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# TARIFF AUTHORITY FOR MAJOR PORTS

**G.No.51** **New Delhi,** **10 February, 2015**

## NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from South West Port Limited for revision of its Scale of Rates for its operations at the multipurpose cargo terminal at berth Nos. 5A and 6A in the Mormugao Port Trust as in the Order appended hereto.

**(T.S. Balasubramanian)**
Member (Finance)

# Tariff Authority for Major Ports

**Case No. TAMP/19/2013-SWPL**

**South West Port Limited - - - Applicant**

**QUORUM**

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

## O R D E R

(Passed on this 2nd day of January 2015)

This case relates to the proposal received from the South West Port Limited (SWPL) for revision of its Scale of Rates for its operations at the multipurpose cargo terminal at berths Nos. 5A and 6A in the Mormugao Port Trust (MOPT).

2.1. The existing Scale of Rates (SOR) of the SWPL was approved by this Authority vide Order dated 03 November 2010 and the validity of the SOR was prescribed till 31 March 2013. By the said Order, an across the board reduction in tariff of 9.5% was effected with effect from 1 January 2011 based on the revenue surplus position estimated for the period 2010-11 to 2012-13 as against 32% tariff increase sought by the SWPL.

2.2. Subsequently, the SWPL filed a review application in January 2011, seeking review of three items in the Order passed by this Authority dated 3 November 2010. This Authority passed an Order dated 26 July 2011 disposing of the review application of the SWPL. In the said Order, the operating and direct labour cost estimated in the tariff Order of November 2010 was revised by this Authority based on the documents submitted by the SWPL establishing arm's length relationship of the transaction entered between SWPL and JSW Infrastructure Limited (JSWIL) for outsourcing of cargo handling operation in the review application. The other two items for review made by the SWPL did not point out any apparent error in the Order approved by this Authority and hence were rejected. Based on the cost position, this Authority decided to maintain status quo in the 2006 tariff as against 9.5% reduction effected by this Authority in November 2010 Order. The revised Scale of Rates was made effective from the date of notification of the Order in the Gazette of India i.e. 6 August 2011.

2.3. The validity of the existing Scale of Rates of SWPL was initially fixed till 31 March 2013, which has been extended a couple of times subject to the condition that additional surplus, if any, over and above the admissible cost and permissible return emerges for the period post 1 April 2013, during the review of its performance, such additional surplus will be set off fully in the tariff to be determined. The existing Scale of Rates of SWPL was last extended upto 31 December 2014.

3. As per the Order dated 30 September 2008 refining some of the approach to tariff setting at the major port trusts and private terminals operating thereat, the SWPL had to file its proposal by 30 June 2012. The SWPL was accordingly reminded vide our letter No. TAMP/39/2005-Misc dated 07 May 2012. Since no proposal was received, the terminal operator was again reminded vide our letter dated 12 December 2012 to file its proposal by 31 December 2012. In this context, subsequently, the SWPL vide its letter dated 4 March 2013 citing certain technical difficulties in filing of its proposal requested three months' time to file its proposal. As decided by this Authority, the SWPL was directed vide our letter dated 2 April 2013 to file its proposal by 30 April 2013.

4.1. In this backdrop, the SWPL vide its letter dated 30 April 2013 has filed its proposal for revision of its Scale of Rates for its operations at the multipurpose cargo terminal at berth Nos. 5A and 6A in MOPT.

4.2. Since the proposal of SWPL was not accompanied with the proposed draft Scale of Rates, the SWPL was requested vide our letter dated 8 May 2013 followed by a reminder letter dated 15 May 2013 to furnish the proposed draft Scale of Rates. The SWPL was also requested to furnish the Annual Accounts for the years 2009-10, 2010-12 and 2012-13.

5.1. In response, the SWPL vide its letter/email dated 16 May 2013 and 17 May 2013 has submitted its proposed draft Scale of Rates as well as Annual Accounts for the years 2010-11, 2011-12 and 2012-13.

5.2. The highlights of the SWPL proposal dated 30 April 2013 and draft proposed SOR dated 17 May 2013 are summarized below:

1. **Traffic:**

(i). Actual traffic for the years 2010-11 to 2012-13 is reported at 5.80 Million Metric Tonnes (MMT) 6.48 MMT and 7.76 MMT as against the estimated traffic 4.35 MMT, 4.65 MMT and 5.25 MMT respectively. The SWPL could achieve higher volumes due to availability of more rakes as there was ban on iron ore export.

(ii). (a). Rakes availability has increased in past two years mainly due to ban on iron ore exports. Most of the rakes which were deployed for transporting rakes from mines to ports, are presently idle and hence available for coal transportation from port to their destination.

(b). The Company has very limited storage area (33,000 $m^2$) and throughput is very much dependent on evacuation speed. More rakes available per day makes cargo turnover from storage area faster and hence, SWPL could handle more throughput with existing facilities. During FY 2012-13 the terminal handled 2187 rakes in comparison to 1907 rakes during FY 2010-11.

(iii). (a). A new coal terminal of Berth 7 at MOPT is almost ready for commercial operation. With this development, rakes availability will be shared between the two coal terminals and hence, the SWPL may find it difficult to achieve similar throughput in the future.

(b). Further, Berth 7 will have in-motion wagon loading facility in place, hence rakes turnover from its rail-siding will be faster. With this facility, railway would prefer to provide rakes to the terminal which would be able to release the rake faster. Keeping this in mind, with due permission and help from MOPT, SWPL has also started construction of in-motion wagon loading system.

(iv). The traffic estimated for the years 2013-14 to 2015-16 is 6.52 MMT, 7.02 MMT and 7.52 MMT respectively. Reduction in the traffic estimates is due to commencement of operations at new coal terminal (Berth 7) which will result in reduced availability of rakes for SWPL, thereby reducing the evacuated quantity.

(v). **Income Estimates**:

The operating income for the years 2013-14 to 2015-16 has been estimated based on the estimated traffic with reference to existing tariff as well as on proposed tariff as given below:

**(₹ in lakhs)**

| Year | Income with existing tariff | Income with proposed tariff |
|---|---|---|
| 2013-14 | 13,261 | 14,059 |
| 2014-15 | 14,372 | 15,243 |
| 2015-16 | 15,486 | 16,430 |

(vi). **Expenditure Projection:**

(a). The direct labour for stevedoring, operating mechanized handling system, storing, loading cargo into wagons, etc., is awarded to various cargo handling contractors. Similarly, maintenance labour for upkeep, replacement of spares, lubes and oils of all machinery in the system are also outsourced. These expenses have been projected on the basis of the existing rates of the contactors and the prevailing market rates.

(b). Repair and maintenance expense is estimated at 1.5% for civil assets and 3% for mechanical assets, as was approved in its initial tariff fixation.

(c). The maintenance dredging is to be carried by MOPT, as per the License Agreement (LA). The MOPT, however, disputes this and agrees to dredge only upto 13 mtrs. in the particular approach and 13.5 mtrs. in berth pockets. During 2010-11 ₹2.59 crores were paid to MOPT towards dredging. The SWPL has, however, made a provision of ₹3.15 crores against the bill received from MOPT for the years 2011-12 and 2012-13. A provision of ₹2.50 crores is made for each of the years 2013-14 to 2015-16.

(d). The SWPL has replaced its old Mobile Harbor Crane with new ones during the year 2012-13. This will reduce the dependence on diesel. It is expected that 70% of cargo will be handled by cranes run by electricity and 30% only on diesel operated equipment.

(e). Depreciation has been computed on the basis of straight line method for the life norms permissible in accordance with the Companies Act, 1956.

(f). 18% of income earned / expected to be earned from cargo handling charges is payable as revenue share to MOPT. Hence, as per clause 2.8.1 tariff guidelines, revenue share to the extent of the rate quoted by the second highest bidder at 13.10% of the cargo handling income is considered in the cost statement.

(vii) **Capital Expenditure**:

(a). The SWPL primarily depends upon evacuation speed from its storage yard. As coal evacuation can only be done by rail, availability of rakes plays a major role in cargo throughput.

(b). The new coal terminal at berth no.7 of MOPT is scheduled to commence operation in the year 2013-14 will also need rakes for evacuation of coal. The new coal terminal is also developing an in-motion wagon loading system which will enable them to achieve faster rakes turnaround time as against traditional way of loading of coal method, which SWPL presently adopts. The railways will always prefer the terminal which has faster turnaround time for its rakes.

(c). In the light of the above, the SWPL has decided to install its own wagon loading system. (It is relevant to mention that capex relating to in-motion wagon loading system was considered during the last tariff revision itself based on the proposal of SWPL.)

(d). The existing material handling system is almost 10 years old and has lived its utility. Continuous up-gradation of the conveying system along with increasing the stacking and reclaiming capacity is necessary for the terminal to stave off competition. SWPL will also have to upgrade the

steel handling facility on account of change in the cargo profile. Presently the equipments are designed to handle steel coils/slabs weighing less than 25 MT each, whereas SWPL's main customer is exporting steels coils/slabs weighing in excess of 32 MT.
Hence, the following capex is proposed during next three years:

| Year | Particulars | ₹ in Lakhs |
|---|---|---|
| 2013-14 | Mobile equipments | 1000 |
| | Span gantry cranes | 1500 |
| **Total** | | ***2500** |
| 2014-15 | Continuous Ship loaders | 4400 |
| | Cranes for steel handling | 2400 |
| **Total** | | **6800** |
| 2015-16 | Upgrading the conveying system | 2000 |
| | Mobile equipments like pay loaders, excavators, etc., | 1500 |
| **Total** | | **3500** |

**Note:** The total additions to gross block proposed in the year 2013-14 is 8500 lakhs of which 6000 lakhs is towards information in-motion wagon loading system.

(viii). **Optimal capacity**:

(a). The optimal capacity of the terminal is assessed after taking into consideration the various aspects of the facility created, equipment and plant and machinery provided, productivity levels and utilization levels and borrowing the norms prescribed in 2008 guidelines. (The 2008 guidelines do not apply to SWPL as they are governed by 2005 guidelines).

(b). The optimal quay capacity of the berth no. 5A is assessed as 3.83 Million Tonnes Per Annum (MTPA) and capacity of berth no. 6A is arrived at 7.28 MTPA aggregating to 11.11 MTPA. The parameters adopted for this purpose is 100% handymax vessel of 45,000 DWT and handling rate of 15,000 Tonnes/day for berth no. 5A. For berth no. 6A, share of panamax vessel is considered as 90% with DWT of 70,000 and handling rate of 30,000 Tonnes/day and share of handmax vessel is considered as 10% with 45,000 Tonnes DWT and handling rate of 15,000 tonnes per day.

(c). The optimal stack yard capacity is assessed as 5 MTPA for berth nos. 5A and 6A together considering 33,000 sq.mtr. of stacking area, 80% utilization of stack area (as against 70%norms prescribed in the 2008 guidelines), stacking factor of 15 tonnes/sq.mtr. and turnover of 18.

(d). Total Optimal capacity of berth nos. 5A and 6A is assessed at 5 MTPA being lower of quay and yard capacity as per principle of 2008 guidelines.

(e). The capacity utilization considered by SWPL taking the optimal capacity as 5 MTPA and with reference to actual traffic handled during 2010-11 to 2012-13 is 117%, 130%, 150% respectively. Capacity utilization is considered at 130%, 140% and 150% with reference to traffic projected for the years 2013-14 to 2015-16 respectively.

(ix). A summary of operating income, net surplus/deficit position estimated by the SWPL for the years 2013-14 to 2015-16 in the consolidated cost statement and activity wise cost statement at the existing tariff level is as follows:

| Particulars | Operating Income (₹ in lakhs) | | | Aggregate for the year | Net Surplus(+)/Deficit(-) (₹ in lakhs) | | | Aggregate for the year 2013-14 to 2015-16 | Net Surplus(+)/Deficit (-) as of Operating Income (₹ in lakhs) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013-2014 | 2014-2015 | 2015-2016 | 2013-14 to 2015-16 | 2013-2014 | 2014-2015 | 2015-2016 | 2013-14 to 2015-16 | 2013-2014 | 2014-2015 | 2015-2016 |
| Consolidated cost position* | 13,261 | 14,372 | 15,486 | 43,119 | 557 | (1,042) | (1,833) | (2,318) | 4% | -7% | -12% |
| Vessel related activity* | 4,268 | 4,597 | 4,929 | 13,749 | (14) | 0 | 60 | 46 | - | - | - |
| Cargo handled activity* | 8,993 | 9,775 | 10,557 | 29,325 | (157) | (1,647) | (2,509) | -4,313 | -2% | -17% | -24% |

***Note:** The sub activity wise cost statement do not capture the adjustment of actual Net Surplus of ₹9,042 lakhs assessed for the past period 2009-10 to 2012-13 though it is considered in the consolidated cost position. Hence, sum of net surplus/ deficit of activity wise cost statement do not match with the consolidated cost statement.

5.3. The highlights of the draft Scale of Rates (SOR) proposed by SWPL in its general revision proposal are given below:

(i). Berth Hire charges:
No change proposed in the existing berth hire charge.

(ii). Wharfage charges:
No change is proposed in the existing wharfage charges

(iii). Cargo Handling charges and Dust suppression Charge:
12% increase is proposed in the cargo handling charges at berth Nos. 5A and 6A and 12% increase is proposed in Dust Suppression Charge

(iv). Ground rent / storage charges and other services are proposed to continue at the existing level.

6. In accordance with the consultative procedure prescribed, a copy of each of the proposal dated 30 April 2013 and draft SOR filed vide email dated 17 May 2013 was forwarded to the MOPT and concerned users / user organizations seeking their comments. The comments received from the MOPT, Indian National Shipowners' Association (INSA) and Mormugao Ships Agents Association (MSAA**)** were forwarded to SWPL as feedback information. The SWPL has not furnished its comments on the comments of MOPT, users/users associations. We have not received comments from any other users/users organizations, despite reminder.

7.1. Based on a preliminary scrutiny of the proposal, the SWPL was requested vide our letter dated 4 June 2014 followed by a reminder letter dated 22 July 2014 to furnish information/ clarifications on various points by 20 June 2014. A summary of the queries raised by us is tabulated below:

| Sl. No. | Queries raised by us |
|---|---|
| **(A).** | **Financial / Cost statement** |
| (1). | Since the year 2013-14 is already over, the estimates for the year 2013-14 may be updated with actuals duly reconciling the figures reported in the Annual Accounts with the figures furnished in the cost statement. A copy of the Audited Annual Accounts for the year 2013-14 may also be forwarded. Consequent to updating the 2013-14 estimates with actuals, the estimates for the subsequent year's viz. 2014-15 and 2015-16 may be reviewed and modified, if necessary, with reference to 2013-14 actuals. |

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| (2). | Please furnish a statement reconciling the total income, expenses, depreciation, and profit before tax reported in the Annual Accounts of the SWPL for the years 2010-11, 2011-12, 2012-13 and 2013-14 with the income, expenses, depreciation and net surplus before return considered in the cost statements. |
| (3). | In Form 1 under Sl. No.4, giving comparative position of existing vis-à-vis proposed rates, the existing rate for dust suppression service is mentioned as ₹2.75 per tonne instead of ₹2.15 per tonne as per the Scale of Rates approved by this Authority vide Order No.TAMP/11/2011-SWPL dated 26 July 2011 which needs to be corrected. Consequently, proposed rate applying 12% increase proposed by SWPL will come to ₹2.40 per tonne instead of ₹3.07 per tonne which also needs to be corrected in Form 1. |
| (4). | **Analysis of Past Period actual performance vis-à-vis Estimates (Form 7)**:<br><br>Clause 2.13. of the 2005 tariff guidelines mandates this Authority to review the actual physical and financial performance vis-à-vis the estimates relied upon in the previous tariff cycle. In this context, Form 7 of the format prescribed by this Authority for filing tariff proposal requires BOT operators to furnish requisite details. The SWPL has, however, not furnished the requisite Form 7. The SWPL is requested to furnish this Form duly filled taking into consideration the notes prescribed in the said Form. The following points may also be taken into account while filing the said Form: |
| (i). | The actuals to be furnished in the Form 7 should reflect specific adjustment, if any, done in the estimates considered in the last tariff revision Order for a like to like comparison. For example, the estimates of payment towards CHLD levy to MOPT was not considered in the estimates [Refer para 13(xiii)(b) of the Order No.TAMP/12/2010-SWPL dated 3 November 2010]. The actuals to be furnished in Form 7 should capture this adjustment and any such adjustments considered in the last tariff Order. |
| (ii). | As required in the prescribed Form 7, the reasons for variation in the estimates considered by this Authority in the last tariff revision Order vis-à-vis the actuals should also be furnished, if the variation is more than +/(-) 20%. |
| (iii). | The Guidelines provide flexibility to all the Major Port Trusts to reduce the rates at their discretion on commercial consideration, if they so desire. Such reduction, if any, granted by SWPL may be quantified and listed out for each of the years 2010-11 to 2012-13 and 2013-14 as well. Consequential effect of such concession granted on growth of traffic may also be analysed item wise. |
| (iv). | The tariff Order of November 2010 effected reduction of 9.5% over the then existing tariff. The review Order of July 2011 restored the tariff prevailing prior to issue of November 2010 Order. The SWPL would have implemented the reduced tariff from the effective date of implementation of November 2010 date till the date of notification of July 2011 Order. Hence while compiling Form 7, the income estimates considered in July 2011 Order should be suitably adjusted to capture the effect of reduction approved by this Authority and implemented by the SWPL for the interim period. |
| (5). | **Capacity:**<br>For the purpose of assessing the capacity, the SWPL has followed the approach prescribed in the 2008 guidelines. Though the upfront tariff guidelines of 2008 are not applicable to the existing terminals, the following points need to be addressed with reference to the estimation of capacity furnished by SWPL: |
| (i). | The SWPL has stated that ship day output for unloading cargo (coal) prescribed in the guidelines of 2008 is 45,000 tonnes/ day for capex vessel and 35,000 tonnes/ day for panamax vessels. However, the output norms indicated by SWPL do not match with the output norms prescribed at 50,000 tonnes/ day and 35,000 tonnes/ day for corresponding vessels categories in the 2008 guidelines for coal terminal. |
| (ii). | The average discharge rate and the average loading rate for handling each of the cargo items by panamax / handymax vessel may be furnished for the last three years. The productivity level expected to be achieved during the next three years taking into consideration the mobile handlers, mobile equipment, up gradation in conveying system, etc., proposed to be deployed by the SWPL may also be indicated. |
| (iii). | Berth nos.5A and 6A operated by SWPL are for handling various cargo such as coal / coke, limestone, steel products, etc. The handling rate will vary depending on the type of cargo handled and share of different vessel size. Optimal quay capacity assessment may be modified to capture these vessel parameters and productivity of various cargo |
| (iv). | During the last revision, the SWPL in response to one of the queries had stated that it can |

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| | stack 5 tonnes per sq. mtr. and turnover ratio of 26 can be achieved. As against that, SWPL has now considered stacking factor of 15 tonnes per sq. mtr. and turnover ratio of 18. The average actual stacking factor and turnover achieved in the last three years as well as improvement in these parameters expected with commissioning of in-motion wagon loader (expected to be installed in March 2014 as per the current proposal) and other evacuation facilities may also be indicated. Optimal yard capacity may be re-assessed to capture the improved parameters achieved/ achievable by SWPL in terms of stacking factor and turnover ratio. |
| (v). | The SWPL may review and modify the optimal quay and yard capacities in the light of the above observation and also taking into consideration the gaps observed in the optimal capacity assessment in para 13(vii) of the last tariff Order of November 2010. |
| **6.** | **Traffic Projections (Form 2A):** |
| (i). | The traffic of coal for Financial Years (F.Y.) 2013-14 to 2015-16 is projected at 6.0 million tonnes, 6.25 million tonnes and 6.50 million tonnes respectively as against actual volume of 6.75 million tonnes of coal handled by SWPL in the year 2012-13. The traffic projected for steel products is 0.52 million tonnes and 0.77 million tonnes in the F.Y. 2013-14 and 2014-15 respectively which is found 35% and 5% lower than the actual steel products of 0.81 million tonnes handled in the year 2012-13. As against the Minimum Guaranteed Throughput of 5 Million Tonnes (MT) per annum, the SWPL has handled 5.80 MT, 6.48 MT and 7.56 MT in the years 2010-11 to 2012-13 respectively as against the projection of 4.35 MT, 4.65 MT and 5.25 MT respectively for the corresponding years. This shows the physical possibility and availability of cargo. The commencement of operation at the new coal terminal at MOPT only proves the availability of cargo at MOPT. Reduced availability of rakes due to commencement of new coal berth resulting in reduction in evacuable cargo is cited as the main reason for reduced level of traffic estimates. However, the MOPT vide its letter No.FA/Cost/112/2013/19 dated 27 June 2013 a copy of which was forwarded to SWPL under cover of our letter dated 3 July 2013 has listed down the steps taken by MOPT and the initiatives being taken by the Railways to augment railway lines and rack availability. Therefore, it may be essential that the traffic estimates need review by SWPL. As the F.Y. 2013-14 is already over, the actual traffic handled for the year 2013-14 to be updated in the cost statements and traffic estimates for the subsequent years viz. 2014-15 to 2015-16 also to be reviewed and modified. |
| (ii). | The actual traffic handled by SWPL indicated in the proposal of SWPL dated 30 April 2013 in para no.2 (Present Status) and in para no.4 (Salient features) is 5.80 MT and 7.76 MT for the F.Y. 2010-11 and 2012-13 respectively. This varies from the traffic reported in the Form 2A at 5.84 MT and 7.56 MT for the corresponding years. Please indicate the correct traffic figures and ensure that the cost statements reflect the correct position. |
| (iii). | The SWPL in para 3 of its proposal has stated that with the development of new coal terminal likely to commence operation at Berth No.7, it would be difficult for SWPL to achieve the cargo volume handled by it in the past. Further, availability of the rake will have to be shared between the two terminal operators which will also make difficult for SWPL to achieve the cargo volume handled by it in the past. With reference to the constraints for future growth in traffic expressed by SWPL in para 3 of its proposal, the following points are noteworthy: |
| | (a). As per the information furnished by the MOPT, the BOT operator for Berth No.7 is likely to commence the operation in June 2014. The reduction projected in the coal traffic projected for the year 2013-14 at 6.0 million tonnes, therefore, needs to be relooked. Since the year 2013-14 is over, the traffic figures for the year 2013-14 needs to be updated with the actual traffic |
| | (b). As regards the concern raised by SWPL on account of non-availability of sufficient number of rakes due to likely commencement of new BOT operator at Berth No.7, the MOPT vide its letter No.MF/Cost/112/2013/19 dated 25 June 2013, while furnishing the comments on the SWPL proposal has categorically stated that it has taken up this issue with Railway authorities and the Railway authorities are doubling the railway track to improve the rail traffic and the work is already under progress. The MOPT has also stated that the South Western Railway has also taken up yard augmentation work between Kulam and Vasco-da-Gama by providing additional lines and will enhance supply of empty rakes. Further, port has also taken up augmentation work at R&D yard to increase yard capacity in order to get more empty rakes to achieve higher throughput. In view of the above submissions made by MOPT, the SWPL is requested to review the traffic estimates for the |

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| | years 2014-15 & 2015-16 and consider it at a realistic level considering a reasonable level of growth expected in traffic. |
| (iv). | During the last tariff revision, the SWPL had indicated that in-motion wagon loading will be installed by later half of the year 2011-12. For the reasons stated in para 13(xxi)(c) of the Order, the capex relating to in-motion wagon loading was considered in the year 2012-13. Para 7.3. of the current proposal of SWPL, however, states that installation of in-motion wagon loading system will be completed by March 2014. Please confirm whether this facility has been installed and the exact month of installation. The SWPL also to indicate additional traffic expected to be handled with installation of this facility. Moreover, additional traffic handled/ expected to be handled for each of the years in view of other capital expenditure on mobile handling equipment like mobile handlers, continuous ship unloaders, upgradation in conveying system, etc., envisaged during the years 2013-14 to 2015-16 also to be indicated. Also, confirm and show that these additional traffic are captured in the traffic projections. |
| (v). | As per para 13(viii) of the last tariff Order of SWPL dated 3 November 2010 as well as para 11(ii) of the Order No.TAMP/19/2006-SWPL dated 29 December 2006, both MOPT and SWPL had agreed to consider demand of small users and devise an alternative operational plan for including road delivery cases. As recorded in the said para of November 2010 Order, in view of Writ Petition filed by few users, the Hon'ble High Court of Bombay had directed the Ministry of Shipping to decide about coal handling. In this context, during the meeting with the (then) Secretary (Shipping), the SWPL had agreed to consider the road mode if the MOPT provided 10,000 sq. mtrs. behind Berth No.7 for storage of cargo. The relevant operative portion of the Order No. PD/13011/1/2005-MOPT dated 15 December 2005 of Secretary (Shipping) is brought out in the para 13(viii) of the Order passed by this Authority. The SWPL is requested to intimate the status about further development in the matter about allotment of additional land by MOPT to SWPL and action, if any, initiated by SWPL for development of evacuation by road mode. |
| (vi). | Justify the reasons for estimating the number of vessels to drop from 147 nos. in 2012-13 to 131 vessels in 2013-14. The actual number of vessels handled in the year 2013-14 may be furnished. The SWPL may, if necessary, consider to review the vessel traffic projected for the years 2014-15 and 2015-16 based on actual vessel traffic handled in the year 2013-14. |
| (vii). | The existing Scale of Rates of SWPL prescribes tariff for handling coal (all types except thermal coal), metallurgical coke, limestone, iron ore pellets, metal products/ steel coils/ slabs and any other bulk cargo not specified in the schedule of rate. The traffic figures furnished by SWPL in Form 2A, however, covers traffic estimates of only coal and steel only. The actual traffic handled by SWPL in respect of other cargo items for the years 2010-11 to 2013-14 along with estimates for future period may be included. If SWPL does not anticipate to handle other cargo for which traffic is not projected, the reasons for continuing to propose tariff for these cargo items in the draft proposed Scale of Rates may be explained |
| (viii). | The traffic for the year 2012-13 in the excel file in "Sheet 2" is 7.76 million tonnes which does not match with the traffic figure furnished in Form 2A at 7.56 million tonnes. The correct position to be indicated and reflected in the cost statement. |
| **(7).** | **Income Projection (Form 2B):** |
| (i). | For reasons stated earlier, all the income estimates for the year 2013-14 should be updated with actuals. Consequently, estimates for the years 2014-15 and 2015-16 also to be modified, if necessary. |
| (ii). | The income estimation to be reviewed and modified in view of our observation to review the traffic estimation |
| (iii). | The income from berth hire is estimated to reduce from ₹6,286 lakhs actually reported in the year 2012-13 to ₹4,268 lakhs in the year 2013-14 (-32%), ₹4,597 lakhs in the year 2014-15 (-27%) and ₹4,929 lakhs in the year 2015-16 (-22%) in comparison to the actual berth hire earned in 2012-13. In this regard, following points to be clarified: |
| | (a). The reduction estimated in the berth hire income in the year 2013-14 is 32% which does not correspond with 10% reduction estimated in the vessel traffic. Please explain the reasons for this mismatch in the berth hire income vis-à-vis the vessel traffic. In any case, as stated earlier, the berth hire income estimated for the year 2013-14 to be updated with actual income earned in the year 2013-14 as per its Audited Annual Accounts. |
| | (b). Please clarify the reasons for estimating the berth hire income at reduced level of ₹4,597 lakhs in the year 2014-15 for vessel traffic of 147 numbers as against actual berth |

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| | hire income reported at ₹6,286 lakhs for the year 2012-13 for same level of 147 vessels handled by SWPL. |
| | (c). The exchange rate considered by the SWPL for estimating the berth hire income is 1 US $ = ₹53. The average exchange rate for the year 2013-14 is 1 US $ = ₹60.50. The estimated income from berth hire for the year 2013-14 may be updated with the actual income reported in the Audited Accounts for the year 2013-14. For the subsequent years viz. 2014-15 and 2015-16, the revenue estimation from berth hire should be modified to capture the prevailing exchange rate |
| | (d). The income from berth hire to be reviewed in view of the above observation. |
| (iv). | On examining the soft copy of the cost statements containing workings relating to the revenue estimation, it is observed that wharfage charges for limestone is computed at ₹30/ tonne as against ₹10/ tonne prescribed in the existing Scale of Rates of SWPL. In the current cost statement it may presumably not have any impact as nil traffic is not considered for this cargo. The SWPL to, however, correct the existing wharfage rate of limestone in the workings relating to revenue estimation. |
| (v). | (a). Explain the reasons for steep reduction in the actual storage income of coal from ₹577 lakhs in the year 2011-12 to ₹180 lakhs in the year 2012-13 despite 15.78% increase achieved in the coal traffic in the year 2012-13 over the previous year. |
| | (b). The reasons and the basis for estimating the storage income of coal uniformly at ₹100 lakhs for each of the years 2013-14 to 2015-16 to be explained and justified with reference to the actual storage income earned in the previous years. |
| | (c). The SWPL has shown NIL storage income from steel products, other/ limestone for the years 2010-11 and 2012-13 as well as estimates for 2013-14 to 2015-16. Please confirm the position reported is correct |
| (vi). | Form 2B shows cargo handling revenue is earned from other cargo/ limestone in the years 2010-11 to 2012-13 to the tune of ₹188 lakhs, ₹105 lakhs and ₹470 lakhs respectively. Explain the reasons for estimating nil traffic and nil income from other cargo/ limestone for the years 2013-14 to 2015-16. |
| (vii). | Revenue from operations under Schedule 16 of the Annual Accounts of the SWPL for the year ended 31 March 2012 reports the gross revenue. From that, service tax recovered is excluded and the net revenue is reported in the Annual Accounts which is considered as the operating income in the cost statement for the years 2011-12 and 2012-13. In this regard, the following points need to be confirmed/ clarified/ explained: |
| | (a). Please confirm whether the treatment given by the SWPL of capturing the service tax recovered under the gross revenue is in line the accounting treatment required to be followed in this regard. It is understood from Major Port Trusts that service tax payable/ recoverable are maintained in separate account and do not form part of the revenue or expenses. |
| | (b). Whilst the SWPL has adjusted service tax recovery from the gross revenue, no such adjustment is seen on the expense side for the outsourced services, etc., availed by SWPL. Please clarify whether the actual operating expenses reported in the Annual Accounts for the years 2011-12 and 2012-13 and 2013-14 (actuals to be furnished) excludes service tax component paid by SWPL. If not, service tax component paid on the expense may be indicated for each of the years 2011-12, 2012-13 and 2013-14 separately. This need to be excluded from cost statement in the light of the observation at (vii)(a) above. |
| | (c). Please confirm and certify that the income and expenses for the years 2011-12 to 2013-14 as well as estimates of 2014-15 and 2015-16 reported in the cost statements excludes service tax component both on the income side as well as expense side. |
| (viii). | The existing Scale of Rates prescribes tariff for supply of water to vessels. Actual income for the years 2010-11 to 2012-13 as well as income estimates for the years 2013-14 to 2015-16 do not consider any income from this tariff item. Please explain the reasons therefor. If no services are provided by SWPL then, justify the relevance of prescribing tariff for this item in the Scale of Rates. |
| (ix). | (a) The rates set by this Authority are ceiling levels only. Indicate the discount, if any, allowed by SWPL over the ceiling rates during the year 2010-11 to 2012-13 and 2013-14. The revenue impact of such discounts allowed should also be quantified. |
| | (b). Confirm the income estimated for the years 2013-14 to 2015-16 are based on the rates prescribed in the existing Scale of Rates of SWPL. Confirm the income estimates do not capture tariff reduction/ concession, if any, granted by SWPL in the years 2010-11 to 2012- |

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| | 13 and 2013-14 on account of flexibility availability to Port Trusts/ BOT operators. |
| | (c). Applying the rates prescribed in the existing Scale of Rates and considering the actual volume of cargo handled during the years 2010-11 to 2013-14, the income realised during the said years to be furnished year-wise with workings. |
| | (d). As stipulated by this Authority in para 13(ix)(a) of tariff Order of November 2010, the estimated berth hire income for the years 2010-11 to 2012-13 which was based the vessel parameters furnished by the SWPL for the years 2007-08 to 2009-10 requires to be verified with reference to the actual parameters for the years 2010-11 to 2012-13. In this context, SWPL to furnish year-wise details of average GRT, parcel size of vessel and productivity achieved during the years 2010-11 to 2012-13. |
| **(8).** | **Operating cost:** |
| (i). | In terms of clause 2.5.1. of the 2005 tariff guidelines, expenditure projection should be in line with traffic adjusted for price fluctuation with respect to the current movement of Wholesale Price Index (WPI) for all the commodities announced by the Government of India. The WPI for all the commodities for the tariff cases to be decided in the year 2014-15 will be decided by this Authority and communicated to all Major Port Trusts and BOT operators including SWPL in due course of time. Hence, the annual escalation in the cost estimation should be modified accordingly. |
| (ii). | Cargo Handling Expense:<br>(a). The proposal of SWPL states that cargo handling expense (including labour) covers direct labour for stevedoring, operating mechanised handling system, storing, loading cargo into wagons and is awarded to various cargo handling contractors. Likewise, maintenance labour cost for upkeep, replacement of spares, lubes and oil of machinery are also outsourced. Please furnish copies of contract entered with the outsourcing agency/agencies to justify the estimation of direct labour and maintenance labour cost indicating validity period of each contract. Also, confirm whether the relevant service provider(s) were engaged following a competitive bidding and arm's length relationship is maintained for such transaction which should be supported with necessary documents. |
| | (b). Please furnish detailed computation of cargo handling expense indicating the unit rate adopted giving reference to the unit rate in the contract and the traffic projected to justify the expense considered under this head for each of the years 2013-14 to 2015-16. |
| | (c). Form 3B shows that the cargo handling expense is inclusive of CHLD levy paid/ payable to MOPT for the past period 2010-11 to 2012-13 as well as estimates for 2013-14 to 2015-16. Para 13(iii) of the last general revision Order dated 3 November 2010 states that the SWPL had disputed the payment of CHLD levy to MOPT on the grounds that it is not as per the terms of the License Agreement. The payment was reportedly made by SWPL to MOPT under protest and the matter was referred for arbitration which was pending during the last tariff revision. For the reasons explained in the said Order, this Authority had not allowed this expense in the tariff fixation. The status of the dispute between MOPT and SWPL referred to the arbitrator may be furnished, with the copy of the decision of the arbitrator, if any. If the dispute is still not settled, this expense may be excluded from cost statements in line with the approach followed in the last Order. |
| | (d). The proposal of SWPL states that maintenance labour is outsourced. However, Form 3B shows nil expense towards maintenance labour. Please clarify under which head of expense the maintenance labour cost is captured in the Annual Accounts as well as in the cost statement. |
| | (e). Maintenance labour cost is estimated at ₹168 lakhs, ₹245 lakhs and ₹284 lakhs respectively for the years 2013-14 to 2015-16 at the columns relating to proposed tariff though nil expense is estimated at the existing tariff level. There appears to be some typographical error. The SWPL is requested to examine the matter. |
| **(9).** | **Equipment Running Cost:** |
| (i). | Power cost:<br>The SWPL clarified during the proceedings relating to the tariff Order dated 3 November 2010 that power consumption will normative when the new equipment are commissioned in 2011-12. However, SWPL has estimated increase in power consumption from 0.89 units per tonne in each of the years 2013-14 and 2014-15 to 0.95 units per tonne in the year 2015-16. Therefore, justify the estimated power consumption. Further, the unit rate of power considered in the year 2013-14 to be substantiated with copy of bills pertaining to last four months in the said year. |

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| (ii). | Fuel cost:<br>(a). The fuel consumption shown at 0.13 per tonne in each of the years 2011-12 and 2012-13 is suddenly estimated to reduce to 0.03 units per tonne in the 2013-14, 2014-15 and to 0.04 units in 2015-16. The reasons for estimating sudden reduction in the fuel consumption needs to be explained. Indicate the average actual fuel consumption in the year 2013-14. |
| | (b). The unit rate for the fuel shows steep hike from ₹46 per litre in the year 2012-13 to ₹60.15 per litre estimated in the year 2013-14. The unit rate of fuel considered in the year 2013-14 to be substantiated with copy of bills pertaining to last four months in the said year. |
| (iii). | Repairs and Maintenance cost: |
| | (a). Repairs and maintenance cost estimated during last tariff revision were ₹392 lakhs, ₹408 lakhs and ₹548 lakhs for the years 2010-11 to 2012-13 respectively. As against that, the actual repairs and maintenance cost (including stores consumed) shown in the cost statement are ₹447 lakhs, ₹713 lakhs and ₹887 lakhs for corresponding period. The actual repairs and maintenance expenditure shows increase of 14%, 75% and 62% in comparison to estimates considered in the last tariff Order. Explain the reasons for steep increase in the actual repairs and maintenance cost. |
| | (b). The repairs and maintenance cost is stated to have been estimated at 1.5% on gross block of civil assets and 3% on the gross block of mechanical assets. Applying the said percentage, the repairs and maintenance cost works out to ₹544.9 lakhs in the year 2013-14, ₹.799.92 lakhs in the year 2014-15 and ₹928.87 lakhs in the year 2015-16 as against ₹1131 lakhs, ₹1364 lakhs and ₹1511 lakhs considered by the SWPL for the corresponding period. The SWPL is requested to explain the reasons for the mismatch. Please furnish detailed working in this regard. |
| | (c). Notwithstanding the above position and with reference to the estimates for the years 2013-14 to 2015-16, the SWPL has estimated the cost at 1.5% for civil assets and 3% for mechanical assets. This Authority has rejected this approach vide para no.13(x) of the tariff Order of November 2010 for the reason stated therein. The request made by SWPL for review of the decision taken by this Authority in this regard was also rejected by this Authority vide Review Order dated 26 July 2011. Therefore, the SWPL to justify steep increase of 27.5%, 20.6% and 10.7% estimated in the repairs and maintenance cost in the years 2013-14 to 2015-16 over the actuals/ estimates of the respective previous years. Since the year 2013-14 is already over, the estimate of repairs and maintenance expenses may be updated with actual in line with our observation for other items. |
| | (d). The estimate of repairs and maintenance cost for the years 2014-15 and 2015-16 should be justified with reference to the actual repairs and maintenance cost incurred in the years 2012-13 and 2013-14. Also confirm, one time repairs and maintenance cost, if any, captured in the actuals of the immediate previous year are excluded while estimating the expense for the years 2014-15 and 2015-16. |
| | (e). Sl. No.A(III)(c) under Form 3B pertaining to estimate of repairs and maintenance cost makes a mention that labour portion is excluded. This point may be elaborated as it is not clear. |
| **(10).** | **Maintenances Dredging:** |
| (i). | Please clarify whether the dispute between SWPL and MOPT regarding the quantum of dredging as brought out in the last tariff Order in para 13(xv) referred to the arbitrator is resolved. If so, convey the decision of the arbitrator in this regard along with copy of the same. |
| (ii). | A statement showing the estimate of maintenance dredging cost considered in the tariff Order of November 2010 for the years 2010-11 to 2012-13 and the actual maintenance dredging cost reimbursed to the MOPT for the corresponding years may be furnished. It may be noted in this regard that if the actual is less than the estimate considered, the excess estimate will be dealt with as per stipulation made in the last tariff Order of November 2010. |
| (iii). | The proposal states that SWPL has made a provision of ₹315 lakhs towards maintenance dredging (in the year 2012-13) against the bill received from the MOPT for the years 2011-12 and 2012-13. Please confirm whether the SWPL has released the payment to MOPT with reference to the provision created for Maintenance Dredging. Furnish a copy of the bill raised by MOPT for the years 2011-12 and 2012-13 and the quantum of payment made in the year 2012-13. |
| (iv). | Justify the basis of estimating maintenance dredging cost of ₹250 lakhs annually for the |

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| | years 2013-14 to 2015-16 more particularly when the bill raised by MOPT for ₹315 lakhs pertained to two years 2011-12 and 2012-13. |
| (v). | The cost statement should be updated with the actual maintenance dredging cost incurred or paid to MOPT for the year 2013-14. Please furnish copy of bill received from MOPT in this regard to substantiate the figures. |
| **(11).** | **Lease Rental:** |
| (i). | Please confirm the estimation of lease rental is as per the terms of the License Agreement. |
| (ii). | This Authority has passed an Order revising the estate rentals of Mormugao Port Trust vide Order No.TAMP/8/2012-MOPT dated 2 May 2012. Subsequently based on the application filed by the MOPT to review the said Order, this Authority vide Order No.TAMP/8/2012-MOPT dated 8 August 2012 has reviewed and revised the rentals prescribed for Mormugao Harbour and Headland Sada in its earlier Order dated 2 May 2012. Please confirm that unit rate considered for estimating the lease rental is as per the rate approved by this Authority and in line with the provisions in the License Agreement. Also, give reference to the unit rate of lease rent adopted from the schedule of lease rent approved by this Authority for MOPT. |
| **(12).** | **Insurance** |
| (i). | Furnish a copy of the relevant insurance covers taken for the year 2013-14 to justify the figures considered in the cost statement for the year 2013-14. |
| (ii). | The insurance cost incurred by SWPL at ₹136 lakhs in the year 2010-11 has reduced to ₹133 lakhs in 2011-12 and ₹132 lakhs in the year 2012-13 despite additions to the tune of ₹142 lakhs and ₹4,777 lakhs to the gross block during the corresponding period. In this context, justify the reasons for estimating increase in the insurance cost during the years 2013-14 to 2015-16. |
| (iii). | Please furnish the basis of estimating the insurance cost for the years 2014-15 and 2015-16 with detailed working and justify with reference to the past actuals. |
| **(13).** | **Other Expenses:** |
| | Form 3B shows an expense under customs MOT charges in the range of ₹6 lakhs to ₹7 lakhs per annum. It is noticed that this expense is not considered in the consolidated cost statement. Please explain the nature of this expense and reasons for not considering this expense in the estimates. |
| **(14).** | **Management and Administration Overheads** |
| (i). | Explain the reasons for steep increase of 68% in the actual Management and Administration overheads from ₹796 lakhs in the year 2011-12 to ₹1336 lakhs in the year 2012-13. If steep increase is due to capturing of any onetime expense under this head, the same may be excluded while estimating this expense for the future period. A confirmation in this regard may be furnished. |
| (ii). | The management and administration overhead estimated for the year 2013-14 needs to be updated with actuals as stated earlier and estimates for the subsequent period may be reviewed, if necessary, based on the 2013-14 actuals |
| **(15).** | **Depreciation** |
| (i). | The proposal states that depreciation is computed on straight line method for life norms permissible in accordance with the Companies Act, 1956. 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 tariff guidelines. |
| (ii). | The Audited Accounts of SWPL for the year 2012-13 reports depreciation at ₹1642 Lakhs. Whereas in the cost statement deprecation is considered as a negative figure i.e. ₹480 lakhs. It is not clear as to how deprecation on assets can be a negative figure. Please clarify. Please reconcile the difference and justify the reasons for adjustments, if any, done by SWPL in this regard. |
| (iii). | There is minor mismatch in the depreciation figure reported in Annual Accounts for the years 2010-11 and 2011-12 vis-à-vis the depreciation considered in the cost statement. Please reconcile the difference between the figures reported in the respective Annual Accounts and the cost statement. |
| (iv). | (a). It is seen from the calculation given in Form 4A that the depreciation on gross block of plant and machinery is estimated at 15% per annum and on “others” at 10% per annum for each of the years 2013-14 to 2015-16. The depreciation rate considered by SWPL for |

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| | these three years are not found to be as per the depreciation rate prescribed in the Companies Act 1956. The depreciation rate also significantly vary from the average depreciation rate which works out to 4.5% on the gross block of plant and machinery and 6.8% on gross block of other assets for the year 2011-12. The SWPL is requested to review and modify the estimate of depreciation in accordance with the depreciation rate applicable as per Companies Act, 1956 and in accordance with the 2005 tariff guidelines. |
| | (b). The Companies Act, 2013 has been announced by the Ministry of Corporate Affairs. In case the depreciation rate considered by SWPL is based on the provisions of Companies Act 2013, then details of arriving at the depreciation rate based on the useful life of assets prescribed in the Companies Act 2013 may be indicated giving reference to the relevant item in the said Act. |
| (v). | The actual depreciation on wharves, road and boundaries is reported at ₹503 lakhs per annum in the years 2010-11 and 2011-12 and depreciation on others (assets) is reported at ₹10 lakhs and ₹9 lakhs for the said two years. The scale up in the depreciation figure to ₹398 lakhs per annum on wharves, roads and boundaries and ₹17 lakhs per annum on other assets for each of the years 2013-14 to 2015-16 when the gross block of these assets is almost maintained at the same level from 2011-12 to 2015-16 needs to be justified. |
| (vi). | Since the year 2013-14 is already over, the estimated depreciation for the year 2013-14 in the cost statement may be updated with actuals with consequent modification in future estimates as well. |
| **(16).** | **Preliminary Expense Write off:** |
| | As brought out in para 13(xvii) of the last tariff revision Order, preliminary expense of ₹8.70 crores incurred during the construction period has been capitalised by SWPL under civil and equipment cost. In the cost statement, the SWPL has shown the annual write off relating to preliminary expenses. It has, however, not made corresponding adjustment in the depreciation and gross block/ net block of assets. The SWPL is requested to make necessary adjustment in the gross block of assets, deprecation and net block of the assets with reference to the capitalized preliminary expense and amortization thereof.<br><br>Also, reconcile the gross block, depreciation and net block as per the books of accounts for the years 2010-11 to 2013-14 with the corresponding figures in the cost statement. Return may be considered on the un-amortized preliminary expense for each of the years both for the past period (i.e. 2010-11 to 2012-13) and the future period (2013-14 to 2015-16) in line with the approach followed in the last tariff Order. |
| **(17).** | **Financial and Miscellaneous Income (FMI):** |
| (i). | It is seen that the SWPL under the head FMI has considered profit on sale of assets at ₹8 lakhs, ₹62 lakhs and ₹197 lakhs for the years 2010-11 to 2012-13 respectively. The Annual Accounts of SWPL under the head "Other Income" report profit from sale of scrap to the tune of ₹43.40 lakhs, ₹85.3 lakhs and ₹140.5 lakhs for the years 2010-11 to 2012-13 respectively, amongst other income. Further, profit on sale of fixed assets reported in Annual Accounts of the year 2012-13 is ₹57.9 lakhs. The sum of income from sale of scrap and sale of fixed assets do not match with income shown by SWPL in the cost statement. Please reconcile and furnish correct figures in the cost statement. |
| (ii). | Please also furnish a reconciliation statement reconciling the other income reported in the Annual Accounts and FMI considered in the cost statement for each of the years 2010-11 to 2013-14. |
| **(18).** | **Finance & Miscellaneous expenses (FME):** |
| | Bank charges of ₹17.09 lakhs, ₹14.9 lakhs and ₹53 lakhs are reported under the head 'Finance costs' in the Annual Accounts of the years 2010-11 to 2012-13 respectively. The SWPL has, however, not considered this item of expense in the cost statement. The reason for not considering this item of expense and purpose of the said item of expense may be furnished. |
| **(19).** | **Form 4A- Capital Employed** |
| (i). | As recorded in para 13 (xxi) (d) of the Order of November 2010, additions to the gross block of the tune of ₹354 lakhs, ₹115.5 lakhs and ₹9038 lakhs (i.e. ₹10667 lakhs less ₹1.629 lakhs deletion of gross value of two HMC) during the years 2010-11, 2011-12 and 2012-13 respectively, summing to ₹9507.75 lakhs was considered while determining the tariff in the last general revision of SWPL. As against that, the actual additions to the Gross Block reported in the Audited Accounts of SWPL and in Form 4A is ₹11 lakhs, ₹142 lakhs and |

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| | ₹4,777 lakhs for the years 2010-11 to 2012-13 respectively summing to ₹4930.00 lakhs. The actual addition to the gross block of asses widely varies from the additions to gross block considered in the last Order which was based on the submission made by SWPL. Explain the reasons for significant variations from the proposed plan of additions to the Gross block vis-à-vis the actual deployment. Please also furnish details of actual additions to the gross block vis-à-vis the additions to gross block allowed in the last tariff Order item wise as tabulated in the said para of the Order. |
| (ii). | (a). This Authority in the last tariff Order had held that reduction of 9.5% effected is subject to the condition that additional assets on in-motion wagon loading, single rail line along with complementary assets are commissioned by 1 April 2012 [Refer para 13(xxiv) of the Order of November 2010]. The said Order also required both MOPT and SWPL to report whether all assets related to in-motion wagon system, single rail line along with related assets and reclaimer, two ship unloaders are in place by 31 March 2012. If these assets are not commissioned as presumed, then the Order mentioned about ahead of schedule review of SWPL duly adjusting the additional surplus estimated to accrue in the years 2010-11 and 2011-12. Neither MOPT nor SWPL did report the factual position despite specific mention in the Order. Explain the reason for not adhering to the advice of this Authority rendered in the last Order. |
| | (b). If the additions to assets allowed in the last tariff Order were not commissioned as considered in the last Order by 31 March 2012 as proposed by SWPL, then the exact date of commissioning of these assets, additional surplus accrued in the years 2010-11 to 2012-13 till 2013-14 on account of delay in commissioning of the additions to the gross block from the level presumed in the last Order to be computed and furnished with workings for adjustment in the tariff to be determined in this cycle. |
| (iii). | Since the year 2013-14 is already over, the estimates furnished in Form 4A to be updated with reference to the actuals as per Audited Accounts with consequent modification, if necessary, in the estimates for the years 2014-15 to 2015-16. |
| (iv). | The actual additions to the gross block estimated in the year 2013-14 as well as estimated additions proposed to the Gross Block of assets in the years 2014-15 and 2015-16 to be substantiated with copies of Bills settled/ work orders issued / budgetary quotations as the case may be. The present status of the additions proposed to the gross block in the years 2014-15 and 2015-16 also to be furnished for each of the assets. |
| (v). | Confirm that the entire proposed expenditure in each of the years will be capitalized in the books of accounts of the same year and also the assets worth the equal amount will be physically available for operation in the very same year. In this regard, it may be borne in mind that capital work-in-progress is not counted towards capital employed for the purpose of allowing return thereon. |
| (vi). | The points observed in our queries relating to depreciation need to be considered while furnishing revised Form 4A. |
| (vii). | Form 4A shows deletion of ₹2500 lakhs from gross block of Plant and Machinery in the year 2014-15. The details of the assets proposed to be deleted needs to be indicated. The effect of sale value receivable from sale of such asset and profit/ loss thereon to be recognised in the cost statement. |
| (viii). | (a). The SWPL has proposed addition to the gross block to the tune of ₹85 crores, ₹68 crores, and ₹35 crores during the years 2013-14 to 2015-16 respectively as per Form 4A. Details of additions to the gross block furnished in para 5 of the proposal for the year 2013-14 sums up to ₹25 crores which does not match with ₹85 crores addition to the gross block indicated in form 4A. Please furnish the breakup of the remaining assets added in the year 2013-14. |
| | (b). Form 4B of the prescribed format requires to provide details relating to each of the assets proposed to be added to the gross block in terms of the particularly given therein. The SWPL has not furnished the requisite Form 4B. The SWPL is requested to furnish Form 4B duly filled quantifying the effect of these investment in terms of addition to the capacity, additional traffic/ business, reduction in the unit operating cost or any improvement in the operational efficiency. As the FY 2013-14 is over, the requisite details with reference to additions to the gross block in the year 2013-14 also need to be furnished. |
| (ix). | Please confirm as to whether the proposed investment/ addition to gross block is as per License Agreement. |
| **(20).** | **<u>Working Capital</u>:** |

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| (i). | Clause 2.9.9 of the tariff guidelines stipulates norms for estimating sundry debtors at two months' Estate income & Railway Terminal charges for estimating the working capital. The estimation of Sundry debtors at two month's total revenue is not in accordance with the norms prescribed in the guidelines. |
| (ii). | This Authority in the Order passed on 30 September 2008 announcing refinement in the 2005 guidelines wherein outflow on certain items arising out of the contractual obligations of the LA is permitted to be taken as part of the Sundry Debtors. As per Article 7.3.4.2 of the LA, the SWPL is required to pay lease rent to the MOPT for the lands allotted to it in advance every year. Since 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, an, the average of the pre-payment at 50% may be considered as part of Working Capital for each of the year 2010-11 to 2013-14 as well as in estimates of 2014-15 and 2015-16 for computation of working capital in line with the approach followed in the last tariff revision Order of SWPL. |
| (iii). | (a). Actual consumption of stores and spares reported in the Annual Accounts for the years 2010-11, 2011-12 and 2012-13 is ₹376.6 lakhs, ₹572.5 lakhs and ₹636.5 lakhs. As against that, SWPL has shown actual inventory consumption at ₹698 lakhs, ₹603 lakhs and ₹435 lakhs in Form 4A Sr. No.VIII (ii). The reasons for mismatch to be explained and difference need to be reconciled. |
| | (b). Consumption of stores and spares may be bifurcated into (a). capital spares, if any, (b). other inventory excluding fuel and customized spares and (c). customised spares, if any and the inventory allowable in the working capital may be modified as per the norms prescribed in the guidelines for the past period 2010-11 to 2012-13, 2013-14 and for future estimates 2014-15 and 2015-16. |
| | (c). Steep increase in the inventory of capital spares from ₹240 lakhs and ₹243 lakhs in the years 2010-11 and 2011-12 to ₹709 lakhs in 2012-13 and estimated at ₹750 lakhs uniformly for each of the years 2013-14 to 2015-16 may be justified. |
| (iv). | The current liability shown in Form 4A for the years 2010-11 to 2012-13 at ₹1139 lakhs, ₹1669 lakhs and ₹2391 lakhs respectively do not match with the current liability reported in the Annual Accounts. Please reconcile the difference. Explain the basis for estimating the current liability for the years 2013-14 to 2015-16. |
| (21). | The SWPL is requested to furnish Form 6 - Analysis of Efficiency & Productive Improvement which is not furnished. |
| (22). | The SWPL has not furnished Form 8 relating to Details of Revenue Share/ Royalty. Please furnish the duly filled form in the prescribed format. |
| (23) | **Allocation of expenses and capital employed between cargo and vessel related activity**:<br><br>The SWPL is requested to furnish the following information/ clarification with reference to allocation done by SWPL for drawing the activity-wise cost statement under 5B(i) and 5C(i) for cargo handling activity and vessel related activity respectively: |
| (i). | Please confirm whether the cost statement for main activities/sub activities are prepared in line with the general instruction given in the Form 5 of the cost format. |
| (ii). | (a). Explain the relevance of allocating cargo handling expense (outsourced activity) to vessel related activity. Clarify whether the said outsourced activity provides vessel related services also. If so, furnish the basis of allocation of the outsourced expense to vessel related activity. |
| | (b). In the last revision tariff revision around 96% of the operating and direct labour (now termed by SWPL under the head cargo handling expense) was allocated to cargo handling activity and balance 4% was allocated to vessel related activity. In the current revision, SWPL has allocated 75% of the total cargo handling expense to cargo handling activity and 25% to vessel related activity. Please furnish the reasons for change in the ratio of allocation of this expense between the two activities and the basis therefor. |
| (iii). | As per License Agreement entered by SWPL with MOPT, the revenue share payment is linked to the revenue from cargo handling activity. That being so, the reasons for apportioning the revenue share admissible to the extent of second quote (i.e. 13.10% of the cargo handling revenue) between the cargo handling activity and vessel related activity is not clear. Since the revenue share paid by SWPL is with reference to the income from cargo handling activity and not with reference to revenue from vessel related activity, the |

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| | approach followed by SWPL of apportioning this item to vessel related activity needs to be reviewed corrected. It is observed that even during the last tariff revision, the revenue share payment was not allocated to vessel related activity by the SWPL. |
| (iv). | On examining the workings, it is observed that all operating cost as well as common expenditure like management and general overheads, lease rentals, insurance, preliminary expenses and upfront fee written off, allocation of overheads, FMI, FME, etc. have been apportioned between the cargo handling activity and vessel related activity uniformly in the ratio of 75:25. Furnish the reasons and basis of adopting uniform ratio of 75:25 for apportioning all the expenses between the two activities. |
| (v). | (a). The sum of capital employed apportioned to cargo handling activity and vessel related activity comes to ₹13047 lakhs, ₹16920 lakhs and ₹23288 lakhs for the years 2013-14 to 2015-16 respectively which do not match with the capital employed shown in Form 3A. This may be corrected. |
| | (b). Similar discrepancy is also observed in the capital employed of year 2012-13 in the activity-wise statements which may also be corrected. Moreover, the activity-wise cost statement of cargo handling activity and vessel related activity do not give the capital employed figures for the years 2010-11 and 2011-12. Please incorporate these figures in the activity wise cost statements. |
| | (c). Explain the basis of allocating the existing capital employed, additions proposed to the Gross Block during the year 2013-14 to 2015-16 between cargo handling activity and vessel related activity. |
| (vi). | The SWPL has shown adjustment of 100% past surplus of the years 2010-11 to 2012-13 in the consolidated cost statement. But, this adjustment is not shown in the activity-wise cost statement. The SWPL is requested to consider the mopping up of past period surplus in activity-wise cost statement as well. |
| (vii). | The activity-wise cost statements need to be reviewed and modified in the light of our above observation to reflect the correct net surplus/ deficit position |
| (24). | As stipulated under clause 6.8 of the tariff guidelines, benchmark levels of productivity may be indicated and incentives may be proposed for better performance of the terminal and disincentives for performance below the benchmark levels. The rationale for proposing such benchmark levels and the incentive / disincentive may also be indicated. |
| **B.** | **SCALE OF RATES** |
| (1). | **Section 2: General terms & conditions**: |
| | The penal rate of interest in note 2 vii (b) is proposed at 14.25%. This needs to be updated at 2% above the prevailing Prime Lending Rate of State Bank of India (which is presently 14.75%) as per clause 2.18.2. of the tariff guidelines |
| (2). | **Part - I – Vessel Related Charges, Section C – Berth Hire Charges** |
| | The minimum berth hire charge in note (3) is proposed to be reduced from existing US$ 650 to US$ 588.25 for foreign-going vessel and for coastal vessel it is proposed to be reduced from existing ₹17402 to ₹15748.80. The reasons for proposing reduction in the minimum berth hire charge may please be explained. It may be clarified whether the financial implication of the proposed reduction is captured in the income estimation from berth hire charges for the years 2014-15 and 2015-16. |
| (3). | **Section D - Charges for water supply**: |
| | It is observed that the SWPL has not reported any income from this tariff item in the past period 2010-11 to 2012-13 as well as in future estimates. Please confirm whether SWPL provides this service. If not, the SWPL may examine whether this schedule need to be continued in its Scale of Rates. |
| (4). | **Part- II – Cargo Related Charges** |
| (i). | (a). The proposed increase of 12% in the cargo handling charge, dust suppression charge may please be justified with reference to the average cost position in the revised cost statements of cargo handling activity and consolidated cost statement filed by the SWPL |
| | (b). Explain the reasons for not seeking any increase in the wharfage charge and storage charge whilst other cargo handling activities viz. cargo handling charge, dust suppression charge are proposed for an increase of 12%. |
| | (c). The additional revenue likely to accrue at the increase proposed in the cargo handling charge, dust suppression charge may please be furnished year-wise with detailed working. |
| (ii). | Though the SWPL has stated that 12% increase is proposed in cargo handling charge, it is observed that the increase in cargo handling charge at berth 5A and 6A for metal products, |

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| | steel coils, slabs at Sl.No.2 and Sl.No.5 respectively works out to 5.03%. The SWPL may please explain specific reasons for not considering 12% increase for these cargo in line with the increase sought for other cargo items. For cargo like limestone, metallurgical coke, iron ore pellets and other cargo at berth 6A also, the increase proposed works out in the range of 11.11% to 11.5% and not exactly 12%. The SWPL to confirm there is no typographical error as such in arriving at the proposed rate. |
| (iii). | The SWPL is requested to establish with workings that with the various percentage of increase sought in cargo handling charges and dust suppression charge and 0% increase sought in wharfage and storage charge, if approved, the SWPL will be able to cover the estimated deficit position and the approval to the various percentages of increase will not exceed the estimated deficit position. |
| (iv). | As per clause 4.3. of the 2005 guidelines iron ore pellets are not eligible for coastal concession in respect of cargo handling charges. The SWPL has in the proposed Scale of Rates in Section B cargo handling charge at Berth 6A under Sl.No.(4) proposed concessional rate for iron ore pellets for coastal cargo which should be corrected. |
| (5). | **Section D – Dust Suppression Charge**: |
| | The dust suppression charge as per the existing Scale of Rates is 2.15 per tonne. Applying 12% increase proposed by SWPL on the existing rate, the unit rate will work out to ₹2.40 per tonne and not ₹2.75 per tonne as proposed by the SWPL in its SOR. The SWPL is requested to examine and make necessary correction in the proposed Scale of Rates as well as in the revenue estimation at the proposed rate |

7.2. The SWPL was reminded vide our letters dated 22 July 2014, 13 August 2014 and 16 October 2014 to furnish reply to the queries raised vide our letter of even number dated 4 June 2014. The SWPL has not furnished response to our queries despite protracted follow up and reminders. This is further elaborated in the subsequent paragraphs.

8. On examining the proposal filed by SWPL, it was observed that additional information/ clarifications on a few points are required from the MOPT. The MOPT was requested vide our letter dated 4 June 2014 to furnish information/ clarifications on various points. The MOPT has furnished its response vide its letter dated 25 June 2014, e-mail dated 22 December 2014 and two e-mails dated 24 December 2014. The summary of the queries raised by us and reply furnished by the port are tabulated below:

| Sl. No. | Queries raised by us | Reply furnished by MOPT |
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| (i). | The traffic of coal for Financial Year (F.Y.) 2013-14 to 2015-16 is projected at 6.0 million tonnes, 6.25 million tonnes and 6.50 million tonnes respectively as against actual volume of 6.75 million tonnes of coal handled by SWPL in the year 2012-13. The traffic projected for steel products is 0.52 million tonnes and 0.77 million tonnes in the F.Y. 2013-14 and 2014-15 respectively which is found 35% and 5% lower than the actual steel products of 0.81 million tonnes handled in the year 2012-13. | The actual traffic of steel products handled by M/s SWPL in 2013-14 was 1.08 million tonnes. The reason for reduction in the same is not known. |
| (ii). | Further, with reference to the points made by the SWPL in its proposal about new BOT operator at Berth No 7 and about non-availability of sufficient number of rakes due to likely commencement of new BOT operator having impact on the traffic of the SPWL, the MOPT has vide its letter No.MF/Cost/112/2013/19 dated 25 June 2013, in its comments on the SWPL proposal mentioned about the steps | The actual traffic of coal handled by M/s.SWPL in 2013-14 was 7.46 million tonnes at a peak loading rate of 8 rakes per day. Due to the commencement in operations of the new BOT operator, the availability of rakes to M/s SWPL is expected to reduce by 25% till the doubling of railway tracks which is not expected to be completed before 2016. Hence the traffic of coal handled by M/s SWPL in |

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| | initiated by the port with the Railway authorities for doubling the railway track to improve the rail traffic which is already in progress and other steps taken up for yard augmentation and enhancing supply of empty rakes.<br><br>In view of the above points made by the MOPT and also taking into consideration the additions to the assets proposed by the SWPL as brought out in our query at (ix), the MOPT is requested to furnish its comments on the reasonableness of the traffic estimates and the assessment of port about the traffic to be handled by SWPL in the years 2014-15 and 2015-16 as well as actual traffic handled by SWPL in the year 2013-14. | 2014-15 and 2015-16 is expected to reduce to 5.60 million tonnes inspite of faster loading of wagons due to the commissioning of in-motion wagon loading system in 2014-15. Hence the traffic of 6.25 million tonnes and 6,50 million for 2014-15 and 2015-16 respectively seems reasonable. |
| (iii). | As para 13(viii) of the last tariff revision Order of SWPL dated 3 November 2010 as well as para 11(ii) of the Order No.TAMP/19/2006-SWPL dated 29 December 2006 passed by this Authority, both MOPT and SWPL had agreed to consider demand of small users and devise an alternative operational plan for including road delivery cases. Subsequently, in view of Writ Petition filed by few users, the Hon'ble High Court of Bombay had directed the Ministry of Shipping to decide about coal handling. In this context, during the meeting with the (then) Secretary (Shipping), the SWPL had agreed to consider the road mode if the MOPT provided 10,000 sq. mtrs. behind Berth No.7 for storage of cargo. The relevant operative portion of the Order No.PD/13011/1/2005-MOPT dated 15 December 2005 of Secretary (Shipping) is brought out in the para 13(viii) of the Order passed by this Authority in 3 November 2010. The MOPT is requested to intimate the status about further development in the matter about allotment of additional land to SWPL and action, if any, initiated by SWPL for development of evacuation by road mode. | In order to handle coal for small users, no additional land has been allotted to M/s. SWPL. M/s. SWPL are not having any facility for evacuation of coal through truck loading system. |
| (iv). | The SWPL has estimated the number of vessels to drop from 147 nos. in 2012-13 to 131 vessels in 2013-14 and number of vessels estimated for the years 2014-15 and 2015-16 are 134 and 149 respectively. The income from berth hire is estimated to reduce from ₹6,286 lakhs actually reported in the year 2012-13 to ₹4,268 lakhs in the year 2013-14 (-32%), ₹4,597 lakhs in the year 2014-15 (-27%) and ₹4,929 lakhs in the year 2015-16 (-22%). Actual number of vessels handled | The actual no. of vessels handled in 2013-14 was 159. Due to the above reason, the projected no. of vessels of 134 and 149 for 2014-15 and 2015-16 respectively seems reasonable. Correspondingly the estimated berth hire income also seems reasonable. |

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| | by SWPL in the year 2013-14 may be indicated. Please also comment on the reasonableness of number of vessels and berth hire income estimated by the SWPL for the years 2014-15 and 2015-16. | |
| (v). | Para 13(iii) of the last general revision Order dated 3 November 2010 states that the SWPL had disputed the payment of CHLD levy to MOPT on the grounds that it is not as per the terms of the License Agreement. The payment was reportedly made by SWPL to MOPT under protest and the matter was referred for arbitration which was pending during the last tariff revision. Please clarify whether the dispute between MOPT and SWPL referred to the arbitrator is settled. If so, forward a copy of the arbitration award. | Dispute between Mormugao Port and SWPL as regards to payment of CHLD levy referred to Arbitration. Status – Arguments from both the parties are complete and Arbitrator, so far has not pronounced the award. |
| (vi). | (a). Please clarify whether the dispute between SWPL and MOPT regarding the quantum of dredging as brought out in the last tariff Order in para 13(xv) referred to the arbitrator is resolved. If so, convey the decision of the arbitrator in this regard along with copy of the arbitration award. | Dispute between SWPL and Mormugao Port as regards to Dredging referred to Arbitrator. Status – Arbitrator has submitted the award. The MOPT vide its email dated 24 December 2014 has forwarded a copy of the Arbitration award dated 2 June 2011 which orders the action of recovery by MOPT towards maintenance dredging from SWPL as unlawful for the period from 2005 till 2010 and also for the future period. The Mormugao Port has challenged the arbitration award at the District Court, Margao. Hearings of the same are in progress. |
| | (b). (i). The proposal states that SWPL has made a provision of ₹315 lakhs towards maintenance dredging (in the year 2012-13) for the bill received from the MOPT for the years 2011-12 and 2012-13. Please furnish a copy of the bill raised by MOPT on SWPL in this regard. | MOPT has raised bills on M/s SWPL towards maintenance dredging amounting to ₹87,20,700/- and ₹1,90,44,700/- for the periods 2011-12 and 2012-13 respectively. Copy of above mentioned bills raised on SWPL is forwarded by MOPT vide its e-mail dated 24 December 2014. |
| | (ii). Also furnish a copy of the bill towards maintenance dredging, if any, raised for the year 2013-14. | A copy of the bill raised on M/s SWPL towards maintenance dredging amounting to ₹2,36,63,179/- for the period 2013-14 is furnished vide its email dated 24 December 2014. |
| | (c). The SWPL has estimated maintenance dredging cost of ₹250 lakhs annually for each of the years 2013-14 to 2015-16. Please comment on the reasonableness of the estimates furnished by the SWPL in this regard and more particularly recognising that the bill raised by MOPT for ₹315 lakhs pertains to two years viz. 2011-12 and 2012-13 | The expenditure towards maintenance dredging for the period 2013-14 was ₹236.63 lakhs. The excess quantity dredged in the B2, B3 & C4 area increased by 19.26% from 159210 cu.mtrs in 2012-13 to 189867 cu.mtrs in 2013-14 and the rate per cu.mtr increased by 4.19% from ₹119.62/- in 2012-13 to ₹124.63/- in 2013-14. Even if the dredged quantity of 189867 cu.mtrs is assumed to remain constant and the rate per cu.mtr increased by 5% per annum, the estimated dredging expenditure for 2014-15 and 2015-16 would be ₹248.46 lakhs and ₹260.88 lakhs with an average of ₹248.66 lakhs per annum from 2013-14 to 2015-16. Hence the estimated dredging |

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| | | cost of ₹250 lakhs per annum from 2013-14 to 2015-16 appears to be reasonable. |
| (vii). | (a). (i). Confirm whether the lease rental paid by the SWPL for the years 2010-11 to 2012-13 at ₹364 lakhs, ₹370 lakhs and ₹406 lakhs respectively considered in the cost statement are in line with the lease rent prescribed in the Scale of Rates of MOPT and as per the terms of the License Agreement. | The lease rentals paid by M/s SWPL for the years 2010-11 to 2012-13 are as per the terms of the License Agreement. |
| | (ii). Furnish the amount of lease rent paid by SWPL for 2013-14. | The lease rent paid by M/s.SWPL for 2013-14 is ₹434 lakhs. |
| | (b). This Authority has passed an Order revising the estate rentals of Mormugao Port Trust vide Order No.TAMP/8/2012-MOPT dated 2 May 2012. Subsequently based on the application filed by the MOPT to review the said Order, this Authority vide Order No.TAMP/8/2012-MOPT dated 8 August 2012 has reviewed and revised the rentals prescribed for Mormugao Harbour and Headland Sada in its earlier Order dated 2 May 2012. Please confirm that the estimation of lease rentals by the SWPL for the years 2013-14 to 2015-16 at ₹427 lakhs, ₹448 lakhs and ₹471 lakhs respectively are in line with the lease rent prescribed in the SOR of the MOPT and also in accordance with the terms of the LA. | The estimation of the lease rentals by SWPL for the years 2013-14 to 2015-16 are in accordance with the terms of the License Agreement, but are not in line with the lease rent prescribed in the SoR of MOPT. The License Agreement stipulates an annual escalation of 5% but allows the base rate revision only once in 10 years, the last revision being done in 2009. Hence the new rates as per SoR could not be made applicable to SWPL. There rate for 2014-15 is ₹372.75/10m2/month whereas the rate as per SoR for 2014-15 is ₹520/10m2/month. |
| (viii). | Please confirm the revenue share paid/ payable by SWPL as furnished in Form 3B item Sr. No V is in accordance with the terms of the LA. | The revenue share paid by SWPL to the Port is ₹1455 lakhs, ₹1552 lakhs, ₹1955 lakhs and ₹2166 lakhs for 2010-11, 2011-12, 2012-13 and 2013-14 respectively. |
| (ix). | The SWPL has proposed addition to the gross block to the tune of ₹85 crores, ₹68 crores, and ₹35 crores during the years 2013-14 to 2015-16 respectively. | Our information is that these equipments are standby equipments which can be deployed when the Stacker cum Reclaimer is carrying out stacking operations. This may contribute to the efficiency of the system. However, we are not aware of the extent of capacity augmentation that can be achieved. Further, SWPL is also investing in equipments to replace the existing machinery. The investments proposed are reasonable. |
| | (a). FY 2013-14 –<br>Mobile Equipment (Mobile handler)<br>₹10.00 crores<br>Span Gantry Crane<br>₹15.00 crores<br><br>(Addition to the Gross Block in the year 2013-14 furnished by SWPL at ₹25 crores do not match with the additions to gross block proposed in form 4A at ₹85 crores. A query in this regard is raised to SWPL) | |
| | (b). FY 2014-15 –<br>Continuous Ship unloader<br>₹44.00 crores<br>Cranes for steel handling<br>₹24.00 crores | |
| | (c). FY 2015-16 –<br>Upgradation of conveying system<br>₹20.00 crores | |

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| | Mobile equipment (pay loaders, excavators) ₹15.00 crores | |
| | Please furnish your comments on the reasonableness of the investments proposed by the SWPL. Also, indicate the impact on the capacity and traffic in view of the proposed additions to the gross block of assets. | |
| (x). | Please indicate the existing capacity of the two berths operated by the SWPL taking into consideration the investments made by operator and the equipment deployed for the operations. Also, indicate the optimal capacity of the terminal for the years 2013-14 and 2015-16 taking into consideration the additional investment proposed during the year this period. | Existing capacities (i.e. 2013-14) of two berths (i.e. Berth Nos.5A & 6A) is 5.00 MMTPA. With the commissioning of the in-motion silo, capacity augmentation upto 7.5 MMTPA is possible. But, this will largely depend on whether railway will be able to supply adequate rakes and evacuate the loaded rakes. We have observed that cargo dispatch is presently a bottleneck which can restrict capacity of the terminal. |
| (xi). | This Authority in the last tariff Order had held that reduction of 9.5% effected is subject to the condition that additional assets on in-motion wagon loading, single rail line along with complementary assets are commissioned by 1 April 2012 [Refer para 13(xxiv) of the Order of November 2010]. The said Order also required both MOPT and SWPL to report whether all assets related to in-motion wagon system, single rail line along with related assets and reclaimer, two ship unloaders are in place by 31 March 2012. If these assets are not commissioned as presumed, then the Order mentioned about ahead of schedule review of SWPL duly adjusting the additional surplus accruable in the years 2010-11 and 2011-12. Neither MOPT nor SWPL did report the factual position despite specific mention in the Order. | The work on additional assets on in-motion wagon system, single rail line along with complimentary assets are still in progress. Completion & Commissioning of above referred works will be reported to TAMP.<br><br>The MOPT has subsequently vide e-mail dated 22 December 2014 under the cover of which attached a letter dated 22 December 2014 stating that the work on additional assets on in-motion wagon system, single rail line alongwith complimentary assets is completed on 30 June 2014 as informed by SWPL.<br><br>It has also forwarded a copy of SWPL letter dated 8 August 2014 in supported on the above statement. |

9. A joint hearing in the case was held on 20 June 2014 at the premises of the MOPT. At the joint hearing, the SWPL, MOPT and the concerned users/ organisation bodies have made their submissions.

10.1. The SWPL during the joint hearing stated that in view of the cess imposed by the Government on coal, it apprehends that its main customer, JSW Steel will move majority of its coal traffic to Krishnapatnam Port and JSW Steel may switch over to limestone traffic and the coal traffic projected in its proposal may need a review. Hence, the SWPL sought time till 3rd week of July 2014 to recast and file its revised proposal.

10.2. In view of the above submissions made by the SWPL at the joint hearing, the SWPL was granted time vide our letter dated 26 June 2014 till 18 July 2014 to file its revised proposal as well as to furnish reply to the queries raised vide our letter dated 4 June 2014. The SWPL was also requested to forward a copy of its recast proposal (to be filed) to MOPT and all concerned users for their comments. The MOPT and users/ user organisations were requested to furnish their comments to this Authority within a week's time on receipt of the revised proposal from SWPL vide our letter dated 26 June 2014.

10.3. Well after the expiry of stipulated date of 18 July 2014, the SWPL vide its email dated 01 September 2014 under a cover of letter dated 28 August 2014 again had sought additional time of one month i.e. till 30 September 2014 for submission of revised tariff proposal. This request of SWPL was also acceded by this Authority vide our letter dated 4 September 2014 allowing SWPL extension of time till 30 September 2014 to file its revised tariff proposal as well as to furnish replies to our queries dated 4 June, 2014. While granting extension of time till 30 September 2014, it was made clear to the SWPL that if no information is received from SWPL by 30 September 2014, this Authority would proceed ahead with the case based on the available information.

10.4. Subsequently, the SWPL again vide its e-mail dated 01 October 2014 under the cover of its letter dated 30 September 2014 submitted that waiver/removal of cess is still pending for consideration of Hon'ble High Court as well as the Government of Goa. Citing this, the SWPL once again sought additional time of one month (i.e. beyond 30 September 2014 granted on the last occasion) for submission of revised tariff proposal till some clarity emerges on the important and critical issues having substantial impact on business operation.

10.5. With reference to the above request it was highlighted to the SWPL vide our letter vide our letter dated 16 October 2014 that its proposal is pending for disposal for more than one and half year and that it may not be appropriate for this Authority to keep the case pending indefinitely. The SWPL was intimated that the request made by the SWPL for the extension of one month time to file its revised proposal is not acceded to. Hence, it was made clear to the SWPL that as stated earlier its case will be taken up for processing on the basis of the available information. The SWPL was, however, again requested to furnish information/clarifications on queries raised vide our letter dated 4 June 2014 positively by 27 October 2014.

The SWPL was also intimated that in the event the decision of the Hon'ble High Court/ Government of Goa on waiver/removal of cess which is reported to be pending as stated by SWPL is likely to have adverse impact on the proposal filed by SWPL, it can come up for ahead of the schedule of review/revision of the Order to be passed by this Authority, for good and sufficient reasons, as provided for in the Clause 3.3.2 of the Tariff Guidelines of March 2005. The SWPL has neither furnished reply to our queries nor has it furnished the revised cost statement based on 2013-14 actuals, nor responded to our letter dated 16 October 2014.

10.6. Since no response was received from the SWPL, the MOPT was requested vide our letter dated 22 October 2014 to provide us the Audited Annual Accounts for the year 2013-14 of the SWPL. Accordingly, the MOPT vide its letter dated 27 October 2014 has promptly furnished the Audited Annual Accounts of the SWPL for the year 2013-14.

11. 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

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

(i). The existing Scale of Rates (SOR) of the South West Port Limited (SWPL) approved by this Authority vide its Order dated 03 November 2010 had the validity till 31 March 2013.

As brought out in the earlier paragraphs bringing out the factual position, even after protracted follow up, the SWPL did not furnish replies to the additional information/ clarification sought vide our letter dated 4 June 2014.

At the joint hearing held on 20 June 2014, the SWPL sought time for three weeks i.e. till 18 July 2014 to recast and file its revised proposal due to the cess reportedly imposed by the State Government on coal, which was granted. Even after availing sufficient time beyond the stipulated date of 18 July 2014, the SWPL sought further extension of one month's time i.e. till 30 September 2014 for

submission of its revised tariff proposal. While granting extension of time to file its revised proposal and also to expedite filing replies to the additional information/ clarification sought, SWPL was also intimated that if the requisite information/revised proposal is not received from the SWPL by 30 September 2014, then this Authority would have to proceed ahead with the tariff revision proposal of the SWPL based on the available information. The SWPL, however, did not respond positively, but sought further extension of one month's time vide its letter dated 1 October 2014 citing that waiver/removal of cess is still pending for consideration before the Hon'ble High Court as well as by the Government of Goa.

In this context, it was clearly brought to the notice of the SWPL that in the event, the decision of the Hon'ble High Court/ Government of Goa on waiver/removal of cess which is reported to be pending as stated by SWPL is likely to have adverse impact on the proposal filed by SWPL, it can come up for ahead of the schedule for review/revision of the Order passed by this Authority, for good and sufficient reasons, as provided for in the Clause 3.3.2 of the Tariff Guidelines of March 2005.

Since the tariff of the SWPL was due for revision from 1 April 2013 and proposal of May 2013 filed by the SWPL could not be kept pending indefinitely, the SWPL was again persuaded to furnish its response by 27 October 2014 to the queries raised. It was reiterated that if no response is received, the proposal of SWPL will be taken up for processing on the basis of the available information. The SWPL did not respond. The SWPL even did not furnish the Audited Annual Accounts for the year 2013-14 sought from them while seeking additional information/ clarifications.

Thus, despite all efforts taken by this Authority and the protracted follow up for around six months and inspite of giving sufficient time and opportunity, the SWPL has remained silent and not made any efforts to provide the requisite additional information / clarifications to review its tariff till the date of the Order passed by this Authority. This is despite the option made available to the SWPL for ahead of schedule review if the decision of the Court/ Government of Goa is likely to have an adverse impact on the tariff approved by this Authority. Despite reminders, the SWPL has also not furnished its comments on the comments of the users/ user association on its proposal as part of the consultation process.

The above approach of the SWPL, therefore, raises doubt in the mind of this Authority that the SWPL is not inclined to share with this Authority the requisite information and scuttle the efforts of this Authority to comply with the mandate given by the statute to review the tariff of Major Port Trust and Private Terminal operators operating thereat from time to time. As per Section 48 of the Major Port Trusts Act, 1963 this Authority is mandated to determine the Scale of Rates of Major Port Trusts and Private terminal operators operating thereat from time to time. As already stated, the Scale of Rates of SWPL is due for revision since 1 April 2013. This Authority is, therefore, required to discharge its statutory duty mandated by the Act and proceed ahead with revision of tariff of SWPL based on the available information. Notably, the Licensor port, MOPT, has responded to our queries and has furnished information regarding the reasonableness of traffic estimates, income estimates, capex projections, etc., made by the SWPL and has also, at our request, forwarded a copy of the Audited Annual Accounts of the SWPL for the year 2013-14 in the absence of the SWPL not furnishing even this basic financial report. In view of the above position and as already brought to the attention of the SWPL vide our letters dated 4 September 2014 and 16 October 2014 the proposal filed by the SWPL is taken up based on the information collected during the processing of the case.

(ii). Para 13(iii) of the last general revision Order dated 3 November 2010 elaborately deals with the payment of Cargo Handling Labour Department (CHLD) levy to MOPT disputed by the SPWL on the grounds that it is not as per the terms of the

License Agreement. The payment was reportedly made by SWPL to MOPT under protest and the matter was referred by the concerned parties for arbitration, which was pending during the last tariff revision.

In the last tariff revision Order in November 2010, this Authority had observed that it is necessary that the obligation of the Terminal Operator to bear certain expenditure should be established beyond doubt. In such an event only, this Authority will factor the relevant cost item, subject to its reasonableness, in the tariff computation. Interpretation of the License Agreement and adjudication of disputes between the Landlord and the Licencee are not the mandate of this Authority. It has to be settled by the concerned parties in the manner provided in the Agreement between them. For the above reasons explained in the said Order, this Authority had not allowed this expense in the tariff fixation. The last tariff Order stated that, if such payments are made as per the License Agreement, then the past period analysis to be undertaken in the next review will account for them.

When sought clarification whether the arbitration matter is settled, the MOPT has clarified that the arbitrator, so far has not pronounced the award. Since the MOPT has reported that the dispute referred to the arbitrator in the matter is not yet decided, the payments relating to CHLD levy are required to be excluded in line with the approach followed in the last tariff Order. The Annual Accounts of the SWPL do not report this item of expense separately. The SWPL has shown deletion of the CHLD payments at ₹43, lakhs, ₹52 lakhs and ₹108 lakhs for the years 2010-11 to 2012-13 respectively from the head operating and direct expense in line with the approach followed in the last tariff Order. The CHLD figures furnished by SWPL are relied upon and excluded in the cost statement prepared by us.

It is made clear to the MOPT and SWPL that the above decision of this Authority to exclude the CHLD levy from the operating expense of the SWPL should not be construed as prejudging the dispute which is under arbitration.

In this regard, it may also be relevant here to mention that the above stated position maintained in this analysis will not cause any undue hardship to SWPL. As can be seen later, the review of actual performance of SWPL in the preceding three years 2010-11 to 2012-13 shows availability of additional surplus of which 50% is only considered for adjustment in future tariff as per the stipulation of clause 2.13 of the tariff guidelines. The payments made by SWPL, if the arbitration award to be announced requires so, can easily be accommodated from the remaining 50% additional surplus. For the future period, if such payments are to be made as per the License Agreement, then the past period analysis to be made in the next review may account for them following the decision taken in the last tariff Order of November 2010.

(iii). (a). As brought out in the earlier paragraphs, the existing Scale of Rates of SWPL was approved in November 2010 relying on the estimated position for the years 2010-11 to 2012-13. By the said Order, an across the board reduction in the tariff of 9.5% was effected with effect from 1 January 2011 based on the revenue surplus position estimated for the period 2010-11 to 2012-13 as against 32% increase in tariff then sought by the SWPL.

Subsequently, based on the review application filed by the SWPL in January 2011, this Authority passed another Order dated 26 July 2011 wherein the operating and direct labour cost estimated in the tariff Order of November 2010 was revised based on documents submitted by the SWPL establishing arm's length relationship of the transaction entered between SWPL and JSWIL for outsourcing of cargo handling operation. In the said review Order, based on the total surplus of ₹76 lakhs estimated for the period 2010-11 to 2012-13, this Authority decided to maintain

status quo in the 2006 tariff as against 9.5% reduction effected by this Authority in November 2010 Order. The revised Scale of Rates was made effective from the date of notification of the Order in the Gazette of India i.e. 6 August 2011.

(b). Clause 2.13 of the tariff guidelines of 2005 mandates review of the actual physical and financial performance of the port operator at the end of the prescribed tariff validity period with reference to the projections relied upon at time of fixing the prevailing tariff. In the last review of the Scale of Rates of SWPL done in November 2010 and the review Order of July 2011, the tariff of SWPL was fixed by relying upon the estimates for the years 2010-11 to 2012-13. Thus, the estimates vis-à-vis actuals for the years 2010-11 to 2012-13 are to be analyzed to assess the actual performance of SWPL during the said period. The actual performance of the SWPL during the said period as compared to the estimates is discussed below.

(c). The general approach followed to analyse the estimated position in the last tariff Order is adopted to assess the actual net surplus / deficit for the years 2010-11-2012-13. The analysis for the past period is as explained below:

(i). The SWPL has in the cost statement furnished the actual traffic handled by it at 5.84 MMTPA, 6.48 MMTPA and 7.56 MMTPA for the years 2010-11 to 2012-13. The Annual Accounts of the SWPL for these years report the actual traffic at 5.80 MMTPA, 6.48 MMTPA and 7.76 MMTPA. It is relevant to state that the actual income furnished by the SWPL in the cost statement matches with the income reported in the Audited Annual Accounts for each of these years. However, it is seen that there is minor variation in the traffic figures furnished by the SWPL in its cost statement for the years 2010-11 and 2012-13. The traffic figure as reported in the Annual Accounts are considered.

(ii). The income estimates considered in the last tariff Order for the period from 1 January 2011 to 5 August 2011 are adjusted (reduced) on pro rata basis to capture the effect of tariff reduction of 9.5% effected in the November 2010 Order for a like to like comparison with the actual income from the date of implementation of the Order. The income estimates considered in the last tariff Order for the period from 5 August 2011 to 31 March 2013 are maintained because in the review Order passed by this Authority, the tariff reduction effected was withdrawn from the date of notification of the Order in the Gazette i.e. from 6 August 2011.

(iii). The SWPL has not responded to our queries regarding the discounts/ rebates allowed by the operator, if any, at his discretion which are not recognized in tariff fixing exercise.

The SWPL has furnished income computation for cargo handling activity at actuals for the years 2010-11 to 2012-13 at the time of filing the proposal. The income computation furnished by SWPL has been verified and corrected to the extent of errors noticed in the unit rate and rounding off done by the SWPL in its working. The cargo handling income computed by us at the actual traffic figures and unit rate approved by this Authority gives the income figures which are closer to the actual income reported by the SWPL. Some minor variation is observed which apparently arises because, in our calculation the traffic figures reported by the

SWPL has been pro-rata adjusted to capture the effect of reduction effected by this Authority in the last tariff Order which was effective for the period 1 January 2011 to 5 August 2011. In the absence of the SWPL clarifying the position about discounts/ rebates allowed by it, based on the cargo handling income computation done by us to recheck their figures, it is seen that they do not appear to have allowed any rebates and discount over the notified ceiling tariff during the years 2010-11 to 2012-13.

The SWPL has not furnished detailed computation of actual berth hire income for the years 2010-11 to 2012-13. Hence, for the purpose of past period analysis, the actual berth hire income as reported in the Annual Accounts is relied upon and considered.

(iv). As stated earlier, the actual CHLD payments reported by the SWPL are excluded from the operating and direct labour expense for each of the years 2010-11 to 2012-13 in line with the approach followed in the last Order.

(v). (a). The estimated maintenance dredging cost allowed in the last tariff Order for the years 2010-11 to 20112-13 is ₹147 lakhs, ₹152 lakhs and ₹158 lakhs aggregating to ₹457 lakhs. As against that, the actual maintenance dredging cost reported in the Annual Accounts is ₹259 lakhs in the year 2010-11, nil in the year 2011-12 and ₹314.5 lakhs in the year 2012-13.

When the MOPT was requested to confirm the actual bills raised by the port on the SWPL, the MOPT has reported that the bills raised by the port on SWPL towards maintenance dredging amounting to ₹87.21 lakhs and ₹190.45 lakhs for the years 2011-12 and 2012-13 respectively aggregating to ₹277.66 lakhs. The aggregate of bills towards maintenance dredging raised by the MOPT at ₹277.76 lakhs for the years 2011-12 and 2012-13 are found to be lower than the maintenance dredging cost reported in the Annual Accounts of SWPL at nil for the year 2011-12 and ₹314.5 lakhs for the year 2012-13. On perusing the copies of bill for the year 2011-12 of ₹87.21 lakhs, it is seen that the MOPT has stated the bill raised excludes the fuel escalation factor for which it will raise a separate bill.

Hence, the maintenance dredging cost reported in the Audited Annual Accounts of SWPL for the year 2012-13 at ₹314.5 lakhs (rounded off to ₹315 lakhs) instead of ₹277.66 lakhs is relied upon and considered for the purpose of this analysis.

(b). In the last tariff Order, this Authority in para 13(xv) has stated that if the actual maintenance dredging cost reimbursed to the MOPT is less than the estimates considered in this analysis or the decision of the ongoing arbitration process is different from the assumption made in this analysis, then the entire difference will be set of fully.

As regards the first part of the Order, the actual maintenance dredging cost reported in the Annual Accounts is ₹ Nil, ₹259 lakhs and ₹314.5 lakhs in the

years 2010-11 to 2012-13. This aggregates to ₹573 lakhs which is more than the aggregate of the estimated maintenance dredging cost of ₹457 lakhs allowed in the last tariff Order. Hence, there is no adjustment required to be done on this item in the current tariff cycle.

As regards the second part of the Order brought out above, the MOPT has reported that the arbitrator has awarded the arbitration on the matter disputed by SWPL on the recovery of maintenance dredging cost by the MOPT from the SWPL by raising the bills. But, the MOPT has reported that it has challenged the arbitration award before the District Court and the matter is pending before the Court. Thus, though the arbitration award is given in this matter, the decision has not reached the final stage as the matter is now pending before the Hon'ble Court. This means, the dispute on recovery of maintenance dredging cost by the MOPT from SWPL remains unresolved and is yet to reach to a final stage. Hence, at this stage no adjustment could be done with reference to the decision at para 13(xv) of the November 2010 Order.

If at the time of the next tariff review, it is found the decision by the Court in the matter pending is different from the assumption made in this analysis, then the entire difference will be considered for setting off in the tariff.

(vi). Interest and finance expense and interest income from deposits and investment are not considered in the cost statement maintaining the position followed in the last tariff Order.

(vii). All the other cost items are considered as reported in the Annual Accounts.

(viii). Revenue share is considered as a cost item to the extent of the revenue share quoted by the second highest bidder i.e. 13.10% on the actual cargo handling revenue reported during the years 2010-11 to 2012-13 in line with the approach adopted in the last tariff Order which is in line with the provisions of the tariff guidelines of 2005.

(ix). In the last tariff Order, the capitalised part of the preliminary expense was ammortised over 26 years. This position is maintained for assessment of actual performance as well.

(x). The depreciation considered by the SWPL for the years 2010-11 to 2011-12 is as reported in the Audited Annual Accounts. However, for the year 2012-13, the SWPL has considered the deprecation as a negative figure of ₹480 lakhs which does not match with the figures reported in its Annual Accounts. The SWPL has not explained any reasons or basis for considering negative depreciation in the cost statement only for one year 2012-13, since it has not responded to the additional information/ clarification sought by us. The amount of depreciation (positive figure) ₹1642.40 lakhs reported in its Annual Accounts for the year 2012-13 is considered. Further, depreciation on the capitalized part of preliminary expense i.e. ₹8.35 lakhs per annum is excluded for all the years 2010-11 to 2012-13 in line with the approach followed in the last tariff Order.

(xi). The Net Fixed Assets reported in the Annual Accounts is adjusted by adding back the expense written off as depreciation component on the preliminary expense and reducing the preliminary expense write off figure. The unamortised part of preliminary expense written off is considered as part of net fixed assets for the purpose of allowing return. This is in line with the approach followed in the last tariff Order.

(xii). The working capital as per the norms prescribed in the guidelines and following the approach followed in the last tariff Order comes to negative in the years 2010-11 to 2012-13 and hence considered as nil.

(xiii). 16% ROCE is allowed on the capital employed for each of the years at the level allowed in the last tariff Order.

(iv). The cost statement analysing the actual vis-à-vis estimates for the past period 2010-11 to 2012-13 is attached as **Annex - I**. A summary of the comparison of the actuals vis-à-vis the estimates considered in the last tariff Order is tabulated below:

| **Particulars** | **Aggregate for the years 2010-11 to 2012-13 in absolute terms (₹ in lakhs)** | | **Variation in %** |
|---|---|---|---|
| | **Estimates as per tariff Order** | **Actuals** | |
| Traffic (in million tonnes) | 14.25 | 20.04 | 40.6% |
| Operating Income | 25,590* | 42951 | 67.8% |
| Total Expenses | **21686** | **28502** | 31.4% |
| Surplus/ deficit before Return (Average) | **3904** | **14449** | |
| Capital Employed (Average) | 16277 | 13964 | -14.2% |
| 16% Return on Capital Employed | 7813 | 6703 | -14.2% |
| Net Surplus after ROCE (before adjustment of past surplus) | -3909 | 7746 | |

***** *The operating income estimates are updated to reflect the effect of tariff reduction granted in tariff Order of November 2010 effective from 1 January 2011 till the notification of the review Order of 26 July 2011 effective from the date of notification in the Gazette i.e. 6 August 2011.*

(v). The findings of the analysis with reference to the past period relating to the years 2010-11 to 2012-13 is given below:

(a). The actual aggregate traffic handled by the SWPL is 20.04 Million Metric Tonnes (MMT) as against the estimated traffic of 14.25 MMT lakh tonnes during the years 2010-11 to 2013-14. Thus, the SWPL has actually handled 40.6% higher than the estimated traffic.

(b). The operating income earned by the SWPL from cargo handling for the last tariff cycle 2010-11 to 2012-13 is ₹282.31 crores as against estimation of ₹191.39 crores for the corresponding period resulting in positive variance of 47.5%. The operating income earned by the SWPL from the vessel related activity for the last tariff cycle 2010-11 to 2012-13 is ₹147.20 crores as against revenue estimation of ₹64.46 crores for the corresponding period resulting in positive variance of 128.3%. As against ₹4.50 lakhs estimated in the last Order towards water supply charges for the corresponding three years period, no actual income is reported in the audited Annual Accounts.

Thus, the total actual operating income earned by the SWPL for the last tariff cycle 2010-11 to 2012-13 is ₹429.51 crores as against estimation of ₹255.90 crores for the corresponding period resulting in 67.8% positive variance in comparison to the overall revenue estimated in last tariff Order.

(c). On the expenditure side including the impact of Finance and Miscellaneous expenditure (FME) less Finance and Miscellaneous Income (FMI), the actual aggregate expenditure for the three years is ₹285.02 crores as against the estimated expenditure of ₹216.86 crores in the last Order for the corresponding period. The total actual expenditure thus shows 31.4% positive variance in comparison to the expenditure estimated in the last tariff Order.

(d). The average capital employed for the years 2010-11 to 2012-13 is ₹139.64 crores as against average estimated capital employed of ₹162.77 crores. The variation in the average capital employed and ROCE comes to 14.2% negative. It is relevant here to state that the actual capital employed for the years 2010-11 and 2011-12 is found to be comparable to the estimated capital employed. However, for the year 2012-13, as against estimated capital employed of ₹214.11 crores, the actual capital employed is ₹150.72 crores resulting in 29.6% negative variation. This variation is attributable to the additions to the gross block of assets estimated by the SWPL in the last tariff Order but not deployed in the said year which is elaborately discussed in the later paragraphs.

(e). Despite request the SWPL has not furnished analysis of the estimates vis-à-vis actuals in the prescribed format explaining the reasons for the variation more that +/(-) 20%. Though the SWPL has not made analysis of the physical and financial parameters as per the clause 2.13 of the tariff guidelines, it has, in the consolidated cost statement, assessed the actual additional net surplus for the years 2010-11 to 2012-13 at ₹9042 lakhs and considered 100% adjustment in the current tariff cycle i.e. 2013-14 to 2015-16. 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 is more than + or – 20%, then only 50% of such accrued benefit/ loss has to be adjusted in the next tariff cycle. The adjustment of 100% additional surplus by SWPL is not found to be in line with the clause 2.13 of the tariff guidelines. Moreover, as per our analysis the total actual net additional surplus for the years 2010-11 to 2012-13 comes to ₹7746 lakhs as against ₹9042 lakhs assessed by SWPL for the corresponding period. One of the main reasons for the difference in the net additional surplus assessed by SWPL and in our cost statement for the corresponding period is mainly attributable to negative depreciation of ₹480 lakhs considered by SWPL in the year 2012-13 in the cost statement as against the depreciation of ₹1634 lakhs considered by us in the cost statement as per the figures reported in its Audited Annual Accounts, as explained earlier. The reason for negative depreciation could not be ascertained since the SWPL remained non-responsive to any of our queries.

(f). As per the cost statement prepared by us, the SWPL has earned surplus of ₹4034 lakhs, ₹5431 lakhs and ₹4984 lakhs before return which aggregates to average surplus of ₹4816 lakhs for the years 2010-11 to 2012-13. The average return earned on the average capital employed thus works out to 34.5%, as shown in the following table:

₹.in lakhs

| Particulars | 2010-11 | 2011-12 | 2012-13 | Average for 2010-11 to 2012-13 |
|---|---|---|---|---|
| Actual Surplus before return earned by SWPL | 4034 | 5431 | 4984 | 4816.33 |
| Actual Capital Employed | 14148 | 12673 | 15072 | 13964.00 |
| Actual Return earned on capital employed | 38.4% | 39.3% | 32.0% | 34.5% |

It can be seen from the above analysis of variation in actuals vis-à-vis the estimates for the last tariff cycle, that the variation in the physical parameter i.e. actual traffic handled and financial performance in terms of operating income and expenses are more than +20%. This Authority in the last tariff Order at para 13(viii) has stated that whilst the traffic projections as estimated by the SPWL are relied upon, if at the time of review, it any undue advantage is accrued due to wrong estimation it will be adjusted in the tariff to be fixed based on the tariff guidelines. There is positive variation of 40.6% in the actual vis-à-vis the traffic estimates considered in the last tariff revision. Further, as per the above table, the SWPL has earned average return of 34.5% on the capital employed as against 16% return allowed in the last tariff Order.

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. In view of the above provision in the tariff guidelines of 2005 and in view of the observation made in the last tariff Order as regards traffic projection, there is a case to adjust the past surplus in the current tariff cycle of SWPL, as per the tariff guidelines of 2005.

(g). Before considering adjustment of additional surplus for the past period, it is relevant to deal with the decision taken by this Authority in the November 2010 Order. This Authority at para 13(xxiv) of the last tariff Order of November 2010 had effected reduction of 9.5% in the then applicable Scale of Rates. This quantum a reduction was subject to the condition that additional assets relating to in-motion wagon loading, single rail line along with complementary assets should be commissioned by 1 April 2012. The said Order required both MOPT and SWPL to report whether all these assets are in place by 31 March 2012. If these assets are not commissioned as presumed, then the Order required SWPL to approach this Authority for ahead of schedule review duly adjusting the estimated additional surplus accrued to SWPL on account of considering these additions to the gross block while determining its tariff in the said Order of November 2010.

In the last Order, net additions to the gross block to the tune of ₹354 lakhs in the year 2010-11, ₹115.5 lakhs in the year 2011-12 and ₹9038 lakhs (i.e. ₹10,667 lakhs less ₹1,629 lakhs towards deletion of gross value of two HMC) during the year 2012-13 was considered. Thus, total additions to the gross block to the tune of ₹9,507.75 lakhs as tabulated in para 13 (xxi) (d) of the Order was considered.

As against the above estimated position considered in the last Order, the actual additions to the Gross Block reported in the Audited Accounts of SWPL and in Form 4A is ₹11 lakhs, ₹142 lakhs and ₹4,777 lakhs for the years 2010-11 to 2012-13 respectively summing up to ₹4,930.00 lakhs. It is understood that the addition of ₹4,616 lakhs in the year 2012-13 pertains to the HMCs replaced by the SWPL in the year 2012-13 as reported in its proposal. The actual additions to the gross block of assets, however, widely varies from the additions to gross block considered in the last Order. The SWPL in the current proposal has stated that in-motion wagon loading system will be commissioned in March 2014 which in fact is reported to have been commissioned only in June 2014 by the MOPT.

From the above position it is revealed that the additions to gross block relating to in-motion wagon loading, single rail line and complementary assets were not deployed by the SWPL by 31 March 2012 as required to be commissioned as per the Order of November 2000. Neither MOPT nor SWPL reported in time the factual position to this Authority about the delay in the deployment of these assets despite specific direction given in the Order. The reasons for not adhering to the direction rendered by this Authority is not explained in the current proceeding (despite request) by both the MOPT or by SWPL.

Further, during the current proceeding, despite request, the SWPL has not furnished the requisite information about the exact date of commissioning of these assets to the gross block and additional surplus accrued in the years 2010-11 to 2012-13 on account of delay in commissioning of in-motion wagon loading, single rail line and complementary assets from the level presumed in the last Order along with the working for adjustment in the future tariff required to be done on this account.

In the absence of the requisite information not made available by the SWPL, the impact on the estimated additional surplus on account of non-deployment of in-motion wagon loader, single rail line along with complementary assets allowed as additions to the gross block in the year 2012-13 is assessed as explained below. Depreciation, repairs and maintenance cost, insurance and 16% ROCE on the following additions to the gross block relating to in-motion wagon loading, single rail line along with complementary assets estimated and allowed in the last tariff revision is assessed and it comes to ₹888 lakhs as given below:

Impact of additions relating to in-motion wagon loading, single rail line and complementary assets considered in last tariff Order at Para 13(xxi)(d) in the year 2012-13 but not commissioned by SWPL by 31 March 2012.

(₹.in lakhs)

| Particulars | Additions to gross block in the year 2012-13 | Depreciation | Repairs | Insurance | ROCE 16% | Total |
|---|---|---|---|---|---|---|
| A | B | C | D | E | F | G = C to H |
| **Civil** | | | | | | |
| - Stores sub station | 2,050.00 | 43.05 | 20.50 | 12.30 | 321.11 | 396.96 |
| - Silos for single loading and strengthening western bund | 35.00 | 1.47 | 0.35 | 0.21 | 5.36 | 7.39 |
| | | | | | | |
| **Plant and Machinery** | | | | | | |
| -One reclaimer for railway loading system | 1,500.00 | 77.55 | 30.00 | 9.00 | 227.59 | 344.14 |
| -Conveyor linking silos and existing system | 290.00 | 29.99 | 5.80 | 1.74 | 41.60 | 79.13 |
| | | | | | | |
| **Electrical system for silos and rail line** | 47.25 | 2.44 | 0.95 | 0.28 | 7.17 | 10.84 |
| | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Railway siding** | 220.00 | 10.21 | 4.40 | 1.32 | 33.57 | 49.49 |
| | | | | | | |
| **Total** | **4,142.25** | **164.71** | **62.00** | **24.85** | **636.41** | **887.96 Rounded off to ₹888/- lakhs** |

Thus, effectively, based on the above analysis, it is seen that, undue surplus accrued to SWPL on account of delay in commissioning of assets related to in-motion wagon system, single rail line along with related assets from the level presumed in the last Order works out to ₹888 lakhs.

Hence, the entire undue advantage of ₹888 lakhs accrued to SWPL on account of allowing additions to gross block referred above in the last tariff Order in the tariff determination process relying on the estimates of SWPL is considered for adjustment in the current tariff cycle.

As stated earlier, at the cost of repetition it is stated that the above impact is estimated by us in the absence of the requisite information not made available by the SWPL. In case, the SWPL has deployed and commissioned any of the above assets during the year 2012-13, then it may approach this Authority with requisite details to review this figure along with its impact on the tariff determined in this Order.

(h). Now, coming to the adjustment of the past period surplus assessed at para 12 (v) (e) and (f) at ₹. 7746 lakhs for the period 2010-11 to 2012-13, it is to be noted that had the SWPL or MOPT reported the factual position about non-deployment of above mentioned assets by 1 April 2012, then tariff would have been reduced by this Authority to adjust the undue advantage of ₹888 lakhs at that point of time. In the other words, the actual additional surplus for the past period assessed at ₹7,746 lakhs would have been less by ₹888 lakhs had this exercise been carried out on 1 April 2012 provided this position was reported by SWPL or MOPT. Thus, past period surplus assessed at ₹7746 lakhs includes ₹888 lakhs of undue advantage accrued to SWPL due to non-deployment of the said assets. Since the amount of ₹888 lakhs is not arising out of variation between estimated amount and actual amount but arises due to non-deployment of the relevant assets within the agreed period, 100% of ₹888 lakhs is considered for adjustment as stated earlier. From ₹ 7746 lakhs, ₹. 888 lakhs already adjusted is reduced i.e (i.e. ₹7746 – ₹ 888 lakhs)= ₹6858 lakhs and 50% thereof i.e ₹3429 lakhs is considered for adjustment. It is relevant here to state that the year 2013-14 is already over and 2014-15 upto (January 2015) is expected to be over by the time the Order approved comes into effect. Thus effectively, the tariff determined in the current tariff cycle will be for a truncated period of fourteen months i.e. from February 2015 to 31 March 2016 instead of normal tariff validity cycle of three years.

It is relevant here to state that in order to smoothen the fluctuation in tariff and to avoid artificially bringing down the tariff in one cycle, this Authority has taken a decision to adjust past surplus over longer period of five years in other cases like Nhava Sheva International Container Terminal Limited, Gateway Terminals India Private Limited, PSA SICAL Terminals Limited. In the instant case also, in order to smoothen the fluctuation in tariff in one cycle, 50% additional surplus of ₹3429 lakhs assessed for the past period 2010-11 to 2012-13 is considered for adjustment over five years of which ₹114 lakhs in the year 2014-15 (from February 2015) and ₹686 lakhs in the year 2015-16 aggregating to ₹800 lakhs is considered for adjustment in the current tariff cycle for fourteen months and the remaining additional

surplus of ₹2629 lakhs will be considered for adjustment in the next tariff cycle.

(vi). The License Agreement stipulates a Minimum Guaranteed Throughput of 5 Million Metric Tonnes Per Annum (MMTPA) to be handled by the SWPL. Though the upfront tariff guidelines of 2008 are not applicable to the existing terminals, only for the purpose of assessing the capacity, the SWPL has borrowed the formula prescribed in the 2008 guidelines. The SWPL has furnished calculation of the capacity of the berth No 5A and 6A by borrowing the formula prescribed in the 2008 guidelines. The total quay capacity of the two berths is assessed at 11.11 MMT adopting the vessel parameters and handling rates of 15,000 tonnes/ day for handymax vessel and 30,000 tonnes/ day for panamax vessel. The optimal yard capacity for berth nos.5A and 6A together is assessed at 5.00 MMTPA considering 33,000 sq. mtr. of stacking area, 80% utilization of stack area (as against 70% norms prescribed in the 2008 guidelines), stacking factor of 15 tonnes/ sq. mtr. and turnover of 18. Following the principles of 2008 guidelines, the lower of the two capacities i.e. 5 MMTPA is considered as the optimal capacity of the terminal.

Few gaps are observed in the optimal quay capacity calculation for example handling rate considered by SWPL do not match with the output norms prescribed for coal terminal in 2008 guidelines, handling rate will vary depending on the different type of cargoes handled and share of different vessel size which is not found to have been captured in the capacity calculation, the optimal yard capacity calculation does not capture the effect of improvement in the stacking and turnover parameters expected with commissioning of in-motion wagon loader, etc. Bringing out the gaps in the capacity calculation, the SWPL was requested to re-assess the capacity calculation. The SWPL has not responded to this.

It is seen that the SWPL has actually handled 6.48, 7.76 and 8.53 MMTPA in the years 2011-12, 2012-13 and 2013-14 respectively as against the optimal capacity assessed by it at 5 MMTPA during these years. It is needless to mention that the standard capacity of a terminal will be higher than the MGT stipulated in the License Agreement. The SWPL is, therefore, advised to assess the capacity of the terminal accurately at the time of the next tariff review taking into consideration the gaps observed herein.

Notwithstanding the above, since the MOPT has endorsed that the installed capacity of berth nos.6A and 5A operated by SWPL is 5 MMTPA upto the year 2013-14, the optimal capacity of the terminal is considered as 5 MMTPA upto the year 2013-14. With the commissioning of the in-motion wagon loading, the yard capacity will augment to 7.5 MMTPA as reported by the MOPT. Based on the position reported by the MOPT, the optimal capacity of the terminal is considered as 7.5 MMTPA from the year 2014-15 onwards instead of 5 MMTPA considered by the SWPL.

(vii). During the last tariff revision Order of SWPL dated 3 November 2010, this Authority at para 13(viii) of the Order and also in the Order No.TAMP/19/2006-SWPL dated 29 December 2006 prior to the revision in year 2010, had observed that both MOPT and SWPL had agreed to consider demand of small users and devise an alternative operational plan for including road delivery cases.

The issue of developing facilities for road movement of cargo by the SWPL existed even during the initial tariff fixation in 2004. In the initial tariff fixation also, in view of the submissions made by some of the users, both the SWPL and the MOPT agreed to consider the demand of the users particularly of those who import small quantities and decided to devise an alternate operational plan for including road delivery cases.

During the tariff revision of 2006, the MOPT had clarified that despite constant persuasion with SWPL to create facilities at the terminal for handling coal / coke cargo by road mode, the SWPL had not developed / created the requisite facilities for handling cargo by road mode to cater to the demands of the small volume users. With reference to Writ petition filed by some of the users, the Hon'ble High Court of Bombay in Goa had directed the Ministry of Shipping to decide about handling of coal, subject to compliance of the directions of GSPCB. During the meeting with (then) Secretary (Shipping), SWPL had agreed to consider road mode if the MOPT provides the area of about 10,000 sq. m. behind berth no.7 for storage of cargo. The relevant operative portion of the Order No.PD/13011/1/2005-MoPT dated 15 December 2005 of (then) Secretary (Shipping) in this regard as brought out in para 13(viii) of the Order dated 3 November 2010 is reproduced as hereunder:

*"17. After taking into consideration the above mentioned circumstances, the views/observations of all concerned including the Goa State Pollution Control Board, I arrive at the following conclusions:*

*(i) Considering the constraints in the premises licensed to SWPL, MoPT would have to continue to handle bulk coal/coke at Berth No.11 till an alternative facility is developed. Port may handle clean break bulk cargo at Berth No.10 where the facility for passenger/cruise vessels is being provided. Port may also consider handling bulk coke at Berth No.10 subject to the condition that the cleanliness of the Berth is maintained by the port users to the satisfaction of the Port.*

*(ii). It is seen that the Port is compelled to continue handling of coal and coke operations at Berth No.10 & 11 due to inability of the Terminal Operator, SWPL to handle road borne cargo. Under such circumstances, it is not considered appropriate to modify the fundamental clauses of the Licence Agreement with regard to the Minimum Guaranteed Throughput etc.*

*(iii). The users should undertake all necessary environmental protection measures while handling coal and coke. These measures would be implemented in consultation with Goa State Pollution Control Board. The Board should also suitably monitor the measures to ensure compliance to Environmental Standards under the applicable Act. MoPT should give necessary support. Local Citizens Committee should also be associated, if required.*

*. . . . . ."*

On requesting the MOPT to intimate the status about further development in the matter about allotment of additional land to SWPL and action, if any, initiated by SWPL for development of evacuation by road mode, the MOPT has stated that no additional land has been allotted to SWPL and that SWPL are not having any facility for evacuation of coal through truck loading system.

Even after lapse of around nine years since the directions of (then) Secretary (Shipping), the SWPL has not developed the facilities for evacuation of cargo by the road mode reportedly due to lack of additional land area which is sought from the port but not allotted. The reason for non-allotment of land by MOPT remains unexplained.

(viii). The SWPL has furnished estimates for the years 2013-14 to 2015-16. Since the year 2013-14 was already over, the SWPL was requested to update the estimates for the year 2013-14 with actuals duly reconciling the figures reported in the Annual Accounts with the figures furnished in the cost statement. The SWPL has neither

furnished updated cost statements nor provided a copy of its audited Annual Accounts of 2013-14. The MOPT, on our request, has forwarded the Audited Annual Accounts of the SWPL for the year 2013-14. Since the year 2013-14 is already over, the estimates of 2013-14 are replaced with the actuals based on the Audited Accounts subject to analysis in the subsequent paragraphs.

(ix). The cost statement filed by the SWPL projects traffic for the year 2013-14 at 6.52 MMTPA. For the year 2013-14, the Audited Accounts of SWPL report the actual traffic handled by SWPL significantly at a higher level of 8.53 MMTPA. The MOPT has also furnished the actual coal traffic handled by SPWL at 7.76 MMTPA and steel traffic of 1.08 MMTPA aggregating to 8.54 MMTPA which is closer to the actual traffic 8.53 MMTPA reported in the Annual Accounts of SWPL. The actual traffic as reported in the Audited Accounts of the SWPL for the year 2013-14 at 8.53 MMTPA is considered.

For the years 2014-15 and 2015-16, the traffic projected by the SPWL are 7.02 MMTPA and 7.52 MMTPA respectively as against actual traffic of 8.53 MMTPA handled by SWPL in the year 2013-14. The traffic estimated by the SWPL for the years 2014-15 and 2015-16 is found to be 17.7% and 11.8% lower than the actual traffic handled in the year 2013-14.

In the proposal of April 2013, the SWPL has sought to justify estimating reduction in the traffic projection. On the ground of development of new coal terminal which is likely to commence operation at Berth No.7 of MOPT, the SWPL has expressed difficulty to achieve the traffic volume achieved by it in the past. Further, the SWPL has stated that availability of the rake will have to be shared between the two terminal operators which will also make difficult for SWPL to achieve the cargo volume handled by it in the past.

When the MOPT was requested to comment on the reasonableness of the traffic projection made by the SWPL, the port has prima facie endorsed the views of the SWPL. The MOPT has stated that actual coal traffic handled by SWPL in the year 2013-14 at 7.46 MMTPA was at a peak loading rate of 8 rakes per day. The port has also admitted that with the commencement in operations of the new BOT operator, the availability of rakes to SWPL is expected to reduce by 25% till the doubling of railway tracks which is not expected to be completed before 2016. Hence, the MOPT has endorsed the view of SWPL that the traffic of coal handled by SWPL in the years 2014-15 and 2015-16 is expected to reduce inspite of commissioning of in-motion wagon loading system in the year 2014-15. The MOPT has categorically stated that the coal traffic projected by SWPL at 6.25 million tonnes and 6.50 million for the years 2014-15 and 2015-16 respectively are reasonable. The MOPT has not furnished any adverse comment on the traffic estimated by SWPL for cargo other than coal.

In view of the submissions made by the SWPL and also recognising that the MOPT has also found the traffic projections of SWPL for the years 2014-15 and 2015-16 as reasonable, the traffic projections are considered at the level estimated by the SWPL for these two years.

(x). The income estimated by the SWPL at the existing level of tariff for the throughput projected for the years 2013-14 to 2015-16 is analysed hereunder:

(a). The berth hire income estimated by the SWPL for the year 2013-14 is ₹4,268 lakhs. In the cost statement prepared by us the estimated berth hire income is updated with the actual income reported in its Annual Accounts for the year 2013-14 at ₹7,831 lakhs.

For the subsequent two years 2014-15 and 2015-16, the berth hire income estimated by SWPL is ₹4,597 lakhs and ₹4,929 lakhs respectively.

It is seen that there is reduction of 41% and 37% in the berth hire income in the years 2014-15 and 2015-16 respectively in comparison to the actual berth hire income reported in the year 2013-14. The reduction in the berth hire income is not comparable to the reduction in the cargo traffic for the corresponding period. When requested the MOPT to comment on reasonableness of vessel projection and berth hire income estimated by SWPL, the MOPT has reported the actual vessels handled by SWPL is 159 numbers in the year 2013-14 and has also confirmed that the number of vessels projected by SWPL at 134 and 149 for the years 2014-15 and 2015-16 respectively are reasonable. Based on this, the MOPT has stated that the vessel traffic as well as berth hire income estimated by the SWPL for the years 2014-15 and 2015-16 are reasonable. The berth hire income estimated by SWPL are, therefore, relied upon and considered subject to updation with reference to the prevailing exchange rate. On perusing the berth hire computation, it is seen that the exchange rate considered by SWPL for estimating the dollar denominated berth hire income is 1US$= ₹53. In our analysis, income from berth hire charge from April 2014 upto December 2014 is estimated based on the average exchange rate of 1 US$ = ₹60.53 obtained for the said period. For the period thereafter, the exchange rate is updated at 1 US$ = ₹62.42 as prevailing at the time of concluding the analysis in this case.

Subject to the modifications explained above, the estimated berth hire income of ₹5,291 lakhs and ₹5,806 lakhs is considered in the years 2014-15 and 2015-16 respectively as against ₹4,597 lakhs and ₹4,929 estimated by SWPL for the corresponding years.

During the last tariff review of SWPL, this Authority had observed that berth hire income estimated was solely relying on the vessel parameters and the productivity furnished by the SWPL and, if at the time of the next tariff revision, the actuals of the parameters which are relied upon for estimating the berth hire are found to be significantly varying, the additional revenue accrual will be fully set off in the next tariff revision.

Thus, as stipulated by this Authority in para 13(ix)(a) of tariff Order of November 2010, the estimated berth hire income for the years 2010-11 to 2012-13 required to be verified with reference to the actual parameters for the years 2010-11 to 2012-13. In this context, SWPL was requested to furnish year-wise details of average GRT, parcel size of vessel and productivity achieved during the years 2010-11 to 2012-13. As stated earlier, the SWPL has not furnished the requisite details of actual vessel parameters with reference the vessel parameters relied upon in the last Order. In the absence of the requisite information made available, the exercise to verify the vessel parameters relied upon in the last tariff Order with reference the actual vessel parameters is not possible in the current tariff fixation exercise and, therefore, inevitably deferred to be undertaken during the next tariff revision. If at the time of the next tariff revision, the actuals of the parameters which are relied upon for estimating the berth hire in the tariff Order of 2010 are found to be significantly varying from the actuals to be made available by the SWPL for the years 2010-11 to 2012-13, the additional revenue if any accrued will be fully set off in the next tariff revision as stated in the tariff Order of November 2010.

(b). The cargo handling income estimated by the SWPL for the year 2013-14 is ₹8,993 lakhs. In the cost statement prepared by us the estimated cargo handling income is updated with the actual income reported in its Annual Accounts for the year 2013-14 at ₹12,337 lakhs.

The SWPL has furnished detailed computation of revenue estimation from cargo handling activity for the traffic projected for the years 2014-15 and

2015-16 and applying the existing tariff. The income computation by the SWPL is found to be in order and hence considered at the level estimated by the SWPL subject to modification in the estimation of storage income as explained in the succeeding paragraph.

(c). The SWPL has estimated the storage income uniformly at ₹100 lakhs for each of the years 2013-14 to 2015-16. As stated earlier, the SWPL has neither justified the basis for this estimation nor is it supported with any computation. The actual storage income reported in the Annual Accounts for the year 2013-14 is ₹302 lakhs. The actual storage income reported for the past period 2010-11 to 2012-13 is ₹316 lakhs, ₹577 lakhs and ₹180 lakhs respectively. It can be seen that the average storage income has been in the range of around ₹300 lakhs to ₹343.75 lakhs for the years 2010-11 to 2013-14. In the absence of any detailed computation or analysis of average dwell time made available by SWPL, it may not be unreasonable to presume that the parameters prevailing in the immediate previous years 2013-14 will continue to prevail for the years 2014-15 and 2015-16 as well. On this premise, the actual storage income earned in the year 2013-14 is prorata adjusted for the traffic estimated for the years 2014-15 and 2015-16. Accordingly, modified storage income of ₹249 lakhs and ₹266 lakhs for the years 2014-15 and 2015-16 respectively are considered in our analysis.

(d). The existing Scale of Rates prescribe tariff for supply of water to vessels. The SWPL has not estimated any income from supply of fresh water in the future projections. In fact, actual income reported for the last four years 2010-11 to 2013-14 also do not show any income from supply of fresh water to vessel as against estimated income of ₹1.50 lakhs per annum for each of the three years 2010-11 to 2012-13 in the last tariff Order. The SWPL has not responded to our query on the relevance of prescribing tariff for this item in the Scale of Rates, if no services are provided by SWPL. Since the SPWL has not reported any income under this head for the last four years and has not projected any income for this tariff item for the next two years 2014-15 and 2015-16 and also recognising there is no expense shown for procurement of fresh water in the cost statement filed by the SWPL and also in its Annual Accounts, it may not be unreasonable to assume that the SWPL is not providing this service and delete this tariff item from the Scale of Rates.

In case the SWPL decides to provide the service of fresh water supply to vessels, in that event it may approach this Authority for fixing the tariff with relevant cost details to justify its proposal.

(e). Subject to the above changes, the modified total operating income considered is ₹20,168 lakhs in the year 2013-14 (actuals) and estimated income of ₹15,215 lakhs and ₹16,529 lakhs for the years 2014-15 and 2015-16 respectively as against ₹13,261 lakhs, ₹14,372 lakhs and ₹15,486 lakhs estimated by the SWPL for the corresponding period.

(xi). Clause 2.5.1. of the revised tariff guidelines requires that the expenditure projections of the major ports / terminal operators should be in line with traffic adjusted for price fluctuations with reference to current movement of Wholesale Price Index (WPI) for all commodities as announced by the Government of India. The escalation factor to be adopted in respect of tariff cases to be disposed during the year 2014-15 is announced at 6%. Annual escalation applied by the SWPL for estimating some of cost items like power cost, fuel cost, etc., at 6.5% is found to be higher than the permissible level. In our analysis, the estimate for the years 2014-15 and 2015-16 are modified applying the annual escalation factor of 6% over the actuals / estimate of respective previous years wherever the annual escalation applied by the SWPL is higher than the stated level.

(xii). (a). The operating and direct labour cost is towards cargo handling expenses (including labour) reportedly to cover direct labour for stevedoring, operating mechanised handling system, storing, loading of cargo into wagons which are outsourced by SWPL. The SWPL has furnished detailed workings of the operating and direct labour cost indicating the existing unit rate and the estimates for the next three years for each cargo group. The unit rates adopted in the working could not be verified as the SWPL has not furnished contract document, despite request. Hence, in the absence of the SWPL furnishing the valid contract copy to verify the unit rates adopted, it is not found reasonable to consider the actual cargo handling expenses reported in the Annual Accounts for the year 2013-14 as the base to estimate the expense under this head for the subsequent two years 2014-15 and 2015-16 as discussed in the subsequent paragraphs.

(b). As stated earlier, the cargo handling expenses reportedly include the CHLD levy paid by SWPL to MOPT under dispute. For reasons explained earlier, the CHLD component included in the cargo handling expenses needs to be excluded as done for the last tariff cycle. The SWPL has shown deletion of an estimated amount of ₹83 lakhs in the year 2013-14 towards the CHLD payments from the cargo handling expense. The Annual Accounts of the SWPL for the year 2013-14 do not report this item of expense separately for the year 2013-14. It is seen that in the year 2012-13, the CHLD expense deleted by SWPL in its cost statement is ₹108 lakhs for actual traffic of 7.76 MMTPA handled in the said year. Hence, the CHLD expense to be excluded for the years 2013-14 is arrived on pro-rata basis for the actual traffic of 8.53 MMTPA handled in the said year vis-à-vis actuals furnished by the SWPL on this account for the year 2012-13. The estimate of CHLD payments for exclusion arrived on pro-rata basis comes to ₹118.72 lakhs for the year 2013-14 (i.e. ₹108 lakhs / 7.76 MMTPA x 8.53 MMTPA = ₹118.72 lakhs]. Accordingly, ₹118.72 lakhs is excluded from the actual cargo handling expense reported for year 2013-14. The cargo handling expense, subject to the above adjustment, comes to ₹6180 lakhs which is considered for the year 2013-14. As stated earlier, the SWPL has not furnished the copies of the contract to verify the reasonableness of the estimates for the years 2014-15 and 2015-16. In the absence of the SWPL furnishing any contract copy to verify the unit rates adopted, it is not found unreasonable to estimate the expense under this head based on the actual expense reported for the immediate previous years i.e. 2013-14 and adjust for the growth in the traffic and allow the applicable escalation factor. This is also in line with the approach prescribed in clause 2.5.1. of the 2005 guidelines. Incidentally, even the SWPL has followed this approach except for applying a different annual escalation factor. For the years 2014-15 and 2015-16, it is seen that the SWPL has estimated this item of expense applying 6.5% annual escalation over the estimates of the previous years and adjusted for the traffic growth following the approach prescribed in the clause 2.5.1. of the 2005 guidelines. The approach adopted by the SWPL is relied upon and followed except for considering the modified actual cargo handling expense of 2013-14 as stated earlier as the base and restricting the annual escalation factor at 6% per annum for each of the two years 2014-15 and 2015-16 instead of 6.5% adopted by the SWPL.

The SWPL was requested to confirm that a competitive bidding and arm's length relationship is maintained for the activity outsourced by it and support it with necessary documents. The SWPL has not responded to our query in this regard. The SWPL during the last tariff revision had in its review application submitted relevant documents establishing arm's length

relationship of the transaction. In the absence of the SWPL furnishing the relevant documents, it may not be unreasonable to assume that the SWPL has followed the competitive bidding and maintained the arm's length relationship of the transaction for the current tariff cycle also. If anything adverse is reported to this Authority during the current tariff cycle from the level presumed in this analysis, then the advantage accrued due to above presumption will be fully set off in the next tariff.

(xiii). The estimated equipment running cost consists of three cost elements viz. power, fuel and repairs and maintenance which are discussed hereunder:

(a). For estimating the power and fuel cost for the years 2014-15 and 2015-16, the SWPL has considered the estimated power and fuel cost for the year 2013-14 and adjusted for traffic growth and applied 6.5% annual escalation. In our estimates, the power and fuel consumption is estimated on the same approach except for taking the actual power and fuel cost of the year 2013-14 as the base and restricting the annual escalation factor to 6% instead of 6.5% adopted by SWPL.

(b). Actual repairs and maintenance cost including stores and spares consumed for the year 2012-13 is reported at ₹887 lakhs. The SWPL has estimated the repairs and maintenance cost for the years 2013-14 to 2015-16 at 1.5% on the gross value of civil works and 3% on the gross value of mechanized equipment and other assets toward repairs and maintenance and stores and spares consumption is estimated applying 6.5% annual escalation over the actual stores and spares consumed in the year 2012-13 and adjusted for the traffic growth. Accordingly, the repairs and maintenance cost estimated by the SWPL for years 2013-14 to 2015-16 are ₹1131 lakhs, ₹1364 lakhs and ₹1511 lakhs respectively. In the cost statement prepared by us, the repairs and maintenance cost for the year 2013-14 is considered at ₹706.50 lakhs based on the actuals reported in the Annual Accounts as against ₹1131 lakhs estimated by SWPL.

For the years 2014-15 and 2015-16, repairs and maintenance for the existing asset block gross block of assets as on 31 March 2013 is estimated applying annual escalation of 6% over the actual repairs and maintenance cost reported in the year 2013-14.

In order to take care of incremental repairs and maintenance cost on the proposed assets to be added in this cycle, the repairs and maintenance cost is estimated at 1% on the civil assets and 2% of mechanical equipment and other assets with reference to the modified additions to gross block of assets considered in this analysis in line with the approach followed in the last tariff Order. This approach has also been applied uniformly at other private terminals like Visakha Container Terminal Private Limited (VCTPL), M/s.TM International Logistics Limited (TMILL), Vizag Seaport Private Limited (VSPL) and also in the last tariff Order of SWPL November 2010.

(c). Accordingly, the revised estimation of equipment running cost comes to ₹1,489 lakhs and ₹1,700 lakhs in the years 2014-15 and 2015-16 respectively as against ₹1,817 lakhs and ₹2,067 lakhs estimated by SWPL for the corresponding period.

(xiv). The license fee payable to MOPT estimated by SWPL for the year 2013-14 is ₹427 lakhs. The MOPT has reported the actual payment of license fee at ₹434 lakhs in the year 2013-14. The Annual Accounts of the SWPL reports the license fee payment to MOPT at ₹430 lakhs. There is a minor variation in the figure reported by the MOPT and the license fee reported in the Audited Annual

Accounts for the year 2013-14. In our analysis, the actuals reported in the Audited Accounts of SWPL is considered in line with the approach followed for all the other items pertaining to the year 2013-14. The MOPT has stated that the license fee payable by the SWPL to the port for lands leased to SWPL estimated at ₹448 lakhs in the year 2014-15 and ₹271 lakhs in the year 2015-16 is as per the terms of the License Agreements. The license fee is, therefore, considered at the level estimated by SWPL for these two years.

(xv). In the current tariff revision exercise, the SWPL has estimated an expenditure at ₹250 lakhs for each of the years 2013-14 to 2015-16 towards the maintenance dredging cost payable to the MOPT.

It is relevant here to state that during the last tariff revision, it was brought out that there is some dispute between the SWPL and the MOPT on the quantum of dredging to be undertaken by the MOPT. Pending settlement of the dispute, the estimated maintenance dredging cost was admitted based on the bills raised by the MOPT on SWPL with suitable annual escalation.

In the current tariff revision exercise, as brought out earlier, the MOPT stated that the arbitrator has given the award but the MOPT has challenged the award of the arbitrator before the District Court and the matter is pending for disposal. Thus, from the above position it is seen that the dispute relating to the maintenance dredging is not yet resolved and the matter is before the Court as reported by the MOPT. Pending settlement of the dispute, the estimate of maintenance dredging cost is considered in the current tariff revision exercise.

To a query raised by us to assess the reasonableness of the estimation of the dredging cost, the MOPT has stated that expenditure towards maintenance dredging for the period 2013-14 payable by SWPL is ₹236.63 lakhs and has forwarded a copy of the bill raised by it on the SWPL. It is seen that the Annual Account of the SWPL do not report any actual expense towards maintenance dredging cost in the year 2013-14 nor does it show any provision made towards this expense. Since the Audited Annual Accounts of the SWPL for the year 2013-14 do not report any expense towards maintenance dredging cost, it is considered as nil for the year 2013-14. This is in line with the approach followed of considering the 2013-14 figures at actuals as reported in its Audited Annual Accounts for all the other items as well.

For the subsequent two years, assuming the quantum to be dredged will remain constant as in the year 2013-14 and applying 5% escalation in the maintenance dredging cost of 2013-14, the MOPT has arrived at the estimated maintenance dredging expenditure for SWPL for the years 2014-15 and 2015-16 at ₹248 lakhs and ₹261 lakhs respectively. Then, based on that the average maintenance and dredging cost for the years 2013-14 to 2015-16 is arrived by the MOPT ₹248.66 lakhs per annum. On this premise, the MOPT has found the maintenance dredging cost of ₹250 lakhs per annum estimated by the SWPL to be a reasonable figure.

In view of the clarification furnished by the MOPT and recognising that the annual escalation factor applied by MOPT is within the admissible level, the estimate of maintenance dredging cost is considered at the level of ₹248 lakhs and ₹261 lakhs as arrived by the MOPT for the years 2014-15 and 2015-16 respectively.

If at the time of the next tariff review, it is found that the actual maintenance dredging cost reimbursed to the MOPT is less than the estimates considered in this analysis or the decision by the Court in the matter pending before the Court is different from the assumption made in this analysis, then the entire difference will be set of fully.

(xvi). (a). As per the guidelines of 2005 for tariff fixation, 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 so as to avoid the likely loss on account of this item not being taken into account, subject to maximum of the amount quoted by the next lowest bidder.

(b). The L.A. was signed by the SWPL in April 1999. Therefore, the SWPL is entitled to claim maximum permissible level of revenue share as stipulated in guidelines. The earlier tariff review of SWPL also allowed pass through of revenue share to the extent of the second quote.

(c). As per this Supplementary Agreement, from 9 November 2005 onwards Licensee has to pay revenue share that is highest of the 18% on the cargo handling charges computed on various parameters prescribed in the LA subject to a minimum payment of ₹12 crores.

(d). During the tariff revision exercises undertaken in the years 2006 as well in 2010, the MOPT had mentioned that the revenue share quoted by the next lowest bidder was 13.10% and the minimum amount of revenue share quoted was ₹11.10 crores.

(e). The SWPL has, accordingly, considered the revenue share as pass through to the extent next highest bid i.e. 13.10% of the cargo handling income estimated for the years 2013-14 to 2015-16 which is in line with the tariff guidelines. In our analysis, the same approach is followed subject to considering the admissible revenue share @ 13.10% on the modified cargo handling income. Accordingly, revenue share of ₹1616 lakhs based on 2013-14 actuals, ₹1300 lakhs and ₹1405 lakhs based on the estimates for the years 2014-15 and 2015-16 respectively is considered in the cost statement as against ₹1178 lakhs, ₹1280 lakhs and ₹1383 lakhs estimated by the SWPL for the corresponding period.

(xvii). As per clause 2.7.1. of the tariff guidelines of 2005, 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. The proposal of the SWPL states that depreciation is computed on straight line method for life norms permissible in accordance with the Companies Act, 1956.

For the year 2013-14, the depreciation reported in the Annual Accounts of the SWPL is considered subject to adjustment (reduction) of ₹8.35 lakhs towards depreciation component of preliminary expense write off included therein in line with the approach followed in the past.

It is seen that though the SWPL has not proposed any addition/ deletion of assets from the gross block of assets, the depreciation estimated for the years 2014-15 and 2015-16 for Wharves, Roads, Boundaries, Furniture & Fixtures and Others, are lower than the actual deprecation reported in the Annual Accounts of the year 2013-14. The deprecation for the gross block of assets prevailing as on 31 March 2014 is considered at the level reported in its Annual Accounts of the year 2013-14 for the years 2014-15 and 2015-16. For the additions proposed under plant and machinery in the years 2014-15 and 2015-16, the depreciation is considered, as explained hereunder.

It is seen that the depreciation on plant and machinery is estimated at 15% per annum on the gross block of assets for each of the years 2013-14 to 2015-16. Based on the actual depreciation reported for the year 2013-14 for plant and machinery, the depreciation rate comes to 10.5% on the relevant gross block. That being so, the depreciation is considered at 10.5% on the plant and machinery

on the modified additions considered in the years 2014-15 and 2015-16 which is discussed in the subsequent paragraphs.

The depreciation on in-motion wagon loader commissioned on 30 June 2014, as reported by the MOPT, is considered for nine months from 1 July 2014 to 31 March 2015 for the year 2014-15. In respect of the other additions to the plant and machinery gross block in the years 2014-15 and 2015-16, for the reasons explained in the subsequent paragraphs in the absence of the exact date of commissioning of the assets made available by the SWPL or by the MOPT, it is assumed that the assets will be deployed in the middle of the year and accordingly depreciation is allowed for six months in the year of additions proposed to the gross block of assets. For the subsequent year, the full year depreciation is allowed.

Preliminary expenses of ₹8.70 crores incurred during construction period was earlier proposed to be capitalised under civil and equipment cost and depreciated at the applicable rates. During the last tariff revision, this item was treated separately and excluded from the gross block of assets and the expenses were spread over the remaining period of the project. In the current tariff revision exercise, the SWPL has not made this adjustment, despite request.

In the modified cost statement considered by us, depreciation on the capitalised part of preliminary expense is excluded with consequent adjustment in the net block of assets. The preliminary expense write off is considered at the level considered in the last tariff Order instead of ₹10 lakhs considered by the SWPL with suitable modification in the capital employed.

Subject to above modification, the depreciation considered in the cost statement is ₹1854 lakhs based on 2013-14 actuals, ₹2671 lakhs and ₹3356 lakhs for the years 2013-14 to 2015-16 respectively as against ₹2215 lakhs, ₹3490 lakhs and ₹4135 lakhs estimated by the SWPL for the corresponding period.

(xviii). The insurance cost estimated by the SWPL is ₹142 lakhs for the year 2013-14 and ₹183 lakhs and ₹201 lakhs for the years 2014-15 and 2015-16 respectively.

Despite request, the SWPL has not furnished a copy of the relevant insurance cover taken by it for the year 2013-14 or for that matter 2014-15 to justify the figures considered in the cost statement. Nor has the SWPL furnished the basis of estimating the insurance cost for the years 2014-15 and 2015-16 with detailed working and justifying with reference to the past actuals. The actual insurance cost for the year 2013-14 reported at ₹106 lakhs in its Annual Accounts is considered instead of ₹142 lakhs estimated by the SPWL. It is observed that based on the actual insurance cost reported for the 2013-14, the insurance cost works out to around 0.5% of the gross block of assets. The actual insurance premium of ₹106 lakhs reported in the year 2013-14 is considered as the insurance cost for the existing asset block of assets as on 31 March 2014 for the two years 2014-15 and 2015-16. For additions to the gross block of assets, insurance cost is estimated applying 0.50% on the modified additions as explained in the subsequent paragraphs. As explained for the estimation of depreciation, for in-motion wagon loader insurance cost for the year 2014-15 is estimated for nine months. For the other additions to the gross block in the years 2014-15 and 2015-16, insurance cost is estimated for six months in the year of addition and for the year subsequent to the year of additions, the insurance cost is estimated for the full year.

(xix). It is seen that the management and administration overhead for the years 2013-14 to 2015-16 is estimated by the SWPL applying 10% annual escalation and general overheads is estimated applying 6.5% annual escalation for the years 2013-14 to 2015-16. For the year 2013-14, the management and administration overhead and general overheads is updated with the actuals reported in its Annual Accounts as

done for the other cost items. For the years 2014-15 and 2015-16, the estimate of management and general overhead is modified restricting the annual escalation at 6.00% per annum as considered for the other items of expenditure taking the actual 2013-14 as the base figure.

(xx). As per the LA, Security Deposit of ₹1.53 crores paid by the SWPL to the MOPT is refundable at the end of the project period. During the last tariff revision, the Security Deposit refund was annualized over the remaining period of the project life by discounting at 11%. The SWPL has not considered the effect of this item. In the last tariff fixation exercise, the terminal value receivable at the end of the project was annualized over the project life by applying discounting rate of 11%. The same approach is followed in the existing tariff revision exercise.

(xxi). (a) The SWPL has proposed the following additions to the gross block of assets in the three years 2013-14 to 2015-16:

| Year | Particulars | ₹ in Lakhs |
|---|---|---|
| 2013-14 | Mobile equipments | 1000 |
| | Span gantry cranes | 1500 |
| | In-motion wagon loading system | 6000 |
| **Total** | | **8500** |
| 2014-15 | Continuous Ship loaders | 4400 |
| | Cranes for steel handling | 2400 |
| **Total** | | **6800** |
| 2015-16 | Upgrading the conveying system | 2000 |
| | Mobile equipments like pay loaders, excavators, etc., | 1500 |
| **Total** | | **3500** |

(b). One of the user associations, Indian National Shipowners' Association has in its comments sought clarification whether the proposed capex of ₹.188 crores investment in cargo handling plant was planned and considered at the time of bidding or drawing concessional agreement. As stated earlier, the SWPL has not responded to the comments of any of the users association. With reference to the clarification sought by INSA, it is to be noted that the LA does not mention specifically about the investment plan by the licensee. It allows the licensee to provide for additional facilities at its discretion after informing the licensor. The MOPT has confirmed that with the deployment of in-motion wagon loader in June 2014, the capacity of the terminal will increase from 5 MMTPA to 7.5 MMTPA and thereby improve the cargo evacuation which is the major constraint limiting the overall capacity of the terminal. The MOPT has also stated that the additions to capital assets proposed by the SWPL are reasonable.

(c). Despite request, the SWPL has not furnished the current status of the additions proposed to the gross block of assets. The MOPT has confirmed that the additions to the gross block relating to the in-motion wagon loader, single rail line along with complementary assets have been commissioned by the SWPL on 30 June 2014, as brought out earlier. The current status of the other additions proposed to the gross block of assets is not made available to this Authority. Thus, this Authority relies on the total additions to the gross block of assets proposed by the SWPL during the current tariff cycle subject to following minor adjustment relating to shifting of additions proposed in the year 2013-14 to 2014-15 based on the position obtained from the Audited Annual Accounts of the SWPL for the year 2013-14. Of ₹8500 lakhs additions proposed to the gross block in the year 2013-14, the actual additions to the gross block reported in the Annual Accounts of SWPL for the year 2013-14 is ₹251 lakhs which is considered for the year 2013-14. The remaining additions to the gross

block (i.e. ₹8500 lakhs less ₹251 lakhs = ₹8249 lakhs) proposed by the SWPL in the year 2013-14 but not reported in its Annual Accounts is shifted to the year 2014-15 in our analysis. The other additions to the gross block proposed by the SWPL are relied upon and considered in the analysis. In short, the total additions considered in the analysis vis-à-vis the additions proposed by the SWPL are as follows:

(**₹ in lakhs**)

| **Year-wise total additions to the gross block estimated by SWPL** | | | | **Year-wise total additions to the gross block (Actual 2013-14 & estimates for 2014-15 and 2015-16) considered by TAMP** | | | |
|---|---|---|---|---|---|---|---|
| **2013-14** | **2014-15** | **2015-16** | **Total** | **2013-14 As per Actuals** | **2014-15** | **2015-16** | **Total** |
| 8,500 | 6,800 | 3,500 | 18,800 | 251 | 15,049 | 3,500 | 18,800 |

(xxii). (a). It is to be noted that the entire additions to the gross block proposed by the SWPL have been considered in the current tariff cycle. The sundry debtors are estimated by SWPL at six month's total income which is not found to be as per the tariff guidelines of 2005. The tariff guidelines limits the sundry debtors to two month's of estate income and terminal handling charges.

This Authority had passed an Order on 30 September 2008 for refinement of the existing approach/ practice followed in tariff setting exercise of Major Port Trusts/ Private Terminals. The said Order, *inter alia*, permits the outflow on certain items arising from contractual obligations of LA to be taken as part of sundry debtors.

In the case of the SWPL, as per Article 7.3.4.3. of the License Agreement (LA) entered between SWPL and MOPT, the revenue share is payable on monthly basis on 5$^{th}$ day of the immediately subsequent month. It is thus clear that as per LA also, the SWPL is not required to make any advance payment of revenue share.

The SWPL is, however, required to pay the lease rent for the lands allotted to it in advance every year as stipulated in Article 7.3.5.2 of the LA. 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 the entire advance is adjusted the average of the pre-payment at 50% of the estimated lease rentals in each of the years is considered as part of working capital in line with the approach followed in the last tariff Order.

Further, as per article 10.12 of the License agreement, the SWPL is obliged to keep security deposit of ₹1.52 crores free of interest throughout the period of license with the port which is refundable at the end of the project. Flowing from the decision in the Order of September 2008 to consider certain items arising from contractual obligations of LA and in line with the approach followed in the last tariff Order, the security deposit is considered as part of current assets while computing the working capital.

(b). The SWPL has considered the inventory at ₹750 lakhs per annum for each of the years 2013-14 to 2015-16. The actual stores and spares

consumption reported in the annual Accounts is ₹600.70 lakhs for the year 2013-14. Consumption of stores and spares as reported in the Annual Accounts for the year 2013-14 is taken as the base and as per the norms prescribed in the tariff guidelines of 2005, six months inventory consumption is considered. For the subsequent two years, the inventory consumption is estimated taking the 2013-14 inventory level so considered as the base and applying the admissible annual escalation.

(c). Cash and bank balance has been considered at one month's cash expense by SWPL in the computation of working capital as per the guidelines. This is suitably modified in the light of changes effected in the operating expenditure estimates.

(d). The item of current liabilities is considered at the level reported in the Annual Accounts of the SWPL for the year 2013-14 for all the three years under consideration.

(e). The working capital computed as current assets less current liabilities comes to negative figure except for the year 2015-16 where it comes positive figure of ₹36.70 lakhs. Accordingly, the working capital is considered as nil for the years 2013-14 and 2014-15 and ₹36.70 lakhs in the year 2015-16.

(f). The capital employed subject to the modifications explained in the foregoing paragraphs works out to ₹13,791 lakhs, ₹23,638 lakhs and ₹23,782 lakhs for the years 2013-14 to 2015-16 respectively as against ₹23,290 lakhs, ₹24,136 lakhs and ₹23,501 lakhs considered by the SWPL for the corresponding period.

(g). As per clause 2.9.11. of the tariff guidelines, private terminal operator is entitled for full return, if the investment made is in accordance the concession agreement even if full capacity utilisation is not achieved. The License Agreement does not specify any investment plan by the SWPL during the project period. In fact clause 10.1. of the license Agreement gives full discretion to SWPL to create additional facilities as required by them from time to time. Thus, as per the tariff guidelines, the SWPL is entitled for full return on capital employed @ of 16% decided to be allowed by this Authority for the tariff cases decided in the year 2014-15.

(xxiii). The SWPL has furnished consolidated cost statement as well as cost statement for the sub-activities i.e. cargo handling activity and berth hire activity. It is seen that the SWPL has apportioned all the expenses to the cargo handling activity and berthing activity following a uniform ratio of 75:25. This is found not to be in line with the expenses apportioned by the SWPL in the last tariff revision to the two activities. During the last tariff revision, 96% of the expenses were apportioned to the cargo handling activity and balance 4% to the berth hire activity. Around 88% of the equipment running maintenance was apportioned to cargo handling expense and balance 12% to the berth hire activity, 100% of the revenue share payment was apportioned to the cargo handling expense. The SWPL has not explained the basis for adopting a different ratio of 75:25 in the current proposal despite specific request. In our analysis, the ratio of apportionment of expenses is maintained at the level followed in the last tariff Order for the years 2010-11 to 2012-13. For the years 2013-14 to 2015-16, the average of percentage share of expenses apportioned between the two activities in the years 2010-11 to 2012-13 is considered.

Though the SWPL has adjusted past period surplus of ₹9042 lakhs in the consolidated cost statement as stated earlier, it has not captured its effect in the two main activities. In our analysis, the adjustment of additional surplus for the past period as well as the impact of the estimated operating cost and ROCE in

respect of in-motion wagon loading, single rail line and the complementary assets allowed in the last tariff Order but not deployed is apportioned to the two activities in the ratio of the average cargo handling income and average vessel related income to the total income earned in the years 2010-11 to 2012-13 i.e. 66:34.

It is relevant to mention that though this exercise of apportioning the expenses between the two activities is considered it is not going to have any impact of the final determination of tariff as the tariff is determined in this case based on the overall cost position as explained in the subsequent paragraphs.

(xxiv). The initial validity of the Scale of Rates prescribed in the last tariff Order was till 31 March 2013 which has been extended from time to time, the last extension being till 31 December 2014. The extension of the Scale of Rates of the SWPL was subject to full adjustment of additional surplus, if any, over and above the admissible cost and permissible return for the period post 1 April 2013 in the tariff to be determined. The consolidated cost statement for the year 2013-14 reflects additional net surplus to the tune of ₹5,179 lakhs. The said additional surplus for the year 2013-14 is set off equally during the years 2014-15 and 2015-16. As the decision on the quantum of tariff revision is based on the aggregate of the net position for the 3 years under consideration i.e. 2013-14 to 2015-16, the net surplus position for the year 2013-14 and upto 02 January 2015 when the Order is passed automatically gets adjusted in the tariff determination process for the current cycle.

(xxv). The consolidated cost statement and main activity-wise cost statements for the years 2013-14 to 2015-16 have been modified in line with the above analysis. The modified cost statements are attached as **Annex - II (a) to (c)**. The summarised position of the results disclosed by the financial / cost statements is tabulated below:

| Particulars | Operating Income (₹ in lakhs) | | | | Net Surplus (+) / Deficit (-) (₹ in lakhs) | | | | Net Surplus (+) / Deficit (-) as a % of operating Income | | | Avg. surplus/ deficit % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013-14 | 2014-15 | 2015-16 | Total | 2013-14 | 2014-15 | 2015-16 | Total | 2013-14 | 2014-15 | 2015-16 | |
| Consolidated cost statement for the terminal as a whole | 20,168 | 15,215 | 16,529 | 51,912 | - | 1356.20 | 1327.84 | 2684.04 | 0% | 8.9% | 8.0% | 8.5% |
| Cargo handling Activity | 12,337 | 9,923 | 10,723 | 32,984 | - | (3481.08) | (4164.31) | (7645.39) | 0% | -35.1% | -38.8% | -37.0% |
| Berth hire activity | 7,831 | 5,291 | 5,806 | 18,928 | - | 4837.29 | 5492.14 | 10329.43 | 0% | 91.4% | 94.6% | 93.1% |

The SWPL in the revised proposal, has proposed 12% increase in the cargo handling charge and dust suppression charge and has proposed status quo in wharfage, berth hire charges and storage charge.

It is evident from the above table that the overall cost position reflects an overall net surplus of 8.5% for the period 2013-14 to 2015-16 at the prevailing rates. In absolute terms, the overall additional net surplus is ₹2684.04 lakhs for the three years period.

It is seen that the aggregate deficit in the cargo handling activity is ₹7645.39 lakhs for the three years period which is being cross subsidized by overall net surplus of ₹10329.43 lakhs in the berth hire activity and the remaining additional surplus for the terminal as a whole is ₹2684.04 lakhs. The existing tariff of the SWPL has to be reduced to adjust the estimated net additional surplus of ₹2684.04 lakhs in the current tariff cycle which is effectively for a truncated period of fourteen months i.e. say from February 2015 from the date when the Order approved comes into effect to 31 March 2016.

For this purpose, if we go by the activity wise, then the berth hire will call for a steep reduction in the tariff whereas, the cargo handling activity will call for a steep

increase. That being so, instead of granting steep increase in cargo handling activity and effecting steep decrease in the berth hire activity for the current tariff cycle which is for a truncated period, this Authority finds it appropriate to effect across the board reduction of 14% to adjust the overall additional surplus of ₹2684.04 lakhs in the truncated period of fourteen months. Accordingly, all the tariff items in the existing Scale of Rates of the SWPL are reduced by 14%.

As stated earlier, in the absence of the SWPL providing the requisite information, the proposal of the SWPL has been processed based on the available information. The estimates for the years 2014-15 and 2015-16 furnished by the SWPL are moderated based on the actuals as per the Audited Accounts of the SWPL for the year 2013-14 and allowing the applicable escalation factor and adjusted for traffic growth wherever applicable as explained in the preceding paragraphs following the tariff guidelines of 2005. If the SWPL feels that any cost item needs to be reviewed, it may approach this Authority for review giving sufficient reasons and with detailed justification.

(xxvi). The minimum berth hire charge in note (3) is proposed to be reduced from existing US$ 650 to US$ 588.25 for foreign-going vessel and for coastal vessel it is proposed to be reduced from existing ₹17402 to ₹15748.80. The impact of the proposed reduction is 21.6%. The SPWL has not proposed any specific reasons for the proposed reduction. The minimum berth hire charge in note (3) is reduced by 14% in line with across the board reduction decided for all the tariff items.

(xxvii). The penal rate of interest for delayed payment is proposed at 14.25%. The prevailing Prime Lending Rate (PLR) of the State Bank of India is 14.75%. The proposed provision relating to penal rate of interest on delayed payments by users and delayed refunds by SWPL is updated with interest rate of 16.75% being 2% above the prevailing PLR of the State Bank of India in line with the 2005 tariff guidelines.

(xxviii). As stated earlier, it is observed that the SWPL has not reported any income towards charges for water supply nor reported in the past four years period 2010-11 to 2013-14 for as well as in future estimates. The SWPL has also not reported any expense for this item in the past four years as well as in the estimates for the year 2014-15 and 2015-16. The SWPL has not responded to our query as to whether it provides this service and the need to be continue tariff for this item in its Scale of Rates. Infact, the SWPL during the last tariff revision had proposed to delete the said schedule and had given reference to the rates prescribed in the Scale of Rates of MOPT for levy of tariff for this service. Since neither income nor expense from this item is being captured in the cost statement, the schedule D relating to charges for water supply is deleted from its existing Scale of Rates. If the SWPL decides to offer this service, it can immediately file a proposal seeking tariff for the same with relevant cost details.

(xxix). It is stated here that while effecting reduction in the tariff for other services viz. visitor entry pass, vehicle entry pass and photography charges is rounded off to nearest ₹5 or ₹10 for ease of billing and collection purpose only.

(xxx). As per the revised tariff guidelines, the private operators are required to propose incentive for better performance of the terminal and disincentive for performance below the benchmark level. The SWPL has not proposed incentive/ disincentive scheme in the current proposal despite advice. The SWPL is advised again to formulate such scheme at the time of its next proposal for review of tariff.

(xxxi).The tariff guidelines of 2005 prescribe tariff validity cycle of three years. Since the financial position considered for the purpose of this analysis is only till 31 March 2016, the validity of the revised Scale of Rates of the SWPL is prescribed till on 31 March 2016.

(xxxii). Since the validity of the existing SOR of the SWPL is till 31 December 2014, and 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, the validity of existing Scale of Rates is deemed to have been extended till the revised Scale of Rates approved in this Order approved comes into effect.

13.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the revised Scale of Rates of the SWPL attached as **Annex - III**.

13.2. The revised Scale of Rates and conditionalities of the SWPL will come into effect after expiry of 30 days from the date of notification of the Order in the Gazette of India and shall be in force till 31 March 2016. The approval accorded will automatically lapse thereafter unless specifically extended by this Authority.

13.3. The tariff of the SWPL has been fixed relying on the proposal filed by the operator and based on various 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, it may require the SWPL to file a proposal ahead of the schedule to review its tariff and to set off fully the advantage accrued on account of such variations in the revised tariff.

13.4. In this regard, the SWPL requested to furnish a report of the actual physical and financial performance within 15 days of completion of each quarter of a year 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 operator to submit their proposal for an ahead of scheduled review. If the SWPL fails to file a tariff proposal within the time limit to be stipulated by this Authority, this Authority will proceed *suo motu* to review the tariff.

**(T.S. Balasubramanian)**
Member (Finance)

Annex - I

# South West Port Limited

(Rs. in lakhs)

**Analysis of the Past Period Performance of SWPL for the years 2010-11 to 2012-13**

| Sr. No. | Particulars | Estimates relied upon in the Tariff Order dated 26 July 2011 | | | | Actuals | | | | Variation in Percentage (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010-11 | 2011-12 | 2012-13 | Total | 2010-11 | 2011-12 | 2012-13 | Total | |
| | Traffic (In million tonnes) | 4.35 | 4.65 | 5.25 | 14.25 | 5.80 | 6.48 | 7.76 | 20.04 | 40.7% |
| I | **Total Operating Income** | | | | | | | | | |
| | (i) Cargo handling Income | 5,816 | 6,136 | 7,187 | 19,139 | 7,976 | 9,212 | 11,042 | 28,231 | 47.5% |
| | (ii) Vessel related income | 1,983 | 2,053 | 2,411 | 6,446 | 3,791 | 4,642 | 6,286 | 14,720 | 128.3% |
| | (iii) Other Income | 1.50 | 1.50 | 1.50 | 4.50 | - | - | - | - | |
| | **Total (i to iii)** | **7,800** | **8,191** | **9,599** | **25,590** | **11,768** | **13,854** | **17,329** | **42,951** | **67.8%** |
| II | **Operating costs (excl dep)** | | | | | | | | | |
| | (i) Operating & Direct Labour | 1,990 | 2,160 | 2,425 | 6,575 | 2,466 | 2,856 | 5,483 | 10,805 | 64.3% |
| | (ii) Repair & Mainenance Cost | 392 | 408 | 548 | 1,348 | 970 | 1,317 | 1,646 | 3,933 | 33.1% |
| | (iii) Equipment Running Costs | 447 | 504 | 655 | 1,606 | | | | | |
| | (iv) Maintanence dredging | 147 | 152 | 158 | 457 | 259 | - | 315 | 573 | 25.4% |
| | (v) Royalty / revenue share | 780 | 830 | 941 | 2,552 | 1,045 | 1,207 | 1,447 | 3,698 | 44.9% |
| | (vi) Lease Rentals payable to the Port. | 352 | 369 | 388 | 1,108 | 364 | 370 | 406 | 1,139 | 2.8% |
| | (vii) Insurance | 143 | 143 | 181 | 468 | 136 | 133 | 132 | 400 | -14.5% |
| | (viii) Other expenses | 24 | 25 | 26 | 74 | 16 | 36 | 29 | 80 | 7.8% |
| | **Total (i to viii)** | **4,275** | **4,593** | **5,322** | **14,190** | **5,254** | **5,917** | **9,457** | **20,628** | **45.4%** |
| III | Depreciation | 1,583 | 1,588 | 2,261 | 5,432 | 1,547 | 1,553 | 1,634 | 4,735 | -12.8% |
| IV | Overheads | | | | | | | | | |
| | (i) Management & Administration overheads | 541 | 561 | 582 | 1,684 | 711 | 796 | 1,336 | 2,843 | 68.8% |
| | (ii) General Overheads | 87 | 90 | 94 | 271 | 237 | 206 | 211 | 654 | 141.3% |
| | (iii) Preliminary expenses & Upfront Payment write-off | 37 | 37 | 37 | 111 | 37 | 37 | 37 | 111 | 0.0% |
| | **Total (i to iii)** | **665** | **688** | **713** | **2,066** | **984** | **1,039** | **1,584** | **3,608** | **74.6%** |
| | **Total Expenses** | **6,523** | **6,869** | **8,296** | **21,688** | **7,786** | **8,510** | **12,675** | **28,970** | |
| V | Operating Surplus / (Deficit) (I) – (II) – (III) - (IV) | **1,277** | **1,322** | **1,303** | **3,902** | **3,982** | **5,345** | **4,654** | **13,980** | **258.3%** |
| VI | Finance & Miscellaneous Income | | | | | | | | | |
| | (i) Profit on sale of assets. | - | - | - | - | - | 85.30 | 140.50 | 225.80 | |
| | (ii).Profit on sale of Scrap. | - | - | - | - | - | - | 57.90 | 57.90 | |
| | (iii) Other Operating Income | - | - | - | - | 8.10 | 0.20 | 131.70 | 140.00 | |
| | (iv) Others (Credit of return from security deposit) | 0.46 | 0.55 | 0.57 | 1.58 | 0.46 | 0.55 | 0.57 | 1.58 | |
| | (v) Insurance Claims | | | | | 43.40 | - | - | 43.40 | |
| | **Total (i to iv)** | **0.5** | **0.5** | **0.6** | **1.60** | **51.96** | **86.05** | **330.67** | **468.68** | |
| VII | Finance & Miscellaneous Expenses (FME) | - | - | - | - | | | - | - | |
| VIII | **FMI Less FME (VI) - (VII)** | 0.46 | 0.55 | 0.57 | 1.58 | 51.96 | 86.05 | 330.67 | 468.68 | |
| IX | **Surplus/ Deficit Before Interest and Tax (V)+(VIII)** | **1,278** | **1,323** | **1,303** | **3,904** | **4,034** | **5,431** | **4,984** | **14,449** | **270.1%** |
| X | Capital Employed | 14,457 | 12,962 | 21,411 | 16,277 | 14,148 | 12,673 | 15,072 | 13,964 | -14.2% |
| XI | Return on capital employed 16% | 2,313 | 2,074 | 3,426 | 7,813 | 2,264 | 2,028 | 2,412 | 6,703 | -14.2% |
| XII | **Net Surplus / (Deficit) (IX) - (XI)** | (1,036) | (751) | (2,122) | (3,909) | 1,770 | 3,403 | 2,573 | 7,746 | **298.2%** |
| XIII | Total Surplus for the years 2006-07 based on review of actuals vis-à-vis the estimates considered and the surplus accured in 2007-08 to 2009-10 based on actuals, as considered in the July 2011 Order . | | | **7,051** | **7,051** | | | | **-** | |
| XIV | 50% of the surplus for the year 2006-07 and 2007-08 to 2009-10 considered for adjustment in July 2011 Order. | | | **3,525.4** | **3,525.4** | | | **-** | **-** | |
| XV | Adjustment of 50% of gain accured in three years in July 2011 Order | **1,175** | **1,175** | **1,175** | **3,525** | - | - | - | **-** | |
| XVI | **Net Surplus / (Deficit) after adjustment of past surplus (XV-XII)** | **140** | **424** | **(947)** | **(384)** | **1,770** | **3,403** | **2,573** | **7,746** | |
| XVII | **Net Surplus / (Deficit) as a % of operating income (XVI/I in %)** | **1.79%** | **5.18%** | **-9.87%** | | **15.04%** | **24.56%** | **14.85%** | | |
| XVIII | **Average net surplus/deficit for the three years 2010-11 till 2012-13** | | **-1.50%** | | | | **18.04%** | | | |

Annex- II (a)

**SOUTH WEST PORT LIMITED**

**Consolidated Income & Cost statement**

**( Rs. In Lakhs)**

| Sr.No. | Particulars | Actuals | | | As Estimated by SWPL at existing tariff | | | Estimates of SWPL modified by TAMP | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2013-14 | 2014-15 | 2015-16 |
| | | | | | Estimates | Estimates | Estimates | Actuals | Estimates | Estimates |
| | Traffic (In MMTPA) | 5.80 | 6.48 | 7.76 | 6.52 | 7.02 | 7.52 | 8.53 | 7.02 | 7.52 |
| | Capacity (in MMTPA) | | | | 5.00 | 5.00 | 5.00 | 5.00 | 7.50 | 7.50 |
| | | | | | | | | | | |
| I | **Total Operating Income** | | | | | | | | | |
| | (i) Cargo handling income | 7,976 | 9,212 | 11,042 | 8,993 | 9,775 | 10,557 | 12,337 | 9,923 | 10,723 |
| | (ii) Vessel related income | 3,791 | 4,642 | 6,286 | 4,268 | 4,597 | 4,929 | 7,831 | 5,291 | 5,806 |
| | (iii) Other Income | | | | | | | | | |
| | **Total (i to iii)** | **11,768** | **13,854** | **17,329** | **13,261** | **14,372** | **15,486** | **20,168** | **15,215** | **16,529** |
| | | | | | | | | | | |
| II | **Operating Costs (excluding depreciation)** | | | | | | | | | |
| | (i) Cargo handling expenses | 2,466 | 2,856 | 5,483 | 4,581 | 5,353 | 6,180 | 6,130 | 5,348 | 6,073 |
| | (ii) Equipment Running Costs | 970 | 1,317 | 1,646 | 1,525 | 1,817 | 2,067 | 1,452 | 1,489 | 1,700 |
| | (iii) Maintanence dredging | 259 | - | 315 | 250 | 250 | 250 | - | 248 | 261 |
| | (iv) Royalty / revenue share | 1,045 | 1,207 | 1,447 | 1,178 | 1,280 | 1,383 | 1,616 | 1,300 | 1,405 |
| | (v) Lease Rentals payable as per concession agreement | 364 | 370 | 406 | 427 | 448 | 471 | 430 | 448 | 471 |
| | (vi) Insurance | 136 | 133 | 132 | 142 | 183 | 201 | 106 | 151 | 190 |
| | (vii) Other expenses | 16 | 36 | 29 | 27 | 29 | 32 | 52 | 55 | 58 |
| | **Total (i to vii)** | **5,254** | **5,917** | **9,457** | **8,130** | **9,361** | **10,584** | **9,786** | **9,040** | **10,158** |
| | | | | | | | | | | |
| III | Depreciation | 1,547 | 1,553 | 1,634 | 2,215 | 3,490 | 4,135 | 1,854 | 2,671 | 3,356 |
| | | | | | | | | | | |
| IV | Overheads | | | | | | | | | |
| | (i) Management & Administration overheads | 711 | 796 | 1,336 | 1,412 | 1,496 | 1,588 | 1,131 | 1,198 | 1,270 |
| | (ii) General Overheads | 237 | 206 | 211 | 225 | 239 | 255 | 263 | 279 | 295 |
| | (iii) Preliminary expenses & Upfront Payment write-off | 37 | 37 | 37 | 10 | 10 | 10 | 37 | 37 | 37 |
| | **Total (i to iii)** | **984** | **1,039** | **1,584** | **1,646** | **1,745** | **1,853** | **1,430** | **1,514** | **1,603** |
| | | | | | | | | | | |
| V | Operating Surplus / (Deficit) (I) – (II) – (III) - (IV) | **3,982** | **5,345** | **4,654** | **1,269** | **(224)** | **(1,086)** | **7,097** | **1,990** | **1,413** |
| | | | | | | | | | | |
| VI | Finance & Miscellaneous Income (FMI) | | | | | | | | | |
| | (i) Profit on sale of assets. | - | 85 | 141 | - | - | - | 287.50 | - | - |
| | (ii).Profit on sale of Scrap. | - | - | 58 | - | - | - | - | - | - |
| | (iii) Other Operating Income | 8.10 | 0.20 | 131.70 | - | - | - | 0.20 | - | - |
| | (iv) Others (Credit of return from security deposit) | 0.46 | 0.55 | 0.57 | - | - | - | 0.63 | 0.70 | 0.78 |
| | (v) Insurance Claims | 43.40 | - | - | | | | - | - | - |
| | **Total (i to v)** | **52** | **86** | **331** | **-** | **-** | **-** | **288** | **0.70** | **0.78** |
| | | | | | | | | | | |
| VII | Finance & Miscellaneous Expenses (FME) | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | |
| **VIII** | **FMI Less FME (VI) - (VII)** | **52** | **86** | **331** | **-** | **-** | **-** | **288.33** | **0.70** | **0.78** |
| | | | | | | | | | | |
| IX | **Surplus Before Interest and Tax (V)+(VIII)** | **4,034** | **5,431** | **4,984** | **1,269** | **(224)** | **(1,086)** | **7,385** | **1,991** | **1,414** |
| | | | | | | | | | | |
| X | Capital Employed | **14,148** | **12,673** | **15,072** | **23,290** | **24,136** | **23,501** | **13,791** | **23,638** | **23,782** |
| XI | RoCE - Maximum permissible @ 16% | 2,264 | 2,028 | 2,412 | 3,726 | 3,862 | 3,760 | 2,206 | 3,782 | 3,805 |
| XII | Capacity Utilization | 117% | 130% | 151% | 130% | 140% | 150% | 171% | 94% | 100% |
| XIII | RoCE adjusted for capacity utilization | **2,264** | **2,028** | **2,412** | **3,726** | **3,862** | **3,760** | **2,206** | **3,782** | **3,805** |
| | | | | | | | | | | |
| XIV | **Net Surplus / (Deficit) (IX) - (XIII)** | **1,770** | **3,403** | **2,573** | **(2,457)** | **(4,086)** | **(4,847)** | **5,179** | **(1,791)** | **(2,391)** |
| | | | | | | | | | | |
| XV | **Net Surplus / (Deficit) as a % of operating income (XIV/I in %)** | 15.04% | 24.56% | 14.85% | -18.53% | -28.43% | -31.30% | 25.68% | -11.77% | -14.47% |
| | | | | | | | | | | |
| XVI | Total net surplus accrued in the past three years 2010-11 to 2012-13. | | | 7,746 | | | | | | |
| XVII | Net Surplus of the Rs 9042 Lakh for the years 2010-11 to 2012-13 as assessed by the SWPL spread over three year 2013-14 to 2015-16 by SWPL. | | | | 3,014 | 3,014 | 3,014 | | | |
| XVIII | Adjustment of additional past surplus | | | | | | | | | |
| | (a).Of Rs. 7746 lakhs, Rs. 888 lakhs given in (b) below fully adjusted. Of remaining additional surplus of Rs. 6858 lakhs (i.e. Rs. 7746 - 888 lakhs), 50% of the net additional surplus accrued in the past three years 2010-11 to 2012-13 considered for adjustment over five years period beginnning from 2014-15 (February 2015) | | | 3,429 | | | | - | 114 | 686 |
| | (b) .Impact of operating cost and ROCE allowed in the last tariff Order with reference to the additions to the gross block of assets relating to in-motion wagon system, single rail line along with related assets which should have been in place by 31 March 2012 but not deployed by the SWPL. Hence considered for 100% adjustment in the years 2014-15 and 2015-16 | | | 888 | | | | - | 444 | 444 |
| | (c). 100% Actual surplus for the year 2013-14 set off in 2014-15 and 2015-16 | | | | | | | (5,179) | 2,589 | 2,589 |
| XIX | Net Surplus / (Deficit) after adjustment of past Surplus | - | - | - | 557 | (1,072) | (1,833) | - | 1,356.20 | 1,327.84 |
| XX | Net surplus / (Deficit) as % Operating Income. | | | | 4% | -7% | -12% | 0.00% | 8.9% | 8.0% |
| XXI | Average net surplus/deficit in % Operating Income (By SWPL for 3 years) (TAMP Estimates for the years 2014-15 & 2015-16.) | | | | | **-5%** | | | **8.5%** | |

Annex- II (b)

**SOUTH WEST PORT LIMITED**
**Cost statement for Cargo handling activity**

**(Rs.in Lakhs)**

| Sr. No. | Particulars | Actuals | | | As Estimated by SWPL at existing tariff | | | Estimates of SWPL modified by TAMP | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2013-14 | 2014-15 | 2015-16 |
| | | | | | Estimates | Estimates | Estimates | Actuals | Estimates | Estimates |
| I | **Operating Income** | | | | | | | | | |
| | (a) Handling | 5,992 | 6,782 | 8,505 | 6,939 | 7,571 | 8,203 | 9,438 | 7,571 | 8,203 |
| | (b) Wharfage | 1,669 | 1,853 | 2,358 | 1,954 | 2,104 | 2,254 | 2,597 | 2,104 | 2,254 |
| | (c) Storage including demurrage | 316 | 577 | 180 | 100 | 100 | 100 | 302 | 249 | 266 |
| | **Total (i to iii)** | **7,976** | **9,212** | **11,042** | **8,993** | **9,775** | **10,557** | **12,337** | **9,923** | **10,723** |
| II | **Direct Operating Expenses** | | | | | | | | | |
| | (i) Cargo handling | 2,362 | 2,736 | 5,253 | 3,436 | 4,015 | 4,635 | 5,873 | 5,123 | 5,818 |
| | (ii) Equipment Running Costs | 846 | 1,155 | 1,495 | 1,144 | 1,362 | 1,550 | 1,286 | 1,320 | 1,506 |
| | (iii) Maintanence dredging | - | - | - | 188 | 188 | 188 | - | - | - |
| | (iv) Royalty / revenue share | 1,045 | 1,207 | 1,447 | 884 | 960 | 1,037 | 1,616 | 1,300 | 1,405 |
| | (v) Equipment Hire | - | - | - | - | - | - | - | - | - |
| | (vi) Lease Rentals payable as per concession agreement | 145 | 147 | 162 | 320 | 336 | 353 | 171 | 179 | 188 |
| | (vii) Insurance | 78 | 88 | 90 | 107 | 137 | 151 | 67 | 97 | 121 |
| | (viii) Other expenses | 16 | 36 | 29 | 20 | 22 | 24 | 52 | 55 | 58 |
| | **Total (i to viii)** | **4,491** | **5,369** | **8,475** | **6,098** | **7,021** | **7,938** | **9,067** | **8,073** | **9,096** |
| III | Depreciation | 1,044 | 1,050 | 1,158 | 1,817 | 3,092 | 3,737 | 1,456 | 2,273 | 2,958 |
| IV | Allocated share of Overheads | | | | | | | | | |
| | (i) Management & Administration overheads | 528 | 592 | 994 | 1,059 | 1,122 | 1,191 | 841 | 891 | 944 |
| | (ii) General Overheads | 176 | 153 | 157 | 169 | 180 | 191 | 195 | 207 | 220 |
| | (iii) Preliminary expenses & Upfront Payment write-off | 37 | 37 | 37 | 7 | 7 | 7 | 37 | 37 | 37 |
| | **Total (i to iii)** | **741** | **782** | **1,188** | **1,235** | **1,309** | **1,390** | **1,073** | **1,135** | **1,201** |
| V | Operating Surplus / (Deficit) (I) – (II) – (III) - (IV) | **1,700** | **2,011** | **221** | **(157)** | **(1,647)** | **(2,509)** | **741** | **(1,558)** | **(2,532)** |
| VI | Allocated share of FMI | | | | | | | | | |
| | (i) Profit on sale of assets. | - | 85.30 | 140.50 | | | | 287.50 | - | - |
| | (ii).Profit on sale of Scrap. | - | - | 57.90 | | | | - | - | - |
| | (iii) Other Operating Income | 8 | 0.2 | 132 | | | | 0.2 | - | - |
| | (iv) Others (Credit of return from security deposit) | 0.5 | 0.6 | 0.6 | | | | 0.63 | 0.70 | 0.78 |
| | (v) Insurance Claims | 43.40 | - | - | | | | | | |
| | **Total (i to v)** | **52** | **86** | **331** | **-** | **-** | **-** | **288** | **0.70** | **0.78** |
| VII | Allocated share of FME | | | | | | | - | - | - |
| VIII | FMI Less FME (VI) - (VII) | 51.96 | 86.05 | 330.67 | - | - | - | 288 | 0.70 | 0.78 |
| IX | **Surplus / deficit (V) + (VIII)** | **1,752** | **2,097** | **552** | **(157)** | **(1,647)** | **(2,509)** | **1,029** | **(1,557)** | **(2,531)** |
| X | Capital Employed for the activity | 10,611 | 9,505 | 11,304 | 4,027 | 8,012 | 14,757 | 4,816 | 15,137 | 15,678 |
| XI | RoCE - Maximum permissible @ 16% | 1,698 | 1,521 | 1,809 | 644 | 1,282 | 2,361 | 770 | 2,422 | 2,508 |
| XII | Capacity Utilization | 117% | 130% | 151% | | | | 171% | 94% | 100% |
| XIII | RoCE adjusted for Capacity utilization | 1,698 | 1,521 | 1,809 | | | | 770 | 2,422 | 2,508 |
| XIV | **Net Surplus / (Deficit) (X) - (XIII)** | **54** | **576** | **(1,257)** | **(157)** | **(1,647)** | **(2,509)** | **259** | **(3,979)** | **(5,039)** |
| XV | **Net Surplus / (Deficit) as a % of operating income (XIV/I in %)** | 1% | 6% | -11% | -2% | -17% | -24% | 2% | -40% | -47% |
| XVI | Adjustment of additional past surplus | | | | | | | | | |
| | (a).Of Rs. 7746 lakhs, Rs. 888 lakhs given in (b) below fully adjusted. Of remaining additional surplus of Rs. 6858 lakhs (i.e. Rs. 7746 - 888 lakhs), 50% of the net additional surplus accrued in the past three years 2010-11 to 2012-13 considered for adjustment over five years period beginnning from 2014-15 (February 2015) | | | 2,263 | - | - | - | - | 75 | 453 |
| | (b) .Impact of operating cost and ROCE allowed in the last tariff Order with reference to the additions to the gross block of assets relating to in-motion wagon system, single rail line along with related assets which should have been in place by 31 March 2012 but not deployed by the SWPL. Hence considered for 100% adjustment in the years 2014-15 and 2015-16. | | | 586 | - | - | - | - | 293 | 293 |
| | (c). 100% Actual surplus for the year 2013-14 set off in 2014-15 and 2015-16. | - | - | - | - | - | - | (259) | 129 | 129 |
| XVII | Net Surplus / (Deficit) after adjustment of past Surplus | | | | | | | - | (3,481.08) | (4,164.31) |
| XVIII | Net surplus / (Deficit) as % Operating Income. | | | | | | | 0.00% | -35.1% | -38.8% |
| XIX | Average net surplus/deficit in % Operating Income (By SWPL for 3 years) (TAMP Estimates for the year 2014-15 & 2015-16.) | | | | | | | | **-37.0%** | |

Annex- II (c)

**SOUTH WEST PORT LIMITED**
**Cost statement for Vessel related activity**

**(Rs. In Lakhs)**

| Sr. No. | Particulars | Actuals | | | As Estimated by SWPL at existing tariff | | | Estimates of SWPL modified by TAMP | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2013-14 | 2014-15 | 2015-16 |
| | | | | | Estimates | Estimates | Estimates | Actuals | Estimates | Estimates |
| I | **Operating Income (Pls furnish break-up)** | | | | | | | | | |
| | Berth Hire Income | 3,791 | 4,642 | 6,286 | 4,268 | 4,597 | 4,929 | 7,831.00 | 5,291 | 5,806 |
| | | | | | | | | | | |
| II | **Direct Operating Expenses** | | | | | | | | | |
| | (i) Cargo handling | 103 | 120 | 230 | 1,145 | 1,338 | 1,545 | 257 | 224 | 255 |
| | (ii) Maintenance Labour | - | - | - | - | - | - | - | - | - |
| | (ii) Equipment Running Costs | 124 | 162 | 151 | 381 | 454 | 517 | 166 | 170 | 194 |
| | (iv) Maintanence dredging | 259 | - | 315 | 63 | 63 | 63 | - | 248 | 261 |
| | (v) Royalty / revenue share | - | - | - | 295 | 320 | 346 | - | - | - |
| | (vii) Lease Rentals payable as per concession agreement | 219 | 222 | 245 | 107 | 112 | 118 | 259 | 270 | 283 |
| | (viii) Insurance | 58 | 44 | 42 | 36 | 46 | 50 | 38 | 55 | 69 |
| | (ix) Other expenses | - | - | - | 7 | 7 | 8 | - | - | - |
| | **Total (i to viii)** | **763** | **548** | **982** | **2,033** | **2,340** | **2,646** | **720** | **967** | **1,061** |
| | | | | | | | | | | |
| III | Depreciation | 503 | 503 | 476 | 398 | 398 | 398 | 398 | 398 | 398 |
| | | | | | | | | | | |
| IV | Allocated share of Overheads | | | | | | | | | |
| | (i) Management & Administration overheads | 182 | 204 | 342 | 353 | 374 | 397 | 290 | 307 | 326 |
| | (ii) General Overheads | 61 | 53 | 54 | 56 | 60 | 64 | 67 | 71 | 76 |
| | (iii) Preliminary expenses & Upfront Payment write-off | - | - | - | | | | - | - | - |
| | **Total (i to iii)** | 243 | 257 | 397 | 409 | 434 | 461 | 357 | 379 | 402 |
| | | | | | | | | | | |
| V | Operating Surplus / (Deficit) (I) – (II) – (III) - (IV) | **2,282** | **3,334** | **4,432** | **1,429** | **1,426** | **1,425** | **6,356** | **3,548** | **3,945** |
| | | | | | | | | | | |
| VI | Allocated share of FMI | | | | | | | | | |
| | (i) Profit on sale of assets. | - | - | - | | | | - | - | - |
| | (ii).Profit on sale of Scrap. | - | - | - | | | | - | - | - |
| | (iii) Other Operating Income | - | - | - | | | | - | - | - |
| | (iv) Others (Credit of return from security deposit) | - | - | - | | | | - | - | - |
| | (v) Insurance Claims | - | - | - | | | | - | - | - |
| | **Total (i to v)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | | | | | | | | | | |
| VII | Allocated share of FME | | | | | | | | | |
| | | | | | | | | | | |
| **VIII** | **FMI Less FME (VI) - (VII)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | | | | | | | | | | |
| IX | **Surplus / deficit (V) + (VIII)** | **2,282** | **3,334** | **4,432** | **1,429** | **1,426** | **1,425** | **6,356** | **3,548** | **3,945** |
| | | | | | | | | | | |
| X | Capital Employed for the activity | 3,537 | 3,168 | 3,768 | 9,020 | 8,908 | 8,531 | 8,975 | 8,501 | 8,104 |
| XI | RoCE - Maximum permissible @ 16% | 566 | 507 | 603 | 1,443 | 1,425 | 1,365 | 1,436 | 1,360 | 1,297 |
| XII | Capacity Utilization | 117% | 130% | 151% | | | | 171% | 94% | 100% |
| XIII | RoCE adjusted for Capacity utilization | 566 | 507 | 603 | | | | 1,436 | 1,360 | 1,297 |
| | | | | | | | | | | |
| XIV | **Net Surplus/ (Deficit) (X) - (XIII)** | **1,716** | **2,827** | **3,829** | (14) | - | 60 | **4,920** | **2,188** | **2,648** |
| | | | | | | | | | | |
| XV | **Net Surplus / (Deficit) as a % of operating income (XIV/I in %)** | 45% | 61% | 61% | 0% | 0% | 1% | 63% | 41% | 46% |
| XVI | Adjustment of additional past surplus | | | | | | | | | |
| | (a).Of Rs. 7746 lakhs, Rs. 888 lakhs given in (b) below fully adjusted. Of remaining additional surplus of Rs. 6858 lakhs (i.e. Rs. 7746 - 888 lakhs), 50% of the net additional surplus accrued in the past three years 2010-11 to 2012-13 considered for adjustment over five years period beginnning from 2014-15 (February 2015) | | | 1,166 | - | - | - | - | 39 | 233 |
| | (b). Impact of operating cost and ROCE allowed in the last tariff Order with reference to the additions to the gross block of assets relating to in-motion wagon system, single rail line along with related assets which should have been in place by 31 March 2012 but not deployed by the SWPL. Hence considered for 100% adjustment in the years 2014-15 and 2015-16 | | | 302 | - | - | - | - | 151 | 151 |
| | (c).100% Actual surplus for the year 2013-14 set off in 2014-15 and 2015-16 | - | - | - | - | - | - | (4,920) | 2,460 | 2,460 |
| XVII | Net Surplus / (Deficit) after adjustment of past Surplus | | | | | | | - | 4,837.29 | 5,492.14 |
| XVIII | Net surplus / (Deficit) as % Operating Income. | | | | | | | 0% | 91.4% | 94.6% |
| XIX | Average net surplus/deficit in % Operating Income (By SWPL for 3 years) (TAMP Estimates for the year 2014-15 & 2015-16.) | | | | | | | | **93.1%** | |

**Annex-III**

**SOUTH WEST PORT LIMITED**

**SCALE OF RATES**

1. **DEFINITIONS - GENERAL**

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

(i). ***"Per Day"*** means per calendar day unless other wise stated.

(ii). ***"SWPL"*** means South West Port Limited a company incorporated in India, its successors and assigns.

(iii). ***"Port"*** means the Mormugao Port Trust (MOPT) whereas "Terminal" means South West Port Limited (SWPL), now or hereafter operated by South West Port Limited.

(iv). ***"Coastal Vessel"*** means any vessel exclusively employed in trading between any port or place in India to any other port or place in India having a valid coastal license issued by the competent authority.

(v). ***"Coastal Cargo"*** means any cargo, which the vessel discharges at one Indian port after shipment from another Indian port or vice versa irrespective of its actual origin or destination.

(vi). ***"Foreign Cargo"*** means any cargo other than coastal cargo.

(vii). ***"Foreign–going Vessel"*** means any vessel other than a coastal vessel.

(viii). ***"Tonne"*** or ***"MT"*** means one Metric Tonne of 1,000 kilograms or one cubic metre.

**2. GENERAL TERMS AND CONDITIONS**

(i). The Status of the vessel, as borne out by its certification by the Customs or the Director General of Shipping, is the relevant factor to decide whether vessel is *'coastal' or 'foreign-going'* category for the purpose of levying vessel related charges; and, the nature of cargo or its origin will not be of any relevance for this purpose.

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

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

(c). In cases of such conversion, Coastal rates shall be payable from the time the vessel starts loading coastal goods.

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

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

(iii). Wherever rates of vessel related charges have been denominated in US dollar terms the charges shall be recovered in Indian Rupees after conversion of US currency to its equivalent Indian Rupees at the market-buying rate notified by the Reserve Bank of India, State Bank of India or its Associates or any other Public Sector Banks as may be specified from time to time. The date of entry of the vessel into the port shall be reckoned with as the day for such conversion.

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

(v). (a). The cargo related charges for all coastal cargo, other than thermal coal, POL including crude oil, iron ore and iron pellets, should not exceed 60% of the normal cargo / container related charges.

(b). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship-shore transfer and transfer from / to quay to / from storage yard including wharfage.

(c). Cargo from a foreign port, which reaches an Indian Port 'A' for subsequent transhipment to Indian Port 'B' will be, levied the concessional charges relevant for its coastal voyage. In other words, cargo from / to Indian ports carried by vessel permitted to undertake coastal voyage will qualify for the concession.

(d). The charges for coastal cargo / vessels shall be denominated and collected in "Indian Rupee".

(vi). For the purpose of calculating the dues the unit by weight shall be 1 tonne or 1000 kilograms, the unit by volume measurement shall be 1 cubic metre and the unit by capacity measurement for liquids in bulk shall be 1000 litres.

(vii). In calculating the gross weight or measurement by volume or capacity of any individual item, fractions upto 0.5 shall be taken as 0.5 unit and fractions of 0.5 and above shall be treated as one unit, except where otherwise specified.

(viii). Interest on delayed payments / refunds:

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

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

(c). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the SWPL. 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.

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

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

(x). (a). The rates prescribed in the Scale of Rates are ceiling levels, likewise, rebates and discounts are floor levels. The SWPL may, if it so desires, charge lower rates and / or allow higher rebates and discounts.

(b). The SWPL may also, if they so desire, rationalise the prescribed conditionalities governing the application of rates prescribed in the Scale of Rates if such rationalisation gives relief to the user in rate per unit and the unit rates prescribed in the Scale of Rates do not exceed the ceiling level.

(c). The SWPL should notify the public such lower rates and / or rationalisation of the conditionalities governing the application of such rates and continue to notify the public any further changes in such lower rates and / or in the conditionalities governing the application of such rates provided the new rates fixed shall not exceed the rates notified by the TAMP.

(xi). Users will not be required to pay charges for delays beyond reasonable level attributable to the SWPL.

## PART I - VESSEL RELATED CHARGES

### SECTION – A – PORT DUES and SECTION – B – PILOTAGE FEES

These services will be rendered to the vessels entering the SWPL's berth numbers 5A and 6A by the Mormugao Port Trust as per their approved Scale of Rates. The charges shall be payable directly to the Mormugao Port Trust by masters / owners / agents of the vessel.

### SECTION - C - BERTH HIRE CHARGES

Berth Hire Charges at Berth numbers 5A and 6A shall be payable to SWPL by masters / owners / agents of the vessel at the following rates.

**BERTH NO.5A**
**(Maximum LOA of Vessel 190 mtrs. in conjunction with another vessel of LOA 225 mtrs. at Berth No.6A)**

| Sl.No. | Class of Vessel | Rate per GRT per hour or part thereof | |
|---|---|---|---|
| | | Foreign going Vessel (in US $) | Coastal Vessels (in ₹) |
| 1. | All Vessels | 0.0108 | 0.29 |

**BERTH NO.6A**
**(Under Mechanised Operation system)**

| Sl.No. | Class of Vessel | Rate per GRT per hour or part thereof | |
|---|---|---|---|
| | | Foreign going Vessel (in US $) | Coastal Vessels (in ₹) |
| 1. | Upto 30,000 GRT | 0.0237 | 0.63 |
| 2. | 30,001 GRT and above | 0.0280 | 0.75 |

**Notes**:

(1). Berth Hire charges includes charges for services rendered and facilities provided at the Berth, such as occupation of berth, overtime at berth, removal of rubbish collected on board by the vessel and delivered on the wharf, cleaning of Berths, fire watch, etc.

(2). The above charges are leviable against Masters, Owners or Agents of vessels and other floating craft approaching or lying at or alongside berths per GRT per hour or part thereof.

(3). The Berth hire charges leviable per vessel is subject to a minimum of US$ 559.00 in case of foreign going vessel and ₹.14,966 in case of coastal vessel.

(4). The period of berth hire shall be calculated from the time the vessel occupies the berth.

(5). No berth hire charges shall be payable for the period when loading / unloading operations cannot be carried out due to non-availability of the shore cranes / mechanical handling system of SWPL, due to breakdown or any other reason attributable to SWPL.

(6). (i). Berth hire shall stop 4 hours after the time of vessel signaling its readiness to sail.

(ii). The time limit of 4 hours prescribed for the cessation of berth hire shall exclude the ship's waiting time for want of favorable tide conditions, inclement weather, and due to lack of night navigation.

(iii). The master / agent of the vessel shall signal readiness to sail only in accordance with favorable tidal and weather conditions.

(iv). The Penal Berth hire shall be equaled to one-day's (24 hours) berth hire charge for a false signal.

"False signal" would be when the vessel signals readiness and asks for a pilot in anticipation even when she is not ready for un-berthing due to engine not being ready or cargo operation not completed or such other reasons attributable to the vessels. This excludes the signaling readiness when a vessel is not able to sail due to unfavorable tide, lack of night navigation or adverse weather conditions."

(7). The de-ballasting time allowed at berth numbers 5A and 6A shall be 3 hours and beyond that penal berth hire charges shall be levied at five times the normal berth hire charges, the incidence being reduced to per hour or part thereof, that may be applicable to the vessel. This will be in addition to the normal berth hire charges applicable for the entire duration of the vessel's stay at the berth.

(8). Vessels banked on offside of another vessel at these berths, berth hire charges shall be 50% of normal charges payable by such vessels.

(9). The provisions of the License Agreement shall govern priority Berthing and charges on it, if any. Whenever the priority berthing is granted to a vessel, a fee equivalent to Berth Hire charges for a single day (24 hours) or @ 75% of the Berth Hire charges calculated for the total period of actual stay at the Berth, whichever is higher, shall be levied.

(10). (i). For providing ousting priority to a vessel, a fee equivalent to berth hire charges for a single day (24 hours) or @100% of the berth hire charges calculated for the total period of actual stay of the vessels at berth, whichever is higher, shall be levied.

(ii). In addition, shifting out / in charges of the vessels shall be levied on the vessels, which are provided ousting priority.

(iii). Ousting priority at berth no.6A will be accorded only when a discharge / load rate of 25,000 MT of cargo per weather working day cannot be achieved due to restrictions placed by the vessels.

## PART - II CARGO RELATED CHARGES

### SECTION – A

### WHARFAGE CHARGES AT BERTH NOS. 5A AND 6A

Wharfage on the cargo handled at berths numbers 5A and 6A shall be payable directly to SWPL, at the rates specified below, by importer or exporter of cargo, on the manifested quantity of cargo, which is declared in the Bill of entry filed with the Customs:

| Sl. No. | Particulars of Commodity | Unit | Rate for Import / Export (in ₹) | |
|---|---|---|---|---|
| | | | Foreign Cargo | Coastal Cargo |
| 1. | Coal (all types except thermal coal) | MT | 25.80 | 15.48 |
| 2. | Metallurgical Coke / Coke / Charcoal | MT | 38.70 | 23.22 |
| 3. | Limestone | MT | 8.60 | 5.16 |
| 4. | Iron Ore Pellets | MT | 25.80 | 25.80 |
| 5. | Metal products, Steel Coils, Slabs | MT | 25.80 | 15.48 |
| 6. | Any other bulk cargo not specified above | MT | 25.80 | 15.48 |

## SECTION - B

## CARGO HANDLING CHARGES

Cargo Handling Charges at Berth numbers 5A and 6A shall be payable on the manifested cargo directly to SWPL by importer or exporter of cargo at the rates specified below:

### At Berth No.5A

| Sl. No. | Particulars of Commodity | Unit | Rate for Import / Export (in ₹) | |
|---|---|---|---|---|
| | | | Foreign Cargo | Coastal Cargo |
| 1. | Iron Ore Pellets | MT | 120.40 | 120.40 |
| 2. | Metal products, Steel Coils, Slabs | MT | 136.74 | 82.04 |
| 3. | Any other bulk cargo not specified above | MT | 129.00 | 77.40 |

### At Berth No.6A

| Sl. No. | Particulars of Commodity | Unit | Rate for Import / Export (in ₹) | |
|---|---|---|---|---|
| | | | Foreign Cargo | Coastal Cargo |
| 1. | Coal (all types except thermal coal) | MT | 86.60 | 51.96 |
| 2. | Metallurgical Coke / Coke (all types) / Charcoal | MT | 123.07 | 73.84 |
| 3. | Limestone | MT | 113.95 | 68.37 |
| 4. | Iron Ore Pellets | MT | 120.40 | 120.40 |
| 5. | Metal products, Steel Coils, Slabs | MT | 136.74 | 82.04 |
| 6. | Any other bulk cargo not specified above | MT | 129.00 | 77.40 |

**Notes**:

(1). At the berth number 5A, Cargo Handling Charges shall cover the following services:
- Unloading of cargo from ship to the berth or vice versa,
- Movement of cargo from the berth to SWPL stackyard or vice versa,
- Movement within the SWPL stackyard,
- Unloading from railway wagons or vice versa.

(2). At the berth number 6A Cargo Handling Charges shall cover the following services:
- Unloading of cargo from ship to the berth or vice versa,
- Movement of cargo from the berth to SWPL stackyard or vice versa,
- Movement within the SWPL stackyard,
- Loading on railway wagons for rail delivery or vice versa.

(3). Covering of Wagons by tarpaulin / plastic cover is not included in above handling charges prescribed in the schedule.

(4). The dunnaging and lashing (inclusive suitable labour & material) will have to be arranged by the users at their costs to the satisfaction of the Master of the vessel.

(5). 50% of the Cargo Handling Charges shall be payable before the cargo is received for handling. Balance 50% of the Cargo Handling charges shall be payable before the clearance / shipment of the cargo.

## SECTION – C

## GROUND RENT / STORAGE CHARGES

The storage charges for cargo stored in the stackyard of SWPL shall be as follows:

### I. Ground rent / storage charge for import / inward cargo

**(in ₹ per MT per day for the balance cargo in SWPL)**

| Sl. No. | Particulars of Commodity | Rate for first Five days remaining after the free period | Rate for Sixth day to Tenth day | Rate for Eleventh day to Twentieth day | Rate for Twenty-first day onwards |
|---|---|---|---|---|---|
| 1. | Coal (all types) | 8.60 | 21.50 | 43.00 | 86.00 |
| 2. | Metallurgical Coke / Coke (all types) / Charcoal | 12.90 | 34.40 | 64.50 | 129.00 |
| 3. | Limestone | 8.60 | 21.50 | 43.00 | 86.00 |
| 4. | Any Other dry bulk cargo not specified above | 12.90 | 34.40 | 64.50 | 129.00 |

**Notes:**

(1). *THREE Free Days* shall be allowed, after complete discharge of vessel's cargo or when the last package is discharged. For the purpose of calculation of free period, Sundays, Customs notified holidays and Terminal's non- working days shall be excluded.

(2). *Ground rent / storage charges* shall be payable for all days including Sundays and Customs notified holidays for stay of cargo beyond the prescribed free days.

(3). After 21 days beyond Free Days, the balance cargo shall be liable to be shifted to other place out of SWPL area at the sole cost and consequences to the importer / exporter.

(4). For levy of ground rent / storage 'Day' shall be reckoned as from 7.00 a.m. to 7.00 a.m. of the following day.

### II. Ground rent / Storage charges for Export / Outward cargo

**(in ₹ per MT per day for the balance cargo in SWPL)**

| Sl. No. | Particulars of Commodity | Rate for first Five days remaining after the Free Period | Rate for Sixth day to Tenth day | Rate for Eleventh day to Twentieth day | Rate for Twenty-first day onwards |
|---|---|---|---|---|---|
| 1. | Iron Pellets | 8.60 | 21.50 | 43.00 | 86.00 |
| 2. | Metal products, Steel Coils, Slabs and other general bulk cargo | 4.30 | 8.60 | 21.50 | 43.00 |

**Notes**:

(1). In case of export cargo, Seven Free Days shall be allowed from the day the first lot of cargo / consignment has been received. For the purpose of calculation of free period Sundays, Customs notified holidays and Terminal's non-working days will be excluded.

(2). After the prescribed free days, ground rent / storage charges shall be payable for all days including Sundays and Customs notified holidays as stated above.

(3). After 21st day beyond free days, the balance cargo shall be liable to be shifted to other place out of SWPL area at the sole cost and consequences to the exporter.

(4). For levy of ground rent / storage 'Day' shall be reckoned as from 7.00 a.m. to 7.00 a.m. of the following day.

(5). If the entire cargo accumulated is not within the free period and the balance cargo is earmarked / linked to the next ship, further free period will be allowed from the date of production of documentation in support of this claim. Otherwise, penal ground rent at the appropriate rate applicable as per the rates prescribed in the above schedule shall be payable.

**General Note to Section C:**

(1). Storage charges / ground rent on cargo shall not accrue for the period when the SWPL is not in a position to deliver / ship the cargo when requested by the user due to reasons attributable to SWPL.

## SECTION – D

## DUST SUPPRESSION CHARGES

The Dust Suppression Charges for water sprayed for suppression of dust for effective pollution control shall be levied on manifested quantity on Coal, Coke and Limestone at the following rates:

For Coal, Limestone and Coke: ₹ 1.85 per MT

This shall be levied from the stage of unloading from the vessel till the cargo is loaded onto railway wagons including storage at SWPL stackyard.

## Part- III

## OTHER SERVICES

### 1. VISITOR ENTRY PASS

| | | Yearly | Monthly | Daily |
|---|---|---|---|---|
| (a). | Per Application | ₹175 | ₹45 | ₹20 |
| (b). | Per Replacement | ₹45 | ₹45 | ₹20 |

### 2. VEHICLE ENTRY PASS

| | |
|---|---|
| Per Entry | ₹65 |

**Note**: The vehicle entry fee will not be levied on vehicles entering / leaving the SWPL berths for delivery / dispatch of cargo.

### 3. PHOTOGRAPHY

| | | |
|---|---|---|
| (a). | Film Shooting and Photography | ₹ 7310 per day |
| (b). | Taking Photographs of Goods handled | ₹ 430 per day |
| (c). | Taking Photographs of Crews and Others | ₹ 215 per day |
| (d). | Videography (related to operational activities) | ₹ 2150 per day |

## 4. CRANE HIRE CHARGES

The hire charges for the SWPL's cranes installed at berth nos.5A and 6A shall be payable directly to SWPL for use for the purposes other than for cargo handling as per following rates:

| | | |
|---|---|---|
| (a). | For 110/42 MT capacity mobile harbour cranes | ₹ 21500.00 per hour |
| (b). | For others cranes | ₹ 12900.00 per hour |

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

**F. No.TAMP/19/2013- SWPL - Proposal received from the South West Port Limited for revision of its Scale of Rates for its operations at the multipurpose cargo terminal at berth 5A and 6A in the Mormugao Port Trust**

A summary of the comments received from the MOPT and users/ user organizations is given below:

| Sl. No. | Comments of the users / user organisations |
|---|---|
| 1. | **Mormugao Port Trust** |
| (i). | As regard to para 3, constraints for future growth, it is stated that SWPL has raised concern mainly on account of availability of sufficient number of rakes due to beginning of operation of new coal terminal by M/s.Adani Mormugao Port Ltd. at Mormugao Port Trust (Berth No.7). |
| (ii). | The Port had taken up this issue in the past and Railway Authorities had stated that they are doubling the Railway track from Hospet to Vasco via Londa to improve the rail traffic which is under progress. Besides this, South Western Railway has also taken up yard augmentation work at railway statins between Kulem to Vasco-da-Gama by providing additional lines to avoid congestion and to enhance the supply of empty rakes. Railways have also assured to provide dedicated locos to supply empty rakes. |
| (iii). | Further, Port has also taken up augmentation work at R & D yard to increase yard capacity in order to get more empty rakes to achieve higher throughput. |
| 2. | **Indian National Shipowners' Association** |
| (i). | The proposal provides in its introduction (Paragraph 1) following information – |
| | a. The License agreement was for dedicated Multipurpose Berths i.e. SWPL could operate for all kinds of cargoes. |
| | b. The guaranteed through put stipulated is 5 Million tonnes. |
| | c. Only Rail bound Coal cargo has been considered for the revenue. |
| (ii). | The proposal is not complete i.e. forms 6, 7 & 8 are not included. In its submission, operator has emphasized constrains of increasing revenue as well as compulsion of Capital expenditure and capacity. It's therefore necessary to look at impact on productivity, cost, revenue, related to productivity and efforts of the operator. |
| (iii). | Against 2010-11 to 2012-13 Guaranteed throughput of 5.00 Million Tonnes per annum, the operator performed throughput of 5.80, 6.48 and 7.76 Million Tonnes during last three years respectively as against projection of 4.15, 4.45, 5.15 Million Tonnes during same years. This show the physical possibility and also availability of cargo.<br>In view of the above the revenue estimates for next three years should be substantially higher. Presence of another operator in the port only proves the availability of cargoes that can be attracted to the port. |
| (iv). | The thrust of operator is on Imported Coal that could move by Rail. Since the concession agreement and capabilities of port are for multipurpose cargoes, we feel port operator should explore for other cargoes also. Efforts and time would be required for it. But it is difficult to agree that trade should be made to pay for ordinary business tasks that operator should undertake. |
| (v). | Please refer para 7. ₹188 crores investment in Cargo handling plant is planned and is put forward as "rationale behind the increase in tariff". We wonder if such Capex was considered at the time of bidding or drawing concessional agreement. On one hand, the business is shown to be going through hardships. But CAPEX is being justified in |

| | |
|---|---|
| | spite of uncertainty of cargo volume in view of competition, Rail restrictions and existing ban on Iron Ore exports. |
| (vi). | Refer para 8 – Optimal terminal Capacity is taken at 5.0 million tonnes when physically the vessel has performed over 7.5 Million tonnes last year. This has major impact on cost calculations. Considering the consistent growth of Indian imports and specifically cargoes that are available to handle i.e. Coal, Ore, Containers, Steel we feel the capacity should be almost 200% of what is considered. |
| (vii). | The proposed CAPEX expenditure of 128 crores is marked for mobile equipments and cranes. Are these equipments really required now when the operator is seeing his business facing competition threat? |
| (viii). | Fear of Railway allocating higher rakes to competition is incomprehensible and irrelevant for own terminal tariff renewal. Operator should deal with as normal business practice instead of seeking recourse of tariff revision. |
| 3. | **Mormugao Ships Agents Association** |
| | The proposed increase in the Scale of Rates of South West Port Limited as outlined in the above proposal dated 30 April 2013 and 17 May 2013 is acceptable to our Association, keeping in view the investment requirements needed to increase operational efficiency and maintain cargo throughput at present levels and replacement of older equipments phase-wise and also the installation of in motion wagon loading system. |

2. A joint hearing on the case in reference was held on 20 June 2014 at the premises of MOPT. At the joint hearing, the SWPL, MOPT and the concerned users/ organisation bodies have made the following submissions:

**South West Port Limited (SWPL)**

(i). Status quo is maintained in berth hire charge as well as wharfage. 12% increase is proposed in cargo handling charge and dust suppression.

(ii). Despite increase in throughput last year, increase is proposed in the Scale of Rates in a few items. This is because we do not expect increased level of throughput achieved during the last year to continue in this cycle.

(iii). Total capex proposed is ₹185 crores in three years. We have planned capex on silo, conveying system and other equipment. Silo is on verge of commissioning.

(iv). First quarter we have been able to achieve coal traffic. Recently cess of ₹250/ tonne is imposed on coal by the State Government. Hence, our main customer JSW Steel may switch coal handling from our terminal to other port. We have stressed upon JSW Steel to continue to handle coal through our terminal despite imposition of cess by the State Government. JSW Steel has taken up with State Government to stop levy of cess on coal. If cess is discontinued then we expect the projections of coal traffic to materialize.

(v). If, however, cess is continued by the State Government, JSW is thinking of handling iron ore or limestone. This means, coal handled in our terminal will be replaced by iron ore or limestone if cess is continued. We would, therefore, like to recast our proposal and submit a revised proposal. The numbers may or may not change.

**Mormugao Port Trust (MOPT)**

(i). Cess is imposed by State Government. It's a statutory liability. SWPL should pursue with the State Government. Government may drop the cess.

(ii). If SWPL changes the cargo profile from coal to limestone, it will have an impact on port also, in terms of availability of rakes. Limestone takes more time to load onto rakes compared to coal. This will have an impact on availability of railway rakes. Rake availability will be an issue if coal is replaced by limestone. This will adversely affect the port's productivity. Limestone is more dangerous cargo to handle.

(iii). In a meeting with Secretary (Shipping) three days back, SWPL has proposed to increase the draft to 18 mtrs. draft at its cost. This was to bring more coal. The submission now made by SWPL is in contravention to SWPL's proposal to Secretary (Shipping).

(iv). We request SWPL to have a relook in the matter and take up the matter with the State Government. We will support SWPL in this matter and address at appropriate forum.

**Adani Ports and Special Economic Zone Ltd.**

(i). Cess imposed by the State Government on coal is a major issue.

(ii). There are two cess, ₹50/- for local consumption and another cess of ₹250/- for taking coal out of Goa. Apart from that there are other multiple cess on coal as well. Total cess comes to around ₹600/-. In such a scenario, only captive coal cargo can sustain. Else, it is not sustainable. We will have to jointly take up to resolve this matter. We request the support of MOPT.

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