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TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 140 **New Delhi, 16September 2003**

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 of the Visakha Container Terminal Private Limited (VCTPL) for fixation of tariffs for its Container Terminal at the Visakhapatnam Port as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/16/2003-VPT

The Visakha Container Terminal Private Limited - - - - Applicant

O R D E R
(Passed on this 10th day of September 2003)

This case relates to a proposal received from the Visakha Container Terminal Private Limited (VCTPL) for fixation of tariff for its container terminal at the Visakhapatnam Port Trust (VPT).

2.1. A Concession and Licence Agreement (CLA) was signed between the VCTPL and the VPT on 11 September 2002 for developing the multipurpose berth in the outer harbour of the Visakhapatnam Port as a Container Terminal on BOT basis for thirty years.

2.2. The VCTPL has made the following main points in its proposal:

(i). It is expected to give 15 moves per berth hour from the commencement of operation upto 5 years and thereafter 30 moves per berth hour as per the terms of the CLA.

(ii). In the third phase, when the throughput level reaches 100,000 TEUs, container handling equipment are to be installed as per the terms of the CLA. However, in order to provide better services to the trade it has planned to provide two quay-side gantry cranes from first year of commercial operation itself.

(iii). The total investment is estimated at Rs.105.72 crores; the Debt equity ratio is assumed to be 63:37.

(iv). No variation in exchange rate is assumed. An annual escalation factor of 5% for repairs and maintenance, 8% for fuel and 10% for employee expenses has been assumed.

(v). Royalty payable to the VPT is Rs.50.00 per TEU in the first and second year of operation year as per the CLA terms and this payment has been included in the financial statement submitted for tariff fixation. In case this item is not considered as admissible cost for fixation of tariff, the surplus will be less to that extent and will also reduce the return on investment. Hence it has requested to consider royalty payment to the VPT as an admissible item of cost for computation of tariff as was done in case of the NSICT.

(vi). At the proposed tariffs, the financial statements indicate deficit of Rs.20.97 crores for the year 2003-04 and Rs.19.41 crores for the year 2004-05, after considering return on equity at the rate of 20% linked to capacity utilisation.

3. In accordance with the consultative procedure prescribed, the proposal of the VCTPL dated 20 February 2003 was forwarded to concerned user organisations for their comments.

4. The comments received from the above users were forwarded to the VCTPL for their comments. In response to this the VCTPL has offered the following main comments:

(i). None of the container terminals offer separate concession in tariff for coastal container and hence it does not intend to offer any special treatment for coastal containers.

(ii). Shut out charges are basically penal charges to encourage healthy practices at the terminal and to avoid unnecessary hindrances in smooth flow of operation. The proposed charges are much lower than the tariff levied at the JNPT and the NSICT.

(iii). Volumes handled by the CCTL are far higher than the throughput projections made by it. Hence, the proposed quay crane charge appears to be higher in comparison to the CCTL tariff.

(iv). The repair and maintenance cost seems higher and works out to nearly 40% of the revenue because of the low throughput projection in the initial years.

(v). It intends to provide better productivity and faster turnaround of vessels, which really is expected from the privatisation process. In view of this, a conscious decision was taken for installing handling equipment like RMQGCs from first phase of the commercial operation.

(vi). The current cost of handling container at the VPT cannot be compared with the proposed tariff as substantial investment have been made by it to have value added services and to enhance productivity levels.

5.1. Based on a preliminary scrutiny of the proposal and examination of the information furnished by the VCTPL, it was requested to furnish additional information / clarification on various points. In response, the VCTPL has furnished the requisite information. Some of the main points are summarised below:

(i). Although as per the Concession License Agreement (CLA) it is expected to commission the equipment in the third phase when the throughput level reaches 100,000 TEUs it has provided two quay-side gantry cranes from first year of commercial operation itself in order to provide better services to the trade. With the available berth length, back-up space and container handling equipment provided initially, the present capacity of the terminal is assessed to be 100,000 TEUs.

(ii). The per TEU power cost at VCTPL is higher than the CCTL and the NSICT because of lower traffic projections as compared to the other two terminals.

(iii). The management expense is the additional marketing expense to be incurred for the initial period of first five years to attract trade. It includes cost for short video films, web site creation, extensive traveling for road shows, etc. This is an unavoidable cost for a start up terminal to achieve the projected throughput and hence should be reckoned with as per its estimates. This expense should not be treated as deferred revenue expenditure.

(iv). The rent for back up space is computed on the back up area of 130,000 sq. mtrs. at the rate of Rs.4.05 per sq.mtrs. as per the rates prescribed in the VPT Scale of Rates.

In addition to this, the VPT has demanded one year rent as premium as well as one year rent as security deposit i.e. Rs.113.51 lakhs which has been paid by it under protest. The impact of the premium and security deposit paid to the VPT under protest are, however, not considered in the financial statements.

(v). The break up of the land and building cost estimates has been furnished though no documentary evidence is submitted to support its estimates.

(vi). The container handling equipment like RMQGCs and RTGCs provided at the terminal are second hand equipment and hence not covered by guarantee/warrantee. To a query raised by us to revise the maintenance estimate in light of the terms specified in the CLA, it has clarified that the percentages shown in CLA towards maintenance cost are for new equipment. Since equipment provided by it in the initial phase are old, the maintenance cost is taken at 5% of the equipment cost. The maintenance of wharf is also to be done by the licensee and hence this cost element has also been considered in the financial statement.

(vii). It is not possible to furnish activity-wise costing in the absence of detailed costing procedures in place. This information shall be compiled after the results of first financial year.

(viii). Preliminary expenses has been amortised by it over ten years period. If this expense in ammortised over entire concession period as stated by the TAMP, the impact thereof on the tariff proposal will only be marginal.

(ix). Since the hazardous and over dimensional containers require special facilities and larger storage space to meet the safety standards prescribed by competent authorities despite low volumes, it is proposed to levy 50% premium. If this is reduced to 25% by the Authority to maintain uniformity with other terminal operators the same is acceptable.

(x). The rate for ICD containers should have been 100% more than normal containers taking into consideration additional lift on/lift off operation and one additional movement involved. However, in order to attract the trade, it has pegged at 50% higher than the rates for transportation from/ to CY.

(xi). It does not intend to give any concession for transhipment containers in the initial few years as prescribed at the CCTL and the PSASICAL and hence the charges for transhipment containers are prescribed at almost double the charges for handling normal import/export containers.

(xii). The turn around time for vessels will reduce by 40% and similarly the productivity level will rise by 40% in comparison to the existing standards. This increase in productivity level with the use of equipment envisaged justifies the proposed tariff.

5.2. The VPT was also requested to furnish additional information on the various points. In response to our queries, the VPT has furnished the relevant information. Some of the main points are summarised below:

(i). The back-up area measuring 1,64,500 sq. mtrs. is leased out to the BOT licensee under Customs area (yet to be notified by the Customs). The annual lease rentals for 1,64,500 sq.mtrs. of area works out to Rs.74.47 lakhs by applying the lease rentals of Rs.181.10 per 100 sq.mtrs per fortnight for open stack space as per the rate prescribed by the TAMP in its Scale of Rates.

(ii). It has confirmed that the VCTPL has not considered the financial impact of one year land lease rentals as non-refundable premium and one year land lease rentals as refundable security deposit payable to the port as per the land lease agreement in force.

(iii). The assessed capacity of the container terminal is about 2,40,000 TEUs(ultimate) and is expected to reach this level in the 11 th year.

5.3. The VPT has, however, not given its comments on reasonableness of land and building cost and the assessed capacity of the container terminal at the time of handing it over to the VCTPL despite being requested specifically.

6. A joint hearing in this case was held on 8 May 2003 at the VPT premises in Visakhapatnam. At the joint hearing, the VCTPL, VPT and the concerned users have made their submissions.

7.1. As decided in the joint hearing, the VCTPL was requested to explain why return should be allowed on investment made in equipment in deviation of provisions in the CLA, to submit an agreed proposal with the VPT, SCI and CSLA for prescription of interim rates till a final decision is taken on the proposal and to submit a revised proposal based on the market rates instead of a total cost based tariffs.

7.2. The VCTPL and the VPT have furnished clarification regarding investment made by the VCTPL in deviation of the CLA provisions and on other issues emerged at the joint hearing as summarised below:

Clarification furnished by the VCTPL

(i). There is no deviation in investment made on two number of quay cranes; it is as per the terms specified in the CLA. The equipment procurement plan (Appendix 13 of CLA) requires the licensee to hire/purchase one unit of mobile harbour crane to achieve 15 moves as per tender requirement. A budgetary quotation received clearly indicates that the cost of a mobile harbour crane (on CIF Vizag basis with 50% duty) would have been the same or more than what has been invested by it on two numbers of second hand gantry cranes.

(ii). The outline in CLA is only an indication of equipment to be installed and the choice of the equipment lies with licensee. Moreover, the investment pattern is only indicative of the minimum amount to the invested by the licensee. The RMQCs were found to be more appropriate equipment to attract lines to Visakha Container Terminal.

(iii). The logic of providing minimum equipment has been further corroborated by stating the investment projected by the CHPT way back in 1980 for starting the container for traffic less than 20,000 TEU's at that point of time.

Clarification furnished by the VPT

(i). As per the tentative year-wise equipment procurement plan (Appendix – 14 of the CLA), 2 numbers of reach stackers, 8 numbers of tractor trailors in the 1st year of operation and 1 Harbour mobile crane during the 2nd year of operation at a total cost of Rs.22.44 crores are to be provided.

(ii). The VCTPL has, however, erected 2 numbers of second hand refurbished RMQC and proposed to deploy 4 numbers reach stackers to put the terminal into operation. An investment of Rs.58.92 crores for mechanical equipment has been projected by the VCTPL.

(iii). The VPT has not clearly indicated that the investment made by the VCTPL on the equipment is reasonable but, has made a statement that the additional investment proposed by VCTPL may increase the efficiency and productivity of container traffic at the terminal.

8. In the meanwhile, the VCTPL vide letter dated 12 May 2003 has pointed out a typographical error in Section 1.1. Note 4 of the proposed Scale of Rates wherein one of the activity lift on/off at CY (using transfer crane) and loading/unloading to/from customers' vehicle is included instead of its incorporation as notes under Section 1.3. It has proposed to modify the relevant notes and in this context it has furnished the revised proposed (draft) Scale of Rates.

9.1. Subsequent to the joint hearing, the concerned users have filed written submissions for setting interim tariffs for the VCTPL till finalisation of the rates by this Authority. The CSLA suggested that interim rates with suitable adjustments to the (then) existing VPT rates. It had also suggested that gantry crane charges be fixed at $ 16.54 for 20'. It has also suggested a rate for Rs.500/- for transport from/to CY and Rs.800/- for loaded container transportation from/to railway yard.

9.2. The SCI agreed that the interim tariff for the VCTPL may be fixed on the basis of the CCTL tariff minus10% for quay side operations. The VSAA has also endorsed the views expressed by the CSLA.

10.1. As decided in the joint hearing, the VCTPL was given a personal hearing on 26 and 27 May 2003 at the office of this Authority to explain their proposal in details with particular reference on various points raised by the users. A representative of VPT was also present.

10.2. In this hearing, the VCTPL agreed to the request of the users for fixation of interim rates benchmarking it at 10% less than the CCTL tariff; and accordingly, it has submitted a proposal for fixation of interim rates for a period of 3 months.

10.3. The proposed interim rates are 10% less than CCTL or its earlier proposed rate whichever is lower with an exception for a few tariff items. The VCTPL has furnished explanation for the deviation in this general approach as stated below and requested the Authority to consider the proposed interim tariff.

(i). There was a typographical error in original proposal relating to tariff for transport of ICD containers. It has requested to consider rate of Rs.1800 for this item as per the financial projection as against Rs.1200 indicated in its original proposed SOR. It has substantiated its claim by pointing out that the charges for ICD container at the CCTL including the charges levied by the CONCOR amount to Rs.2900 (i.e. Rs.1050 as prescribed in the SOR of CCTL + Rs.1100 levied by CONCOR for handling the container + Rs.750) as against its proposed rate of Rs.1800 for a 20' container.

(ii). Certain services like Pre Trip Inspection (PTI), rebates for use of ships gear are used, additional services like direct loading and LILO, reshuffling, etc., are not offered at the CCTL. These are optional services provided by it to the trade and hence the rates proposed by it may be considered.

(iii). The charges for removal of garbage and charges for supply of fresh water are proposed same as the charges approved by the Authority in the VPT Scale of Rates in absence of any tariff for these services in the CCTL tariff manual.

11.1. Since the case had not matured for final consideration and the VCTPL planned to commence the operation by 11 June 2003, this Authority had passed an Order on 5 June 2003 approving the interim Scale of Rates for container handling at VCTPL. The interim rates proposed by the VCTPL were accepted except some minor modification as given below:

(i). The typographical error as admitted by the VCTPL in the original proposal for transport of ICD container was approved at the tariff level considered in the financial projection i.e. Rs. 1740 for 20' laden container (as against Rs.1800 as stated by the VCTPL) and Rs.870 for 20' empty container.

(ii). Rounding off the bill to next higher rupee on the grand total of each bill has been prescribed in line with the provision prescribed at the CCTL, PSASICAL and other major ports.

(iii). Proposed premium of 50% on hazardous /over dimensional container has been modified to the level of 25% premium in line with the tariff prescribed at the CCTL.

11.2. The interim rates are to remain valid till 15 September 2003. With reference to the direction of this Authority to submit an alternate revised proposal, the VCTPL vide its letter dated 14 July 2003 and 6 August 2003 has stated that the investment figures have not been firmed up since the procurement of equipment is still continuing. Hence, it is not feasible to firm up the investment figures at this stage. Break up of operating costs is also not available as operations have commenced very recently on 26 June 2003.

11.3. It has admitted that in the absence of actual costs it is difficult for the Authority to accord approval to the rates proposed as per its original application. However, in view of the recent trend of fall in the exchange rate of US dollar as against the Indian rupee, it has requested the Authority to consider quay crane charge and transportation charge from/to CY and lift on/lift off (i.e. Section 1.1 (a) and (b) and charges for transhipment container (i.e. Section 1.2) as per its original proposal.

11.4. The VCTPL has also requested to incorporate rates proposed for a few optional service and to include a proposed provision about giving it discretionary powers to offer volume discount to the trade on non-discriminatory basis. Apart from this modification, no other change in the interim Scale of Rates approved by this Authority is suggested.

12. A copy of the revised proposal of the VCTPL was forwarded to the VPT and the concerned users seeking their comments. The SCI has furnished its comments.

13. Another joint hearing in this case was held on 19 August 2003 at the VPT premises in Visakhapatnam. At the joint hearing, the VCTPL, VPT and the concerned users have made their submissions.

14. At this joint hearing, the VCTPL made a presentation stating that at the interim tariff approved by this Authority the IRR will be unsustainable and has therefore requested to consider an upward revision in the tariff. The VSAA have filed a written submission reiterating the argument made by them during the joint hearing.

15.1. The VCTPL has subsequently furnished clarification with reference to various arguments put forth by the SCI and the CSLA during the joint hearing. Some of the main points are summarised below:

(i). As regards evidence about seal fixing, it is clarified that tally sheets are issued to all the lines with number of seal affixed if any. For a similar service, the CCTL charges Rs.200 per seal per container as against Rs.100/- proposed by it.

(ii). The difference between change of container status and, change of shipment status has been explained. The former service involves change in documentation whereas the latter involves change in the shipment status like local, ICD, transhipment containers, etc. and also involves yard side activities as consequence of rearrangement. Both the charges are penal charges to ensure operational efficiency at the terminal.

(iii). The PTI is a full and proper pre-trip inspection carried out for reefer containers whereas the run test is primarily a check on whether the reefer is in a working condition. The PTI involves plugging the reefer for almost 12 hours as against 4 hours for the run test.

15.2. In the light of the argument made by the various users in the joint hearing, the VCTPL has submitted its final revised proposal also. In the final revised proposal, the VCTPL has proposed the interim rates as approved by this Authority to continue subject to a modification for a few items as stated below:

(i). Section 1.1 (a) and (b) - Quay crane charge and transportation charge for foreign-going vessel are proposed at the tariff level existing at the CCTL. No change is, however, proposed in the coastal vessel rates for these items. The rates proposed for foreign-going vessel vis-à-vis the interim rate and the CCTL rates for the relevant section are tabulated below:

1.1. STEVEDORAGE FOR IMPORT AND EXPORT CONTAINERS

		Interim rate		Revised rate		CCTL rate	
		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**	**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 $ 15.75	US $ 23.63	US $ 17.50	US $ 26.25	US $ 17.50	US $ 26.25
(b).	Transport to CY from quay and vice versa and Lift - on/Lift-off						
	- Loaded	Rs.945	Rs.1418	Rs.1050	Rs.1575	Rs.1050	Rs.1575
	- Empty	Rs.468	Rs.702	Rs.520	Rs.780	Rs.520	Rs.780

(ii). Rates are proposed for a few additional optional services like fixing of seal, fixing / removing of hazardous sticker, reefer run test, precooling of reefer container, on wheel customs inspection, plugging / unplugging of reefer containers and non-declaration / mis-declaration of hazardous container as stated earlier which do not exist in the interim Scale of Rates. These services are provided on request of the trade. The proposed rates are being levied provisionally, therefore, approval of the Authority has been sought from the date of commencement of the operation for these new services.

The charges proposed for non-declaration/ mis-declaration of hazardous container has been reduced from Rs.5000/- to Rs.3000/- in line with the request from Trade.

(iii). For the purpose of clarity, the existing clause (ix) under 2.General of the interim Scale of Rates is proposed to be modified to state that the 25% premium in case of hazardous and over dimensional containers shall be levied over and above the applicable handling charges including wharfage charge.

(iv). To incorporate provision under Section 1.14 stipulating that it can at its discretion offer volume discount to the trade on a non-discriminatory basis to attract traffic and to avail discounts even on its proposed promotional tariff.

15.3. The income at the revised tariff proposed is estimated at Rs.811 lakhs and Rs.1164 lakhs for the years 2003-04 and 2004-05. The VCTPL has not proposed any change in the other estimates furnished earlier.

15.4. The VCTPL has requested to consider the revised proposal as a promotional tariff with a validity of not more than one year.

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

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

(i). The VCTPL has been awarded on 11 September 2001 the licence for developing, operating and managing the container terminal at the Visakhapatnam Port. The VCTPL has commenced operations on 26 June 2003. The VCTPL has filed its application for fixation of tariff in February 2003 well before commencement of its operations. This proposal was processed following the usual consultation process adopted by the Authority. The VCTPL could not furnish many details on cost and investment aspect of the project. In this backdrop, this Authority had approved an interim tariff arrangement, as requested by the VCTPL, benchmarking it at 10% less than the Chennai Container Terminal Limited (CCTL) tariffs with a few exceptions. Even though the VCTPL could not furnish some vital cost details, primarily due to lack of availability of validated estimates and some of its investment decisions are yet to be firmed up, they are to be complimented for the sincere efforts made by them to present a very transparent case and furnish the requisite information on most of the points raised by us. It is also to the credit of the VCTPL for revising their initial proposal to accommodate many of the demands made by the users.

(ii). One cannot miss the most striking feature of proposal – very low volumes and high investments. This Authority usually follows a cost plus approach of tariff setting where all admissible cost and permissible return on capital are reckoned to decide the tariff level. This approach is not found very reasonable in the VCTPL case, at least in the initial phase of operation, because allocation of fixed costs and return on investment are to be made over a very low volume of traffic. This will push up the tariff to such a level which will make this terminal uncompetitive. The VCTPL also realises this position. It had originally proposed tariff at which level there will be a loss of Rs.20.97 crores for 2003-04 and Rs.19.41 crores for 2004-05 after accounting all costs, as estimated by them, and return on equity adjusted to capacity utilisation. Nevertheless, the tariff level proposed by the VCTPL was found to be higher than the tariff level at neighbouring container terminals. In the absence of validated cost details and, even if they are available, the constraints of applying cost plus model given the low volume of traffic in the initial phase and also recognising the fact admitted by the VCTPL that they will compete with the CCTL for traffic, it has been considered most appropriate to benchmark the tariff for VCTPL against the existing tariff at the CCTL. When volumes pick up justifying the investment made, tariff at VCTPL can be fixed with reference to its own costs.

(iii). The SCI has suggested that the tariff should not be benchmarked against the CCTL tariff but must be based on a justified proposal of the VCTPL. It will undoubtedly be more appropriate to go by the terminal operator's costs themselves and fix tariffs with reference to admissible and reasonable costs. In the instant case for the position explained above, this approach is not found to be reasonable and appropriate. It may be relevant to mention that the (then) existing JNPT rates and the (then) existing CHPT rates were allowed to be adopted by the NSICT and the CCTL respectively when they commenced the operations. Likewise, when PSASICAL commenced its operations, it was allowed to adopt the (then) existing tariff of CHPT. The CSLA has contended that the existing VPT rates may be applied at the VCTPL. It may be relevant to mention that the existing VPT operations do not compare with the operations proposed by the VCTPL, it is, therefore, not appropriate to require the VCTPL to adopt the existing VPT rates.

Besides the facts that the CCTL is the neighbouring port and the VCTPL expects to be in competition with the CCTL, all the users have also compared the proposed tariffs with the CCTL.

(iv). As has been mentioned earlier, the VCTPL itself has not proposed rates to cover the entire cost and return. The rate proposed by the VCTPL in the revised proposal are 10% less than the CCTL tariff level except for quay crane and transportation charge which proposed are at the existing CCTL rate. Despite the fact that modification of its cost statement after considering the admissibility and reasonableness of the cost estimate may not be significant to arrive at the tariff, it is necessary to deal with some of the cost items to explain the correct position so that any confusion in future about the admissibility of these cost items can be avoided.

(v). The container traffic handled by the VPT is 21517 TEUs for the year ended 31 March 2002 and 25000 TEUs are expected to be handled during the year ended March 2003 as reported by the VCTPL. As against this level of throughput, the traffic projected by the VCTPL are 34000 TEUs and 48000 TEUs for the first two years of operation after taking into consideration the current container traffic handled at the port and the traffic forthcoming with the advent of the modern container terminal. In the absence of any other basis to verify the traffic projections, and hence the income projections, the estimates furnished by the VCTPL are relied upon. If this approach seems to have given undue advantage to the terminal operator, at the time of next review of tariff, any undue benefit accrued to him will be set of against future revision in tariff. The income estimate is, however, modified slightly with reference to the current rupee – dollar disparity.

(vi). One of the cost elements considered by the VCTPL is royalty payable to the VPT @ Rs.50.00 per TEU which works out to Rs.17 lakhs and Rs.24 lakhs in the first and second year of operation year as per the CLA terms. It has requested to consider this element as item of cost on the ground that the net present value of the royalty payable to the VPT as per the terms of the CLA will remain at Rs.50 per TEU only through out the concession period and that this item was allowed while fixing the tariffs of the NSICT.

The NSICT was the first private terminal for which this Authority had fixed the tariffs. This item was allowed as an item of cost at that point of time as the issue about admitting the revenue share/ royalty came for a close scrutiny subsequently in the

CCTL case. For stated reasons, it was decided not to allow 'revenue share' as a cost element for fixation of tariffs in the CCTL case. Applying the principle set in the CCTL case, this Authority did not admit royalty payment by the PSA SICAL to the TPT as item of cost while fixing its tariffs in September 2002. Incidentally, the Government has recently in July 2003 issued a policy guideline to all the major ports clarifying that the revenue share/royalty payment shall not be factored into as cost for fixation/revision of tariff.

There is no extraordinary circumstances projected to emerge in the VCTPL case, warranting an exceptional treatment by deviating from the decision already taken. This item is, therefore, excluded from the cost statement furnished by the VCTPL.

(vii). The repairs and maintenance costs estimated by the VCTPL are on the higher side in comparison with the level of maintenance cost prescribed in the CLA as a percentage of the cost of asset. The VCTPL has clarified that the percentages shown in CLA towards maintenance cost are for new equipment whereas the equipment provided by it in the initial phase are second-hand. The CLA does not distinguish between old and new equipment as regards the maintenance cost of the asset. The percentage of maintenance cost stipulated in the CLA is a fixed rate which does not vary with ageing of equipment. Since a specific provision for estimating repairs and maintenance cost is already stipulated in the CLA, the estimates furnished by the VCTPL is required to be revised / moderated in line with the CLA terms. An escalation factor of 5% over the previous year estimate is, however, allowed for the second year of operation as assumed by the VCTPL.

(viii). Another element included in the cost statement is management expense of Rs.100 lakhs to be incurred for the initial period of first five years to attract trade. The VCTPL has clarified that this cost element is an additional marketing expense for short video films, web site creation, extensive traveling for road shows , etc., and is an unavoidable cost for a start up terminal to achieve the projected throughput and hence should be allowed in tariff computation. It cannot be denied that the benefit of this extensive marketing during the initial five years will be reaped over a longer period of time. In any case, there is no justification to totally burden the existing business for making efforts to attract more volumes. Nevertheless, considering the high investments and low level of volumes at present, it may be inevitable to launch an extensive marketing drive so that capacity created can be optimally utilised. That being so, it is found appropriate to ammortise the management expense of Rs.100 lakhs each estimated to be incurred during the years 2003-04 and 2004-05 over the remaining life of the project.

(ix). Preliminary expenses are reported at Rs.623 lakhs and upfront fee of Rs.319 lakhs has been paid to the VPT as per the terms of the CLA. These expenses are proposed to be written off in the initial 10 year period. The preliminary expense and upfront payments are relevant for the project and, therefore, it is found reasonable to spread such expenditure over the entire period of licence instead of loading the burden on tariffs in the initial period. A similar approach was adopted in the case of the CCTL and the PSA SICAL also.

(x). Insuring the assets is a requirement under the CLA and the insurance premium is estimated at 151 lakhs for the year 2003-04. The VCTPL has clarified that this figure is an estimation only and is based on the cost obtained from the neighbouring ports. It may be relevant to mention that the actual cost incurred for this purpose at the NSICT and the PSA SICAL is in the range of 0.35% to 0.40 % of the book value of the asset. The insurance cost estimated by the VCTPL at 1.68% of the cost of the asset, therefore, appears to be on the higher side. The estimate of insurance premium is moderated to 0.50% of the cost of the asset taking a liberal view. In any case, the position will be reviewed later on based on the actuals available.

(xi). There is a dispute between the VCTPL and the VPT as regards the lease rentals. It is observed that the area proposed to be allotted as per the terms of the CLA and the actual land allotted by the VPT to the VCTPL are different and the reasons for this deviation are not explained. The VCTPL contends that lease rental is not payable on 49800 sq. mtr. of back up area since it has already paid Rs.3.19 crores as upfront fee for licensors assets which includes back up area of 49800 sq. mtr. The VCTPL has, however, accepted that lease rental is payable on the additional back up area but, the rate considered by the VPT as per the port Scale of Rates @ Rs.3450 per 100 sq. mtr is not acceptable. Further, the VCTPL states the one years rent as security deposit and one year rent as non-refundable premium are also not payable in its case since it is governed by a separate CLA which does not mention anything in this regard. The VCTPL has, however, made the payment of Rs.56.75 lakhs towards lease rentals to the VPT under protest. It has also paid the security deposit and non-refundable premium to the VPT under protest as demanded by the port, however, these two items are not included in the cost statement submitted by the VCTPL. Both the parties have decided to refer the matter to an independent arbitrator as per the dispute resolving mechanism envisaged in the CLA. The actual position of this liability VCTPL can be assessed only after completion of arbitration proceedings. Subject to this, the estimates furnished by VCTPL in this regard are accepted in this analysis.

(xii). The CLA stipulates that on expiry of the licence period, the licensor shall pay for and acquire the whole of the undertaking's assets and liabilities at a price equal to the aggregate of the fair value determined by an independent expert and the termination payment as per the terms of the CLA. The VCTPL has not indicated clearly about the terminal payment to be received from the VPT in the terminal year of license. It has ,however, indicated the depreciated book value of the container handling equipment at the end of the project period at Rs. 2977 lakhs. In the absence of any detailed figures**,** the receipt of depreciated value of the equipment at the 30th year at Rs**.** 2977 lakhs is annualised over the entire period of the project by discounting it at the rate of 11.5%**.** The discounting rate of 11.5% to arrive at the net present value at the end of each year has been applied bearing in mind the prevailing PLR rates of commercial banks. It is noteworthy that this approach has been adopted in the CCTL case also where a similar provision is available in the CLA.

(xiii). Considering return on equity in this case at this juncture is only theoretical in view of the operating deficit position. Nevertheless, it becomes necessary to point out that the investment planned by the VCTPL on the equipment widely differs from the terms specified from the CLA. As per the CLA, RMQCs are to be deployed during the third phase when the throughput level reaches 1 lakh TEUs. As pointed out by the VPT itself, 2 numbers of reach stackers, 8 numbers of tractor trailors are to be deployed in the 1st year of operation and 1 Harbour mobile crane during the 2nd year of operation at a total cost of Rs.22.44 crores as per the terms of the CLA. As against this plan, the VCTPL has proposed to invest Rs.58.92 crores on equipment, for a throughput projection of 34000 and 48000 TEUs in the first two years of operation. The VCTPL has also not furnished any documentary evidence to substantiate Rs.28.19 crores proposed to be incurred for civil works. The VCTPL has merely stated that the investment in the container handling equipment is envisaged from the first year of commercial operation in order to attract traffic and to provide better service to the trade.

The volume projected by the VCTPL is not found to justify the investment proposed to be made in excess of the level envisaged in the CLA. The VCTPL has itself admitted that the cost of operation is high in comparison to the CCTL due to low volumes. The VPT has also not categorically confirmed that investment proposed by the VCTPL is reasonable. The VCTPL and the VPT, however, expect that with the proposed investment the efficiency of the terminal will improve and they will be able to attract container traffic to the Visakhapatnam port. Only if volumes build up to justify the capacity created, this Authority will be in a position to consider investments made in excess of the limits prescribed in the CLA for allowing return. The return even on investment made in terms of CLA will be regulated according to capacity utilisation.

The VCTPL was requested to confirm the residual life of the second hand assets procured by it. The VCTPL has clarified that the second hand cranes procured have been evaluated by the Engineers of the Joint Venture Company and the Government approved Chartered Engineers. The VCTPL has not furnished any certificate to validate the residual life of the preowned equipment.

The VCTPL was requested to review the estimate of working capital recognising the fact that port tariff are generally collected in advance before providing the services. The VCTPL has clarified that since it is a start up terminal the throughput in the initial years is low; the advance recovery of container handling charges will not be adequate to meet the fixed and variable expense in full and hence there is a need for working capital. Though the argument of the VCTPL appears to merit consideration, there is no justification for providing two months' expenditure as working capital. In any case as stated earlier return on equity is not relevant in view of the deficit position reflected even at the operating level.

(xiv). Subject to the discussion above, the cost statements have been modified. The modified cost statement is attached as **Annex- I**. The modified cost statement discloses a revenue deficit of Rs.15.79 crores and Rs.13.45 crores for the years 2003-04 and 2004-05 respectively before considering return on equity.

(xv). As stated earlier, the VCTPL in its revised proposal has agreed to continue with the interim rates approved by this Authority with an exception for two items. The quay crane charge and transportation charge are proposed at the level of the CCTL tariff.

There is a demand from the user side to make this interim arrangement as the final tariffs for the VCTPL at least for the initial period. The SCI and the INSA pointed out that the transportation charge should be less than the CCTL tariff if the quay crane is fixed at the CCTL level in order to ensure that the overall cost is less than the CCTL.

It may be relevant to mention that even at the proposed rates the VCTPL is not in a position to recover its operating cost. Since market based rates are considered in this case instead of the usual cost based rates and the increase sought in the two tariff items with reference to the interim rates adopted earlier is not of very high order, this Authority is inclined to approve the (revised) proposal of the VCTPL.

There can be an argument that the scale of operations and investment at the CCTL are much higher than those envisaged at the VCTPL; and, therefore, adopting CCTL tariff at the VCTPL may not be appropriate. The reasons for adopting CCTL rates have been explained in detail earlier in this analysis. Further, the deficit depicted by the cost statements at the adopted rates clearly evidence that no undue financial advantage is allowed to accure to the VCTPL because of the decision to benchmark its tariff against the existing CCTL rates.

(xvi). The VCTPL has also proposed tariffs for a few additional services like fixing of seal, fixing / removing of hazardous sticker, reefer run test, pre-cooling of reefer container, non-declaration / mis-declaration of hazardous container, etc., which do not exist in the interim Scale of Rates. These services are provided at the request of the trade as stated by the VCTPL. The rate proposed for non-declaration and mis-declaration of hazardous container has been subsequently reduced from Rs.5000 to Rs.3000 as suggested by the CSLA.

The SCI has requested to clarify the charges proposed to be levied for 'per trip inspection' and 'reefer run test' provided to reefer containers. The VCTPL has explained that both are optional services and pre trip inspection is a comprehensive checking whereas refer run rest is only a preliminary check. This differentiation is maintained to allow only that extent of service as may be required by a user.

Likewise, the VCTPL has offered clarification to the point raised by the SCI about 'change of container status' and 'change of shipment status'.

Since the rates falling in this category are for miscellaneous services and on the request of users at that, this Authority has no reservation to approve the proposed rates.

(xvii). A premium of 50% was earlier proposed for hazardous container. In the interim rate approved by the Authority, the premium was reduced to 25% in line with the tariff applicable at the CCTL. The VCTPL in its revised proposal have requested to modify the provision stipulating that the levy of premium on hazardous container will be over and above the applicable handling charge including wharfage charge for the respective container. The interim rate is approved based on the existing provision in the CCTL. It is noteworthy that this premium is approved to be levied only on the handling charges at the CCTL. At the PSA SICAL also, 25% premium is approved to be called over the handling charges. In view of this, no modification in the prescription in this regard made in the interim Scale of Rates of the VCTPL is necessary.

(xviii). The SCI has pointed out that for conversion of dollar denominated tariff into rupee terms the exchange rate as declared by the State Bank of India or any Schedule Bank must be considered. Since a common Order specifying the methodology for conversion of dollar denominated tariffs into rupee terms has already been passed by this Authority, the same provision is incorporated in the VCTPL Scale of Rates.

(xix). The SCI has pointed out that in case of levy of penal interest on delayed payments, the delay in payment should be counted after 15 days and not 10 days. It may be relevant to mention that this Authority has passed a common adoption Order specifying provision for payment of penal interest which is uniformly being applied at all the ports / private terminals. The VCTPL has correctly included the approved provision in its proposed SOR. That being so, the point raised by the SCI is not found relevant for consideration in the VCTPL case.

(xx). The VSAA has requested that the tariff for the container carried in coastal vessels may be reduced by 33% to attract trade in line with the differential provided by the major port trust on the coastal vessel. In line with the Government policy to encourage coastal shipping, this Authority has been allowing 30% concession to the coastal vessels in the vessel related charges. The matter of allowing concession to coastal cargo has already been considered by this Authority commonly for all the ports and its was decided to limit the concessions only to vessel related charges. That being so, the request of the VSAA for concession in container handling charges applicable to coastal vessel cannot be considered.

(xxi). The VCTPL has also proposed to incorporate a provision that it can at its discretion offer volume discount to the trade to attract traffic. It may be relevant to note that as per the tariff setting arrangements envisaged in the Statute, the rates prescribed by this Authority are only ceiling levels in the case of Private Terminals; and, they have a discretion to levy charges at a level lower than the prescribed rates. That being so, it is not found necessary to prescribe a separate provision in the Scale of Rates of the VCTPL allowing discretionary powers to it to offer volume discount scheme.

While this discretion may be exercised by the VCTPL based on its commercial considerations, it may be more reasonable to prescribe a specific volume discount scheme in the Scale of Rates so that a minimum level of discount will be available uniformly to all users who fulfil the stipulated conditions. It is noteworthy that such volume discounts are prescribed in the Scales of Rates of the JNPT, NSICT and the PSASICAL.

(xxii). This Authority generally allows a tariff validity cycle of two years. Since the entire proposal has been formulated by the VCTPL based on projections, estimates and assumptions, and only an adopted tariff structure is considered the VCTPL has requested to consider a tariff validity period of one year only.

The suggestion for such reduction in review period will not only eliminate the uncertainty in the costing details but also provide an opportunity to the VCTPL to adjust tariffs at an early date with reference to actual performance and financial data.

It is found to reasonable to allow the tariff fixed now to continue till 31 March 2005. This decision is reached bearing in mind the possibility of having by then the accounts of the VCTPL for the periods ending 31 March 2004 and 31 March 2005 so that tariffs can be reviewed at the end of the validity period more meaningfully with reference to actual financial and operational data.

It may nevertheless be clarified that, for good reasons, this Authority is willing to entertain a proposal for revision (even) ahead of this schedule.

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

18.2. This revised Scale of Rates will come into effect from 16 September 2003.

(A.L. Bongirwar)
Chairman

Annex- I

Cost statement of Visakha Container Terminal Private Limited

Rs. In lakhs

Sr. No.	Particulars	Revised proposal of the VCTPL		Modified statement	
		2003-04	**2004-05**	**2003-04**	**2004-05**
	Container Throughput (in Teus)	**34000**	**48000**	**34000**	**48000**
I.	**Operating Income**				
	(i).Income from Container Operations	639	901	627	885
	(ii).Income from ICD Rail Yard Operations(differential)	14	61	14	61
	(iii).Other Income	160	202	153	194
	Total Income (I)	**813**	**1164**	**794**	**1140**
II.	**Operating Cost**				
	Salaries and Wages	272	301	272	301
	Rent for Back-up Space	63	69	57	60
	Fuel & Electricity	130	153	130	153
	Repairs & Maintenance	384	403	265	278
	Insurance	151	151	46	46
	Royalty	17	24	-	-
	Marketing Cost	19	27	19	27
	Management Expense	100	100	3	7
	Administrative Expenses	19	27	19	27
	Amortization of Upfront Fee & Pre-Operative Expenses	94	94	31	31
	Depreciation	714	714	714	714
	Total Operating Cost (II)	**1964**	**2064**	**1557**	**1643**
III.	**Surplus**	**-1151**	**-899**	**-763**	**-503**
	Finance Cost				
	Interest on Long Term Debt	808	836	808	836
	Bank Guarantee Charges	11	11	11	11
	Total finance cost	**819**	**847**	**819**	**847**
	Less: Credit back of the amount receivable at the end of the project period			3.80	4.20
V	**Net deficit before considering return on equity**	**-1970**	**-1746**	**-1579**	**-1345**

Annex-II

VISAKHA CONTAINER TERMINAL PRIVATE LIMITED
SCALE OF RATES

DEFINITIONS AND CONDITIONS

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

1. **DEFINITIONS**

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

(i) ***"Container"*** means any freight container complying with all relevant prevailing ISO standards. Generally, it is designed to facilitate the carriage of goods by one or more modes without intermediate reloading; fitted with devices permitting ready handling and with unique identification numbers and markings.

(ii). ***"Per Day"*** means per calendar day or part thereof.

(iii). ***"Per Shift"*** means per period of 8 hours.

(iv). ***"Port"*** means the Visakhapatnam Port Trust (VPT) whereas "Terminal" means the Container Terminal, now or hereafter operated by Visakha Container Terminal Private Limited.

(v). ***"VCTPL"*** means Visakha Container Terminal Private 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) ***"Transhipment Container"*** means container discharged from a vessel and placed in the custody of the VCTPL for the purposes of shipment on another vessel declared on a transhipment manifest with the ultimate port of destination marked on the container lodged with the VCTPL 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 containe*r"** means a Container containing hazardous goods as classified under IM**O.**

(xi) ***"Over Dimensional Containe*r"** 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**.**

(xii) ***"FCL"*** means Containers said to contain Full Container Load.

(xiii) ***"ICD"*** means Inland Container Depot.

(xiv) ***"LCL"*** means Containers said to contain Less than full Container Load (Container having cargo of more than one importer/exporter).

(xv) ***"Shut Out Container"*** means a container, which has entered in to the terminal for export for a vessel as indicated by VIAN and is not connected to the vessel for whatsoever reason.

(xvi) ***"Tonne"*** means one metric Tonne of 1,000 kilograms or one cubic metre.

(xvii) ***"VIAN"*** means Vessel Identification Advise Number.

2. GENERAL

(i). (a). A foreign-going vessel of Indian flag having a General Trading Licence can convert to coastal run on the basis of a Customs Conversion Order.

(b). A foreign-going vessel of foreign flag can convert to coastal run on the basis of a Coastal Voyage License issued by the Director General of Shipping.

(c). In cases of such conversion, coastal rates shall be chargeable by the load port from the time the vessel starts loading coastal goods.

(d). In cases of such conversion coastal rates shall be chargeable only till the vessel completes coastal cargo discharging operations; immediately thereafter, foreign going rates shall be chargeable by the discharge ports.

(e). For dedicated Indian coastal vessels having a Coastal Licence from the Director General of Shipping, no other documents will be required to be entitled to coastal rates.

(ii). 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 notified by the Reserve Bank of India, State Bank of India or its subsidiary or any other Public Sector Banks 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). All charges worked out shall be rounded off to the next higher rupee on the grand total of each bill.

(v). (a). The user shall pay penal interest on delayed payments of any charge under this Scale of Rates. Likewise, the VCTPL shall pay penal interest on delayed refunds.

(b). The rate of penal interest will be16% p.a. The penal interest will apply to both the VPT 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 VCTPL. 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.

(vi). Where charges are payable by the agent or owner of the vessel, or the agent or owner of the container, VCTPL 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 VCTPL or such later date if VCTPL had been notified in advance.

(vii). 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.

(viii). 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.

(ix). The charges prescribed in the Scale of Rates are exclusive of all applicable taxes. All applicable taxes will be collected at actuals.

3. APPLICATION

(i). Import and Export rates shall apply when:

(a) a loaded or empty container is discharged from a vessel, moved and stored in the container yard and eventually delivered out of VCTPL; or b) a loaded or empty container is received at VCTPL yard, moved and stored in the container yard and eventually is shipped.

(ii). Transhipment container rates shall apply to a loaded or empty container when it is discharged from the first carrier onto VCTPL's premises and remained in the custody of VCTPL until it is transhipped in its original status by VCTPL to a nominated second carrier.

(iii). Re-export container rates shall apply to a loaded container when:

(a) it is discharged from the first carrier onto VCTPL premises and remained in the custody of VCTPL 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) VCTPL 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 transhipment containers if they meet the above conditions.

(iv). 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 $ 17.50	US $ 26.25	Rs.756	Rs.1134
(b).	Transport to CY from quay and vice versa and Lift - on/Lift-off - Loaded - Empty	 Rs. 1050 Rs. 520	 Rs.1575 Rs.780	 Rs. 1050 Rs. 520	 Rs.1575 Rs.780
(c).	Transport of ICD containers from/to Rail Yard and Lift - on/Lift-off at - Loaded - Empty	 Rs. 1740 Rs. 870	 Rs.2610 Rs.1305	 Rs. 1740 Rs. 870	 Rs.2610 Rs.1305

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.

(3). Services in the case of item no. (a) above include handling by quay crane and lashing/unlashing.

(4). Services in the case of item no. (b) above includes transport to and from the quayside, lift on at CY for storage or vice versa and landing and loading the container from or to customer's vehicle.

(5) Services in the case of item no. (c) above includes transport to and from the quayside, lifts at CY for storage and for transport to rail yard and loading the container to rail or vice versa

(6). Export Containers have to be delivered to VCTPL at least 6 hours before berthing of the Vessel to be accepted for loading.

1.2. STEVEDORAGE FOR TRANSHIPMENT 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**
17.10	25.65	821	1231

Notes:

(1). Services include handling by quay crane (discharge and loading), transport and, lifts, stowage planning on vessel and yard, data handling, processing and transfer between vessel, VCTPL and shipping line.

(2) Any Transshipment Container delivered out of VCTPL by road or rail shall be charged the import/ export container rate.

(3). The above charges apply to the complete cycle of transhipment from discharge from the first carrier to the loading onto the second carrier, including lashing/unlashing charges.

(4). 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**
(a).	Loaded	400	600	400	600
(b).	Empty	200	300	200	300

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	12.60	605
(b).	With landing Hatch Cover on the quay	31.50	1512

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	22.50	33.75	1080	1620
(b).	Loaded or empty Container shifted without landing and reshipping	7.65	11.48	367	551

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.500	Rs.750	Rs.500	Rs.750

Note:

(1). Extra movement charges applies when a container is required to be moved by a trailer within VCTPL 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)	20.00	960
(b).	Supply of electricity (including connecting and disconnecting, monitoring at Reefer yard) per 8 hours or part thereof- - not exceeding 20 feet in length - exceeding 20 feet in length	 4.95 7.45	 238.00 358.00

Notes:

(1). Services include only pluging / unpluging and monitoring of the temperature. No maintenance will be performed on malfunctioning reefers.

(2). Pre-trip Inspection of the reefer containers is an optional service and shall be rendered when requested.

(3). These charges will be applicable for restow reefer containers also.

1.8. CHARGES FOR A SHUT OUT CONTAINER

(i). Where an Export container or a Transhipment container or a Re-export container is shut out and subsequently delivered out of VCTPL, 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	17.10	25.65	821.00	1231.00

(ii). Where a container is shut out by one vessel and subsequently shipped via another vessel; or,

(A) the carrier is changed after berthing of the originally nominated carrier; or

(B) the nomination is changed from a later carrier to an earlier carrier after the earlier carrier is berthed.

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 $ 0.90	US $ 1.35	Rs.43	Rs.65
(b).	Per containerised Cargo	Rs.495	Rs.743	Rs.495	Rs.743

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.

(3). Wharfage will be charged on all containers including ICDs, transhipment, LCL and FCL and empty containers.

1.10 Additional Charges

		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**
1.10.	Direct Loading - Loaded and Empty	US$10.00	US$15.00	Rs.480	720
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.675	Rs.1013	Rs.675	Rs.1013

1.14.	Change of Container Status - Per Container	Rs.100
1.15.	Cancellation of Document - Per EIR	Rs.75
1.16.	One Door Open Charge Per container	Rs.500
1.17	Fixing of Seal (per container)	Rs.100
1.18	Fixing/ removal 'Hazardous Sticker' (per container)	Rs.100
1.19	Reefer run Test (per container)	Rs.500
1.20	Pre-cooling of Reefer Container (per container)	Rs.500
1.21	On wheel Customs inspection (per container)	Rs.400
1.22	Plugging/ Unplugging of Reefer Containers (per container)	Rs.50
1.23	Non-Declaration/ Miss-declaration of Hazardous Container (per container)	Rs.3000

<u>Notes:</u>

(1). **Direct loading** charge applies when, at the request of customers, VCTPL accepts an export container delivered to the terminal after the prescribed closing time. This charge is in addition to all applicable charges in a normal export cycle.

(2). **Reshuffling** charge applies when, at the request of customers, VCTPL reshuffles containers in the yard.

(3). **Trucking** charge applies when, at the request of customers, when the status of a normal container is changed to ICD container.

(4). **Change of shipment status** charge applies when:

(i) a transhipment container in VCTPL premise is changed to an import container;

(ii) an import container in VCTPL premise is re-exported;

(iii) an export container is delivered out of VCTPL premise; or

(iv) a transhipment 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 VCTPL.

(6). **Cancellation charge** applies when EIR is cancelled at the request of customer.

(7) "**One Door Open" Charge** is applicable for handling container which requires only one door to be kept open (eg.Onions) and when door opening and securing is carried by the terminal.

(8). **Fixing of Seal**

Bottle seals shall be fixed on every container arriving at the terminal - by rail / road / sea - without a proper bottle seal on it, prior to allowing its entry. This shall be done without the written consent of the shipping lines. The list of such containers on which a seal is affixed by the terminal shall be intimated to the lines.

(9). **Fixing/ removal of 'Hazardous Sticker'**

Hazardous stickers indicating the IMCO class only shall be affixed on a container carrying hazardous cargo. Similarly old stickers on the container shall be removed from a container carrying non-hazardous cargo. In either case, the customer has to intimate in writing to VCT to undertake the said activity, within the terminal.

(10). **Reefer run Test**

The reefer run test shall be carried out on the written request of the customer. This includes supply of power and monitoring of the reefer during the run test. The run test includes checking of the working condition of reefer machinery and reporting of the condition to the customer.

(11). **Pre-cooling of Reefer Containers**

The reefer container shall be pre-cooled to the requested temperature, subject to the container has been inspected and is in working condition.

(12). **On-wheel Customs inspection**

The on-wheel inspection of a container shall be allowed at a nominated point only, on the written request of the customer. The container doors can be opened only under customs supervision. No stuffing / destuffing, even partially, shall be permitted within the terminal premises.

(13). **Plugging/ Unplugging of Containers**

The Plugging / unplugging of reefer containers on board the vessel / train / truck shall be done at the request of the customer.

(14). **Non-Declaration/ Miss-declaration of Hazardous Container**

The Customer has to declare the hazardous nature of the cargo as per the IMCO rules and furnish the relevant hazardous details to VCTPL. The above charges are only for non-declaration/miss-declaration of the hazardous nature of the container.

However, the liabilities and cost towards the consequences arising due to non declaration or miss-declaration shall, however, be on the customer's account.

1.11. CHARGES FOR STORAGE OF CONTAINERS

(a) Import - Laden Containers

		Foreign-going Vessels (in US$/ Day)		Coastal Vessels (in Rs./ Day)	
		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	2.25	4.50	108	216
(iii).	from 16 to 30 days	4.50	9.00	216	432
(iv).	Beyond 30 days	9.00	18.00	432	864

(b) Export - Laden Containers

		Foreign-going Vessels (in US$/ Day)		Coastal Vessels (in Rs./ Day)	
		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 12 days	Free	Free	Free	Free
(ii).	from 13 to 20 days	2.25	4.50	108	216
(iii).	from 21 to 30 days	4.50	9.00	216	432
(iv).	Beyond 30 days	9.00	18.00	432	864

(c) Empty Containers-Import

		Foreign-going Vessels (in US$/ Day)		Coastal Vessels (in Rs./ Day)	
		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 12 days	Free	Free	Free	Free
(ii).	from 13 to 20 days	2.25	4.50	108	216
(iii).	from 21 to 30 days	4.50	9.00	216	432
(iv).	Beyond 30 days	9.00	18.00	432	864

(d) Empty Containers-Export

		Foreign-going Vessels (in US$/ Day)		Coastal Vessels (in Rs./ Day)	
		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 7 days	Free	Free	Free	Free
(ii).	from 8 to 15 days	2.25	4.50	108	216
(iii).	from 16 to 30 days	4.50	9.00	216	432
(iv).	Beyond 30 days	9.00	18.00	432	864

(e) ICD Containers – Laden & Empty

		Foreign-going Vessels (in US$/ Day)		Coastal Vessels (in Rs./ Day)	
		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	2.25	4.50	108	216
(iii).	from 31 to 45 days	4.50	9.00	216	432
(iv).	Beyond 45 days	9.00	18.00	432	864

(f) Transhipment/Re-export – Laden and empty Containers

		Foreign-going Vessels (in US$/ Day)		Coastal Vessels (in Rs./ Day)	
		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 30 days	Free	Free	Free	Free
(ii).	from 31 to 45 days	2.25	4.50	108	216
(iii).	from 46 to 60 days	4.50	9.00	216	432
(iv).	Beyond 60 days	9.00	18.00	432	864

Notes:

(1). Storage period for a container shall be reckoned from the day following the day of landing upto the day of loading/ delivery/ removal of container.

(2). For the purpose of calculation of free time, Sundays, Customs notified holidays and the Terminal's non-operating days shall be excluded.

(3). Transhipment containers whose status is subsequently changed to local FCL/LCL or ICD container shall loose the concessional storage charges. The storage charges for such containers shall be recovered at par with the relevant import containers storage tariff.

(4). Total storage period for shut out container shall be calculated from the day following the day when the container has become shut out till the day of shipment / delivery.

(5). The storage charges on abandoned containers/shipper owned containers shall be levied upto the date of receipt of intimation of abandonment in writing or 75 days from the day of landing of the container, whichever is earlier subject to the following 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.

1.12 CHARGES FOR REMOVAL OF GARBAGE

A consolidated charge of Rs. 3500.00 per truck trip shall be payable for removal of garbage collected on board of ship.

1.13 CHARGES FOR SUPPLY OF FRESH WATER

For Foreign going vessel, US$ 3.241 per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of US$16.205.

For Coastal vessel, Rs.108.90 per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of Rs.544.50.

1.14. REBATES :

With the prior permission of the VCTPL authorities, rebates as follows shall be applicable to port users for carrying out the loading/unloading operations of containers using ship's gear when the VCTPL equipment are out of order or not available because they are hired to other user or for any other reason.

Sl. No.	Description	Foreign-going Vessels (in US$/per container)		Coastal Vessels (in Rs./ per container)	
		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.	If the ship's gears are used for loading / unloading containers from ship to shore or vice versa	6.00	9.00	288	432

1. No rebate will be admissible for back to town containers handled by private equipment.

SECTION - II

2. OTHER SERVICES

2.1 VISITOR ENTRY PASS

	Yearly	Monthly	Daily
(a). Per Application	Rs.200	Rs.50	Rs.20
(b). Per Replacement	Rs.50	Rs.50	Rs.20

2.2 VEHICLE ENTRY PASS

Per Entry Rs.75.00

2.3 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

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

F. No. TAMP/16/2003-VPT	-	**Proposal from the Visakha Container Terminal Private Limited for fixation of tariffs for its container terminal in the Visakhapatnam Port.**

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

The Shipping Corporation of India (SCI)

(i). For computing the tariff, the return on capital has been taken as 20%, which is very high. The TAMP must review its guidelines on the IRR.

(ii). The exchange rate as declared by the SBI or a Scheduled Bank must be considered for conversion of dollar denominated tariff into rupee terms.

(iii). The rounding off should be to the nearest rupee and not to next nearest ten rupees.

(iv). No delayed payment charges should be levied on disputed bills. The delay in payment should be counted after 15 days and not 10 days.

(v). The proposed premium of 50% on hazardous containers is very high. This must be limited to 10%.

(vi). In general the tariff proposed for various items are on the higher side in comparison with the tariff prevailing at the Chennai Container Terminal Limited (CCTL).

(vii). There is no use of quay crane in case of a shut out container since the only operation involved is shifting the container within the CY. In the light of this position, the charges proposed by the VCTPL for shut out container are very high and need to be reduced.

The Container Shipping Lines Association (CSLA)

(i). The current lending rate is in the region of 7.5% which will work out to a return of 13.5% after considering contribution of 3% each towards development and renewal fund. It is, therefore, not correct for the VCTPL to expect a return on equity @ 20%.

(ii). The figure of royalty appears to be reasonable. The TAMP may have to define more concrete guidelines as to when royalty can be allowed and when it cannot be allowed as an item of expense while fixing the tariff.

(iii). The proposal does not explain the reasons for high estimates in the repairs and maintenance cost to the extent of 40% of gross revenue nor does it specify the age of the equipment, efficiency of the equipment, warranty period, etc., to justify the estimated cost. The repairs and maintenance cost must be benchmarked with similar cost at the other ports.

(iv). Why put in the cost of RMQGC and RTGC for this kind of volumes in the initial years since it will have implication on tariffs?

(v). The admissibility of the management expense is not clear.

(vi). The VPT tariff plus 10% may be reasonable for the VCTPL.

(vii). The VPT allows stuffing/destuffing of containers within its premises. The VCTPL does not allow this facility. The cost to us is, therefore, high.

(viii). If the VCTPL aspires to be a hub port then its transhipment rate may be pegged at a more competitive rate than the CCTL say at US$ 30 / US$ 45 for 20' and 40' container respectively.

<u>Visakhapatnam Steamship Agents' Association (VSAA)</u>

(i). The proposed quay crane charges may cause financial pressure on the shippers initially leading to shifting of cargo to Chennai port where the rates are better. It is, therefore suggested that the quay crane charges of empty/laden containers may be reduced to US$ 18/ US$ 27 for 20'/40' container respectively.

(ii). Transport from/ to CY and lift on lift off may be fixed at Rs.500 / 700 with respect to laden container and Rs. 300 / 450 for an empty container. Likewise, transport of ICD containers may be fixed at Rs.800 / 1200 for laden container and Rs. 300 / 450 for an empty container and the Lift on Lift off (LOLO) charges may be fixed at Rs.200 / Rs. 300 for 20'/40' laden containers

(iii). It has reiterated the views of the CSLA as regards the rate proposed for transhipment container.

(iv). It has also requested to reduce the proposed rate for other items like handling hatch cover by landing it on the quay may be reduced to US$ 28, charges for shifting of containers within vessel by landing and reshipping may be fixed at US$ 25 for a 20' container, tariff for shifting a container without landing and reshipping may be fixed at US$ 10 / US$15 for a 20' and 40' container, pre trip inspection charge at US$ 12 per container, charges for a shut out container may be fixed at US$ 12 / US$ 27 for 20' and 40' container, etc.

(v). Since extra movement operation will involve only transportation of container inside the port premises a tariff of Rs.175 for a 20' container and Rs.350 for a 40' container is suggested.

(vi). All the tariffs for coastal vessels may be reduced by 33% to attract and develop coastal feedering service. This suggestion is based on the differential provided by the major ports on coastal vessel tariffs to mainly promote coastal traffic and also to avoid burdening the domestic trade

(vii). The proposed wharfage rate for container is extremely high i.e.more than 300% as compared to the present port tariff of Rs.15/Rs.23 per 20'/40' container respectively. The wharfage rate for container at US$ 0.32 / US$ 0.50 appears to be well justified. The rate proposed for wharfage on containerised cargo is acceptable to the trade.

(viii). It has reiterated the views of the CSLA to scale down the charges proposed for storage charge. Free time of 7 days may be considered instead of 5 days proposed by the VCTPL to give sufficient time for importers to process documents; also, additional free time for empty containers may be considered.

2. A joint hearing in this case was held on 8 May 2003 at the VPT premises. At the joint hearing, the following submissions were made:

<u>The Visakha Container Terminal Private Limited (VCTPL)</u>

(i). We have proposed a tariff which the market can bear.

(ii). Please notify tariff immediately so that we can commence operation immediately.

(iii). The hinterland is benefited by our terminal because they will save on transportation cost to Chennai.

(iv). To attract mainline vessels, we have to have a minimum complement of equipment. A conventional handling will not bring in any change in the condition.

(v). Volumes are required to justify investment in equipment. But, equipment are necessary to build up volume.

(vi). The issue raised by the INSA about return on equity may not be relevant. In the first two years we will incur loss.

(vii). As regards rounding off of gross amount of bill we have adopted the practice obtaining at the other ports. We leave it to the TAMP to decide on this point.

(viii). The trade should not consider individual rates with the CCTL. If the total package is taken, we are cheaper than the CCTL.

(ix). We will give justification for the rates proposed for hazardous container, shut out and transhipment container.

(x). We will send separately the justification for repair and maintenance cost.

Shipping Corporation of India Limited & Indian National Shipowners Association

(i). Return of 20% is very high in today's market condition. The TAMP may scale it down.

(ii). Chennai is the competing terminal. The rates at the VCTPL should, therefore, be lesser than the CCTL rates.

(iii). Service provided at the VCTPL will be superior to the one offered by the VPT. But, rate will be higher by Rs 600/-per TEU. In the initial phase, the VPT rates can be maintained, at least for 2 years.

(iv). Rounding off the bill to next ten rupees is unreasonable.

(v). Shut out charge for 40'container is twice the rate for 20' container. This is very high and does not reflect the generally accepted position.

(vi). Cargo-related charges should be in rupee terms. Even container handling rates should be denominated in rupees. Ground rent, etc., can be prescribed in dollar terms.

(vii). Wharfage should be on cargo alone. Container should not be subjected to wharfage.

(viii). Our proposal is to adopt rates lower than the CCTL in the initial phase of operation of the VCTPL.

(ix). The INSA has stated that the TAMP may reconsider its Order on levy of storage charges on abandoned containers.

The Container Shipping Lines Association (India) (CSLA)

(i). Return allowed is higher.

(ii). Equipment proposed to be deployed is not commensurate with the volume. The basic prudence of this investment is questionable.

(iii). The gantry charge of US$22 per TEU is additional when compared with the existing rates of the VPT. Is it necessary to have gantry for this volume?

(iv). We propose that the rates in the initial phase can be at best 10% above the VPT tariffs.

Visakhapatnam Steamship Agents' Association (VSAA)

(i). Concession should be extended to containers brought by coastal vessels. This will be essential to build up volumes.

(ii). The Trade in this region is to be familiarised with the CFS operation. Till the time the trade gets accustomed to the new system, the rates should not be very high.

The Visakhapatnam Port Trust (VPT)

(i). It would be better if more free period and lesser demurrage are prescribed for ICD containers.

(ii). Promotional tariff should also take care of adequate return and risk taken by private investor.

(iii). Lease rental is being referred to an arbitrator. It may take at least 3 months to settle the arbitration.

(iv). We will clarify the lease rentals levied vis-à-vis provision in our Scale of Rates.

3. A copy of the VCTPL proposal dated 14 July 2003 was forwarded to the VPT and the concerned users seeking their comments. We have received the following comments from the SCI:

(i). The proposed stevedoring charge should be retained at the level of interim rate. It should not be higher than the CCTL tariff. Likewise, the rate proposed for transhipment container should also not exceed the CCTL rates

(ii). The rates for empty container should be less than the laden container.

(iii). The proposed rate of Rs.100 for fixing bottle seal is high in the light of the fact that the cost of seal is Rs.5-10 only. The proposal does not clarify as to who will judge whether the container had a proper seal or not. The procedure for this should be worked out between the users and terminal before the TAMP approves the tariff.

(iv). The interim rate fixed by the TAMP based on discounted CCTL tariff may be treated as final tariff with minor modifications in the stevedoring rates.

4. A joint hearing in this case was held on 19 August 2003 at the VPT premises to discuss the revised proposal submitted by the VCTPL. At the joint hearing, the following submissions were made:

<u>The Visakha Container Terminal Limited (VCTPL)</u>

(i). Since commissioning of our terminal on 26 June 2003, we have handled 14 vessels and 3023 TEUs.

(ii). Our berth productivity is 17.5 moves per hour and crane productivity is 16 moves per hour. Gross ship rate is 22.83 TEUs and the average turnaround is around 10 hours.

(iii). Our target is to reach a crane productivity of 22 moves per hour by December 2003.

(iv). Fix the rate with CCTL at the lower end and cost based rate (with 20% return) at the upper level.

(v). Please fix quay crane charges more than US $ 17.50 but less than US $ 24.20. Likewise, transportation charge of laden container may be fixed more than Rs.1050 but, less than Rs.1320; empty container in the range between Rs.520 and Rs.660 per 20' container.

(vi). We withdraw our proposed increase for transhipment container. Let the interim rate continue.

(vii). Please fix validity period of one year for the new rates to be fixed now.

(viii). Please allow us to levy 25% premium on wharfage of hazardous cargo containers/ over dimensional containers.

(ix). Additional charges are small issue. They are optional service.

(x). We request TAMP to give us a flexibility to introduce Volume Discount Scheme on non-discriminatory basis.

(xi). We do not want to earn full admissible return on equity; at the same time, the tariff should be fixed at a level where we recover at least our cost.

<u>The Visakhapatnam Port Trust (VPT)</u>

(i). It may be beneficial if a promotional tariff is to continue. Let interim tariff continue.

<u>The Visakhapatnam Clearing and Forwarding Agents' Association (VCFAA)</u>

We have no comments.

<u>The Visakhapatnam Stevedores' Association (VSAA)</u>

Let the interim rates continue. We support the VPT.

<u>The Container Shipping Lines Association (India)</u> (CSLA)

(i). We welcome the reduction proposed in transhipment charges.

(ii). Interim rates fixed for quay crane are reasonable and let them continue.

(iii). Transportation charges are very high and they should be moderated to Rs.500/- (loaded), Rs.300/- (empty), Rs.800/- (loaded–railway yard) and Rs.600/- (empty – railway yard)

(iv). Storage charges proposed are very high. They should be maintained at the level of VPT rates.

(v). Reefer checking (PTI) charges should not be more than US$ 12.

(vi). The proposed penalty of Rs.5000/- is very high for mis-declaration of hazardous containers. Please lower it.

<u>The Shipping Corporation of India Limited & Indian National Shipowners' Association</u>

(i). There is no need to bench-mark VCTPL tariff against CCTL tariff . Let the VCTPL put up a proposal for justifiable tariff.

(ii). Please ensure that overall cost to trade should be less than the CCTL. This means if stevedoring charge is fixed at the CCTL level of US $ 17.5, transportation element should be less than CCTL.

(iii). Please review the relevance of having wharfage charges on container.

(iv). (a). 'Reefer Run Test' (Item 1.9) and 'PTI charge' (item 1.7) for reefer containers appear to be the same.

(b). The VCTPL should explain the difference between 'change in status of shipment' and change in status of vessel'.

(v). Even the NSICT levies Rs.1700/- for wrong declaration of hazardous containers, please moderate it to Rs.1000/-.

(vi). Please clarify that the conversion rate quoted by scheduled bank should be applied for re-conversion of dollar into rupees.

<u>Visakhapatnam Steamer Agents' Association</u>

(i). We have given our written submission today. Please consider them.

(ii). Please let the interim rates continue for some more time.

(iii). Please reconsider the transportation charges. It has been raised to Rs.1200/- from the initial proposal of Rs.800/-. (The VCTPL says that the rate includes lift on/off also and not just transportation).

(iv). Please retain transportation of Rs.1200 for ICD. This will enable more traffic and encourage ICD movements.

(v). Seal fixing charge shall be levied only when a container arrives without seal.

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