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TARIFF AUTHORITY FOR MAJOR PORTS

G No.33 **New Delhi, 14 February 2012**

NOTIFICATION

In exercise of the powers conferred under Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal from the Chennai International Terminals Private Limited for general revision of its Scale of Rates, as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports

Case No. TAMP/51/2011–CITPL

Chennai International Terminals Private Limited - - - Applicant

O R D E R

(Passed on this 6th day of January 2012)

This case relates to a proposal filed by the Chennai International Terminals Private Limited (CITPL) for general revision of Scale of Rates for its Container Terminal at Chennai Port Trust (ChPT).

2.1. The existing Scale of Rates of the CITPL, was approved vide Order No.TAMP/10/2009-CITPL dated 3 November 2010 with a validity period till 31 December 2011. As per paragraph 5 (i) (a) of the Order No.TAMP/23/2003-WS dated 30 September 2008, passed by this Authority, the major port trusts and private terminals have to file their proposals by 30 June of the financial year in which the tariff revision falls due along with the actuals upto the previous financial year. Since the review of the tariff of the CITPL fixed in November 2010 fell due in the year 2011-12, the CITPL was required to file its proposal by 30 June 2011. Since we did not hear from the CITPL, the CITPL was advised to file its proposal immediately vide our letter dated 15 July 2011.

2.2. In response, the CITPL vide its letter dated 21 July 2011 citing difficulties in estimating volumes and operating cost sought time till 30 September 2011 to file its proposal. The CITPL was, therefore, granted time till 30 September 2011 for filing its proposal as per clause 3.1.3. of the tariff guidelines of March 2005 vide our letter dated 12 August 2011.

2.3. In this backdrop, the CITPL vide its letter dated 14 October 2011 filed its proposal for general revision of its Scale of Rates.

3.1 The main points made by the CITPL in its proposal are summarized below:

(i). Chennai Port Trust (ChPT) entered into a License Agreement in March 2007 with CITPL for development of container terminal at Chennai Port on Build-Own-Transfer (BOT) basis for a period of 30 years. The project comprises of construction of berths having total quay length of 832 metres with a basin depth of 15.5 metres, yard space of 3,50,000 sq. metres and providing equipment for handling containers at the terminal.

(ii). The berth will be utilized to handle different types and sizes of ships including fully loaded panamax and super-post-panamax vessels. The terminal commenced operations from 22 September 2009 with the first set of minimum equipment in place. The LA provides for minimum throughput from mainline vessel from 3rd operating year onwards.

(iii). One of the features of operation has been handling of increasing numbers of more than 20' containers. In the calendar year 2011, the box ratio stands at 0.99.

(iv). The performance of CITPL since it began operations on 22 September 2009 till end of August 2011 is given below:

(₹ in lakhs)

Sl. No.	Particulars	2009 (from 22 Sep 2009)	2010	2011 (upto August)
1	Container Traffic (TEU)	20100	304752	311014
2	Income from operations	451	7082	8914
3	Operating Expenses	736	4055	3291
4	Depreciation	713	2922	1823

5	Capital Employed	61473	59057	58252
6	ROCE @ 16%	2722	9449	9320
7	Surplus/Shortfall	-3720	-9344	-5601

(v). The present proposal is for fixation of tariff for three years commencing from 1 January 2012. It is envisaged to create additional facilities at the terminal to better the efficiency of the terminal over the competing terminals at Chennai, Tuticorin, NSICT etc. The neighbour terminal CCTPL had the advantage of the existence of the berths of ChPT, the lower cost of equipment and the booming traffic when it started operation. Today it carries business with a set of depreciated assets and hence it is in a much better position to support its activity profitably at lower tariff than CITPL. Hence, CITPL has to look for something other than lower tariff to compete with its neighbouring terminals.

(vi). Shipping lines have been requesting CITPL for additional handling facility to facilitate faster evacuation / loading and quick turnaround of ships on account of the following:

(a). Flash strikes by trailer operators leading to huge backlog of inventory and hence sluggish movement of export cargo
(b). Slow Import evacuation from the Port
(c). Long Road queue
(d). Inadequate gate infrastructure at the port
(e). Poor road conditions

(vii). New terminals coming up around CITPL are handsomely equipped as given below:

(a). Kattupalli with 6 QCs and 15 RTGs
(b). Krishnapatnam (planned) with 6 QCs and 11 RTGs
(c). Karaikal with 2 QCs
(d). Ennore (planned) with 8 QCs and 33 RTGs
(e). CCTPL with 8 QCs and 24 RTGs

CITPL with 3 QCs is in a very weak position to compete. The comparative strength of CITPL is its longer quay length. CITPL should use it for providing faster evacuation of containers at terminal. It requires CITPL to put up adequate container handling equipment. By deploying additional container handling equipment CITPL will ensure faster vessel turnaround as shipping lines seek to minimize the amount of time spent in ports and prefer ports with faster vessel turnaround time.

(viii). Customer satisfaction by quick turnaround of ships has, therefore, been adopted as strategy for business by CITPL. Hence, for strategic reasons and for competitive edge, CITPL needs to invest in additional equipment. It proposes to commission 4 RMQCs and 8 RTGs in the year 2012. The orders have already been placed and the cranes are expected to be commissioned in the 3rd quarter of 2012. (The additional investment to procure the said equipment is pegged at ₹246.68 Crores by the CITPL).

(ix). CITPL also offers an off-dock rail siding inside its premises and offers seamless connectivity to the hinterland. The terminal can handle two rakes of 725 metres each. Private rail operations will be commencing from CITPL terminal shortly. Volumes would increase once the operations commence and hence procuring additional equipment becomes imperative.

(x). Normally, with box ratio of 1.35 and 7 RMQCs the terminal should have handled 1.4 million TEUs. But, lower box ratio puts a severe constraint on the capacity of terminal. With the present box ratio of 0.99, the capacity of 7 QCs would be only 1.06 million TEUs as could be seen from below:

Capacity of Berth = 0.7*24*25*365*0.99*7= 1062369 TEUs

Because of industrialization in South India, the receipt of larger boxes at the terminal is expected to continue. Hence, box ratio may not go beyond 0.99 in near future.

(xi). With the traffic increasing from expected 4,50,000 TEUs in 2011 to 10,66,163 TEUs in 2014, it is imperative to bring 4 RMQCs at the earliest. The year-wise container throughput and terminal capacity is tabulated below:

Sl. No.	Particulars	2012	2013	2014
1	Terminal Capacity	758835	1062369	1062369
2	Container Traffic	585000	789750	1066163

Cranes are expected to be commissioned in later half of the year 2012 and their availability is assumed to be for half year only in 2012. Therefore, the capacity for the year 2013 is being created 6 months earlier in 2012 itself.

(xii). In addition to buying the RMQCs and RTGs, it is planned to spend ₹3000 lakhs in civil work. As per the License Agreement, CITPL was allotted 35.8 ha area of land. However, ChPT has handed over only 28 ha till date and the balance land is under reclamation. The ChPT is expected to handover the balance land of 7.8 ha in 2012. To handle the envisaged growth in traffic, the existing storage capacity will not be adequate. Hence, to cope up with the growing volumes the balance land to be handed over by ChPT will be developed and used as container yard for storage purpose.

(xiii). Based on the projected income, expenses (without taking into account revenue share payable to the port) and maximum permissible ROCE, the operations for the years 2009 to 2014 would result in deficit as summarized below:

Particulars	2009 A	2010 A	2011 E	2012 P	2013 P	2014 P
Container Traffic	20,100	304,752	450,000	585,000	789,750	1,066,163
Income	451	7,082	13,131	17,723	23,940	32,319
Operative Exps	511	2,799	4,732	7,125	8,752	10,564
Depreciation	713	2,922	2,920	5,494	5,449	5,445
Overheads	225	1,257	1,015	1,405	1,517	1,635
Capital Employed	61473	59057	58252	**80203**	**77922**	**72593**
ROCE @ 16%	2722	9449	9320	12,833	12,468	11,615
Surplus/Deficit	-3720	-9345	-4856	-9134	-4246	3060
Surplus/Deficit as % to Income	-825%	-132%	-37%	-52%	-18%	9%

A - Actuals; E - Estimates; P - Projections

(xiv). On the basis of the present tariff, CITPL faces a deficit of ₹247.46 Crores up to December 2011. During the next three years, it will incur a deficit of ₹100.35 Crores. The tariff should be increased by ₹422.79 per TEU in order to meet the shortfall of ₹103.20 Crores. The present rate being ₹3007/- per TEU, it is requested that the tariff be revised to ₹3458/- per TEU. This will be an increase of 15% over the existing tariff.

3.2. The financial / cost position for the years 2012, 2013 and 2014 at the existing level of tariff as reflected in the consolidated income and cost statement furnished by CITPL is tabulated below:

(₹ in lakhs)

Sl. No.	Particulars	Estimates		
		2012	2013	2014
1.	Traffic (in TEUs)	585000	789750	1066163

2.	Operating income	17723	23940	32319
3.	Operating Expenses	6859	8309	9913
4.	Depreciation	5494	5449	5445
5.	Overheads	1405	1517	1635
6.	ROCE	12854	12510	11658
7.	Net surplus / (deficit) after return	(8889)	(3845)	3668
8.	Net surplus / (deficit) as a percentage of operating income	(-)50%	(-)16%	11%
9.	Average for three years	(-)12%		

3.3. Apart from the proposed tariff increase of 15%, the CITPL has proposed many changes in the definitions, headings as well as notes prescribed under different sub-sections of its existing Scale of Rates. It has also proposed the following new tariff items as "additional charges".

(a). Transportion of containers to any other Rail Head or Container Terminal within ChPT premises.
(b). Plugging / unplugging of containers
(c). Receipt of cargo beyond cut-off time
(d). Direct loading
(e). Handling of Shoe Bin
(f). Container cleaning charges
(g). Weighment of trailers with / without cargo
(h). Sub-items under 'Customs Inspection charges' pertaining to 'stuffing and destuffing of containers' and 'seal cutting'.

4. In accordance with the consultative procedure prescribed, a copy of the proposal from the CITPL was forwarded to the ChPT and also to the concerned user organizations for their comments. The comments received from ChPT were forwarded to CITPL for its comments and CITPL has not responded to the comments of ChPT till finalisation of this case.

5.1. Based on a preliminary scrutiny of the proposal, the CITPL was requested vide our letter dated 21 November 2011 to furnish additional information / clarifications on various issues. The CITPL responded vide its letter dated 5 December 2011. The response of CITPL contained certain gaps and additional clarification / information was required from CITPL. At our request, the CITPL furnished additional clarification / information vide its letter dated 14 December 2011 and e-mail dated 16 December 2011. The queries raised and the summarised response of CITPL are juxtaposed below:

Sl. No.	Queries raised by TAMP	Response of CITPL
(A).	**General:**	
(i).	The tariff guidelines of March 2005 stipulate that tariff should be linked to benchmark levels of productivity. The CITPL has stated that faster evacuation / loading and quick turnaround of ships is the strategy of the CITPL to compete with other terminals. The CITPL has also proposed additional investment in container handling equipment and storage yard in pursuance of its strategy. However, in Sl. No.6 of Form-1, CITPL has stated that it envisages to maintain the present bench mark of 20 moves per hour in the future also. CITPL to review the benchmark level of productivity and update	CITPL proposes to reduce the turnaround time of vessels as a strategy to attract business through deployment of more equipment as well as improving the rate of discharge of containers by each Crane. The benchmark of 20 moves per hour is proposed to be retained because the Crane Gross Rate (CGR) that each crane can achieve depends on manpower and its synchronisation with other logistics at the terminal. They need more time in achieving higher efficiency on continuous basis. Even other terminals have taken 2-3 years to reach benchmark CGR of 20 moves per hour. The new equipment and new operators are other reasons which will delay higher benchmark. Notwithstanding the benchmark at 20 moves per hour, the additional equipment is expected to additionally reduce the turnaround time to 50% of the present level initially.

<table>
<tr><td></td><td>the existing productivity level of 20 moves per hour prescribed in the existing Scale of Rates of CITPL suitably.</td><td></td></tr>
<tr><td>(ii).</td><td>CITPL has stated that its pricing strategy is cost based. CITPL to bring out the impact of the anticipated improvement in performance on the cost of rendering the service.</td><td>As against the present 3 QCs, the terminal will have 7 QCs and hence evacuation will be 233% faster initially at present level of efficiency. The terminal has a berth length to accommodate 3 vessels at a time. With present equipment, it can deploy one QC to each vessel and a vessel of 700 containers will need 35 hours to unload the containers. With the additional equipment this time will be reduced to 15 hours. The port user will save on the cost on account of vessel charges and berthing charges at the port.</td></tr>
<tr><td>(iii).</td><td>CITPL to furnish the details required as per Sl.Nos.4 and 5 of Form-1.</td><td>The details at Sl.No.4 being the comparison of existing and proposed rates are furnished separately. The details at Sl. No.5 are provided in Form -1 of Format B. (The CITPL has not furnished the details of average cost for a typical port user before and after the tariff change as required at Sl. No.5 of Form-1, in the modified cost statements).</td></tr>
<tr><td>(iv).</td><td>The annual financial implication (change in revenues on account of tariff revision) furnished by CITPL at Sl.No.7 of Form-1 for the years 2011 to 2014 is based on the revenue at the existing level of tariff. Therefore, CITPL to furnish the annual financial implication of the proposal on account of proposed revision in tariff.</td><td>The details of the annual financial implications are furnished below:
(₹ in lakhs)<table><tr><th>Sr. No.</th><th>Particulars</th><th>2011</th><th>2012</th><th>2013</th><th>2014</th></tr><tr><td>1</td><td>Tariff Category 1 (Existing)</td><td>13,843</td><td>15,375</td><td>20,763</td><td>27,170</td></tr><tr><td>2</td><td>Tariff Category 2 (Proposed)</td><td>13,843</td><td>17,639</td><td>23,834</td><td>31,050</td></tr></table></td></tr>
<tr><td>(v).</td><td>The CITPL to furnish actuals for the period from January 2011 to October 2011, duly certified by a Chartered Accountant. CITPL to revise the estimates for the remaining two months in the year 2011 and the estimates for the years 2012 to 2014, based on the actuals from January 2011 to October 2011, if necessary.</td><td>The CITPL has furnished the actual financials for the period from January 2011 to October 2011, certified by Chartered Accountant.

(Though the CITPL has stated that the actuals figures for the above period are reconciled with the cost statement, it has not furnished any reconciliation statement.)</td></tr>
<tr><td>(vi).</td><td>CITPL has stated that in order to meet the estimated deficit of ₹103.20 crores during the years 2012 to 2014, the tariff should be increased by ₹422.79 per TEU from the reported existing rate of ₹3007 per TEU. According to CITPL, the proposed tariff works out to ₹3429.79 per TEU whereas, it has proposed a rate of ₹3,458/- per TEU. CITPL to clarify the reasons for proposing higher rate.</td><td>The CITPL has furnished revised Format-B. The estimated deficit has gone up but increase in tariff is proposed at 15% over present rate i.e. ₹3458/- per TEU.</td></tr>
<tr><td>(vii).</td><td>During the last revision of tariff at CITPL which culminated into tariff Order dated 3 November 2010,</td><td>The present proposal is based on past experience of expenditure incurred in running the terminal as well as the realistic appreciation of future. They are not exactly</td></tr>
</table>

	the CITPL had filed its proposal based on certain assumptions made by it in the estimation of operating expenses and management and general overheads for the future years. Since the terminal had commenced its operations only in September 2009, the figures relating to 3 months' actuals (October 2009 to December 2009) then furnished by CITPL were not sufficient to validate the estimates for the next three years, which is also recorded in paragraph 13 (iii) of the said tariff Order dated 3 November 2010. It is also recorded in the same paragraph that the financial / cost position was analysed only to ensure that continuance of existing tariff as then proposed by CITPL would not provide any advantage beyond the cost plus model envisaged by the Tariff guidelines. The estimates in the present proposal of CITPL are also seen to be based on the similar assumptions and basis adopted by it during the last revision exercise. However, it is seen that there is significant reduction in the actual expenses incurred by the terminal during the year 2010 vis-à-vis estimates relied upon during the last revision of tariff in respect of following items: **Sl. No.** | **Item of expenditure** | **Variation** (a). | Operating & Direct labour | 216% (b). | Maintenance labour | 40% (c). | Equipment running cost | 65% (d). | Insurance | 379% (e). | Management & Admn. Overheads | 46% In view of the above, the CITPL to review the assumptions made by it in the estimation of expenses for the future years based on the actual expenses incurred in the year 2011.	as were projected in 2009. The lower cost incurred in quantum terms in 2010 is primarily because of lower traffic and avoiding certain necessary expenses because of losses that the terminal was making. Because of the experience gained quite a few of estimates of operating expenses are scaled down from previous projections and are lower than the norms prescribed by TAMP for fixing upfront tariff. (a) Operating & Direct Labour As against the requirement of 178 employees only 83 were taken. This resulted in reduction in cost. The quality of employees too was compromised as the terminal was making loss. The average pay out per person was ₹2.12 lakhs p.a. lower than what was projected initially. The average cost per employee for future has, however, been based on present level of salary. (b) Maintenance labour The reduction in cost is on account of lower salary to employees and lower level of manning for the operation. The average cost per employee for the projection has been based on the salary levels presently paid. (c) Equipment running Cost Lower Volume and lower consumption of fuel because of new equipment are the main reasons for lower operating cost. Projections are based on past trend and the consumption of both power and fuel are estimated lower than the norm prescribed by TAMP for consumption for fixing upfront tariff. (d) Insurance Because of losses being incurred in business some of the normal insurance covers were compromised. The projections are based on the present market realities, proper risk valuation of operation and are assessed at 0.1% for Civil works and 0.5% for equipment which is much lower than 1% provided under norm fixed by TAMP for upfront tariff. (e) Management & Admn. Overheads: Manning level was consciously kept low because the terminal was incurring loss. Projections have been based on actual manpower requirement based on level of operation and salary levels seen in past.
(viii).	It is seen from the proposal that the inflation factor considered by the CITPL for the years 2012 to 2014 is calculated on a cumulative basis starting from the year 2008 onwards. The CITPL	Financial model assumes the base cost data as prevalent in 2008 and has been escalated at 3.76% for 2009 and 2010 and 6% in subsequent years. This is a very conservative estimate of expenses and present costs compare well with costs so arrived. CITPL submits that costs level as at 2011 are comparable with

	to apply the inflation factor of 6% on the actual unit cost / expenditure for the year 2011 for projection of expenditure for the future years 2012 to 2014.	assumptions made.
(B)	**<u>Comparison of actuals vis-à-vis estimates provided earlier</u>:** Clause 2.13 of the tariff guidelines requires this Authority to review the actual physical and financial performance at the end of the prescribed tariff validity period with reference to the projections relied upon at the time of fixing the prevailing tariff. In this context, the CITPL to clarify/ furnish the following:	
(i).	The CITPL to update the figures for the year 2011 reported in Form-7 based on actual figures up to October 2011 and estimates for the remaining two months.	The CITPL has furnished the revised Form-7 reportedly based on actual figures up to October 2011 and estimates for the remaining two months.
(ii).	The CITPL to furnish a Reconciliation statement to reconcile the Surplus before Interest and tax as given in its Cost statement and the Loss before tax as reflected in the audited Annual Accounts for the year 2010.	The CITPL has furnished a statement reconciling the cost statement and the audited annual accounts for the year 2010. Subsequently, the CITPL vide its letter dated 14 December 2011 furnished a revised reconciliation statement for the year 2010.
(iii).	(a). The operating income for the year 2010 reported in the cost statements is at ₹7082 lakhs which is lower than the operating income of ₹7482 lakhs reported in the audited financials. CITPL to furnish the reasons for under statement in the cost statement.	The CITPL stated that the error has been corrected and the Operating income for the year 2010 as per the revised cost statement is ₹7750 Lakhs.
	(b). The CITPL has stated that the reduction in actual operating income for the year 2010 compared to the estimates relied upon at the time of last revision is due to lower volume and rebates given to initial customers. The CITPL to quantify and furnish the rebates / discounts passed on to the customers during the year 2010.	Volume rebates - ₹226 lakhs Discounts - ₹ 42 lakhs -------------- Total - ₹268 lakhs =========
	(c). CITPL to furnish a detailed income computation for the years 2010 and 2011 at the existing tariff level for the actual traffic handled / services provided by CITPL. The existing tariff considered in such computation should be linked to the rates prescribed in the existing Scale of Rates for various operations /	CITPL already furnished the computation of income in the standard format as well as the supporting financial model for its operation vide letter dated 14th Oct 2011. A part of income is earned from services for which rates are denominated in USD. Because of change in exchange rate, the exact rupee value of rates varies and hence, it may not be possible to prepare a linked sheet for revenue.

	various types of containers.	
	(d). The CITPL to clarify the nature of other income to the tune of ₹5.03 lakhs reported in the audited annual accounts of 2010. Also, the treatment given to this other income in the cost statement to be furnished.	This amount represents income from sale of scrap. CITPL has not considered the same in the cost statement.
(iv).	The actual operating & direct labour cost reported by CITPL for the year 2010 in the cost statement is at ₹176 lakhs as against the estimate of ₹556 lakhs considered during the last tariff order, which shows a decrease of 216%. Similarly, the actual maintenance labour cost reported for the year 2010 is ₹50 lakhs as against the estimate of ₹70 lakhs, which shows a decrease of 40%. The CITPL has stated that the significant reduction in the labour cost is on account of deployment of less number of manpower. It is seen that the actual number of employees deployed by CITPL towards operating & direct labour is only 83 which is 53% lower than the estimated number of 178 employees reported by CITPL and relied upon by the Authority at the estimate stage, while the reduction in actual traffic as compared to the estimated traffic for the year 2010 works out to only 11%. The CITPL, therefore, to furnish the reasons for significant variation in the estimation of manpower requirement at the estimate stage.	The details are already given under reply to query at Sl. No. A (vii) above.
(v).	(a). In the cost statement (Form 3B), the actual power cost for the year 2010 is given as ₹207 lakhs. The actual fuel cost is given as ₹415 lakhs. The total of these two items works out to ₹622 lakhs. The power & fuel expenses reported in the audited accounts for the year 2010 (excluding consumption of stores & spares amounting to ₹76.15 lakhs) is ₹620.22 lakhs, resulting in overstatement of ₹2.22 lakhs in the cost statement. CITPL to reconcile the difference.	The revised cost statement along with proposal gives power consumption and fuel cost duly reconciled with audited accounts. Certain expenses of power were included in fuel which is now corrected and submitted in the revised proposal. (Based on the unit cost of power of ₹ 8.19 per KWH and unit consumption of 13.46 KWH per TEU reported in revised Form 3B, the power cost for the actual throughput handled during the year 2010 works out to ₹336 lakhs as against ₹325 lakhs reported by CITPL. Further, the total of power and fuel cost reported in Form-3B is ₹696 lakhs whereas as per audited accounts the power & fuel expenses, excluding stores & spares consumption, is ₹620.22 lakhs).

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<tr><td></td><td>(b). CITPL to furnish the documentary proof for the actual unit electricity cost of ₹11.31 per KWH and ₹10.75 per KWH reported for the years 2010 and 2011 respectively.</td><td rowspan="2">CITPL has furnished copies of the electricity bill raised by ChPT for two months May 2010 and May 2011. It has also furnished a statement giving monthwise details of power cost for the years 2010 and 2011 (upto Oct'11). As per the statement, the power cost is ₹8.21 per unit and ₹8.72 per unit for the years 2010 and 2011 respectively. The details of power cost furnished by CITPL are summarised below:
<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>2010</th><th>2011 (upto Oct'11)</th></tr>
<tr><td>A.</td><td>Electricity consumption (in units)</td><td>4104194</td><td>4397925</td></tr>
<tr><td>B.</td><td><u>Electricity cost</u>:</td><td></td><td></td></tr>
<tr><td></td><td>Variable charges (₹)</td><td>21939128/-</td><td>25507965/-</td></tr>
<tr><td></td><td>Fixed charges (₹)</td><td>4860000/-</td><td>4995000/-</td></tr>
<tr><td></td><td>Meter Rent (₹)</td><td>14400/-</td><td>12000/-</td></tr>
<tr><td></td><td>Electricity Tax @ 5% (₹)</td><td>1264313/-</td><td>1433017/-</td></tr>
<tr><td></td><td>Service charges @ 20% (₹)</td><td>5615568/-</td><td>6389599/-</td></tr>
<tr><td></td><td>Total charges</td><td>33693409/-</td><td>38337581/-</td></tr>
<tr><td>C.</td><td>Average unit cost (B / A) (₹)</td><td>8.21</td><td>8.72</td></tr>
<tr><td>D.</td><td>Traffic handled (in TEUs)</td><td>304752</td><td>399906</td></tr>
<tr><td>E.</td><td>Consumption per TEU units</td><td>13.467</td><td>10.997</td></tr>
</table>
The CITPL has stated that fixed cost is an element of power cost hence needs to be considered for the purpose of cost statement and accordingly statement prepared. (The cost statement furnished by CITPL shows that it has considered the fixed cost also in the computation of power cost reported in the cost statement).</td></tr>
<tr><td></td><td>(c). The CITPL has stated that the power cost indicated in Form 3B for all the years does not include fixed charges. CITPL to furnish the details of fixed charges and the treatment given to such fixed charges in the cost statements.</td></tr>
<tr><td></td><td>(d). The actual fuel cost for the year 2010 is given as ₹415 lakhs in Form 3B of the cost statement. When calculated with the unit rate of ₹40 per litre and consumption of 3.45 litres per TEU for actual throughput for the year 2010, as stated in the Form, the fuel cost works out to ₹420 lakhs. CITPL to reconcile the difference.</td><td>On checking it is found that the average fuel cost is ₹371 lakhs on account of fuel and the consumption per TEU is 3.48 litre of diesel.</td></tr>
<tr><td>(vi).</td><td>The actual repairs & maintenance expenses for the year 2010 is reported in Form 3B as ₹207 lakhs whereas the repairs & maintenance expenses as per audited financials is ₹178.83 lakhs. CITPL to reconcile the difference.</td><td>In the revised cost statements submitted by CITPL vide its letter dated 14 December 2011, it has revised the repairs & maintenance expenses for the year 2010 as ₹179 lakhs.</td></tr>
<tr><td>(vii).</td><td>The estimated equipment hire charges considered in the case of CITPL was towards hiring of Reach Stackers, Prime Movers, Forklift Trucks, etc. The CITPL to furnish equipment wise break-up for the actual Equipment hire charges of ₹571 lakhs reported for the year 2010 and ₹445 lakhs reported for the year 2011 (upto August 2011) in the cost statements with copies of the relevant contracts and</td><td>The CITPL has furnished the break-up for actual equipment hire charges for the year 2010 and for the period from Jan'11 to Aug'11 in the year 2011 along with copies of the contracts entered by it for hiring Reach Stackers and Prime Movers. The break-up of equipment hire charges furnished by CITPL are tabulated below:
<table>
<tr><th>Particulars</th><th>2010 Amount (₹)</th><th>2011 (upto Aug'11) Amount (₹)</th></tr>
<tr><td>Equipment Lease Charges - Container</td><td>387670/-</td><td>77,936/-</td></tr>
<tr><td>Equipment Lease Charges - RST</td><td>29004859/-</td><td>16185457/-</td></tr>
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<tr><td></td><td>documentary proof for the unit rates paid.</td><td><table><tr><td>Prime Movers Hire Charges</td><td>23764929/-</td><td>28197014/-</td></tr><tr><td>Vehicle Hire Charges</td><td>3949377/-</td><td>--</td></tr><tr><td>Total</td><td>57106835/-</td><td>44460407/-</td></tr></table>
(The CITPL has not furnished workings for the actual equipment hire charges linking it with the unit rates mentioned in the contract copies furnished by it.)</td></tr>
<tr><td>(viii).</td><td>(a). As reported by ChPT during the proceedings relating to the last revision of tariff at CITPL in the year 2010 and considered by the Authority vide Order dated 3 November 2010, the area handed over to CITPL on 1 May 2007 comprises 60428 sq. m. of developed area and 146721 sq. m. of undeveloped area. The ChPT further stated that reclaimed area to the extent of 78,000 sq. m. was likely to be handed over to CITPL in April 2010. The CITPL to inform the exact date / month when the reclaimed land was handed over by ChPT to CITPL and the actual extent thereof.</td><td>CITPL has requested Chennai Port Trust vide letter dated 31 Oct 2011 to hand over the balance 78,000 Sq. m. of reclaimed area but it is not handed over so far. The additional land is expected to be handed over by Aug'2012.</td></tr>
<tr><td></td><td>(b). The CITIPL has mentioned in the cost statement (Form 3B) the total area taken on lease from ChPT as 126053 sq. m. for the years 2010 and 2011. As stated above, the area reportedly handed over by ChPT in May 2007 itself is 2,07,149 sq. m. CITPL to revise the area reported in Form-3B of the cost statements with the actual area allotted by ChPT.</td><td>The CITPL has submitted the revised Form-3B after correcting the area allotted by Chennai Port Trust.</td></tr>
<tr><td></td><td>(c). The CITPL has reported the actual lease rental for the year 2010 as ₹870 lakhs in the cost statement. This figure is in agreement with the lease rental expenses of ₹870.18 lakhs reported in the audited accounts. However, on scrutiny of workings furnished by CITPL for the computation of lease rentals, it is seen that the CITPL has considered an area of 605 sq. m. of developed area and 1468 sq. m. of undeveloped area and has not considered the reclaimed area of 51480 sq. m. for computation of lease rentals. The CITPL to furnish a detailed working for the actual lease rental paid by it to the ChPT for the year 2010 duly indicating the</td><td>Upto the year 2012, no lease rent is payable for reclaimed area as it is not handed over and hence was not paid. There was a typographical error in form 3B of the TAMP Form. The figures are corrected in the revised submission.</td></tr>
</table>

	area and lease rental rate for each category of land.	
(ix).	The actual insurance cost reported for the year 2010 is ₹57 lakhs as against the estimate of ₹273 lakhs considered during the last revision of tariff. The CITPL has drawn reference to the covering letter in the reasons for variation column of Form-7. However, the covering letter of CITPL dated 14 October 2011 does not mention anything in this regard. The CITPL to furnish the reason for such a steep decline in the actual insurance cost of 2010 compared to estimates.	The details are already given under reply to query at Sl. No. A (vii) above.
(x).	(a). The actual other direct expenses reported in the cost statement for the year 2010 stands at ₹ 246 lakhs as against the estimate of ₹121 lakhs considered during last revision of tariff. The variation works out to about 51% more than the estimate. The CITPL has not furnished any reasons for the variation in expenses in this regard. The CITPL to furnish the reasons for variation.	The estimated cost was arrived by calculating Lashing /unlashing charges and staff transport and reefer point maintenance, whereas in actual the Security Charges for Terminals is also considered since this expense is directly attributable to Direct expenses. The breakup of the same is as follows. Lashing/ unlashing expenses ₹ 43.00 lakhs Reefer Monitoring ₹ 144.00 lakhs Other Direct Expenses ₹ 59.00 lakhs Total ₹ 246.00 lakhs Subsequently, the CITPL stated that the security charges are grouped under General overheads in the projection for the future years.
	(b). This Authority vide paragraphs No.13 (xvi) (a) to (c) of its Order of November 2010 has considered lashing / unlashing expenses @ ₹42/- per TEU, reefer maintenance expenses @ ₹33/- per TEU and employee transportation expenses at ₹13.73 lakhs per annum for the year 2010 and escalation at the rate of 3.76% for the year 2011, under the heading of 'other expenses', subject to verification with actuals during the next review of tariff. The CITPL to furnish documentary evidence in support of the rates of ₹42 per TEU and ₹33 per TEU considered towards lashing / unlashing expenses and reefer maintenance expenses respectively. The CITPL also to furnish the actual expenses incurred by it towards transportation of employees during the year 2010.	The CITPL has furnished the copies of two invoices pertaining to the month of Dec'10 for Lashing / unlashing expenses and reefer monitoring expenses. A copy of another invoice furnished by CITPL for December 2010 does not mention about the nature of service rendered by the party. Subsequently, the CITPL vide its letter dated 14 December 2011 furnished the details of approximate monthly other direct expenses based on the actual expenses incurred for December 2010, which is given below: A. <u>Lashing / inspection expenses</u> (i). Lashing expenses - ₹ 5,32,160/- (₹ 20/- per unit for 26,608 units) (ii). Container inspection charges- ₹12,64,320/- (₹50/- per unit upto 20,000 units & ₹40/- per unit above 20,000 units - 20000 x 50 + 6608 x 40) Total for Dec'2010 - ₹17,96,480/- The TEUs handled in December 2010 is 35,252. The average cost per TEU works out to ₹ 51/- per TEU. B. <u>Reefer monitoring & other direct expenses</u> (i). Reefer monitoring - ₹ 78,985/- (ii). Direct expenses - ₹ 4,82,500/- (security, water expenses, etc.)

<table>
<tr><td></td><td></td><td>Total for Dec'2010 - ₹ 5,61,485/-
The reefer monitoring and other direct expenses work out to ₹5.61 lakhs per month or ₹67 lakhs per annum.</td></tr>
<tr><td>(xi).</td><td>The actual depreciation for the year 2010 is reported at ₹2922 lakhs which is in agreement with the annual accounts. However, it is seen that the depreciation considered by CITPL in the cost statement includes amortization of upfront premium of ₹10 crores and land lease premium of ₹6.17 crores which is also considered separately in the cost statement under amortization of preliminary expenses / upfront premium, which appears to be double counting of this item. The CITPL to exclude the depreciation considered by it towards upfront premium and leasehold premium in the cost statement.</td><td>The CITPL has submitted that the depreciation considered by it towards upfront premium and leasehold premium is excluded in the revised cost statement.

(However, it is seen that the CITPL has maintained the same depreciation figure in the revised cost statement also.)</td></tr>
<tr><td>(xii).</td><td>The actual Administration and Management overheads reported for the year 2010 is at ₹256 lakhs as against ₹375 lakhs considered at the estimate stage. This Authority vide paragraph No.13 (xviii) (b) of its Order of November 2010, relied upon the number of employees and average annual salary considered by CITPL for Administration, Finance and Managerial category employees, subject to verification of actuals in the next review of its tariff, which was the only item considered under Administration & Management overheads in the cost statement. The CITPL to furnish the actual number of employees and actual average salary incurred by it during the year 2010, duly reconciling with the expenses of ₹256 lakhs reported in the cost statement.</td><td>Already replied under Sl. No. A (vii) above. The CITPL has furnished the actual number of employees and actual average salary incurred by it during the year 2010 towards Administration and Management overheads.</td></tr>
<tr><td>(xiii).</td><td>The actual general overheads reported in the cost statement for the year 2010 is ₹910 lakhs as against ₹367 lakhs considered at the estimate stage. CITPL to clarify the following points in this regard:</td><td>---</td></tr>
<tr><td></td><td>(a). As recorded in paragraph 13 (xviii) (c) of its Order of November 2010, this Authority relied upon the estimates furnished by CITPL for the years 2010 and 2011 subject to</td><td>The CITPL has furnished the break-up of general overheads for the year 2010, which is given below:

<table><tr><th>Particulars</th><th>Amount
(₹ in lakhs)</th></tr><tr><td>Advertisement</td><td>3.43</td></tr></table></td></tr>
</table>

<table>
<tr><td></td><td>verification of actuals in the next review of its tariff. The CITPL to furnish the break-up of actual general overheads of ₹910 lakhs reported for the year 2010 and break-up of general overheads incurred during the year 2011 up to October 2011.</td><td>
<table>
<tr><td>Business Promotion</td><td>14.20</td></tr>
<tr><td>Gift & Entertainment</td><td>0.35</td></tr>
<tr><td>Office Expense</td><td>3.43</td></tr>
<tr><td>Books & Periodicals</td><td>0.29</td></tr>
<tr><td>Port Passes</td><td>2.20</td></tr>
<tr><td>Puja Expenses</td><td>0.14</td></tr>
<tr><td>Recruitment Expense</td><td>0.42</td></tr>
<tr><td>Bank Charges</td><td>284.92</td></tr>
<tr><td>Rates & taxes</td><td>253.24</td></tr>
<tr><td>Traveling and communication expenses</td><td>38.73</td></tr>
<tr><td>Legal and professional charges</td><td>335.52</td></tr>
<tr><td>Printing & Stationery</td><td>8.43</td></tr>
<tr><td>Total</td><td>945.30</td></tr>
</table>
</td></tr>
<tr><td></td><td>(b). The CITPL has stated in Form-7 that the significant increase in general overheads during the year 2010 was due to higher professional and legal charges. CITPL to clarify the reasons for which it has incurred legal and professional charges to the tune of ₹335.52 lakhs during the year 2010, as reported in the audited annual accounts and confirm that the expenditure pertains to the terminal operated at the ChPT.</td><td>The CITPL has furnished break-up for the professional charges for year 2010, which is given below:
<table>
<tr><th>Particulars</th><th>Amount (₹)</th></tr>
<tr><td>Audit / certification</td><td>1,688,996</td></tr>
<tr><td>Statutory filing fees (Returns as per Companies Act, Income-tax Act, etc.)</td><td>91,000</td></tr>
<tr><td>Legal consultancy - Licence Agreement review</td><td>216,900</td></tr>
<tr><td>Legal consultancy - Retainership for vendor agreements, customer agreements and other matters</td><td>3,164,605</td></tr>
<tr><td>Consultancy for ECB loan clearance & Axis Bank loan document vetting</td><td>4,447,722</td></tr>
<tr><td>Valuation fees for loan (for asset and equipment valuation)</td><td>2,644,025</td></tr>
<tr><td>Legal fees for Arbitration on licence issues and other matters with customers</td><td>2,569,444</td></tr>
<tr><td>Land measuring and survey charges</td><td>492,509</td></tr>
<tr><td>Port consultancy (marketing consultancy including customer study, website, brochures and other advertising)</td><td>7,208,333</td></tr>
<tr><td>Consultancy - Terminal operations, efficiency and allied matters)</td><td>9,162,100</td></tr>
<tr><td>Air monitoring fees</td><td>68,950</td></tr>
<tr><td>Design and drawing consultancy for software operation & sizing</td><td>482,516</td></tr>
<tr><td>Actuarial valuation</td><td>38,824</td></tr>
<tr><td>Advisor charges for labour law consultancy</td><td>1,262,893</td></tr>
<tr><td>Provident Fund consultancy and compliance</td><td>13,500</td></tr>
<tr><td>Total</td><td>33,552,317</td></tr>
</table>
</td></tr>
<tr><td></td><td>(c). The CITPL has reported an expenditure of ₹285 lakhs during the year 2010 towards Bank Guarantee Commission paid to Bank. The CITPL to explain the nature of this expenditure and confirm that the expenditure pertains to the terminal operated at the ChPT.</td><td>The CITPL has furnished the details of Bank charges, which is tabulated below:
<table>
<tr><th>Particulars</th><th>Amount (₹ in lakhs)</th></tr>
<tr><td>Bank Commission - Guarantees & Bank charges</td><td>79.40</td></tr>
<tr><td>Commission to SCB for Loan</td><td>125.00</td></tr>
<tr><td>Documentation/ Stamp charges</td><td>13.40</td></tr>
<tr><td>Loan Fee to SCILL</td><td>28.14</td></tr>
<tr><td>Processing Fee for Loan</td><td>38.98</td></tr>
<tr><td>Total</td><td>284.92</td></tr>
</table>
</td></tr>
<tr><td>(xiv).</td><td>The CITPL to clarify the nature of ₹2.06 lakhs reported as exchange fluctuation loss, in the audited accounts for the year 2010.</td><td>The exchange loss is on account of payments made to Overseas Vendors for Capital Goods.</td></tr>
</table>

<table>
<tr><td>(xv).</td><td>This Authority vide paragraph No.13 (xix) of its Order of November 2010 has considered an amount of ₹53.90 lakhs per annum towards amortization of upfront premium of ₹10 crores and leasehold premium of ₹6.17 crores paid by CITPL to ChPT, over the project life of 30 years. The CITPL has considered the actual amortization amount for the year 2010 as ₹56 lakhs in the cost statements. The CITPL to furnish the workings for ₹56 lakhs considered by it.</td><td>The CITPL has furnished the details for amortization of upfront premium and leasehold premium, which is given below:
<table>
<tr><th>Group of asset/ Description</th><th>Date put to use</th><th>Rate of depn.</th><th>Total cost of the asset</th><th>Accum. depn. as on 31.12.2010</th><th>Current depn. 2010</th></tr>
<tr><td>Intangibles - Licence Fee (including premium paid on land lease charges)</td><td>07.03.07</td><td>3.33%</td><td>161,685,200</td><td>20,589,020</td><td>5,389,507</td></tr>
<tr><td>Leasehold improvements - PSA confirmation</td><td>31.3.2010</td><td>3.70%</td><td>6,168,966</td><td>172,769</td><td>172,769</td></tr>
<tr><td>TOTAL</td><td></td><td></td><td></td><td></td><td>5,562,276</td></tr>
</table></td></tr>
<tr><td>(xvi).</td><td>(a). The opening gross block, closing gross block and closing net block of fixed assets for the year 2010 reported in Form 4A of the cost statements do not tally with the audited annual accounts for the year 2010. Further, the opening cumulative depreciation for the year 2010 is reported as ‘zero’ which may be reviewed, since the CITPL commenced operations in September 2009 and claimed depreciation for 3 months in the year 2009. CITPL to reconcile the figures with the audited accounts.</td><td>The CITPL furnished revised Form 4A after incorporating the opening cumulative depreciation for the year 2010.

Subsequently, the CITPL furnished a statement reconciling the figures considered in Form-4A with the figures reported in audited accounts for the year 2010.

(It is seen from the reconciliation statement that the CITPL has considered an amount of ₹2876 lakhs towards BG for duty saved amount under EPCG scheme in the gross block and net block of fixed assets for the year 2010 in the cost statement (Form 4A), over and above the gross block and net block figures reported in the audited financials for the year 2010. Further, it is seen that even the gross block and net block figures furnished in the reconciliation statement did not tally with the figures considered in the Form-4A for the year 2010).</td></tr>
<tr><td></td><td>(b). Further, in Form-4A of the cost statements, the CITPL has grouped the total assets into 3 categories, viz. Plant & Machinery, Information Technology and Berths, yard & other civil construction. The break-up for each category of assets in line with the list of assets shown in Fixed Assets schedule of the audited annual accounts for the year 2010 to be furnished. Such break-up for each category of assets also to be furnished for the years 2011 to 2014.</td><td>The CITPL has furnished the revised Form 4A after incorporating the opening cumulative depreciation for the year 2010 and also the breakup of 3 categories, viz. Plant & Machinery, Information Technology and Berths, yard & other civil construction.</td></tr>
<tr><td></td><td>(c). With regard to the additions to the gross block during the year 2010, Form-4A depicts a negative figure of ₹186 lakhs whereas the Fixed Assets schedule of the audited accounts shows a positive figure of ₹114.36 lakhs. Likewise, Form-4A does not show any figure with regard to deletions while the</td><td>The Audited accounts shows addition to the assets as ₹114 lakhs and adjustment of ₹309.34 lakhs; the net effect has been considered in the From 4A, since the deletion represent only exchange difference at the year end. The CITPL has furnished revised Form 4A.</td></tr>
</table>

<table>
<tr><td></td><td>annual accounts shows a figure of ₹309.24 lakhs. The CITPL to clarify the position.</td><td></td></tr>
<tr><td></td><td>(d). The annual accounts for the year 2010 shows an amount of ₹61.69 lakhs as additions to the upfront premium of ₹10 crores. The CITPL to clarify the nature of this expenditure.</td><td>CITPL has not furnished any response.

(However, in the actual financials for the year 2011, upto October 2011 furnished by the CITPL vide its letter dated 14 December 2011, the said amount has been shown as reduction from the upfront premium under deletions / adjustments column of the Fixed Asset schedule and considered as additions under the asset heading 'Leasehold improvements'.)</td></tr>
<tr><td></td><td>(e). The CITPL has reported additions to the gross block to the tune of ₹300 lakhs for the year 2011, viz. ₹125 lakhs towards workshop, ₹125 lakhs towards Equipment / mast and ₹50 lakhs towards IT infrastructure. CITPL to confirm whether the additions have already materialized. If so, the details of the same along with documentary proof for actual cost of completion to be furnished. If not, the present status of capital works envisaged and the documentary proof for the estimated cost and expected date of completion to be furnished.</td><td>The CITPL has furnished details of additions during 2011 along with the present status with expected date of completion. The details furnished by the CITPL are given below:
Summary of fixed assets capitalised as at 31 Oct 2011
<table>
<tr><th>Particulars</th><th>Amount (₹)</th></tr>
<tr><td>Plant & Machinery</td><td>1,438,565</td></tr>
<tr><td>Electrical Installation</td><td>256,734</td></tr>
<tr><td>Computers</td><td>578,000</td></tr>
<tr><td>Office Equipment</td><td>143,312</td></tr>
<tr><td>Leasehold land</td><td>3,570,558</td></tr>
<tr><td>Total</td><td>5,987,169</td></tr>
</table>
Add:
<table>
<tr><th>Particulars</th><th>Amount (₹)</th><th>Status</th></tr>
<tr><td>Concrete Road</td><td>4,742,900</td><td>Order released Work commenced. (P.O. No. Nil dated 25.11.2011). Expected completion by 25 Dec 2011.</td></tr>
<tr><td>Additional Reefer structure</td><td>12,500,000</td><td>Quotes received under scrutiny for vendor evaluation. Expected completion by April 2012.</td></tr>
<tr><td>Works shop</td><td>12,500,000</td><td>New Workshop for additional equipments. Quotes invited from vendors. Expected completion by Aug 2012.</td></tr>
<tr><td>IT infrastructure</td><td>5,000,000</td><td>New ERP solutions. Decision on implementation deferred to 2012. Expected completion by Dec 2012.</td></tr>
<tr><td>Total</td><td>34,742,900</td><td></td></tr>
</table>
Total capex excluding IT infrastructure - ₹ 35,730,069/-
Subsequently, the CITPL vide its email dated 27 December 2011 furnished a copy of the work order dated 25 November 2011 placed by it for laying of concrete road at an estimated cost of ₹47.43 lakhs along with the documentary proof for advance payment and part payment made by it to the tune of ₹ 16.42 lakhs.

(The additions to the gross block for the year 2011 considered in the cost statement (Form 4-A) is ₹300 lakhs as against ₹357.30 lakhs furnished above.)</td></tr>
<tr><td></td><td>(f). This Authority vide paragraph No.13 (xx) (a) of its Order of November 2010 considered estimated additions to the gross block amounting to ₹1275 lakhs in the year 2011 towards development of reclamation area, which was then expected to be handed over by ChPT by April 2010. The Form-4A furnished by the CITPL does not depict any</td><td>The CITPL stated that the reclaimed area is not yet handed over by ChPT.</td></tr>
</table>

	expenditure against this item. CITPL to clarify the actual position in this regard.	
(xvii).	(a). The sundry debtors considered by CITPL for the years 2010 to 2014, inter-alia, includes ₹610 lakhs for each of the said years towards value of Bank Guarantee for being customs custodian for containers. As per norms prescribed in clause 2.9.9 of the tariff guidelines of March 2005 read with Order passed by this Authority in September 2008, two months' estate rentals, two months' terminal charges payable by Indian Railways and prepayments made to the Licensor port arising out of obligations as per Licence Agreement to the extent it is otherwise permissible as pass through are permissible under sundry debtors. CITPL to justify the inclusion of the Bank Guarantee value under Sundry debtors in the light of the tariff guidelines.	This is the guarantee submitted in discharging obligations under the License Agreement of holding the containers within custom notified area and hence should be considered a part of working capital requirement of CITPL.
	(b). The CITPL has also considered the advance payment made / to be made by it to the ChPT towards royalty / revenue share under sundry debtors for all the years. In this regard, the Order of September 2008 clearly stipulates that advance payment of revenue share / royalty to the landlord port will be recognised as a part of sundry debtors only if and to the extent such revenue share/royalty is considered as pass through in tariff. As CITPL is aware, royalty / revenue share is not an admissible item of cost in its case. Therefore, CITPL to exclude the advance payment towards royalty / revenue share from the value of sundry debtors for all the relevant years.	The CITPL has not considered revenue share as a part of sundry debtors. The land lease charge and performance security payable in advance are recognised as part of sundry debtors. As directed performance security has been excluded from sundry debtors.
	(c). The CITPL has considered the value of current liabilities for the year 2010 at ₹138 lakhs in the computation of working capital as against the actual value of current liabilities reported in the audited annual accounts at ₹2903 lakhs. The CITPL to justify the lower value of current liabilities considered in	Current liabilities of ₹2903 lakh as per audited accounts include amounts due to suppliers of capital equipment amounting to ₹2765 lakh and hence excluded from working capital.

	the computation of working capital.	
(C).	**Financial/Cost Statement:**	
(1)	**Capacity**:	
(i).	The CITPL has calculated the annual berth capacity of the terminal for the years 2012 to 2014 borrowing the formula from 2008 upfront tariff guidelines. However, the CITPL has considered a box ratio of 0.99, instead of the norm of 1.3 prescribed in the formula, reportedly based on the box ratio obtained during the year 2011, and thus worked out the annual capacity at 1062369 TEUs. In this context, CITPL to furnish the following:	
	(a). Workings in support of the box ratio of 0.99 giving details of actual numbers of different sizes of containers handled by the CITPL during the period from January 2011 to October 2011.	The CITPL has included in format B. (It is seen that the CITPL has revised the box ratio from 0.99 to 1.33 in the revised cost statements).
	(b). Detailed analysis of trend of box ratio in the next three years, which formed the basis for considering a box ratio of 0.99.	The trend of sizes of containers is based on the trend for the current year.
(ii).	The CITPL has considered a norm of 25 moves / hour in the computation of quay capacity. As stated earlier, the CITPL has stated that its strategy is to achieve quick turnaround of vessels with efficiency improvement in operational parameters. In view of the above, the CITPL to consider increase in the number of moves per hour per Quay crane than prescribed in the formula and reassess its capacity.	As already explained in reply to A (i) above, the efficiency of terminal is aimed to be achieved through reduction in turnaround time of vessels by deploying more cranes for faster evacuation/loading. The benchmark for Gross Crane Rate (GCR) is proposed to be retained at 20 moves per hour as crane discharge rate at higher efficiency on continuous basis need well trained efficient manpower and logistic synchronisation. To achieve it on sustainable basis needs more time. At the benchmark level of 20 moves and box ratio of even 1.33, the cranes will be able to discharge 163111 containers per crane per year and 7 QCs together will be able to handle 1.14 million TEUs.
(iii).	The CITPL is requested to furnish its existing yard capacity and additional yard capacity on account of proposed investment of ₹30 crores envisaged during the year 2013 towards development of additional yard with detailed workings.	Present Yard Capacity : 12915 Units Additional Yard Capacity : 12500 Units (estimate) Total Yard Capacity : 25,415 Units (Projected) Subsequently, the CITPL furnished the details of annual capacity of the existing yard and proposed yard, as given below: Yard Capacity = 0.7*G*H*P/(S*D) G = Ground Slot per Ha. = 286 H = Avg. Stack Height = 2.5; P = Period (days) = 365; S = Surge factor = 1.3 and D = Avg. Dwell time (days) = 3

<table>
<tr>
<td></td>
<td></td>
<td>Yard Capacity per Ha: 0.7*286*2.5*365/(1.3*3) = 46842 TEUs

Present Yard Area = 207149 sq. m. or 2.07149 Ha.
Present Yard Capacity (46842*20.7149) = 970,327 TEUs

Additional Area = 78000 sq. m. or 7.8 Ha.
Additional Yard Capacity (46842*7.8) = 365,367 TEUs
Total Yard Capacity = 1,335,694 TEUs</td>
</tr>
<tr>
<td>(iv).</td>
<td>The CITPL has stated that private rail operations will commence in its terminal shortly. The CITPL has stated that it can handle 2 rakes of 725 metres each. CITPL to quantify and furnish the impact of this facility in the dwell time of containers and the consequent improvement in the yard capacity of the terminal with workings.</td>
<td>The CITPL is in discussions with various private rail operators to commence rail operations in its terminals. CITPL has considered 5% of volumes to be through rail.</td>
</tr>
<tr>
<td>(v).</td>
<td>The CITPL to furnish the tariff arrangement for the private rail operations inside CITPL.</td>
<td>CITPL has furnished the details of proposed tariff arrangement with the rail operators. The details furnished by CITPL are summarised below:

<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>Per LCL Container upto 20'</th><th>Per LCL Container above 20' & upto 40'</th><th>Per LCL Container above 40'</th></tr>
<tr><td>1.</td><td>Handling at Container yard including lift on / lift off at Railway Container Yard</td><td></td><td></td><td></td></tr>
<tr><td></td><td>- Foreign Loaded</td><td>₹ 407.94</td><td>₹ 611.92</td><td>₹ 815.86</td></tr>
<tr><td></td><td>- Foreign Empty</td><td>₹ 202.02</td><td>₹ 303.03</td><td>₹ 404.05</td></tr>
<tr><td></td><td>- Coastal Loaded</td><td>₹ 244.77</td><td>₹ 376.15</td><td>₹ 489.51</td></tr>
<tr><td></td><td>- Coastal Empty</td><td>₹ 121.21</td><td>₹ 181.82</td><td>₹ 242.42</td></tr>
<tr><td>2.</td><td>Additional movement - Terminal to Rail Yard or vice versa - Charges for extra movement / transportation (uniform rate for foreign, coastal, loaded and empty containers)</td><td>₹ 2875.00</td><td>₹ 4313.00</td><td>₹ 6469.00</td></tr>
<tr><td>3.</td><td>Transporting of containers to any other Rail Head or Container Terminal within ChPT premises (uniform rate for foreign, coastal, loaded and empty containers)</td><td>₹ 2875.00</td><td>₹ 4313.00</td><td>₹ 6469.00</td></tr>
</table>
</td>
</tr>
</table>

<table>
<tr><td>(2).</td><td><u>Traffic</u>:</td><td></td></tr>
<tr><td></td><td>With reference to estimation of traffic, CITPL to furnish / clarify the following:

(i). The CITPL to furnish the details of the actual container volume handled during the period of 10 months from January 2011 to October 2011 and also the container mix.</td><td>

The CITPL has furnished the details of volumes for the period of 10 months from January 2011 to October 2011. The volume handled is 399906 TEUs.</td></tr>
<tr><td></td><td>(ii). The CITPL to provide the basis of traffic projections for the years 2012 to 2014 with detailed traffic analysis.</td><td>Based on traffic study done by CITPL with assistance of consultants, economic activities in the feeder area and the terminals coming in vicinity, the projected traffic growth is kept at 25 % in 2012 and 35% each in 2013 and 2014.</td></tr>
<tr><td></td><td>(iii). The CITPL has stated that it envisages to create additional capacity by commissioning additional container handling equipment in the second half of the year 2012, in order to cater to the anticipated volume increase. The increase in traffic projections for the years 2012 and 2013 considered by CITPL does not appear to be commensurate with the estimated increase in capacity. Further, the CITPL anticipates that private operator will be commissioning Off-dock rail siding shortly. The CITPL has also proposed development of additional yard in the year 2013. Therefore, CITPL to review the estimated traffic for the years 2012 to 2014 in line with the capacity increase.</td><td>The terminals coming up in near vicinity and those existing presently have or are planning to have the following equipment:

<table>
<tr><th>Sl. No.</th><th>Terminals</th><th>QCs</th><th>RTGs</th></tr>
<tr><td>1.</td><td>Chennai Container Terminal Ltd.</td><td>8</td><td>24</td></tr>
<tr><td>2.</td><td>L&T, Kattupalli
(1st phase by Jan 2012)</td><td>6</td><td>18</td></tr>
<tr><td>3.</td><td>Krishnapatnam
(1st phase by Dec 2011)</td><td>6</td><td>16</td></tr>
<tr><td>4.</td><td>Ennore (Start off)</td><td>10</td><td>33</td></tr>
</table>
As against the above CITPL presently have only 3 QCs and 10 RTGs which puts it in a highly disadvantageous position to compete. CITPL has a distinct advantage in long quay length of 852 m. which can safely accommodate 3 vessels at a time but does not have the cranes to efficiently load/unload containers. If three cranes only are allowed to continue then discharge of one vessel of 700 containers will need almost 35 hours to unload a vessel if three vessels arrive. But normally when the terminal has only three QCs, more than one vessel at a time normally does not call and precious investment in berth remains unutilised. Hence to attract vessels to the port, under present situation of competition, it is essential to have additional equipment as proposed. As said above, the capacity of berth after all 7 cranes are commissioned will be 1.14 million TEUs p.a. The terminal has projected a traffic volume of 1.06 million TEUs in 2014. The cranes will be fully utilised in 2014 and will be used for quicker discharge of containers initially. The faster turnover at the terminal will be the strategy for marketing the terminal.

It is pertinent to note that the other terminal at the same port has done volumes of 11,40,638 TEUS in the year 2010 with 8 QC's and 24 RTGS with Berth length of 885m.</td></tr>
<tr><td></td><td>(iv). The mix of various types of containers in the estimated traffic for the years 2012 to 2014 to be updated with the actual container mix obtained for the year 2011, if necessary.</td><td>The CITPL has stated that the revised Format B is updated on the basis of actuals upto October 2011.

(The CITPL has not updated the mix ratio of various types of containers based on the actuals from Jan'11 to Oct'11 in the revised cost statements.)</td></tr>
</table>

<table>
<tr><td>(3).</td><td><u>Operating Income</u>:</td><td></td></tr>
<tr><td>(i).</td><td>(a). The estimated income computation furnished by CITPL for the years 2012 to 2014, at the existing level of tariff, shows that it has considered a consolidated rate for each type of containers, viz. ₹3007/- for 20’ loaded container, ₹1428/- for 20’ empty container, ₹1978/- for 20’ coastal loaded container, etc. A break-up of the consolidated rates considered by CITPL in terms of the item-wise tariff prescribed in the existing Scale of Rates of CITPL to be furnished for each of the consolidated rate considered by CITPL.</td><td>The CITPL vide its e-mail dated 16 December 2011 furnished break-up for the consolidated rate for ₹3007/- per 20' loaded container considered by it in the income estimation. The details furnished by CITPL is tabulated below:

<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>Amount (₹)</th></tr>
<tr><td>1.</td><td>Handling by Quay Crane including lashing / unlashing charges (US$ 22.53 x 47.80)</td><td>1076.93</td></tr>
<tr><td>2.</td><td>Transportation from QC to yard and vice versa</td><td>641.91</td></tr>
<tr><td>3.</td><td>Handling at Container Yard lift on / lift off on to / from Internal Transfer Vehicle</td><td>354.73</td></tr>
<tr><td>4.</td><td>Handling at Container Yard lift on / lift off for delivery / receipt from / to customers</td><td>354.73</td></tr>
<tr><td>5.</td><td>Container Wharfage per TEU (US$ 1.29 per box / 1.33 x 47.80)</td><td>46.37</td></tr>
<tr><td>6.</td><td>Cargo wharfage per TEU (₹707.85 per box / 1.33)</td><td>532.22</td></tr>
<tr><td></td><td>Total</td><td>3006.89</td></tr>
</table>

(The CITPL has, however, not furnished the break-up for the consolidated rates considered by it in respect of other types of containers such as empty containers, coastal containers, transshipment containers, etc.)</td></tr>
<tr><td></td><td>(b). The exchange rate considered by CITPL in respect of dollar denominated tariff in arriving at the consolidated rates to be furnished.</td><td>1 US$ = ₹48.00

(The workings furnished by CITPL for income estimation at the existing tariff level shows that it has considered a rate of ₹ 47.80 per US$).</td></tr>
<tr><td>(ii).</td><td>The CITPL has assumed that the entire estimated container traffic, other than hazardous and Over dimensional containers, will stay for one day beyond the free period on an average, in the computation of estimated container storage charges for the years 2012 to 2014. The CITPL to furnish a dwell time analysis, based on which the CITPL has arrived at the average stay of the containers at one day and also justify the same based on the actual dwell time of containers in the years 2010 and 2011.</td><td>During the Current year, the average dwell time income per TEU is approximately ₹250/-. At the present tariff of USD 5.50, it works out to almost one day storage charges.</td></tr>
<tr><td>(iii).</td><td>(a). The CITPL has assumed that 5% of the total estimated traffic for the years 2012 to 2014 would avail rail siding facility in the computation of estimated rail handling income for the said years. The CITPL to furnish the basis for the percentage arrived at by it with reference to the actual traffic that availed rail handling facility in the years 2010 and 2011. The CITPL also to review the share of containers availing the rail siding facility in</td><td>The rail siding facility has just commenced. Trend is based on past experience at the terminal.</td></tr>
</table>

<table>
<tr><td></td><td>the light of the commencement of private rail operations inside its terminal.</td><td></td></tr>
<tr><td></td><td>(b). The basis for considering a rate of ₹1400/- per TEU in the estimation of income from rail handling services for the year 2011 to furnished. The CITPL to give reference to the tariff item in the existing approved Scale of Rates of CITPL in this regard.</td><td>The CITPL furnished the charges presently collected by it for rail operations. The details furnished by CITPL is tabulated below:
<table>
<tr><td>Particulars</td><td>Container upto 20'</td><td>Container above 20' & upto 40'</td><td>Container above 40'</td></tr>
<tr><td>As per tariff item No.3.12.13 (iii) - Lift on / lift off in Container Yard</td><td>₹ 707.85</td><td>₹ 1061.78</td><td>₹ 1415.70</td></tr>
<tr><td>As per tariff item No.3.12.13 (v) - Additional movement transporting of containers to any other Rail Head or Container Terminal within ChPT premises.</td><td>₹ 965.25</td><td>₹ 1447.88</td><td>₹ 1930.50</td></tr>
<tr><td>Total</td><td>₹ 1673.10</td><td>₹ 2509.66</td><td>₹ 3346.20</td></tr>
</table></td></tr>
<tr><td></td><td>(c). The CITPL has considered a rate of ₹2500/- per TEU from 2012 onwards for the purpose of income estimation from rail siding facility for the years 2012 to 2014. The CITPL to give reference to the tariff item in the existing approved Scale of Rates of CITPL in this regard.</td><td>CITPL has not furnished any response.</td></tr>
<tr><td>(iv).</td><td>The CITPL has considered a rate of US$ 56.3125 per TEU for foreign container and ₹1590 per TEU for coastal container in the computation of estimated income from Hatch cover opening services. These rates are seen to be higher than the rates for hatch cover operation prescribed at Schedule 3.7 of the existing approved Scale of Rates. The CITPL to clarify the position.</td><td>CITPL has not furnished any response.</td></tr>
<tr><td>(v).</td><td>The CITPL has neither reported actual income for the years 2010 and 2011 nor estimated any income for the years 2012 to 2014 from miscellaneous charges, charges for supply of fresh water and charges for clearance of garbage, prescribed at Schedules 3.12.13, 3.13 and 3.14 of the existing Scale of Rates. The CITPL to confirm that it has not earned any income from these services during the years 2010 and 2011 and also do not anticipate any income for the years 2012 to 2014.</td><td>CITPL has not earned any income from supply of fresh water and clearance of garbage.</td></tr>
<tr><td>(4).
(i).</td><td><u>Operating Cost</u>:
With regard to the escalation factor to be applied for estimation</td><td></td></tr>
</table>

	of operating costs, CITPL to note that as already communicated vide letter No.TAMP/27/ 2005-Misc. dated 11 July 2011, an escalation factor of 6% per annum will be considered for the expenditure projections in the cost statement.	---
(ii).	**Operating and Direct Labour**: (a). The CITPL has increased the number of operating direct labour from the actual of 67 and 86 for the years 2010 and 2011 respectively to 166, 245 and 267 for the years 2012 to 2014 respectively. The increase in the manpower requirement considered by CITPL does not commensurate with the increase in the estimated traffic for the corresponding years. In view of this and for the position brought out at query No.B (iv) above, the CITPL to review the manpower requirement for the years 2012 to 2014. (b). The average annual salary per employee reported for the year 2011 at ₹2.46 lakhs is increased to ₹2.73 lakhs for the year 2012, which shows an escalation of 11%. CITPL to justify the higher escalation factor considered for the year 2012.	 It is already explained that the new additional equipment are being acquired as a business strategy to attract container traffic and the equipment get fully utilized during the tariff period itself. The manpower requirement projected is based on justifiable requirement of manpower based on additional equipment proposed to be acquired. It may not be justifiable to compare it with past as the manpower provided in past was not commensurate with requirement because of losses sustained by the CITPL. The Procurement of 4 new QC and 8 RTG's, require additional manpower to operate the equipment. The proposed manpower is commensurate with additional equipment purchased. CITPL feels the requirement of manpower in 2012 to 2014 is justifiably considered. In earlier years many required personnel like yard planners, ship planners, operation executives and supervisors were not recruited as volumes were low and terminal was incurring losses. Though still not in full complement, these categories of personnel are proposed to be recruited with increasing volume. These are higher wage earners than direct labour, average salary per employee has gone up. As provided for by TAMP, the wages rate escalated by 6% on account of inflation. In the year 2012, apart from direct labour, due to higher volumes CITPL has to recruit Yard planner, ship planners, operation executives and supervisors. Since the salary for these employees is higher, due to this employee mix has resulted the escalation is 11% in year 2012.
(iii).	**Maintenance Labour**: (a). The CITPL has increased the number of maintenance labour from the actual of 25 and 28 for the years 2010 and 2011 respectively to 33 and 34 for the years 2012 and 2013 respectively. The CITPL to justify the increase in manpower requirement for the years 2012 and 2013.	 The Procurements of additional Quay Cranes and RTGs envisage the requirement of maintenance of the equipment; this has resulted in additional maintenance labour.
	(b). The estimated average annual employee cost considered by CITPL for the year 2012 at ₹2.16 lakhs is lower than the actual / estimated average	The salary escalation is considered at 6%, the negative escalation factor in 2012 in the average employee cost is due to requirement of more entry level maintenance labour at lower salary.

	employee cost reported for the year 2011 at ₹2.25 lakhs. Further, for the years 2013 and 2014, the CITPL has considered an escalation factor of 7% and 6% respectively over the estimates of corresponding previous years. The CITPL to furnish the reasons for considering a negative escalation factor for the year 2012 and also to revise the estimate for the year 2013 applying the prescribed escalation factor of 6%.	
(iv).	**<u>Equipment running cost</u>**: (a). **<u>Power Cost</u>**: (i). The CITPL has considered power consumption of 8 KWH per TEU in the estimation of power cost for the years 2012 to 2014 as against the consumption of 6 KWH per TEU (actual) and 6.50 KWH per TEU (actual / estimate) reported for the years 2010 and 2011 respectively. The CITPL to justify the increase in the estimated power requirement for the years 2012 to 2014.	CITPL has stated that it has submitted the revised cost statement, as stated in the reply to the point No.B (v), above. (In the revised cost statement, the CITPL has considered a power consumption of 10.99 KWH per TEU for the year 2011 (upto Oct'11) and has considered the same unit power consumption for the future years 2012 to 2014 also).
	(ii). The CITPL has reported a unit power cost of ₹10.75 per KWH for 2011, reportedly based on actual expenses upto August 2011 and applied an escalation factor of 6% p.a. on this unit cost in arriving at the estimated unit cost for the years 2012 to 2014 on compounding basis. CITPL to furnish documentary evidence to reflect the actual unit cost of electricity applicable for the months of Aug'11 to Oct'11.	CITPL has stated that it has furnished the revised cost statement, as stated in the reply above to the point no.B (v) above and furnished the copies of the electricity bills for the month of August to October 2011. (In the revised cost statement, CITPL has considered the actual unit power cost of ₹ 8.72 for the year 2011 (upto Oct'11) and has adopted the same with 6% annual escalation for the years 2012 to 2014. It has furnished the copies of electricity bills of May 2010 and May 2011).
	(b). **<u>Fuel Cost</u>**: The CITPL has considered a fuel consumption of 4 litres per TEU in the estimation of fuel cost for the years 2012 to 2014 as against the consumption of 3.45 litres per TEU (actual) and 3.65 litres per TEU (actual / estimate) reported for the years 2010 and 2011 respectively. The CITPL to justify the estimated fuel consumption for the years 2012 to 2014 with reference to the actual for the years 2010 and 2011.	With the passage of time, the consumption is expected to increase, past trend also shows increasing trend. The consumption is projected at the level of norm approved by TAMP for fixing upfront tariff. (Based on the actual total fuel expenses upto October 2011 of ₹454 lakhs and unit rate of ₹45 per litre furnished by CITPL in the revised cost statement (Form 3-B), the actual fuel consumption works out to 2.52 litres per TEU as against 3.65 litres mentioned by CITPL).

	(c). **Repairs & Maintenance Cost**:	
	(i). The CITPL has estimated the repairs and maintenance expenses for the years 2012 to 2014 at 1.5% of the gross block for mechanical and electrical assets and 0.5% of the gross block for civil assets, the value of which is reported at ₹1740 lakhs, ₹1789 lakhs and ₹1841 lakhs respectively for the said three years. These estimates are seen to be significantly higher than the actual repairs and maintenance expenses reported for the years 2010 and 2011 (upto August 2011), which is at ₹207 lakhs and ₹282 lakhs respectively. Therefore, CITPL to justify its estimates for the years 2012 to 2014 with reference to actuals for the previous years 2010 and 2011.	As could be seen from the past trend, as against ₹207 lakhs in 2010, the annualised expenditure on repairs and maintenance in 2011 is ₹423 lakhs (₹282 lakhs for 8 months). The increasing trend of repairs is because of ageing of equipment. The warranty/guarantee period running in past also reduced the purchase of spares. For these reasons, the provision of expenses for repairs and maintenance @ 1.5% of gross block for mechanical and electrical assets and 0.5% for civil works are considered reasonable. (In the revised cost statement, the CITPL has considered the actual repairs & maintenance expenses for the year 2011, upto Oct'11, as ₹211 lakhs, revising it downwards from the earlier reported figure of ₹ 282 lakhs for the 8 months upto Aug'11. As per the revised cost statement, the annualized expenditure works out to ₹253 lakhs and not ₹423 lakhs as stated by CITPL).
	(ii). CITPL to also note that the actual repairs & maintenance expenses reported in the cost statement for the year 2010 is subject to reconciliation with the repairs & maintenance expenses reported in the audited annual accounts for the year 2010.	
(v).	**Equipment Hire Charges**: The equipment hire charges considered by CITPL comprises of hire of Reach stackers, Prime Movers, Forklift Trucks, Workshop tools, EO Trolley, Air Compressors and UHF. The CITPL to furnish / clarify the following:	---
	(a). The CITPL has considered a rate of ₹90 per TEU in respect of Prime Movers and applied escalation factor of 4%, 6% and 6% respectively on a compounding basis for the years 2012 to 2014 on this rate. As per the documentary evidence furnished by CITPL during the last revision of tariff, rates of ₹ 90 per TEU upto 27,000 TEUs in a month and ₹80 per TEU beyond 27,000 TEUs, with a provision for adjustment of rate for variation in diesel price, is payable by CITPL. Further, the validity of the contract was one year from June 2010 with a provision for	CITPL has extended the contract for two more years with revised slab structure and considering the rising fuel cost. The CITPL has furnished the copy of the documentary proof, dated16 September 2011 which indicates a (revised) rate of ₹ 92.62 per TEU upto 30,000 TEUs in a month and ₹ 82.62 per TEU from 30,001 TEUs and upwards.

<table>
<tr><td></td><td>extension for one more year. The CITPL to inform whether the contract has been extended for one more year and the slab rates per TEU payable at present with the current diesel price. A copy of the documentary proof for the rate considered in the estimation of hire charges may be furnished.</td><td></td></tr>
<tr><td></td><td>(b). The CITPL has considered estimated hire charges in respect of other equipment as a lump sum. CITPL to furnish the documentary evidence in support of the lump sum rates considered by it for each of the equipment in the estimation of equipment hire charges for the years 2012 to 2014.</td><td>The CITPL has furnished the breakup of hire charges. The details furnished by CITPL vide its letter dated 14 December 2011 are summarised below:
<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>2011</th><th>2012</th><th>2013</th><th>2014</th></tr>
<tr><td>1.</td><td>Reach Stackers - 6 Nos.</td><td>301</td><td>315</td><td>334</td><td>354</td></tr>
<tr><td>2.</td><td>Prime Mover (TT)</td><td>--</td><td>558</td><td>799</td><td>1143</td></tr>
<tr><td>3.</td><td>Forklift - 3 Nos.</td><td>30</td><td>31</td><td>33</td><td>35</td></tr>
<tr><td>4.</td><td>Workshop Tools</td><td>55</td><td>57</td><td>61</td><td>64</td></tr>
<tr><td>5.</td><td>EO Trolley</td><td>20</td><td>41</td><td>43</td><td>46</td></tr>
<tr><td>6.</td><td>Air Compressor</td><td>9</td><td>9</td><td>9</td><td>10</td></tr>
<tr><td>7.</td><td>UHF</td><td>15</td><td>32</td><td>34</td><td>36</td></tr>
<tr><td></td><td>Total</td><td>430</td><td>1043</td><td>1313</td><td>1688</td></tr>
</table>
(The CITPL has not furnished documentary evidence in respect of hiring of equipment mentioned at Sl. Nos.3 to 7 in the above table.)</td></tr>
<tr><td></td><td>(c). The equipment hire charges estimated by CITPL for the years 2012 to 2014, inter-alia, includes hire charges towards workshop tools at ₹57 lakhs, ₹61 lakhs and ₹64 lakhs respectively. The estimated additions to the gross block considered by CITPL for the years 2011 and 2012 includes ₹250 lakhs and ₹900 lakhs respectively, towards workshop and incidental equipment. In this context, CITPL to justify the need for hiring of workshop tools for the years 2012 to 2014.</td><td>The CITPL has stated that the hire charges being projected are for other tools required for maintenance.</td></tr>
<tr><td>(vi).</td><td><u>Lease rentals</u>:

(a). CITPL to confirm that the estimation of lease rentals for the years 2012 to 2014 is as per the terms of Licence Agreement.

(b). As stated earlier in Sl. No.B (ix) (a) to (c), there appears to be some discrepancy in the area reported in the cost statement for calculation of lease charges. The CITPL to furnish detailed workings for the estimated lease rental indicating the area leased and the rate per square metres considered, for each category of land, viz. developed, undevelop-</td><td>

Yes. We confirm that the estimates are as per the measurement agreed upon with Chennai Port Trust.

The detailed computation of the lease rent with the basis of the calculation is furnished in the Financial module submitted.</td></tr>
</table>

<table>
<tr><td></td><td>ed and reclaimed land for all the years under consideration.</td><td></td></tr>
<tr><td>(vii).</td><td><u>Insurance</u>:

The CITPL has estimated the insurance premium for the years 2012 to 2014 at 0.5% of the gross block for mechanical and electrical assets and 0.1% of the gross block for civil assets at the beginning of the year, the value of which is reported at ₹204 lakhs, ₹206 lakhs and ₹270 lakhs respectively for the said three years. These estimates are seen to be significantly higher than the actual insurance premium of ₹57 lakhs and ₹41 lakhs reported for the years 2010 and 2011 (upto August 2011) respectively. Therefore, CITPL to justify its estimates for the years 2012 to 2014 with reference to actuals for the previous years 2010 and 2011. A copy of the Agreement entered into with insurance company(ies) to be furnished.</td><td>

Because of losses being incurred in business some of the normal insurance covers were compromised. The projections are based on the present market realities, proper risk evaluation of operation and are assessed at 0.1% for Civil works and 0.5% for equipment which is much lower than 1% provided under norm fixed by TAMP for upfront tariff.

A suitable tailor made insurance cover for the terminal in compliance with the Terms of LA is estimated to cost in line with projections. The actual cost is derived on those lines and when policy coverage is taken.

The CITPL has furnished copies of the insurance policies taken by it, which is valid for the period from 22 April 2011 to 21 April 2012. As per the copies of insurance policies furnished by it, the CITPL has paid a total insurance premium of ₹ 48,61,966/- for the above period. (It has reported the actual insurance cost for the year 2011, upto October 2011, as ₹50 lakhs in the cost statement).</td></tr>
<tr><td>(viii).</td><td><u>Other expenses</u>:

(a). CITPL to list out the items considered under the head ‘other expenses’.

(b). Each item of the estimated other expenses for the years 2012 to 2014 to be justified with cost details and workings and also with reference to the actuals for the years 2010 and 2011.</td><td>
The following items are considered under “ Other Expenses”:
1. Lashing/ Unlashing Expenses
2. Transport Expenses for Shift staff
3. Reefer cleaning charges

The CITPL has furnished the following details:
<table>
<tr><th>Particulars</th><th>2012</th><th>2013</th><th>2014</th></tr>
<tr><td>Lashing/ Unlashing</td><td>93</td><td>126</td><td>210</td></tr>
<tr><td>Transport Expenses for Shift staff</td><td>60</td><td>64</td><td>68</td></tr>
<tr><td>Reefer cleaning</td><td>4</td><td>5</td><td>7</td></tr>
<tr><td>Total</td><td>157</td><td>195</td><td>285</td></tr>
</table>

(In the revised cost statement, the CITPL has estimated the other expenses for the years 2012 to 2014 at ₹713 lakhs, ₹865 lakhs and ₹ 1095 lakhs respectively.)</td></tr>
<tr><td>(ix).</td><td><u>Overheads</u>:

(a). CITPL to list out the items of expenditure considered under the management and administration overheads and furnish detailed workings under this head for all the years under consideration.</td><td>

The salaries of the management and administration staff are considered in the cost. The CITPL has furnished the workings in the revised proposal.</td></tr>
<tr><td></td><td>(b). The actual management and administration overheads reported for the years 2010 and 2011 (upto August 2011) are ₹256 lakhs and ₹165 lakhs (for 8 months). As against this, the CITPL has estimated management and administration overheads for the whole year</td><td>As already explained the manning levels and overheads were kept below requirement in past because of huge losses and low volume which is no more possible and feasible now. The CITPL has furnished the details of general overheads estimated by it in the revised proposal.</td></tr>
</table>

	2011 at ₹367 lakhs, which is 43% more than the actuals of 2010. Further, the estimated management and administrative overheads for the year 2012 is considered at 44% more than the estimated figure for the previous year 2011. CITPL to justify the estimates, with reference to actuals for the years 2010 and 2011.	
	(c). The CITPL has considered general office expenses and bank guarantee commission under 'General Overheads'. The actual general overheads for the year 2010 reported in the cost statement at ₹910 lakhs is at a higher level due to higher legal and professional charges as stated by CITPL. For the next year 2011, the CITPL has estimated the general overheads at ₹555 lakhs reportedly based on actuals for the first 8 months upto August 2011. The estimated general overheads for the years 2012 to 2014 is considered at around 48%, 10% and 10% more than the estimated figure for the respective previous years. Therefore, CITPL to justify the estimates, with reference to updated actuals to be furnished for the year 2011.	The increase of 48% in 2012 is on account of additional manpower to be employed because of additional equipment. The general escalation of 6% only has been factored. CITPL has furnished the details in the revised proposal.
(x).	**Depreciation**: CITPL to furnish detailed workings for the estimated depreciation for all the years under consideration bearing in mind clause 2.7.1 of the revised tariff guidelines. The rates of depreciation adopted for each group of assets as reported in the audited financials, also to be furnished giving reference to the Companies Act or provisions of concession agreement as the case may be.	 The CITPL stated that the details are provided in the revised Form 4A. The CITPL furnished the rates of depreciation followed by it as per Companies Act, which is as follows: Buildings : 3.64 % Plant & Machinery : 4.75% – 10.34% Computers : 16.21%
(5).	**Capital employed**:	
A.	**Fixed Assets**: (a). The CITPL has stated that it proposes to commission 4 RMQCs and 8 RTGs in the year 2012 in addition to the existing container handling equipment and work orders in this regard have already been placed. It has	

<table>
<tr><td></td><td>estimated a capex of ₹247.68 crores in the year 2012 on this account. CITPL to clarify the following points in this regard:</td><td>---</td></tr>
<tr><td></td><td>(i). The CITPL has considered a basic rate of US$ 6,495,000 per RMQC and US$ 1,340,000 per RTG in the estimation of cost of cranes. CITPL to furnish copies of the work orders and purchase agreements in support of these basic costs.</td><td>CITPL has furnished the copies of work orders for 4 nos. RMQC, 8 nos. RTGCs and Spreaders placed by it on suppliers. The details of work order copies furnished by CITPL are summarized below:
<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>Amount</th><th>Remarks</th></tr>
<tr><td>1.</td><td>Letter of Acceptance No.CITPL/ENG/QC/01 dt. 3 May 2011 for 4 Nos. QCs without spreaders
Unit cost: US$ 6,340,000</td><td>US$ 25,360,000</td><td>Scheduled time of commissioning the 4 QCs - within 52 weeks from the date of LOA signed by both parites.</td></tr>
<tr><td>2.</td><td>Letter of Acceptance No.CITPL/ENG/RTG/01 dt. 3 May 2011 for 8 Nos. RTGs without spreaders
Unit cost: US$ 1,185,000</td><td>US$ 9,480,000</td><td>Scheduled time of commissioning the 8 RTGs - within 52 weeks from the date of LOA signed by both parites.</td></tr>
<tr><td>3.</td><td>Purchase Order No.CITPL/ ENG/2011/19 dated 4 May 2011 for purchase of RAM spreaders for QCs and RTGs</td><td>SG$ 1,844,000</td><td>Delivery within 18 to 20 weeks from the date of PO directly to the Crane suppliers.</td></tr>
</table>
Subsequently, the CITPL vide its email dated 28 December 2011 furnished documentary proof in support of advance payment and part payment made by it to the tune of ₹ 2183.44 lakhs to the suppliers of the cranes.</td></tr>
<tr><td></td><td>(ii). It is seen from the workings furnished by CITPL for estimation of capital cost, it has considered 10 Nos. of RTGs as against 8 Nos. proposed by it. The CITPL to clarify the position and revise the estimate accordingly.</td><td>The CITPL has corrected the figures in its revised proposal dated 5 December 2011.</td></tr>
<tr><td></td><td>(iii). The CITPL has included the value of Bank Guarantee to be furnished to the Customs towards customs duty concession under EPCG scheme in the capital cost of the RMQCs and RTGs. The Bank guarantee given to Customs is in the nature of security to fulfil the export obligations commitment. It is not the actual cost to be incurred by the CITPL for the import of the said equipment. The relevant cost in this regard may be BG commission payable to Banks, which is already captured in the general overheads. In view of</td><td>Under EPCG Scheme, the importer is permitted to import capital goods at concessional rate. For the concessions granted in custom duty to the importer, bank guarantee is to be provided by him. If the importer fulfills the export obligations under the scheme, the BG is returned to him. The situation is akin to the importer paying the normal custom duty and getting refund of custom duty paid after obligation is met. As far as CITPL is concerned, it has incurred full custom duty – partly in cash and partly in the form of BG. Hence, it is requested that till such time that the export obligation is fulfilled, the BG amount should be considered part of capex.</td></tr>
</table>

<table>
<tr><td></td><td>the above, the CITPL to exclude the value of Bank guarantee in the capital cost of cranes.</td><td></td></tr>
<tr><td></td><td>(iv). The CITPL has estimated the requirement of additional container handling equipment based on certain assumptions, viz. 1 RMQC per 200000 TEU of throughput and 3 RTGs per RMQC. Going by the assumptions of CITPL and based on the estimated traffic considered by CITPL for the years 2012 to 2014, the requirement of additional container handling equipment is worked out and tabulated below:
<table>
<tr><th>Particulars</th><th>2012</th><th>2013</th><th>2014</th></tr>
<tr><td>Traffic TEUs</td><td>585000</td><td>789750</td><td>1066163</td></tr>
<tr><td>No. of RMQCs required (at 20000 TEUs / RMQC)</td><td>3</td><td>4</td><td>6</td></tr>
<tr><td>Existing RMQCs</td><td>3</td><td>3</td><td>3</td></tr>
<tr><td>Additional requirement</td><td>--</td><td>1</td><td>3</td></tr>
<tr><td>Proposed by CITPL</td><td>4</td><td>4</td><td>4</td></tr>
<tr><td>Excess</td><td>4</td><td>3</td><td>1</td></tr>
<tr><td>No. of RTGs required (3 per RMQC)</td><td>9</td><td>12</td><td>18</td></tr>
<tr><td>Existing RTGs (as per LA)</td><td>10</td><td>10</td><td>10</td></tr>
<tr><td>Additional requirement</td><td>--</td><td>2</td><td>8</td></tr>
<tr><td>Proposed by CITPL</td><td>8</td><td>8</td><td>8</td></tr>
<tr><td>Excess</td><td>8</td><td>6</td><td>--</td></tr>
</table>

As can be seen from the above, the additional container handling equipment estimated to be provided is either over and above the requirement or estimated to be procured much ahead of its requirement. In view of the above, the CITPL to review the quantum of additional equipment and the phasing of its commissioning, in order to ease the burden to the users on account of the additional capital cost.</td><td>The benchmark GCR of 20 moves per hour, the box ratio of 1.33, gives a total capacity of 1.14 million TEUs capacity with 7 no. RMQCs. The capacity requirement of 1.07 million in 2014 needs a total of 7 RMQCs. In the years 2012 and 2013, all the cranes may not be required for evacuating/loading the container traffic estimated to come but is essential for bringing the estimated traffic to the terminal by promising and achieving faster turnaround of vessels. It is already explained in reply to other queries on the capacity creation that with the existing and soon coming up terminals having equipment to achieve quick turnaround of vessels, CITPL not equipping itself for the challenge will be losing the battle before the fight. Hence it is submitted that there is no excess equipment. The additional equipment is the strategy tools for achieving the projected traffic.</td></tr>
<tr><td></td><td>(v). The capital expenditure of ₹247.68 crores considered by CITPL in the year 2012 includes ₹4.50 crores each towards workshop and other ancillary equipment. The CITPL to furnish the documentary proof in support of its estimates along with the details of works envisaged on this account, current status and estimated time of commissioning.</td><td>CITPL needs additional workshop and stores for maintenance of the new equipment being ordered. CITPL proposes to construct workshop and stores in Q2 2012.

(The CITPL has not furnished documentary proof in support of its estimates).</td></tr>
<tr><td></td><td>(b). The CITPL has considered an additional investment of ₹30.00 crores in the year 2013</td><td>CITPL has furnished a copy of the rough cost estimate dated 30 November 2011obtained by it from a private firm. The details of the rough cost estimate is given</td></tr>
</table>

<table>
<tr><td></td><td>towards development of additional yard, rail linkages, etc. CITPL to furnish the documentary proof in support of its estimates along with the details of works envisaged on this account, current status and estimated time of commissioning.</td><td>below:
<table><tr><th>Sl. No.</th><th>Description of work</th><th>Amount (₹ in lakhs)</th></tr><tr><td>1.</td><td>Investigation, design & approval</td><td>55.50</td></tr><tr><td>2.</td><td>Site clearance work</td><td>148.00</td></tr><tr><td>3.</td><td>Earth work</td><td>166.50</td></tr><tr><td>4.</td><td>Pavement works</td><td>2183.00</td></tr><tr><td>5.</td><td>Utilities</td><td>851.00</td></tr><tr><td>6.</td><td>Miscellaneous</td><td>296.00</td></tr><tr><td></td><td>Total</td><td>3700.00</td></tr></table></td></tr>
<tr><td></td><td>(c). CITPL to note that completed and commissioned assets alone will be counted for capital employed and work-in-progress should be excluded. CITPL to furnish a confirmation in this regard.</td><td>---</td></tr>
<tr><td>B.</td><td><u>Working Capital</u>:</td><td></td></tr>
<tr><td>(i).</td><td>The CITPL to review the estimated value of sundry debtors considered by it for the years 2012 to 2014 in line with the points made at Sl. No.B (xviii) (a) & (b).</td><td>The CITPL has made the necessary correction in the Format B.

(In the revised cost statements, the CITPL has excluded the advance payment of revenue share from the sundry debtors. It has, however, retained the value of BG given for being customs custodian of containers in the sundry debtors.)</td></tr>
<tr><td>(ii).</td><td>The CITPL to furnish the basis for considering 25% of the repairs and maintenance expenses as the value of consumption of stores, in the estimation of inventory component of working capital for the years 2012 to 2014.</td><td>The CITPL has stated that it is based on the thumb rule commonly followed.</td></tr>
<tr><td>(iii).</td><td>(a). The CITPL has stated that it has assessed the current liabilities as 15 days credit for goods and services purchased. CITPL to justify its assessment with reference to actual current liabilities for the years 2010 and 2011.</td><td>In the year 2009 and 2010, it had current liabilities of ₹2685 lakh and ₹2903 lakh which included ₹2648 lakh and ₹2765 lakh of creditors for capital goods. These are excluded to determine the levels of Current liabilities. Against the current liabilities of ₹37 lakh in 2009 and ₹138 lakh in 2010, the projections considered for years 2012 to 2014 are reasonable.</td></tr>
<tr><td></td><td>(b). It is seen from the workings furnished by CITPL, it has not considered the estimated expenses in respect of operating & direct labour, maintenance labour, equipment hire charges and management and administration overheads in the estimation of current liabilities at 15 days credit for the years 2012 to 2014.</td><td>These normally get cleared on the last day of the month when they become due.</td></tr>
<tr><td>(D).</td><td><u>Scale of Rates</u>:</td><td></td></tr>
<tr><td>(i).</td><td>The CITPL has formulated its proposed Scale of Rates considering an increase of 15% over the existing tariff at CITPL. CITPL to list out the benefit of productivity improvements accruing to users justifying this</td><td>With addition of handling equipment, CITPL will serve the users with better and faster vessel turnaround. User will spend less time in ports.</td></tr>
</table>

	hike.	
(ii).	The CITPL has proposed numerous changes in the definitions, conditions, headings as well as notes prescribed under different sub-sections of the existing SoR, including shifting of notes from one place to another. It has also proposed a number of new tariff items. CITPL to provide the comparative position of the existing Scale of Rates and proposed Scale of Rates, in a tabular format, giving the reasons for each modification in a separate column.	The CITPL has furnished comparative position of existing definitions and notes under Section 3 of the existing Scale of Rates with the proposed definitions and notes with reason for proposed modification.
(iii).	The CITPL has proposed changes in the title paragraph under 'Definitions and Conditions' by inserting the words 'from time to time' and by replacing the words 'at its Container Terminal' with CITPL. The need therefor to be clarified.	The changes have been made for the sake of more clarity and being precise.
(iv).	(a). The existing definitions of the terms "Over Dimensional Container", "Reefer" and "Transhipment Container" have been proposed to be modified. The need therefor to be clarified.	In the term "Over Dimensional Container", the words "including boxes having corner casting problem "has been omitted since damaged includes such damages. Transshipment container has been comprehensively defined to cover all transshipment containers. Definition for "Reefer" may be retained as per the old scale of rates.
	(b). The CTIPL has proposed a definition for the terms "Bonded Trucking", "ICD Container" and "Per shift". The need therefor to be clarified.	These terms have not been covered in the existing scale of rates and have been included for greater clarity for operations.
(v).	(a). The reasons for proposed deletion of existing clause 2.2 under 'General conditions', which governs levy of charges for hazardous cargo containers / over dimensional containers to be clarified.	The point on the existing clause 2.2 under 'General conditions', which governs levy of charges for hazardous cargo containers / over dimensional containers has been covered in the proposed scale of rates at clause 2 (iii) (e).
	(b). The CITPL has proposed modifications in the existing clauses 2.3, 2.5 and 2.9 of the general conditions. The need therefor, to be clarified.	The clauses 2.3, 2.5 and 2.9 have been included in the proposed scale of rates as 2(v), 2 (x) and 2 (vii) respectively. (CITPL has not clarified the need for modification in the above clauses).
(vi).	CITPL to furnish the need for proposing a separate Section under the heading 'Application' containing two new provisions.	The two new sections have been added to clarify the scope and applicability of import and export rates and transshipment container rates.
(vii).	The CITPL has proposed new rates for additional movement of container from Terminal to Rail Yard or vice versa, at Section 4.3.4 of the proposed SoR. The rate proposed for a 20' container	CITPL has proposed comprehensive new rates for additional movement of container from Terminal to Rail Yard or vice versa, at Section 4.3.4 to cover the following i. Lift on/Lift off move at Container yard. ii. Transportation from Container yard to Rail yard.

	(loaded and empty) is ₹2875/-. CITPL to furnish the basis for arriving at the rate of ₹ 2875/- with cost details along with additional revenue likely to be generated on this account during the years 2012 to 2014 with workings.	iii. Lift on / Lift off move onto Rail.
(viii).	(a). The CITPL has included the tariff for 'Shut out containers' under the existing heading 'Charges for Shifting Containers within Vessel (Restows)'. In the existing SoR, it is prescribed as a separate section at Section 3.10. The reasons for shifting the said provision to be clarified.	The section has been clubbed with shifting of containers within vessels (Restows) for ease of use and clarity (Section 4.7 in the New SoR).
	(b). The CITPL has proposed an increase of 30% in the rate of 'Shut out container' applicable for 20' foreign container as against the general increase of 15% proposed by it.	This is a typographical error in our submission and corrected in the revised scale of rates submitted in its letter dated 5 December 2011.
(ix).	The CITPL has proposed to rename the existing section 3.12.13 'miscellaneous charges' as 'Additional Charges' in the proposed SoR (Section 4.9 of the proposed SoR). Further, it has proposed to include the following new tariff items under this heading:	
	(a). Transportation of containers to any other Rail Head or Container Terminal within ChPT premises.	This is required to cover movement of containers from neighboring terminal (which does not have rail head) or other terminals etc. in ChPT premises to CITPL for rail operations.
	(b). Plugging / unplugging of containers	Additional services required by users.
	(c). Receipt of cargo beyond cut-off time	Duplication now deleted in the revised SOR
	(d). Direct loading	Now deleted in the revised SOR
	(e). Handling of Shoe Bin	
	(f). Container cleaning charges	
	(g). Weighment of trailers with / without cargo	This is required in case there is requirement by Customs officials.
	(h). Sub-items under 'Customs Inspection charges' pertaining to 'stuffing and destuffing of containers' and 'seal cutting'.	The Sub items have been deleted and the item restored as per earlier SOR as to On Wheel Customs inspection (per container)

	CITPL to clarify the following points in this regard: (i). The new tariff item at Sl. No. (a) above appears to be a duplication of new tariff item at Section 4.3.4 of the proposed SoR.	The duplication is regretted and is to be removed. This is corrected in the revised scale of rates submitted.
	(ii). CITPL to justify the proposed new tariff items with cost details and furnish the additional income proposed to be generated on account of each of proposed tariff items, for each of the years 2012 to 2014, with workings.	
	(iii). Apart from proposed modification of existing clauses under 'Miscellaneous charges', the CITPL has also proposed a number of new notes under the renamed Section 'Additional charges', which appear to be based on the new tariff items proposed by it. However it appears that some of the notes, viz. Issuance of documents, Change of container status, Change of shipment status, etc. are not linked to any tariff item. The CITPL to clarify the need for proposing modification in the existing clauses as well as the reason for introducing each new clause.	We agree with the observation and the definitions Issuance of documents, Change of container status, Change of shipment status are removed from the revised Scale of Rates.
	(iv). CITPL to clarify the relevance of proposing a new note '17. Delay in submission of the relevant documents' under Section 4.9 – Additional charges of the proposed SoR.	This is deleted in the revised SOR.
(x).	(a). The existing note under Storage charges relating to over dimensional container stipulate that storage charges shall be based on the actual number of ground slots the respective container occupies. The CITPL has proposed to modify this provision to the effect that such containers shall attract thrice the normal storages charges. The proposed modification to be justified.	This is to ensure there is clarity to users and no ambiguity in the charges. For such containers no stacking is possible hence we propose to charge thrice the normal charges.
	(b). The CITPL has proposed to delete the existing note at 3.12.8 which governs applicability of free time and storage rates prescribed in case of ICD containers only for movement of containers to / from ICDs going	These clauses have inadvertently missed out and now added in the revised scale of rates submitted.

	by rail only. The CITPL has also proposed to delete the existing Note at 3.12.9 which governs the admissibility of free period in respect of normal import containers subsequently changing the mode to either LCL or ICD containers. Likewise, it has proposed to delete the existing note at 3.12.12 which governs reservation of ground slots for export containers. The reasons for proposed deletions to be furnished.	
	(c). The CITPL has proposed to introduce a new note relating to storage charges applicable for 'auctioned containers'. CITPL to clarify the need therefor.	This is to bring clarity for auctioned containers on the applicable rates after destuffing is completed.
(xi).	The charges for removal of garbage prescribed in the existing SoR specify the unit of levy as ½ cubic metre and the rate is ₹257.40 per unit of levy. The CITPL has proposed to modify the unit of levy as 'per truck trip' and proposed a rate of ₹5,500/- in the proposed SoR. The need for change in the unit of levy may be furnished. The proposed rate to be justified with cost details. The additional income proposed to be generated on account of the proposed tariff item to be quantified and furnished with workings for each of the years 2012 to 2014.	CITPL proposes to change the unit of levy since it is difficult to measure the garbage physically and full truck needs to be arranged each time the garbage is to be removed. The additional income generated is estimated to be negligible amount for the year 2012 to 2014.
(xii).	In respect of charges for supply of fresh water, the CITPL has proposed an increase of 20% and 35% over the existing rates of US$ 7.47 per 1000 litres and ₹313.74 per 1000 litres applicable for foreign vessel and coastal vessel respectively. The increase proposed at a higher level than the general increase of 15% proposed by CITPL needs to be justified with cost details. The additional income proposed to be generated on this account also to be quantified and furnished with workings for each of the years 2012 to 2014.	The increase proposed is 15% and the error is rectified in the revised submission of scale of rates.
(xiii).	The CITPL has proposed a new tariff Section-II (Other Services) which comprises of charges for 'Entry Pass', 'Photography' and 'Web Access/others'. The need	The section on Entry pass is deleted in the revised submission of scale of rates. Photography is included to allow charging for film shoots. The income from such is estimated to be very

	for each of the proposed rates to be justified with cost details along with additional income proposed to be generated on this account in each of the years 2012 to 2014.	negligible.

5.2. While furnishing its response to the queries, the CITPL has also modified its proposal. The main points / additional submissions made by the CITPL in its modified proposal are summarised below:

(i). The revised cost statements have been prepared in the prescribed formats with actuals for the years 2009 & 2010 (Actuals), estimates for 2011 with actuals upto October 2011 and projections from 2012 to 2014. Based on the revised cost statements, the operations for the years 2009 to 2014 (without taking into account Revenue share payable to the Port), would result in deficit as summarized below.

Particulars	2009 A	2010 A	2011 E	2012 P	2013 P	2014 P
Container Traffic	20,100	304,752	450,000	585,000	789,750	1,066,163
Income	451	7,751	13,843	15,375	20,763	27,170
Operative Exps	497	2,873	4,036	7,125	8,752	10,564
Depreciation	713	2,922	2,920	5,350	5,306	5,301
Overheads	225	1,257	919	1,525	1,644	1,769
Capital Employed	58469	56081	53713	72613	70607	65441
ROCE @ 16%	2,589	8,973	8,594	12,833	12,468	11,615
Surplus/Deficit	-3572	-8,274	-2626	-10,441	-6318	-938
Surplus/Deficit as % to Income	-7.92	-1.07	-0.19	-0.68	-0.3	-0.03

A - Actuals; E - Estimates; P - Projections

(ii). On the basis of the present tariff, CITPL faces a deficit of ₹144.73 Crores up to December 2011. During next 3 years, it will incur a deficit of ₹176.97 Crores. In order to meet the shortfall of ₹176.97 crores, the tariff should be increased by ₹725.01 per TEU, i.e. almost 25% of existing cost. CITPL has however requested for across the board increase of only 15% in the tariff. CITPL has sought a lower increase in tariff to ensure that the rates are not unduly high in view of the competition from the neighbouring terminals.

(iii). CITPL proposes to procure 4 new Quay Cranes and 8 RTGS. The equipment is expected to be commissioned by May 2012. The terminals coming up in near vicinity and those existing presently have or are planning to have the following equipment:

Sl. No.	Terminals	QCs	RTGCs
1	Chennai Container Terminal Ltd.	8	24
2	L&T , Kattupalli (1st phase by Jan 2012)	6	18
3	Krishnapatnam (1st phase by Dec 2011)	6	16
4	Ennore (Start off)	10	33

(iv). As against the above, CITPL presently with 3 QCs and 10 RTGCs is in a highly disadvantageous position to compete. CITPL has a distinct advantage in long quay length of 852 m which can safely accommodate 3 vessels at a time but does not have the cranes to efficiently load/unload containers. If three cranes only are allowed to continue then discharge of one vessel of 700 containers will need almost 35 hours to unload a vessel if three vessels arrive. But normally when the terminal has only three QCs, more than one vessel at a time normally does not call and precious investment in berth remains unutilised. Hence to attract vessels to the port, under present situation of competition, it is essential to have additional equipment as proposed.

(v). The capacity of berth after all 7 cranes are commissioned will be 1.14 million TEUs per annum at the CGR of 20 moves per hour, the benchmark for crane performance presently existing and proposed for the tariff cycle under consideration. The terminal has projected container traffic of 1.06 million TEUs in 2014. The cranes will be fully utilised in 2014 and will be used for quicker discharge of containers initially. The faster turnover at the terminal will be the strategy for marketing the terminal. The CITPL has further stated that other terminal at the same port (CCTPL) has done volumes of 11,40,638 TEUS in the year 2010 deploying 8 QC's and 24 RTGS.

(vi). The CITPL has modified the box ratio from 0.99 to 1.33 in the revised cost statements. It has also modified the number of moves per hour from 25 proposed earlier to 20 in the revised proposal. The annual capacity of the terminal is thus revised by CITPL from 1,062,369 TEUs to 1,141,778 TEUs.

(vii). The CITPL has modified the estimated traffic for the year 2011 from 4,50,000 TEUs proposed earlier to 4,70,000 TEUs in the revised proposal, based on the actual traffic handled upto October 2011. It has maintained the projected traffic for the years 2012 to 2014, as estimated by it in its original proposal of 14 October 2011.

(viii). The CITPL has modified the estimated operating income, operating expenses, depreciation, overheads and capital employed for the years 2012 to 2014 in its modified proposal of 5 December 2011. The CITPL has further modified the estimated operating cost and estimated capital employed in the revised the cost statements furnished by it under cover of its letter dated 14 December 2011.

(ix). Some of the modifications proposed in the conditionalities governing the application of Scale of Rates are withdrawn.

5.3. The financial / cost position for the years 2012, 2013 and 2014 at the existing level of tariff as reflected in the modified consolidated income and cost statement furnished by CITPL is tabulated below:

(₹ in lakhs)

Sl. No.	Particulars	Estimates		
		2012	2013	2014
1.	Traffic (in TEUs)	585000	789750	1066163
2.	Operating income	15375	20763	27170
3.	Operating Expenses	7322	8835	10567
4.	Depreciation	5350	5306	5301
5.	Overheads	1525	1644	1769
6.	ROCE	11618	11297	10471
7.	Net surplus / (deficit) after return	(10441)	(6318)	(938)
8.	Net surplus / (deficit) as a percentage of operating income	(-)68%	(-)30%	(-)3%
9.	Average for three years	(-)28%		

6. The ChPT was also requested vide our letter dated 21 November 2011 to furnish the information / clarification on certain issues. The ChPT responded vide its letter dated 5 December 2011. The information sought and the response of ChPT are juxtaposed below:

Sl. No.	Information / clarification sought by TAMP	Response of ChPT
(i).	Actual traffic of CITPL during the calendar year 2010 and the actual traffic of CITPL	The ChPT furnished the traffic details as Annexure. The details furnished by ChPT are given below:

Year	Import Loaded	Export Loaded	Import Empty	Export Empty	Trans shipment	Shifting	Total
2010	145298	85431	9825	56359	7109	730	304752

<table>
<tr><td></td><td>from January 2011 to October 2011 with container mix pattern.</td><td>
<table>
<tr><th>year</th><th>Import Loaded</th><th>Export Loaded</th><th>Import Empty</th><th>Export Empty</th><th>Trans shipment</th><th>Shifting</th><th>Total</th></tr>
<tr><td>2011
(Jan. to Oct.)</td><td>183775</td><td>143399</td><td>10895</td><td>57376</td><td>4029</td><td>430</td><td>399904</td></tr>
</table>
</td></tr>
<tr><td>(ii).</td><td>Traffic forecast of CITPL terminal for the years 2011 to 2014 as per the port's business plan / annual plan / five year plan.</td><td>The projected container traffic in RE 2011-12 is 408623 TEUs and in BE 2012-13 is 429054 TEUs</td></tr>
<tr><td>(iii).</td><td>ChPT's comments on the quay capacity calculation furnished by CITPL, with the proposed addition of 4 RMQCs and 8 RTGs. The Port's comments on the box ratio of 0.99 considered by CITPL in the capacity calculation.</td><td>With the available equipment of 3 RMQCs & 10 RTGs, M/s. CITPL have handled the following traffic throughput:

Sep.2009 to Dec.2009 - 20100 TEUs
Jan.2010 to Dec.2010 - 304752 TEUs
Jan.2011 to Oct.2011 - 399904 TEUs

During the Joint hearing held on 29.11.2011, M/s.CITPL have projected a throughput, with the addition of 4 RMQCs and 8 RTGs for the next three years as follows:

2012 - 585000 TEUs
2013 - 789750 TEUs
2014 - 1066163 TEUs

As regards the box ratio of 0.99 is concerned, ChPT has no specific remarks to offer since M/s.CITPL, the Terminal Operators have projected the box ratio based on their practical experience.</td></tr>
<tr><td>(iv).</td><td>As per the LA, the ChPT was to reclaim an area of 78,000 sq. m. and hand it over to the CITPL. During the last revision of tariff at CITPL, it was reported by ChPT that the reclaimed area would be handed over to CITPL in April 2010. ChPT to inform the actual date of handing over of the reclaimed area to CITPL.</td><td>Article 6, Clause 6.4 of License Agreement states that, "The Licensor will endeavour to handover the Reclaimed area prior to the date of commercial operation. In the event the Licensor fails to handover the Reclaimed area within a period of 30 months from the date of Award of the License it shall at its cost and charges make available an alternate land of similar area as the Reclaimed area and as close as is reasonably possible to the Licensed premises within a period of 30 months from the date of Award of the License. Failure of the Licensor to handover the reclaimed area or an alternate area in lieu of Reclaimed area will not be treated as a Licensor Event of Default".

The work of reclaiming an area of about 78000 sq. m. of land is partly completed. The balance reclamation work is proposed to be completed by utilizing the sand from recently awarded work of dredging the Dr.Ambedkar Dock Basin by the end of February 2012.</td></tr>
<tr><td>(v).</td><td>ChPT to confirm that the estimation of lease rentals made by CITPL for the years 2011 to 2014 are in line with the provisions of the Licence Agreement.</td><td>The estimation of lease rentals payable to Ch.PT as made by CITPL for the years 2011 to 2014 is as follows:
2011 - ₹887 lakhs
2012 - ₹1095 lakhs
2013 - ₹1117 lakhs
2014 - ₹1139 lakhs

However, as per the License Agreement, the Lease rent payable by M/s.CITPL to Ch.PT for the years 2011 to 2014 for the land already allotted is as follows:
2011 - ₹858 lakhs
2012 - ₹901 lakhs
2013 - ₹945 lakhs
2014 - ₹993 lakhs</td></tr>
</table>

(vi).	ChPT to furnish its specific comments on the additions to the Gross Block of assets estimated to the tune of ₹247.68 Crores during the year 2012 towards purchase of additional container handling equipment and ₹30 crores during the year 2013 towards development of container yard.	M/s.CITPL have invested a sum of Rs.565.77 Crores upto 28.02.11 which is in order as per the conditions of the License Agreement. In case they are increasing efficiency parameter and also use cranes for all the 3 vessels simultaneously by additional investments and increase in the Land capacity, it is beneficial to the port for improving efficiency parameters of the Port as a whole.
(vii).	The audited annual accounts for the year 2010 shows an amount of ₹61,68,966/- towards addition to the initial upfront premium of ₹10 crores. ChPT to confirm whether this amount represents additional upfront premium received by ChPT and if so, the details thereof to be furnished.	M/s.CITPL have paid the initial upfront premium of ₹10.00 Crores on 17.11.2006 only and no further payment has been received from the firm towards upfront premium.

7.1 A joint hearing in this case was held on 29 November 2011 at Chennai. The CITPL made a presentation of its proposal. At the joint hearing, CITPL, ChPT and users have made their submissions.

7.2 At the joint hearing, the CITPL was advised to explore the possibility of reducing the gap between the estimated traffic and assessed capacity of the terminal after the proposed capital additions. CITPL was also advised to explore the possibility of introducing a performance based tariff structure with an assured level of productivity and send a detailed note in this regard. The decisions taken at the joint hearing and response of CITPL culled out from its response to our queries seeking additional information / clarification is summarised below:

Sl. No.	Decision taken at the joint hearing	Response of CITPL
(i).	CITPL to explore the possibility of reducing the gap between estimated traffic and assessed capacity of the terminal after the proposed capital additions	The capacity of berth after all 7 cranes are commissioned will be 1.14 million TEUs per annum at the CGR of 20 moves per hour, the benchmark for crane performance presently existing and proposed for the tariff cycle under consideration. The terminal has projected container traffic of 1.06 million TEUs in 2014. The cranes will be fully utilised in the year 2014 and will be used for quicker discharge of containers initially.
(ii).	CITPL to explore the possibility of introducing a performance based tariff structure with an assured level of productivity and send a detailed note in this regard.	The CITPL has not furnished any response.

8. A comparative position of the estimated traffic and financial / cost position at the existing level of tariff furnished by the CITPL in its original proposal dated 14 October 2011, modified proposal dated 5 December 2011 and revised cost statements vide letter dated 14 December 2011 is tabulated below:

(₹ in lakhs)

Sl. No.	Particulars	Original proposal dated 14 October 2011			Modified proposal dated 5 December 2011			Revised cost statements dated 14 December 2011		
		2012	2013	2014	2012	2013	2014	2012	2013	2014
1.	Traffic (in TEUs)	585000	789750	1066163	585000	789750	1066163	585000	789750	1066163
2.	Operating income	17,723	23,940	32,319	15,375	20,763	27,170	15,375	20,763	27,170
3.	Operating cost	6,859	8,309	9,913	7,322	8,835	10,567	7,322	8,879	10,731
4.	Depreciation	5,494	5,449	5,445	5,350	5,306	5,301	5,350	5,306	5,301
5.	Overheads	1,405	1,517	1,635	1,525	1,644	1,769	1,525	1,644	1,769
6.	Capital Employed	80,340	78,187	72,864	72,613	70,607	65,441	71,782	69,779	64,623
7.	ROCE	12,854	12,510	11,658	11,618	11,297	10,471	11,485	11,165	10,340
8.	Net surplus / (deficit) after return (2 – 3 – 4 – 5 – 7)	(8,889)	(3,845)	3,668	(10,440)	(6,319)	(938)	(10,308)	(6,230)	(971)
7.	Net surplus / (deficit) as a percentage of operating income	(-)50%	(-)16%	11%	(-)68%	(-)30%	(-)3%	(-)67%	(-)30%	(-)4%
8.	Aggregate Net deficit for the tariff cycle	(9,066)			(17697)			(17509)		
9.	Average percentage of Net deficit for the tariff cycle	-12%			-27.95%			-27.65%		

9. 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 made available at our website http://tariffauthority.gov.in

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

(i). The existing Scale of Rates (SOR) of CITPL was approved in November 2010 with validity till 31 December 2011. The modified proposal of CITPL dated 5 December 2011 along with the revised cost statements furnished by CITPL under cover of its letter dated 14 December 2011 and the additional information / clarifications offered during the processing of this case is considered in this analysis.

(ii). The existing tariff was fixed in November 2010 relying on the estimated financial / cost position for the years 2010 and 2011. Incidentally, CITPL follows calendar year for financial reporting and it has adopted the same basis for tariff revision exercise also. Clause 2.13 of the tariff guidelines of March 2005 mandates a review of the actual physical and financial performance of the Major Ports and Private Terminals thereat at the end of the prescribed tariff validity period with reference to the projections relied upon at the time of fixing the prevailing tariff. Therefore, the actual physical and financial performance of the Terminal during the years 2010 and 2011 are analysed in the following paragraphs.

(iii). The statement furnished by the CITPL for the year 2010 reconciling the financial / cost position as furnished in the cost statement with the position as per the audited accounts contained deficiencies. Therefore, necessary modifications are made in the cost statement to reflect the audited position. The modifications made in the cost statement are discussed in the subsequent paragraphs.

As far as the year 2011 is concerned, the CITPL has furnished the actual financial position for the period from Jan'11 to Oct'11, duly certified by a Chartered Accountant. The CITPL has furnished the financial / cost position for the corresponding period from Jan'11 to Oct'11 in the cost statement. The position furnished in the cost statement vis-à-vis the certified financial position do not match with each other. Though the position furnished in the cost statement is claimed to be reconciled with the certified accounts, a reconciliation statement in this regard is not furnished by the CITPL. Therefore, necessary modifications are made in the cost statement for the period upto October 2011, to reflect the certified financial position for the corresponding period. The modifications made in the cost statement for the period upto October 2011 are also discussed in the subsequent paragraphs.

The financial / cost position furnished by the CITPL in the cost statement for whole of the year 2011 is found to be not in tandem with the actuals for the first 10 months upto Oct'11 for the following reasons:

(i). The CITPL has reported actual traffic for the first 10 months of the year 2011 at 399,906 TEUs, which on an average works out to 39,990 TEUs per month, whereas the CITPL has estimated traffic for the remaining two months at 35,000 TEUs per month. Accordingly, the operating income for the whole of the year 2011 is under estimated.

(ii). The per TEU actual fuel cost for the first 10 months works out to ₹113.50. The CITPL has, however, considered a per TEU fuel cost of ₹163.40 for whole of the year 2011. There appears to be some error in the estimation of fuel cost.

(iii). The CITPL has estimated repairs & maintenance expenses at ₹328 lakhs for whole of the year 2011 as against the actuals of ₹211 lakhs for the first 10 months. It has considered a 55% escalation in this item of expenditure for the remaining two months of the year. The reason for such a huge hike remains unexplained.

(iv). The CITPL has estimated equipment hire charges at ₹834 lakhs for whole of the year 2011 as against the actuals of ₹596 lakhs for the first 10 months. It has considered a 40% hike in this item of expenditure for remaining two months. The 40% hike appears to be due to consideration of equipment like Forklift, Trolley, Air compressor, tools and rental for UHF in the estimate for the whole year which does not form part of the actual equipment hire charges incurred for the first 10 months. The CITPL has not furnished documentary evidence for hiring the additional equipment in the last two months of the year 2011.

(v). The other direct expenses comprise lashing/unlashing, providing transport to shift staff and reefer cleaning / monitoring charges. The CITPL has estimated other direct expenses at ₹351 lakhs for whole of the year 2011 as against the actuals of ₹250 lakhs for the first 10 months, which shows an increase of 40% for the two months period. The reason for such an increase remains unexplained.

(vi). The CITPL has estimated general overheads at ₹555 lakhs for whole of the year 2011 as against the actuals of ₹328 lakhs for the first 10 months, which shows an increase of 69% for the two months. The CITPL has not justified the hike of 69% in the general overheads for the remaining two months period.

In short, the CITPL has not updated its estimates for the year 2011 based on the actuals for the first 10 months of the year 2011, inspite of an advice given to the CITPL vide our letter dated 21 November 2011. Therefore, the cost statement for the year 2011 is revised on a proportionate basis based on the actuals for the first 10 months. The cost statement so revised is considered for comparison with the estimates relied upon during last tariff fixation in November 2010. The physical and financial performance of the CITPL for the years 2010 and 2011 are discussed in the following paragraphs.

(iv). (a). The actual traffic handled by CITPL during the year 2010 and the actual / estimated traffic for the year 2011 are seen to be 304,752 TEUs and 479,887 TEUs respectively as against the estimates of 337,500 TEUs and 450,000 TEUs respectively. The variation in the physical performance is found to be (-)0.36%.

(b). The operating income for the years 2010 and 2011 considered by CITPL is inclusive of rebates and discounts allowed by the operator to the extent of ₹268.00 lakhs and ₹947.24 lakhs respectively. With regard to the operating income for the year 2011 it is seen that the CITPL has overstated the income to the extent of ₹18.49 lakhs in the cost statement as compared to the certified accounts. Therefore, the amount of ₹18.49 lakhs is excluded from the operating income for the year 2011. The variation in total operating income for the years 2010 and 2011 compared to the estimates works out to (-)10.22%.

(c). The variation in the actual operating expenses for the years 2010 and 2011 as compared to the estimates works out to around (-)21.85%. Incidentally, CITPL has excluded the Revenue share paid by it to ChPT during the years 2010 and 2011 in the cost statement, which is in line with last Tariff Order.

(d). The CITPL has overstated depreciation to the tune of ₹56 lakhs in the cost statement for the year 2010 compared to the audited accounts, which is excluded. The CITPL has shown the depreciation for the year 2011 at ₹2920.26 lakhs in the cost statement. Despite a query, it has not furnished workings for the computation of depreciation. The depreciation for the year 2011 is calculated applying the depreciation rates furnished by the CITPL in the audited annual accounts for the year 2010 for the respective assets and considering the additions to the gross block reported in the certified accounts for the year 2011 (upto October 2011). The depreciation for the year 2011 works out to ₹2865.53 lakhs. The aggregate variation in depreciation for the years 2010 and 2011 compared to actuals vis-à-vis estimates works out to (-)14.32%.

(e). The general overheads considered by CITPL for the year 2010, *inter-alia*, include legal and professional charges of ₹335.24 lakhs & bank charges of ₹284.92 lakhs respectively.

The bank charges of ₹284.92 lakhs includes expenses amounting to ₹205.52 lakhs towards commission, processing fee and documentation charges for raising loan. Since the expenses relating to sourcing of finance is not an admissible item of cost in the 'Return on Capital Employed' approach adopted by this Authority as per the Government policy guidelines, the above said expenses amounting to ₹205.52 lakhs is excluded from the general overheads considered by the CITPL.

Incidentally, the CITPL has understated overheads to the tune of ₹46.68 lakhs for the year 2010 and overstated overheads to the tune of ₹1.17 lakhs for the year 2011, when compared to the audited and certified accounts respectively, which appears to be an error. The error is rectified. The actual general overheads for the year 2010, subject to the above adjustments, work out to ₹786.16 lakhs. The actual / estimated general overheads for the year 2011 is at a lower level of ₹392.20 lakhs as compared to the actuals for the year 2010 mainly due to the reason that the operator has incurred substantial expenditure towards legal and professional charges in the year 2010.

(f). In the last tariff Order of November 2010, the upfront fee of ₹10 crores and the leasehold premium of ₹6.17 crores were amortized over the project period of 30 years @ ₹53.90 lakhs per annum. The CITPL has considered an amount of ₹55.62 lakhs and ₹57.00 lakhs for the years 2010 and 2011 respectively towards amortization of upfront fee and leasehold premium.

It is seen from the annual accounts for the year 2010 that the increase in the annual amortization amount is on account of the addition of ₹61.69 lakhs to the upfront fee of ₹10 crores considered by CITPL. When sought to clarify the nature of this payment, the CITPL has not responded. The ChPT has stated that it has not received any additional payment from CITPL towards upfront fee. The certified accounts for the period upto October 2011 for the year 2011 shows that the above item of addition has been shifted from the 'upfront fee' to the 'leasehold improvements'. Apart from shifting the above item, it has also considered a further addition of ₹35.71 lakhs to the leasehold improvement in the year 2011, aggregating to ₹97.40 lakhs, as seen from the certified copy of the financial position of the CITPL upto October 2011. Relying on the audited accounts for the year 2010 and the certified financial position for the year 2011 (upto October 2011), the additional capital expenditure to the tune ₹61.69 lakhs and ₹35.70 lakhs for the years 2010 and 2011 respectively are considered and amortized over the remaining licence period. Accordingly, the annual amortization amount works out to ₹55.61 lakhs and ₹57.58 lakhs for the years 2010 and 2011 respectively.

The variation in actual overheads for the years 2010 and 2011 compared to the estimates for the corresponding years is seen to be 12.73%.

(g). The actual miscellaneous income to the tune of ₹5.03 lakhs realized from sale of scrap and not considered by CITPL in the cost statement is considered under Finance & Miscellaneous income.

The certified financial position for the period upto October 2011 shows realization of ₹7.98 lakhs towards exchange fluctuation gain and other income. The CITPL has not considered this income in the cost statement. Since the reason for exclusion of this income not being explained, the same is considered under 'Finance & Miscellaneous income' for the year 2011.

(h). The closing net block of fixed assets reported by the CITPL in the cost statement for the years 2010 and 2011 do not match with the figures reported in the audited / certified accounts for the relevant years. At our request, the CITPL has furnished a statement reconciling the gross block and net block figures considered in the cost statement for the year 2010 with the gross block and net block figures reported in the audited annual accounts. It is seen from the reconciliation statement that the CITPL has included an amount of ₹28.76 crores in the opening and closing gross block as well as opening and closing net block of assets for the year 2010 towards Bank Guarantee for duty saved amount under EPCG scheme. Inclusion of ₹28.76 crores in the gross / net block of fixed assets over and above the position reported in the audited accounts remain unexplained. The net block as per the audited accounts for the year 2010 is considered for the purpose of computation of capital employed.

Incidentally, the CITPL has proposed additions to the gross block to the extent of ₹347.43 lakhs in the year 2011 which have not materialized upto October 2011, as seen from the certified accounts. The details are tabulated below:

Sl. No.	Particulars	₹ in lakhs	Status indicated by CITPL
1.	Laying concrete road near CITPL terminal entrance	47.43	As per the copy of the work order furnished by CITPL, the work is likely to be completed before 6 January 2012.
2.	Additional Reefer structure	125.00	Quotes received by CITPL are under evaluation. The work is estimated to be completed by April 2012.
3.	Construction of new workshop for additional equipment	125.00	Quotes invited from vendors. Estimated completion by August 2012.
4.	IT infrastructure (New ERP solutions)	50.00	Work expected to be completed by December 2012.
	TOTAL	**347.43**	

Since none of the above said work is expected to be completed in the remaining two months of the year 2011, these items are not considered in the year 2011 and its consideration in the subsequent years is discussed in the later part of this analysis.

(i). Clause 2.9.9 of the tariff guidelines of March 2005 prescribes norms for admissibility of working capital. The details of working capital considered are as follows:

(i) As per the norms, two months' estate income and two months' terminal charges payable by Indian Railways are the limit for allowable sundry debtors. This Authority has passed an Order on 30 September 2008 which, inter-alia, permits the outflow on certain items arising from contractual obligations of LA to be taken as a part of sundry debtors.

The CITPL has considered Bank Guarantee for being customs custodian for containers and land lease charges under sundry debtors. The element of Bank Guarantee for being customs custodian for containers is not permitted in the tariff guidelines of March 2005. As far as the land lease charges is concerned, as per the provisions of LA, one year lease rent is payable by the CITPL to the ChPT in advance. Considering this position, six months' lease rent based on the annual lease rent actually paid by the CITPL for the relevant years, is considered under 'sundry debtors' for the years 2010 and 2011. The sundry debtors estimated by the CITPL for the future years 2012 to 2014 is moderated at six months' annual land lease charges based on the estimated annual land lease charges considered for the respective years.

(ii) The limit on inventory for capital spares prescribed in the tariff guidelines is one year's average consumption and the limit on other items of inventory is six months' average consumption of stores excluding fuel, as stipulated in the tariff guidelines of March 2005.

The CITPL has not considered any amount towards capital spares for the year 2010. It has considered an amount of ₹110.00 lakhs for the year 2011. The certified accounts for the year 2011 do not reflect the consumption of capital spares in the year 2011. That being so, the value of capital spares is not considered.

The value of inventory considered by CITPL for the year 2010 is seen to be as per norms. As far as the years 2011 to 2014 are concerned, the CITPL has considered 25% of the repairs and maintenance expenditure as the value of consumption of inventory for whole year and six months' consumption is considered as the value of inventory by CITPL. The approach adopted by the CITPL in the calculation of inventory maintained but the value of actual / estimated inventory considered by CITPL for the year 2011 is moderated based on the moderated repairs and maintenance expenses considered for the year 2011.

(iii) The limit on cash balance prescribed in the tariff guidelines is one month's cash expenses. The actual / estimated cash balance considered by the CITPL for the years 2010 and 2011 is moderated based on one month's moderated operating expenses and overheads excluding depreciation as considered.

(iv) The audited annual accounts for the year 2010 reports current liabilities to the tune of ₹ 2903 lakhs. However, the CITPL has considered the current liabilities at ₹138 lakhs in the computation of working capital. To a query in this regard, the CITPL has clarified that a sum of ₹2765 lakhs relates to its liability to the suppliers of capital equipment and hence excluded for the purpose of computation of working capital. Capital works in progress are not recognized as part of Capital Employed, and, therefore, the payment due to the suppliers of capital equipment may not form part of current liabilities for the purpose of computation of working capital.

As far as the years 2011 is concerned, the CITPL has calculated the value of current liabilities at 15 days' credit for goods and services purchased. It has not considered the actual / estimated expenses in respect of operating direct labour, maintenance labour, equipment hire charges and management & administration overheads for this purpose on the ground that these expenses normally get cleared on the last day of the month when they become due. Since the above items of expenses are considered in the estimation of cash balance under current assets, it is not appropriate to exclude them for the purpose of estimation of current liabilities. That being so, the above said expenses are also considered at 15 days' credit, following the approach adopted by the CITPL for calculation of current liabilities. The current liabilities estimated by CITPL for the year 2011 is modified taking into account the moderated operating expenses considered for the said year.

Considering the moderated current assets and current liabilities, the working capital for the years 2010 and 2011 works out to ₹654.60 lakhs and ₹701.98 lakhs respectively.

(j). The unamortized portion of upfront fee and leasehold premium form part of the capital employed on which return is allowed. Subject to above modifications, the capital Employed for the years 2010 and 2011 works out to ₹52748.59 lakhs and ₹49927.82 lakhs respectively as against the estimated capital employed of ₹52416.50 lakhs and ₹50320.74 lakhs for the corresponding years. The variation between the actual and estimated capital employed is seen to be (–)0.06%.

(k). Considering the annual capacity of the terminal at 597870 TEUs for the years 2010 and 2011 as considered in the tariff Order of November 2010 and the actual traffic handled during the relevant years, the actual capacity utilization works out to 51% and 80% respectively for the said two years. Since the investment made by the CITPL in the facilities is as per the LA, the operator is eligible for full ROCE, as per the guidelines and as recorded in the last tariff Order of November 2010. Accordingly, return on capital employed for the said two years is allowed at the maximum rate of 16% applicable for the respective years.

(l). Subject to the above adjustments, the financial / cost position after return for the years 2010 and 2011 shows a deficit position. The net deficit after permissible return for the years 2010 and 2011 are at ₹7493.68 lakhs and ₹1153.28 lakhs respectively, aggregating to ₹8646.96 lakhs.

(m). The variations in the actual performance of CITPL compared to the estimates, in respect of key parameters, are furnished in the table given below:

(₹ in lakhs)

Particulars	Aggregate of 2010 and 2011		
	Estimates	**Actuals**	**Variance**
Traffic (in TEUs)	787500	784639	**(-)0.36%**
Operating Income	24,163.50	21,695.06	**(-)10.22%**
Operating Expenses (including depreciation and overheads)	16,463.62	13,926.81	**(-)15.41%**
Capital Employed (average)	51,368.62	51,335.25	**(-)0.06%**
Rate of Return on Capital Employed	7.49%	7.58%	**(+)1.12%**

Clause 2.13 of the tariff guidelines of March 2005 while prescribing performance variation of + or – 20% for adjustment of past surplus, stipulates review of both physical and financial performance. In this case, the variation in both the physical performance as well as the key parameters of financial performance like operating income, operating expenses and capital employed, Rate of Return on capital employed are found to be less than 20%. Therefore, the question of adjustment of past deficit in future tariff does not arise.

Since the deficit position for the year 2011 is partially based on estimates, the actual position for the year 2011 shall be subject to review during the next tariff revision exercise. If variation is found between the estimate and actual position for the year 2011, the net deficit position for the years 2010 and 2011 considered above shall be reviewed and shall be dealt as per clause 2.13 of the tariff guidelines of 2005.

(vi). As per clause 3.1.8. of the tariff guidelines of 2005, the normal tariff validity cycle is for a period of three years and hence the analysis in respect of CITPL is done for a three years period from 2012 to 2014.

The actual / estimated traffic handled by CITPL is 479,887 TEUs in the year 2011. The traffic estimated by CITPL for the years 2012 to 2014 is 585,000 TEUs, 789,750 TEUs and 1,066,163 TEUs respectively with the proposed addition of 4 RMQCs and 8 RTGs during the year 2012. The annual growth projected in the traffic is around 22% in the year 2012 and 35% each during the years 2013 and 2014 over the estimated traffic of the respective previous year. The CITPL has stated that the projected traffic growth is based on traffic study carried out by it with the assistance of consultants, economic activities in the feeder area and the terminals coming in vicinity.

The estimated traffic for each of the years 2012 to 2014 is more than the Minimum Guaranteed Throughput (MGT) prescribed in the LA at 500,000 TEUs per annum. Further, the traffic estimated by the CITPL for the year 2012 is more than the projected traffic of 429,054 TEUs reportedly considered by the ChPT in its Budget Estimates 2012-13 in respect of CITPL. The ChPT and the users have not made any adverse remarks on the traffic estimates of CITPL. Therefore, the traffic estimates as furnished by CITPL for the years 2012 to 2014 are relied upon for the purpose of this analysis.

The CITPL has adopted a container mix ratio of 94.09% for foreign containers, 3.78% for coastal containers, 1.77% for transhipment containers and 0.36% for others which includes hazardous and oversize containers in the estimated traffic for the years 2012 to 2014 reportedly based on the actual mix ratio of various types of containers handled during the year 2011 (upto October 2011). However, the actual container mix ratio in the actual traffic handled by CITPL from January 2011 to October 2011, as furnished by the CITPL, is seen to be at 95.11% for foreign containers, 3.24% for coastal containers, 1.38% for transhipment containers and 0.28% for other types of containers, which shows that the CITPL has not updated the position. Therefore, ratio of various types of containers in the estimated traffic for the years 2012 to 2014 is updated based on the actual container mix ratio obtained for the period upto October 2011.

Though the estimated traffic compares favourably with MGT levels, there is considerable capacity available during the years 2012 and 2013 in view of the proposed addition of container handling equipment. Therefore, if any undue advantage is found to have accrued to the CITPL due to wrong estimation of traffic, the additional surplus so earned will be adjusted as per the tariff guidelines of March 2005 in the next tariff cycle.

(vii). (a). The operating income estimated by CITPL in the cost statement for the years 2012 to 2014 is ₹15375 lakhs, ₹20763 lakhs and ₹27170 lakhs respectively. The operating income estimated by CITPL for the years 2012 to 2014 for the estimated volumes is not found to be in tandem with the actual operating income for the actual traffic handled during the year 2011. While the average actual per TEU realisation for the year 2011 works out to around ₹2906/-, the average per TEU realisation considered by CITPL for the years 2012 to 2014 is around ₹2,628/- for the years 2012 and 2013 and around ₹2,548/- for the year 2014. Considering the position that the actual container mix ratio of 2011 is adopted for the years 2012 to 2014 by the CITPL, the operating income estimated by the CITPL for the years 2012 to 2014 is seen to be understated.

(b). The workings furnished by CITPL for estimation of income at the existing level of tariff for the estimated traffic for the years 2012 to 2014 shows that it has considered consolidated unit rates for each category of container like foreign, coastal, transhipment and loaded, empty, reefer containers under each category. When sought to furnish the break-up for the consolidated rates in terms of item-wise rates prescribed in the approved Scale of Rates (SoR), the CITPL has furnished such break-up for one type of container, viz. normal foreign 20' loaded container only. It has not furnished such break-up for other types of containers. Therefore, and considering that the operating income estimated by CITPL for the years 2012 to 2014 is seen to be understated, the consolidated unit rates for each type of containers is calculated taking into account the item wise rates prescribed in the approved SoR. The estimated container handling income furnished by CITPL for the years 2012 to 2014 is revised taking into account the consolidated unit rates worked out and estimated traffic for the relevant years.

(c). The other operating income considered by CITPL comprises of storage charges, reefer charges, rail terminal handling charges and hatch cover handling charges. The CITPL has estimated the storage income for the years 2012 to 2014 considering that the entire volume of estimated traffic would stay for one day, on an average, beyond the prescribed free period. The approach adopted by the CITPL is reportedly based on the actual storage income realised by it during the year 2010. The approach adopted by the CITPL in the estimation of storage income is considered in this analysis.

The CITPL has considered the estimated reefer volume for the years 2012 to 2014 for estimation of reefer charges which is found to be in order. However, the reefer charges estimated by CITPL for the years 2012 to 2014 is updated taking into account the modified container mix ratio.

The CITPL has considered 5% of the total estimated traffic for rail terminal handling for estimation of income from rail terminal services, reportedly based on past experience at its Terminal. The approach adopted by the CITPL is relied upon in this analysis. It has considered a unit rate of ₹1400/- per TEU in the estimation of rail terminal income. When sought to furnish the provision in the approved SoR for this tariff item, the CITPL has stated that the charges presently collected by it for rail terminal operations is ₹1673.10 per TEU (i.e. ₹707.85 for lift on/lift off at container yard and ₹965.25 for transportation from Rail yard to Terminal or vice versa). Accordingly, the estimated rail handling income for the years 2012 to 2014 are modified taking into account the rates prescribed in the existing SoR and traffic estimate as furnished by CITPL.

The CITPL has considered a unit rate of US$ 56.3125 and ₹1622/- per hatch cover operation for foreign vessels and coastal vessels respectively. The rate prescribed in the existing approved SoR of CITPL for one operation of hatch cover handling (both opening and closing) via landing on quay is US$ 45.05 for foreign vessels and ₹1135.26 for coastal vessels. The reason for considering a higher rate in the estimation of income by CITPL remains unexplained, despite a query posed to CITPL in this regard. Therefore, the income from hatch cover handling estimated by the CITPL for the years 2012 to 2014 is moderated applying the rates prescribed in the SoR.

(d). The CITPL has considered an exchange rate of ₹47.80 per US$ in respect of container handling income and ₹ 48.00 per US$ in respect of other operating income such as storage charges, reefer charges, etc. in the computation of estimated income from dollar denominated tariff items. Normally, the dollar exchange rate prevailing at the time of finalization of the case in reference is considered as base to determine the income from the dollar denominated tariff items for the future period. However, given the sudden volatility leading to sharp weakening of the Rupee vis-à-vis the US dollar, it may not be possible to say that this position will continue for next three years. The last year shows an average exchange rate of ₹46.33 per US$, which is considered in this analysis for determination of estimated income from dollar denominated tariff items for the years 2012 to 2014.

(e). Subject to the above changes, the revised estimated operating income works out to ₹16797.86 lakhs, ₹22677.11 lakhs and ₹30614.11 lakhs for the years 2012 to 2014 respectively as against the estimates of ₹15375 lakhs,

₹20763 lakhs and ₹27170 lakhs furnished by CITPL for the corresponding years.

(viii). Clause 2.5.1 of the tariff guidelines of 2005 requires that the expenditure projections of the major port trusts / terminal operators should be in line with traffic adjusted for price fluctuations with reference to current movement of Whole Sale Price Index (WPI) for all commodities announced by the Government of India. Accordingly, this Authority has decided to consider an escalation factor of 6% for the expenditure projections in the tariff cases to be decided during the year 2011-12, as communicated to all the major port trusts and private terminal operators including CITPL vide letter No.TAMP/27/2005-Misc dated 11 July 2011.

(ix). (a). As against the actual number of employees of 86 under operating and direct labour category for the year 2011, the CITPL has estimated the number of employees under this category at 166, 245 and 267 for the years 2012 to 2014 respectively. The maintenance labour requirement is estimated by CITPL at 33, 34 and 34 no. of employees during the years 2012 to 2014 as against existing 28 no. of employees reported for the year 2011. The CITPL has justified that the increase estimated in the labour force is on account of commissioning of four new RMQCs and eight RTGCs in the year 2012. The CITPL has also stated that it had engaged less manpower than the requirement in the past since the terminal was incurring losses. The increase in the number of operating and direct labour and maintenance labour force estimated by CITPL for the years 2012 to 2014 is relied upon in this analysis. If the actual number of operating & direct labour and maintenance labour engaged by the CITPL during the years 2012 to 2014 is found to be lower than the estimates, the resultant impact at actuals will be quantified in the next tariff review and fully set off in future tariff.

(b). The average cost per operating and direct labour and maintenance labour reported by CITPL for the year 2011 is ₹2.87 lakhs per annum and ₹2.54 lakhs per annum respectively. For the year 2012, the CITPL has considered the average annual cost at ₹2.73 lakhs and ₹2.16 lakhs per operating & direct labour and maintenance labour respectively which is seen to be lower than the actuals of 2011. The CITPL has stated that the reduction in the average employee cost is due to requirement of more entry level maintenance labour at lower salary. The position reported by CITPL in this regard is considered in this analysis. For the next two years 2013 and 2014, the average annual employee cost of operating and direct labour as well as maintenance labour is escalated by 6% per annum, over the estimates of respective previous year, which is found to be in order. Therefore, the operating & direct labour cost and maintenance labour cost estimated by the CITPL for the years 2012 to 2014 are considered without modification.

(x). The estimated Equipment running cost comprises of power cost, fuel cost and repairs & maintenance expenses, which is discussed in the following paragraphs in seriatim:

(a). The CITPL has reported an actual power consumption of 10.99 units per TEU during the year 2011 and has also considered the same unit power consumption for the years 2012 to 2014. The workings furnished by the CITPL in this regard shows that the CITPL has considered the total power consumption during the year 2011 for determining the power consumption per unit of throughput. It has not segregated the actual power consumption into variable and fixed components. In the absence of such details, the power consumption of 10.99 units per TEU estimated by CITPL is considered in this analysis. However, the CITPL is advised to segregate the power consumption into variable and fixed components and estimate the power consumption per unit of throughput accordingly in the next review of its tariff.

The average unit cost of power for the year 2011 is reported by CITPL at ₹8.72, which is substantiated with a copy of the electricity bill for the month of May 2011. The CITPL has escalated the unit power cost applying 6% annual escalation on compounding basis for the years 2012 to 2014, which is found to be in order. Therefore, the power cost estimated by CITPL for the years 2012 to 2014 is considered without any modification.

(b). The CITPL has reported an actual fuel consumption of 3.65 litres per TEU for the year 2011. However, based on the total fuel cost of ₹454 lakhs incurred during the year 2011 (upto October 2011) and unit fuel rate of ₹45 per litre furnished by CITPL, the actual fuel consumption works out to 2.52 litres per TEU for the actual traffic of 399,906 TEUs handled upto October 2011. Further, the CITPL has considered a fuel consumption of 4 litres per TEU in the estimation of fuel cost for the years 2012 to 2014 stating that the consumption is expected to increase with the passage of time. The actual fuel consumption of 2.52 litres per TEU reported for the year 2011 is maintained for the years 2012 to 2014 also in the estimation of fuel cost.

The unit cost of fuel considered by CITPL for the years 2012 to 2014 is updated with the prevailing market price of diesel at Chennai at ₹43.95 per litre, allowing 6% annual escalation for the years 2012 to 2014 on compounding basis.

(c). The CITPL has reportedly estimated the repairs and maintenance cost for the years 2012 to 2014 at 1.5% of the gross block per annum for mechanical / electrical assets and 0.5% of the gross block per annum for civil assets. The repairs and maintenance expenditure so estimated by the CITPL is to the tune of ₹1686 lakhs, ₹1734 lakhs and ₹1785 lakhs for the years 2012 to 2014 respectively. Even going by the assumptions of CITPL, the estimated repairs and maintenance expenses for the years 2012 to 2014 works out to around ₹838 lakhs per annum, which apparently shows that the repairs and maintenance expenses estimated by CITPL is overstated. The estimated repairs and maintenance expenses for the years 2012 to 2014 is moderated applying 6% annual escalation on the actual / estimated expenses for the respective previous year. In respect of additions to fixed assets, the estimated repairs and maintenance expenses is allowed at 2% of the estimated capital cost for mechanical / electrical assets and 1% of the estimated capital cost for civil assets on the additions to gross block considered for the respective years, following the approach adopted by this Authority in the tariff cases of other private terminals. The moderated repairs and maintenance expenses work out to ₹521.75 lakhs, ₹726.41 lakhs and ₹769.99 lakhs for the years 2012 to 2014 respectively.

(xi). The CITPL has not claimed estimated revenue share payable by it to the ChPT for the years 2012 to 2014 for review of its tariff, which is found to be in line with the provisions of LA and the tariff guidelines of March 2005.

(xii). The estimated equipment hire charges considered by CITPL for the years 2012 to 2014 comprises of hire charges for 6 Nos. of Reach-stackers, Prime Movers

(Tractor Trailers), 3 Nos. of Forklifts, Workshop tools, EO Trolley, Air Compressor and UHF.

The LA provides for deployment of 6 Nos. of Reach-stackers with an option to the operator to hire them. The number of Prime movers is to be decided by the operator based on the operational requirements, as stipulated in the LA. The other items of equipment for which CITPL has estimated hire charges, are not specifically mentioned in the LA.

The CITPL has furnished documentary support only in respect of hiring of Reach-stackers and Prime-movers. Despite a specific requisition, it has not furnished documentary evidence in respect of hiring other items of equipment. Incidentally, the break-up of actual equipment hire charges furnished by the CITPL for the years 2010 and 2011 shows that the CITPL has not incurred equipment hire charges for the said other equipment. Further, in the last tariff Order passed in November 2010, hire charges estimated by CITPL for these equipment were not admitted as it had not furnished documentary support for hiring the same. In view of the above, equipment hire charges estimated by the CITPL in respect of Forklifts, Workshop tools, EO Trolley, Air Compressor and UHF are not considered.

The CITPL has estimated an amount of ₹315 lakhs, ₹334 lakhs and ₹354 lakhs for the years 2012 to 2014 respectively towards hire charges for Reach-stackers. The workings furnished by the CITPL shows that it has calculated hire charges for 7 Nos. of reach-stackers. Though the LA stipulates deployment of 6 Nos. reach-stackers, the deployment of additional one reach-stacker is considered in the light of the proposed additional deployment of 4 RMQCs and 8 RTGs and increase in traffic volumes. Therefore, the equipment hire charges for 7 Nos. reach stackers, as estimated by CITPL, are considered in this analysis.

The documentary evidence furnished by the CITPL in this regard shows monthly hire charges for reach stackers which are valid upto 31 May 2012. The workings furnished by CITPL shows that it has applied escalation on the base rates for the whole of the year 2012. Recognising the validity of the existing rates till May 2012, escalation @ 6% per annum is allowed on the base rates from June 2012 for the year 2012. Following the same approach, for the subsequent two years 2013 and 2014, the escalation @ 6% p.a. on compounding basis is allowed from June 2013 and June 2014 respectively over the rates considered for the respective previous year.

In respect of prime movers, the documentary support furnished by CITPL shows that the payment is linked to throughput. The contract is effective from 1 June 2010 to 31 May 2011 with an option to extend the contract for another year at the same terms & conditions. The contract also provides for adjustment of the unit price for variation in the diesel rates. Accordingly, it seen that the CITPL has revised the unit rates effective from 25 June 2011. The hire charges in respect of prime movers estimated by CITPL for the years 2012 to 2014, applying the escalation of 6% per annum are considered subject to rectification of minor errors found in its calculation.

(xiii). The CITPL has considered a total area of 285,149 sq. m. for the estimation of lease rent payable for years 2012 to 2014, which includes additional area of 78,000 sq. m. yet to be handed over by ChPT. As reported by CITPL, the additional area of 78,000 sq. m. is likely to be handled over to CITPL by ChPT in August 2012. The CITPL has considered the lease rental for the additional area for the whole of the year 2012. However, relying on the information furnished by CITPL, the lease rental for the additional area is considered from August 2012.

The CITPL has estimated the lease rent for the years 2012 to 2014 for the total area of 285,149 sq. m. at ₹1457 lakhs, ₹1486 lakhs and ₹1516 lakhs. When sought to confirm the lease rental estimates furnished by the CITPL, the ChPT has furnished details on the lease rental payable by the CITPL for the area of 207,149 sq. m. already allotted at ₹901 lakhs, ₹945 lakhs and ₹993 lakhs for the years 2012 to 2014 respectively. The annual lease rental reported by the ChPT for the area already allotted is considered.

In respect of lease rental for the additional area of 78,000 sq. m., it is seen that the CITPL has considered the rate applicable for developed area in its calculation. As per the LA, this additional area of 78,000 sq. m. is included in the undeveloped area. Therefore, the lease rental for the additional area is calculated by adopting the rate applicable for undeveloped area, allowing 2% annual escalation on compounding basis, as per Land Policy 2010 issued by the Government.

As recorded in the last tariff Order of November 2010, both the CITPL and ChPT were reportedly in the process of referring the dispute between them on license fee to arbitration. The status in this regard is not reported to us during the current tariff proceedings by both the parties. However, as a measure of abundant caution, it is made clear that the estimates of estate rental considered in this exercise should not be construed as pre-judging the issues to be settled between them.

(xiv). The CITPL has reportedly estimated the insurance cost for the years 2012 to 2014 at 0.5% of the gross block per annum for mechanical / electrical assets and 0.1% of the gross block per annum for civil assets. The insurance cost so estimated by the CITPL is to the tune of ₹200 lakhs, ₹259 lakhs and ₹263 lakhs for the years 2012 to 2014 respectively. The estimated insurance cost for the years 2012 to 2014 is calculated taking the actual insurance cost for the year 2011 as the base and applying 6% annual escalation thereon on compounding basis. While doing so, the insurance cost in respect of additions to fixed assets is allowed at 1% of the estimated capital cost of the additions to gross block considered for the respective years, following the approach adopted by this Authority in the tariff cases of other private terminals like the South West Port Limited, TM International Logistics Limited, Visakha Container Terminal Pvt. Ltd. The revised insurance cost works out to ₹186.92 lakhs for the year 2012 and ₹269.52 lakhs each for the years 2013 and 2014.

(xv). The CITPL has estimated the other direct expenses at ₹713 lakhs, ₹865 lakhs and ₹1095 lakhs for the years 2012 to 2014 respectively. When sought to list out the items considered under other expenses with cost details, the CITPL has stated that it comprises of lashing / unlashing, transport expenses for shift staff and reefer cleaning and monitoring charges and reported the aggregate amount of these expenses at ₹157 lakhs, ₹195 lakhs and ₹285 lakhs for the years 2012 to 2014 respectively. The reason for such a vast difference between the estimates considered by CITPL in the cost statement and the figures reported in the reply to the query remains unexplained.

As per the details furnished by the CITPL, the average lashing / unlashing expenses and container inspection charges works out to ₹51/- per TEU which is supported by copies of invoices pertaining to December 2010. Therefore, and the unit rate for the year 2011 not being furnished by the CITPL, the lashing / unlashing expenses and container inspection charges for the years 2012 to 2014 are calculated applying the unit rate of ₹51/- per TEU escalated by 6% per annum on compounding basis on the estimated traffic for the respective years.

As far as reefer monitoring expenses and other general expenses are concerned, the documentary support furnished by CITPL shows that they are related to time period. Based on the actual expenses incurred for December 2010, the annualised expenses work out to ₹67 lakhs per annum, as furnished by the CITPL. Therefore, and the actual other expenses for the year 2011 not being furnished by CITPL, the other expenses for the years 2012 to 2014 are calculated taking the annualised expenses of ₹67 lakhs as the base and applying escalation @ 6% per annum on compounding basis thereon.

The revised other direct expenses considered for the years 2012 to 2014 works out to ₹391.89 lakhs, ₹532.74 lakhs and ₹732.60 lakhs respectively.

(xvi). Clause 2.7.1 of the revised tariff guidelines stipulates that in case of private terminals, depreciation has to be allowed on straight line method with life norms adopted as per the Companies Act, 1956 or based on the life norms prescribed in the Concession Agreement whichever is higher. Despite a query, the CITPL has not confirmed that the depreciation is calculated by it in line with the provisions of tariff guidelines. However, it has stated that it has followed the depreciation rates as per the Companies Act.

The CITPL has grouped the total assets into 3 categories and applied a common depreciation rate for each group. The audited annual accounts of CITPL for the year 2010 indicate the item-wise depreciation rate adopted by it. The estimated depreciation for the years 2012 to 2014 is calculated taking into account the item-wise depreciation rates indicated in the audited annual accounts for the year 2010. The depreciation on additions to the gross block during the years 2012 to 2014 computed by the CITPL is also modified applying the same rates and in line with the modifications considered in the additions to the gross block as explained in the subsequent paragraphs. The depreciation on additions is, however, allowed on pro-rata basis reckoning the expected date of commissioning of the assets furnished by CITPL, as per the provisions of Companies Act, 1956. The upfront fee and leasehold premium included in the fixed assets is not considered for computation of depreciation, in view of amortisation of the same over the project period in line with the approach followed in the earlier Order passed by this Authority in November 2010.

(xvii). (a). The CITPL accounts for staff salary under the management and administration overheads. As against the actual number of staff of 14 for the year 2011, the CITPL has estimated the number of staff at 21 each for the years 2012 to 2014. The number of staff estimated by CITPL for the years 2012 to 2014 is relied upon in this analysis. If the actual number of staff engaged by the CITPL during the years 2012 to 2014 is found to be lower than the estimates, the resultant impact at actuals will be quantified in the next tariff review and fully set off in future tariff.

The actual average cost per staff for the year 2011 works out to ₹19.04 lakhs per annum. The average annual staff cost is escalated by 6% per annum on compounding basis for estimation of this expenses for the years 2012 to 2014, taking the actual for the year 2011 as base.

(b). The general overheads estimated by CITPL consist of various administrative expenses like communication, travelling, printing & stationery, advertisement, bank charges, etc. The CITPL has estimated the overheads for the years 2012 to 2014 at ₹ 819 lakhs, ₹ 898 lakhs and ₹ 983 lakhs respectively as against the actual / estimated expenses for the year 2011 of ₹ 392 lakhs. When asked to justify the estimates for the years 2012 to 2014 at a higher level, the CITPL has stated that the increase is on account of additional manpower to be employed due to addition of equipment. However, the items of expenditure listed down by the CITPL for general overheads do not include any manpower related expenditure. It is noteworthy to recall that the CITPL has already accounted for the manpower expenditure under operating & maintenance labour and management and administration overheads. Therefore, the estimates of CITPL for the years 2012 to 2014 in this regard are moderated by taking the actual / estimated general overheads for the year

2011 as the base and applying 6% annual escalation on compounding basis.

(xviii). As already discussed earlier, the annual amortization amount of ₹57.58 lakhs is considered for the year 2011 towards amortization of upfront fee and leasehold premium. The same amount is considered for each of the years 2012 to 2014 also.

(xix). The CITPL has not estimated any Finance & Miscellaneous income as well as Finance & Miscellaneous expenses for the years 2012 to 2014. The position considered by the CITPL is relied upon in this analysis.

(xx). The Capital Employed comprising of Net Fixed Assets and Working Capital are analysed in the following paragraphs:

(a). Fixed Assets:

(i). Year 2012:

The CITPL has proposed additions to the gross block to the tune of ₹23378 lakhs towards cost of four RMQCs and eight RTGCs. These handling equipment are proposed to be added to the existing fleet of 3 RMQCs and 10 RTGCs deployed by CITPL for operation at the terminal. The LA at Appendix 12 provides for deployment of 3 RMQCs and 10 RTGCs. It also provides for deployment of additional RMQCs and RTGCs to meet increasing business and operations demand.

It is the position of the CITPL that the berth length of 832 m. can accommodate 3 vessels at a time. Since the existing 3 cranes are not sufficient to service the 3 vessels in an efficient manner, more than one vessel at a time does not call the terminal. If additional cranes are not provided, the berth will lie idle and the precious investment made in the berth would remain unutilised. If more cranes are added, the CITPL states that it can attract more vessels to its terminal apart from reduction in the turnaround time of the vessels. The CITPL has also considered volume build up in the future years in a phased manner on account of the addition of cranes. The licensor port, ChPT has also supported the proposed deployment of additional container handling equipment by the CITPL stating that the CITPL needs to develop quay side capacity to achieve full potential of the yard capacity and it would also increase the efficiency parameter of the port as a whole.

On account of addition of 8 RTGCs the terminal will have a total of 18 RTGCs. The upfront tariff guidelines of 2008, though not applicable in this case, prescribes a norm of 3 RTGCs for each RMQC. That being so and keeping in view the total availability of 7 nos. of RMQCs, the total number of RTGCs that will be available at the CITPL will be 18, which is less than the total number of RTGCs as per the norm.

In view of the above position and justification given by the CITPL and keeping in view the position brought out by ChPT, the proposed addition of 4 RMQCs and 8 RTGCs are considered in this analysis.

The CITPL has substantiated the procurement of the four RMQCs and eight RTGCs with copies of the work orders placed by it in May 2011. It is noteworthy that it has also produced documentary proof in respect of advance payment made by it to the tune of ₹2183 lakhs to the suppliers. As per the work orders, all the additional equipment will be commissioned in May 2012.

The workings furnished by the CITPL for the estimated capital cost of ₹23378 lakhs shows that it includes an amount of ₹3699 lakhs towards Bank Guarantee for duty saved amount under EPCG scheme and ₹450 lakhs each towards workshop and incidental capex in equipment / mast.

The Bank Guarantee for duty saved amount to be furnished by the CITPL to the Customs is a security to fulfil export obligations against the concessional customs duty to be availed under EPCG scheme and does not form part of the actual cost of procurement. The commission payable to the Banks on the value of Bank Guarantee is the relevant cost in this regard which is already captured under general overheads. In view of the above position, the value of Bank Guarantee for duty saved amount under EPCG scheme is not considered in the capital cost estimation with regard to RMQCs and RTGCs.

With regard to the total estimate of ₹900 lakhs for workshops and incidental equipment like mast, the CITPL has neither furnished documentary evidence in support of its estimates nor given a definite time schedule for its commissioning, despite a query posed to it in this regard. Therefore, the estimate of ₹900 lakhs towards workshop and incidental equipment is not considered.

Consequent to the above adjustments, the modified capital cost of the additional container handling equipment works out to ₹13294 lakhs for the four RMQCs and ₹5485 lakhs for the eight RTGCs, aggregating to ₹18779 lakhs. The operating expenses, viz. repairs and maintenance, insurance and depreciation are allowed for the additional container handling equipment from the expected month of commissioning since the equipment are proposed to be put into use from the date of commissioning, as stated by the CITPL. Admissibility of return on the capital cost of the proposed additions is discussed in the later part of this Order.

Apart from the above and as stated earlier, the following additions to gross block proposed by the CITPL in the year 2011 and considered in the year 2012 are discussed below:

(i). Laying of concrete road

The CITPL has substantiated the proposed investment of ₹47.43 lakhs in this regard with a copy of the work order placed by it and documentary proof in respect of advance payment made to the contractor. As per the work order, the work is likely to be completed in January 2012. The CITPL has not included this item in the cost statement (Form 4A), which is seen to an error of omission. However, taking into account the documentary support furnished by the CITPL, the estimate of ₹47.43 lakhs towards laying of concrete road is considered in the year 2012.

(ii). Additional reefer structure

Though the CITPL has not furnished any documentary evidence for the above work estimated at a cost of ₹125.00 lakhs, considering traffic volume build up in near future and relying on the position reported by the CITPL that quotes received from the vendors are under its scrutiny and the work is expected to be commissioned by April 2012, the estimate of CITPL towards construction of additional reefer structure is considered in the year 2012, subject to verification with actuals during the next review of its tariff.

(iii). Construction of workshop

As stated by CITPL, the estimate amounting to ₹125.00 lakhs relates to construction of new workshop for additional equipment proposed to be commissioned during the year 2012. Though the CITPL has not furnished any documentary evidence for the above work, relying on the position reported by the CITPL that quotes are invited from the vendors and the work is expected to be commissioned by August 2012, the estimate of ₹125.00 lakhs proposed by CITPL towards construction of workshop is considered in the year 2012, subject to verification with actuals during the next review of its tariff.

(ii). Year 2013:

The CITPL has proposed additions to the gross block to the tune of ₹3000 lakhs towards civil works for the development of additional yard in the area of 78,000 sq. m. likely to be handed over by the ChPT in August 2012.

The allotment of the above additional area for development of container yard is covered under the LA provisions at Article 6 and Appendix 4 of the LA.

Though the CITPL has pegged the additional investment in this regard at ₹3000 lakhs in the cost statement, the documentary support furnished by it shows the estimated capital cost of the work as ₹3700 lakhs. The CITPL has also confirmed that the work will be completed in the year 2013. Relying upon the documentary support furnished by the CITPL, the estimate of ₹3700 lakhs towards development of additional yard is considered in the year 2013.

Apart from the above and as stated earlier, the additions to gross block proposed by the CITPL in the year 2011 in the IT infrastructure is also considered in the year 2013, as discussed below:

As stated by CITPL, the estimate amounting to ₹50.00 lakhs relates to implementation of new ERP solutions. Though the CITPL has not furnished any documentary evidence for the above work, it has reported that the system is expected to be commissioned by December 2012. Relying on the position reported by the CITPL and considering that the expected commissioning of the facility is slated in the fag end of the year 2012, the proposed investment of ₹50.00 lakhs in this regard is considered in the year 2013, subject to verification with actuals during the next review of its tariff.

(iii). Year 2014:

The CITPL has not proposed any additions during the said year.

(b). Working Capital:

(i). As explained in the earlier paragraphs, value of sundry debtors estimated by the CITPL for the years 2012 to 2014 is moderated to six months' annual land lease charges.

(ii). As regards inventory, the CITPL has estimated capital spares at ₹137 lakhs, ₹193 lakhs and ₹195 lakhs for the years 2012 to 2014 respectively. Since the CITPL is in the process of commissioning the additional container handling equipment in the year 2012, the capital spares as estimated by the CITPL are relied upon and considered, subject to verification of actuals during the next review of its tariff.

As already stated, the approach adopted by the CITPL for estimation of other inventory as a proportion of estimated repairs & maintenance expenses is considered in this analysis. However, the estimates of CITPL for the years 2012 to 2014 are moderated by taking into account the moderated estimates of repairs & maintenance expenditure for the corresponding years.

(iii). The cash balance is allowed as per the norms on the moderated operating expenses including overheads.

(iv). Following the approach adopted for the year 2011, the current liabilities estimated by the CITPL for the years 2012 to 2014 are revised by taking into account the moderated estimates of operating expenses for the corresponding years.

Considering the moderated current assets and revised current liabilities, the working capital for the years 2012 to 2014 work out to ₹1028.90 lakhs, ₹1302.04 lakhs and ₹1420.65 lakhs respectively.

(c). The unamortized portion of upfront fee and leasehold premium form part of the capital employed on which return is allowed. Subject to above modifications, the Capital Employed for the years 2012 to 2014 works out to ₹65097.91 lakhs, ₹64128.36 lakhs and ₹59315.80 lakhs respectively which is considered in this analysis.

(xxi). With the existing number of 3 quay cranes deployed at the terminal, the quay capacity of the terminal, at 70% utilisation level works out to 5,97,870 TEUs per annum, which was considered in the last tariff Order of November 2010 for allowing permissible return.

With the proposed addition of 4 quay cranes, the CITPL has reported the quay capacity of the terminal at 11,41,778 TEUs per annum for 7 quay cranes, considering a productivity norm of 20 moves per hour per quay crane and a box ratio 1.33. However, following the methodology adopted in the November 2010 order, the quay capacity of the terminal with the 7 cranes works out to 13,95,030 TEUs per annum.

With the ground slot of 286 TEUs per hectare, average stack height of 2.5 and the average dwell time of 3 days, the CITPL has reported the yard capacity for the allotted area of 207,149 sq. m. at 970,327 TEUs per annum at 70% utilisation.

With the proposed development of yard in the additional area of 78,000 sq. m. to be allotted by the ChPT, the yard capacity is estimated at 13,35,694 TEUs per annum. However, with the improved norm for ground slots at 360 TEUs per hectare and stack height of 3 considered by this Authority in determination of yard capacity in other cases, the yard capacity works out to 14,65,312 TEUs per annum for the existing allotted area of 207,149 sq. m. and 19,81,108 TEUs per annum including the area of 78,000 sq. m. to be handed over by the ChPT in August 2012. The quay capacity of 13,95,030 TEUs per annum with 7 quay cranes is relevant for the years 2013 and 2014. For the year 2012, considering that the additional 4 cranes would be available only for the second half of the year, the capacity of the terminal is computed on pro-rata basis, which works out to 996,450 TEUs.

Based on the above capacity and the estimated traffic, the overall capacity utilisation work out to 58.71%, 56.61% and 76.43% for the years 2012 to 2014 respectively.

As stipulated in clause 2.9.11 of the tariff guidelines of March 2005, in the case of private terminal operators, if the investment made is in accordance with the obligations under the LA, it will be considered for ROCE even if full capacity utilisation is not achieved.

In the present case, the LA provides for deployment of 3 RMQCs and 10 RTGCs, as stated earlier. The LA also provides for deployment of additional RMQCs and RTGCs based on increase in business and operational demand. Since induction of additional equipment is linked to increase in business, i.e. traffic, the deployment of additional four RMQCs and eight RTGCs envisaged by the CITPL in the current tariff cycle vis-à-vis estimated traffic for the years 2012 to 2014 is discussed in the following paragraphs for each of the years for the purpose of allowing return.

Year 2012:

The estimated traffic for the year 2012 is 585000 TEUs. The capacity with the existing 3 quay cranes at 70% utilisation works out to 597870 TEUs, which is sufficient in the year 2012 to handle the estimated traffic of 585000 TEUs. Therefore, the Written Down Value (WDV) of the additional four RMQCs and eight RTGCs is not considered for the purpose of allowing return for the year 2012. Maximum of return of 16% adopted by this Authority for allowing return for the tariff cases to be decided during the year 2011-12 is allowed on the admissible capital employed for the year 2012.

Year 2013:

The estimated traffic for the year 2013 is 789750 TEUs. Since the capacity with the existing 3 quay cranes at 70% utilisation which works out to 597870 TEUs is not sufficient to handle the estimated traffic, additional handling equipment is required to handle the residual traffic of 191880 TEUs. Taking into consideration the aggregate capacity of the additional handling equipment of 797160 TEUs at 70% utilisation and the residual traffic of 191880 TEUs, the capacity utilisation of the additional equipment works out to 24%. Since the capacity utilisation of these additional cranes is less than 60%, return on the WDV Of these additional cranes is allowed on pro-rata basis, in terms of Clause 2.9.10 of the tariff guidelines. Accordingly, 3.85% return on the WDV of additional container handling equipment and maximum return of 16% on the remaining capital employed is allowed for the year 2013.

Year 2014:

The estimated traffic for the year 2014 is 10,66,163 TEUs. The capacity with the existing 3 quay cranes is not sufficient to handle the projected traffic. Taking into consideration the aggregate capacity of the additional equipment of 797,160 TEUs, at 70% utilisation, and the residual traffic of 468293 TEUs, the capacity utilisation of the additional container handling equipment works out to 59%. As per clause 2.9.10 of the tariff guidelines, maximum permissible return will be allowed for capacity utilisation of 60% and above. When the capacity utilisation is found to be in the region of 50% to 60%, a decision on the pro-rata reduction in the maximum permissible return to be allowed will be decided on case to case basis, after analysing the factors leading to capacity underutilisation. Since the capacity utilisation of the additional container handling equipment is closer to the stipulated level of 60% and the overall utilization is around 76%, this Authority is inclined to allow full return on the WDV of these additional cranes also for the year 2014.

(xxii). Subject to the above discussions, the cost statement filed by the CITPL for the years 2012 to 2014 has been modified. The modified Cost statement is attached as **Annex-I**. The results disclosed in the cost statement at the existing tariff level are summarized below:

(**₹ in lakhs**)

Particulars	**2012**	**2013**	**2014**	**Total**
Operating Income	16797.86	22677.11	30614.11	70089.08
Net Surplus (after return)	(-)657.36	1977.40	7254.67	8574.71
Net Surplus as a percentage of Operating Income	(-)3.91%	8.72%	23.70%	12.23%

(xxiii). As may be seen from the above table, an estimated additional surplus of 8574.71 lakhs will accrue during the tariff cycle, if the existing tariff is allowed to continue till 2014. As there is no justification for giving any increase over the existing tariff, the proposal of CITPL seeking increase of 15% over the existing tariff is rejected. A reduction of 12.23% is effected across the board in the existing tariff, as warranted by the estimated cost position.

(xxiv). The CITPL has proposed inclusion of new definitions as well as modifications to some of the existing definitions, the conditions and notes governing the application of rates. It is recalled that the CITPL adopted the tariff structure including the conditionalities governing the application of the tariff of the adjacent container terminal (CCTPL) when it commissioned its facilities. The proposed changes to the existing tariff structure and conditionalities of the CITPL are found to be deviating from the position obtaining at the CCTPL. However, in order to examine the changes proposed by the CITPL, the operator was requested to furnish reasons for the each of its proposed changes. But, it has not come out with pointed reasons for many of the proposed changes. Therefore, only those items where the proposed changes are found to be justified are considered in this analysis.

(xxv). The CITPL proposed inclusion of definition for ‘Bonded Trucking’. It is recalled that this Authority held vide Order No.TAMP/45/2007-CCTL dated 19 June 2008 that bonded trucking service does not fall under the regulatory purview of this Authority. That being so, the question of prescribing a definition for ‘bonded trucking’ in the SoR does not arise.

(xxvi). The existing definition for ‘over dimensional container’ covers damaged containers. The CITPL has proposed to delete the words ‘containers having corner casting problem’ from the definition of ‘Over dimensional container’ on the ground that the damaged containers include such containers having corner casting problem.

Based on the clarification of the CITPL, the proposed modification to the existing definition of 'Over dimensional container' is approved.

(xxvii). The proposed note governing the terms and conditions to decide about the status of a vessel is in line with the general prescription made in the SoR of the other major ports and private terminals. Hence, the proposed note in this regard is approved.

(xxviii). In line with clause 2.18.2 of the tariff guidelines, the proposed note relating to penal interest for delayed payment by users/ refund by CITPL has been modified to reflect the prevailing Prime Lending Rate of State Bank of India at 14.75% plus 2%.

(xxix). The CITPL has not explained reason for proposing deletion of the existing provision to provide rebate of ₹33/- per container in handling charges, if an user, with prior consent of CITPL, arranges lashing / unlashing gang for lashing operations of all containers in the vessel. The existing condition is retained subject to general reduction effected.

(xxx). In the existing arrangement, charges prescribed for transportation of LCL containers from quayside to yard and vice versa does not include empty containers. The CITPL has proposed charges for transportation of empty containers from quay side to yard and vice versa under this tariff item. As stated earlier, the CITPL has not furnished any reasons for the proposed introduction of rates with cost justification. Therefore, this Authority is not in a position to approve the proposed rates for empty containers.

(xxxi). As per the existing arrangement, the first 10 days are free dwell time for ICD containers. The CITPL has envisaged to increase the dwell time from the existing 10 days to 15 days adjusting the time period in the next slab. In the absence of financial impact on account of the proposed modification, the existing free days will continue.

(xxxii). The existing SoR prescribe charges for additional movement for transportation of containers from Terminal to Rail yard and vice versa. In the proposed arrangement, the CITPL has clubbed this service with the lift on / lift off at Container Yard and lift on / lift off move onto Rail and envisaged a comprehensive tariff. In the process, the existing rate for additional movement has been enhanced by more than the general increase proposed by the CITPL. The proposed charge is not justified with cost details for the services to be rendered. Therefore, the proposed new tariff item is not approved. The existing tariff arrangement for additional movement of containers from Terminal to Rail yard and vice versa to continue subject to adjustment in the prescribed rate with the general reduction effected.

(xxxiii). The CITPL has proposed inclusion of various new tariff items in the proposed SoR. Despite a query, the CITPL has not furnished cost details and the basis for the rates for any of the new tariff items proposed by it. It has also not furnished the additional revenue that may accrue on account of the new tariff items during the tariff cycle. Therefore, this Authority is not in a position to approve the above proposed new tariff items.

(xxxiv). The unit for levy of charges for clearance of garbage on board is ½ cubic metre bag in the existing arrangement. The CITPL has proposed to change this unit of levy to 'per truck load' and enhanced the charges from the existing ₹257.40 per ½ cubic metre bag to ₹5500/- per truck trip on the ground that it finds it difficult to measure the garbage physically and full truck needs to be arranged each time when the garbage is to be removed. It is noteworthy that the adjacent Container Terminal (CCTPL), where the unit of levy is prescribed as ½ cubic metre, has not reported any difficulty in this regard. Further, the CITPL has not furnished workings justifying the proposed rate with impact on account of the change of unit of levy. The cost of the rendering the service is captured in the overall cost position of the terminal. Therefore, the CITPL will not be put into disadvantageous position if the proposed modification is not approved. The existing unit of levy in this regard will continue.

11.1. In the result, and for the reasons give above, and based on a collective application of mind, this Authority approves the revised Scale of Rates of the CITPL which is attached as **Annex-II**.

11.2. Since the validity of the existing Scale of Rates has already expired on 31 December 2011. The revised Scale of Rates and conditionalities of the CITPL will come into effect after expiry of 15 days from the date of notification of this Order in the Gazette of India and shall be in force till 31 December 2014. The approval accorded will automatically lapse thereafter unless specifically extended by this Authority.

11.3. The validity of the existing Scale of Rates of the CITPL is deemed to have been extended beyond 31 December 2011 till the effective date of implementation of the revised Scale of Rates.

11.4. This Authority has relied upon the estimates for the years 2012 to 2014. Additional surplus, if any, arising due to variation in actual performance in the said years will be governed by the provisions of Clause 2.13 of the tariff guidelines of 2005 in the next review.

11.5. The tariff of the CITPL has been fixed relying on the information furnished by the operator and based on assumptions made as explained in the analysis. If this Authority, at any time, during the prescribed tariff validity period, finds that the actual position varies substantially from the estimates considered or there is deviation from the assumptions accepted herein, this Authority may require CITPL to file a proposal ahead of the schedule to review its tariff and to set-off the advantage as per the revised tariff guidelines accrued on account of such variations in the revised tariff.

11.6. In this regard, the CITPL is required to furnish to this Authority its annual accounts and performance report within 60 days of closing of the respective accounting year. If CITPL fails to provide such information within the stipulated time period, the ChPT may initiate appropriate action against CITPL. In the event, this Authority may proceed *suo motu* to review the tariff of CITPL. This apart, analysis of variation may also be made at the time of the next general review at the end of the usual tariff validity period and adjustment of additional surplus may be made in line with the tariff guidelines of March 2005 in the tariff to be fixed for the next cycle.

(Rani Jadhav)
Chairperson

Annex - I

CHENNAI INTERNATIONAL TERMINALS PRIVATE LIMITED
GENERAL REVISION OF SCALE OF RATES
Consolidated Income & Cost statement

(Rs. in Lakhs)

Sr. No.	Particulars	Actuals		Estimates furnished by CITPL			Estimates moderated by TAMP		
		2010	2011 *	2012	2013	2014	2012	2013	2014
	Traffic (in TEUs)	**304752**	**479887**	**585000**	**789750**	**1066163**	**585000**	**789750**	**1066163**
I	**Total Operating Income**								
	Container handling income (including storage charges)	7750.48	13944.58	15375.12	20762.83	27169.84	16797.86	22677.11	30614.11
	Total - I	**7750.48**	**13944.58**	**15375.12**	**20762.83**	**27169.84**	**16797.86**	**22677.11**	**30614.11**
II	**Operating Costs (excluding depreciation)**								
	(i) Operating & Direct labour	176.00	247.20	451.50	709.50	814.87	451.50	708.48	818.43
	(ii) Maintenance labour	50.00	85.20	71.13	78.63	83.35	71.13	77.68	82.34
	(iii) Equipment Running costs	875.00	1257.89	3390.62	4172.90	5274.63	1803.61	2560.83	3394.96
	(iv) Maintenance dredging	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(v) Royalty / revenue share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(vi) Equipment hire	571.00	715.20	1039.04	1307.80	1683.39	862.55	1104.35	1442.59
	(vii) Lease Rentals payable as per concession agreement	870.00	858.00	1457.02	1486.16	1515.89	997.86	1191.41	1254.20
	(viii) Insurance	57.00	60.00	200.30	258.74	263.24	186.92	269.52	269.52
	(ix) Other expenses	246.00	312.06	712.71	865.38	1095.50	391.89	532.74	732.60
	Total - II	**2845.00**	**3535.55**	**7322.31**	**8879.12**	**10730.87**	**4765.46**	**6445.01**	**7994.64**
III	Depreciation	2866.65	2865.53	5350.05	5305.55	5301.11	4174.68	4935.12	4873.60
IV	**Overheads**								
	(i) Management & Administration overheads	256.00	266.53	648.94	687.88	729.15	423.78	449.21	476.16
	(ii) General overheads	786.16	392.20	819.43	898.94	983.14	415.57	440.50	466.93
	(iii) Preliminary expenses & upfront payment write-off	55.61	57.58	57.00	57.00	57.00	57.58	57.58	57.58
	Total - IV	**1097.77**	**716.30**	**1525.37**	**1643.82**	**1769.29**	**896.93**	**947.29**	**1000.67**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**941.06**	**6827.19**	**1177.39**	**4934.34**	**9368.58**	**6960.79**	**10349.69**	**16745.20**
VI	Finance & Miscellaneous Income (FMI)	5.03	7.98	0.00	0.00	0.00	0.00	0.00	0.00
	(i) Discounted terminal value receivable as per the LA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Others	5.03	7.98	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	5.03	7.98	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**946.09**	**6,835.17**	**1,177.39**	**4,934.34**	**9,368.58**	**6,960.79**	**10,349.69**	**16,745.20**
X	Capital Employed	52,748.59	49,927.82	71,781.68	69,779.36	64,623.13	65097.91	64128.36	59315.80
XI	RoCE - Maximum permissible on investment as per LA and RoCE as per guidelines on additional investment	8,439.77	7,988.45	11,485.07	11,164.70	10,339.70	7,618.15	8,372.29	9,490.53
XII	Capacity Utilization	51%	80%	72%	69%	93%			
XIII	**RoCE adjusted for capacity utilization**	**8,439.77**	**7,988.45**	**11,485.07**	**11,164.70**	**10,339.70**	**7,618.15**	**8,372.29**	**9,490.53**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(7,493.68)**	**(1,153.28)**	**(10,307.68)**	**(6,230.36)**	**(971.12)**	**(657.36)**	**1,977.40**	**7,254.67**
XVIII	**Net Surplus / (Deficit) as a % of operating income (XVII/I)**	-96.69%	-8.27%	-67.04%	-30.01%	-3.57%	-3.91%	8.72%	23.70%
XIX	**Average Net Surplus/(Deficit) as a % of operating income**	-39.86%		-27.66%			12.23%		

* Actuals for 10 months (upto Oct'11) and Estimates for remaining 2 months (Nov'11 & Dec'11).

Annex-II

CHENNAI INTERNATIONAL TERMINALS PRIVATE LIMITED

SCALE OF RATES

PREFACE

This Scale of Rates sets out the charges payable to Chennai International Terminals Private Limited for the use of services and facilities provided at its Container Terminal.

1. DEFINITIONS

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

(i) ***"Accredited Clients Programme"*** means a programme introduced by the Customs Department whereby importers registered by them as "**Accredited Clients"** will form a separate category to which assured facilitation will be provided. Except for a small percentage of consignments selected on random basis by the RMS, or cases where specific intelligence is available or where a specifically observed pattern of non-compliance is required to be addressed, accredited clients will be allowed clearance on the basis of self assessment i.e., as a matter of course, clearance will be allowed on the basis of their declaration and without examination of goods. Further this benefit will be available to registered Accredited Clients at all ports in the country where EDI and RMS are operational. It is expected that this programme will bring reduction in the dwell time of cargo and transaction cost of such importers. Commissioners of Customs are also required to work with the custodians for earmarking separate storage space, handling facility and expeditious clearance procedures for these clients. Further IMG has also recommended 'faster delivery system by creating separate area in the port premises clearly earmarked for immediate delivery of cargo to specified accredited importers.' This programme has been defined in detail in Customs Circular No. 42/2005 – cus dated 24th November 2005.

(ii) ***"CITPL"*** means Chennai International Terminals Private Limited, a company incorporated in India, its successors and assigns.

(iii) ***"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.

(iv) ***"Container"*** means the standard ISO container, suitable for the transport and stacking of cargo and must be capable of being handled as a unit and lifted by a crane with a container spreader.

(v) ***"FCL"*** means containers said to contain Full Container Load.

(vi) ***"Foreign-going Vessel"*** means any vessel other than a coastal vessel.

(vii) ***"Fumigation Facility"*** means facilitating decontamination of cargo which are prone to be affected by pests and which requires pesticides to decontaminate by way of fumigation or degassing or both.

(viii) "***Hazardous containe*r"** means a Container containing hazardous goods as classified under IMO.

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

(x) ***"LCL"*** means containers said to contain Less than Full Container Load (Container having cargo of more than one importer/exporter).

(xi) "***Over Dimensional Container"*** means a Container carrying over dimensional cargo beyond the normal size of standard containers and needing special devices like slings, shackles, lifting beam, etc. Damaged Container and Container requiring special devices for lifting is also classified as Over-Dimensional Container.

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

(xiii) ***"Port"*** means the Chennai Port Trust.

(xiv) ***"Reefer"*** means any Container for the purpose of the carriage of goods, which require power supplyto maintain the desired temperature.

(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) ***"Transhipment Container"*** means container discharged from one vessel, stored in CITPL and transported through another vessel.

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

2. GENERAL

(i) Status of a vessel as borne out by its certification issued by Director General of Shipping is the relevant factor for deciding whether the vessel is 'foreign-going' or 'coastal'. Foreign going vessels permitted to undertake coastal voyages and the cargo / container carried by them will also qualify for the concession in respect of such permissible voyages:

(a). A foreign-going vessel of Indian Flag having a General Trading License 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 case of such conversions, coastal rates shall be chargeable by the load port from the time the vessel starts loading coastal goods.

(d). In case of such conversions, 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 License from the Director General of Shipping, no other documents will be required to be entitled to coastal rates.

(ii) All charges worked out shall be rounded off to the next higher rupee on the grand total of each bill.

(iii) (a) Users shall pay penal interest on delayed payments of any charge under this Scale of Rates. Likewise, the CITPL shall pay penal interest on delayed refunds.

(b) The rate of penal interest will be 16.75% p.a. The penal interest will apply to both the CITPL and the users equally.

(c) The delay in refunds by the CITPL will be counted beyond 20 days from the date of completion of services or on production of all the documents required from the users, whichever is later.

(d) The delay in payments by the users will be counted beyond 10 days after the date of raising the bills by the CITPL. This provision shall, not apply to the cases where payment is to be made before availing the services as stipulated in the Major Port Trust Act, 1963, and / or where payment of charges in advance is prescribed as a condition in this Scale of Rates.

(iv) A premium of 25% will be levied in case of Hazardous Cargo Containers / Over Dimensional Containers over the applicable handling charges prescribed for respective categories of containers.

(v) Containers less than and up to 20' in length will be reckoned as one TEU for the purpose of tariff.

(vi) Container-related charges denominated in US dollar terms shall be collected in equivalent to Indian rupees. For this purpose, the market buying rate notified by the Reserve Bank of India, State Bank of India or its subsidiaries or any public sector bank as may be prescribed from time to time prevalent on the date of entry of the vessels into the Port limits (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.

(vii) A regular review of exchange rate shall be made once in thirty days from date of arrival of the vessels in cases of vessels staying in the Port for longer period. In such cases, the basis of billing shall change prospectively with reference to the appropriate exchange rate prevailing at the time of review.

(viii) (a) Users will not be required to pay charges for delays beyond a reasonable level attributable to the CITPL.

(b) In case vessel idles due to non-availability or breakdown of the shore based facilities of CITPL or any other reasons attributable to the CITPL, rebate equivalent to berth hire charges payable to ChPT accrued during the period of idling of vessel shall be allowed.

(ix) All LCL containers coming in and going out of CITPL as a unit load will be treated as FCL for the purpose of levying charges.

(x) All Invoices are issued as due on presentation. Failure to pay may cause a lien to be placed on the goods handled at the terminal and the responsible party may be denied further use of the terminal until all outstanding charges have been paid.

(xi) It a terminal user provides, with prior consent of CITPL, lashing / unlashing gang for lashing operations of all containers in the vessel, then a rebate of ₹ 29/- per container in handling charges prescribed in Sections 3.1. (a), 3.2. (a), 3.3. (a) and 3.4 shall be allowed, subject to the terminal user agreeing to follow safety regulations.

(xii) The benchmark of the level of productivity will be 20 moves per hour per crane for handling FCL, LCL and ICD import and export containers by quay cranes as mentioned at Sections 3.1. (a), 3.2. (a) and 3.3. (a).

3. CHARGES FOR CONTAINER OPERATIONS

3.1 Charges for handling FCL import and export containers and empty containers

(a). Handling by Quay crane including lashing / unlashing charges

Particulars	Foreign-going Vessel US$	Coastal Vessel ₹
Per FCL Container		
- Not exceeding 20’ in length	19.77	498.32
- Exceeding 20’ and upto 40’ in length	29.65	747.15
- Over 40’ in length	39.54	996.42
Per empty Container		
- Not exceeding 20’ in length	19.77	498.32
- Exceeding 20’ and upto 40’ in length	29.65	747.15
- Over 40’ in length	39.54	996.42

Note: Services include handling by quay crane and lashing / unlashing.

(b). Transportation from quay side to container yard and vice versa

Particulars	Foreign-going Vessel ₹	Coastal Vessel ₹
Per FCL Container		
- Not exceeding 20’ in length	563.40	338.04
- Exceeding 20’ and upto 40’ in length	845.08	507.05
- Over 40’ in length	1126.80	676.08
Per empty Container		
- Not exceeding 20’ in length	279.02	167.41
- Exceeding 20’ and upto 40’ in length	418.53	251.12
- Over 40’ in length	558.04	334.82

Note: Services include transport to and from the quay side.

(c). Handling at container yard lift on / lift off onto / from the Internal Transfer Vehicle

Particulars	Foreign-going Vessel ₹	Coastal Vessel ₹
Per FCL Container		
- Not exceeding 20’ in length	311.35	186.81
- Exceeding 20’ and upto 40’ in length	467.02	280.21
- Over 40’ in length	622.68	373.61
Per empty Container		
- Not exceeding 20’ in length	154.19	92.51
- Exceeding 20’ and upto 40’ in length	231.27	138.76
- Over 40’ in length	308.37	185.02

Note: Services include lifts at container yard for storage.

(d). **Handling at container yard lift on / lift off for delivery / receipt to and from customers**

Particulars	Foreign-going Vessel ₹	Coastal Vessel ₹
Per FCL Container		
- Not exceeding 20' in length	311.35	311.35
- Exceeding 20' and upto 40' in length	467.02	467.02
- Over 40' in length	622.68	622.68
Per empty Container		
- Not exceeding 20' in length	154.19	154.19
- Exceeding 20' and upto 40' in length	231.27	231.27
- Over 40' in length	308.37	308.37

Note: Services include lifts at container yard for landing or loading the container from or to the customer's vehicle.

3.2 Charges for handling LCL import and export containers

(a). **Handling by Quay crane including lashing / unlashing charges**

Particulars	Foreign-going Vessel US$	Coastal Vessel ₹
Per LCL Container		
- Not exceeding 20' in length	19.77	498.32
- Exceeding 20' and upto 40' in length	29.65	747.15
- Over 40' in length	39.54	996.42

Note: Services include handling by quay crane and lashing / unlashing.

(b). **Transportation from quay side to container yard and vice versa**

Particulars	Foreign-going Vessel ₹	Coastal Vessel ₹
Per LCL Container		
- Not exceeding 20' in length	535.26	321.15
- Exceeding 20' and upto 40' in length	802.83	481.70
- Over 40' in length	1070.46	642.28

Note: Services include transportation of container from the quay side to container yard and vice versa.

(c). **Handling at container yard lift on / lift off onto / from the Internal Transfer Vehicle**

Particulars	Foreign-going Vessel ₹	Coastal Vessel ₹
Per LCL Container		
- Not exceeding 20' in length	311.35	186.81
- Exceeding 20' and upto 40' in length	467.02	280.21
- Over 40' in length	622.68	373.61

Note: Services include lifts at container yard for storage.

(d). **Handling at container yard lift on / lift off for delivery to and receipt from customers**

Particulars	Foreign-going Vessel ₹	Coastal Vessel ₹
Per FCL Container		
- Not exceeding 20’ in length	311.35	311.35
- Exceeding 20’ and upto 40’ in length	467.02	467.02
- Over 40’ in length	622.68	622.68
Per empty Container		
- Not exceeding 20’ in length	154.19	154.19
- Exceeding 20’ and upto 40’ in length	231.27	231.27
- Over 40’ in length	308.37	308.37

Note: Services include lifts at container yard for landing or loading the container from or to the customer’s vehicle.

3.3 Charges for handling ICD import and export containers

(a). **Handling by Quay crane including lashing / unlashing charges**

Particulars	Foreign-going Vessel US$	Coastal Vessel ₹
Per Loaded Container		
- Not exceeding 20’ in length	19.77	498.32
- Exceeding 20’ and upto 40’ in length	29.65	747.15
- Over 40’ in length	39.54	996.42
Per empty Container		
- Not exceeding 20’ in length	19.77	498.32
- Exceeding 20’ and upto 40’ in length	29.65	747.15
- Over 40’ in length	39.54	996.42

Note: Services include handling by quay crane and lashing / unlashing.

(b). **Transportation from quay side to container rail yard and vice versa**

Particulars	Foreign-going Vessel ₹	Coastal Vessel ₹
Per Loaded Container		
- Not exceeding 20’ in length	535.26	321.15
- Exceeding 20’ and upto 40’ in length	802.84	481.70
- Over 40’ in length	1070.47	642.28
Per empty Container		
- Not exceeding 20’ in length	265.07	159.04
- Exceeding 20’ and upto 40’ in length	397.58	238.55
- Over 40’ in length	530.14	318.08

Note: Services include transport to container rail yard, stowage planning on vessel and yard, data handling, processing and transfer between vessel, CITPL and shipping line.

(c). **Handling at container rail yard lift on / lift off onto / from the Internal Transfer Vehicle**

Particulars	Foreign-going Vessel ₹	Coastal Vessel ₹
Per Loaded Container		
- Not exceeding 20’ in length	311.35	186.81
- Exceeding 20’ and upto 40’ in length	467.02	280.21
- Over 40’ in length	622.68	373.61
Per empty Container		
- Not exceeding 20’ in length	154.19	92.51
- Exceeding 20’ and upto 40’ in length	231.27	138.76
- Over 40’ in length	308.37	185.02

Note: Services include lifts at container rail yard for storage.

(d). **Handling at container rail yard lift on / lift off while giving delivery for rail**

Particulars	Foreign-going Vessel ₹	Coastal Vessel ₹
Per Loaded Container		
- Not exceeding 20’ in length	311.35	311.35
- Exceeding 20’ and upto 40’ in length	467.02	467.02
- Over 40’ in length	622.68	622.68
Per empty Container		
- Not exceeding 20’ in length	154.19	154.19
- Exceeding 20’ and upto 40’ in length	231.27	231.27
- Over 40’ in length	308.37	308.37

Note: Services include lift at container rail yard, data handling, processing and transfer between vessel, CITPL and shipping line.

3.4. **Charges for handling Transshipment containers including handling by on-board stevedoring labour at quay side, lashing / unlashing charges**

Particulars	Foreign-going Vessel US$	Coastal Vessel ₹
Per Loaded Container		
- Not exceeding 20’ in length	23.72	597.63
- Exceeding 20’ and upto 40’ in length	35.58	896.67
- Over 40’ in length	47.44	1195.48
Per empty Container		
- Not exceeding 20’ in length	23.72	597.63
- Exceeding 20’ and upto 40’ in length	35.58	896.67
- Over 40’ in length	47.44	1195.48

Notes:

(i). 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, CITPL and shipping line.

(ii). A transshipment container sent to CFS, ICD or taken delivery locally shall be charged the local container rate.

(iii). A Shut out charge as per Section 3.9 shall apply if -

(a). The vessel nomination is changed ; or

(b). If the vessel nomination is changed from a later vessel to an earlier vessel after the earlier vessel is berthed.

3.5. Charges for wharfage

Particulars	Foreign-going Vessel US$	Coastal Vessel ₹
Per Container (box only)		
- Not exceeding 20' in length	1.13	28.53
- Exceeding 20' and upto 40' in length	1.70	42.91
- Over 40' in length	2.26	56.84
Per Containerised cargo	₹	₹
- Not exceeding 20' in length	621.28	372.77
- Exceeding 20' and upto 40' in length	931.92	559.15
- Over 40' in length	1242.56	745.54

Notes:

(i). The charge for containerised cargo in all cases will be in Rupee terms.

(ii). The charge for containers in cases of 'foreign arrival' and 'foreign departure' will be in Dollar terms.

(iii). The charges for containers in cases of 'coastal arrival' and 'coastal departure' will be in Rupee terms.

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

3.6. Charges for handling Hatch covers for one operation (both opening and closing)

Particulars	Foreign-going Vessel US$	Coastal Vessel ₹
Without landing hatch cover on quay	15.82	398.57
With landing hatch cover on quay	39.54	996.42

Note: Half the rate will be charged if there is only one activity, i.e. either an opening or closing operation.

3.7. Charges for shifting containers within vessel (Restows)

Particulars	Foreign-going Vessel US$	Coastal Vessel ₹
Within hatch (without landing and reshipping) – Per container		
- Not exceeding 20’ in length	9.61	242.19
- Exceeding 20’ and upto 40’ in length	14.40	362.96
- Over 40’ in length	19.20	483.94
Via quay (shifted by landing on quay and reshipping) – Per container		
- Not exceeding 20’ in length	28.24	711.76
- Exceeding 20’ and upto 40’ in length	42.37	1067.64
- Over 40’ in length	56.48	1423.30

Note: No wharfage will be levied on the restow containers and containerized cargo.

3.8. Reefer related and other general services

Sl. No.	Particulars	Foreign-going Vessel US$	Coastal Vessel ₹
(a)	Pre-trip inspection (including supply of electricity)	28.96	729.90
(b)	Connection or disconnection services onboard a vessel	1.93	48.66
(c)	Cleaning of container		
	- Not exceeding 20’ in length	1.45	36.49
	- Exceeding 20’ and upto 40’ in length	2.90	72.99
	- Over 40’ in length	4.34	109.48
(d)	Supply of electricity (including connection and disconnection, monitoring of temperature at reefer yard) – Per container per four hours or part thereof		
	- Not exceeding 20’ in length	3.11	78.30
	- Exceeding 20’ and upto 40’ in length	4.66	117.45
	- Over 40’ in length	6.21	156.60

Notes:

(i). Above tariff does not include parameter setting or repair & maintenance of malfunctioning reefers. Above charges are also applicable to restow reefer containers.

(ii). Pre-trip inspection of the reefer containers, connection or disconnection services on board the vessel and cleaning of containers are optional services and shall be rendered when requested.

3.9. Charges for a shutout container / re-nomination of containers

Particulars	Foreign-going Vessel US$	Coastal Vessel ₹
Per Container		
- Not exceeding 20' in length	21.46	901.31
- Exceeding 20' and upto 40' in length	32.20	1352.52
- Over 40' in length	42.93	1802.99

Note: Above charges shall apply where -

(i). an export container or a transhipment container or a re-export container is shut out and subsequently delivered out of CITPL.

(ii). a container is shut out by one vessel and subsequently shipped on another vessel, in addition to the charges for handling by quay crane charges. In this case, the free storage period will be given to the Container in accordance with section 3.10 from the time the container is first received. If the free storage period is exceeded, storage charges shall be calculated after the expiry of the free period up to the time of lift on.

3.10. Charges for container storage

Sl. No.	Particulars	Foreign-going Vessel: Rate per container per day or part thereof (in US $)			Coastal Vessel: Rate per container per day or part thereof (in ₹)		
		Upto 20'	Above 20'and upto 40'	Above 40'	Upto 20'	Above 20' and upto 40'	Above 40'
1	**Import – FCL, LCL & Empty**						
	0- 3 days	Free	Free	Free	Free	Free	Free
	4 - 15 days	4.83	9.65	14.48	202.75	405.50	608.25
	16 - 30 days	9.65	19.31	28.96	405.50	810.99	1216.49
	Beyond 30 days	19.31	38.62	57.93	810.99	1621.99	2432.98
2	**Export – FCL, LCL & Empty**						
	0 - 7 days	Free	Free	Free	Free	Free	Free
	8 - 15 days	4.83	9.65	14.48	202.75	405.50	608.25
	16 - 30 days	9.65	19.31	28.96	405.50	810.99	1216.49
	Beyond 30 days	19.31	38.62	57.93	810.99	1621.99	2432.98
3	**ICD – Import & Export – Loaded & empty**						
	First 10 days	Free	Free	Free	Free	Free	Free
	11 - 30 days	4.83	9.65	14.48	202.75	405.50	608.25
	31 - 45 days	9.65	19.31	28.96	405.50	810.99	1216.49
	Beyond 45 days	19.31	38.62	57.93	810.99	1621.99	2432.98
4	**Transshipment – Loaded & empty**						
	First 30 days	Free	Free	Free	Free	Free	Free
	31 - 45 days	4.83	9.65	14.48	202.75	405.50	608.25

	46 - 60 days	9.65	19.31	28.96	405.50	810.99	1216.49
	Beyond 60 days	19.31	38.62	57.93	810.99	1621.99	2432.98
5	**Shutout – Loaded & empty**						
	First 15 days	4.83	9.65	14.48	202.75	405.50	608.25
	16 - 30 days	9.65	19.31	28.96	405.50	810.99	1216.49
	Beyond 30 days	19.31	38.62	57.93	810.99	1621.99	2432.98

Notes:

(i). 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.

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

(iii). The storage charges shall not accrue for the period during which the CITPL is not in a position to deliver/ ship containers when requested by the user.

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

(v). For hazardous container, the storage charges shall be 25% more under the respective slab as given above.

(vi). For over dimensional containers including the windmill boxes, the storage charges shall be based on the actual number of ground slots the respective container occupies under the respective slab as given above.

(vii). If boxes meant for delivery under the "Accredited Client Programme" (ACP) as explained at Section 1 (i) above are not moved out within 3 days of its landing at the terminal, these boxes would be shifted to the normal import stack area from the designated ACP import stack area, in which case extra Lift on/Lift off and/or Shifting charges as applicable would be charged.

(viii). The free time and storage rates prescribed in case of ICD containers are applicable only for movement of containers to/from ICDs going by rail only.

(ix). Normal import containers subsequently changing the mode to either LCL or ICD containers will enjoy the free period applicable to local FCL containers.

(x). Total storage period for a 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.

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

(a). The consignee can issue a letter of abandonment at any time.

(b). 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,

(i). the Line shall resume custody of container along with cargo and either take back or remove it from port premises; and

(ii). the Line shall pay all port charges accrued on the cargo and container before resuming custody of the container.

(c). 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.

(d). 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 date the Customs order release of the cargo subject to lines observing the necessary formalities and bearing the cost of transportation and destuffing. Otherwise, seized/confiscated containers should be removed by the Lines/consignee from the port premises to the Customs bonded area and in that case the storage charge shall cease to apply from the date of such removal.

(xii). The ground slots for export containers will be reserved for 7 days for weekly call of the vessel and for 5 days for bi-weekly calls of vessel.

3.11. Miscellaneous Charges

Sl. No.	Particulars	Rate per Container (in ₹)		
		Not exceeding 20' in length	Exceeding 20' in length and upto 40' in length	Exceeding 40' in length
(i).	Fixing/removal of seal	193.09	193.09	193.09
(ii).	Lift on/lift off in the Container Yard	621.28	931.92	1242.56
(iii).	Charges for shifting within the Terminal	847.20	1270.80	1694.40
(iv).	POD Change	847.20	1270.80	1694.40
(v).	Additional movement – Terminal to Rail or Rail to Terminal / Charges for extra movement/ transportation	847.20	1270.80	1694.40
(vi).	Change of status of Container from Rail to Road or vice-versa.	847.20	1270.80	1694.40
(vii).	Charges for export containers arriving in the terminal after the gate cut-off time for the particular VIAN	847.20	1270.80	1694.40
(viii).	Fixing/removal of Hazardous Sticker (per container)	96.55	96.55	96.55
(ix).	One Door Open Charges per container	579.28	579.28	579.28
(x).	Cancellation of documents - per EIR	96.55	96.55	96.55
(xi).	Non- declaration / Mis-declaration of Hazardous and Over Dimensional containers	2896.41	2896.41	2896.41
(xii).	On- Wheel Customs inspection (per container)	386.19	386.19	386.19
(xiii).	Fumigation of Tobacco Containers	1930.94	1930.94	1930.94
(xiv).	Forklift charges for movement of Lashing Bins within the Terminal (per Lashing Bin)	96.55	96.55	96.55

Notes:

(i). Cancellation charges applies when EIR is cancelled at the request of customers.

(ii). "One Door Open" charge is applicable for handling container which requires only one door to be kept open (e.g. Onion) and when door opening and securing is carried out in the terminal.

(iii). "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.

(iv). "Fixing/ removal of Hazardous Sticker" - Hazardous stickers indicating 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 CITPL to undertake the said activity, within the terminal.

(v). On- Wheel Customs inspection - The on-wheel inspection of a container shall be allowed at the 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.

(vi). Additional movement from terminal to rail siding or rail siding to terminal will be applicable for ICD container moved by CITPL.

(vii). Non- Declaration / Mis-declaration of Hazardous container - The Customer has to declare the hazardous nature of the cargo as per the IMCO rules and furnish the relevant hazardous details to CITPL. The above charges are only for non-declaration/mis-declaration of the hazardous nature of the container. The liabilities and cost towards the consequences arising due to non-declaration or mis-declaration shall, however, be on the customer's account.

3.12. Charges for supply of fresh water to ships alongside the container berths

Particulars	Foreign-going Vessel US$	Coastal Vessel ₹
Per 1000 litres or part thereof	6.56	275.37

3.13. Charges for clearance of garbage on board

Per ½ cubic metre bag	₹ 225.92

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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.

TAMP/51/2011-CITPL	:	**Proposal from the Chennai International Terminals Private Limited for general revision of its Scale of Rates.**

A summary of the comments received from the Chennai Port Trust (ChPT) are summarised below:

Chennai Port Trust (ChPT)

(i). (a). Definitions of “Bonded Trucking”, “ICD Containers”, “Per shift” have been included which seem to be in order.

(b). Definition of “Over Dimensional Container” has been amended to mean a Container carrying over dimensional cargo beyond the normal size of standard containers and needing special devices like sings, shackles, lifting beam, etc. damaged containers (including boxes having corner casting problem) and container requiring special devices for lifting is also classified as Over Dimensional Container.

(c). Definition of “Transhipment Container” has been elaborated to cover all transhipment containers, which seems to be in order.

(ii). CITPL has included two clauses to clarify on the applicability of import / export / transhipment containers, which seem to be in order.

(iii). (a). TAMP has to take a final decision on the increase sought by CITPL.

(b). CITPL has listed 17 items under the heading “Notes” which has been included to clarify the various charges recovered over which only the container operators can comment upon.

2. A joint hearing in this case was held on 29 November 2011 at Chennai. At the joint hearing, CITPL, ChPT and users have made the following submissions:

Chennai International Terminals Private Limited

(i). Our volumes are steadily growing. We are injecting capital to add superstructure which will improve efficiency. But, the existing tariffs are not remunerative enough. We incur loss, even without considering revenue share.

(ii). Lending rates are going up. Our loan repayment will start from 2013 but cash flow is not adequate.

(iii). We have decided to induct additional equipment to service the trade better and remain competitive vis-a-vis neighbouring terminals.

(iv). To utilise the quay length of 832 mtrs. optimally, we have to deploy additional quay cranes; and, consequently, yard cranes.

(v). Our license agreement mentions about MGT of around 5 lakhs TEUs but also points out generally about handling around 1.2 million TEUs which is not possible without additional equipment.

Chennai Port Trust

(i). It appears that the proposal follows tariff guidelines and we have no objection to the proposed tariff increase.

(ii). Presently, we face evacuation problems at the port. When new equipments are added by CITPL, we expect the congestion to reduce by 2014.

(iii). CITPL has sufficient yard space. They need to develop quay side capacity to achieve full potential.

National Association of CFS

It does not affect our trade and, therefore, we have no objection to the proposal.

Shipping Corporation of India Limited

Generally, we don't have any objection. But it will push up THC.

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