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Tariff Authority for Major Ports

G No. 217

New Delhi, 5 November 2011

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.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports
Case No. TAMP/10/2011-VCTPL

Visakha Container Terminal Private Limited

- - -

Applicant

ORDER

(Passed on this 11th day of October 2011)

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.

2.1. The Scale of Rates of the VCTPL was last revised by this Authority vide Order No.TAMP/7/2008-VCTPL dated 28 July 2009, with tariff validity till 31 March 2011. In this backdrop, the VCTPL under cover of its letter dated 25 January 2011 has filed the proposal in reference.

2.2. Since the validity of the Scale of Rates of VCTPL was expiring on 31 March 2011, the VCTPL vide its letter dated 1 April 2011 has requested to extend the validity of its Scale of Rates. This Authority vide its Order dated 2 May 2011 has extended the validity of the existing Scale of Rates of VCTPL till 30 September 2011 or till effective date of implementation of the revised tariff, whichever is earlier, subject to fully adjusting the surplus over and above the admissible cost and permissible return for the period post 1 April 2011 in the tariff to be determined.

3.1. The main submissions made by VCTPL in its proposal of January 2011 are as follows:

- (i). The VCTPL is investing heavily in equipments and other infrastructure facilities during the year 2011-12. This would result in very high tariff for the three year block of 2011-12 to 2013-14.
- (ii). Neither the market nor the trade can bear this high tariff. In view of that, though the tariff guidelines of 2005 prescribe a tariff validity period of 3 years, the Authority is requested to approve the tariff for a period of 6 years i.e. from 2011-12 to 2016-17.
- (iii). VCTPL has assessed the capacity of the terminal as per the norms prescribed in 2008 guidelines. The optimal quay capacity is assessed at 662256 TEUs for the period 2011-12 to 2016-17. The optimal yard capacity is assessed at 204620 TEUs for the period 2011-12 to 2013-14 and 324336 TEUs for 2014-15 to 2016-17.

Accordingly, the capacity of the terminal is lower of the quay and yard capacity at 204620 TEUS for the period 2011-12 to 2013-14 and 324336 TEUs for the period 2014-15 to 2016-14.

- (iv). Traffic:

Actual traffic handled in 2008-09 and 2009-10 is 87637 TEUs and 98000 TEUs respectively. Traffic has been estimated based on the actual/ estimated traffic of 130227 TEUs handled in 2010-11. 15% increase over the respective previous year in traffic is estimated for the period 2011-12 to 2016-17. The estimated traffic for the six year period is as below:

Year	Estimated traffic in TEUs
2010-11 (actuals for 8 months and estimates for 3 months)	130227
2011-12	150000
2012-13	172000

2013-14	198000
2014-15	228000
2015-16	262000
2016-17	300000

- (v). Additions have been proposed to gross block of assets to the tune of ₹11057.04 lakhs, ₹1621.50 lakhs and ₹5.48 lakhs during the years 2011-12, 2013-14 and 2015-16 respectively. The addition in the year 2011-12 is mainly towards purchase of 2 RMQCs and 4 RTGCs. The addition in the year 2013-14 is towards civil works like developing additional storage yard, construction of administrative building and workshop building.

3.2. The overall cost position for the years 2009-10 to 2016-17 as per the cost statement furnished by the VCTPL is summarised and tabulated below:

(₹ in lakhs)									
Sl. No.	Particulars	Actuals		Estimates					
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
(i).	Traffic (in TEUs)	98,000	130,227	150,000	172,000	198,000	228000	262000	300000
(ii).	Total operating Income	3644.88	3639.25	3627.32	4002.76	4542.80	5244.94	6020.80	6887.72
(iii).	Total Operating Cost (including depreciation, management overheads and FMI – FME)	1943.37	2623.65	4162	4593.54	4957.20	5334.28	5907.17	6426.02
(iv).	Capital Employed	4488.81	1015.60	14348.03	13079.90	13734.39	13030.09	11830.94	11145.12
(v).	ROCE	718.21	648.06	2295.68	2092.78	2197.50	2084.81	1892.95	1783.22
(vi).	Net Surplus/ (Deficit)	983.30	367.20	(2830.36)	(2683.55)	(2611.90)	(2174.15)	(1781.33)	(1321.51)
(vii).	Net Surplus/ (Deficit) as % of operating income	---	---	-78.03%	-67.04%	-57.50%	-41.45%	-29.59%	-19.19%
(viii).	Average of three years	----	----	-67.52%			-30.08%		
(ix).	Average of six years (computed by us)	---	----	-48.8%					

3.3. The main changes proposed in the existing SOR are tabulated below:

Sr. No.	Changes proposed in item	Increase / decrease proposed
(i).	Composite Rate for Handling Import and Export containers	32.81% increase proposed
(ii).	Transport to Rail Flat from CY or vice a versa and lift on/Lift off	21.88% increase proposed
(iii).	Handling of Transshipment containers	28.6% decrease proposed
(iv).	Lift on or Lift off charges	20% increase proposed
(v).	Handling of Hatch Covers irrespective of whether landed on jetty or not	7% increase proposed
(vi).	Handling of Restow containers (20' & 40') irrespective of whether landed on jetty or not	7% increase proposed
(vii).	Charges for Internal Transportation	33.33% increase proposed
(viii).	Charges for supply of reefer electricity (20' and 40')	Around 24% increase proposed
(ix).	Charges for Shut out container.	Around 26% increase proposed
(x).	Charges for Direct Loading (20' and 40').	Around 129% increase proposed
(xi).	Charges for Shifting of containers within the terminal including Lift on, Transportation, Lift off.	25.71% increase proposed
(xii).	Charges for Storage of containers	26.27% increase proposed
(xiii).	New tariff proposed for:	
	(a). Charges for providing gangway to vessel	₹750/- per calendar day
	(b). Charges for Gear Boxes including Twist Lock Bins	₹2700 per container

3.4. The VCTPL has also drawn reference to its earlier letter no.VCTPL/TAMP/2011/011 dated 14 January 2011, wherein it has requested to allow adjustment of past losses for the period since 2003-04 while fixing the tariff in the next cycle. The reference made by the VCTPL in this regard is brought out separately in the subsequent para of the note.

4.1. Prior to filing the proposal in reference, the VCTPL vide its letter dated 20 October 2010 has, interalia, submitted that as per clause 2.13. of the tariff guidelines of 2005, past losses are to be adjusted in subsequent tariff. The VCTPL has stated that it has accumulated losses of ₹4403.73 lakhs from the financial year 2003-04 to 2009-10 after considering the surplus of ₹539.84 lakhs for the year 2009-10. These losses are still to be adjusted in the subsequent tariff. As such, the VCTPL has requested to set off the past losses amounting to ₹4403.73 lakhs after adjusting the surplus of 2009-10 and carry forward the balance losses.

4.2. In reply, we have vide our letter No.TAMP/34/2003-Misc dated 22 December 2010, interalia, clarified that clause 2.13 of the guidelines limits its application in case of variation in the estimates considered while fixing the tariff in the immediate past tariff cycle vis-à-vis the actuals is more than +/- 20% (and not with reference to loss). There is no provision in the tariff guidelines of March 2005 to fix tariff to off set losses of the past several years. As per the tariff guidelines, the actual physical and financial performance for the years 2005-06 and 2006-07 and 2007-08 has been reviewed by this Authority while revising the tariff of the VCTPL approved vide Order No.TAMP/12/2007-VCTPL dated 28 June 2007 and Order No.TAMP/7/2008-VCTPL with the estimates relied upon in previous tariff Orders. The last tariff revision of the VCTPL approved July 2009 was based on estimates of 2008-09, 2009-10 and 2010-11. That being so, as per the tariff guidelines of 2005, the variation in actual physical/ financial performance for these three years vis-à-vis the estimates considered Order of July 2009 will be examined during the next tariff review which is due in March 2011.

4.3. Subsequently, the VCTPL vide its letter dated 14 January 2011 has reiterated its submissions made earlier vide its letter dated 20 October 2010.

5. In accordance with the consultation process prescribed, the proposal dated 25 January 2011 received from the VCTPL was circulated to VPT and 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.

6.1. Based on the preliminary scrutiny of the proposal, the VCTPL was requested to furnish additional information / clarifications vide our letter dated 29 April 2011. The VCTPL has subsequent to the joint hearing, furnished its reply on queries raised. Summary of query raised by us and the response of the VCTPL is brought out in the subsequent part of the note.

6.2. The VPT was also requested to furnish some additional information/ clarifications vide our letter dated 29 April 2011. The VPT has responded to queries raised by us after the joint hearing. The queries raised by us and the response of the VPT is brought out in the subsequent part of the note.

7. A joint hearing in this case was held on 11 May 2011 at the Visakhapatnam Port Trust (VPT) premises. The VCTPL made a power point presentation of its proposal. At the joint hearing, the VCTPL, VPT and the concerned users/ organisation bodies have made their submissions.

8.1. As agreed by VCTPL during the joint hearing, the VCTPL was requested to furnish additional information/ clarification on a few points. The VCTPL was also advised to file an updated proposal and forward a copy of the updated proposal and clarification to VPT for its scrutiny and comments. The VCTPL was also advised to respond to the queries raised by us vide our letter dated 29 April 2011.

8.2. The VCTPL under cover of its letter dated 12 May 2011 has filed an updated proposal and has also responded to the queries raised by us. A summary of queries raised by us and response of VCTPL vide letter dated 12 May 2011 and emails dated 14 July 2011 are tabulated below:

Sl. No.	Queries raised by us	Response of VCTPL
(A).	General:	
(i).	The VCTPL has requested that its tariff be fixed for a period of six years i.e. 2011-12 to 2016-17. As per clause 3.1.8. of the 2005 tariff guidelines, the tariff validity cycle is for three years period. The proposal of the VCTPL seeking tariff approval for six years is not in line with the guidelines provision. The proposal does not bring out any extraordinary circumstances for deviating from the guidelines.	1) VCTPL has invested heavily into procurement of Quay Cranes 2 nos. and RTGCs 4 nos. In accordance with TAMP guidelines, there would be a steep hike 34% in proposed tariff to ensure the prescribed return of 16% on ROCE to the terminal. The trade would not be able to bear this hike. As already commented by VCLA, they expect a 10-15% hike. 2) Accordingly, to moderate the tariff to sustainable levels as also to ensure reasonable returns to the terminal, the tariff is proposed to be made consistent for a six year period. This will ensure the trade does not bear a high tariff rate and gets a tariff that remains same for next six years. Besides, the terminal gets a decent return on its investment. 3) Understandably; IGTP, Cochin, has been allowed to have a six year tariff period on similar lines and hence we request Honourable authority to consider our proposal too for a six year validity cycle, subject to the other terms and conditions in the TAMP guidelines.
(ii).	The VCTPL at Sl. No. 6 of its Form – 1 has reported the average gross crane productivity achieved during the years 2003-04 to 2010-11. Whilst the crane shows an improvement in the productivity level from 19.70 moves per hour achieved in the year 2003-04 to 24.55 moves per hour in the year 2006-07, for the subsequent years 2007-08 to 2010-11, there is a fall in the productivity of the crane to 22 - 21.8 moves/hour. The reason for a drop in the crane productivity in the last four years viz. 2007-08 to 2010-11 against the productivity achieved in the previous years may please be explained.	During the initial years, the vessels calling the terminal were small and also the average parcel size handled per vessel was low. With a clear stowage (i.e. mostly single port of discharge) and less yard activity during the time, higher crane productivity could be achieved. With the growth in container volumes, services like Indflex, APL/BTL have increased the size of their container ships. It may be noted that Quay cranes in the terminal are old and of panamax type. Hence, while handling bigger size vessels which are geared (equipped with own cranes) and often operating in well stowage the operation of the quay cranes generally slow down. Also while handling bigger vessels, the average cycle time per container by the quay crane also increases as the quay crane has to travel a longer distance inside the hatches and on deck. These are some of the factors which reduced the crane productivity.
(iii).	The revised tariff guidelines stipulate that tariff should be linked to benchmark of the levels of productivity. The VCTPL has mentioned about the gross crane productivity achieved by it during the past period with two old cranes and has further stated that the acquisition of two new cranes during the year 2011-12 would improve the crane productivity. The VCTPL is requested to quantify the crane productivity estimated to be achieved by it during the year 2011-12 to 2013-	The benchmark can be considered for Ship Productivity and this can be pegged at an average of 30 moves per hour as mentioned in Appendix-5 of the Licence Agreement with Visakhapatnam Port Trust. The productivity benchmark will be subject to the available stowage of the vessel.

	14. This benchmark level of productivity may be included in the Scale of Rates as a conditionality governing the respective tariff items.													
(iv).	As can be seen from the statement furnished by VCTPL showing a comparative position of the existing rates and the proposed rates, the VCTPL has sought 32% increase in the composite handling rate and increase sought in other tariff items is also in the range of 25% to 30%. However, as per the information furnished at Sl.No.5 of Form-1, the average handling cost for a typical port user is expected to reduce at the proposed tariff. The reasons therefor along with workings may be furnished.	The reduction in average cost is attributed to the Transshipment volume likely to be handled in the coming years. The transshipment charges are less than that of normal charges in spite of involving double handling. (A summary of the statement furnished by VCTPL is given below: (₹ per TEU) <table border="1"> <thead> <tr> <th>User</th><th>Average cost at existing tariff</th><th>Average cost at proposed tariff</th></tr> </thead> <tbody> <tr> <td>MSK</td><td>2648</td><td>2451</td></tr> <tr> <td>APL</td><td>2888</td><td>2673</td></tr> <tr> <td>PIL</td><td>3011</td><td>2786</td></tr> </tbody> </table>	User	Average cost at existing tariff	Average cost at proposed tariff	MSK	2648	2451	APL	2888	2673	PIL	3011	2786
User	Average cost at existing tariff	Average cost at proposed tariff												
MSK	2648	2451												
APL	2888	2673												
PIL	3011	2786												
(v).	As the financial year 2010-11 is already completed, the VCTPL is requested to update the cost statements with actuals for the year 2010-11 duly tallying the figures with its Annual Accounts. A copy of Annual Accounts for the year 2010-11 may also be forwarded. The estimates for the subsequent years 2011-12 to 2013-14 may be reviewed and modified, if necessary, with reference to actuals for the year 2010-11.	The actual figures for revenue as well as expenditures were incorporated in all the formats and the TAMP guidelines in this regard were followed in connection with the charging of various expenditure. The Annual Accounts of the company for the year 2010-11 are not yet audited and hence the provisional and unaudited Annual Accounts were followed for the purpose. The TAMP formats thus revised accordingly are furnished. A copy of unaudited Annual Accounts for the year 2010-11 is also furnished. (VCTPL has furnished only the extracts of the Profit & Loss A/c and Balance Sheet for the year ended 31 March 2011.)												
(B).	<u>Comparison of actuals vis-à-vis estimates provided earlier:</u>													
(i).	For the reasons stated in the last tariff revision Order of 28 July 2009 of VCTPL, this Authority had granted a tariff increase of 10% during the year 2010-11 to be effective only from the date of commissioning of the 2 new RMQCs and 4 RTGs. The VCTPL in the proposal now filed has stated that it has not acquired the new RMQCs and RTGs in the year 2010-11 but propose to acquire them only during the year 2011-12. In this context, the VCTPL is requested to confirm that it has not effected the 10% increase in its Scale of Rates during the year 2010-11 in line with the decision of the last tariff Order.	This is to confirm that VCTPL had not effected the 10% increase in its Scale of Rates during the year 2010-11 in line with the decision of the last tariff Order.												
(ii).	(a). The VCTPL has included the income earned by it from the bank deposits. As per note numbers 4 and 5 of Form 3A, interest income on investments and interest paid on borrowings need to be excluded from the cost statement. The VCTPL may modify the cost statement accordingly.	Interest income on investments has been excluded and the TAMP formats thus revised accordingly.												
	(b). The Annual Accounts as well as the cost statement reflect foreign exchange loss of ₹118.85 lakhs in the year 2008-09 and foreign exchange gain of ₹60.60 lakhs in the year 2009-10 as per the Annual Accounts of the respective years. The nature of exchange gain/ loss	As per Indian Accounting Standard 11, the foreign currencies transactions are recorded at the exchange rates prevailing on the date of transaction. Monetary items are translated at the year-end rates. The exchange difference between the rate prevailing on the date of												

	reported in the Annual Accounts may be explained.	transaction and on the date of settlement as also on translation of Monetary items at the end of the year, is recognized as income or expense, as the case may be. These transactions are related to Import of spares, AMC payable to NAVIS and DPW management fee.
(iii).	(a). This Authority vide paragraph no.10(xiv)(a) of its Order dated 28 July 2009 has allowed payment of technical service fee (TSF) as an item of cost in the estimates for the years 2008-09 to 2010-11 subject to the condition that the VCTPL at the time of next review would produce the evidence of actual payment and the Income tax assessment Orders for the years 2006-07 to 2010-11. The VCTPL is, therefore, requested to furnish the Income tax assessment Orders for the years 2006-07 to 2010-11 as well as documents relating to actual payment of TSF.	Till the F Y 2007-08, during assessment the Income Tax department had not considered this as expenditure, since the actual payment was not effected. VCTPL had effected the payment during the F Y 2009-10 and claimed the entire TSF paid as expenditure. The Income Tax assessment order of 2009-10 is yet to be received. Copies of assessment order for the years 2006-07 to 2008-09 is furnished. The documents relating to actual payment of TSF is also furnished. In this connection, a copy of the Order from the Income tax Authority for Advance Ruling received u/s 195 (2) of The Income tax Act, 1961 confirming payment of TSF without deduction of withholding tax and the same is furnished.
	(b). During the last tariff revision, while amortising the Technical Service Fee over remaining project i.e. 25 years, the estimated Technical Service Fee of ₹33.31 lakhs for the year 2008-09 was considered. In view of actual Technical Service Fee reported at ₹36.59 lakhs for the year 2008-09, the amortisation figure may be suitably modified and the reasons for the increase in TSF may be explained.	The amortized TSF amount as per earlier TAMP Order was ₹15.5 lakhs annually and the same has been considered now also. In addition to this a new TSF agreement has been entered into between DP World and VCTPL at an agreed price of USD 50000 per annum w.e.f. 1 st Dec 2010 for a period of 5 years. Accordingly the TSF has been amortized over remaining period of 22 years and 4 months. Similar treatment was given to this TSF payment as suggested by TAMP in its earlier orders.
(iv).	(a). The operating expenses reflected in the Annual Accounts includes ₹17.02 lakhs and ₹17.45 lakhs towards Rebates during the years 2008-09 and 2009-10 respectively. The nature of the rebate allowed may be explained.	The rebates were allowed to customers against volume commitments made by them to VCTPL and towards rebates allowed to shipping lines as per Scale of rates 1.1(B) for use of ship's gear.
	(b). Rebates and discounts, if any, over the notified ceiling tariff, allowed by VCTPL during the years 2008-09 to 2010-11 may be furnished yearwise.	VCTPL had extended concession on handling charges of Transhipment and for empty containers repositioned through the terminal to encourage growth in exports, as there is shortage in availability of empty containers. The concessional rates were given to specific customers against specific type of traffic to improve new business. The year-wise figures are stated to have been furnished, (but not received in TAMP). However, we request the Honourable authority to kindly maintain the confidentiality of these figures.
	(c). A detailed income calculation may be furnished for the years 2007-08 to 2010-11 based on the actual traffic handled and applying the rates approved in the Scale of Rates (SOR) of the VCTPL.	
(v).	Depreciation for the years 2008-09 and 2009-10 considered in the cost statement is ₹548.92 lakhs and ₹562.79 lakhs respectively. Whereas, the depreciation reported in the Annual Accounts for the said years is ₹576.83 lakhs and ₹590.69 lakhs. The VCTPL has in page 85 of its proposal stated that the upfront fee of ₹3.19 crores capitalised in the Annual Accounts has been excluded and spread over the remaining project period in line with the approach followed in the last tariff Order. Depreciation figure considered	The detailed reconciliation of depreciation account is furnished.

	in the cost statement varies from Annual Accounts presumably on account of this adjustment. Please furnish detailed working of adjustments done in the depreciation figure reported in the Annual Accounts of the years 2008-09 to 2010-11.																																				
(vi).	The VCTPL is requested to furnish working of the per TEU royalty considered in Form 3B to the extent of the second highest bidder for the years 2008-09 to 2010-11 as well as estimated for the years 2011-12 to 2013-14.	Royalty is considered to the extent of 49% (as approved by TAMP vide Order Case No.TAMP/31/2005-VCTPL dated 30th Aug 2005) of the total Royalty cost as per TAMP Guidelines. The working of the per TEU royalty in Form 3B (Revised statement) is arrived at as per following calculations: <table><tr><th>F Y</th><th>Total Royalty paid/ payable (₹ in lacs)</th><th>Basis of calculations</th><th>Cost of Second Highest Bidder</th><th>Total Royalty Cost as per 3B (₹ in lacs)</th></tr><tr><td>2008-09</td><td>94.92</td><td>Actual</td><td>49%</td><td>46.51</td></tr><tr><td>2009-10</td><td>135.22</td><td>Actual</td><td>49%</td><td>66.26</td></tr><tr><td>2010-11</td><td>205.87</td><td>Actual</td><td>49%</td><td>100.87</td></tr><tr><td>2011-12</td><td>297.50</td><td>Estimates</td><td>49%</td><td>145.78</td></tr><tr><td>2012-13</td><td>390.00</td><td>Estimates</td><td>49%</td><td>191.10</td></tr><tr><td>2013-14</td><td>703.12</td><td>Estimates</td><td>49%</td><td>344.53</td></tr></table>	F Y	Total Royalty paid/ payable (₹ in lacs)	Basis of calculations	Cost of Second Highest Bidder	Total Royalty Cost as per 3B (₹ in lacs)	2008-09	94.92	Actual	49%	46.51	2009-10	135.22	Actual	49%	66.26	2010-11	205.87	Actual	49%	100.87	2011-12	297.50	Estimates	49%	145.78	2012-13	390.00	Estimates	49%	191.10	2013-14	703.12	Estimates	49%	344.53
F Y	Total Royalty paid/ payable (₹ in lacs)	Basis of calculations	Cost of Second Highest Bidder	Total Royalty Cost as per 3B (₹ in lacs)																																	
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(vii).	The actual expenditure reported for the years 2008-09, 2009-10 and 2010-11 is found to vary significantly in respect of some items, with reference to the estimates considered for the respective years in the last tariff order. This is despite the fact that actual volumes are lower than the estimated level and non actualization of the proposed container handling equipment. Reasons are not explained in Form -7.	The revised Form 7 is enclosed with the reasons of variations more than +/-20 %. The major variations are due the postponement of expansion plan planned earlier during 2010-11 to subsequent years, increase in non container vessel income, and increase in basic input costs.																																			
(viii).	As regards, the capital employed considered by VCTPL, the mismatch observed in the gross block, depreciation, net block reported in the Annual Accounts and the Cost statement (Form 4 A) is raised in the subsequent part of queries which may be addressed.	During earlier revision, TAMP has taken the Gross block of assets by excluding the amount of upfront fee of ₹3.19 crores which was capitalized by VCTPL and depreciation rates were applied on the reduced Gross block. The same treatment is followed by VCTPL in the cost statement. The detailed reconciliation of gross block, depreciation reported in the Annual Accounts and the Cost statement (Form 4 A) are furnished.																																			
(ix).	Sundry debtors, inventory, cash balance considered for computation of the working capital for the years 2008-09 to 2010-11 may be modified in compliance with the norms prescribed in the tariff guidelines. Workings in this regard may be furnished.	Sundry Debtors are estimated at 2 months of revenue projections which is predominant in the current scenario. Since most of the shipping lines' principal's offices are located in metros and overseas, the processing of payment is delayed. In this regard it may also be noted that VCTPL is paying annual lease rent to VPT in advance. The Inventory have been estimated upto 6 months' of average consumptions as per the norms, and it was allowed by the Honorable authority in the earlier order. Cash and Bank balances have been estimated at 1 month's operating expenditure as per norms and it was allowed by the Honorable authority in the earlier order. Current Liabilities have been estimated at 15 days credit period on Equipment Running cost, Equipment Hire, Other expenses and																																			

		Management & Admin overheads as per norms and it was allowed by the Honorable authority in the earlier order.
(C).	<u>Financial/Cost Statement:</u>	
(1).	<u>Capacity:</u>	
	(a). The VCTPL has assessed the optimal yard capacity borrowing the norms prescribed in the upfront tariff guidelines of 2008. The reason why the actual dwell time should be considered to peg down the yard capacity is not clear. It may be possible that liberal storage time is being allowed in view of low volumes. But, this cannot be perpetuated while determining the standard capacity of the terminal. The normative levels may be considered to rework the yard capacity.	The working as per normative levels is furnished. It may kindly be noted that VCTPL is handling Transshipment containers and hence have included the storage of transshipment containers for calculating the yard capacity at an average stay of 5 days. The average stay of exports at 4 days and Import at 2 days has been considered as per norms. The area allocated for Export, Import and transshipments is 35%, 35% and 30% of the total area respectively. In our earlier calculations, VCTPL had considered the actual average dwell time to assess the optimal yard capacity. The actual average dwell time included the storage of transshipment containers also.
	(b). Given the mismatch between quay and yard capacities, justify the quay handling equipment proposed to be inducted/ retained.	i) The earlier mismatch is due to calculations worked out by including 2 old and 2 new ones. However considering that the two old quay cranes will be used only as a supplement to the two new quay cranes, we have reworked the calculation as per the normative approach. (The revised optimal quay capacity has been worked out to 413910 TEUs during the years 2011-12 to 2013-14. The optimal yard capacity is 236829 TEUs. Thus the optimal capacity of the terminal is 236829 TEUs.) ii) It is proposed to retain the 2 old cranes when procuring the new ones for reasons highlighted below and not with the intention to enhance the capacity. iii) The License Agreement stipulates that VCTPL procure new equipments once the 100,000 TEUs mark is reached. Having achieved the milestone, we now need to abide by the norms of License Agreement. iv) VCTPL has a quay length of 450 metres which enable two container vessels berth alongside simultaneously. In such situation, presently we are able to provide only one quay crane to each vessel which in turn results in longer stay of these vessels at berth and also adversely affects the terminal productivity. v) It may also be noted that the current quay cranes under operation are Panamax and have limitations in handling larger size main line container vessels that are presently calling here. Moreover a minimum of 3-4 cranes are required to be deployed on these vessels for optimum productivity.

		vi) In order to overcome these issues and to ensure high productivity at par with the international levels so as to retain existing and attract new customers, the new quay handling equipments are proposed to be inducted apart from retaining the old equipments. There is direct benefit to the users too – i) The higher productivity levels would reduce the vessel stay at berth and hence result in direct savings to the shipping line vis-à-vis berth hire charges and charter hire / standing charges. ii) Besides, higher productivity levels also enable attracting new services resulting in more competitive freight rates to shippers.
(2).	Traffic:	
(i).	With reference to estimation of traffic, please clarify the following:	
	(a). The actual traffic handled in the year 2010-11 may be furnished and updated in the cost statement.	The Revised Cost Statement is furnished.
	(b). The actual traffic of 8 months and estimates for four months furnished by VCTPL for the year 2010-11 show 33% growth over the previous year's actual traffic. Justify the reasons for the estimating the traffic growth of 15% per annum for the years 2011-12 to 2013-14 particularly when the VCTPL proposes to add two new RMQCs in the year 2011-12.	The base will increase year on year and hence the percentage growth may appear less as against the growth in absolute numbers. Therefore, the projected increase in traffic has been averaged out over the next 6 years and has been pegged at 15%. Another reason for estimating reduced growth rate is also fact that neighbouring upcoming ports at Krishnapatnam, Gangavaram and Dhamra are likely to handle container traffic in coming years and this too will negatively affect the traffic growth at VCTPL. There could be variance in year wise growth as we go along, but for sake of simplifying the projections an average 15 % growth has been assumed. This is still higher than the national average of 12 % (2010-11 over 2009-10). The addition of new cranes will enable improved vessel productivity as justified under section C clause (l) (b).
	(c). The volume of local container traffic reported in the years 2009-10 and 2010-11 at 95737 TEUs and 103800 TEUs form 98% and 80% respectively of the total actual container traffic. In this context, the reason to scale down the share of local container traffic to 70%, 64% and 61% of the projected total traffic in the years 2011-12 to 2013-14 may please be justified.	The share of local traffic seems to have a declining trend due to corresponding projected increase in ICD and Transshipment traffic. Further, though the share of local traffic to total traffic has been scaled down, there is an increase in absolute numbers.
	(d). The VCTPL has not projected any coastal container traffic during the years 2011-12 to 2013-14. Please confirm no coastal container traffic is expected during the current tariff cycle.	With the current business trend, we feel that the coastal container traffic (exclusively between Vizag and other Indian Ports) will be negligible in the coming years. However, with the growth in transshipment volumes, there will be containers which will be transshipped at Vizag and moving between Vizag and neighbouring ports like Kolkata through feeder vessels in the coming years. This is, however, included in the projections under transshipment.

	(e). The traffic projections furnished for the years 2011-12 to 2013-14 even after nearly 10 years since commencement of operations are well below the MGT levels. The reasons therefor may be explained along with an analysis how the proposed tariff increase will help in volume build up.	We expect to touch the MGT levels in Year 2014-15 or 2015-16. In our initial estimated projections, the following traffic was expected to be diverted through our terminal - i) ICD traffic (Delhi, Nagpur and Hyderabad); especially the traffic originating from eastern sea lane and this was supposed to contribute considerably (30%) to our throughput. ii) Guntur traffic – the total traffic ex Guntur region comprising mainly of Tobacco and Cotton is about 30000 TEUs, which predominantly moves through Chennai and only a miniscule part moves through Vizag, although both terminals are equidistant from Guntur. Since both the above projections did not materialise to our expectations, it was a setback in achieving the MGT. Besides, the local industrialization was also sluggish and this did not help either. However, our efforts continue and we are optimistic of gaining ground in these areas in coming years.																														
(ii).	The Minimum Guaranteed Throughput (MGT) indicated at Sl. No.III in Form 2A at 133000 TEUs, 159800 TEUs, 181400 TEUs, 200200 TEUs, 217400 TEUs and 235400 TEUs for the years 2008-09 to 2013-14 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, please 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.	The MGT as per LA are on operational year basis (June 26th to June 25th) and have been re-worked proportionately based on our Financial year basis (1st April to 31st March). The reworking of the MGT adjusted to FY basis is as appended below: <table><tr><th>OPERATIONAL YEAR</th><th>MGT</th></tr><tr><td>26th June'07 – 25th June'08</td><td>112,000</td></tr><tr><td>26th June'08 – 25th June'09</td><td>140,000</td></tr><tr><td>26th June'09 – 25th June'10</td><td>166,400</td></tr><tr><td>26th June'10 – 25th June'11</td><td>186,400</td></tr><tr><td>26th June'11 – 25th June'12</td><td>204,800</td></tr><tr><td>26th June'12 – 25th June'13</td><td>221,600</td></tr><tr><td>26th June'13 – 25th June'14</td><td>240,000</td></tr></table> <table><tr><th>FINANCIAL YEAR</th><th>MGT</th></tr><tr><td>2008-09</td><td>133,000</td></tr><tr><td>2009-10</td><td>159,800</td></tr><tr><td>2010-11</td><td>181,400</td></tr><tr><td>2011-12</td><td>200,200</td></tr><tr><td>2012-13</td><td>217,400</td></tr><tr><td>2013-14</td><td>235,400</td></tr></table>	OPERATIONAL YEAR	MGT	26 th June'07 – 25 th June'08	112,000	26 th June'08 – 25 th June'09	140,000	26 th June'09 – 25 th June'10	166,400	26 th June'10 – 25 th June'11	186,400	26 th June'11 – 25 th June'12	204,800	26 th June'12 – 25 th June'13	221,600	26 th June'13 – 25 th June'14	240,000	FINANCIAL YEAR	MGT	2008-09	133,000	2009-10	159,800	2010-11	181,400	2011-12	200,200	2012-13	217,400	2013-14	235,400
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(3).	Operating Income:																															
(i).	The traffic projections show an annual growth of 15% during the years 2011-12 to 2013-14. However, the operating income projections during the years 2011-12 to 2013-14 show an increase in the range of 10% to 13% which do not commensurate with the growth in the traffic projections. The reasons for this variation may, therefore, be explained.	It is and will be our endeavour to attract transshipment traffic and make Visakhapatnam as the hub on East Coast of India. Already, Kolkata bound containers are getting transshipped at VCT. With the draft advantage in Visakhapatnam, we expect more main line vessels to call here and hence expect Transshipment volume to grow during the coming years.																														

		As the Transshipment activity is a double movement (i.e. discharging from one vessel and loading onto another vessel) with a single composite tariff which is also less than the tariff for discharging or loading a container onto the vessel, the income per TEU in this category will be low. Hence, growth projected is moderate one of 10% to 13% in the operating income during the years 2011-12 to 2013-14 as the category of Transshipment containers is expected to grow.																																								
(ii).	Explain the reasons as to why the storage income reported at ₹275.50 lakhs in the year 2009-10 and ₹71.04 lakhs in 2010-11, is estimated to reduce to ₹46.78 lakhs in the year 2011-12 and thereafter a marginal increase for the subsequent years despite projecting 15% growth per annum in the container traffic. Average dwell time of containers for the last two years 2009-10 and 2010-11 and the dwell time considered for the purpose of income estimation for the years 2011-12 to 2013-14 may be furnished. Furnish detailed workings of the income estimated from storage charge.	<table><tr><th colspan="5">AVERAGE DWELL TIME</th></tr><tr><th></th><th colspan="2">EXPORT</th><th colspan="2">IMPORT</th></tr><tr><th>YEAR</th><th>EMPTY</th><th>LADEN</th><th>EMPTY</th><th>LADEN</th></tr><tr><td>2009-10</td><td>4</td><td>7</td><td>14</td><td>7</td></tr><tr><td>2010-11</td><td>3</td><td>6</td><td>14</td><td>6</td></tr><tr><td>2011-12</td><td>3</td><td>5</td><td>3</td><td>3</td></tr><tr><td>2012-13</td><td>3</td><td>5</td><td>3</td><td>3</td></tr><tr><td>2013-14</td><td>3</td><td>5</td><td>3</td><td>3</td></tr></table> Currently only selected few new customers have been importing in large lots which they are unable to move it out within the free period due to non availability of trailers, non-fulfillment of customs documentation procedure. It is expected that with the introduction of EDI and Accredited Client Program by the Customs the procedures will be simplified. Further, with better capacity utilisation at CFSs containers are likely to move out within the free period. However, based on past trend we have projected the storage Income likely to accrue for the years 2011-12 to 2013-14 and the workings are furnished as per revised estimate.	AVERAGE DWELL TIME						EXPORT		IMPORT		YEAR	EMPTY	LADEN	EMPTY	LADEN	2009-10	4	7	14	7	2010-11	3	6	14	6	2011-12	3	5	3	3	2012-13	3	5	3	3	2013-14	3	5	3	3
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(iii).	The nature of income under 'Others' shown in Form 2B may be explained and listed out. Also, explain the reasons for estimating sudden drop in the other income during the years 2011-12 to 2013-14 over the actuals reported during the previous year 2009-10 and 2010-11. A detailed working in respect of income from each of the items under this category may be furnished.	The break up of other Income is furnished. The sudden drop in other Income is attributable to the Income from non container vessels which are not regular in nature and income is generated only when VPT intends to berth a vessel at our terminal and when the berth is available for such vessels. Since in the coming years not only the berth occupancy by container vessels will improve but also the occupancy by large size vessels may not permit VCT to berth the non container vessels. Therefore the Income projected under other income has dropped drastically.																																								
(iv).	The traffic and income estimation furnished by the VCTPL in Form 2 A and 2B do not match with the workings furnished in Enclosure 2. Please furnish detailed computation of actual/estimated income for the years 2010-11 to 2013-14 with reference to the traffic figures at the tariff prescribed in the existing Scale of Rates.	The Income figures furnished in 2A and 2B are now linked to Enclosure 2 to 13. The earlier difference was of Misc. Income related Fresh water, customs inspections, VIA cancellation, Non/mis-declaration of Hazardous status, removal of ship's garbage etc., which were not linked earlier.																																								
(v).	Since no income from Non Container Vessel (NCV) is reportedly estimated as no vessels would be expected to be berthed, the relevant tariff item prescribed in this regard may be redundant and, therefore, will be deleted from the Scale of Rates.	As the number of container vessels calling here has increased from an average of 16 calls a month during year 2009-10 to about 30 calls a month now, there is no much scope for NCVs to berth in our terminal. However, there can be rare occasions where a NCV will be berthing at our terminal for short duration for lightening purpose due to draft restrictions in the inner harbour of																																								

		VPT or due to non availability of berth in the port. Accordingly, we expect the income under this head will be marginal. Hence, even though no income has been indicated, we need to keep the tariff item in this head continued in the Scale of Rates. We can review it during the next revision. However, for good order's sake, this income assumed at ₹30 lakhs p.a. now reflected in our financial statement.
(4).	<u>Operating Cost:</u> In terms of the clause 2.5.1 of the tariff guidelines for tariff fixation, 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 commodities announced by the Government of India. Annual escalation in the cost estimation will be allowed as per the said provision in the tariff guidelines of March 2005.	
(i).	<u>Operating Direct Labour and Maintenance Labour:</u>	
	(a). Number of operating and direct labour is estimated to increase by 48%, 6% and 5.71% during the years 2011-12 to 2013-14 respectively. Number of maintenance labour is also estimated to increase by 35%, 12% and 9% during this period. Justify the increase proposed in the staff when the growth projected in the traffic show normal trend despite the VCTPL proposing to deploy 2 RMQCs and 4 RTGCs in the year 2011-12 and recognizing that the labour will not vary directly with the traffic.	New equipment consisting of 2 Nos. of RMQCs and 4 Nos. of RTGCs are being commissioned during 2011-12. Additional staff needs to be deployed to operate and maintain these equipment and also to take care of other executive functions. More over, it is also proposed to convert the existing 12 hour Shift for Operations Department to 8 hour shift. This also necessitates increase in the number of operating staff.
	(b). Justify the increase estimated in the average cost per direct labour in the range of around 10% to 13% during the years 2011-12 to 2013-14 which is found to be higher than the annual escalation allowed in the past (based on the WPI) which is found to be in the range of 3.76% to 6%.	There will be 10% to 15% hike in the salaries due to increments in line with industry standards. Also, VCTPL salary structure is comparatively lower than the other terminals and hence this proposed annual escalation is justified.
	(c). The reason for projecting a fall in the average cost per maintenance labour during the years 2011-12 and 2012-13 as compared to immediate preceding year may be explained.	The category of people to be recruited during the years would be at lower grade with lower remuneration, hence the average cost per maintenance labour will come down significantly.
(ii).	<u>Equipment running cost:</u>	
	(a). <u>Power Cost:</u> (i). The consumption of power reported at 18.99 units per TEU during the year 2009-10 is estimated to reduce to 16.77 units, 15.67 units and 15.40 units per TEU for the years 2011-12 to 2013-14. The power consumption considered by VCTPL may be justified with the power consumption of 6.25 to 6.71 units/ TEU at other private terminals like Chennai Container Terminal Limited, PSA SICAL Terminals Limited.	(i). The consumption of power reported includes the overall consumption of power in the terminal. 1) The actual consumption of power per TEU for RMQC is 4.06 units during 2008-09, 3.91 units during 2009-10, 3.84 units during 2010-11 and estimated now at 3.31 units during 2011-12 to 2016-17. 2) The actual consumption of power per TEU for High mast and other areas other than reefers are 8.59 units during 2008-09, 8.82 units during 2009-10, 6.22 units during 2010-11 and there after it is estimated at 6.22 units.

	(ii). Please justify 24% increase in the unit cost of electricity estimated for the year 2011-12 as compared to the actual unit cost of power (to be furnished) for the year 2010-11. Furnish a copy of the electricity bill of last two months March 2011 and April 2011 to justify the unit rate of power of ₹6.27 considered in the year 2011-12. (iii). The VCTPL in page 82 of the proposal has mentioned that with operation of RMQCs by January 2012, the maximum demand has to be increased resulting in increased in the fixed electricity cost. Please furnish working of the unit rate adopted in the estimated in this regard with reference to the tariff prescribed by Andhra Pradesh Electricity Regulatory Commission.	The ratio of other fixed costs of power to number of TEUS at VCTPL will be higher than other private terminals like CCTL, PSA SICAL as VCTPL's throughput is considerably less compare to others. (ii). 1) Fuel surcharge adjustment added since July 2010. 2) Unit cost increase from ₹3.80 to ₹4.30 per Unit 3) Maximum demand (MD) cost increased from ₹230 to ₹250 per KVA. 4) Increase in MD is also considered before commissioning of new STS cranes. 5) Copy of March and April Bill enclosed. The VCTPL has subsequently, vide email dated 14 July 2011 furnished detailed working of arriving at the unit rate of ₹6.22 for the year 2010-11 (iii). Yes, MD will increase from 720 KVA to 1120 KVA (Approximate Fig.). For 400 KVA @ ₹250/KVA/Month to be paid additionally as per the tariff prescribed by Andhra Pradesh Electricity Regulatory Commission (APERC). A copy of tariff of APERC is furnished.
	(b). <u>Fuel Cost:</u> (i). The reason for estimating around 10% increase in the per TEU consumption of fuel during the year 2011-12 over the previous year actual may be justified. (ii). Annual escalation of 10% in the fuel cost may also be justified.	1) MHC crane added in fleet having the higher consumption. 2) Diesel consumption per Hour is increased for RTGs and Reach stacker due to 4 high stacking. (ii). The cost of diesel increased by 16.5% in 2010, based on which it is assumed that the future escalation will be 10 %.
	(c). <u>Repairs & Maintenance Cost:</u> (i). Please furnish a detailed working of the estimated repairs and maintenance cost of equipments and electrical installations for all the years under consideration. (ii). Please justify sudden increase of 88% in the repair and maintenance cost in the year 2010-11 as compared to the actual cost for the year 2009-10. Also, justify the 34% increase considered in the projections of repair and maintenance cost during the year 2011-12 over the estimates of the previous year.	(i). The detailed working of the estimated R & M cost (3B revised) for all the years under consideration is furnished. (ii). It may be noted the two quay cranes, 4 RTGCs and the Reach Stackers and other facilities are quite old and need regular maintenance as well as refurbishment that includes replacement of certain parts which are beyond economic repairs. Some such steps taken during 2010-11 and proposed to be taken in 2011-12 are highlighted below. <u>2010-11</u> 1) Major modification has been carried out on QCs. Brakes, Chair and console, Forestay pin repairs, MG set repairs, Trolley Wheel, Painting, Procurement of PCBs, and Hydraulic pump. 2) Replacement of radiator of 1MW DG set.

	3) Reach stacker repairs display unit, AC modification, Engine upper overhauling. 4) Fenders repairing 5) Top lifter major overhauling <u>2011-12</u> (i) RMQCs: Repairs of Vibration, Gantry and cable reel brake, Head block repairing etc. procurement of Thruster and MG set (ii) RTGs Trolley brake, Engine overhauling, (iii) Reach stackers and top lifter, Engine and transmission overhauling, Balance AC modification etc. (iii). The actual repairs and maintenance cost incurred by the VCTPL for the year 2010-11 may be furnished and the cost statement may be updated. The repairs and maintenance cost estimated for the years 2011-12 to 2013-14 may also be modified with reference to the actual repairs and maintenance cost incurred in the year 2010-11. (iv). Please confirm and show that one time major repairs and maintenance cost, if any, incurred during the past period 2008-09 to 2010-11 are not considered for the past period as well as while estimating this cost item for the years 2011-12 to 2013-14. (v). During the last revision, the VCTPL had estimated ₹168.50 lakhs towards relaying of block which was capitalized in our analysis and amortised. The treatment given by the VCTPL in the cost statement with reference to the actual expenditure incurred by it, if any, in this regard may be explained.	(iii). The Repairs and Maintenance cost for the year 2010-11 have been updated with the actual till 31st Mar'11 and the subsequent years estimations have been updated accordingly. (iv). During the year 2010-11, there was repair to the yard amounting to ₹1,13,01,103/- which was part of our regular maintenance of licensor's assets. However, no further estimates are considered in the subsequent years. (v). This is to confirm that ₹168.50 lakhs estimated in the previous revision was not incurred and shall be a part of back reach area strengthening work to be taken up during the F Y 2011-12.									
(iii).	<u>Equipment Hire Charges:</u>										
	(a). The VCTPL has stated that it has outsourced the service relating to internal transportation of containers. A copy of the outsourcing contract of the above mentioned service may be furnished and it may be confirmed that the contract was finalized following competitive bidding to ensure reasonableness of the rates.	A copy of the contract relating to internal transportation of containers is furnished. The Tender process was carried out inviting competitive closed bids from the prospective vendors and the contract was awarded on merit taking into consideration the technical and financial aspects. The Contract is for a period of four years from 1 December 2010 to 30 November 2014. As per the Contract, the rates are as follows: <table border="1"> <thead> <tr> <th>Activity</th><th>20'</th><th>40'</th></tr> </thead> <tbody> <tr> <td>Movement of container from ship side to Container yard or vice versa.</td><td>290</td><td>353</td></tr> <tr> <td>Movement of container from Railway wagon to Container yard or vice versa.</td><td>290</td><td>353</td></tr> </tbody> </table>	Activity	20'	40'	Movement of container from ship side to Container yard or vice versa.	290	353	Movement of container from Railway wagon to Container yard or vice versa.	290	353
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	(b). The VCTPL in page 83 of the proposal has stated that it proposes to hire a Harbour Mobile Crane (HMC) which will be operative from										

	February 2011. In this regard, the following points may be clarified: (i). Furnish a copy of the relevant contract. (ii). Justify the need to hire the HMC when the VCTPL already has two RMQCs plus two new RMQCs are proposes to be deployed from January 2012 but no significant increase is projected in the traffic estimates. Further more, as per the calculation furnished by the VCTPL, the quay capacity with the existing two crane is 2.48 lakh TEUs which is expected to increase to 6.62 lakh TEUs as against the traffic projections of maximum of 1.98 lakh TEUs in the year 2013-14.	(i). The copy of the contract is furnished. (The contract is for a period of 3 years commencing from 15 February 2011. As per the Contract, the VCTPL shall pay hire charges of ₹18 lakhs per month.) (ii). 1) With the increase in the no. of vessels calling here, often there are occasions where two vessels are at berth at the same time. By deploying only one quay crane to each of these vessels, vessel operation is slowed down, thereby affecting terminal efficiency. 2) As the new quay cranes will be commissioned only by Jan 2012, there was a need to have additional equipment in the quay side to complement the existing quay cranes to cater to two new main line services that commenced operations. 3) Subsequently (after new cranes arrive) too, the MHC will complement the Quay Cranes' Operations. As stated in earlier justifications, we expect larger main line vessels to be calling at VCT and need to deploy 3-4 cranes to achieve high vessel productivity on international levels to ensure faster turnaround of the vessels. MHC, along with one quay crane, can be deployed on the smaller feeder vessels and other Quay Cranes can be deployed on the larger vessels.																																																																									
	(c). The cost estimation of hire charges for internal transportation and hire of HMC may be furnished separately for the years 2011-12 to 2013-14.	<table><tr><th>Sl No.</th><th>Particulars</th><th>2011-12</th><th>2012-13</th><th>2013-14</th></tr><tr><td>I</td><td>Internal Transportation Cost</td><td></td><td></td><td></td></tr><tr><td></td><td>TEUs</td><td>170,000</td><td>195,000</td><td>225,000</td></tr><tr><td></td><td>20'</td><td>110,500</td><td>126,750</td><td>146,250</td></tr><tr><td></td><td>40'</td><td>29,750</td><td>34,125</td><td>39,375</td></tr><tr><td></td><td>ITV outsourced rate</td><td></td><td></td><td></td></tr><tr><td></td><td>20'</td><td>290</td><td>290</td><td>290</td></tr><tr><td></td><td>40'</td><td>353</td><td>353</td><td>353</td></tr><tr><td></td><td>Total ITV outsourced Cost</td><td></td><td></td><td></td></tr><tr><td></td><td>20'</td><td>32,045,000</td><td>36,757,500</td><td>42,412,500</td></tr><tr><td></td><td>40'</td><td>10,501,750</td><td>12,046,125</td><td>13,899,375</td></tr><tr><td></td><td>Total ITV outsourced Cost</td><td>42,546,750</td><td>48,803,625</td><td>56,311,875</td></tr><tr><td>II</td><td>MHC Hire Cost</td><td></td><td></td><td></td></tr><tr><td></td><td>@ ₹1800000 p.m</td><td>21,600,000</td><td>21,600,000</td><td>21,600,000</td></tr></table>				Sl No.	Particulars	2011-12	2012-13	2013-14	I	Internal Transportation Cost					TEUs	170,000	195,000	225,000		20'	110,500	126,750	146,250		40'	29,750	34,125	39,375		ITV outsourced rate					20'	290	290	290		40'	353	353	353		Total ITV outsourced Cost					20'	32,045,000	36,757,500	42,412,500		40'	10,501,750	12,046,125	13,899,375		Total ITV outsourced Cost	42,546,750	48,803,625	56,311,875	II	MHC Hire Cost					@ ₹1800000 p.m	21,600,000	21,600,000	21,600,000
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	(a). A copy of the insurance cover taken by the VCTPL for the year 2010-11 may be furnished to substantiate insurance premium cost.	A copy of the Insurance cover is enclosed.																																																																									
	(b). The actual insurance cost for the years 2008-09 and 2009-10 is around 0.5% of the gross block of assets. In this context, justify the basis of estimating this insurance cost at 1% on new additions to the gross block.	As per sub clause (ii) of clause (d) of Article 7.1 of the Licence Agreement, it is obligatory on the part of VCTPL to insure the project facilities and services only at replacement value. Apart from the existing assets, VCTPL is investing heavily on new additional equipment and facilities during the year 2011-12 to 2013-14. Therefore, the insurance cost has been estimated at 1 % of the new assets and for the existing assets it is kept at current level.																																																																									

(v).	Other expenses:																
	(a). Justify increase of 46% in the other expenses in the year 2010-11 over the actuals reported for the previous year 2009-10.	The other expenses shown under this head are Hire of Manpower, Tally charges, lashing unlashng expenses, Reefer monitoring, Security expenses, Testing, VPT Rail charges and water charges. These expenses are variable in nature and increased due to increase in throughput (from level of 98000 TEUS to 145426 TEUs).															
	(b). The VCTPL has reported to have included expenses like lashing/ unlashng, tally charges, reefer monitoring, hire of manpower etc. under this head of expenditure. Please furnish detailed workings in respect of the items of expenditure considered under this head.	The estimations have been done based on the cost of these services and the relevant copies of contracts are attached for reference. The VCTPL has not furnished the Contract copies of the said services. It has furnished copies of the Acceptance Letter issued by it. The details are tabulated below: <table border="1" data-bbox="917 640 1461 1039"> <thead> <tr> <th>Activity</th><th>Period of Contract</th><th>Rate</th></tr> </thead> <tbody> <tr> <td>Lashing/ Unlashng</td><td>1.6.2010 to 31.5.2010</td><td>Composite rate of ₹60 per container. An additional rate of ₹20 per container when ship derricks is used for handling containers.</td></tr> <tr> <td>Tally & Survey</td><td>1.6.2010 to 31.5.2010</td><td>Tally & Survey of EXIM containers – ₹40 per container and Tally & Survey of domestic containers – ₹20 per container.</td></tr> <tr> <td>Monitoring Reefer Containers</td><td>1.12.2009 to 30.11.2011</td><td>Monitoring of Reefer Containers – ₹35 for 8 hours Carrying out PTI – ₹200/- Carrying out Run test – ₹150/-</td></tr> </tbody> </table>	Activity	Period of Contract	Rate	Lashing/ Unlashng	1.6.2010 to 31.5.2010	Composite rate of ₹60 per container. An additional rate of ₹20 per container when ship derricks is used for handling containers.	Tally & Survey	1.6.2010 to 31.5.2010	Tally & Survey of EXIM containers – ₹40 per container and Tally & Survey of domestic containers – ₹20 per container.	Monitoring Reefer Containers	1.12.2009 to 30.11.2011	Monitoring of Reefer Containers – ₹35 for 8 hours Carrying out PTI – ₹200/- Carrying out Run test – ₹150/-			
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(vi).	Management and General Overhead:																
	(a). The reasons for estimating 27% increase in the management and general overhead in the year 2010-11, and 9% to 11% increase in the subsequent years 2011-12 to 2013-14 over the actuals/ estimates of previous years may be justified.	As the strength of the employees increases with the acquisition of new equipment, the general overheads such as traveling, marketing, advertisements, sales promotion and other Administrative expenditure including office maintenance, printing and stationery, telephones, vehicles maintenance, staff canteen, audits, consultancy, legal expenses will also be increased.															
	(b). Salary component of management staff along with the number of employees considered under this head may be furnished separately for the years 2010-11 to 2013-14.	The additional salary component of management staff along with number of employees is separated as follows: <table border="1" data-bbox="917 1417 1461 1543"> <thead> <tr> <th>Year</th><th>No. of employees</th><th>Gross Salary (₹)</th></tr> </thead> <tbody> <tr> <td>2010-11</td><td>8</td><td>2,051,000</td></tr> <tr> <td>2011-12</td><td>3</td><td>795,000</td></tr> <tr> <td>2012-13</td><td>5</td><td>1,245,000</td></tr> <tr> <td>2013-14</td><td>2</td><td>605,000</td></tr> </tbody> </table>	Year	No. of employees	Gross Salary (₹)	2010-11	8	2,051,000	2011-12	3	795,000	2012-13	5	1,245,000	2013-14	2	605,000
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(vii).	Technical Services Fee:																
	(a). The proposal states that VCTPL has entered into a new contract with DP World which is one of the promoters of VCTPL for providing technical knowhow for the new equipment in the January 2011 for five years period. Please establish and confirm that the new contract entered for technical know is following the arm's length relationship of the transaction as per the Income Tax Act. The nature of technical knowhow to be acquired and that too from DP World may be explained. The reasonableness of the consideration payable may be established. A copy of the said contract may be forwarded.	A copy of contract is furnished. This new contract entered for technical know is following the arm's length relationship of the transaction as per the Income Tax Act. This was already established in our earlier contract also and the entire earlier liability was cleared by 2009-10. The nature of technical knowhow to be acquired is as mentioned in the contract.															

	(b). Technical Service Fee payment, if any, reported in the year 2010-11 as per the new contract may be indicated.	The management fee payable from 1-12-2010 to 31-3-2011 has been provided for.
	(c). Please establish the reasonableness of technical services fee estimated in the cost statement for all the years under consideration applying the yardstick of "arms length relationship" as required under clause 2.8.2. of the revised tariff guidelines.	The reasonableness was already established to TAMP during the previous contract and the Honourable Authority had allowed it.
	(d). Furnish the calculation with reference to the amortisation of Technical Service Fee considered in the cost statement during the years 2011-12 to 2013-14.	It is <u>USD 50000 p.a x 5 years x INR 45 22.33</u> (22 years 4 months amortization period)
	(e). This Authority in the last tariff Order notified on August 2009, had admitted management expense as an item of cost and amortised over the remaining period of project relying on the certificate issued by its Chartered Accountant establishing 'arms length relationship' of the transaction as per the Income Tax Act subject to the condition that the VCTPL will produce the Income Tax (IT) Assessment Order for each of the years to show that Income Tax Authorities have allowed this expenditure. The VCTPL is requested to furnish the IT Assessment Order of previous years to show that this item is admitted as expenditure by the IT authorities. In the absence of the IT Assessment certificate, it may be noted that the relevant cost allowed in the earlier tariff fixation exercise may have to be reviewed.	Till the F Y 2007-08, during assessment the Income Tax department had not considered this as expenditure, since the actual payment was not effected. VCTPL has effected the payment during the F Y 2009-10 and claimed the entire TSF paid as expenditure. The Income Tax assessment order of 2009-10 is yet to be received. We are enclosing herewith assessment order for the years 2006-07 to 2008-09 as Annexure -5 to 7. The documents relating to actual payment of TSF is enclosed as Annexure - 8 (i) to (vii). In this connection we also enclosed herewith the Advance Ruling Order received u/s 195 (2) from the Income tax department confirming payment of TSF without deduction of withholding tax.
(viii).	<u>Depreciation:</u> Confirm the depreciation computed by VCTPL is in line with clause 2.7.1. of the tariff guidelines of 2005.	Depreciation has been computed as per the rates prescribed in Companies Act, 1956. For the purpose of tariff fixation, the VCTPL has excluded upfront fee and leasehold premium from the gross block of assets as suggested by TAMP by its Orders and shown as separate entry by spreading this expenditure over the project period. It has also made suitable modification in the depreciation to that extent.
(ix).	<u>Form 6 – Analysis of Efficiency Gain Improvement:</u>	
	(a). The VCTPL has in Form 6 furnished figures relating to cost savings but it is not supported by any calculation.	The calculations are available in "Other Cost Sheet" in softcopies and the link has been provided with Form 6.
	(b). The VCTPL has not established that the reduction achieved in cost is due to efficiency/ productivity improvement. Further, the VCTPL has not claimed the efficiency gain in the cost statement.	There is overall reduction in cost for both Fuel and Power consumptions amounting ₹15.20 lakh, ₹11.06 lakh and ₹40.42 lakhs during the FY 2008-09, 2009-10 and 2010-11 respectively in comparison to that of 2005-06 to 2007-08. We have claimed now the efficiency gain in our cost statement and revised Annexure 1 is enclosed.
	(c). The VCTPL may compare the relevant cost items during the period 2008-09 to 2010-11 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 tonne cost is due to improvement in productivity / efficiency.	Please refer above reply under (a) & (b) above.

	(d). Also, show that at the same level of reduced per unit cost is considered in the future estimates for the period 2011-12 to 2013-14 for claiming the benefit of efficiency improvement in this tariff cycle.	The power consumption per TEU for RMQC has been projected at 3.34 units and fuel consumptions have been estimated at 2.5 liters per TEU which is much low comparable to industry standard.
	(e). If any, cost reduction in the relevant items of variable cost emerges, 50% of such cost reduction may be accounted in the estimation of corresponding relevant items of variable cost projected for the years 2011-12 to 2013-14 as per the guidelines.	The 50 % of cost reduction achieved during the year 2008-09 to 2010-11 amounting to ₹33.34 lakhs have been adjusted in 2011-12 to 2013-14.
5.	<u>Finance & Miscellaneous Income (FMI):</u>	
(i).	The Annual Accounts for the years 2008-09 and 2009-10 reports income from wharfage claim. Kindly explain the nature of this income and indicate where it is captured in the cost statement.	Sometime Bulk Vessels (Non-container vessels) are berthed at VCTPL for lightening purpose due to draft restrictions in the inner harbour of VPT or due to non availability of berth in the port. As per LA, VPT shares 50 % of wharfage claimed from it's customers and extends this to VCTPL. This is an Indirect Income for VCTPL and has been shown under 'Other Income' and clubbed under NCV Income.
(ii).	Explain the reasons for estimating reduction in the FMI from ₹168.82 lakhs in 2009-10 to ₹83.20 lakhs in 2010-11 and ₹91.52 lakhs in 2011-12 and further reduction estimated for the subsequent years.	The FMI Income includes Gain/loss due to foreign exchange fluctuations. Earlier estimates it also includes the Interest Income on deposits. Now this has been excluded and revised statement is furnished.
(iii).	Please list out the items of income considered under the sub-head 'Others' under the head of Finance and Miscellaneous income. Please furnish detailed working for each item of income for the years 2010-11 to 2013-14.	The Other Income includes entry gate passes, penal interest, Interest Income on deposits, Interest Income on IT refunds, sale of scraps. In the revised estimates Interest Income on deposits have been excluded as per TAMP Guidelines. The Income under this head for subsequent years have been estimated at 10% increase year to year.
6.	<u>Finance & Miscellaneous Expenses (FME):</u> Increase estimated in the 'Contribution to Provident Fund' under the head of Finance and Miscellaneous Expenses by 27%, 35%, 14% and 16% in the years 2010-11 to 2013-14 respectively may be explained.	Due to increase in the Manpower during these four years, additional Provident Fund Contribution has been provided.
7.	<u>Capital employed:</u>	
(i).	<u>Fixed Assets:</u> <u>Gross Fixed Assets:</u> The value of gross fixed assets, depreciation, net fixed asset value for the years 2008-09 and 2009-10 furnished in Form 4A of the cost statement does not match with the gross assets value, depreciation and net asset value reported in Annual Accounts of the respective years. The difference may be reconciled.	During earlier revision, TAMP has taken the Gross block of assets by excluding the amount of upfront fee of ₹3.19 Crores which was capitalized by VCTPL and depreciation rates were applied on the reduced Gross block. The same treatment is followed by VCTPL in the cost statement. The detailed reconciliation of gross block, depreciation reported in the Annual Accounts and the Cost statement (Form 4 A) are furnished.
(ii).	<u>Additions to the gross block:</u>	
	(a). The VCTPL has proposed to purchase two nos. of Rail Mounted Quay Cranes (RMQCs) estimated at ₹75.18 crores and four nos. of RTGCs estimated at ₹32.49 crores during the year 2011-12 reportedly in anticipation of the growth in traffic. In this regard, the following points may be clarified:	(a). We have already opened LCs for both RMQCs and RTGCs and the relevant documents are attached for reference vide Annexure- 20 (i) for RMQCs and Annexure-20 (ii) for RTGCs.. The margin money has been kept with the Bank already in this regard.

	(i). Copies of Letter of Award dated 26 May 2010 and 10 August 2010 for RTGC and RMQC respectively prescribe delivery period as 12 months and 16 months from the date of signing the purchase agreement. Since both these equipment are claimed to be commissioned in March 2012, the purchase agreement should have already been signed. Please furnish copies of the agreements and also evidences of advance/ stage payment made to the supplier. (ii). Page no.8 of the proposal states that RMQCs will be commissioned in March 2012 whereas page 82 states it will be operated by January 2012. Please confirm the correct position. Indicate, the exact date when both these equipment would be available for use. (iii). Please confirm that depreciation, insurance and repairs and maintenance cost on these equipment are estimated proportionately in the year 2011-12 from the expected date of commissioning. (iv). In the event of the new RMQCs proposed to be deployed by the VCTPL, please clarify whether as per the LA, the old cranes will continue to be operational.	They will be commissioned in Jan'12. Yes. All these estimates have been calculated based on the date of commissioning of the new equipments. Yes, the old cranes shall be operational. The discontinuance of the old cranes is not specified in the LA.
	(b). The VCTPL has also proposed to incur an amount of ₹2.13 crores towards strengthening of back reach area during the year 2011-12. Please confirm whether the proposed addition is as per the provisions of the Licence Agreement entered between VCTPL and VPT. The present status of proposed investment may be furnished. As the document furnished with the proposal is only a quotation from the contract, forward a copy of the Work Order issued along with evidences of advance/ stage payments.	The back reach area was taken on 'as is where is' basis from VPT. This area has developed undulation that needed immediate attention. The LA entails that VCTPL maintains all the facilities within the terminal and hence this work of strengthening the back reach area was proposed to be under taken during the year 2011-12.
	(c). The VCTPL has proposed investment of ₹4.93 crores towards development of additional ground slots to stack containers, ₹5 crores towards Administrative building, ₹4 crores towards Workshop building and ₹2.28 crores towards IT during the year 2013-14. In this regard, the following points may be clarified: (i). During the last tariff revision, ₹1050 lakhs estimated by VCTPL towards administrative building, workshop/ additional storage yard and ₹225 lakhs estimated for software was allowed in the year 2010-11. Please confirm whether the proposed investments were done in the year 2010-11.	(i). 1) The main administrative building, workshop building, additional storage yard estimated earlier amounting to ₹1050 lakhs have been deferred to 2013-14. Instead only a small Admin building was constructed during the year 2009-10 amounting to ₹113.57 lakhs. 2) During 2010-11 ERP, IFS has been implemented with and the total cost incurred was ₹33.40 lakhs. 3) New Antivirus software has been installed at a cost of ₹2.14 lakhs.

	(ii). Quotations furnished by VCTPL with reference to these investments proposed during the year 2013-14 pertain to the year 2008. Please furnish actual Work Orders. (iii). Present status of each of the above investments and exact date when the assets would be put into use may be furnished.	4) New Hardware cost has been incurred in the form of servers for IFS, desktops, laptop, printer, UPS at a cost of ₹11.82 lakhs. 5) Access Control System: ₹8.90 lakhs. The major expenses towards CTMS (Container Terminal Management System) estimated cost of ₹2.25 crores has been deferred to 2013-14. (ii). We have submitted only the Estimation and these are part of our original project cost which was deferred. The actual offer and WO will be submitted only when actual work starts. The work orders have been already placed for RDT network (₹12.89 lakhs), Fiber network (₹22.94 lakhs), MS Office 2010(₹5.50 lakhs) licenses and order to be placed are for VMTs (₹13.80 lakhs) and installation charges are in addition to these hardware costs. (iii). RDT network: June-July 2011 Fiber network: June-July 2011 VMT's: August 2011 MS Office 2010 licenses: May 2011. The actual offer and WO will be submitted only when actual work starts in the case of administrative building, workshop building, additional storage yard, which are proposed to be invested in 2013-14. Navis EXPRESS (CTMS) / Sparcs N4: With increasing traffic we have to upgrade our existing Terminal Operating System (TOS). And hence the provision has been made for the implementation of the same by the year 2013-14. Presently we are evaluating various TOS application.
	(d). It may be noted that only completed and commissioned assets should alone be counted for capital employed. The work-in-progress shall not be taken into account. A confirmation in this regard may be furnished.	We confirm that only the commissioned assets have been added to the gross block which is counted for capital employed and work in progress have not been taken into account for this.
8.	<u>Working Capital:</u>	
(i).	The VCTPL has considered two months of the total operating income as Sundry Debtors which is not in line with the norms prescribed in Clause 2.9.9. of the tariff guidelines of 2005.	Sundry Debtors are estimated at 2 months of revenue projections which is predominant in the current scenario. Since most of the shipping lines' principal's offices are located in metros and overseas, the processing of payment is delayed. In this regard it may also be noted that VCTPL is paying annual lease rent to VPT in advance.
(ii).	The consumption of stores and spares reported in the Annual Accounts is ₹85.95 lakhs and ₹91.51 lakhs for the years 2008-09 and 2009-10. Actual inventory consumption shown in the Form 4A at Sl. No. (VII) do not match with the figures reported in the Annual Accounts.	The difference is due to the reclassification of cost differently in Form 4A and Annual Accounts. A reconciliation statement in this regard is attached.
(iii).	The basis of estimation of inventory (excluding fuel and customized spares) for the years 2011-12 and 2012-13 may be explained and justified with the past actuals.	The inventory costs have been estimated based on actual plus WPI @ 3.76 % from year to year.

(iv).	Current liabilities estimated at 15 days cash expense is not in line with the guidelines. The actual current liability for the year 2010-11 may be indicated.	Current Liabilities have been estimated at 15 days credit period on Equipment Running cost, Equipment Hire, Other expenses and Management & Admin overheads as per norms and it was allowed by the Honorable authority in the earlier order for the year 2007-08. The current liabilities for the year 2010-11 is ₹144.22 lacs (Accounts payable ₹84.55 lacs + Sundry creditors –suppliers ₹59.67 lacs)
9.	In the last tariff revision Order para 10(xxi), the last subpara states that in case of delay in commissioning of 2 new RMQCs and 4 RTGCs (which were considered in the year 2010-11), the actual additional surplus, accrued for that period on this account will be fully adjusted in the next tariff cycle. Since VCTPL has not deployed these equipment in the year 2010-11, the decision given in the last Order in this regard will be followed in current tariff review.	VCT has past accumulated losses of ₹4465.51 lakhs as per TAMP Orders. Now VCTPL is investing heavily in new modern technology cranes, softwares, back reach areas during 2011-12 and envisaged to invest in additional storage space, admin building, workshop building during 2013-14. Once again VCTPL requests the Honorable Authority to consider the above losses before making any adjustment/s in this regard.
D.	Scale of Rates:	
(i).	The proposed note 2(iii)(b) may be modified in line with clause 2.18.2 of the revised tariff guidelines and the rate of interest may be updated with the prevailing Prime Lending Rate of State Bank of India.	The current PLR rate of State Bank of India is 14 % (as per press publication, The Hindu dated. 11-05-2011) and updated accordingly in the SOR with 16 % as per TAMP Guidelines.
(ii).	(a). The VCTPL has proposed 32.81% increase in composite handling rate, 28% to 30% for transport of ICD containers, 7% increase in charges for handling of hatch cover, 26% increase in storage charges, etc. The basis for proposing different percentage increase for different tariff items may be explained. Also, furnish sub activity wise cost position to justify the differential tariff increase proposed.	The rate increase is proposed to ensure reasonable returns on the investments being made. The major revenue is generated from the composite charge and hence maximum apportionment of the increase is made in this charge. The other additional charges have been hiked at different rates mainly with aim to bring about uniformity and simplify the heads for e.g. Charges for handling Hatch covers and Restows in case of ' with and without landing on quay' is now on par as already explained in the proposal. The storage charges have been hiked to encourage faster evacuation of the containers and to ensure reduced dwell time, thereby resulting in higher yard capacity. This would also encourage the trade to establish new CFSs and build infrastructure around the terminal for better growth of the container trade.
	(b). Explain the reasons for proposing reduction in the handling charge for transshipment containers when the tariff for other items is proposed to be increased along with its revenue implication in each of the years. The explanation furnished by the VCTPL in its proposal in this context is not found to be satisfactory in view of the deficit cost position reported.	In spite of the rebates offered by VPT on the vessel related charges, the cost of calling a mainline vessel to Vizag is still higher compared to that at neighbouring international ports of Singapore and Colombo. To partially compensate for this disparity and to attract the transshipment traffic, which in turn would enable main line calls to Vizag (very much required for our future growth) reduction in Transshipment charges is proposed. VCTPL has the advantage of draft when compared to the neighboring ports and by offering competitive tariff, we expect to have the distinct advantage of attracting these category of containers.

	(c). The existing Scale of Rates prescribes separate tariff for handling hatch cover without landing on quay and with landing on the quay. The proposal of the VCTPL to prescribe a single rate for both these operations will result in steep hike of 114% increase in the existing tariff for handling of hatch cover without landing on the quay. Similarly, single tariff is proposed for restow containers as against differential rates prescribed for restow container (for with landing and without landing) in the existing Scale of Rates. Justify the reasons for proposing single rate for these two tariff items when differential rates are prescribed in the Scale of Rates of other container terminals as well as in the existing SOR of the VCTPL.	It may kindly be noted that Hatch covers are handled with the terminal quay cranes and are either kept on the wharf or on the same or adjacent bay of the vessel whichever is operationally convenient considering the stowage of the vessel. In both the cases, the quay crane has to lift the hatch cover and move it either way for keeping in these areas. Hatch covers are loaded back in the similar manner after completing the container operation in the hatches. As the type of both operations involving the quay cranes are similar, single rate is proposed for hatch cover without landing on quay and with landing on the quay. In addition to this the efforts put in vis-à-vis planning, tally etc is the same. In any case, the number of hatch covers handled without landing on quay is negligible. Hence, it was thought prudent have one common charge whereby the tariff is also simplified. The same argument as for the Hatch Covers applies here too. Most of the Restows are undertaken by landing on the jetty except in rare cases where the containers are not landed on jetty but are handled from one bay to another. The efforts put in vis-à-vis planning; tally etc is almost the same and crane utilization maybe only marginally lower. Hence the rates are proposed to be same irrespective of whether they are landed on jetty or not.
(iii).	<u>Schedule 1.9. – Additional charges:</u> New tariff items proposed at Sl. No.16 and 17 for handling gear box including twist lock bin and providing gangway to the vessel may be justified with reference to cost of providing the service/ cost of the facilities availed. The year wise additional income estimated to be realized from the proposed new services may be furnished.	Most of the container vessels have gear boxes (similar to containers) which contain twist locks onboard the vessel. For handling containers, terminal often have to discharge these gear boxes or twist lock bins by using quay cranes onto the wharf for fixing twist locks onto the containers while loading and also for enabling discharge of containers or hatch covers stowed below that. This activity is similar to performing a Restow operation (with landing on jetty) and hence the tariff is fixed in similar lines. For some of the vessels calling here in Visakhapatnam, hydraulic gangway available at the vessel cannot be utilized for shore access due to low freeboard. In such cases, there is also possibility of gangway and quay wall getting damaged due to drumming of vessel gangway structure onto wharf area. Therefore, terminal has no choice but to provide shore gangway for safe human movement to and from the vessel. In this context, we intend to provide gangway to such vessels which are unable to provide safe access from shore to vessel. The gangway needs to be transported from the nominated storage area to the vessel and vice versa using fork lifts or cranes and fixed by terminal staff. Taking all these activities into account, the rate of ₹750/- per calendar day or part off is proposed. It may also be noted that is an optional service.

(iv).	Schedule 1.10 – Charges for storage of container:													
	(a). Explain the reasons for proposing reduction in free period from 10 days to 3 days in case of import empty containers and from 7 days to 3 days in case of export empty containers.	Currently there are four (4) CFSs operational in Visakhapatnam and few more are expected to be operational in the coming years for catering to the growing container traffic here. In addition to this there are empty storage depots also to be in place with the growth in traffic as in other ports. Since the CFSs and empty storage depots can cater to the storage of empty containers, we intend to reduce the free period for empty containers of Import and Export category to 3 days from 10 days and 7 days respectively.												
	(b). Average dwell time of these two categories of container in the last two years may be furnished.	<table border="1"> <thead> <tr> <th colspan="3">Dwell Time – Empty Containers</th></tr> <tr> <th>Period</th><th>Export</th><th>Import</th></tr> </thead> <tbody> <tr> <td>2009-10</td><td>4</td><td>14</td></tr> <tr> <td>2010-11</td><td>3</td><td>14</td></tr> </tbody> </table>	Dwell Time – Empty Containers			Period	Export	Import	2009-10	4	14	2010-11	3	14
Dwell Time – Empty Containers														
Period	Export	Import												
2009-10	4	14												
2010-11	3	14												
	(c). The additional income expected from proposed reduction in the free period may be indicated.	The additional Income estimation from reduction of free period may not be possible; however the revenue impact may not be much as most of the containers are likely to be evacuated within the allotted free period.												
9.	The VCTPL in its proposal has drawn reference to its earlier letter no. VCTPL/TAMP/2011/011 dated 14 January 2011, wherein the VCTPL has requested TAMP to allow adjustment of past losses for the period since 2003-04 while fixing the tariff for the next tariff cycle. In this regard, it may be noteworthy that even earlier, the VCTPL vide its letter number VCTPL/TAMP/2008-11/196/2010-11 dated 29 October 2010 had requested for adjustment of past losses for the period since 2003-04. In reply, the position has already been clarified vide our letter number TAMP/34/2003-Misc dated 22 December 2010.	We once again request the Honourable authority to reconsider our request.												

8.3. Apart from the above, the VCTPL has made further submissions as summarised below:

(i). High rate of Insurance:

The increase in the insurance during the year 2011-12 when compared to the year 2010-11 is mainly due to the deployment of additional equipment. This increase is only for the initial year of 2011-12 and there is no increase subsequently.

The Insurance cost considered year wise are mentioned below:

Sl. No.	Year	Cost of Insurance (Rupees in lacs)
1	2010-11	36.18
2	2011-12	146.76 (36.18 + 1% of 110,57,63,589)
3	2012-13	146.76
4	2013-14	162.97 (146.76 + 1 % of 16,21,50,000)
5	2014-15	162.97
6	2015-16	163.03 (162.97 + 1 % of 5,47,500)
7	2016-17	163.03

- (ii). High component of Salaries in overall Operations Cost:

In view of the acquisitions of additional cranes additional staff is required in the operations, engineering and administrative department. The major increase in the staff is estimated in the initial year of 2011-12, when majority of the equipment operators and other concerned personnel will be recruited. Subsequent years normal increase is considered keeping in view the relative increase in the traffic and overall operations.

The following Table gives the details of number of staff required and the wages/salaries estimated to be paid.

A) Additional Staff Cost excluding PF Cost

FY \ DEPARTMENT		OPS	ENG	ADMIN	Total
2011-12	No	32	15	8	55
	Addl. Staff Cost	10,299,400	3,018,750	2,358,650	15,676,800
2012-13	No	6	7	3	16
	Addl. Staff Cost	1,961,900	213,900	914,250	3,090,050
2013-14	No	6	6	5	17
	Addl. Staff Cost	2,081,500	1,782,500	1,431,750	5,295,750
2014-15	No	5	3	2	10
	Addl. Staff Cost	1,983,750	1,270,750	695,750	3,950,250
2015-16	No	6	3	3	12
	Addl. Staff Cost	2,024,000	1,385,175	851,000	4,260,175
2016-17	No	5	5	3	13
	Addl. Staff Cost	2,098,750	1,736,500	1,017,750	4,853,000

B) PF Cost for Additional Staff:

FY\DEPARTMENT		OPS	ENG	ADMIN	Total
2011-12	No	32	15	8	55
	PF Cost	447,800	131,250	102,550	681,600
2012-13	No	6	7	3	16
	PF Cost	85,300	9,300	39,750	134,350
2013-14	No	6	6	5	17
	PF Cost	90,500	77,500	62,250	230,250
2014-15	No	5	3	2	10
	PF Cost	86,250	55,250	30,250	171,750
2015-16	No	6	3	3	12
	PF Cost	88,000	60,225	37,000	185,225
2016-17	No	5	5	3	13
	PF Cost	91,250	75,500	44,250	211,000

- (iii). Yard Capacity:

The clarification is already given as part of reply to the queries earlier.

- (iv). Power Cost:

The consumption of power reported includes the overall consumptions of power in the terminal.

The following Table explains the power consumption by RMQCs and other areas in detail.

Sr. No.	Particulars	2008-09	2009-10	2010-11
1	No of TEUs	87,637	98,000	1,45,426
2	Power consumption in units			
(i)	RMQCs	3,55,692	3,83,075	5,58,130
(ii)	High Mast Tower & Other Areas	7,52,953	8,63,894	9,04,006
(iii)	Reefers	6,81,095	6,14,471	8,36,554

3	Total Units consumed	17,89,740	18,61,440	22,98,690
4	Avg. consumptions Units/TEU (overall)	20.42	18.99	15.80
(i)	Avg. consumptions Units/TEU (RMQCs)	4.06	3.91	3.84
(ii)	Avg. consumptions Units/TEU (Other areas)	8.59	8.82	6.22

(v). Repairs & Maintenance Cost of old Quay Cranes:

	2010-2011
	Amount in ₹
RMQC1	2,944,573.39
RMQC2	4,970,870.56
Total	<u>7,915,443.95</u>

(vi). Non-Container Vessel Income:

The clarification is already given as part of reply to the queries earlier. We have now included expected income in the financial statement.

(vii). We are also in dialogue with VPT for setting up Pre Gate facility and improving condition of roads to avoid connectivity issues.

8.4. As stated earlier, the VCTPL under cover of its letter dated 12 May 2011 has furnished a revised proposal. It has revised traffic projections based on throughput achieved in the year 2010-11. It has calculated yard capacity on normative basis. A statement showing the comparative position of the financial/ cost position for the years 2009-10 to 2016-17 as per the cost statement furnished by VCTPL alongwith its original proposal of January 2011 and updated proposal of May 2011 is given below:

(₹ in lakhs)																	
Sl. No.	Particulars	Original proposal of January 2011								Updated proposal of May 2011							
		Actuals		Estimates						Actuals		Estimates					
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
(i).	Traffic TEUs (in	98,000	130,227	150,000	172,000	198,000	228000	262000	300000	98,000	145,426	170,000	195,000	225,000	258,000	296,000	340,000
(ii).	Total operating Income	3644.88	3639.25	3627.32	4002.76	4542.80	5244.94	6020.80	6887.72	3644.88	4258.26	4139.68	4566.72	5190.04	5963.33	6830.79	7834.87
(iii).	Total Operating Cost (including depreciation, management overheads and FMI – FME)	1943.37	2623.65	4162	4593.54	4957.20	5334.28	5907.17	6426.02	2047.02	2802.11	4046.09	4910.04	5269.59	5830.40	6463.19	7044.55
(iv).	Capital Employed	4488.81	4050.40	14348.03	13079.90	13734.39	13030.09	11830.94	11145.12	4488.81	4169.72	14438.80	13200.04	13870.90	15421.27	14045.15	13212.14
(v).	ROCE	718.21	648.06	2295.68	2092.78	2197.50	2084.81	1892.95	1783.22	718.21	667.15	2310.21	2112.01	2219.34	2467.40	2247.22	2113.94
(vi).	Net Surplus/ (Deficit)	983.30	367.20	(2830.36)	(2683.55)	(2611.90)	(2174.15)	(1781.33)	(1321.51)	879.65	789.00	(2216.62)	(2455.32)	(2298.89)	(2334.47)	(1879.63)	(1323.63)
(vii).	Net Surplus/ (Deficit) as % of operating income	---	---	-78.03%	-67.04%	-57.50%	-41.45%	-29.59%	-19.19%	24.13%	18.53%	-53.55%	-53.77%	-44.29%	-39.15%	-27.52%	-16.89%
(viii).	Average of three years	----	----	-67.52%			-30.08%					-50.54%			-27.85%		
(ix).	Average of six years (computed by us)	---	----	-48.8%								-39.20%					

In the cost statement furnished under cover of letter dated 12 May 2011, the VCTPL has claimed efficiency gain in power cost to the tune of ₹11.11 lakhs each for the years 2011-12 to 2013-14 and has also adjusted 50% of the pass losses amounting to ₹9482.04 lakhs during the years 2011-12 to 2013-14.

8.5. The VCTPL has submitted that based on the revised cost statement a tariff increase of 24.22% is sought as against 32.81% proposed by it earlier.

9.1. The VCTPL under cover of its letter 8 June 2011 and emails dated 20 July 2011 has responded on other points sought during the joint hearing. The information sought by us from VCTPL during the joint hearing and the response of VCTPL are summarized and tabulated below:

Sl. No.	Information sought by us	Response of VCTPL																								
(i).	To give a detailed note on the reasons for its proposal to retain the old equipments even after induction of new handling equipments. In this regard, the VCTPL is requested to furnish the breakup of repair, maintenance and other operating cost relevant for old equipments alongwith justification as to how the projected traffic would justify retention of such equipment.	The VCTPL in its letter dated 8 June 2011 has stated that the berth stay of vessels will reduce by operating with 3 to 4 cranes on a vessel. There is a saving of around USD 11 per TEU by way of VCTPL deploying the additional old RMQCs (at an approximate operating cost reducing from USD 7.2 in 2011-12 to USD 1.4 during 2016-17, per TEU). The reduction in vessel related cost, charter hire cost and other operating cost will attract more main line vessels to VCTPL which will induce reduction on ocean freight cost and benefit the overall trade. Secondly, the smaller vessels can increase the number of calls to VCTPL because of the reduction in vessel turn around time.																								
(ii).	To indicate the number of occasions when two vessels were berthed simultaneously in the VCTPL terminal during the last three years.	<table><tr><th>Year</th><th>No. of vessels handled</th><th>No. of occasions two vessels at berth</th><th>% of occasions 2 vessels at berth simultaneously</th><th>No. of occasions vessels waiting for berth</th><th>% of occasions vessels waiting for berth</th></tr><tr><td>2008-09</td><td>232</td><td>37</td><td>15.95</td><td>6</td><td>2.59</td></tr><tr><td>2009-10</td><td>202</td><td>34</td><td>16.83</td><td>6</td><td>2.97</td></tr><tr><td>2010-11</td><td>273</td><td>43</td><td>15.75</td><td>23</td><td>8.42</td></tr></table> (The VCTPL under cover of its letter dated 12 May 2011 had furnished a list of names and other details of the two vessels which were berthed simultaneously during the period from April 2010 to May 2011. Subsequently, the VCTPL under cover of its letter dated 8 June 2011 has furnished the details as given in the above mentioned table.)	Year	No. of vessels handled	No. of occasions two vessels at berth	% of occasions 2 vessels at berth simultaneously	No. of occasions vessels waiting for berth	% of occasions vessels waiting for berth	2008-09	232	37	15.95	6	2.59	2009-10	202	34	16.83	6	2.97	2010-11	273	43	15.75	23	8.42
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(iii).	To rework the capacity calculation duly taking into account the emergency of few CFS in the vicinity and road connectivity improvement schemes launched by VPT.	The VCTPL has furnished calculations to arrive at the revised capacity calculations. The optimal quay capacity is assessed at 413910 TEUs for the period 2011-12 to 2016-17. The optimal yard capacity is assessed at 236829 TEUs for the period 2011-12 to 2013-14 and 375388 TEUs for the period 2014-15 to 2016-17.																								

9.2. The VCTPL has also furnished further clarifications on few other points brought out to them in an officer level meeting on 24 May 2011 which is summarised hereunder:

Sl. No.	Information/ clarifications sought from VCTPL	Response furnished by VCTPL
(i).	VCTPL has furnished only the extracts of the Profit & Loss Account and Balance Sheet for the year ended 31 March 2011. The VCTPL is requested to furnish the entire set of Annual Accounts for the year ended 31 March 2011.	The unaudited Profit & Loss Account and Balance Sheet for the year ended 31 March 2011 along with the schedules thereon is furnished.
(ii).	Revenue earned by VCTPL during the years 2008-09 to 2010-11 as per the prevailing Scale of Rates with detailed workings and details of discount, if any, allowed by VCTPL. Yearwise details of the rebates and discounts estimated to be allowed by VCTPL for the said period may also be furnished separately.	A table showing the revenue earned during the years 2008-09 to 2010-11 as per the tariff after extending the discounts and rebates is furnished. The discounts and rebates have been separately calculated and thereby the adjusted revenue for the above years is arrived at.

		The volume rebate was given on the basis of performance slab levels to a single customer. As per the understanding with the customer the rebate was given after the year ending with the highest slab of 2% of the handling charges. The discounts were given on Empty Imports and Transshipment. VCTPL had extended discount on handling charges for empty containers repositioned through the terminal to encourage growth in exports, as there is shortage in availability of empty containers. The discount was extended on Transshipment containers to encourage overall volume from a single customer as per the understanding from the year 2010-11 (w.e.f. September 2010) onwards. TAMP is requested to kindly maintain the confidentiality of these figures. Total discounts / rebate allowed is ₹23.66 lakhs, 30.45 lakhs, 45.47 lakhs for the years 2008-09, 2009-10 and 2010-11 respectively.																																				
(iii).	Income earned by VCTPL from Non Container Vessels (NVC) during the years 2008-09 to 2010-11 may be furnished.	The details of income earned from NCVs income during the years 2008-09 to 2010-11 is as follows: <table><tr><th>Particulars</th><th>2008-09</th><th>2009-10</th><th>2010-11</th></tr><tr><td>Fresh water supply</td><td>1,301,840</td><td>389,200</td><td>368,200</td></tr><tr><td>Storage of loose cargo</td><td>24,164,136</td><td>13,323,550</td><td>17,420,246</td></tr><tr><td>Lift on Lift off charges</td><td>18,360,000</td><td>7,515,138</td><td>625</td></tr><tr><td>Loose cargo handling charges</td><td>9,842,960</td><td></td><td>3,122,029</td></tr><tr><td>Garbage Removal</td><td></td><td></td><td>232,000</td></tr><tr><td>Terminal Facilities Charges</td><td>39,838,562</td><td>14,659,652</td><td>12,288,489</td></tr><tr><td>50% Wharfage from VPT</td><td>1,025,906</td><td>500,248</td><td>885,616</td></tr><tr><td>TOTAL INCOME FROM NCV</td><td>94,533,404</td><td>36,387,787</td><td>34,317,205</td></tr></table> The NCV income for future years has been considered at ₹30 lakhs per year. It may be noted that unlike in past, VCTPL now has more container vessels calling per week and most of the calls are on window i.e. fixed day berthing and sailing. Presently there is one vessel virtually everyday on window as shown below: a) APL-BTL Service: 0400 hrs. on Monday to 0300 hrs. on Tuesday b) INDFEX 2 Service: 0900 hrs. on Tuesday to 1500 hrs. on Wednesday c) MAERSK CHX Service: 2200 hrs. on Wednesday to 0600 hrs. on Friday d) Far Shipping-South bound: 2300 hrs. on Friday to 1100 hrs. on Saturday e) Far Shipping-North bound: 1200 hrs. on Saturday to 0300 hrs. on Sunday f) TCX Service: 1100 hrs. on Saturday to 0700 hrs. on Sunday g) Besides we have adhoc calls by feeder vessels connecting Kolkata to Vizag twice a week The length of the vessels in the first three cases (a, b and c) is in range of 220 to 290 meters leaving less than 150 meters berth length for second vessel. Hence availability of berth for NCV (most of NCV handled till date have been more than 150 meters) for	Particulars	2008-09	2009-10	2010-11	Fresh water supply	1,301,840	389,200	368,200	Storage of loose cargo	24,164,136	13,323,550	17,420,246	Lift on Lift off charges	18,360,000	7,515,138	625	Loose cargo handling charges	9,842,960		3,122,029	Garbage Removal			232,000	Terminal Facilities Charges	39,838,562	14,659,652	12,288,489	50% Wharfage from VPT	1,025,906	500,248	885,616	TOTAL INCOME FROM NCV	94,533,404	36,387,787	34,317,205
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		a longer duration, which they require, is not possible. However, there could be cases when some NCVs may be taken for couple of shifts for cargo lightening and hence an income of ₹30 lakhs per annum has been considered. The VOCPT has subsequently vide email dated 20 July 2011 indicated the rent paid by it to VPT on account of sub-letting is included under NCV income on the revenue side.
(iv).	The copy of the Advance ruling u/s 195(2) of the Income Tax, 1961 as furnished by VCTPL is not a relevant document to establish arm's length relationship of the transaction. A certificate from its Chartered Accountant establishing arm's length relationship of the transaction as per the Income Tax Act may be furnished.	A certificate from Chartered Accountant establishing Arm's length relationship of the transaction as per section 92C of Income Tax Act, 1961 was already provided to the TAMP authority with reference to the old contract and accepted vide its Case no.TAMP/31/2005-VCTPL dated 30 August 2005. However, a copy of the Chartered Accountant certificate in this regard is furnished.
(v).	With reference to the new contract entered by VCTPL with DP World for providing technical knowhow for the new equipment, inspite of a query the VCTPL has neither established the reasonableness of the consideration payable by it to DP World nor has established that the new contract entered for technical knowhow is following the arm's length relationship of the transaction as per the Income Tax Act. Please furnish the requisite details.	The present management fee is being paid as per the management contract dated 10 March 2011 for the management and technical services enumerated there in connection with Phase-III expansion of the terminal as per the Concession and License Agreement (CLA). The contract was entered into for the payment of USD 250,000 payable at USD 50,000 per annum as against USD 1,000,000 paid under previous contract. DP World agreed to provide following services as per the new contract: (a). Consulting Services. (b). Sharing of Manual and assist of establish Systems and Procedures. (c). Sourcing and participating in the selection and recruitment of terminal staff. (d). Training to Equipment operators, maintenance staff and IT Staff. (e). Carrying out activities to improve Operating Efficiencies in the area of Equipment output performance, Manpower output performances, Ship-Shore performance, Safety Performances, yard performances, Ship turnaround time, rail rake turn around time etc. (f). Advisory services in Commercial Negotiation. (g). Advisory services in Insurance coverage. (h). Advisory services in connection with commissioning of new cranes and establishing open warranty issues etc. (i). Other services which includes assisting VCTPL in the preparation of ongoing strategic and operating terminal plans, preparation of technical reports concerning terminal's operations, management and marketing. DP World agreed to provide technical services, information and know how to efficiently operate, administer, market and maintain the Terminal. DP World is one of the largest marine terminal operators and managing 49 terminals across the World. The technical service fees paid to DP World is quite reasonable. VCTPL and in turn the trade will be benefited immensely with the kind of quality and

		expertise DP World will be imparting during the contract period. A certificate from the Chartered Accountant certifying that the consideration is at arm's length as per the provisions of Section 92C of the Income Tax Act, 1961 is furnished.															
(vi).	Inspite of a query, the VCTPL has not explained as to how the proposed tariff increase will help in building up its volumes. The reasons therefor may be furnished along with an analysis.	The proposed revision in VCTPL tariff (averaging less than ₹500/- per TEU) is unlikely to have any impact on the overall logistics cost to a shipper. The volume increase is expected due to organic growth in the local hinterland and increase in transshipment (tariff has been reduced) and ICD traffic all of which would not be affected by nominal (in absolute terms) increase in our tariff. Moreover, due to increased efficiency as a result of additional cranes there would overall reduction in vessel cost when calling at VCTPL and hence increase in number of services resulting in increase in volumes.															
(vii).	The VCTPL is requested to furnish an impact analysis for the next 3 years of the wage cost due to conversion of its 12 hour shift to an 8 hour shift.	Impact analysis for the next three years of the wage cost due to conversion of its 12 hours shift to an 8 hours shift: The operations staff work 12 hours shift for 4 days a week – 2 day shifts followed by 2 night shifts followed by 2 days off. This will change to 8 hours shift for 6 consecutive days followed by weekly off. Presently employees are paid monthly basis and there is no system of overtime. As such there will be no impact on the wage cost because of conversion of 12 hour shift to an 8 hours shift. In fact, there will be additional financial implication, as additional manpower has to be developed as indicated in our earlier submission.															
(viii).	With reference to services like lashing/unlashing, tally and survey, Reefer monitoring, Supply of Labour, etc., the VCTPL has furnished copies of the Letter of Acceptance with the private parties. The VCTPL is requested to furnish Contract copies with reference to the above mentioned services.	The copies of the contract are furnished. <table border="1"> <thead> <tr> <th>Activity</th><th>Validity of contract</th><th>Rate mentioned in contract</th></tr> </thead> <tbody> <tr> <td>(i). Lashing/Unlashing</td><td>1.6.2010 to 31.5.2012</td><td>Composite rate of ₹60/- per container. ₹20/- extra per container when ship derrick is used</td></tr> <tr> <td>(ii). Tally/Survey</td><td>1.6.2010 to 31.5.2012</td><td>Tally & Survey of EXIM containers – ₹40 per container Tally & Survey of Domestic container – ₹20/- per container</td></tr> <tr> <td>(iii). Monitoring of reefer containers</td><td>1.12.2009 to 30.11.2011</td><td>Monitoring of reefer containers – ₹35/- for 8 hrs. shift Carrying out PTI – ₹200/- Carrying out Run Test – ₹150/-</td></tr> <tr> <td>(iv). Maintenance of equipment and other installations</td><td>1.11.2010 to 31.10.2012</td><td>Highly skilled workers = ₹12,513/- per calendar month Skilled workers = ₹11,115/- per calendar month Semiskilled workers = ₹9,464/- per calendar month Unskilled workers = ₹8,008/- per calendar month</td></tr> </tbody> </table>	Activity	Validity of contract	Rate mentioned in contract	(i). Lashing/Unlashing	1.6.2010 to 31.5.2012	Composite rate of ₹60/- per container. ₹20/- extra per container when ship derrick is used	(ii). Tally/Survey	1.6.2010 to 31.5.2012	Tally & Survey of EXIM containers – ₹40 per container Tally & Survey of Domestic container – ₹20/- per container	(iii). Monitoring of reefer containers	1.12.2009 to 30.11.2011	Monitoring of reefer containers – ₹35/- for 8 hrs. shift Carrying out PTI – ₹200/- Carrying out Run Test – ₹150/-	(iv). Maintenance of equipment and other installations	1.11.2010 to 31.10.2012	Highly skilled workers = ₹12,513/- per calendar month Skilled workers = ₹11,115/- per calendar month Semiskilled workers = ₹9,464/- per calendar month Unskilled workers = ₹8,008/- per calendar month
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(ix).	In spite of a query to furnish purchase agreements, the VCTPL has furnished copies of the LC with regard to purchase of RTGCs and RMQCs. The VCTPL is again requested to furnish copies of the purchase agreements, with reference to purchase of the said assets.	The copies of the purchase agreements for procurement of RTGC and RMQC are furnished. <table border="1" data-bbox="857 268 1463 457"> <thead> <tr> <th>Name of Equipment</th><th>Date of Agreement</th><th>Price of Equipment</th></tr> </thead> <tbody> <tr> <td>(i). RMQCs</td><td rowspan="2">14.7.2010</td><td>Euro 9835562.75</td></tr> <tr> <td>spares</td><td>Euro 121051.00</td></tr> <tr> <td>(ii). RTGCs</td><td>13.7.2010</td><td>Euro 3732195.35</td></tr> <tr> <td>(iii). For erection & commissioning of 4 RTGCs</td><td>13.7.2010</td><td>₹80 lakhs for 4 cranes</td></tr> </tbody> </table>	Name of Equipment	Date of Agreement	Price of Equipment	(i). RMQCs	14.7.2010	Euro 9835562.75	spares	Euro 121051.00	(ii). RTGCs	13.7.2010	Euro 3732195.35	(iii). For erection & commissioning of 4 RTGCs	13.7.2010	₹80 lakhs for 4 cranes
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(x).	The VCTPL is requested to furnish the breakup of the repairs, maintenance and other operating costs relevant for operation of the old equipment (for the next 3 years), along with a justification as to how the projected traffic would justify the retention of such equipment.	The repairs and maintenance cost and other operating cost for the old RMQCs have been estimated for the next 6 years and are furnished. The berth stay of vessels will reduce by operating with 3 to 4 cranes on a vessel. The cost estimated to be saved for 3 typical vessels presently calling VCTPL is shown in our calculations. As it can be observed there is a saving of around USD 11 per TEU by way of VCTPL deploying the additional old RMQCs (at an approximate operating cost reducing from USD 7.2 in 2011-12 to USD 1.4 during 2016-17, per TEU). The reduction in vessel related cost, charter hire cost and other operating cost will attract more main line vessels to VCTPL which will include reduction on ocean freight cost and benefit the overall trade. Secondly, the smaller vessels can increase the number of calls to VCTPL because of the reduction in vessel turn around time.														
(xi).	The VCTPL is requested to confirm whether it has forwarded a copy of its revised proposal to its Licensor Port i.e. Visakhapatnam Port Trust (VPT).	This is to confirm the Authority that VCTPL has already submitted the revised proposal along with the reply to the additional sought by TAMP vide its letter dated 29 April 2011 and during the joint hearing at VPT.														
(xii).	In reply to the question at Sl. No.A (iii) VCTPL stated that the Ship Productivity can be pegged at an average of 30 moves per hour as per the License Agreement with Visakhapatnam Port Trust. This figure is not acceptable as elsewhere VCTPL stated that the acquisition of new cranes will increase the overall productivity.	The benchmark provided in the License Agreement is Ship Productivity of 30 moves per hour. However, for the purpose of tariff, the benchmark can be considered as Ship Productivity of 45 moves per hour subject to suitable stowage available.														
(xiii).	In reply to A (iv), VCTPL stated that the reduction in average cost is attributed to the transshipment volume likely to be handled in the coming years. It is not clear from the reply how the average handling cost for a typical port user is expected to reduce at the proposed tariff. The detailed working may also be furnished?	The average handling cost calculations have been revised by segregating Transshipment Income and Local volume Income and are furnished. As per the proposed tariff the impact on existing handling cost for a typical port user will increase by 10.57%.														
(xiv).	In reply to B (ii) (b), it is not clear as to how foreign exchange losses can be incurred in respect of items like import of spares, AMC payable to NAVIS and DPW management fees. VCTPL may reexamine the reply.	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 31 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 which is purely followed as per IAS 11.														

(xv).	In reply to B (ix), VCTPL has not furnished the actuals in respect of time periods for sundry debtors, inventory, cash and bank balances and current liabilities. These figures may be given.	The informations are already available in Annual Reports submitted to the Honourable Authority earlier.
(xvi).	VCTPL has to justify its yard capacity vis-à-vis the acquisition of new equipment.	The capacity of the terminal has been revised taking into consideration the existing terminal layout that can be developed and additional land to be acquired from VPT for further expansion. As per the revised calculation furnished by the VCTPL, the quay capacity is assessed at 662256 TEUs per annum considering 2 old RMQCs and 2 new RMQCs. The yard capacity is assessed at 272130 TEUs. With the proposed investment for development of storage yard in the year 2014-15, the optimal yard capacity of the terminal is assessed at 453550 TEUs per annum.

9.3. Apart from above, additional submissions made by VCTPL in its letter dated 8 June 2011 are summarised below:

- (i). It was explained during the hearing of TAMP at Visakhapatnam that the new cranes were not only warranted by the provisions of the License Agreement, but also by the trade requirements. The existing cranes are not in a position to handle bigger ships as the size of the ships that are calling at the terminal require super post panamax cranes. This by itself may not increase the capacity of the berth drastically, but the additional cranes would improve the ship productivity and reduce the turn round time of the ships. This in turn would result in savings to the ship in terms of reduction in the vessel related charges and the charter hire. As regards the yard capacity, due to the peculiar layout of the terminal where the rail line bisects the yard, there are some physical restrictions. But it will be our endeavor to increase the yard capacity commensurate with the traffic growth in phases by better utilization of the existing space and also by acquiring additional land from VPT. We have already applied to VPT for allotment of additional land close to the terminal. Another issue seems to pertain to the need to retain the old cranes. It is clarified that the old cranes need to be retained as bigger ships need deployment of more than two cranes and also there are many occasions when two vessels are at berth simultaneously.
- (ii). Regarding Adjustment of Past Losses, VCTPL had requested the Authority to consider the past losses to the extent of ₹4,466 lakhs for fixation of tariff vide our letters no.VCTPL/TAMP/2011/011 dated 14 January 2011. "The Authority has not accepted our contention although the case fully falls within the purview of clause 2.13 of the Tariff Guidelines. However, it is our earnest plea that the Authority may kindly reconsider their decision and allow the past losses to be adjusted as per the TAMP guidelines". It may be kindly recalled that TAMP in its earlier orders had not agreed to adjust the past losses mainly on the ground that advance investments were made by the terminal and there was underutilization of the capacity. It is clarified again that there were no advance investments made by the terminal. The investments made were in terms of the License Agreement. Only difference being instead of acquiring Mobile Harbour Cranes (MHCs), the terminal acquired second hand Gantry Cranes. The cost of new MHCs would have been higher than the cost of the old Gantry Cranes. Although there was underutilization of the capacity, it has to be appreciated that a start up terminal in a green field location predominantly dominated by bulk cargo needs time to build up its cargo. Moreover, the traffic handled was within the parameters fixed by TAMP for allowing full return of 16%. In spite of this VCTPL never claimed for full return on the capital allowed by TAMP guidelines. In view of this it was not correct to take a view that cost of high investments coupled with lower utilization of capacities was passed on to the customers. TAMP was of the view that the operator cannot reasonably seek compensation for past losses suffered in the immediately succeeding tariff cycle. We are therefore asking such compensation in future cycles in order to avoid continued losses to the terminal.

10.1. As decided in the joint hearing, the VPT was also requested to furnish its response to the queries raised by us vide letter dated 29 April 2011 and furnish its general comments on the revised proposal to be filed by the VCTPL as well as on the response of VCTPL to our queries dated 29 April 2011. The VPT was also requested to furnish its specific comments on few other points.

10.2. The VPT vide its letter dated 12 July 2011 has furnished its response to the queries raised by us vide our letter dated 29 April 2011. A summary of the queries raised by us and the response of the VPT is tabulated below:

Sl. No.	Queries raised by us	Response of VPT
(i).	Since the year 2010-11 is already over, actual container traffic handled by the VCTPL for the year 2010-11 may be furnished. Comment on reasonableness of traffic forecast made by VCTPL for the years 2011-12 to 2013-14 bearing in mind that 2 RMQCs and 4 RTGs are proposed to be deployed by the VCTPL in January 2012.	Actual traffic handled during the year 2010-11 is (1,20,940 containers) 1,45,426 TEUs. The container traffic is growing in Visakhapatnam with the congestion in Nhava Sheva and proximity to Far East Ports when compared to West Coast Ports, Vizag is the ideal gateway for the traffic originating from eastern sea lane. Hence, the ICD traffic volumes through this port can increase in the coming years. With the draft advantage, it is expected that more main line vessels will call here and hence expect Transshipment volume will grow during the coming years. In addition to this, the containerized traffic in the hinterland of Orissa and Chattisgarh is growing with several major Steel, Allumina and Power Plants coming up. These cargo will be routed through Vizag due to the advantage in total logistics cost. With all these reasons, the forecast projected by VCTPL for the year 2011-12 to 2013-14 is felt reasonable.
(ii).	The share of local container traffic reported in the years 2009-10 and 2010-11 at 98% and 80% respectively of the total actual container traffic is estimated to scale down to 70%, 64% and 61% of the projected total traffic in the years 2011-12 to 2013-14. Please comment.	There has been growth in Transshipment containers as several main line vessels are calling this port and VPT has already offered concession on vessel related charges for main line and feeder vessels. Due to this, it is expected that, the transshipment volumes will increase in the coming year. The local volumes are growing at moderate pace and will continue to do so. However, as the transshipment volumes, which was very minimal in the earlier period, will be growing in the coming years and the composition (%) of local volume will reduce from the total volume. The share of local traffic seems to have a declining trend due to corresponding projected increase in ICD and transshipment traffic. Further, though the share of local traffic to total traffic has been scaled down, there is an increase in absolute numbers. Hence the projections given by VCTPL seems to be reasonable.
(iii).	Confirm lease rentals for the years 2008-09 to 2010-11 and estimates for 2011-12 to 2013-14 is as per the provisions in the	Rents collected for backup space is ₹54.81 lakhs per annum and for additional backup space is ₹23.90 lakhs per annum for the

	License Agreement.	years 2008-09 to 2010-11 and the same amounts were estimated for the period from 2011-12 to 2013-14.
(iv).	The VCTPL has proposed capital additions in the gross block of assets in the form in Quay cranes, RMGCs, strengthening of back reach area, additional storage yards, administrative building, workshop building, computer software during the years 2011-12 to 2013-14. Please confirm whether the additions proposed are in line with the provisions in the LA.	Regarding mechanical equipment and civil structures, it is to state that the same is in line with Agreement.
(v).	In the event of the new RMGCs proposed to be deployed by the VCTPL, please clarify whether as per the LA, the old cranes will continue to be operational.	In the event of the new RMGCs proposed to be deployed by VCTPL, the old cranes will continue to be operational subject to the condition, that as per the LA, the Licensee shall be required to replace the equipment on expiry of their life as per VPT norms, by new equipment having specification not inferior to those initially provided. The Licensee shall plan for replacement well ahead of the time of expiry of its life. The equipment shall be in excellent working condition at all times and handed over to the Licensor in working order at the end of the Licensee period. Therefore, as per the LA the Licensee shall procure new equipment as detailed below when the traffic reaches 1,00,000 TEUs: 1st Phase: First 5 years - 15 moves per ship per berth hour. 2nd Phase: End of 5th year 30 moves per ship per berth hour. 3rd Phase: 1,00,000 TEUs 1) 2 nos. Rail Mounted ship to shore Gantry Cranes. 2) 4 Nos. RTG's, 3) 2 Nos. Reach Stackers and 8 Nos. Tractor Trailers.

10.3. The VPT has also furnished specific comments on the points referred to the port at the joint hearing. A summary of additional information sought at the joint hearing and the response of VPT is tabulated below:

Sl. No.	Additional information sought at the joint hearing	Response of VPT
(i).	Reasonableness of the traffic projections of VCTPL.	The port has not furnished separate reply on this point. It has furnished its comments on this point while furnishing reply to the queries raised by us.
(ii).	Need and Justification to the number of equipment proposed to be deployed in the container terminal in the light of the traffic projection.	As per L.A. Appendix-7 (a). Rail Mounted Gantry Quay Cranes-2 nos. (b). Rubber Tyres Gantry Cranes-4nos. (c). Other associated equipment like Reach Stackers, Trailers with Power Units, etc. – As per requirement and shall be indicated by the Licensee in the Bid.

		All the above equipments shall be ordered when the traffic reaches 1,00,000 TEUs and shall be commissioned within 18 months. Hence felt reasonable.
(iii).	Berthing of non-container vessels at the container terminal.	There can be rare occasions where non container vessels need to berth at VCTPL for cargo lightening purpose due to draft restriction in the inner harbour of VPT, vessels intending to carry minor repairs/ inspection or due to non availability of berth in the port. It may be noted that the number of container vessels calling at VCTPL has increased and so as their size. Hence, there are very less chance for berthing non-container vessels for a long duration at VCTPL.
(iv).	The standard capacity of the VCTPL duly taking into account the proposed addition of equipment and the availability of CFS and road facility in near future.	There are four CFSs functioning in Visakhapatnam. In addition to this VPT will be allocating land to start additional CFS which is expected to be operational in the next 2 years time. The road connectivity is also planned and VCTPL also has asked VPT for additional land as additional back up storage area. With the deployment of additional equipment and increase in backup area, VCTPL can handle about 4 lakh TEUs.

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

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

- (i). The Scale of Rates of VCTPL was last reviewed in July 2009 where status quo in the then prevailing tariff level was maintained for the years 2008-09 and 2009-10 and 10% tariff increase during the year 2010-11 was allowed to be effective only from the date of commissioning of the proposed 2 new RMQCs and 4 RTGCs. Since new RMQCs and RTGCs were not acquired in the year 2010-11, the VCTPL has confirmed that it has not effected the 10% increase in its Scale of Rates during the year 2010-11.
- (ii). The VCTPL has furnished a revised proposal in May 2011. The revised proposal along with revised cost statements furnished by VCTPL under cover of its letter dated 12 May 2011 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 2008-09 to 2010-11, by relying upon the estimates for the said years. As such, it is necessary to make a comparison of the estimates for the years 2008-09 to 2010-11 with the actuals for the said years.

- (iv). The approach followed in the last Order to arrive at the estimated position is adopted to assess the actual net surplus/ deficit for the years 2008-09 to 2010-11. The analysis of performance of VCTPL during the years 2008-09 to 2010-11 along

with modifications done in the cost statement filed by the VCTPL is explained below:

- (a). In the last tariff Order, the estimates of expenditure and capital cost for the year 2010-11 reflected the investment proposed by the VCTPL on 2 RMQCs and 4 RTGCs. This Authority granted 10% increase in the year 2010-11 subject to the condition that it will become effective from the date of commissioning of the new RMQCs and RTGCs. The VCTPL has confirmed that the new RMQCs and RTGs are not deployed in 2010-11 and hence it has not effected 10% increase in its Scale of Rates. Nevertheless, since the expenses and return with reference to RMQCs and RTGCs were reckoned in the estimates, the income estimated in the last Order for the year 2010-11 is adjusted for 10% tariff increase allowed. Apart from this, the revenue impact of other amendments approved by this Authority in the last tariff Order (estimated at ₹22 lakhs) is also adjusted in the income estimation for the years 2009-10 and 2010-11.
- (b). The actual traffic handled by VCTPL is 87637 TEUs, 98000 TEUs and 145426 TEUs during the years 2008-09 to 2010-11 respectively, as against the estimate of 84030 TEUs, 105000 TEUs and 133000 TEUs for the years 2008-09 to 2010-11 respectively. The variation in the physical performance is found to be less than 20%.
- (c). The items of actual income and expenditure furnished by the VCTPL in the cost statement do not match with the individual figures reported in the Annual Accounts as the classification of items in the Accounts is different from the cost statement and also on account of adjustment done in the cost statement on a few items. The VCTPL has, however, furnished a statement reconciling the net surplus/ deficit in the cost statement with the profit/ loss reported in the Annual Accounts and hence the actual figures given by VCTPL in its cost statement are relied upon in this analysis.
- (d). The VCTPL has reported that concession was granted in the handling charges of transshipment containers and empty containers for repositioning through the terminal to encourage growth in the transshipment volume/ 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 and captured in the actual income reported in the Annual Accounts are not considered. Similarly, one time rebate reportedly allowed by the VCTPL and shown as an expenditure in the annual accounts of the respective years are also excluded from the actual expenses considered in the cost statement under the head 'other expenses'.
- (e). Interest income and interest expenditure reported are not considered in fixation of tariff of major port trusts/ private terminals and hence the actual interest income/ expense reported in the Annual Accounts of the respective years are excluded.

The VCTPL has clarified that the exchange gain/ loss are with reference to import of spares and maintenance payable to NAVIS and DPW management fee. Since the exchange gain/ loss factored by the VCTPL does not arise on account of servicing of any foreign currency loans and appear to be of revenue nature, it is considered in the analysis of the past period.

- (f). The VCTPL has reported that during the year 2010-11, it has incurred one time repairs to the yard amounting to ₹113.01 lakhs towards regular maintenance of licensor's assets. The effect of the one time repairs undertaken may not be confined only to the year in which it was incurred, but may continue for the future period also. As such, the one time repair cost reported by VCTPL is spread over four years i.e. years 2010-11 to 2013-14.

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

As per the provisions of the LA, the VCTPL is required to pay royalty on the Minimum Guaranteed Throughput (MGT) levels, in case the actual traffic handled is less than the level of MGT. In the earlier general revision Orders of VCTPL as well as South West Port Limited (SWPL), it was held that royalty payment arising due to non-realisation of the MGT would not be recognized for tariff fixation. The MGT indicated by VCTPL for the years 2008-09 to 2010-11 are 133000 TEUs, 159800 TEUs and 181400 TEUs respectively, whereas the actual traffic of 87637 TEUs, 98000 TEUs and 145426 TEUs handled by VCTPL for the respective years is below the MGT level. The Annual Accounts for the years 2008-09 to 2010-11 show royalty payment of ₹94.92 lakhs, ₹135.22 lakhs and ₹205.87 lakhs.

As was done in the earlier tariff Order of VCTPL, royalty payment on the actual traffic handled by VCTPL during the years 2008-09 to 2010-11 is arrived with reference to the per TEU rate of royalty indicated in the License Agreement and allowed to the extent of 49% as pass through i.e. the net present value of the revenue stream quoted by the second highest bidder as allowed in the last tariff Order.

- (h). This Authority in the tariff Order of July 2009 had relied upon the certificate issued by the Chartered Accountant certifying 'arms length' relationship of the transaction between the VCTPL and the Dubai Port International and United Liner Agencies for rendering technical service to VCTPL and allowed this as an item of cost subject to the condition that at the time of next review, the VCTPL should produce the evidence of actual payment and the Income Tax Assessment Orders. It was also mentioned that if such evidence was not produced, the expenditure allowed till then would be reviewed and fully adjusted in the current tariff review.

The VCTPL has furnished copies of Income Tax Assessment Orders for the years 2006-07 to 2008-09. The VCTPL has reported that as the actual payments were not affected during the said period, the IT department has not considered this item of expense. As such, the Income Tax Assessment Orders furnished by VCTPL do not serve the required purpose of establishing the arms length relationship of the said transaction.

A copy of the Advance Ruling by the IT department u/s 195(2) of Income Tax Act, 1961 furnished by the VCTPL reveals that it is with reference to exemption allowed by IT department on double taxation of this element and it does not establish the arm's length relationship of the said transaction.

As directed in the last Order, the VCTPL has confirmed that the payment of Technical Service Fee (TSF) for all the past period has been effected during the year 2009-10 and has supported it with documentary evidence. The VCTPL has stated that TSF payment made in the year 2009-10 is claimed as an expense during the year 2009-10 for income tax purpose but the Income Tax (IT) Assessment Order for the year 2009-10 is still pending. The VCTPL has, however, furnished a copy of the Certificate from its Chartered Accountant dated 6 June 2005 certifying that the fees have been determined having arms length price computed as per provisions of Section 92C of Income Tax Act, 1961.

Since the IT Order for the year 2009-10 is pending as reported by the VCTPL, the certificate issued by its Chartered Accountant certifying arms length relationship of the transaction is relied upon and TSF as part of operating costs is allowed subject to the condition that the VCTPL will produce copies of the IT Assessment Orders at the time of next tariff review. If such evidence is not produced, the expenditure allowed till now in earlier tariff revision exercise would be reviewed and adjusted fully in the next tariff revision cycle.

The amortised TSF expenditure considered in the last tariff Order at ₹15.79 lakhs per annum was based on actual TSF reported in its Annual Accounts from the year 2005-06 upto the year 2007-08 and estimates for the year 2008-09. Since actuals for the year 2008-09 are available it is updated with the same. Accordingly, the sum of expenses reported as TSF in the Annual Accounts of the VCTPL for the years 2005-06 to 2008-09 for management service fee is seen to be ₹420.45 lakhs of which ₹43.77 has been allowed as amortisation in our earlier Order till the year 2007-08. Therefore, the balance amount of ₹376.68 lakhs is spread over the remaining period of the project i.e. 24 years from the year 2008-09 onwards.

- (i). In the last tariff order of July 2009, the write-off of preliminary expenses was considered at ₹12.53 lakhs in the year 2008-09 and ₹16.41 lakhs for each of the years 2008-09 and 2010-11. The estimates for the years 2009-10 and 2010-11 included amortisation of ₹89.43 lakhs estimated to be incurred by the VCTPL for registration of lease agreements over a period of 23 years. The Annual Accounts for the years 2009-10 and 2010-11 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 2008-09.
- (j). The VCTPL has made suitable adjustments in the net block and depreciation figures reported in the Annual Accounts of the years 2008-09 to 2010-11 in view of amortisation of the upfront fee and leasehold premium over the project period in line with the approach followed in the last tariff Order. The figures furnished by the VCTPL in this regard are relied upon and considered in the analysis.
- (k). The working capital position is discussed below:
 - (i). The VCTPL has considered six months' operating income as Sundry Debtors for the years 2008-09 to 2010-11. This is not in line with the provisions contained in the tariff guidelines of 2005. As such Sundry Debtors is considered as NIL.
 - (ii). As per the Order passed 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 VCTPL has stated that it is required to pay lease rentals in advance to VPT. It has, however, neither claimed nor quantified the amount of prepayment of lease rentals in the Current assets. As per the License Agreement entered by the VCTPL with the VPT, the lease rentals are to be paid as per the Scale of Rates of the Licensor port i.e. VPT. The Scale of Rates of VPT does not prescribe any advance payment of lease rentals and hence the point made by the VCTPL in this regard does not merit consideration.

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. In the case of the VCTPL, it is found that none of the items flowing from the License Agreement qualify for consideration. Hence prepayments of expenses are not considered in the estimates of the working capital for the years 2008-09 to 2010-11.

- (iii). The VCTPL has furnished the details of the consumption of stores excluding fuels for the years 2008-09 to 2010-11 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.
- (iv). Cash balance has been calculated at one month's operating expenses including overheads but excluding the upfront payment, as done during the last tariff revision of VCTPL.
- (v). The VCTPL has furnished the figure of current liabilities for the years 2008-09 to 2010-11. Current Liabilities have been estimated only in respect of items like Equipment Running cost, Equipment Hire, Other expenses and Management & Administration overheads at 15 days credit period for the respective years. This is not in line with the tariff guidelines and the approach followed in the last tariff Order. From the current liabilities reflected in the Annual Accounts of VCTPL for the years 2008-09 to 2010-11, the items relating to royalty, technical service fee, and income tax are excluded and the balance is considered.
- (vi). 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 ₹4388.61 lakhs, ₹4136.44 lakhs and ₹3644.73 lakhs.
- (l). In the last tariff Order of July 2009, Return on capital employed was allowed at 16% for the years 2008-09 to 2010-11. The same position is maintained while analyzing the actuals for the said years.
- (v). (a). 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	Estimates relied upon in the July 2009 Order				Actuals				% Variation
	2008-09	2009-10	2010-11	Total for the years 2008-09 to 2010-11	2008-09	2009-10	2010-11	Total for the years 2008-09 to 2010-11	
Traffic (in TEUs)	84030	105000	133000	322030	87637	98000	145426	331063	2.81%
Op. Income	3479.50	2971.77 *	4058.61 *	10509.88	3684.91	3657.89	4552.65	11895.45	13.18%
Total Exps (incl. Depn)	1858.81	2155.44	3511.34	7485.59	2092.09	2018.60	2682.9	6793.59	-10.19%
Surplus before Return	1620.69	856.33	547.27	3024.29	1592.82	1639.29	1869.75	5101.86	68.70%
Capital Employed	4376.11	4250.05	14655.35	7760.50[@]	4388.61	4136.44	3644.73	4056.59[@]	-47.73%
ROCE	700.18	680.01	2344.86	1241.68[@]	702.18	661.83	583.16	649.06[@]	-47.73%
Net Surplus after ROCE	920.51	176.32	-1767.59	-700.75	890.64	977.46	1286.60	3154.69	

* The operating income estimates for the year 2009-10 are updated to reflect the revenue impact of ₹11 lakhs in view of amendments approved in the last Order. The operating income estimated for the year 2010-11 are updated considering the 10% increase granted from the year 2010-11 subject to the conditions that it will be implemented only from the date of commissioning of the new RMQCs and RTGCs proposed by VCTPL and also with reference to the other amendment approved.

[@] Denotes the average for the years 2008-09 to 2010-11.

It can be seen from the above table that the total actual expenses and capital employed are lower than the estimated level. This is because the estimated income, expenses and the capital expenditure for the year

2010-11 in the above table considers the impact of commissioning of the additional RMQCs and RTGCs at the terminal by 31 March 2010. As the VCTPL has not complied with the condition of deploying the additional equipment, the comparison of the estimates of income, expenses and the capital expenditure for the year 2010-11 with the actuals as shown in the above table is not based on like to like parameters.

If the impact relating to deployment of additional equipment are excluded from the estimates for the year 2010-11, the aggregate of actual income earned in the years 2008-09 to 2010-11 is found to be 17% higher than the estimated income for the corresponding period. The actual expenses are higher by 5% and the actual average capital employed is 5% lower than the estimates.

The VCTPL has earned an additional surplus of ₹890.64 lakhs, ₹977.46 lakhs and ₹1286.60 lakhs which aggregates to ₹3154.69 lakhs for the years 2008-09 to 2010-11. The average of the actual surplus earned before return is ₹1700.62 lakhs. The average return earned on the capital employed thus works out to 41.92%, as shown in the following table:

(₹ in lakhs)				
Particulars	2008-09	2009-10	2010-11	Average
Actual Surplus before return earned by VCTPL	1592.82	1639.29	1869.75	1700.62
Actual Capital Employed	4388.61	4136.44	3644.73	4056.59
Actual Return earned on capital employed	36.29%	39.63%	53.13%	41.92%

- (b). As can be seen from the above table, though the variation in the physical performance and operating income/ expense is less than + / - 20%, the variation in capital employed and return on capital employed is more than 20%. Further, the VCTPL has earned return of 41.92% 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. Therefore, there is a case to adjust the past surplus in the current tariff cycle of VCTPL.

- (c). In the last Order, on two accounts where there was some element of doubt on the presumption/ estimates furnished by VCTPL, which was, however, considered in the analysis relying on the position reported by the VCTPL, this Authority had imposed a condition that any advantage accrued to VCTPL on account of relying on the position reported by them, it will be fully set off in the next tariff review.

During the last tariff revision, the VCTPL had reported actual income from non-container vessels at ₹700.18 lakhs upto December 2008 (₹933.57 lakhs estimated on pro-rata basis for full year 2008-09) and estimated ₹12 lakhs each during the years 2009-10 and 2010-11. The VCTPL had attributed a reduction in this income on account of anticipated reduction in the number of non-container vessels (NCV) berthing at the VCTPL. Relying on the submission made by VCTPL, this Authority in para 19(iii) of the Order had accepted the income from NCV at the level estimated by VCTPL subject to the condition of fully adjusting any undue advantage found to have accrued to the VCTPL due to variation of actual vis-à-vis the estimated position.

The actual income earned from NCV in the year 2008-09 is reported at ₹945.33 lakhs as against ₹933.57 lakhs estimated in the Order. The actual income reported to have been earned from berthing of the Non Container Vessels is reported at ₹363.88 lakhs and ₹343.17 lakhs for the years 2009-10 and 2010-11 respectively as against ₹12 lakhs per annum

considered in the estimates of last Order. In line with the earlier decision, the additional income earned by VCTPL over the levels of the estimates under this head is to be fully set off in the current tariff cycle. After excluding the additional income from NCV for the years 2008-09 and 2009-10, the balance actual surplus is to be considered for set off to the extent of 50%, as per provisions of the tariff guidelines of 2005.

Further, in the last tariff Order, this Authority held that the need for granting 10% tariff increase in the year 2010-11 arises mainly on account of investment on 2 RMQCs and 4 RTGCs proposed to be deployed by the VCTPL in the year 2010-11. Hence, the 10% tariff increase was allowed to be made effective in the year 2010-11 only from the date of commissioning of the 2 new RMQCs and 4 RTGCs.

This Authority at paragraph no.10(xxi) of the Order of July 2009 had held that incase of any delay in the commissioning of equipment (i.e. 2 RMQCs and 4 RTGCs) by the VCTPL, the actual additional surplus accrued for that period on this account would be fully adjusted in the next tariff cycle.

As reported by the VCTPL, it has not commissioned the RTGCs and RMQCs in the year 2010-11. As such, the actual surplus accrued for the year 2010-11 excluding the additional NCV income which is already being considered for full adjustment is to be fully adjusted in the next tariff cycle.

To summarise, the surplus (after permissible return) for the years 2008-09 to 2010-11 that is being considered for adjustment in the current tariff cycle is as follows:

(₹ in lakhs)				
Particulars	To be set off	2008-09	2009-10	2010-11
Additional NCV income	100%	11.76	351.88	331.17
Net Surplus excluding impact of NCV income	50%	439.44	312.79	0.00
Surplus for the year 2010-11 excluding the impact of NCV income	100%	0.00	0.00	955.43
Total surplus		451.20	664.67	1286.60
Total Surplus to be set off		2402.46		

- (d). Thus, the actual surplus of ₹2402.46 earned by VCTPL over and above the admissible cost and permissible return during the years 2008-09 to 2010-11 is to be adjusted in the future tariff.

In the instant case, the cost statement for the future period reflects a deficit position which necessitates upward revision of tariff in the existing level of tariff. It may, therefore, be desirable to exhaust the adjustment of the past surplus in this tariff cycle before considering increase in the existing tariff. Accordingly, the past surplus of ₹2402.46 lakhs is set off equally during the three years 2011-12 to 2013-14 in current tariff cycle.

- (e). The VCTPL has requested to adjust the accumulated losses from the financial year 2003-04 onwards till 2008-09 after adjustment of surplus assessed by it for the year 2009-10 in the current tariff revision exercise. It was already clarified to the VCTPL vide our letter dated 22 December 2010 that there is no provision in the tariff guidelines of March 2005 to fix tariff to off set losses of the past several years. As per the tariff guidelines, the actual physical and financial performance for the years 2005-06 and 2006-07 and 2007-08 has been reviewed by this Authority while revising the tariff of the VCTPL approved vide Order No.TAMP/12/2007-VCTPL dated 28 June 2007 and Order No.TAMP/7/2008-VCTPL with the estimates relied upon in previous tariff

Orders. The last tariff revision of the VCTPL approved in July 2009 was based on estimates of 2008-09, 2009-10 and 2010-11. That being so, as per the tariff guidelines of 2005, the variation in actual physical/ financial performance for these three years vis-à-vis the estimates considered in Order of July 2009 is examined and considered for adjustment as explained in the preceding paragraph.

- (vi). 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. 2011-12 to 2013-14. The actual throughput handled by VCTPL is 145426 TEUs in the year 2010-11. The VPT has also endorsed the actual traffic figure of the VCTPL for the year 2010-11.

The traffic estimated by VCTPL for the years 2011-12 to 2013-14 is 170000 TEUs, 195000 TEUs and 225000 TEUs respectively. The growth projected in the traffic is around 17% in the year 2011-12 and 15% each during the years 2012-13 and 2013-14 over the actual/ estimated traffic of the respective previous year. The VCTPL has stated that growth rate of around 15% to 17% projected by it is higher than the national average of 12%.

When asked to explain the reasons for scaling down the percentage share of local container traffic during the years 2011-12 and 2013-14, the VCTPL has cited the reason of corresponding increase projected in the share of ICD and Transshipment traffic. The VPT has also endorsed that the share of ICD and transshipment container is likely to increase in VCTPL in the coming years and hence the share of local traffic to the total traffic shows a decline. The VPT has certified that the traffic projected by the VCTPL and the share of cargo mix are reasonable. There has not been any objection from any users/ user associations on the traffic forecast of the VCTPL.

The traffic mix as well as the traffic forecast as furnished by VCTPL for the years 2011-12 to 2013-14 is fully relied upon for the purpose of this analysis.

At the time of the next general review of tariff of VCTPL, if any advantage is found to have accrued to the VCTPL due to wrong estimation of traffic, the additional surplus so earned will be adjusted as per the tariff guidelines.

- (vii). (a). The operating income estimated by VCTPL in the cost statement for the years 2011-12 to 2013-14 is ₹4139.68 lakhs, ₹4566.72 lakhs and ₹5190.04 lakhs respectively.

The VCTPL has furnished detailed workings of income estimation based on the existing level of tariff and the traffic projections. From the workings furnished by VCTPL, it is seen that in case of transshipment containers, the VCTPL has assumed one leg as coastal and one leg as foreign. With reference to a specific query raised for not estimating coastal containers, the VCTPL has clarified that coastal movements is projected in respect of transshipment containers from its terminal to other Indian Ports. The estimation of income from transshipment containers by VCTPL assuming one leg foreign and one leg coastal is, therefore, relied upon.

Though the income for all the other items is estimated by the VCTPL at the existing tariff level, in respect of transshipment containers, it has estimated the income at the rates proposed by it i.e. the rates after factoring 28% reduction from the existing rate. In this analysis, the income from transshipment container is estimated at the existing rates for the transshipment containers.

- (b). The Other income estimated at ₹272.90 lakhs, ₹308.58 lakhs and ₹363.36 lakhs for the years 2011-12 to 2013-14 comprise 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, Non Container Vessels (NCVs), other income etc. The VCTPL has furnished working to arrive at the estimated other income except the income from NCV, which is relied upon for the purpose of this analysis.

As regards income from berthing of non-container vessels, the VCTPL had initially not estimated any income from NCV citing there is no scope for NCV's to berth at its terminal in view of increase in container vessel calling at it terminal. Subsequently, it has, estimated income to the tune of ₹30 lakhs per annum from the NCV during each of the years 2011-12 to 2013-14. It may be relevant to mention here that the income from NCV is reported at ₹363.88 lakhs and ₹343.17 lakhs during the last two years i.e. 2009-10 and 2010-11 respectively.

The VCTPL has anticipated a significant fall in income from this source in future years as it expects more number of container vessels to be calling per week and berthing windows to be provided to them. The VPT has also endorsed that number of container vessels calling VCTPL is expected to increase and hence there is very less chance for berthing of non-container vessel.

Relying on the position explained by the VCTPL and the endorsement of VPT, income from NCV under the head 'others' as estimated by VCTPL is considered 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.

- (c). The income estimation furnished by the VCTPL is relied upon and accepted except modification in the income estimation of transshipment containers as explained earlier. The revised income for the years 2011-12 to 2013-14 works out to ₹4327.36 lakhs, ₹4820.43 lakhs and ₹5500.52 lakhs respectively.
- (viii). Annual escalation factor adopted by VCTPL to estimate salary and wage cost and fuel cost is 10% and 3.76% in respect of other items of expenditure. This Authority has decided to allow an escalation factor of 6% for the expenditure projections in all tariff cases of major ports and private terminals to be decided in the financial year 2011-12 as communicated to all Major Port Trusts and Private Terminal including VCTPL under cover of our letter number TAMP/27/2005-Misc dated 11 July 2011. Accordingly, escalation factor of 6% is considered for the expenditure projections.
- (ix). As against the actual number of operating and direct labour force at 63 during the year 2010-11, the VCTPL has estimated 95, 101 and 107 employees under this category during the years 2011-12 to 2013-14 respectively. The maintenance labour force is estimated by VCTPL at 58, 65 and 71 during the years 2011-12 to 2013-14 as against existing 43 maintenance labour force reported for the year 2010-11. The VCTPL has justified that the increase estimated in the labour force is on account of commissioning of two new RMQCs and four RTGCs in the year 2011-12. Its proposal to convert the existing 12 hour shift to 8 hour shift is also reported to contribute to the increase in the number of operating staff. On a specific query to furnish impact analysis of wage cost due to conversion of its 12 hours shift to 8 hours shift, the VCTPL has clarified that its employees are paid on a monthly basis and there is no system of overtime and hence there would be no impact on the wage cost on this account. The VCTPL has not furnished the segregation of increase in labour force on account of reduction in shift hours and on account of deployment of new equipment. The increase in the number of operating and direct labour and maintenance labour force estimated by VCTPL for the years 2011-12 to 2013-14 is relied upon in this analysis. If any of the proposed developments does not materialise, the resultant impact at actuals will be quantified in the next tariff review and fully set off in future tariff.

- (x). The actual average cost per operating and direct labour considered by VCTPL is ₹2.92 lakhs per annum during the year 2010-11. The estimates of the operating and direct labour are seen to be escalated by 10% each for the years 2011-12 to 2013-14 over the respective previous years. In our analysis, the estimates for the years 2011-12 to 2013-14 are moderated applying escalation factor of 6% per annum.

The actual average maintenance cost per labour is stated to be ₹3.14 lakhs per annum during the year 2010-11. For the subsequent years 2011-12 and 2012-13, the VCTPL has projected a fall in the average cost per maintenance labour. On a query in this regard, the VCTPL has stated that the category of people who would be recruited during the said years would be at lower grade with lower remuneration and hence there would be a fall in the average labour cost. Based on the clarification furnished by the VCTPL, the average maintenance labour cost for the years 2011-12 and 2012-13 is considered as given by VCTPL. For the year 2013-14, the VCTPL has considered an escalation of around 9% over the average labour cost for the year 2012-13 which is moderated to 6%.

- (xi). 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 paragraph:

- (a). (i). As against the actual power consumption of 15.81 units per TEU for the year 2010-11, the VCTPL has estimated power consumption of 15.38 units, 14.38 units and 14.14 units for the years 2011-12 to 2013-14. The overall reduction estimated in unit power consumption seems to be mainly on account of spreading over of the fixed power consumption over a higher traffic volumes projected during the years 2011-12 to 2013-14. The reduction achieved by the VCTPL in the variable component of power consumption is analysed in the efficiency gain computation.
- (ii). The average unit cost of power for the year 2010-11 indicated by the VCTPL is ₹5.14. As against this, the VCTPL has considered the unit power cost at ₹6.22, ₹6.32 and ₹6.37 for the years 2011-12 to 2013-14 respectively. With regard to a query to justify the 21% increase proposed in the unit cost of electricity in the year 2011-12, the VCTPL has furnished a copy of a tariff of Andhra Pradesh Electricity Regulatory Commission (APERC) announcing hike in the power cost with effect from 1 August 2010.

As seen from the document furnished by VCTPL, there is an increase in the variable unit cost of power by 13.15% i.e. from ₹3.80 per unit to ₹4.30 per unit. Along with introduction of fuel surcharge, the total increase in the variable cost of power is reported to be 23.32% and the increase in the maximum demand charges is by 8.7%. The VCTPL has further stated that apart from the above increase, the maximum demand would also increase from 720 KVA to 1120 KVA and hence it will have to pay for additional 400 KVA also.

As per the copy of the electricity bill furnished by the VCTPL for the year April 2011, the unit cost of power works out to ₹5.81. Since this is the latest bill provided by the VCTPL and captures the hike announced by the APERC in the power cost, the unit rate of power is considered at ₹5.81 for the first nine months of the year 2011-12.

The VCTPL has considered the cost impact of increase in the maximum demand from 720 KVA to 1120 KVA for the entire year of 2011-12. The increase in demand for KVA would arise only with the deployment of new equipment which is proposed to be commissioned from January 2012. If the cost impact of increase in the maximum demand is considered from January 2012 onwards, the unit cost of power works out to ₹6.26. Based on the above analysis, the unit cost of power estimated by VCTPL at ₹6.22 seems to be reasonable and hence is considered for a period of three months for the year 2011-12 i.e. from January 2012 to March 2012.

For the subsequent years 2012-13 and 2013-14, the annual escalation of 6% is allowed in the unit cost of power as against 3.76% considered by VCTPL.

- (b). As against the actual fuel consumption of 1.98 litres per TEU for the year 2010-11, the VCTPL has estimated fuel consumption at 2.50 litres per TEU each for the years 2011-12 to 2013-14. The VCTPL has attributed the increase in the fuel consumption due to hire of a Harbour Mobile Crane (HMC) and on account of deployment of new RTGCs.

The VCTPL has not given segregation of additional consumption of fuel by HMC / RTGCs. In our analysis, as explained in the subsequent paragraph, estimated expenditure on hire of HMC is not considered once the additional equipment is commissioned i.e. from January 2012. It has, however, to be recognised that the new RTGs to be deployed from January 2012 will also involve additional fuel consumption as reported by the VCTPL also. That being so, fuel consumption of 2.50 litre / TEU estimated by the VCTPL is relied upon and considered for the years 2011-12 to 2013-14.

The unit cost of fuel considered by VCTPL for the year 2011-12 is ₹43.95 per litre. The rate of diesel considered in the recent case relating to fixation of upfront tariff for the dry bulk cargo at Visakhapatnam Port Trust is ₹44.83 per litre, which may be considered in this case also, for the year 2011-12. For the subsequent years 2012-13 and 2013-14, as against the 10% annual escalation adopted by the VCTPL, an annual escalation of 6% is allowed over the estimated unit rate of diesel for the respective previous year.

- (c). Repairs and Maintenance cost for the year 2011-12 is estimated by the VCTPL by applying an escalation factor of 3.76% over the actual repairs cost for the year 2010-11. Further, on the additions proposed to the gross block, the VCTPL has estimated repairs cost at 2% on the capital cost of mechanical equipment and 1% on the capital civil cost. The same approach is followed by the VCTPL for estimating this cost item for the subsequent two years 2012-13 and 2013-14. The approach adopted by VCTPL is in line with the approach allowed in some other private terminals. The escalation factor of 3.76% considered by VCTPL is modified and considered at 6%.

While estimating the repairs and maintenance cost on the existing block of asset, the impact of one time expense of ₹113.01 lakhs towards repair of yard incurred in the year 2010-11 cannot be allowed to be perpetuated in future. However, the one time repair cost of ₹113.01 lakhs is allowed to be spread over the current tariff cycle of 2011-12 to 2013-14 as explained earlier.

For the reasons explained in the later part of the note, the capital addition towards strengthening of the back reach area proposed by VCTPL in the year 2011-12, has been deferred to the year 2012-13. Also, for the

reasons explained in the later part of the note, the capital addition towards new storage area proposed by VCTPL during the year 2013-14 has been excluded from the current tariff cycle. As such, necessary modifications have been done in the estimation of repairs, depreciation, insurance and return.

- (xii). As stated earlier, LA provides payment of royalty by VCTPL on the Minimum Guaranteed Throughput (MGT), in case the actual traffic handled is less than the level of MGT. The actual traffic projected by the VCTPL for the years 2011-12 to 2013-14 is lower than the MGT furnished by the VCTPL as per the LA.

In line with the decision of this Authority in its earlier general revision Orders of VCTPL, the VCTPL has not claimed pass through of royalty to the level of MGT. It has claimed partial pass through of royalty to the extent of 49% on the throughput estimated to be handled by it during the years 2011-12 to 2013-14.

- (xiii). (a). The VCTPL has estimated equipment hire charges at ₹641.47 lakhs, ₹704.04 lakhs and ₹779.12 lakhs for the years 2011-12 to 2013-14 towards hire of vehicles for internal transportation of containers and HMC. The VCTPL has furnished contract copies in respect of hire of the said vehicles. The VCTPL has confirmed that the tender process was carried out inviting competitive closed bids from the prospective vendors and the contract was awarded on merit taking into consideration the technical and financial aspects.
- (b). From the contract copy furnished by VCTPL in respect of hire of vehicles for internal transportation of containers, it is seen that the Contract is for a period of four years from 1 December 2010 to 30 November 2014. The Contract prescribes a rate of ₹290/- per TEU for a 20' container and ₹353/- per TEU for 40' container, for movement from ship to yard or from wagon to yard. The VCTPL has estimated hire charges on the throughput projected by it at the rates prescribed in the contract, for all the years under consideration without applying any annual escalation. The expenditure estimated by VCTPL in this regard is relied upon.
- (c). The VCTPL has entered into a contract in February 2011 for hire of HMC @ ₹18 lakhs per month. The estimate for the year 2011-12 to 2013-14 considers the estimate for hire of HMC.

When asked to justify the need for hiring the HMC when two RMQCs are already in operation, the VCTPL has clarified that in view of increase in the vessel traffic there is a need to have additional equipment in the quay side to complement the existing quay cranes to cater two new main line services.

The VCTPL has, however, proposed to continue with the deployment of HMC even after commissioning of 2 new RMQCs in January 2012. When sought justifications, the VCTPL has stated that HMC will complement the quay cranes as there are occasions where two vessels are berthed at the same time. In such an event, it proposes to deploy one HMC alongwith one RMQC to handle one vessel and another RMQC to handle the other vessel.

It is relevant to mention here that the two old cranes are already in operation at the VCTPL. Even after commissioning of the new RMQCs from January 2012, the VCTPL has confirmed that the old cranes will continue to be operational and cited the same reason of simultaneous berthing of two vessels. The optimal quay capacity assessed by the VCTPL with the two old RMQCs and two new RMQCs is 662256 TEUs per annum. This does not factor the deployment of the HMC proposed to be deployed. Even the projected traffic of 1,70,000 TEUs, 1,95,000 TEUs and 2,25,000 TEUs for the years 2011-12 to 2013-14 respectively is far

below the quay capacity assessed by the VCTPL. Hence the need for hire of additional HMC with deployment of two new RMQCs and retaining the existing two old cranes is not found to be justified.

The occasions when two vessels are berthed simultaneously at VCTPL are reported to be around only 15% to 16% in the last three years. It has to be recognised that in case of VCTPL, yard capacity is reported to be a constraint. The yard capacity has been assessed by VCTPL at 272130 TEUs for the years 2011-12 to 2013-14. Since the yard capacity is seen to be significantly lower than the quay capacity, there does not seem to be any justification to engage HMC, as proposed by VCTPL in addition to four RMQCs.

For the above stated reasons, the estimate of hire charges of HMC is considered for the year 2011-12 for nine months period i.e. from April 2011 to December 2011 and not considered as an item of cost from January 2012 onwards when new RMQCs are expected to be commissioned.

- (xiv). The lease rentals estimated by VCTPL is ₹78.71 lakhs per annum during the years 2011-12 to 2013-14 by VCTPL. The VPT has endorsed the lease rentals estimated by VCTPL for the said years. The estimate furnished by VCTPL is relied upon in the analysis.
- (xv). The insurance cost estimated by VCTPL for the years 2011-12 to 2013-14 are ₹146.76 lakhs, ₹146.76 lakhs and ₹162.97 lakhs respectively. The actual insurance cost for the year 2010-11 is reported at ₹36.18 lakhs. The VCTPL has furnished copies of the Insurance policy documents. For estimating the insurance cost for the years 2011-12 to 2013-14, 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.

As seen from the workings, the VCTPL has considered insurance cost on the RTGCs and RMQCs for the full year of 2011-12, whereas the equipment is proposed to be commissioned in January 2012. Hence, in our analysis, the insurance cost in respect of the said equipment is considered on the modified capital cost for a period of three months for the year 2011-12.

The effect of the modifications effected in the estimation of some of the capital additions proposed to the gross block for reasons explained in the later part of the note, is also captured while estimating the insurance cost for the years 2011-12 to 2013-14.

- (xvi). The Other Expenses estimated by the VCTPL comprise of cost towards hire of manpower, tally charges, lashing/ unlashng expenses, reefer monitoring, security expenses, testing, VPT Rail charges etc. The expenses relating to tally charges, lashing/ unlashng expense and reefer monitoring are estimated to vary with the traffic projections.

A copy of the relevant contract furnished by the VCTPL for tally charges and lashing/ unlashng charges show that the contract are valid till May 2012. The workings of VCTPL, however, show that the VCTPL has applied 3.76% annual escalation on the contract rate while estimating the expense for the year 2011-12 also. The contract does not provide for any annual escalation. The estimates for the said items for the year 2011-12 are, therefore, modified applying the rates prescribed in the contract. For the subsequent two years 2012-13 to 2013-14, the VCTPL has applied an annual escalation factor of 3.76% in the unit rate, which is modified to 6% in our analysis.

For Reefer monitoring and connection charges and Pre-Test Inspection (PTI) charges, the contract is valid from 1 December 2009 to 30 November 2011. The rate prescribed in the contract for the reefer monitoring is ₹35/- for a shift of 8 hours and for PTI it is ₹200 per inspection. For estimating reefer monitoring cost for the years 2011-12 to 2013-14, the VCTPL has taken the actual cost incurred in the year 2010-11 as base and adjusted it for the traffic growth in the subsequent years. It has not considered any annual escalation in the cost. The estimate for reefer testing is considered at the level estimated by VCTPL.

For estimating the Pre-Test Inspection (PTI) cost, the rate prescribed in the contract is considered by the VCTPL for estimating the expense for all the years. The estimates furnished by the VCTPL are considered except rectifying the duplication observed in the calculation of the VCTPL in the units of the PTI.

The other items under this head are fixed in nature and are estimated by the VCTPL by taking the actual cost for the year 2010-11 as the base and by applying annual escalation of 3.76% per annum. In our analysis, the annual escalation of 6% is applied as done for all other items of cost.

- (xvii). 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.

The VCTPL has now reported to have 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 to mention here that the above mentioned contract entered by the VCTPL is with an organisation 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. On a specific query to establish and confirm whether the new contract entered is following the arm's length relationship of the transaction as per the Income Tax Act, the VCTPL has furnished a Certificate from a Chartered Accountant certifying that the fees has been determined having regard to arm's length price computed as per provisions of the Section 92C of the Income Tax Act, 1961.

It is noteworthy that even with respect to its earlier technical service agreements for providing technical knowhow (as mentioned earlier), the related expenditure has been allowed as an item of cost from the year 2005-06 onwards, as can be seen in the earlier general revision Orders of VCTPL but the VCTPL has actually reported to have made the payment only in the year 2009-10, for which the assessment is yet to be done by the Income tax authorities. Even for the earlier contract, the VCTPL has not furnished the relevant IT Order to establish arms length relationship of the transaction.

This Authority is, therefore, not inclined to consider the technical service fee arising out of the new contract entered by VCTPL in the current cycle unless arms length relationship is conclusively established atleast in respect of the earlier transactions. The impact of the new contract may 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 furnish documentary evidence to support the actual payment of TSF arising out of the new contract.

- (xviii). 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 ₹11.11 lakhs in each of the years 2011-12 to 2013-14 in the current tariff cycle. The VCTPL has reported overall reduction in cost of both fuel and power consumptions at ₹15.20 lakh, ₹11.06 lakh and ₹40.42 lakhs during the years 2008-09, 2009-10 and 2010-11 respectively in comparison to 2005-06 to 2007-08. The total efficiency gain thus arrived is ₹66.68 lakhs and 50% thereof i.e. ₹33.34 lakhs is claimed uniformly over three years period under consideration by the VCTPL.

Since the pre-revised Order passed in June 2007 extending the then prevailing Scale of Rates pertained to only one year 2007-08, the VCTPL has compared the cost reduction achieved during the last tariff cycle i.e. years 2008-09 to 2010-11 over the actual average position for the previous three years block viz. 2005-06 to 2007-08. The computation of efficiency gain furnished by the VCTPL is modified as explained hereinunder:

- (a). The VCTPL has furnished segregation of the total power consumption into fixed as well as variable elements but claimed efficiency gain on the total reduction in the power consumption. As explained earlier, the reduction in unit fixed element is the result of spreading the total fixed consumption over the larger traffic base and it cannot be attributed as efficiency achieved. Efficiency gain is, therefore, analysed and considered only in respect of the reduction achieved in the cost due to reduction in the variable power consumption in line with the approach followed in the case of the Chennai Container Terminal Limited and PSA SICAL Terminals Limited.

The average variable consumption of power for the years 2008-09 to 2010-11 reported by the VCTPL is 3.94 per TEU as against average variable power consumption for the earlier block of three years reported at 4.28 units per TEU. This means a reduction of 0.35 units per TEU is achieved by the VCTPL in the years 2008-09 to 2010-11 with reference to the average consumption of power in the preceding tariff cycle. As per 2005 guidelines, 50% of the savings achieved in power consumption in the last tariff cycle i.e. 0.175 units over the average power consumption of the preceding tariff cycle is allowed as efficiency gain. It is notable that for the current tariff cycle the VCTPL has estimated the variable power consumption to reduce despite the proposed induction of two RMQCs from January 2012. The effect of efficiency gain of 0.175 units per TEUs achieved in power consumption in the last tariff cycle 2008-09 to 2010-11 is considered in the tariff fixation of the current tariff cycle i.e. 2011-12 to 2013-14 at the throughput level projected for these years and the unit rate adopted for estimating the power cost. The efficiency gain thus computed is ₹1.76 lakhs, ₹2.25 lakhs and ₹2.75 lakhs for the years 2011-12 to 2013-14 respectively.

- (b). With reference to the average fuel consumption for the years 2005-06 to 2007-08 at 1.91 litres per TEU, the VCTPL has reported an average fuel consumption of 1.98 litres per TEU for the years 2008-09 to 2010-11. Since no reduction in the consumption of fuel is noted during this period, no allowance for efficiency gain is considered for this item for the years 2008-09 to 2010-11.

Computation of efficiency gain is attached as **Annex - I**.

- (xix). Clause 2.7.1 of the revised tariff guidelines stipulates that in case 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. Some modification done in the estimation of proposed capital addition to the gross block of assets, as discussed in the later part of the note, is captured in the estimation of depreciation.
- (xx). The Management and Administration Overheads mainly comprise of Salary of Administrative staff, Traveling expenses, Marketing Expenses and administrative expenses. The actual management and administration overheads for the year 2010-11 is ₹443.39 lakhs. For estimating this expenditure for the years 2011-12 to 2013-14, the VCTPL has considered an escalation factor of around 12%, 9% and 10% each during the said years over the actuals/ estimates of the respective previous year. The VCTPL has reasoned that with the acquisition of new equipment, the strength of the employees is expected to increase and for same reasons the overheads is also likely to increase. The reasoning given by VCTPL is vague and not supported by any detailed analysis. Generally, the management and general overheads are fixed in nature and do not move in direct proportion to traffic/ capital cost within a given range. Management and general overheads reported for the year 2010-11 is taken as base and escalated by 6% per annum over the figures of the respective previous years to arrive at the estimates for the years 2011-12 to 2013-14.
- (xxi). The amortisation of upfront fee is considered at ₹12.53 lakhs for each of the years 2011-12 to 2013-14 as has been done for the past period.
- (xxii). The VCTPL has estimated Finance and Miscellaneous Income to the tune of ₹19.80 lakhs, ₹21.78 lakhs and ₹23.96 lakhs for the years 2011-12 to 2013-14 respectively as against actual FMI of ₹18 lakhs considered for the year 2010-11. The VCTPL has projected a 10% increase on every year. The estimation made by VCTPL is relied upon in the analysis.
- (xxiii). Under Finance and Miscellaneous Expenses, the VCTPL has considered the Contribution to provident fund. Increase estimated by VCTPL is around 35% in the year 2011-12, by taking the actuals for the year 2010-11 as base. For the subsequent years 2012-13 and 2013-14, it has estimated 14% and 16% increase over the estimates of the respective previous year. Increase estimated in this item of expense is reported to be on account of increase in the number of employees. The estimated Contribution to Provident Fund is found to be around 7% to 8% of the estimated labour cost which is in line with the actual contribution to PF reported for the past period. The estimation made by VCTPL in this regard is relied upon in the analysis.
- (xxiv). The Capital Employed comprising of Net Fixed Assets and Working Capital are analysed in the following paragraphs:

(a). Fixed Assets:

(i). Year 2011-12:

The VCTPL has proposed following additions to the gross block at an estimated cost of ₹110.58 crores:

No.	Particulars	₹ in lakhs
1.	Rail Mounted Quay Cranes	7518.04
2.	Rubber Tyred Gantry Cranes	3248.90

3.	RDT Networking	47.00
4.	Back area strengthening	213.07
5.	Other civil structures	25.17
6.	Information & Technology	5.46
	TOTAL	11057.64

As stipulated in Appendix 13 - Equipment Procurement Plan in the License Agreement, 2 Rail Mounted Quay Crane (RMQC) capable of handling post Panamax vessels and 4 nos. of Rubber Tyred Gantry Crane (RTGC) are to be deployed by the VCTPL when the throughput reaches 1 lakh TEUs. The VCTPL has crossed 1 lakh TEUs in the year 2010-11 and hence has proposed to deploy the said equipment in the year 2011-12 in accordance with the provisions of the License Agreement. The VPT has also confirmed that the additional RMQCs and RTGCs proposed by the VCTPL are in line with the LA. The VCTPL has substantiated the procurement of the two RMQCs and four RTGCs with a copy of the purchase agreement entered and confirmed that the equipment will be commissioned in January 2012.

The VCTPL has furnished detailed working of the capital cost estimated at ₹7518.04 lakhs for the two RMQCs and ₹3248.90 lakhs for the four RTGCs based on the purchase agreements entered by it and taking into consideration the cost of spares, other cost component involved. The capital cost estimated by the VCTPL is relied upon except for excluding the cost of contingencies estimated at ₹480.71 lakhs for RMQCs and ₹183.32 lakhs for RTGCs. Consequently, the modified capital cost of these equipment considered in our analysis is ₹7037.33 lakhs for the two RMQCs and ₹3065.58 lakhs for the four RTGCs.

Even after commissioning of the new RMQCs in January 2012, the VCTPL proposes to continue operating the two old RMQCs. On seeking specific clarification whether the proposed arrangement to continue operating the old cranes is in line with the LA, the VCTPL has clarified that the discontinuance of the old cranes is not specified in the LA. Though the LA stipulates the minimum equipment deployment plan of two new RMQCs and four RTGCs when the licensee touches the volume of 1 lakh TEUs, it is silent about whether the existing cranes deployed would continue to operate at the berth. The VCTPL has stated that presently only one quay crane caters to each vessel and if two vessels are berthed simultaneously, it results in longer stay of these vessels at berth and also adversely affects the terminal productivity. The VCTPL has submitted that the existing 2 old RMQCs could be deployed at berth to cater to two vessels berthed alongside simultaneously which will improve the productivity. It has, therefore, proposed to retain the old cranes. The VPT has stated that in the event of new RMQCs proposed to be deployed by VCTPL, the old cranes will continue to be operational subject to the condition, that as per the LA, the Licensee would be required to replace the equipment on expiry of its life as per VPT norms by new equipment having specification not inferior to those initially provided. In view of this, and based on the clarifications furnished by the VCTPL and VPT and also relying on the submissions of the VCTPL about improvement of the productivity of the terminal on this account, the proposal of the VCTPL to retain the old cranes along with new RMQCs is accepted.

The VCTPL has proposed to strengthen its back reach area at the cost of ₹213.07 lakhs in the year 2011-12 in anticipation of the growth in its traffic. Despite specific advice, the VCTPL has not furnished the work order issued for the strengthening of back reach area. It has also not indicated the present status of the proposed civil work. The VPT has endorsed that the additions proposed to the civil structures are in line with the provisions of the LA. The said capital cost is considered for the tariff revision exercise, however, since the VCTPL has not furnished any documentary evidence to show that the proposed civil work will be completed in the current financial year 2011-12, the capital cost estimate of ₹213.07 lakhs towards strengthening of back reach area is shifted to the year 2012-13 in our analysis.

The capital cost proposed by the VCTPL for other civil work, RDT networking and IT are considered as proposed by the VCTPL during the year 2011-12.

(ii). Year 2012-13:

The VCTPL has not proposed any additions during the said year. As explained in the preceding paragraph, the capital cost of ₹213.07 lakhs towards back reach area is considered in the year 2012-13 instead of 2011-12 proposed by the VCTPL.

(iii). Year 2013-14:

The VCTPL has proposed following additions to the tune of ₹16.22 crores:

No.	Particulars	₹ in lakhs
1.	Administrative Building	500.00
2.	Workshop Building	400.00
3.	New Storage Yard	493.50
4.	IT Hardware & Software	228.00
	TOTAL	1621.50

The VCTPL has clarified that with increasing traffic it will have to upgrade the existing Terminal Operating System (TOS), hence it has estimated Capex of ₹228 lakhs for the implementation of the new IT software in the year 2013-14. Based on the clarification furnished by the VCTPL, this item of cost is considered in the analysis.

The estimate of capital addition towards administrative building and workshop Building is not supported by any documentary evidence. The VCTPL has clarified that the actual offer/ work order will be issued only when actual work starts in the case of above investments proposed in the year 2013-14. Based on the clarification furnished by the VCTPL, the capital cost estimated by the VCTPL on these two items is considered in the analysis.

The VCTPL has also proposed capital expenditure of ₹493.50 lakhs to develop additional area of land to stack the containers to meet the additional traffic. The capacity calculation furnished by the VCTPL reveals that the effect of the additional storage yard in the capacity calculation is factored by them from the year 2014-15 onwards. It is relevant to state here that the existing yard capacity assessed by the VCTPL at 272130 TEUs can very well meet the traffic projected by them at 225000 TEUs for the year 2013-14. Since the benefit of proposed investment is likely to accrue to

VCTPL only in the next tariff cycle it is not appropriate to burden the users with the increased tariff on this account in the current cycle. That being so, the proposed investment of ₹493.50 lakhs is not considered in the current cycle in the year 2013-14.

(b). Working Capital:

- (i). The VCTPL has considered two months of the total operating income as Sundry Debtors on the ground that the processing of the payments from shipping lines is delayed. Consideration of two 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 VCTPL has stated that it is required to pay lease rentals in advance to VPT. It has, however, neither claimed nor quantified the amount of prepayment of lease rentals in the Current assets. As per the License Agreement entered by the VCTPL with the VPT, the lease rentals are to be paid as per the Scale of Rates of the Licensor port i.e. VPT. The Scale of Rates of VPT does not prescribe any advance payment of lease rentals and hence the point made by the VCTPL in this regard does not merit consideration.

In the case of the VCTPL, it is found that none of the items qualify for consideration. 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 2011-12 to 2012-13.

- (ii). 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. This is found to be in line with the provision in the tariff guidelines of 2005. The inventory cost estimated by the VCTPL in the computation of working capital is relied upon.
- (iii). Cash balance has been calculated at one month's operating expenses including overheads.
- (iv). The VCTPL has estimated current liabilities for the years 2010-11 to 2012-13 only with reference to items like equipment running cost, equipment hire, other expenses and management and administration overheads at 15 days credit period. The point made by VCTPL that 15 days credit period was allowed in the estimation of current liability in the tariff approved for the year 2007-08 is not correct. This Authority in para 9 (xviii)(b) of the Order No.TAMP/12/2007-VCTPL passed on 28 June 2007 while approving the tariff for the year 2007-08 has held that the estimation of current liabilities following the above approach and sundry debtors are not found to be line with the revised tariff guidelines and hence suitably modified to comply with the revised tariff guidelines. Even in the last tariff Order of VCTPL, this Authority has considered the actual current liability as reported in the year 2007-08 for the years 2008-09 to 2010-11 since the

estimates of the VCTPL were not found to be as per the tariff guidelines of 2005. In the current tariff revision exercise also, current liabilities considered for the year 2010-11 (after excluding the liabilities towards royalty, technical service fee and income tax) is reckoned and considered for the years 2011-12 to 2013-14 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 in the analysis.
- (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 2011-12 to 2013-14 which consists of only the Net Block of assets at ₹13027.11 lakhs, ₹11935.14 lakhs and ₹12343.67 lakhs respectively is considered in this analysis.
- (xxv). As already stated earlier, VCTPL has reported that its yard capacity is a constraint. The VCTPL has determined its yard capacity at 272130 TEUs borrowing the parameters prescribed in the upfront tariff guidelines of 2008 except for the change in the average dwell time norm prescribed in the guidelines.

The average dwell time considered by VCTPL in its calculations is 3.9 days. It has explained that though the average stay of exports is 4 days and import is 2 days, but the average stay of transshipment containers is 5 days. It may be relevant to mention here that the average dwell time norm prescribed in the 2008 guidelines at 2 days for import and 4 days for export covers all types of containers including transshipment containers. There is no separate dwell time norm prescribed for transshipment container.

It is also observed that on one side for the purpose of estimation of storage income, the VCTPL has stated that most of the containers move within free period and thus justified the drop in the storage income in the year 2010-11 over the past period whereas for assessment of yard capacity, the VCTPL has assumed average dwell time of 3.9 which contradicts its earlier submission. Moreover, the stacking area considered by the VCTPL for yard capacity calculation is also found to be on the lower side that the area indicated in the License Agreement. This Authority, therefore, does not like to endorse the yard capacity calculated by the VCTPL.

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 VCTPL has confirmed that the major investment on the equipment is as per the LA. The VPT has also confirmed that the investment on mechanical and the civil equipment proposed by the VCTPL are as per LA. Hence, it is entitled for full Return at 16% on the modified capital employed as per the revised tariff guidelines.

- (xxvi). Subject to the above discussions, the cost statement filed by the VCTPL for the years 2011-12 to 2013-14 has been modified. The modified Cost statement is attached as **Annex - II**. The results disclosed in the cost statement at the existing tariff level is summarized below:

(₹ in lakhs)				
Particulars	2011-12	2012-13	2013-14	Total
Operating Income	4327.36	4820.43	5500.52	14648.31
Net Surplus	(-)620.73	(-)871.45	(-)538.42	(-)2030.60
Net Surplus as a percentage of Operating Income	(-)14.34%	(-)18.08%	(-)9.79%	(-)14.07%

The above table depicts a total deficit of ₹20.31 crores at the existing level of tariff level for the years 2011-12 to 2013-14. The deficit position arises after adjustment of past surplus of ₹2402.46 lakhs in this tariff cycle, as mentioned earlier. In view of the deficit position reflected in the cost statement of VCTPL for the years 2011-12 to 2013-14, 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 vide Order No.TAMP/7/2008-VCTPL dated 2 May 2011, it was stated that additional surplus, if any, over and above the admissible cost and permissible return for the period post 1 April 2011 will be adjusted fully in the tariff to be determined. The cost statement for the year 2011-12 shows a deficit position and hence question of adjustment of surplus does not arise.

It is noteworthy that the VCTPL is in surplus position to the tune of ₹1286.60 lakhs in the year 2010-11. The deficit arising in the year 2011-12 and for the subsequent years seems to be mainly on account of the financial effect of the additional equipment i.e. 2 RMQCs and 4 RTGCs proposed to be deployed in the year 2011-12 i.e. in January 2012. It may not be appropriate to grant increase in the tariff and burden the users for an investment and the related cost, the benefit of which is likely to be available from January 2012. That being so, the tariff increase is allowed from the effective date of commissioning of the equipment by the VCTPL.

A tariff hike of 17.81% may be required from January 2012 to bridge the total deficit of ₹20.31 crores estimated for the years 2011-12 to 2013-14. It is, however, relevant to mention here that the VCTPL has proposed to reduce the free period of import / export empty containers from existing 10 days / 7 days to 3 days as against the average dwell time of the empty containers for the year 2010-11 reported at 14 days for import and 6 days for export. Considering that the reduction proposed in free period would have some upward impact on the revenue estimation, which has not been captured in the income estimates considered, an increase of 16% is allowed in Section I of the Scale of Rates over the existing level of tariff in the year 2011-12 subject to the condition that additional 2 RMQCs and 4 RTGCs will be commissioned by the VCTPL by 1 January 2012. In other words, the tariff increase of 16% allowed will become effective only from the date of commissioning of the 2 new RMQCs and 4 RTGCs or 1 January 2012, whichever is later. A suitable note to that effect is incorporated in its SOR.

In case of any delay in commissioning of the equipment, by the VCTPL, the actual additional surplus accrued for that period on this account will be fully adjusted in the next tariff cycle.

The VCTPL has stated that the additional investment proposed by them would lead to a steep hike of 50% as per its revised cost statement if the cost position for one tariff cycle i.e. 2011-12 to 2013-14 is considered. It has, therefore, requested to consider its proposal for two tariff cycles to smoothen the impact of increase on the trade. The above analysis shows that the apprehension of the steep hike in tariff in one cycle is unwarranted. Incidentally, the Visakhapatnam Container Lines Association has indicated about limiting tariff increase to 10-15% which shows that the proposed increase of 16% arising mainly due to induction of new handling equipment, may not cast a huge burden on users. As pointed out by VCTPL, productivity improvements may provide relief to users in the over all port cost.

Whilst the VCTPL has proposed increase in all the tariff items, in case of handling of transshipment containers it has proposed 28% reduction. When sought clarification for the proposed reduction, the VCTPL has clarified that reduction is proposed to attract the transshipment traffic, which in turn would enable main line calls to Vizag.

Clause 5.5.1. of the tariff guidelines stipulate that a concessional tariff need to be prescribed for handling the transshipment 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 transshipment container is 1.18 times the rates prescribed for handling normal containers. In other words, the rates for transshipment containers are already prescribed lower than minimum concession level envisaged in the guidelines. In such a scenario, it may not be appropriate to further effect reduction in the tariff of transshipment containers as proposed by the VCTPL at the cost of passing on this burden to the other categories of container traffic. The existing tariff for handling transshipment container is increased by 16% as allowed for the normal container. By doing so, the differential tariff is maintained at the existing level so that this category of container is not further cross-subsidised by other containers.

(xxvii). 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 14.25% plus 2%.

(xxviii). The VCTPL has stated that the benchmark level of productivity can be considered on an average at 30 moves per hour as mentioned in the License Agreement with Visakhapatnam Port Trust. It has subsequently revised the benchmark productivity to 45 moves per hour in view of additional equipment proposed to be commissioned. The tariff guidelines stipulate that tariff should be linked to benchmark of the levels of productivity. Merely stating the benchmark level of productivity in the Scale of Rates 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 analysed proposal linking the tariff with the productivity level at the time of the next tariff review.

(xxix). The existing Scale of Rates of VCTPL prescribes separate tariff for hatch cover handling and restow containers without landing on quay and with landing on the quay. The VCTPL has proposed a single tariff for hatch cover handling and restow containers as against differential rates prescribed (for with landing and without landing) in the existing Scale of Rates. Citing that the operational aspects involved in handling hatch cover/ restow containers by the quay cranes are similar in both the cases, VCTPL has proposed to do away with the differential tariff prescribed in the existing Scale of Rates.

The VCTPL has stated that the number of such instance of handling hatch covers/ restow containers without landing on quay is negligible. It is relevant to state here that the said rationalization as proposed by the VCTPL will result in a steep increase of 87.5% in the existing tariff for handling of hatch cover and restow container without landing on the quay. In the Scale of Rates of other major container handling terminals, separate rates are prescribed for handling hatch cover/restow containers without landing on quay and with landing on the quay. In view of the above, the proposal of VCTPL to prescribe uniform rate for hatch cover handling by landing on quay and without landing on quay and for similar arrangement proposed for restow container is not approved. The existing tariff structure is allowed to continue and the rates will undergo general increase of 16%, subject to the condition attached to the general increase.

(xxx). The VCTPL has proposed new tariff items viz. Charges for handling gear box including twist lock bin at ₹2700 per container and Charges for providing Gangway to vessel per calendar day at ₹750. The VCTPL has clarified that providing gangway is an optional service at the request of user.

With reference to charges proposed for providing gangway service, the VCTPL has not justified it with reference to cost of providing the service/ cost of the facilities availed nor furnished the year wise additional income estimated to be realized from the proposed new services. It is, however, relevant to state that in case of ABG Kandla Container Terminal Limited, this Authority has vide Order

No.TAMP/28/2009-ABGKCTL dated 16 June 2010 approved the rate of ₹50 per hour per gangway for providing gangway to a vessel subject to a maximum of ₹1000/- per day per gangway. The rate for providing gangway may be prescribed at the level approved at the ABGKCTL in the absence of any cost details furnished by them. As stated by the VCTPL, the service to be provided will be optional at the request of the vessel / user. A suitable note is inserted to this effect.

As regards the other new tariff item proposed by the VCTPL for handling gear box including twist lock bin, the VCTPL has not justified the proposed rate. The Scale of Rates of the other container terminals do not prescribe any such tariff item. Even at the Chennai Container Terminal Limited, this Authority has not approved new tariff proposed by the CCTL for similar service in the absence of any cost calculation furnished. This Authority is, therefore, not inclined to approve the proposed tariff which is not supported by any cost calculation and there is no precedence of such rate prescribed in other container terminal. The VCTPL may, if necessary, file a separate proposal supported with cost details for this service.

- (xxxi). The VCTPL has proposed to reduce the free period from 10 days to 3 days in case of import empty containers and from 7 days to 3 days in case of export empty containers. The VCTPL has reported that with new CFS's coming up in Visakhapatnam, the CFSs and empty storage depots can cater to the storage of empty containers.

Though the VCTPL has not quantified any increase in income on account of reduction in the free period, it has stated that the revenue impact would be negligible as most of the containers are likely to be evacuated within the allotted free period.

As stipulated in Clause 4.5 and Clause 5.8.1 of tariff guidelines of 2005, the major port has liberty to prescribe the number of free days. As such, the proposed modification in the existing storage slab structure in respect of this tariff item is approved.

- (xxxii). The VCTPL has proposed a separate table to prescribe storage charges for Out of Gauge (OOG) containers. The existing SOR already prescribes a condition that in case of over dimensional containers, the storage charge shall be based on the actual number of ground slots the respective container occupies under the respective slab. The definition of OOG containers covers containers carrying over dimensional cargo. Hence there is no need to prescribe any separate storage structure for OOG containers.

- (xxxiii). The VCTPL has proposed to continue with the existing charges for supply of terminal facilities to non-container vessels. Since the overall position of the VCTPL reflects a deficit, and recognising that the non-container vessels will be availing the berthing facility of the terminal, tariff increase allowed for other tariff items is prescribed for this category also.

- (xxxiv). The VCTPL has proposed some modification / increase in the rates for other miscellaneous services prescribed under Section II of the existing SOR. The existing charges for visitor entry pass on yearly, monthly and daily is ₹20, ₹100 and ₹250 is proposed to be increased to ₹25, ₹100, and ₹400 respectively. Apart from the above, it has proposed to prescribe charges for the issue of Visitor Entry Pass on quarterly basis at ₹200 per application.

The existing Scale of Rates of VCTPL prescribe separate charges for taking Photographs of Imported / Exported Goods and of Crews and Others. The VCTPL has now proposed to have a single charge for carrying camera inside the terminal at ₹500 per unit.

Apart from the above, the VCTPL has proposed to increase the charges for vehicle entry pass from existing ₹100 to ₹200 per entry. The existing note that the vehicle entry will not be levied on vehicles not entering/ leaving VCTPL premises for delivery / dispatch of cargo/ container is proposed to be continued by the VCTPL.

Since these are all miscellaneous service and not related to core operations of the port the same is approved as proposed by the VCTPL.

- (xxxv). The validity of the existing Scale of Rates has been extended till 30 September 2011 or till disposal of the proposal filed by the VCTPL whichever is earlier. The revised Scale of Rates approved by this Authority will, therefore, come into force from 1 October 2011.

As already mentioned earlier, the financial position considered for the purpose of this analysis is till 31 March 2014 only. Hence, the validity of the revised Scale of Rates is prescribed till 31 March 2014. The approval accorded will automatically lapse thereafter unless specifically extended by this Authority.

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

13.2. This Authority has relied upon the estimates for the years 2011-12 to 2013-14. Additional surplus, if any, arising due to variation in actual performance in the said years will be governed by the provisions of Clause 2.13 of the tariff guidelines of 2005 in the next review, unless a different method of treatment of any of the specific items is indicated in the analysis above.

13.3. 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 set-off the advantage as per the revised tariff guidelines accrued on account of such variations in the revised tariff.

13.4. In this regard, the VCTPL is requested to furnish a report of the actual physical and financial performance within 15 days of completion of each quarter of a year in the same format in which the cost statement for the tariff proposals are filed. The report should also be accompanied with the reasons for variation from the estimates relied upon for fixing the tariff in force. If a variation of (+) / (-) 20% is observed between the actual and the estimates for two consecutive quarterly period, 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.

(Rani Jadhav)
Chairperson

COMPUTATION OF EFFICIENCY GAIN ACHIEVED BY VCTPL

SI No	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
A	Power						
	Throughput in Teus	47276	55769	71086	87637	98000	145426
1	Total Units consumed by QCs	196574	233300	320404	355692	383075	558130
2	Units Consumed per TEU- variable (QCS)	4.16	4.18	4.51	4.06	3.91	3.84
3	Average electricity consumption per TEU	4.28			3.94		
4	Reduction in the consumption of power, if any, achieved				0.35		
5	50% reduction achieved in consumption of power considered for computation of efficiency gain				0.175		

B	Fuel	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Throughput In Teus	47276	55769	71086	87637	98000	145426
2	Total consumption (ltrs)	99712	104467.00	124472.00	166218.00	202205.00	287637.00
3	Fuel consumption in litres per TEU (estimated by VCTPL)	2.11	1.87	1.75	1.90	2.06	1.98
4	Average Fuel consumption per TEU	1.91			1.98		
5	Reduction in the consumption of fuel, if any, achieved				VCTPL has estimated increase in consumption in this tariff cycle over the previous years consumption and hence efficiency gain not considered		

C TOTAL EFFICIENCY GAIN CONSIDERED FOR THE YEARS 2011-12 to 2013-14

Sl. No.	Particulars	2011-12	2012-13	2013-14
1	Throughput In Teus	170000	195000	225000
2	Power			
(i)	50% Savings in power Consumption per TEU	0.175	0.175	0.175
(ii)	Rate per unit (in Rs.)	5.91	6.59	6.99
(iii)	Efficiency gain in Power Cost {1*(i)*(ii)} (Rs. in lakhs)	1.76	2.25	2.75
	Total Efficiency gain considered in our analysis (Rs. in lakhs)	1.76	2.25	2.75

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 moderated by TAMP		
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
	Traffic (in TEUs)	87637	98000	145,426	170,000	195,000	225,000	170,000	195,000	225,000
I	Total Operating Income									
	Container handling income	2,355.37	2,750.79	3,853.82	3,866.78	4,258.14	4,826.68	4054.46	4511.85	5137.16
	Others	1,329.54	907.10	698.83	272.90	308.58	363.36	272.90	308.58	363.36
	Total	3,684.91	3,657.89	4,552.65	4,139.68	4,566.72	5,190.04	4327.36	4820.43	5500.52
II	Operating Costs (excluding depreciation)									
	Operating & Direct Labour	136.37	148.70	183.73	305.09	355.22	411.56	294.04	331.37	372.12
	Maintenance Labour	95.56	108.98	135.13	178.83	198.86	236.57	178.83	198.86	230.30
	Equipment Running Costs	283.82	333.66	555.88	873.85	957.07	1,080.32	736.67	981.21	1111.54
	Royalty / revenue share	32.21	45.19	71.26	145.78	191.10	344.53	145.78	191.10	344.54
	Equipment Hire	212.22	190.73	318.33	641.47	704.04	779.12	587.47	488.04	563.12
	Lease Rentals payable	89.85	90.64	93.06	78.71	78.71	78.71	78.71	78.71	78.71
	Insurance	35.03	35.06	36.18	146.76	146.76	162.97	64.35	142.25	153.53
	Other expenses	135.19	144.90	241.27	297.73	344.70	422.26	282.09	330.29	390.48
	Technical Service Fee	15.70	15.70	15.70	20.53	20.53	20.53	15.70	15.70	15.70
	Effect of Efficiency gain achieved in power cost considered by TAMP	0.00	0.00	0.00	VCTPL has claimed separately in the end			1.76	2.25	2.75
	Total	1,035.94	1,113.55	1,650.54	2,688.76	2,996.98	3,536.57	2,385.38	2,759.77	3,262.79
III	Depreciation	548.92	562.79	567.15	825.21	1,332.42	1,093.38	779.64	1,292.51	1,036.99
IV	Overheads									
	Management & Administration overheads	484.46	373.43	443.39	498.30	543.78	598.46	469.99	498.19	528.08
	Preliminary expenses & Upfront Payment write-off	12.53	12.53	12.53	16.78	16.78	16.78	12.53	12.53	12.53
	Total	496.99	385.96	455.92	515.09	560.56	615.25	482.52	510.72	540.61
V	Operating Surplus / (Deficit) (I) – (II) – (III) – (IV)	1,603.07	1,595.59	1,879.04	110.62	(323.24)	(55.16)	679.82	257.43	660.13
VI	Finance & Miscellaneous Income (FMI)									
	Others	8.29	64.97	18.00	19.80	21.78	23.96	19.80	21.78	23.96
	Total	8.29	64.97	18.00	19.80	21.78	23.96	19.80	21.78	23.96
VII	Finance & Miscellaneous Expenses (FME)									
	Contribution of Provident Fund	18.54	21.27	27.29	36.83	41.86	48.35	36.83	41.86	48.35
	Total	18.54	21.27	27.29	36.83	41.86	48.35	36.83	41.86	48.35
VIII	FMI Less FME (VI) – (VII)	(10.25)	43.70	(9.29)	(17.03)	(20.08)	(24.39)	(17.03)	(20.08)	(24.39)
IX	Surplus Before Interest and Tax (V) + (VIII)	1,592.82	1,639.29	1,869.75	93.59	(343.32)	(79.54)	662.79	237.35	635.74
X	Capital Employed	4,388.61	4,136.44	3,644.73	14,438.80	13,200.04	13,870.90	13027.11	11935.14	12343.67
XI	Return on Capital Employed @ 16%	702.18	661.83	583.16	2310.21	2112.01	2219.34	2084.34	1909.62	1974.99
XII	Capacity Utilization	82.94%	77.29%	72.34%	71.78%	82.34%	95.01%	62.47%	71.66%	82.68%
XIII	RoCE adjusted for capacity utilization	702.18	661.83	583.16	2,310.21	2,112.01	2,219.34	2084.34	1909.62	1974.99
XIV	Net Surplus / (Deficit) (IX) – (XIII)	890.64	977.46	1286.60	(2,216.62)	(2,455.32)	(2,298.89)	-1421.55	-1672.27	-1339.25
XV	Net Surplus / (Deficit) as a % of operating income (XVI/I in %)				-53.55%	-53.77%	-44.29%	-32.85%	-34.69%	-24.35%
XVI	Average Net Surplus / (Deficit) as a % of operating income				-50.54%			-30.63%		
XVII	Carry forwarded of 50% of loss for the past period as done by VCTPL				(1,959.09)	(3,186.75)	(4,336.20)	0.00	0.00	0.00
XVIII	Cost savings due to efficiency improvement (as considered by VCTPL)				11.11	11.11	11.11	0.00	0.00	0.00
XIX	Set off of past period surplus for the period 2008-09 to 2010-11 accrued to VCTPL as per TAMP calculation	2402.46						800.82	800.82	800.82
XX	Total surplus/ (deficit)				(4,186.82)	(5,653.18)	(6,646.20)	-620.73	-871.45	-538.42
XXI	Net Surplus / (Deficit) as a % of operating income (XVI/I in %)				-101.14%	-123.79%	-128.06%	-14.34%	-18.08%	-9.79%
XXII	Average Net Surplus / (Deficit) as a % of operating income				-117.66%			-14.07%		

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). **“Transshipment 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 transshipment 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.
- (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 16.25% 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 transshipment 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 of the Scale of Rates will be revised upwards by 16% from 01 January 2012 or from the date the VCTPL commissions additional new equipment viz. 2 Rail Mounted Quay Cranes and 4 Rubber Tyred Gantry Cranes, whichever is later.

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). Transshipment 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	3200	1920	4800	2880	6400	3840
(b).	Empty Containers - Import / Export	2240	1344	3360	2016	4480	2688
(c).	Transport to Rail Flat from CY or Vice Versa and Lift on/Lift off						
	- Loaded	1250	1250	1875	1875	2500	2500
	- Empty	1150	1150	1725	1725	2300	2300

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	343.00	205.80	514.50	308.70	686.00	411.60
(b).	If the terminal user deploys his own tractor trailer for transporting containers from quay to container yard or container yard to quay	286.00	171.60	429.00	257.40	572.00	343.20
(c).	If the terminal user deploys his own equipment for lifting containers from the container yard to truck and vice versa	191.00	191.00	286.50	286.50	382.00	382.00

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	3780	2268	5670	3402	7560	4536

Notes:

- (1). The above charges apply to the complete cycle of transshipment 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 transshipment to an Indian Port on a coastal voyage or vice versa would be charged 50% of the transshipment charge prescribed for foreign-going vessel and 50% of that prescribed for the coastal category.
- (3). Any transshipment 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 transshipment container is to be loaded shall be declared at time of submission of the Import advance list of the vessel on which the said transshipment container is imported or else the transshipment 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	500	500	750	750	1000	1000
(b).	Empty	400	400	600	600	800	800

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	1260	756
(b).	With landing Hatch Cover on the quay	2520	1512

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	2520	1512	3780	2268	5040	3024
(b).	Loaded or empty Container shifted without landing and reshipping	1260	756	1890	1134	2520	1512

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	750	750	1125	1125	1500	1500

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)	300	300	450	450	600	600
(b).	Reefer Run Test (Excluding the electricity charges)	300	300	450	450	600	600
(c).	Charges for supply of electricity (including connecting and disconnecting, monitoring at Reefer yard) per 4 hours or part thereof-	186	186	279	279	372	372

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	1750	2625	3500
(b).	Empty	1550	2325	3100

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	875	1313	1750
2.	Shifting of containers within the terminal including Lift on, Transportation , Lift off - Laden - Empty	1750 1550	2625 2325	3500 3100
3.	Container Cleaning Charges (High pressure water wash)	500	750	1000
4.	Cancellation of Document - (Per EIR)	75		
5.	One Door Open Charge (Per container)	500		
6.	Fixing / Removal of Seal (per seal)	200		
7.	Fixing/ removal 'Hazardous Sticker' (per container)	200		
8.	Customs inspection within the terminal (per container)	400		
9.	Plugging/ Unplugging of Reefer Container (per container)	50		
10.	Non-Declaration/ Mis-declaration of Hazardous Container (per container)	3000		
11.	Issuance of documents per document or part thereof (maximum of 5 pages)	150		
12.	VIA Cancellation	1000		
13.	Weighment of Trailer with or without Containers/ Cargo (per weighment)	100		

14.	Delay in submission of the relevant documents beyond the prescribed time (charges are per 'document')	500
15.	Non-Declaration/ mis-declaration of OOG Container (Rate per container)	3000
16.	Charges for providing Gangway to Vessel per calendar day	50 per hour per gangway subject to maximum of 1000 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 transshipment 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 transshipment 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	99	198	297
(iii).	From 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(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	99	198	297
(iii).	From 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(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	99	198	297
(iii).	From 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(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	99	198	297
(iii).	From 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(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	99	198	297
(iii).	From 31 to 45 days	198	396	594
(iv).	Beyond 45 days	396	792	1188

(f). **Transshipment 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	99	198	297
(iii).	From 46 to 60 days	198	396	594
(iv).	Beyond 60 days	396	792	1188

(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	99	198	297
(ii).	From 16 to 30 days	198	396	594
(iii).	Beyond 30 days	396	792	1188

(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	124	248	372
(iii).	From 16 to 30 days	248	496	744
(iv).	Beyond 30 days	495	990	1485

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). Transshipment 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 ₹8000/- 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, ₹200/- per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of ₹1000/-.

For Coastal vessel, ₹120/- per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of ₹600/-.

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.

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/10/2011 - 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 response of Visakha Container Terminal Private Limited (VCTPL) thereon are tabulated below:

Sl. No.	Comments of users/ user organisations	Comments of VCTPL
1.	Visakhapatnam Container Lines Association (VCLA)	
(i).	The users appreciate the efforts put in by the operators in the last couple of years to attract exporters and importers to use Vizag Port. The liners too did their part by providing the services to match the other neighboring ports in the region. However, the exim trade still tends to compare their costs and services with Chennai in the South and Kolkata in the north. This comparison is mainly because, the cargo largely originates from the hinterland.	No comments furnished.
(ii).	There is no doubt that any increase in tariff, will surely have a direct impact on the trade. Considering the increase in cost of development of infrastructure/ employment / fuel etc, the VCLA welcomes a reasonable increase in tariff but not to the extent mentioned in the proposal by VCTPL.	The tariff proposed is in accordance with the TAMP guidelines and the increase proposed is in line with the prescribed return on the capital employed.
(iii).	A comparison of the new scale of rates with the existing rates clearly shows an increase ranging from 26-32(%). This is a drastic increase, which could have an adverse impact on trade. In our opinion, the extent of increase is to be limited to 10-15(%).	If we consider the proposal of VCLA for 10-15% hike in our tariff as compared to 26-32% justifiably proposed by us, we would incur considerable losses and make our investments unviable. As it is, the proposed hike in tariff by 26-32% is on lower side and we have requested TAMP to allow this level of tariff for period of six (6) years to allow this moderation in tariff and also enable reasonable return to us on the heavy investments made in procuring new equipments – 2 nos. Quay Cranes and 4 nos. RTGCs. However, we will have a re-look at our figures for working out a tariff acceptable to all concerned.
2.	Shipping Corporation of India Limited (SCI)	
(i).	As the volumes at Vizag are heavily dependent on hinterland cargoes from Orissa as well as Raipur regions, the high rate of increase will dampen the progress of the volumes out of Vizag. Moreover, the competition has greatly increased with more mainline vessels calling thereby driving down freight rates and as such these increases will affect both the shippers/ consignees as well as vessel operators. Hence the existing rate structure tariff should be maintained if not decreased. Considering that more vessels are now calling Visakha Container Terminal, the increase sought for is not justified.	(a). VCTPL is committed to provide better infrastructure and handling facilities to the Trade. The higher productivity levels would reduce the vessel stay at berth and hence result in direct savings to the shipping line vis-à-vis berth hire charges and charter hire/ standing charges. The savings to the vessel operator would be around USD 11 per TEU.

	With more vessels calling Visakha Container terminal, their volumes have gone up resulting increase on their revenue. Further, with the prompt hike in rates it will have a direct adverse impact on the trade at large.	(VCTPL has furnished an analysis to arrive at the cost savings of USD per TEU to the vessel operator and the additional cost of having the old RMQCs.) (b). While investments on procurement of Quay Cranes (2 nos.) and RTGCs (4 nos.) by the terminal, would result in increase in tariff however it may not have major impact on the trade in its overall logistics cost. (c). Besides, the revision in tariff is in line with the TAMP guidelines and the terminal deserves to get reasonable returns on the investments made.
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2. A joint hearing in this case was held on 11 May 2011 at the Visakhapatnam Port Trust (VPT) premises. The VCTPL made a power point 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

- (i). Makes a power-point presentation of its proposal and indicates that updated proposal and reply to TAMP queries will be submitted shortly.
- (ii). We have proposed tariff for 6 year period in view of heavy investment in new equipment which will push up tariff steeply if only 3 years cycle is considered.
- (iii). Though our traffic is expected to grow in future, we anticipate the share of local containers will fall while transshipment would grow.
- (iv). Larger size vessels started calling at our terminal. Therefore, we have to have Panamax cranes. Even otherwise the LA requires us to deploy new cranes when volumes cross 1 lakh TEUs.
- (v). Old cranes are also needed when two vessels are berthed together. Further, we want to achieve better berth productivity which will be possible only with 4 cranes. Our berth occupancy is around 45% now.
- (vi). Our existing RTG & RMQC have almost reaching the end of its economic life.
- (vii). We may not achieve the normative level of 25 moves/hours because of restrictions in the jetty parameters (20 M gauge and load bearing capacity).

Visakhapatnam Container Liners Association

- (i). We agree with the proposal of VCTPL.
- (ii). The operator is justified from his angle. But, the Trade interest should be borne in mind. Increase should be moderated to 10%-15%.
- (iii). Direct delivery charge – increase proposed is 150%. This is unreasonable.

Vizag Steamer Agents Association

- (i). VCTPL should not insist upon direct delivery till internal road connectivity & CFS facilities improve.

Visakhapatnam Port Trust

- (i). Two CFSs are coming up in Port Area. Road widening project is under consideration. These will improve evacuation from VCTPL. We have already provided hassle free Road network from Terminal to the warehousing / CFS areas.
- (ii). The investment in RMQC and RTGs may be required because of main vessel calls.

COMPUTATION OF EFFICIENCY GAIN ACHIEVED BY VCTPL

SI No	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
A	Power						
	Throughput in Teus	47276	55769	71086	87637	98000	145426
1	Total Units consumed by QCs	196574	233300	320404	355692	383075	558130
2	Units Consumed per TEU- variable (QCS)	4.16	4.18	4.51	4.06	3.91	3.84
3	Average electricity consumption per TEU	4.28			3.94		
4	Reduction in the consumption of power, if any, achieved				0.35		
5	50% reduction achieved in consumption of power considered for computation of efficiency gain				0.175		

B	Fuel	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Throughput In Teus	47276	55769	71086	87637	98000	145426
2	Total consumption (ltrs)	99712	104467.00	124472.00	166218.00	202205.00	287637.00
3	Fuel consumption in litres per TEU (estimated by VCTPL)	2.11	1.87	1.75	1.90	2.06	1.98
4	Average Fuel consumption per TEU	1.91			1.98		
5	Reduction in the consumption of fuel, if any, achieved				VCTPL has estimated increase in consumption in this tariff cycle over the previous years consumption and hence efficiency gain not considered		

C TOTAL EFFICIENCY GAIN CONSIDERED FOR THE YEARS 2011-12 to 2013-14

Sl. No.	Particulars	2011-12	2012-13	2013-14
1	Throughput In Teus	170000	195000	225000
2	Power			
(i)	50% Savings in power Consumption per TEU	0.175	0.175	0.175
(ii)	Rate per unit (in Rs.)	5.91	6.59	6.99
(iii)	Efficiency gain in Power Cost {1*(i)*(ii)} (Rs. in lakhs)	1.76	2.25	2.75
	Total Efficiency gain considered in our analysis (Rs. in lakhs)	1.76	2.25	2.75

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 moderated by TAMP		
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
	Traffic (in TEUs)	87637	98000	145,426	170,000	195,000	225,000	170,000	195,000	225,000
I	Total Operating Income									
	Container handling income	2,355.37	2,750.79	3,853.82	3,866.78	4,258.14	4,826.68	4054.46	4511.85	5137.16
	Others	1,329.54	907.10	698.83	272.90	308.58	363.36	272.90	308.58	363.36
	Total	3,684.91	3,657.89	4,552.65	4,139.68	4,566.72	5,190.04	4327.36	4820.43	5500.52
II	Operating Costs (excluding depreciation)									
	Operating & Direct Labour	136.37	148.70	183.73	305.09	355.22	411.56	294.04	331.37	372.12
	Maintenance Labour	95.56	108.98	135.13	178.83	198.86	236.57	178.83	198.86	230.30
	Equipment Running Costs	283.82	333.66	555.88	873.85	957.07	1,080.32	736.67	981.21	1111.54
	Royalty / revenue share	32.21	45.19	71.26	145.78	191.10	344.53	145.78	191.10	344.54
	Equipment Hire	212.22	190.73	318.33	641.47	704.04	779.12	587.47	488.04	563.12
	Lease Rentals payable	89.85	90.64	93.06	78.71	78.71	78.71	78.71	78.71	78.71
	Insurance	35.03	35.06	36.18	146.76	146.76	162.97	64.35	142.25	153.53
	Other expenses	135.19	144.90	241.27	297.73	344.70	422.26	282.09	330.29	390.48
	Technical Service Fee	15.70	15.70	15.70	20.53	20.53	20.53	15.70	15.70	15.70
	Effect of Efficiency gain achieved in power cost considered by TAMP	0.00	0.00	0.00	VCTPL has claimed separately in the end			1.76	2.25	2.75
	Total	1,035.94	1,113.55	1,650.54	2,688.76	2,996.98	3,536.57	2,385.38	2,759.77	3,262.79
III	Depreciation	548.92	562.79	567.15	825.21	1,332.42	1,093.38	779.64	1,292.51	1,036.99
IV	Overheads									
	Management & Administration overheads	484.46	373.43	443.39	498.30	543.78	598.46	469.99	498.19	528.08
	Preliminary expenses & Upfront Payment write-off	12.53	12.53	12.53	16.78	16.78	16.78	12.53	12.53	12.53
	Total	496.99	385.96	455.92	515.09	560.56	615.25	482.52	510.72	540.61
V	Operating Surplus / (Deficit) (I) – (II) – (III) – (IV)	1,603.07	1,595.59	1,879.04	110.62	(323.24)	(55.16)	679.82	257.43	660.13
VI	Finance & Miscellaneous Income (FMI)									
	Others	8.29	64.97	18.00	19.80	21.78	23.96	19.80	21.78	23.96
	Total	8.29	64.97	18.00	19.80	21.78	23.96	19.80	21.78	23.96
VII	Finance & Miscellaneous Expenses (FME)									
	Contribution of Provident Fund	18.54	21.27	27.29	36.83	41.86	48.35	36.83	41.86	48.35
	Total	18.54	21.27	27.29	36.83	41.86	48.35	36.83	41.86	48.35
VIII	FMI Less FME (VI) – (VII)	(10.25)	43.70	(9.29)	(17.03)	(20.08)	(24.39)	(17.03)	(20.08)	(24.39)
IX	Surplus Before Interest and Tax (V) + (VIII)	1,592.82	1,639.29	1,869.75	93.59	(343.32)	(79.54)	662.79	237.35	635.74
X	Capital Employed	4,388.61	4,136.44	3,644.73	14,438.80	13,200.04	13,870.90	13027.11	11935.14	12343.67
XI	Return on Capital Employed @ 16%	702.18	661.83	583.16	2310.21	2112.01	2219.34	2084.34	1909.62	1974.99
XII	Capacity Utilization	82.94%	77.29%	72.34%	71.78%	82.34%	95.01%	62.47%	71.66%	82.68%
XIII	RoCE adjusted for capacity utilization	702.18	661.83	583.16	2,310.21	2,112.01	2,219.34	2084.34	1909.62	1974.99
XIV	Net Surplus / (Deficit) (IX) – (XIII)	890.64	977.46	1286.60	(2,216.62)	(2,455.32)	(2,298.89)	-1421.55	-1672.27	-1339.25
XV	Net Surplus / (Deficit) as a % of operating income (XVI/I in %)				-53.55%	-53.77%	-44.29%	-32.85%	-34.69%	-24.35%
XVI	Average Net Surplus / (Deficit) as a % of operating income				-50.54%			-30.63%		
XVII	Carry forwarded of 50% of loss for the past period as done by VCTPL				(1,959.09)	(3,186.75)	(4,336.20)	0.00	0.00	0.00
XVIII	Cost savings due to efficiency improvement (as considered by VCTPL)				11.11	11.11	11.11	0.00	0.00	0.00
XIX	Set off of past period surplus for the period 2008-09 to 2010-11 accrued to VCTPL as per TAMP calculation	2402.46						800.82	800.82	800.82
XX	Total surplus/ (deficit)				(4,186.82)	(5,653.18)	(6,646.20)	-620.73	-871.45	-538.42
XXI	Net Surplus / (Deficit) as a % of operating income (XVI/I in %)				-101.14%	-123.79%	-128.06%	-14.34%	-18.08%	-9.79%
XXII	Average Net Surplus / (Deficit) as a % of operating income				-117.66%			-14.07%		

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). **“Transshipment 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 transshipment 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.
- (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 16.25% 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 transshipment 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 of the Scale of Rates will be revised upwards by 16% from 01 January 2012 or from the date the VCTPL commissions additional new equipment viz. 2 Rail Mounted Quay Cranes and 4 Rubber Tyred Gantry Cranes, whichever is later.

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). Transshipment 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	3200	1920	4800	2880	6400	3840
(b).	Empty Containers - Import / Export	2240	1344	3360	2016	4480	2688
(c).	Transport to Rail Flat from CY or Vice Versa and Lift on/Lift off						
	- Loaded	1250	1250	1875	1875	2500	2500
	- Empty	1150	1150	1725	1725	2300	2300

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	343.00	205.80	514.50	308.70	686.00	411.60
(b).	If the terminal user deploys his own tractor trailer for transporting containers from quay to container yard or container yard to quay	286.00	171.60	429.00	257.40	572.00	343.20
(c).	If the terminal user deploys his own equipment for lifting containers from the container yard to truck and vice versa	191.00	191.00	286.50	286.50	382.00	382.00

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	3780	2268	5670	3402	7560	4536

Notes:

- (1). The above charges apply to the complete cycle of transshipment 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 transshipment to an Indian Port on a coastal voyage or vice versa would be charged 50% of the transshipment charge prescribed for foreign-going vessel and 50% of that prescribed for the coastal category.
- (3). Any transshipment 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 transshipment container is to be loaded shall be declared at time of submission of the Import advance list of the vessel on which the said transshipment container is imported or else the transshipment 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	500	500	750	750	1000	1000
(b).	Empty	400	400	600	600	800	800

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	1260	756
(b).	With landing Hatch Cover on the quay	2520	1512

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	2520	1512	3780	2268	5040	3024
(b).	Loaded or empty Container shifted without landing and reshipping	1260	756	1890	1134	2520	1512

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	750	750	1125	1125	1500	1500

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)	300	300	450	450	600	600
(b).	Reefer Run Test (Excluding the electricity charges)	300	300	450	450	600	600
(c).	Charges for supply of electricity (including connecting and disconnecting, monitoring at Reefer yard) per 4 hours or part thereof-	186	186	279	279	372	372

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	1750	2625	3500
(b).	Empty	1550	2325	3100

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	875	1313	1750
2.	Shifting of containers within the terminal including Lift on, Transportation , Lift off - Laden - Empty	1750 1550	2625 2325	3500 3100
3.	Container Cleaning Charges (High pressure water wash)	500	750	1000
4.	Cancellation of Document - (Per EIR)	75		
5.	One Door Open Charge (Per container)	500		
6.	Fixing / Removal of Seal (per seal)	200		
7.	Fixing/ removal 'Hazardous Sticker' (per container)	200		
8.	Customs inspection within the terminal (per container)	400		
9.	Plugging/ Unplugging of Reefer Container (per container)	50		
10.	Non-Declaration/ Mis-declaration of Hazardous Container (per container)	3000		
11.	Issuance of documents per document or part thereof (maximum of 5 pages)	150		
12.	VIA Cancellation	1000		
13.	Weighment of Trailer with or without Containers/ Cargo (per weighment)	100		

14.	Delay in submission of the relevant documents beyond the prescribed time (charges are per 'document')	500
15.	Non-Declaration/ mis-declaration of OOG Container (Rate per container)	3000
16.	Charges for providing Gangway to Vessel per calendar day	50 per hour per gangway subject to maximum of 1000 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 transshipment 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 transshipment 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	99	198	297
(iii).	From 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(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	99	198	297
(iii).	From 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(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	99	198	297
(iii).	From 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(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	99	198	297
(iii).	From 16 to 30 days	198	396	594
(iv).	Beyond 30 days	396	792	1188

(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	99	198	297
(iii).	From 31 to 45 days	198	396	594
(iv).	Beyond 45 days	396	792	1188

(f). **Transshipment 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	99	198	297
(iii).	From 46 to 60 days	198	396	594
(iv).	Beyond 60 days	396	792	1188

(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	99	198	297
(ii).	From 16 to 30 days	198	396	594
(iii).	Beyond 30 days	396	792	1188

(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	124	248	372
(iii).	From 16 to 30 days	248	496	744
(iv).	Beyond 30 days	495	990	1485

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). Transshipment 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 ₹8000/- 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, ₹200/- per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of ₹1000/-.

For Coastal vessel, ₹120/- per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of ₹600/-.

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.

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/10/2011 - 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 response of Visakha Container Terminal Private Limited (VCTPL) thereon are tabulated below:

Sl. No.	Comments of users/ user organisations	Comments of VCTPL
1.	Visakhapatnam Container Lines Association (VCLA)	
(i).	The users appreciate the efforts put in by the operators in the last couple of years to attract exporters and importers to use Vizag Port. The liners too did their part by providing the services to match the other neighboring ports in the region. However, the exim trade still tends to compare their costs and services with Chennai in the South and Kolkata in the north. This comparison is mainly because, the cargo largely originates from the hinterland.	No comments furnished.
(ii).	There is no doubt that any increase in tariff, will surely have a direct impact on the trade. Considering the increase in cost of development of infrastructure/ employment / fuel etc, the VCLA welcomes a reasonable increase in tariff but not to the extent mentioned in the proposal by VCTPL.	The tariff proposed is in accordance with the TAMP guidelines and the increase proposed is in line with the prescribed return on the capital employed.
(iii).	A comparison of the new scale of rates with the existing rates clearly shows an increase ranging from 26-32(%). This is a drastic increase, which could have an adverse impact on trade. In our opinion, the extent of increase is to be limited to 10-15(%).	If we consider the proposal of VCLA for 10-15% hike in our tariff as compared to 26-32% justifiably proposed by us, we would incur considerable losses and make our investments unviable. As it is, the proposed hike in tariff by 26-32% is on lower side and we have requested TAMP to allow this level of tariff for period of six (6) years to allow this moderation in tariff and also enable reasonable return to us on the heavy investments made in procuring new equipments – 2 nos. Quay Cranes and 4 nos. RTGCs. However, we will have a re-look at our figures for working out a tariff acceptable to all concerned.
2.	Shipping Corporation of India Limited (SCI)	
(i).	As the volumes at Vizag are heavily dependent on hinterland cargoes from Orissa as well as Raipur regions, the high rate of increase will dampen the progress of the volumes out of Vizag. Moreover, the competition has greatly increased with more mainline vessels calling thereby driving down freight rates and as such these increases will affect both the shippers/ consignees as well as vessel operators. Hence the existing rate structure tariff should be maintained if not decreased. Considering that more vessels are now calling Visakha Container Terminal, the increase sought for is not justified.	(a). VCTPL is committed to provide better infrastructure and handling facilities to the Trade. The higher productivity levels would reduce the vessel stay at berth and hence result in direct savings to the shipping line vis-à-vis berth hire charges and charter hire/ standing charges. The savings to the vessel operator would be around USD 11 per TEU.

	With more vessels calling Visakha Container terminal, their volumes have gone up resulting increase on their revenue. Further, with the prompt hike in rates it will have a direct adverse impact on the trade at large.	(VCTPL has furnished an analysis to arrive at the cost savings of USD per TEU to the vessel operator and the additional cost of having the old RMQCs.) (b). While investments on procurement of Quay Cranes (2 nos.) and RTGCs (4 nos.) by the terminal, would result in increase in tariff however it may not have major impact on the trade in its overall logistics cost. (c). Besides, the revision in tariff is in line with the TAMP guidelines and the terminal deserves to get reasonable returns on the investments made.
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2. A joint hearing in this case was held on 11 May 2011 at the Visakhapatnam Port Trust (VPT) premises. The VCTPL made a power point 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

- (i). Makes a power-point presentation of its proposal and indicates that updated proposal and reply to TAMP queries will be submitted shortly.
- (ii). We have proposed tariff for 6 year period in view of heavy investment in new equipment which will push up tariff steeply if only 3 years cycle is considered.
- (iii). Though our traffic is expected to grow in future, we anticipate the share of local containers will fall while transshipment would grow.
- (iv). Larger size vessels started calling at our terminal. Therefore, we have to have Panamax cranes. Even otherwise the LA requires us to deploy new cranes when volumes cross 1 lakh TEUs.
- (v). Old cranes are also needed when two vessels are berthed together. Further, we want to achieve better berth productivity which will be possible only with 4 cranes. Our berth occupancy is around 45% now.
- (vi). Our existing RTG & RMQC have almost reaching the end of its economic life.
- (vii). We may not achieve the normative level of 25 moves/hours because of restrictions in the jetty parameters (20 M gauge and load bearing capacity).

Visakhapatnam Container Liners Association

- (i). We agree with the proposal of VCTPL.
- (ii). The operator is justified from his angle. But, the Trade interest should be borne in mind. Increase should be moderated to 10%-15%.
- (iii). Direct delivery charge – increase proposed is 150%. This is unreasonable.

Vizag Steamer Agents Association

- (i). VCTPL should not insist upon direct delivery till internal road connectivity & CFS facilities improve.

Visakhapatnam Port Trust

- (i). Two CFSs are coming up in Port Area. Road widening project is under consideration. These will improve evacuation from VCTPL. We have already provided hassle free Road network from Terminal to the warehousing / CFS areas.
- (ii). The investment in RMQC and RTGs may be required because of main vessel calls.
