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Tariff Authority for Major Ports

G. No.255 **New Delhi,** **21 July, 2015**

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from India Gateway Terminal Pvt Ltd (IGTPL) for revision of free period for Laden Containers as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports

Case No. TAMP/70/2014 - IGTPL

India Gateway Terminal Private Limited - - Applicant

QUORUM:

(i). Shri. T.S. Balasubramanian, Member (Finance)
(ii). Shri. Chandra Bhan Singh, Member (Economic)

O R D E R

(Passed on this 2nd day of July 2015)

This case relates to a proposal received from India Gateway Terminal Pvt Ltd (IGTPL) for revision of free period for Laden Containers.

2.1. The Cochin Port Trust (COPT) vide its email dated 16 December 2014 addressed to Secretary (Shipping), with a copy endorsed to Joint Secretary (Ports) and Tariff Authority for Major Port (TAMP) has furnished a copy of letter dated 9 December 2014 from the Commissioner of Customs (Cochin) to COPT and letter of COPT dated 15 December 2014 to MOS. The COPT in its email dated 16 December 2014 has made following submissions:

(i). The Commissioner of Customs (Cochin) has highlighted that dwell time for import containers is 15.36 days in COPT as against 5-6 days nation-wide and suggested that free time at the container terminal be reduced.

(ii). Immediate action is warranted in this matter. But since free days are part of the TAMP notified Scale of Rates (SOR) for International Container Transhipment Terminal (ICTT), this would be time consuming process by TAMP.

(iii) Therefore, a Government Policy directive u/s 111 of MPT Act in this matter may please be issued.

2.2. The COPT in its letter dated 15 December 2014 addressed to Secretary (Shipping) has elaborately highlighted the matter. The COPT has, *inter alia*, stated that reduction of free time merits immediate attention since Government have directed that measures should be taken to get all the ports to function efficiently and since cargo dwell time is an important Key Performance Indicator (KPI) in determining transaction costs. It is also mentioned that the Chairman, COPT took a meeting with stakeholders wherein it was stated that measures would be taken to reduce the free time from 7 days to 5 days with effect from 1 January 2015 in the first instance, and to 3 days with effect from 1 March 2015. While the terminal operator was agreeable, the Steamer Agent and the Customs House Agents objected.

3. The points made by the Commissioner of Customs (Cochin) vide his letter no.Commr/Misc/1/2014 dated 9 December 2014 addressed to COPT forwarded by the COPT with its email dated 16 December 2014 are summarised below:

(i). Dwell time for import cargo was 15.36 days for COPT for the month of November 2014. The average dwell time taken for import cargo in other ports/Customs formations in the country is in the range of 5-6 days.

(ii). The target set by Central Board of Excise and Customs (CBEC) for dwell time for import cargo, to be achieved by all customs formations in the country by March 2015, is 72 hours (3 days). Whereas, Cochin Custom House has the highest dwell time for import cargo in the country.

(iii). The analysis of the various stages of the dwell time reveals as follows:

(a). Time taken from arrival of vessel to filling of B/E – 8.95. days.

(b). Time taken from filling of B/E/ to its assessment – 2.28 days.

(c). Time taken from assessment of B/E/ to payment of duty – 2.19 days.

(d). Time taken from payment of duty to registration of B/E -0.61 days.

(e). Time taken from registration of B/E to out of charge – 1.33 days.

The entire time taken by Customs perse (filing of B/E to its assessment and registration of B/E to its out of charge) is brought down to within two days by March 2015.

(iv). The main reason for the high dwell time is the long period taken for filing of B/E after arrival of the vessel. A discussion with members of trade and other stakeholders has revealed that one of the reasons for this is the free time of 7 days given by ICTT for retaining the cargo within the terminal. This leads to a tendency to delay the movement of import containers to CFS and for filing B/E till the said free period is exhausted.

(v). The free period offered by the ICTT is the highest in the country and this would be the prime reasons for the high dwell time which in turn reflects poorly on the efficiency of customs department as well as the port and other stakeholders working in the port.

4. In this backdrop, the IGTPL has filed a proposal dated 18 December 2014 proposing reduction in free period for import container. The submissions made by IGTPL are summarized below:

(i). The TAMP had approved the SOR for India Gateway Terminal Private Limited (IGTPL) for operating the ICTT vide Order No. TAMP/25/2008-IGTPL dated 05.08.2009, and notified the same vide Gazette. No. 142 dated 11.09.2009. The SOR for the IGTPL as per the Order of this Authority is valid till the end of 2015.

(ii). There is delay in evacuation of the import containers from the terminal storage - yard.
The issue are two fold as under:

(a). Congestion at the terminal yard.
The present infrastructure in the terminal has been designed to handle volume upto 1 million teus with certain expected mix of origin & destination containers and Transhipment containers with levels of dwell days normally found at other terminals. The present high levels of dwell days by Import containers have ended in the severe congestion of storage yard with present level of dwell days the yard capacity is 2,03,700 TEUs. (The calculation of the yard capacity at the norms as per the formula prescribed in 2008 upfront tariff guidelines with the present levels of dwell days is furnished.)

(iii). The yard capacity is 203,700 teus whereas in 2013 the terminal has handled 343,930 (including Transhipment (TP) -25,243 teus) and 360,000 teus (including TP-19,500 teus) in 2014. This situation has been overcome by higher efficiency in yard & equipment utilization. Consequent to these efficiency initiatives the yard capacity is at 366,837 teus. (The detailed calculation is furnished.) It may be noted that the stack utilization is at 80% which is higher than the generally accepted utilization levels of similar yards.

(iv). The IGTPL's projected volume to be handled in 2015 is 668,000 teus (including 180,000 of TP volume). With the present high levels of dwell time, the terminal will not be in a position to service these volumes, in particular the TP volumes (wherein the free dwell days are 30 days), as the ground slots required would be 3966 whereas available ground slots are 2446. (The detailed calculation is furnished.)

(v). The industry norm world wide is that the dwell time of Transhipment containers at a TP hub is significantly higher than for a local container. To promote TP volumes the tariff has provided for 30 days free dwell time. In 2015, the TP containers are expected to be approx. 180,000 teus. With the higher dwell days required for such containers, the yard space allocation for local containers will be severely affected, thereby resulting in congestion. Consequent to the proposed rationalization of the free storage days, the ground slots required for TP containers will be made available and the terminal will be able to handle the higher additional volume. The revised yard capacity consequent to the proposed rationalization of the free dwell days is 5,95,040 TEUs assuming that port rationalisation of free dwell days and customs initiatives the dwell time would drop to import 3 days and export 3 days.

(vi). In our tariff application in 2008 and subsequent application we had requested that the free period for laden containers be reduced from 7 days to 3 days. One of the impediments to this request of reduction in free days from 7 days to 3 days, was cited as lack of adequate infrastructure outside the terminal to store container. In 2009 there were only two Container Freight Station (CFS) and in 2014 there are 7 CFS with additional CFS's scheduled to go on stream over the next few month. The capacities of these CFS (as obtained from them) is furnished, which in 1080 ground slots put together. Further Inland Container Depot (ICD) at Kottayam and Mathilakam are also operational. Hence, presently there are adequate infrastructural developments to facilitate evacuation of laden container to all these CFS and ensure that the trade is not inconvenienced by the rationalization of free storage days.

(vii). **(b). Recommendation from Commissioner of Customs:**

(The IGTPL has mentioned about the recommendation of Commissioner of Customs for reduction in free dwell time which has been already brought out in para 3 above. Hence, not repeated here.)

(viii). The Dwell Time referred by the Commissioner, Customs is evidently from the landing of the containers to the delivery of the containers. While the landing is at the Terminal, the delivery is mostly from the CFSs as mentioned by the Commissioner. It is relevant that the major share of the Dwell Time of the containers is accounted for by the Terminal, and therefore, any reduction in the Free Period at the Terminal will result in reduction of the total Dwell Time of the containers at Cochin.

5. Based on the above, the IGTPL has made further submissions as summarized below:

(a). This Authority had prescribed the Free Period for various categories of containers under Section VIII, 8 Storage Charges of the Scale of Rates of IGTPL as under.

Free Period for Containers (Days)

Laden	Empty	Transhipment Laden	Transhipment Empty
7	3	30	15

(b). The Dwell Time of containers at ICTT corroborates the position of the Commissioner, Customs, as may be seen below.

Average Dwell Time of Containers (Days) in 2014 at ICTT

Import Laden	Export Laden
16.3	4.4

(c). The Dwell Time of import containers at the ICTT is unduly high, when seen against the total Dwell Time of 5-6 days referred by the Commissioner, Customs at other ports of the country. It is also the case that the Dwell Time of export containers is much less than that of the import containers. Dwell Time is more significant for import containers than export containers since the import containers are only waiting to be cleared, upon which the empty containers are released for further movement of cargo, whereas the export containers are already committed for cargo movement, and are on the way to their destination. While it is important to have the lowest possible Dwell Time for both import and export containers, reducing the Dwell Time for import containers is more relevant since India's export containers suffer much less Dwell Time in their foreign destinations as import containers.

(d). A comparison of the Dwell Time of import containers at ICTT, Cochin with other major container terminals in the country reveals that ICTT, Cochin, in fact, has the highest Dwell Time, as may be seen below.

Average Dwell Time of import Laden Containers (Days) at various Ports

Cochin (ICTT)	**Tuticorin PSA**	**Tuticorin DBGT**	**Chennai (CCTL)**	**Mumbai (NSICT)**
16.3	3	3	2.17	2.5

(e). A comparison of the Free period at ICTT, Cochin with other major container terminals in the country shows that ICTT allows the highest number of Free Days.

Free Period for Containers (Days) at various ports

	Cochin (ICTT)	**Tuticorin PSA**	**Tuticorin DBGT**	**Chennai (CCTL)**	**Mumbai (NSICT)**
Laden	7	5	2	3	3
Empty	3	5	2	3	0
Transshipment Laden	30	15	15	30	7
Transshipment Empty	15	15	15	30	0

(f). There are evident gains to the Trade in realizing a shorter Dwell Time. The players involved in the overall Dwell Time of the cargo are the Customs (clearance process), Port / Terminal (operations including storage) and the importers / exporters (inventory management). Any cuts in cargo Dwell Time can reduce the transaction cost of the trade, to the benefit of importers and exporters. Effective information management system, incentives to limit extra storage time and smooth customs procedures are critical drivers of shorter Dwell Time. The average Indian ports lags far behind international best practices in this KPI as has been reported by various studies commissioned by the Government.

(g). While it is important to have all the players; Customs, Port and the importers/ exporters, doing their best to reduce the Dwell Time, systemic changes are most possible with respect to the Customs and the ports. The target of 72 hours (3 days) set by the CBEC for Dwell Time for import cargo, to be achieved by all Customs formation in the country by March, 2015, referred to by the Commissioner, Customs, Cochin, is a case in point. The CBEC evidently will have to make systemic changes in the clearance procedures for realizing the target. The ports meanwhile can put disincentives on storage of containers or cargo beyond a certain level of free storage, which is achieved by prescribing a certain Free Period. It is also the case that Ports/ Terminals generally have progressive storage charges, after the Free period, approved by this Authority, specifically with this objective.

(h). However, the aforesaid is not fully applicable in the case of importers/ exporters, who are a diverse lot. The clearance of cargo/ containers is undertaken by the Custom House Agents (presently, called Customs Brokers) on behalf of the importers/ exporters. The activities listed based on the analysis of the Commissioner, Customs, Cochin are undertaken by these agents on behalf of the importers. The clearance of containers get initiated towards the end of Free Period of the containers at the Terminal.

(i). A clear disincentive for longer storage of containers at the Terminal, which consequently adds to the total Dwell Time of containers (Terminal + CFS), resulting in higher transaction cost to the Trade, is to prescribe a shorter Free Period at the Terminal.

(j). The terminal being new with state-of-the –art equipment, has a relatively higher tariff than the other competing terminals. Lack of volumes has prompted major

Shipping Lines shunning the terminal for regular calls, and the terminal has become costly for the trade in general. It is vital for the ICTT to attract Over Dimensional (OD) containers not only from the primary hinterland, where it has clear advantage, but also from the secondary and tertiary hinterland, which are shared with other competing Container Terminals. The Cochin Port and the IGTPL are making targeted initiatives in attracting containers from the secondary and the tertiary hinterland, towards which lower port charges and lower transaction cost are imperative. Realizing the least possible dwell time for OD containers is one of the objectives in this regard, which will have beneficial cost impact for the trade. The Port Trust and the ICTT seek to enhance the volumes through such initiatives.

6.1. In the light of the above, the IGTPL has proposed to reduce the free period for laden containers from the current 7 days to 3 days in line with the major Containers Terminals in the country. However, since the reduction proposed is rather steep, to which the Trade and the agents have to adjust, the operator has also proposed that the reduction may be effected in two phases. Therefore, the Free Period is initially proposed to be prescribed at 5 days with effect from 01.01.2015. In the second phase, the Free Period is proposed to be prescribed at 3 days with effect from 01.04.2015. The Free Period for all other categories of containers is left unchanged. In consequence to the reduction in Free Period from 7 days to 5 days in the first phase, and from 5 days to 3 days in the second phase, the storage charges are proposed at the same rates for the same duration of days as in the present schedule; 8 days in the first slab and 15 days in the second slab. The Free Period for Empty Containers prescribed at 3 days, Transhipment Laden Containers prescribed at 30 days and Transhipment Empty Container prescribed at 15 days are not proposed to be altered.

6.2. The prevailing Free Period for Containers (Days) as per existing Scale of Rates for Laden Container is as follows:

Particular	**Rate per container per day or part thereof**					
	Foreign-Going (in US$)			**Coastal (in ₹)**		
	Container not exceeding 20' in length	Container exceeding 20' in length and upto 40' length	Container exceeding 40' in length and upto 45' length	Container not exceeding 20' in length	Container exceeding 20' in length and upto 40' length	Container exceeding 40' in length and upto 45' length
Laden Container						
(i) First 7 days	Free	Free	Free	Free	Free	Free
(ii) 8-15 days	5.40	10.80	16.20	235.35	470.70	706.00
(iii) 16-30 days	10.80	21.60	32.40	470.65	941.30	1411.95
(iv) Thereafter	21.60	43.20	64.80	941.35	1882.70	2824.05

[The rate prescribed above is subject to 3.48% annual escalation with effect from 1 January 2011 till 1 January 2015 as per general note (x) of the existing SOR for ICTT.]

6.3. As stated earlier, the IGTPL has proposed to reduce free period in two phases as follows:

Proposed Free Period for Laden Container (Days):

(i) Phase I – with effect from 01.01.2015

Particular	**Rate per container per day or part thereof**					
	Foreign-Going (in US$)			**Coastal (in ₹)**		
	Container not exceeding 20' in length	Container exceeding 20' in length and upto 40' length	Container exceeding 40' in length and upto 45' length	Container not exceeding 20' in length	Container exceeding 20' in length and upto 40' length	Container exceeding 40' in length and upto 45' length
Laden Container						
i) First 5 days	Free	Free	Free	Free	Free	Free
ii) Next 8 days	6.19	12.39	18.56	269.87	539.72	809.52

iii) Next 15 days	12.39	24.76	37.16	539.67	1079.34	1619.01
iv) Thereafter	24.76	49.54	74.30	1079.38	2158.78	3238.17

(ii). Phase II with effect from 01.04.2015

Particular	**Rate per container per day or part thereof**					
	Foreign-Going (in US$)			**Coastal (in ₹)**		
	Container not exceeding 20' in length	Container exceeding 20' in length and upto 40' length	Container exceeding 40' in length and upto 45' length	Container not exceeding 20' in length	Container exceeding 20' in length and upto 40' length	Container exceeding 40' in length and upto 45' length
Laden Container						
i) First 3 days	Free	Free	Free	Free	Free	Free
ii) Next 8 days	6.19	12.39	18.56	269.87	539.72	809.52
iii) Next 15 days	12.39	24.76	37.16	539.67	1079.34	1619.01
iv) Thereafter	24.76	49.54	74.30	1079.38	2158.78	3238.17

[*The rates indicated by the IGTPL in the proposed schedule is after applying annual indexation of 3.48% applicable as per note (x) – General in the existing SOR of IGTPL. The annual indexation is effective from 1 January 2011 to 1 January 2015*]

6.4. The IGTPL has requested this Authority to consider the proposal for staggered reduction of Free period for Laden Containers at ICTT in two phases, and approve, considering that the proposal is intended to reduce the Dwell Time of import and export containers in line with other container terminals of the country, which will be to the benefit of trade in reducing the cost of import and exports with resultant benefits of reduction of terminal congestion.

6.5. Further, the IGTPL has stated that the above reduction in free dwell days is not expected to have any major impact in revenue as the boxes will be evacuated as per the revised free days and Custom initiatives. The ICTT is having continued losses from the date of inception of the Terminal and hence any marginal increase in revenue will not have any impact on the return on capital.

Summary of financial returns as per audited accounts is as follows:

(₹ in crores)

Details	FY 2011-12	FY 2012-13	FY 2013-14
Revenue	150.90	161.20	162.40
Loss as per audited accounts	123.07	103.30	115.54
Loss excluding Revenue share	73.51	49.90	61.72

6.6. The IGTPL in its closing remark has stated that objective of terminal infrastructure is to provide the highest productivity and fastest turnaround time for vessels that call the terminal; for the end customers the objective of terminal should be to provide quick clearance and delivery of the containers. Both these objectives will be denied in the event of yard congestion.

7. In accordance with the consultative procedure prescribed, a copy of the IGTPL proposal dated 18 December 2014 was forwarded to the concerned users/ user organisations seeking their comments vide our letter dated 8 January 2015**.** The comments received from users / user organisations were forwarded to IGTPL as feedback information. The IGTPL vide letter dated 29 May 2015 has furnished its common comments on the points made by the users/ user organisations.

8.1. A joint hearing on the case in reference was held on 22 May 2015 at the COPT premises. At the joint hearing, the IGTPL made a brief power point presentation of its proposal. The COPT, IGTPL and the concerned users/ user organisations have made their submissions.

8.2. At the joint hearing, the Dy. Commissioner of Customs submitted a note on the subject proposal along with copy of Circular No.2/2015 dated 5 January 2015 of the Office of Commissioners of Customs.

9. At the joint hearing the Cochin Chamber of Commerce and Industry (CCCI) vide its letter dated 22 May 2015 have given their written submissions reiterating the comments furnished by them earlier.

10. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the comments received from 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.

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

(i). The existing SOR of International Container Transhipment Terminal (ICTT) operated by IGTPL was approved by this Authority vide Order No. TAMP/25/2008-IGTPL dated 5 August 2009. The validity of the rates prescribed in the existing SOR for ICTT is till 31 December 2015.

(ii). The proposal filed by the IGTPL is for reduction in free period in respect of Laden Containers prescribed in the existing SOR from 7 days to 3 days in two phases. The proposal seems to have been mooted by IGTPL based on the letter from Commissioner of Customs, Cochin to the COPT highlighting high dwell time of import containers at ICTT of 15.36 days in the month of November 2014 which is attributed to high number of free days i.e. 7 days prescribed in the SOR of IGTPL. The Commissioner of Customs has stated that Central Board of Excise and Customs (CBEC) has set target of 72 hours (i.e.3 days) to complete customs formalities. High number of free days at ICTT in comparison to other Major Port Trusts is reported to have adverse impact on the efficiency of his department in achieving the target set by the CBEC and hence Commissioner of Customs has strongly recommended for reduction in free period for laden import containers.

(iii). As tabulated in the earlier paragraphs bringing out the factual position, activity-wise dwell time is indicated in respect of import containers from the date of arrival of vessel to out of charge which is to the tune of 15.36 days in the month of November 2014. It is seen from the said table that of total dwell time of import containers at ICTT at 15.36 days, the time taken by Customs for the two activities viz. (a). from bill of entry to Customs assessment and (b). from Registration of bill of entry to out of charge is 3.61 days. The Commissioner of Customs has pointed out that this time period has to be reduced to 2 days by March 2015 to enable it to meet the target set by CBEC.

It is reported by Customs Commissioner that of the total average dwell time of 15.36 days, the major time of 8.95 days is consumed by importer for the first activity i.e. filing of Bill of Entry from the date of arrival of the vessel. Since free period for laden import container is prescribed for 7 days, the COPT, IGTPL as well as Commissioner of Customs are of the view that the tendency of importer is to initiate action for movement of container to CFS after 7 days free period available at ICTT is exhaused. As per the details provided, it takes 6.27 days for the first activity i.e. to file a Bill of Entry from the date of arrival of vessel as compared to 3.53 days and 4.05 days taken by container handling facilities at Jawaharlal Nehru Port Trust (JNPT) and Chennai Port Trust (CHPT).

The free period for import laden container prescribed at other container terminal viz. PSA SICAL Terminal Limited (PSASICAL) is 5 days, Chennai Container Terminal Limited (CCTL) is 3 days, Chennai International Terminals Private Limited (CITPL) is 3 days, Nhava Sheva International Container Terminal Limited (NSICTL) is 3 days, Gateway Terminals India Private Ltd. (GTIPL) is 3 days and Visakha Container Terminal Pvt. Ltd. (VCTPL) is 3 days. Thus, in short, free period of import laden container at all the container terminals operating in Major Port Trusts under tariff guidelines of 2005 is 3 days except in the case of PSASICAL where it is 5 days. As rightly pointed by the IGTPL, the free period for import laden container prescribed at IGTPL for ICTT container is the highest in comparison to the free period prescribed in other container terminals operating in other Major Port Trusts. The COPT as well as Commissioner of Customs have opined that there is a strong case to reduce the free period at ICTT.

(iv). In the Scale of Rates of the IGTPL, free period and storage charge are prescribed for laden container which is commonly applicable for import and export laden container and the proposal of the IGTPL is to rationalize the free period and slab structure of laden containers. The IGTPL has proposed rationalisation (i.e. reduction) in the free period for laden containers. It is seen that the free period and storage charge have been prescribed separately for import laden and export laden at the Container Terminals at other Major Port Trusts. The IGTPL is advised to propose storage charge for import laden and export laden containers separately following the position obtaining at other container terminals at the time of review of its SOR. The IGTPL has not proposed any modification in the storage structure for other categories of containers viz. Empty container, Transhipment container – empty and Transhipment container – laden.

(v). The User Associations like CSAA, CCCI and CCHAA have objected to the proposal of IGTPL. Firstly, it is their case that IGTPL has not yet reached its capacity of 1 Million TEUs; and therefore, there is no possibility for congestion at the terminal. Hence, the Associations have argued that there is no need for reduction of dwell days since there is sufficient unutilized space within the terminal. As against this contention of the User Associations, the IGTPL has pointed out that with the stack height at 2.5 and the dwell days at 4 days for import and 2 days for export as per the norms, the annual yard capacity would be at around 400000 TEUs which is sufficient to cover existing volume levels. However, the increased dwell days at the average level of 7.5 days for import and 4.3 days for export, the annual yard capacity has come down to 203700 TEUs. The IGTPL has increased yard efficiency by higher stack utilization of 3.2 and the increased stack utilization has made necessary incurring of cost for additional shifting which has been absorbed by the IGTPL. The increased average stack height with the average dwell time of 7.5 has resulted in the present annual yard capacity to 372481 TEUs. In nutshell, the IGTPL has sought to argue that it has overstretched the yard capacity by its efficiency in stack height. With the increased stack utilization of 3.2 and with dwell time of 4 days for import and 2 days for export it will have larger capacity in the yard at around 505000 TEUs. This implies that the IGTPL has overstretched its yard capacity as against the contention of the User Associations that there is sufficient unutilized space within the terminal. There is force in the argument of the IGTPL.

The next argument put forth by the User Associations is that reduction in free days will result in increase in storage cost to the importers. As rightly stated by the IGTPL, the purpose of reduction of free days is to encourage speedy evacuation of the containers from the terminal. The view of the IGTPL that the additional cost may have to be incurred only when the container is continued to be evacuated at the present time frame, is worthy of noting.

Thirdly, the CCHAA, drawing a reference to the mention made by the Customs Commissioner in the Permanent Trade Facilitation Committee (PTFC) meeting held on 22 December 2014 that the dwell time has come down to 5-6 days, has stated that the trade is not misusing the facility. In this regard, it has to be noted that in the Joint Hearing held on 22 May 2015, which is subsequent to PTFC meeting convened on 22 December 2014, the Customs has argued that there is a strong case for reconsidering the free period. This Authority is not in a position to brush aside the views of the Customs that one of the reasons for high dwell time is free time of 7 days given by the IGTPL for retaining the container within the terminal. Notably, the Customs Commissioner has opined that this free time of 7 days leads to tendency to delay the movement of import containers to CFS and for filing of Bill of Entry till the said free period is exhausted.

(vi). The submissions made by the IGTPL that during the initial fixation of tariff for ICTT in the year 2008, there was lack of sufficient CFS outside the terminal to store containers and hence seven days free period at that time had justification is noteworthy. But, presently the IGTPL has reported that adequate infrastructure development and adequate CFS facilities are available in the vicinity and hence trade will not be inconvenienced by rationalizing the free storage period for import laden containers. Further, as stated earlier, free period prescribed for ICTT due to insufficient CFS at the material point of time is seen to be very high in comparison to the free period for import laden containers of other container handling terminals operated by BOT operators in other Major Port Trusts.

(vii). Keeping in view that reduction proposed in free period of laden containers from 7 days to 3 days at one go may impact trade, the IGTPL has proposed reduction in free period in two phases. In the first phase the IGTPL has proposed reduction in free period from 7 days to 5 days with effect from 1 January 2015 and in second phase from 5 days to 3 days from 1 April 2015 so that the trade can get adjusted to the rationalised free days proposed by it.

Since, the staggered period is already over, and considering that the Order passed by this Authority may come into effect after the lead period by around August 2015, it is found appropriate to prescribe the first phase of reduction in free period i.e. from 7 days to 5 days from 1 September 2015 and second phase reduction from 5 days to 3 days from 1 December 2015.

(viii). (a). The existing SOR prescribes the unit rate of storage charges for 20' laden container after 7 days free period at US$ 5.40 / day for 8 to 15 days (i.e. for 8 days), US$ 10.80 / day for 16 – 30 days (i.e. for 15 days) and US$ 21.60 / day for the period thereafter. The note (x) under 2. General of the existing SOR of the ICTT states that the rates approved by this Authority for ICTT will be increased by 3.48% per annum on 1 January every year with reference to the tariff prevailing in the immediate preceding year. The first such escalation will be effected on 1 January 2011 and the last one will be on 1 January 2015.

In the rationalization of free period, the IGTPL has in the first phase, proposed the existing rate of US$6.19/day for 8 days after the 5 days free period. This translates to the slab 6-13 days instead of the existing slab 8-15 days, US$ 12.39/day for next 15 days which translates to the slab 14-28 days instead of existing slab 15-30 days and for the period thereafter at US$ 24.76 / day.

Likewise, during the second phase after, the IGTPL has proposed to continue with the existing rate of US$6.19/day for 8 days after the 3 days free period. This translate to the slab 4-11 days instead of the existing slab 8-15 days, US$ 12.39/day for next 15 days which translates to the slab 12-26 days instead of existing slab 15-30 days and for the period thereafter at US$ 24.76 / day.

It is seen that the IGTPL has updated the rates with the applicable indexation factor as per said note prescribed in its SOR. The indexation in the rate is governed by the relevant note in the SOR and hence it is not relevant to prescribe the indexed rate only in respect of the laden container.

(b). Though the proposal is mooted to mainly rationalize (reduce) the free period for laden container, the proposal of IGTPL will impact trade / importers on two accounts. Firstly, they will have to pay storage charges for the reduction in the free period i.e. from 7 days to 5 days and then to 3 days in two phases if containers are not evacuated within the free period. Apart from that, the approach adopted by IGTPL will also entail the trade to pay storage charges at the higher rate for the next respective slabs to the extent of reduction in the existing free period as explained above. The users as well as the COPT have pointed out that the existing storage charges in IGTPL itself is higher in comparison to other neighboring container terminals of Tuticorin and Chennai. The COPT has specifically stated that while it agrees to the proposal of IGTPL for reduction in free period, it has also categorically stated that the storage charges should be competitive compared to international container transshipment hubs as per Article 4.2. of the Concession Agreement (C.A) entered by it with the IGTPL. As per clause 4.2 of the CA, the tariff has to be competitive with the tariff level existing at international container transhipment hubs and major competing port in the region. The exercise now is limited to reduce the free period of laden container. This Authority requests the IGTPL and COPT to address the concern of the user as well as COPT and also requests the IGTPL to consult COPT as stipulated in Clause 4.2. while filing its proposal for revision of its SOR which is due for revision in December 2015.

(c). For the present, it is sufficient to reduce the free period of laden containers. Consequently, beginning of the first chargeable slabs is modified as 6-15 days in the first phase and 4-15 days in the second phase without tinkering with any other slabs. This will provide some relief to the users in comparison to the slabs proposed by IGTPL. The rates for each of the slabs is prescribed as in the existing SOR instead of indexed rate proposed for incorporation by the IGTPL.

(ix). The CEPC has requested to increase the free period to 14 days on raw cashew citing that documentation system in African countries from where raw cashews are imported is not efficient and there is delay in receipt of documents. Even the IGTPL has admitted that there is delay in documentation from the African countries. The IGTPL has agreed to consider the request at CEPC if CEPC guarantees on the volume. It is relevant to mention here that the rates approved by this Authority are ceiling level. The IGTPL has the flexibility to give rebates / discounts in the ceiling rates approved by this Authority, if it so desires, based on its commercial judgment. Hence, the IGTPL in view of this flexibility available may, if it so desires, increase the free period for this category of cargo container or any other cargo container based on its commercial judgment.

(x). The IGTPL has not furnished any revenue impact of the proposed reduction in free period. It has stated that it is already in revenue loss at the existing tariff. At the proposed reduction in free period the IGTPL does not expect to have any revenue impact. In any case, since, the SOR of IGTPL is already due for revision in few months i.e. by December 2015, the actual including the impact of the reduction in free period approved now vis-à-vis estimates considered in the last tariff order will be examined as per the applicable provision of the tariff guidelines of 2005.

(xi). As stated earlier, the SOR of IGTPL is due for revision in December 2015. Hence, the storage schedule may also under go review along with revision of the SOR of IGTPL.

12. In the result, and for the reason given above, and based on collective application of mind, the proposal of IGTPL for reduction in free period for laden containers is approved by replacing the existing storage charges prescribed for laden container at Schedule 8 - Storage Charges in the existing SOR of the IGTPL approved vide Order No.TAMP/25/2008-IGTPL dated 5 August 2009 as attached as **Annex**.

(T.S. Balasubramanian)
Member (Finance)

Annex

Replace the existing schedule of storage charges prescribed for laden container at schedule 8 Storage charges under Section 8 of the existing SOR of the IGTPL approved Order No.TAMP/25/2008-IGTPL dated 5 August 2009 with the following schedule:

Particular	**Rate per container per day or part thereof**					
	Foreign-Going (in US$)			**Coastal (in ₹)**		
	Container not exceeding 20' in length	**Container exceeding 20' in length and upto 40' length**	**Container exceeding 40' in length and upto 45' length**	**Container not exceeding 20' in length**	**Container exceeding 20' in length and upto 40' length**	**Container exceeding 40' in length and upto 45' length**
(i). Phase I – with effect from 01.09.2015						
Laden Container						
(a) First 5 days	Free	Free	Free	Free	Free	Free
(b) 6 - 15 days	5.40	10.80	16.20	235.35	470.70	706.00
(c) 16 - 30 days	10.80	21.60	32.40	470.65	941.30	1411.95
(d) Thereafter	21.60	43.20	64.80	941.35	1882.70	2824.05
(ii). Phase II - with effect from 01.12.2015						
Laden Container						
(a) First 3 days	Free	Free	Free	Free	Free	Free
(b) 4 - 15 days	5.40	10.80	16.20	235.35	470.70	706.00
(c) 16 - 30 days	10.80	21.60	32.40	470.65	941.30	1411.95
(d) Thereafter	21.60	43.20	64.80	941.35	1882.70	2824.05

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

F.No.TAMP/70/2014-IGTPL	**:**	**Proposal received from India Gateway Terminal Pvt Ltd (IGTPL) for revision of free period for Laden Containers**

A summary of the comments received from the users/ user organisations and the comments of India Gateway Terminal Pvt Ltd (IGTPL) thereon are summarised and tabulated below:

<table>
<tr><th>Sl. No.</th><th>Comments of users / user organisations</th><th>Reply furnished by IGTPL</th></tr>
<tr><td>1.</td><td><u>The Cochin Chamber of Commerce and Industry (CCCI)</u></td><td></td></tr>
<tr><td>(i).</td><td>The CCCI is perplexed by the proposal from the IGTPL to reduce the number of free days for import containers from the present 7 days to 3 days with effect from March 2015 as a measure to reduce the dwell time. We fail to understand the logic behind this move since, if implemented, it will only serve in imposing a greater financial burden on the importers, thereby forcing them to divert cargo to other neighbouring Ports. The IGTPL has failed to throw sufficient light on how it proposes to double its business next year, considering the marginal variances over the past two years. There is no reflection of any singularly effective mechanism to improve business, in the absence of which, it is no different from the estimate of 1 Million TEUs targeted for the year.</td><td rowspan="4">Most of the comments of the users/ user organisations are common hence IGTPL have listed the various comments. IGTPL had given their views on the same during the joint hearing and are documenting the same as below:
(a). The terminal operations has not yet reached its capacity, hence there is no possibility of congestion, therefore, there is no need for reduction of dwell days/ there is sufficient unutilized space within the terminal. The parameters taken by this Authority for estimating the yard capacity are Dwell days at 4 days for Import & 2 days for Export, Stack height at 2.5 and Surge factor at 1.3. Presently the terminal has 2448 ground slots. Taking the above TAMP parameters the annual yard capacity would be at 400,611 teus (ref Ann 1 attached), which is sufficient to cover existing volume levels. However, the increased dwell days have reduced the annual yard capacity to 203,700 teus (ref Ann 2). IGTPL has increased yard efficiency by higher stack utilization up to 3.2. Increased stack utilization have entailed cost of additional shifting, etc., which has been absorbed by IGTPL. The increased efficiency has created additional capacity, thus bringing the present annual yard capacity to 372,481 teus (ref Ann 3). It may be noted that with increased stack utilization with dwell time at TAMP parameters would result in the yard capacity at 505,013 teus (Ref Ann 4).
(b). Congestion at terminal is contradicted by the 14 days free dwell time given for Cashew containers.
Cashew imports have been a traditional seasonal industry in Kerala and considering the specific industry requirement, IGTPL has supported by offering extended dwell time of 14 days for containers arriving through mail</td></tr>
<tr><td>(ii).</td><td>As things stand today Export-Import trade vis-à-vis the Cochin Port has been stagnant for quite some time now. While the Port and all concerned have been doing everything possible to turn this situation around, with shipping lines even offering commodity wise free days ranging between 14 to 21 days for Line Detention Charges, the current move appears to reverse all the good work done to date. This initiative, if implemented, will only serve to further deplete the cargo coming to the Port.</td></tr>
<tr><td>(iii).</td><td>Reducing the free Port Storage from 7 to 3 days automatically will increase the cost of operations for import with ₹1600 for 20’ container and ₹3200 for 40’ container. Any additional cost to an import container will result in reduction of imports into Cochin and thus will affect equipment availability resulting in higher cost for export.</td></tr>
<tr><td>(iv).</td><td>A move such as this, in ports where there is congestion, is understandable. However, in Cochin, where the terminal is operating at only third of its capacity, the present move defies logic. We can ill afford to take any steps that will further alienate clients from using the Cochin Port.</td></tr>
</table>

(v).	The Cochin Chamber is of the firm view that the only way in which we can attract more cargo to our Port is to add value by providing highly efficient and cost effective solution to the trade. The seven days free time for Port storage charges being offered now should in no way be curbed. Rather, it should be used as a marketing tool to attract more cargo to this Port.	line vessels. As mentioned above IGTPL has offset the additional yard inventory by increasing the yard efficiency. (c). Reduction in dwell days will result in increase in storage costs to the importers. The intent of reduction of free dwell days is to encourage speedy evacuation of the containers from the terminal by increasing the efficiency in the evacuation process. It may be noted that the Customs vide their comments dated 30-01-2015 have opined that there is an increased tendency to keep materials within premises of IGTPL for longer period than required, on account of longer duration of free period. The perceived additional costs would be incurred only in the cases wherein the cargo is continued to be evacuated at the present time frames. It may be noted that in other ports the free dwell days are 3 to 5 days and the containers are being evacuated with in this period. IGTPL is operating higher levels of productivity i.e. excess of 30 moves per hour. The drive towards International port standards have to be supported by efficiency across all port process by all stake holders. It is towards this end that the proposal for reduction in dwell days has been made. During the joint hearing, a suggestion was made by this Authority that a phased reduction of dwell days may be considered so that sufficient time is given to the trade to revise their process. We are in agreement to this approach.
(vi).	While we all are agreement regarding improved productivity, speedy clearance of the cargo to avoid unwanted costs etc. we cannot agree with the view that the container storage free time given at ICTT should be reduced.	
(vii).	Therefore, CCCI urge TAMP to ensure that status quo is maintained till such time as the targeted volume of 10 lakh TEUs is achieved by the IGTPL.	
2.	**<u>The Cochin Custom House Agents' Association (CCHAA)</u>**	
(i).	CCHAA confirm receipt of TAMP mail dated 09-01-2015 on the above referred proposal from DP World Cochin.	
(ii).	Trade in Cochin is perplexed by the suggestion of the Cochin customs Authorities, supported by Cochin Port and the IGTPL, to reduce the number of free days for import containers from the present 7 days to 3 days as a measure to reduce the dwell time. We fail to understand the logic behind this move and the customs Authorities initiative in the matter since this move, if implemented, will only serve in imposing a greater financial burden on the importers, thereby forcing them to divert cargo to other neighbouring Ports who are offering competitive rates.	
(iii).	As things stand today Export-Import trade vis-a-vis the Cochin port has been stagnant for the quite some time now. While the port and all concerned have been doing everything possible to turn this situation around, with shipping lines even offering commodity wise free days ranging between 14 to 21 days for Line's container detention charges, the current move appears to reverse all the good work done to date. This initiative, if implemented, will only serve to further deplete the cargo coming to Port. As per the present scenario the Government of India is disappointed very much regarding the high transaction cost at Cochin as compared to other Ports in India. If any move results in escalation will not serve the purpose of the Government policy in reducing the transaction cost. The free period of 3 days is allowed at the terminals (Mumbai, Chennai etc.) which is having heavy congestion at the terminal. But M/s. IGPTL vide their Trade Notice (copy enclosed) dated 26th March 2014 has given free time 14 days for raw cashews, which is contradictory to their statement mentioning congestion at the terminal.	

(iv).	Reducing the free Port storage from 7 to 3 days automatically will increase the cost of operations for import containers to the extent of ₹5000/20" and ₹10000/40'. Any additional cost to an import container will result in reduction of imports to Cochin.	
(v).	The seven days free time for Port storage charges being offered now should in no way be curbed. Rather, it should be used as a marketing tool to attract more cargo to this Port. The point mentioned by M/s. IGTPL in their proposal is based on the congestion at the terminal is totally false. It is clear that sufficient space is available at ICTT and that an extent of nearly 5 hectares of land stand de-notified from the purview of Special Economic Zone, to be made use of by the Customs Department, which is not yet materialized.	
(vi).	While the Trade is in agreement for improved productivity, speedy clearance, reduced dwell time for clearance of the cargo to avoid unwanted costs, we cannot agree to reduce the container storage free period given at ICTT. The proposal to reduce the free period is with the intention to help few of the private container freight stations.	
(vii).	Moreover in the PTFC meeting convened on 22.12.2014, Customs Commissioner had mentioned that the dwell time has now come down to 5-6 days (Minutes enclosed). It is crystal clear that the Trade is not misusing the facility approved by TAMP to promote the Trade. If the proposal of M/s. IGTPL is considered for reduction of free period, cost escalation will be the result. Trade is having general opinion that the charges at Cochin Port are much higher as compared to other Ports in India.	
(viii).	In the notification by TAMP dated 11.08.2009 and order dated 05.08.2009, where M/s IGTPL had proposed to reduce the free period from 7 days to 3 days and all the users had opposed the proposal and the same was considered by TAMP (copy enclosed).	
(ix).	Taking into consideration the above facts CCHAA requests TAMP to maintain the status quo.	
3.	**<u>The Cashew Export Promotion Council of India (CEPCI)</u>**	
(i).	CEPCI acknowledge with thanks the receipt of TAMP letter No. TAMP/70/2014 dated 8January 2015 regarding the subject cited above.	
(ii).	In this regard, CEPCI wish to bring kind attention on the following issue which would seriously affect thier member exporters.	
(iii).	**Decreasing the free period from 7 days to 3 days for the import containers in the terminal.** The CEPCI's Member Exporters will be put to great difficulties due to the proposed decision of the Port that with effect from March 2015, the free time for clearance of import containers	

	would be reduced from the present 7 days to 3 days. This will be a greater financial burden to the importers who import huge volumes of Raw Cashew Nuts. This will cause an additional expense of ₹1600/- to ₹3200/- per 20' and 40' imported container respectively. Raw Cashew Nuts are imported mostly from African Countries and the seven days free period itself is not adequate since it takes quite some time for the documents to be received for clearance as the systems in African countries are not generally efficient. Hence the curtailing of free period will make it very difficult for the processors to clear the cashew without additional expenditure. The importers from Kerala will be forced to divert their import cargo to other nearby ports avoiding additional expenditure which would not be good for Cochin Port. CEPCI would therefore request TAMP to kindly reconsider the decision to reduce the dwell time from 7 to just 3 days to facilitate smooth export operations since most of our member exporters prefer Cochin port for their export operations. CEPCI may request the TAMP to consider these issues favorably with a view to ensuring hassle-free import/export operations for the exporters. CEPCI had represented this matter to the Port Trust Chairman, Kochi also for his consideration.	
4.	**Cochin Steamer Agents Association (CSAA)**	
(i).	In the DP-World's letter, it is stated that they are tabling this request based on two criteria's. 1. Congestion at the Terminal Yard. 2. Recommendation from Cochin Customs	
(ii).	As such CSAA are tabling their initial comments for reviewing the above criteria's	
(a).	**Congestion at the Terminal Yard:**	
(i).	In this regard CSAA requests to review the details furnished by Cochin Port and IGTPL in 2008 to defend the Tariff revision request under: Ref: Case No. TAMP/25/2008-IGTPL-Pages No.10/29/48/52/53. In their submission, IGTPL had indicated a slot capacity of 286/Teus per hector of yard area. As per IGTPL current representation they have declared total of 2446 ground slot. It means IGTPL has opened up only 8.5 hector of yard area for Exim operations.	
(ii).	Going by the submission by COPT/IGTL to TAMP in 2008, with 2446 Teus ground slot capacity, the existing annual capacity of the Terminal can be deemed as 10,00,000 Teus with a dwell time of 7 days across the board without taking into consideration of Import/Export-Laden/Empty. Noticeable in the current representation by IGTPL, they have agreed that in the 2014 through put is 3,60,000 Teus. Total Yard utilization is caped at just 36% of the first phase built in capacity of Terminal and as such DP Worlds claim of congestion at the Terminal yard need to be prima facia ruled out.	

<table>
<tr><td>(iii).</td><td>While tabling the fact against such volume mix, averages may not be used as yard stick for measuring the dwell time since during Cashew Season, the Terminal usually offers extended free time to attract big volume and dwell time of such volumes will impact the average calculation. Hence our view is that the Dwell time calculation tabled by DP World is not correct and actual, hence need not be considered for taking a decision which will impact the small volume importers through Cochin-ICTT.</td><td></td></tr>
<tr><td>(iv).</td><td>The DP World has stated that ever since 2011, the project has been in accumulative loss. i.e., in-spite of getting incremental revenue from increased Dwell time and more than the budgeted/Estimated USD to Rupee exchange rate the project in still in red. It should considered that this representation from DP World seems to be made due to pressure from external forces and not based on any really valid business reasons since increased turn time of import means increase revenue for DP World which is what a business entity like DP world will look for.</td><td></td></tr>
<tr><td>(v).</td><td>In the DP World's submission, they have stated that free periods offered by various South Indian Container Terminal is less than that is offered by ICTT, but the fact remains, all these terminal are operating at almost 150% utilization of the Built-in capacity and hence the only way to handle such a situation is by optimizing the Yard slot space for which such terminals with the support of the Exim trade decided to reduce the Free time offered for import containers, where as DP World-ICTT is operating at just 36% of the capacity and hence we feel that the deliberation to reduce the free time is actually made with other intention and for this DP World is using Cochin Customs letter as a tool.</td><td></td></tr>
<tr><td>(vi).</td><td>Here again it is very pertinent to observe that even when the other terminals are offering only reduced free time, the storage rates offered by such Terminals/Ports is far lower than the storage charges levied by IGTPL. We give below the comparison table for ready reference.
<table>
<tr><th>No. of days @ port</th><th>Tuticorin</th><th>Mangalore</th><th>Chennai</th><th>Cochin</th></tr>
<tr><td>0-1 day</td><td>Free</td><td>Free</td><td>Free</td><td>Free</td></tr>
<tr><td>2-3 days</td><td>Free</td><td>$0.21/day</td><td>Free</td><td>Free</td></tr>
<tr><td>4-7 days</td><td>$0.75/day</td><td>$0.21/day</td><td>$5.5/day</td><td>Free</td></tr>
<tr><td>8-14 days</td><td>$0.75/day</td><td>$0.21/day</td><td>$5.5/day</td><td>$6.19/day</td></tr>
<tr><td>15-21 days</td><td>$3.00/day</td><td>$0.21/day</td><td>$11.00/day</td><td>$12.39/day</td></tr>
<tr><td>22-29 days</td><td>$5.80/day</td><td>$0.21/day</td><td>$11.00/day</td><td>$12.39/day</td></tr>
</table></td><td></td></tr>
<tr><td>(vii).</td><td>As such it may be noted that even currently DP World is not offering the extended free time free of cost, but recovered by collection at higher rates to compensate the “extended free time” offer to Exim trade.</td><td></td></tr>
<tr><td>(viii)</td><td>With regard to DP World's indication that in 2015,</td><td></td></tr>
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<table>
<tr><td></td><td>their projected volume is 6,68,000 Teus. We prefer not to comment on this, since all along, right from the execution of Vallarpadam project, DP world has been giving such rosy volume projections which was proved wrong. Regret to state that such statements have no sincerity & proved they have no volume commitments in this project. If one were to review the existing Tariffs at ICTT, it is very obvious that even at the current volumes and rates, DP World will be able to recoup whatever investments they have made for the first phase in 30 years’ time.</td><td></td></tr>
<tr><td>(ix).</td><td>Further, CSAA furnishes below the actual cargo mix ICTT has handled from 2011 to 2014 December for your review and would humbly requests authority’s appraisal on DP World’s claim to handle 6,68,000 TEUS in 2015.
<table>
<tr><th>Year</th><th colspan="2">Imports (TEUS)</th><th colspan="2">Export (TEUS)</th><th>Thruput</th></tr>
<tr><th>Jan-Dec</th><th>Laden</th><th>Empty</th><th>Laden</th><th>Empty</th><th>TEUS</th></tr>
<tr><td>2011</td><td>1,39,284</td><td>22,133</td><td>1,11,331</td><td>50,119</td><td>3,22,867</td></tr>
<tr><td>2012</td><td>1,39,240</td><td>22,315</td><td>1,07,313</td><td>54,792</td><td>3,23,660</td></tr>
<tr><td>2013</td><td>1,41,780</td><td>29,348</td><td>1,12,641</td><td>57,959</td><td>3,41,728</td></tr>
<tr><td>2014</td><td>1,55,791</td><td>27,654</td><td>1,16,627</td><td>59,594</td><td>3,59,666</td></tr>
<tr><td>Total</td><td>5,76,095</td><td>1,01,450</td><td>4,47,912</td><td>2,22,464</td><td>13,47,921</td></tr>
</table></td><td></td></tr>
<tr><td>(x).</td><td>The above are the actual through put for the last four years and if one were to review the above aggregated through put figures, it may be noted that the import constitute around 42.7% of the aggregated through put which is said to be availing over 3 days free time and balance 57.3% of the cargo is cleared within 3-4 days.</td><td></td></tr>
<tr><td>(xi).</td><td>It may also be noted that almost 35-40% of the 576095 Teus of import laden volume is Coastal cargo and any change in the free time is actually going to impact Indigenous cargo also and thereby increase the raw material cost within the state/nation.</td><td></td></tr>
<tr><td>(xii).</td><td>Based on the above through put figure, CSAA and their members are sure that the claim by DP World, that their projected volume of 6,68,000 Teus for 2015 is just a wish list and too ambitious to achieve as per current conditions.</td><td></td></tr>
<tr><td>(xiii).</td><td>As such CSAA and their members are of the opinion that the claim by DP World that the free time for import cargo need to reduced due to forecasted volume increase and Congestion there off during 2015 should not be used as a yard stick to recommend / approve the said submission by DP World.</td><td></td></tr>
<tr><td>(b).</td><td>Recommendation from Cochin Customs:</td><td></td></tr>
<tr><td>(i).</td><td>In the DP World submission, another justification to reduce free time offered for containers is Cochin Customs Commissioner’s letter vide F. No. Cmmr/Misc/1/2014 dated 09 December 2014. This letter stated the dwell time for import</td><td></td></tr>
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	at Cochin is as high as 15.36 days in November 2014 as against national average of 5-6 days. Cochin Customs has been directed to a target dwell time of 3 days (72 hours) in 2015, as set by Central Board of Excise & Customs.	
(ii).	In this regard, CSAA are attaching herewith the Circular No.2/2015 Sub: Permanent Trade Facilitation Committee-Minutes of the 110th meeting held on 22-12-2014 which clearly states that the average time taken for filing the BE after entry inward has come down to 5-6 days from more than 8 days during earlier period.	
(iii).	It may also be noted as has been indicated earlier, 35 to 40% of the imports consists of coastal cargo with no customs duty so dwell time of these does not feature in faster revenue for Customs, but on the other hand, the dwell time of this volume is probably considered in average dwell time along with that of EXIM cargo and same has an adverse affect on the statistical data of the Dwell time table by DP World.	
(iv).	The submission by DP World seeking approval to reduce free period offered at ICTT citing notice from Cochin Customs, is totally against the interest of the Exim trade through Cochin Port / ICTT.	
(v).	It also needs to be noted that larger percentage of imported commodities are imported for value addition and further export. Considering stiff global competition, any incremental cost on logistics will adversely impact such exporters and ultimately the nation's revenue from export.	
(vi).	DP World's proposed solution for import container storage is to utilize Container Freight Stations (CFS) instead of terminal. By shifting containers to CFS won't reduce the alleged dwell time, but only aid in location shift and incurring additional handling expense, realizing the purpose of CFS is not container storage. Moreover, reducing free storage period will force ACP customers also to use CFS or pay higher charges adding further costs.	
(vii).	Just to highlight the cost impact, considering an importer with 1 TEU availing additional 3 days inside the terminal (cargo cleared on the 10th day), will end up spending around $30 as Terminal storage charges, i.e., approximately ₹1860/- incremental cost.	
(viii).	Now considering the option to move 1 TEU to a CFS, will lead to extra handling & costs aggregating approximately ₹5,000/-TEU, i.e., an incremental expense of around ₹3140/TEU ($50/TEU). When aggregating this cost for approximately 1,56,000 TEUS (based on 2014 import laden vol) of import volume, the additional cost to the Trade will be a staggering ₹48,98,40,000 annually or say US$77,75,238, which is an unwarranted cost when the Terminal is operating only at 36% of its phase one capacity and at 30% of the envisaged planned	

	project capacity.	
(ix).	To conclude, our members and Association are not in favour of this request from DP World. It may be noted that not only CSAA, but the entire Cochin Exim Trade and Trade bodies are against this proposal by DP World / Cochin Customs and Cochin Port.	
(x).	In the event TAMP were to approve this move, CSAA are afraid, there will be drastic drop in import volume through Cochin Port, leading to equipment imbalance for exports, forcing carriers to increase freight recoveries for export shipment via Cochin.	
(xi).	As such CSAA would appreciate TAMP to take a decision against this submission from DP World after consolidating all the fact and figures that they have indicated above. [The CCHASS has opposed the proposal of IGTPL]	
5.	**Coimbatore Custom House and Steamer Agent's Association (CCHSAA)**	
(i).	Copies of the letter dated 15.12.2014 addressed to The Commissioner of Customs, Cochin and the Chairman, Cochin Port Trust is attached for immediate perusal and records with a request not to accept/consider the request of DP World to reduce the free time of laden containers.	
6.	**The Cochin Chamber of Commerce & Industry (CCCI)**	
(i).	The CCCI through this representation, likes to bring to attention two recent developments at the Cochin Port that will adversely affect trade through the Cochin Port and its future prospects.	
(ii).	Firstly, in recent times, the Cochin Customs Authorities, supported by the Cochin Port and the IGTPL, have suggested that the number of free days for import containers be reduced from the present 7 days to 3 days with effect from March 2015 as a measure to reduce the dwell time. The CCCI fails to understand the logic behind this move and the Customs Authorities' initiative in the matter since this move, if implemented, will only serve in imposing a greater financial burden on the importers, thereby forcing them to divert cargo to other neighbouring Ports.	
(iii).	Reducing the free Port Storage from 7 to 3 days automatically will increase the cost of operations for import with ₹1600 and ₹3200 for 20' and 40' container respectively. The CCCI also likes to highlight that any additional cost to an import container will result in reduction of imports into Cochin and thus will affect equipment availability resulting in higher cost for exports.	
(iv).	A move such as this, in ports where there is congestion, is understandable. However, in Cochin, where the terminal is operating at only one third its capacity the present move defies logic.	
(v).	Secondly, at a recent meeting, D P World has indicated that w.e.f. 1 January 2015, they propose to implement an across the board	

	increase of 3.48% in their handling charges. It is understood that the increase will include all activities e.g. Empties/ transhipments/ SSR /storage etc.	
(vi).	The CCCI in the trade, fail to understand the rationale behind the proposed increase at this point in time. Cochin Port is already known as a high cost Port. This has time and again resulted in the Port losing out on potential business. The feedback from our customers in neighbouring States is that the cost at the Cochin Port is exorbitant when compared with other Ports eg. In Tamilnadu. The cost factor coupled with other unfavouable situations has always been the bane of the Cochin Port. At this point in time, the CCCI therefore sees no justification whatsoever for an increase in handling charges.	
(vii).	The proposed increase, when implemented, will impose a greater financial burden on the port users. This will definitely lead to further diversion of cargo to neighbouring Ports. This is a situation that the Cochin Port cannot afford. We are all aware that as things stand today, Export-Import trade vis-a-vis the Cochin Port is nearly stagnant. At a time when various efforts are being made to ensure greater cargo movement through the Cochin Port, the move by D P World to effect an hike in charges is ill timed and ill-conceived and will definitely lead to further depletion in the cargo coming to the Port. Moreover, any cost escalation is bound to affect the entire business not only in export and import but the entire State of Kerala.	
(viii).	The CCCI strongly feels that the only way in which we can attract more cargo to our Port is to add value by providing highly efficient and cost effective solutions to the trade. Seven days free time for Port Storage Charges being offered now should in no way be curbed. Rather, it should be used as a marketing tool to attract more cargo to this Port.	
(ix).	For improved productivity, speedy clearance, reduced dwell time for clearance of the cargo to avoid unwanted costs, the CCI can't agree to reduce the container storage free time given at ICTT.	
(x).	Cochin Port has always been at a disadvantage as far as attracting cargo is concerned. While this is a worrying situation in itself, the CCCI feel that they cannot afford to take any steps that will further alienate cargo from the Cochin Port. This definitely is a the wrong time to contemplate an increase in THC. They need to be cost competitive and efficient in order to attract exporters and importers to use the Cochin Port.	
(xi).	Other ports/terminals in Southern India are going all out to ensure that they are cost competitive in order to attract more cargo. The cost of handling a container at Tuticorin or Chennai or Mangalore is much lower than the charges levied by the	

	ICTT. At the Chennai Port, operated by DPW, the gantry cost is USD 22.53/20' whereas in Cochin, it is USD 48.33/20'. This is more than double the cost. The cost for reefer plugging / monitoring for 40' reefer is USD 5.31 in Chennai, and USD 3.45 in Tuticorin. As against this, the charge in Cochin is USD 6.56. Furthermore, the charges for empty container handling is also much higher than in neighbouring ports thereby prompting higher ocean freight by carriers.	
(xii).	The CCCI have urged the authorities concerned to desist from implementing the proposed rate increases and to work towards attracting more cargo to the Cochin Port and to support the entire trade in Cochin.	
(xiii).	The CCCI requests TAMP, to kindly intervene in the matter to prevent any action that will impact trade through this Port adversely. [The CCCI has submitted copies of the joint representations submitted by them to COPT, IGTPL and the Commission of Customs.]	
7.	**<u>Office of the Commissioner of Customs Custom House, Cochin.</u>**	
(i).	M/s IGTPL in the aforementioned letter has taken reference to this office letter C.No: Commr/Misc./1/2014 dated 09/12/2014 to the Chairman, Cochin Port Trust on 'dwell time of import cargo at Cochin Port'. As you are aware, the average dwell time for import cargo, to be achieved by all cargo in the Ports / Customs formations in the country is in the range of 5-6 days. The target to be achieved by all customs formations in the country by March 2015, is 72 hour (3 days).	
(ii).	Whereas at present, Cochin Port has the dubious distinction of having the highest dwell time for import of cargo in the country, average Dwell time taken for clearance of import cargo at Cochin Port (IGTPL) for the period 2012-13, 2013-14 and 2014-15 (upto Dec '14) are 14.67 days, 15.27 days and 13.89 days respectively. An analysis of the various stages of dwell time indicates that the time taken from arrival of the vessel to filling of Bill of Entry contributes to more than half of the total time taken. From the department's side, we have started measures to ensure that the entire time taken by Customs clearance is brought down to within two (2) days by March 2014.	
(iii).	It is observed that the free period offered by IGTPL is the highest in the country for any Post Terminal. It is felt that the main reason for the high dwell time is the long period taken for filing B/E after arrival of the vessel. On interaction with the stakeholders and trade, it is observed that one of the main causes for this is the free time of 7 days given by IGTPL for retaining the cargo within the terminal. There is an increased tendency to keep material within the premises of ICTT for longer period than required, on account	

	of the longer amounts of free periods. In certain cases, importers have even tried to use the facility as an 'additional storage space' for cargo. All this results in a high dwell time, which in turn increases the transaction costs and also reflects poorly on the efficiency of Customs, Port and other stakeholders working here.	
(iv).	It is in this context, the undersigned addressed to Chairman, Cochin Port Trust to have a relook into the free period given to import cargo at the terminal and consider reducing the free Free period to 3 days in a **phased manner** so that dwell time for import cargo can be brought down substantially.	
(v).	The Office of Commissioner of Custom House is of the opinion that any decision on the proposal for revision of Free time to import cargo and/ or tariff hike, by IGTPL may be considered after due consideration of the Free time extended and tariff in force at other Major Ports in the country, especially those competing with Cochin Port so that a fair deal is ensured not only to the Port, but also to the trade and stakeholders.	

2. A joint hearing on the case in reference was held on 22 May 2015 at the COPT premises. The IGTPL made a power point presentation of its proposal. At the joint hearing, the IGTPL made a brief power point presentation of its proposal. The COPT, IGTPL and the concerned users/ user organisations have made the following submissions:

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1. Present infrastructure at the terminal has been designed to handle volume upto 10 lakh TEUs. Current yard capacity as per TAMP parameters at current dwell days is 203700 TEUs for a total ground slot of 2446. With higher average stack height of 3.2 as against the norm of 2.5, the yard capacity is 372,481 TEUs.

2. Our yard is reaching full capacity utilization. There is limited scope for further increase in yard efficiency. Terminal is not intended for storage of containers. Efficiency in evacuation is a dire need. One measure is reduction in free dwell time.

COPT

3. Port supports the proposal to the limited extent of reduction of free dwell time. However, the tariff at IGTPL is high as compared to Tuticorin and Chennai. The IGTPL tariff must be competitive as compared to International Containers transhipment hubs and the major competing ports in the region as mentioned in Article 4.2 of the Concession Agreement entered by us.

Customs

4. Containers are to be moved to the Container Freight Station where the Bill of entry is filed for assessment of cargo for payment of duty. Completion of function by Customs is lowest in Cochin as compared to JNPT and Chennai Port. However, the total dwell time is two days more than what it is in JNPT and Chennai. Free period of 7 days creates a tendency to delay the movement of containers from the terminal to the Container Freight Station and filing of Bill of Entry. It takes 6.27 days to file the Bill of entry from arrival of the vessel in the port as compared to 4.05 days at Chennai and 3.53 days at JNPT. We are concerned with this delay. There is a strong case for reconsidering the free period.

Cochin Customs House Agents Association

5. All the ports in India are congested except Cochin. 10 lakh TEUs have never been handled at the terminal. 14 days free time is given to raw Cashews. There is no congestion in the terminal.

6. Customs Commissioner in the Permanent Trade Facilitation Committee meeting held in December 14 has mentioned that dwell time has come down to 5 to 6 days. Trade is not misusing the facility.

7. If 7 days free period is reduced to 3 days, port is going to lose traffic. 7 days free time is only the tool for marketing.

Cashew Export Promotion Council of India:

8. Raw Cashews are imported mostly from African Countries. Documentation system in African Countries is not efficient. Receipt of Documents for clearance is delayed. Please increase the free days.

9. Please give 14 days free time for cashew.
[IGTPL : We will give 21 days if cashew volume is assured]

Cochin Steamer Agents Association

10. We will not be able to attract new cargo / new trade to Cochin if free period is reduced.

11. The storage charge of US $ 6.19 per day after 7 days free period is higher as compared to the charge at other ports like Chennai, Mangalore and Tuticorin which is $5.5 per day, $0.21 per day and $ 0.75 per day respectively. It is true that the free period in these ports is less. But, the IGTPL is not giving the additional free days free of cost. It collects higher rates to compensate the additional free days.

12. After 7th day, charge is very high. So, users keep the containers upto 7 days in the terminal.

13. After migration from ICTT to Vallarpadam, Trade is not benefitted. We never asked for increased capacity and pay for that.

14. Reduction in free days is advantageous to Steamer agents. But, it will affect the users.

15. Some containers are lying in the terminal for long time. We are trying to evacuate the long standing containers. So, space will be available. Nobody will keep the container in the terminal willingly.

16. If performance of customs is the issue, we can discuss with them. Commissioner himself has commended on the reduced dwell time of 5 to 6 days.

India Gateway Terminal Private Limited

17. We are giving discounts. We have not seen any discounts by others in the logistic chain.

18. There is inefficiency in documentation for Cashew cargo. Cashew volume has come down not due to free time. It is due to other reasons.

Cochin Steamers Agents Association

19. There is no sufficient drying place for cashew in Cochin. There is enough drying place in others terminals at cheaper rates. Therefore, cashew gets diverted to other terminals.

Cochin Chamber of Commerce and Industry

20. We have given our Written Comments. We have nothing more to add.

3. At the joint hearing, the Dy. Commissioner of Customs submitted a note on the subject proposal along with copy of Circular No.2/2015 dated 5 January 2015 of the Office of Commissioners of Customs. The note is reproduced below:

(i). A comparative study of ‘Dwell Time’ was conducted to see where Kochi Port stood in this regard when compared with ports at Nhava Sheva and Chennai. Dwell Time is the time taken from arrival of vessel to the cargo being granted “out of Charge” by Customs and is universally taken as an indicator of efficiency of functioning of port and customs.

Dwell time comprises of 5 elements

(a). Time from arrival of vessel to filing of Bill of Entry

(b). Time from filing of B/E to assessment of B/E

(c). Time from assessment of B/E to payment of duty

(d). Time from payment of duty to registration of goods

(e). Time from registration of goods to Out of Charge.

Out of the said 5 elements, two (filing of B/E to assessments and registration of goods to Out of charge) are purely Customs functions while the other three are in the hands of importers, customs brokers, Consolidators etc. Central Board of Excise and Customs (CBEC) has kept a target of 48 hrs (2 days) for completing purely customs functions.

The results of comparative study are as follows:-

Function	Time taken in days		
	JNPT Nhava Sheva	Chennai Port	Kochi Port
Arrival of vessel to filing B/E	3.53	4.05	6.27
Filing of B/E to assessment	1.66	1.50	1.42
Assessment to payment of duty	2.41	2.03	2.66
Payment to Registration of goods	1.33	1.08	1.28
Registration to Out of Charge	0.76	0.85	0.48
TOTAL	9.69	9.51	12.11

(ii). Thus, it can be seen that though the purely customs component is lowest in Kochi (1.90 days), (1.42+0.48) the total dwell time at Kochi is two days more than what it is at JNPT Nhava Sheva and Chennai. This happens primarily because of delay in filing of Bill of Entry after the arrival of the vessel, which in turn is due to the longer free period given in ICTT for storing containers as compared to JNCH and Chennai Port. Hence there exists a strong case for reconsidering the free period presently given by ICTT for storing import boxes before moving them to Domestic Tariff Area/Container Freight Station.

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