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Tariff Authority for Major Ports

G.No.480 **New Delhi,** **21 December 2017**

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 Visakha Container Terminal Private Limited for general revision of its Scale of Rates as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports

No.TAMP/28/2017-VCTPL

Visakha Container Terminal Private Limited ------ Applicant

QUORUM:

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

O R D E R

(Passed on this 14th day of November 2017)

This case relates to the proposal dated 20 March 2017 received from the Visakha Container Terminal Private Limited (VCTPL) for general revision of its Scale of Rates (SOR) for the container terminal operated by it at the Visakhapatnam Port Trust (VPT).

2.1. This Authority had passed an Order dated 21 March 2015 disposing of the proposal received from the VCTPL for general revision of its Scale of Rates. The said Order was notified in the Gazette of India vide Gazette No.142 dated 28 April 2015.

2.2. The VCTPL, in the said general revision proposal, had sought a tariff increase of around 28.09% for all containers excluding transhipment container. For transhipment containers, the VCTPL had proposed 15.16% reduction over the then prevailing tariff.

2.3. As against the above proposal of the VCTPL, this Authority in the Order dated 21 March 2015, based on deficit position reflected in the cost statement, had approved a tariff hike of 13.10% from 1 April 2016 for all categories of containers and services except the transhipment containers subject to the condition that the equipment proposed viz. 4 RTGCs and 1 new RMQC are commissioned by the VCTPL by 1 April 2016. Tariff for transhipment container was reduced by 15.16% as requested by VCTPL from 1 April 2016.

3.1. The said Order prescribed a tariff validity period till 31 March 2017. This Order was notified in the Gazette of India on 28 April 2016 vide Gazette No.159.

3.2. Subsequently, the VCTPL had filed a review application dated 30 April 2015 to review a few components in the tariff Order passed by this Authority vide Order No.TAMP/31/2015-VCTPL dated 21 March 2015.

3.3. This Authority in the said Order dated 30 March 2016, while disposing of the review application of VCTPL, has granted 13.75% increase in all tariff items excluding transshipment container from 1 May 2016. The reduction of 15.16% for transshipment container as proposed by VCTPL and approved by this Authority in March 2015 Order was retained.

3.4. Apart from that, based on the deficit position reflected in the Cost Statement, this Authority granted 25% increase in all tariff items excluding transhipment container from 1 May 2016 or from the date the VCTPL commissioned additional equipment viz. 1 RMQC and 4 RTGCs whichever is later. As stated earlier, the validity of the SOR of VCTPL approved by this Authority is till 31 March 2017.

4. At the request of the VCTPL, this Authority has extended the validity of the existing SOR of VCTPL vide Order No.TAMP/31/2015-VCTPL dated 24 May 2017 till 30 June 2017 subject to the condition that surplus over and above the admissible cost and permissible return for the period post 1 April 2017, if any, will be set off fully in the tariff to be determined.

5. As per Clause 3.1.3. of 2005 tariff guidelines, the private terminal operator shall file its proposal with TAMP at least three months before they are due for revision. Accordingly, the VCTPL had to file its proposal for revision of its existing SOR by 31 December 2016. The VCTPL vide its letter dated 13 February 2017, had requested for extension of time for submission of proposal for revision of SOR for 3 weeks. Accordingly, the extension was granted upto 06 March

2017 vide our letter dated 23 February 2017. Subsequently, the VCTPL vide its letter dated 06 March 2017 had again requested for extension of time upto two weeks to file its proposal. Accordingly, the extension was granted upto 22 March 2017 vide our letter dated 10 March 2017.

6.1. In this backdrop, the VCTPL has filed its proposal dated 20 March 2017 consisting of actual financial performance of Financial years 2014-15, 2015-16 and 2016-17 (9 months actuals + 3 months estimate). The submissions made by VCTPL as regards revision of rates in the previous tariff cycle are as given below:

(i). The Authority in the previous Order No.TAMP/65/2013-VCTPL dated 21 March 2015 had approved a tariff hike of 13.10% from 01 April 2016 for all categories of containers and services except the transhipment containers subject to the condition that the equipment proposed viz. 4 RTGCs and 1 new RMQC are commissioned by the VCTPL by 1 April 2016. Tariff for transhipment container was reduced by 15.16%.

(ii). The VCTPL had filed an application with the Authority to review the Order No.TAMP/65/2013-VCTPL dated 21 March 2015. Based on the review application filed vide VCTPL letter dated 30 April 2015 and MOS letter dated 24 July 2015, the revised Order No.TAMP/31/2015-VCTPL dated 30 March 2016 was notified on 28 April 2016, allowing VCTPL to revise its tariff upwards by 13.75% in all items except for Transhipment containers, w.e.f. 1 May 2016. The tariff for Transhipment containers were reduced by 15.16% based on VCTPL's proposal. In addition to the above hike, the Authority had also granted 25% increase in tariff from the date of commissioning of the 4 new RTGCs and 1 RMQC or 1 May 2016 whichever is later.

(iii). (a). VCTPL has implemented the increase in tariff by 13.75% w.e.f. 15 May 2016 based on the representation from the Trade.

(b). VCTPL had deferred the investment in cranes to next tariff cycle on account of Global slowdown and uncertain local market condition. VCTPL has already signed the purchase agreement with M/s.Shanghai Zhenhua Heavy Industries Co. Ltd.-ZPMC for procurement of 2 new RMQCs and 4 new RTGCs. The cranes are scheduled to be commissioned by end of February 2018.

6.2. The highlights of the tariff proposal are as below:

(i). <u>Tariff Revision</u>:

(a). The proposal is prepared considering the TAMP Guidelines 2005 and 2008.
[The proposal of VCTPL is filed under Tariff Guidelines of 2005. Only for assessing optimal capacity, VCTPL has borrowed the principles and norms of 2008 Guidelines. The VCTPL is governed under Tariff Guidelines of 2005. Tariff Guidelines of 2008 is not applicable to BOT operators who bid for the project prior to February 2008.

(b). The tariff is proposed to be increased by 8.68% for handling import/ export laden and empty containers.

(ii). <u>Capacity</u>:
The Optimum capacity of the terminal is 395500 TEUs. VCTPL is procuring new 2 RMQCs and 4 RTGCs which would be commissioned by February 2018. With the new yard cranes, the stack height could be increased to on an average of 3 and with better evacuation facilities around, the terminal optimum capacity has been re-worked to 474500 TEUs.

(iii). <u>Throughput</u>:

(a). The throughput levels during the past 3 financial year were as follows:

Sl. No.	Year	Throughput in TEUs	Percentage growth
1	Y-2 (2014-15)	2,48,163	-5%
2	Y-1 (2015-16)	2,91,621	18%
3	Y (2016-17) (9 months actual + 3 months' estimate)	3,59,561	23%

(b). The composition of throughput during last three financial years had been as follows:

Sl. No.	FY	Local	ICD	Transhipment	Re-stows	Total
1	2014-15	2,22,398 (90%)	11,941 (5%)	11,110 (4%)	2,714 (1%)	2,48,163
2	2015-16	2,45,477 (84%)	12,200 (4%)	32,130 (11%)	1,814 (1%)	2,91,621
3	2016-17	2,71,462 (75%)	43,164 (12%)	43,053 (12%)	1,882 (1%)	3,59,561

(c). VCTPL envisages of about 4% growth in total container volume through VCTPL in next three years considering the competition from non-major ports. The major contribution would be from the ICD Traffic converted to local and Transhipment Traffic. Taking into consideration of existing market scenario, VCTPL estimate the volumes in the next 3 financial years are as under:

Sl. No.	Year	Estimated throughput in TEUs	Percentage growth
1	Y+1 (2017-18)	3,69,000	4%
2	Y+2 (2018-19)	3,84,000	4%
3	Y+3 (2019-20)	4,00,000	4%

(d). The composition of throughput in TEUs is estimated as under for the next 3 years.

Sl. No.	FY	Local	ICD	Transhipment	Re-stows	Total
1	2017-18	2,52,739 (68%)	22,080 (6%)	92,250 (25%)	1,931 (1%)	3,69,000
2	2018-19	2,63,910 (68%)	22,080 (6%)	96,000 (25%)	2,010 (1%)	3,84,000
3	2019-20	2,73,667 (68%)	24,240 (6%)	1,00,000 (25%)	2,093 (1%)	4,00,000

(iv). Additional investments:

(a). Procurement of two more new Quay Cranes

(b). Procurement of four more new RTGCs

(v). Return on Capital Employed:

The rate of ROCE estimated to be achieved during 2017-18, 2018-19 and 2019-20 are as follows:

Year	ROCE	
	At Existing Tariff	At Revised Tariff
2017-18	18.52%	22.63%
2018-19	9.10%	13.70%
2019-20	6.75%	11.36%
Average	**11.46%**	**16%**

7. The VCTPL has made following assumptions for preparation of the proposal:

(i). **Assumptions - Operating Costs, Capital Employed**

The various operating cost parameters and the corresponding assumptions made under each head are stated below.

(a). Operations and Maintenance Manpower:

The existing strength of Operations, Maintenance and Administration (including IT, Accounts and Purchase) manpower is given below:

Department	2016-17	2017-18
Operations	85	107
Maintenance	71	91
Administration	59	59
Total	**215**	**257**

VCTPL is procuring additional 2 Nos. of RMQCs and 4 Nos. of RTGCs during 2017-18 and to be commissioned by March' 2018. Therefore, additional Operating staff in terms of Operators and Maintenance staff would be required before 9 months to undergo the training process i.e. by July' 2017. Therefore, the additional staff cost has been assumed to be for 9 months from 2017-18.

The yearly increase in salaries is assumed at 10% YoY as per Industry standard.

(b). Equipment Running Cost:

(i). Power:

Electricity is used for RMQCs, Reefer Points, High Mast Lighting, Canteen, Workshop, IT Centre, Time Office, Porta Cabins and Gate Complex. The power consumption for RMQCs and Reefer Points is directly proportional to the throughput handled. The power consumption for High Mast Lighting is dependent upon factors like night operations, increased illumination requirement during security threat (ISPS Level 2/3) and reduced visibility during fog conditions which would lead to increase in consumption of electricity. Based on these assumptions, the projection for the next 3 years has been worked out.

The current power consumptions for QC operations are 6.50 KWH/TEU, Reefer power consumption is 131 KWH/ Reefer TEU, Other areas it is 3 KWH/TEU and overall it is 17 KWH/TEU.

In addition to the Variable cost, a fixed amount is payable towards the Maximum Demand load charges and this is reflected in the workings. The maximum demand currently VCT having is of 1575 KVA p.m. and the fixed cost is ₹386/- p.m. per KVA. Therefore, fixed cost per month is estimated at ₹4,86,158/- (80% of maximum demand) per month.

The total cost per unit as per APEPDCL bills works out to ₹7.91 and has been escalated by 10% YoY from 2017-18 to 2019-20 assuming a rate revision on cards.

(ii). Fuel:

High Speed Diesel (HSD) is primarily consumed for running the RTGCs, Reach Stackers and 1250 KVA Diesel Generator Sets. The present average fuel consumption is 2.25 Litres / TEU has been assumed in the subsequent years. The inflation rate has been taken at 18% as per current trend.

(iii). Repairs and Maintenance:

The expenditure towards repairs and maintenance including consumption of oil & lubricants, consumables, Stores & Spares, Tyres & Tubes and Workshop Tools have been estimated at 2% of cost of mechanical, electrical equipment and 1% of civil assets on additions to the gross block for the FY 2017-18 to 2019-20. In case of existing assets in the gross block, Repair & maintenance cost has been estimated on annual escalation at 5.25%.

(c). Royalty:

As per earlier Orders, TAMP considered effective NPV revenue stream "quoted" by the next successful bidder (excluding upfront fee, which was uniform) i.e., 51% less than the effective NPV revenue stream of VCTPL.

The Royalty payable to VPT for the next Tariff cycle is as follows:

(**in ₹/ TEU**)

Period	**2017-18**	**2018-19**	**2019-20**
Upto June 25th (in ₹)	500	500	750
June 26th to March (in ₹)	500	750	750

[The Minimum Guaranteed Throughput as per License Agreement is 2,40,000 TEUs.]

(d). Equipment Hire:

(i). For the purpose of internal transportation for carrying the containers from yard to jetty and vice versa as also within yard, it is outsourced at ₹220/- per TEU. In the case of Import Empty containers, the cost is 65% of the above cost. The present contract is valid up to September, 2018. An escalation factor of 10% is considered for FY 2018-19 and valid till 2019-20.

(ii). The VCTPL has estimated hire charges for 5 laden and 2 empty Reach stackers on hire. The hiring cost per laden and empty reach stackers has been assumed @ ₹695000 and ₹627000 respectively per month. An Inflation of 5.25% has been assumed for FY 2018-19 and valid till 2019-20.

The Reach stackers are deployed in the Rail Yard and Empty Yard where there is no access for RTGCs. Since VCTPL has been handling almost 20 Racks a month, the Reach stackers are the only Yard handling Equipments for faster turnaround of the Trains.

(e). Lease Rentals:

A total area of 163500 sq. mtrs. has been allotted to VCTPL on payment of licence fee to VPT as per the Licensing Agreement. Apart from this, additional 13000 Sq. mtr has been allotted by VPT, adjacent to the existing facilities. The lease rentals/License Fee paid to VPT was applicable at the rate of ₹0.9055 per sq. mtr. per week till 2015-16. The Licence Fee has been revised as per TAMP Order No.TAMP/48/2014-VPT dated 15 January 2016 to ₹6.11 per Sq. M per week. VPT has extended 50% concession on the above rate after an escalation of 2% and the effective rate currently is ₹3.11 per Sq. M. per week. The TAMP has also vide TAMP Order No.TAMP/80/2015-VPT dated 27 December 2016, revised the Schedule of rates @ ₹4.85 per sqm per week from 1st April 2013 to 9th October 2015 and @ ₹5.05 per sqm per week from 10th October 2015 onwards with an escalation factor of 2% YoY. As per the Licensing agreement, the licence fee is applicable as per prevailing scale of rates for the land allotted to VCTPL. However, as per the discussion with VPT, we understand that the schedule of rates is going to be charged to the existing operator though we have been objecting to such move.

However, in our proposal, the lease rent has been factored as per schedule of rates effective from 1st April 2013 in the absence of clarity from VPT. We have communicated to VPT not to levy the revised schedule rates which is not in accordance with Licence Agreement. The licence fee factored in the current proposal shall be revised based on the mutually agreed rate between VCTPL and VPT.

(f). Insurance:

VCTPL has taken adequate insurance cover for its assets and third party liability under the Port Package Policy. The Insurance costs for the three years have been estimated at current level of premium paid for existing assets and at 1 % of Gross Block of Assets on the new additions.

(g). Other Operating Expenses:

These expenses are basically related directly to throughput and are towards various operational activities like Lashing/unlashing, Tally charges, Reefer monitoring etc. Lashing/unlashing, Tally and Maintenance manpower are fixed in nature and get revised at the time of renewal of contract. Apart from the contracted cost, the minimum wage revision happens every 6 months as per statutory norms. Therefore, considering all these factors inflation rate of 10% is considered YoY.

The current reefer monitoring cost per reefer container is ₹34/- per shift of 8 hours. The reefer shifts for future years have been estimated based on current trend. The reefer monitoring contract is valid up to 2017-18 and hence escalation factor of 10% has been considered for subsequent years considering minimum wage revision as per statutory norms.

The current Reefer monitoring cost is ₹200 per Run Test containers and ₹275 per PTI container. The contract is valid up to 2017-18 and hence escalation factor of 10% has been considered for subsequent years considering minimum wage revision as per statutory norms.

VPT staff deployment charges for rail handling are considered on actual basis with an increase of 10% towards inflation.

Other expenses such as Manpower hire, Security are estimated with an increase of 10% considering the minimum wage revisions to be done as per statutory norms. Testing charges, Water etc., are estimated with an increase of 5.25% (WPI) towards inflation.

(h). Technical Services Fee:

The technical service contract entered by the VCTPL earlier with Dubai Ports International and International Cargo Terminals and Infrastructure Private Ltd [earlier known as United Liner Agencies (ULA)] for providing technical knowhow and managerial services to VCTPL was for a period of five years and has subsided. The Technical Service Fee paid as per the first contract was amortized by the Authority @ ₹15.70 lakhs per annum. The same treatment has been given in the current Tariff proposal and hence ₹15.70 lakhs have been considered for the period 2017-18 to 2019-20.

The second Management contract was signed with DP World for providing technical know-how for the new equipments bought in 2011-12. The contract is for a period of 5 years commencing from January 2011 to November 2015 @ USD 50,000 per annum. The actual payment made till November 2015 for ₹145.07 lakhs has been amortized over a period of 18 years and the annualized impact i.e. ₹8.06 lakhs is considered in the cost statement.

Subsequent to the expiry of second contract, the third Management contract has been signed with DP World for providing Technical know-how for the ongoing project as well as future project. The Technical Service Fee for ongoing project is USD 1,75,000 per annum payable from 17 December 2014. The actual payment done of ₹264.95 lakhs for the period 2014-15 to 2016-17 has been amortized over a period of 18 years and the annualized impact i.e. ₹14.72 lakhs is considered in the cost statement. The future payments from 2017-18 to 2019-20 assumed to be ₹367.50 lakhs and the annualized impact i.e. ₹24.50 lakhs have been considered in the cost statement.

(i). Depreciation:

Clause 2.7.1 of the revised tariff guidelines stipulates that incase of private terminals, depreciation has to be allowed on straight line method with life norms adopted as per the Companies Act, 1956 or based on the life norms prescribed in the Concession Agreement whichever is higher. We have considered the rates for depreciation as prescribed in the Companies Act. For the purpose of tariff fixation, suitable adjustments have been done in the depreciation figures in view of amortization of the upfront fee and leasehold premium over the project period in line with the approach followed in the earlier general revisions Orders passed by the Honourable Authority.

Depreciation has been calculated on straight line method based on the life norms of the equipments as per the Companies Act 2013, details of which are given below:

(i).	Civil Works	30 yrs (3.34%)
(ii).	Reach Stackers	15 yrs (6.67%)
(iii).	Computer Hardware & Software	3 yrs (33.33%)
(iv).	New RMQCs	10 yrs (10.34%)
(v).	New RTGCs	10 yrs (10.34%)

In case of all other assets, the rates of depreciation as per the Companies Act, 2013 have been followed.

(j). Management and Administration Overheads:

Management and Administration overheads including marketing expenses are considered at current levels with an annual increase of 5.25% (WPI) towards inflation.

(k). Capital Employed:

(i). Fixed Assets:

We have estimated the following additions to the gross block of assets in 2017-18, 2018-19 and 2019-20.

2017-18:

Rupees in lakhs

Particulars	Amount	Basis for Estimates
New RMQCs 2 numbers with additional spares (including commissioning)	11,237.14	Purchase agreement and estimated Project cost
New RTGCs 4 numbers with additional spares (including commissioning)	3,871.94	Purchase agreement and estimated Project cost
DG, Cablings and other electrical installations for the new cranes	600.00	Estimated Project cost
Compact SS with reefer rack	400.00	Estimated cost

Replacement of Vacon drives in RTGCs	120.00	Estimated cost
Other regular capex	517.96	Estimated cost
Total Capex for 2017-18	**16,747.04**	

2018-19:

Rupees in lakhs

Particulars	Amount	Basis for Estimates
Replacement of Vacon drives in RTGCs	360.00	Estimated cost
Navis N4 Billing Software	100.00	Estimated cost
Other regular capex	755.00	Estimated cost
Total Capex for 2018-19	**1,215.00**	

2019-20:

Rupees in lakhs

Particulars	Amount	Basis for Estimates
Administrative building constructions	3,433.97	Estimated cost
Other regular capex	755.00	Estimated cost
Total Capex for 2019-20	**4,188.97**	

The detailed justifications for the Capex have been kept in Form 4B.

The Accumulated Depreciation is deducted out of the Gross Block to arrive at the Net Block. While arriving the above figures, upfront fee and leasehold land premium have been adjusted respectively.

(ii). Working Capital has been estimated based on the following assumptions:

(a). Debtors are assumed as 15 days' revenue projection.
(b). Stores and spares are assumed at six months' average consumption.
(c). Cash and Bank balances are assumed as one month's cash expenses.
(d). Current Liabilities are assumed as 15 days average cash expenses.

(iii). During earlier revision, TAMP had amortized the upfront fee payment and lease hold land premium over the entire project period. The same treatment has been adopted during the period under revision.

(ii). **<u>Assumptions – Throughput Projections and Composition</u>**

(a). <u>Throughput Projections:</u>

The majority of increase in volume during 2016-17 has been in ICD Traffic on account of growth in Agri-product exports from central India. The Trade from central India have for the first time routed their traffic through VCTPL on trial basis which were hitherto being handled through Haldia and Kolkata. The ICD traffic is very volatile in nature and dependent on Indian Railways. Apart from the ICD traffic hitherto coming inside the terminal would likely to be moved by Road from the new CONCOR Multi Modal Logistic Parks facilities coming up about 14 KMs away from VCTPL. These volumes would be counted as Local volume by VCTPL. Therefore, ICD volume share has been projected at 6% of total volume for the next three financial years of 2017-18, 2018-19 and 2019-20.

Considering the competition coming in proximity to VCTPL from the non-major ports, we expect some local volume would be going off its basket. Therefore, the local volume share has been projected at 68% of total volume for the next three financial years of 2017-18, 2018-19 and 2019-20.

2016-17, The Transhipment share was about 12% and likely to go up in the coming years. There are few shipping lines in the advance stage to commence Transhipment service in the Haldia-Vizag route to connect the mainline services calling at VCTPL. Besides, MSK line has shown its interest to resume the Transhipment service in coming years. Considering all these factors, we have projected 25% of our total volume to be Transhipment in the coming financial years of 2017-18, 2018-19 and 2019-20.

We envisage of about 4% growth in total container volume through VCTPL in next three years considering the competition from non-major ports. The major contribution would be from the ICD Traffic converted to local and Transhipment Traffic.

(b). Operating Income:

(i). Container Handling Income:
The container handling income has been estimated based upon the existing tariff as per Enclosure 1 to Annexure-1 of TAMP Format- B. The following are the charges included in this head:

(ii). Income from Hatch Cover Handling:
VCTPL has been handling on average 30 ships out of which 10% are coastal vessels, carrying Transhipment and coastal containers. The average no. of hatches handled in a foreign vessel has been 15 and that of coastal vessels have been 10. Assuming the average parcel size to grow by about 2% every year, the Income from Hatch covers handling in the next three years have been estimated.

(iii). Income from Storage Charges:

(a). Import Storage:
The average dwell time for Import Laden container currently is about 3 days. However, due to large volume of containers belonging to few customers at times are unable to move it out within the free period of 3 days due to non-availability of trailers, non-fulfillment of customs documentation procedure. Currently about 30% Import laden attracts storage of 1 day, 1% of empty containers attract storage of 2 days. We assume the same trend to continue, and therefore, storage charges have been estimated accordingly for the next three years.

(b). Export Storage:
The average dwell time for Export Laden container currently is about 3 days. However, around 5% of the total export laden containers are attracting storage charges for a day at present. Hence, it is assumed that the same trend continues for the next three years also.

(iv). Direct Loading Charges:
During 2016-17, around 8% of 20’ and 10% of 40’ export laden containers arrived after cut off time. It is expected that with better

planning by the shipping Lines, CFSs and availability of larger parcel size vessels, instances of direct loading will reduce. However, 8% of 20' and 10% of 40' export laden containers are assumed for direct loading charges in the next three years.

(v). Reefer Electricity Charges:
Stay of Laden Reefer containers in the Terminal is assumed to be on an average of 25 reefer container-shifts for 20' and 20 container-shifts for 40' (one shift of 4 hrs for containers as per revised guidelines of TAMP) for the purpose of calculation of reefer electricity and monitoring charges. This assumption is made based on the current trend. The Income from reefer electricity and monitoring charges has been estimated accordingly for the next 3 years.

(vi). Charges for PTI & Reefer Run Test:
It is estimated that 10% of 20' and 40' Export Reefer container to undergo Run Test/PTI in the terminal while discharged as empty at the terminal before taking them out for stuffing at factory/CFSs. The Income has been estimated accordingly for the next 3 years.

(vii). Charges for Shifting of containers:
Shifting of containers within the yard is resorted to at times when there is a change in shipment status/ container status/ POD and also for carrying out PTI and Run Test for empty reefer containers. Currently about 1% of 20' laden and 2% of 20' empty, 1% of 40' laden and 10% of empty containers are subjected to shifting for above reasons. The same trend has been assumed in the next three years.

(viii). Charges for Shut out Containers:
Currently about 2 to 3% of 20' and 40' laden and empty containers are getting shut out for various reasons. We expect the same trend to continue and therefore, the Income for shut out containers has been estimated accordingly.

(ix). Other Charges Income:
The other charges income which include garbage removal from ship, weighment, survey etc. have been projected at ₹75 lakhs per annum.

8. A summary of actual cost position for the years 2014-15 to 2016-17 and estimated cost position for the years 2017-18 to 2019-20 at the existing tariff as per the cost statement furnished by the VCTPL is tabulated below:

Sl. No.	Particulars	Actuals			Estimates at the existing tariff		
		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
(i).	**Traffic (in TEUs)**	248,163	291,621	359,561	369,000	384,000	400,000
(ii).	Total Operating Income (in lakhs)	8,700.71	10,026.02	14,171.10	14,302.49	14,832.96	15,445.22
(iii).	Total Operating Cost (including depreciation, management overheads and FMI – FME)	6,764.87	7,984.09	11,443.90	9,703.92	12,727.63	13,822.15
(iv).	Capital Employed	11,687.18	10,236.96	9,796.16	24,833.43	23,131.52	24,042.32
(v).	ROCE	1,869.95	1,637.91	1,567.39	3,973.35	3,701.04	3,846.77
(vi).	**Net Surplus / (Deficit)**	**65.89**	**404.02**	**1,159.82**	**625.21**	**(1,595.71)**	**(2,223.70)**
(vii).	Net Surplus / (Deficit) as % of operating income	0.76%	4.03%	8.18%	4.37%	-10.76%	-14.40%
(viii).	Average of three years	4.32%			-6.93%		

9. The VCTPL has filed its proposal in the prescribed format along with proposed SOR along with Annual Reports for the years 2014-15 and 2015-16 (Annex-6).

10. In accordance with the consultative procedure prescribed, a copy of the proposal dated 20 March 2017 was forwarded to the VPT and concerned users/ user organisations seeking their comments. The comments received from the Visakhapatnam Container Lines Association (VCLA) was forwarded to VCTPL as feedback information. The VCTPL vide its letter dated 20 April 2017 has furnished its reply. Further, the Indian National Shipowners' Association (INSA) vide its letter dated 3 May 2017 has stated that they have no comments to offer on the subject proposal.

11. A joint hearing in this case was held on 26 April 2017 at the VPT premises. At the joint hearing, the VCTPL and the concerned users/ organisation bodies have made their submissions.

12. As agreed at the joint hearing, the VCTPL vide our letter dated 3 May 2017 was requested to review and examine the rate proposed for empty container and file a revised proposal by 4 May 2017. After reminder dated 12 May 2017, the VCTPL vide its letter dated 15 May 2017 has furnished its revised proposal along with proposed Scale of Rates for FY 2017-18 to 2019-20 and submitted the following:

(i). The tariff for empty container shall remain at present level, i.e. VCTPL do not propose any increase of tariff on it.

(ii). However, to maintain the ROCE of 16%, VCTPL propose to increase the composite rate for handling of import and export laden containers under clause 1.1.A (a) by ₹63/- per 20' container and ₹95/- per 40' container in addition to earlier proposal for an increase of 8.68%.

13.1. Based on the preliminary scrutiny of the revised proposal dated 15 May 2017, the VCTPL was requested vide our letter dated 28 June 2017 to furnish additional information / clarifications on a few points by 5 July 2017.

13.2. In response, the VCTPL vide its letter dated 10 July 2017 requested to grant one month's time to submit requisite additional information and clarification. In view of the request made, the VCTPL vide our letter dated 13 July 2017 was granted time till 31 July 2017 to furnish its reply to additional information/ clarifications sought by us. The VCTPL vide its letter dated 31 July 2017 requested to grant another 10 days time to submit requisite additional information and clarification. In view of the request made, the VCTPL vide our letter dated 2 August 2017 was granted further extension of time upto 10 August 2017 for submitting additional information and clarification.

13.3. In this regard, the VCTPL vide its letter dated 9 August 2017 has furnished its reply as well as furnished cost statement updated with 2016-17 actuals and revised estimates for the year 2017-18 to 2019-20 based on actuals of 2016-17. A summary of the additional information/ clarifications sought by us and the corresponding replies furnished by the VCTPL is tabulated below:

Sl. No.	Information/ clarifications sought by us	Reply furnished by VCTPL
A.	**GENERAL:**	
(1).	In the revised proposal filed by VCTPL dated 15 May 2017, it is seen that figures furnished by the VCTPL for the year 2016-17 are based on actuals for the first nine months (April to Dec 2016) and estimates for the remaining three months. Since the year 2016-17 is already over, VCTPL is requested to update the estimated figures with the actuals for the year 2016-17 reconciling the figures reported in the Annual Accounts with those considered in the cost statement. A copy of the Audited Annual Accounts for the year 2016-17 may be forwarded. Consequent to updating the	The Actuals for the financial year 2016-17 have been updated along with the reconciliation (in Form 3A) with the Annual Accounts (Un-audited Ref Annex-44) and the revised Cost Statement is furnished in Annex -1. A copy of the un-Audited Accounts for the year 2016-17 is furnished in Annex-2. The estimates of 2017-18 to 2019-20 have also been changed in accordance with the actuals of 2016-17.

	estimates of 2016-17 with reference to actuals, the estimates for the subsequent years viz. 2017-18 to 2018-19 to be reviewed and modified, if necessary, with reference to the actuals for the year 2016-17.	It is to be noted that, VCTPL's financial statements for 2016-17 are to be prepared under Ind AS and therefore, the final audited numbers would be sent to the Honourable Authority post signing by the Statutory Auditors.
(2).	As stipulated under clause 6.8. of the 2005 tariff guidelines, benchmark levels of productivity may be indicated and incentives may be proposed for better performance of the terminal and disincentive for performance below the bench mark level.	The benchmark as set out in the concession agreement is 30 moves per ship per berth hour (BMPH). Therefore, VCTPL proposes benchmark productivity of 30 BMPH. The Tariff Guidelines 2013, stipulates performance linked Tariff for meeting Performance standard incorporated in the concession agreement. We propose to adopt similar approach.
(3).	The VCTPL to furnish reconciliation statement reconciling operating income, expenditures, gross block and net block of assets considered in cost statement with the figures reported in Annual Accounts for each of the years 2014-15 to 2016-17.	The detailed reconciliation statement is furnished in Annex-2 and Annex-2A.
B.	**FINANCIAL/COST STATEMENTS:**	
(1).	**Analysis of actuals vis-à-vis estimates for the past period (Form-7):** Clause 2.13 of the tariff guidelines requires the Authority to review the actual physical and financial performance at the end of the prescribed tariff validity period with reference to the projections relied upon at the time of fixing the prevailing tariff. In this context and with reference to Form-7 of the tariff proposal, the VCTPL to clarify/ furnish the following:	
(i).	In the last tariff Order dated 30 March 2016 on the review application filed by the VCTPL, the Authority as recorded in Para nos.14.6 and 14.7, of the said Order has granted 13.75% increase for all the tariff items excluding transshipment container w.e.f. 1 May 2016. Apart from that 25% increase in tariff items was granted subject to VCTPL deploying 4 new RTGCs including replacement of 2 old RTGCS and replacement of 1 old RMQC with one number of new RMQC by 1 April 2016. In this context, the VCTPL has intimated that VCTPL has deferred the investment in cranes to next tariff cycle on account of global slow done and uncertain local market condition. The VCTPL has also intimated that they have signed purchase agreement with M/s Shangha Zhenhua Heavy Industries Co. Ltd for procurement of 4 RTGCs and 2 RMQCs and these cranes are schedule to be commissioned by end of Feb 2018. As 1 new RMQC and 4 new RTGCs have not been deployed by VCTPL in the last tariff cycle, the VCTPL to confirm that the increase of 25% approved in the review Order passed by the Authority which is linked to commissioning of	We, VCTPL, confirm that the increase of 25% approved in the review Order passed by the Authority which is linked to commissioning of the 4 new RTGCs and 1 RMQC has not been implemented. Further, the trade represented by the VCLA had requested VCTPL to implement the revised tariff from 1st June 2016 in view of updation to their respective Principals/office (India and overseas Head Quarters), regularizing costing on their online system, billing issues for imports which were on waters as the manifestations had completed with old rates, formulation of new THC quantum's to be finalized by the Liners. A copy of the representation is furnished in Annex -3. Therefore, after having a discussion with VCLA, the revised tariff was implemented from 15th May 2016.

	the 4 new RTGCs and 1 RMQC has not been implemented by VCTPL. Further, also furnish the reasons for applying revised SOR granting 13.75% increase from 15 May 2016 instead of 1 May 2016 stated in the Order.	
(ii).	The income estimates in Form-7 is shown at the level considered in the last tariff Order. The income estimates as per the last tariff Order considered in Form-7, may be suitably adjusted to capture the effect of increase in the tariff approved by the Authority and implemented by the VCTPL for a like to like comparison with actuals.	The Form-7 as estimated in FY 2016-17, have been suitably revised considering the revision in Tariff with effect from 15th May 2016 and shown in the Cost Statement in Annex-1 accordingly.
(iii).	Other Income: The VCTPL to furnish the nature of other income considered in the Cost statement and also confirm that it is based on rate approved in the SOR.	The detailed break-up of other income is furnished under Annex-4. We confirm that the other income is based on approved SOR.
(iv).	(a). Technical Service Fees (TSF) The treatment of Technical service fee has been brought out in para 10(xxii) of the last tariff Order dated 21 March 2015. The VCTPL has entered the new Contract with DP World FZE (DPWF) for providing technical knowhow for new equipment for a period of five years w.e.f. 10 March 2011. The validity of this contract was till March 2016 for an annual fixed fees of US$ 50000. Para (xxii) of the 21 March 2015 Order states that in view of the IT returns filed by VCTPL for the year 2011-12 and a copy of report filed by it before IT Commissioner for the year 2012-13, with reference to the second contract and also in view of the submissions made by the VCTPL that TSF for the old contract is admitted as expense by the IT which is substantiated with IT assessment Orders and recognising that the terms of second contract for TSF is same as the old contract, the Authority allowed technical service fee arising out of the second contract entered by VCTPL. The said Order states that the VCTPL should, at the time of next tariff revision furnish the relevant Income Tax Assessment Order allowing the TSF as an item of cost for income tax purpose and also furnish documentary evidence to support the actual payment of TSF arising out of this second contract or else the TSF expense with reference to the second contract admitted as expense in the current exercise will be adjusted i.e. nullified in the next tariff revision. In this connection the VCTPL to furnish the following in line with the decision taken in the last tariff Order:	(i). The Income Tax Assessment Orders along with computation of tax (evidence as book profit) for FY 2012-13 are furnished in Annex-5 & Annex-5A and 2013-14 are furnished in Annex-6 & Annex-6A. The Income tax assessment order for the FY 2014-15 to 2015-16 are yet to be received. As it can be observed that the book profit as computed by the company has been considered in the IT Assessment and therefore, the cost of TSF has been allowed as an expenditure. (ii). The Actual payment details are furnished under Annex-7, 7a to 7v.

	(i). Furnish the copies of the relevant Income tax Assessment Orders for the years 2012-13 to 2016-17 in respect of the second contract allowing the TSF as an item of cost for income tax purpose. (ii). Furnish the documentary evidence to support the actual payment of TSF arising out of second contract.	
	(b). The VCTPL, in its original proposal dated 20 March 2017, has reported that it has entered into new agreement with DP World FZE (DPWF) for providing technical knowhow for ongoing project as well as future projects. The TSF for ongoing project is USD 1,75,000 per annum payable from 17 December 2014. In this connection the VCTPL to furnish the following:	
	(i). A copy of said agreement made between DPWF and VCTPL. Also state the validity period of the agreement.	(i). A copy of said agreement made between DPWF and VCTPL is furnished in Annex-8. The agreement shall be valid till the entire project period of VCTPL.
	(ii). It is seen that the existing second agreement made on 10 March 2011 by VCTPL with DPWF for the new equipment, for a period of five years and was valid till March 2016. Now, the VCTPL has stated that it has entered into another new contract with DP World from 17 December 2014 when the old TSF contract is already in vogue. The VCTPL to state the reasons for another TSF contract entered by VCTPL with DPWF for the contract period which is partly overlapping with the contract period of second agreement which is valid till March 2016. Also, justify the reasons for allowing the TSF claimed by VCTPL in respect of second and the third agreement with the DP world in the light of the position that the new 2 RMQCs and 4 RTGCs proposed for deployment were not deployed by VCTPL in the last tariff cycle.	(ii). The new agreement was entered into for the management and operation of the existing project as well as the new extension project. Pursuant to signing of the new agreement, the second agreement was terminated effective November 30, 2015 as finalized and stated in the new agreement.
	(iii). Furnish the copies of the relevant Income tax Assessment Orders allowing the TSF as an item of cost for income tax purpose in respect of this March 2011 TSF agreement and December 2014 Agreement with DPWF.	(iii). The Income Tax Assessment Orders along with computation of tax (evidence as book profit) for FY 2012-13 are furnished in Annex-5 & Annex-5A and 2013-14 are furnished in Annex-6 & Annex-6A. The Income tax assessment order for the FY 2014-15 to 2015-16 are yet to be received. As it can be observed that the book profit as computed by the company has been considered in the IT Assessment and therefore, the cost of TSF has been allowed as an expenditure. As the third contract falls under FY 2014-15 and the assessment order is yet to be received, we shall furnish in due course.
	(iv). Furnish the documentary evidence to support the actual payment of TSF arising out	(iv). The documentary evidence to support the actual payment is furnished in Annex-

	of new contract.	7, Annex-7a to 7v.
	(v). Also, furnish the certificate issued by its Chartered Accountant certifying arm's length relationship of the transaction with DPWF.	(v). The relevant Auditor's certificates vide Form 3CEB u/s 92E of Income Tax Act' 1961 are furnished in Annex-9 and 9a for FY2014-15 and 2015-16. For Financial Year 2016-17, the financials are yet to be signed/filed. Since the first contract as well as the second contract have been allowed as an item of expenditure in the relevant financial years by the Income Tax Authorities, the third contract would also be allowed as an expenditure.
	(vi). The ongoing projects and new projects covered by the New Agreement with DPWF for providing technical service to be listed out.	(vi). The list of services has been listed out in the scope of service under Schedule-2 of the agreement.
(v).	(a). Reconcile FMI reported in the Annual Accounts for each of the year 2014-15 to 2016-17 and that considered in the cost statement.	Details are furnished in Annex-10.
	(b). The Annual Accounts for the year 2015-16 reports profit from sale of fixed assets of ₹3,38,135. Confirm this item is considered in the cost statement.	We confirm, the profit on sale of fixed assets of ₹3,38,135 is considered in the cost statement under FMI. Refer Annex-10.
	(c). The Annual Accounts reported an amount of ₹6.82 lakhs in the year 2014-15 towards credit balance return back, ₹10.13 lakhs in the year 2015-16 towards liquid and damages. Clarify the nature of these items and their treatment in cost statement.	₹6.82 lakhs in the year 2014-15 towards credit balance return back is included under FMI in the cost statement. Refer Annex-10. ₹10.13 lakhs in the year 2015-16 towards liquidated damages has been excluded from the cost statement as it is not a routine income from container handling operations.
(vi).	The Audited Annual Accounts for the years 2014-15 and 2015-16 report a net foreign exchange loss of ₹380.08 lakhs in the year 2014-15 and ₹406.70 lakhs in the year 2015-16. In this connection, the VCTPL to furnish the following:	
	(a). Detailed breakup of the actual foreign exchange gain/ loss reported in the Annual Accounts. (b). The nature of exchange loss/ gain reported in the Annual Accounts.	Details are furnished in Annex- 11.
	(c). As stated in the tariff order March 2015 as well as review application Order No.TAMP/31/2015-VCTPL dated 30 March 2016 foreign exchange gain or loss arising on account of restatement of loan/ assets/ expenses are not considered while determining the tariff. Further, foreign exchange gain/ loss arising on account of actual transaction and for actual payment are captured in the cost statement for the purpose of tariff determination process. The VCTPL to furnish the details of the foreign exchange gain/ loss considered in the cost statement in line with the decision of the Authority in the earlier tariff Order.	As stated in the tariff order March 2015 as well as review application Order No.TAMP/31/2015-VCTPL dated 30 March 2016 foreign exchange gain or loss arising on account of restatement of loan/ assets/ expenses had not been considered in the cost statement. The actual payment of Foreign Currency Loan has been done in 2014-15 and 2016-17. The details of foreign currency loss incurred at the time of actual payment have been furnished in Annex-11A. The Bank payment advices with payment break-up are furnished under Annex-11B to 11J.

(vii).	The operating expenses reflected in the Annual Accounts includes ₹239.99 Lakhs towards loan processing charges during the year 2014-15. The VCTPL to confirm that this expenditure has not been considered in the cost statement.	₹239.99 Lakhs towards loan processing charges during the year 2014-15 has been classified under Finance expenses and excluded from cost statement. Refer Reconciliation statement of 3A with Annual Accounts in the Form -TAMP Format B, finance expenses are shown separately.
(viii).	Rebate and discounts, if any, over the notified ceiling tariff allowed by the VCTPL during the years 2014-15 to 2016-17 may be furnished year wise and category wise. This information is sought only for records and reference.	The Year-wise figures are appended in Annex-12. However, we request the Honorable Authority to kindly maintain the confidentiality of these figures.
(ix).	Depreciation for the years 2014-15 and 2015-16 considered in the cost statement is ₹1694.58 lakhs and ₹1969.22 lakhs respectively. Whereas, the depreciation reported in the Annual Accounts for the said years is ₹1373.35 lakhs and ₹1382.84 lakhs. The VCTPL has, in page 47 of its proposal, stated that suitable adjustment has been done for amortization of upfront fee and lease premium over the project period in line with the approach followed in the last tariff Order. Depreciation figure considered in the cost statement varies from Annual Accounts presumably on account of this adjustment. Furnish detailed working of adjustments done in the depreciation figure reported in the Annual Accounts of the years 2014-15 to 2016-17.	Depreciation figure considered in the cost statement varies from Annual Accounts on account of the adjustments done for amortization of upfront fee and lease premium over the project period in line with the approach followed in the last tariff Order. The detailed reconciliation between Annual Accounts and the Cost statement is appended in Annex-13.
(x).	The VCTPL to furnish working of the per TEU royalty considered in Form 3B to the extent of the second highest bidder for the years 2014-15 to 2016-17 as well as estimates for the years 2017-18 to 2019-20.	The detailed working of the per TEU royalty considered in Form 3B is furnished in Annex-14.
(2).	**Traffic**	
(i).	Update the container traffic estimate with the actual traffic handed for the year 2016-17. Consequently, the container traffic estimate for subsequent years 2017-18 to 2019-20 may be reviewed based on 2016-17 actual traffic and updated in the cost statement.	The Actual Traffic handled for 2016-17 has been updated. The estimated projections in container traffic have been forecasted considering the competition from the neighboring ports, deprecation in Dollar value and moderate economic growth in coming years. The growth estimated to be around 3 to 4% on an average in the next coming three years.
(ii).	The actual traffic handled in the year 2014-15 to 2016-17 is 2,48,163 TEUs, 2,91,621 TEUs & 3,59,561 TEUs respectively which shows growth of 17.51 % and 23.30% in the year 2015-16 and 2016-17 over the actual traffic handled in the respective previous year. As against the above position, the growth projected in the container traffic is 2.62%, 4.00% and 4.17% in the years 2017-18 to 2019-20 over the traffic estimates of previous years. The reduction in ICD volumes from the	The growth rate has been assumed taking into consideration the available traffic in and around Visakhapatnam. Dollar deprecation has affected Exports and would take some time to stabilize. There are upcoming container terminals neighboring VCTPL as well as vast capacity being created in the East Coast. The Vessel related charges have gone up drastically and has affected the shipping lines. We have already lost a service in

<table>
<tr><td></td><td>present level of 12% of total volume to 6% of total volume and the reduction in the local volume from 75% to 68% are based purely on the assumptions of VCTPL about the CONCOR Multi Model Logistics Parks, which are not yet commissioned and the reported competition coming in proximity to VCTPL. The projected increase in transhipment volume from 12% to 25% is attributed to the interest shown by Shipping Lines to tranship containers through VCTPL. These assumptions may be validated preferably by documentary evidence. The VCTPL may consider to review the traffic estimates and project reasonable traffic growth for the years 2017-18 to 2019-20 in the light with the above observation and taking into consideration 2 RMQCs and 4 RTGCs proposed to be deployed in March 2018.</td><td>this fiscal due to high vessel related charges. The CONCOR MMLP is in operational now partially and there has been already a drop in ICD volume in the terminal this fiscal as the trains are being handled at CONCOR MMLP itself. The growth in traffic is projected from Transhipment to the extent of 25% of total volume considering few services are likely to commence their operations.

Therefore, considering all these parameters, VCTPL has estimated the growth to be around 1% in 2017-18 and around 4% in the next two years.

As we had informed in our proposal the reasons for deployment of the new 2 RMQCs and 4 RTGCs are to handle large size vessels calling the port, to turn around the vessels faster and also for effectively utilizing the berth. The improved infrastructure would lead to enhancement of productivity and hence shipping lines would save huge vessel related cost. Therefore, there would be overall reduction in the total logistics cost.</td></tr>
<tr><td>(3).</td><td>Income Estimation</td><td></td></tr>
<tr><td>(i).</td><td>For reasons stated earlier, all the income estimates for the year 2016-17 may be updated with actuals. Consequently, estimates for the years 2017-18 to 2019-20 may also be modified, if the traffic projections are modified by the VCTPL in the light of our observation to review the traffic estimation.</td><td>The Actuals for FY 2016-17 has been updated and accordingly the income figures have been estimated for the subsequent years.</td></tr>
<tr><td>(ii).</td><td>The VCTPL has stated that other income includes income from garbage removal from ship, weighment, survey etc. and projected at ₹75 lakhs per annum. This is not matching with the figures considered in the income projection in Form-2B. The VCTPL to make necessary correction to remove the mismatch.</td><td>The income includes income from garbage removal from ship, weighment, survey etc. and projected at ₹75 lakhs per annum. This has been included in Other Income under Form 2B (VIII).</td></tr>
<tr><td>(iii).</td><td>The reasons for proposing reduction in other income from ₹2295.27 lakhs in 2016-17 based on nine months actuals and three months estimate to ₹1868.35 lakhs, ₹1896.72 lakhs and ₹1973.39 lakhs in the years 2017-18 to 2019-20 may be explained. From the excel working, it is seen that there is sudden reduction in the income from direct loading charges, lift on / off, shifting charges, Transportation – Ry and shut out charges despite proposing 4% growth in traffic. The reasons, therefor, to be furnished for each of the items.</td><td>Reason for declining in some cases have been furnished below:

<table><tr><th>Other Income :</th><th>Remarks</th></tr><tr><td>Storage</td><td>The storage revenue is declining due to more CFSs available now at Vizag. Empty containers have also been allowed at CFSs to stay for longer time at a nominal tariff.</td></tr><tr><td>Direct Loading Charges</td><td>Marginally decreased with better infrastructures such as availability of trailers, better planning by CFSs would reduce the direct loading instances.</td></tr><tr><td>Lift on / off</td><td>2016-17, the Container turnover operations and survey was being carried out which were specific requirements of few customers. It is not going to reduce due to RTA regulations for bring one container one trailer and therefore, no additional operations at terminal for Lift on/off. Survey income would also reduce as the train bund containers are now terminated at MMLP-Concor.</td></tr></table></td></tr>
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<tr><td></td><td></td><td><table>
<tr><td>Reefer Pretrip inspection & Run Test</td><td>PTI/RT are being carried out by the most of the CFSs at Vizag. The service is done for Import empty reefers and since CFSs have been offering storage of such containers for longer duration at a very nominal rate, the RT/PTI services are carried out there itself.</td></tr>
<tr><td>Shifting charges</td><td>Shifting happens when there is POD change of CFS nominations changes. This is going to come down due to availability of main line vessels, better planning by CFSs at Vizag.</td></tr>
<tr><td>Shutout charges</td><td>This income would get reduced due to better planning from CFSs, instances of shut outs would decline.</td></tr>
<tr><td>Transportation - RY</td><td>Train bould containers are being terminated at MMLP-Concor and therefore, additional Train handling charges would get reduced.</td></tr>
</table></td></tr>
<tr><td>(iv).</td><td>The actual income reported to have been earned from NCV is ₹15.69 lakhs in the year 2014-15 and no income was earned in the year 2015-16. The actual income earned by VCTPL from this item in the year 2016-17 may be updated in the cost statement. The reasons for proposing NIL NCV in the year 2017-18 to 2019-20 may be explained in the light of income earned from this tariff in the past. In case the VCTPL does not envisage income from NCV, the relevance of continuing to prescribe the tariff from the NCV in the proposed SOR may be explained.</td><td>There is no Income earned from NCV during 2015-16 and 2016-17 as no such vessels called the terminal. No income has been projected in the next three years as it cannot be estimated. These are not regular activity of the terminal. The berth is provided as and when VPT needs (as per Licence agreement) and the Trade feels necessity to berth the NCVs provided VCT berths are free at that time. However, this need to be continued in the SOR at the existing level, because if VPT wants to berth any bulk vessels at VCTPL, we should be able to charge the trade for the facilities provided. Since these is no proposal to increase the NCV tariff, we request the authorities to continue in keeping in the SOR.</td></tr>
<tr><td>(v).</td><td>Confirm that the income estimated for the years 2017-18 to 2019-20 are based on the rates prescribed in the existing Scale of Rates of VCTPL. Confirm that the income estimates do not capture tariff reduction/ concession, if any, granted by VCTPL in the years 2014-15 to 2016-17 on account of flexibility availability to BOT operators.</td><td>We confirm that the income estimates for the years 2017-18 to 2019-20 are based on the prescribed rate as per SOR and does not capture any discounts. The ‘Revenue projection sheet’ in the revised Cost statement may be referred in this regard.</td></tr>
<tr><td>(vi).</td><td>It is seen from the Revenue estimation for the years 2017-18 to 2019-20, that the tariff for the following few items considered by VCTPL is not as per the rates prescribed in existing SOR of VCTPL approved by the Authority in the review Order dated 30 March 2016:
<table>
<tr><th>Schedule in the SOR</th><th>Tariff Item</th><th>Rate considered by VCTPL for Revenue Estimation</th><th>Rate as per SOR approved by the Authority in the Review Order No.TAMP/31/2015-VCTPL dt. 30 March 2016.</th></tr>
<tr><td>1.7, Sr. No.(c)</td><td>Reefer Charges</td><td>20’Full-₹246
40’Full-₹369</td><td>20’Full- ₹245
40’Full-₹368</td></tr>
<tr><td>1.9.Sr. No.13</td><td>Weighment charges</td><td>₹264</td><td>₹132</td></tr>
</table>
The VCTPL is requested to modify the revenue estimates in light of above observation.</td><td>The reefer charges has been projected at ₹245 for 20’ and ₹368 for 40’ containers. The weighment charges as per SOR is ₹132 per trailer. Since for weighment both empty trailer and trailer with container are weighed in the terminal, the tariff and income is captured at ₹132 x 2 per trailer.</td></tr>
<tr><td>(4).</td><td>Operating Cost</td><td></td></tr>
<tr><td>(i).</td><td>In terms of clause 2.5.1. of the 2005 tariff</td><td>The Honourable Authority may kindly note</td></tr>
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<td>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 2017-18 decided by the Authority is 2% which has been communicated to all Major Port Trusts and BOT operators including VCTPL vide our letter No.TAMP/27/2005-Misc dated 26 May 2017. Hence, the annual escalation considered by the VCTPL in the cost estimation to be modified accordingly.</td>
<td>that the expenditures normally go up beyond 8 to 10% YoY and there is no relevance of WPI. For instance, the Govt. of India has revised the minimum wages policy w.e.f. 1st April 2017 by increasing to 43%-44% over the existing rate. A copy of the Order is furnished for reference vide Annex-15.
<table>
<tr><th rowspan="2">Category</th><th rowspan="2">Present Rate per day</th><th>Revised Rate per day</th><th>Increase</th></tr>
<tr><th>w.e.f. 01.04.2017</th><th>%</th></tr>
<tr><td>Un-skilled</td><td>312</td><td>448</td><td>44%</td></tr>
<tr><td>Semi- skilled</td><td>353</td><td>506</td><td>43%</td></tr>
<tr><td>Skilled</td><td>414</td><td>593</td><td>43%</td></tr>
<tr><td>Highly Skilled</td><td>456</td><td>653</td><td>43%</td></tr>
</table>

The salary cost of employees is also to be increased by at least 10%-12% YoY to retain the experienced and trained personnel. The fuel cost has increased by 18% from April’ 2016 to April’ 2017 YoY. Power cost has increased by 6-10% p.a.

Therefore, capping 2% inflation based upon WPI may kindly be re-looked into for expenditure projections. In the cost statement, the actual inflation in various costs have been factored for estimation of expenditures for 2017-18 to 2019-20 and we request honorable authority to kindly consider it.</td>
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<tr>
<td>(ii).</td>
<td>Operating Direct Labour and Maintenance Labour:</td>
<td></td>
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<td></td>
<td>(a). Number of operating and direct labour is estimated to increase by 26% i.e. from 85 nos. in 2016-17 to 107 nos. in each of the years 2017-18 to 2019-20. Number of maintenance labour is also estimated to increase by 28% from 71 nos. in 2016-17 to 91 in each of the years 2017-18 to 2019-20. Justify the increase proposed in the staff when the growth projected in the traffic shows trend of around 4% and also recognizing that the labour deployment may not vary directly with the traffic.</td>
<td>We are already operating at lower than minimum Staff strength requirement as per the industry standard. The operations department staff requirement is 101 at present level whereas, it is 85 in actual. In case of Maintenance staff, the requirement is 81, but it is 71 in actual.
The increase in number of operating and direct labour have been estimated for crane operators and maintenance engineers only, since VCTPL will be having 2 new RMQCs and 4 RTGCs by Mar’18. The operators need to be appointed at least 6 months prior commissioning of the cranes. Therefore, additional 8 QC operators, 14 RTGC operators and 20 maintenance engineers have been estimated from Sep’2017 onwards for providing adequate training and safety inductions.</td>
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<td>(b). The average cost of direct employee is estimated to increase by 3.55% in 2017-18, 24% in 2018-19 and 9.9% in 2019-20 over the estimates of previous years. The average cost of maintenance labour is estimated to increase by 5.6% and 10% in the years 2018-19 and 2019-20 over estimates of previous years. The annual escalation in unit cost to be modified at the admissible level of 2% for</td>
<td>The actual salary cost has gone up during the last three years of Tariff cycle and it is between 15 to 20% p.a. There will be 10% to 12% hike in the salaries due to increments in line with industry standards. Since there are many port projects to be operative in near future in close proximity to Vizag, VCTPL has to retain its trained workforce to achieve high productivity and</td>
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<tr><td></td><td>the tariff cases to be decided in the year 2017-18.</td><td>safety standards. Hence the proposed annual escalation of nominal 10% is justified. By keeping the cost at 2% WPI, we will not be able to retain the trained workforce which in turn will badly affect the functioning of the terminal.</td></tr>
<tr><td>(iii).</td><td>Equipment Running Cost:</td><td></td></tr>
<tr><td></td><td>(a). Power Cost:</td><td></td></tr>
<tr><td></td><td>(i). Justify the consumption of power estimated at 17.39 units per TEU for the years 2017-18 to 2019-20 which is found to be very much higher in comparison to power consumption norm of 8 units per TEU in the 2008 guidelines (though these guidelines are not applicable to VCTPL). It is relevant to state here that in other Container Terminals operating in Major Port Trusts, the power consumption is found to be within the consumption norm prescribed in tariff guidelines of 2008.</td><td>(i). The power consumption norm of 8 units per TEU in 2008 guidelines is related to RMQC power consumption only.

At VCT the RMQC power consumption is 6.22 units per TEU which is much below the prescribed norm, as it can be observed from following Table:
<table>
<tr><th>Areas</th><th>2016-17</th><th>2017-18</th><th>2018-19</th><th>2019-20</th></tr>
<tr><td>RMQC</td><td>6.22</td><td>6.22</td><td>6.22</td><td>6.22</td></tr>
<tr><td>Reefers</td><td>7.92</td><td>7.92</td><td>7.68</td><td>7.45</td></tr>
<tr><td>Other areas</td><td>2.66</td><td>3.04</td><td>3.36</td><td>3.72</td></tr>
<tr><td>Overall</td><td>16.80</td><td>17.18</td><td>17.27</td><td>17.40</td></tr>
</table>
Therefore, the Power consumption at VCTPL is well within the consumption norm prescribed in tariff guidelines of 2008.</td></tr>
<tr><td></td><td>(ii). Furnish a copy of the electricity bill of last three months to justify the unit rate of power at ₹8.70 considered for the year 2017-18.</td><td>(ii). The Power Bill of last 4 months have been furnished in Annex-16, 17, 18 and 19.
<table>
<tr><th>Month</th><th>Units</th><th>₹ in lakhs</th><th>Cost per unit</th><th>% increase</th></tr>
<tr><td>Mar-2017</td><td>525600</td><td>41.59</td><td>7.91</td><td></td></tr>
<tr><td>Apr-2017</td><td>541920</td><td>45.97</td><td>8.48</td><td>7%</td></tr>
<tr><td>May-2017</td><td>584640</td><td>48.73</td><td>8.34</td><td>5%</td></tr>
<tr><td>June-2017</td><td>607200</td><td>51.01</td><td>8.40</td><td>6%</td></tr>
</table>
The power cost has been escalated by 10% YoY taking into account the increase in billing due to corresponding increase in Maximum Demand (Fixed component) due to deployment of the new equipment and increase in reefer throughput.</td></tr>
<tr><td></td><td>(iii). The unit cost of power is escalated by 10% per annum in the years 2018-19 and 2019-20 over the estimates of previous years. As stated earlier, the annual escalation to be modified in line with the admissible annual escalation.</td><td>(iii). The annual escalation has been kept at 10% taking into account the increase in billing due corresponding increase in Maximum Demand (MD) the Fixed component, due to deployment of the new equipment, increase in reefers.
The increase in MD and the cost of MD can be observed in the following Table:
<table>
<tr><th>Particulars</th><th>2014-15</th><th>2015-16</th><th>2016-17</th></tr>
<tr><td>MD KVA</td><td>1300</td><td>1300</td><td>1575</td></tr>
<tr><td>MD @ 80%</td><td>1040</td><td>1040</td><td>1260</td></tr>
<tr><td>Cost per KVA (₹)</td><td>350</td><td>371</td><td>386</td></tr>
</table>

The current Fixed cost has gone up to ₹485 per KVA. The MD would be increased to 1800 KVA in 2017-18 on account of increased reefers and new equipment.</td></tr>
<tr><td></td><td>(b). Fuel Cost:</td><td></td></tr>
<tr><td></td><td>(i). Furnish a copy of last three months fuel bill to substantiate unit cost of ₹73.42/ litre considered by VCTPL in the year 2017-18.</td><td>(i). The Fuel Bill of last 4 months have been furnished in Annex-20, 21, 22 and 23. The fuel cost has been fluctuating up and down in the last 12 months. The fuel</td></tr>
</table>

<table>
<tr><td></td><td></td><td>cost (HSD) in April'2016 was @ 51.51 (Annex-20) per litre and has increased to ₹63.27 per litre in Mar' 2017. The table below shows how the fuel cost has been fluctuating every month:
<table>
<tr><th></th><th>Month</th><th>Rate</th><th>Increase</th><th>%</th></tr>
<tr><td>Base year</td><td>Apr-16</td><td>51.51</td><td></td><td></td></tr>
<tr><td></td><td>May-16</td><td>53.95</td><td>2.44</td><td>5%</td></tr>
<tr><td></td><td>Jun-16</td><td>58.01</td><td>6.50</td><td>13%</td></tr>
<tr><td></td><td>Jul-16</td><td>58.91</td><td>7.40</td><td>14%</td></tr>
<tr><td></td><td>Aug-16</td><td>56.21</td><td>4.70</td><td>9%</td></tr>
<tr><td></td><td>Sep-16</td><td>56.62</td><td>5.11</td><td>10%</td></tr>
<tr><td></td><td>Oct-16</td><td>57.54</td><td>6.03</td><td>12%</td></tr>
<tr><td></td><td>Nov-16</td><td>59.81</td><td>8.30</td><td>16%</td></tr>
<tr><td></td><td>Dec-16</td><td>59.35</td><td>7.84</td><td>15%</td></tr>
<tr><td></td><td>Jan-17</td><td>63.27</td><td>11.76</td><td>23%</td></tr>
<tr><td></td><td>Feb-17</td><td>63.32</td><td>11.81</td><td>23%</td></tr>
<tr><td></td><td>Mar-17</td><td>63.27</td><td>11.76</td><td>23%</td></tr>
<tr><td></td><td>Apr-17</td><td>61.03</td><td>9.52</td><td>18%</td></tr>
<tr><td></td><td>May-17</td><td>61.58</td><td>10.07</td><td>20%</td></tr>
<tr><td></td><td>Jun-17</td><td>60.23</td><td>8.72</td><td>17%</td></tr>
</table>
Considering the YoY increase of 18%, the fuel cost has been accordingly estimated for 2017-18 to 2019-20 in cost statement.</td></tr>
<tr><td></td><td>(ii). 18% annual increase in the unit rate of fuel for the years 2018-19 and 2019-20 over the estimates of previous years attributed to inflation may be supported by documentary support.</td><td>(ii). The Table and documents are provided as explained in (i) above.</td></tr>
<tr><td>(iv).</td><td>Repairs & Maintenance Cost:-</td><td></td></tr>
<tr><td></td><td>(a). Furnish reasons for sudden increase in the repair and maintenance cost by 51.6% i.e. from ₹479.03 lakhs in the year 2015-16 to ₹726.22 lakhs in the year 2016-17. Update the cost statement with actual repairs and maintenance cost incurred by the VCTPL for the year 2016-17. The repairs and maintenance cost estimated for the years 2017-18 to 2019-20 may also be modified with reference to the actual repairs and maintenance cost incurred in the year 2016-17.</td><td>The R & M expenses include Oil & Lubricants, Stores & Spares, consumables, workshop tools written off and Tyres & Tubes and repairs & maintenance.
The R & M cost for 2016-17 actual have been updated which is ₹496.89 lakhs against ₹479.03 lakhs in 2015-16. The repairs and maintenance cost estimated for the years 2017-18 to 2019-20 have been modified accordingly considering 4% inflation as per actuals.</td></tr>
<tr><td></td><td>(b). From the estimates it is seen that the existing repairs and maintenance cost on plant and machinery has been escalated by 5.25% per annum, the repairs and maintenance cost on existing civil assets and other assets is estimated to be increased by 10% per annum and consumable stores, lubricants, etc. are escalated by 5.25% per annum as against annual escalation of 2% announced by the Authority. The VCTPL, to modify the estimates considering the allowable annual escalation factor.</td><td>The Existing repairs and maintenance cost has been increased by 4% as per the actual inflation in 2016-17 over 2015-16 expenditures. Further, on the additions proposed to the gross block, repairs cost is estimated at 2% on the capital cost of mechanical equipment and 1% on the capital civil cost. The overall repairs & maintenance cost projected is well within the prescribed norms.</td></tr>
<tr><td></td><td>(c). Confirm that one time major repairs and maintenance cost, if any, incurred during the past period 2014-15 to 2016-17 are not considered for the past period as well as while estimating this cost item for the years 2017-18 to 2019-20.</td><td>The cost estimate for 2017-18 to 2019-20 has been made based on actuals of 2016-17 and does not have any onetime major repairs and maintenance cost.</td></tr>
</table>

<table>
<tr><td>(v).</td><td><u>Equipment Hire Charges:</u></td><td></td></tr>
<tr><td></td><td>(a). One of the components of equipment hire charges considered by the VCTPL is services relating to internal transportation which has been reportedly outsourced at ₹220 per TEU for laden and ₹143/TEU for empty container. For the years 2018-19 and 2019-20, annual escalation @ 10% in the unit rate is estimated by VCTPL. In this regard, furnish a copy of the valid outsourcing contract to justify the unit rate adopted for estimating this cost item in the year 2017-18 and annual escalation of 10% applied by VCTPL for the subsequent two years. Also, confirm whether the relevant service provider(s) were engaged following a competitive bidding process and arm's length relationship for such transaction is maintained.</td><td>A copy of the outsourcing contract for internal transportation is furnished in Annex-24 and Annex-24A. The contract is due for renewal from Jul' 2018.

The fresh contract in Jul' 2014 was signed after following competitive bidding process. The earlier price of ₹310 per 20' container and ₹340 per 40' container were re-negotiated with the contractor. The rate was fixed at uniform rate of ₹220 per TEU for container movement from ship to yard and ₹220 per TEU for movement from railway yard to the Rail sidings instead of differential rates prescribed earlier for different container categories resulting in substantial reduction in the operating cost.

Further during the third quarter of 2015-16, the cost of empty container movement was re-negotiated and cost was reduced by 35% resulting in substantial reduction in the operating cost.

The existing contract is valid upto 30 June 2018. Since the contract is due for renewal from Jul' 2018, and based on the current scenario in the transportation sector, the anticipated inflation of 10% to the existing cost has been factored for 2018-19 and 2019-20.</td></tr>
<tr><td></td><td>(b). (i). Another component in equipment hire charges is hire charges for reach stackers. The VCTPL has stated that hire charges for reach stackers is estimated at ₹6,95,000/- per month and ₹6,27,000/- per month for handling laden and empty containers respectively. The VCTPL to furnish a copy of valid contract for hire of reach stacker to substantiate the estimates. Confirm whether the relevant service provider(s) engaged for hire of various equipment is after following a competitive bidding process and arm's length relationship is maintained for such transaction.</td><td>(i). A copy of the outsourcing contract for hire of reach stackers is furnished in Annex-25.

VCTPL invites for competitive bidding from prospective vendors and considering both technical and financial parameters the contract is awarded. The contractor is not a related party and the contract price is highly competitive as per the price prevailing in the market.</td></tr>
<tr><td></td><td>(ii). The annual escalation of 5.25% per annum considered for the years 2018-19 and 2019-20 also to be substantiated with the relevant clause in the valid contract.</td><td>(ii). The contract is due for renewal in Sep' 2018 anticipated inflation of 10% to the existing cost has been factored for 2018-19 and 2019-20 as per the prevailing market in this segment.</td></tr>
<tr><td>(vi).</td><td><u>Lease rental</u>:</td><td></td></tr>
<tr><td></td><td>(a). As stated earlier, the lease rent estimated for the year 2016-17 to be updated with actual lease rent paid to VPT in the said year.</td><td>Actual lease rent paid during 2016-17 has been updated in the Revised Cost statement.</td></tr>
<tr><td></td><td>(b). The Annual Accounts of VCTPL for the years 2014-15 to 2015-16 report lease rental payment to VPT of ₹109.39 lakhs and ₹91.44 lakhs respectively. Whereas the VCTPL in the cost statement has considered</td><td>The Rent amount shown in the Annual Report includes lease rent to the Port and transit house rents. The detailed break-up year wise are:
<table><tr><th>Particulars</th><th>2014-15</th><th>2015-16</th><th>2016-17</th></tr></table></td></tr>
</table>

<table>
<tr><td></td><td>the lease rental at ₹94.09 lakhs for the year 2014-15 and ₹85.30 lakhs for the year 2015-16. The mismatch is to be reconciled.</td><td><table><tr><td>Land Lease -VPT</td><td>94.09</td><td>85.30</td><td>101.35</td></tr><tr><td>Rent-Transit Houses</td><td>15.31</td><td>6.15</td><td>1.68</td></tr><tr><td>Total</td><td>109.40</td><td>91.45</td><td>103.03</td></tr></table></td></tr>
<tr><td></td><td>(c). (i). The excel sheet shows that the VCTPL has estimated the lease rent for the lease area of 1,76,500 sq. mtr. For the area of 1,63,500 sq. mtr., the unit rate applied is ₹5.25 per sq. mtr. per week and for additional land of 13,000 sq. mtr. the rate applied is ₹3.17 per sq. mtr. per week for the year 2018-19 with 2% annual escalation for subsequent two years. The VCTPL to confirm that the rate applied for estimating the lease rent is as per Licence Agreement entered by it with VPT.</td><td>(i). VCTPL has land of 176377 sqm consisting of 163927 sqm as per the allotment done in 2002 based upon the Licence agreement. There was additional land of 13000 sqm allotted in 2012 on short term licence basis.

This is to be noted that 550 Sqm of land was handed over to VPT as per the requirement to construct a road adjacent to VCTPL w.e.f. 8th March 2016.

For the 163927 sqm land, the lease rent has been billed by VPT vide TAMP Order No.TAMP/80/2015-VPT dated 27 December 2016, with retrospective effect from 1st Apr 2013 as under:<table><tr><th>FY</th><th>Sqm</th><th>Rate per sqm per week</th><th>₹ in lakhs per annum</th></tr><tr><td>2013-14</td><td>163927</td><td>4.86</td><td>414.07</td></tr><tr><td>2014-15</td><td>163927</td><td>4.95</td><td>422.35</td></tr><tr><td>2015-16</td><td>163927</td><td>5.05</td><td>430.70</td></tr><tr><td>2016-17</td><td>163377</td><td>5.15</td><td>437.94</td></tr><tr><td>2017-18</td><td>163377</td><td>5.26</td><td>446.70</td></tr><tr><td>Total</td><td></td><td></td><td>2151.76</td></tr></table>
Therefore, in our current proposal, the lease rent for the 163927 sqm has been factored as per VPT's demand and the arrears have been shown in the cost of 2017-18. For the subsequent years, 2% escalation has been factored YoY.

However, VCTPL has not accepted the above rates as well as the retrospective affect and have been under discussion with VPT. If the lease rent rates are reduced, the corresponding tariff would also get revised downward.

For the 13000 sqm of land, vide TAMP Order No.TAMP/48/2014-VPT dated 10 March 2016, VPT has billed the licence fee @ ₹3.11 per sqm per week after 50% concession, with an escalation of 2% YoY w.e.f. 6th May 2016.

The licence fee for 13000 sqm has been projected at ₹3.17 per sqm per week with 2% escalation YoY.</td></tr>
<tr><td></td><td>(ii). The VCTPL has also stated that for estimating the lease rent, the VCTPL has applied the rate from the SOR approved by the Authority. The VCTPL is requested to give reference of the relevant order number of the Authority and the relevant rate applied from the SOR for estimating the lease rental.</td><td>(ii). Refer above under c (i).</td></tr>
<tr><td></td><td>(iii). The VCTPL to confirm that the lease</td><td>(iii). VCTPL has not paid any arrears to</td></tr>
</table>

	rent estimated does not include any arrears for the past. If so, the same may be indicated separately.	VPT so far. However, based on the demand raised by VPT with retrospective from 1st Apr 2013 vide TAMP Order No.TAMP/80/2015-VPT dated 27 December 2016, the arrears have been factored in 2017-18 lease rent estimation.
	(d). Confirm, whether VCTPL has paid the lease rental considered in the cost statement in each of the years 2014-15 to 2016-17 to VPT.	Yes, we have paid the lease rental considered in the cost statement in each of the years of 2014-15 to 2016-17.
(vii).	**<u>Insurance</u>**:	
	(a). Furnish a copy of the insurance cover taken by the VCTPL for the years 2016-17 to substantiate the insurance premium cost of ₹93.48 lakhs.	The actual insurance premium paid in the FY 2016-17 has been updated. For 2017-18 to 2019-20, the estimation has been made based on previous year's actual with 5% inflation plus 1% of additional capex. The insurance policy for the period 1 Oct 2015 to 30 Sep 2016 and 1 Oct 2016 to 30 Sep 2017 are furnished in Annex-26 and 26A (Port Package policy). Since the insurance period is from 1st Oct to 30th Sep, therefore, the proportionate premium has been accounted in the financials. The Insurance cost projected is well within the prescribed norm of 1% of gross block of assets. Apart from Port Package Policy VCT also takes Burglary and Standard Fire & Perils Policy and Public Liability Act Insurance Policy.
	(b). The reasons and basis for estimating steep increase in the insurance premium cost at ₹260.95 lakhs in the year 2017-18 to be explained and substantiated with copy of insurance premium paid by VCTPL.	There is additional capex of ₹171 crore in 2017-18 which includes additional cranes (₹157 crore). We have estimated 1% of the replacement value of the capex as insurance premium. Therefore, the premium estimation has gone up in the year 2017-18 onwards.
(viii).	**<u>Other expenses</u>**:	
	(a). As stated earlier, the other expenses estimated for the year 2016-17 may be updated with actual other expenses incurred in the said year.	The other expenses for 2016-17 has been updated with actuals.
	(b). The Other Expenses estimated by the VCTPL comprise of cost towards hire of manpower, tally charges, lashing/ unlashing expenses, reefer monitoring, security expenses, testing, VPT Rail charges, water charges etc. Justify the annual escalation factor of 10% considered by VCTPL for estimation of these items for the years 2017-18 to 2019-20 over the actuals / estimates of previous year.	The Cost Statement has been revised by factoring the minimum wages payable as per the circular issued by the Ministry of Labour vide Annex-15. The contract for lashing/unlashing was valid upto 30th June 2017. The revised contract has been finalized (a copy furnished vide Annex-27). There is 13.08% cost escalation for 2017-18 w.e.f 1st July 2017 taking into consideration the upward revision in Minimum Wages. The cost statement has been revised considering the actual inflation and accordingly estimated for 2018-19 and 2019-20.

		The contract for Tally charges was valid upto 30th June 2017. The revised contract has been finalized (a copy furnished vide Annex-28). There is 25.18% cost escalation for 2017-18 taking into consideration the upward revision in Minimum Wages. The cost statement has been revised considering the actual inflation and accordingly estimated for 2018-19 and 2019-20 also. The contract for hire of manpower, was valid upto 31st May 2017. The revised contract has been finalized (a copy furnished vide Annex-29). The cost has been kept at same level for 2017-18 and it has been escalated by 13.08% for 2018-19 and 2019-20 taking into consideration the upward revision in Minimum Wages. The contract for Reefer monitoring, is valid from 1st Apr 2016 to 31st Mar 2018. The copy of the contract is furnished vide Annex-30). The cost has been estimated as per the contract. Estimation for 2018-19 and 2019-20 have been escalated by 13.08% inflation taking into consideration the upward revision in Minimum Wages. The contract for Security charges, is valid from 1st May 2016 to 30th Apr 2018. The copy of the contract is furnished vide Annex-31 and 31A). Based on the minimum wages rules, the cost has been revised upwards by 55% for 2017-18 and for the subsequent years the escalation factor of 13.08% has been considered YoY. The other expenses include Testing, VPT Rail, water charges have been escalated by 4% to 6% as per actual trend. Since the costs are to be incurred as per statute, shall be allowed as expenditure.
	(c). The VCTPL to furnish a copy of valid contract in respect of reefer maintenance, lashing/ unlashing, Tally charges, etc. which are outsourced by VCTPL to substantiate the unit rate considered in the cost statement.	The copies of contracts are enclosed as referred in point (b) above.
(ix).	**Management and Administration Overheads**: Justify escalation in Management and Administration Overheads by 7.5% and 7.6% in the years 2018-19 and 2019-20 over the estimates of the previous years as against admissible annual escalation of 2%.	The actual Administrative Expenditure for FY 2016-17 has been updated. The Administrative expenditure (excluding Staff cost for administrative staff) for 2017-18 to 2019-20 has estimated based actual of 2016-17 plus 6% inflation YoY. The Staff cost for administrative staff has been escalated by 10% in line with industry standard to retain experienced trained

		workforce.
(5).	**Finance & Miscellaneous Income (FMI)**:	
(i).	Explain the basis of estimating ₹15 lakhs towards FMI in each of the years 2017-18 to 2019-20.	The FMI includes sale of scrap, penal interest, entry gate pass, writing back of any provisions etc. which cannot be estimated a lumpsum of 15 lakhs have been estimated of the years 2017-18 to 2019-20.
(6).	**Finance & Miscellaneous Expenses (FME)**:	
(i).	The VCTPL to update the contribution to provident fund under the head FME with actual for the year 2016-17.	This has been updated in revised cost statement.
(ii).	The expenses relating to 'loss on repayment of foreign currency loan' under the head of Finance and Miscellaneous Expenses (FME) estimated at ₹1837.51 to be updated with actuals for the year 2016-17. Furnish detailed breakup of this item. Confirm that the said loss on foreign exchange currency loan has been actually incurred and paid by VPT and is not on account of restatement of the loan.	As stated in the tariff order March 2015 as well as review application Order No.TAMP/31/2015-VCTPL dated 30 March 2016 foreign exchange gain or loss arising on account of restatement of loan/ assets/ expenses of ₹1745.32 lakhs (including 2014-15 to 2015-16) had not been considered in the earlier cost statement. The actual Loan payment of USD 18.37 million has been done in 2014-15 and 2016-17. The details of foreign currency loss of ₹1861.23 lakhs incurred at the time of actual payment of the Loan along with Bank advices have been furnished in Annex-11A.
(7).	**Capital Employed**:	
(i).	The values of gross fixed assets, depreciation, net fixed asset value for the years 2014-15 and 2016-17 furnished in Form 4A of the cost statement do not match with the gross assets value, depreciation and net asset value reported in Annual Accounts of the respective years. The difference to be reconciled.	The detailed reconciliation of Gross Fixed Assets, Depreciation and Net Block is furnished in Annex-13.
(ii).	Since the year 2016-17 is over, the additions proposed to the gross block, depreciation and other related items may be updated with actuals. Also, reconcile these figures with the figures reported in the Audited Annual Accounts.	The actual additions, depreciation and other related items have been updated in the Revised Cost statement. The figures have also been reconciled in the Annex-13 as stated above.
(iii).	(a). The additions to the Gross block estimated at ₹16747.04 lakhs, ₹1215 lakhs and ₹4188.97 lakhs in the years 2017-18 to 2019-20 respectively may be substantiated with copies of work orders issued/ budgetary quotations, evidence of advance payments made, etc. The present status of each of the additions proposed to the gross block in the years 2017-18 to 2019-20 may be furnished indicating the expected date of commissioning of these additions.	The present status of additions to gross block from Year 2017-18 to 2019-20 have been furnished in Annex-32**.** The majority of the capex relates to the cranes for which we have already signed the purchase agreement and LC has been opened vide Annex-33. There are few more assets already the capital work is in progress (Ref Annex-34, Annex-35, Annex-36, Annex-37, Annex-38, Annex-39, Annex-40). Some of the assets will be developed in house, few would be procured for which the best estimate has been provided and for few quotations are furnished (Ref Annex-41). The detailed Revised Capex for Civil, Plant & Machinery, Computer, Office equipment, Furniture & Fixtures are furnished under

		Annex-32.
	(b). As per Appendix 16 of the License Agreement, Licensee is required to replace the equipment on expiry of its life as per VPT norms and licensee should plan for replacement well ahead of time of expiry of its life. The proposal of VCTPL, however, does not state that it is for replacement of 2 RMQCs and RTQCs.	The additional cranes are being procured to enhance the current infrastructure and as per requirement of the Trade. As we had mentioned in our proposal, because of large size vessels calling the port there is operational difficulties in handling such vessels efficiently with existing equipment. The old cranes would be phased out over a period of time, as it has still few years of life left. The necessary permission from VPT has been obtained to procure the new cranes. A copy of VPT's letter is furnished for reference vide Annex-42.
(iv).	(a). The VCTPL in Form 4B has in a general way stated that various additions proposed to the gross block is to improve the overall efficiency, to reduce breakdown time of equipment etc. The VCTPL to quantify the effect of each of the investments in terms of addition to the capacity, additional traffic/ business, reduction in unit operating cost or any improvement in the operational efficiency with reference to the investments proposed during the years 2017-18 to 2019-20.	The detailed explanation for each investment has been furnished by VCTPL which has been brought out in subsequent paragraph.
	(b). Form 4B indicates details of investment under Plant and Machinery of ₹360 lakhs in the year 2018-19 and nil in the year 2019-20 as against additions to the tune of ₹1060 lakhs and ₹700 lakhs estimated in Form 4A. The VCTPL to, therefore, give details of remaining items as well in Form 4B.	
(v).	The VCTPL has stated that 2 new RMQC are proposed to be deployed as existing 2 RMQCs of more than 30 years old. The reason for deploying 2 new RMQCs is to cater to the larger size vessels. The old 2 RMQCs are stated to be not effective. It is, however, seen that VCTPL has not proposed deletion of 2 old RMQCs from the gross block. The reasons, therefor, to be explained. The VCTPL may consider deletion of old RMQCs from the gross block and also consider impact of expected profit or loss from sale of these equipment in the cost statement.	The old RMQCs will be still in operations for few more years. These cranes shall be deployed for smaller vessels.
(vi).	The reasons for proposing investment of ₹3434 lakhs towards new Administration Building in the fag end of the tariff cycle may be justified. The current status of the proposed investment to be indicated.	New Admin Building is proposed to be constructed during 2018-19. Currently VCT offices are scattered around the terminal. The yard space is not being utilized effectively. Apart from above, with increasing staff and terminal users, it is becoming difficult to build additional temporary/ makeshift offices. Therefore, it is planned to have a separate administrative building inside the terminal by 2019-20. The design of the building is almost ready.
(vii).	Confirm that the entire expenditure in each of the years will be capitalised in the books of	The expenditures are estimated based on expected capitalization date and CWIP

	accounts and also that assets worth equal amount will be physically available for operation in the very same year. In this connection it may please be borne in mind that capital work in progress is not counted towards capital employed for the purpose of allowing return.	has not been considered for the purpose of capital employed.
(viii).	Confirm that depreciation, insurance and repairs and maintenance cost on the additions to the gross block in the years 2017-18 to 2019-20 are estimated proportionately from the expected date of commissioning.	The depreciation, insurance and R & M expenditures are estimated based on expected capitalization date.
(8).	**Working Capital**:	
(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 VCTPL has considered at one month's total revenue is not in accordance with the norms prescribed in the guidelines of 2005.	The relevant clause of the Guideline is not relevant for VCTPL. The estimation of Sundry debtors by VCTPL has been done based on trends. Therefore, for one months' total revenue please be considered for the working capital estimation.
(ii).	The consumption of stores and spares reported in Annual Accounts is and considered by the VCTPL Form 4A at Sl. No.(VIII)(ii) does not match with the figures reported in the Annual Accounts. The VCTPL is requested to reconcile the difference.	The Inventory consumptions shown in Annual Accounts include Fuel cost. However, it has been excluded in the Form 4A. Detailed reconciliation is furnished as Annex-43.
(iii).	The basis of estimation of inventory (excluding fuel and customized spares) for the year 2017-18 to 2019-20 may be explained and justified with the past actuals.	Refer above.
(iv).	Current liabilities considered by the VCTPL at 15 days expense relating to equipment running cost, equipment hire cost, management and administrative overheads and other expenses is not in line with the approach followed in other tariff cases. The actual current liabilities for the year 2016-17 may be indicated.	Current liabilities for the year 2016-17 is considered for the years 2017-18 to 2019-20 in the estimation of the working capital.
C.	**SCALE OF RATES**	
(i).	The proposed note no (2) below the Schedule 1.2 Handling of Transshipment Containers is not complete and not in the line with the common Order No.TAMP/53/2015-VOCPT dated 26 November 2016 approved by the Authority regarding criteria for classification of vessel for levy of vessel related and concessional tariff for coastal vessel / cargo. The VCTPL to incorporate all conditions as approved in the said Order in toto. This conditions may be inserted under 2. General in the proposed SOR.	The following conditions as approved vide common Order No.TAMP/53/2015-VOCPT dated 26 November 2016 has been placed under 2. General in the proposed SOR. "2(i) (d). A Foreign going vessel of foreign flag can convert to coastal run on the basis of a License for Specified period or voyage issued by the Director General of Shipping and a custom conversion order." "2(i) (e). In case of a Foreign flag vessel converted to coastal run on the basis of a License for Specified period or voyage issued by the Director General of Shipping, and a Custom Conversion Order, the coastal cargo/ container loaded from any Indian Port and destined for any other Indian Port should be levied at the rate applicable for coastal cargo/ container".

13.4. The VCTPL has furnished the following justifications for major additional investments from 2017-18 to 2019-20:

(i). **2 RMQC and 4 RTGCs:**
The VCTPL has reiterated the justification for proposed addition of 2 RMQCs and 4 RTGCs furnished in the proposal which is already brought out and hence not reiterated here.

(ii). **Reefer Platform with Fixed Reefer Points:**
The reefer traffic through VCT has been constantly on the rise. Details of the reefer container volumes handled in VCT during the last 3 years is as shown below:

Year	TEUs	Variation
2013-14	12,452	--
2014-15	14,941	20%
2015-16	16,816	13%
2016-17	22,711	35%

With the surge in reefer traffic, the yard inventories of reefer containers inside the terminal on particular days have increased requiring additional plug points. Temporary arrangements with mobile plugs were organized in such situations and in long run it may not suffice. It is proposed to have additional reefer plug points (128 nos.) with platform type set up for monitoring the reefer containers. The capital expenditure of ₹100.00 lakhs has been estimated during 2017-18.

(iii). **DG, Cablings and other electrical installations:**
The two new QCs ordered will be arriving at VCTPL by Jan 2018. To power the 2 QCs, we require additional infrastructure and cabling to the Wharf. Additionally, we have also included conversion of CY 12 into reefer yards to consolidate all the mobile and scattered reefer points into this location. Both the works have common requirements like Transformers and switch gears/ cables from the substation.

The proposal is to enhance the capacity of the main substation with inclusion of 1no. 4MVA – 33kV x 11 kV transformer with HT breakers for 33 kV and 11kV supply. There will be additional back up supply for cranes and reefers with inclusion of one additional 1250 kVA DG synchronized with our existing back up.

The total capex budgeted is ₹600 lakhs.

(iv). **Replacement of Vacon drives with siemens:**
There are 4 nos. of Kone RTGs which are installed with Vacon drives and software proprietary to Kone Cranes. The Vacon drives have been very unreliable and has failed on numerous occasion. This unreliability causing a lot of downtime is affecting the terminal performance. Hence for the long term, it is planned to replace the drives of VACON with Siemens and a preliminary study has been carried out by Siemens. RTGs estimated is 1 in FY 2017-18 and 3 in FY 2018-19. The total Capex estimated is ₹120 lakhs in 2017-18 and ₹360 lakhs in 2018-19.

(v). **Administrative Building:**
New Admin Building is proposed to be constructed. Currently VCT offices are scattered around the terminal. The yard space is not being utilized effectively. Apart from above, with increasing staff and terminal users, it is becoming difficult to build additional temporary/ makeshift offices. Therefore, it is planned to have a separate administrative building inside the terminal by 2019-20. The cost estimated is ₹3434 lakhs to be capitalized by 2019-20.

13.5. The VCTPL vide its letter dated 9 August 2017 has also reviewed and modified its proposal and submitted the updated cost statements with actuals for 2016-17 and revised estimates for the years 2017-18 to 2019-20 based on the actuals of2016-17. The VCTPL has furnished Un-Audited Account for the year 2016-17.

13.6. The VCTPL in the covering letter dated 9 August 2017 has stated that the following changes have been incorporated in the cost statement:

(i). Based on the actuals, the 2016-17 financial and throughput numbers have been updated.

(ii). (a). The annual escalation to be factored as per the TAMP notification is 2%. However, capping 2% inflation based upon WPI may be re-looked into for expenditure projections.

(b). The actual expenditures have gone beyond 8 to 10% YOY and therefore, projecting the estimation at 2% inflation will overstate the profit. For instance, minimum wages have increased by 43% to 44% by the Government of India w.e.f. 1 April 2017. The salary cost of employees is also to be increased by at least 10%-12% YoY, to retain the experienced and trained personnel. The fuel cost has increased by 18% from April 2016 to April 2017 YoY. Power cost has increased by 6-10% p.a.

(c). Therefore, in the cost statement, the actual inflation, have been factored for expenditure projections from 2017-18 to 2019-20.

13.7. A statement showing the comparative position of the financial/ cost position for the years 2017-18 to 2019-20 as per the cost statement furnished by VCTPL in its original proposal dated 20 March 2017 and revised proposal dated 15 May 2017 vis-à-vis the revised cost statements filed under the cover of its letter dated 9 August 2017 is tabulated below:

(**₹ in lakhs**)

Sl. No.	**2016-17 (Estimates)**	**Original proposal dated 20 March 2017 and revised proposal dated 15 May 2017**			**Total for the years 2017-18 to 2019-20**	**2016-17 (Actuals – unaudited)**	**Updated proposal of 9 August 2017**			**Total for the years 2017-18 to 2019-20**
		Estimates					**Estimates**			
		2017-18	**2018-19**	**2019-20**			**2017-18**	**2018-19**	**2019-20**	
(i).	**Traffic (in TEUs)**	369,000	384,000	400,000	1,153,000	366,683	369,000	384,000	400,000	1,153,000
(ii).	Total Operating Income (in lakhs)	14,302.49	14,832.96	15,445.22	44,581	14,823.41	13,271.20	13,748.10	14,305.81	41,325
(iii).	Total Operating Cost (including depreciation, management overheads and FMI – FME)	9,703.92	12,727.63	13,822.15	36,254	6,517.51	11,186.74	12,712.26	13,879.11	37,778
(iv).	Capital Employed	24,833.43	23,131.52	24,042.32	24,002	9,515.58	24,822.28	23,017.59	23,954.97	23,932
(v).	ROCE	3,973.35	3,701.04	3,846.77	11,521	1522.49	3,971.56	3,682.81	3,832.79	11,487
(vi).	**Net Surplus / (Deficit)**	**625.21**	**(1,595.71)**	**(2,223.70)**	-3,194	5,123.16	(1,887.12)	(2,646.97)	(3,406.09)	-7,940
(vii).	Net Surplus / (Deficit) as % of operating income	4.37%	-10.76%	-14.40%	--	34.56%	-14.22%	-19.25%	-23.81%	--
(viii).	Average of three years	-7.16%			-7.16%		-19.21%			-19.21%
(ix).	Surplus after adjustment of Efficiency Improvement **	3,973.35	3,701.04	3,846.77	11,521		(1,887.12)	(2,646.97)	(3,406.09)	-7,940
(x).	Actual ROCE before adjustment of efficiency improvement	4.37%	-10.76%	-14.40%	-7.16% Avg		-14.22%	-19.25%	-23.81%	-19.21% Avg

*** The VCTPL has not claimed any efficiency gain in the cost statement. The net surplus/ deficit after the efficiency gain furnished by the VCTPL contained some arithmetical error due to wrong linkage. The arithmetical error has been corrected in the summary position tabulated above*.

13.8. The VCTPL has stated that considering the actual inflation and proposed capital investment, VCTPL is eligible for 23.30% increase in the composite rate for handling of import and export laden containers under 1.1.A (a) of the Scale of Rates. However, in earlier proposal, VCTPL had proposed for an increase of 10.16% for the same tariff item. [Tariff increase sought by VCTPL in the original proposal is 8.68% and not 10.16%.] The tariff for other items, had been proposed at same level. Therefore, the VCTPL has requested to consider proposed increase of

23.30% in the composite rate for handling of import and export laden containers under 1.1.A (a) of the Scale of Rates.

14. The Licensor Port, the VPT was also requested vide our letter dated 28 June 2017 to furnish additional information/ clarifications on a few points by 5 July 2017, which was followed by reminder dated 13 July 2017 and a d.o. letter dated 1 August 2017 to Chairman (VPT) to expedite the response of the VPT. In response, the VPT vide its letters dated 16 September 2017 has furnished its reply. A summary of the additional information/ clarifications sought by us and the corresponding replies furnished by the VPT is tabulated below:

<table>
<tr><th>Sl. No.</th><th>Information/ clarifications sought by us</th><th>Reply furnished by VPT</th></tr>
<tr><td>(i).</td><td>(a). The VCTPL has projected container traffic of 3,69,000, 3,84,000 and 4,00,000 TEUs in the years 2017-18 to 2019-20 respectively. The traffic growth projected works out to 2.63% in the year 2017-18, 4.07% and 4.17% in the year 2018-19 and 2019-20 respectively. The VPT is requested to comment on reasonableness of the traffic forecasted by VCTPL for the years 2017-18 to 2019-20 and also comment on the reasonableness of traffic mix.</td><td>IPA appointed the consortium of M.C. Kinsey and AECOM as consultant to prepare the national perspective plan as part of Sagarmala programme. The consultants, who have carried out the origin – Destination of key cargo in Indian ports have maped to develop traffic scenarios for a period of next 20 years. The study projected a volume of 0.49 million TEU's for FY 2020. Taking this projection into cognizance the projections for 2017-18, 2018-19 and 2019-20 works out to 4.00, 4.50 and 4.90 lakh TEUs respectively.

As per the projection stated above for the years 2017-18, 2018-19 and 2019-20 works out to 4.00, 4.50 and 4.90 lakh TEUs whereas VCTPL at pg. no.16 of its proposal considered 3,69, 3.84 and 4.00 lakh TEUs only.</td></tr>
<tr><td></td><td>(b). The actual traffic handled by the VCTPL in 2016-17 may also be furnished.</td><td>Actual traffic handled by VCTPL in 2016-17 is 3.67 lakh TEUs.</td></tr>
<tr><td>(ii).</td><td>(a). The Annual Accounts of VCTPL for the years 2014-15 to 2015-16 report royalty payment to VPT at ₹868.57 lakhs and ₹1368.61 lakhs respectively. The Port to confirm the royalty figures reported by VCTPL is in order and also confirm it is as per the provisions of the LA entered by VPT with VCTPL.</td><td>The Royalty figures reported by VCTPL for the year 2014-15 is ₹868.57 lakhs and for the year 2015-16 it is ₹1368.61 lakhs is confirmed.</td></tr>
<tr><td></td><td>(b) The VCTPL has estimated the royalty to be paid to VPT for the years 2017-18 to 2019-20 as under:
<table>
<tr><th rowspan="2">Particulars</th><th></th><th colspan="3">Year</th></tr>
<tr><th>Period</th><th>2017-18</th><th>2018-19</th><th>2019-20</th></tr>
<tr><td>₹ per TEU</td><td>April to June
July to March</td><td>500
500</td><td>500
750</td><td>750
750</td></tr>
<tr><td>Traffic (TEU/Tonnes)</td><td>April to June
July to March</td><td>92,250
2,76,750</td><td>96,000
2,88,000</td><td>1,00,000
3,00,000</td></tr>
<tr><td>Total Royalty in Lakhs.</td><td>Total</td><td>1845.00</td><td>2640.00</td><td>3000.00</td></tr>
<tr><td>Royalty admissible (49%) (₹ in lakhs)</td><td></td><td>904.05</td><td>1293.60</td><td>1470.00</td></tr>
</table>
The VPT to confirm whether royalty estimated by the VCTPL for the years 2017-18, 2018-19 and 2019-20 as reflected in the above table is as per relevant provisions of the License Agreement.</td><td>The royalty rates considered by VCTPL for the years 2017-18, 2018-19 and 2019-20 is as per the relevant provisions of the licencee agreement. The amount of royalty projections are as per VCTPL's projected traffic.</td></tr>
</table>

(iii). (a). The Annual Accounts of VCTPL for the years 2014-15 to 2015-16 report lease rental payment to VPT of ₹109.39 lakhs and ₹91.44 lakhs respectively. Whereas, the VCTPL has considered the lease rental in the cost statement as ₹94.09 lakhs for the year 2014-15 and ₹85.30 lakhs for the year 2015-16. The VPT to indicate the correct lease rental figures as per the provisions of the LA entered by VPT with VCTPL. Also furnish detailed working indicating the area and the applicable unit rate.

The following is the information regarding the lease rentals claimed provisionally by the VPT and paid by M/s.VCTPL are tabulated hereunder for the years 2014-15 and 2015-16.

Sl. No.	Extents	Period		Type of rent
		2014-15	2015-16	
1.	49,727.08m^2	26,85,378.00	26,97,220.00	Port scale of rates (as mentioned in the lease agreement)
2.	1,14,200.00 m^2	61,58,035.00	61,89,857.00	
3.	Ac.32.57		4,78,28,179.00	Schedule of rates (as mentioned in the lease agreement)
	TOTAL	88,43,413.00	5,67,15,256.00	

(b). The VCTPL has estimated the lease rental for the years 2017-18 to 2019-20 as under:

(i). For lease rent of 1,63,500 sq. mtr.

Particulars	Years		
	2017-18	2018-19	2019-20
Lease rate per sq. mtr. per week.	5.25	5.36	5.47
Total lease rental	446,69,678	455,63,072	464,74,333

(i). The lease rent of 1,63,377 sq. mtrs. for the table is confirmed as detailed below as per TAMP rate for zone-1A.

Particulars	Years		
	2017-18	2018-19	2019-20
Lease rate per sq. mtr. per week.	5.16	5.26	5.37
Total lease rental	4,46,69,657.10	4,55,63,067.89	4,64,74,319.45

(ii). For additional land of 13,000 sq. mtr.

Particulars	Years		
	2017-18	2018-19	2019-20
Lease rate per sq. mtr. per week.	3.17	3.24	3.30
Total lease rental	21,44,407	21,87,295	22,31,041

(ii). and (iii). No response of VPT

(iii). Total lease rent.

Particulars	Years		
	2017-18	2018-19	2019-20
For lease rent of 1,63,500 sq. mtr.	446,69,678	455,63,072	464,74,333
For additional land of 13,000 sq. mtr.	21,44,407	21,87,295	22,31,041
Grand Total	468,14,085	477,50,367	487,05,374

Confirm whether the lease rent estimated by VCTPL for the years 2017-18 to 2019-20 as given in the above table is as per the provisions of the License Agreement.

(iv). (a). The VCTPL has estimated additions to the Gross block to the tune of ₹16747.04 lakhs, ₹1215 lakhs and ₹4188.97 lakhs respectively in the years 2017-18 to 2019-20 mainly in Plant and Machinery, IT, construction of administrative building etc. The VPT is requested to comment on the reasonableness of the additions to the gross block estimated by the VCTPL.

As per VCTPL's letter dated 11.08.2017 & 01.09.2017 (copies furnished) Annexure 'B', it is clear that VCTPL had deferred the procurement of RMQC and RTGC in previous tariff cycles i.e. 2014-15 to 2016-17 and hence additional 25% of increase in tariff not implemented.

Now, in the present tariff cycle, the VCTPL proposed for procurement of above equipment to meet the large size vessels requirement and as existing cranes are of 25 years old. Hence, the same is felt reasonable.

(b). The VCTPL has also intimated that they have signed purchase

The P.O details of the equipment's are not furnished and hence cannot be commented

	agreement with M/s.Shangha Zhenhua Heavy Industries Co. Ltd for procurement of 4 RTGCs and 2 RMQCs and these cranes are scheduled to be commissioned by end of Feb 2018. The VPT to specifically comment on the date of commissioning of these equipment indicated by VCTPL.	on the date of commissioning of equipment.
	(c). As per Appendix 16 of the License Agreement, Licensee is required to replace the equipment on expiry of its life as per VPT norms and licensee should plan for replacement well ahead of time of expiry of its life. The proposal of VCTPL, however, does not state that it is for replacement of RMQCs and RTQCs.	As per VCTPL's letter dated 11.08.2017 & 01.09.2017 (copies furnished) Annexure 'B', it is clear that VCTPL had deferred the procurement of RMQC and RTGC in previous tariff cycles i.e. 2014-15 to 2016-17 and hence additional 25% of increase in tariff not implemented. Now, in the present tariff cycle, the VCTPL proposed for procurement of above equipment to meet the large size vessels requirement and as existing cranes are of 25 years old. Hence, the same is felt reasonable.
(v).	The Authority in the last tariff Order no.TAMP/13/2015-VCTPL dated 30 March 2016 had granted 13.75% increase in all the then prevailing SOR excluding transshipment containers. For transshipment container reduction of 15.16% as proposed by the VCTPL was effected. Apart from this VCTPL was granted 25% increase for all the tariff items excluding transshipment container and made it to become effective from the date of commissioning of the 1 new RMQC and 4 RTGCs or 1 May 2016, whichever is later. In this context the VCTPL has intimated that VCTPL has deferred the investment in cranes to next tariff cycle on account of global slowdown and uncertain local market condition. The VCTPL has also stated that it has applied the revised SOR approved by the Authority vide Order dated 30 March 2016 granting 13.75% increase except transshipment container with effect from 15 May 2016 as against effective date of 01 May 2016 approved by the Authority based on representation from the trade. The VPT being a licenser port, to confirm the above facts as reported by the VCTPL and also confirm the revised rates implemented by VCTPL is from 15 May 2016.	VCTPL had deferred the investment in cranes in the previous Tariff cycle i.e. 2014-15 to 2016-17 on account of global slowdown and market conditions. Investments are being made in 2 cranes and 4 RTGs in the current Tariff cycle i.e. 2017-18 to 2019-20. The order for the cranes as stated by VCTPL has been already placed with the supplier and the delivery of the cranes is around Dec-Jan'18. The commissioning of the cranes is expected by Feb'2018 Mar'2018. VCTPL implemented the order dated 30 March 2016 w.e.f. 15.05.2016 in view of the representation made by the VCLA on behalf of the Trade. A copy of letter dated 01.09.2017 received from M/s.VCTPL is furnished.

15. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the comments received and arguments made by the concerned parties will be sent separately to the relevant parties. These details will also be made available at our website http://tariffauthority.gov.in.

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

(i). The Scale of Rates (SOR) of the Visakha Container Terminal Private Limited (VCTPL) last approved by this Authority vide Order dated 21 March 2015 had the validity till 31 March 2017. As already brought out in the earlier paragraphs, during the last tariff revision, based on the position reflected in the cost statement, this Authority had granted a tariff hike of 13.10% from 01 April 2016 for all categories of containers and services except the transhipment containers subject to the condition that the equipment proposed viz. 4 RTGCs and 01 new RMQC are commissioned by the VCTPL by 01 April 2016. Tariff for transhipment container was reduced by 15.16% as requested by VCTPL from 01 April 2016.

Subsequently, the VCTPL had filed a review application dated 30 April 2015 to review a few components in the tariff Order approved by this Authority vide Order No.TAMP/31/2015-VCTPL dated 21 March 2015. This Authority in the said Order dated 21 March 2015 while disposing of the review application of VCTPL has granted 13.75% increase instead of 13.10% in all tariff items excluding transhipment container from 01 May 2016. As regards Transhipment container, the reduction of 15.16% as proposed by VCTPL from 01 April 2016 and granted by this Authority in March 2015 Order was retained. Apart from that, based on the deficit position reflected in the Cost Statement, this Authority had granted 25% increase in all tariff items excluding transhipment container from 01 May 2016 or from the date the VCTPL commissioned additional equipment viz. 1 RMQC and 4 RTGCs whichever is later. As stated earlier, the validity of the SOR of VCTPL approved by this Authority is till 31 March 2017.

(ii). The original proposal filed by the VCTPL in March 2017 was for three years period covering 2017-18 to 2019-20. The estimates were based on 2016-17 figures which were partially actuals and partially estimates. In the original proposal, the VCTPL had sought 8.68% increase in the composite handling rate for laden and empty container.

Visakhapatnam Container Lines Association (VCLA) has pointed out during the processing of the case that VCTPL is a peculiar port where export containers are more than import containers. Most of export volume is based on repositioning of empty containers at the terminal. They have further stated that they bring empties to Vizag to attract container traffic. Any increase in the handling rate of empty container will discourage trade and hence have requested that there should be no increase in the tariff of empty containers.

Subsequently, the VCTPL has under cover of its letter dated 09 August 2017 filed revised cost statements updating estimates for the year 2016-17 with actuals and also revising the some of the estimates for the years 2017-18 to 2019-20 based on 2016-17 unaudited actuals. Based on the revised cost statement, VCTPL has sought a tariff increase of 23.30% in the composite rate for handling of import and export laden containers under 1.1.A (a) of the SOR as against tariff increase of 8.68% sought in its original proposal. Based on the demand from trade, the VCTPL has not proposed any increase in the consolidated rate for handling empty containers in the revised proposal. On all the other tariff items, the VCTPL has proposed status quo based on its view that there is competition from neighboring non-major ports and volatile global market.

The revised proposal filed by the VCTPL vide its letter dated 09 August 2017 and additional information/ clarification furnished by VCTPL during the processing of this case are considered for the purpose of this analysis.

(iii). Clause 2.13 of the tariff guidelines of 2005 mandates review of the actual physical and financial performance of the Major Port Trust/ private terminal at the end of the prescribed tariff validity period with reference to the projections relied upon at time of fixing the prevailing tariff.

During the last review of tariff of VCTPL, this Authority had determined tariff for the years 2014-15 to 2016-17, by relying upon the estimates for the said years. As such, it is necessary to make a comparison of the estimates for the years 2014-15 to 2016-17 with the actuals for the said years. The VCTPL has furnished Audited Annual Accounts for the years 2014-15 and 2015-16 and provisional Annual Accounts of the year 2016-17 stating that financial statements for 2016-17 are to be prepared under Indian Accounting Standards. Since the figures considered in the past period analysis for the year 2016-17 is based on provisional accounts, the actual position for the year 2016-17 shall be again subject to review based on audited accounts during the next tariff revision exercise. Variation, if any, from the actual as per Audited Accounts and provisional accounts now considered for the year 2016-17 on review in the next tariff validity cycle shall be treated as per the tariff guidelines of 2005.

Before analyzing the actuals vis-à-vis the estimates for the past period, it is relevant to state that the Annual Accounts of the VCTPL for the year 2016-17 reports income and expenditure from CFS separately. It is relevant here to state that as per the License Agreement dated 11 September 2002 entered by VCTPL with the VPT, the license granted to VCTPL is for full fledged container handling at VCTPL. The tariff approved by this Authority is for container handling services. This Authority has not approved any tariff for CFS. The tariff arrangement followed by VCTPL for CFS services does not have the approval of this Authority. Even the VCTPL has excluded income and the expenses related to CFS which are reported separately in the Annual Accounts for the year 2016-17 from the cost statement. Further, from the Annual Accounts for the year 2016-17, it is seen that for the year 2015-16, there is an expense of ₹4.87 lakhs relating to CFS which the VCTPL has rightly excluded as seen from the Reconciliation statement. Thus, in short VCTPL has considered the income and the expenses only related to Terminal Handling activity as reported in the Annual Accounts for the years 2016-17.

The CFS operations carried out by the VCTPL at the existing terminal does not flow from the License Agreement dated 11 September 2002 entered by VCTPL with VPT which is for development, operation and maintenance of full fledged container terminal at outer harbor of VPT. It is for the landlord port trust to satisfy itself on the question whether the CFS services rendered by VCTPL are covered by the Licence Agreement.

(iv). The approach followed in the last Order to arrive at the estimated position is adopted to assess the actual net surplus/ deficit for the years 2014-15 to 2016-17. The analysis of performance of VCTPL during the years 2014-15 to 2016-17 along with modifications done in the cost statement filed by the VCTPL is discussed below:

(a). The actual traffic handled by VCTPL is 2,48,163 TEUs, 2,91,621 TEUs and 3,66,683 TEUs during the years 2014-15 to 2016-17 respectively aggregating to 9,06,467 TEUs as against the estimated traffic of 2,51,000 TEUs, 2,94,485 TEUs and 3,12,154 TEUs aggregating to 8,57,639 TEUs in the tariff Order of March 2015 and review Order dated March 2016 for the corresponding period. The variation in the physical performance is 5.7% positive which is less than 20%.

(b). In the last tariff Order dated 30 March 2016 on the review application filed by the VCTPL, this Authority, as recorded in Para nos.14.6 and 14.7, of the said Order, has granted 13.75% increase for all the tariff items excluding transshipment container w.e.f. 01 May 2016. Apart from that 25% increase in tariff items was granted subject to VCTPL deploying 4 new RTGCs including replacement of 2 old RTGCs and replacement of 1 old RMQC with one number of new RMQC by 01 April 2016.

The VCTPL has implemented 13.75% tariff hike granted by this Authority in the Section (I) of the SOR from 15 May 2016 as against effective date of 01 May 2016 prescribed by this Authority based on the request made by VCLA. The VCTPL has confirmed that the increase of 25% approved in the review Order passed by this Authority which is linked to commissioning of the 4 new RTGCs and 01 RMQC has not been implemented since the VCTPL, on account of global slow done and uncertain local market condition, has deferred the investment in cranes to next tariff cycle i.e. the current tariff cycle for which revision is sought. The VPT has also confirmed that VCTPL has deferred the procurement of RMQC and RTGC in previous tariff cycles i.e. 2014-15 to 2016-17 and hence additional 25% of increase in tariff not implemented.

Based on the above position reported by the VCTPL, the income estimates considered in the last tariff Order from 15 May 2016 to 31 March 2017 are adjusted (increased) on pro rata basis by 13.75% for all tariff items except for transshipment container where the income estimate is reduced by 15.16% from 01 April 2016 to capture the effect of tariff increase granted for a like to like comparison with the actual income.

(c). The items of actual income and expenditure furnished by the VCTPL in the cost statement do not match with the individual figures reported in the Annual Accounts as the classification of items in the Accounts is different from the cost statement and also on account of adjustment done in the cost statement on a few items. The VCTPL has, however, furnished a statement reconciling the net surplus/ deficit in the cost statement with the profit/ loss reported in the Annual Accounts and hence the actual figures given by VCTPL in its cost statement are considered upon in this analysis.

(d). In compliance with clause 2.8.1. of the tariff guidelines of 2005, 49% of royalty payment being the level quoted by the second highest bidder is allowed on the actual traffic handled by it as pass through in line with the approach followed in the last tariff Order of VCTPL.

(e). 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 and approach adopted for other BOT operators.

(f). The Annual Accounts reports Insurance claims received by VCTPL from cyclone at ₹608.80 lakhs for the year 2014-15 and ₹1246.98 lakhs in the year 2015-16. The VCTPL has excluded the above insurance claim income for the years 2014-15 and 2015-16 citing it as a one time income. The VCTPL has also excluded the expenditure related to cyclone to the tune of ₹608.80 lakhs in the year 2014-15 and ₹719.31 lakhs in the year 2015-16 citing it as a onetime expenditure. The approach adopted by the VCTPL is accepted.

(g). (i). The Annual Accounts of the VCTPL reports net foreign exchange loss of ₹380.08 lakhs, ₹406.70 lakhs and ₹0.60 lakhs in the years 2014-15 to 2016-17 respectively.

The VCTPL has furnished the breakup of the actual foreign exchange gain/ loss reported in the Annual Accounts.

In tariff Order March 2015 as well as review Order No.TAMP/31/2015-VCTPL dated 30 March 2016 foreign exchange gain/ loss arising on account of actual transaction and for actual payment are captured in the cost statement for the purpose of tariff determination process. Foreign exchange gain or loss arising on account of restatement of loan/ assets/ expenses are not considered while determining the tariff. The same approach is followed while analysing the actuals for the years 2014-15 to 2016-17.

Of the net foreign exchange loss reported in the Annual Accounts, the VCTPL has excluded ₹379.61 lakhs (i.e. ₹380.29 lakhs foreign exchange loss less ₹20.71 lakhs foreign exchange gain), ₹406.74 lakhs (i.e. ₹446.91 lakhs foreign exchange loss less ₹40.20 lakhs foreign exchange gain) and nil for the years 2014-15, 2015-16 and 2016-17 respectively towards net foreign exchange loss on account of restatement of Buyer's Credit (BC), FC Loan Restatement, Foreign Currency Non Repatriable (FCNR) Loan Restatement, interest on BCs, etc. The details of the net foreign exchange loss furnished by VCTPL matching with the figures reported in the Accounts and the net foreign exchange loss/ gain admissible to the extent it is on account of restatement is tabulated below:

(in ₹)

Sl. No.	Particulars	Break up of Foreign exchange loss/ gain furnished by VCTPL duly matching with the figures reported in the Audited Accounts for the years 2014-15 and 2015-16 and Provisional Accounts for the year 2016-17			Net Foreign Exchange loss on account of repayment admitted as expense		
		FY 2014-15 (Audited)	FY 2015-16 (Audited)	FY 2016-17 (Provisional)	FY 2014-15 (Audited)	FY 2015-16 (Audited)	FY 2016-17 (Provisional)
1	Management Fee	42,109	1,438	15,444	42,109	1,438	15,444
2	AMC - Navis LLC	941	(7,747)	(1,076)	941	(7,747)	(1,076)
3	Import of spares	1,394	193	-	1,394	193	-
4	**Interest on BC's**	**15,007**	**-**	**-**		-	-
5	Travelling and Other Exp.	2,276	2,332	6,340	2,276	2,332	6,340
6	**Buyer's Credit (BC) FC Loan Restatement**	**32,029,255**	**30,907,372**	**-**	-	-	-
7	FCNR Loan re-payment (Foreign exchange gain/ loss)	(6,980)	(4,013,002)	-	(6,980)	(4,013,002)	-
8	**FCNR Loan Restatement**	**5,938,467**	**13,779,714**	**-**			
9	Bank Charges	(13,727)	294	-	(13,727)	294	-
10	**Restatement of Forex liability**	-	-	**39,312**	-	-	-
	Total Foreign exchange Loss / (Gain)	**38,008,742**	**40,670,595**	**60,020**	**26,013**	**(4,016,492)**	**20,708**

From the details furnished by VCTPL, net foreign exchange loss reported on account of restatement of buyers credit, FCNR Loan Restatement and Restatement of Forex liability, to the tune of ₹379.82 lakhs, ₹446.87 lakhs and ₹39.31 lakhs for the years 2014-15 to 2016-17 respectively which are excluded as tabulated below for ease of reference:

Particulars	2014-15	2015-16	2016-17
Buyer's Credit (BC) FC Loan Restatement	**32,029,255**	**30,907,372**	**-**
Restatement of Forex liability	**-**	**-**	**39,312**
FCNR Loan Restatement	**5,938,467**	**13,779,714**	**-**
Total	**37,982,729**	**44,687,087**	**39,312**

(ii). Further, for the year 2016-17, the VCTPL has considered separate entry of foreign exchange loss of ₹1826.33 lakhs in the cost statement. The VCTPL has stated that actual Loan payment of USD 18.37 million has been done in 2014-15 and 2016-17. The said figure considered by VCTPL is not found in audited Annual Accounts for the years 2014-15 to 2015-16 and in the provisional Annual Accounts of the year 2016-17. The figures reported in the Audited Accounts for the years 2014-15 to 2015-16 and provisional accounts for the year 2016-17 and foreign exchange gain/ loss arising on account of repayment as explained earlier and brought in the above table based on the break up furnished by VCTPL are considered in this analysis.

(v). (a). The VCTPL had entered into a Technical Service Agreement with Dubai Ports International and United Liner Agencies (ULA) for providing technical knowhow and managerial services to VCTPL for a period of five years from June 2003 till June 2008. Since the benefit of the technical services availed was expected to be enjoyed over the entire project life, the technical service in respect of the first contract entered by the VCTPL was spread over the project period. The annual impact of the TSF payment considered in the cost statement in the last tariff revision Order is ₹15.70 per annum for the years 2014-15 to 2015-16 as regards the first contract which is considered for the past period analysis also.

(b). During the last tariff revision the VCTPL had reported to have entered into second Contract with DP World FZE (DPWF) for providing technical knowhow for new equipment for a period of five years w.e.f. 10 March 2011. The validity of this contract was till March 2016 for an annual fixed fees of US$ 50000. During the last tariff revision, this Authority had for reasons stated in the Order allowed TSF as part of operating costs subject to the condition that the VCTPL will produce copies of the IT Assessment Orders at the time of next tariff review.

(c). The VCTPL in the current proceedings has stated that it has entered into another new contract with DPWF from 17 December 2014 when the second TSF contract was already in vogue. When requested to state the reasons for another TSF contract entered by VCTPL with DPWF for the contract period which is partly overlapping with the contract period of second agreement which is valid till March 2016, the VCTPL has stated that the new agreement was entered into for the management and operation of the existing project as well as the new extension project on 16 December 2014. The new TSF agreement at Schedule 3 (A) stipulates that pursuant to signing of the new agreement, the second agreement is terminated from the effective date of the new agreement. The said contract provides that VCTPL shall pay US$50000 per annum from the effective date of the new third contract till November 30, 2015. Further, Schedule 3 (B) of the said TSF contract entered by VCTPL with DP World effective from 16 December 2014 states that the VCTPL shall pay annual fixed Consultancy fee of US$ 175000 which is with reference to the existing terminal. The new TSF contract is valid till the expiry of the Agreement. The said Agreement also provides Annual Consultancy fee payable by VCTPL in fixed term and variable terms in respect of the extension project from the commencement of extension project. The VCTPL has rightly not captured the TSF payable in respect of extension project which is not part of the current License Agreement entered by VCTPL with the VPT.

The VCTPL has, in respect of third TSF contract, considered TSF proportionately from December 2014 at ₹31.48 lakhs, ₹115.31 lakhs and ₹116.99 lakhs for the years 2014-15 and 2016-17 aggregating to ₹263.77 lakhs and has spread over remaining 18 years of the project. For the years 2017-18 to 2019-20, the VCTPL has estimated TSF in respect of the third contract at ₹120.75 lakhs, ₹122.50 lakhs and ₹124.25 lakhs respectively on US$175000 and applying exchange rate of 1US$ - 69, 70 and 71 for each of the three years and the total TSF is estimated at ₹367.50 lakhs. The estimate of TSF does not include the TSF relating to the extension project which is for a separate project and governed by upfront tariff fixation.

(d). It is relevant here to mention that the above mentioned contracts entered by the VCTPL is with an organization involving one of its promoters. As per Clause 2.8.1. of the tariff guidelines of March 2005, Technical Service Fee (TSF) payable by the private terminals to their promoters or to their associate entity can be admitted as an item of cost for tariff fixation purposes if yard-stick of 'arm's length relationship' is established as defined under Income Tax Act, 1961.

Para (xxii) of the 21 March 2015 Order requires VCTPL to furnish at the time of next tariff revision furnish the relevant Income Tax Assessment

Order allowing the TSF as an item of cost for income tax purpose and also furnish documentary evidence to support the actual payment of TSF arising out of this second contract or else the TSF expense with reference to the second contract admitted as expense in the current exercise will be adjusted i.e. nullified in the next tariff revision.

The VCTPL has now furnished IT Assessment Orders for the Financial Years 2012-13 and 2013-14 which cover Technical Service Fee in respect of the second contract. On perusing the copies of the IT Assessment Orders furnished by the VCTPL for the financial years 2012-13 and 2013-14 it is noted that IT Authorities have allowed the technical service fee termed as "Management Consultancy fee" as expenditure for the purpose of income tax assessment in the respective years.

The VCTPL has stated that the third contract falls under FY 2014-15 and the assessment order is yet to be received for the years 2014-15 to 2015-16. The VCTPL has, therefore, furnished Auditor's certificates u/s 92 (A) and 92E of Income Tax Act' 1961 for the years 2014-15 and 2015-16. The VCTPL has furnished the documentary evidence of TSF paid to the Consultant for the years 2014-15 to 2016-17.

With reference to the second and third contract in view of the submissions made by the VCTPL that TSF for the old TSF contract which is admitted as expense by the IT and relying on IT Assessment Orders furnished by VCTPL for the financial years 2012-13 and 2013-14 which covers the TSF for part of the second contract and relying on Certificate issued by Auditors of VCTPL for the years 2014-15 and 2015-16 as regards third contract and also recognising that TSF in the past has been admitted by the IT authorities which establishes that arms length relationship of the transaction is maintained, amortization of Technical Service Fee in respect of the second TSF and third TSF contract as explained in the subsequent paragraphs is allowed.

The VCTPL has, in respect of third TSF contract, considered TSF proportionately from December 2014 at ₹31.48 lakhs, ₹115.31 lakhs and ₹116.99 lakhs for the years 2014-15 and 2016-17 aggregating to ₹263.77 lakhs and has spread over remaining 18 years of the project. For the years 2017-18 to 2019-20, the VCTPL has estimated TSF in respect of the third contract at ₹120.75 lakhs, ₹122.50 lakhs and ₹124.25 lakhs respectively on US$175000 and applying exchange rate of 1US$ - 69, 70 and 71 for each of the three years and the total TSF is estimated at ₹367.50 lakhs. The estimate of TSF does not include the TSF relating to the extension project which is for a separate project and governed by upfront tariff fixation.

In the cost statement prepared by us, the actual TSF paid by the VCTPL is respect of the Second Contract for the years 2011-12 to 2014-15 (November 2014) till the contract concluded in view of the third contract is reported to be ₹145.07 lakhs. Of this, in the last tariff revision, ₹7.96 lakhs was amortized per annum for the years 2014-15 to 2016-17 which aggregates to ₹23.87 lakhs. This leaves balance ₹121.19 lakhs to be amortized over the remaining 15 years of the project. Accordingly, ₹8.08 lakhs is the TSF to be amortized in respect of the second TSF contract.

As regards the third contract, the actual TSF paid by the VCTPL for the years 2014-15 (From Dec 2014) till 2016-17 is reported to be ₹263.77 lakhs. For the past period analysis, the total TSF paid in respect of third contract is amortized over 17 years 4 months i.e. 208 months and comes to ₹5.07 lakhs for the year 2014-15 and ₹15.217 lakhs for each of the subsequent years.

The total TSF considered in the cost statement with reference to the first, the second contract and the third contract is thus ₹28.73 lakhs i.e. ₹15.70

lakhs for the first contract and ₹7.95 lakhs for the second contract + ₹5.07 lakhs for the third contract for the year 2014-15 and ₹38.87 lakhs for each of the years 2015-16 and 2016-17 i.e. 15.70 lakhs for the first contract and ₹7.95 lakhs for the second contract + ₹15.217 lakhs for the third contract.

As regards the estimates of TSF for the third contract for the years 2017-18 to 2019-20, it is considered for amortization over 15 years from 2017-18 onwards as explained in the subsequent paragraphs.

The exchange rate of 1US$ - ₹69 for the year 2017-18, ₹70 for the year 2018-19 and ₹71 for the year 2019-20 estimated by the VCTPL for estimating TSF of US$175000 into rupee terms is modified applying the prevailing exchange rate of 1US$ = ₹65.09 for each of the years. The total estimate for 3 years comes to ₹341.72 lakhs as against ₹367.50 lakhs estimated by the VCTPL for the years 2017-18 to 2019-20. The estimate of TSF does not include the TSF relating to the extension project which is for a separate project and governed by upfront tariff fixation. This need to be amortized over the remaining 15 years of the project as done by the VCTPL. Accordingly, ₹22.78 lakhs is the TSF to be amortized in respect of the third TSF contract with reference to the estimates for the years 2017-18 to 2019-20.

The total TSF considered in the cost statement for the future period 2017-18 to 2019-20 with reference to the first, the second contract and the third contract is thus ₹61.77 lakhs i.e. ₹15.70 lakhs for the first contract and ₹8.08 lakhs for the second contract + ₹38.00 lakhs for the third contract for each of the years 2017-18 to 2019-20 as against amortization of TSF of ₹62.91 estimated by VCTPL for each of the years 2017-18 to 2019-20.

A summary of the TSF payment amortised in the cost statement is tabulated below:

(in ₹)

Sr. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
(i).	**TSF 1st Agreement** amortised as in the earlier Order is ₹28,251,000	1,569,500	1,569,500	1,569,500	**1,569,500**	**1,569,500**	**1,569,500**
(ii).	**TSF 2nd Agreement**						
(a).	Amortisation as considered in the 2015 Order for the year 2014-15 to 2016-17	795,769	795,769	795,769			
(b).	TSF of ₹12,119,950 to be amortised for 15 years from 2017-18 onwards, based on the actual TSF of ₹14,507,258 paid by VCTPL for the 2nd contract for the period Dec 2010 to Nov 2015 less ₹2,387,307 amortised over 2014-15 to 2016-17				**807,997**	**807,997**	**807,997**
(iii).	**TSF 3rd Agreement**						
(a).	Actuals from 2015-16 (Dec 2015) till 2016-17 as given by VCTPL (Total ₹26,377,343 is spread over 17 years and 4 months from Dec 2015)	507,257	1,521,770	1,521,770	1,521,770	1,521,770	1,521,770
(b).	Estimates of TSF for the years 2017-18 to 2019-20 by VCTPL at ₹3675000 (i.e.US$ 1,75,000 X 3 years X avg. exchange rate @70) moderated applying prevailing exchange rate of US$1=₹65.09) (i.e.US$ 1,75,000 X 3 years X avg. exchange rate @65.09) i.e. ₹34,172,250 and amortised over 15 years from 2017-18 onwards.				2,278,150	2,278,150	2,278,150
(c).	Total amortization in respect of 3rd agreement (iii) (a) + (b)				**3,799,920**	**3,799,920**	**3,799,920**
(iv).	**TSF amortized**	**2,872,526**	**3,887,039**	**3,887,039**	**6,177,416**	**6,177,416**	**6,177,416**

TSF for the future period is also brought out here so that the matter relating to TSF can be dealt comprehensively at one place.

The VCTPL should, at the time of next tariff revision furnish the relevant Income tax Assessment Order allowing the TSF as an item of cost for income tax purpose and also furnish documentary evidence to support the actual payment of TSF arising out of the second and third contracts for the years 2014-15 to 2016-17 or else the TSF expense with reference admitted as expense in the current exercise will be adjusted i.e. nullified in the next tariff revision.

(e). In the last tariff Order of October 2011, the write-off of preliminary expenses was considered at ₹12.53 lakhs for the year 2014-15 to 2015-16. The Annual Accounts for the years 2014-15 to 2015-16 do not report any such expenditure. That being so, while analysing the actual position, the write-off of preliminary expense is maintained at ₹12.53 lakhs as considered for the years 2014-15 to 2015-16 and as also done by the VCTPL.

(f). The Annual Accounts of VCTPL for the years 2014-15 to 2016-17 report lease rent ₹109.39 lakhs, ₹91.44 lakhs and ₹103.03 lakhs respectively. The lease rents to the VPT as per the Concession Agreement and as per the break up furnished by the VCTPL is ₹94.09 lakhs, ₹85.30 lakhs and ₹101.35 respectively for the corresponding period considered by the VCTPL under the head lease rent. The remaining amount is towards transit house rent which the VCTPL has considered under the Management and Administration Overheads. The VPT has indicated the lease rent claimed by VPT and provisionally paid by VCTPL at ₹88.43 lakhs for the year 2014-15 and ₹5367.15 lakhs for the year 2015-16. The figures furnished by the VPT do not match with the lease rent reported by VCTPL which has been reconciled with the figures reported in the Audited Annual Accounts for each of the said years. Since, the lease rent reported by the VCTPL are as per the Audited Annual Accounts, the lease rent as per the Audited Annual Accounts of VCTPL is considered in the past period analysis.

(vi). The VCTPL has made suitable adjustment in the depreciation figure also by excluding the depreciation component on the capitalized part of preliminary expense in line with the approach followed in the last tariff Order.

(vii). The Net Fixed Assets reported in the Annual Accounts is adjusted by reducing the net value of preliminary expense as reported by the VCTPL in its Annual Accounts. The unamortized part of preliminary expense written off as per our computation 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.

(viii). The working capital is analysed below:

(a). The VCTPL has considered one month operating income as Sundry Debtors for the years 2014-15 to 2016-17. This is not in line with the provisions contained in the tariff guidelines of 2005, as such Sundry Debtors is considered as NIL.

(b). As per the Order passed by this Authority on 30 September 2008 clarifying certain areas of tariff fixation process under 2005 guidelines, prepayments of certain expenses which flow from the provisions of the Licence Agreement can be considered as Sundry Debtors.

The License Agreement entered by the VCTPL with the VPT, does not prescribe any advance payment of lease rentals.

As per Article 5.1 of the LA entered between VCTPL and VPT, the royalty is payable on 7th day of the immediately subsequent month. It is thus clear that as per LA, the VCTPL is not required to make any advance payment of royalty also. In the case of the VCTPL, it is found that none of the items flowing from the License Agreement qualify for consideration.

(c). The VCTPL has furnished the details of the consumption of stores excluding fuels for the years 2014-15 to 2016-17 and has considered 50% thereof in the computation of current asset which is in line with the provisions prescribed in the tariff guidelines. The figures furnished by the VCTPL are considered.

(d). Cash balance has been calculated at one month's cash operating expenses including overheads as done during the last tariff revision of VCTPL.

(e). The VCTPL has considered current liabilities at 15 days of some of the operating expenses viz. Equipment hire charge, Depreciation, Management and General Overhear and Equipment running cost. The approach adopted by VCTPL is not as per the current liabilities reported in the Annual Accounts for the years 2014-15 to 2016-17. The current liabilities viz. trade payable and other current liabilities as reported in the Annual Accounts for each of the years 2014-15 to 2016-17 are considered. Short term borrowings and short term provisions reported under the current liabilities are excluded in this regard.

(f). Subject to the above adjustments, Working Capital emerges to be negative. Hence, it is considered as NIL. Thus, the Capital Employed comprises of only Net Block of Assets at ₹10852.24 lakhs, ₹10773.30 lakhs and ₹9515.58 lakhs for the year 2014-15 to 2016-17 respectively.

(ix). In the last tariff Order of March 2015, Return on capital employed was allowed at 16% for the years 2014-15 to 2016-17. The same position is maintained while analyzing the actuals for the said years.

(x). A copy of the cost statement analysing the actual vis-à-vis estimates for the past period 2014-15 to 2016-17 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:

(**₹ in lakhs**)

Particulars	**Aggregate for the 2014-15 to 2016-17 in absolute terms (₹ in lakhs)**		**Variation in %**
	Estimates as per tariff Order	**Actuals**	
Traffic (in TEUs)	8,57,369	9,06,467	5.7%
Operating Income	27,669.61 *	33,550.17	21.3%
Total Expenses	**23,419.92**	**22103.47**	-5.7%
Surplus/ deficit before Return	**4,227.89**	**11,446.70**	170.7%
Capital Employed (Average)	13,943.50	10,380.37	-25.6%
16% Return on Capital Employed for the three years 2014-15 to 2016-17	6,692.88	4,982.58	-25.6%
Net Surplus after ROCE	(-) 2,464.99	6,464.13	

***** *The operating income estimates are updated to reflect the effect of tariff increase granted in tariff Order of March 2015 and March 2016.*

(xi). The findings of the analysis with reference to the past period relating to the years 2014-15 to 2016-17 are given below:

(a). The actual aggregate traffic handled by the VCTPL is 9,06,467 TEUs as against the estimated traffic of 8,57,369 TEUs during the years 2014-15 to 2016-17. The variation in the physical parameters i.e. actual traffic handled is 5.7% positive in comparison to the estimates.

(b). The operating income earned by the VCTPL is ₹335.78 crores as against estimation of ₹276.70 crores for the corresponding period resulting in positive variance of 21.3%.

(c). On the expenditure side, the actual aggregate expenditure for the three years is ₹221.03 crores as against the estimated expenditure of ₹234.20 crores in the last Order for the corresponding period. The total actual expenditure thus shows negative variance of 5.7% in comparison to the expenditure estimated in the last tariff Order.

(d). The average capital employed for the years 2014-15 to 2016-17 is ₹103.80 crores as against average estimated capital employed of ₹139.44 crores. The variation in the average capital employed comes to 25.6% negative.

(e). As per the cost statement prepared by us, the VCTPL has earned surplus of ₹2,324.98 lakhs, ₹2,476.07 lakhs and ₹6,645.65 lakhs before return which aggregates to average surplus of ₹3,815.57 lakhs for the years 2014-15 to 2016-17. The average return earned on the average capital employed thus works out to 38.08%, as shown in the following table:

(**₹ in lakhs**)

Particulars	2014-15	2015-16	2016-17	Average
Actual Surplus before return earned by VCTPL	**2,324.98**	**2,476.07**	**6,645.65**	**3,815.57**
Actual Capital Employed	10,852.24	10,773.30	9,515.58	**10,380.37**
Actual Return earned on capital employed	21.4%	23.0%	69.8%	36.8%

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

It can be seen from the above analysis that the variation in the physical parameter i.e., actual traffic handled is less than 20% i.e. 5.7% positive and financial performance in terms of return on capital employed is positive and the same is more than 20% i.e. 36.80%. Further, as per the above table, the VCTPL has earned average return of 36.80% on the capital employed as against 16% return allowed in the last tariff Order. Thus, though there is positive variation in financial parameters, the variation in both physical and financial parameters does not exceed 20%. Hence, there is no case for adjustment of past period surplus of VCTPL operations while arriving at the tariff for the current tariff cycle following the opinion of the AG on the interpretation of clause 2.13 of the Tariff Guidelines of 2005.

(xii). As per clause 3.1.8. of the tariff guidelines of 2005, the normal tariff validity cycle is for a period of three years and hence the analysis of estimates in respect of VCTPL is done for a three years period i.e. 2017-18 to 2019-20. The actual throughput handled by VCTPL is 3,66,683 TEUs in the year 2016-17. As against that the traffic estimated by VCTPL for the years 2017-18 to 2019-20 is 3,69,000 TEUs, 3,84,000 TEUs and 4,00,000 TEUs respectively.

The growth projected in traffic is 0.63%, 4.07% and 4.17% for the years 2017-18 to 2019-20 respectively over the actuals/ estimates of the respective previous years and the average growth rate comes to 2.95%. The VCTPL has stated that traffic has been forecasted taking into consideration the available traffic in and around Visakhapatnam, competition from the neighboring ports, deprecation in Dollar value and moderate economic growth in coming year and vast capacity being created in the East Coast. The VCTPL has also stated that Vessel related charges have gone up drastically which has affected the shipping lines.

When the VPT was requested to express its views on the reasonableness of the traffic projection made by the VCTPL, the VPT has stated that Indian Port Association (IPA) has appointed a consortium of M.C. Kinsey and AECOM as a Consultant to prepare the national perspective plan as part of Sagarmala programme. The VPT has stated that origin – Destination of key cargo in Indian ports have been mapped by the Consultant to develop traffic scenarios for a period of next 20 years. Based on the Report of the Consultant engaged by IPA, the VPT has stated that container projection at VCTPL for the years 2017-18, 2018-19 and 2019-20 works out to 4.00, 4.50 and 4.90 lakh TEUs as against the estimates of VCTPL at 369000 TEUs, 384000 TEUs and 400000 TEUs respectively for the corresponding period.

Thus, in short, the VPT has not accepted the traffic projections of the VCTPL. It is relevant here to state that the actual traffic growth achieved by VCTPL in the years 2014-15 to 2016-17 is -5%, 18% and 26% which works out to average growth of 13% per annum. If 13% growth per annum as achieved by VCTPL in the past period is considered over the actual traffic of the 2016-17, the traffic estimates works out to 414352 TEUs, 468218 TEUs and 529083 TEUs. The traffic growth projected by VPT is 8%, 17% and 23% for the years 2017-18 to 2019-20 respectively which is found to be higher than the traffic projections given by the VCTPL.

Since the Licensor Port has projected year wise traffic of VCTPL based on the Report of the Consultant engaged by IPA and also taking into consideration the traffic growth achieved by the VCTPL in the past, the traffic estimates furnished by VCTPL is updated at the level of traffic projection furnished by the licensor port VPT except for moderation for the year 2019-20. It is seen that the traffic projected by VPT for the year 2019-20 is 4,90,000 TEUs. Whereas the optimal capacity assessed by VCTPL is 4,74,500 TEUs. That being so, the traffic projections for the year 2019-20 is considered at the level of the optimal capacity assessed by the VCTPL.

The VCTPL has furnished detailed working of revenue estimation for the traffic projected by VCTPL. On perusing the working, it is seen that the broad share of container mix viz. import container, export containers, Transshipment container and Restow containers is projected at 37%, 37%, 25% and 1% respectively for each of the years 2017-18 to 2019-20 for income estimation. The average share of container mix in the years 2014-15 to 2016-17 was 45%, 45%, 9% and 1% for the corresponding container categories.

The reduction in the share of import and export containers including ICD is attributed by VCTPL to upcoming container terminals neighboring VCTPL as well as vast capacity being created in the East Coast. The VCTPL has also stated CONCOR MMLP is presently operational partially and there has been already a drop in ICD volume in the terminal this fiscal as the trains are being handled at CONCOR MMLP itself. The VCTPL has stated that growth in traffic for Transhipment is, however, projected to the extent of 25% of total volume considering few services likely to commence their operations. It is noteworthy that the VPT has not objected to the container mix estimated by VCTPL.

In view of the above position, brought out by the VCTPL, the share of container mix considered by the VCTPL is relied upon and considered for all the years under consideration. The share of container mix considered by the VCTPL for the broad cargo categories is considered on the updated traffic projections.

(xiii). (a). The actual container handling income reported for the year 2016-17 is ₹12,294.66 lakhs. As against that, the container handling income estimated by VCTPL in the cost statement for the years 2017-18 to 2019-20 is ₹11,126.03 lakhs, ₹11,575.03 lakhs and ₹12,053.97 lakhs respectively. It is seen that there is reduction in the income estimation by VCTPL in the year 2017-18 by 9.5% though the traffic is projected to increase marginally by 0.63%. The reduction in the income in the year 2017-18 appears to be on account of change in the share of container mix i.e. increase in share of transhipment container and reduction in the import and export container as already explained in the preceding paragraphs.

The VCTPL has furnished detailed working of income estimation based on the existing level of tariff and the traffic projections. The income estimates are considered following the approach followed by VCTPL except for estimating it on updated traffic projections. The modified container operating income considered in the cost statement for the years 2016-17 to 2019-20 are ₹12,061.64 lakhs, ₹13,566.34 lakhs and ₹14,301.03 lakhs respectively.

(b). The other operating income estimated by the VCTPL at ₹2,185.38 lakhs, ₹2,258.67 lakhs and ₹2,348.46 lakhs for the years 2017-18 to 2019-20 respectively comprises of income from storage charges, handling of hatch cover, shut out containers, reefer related services, Lift on / off of containers, Shifting of containers, Direct Loading of containers, etc. The VCTPL has furnished detailed working to arrive at the estimated other income. The other income estimated by the VCTPL is relied upon and considered in the analysis subject to modification in view of updation of the traffic estimation.

Subject to above analysis, the modified other operating income comes to ₹2,185.38 lakhs, ₹2,258.67 lakhs and ₹2,348.46 lakhs for the years 2017-18 to 2019-20 respectively.

(c). Thus, to summarize, the income estimated by the VCTPL is considered and all the tariff items are estimated for updated traffic projection considered for the year 2017-18 to 2019-20, as explained earlier. The total revised income for the years 2017-18 to 2019-20 comes to ₹14,247.01 lakhs, ₹15,825.01 lakhs and ₹16,649.50 lakhs respectively as against ₹13,271.20 lakhs, ₹13,748.10 lakhs and ₹14,305.81 lakhs estimated by the VCTPL for the corresponding period.

(xiv). Clause 2.5.1. of the 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 adopted by this Authority in respect of tariff cases filed under Tariff Guidelines, 2005 to be disposed during the year 2017-18 is 2%. Annual escalation applied by the VCTPL for estimating some of cost items like maintenance cost, fuel cost, etc., is at 4% and power cost at 10% which are found to be higher than the permissible level.

As regards labour cost, the VCTPL has stated that as per the minimum wages policy revised by the Government of India w.e.f. 1st April 2017, there is increase in the minimum wages range of 43%-44% over the existing rate. Citing this the VCTPL has requested to consider annual escalation in cost of labour by 10% to retain the experienced and trained personnel.

In this regard, it is relevant to state that this Authority is guided by Tariff Guidelines, 2005. Clause 2.5.1. of the revised tariff guidelines requires that the expenditure projections with reference to current movement of Wholesale Price Index (WPI) for all commodities as announced by the Government of India. WPI is a weighted average movement of prices of the identified groups. It is not that all groups in the basket of WPI suffer the same quantum of escalation. Since this Authority is bound to follow the Tariff Guidelines, 2005, annual escalation is restricted to 2% per annum as announced by this Authority for the tariff cases to be decided in the year 2017-18 as per the terms of the Tariff Guidelines, 2005.

Accordingly, in our analysis, the estimate for the years 2017-18 to 2019-20 are modified applying the annual escalation factor of 2% over the actuals/ estimate of respective previous years wherever the annual escalation applied by the VCTPL is higher than the stated level and adjusted for the traffic growth. This is in line with approach followed while tariff fixation for other BOT operators under Tariff Guidelines, 2005.

(xv). The strength of manpower for estimating operating and direct labour cost and maintenance labour cost is estimated at 107 and 91 respectively for each of the years 2017-18 to 2019-20 which is relied upon.

The actual average cost of operating and direct labour and maintenance labour considered by VCTPL is ₹375.71 lakhs per annum and ₹407.31 lakhs per annum respectively during the year 2016-17. The estimates of the operating and direct labour are seen to be escalated by 6% per annum for each of the years 2017-18 to 2019-20 over the estimates of respective previous years. In our analysis, the estimates for the years 2017-18 to 2019-20 are moderated applying escalation factor of 2% per annum.

(xvi). The estimated equipment running cost comprises of power cost, fuel cost and cost of repairs and maintenance. Each items of estimate is discussed in the following paragraphs:

(a). (i). The actual power consumption for the year 2016-17 is reported at 16.80 units per TEU. The VCTPL has furnished details of power consumption by quay cranes, Reefer container, high mast towers and other area for the year 2016-17 based on which the average power consumption is reported at 16.80 unit/TEU. For the years 2017-18 to 2019-20, the VCTPL has estimated average power consumption of 17.18 units/TEU, 17.27 units/TEU and 17.40 units/ TEU respectively. The VCTPL has proposed increased KVA from 1575 to 1875 from 2017-18 due to deployment of the new equipment, increase in reefers. Further, the VCTPL has proposed increase in power consumption for IT, Buildings, etc. It is seen that the VCTPL has proposed additions to gross block in IT as well as Buildings, sheds in the years 2017-18 to 2019-20. Based on the above position, per unit consumption of power estimated by VCTPL is relied upon and accepted.

(ii). The VCTPL has considered the total per unit power cost at ₹8.75, ₹9.62 and ₹10.58 for the years 2017-18 to 2019-20 respectively. The increase in the per unit cost power considered by the VCTPL is 10% for each of the years 2017-18 to 2019-20 respectively over the actual/ estimates of the respective previous years. The escalation factor applied by the VCTPL is higher than the admissible level of 2% per annum. Hence, the escalation in the unit cost of power is restricted to 2% per annum as explained in the subsequent paragraph.

The average total actual unit cost of power for the year 2016-17 reported by the VCTPL is ₹7.95 comprising of variable cost of ₹6.97 per unit and the remaining ₹0.98/ unit being the fixed cost component. The VCTPL has furnished a copy of a tariff order of Andhra Pradesh Electricity Regulatory Commission (APERC) for the month of March 2017 to June 2017 to substantiate this figure. That being so, actual average variable power cost reported for the year 2016-17 is taken as the base and escalated by the admissible escalation level of 2% per annum for each of the years 2017-18 to 2019-20.

As regards the fixed cost, the VCTPL has estimated increase in the KVA demand from 1575 KVA/ month in the year 2016-17 to 1875 KVA per month for each of the years 2017-18 to 2019-20, which is relied upon in this analysis. The VCTPL has increased the fixed cost from ₹386/ KVA to ₹485 / KVA for the years 2017-18 to 2019-20. In our analysis, 2% increase is considered in the unit rate for fixed power cost as well. Thus, the total per unit cost of power allowed in the cost statement is ₹8.51, ₹8.65 and ₹8.80 for the years 2017-18 to 2019-20 respectively. The estimate of power cost modified by us captures the impact of updated traffic estimation.

(b). The actual fuel consumption reported by the VCTPL for the year 2016-17 is 2.25 litres per TEU. The VCTPL has maintained fuel consumption at same for each of the years 2017-18 to 2019-20.

The unit cost of fuel considered by VCTPL for the year 2017-18 is ₹74.24 per litre. For the subsequent years 2018-19 to 2019-20 the VCTPL has estimated annual escalation of 18%. The VCTPL has furnished fuel bills for the months for April 2017 to June 2017. The average fuel rate for this three months comes to ₹60.94 / litre which is considered in the cost estimate for the year 2017-18. For the subsequent years 2018-19 to 2019-20, the annual escalation is moderated to the allowable level of 2%. The estimate of fuel cost captures the impact of updated traffic estimation.

(c). The VCTPL has stated that repairs and maintenance cost is estimated by applying an escalation factor of 4% over the actual repairs cost for the year 2016-17. Further, on the additions proposed to the gross block, repairs cost is estimated at 2% on the capital cost of mechanical equipment and 1% on the capital civil cost for estimating this cost item for the years 2017-18 to 2019-20.

In our analysis, for estimating repairs and maintenance on the existing asset block gross block of assets, the actual repairs and maintenance cost reported as on 31 March 2016 is taken as the base and escalated by applying annual escalation of 2% for each of the years 2017-18 to 2019-20.

In order to take care of incremental repairs and maintenance cost on the proposed assets to be added in this tariff cycle, the repairs and maintenance cost is estimated at 1% on the civil assets and 2% of mechanical equipment in line with the approach followed by the VCTPL and also in the last tariff Order of the VCTPL. This approach has also been applied uniformly at other private terminals like VCTPL, M/s.TM International Logistics Limited (TMILL), VSPL and also SWPL.

In the light of the above analysis, the modified repairs and maintenance cost considered is ₹468.92 lakhs, ₹805.89 lakhs and ₹819.32 lakhs for the years 2017-18 to 2019-20 respectively as against ₹516.77 lakhs, ₹870.30 lakhs and ₹924.91 lakhs estimated by the VCTPL for the corresponding period.

(d). Based on the above analysis, the modified equipment running cost comes to ₹1,630.67 lakhs, ₹2115.17 lakhs and ₹2263.29 lakhs for the years 2017-18 to 2019-20 respectively as against ₹1,687.22 lakhs, ₹2,264.78 lakhs and ₹2,595.76 lakhs estimated by the VCTPL for the corresponding period.

(xvii). The VCTPL has estimated the royalty payment as pass through to the extent next highest bid i.e. 49% of the per TEU royalty for the years 2017-18 to 2019-20 which is in line with the tariff guideline. In our analysis, the same approach is followed subject to considering the admissible royalty payment at 49% on the updated traffic estimation. Accordingly, estimated royalty payment of ₹980.00 lakhs, ₹1515.94 lakhs and ₹1743.79 lakhs for the years 2017-18 to 2019-20 respectively are considered based on the updated traffic estimation as against ₹904.05 lakhs, ₹1293.60 lakhs and ₹1470.00 lakhs estimated by the VCTPL for the corresponding period.

(xviii). (a). The VCTPL has estimated equipment hire charges at ₹1237.50 lakhs, ₹1374.75 lakhs and ₹1416.16 lakhs for the years 2017-18 to 2019-20. The equipment hire charges comprises of hire charges (a) for internal container movement outsourced by the VCTPL and (b) for hire of few equipment.

The equipment hire charges for internal container movement estimated by VCTPL is at ₹835.82 lakhs in 2017-18, ₹954.03 lakhs in 2018-19 and ₹995.45 lakhs in 2019-20. The VCTPL has stated that it has signed fresh outsourcing the contract service relating to internal container movement from 1 July 2014 and contract is valid upto 30 June 2018. The VCTPL has substantiated it with contract copy.

The contract is for uniform rate of ₹220 per TEU for container movement from ship to yard and ₹220 per TEU and from railway wagon to container yard or vice versa. The VCTPL has stated that since the contract is due for renewal from July 2018, and based on the current scenario in the transportation sector, the anticipated inflation of 10% to the existing cost has been factored for 2018-19 and 2019-20.

The VCTPL has estimated hire charge for this outsourced service at ₹220 per TEU for the year 2017-18. For the year 2018-19, VCTPL has applied 10% escalation and estimated the cost at ₹242 per TEU. The contract provides for escalation for diesel rate if it varies more than ₹1 from the diesel rate of ₹62.13/ litre considered at the time of signing of the agreement. For the year 2019-20, the VCTPL has not applied any annual escalation in the rate.

For the year 2017-18, the unit rate as per the contract is considered as estimated by VCTPL. The unit rate is escalated by 2% per annum for the year 2018-19 since the contract ends in June 2018 and also since the contract allows for escalation in diesel rate. For the year 2019-20, unit rate is allowed to be escalated by 2% over the estimates of the previous year.

This cost element is estimated on the updated traffic estimation for the years 2017-18 to 2019-20.

(b). The VCTPL in the revised cost statement has estimated the cost of hire of reach stackers at ₹401.68 lakhs in 2017-18, ₹420.71 lakhs in 2018-19 and ₹420.71 lakhs in 2019-20

The VCTPL has estimated that hire charges for reach stackers at ₹6,95,000/- per month and ₹6,27,000/- per month for handling laden and empty containers respectively. The contract provided by VCTPL is for hire of reach stacker for handling of laden container is dated 1 October 2015 and is valid till 30 September 2018. The contract copy furnished by VCTPL for hire of reach stacker does not prescribe any separate rate for empty containers.

The VCTPL has estimated hire charge for reach stackers ₹6,95,000/- per month and ₹6,27,000/- per month for handling laden and empty containers respectively. For the year 2018-19, VCTPL has applied 10% escalation in the contracted rate citing that the contract is due for renewal in September 2018 and VCTPL anticipates inflation of 10% to the existing cost as per the prevailing market in this segment. The detailed working provided by VCTPL shows no escalation has been applied in the unit rate for the year 2019-20.

The hire charge for reach stacker is estimated at ₹6,95,000/- per month and ₹6,27,000/- per month for handling laden and empty containers respectively as estimated by VCTPL for the year 2017-18. The existing contract does not provide any annual escalation. Hence for the year 2018-19, for six months upto September 2018, the unit rate is considered as per the existing contract and for the balance six months unit rate is escalated by 2% per annum. For the year 2019-20, 2% escalation is allowed in the unit rate. This cost element is estimated on the updated traffic estimation for the years 2017-18 to 2019-20.

(c). Subject to above analysis the modified equipment hire charges comes to ₹1302.56 lakhs, ₹1431.25 lakhs and ₹1514.02 lakhs for the years 2017-18 to 2019-20 respectively as against ₹1237.50 lakhs, ₹1374.75 lakhs and ₹1416.16 lakhs estimated by the VCTPL for the corresponding period.

(xix). The actual lease rentals for the year 2016-17 payable to VPT is ₹101.35 lakhs. As against that, the lease rent estimated by VCTPL is ₹2173.20 lakhs, ₹477.50 lakhs and ₹487.05 lakhs for the years 2017-18 to 2019-20 respectively.

The VCTPL has estimated lease rent for total area of 163377 Sq. mtrs. allotted to VCTPL on payment of licence fee to VPT as per the Licensing Agreement. Apart from this, VCTPL has estimated lease rent for additional 13000 Sq. mtrs. allotted by VPT, adjacent to the existing facilities.

The VCTPL has stated that as per the Licensing agreement, the licence fee is applicable as per prevailing scale of rates for the land allotted to VCTPL. The lease rentals/License Fee paid to VPT as per the Scale of Rates of VPT was at the rate of ₹0.9055 per Sq. mtrs. per week till 2015-16. This Authority vide Order No.TAMP/80/2015-VPT dated 27 December 2016 has revised the lease rent of VPT land for the period 1 April 2013 to 31 March 2018.

Further, based on the proposal of the VPT, this Authority has approved licence Fee for land belonging to the Visakhapatnam Port Trust to be given in license for stacking of cargo in open area at 12 zones vide Order No.TAMP/48/2014-VPT dated 15 January 2016 at ₹6.21 per Sq. mtrs. per week.

The VCTPL has stated that it has communicated to VPT not to levy the revised schedule rates which is not in accordance with Licence Agreement and that the licence fee factored in the current proposal shall be revised based on the mutually agreed rate between VCTPL and VPT. However, the VCTPL has in its proposal estimated the lease rent as per lease rent/ license fee approved by this Authority as explained in the subsequent paragraphs.

The VCTPL has estimated lease rent for 163377 Sq. mtrs. of land based on the lease rent approved by this Authority vide Order No.TAMP/80/2015-VPT dated 27 December 2016. The VCTPL has considered the lease rent approved for open space (unpaved) approved @ ₹5.05 per sqm per week from 10th October 2015 onwards after applying applicable escalation factor of 2% per annum. The unit rate applied by VCTPL for estimating lease rent for this parcel of land is ₹5.26, ₹5.36 and ₹5.47 per sqm per week for the years 2017-18 to 2019-20. The VPT has also endorsed the lease rent estimated at ₹446.69 lakhs, ₹455.63 lakhs and ₹464.74 lakhs for 163377 sq. mtrs. allotted to VCTPL. That being so, the lease rent as estimated by VCTPL is considered for this parcel of land.

As regards additional land of 13000 sq. mtrs. of land allotted by VPT to VCTPL on license basis, the VCTPL has stated that VPT has extended 50% concession on the approved rate of ₹6.21 per sq mtr/ week. Thus, the VCTPL has, taking the base licence fee of ₹3.11 per sq mtr/ week for the year 2016-17, and applying annual escalation of 2%, considered the unit rate at ₹3.17, ₹3.24 and ₹3.30 per sq mtr/ week for the years 2017-18 to 2019-20. The VPT has not made any specific comment on this estimation of VCTPL. Based on the detailed computation furnished by the VCTPL and relying on the submissions made by the VCTPL that the VPT is offering VCTPL concession of 50% in the license fee and recognising that VPT has not made any adverse comments on this estimate, the estimates furnished by the VCTPL are considered.

It is seen that the estimate of lease rent for the year 2017-18 includes lease rent of ₹414.06 lakhs, ₹422.35 lakhs and ₹430.70 lakhs and ₹437.94 lakhs for the years 2013-14 to 2016-17 aggregating to ₹1705.06 lakhs citing that the VPT has claimed lease rent retrospectively for the said period. The VCTPL has categorically stated that it has not accepted the above rates as well as the retrospective affect and are under discussion with VPT. From the proposal of the VCTPL, it is understood that the lease rent for the past period is disputed by the VCTPL and has not been paid to the VPT. That being so, for the current tariff cycle, the amount of ₹1705.06 lakhs included by the VCTPL in the estimates of the year 2017-18 is excluded. By not considering the arrears of lease rent for the years 2014-15 to 2016-17 estimated by VCTPL, the VCTPL will not be put into any disadvantageous position as it can be met from the past period surplus assessed at ₹6464.13 lakhs for the years 2014-15 to 2016-17. The VCTPL has stated that if lease rentals are reduced from the estimates the corresponding tariff would also get revised downward.

The exclusion of ₹1705.06 lakhs being the arrears of the lease rent considered by VCTPL for the period 2013-14 to 2016-17 arises only because the VCTPL has not furnished any documentary evidence of making arrears payment to VPT nor is it reported in the Accounts of the years 2013-14 to 2016-17. The disallowance of ₹1705.06 lakhs should not be construed that this Authority accedes to the view point of the VCTPL in this matter.

As already brought out in our Order No.TAMP/48/2014-VPT dated 15 January 2016, this Authority approves lease rent/ license fee for the Port trusts land following the applicable Land Policy Guidelines issued by the Government from time to time. This Authority, therefore, does not like to interfere in the matter of individual lease agreements entered by the concerned Port Trust with the individual lessees.

(xx). The actual insurance cost for the year 2016-17 is reported at ₹96.51 lakhs. The insurance cost estimated by VCTPL for the years 2017-18 to 2019-20 are ₹116.30 lakhs, ₹292.59 lakhs and ₹352.03 lakhs respectively. For estimating the insurance cost for the years 2017-18 to 2019-20, the VCTPL has considered the actual estimated insurance of the respective previous years as the base and applied 6% annual escalation. Further, it has considered 1% of the cost of capital additions towards civil and equipment proposed to be deployed during the respective years. As regards the additions to the gross block in the year 2017-18, the VCTPL has estimated insurance for one month as major additions are proposed in February/ March 2018. The approach adopted by VCTPL is found to be in order and considered except moderating the annual escalation factor at 2% instead of 6% applied by VCTPL. The revised insurance cost for the years 2016-17 to 2019-20 considered in the cost statement is ₹112.44 lakhs, ₹283.97 lakhs and ₹331.54 lakhs respectively.

(xxi). The Other Expenses estimated by the VCTPL comprise of cost towards hire of manpower, tally charges, lashing unlashing expenses, reefer monitoring, security expenses, testing, VPT Rail charges, Water Charges, Computer Consumables & Maintenance etc.

The contract for lashing/ unlashing is valid upto 30th June 2017. The revised contract has been finalized and VCTPL has furnished copy of the valid contract which is valid till June 2018. The VCTPL has estimated lashing/ unlashing charges as per contracted rate for the years 2017-18 and 2018-19. The estimates for the years 2017-18 and 2018-19 is considered as estimated by VCTPL. For the year 2019-20, the VCTPL has applied escalation factor of 13.08% which is moderated to 2%.

The last contract for Tally and hire of manpower is till May/ June 2017. The revised contract has been finalized and VCTPL has furnished a copy of the valid contract for each of these outsourced services. The contract for Tally, hire of manpower is valid till May/ June 2018 and for reefer container till March 2018. The VCTPL has estimated each of these cost items as per contracted rate for the years 2017-18 and 2018-19. The estimated for the years 2017-18 and 2018-19 is considered as estimated by VCTPL. For the year 2019-20, the VCTPL has applied escalation factor of 25.08% for tally charges and 13.08% for hire of manpower and for refer. The escalation for the year 2019-20 is moderated to 2%.

The contract for Security charges is valid from 1st May 2016 to 30th April 2018. The VCTPL has substantiated the estimates for the years 2017-18 with the contract copy. The estimates for the years 2017-18 is considered as estimated by VCTPL. For the years 2018-19 and 2019-20, the VCTPL has applied escalation factor of 13.08% which is moderated to 2%.

For estimating the VPT rail charges, testing charges and water charges the VCTPL has considered the actual cost of 2016-17 as the base and has applied 4% / 6% annual escalation over the actuals/ estimates previous years for estimating of the these cost items for the years 2017-18 to 2019-20. The estimates of these items of VCTPL are considered except moderating the annual escalation at 2%.

(xxii). Based on the analysis given in the past period, Technical Service Fee (TSF) is considered at ₹28.73 lakhs i.e. ₹15.70 lakhs for the first contract and ₹7.95 lakhs for the second contract + ₹5.07 lakhs for the third contract for the year 2014-15 and ₹38.87 lakhs for each of the years 2015-16 and 2016-17 i.e. 15.70 lakhs for the first contract and ₹7.95 lakhs for the second contract + ₹15.217 lakhs for the third contract. For each of the years 2017-18 to 2019-20, the TSF amortised is ₹61.77 lakhs for each year as explained in the earlier paragraphs.

As stated earlier, the VCTPL should, at the time of next tariff revision, furnish the relevant Income Tax Assessment Order allowing the TSF as an item of cost for income tax purpose and also furnish documentary evidence to support the actual payment of TSF arising out of the contracts for the years 2014-15 to 2016-17 or else the TSF expense with reference to the contract admitted as expense in the current exercise will be adjusted i.e. nullified in the next tariff revision.

(xxiii). Clause 2.4.1. of the guideline states that the benchmark for efficiency will be the average performance of the same operator at the same terminal achieved in the immediately preceding tariff cycle for claiming efficiency gain. For this purpose, a comparison will have to be made of the cost reduction achieved by the operator in the immediately preceding tariff cycle with that of the tariff cycle, which preceded it. The VCTPL has not claimed efficiency gain in the current tariff cycle for the years 2017-18 to 2019-20 in the cost statement.

(xxiv). Clause 2.7.1 of the revised tariff guidelines stipulates that incase of private terminals, depreciation has to be allowed on straight line method with life norms adopted as per the Companies Act, 1956 or based on the life norms prescribed in the Concession Agreement whichever is higher. The VCTPL has confirmed that it has considered the rates for depreciation as prescribed in the Companies Act. For the purpose of tariff fixation, the VCTPL has made suitable adjustments in the depreciation figures in view of amortization of the upfront fee and leasehold premium over the project period in line with the approach followed in the earlier general revisions Orders passed by this Authority.

(xxv). The Management and Administration Overheads comprise of Salary of Administrative staff, Traveling expenses, Marketing Expenses and administrative expenses. The actual Management and Administration Overheads for the year 2016-17 is reported to be ₹1647.73 lakhs. For estimating Management and Administration Overheads for the years 2017-18 to 2019-20, the VCTPL has taken the actual management and general overhead for the year 2016-17 the VCTPL as the base and has applied 6% annual escalation for estimating all the items except staff cost. For staff cost it has applied 10% annual escalation. The estimate of the VCTPL is modified by applying 2% annual escalation instead of 6% and 10% annual escalation considered by the VCTPL in the estimation of cost. All the other items are considered as estimated by the VCTPL.

(xxvi). The amortization of upfront fee is considered at ₹12.53 lakhs for each of the years 2017-18 to 2019-20 as has been done for the past period.

(xxvii). The VCTPL has estimated Finance and Miscellaneous Income (FMI) to the tune of ₹15.00 lakhs for each of the years 2017-18 to 2019-20 respectively as against actual FMI of ₹114.51 lakhs for the year 2016-17. Since FMI relates to miscellaneous income, the estimation made by VCTPL is relied upon in the analysis.

(xxviii). Under Finance and Miscellaneous Expenses, the VCTPL has considered the estimation towards Contribution to provident fund. The VCTPL has taken the actual Contribution to provident fund for the year 2016-17 as the base and considered 10% annual escalation for the years 2017-18 to 2019-20. The estimate of the VCTPL is modified considering 2% annual escalation instead of 10% considered by the VCTPL.

(xxix). The VCTPL has estimated additions to the gross block of assets to the tune of ₹16,805.52 lakhs, ₹1,215.00 lakhs and ₹4,188.97 lakhs during the years 2017-18 to 2019-20. The Capital Employed comprising of Net Fixed Assets and Working Capital are analysed in the following paragraphs:

(a). <u>Fixed Assets:</u>

(i). Year 2017-18:
The VCTPL has proposed following additions to the gross block at an estimated cost of ₹16,805.52 lakhs:

Particulars	**Amount**	**Status/ Basis for**

		estimates as furnished by VCTPL
Cranes	**15,109.08**	
(i). RMQC 2	11,237.14	Orders placed. 2 new QCs Likely to be commissioned by Feb/ March 2018
(ii). RTGC 41 Ton capacity, Powered by diesel engine	3,871.94	
Plant and Machinery consisting of DG, Cablings and other electrical installations, Compact SS with reefer rack, etc.,	**1,128.17**	Work in Progress as regards DG, Cablings and other electrical installations
Civil	**324.51**	Work completed
IT - CCTV, SAP, IT & QHSET	**206.30**	CCTV & SAP work is completed
Furniture and Fixtures	**37.46**	Estimates
Total additions to the gross block in the year 2017-18	**16,805.52**	--

Of the total additions to the gross block in the year 2017-18, major addition is under the head Cranes. New 2 RMQCs and 4 RTGCs are proposed to be commissioned by February 2018 i.e. during the year 2017-18. The VCTPL has furnished Purchase Order in respect procurement of these equipment. With the increase in traffic, the VCTPL has stated that deployment of these cranes would benefit the Trade with reduction in vessel turnaround time and thereby reducing overall logistics cost. Further, because of large size vessels calling the port there is operational difficulties in handling such vessels efficiently with existing equipment and as existing 2 cranes are of 30 years old. The VPT has also stated that existing cranes are of 25 years old. Hence, the additions proposed by VCTPL are felt reasonable by VPT. The VPT has indicated that the commissioning of the cranes is expected by Feb' 2018/ Mar' 2018. In view of the above position and recognising that the capital cost as estimated by the VCTPL is substantiated with documentary evidence and expected date of commissioning of crane endorsed by the VPT, the estimates made by the VCTPL for procurement of new 2 RMQCs and 4 RTGCs is relied upon and considered.

It is, however, seen that VCTPL has not proposed deletion of 2 old RMQCs from the gross block. When it was suggested to VCTPL that it may consider deletion of old RMQCs from the gross block and also consider impact of expected profit or loss from sale of these equipment in the cost statement, the VCTPL has clarified that the additional cranes are being procured to enhance the current infrastructure and as per requirement of the Trade. Because of large size vessels calling the port there is operational difficulties in handling such vessels efficiently with existing equipment while the old 2 cranes are required to handle current size of vessels. The old cranes would be phased out over a period of time, as it has still few years of life left. It is relevant to state here that the quay capacity assessed by the VCTPL includes the capacity of the existing old cranes. The VCTPL has confirmed that it has obtained necessary permission from VPT to procure the new cranes.

All the other additions to the gross block as estimated by the VCTPL are also considered.

(ii). Year 2018-19:

The additions to the gross block proposed for the year 2018-19 are under the following heads:

Particulars	Amount	Status/ Basis for estimates
Plant and Machinery	**1,060.00**	
(i). Replacement of Vacon drives with siemens in one KONE RTGC in 17-18, 3 nos. in 18-19	360.00	Estimates
(ii). Additional regular Capex	700.00	Estimates
IT	**130.00**	Estimates
Furniture and Fixtures	**25.00**	Estimates
Total additions to the gross block in the year 2017-18	**1215.00**	--

The VCTPL has stated that 4 nos. of Kone RTGs which are installed with Vacon drive have been very unreliable and has failed on numerous occasion. Hence for the long term, it is planned to replace the drives of VACON with Siemens and a preliminary study has been carried out by Siemens. The total Capex estimated is ₹360 lakhs in 2018-19. The VCTPL has not furnished the present status of each of the above investments. However, based on the reasons furnished by the VCTPL, the additions to the gross block estimated by the VCTPL is relied upon and considered.

(iii). Year 2019-20:

The following additions to the gross block to the tune of ₹4,188.97 lakhs is considered by the VCTPL:

Particulars	Amount	Status/ Basis for estimates
Plant and Machinery	**700.00**	Estimates. The VCTPL has stated that this is towards regular capex
Civil	**3,433.97**	Estimates
IT	**30.00**	Estimates
Furniture and Fixtures	**25.00**	Estimates
Total additions to the gross block in the year 2017-18	**4188.97**	--

The VCTPL has stated that New Admin Building is proposed to be constructed. Currently VCTPL offices are scattered around the terminal. The yard space is not being utilized effectively. Apart from above, with increasing staff and terminal users, it is becoming difficult to build additional temporary/ makeshift offices. Therefore, it is planned to have a separate administrative building inside the terminal by 2019-20. The cost estimated is ₹3434 lakhs to be capitalized by 2019-20.

The VCTPL has not furnished the present status of each of the above additions. However, based on the reasons and detailed submissions made by VCTPL for few additions brought out in the earlier paragraphs, the proposed additions to the gross block estimated by the VCTPL is relied upon and considered.

(b). Working Capital:

(i). The VCTPL has considered one months total operating income. It has stated estimation of Sundry debtors is done based on trends. Consideration of one months income as Sundry debtors is not in line with the norms prescribed in Clause 2.9.9. of the tariff guidelines of 2005 and hence not considered in the analysis.

This Authority has passed an Order on 30 September 2008 announcing refinement in the 2005 tariff guidelines which, inter alia, recognises certain items which flow from the License Agreement as part of Sundry Debtor. The License Agreement entered by the VCTPL the VPT, does not prescribe any advance payment of lease rentals.

As per Article 5.1 of the LA entered between VCTPL and VPT, the royalty is payable on 7th day of the immediately subsequent month. It is thus clear that as per LA, the VCTPL is not required to make any advance payment of royalty. Hence prepayments of expenses are not considered in the estimates of the working capital for the years 2017-18 to 2019-20.

(ii). The VCTPL has considered the six months consumption of stores excluding fuels for the years 2016-17 as the base and applied 4% annual escalation to arrive at the estimates for the years 2017-18 to 2019-20. The inventory estimated by the VCTPL in the computation of working capital is considered.

(iii). Cash balance has been calculated at one month's modified operating expenses including overheads.

(iv). The VCTPL has estimated current liabilities for the years 2017-18 to 2019-20 considering the current liability of 2016-17 as the base and prorata adjusted for the total expenses estimated for the years 2017-18 to 2019-20. The approach adopted by the VCTPL is not in line with the norms prescribed in the guidelines. In the current tariff revision exercise, current liabilities considered for the year 2016-17 is considered for the years 2017-18 to 2019-20 in the estimation of the working capital.

(v). Based on the above analysis, the Working Capital results in a negative figure. Since the Working Capital is negative, it has been taken as nil.

(c). The unamortized portion of preliminary expense, upfront fee forms part of the capital employed and on which return is allowed. Subject to above modification, the Capital Employed for the years 2017-18 to 2019-20 which consists of only the Net Block of assets at ₹23,091.81 lakhs, ₹21,103.73 lakhs and ₹21,902.78 lakhs respectively is considered in this analysis as against ₹24,822.28 lakhs, ₹23,017.59 lakhs and ₹23,954.97 lakhs considered by the VCTPL.

(xxx). The VCTPL has assessed the optimum quay capacity for 4 existing QCs for the year 2016-17 at 612587 TEUs per annum. For the year 2017-18 to 2019-20, the VCTPL has assessed optimal quay capacity of 2 new RMQCS adopting the formula prescribed in the tariff guidelines of 2008 at 413910 TEUs. Adding the quay capacity of the new QCs to the quay capacity assessed for the existing QCs, the total optimal quay capacity assessed by VCTPL is at 1026497 TEUs. It is relevant here to state that as regards the quay capacity, it includes the capacity of two old cranes which are 25 years old which the VCTPL proposes to replace in the year 2017-18 as explained in the preceding paragraphs.

The optimal yard capacity assessed by VCTPL is 3,95,042 TEUs for the year 2016-17 which is estimated to increase to 474500 TEUs in the year 2017-18 on account of increase stack height of 3 considered by VCTPL instead of 2.5

considered in the yard capacity assessed for the year 2016-17. It can be seen that in the case of VCTPL the Yard capacity is a constraint. Thus, the optimal capacity of the terminal is 4,74,500 TEUs for each of the years 2017-18 to 2019-20.

Based on the optimal capacity assessed by VCTPL and the updated traffic considered in the analysis, the capacity utilization comes to 84.3%, 94.84% and 100% for the year 2017-18 to 2019-20 respectively.

The tariff guidelines of 2005 prescribe a minimum capacity utilisation of 60% for claiming full Return on Capital Employed (ROCE). However, it is relevant to state that clause 2.9.11. of the tariff guidelines of 2005 stipulates that if the investment made by the private operator is in accordance with the obligations under the concession agreement it will be considered for ROCE even if full capacity utilisation is not achieved. The VPT has not furnished any specific comments on whether the proposed investment is as per the provisions in the LA except in case of the 2 RMQCs and 4 RTGCs the which are major additions proposed in the current cycle, port has stated that the investment proposed by VCTPL are reasonable.

The VCTPL has confirmed that capex proposed are to keep the existing assets in good condition and for achieving the overall productivity standard envisaged in the LA. Recognising the fact the VPT has not made any adverse comments on the investments proposed by the VCTPL, the statement of the VCTPL is relied upon. Accordingly, full Return at 16% claimed by the VCTPL on the capital employed is allowed as per the tariff guidelines of 2005.

(xxxi). While granting extension to the validity of the SOR of VCTPL for the period beyond the validity of 01 April 2017, it was stated that additional surplus, if any, over and above the admissible cost and permissible return for the period post 01 April 2017 will be adjusted fully in the tariff to be determined. The cost statement shows a net surplus of ₹969.04 lakhs for the year 2017-18. Considering that by the time the Order becomes effective it will be around February 2018, the net surplus of ₹969.04 lakhs estimated for the year 2017-18 is prorated for ten months which comes to ₹807.53 lakhs and adjusted equally over the next two years of 2018-19 and 2019-20.

Subject to the above discussions, the cost statement filed by the VCTPL for the years 2017-18 to 2019-20 at the existing tariff of the VCTPL has been modified. The modified Cost statement is attached as **Annex - II**. The results disclosed in the cost statement at the existing tariff level is summarized below:

(**₹ in lakhs**)

Particulars	2017-18	2018-19	2019-20	Total
Operating Income	14247.01	15825.01	16649.50	46,721.52
Net Surplus	161.56	252.66	154.23	568.45
Net Surplus as a percentage of Operating Income	1.13%	1.60%	0.93%	1.22%

The above table depicts a net surplus after admissible cost and 16% ROCE at ₹161.56 lakhs, ₹252.66 lakhs and ₹154.23 lakhs for the years 2017-18 to 2019-20 respectively aggregating to net surplus of ₹568.45 lakhs at the existing level of tariff. In terms of percentage, it works out to average net surplus of 1.22% for the years 2017-18 to 2019-20. As stated earlier, by the time this Order comes into effect it may be around February 2018. Considering that the period of the tariff cycle will be for 2 years and 2 months i.e. from February 2018 to March 2020, the net surplus in terms of percentage for the estimated revenue for the said period works out to 1.63% (i.e. net surplus of ₹568.45 lakhs/ ₹34849.01 lakhs estimated revenue on prorata basis).

As stated earlier, VCTPL has sought a tariff increase of 23.30% only in one tariff item i.e. the composite rate for handling of import and export laden containers under 1.1.A (a). On all the other tariff items, the VCTPL has proposed status quo considering the competition from neighboring non-major ports and volatile global market.

In view of marginal estimated surplus position reflected by the cost statement, there is no case for granting tariff increase in the tariff item proposed by VCTPL. Recognising that the net surplus reflected by the cost statement is marginal at 1.63%, this Authority decides to maintain status quo in the existing Scale of Rates of VCTPL.

The VCTPL has, during the processing of this case, stated that it has allowed discounts to attract cargo at their terminal. The net surplus position reflected in the cost statement is at the existing tariff level. The discounts in tariff offered by VCTPL to attract the container cargo at its terminal is expected to set off the marginal surplus reflected in the cost statement. Even otherwise, the estimated physical and financial performance of the VCTPL for the years 2017-18 to 2019-20 are subject to review in terms of clause 2.13 of the tariff guidelines of 2005 as against the actuals for appropriate adjustment of surplus or deficit, as the case may be.

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

(xxxii). The note proposed under General at (i) (c) relating to criteria for cargo related charges at concessional rate is not found to be in line with the common adoption Order No.TAMP/53/2015-VOCPT dated 26 November 2015 and amendment Order dated 10 June 2016. The said note is modified in line with the said common adoptions Orders. The VCTPL has replaced the existing note no (ii) under 1.2. under the Schedule of handling charge for transhipment containers with one of the notes from the common adoption Order. The note no.(ii) prescribed in the existing SOR is retained.

(xxxiii). The tariff guidelines of 2005 applicable for the BOT operators prescribe tariff validity cycle of three years. Since the financial position considered for the purpose of this analysis is only till 31 March 2020, the validity of the revised Scale of Rates of the VCTPL is prescribed till on 31 March 2020.

(xxxiv). The validity of the existing SOR of the VCTPL has been extended from time to time and the last extension of validity of the existing SOR is granted till 30 June 2017. The revised Scale of Rates will come into effect after expiry of 30 days from the date of notification of the Order in the Gazette. Hence, the validity of existing Scale of Rates is deemed to have been extended till the revised Scale of Rates approved comes into effect.

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

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

16.3. In this regard, the VCTPL is required 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, this Authority will call upon the concerned operator to submit their proposal for an ahead of scheduled review. If the VCTPL fails to file a tariff proposal within the time limit to be stipulated by TAMP, this Authority will proceed *suo motu* to review the tariff.

(T.S. Balasubramanian)
Member (Finance)

Annex - I

VISAKHA CONTAINER TERMINAL PRIVATE LIMITED
ANALYSIS OF PERFORMANCE OF VCTPL FOR THE YEARS 2014-15 TO 2016-17 BASED ON ACTUALS VIS-A-VIS ESTIMATES

₹ in Lakhs

Sr. No.	Particulars	Estimates in the tariff Order of March 2016				Actuals				% Variation
		2014-15	2015-16	2016-17	Total	2014-15	2015-16	2016-17	Total	
	Traffic (In TEUs)	**251,000**	**294,485**	**312,154**	**857,639**	**248,163**	**291,621**	**366,683**	**906,467**	**5.7%**
	Optimal Capacity	395,500	413000	413000	1,221,500	395,500	413000	413000	1,221,500	
I	**Total Operating Income**									
	Container handling income	6965.23	8171.93	9290.71	24,427.87	7,702.23	8,676.99	12,294.66	28,673.88	17.4%
	Others	910.80	1066.18	1264.75	3,241.74	998.48	1,349.06	2,528.75	4,876.29	50.4%
	Total	**7876.03**	**9238.12**	**10555.46**	**27669.61**	**8,700.71**	**10,026.05**	**14,823.41**	**33,550.17**	**21.3%**
II	**Operating Costs (excluding depreciation)**									
	Operating & Direct Labour	308.72	327.24	346.88	982.83	285.96	345.51	375.71	1,007.18	
	Maintenance Labour	360.85	382.26	405.24	1,148.36	342.09	388.56	407.31	1,137.95	
	Equipment Running Costs	1262.93	1450.94	1656.22	4,370.10	1,015.01	1,228.08	1,469.13	3,712.21	
	Royalty / revenue share	430.47	667.38	764.78	1,862.62	425.60	670.62	898.37	1,994.59	
	Equipment Hire	712.49	831.87	920.99	2,465.35	736.94	905.97	1,237.28	2,880.19	
	Lease Rentals	85.90	85.90	85.90	257.71	94.09	85.30	101.35	280.73	
	Insurance	93.46	113.71	157.95	365.12	78.64	80.34	96.51	255.48	
	Other expenses	431.27	473.17	512.27	1,416.72	421.73	430.19	479.72	1,331.64	
	Technical Service Fee	23.65	23.65	23.65	70.96	28.73	38.87	38.87	106.47	
	Total	**3,709.75**	**4,356.14**	**4,873.88**	**12,939.77**	**3,428.78**	**4,173.43**	**5,104.25**	**12,706.45**	**-1.8%**
III	Depreciation	1694.58	1969.22	2737.28	6,401.09	1,462.19	1,494.12	1,376.83	4,333.14	-32.3%
IV	**Overheads**									
	Management & Administration overheads	1206.26	1278.64	1355.35	3,840.25	1,384.02	1,591.79	1,647.73	4,623.54	
	Preliminary expenses & Upfront Payment write-off	12.53	12.53	12.53	37.58	12.53	12.53	12.53	37.58	
	Total	**1,218.79**	**1,291.16**	**1,367.88**	**3,877.83**	**1,396.54**	**1,604.32**	**1,660.25**	**4,661.11**	**20.2%**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**1,252.91**	**1,621.60**	**1,576.41**	**4,450.92**	**2,413.20**	**2,754.18**	**6,682.08**	**11,849.47**	**166.2%**
VI	**Finance & Miscellaneous Income (FMI)**									
	Others	25.00	25.00	25.00	75.00	38.57	35.08	114.51	188.16	
	Total	**25.00**	**25.00**	**25.00**	**75.00**	**38.57**	**35.08**	**114.51**	**188.16**	**150.9%**
VII	**Finance & Miscellaneous Expenses (FME)**									
	Contribution of Provident Fund	86.77	91.97	97.49	276.23	87.66	98.47	148.23	334.36	
	Loss on sale of assets and others					39.14	214.73	2.70	256.57	
	Total	**90.04**	**99.04**	**108.95**	**298.03**	**126.80**	**313.20**	**150.93**	**590.93**	**98.3%**
VIII	FMI Less FME (VI) - (VII)	(65.04)	(74.04)	(83.95)	(223.03)	(88.23)	(278.12)	(36.42)	(402.77)	
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**1,187.87**	**1,547.55**	**1,492.46**	**4,227.89**	**2,324.98**	**2,476.07**	**6,645.65**	**11,446.70**	**170.7%**
X	**Capital Employed**	11729.23	12681.61	17419.66	13,943.50	10,852.24	10,773.30	9,515.58	10,380.37	-25.6%
XI	**Return on Capital Employed @ 16%**	1876.68	2029.06	2787.15	6,692.88	1736.36	1723.73	1522.49	4,982.58	-25.6%
XII	Capacity Utilization	63.46%	71.30%	75.58%	70%	62.75%	73.73%	92.71%	76%	9.0%
XIII	**ROCE adjusted for capacity utilization**	1876.68	2029.06	2787.15	6,692.88	1,736.36	1,723.73	1,522.49	4,982.58	-25.6%
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(688.80)**	**(481.50)**	**(1,294.68)**	**(2,464.99)**	**588.63**	**752.34**	**5,123.16**	**6,464.13**	**-362.2%**
XIV	**Net Surplus / (Deficit) as a % of operating income (XIII/I in %)**	**-8.75%**	**-5.21%**	**-12.27%**	**-8.74%**	**6.77%**	**7.50%**	**34.56%**	**16.28%**	**-286.2%**
XV	**Average Net Surplus / (Deficit) as a % of operating income**	**-8.74%**				**16.28%**				
XVI	**Cost savings due to efficiency improvement**	1.62	2.02	2.27	**5.91**	-	-	-	-	
XVII	**Set off of past period surplus for the period 2011-12 to 2013-14 accrued to VCTPL as per Review Application and as per TAMP calculation**	**65.80**	**65.80**	**65.80**	**197.41**	-	-	-	**-**	
XVIII	**Total surplus/ (deficit) (XIII-XVI)**	**-624.62**	**-417.72**	**-1231.15**	**(2,273.49)**	**588.63**	**752.34**	**5,123.16**	**6,464.13**	**-384.3%**
XIX	**Net Surplus / (Deficit) after ajdustment of past period surplus as a % of operating income (XVIII/I in %)**	**-7.93%**	**-4.52%**	**-11.66%**	**-8.04%**	**6.77%**	**7.50%**	**34.56%**	**16.28%**	
XX	**Average Net Surplus / (Deficit) as a % of operating income**	**-8.04%**				**16.28%**				

ANNEX - II

VISAKHA CONTAINER TERMINAL PRIVATE LIMITED
Consolidated Cost statement

₹ in Lakhs

Sr. No.	Particulars	Actuals			Estimates at the existing level of tariff as given by VCTPL				Estimates at the existing level of tariff as modified by TAMP			
		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total	2017-18	2018-19	2019-20	Total
	Traffic (In TEUs)	**248163**	**291621**	**366,683**	**369,000**	**384,000**	**400,000**	**1,153,000**	**400,000**	**450,000**	**474,500**	**1,324,500.00**
	Optimal Capacity	395500	395500	395500	474500	474500	474500	1,423,500	474,500	474,500	474,500	1,423,500.00
I	**Total Operating Income**											
	Container handling income	7,702.23	8,676.99	12,294.66	11,126.03	11,575.03	12,053.97	34,755	12061.64	13566.34	14301.03	39,929.01
	Others	998.48	1,349.06	2,528.75	2,145.17	2,173.07	2,251.84	6,570	2185.38	2258.67	2348.46	6,792.51
	Total	**8,700.71**	**10,026.05**	**14,823.41**	**13,271.20**	**13,748.10**	**14,305.81**	**41,325.11**	**14247.01**	**15825.01**	**16649.50**	**46,721.52**
II	**Operating Costs (excluding depreciation)**											
	Operating & Direct Labour	285.96	345.51	375.71	461.88	551.81	606.99	1,621	461.88	480.54	490.16	1,432.58
	Maintenance Labour	342.09	388.56	407.31	490.04	576.84	634.52	1,701	490.68	543.09	553.99	1,587.76
	Equipment Running Costs	1,015.01	1,228.08	1,469.13	1,687.22	2,264.78	2,595.76	6,548	1630.67	2115.17	2263.29	6,009.12
	Royalty / revenue share	425.60	670.62	898.37	904.05	1,293.60	1,470.00	3,668	980.00	1515.94	1743.79	4,239.73
	Equipment Hire	736.94	905.97	1,237.28	1,237.50	1,374.75	1,416.16	4,028	1302.56	1431.25	1514.01	4,247.83
	Lease Rentals payable	94.09	85.30	101.35	2,173.20	477.50	487.05	3,138	468.14	477.50	487.05	1,432.70
	Insurance	78.64	80.34	96.51	116.30	292.59	352.03	761	112.44	283.97	331.54	727.96
	Other expenses	421.73	430.19	479.72	556.96	647.31	741.34	1,946	567.46	603.01	622.64	1,793.10
	Technical Service Fee	28.73	38.87	38.87	62.91	62.91	62.91	189	61.77	61.77	61.77	185.32
	Total	**3,428.78**	**4,173.43**	**5,104.25**	**7,690.07**	**7,542.08**	**8,366.78**	**23,599**	**6,075.61**	**7,512.25**	**8,068.25**	**21,656.10**
III	Depreciation	1,462.19	1,494.12	1,376.83	1,666.10	3,196.23	3,383.07	8,245	1,666.10	3,196.23	3,383.07	8,245.40
IV	**Overheads**											
	Management & Administration overheads	1,384.02	1,591.79	1,647.73	1,670.00	1,797.06	1,934.44	5,402	1680.68	1714.29	1748.58	5,143.55
	Preliminary expenses & Upfront Payment write-off	12.53	12.53	12.53	12.53	12.53	12.53	38	12.53	12.53	12.53	37.58
	Total	**1,396.54**	**1,604.32**	**1,660.25**	**1,682.52**	**1,809.59**	**1,946.96**	**5,439.08**	**1,693.21**	**1,726.82**	**1,761.10**	**5,181.13**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**2,413.20**	**2,754.18**	**6,682.08**	**2,232.50**	**1,200.20**	**609.00**	**4,042**	**4,812.10**	**3,389.72**	**3,437.07**	**11,638.89**
VI	**Finance & Miscellaneous Income (FMI)**											
	Others	38.57	35.08	114.51	15.00	15.00	15.00	45	15.00	15.00	15.00	45.00
	Total	**38.57**	**35.08**	**114.51**	**15.00**	**15.00**	**15.00**	45	**15.00**	**15.00**	**15.00**	45.00
VII	**Finance & Miscellaneous Expenses (FME)**											
	Contribution to Provident Fund	87.66	98.47	148.23	163.05	179.36	197.30	540	151.19	154.22	157.30	462.72
		39.14	214.73	2.70								
	Total	**126.80**	**313.20**	**150.93**	**163.05**	**179.36**	**197.30**	540	**163.05**	**179.36**	**197.30**	539.71
VIII	FMI Less FME (VI) - (VII)	(88.23)	(278.12)	(36.42)	(148.05)	(164.36)	(182.30)	(494.71)	(148.05)	(164.36)	(182.30)	(494.71)
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**2,324.98**	**2,476.07**	**6,645.65**	**2,084.44**	**1,035.84**	**426.71**	**3,546.99**	**4,664.04**	**3,225.36**	**3,254.78**	**11,144.18**
X	Capital Employed	10,852.24	10,773.30	9,515.58	24,822.28	23,017.59	23,954.97	23,931.61	23091.81	21103.73	21902.78	22,032.77
XI	Return on Capital Employed @ 16%	1736.36	1723.73	1522.49	3971.56	3682.81	3832.79	11487.17	3694.69	3376.60	3504.44	10,575.73
XII	Capacity Utilization	62.75%	73.73%	92.71%	77.77%	80.93%	84.30%	81%	84.30%	94.84%	100.00%	93.05%
XII	RoCE adjusted for capacity utilization	1736.36	1723.73	1522.49	3,971.56	3,682.81	3,832.79	11,487.17	3694.69	3376.60	3504.44	10,575.73
XIII	**Net Surplus / (Deficit) (IX) - (XII)**	**588.63**	**752.34**	**5123.16**	**(1,887.12)**	**(2,646.97)**	**(3,406.09)**	**(7,940.18)**	**969.35**	**-151.24**	**-249.67**	**568.45**
XIV	**Estimated surplus of 2017-18 adjusted on pro-rata basis for 10 months over the years 2018-19 and 2019-20**	-	-	-	-	-	-	-	807.79	403.90	403.90	
XV	**Net Surplus / (Deficit) (XIII) - (XIV)**	588.63	752.34	5,123.16	(1,887.12)	(2,646.97)	(3,406.09)	**(7,940.18)**	161.56	252.66	154.23	**568.45**
XV	**Net Surplus / (Deficit) as a % of operating income (XIII/I in %)**	**6.77%**	**7.50%**	**34.56%**	**-14.22%**	**-19.25%**	**-23.81%**	**-19.09%**	**1.13%**	**1.60%**	**0.93%**	
XVI	**Average Net Surplus / (Deficit) as a % of operating income**	**16.28%**			**-19.09%**				**1.22%**			

Annex - III

VISAKHA CONTAINER TERMINAL PRIVATE LIMITED
SCALE OF RATES

DEFINITIONS AND CONDITIONS

This Scale of Rates sets out the charges payable to Visakha Container Terminal Private Limited (VCTPL) from time to time for the use of services and facilities provided by Visakha Container Terminal Private Limited (VCTPL).

1. DEFINITIONS

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

(i). ***"Container"*** means any freight container complying with all relevant prevailing ISO standards. Generally, it is designed to facilitate the carriage of goods by one or more modes without intermediate reloading; fitted with devices permitting ready handling and with unique identification numbers and markings.

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

(iii). ***"Port"*** means the Visakhapatnam Port Trust (VPT) whereas "Terminal" means the Container Terminal, operated by Visakha Container Terminal Private Limited.

(iv). ***"VCTPL"*** means Visakha Container Terminal Private Limited, a company incorporated in India, its successors and assigns.

(v). ***"Reefer"*** means any Container for the purpose of the carriage of goods, which require refrigeration.

(vi). ***"Transhipment Container"*** means container discharged from a vessel and placed in the custody of the VCTPL for the purposes of shipment on another vessel declared on a transhipment manifest and Import Advance List.

(vii). ***"Coastal Vessel"*** means any vessel exclusively employed in trading between any port or place in India to any other port or place in India and / or having a valid coastal license issued by the Competent authority / Director General of Shipping.

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

(ix). **"*Hazardous container*"** means a Container containing hazardous goods as classified under IMO.

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

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

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

(xiii). ***"LCL"*** means containers said to contain less than full container load (Container having cargo of more than one importer/exporter).

(xiv). ***"Shut Out Container"*** means a container, which has entered in to the terminal for export for a vessel as indicated by VIAN and is not connected to the vessel for whatsoever reason.

(xv). ***"Tonne"*** means one metric Tonne of 1,000 kilograms or one cubic metre.

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

(xvii). ***"ICD Container"*** means containers discharged from a vessel and placed in the custody of the VCTPL for the purposes of loading on a Train, inside the Terminal.
Also ***"ICD Container"*** means containers discharged from a Train inside Terminal and placed in the custody of the VCTPL for the purposes of shipment on a vessel.

2. GENERAL

(i) (a). System of classification of vessel for levy of Vessel Related Charges (VRC)

(i). A foreign going vessel of Indian flag having a General Trading Licence can convert to coastal run on the basis of a Customs Conversion Order. Such vessel that converts into coastal run based on the Customs Conversion Order at her first port of call in Indian Port, no further custom conversion is required, so long as it moves on the Indian Coast.

(ii). A Foreign going vessel of foreign flag can convert to coastal run on the basis of a Specified Period Licence or voyage issued by the Director General of Shipping and a custom conversion order.

(b). Criteria for levy of Vessel Related Charges (VRC) at Concessional Coastal rate and foreign rate

(i). In cases of such conversion, coastal rates shall be chargeable by the load port from the time the vessel starts loading coastal goods.

(ii). In cases of such conversion coastal rates shall be chargeable till the vessel completes discharging operations at the last call of Indian Port; immediately thereafter, foreign going rates shall be chargeable by the discharge ports.

(iii). For dedicated Indian coastal vessels having a Coastal licence from the Director General of Shipping, no other document will be required to be entitled to coastal rates.

(ii). Criteria for levy of Cargo Related Charges (CRC) at Concessional Coastal rate

(a). Foreign going Indian Vessel having General Trading License issued for 'worldwide and coastal' operation should be accorded applicable coastal rates with respect to Handling Charges (HC) i.e. ship to shore transfer and transfer from/ to quay to/ from storage yard including wharfage in the following scenario:

(i). Converted to coastal run and carrying coastal cargo from any Indian Port and destined for any other Indian Port.

(ii). Not converted* to coastal run but carrying coastal cargo from any Indian Port and destined for any other Indian Port.
* The Central Board of Excise and Customs Circular no.15/2002-Cus. dated 25 February 2002 allows carriage of coastal cargo from one Indian port to another port in India, in Indian flag foreign going vessels without any custom conversion.

(b). In case of a Foreign flag vessel converted to coastal run on the basis of a Specified Period License or voyage issued by the Director General of Shipping, and a Custom Conversion Order, the coastal cargo/ container loaded from any Indian Port and destined for any other Indian Port should be levied at the rate applicable for coastal cargo/ container.

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

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

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

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

(d). The delay in payments by the users will be counted beyond 10 days after the date of raising the bills by the VCTPL. This provision shall, not apply to the cases where payment is to be made before availing the services as stipulated in the Major Port Trusts Act, 1963.

(v). A premium of, 25% will be levied in case of Hazardous cargo containers/Out of Gauge containers over the applicable handling charge.

(vi). In case of coastal containers, concession is applicable on composite box rate. The composite box rate on all coastal containers shall not exceed 60% of the corresponding charges for normal containers. In case of transhipment of coastal containers similar concession in handling charges will be allowed with reference to applicable handling charges for normal handling operation in loading or unloading cycle.

(vii). In case a vessel idles due to non-availability or breakdown of the shore based facilities of VCTPL or any other reasons attributable to the VCTPL, rebate equivalent to berth hire charges payable by that vessel to VPT which accrued during the period of idling of vessel shall be allowed by VCTPL.

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

(ix). In order to decongest the ports and encourage exporters / importers to utilize the port services beyond regular hours, lower charges will be levied for cargo and vessels related services as well as special discount will be offered in port charges for the services rendered after regular hours.

[This condition is incorporated in pursuance to the MOS letter No.PD/14033/101/2015-PD.V dated 3 February 2016 based on which a common adoption Order No.TAMP/14/2016-Misc dated 16 February 2016 is approved by the Authority]

3. APPLICATION

(i). Import and Export rates shall apply when:

(a). a loaded or empty container is discharged from a vessel, eventually delivered out of VCTPL; or

(b). a loaded or empty container is received at VCTPL yard, eventually is shipped.

(ii). Transhipment container rates shall apply to a loaded or empty container when it is discharged from the first carrier onto VCTPL's premises and remained in the custody of VCTPL until it is transhipped in its original status by VCTPL to a nominated second carrier.

SECTION - I

1. CONTAINER OPERATIONS

1.1.A. COMPOSITE RATE FOR HANDLING IMPORT AND EXPORT CONTAINERS:

(in ₹)

Sl. No.	Particulars	Container not exceeding 20 feet in length		Container exceeding 20 feet in length and upto 40 feet length		Container exceeding 40 feet in length and upto 45 feet length	
		Foreign-going	Coastal	Foreign-going	Coastal	Foreign-going	Coastal
(a).	Laden Containers - Import / Export	4222	2533	6334	3800	8445	5067
(b).	Empty Containers - Import / Export	2956	1774	4434	2660	5911	3547
(c).	Transport to Rail Flat from CY or Vice Versa and Lift on/Lift off						
	- Loaded	1649	1649	2474	2474	3299	3299
	- Empty	1517	1517	2276	2276	3035	3035

Notes:

(1). Services in the case of item no. (a) and (b) above include handling by quay crane and lashing/unlashing, transport between CY and quayside, lift on or off at CY, landing and loading the container from or to the trailer, data handling, processing and wharfage.

(2). Services in the case of item no. (c) above includes transportation from CY to rail siding and loading the container on rail flat or vice versa.

(3). Export Containers are to be delivered to VCTPL for loading at least 6 hours before berthing of the vessel.

B. REBATES:

Rebates as follows shall be applicable to users for carrying out various operations with their own arrangements with the prior written permission of the VCTPL when the VCTPL equipment are not available for some reason.

(in ₹)

Sl. No.	Particulars	Container not exceeding 20 feet in length		Container exceeding 20 feet in length and upto 40 feet length		Container exceeding 40 feet in length and upto 45 feet length	
		Foreign-going	Coastal	Foreign-going	Coastal	Foreign-going	Coastal
(a).	If the ship's gears are used for loading /unloading containers from ship to shore or vice versa	453	272	679	407	905	543
(b).	If the terminal user deploys his own tractor trailer for transporting containers from quay to container yard or container yard to quay	377	226	566	340	755	453
(c).	If the terminal user deploys his own equipment for lifting containers from the container yard to truck and vice versa	252	252	378	378	504	504

Note:

(1). No rebate will be admissible for back to town containers handled by private equipment.

1.2. HANDLING OF TRANSHIPMENT CONTAINERS:

(in ₹)

Particulars	Container not exceeding 20 feet in length		Container exceeding 20 feet in length and upto 40 feet length		Container exceeding 40 feet in length and upto 45 feet length	
	Foreign-going	Coastal	Foreign-going	Coastal	Foreign-going	Coastal
Laden & Empty	3720	2232	5580	3348	7440	4464

Notes:

(1). The above charges apply to the complete cycle of transhipment i.e. discharge from the first carrier to the loading onto the second carrier, including lashing/unlashing charges. Services include handling by quay crane (discharge and loading), transport between CY and quayside, lift on and off, stowage planning on vessel and yard, data handling, processing and wharfage.

(2). A container from foreign port handled at VCTPL for subsequent transhipment to an Indian Port on a coastal voyage or vice versa would be charged 50% of the transhipment charge prescribed for foreign-going vessel and 50% of that prescribed for the coastal category.

(3). Any transhipment container delivered out of VCTPL by road or rail shall be charged the import/ export container rate.

(4). A shut out charge as per Schedule 1.8 shall apply:

(i). if the carrier is changed after berthing of the originally nominated carrier; or

(ii). if the nomination is changed from a later carrier to an earlier carrier after the earlier carrier is berthed.

(5). The vessel on which the transhipment container is to be loaded shall be declared at time of submission of the Import advance list of the vessel on which the said transhipment container is imported or else the transhipment container shall be treated as normal container for the purpose of fixing tariff.

1.3. LIFT ON OR LIFT OFF:

(in ₹)

Sl. No.	Particulars	Container not exceeding 20 feet in length		Container exceeding 20 feet in length and upto 40 feet length		Container exceeding 40 feet in length and upto 45 feet length	
		Foreign-going	Coastal	Foreign-going	Coastal	Foreign-going	Coastal
(a).	Laden	660	660	990	990	1320	1320
(b).	Empty	528	528	792	792	1056	1056

1.4. HATCH COVER HANDLING FOR ONE OPERATION (both opening and closing):

(in ₹)

Sl. No.	Particulars	Foreign-going	Coastal
(a).	Without landing Hatch Cover on the quay	1663	998
(b).	With landing Hatch Cover on the quay	3325	1995

Note:

(1). Half the rate shall be applicable if there is only one activity, i.e. either an opening or closing operation.

1.5. SHIFTING OF CONTAINERS WITHIN VESSEL (Restows):

(in ₹)

Sl. No.	Particulars	Container not exceeding 20 feet in length		Container exceeding 20 feet in length and upto 40 feet length		Container exceeding 40 feet in length and upto 45 feet length	
		Foreign-going	Coastal	Foreign-going	Coastal	Foreign-going	Coastal
(a).	Loaded or empty Container shifted by landing and reshipping	3325	1995	4988	2993	6650	3990
(b).	Loaded or empty Container shifted without landing and reshipping	1663	998	2494	1496	3325	1995

Note:

(1). Reefer related charges will be applicable as per Schedule 1.7.

1.6. INTERNAL TRANSPORTATION

(in ₹)

Sl. No.	Particulars	Container not exceeding 20 feet in length		Container exceeding 20 feet in length and upto 40 feet length		Container exceeding 40 feet in length and upto 45 feet length	
		Foreign-going	Coastal	Foreign-going	Coastal	Foreign-going	Coastal
(a).	Laden and Empty	990	990	1484	1484	1979	1979

Note:

(1). Internal Transportation Charges apply when a container is required to be moved by a trailer within VCTPL upon customer's request.

1.7. REEFER RELATED AND OTHER GENERAL SERVICES

(in ₹)

Sl. No.	Particulars	Container not exceeding 20 feet in length		Container exceeding 20 feet in length and upto 40 feet length		Container exceeding 40 feet in length and upto 45 feet length	
		Foreign-going	Coastal	Foreign-going	Coastal	Foreign-going	Coastal
(a).	Pre Trip Inspection (PTI) (Excluding the electricity charges)	396	396	594	594	792	792
(b).	Reefer Run Test (Excluding the electricity charges)	396	396	594	594	792	792
(c).	Charges for supply of electricity (including connecting and disconnecting, monitoring at Reefer yard) per 4 hours or part thereof-	245	245	368	368	491	491

Notes:

(1). Services include only plugging/ unplugging and monitoring of the temperature. No maintenance will be performed on malfunctioning reefers.

(2). PTI and Run Test of the reefer containers are optional services and shall be rendered when requested. This excludes charges for supply of power and monitoring of the reefer during the PTI/Run test. The PTI/ Run test includes checking of the working condition of reefer machinery and reporting of the condition to the customer.

(3). These charges will be applicable for restow reefer containers also.

1.8. CHARGES FOR A SHUT OUT CONTAINER

Where an Export container or a Transhipment container is shut out, the following rates shall apply:

(in ₹)

Sl. No.	Particulars	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(a).	Laden	2309	3464	4618
(b).	Empty	2045	3068	4090

Notes:

(1). Shut out charges apply when a container is shut out by one vessel and subsequently shipped by another vessel.

(2). The storage charges shall be levied in terms of Schedule 1.10.

1.9. ADDITIONAL CHARGES

(in ₹)

Sl. No.	Particulars	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
1.	Direct Loading - Laden and Empty	1155	1733	2309
2.	Shifting of containers within the terminal including Lift on, Transportation, Lift off - Laden - Empty	2309 2045	3464 3068	4618 4090
3.	Container Cleaning Charges (High pressure water wash)	660	990	1320
4.	Cancellation of Document - (Per EIR)	99		
5.	One Door Open Charge (Per container)	660		
6.	Fixing / Removal of Seal (per seal)	264		
7	Fixing/ removal 'Hazardous Sticker' (per container)	264		
8.	Customs inspection within the terminal (per container)	528		
9.	Plugging/ Unplugging of Reefer Container (per container)	66		
10.	Non-Declaration/ Mis-declaration of Hazardous Container (per container)	3959		
11.	Issuance of documents per document or part thereof (maximum of 5 pages)	198		
12.	VIA Cancellation	1320		
13.	Weighment of Trailer with or without Containers/ Cargo (per weighment)	132		
14.	Delay in submission of the relevant documents beyond the prescribed time (charges are per 'document')	660		
15.	Non-Declaration/ mis-declaration of OOG Container (Rate per container)	3959		
16.	Charges for providing Gangway to Vessel per calendar day	66.00 per hour per gangway subject to maximum of 1320.00 per day per gangway Note: This is an optional service provided at the request of the user.		

Notes:

(1). **Direct loading** charge applies when, at the request of customers, VCTPL accepts an export container delivered to the terminal after the prescribed closing time or accepts the list of export containers that are already in CY before the cut off time but not included in the export advance list submitted before the cut off. This charge is in addition to all applicable charges in a normal export cycle.

(2). **'Shifting of container'** charges shall be applicable whenever there is a change in shipment status or container status involving actual shifting of the container or any shifting done at customer's request for any purpose including shifting for availing any other service provided by terminal. Shifting is a consolidated charge levied for lift on, transportation and lift off.

Change of shipment status applies when:

(i). A transhipment container in VCTPL premises is changed to an import container;

(ii). An import container in VCTPL premise is re-exported;

(iii). An export container is delivered out of VCTPL premise;

(iv). A local delivery container is changed to an ICD Container after landing or vice-versa.

(v). A transhipment container whose outbound VIAN is not declared prior to berthing of the inbound carrier;

(vi). An Export container arriving by Rail whose outbound VIAN is not declared at least 6 hrs. prior to the arrival of the Train at Rail Siding in the terminal.

Change of container status applies each time the detail of an import or export container whose POD, Size, Status or weight (varying by +/- 2 ton) is changed after processing by VCTPL.

(3). **Container Cleaning Charges:** These services are optional and the relevant charge is applicable when the containers are cleaned with water.

(4). **Cancellation charge for EIR** applies when EIR is cancelled at the request of customer.

(5). **"One Door Open" Charge** is applicable for handling container which requires only one door to be kept open (e.g. Onions) and when door opening and securing is carried by the terminal.

(6). **Fixing / Removal of seal**
Bottle seals shall be fixed on every container arriving at the terminal - by rail / road / sea - without a proper bottle seal on it, prior to allowing its entry. The terminal staff shall be at liberty to do this without having to obtain prior consent of the shipping lines. The list of such containers on which a seal is affixed by the terminal shall be intimated to the lines. Seals shall be removed at the request of the customer.

(7). **Fixing/ removal of 'Hazardous Sticker'**
Hazardous stickers indicating the IMCO class only shall be affixed on a container (Four Stickers) carrying hazardous cargo. Similarly old stickers on the container shall be removed from a container carrying non-hazardous cargo. In either case, the customer has to intimate in writing to VCT to undertake the said activity, within the terminal.

(8). **Customs Inspection**
The inspection of a container shall be allowed at a nominated point only, on the written request of the customer. The container doors can be opened only under customs supervision.

(9). **Plugging / Unplugging of Containers**

The Plugging / unplugging of reefer containers on board the vessel / train / truck shall be done at the request of the customer.

(10). **Non-Declaration/ Mis-declaration of Hazardous Container**

The Customer has to declare the hazardous nature of the cargo as per the IMCO rules and furnish the relevant hazardous details to VCTPL. The charges are for non declaration/ mis-declaration of the hazardous nature and also for not furnishing the full particulars of the hazardous nature including the IMCO class, UN NO, EPS, MFAG, correct technical name, contact details of the person in case of emergency.

However, the liabilities and costs towards the consequences arising due to non-declaration or mis-declaration shall be on the customer's account.

(11). **Issuance of documents**

The charge is towards Additional documents issued by the Terminal apart from the normal routine Terminal Reports (Vessel reports /yard report/ reefer report etc) forwarded to the line.

(12). **Cancellation of VIA**

Cancellation of VIA applies when the VIAN allocated by VCTPL is subsequently cancelled on request by Vessel Operator for reasons whatsoever.

(13). **Weighment of Trailer with or without Containers/Cargo**

The service of weighment of trailers/truck is an optional service and shall be offered on the request of the users. The charge includes issuing of the requisite certificate with the weight indicated on it.

(14). **Delay in submission of the relevant documents**

The relevant documents include Import and Export Advance Lists, Hazardous Manifests, Restows, Import Bay plans and any other document that may be required and declared in due course for smooth operations. The time limit for submission of documents will be notified in advance by VCTPL and any notification thereto will be carried out in consultation with users.

(15). **Non-Declaration/ Mis-declaration of OOG Container**

The Customer has to declare the dimensions of the container prior to its arrival in the terminal with complete details viz. over high, over width, over length, and gross weight along with the Advance List, for proper planning and execution of operation in the terminal.

(16). **Providing Gangway to Vessel**

Terminal Gangway shall be provided to vessels which are unable to provide safe access from shore to vessel. The above charges include transportation of the gangway from the nominated storage area to the vessel and vice versa.

1.10. CHARGES FOR STORAGE OF CONTAINERS

(a). **Import - Laden Containers**

(**Rate in ₹ per container per day or part thereof**)

Sl. No.	Particulars	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	First 3 days	Free	Free	Free
(ii).	From 4 to 15 days	131	261	392
(iii).	From 16 to 30 days	261	523	784
(iv).	Beyond 30 days	523	1045	1568

(b). **Import - Empty Containers**

(**Rate in ₹ per container per day or part thereof**)

Sl. No.	Particulars	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	First 3 days	Free	Free	Free
(ii).	From 4 to 15 days	131	261	392
(iii).	From 16 to 30 days	261	523	784
(iv).	Beyond 30 days	523	1045	1568

(c). **Export - Laden Containers**

(**Rate in ₹ per day or part thereof per container**)

Sl. No.	Particulars	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	First 7 days	Free	Free	Free
(ii).	From 8 to 15 days	131	261	392
(iii).	From 16 to 30 days	261	523	784
(iv).	Beyond 30 days	523	1045	1568

(d). **Export - Empty Containers**

(**Rate in ₹ per day or part thereof per container**)

Sl. No.	Particular	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	First 3 days	Free	Free	Free
(ii).	From 4 to 15 days	131	261	392
(iii).	From 16 to 30 days	261	523	784
(iv).	Beyond 30 days	523	1045	1568

(e). **ICD Containers - Laden & Empty**

(**Rate in ₹ per container per day or part thereof**)

Sl. No.	Particulars	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	First 15 days	Free	Free	Free
(ii).	From 16 to 30 days	131	261	392
(iii).	From 31 to 45 days	261	523	784
(iv).	Beyond 45 days	523	1045	1568

(f). **Transhipment Containers - Laden & Empty**

(**Rate in ₹ per container per day or part thereof**)

Sl. No.	Particulars	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	First 30 days	Free	Free	Free
(ii).	From 31 to 45 days	131	261	392
(iii).	From 46 to 60 days	261	523	784
(iv).	Beyond 60 days	523	1045	1568

(g). **Shut Out Containers - Laden & Empty**

(**Rate in ₹ per container per day or part thereof**)

Sl. No.	Particulars	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i)	From 1 to 15 days	131	261	392
(ii).	From 16 to 30 days	261	523	784
(iii).	Beyond 30 days	523	1045	1568

(h). **Hazardous Containers**

(**Rate in ₹ per day or part thereof per container**)

Sl. No.	Particulars	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
(i).	First day	Free	Free	Free
(ii).	From 2 to 15 days	164	327	491
(iii).	From 16 to 30 days	327	654	982
(iv).	Beyond 30 days	653	1306	1959

Notes:

(1). Free dwell-time (storage) period for import containers shall commence from the day after the day of landing of the container and for export containers the free period shall commence from the time container enters the terminal.

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

(3). Transhipment containers whose status is subsequently changed to local FCL/LCL or ICD container shall be levied storage charges at par with the relevant import containers.

(4). For over dimensional container, the storage charge shall be based on the actual number of ground slots the respective container occupies under the respective slab as given above.

(5). Total storage period for shut out container shall be calculated from the day following the day when the container has become shut out till the day of shipment / delivery.

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

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

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

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

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

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

(iv). Where the container is seized/confiscated by the Customs Authorities and the same cannot be destuffed within the prescribed time limit of 75 days, the storage charges will cease to apply from the day the Customs order release of the cargo subject to Lines observing the necessary formalities and bearing the cost of transportation and destuffing. Otherwise, seized/confiscated containers should be removed by the Line/consignee from the terminal premises to the Customs bonded area and in that case, the storage charge shall cease to apply from the day of such removal.

(7). The storage charge shall not accrue for the period during which the VCTPL can not effect delivery of Import container or shipment of export container when requested by the user.

1.11. CHARGES FOR REMOVAL OF GARBAGE

A consolidated charge of ₹10,556/- per truck trip shall be payable for removal of garbage collected on board of ship.

1.12. CHARGES FOR SUPPLY OF FRESH WATER

For Foreign going vessel, ₹264/- per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of ₹1,320/-.

For Coastal vessel, ₹158/- per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of ₹792/-.

SECTION - II

2. OTHER SERVICES

2.1. VISITOR ENTRY PASS

		Yearly	Quarterly	Monthly	Daily
(a).	Per Application	₹ 455	₹ 228	₹ 114	₹ 28

2.2. VEHICLE ENTRY PASS

Per Entry ₹ 228/-

Note:

(1). The vehicle entry fee will not be levied on vehicles entering/leaving VCTPL's terminal for delivery/ dispatch of containers/ cargo.

2.3. PHOTOGRAPHY

(a).	Film Shooting and Photography	₹ 1,13,750 per day
(b).	Carrying Camera inside the Terminal	₹ 569 per unit
(c).	Videography (related to operational activities)	₹ 3413 per day

2.4. Charges for use of terminal facilities by vessels.

The charges shall be applicable for non-container vessels i.e. vessels either handling non-compatible cargo or for vessels not handling any cargo at all, berthed at Visakha Container Terminal.

GRT	Rates
Upto 10000	₹ 2389 per hour
10001 to 30000	₹ 0.11 per GRT per hour with minimum of ₹ 2389 per hour
30001 and above	₹ 0.18 per GRT per hour.

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

F.No. TAMP/28/2017-VCTPL - Proposal from the Visakha Container Terminal Private Limited for general revision of its Scale of Rates.

A summary of the comments received from Visakhapatnam Container Lines Association (VCLA) and reply furnished by Visakha Container Terminal Private Limited (VCTPL) thereon is tabulated below:

Sl. No.	Comments received from VCLA	Reply furnished by VCTPL
(i).	**SECTION-1 CONTAINER OPERATIONS** **1.1.A** – Increase by 8.68% seems to be high basis the volume growth witnessed during last two years. With such considerable growth figures, the operating cost should gradually come down for higher volume and numbers. However, with various operating cost going up, the Trade members feel that the increase in laden Terminal Handling Charges should be a nominal increase taking into consideration of competition being developed by the neighboring Ports.	The proposed increase of 8.68% has been considered factoring 16% ROCE. VCTPL is investing ₹157.09 crore for procuring 2 new Post panama RMQCs and 4 new RTGCs. The cranes will be commissioned by February 2018. Deployment of these cranes would benefit the Trade with reduction in vessel turnaround time and thereby reducing overall logistics cost. The operating cost in terms of Royalty has gone up by 50%. Fuel has gone up by 22.42% in last one year. Manpower cost has escalated by more than 15% due revision in minimum wages. The staff cost has to be increased YoY, by 10-12% (minimum) to retain its trained workforce to achieve high productivity and safety standards. Also, the lease rental charges to VPT has gone up substantially. Therefore, keeping all these factors and to achieve 16% ROCE, the tariff has been proposed to increase by 8.68%.
(ii).	Trade Members are of the opinion that there should not be any increase in Tariff of Terminal Handling charges for Empty containers, as same is being repositioned by the Lines at an additional cost to facilitate Container Trade requirements, especially with Visakhapatnam being an equipment deficient location. Most of the tenders / negotiations are based on empty repositioning of containers into Vizag. More informatively, 97% of reefer equipment is being empty repositioned into Vizag for reefer exports and as a result Vizag stands on the top list for reefer exports out of India. Lines are already taking an additional burden on cost for specialized equipments into Vizag. Therefore, an increase on scale of rates of empty THC may be a discouraging factor for the line operators at this point of time.	VCTPL understands the concerns of the Trade and would work out how best this could be addressed.
(iii).	We are also of the opinion that there should not be any increase in Tariff of Terminal Handling Charges for laden/empty Coastal Containers, as this mode of transportation is the main key to reduce overall cost for all domestics cargo operators and as such reduce the inter-state domestic movements to a considerable percentage. We also understand that Government of India has taken frequent initiatives to promote coastal Traffic by Sea.	The coastal volume handled in the terminal is just about 2.5% out of which almost 45% are empty containers. The operating cost for handling coastal containers and EXIM containers are same. However, terminal extends 40% discount to the coastal containers as per the Tariff Guidelines and also VCTPL has to pay full Royalty (without 40% discount even though being coastal) to VPT. Therefore, keeping coastal containers tariff intact does not justify.

2. A joint hearing in this case was held on 26 April 2017 at the VPT premises. At the joint hearing, the VCTPL and the concerned users/ organisation bodies have made the following submissions:

Visakha Container Terminal Private Limited (VCTPL)

(i). Our proposal is for 8.68% increase only in respect of composite handling rate of import and export containers both laden and empty containers. Status quo is proposed in all other tariff items.

(ii). We propose to add 2 RMQCs and 4 RTGCs in 2017-18. The capex proposed to be added is ₹167.04 crores in 2017-18. We have sought tariff increase in handling charges to achieve 16% ROCE.

(iii). We have proposed only 4% traffic growth because of stiff competition from Kakinada and Gangavaram port. We are giving lots of discount to attract traffic at our terminal.

(iv). We will review the tariff increased proposed in the handling charge of empty container and revise it.

Visakhapatnam Container Lines Association (VCLA)

(i). We shared the proposal with our trade members.

(ii). In March 2015, the VCTPL was granted tariff hike of 13.10% w.e.f. 1 April 2016 subject to deployment of few equipments. In May 2016, based on review application of VCTPL, the tariff hike 13.75% was granted w.e.f. 1 April 2016 subject to deployment of a few equipments.

(iii). Now again VCTPL has sought 8.68% increase in composite handling tariff items. Frequent change in tariff impacts us. We have to inform the Shipping Lines and make necessary changes in our billing.

(iv). VCTPL may be requested to moderate increase.

(v). Traffic was low in past. Only now traffic of VCTPL is showing improving trends. Neighbouring ports of Kakinada and Gangavaram are becoming threat to Vizag. So increase in tariff at this juncture may not be appropriate.

(vi). Our trade members have opined that there should be no increase in the tariff of empty containers. VCTPL is a peculiar port where export containers are more than import containers. Most of export volume is based on repositioning of empty containers at the terminal. We have to bring empties to Vizag to attract container traffic here. Any increase in the handling rate of empty container will discourage trade.

(vii). There should not be any increase in the tariff of Coastal container both laden and empty. Government of India has taken many initiatives to encourage coastal traffic. Hence, coastal container tariff may not be increased.

(viii). Thus, in short, we request nil increase in the handling rate of empty container, nil increase in coastal container both empty and laden coastal container. If taking into consideration the investment proposed, any increase is required in the composite handling charge of import and export laden container, it may be at the minimal level. Maximum increase of 2% to 3% may be granted in composite handling rate of laden container as against proposed increase of 8.68%.

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