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Tariff Authority for Major Ports

G.No.75 **New Delhi,** **26 February 2018**

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 from Central Warehousing Corporation (CWC) for revision of tariff for services rendered by CWC at the Container Freight Station (CFS) at Deendayal Port Trust, as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
No. TAMP/53/2016-CWC

Central Warehousing Corporation - - - **Applicant**

QUORUM:

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

O R D E R
(Passed on this 19th day of January 2018)

This case relates to the proposal dated 10 November 2016 received from Central Warehousing Corporation (CWC) for revision of tariff for services rendered by CWC at the Container Freight Station (CFS) at Deendayal Port Trust (DPT).

2.1. The existing SOR of CWC was last approved by this Authority vide Order No.TAMP/35/2010-CWC dated 06 January 2012 which was notified in the Gazette of India on 01 March 2012. The Order prescribed the validity of the SOR till 31 March 2014. The validity of the existing SOR of the CWC was extended from time to time and the last extension being till 31December 2016 vide Order dated 17 November 2016 based on the request of CWC.

2.2. While extending the validity of the existing SOR, it has been stipulated that, if any additional surplus over and above the admissible cost and permissible return emerges for the period post 1 April 2014, during the review of its performance, such additional surplus will be set off fully in the tariff to be determined.

3.1. The tariff increase / new tariff items proposed by the CWC are summarised below:

Sr. No.	Description	Proposed increase / (decrease) over the existing approved tariff in %	
		2016-17	2017-18 onwards
(i).	**Storage Charges:**		
(a).	Storages charges for import operations	Status quo	32% to 36%
(b).	Storages charges for export operations	0% to 27%	32% to 36%
(c).	Storage charges for covered area basis on weekly basis both for import and export operations	New item	32% to 36%
(d).	Storage charges at open bounded area basis on weekly tariff as well as monthly tariff (Reservation basis) for import operations	New item	33%
(ii).	**Ground Rent:**		
(a).	Ground rent upto 30 days slab for import and export operations	Status quo	33%
(b).	Ground rent in export operations (31st day to 40 day)	Status quo	33%
(c).	Ground rent in export operations from 41st day onwards	Status quo	33%
(iii).	**Charges for handling container at CFS, transportation and other service:**		
(a).	Various services offered at CFS for handling, transportation, stuffing/ destuffing, etc.	0% to 125%	7% to 17%
(b).	Transportation TO / FRO at CFS, Deendayal Port	11%	10%
(c).	**RMS Container Examination**: Retrieval of the loaded container stacked in the yard by grounding (which may include transportation within the complex) for facilitating Seal Verification and loading customs cleared loaded container on trailer. As mentioned in clause XXI-3(b)]	New item	8%

3.2. The CWC has also furnished the tariff of other nearby CFSs and stated that they will also revise their tariff after commencement of Container Terminal at DPT, which will be definitely on higher side to existing one.

4.1. The CWC requested to allow CWC to realize Marketing Facilitation (MF) charges at the rates as proposed to the Authority to avoid any financial losses to CWC till approval of this Authority of its proposal or till 31 December 2016, whichever is earlier. Further, the CWC has stated that any excess MF charges realized from users beyond approved tariff will be considered for refund with the approval of Corporate Office.

4.2. Subsequently, the CWC vide its letter dated 27 December 2016 has made following submissions for approval of rates on provisional basis:

(i). Customs Notification in respect of commencement of operations at Container Terminal at Deendayal Port has been issued and operations at our CFS Deendayal Port shall also start on the arrival of Container Vessels.

(ii). To execute CFS operations at CFS- DPT, H&T contractor has been appointed and the contract will also commence from the date of commencement of operations at Container Terminal at Deendayal Port. The H & T rates in most of the items, under new contract are slightly higher in comparison to existing TAMP approved tariff. The Statement showing H&T rates of new contractor and existing tariff at CFS- Deendayal Port has been furnished by the CWC-CFS. The contract is valid for four years from the date of commencement of operations and extendable for a further period of one year on the same rates, terms and conditions.

(iii). Existing tariff at CFS- DPT as approved vide Order dated 06 January 2012 and extended from time to time based on the request of CWC and the last extension is valid upto 31 December 2016. The existing tariff which was approved by TAMP initially from 1 April 2012 onwards is still continuing. After commencement of operations at existing tariff, CWC has to pay more amount to new H&T contractor towards execution of CFS operations and will get lesser amount from users, resulting revenue loss to CWC.

(iv). To avoid revenue loss to CWC, CWC has submitted proposal for tariff revision to TAMP vide letter dated 10 November 2016 in two parts – (a) tariff upto 31 March 2017 and (b) tariff from 01 April 2017 onwards and this may be a better option.

(v). Circular dated 28 November 2016 issued by the DPT may be referred to, wherein it is stipulated that DPT will realize revised on-board labour charges for handling of containers till the approval of the TAMP is received / notified. Accordingly, CWC has requested to permit to realize proposed tariff to avoid any revenue loss to government exchequer.

4.3. Accordingly, the CWC has requested to allow to realize proposed SOR from 1 January 2017 to 31 March 2017 as per their proposal (Part-A of SOR) and also requested to convey approval in respect of tariff proposed from 1 April 2017 onwards at the earliest.

4.4. Subsequently, the CWC vide its letter dated 09 February 2017 has informed that it had a trade meet on 03 February 2017 and as an outcome of the trade meet, the proposal needs to be reviewed. The CWC has also informed that they will forward a revised tariff proposal considering trade requirements within couple of days.

5.1. In this backdrop, the CWC has, vide its letter dated 17/18 February 2017 forwarded revised proposal, revised cost statement (excluding for the years 2013-14 to 2015-16), comparable tariff of other CFSs in Gandhidham and SOR. With regard to the cost statement for the years 2013-14 to 2015-16, the CWC has stated that the container terminal at DPT was non-functional resulting the NIL operations at CFS- DPT. There was only expenditure with almost NIL income. The CWC has also requested for exemption for providing the information with regard to financial years 2013-14 to 2015-16 and the annual accounts furnished for this period is considered to finalize the tariff proposal.

5.2. The highlights of the revised proposal in comparison with the original proposal dated 10 November 2016 are as follows:

(i). Traffic projections:

Sl. No.	Particulars	As per the Original proposal dated 10 November 2016	As per the revised proposal dated 17/18 February 2017

		Actuals / Estimates	Projections			Actuals / Estimates	Projections		
		2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
1.	Container traffic in TEUS	16100	40300	44350	48780	11000	52300	55750	59400

(ii). Summary of the cost statement at the existing tariff level:

Particulars	As per the Original proposal dated 10 November 2016				As per the revised proposal dated 17/18 February 2017			
	2016-17 Actuals/ Estimates	2017-18	2018-19	2019-20	2016-17 Actuals/ Estimates	2017-18	2018-19	2019-20
Traffic (in TEUS)	16100	40300	44350	48780	11000	52300	55750	59400
Income (in lakhs)	350.72	980.83	1077.82	1178.63	412.99	2183.45	2270.86	2358.54
Operating expenditure including overheads	586.78	1004.69	1085.39	1172.35	689.71	2155.87	2255.80	2357.08
Depreciation	96.78	96.78	96.78	96.78	96.78	96.78	96.78	96.78
Total Expenses					786.49	2252.65	2352.58	2453.86
Capital Employed	1730.42	1730.42	1580.56	1445.70	1730.42	1730.42	1580.56	1445.70
ROCE adjusted for capacity utilisation	80.99	185.16	186.39	185.88	20.39	88.57	86.35	83.43
Net deficit	(413.83)	(305.80)	(290.74)	(276.38)	(393.89)	(157.77)	(168.08)	(178.74)
Net deficit as % of operating income	(123%)	(32%)	(28%)	(24%)	(96%)	(7%)	(7%)	(8%)

(iii). Net income / deficit for the past period as submitted by CWC at the existing tariff level **:

Sl. No.	Estimates				Actuals/Estimates			
Particulars	2011-12	2012-13	2013-14	TOTAL	2011-12	2012-13	2013-14	Total for 2011-12 & 2012-13
Surplus(Deficit) before return	159.24	202.94	(349.95)	12.23	(218.81)	(176.64)	Not furnished	(395.45)
Capital Employed	2054.42	2034.26	2113.62		1845.56	1857.86		
ROCE adjusted for capacity	312.43	300.01	475.20	1087.73	276.83	278.68		555.51
Net Surplus (Deficit) after return	(153.19)	(97.07)	(825.15)	1075.41	(429.23)	(294.07)		(723.31)
Net Surplus/ (deficit) as a % of Operating Income	(14%)	(8%)	(259%)	(94%)	(82%)	(56%)		

** subject to verification.

(iv). The tariff increase/ new tariff items proposed by the CWC is summarised below:

Sr. No.	Particulars	Tariff increase / decrease / new tariff items proposed by CWC
(i).	**Storage Charges:**	
(a).	Storages charges for import operations.	33%
(b).	Storages charges for export operations.	33% to 36%
(c).	Storage charges for covered area basis on weekly basis both for import and export operations.	New item
(d).	Storage charges at open bounded area basis on weekly tariff as well as monthly tariff (Reservation basis) for import operations.	New item
(ii).	**Ground Rent:**	
(a).	Ground rent upto 30 days slab for import and export	25% to 27%

	operations.	
(b).	Ground rent in export operations (31st day to 40 day).	-67% (New slab introduced)
(c).	Ground rent in export operations from 41st day onwards.	Status quo (New slab introduced)
(iii).	**Charges for handling container at CFS, transportation and other service:**	
(a).	Various services offered at CFS for handling, transportation, stuffing/ de-stuffing, etc.	3% to 162%
(b).	Transportation TO / FRO at CFS, Deendayal Port.	-11%
(c).	**RMS Container Examination**: Retrieval of the loaded container stacked in the yard by grounding (which may include transportation within the complex) for facilitating Seal Verification and loading customs cleared loaded container on trailer. As mentioned in clause XXI-3(b)].	New item ₹ 1410/ TEU ₹ 2115/ FEU
(iv).	**Direct Stuffing** Scrap and Heavy Cargo.	New item ₹ 4000/ TEU ₹ 6000/ TEU

5.3. The CWC has pointed out certain typographical errors in the existing SOR and proposed for rectification as follows:

Prescribed in the existing SOR	Rectification proposed in the proposed SOR
(A). Storage charges	
Export: Storage Charges (Covered) On General (Per MT/Day basis) Upto 7 days **From 7th day onwards**	Export: Storage Charges (Covered) On General (Per MT/Day basis) Upto 7 days **From 8th day onwards**
(B). Ground Rent	
Loaded Container (per TEU/day basis) 1 to 3 days **3 days to 15 days**	Loader Container (per TEU/day basis) 1 to 3 days **4 days to 15 days**

5.4. The CWC has also proposed certain changes in the conditionalties as follows:

Sl. No.	Existing conditionalities	Revised conditionalities
	Storage Charges	
1	First 3 days will be free for the import LCL cargo in CWC godown, in respect of containers received from DPT at CWC-CFS.	Deleted (since it is redundant and contents already mentioned in table)
	Ground Rent	
1.	All Empty containers that are stuffed at CWC-CFS will have 30 days free storage.	All Empty containers at CWC-CFS will have 30 days free storage.
5.	30 days free period will be allowed for parking of empty containers at CFS, Deendayal Port.	Deleted (Since it is covered under revised point-1 above)
6.	Free period in case of empty containers will commence from the date of parking of empty container at designated yard of CFS, Deendayal Port, irrespective of time of arrival of such containers.	Deleted (As the free period will start at the date and time of arrival/ entry of empty container in CFS and therefore have no relevance)

5.5. Accordingly, the CWC has requested for approval for continuation of tariff beyond 31 December 2016 to 03 February 2017 and approval for proposed tariff. The CWC has also requested to ratify the action of CWC to levy the proposed tariff from 04 February 2017 stating that the Kandla International Container Terminal Private Limited (KICTPL) has commenced its operations from 04 February 2017 and revised / proposed tariff is to be made implemented from the date of commencement of Container Terminal Operations i.e. 4 February 2017.

5.6. On perusing revised proposal, it is seen that the cost statement forwarded by the CWC does not contain the financial information for the years 2013-14 to 2015-16. The CWC has also not forwarded a copy of each of the Balance Sheet for the years 2011-12 to 2015-16. Further, the CWC has also not furnished any minutes of trade meet held on 03 February 2017 as informed by them vide its email dated 9 February 2017.

5.7. Hence, CWC was vide our letter dated 20 February 2017 requested to furnish the proposal of CWC, Cost statements pertaining to financial years 2013-14 to 2015-16, Balance Sheet for each of the years 2011-12 to 2015-16 alongwith the schedules forming part of it and copy of minutes of the trade meet held on 03 February 2017, which was followed by a reminder dated 02 March 2017 and 30 March 2017.

5.8. In response, the CWC vide its email dated 08 March 2017 has informed that preparation of Cost statements pertaining to financial years 2013-14 to 2015-16 is under progress and will be submitted within couple of days and Balance Sheet for the years 2011-12 to 2015-16 alongwith the schedules forming part of it.

5.9. Since no response received from the CWC, the CWC vide our letter dated 31 March 2017 was again requested to furnish the above requisite information immediately.

5.10. The CWC has forwarded a copy of minutes of the trade meet held on 03 February 2017. The CWC has, in the minutes of the trade meet held on 03 February 2017, stated that in response to the feedback received from different trade partners, the proposal was re-examined by it and proposed the revised tariff to extend the benefits to the shipping lines/agents. The CWC has proposed to modify the existing conditionalities viz., to extend the free days for empty container from 10 days to 30 days and the free carting period from 3 days to 7 days. To compensate this, CWC decided to increase the empty LIFT ON/OFF from ₹400 per TEU to ₹700 per TEU.

6. In accordance with the consultative procedure prescribed, vide our letter dated 08 March 2017 a copy of the proposal dated 17/18 February 2017 of CWC was forwarded to the DPT and concerned users/ user organisations seeking their comments. We have received comments only from Kandla International Container Terminal Private Limited (KICTPL). The comments received from KICTPL was forwarded to CWC for feedback information. The CWC has not responded till finalisation of this case. The comments received from KICTPL are given below:

(i). Revision of charges ranging from 10% to 33% has been proposed for various services rendered at CWC CFS. In our view, any revision at this juncture is not warranted as the container terminal has just started functioning. The First Phase has been operationalized only on 28.01.2017. The Second Phase is yet to start.

(ii). The container terminal was not operational for more than three years. The entire container traffic had diverted to nearby ports. It is a not an easy task to attract back the lost cargo. It will take time for the traffic to pick up. In view of the presence of competing ports nearby, it needs lot of trade promotional measures to attract back the containers. Competitive pricing is one of the pre-requisites to attract the cargo.

(iii). At this juncture, it may not be advisable to increase the tariffs of the CFS. Any upward revision in tariffs will have a negative impact on building up the traffic. In order to attract the traffic, which is now needed is attractive tariffs including rebates and discounts. It is very essential that the CWC tariffs are kept competitive by keeping them unrevised at least for a period of two years. Depending on the traffic pick up, revisions can be envisaged after the period of two years by which time financial data will also be available to TAMP to arrive at a reasoned decision to make any revision in the tariffs.

7. In the meantime, considering that the proposal is under consultation and as it may take some more time to dispose of the proposal and based on request made by CWC, this Authority vide its Order no.TAMP/53/2016-CWC dated 29 March 2017 has approved tariff on adhoc basis for the services rendered by CWC at the CFS; DPT from 04 February 2017 to 30 June 2017 or till the effective date of the implementation of final tariff whichever is earlier, subject to condition that if the final rates to be approved by this Authority are lower than adhoc rates, the difference between the final tariff and the adhoc tariff is fully refunded by the CWC to the concerned users, as agreed by CWC-CFS. This Order has been notified in the Gazette of India on 28 April 2017 vide Gazette No.171.

8. A joint hearing in this case was held on 18 April 2017 at the DPT premises. At the joint hearing, the CWC and users / user associations have made their submissions. At the joint hearing, the CWC has given statement of comparison of tariff for H & T operations.

9. As agreed at the joint hearing, the Kandla Port Karmachari Sangh (KPKS) vide our letter dated 01 May 2017 was requested to furnish its written comments on the proposal of CWC for revision of its tariff for the services rendered by it at Container Freight Station, DPT. No response was received from KPKS.

10.1. At the joint hearing, the CWC has agreed to forward the requisite information as sought vide our letter dated 31 March 2017. In response, the CWC vide its letter dated 19 April 2017 has submitted the following:

(i). Cost statement for the period from 2013-14, 2014-15 and 2015-16.

(ii). The Balance Sheets for the period from 2011-12 to 2015-16 in CWC are not prepared on unit to unit basis. The Balance Sheets of CWC are on organisation basis. Copy of Balance Sheets for the period from 2011-12 to 2015-16 are furnished.

10.2. On perusing CWC letter dated 19 April 2017, it is seen that CWC has simply forwarded Balance Sheet for entire regional office and not prepared on unit to unit basis. In this regard, we have vide our letter dated 01 May 2017 requested CWC to furnish complete Balance Sheet alongwith Auditors Report for the CFS at Kandla Unit for each of the years 2011-12 to 2015-16 duly certified by its Chartered Accountant immediately and the Reconciliation statement reconciling the operating income, operating expenses, gross block and net block considered in the Cost Statement with the figures reflected in Profit and Loss Account and Balance Sheet for the CFS at Kandla Unit (to be) furnished by CWC.

10.3. In this regard, the CWC vide its e-mail dated 04 May 2017 has forwarded the cost statements for the period from 2013-14 to 2015-16. The CWC has mentioned that the Balance Sheet of CFS- DPT for the period 2011-12 to 2015-16 will be submitted within a week period. However, the Balance Sheets for the years 2011-12 to 2015-16 was not received.

11.1. Based on the preliminary scrutiny of the proposal, the CWC was requested vide our letter dated 01 June 2017 to furnish additional information / clarifications on a few points by 13 June 2017.

11.2. After availing extension of time from time to time to respond, the CWC vide its letter dated 14 July 2017 and subsequent letter dated 15 July 2017 has furnished its reply to the additional information/ clarifications sought by us and also furnished Balance Sheet and annexure in respect of CFS- DPT for the period from 2011-12 to 2015-16. A summary of the additional information/ clarifications sought by us and the corresponding replies furnished by the CWC is tabulated below:

Sr. No.	Information / clarifications sought by us	Reply furnished by CWC
A.	**General:**	
(1).	(a). The CWC was vide our letter of even number dated 01 May 2017 requested to furnish segregated Balance Sheet and schedules forming part of it alongwith Auditors Report for the CFS at Kandla Unit for each of the years 2011-12 to 2015-16 duly certified by its Chartered Accountant. In response the CWC has, vide its email dated 4 May 2017, while furnishing the Cost statements for the years 2013-14 to 2015-16, stated that the Balance sheet of CFS - DPT for the period 2011-12 to 2015-16 follows/will be submitted within a week period. This document is still awaited. The CWC, therefore, to furnish the segregated Balance Sheet and schedules forming part of it for the CFS at Kandla Unit for each of the years duly certified by its Chartered Accountant immediately.	Balance sheet of CFS- DPT for the period 2011-12 to 2015-16 is furnished.
	(b). The CWC was already requested vide our letter of even number dated 01 May 2017 to furnish the Reconciliation statement reconciling the	Reconciliation statement will be prepared and submitted in a week period.

	operating income, operating expenses, gross block and net block considered in the Cost Statement with the figures reflected in Profit and Loss Account and Balance Sheet for the CFS at Kandla Unit (to be) furnished by CWC. Response of CWC is awaited. The CWC, therefore, to furnish the reconciliation for each of the years immediately.	[Reconciliation statement not furnished by CWC despite reminders dated 21 June 2017 and 11 July 2017]
(2).	The figures furnished by the CWC for the year 2016-17 is based on the estimates/ actuals. Since the year 2016-17 is already over, CWC may replace the estimates of 2016-17 with the actuals for the entire year 2016-17 duly reconciling the figures reported in the cost statement with the Audited/Draft Annual Accounts of the said year. Also, forward a copy of the Audited Annual Accounts for the year 2016-17. If the Annual Accounts for 2016-17 is yet to be audited, draft accounts may be furnished. Consequent to updating the estimates of 2016-17 with reference to actuals, the estimates for the subsequent years viz., 2017-18 to 2019-20 may be reviewed and modified, if necessary, with reference to the actuals for the year 2016-17.	As the year has just ended and the audited accounts will be submitted after completion of audit and till then the estimated one earlier submitted may be used.
B.	**FINANCIAL COST STATEMENTS**	
(1).	**<u>Traffic</u>:**	
(i).	(a). Clause 3.8(ii) (b) of the License Agreement (LA) stipulates that the licensee shall guarantee a throughput equivalent to 36% of impex trade container traffic handled by the container operator. As against the above provision in the LA, from the notes under the table furnished at the end of Form 2A it is understood that the Minimum Guaranteed Throughput (MGT) is considered at 36% on the actual impex traffic as declared by DPT during the years 2016-17 to 2019-20 in Maritime Agenda 2010-20. The Minimum Guaranteed Throughput indicated by the CWC in Form 2A is at 96400 TEUs, 122400 TEUs, 129600 TEUs and 136800 TEUs for the years 2016-17 and 2017-18 to 2019-20 respectively. In this regard, the CWC to furnish the impex containers projected by DPT for the years 2016-17 to 2019-20 in Maritime Agenda 2010-20.	Despite repeated request, DPT has not provided requisite data. Hence Container data published in Maritime Agenda 2010-20 may be treated as factual. However, confirmation of container data will be provided as soon as CWC gets required data from DPT. *[CWC has not responded further. The* DPT *has ,however, with reference to similar information sought by us furnished the requisite information which is brought out in the subsequent paragraphs]*
	(b). Since the year 2016-17 is already over, the actual impex containers handled by the DPT in the year 2016-17 may be obtained and the MGT figures in the cost statement may be updated based on the actuals.	DPT has been requested to furnish actual Container Data during 2016-17. Required Data will be provided as soon as CWC gets required data from DPT. *[The* DPT *has in response to the information sought by us indicated that actual traffic handled by CWC for the year 2016-17 is 10207 TEUs]*
(ii).	The actual traffic reported for the year 2011-12 to 2015-16 is 39222 TEUs, 21744 TEUs, 342 TEUs, 0 TEUs and 108 TEUs respectively. The actual and estimated traffic for the year 2016-17 is assessed at 30460 TEUs (The same has been taken at 11000 TEUs in Form 2A). The traffic projections for the years 2017-18 to 2019-20 is 52300 TEUs, 55750 TEUs and 59400 TEUs respectively with a growth of 71.66%, 6.60% and 6.55% over the actuals/estimates of the respective previous years. Analysis, if any, done by the CWC for estimation of the traffic assessed to be handled at CFS-CWC, since the container operations are just started by the new container terminal operator at DPT, may please be furnished.	The data for 2016-17 has been considered with the facts that Terminal has just started during February-17 and hence the increase is 71.66%. However, subsequent increase @ 6-7% is anticipated in future years.
(iii).	The traffic proposed to be handled by the CWC for the years 2017-18 to 2019-20 are found to be substantially lower than the MGT as per the	DPT has been requested to confirm the Container data published in Maritime Agenda 2010-20. Confirmation of MGT

	provisions in the LA on the total impex container traffic estimated by the DPT. The projection of the traffic substantially lower than the MGT needs justification.	container data will be provided as soon as CWC gets required data from DPT. *[The* DPT *has responded with reference to similar information sought by us which is brought out in the subsequent paragraphs]*
(2).	**Income estimation**:	
(i).	As per Form 2A, the traffic estimated to be handled for the year 2016-17 is 11000 TEUS. Whereas for the same period, the traffic projected in Form 3A is at 30460 TEUS. Hence there is a mismatch. The correct traffic figures based on actuals to be indicated and updated in the cost statement. Similarly, the income estimation for the year 2016-17 in Form 2B is ₹412.99 lakhs as against ₹ 408.84 lakhs projected in Form 3A. The CWC to correct the position based on the actuals	The mismatch in number of containers is due to oversight and the same may be considered as 11000 TEU's in Form 3A instead of 30460 TEU's. The difference in income estimation in Form 2B & Form 3A is due to non-operating income as the amount of ₹412.99 Lakhs in Form 2B includes the both operating & non-operating income while in Form 3A ₹408.44 Lakhs is just showing the operating income. The non-operating income is shown in cell G42 of Form 3A.
(ii).	(a). The traffic estimated to be handled at the CFS for the year 2017-18 is 52300 TEUS (Loaded Container 30000 TEUs and Empty Containers 22300 TEUs). The traffic projections estimated for the years 2018-19 and 2019-18 are at a growth of 6.60% and 6.55% respectively. Whereas the income projections show 4% increase in the year 2018-19 and 3.85% increase in 2019-20. The income projected for the years 2018-19 and 2019-20 does not correspond with the growth estimated in the traffic. The income estimated for the years 2018-19 and 2019-20 to be reviewed and modified in view of the above.	Empty containers don't make any type of income except the lift on/off charges which have been taken in the import/export containers. The ratio of increase in loaded containers is inconsistent with the ratio of increase in income i.e. 4% in 2018-19 & 3.85% in 2019-20.
	(b). The average realizable total income per TEU is estimated at ₹1342.23, ₹4136.33, ₹4035.57 and ₹3933.27 during the years 2016-17, 2017-18, 2018-19 and 2019-20 respectively resulting decrease for the years 2018-19 and 2019-20 over the respective previous years. [For example in the year 2017-18 the income estimated is ₹2163.3 lakhs for total estimated traffic of 52300 TUEs (₹2163.30 lakhs/52300 TUEs = ₹4136.33). Decrease in average realization per TEU to be justified. Further, the reason for the average per TEU income in the year 2016-17 at ₹1342.23 to be on lower side compared to projections of average per TEU for the next 3 years be explained.	Income computation is purely based on the loaded containers and average will be looking increasing if calculated by only loaded containers.
(iii).	The CWC has not furnished detailed computation of estimated income with reference to the traffic projected at the existing Scale of Rates. Please furnish detailed computation of income for the traffic projected at the existing tariff level from each of the tariff items prescribed in the SOR for each of the years 2017-18 to 2019-20. Please furnish soft copy of the income estimation with linkage in excel as well.	The detailed computation of estimated income has been made and the same is furnished.
(iv).	As regard the income from storage charge, the CWC to furnish the dwell time considered for the purpose of income estimation for the years 2017-18 to 2019-20.	The dwell time is shown in the computation sheet of estimated income.
(v).	Apart from the general increase in rate proposed, the CWC has also proposed introduction of following new tariff items: **Storage Charges:** **Import Cargo:** Weekly Tariff ₹66 per sq. mtr per week **Open bonded** weekly tariff ₹30 per sq. mtr per week	All are new additional items based on feedback from Users at Kandla/G'dham and Trade meeting dated 03/02/17 that there should be option in tariff for MT/Wt. Based tariff or Area tariff

	monthly tariff ₹100 per sq. mtr per month **Export Cargo** weekly tariff ₹60 per sq. mtr per week **<u>Chapter II Market Facilitation (MF) Tariff:</u>** RMS Container Examination ₹1410 per TEU (Please indicate what is meant by RMS) ₹2115 per FEU The year-wise additional revenue implication arising from these new tariff items to be quantified item-wise and furnished for all the years under consideration with workings.	**<u>Market Facilitation (MF) Tariff:</u>** RMS Container Examination is facility provided by Customs/CBEC to trade wherein they can clear their container only after seal verification i.e. there is no need to open and destuff the container for examination. The quantum of income may not be possible unless the area is used by trade.
(vi).	(a). The rates approved by the Authority are ceiling levels only. The CWC may indicate the discount over the ceiling rates, if any, allowed by it during the years 2010-11 to 2016-17. The revenue impact of such discounts allowed may be quantified. It may be clarified whether the actual income reported in the Annual Accounts of 2010-11 to 2015-16, and 2016-17 (actuals to be furnished by CWC) are revenue realised at the ceiling level of tariff prescribed by the Authority or at the discounted level of tariff.	As of now, no discount is considered/ proposed by CWC.
	(b). Confirm that the revenue estimates for the years 2017-18 to 2019-20 are with reference to the existing ceiling rates prescribed by the Authority.	Yes, the revenue estimates for the years 2017-18 to 2019-20 are with reference to the existing ceiling rates and the same can also be seen in the computation sheet furnished.
(3).	**<u>Operating cost</u>**:	
(i).	The CWC to note that annual escalation announced by the Authority for the tariff cases to be decided in the year 2017-18 is 2%. A letter in this regard has been issued. In view of the above position, the CWC may modify the estimates in line with the annual escalation announced by the Authority.	The point is not clear. The further details/ clarification may be provided to comply the same accordingly. [*The point raised by us is being taken care by us while finalising the case*]
(ii).	**<u>Operating and Direct Labour</u>**: The operating and direct labour cost considered in the Form 3B is at ₹9.50 lakhs for 6 employees. The number of employees under this category are estimated to increase by 100% i.e., to 12 during the 2017-18. However, the average cost per employee is estimated to increase to 11.40 lakhs i.e., by 20%. For the subsequent years, the increase is considered at 3.07% and 2.98% during the years 2018-19 and 2019-20 respectively. Please justify steep increase in unit cost of labour in the year 2017-18 and substantiate with some document as the year 2017-18 has already commenced. The annual escalation considered by CWC for the year 2018-19 and 2019-20 may be justified as it is beyond the annual escalation of 2% as brought out in point B 3 (i) above.	The increase from 9.50 Lakhs to 11.40 Lakhs is only 20% instead of 40% as shown in your mail. The same is due to the implementation of pay revision w.e.f. 01.01.2017 although the same has not yet been finalized but whenever it will be implementing the same will be effective from 01.04.2017 so the same has been considered. For the subsequent years, the escalation is around 3% which is as per the normal increment policy in government organizations.
(iii).	**<u>Repairs & Maintenance Cost</u>**:	
	(a). As per statement of Profit and Loss Account, the actual repairs and maintenance cost incurred during the year 2015-16 is ₹12.05 lakhs. As against this amount, the CWC has estimated the same for the year 2016-17 at ₹20.25 lakhs i.e., 68.05% increase over the actuals of 2015-16. Further, the CWC has estimated to increase R & M cost by 5.48% during the year 2017-18 and 5% for each of the years 2018-19 and 2019-20 over the respective previous years. Steep increase in repairs and maintenance in the 2016-17 to be justified recognizing that no addition to gross block is proposed in this year. Also, justify annual escalation estimated in the years 2018-19 to 2019-20 which is beyond the admissible annual	As the terminal was inoperative since long the assets lying there required special repairs & maintenance and due to this reason, in the year 2016-17 the same is estimated at higher side. As the assets standing there are getting old day by day and will require more repairs so for the years 2017-18, 2018-19 & 2019-20, the same has been taken on the higher side.

	escalation announced by the Authority.	
	(b). Please confirm and show that one time major repairs and maintenance cost, if any, incurred during the past period are not considered while estimating this cost item for the years 2017-18 to 2019-20.	No such instances has been observed in past so not considered in the year 2017-18 to 2019-20.
(iv).	**Royalty/ revenue share:** As per the tariff guidelines of 2005, in case of bids finalised before 29 July 2003, the tariff computation must take into account royalty / revenue share payable by the private operators to the landlord port as cost for tariff fixation, subject to maximum of the amount quoted by the next highest bidder. The L.A. was signed by the CWC in February 2002. During the previous tariff revisions, CWC had clarified that in the competition bidding, it was the only technically qualified tenderer. Since there is no second bid available for comparison, it had sought pass through of the entire royalty payable to the DPT on the Minimum Guaranteed Throughput envisaged in its proposal. In the current proposal as well, the CWC has followed the same approach. Since the Government did not convey its decision in this regard, royalty payable was not allowed as cost in the last tariff revision. In the absence of any specific direction from the Government in this regard, the Authority will not be in a position to admit royalty payable by CWC to DPT as cost in the current tariff revision exercise.	CWC pay royalty on per TEU basis from its revenue and it is not revenue sharing. Hence, the expenditure on royalty is to be considered by TAMP.
(v).	**Market Facilitation (MF) Payments**:	
	(a). Confirm that the agreement entered by CWC with the H&T contractor viz., M/s. Abrar Forwarders for handling and transport of ISO containers between container yard of DPT and CFS-CWC and various allied operations complies with the provisions in the Income Tax Act relating to arms length relationship of the transaction.	Yes, the same is confirmed.
	(b). Agreement dated 26 July 2016 with the contractor does not show any annual escalation in the rate. Hence, confirm that no annual escalation in the unit rate is considered in the expenditure projection of this item for the years 2017-18 to 2019-20.	Contract / Tender clause-XVI-B, provides escalation in H&T SOR, based on variation (+/-) in diesel rates after span of every six month (Copy of Tender document already provided). However, till date escalation not given and in proposal also any impact of escalation not incorporated.
	(c). Detailed working of the MF payments (i.e. equipment hire charge) co-relating the unit rate with the rates specified in the agreement entered by CWC for each of the items of services for the traffic projected for the years 2017-18 to 2019-20 may be furnished in support of the estimates considered in the cost statement.	The MF charges/Equipment hire charges have been shown in the income computation sheet.
	(d). The estimate of 2016-17 may be updated with actual figures reported in Annual Audited Accounts / draft Annual Accounts.	As the audit will be starting soon and after completion the same will be updated and submitted.
(vi).	**Lease Rental**: The lease rental payable as per the concession agreement indicated in the cost statement does not match with the lease rental reported in the profit and loss statement for the year 2010-11 to 2015-16. The reasons for variation in figures may be explained. The CWC to ensure that the lease rental for the year 2016-17 is updated in the cost statement based on actuals matching with the lease rent reported in the Annual Accounts for the year 2016-17.	DPT has demanded some escalation with retrospective effect and CWC is making provision for the differential amount.
(vii).	**Insurance:**	
	(a). Insurance cost indicated in the cost statement for the years 2011-12 to 2015-16 is found to be	Reconciliation will follow.

<table>
<tr><td></td><td>different from the figures reported in the statement of Profit and Loss Account for respective years. The reasons for the variation may be explained.</td><td>[The CWC has not furnished reconciliation]</td></tr>
<tr><td></td><td>(b). Please furnish a copy of the relevant insurance covers taken during the year 2016-17 to justify the figures considered in the cost statement.</td><td>Copy of Insurance Policy is furnished.</td></tr>
<tr><td></td><td>(c). Insurance cost is estimated to increase by 22.66%, 18.29% and 12.88% for the years 2017-18 to 2019-20 respectively over the actuals/ estimates of the respective previous years despite the fact that no additions are proposed to the gross block during these years. The insurance cost should in fact reduce since it is computed on the written down value of the asset. The CWC may modify the estimation of insurance cost in the light of our observation in this regard.</td><td>The increase in Insurance cost is due to impact of Cargo Insurance that will be handled/ stored in CFS.</td></tr>
<tr><td>(viii).</td><td><u>Depreciation</u></td><td></td></tr>
<tr><td></td><td>(a). As per clause 2.7.1. of the tariff guidelines, the depreciation has to be computed based on the straight line method with life norms adopted as per Companies Act or based on life norms prescribed in the concessional agreement, whichever is higher. Please confirm whether the computation of depreciation is as per this tariff guideline provision.</td><td>CWC in its accounts charges depreciation as per the rates described under Warehousing Corporation Act, 1962 so those rates have been used while charging depreciation. Although the rates are based on the straight line method.

Rates of depreciation are as under:
<table>
<tr><th>Fixed Assets</th><th>Rates adopted by CWC (based on useful life) %</th></tr>
<tr><td colspan="2"><u>Tangible Assets</u></td></tr>
<tr><td>Warehouse & Godowns/Convertible Plinths/Buildings/Flats</td><td>1.63</td></tr>
<tr><td>Non-convertible Plinths</td><td>20.00</td></tr>
<tr><td>Water & Electric Installation</td><td>3.50</td></tr>
<tr><td>Plant & machinery/ Railway Siding</td><td>5.15</td></tr>
<tr><td>Furniture/Electrical Equipments</td><td>6.50</td></tr>
<tr><td>Office/Construction/Other Equipments/HBL Sheet</td><td>16.00</td></tr>
<tr><td>Mobile Phones</td><td>33.33</td></tr>
<tr><td>Vehicles</td><td>12.00</td></tr>
<tr><td>Laboratory Equipments</td><td>19.00</td></tr>
<tr><td>Disinfestation Equipments</td><td>24.00</td></tr>
<tr><td>Wooden Crates/PCC Blocks</td><td>12.00</td></tr>
<tr><td>Racks & Tin Trays</td><td>10.00</td></tr>
<tr><td>Poly Pallets</td><td>5.00</td></tr>
<tr><td>Computers</td><td>16.21</td></tr>
<tr><td colspan="2"><u>Intangible Assets</u></td></tr>
<tr><td>Registration Fee for container trains</td><td>5.00</td></tr>
<tr><td>Right to use of land</td><td>20.00</td></tr>
<tr><td>Computer Software</td><td>16.21</td></tr>
</table></td></tr>
<tr><td></td><td>(b). The Companies Act, 2013 has been announced by the Ministry of Corporate Affairs. Please confirm whether the depreciation rate considered by CWC is based on the provisions of Companies Act, 2013. Also indicate the depreciation rate considered by the CWC for each item of asset based on the useful life of assets prescribed in the Companies Act, 2013 giving reference to the relevant provision in the said Act.</td><td>As CWC is a corporation incorporated through act of parliament and not registered under any of the current/ previous companies act so the rates prescribed under it will also not be applicable to CWC and so as to CFS DPT.</td></tr>
<tr><td>(ix).</td><td><u>Management & General Administration overheads (MGAO)</u>:</td><td></td></tr>
<tr><td></td><td>(a). As stated earlier, the items under MGAO may be updated with actuals as per Audited Annual</td><td>The point will be complied with while submitting the annual accounts for the year</td></tr>
</table>

	Accounts for the year 2016-17.	2016-17.
	(b). The annual escalation in Overheads except preliminary expenses is estimated to increase in the range of 5% to 11% for each of the years 2017-18 to 2019-20. The CWC is requested to modify the annual escalation to the admissible level as brought out in point B 3 (i) above.	The same has been escalated keeping in view the past figures.
(4).	**Capital Employed**:	
(i).	As stated earlier, the CWC has not furnished the Audited Balance Sheet for the years 2011-12 to 2015-16 to verify the gross block, net fixed assets and capital employed furnished in Form 4B. The requisite documents may be forwarded. Please ensure that the gross block, additions to the gross block, depreciation and the net block of assets considered in the cost statement duly matches with the figures reported in the Balance Sheet. The same information also to be furnished for the year 2016-17 as the financial year 2016-17 is already completed.	The audited Balance Sheet has been furnished so the same could be verified.
(ii).	(a). As stated earlier, the CWC has not furnished the segregated Balance Sheet of CWC at CFS at DPT division for the years 2011-12 to 2015-16 to verify the Sundry debtors and cash balance by the CWC for determining the working capital in accordance with the norms prescribed in clause 2.9.9. of the guidelines. The requisite documents may be forwarded immediately as stated earlier. Please show that the working capital considered by CWC is in line with clause 2.9.9. of the guidelines.	The audited Balance Sheet has been furnished.
	(b). The Authority passed an Order dated 30 September 2008 clarifying certain areas of tariff fixation under 2005 guidelines which, interalia, permits outflow on certain items arising out of the contractual obligations of the LA to be taken as part of the Sundry Debtors. As per Article 5.2. of the LA, the CWC is required to pay lease rent to the DPT for the lands allotted to it before the end of the first month of the year to which such license fee pertains. As per Article 5.1. of the LA Royalty is payable on the 10th of the succeeding month. Since Lease rentals as per of the LA is payable in advance, these item may be considered for computation of the working capital as done in last tariff revision Order.	Last tariff sheet has been followed for preparing the current tariff sheet.
	(c). The basis of estimation of current liability for the years 2010-11 to 2013-14 to be explained.	As there was negligible work at the terminal during 2013-14 so there was no liability on account of equipment hire charges and in the year 2010-11 to 2012-13, there was some work so the same has been taken into account.
(iii).	The CWC has computed 15% Return on Capital Employed (ROCE) and adjusted for capacity utilization. The admissible ROCE for the tariff cases to be decided in the year 2017-18 is announced by the Authority at 16%. The computation of ROCE to be modified in the light of the above observation.	The same will be modified @16%.
(5).	**Comparison of Actual vis-à-vis the Estimates (Form 7):**	
(i).	In the revised form 7 filed by CWC vide letter dated 17 February 2017, all the items of estimates viz., operating income, expenses except MF Expenses (Equipment hire), capital employed, ROCE, net surplus etc., for the years 2011-12 to 2013-14 considered by the CWC are different from the estimates considered in the Order of 06 January 2012. The estimates should be as considered in the last general revision Order of CWC for the years 2011-12 to 2013-14. As regards the	The estimates will be changed to the general revision order of CWC. However, Cost Statement approved during last revision may be provided to enable this office to amend the same in Form-7.

	operating income, the estimates considered in the Order need to be adjusted for tariff increase allowed in the last tariff Order for a like to like comparison with the actuals.	
(ii).	Royalty was not admitted as an item of cost while approving the last tariff Order for reasons explained in the Order in para 12 (iii)(e). The CWC has, however, included royalty as item of cost for the past period. As this exercise is for comparison of the estimates of the past period with reference to actuals, the approach followed in the last tariff Order should be maintained. In the light of this position, please exclude the royalty payment for analysis of the past period maintaining the position considered during the last tariff Order.	CWC pay royalty on per TEU basis from its revenue and it is not revenue sharing. Hence, the expenditure on royalty is to be considered by TAMP.
C.	**SCALE OF RATES**	
(1).	The CWC has forwarded a comparative position of the tariff prescribed in the existing Scale of Rates and the rates proposed. On examining the comparative position of the existing tariff vis-à-vis the proposed tariff it is observed that the increase proposed in the tariff ranges from 25% to 36% in the storage charges including ground rent and for the services proposed in Chapter II for MF Tariff (container handling and transporting), the increase proposed is in the range of 3% to 167% for most of the items. Explain the reasons for proposing differential tariff increase for different services.	The increase in proposed Storage tariff is due to cope up the Estt. and operative expenditure, Market rates/tariff of nearby CFSs. Regarding, MF Tariff, comparison with earlier tariff, which is five years old, not justified. During earlier contract (effective from July-2010), H&T SOR was very less as compare to existing H&T SOR. The proposed MF tariff is linked with CWC margin at SOR which is ranging from 14.29 % to 67% and not 167%. Statement enclosed.
(2).	The CWC has proposed new tariff items under Storage charges and MF Tariff as brought under point B.2 (v) above. The reasons for proposing new tariff items and the basis for arriving at the proposed tariff items to be explained. Justify the proposed tariff with reference to the cost involved for providing these services.	All are new additional items bases on feedback from Users at Kandla / Gandhidham and Trade meeting dated 03/02/17. The quantum of income may not be possible unless the area is used by trade. Regarding Cost Involved in MF item, SOR already provided.
(3).	The main cost item for the CWC is the MF payment as the entire service is outsourced. On comparing the unit rate of outsourcing from the copy of the contract forwarded by CWC with the rates proposed, it is observed that the proposed rates are 17% to 204% more than the contract rate. Justify the tariff proposed for each of the MF services with reference to the contracted rate and the cost involved for providing the service.	The desired statement is enclosed.
(4).	Please furnish detailed computation of revenue estimation at the proposed rate for each of the tariff items as well as for new tariff items proposed by the CWC for the traffic projected for the years 2017-18 to 2019-20.	The computation has been provided.
(5).	The Authority has, vide Order no.TAMP/53/2016-CWC dated 29 March 2017, granted approval to levy the tariff as proposed by the CWC, subject to the condition that if the final rates to be approved by this Authority are lower than the adhoc rates, the difference between the final tariff and the adhoc tariff will be fully refunded by the CWC to the concerned users, as agreed by CWC-CFS. This decision of the Authority will be taken into consideration while fixing the final rates.	The same has been taken into consideration.

12. The DPT was also requested vide our letter dated 01 June 2017 to furnish additional information/ clarifications on a few points, which was followed by reminder dated 11 July 2017 and d.o. letter dated 09 August 2017. The DPT has responded vide its email dated 21 August 2017. A summary of the additional information/ clarifications sought by us and the corresponding replies furnished by the DPT is tabulated below:

Sl. No.	Information/ clarifications sought by us	Reply furnished by DPT
(i).	The actual container traffic handled by the	The year wise traffic handled by CWC –

<table>
<tr>
<td></td>
<td>Central Warehousing Corporation (CWC) at Container Freight Station (CFS) at Deendayal Port Trust (DPT) for the years 2011-12 to 2015-16 are 39222 TEUs, 21744 TEUs, 342 TEUs, 0 TEUs and 108 TEUs respectively. The DPT is requested to confirm the traffic figures furnished by the CWC.</td>
<td>CFS at Deendayal Port is given below:-
<table>
<tr><th>Year</th><th>TEU</th></tr>
<tr><td>2011-12</td><td>11816</td></tr>
<tr><td>2012-13</td><td>6872</td></tr>
<tr><td>2013-14</td><td>52</td></tr>
<tr><td>2014-15</td><td>NIL</td></tr>
<tr><td>2015-16</td><td>141</td></tr>
</table>
</td>
</tr>
<tr>
<td>(ii).</td>
<td>Please furnish specific comments on the reasonableness of the traffic projections made by the CWC for the years 2017-18 to 2019-20. Also, furnish actual containers traffic handled by CWC in the year 2016-17.</td>
<td>Traffic handled:
<table>
<tr><th>Year</th><th>Empty (Teu)</th><th>Loaded (Teu)</th><th>Total (Teus)</th></tr>
<tr><td>2016-17 (actual)</td><td>2041</td><td>8165</td><td>10207</td></tr>
</table>
The traffic projections of Deendayal Port may be considered under 3 different scenarios as given under :-
Scenario – 1 The Deendayal Port actually handled 0.10 lakh TEU in Financial year 2016-17 against which the 36% Impex traffic works out to 0.036 lakh TEU.As per the latest Budget estimates, the Port is likely to handle 1.45 lakh TEU & 1.80 lakh TEU in Financial year 17-18 (R.B.E.) & financial year 2018-19 (B.E.)., which would mean CWCs projections at 36% of impex would be 0.522 & 0.648 lakh TEU during these years respectively. Budget estimates for financial year 2019-20 are not forecasted so no CWC projections for 2019-20 can be indicated.
Scenario – 2 As per the Maritime Agenda 2010-2020 finalized by Ministry for all Major Ports in 2011, Deendayal Port was projected to handle 3.20.,3.40, 3.60 & 3.80 lakh TEU of container traffic during each of the respective years from 2016-17 to 2019-20. Accordingly, the CWC projections for these years are 1.152, 1.224, 1.296 & 1.368 lakh TEU.
Scenario – 3 As per the latest and final report submitted by M/s. Mckenzie Consultant on Deendayal Port, the Port is projected to handle anywhere between 1 to 6 lakh TEU during 2020. Thus CWC projections (36% of Impex) can be taken to be 0.36 to 2.16 lakh TEU. Yearwise projection from 2016-2017 to 2018-19 were not given by the consultant. No specific comments on the reasonability of the CWC traffic projections can be offered by this department.
The actual containers traffic handled by CWC in the year 2016-17 is 71.
</td>
</tr>
<tr>
<td>(iii).</td>
<td>(a). Clause 3.8 (ii) (b) of the License Agreement (L.A) stipulates that the licensee</td>
<td>A Copy of the Relevant Extract of Maritime Agenda 2011-20 containing</td>
</tr>
</table>

<table>
<tr><td></td><td>shall guarantee a throughput equivalent to 36% of impex trade container traffic handled by the container operator. As against the above provision in the LA, from the notes furnished by the CWC under the table furnished at the end of Form 2A it is understood that the Minimum Guaranteed Throughput (MGT) is considered at 36% on the actual impex traffic as declared by DPT during the years 2016-17 to 2019-20 in Maritime Agenda 2010-20. The Minimum Guaranteed Throughput indicated by the CWC in Form 2A is 96400 TEUs, 122400 TEUs, 129600 TEUs and 136800 TEUs for the years 2016-17 to 2019-20 respectively. In this regard, the DPT is requested to furnish a copy of relevant extract of the Maritime agenda 2010-20 containing container traffic projection for the year 2017-18 to 2019-20. Also, confirm that the Minimum Guaranteed Throughput (MGT) considered by the CWC is in line with the LA.</td><td>container traffic projections for the year 2017-18 is furnished for ready reference.</td></tr>
<tr><td></td><td>(b). Since the year 2016-17 is already over, the actual impex containers, if any, handled at the DPT in the year 2016-17 and that handled by CWC at CFS Kandla may also be furnished.</td><td>The actual Impex Containers handled by DPT (by the Port & the container terminal combined) is as under:
<table>
<tr><th>Year</th><th>Empty (Teu)</th><th>Loaded (Teu)</th><th>Total (Teus)</th></tr>
<tr><td>2016-17 (actual)</td><td>2041</td><td>8165</td><td>10207</td></tr>
</table>
The actual containers traffic handled by CWC in the year 2016-17 is 71.</td></tr>
<tr><td>(iv).</td><td>Confirm whether the actual lease rentals payable by CWC reflected in the cost statement for the years 2011-12 to 2015-16 and estimates for the years 2016-17 to 2019-20 are in line with the L.A. provisions.</td><td>CWC is paying the lease rentals to DPT as per their own calculation which is lower than the actual amount due to DPT. However, in the cost statements produced by CWC in support of their proposal for revision of tariff, CWC has considered / provided lease rentals as per L.A.</td></tr>
</table>

13. Further, the CWC vide its letter dated 23 September 2017 has submitted that considering the time constraint the validity of adhoc tariff needs to be extended further beyond 30 September 2017 to 31 December 2017 or till approval of CWC proposal, whichever is earlier. CWC will continue with adhoc tariff beyond 30 September 2017 at CFS- DPT.

14. Further, the CWC vide its email dated 30 November 2017 has furnished clarification sought by us regarding removal of Note No.6 of "1.1-Storage Charge" stated in last tariff revision.

In this connection, desired clarification is as under:

<table>
<tr><th>S/No</th><th>The Note No.6 as per last tariff revision</th><th>Clarification for removal of Note No.6</th></tr>
<tr><td></td><td colspan="2">CHAPTER –I-GROUND RENT AND STORAGE CHARGES
1.1. Storage Charge</td></tr>
</table>

(6)	Container / Cargo remained un-cleared beyond 30 days shall be liable for shifting to the disposal unit at CFS Gandhidham at the risk and cost of the importer / CHA / Shipping Lines.	The Allotment of CFS G'dham by DPT, is valid up to 15/11/18.The CFS- DPT is having ample open yard to store such LSC Containers. Therefore, the Note-6 has been removed in existing tariff proposal.

15. 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.

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

(i). The Scale of Rates (SOR) for Container Freight Station (CFS) operated by Central Warehousing Corporation (CWC) under the Licence Agreement with Deendayal Port Trust (DPT) was last revised by this Authority vide Order No.TAMP/35/2010-CWC dated 06 January 2012. The validity of the SOR was prescribed upto 31 March 2014.

Subsequently, based on the request made by the CWC, this Authority has extended the validity of SOR of CWC on couple of occasions and it was last extended till 31 December 2016 vide Order dated 17 November 2016.

Before proceeding to analyse this case, it is relevant here to state that the traffic to be handled by the CWC-CFS is linked to the container handled by the Container Terminal Operator authorised by the DPT. For various reasons cited by the CWC, the CWC had not filed the proposal for revision of rates when validity of the rates expired on 31 March 2014, on the ground that the container terminal was not operational for four years from 2013-14 to 2016-17. This is the transition period during which there was change in the concession agreement from the ABG Kandla Container Terminal Limited (ABGKCTL) to the Kandla International Container Terminal Private Limited (KICTPL).

It is in this background, CWC has vide its letter dated 10 November 2016 filed the initial proposal for revision of the Scale of Rates of CFS operated by CWC at DPT.

(ii). Subsequently, consequent to the trade meet held on 03 February 2017, the CWC has filed revised proposal dated 17/18 February 2017. It can be seen from the factual position brought out in the earlier paragraphs of this Order that, the CWC has furnished cost statements and requisite documents sought by us for processing its proposal in piecemeal. The cost statements for the period from 2013-14 to 2015-16 were forwarded by CWC under the cover of its letter dated 19 April 2017. The cost statement in the prescribed format, Audited Profit and Loss Account and the Balance Sheet are the required to be furnished by the Operator for evaluating the estimates considered in the last tariff Order with reference to the actuals as required under Clause 2.13 of 2005 Guidelines. The CWC has furnished the Audited Profit and Loss Account of the CFS operated at the DPT vide its letter dated 17 December 2016.

After protracted follow up, the CWC vide its letter dated 14 July 2017 has furnished segregated Balance Sheet for its CFS division of Deendayal Port duly certified by the Chartered Accountant for the years 2011-12 to 2015-16 and additional information/ clarifications on a few points sought vide our letter dated 01 June 2017 vide its email dated 21 August 2017.

The proposal of the CWC along with revised cost statements furnished by CWC under cover of its letter dated 17/18 February 2017 and additional information/ clarification furnished by CWC and DPT during the processing of this case are considered for the purpose of this analysis.

(iii). In view of the request made by the CWC and considering that the KICTPL has already commenced its operations at its Container Terminal as reported by the CWC, adhoc approval was granted to levy the tariff as proposed by the CWC from 04 February 2017 to 30 June 2017 or till the effective date of the implementation of final tariff, whichever is earlier subject to the condition that if the final rates to be approved by this Authority are lower than the adhoc rates, the difference between the final tariff and the adhoc tariff to be fully refunded by the CWC to the concerned users, as agreed by CWC-CFS. The current exercise is, therefore, is for fixation of final Scale of Rates for CFS operations by CWC at DPT.

(iv). Clause 2.13 of the tariff guidelines of 2005 mandates review of the actual physical and financial performance of the Major Port Trust and private terminals at the end of the prescribed tariff validity period with reference to the projections relied upon at time of fixing the prevailing tariff. During the last review of tariff of CWC, this Authority had approved tariff relying upon the estimates for the years 2011-12 to 2013-14. As such, it is necessary to make a comparison of the estimates for the years 2011-12 to 2013-14 with the actuals for the said years.

The approach followed in the last Order to arrive at the estimates is adopted for the analysis of performance of CWC during the years 2011-12 to 2013-14 which is explained below:

(a). In the last tariff Order, based on the cost position reflected by the cost statement, this Authority had granted tariff increase as proposed by the CWC and the total additional revenue estimated at the proposed tariff approved by this Authority was estimated at ₹10.28 crores for the years 2012-13 and 2013-14. The revenue impact of tariff increase granted by this Authority in the said Order is captured in the income estimation for the years 2012-13 and 2013-14 to have a like to like comparison with actual income.

(b). The actual income and expenditure as well as net fixed assets furnished by the CWC in the cost statement as well as sum of income and sum of expenditure do not match with the figures reported in the Audited Profit and Loss statement and the segregated Balance Sheet for the years 2011-12 to 2014-15 furnished by the CWC. Despite request, CWC has not furnished a statement reconciling the net surplus/ deficit in the cost statement with the profit/ loss reported in the Audited Profit and Loss statement of the respective years. The actual income and expenditure figures reported in the Audited Profit and Loss Statement are, therefore, considered to analyze the past performance.

(c). The actual income reported in the Annual Accounts for each of the years 2011-12 to 2013-14 are considered except interest income reported under the head Miscellaneous receipts which are not considered as income in fixation of tariff of Major Port Trusts and private terminals.

(d). To a specific query with regard to discount over the ceiling rates, if any, allowed during the years 2011-12 to 2016-17, the CWC has confirmed that the revenue realized is at the ceiling level of tariff prescribed by this Authority.

(e). In the current proposal CWC has included royalty payable to DPT as a pass through to the tune of ₹22.15 lakhs, ₹12.63 lakhs and ₹11.91 lakhs for the years 2011-12 to 2013-14 respectively. Further, for the subsequent period as well, the CWC has considered zero royalty for the year 2014-15 and ₹0.16 lakhs for the year 2015-16.

It is relevant here to state that the license agreement was signed by the CWC in February 2002. During the proceedings relating to the earlier tariff revision, CWC had clarified that in the competitive bidding, it was the only technically qualified tenderer.

Since there is no second bid available for comparison, CWC had sought pass through of the entire royalty payable to the DPT on the Minimum Guaranteed Throughput envisaged in its proposal in the last tariff revision.

As already brought out in the last tariff Order, the tariff guidelines of 2005 do not cover the situation where there is single technically qualified bidder and no other bid is available for comparison for the purpose of allowing royalty as expense upto the second highest quote. During the proceedings relating to the tariff approved in June 2007 prior to the last tariff Order, the Government was requested to advise in the matter of treating revenue share/ royalty in such cases for tariff fixation. The Government has not conveyed its decision in this regard.

In the absence of any specific direction from the Government about the treatment of royalty in instant case where no other bid is available for comparison, the royalty payable by CWC is not allowed as pass through for the past period in line with the approach followed in the last tariff Order. The same approach is followed for fixation of tariff for the years 2017-18 to 2019-20.

(f). The lease rent reported in the Audited Annual Accounts for the years 2011-12 to 2015-16 and the lease rent considered by CWC for the years 2011-12 to 2015-16 in the cost statement is tabulated below:

(₹. in Lakhs)

Year	Lease rent as per Audited Accounts	Lease rent as per cost statement
2011-12	257.29	78.01
2012-13	289.28	132.82
2013-14	163.68	140.41
2014-15	88.91	147.42
2015-16	61.78	154.80

In view of mismatch in the lease rent figures reported in the cost statement and Audited Accounts, the CWC was requested to explain the reasons for variation. The CWC has clarified that the DPT has demanded some escalation with retrospective effect and CWC is making provision for the differential amount.

It is relevant to state that provision made by BOT operators are not allowed in the tariff fixation. Keeping in view that the lease rent considered in the cost statements by CWC for revision of its tariff is as per the lease rent provided in L.A. as reported by DPT, lease rent as considered by the CWC in the cost statement supported by detailed workings is considered for the past period analysis. The CWC is permitted to approach this Authority in the current tariff cycle for review of tariff if the CWC makes payment of lease rent for the past period for which it has made a provision.

As regards the remarks of DPT that the CWC makes lease rent payment lower than the actual amount due to DPT, it is relevant here to state that this Authority determines lease rent/ license fee for the Port trusts land following the applicable Land Policy Guidelines issued by the Government from time to time. The matter relating to short fall in the payment of lease rent reported by DPT is between the concerned Major Port Trust and the concerned allottee of land by the port. This Authority would not like to interfere in this matter as it does not fall under the domain of this Authority.

(g). In the last tariff Orders of July 2009 and January 2012, the upfront fee and lease premium payable to DPT was amortized over the project period at ₹11.40 lakhs per annum. However, as per the Audited Accounts furnished by the CWC, the upfront fee and lease premium amortized is ₹10.70 lakhs. Hence, an amount ₹10.70 lakhs is considered.

(h). The net fixed assets as per the segregated Balance Sheet of CWC-CFS at DPT for the years 2011-12 to 2013-14 duly certified by the Chartered Accountant are taken into consideration. As was done in the last tariff Order, the un-amortised portion of upfront fee and lease premium as reported in the Audited Annual Accounts for each of years 2011-12 to 2013-14 is considered as part of capital employed for computation of return.

(i). (i). In the computation of working capital, the CWC has estimated Cash balance at ₹4.83 lakhs, ₹0.28 lakhs and ₹5.25 lakhs for the years 2011-12 to 2013-14 respectively. Clause 2.9.9. of the tariff guidelines of 2005 prescribes norm of one month's cash expense as the limit on cash balances. The estimate of Cash balances done by CWC is not found to be as per the norm prescribed in the Tariff Guidelines of 2005 and hence corrected in line with the guideline provision. The CWC has considered inventory consumption as nil for working capital, which is relied upon.

(ii). As per the Orders passed by this Authority on 30 September 2008 and January 2012, prepayments of certain expenses which flow from the provisions of the License Agreement can be considered as Sundry Debtors. As per clause 5.2 of the license agreement the CWC is required to pay lease rentals in advance to DPT. Since the said advance payments are governed by LA provisions there is a case to consider such pre-payments as part of working capital for the purpose of allowing return. Recognising that the advance payment will get adjusted against the rent payable for the respective month and at the year end of the entire advance is adjusted, the average of the pre-payment at 50% of the lease rentals is considered as part of working capital. This is in line with the approach followed in the case of Chennai Container Terminal Limited, South West Port Limited, etc. and even in the case of CWC in the last tariff revision Order.

(iii). The current liabilities considered by CWC at ₹40.03 lakhs, ₹22.85 lakhs and Nil for the years 2011-12 to 2013-14 respectively do not match with the current liability figures reported in the Segregated Balance Sheet for the respective years. The CWC has not reconciled this mismatch. The current liability figures have been considered as reported in the Annual Accounts for the corresponding period, since they are audited figures.

Based on the working by the CWC, the working capital is negative. The CWC has reduced the negative working capital from the net fixed assets while computing the capital employed. In our working, working capital is negative for each of the years 2011-12 to 2013-14. Since the working capital is negative, it is considered as NIL in line with the approach followed in similar circumstances in other cases. Thus, the Capital Employed comprises of only Net Block of Assets and unamortized upfront free which works out to ₹3329.21 lakhs, ₹3228.91 lakhs and ₹3128.61 lakhs for the years 2011-12 to 2013-14 respectively. For the years 2014-15 and 2015-16, it works out to ₹3028.31 lakhs and ₹2923.81 lakhs respectively.

(j). During the proceedings relating to the tariff revision Order of 2012, the CWC has stated that the capacity of CFS can be taken at 1,40,000 TEUs and even the License Agreement states that in the entire area, CWC can handle 1,40,000 TEUs per annum and hence capacity was considered at 1.4 lakh TEU. The capacity utilisation of the CFS was estimated to be 35%, 39% and 46% for the years 2011-12 to 2013-14 respectively.

Clause 2.9.10 of the tariff guidelines of 2005 prescribes a minimum capacity utilisation of 60% for claiming full Return on Capital Employed

(ROCE) by port / terminal. When the capacity utilisation is found to be in the region of 50% to 60%, a decision on 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 underutilization.

Clause 2.9.11.of the tariff guidelines of 2005 stipulates that if the investment made by the private operator is in accordance with the obligations under the Concession Agreement it will be considered for ROCE even if full capacity utilisation is not achieved.

The capacity utilisation for the actual throughput achieved by CWC works out to be 28.02%, 15.53% and 0.24% for the years 2011-12 to 2013-14. It is seen that the CWC has considered ROCE at 15% and adjusted it for capacity utilisation.

Appendix 6 of the LA gives details of the investment to be made in the second phase on various equipment /civil work when the container traffic reaches 5000 per month. During the last tariff revision, the CWC had stated that development of second phase as envisaged in the license agreement has not been made as volumes has not reached the threshold level. The DPT had then stated that in the year 2005-06, CWC has achieved 5000 TEUs per month and hence the investment as per second phase is overdue. The CWC has confirmed during the last tariff revision that 5000 TEUs per month was never achieved by them from 2008-09 onwards and hence it does not qualify for IInd phase investment. During the last tariff revision, this Authority in para 12 (xiv) of the 2012 Order has held that the investments made by CWC are found to be as per the Licence Agreement and hence, 16% return is allowed on the capital employed as per the relevant provision of the tariff guidelines. Hence 16% ROCE is considered while analysing the past period performance also in line with the decision taken in the January 2012 Order.

(v). A statement showing the analysis of the performance of CWC for the years 2011-12 to 2013-14 is attached as **Annex - I**. A summary of the comparison of the actuals vis-à-vis the estimates considered for the years 2011-12 to 2013-14 in the last tariff Order is tabulated below:

(**₹ in lakhs**)

Particulars	**Aggregate for the years 2011-12 to 2013-14 in absolute terms (₹ in lakhs)**		**Variation in %**
	Estimates as per tariff Order	**Actuals**	
Traffic (in TEUs)	**167950**	**61308**	-63%
Operating Income	* 3,175.78	1,078.15	-66%
Total Expenses	2,561.24	1,808.37	-29%
Surplus/ deficit before Return	614.54	(730.22)	-219%
Capital Employed (Average)	**3206.46**	**3228.91**	1%
16% Return on Capital Employed for the three years 2011-12 to 2013-14	**1,539.10**	**1,549.88**	1%
Net Surplus / (deficit) after ROCE	(924.55)	(2,280.09)	(-)147%

***** *The estimates of operating income are updated to capture the effect of tariff increase granted in the last tariff Order*.

(vi). The findings of the analysis on the actual physical and financial performance as compared to the estimates relating to the years 2011-12 to 2013-14 are given below:

(a). The actual aggregate traffic handled by the CWC is 61,308 TEUs as against the estimated traffic of 1,67,950 TEUs during the years 2011-12 to

2013-14. The variation in the physical parameters i.e. actual traffic handled is 63% less than to the estimate. It is seen that the container traffic at CFS has significantly dropped during the years 2011-12 to 2013-14 in view of some dispute between the DPT and earlier Container Terminal operator ABGKCTL. As the traffic of the CWC CFS is dependent on the container traffic handled by the Container Terminal Operator, the CWC CFS appears to have got impacted resulting in actual average traffic handled by CWC being 63% lower than the estimated level for the said period.

(b). The variation in the operating income earned by the CWC is ₹1,078.15 lakhs as against estimation of ₹3175.78 lakhs for the corresponding period resulting in negative variance of 66%.

(c). On the expenditure side, the actual aggregate expenditure for the three years is ₹1,808.37 lakhs as against the estimated expenditure of ₹2,561.24 lakhs in the last Order for the corresponding period. The total actual expenditure thus shows negative variance of 29% in comparison to the expenditure estimated in the last tariff Order.

(d). The average capital employed for the years 2011-12 to 2013-14 is ₹3,206.46 lakhs as against average estimated capital employed of ₹3,228.91 lakhs. The variation in the average capital employed works out to 1% positive.

(e). The analysis disclosed deficit of ₹154.36 lakhs, ₹138.98 lakhs and ₹436.88 lakhs before return which aggregates to ₹730.22 lakhs and average deficit of ₹243.41 lakhs for the years 2011-12 to 2013-14. The average return earned on the average capital employed thus works out to 7.54% negative, as shown in the following table:

(**₹ in lakhs**)

Particulars	2011-12	2012-13	2013-14	Average
Actual Surplus / (Deficit) before return earned by CWC	(154.36)	(138.98)	(436.88)	**(243.41)**
Actual Capital Employed	3,329.21	3,228.91	3,128.61	**3,228.91**
Actual Return earned on capital employed	(4.64)%	(4.30)%	(13.96)%	(7.54)%

(f). As per clause 2.13 of the tariff guidelines, if review of actual physical and financial performance for the previous tariff cycle shows the variation of more than + or – 20%, then 50% of such accrued benefit / loss has to be adjusted in the next tariff cycle. As per the opinion of AG also as conveyed by the MOS, variation in both physical and financial parameters is the prerequisite for the purpose of clause 2.13. Further, as per the opinion of the AG, if the variation in both the physical and financial parameters is more than 20%, then 20% of the surplus / (deficit) is to be allowed to be retained by the operator. It is only the surplus / (deficit) over and above the 20% that shall be shared equally i.e.50:50 between the operator and the users. In nutshell, 60% of additional surplus / (deficit) is allowed to be retained with the operator and 40% is to be shared with users by considering adjustment in future tariff.

In case of CWC, prima facie it can be seen from the above analysis that the variation in both the physical as well as the financial performance is seen to be more than 20% on negative side. As can also be seen from the above table, the actual traffic handled is 63% lower compared to the estimated level and the average ROCE earned is (7.54%) as against entitled ROCE of 16% and the variation is 52.88 % negative.

The CWC has not claimed adjustment of the past period deficit relating to the last tariff cycle while fixing the future tariff. As per clause 2.13 of the Tariff Guidelines 2005 read with the opinion of AG also as conveyed by the MOS, 40% of the aggregate net deficit after admissible ROCE for the years 2011-12 to 2013-14 i.e. ₹2280.09 lakhs *40% = ₹912.04 lakhs need to be adjusted in the future tariff. Since the adjustment arises from the provision flowing from the Tariff guidelines of 2005, said net deficit of ₹912.04 lakhs is adjusted equally over the three years 2017-18 to 2019-20.

(vii). For the reasons explained in the earlier paragraphs, the validity of the existing Scale of Rates of CWC which was valid originally till 31 March 2014 has been extended from time to time at the request of the CWC and the last extension was till 31 December 2016. The extension of validity of the existing rates was subject to the condition that the surplus over and above the admissible cost and permissible return accruing to CWC for the period after 01 April 2014 will be set-off fully, in the tariff to be fixed for the next cycle. That being so, the actuals for the years 2014-15 and 2015-16 are also assessed based on the Audited Profit and Loss statement and certified segregated Balance Sheet of CFS at DPT furnished by the CWC.

The cost statement for the years 2014-15 and 2015-16 based on actuals as reported in the Audited Profit and Loss statement and segregated Balance Sheet for CWC-CFS at DPT furnished by CWC for the said two years is prepared following the same approach explained in the preceding paragraphs and is enclosed as **Annex - II**. A summary position is tabulated below:

Particulars	**Actuals**	
	2014-15	**2015-16**
Traffic (in TEUs)	**0.00**	**108.00**
Operating Income	0.26	10.43
Total Expenses	409.13	406.61
Surplus/ deficit before Return	(408.87)	(396.17)
Capital Employed	3,028.31	2,923.81
16% Return on Capital Employed	484.53	467.81
Net Surplus / (deficit) after ROCE	**(893.40)**	**(863.98)**

The cost statement for the years 2014-15 and 2015-16 reveals a deficit of ₹893.40 lakhs and ₹863.98 lakhs respectively aggregating to ₹1,757.38 lakhs.

As stated earlier, the reason for the deficit is that there was no container operations at Container terminal resulting in nil container traffic at CWC-CFS in the year 2015-16 and negligible container traffic of 108 TEUs in the year 2015-16. It was stipulated while granting extension of validity of the existing rates beyond original validity of SOR till 31 March 2014 that surplus, if any, beyond 01 April 2014 will be fully adjusted in the next tariff cycle. But, it is seen that there is no surplus for the extended validity period. In fact, there is deficit for the years 2014-15 and 2015-16 which is mainly on account of non-operation of the CFS facility as stated by the CWC for the reasons explained in the earlier paragraphs. The deficit is left at that intact.

As regards the year 2016-17, it is to state that the CWC in the cost statement has furnished the figures based on the estimates/ actuals. Since the year 2016-17 is already over, CWC was specifically requested to replace the estimates of 2016-17 with the actuals for the entire year 2016-17 duly reconciling the figures reported in the cost statement with the Audited/Draft Annual Accounts of the said year and also, forward a copy of the Audited Annual Accounts for the year 2016-17 / draft accounts, if not finalised. The CWC was also requested to update the estimates for the subsequent years viz., 2017-18 to 2019-20 based on the actuals for the year 2016-17. The CWC, however, stated that the Audited Accounts for the year 2016-17 will be submitted once it is completed. Till such time the CWC has requested to go by estimates of 2016-17 furnished by it. Till the finalization of this case, the CWC has not furnished updated cost statements with the actuals for the year 2016-17. It is not possible to wait indefinitely for the actuals and the CWC is operating the CFS based on adhoc tariff. In view of the above position, the proposal of CWC is considered based on the estimates/ actuals for the year 2016-17 which should be reviewed based on actuals during the next tariff revision.

(viii). For fixation of tariff for the next tariff cycle 2017-18 to 2019-20, the cost format prescribed by this Authority requires estimates of the next three years to be framed based on the actuals for the immediate previous year. As stated earlier, the CWC has not furnished actuals for the year 2016-17 except for the actual traffic figures of 2016-17 as confirmed by the DPT.

As brought out earlier, the CWC has not handled any container during the year 2014-15 and in the year 2015-16 the CWC has handled just 108 containers. Hence, it is not appropriate to base the figures of 2015-16 for the future estimates as CWC was not functional to full extent due to non-operation of Container Terminal operations by the BOT operator.

In view of the above position, the estimates/ actuals furnished by CWC for the year 2016-17 are considered. The estimates for the subsequent years 2017-18 to 2019-20 are analyzed based on estimates/ actuals for the year 2016-17 furnished by CWC and modified for a few items for the reasons explained in the subsequent paragraphs.

Since the figures for the year 2016-17 considered in the cost statement are based on estimates/actuals, it will be subject to review based on actuals during the next tariff revision exercise alongwith review for the years 2017-18 to 2019-20 as per the tariff Guidelines of 2005.

It is further relevant to state here that the adhoc approval granted by this Authority in the Order dated 27 February 2017 to the rates proposed by the CWC given effect from 04 February 2017 to 30 June 2017 or till the effective date of the implementation of final tariff, whichever is earlier, was subject to the condition that if the final rates to be approved by this Authority are lower than the adhoc rates, the difference between the final tariff and the adhoc tariff to be fully refunded by the CWC to the concerned users, as agreed by CWC-CFS.

In view of the above decision in the Order of February 2017, the estimates for 2016-17 are treated as part of the future tariff cycle and final tariff decision is based on the estimates prorated from February 2017.

(ix). The CWC has estimated the traffic to be handled in the year 2016-17 at 11,000 TEUs and for the years 2017-18 to 2019-20 at 52,300 TEUs, 55,750 TEUs and 59,400 TEUs respectively.

According to the DPT, the actual traffic handled by CWC during the year 2016-17 is 10,207 TEUs. Since the DPT has furnished the actual traffic handled by CWC for the year 2016-17, the same is considered in the cost statement prepared by us.

It is relevant here to state that Clause 3.8.1 of the License Agreement (L.A.) stipulates that the CWC shall guarantee a throughput of 36% of the impex container to be handled by the container terminal operator. To a specific query with regard to the reasonability of the traffic projections estimated by the CWC for the years 2017-18 to 2019-20, the DPT has categorically stated that no specific comments can be offered on the reasonableness of the traffic projections estimated by the CWC. The DPT has, however, furnished traffic projections in 3 scenarios as given below:

(a). Scenario-1: As per the latest Budget estimates, the DPT is likely to handle 1.45 lakh TEU & 1.80 lakh TEU in years 2017-18 (R.B.E.) and 2018-19 (Budget Estimates). Accordingly, 36% of container projections as per the provision of LA works out to 52,200 TEUs and 64,800 TEUs for these two years respectively. The DPT has not furnished projections under this scenario for the year 2019-20 citing that Budget estimates for financial year 2019-20 are not forecasted.

(b). Scenario-2: As per the Maritime Agenda 2010-2020 finalized by Ministry for all Major Ports in 2011, DPT has projected to handle 3.20 lakh TEUs, 3.40 lakh TEUs, 3.60 lakh TEU & 3.80 lakh TEUs of container traffic during each of the years from 2016-17 to 2019-20 respectively. Accordingly, under this scenario, the DPT has projected the CWC traffic at 36% of the container traffic projections at 1,15,200 TEUs, 1,22,400 TEUs, 1,29,600 TEUs and 1,39,800 TEUs respectively for the corresponding period.

(c). Scenarios-3: As per the latest and final report submitted by M/s.Mckenzie Consultant on DPT, the Port is projected to handle anywhere between 1 to 6 lakh TEUs during 2020. Thus, under this scenario, CWC has projected 36% of Impex in the range of 0.36 lakh TEUs to 2.16 lakh TEUs. The DPT has not furnished year wise projection for the years 2016-2017 to 2018-19 under this scenario.

The DPT has furnished traffic projections of CWC under the above three scenarios but has not indicated which of them has to be considered for the current tariff cycle.

The traffic projections by DPT under Scenario 3 are not year wise. As regards Scenario 2, the traffic projection of CWC furnished by DPT is at 3.20 lakhs TEUs for the year 2016-17. Whereas the actual container traffic handled by CWC as furnished by DPT itself is only 10,207 TEUs. The traffic projections of CWC furnished by the DPT under Scenario 1 based on RE 2017-18 and BE 2018-19 projected by DPT is found to be closer to the projections made by the CWC for the years 2017-18 and 2018-19.

For the year 2017-18, the CWC has projected container traffic at 52,300 TEUs which is closer to the traffic projected by DPT at 52,200 TEUs and hence the traffic projection done by CWC for the year 2017-18 is considered. For the year 2018-19, the CWC has projected container traffic at 55,750 TEUs. Whereas the DPT based on BE has projected CWC traffic at 64,800 TEUs. The traffic projected by DPT at 64,800 TEUs is considered for the year 2018-19.

With respect to the year 2019-20, in the absence of the traffic projection furnished by DPT for this year, growth in the container traffic projection in the year 2018-19 over the year 2017-18 i.e. 23.90% is considered for the year 2019-20. Accordingly, the modified traffic projections considered by us in the cost statement for 2018-19 is 80,287 TEUs as against 59,400 TEUs estimated by CWC. The modified traffic estimate for the above three years is well within the capacity of the CFS assessed at 1.4 lakh TEUs by CWC.

(x). (a). Despite specific request and regular follow up, the CWC has not furnished detailed computation of the income as per the SOR approved in the last tariff revision Order of January 2012 in respect of each of the tariff items prescribed in the SOR. The gaps observed in the income estimation furnished by CWC and modifications done by us are explained hereunder:

(i). It is seen from the revenue working furnished by CWC that the unit rate considered by CWC (except unit rate of storage charge) do not match with the unit rate approved by this Authority in January 2012 Order. Hence, the income estimation has been corrected applying the rates prescribed in the last tariff revision Order and taking into consideration the modified traffic projections.

(ii). Of the total traffic projected by CWC at 11000 TEUs, 52300 TEUs, 55750 TEUs and 59400 TEUs for the years 2016-17 to 2019-20, the CWC has considered 5000 TEUs, 30,000 TEUs, 31200 TEUs and 32400 TEUs for the years 2016-17 to 2019-20 respectively for estimating the income from laden containers. For estimating the income from empty containers in respect of transportation, the CWC has considered the traffic projections at par with that considered by it for laden containers. This does not match with the traffic projections furnished by CWC in Form 2B at 6000 TEUs, 22300 TEUs, 24550 TEUs and 27000 TEUs for empty containers. This mismatch has been corrected in the revised cost statement prepared by us.

The share of laden container and empty container as estimated by CWC for the years 2017-18 to 2019-20 in Form 2B has been considered on the modified traffic projections considered by us. For the year 2016-17, the laden container and empty container are considered at 8165 TEUs and 2042 TEUs as per actuals furnished by DPT for estimation of revenue.

(iii). As stated earlier, the CWC has not furnished income estimation for each of the tariff items prescribed in the Scale of Rates of CWC despite specific request. The income estimated by CWC is limited to a few tariff items viz. Carting, Movement and Stuffing for Export Operations and De-Stuffing, Movement and Delivery for Import Operations.

It is relevant here to mention that in the last tariff revision process of 2012, the CWC had estimated income for each of the tariff items which was considered by this Authority with minor corrections. However, as stated earlier in the current revision process, the CWC has not estimated the revenue for each of the tariff items inspite of repeated requests citing that they cannot estimate the services which users will avail.

In the absence of the CWC furnishing the detailed breakup of the container mix likely to avail other services, the revenue for tariff items for other services for which CWC has not estimated revenue, has been estimated by us applying the average revenue from other services at 17.68% of the revenue from core services for which the CWC has estimated revenue based on the position obtained from the estimates of CWC considered in the last tariff Order.

(b). The CWC has estimated the income from storage charges considering 30% of the import laden container traffic will avail storage facility. Number of chargeable days considered by CWC for containers availing storage facility beyond the free period and the percentage share of container availing storage facility as considered by CWC are relied upon. Thus, the storage income as estimated by the CWC at the existing tariff are relied upon and considered based on the modified traffic estimates.

(c). Subject to above, the total income at the existing tariff works out to ₹509.30 lakhs, ₹2097.64 lakhs, ₹2559.82 lakhs and ₹3122.36 lakhs for the years 2016-17 to 2019-20 as against of ₹408.84 lakhs, ₹2163.30 lakhs, ₹2249.83 lakhs and ₹2336.36 lakhs for the years 2016-17, 2017-18, 2018-19 and 2019-20 respectively.

(xi). (a). Clause 2.5.1 of 2005 tariff guidelines requires that the expenditure projections of the terminal operators should be in line with traffic adjusted for price fluctuations with reference to current movement of Wholesale Price Index (WPI) for all commodities as announced by the Government of India. This Authority has decided to allow annual escalation factor of 2% for the expenditure projections in all tariff cases of major ports and private terminals to be decided in the financial year 2017-18. Hence, the annual escalation factor considered by CWC is moderated and considered at 2% wherever it exceeds 2%.

(b). The strength of manpower for estimating operating and direct labour cost is estimated at 9 for the year 2016-17 and 12 for each of the years 2017-18 to 2019-20 which is relied upon.

The average cost of operating and direct labour and maintenance labour considered by CWC is ₹9.50 lakhs per annum during the year 2016-17.

The estimate of average cost of operating and direct are seen to be escalated by 20%, 3% and 3% per annum for each of the years 2017-18 to 2019-20 over the estimates of respective previous years. In our analysis, the estimates for the years 2017-18 to 2019-20 are moderated applying escalation factor of 2% per annum.

(c). The actual repairs and maintenance cost estimated by CWC for the year 2015-16 when CWC handled insignificant traffic of 108 TEU is ₹12.05 lakhs. The CWC has estimated repairs and maintenance cost at ₹20.25 lakhs in the year 2016-17. For the years 2017-18 to 2019-20, this cost item is estimated by applying annual escalation factor of 5% over the estimates of prevision years.

In our analysis, the repairs and maintenance cost estimated by CWC for the year 2016-17 is taken as the base and escalated by applying annual escalation of 2% for each of the years 2017-18 to 2019-20. The CWC has not estimated any addition to gross block for the years 2017-18 to 2019-20

(d). The CWC has estimated royalty at ₹11.91 lakhs, ₹76.81 lakhs, ₹85.87 lakhs and ₹95.87 lakhs for the years 2016-17 to 2019-20 respectively. The CWC has stated that it pays royalty on per TEU basis from its revenue and it is not on revenue sharing model. Hence, CWC has stated that the expenditure on royalty is to be considered as pass through. In this regard, for the reasons stated earlier in the past period analysis, this Authority will not be in a position to admit royalty payable by CWC to DPT as cost in the current tariff revision exercise.

(e). One of the major items of expense is Market Facilitation Payment (MFP) towards the services outsourced by CWC. The CWC has furnished a copy of agreement dated 26 July 2016 entered between CWC and the Contractor viz., M/s. Abrar Forwarders for the services outsourced by CWC for handling and transportation of containers between container yard of DPT and CFS-CWC and various allied operations. The contract shows that the rates are valid for four years i.e. upto 25 July 2020.

The CWC has confirmed that agreement entered by CWC with the said contractor complies with the provisions in the Income Tax Act relating to arms length relationship of the transaction.

The CWC has, after repeated remainders, furnished workings for the estimation of MFP. On perusing the working of MFP furnished by CWC, it is seen that the unit rate considered by CWC for transportation of empty containers do not match with the contract rate as per the copy of the contract furnished by CWC. The contract rate provides the unit rate of transportation of empty containers for movement to and from CY upto 15 kms at ₹1200 per TEU whereas the CWC has considered at ₹650 per TEU. ₹650 / TEU is for transportation To/from Kandla CFS to CWC-CFS. In the income estimation as well transportation of empty container is estimated in the rate approved in 2012 Order at ₹1300/- TEU for transportation from yard upto 15 kms. Hence the estimation of MFP is modified based on the rates mentioned in the contract in respect of empty container and taking into consideration the modified traffic projections. Similar mismatch was observed in the income estimation which has also been corrected, as stated above.

The CWC has not furnished estimate of MFP for each of the services outsourced as per the contract rate despite specific request. As done in income estimation explained earlier, the MFP is estimated at the rates prescribed in the contract for other items of services outsourced by CWC following the approach adopted for estimation of income from other services.

The contract rate does not provide for any annual escalation in the unit rates for outsourced services and hence, no annual escalation is considered on the unit rate while estimating the MFP.

Subject to above modification the total MF payment estimated by us at the modified traffic projections is ₹450.40 lakhs, ₹1857.26 lakhs, ₹2266.68 Lakhs and ₹2765.06 lakhs for the years 2016-17 to 2019-20 as against of ₹259.50 lakhs, ₹1557.00 lakhs, ₹1619.28 lakhs and ₹1681.56 lakhs for the years 2016-17, 2017-18, 2018-19 and 2019-20 respectively.

The estimation of MFP by us appears higher than that considered by CWC on account of mismatch in the rate of transportation of empty containers with the contract rate which is corrected and also on account of modified (increased) traffic projection considered by us for the years 2018-19 and 2019-20

(xii). The CWC has furnished the workings for the lease rentals estimated by it for the years 2017-18 to 2019-20. The lease rent estimated by CWC is for an area of 1.4 lakh sq. mtr. and applying unit rate ₹115.31 per sq. mtr. per annum for the year 2016-17. For the subsequent years, the CWC has applied 5% annual escalation over the estimates of the respective previous year in view of specific provision in the LA. The unit rate of lease rent considered by the CWC could not be correlated with the lease rent approved by this Authority for Kandla lands. To a specific query in this regard, to DPT to confirm the lease rent estimated by the CWC for the years 2016-17 to 2019-20 are in line with the L.A. provisions, the DPT has stated that the CWC has estimated the lease rentals as per the License Agreement. That being so, the lease rental estimated by CWC are considered for each of the said years.

(xiii). The depreciation estimated by CWC for the years 2016-17 to 2019-20 is ₹ 96.78 lakhs for each of the years as against actual depreciation of ₹ 93.80 lakhs reported in the Audited Annual Accounts for the year 2015-16. Clause 2.7.1. of the Tariff Guidelines of 2005 stipulates that depreciation in the case of private terminals to be allowed, on straight-line method, with life norms adopted as per the Companies Act or *based on* the life norms prescribed in the concession agreements whichever is higher. The CWC was, therefore, requested to confirm whether the depreciation rate considered by it is based on the provisions of Companies Act, 2013.

In this regard, the CWC has clarified that CWC is a Corporation incorporated through an Act of Parliament and not registered under Companies Act. So the rates prescribed under Companies Act, 2013 are not applicable to them. The CWC has clarified that depreciation considered by it in its Accounts is as per the rates prescribed under Warehousing Corporation Act, 1962 under straight line method and the same has been followed in the cost statement. It is relevant here to state that during the last tariff revision Order, the CWC had clarified that depreciation is decided by its Corporate Office considering the life of the assets. The depreciation method followed by CWC was accepted by this Authority. That being so, based on the clarification furnished by CWC, the depreciation as computed by CWC in the current tariff revision is considered subject to minor modification. The actual depreciation reported in the Annual Accounts in the year 2015-16 is ₹93.80 lakhs. The CWC has not estimated any additions during the years 2016-17 to 2019-20. Hence, the depreciation is considered at ₹93.80 lakhs for each of the years 2016-17 to 2019-20 based on the actual deprecation reported for the year 2015-16.

(xiv). The actual insurance cost for the years 2011-12 to 2013-14 as well as 2014-15 and 2015-16 are reported to be nil in the Profit & Loss Statement furnished by CWC for these years. The insurance cost estimated by CWC for the years 2016-17 and 2017-18 to 2019-20 are ₹4.28 lakhs, ₹5.25 lakhs, ₹6.21 lakhs and ₹7.01 lakhs respectively. On being requested to furnish a copy of the relevant insurance cover taken during the year 2016-17 to justify the figures considered in the cost statement, the CWC has furnished a copy of insurance cover for the year 2017-18. On perusing the same it is seen that it pertains to the various CFS operations of CWC including the CFS at DPT. It does not specifically indicate the insurance premium amount relating to CWC CFS at DPT. In view of the above position, the insurance cost estimated by CWC for the year 2016-17 is relied upon.

The insurance cost for the years 2017-18 to 2019-20 is estimated to increase by 22.66%, 18.29% and 12.88% over the estimate of insurance cost for the year 2016-17 despite the fact that no additions are proposed to the gross block during these years. When sought clarification from the CWC in this regard, the CWC has stated that the said increase in Insurance premium cost is due to impact of Cargo Insurance that will be handled/ stored in CFS. Based on the clarification furnished by the CWC the insurance cost for the year 2017-18 is considered at the level estimated by CWC. For the subsequent two years, in view of modified traffic projections considered by us and taking into consideration the above clarification furnished by CWC, the insurance cost estimated by CWC are proportionally adjusted for the increased traffic projections considered by us. The revised insurance cost for the years 2016-17 to 2019-20 considered in the cost statement are ₹4.28 lakhs, ₹5.25 lakhs, ₹7.22 lakhs and ₹9.47 lakhs respectively.

(xv). The CWC has not estimated any additions to the gross block of assets during the current tariff cycle. The net fixed assets for the year 2016-17 and for the years 2017-18 to 2019-20 are considered taking the net fixed assets reported in the Annual Accounts for the year 2015-16 as the base and reducing the depreciation for each of the above years as estimated by CWC. The un-amortized upfront fee is considered as part of the capital employed for computing return as done for the last tariff cycle. Thus, the Capital Employed comprising of only Net Block of Assets and unamortized upfront free which works out to ₹2819.30 lakhs, ₹2714.80 lakhs, ₹2610.30 lakhs and ₹2505.79 lakhs for the years 2016-17 and 2017-18 to 2019-20 respectively is considered in this analysis.

(xvi). The CWC has estimated Management and Administration Overheads at ₹35.94 lakhs for the year 2016-17. Considering it as base, CWC has applied 5% annual escalation for estimating this item for the years 2017-18 to 2019-20. For the 2017-18 to 2019-20 years, the estimate is modified by applying applicable annual escalation at 2%.

The General Overheads estimated by CWC for the year 2016-17 is ₹110.00 lakhs. The CWC has applied escalation factor of 9.1%, 8.3% and 7.7% for the years 2017-18 to 2019-20 respectively over the estimates of the previous years. The estimates for the years 2017-18 to 2019-20 are moderated applying 2% annual escalation.

(xvii). The CWC has considered the Finance and Miscellaneous income at ₹4.15 lakhs, ₹20.15 lakhs, ₹21.03 lakhs and ₹22.18 lakhs for the years 2016-17 to 2019-20 respectively. FMI as estimated by the CWC are relied upon and considered in the analysis.

(xviii). The CWC has estimated write off of preliminary expense and upfront payment at ₹11.40 lakhs for each of the years 2016-17 to 2019-20. As stated earlier, the Audited Profit and Loss statement furnished by the CWC report write off of preliminary expense and upfront payment at ₹10.70 lakhs for the past period which has been considered in the past period analysis. Accordingly, for the years 2016-17 to 2019-20, this item is considered at ₹10.70 lakhs for each of the years 2016-17 to 2019-20 based on the figures reported in the Audited Profit and Loss Statement for the past period.

(xix). Cash balance has been calculated at one month's of modified cash expenses as per the norms prescribed in the guidelines. The CWC has indicated the inventory as nil. In the absence of actual current liability made available by CWC, the rate of current assets to current liability which is 1:3 for the year 2015-16 is applied to arrive at the current liability for each of the years 2016-17 and 2017-18 to 2019-20.

The Working Capital results in a negative figure. As stated earlier, the CWC has reduced the net fixed assets to the extent the working capital is negative. Working Capital is, however, taken as NIL.

(xx). Subject to above modification, the Capital Employed for the years 2016-17 and 2017-18 to 2019-20 at ₹2819.30 lakhs, ₹2714.80 lakhs, ₹2610.30 lakhs and ₹2505.79 lakhs respectively is considered in this analysis.

(xxi). As stated earlier, the CWC has maintained the capacity of the terminal at 1.40 lakh TEUs in line with the terminal capacity confirmed in the previous tariff revision process. The CWC has assessed the capacity utilisation of the CFS taking into consideration the traffic projected by it at 7.86%, 37.36%, 39.82% and 42.43% for the years 2016-17 and 2017-18 to 2019-20.

At the modified traffic projection considered by us and taking into consideration the capacity of the terminal assessed at 1.40 lakhs TEUs, the capacity utilisation of the CFS works out to 7.29%, 37.36%, 46.29% and 57.35% for the years 2016-17 and 2017-18 to 2019-20.

As stated earlier, the tariff guidelines of 2005 prescribe a minimum capacity utilisation of 60% for claiming full Return on Capital Employed (ROCE). Clause 2.9.11.of the tariff guidelines of 2005 stipulates that if the investment made by the private operator is in accordance with the obligations under the concession agreement it will be considered for ROCE even if full capacity utilization is not achieved. During the last revision, since the investments made by CWC were found to be as per the License Agreement, full ROCE of 16% was allowed as per the relevant provision of the tariff guidelines for the reasons stated in the Order though the capacity utilisation estimated by CWC in last tariff revision was below 60%.

In current proposal, the CWC has computed ROCE at 15% and adjusted it for capacity utilisation.

Based on regular annual review of ROCE as per Clause 2.9.2. of the Tariff Guidelines 2005, this Authority has vide letter No. TAMP/27/2005-Misc dated 26 May 2017 communicated to all the BOT operators including CWC that the admissible ROCE will be 16% for all the tariff cases to be decided in the year 2017-18. As per clause 2.9.10 of the Tariff Guidelines 2005, the CWC is entitled for 16% ROCE. That being so, ROCE is considered at 16% for each of the years 2016-17 to 2019-20 in our computation.

Clause 2.9.11. of the tariff guidelines 2005 stipulates that in case of private terminal operator, if the investment made is in accordance with license agreement, full ROCE is to considered even in capacity is underutilised.

As stated earlier, Appendix 6 of the LA gives details of the investment to be made in the second phase on various equipment /civil work when the container traffic reaches 5000 per month. The CWC has confirmed during the last tariff revision that 5000 TEUs per month was never achieved by them from 2008-09 onwards and hence it does not qualify for IInd phase investment. In the current exercise also, the CWC has proposed Traffic projections which work out less than 5000 TEUs per month. The modified traffic estimates considered by us is well within the capacity of 1.4 lakh TEUs assessed by CWC at the present investment level. Hence, the capex is as per the LA and CWC is entitled for full ROCE of 16% as per the Tariff Guidelines of 2005. In view of the above position and as per clause 2.9.11. of the tariff full ROCE of 16% is considered. This is also in line with the decision of this Authority in the last tariff Order.

To summarize, the ROCE is considered @16%. The ROCE in absolute terms works out to be higher than that considered by CWC because the CWC has reduced the negative working capital computed by it whereas it is considered as nil in our computation in line with the approach followed in all other tariff cases of BOT operators and also on account of considering full ROCE at 16% as against 15% ROCE considered by CWC and adjusted for capacity utilisation.

(xxii). Subject to the above analysis, the cost statement filed by the CWC for the year 2016-17 based on estimates/ actuals and estimates for the years 2017-18 to 2019-20 have been modified at the rates approved in the last tariff revision of January 2012 Order . The modified cost statement is attached as **Annex - III**. The results disclosed in the cost statement at the existing tariff level are summarized below:

(**₹ in lakhs**)

Particulars	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**Total**
Operating Income	509.30	2097.64	2559.82	3122.36	**8289.11**
Net Deficit after ROCE	(-)947.45	(-)1045.26	(-)991.39	(-)926.75	**(-)3910.85**
Net Deficit as a percentage of Operating Income	(-)186.03%	(-)49.83%	(-)38.73%	(-)29.68%	**(-)76.07% (Avg.)**

The above table depicts a net deficit after admissible cost and permissible ROCE at ₹947.45 lakhs, ₹1045.26 lakhs, ₹991.39 lakhs and ₹926.75 lakhs for the years 2016-17 and 2017-18 to 2019-20 respectively aggregating to net deficit of ₹3910.85 lakhs at the tariff level approved in the last tariff Order of January 2012. In terms of percentage, it works out to average net deficit of 76.07% for the years 2016-17 to 2019-20.

As stated earlier, this Authority at the request of the CWC has vide Order No.TAMP/53/2016-CWC dated 29 March 2017 granted adhoc approval to levy tariff as proposed by the CWC from 04 February 2017 to 30 June 2017 or till the effective date of the implementation of final tariff, whichever is earlier, subject to the condition that if the final rates approved by this Authority are lower than the adhoc rates, the difference between the final tariff and the adhoc tariff to be fully refunded by the CWC to the concerned users, as agreed by CWC-CFS.

The tariff increase proposed by CWC in terms of percentage vary from item to item. The CWC has also proposed introduction of new tariff items under storage charges for import containers for open bonded area, storage charge on weekly basis for covered area for both import and export container, RMS Container Examination Tariff and charges for direct stuffing for scrap / heavy cargo. The tariff proposed by CWC includes new tariff items which were approved by this Authority in the Order dated 27 February 2017 granting adhoc approval to the rates proposed by CWC.

A table showing the tariff increase/ new tariff items proposed by the CWC is given below:

Sr. No.	**Particulars**	**Tariff increase / decrease / new tariff items proposed by CWC**
(i).	**Storage Charges:**	
(a).	Storages charges for import operations	33%
(b).	Storages charges for export operations	33% to 36%
(c).	Storage charges for covered area basis on weekly basis both for import and export operations	New item
(d).	Storage charges at open bounded area basis on weekly tariff as well as monthly tariff (Reservation basis) for import operations	New item
(ii).	**Ground Rent:**	
(a).	Ground rent upto 30 days slab for import and export operations	25% to 27%
(b).	Ground rent in export operations (31st day to 40 day)	-67% (New slab introduced)
(c).	Ground rent in export operations from 41st day onwards	Status quo (New slab

		introduced)
(iii).	**Charges for handling container at CFS, transportation and other service:**	
(a).	Various services offered at CFS for handling, transportation, stuffing/ de-stuffing, etc.	3% to 162%
(b).	Transportation TO / FRO at CFS, Deendayal Port	-11%
(c).	**RMS Container Examination**: Retrieval of the loaded container stacked in the yard by grounding (which may include transportation within the complex) for facilitating Seal Verification and loading customs cleared loaded container on trailer. As mentioned in clause XXI-3(b)]	New item ₹ 1410/ TEU ₹ 2115/ FEU
(iv).	**Direct Stuffing** Scrap and Heavy Cargo	New item ₹ 4000/ TEU ₹ 6000/ TEU

In view of huge deficit of ₹3910.85 lakhs for the years 2016-17 to 2019-20, there is a case for granting tariff increase to CWC.

The CWC has not furnished working of estimated revenue at the proposed rate as well as implication arising from new tariff items. The CWC has stated that all new additional tariff items are introduced based on feedback from Users. The CWC has stated that the quantum of income cannot be estimated unless these services are availed by trade. In the absence of income estimation provided by CWC for the new tariff items, it is not found possible to assess the income on our own.

Since the adhoc tariff increase granted by this Authority was with effect from February 2017 subject to fixation of final rates, the net deficit for the year 2016-17 is prorated for 2 months which works out to ₹157.91 lakhs. Based on this, the aggregate net deficit from 2016-17 (i.e. 4 February 2017) to 2019-20 works out to of ₹3121.31 lakhs at the tariff level approved in the last tariff Order of January 2012.

By the time the final rates approved by this Authority comes into effect it will be around 01 March 2018. The additional revenue that would have accrued to the CWC from 04 February 2017 till likely date of implementation of the final tariff approved in this Order i.e. till 28 February 2018 is, therefore, estimated in line with the approach followed for estimation of income in the cost statement at the proposed tariff. The additional revenue is also estimated at the proposed tariff from the likely date of implementation of this Order i.e. 01 March 2018 to 2019-20 following the same approach.

A summary position of the above analysis is tabulated below for ease of understanding:

Sr. No.	Particulars	Modified estimates at the tariff approved in the 2012 Order				
		2016-17 Estimates / Actuals	2017-18	2018-19	2019-20	TOTAL
(a).	Net deficit as per the above cost statement at the tariff approved in January 2012 Order	-157.91 (Prorata adjusted for 2 months from 4.2.2017	-1045.26	-991.39	-926.75	-3121.31
(b).	Additional income earned by CWC on account of adhoc approval granted by the Authority on the request of the CWC vide Order No.TAMP/53/2016-CWC dated 29.03.2017 from 04.02.2017 till the expected date of implementation of final rates i.e. 28.02.2018	39.08 (From 04.02.2017 till 31.03.2017)	812.40 (From 01.04.17 to 28.02.2018)	-	-	851.48
(c).	Balance net deficit (a)-(b)					-2269.83

(d).	Additional revenue estimated at the tariff proposed by CWC from 1.3.2018 till 31.3.2020	-	73.85 (For March 2018)	1075.89	1305.09	2454.83
(e).	Thus, the estimated additional revenue at the proposed tariff after adjusting the deficit position (c-d)					**185.00**

It can be seen from the above table that additional income that would have accrued to CWC for the years 2016-17 (from February 2017) and that may accrue to the CWC for 2017-18 (April 2017 to February 2018) at the rates approved in February 2017 Order on adhoc arrangement works out to ₹39.08 lakhs and ₹812.40 lakhs respectively aggregating to ₹851.48 lakhs. In that case, there is a net deficit of ₹2269.83 lakhs after taking into consideration the above additional income estimated at the adhoc rate approved in Order No.TAMP/53/2016-CWC dated 29 March 2017. Thus, there is a case for granting tariff increase in view of the deficit position reflected in the above table.

As stated earlier, the tariff increase proposed by CWC varies from item to item. The additional revenue at the rate proposed by the CWC for the year 2017-18 (i.e. from 01 March 2018), 2018-19 and 2019-20 is estimated at ₹73.85 lakhs, ₹1075.89 lakhs and ₹1305.09 lakhs respectively aggregating to ₹2454.83 lakhs. Hence it can be seen from the above table that after granting the tariff increase at the level proposed by CWC, there will be a surplus of ₹185.00 lakhs (i.e.₹(-) 2269.83 lakhs + ₹2454.83 lakhs) and in terms of percentage it works out to 1.68% surplus at the proposed tariff. It is reiterated that this position is after considering the estimated additional revenue at the tariff proposed by the CWC. Recognising that the estimated surplus at the proposed tariff is negligible at 1.68% and also keeping in view that the cost statement for the years 2014-15 and 2015-16 reflects huge deficit of ₹1757.38 lakhs based on actuals and estimates of 2016-17 prorated for the period of 10 months from April 2016 to January 2017 shows deficit of ₹789.54 lakhs aggregating to ₹2546.92 lakhs, the tariff as proposed by the CWC is approved. That being so, the rates as proposed by CWC is approved as final rate.

(xxiii). The CWC in note 1(i) has proposed penal interest rate at 16.75%, which is modified to reflect the prevailing Prime Lending Rate of State Bank of India at 13.75 % in line with clause 2.18.2 of the tariff guidelines.

(xxiv). (a). In the SOR last approved in January 2012, storage charge for import and export operations are prescribed separately for covered area. Tariff is prescribed for two subcategories therein viz. General and Reservation basis. In the proposed SOR, the CWC has modified the second subcategory and termed as Area Basis. Under Area Basis, the CWC has newly introduced storage charge on weekly basis at ₹66 per sq. mtr. per week for import operations and ₹60 per sq. mtr. per week for export operations. The storage charge are also proposed on monthly basis on Reservation basis in line with the existing methodology.

Further, the CWC has also introduced storage charge for open bonded on area basis and subcategorized it on weekly and monthly basis (on Reservation) for import operations.

The CWC has clarified that the new items proposed by them under storage charge are based on the meeting had by CWC with trade on 3 February 2017. That being so, the new tariff items proposed by CWC under storage charge is approved as proposed by the port. As stated earlier, CWC has not estimated additional revenue likely to accrue from these new tariff items. It appears that income from the above new tariff items may not be significant. In any case, actuals will be reviewed in the next tariff cycle as per clause 2.13 of the Tariff Guidelines of 2005.

(b). In the SOR approved in the January 2012 Order, the ground rent for export operations is prescribed in single slab at ₹30/ TEU per day beyond free period of 10 days. In the proposed SOR, the CWC has increase free period to 30 days and proposed ground rent in two slabs viz. 31 days to 40 days at ₹ 10/ TEU per day and from 41st day onwards at ₹ 30/ TEU per day. Since the proposed modification is based on the trade meeting had be CWC, the same is approved as proposed by the port.

(xxv). The CWC has proposed to delete the note (5) under Ground Rent charges prescribed in the SOR approved in January 2012 Order which states that while counting free days, Customs notified holidays and CFS non-operating days falling in between or succeeding the free period will not be counted. The CWC has stated that the proposed note is deleted as they have incorporated that free period including closed holidays as in the schedule itself.

The addition made by CWC about counting of free days in the schedule is not in line with the provision stipulated in clause 5.8.1 of the 2005 tariff guidelines. The note prescribed in the SOR approved in January 2012 Order is based on Clause 5.8.1 of the tariff guidelines and is uniformly being prescribed in the SOR of all Major Port Trusts and BOT operators. Hence existing note is continued without any change. The additions of the words “& Closed days” proposed by the CWC in the table in the table against free period are, therefore, deleted to avoid any ambiguity.

As regards free days for export operations, the CWC has stated that it includes the date of stuffing in the table. The proposed addition contradicts the existing note and proposed note which states that free days for export operations is after stuffing. Further, user will be deprived of free period for the day/(s) of stuffing. Hence, the existing proposed note is retained. The addition of words free period “including date of stuffing and closed holidays” in the schedule is deleted.

(xxvi). In the last tariff revision Order approved in the January 2012, the note no (1) underground rent charges states that all empty containers that are stuffed at CWC – CFS will have 10 days free storage. Further, note (7) allows 7 days free period for parking of empty containers at CFS and note (8) deals with commencement of free period for parking of empty container.

The CWC has proposed to delete the existing note nos. (7) and (8) and note no (1) is proposed to be modified to state that all empty containers at CWC – CFS will have 30 days free storage. The CWC has stated that note no 7 and 8 are proposed for deletion as they get covered in first note itself in the proposed SOR. The proposed modifications is, therefore, approved.

(xxvii). The existing note (2) under storage charge prescribes free period of 3 days for stuffing of export cargo which is proposed to be increased to 7 days. The proposed increase in free period is approved.

(xxviii). In the SOR approved in 2012 Order, note (6) under storage charge and note (3) under Ground Rent, state that container / Cargo which remained un-cleared beyond 30 days shall be liable for shifting to the disposal unit at CFS Gandhidham at the risk and cost of the importer / CHA / Shipping Lines. The CWC has proposed to delete the said existing notes citing that the Allotment of CFS Gandhidham by DPT, is valid up to 15.11.18.The CWC has further stated that CFS- DPT is having ample open yard to store such LSC Containers. Therefore, the above said notes have been deleted from the proposed SOR. Based on the clarification of the CWC, the proposal of CWC to delete the said note is approved.

(xxix). The CWC has proposed a new condition under storage charges which states that considering the nature of cargo and other allied factors in respect of storage practice, the storage charges for metal scrap will be on area basis and for stone etc., it will be on PMT basis. Regarding storage charges for other bulk cargo and cargo storage in open / covered area, the note states that the Manger (CFS), will obtain permission of Regional Manager. The first sentence of the proposed note is approved. The second part of the note proposes to give discretionary power to specified officials which this Authority is not inclined to prescribe in the SOR in line with the decision of this Authority in other tariff cases. The CWC may continue the practice followed by it while implementing the tariff Order of January 2012 in this regard.

(xxx). As stated earlier, the CWC has proposed a new tariff item namely RMS Container Examination at ₹1410/- per TEU and ₹2115/- per FEU. When sought to indicate the meaning of RMS, the CWC has clarified that RMS container examination is the facility provided by Customs/CBEC to trade wherein they can clear their container only after seal verification i.e. there is no need to open and destuff the container for examination. Further, the CWC has proposed a new tariff for Scrap/ Heavy Cargo under the head Direct Stuffing for Export Operations at ₹4000/- TEU and 6000/- FEU. The proposed tariff is comparable to the tariff proposed for Scrap/ Heavy Cargo under head "Examination, Stuffing and Lift on". The proposed new tariff has been approved in the Order dated 27 February 2017 approving adhoc tariff based on proposal of CWC. There has been no adverse remarks from any users/ user association on the proposed new tariff items. The proposed tariff items is, therefore, approved.

(xxxi). Apart from the above, the CWC has proposed some minor modifications in the description of services. For Examination of General cargo under Import Operations, the CWC has proposed two separate rates for cargo examination upto 25% and beyond 25% as against a single tariff in the SOR last approved in 2012 Order. Further, the CWC has proposed to delete the words "LO" from the existing tariff item under Export Operations for (a) Examination, Stuffing and LO and (b). Direct Stuffing and LO. It is relevant here to state that for Import Operations under the existing tariff as well as proposed tariff the Lift Off is not included under the service of Examination and destuffing. None of the users have made any adverse comments during the implementation of the adhoc rate approved by this Authority in this regard. Hence, the above proposed modifications is approved.

(xxxii). As stated earlier, this Authority has granted adhoc approval to levy the tariff as proposed by the CWC from 04 February 2017 to 30 June 2017 or till the effective date of the implementation of final tariff, whichever is earlier, subject to the condition that if the final rates approved by this Authority are lower than the adhoc rates, the difference between the final tariff and the adhoc tariff to be fully refunded by the CWC to the concerned users, as agreed by CWC. It is seen that the final rates approved by this Authority in this Order are same as approved in the Order dated 24 February 2017 except some minor modification in the conditionalities proposed by CWC. The CWC has requested for extension of the validity of the adhoc rates beyond 30 June 2017. The revised Scale of Rates will come into effect after expiry of 30 days from the date of notification of the Order in the Gazette. Hence, the validity of existing Scale of Rates is deemed to have been extended till the revised Scale of Rates approved in this Order comes into effect.

(xxxiii). The tariff guidelines of 2005 applicable for the BOT operators prescribe tariff validity cycle of three years. By the time the final rates approved in this Order comes in to effect it will be around 01 March 2018. Since the financial position considered for the purpose of this analysis is only till 31 March 2020, the validity of the revised Scale of Rates of the CWC is prescribed till 31 March 2020.

(xxxiv). **As per Clause 3.3.1. of the 2005 guidelines CWC has the option to approach this Authority for review of the order to the extent of errors apparent on the face of record within 30 days from the date of notification of the Order in the Gazette.**

If any error apparent on the face of record or for any other justifiable reasons, the CWC may approach this Authority for review giving adequate justification / reasoning within 30 days of notification of the Order in the Gazette.

17.1. In the result, and for the reasons give above and based on a collective application of mind, this Authority approves revised Scale of Rates of the CWC which is attached as **Annex – IV**.

17.2. The revised Scale of Rates approved will come into effect after expiry of 30 days from the date of notification of the Order in the Gazette and shall be remain in force till 31 March 2020. The approval accorded will automatically lapse thereafter unless specifically extended by this Authority.

17.3. The tariff of the CWC has been fixed relying on the information furnished by the port 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 estimations considered or there is deviation from the assumptions accepted herein, this Authority may require the CWC to file a proposal ahead of the schedule to review its tariff and to setoff fully the advantage accrued on account of such variations in the revised tariff.

17.4. In this regard, the CWC is requested to furnish a report of the actual physical and financial performance within 15 days of completion of each quarter of a year i.e. for the period ending on 30 June, 30 September, 31 December and 31 March of each of the years in the same format in which the cost statement for the tariff proposals are filed. The report should also be accompanied with the reasons for variation from the estimates relied upon for fixing the tariff in force. If a variation of (+) / (-) 20% is observed between the actual and the estimates for two consecutive quarterly period, TAMP will call upon the concerned port trust to submit their proposal for an ahead of scheduled review. If the CWC fails to file a tariff proposal within the time limit to be stipulated by TAMP, this Authority will proceed *suomotu* to review the tariff.

(T.S. Balasubramanian)
Member (Finance)

ANNEX - I

CONTAINER FREIGHT STATION OF CENTRAL WAREHOUSING CORPORATION AT DEENDAYAL PORT TRUST
Analysis of physical and financial performance of CWC for the years 2011-12 to 2013-14

(Rs. in Lakhs)

Sr. No.	Particulars	Estimates relied upon in the tariff Order of 06 January 2012			Aggregate of 2011-12 to 2013-14	Actuals			Aggregate of 2011-12 to 2013-14	Variation in terms of percentage
		2011-12	2012-13	2013-14		2011-12	2012-13	2013-14		
	Traffic (In TEUs)	49,620	54,625	63,705	1,67,950	39,222	21,744	342	61,308	-63%
I	**Total Operating Income**									
	(i) Container Handling income	345.27	582.43	675.18	1,602.88	374.31	373.13	3.66	751.09	
	(ii) Cargo handling income	72.32	201.71	227.72	501.75	-	-	-	-	
	(iii) Others (Storage) income	221.45	398.92	450.78	1,071.15	149.84	148.94	28.27	327.06	
					-					
	Total (i to iii)	**639.04**	**1,183.06**	**1,353.68**	**3,175.78**	**524.15**	**522.07**	**31.93**	**1,078.15**	-66%
II	**Operating Costs (excluding depreciation)**									
	(i) Operating & Direct Labour	-	-	-	-	110.52	128.97	119.49	358.98	
	(ii) Repairs and maintanence	11.96	12.67	13.43	38.07	9.24	8.87	3.16	21.27	
	(iii) Royalty / revenue share payment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	
	(iv) Market Facilitation Payment (for services outsourced)	306.21	337.28	386.58	1,030.07	252.77	155.58	1.07	409.42	
	(v) Lease Rentals	60.82	63.86	67.05	191.74	78.01	132.82	140.41	351.24	
	(vi) Insurance	11.29	11.29	11.29	33.87	-	-	-	-	
	(vii) Warehouse License Fees	-	-	-	-	8.57	0.15	0.25	8.98	
	Total	**378.32**	**412.43**	**464.92**	**1,255.68**	**459.11**	**426.39**	**264.38**	**1,149.88**	
III	Depreciation	97.56	97.56	97.56	292.68	91.08	89.60	89.60	270.27	-8%
IV	**Overheads**									
	(i) Management & Administration overheads	220.00	230.00	240.00	690.00	29.57	29.57	29.57	88.71	
	(ii) General Overheads	56.00	58.00	60.00	174.00	64.48	63.56	33.58	161.62	
	(iii) Preliminary expenses & Upfront Payment write-off	11.40	11.40	11.40	34.20	10.70	10.70	10.70	32.11	
	(iv) Contribution of Provident fund	12.51	13.14	13.79	39.44		-	-	-	
	(v) Others	44.10	46.30	48.62	139.02	49.21	54.87	41.71	145.80	
	Total	**344.01**	**358.84**	**373.81**	**1,076.66**	**153.97**	**158.70**	**115.57**	**428.24**	-60%
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**(180.85)**	**314.23**	**417.39**	550.76	**(180.02)**	**(152.62)**	**(437.61)**	**(770.25)**	-240%
VI	**Finance & Miscellaneous Income (FMI) Less FME**	21.26	21.26	21.26	63.78	25.65	13.64	0.73	40.03	
VII	**Surplus Before Interest and Tax (V) + (VI)**	**(159.59)**	**335.49**	**438.65**	**614.54**	**(154.36)**	**(138.98)**	**(436.88)**	**(730.22)**	-219%
VIII	**Capital Employed**	3,315.42	3,206.46	3,097.50	3,206.46	3,329.21	3,228.91	3,128.61	3,228.91	1%
					*				*	
IX	**Return on Capital Employed @ 16%**	530.47	513.03	495.60	513.03	532.67	516.63	500.58	516.63	1%
					*				*	
X	Capacity Utilization	35.44%	39.02%	45.50%	-	28.02%	15.53%	0.24%	-	
XI	**RoCE considered as per January 2012 Tariff Order**	530.47	513.03	495.60	513.03	532.67	516.63	500.58	516.63	
					*				*	
XII	**Net Surplus / (Deficit) (VII) - (XI)**	**(690.05)**	**(177.54)**	**(56.95)**	**(924.55)**	**(687.04)**	**(655.60)**	**(937.45)**	**(2,280.09)**	-147%
XIII	**Net Surplus / (Deficit) as a % of the operating income**	-107.98%	-15.01%	-4.21%	-29.11%	-131.08%	-125.58%	-2935.97%	-211.48%	
XIV	**Average Net Surplus / (Deficit) as a % of operating income**	-29.11%				-211.48%				

*** Average of 3 years**

ANNEX - II

CONTAINER FREIGHT STATION OF CENTRAL WAREHOUSING CORPORATION AT DEENDAYAL PORT TRUST

Actual physical and financial performance of CWC for the years 2014-15 to 2015-16

(Rs. in Lakhs)

Sr. No.	Particulars	Actuals (as considered by CWC)		Aggregate of 2014-15 & 2015-16	Actuals (As considered by TAMP as per Audited Accounts)		Aggregate of 2014-15 & 2015-16
		2014-15	2015-16		2014-15	2015-16	
	Traffic (In TEUs)	-	108.00	108.00	-	108.00	108.00
I	**Total Operating Income**						
	(i) Container Handling income		3.40	3.40	-	9.23	9.23
	(ii) Cargo handling income	0.27	7.03	7.30	-	-	-
	(iii) Others (Storage) income				0.26	1.20	1.47
	Total (i to iii)	**0.27**	**10.43**	**10.70**	**0.26**	**10.43**	**10.69**
II	**Operating Costs (excluding depreciation)**						
	(i) Operating & Direct Labour	98.40	43.50	141.90	84.58	39.42	123.99
	(ii) Repairs and maintanence	3.26	12.05	15.31	3.26	12.05	15.31
	(iii) Royalty / revenue share payment	-	0.16	0.16	-	-	-
	(iv) Market Facilitation Payment (for services outsourced)	-	7.73	7.73	-	7.73	7.73
	(v) Lease Rentals	147.42	154.80	302.22	147.42	154.80	302.22
	(vi) Insurance	3.50	3.75	7.25	-	-	-
	(vii) Warehouse License Fees/other exps	13.99	5.58	19.57	9.41	0.26	9.67
	Total	**266.57**	**227.57**	**494.14**	**244.66**	**214.25**	**458.92**
III	Depreciation	96.78	96.78	193.56	89.60	93.80	183.39
IV	**Overheads**						
	(i) Management & Administration overheads	29.57	29.57	59.14	0.00	29.57	29.57
	(ii) General Overheads	122.04	46.89	168.93	26.04	30.90	56.93
	(iii) Preliminary expenses & Upfront Payment write-off	11.40	11.40	22.80	10.70	10.70	21.40
	(iv) Contribution of Provident fund	-	-	-	-	-	-
	(v) Others	15.00	10.00	25.00	38.70	27.53	66.23
	Total	**178.01**	**97.86**	**275.87**	**75.44**	**98.70**	174.14
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**(541.09)**	**(411.78)**	**(952.87)**	**(409.44)**	**(396.31)**	(805.75)
VI	**Finance & Miscellaneous Income (FMI) Less FME**	0.57	0.14	0.71	0.57	0.14	0.71
VII	**Surplus Before Interest and Tax (V) + (VI)**	**(540.52)**	**(411.64)**	**(952.16)**	**(408.87)**	**(396.17)**	(805.04)
VIII	**Capital Employed**	1,788.50	1,691.72	1,740.11	3,028.31	2,923.81	2,976.06
IX	**Return on Capital Employed @ 16%**	268.28	270.68	269.48	484.53	467.81	952.34
X	Capacity Utilization	-	-	-	0.00%	0.08%	-
XI	**RoCE adjusted for capacity utilization**	-	-	-	484.53	467.81	952.34
XII	**Net Surplus / (Deficit) (VII) - (XI)**	**(540.52)**	**(411.64)**	**(952.16)**	**(893.40)**	**(863.98)**	**(1,757.38)**

ANNEX -III

COST STATEMENT OF CENTRAL WAREHOUSING CORPORATION FOR CFS OPERATIONS AT DEENDAYAL PORT TRUST

(Rs. Lakhs)

Sr. No.	Particulars	Estimates by CWC at existing tariff					Modified estimates at the tariff approved in the 2012 Order				
		2016-17 Estimates / Actuals	2017-18	2018-19	2019-20	Total for the years 2016-17 to 2019-20	2016-17 Estimates / Actuals	2017-18	2018-19	2019-20	Total for the years 2016-17 to 2019-20
	Traffic (In TEUs)	11,000	52300	55750	59400	1,78,450.00	10207	52300	64800	80287	2,07,594.00
I	**Total Operating Income**										
	(i) Container Handling income	130.00	840.00	873.60	907.20	2,750.80	146.55	764.80	948.66	1176.73	3,036.73
	(ii) Cargo handling income	267.90	1272.00	1322.88	1373.76	4,236.54	348.79	1281.54	1549.15	1870.74	5,050.22
	(iii) Others (Storage) income	10.94	51.30	53.35	55.40	171.00	13.97	51.30	62.01	74.89	202.16
	Total (i to iii)	**408.84**	**2163.30**	**2249.83**	**2336.36**	**7158.34**	**509.30**	**2097.64**	**2559.82**	**3122.36**	**8289.11**
II	**Operating Costs (excluding depreciation)**										
	(i) Operating & Direct Labour	57.00	136.80	141.00	145.20	480.00	57.00	116.28	118.56	120.96	412.80
	(ii) Repairs & Maintenance	20.25	21.36	22.43	23.55	87.59	20.25	20.66	21.07	21.49	83.46
	(iii) Royalty / revenue share	11.91	76.81	85.87	95.87	270.46	0.00	0.00	0.00	0.00	-
	(iv) Market Facilitation Payment (for services outsourced)	259.50	1557.00	1619.28	1681.56	5,117.34	450.40	1857.26	2266.68	2765.06	7,339.40
	(v) Lease Rentals	161.43	169.51	177.98	186.89	695.81	161.43	169.51	177.98	186.89	695.81
	(vi) Insurance	4.28	5.25	6.21	7.01	22.75	4.28	5.25	7.22	9.47	26.22
	(vi) Other Expenses	0.00	0.00	0.00	0.00	-	0.00	0.00	0.00	0.00	-
	Total (i to v)	**514.37**	**1966.73**	**2052.77**	**2140.07**	**6673.95**	**693.37**	**2168.95**	**2591.51**	**3103.87**	**8557.70**
III	Depreciation	96.78	96.78	96.78	96.78	387.12	93.80	93.80	93.80	93.80	375.20
IV	Overheads										
	(i) Management & Administration overheads	35.94	37.74	39.63	41.61	154.92	35.94	36.66	37.39	38.14	148.13
	(ii) General Overheads	110.00	120.00	130.00	140.00	500.00	110.00	112.20	114.44	116.73	453.38
	(iii) Preliminary expenses & Upfront Payment write-off	11.40	11.40	11.40	11.40	45.60	10.70	10.70	10.70	10.70	42.80
	(iv) Contribution of Provident fund	0.00	0.00	0.00	0.00	-	0.00	0.00	0.00	0.00	-
	(v) Others	18.00	20.00	22.00	24.00	84.00	18.00	18.36	18.73	19.10	74.19
	Total (i to v)	**175.34**	**189.14**	**203.03**	**217.01**	**784.52**	**174.64**	**177.92**	**181.26**	**184.67**	**718.50**
V	Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)	**-377.65**	**-89.35**	**-102.75**	**-117.50**	**-687.25**	**-452.51**	**-343.03**	**-306.76**	**-259.98**	**-1362.28**
VI	Finance & Miscellaneous Income (FMI)	4.15	20.15	21.03	22.18	67.51	4.15	20.15	21.03	22.18	67.51
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	-	0.00	0.00	0.00	0.00	-
VI	FMI Less FME	4.15	20.15	21.03	22.18	67.51	4.15	20.15	21.03	22.18	67.51
VII	**Surplus Before Interest and Tax (V) + (VI)**	**-373.50**	**-69.20**	**-81.72**	**-95.32**	**-619.74**	**-448.36**	**-322.88**	**-285.73**	**-237.80**	**-1294.77**
VIII	Capital Employed	**1730.42**	**1730.42**	**1580.56**	**1445.70**	**1621.78 (Avg)**	**2819.31**	**2714.81**	**2610.31**	**2505.81**	**2662.56 (Avg)**
IX	RoCE - Considered by CWC at 15%, by TAMP at 16%	259.56	237.08	216.86	196.63	910.13	451.09	434.37	417.65	400.93	1,704.04
X	Capacity Utilization	7.86%	37.36%	39.82%	42.43%	127.46%	7.29%	37.36%	46.29%	57.35%	148.28%
XI	RoCE adjusted for capacity utilization by CWC, Full admissible RoCE allowed by TAMP as per Tariff Guidelines 2005	20.39	88.57	86.35	83.43	278.74	451.09	434.37	417.65	400.93	1,704.04
XII	**Net Surplus / (Deficit) (VII) - (XI)**	**-393.89**	**-157.77**	**-168.08**	**-178.74**	**-898.48**	**-899.45**	**-757.25**	**-703.38**	**-638.73**	**-2998.81**
XIII	Adjustment of past period deficit of the last tariff cycle for the years 2011-12 to 2013-14 i.e. 40% of Rs. 2280.09 lakhs = Rs. 912.04 lakhs spread over 2017-18 to 2019-20						**-48.00**	**-288.01**	**-288.01**	**-288.01**	**-912.04**
XII	**Net Surplus / (Deficit) (XII) - (XIII)**	**-393.89**	**-157.77**	**-168.08**	**-178.74**	**-898.48**	**-947.45**	**-1045.26**	**-991.39**	**-926.75**	**-3910.85**
XIII	**Net Surplus / (Deficit) as a % of operating income (XII/I in %)**	**-96.34%**	**-7.29%**	**-7.47%**	**-7.65%**	**-29.69%**	**-186.03%**	**-49.83%**	**-38.73%**	**-29.68%**	
XIV	**Average Net Surplus / (Deficit) as a % of operating income**	**-29.69%**					**-76.07%**				

Annex - IV

CENTRAL WAREHOUSING CORPORATION

Scale of Rates

This Scale of Rates sets out the charges payable to the Central Warehousing Corporation for the services and facilities provided at its Container Freight Station at Deendayal Port Trust.

General Terms and Conditions.

(1). (i). The user shall pay penal interest @ 15.75% on delayed payments of any charge under this Scale of Rates. Likewise, the CWC shall pay penal interest on delayed refunds.

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

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

(2). 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 :

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

(ii). If the consignee chooses not to issue such letter of abandonment, the container Agent/MLO can also issue abandonment letter subject to the condition that,

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

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

(iii). The container Agent/MLO shall observe the necessary formalities and bear the cost of transportation and destuffing. In case of their failure to take such action within the stipulated period, the storage charge on container shall be continued to be levied till such time all necessary actions are taken by the shipping lines for destuffing the cargo.

(iv). Where the container is seized/confiscated by the Custom Authorities and the same cannot be destuffed within the prescribed time limit of

75 days**,** the storage charges will cease to apply from the 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**.**

(3). Users shall not be required to pay charges for delays beyond a reasonable level attributable to the CWC

CHAPTER -I
GROUND RENT AND STORAGE CHARGES

1.1. Storage Charge

Sl. No.	Description of Service	Rate (in ₹)
A.	**IMPORT OPERATIONS**	
I.	**Storage Charges (Covered)**	
(i).	**On General (per MT / Day) Basis**	
(a).	Up to 3 days	Free
(b).	From 4th day to 30th day	6.65
(c).	31st days onwards	9.30
(ii).	**AREA (per sq. mtr.) BASIS**	
(a).	Weekly Tariff (per sq. mtr. per week*)	66.00
(b).	Monthly (Reservation Basis) (Per sq. mtr. per month*)	226.00
II.	**OPEN BONDED**	
(i).	**AREA (per sq. mtr.) BASIS**	
(a).	Free Period	No free period
(b).	Weekly Tariff (per sq. mtr. per week *)	30.00
(c).	Monthly(Reservation Basis) (Per sq. mtr. per month*)	100.00
B.	**EXPORT OPERATIONS**	
I.	**Storage Charges (Covered)**	
(i).	**On General (per MT / Day) Basis**	
(a).	Free Period	Upto 7 days
(b).	From 8th day onwards	6.65
(ii).	**Area (per sq. mtr.) Basis**	
(a).	Weekly Tariff (per sq. mtr. per week*)	60.00
(b).	Monthly(Reservation Basis) (Per sq. mtr. per month*)	226.00
(iii).	**Volume (per CBM) Basis(Open)**	
(a).	On Weekly Basis (per CBM per week*)	15.00
(b).	On Monthly Basis (per CBM per month*)	60.00

*Week / month will be charged on "per sq. per week / month or part thereof basis"

Notes:

(1). 7 days free period will be allowed for stuffing of export cargo.

(2). While counting free days Customs notified holidays and CFS non-operating days falling in between or succeeding the free period will not be counted.

(3). It will be presumed that the stock being received at the CFS, Deendayal port are adequately insured by the user against all possible risks during storage including interests of the Customs. Thus, in any eventuality, CWC shall not be responsible for any insurable claims/risks including consequential losses. Same assumption will also apply for export cargo warehouses.

However, in case the insurance cover is required by any party against the risk of fire, flood, cyclone, theft, etc., the same will be arranged by the CWC,CFS, Kandla on a written request, for which advalorem charge at the rate of 12.50 paise per ₹1000/- value of the stocks will be levied, per week or part thereof.

(4). For cargo stored in open area on the request of users, storage charges would be 25% less than the rate prescribed for covered area.

(5). 25% extra charges will be levied for hazardous cargo.

(6). Storage charge on cargo shall not accrue for the period when CWC is not in a position to deliver/shift the import/export cargo when required by the user.

(7). Considering the nature of cargo and other allied factors in respect of storage practice, the storage charges for metal scrap will be on area basis and for stone etc. charges will be on PMT basis.

1.2. Ground Rent
Loaded & Empty

Sl. No.	Description of Service	Rate per container per day (in ₹)
1.	**IMPORT OPERATIONS**	
(i).	**Ground Rent (Loaded Container) (per TEU / per day basis)**	
(a).	1 to 5 days	Free-including date of arrival
(b).	6 to 15 days	190.00
(c).	16 to 30 days	250.00
(d).	31st day onwards	500.00
2.	**EXPORT OPERATIONS**	
(i).	**Ground Rent (Loaded Container) (per TEU / per day basis)**	
(a).	1 to 3 days	Free
(b).	4 days to 15 days	190.00
(c).	16th day onwards	250.00
3.	**Ground Rent (Empty Container) (per TEU / per day basis)**	
(a).	Free period	30 days
(b).	31st day to 40 day	10.00
(c).	from 41st day onwards	30.00

FEU tariff will be double of TEU tariff.

Notes:

(1). All empty containers at CWC CFS will have 30 days free storage.

(2). Three days free period is allowed on export containers after stuffing and/ or sealing of the container.

(3). Five days free period including date of arrival of the container in the CFS will be allowed for import containers brought from DPT.

(4). While counting free days, Customs notified holidays and CFS non-operating days falling in between or succeeding the free period will not be counted.

(5). For reefer plugging facility charges @ ₹275/-per TEU and ₹400 per FEU per 4 hours or part thereof will be levied in addition to ground rent.

(6). It will be presumed that the stock being received at the CFS, Deendayal port are adequately insured by the user, against all possible risks during storage including interests of the Customs. Thus, in any eventuality, CWC shall not be responsible for any insurable claims/risks including consequential losses. Same assumption will apply for export cargo warehouses.

However, in case the insurance cover is required by any party against the risk of fire, flood, cyclone, theft, etc., the same will be arranged by the CWC,CFS, Kandla on a written request, for which advalorem charges at the rate of 12.50 paise per Rs. 1000/- value of the stocks will be levied, per week or part thereof.

(7). 25% extra charges will be levied for hazardous cargo containers/ oversized /over dimensional containers.

(8). Ground rent on container shall not accrue for the period when the CWC is not in a position to deliver/shift import/export containers for reasons attributable to the CWC.

CHAPTER-II
CONTAINER/CARGO HANDLING & TRANSPORTATION

Sl. no.	Description of Operations	Rate (in ₹)
A.	**IMPORT OPERATIONS**	
(i).	Import Loaded Movement + LO: Providing road vehicles at Container Yard, Kandla Port and taking over loaded containers placed by Terminal operators on the vehicles provided by the contractor, after due inspection of the condition of the container, the lock & seals and on completion of the required formalities, transporting the same to the Container Freight Station, CWC, Kandla Port (under custom escort wherever / whenever required), lift-off & stacking in the CY up to three high [As mentioned in Clause No. XXI –1	
	TEU	1800
	FEU	2700

(ii).	De-stuffing: De-stuffing the container as per the procedure laid down; inventorisation of the cargo and stacking the same in the Import Warehouse / Open Yard (preferably by means of mechanical equipment) and carrying empty containers to the ECY or any other designated area within the CFS Complex and stacking them three high [Irrespective of time lag between different operations as mentioned in Clause No.XXI-(2)	
(a).	General cargo	
	TEU	2500
	FEU	3750
(b).	Scrap/ Heavy cargo	
	TEU	3800
	FEU	5700
(iii).	Examination: De-stuffing of the loaded container stacked in the yard by grounding them, wherever necessary (which may include transportation within the complex) for facilitating custom examination and stuffing the cargo back into the same container or any other containers after custom examination or loading the cargo / container on to road vehicles and stacking the loaded / empty container as the case may be in the LCY / ECY or any other designated area. [As mentioned in clause no. XXI-3 (a)]	
(a).	General cargo	
	Cargo Handling examination up to 25%	
	TEU	1600
	FEU	2400
(b).	Cargo Handling examination beyond 25%	
	TEU	2200
	FEU	3300
(c).	Scrap/ Heavy cargo	
	TEU	2600
	FEU	3900
(iv).	**RMS Container Examination**: Retrieval of the loaded container stacked in the yard by grounding (which may include transportation within the complex) for facilitating Seal Verification and loading customs cleared loaded container on trailer. As mentioned in clause XXI-3(b)]	
	TEU	1410
	FEU	2115
(v).	Cargo Delivery: Arranging Customs examination of cargo (which would include unpacking and re-packing of packages, providing suitable straps etc., or weightment, sealing wherever required on free of charge), and placing them in the stacks / open yard, if necessary, and loading the entire consignment in to trucks / vehicles provided by the importer/CHA at the import warehouse/ open yard [As mentioned in Clause No .XXI(4)	
(a).	Cargo Delivery from Godown/Yard	Per QTL
	Manual	8.2
	Mechanical	10.2
(b).	Cargo delivery from Loaded Container	
	Manual	8.2
	Mechanical	10.2
B.	**EXPORT OPERATIONS**	
(i).	**Carting:** Unloading the cargo from the trucks / vehicles provided by CHA/Exporter/User at CWC, CFS complex and stacking the same in the Export Godown / Open Yard by means of suitable mechanical equipment or by any other appropriate means, after due inventorisation [As mentioned in Clause No. XXI(5)]	
	Manual (PER QTL)	8.2
	Mechanical (PER QTL)	10.2

(ii).	**Examination, Stuffing :** Providing labour or appropriate equipment and arranging custom examination (which would include unpacking and re-packing of packages providing suitable straps / scales or weighment wherever / whenever required on free of cost) and re-stacking, if necessary, and consolidating the stocks / cargo, shifting of nominated empty container after retrieving the same from CFS container yard, Placing the container , stuffing , locking & sealing and subsequent internal movement of the loaded container to make space available for keeping the next container for stuffing purpose. [As mentioned in clause no. XXI(6)	
(a).	A. General Cargo	
	TEU	2500
	FEU	3750
(b).	B. Scrap/ Heavy Cargo	
	TEU	3800
	FEU	5700
(iii).	**Direct Stuffing :** Unloading the cargo from the vehicles at CFS complex and stacking the same in the yard by means of suitable mechanical equipment or by any other appropriate means, after due inventorization. Providing labour or appropriate equipment for customs examination (which would include weighment wherever/whenever required on free of cost), and consolidating the nominated stocks/cargo, shifting the nominated empty container after retrieving the same from CFS container yard, Placing the container at Stuffing point, stuffing the let-export cargo in to the nominated container by use of suitable mechanical equipment or by other means, locking and sealing container on completion of required formalities after following the prescribed procedure, subsequent internal movement of the loaded container to make space available for keeping the next container for stuffing purpose. [As mentioned in Clause No. XXI(7)	
(a).	A. General Cargo	
	TEU	2800
	FEU	4200
(b).	B. Scrap/ Heavy Cargo	
	TEU	4000
	FEU	6000
(iv).	**Transportation of Export loaded container:** Providing road vehicles at CWC-CFS Kandla port, Lift-On, taking over the loaded Export Container and transportation of the same from CFS to CSY, Kandla Port (under custom escort wherever/ whenever required) and handing over the same to the port authorities, obtaining clear "EQUIPMENT INTERCHANGE REPORT" (EIR) & to submit the same to CWC-CFS authorities [As mentioned in Clause No.XXI(8)	
	TEU	1800
	FEU	2700
(v).	**GENERAL OPERATIONS**	
	Empty Container Movement: Providing suitable vehicles and arranging transportation of Empty Container after due inspection about condition of the container (A) from CSY- Kandla Port Trust to CWC-CFS Kandla Port (B) From any other CFS / Container yard within a road distance of 15 kms. from the CFS Kandla Port, to CWC-CFS Kandla Port, (Lift-on/off inside CSY Kandla Port/ Other designated Yard would not be on account of contractor) lift-off & stacking up to three high in CWC-CFS, CY or vice-versa [As mentioned in clause No. XXI (9)]	
(a).	**TO/FRO CFS-Kandla Port**	
	TEU	800
	FEU	1200
(b).	**TO/FRO any Yard < 15 Kms**	
	TEU	1400
	FEU	2100

(vi).	Inland Container Shifting: Shifting of empty / loaded containers (including lift on/ lift-off) from one location to another location within the CWC-Container Freight Station Complex at the designated place including stacking the same upto three high by use of appropriate handling equipment. [As mentioned in clause No. XXI(10)]	
(a).	EMPTY CONTAINER	
	TEU	990
	FEU	1485
(b).	LOADED CONTAINER	
	TEU	1320
	FEU	1980
(vii).	**Lift on / Lift off:** (including retrieval) of containers into / from road vehicles of parties at the Container Freight Station, CWC, Deendayal Port. [As mentioned in clause No. XXI (11)]	
(a).	**EMPTY CONTAINER**	
	TEU	700
	FEU	1050
(b).	**LOADED CONTAINER**	
	TEU	1000
	FEU	1500
(viii).	Washing, etc.: Shifting of empty containers from any location within CFS complex to Washing / Cleaning / Repair Yard and back to any location in the CWC, CFS complex as prescribed (washing and cleaning to be done by the contractor without any extra remuneration) As mentioned in clause No. XXI(12)	
	TEU	1100
	FEU	1650
(ix).	Movement / shifting of cargo from one place to any other place for weighment or other purpose, within same godown [As mentioned in clause No. XXI(13)(Rate Per QTL)	
	MANUAL	11
	MECHANICAL	13
(x).	Movement/ shifting of cargo from one place/ godown/ CY to any other place/ godown/ CY for weighment or other purpose, within CWC-CFS complex (As mentioned in clause no. XXI-14)	
	PER QTL	13
(xi).	**Palletization:** Providing the labour for palletization of cargo including preparation of pallets of appropriate size, strapping as per requirement (material i.e. ready wooden pallets, straps, nails or other material required for the purpose of preparation of pallets will be arranged by the party) & stacking the pallets in the designated stack ([As mentioned in Clause XXI (15)]	
	PER QTL	14
(xii).	**Bagging:** Providing labour for filling up loose cargo/ bag cargo in to the fresh bags (materials to be provided by the party), stitching them, weighment (wherever required) & stack the same at the appropriate place. [As mentioned in Clause XXI (16)]	
	PER QTL	15
(xiii).	**Reworking of Container:** Providing the labour and appropriate equipment for destuffing of the cargo from the container and restuffing the cargo in the same or other nominated container after completing the formalities as required by Manager (CFS) [As mentioned in clause XXI (17)]	
(a).	Reworking up to 25%	
	TEU	2200
	FEU	3300
(b).	Reworking beyond 25%	
	TEU	2600
	FEU	3900

(xiv).	**Back to town** i.e. Loading of Shut out cargo	
	PER QTL	11
(xv).	**Locking Charges** (On user's request):	
	PER Container	54
(xvi).	**Charges for Fumigation**	
(a).	Fumigation Charges with Methyl Bromide	
	TEU	1800.00
	FEU	3400.00
(b).	Fumigation Charges with Aluminium Phosphide	
	TEU	600.00
	FEU	1000.00
	Note: This will be an optional service provided at the request of the relevant user.	

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/53/2016-CWC : Proposal from the Central Warehousing Corporation for revision of its tariff for the services rendered by it at the Container Freight Station at the Kandla Port Trust.

A joint hearing in this case was held on 18 April 2017 at the DPT premises. At the joint hearing, the CWC and users / user associations have made the following submissions:

Central Warehousing Corporation

(i). Briefly explains the proposal.

(ii). The Operations at CWC-CFS was started from 4 February 2017 after a period of approximately 4 years.

(iii). The rates which are proposed are compared with the nearby CFS operators in Gandhidham and the rates proposed are less than the competitors.

(iv). We are providing the service at CFS manually with help of labour and by Mechanical means.

(v). We held a meeting with the Trade on 3 February 2017. Labour cost is estimated following the norms as per the National Tribunal Award. We have proposed a reduction in rates for some of the services offered at CFS as requested by the Trade.

(vi). The rates were proposed to increase by 15% to 20% considering the variable and fixed expenditure over the rates approved in 2012. The increase proposed is nominal and our rates are most economical in respect of handling charges and Ground rent.

(vii). The market facilitation services at CFS are outsourced and the rates are proposed based on the work order given to H&T contractor by proposing to increase by 7% to 8% over the work order rate given to H&T contractor.

[Member (Finance): what efforts are taken to attract the cargo].

[Manager (CFS): We have proposed to increase the free period for storage and reduce the transportation charges based on the request of the Trade]

(viii). We request the TAMP to approve the proposed rates as the same were arrived in consultation with the Trade.

Kandla Port Steamship Agents Association

(i). The statement of CWC that the handling charges and transport charges are less in comparison with the other CFS operators is a base less argument as the CWC-CFS is within the port area hardly 0.5 km from the port, whereas, the other CFSs are at 20 km away from the port area. Hence, the transport charges can't be compared.

(ii). The CWC has stopped working at CFS 4 years back.

(iii). The increase sought by the CWC is 30% in mechanical handling and 20% in manual handling over the existing tariff approved in 2012.

(iv). The new container terminal has come up and commenced its operations only one month back. The cargo can come only if the CWC-CFS rates are competitive.

(v). The shipping rates have not increased drastically and costs also have not increased. In fact, the equipment charges and fuel cost have come down.

(vi). The CWC should keep the existing rates so that the cargo comes and average cost of handling also comes down when the volume goes up. We are here to support for volume increase.

(vii). With the proposed rates, the survival is difficult. The existing tariff can be continued for a shorter term so that the cargo can come to the terminal and CWC-CFS can approach the TAMP for revision.

(viii). When the container terminal at DPT stopped operations, A.V. Joshi continued the business. They served Mundra. CWC-CFS has not done business.

(ix). The costs incurred in the last 4 years when the CWC has closed its operations at CFS, should not be considered while determining the revised rates. The trade should not be punished by for CWC-CFS in efficiency or for other reasons. They should take responsibility.

Kandla Port Karmachari Sangh (KPSS)

(i). CWC-CFS is nominated facility. The DPT has not allowed any other CFS operators to operate in the port area. It is a monopolistic situation. DPT containers necessarily have to come to this CFS.

(ii). The CWC has not made any efforts to get the traffic and CFS was not upgraded mechanically.

(iii). The existing tariff may be maintained. The Kandla International Container Terminal has just started its operations. Once the container cargo comes, the CWC can increase the traffic. This is not the right time to accept the proposal of CWC for increase the tariff.

(iv). We would like to submit written comments.

(v). DPT lost container business due to failure of container terminal and failure of CWC-CFS.

[CWC-CFS: We are not responsible for loss of container business. The container operator quoted unviable revenue share to DPT. There may be other reasons for failure. We do not know].

(vi). The DPT should allow other CFS operators to operate so that the conditions should not be monopolistic.

Deendayal Port Trust

(i). The lease rentals considered in the cost statement is not matching with the lease rent paid by the CWC.

[Member (Finance): Please also furnish specific comments on the traffic projected by the CWC at CFS].

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