss, in confidence, such rates with the customers directly. Under the Statute, the rates fixed by this Authority are the ceiling for the private terminal operators and they have a flexibility to charge lower rates. While this discretion may be exercised by the PSA SICAL in some cases for commercial consideration, it will be more reasonable to have a volume discount scheme in the Scale of Rates so that a minimum level of discount is available uniformly to all the users who fulfill the stipulated conditions. The existing slab rates will, therefore, continue.
- (xxiii). The PSA SICAL has proposed to reduce the free days for dwell time from the existing 5 days to 3 days. In case of other private terminals and some other container terminal managed by major port trusts, a free period 3 days is allowed for import container and 7 days are generally allowed for export containers. The existing practice of allowing 5 free days on both import and export containers have stabilised at the Tuticorin Port and in fact, the TPT has changed over to 5 free days regime to allow benefit to users in line with the position obtaining at the PSA SICAL. Since it has been decided to continue with the existing tariff structure at the PSA SICAL, the proposal for reducing free period is not agreed to.

The PSA SICAL has argued that free period will include Sundays and holidays since it operates round the clock on all 365 days in a year. It is a general prescription of this Authority that demurrage free period must exclude Sundays, Custom's notified holidays, and Port's non-operating days. This prescription has been included in the Scale of Rates of many of the major port trust and private terminals. Accordingly, a similar prescription is inserted in the revised Scale of Rates of the PSA SICAL also. It is clarified that exclusion of the specified period is only for the purpose of calculating free periods; and, on expiry of the free period, storage charges can be levied without providing for such an allowance.

- (xxiv). The PSA SICAL has proposed to remove the distinction in Lift On/Lift off charges and extra movements by transfer crane and by other cranes. The terminal operator has clarified that this is necessary to discourage choice by the users of type of equipment to be used. This is found to be reasonable and is accepted.
- (xxv). The SOR prescribes pre-trip inspection charges and charges for cleaning of reefer containers. The PSA SICAL has clarified that these charges are for an optional service of complete inspection of the refrigeration system and cleaning of containers respectively. This is indicated specifically in the revised SOR.

This Authority has already reduced unit of levying reefer charges to an 8-hourly basis at many of the port trusts/private terminals. At the PSA SICAL it is now levied on a

shift of 8 hours. Like in berth hire charges, the reefer charges can be levied on a unit of running 8 hours instead of the 'shift' basis.

- (xxvi). The CLAA and the CSLA have objected to the tariff proposed for handling overdimensional containers, at five times the rates for normal containers. The TSAA has also questioned the reasonableness of levying 50% extra for containers carrying dangerous cargo. After analysing the position obtaining at different terminals, this Authority decided to allow a premium of 25% for handling hazardous and overdimensional containers at the CCTL. A similar prescription can be followed at the PSA SICAL also.
- (xxvii). Users have objected to the proposed extra charge for allowing direct loading containers, in addition to the normal charges payable for containers passing through the yard. The terminal operator has clarified that this is a premium service provided to the customers at their request and it helps them to increase slot utilisation of the vessels, facilitate tight connection at transshipment hub and get the cargoes to the market in time. Such operations are disruptive of efficient operations and utilisation of the overall terminal capacity. This is an optional facility and users can avoid it by sticking to the normal drill and time table laid down by the terminal operator. In this backdrop, the proposed charge is approved. Since this is a premium over the stevedoring charges, this tariff item is denominated in dollar terms.
- (xxviii). New charges have been proposed for change of shipment/container status. Similarly, charges have been proposed for reshuffling and trucking of containers at the request of the user. These are introduced as punitive charges to instill discipline in the trade and facilitate efficient operations in the terminal. The charges for change of shipment/container status is proposed to be denominated in dollar terms. There does not appear sufficient reasons for denominating this item in dollar terms. This Authority, therefore, approves the proposed charges to be denominated in Indian Rupee terms.
- (xxix). Another new charge proposed is for issue of certificates/statements on request of the users. The TSAA has argued that no such charge be levied as the terminal operator is bound to issue certificates for the service rendered. This is a valid argument and, therefore, the proposed charge is not approved.

The PSA SICAL has also proposed new charges for cancellation of EIR at the request of the customer. The TSAA has opposed to the charge stating the TPT does not charge such cancellations. The charges for cancellation of requisitions either before or after the equipment is supplied is in vogue at most of the ports and hence the proposed charges are approved.

The rationalisation in the charges leviable for visitor's entry is found to be reasonable and is approved.

- (xxx). As regards transshipment containers, the definition was required to be amended to provide for containers coming from or going to the TPT yard. Since the SOR envisages operations only at the TCT, there is a need to reckon with the inter-terminal movements of containers especially with reference to coastal arrivals/departures, so as to avoid double charges levied at each of the terminal. The PSA SICAL was advised to come up an appropriate formulation in this regard (in consultation with the TPT). It has stated that there is no inter-terminal movement since there is no terminal other than the TCT. That being so, it is not necessary to prescribe any inter-terminal transfer charges unlike in the JNPT and the NSICT.
- (xxxi). This Authority has already constituted a National Level Working Group to go into the issue of formulating an Efficiency Linked Tariff Scheme for the container terminals. Based on the report to be received from the Working Group, this Authority will decide on introduction of an ELT scheme for container terminals. When such a scheme is introduced, it will be made applicable to the PSA SICAL also.

(xxxii). Subject to the analysis made above, the existing Scale of Rates of the PSA SICAL is revised. While revising the Scale of Rates, the tariff Orders passed by this Authority for common adoption by all the Major Ports/Private Terminal operators as well as the Orders passed with specific reference to the PSA SICAL have to be incorporated at appropriate places. Likewise, formulations already approved by this Authority in the Scale of Rates of other Major Ports/ Private Terminals are also followed, wherever required.

16.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority reject the proposal of the PSA SICAL for an increase in the tariffs except those items specifically approved in the analysis given above.

16.2. The existing tariff item for lashing/un-lashing, stowage planning and supervision is deleted from the Scale of Rates.

16.3. For stated reasons, the existing rates are reduced by 15%. The revised Scale of Rates of the PSA SICAL is attached as **Annex -II**.

16.4. The revised Scale of Rates will come into effect after 30 days from the date of notification of this Order in the Gazette of India.

(**S. Sathyam**)
Chairman

PSA-SICAL Container Terminal Limited - Cost Statement
(with lashing/unlashing Income)

Item	(Rupees in '000')				
	2000	2001	Without change		
	2002	2003	2004		
Traffic	113103	203079	203079	223387	245725
I. Operating Income					
(i) Stevedorage	161,267	287,210	287,637	327,277	372,566
(ii) Yard Activities	69,125	123,108	122,271	134,938	148,939
(iii) Other Services	22,606	40,136	26,194	27,350	32,703
Net Operating Income	252998	450454	436102	489565	554208
II. Operating Cost					
(i) Operating Expenses (except royalty)	21,840	31,485	33,374	38,914	45,374
(ii) Employee Costs	19,803	26,209	31,662	40,342	45,660
(iii) Other expenses	8,650	37,785	31,316	28,413	29,976
(iv) Depreciation	54,029	73,754	76,843	79,617	79,615
(v) Deferred Exp written off (Adjusted)	7,971	24,290	2,454	2,454	2,454
(vi) Finance expenses	3,371	5,725	5,513	5,513	5,513
(vii) EPCG Penalty (Adjusted)	0	0	9,454	9,454	9,454
Subtotal	115,664	199,248	190,615	204,706	218,045
III. Net surplus (I-II)	137,334	251,206	245,487	284,859	336,163
				Change in Net Surplus	
Interest on Loans	75,960	97,826	85,970	85,608	82,345
IV. Net surplus after interest	61,374	153,380	159,517	199,251	253,818
Equity	173,434	228,188	150,000	150,000	150,000
Investments from reserves			24,294	19,993	54,312
Adjusted owners capital	173,434	228,188	174,294	169,993	204,312
Return on Equity @ 20%	34,687	45,638	34,859	33,999	40,862
Return on equity adjusted to the utilisation factor			23,597	25,316	33,470
V. Net Surplus after Interest & Return	26,687	107,743	135,920	173,935	220,348
VI. Net Surplus as a % of Net Operating Income	10.55%	23.92%	31.17%	35.53%	39.76%
VII. Average % of two years				37.64%	

Annex - I (b)

PSA-SICAL Container Terminal Limited - Cost Statement
(excluding lashing/unlashing Income)

Item	(Rupees in '000')				
	2000	2001	Without change		
	2002	2003	2004		
Traffic	113103	203079	203079	223387	245725
I. Operating Income					
(i) Stevedorage	161,267	287,210	287,637	327,277	372,566
(ii) Yard Activities	69,125	123,108	122,271	134,938	148,939
(iii) Other Services	22,606	40,136	26,194	27,350	32,703
Subtotal	252,998	450,454	436,102	489,565	554,208
(iv) Less Income from lashing/unlashing charges	0	0	0	65,971	76,197
Net Operating Income	252,998	450,454	436,102	423,594	478,011
II. Operating Cost					
(i) Operating Expenses (except royalty)	21,840	31,485	33,374	38,914	45,374
(ii) Employee Costs	19,803	26,209	31,662	40,342	45,660
(iii) Other expenses	8,650	37,785	31,316	28,413	29,976
(iv) Depreciation	54,029	73,754	76,843	79,617	79,615
(v) Deferred Exp written off (Adjusted)	7,971	24,290	2,454	2,454	2,454
(vi) Finance expenses	3,371	5,725	5,513	5,513	5,513
(vii) EPCG Penalty (Adjusted)	0	0	9,454	9,454	9,454
Subtotal	115,664	199,248	190,615	204,706	218,045
III. Net surplus (I-II)	137,334	251,206	245,487	218,888	259,966
Interest on Loans	75,960	97,826	85,970	85,608	82,345
IV. Net surplus after interest	61,374	153,380	159,517	133,280	177,621
Equity	173,434	228,188	150,000	150,000	150,000
Investments from reserves			24,294	19,993	54,312
Adjusted owners capital	173,434	228,188	174,294	169,993	204,312
Return on Equity @ 20%	34,687	45,638	34,859	33,999	40,862
Return on equity adjusted to the utilisation factor			23,597	25,316	33,470
V. Net Surplus after interest & Return	26,687	107,743	135,920	107,964	144,151
VI. Net Surplus as a % of Net Operating Income	10.55%	23.92%	31.17%	25.49%	30.16%
VII. Average % of two years				27.82%	

TUTICORIN CONTAINER TERMINAL [PSA-SICAL]

SCALE OF RATES (As on 4th October 2002 G. No. - 223)

DEFINITIONS AND CONDITIONS

This Price list sets out the charges payable to PSA SICAL Terminal Limited from time to time for the use of services and facilities provided by Tuticorin Container Terminal.

1. DEFINITIONS

- (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.
- (iii). **"Per Shift"** means per period of 8 hours.
- (iv). **"Port"** means the Tuticorin Port Trust (TPT) whereas "Terminal" means Tuticorin Container Terminal (TCT), now or hereafter operated by PSA SICAL Terminals Limited.
- (v). **"PSA SICAL"** means PSA SICAL Terminals Limited, a company incorporated in India, its successors and assigns.
- (vi). **"Reefer"** means any Container for the purpose of the carriage of goods, which require refrigeration.
- (vii). **"Transshipment Container"** means container discharged from a vessel and placed in the custody of the PSA SICAL for the purposes of shipment on another vessel declared on a transshipment manifest with the ultimate port of destination marked on the container lodged with the PSA SICAL prior to or at the time such a container is placed in its custody.
- (viii). **"Coastal Vessel"** means any vessel exclusively employed in trading between any port or place in India to any other port or place in India having a valid coastal license issued by the competent authority.
- (ix). **"Foreign Vessel"** means any vessel other than a coastal vessel.
- (x). **"Hazardous container"** means a Container containing hazardous goods as classified under IMO.
- (xi). **"Over Dimensional 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 Over Dimensional Container.

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 Licence 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). Containers less than and upto 20' in length will be reckoned as one TEU for the purpose of tariff.
- (iii). Container-related charges denominated in US dollar terms shall be collected in equivalent Indian rupees. For this purpose, the market buying rate prevalent on the date of entry of the vessel into the Terminal (in case of import containers) and on the date of arrival of containers in the Terminal premises (in case of export containers) shall be applied for re-conversion of the dollar-denominated charges into Indian rupees.
- (iv). A regular review of exchange rate shall be made once in thirty days from date of arrival of the vessels in cases of vessels staying in the Port for more than thirty days. In such cases the basis of billing shall change prospectively with reference to the appropriate exchange rate prevailing at the time of review.
- (v). All charges worked out shall be rounded off to the next higher rupee on the grand total of each bill.
- (vi).
 - (a). The user shall pay penal interest on delayed payments of any charge under this Scale of Rates. Likewise, the PSA SICAL shall pay penal interest on delayed refunds.
 - (b). The rate of penal interest will be in the range between a minimum of 2% above the Prime Lending Rate of the State Bank of India and a maximum of 18% within which the PSA SICAL can choose the rate convenient to their purpose. The penal rate chosen will apply to both the PSA SICAL and the port-users equally.
 - (c). The delay in refunds will be counted only 20 days from the date of completion of services or on production of all the documents required from the users, whichever is later.
 - (d). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the PSA SICAL. This provision shall, however, not apply to the cases where payment is to be made before availing the services as stipulated in the Major Port Trusts Act and/or where payment of charges in advance is prescribed in this Scale of Rates.
- (vii). Where charges are payable by the agent or owner of the vessel, or the agent or owner of the container, PSA SICAL shall be informed in advance of any change of agency or ownership of the vessel or container including the name and address of the new agent or owner. For the purpose of this paragraph, the change in agency shall be effective from the date such notification is received by PSA SICAL or such later date if PSA SICAL had been notified in advance.
- (viii). Except in the case of charges on storage of containers, all charges for containers more than 20 feet and up to 40 feet in length will be 150% of the rates applicable to containers not exceeding 20 feet in length. Charges for containers more than 40 feet and up to 45 feet in length will be 200% of the rates applicable to containers not exceeding 20 feet in length.
- (ix). A premium of 25% will be levied in case of Hazardous cargo containers/Overdimensional Cargo Containers over the applicable handling charges prescribed for respective categories of containers.

3. APPLICATION

- (i). The rates to be levied by PSA SICAL to its Customers or Customers' Representatives for the use of premises, works or appliances and for Services or Facilities provided are categorised into the following sections:

SECTION 1 - CONTAINER OPERATIONS
SECTION 2 - OTHER SERVICES

- (ii). Import and Export rates shall apply when:
 - (a) a loaded or empty container is discharged from a vessel, delivered directly out of TCT, or moved and stored in the container yard and eventually delivered out of TCT; or

- (b) a loaded or empty container is shipped and the reverse operations to (a) are performed.
- (iii). Transshipment container rates shall apply to a loaded or empty container when it is discharged from the first carrier onto PSA SICAL's premises and remained in the custody of PSA SICAL until it is transhipped in its original status by PSA SICAL to a nominated second carrier.
- (iv). Re-export container rates shall apply to a loaded container when:
- (a) it is discharged from the first carrier onto PSA SICAL premises and remained in the custody of PSA SICAL until it is re-exported;
- (b) it is declared for re-export within 72 hours after discharge of the first carrier is completed; and
- (c) PSA SICAL is informed of the re-export at least 24 hours before the second carrier berths.
- Re-export containers shall pay the import and export container stevedorage rates but shall enjoy the same free storage period applicable to transshipment containers if they meet the above conditions.
- (v). Reshuffling rates shall apply whenever a container has to be shifted in the yard upon the customer's request.

SECTION- I

1. CONTAINER OPERATIONS

1.1. STEVEDORAGE FOR IMPORT AND EXPORT CONTAINERS

		Foreign-going Vessels		Coastal Vessels	
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length
(a).	Quay Crane Charges - Loaded and Empty	US \$ 14.64	US \$ 21.96	Rs.711	Rs.1066
(b).	Transport from/ to CY and Lift-on/Lift-off - Loaded - Empty	Rs. 531 Rs. 268	Rs.799 Rs.400	Rs.531 Rs. 268	Rs.799 Rs.400

Notes:

- (1). Stevedorage includes lashing/unlashing charges also.
- (2). Export Containers have to be delivered to PSA SICAL atleast 2 hours before berthing of the Vessel to be accepted for loading.

1.2. STEVEDORAGE FOR TRANSSHIPMENT CONTAINERS

		Foreign-going Vessels (in US\$)		Coastal Vessels (in Rs.)	
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length
(a).	Container Operator who has transshipped more than 400 TEUs of loaded or empty Transshipment Containers per calendar month	15.90	23.85	772	1158

(b).	If transshipped less than 400 TEUs per calendar month	31.71	47.56	1540	2310
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Notes:

- (1). Any Transshipment Container delivered out of TCT by road or rail shall be charged the import export container rate.
- (2). The above charges applies to the complete cycle of transshipment from discharge from the first carrier to the loading onto the second carrier, including lashing/unlashing charges.
- (3). A shut out charge as per item 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.

1.3. LIFT ON OR LIFT OFF

	Foreign-going Vessels (in Rs.)		Coastal Vessels (in Rs.)	
	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length
- Loaded	268	402	268	402
- Empty	136	204	136	204

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

		Foreign-going Vessels (in US\$)	Coastal Vessels (in Rs.)
(a).	Without landing Hatch Cover on the quay	12.20	592
(b).	With landing Hatch Cover on the quay	30.55	1484

Note:

- (1). Half the rate shall be applicable if there is only one activity, i.e. either an opening or closing operation.

1.5. SHIFTING OF CONTAINERS WITHIN VESSEL (restows)

		Foreign-going Vessels (in US\$)		Coastal Vessels (in Rs.)	
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length
(a).	Loaded or empty Container shifted by landing and reshipping	21.96	32.94	1066	1600
(b).	Loaded or empty Container shifted without landing and reshipping	7.32	10.98	355	533

Note:

- (1). No wharfage will be levied on the restow containers and containerised cargo.

1.6. EXTRA MOVEMENT

		Foreign-going Vessels (in US\$)		Coastal Vessels (in Rs.)	
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length
(a).	Loaded and Empty	Rs.425	Rs.638	Rs.425	Rs.638

Note:

- (1). Extra movement charges applies when a container is required to be moved by a trailer within TCT upon customers request.

1.7. REEFER RELATED AND OTHER GENERAL SERVICES

		Foreign-going Vessels (in US\$)	Coastal Vessels (in Rs.)
Per Container			
(a).	Pre-trip inspection (including the supply of Electricity)	27.33	1327
(b).	Connection or disconnection Services Onboard a Vessel	1.96	95
(c).	Supply of electricity (including connecting and disconnecting, monitoring at Reefer yard) per 8 hours or part thereof-		
	- not exceeding 20 feet in length	4.39	213
	- exceeding 20 feet in feet in length	5.86	284
(d).	Cleaning of Container		
	- not exceeding 20 feet in length	1.28	62
	- exceeding 20 feet in feet in length	2.54	123

Notes:

- (1). Pre-trip Inspection of the reefer containers and cleaning of containers are optional services and shall be rendered when requested.

1.8. SHUT OUT

- (i). Where an Export container or a Transshipment container or a Re-export container is shut out and subsequently delivered out of TCT, the following rates shall apply;

		Foreign-going Vessels (in US\$)		Coastal Vessels (in Rs.)	
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length
(a).	Loaded and Empty	19.52	29.29	948	1422

- (ii). Where a container is shut out by one vessel and subsequently shipped via another vessel, in addition to the stevedorage charge:
- (a) the charge as per item (a) above shall also apply.
- (b) the free storage shall be given to the Container in accordance with item 1.11 from the time the container is first received. If the free storage period is exceeded, store rent shall be calculated after the expiry of the free period up to the time of lift on.

1.9. WHARFAGE

		Foreign-going Vessels (in US\$)		Coastal Vessels (in Rs.)	
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length
(a).	Per Container	US \$ 0.78	US \$ 1.17	Rs.38	Rs.57
(b).	Per containerised Cargo	Rs.425	Rs.638	Rs.425	Rs.638

Notes:

- (1). The charge for containers in cases of 'foreign arrival' and 'foreign departure' will be in Dollar terms.
- (2). The charge for containers in cases of 'coastal arrival' and 'coastal departure' will be in Rupee terms.

		Foreign-going Vessels		Coastal Vessels	
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length
1.10.	Direct Loading - Loaded and Empty	US\$10.00	US\$15.00	Rs.486	728
1.11.	Reshuffling - Loaded and Empty	Rs.600	Rs.900	Rs.600	Rs.900
1.12.	Trucking - Loaded and empty	Rs.500	Rs.750	Rs.500	Rs.750
1.13.	Change of shipment status - Loaded and empty	Rs.728	Rs.1093	Rs.728	Rs.1093
1.14.	Change of Container Status - Per Container	Rs.97			
1.15.	Cancellation of Document - Per EIR	Rs.75			

Notes:

- (1). **Direct loading** charge applies when, at the request of customers, TCT accepts an export container delivered to the terminal after the prescribed closing time. This charge is in addition to all applicable charges in a normal export cycle.
- (2). **Reshuffling** charge applies when, at the request of customers, TCT reshuffles containers in the yard.
- (3). **Trucking** charge applies when, at the request of customers, TCT transports containers between the port's railway siding / marshalling yard and TCT.

- (4). **Change of shipment status** charge applies when:
- (i) a transshipment container in TCT premise is changed to an import container;
 - (ii) an import container in TCT premise is re-exported;
 - (iii) an export container is delivered out of TCT premise; or
 - (iv) a transshipment container is re-nominated to another second carrier more than 8 hours before the berthing of the originally nominated carrier or the re-nominated carrier, which is earlier.
- (5). **Change of container status** charge applies each time the detail of an import or export container is changed after processing by TCT.
- (6). **Cancellation charge** applies when EIR is cancelled at the request of customer.

1.16. STORAGE OF CONTAINERS

(a) Import and Export - Laden and Empty Containers

		Foreign-going Vessels (in US\$)		Coastal Vessels (in Rs.)	
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length
(i).	first 5 days	Free	Free	Free	Free
(ii).	from 6 to 15 days	0.64	0.96	31	47
(iii).	from 16 to 22 days	2.55	3.83	124	186
(iv).	More than 22 days	4.93	7.40	239	359

(b) Transshipment/Re-export - Laden and Empty Containers

		Foreign-going Vessels (in US\$)		Coastal Vessels (in Rs.)	
		Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length
(i).	first 15 days	Free	Free	Free	Free
(ii).	from 16 to 30 days	3.40	5.10	165	248
(iii).	More than 30 days	5.10	7.65	248	371

Notes:

- (1). Free storage period for import loaded and empty containers commences from the time of completion of discharge of the vessel. If the free storage period is exceeded, store rent is charged on 24-hour basis up to the time of delivery.
- (2). Free storage period for export loaded and empty containers commences from the container's arrival time. If the free storage period is exceeded, store rent is charged on 24-hour basis up to the time the vessel berths.
- (3). Free storage period for transshipment and re-export containers commences from the time of completion of discharge of the first carrier. If the free storage period is exceeded, store rent is charged on 24-hour basis up to the time the second carrier berths.

- (4). For the purpose of calculation of free time, Sundays, customs notified holidays and the Terminal's non-operating days shall be excluded.
- (5). The storage charges on abandoned FCL containers/shipper owned containers shall be levied upto the date of receipt of intimation of abandonment in writing or 75 days from the day of landing of the container, whichever is earlier subject to the following condition:
- (i). The consignee can issue a letter of abandonment at any time.
 - (ii). If the consignee chooses not to issue such letter of abandonment, the container Agent/MLO can also issue abandonment letter subject to the condition that,
 - (a). the Line shall resume custody of container along with cargo and either take back it or remove it from the port premises; and
 - (b). the line shall pay all port charges accrued on the cargo and container before resuming custody of the container.
 - (iii). The container Agent /MLO shall observe the necessary formalities and bear the cost of transportation and destuffing. In case of their failure to take such action within the stipulated period, the storage charge on container shall be continued to be levied till such time all necessary actions are taken by the shipping lines for destuffing the cargo.
 - (iv). Where the container is seized/confiscated by the Custom Authorities and the same cannot be destuffed within the prescribed time limit of 75 days, the storage charges will cease to apply from the day the Custom 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 port premises to the Customs bonded area and in that case the storage charge shall cease to apply from the day of such removal.

SECTION - II

2. OTHER SERVICES

2.1 VISITOR ENTRY PASS

	<u>Yearly</u>	<u>Monthly</u>	<u>Daily</u>
(a). Per Application	Rs.200	Rs.50	Rs.20
(b). Per Replacement	Rs.50	Rs.50	Rs.20

2.2 PHOTOGRAPHY

(a). Film Shooting and Photography	Rs.8500 per day
(b). Taking Photographs of Goods Imported / Exported	Rs.425 per day
(c). Taking Photographs of Crews and Others	Rs.215 per day
(d). Videography (related to operational activities)	Rs.2550 per day
