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Tariff Authority for Major Ports

G.No. 142 **New Delhi,** **28 April 2015**

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the 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
Case No. TAMP/65/2013-VCTPL

Visakha Container Terminal Private Limited - - - Applicant

QUORUM:

(i). Shri. T.S. Balasubramanian, Member (Finance)
(ii). Shri. C.B. Singh, Member (Economic)

O R D E R
(Passed on this 21st day of March 2015)

This case relates to the proposal 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. The Scale of Rates of VCTPL was last revised in October 2011 vide tariff Order No.TAMP/10/2011-VCTPL dated 11 October 2011. This Order was notified in the Gazette of India on 5 November 2011 vide Gazette No. 217. The said Order prescribed a tariff validity period till 31 March 2014.

2.2. As per 30 September 2008 Order, the VCTPL had to file its proposal for revision by 30 June 2013. However, at the request of the terminal the date for filing the proposal was extended first till 10 December 2013 and subsequently extended till 20 December 2013.

2.3. In this backdrop, the VCTPL had vide its e-mail dated 19 December 2013 and 20 December 2013 filed its proposal for general revision of its Scale of Rates. The VCTPL has also filed hard copy of the proposal on 23 December 2013.

3.1. This Authority in the last Order dated 11 October 2011 had granted 16% increase under Section-I (container operations) of the then prevailing Scale of Rates (SOR) from 1 January 2012 or from the date the VCTPL commissions additional new equipment viz. 2 Rail Mounted Quay Cranes (RMQCs) and 4 Rubber Tyred Gantry Cranes (RTGCs), whichever is later.

3.2. In this regard, the VCTPL has reported that the RTGCs were commissioned during October and December 2011 and RMQCs in August 2012. Therefore, with effect from 01 September 2012, VCTPL has reportedly applied 16% increase in the rates prescribed under Section-I of its SOR as approved by the Authority.

3.3. The highlights of the proposal filed by VCTPL are as given below:

(i). Capacity:

(a). The optimal quay capacity is assessed at 248,346 TEUs for FY 2012 and at 662,256 TEUs for the period FY 2013 to FY 2017.

(b). The optimal yard capacity is assessed at 353,769 TEUs annually for the period FY 2012 to FY 2014 and at 412,731 TEUs annually for FY 2015 to FY 2017.

(c). Accordingly, the annual capacity of the terminal is assessed at lower of the quay and yard capacity at 248,346 TEUs for FY 2012, 353,769 TEUs for FY 2013 and FY 2014, and 412,731 TEUs for FY 2015 to FY 2017.

(ii). Traffic:

Actual traffic handled in the years 2011-12 and 2012-13 are 234,697 TEUs and 247,134 TEUs respectively. Traffic for the year 2013-14 has been estimated based on 7 months actuals and 5 months estimates at 260,000 TEUs. The estimated traffic for the three years period is as below:

Year	Estimated traffic in TEUs	% increase over previous year
2014-15	275,000	5.77%
2015-16	290,000	5.45%
2016-17	305,000	5.17%

(iii). Income is estimated for the projected traffic at the existing tariff as well as the proposed tariff.

(iv). Assumptions made for estimation of the expenses are furnished along with the proposal.

(v). Additions proposed to gross block is ₹1139.41 lakhs, ₹844.75 lakhs and ₹569.50 lakhs during the years 2014-15, 2015-16 and 2016-17 respectively. A summary of the additions to the gross block proposed by VCTPL is given below:

(**₹ in lakhs**)

Particulars	2014-15	2015-16	2016-17	Total
Additional Yard development (ONGC Yard, CCR Yard & Yard near WS)	527.91	201.25	-	729.16
Plant and Machinery	410.00	462.00	429.00	1,301.00
Civil Assets	50.00	50.00	50.00	150.00
IT	123.50	103.50	62.50	289.50
Office Equipments	25.00	25.00	25.00	75.00
Furniture & Fixtures	3.00	3.00	3.00	9.00
Total	**1,139.41**	**844.75**	**569.50**	**2,553.66**

(vi). A summary of actual cost position for the years 2011-12 and 2012-13, 2013-14 (actual/ estimates) and estimated cost position for the years 2014-15 to 2016-17 at the existing tariff as per the cost statement furnished by the VCTPL is tabulated below:

(**₹ in lakhs**)

Sl. No.	Particulars	Actuals		Actuals/ Estimates	Estimates		
		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
(i).	**Traffic (in TEUs)**	234,697	247,134	260,000	275,000	290,000	305,000
(ii).	Total Operating Income (in lakhs)	6222.24	6954.78	7370.41	7719.16	8131.51	8543.79
(iii).	Total Operating Cost (including depreciation, management overheads and FMI – FME)	4193.88	5282.76	7926.68	7664.95	8127.08	8888.80
(iv).	Capital Employed	6103.53	13580.41	12557.50	11968.15	11180.67	10093.56
(v).	ROCE	976.56	2172.86	2009.20	1914.90	1788.91	1614.97
(vi).	**Net Surplus / (Deficit)**	**1051.80**	**(500.85)**	**(2565.47)**	**(1860.70)**	**(1784.47)**	**(1959.98)**
(vii).	Net Surplus / (Deficit) as % of operating income	16.90%	-7.20%	-34.81%	-24.10%	-21.95%	-22.94%
(viii).	Average of three years	-8.37%			-23.00%		
(ix).	Cost saving due to efficiency / productivity improvement	6.74	45.53	18.08	23.45	23.45	23.45
(x).	Actual/ Estimated ROCE before adjustment of efficiency improvement	33.2%	12.3%	-4.4%	0.45%	0.04%	-3.42%
(xi).	Actual/ Estimated ROCE after adjustment of efficiency improvement	--	--	--	0.26%	-0.17%	-3.65%

(vii). The increase in tariff last approved by the Authority vide Order dated 11 October 2011 was made effective from 1 September 2012. In view of that the increased tariff was effective only for one and half year of the previous tariff cycle. Citing that there is increase in the Net Capital employed, slowdown in the economy and increase in cost of operations, the VCTPL has proposed increase in tariff in its existing SOR as follows:

(a). 22.90% increase is proposed in all the existing tariff except handling charge for Transhipment containers:

(b). Decrease in the existing tariff by 15.17% is proposed in the handling charge of Transhipment containers [Section-1, Clause 1.2] from existing ₹4,385/- per TEU to ₹3720/- per TEU.

3.4. The VCTPL has filed its proposal in the prescribed format along with proposed SOR and has furnished Audited Annual Accounts for the years 2011-12 and 2012-13.

4. In accordance with the consultation process prescribed, the proposal dated 23 December 2013 received from the VCTPL was circulated to the VPT and the concerned users/ user organisations seeking their comments. The comments received from the users/ user organisations were forwarded to the VCTPL as feedback information. The VCTPL has furnished its remarks on the comments of the users/ user organisations.

5. Based on a preliminary scrutiny of the proposal, the VCTPL and VPT were requested vide our letters dated 1 October 2014 to furnish information / clarifications on VCTPL proposal. After regular follow up, the VCTPL and VPT have vide their letters dated 3 November 2014 and dated 5 January 2015 respectively furnished their reply on the queries raised by us. Subsequently, the VCTPL vide its e-mail dated 27 January 2015 has furnished further additional information. A summary of the queries raised by us and the corresponding replies furnished by the VCTPL is tabulated below:

Sl. No.	Queries raised by us	Reply furnished by VCTPL
A.	**GENERAL:**	
(1).	It is seen that the performance figures furnished by the VCTPL for the year 2013-14 is based on actuals for the first five months (April to August 2014) and estimates for the remaining seven months. Since the year 2013-14 is already over, VCTPL to update the estimated figures with the actuals for the year 2013-14 reconciling the figures reported in the Annual Accounts with those considered in the cost statement. Forward a copy of the Audited Annual Accounts for the year 2013-14. Consequent to updating the estimates of 2013-14 with reference to actuals, the estimates for the subsequent years viz. 2014-15 to 2016-17 to be reviewed and modified, if necessary, with reference to the actuals for the year 2013-14.	The Actuals for the financial year 2013-14 have been updated along with the reconciliation (in Form 3A) with the Annual Accounts and the revised Cost Statement is furnished. A copy of the Audited Annual Accounts for the year 2013-14 is furnished. The revised estimates of 2014-15 to 2016-17 have also been changed in accordance with the actuals of 2013-14.
(2).	The VCTPL has sought 22.90% increase in the existing rates for all items except for transhipment container wherein the VCTPL has proposed reduction in the existing rate by 15.17%. The information furnished at Sl.No.5 of Form-1, however, shows reduction in the average handling cost for	There was error in Sl.No.5 of Form-1 furnished earlier. After incorporating the actual of 2013-14, and the revised cost estimate, the current revised proposal is to increase the existing tariff by **28.09%.** The impact on the three major lines would have following impact:

<table>
<tr><td></td><td>a typical port user at the proposed tariff. Explain the reasons for reduction in average handling cost despite increase in tariff and support it with workings.</td><td>
<table>
<tr><th>Major Shipping Line</th><th>Before (Existing cost)</th><th>After (Proposed cost)</th><th>Increase/ (De-crease) %</th></tr>
<tr><td>Maersk Line</td><td>2416</td><td>2932</td><td>21.38%</td></tr>
<tr><td>APL</td><td>3555</td><td>4315</td><td>21.38%</td></tr>
<tr><td>MSC</td><td>3761</td><td>4565</td><td>21.38%</td></tr>
</table>
The detailed workings are furnished.</td></tr>
<tr><td>(3).</td><td>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.</td><td>In the previous Tariff Cycle VCTPL had proposed Ship productivity of 45 moves per hour with the proposed new cranes. After commissioning of the 2 RMQCs and 4 RTGCs, the current ship productivity is 52 Moves per hour. Due to improvement in equipment deployment and efficiency, the average turnaround time of vessels has decreased substantially from 26.2 Hrs to 20.2 Hrs. The average parcel sizes of the vessels increased from 742 TEUs to 882 TEUs as of 2013-14. The current parcel size of the vessel is 924. This in turn has benefitted the container shipping lines by way of substantial reduction in Port cost (Berth Hire), Bunkering cost (due to implementing slow steaming to next port). The shipping lines are able to offer better ocean freight rate, faster delivery of cargo to the Exporters and Importers.</td></tr>
<tr><td>B.</td><td>FINANCIAL/ COST STATEMENTS:</td><td></td></tr>
<tr><td>(1).</td><td>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 is requested to clarify/ furnish the following:</td><td></td></tr>
<tr><td>(i).</td><td>In the last tariff Order dated 11 October 2011, the Authority in para 12(vi) had accepted the traffic mix estimated by the VCTPL subject to the condition that if during review in the next tariff revision any advantage is found to accrue to VCTPL, on this account it will be adjusted as per the tariff guidelines. In this context, the VCTPL to furnish the estimate of traffic mix of local and transhipment container considered in the last tariff Order vis-à-vis the corresponding actuals.</td><td>The Traffic Mix as Estimated vis-à-vis actuals in the previous Tariff cycle is furnished below:
<table>
<tr><th></th><th colspan="4">Estimated</th></tr>
<tr><th>Category</th><th>2011-12</th><th>2012-13</th><th>2013-14</th><th>Total</th></tr>
<tr><td>Local</td><td>119,000</td><td>124,800</td><td>137,250</td><td>381,050</td></tr>
<tr><td>ICD</td><td>1,700</td><td>3,900</td><td>6,750</td><td>12,350</td></tr>
<tr><td>Transhipment</td><td>47,600</td><td>64,350</td><td>78,750</td><td>190,700</td></tr>
<tr><td>Re-stows</td><td>1,700</td><td>1,950</td><td>2,250</td><td>5,900</td></tr>
<tr><td>Total</td><td>170,000</td><td>195,000</td><td>225,000</td><td>590,000</td></tr>
</table>
<table>
<tr><th></th><th colspan="5">Actuals</th></tr>
<tr><th>Category</th><th>2011-12</th><th>2012-13</th><th>2013-14</th><th>Total</th><th>Variation</th></tr>
<tr><td>Local</td><td>158,975</td><td>181,439</td><td>197,163</td><td>541,157</td><td>0.42</td></tr>
<tr><td>ICD</td><td>-</td><td>-</td><td>3,580</td><td>-</td><td>(1.00)</td></tr>
<tr><td>Transhipment</td><td>74,582</td><td>64,291</td><td>60,246</td><td>199,119</td><td>0.04</td></tr>
<tr><td>Re-stows</td><td>1,140</td><td>1,404</td><td>1,072</td><td>3,616</td><td>(0.39)</td></tr>
<tr><td>Total</td><td>234,697</td><td>247,134</td><td>262,061</td><td>743,892</td><td>0.26</td></tr>
</table>
[overall variation is 26.08%]</td></tr>
<tr><td>(ii).</td><td>The Authority in the last tariff Order dated 11 October 2011 had granted 16% increase in all the then prevailing SOR and made it to become effective from the date of commissioning of the 2 new RMQCs and 4 RTGCs or 1 January 2012 whichever is later. The VCTPL has reported that RTGCs were commissioned on October / December 2011 and RMQCs</td><td>VCTPL commissioned 2 numbers of new RMQGCs during August 2012. The 4 numbers of new RTGCs were commissioned during Oct'2011 (2 nos.) and December 2011 (2 nos.).

The Form-7 as estimated in FY 2011-12 to 2013-14, have been suitably revised considering the revision in Tariff with effect from 1 September 2012 and shown in the Cost Statement.</td></tr>
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<tr>
<td></td>
<td>were commissioned in August 2012 and as per the Order of the TAMP, the revised rates were implemented by VCTPL from 1 September 2012. Indicate the numbers of RTGCs and RMQCs commissioned by VCTPL as the proposal is silent in this regard. The income estimates in Form 7 is, however, shown at the level considered in the last tariff Order. The income estimates as per the last tariff Order considered in the Form 7, should be suitably adjusted to capture the effect of increase in the tariff approved by the Authority and implemented by the VCTPL reportedly from 1 September 2012 for a like to like comparison with actuals.</td>
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<td>(iii).</td>
<td>The last tariff Order considered efficiency gain of ₹1.76 lakhs, ₹2.25 lakhs and ₹2.75 lakhs for the years 2011-12 to 2013-14. The same must be captured in the estimates as per the Order dated 11 October 2011.</td>
<td>(a). The efficiency gain from 2011-12 to 2013-14 has been revised as per previous TAMP Order. A summary of the efficiency gain computed by VCTPL for the years 2011-12 to 2013-14 is tabulated below:
<table>
<tr><th></th><th></th><th>2008-09</th><th>2009-10</th><th>2010-11</th><th>2011-12</th><th>2012-13</th><th>2013-14</th></tr>
<tr><td>A</td><td>Power</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Throughput in TEUs</td><td>87,637</td><td>98,000</td><td>145,426</td><td>234,697</td><td>247,134</td><td>262,091</td></tr>
<tr><td>1</td><td>Total units consumed by QCs</td><td>355,692</td><td>383,075</td><td>558,130</td><td>857,171</td><td>1,075,690</td><td>1,703,112</td></tr>
<tr><td>2</td><td>Units consumed per TEU-Variable Cost (QCs)</td><td>4</td><td>4</td><td>4</td><td>4</td><td>4</td><td>6</td></tr>
<tr><td>3</td><td>Average Electricity consumption per TEU</td><td colspan="3">3.94</td><td colspan="3">4.83</td></tr>
<tr><td>4</td><td>Reduction in the consumption of Power, if any, achieved</td><td></td><td></td><td></td><td></td><td></td><td>(0.90)</td></tr>
<tr><td>5</td><td>Since the consumption per TEU has increased no efficiency gain considered</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>B</td><td>Fuel</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Throughput in TEUs</td><td>87,637</td><td>98,000</td><td>145,426</td><td>234,697</td><td>247,134</td><td>262,091</td></tr>
<tr><td>1</td><td>Total Consumption in Ltrs</td><td>166,218</td><td>202,205</td><td>287,637</td><td>540,396</td><td>454,517</td><td>461,304</td></tr>
<tr><td>2</td><td>Fuel consumption per TEU (in Ltr)</td><td>1.90</td><td>2.06</td><td>1.98</td><td>2.30</td><td>1.84</td><td>1.76</td></tr>
<tr><td>3</td><td>Average Fuel consumption per TEU</td><td colspan="3">1.98</td><td colspan="3">1.96</td></tr>
<tr><td>4</td><td>Reduction in the consumption of Fuel, if any, achieved</td><td></td><td></td><td></td><td></td><td></td><td>0.02</td></tr>
<tr><td>5</td><td>50% reduction achieved in consumption of Power considered for Efficiency Gain</td><td></td><td></td><td></td><td></td><td></td><td>0.012</td></tr>
</table>
(b). The VCTPL has computed efficiency gain of ₹2.41 lakhs, ₹2.93 lakhs and ₹3.54 lakhs per TEU 2014-15 to 2016-17 as tabulated below:
<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Particulars</th><th colspan="3">Year</th></tr>
<tr><th>2014-15</th><th>2015-16</th><th>2016-17</th></tr>
<tr><td>(i).</td><td>Throughput in TEUs</td><td>2,75,000</td><td>2,90,000</td><td>3,05,000</td></tr>
<tr><td>(ii).</td><td>Power savings</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>(iii).</td><td>50% Savings in Fuel consumptions per TEUs</td><td>0.012</td><td>0.012</td><td>0.012</td></tr>
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<tr><td></td><td></td><td>
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<tr><td>(iv).</td><td>Rate per Litre (in ₹)</td><td>73</td><td>84</td><td>96</td></tr>
<tr><td>(v).</td><td>Efficiency Gain (in ₹)</td><td>2,41,942</td><td>2,93,410</td><td>3,54,874</td></tr>
</table>
</td></tr>
<tr><td>(iv).</td><td>(a). The treatment of Technical service fee is brought out in para 12(iv)(h) and 12(xvii) of the tariff Order dated 11 October 2011. As seen in the said Order an amount of ₹376.68 lakhs towards TSF was spread over the remaining period of the project i.e. 24 years from the year 2008-09 onwards i.e. ₹15.70 lakhs per annum. That being so, TSF for the years 2011-12 to 2013-14 at actuals should be considered at the level of ₹15.70 lakhs in the cost statement as considered in the last tariff Order in respect of first TSF.</td><td>The Technical Service Fee (TSF) pertaining to the first agreement between VCTPL and DP World FZE, from the year 2011-12 to 2013-14 has been revised to ₹15.70 lakhs per annum in the cost statement.</td></tr>
<tr><td></td><td>(b). As regards the new contract entered by VCTPL with DP World FZE (DPF) which is one of the promoters of VCTPL for providing technical knowhow for the new equipment for five years period from January 2011 to December 2015 @ USD 50,000 per annum, the Authority in the last tariff Order had held that it is not inclined to allow the technical service fee arising out of the new contract entered by VCTPL unless arm's length relationship is conclusively established atleast in respect of the earlier transactions. The said Order stated that the impact of the new contract would be reviewed at the time of the next review provided the VCTPL furnishes the relevant Income tax Assessment Order allowing the TSF as an item of cost for income tax purpose and also furnishes documentary evidence to support the actual of TSF arising out of the new contract. The VCTPL in the current proposal has, however, not produced the relevant documents mentioned in the tariff Order of October 2011. In view of the decision taken in the last Order, the VCTPL to furnish a copy each of IT assessment orders for the period beyond 2008-09 i.e. from 2009-10 to 2013-14 to show that technical service fee in respect of both the first and the second contract is admitted as expenditure by the IT authorities as required under clause 2.8.2. of the revised tariff guidelines.</td><td>The TSF pertaining to the first agreement between VCTPL and DP World FZE, have been allowed as an item of expenditure w.e.f. FY 2003-04 onwards upto FY 2008-09. The Assessment Orders for AY 2004-05 to 2009-10 (revised) are furnished.

During IT Assessment for AY 2010-11, the CIT (A) allowed the Technical Service Fee to be allowed as an item of expenditure in the relevant financial year from AY 2004-05 to 2009-10. It also allowed the relevant expenditure for AY 2010-11 in its Order. The relevant Order is furnished.

Since the first contract of Technical Fee has already been allowed, the second contract also will also be allowed as item of expenditure as the terms and conditions are same in both and the transactions is at Arm's length. The Assessment Orders for AYs 2010-11 and 2011-12 are furnished. Assessment Orders for AYs 2012-13 and 2013-14 are still to be received.

The relevant Auditor's certificates vide Form 3CEB u/s 92E of Income Tax Act' 1961 are furnished as for AYs 2010-11, 2011-12, 2012-13 and 2013-14.

Since the first contract has been allowed as an item of expenditure in the relevant financial year, we request the Authority to allow it to expend it out in full in the same financial year instead of amortizing it for the remaining period of the BOT period.

Detailed calculation with reference to amortization of technical service fee with reference to both first and second contract is furnished.</td></tr>
<tr><td>(v).</td><td>The audited Annual Accounts as well as the cost statement capture foreign exchange loss of ₹24.08 lakhs in the year 2011-12 and foreign exchange gain of ₹72.25 lakhs in the year 2012-13. Explain the nature of exchange gain/ loss reported in the Annual Accounts. Clarify whether the foreign exchange loss is on account of servicing of foreign debt.</td><td>The accounting of foreign exchange loss or gain is done as per Indian Accounting Standard 11. The foreign currencies transactions are recorded at the exchange rates prevailing on the date of transaction. The loss or gain arises (1) on the date of making the payment or, (2) on the o/s amount as on 31st March which is translated on that day's exchange rate. Whether it is gain or loss, the net amount is shown in the P & L A/c as per IAS 11.</td></tr>
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		The VCTPL vide its email dated 27 January 2015 has furnished detailed break up of Forex Loss and Forex Gain for the F.Y.s 2011-12 to 2013-14 pertaininig to restatement of O/s liability of Buyer's Credit in Foreign currency, loss/ gain incurred during cancellation of forward contracts, payment of Annual Maintenance charges to Navis, DP world. The VCTPL has submitted that the Buyer's credit o/s (USD 183,72,815) have been re-stated at the end of each Financial year, actual principal re-payment has been made for USD 52,20,744 during FY 2014-15 for which the actual Forex loss is ₹4,79,68,455.56. The balance payment of Buyer's credit remaining o/s (USD 131,52,071) are going to be discharged before March 2017 as per RBI guidelines (the maximum roll over period is 5 years from date of Bill of lading). Therefore, VCTPL will be incurring the Forex loss which is being restated every year on account of the depreciating Rupee value.
(vi).	The Guidelines provide flexibility to all the Major Port Trusts to reduce the rates at their discretion on commercial consideration, if they so desire. Such reduction, if any, granted by VCTPL may be quantified and listed out for each of the years 2011-12 to 2013-14 as well. Consequential effect of such concession granted on growth of traffic also to be analysed item wise.	VCTPL had extended concession on handling charges of Transhipment and for empty containers repositioned through the terminal. The concession in Transhipment is extended to attract Major Shipping Lines to call VCTPL with large parcel size vessels. This allows the Shipping Lines to offer better slot rates for other category (Normal Export & Import) of containers. The concession in Empty container is allowed to encourage growth in exports, as there is shortage in availability of empty containers at Visakhapatnam. [The VCTPL has furnished the details of rebates/discount allowed by it.] In spite of Global slowdown in 2011-12 to 2013-14, and in comparison to the negative growth in most of the container terminals in India, VCTPL could register a growth of 5 to 6% YoY. It is also to be noted that the concession offered in T/s rate is to compete with Singapore and Colombo and divert the Kolkata bound Transhipment happening there, to Vizag. This has resulted in savings of huge Foreign Exchange outgo of our nation had this Transhipment taken place at Singapore and Colombo. Therefore, it has helped the entire trade in getting competitive ocean freight rate for EXIM category containers and savings of valuable foreign exchange.
(vii).	In the last tariff revision, as brought out in para 12(ix), the estimated operating and direct labour of 95, 101 and 107 and maintenance labour of 58, 65 and 71 for the years 2011-12 to 2013-14 was	As informed in the earlier para, VCTPL commissioned 2 numbers of new RMQGCs during Aug 2012. The 4 numbers of new RTGCs were commissioned during October 2011 (2 nos.) and December 2011 (2 nos.).

	accepted by the Authority relying on the proposal of the VCTPL for commissioning of 2 RMQCs and 4 RTGCs. It was subject to the condition that if the proposed developments do not materialise, the resultant impact at actuals will be quantified and set off fully in next tariff revision. Accordingly, the actual position will be reviewed by the Authority which may be noted.	The actual numbers of operating and direct labour during 2011-12 to 2013-14 were 73, 83 and 94 respectively. The maintenance labours during 2011-12 to 2013-14 were 64, 69 and 82 respectively. Accordingly the actual cost incurred for these categories of personnel have been captured in the cost statement year-wise.
(2).	**Traffic**	
(i).	Update the traffic estimate with the actual traffic for the year 2013-14. Consequently, the container traffic for subsequent years 2014-15 to 2016-17 to be reviewed based on 2013-14 actual traffic.	Actual Traffic handled for 2013-14 is 2,62,091 TEUs which has been updated in the revised cost statement. 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 is estimated to be around 5.18% on an average in the next coming three years.
(ii).	Explain the reasons for projecting reduction in the traffic growth from 5.8% in the year 2014-15 to 5.5% and 5.2% in the year 2015-16 and 2016-17 respectively. As regards the point made by the VCTPL about extension of container terminal by VPT to be commissioned in the year 2016-17, it is known that the said project is awarded to the VCTPL itself. That being so, with the extended container terminal also awarded to the VCTPL and the VCTPL envisaging development of additional land of 15,000 sq. mtrs. it is generally expected that the container traffic should improve further and not reduce. The VCTPL to review the traffic estimates and project reasonable traffic growth for all the years in the light with the above observation.	The growth rate has been assumed taking into consideration the available traffic in and around Visakhapatnam. The industrial development would take time post bifurcation of the state. Rupee deprecation against dollar has affected Imports and would take some time to stabilize. There are upcoming container terminals neighboring VCTPL. Therefore, considering all these parameters, VCTPL has estimated the growth to be around 5% on an average in the next three years. The additional land of 15000 sq. mtrs. has been taken to reduce the mis-match of capacity between vessel side and yard side. As it was envisaged during the previous Tariff Cycle, the Authority had asked VCTPL to reduce the mis-match in vessel side and yard side capacity. Therefore, as per VCTPL's request, VPT had allotted the additional land of 15000 sqm. Though the entire 15000 sqm cannot be utilized for container stacking, leaving aside space for equipment maneuvering and operational area, the space to be utilized for stacking of container would be about 10000 sqm. Further, it would cater to stacking of empty containers. There are neither adequate empty container depot facilities at Visakhapatnam nor have large Laden Imports to cater to exports. Therefore, Shipping lines will have to reposition Empty containers from other ports for stuffing of export cargo. The area shall also be earmarked for handling of Hazardous nature containers considering the safety parameters to store it away from normal category containers.

(iii).	The VCTPL to indicate additional traffic likely to be handled in view of addition proposed to the gross block of assets in the years 2014-15 to 2016-17. Confirm that the traffic estimates for these years capture the effect of the additional traffic volume on account of development of additional land taken over by VCTPL.	Additional total ground slots calculated as per TAMP Guidelines would be about 252 TEUs in FY 2014-15 and 108 TEUs in FY 2015-16. The additional traffic has been factored in the three years volume projected for the next three years.
(iv).	The VCTPL has stated that reduction in handling charge for transhipment container is proposed by 15.17%, in order to attract more transhipment traffic. However, the growth projected in the transhipment container traffic is found to be at the same level as to the overall growth projected in the container traffic. Increase, if any, anticipated in the traffic of transhipment container on account of proposed reduction in the tariff to be assessed and indicated for each of the years 2014-15 to 2016-17. Also, incorporate the same in the traffic estimates.	The current rate for 20' transhipment container is about USD 71 at VCTPL. The rate prevailing here is higher than the nearest ports of Singapore and Colombo. VCTPL has a natural draft of 16 meters which is the deepest amongst the major ports in the country and along with the locational advantage being in the Centre of east coast of India, Govt. of India has declared Vizag as a container transshipment port in the east coast as per National Maritime Development Programme (NMDP). To compete with the foreign ports mentioned above and attract more transshipment traffic to Vizag, we propose to reduce the transshipment rate from the current tariff level to ₹3,720/- (US $60/-) for a 20' container and ₹5,580/- (US $90/-) for a 40' container. The cost would go down further after 40% reduction in one leg of the Transhipment containers. The additional Traffic would be initially for 20000-22000 TEUs and the entire annualized 80000-90000 TEUs can be also be retained by the port and attract the main line vessels. The reduction in Transhipment tariff would attract large parcel size vessels, attract new Main line vessels/service as local cargo may not increase drastically and it is the Transhipment cargo which would grow in coming years at Vizag. This would lead to a healthy competition and induce reduction in Freight rates for other categories of containers. Automatically, the entire trade would get benefit out of this incentive. Keeping in mind the neighboring port competition, VCTPL wants to attract this category of containers by reduction in its tariff and therefore, it has kept it share of 80000-90000 TEUs per annum in its estimate. Besides, Transhipment handling in Vizag would help in savings of Forex outflow had it done at Colombo or Singapore.
(v).	(a). Form 2A does not show coastal traffic in the year 2013-14. However, income from coastal containers is indicated in from 2B for the same period. Indicate the correct position and suitably modify the cost statement.	The actuals of 2013-14 incorporated in the Form 2A and Form 2B indicates coastal containers handled.
	(b). The VCTPL has not projected any coastal container traffic during the years 2014-15 to 2016-17. Confirm there will be no coastal container traffic during the current tariff cycle.	VCTPL has been rarely handling coastal vessels. The Transhipment containers handled are having one leg coastal which are captured in Transhipment category. We do not anticipate significant volume from coastal vessels in the absence of simplification

<table>
<tr><td></td><td></td><td>of cabotage law for movement of inland containers between Indian Ports.</td></tr>
<tr><td>(vi).</td><td>The Minimum Guaranteed Throughput (MGT) indicated at Sl. No.III in Form 2A at 2,00,200 TEUs, 2,17,400 TEUs, 2,35,400 TEUs, 2,40,000 TEUs for the years 2011-12 to 2014-15 are found to be different from the MGT for the applicable period stipulated in the License Agreement presumably since the applicable period for which the MGT is stipulated in the LA is different from the Financial Year considered in the tariff revision. In view of the above, furnish the calculation of the MGT considered in the cost statement for each of the years and confirm it is in compliance with the relevant provisions in the LA.</td><td><table>
<tr><th>Operational Year</th><th>MGT
(in TEUs)</th><th>FY</th><th>MGT-FY</th></tr>
<tr><td>26th June'10 - 25th June'11</td><td>186,400</td><td></td><td></td></tr>
<tr><td>26th June'11 - 25th June'12</td><td>204,800</td><td>2011-12</td><td>200,200</td></tr>
<tr><td>26th June'12 - 25th June'13</td><td>221,600</td><td>2012-13</td><td>217,400</td></tr>
<tr><td>26th June'13 - 25th June'14</td><td>240,000</td><td>2013-14</td><td>235,400</td></tr>
<tr><td>26th June'14 - 25th June'15</td><td>240,000</td><td>2014-15</td><td>240,000</td></tr>
<tr><td>26th June'15 - 25th June'16</td><td>240,000</td><td>2015-16</td><td>240,000</td></tr>
<tr><td>26th June'16 - 25th June' 17</td><td>240,000</td><td>2016-17</td><td>240,000</td></tr>
</table>
The Financial Year-MGT volume has been calculated based upon 3 months of previous Operational Year and 9 months of subsequent Operational Year. Therefore, the FY MGT considered in Form 2A are in compliance with the LA.</td></tr>
<tr><td>(3).</td><td>Capacity</td><td></td></tr>
<tr><td>(i).</td><td>Indicate the exact period (month/ year) when the development of 6000 sq. mtrs. of existing area and additional land of 10000 sq. mtrs. taken over from the VPT is expected to be completed and would be made available to users for availing storage facility.</td><td>The 6000 Sqm area developed for workshop and dedicated parking area for RS & other equipments are under development stage and would be put to use in 2015-16.

The 7000 sqm area for container stacking have been put to use from October 2015. Another 8000 sqm would be developed during 2015-16.</td></tr>
<tr><td>(ii).</td><td>Furnish the basis of arriving at the ground slots of 2160 TEUs in the yard capacity calculation in the FY 2013-14. Also, indicate the total storage area and ground slots per container.</td><td>The total area for storage is 6 hectare. Total Ground Slots (TGS) considered per hectare is 360.</td></tr>
<tr><td>(iii).</td><td>Furnish the workings for increase in the ground slots from 2160 in the year FY 2013-14 to 2520 in the FY 2014-15 in terms of additional land area and the ground slots per container considered in the computation.</td><td>As per TAMP Guidelines the TGS calculated for:
(a). FY 2013-14 is 2160 i.e. 360 TEUs per hectare x 6 Hectare.

(b). FY 2014-15, considering additional area developed, the TGS is 2412 i.e. 360 TEUs per hectare x 6.7 Hectare.

(c). FY 2015-16, after development of remaining available area the TGS is 2520 i.e. 360 per hectare x 7 hectare.</td></tr>
<tr><td>(iv).</td><td>There is slight mismatch in the assessed capacity indicated in Form 2B Sr. No.IV at 2,48,500 TEUs in the year 2011-12, 354,000 TEUs in the each of years 2012-13 and 2013-14 and 4,13,000 TEUs in each of the years 2014-15 to 2016-16 vis-à-vis the optimal capacity assessed at Annex 3. The cost statement to be updated showing the correct capacity assessed by VCTPL.</td><td>The capacity calculated for the year 2011-12 is 2,48,500 TEUs which is minimum of the Quay Capacity (2,48,500 TEUs) and Yard capacity (3,54,000 TEUs). The Optimum capacity for 2014-15 and 2015-16 has been revised to 3,95,500 TEUs and 4,13,000 TEUs respectively, based on TAMP Guidelines.

VCTPL has also furnished capacity based on its actual TGS available yard-wise. The capacity works out to 3,52,197 TEUs vis-à-vis 3,95,500 TEUs as per TAMP Guidelines.</td></tr>
</table>

(4).	**Income Estimation**	
(i).	For reasons stated earlier, all the income estimates for the year 2013-14 should be updated with actuals. Consequently, estimates for the years 2014-15 and 2016-17 also to be modified by VCTPL, if necessary.	Actuals for FY 2013-14 has been updated and accordingly the income figures have been estimated for the subsequent years.
(ii).	Review the income estimation and modify it in view of our observation to review of the traffic estimation.	The Income estimation for the Year 2014-15 to 2016-17 has been modified based upon the actual of 2013-14 actuals.
(iii).	Explain the nature of income under 'Others' shown in Form 2B and list it out. Also, explain the reasons for estimating sudden drop in the other income during the years 2014-15 over the 2012-13 actuals and estimates/ actuals of the year 2013-14. Furnish a detailed working in respect of income from each of the items under this category along with the basis for such estimation.	The Income under "Others" includes all Reefer charges, Storage charges, Hatch Cover charges and other optional services income. The detailed break-up of the Income under this head is appended. The sudden drop in the other income is attributable to Income from NCVs. The Income is estimated for future years based on current trend during 2013-14. The detailed workings with basis of calculation are available in the "Revenue projection Sheet" of the "Revised cost statement" submitted.
(iv).	(a). During the last tariff revision, the income from Non-Container Vessels (NCV) under "other income" was estimated by VCTPL at ₹30 lakhs per annum. The income estimated from NCV was relied upon and accepted by the Authority in tariff determination in the last tariff Order subject to the condition that if any positive variation is found in actual vis-à-vis the estimated NCV income, such accrual will be set off fully in the next tariff review. As against the estimate of ₹30 lakhs per annum considered in the last tariff Order, the excel sheet "P&L Data" show that the actual income earned from NCV is ₹240 lakhs, ₹39.83 lakhs for the years 2011-12 and 2012-13 respectively and ₹5.69 lakhs is estimated for the year 2013-14. The aggregate of income from NCV earned by the VCTPL during the said period comes to ₹285.52 lakhs as against the aggregate of ₹90 lakhs estimated in the last tariff cycle for the corresponding period. Since there is positive variation the VCTPL may kindly note that the additional benefit accrued on this account will be fully set off in line with the decision taken in the last tariff Order.	The NCV Income cannot be estimated accurately as these are not regular in nature. The berth is provided as and when VPT needs and the Trade feels necessity to berth the NCVs provided VCTPL berths are free at that time. The total Income is captured in our cost statement for ROCE purpose. This may be allowed without treating it as a separate item in the Income stream. Any past surplus if arises this need to be adjusted to the extent of 50% in line with other Income stream (as per TAMP Guidelines 2005) and not 100% as in the previous Tariff Order. The reason for NCV income coming down is also due to reduction in congestion at VPT and hence lesser calls of NCVs.
	(b). Explain reasons for sudden reduction in the income from NCV during the years 2012-13 and 2013-14 over the actual income reported in the year 2011-12.	Reasons as explained above in point no.(a).
	(c). As stated earlier, income earned from this tariff item in the year 2013-14 should be updated with actuals in the cost statement.	NCV Income for 2013-14 is updated in the Revised cost statement.
	(d). Justify the basis for estimating reduced level of income from NCV at ₹5 lakhs for each of the years 2014-15 to 2016-17 in comparison to past actual	As explained above the NCV Income is not a regular source of Income for VCTPL. The berth is provided as and when VPT needs and the Trade feels its necessity to berth the NCVs for shorter

	income earned by the VCTPL.	duration for lightening purpose due to draft restrictions in the inner Harbour of VPT or non-availability of berth in the Port. As per LA, VCTPL has to extend the berth to the VPT in case of its requirement. VPT has been dredging the Inner Harbour for deeper draft which we feel would restrict calling of NCVs at VCTPL. Accordingly, we expect the income under this head will be marginal. Therefore, we have estimated a nominal amount of ₹5,00,000 per annum in the coming years.
(v).	Confirm that the income estimated for the years 2014-15 to 2016-17 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 2011-12 to 2013-14 on account of flexibility availability to BOT operators.	VCTPL confirms that the income estimates for the years 2014-15 to 2016-17 are based on the prescribed rate as per SOR. The 'Revenue projection sheet' in the revised Cost statement can be referred in this regard.
(5).	**Operating Cost**	
(i).	In terms of clause 2.5.1. of the 2005 tariff guidelines, expenditure projection should be in line with traffic adjusted for price fluctuation with respect to the current movement of Wholesale Price Index (WPI) for all the commodities announced by the Government of India. The WPI for all the commodities for the tariff cases to be decided in the year 2014-15 decided by the Authority is 6% which has been communicated to all Major Port Trusts and BOT operators including VCTPL vide our letter No.TAMP/27/2005-Misc dated 23 July 2014. Hence, the annual escalation considered by the VCTPL in the cost estimation should be modified accordingly.	The Cost Statement has been revised considering the 6% WPI for the expenditure projections.
(ii).	Operating Direct Labour and Maintenance Labour: Justify increase estimated in the average cost per direct labour and maintenance @ 10% per annum during the years 2014-15 to 2016-17 which is found to be higher than the annual admissible escalation factor of 6%.	The actual salary cost has gone up during the last three years of Tariff cycle and is between 15 to 20% p.a. There will be 10% to 15% hike in the salaries due to increments in line with industry standards. Since there are many port projects coming up in near future in close proximity to Vizag, VCTPL has to retain its trained workforce to achieve high productivity and safety standards. Hence the proposed annual escalation of nominal 10% is justified. By keeping the cost at 6% WPI, we will not be able to retain the trained workforce which in turn will affect the overall productivity of the terminal.
(iii).	Equipment running cost:	
	(a). **Power Cost**:	
	(i). Justify the consumption of power estimated at 17.21 units per TEU for the years 2014-15 to 2016-17 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	The power consumption norm of 8 units per TEU is related to QC power consumption. In VCTPL the QC power consumption per TEU is 6 units. The revised estimated power consumptions per TEU is about 18 units per TEU out of which 6 units per TEUs is towards QCs, 8 units per TEU is

	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.	towards reefers and 4 units per TEU is towards High Mast and common area lighting. Therefore, the Power consumption at VCTPL is well within the Tariff Guidelines.
	(ii). Justify 25% increase in the unit cost of power estimated in the year 2013-14. Also, justify further increase of 22% to 23% per annum estimated in the unit cost of power for the years 2014-15 to 2016-17. Furnish a copy of the electricity bill of last three months to justify the unit rate of power at ₹10.20 considered for the year 2014-15.	The Actual Power consumptions for 2013-14 have been updated in the Revised Cost Statement. The variable power cost per unit has increased by 27% in 2013-14 (₹8.51 per unit) over 2012-13 (₹6.71 per unit). The Variable Cost has increased by 25% in 2013-14 over 2012-13 (From ₹6.06 to ₹7.57) while estimating for 2014-15. The Power Bill of last 3 months has been furnished. The Power cost incurred during the last 7 months is furnished. The Variable cost per unit will tend to increase during summer. The Power Bill of March 2014 is furnished. Therefore, overall an increase of 15% has been assumed in the electricity cost per unit. Moreover, the APEPDCL Tariff revision is due for 2014-15. There is proposal by DISCOMs to the APERC to increase it by another 24% in the coming years. Considering the above, power cost has been escalated by 15% YoY per unit.
	(b). **Fuel Cost**:	
	(i). Justify reasons for estimating 40% increase in the fuel cost from ₹47.79 per litre in the year 2012-13 to ₹67.06 per litre in the year 2013-14 and substantiate with copies of fuel bills for the said period.	After incorporating the actuals of 2013-14, the cost per litre works out to ₹63.25 which is 32% more than that of 2012-13 (₹47.79). The Copy of Fuel Bill is furnished along with the Fuel cost statement.
	(ii). Annual escalation of 20% in the fuel cost for the years 2014-15 to 2016-17 may also be justified. Also, furnish copies of latest three months bill.	The latest 3 months bills are furnished. However, based on previous year's actuals and the current Government policy to de-regulate the diesel, the fuel cost has been estimated by escalating by 10% YoY from FY 2014-15 to 2016-17.
	(c). **Repairs & Maintenance Cost**:	
	(i). Justify sudden increase of around 81% in the estimates of repair and maintenance cost in the year 2014-15 as compared to the actual/ estimated cost for the year 2012-13 and 2013-14. Also, justify 23% increase considered in the projections of repair and maintenance cost during the year 2015-16 over the estimates of the previous year.	The R&M expenses include Oil & Lubricants, Stores & Spares, consumables, workshop tools written off and Tyres & Tubes. These expenditures are regular in nature and have been inflated at 6% WPI YoY. Apart from this as per previous TAMP Order (TAMP/10/2011-VCTPL) one time expenditure incurred in 2010-11 of ₹1.13 crores was amortized over a period of 4 years, upto 2013-14. Therefore, ₹28.25 lakhs per annum has been claimed as expenditure during 2011-12 to 2013-14. For the new Assets proposed to be invested in 2014-15 to 2016-17, 2% of mechanical and 1% of civil assets have been assumed as R & M expenses. VCTPL has to carry out major repairs for the old RTGCs (2 nos.) during 2014-15. Both RTG1 and RTG 2 being of very old and obsolete cranes, the control system and the engines could not be supported well due to non-availability of spares. Hence we have decided to refurbish both the engine/ alternator power pack and also the drive

		controls and the PLC. Therefore, ₹160 lakhs have been estimated for FY 2014-15. The Quotations are furnished. This would also give better salvage value at the time of replacement. Under Jetty structural Integrity Test and repairs is to be carried out during 2014-15. The Purchase Order copy is furnished. Detailed calculations are appended.
	(ii). Update the cost statement with actual repairs and maintenance cost incurred by the VCTPL for the year 2013-14. The repairs and maintenance cost estimated for the years 2014-15 to 2016-17 may also be modified with reference to the actual repairs and maintenance cost incurred in the year 2013-14.	The actual R&M Expenses cost for 2013-14 and estimation for years 2014-15 to 2016-17 also has been modified in the Revised Cost Statement.
	(iii). Furnish detailed working of the estimated repairs and maintenance cost of equipments and electrical installations for all the years under consideration.	Detailed calculations are appended.
	(iv). The excel sheet "P&L Data" show steep increase in the repairs and maintenance cost of RMQC(2) and Reach stacker in the year 2014-15. Justify the steep increase in this estimated cost item for these equipment.	The cost estimated for RMQCs and Reach Stackers are as per actual + 6% WPI. It is revised now from the earlier proposal submitted.
	(v). Confirm and show that one time major repairs and maintenance cost, if any, incurred during the past period 2011-12 to 2013-14 are not considered for the past period as well as while estimating this cost item for the years 2014-15 to 2016-17.	The cost incurred in earlier years is regular in nature. The details of one time expenditures estimated for 2014-15 onwards are furnished.
(iv).	<u>Equipment Hire Charges</u>: Equipment hire charges include estimation of container movement charges outsourced by VCTPL for equipment hire charges. In this regard, the following points may be clarified:	
	(a). The VCTPL has stated that services relating to internal transportation has been outsourced at ₹310 and ₹340 for 20' and 40' container respectively and at ₹233 and ₹285 for a 20' and 40' transhipment container respectively. For the year 2015-16, annual escalation @ 15% in the unit rate is estimated. Furnish a copy of the outsourcing contract to justify the unit rate adopted for estimating this cost item. Indicate the validity period of the contract. 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 which should be supported with necessary documents.	The existing contract is valid upto 30 November 2014 and the cost is ₹310 and ₹340 for 20' and 40' container respectively and at ₹233 and ₹285 for a 20' and 40' transhipment container respectively. The cost has been escalated by 6% WPI YoY from 2015-16 to 2016-17. VCTPL invites for competitive bidding from prospective vendors and considering both technical and financial parameters the contract is awarded. A copy of the contract relating to internal transportation of containers is furnished for the references. Subsequenlty, the VCTPL vide its email dated 27 January 2015 has stated that the old contract with Srinivasa Transport was valid till 30 November 2014 and the negotiations started for a new contract in the month of June, 2014. The prices have been re-negotiated with the contractor on account of

		increasing volumes. In order to leverage this trend and to reduce operating costs, the prices have been now fixed at ₹220 per TEU instead of paying earlier on per container (i.e. separate rates for 20' and 40') basis. Though the new contract was finalized and signed on 17 November 2014, it is effective from 1 July 2014 (i.e. commensurate with the starting date of negotiation and to coincide with the beginning of new Operational year). The same is attached in VCTPL email dated 27 January 2015.
	(b). Hire charge of equipment in excel sheet "P&L" data shows steep increase from actual expense reported at ₹95.12 lakhs in the year 2012-13 to ₹347.00 lakhs in the year 2014-15 which is further escalated by 7% per annum for the subsequent two years 2015-16 and 2016-17. Justify the reasons for steep increase in the hire charges for equipment in the year 2014-15 vis-à-vis 2012-13 actuals and furnish a copy of valid hiring contract to justify the estimates.	The Hire charges have been revised in the "Revised cost Statement". The cost is revised to ₹150.80 lakhs in 2014-15, ₹203.61 lakhs in 2015-16 and ₹203.95 lakhs in 2016-17. The Hiring cost includes normal equipment hire for yard repair and other house keeping purpose which has been projected at ₹5 lakhs per annum escalating 6% WPI YoY. The other hiring cost includes 3 reach stackers on hire @ ₹3 lakhs per equipment per month till October 2014 as per the contract. The hire charges are going to be revised to ₹5.5 lakh per equipment per month w.e.f. November 14. The relevant document will be provided at the appropriate time.
	(c). (i). The VCTPL in page 58 of the proposal has stated that it proposes to hire 3 number of reach stackers from the year 2014-15 to supplement faster turnaround of vessels. Justify the basis for proposing to hire 3 reach stackers and establish with detailed working that the 3 reach stackers will be utilised throughout the years 2014-15 to 2016-17. Also furnish a copy of the relevant hiring contract entered by VCTPL for hire of 3 reach stackers to substantiate the estimate and annual escalation considered by the VCTPL. Also, indicate the validity of the contract.	(i). VCTPL initially had the following equipment for performing yard side operations – 1. RTGC - 6 Nos. 2. Reach Stackers – 2 no. x 45 MT for handling laden containers. 3. Reach Stackers – 2 no. x 10 MT for handling empty containers. As a general norm, for every Quay Crane deployed 2 nos. yard equipment needs to be deployed for ship side operation. Accordingly for the 4 quay cranes in operations, 8 nos. of yard equipment is required. Besides for receipt and delivery of containers by rail and road another 4 nos. of yard equipment would be required. This is other than the reach stackers required for handling empty containers. Considering the above, 12 nos. yard equipment are required to be deployed for smooth and efficient operations in the terminal. VCTPL had only 8 nos. yard equipment and it was necessary to have additional second hand reach stackers to augment the current yard equipments. Besides, the existing two reach stackers are also quite old (10 years) and need to be complemented. Besides, VCTPL has the additional yard developed for stacking of empty containers, handling of Hazardous and OOG containers. The yard does not have any RTGCs at present and therefore these additional equipments have been hired. The copy of Hiring contract is furnished.

<table>
<tr><td></td><td>(ii). Clarify whether hiring of 3 additional reach stackers is permissible under relevant clause of License Agreement entered by VCTPL with VPT.</td><td>(ii). As per LA with VPT, the Reach stackers to be deployed have been suggested as per requirement. The throughput level as per LA is 2,40,000 TEUs by 11th year of operation. VCTPL have been handling much more than LA requirement. Therefore, as explained above, to augment its current infrastructure and faster turnaround of vessel, truck and rail movements, VCTPL has hired the 3 Reach stackers.</td></tr>
<tr><td></td><td>(d). 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 which should be supported with necessary documents.</td><td>The hiring cost of the reach stackers are as per competitive price prevailing in the market. A copy of market quote is furnished.</td></tr>
<tr><td>(v).</td><td><u>Lease rental</u>:</td><td></td></tr>
<tr><td></td><td>(a). The Annual Accounts of the VCTPL reports rent including lease rent payment at ₹103.50 lakhs and ₹100.38 lakhs in the years 2011-12 and 2012-13 respectively. This does not match with the lease rent of ₹84.96 lakhs and ₹92.73 lakhs in the years 2011-12 and 2012-13 considered in the cost statement. Reconcile the difference.</td><td>The Rent amount shown in the Annual Report includes lease rent to the Port, transit house rents and porta cabin rent. The detailed break-up year wise are:
<table>
<tr><th>Particulars</th><th>2011-12</th><th>2012-13</th><th>2013-14</th></tr>
<tr><td>Land Lease -Vpt</td><td>84.96</td><td>92.73</td><td>88.07</td></tr>
<tr><td>Rent- Transit Houses</td><td>6.54</td><td>7.66</td><td>12.98</td></tr>
<tr><td>Rent- Porta Cabins</td><td>12.00</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>103.50</td><td>100.38</td><td>101.05</td></tr>
</table></td></tr>
<tr><td></td><td>(b). As stated earlier, the lease rent estimated for the year 2013-14 should be updated with actual lease rent paid to VPT in the said year.</td><td>Actual lease rent paid during 2013-14 has been updated in the Revised Cost statement.</td></tr>
<tr><td></td><td>(c). The lease rent for the years 2014-15 to 2016-17 is estimated at ₹85.90 lakhs for each of these years. Explain the reasons for reduction in the lease rent estimated in these years in comparison to the actual lease rent of ₹92.73 lakhs reportedly paid to VPT in the year 2012-13.</td><td>During the year 2012-13 the lease rent paid to VPT includes lease rent towards pre-gate facilities (16878 sqm), ONGC yard (15000 sqm). For the years 2014-15 to 2016-17 rent is estimated on the actual area under lease (164,000 sqm + 15,000 sqm) at the existing rate as per VPT Scale of Rates.</td></tr>
<tr><td></td><td>(d). It may be confirmed whether the impact of taking over of additional 15000 sq. mtrs. land has been considered in the estimates for the years 2014-15 to 2016-17.</td><td>Yes, it has been considered in the years 2014-15 to 2016-17. It is further to mention here that VPT is in the process of enhancing the lease rent in the coming years for which the land valuation is being carried out by them. Therefore, in case of any enhancement, VCTPL shall approach the TAMP, to factor it in its tariff if it takes place during the current tariff cycle.</td></tr>
<tr><td></td><td>(e). Confirm the lease rent estimated by the VCTPL for the years 2014-15 to 2016-17 is as per the provisions in the License Agreement entered by it with the VPT.</td><td>Yes, as per LA the lease rent need to be paid to VPT as per existing Scale of Rates notified by TAMP.</td></tr>
<tr><td>(vi).</td><td><u>Insurance</u>:
Furnish a copy of the insurance cover taken by the VCTPL for the years 2013-14 and 2014-15 to substantiate the estimates of insurance premium cost.</td><td>The insurance premium has been estimated on previous year's actual plus 1% of additional capex. The insurance cover note of 2013-14 is attached (Port Package policy). The cover note for 2014-15 is yet to be received.</td></tr>
<tr><td>(vii).</td><td><u>Other expenses</u>:</td><td></td></tr>
<tr><td></td><td>(a). The Other Expenses estimated by the VCTPL comprise of cost towards hire of manpower, tally charges, lashing/</td><td></td></tr>
</table>

	unlashing expenses, reefer monitoring, security expenses, testing, VPT Rail charges, water charges etc. In this regard please clarify the following: (i). The unit rate for estimating lashing/ unlashing expense and reefer monitoring at ₹61/- per container and ₹46/- per shift of 8 hours in the year 2014-15 should be substantiated with a copy each of the valid contract giving reference to the relevant clause in the contract. Also, confirm the contract is entered following the competitive bidding process and arm's length relationship of the transaction is maintained. (ii). The basis for estimating increase in the unit rate for tally expenses from ₹10,000 per person in the year 2012-13 and 2013-14 to ₹11000/- in the year 2014-15 should be justified and substantiated with necessary documents. (iii). Justify the nature of expense considered under the VPT railway charges at ₹12.29 lakhs in the year 2011-12. Justify steep increase estimated in this cost element at ₹24 lakhs in the year 2014-15 in comparison to 2012-13 actuals. As stated earlier, the actual expense, if any, incurred in the 2013-14 may be updated in the cost statement instead of estimated figures.	 (i). The existing contracts for lashing unlashing, reefer monitoring has expired. Fresh contracts have been signed with the new vendors after following competitive bidding process. The relevant cost impacts have been modified in the revised cost statement. The contract copies are furnished for (Lashing & Unlashing), (Reefer monitoring). (ii). The existing contracts for Tally Expenses have expired. Fresh contracts have been signed with the new vendors after following competitive bidding process. The relevant cost impact has been modified in the revised cost statement. The contract copy is furnished. (iii). VPT has been charging Staff deployment charges for the rail services irrespective of whether trains comes to VCTPL or not. The actuals expenses incurred for 2013-14 has been updated. The average cost per month is about ₹2 lakhs based upon the enhancement of CTC of their staff and therefore the estimation has been made accordingly.
	(b). The VCTPL has reported to have included expenses like lashing/ unlashing, tally charges, reefer monitoring, hire of manpower etc. under this head of expenditure. Furnish detailed workings in respect of the items of expenditure considered under this head.	The detailed workings are furnished.
(viii).	<u>Technical Service Fee</u>:	
	(a). As stated earlier, the TSF for the first contract period should be considered at the amortised value of ₹15.70 lakhs per annum as assessed in the last tariff Order of October 2011.	The Technical Service Fee (TSF) pertaining to the first agreement between VCTPL and DP World FZE, from the years 2014-15 to 2016-17 has been revised to ₹15.70 lakhs per annum in the cost statement. As mentioned in the earlier para B (1) (iv) above, the Assessment orders for earlier years have been received allowing it as an item of expenditure. Therefore, VCTPL hereby request the Authority to amortize the remaining amount of ₹282.51 lakh in the next 3 years i.e. 2014-15 to 2016-17 tariff cycle instead of the remaining BOT period.
	(b). As regards the second contract for Technical Service entered by the VCTPL, furnish the relevant document sought in our queries at 1(iii)(b) above. Subject to fulfilment of furnishing the documents sought therein, furnish detailed calculation	The TSF pertaining to the first agreement between VCTPL and DP World FZE, have been allowed as an item of expenditure w.e.f. FY 2003-04 onwards upto FY 2008-09. The Assessment Orders for AY 2004-05 to 2009-10 (revised) are furnished.

	with reference to amortisation of technical service fee considered by the VCTPL in the cost statement with reference to this second contract.	During IT Assessment for AY 2010-11, the CIT (A) allowed the Technical Service Fee to be allowed as an item of expenditure in the relevant financial year from AY 2004-05 to 2009-10. It also allowed the relevant expenditure for AY 2010-11 in its Order. The relevant Order is furnished. Since the first contract of Technical Fee has already been allowed, the second contract also will be allowed as item of expenditure as the terms and conditions are same in both and the transactions is at Arm's length. The Assessment Order for AY 2010-11 and 2011-12 are furnished. Assessment Orders for AY 2012-13 and 2013-14 are still to be received. The relevant Auditor's certificates vide Form 3CEB u/s 92E of Income Tax Act' 1961 are furnished for AY 2010-11, 2011-12, 2012-13 and 2013-14. Since the first contract has been allowed as an item of expenditure in the relevant financial year, we request the Authority to allow it to expend it out in full in the same financial year instead of amortizing it for the remaining period of the BOT period. Detailed calculation with reference to amortization of technical service fee with reference to both first and second contract is furnished.
(ix).	<u>Management and General Overhead</u>:	
	(a). The excel sheet "P&L data" shows steep increase in Administrative expenses from ₹285.50 lakhs in the year 2012-13 actuals to ₹1837.70 lakhs in the estimates for the year 2013-14 i.e. 545%. Justify such steep increase estimated in the administrative expenses in the year 2013-14. As stated earlier, the estimates should be updated with 2013-14 actuals.	The actual Administrative Expenditure for FY 2013-14 has been updated. The actual expenditure of ₹1334.33 lakh includes Forex loss of ₹994.34 lakhs. The estimation for 2014-15 to 2016-17 has been done by considering actual of 2013-14 plus 6% WPI YoY excluding the Forex loss.
	(b). The items of expenditure considered in Administrative expenses may be listed out with value for each item.	The items of expenditure considered in Administrative expenses have been listed out.
(x).	<u>Depreciation</u>:	
	(a). As per clause 2.7.1. of the tariff guidelines, the depreciation has to be computed based on the straight line method with life norms adopted as per Companies Act or based on life norms prescribed in the concessional agreement whichever is higher. Confirm whether the computation of depreciation is as per this tariff guideline provision.	The Depreciation has been calculated based on straight line method with life norms adopted as per Companies Act.
	(b). The Companies Act, 2013 has been announced by the Ministry of Corporate Affairs. Confirm whether the depreciation rate considered by VCTPL is based on the provisions of Companies Act 2013. If so, then details of arriving at the depreciation rate based on the useful life of assets prescribed in the Companies Act	The depreciation rate adopted year-wise are as follows: (i). Lease Hold land improvement … 3.34% p.a. (ii). Building … 3.34% p.a. (iii). Plant & Machinery … 10.34% p.a. (iv). Office Equipment … 33.33% p.a. (v). Computers … 33.33% p.a.

	2013 may be indicated giving reference to the relevant provision in the said Act.	(vi). Furnitures & Fixtures … 6.33% p.a. (vii). Vehicles … 9.50% p.a. (viii). Softwares … 33.33% p.a. The depreciation rate has been adopted based on Companies Act, 1956. The company is in the process of identification of major components in its plant & machineries and estimate the useful life. Since there are no guide lines yet from the MCA on the methodology to be adopted for this, it takes time to switch over the depreciation as per Companies Act, 2013.
(6).	**Finance & Miscellaneous Income (FMI)**:	
(i).	Explain reasons for sudden increase reported in Finance & Miscellaneous Income (FMI) from ₹26.26 lakhs in the year 2011-12 to ₹93.92 lakhs in the year 2012-13 which in terms of percentage works out to 258%.	The FMI for 2012-13 includes Forex gain of ₹72.25 lakhs.
(ii).	Explain the basis for estimating FMI at uniform level of ₹25 lakhs in each of the years 2014-15 to 2016-17.	The FMI includes sale of scrap, Entry pass, penal interest etc. which are very nominal in nature and hence ₹25 lakhs per annum have been estimated year wise lump sum.
(7).	**Finance & Miscellaneous Expenses (FME)**:	
(i).	From the excel sheet "P&L Data", it is seen that the expenses relating to 'Contribution to Provident Fund' under the head of Finance and Miscellaneous Expenses (FME) shows steep increase of 75% in the estimates of the year 2013-14 as against actuals of previous year. Justify the steep increase.	The actual expenses related to 'Contribution to Provident Fund' have been incorporated in the revised cost statement. The increase during 2013-14 is due to revision of pay structures of employees as per the company policy and hence more PF based salary then earlier.
(ii).	Foreign exchange loss of ₹33.07 lakhs is estimated in the year 2016-17 under the head FME. Explain the circumstances and nature of the exchange loss considered by the VCTPL along with working for the estimate.	This has been removed from the revised cost statement.
(8).	**Capital Employed**:	
(i).	The values of gross fixed assets, depreciation, net fixed asset value for the years 2011-12 and 2012-13 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 should be reconciled.	The detailed reconciliation of Gross Fixed Assets, Depreciation and Net Block is furnished.
(ii).	Since the year 2013-14 is over the additions proposed to the gross block, depreciation and other related items should 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 as stated above.
(iii).	The additions to the Gross block estimated at ₹11.39 crores, ₹8.45 crores and ₹5.70 crores in the years 2014-15 to 2016-17 respectively should be substantiated with copies of work orders issued/ budgetary	The present status of additions to gross block from Year 2014-15 to 2016-17 has been furnished. The majority of the capex values have been planned based on quotations. However, some of the civil assets will be developed in house and therefore

	quotations, evidence of advance payments made, etc. The present status of each of the additions proposed to the gross block in the years 2014-15 to 2016-17 may be furnished indicating the expected date of commissioning of these additions.	estimate has been provided for the same. The detailed Revised Capex for Civil, Plant & Machinery, Computer, Office equipment, Furniture & Fixtures are furnished. A summary of the same is brought out in the subsequent paragraph.
(iv).	(a). The VCTPL has estimated addition to Plant and Machinery to the tune of ₹2.52 crores in the year 2013-14 and ₹4.13 crores in the year 2014-15 on the ground that part of it is towards regular course of business for up keeping the existing assets in a good condition. It is assumed that the benefit of the proposed capex is likely to continue beyond current tariff cycle. Confirm the assumption made in this regard.	The actual P & M Expenditure incurred in 2013-14 is ₹3.11 crores which has been capitalized and depreciation has been calculated @ 10.34% as per SLM according to the Companies Act, 1956. The capex plan for 2014-15 has also been assumed in the same line.
	(b). Since half of the year 2014-15 is already over, the VCTPL to indicate the actual capex incurred by VCTPL on each of the additions to the gross block proposed by it and substantiate it with documentary evidence.	The actual capex estimated and incurred as of September 2014 has been furnished. [From the details furnished by VCTPL, it is seen that of the additions to gross block estimated at ₹1243.95 in the year 2014-15, VCTPL has incurred capex of ₹317.44 lakhs as on the date of its reply of 3 November 2014.]
	(c). The VCTPL has proposed capex of ₹1.16 crores, ₹5.28 crores and ₹2.01 crores in phase-wise development of existing 6000 sq. mtrs. of area and additional 15,000 sq. mtrs. of land taken over from the VPT. In this regard, the following points may be clarified: (i). Indicate the capex incurred by VCTPL on this item in the years 2013-14 and 2014-15 (till 30 September). (ii). Confirm that the capex proposed for development of additional 15,000 sq. mtrs. of land taken over from VPT pertains to this project only. Certify that it does not include any capex relating to the new Container Terminal (extension) project awarded to VCTPL. (iii). The ground slots considered in the optimal yard capacity calculation show increase in ground slots from 2160 TEUs in the FY 2013-14 to 2520 TEUs in the FY 2014-15. It does not seem to capture the effect of increase in the yard capacity on account of phase-wise development of yard proposed by VCTPL. The VCTPL to review the yard capacity calculation in the light of the above observation.	(i). The capex incurred till 2013-14 is ₹188.85 lakhs which is lying in CWIP and not capitalized in books of accounts. The capex incurred from till September 30, 2014 during 2014-15 is ₹102.58 lakhs which is also in CWIP not capitalized till September 14. These CWIP of ₹291.43 lakhs will be capitalized during October 2014. (ii). The additional 15,000 sq. mtrs. of land taken from VPT is for VCTPL–I project only and not for the container terminal extension project (VCT-II). (iii). As per TAMP Guidelines, the TGS calculated for: (a). FY 2013-14 is 2160 i.e. 360 TEUs per hectare x 6 Hectare. (b). FY 2014-15, considering additional area developed, the TGS is 2412 i.e. 360 TEUs per hectare x 6.7 Hectare. (c). FY 2015-16, after development of remaining available area the TGS is 2520 i.e. 360 per hectare x 7 hectare.

		The capacity calculated for the year 2011-12 is 2,48,500 TEUs which is minimum of the Quay Capacity (2,48,500 TEUs) and Yard capacity (3,54,000 TEUs). The Optimum capacity for 2014-15 and 2015-16 has been revised to 3,95,500 TEUs and 4,13,000 TEUs respectively, based on TAMP Guidelines. VCTPL has also calculated its capacity based on its actual TGS available yard-wise. The capacity calculation in both methods works out to be more or less same.
(v).	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 increase the storage capacity to meet the increased traffic, 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 2014-15 to 2016-17.	The investment in yard development resulting in additional annual capacity of 49,000 TEUs. The other capex have been proposed to keep the existing assets in good condition for achieving the overall productivity standard envisaged in the LA.
(vi).	It may be confirmed that the entire expenditure in each of the years will be capitalised in the books of accounts and also that assets worth equal amount will be physically available for operation in the very same year. In this connection it may be borne in mind that capital work in progress is not counted towards capital employed for the purpose of allowing return.	The CWIP in the books are not capitalized and only the assets put to use are only capitalized in the books of accounts.
(vii).	Confirm that depreciation, insurance and repairs and maintenance cost on the additions to the gross block in the years 2014-15 to 2016-17 are estimated proportionately from the expected date of commissioning.	The depreciation, insurance and R&M expenditures are estimated based on expected capitalization date.
(9).	**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 estimation of Sundry debtors by VCTPL at one month's total revenue is not in accordance with the norms prescribed in the guidelines.	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 may please be considered for the working capital estimation.
(ii).	The consumption of stores and spares reported in Annual Accounts is ₹130.83 lakhs and ₹174.18 lakhs for the years 2011-12 and 2012-13. However the actual inventory consumption shown in the Form 4A at Sl. No.(VII) does not match with the figures reported in the Annual Accounts. The VCTPL 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.
(iii).	Form 4A shows that the actual inventory figures shown in the years 2011-12 to	Please refer above.

	2013-14 are considered as inventory allowable as per norms. The VCTPL to arrive at the inventory (excluding fuel and customized spares) allowable as per the norms prescribed in clause 2.9.9 of the 2005 guidelines.	
(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 current liabilities as reported in the Annual Accounts may be considered for the past period. Consequently, the estimates for the years 2014-15 to 2016-17 should also be modified based on the 2013-14 actuals.	The current liabilities reported in the Annual Accounts includes loan repayable on demand, interest accrued statutory liabilities etc. have been excluded to arrive at current liabilities in relation to the Operating Cost. The details are enclosed for 2011-12 to 2013-14. For 2014-15 to 2016-17, in proportion to the operating cost, the current liabilities for 15 days has been projected accordingly in the Form 4A.
(v).	**Form 6 - Analysis of efficiency gain improvement**. The basis of cost savings furnished in serial no-2 in Form 6 and efficiency gain of ₹6.74 lakhs, ₹45.53 lakhs and ₹18.07 lakhs claimed by VCTPL in the years 2011-12, 2012-13 and 2013-14 respectively, and estimated ₹23.45 lakhs in the years 2014-15 to 2016-17, is not clear. The variable cost per unit of electricity and diesel for the year 2014-15 to 2016-17 shows increase beyond the allowable escalation. The details furnished by VCTPL in this form do not establish reduction in variable cost for the year 2014-15 to 2016-17. The VCTPL to furnish the working of efficiency gain following the approach followed in the **Annex-I** attached to the last tariff Order and establish that reduction in unit rate is achieved due to efficiency. For this purpose the VCTPL may compare the relevant cost items during the period 2011-12 to 2013-14 covered by the last tariff Order with the corresponding items of actual variable cost incurred during the previous tariff cycle and conclusively establish that the savings, if any achieved, in the per ton cost is due to improvement in productivity/ efficiency.	The efficiency gain from 2011-12 to 2013-14 has been revised as per previous TAMP Order and furnished.
C.	**SCALE OF RATES**	
(1).	**Schedule 2 General**: The penal rate of interest prescribed under Note (iii) (b). may be updated if needed with the prevailing Prime Lending Rate of State Bank of India plus 2% as per the provisions in the tariff guidelines.	The latest revised PLR of SBI is 14.75%. Therefore, the penal interest rate prescribed in Note (iii) (b) has been updated to 16.75% p.a.
(2).	<u>Schedule 1.2. – Handling of Transshipment container</u>:	
(i).	Explain the reasons for proposing reduction in the handling charge for transhipment containers by 15.17% when the tariff for other items is proposed to be	As explained in earlier para, the current T/s rate is about USD 71 at VCTPL. The rate prevailing here is higher than the nearest ports of Singapore and Colombo. VCTPL has a natural draft of 16 meters

	increased by 22.90%.	which is the deepest amongst the major ports in the country and along with the locational advantage being in the Centre of east coast of India, Government of India has declared Vizag as a container transshipment port in the east coast as per National Maritime Development Programme (NMDP). To compete with the foreign ports mentioned above and attract more transshipment traffic to Vizag, we propose to reduce the transshipment rate from the current tariff level to ₹3,720/- (US $60/-) for a 20' container and ₹5,580/- (US $90/) for a 40' container. The cost would go down further after 40% reduction in one leg of the Transhipment containers. The additional Traffic would be initially for 20000-22000 TEUs and the entire annualized 80000-90000 TEUs can be also be retained by the port and attract the main line vessels. The reduction in Transhipment tariff would attract large parcel size vessels, attract new Main line vessels/ service as local cargo may not increase drastically and it is the Transhipment cargo which would grow in coming years at Vizag. This would lead to a healthy competition and induce reduction in Freight rates for other categories of containers. Automatically, the entire trade would get benefit out of this incentive. Keeping in mind the neighboring port competition, VCTPL wants to attract this category of containers by reduction in its tariff and therefore, it has kept it share of 80000-90000 TEUs per annum in its estimate.
(ii).	With reference to the point made by the VCTPL that proposed reduction in tariff is to attract cargo indicate additional traffic expected to be handled in view of reduction proposed in the tariff for transhipment container. Furnish revenue implications of the proposed reduction with detailed workings.	As explained above the existing transhipment volume can be retained by the terminal if the tariff is discounted, otherwise the gradually the VCTPL may lose out the T/s volume to its competitors. The negative impact on revenue would be ₹11.37 crores, ₹11.99 crores, ₹12.61 crores in FY 2014-15, 2015-16 and 2016-17 respectively as stated in the cost statement.
(3).	Explain reasons for proposing a lower level of tariff increase i.e. 5.17% for Sl. No.16 (Charges for providing gangway under Schedule 1.9. Additional charges) as against across the board increase of 22.90% sought in other tariff items.	As per earlier proposal there is no proposal to increase the tariff for Charges for providing gangway under Schedule 1.9. Additional charges @ 5.17%. It was proposed at the same level at 22.90%. However, after incorporating actuals of 2013-14, the Cost statement has been revised and accordingly, this tariff item has been proposed at the same rate as in the case of other tariff items.
(4).	<u>Schedule 2.4. - Charges for use of terminal facilities by vessels (NCV)</u>: Explain the reasons for proposing different percentage increase for different vessel size i.e. 20% increase for vessels of 10,001 to 30,000 GRT and 25% increase for vessels above 25,000 GRT as against 22.90% increase sought in other tariff items.	There was no proposal to increase at different rate for different size of bulk vessel. The overall increase is at the same rate proposed in the revised cost statement.

6. A joint hearing in this case was held on 7 October 2014 at the VPT premises. The VCTPL made a brief presentation of its proposal. At the joint hearing, the VCTPL, VPT and the concerned users/ organisation bodies have made their submissions.

7.1. Keeping in view the development that has taken place in the past 6 months, and post completion of the previous tariff cycle i.e. end of FY 2013-14, the VCTPL vide its letter dated 3 November 2014 has communicated the few changes made in the capital expenditure estimation, which are summarised below:

(A). Civil Assets:

(i). Rock Bund:
Year 2014-15

The rock bund structure both on the eastern end and near the CCR end need to be re-formed to make them more effective to take the wave attacks, otherwise, the sea water may enter inside and damage the yard. The estimated Capital Expenditure during 2014-15 is ₹36 lakh.

(ii). Relaying of Container Yard (4000 sqm):

The container yard (4000 sqm) in the terminal is not strengthened to stack laden containers and heavy equipment movement. This area has been primarily used to stack empty containers with reduced equipment movement over there. It is now required to strengthen the above said area to take load of equipment movement considering deployment of RTGCs for operation. Therefore an additional capital expenditure of ₹180 lakh has been estimated during 2014-15.

(B). Plant & Machinery:

Year 2015-16

(i). Major up-gradation of RMQC-1 & RMQC-2:

The existing 2 old RMQCs are 30 years old. It needs to be upgraded because of non-availability of spares. It is planned to replace the existing obsolete items with latest item like Digital Drive, Programmable Logic Controller (PLC), Absolute Encoders, sensors, operator cabin, control panel, new joy stick, Load cell system and Remotely accessible Crane Management system (RCMS). Since immediate replacement of the asset is not possible, it is planned to upgrade at a cost of ₹539 lakh for both QCs. Though the work is schedule to commence during the year 2014-15, we propose to capitalize it by 2015-16. This would also give a better salvage value at the time of replacement with the new RMQC.

(ii). Installation of Solar Plant 200KW:

Towards achieving our environmental goals, propose to get a portion of our total load connected to the on grid solar system which will help us in improving the carbon foot print. This will also ensure reduction in conventional energy cost.

(iii). CPIS and DGPS for the RTGCs (6 nos.):

Considering the very narrow space available between the adjacent RTG tracks, manual steering of RTGs poses high risk on collision of the RTGs and their subsequent structural damages. To avoid this, satellite based DGPS (Differential Global Positioning System) is planned to be implemented in all the 6 RTGs which will help the RTGs to auto steer and the same DGPS will be used to implement the Container Position indication System (CPIS) to get the position of each container updated into TOS.

The estimated Capital expenditure is ₹75 lakh per RTG to be incurred in 2015-16.

(iv). Reefer Platform with Mobile Points:

The reefer traffic through VCTPL has been constantly on the rise. Details of the reefer container volumes handled in VCTPL during the last 3 years are as shown below:

Year	TEUs	Variation
2011-12	7,189	
2012-13	9,443	31%
2013-14	12,401	31%

With the surge in reefer traffic, the inventories inside the terminal on particular days have increased requiring additional plug points. Temporary arrangements with mobile plugs were arranged in such situations and in long run it may not suffice. It is proposed to have additional reefer plug points (108 nos.) with platform type set up for monitoring the reefer containers. The capital expenditure of ₹183.60 lakh has been estimated during 2015-16.

(v). Replacement of Reach Stackers:

VCTPL has 2 laden and 2 Empty Reach Stackers which are more than 11 years old. To improve the yard efficiency and better stacking option, it is proposed to replace with new ones during 2015-16. The cost of the new Reach stackers have been estimated at ₹293 lakh each after considering scrap value of the old Reach stackers.

(vi). Replacement of RTGCs:

<u>Year 2016-17</u>

VCTPL has 2 old RTGCs which are of 22 to 24 years old:

Sr. No.	Make	Capacity	Year of Manufacture
1	IHI	30.5 MT	1990
2	Mitsui- Paceo	40.6 MT	1992

With the increase in traffic, the work load on these equipments have increased and resulted in frequent breakdown which is affecting the operational activities. It may be noted that as these cranes are more than 22 years old, there is a difficulty in getting critical spares for running these equipment efficiently. Hence it is proposed to replace these 02 no. of old RTGCs with the 2 new ones during the period 2016-17.

In addition VCTPL intends to purchase 2 more new RTGC during 2016-17. VCTPL requires 12 Yard equipments for efficient handling at the yard side. The replacement is planned during 2016-17 when the extension of the terminal takes place. This is done to get a better deal in equipment procurement from the crane manufactures along with that procured for the new container terminal.

(vii). Replacement of old RMQCs:

Year 2016-17 and 2017-18

VCTPL has 2 old quay cranes deployed for operation since inception in 2003. Details of these cranes are as below:

Sr. No.	Make	Capacity	Year of Manufacture
1	NKK	35. MT	1987
2	MITSUBISHI	35.6 MT	1984

As can be seen these cranes are more than 30 years old and are unable to handle large size vessels. These limitations often affect the overall operational performance on the vessel. It is, therefore, planned to replace one RMQC in 2016-17 and another one in 2017-18 (if required) with modern Quay crane which is capable of handling large container vessels, thereby maintaining present productivity levels. VCTPL has 02 quay cranes deployed for operation during 2012 and with the replacement of 02 old quay cranes with 2 new cranes, will have 4 no. of quay cranes for vessel operation by FY 2017-18.

The replacement is planned during 2016-17 and 2017-18 when the extension of the terminal takes place. This replacement also ensures a better deal in equipment procurement from the crane manufactures at the time when VCTPL has to procure new equipments for the new project.

(C). Information & Technology:

Year 2016-17

Terminal Automation System: The main purpose of Terminal Automation System is to enhance and upgrade the existing system by increasing its efficiency and effectiveness. The software improves the working methods by replacing the existing manual system with the automated gate operation system.

Features of the Gate Automation System include:

- Real time truck identification, access control and location tracking
- Container identification
- Driver identification and verification
- Seal Check

Stringent safety regulations and documentation requirements often cause long delays in the logistical flow potentially compromising the overall productivity of marine and intermodal terminal gates. Implementation of Gate Automation system is to optimize operational control and personnel safety through the enhanced visibility of vehicles, materials and logistical processes with integration of existing terminal IT infrastructure.

The capital expenditure of ₹119.34 lakh is, therefore, planned to be incurred in 2016-17.

7.2. In addition to above, the VCTPL has stated that the container volume for 2014-15 has dropped drastically on account of global downturn, depreciating rupee value and Hud Hud cyclone effect. The volume handled as of December 2014 is 1,87,880 TEUs (as against a volume of 1,99,414 TEUs till December of 2013-14) and expected to touch 2,51,000 TEUs (approx. in FY 2014-15) as against projected 2,75,000 TEUs in our earlier submission to the Authority.

7.3. A summary of the revised additions to the gross block proposed by VCTPL is given below:

(**₹ in lakhs**)

Particulars	**2014-15**	**2015-16**	**2016-17**	**Total**
Additional Yard development (ONGC Yard, CCR Yard & Yard near WS)	712.93	312.31	-	1025.24
Plant and Machinery	464.34	2360.61	7416.62	10241.57
Civil Assets	135.15			135.15
IT	144.12	250.53	50.57	445.22
Office Equipments	99.85	--	10.00	109.85
Furniture & Fixtures	5.00	5.00	5.00	15.00
Total	**1561.39**	**2928.45**	**7482.19**	**11972.03**

7.4. The year wise present status of the major capex drawn from the details furnished by VCTPL is summarised below:

For the year 2014-15

Particulars	**Amount**	**Status/ Basis for estimates**
Additional Yard development (ONGC Yard, CCR Yard & Yard near WS)	**712.93**	
(ii). Container yard relaying (4000 sqm approx.)	180.00	Estimates
(iii). ONGC Yard	291.43	Already Capitalized
(iv). Yard near new workshop	120.75	Quotation submitted
(v). Yard near new CCR	120.75	Quotation submitted
Plant and Machinery	**464.34**	
(i). Structural inspection as per the manufacture recommended procedure	200.00	Estimates
(ii). Energy monitoring system, Fuel Browser	104.34	Quotation submitted
(iii). Container weighment,DG-01, diesel monitoring system, etc.,	160.00	Estimates
Civil Asset	**135.15**	Estimates/ Quotation submitted
IT	**144.12**	Estimates / Quotations submitted
Office Equipments	**99.85**	Estimate / Quotation submitted
Furniture & Fixtures	**5.00**	Estimate
Total Capital Expenditure	**1561.40**	

For the year 2015-16

Particulars	**Amount**	**Status/ Basis for estimates**
Additional Yard development (ONGC Yard, CCR Yard & Yard near WS)	**312.31**	
Plant and Machinery	**2360.61**	
(i). Replacement of existing obsolete items like Digital Drive, Programmable Logic Controller (PLC), Absolute Encoders, sensors, operator cabin, control panel, new joy stick, Load cell system and Remotely accessible Crane Management system with latest items in QC1 and QC2	539.03	Quotations submitted
(ii). Solar plant for 200KW	164.35	Quotations submitted
(iii). Mobile fire tender, CPIS and DGPS for the RTGCs items for RTGCs, etc., online monitoring system	250.00	Quotations submitted
(iv). Health safety & Environment	13.50	Estimates

(v). Operational Equipments	1393.73	Estimates
IT	**250.53**	Quotations submitted
Furniture & Fixtures	**5.00**	Estimates
Total Capital Expenditure	**2928.45**	

For the year 2016-17

Particulars	Amount	Status
Plant and Machinery	**7416.62**	
Replacement of 1 RMQC and 2 RTGC, 2 new RTGCs & Electrical Installations	7116.62	Estimates
CPIS and DGPS for the RTGCs (75 lacs X 6)	300.00	Estimates
IT	**50.57**	Estimates & Quotation submitted
Office Equipments	**10.00**	Estimates
Furniture & Fixtures	**5.00**	Estimates
Total Capital Expenditure	**7482.19**	

7.5. As stated earlier, the VCTPL has updated the cost statement with 2013-14 actuals and revised the estimates for the years 2014-15 to 2016-17 and has furnished the revised cost statement. A statement showing the comparative position of the financial/ cost position for the years 2014-15 to 2016-17 as per the cost statement furnished by VCTPL in its original proposal of December 2013 vis-à-vis the revised cost statements filed under the cover of its letter dated 3 November 2011 is tabulated below:

(**₹ in lakhs**)

Sl. No.	Particulars	Original proposal of 23 December 2013			Updated proposal of 3 November 2014		
		Estimates			Estimates		
		2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
(i).	**Traffic (in TEUs)**	275,000	290,000	305,000	275,000	290,000	305,000
(ii).	Total operating Income	7719.16	8131.51	8543.79	8,571.75	9,014.14	9,459.96
(iii).	Total Operating Cost (including depreciation, management overheads and FMI – FME)	7664.95	8127.08	8888.80	7515.52	8265.79	9811.99
(iv).	Capital Employed	11968.15	11180.67	10093.56	12764.49	13805.06	18656.05
	Net surplus before interest and tax	54.21	4.43	(345.01)	1,056.23	748.35	(352.03)
(v).	ROCE	1914.90	1788.91	1614.97	2042.32	2208.81	2984.97
(vi).	**Net Surplus/ (Deficit)**	(1860.70)	(1784.47)	(1959.98)	(986.09)	(1460.46)	(3337.00)
(vii).	Net Surplus/ (Deficit) as % of operating income	-24.10%	-21.95%	-22.94%	-11.50%	-16.20%	-35.28%
(viii).	Average of three years	-23.00%			-20.99%		
(ix).	Cost saving due to efficiency / productivity improvement	23.45	23.45	23.45	2.70	2.70	2.70
(x).	Actual/Estimated ROCE before adjustment of efficiency improvement	0.45%	0.04%	-3.42%	8.27%	5.42%	1.90%
(xi).	Actual/ Estimated ROCE after adjustment of efficiency improvement	0.26%	-0.17%	-3.65%	8.25%	5.40%	-1.90%

7.6. The VCTPL has submitted that based on the revised cost statement a tariff increase of 28.09% is sought as against 22.90% proposed by it earlier for all containers excluding transhipment container. For transhipment containers, it has maintained 15.17% reduction as proposed by it in its original proposal.

8. After several reminders, the VPT vide its letter dated 5 January 2015 has furnished its response to the queries raised by us vide our letter dated 1 October 2014. Since the reply furnished by the VPT did not address all the queries raised by us, the VPT was again requested vide our letter dated 12 January 2015 to furnish the requisite information/ clarifications on the remaining points. The VPT vide its letter dated 2 February 2015 has furnished its response to few points. A summary of the queries raised by us and the corresponding replies furnished by the VPT is tabulated below:

<table>
<tr><th>Sl. No.</th><th>Queries raised by us</th><th>Reply furnished by VPT</th></tr>
<tr><td>(i).</td><td>(a). The VCTPL has projected container traffic of 2,75,000, 2,90,000 and 3,05,000 TEUs in the years 2014-15 to 2016-17 respectively. The traffic growth projected works out to 5.8% in the year 2014-15, 5.5% and 5.2% in the year 2015-16 and 2016-17 respectively. The VPT to comment on reasonableness of the traffic forecasted by VCTPL for the years 2014-15 to 2016-17 and also comment on the reasonableness of traffic mix given at page 6 of its proposal.</td><td>Container traffic handled at the port during the last 3 years is considerably stable as could be seen from the following table:
<table>
<tr><th>Year</th><th>Container Traffic in TEUs</th><th>Growth</th></tr>
<tr><td>2009-10</td><td>97,560</td><td></td></tr>
<tr><td>2010-11</td><td>145,434</td><td>49%</td></tr>
<tr><td>2011-12</td><td>234,345</td><td>61%</td></tr>
<tr><td>2012-13</td><td>247,311</td><td>6%</td></tr>
<tr><td>2013-14</td><td>262,091</td><td>6%</td></tr>
</table>
The CAGR of container traffic during the last 3 years works out to 5.75%. The economic developments in this region in the short run of the next 2-3 years may not have significant impact on container cargo at the port. However, higher CAGR up to 6% in the short run of 2-3 years may be considered in view of comparatively stable rupee value, adequate power supply, stable political environment, low rate of inflation and positive outlook for global economy in general and Indian Economy in particular (Trade and Development Report 2014-UNCTAD). Container traffic projections worked out accordingly is as under:
<table>
<tr><th>Year</th><th>5.75% growth</th><th>6% growth</th></tr>
<tr><td>2014-15</td><td>277,161</td><td>277,816</td></tr>
<tr><td>2015-16</td><td>293,098</td><td>294,485</td></tr>
<tr><td>2016-17</td><td>309,951</td><td>312,154</td></tr>
</table>
There has been substantial change in the traffic mix of container cargo during the period April to September 2014 as compared to the previous years. Transhipment cargo has declined considerably from about 25-30% to nearly 6% as could be seen from the following table:
(TEUs)
<table>
<tr><th>Sl. No.</th><th>FY</th><th>Local (Exp+Imp)</th><th>Transhipment</th><th>Restows</th><th>Total</th></tr>
<tr><td>1</td><td>2012-13</td><td>181,439 (73.42%)</td><td>64,291 (26.01%)</td><td>1,404 (0.57%)</td><td>247,134</td></tr>
<tr><td>2</td><td>2013-14</td><td>200,743 (76.59%)</td><td>60,246 (22.99%)</td><td>1,102 (0.42%)</td><td>262,091</td></tr>
<tr><td>3</td><td>2014-15 (April to September)</td><td>122,488 (92.34%)</td><td>8,098 (6.10%)</td><td>2,068 (1.56%)</td><td>132,654</td></tr>
</table>
In view of the above, the composition of container throughput reckoned in the proposal of VCTPL may not be realistic.</td></tr>
</table>

<table>
<tr><td></td><td>(b). The actual traffic handled by the VCTPL in 2013-14 may also be indicated.</td><td>The actual container traffic handled at VCTPL during 2013-14 is as under:
(TEUs)
<table>
<tr><th>Sl. No.</th><th>FY</th><th>Local (Exp+Imp)</th><th>Transhipment</th><th>Restows</th><th>Total</th></tr>
<tr><td>1</td><td>2013-14</td><td>200,743 (76.59%)</td><td>60,246 (22.99%)</td><td>1,102 (0.42%)</td><td>262,091</td></tr>
</table></td></tr>
<tr><td>(ii).</td><td>The VCTPL has reported actual royalty payment of ₹453.09 lakhs, ₹494.27 lakhs in the years 2011-12 and 2012-13 respectively and has estimated royalty of ₹471.63 lakhs, ₹657.21 lakhs and ₹747.25 lakhs in the years 2014-15, 2015-16 and 2016-17 respectively. The VPT to confirm whether the royalty figures furnish by the VCTPL is as per relevant provisions of the License Agreement. The royalty paid by the VCTPL for the year 2013-14 may also be indicated.</td><td>The actual royalty payment made by VCTPL for the years 2011-12, 2012-13 and 2013-14 is furnished.</td></tr>
<tr><td>(iii).</td><td>(a). Confirm whether the actual lease rent of ₹84.96 lakhs and ₹92.73 lakhs paid to VPT for the years 2011-12 and 2012-13 is as per the provisions of the LA entered with VCTPL. The lease rent paid by the VCTPL for the year 2013-14 may also be indicated.</td><td>M/s.VCTPL have paid the lease rentals of ₹78.71 lakhs for the year 2011-12, ₹78.71 lakhs for the year 2012-13 and ₹78.71 lakhs for the year 2013-14.</td></tr>
<tr><td></td><td>(b). Also confirm, whether the lease rent estimated for the years 2014-15 to 2016-17 at ₹85.90 lakhs for each of the years is as per the provisions of the License Agreement.</td><td>The lease rents estimated by VCTPL for the years 2014-15 to 2016-17 may be considered.</td></tr>
<tr><td>(iv).</td><td>(a). The VCTPL has assessed yard capacity in Annex-3 of its proposal at 3,53,769 TEUs p.a. for the years 2011-12 to 2013-14 and 4,12,731 TEUs p.a. from 2014-15 to 2016-17. The VPT to comment on reasonableness of the capacity assessed by the VCTPL considering the development of 6000 sqm. of existing area and taking over of 15,000 sqm. of additional land in the current tariff cycle.</td><td>With reference to the development of 6000 sq. mtrs. of existing area, it was not clear whether this existing area of 6000 sq. mtrs. was considered in assessing the yard capacity previously. Since, this allotment was stated out of existing area. However, considering the development of 6000 sq.m. of existing area and taking over of 15,000 sq. mtrs. of additional land in the current tariff cycle by VCTPL, the yard optimal capacity would increase by 247639 TEUs p.a. for the years 2014-15 to 2016-17 (0.7x((0.6+2.1)x720)x2.5x365)/1.3x3.</td></tr>
<tr><td></td><td>(b). Also, confirm allotment of the additional to VCTPL is as per the provisions of the LA and it pertains to the current container terminal being operated by VCTPL.</td><td>The VPT has not furnished its reply.</td></tr>
<tr><td></td><td>(c). Confirm allotment of additional land to VCTPL pertains to the current project. Also, confirm the said allotment of additional land is not related to the new Container Terminal (extension project) which is awarded to VCTPL.</td><td>The VPT has not furnished its reply.</td></tr>
<tr><td>(v).</td><td>The VCTPL has estimated additions to the Gross block to the tune of ₹11.39 crores, ₹8.45 crores and ₹5.69 crores respectively in the years 2014-15 to 2016-17 mainly in Plant and Machinery, IT, development of exiting additional land, etc. The VPT to comment on the reasonableness of the additions to the gross block estimated by the VCTPL.</td><td>The VPT has not furnished its reply.</td></tr>
<tr><td>(vi).</td><td>The Authority in the last tariff Order no.TAMP/10/2011-VCTPL dated 11 October 2011 had granted 16% increase in all the then prevailing SOR and made it to become effective</td><td>The VPT has not furnished its reply.</td></tr>
</table>

	from the date of commissioning of the 2 new RMQCs and 4 RTGCs or 1 January 2012 whichever is later. The VCTPL has reported that RTGCs were commissioned on October / December 2011 and RMQCs were commissioned in August 2012 and as per the Order of the TAMP, the revised rates were implemented by VCTPL from 1 September 2012. The VPT to confirm the date of deployment of RMQCs/ RTGs reported by the VCTPL, the numbers of each of these equipment deployed by VCTPL and also confirm the revised rates implemented by VCTPL is from 1 September 2012.	

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

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

(i). The existing Scale of Rates (SOR) of the Visakha Container Terminal Private Limited (VCTPL) approved by this Authority vide Order dated 11 October 2011 had the validity till 31 March 2014. 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 allowed 16% tariff increase in all the tariff items under Section-I of the then prevailing Scale of Rates (SOR) from 1 January 2012 or from the date the VCTPL commissions additional new equipment viz. 2 Rail Mounted Quay Cranes (RMQCs) and 4 Rubber Tyred Gantry Cranes (RTGCs) whichever is later. The VCTPL has reported that of 4 numbers of new RTGCs, 2 were commissioned in October 2011 and remaining 2 RTGCs commissioned in December 2011 and 2 numbers of new RMQCs were commissioned during August 2012. The VCTPL has reported that 16% increase in its Scale of Rates was effected from 1 September 2012 complying with the decision of this Authority in the October 2011 Order.

(ii). The original proposal filed by the VCTPL in December 2013 was for three years period covering 2014-15 to 2016-17. The estimates were based on 2013-14 figures which were partially actuals and partially estimates. Subsequently, the VCTPL has filed revised cost statements under cover of its letter dated 03 November 2014 updating the estimates of 2013-14 with actuals and has also modified the estimates for the years 2014-15 to 2016-17 based on 2013-14 actuals. Based on the revised cost statement, VCTPL has sought a tariff increase of 28.09% as against 22.90% proposed by it earlier for all containers excluding transshipment container. For transshipment containers, the VCTPL has proposed 15.17% reduction as proposed in its original proposal. The revised proposal filed by the VCTPL vide its letter dated 3 November 2014 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 and 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 2011-12 to 2013-14, by relying upon the estimates for the said years. As such, it is necessary to make a comparison of the estimates for the years 2011-12 to 2013-14 with the actuals for the said years.

(iv). The approach followed in the last tariff Order to arrive at the estimated position is adopted to assess the actual net surplus/ deficit for the years 2011-12 to 2013-14. The analysis of performance of VCTPL during the years 2011-12 to 2013-14 along with modifications done in the cost statement filed by the VCTPL is discussed below:

(a). The actual traffic handled by VCTPL is 2,34,697 TEUs, 2,47,134 TEUs and 2,62,091 TEUs during the years 2011-12 to 2013-14 respectively, as against the estimated traffic of 1,70,000 TEUs, 1,95,000 TEUs and 2,25,000 TEUs in the tariff Order of October 2011 for the corresponding period. The variation in the physical performance is 26% which is found to be more than 20%.

(b). As stated earlier, 16% tariff hike granted by this Authority in the Section (I) of the Scale of Rates tariff was effected by the VCTPL from 1 September 2012 i.e. from the date of commissioning of all the equipments envisaged in October 2011 Order which was linked to the increase in the tariff granted. Hence the income estimates considered in the last tariff Order for the tariff items covered under Section (I) of the SOR for the period from 1 September 2012 to 31 March 2014 are adjusted (increased) on pro rata basis to capture the effect of tariff increase of 16% effected by the VCTPL from 1 September 2012 for a like to like comparison with the actual income. The income estimates for the period from 1 April 2011 to 30 August 2012 are maintained as considered in the last tariff Order.

During the last tariff revision, this Authority had allowed the increase in deployment of operating and direct labour force and maintenance labour force estimated by VCTPL (on account of additional 2 RMQCs and 4 RTGCs) proposed to be deployed by VCTPL. This was subject to the condition that if the proposed development does not materialize the resultant impact at actuals, will be quantified in the next tariff review. It is seen that the VCTPL has deployed additional 2 RMQCs and 4 RTGCs in this tariff cycle. Hence, no adjustment is warranted on this account.

(c). The VCTPL has reported that concession was granted in the handling charges of transhipment containers and empty containers for repositioning through the terminal to encourage growth in exports. For the purpose of analysis of the past period, revenue realisable as per the approved Scale of Rates can only be considered. Therefore, discounts granted by VCTPL at its discretion in the actual income are not considered and added to the actual income reported in the Audited Annual Accounts.

(d). 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 relied upon in this analysis.

(e). 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. The said admissible percentage of 49% has been arrived in the VCTPL case in the earlier Order of VCTPL with reference to the Per TEU royalty indicated in the License Agreement and is based on the net present value of the revenue stream quoted by the second highest bidder.

As per the provisions of the LA, the VCTPL is bound to pay royalty on the Minimum Guaranteed Throughput (MGT) levels, in case the actual traffic handled is less than the level of MGT. The MGT indicated by VCTPL for the years 2011-12 to 2013-14 are 2,00,200 TEUs, 2,17,400 TEUs and 2,35,400 TEUs respectively, whereas the actual traffic handled by VCTPL is reported at 2,34,697 TEUs, 2,47,134 TEUs and 2,62,091 TEUs for the corresponding period which is above the MGT level. The Annual Accounts for the years 2011-12 to 2013-14 show royalty payment of ₹453.09 lakhs, ₹494.26 lakhs and ₹823.96 lakhs. As was done in the last tariff Order, the VCTPL has arrived at royalty payment on the actual traffic handled by it during the years 2011-12 to 2013-14 with reference to the per TEU rate of royalty as per the License Agreement and considered the royalty payment to the extent of second highest bidder i.e. 49% as pass through at ₹222.01 lakhs, ₹242.19 lakhs and ₹403.74 lakhs for the years 2011-12 to 2013-14. The same is considered as it is in line with approach followed in the last tariff Order.

(f). 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.

(g). The Annual Accounts for the year 2012-13 under “other Income” report recovery of Liquidated Damage (LD) of ₹342.19 lakhs. It is seen from the Annual Accounts that the recovery of LD has arisen on account of delay in delivery of equipment by the supplier. Since the nature of the income is not a routine income from the container handling operations, the said income is not considered in the past period analysis in line with the approach followed by the VCTPL. Incidentally, this did not form part of the estimates considered in the tariff fixation in the last tariff Order.

(h). The Annual Accounts of the VCTPL reports net foreign exchange gain of ₹72.25 lakhs in the year 2012-13 and net foreign exchange loss of ₹24.08 lakhs in the year 2011-12 and ₹994.34 lakhs in the year 2013-14.

The VCTPL has furnished the break up of the actual foreign exchange gain/ loss reported in the Annual Accounts. From the details furnished by the VCTPL it is seen that of ₹72.25 lakhs of foreign exchange gain reported in the year 2012-13, ₹10.97 lakhs pertains to restatement of buyers credit and ₹51.00 lakhs pertains to cancellation of forward contract. 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. Hence, foreign exchange gain reported on account of restatement of buyers credit is not considered. This is in line with the approach followed in the tariff fixation of other private terminals also which are governed by 2005 guidelines. Further, in the case of VCTPL, foreign exchange gain as well as loss on account of forward contract cancellation are also reported. The nature of foreign exchange gain/ loss on forward contract cancellation remains unexplained. This item was not considered in the last tariff Order. Hence while reviewing the actuals also, this foreign exchange gain/loss on account of cancellation of forward contract are not considered for a like to like comparison with the estimates. Accordingly, foreign exchange gain to the tune of ₹61.98 lakhs i.e. aggregate of ₹10.98 lakhs and ₹51.00 lakhs in the year 2012-13 are excluded.

Following the same approach, for the year 2011-12, foreign exchange loss of ₹1.08 towards restatement of management fee and ₹134.24 lakhs towards restatement of buyers credit and foreign exchange gain of ₹114.36 lakhs due to forward contract cancellation aggregating to foreign exchange loss ₹20.96 lakhs (₹1.08 + ₹134.24 - ₹114.36) is excluded. For the years 2011-12, foreign exchange loss of ₹992.68 lakhs towards restatement of buyers credit is excluded. All other items of foreign exchange gain/loss which are of routine transaction for purchase of stores, etc. are considered in the cost statement.

(v). 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 2011-12 to 2013-14. During the last tariff revision, this Authority had allowed TSF as part of operating costs relying on the certificate issued by its Chartered Accountant certifying arms length relationship of the transaction and this was subject to the condition that the VCTPL will produce copies of the IT Assessment Orders at the time of next tariff review.

The VCTPL has now furnished IT assessment Orders for the Assessment Years viz. 2004-05 to 2009-10. On perusing the copies of the IT Assessment Orders furnished by the VCTPL for the assessment years 2004-05 to 2009-10 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.

However, with reference to the Assessment year 2010-11 (FY 2009-10), the copy of Assessment Order shows that the Assessing Officer has disallowed the TSF for the last five financial years i.e. 2003-04 to 2007-08 claimed as expenditure by the VCTPL as the payment is made by the VCTPL in the A.Y. Year 2010-11. The Assessing Officer has disallowed this expenditure in the A.Y. 2010-11 on the grounds that the expenditure on TSF claimed by VCTPL in the A.Y. 2010-11 pertains to the previous years for which provision for payment of the TSF was already made by the VCTPL. The VCTPL is understood to have filed an appeal against the said Assessment Order. The Appellate Authority viz. Commissioner of Income Tax (CIT) Appeals has vide his Order dated 4 April 2013 passed an Order with reference to the appeal filed by the VCTPL on the IT assessment for the Assessment year 2010-11. On perusing this document it is understood that the CIT Appeals in the said Order has held that VCTPL has made a provision towards TSF every year which proves that it has recognised its liability to pay the management fee (TSF) arose at the end of every year. Citing this, the deduction of expenditure claimed by the VCTPL for the years 2004-05 to 2009-10 in the A.Y. 2010-11 has been disallowed by the CIT. At the same time, the CIT has allowed management fee as expenditure in the respective A.Y.s 2004-05 to 2009-10.

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. It is seen that the IT department has allowed TSF for the assessment years 2004-05 to 2009-10. Since clause 2.8.2. requires to assess the reasonableness of the transaction only with reference to arms length relationship of the transaction which is not contested by the IT department, this Authority allows this expense for the past period 2011-12 to 2013-14. Thus, the amortised technical service fee of ₹15.70 lakhs with reference to the first contract is considered for each of the years 2011-12 to 2013-14 in line with the approach followed in the last tariff Order.

The old contract for TSF entered for a period of five years from June 2003 till June 2008 has subsided. During the last tariff revision, the VCTPL had reported that it has entered into a new contract on 10 March 2011 with DP World FZE (DPWF) for providing technical knowhow for the new equipment, for a period of five years. This Authority in the last tariff Order as brought out in para 12 (xvii) had not allowed technical service fee arising out of the new (second) contract entered by VCTPL as arms length relationship in respect of the earlier transaction was also not conclusively established during the last tariff revision by way of submitting IT Assessment Order. This Authority held that the impact of the new contract will be reviewed at the time of the next review provided the VCTPL furnishes the relevant Income tax Assessment Order allowing the TSF as an item of cost for income tax purpose and also furnishes documentary evidence to support the actual payment of TSF arising out of the new contract. Since the TSF for the new contract was not considered in the estimates for the years 2011-12 to 2013-14, the same may not be considered while reviewing the actuals in line with the decision of this Authority in the last tariff Order for a like to like comparison. By not admitting this expense, the VCTPL will not be in a disadvantageous position because this item is reviewed in the current tariff cycle and the total TSF of the second contract considered by the VCTPL for the period of five years 2011-12 to 2015-16 is being admitted as expense for the future tariff by amortising over the balance project period i.e. from the year 2014-15 as brought out in the subsequent paragraphs.

(vi). In the last tariff order of October 2011, the write-off of preliminary expenses was considered at ₹12.53 lakhs for the years 2011-12 to 2013-14. The Annual Accounts for the years 2011-12 to 2013-14 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 year 2011-12 to 2013-14.

(vii). As regards lease rents, the VPT has stated that lease rent paid by VPT is ₹78.71 lakhs uniformly for each of the years 2011-12 to 2013-14. The VPT has remained silent and not explained reasons as to why the lease rent reported by VCTPL at ₹84.96 lakhs and ₹92.73 lakhs for the years 2011-12 and 2012-13 respectively are higher than the lease rent indicated by the port. Since, the lease rent reported by the VCTPL as per the Audited Annual Accounts, the lease rent as per the Audited Annual Accounts of VCTPL is considered in the past period analysis.

(viii). (a). 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.

(b). 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 unamortised 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.

(ix). The admissibility of working capital is analysed below:

(a). The VCTPL has considered one month operating income as Sundry Debtors for the years 2011-12 to 2013-14. 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 refining 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 2011-12 to 2013-14 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 as per the Annual Accounts for the years 2011-12 to 2013-14 subject to exclusion of loan repayable on demand, current maturity of long term debt, interest accrued on borrowings, statutory liability payable on purchase of fixed assets and payable to VPT, provision for gratuity, provision for compensated absences etc. The current liabilities like payable on purchase of fixed assets, payable to VPT, provision for gratuity, provision for compensated absences are considered as part of current liabilities in our analysis.

(f). Subject to the above adjustments, Working Capital works out to be negative. Hence, it is considered as NIL. Thus, the Capital Employed comprises of only Net Block of Assets at ₹5,651.54 lakhs, ₹13,041.93 lakhs and ₹11,964.29 lakhs for the year 2011-12 to 2013-14 respectively.

(x). In the last tariff Order of October 2011, Return on capital employed was allowed at 16% for the years 2011-12 to 2013-14. The same position is maintained while analyzing the actuals for the said years.

(xi). (a). A copy of the cost statement showing the actual vis-à-vis estimates for the past period 2011-12 to 2013-14 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 years 2011-12 to 2012-13 in absolute terms (₹ in lakhs)**		**Variation in %**
	Estimates as per tariff Order	**Actuals**	
Traffic (in TEUs)	5,90,000	7,43,922	26%
Operating Income	15,970.71 *	22,800.01	43%
Total Expenses	**13,112.44**	**15,711.71**	19.8%
Surplus/ deficit before Return	**2,858.27**	**7,088.30**	148%
Capital Employed (Average)	12,435.30	10,219.25	-18%

Particulars	Aggregate for the years 2011-12 to 2012-13 in absolute terms (₹ in lakhs)		Variation in %
	Estimates as per tariff Order	Actuals	
16% Return on Capital Employed for the three years 2011-12 to 2013-14	5,968.95	4,905.24	-18%
Net Surplus after ROCE (before adjustment of past surplus)	(-)3,110.67	2,183.06	
Adjustment of Past period surplus assessed in October 2011 Order	2,402.46	-	
Net Surplus after ROCE (after adjustment of past surplus)	(-)708.21	2,183.06	

***** *The operating income estimates are updated to reflect the effect of tariff increase granted in tariff Order of October 2011 implemented by the VCTPL from 1 September 2012 after deployment of RMQCs and RTGCs.*

(b). The findings of the analysis with reference to the past period relating to the years 2011-12 to 2013-14 are given below:

(i). The actual aggregate traffic handled by the VCTPL is 7,43,922 TEUs as against the estimated traffic of 5,90,000 TEUs during the years 2011-12 to 2013-14. The variation in the physical parameters i.e. actual traffic handled is 26% positive in comparison to the estimates.

(ii). The operating income earned by the VCTPL is ₹228.00 crores as against estimation of ₹159.71 crores for the corresponding period resulting in positive variance of 43%.

(iii). On the expenditure side, the actual aggregate expenditure for the three years is ₹157.12 crores as against the estimated expenditure of ₹131.11 crores in the last Order for the corresponding period. The total actual expenditure thus shows positive variance of 19.80% in comparison to the expenditure estimated in the last tariff Order.

(iv). The average capital employed for the years 2011-12 to 2013-14 is ₹102.19 crores as against average estimated capital employed of ₹124.35 crores. The variation in the average capital employed comes to 18% negative.

(v). As per the cost statement prepared by us, the VCTPL has earned surplus of ₹2629.78 lakhs, ₹2117.93 lakhs and ₹2340.59 lakhs before return which aggregates to average surplus of ₹2362.77 lakhs for the years 2011-12 to 2013-14. The average return earned on the average capital employed thus works out to 23.1%, as shown in the following table:

(₹ in lakhs)

Particulars	2011-12	2012-13	2013-14	Average
Actual Surplus before return earned by VCTPL	**2629.78**	**2117.93**	**2340.59**	**2362.77**
Actual Capital Employed	5,651.54	13,041.93	11,964.29	**10,219.25**
Actual Return earned on capital employed	46.5%	16.2%	19.6%	23.1%

(vi). It can be seen from the above analysis that the variation in the physical parameter i.e. actual traffic handled and financial performance in terms of operating income are more than +20%. Further, as per the above table, the VCTPL has earned average return of 23.1% on the capital employed as against 16% return allowed in the last tariff Order.

As per clause 2.13 of the tariff guidelines, if review of actual physical and financial performance for the previous tariff cycle shows the variation of more than + or – 20%, then 50% of such accrued benefit / loss has to be adjusted in the next tariff cycle. Hence there is a case to adjust the past surplus in the current tariff cycle of VCTPL, as per the tariff guidelines of 2005.

(vii). Before considering adjustment of additional surplus for the past period, it is relevant to deal with a decision taken by this Authority in the October 2011 Order. During the last tariff revision there was some element of doubt on the presumption/ estimates furnished by the VCTPL as regards the income from Non Container Vessel (NCV). As brought out in para 12(vii)(b) of the said Order based on the submissions then made by the VCTPL that it anticipated a significant fall in income from this source in future years, this Authority relied upon income from NCV as estimated by VCTPL subject to the condition that if any positive variation is found in actual vis-à-vis the estimated NCV income, such accrual will be set off fully in the next tariff review.

Thus, while reviewing the actuals vis-à-vis the estimates, it is observed that as against estimated income from NCV at ₹30 lakhs per annum i.e. aggregating to ₹90 lakhs, the actual aggregated income earned by the VCTPL for the corresponding period is ₹287.41 lakhs. The variation in absolute terms is ₹197.41 lakhs positive i.e. VCTPL has earned ₹197.41 lakhs higher than the estimates and in terms of percentage it works out to 219.34%. In view of the above, in line with the decision of this Authority, the additional income earned by VCTPL over estimates level i.e. ₹197.41 lakhs is fully set off in the current tariff cycle. Since, a decision to finally adjust the additional income has been already taken on the ground of doubts on the estimation of VCTPL which ultimately is proved correct, this Authority is not in a position to accede to the request of VCTPL to consider only 50% for set off.

(viii). Now coming to the adjustment of the additional surplus assessed for past period 2011-12 to 2013-14. It is relevant here to note that since the additional income from NCV already captured for the years 2011-12 to 2013-14, the balance actual additional surplus after excluding the NVC related income is considered for set off to the extent of 50%, as per provisions of the tariff guidelines of 2005. To summarise, the surplus (after permissible return) for the years 2011-12 to 2013-14 that is being considered for adjustment in the current tariff cycle is as follows:

(₹ **in lakhs**)

Particulars	**₹ in lakhs**	**To be set off**	**Considered for adjustment**
Additional Income from NCV (₹287.41 lakhs – ₹90 lakhs)	197.41	**100%**	**197.41**

Total actual Additional Surplus assessed for the years 2011-12 to 2013-14 less the income from NCV (₹2183.06 lakhs – ₹287.41 lakhs)	1895.65	**50%**	**947.82**
Total additional surplus to be considered for setoff			**1145.23**

(ix). Thus, the actual surplus of ₹1145.23 lakhs earned by VCTPL over and above the admissible cost and permissible return during the years 2011-12 to 2013-14 is to be adjusted in the future tariff. In the tariff cases of few other private terminals like the Gateway Terminals of India Limited (GTIPL), Chennai Container Terminal Private Limited (CCTPL), TM International Logistics Limited (TMILL) and in the recent case of the South West Port Limited etc., where significant amount of past surplus arose for adjustment and where there was a case for reduction in their existing tariff, this Authority, in order to smoothen the fluctuation in the tariff and to avoid the artificial reduction in tariff in one cycle, has considered to adjust such past surplus over five years period.

In the instant case, as can be seen as we progress further with the analysis, the cost position, for the future period reflects a deficit position which necessitates upward revision of tariff over the existing level of tariff. It is not appropriate to grant increase in the tariff in the current cycle learning some part of the past surplus for adjustment in the next tariff cycle. It is, therefore, desirable to exhaust the adjustment of the assessed past surplus in this tariff cycle itself before considering tariff increase. Hence, ₹1145.23 lakhs is considered to be set off equally during the three years 2014-15 to 2016-17 in current tariff cycle.

(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 in respect of VCTPL is done for a three year period i.e. 2014-15 to 2016-17. The actual throughput handled by VCTPL is 2,62,091 TEUs in the year 2013-14. As against that the traffic estimated by VCTPL for the years 2014-15 to 2016-17 is 2,75,000 TEUs, 2,90,000 TEUs and 3,05,000 TEUs respectively. The growth projected in traffic is 4.93%, 5.45% and 5.17% for the years 2014-15 to 2016-17 respectively over the actuals/ estimates of the respective previous years and the average growth rate comes to 5.18%. The VCTPL has stated that traffic has been forecasted considering the competition from the neighboring ports, deprecation in dollar value and moderate economic growth in coming years.

When the VPT was requested to express its views on the reasonableness of the traffic projection made by the VCTPL, the port has stated that the container traffic handled at the port during the last 3 years is considerably stable and has reported that the VCTPL has achieved traffic growth of 61% in the year 2011-12 and 6% growth in traffic in each of the years 2012-13 and 2013-14 over a previous years traffic.

Whilst VPT has furnished traffic projections with two scenarios, i.e. Compounded Annual Growth Rate (CAGR) of 5.75% and 6% respectively, it has stated that traffic growth rate of 6% can reasonably be considered for estimation of VCTPL traffic for the next two to three years in view of comparative stable rupee value, adequate power supply, stable political environment, low rate of inflation and positive outlook for global economy in general and Indian Economy in particular. The VPT has accordingly projected the container traffic of VCTPL applying 6% growth at 2,77,816 TEUs, 2,94,485 TEUs and 3,12,154 TEUs for the years 2014-15 to 2016-17 respectively.

As regards the container traffic for the year 2014-15, it is relevant to state that the VCTPL during the advance stage of processing of this case has submitted that container volume for 2014-15 has dropped drastically on the account of global downturn and Hud Hud cyclone in Visakhapatnam. It has reported that the actual container traffic handled as of December 2014 is 1,87,880 TEUs (as against estimated traffic of 1,99,414 TEUs till December of 2013-14) and hence it expects reduction in container traffic projection from 2,75,000 TEUS estimated in the cost statement to 2,51,000 TEUs for the year 2014-15. The VCTPL has requested to consider traffic estimate of 2,51,000 TEUS for the year 2014-15. In view of the above submissions made by the VCTPL about drop in the container traffic due to hud hud cyclone and also since it is reportedly based on the actual traffic handled by the VCTPL in the year 2014-15 for nine months i.e. upto December 2014, revised traffic estimates indicated by the VCTPL for the year 2014-15 at 2,51,000 TEUs is considered by us in the modified cost statement.

As regards the container traffic projections for the year 2015-16 and 2016-17, it is seen that there is no wide gap between the traffic projected by the VCTPL and VPT. The VPT has for various reasons emphatically stressed to consider the traffic growth of 6%. It is also seen that VCTPL has in the past two years achieved growth rate of 6% in the traffic. That being so, for the years 2015-16 and 2016-17, the traffic estimated by VPT at 2,94,485 TEUs and 3,12,154 TEUs is considered. In any case, as stated earlier, the traffic projected by VCTPL for the years 2015-16 and 2016-17 does not vary widely from the estimates of VPT.

The share of actual transhipment container handled in the years 2012-13 and 2013-14 is reported to be 26% and 23% of the total traffic handled by the VCTPL. For the years 2014-15 to 2016-17, the VCTPL has estimated the share of transshipment container at 30% of the total estimated traffic projections. The VPT has pointed out that there is drop in the transhipment of container traffic in the year 2014-15 (upto September 2014) and hence the container mix for this category projected by the VCTPL may not be realistic. It is seen that the VPT has made this point based on the six months container traffic handled in the year 2014-15. Whereas the proportion of transshipment category in the previous two year were in the range of 23% to 26%, further, it is relevant here to state that the VCTPL has submitted that Vizag port is declared as a container transshipment port in the east coast by the Government as per National Maritime Development Programme (NMDP) and it proposes to attract large parcel size vessels and expects this category of container to grow in coming years at Vizag. The proposal of VCTPL to reduce tariff for their category to maintain and attract transshipment container is noteworthy. In view of the above position, brought out by the VCTPL, the percentage share of container mix of transshipment container considered by the VCTPL is relied upon and considered for all the years under consideration. The percentage share of container mix of all categories of containers as considered by VCTPL is also relied upon and considered on the modified traffic projections.

(xiii). (a). The container operating income estimated by VCTPL in the cost statement for the years 2014-15 to 2016-17 is ₹7631.20 lakhs, ₹8039.20 lakhs and ₹8447.13 lakhs respectively.

The VCTPL has furnished detailed working of income estimation based on the existing level of tariff and the traffic projections. From the workings furnished by VCTPL, it is seen that, though the income for all the items is estimated by the VCTPL at the existing tariff level, in respect of transhipment containers, the income estimates are found to have been done at rates lower than rates applicable as per the existing Scale of Rates. In our analysis, the income from transhipment container is estimated as per the existing rates prescribed in the SOR for the transshipment containers. Subject to above modification, the income estimates are considered following the approach followed by VCTPL except for estimating it on modified traffic projections. The modified container operating income considered in the cost statement for the years 2014-15 to 2016-17 are ₹7271.06 lakhs, ₹8530.75 lakhs and ₹9042.59 lakhs respectively.

(b). The other operating income estimated by the VCTPL at ₹940.56 lakhs, ₹974.93 lakhs and ₹1012.82 lakhs for the years 2014-15 to 2016-17 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, income from Non Container Vessels (NCVs), etc. The VCTPL has furnished detailed working to arrive at the estimated other income except for the income estimated from berthing of NCVs. The other income estimated by (other than income from NCV) the VCTPL is relied upon and considered in the analysis subject to modification in view of modification done in the traffic estimation.

As regards income from berthing of NCVs, it is relevant here to mention that the actual income reported from this tariff item is ₹240.19 lakhs, ₹39.83 lakhs and ₹7.38 lakhs during the years 2011-12 to 2013-14 respectively. As against that, the income estimated from NCV is ₹5 lakhs per annum during each of the years 2014-15 to 2016-17. When requested to justify the reasons for steep reduction estimated from this category, the VCTPL has categorically stated that income from NCV is not a regular income. The berth of VCTPL is provided as and when VPT needs to berth the NCVs for shorter duration for lightening purpose due to draft restrictions in the inner Harbour of VPT or non-availability of berth in the Port. As per LA, VCTPL has to extend the berth to the VPT in case of its requirement. The VCTPL has opined that since the VPT is dredging the Inner Harbour for deeper draft, it will restrict the number of NCV's calling its terminal and hence the VCTPL expects to earn a marginal revenue of ₹5 lakhs per annum. The VPT has not made any adverse comments on the income estimated by the VCTPL from NCV.

Relying on the above submissions made by the VCTPL income from NCV under the head 'others' as estimated by VCTPL is considered. Subject to above analysis, the modified other operating income comes to ₹910.80 lakhs, ₹1066.18 lakhs and ₹1128.93 lakhs for the years 2014-15 to 2016-17 respectively.

(c). Thus, to summarize, the income estimated by the VCTPL is relied upon and considered except for modification in the unit rate adopted by VCTPL for income estimation of transshipment containers and all the tariff items are estimated for modified traffic projection considered for the year 2014-15 to 2016-17, as explained earlier. The total revised income for the years 2014-15 to 2016-17 comes to ₹8181.86 lakhs, ₹9596.93 lakhs and ₹10171.52 lakhs respectively as against ₹8571.75 lakhs, ₹9014.14 lakhs and ₹9459.96 lakhs estimated by the VCTPL for the corresponding period.

(xiv). Clause 2.5.1. of the revised tariff guidelines requires that the expenditure projections of the major ports / terminal operators should be in line with traffic adjusted for price fluctuations with reference to current movement of Wholesale Price Index (WPI) for all commodities as announced by the Government of India. The escalation factor to be adopted in respect of tariff cases to be disposed during the year 2014-15 is announced at 6%. Annual escalation applied by the VCTPL for estimating some of cost items like manpower cost, fuel cost, etc., is at 10% and power cost is at around 13% which is found to be higher than the permissible level. In our analysis, the estimate for the years 2014-15 and 2015-16 are modified applying the annual escalation factor of 6% over the actuals / estimate of respective previous years wherever the annual escalation applied by the VCTPL is higher than the stated level.

(xv). The strength of manpower for estimating operating and direct labour cost and maintenance labour cost is estimated at the level of 2013-14 i.e. at 94 and 82 respectively for each of the years 2014-15 to 2016-17 which is relied upon.

The actual average cost of operating and direct labour and maintenance labour considered by VCTPL is ₹2.92 lakhs per annum and ₹4.15 lakhs per annum respectively during the year 2013-14. The estimates of the operating and direct labour are seen to be escalated by 10% per annum for each of the years 2014-15 to 2016-17 over the estimates of respective previous years. In our analysis, the estimates for the years 2014-15 to 2016-17 are moderated applying escalation factor of 6% 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 2013-14 is reported at 16.45 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 2013-14 based on which the average power consumption is reported at 16.45 unit/TEU. For the years 2014-15 to 2016-17, the VCTPL has estimated power consumption of 19.00 units/TEU, 17.59 units/TEU and 17.42 units/ TEU respectively. The reasons for increase in power consumption from the actual power consumption of 16.45 units/ TEU units in the year 2013-14 to 19 units/ TEU in the year 2014-15 and to the level estimated above for the years 2015-16 and 2016-17 remains unexplained. The power consumption per TEU for the year 2014-15 is, therefore, considered at the level of 2013-14.

As regards power consumption for the year 2015-16 and 2016-17 it is seen from the detailed computation of power consumption furnished that the VCTPL expects reduction in power consumption at other Areas (IT, Gate Complex, Workshop, Substation, Canteen) from 3,42,132 units in the year 2013-14 to 62,565 unit in 2015-16 and 85,674 units in the year 2016-17 due to installation of Solar Plant in the year 2015-16. The reduction in power consumption in other areas is, therefore, considered in our cost statement at the level estimated by the VCTPL. On account of this, the average power consumption of 16.45 unit in the years 2013-14 and 2014-15 gets reduced to 15.36 units/ TEU and 15.42 units/ TEU for the years 2015-16 and 2016-17 respectively. Accordingly, modified power consumption of 15.36 units/ TEU and 15.42 unis/ TEU is considered for the years 2015-16 and 2016-17 respectively. Power cost is estimated for the modified traffic estimation.

(ii). The VCTPL has considered the total per unit power cost at ₹9.59, ₹10.92 and ₹12.39 for the years 2014-15 to 2016-17 respectively. The increase in the total per unit cost power considered by the VCTPL is 13%, 14% and 13% for the years 2014-15 to 2016-17 respectively over the actual/ estimates of the respective previous years. The escalation factor applied by the VCTPL is higher than the admissible level of 6% per annum. Hence, the escalation in the unit cost of power is restricted to 6% per annum as explained in the subsequent paragraph.

The average total actual unit cost of power for the year 2013-14 reported by the VCTPL is ₹8.51 comprising of variable cost of ₹7.57 per unit and the remaining `0.93/ 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 2014 to September 2014 to substantiate this figure. That being so, actual average variable power cost reported for the year 2013-14 is taken as the base and escalated by the admissible escalation level of 6% per annum for each of the years 2014-15 to 2016-17.

As regards the fixed cost, the VCTPL has estimated increase in the KVA demand from 990 KVA/ month in the year 2013-14 to 1100 KVA per month for each of the years 2014-15 to 2016-17, which is relied upon in this analysis. The VCTPL has maintained the fixed cost at the same level of ₹350/ KVA. In our analysis, 6% 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 ₹9.21, ₹9.66 and ₹10.16 for the years 2014-15 to 2016-17 respectively.

(b). The actual fuel consumption reported by the VCTPL for the year 2013-14 is 1.76 litres per TEU. The VCTPL has estimated fuel consumption of 1.90 litres per TEU for each of the years 2014-15 to 2016-17. Since the fuel consumption estimated by the VCTPL is comparable and in fact lower than the average fuel consumption of 1.96 litre per TEU for the years 2011-12 to 2013-14, the fuel consumption at 1.90 litres per TEU is considered as estimated by the VCTPL.

The unit cost of fuel considered by VCTPL for the year 2013-14 is ₹63.24 per litre. For the subsequent years 2014-15 to 2016-17, the VCTPL has estimated annual escalation of 10% which is moderated and considered at 6% per annum.

(c). The VCTPL has stated that repairs and maintenance cost is estimated by applying an escalation factor of 6% over the actual repairs cost for the year 2013-14. 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 same approach is stated to have been followed by the VCTPL for estimating this cost item for the subsequent years 2015-16 and 2016-17. It is relevant to state here that the actual repairs and maintenance cost including stores and spares consumed for the year 2013-14 is reported at ₹474.68 lakhs. As against that the repairs and maintenance cost including stores and spares estimated by the VCTPL for the years 2014-15 to 2016-17 is ₹861.27 lakhs, ₹674.92 lakhs and ₹809.98 lakhs respectively. The increase in the repairs and maintenance cost for the year 2014-15 works out to 81% over the actual repairs and maintenance cost reported for the year 2013-14.

It is seen that, the repairs and maintenance cost estimated by the VCTPL for the year 2014-15 also include ₹160 lakhs towards one time major repairs/ refurbishment for the old RTGCs and ₹114.55 lakhs lakhs towards major repair cost for jetty and its structural integrity test.

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 2014 is taken as the base escalated by applying annual escalation of 6% for each of the years 2014-15 to 2015-16.

In order to take care of incremental repairs and maintenance cost on the proposed assets to be added in this cycle, the repairs and maintenance cost is estimated at 1% on the civil assets and 2% of mechanical equipment 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.

The total one time repair and maintenance expense estimated by the VCTPL of ₹274.55 lakhs (i.e. ₹160 lakhs and ₹114.55 lakhs) in the year 2014-15 which is substantiated with copies of quotations is allowed in the tariff fixation relying on the documentary evidence furnished by the VCTPL. However, since the benefit of this one time repairs and maintenance expense will accrue beyond the year 2014-15, it is spread over the current tariff cycle of 2014-15 to 2016-17.

In the light of the above analysis, the modified repairs and maintenance cost considered is ₹352.03 lakhs, ₹397.51 lakhs and ₹490.04 lakhs for the years 2014-15 to 2016-17 respectively as against ₹861.27 lakhs, ₹674.92 lakhs and ₹809.98 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 2013-14 to 2015-16 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 modified traffic estimation. Accordingly, estimated royalty payment of ₹430.47 lakhs, ₹667.38 lakhs and ₹764.78 lakhs for the years 2014-15 to 2016-17 respectively is considered based on the modified traffic estimation as against ₹471.63 lakhs, ₹657.21 lakhs and ₹747.25 lakhs estimated by the VCTPL for the corresponding period.

(xviii). (a). The VCTPL has estimated equipment hire charges at ₹875.01 lakhs, ₹1013.45 lakhs and ₹1107.09 lakhs for the years 2014-15 to 2016-17. 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 VCTPL has stated that it has outsourced the contract service relating to internal container movement and contract is valid upto 30 November 2014 and the cost is estimated based on the earlier rates at ₹310 and ₹340 for normal 20' and 40' container respectively and at ₹233 and ₹285 for a 20' and 40' transshipment container respectively. For the year 2014-15, 6% escalation per annum is applied in the unit rate by the VCTPL for the subsequent two years 2015-16 and 2016-17 respectively.

Subsequently, the VCTPL has submitted a copy of the revised contract signed by it with the contractor in November 2014. The VCTPL has confirmed that the fresh contract is signed after following competitive bidding process and has also stated that they have re-negotiated the rates and reduced the unit rates with the contractor on account of increasing volumes. In order to leverage this trend and to reduce operating costs, the prices have reportedly been 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 wagon instead of differential rates prescribed earlier for different container categories. The revised rates is effective from July 2014 for a period of four years i.e. upto 30 June 2018. The VCTPL has not captured the effect of the revised rate in the cost statement. The estimate of equipment hire charges for container movement charges is revised considering unit rates prescribed in new contract agreement from

1 July 2014 onwards. For the period from 1 April 2014 to 30 June 2014 for the year 2014-15, this item is estimated based on the rate as per the old contract indicated by the VCTPL. That being so, 6% annual escalation is allowed in the estimation of this cost item for the years 2015-16 and 2016-17. This cost element is estimated on the modified traffic estimation for the years 2014-15 to 2016-17.

(b). The VCTPL in the revised cost statement has estimated the cost of hire of equipment at ₹150.80 lakhs in 2014-15, ₹203.61 lakhs in 2015-16 and ₹203.95 lakhs in 2016-17.

This includes ₹5 lakhs per annum for hire of normal equipment for yard repair and other house keeping purpose which is projected to escalate by 6% per annum. Apart from that it includes hire charge for 3 reach stackers @ ₹3 lakhs per equipment per month till October 2014 and the revised hire charges of ₹5.50 lakhs per reach stacker w.e.f. November 2014. The VCTPL has furnished copy of the contract entered by it dated 1 January 2014 in support of the hire charge estimated for reach stacker. On perusing this documentary evidence it is seen that the contract is for hire of 3 reach stacker @ ₹3 lakh per reach stacker / month for period of three years i.e. upto 1 January 2017. The VCTPL has not furnished any revised contract to substantiate the revised hire charge of ₹5.50 per month per reach stacker considered by it in the estimation. That being so, hire charge for reach stacker is estimated at ₹3 lakhs per reach stacker/ month for 3 reach stackers based on the documentary evidence made available by the VCTPL for all the three years 2014-15 to 2016-17. As regards hire charge for normal equipment for yard repair and other house keeping purpose, the VCTPL has not furnished any documentary evidence. Recognising that this item of expense is estimated at ₹5 lakhs per annum for the purposes specified and the expense estimated is not very significant and is not likely to have any significant impact on the tariff, it is allowed as estimated by VCTPL for the year 2014-15. For the years 2015-16 and 2016-17, 6% escalation on this cost item is allowed as estimated by VCTPL.

(xix). The lease rentals estimated by VCTPL is ₹85.90 lakhs per annum during the years 2014-15 to 2016-17 by VCTPL. The VPT has confirmed the lease rental estimated by the VCTPL is in order. Hence, the lease rent as estimated by the VCTPL is considered in the analysis.

The VCTPL has brought out that the VPT is in the process of enhancing the lease rent in the coming years for which the land valuation is being carried out by them. Therefore, in case of any enhancement, VCTPL shall approach this Authority to factor it in its tariff if it takes place during the current tariff cycle. The lease rent of the VPT lands have expired in the year 2013 and are due for revision and hence the point made by the VCTPL merits consideration. If the VPT revises the lease rent for port lands and the revised lease rent is applied as per the provisions of the License Agreement by the VPT to the VCTPL then in such a scenario the VCTPL is allowed to approach this Authority to revise the tariff to that extent during the current tariff cycle.

(xx). The actual insurance cost for the year 2013-14 is reported at ₹80.81 lakhs. The insurance cost estimated by VCTPL for the years 2014-15 to 2016-17 are ₹96.42 lakhs, ₹125.71 lakhs and ₹200.53 lakhs respectively. The VCTPL has furnished copies of the Insurance cover which shows the premium amount for the insurance cover taken for the period September 2013 to September 2014 is ₹87.56 lakhs. For estimating the insurance cost for the years 2014-15 to 2016-17, the VCTPL has considered the actual estimated insurance of the respective previous years as the base. Further, it has considered 1% of the cost of capital additions towards civil and equipment proposed to be deployed during the respective years.

It is observed that based on the actual insurance cost reported for the 2014-15, the insurance cost works out to around 0.5% of the gross block of assets. The actual insurance premium of ₹80.81 lakhs reported in the year 2013-14 is considered as the insurance cost for the existing asset block of assets as on 31 March 2014 for the two years 2014-15 and 2015-16. For additions to the gross block of assets, insurance cost is estimated applying 0.50%. This modification is done because even for the past period 2011-12 to 2013-14, the actual insurance cost incurred by the VCTPL is found to be significantly lower than the insurance cost allowed in the last tariff order based on 1% of Gross block on the additions. The revised insurance cost for the years 2014-15 to 2016-17 considered in the cost statement is ₹93.46 lakhs, ₹113.71 lakhs and ₹157.95 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 etc.

For estimating hire cost of manpower for the years 2014-15 to 2016-17, the VCTPL has considered 10% annual escalation which is modified and restricted to 6% in the modified cost statement.

Contracts for tally charges and lashing/ unlashing charges are reportedly renewed and the renewed contracts are valid from July 2014 till June 2016 and July 2014 till March 2016 respectively. The VCTPL has estimated tally charges and charges for lashing / unlashing based on the revised contract for the period of the contract. For estimating tally charges for the year 2016-17 for the period of 9 months beyond the validity of contract, i.e. from July 2016 to March 2017 and for lashing and unlashing expense also for the F.Y. 2016-17, the VCTPL has applied 10% annual escalation. The annual escalation of 10% applied by the VCTPL for estimating these two items for the year 2016-17 is moderated to the admissible annual escalation of 6%.

For estimating hire cost of man power for the years 2014-15 to 2016-17 the VCTPL has applied 10% annual escalation taking the actual cost of 2013-14 as the base. The annual escalation has been moderated to 6% in the modified cost statement.

For estimating the VPT rail charges, the VCTPL has considered ₹2 lakhs p.m. as fixed charges for the year 2014-15 and for the years 2015-16 and 2016-17 it has applied 10% annual escalation over the estimates of the previous year. The estimate of Rail charges for the years 2015-16 and 2016-17 is moderated applying 6% annual escalation.

For reefer monitoring and connection charges and Pre-Test Inspection (PTI) charges, the contract copy furnished by the VCTPL shows that the contract is valid from 1 April 2014 to 31 March 2016. The VCTPL has estimated this cost item at the rate prescribed in the contract for the reefer monitoring i.e. ₹36/- for a shift of 8 hours and ₹275 per inspection. The estimate of the VCTPL is accepted except for modifying it on account of the modified traffic projection considered in the estimation. Further, for the year 2016-17 the VCTPL has considered 10% escalation on existing unit rate which is moderated and considered at 6%.

The other items under this head are estimated by the VCTPL by taking the actual cost for the year 2013-14 as the base and by applying annual escalation of 6% per annum which are considered at the level estimated by the VCTPL.

(xxii). As stated earlier, the technical service contract entered by the VCTPL earlier with Dubai Ports International and United Liner Agencies (ULA) for providing technical knowhow and managerial services to VCTPL was for a period of five years and has subsided. The treatment given to the TSF in respect of the old contract has been explained while analyzing the past period performance relating to the previous tariff cycle.

As also stated earlier, the VCTPL has entered into a new contract on 10 March 2011 with DP World FZE (DPWF) for providing technical knowhow for the new equipment, for a period of five years. The contract copy furnished by VCTPL in this regard, however, shows that the contract is for providing comprehensive advisory services for the entire operations at the VCTPL. For the said services, the VCTPL has to pay DPWF an annual fixed fees of US$ 50000.

It is relevant here mention that the above mentioned contract entered by the VCTPL in March 2011 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 'arms length relationship' is established as defined under Income Tax Act, 1961. As already pointed out in our last Order, the VCTPL was again requested to 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 of TSF arising out of the new contract and show that technical service fee is admitted as expenditure by the IT authorities as required under clause 2.8.2. of the revised tariff guidelines. As stated in the earlier paragraphs, the VCTPL has furnished IT assessment Orders for the Assessment Years viz. 2004-05 to 2009-10 with reference to the old contract. With reference to the second contract the VCTPL has not furnished the IT assessment Order. The VCTPL has requested that since the TSF for the first contract of Technical Fee has already been allowed, the TSF with reference to the second contract may also be allowed as item of expenditure and the terms and conditions are same in both and the transactions and arm's length transaction in respect of the first contract is accepted by the IT department. The VCTPL has also furnished the IT returns filed by it for the year 2011-12 and has also furnished a copy of report filed by it before the Assistant Commissioner of IT for the AY 2012-13 under section 92(E) of the Income Tax Act to establish that the TSF of second contract has been determined having regard to arm's length price computed as per provisions of the Income Tax Act, 1961.

In view of the above documents submitted by the VCTPL 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, this Authority considers the technical service fee arising out of the second contract entered by VCTPL in the current cycle. The VCTPL should, however, 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.

It is seen that the VCTPL has not amortized the TSF with reference to the second contract over the project period as done with reference to the first contract. In the cost statement prepared by us, the actual TSF for the years 2011-12 to 2013-14 reported in the Audited Accounts and estimated TSF for the years 2014-15 and 2015-16 aggregating to ₹143.24 crores is spread over the remaining period of the project i.e. 18 years from the year 2014-15 onwards and the annualized impact i.e. ₹7.95 lakhs is considered in the cost statement. The total TSF considered in the cost statement with reference to the first and the second contract is thus ₹23.65 lakhs i.e. ₹15.70 lakhs for the first contract and ₹7.95 lakhs for the second contract.

(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 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 claimed efficiency gain of ₹2.70 lakhs for each of the years 2014-15 to 2016-17 in respect of fuel in the cost statement. The efficiency gain claimed by the VCTPL in the cost statement at ₹2.70 lakhs per annum for each of the years 2014-15 to 2016-17 does not match with the detailed efficiency gain computed by it. In the detailed computation, the VCTPL has estimated efficiency gain of ₹2.41 lakhs, ₹2.93 lakhs and ₹3.54 lakhs for the years 2014-15 to 2016-17 respectively. For this purpose, the VCTPL has compared the cost reduction in fuel achieved during the last tariff cycle i.e. years 2011-12 to 2013-14 over the actual average fuel consumption for the previous three years block viz. 2008-09 to 2010-11. The VCTPL has reported overall reduction in per TEU fuel consumption from 1.90 ltrs., 2.06 ltrs and 1.98 ltrs. for the years 2008-09 to 2010-11 to 2.30 ltr, 1.84 ltr and 1.76 ltr during the last tariff cycle covering the years 2011-12, 2012-13 and 2013-14 respectively. The average fuel consumption for the years 2011-12 to 2013-14 reported by the VCTPL is 1.96 ltrs. per TEU as against average fuel consumption for the earlier block of three years reported at 1.98 ltrs. per TEU. This means a reduction of 0.02 ltrs. per TEU is achieved by the VCTPL in the years 2011-12 to 2013-14 with reference to the average consumption of fuel in the preceding tariff cycle. The VCTPL has considered 50% of the savings achieved in the average fuel consumption at 0.012 ltrs per TEU to estimate the efficiency gain. The approach adopted by the VCTPL is found to be in order as per clause 2.4.1. of the tariff guidelines except for minor arithmetic error. 50% of 0.02 fuel savings comes to 0.01 ltrs. per TEU and not 0.012 ltrs. per TEU considered by the VCTPL and hence is corrected to that extent. The above approach adopted by the VCTPL is found to be in order and hence considered for assessing the efficiency gain. The other modifications done in the computation of efficiency gain is the traffic estimation for the years 2014-15 to 2016-17 which is considered at the modified level as explained earlier and the unit rate of fuel is considered at the modified unit rate of fuel applying 6% annual escalation instead of 10% annual escalation considered by the VCTPL. Consequent to the above modification, the modified efficiency gain comes to ₹1.62 lakhs, ₹2.02 lakhs and ₹2.27 lakhs for the years 2014-15 to 2016-17 as against ₹2.41 lakhs, ₹2.92 lakhs and ₹3.51 lakhs estimated by the VCTPL. A copy of the computation of efficiency gain is attached as **Annex - II**.

(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 amortisation 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 2013-14 is reported to be ₹2132.32 lakhs which includes total foreign exchange loss of ₹994.34 lakhs under the head administrative expense. For estimating Management and Administration Overheads for the years 2014-15 to 2016-17, the VCTPL has excluded the foreign exchange loss component of ₹994.34 lakhs and taking the actual management and general overhead of ₹1137.98 lakhs as the base for the year 2013-14 the VCTPL 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 6% annual escalation instead of 10% annual escalation considered by the VCTPL in the estimation of staff cost. All the other items are considered as estimated by the VCTPL.

(xxvi). The amortisation of upfront fee is considered at ₹12.53 lakhs for each of the years 2014-15 to 2016-17 as has been done for the past period.

(xxvii). The VCTPL has estimated Finance and Miscellaneous Income (FMI) to the tune of ₹25.00 lakhs for each of the years 2014-15 to 2016-17 respectively as against actual FMI of ₹57.80 lakhs for the year 2013-14. 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 2013-14 as the base and considered 10% annual escalation for the years 2014-15 to 2016-17. The estimate of the VCTPL is modified considering 6% 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 ₹1561.40 lakhs, ₹2928.45 lakhs and ₹7482.18 lakhs during the years 2014-15 to 2016-17. The Capital Employed comprising of Net Fixed Assets and Working Capital are analysed in the following paragraphs:

(a). Fixed Assets:

(i). Year 2014-15:

The VCTPL has proposed following additions to the gross block at an estimated cost of ₹1561.40 lakhs:

Particulars	Amount	Status/ Basis for estimates
Additional Yard development (ONGC Yard, CCR Yard & Yard near WS)	**712.93**	
(ii). Container yard relaying (4000 sqm approx.)	180.00	Estimates
(iii). ONGC Yard	291.43	Already Capitalized
(iv). Yard near new workshop	120.75	Quotation submitted
(v). Yard near new CCR	120.75	Quotation submitted
Plant and Machinery	**464.34**	
(i). Structural inspection as per the manufacture recommended procedure	200.00	Estimates
(ii). Energy monitoring system, Fuel Browser	104.34	Quotation submitted
(iii). Container weighment,DG-01, diesel monitoring system, etc.,	160.00	Estimates
Civil Asset	**135.15**	Estimates/ Quotation submitted
IT	**144.12**	Estimates / Quotations submitted

Office Equipments	**99.85**	Estimate / Quotation submitted
Furniture & Fixtures	**5.00**	Estimate
Total additions to the gross block in the year 2014-15	**1561.40**	

The VCTPL has not furnished the present status of each of the above additions. However, based on the above details furnished by the VCTPL 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.

(ii). Year 2015-16:
The additions to the gross block proposed for the year 2015-16 are under the following heads:

Particulars	Amount	Status/ Basis for estimates
Additional Yard development (ONGC Yard, CCR Yard & Yard near WS)	**312.31**	
Plant and Machinery	**2360.61**	
(i). Replacement of existing obsolete items like Digital Drive, Programmable Logic Controller (PLC), Absolute Encoders, sensors, operator cabin, control panel, new joy stick, Load cell system and Remotely accessible Crane Management system with latest items in QC1 and QC2	539.03	Quotations submitted
(ii). Solar plant for 200KW	164.35	Quotations submitted
(iii). Mobile fire tender, CPIS and DGPS for the RTGCs items for RTGCs, etc., online monitoring system	250.00	Quotations submitted
(iv). Health safety & Environment	13.50	Estimates
(v). Operational Equipments	1393.73	Estimates
IT	**250.53**	Quotations submitted
Furniture & Fixtures	**5.00**	Estimates
Total Capital Expenditure	**2928.45**	

The VCTPL has not furnished the present status of each of the above investments. However, based on the above details furnished by the VCTPL, the additions to the gross block estimated by the VCTPL is relied upon and considered.

(iii). Year 2016-17:
The following additions to the gross block to the tune of ₹7482.18 lakhs is considered by the VCTPL:

Particulars	Amount	Status
Plant and Machinery	**7416.62**	
Replacement of 1 RMQC and 2 RTGC, 2 new RTGCs & Electrical Installations	7116.62	Estimates
CPIS and DGPS for the RTGCs (75 lacs X 6)	300.00	Estimates

IT	**50.56**	Estimates & Quotation submitted
Office Equipments	**10.00**	Estimates
Furniture & Fixtures	**5.00**	Estimates
Total Capital Expenditure	**7482.18**	

Of the total additions to the gross block in the year 2016-17, major additions is under the head plant and machinery towards replacement of 2 old RTGCs and 1 RMQC under the head plant and machinery and in addition proposed to procure 2 new RTGC during the year 2016-17. The VCTPL has stated that it has 2 old RTGCs which are 22 to 24 years old. With the increase in traffic, the VCTPL has stated that the work load on these equipments have increased and resulted in frequent breakdown which is affecting the operational activities. Further, as the cranes are more than 22 years old, there is a difficulty in getting critical spares for running these equipment efficiently. Hence the VCTPL has proposed to replace 02 no. of old RTGCs with the 2 new ones during the period 2016-17. In addition the VCTPL proposes to add two new RTGCs.

Further, the VCTPL proposes to replace 2 RMQCs since the cranes are more than 30 years old and are unable to handle large size vessels affecting the overall operational performance on the vessel. Of the 2 old RMQCs, the VCTPL has planned to replace one RMQC in the current tariff cycle in the year 2016-17 and another one will be in next tariff cycle. New quay crane is expected to enable VCTPL to handle large container vessels and also maintain the present productivity levels. For estimating the capital cost for RTGCs and RMQCs the VCTPL has reduced the salvage value of the old equipment from the estimate of the new equipment which is relied upon in this analysis. The capital cost as estimated by the VCTPL is relied upon.

The VPT has not furnished any comments on the reasonableness of the additions to the gross block proposed by the VCTPL despite specific request. Appendix 16 of the LA requires the Licensee to replace the equipment on expiry of their life as per VPT norms and the licensee should plan for replacement well ahead of the time of expiry of its life. In view of the provision in the LA, the proposal of the VCTPL for replacement of two RTGCs, plus procurement of 2 more RTGCs and replacement of old RMQCs with new one as estimated by the VCTPL is relied upon and considered. All the other additions to the gross block as estimated by the VCTPL are also 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 2014-15 to 2016-17.

(ii). The VCTPL has considered the six months consumption of stores excluding fuels for the years 2013-14 as the base and applied 6% annual escalation to arrive at the estimates for the years 2014-15 to 2016-17. 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 2014-15 to 2015-16 considering the current liability of 2013-14 as the base and prorata adjusted for the total expenses estimated for the years 2014-15 to 2016-17. 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 2013-14 is considered for the years 2014-15 to 2016-17 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 2014-15 to 2016-17 which consists of only the Net Block of assets at ₹11729.23 lakhs, ₹12681.61 lakhs and ₹17419.66 lakhs respectively is considered in this analysis as against ₹12769.49 lakhs, ₹13805.06 lakhs and ₹18656.05 lakhs considered by the VCTPL.

(xxx). The VCTPL has assessed the optimum quay capacity for the years 2014-15 and 2016-17 at 662256 TEUs per annum. The optimal yard capacity assessed by VCTPL is 3,54,000 TEUs for the year 2013-14 which is estimated to increase to 3,95,500 TEUs in the year 2014-15, 4,13,000 TEUs per annum for the years 2015-16 and 2016-17. The VCTPL has confirmed that investment in yard development will result in additional annual capacity which is considered in the computation of the optimal yard capacity. The VCTPL has stated that of the additional land of 15000 sq. mtrs. taken up from the port for yard development, the entire 15000 sqm cannot be utilized for container stacking. Leaving aside space for equipment maneuvering and operational area, 10000 sqm. of the space is considered for stacking of container. The VPT has stated that the optimal yard capacity will increase by 247639 TEUs for the period 2014-15 to 2016-17 considering the development of 6000 sq.m. of existing area and taking over of 15,000 sq. mtrs. of additional land in the current tariff cycle. While assessing the additional optimal yard capacity it is seen that the VPT has considered 720 grounds slots. This Authority has while determining the upfront tariff cases for reasons recorded decided that the norms of 720 grounds slots can not be considered. Hence the optimal capacity assessed by the VPT considering 720 grounds slots is not relied upon. The optimal capacity as assessed by the VCTPL considering 360 grounds slots, 2.5 stack height and 3 days average dwell time is relied upon in this analysis. Based on the optimal capacity assessed by VCTPL and the modified tariff considered in the anlaysis the capacity utilization comes to 63.46%, 71.30% and 75.56% for the year 2014-15 to 2016-17 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 provsions in the LA. 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). Subject to the above discussions, the cost statement filed by the VCTPL for the years 2014-15 to 2016-17 has been modified. The modified Cost statement is attached as **Annex - III**. The results disclosed in the cost statement at the existing tariff level is summarized below:

(**₹ in lakhs**)

Particulars	**2014-15**	**2015-16**	**2016-17**	**Total**
Operating Income	8181.86	9596.93	10171.52	27950.31
Net Surplus	(-)2.85	257.04	(-)1299.15	(-)1044.96
Net Surplus/ deficit as a percentage of Operating Income	(-)0.03%	2.68%	(-)12.77%	(-)3.38%

The above table depicts a total deficit of ₹1044.96 lakhs at the existing level of tariff level for the years 2014-15 to 2016-17. In view of the deficit position reflected in the cost statement of VCTPL for the years 2014-15 to 2016-17, there is a case for granting an increase in tariff, but not upto the level of increase proposed by the VCTPL.

While granting extension to the validity of the Scale of Rates of VCTPL for the period beyond the original validity of 1 April 2014, it was stated that additional surplus, if any, over and above the admissible cost and permissible return for the period post 1 April 2014 will be adjusted fully in the tariff to be determined. The cost statement shows a marginal loss of ₹2.85 lakhs for the year 2014-15. The cost statement for the year 2014-15 shows a deficit position and hence question of adjustment of surplus does not arise. In any case for determination of the final tariff, the aggregate of the deficit / surplus for the years 2014-15 to 2016-17 is considered as explained in the subsequent paragraph hence the VCTPL will not be put into any disadvantageous position as well.

The VCTPL has sought a tariff increase of around 28.09% for all containers excluding transhipment container. As regards charges for providing gang way, the increase proposed by the VCTPL works out to 10% per hour per gangway. For transhipment containers, the VCTPL has stated it has proposed 15.17% reduction over the existing tariff. Considering the existing tariff for transhipment container at ₹4384.80 for 20’ containers and the proposed (reduced) rate of ₹3720 for the same, the percentage reduction comes to 15.16% which slightly varies from 15.17% indicated by VCTPL. As regards tariff for other services prescribed in Section II for visitor entry pass, vehicle entry pass, photography the VCTPL has proposed status quo. The VCTPL has proposed 28% increase in the charges for use of terminal facilities by Non container vessels.

In view of the overall deficit position of ₹1046.46 lakhs for the three years 2014-15 to 2016-17 there is a case for granting increase but not at the level sought by the VCTPL.

Before arriving at the tariff increase to be granted, it is relevant to decide the tariff for transhipment container. As stated earlier, whilst the VCTPL has proposed increase in all the tariff items by 28.09%, in case of handling of transhipment containers it has proposed 15.16% reduction. When sought clarification for the proposed reduction, the VCTPL has clarified that Government of India has declared Vizag as a container transshipment port in the east coast as per National Maritime Development Programme (NMDP). In order to compete with the foreign ports and attract more transshipment traffic to Vizag, reduction in the handling rate for transhipment container is proposed to attract the transhipment traffic, which in turn will enable main line vessels to call Vizag port. It is relevant to state here that if reduction proposed by VCTPL in the handling rate of transshipment container is to be considered at ₹3720 per 20' container as against existing rate prescribed in the SOR of VCTPL at ₹4384.80 then it will mean flow of cross subsidy from normal container to handling of transshipment container. Clause 5.5.1 of the tariff guidelines stipulate that a concessional tariff need to be prescribed for handling the transhipment containers and the tariff for this category should not exceed 1.5 times the tariff prescribed for handling normal containers. The existing handling rate prescribed for transhipment container itself is 1.18 times the rates prescribed for handling normal containers. At the reduced level of tariff of transhipment container proposed by the VCTPL, the tariff for transhipment container will be 0.88 times the tariff for normal container. The tariff guidelines of 2005 stipulates the rate for transhipment container should not exceed 1.5 times the rate for normal container. It does not restrict for prescribing tariff lower than the tariff for a normal container. In view of the submissions made by the VCTPL that the Government of India has declared Vizag as a container transshipment port in the east coast as per National Maritime Development Programme (NMDP) and the reduction proposed in the transhipment container is mainly to compete with the foreign ports to attract more transshipment traffic to Vizag and also recognising the fact that the VCTPL has allowed rebate over existing tariff of transhipment container as brought out in the past period analysis to attract traffic and more importantly the licensor port VPT has also not raised any objection on the reduction in the tariff of transhipment container proposed by VCTPL, this Authority accepts the proposal of the VCTPL for reduction in the tariff of transhipment container by 15.16% i.e. from existing tariff of ₹4384.80 to ₹3720 for a 20' transhipment container. Reduction of 15.16% in the tariff for 40' and above 40' transhipment containers and coastal transhipment container is also granted as proposed by the VCTPL. The reduction effected in transshipment container will be effective, however, from 1 April 2016. For the Financial year 2015-16, the tariff for transshipment container will continue at the prevailing level. In any case, the VCTPL has the flexibility to levy the rate lower than the tariff level approved by this Authority.

Now, the tariff increase granted for the other tariff items other than transhipment container is explained. It is notable that the VCTPL is in a marginal deficit of ₹2.85 lakhs in the year 2014-15 and it is in revenue surplus position to the tune of ₹257.04 lakhs in the year 2015-16. For the year 2016-17, there is revenue deficit to the tune of ₹1299.15 lakhs. This is seen to be mainly on account of additions proposed by VCTPL to the gross block in the year 2016-17 which, amongst other items, includes estimated investment of ₹7113.61 lakhs for procurement of 4 new RTGCs including replacement of 2 old RTGCS and replacement of 1 old RMQC with one number of new RMQC in the year 2016-17. The cost position for the years 2014-15 and 2015-16, however, reflects a overall surplus position of ₹234.19 lakhs. That being so, it is not appropriate to grant increase in the tariff from 2015-16 onwards and burden the users for an investment and the related cost, the benefit of which is likely to be available only in the year 2016-17. That being so, the tariff increase is allowed in the year 2016-17 only.

In order to bridge the total deficit of ₹1044.96 lakhs estimated for the years 2014-15 to 2016-17, a tariff hike of 13.10% is required from 1 April 2016 for all the categories of containers and services except the transhipment containers. In other words, the tariff increase of 13.10% is allowed across the board in all the tariff items under Section I (excluding section 1.2. relating to transhipment container) and Section II of the Scale of Rates over the existing level of tariff in the year 2016-17 from 1 April 2016 subject to the condition that the equipment proposed viz. 4 RTGCs and 1 new RMQC is commissioned by the VCTPL by 1 April 2016. In other words, the tariff increase of 13.10% will become effective only from the date of commissioning of the 4 new RTGCs and 1 RMQC or 1 April 2016 whichever is later. As stated earlier, tariff for transshipment container is reduced by 15.16% as requested by VCTPL but from 1 April 2016. A suitable note to that effect is incorporated in its SOR. **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 within 30 days from the date of notification of the Order in the Gazette of India.**

(xxxii). In line with clause 2.18.2 of the tariff guidelines, the proposed note 2(iii)(b) has been modified to reflect the prevailing Prime Lending Rate of State Bank of India at 14.75% plus 2%.

(xxxiii). The tariff guidelines stipulate that tariff should be linked to benchmark of the levels of productivity. Merely stating that average turnaround time of the vessel has reduced from 26.2 hours to 20.2 hours due to improvement in productivity to 52 moves/ hour may not serve any useful purpose unless a suitable incentive/ disincentive linked to the performance achieved below/ above the benchmark level of productivity is prescribed in the SOR. The VCTPL is, therefore, advised to propose a well analyzed proposal linking the tariff with the productivity level at the time of the next tariff review.

(xxxiv). 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 2017, the validity of the revised Scale of Rates of the VCTPL is prescribed till on 31 March 2017.

(xxxv). 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 31 March 2015. 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.

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

11.2. 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.

11.3. In this regard, the VCTPL is requested 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 this Authority, this Authority will proceed *suo motu* to review the tariff.

(T.S. Balasubramanian)
Member (Finance)

Annex - I

Analysis of performance of VCTPL for the years 2011-12 to 2013-14 based on actuals vis-a-vis Estimates.

VISAKHA CONTAINER TERMINAL PRIVATE LIMITED

Analysis of performance of VCTPL for the years 2011-12 to 2013-14 based on actuals vis-a-vis Estimates.

₹ in Lakhs

Sr. No.	Particulars	Estimates in the tariff Order of October 2011				Actuals				% Variation
		2011-12	2012-13	2013-14	Total	2011-12	2012-13	2013-14	Total	
	Traffic (In TEUs)	**170000**	**195000**	**225,000**	**590,000**	**234,697**	**247,134**	**262,091**	**743,922**	**26%**
I	**Total Operating Income**									
	Container handling income	4054.46	4932.95	5959.10	14,946.52	5,539.13	6,643.19	7,604.83	19,787.15	32%
	Others	272.90	334.59	416.70	1,024.19	1,286.99	842.89	882.99	3,012.87	194%
	Total	**4,327.36**	**5,267.54**	**6,375.80**	**15,970.71**	**6,826.11**	**7,486.08**	**8,487.82**	**22,800.01**	**43%**
II	**Operating Costs (excluding depreciation)**									
	Operating & Direct Labour	294.04	331.37	372.12	997.54	189.03	253.85	291.24	734.13	
	Maintenance Labour	178.83	198.86	230.30	607.99	214.21	285.16	340.25	839.62	
	Equipment Running Costs	736.67	981.21	1111.54	2,829.42	902.98	1,056.71	1,133.22	3,092.91	
	Royalty / revenue share	145.78	191.10	344.54	681.42	222.01	242.19	403.74	867.95	
	Equipment Hire	587.47	488.04	563.12	1,638.62	817.06	692.55	698.02	2,207.63	
	Lease Rentals	78.71	78.71	78.71	236.12	84.96	92.73	88.07	265.76	
	Insurance	64.35	142.25	153.53	360.13	46.06	67.71	80.81	194.57	
	Other expenses	282.09	330.29	390.48	1,002.86	332.64	350.37	411.14	1,094.15	
	Technical Service Fee	15.70	15.70	15.70	47.09	15.70	15.70	15.70	47.09	
	Effect of Efficiency gain achieved in power cost considered	1.76	2.25	2.75	6.76	-	-	-	-	
	Total	**2,385.38**	**2,759.77**	**3,262.79**	**8,407.94**	**2,824.65**	**3,056.96**	**3,462.18**	**9,343.80**	**11%**
III	Depreciation	779.64	1,292.51	1,036.99	3,109.14	628.91	1,316.12	1,508.83	3,453.86	11%
IV	**Overheads**									
	Management & Administration overheads	469.99	498.19	528.08	1,496.27	722.04	968.78	1,139.64	2,830.47	
	Preliminary expenses & Upfront Payment write-off	12.53	12.53	12.53	37.59	12.53	12.53	12.53	37.58	
	Total	**482.52**	**510.72**	**540.61**	**1,533.85**	**734.57**	**981.30**	**1,152.17**	**2,868.04**	**87%**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**679.82**	**704.54**	**1,535.41**	**2,919.77**	**2,637.98**	**2,131.69**	**2,364.64**	**7,134.31**	**144%**
VI	**Finance & Miscellaneous Income (FMI)**									
	Others	19.80	21.78	23.96	65.54	26.26	31.94	57.80	116.00	
	Total	**19.80**	**21.78**	**23.96**	**65.54**	**26.26**	**31.94**	**57.80**	**116.00**	**77%**
VII	**Finance & Miscellaneous Expenses (FME)**									
	Contribution of Provident Fund	36.83	41.86	48.35	127.04	34.46	45.71	81.85	162.02	
	Total	**36.83**	**41.86**	**48.35**	**127.04**	**34.46**	**45.71**	**81.85**	**162.02**	**28%**
VIII	FMI Less FME (VI) - (VII)	(17.03)	(20.08)	(24.39)	(61.50)	(8.20)	(13.77)	(24.05)	(46.02)	
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**662.79**	**684.46**	**1,511.02**	**2,858.27**	**2,629.78**	**2,117.93**	**2,340.59**	**7,088.30**	**148%**
X	**Capital Employed**	13027.11	11935.14	12343.67	12,435.30	5,651.54	13,041.93	11,964.29	10,219.25	-18%
XI	**Return on Capital Employed @ 16%**	2084.34	1909.62	1974.99	5968.95	904.25	2086.71	1914.29	4,905.24	-18%
XII	Capacity Utilization	62.47%	71.66%	82.68%	72%	94.45%	69.81%	74.04%	79%	10%
XIII	**ROCE adjusted for capacity utilization**	2084.34	1909.62	1974.99	5,968.95	904.25	2,086.71	1,914.29	4,905.24	-18%
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(1,421.55)**	**(1,225.16)**	**(463.96)**	**(3,110.67)**	**1,725.54**	**31.22**	**426.30**	**2,183.06**	**-170%**
XV	**Past period surplus for the period 2008-09 to 2010-11 accrued to VCTPL as assesed in 11 October 2011 order**				2,402.46					
XVI	**Set off of past period surplus for the period 2011-12 to 2013-14 accrued to VCTPL as per TAMP calculation**	800.82	800.82	800.82	**2,402.46**	0.00	0.00	0.00	**-**	
XVII	**Total Net Surplus/ Deficit**	**(620.73)**	**(424.34)**	**336.86**	**(708.21)**	**1,725.54**	**31.22**	**426.30**	**2,183.06**	**-408%**

Adjustment of past surplus

Particulars	Estimates for the years 2011-12 to 2013-14 in the last tariff Order	Actuals for the years 2011-12 to 2013-14	Actual additional surplus	To be set off in %	To be set off during the current tariff cycle
Actual Additional income from Non Container Vessels (NCV)	90.00	287.41	197.41	**100%**	197.41
Total additional Surplus/ deficit for the years 2011-12 to 2013-14	-708.21	2183.06			
Total net Surplus/ deficit excluding the NCV income	-798.21	1895.65	1895.65	**50%**	947.82
Total surplus	**-1416.42**	**4366.12**	**2093.06**		**1145.23**

ANNEX - II

COMPUTATION OF EFFICIENCY GAIN ACHIEVED BY VCTPL

Sl No	Particulars				2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
A	**Power**									
	Throughput In Teus				87637	98000	145426	234697	247134	262091
1	**Total Units consumed by QCs**				355692	383075	558130	857171	1075690	1703112
2	Units Consumed per TEU- variable (QCS)				4.06	3.91	3.84	3.65	4.35	6.50
3	**Average electricity consumption per TEU**					3.94			4.83	
4	Reduction in the consumption of power, if any, achieved								-0.90	
5	**50% reduction achieved in consumption of power considered for computation of efficiency gain**								Since the consumption per teu has increased no efficiency gain considered	

B	Fuel				2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1	**Throughput In Teus**				87637	98000	145426	234697	247134	262091
2	Total consumption (ltrs)				166218.00	202205.00	287637.00	540,396.01	454,517.00	461,304.00
3	Fuel consumption in litres per TEU (estimated by VCTPL)				1.90	2.06	1.98	2.30	1.84	1.76
4	Average Fuel consumption per TEU					1.98			1.96	
5	Reduction in the consumption of fuel, if any, achieved								0.02	
6	**50% reduction achieved in consumption of power considered for computation of efficiency gain**								0.010	

C TOTAL EFFICIENCY GAIN CONSIDERED FOR THE YEARS 2014-15 to 2016-17

		Estimates by VCTPL			Estimates modified by TAMP		
Sl No	Particulars	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
				.			.
1	Throughput in Teus	**275000**	**290000**	**305000**	**251000**	**294485**	**312154**
2	**Fuel**						
(i)	50% Savings in fuel Consumption per TEU	0.012	0.012	0.012	0.010	0.010	0.010
(ii)	Rate per ltr (in Rs.)	73.00	84.00	96.00	67.04	71.07	75.33
(iii)	Efficiency gain in fuel Cost {1*(i)*(ii)} (Rs. in lakhs)	**2.41**	**2.92**	**3.51**	**1.62**	**2.02**	**2.27**
3	**Efficiency gain (Rs. in lakhs)**	**2.41**	**2.92**	**3.51**	**1.62**	**2.02**	**2.27**

ANNEX - III

VISAKHA CONTAINER TERMINAL PRIVATE LIMITED
Consolidated Income & Cost statement for the private terminal

₹ 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			
		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total	2014-15	2015-16	2016-17	Total
	Traffic (In TEUs)	**234697**	**247134**	**262,091**	**275,000**	**290,000**	**305,000**	**870,000**	**251,000**	**294,485**	**312,154**	**857,639**
	Optimal Capacity	248500	354000	354000	395,500	413,000	413,000	1,221,500	395,500	413000	413000	1,221,500
I	**Total Operating Income**											
	Container handling income	5,539.13	6,643.19	7,604.83	7,631.20	8,039.20	8,447.13	24,118	7271.06	8530.75	9042.59	24,844
	Others	1,286.99	842.89	882.99	940.56	974.93	1,012.82	2,928	910.80	1066.18	1128.93	3,106
	Total	**6,826.11**	**7,486.08**	**8,487.82**	**8,571.75**	**9,014.14**	**9,459.96**	**27,045.85**	**8181.86**	**9596.93**	**10171.52**	**27,950.31**
II	**Operating Costs (excluding depreciation)**											
	Operating & Direct Labour	189.03	253.85	291.24	320.37	352.40	387.64	1,060	308.72	327.24	346.88	983
	Maintenance Labour	214.21	285.16	340.25	374.27	411.70	452.87	1,239	360.85	382.26	405.24	1,148
	Equipment Running Costs	902.98	1,056.71	1,133.22	1,725.98	1,653.57	1,955.98	5,336	1262.93	1450.94	1656.22	4,370
	Royalty / revenue share	222.01	242.19	403.74	471.63	657.21	747.25	1,876	430.47	667.38	764.78	1,863
	Equipment Hire	817.06	692.55	698.02	875.01	1,013.45	1,107.09	2,996	712.49	831.87	920.99	2,465
	Lease Rentals payable	84.96	92.73	88.07	85.90	85.90	85.90	258	85.90	85.90	85.90	258
	Insurance	46.06	67.71	80.81	96.42	125.71	200.53	423	93.46	113.71	157.95	365
	Other expenses	332.64	350.37	411.14	438.53	464.22	505.99	1,409	431.27	473.17	512.27	1,417
	Technical Service Fee	15.70	15.70	15.70	124.59	114.45	94.17	333	23.65	23.65	23.65	71
	Total	**2,824.65**	**3,056.96**	**3,462.18**	**4,512.70**	**4,878.62**	**5,537.42**	**14,929**	**3,709.75**	**4,356.14**	**4,873.88**	**12,940**
III	Depreciation	628.91	1,316.12	1,508.83	1,694.58	1,969.22	2,737.28	6,401	1,694.58	1,969.22	2,737.28	6,401
IV	**Overheads**											
	Management & Administration overheads	722.04	968.78	1,139.64	1,230.67	1,331.38	1,440.81	4,003	1206.26	1278.64	1355.35	3,840
	Preliminary expenses & Upfront Payment	12.53	12.53	12.53	12.53	12.53	12.53	38	12.53	12.53	12.53	38
	Total	**734.57**	**981.30**	**1,152.17**	**1,243.20**	**1,343.90**	**1,453.34**	**4,040.44**	**1,218.79**	**1,291.16**	**1,367.88**	**3,877.83**
V	**Operating Surplus / (Deficit) (I) – (II) – (III)**	**2,637.98**	**2,131.69**	**2,364.64**	**1,121.27**	**822.39**	**(268.09)**	1,676	**1,558.74**	**1,980.41**	**1,192.47**	4,732
VI	**Finance & Miscellaneous Income (FMI)**											
	Others	26.26	31.94	57.80	25.00	25.00	25.00	75	25.00	25.00	25.00	75
	Total	**26.26**	**31.94**	**57.80**	**25.00**	**25.00**	**25.00**	75	**25.00**	**25.00**	**25.00**	75
VII	**Finance & Miscellaneous Expenses (FME)**											
	Contribution to Provident Fund	34.46	45.71	81.85	90.04	99.04	108.95	298	86.77	91.97	97.49	276
	Total	**34.46**	**45.71**	**81.85**	**90.04**	**99.04**	**108.95**	298	**90.04**	**99.04**	**108.95**	298
VIII	FMI Less FME (VI) - (VII)	(8.20)	(13.77)	(24.05)	(65.04)	(74.04)	(83.95)	(223.03)	(65.04)	(74.04)	(83.95)	(223.03)
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**2,629.78**	**2,117.93**	**2,340.59**	**1,056.23**	**748.35**	**(352.03)**	**1,452.55**	**1,493.70**	**1,906.37**	**1,108.52**	**4,508.59**
X	Capital Employed	5,651.54	13,041.93	11,964.29	12,764.49	13,805.06	18,656.05	15,075.20	11729.23	12681.61	17419.66	13,943.50
XI	Return on Capital Employed @ 16%	904.25	2086.71	1914.29	2042.32	2208.81	2984.97	7236.10	1876.68	2029.06	2787.15	6692.88
XII	Capacity Utilization	94.45%	69.81%	74.04%	69.53%	70.22%	73.85%	71%	63.46%	71.30%	75.58%	70%
XII	RoCE adjusted for capacity utilization	904.25	2086.71	1914.29	2,042.32	2,208.81	2,984.97	7,236.10	1876.68	2029.06	2787.15	6,692.88
XIII	**Net Surplus / (Deficit) (IX) - (XII)**	**1725.54**	**31.22**	**426.30**	**(986.09)**	**(1,460.46)**	**(3,337.00)**	**(5,783.55)**	**-382.97**	**-122.69**	**-1678.62**	**(2,184.29)**
XIV	**Net Surplus / (Deficit) as a % of operating income (XIII/I in %)**	-	-	-	**-11.50%**	**-16.20%**	**-35.28%**	**-20.99%**	**-4.68%**	**-1.28%**	**-16.50%**	**-7.49%**
XV	**Average Net Surplus / (Deficit) as a % of operating income**	-	-	-		**-20.99%**				**-7.49%**		
XVI	**Cost savings due to efficiency improvement**	-	-	-	2.70	2.70	2.70	**8.10**	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 TAMP calculation**		**1145.23**		-	-	-		**381.74**	**381.74**	**381.74**	
XVII	**Total surplus/ (deficit) (XIII-XVI)**	-	-	-	**(988.79)**	**(1,463.16)**	**(3,339.70)**	**(5,791.65)**	**-2.85**	**257.04**	**-1299.15**	**(1,044.96)**
XIX	**Net Surplus / (Deficit) as a % of operating income (XVIII/I in %)**	-	-	-	**-11.54%**	**-16.23%**	**-35.30%**	**-21.02%**	**-0.03%**	**2.68%**	**-12.77%**	**-3.38%**
XX	**Average Net Surplus / (Deficit) as a % of operating income**	-	-	-		**-21.02%**				**-3.38%**		

Annex - IV

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). 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.

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

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

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

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

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

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

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

(v). 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.

(vi). 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.

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

(viii). The rates prescribed in Section I (except Schedule1.2) and Section II of the Scale of Rates will be revised upwards by 13.10% from 01 April 2016 or from the date the VCTPL commissions additional new equipment viz. 1 Rail Mounted Quay Cranes and 4 Rubber Tyred Gantry Cranes, whichever is later. The rates prescribed in Schedule 1.2. at Section I will be reduced by 15.16% from 1 April 2016.

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	3712.00	2227.20	5568.00	3340.80	7424.00	4454.40
(b).	Empty Containers - Import / Export	2598.40	1559.05	3897.60	2338.60	5196.80	3118.10
(c).	Transport to Rail Flat from CY or Vice Versa and Lift on/Lift off						
	- Loaded	1450.00	1450.00	2175.00	2175.00	2900.00	2900.00
	- Empty	1334.00	1334.00	2001.00	2001.00	2668.00	2668.00

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	397.90	238.75	596.80	358.10	795.75	477.45
(b).	If the terminal user deploys his own tractor trailer for transporting containers from quay to container yard or container yard to quay	331.75	199.05	497.65	298.60	663.50	398.10
(c).	If the terminal user deploys his own equipment for lifting containers from the container yard to truck and vice versa	221.55	221.55	332.35	332.35	443.10	443.10

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	4384.80	2630.90	6577.20	3946.30	8769.60	5261.75

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 handling 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	580.00	580.00	870.00	870.00	1160.00	1160.00
(b).	Empty	464.00	464.00	696.00	696.00	928.00	928.00

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	1461.60	876.95
(b).	With landing Hatch Cover on the quay	2923.20	1753.90

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	2923.20	1753.90	4384.80	2630.90	5846.40	3507.85
(b).	Loaded or empty Container shifted without landing and reshipping	1461.60	876.95	2192.40	1315.45	2923.20	1753.90

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	870.00	870.00	1305.00	1305.00	1740.00	1740.00

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)	348.00	348.00	522.00	522.00	696.00	696.00
(b).	Reefer Run Test (Excluding the electricity charges)	348.00	348.00	522.00	522.00	696.00	696.00
(c).	Charges for supply of electricity (including connecting and disconnecting, monitoring at Reefer yard) per 4 hours or part thereof-	215.75	215.75	323.65	323.65	431.50	431.50

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	2030.00	3045.00	4060.00
(b).	Empty	1798.00	2697.00	3596.00

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	1015.00	1523.10	2030.00
2.	Shifting of containers within the terminal including Lift on, Transportation , Lift off - Laden - Empty	2030.00 1798.00	3045.00 2697.00	4060.00 3596.00
3.	Container Cleaning Charges (High pressure water wash)	580.00	870.00	1160.00
4.	Cancellation of Document - (Per EIR)	87.00		
5.	One Door Open Charge (Per container)	580.00		
6.	Fixing / Removal of Seal (per seal)	232.00		
7	Fixing/ removal 'Hazardous Sticker' (per container)	232.00		
8.	Customs inspection within the terminal (per container)	464.00		
9.	Plugging/ Unplugging of Reefer Container (per container)	58.00		
10.	Non-Declaration/ Mis-declaration of Hazardous Container (per container)	3480.00		
11.	Issuance of documents per document or part thereof (maximum of 5 pages)	174.00		
12.	VIA Cancellation	1160.00		
13.	Weighment of Trailer with or without Containers/ Cargo (per weighment)	116.00		

14.	Delay in submission of the relevant documents beyond the prescribed time (charges are per 'document')	580.00
15.	Non-Declaration/ mis-declaration of OOG Container (Rate per container)	3480.00
16.	Charges for providing Gangway to Vessel per calendar day	58.00 per hour per gangway subject to maximum of 1160.00 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	114.85	229.70	344.50
(iii).	From 16 to 30 days	229.70	459.35	689.05
(iv).	Beyond 30 days	459.35	918.70	1378.10

(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	114.85	229.70	344.50
(iii).	From 16 to 30 days	229.70	459.35	689.05
(iv).	Beyond 30 days	459.35	918.70	1378.10

(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	114.85	229.70	344.50
(iii).	From 16 to 30 days	229.70	459.35	689.05
(iv).	Beyond 30 days	459.35	918.70	1378.10

(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	114.85	229.70	344.50
(iii).	From 16 to 30 days	229.70	459.35	689.05
(iv).	Beyond 30 days	459.35	918.70	1378.10

(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	114.85	229.70	344.50
(iii).	From 31 to 45 days	229.70	459.35	689.05
(iv).	Beyond 45 days	459.35	918.70	1378.10

(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	114.85	229.70	344.50
(iii).	From 46 to 60 days	229.70	459.35	689.05
(iv).	Beyond 60 days	459.35	918.70	1378.10

(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	114.85	229.70	344.50
(ii).	From 16 to 30 days	229.70	459.35	689.05
(iii).	Beyond 30 days	459.35	918.70	1378.10

(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	143.85	287.70	431.50
(iii).	From 16 to 30 days	287.70	575.35	863.05
(iv).	Beyond 30 days	574.20	1148.40	1722.60

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 ₹9280/- 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, ₹232/- per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of ₹1160/-.

For Coastal vessel, ₹139/- per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of ₹696/-.

SECTION - II

2. OTHER SERVICES

2.1. VISITOR ENTRY PASS

		Yearly	Quarterly	Monthly	Daily
(a).	Per Application	₹ 400	₹ 200	₹ 100	₹ 25

2.2. VEHICLE ENTRY PASS

Per Entry ₹ 200/-

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	₹ 1,00,000 per day
(b).	Carrying Camera inside the Terminal	₹ 500 per unit
(c).	Videography (related to operational activities)	₹ 3000 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	₹ 2100 per hour
10001 to 30000	₹ 0.10 per GRT per hour with minimum of ₹ 2100 per hour
30001 and above	₹ 0.16 per GRT per hour.

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

F. No.TAMP/65/2013 - VCTPL - Proposal from the Visakha Container Terminal Private Limited for general revision of its Scale of Rates.

A summary of comments received from the users/ user organisations and the comments of Visakha Container Terminal Private Limited (VCTPL) thereon are given below:

Sl. No.	Comments of users / user organisations	Comments of VCTPL
1.	**Visakhapatnam Container Lines Association (VCLA)**	
(i).	(a). Revision is too soon almost, back to back as the last revision of scale of rates took place on September 2012, just over 1 year and a quarter ago and it has been a very difficult year for the Trade which has seen the inflation at its peak and the Rupee value getting depreciated to the lowest level. (b). There has been severe drop in imports and no increase in exports in the last calendar year. The increased rates had its impact on the exim trade increasing the cost of import /export from Vizag port and encouraging Trade to look elsewhere.	(a). On VCTPL Scale of Rates for 2011-12 to 2013-14 tariff cycle, the Authority had approved for a general revision of Scale of Rates upward by 16% from 1 January 2012 or from the date the VCTPL commissions additional equipment viz. 2 RMQCs and 4 RTGCs, whichever is later. Accordingly, the increase of 16% tariff was applied from 1 September 2012, when the said cranes were commissioned and therefore effectively for 1 and ½ year only as against the normal 3 year period. VCTPL had made huge investments of ₹120 crores during its Phase III expansion. The dwindling volumes, higher cost of operation and depreciating rupee value have adverse impact on VCTPL's sustainability. (b). The volume growth of VCTPL in 2012-13 and 2013-14 has been marginal of about 5 to 6%. This sluggish growth has been mainly due to the general recession in the market. (c). Power and Fuel cost constitute 15 to 17% of VCTPL operating cost. (d). The diesel cost has gone up by about 53% (₹43.64/L in FY 2011-12 to ₹66.76/L in 2013-14) in the last three years and is expected to grow further because of rupee volatility and increase in International crude oil price. (e). The power cost in Andhra Pradesh has gone up by more than 62% (₹5.18 in FY 2011-12 to ₹8.39 as on this date) during the last three years. There is again a proposal by DISCOMs to the APERC to increase

		it by another 24% in the coming years. (f). The other operating cost viz., container movement, labour and repairs & maintenance cost have also gone up due to high inflation. (g). VCTPL has set up Pre Gate facility with truck parking for the benefit of the trade since November 2011. Even though VPT is charging VCTPL for providing land for this purpose, the same is not passed onto the trade. (h). The cost of royalty has been increasing in the coming years as per the License agreement with port. Though 100% of cost is incurred by VCTPL, as per TAMP norms, VCTPL passing through only 49% of the cost to the trade. (i). Rupee has moved from ₹45 to ₹63 against dollar compared to the last tariff cycle; which is a depreciation of 40%. VCTPL's cost is going up, especially the cost of spare parts, as a result of this unprecedented dollar-rupee depreciation.
(ii).	Krishnapatnam and Chennai have maintained their tariffs and not made any changes to support the trade.	It is to be noted that Krishnapatnam being non-major port does not come under the purview of the TAMP and can have any tariff as per its discretion. In case of Chennai, the tariffs would have gone up but for an arbitration case that CCTL had won against Chennai port during the last tariff cycle in respect of lease rentals amounting to ₹76.14 crores. Also, the tariffs at CCTL are dollar denominated and they have benefitted because of huge depreciation of Indian rupee.
(iii).	Taking in view the current economic conditions in India and with Global recession an increase of 22.9% in SOR will straight away put our exporters and importers under pressure and uncompetitive . It will have an adverse impacts on the trade and end users. As terminal users, VCLA has requested to take the above adverse effects into account while addressing the rate revision proposed by VCTPL.	Due to the high investments made by VCTPL in equipment and other infrastructure related facilities, the trade has already started benefitting from it. Few of the benefits that already have a positive impact on the EXIM trade of the region are listed hereunder: (a). Due to improvement in equipment deployment and efficiency, the average turnaround time of vessels has decreased substantially from 26.2 hrs. to 20.2

<table>
<tr><td></td><td></td><td>hrs. even though the average parcel sizes of the vessels increased from 742 TEUs to 939 TEUs. This in turn has benefitted the container shipping lines by way of substantial reduction in port cost (Berth Hire), Bunkering cost (due to implementing slow steaming to next port).

(b). The average dwell time of import containers has reduced from 5.0 days to 3.3 days.

(c). VCTPL has been providing value added service like (i) Pre-gate facilities reducing the truck turnaround time (ii) Navis N4 software enabling shipping lines to have web access for tracking/ updating their containers and hence optimum utilisation of their resources.

Therefore, there has been substantial benefit to the trade due to the investments made by VCTPL. Moreover, increase in tariff would not have much impact on the Trade as the port cost (including THC) constitutes only 5 to 6% of the overall logistic cost and would have a direct positive impact on the trade due to improvement in efficiency and productivity level in the coming years.

In view of the benefits to both, the shipping lines and the trade in general, the increase in tariff is well justified.</td></tr>
<tr><td>2.</td><td>Indian National Shipowners' Association (INSA)</td><td></td></tr>
<tr><td>(i).</td><td>The increase sought by VCTPL for each category of service is 22.9% over the existing tariff. The following discrepancies in 20' Composite handling charges for Export/ Import Laden & Empty containers are noticed:

<table>
<tr><td></td><td colspan="3">20' Laden Export/ Import</td><td colspan="3">20' Empty Export/ Import</td></tr>
<tr><td>In Rupees</td><td>Existing</td><td>If increased by 22.9%</td><td>Proposed in SOR</td><td>Existing</td><td>If increased by 22.9%</td><td>Proposed in SOR</td></tr>
<tr><td>For common user</td><td>3200</td><td>3933</td><td>4562</td><td>2240</td><td>2753</td><td>3194</td></tr>
<tr><td colspan="7">Thus for a common user the increase sought in composite handling charge works out to 42.6% over the existing tariff and not just 22.9% as claimed by the applicant.</td></tr>
<tr><td></td><td>Existing cost</td><td>Proposed cost</td><td colspan="4">Change over the previous cost</td></tr>
<tr><td>Maersk Line</td><td>2213</td><td>2330</td><td>-5.3%</td><td colspan="3" rowspan="3">Pls. refer page 13 "highlights of the proposal" section 5.</td></tr>
<tr><td>APL</td><td>3452</td><td>3279</td><td>-5.0%</td></tr>
<tr><td>MSC</td><td>3570</td><td>3392</td><td>-5.0%</td></tr>
</table>

From the above table-
(a). There is no information on what are the constituents of the "average cost" considered in calculation. However, the proposal seeks approval to lower cost for it's three foreign company customers by</td><td>(a). (i). On VCTPL Scale of Rates for 2011-12 to 2013-14 tariff cycle, the Authority had approved for a general revision of Scale of Rates upward by</td></tr>
</table>

nearly 5% while seeking an increase of 42.6% for common users.

We find this very unfair towards trade in general and particularly to Indian Merchants. Because recoveries are made from Indian Exporters and Importers for Terminal Handling Charges basis Tariff for a common user, the VCTPL Terminal is aiding Shipping Lines to make profit from recoveries which are claimed to be only reimbursements. Full details should be sought by Tariff Authority to ascertain the correct position.

16% from 1 January 2012 or from the date the VCTPL commissions additional equipment viz. 2 RMQCs and 4 RTGCs, whichever is later. Therefore, the increase of 16% tariff was applied from 1 September 2012 after commissioning of the equipment and the effective rates existing are (available in website www.vctpl.com) as under:

20' Laden Export/ Import			20' Empty Export/ Import		
Existing (₹)	Proposed (₹)	% increase	Existing (₹)	Proposed (₹)	% increase
3712	4562	22.9%	2598	3194	22.9%

Therefore, the contention of INSA that we have increased our tariff by 42.6% is not correct as the proposed increase is only 22.9%.

(ii). With reference to the comments of INSA on average cost to the three shipping lines the effect of increase in tariff would have the following impact:

Major Shipping Line	Before (Existing cost)	After (Proposed cost)	Increase/ (Decrease) %
Maersk Line	2330	2573	10.45%
APL	3452	3812	10.45%
MSC	3570	3944	10.45%

(iii). The average cost constitutes the total billing (including that of 40', rate for which is 1.5 times of 20' and transshipment, rate for which is 1.1 times of 20' inspite of 2 moves and dwell time, etc.) on these customers as per existing tariff and proposed tariff on estimated future volumes. The increase in cost would be around 10.45% not only for these three shipping lines but also for the all other shipping lines, including Indian Shipping Lines, currently handling containers at VCTPL. As per the TAMP's cost statement template we need to provide the average cost for typical port users and, therefore, we have provided the impact of top three customers only.

(iv). Since the percentage increase to other shipping lines is also same, there is no disparity to any of our other customers. As such, there is no undue advantage passed through by VCTPL to any other shipping lines, especially foreign lines, as pointed out by the INSA and therefore no under recoveries either.

Therefore, the apprehension of the

	(b). Further, if the observations are found to be correct, should under recoveries from certain customers be allowed when terminal is proposing a steep hike for common users? In which case the estimated revenue should be corrected to the extent of under recovery to arrive at correct ROCE?	INSA of VCTPL being unfair towards the other Indian Merchants is misplaced. (b). Observations made by INSA are not correct and the question of under recoveries also does not arise as clarified above. The estimated revenue projected by VCTPL and the ROCE is in order. In addition, VCTPL had made huge investments of ₹120 crores during its Phase III expansion. The sluggish growth in container volumes and high operating cost mentioned below has adverse impact on VCTPL's sustainability. Power and Fuel cost constitute 15 to 17% of the operating cost. The diesel cost has gone up by about 53% (₹43.64/L in FY 2011-12 to ₹66.76/L in 2013-14) in the last three years. The Power cost in Andhra Pradesh has gone up by more than 62% (₹5.18 in FY 2011-12 to ₹8.39 as on this date) during the last three years. Rupee has moved from ₹45 to ₹63 against dollar compared to the last tariff cycle; which is a depreciation of 40%. We had our costs going up, especially the cost of spare parts, as a result of this unprecedented dollar-rupee depreciation.
(ii).	Form-6 for providing information on "Analysis of efficiency and Productivity Improvement" doesn't provide any comparative statement on Efficiency and Productive parameters used by Major Ports like, move count, throughput, economy of scale achieved i.e. general improvement in resources efficiency.	Due to improvement in equipment deployment and efficiency, the average turnaround time of vessels has decreased substantially from 26.2 hrs. to 20.2 hrs. The average parcel sizes of the vessels increased from 742 TEUs to 939 TEUs. This in turn has benefitted the container shipping lines by way of substantial reduction in port cost (Berth Hire), Bunkering cost (due to implementing slow steaming to next port). The shipping lines are able to offer better ocean freight rate, faster delivery of cargo to the Exporters and Importers.
(iii).	The chapter on Definitions does not define "Coastal Container", though Para 2-General-(v) mentions of the applicability of SOR for "Coastal Container". To avoid any confusion a definition of this term may be incorporated so that "cargo/ containers from/to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for the concession" is amply clarified. Coastal carriage need not be on	Clauses and definitions are in line with TAMP's directives. Should there be a need to make any changes, we shall be guided by TAMP.

	coastal vessel only needs to be clarified.	
(iv).	Waste disposal to comply with Marpol requirements is a statutory and important point. Suggest the terminal operator be asked to provide services obligatory for vessel's compliance to International MARPOL convention which is also signed by India.	The suggestion is noted.
3.	**Shipping Corporation of India Ltd. (SCI)**	
	In the current global scenario a steep hike of 22.90% in tariff is unwarranted. The pre revised tariffs at VCTPL is higher by 80% when compared with terminals in Chennai. Further, hike will alienate Trade of the region who will migrate to Chennai Gateway and use rail or road network for the last leg connection.	No specific comments furnished by VCTPL.

2. A joint hearing in this case was held on 7 October 2014 at the Visakhapatnam Port Trust (VPT) premises. The VCTPL made a brief presentation of its proposal. At the joint hearing, the VCTPL, VPT and the concerned users/ organisation bodies have made the following submissions:

Visakha Container Terminal Private Limited (VCTPL)

(i). Traffic is projected based on the past trend of growth, current business scenario and competition from neighboring ports.

(ii). Cost assumptions are as per 2005 tariff guidelines and considering the earlier tariff Orders.

(iii). 16% tariff increase granted in last Order was effected only for nineteen months after deployment of RMQC and RTGCs as per TAMP Order.

(iv). 22.90% increase in all tariff items is proposed except for transhipment containers. Reduction is proposed in handling charges for transhipment containers by 15.17% to attract transhipment volume.

(v). Existing tariff for transhipment container is comparable to the tariff of BOT operator at Chennai port at around ₹3500 per TEU. Their tariff is in US$ and hence they will gain due to exchange rate fluctuation.

Visakhapatnam Port Trust (VPT)

(i). Container traffic is having sluggish growth in this area. In the last tariff revision Order, 16% increase was granted by TAMP. Further, 22.90% increase is sought by the VCTPL in the current exercise. So the total increase will be around 39%. It has to be seen whether such increase in tariff will attract container traffic to the port. Tariff has to be competitive. The VCTPL should instead try to attract more volumes.

(ii). Transhipment tariff fixed by TAMP will be a ceiling rate. The VCTPL has the flexibility to reduce the tariff approved by the TAMP.

Visakhapatnam Steamship Agents' Association

(i). We welcome reduction proposed in handling rate of transhipment container. This will improve transhipment traffic.

(ii). The traffic for normal import/ export containers also needs to be improved. Hence, only marginal increase in tariff should be allowed.

Visakhapatnam Container Lines Association

(i). Proposed revision in tariff will impact trade.

(ii). Imports at VCTPL have been affected. There is competition from neighbouring port. Any increase in tariff should be marginal. It should not impact the trade.

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