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Tariff Authority for Major Ports

G.No. 524

New Delhi,

20 December 2018

NOTIFICATION

In exercise of the powers conferred by Section 49 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from Jawaharlal Nehru Port Trust, seeking approval of Lease Rental for allotment of Entire Dry Port area at Wardha for development of ICD cum Industrial Park as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/62/2018- JNPT

Jawaharlal Nehru Port Trust

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Applicant

QUORUM

- (i). Shri. T.S. Balasubramanian, Member (Finance)
- (ii). Shri. Rajat Sachar, Member (Economic)

ORDER

(Passed on this 27th day of November 2018)

This case relates to the Proposal received from Jawaharlal Nehru Port Trust seeking approval of Lease Rental for allotment of Entire Dry Port area at Wardha for development of ICD cum Industrial Park.

2. This Authority vide its Order no. TAMP/6/2018-JNPT dated 07 May 2018 has fixed lease rent for allotment of part of land (Phase-I) in Dry Port Area at Parsodi and Dorli in Wardha District, Maharashtra on lease basis for development of Inland Container Depot. The Order has been notified in the Gazette of India on 31 May 2018 vide Gazette No. 205. Vide the said Order, a lease rent of ₹130/- per sq.m per annum has been fixed for Phase-I of the Project, based on the proposal of JNPT

3.1. Subsequent to passing of the above referred Order, the JNPT vide its e-mail dated 23 May 2018 had forwarded to us a copy of the Minutes of the stakeholder meeting conducted by JNPT on 10 May 2018 at the JNPT premises. From the Minutes of the Meeting, it was, *interalia*, seen that during the meeting, the JNPT had put forth the following two options before the potential bidders:

- (i). Bidding for development of ICD plot only (Phase 1) at a lease rent of ₹ 130/- per sq.m. per annum.
- (ii). Bidding for development of ICD cum Industrial plot (Entire area i.e. Phase 1 + Phase 2 + Phase 3) at a lease rent of ₹ 70/- per sq.m. per annum.

3.2. In this connection, it was, *interalia*, communicated to JNPT vide our letter no. TAMP/6/2018-JNPT dated 15 June 2018 that the lease rent of ₹ 130/- per sq.m per annum, which has been approved by the Authority vide Order of May 2018, is based on the proposal of JNPT, by taking into account the acquisition cost and development cost pertaining to Phase 1 only. If the JNPT intends to allot the entire dry port area involving all the three phases at ₹ 70/- per sq.m. per annum, the reserve price of the entire dry port area will have to be notified by the Authority based on Clause 11.2(c) of the amended Land Policy Guidelines, 2014. Thus, the JNPT was requested to come up with a proposal for fixing the lease rental for the entire dry port area, following the amended Land Policy Guidelines of 2014.

4.1. Accordingly, the JNPT vide its communication dated 08 August 2018 has submitted its proposal seeking approval of Annual Lease Rental for allotment of Entire Dry Port area at Wardha for development of ICD cum Industrial Park.

4.2. The submissions made by the JNPT in its proposal dated 08 August 2018 are summarised below:

- (i). 346 acres of land area has been acquired by JNPT in the Sindhi village of the Wardha District to set up Dry Port.
- (ii). Initially, it was decided to develop the land in three phases. About 82 acres was envisaged to be developed in 1st phase as an Inland Container Depot (ICD) and the 2nd and 3rd phases were envisaged to be developed as Industrial area. Accordingly, based on JNPT's proposal, TAMP passed an Order in May 2018 fixing rental for 1st phase at ₹ 130/- per sq.m per annum.
- (iii). In the meanwhile, based on the discussions that the JNPT had with various stakeholders on 22.02.2018 and 20.03.2018, it has been decided that the port shall provide options to the prospective bidders to bid either for the entire area of dry port or for phase – I only.
- (iv). It was also decided to exclude certain cost components to be incurred by JNPT incase the entire area gets allotted. The cost heads such as internal roads, levelling & consolidation, fuel station and railway handling shall not be included as the prospective bidder would develop the facility as per his requirement.

- (v). Since there would be a reduction in the development costs to be incurred by the JNPT if the entire land gets allotted at a go, the proposal under reference has been formulated to fix rental for the entire dry port area.
- (vi). **Area statement for proposed Development in Phases**
The dry port is proposed to be developed in phase wise investment and the area proposed for each phase is mentioned below.

Land Use Statement- Phase-Wise				
Use	Plot No.	PHASE 1	PHASE 2	PHASE 3
		Plot Area in Sqmt	Plot Area in Sqmt	Plot Area in Sqmt
DEVELOPMENT AREA - DEVELOPER				
Inland Container Depot (ICD)	1	49544.63	-	-
Container Yard (CY)	2	15557.49	19858.19	-
Warehouse (WH)	3	28290.44	7290.18	-
LIQUID	4	5084.87	12800.09	-
PAWS	5	22164.01	19611.70	-
COLD	6	9722.08	3565.09	-
Truck Terminal (TT)	7	18954.94	-	-
Empty Container (EC)	9	9612.07	6641.66	-
Residential	14	9443.85	13110.17	-
Commercial	15	19010.12	12981.42	-
Open Space	18	23497.00	-	-
Fire Station	20	6428.47	-	-
Industry Plot	1 to 26	-	-	394488.26
Expansion -E-1	21	36915.23	28501.44	-
Expansion -E-2	22	10130.32	-	-
Expansion -E-3	1 to 7	-	-	162653.54
Internal Road-IR-1	IR-1	14944.604	2250.00	-
	Area in Sqm	279300.11	113499.75	557141.80
	Area in Acres	69.83	28.37	139.29
COMMON AREA - JNPT				
RLY YARD	8	47679.88	-	-
RTG	10	5561.97	-	-
RLY W	11	4577.72	-	-
RLY H AREA	12	35335.00	-	41582.59
Admin Building	13	6445.72	3909.70	-
Weigh Bridge (WB)	19	8947.00	-	-
Utility	16 /16A / 16B	4794.98	11335.47	20753.40
Fuel Station	17	2578.88	1630.81	1220.00
Open Space	18A / 18B	-	19015.06	61541.96
Main Entry Road -R-1	1	16922.07	-	-
Road along Rly yard-R2	2	26600.00	-	-
Main Entry Road -R-3	3	10152.90	-	-
Main Entry Road -R-4	4	-	-	49338.87
Road along Rly yard-R5	5	-	-	15608.49
Main Entry Road -R-6	6	-	-	24858.23
Landscape along Boundary	-	3025.00	6675.00	19505.00
	Area in Sqm	172621.11	31230.58	233188.53
	Area in Acres	43.16	7.81	58.30
Total Dry Port Area	Total Area in Sqm	451921.23	157840.50	790330.33
	Total Area in Acres	112.98	36.18	197.58
	Total Area in Ha	45.19	15.78	79.03

Total Area of the Dry Port project: 140.01 Ha
Total Saleable Area at the Dry Port project: 129.37 Ha (323.42 Acres)

- (vii). **Estimated Project Development Cost**
In case the private investor bids for the entire area, then the port may not need to incur much of the internal infrastructure costs such as internal roads, building works etc. Accordingly, the appropriate costs have been removed from the overall cost to be recovered from the lessee. The costs envisaged to be met by JNPT (considering all phases) are the following:

Component	Value (in ₹)
Construction of Internal Roads	The internal roads shall be developed by the selected ICD Operator as per their business plan and requirement. Hence, the cost has not been included here.

Construction of Building Works	The selected developer shall construct admin building and provide office space to the dry port users. Hence, the cost has not been included in JNPT's expense head.
Levelling & Consolidation	In case of entire area being bid out to a single party, the land levelling and consolidation shall be in the scope of the private party and he shall develop the plots as per his business plan. Hence, the same has not been included in the expenses of JNPT.
Construction of Fuel Stations	The fuel station for the project is planned to be allotted to a 3rd party for development. Hence, not included in JNPT's expenses.
Construction of Railway Handling Area	In case of entire area being bid out to a single party, the railway handling area shall be in the scope of the private party. Hence, the same has not been included in the expenses of JNPT.
Construction of Electric Substation	2,70,00,000
Construction of Compound Wall	4,66,20,000
Construction of ESR & Water Supply Pipe Lines	4,95,16,000
Construction of STP & STP Lines	4,81,50,000
Construction of Fire Fighting Station	2,53,00,000
Construction of Entry Exit with Canopy	1,05,00,000
Base Construction Cost (BCC)	20,70,86,000

(viii). **Land Use Plan**

As per the Land Policy Guidelines, the Land can be allotted either on license or on lease basis as per the approved Land use Plan/ Zoning. Since the dry port area is not within the port area in Nhava Sheva, Navi Mumbai; the development plan and land use classification for the said land as specified in Wardha development plan has been considered. The land use for the Dry Port area is currently classified as "Non-Agricultural Zone" as per the NA certificate issued by the Collector, Wardha.

(ix). **Land Allocation outside the Port's Custom Area**

As per Clause 16 of the Land Policy for Major Ports, 2015, the Land outside custom bond area of the Port shall be given on lease basis only. However, in specific cases, the land can be given on license basis for the port related activities, for reasons to be recorded in writing.

As per the Land Use Plan, the area identified for the Dry Port falls outside the Custom Bound Area of JNPT. The area shall be allotted to the selected ICD Developer/ Co-Developer on Lease basis only.

The Land use for the area has been classified as "Non-Agricultural". The conceptual master plan for the dry port envisages plots of various sizes for different identified sectors. However, the overall land usage shall be same for all sectors i.e. Non-Agricultural/ Industrial zone.

(x). **Tenure for Land Allocation**

As per Clause 16.2 of the Land Policy for Major Ports, 2015, land can be leased up to a maximum cumulative period of 30 years with the approval of the Board. For capital intensive project, the Port may decide to fix the tenure of lease for more than 30 years. Such proposals are to be submitted with the recommendations of the Board to the Empowered Committee for its approval. The Port in its land-use plan should identify land which can be allotted on long-term lease basis, i.e. for tenure of 30 years and beyond. In this regard, the tenure for allotment of land is fixed to 30 years as per the applicable guidelines.

Further, the port had submitted a separate proposal to the Empowered Committee for extension of lease period from 30 years to 60 years for industrial plots. In the meeting of the Empowered Committee held in New Delhi on 6th June 2018, the committee has approved the allotment of land for industrial development for a tenure of 60 years.

(xi). **Land Allotment Committee**

As per Clause 16.2 (e) of the Land Policy for Major Ports, 2015, a Land Allotment Committee shall be constituted by the Port Trust Board consisting of Deputy Chairman of the Port, and Heads of Departments of Finance, Estate and Traffic. The Land Allotment Committee will finalize the Reserve Price. Accordingly, a Land Allotment Committee consisting of the Deputy Chairman,

Chief Manager (Finance), Chief Manager (PPD) and Chief Manager (Traffic) was constituted by the port.

(xii). **Calculation of the Land Lease Rates and Decision of the Land Allotment Committee**

The methodology for land reserve price fixation as specified in the Land Policy for Major Ports has been adopted for the valuation. The valuation of the Dry Port Land as per the parameters specified in the Policy along with the views of LAC on each of the parameters are detailed below:

(a). **State Government's ready reckoner of land values**

The vicinity of the port may be referenced to be the region covering the villages of Parsodi and Dorli, as given below:

- Village Parsodi, Tal-Seloo, Dist.-Wardha
- Village Dorli, Tal-Seloo, Dist.- Wardha

The Website of Department of Registration & Stamps, Government of Maharashtra maintains and displays the data related to the Ready Reckoner values of the land and properties in various districts of Maharashtra. The website has been used as a reference source for the ready reckoner values of the land in the villages identified above. The data gathered from the website has been summarized below;

Ready Reckoner Rates (Rs per sq. mt.) for 2017			
Sl. No.	Village	Rates (₹ Per sq.mt.)	Classification
1	Village Parsodi, Tal-Seloo, Dist.-Wardha	740	Non-Agricultural
2	Village Dorli, Tal-Seloo,Dist.- Wardha	1090	Non-Agricultural

Basis the above details, the calculation of lease rentals is as follows:

	Unit	Value	Source
Government ready reckoner Value of the plot of Land (per sq.m)	Rs.	1090	IGR Maharashtra Website. The maximum of the per sq.m.rates for Parsodi and Dorli has been considered.
Lease Rental @ 6% per annum	Rs. Per annum	65.4	
Lease Rental per sq.m. per Month	Rs.per month per sq.m.	5.45	
Lease Rental per 100 sq.m. per month	Rs. Per 100 sq.m. per month	545	

(b). **Highest rate of relevant transactions registered in last three years in the Port's vicinity:**

The vicinity of the port may be referenced to be the region covering the villages of Parsodi and Dorli. However, it was observed that the current land acquired by JNPT is the latest land transaction concluded in the area and may be treated as the latest ones. The same has also been verified for the site's vicinity through the online "e-search" facility for transactions available on the website of Department of Registration & Stamps, Government of Maharashtra i.e.

<https://esearchigr.maharashtra.gov.in/testingesearch/wfsearch.aspx>

The rate of land acquired by the port has been valued at ₹.16.45 lakhs per acre and additionally a compensation of ₹ 7 Lakhs per acre was given to the farmers. The effective land value (including stamp duty, registration charges etc.) thus was ₹ 23.45 Lakhs per acre (₹ 580 per sq.mt.).

The amount for lease rent works out to be around ₹ 35 per sq. mt. per annum (₹ 580*6% = 35), which would not be sufficient to recoup the investments incurred by JNPT and hence the factor has not been considered.

(c). **Highest accepted tender-cum-auction rate of Port land:**

As per the policy, highest accepted tender-cum-auction rate of Port land for similar transactions, updated on the basis of the annual escalation rate approved by the Port Trust Board needs to be considered. However, the port has not floated any such tender for auction-cum-tender for the land in dry port area. Hence, such rates are not available for consideration.

(d). **Rate arrived at by approved valuer**

The appointment of valuer is not envisaged as the subject land has been acquired by the port recently based on the rates indicated by the District Collector and M/s. SICOM Ltd.

A fresh valuation is not required since the valuer shall also analyse the rates based on similar factors as enlisted in the "Policy Guidelines for Land Management by Major Ports, 2015". Therefore, the acquisition cost is the latest cost of land and the same can be considered in addition to the development expenses due to be incurred by the port. Thus, the factor has not been evaluated further.

(e). **Any other factor considered by the Port:**

- (i). The Land Allotment Committee decided to work out the lease rate of the land as per the following approach.
 - (a). Total development cost envisaged to be undertaken by JNPT for entire area development.
 - (b). Cost of acquisition of the land.
- (ii). The idea of adopting these two factors was that these two are the real expenses incurred by JNPT for the land under consideration and JNPT intends to recover the same from the developer.
- (iii). The total development cost of the land incurred by JNPT has been taken as the total investment to be recovered from the developer/ units by way of lease amount. The investments have been phased over a duration of 3 years and additional charges on the overall project cost has been considered. The unit cost of the land has been worked out and the same has been taken as the market value of land, upon which 6% of lease rental has been worked out.
- (iv). As the project of Dry Port is expected to greatly complement the traffic of JN Port, there is no separate expectation of earning high revenues from the land. But the objective is to generate employment, build facility that would facilitate trade and the port and realize investments as soon as possible
- (v). Also, the subject land is not a regular port side land, but is a Dry Port area and hence a different approach is needed to finalize the lease rent for the same. The Port would in any case hold auction for the lease rentals/ other guaranteed rentals at the time of the allotment of the plots to developer/industries.
- (vi). The committee further reviewed the lease rentals charged in various similar industrial estates in the nearby region. It may be noted that the development cost to be incurred on railway siding has not been included for lease calculation considering it as an upfront investment from JNPT to operationalize the project and to keep prices competitive.
- (vii). The land identified for the Dry Port area was acquired by JNPT in the year 2017. The cost of acquisition of the land has also been factored as an investment from JNPT. Since the price has been paid for land acquisition in the year 2017, it is assumed there is no loss of interest and the price remains the same. Subsequently, the land cost for Phase-I has been proportionately apportioned and considered for investment recovery. The project development cost including the factors such as contingency expenses, insurance, marketing expenses etc. as well as the cost already incurred on the land development has been worked out. The details are as follows:

Parameters	Amount in ₹
Land Acquisition Cost for 140.01 ha government land (including TDS of 10%)	57,55,03,250
Compensation Amount paid to Farmers @ ₹ 7 Lakhs per Acre	24,20,77,290
Year of Purchase	2017
Stamp Duty Paid by JNPT	5785100
Registration Charges Paid by JNPT	32,320
Total Land Area (in Hectares)	140.01
Total Land Area (in Acres)	346
Total Acquisition Cost of 346 acres of Land	82,33,97,960
Development Cost Estimated to be incurred by JNPT on basic infrastructure for all Phases	
Construction of Electric Substation	2,70,00,000
Construction of Compound Wall	4,66,20,000
Construction of ESR & Water Supply Pipe Lines	4,95,16,000
Construction of STP & STP Lines	4,81,50,000

Construction of Fire Fighting Station	2,53,00,000
Construction of Entry Exit with Canopy	1,05,00,000
Base Construction Cost (BCC)	20,70,86,000

Note: Contingency cost, cost towards PMC services, marketing expenses and other expenses as indicated in the table above has been worked out in line with the market practice.

- (viii). Further, a variation limit of 2% for fuel cost, labor cost etc. and 2% PMC charges has been added to the **base construction cost (BCC)**.

Component	Unit	₹
Variation Limit due to increase in Fuel Cost, Labor Cost etc.	2% of BCC	41,41,720
Project Monitoring Consultant Expenses	2% of BCC	41,41,720

- (ix). Further, the project construction cycle has been assumed to be phase wise across 3 years in the following manner. The percentage completion of construction per year has been considered keeping in view the construction schedule of similar projects undertaken by JNPT and the general industry trends in EPC works of similar nature.

Year wise Percentage construction		
Year 1	Year 2	Year 3
35%	50%	15%

- (x). Subsequently, the year wise marketing expenses as well as monitoring expenses have been added to arrive at the final value of the landed project cost. The cost expenses for each head (Insurance, contingency, marketing etc.) have been considered keeping in view the general industry practice and projects of similar scale.

Parameter	Unit	Year		
		2018	2019	2020
Escalation Factor (y-o-y)	2% per annum	1.000	1.020	1.040
Percentage Construction Factor		35%	50%	15%
Total Civil Cost (including Escalation)	₹	7,24,80,100	10,56,13,860	3,23,17,841
Insurance/Tax	1% of Y-O-Y Cost	7,24,801.00	10,56,139	3,23,178
Preliminary cost	1% of Y-O-Y Cost	7,24,801.00	10,56,139	3,23,178
Contingency Cost	3% of Y-O-Y Cost	21,74,403.00	31,68,416	9,69,535
Marketing and advertisement Cost	1% of Y-O-Y Cost	7,24,801.00	10,56,138.60	3,23,178
Total Project Cost (Excluding IDC and including PM Charges and variation limit of 2% each)	₹	7,68,28,906	11,19,50,692	3,42,56,910
Total Project Cost (Excluding IDC and including PM Charges and variation limit of 2% each)	₹	23,13,19,948		

- (xi). **Pricing benchmarking in the region**
Existing rates in the similar estates or industrial parks in the region have been considered for benchmarking the land rates. On a regional landscaping of similar facilities, few of the best estates offered by Maharashtra Industrial Development Corporation (MIDC) in locations such as Wardha and Nagpur has been referred. [A summary of the plots in MIDC in Wardha and Nagpur regions has been furnished by JNPT]

For the purpose of analysis in this proposal, a reference range of MIDC average rates in nearby regions within 200 kms from Dry Port Wardha i.e. ₹ 200 to ₹ 2130 per sq. mt. has been adopted by JNPT. The MIDC regions nearer to Nagpur have established facilities, connectivity and client base, the land rates tend to get higher. The highest one being Nagpur (Hingna) with INR 2130 per square meter. The industrial land rates are significantly low in regions far from Nagpur.

- (xii). **Calculation of Lease Rentals:**
The approach adopted for the land pricing is consistent with the latest guidelines and is as follows:

	Amount in ₹
Actual cost of 346 acres of land in the year 2017	82,33,97,960
Development cost	23,13,19,948
Total Cost to be Recovered from the Developer	1,05,47,17,908
Cost of Land per Acre (including development charges) of All Phases area (Considering Saleable Area of 319.26 acres)	33
Market Value of Land per sq.m.	817.23
Annual Lease Rental @ 6% of market value (₹ per sq.m.)	49.03 Say (50)

(f). **Conclusion**

As per clause 13 (a) of the Policy Guidelines for Land Management by Major Ports, 2015", the highest of the rates arrived at by the five factors listed above shall be considered. Hence, the annual lease rental of ₹ **65.4 (Say ₹ 70) per sq.mt per annum** has been considered by the land allotment committee as the recommended rate. This price was also compared with the prevailing rates in the other similar industrial areas around the site.

4.3. Accordingly, the JNPT has sought approval for the following:

Sr. No.	Zone	Reserve Price in terms of Annual Lease Rentals (₹ per sq.mt per annum)
1	Land inside the Dry Port area in Parsodi and Dorli, Distt. Wardha, Maharashtra	70/-

4.4. The proposal of JNPT has the approval of its Board of Trustees. The JNPT has forwarded a copy of the Board resolution.

5. In accordance with the consultative procedure prescribed, a copy of the proposal of JNPT dated 8 August 2018 was forwarded vide our letter dated 14 August 2018 to the concerned users/ user organisations seeking their comments. None of the users/ Associations and Terminal Operators have furnished their comments, till the case was taken up for finalization.

6. Based on a preliminary scrutiny of the proposal, the JNPT was requested vide our letter dated 5 September 2018 to furnish some information/ clarification. The JNPT has responded vide its email dated 26 September 2018. The information/ clarification sought by us and the response of JNPT thereon are tabulated below:

Sl. No.	Information sought by us	Reply of JNPT
1.	The JNPT had some, few months back, come up with a proposal for fixing of rentals for phase – I of land to be developed at Wardha for development of ICD cum Industrial park. Based on the proposal of the port and after following the consultation process, the Authority vide its Order no. TAMP/6/2018-JNPT dated 7 May 2018 had fixed lease rent of ₹ 130/- per sq.m per annum for the phase – I of the land. Now, the port intends to provide option to the prospective bidders to bid either for entire area of the Dry Port of the Phase-I only. The lease rent for allotment of Entire Dry Port area at Wardha is proposed by the port at ₹ 70/- per sq.m per annum. In this backdrop, the JNPT to clarify/ furnish the following:	

<p>(a).</p>	<p>The proposed rental for the entire area in the current proposal at almost half of the rental fixed for phase – I of land to be developed at Wardha, to be justified, considering that lease rent for Phase-I has already been levied at ₹ 130/- per sq.mtr. per annum.</p>	<p>It may be noted that the lease rentals for the proposed area have been calculated on the basis of Clause 13 (a) of the "Policy Guidelines for Land Management by Major Ports, 2014-amended" and the following factors have been analysed.</p> <ol style="list-style-type: none"> State Government's ready reckoner of land values Highest rate of relevant transactions registered in last three years in the Port's vicinity Highest accepted tender-cum-auction rate of Port land Rate arrived at by approved valuer Any other factor considered by the Port (Cost of land acquisition for the land identified for the Dry Port + Cost of development of the infrastructure facilities to be spent by JNPT) <p>In case of proposal submitted earlier to the Authority, the factor (e) was the highest since the cost of land (proportionate to Phase-I) and the Cost of development apportioned over the saleable area in Phase-I amounted to a rental value of ₹ 130 per sq.m per annum.</p> <p>However, in case of the Entire Area, the port has envisaged that the following costs shall not be borne by JNPT on account of reasons as mentioned alongside:</p> <ol style="list-style-type: none"> Construction of Internal Roads: The internal roads shall be developed by the selected ICD Operator as per their business plan and requirement. Hence, the cost has not been included. Construction of Building Works: The selected developer shall construct admin building and provide office space to the dry port users. Hence, the cost has not been included in JNPT's expense head. Levelling & Consolidation: In case of entire area being bid out to a single party, the land levelling and consolidation shall be in the scope of the private party and he shall develop the plots as per his business plan. Hence, the same has not been included in the expenses of JNPT. Construction of Fuel Stations: The fuel station for the project is planned to be allotted to a 3rd party for development. Hence, not included in JNPT's expenses. Construction of Railway Handling Area: In case of entire area being bid out to a single party, the railway handling area shall be in the scope of the private party. Hence, the same has not been included in the expenses of JNPT. <p>It is to be noted that in case of entire area, while the expense of JNPT has decreased, the saleable area has increased to 129.37 Ha, thereby reducing the overall amount per unit of saleable area i.e. Rs. 50 per sq.mt, per annum.</p> <p>As per the proposal submitted by the port for Entire Area, the factor a) of the Clause 13 (a) of "Policy Guidelines for Land Management by Major Ports, 2014 amended" i.e the Ready Reckoner rates are the highest i.e Rs. 65.4 per sq. mt per annum which has been rounded off to nearest multiple of 10 i.e Rs.70 per sq.mt per annum,</p>																
	<p>The proposed rental of ₹ 70/- per sq.mtr. per annum for the entire Dry Port area to be reconciled (with a reconciliation statement) with the approved rate of ₹ 130/- per sq.mtr. per annum for Phase-I.</p>	<p>The lease rentals as mentioned above are reconciled herein for ready reference:</p> <table border="1" data-bbox="756 1823 1410 2121"> <thead> <tr> <th>Sr. No</th> <th>Item</th> <th>Phase-I</th> <th>Entire Area</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>State Government's ready reckoner of land values</td> <td>₹65.4/m²/year (Say 70)</td> <td>₹65.4/m²/year (Say 70)</td> </tr> <tr> <td>2.</td> <td>Highest rate of relevant transactions registered in last three years in the Port's vicinity</td> <td>₹35/m²/year</td> <td>₹35/m²/year</td> </tr> <tr> <td>3.</td> <td>Highest accepted tender-cum-auction rate of Port land</td> <td>Not applicable</td> <td>Not applicable</td> </tr> </tbody> </table>	Sr. No	Item	Phase-I	Entire Area	1.	State Government's ready reckoner of land values	₹65.4/m ² /year (Say 70)	₹65.4/m ² /year (Say 70)	2.	Highest rate of relevant transactions registered in last three years in the Port's vicinity	₹35/m ² /year	₹35/m ² /year	3.	Highest accepted tender-cum-auction rate of Port land	Not applicable	Not applicable
Sr. No	Item	Phase-I	Entire Area															
1.	State Government's ready reckoner of land values	₹65.4/m ² /year (Say 70)	₹65.4/m ² /year (Say 70)															
2.	Highest rate of relevant transactions registered in last three years in the Port's vicinity	₹35/m ² /year	₹35/m ² /year															
3.	Highest accepted tender-cum-auction rate of Port land	Not applicable	Not applicable															

		4.	Rate arrived at by approved valuer	Same as Acquisition cost ₹35/m ² /year	Same as Acquisition cost ₹35/m ² /year
		5.	Any other factor considered by the Port		
			a. Area	35 HA	140 HA
			b. Cost of land considered	₹20.60 Crore (25% 82.33 Crore)	₹82.33 Crore
			c. Development Cost	₹ 13.11 Crore	₹ 20.70 Crore
			d. Cost per unit of saleable area	₹2036.08 per sq. m.	₹ 817 per sq. m.
			e. Annualized Lease Rental (@6% of cost per unit)	₹ 130/m ² /year	₹ 50/m ² /year
		6.	Highest of factors as stated above in Para 1 to 5	₹ 130 per sq. m. per annum	₹ 70 per sq. m. per annum

(c). In the proposal of JNPT, which had culminated into the tariff Order of May 2018, the base construction cost for phase – I was considered at ₹ 13.11 crores. However, in the current proposal, the base construction cost for the entire area is estimated at ₹20.71 crores only. A comparative position of the base construction cost is given below:

Description of work	As considered in May 2018 Order	As proposed by JNPT in August 2018
Construction of Building Works	3,31,78,572.60	-
Construction of Electric Substation	67,55,716.05	2,70,00,000.00
Construction of Compound Wall	1,16,64,869.72	4,66,20,000.00
Construction of ESR & Water Supply Pipe Lines	1,23,89,482.82	4,95,16,000.00
Construction of STP & STP Lines	1,20,47,693.63	4,81,50,000.00
Levelling & Consolidation	2,64,60,000.00	-
Construction of Fire Fighting Station	63,30,356.15	2,53,00,000.00
Construction of Railway Handling Area	1,96,00,000.00	-
Construction of Entry Exit with Canopy	26,27,222.91	1,05,00,000.00
Base Construction Cost (BCC)	13,10,53,914 .00	20,70,86,000.00

From the above, it is seen that in the current proposal, the cost towards Construction of Building Works, Levelling & Consolidation, Construction of Railway Handling Area have not been considered, as stated by the JNPT in its proposal in the current proposal. The exclusion of the above cost components from the base construction cost to be justified.

As mentioned in Para 1 above, the port has envisaged that the following costs shall not be borne by JNPT in case of entire area allotment:

- a) **Construction of Internal Roads:** The internal roads shall be developed by the selected ICD Operator as per their business plan and requirement. Hence, the cost has not been included.
- b) **Construction of Building Works:** The selected developer shall construct admin building and provide office space to the dry port users. Hence, the cost has not been included in JNPT's expense head.
- c) **Levelling & Consolidation:** In case of entire area being bid out to a single party, the land levelling and consolidation shall be in the scope of the private party and he shall develop the plots as per his business plan. Hence, the same has not been included in be expenses of JNPT.
- d) **Construction of Fuel Stations:** The fuel station for the project is planned to be allotted to a 3rd party for development. Hence, not included in JNPT's expenses.
- e) **Construction of Railway Handling Area:** In case of entire area being bid out to a single party, the railway handling area shall be in the scope of the private party. Hence, the same has not been included in the expenses of JNPT.

The cost mentioned in earlier proposal is 25% (35 ha/140 ha) of the total cost envisaged for the activity and has been apportioned as per the extent of area to be developed i.e. 35 ha 25% of 140 ha. In case of entire area, 100% amount has been taken.

Description of work	As considered in May 2018 Order (Amount proportionate to the Land Area in Phase-I)	As proposed by JNPT in August 2018 (Total Cost of the Facility)	% of total cost
(A)	(B)	(c)	(D)= B/C
Construction of Building Works	3,31,78,572.60	-	-
Construction of Electric Substation	67,55,716.05	2,70,00,000.00	25%
Construction of Compound Wall	1,16,64,869.72	4,66,20,000.00	25%
Construction of ESR & Water supply pipe lines	1,23,89,482.82	4,95,16,000.00	25%
Construction of STP & STP Lines	1,20,47,693.63	4,81,50,000.00	25%
Levelling & Consolidation	2,64,60,000.00	-	-
Construction of Fire Fighting Station	63,30,356.15	2,53,00,000.00	25%

		Construction of Railway Handling Area	1,96,00,000.00	-	-
		Construction of Entry Exit with Canopy	26,27,222.91	1,05,00,000.00	25%
		Base Construction Cost (BCC)	13,10,53,914.00	20,70,86,000.00	
(d).	In the earlier proposal of JNPT which had culminated into the tariff Order of May 2018, out of the area of 86.36 acres of land to be developed in phase – 1, the saleable area was considered as 42.78 acres, which works out to about 50% of the total area to be developed in phase – I. In the current proposal, out of the total area of land at 346 acres, 319.26 acres of land is envisaged to be saleable, which works out to about 92% of the total area. The reason for considering more area for sale in the proposal under reference may be explained considering that taking in more saleable area has the effect of reducing the lease rentals.	In case of entire area, the development activities for the entire project shall be done by the private developer and only the basic infrastructure shall be developed by JNPT. The area pertaining to those facilities only has been deducted from the overall area to arrive at the saleable area:			
		Sr. No.	Facility	Area (In Ha)	
		1.	Total Area	140.01	
		2.	Less:		
		3.	Railway Yard	4.77	
		4.	RTG	0.56	
		5.	Railway Workshop	0.46	
		6.	Railway handling Area	3.53	
		7.	Utility	0.48	
		8.	Fuel Station	0.26	
		9.	Sub-Total	10.65	
		10.	Net Area (Saleable)	129.37 Ha	
(ii).	In the earlier proposal of JNPT which had culminated into the tariff Order of May 2018, the JNPT had stated that after finalization of the first phase of the tendering process, the highest offer received by the port would be considered as the Minimum Reserve Price for next phase of tendering process for land allotment in Dry Port area. In this context, the reason for coming up with a proposal for fixing the rental for the entire dry port area to be explained.	As per the stakeholder meetings conducted by the port prior to the proposal, it was represented by the stakeholders that the development of only ICD may not be a viable business proposition and few investors would like to develop the entire ecosystem of the project i.e. Logistics park integrated with Industrial Park. It was therefore planned that the potential developers will have two options to bid for during the tender as follows: a) Option 1: Bidding for Development of Inland Container Depot (ICD) plot only (Phase 1) b) Option 2: Bidding or Development of ICD cum Industrial plot (Entire Area-Phase 1+Phase 2+ Phase 3)			
(iii).	The JNPT is requested to indicate whether it has carried out any tendering process for allotment of land in phase – I and the outcome of such process also to be intimated.	The Port has not carried out any tender for allotment of only Phase-I of the project area.			

7.1. A joint hearing in this case was held on 24 September 2018 at the Office of this Authority. At the joint hearing, the JNPT made a Power Point presentation of the proposal. The JNPT and the concerned users/organization bodies have made their submissions at the joint hearing.

7.2. As decided at the joint hearing, the Allcargo Logistics Limited (ALL) was requested vide our letter dated 28 September 2018 to furnish its comments. The ALL has responded vide its letter dated 08 October 2018. These comments were forwarded to JNPT for its feedback comments. The JNPT has responded vide its letter dated 29 October 2018.

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

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

- (i). The Jawaharlal Nehru Port Trust (JNPT) has conceptualized to develop a Dry Port area on 346 acres of the land acquired by it in the year 2017, in the Wardha district located in the Vidarbha region of Maharashtra. During the initial phase, the JNPT had decided to develop the land in three phases. About 82 acres was envisaged to be developed in 1st phase as an Inland Container Depot (ICD) and the 2nd and 3rd phases were envisaged to be developed as Industrial area. Accordingly, based on a proposal submitted by JNPT, this Authority vide its Order dated 07 May 2018 has fixed a lease rent of ₹ 130/- per sq.m per annum for Phase-I of the Project. In the meanwhile, based on the discussions that the JNPT had with various stakeholders, the port has decided to provide alternatives to the prospective bidders, where the bidders will have options to bid either for the entire area of dry port or for land in phase – I only. In the event the entire land gets allotted, the port has reported that it will not have to incur some costs towards development

of land (which was considered in the initial fixation of rentals for phase – I), as the prospective bidder would be required to develop the land as per his requirement. Since there will be charge in the cost structures the JNPT has felt the need to fix rentals for the entire dry port area. Thus, the JNPT has come up with the proposal for fixing rental for the entire Dry Port area at Wardha for development of ICD cum Industrial Park. The proposal of JNPT has the approval of its Board of Trustees.

- (ii). For the purpose of determining lease rentals for the lands belonging to the Port Trusts, this Authority is mandated to follow the land policy guidelines issued by the Government from time to time. The JNPT has also stated that the lease rental is proposed following the Land Policy Guidelines. Accordingly, the proposal of JNPT has been taken up for fixing lease rental following the latest amended Land Policy Guidelines of 2014, issued by the Ministry of Shipping (MOS) to all the Major Port Trusts on 17 July 2015.
- (iii). As per clause 13(a) read with clause 11.2(e) of the amended Land Policy Guidelines 2014, a Land Allotment Committee (LAC) constituted by the Port Trust Board consisting of Deputy Chairman of the Port, and Heads of Departments of Finance, Estate and Traffic shall determine the market value of land as per the methodology prescribed in clause 13(a). Accordingly, the JNPT has constituted a Land Allotment Committee (LAC) under the chairmanship of the Dy. Chairman and with Chief Manager (Finance), Chief Manager (Traffic) and Chief Manager (PPD) being the other members of the Committee. The JNPT has furnished a copy of the Report of the LAC.
- (iv).
 - (a). Clause 13(a) of the amended land policy guidelines of 2014 prescribes the methodology for determination of market value of the land based on the five factors as prescribed therein. In terms of the said para of the amended Land policy guidelines of 2014, the LAC is normally take into account the highest of the factors mentioned therein, viz. (i). State Government ready reckoner of land values in the area if available for similar classification/ activities, (ii). Highest rate of actual relevant transactions registered in the last three years in the Port's vicinity with an appropriate annual escalation rate to be approved the Port Trust Board, (iii). Highest accepted tender-cum-auction rate of Port land for similar transactions, updated on the basis of the annual escalation rate approved by the Port Trust Board, (iv). Rate arrived at by an approved valuer appointed for the purpose by the Port and (v). Any other relevant factor as identified by the Port.
 - (b). Further, as per clause 13 (c) read with clause 13(a) and (b) of the land policy guidelines of 2014, the port shall file a proposal to this Authority for fixation of latest SOR of the land based on the market value of land recommended by the LAC which will normally take into account the highest of the five factors for market value of land stipulated in Para 13 (a) of the land policy guidelines of 2014. The amended Land Policy guidelines of 2014 also stipulates that in case the LAC is not choosing the highest factor, the reasons for the same have to be recorded.
 - (c). Of the five factors prescribed in the amended Land Policy Guidelines, 2014 for arriving at the market value of the land, the LAC has observed the following:
 - (i). State Government's Ready Reckoner rate –
The LAC has taken reference of the Ready Reckoner values of the land in the vicinity of the dry port area viz., Parsodi and Dorli at ₹ 740/- per sq. mtr. and ₹ 1090/- per sq. mtr. Considering the higher ready reckoner rate and the Land use classified for the Dry Port as "Non-Agricultural", the rate of lease rental has been calculated at ₹ 65.40 per sq.m. per annum (₹1090*6%=65.40).
 - (ii). Highest sale transactions –
The LAC has observed that the dry port land acquired by JNPT is the latest land transaction concluded in the area. Considering the acquisition cost of land including the farmer's compensation, the lease rent is worked out to ₹ 35 per sq. mt. per annum. The LAC is of the view that the rental at ₹ 35 per sq. mtr. per annum would not be sufficient to recoup the investment made by JNPT. (₹ 16.45 lakhs per acre + ₹ 7 lakh compensation per acre, which is equivalent to ₹ 580 per sq. mtr. ₹580*6%=₹ 35 per sq. mtr. per annum)
 - (iii). Highest accepted tender-cum-auction rate –
The LAC has stated that the port has not floated any tender cum auction for the land in dry port area.

- (iv). Rate arrived at by approved valuer –
Since the land has been acquired by the port recently and since the actual investment by the port is available, the LAC is reported to have not felt the necessity to determine the market value of the land by an approved valuer.
- (v). Any other method –
Under this method, the LAC is seen to have worked out the land pricing taking into account the land acquisition cost and the cost of development of infrastructure facilities to be spent by JNPT for the entire dry port area. By taking into account the acquisition cost along with the estimated costs to be incurred for development of entire dry port area, the market value of the land has been arrived at ₹ 816.34 per sq.m. While estimating the development costs, the JNPT has indicated that cost towards Construction of Internal Roads, Construction of Building Works, Levelling & Consolidation, Construction of Fuel Stations, Construction of Railway Handling Area, would be developed by the selected ICD Operator as per its business plan and requirement. Since the said costs would not be incurred by JNPT for development of the dry port area, the JNPT has rightly excluded these cost components from the development cost.
- (vi). Thereafter, based on the stipulation in Clause 13(b) of the amended Land Policy Guidelines that the Reserve Price in terms of the annual lease rent would in no case be less than 6% of the latest market value of the land, the Lease rental at 6% of the market value of the land has been worked out to about ₹ 49/- per sq.m per annum. The lease rental has been rounded off to ₹ 50/- per sq.m per annum by JNPT.
- (vii) A statement showing the workings in this regard is attached as **Annex – I**.
- (viii). The All Cargo Ltd., who was consulted on the subject proposal is of the view that the methodology of clubbing development cost and land acquisition cost is flawed; while value of land appreciates, value of infrastructure developed on the said land would depreciate. In this regard, the port has stated that similar approach is practiced across various governmental organizations, PSUs and industrial estate providers, for determining land value. Incidentally, a similar approach was considered by the JNPT while determining the lease rent for the land to be allotted by JNPT in the Special Economic Zone (SEZ) area, which was considered by this Authority. In this context of the observation made by the All Cargo Ltd., it has to be recognized that the JNPT has considered the Reserve Price at the minimum level of 6% of the market value to determine the Annual Rent and the Annual escalation at the minimum level of 2% while the relevant clause of amended Land Policy Guidelines does not stipulate any ceiling in respect of these two factors.
- (d). Considering the lease rental as arrived based on the various methods, the LAC has recommended the highest lease rental to be the lease rent for the entire dry port area. Accordingly, the rate of rental derived based on the State Government Ready Reckoner at ₹ 65.40 per sq.mt per annum has been rounded off by the LAC and it has recommended the rate of ₹ 70/- per sq.mt per annum, as the lease rental for the entire dry port area.
- (v). The All Cargo Ltd. has viewed that the proposed rental of ₹ 70/- per sq.m per annum is very high and it is expecting the rate in the range of ₹ 35 to ₹ 38 per sq. mtr. per annum. But, the Port has viewed that it is not sufficient to recoup the investment at the rate of ₹ 35 per sq. mtr. per annum. Further, as rightly viewed by JNPT, lease rates depend on various factors such as location, facilities, infrastructure, connectivity etc. Since the lease rental has been determined by the port following the stipulation contained in the amended Land Policy Guidelines, the port is of the view that the rental proposed for the dry port area is in order.
- (vi). Given that the LAC has, after considering the market valuation of land as explained above, arrived at the proposed lease rental and also recognising that the Board of Trustees of JNPT have approved the rate finalized by the LAC, and considering that the proposal filed by JNPT is in line with the stipulation contained in the Land policy guidelines of 2014, this Authority is inclined to accept the proposed license fee of ₹ 70/- per sq.m per annum, for the entire dry port area.

- (vii). The JNPT has proposed definitions for the terms viz., 'Board', 'TAMP', 'Chairman' and 'Land', which are seen to be in line with the definitions prescribed for the said terms in the Major Port Trusts Act, 1963, and hence is approved.
- (viii). The JNPT has proposed a note to the effect that the prescribed Scale of Rates shall be subject to annual escalation @ 2% per annum on the annual lease rental unless and otherwise revised by the applicable laws.

Clause 13(c) of the revised Land Policy Guidelines, 2014, stipulates fixing of the rate of annual escalation at not less than 2%. Accordingly, the JNPT is seen to have adopted an annual escalation of 2% per annum for the proposed rentals. In this context, it is relevant to mention here that the Rent Schedule fixed now will be valid for a period of five years. As such, the annual escalation of 2% as proposed by the port now should also remain valid during the tenure of the validity of the Rent Schedule, unless and until a new Land Policy prescribing a different escalation factor comes into effect during the tenure of the validity of the Rent Schedule. Accordingly, the note proposed by the JNPT is approved.

- (ix). The JNPT has proposed a note to the effect that the Scale of Rates for lease of Land in the Dry Port area shall be revised/ reviewed after five years with the approval of Competent Authority in accordance with the applicable Land Policy Guidelines. The revised lease rental shall be applicable on fresh leases effective from the date of implementation of the Order passed by the Competent Authority. Clause 13(c) of the revised Land Policy Guidelines, 2014, mandates this Authority to revise Scale of Rates once in every five years. Accordingly, the note proposed by the JNPT is approved.
- (x). The JNPT has proposed a note to the effect that the Scale of Rates shall be subject to the conditions and stipulations prescribed in the Policy Guidelines for Land Management, 2015 and subsequent amendments (if any) and other applicable laws and regulations communicated by the Government from time to time. The proposed note is approved.
- (xi). The JNPT has proposed a note to the effect that the Right of Way permission for laying pipelines/conveyors etc. (if required), within dry port area shall be given with approval of the Board. It shall neither be a lease nor a license. There shall not be any allotment of land to a party for giving Right of Way permission. These shall be laid on common user basis and if the same pipeline is required by any other party, it shall be spared, on such terms as agreed between the parties and the Port Trust Board. The parties shall have to abide by the conditions specified by the Port. This note is seen to be in line with the Land Policy Guidelines of 2014 and hence, is approved.
- (xii). The All Cargo Ltd. (ACL) has requested JNPT to make available the option of sub-leasing, as ACL feels that given the changing market dynamics, it may have to sub-lease land to EXIM customers for storing and handling cargo, as a value added service. In this connection, the JNPT has stated that the Sub-letting can be allowed as per the provisions of Land Policy Guidelines.

10.1. In the result, for the reasons given above and based on a collective application of mind, this Authority approves the Scale of Rates for allotment of entire Land at Dry Port area alongwith the conditionalities as attached as **Annex – II**.

10.2. As per the general approach followed by this Authority to make the Rent Schedule for prospective effect with the lead time of 30 days during the first time of determination of rentals for port properties, the Scale of Rates will come into effect after expiry of 30 days from the date of notification of the Order in the Gazette of India and shall be in force for a period of five years. The approval accorded shall automatically lapse thereafter unless specifically extended by this Authority.

(T.S. Balasubramanian)
Member (Finance)

WORKINGS TO ARRIVE AT THE LEASE RENTALS FOR THE JNPT DRY PORT AREA

I	<u>Government Ready Reckoner Value</u>	In Rupees
1	Government Ready Reckoner Value of the plot of land (Per sq. mtr.)	1090
2	Lease Rent at 6% per annum per sq. mtr.	65.40 per sq. mtr. per annum
II	<u>Highest Rate of relevant transaction</u>	
1	Acquisition Cost	Rs. 16.45 Lakh per acre
2	Compensation	Rs. 7.00 Lakh per acre
3	Total Acquisition Cost	Rs. 23 Lakh per annum
4	Total acquisition cost in terms of sq. mtr. (1 acre= 4046.86 sq. mtr.)	Rs. 580 per sq. mtr.
5	Lease Rent per annum (Rs. 580*6%)	Rs. 35 per sq. mtr. per annum
III	<u>Any Other Factor</u>	
1	Total area earmarked for Dry Port (1 hectare = 2.47105 acres)	140 hectares (346 Acres)
2	Total Acquisition cost in 2017 Area acquired	823397960 Rupees 346 Acres
3.1	Base construction cost	207086000 Rupees
3.2	Apportionment of Base construction cost	Y1 Y2 Y3
	Escalation factor (y-0-y)	35% 50% 15%
	Apportioned Base construction cost	2% 2%
	1% Insurance	72480100 105613860 32317841
	1% Preliminary cost	724801 1056139 323178
	3% Contingency cost	2174403 3168416 969535
	1% Marketing cost	724801 1056139 323178
		<u>76828906 111950692 34256912</u>
3.3	Total	223036509
	2% escalation on base cost towards increase in fuel & labour cost	4141720
	2% escalation on base cost towards project monitoring consultant expenses	<u>4141720</u>
3.4	Development cost	231319949 Rupees
4	Total cost (acquisition + development) to be recovered	1054717909 Rupees
5	Saleable Area	319.26 acres
6.1	Market value of land per acre	3303633.12 Rupees per acre
6.2	Market value of land (1 acre = 4046.86 sq.m) per Sq. Mtr.	816.34 Rupees per sq.m
7.1	Lease Rentals @ 6% of Market value of land	48.98 Rupees per sq.m per annum
7.2	Lease Rentals rounded off by JNPT	50 Rupees per sq.m per annum

SCALE OF RATES (SOR) FOR ALLOTMENT OF JAWAHARLAL NEHRU PORT TRUST LAND IN AREA ACQUIRED FOR DEVELOPMENT OF DRY PORT IN WARDHA, MAHARASHTRA.

1. **Short Title, Commencement and Application:**

- a) This may be called “The Scale of Rates of Jawaharlal Nehru Port Trust for allotment of Port owned land for leasing purpose for Development of Dry port in Wardha, Maharashtra”.
- b) The same shall come into force on such date as specified by Tariff Authorities for Major Ports (TAMP).
- c) It applies to the land located at Parsodi and Dorli village in Wardha District owned by JN Port and identified for development of Dry Port from the date of approval of the Board.

2. **Definition**

- a) “**Board**”, in relation to a Port means the Board of Trustees constituted under Major Port Trust Act, 1963 for the Port.
- b) “**TAMP**”, means the Tariff Authority for Major Ports constituted under section 47-A of Major Port Trust Act, 1963.
- c) “**Chairman**”, means the Chairman of the Board and includes the person appointed to act in his place under section 14 of Major Port Trust Act, 1963.
- d) “**Land**”, shall have the meaning assigned to it as in Section 2(k) of Major Port Trust Act, 1963.

3. **Scale of Rates for Allotment of Port Land:**

3.1. Allotment of land for the development of Dry Port as per the rates indicated below:

SI. No.	Zone	Reserve Price in terms of Annual Lease Rentals (₹ per sq.mt per annum)
1	Land inside the Dry Port area in Parsodi and Dorli, Distt. Wardha, Maharashtra	70/-

3.2. Annual Escalation:

The prescribed Scale of Rates mentioned in Section 3.1 above shall be subject to annual escalation @ 2% per annum on the annual lease rentals unless and otherwise revised by the applicable laws.

3.3. Revision in Scale of Rates:

The Scale of Rates for lease of Land in the Dry Port area shall be refixed once in five years with the approval of Competent Authority in accordance with the applicable Land Policy Guidelines. The revised lease rentals shall be applicable on fresh leases effective from the date of implementation of the Order passed by the Competent Authority.

4. **Terms and Conditions:**

4.1. Regulations:

The Scale of Rates shall be subject to the conditions and stipulations prescribed in the Policy Guidelines for Land Management, 2015 and subsequent amendments (if any) and other applicable laws and regulations communicated by the Government from time to time.

4.2. Right of Way Permission

The Right of Way permission for laying pipelines/conveyors etc. (if required), within dry port area shall be given with approval of the Board. It shall neither be a lease nor a license. There shall not be any allotment of land to a party for giving Right of Way permission. These shall be laid on common user basis and if the same pipeline is required by any other party, it shall be spared, on such terms as agreed between the parties and the Port Trust Board. The parties shall have to abide by the conditions specified by the Port.

SUMMARY OF THE COMMENTS RECEIVED FROM USERS AND THE ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY.

F. No. TAMP/62/2018- JNPT	:	Proposal Received from Jawaharlal Nehru Port Trust for approval of Lease Rental for allotment of Entire Dry Port area at Wardha for development of ICD cum Industrial Park.
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A summary of the arguments made by the JNPT and the users/ user organisations during the joint hearing held on 24 September 2018 is given below:

Jawaharlal Nehru Port Trust (JNPT)

- (i). A land area admeasuring 345 acres has been acquired by JNPT in Wardha to be developed as a Dry Port. Initially, it was decided to develop the land in three phases. Thus, about 82 acres was envisaged to be developed in 1st phase as an Inland Container Depot (ICD) and the 2nd and 3rd phases was envisaged to be developed as Industrial area. Accordingly proposal was submitted to TAMP for fixing rentals for phase - I. TAMP passed an Order in May 2018 fixing rentals for 1st phase at ₹ 130/- per sq.m per annum.
- (ii). In the meanwhile, based on the discussions that the JNPT had with various stakeholders, it has been decided that the port shall provide options to the prospective bidders to bid either for the entire area of dry port or for phase – I only. Accordingly, the port envisages to issue combined tenders for both phase – I as well as the entire dry port area. Thus, the bidders can opt either to take entire area or a smaller area.
- (iii). It was also decided that in the event the entire area gets allotted, the JNPT may not have to incur costs towards laying of internal roads, levelling & consolidation etc., as the prospective bidder would develop the facility as per his requirement.
- (iv). Since there would be a reduction in the development costs to be incurred by the JNPT if the entire land gets allotted at a go, it is felt necessary to review the rental for the entire area. Thus, the proposal under reference has been formulated to fix rentals for the entire dry port area.
- (v). It is also mentioned that land in phase – I will be allotted for 30 years as per the provisions of Land Policy Guidelines. However, the entire land for industrial development will be allotted for a tenure of 60 years, based on the approval of the Empowered Committee. Railway siding will be developed by JNPT and users will be charged ₹ 850/- per Exim Containers.
- (vi). A Land Allotment Committee (LAC) as stipulated in the Land Policy Guidelines was constituted under the chairmanship of Chairman i/c. As stipulated in the guidelines, the LAC has evaluated the market value of lands under the five options as listed in the Guidelines.
- (vii). Accordingly, as per Land Policy Guidelines, the highest of the rates arrived at by the five factors at ₹ 65.40 per sq.m per annum (rounded off to ₹ 70/- per sq.m per annum), being the rentals based on the State Government Ready Reckoner rates, has been proposed as the rentals for the entire area.

All Cargo Logistics Ltd

- (i). On the earlier occasion also, we have pointed that we have reservation on the valuation method. We understand that the JNPT has followed the Guidelines issued by the Government. But, this is only jacking up the rentals. We are looking at rentals in the range of

₹ 35/- to ₹ 38/- per sq.m per annum, as these rentals are based on past couple of transactions in the vicinity.

(ii). We have to invest upfront. But, volume Build-up will take time.

(JNPT: Upfront payment can be made 10 instalments over 10 years. Interest is payable at G Sec Rate)

(iii). Kindly have a relook at the lease period of 30 years.

(JNPT: Lease period of 30 years for ICD development is as per the Land Policy Guidelines. Only for the industrial use, the Empowered Committee has approved a lease period of 60 years. The 30 year lease period cannot be relooked.)

(iv). The sub-leasing factor is seen to be missing. Considering the changing market dynamics, it is felt that sub-leasing would be a value added service and therefore, the option should be available.

(JNPT: Sub-letting can be allowed as per the provisions of Land Policy Guidelines.)

Indian Merchants Chamber (IMC)

(i). We have no comments to offer.

2. The summary of the comments of the All Cargo Logistics Ltd. received after the joint hearing and the comments of JNPT thereon is tabulated below:

Sr. No.	Comments of ALL	Reply from JNPT
(i).	We do not fully understand how JNPT plans to bid out proposed land parcel into 3 parts and bid out to different LSPs (logistics service providers). We also do not understand who will be managing/ operating the common rail facility. Below mentioned comments might undergo some revision once we get aforementioned clarity.	<p>The objective is to encourage participation of the investors in the bid and operationalize the project. The Bidder shall be given opportunity to bid for entire area or only the Phase-I based on their capacity, expertise and interest.</p> <p>The Phase-I is intended for Inland Container Depot (logistics facility) only, while the subsequent phases include development of industrial plots also. These industrial plots shall be allotted to the interested parties who wish to setup a manufacturing/ export oriented units in the area.</p> <p>The operator of the logistics facility is expected to be the sole ICD operator in the project area. Further, it is also envisaged that the Phase-I (ICD) operator shall manage/ operate the</p>

		railway facility and be the operator for handling cargo/ containers within the project area.
(ii).	First and foremost, INR 130/sqm per year is an unrealistic number (very much on the higher side).	The methodology followed for land pricing is in accordance with the guidelines of the “Policy Guidelines for Land Management by Major Ports, 2014” specified in Clause 13 for assessing market value of the land and accordingly notifying a % of the land value for lease rentals.
(iii).	The basic flaw in the calculation is clubbing development cost (civil + mech/electrical) with land price. While the former depreciates and requires periodic maintenance, land value will only appreciate.	The cost of acquisition of land plus the development cost to be incurred by the port has been factored as the market value of the land. Similar approach for determining land value is practiced across various governmental organizations, PSUs and industrial estate providers.
(iv).	As mentioned in the JNPT proposal (pg 17, point no E, sub point 4), proposed dry port at Wardha will add tremendous value to JNPT in terms of mobilising / channelizing additional volumes from hinterland towards JNPT (the port trust would gain in terms of higher revenue share contribution due to higher volumes). Therefore, it is logical for the port to absorb part of the market / business development risk as well. Therefore, the Port Trust should segregate income – land lease rental and development cost recovery through royalty / revenue share as a % of topline/bottomline earnings.	It may be noted that a substantial part of the capital expenditure for the project is envisaged to be incurred by the port. The major components include the Railway Siding, internal circulation roads and provision of water & power. As such, a major portion of Financing risk has been shared by the port, which will increase liquidity for the private party to develop the project.
(v).	30 year tenure is too low for such a facility. High capex facilities at greenfield locations should not consider anything below 50 years	Point noted. The proposal for lease period extension is being considered to be put up for deliberation and approval by the Ministry of Shipping.
(vi).	Price benchmarking with MIDC Wardha / Nagpur is not like-to-like. MIDC facilities are being used for industrial manufacturing, where land	As mentioned earlier, the development concept includes Industrial facilities also within the project area, hence the benchmarking is relevant.

	<p>cost is a fraction of the total topline or total development cost. On the contrary, for an LSP, land is a significant % of the total project cost. Therefore, you will not find 3PL operators and other LSPs taking up massive space in MIDCs. Moreover, the proposal also mentions an industrial estate at Samudrapur (25km from proposed Wardha dry port), which is closer than Wardha or Nagpur MIDC. This Samudrapur industrial estate is currently priced at INR 70/sqmt, this number has not been taken into consideration while fixing minimum land lease price.</p>	<p>The specific lease rates depend on various factors such as location, facilities, infrastructure, connectivity etc. The price benchmarking has been done for Wardha Dry Port area to assess the range of lease rates that are prevalent in the market and determine if the lease rates derived by the port fall within the range.</p> <p>The Samudrapur MIDC is the only MIDC in the region with a lower lease rate as even compared to MIDC Wardha (Rs. 200 per sq.mt.).</p>
(vii).	<p>The cost of developing common user facilities is calculated on 87.38 acres but apportioned over the saleable area of 42.78 acres only. This inflates the price by almost 100%.</p> <p>[This comment is relevant for Phase-I only]</p>	<p>The port shall be developing the trunk infrastructure, circulation roads, power and water supply networks etc around the site, hence the cost apportioned only for Phase-I (proportionate to area) has been considered. Accounting for the open spaces, internal roads, utilities etc., the overall usable area in Phase-I is less than total. The area of 42.78 acres shall be one contiguous parcel which shall be allotted to the private investor for development. The land use plan provided in the proposal may be referred.</p>
(viii).	<p>For land lease charges, regular method using 6% annual yield should be used (this will amount to INR 35/sqmt/yr, @2%yoy escalation). For recouping the development cost, JNPT should consider the additional income generated from additional volumes at the port. Or, a separate private operator may be sought for running the common user facilities and they can charge a market driven common fee to all dry port users (similar to airport model where</p>	<p>As per the Clause 13 of the Land Policy Guidelines, the highest of the five factors has to be considered. The port has endeavored to keep the prices competitive to the extent possible and has not considered the railway cost and internal road cost to be loaded in the lease rates.</p>

	terminal charges are being levied to all airline operators, who in turn pass it on to passengers).	
ix.	Whether we are allowed to set our own tariff.	The other concern regarding flexibility to fix the user tariffs at the dry port and the exemption from subletting fees are under examination and shall be clarified soon.
x.	Sublease to be allowed – EXIM customers shall bring in their cargo and we need to allow them to have a contract with us for storing and handling their cargo.	
xi.	We should be allowed to introduce JV partner in future.	
