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18 May 2010

Rate of Return on Capital Employed (ROCE) and Annual Escalation factor for expenditure projections allowable for the major ports and private terminals operating thereat for the FY 2010-11.

Clause 2.9.2 of the tariff guidelines of March 2005 requires this Authority to review the rate of ROCE in April every year, in the light of the changes in the key parameters. Accordingly, a review of the existing rate of ROCE was undertaken which revealed that the variance is less than 1%.

2. Since the variance is less than 1%, the existing maximum ROCE of 16% will continue to be applied in all tariff cases of major ports and private terminals, to be decided in the financial year 2010-11.

3.1. Clause 2.5.1 of the tariff guidelines of March 2005 requires that the expenditure projections of the major ports/ terminal operators should be in line with traffic adjusted for price fluctuations with reference to current movement of Wholesale Price Index (WPI) for all commodities announced by the Ministry of Finance, Government of India.

3.2. The average inflation rate for the financial year 2009-10 works out to 3.76% based on the data obtained from the Government of India.

4. Accordingly, an escalation factor of 3.76% will be considered for the expenditure projections in the cost statements to be considered in the tariff cases to be decided during the year 2010-11.

Yours faithfully,

(C.S. Venkatraman)
Secretary