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Tariff Authority for Major Ports

G No. 160

New Delhi,

25 August 2009

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 revision of its Scale of Rates as in the Order appended hereto.

(Brahm Dutt)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/7/2008-VCTPL

Visakha Container Terminal Private Limited

- - -

Applicant

ORDER

(Passed on this 28th day of July 2009)

This case relates to a proposal from Visakha Container Terminal Private Limited (VCTPL) for general revision of its Scale of Rates.

2.1. The Scale of Rates of the VCTPL was revised earlier in August 2005 with a validity period upto 31 March 2007.

2.2. Subsequently, the VCTPL had filed a proposal in February 2007 along with the cost estimates for 2007-08 with a request to continue with the existing Scale of Rates for one more year i.e. 2007-08. After a preliminary scrutiny of the cost position for the year 2007-08, this Authority had passed an Order on 28 June 2007 allowing the existing Scale of Rates of VCTPL to continue for the year 2007-08. The validity of Scale of Rates was prescribed till 31 March 2008.

2.3. The VCTPL filed the proposal for general revision of its Scale of Rates in February 2008. Recognising the time involved in the consultation process, scrutiny of the proposal, setting up a joint hearing etc., the validity of the existing Scale of Rates of VCTPL was extended a couple of times. This Authority vide its Order passed on 17 June 2009 notified on 20 June 2009 vide Gazette No.103 has extended the validity of its Scale of Rates till 30 September 2009 or final disposal of tariff proposal filed by VCTPL whichever is earlier.

3.1. The highlights of the VCTPL proposal are summarised below:

- (i). Traffic handled by the VCTPL in the past two years and the traffic estimated to be handled in the year 2007-08 and for the subsequent two years is tabulated below:

Financial Year	Throughput (TEUs)	% growth over previous year
2005-06 (Actuals)	47276	0.93%
2006-07 (Actuals)	55769	17.97%
2007-08 (Estimates)	69225	24.12%
2008-09 (Estimates)	1,00,000	44.46%
2009-10 (Estimates)	1,33,000	33.00%
2010-11 (Estimates)	1,60,000	20.30%

- (ii). As per the License Agreement, the VCTPL is required to go for expansion by acquisition of cranes and other assets when throughput of 1,00,000 TEUs is achieved. Since it is expected to cross this threshold during the year 2008-09, it has proposed the following major investments:

(Rs. in lakhs)				
Sl. No.	Asset	Year		
		2008-09	2009-10	2010-11
1.	Additional storage yard	150.00	0	0
2.	Gate Complex Extn. (office space for additional staff)	74.00	0	0
3.	Work Shop	0	400.00	0
4.	Plant and Machinery	39.50	0	0
5.	RMQC (2 Nos.)	0	6182.40	0
6.	RTGC (4 Nos.)	0	2592.00	0
7.	IT	80.60	225.00	0
8.	Administrative Building	0	0	500.00
Total		344.10	9399.40	500.00

- (iii). The VCTPL has claimed pass through of royalty to the extent of 2nd highest bid value in line with the tariff guidelines of 2005.

- (iv). The net surplus / deficit at the tariff level fixed in 2005 reflected in the cost statement prepared by the VCTPL (before reckoning cost savings due to efficiency gain) is tabulated below:

(Rs. in lakhs)				
Sr. No.	Particulars	2008-09	2009-10	2010-11
1.	Operating income	2761.36	3669.01	4431.27
2.	Net surplus / deficit after return	1.54	-1131.00	-1051.34
3.	Net surplus / deficit as percentage of the operating income.	0.06%	-30.83%	-23.73%

- (v). The cost savings due to efficiency claimed by the VCTPL in the cost statement is as follows:

Sr. No.	Year	Rs. in lakhs
1.	2006-07	29.55
2.	2007-08	49.34
3.	2008-09	84.72
4.	2009-10	129.71
5.	2010-11	171.34

- (vi). **Tariff revision proposed:**

Sl. No.	Year	% Increased proposed
(i).	Composite handling rate (a). 2008-09 (b). 2009-10 & 2010-11	No increase proposed 7.81% increase in the composite rate for handling import and export container.
(ii).	Other items	No increase proposed except for Film shooting charges proposed to increase from existing Rs.10,000/- per day to Rs.1,00,000/- per day for all the years 2008-09 to 2010-11

3.2. The VCTPL has subsequently proposed a few modifications explaining the reasons for the same. A summary of modifications proposed in the proposed SOR and justifications therefor furnished by the VCTPL is given below:

Sr. No.	Modification proposed in the proposed Scale of Rates	Reasons for the proposed modification
(i).	Premium of 100% of handling charges for Out of Gauge (OOG) containers is proposed as against the existing 25% premium.	The Out of Gauge (OOG) containers are handled using special handling gears like slings, shackles, etc., as these cannot be handled in the normal way. This requires additional manpower. An average move of OOG container during an hour is 7 as against an average of 23 moves/hr for handling a normal container. It therefore, proposes to charge 100% premium on handling of OOG containers.
(ii).	200% premium on storage charges of OOG container is proposed as against existing 25% premium.	The OOG containers are either over width or over height or both. Hence, they occupy the adjacent slots, which under normal circumstances can be used for stacking of normal containers. The loss of stacking slots will be in the range of 2 to 14 containers.

		Hence it is proposed to levy a premium of 200% for the storage of OOG containers. The average dwell time of OOG containers is reported to be 5.4 days based on the actual position obtained for the period October 2007 to March 2008.
(iii).	Free period for hazardous container: Reduced from existing 3 days to 1 day.	Average dwell time of a hazardous containers handled during the period October 2007 to March 2008 is 3.2 days and they avail 3 days free period as per the current Scale of Rates. These containers are stacked separately following the International Maritime Dangerous Goods (IMDG) code and there are risks involved due to overstay of the containers in the terminal. To act as deterrent and for safety related reasons, the free period of hazardous containers is proposed to be reduced from 3 days to 1 day for both import and exports categories.
(iv).	Charges for removal of garbage is proposed to increase from existing Rs.2000 per truck per trip to Rs.8000 per truck per trip.	The garbage removed from the vessels calling at the terminal is moved out to a dumping yard approved by Municipal Corporation which is about 20 kms from the terminal. Cost involved for garbage collection is approximately Rs.468/- per cubic meter and a truck trip can carry 15 cubic meters. Accordingly, it works out to Rs.7020/- per truck trip. It has proposed tariff of Rs.8000/- per truck per trip for this service which is optional.

3.3. The traffic of OOG containers handled during the last two years 2006-07 and 2007-08 and estimates for the subsequent three years 2008-09 to 2010-11 are furnished. The VCTPL has estimated additional revenue of Rs.10.67 lakhs, Rs.14.14 lakhs and Rs.16.90 lakhs for the years 2008-09 to 2010-11 respectively on account of proposed increase in tariff for handling OOG / hazardous containers. The VCTPL has submitted that since revenue generated from this category of container is negligible, it will not have any significant variation in the financial workings submitted earlier.

4. In accordance with the consultative procedure prescribed, the initial proposal filed as well as the subsequent modifications proposed by the VCTPL were circulated to the VPT and the concerned users / user associations to furnish their comments. The comments received from the VPT and the users / user associations were forwarded to the VCTPL as feedback information / comments. The VCTPL has furnished its comments on the comments of the VPT and the users/user associations.

5.1. Based on the preliminary scrutiny of the proposal, the VCTPL was requested to furnish additional information/clarifications on a few points. The VCTPL has furnished the relevant information / clarifications. A summary of the queries raised and reply furnished by the VCTPL is tabulated below:

Sr. No.	Queries raised	Reply furnished by VCTPL
A.	FINANCIAL/COST STATEMENTS:	
1.	The estimates for the year 2007-08 may be updated with actuals duly tallying it with the figures reported in the Annual Accounts.	(a). The cost statement has been updated based on the Annual Accounts and a copy of audited Annual Accounts for the year 2007-08 is also furnished. (b). Towards the end of the year 2007-08, it has reported revenue of Rs.603.58 Lakhs from Non – Container Vessels (NCVs). This income is irregular in nature and hence it has requested this Authority to ignore it for the purpose of calculation of ROCE whilst

		fixing the revised tariff. The ROCE worked out by excluding the income from NCV would give the correct picture which may be considered by this Authority.
2.	Furnish the adjustments done in the gross block / net block of assets reported in the Annual Accounts with reference to the figures considered in the cost statement for the years 2005-06, 2006-07 and 2007-08 as well.	It has furnished a statement reconciling the gross block of assets / net block of assets reported in Annual Accounts for the years 2005-06, 2006-07 and 2007-08 vis-à-vis the figures considered in the cost statements.
3.	Traffic:	
(i).	Given the past trend of traffic growth achieved by the VCTPL, justify the basis of estimating 44.46% growth in container traffic during the years 2008-09. Market analysis done by the VCTPL in support of the traffic estimations may be furnished.	The throughput achieved during the first quarter (April to June) of current financial year 2008-09 is 21509 TEUs, vis-à-vis previous years traffic of 13942 TEUs for the corresponding period which means a growth of 54.3%: This growth is mainly in the local hinterland traffic, which is expected to continue to grow at almost 40% due to large scale industries coming up in the hinterland. Several Steel and Alumina industries are coming up in the state of Orissa which has started generating both Import and Export container traffic. This is likely to increase substantially in the current financial year 2008-09. Accordingly, it expects the local hinterland traffic would grow by at least 40% to about 95000 TEUs. With the congestion in the West Coast delaying the movement of ICD traffic, the diversion is inevitable. Besides CONCOR, Boxtrans, the private train operators, are also providing regular rail connectivity. A conservative estimate of one train a week would generate 7500 TEUs during the current financial year.
(ii).	From the actual traffic handled in the years 2005-06 and 2006-07, it is found that the share of 20' containers is 70% to 75% of the total containers. Accordingly, the conversion of containers to TEUs works out to 1.3. Explain the basis for adopting conversion factor of 1.4 for estimating the traffic projections for the years 2008-09 to 2010-11. The VCTPL may consider to modify the computation based on the actual position obtained for the past three years. Consequent adjustment may also be made in the estimation of the income.	The targeted Vizag hinterland cargo includes import shipment of project cargo, waste paper, wood pulp etc. which are imported as 40' containerised cargo whereas export shipments of tobacco, cotton, paper, soya, etc. move in 40' containers. These shipments are expected to gradually increase thereby increasing the share of 40' containers in the throughput and hence the container ratio of 20' : 40' is assumed to be around 60:40 based on which conversion of boxes to TEUs is adopted as 1.4.
4.	Operating Cost and other Expenses:	
(i).	Since the VCTPL has already invested on 2 RMQCs and RTGs initially while commencing the operations, please confirm whether the additional investment proposed in the years 2009-10 for procuring additional equipment is as per the terms of LA. Justification for deployment of 4 RMQCs and 8 RTGs to handle a total traffic of around 1 lakh TEUs may be furnished.	As per the LA, the VCTPL needs to deploy 2 nos. of Quay Cranes and 4 nos. of RTGCs of latest technology and in new condition when the throughput reaches one lakh TEUs. The Quay Cranes and RTGCs currently operational in VCT are all old models and in order to comply with the conditions in the LA, these new equipments need to be procured. Besides, with 15 mtrs. draft and optimistic growth projections, it is expected that larger size vessels with increased parcel size will call at VCT. These vessels will need deployment of not less than 3 cranes for faster turnaround and hence having total 4 RMQCs with adequate backup yard equipment will be order of the day in near future.
(ii).	The Whole Sale Price Index for all commodities for the year ended on	The Whole Sale Price Index for all commodities for the years 2008-09, 2009-10 & 2010-11 is adopted at 5.60%

	2007-08 will be adopted for applying annual escalation in the tariff revision cases considered in the year 2008-09. The VCTPL may, modify the estimates by updating the inflation rate.	as against 5.40% adopted in the earlier submission.																									
(iii).	Operating and Direct Labour:																										
(a).	The average cost per employee is estimated to increase by 10%, 35% and 44% in each of the years 2008-09 to 2010-11 over the average employee cost estimated in the respective previous year. Justify the reasons for estimating the average cost per employee beyond the stated WPI.	The increase in the average cost per employee is estimated at 5.60% and not 10%. The increase in average cost per employee is more or less the same during the three years. The estimated marginal increase in the average cost per employee is due to the increase in the salaries of the existing employees which is in the range of 12% to 14% as per the Company policy with a view to be on par with the industry standards and to avoid attritions. It has 5 categories of employees in Operations Department. It cannot take the average cost per employee as the different categories of employees are getting different percentage of increments. Further in order to withstand the competitive market, higher salaries are offered while recruiting new Operational staff and in retaining the existing employees. It has furnished the following details to show that the average cost per employee has grown in the range of 8 to 27%. <table><tr><th>Particulars</th><th>2007-08</th><th>2008-09</th><th>2009-10</th><th>2010-11</th></tr><tr><td>No. of Employees</td><td>52</td><td>63</td><td>115</td><td>140</td></tr><tr><td>Salary</td><td>10917258</td><td>14222428</td><td>32838267</td><td>47126446</td></tr><tr><td>Avg. cost per employee</td><td>209,947</td><td>225,753</td><td>285,550</td><td>336,617</td></tr><tr><td>% of Increase</td><td>-</td><td>7.52%</td><td>26.49%</td><td>17.88%</td></tr></table>	Particulars	2007-08	2008-09	2009-10	2010-11	No. of Employees	52	63	115	140	Salary	10917258	14222428	32838267	47126446	Avg. cost per employee	209,947	225,753	285,550	336,617	% of Increase	-	7.52%	26.49%	17.88%
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(b).	The traffic projections for the year 2008-09 is expected to be at the level of assessed capacity. In view of this position, please explain the reasons for estimating 21% increase in the number of operating and direct labour during the year 2008-09 over the labourers deployed in the year 2007-08.	It is in the process of procuring 2 Quay Cranes and 4 RTGCs in addition to the existing equipments as per the requirement in the LA. These equipments are expected to arrive during 2009. For operating and maintaining these equipments, additional staff in the operation and engineering department need to be recruited and trained prior to the arrival of these equipments. Besides, since the existing equipment is ageing the strength of engineering department needs to be enhanced to ensure proper up-keep of equipments. Hence, there is an increase in the work force during the year 2008-09.																									
(c).	The numbers of operating and direct labour is estimated to further increase by 82% i.e. from 63 in 2008-09 to 115 employees in 2009-10. Likewise, the VCTPL has estimated the staff strength to increase to 140 number in the year 2010-11 i.e. by 21% over the operating / direct labourers estimated in the previous year. Justify the proposed increase in the staff strength during each of the years under consideration recognising that the operating and direct labour is generally of fixed is in nature and is not likely to vary proportionately with the traffic.	It has to recruit operators well ahead of the installation of new equipment as they are required to undergo special training. As it would be acquiring new equipment in the middle of second year (2009-10), it has to recruit 52 more employees in 2009-10 and another 25 employees in 2010-11, which indicates 82% increase and 21.73% increase respectively in operational staff. It has furnished breakup of operational staff (52 in nos.) deployed in the first quarter of 2008-09.																									
(iv).	Maintenance labour:																										
(a).	Explain the reasons for estimating the average cost per employees to increase by 13.7% during the year	Increase in the average cost per employee is estimated at 5.60% only and not 13.7%. Due to recruitment of additional manpower, the average cost per employee																									

	2009-10 which is beyond the annual escalation level.	shows 5% to 13% increase as can be observed from the following table: <table><tr><th>Particulars</th><th>2007-08</th><th>2008-09</th><th>2009-10</th><th>2010-11</th></tr><tr><td>No. of Employees</td><td>22</td><td>35</td><td>43</td><td>54</td></tr><tr><td>Salary</td><td>79,05,113</td><td>1,16,93,407</td><td>1,50,89,681</td><td>2,14,12,367</td></tr><tr><td>Avg. cost per employee</td><td>359,323</td><td>334,097</td><td>350,923</td><td>396,525</td></tr><tr><td>% of Increase</td><td>-</td><td>(7%)</td><td>5%</td><td>13%</td></tr></table> Salary structure is market driven. Annual increments are given not only taking into account inflation rate but also other factors like salary standards in the competing industries, supply and demand situation. Normally, the annual increases in salary are in the range of 12% to 14%. Acute shortage of experienced technical personnel is prevailing in the market and competing industries are poaching onto the experienced employees by offering higher salaries. Hence it has to raise the salary levels of existing employees and also offer higher salaries to the new employees.	Particulars	2007-08	2008-09	2009-10	2010-11	No. of Employees	22	35	43	54	Salary	79,05,113	1,16,93,407	1,50,89,681	2,14,12,367	Avg. cost per employee	359,323	334,097	350,923	396,525	% of Increase	-	(7%)	5%	13%
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(b).	The numbers of maintenance labour is reported at 22 in the year 2007-08 which is estimated to increase to 35 numbers (i.e. 31% increase) in the year 2008-09. The number of labourers for maintenance is estimated to further increase to 43 during the years 2009-10 and 54 in 2010-11 i.e. increase in the range of 23% to 28%. Explain the reasons for estimating increase in this category of labour during each of the years under consideration.	The reasons for estimating higher requirement of man power for maintenance during the next three years are as under: (1). The existing manpower is inadequate to handle the maintenance of the existing ageing equipment even at the current throughput levels. In order to cater to the requirements of the maintenance, it needs to recruit more workers during the years 2008-09, 2009-10 and 2010-11. (2). It is in the process of acquiring 2 RMQCs and 4 RTGCs which are likely to be commissioned during 2009. (3). It is expecting higher throughput levels during the coming years which will necessitate higher running hours for the machinery. Moreover, the existing machinery is old and with the passage of time more and more wear and tear is expected and hence to keep it in proper working condition more manpower is required.																									
(v).	Equipment Running Cost:																										
(a).	Power cost: Explain the reasons for estimating 17.5% increase in the unit cost of electricity in the year 2009-10 over the estimates of the previous year. Also, indicate the actual unit cost of power during the year 2007-08.	The increase in the unit cost and the Maximum Demand charges is considered at WPI i.e. 5.40% for all the three years. In view of the acquisition of 2 nos. of RMQCs, the requirement of Maximum Demand is expected to increased to 1400 KVA from the existing 720 KVA. The actual (average) cost of power per unit during 2007-08 is Rs.4.89 and rate per KVA of Maximum Demand is Rs.230. In the revised cost statement, annual increase in unit rate of power is considered at 5.60%.																									
(b).	Fuel Cost: Explain the reasons for estimating 12.7% increase in the unit cost of fuel for each of the years 2009-10 and	The increase in the fuel requirement is estimated directly in proportion to the increase in the throughput level. The annual increase in the unit cost of fuel is																									

	2010-11 as compared to the unit cost of the respective previous years.	considered at WPI. The present average fuel consumption of 1.87 litres per TEU is expected to increase to 2 litres per TEU. This increase in consumption is mainly due to growth in volume and increase in internal shifting of containers, which is not included in the throughput calculations.																																																
(c).	Repairs and Maintenance Cost:																																																	
(i).	Explain the reasons and basis for assuming the consumption of computer consumables, stores and spares, tyre and tubes and workshop tools to vary directly in proportion to throughput for the estimation of repairs and maintenance. The VCTPL may review the estimate and furnish detailed computation for each of the years under consideration and justify the same with reference to actual repairs and maintenance expense reported in the year 2007-08.	The consumption of stores & spares and tyre & tubes form 97% of the total expenditure on repairs and maintenance. These items vary directly to the change in throughput performance. The balance amount which includes computer consumables and workshop tools form a small portion of the total expenditure i.e. 3%. The consumption of all these four items is directly related and depending upon the operations. The usage of stores and spares, wear and tear of tyres and tubes of the equipment, work shop tools increase as there is increase in operations and usage of equipment. Besides, the ageing of equipment also contribute for higher repairs and maintenance. The consumption of computer consumables though occupy a smaller portion, the repairs and maintenance increases directly with the increase in administrative activities due to increased operations. Hence the consumption of the above items is considered on the basis of directly proportional to the throughput performance. It has furnished breakup of estimated repairs and maintenance cost for the years 2008-09 to 2010-11. <table><tr><th>Item</th><th>2007-08</th><th>2008-09</th><th>%</th><th>2009-10</th><th>%</th><th>2010-11</th><th>%</th></tr><tr><td>Computer Consumables</td><td>66,253</td><td>93,201</td><td>1.8</td><td>1,23,957</td><td>1.8</td><td>1,49,122</td><td>1.8</td></tr><tr><td>Stores & Spares</td><td>18,06,949</td><td>25,41,920</td><td>48.8</td><td>33,80,749</td><td>48.9</td><td>40,67,071</td><td>48.8</td></tr><tr><td>Tyres & Tubes</td><td>17,66,247</td><td>24,84,662</td><td>47.8</td><td>33,04,597</td><td>47.7</td><td>39,75,459</td><td>47.8</td></tr><tr><td>Workshop tools</td><td>59,802</td><td>84,126</td><td>1.6</td><td>1,11,888</td><td>1.6</td><td>1,34,602</td><td>1.6</td></tr><tr><td>Total</td><td>36,99,251</td><td>52,03,909</td><td>100</td><td>69,21,191</td><td>100</td><td>83,26,255</td><td>100</td></tr></table>	Item	2007-08	2008-09	%	2009-10	%	2010-11	%	Computer Consumables	66,253	93,201	1.8	1,23,957	1.8	1,49,122	1.8	Stores & Spares	18,06,949	25,41,920	48.8	33,80,749	48.9	40,67,071	48.8	Tyres & Tubes	17,66,247	24,84,662	47.8	33,04,597	47.7	39,75,459	47.8	Workshop tools	59,802	84,126	1.6	1,11,888	1.6	1,34,602	1.6	Total	36,99,251	52,03,909	100	69,21,191	100	83,26,255	100
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(ii).	(a). The VCTPL has estimated an expense of Rs.1.68 crores towards relaying of the paver block in the backup area of the jetty under the head repairs and maintenance cost. From the details furnished, it appears that the proposed expenditure is a capital expenditure rather than of revenue expenditure. Incidentally even the VPT has made similar observation. The VCTPL may therefore, explain why this expenditure cannot be treated as capital expenditure. (b). The documentary evidence given with the reference to the proposed expenditure is quotation issued by the vendor. Please substantiate the estimate by work order issued by the VCTPL with reference to the proposed expenditure.	The relaying of paver block is to be carried in the yard where ever there is displacement, breakage, unevenness. The strength of the yard is also needed to be checked to withstand the movement of heavy equipment carrying containers. This work is to be carried over a period of time and it is expected that the same will take a minimum period of 6-8 months. The expenditure is being incurred to rectify the above in the existing and already developed back yard. As such the expenditure is in the nature of revenue only as it is mainly related to maintenance activity. Because of the location and nature of construction, such maintenance work needs to be carried out from time to time. Such a recurring expenditure should be considered as revenue expenditure. (b). The work order is proposed to be placed after the monsoon period is over.																																																
(iii).	Royalty:																																																	
	Furnish detailed computation of royalty estimation considering the per TEU	The following table gives the detailed calculations of Royalty for the three years. The amount is considered																																																

	royalty as per the LA and recognising it maximum to the extent of second quote as per clause 2.8.3. of the tariff guidelines.	in the cost statement is 49% (NPV of second quote) of the total Royalty as per the TAMP guidelines. (in Rs.) <table><tr><th>Sl. No.</th><th>Particulars</th><th>2008-09</th><th>2009-10</th><th>2010-11</th></tr><tr><td>(i).</td><td>Estimated throughput (TEUs)</td><td>1,00,000</td><td>1,33,000</td><td>1,60,000</td></tr><tr><td>(ii).</td><td>Actual/Estimated throughput (previous operational year)</td><td>77,470</td><td>1,08,250</td><td>1,39,750</td></tr><tr><td>(iii).</td><td>MGT as per LA (TEUs)</td><td>1,12,000</td><td>1,40,000</td><td>1,66,400</td></tr><tr><td>(iv).</td><td>Shortfall (TEUs) (iii – ii)</td><td>34,530</td><td>31,750</td><td>26,650</td></tr><tr><td>(v).</td><td>Rate of Royalty on per TEU (in Rs.)</td><td>75</td><td>100</td><td>100</td></tr><tr><td>(vi).</td><td>Rate of Royalty on shortfall (in Rs.)</td><td>75</td><td>75</td><td>100</td></tr><tr><td>(vii).</td><td>Royalty on estimated throughput (Rs.) (v x i)</td><td>75,00,000</td><td>133,00,000</td><td>160,00,000</td></tr><tr><td>(viii).</td><td>Royalty on Shortfall (in Rs.) (vi x iv)</td><td>25,89,750</td><td>23,81,250</td><td>26,65,000</td></tr><tr><td>(ix).</td><td>Total Royalty (vii + viii)</td><td>100,89,750</td><td>156,81,250</td><td>186,65,000</td></tr><tr><td>(x).</td><td>Royalty include in the cost statement to the extent of second highest bidder as per TAMP (@ 49%)</td><td>49,43,977</td><td>76,83,813</td><td>91,45,850</td></tr></table>	Sl. No.	Particulars	2008-09	2009-10	2010-11	(i).	Estimated throughput (TEUs)	1,00,000	1,33,000	1,60,000	(ii).	Actual/Estimated throughput (previous operational year)	77,470	1,08,250	1,39,750	(iii).	MGT as per LA (TEUs)	1,12,000	1,40,000	1,66,400	(iv).	Shortfall (TEUs) (iii – ii)	34,530	31,750	26,650	(v).	Rate of Royalty on per TEU (in Rs.)	75	100	100	(vi).	Rate of Royalty on shortfall (in Rs.)	75	75	100	(vii).	Royalty on estimated throughput (Rs.) (v x i)	75,00,000	133,00,000	160,00,000	(viii).	Royalty on Shortfall (in Rs.) (vi x iv)	25,89,750	23,81,250	26,65,000	(ix).	Total Royalty (vii + viii)	100,89,750	156,81,250	186,65,000	(x).	Royalty include in the cost statement to the extent of second highest bidder as per TAMP (@ 49%)	49,43,977	76,83,813	91,45,850
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(iv).	Equipment hire charges:																																																								
(a).	The list of equipment taken on hire till 2007-08 and additional equipment proposed to be taken on hire during the years 2008-09 to 2010-11 may be furnished and the estimates may be validated with documentary support.	The equipment taken on hire / outsourced for operation are the tractor trailers for the transportation of containers inside the terminal premises. As per the current requirement, 16 tractor trailers are deployed for the terminal operation. With the induction of additional equipments and increase in the handling of trains, the tractor trailers required for operation during 2009-10 will be 36 for ship side, rail side and in-yard shifting operations. The charges payable to contractors for hiring tractor trailers is on “per TEU” basis and does not depend on the number of tractor trailers.																																																							
(b).	The existing outsourcing cost for internal transportation of containers from yard to Jetty and vice versa reported at Rs.200 per 20' container and Rs.255 per 40' container may be validated by the copies of contract entered with outsourcing agencies. Likewise, the increase of around 75% to 100% in the outsourcing cost for this service may be validated by documentary support.	After the existing contract for providing the tractor trailers for internal transportation expired in June 2007, VCTPL had invited bids from the local transporters for the period 2007-10 and awarded the contract to the lowest bidder at the rates of Rs.200 per 20' container and Rs.255 per 40' container and the rates quoted by this bidder are in the range of the costs considered in our financials. The next contract would be for specialized heavy duty and new terminal tractors- trailers to cater to twin lift cranes to enable higher efficiency level. Hence the cost is expected to be in the range as quoted by Srivalli Transport.																																																							
(v).	Insurance:																																																								
(a).	The estimates of insurance cost may be justified with reference to actual payment made to the insurance company.	It has furnished the details of insurance actually paid and the insured value of the assets during the year 2007-08 and has substantiated it with a copy of the agreement entered into with Insurance Company. The insurance expenditure for the assets including additions, for the three years is estimated at the same rate at which it was paid during the year 2007-08.																																																							
(b).	Furnish the basis of estimating replacement value of assets with reference to Rail Mounted Quay Cranes and Rubber Tyred Gantry	It has obtained quotations for the acquisition of RMQCs and RTGCs from M/s.Doosan Heavy Industries & Construction Co. Ltd., Korea, which were enclosed with its proposal. The values as per these quotes were																																																							

	Cranes and validate it with documentary support.	adopted in the calculations as the replacement value for all the three years.
(vi).	Technical Service fees: This Authority in the last tariff Order notified on September 2005, 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 despite specific mention in the last Order has not furnished 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.	It has made provision in its Annual accounts for the payment of Management / Technical Services fee to the Promoters as per the contracts entered into with them. However, the payment of the fee was deferred in view of losses incurred by the company. As per the internal agreement this amount is payable in the year/s in which sufficient cash flows are available. During assessment the Income Tax department has not considered this as expenditure, since the actual payment is not yet effected and the same will be considered as expenditure in the year of payment. It has submitted that the Management/Technical Service fee is a liability on the company payable as per the contracts entered into. This liability is to be discharged during the year/s in which sufficient cash flows are available, which means that it is only an arrangement for the deferment but not for avoidance. The contract was made for five years from the date of commencement of operations and accordingly the provisions were made in the Annual Accounts. Though the provision is for only five years but the expenditures was spread over the entire lease period. The effect thereby in the cost statement is negligible. It has furnished copy of Assessment Orders of the IT Department for the Assessment years 2004-05 & 2005-06.
(vii).	Management and Administration Overhead:	
	The management and general overhead for the years 2008-09 to 2010-11 is estimated to increase by 7.3%, 10.35% and 12% respectively over the estimates of previous years. Since management and general overhead is mostly fixed in nature, please justify the increase in this cost estimation beyond the WPI for each of the years under consideration. Also, furnish detailed breakup of this cost element.	Under the management and general overhead, the increase in expenditure towards (i) Travelling and Conveyance, (ii) Marketing and (iii) Administration is considered at 5.60% for the years 2008-09 to 2010-11. The increase for inflation in the Staff cost-Administration is also considered at 5.6%. Besides during the years 2008-09, 2009-10 and 2010-11 additional manpower requirement is estimated at 1, 4 and 4 respectively. The cost of this additional manpower is estimated at Rs.4.89 lakhs, Rs.13.71 lakhs and Rs.19.92 lakhs. Because of this additional manpower, the increase in the total expenditure seems to be beyond WPI.
5.	Capital Employed:	
(i).	Fixed Assets:	
(a).	As per the terms of the CLA, the VCTPL is expected to commission the equipment in the third phase when the throughput level reaches 1 lakh TEUs. The actual traffic handled for the last three years is less than the minimum guaranteed throughput and also lower than the present capacity of 1 lakh TEUs. The VCTPL has proposed to invest on additional equipment in the year 2009-10 assuming that it will reach the 1 lakh TEUs mark up in 2008-09.	It had acquired 2 quay cranes in the initial stage due to the following reasons- (i). To handle containers from ships calling at its terminal. It may be noted that most of the new container ships are gearless. (ii). To ensure faster turn around of container ships. (iii). To perform at efficiency level on par with the neighboring competing container terminals. However, as per the LA, it needs to deploy 2 nos. of Quay Cranes and 4 nos. of RTGCs of latest technology

	Since the VCTPL has already invested on 2 RMQCs and RTGs initially while commencing the operations, please confirm whether the additional investment proposed in the years 2009-10 for procuring additional equipment is as per the terms of LA and is justified in the light of the volumes proposed to be handled.	and new condition when the throughput reaches 1 lakh TEUs. In addition to this, the following factors are also considered for deploying additional equipment – (i). Ageing of the existing Quay Cranes and RTGCs operational at the terminal. (ii). Vizag has the draft of 15 metres which allows container ships of bigger capacity to call here. These ships have a beam of more than 32 meters and Length Overall (LOA) 200m upwards. Hence the stowage will permit more number of quay crane deployment for operation on these ships. Normally, the crane density will be more than 3 for these kind of ships and hence at least 3 quay cranes need to be deployed for operating these ships.
(b).	The present status of this capital expenditure project and work order if any issued in this regard may be furnished to validate the estimates.	(i). Capital expenditure of Rs.344.10 lakhs for the year 2008-2009 is for Additional storage area, Gate complex extension, CAS,CCTV & EMS and Sweeping Machine. Sweeping machine has been purchased for change over from labour intensive manual mode of cleaning to a more efficient and speedy mechanized cleaning. This will help us keep the terminal in most presentable state at all times besides protecting work force from dust pollution. (ii). Capital expenditure of Rs.9399.40 lakh for the year 2009-10 is earmarked for the following projects:- (a). Workshop Building. (2009-10) Rs.400.00 lakhs For the last 5 years, Engineering Department has been functioning from a temporary location, with a couple of porta-cabins and with limited open space for maintenance activities. Since the terminal is poised for a higher growth in terms of its throughput and also the process of acquisition for more equipment, it has become necessary to have a permanent workshop that has all the requirements for a modern maintenance management system. At the outset, the space for storage of inventory is also a factor that has been taken into consideration for building this facility. Work order for this work is not issued. However, the works will be completed during the period of year 2009-10. (b). Spares Expenses (2009-10) estimated at Rs.225.00 lakhs (c). Procurement of 2nos. RMQC and 4 nos. RTGC. (2009-10) Rs.8774.40 lakhs It has not issued the work order since there are more than one option available to study and decide the type and make of the equipment. It is still in the tendering process and work order will be issued soon after this process is completed. In any case, the project is destined to be completed in the year 2009-2010. (d). Administrative Building (2010-11) Rs.500.00 lakhs

		An estimate for the construction of Administrative Building is provided in its original submission. The construction is proposed to be initiated during the year 2009-10 by issuing a work order so that it will be completed during the year 2010-11.
(c).	Furnish detailed computation of capacity addition of 1 lakh TEUs estimated on account of the proposed addition of RMQC and RTGs to the gross block of assets.	With the current equipments deployed, the terminal has a handling capacity of 1 lakh TEUs. The terminal has now 772 TEU ground slots for stacking containers. With an average dwell time of 6 days and average stacking factor of 2.25, the terminal capacity is 105,668 TEUs. It is in the process of increasing the ground slots to 1096 TEUs by the year 2009 and anticipating additional equipments viz. Quay Cranes and RTGCs. The average dwell time of container is then expected to be 5 days with a stacking factor of 2.25. With this, the terminal capacity would be 1,80,018 TEUs.
(d).	Indicate the reduction in the unit operating cost, if any, or any improvement in the operational efficiency on account of the proposed fresh investment.	With the current equipments i.e. RMQCs which are the older version of panamax cranes, there is limitation of handling bigger vessels i.e. beams more than 32 metres. In addition to this, the operational performance are also limited due to ageing of these equipments. It intends to procure super post panamax cranes which can handle ships of more than 32 metre beam as well as has a higher cycle time (moves / hr) when compared to the existing equipments. This will enable the terminal to have better operational performance on the ships calling here and offer better service to the shipping lines.
(e).	It may be noted that only completed and commissioned assets should alone be counted for capital employed for each of the years under consideration. The work-in-progress shall not be taken into account. A confirmation in this regard may be furnished.	It is hereby confirmed that work-in-progress is not considered for calculation of capital employed. Only commissioned assets are counted. Even for the estimates during the three years, the assets assumed to be commissioned as per expansion plan are considered in the workings.
(ii).	Working Capital:	
(a).	The estimation of sundry debtors at one month's total revenue is not in line with the revised tariff guidelines.	The estimate for Sundry Debtors is now revised to two month's terminal handling charges which is in line with the revised guidelines.
(b).	Indicate the six months actual average consumption of spares during the year 2007-08. The basis for estimating the consumption of spares in each of the years 2008-09 to 2010-11 over the estimates of the respective previous year may be explained. Also, furnish detailed computation in this regard.	Consumption of spares is directly proportionate to the increase in the throughput.
(c).	The estimation of current liabilities at 15 days average cash expense is not found to be as per the working capital norms prescribed in the tariff guidelines. The estimate of current liabilities may, therefore, be justified.	The current liabilities are now estimated at 15 days average cash expenses and the same is incorporated in the revised cost statement.
6.	The CLA stipulates that on expiry of the licence period, the licensor shall be liable to pay terminal value to the licensee based on an estimation of the fair value of the assets by an independent engineer. An estimate of the terminal value of the container terminal at the end of the licence period may, therefore, be indicated in order to annualise the impact of the same over the entire period of the	The estimate of the fair value of the assets at the end of the license period can not be made. It is very difficult to make an assessment at that point of time, particularly from the point of view of the number and type of assets to be acquired / disposed off during the license period.

	project at the prevailing PLR/cost of the debt.													
B.	Scale of Rates													
1.	Premium in the handling charge for handling Over Dimensional containers, which is termed as Out of Gauge containers in the VCTPL proposal, is prescribed at 25% of the applicable charges in case of other private terminals. In this context, the extraordinary circumstances for proposing 100% premium in the case of VCTPL needs to be justified along with additional cost involved for handling the OOG containers.	The average OOG moves handled during an hour is 2-5 as against an average of 24 moves / hr while handling normal containers. Similarly, in the Container Yard, the average moves handled by yard equipments is 21 moves / hr for a normal container , whereas the average moves handled is 5 moves / hr for an OOG container. Based on the above facts, the operational time and efforts involved for handling an OOG container is more than 3 to 5 times as compared to that for handling normal containers. Hence, it is proposed to charge twice the normal container handling charge for handling an OOG container.												
2.	(a). As regards, the proposed premium of 200% on storage charge for OOG containers, the VCTPL is requested to furnish year-wise statistics for the years 2005-06, 2006-07 and 2007-08 regarding the number of the OOG containers handled by the VCTPL alongwith their sizes. The linkage between the space occupied by an OOG containers and the proposal to charge 200% of the storage charge may be explained. (b). The VCTPL may consider to prescribe the levy of storage charge on OOG containers based on the actual ground slots occupied by the respective containers instead of proposed premium of 200% in line with the prescription in the Scale of Rates of Chennai Container Terminal Limited.	(a). The OOG containers are either over width , over length or over height or both, whereby they occupy the adjacent slots which under normal circumstances can be used for stacking of in-gauge containers. Depending on the dimension of the OOG container, the loss of container stacking slots vary from a minimum of 2 containers to a maximum of 14 containers, as OOG containers not only occupy more ground slots, but also prevent stacking of containers on top of it. Keeping the above and generalizing it to a loss of 2 container slots, it is proposed to levy a premium of 200% for the storage of OOG containers. The statistics of the OOG containers handled during the last 3 years is as shown below: <table border="1"> <thead> <tr> <th>YEAR</th><th>20'</th><th>40'</th></tr> </thead> <tbody> <tr> <td>2005-06</td><td>21</td><td>50</td></tr> <tr> <td>2006-07</td><td>14</td><td>42</td></tr> <tr> <td>2007-08</td><td>106</td><td>171</td></tr> </tbody> </table> (b). It would not be practically possible to levy storage charge on actual ground slots occupied as it will differ from one container to other. Moreover, the number of slots lost will always be more than 2 irrespective of the size of OOG container. Hence 200% charge is the minimum that can be levied. If TAMP suggestion is adopted the trade may end up paying more than 200%. However, it is open to this suggestion if TAMP and trade are in favour of it.	YEAR	20'	40'	2005-06	21	50	2006-07	14	42	2007-08	106	171
YEAR	20'	40'												
2005-06	21	50												
2006-07	14	42												
2007-08	106	171												
3.	The revised tariff guidelines stipulate that tariff should be linked to benchmark of the levels of productivity. Please indicate benchmark levels of productivity, which should be included in the Scale of Rates as conditionalities governing the respective tariff items.	The productivity level can be set in accordance with the License Agreement i.e. 30 moves per ship per berth hour.												

5.2. The VCTPL has filed revised cost statements incorporating estimates for the year 2010-11. The total net deficit estimated for the years 2008-09 to 2010-11 is Rs.2376.92 lakhs as against Rs.2180.80 lakhs estimated for the years 2007-08 to 2009-10 in the initial proposal. The average net deficit for the years 2008-09 to 2010-11 as percentage of the operating income is estimated to be 20.06%.

6. The VPT was requested to furnish additional information / clarifications with reference to proposal of VCTPL. The VPT has furnished the clarifications. The summary of the queries raised and the clarifications furnished by the VPT are tabulated below:

Sl. No.	Queries raised by us	Response of VPT																
(i).	(a). Indicate the actual traffic handled by the VCTPL during the year 2007-08. (b). Furnish specific comments on the reasonableness of the traffic and income projections made by the VCTPL for the years 2008-09 to 2010-11.	(a). Actual container traffic handled for 2007-08 is: <table><tr><th>Item</th><th>VCTPL</th><th>VPT</th><th>Total</th></tr><tr><td>No. of Boxes</td><td>57181</td><td>34</td><td>57215</td></tr><tr><td>No. of TEUs</td><td>71086</td><td>34</td><td>71120</td></tr></table> (b). The projections furnished by VCTPL in respect of traffic and income are justified, given the marketing efforts being made by them to attract tobacco / news print, ICD traffic and transshipment cargo.	Item	VCTPL	VPT	Total	No. of Boxes	57181	34	57215	No. of TEUs	71086	34	71120				
Item	VCTPL	VPT	Total															
No. of Boxes	57181	34	57215															
No. of TEUs	71086	34	71120															
(ii).	Confirm whether the estimated lease rental of Rs.78.71 lakhs payable by the VCTPL to the VPT for the years 2008-09 to 2010-11 is in line with the terms of Licence Agreement.	It is confirmed that the estimated lease rental of Rs.78.71 lakhs payable by the VCTPL to VPT for the years 2008-09 to 2010-11 is in line with the terms of Licence Agreement.																
(iii).	Indicate the estimated royalty receivable from the VCTPL for the years 2008-09 to 2010-11 as per the terms of LA.	The estimated royalty receivable from VCTPL considering the date of Licence Agreement for the financial years 2008-09 to 2010-11 is given below: <table><tr><th>Year</th><th>No. of TEUs</th><th>Rate in Rs.</th><th>Rs. in crores</th></tr><tr><td>2008-09</td><td>1,40,000</td><td>75/-</td><td>1.05</td></tr><tr><td>2009-10</td><td>1,66,400</td><td>100/-</td><td>1.66</td></tr><tr><td>2010-11</td><td>1,86,400</td><td>100/-</td><td>1.86</td></tr></table>	Year	No. of TEUs	Rate in Rs.	Rs. in crores	2008-09	1,40,000	75/-	1.05	2009-10	1,66,400	100/-	1.66	2010-11	1,86,400	100/-	1.86
Year	No. of TEUs	Rate in Rs.	Rs. in crores															
2008-09	1,40,000	75/-	1.05															
2009-10	1,66,400	100/-	1.66															
2010-11	1,86,400	100/-	1.86															
(iv).	Furnish specific comments on the operating and direct labour, maintenance labour, repairs and maintenance cost, equipment hire charges, estimated for the years 2008-09 to 2010-11 with reference to the estimates furnished for the year 2007-08.	During the year 2008-09, VCTPL planned to go for repairs by relaying of pavement blocks in the back reach area of Jetty at a cost of Rs.168.50 lakhs. The reasonableness of the above projected increase in operating cost may be examined by the TAMP. It is viewed that the expenditure for relaying the pavement block in the back reach area of the Jetties is a major capital repair and need to be amortized for an appropriate period.																
(v).	(a). Since the VCTPL has already invested on 2 RMQCs and RTGs initially while commencing the operations, please confirm whether the additional investment proposed in the years 2009-10 for procuring additional equipment is as per the terms of LA and whether the investment is justified to handle the volumes projected. (b). Likewise, also comment whether the addition to the gross block of assets proposed in the year 2008-09 to the tune of Rs.344 lakhs and Rs.500 lakhs in the year 2010-11 are as per the terms of the LA.	(a). As per appendix 13 & 16 of the Licence Agreement, VCTPL will have to replace the equipment. The proposal given by M/s.VCTPL is, therefore, in line with Licence Agreement. (b). The addition to the gross block of assets proposed in the year 2008-09 to the tune of Rs.344 lakhs and Rs.500 lakhs in the year 2010-11 is as per Licence Agreement provided the projected traffic of 1.00 lakh TEUs, 1.33 lakh TEUs and 1.60 lakh TEUs for the years 2008-09, 2009-10 and 2010-11 materialise.																

7.1. A joint hearing in this case was held on 19 December 2008 at the VPT premises. The VCTPL made a power point presentation of its proposal. At the joint hearing, VCTPL, VPT and the concerned users / user associations have made their submissions.

7.2. At the joint hearing, the VCTPL was advised to furnish the following information:

- (i). Actual physical and financial performance for the period from April- December 2008 and to update the estimates for the future period accordingly.
- (ii). Details of capital additions which are made/proposed to be made in the current financial year and substantiate it with documentary proof. Also, indicate the present status of the action taken with regard to additions to the gross block proposed for the future period.

8.1. As decided in the joint hearing, the VCTPL has furnished the actual physical and financial performance for the period April to December 2008 and has also updated the estimates for the balance period of 2008-09. Consequently, the VPT has also modified the estimates for the years 2009-10 and 2010-11 based on the actuals obtained for nine months period of 2008-09. Details about the capital additions proposed to be made during the years 2009-10 and 2010-11 and their present status have also been furnished. Some of capital additions proposed during the years 2008-09 and 2009-10 are deferred to the next year. The information furnished by the VCTPL along with other submissions are summarised below:

(i). **Traffic:**

- (a). The traffic projections submitted earlier were based on the market trend then prevailing and considering the business proposal known at that time. The actual throughput handled for the period April to December 2008 is reported at 64896 TEUs. The traffic for the year 2008-09 as well as for the subsequent years is, therefore, re-estimated as follows:

(in TEUs)

Years	Earlier traffic projections	Revised traffic projections
2008-09	1,00,000	84,031
2009-10	1,33,000	1,05,000
2010-11	1,60,000	1,33,000

- (b). Traffic growth of 25% and 27% is assumed during the years 2009-10 and 2010-11 over the estimates of the previous year.

Efforts are being put for increasing the volumes in the area of Transshipment and ICD traffic. Lines are keen to introduce new services in the Kolkata - Vizag sector. It expects there will be transshipment container movement of around 400 TEUs per month in 2009-10. This is likely to increase to around 750 TEUs per month (i.e. increase of 5% on the overall traffic approx.) in subsequent year. Accordingly, it is estimated that the transshipment container handling at 9% of the total volume for the year 2009-10 and at 14% of the volume for the year 2010-11. With respect to ICD traffic, it is estimated at 3 trains (@140 TEUs per train) in 2009-10 i.e. 6% of total traffic and 5 trains for the year 2010-11 i.e. 6% of total traffic. It has also furnished the detailed composition of throughput projection with reference to different types of containers, size, etc.

- (ii). The income estimation has also been consequently modified in view of revised throughput projections.
- (iii). The VCTPL has submitted that the storage charges during the years 2009-10 and 2010-11 will be considerably less than that accrued in 2008-09. During the year 2008-09 few customers have imported laden containers in large lots in third quarter, which could not be moved out within the extended free period of 15-30 days, due to sudden recession striking them. This has resulted in higher income accrual under storage head. However, this is unlikely to recur in future. It has further submitted that the local Container Freight Stations (CFS) have improved their handling capabilities in addition to acquiring additional space for effective handling of cargo and containers. One more new CFS is likely to open shortly. All this will further reduce the storage period of containers in the terminal and consequently reduce the storage income as well.

(iv). **Terminal Capacity:**

Investment on additional storage ground slots earlier planned in 2009-10 is deferred to 2010-11. On account of this investment, the average stay of containers in the terminal is estimated to reduce from 6 days to 5 days and the capacity of the terminal is likely go up to 1,26,801 TEUs from the existing capacity assessed at 1,05,668 TEUs.

(v). (a). **Capital Investments:**

The capital investments proposed earlier has been revisited in view of the economic down turn and abnormal increase in foreign exchange rates and the estimates has been revised. The actual capital investment for the current financial year 2008-09 is considered in the cost statement. Purchase of equipments viz. RMQCs and RTGCs and some other investments which were originally planned for the year 2009-10 is shifted to the year 2010-11 in the revised cost statement.

The revised year-wise investment projections are tabulated below. The present status of the proposed investment furnished by the VCTPL is also briefly indicated in the table hereunder:

Sl. No.	Asset	Years (Rs. in lakhs)			Remarks	Present status
		2008-09	2009-10	2010-11		
1.	Sweeping Machine	21.50	--	--	Already purchased and is in use.	
2.	Gate Complex Extn. (office space for additional staff)	--	135.00	--	Originally planned in 2008-09 deferred to 2009-10.	Erection of pillars, etc. completed. Construction of walls in progress.
3.	IT	--	# 80.40 (network updation, Access control, CCTV, etc.)	## 225.00 (Navis Express)	Proposed Investment of Rs.80.60 lakhs planned in 2008-09 is deferred to 2009-10. Rs.225 lakhs planned in 2009-10 deferred to 2010-11.	# Vendors identified. Order to be placed after negotiation. ## Vendor has submitted the offer and demonstrated the software application.
4.	2 Nos. RMQC	--	--	* 7418.88	Rs.6182.40 lakhs earlier planned in 2009-10 deferred to 2010-11.	Technical Specification closed. Negotiation with the prospective bidders is in progress for placing orders.
5.	4 Nos. RTGC	--	--	* 3110.40	Rs.2512 lakhs earlier planned in 2009-10 deferred.	* The estimated cost of RMQCs and RTGCs is revised in view of change in the foreign exchange rate.
6.	Administrative Building	--	--	500.00	No change	Tender process yet to be initiated.
7.	Additional storage yard	--	--	150.00	Originally planned in 2008-09 deferred to 2010-11.	Land survey completed. Consultant is appointed to assess the requirements
8.	Work Shop	--	--	400.00	Earlier planned in 2009-10 deferred to 2010-11.	Nothing specific indicated.
	Total	21.50	215.40	11804.28		

- (b). It has reiterated that 2 nos. RMQCs and 4 nos. RTGCs proposed to be acquired in the year 2010-11 are in accordance with the License Agreement with VPT. As per Appendix 7 read with Appendix 13 of LA, VCTPL is required to deploy following equipment:

	Phase I	Phase II	Phase III
Period	0-5 years	5 th yr. onwards	Upon attaining 100,000 TEU capacity + 18 months
Equipments alongside	1 mobile crane	2 mobile cranes	2 RMQC
Equipments yard side	2 Reach stackers	4 Reach stackers	4 RTGC 2 Reach stacker 8 Tractor trailers

The two old RMQCs procured by VCTPL initially still have some useful life. These cranes can be used whenever there are either two vessels at berth and two cranes need to be deployed on each vessel or at times when three to four cranes are to be deployed on a single main line vessel, which is a standard norm.

(vi). **Modification in other expenditure:**

- (a). The estimate of requirement of additional staff is revised and reduced in view of deferring the investment on the RMQCs, RTGCs and other assets from the year 2009-10 to 2010-11. The revised estimate of requirement of additional staff and the estimated expenditure are:

Sl. No.	Department	2009-10		2010-11	
		No. of Employees	Amount	No. of Employees	Amount
1.	Operations	15	41,66,268	42	1,76,00,106
2.	Engineering	8	21,20,000	11	42,41,820
3.	Others	4	12,81,600	4	19,61,792

- (b). The estimates of expenditure to the tune of Rs.168.50 lakhs on relaying of paver blocks in the year 2008-09 is shifted to 2009-10.
- (c). As per VPT letter No.Estate/VCTPL/BOT/SA/418 dated 31 May 2008, VCTPL has to execute a Lease Agreement for the lease of vacant land. The estimated cost of registration charges of this Agreement of Rs.89.43 lakhs which has been considered as a cost item during the year 2009-10.
- (d). Internal transportation for carrying the containers from yard to jetty and vice versa as also within yard is presently outsourced @ Rs.200/- per 20' container and Rs.255/- per 40' container. The present contract is expiring in June 2009. With increase in volumes and with intention to improve efficiency levels, it is proposed to outsource the transportation activity to a contractor ready to provide specialised heavy duty and preferably new Terminal Tractors to cater to twin lift cranes, wherein the cost is higher compared to the present trailers. The rates are, therefore, estimated to be revised to Rs.350/- and Rs.525/- respectively for the years 2009-10 and 2010-11. The rate is based on price bid of April, 2007 and the prices may go up also.
- (e). The actual revenue reported for the period April to December 2008 includes "income from Non-container Vessels (NCV's)" amounting to Rs.700.18 lakhs. Non Container Vessels berthing at VCTPL comprise of Bulk vessels that either don't get berth on arrival at VPT due to congestion or those that have to lighten prior reaching the lower draft to enter the

inner harbour. Besides these bulk carriers, Offshore Supply Vessels (OSVs) is the other category of NCV's berthed at VCTPL. It is expected that the NCV Income may accrue for one more month only i.e. January 2009. The incidence of continuing the practice of berthing Bulk Carriers and OSVs in near future seems to be remote due to the following reasons:

- (i). In case of Bulk Carriers, VPT has recently dredged and increased the draft permissible in inner harbour to 11 mtrs. and hence the number of vessels that may require lightening will decrease considerably.
- (ii). Secondly, the congestion at VPT has come down drastically which will further reduce the number of bulk carriers required to await berth at VPT and hence will not need VCTPL berth.
- (iii). With Gangavaram port coming up in vicinity, the NCV's have more option.
- (iv). The rigs were berthed at VCTPL only in case of exigency and chance of recurrence is remote. Besides, with Kakinada now having exclusive berths for OSVs and possibly Gangavaram wooing these vessels, the number of OSVs to VCTPL would also gradually come down and eventually stop.

8.2. The cost position as per the revised cost statement filed by the VCTPL is tabulated hereunder:

Sl. No.	Particulars	Actuals 2007-08	(Rs. in lakhs) As per the revised cost statement furnished on 30 January 2009		
			2008-09	2009-10	2010-11
1.	Estimated traffic in TEUs	71086	84031	105000	133000
2.	Operating income	2719.11	3479.50	2792.52	3428.33
3.	Total cost	1600.19	1871.21	2517.09	3606.93
4.	Surplus/Deficit (2-3)	1118.93	1608.29	275.43	(-) 178.60
5.	Capital Employed	5096.15	4753.74	4319.10	14890.82
6.	ROCE adjusted for capacity utilisation	548.54	604.86	572.24	1760.25
7.	Net surplus / deficit (4-6)	570.39	1003.43	(-) 296.81	(-) 1938.85
8.	Net surplus / deficit as % of operating income	20.98%	28.84%	(-) 10.63%	(-) 56.55%
9.	Efficiency gain claimed by VCTPL		50.40	65.46	94.86

8.3. The tariff increase and the modifications in the Scale of Rates proposed are retained as per its earlier proposal.

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

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

- (i). The proposal filed by the Visakha Container Terminal Private Limited (VCTPL) in February 2008 for revision of its Scale of Rates was based on the estimates for the years 2008-09, 2009-10 and 2010-11. Subsequently on our advice, the VCTPL has updated the cost statements with actuals for the year 2008-09 upto December and estimates for the period January 2009 to March 2009. The estimates for the years 2009-10 and 2010-11 are also modified based on the previous year actuals. The proposal filed by the VCTPL dated 5 February 2008 and subsequent submissions made by the VCTPL along with the revised cost statement filed by it on 30 January 2009 are considered in this analysis.

- (ii). The actual throughput handled by the VCTPL in the year 2007-08 is 71,086 TEUs as against the estimated traffic of 75,000 TEUs considered in the tariff Order of June 2007. The VCTPL had estimated to handle 1,00,000 TEUs in the year 2008-09, 1,33,000 TEUs in the year 2009-10 and 1,60,000 TEUs in the year 2010-11 in its initial proposal. The actual throughput reported for the first nine months of the financial year 2008-09 is 64,896 TEUs. The traffic projection for the full year of 2008-09 is, therefore, scaled down by the VCTPL to 84,031 TEUs. Consequently, the traffic projections for the years 2009-10 and 2010-11 are also revised to 1,05,000 TEUs and 1,33,000 TEUs respectively. The traffic growth estimated by the VCTPL for the years 2009-10 and 2010-11 are 25% and 26.7% respectively over the estimates of the previous year.

From the break up of traffic estimates furnished by the VCTPL, it appears that a factor of 1.4 has been applied for converting the TEUs into boxes assuming the container mix of 20 feet and 40 feet at 60:40. Breakup of actual containers handled in the years 2007-08 and 2008-09 as reported by the VCTPL shows that the ratio of 20 feet and 40 feet boxes is 75:25 and accordingly, the ratio of TEUs to boxes was 1.25. When sought a specific clarification on adopting container mix of 20'/40' container different from the past actuals, the VCTPL has made a general statement that the share of 40 feet containers in the total throughput is expected to gradually increase and hence the ratio of 20 feet / 40 feet is assumed to be around 60:40. Though it may not apply to the existing terminals, the TEU ratio prescribed in the upfront tariff guidelines of 2008 for assessing the optimal quay capacity is 1.3. The TEU ratio at many other private container terminals like the Chennai Container Terminal Limited is also around 1.3. Sudden increase in the share of 40 feet container assumed by the VCTPL is not supported by any empirical analysis. The number of boxes considered by the VCTPL for the estimates of income is, therefore, modified by applying conversion factor of 1.25 based on the past actuals. The break up of 20 feet and 40 feet boxes considered by the VCTPL are suitably adjusted based on the actual container mix furnished for nine months for the year 2008-09. The increase in the traffic of ICD containers and transshipment containers during the years 2009-10 and 2010-11 are considered at the level estimated by the VCTPL. Accordingly, the modified number of boxes considered in this analysis for income estimation are 84,000 and 1,06,400 for the years 2009-10 and 2010-11 as against 75,000 boxes and 95,000 boxes estimated by the VCTPL. The VCTPL is, however, allowed an option to propose ahead-of-schedule review of tariff as per tariff guidelines in case of any significant shift in the conversion factor considered which will adversely affect the finance / cost model considered in this analysis.

Subject to the above modification, the traffic projections made by the VCTPL is relied upon for the purpose of this analysis.

At the time of the next general review of tariff to be undertaken after the validity period is over, if any undue advantage is found to have accrued to the Terminal Operator due to wrong estimation, the additional surplus earned will be accounted for in the tariff to be fixed then as per the tariff guidelines.

It may be relevant here to mention that this Authority had while disposing a case of a private container terminal evolved an improved approach to recognise volume efficiency achieved by the operator. In this approach, the tariff was fixed based on the standard capacity of the terminal. The level of standard capacity was determined by applying the formula and relevant parameters provided in the upfront tariff guidelines of 2008. Though the tariff determination was made with reference to standard capacity, the revenue contribution from additional volume was recognised to reduce the quantum of pass through of royalty which otherwise would have been admitted.

Applying the norms prescribed in the upfront tariff guidelines for assessing the quay capacity will only be a theoretical exercise as the VCTPL has presently deployed only two old cranes and their productivity may not be comparable with the productivity norms prescribed in the upfront tariff guidelines. The new

additional RMQCs and RTGCs proposed to be deployed is in the last year of this tariff cycle. It is understood that the VCTPL has not fully developed the lands allotted by the VPT for stacking containers presumably because of low volume handled by it. The actual traffic handled by the VCTPL till 2008-09 is below 1 lakh TEUs and the estimates for the future period is also below the capacity assessed by the VCTPL. That being so, standard capacity based approach cannot be adopted in the case of VCTPL at this juncture. Therefore, this case is analysed based on the cost plus approach prescribed in the tariff guidelines of 2005.

- (iii). The income for the year 2008-09 is reportedly based on actuals upto December and estimates for the period January to March 2009. The income reported / estimated for the year 2008-09 is relied upon and considered in the analysis without any modification. The detailed income estimation furnished by the VCTPL at the tariff level prescribed in the existing Scale of Rates for the revised throughput projections for the years 2009-10 and 2010-11 is modified in view of the change in the ratio of 20' / 40' container mix as explained in the preceding paragraphs.

The income estimate includes income from movement of ICD containers from rail to yard and vice versa which is shown under the head 'other income'. Since tariff for movement of ICD container is prescribed in the existing Scale of Rates, the income for this service is considered as a part of container handling income.

The income under the head 'others' reported at Rs.846.83 lakhs in the year 2007-08 and Rs.1091.52 lakhs in the year 2008-09 is estimated to decrease to Rs.244.33 lakhs in the year 2009-10 and Rs.265.76 lakhs in the year 2010-11. The VCTPL has attributed the reduction in income to the anticipated reduction in the number of non-container vessels (NCV) berthing at the VCTPL. The income from non-container vessels reported in the year 2007-08 is Rs.603.58 lakhs and Rs.700.18 lakhs in the year 2008-09 upto December. With increased draft available in the inner harbour and reduced level of congestion at the port, VCTPL expects remote chance of non-container vessels availing berthing services at VCTPL after January 2009 and hence it has estimated the income from NCV to decrease to Rs.12 lakhs in each of the years 2009-10 and 2010-11. Relying on the clarification furnished by the VCTPL and also recognising that the VPT has also not made any comment contradicting the claim of VCTPL in this regard, the income under the head 'others' as estimated by VCTPL is considered subject to the condition that if any undue advantage is found to have accrued to the VCTPL due to variation of actual vis-à-vis the estimated position, such advantage accrued will be set off fully in the next tariff review.

- (iv). As per Clause 2.5.1. of the tariff guidelines, expenditure is to be projected in line with traffic adjusted for price fluctuations with reference to current movement of Wholesale Price Index for all commodities as announced by the Government of India. The VCTPL has considered annual escalation factor of 5.6% for estimating some of the cost items. The annual escalation adopted

by this Authority for dealing with the tariff revision exercise undertaken during the year 2009-10 is 5.8%. Accordingly, annual escalation of 5.8% is considered for estimation of expenditure projections, wherever required.

- (v). In the revised proposal, the VCTPL has estimated requirement of additional operating and direct labour force to the extent of 15 and 42 workers and maintenance labour by 8 and 11 workers in the years 2009-10 and 2010-11 respectively. The VCTPL has clarified that the deployment of labour is estimated to increase in view of deployment of additional equipment in the year 2010-11. It has further stated that operators are required to be deployed well ahead of installation of equipment as they are required to undergo special training. Recognising that increase proposed in staff strength for the years 2009-10 and 2010-11 is necessitated due to the additional equipment proposed to be inducted by the VCTPL, the estimation of operating and direct labour cost and maintenance labour cost made by the VCTPL is accepted subject to applying the annual escalation of 5.8% instead of 5.6% adopted by the VCTPL.

(vi). The estimate of equipment running cost comprises power cost, fuel cost and repairs and maintenance charges which are discussed below:

- (a). Power consumption by quay crane is estimated at 4.07 units per TEU for the years 2009-10 and 2010-11 based on the actual power consumption by quay crane reported for the years 2007-08 and 2008-09 upto December. The overall consumption of power per TEU is reported at 23.57 units per TEU in the year 2007-08 and 20.86 units per TEU in the year 2008-09. When compared with the norm of 8 units per TEU prescribed in the guidelines for upfront fixation, the position reported by VCTPL is on the higher side which may be due to low volumes. However, with increase in throughput projections, the unit power consumption is estimated to drop to 17.80 units in 2009-10 and 15.41 units in 2010-11. This is mainly because the fixed consumption of power at high mast, and other areas get spread over the wider base thus reducing per TEU consumption.

The average unit cost of power reported for the year 2008-09 is Rs.4.78 which is estimated to increase to Rs.5.03 per unit in 2009-10 and Rs.6.08 per unit in the year 2010-11. The unit cost of power estimated by the VCTPL takes into consideration annual escalation factor of 5.6%. The unit cost of 2010-11 also takes in consideration the increase in the maximum demand charges on account of increase in KVA demand from existing 720 to 1400 kilowatts with deployment of additional equipment during this year. Based on the clarification furnished by the VCTPL, the unit cost of power estimated by the VCTPL and the increase estimated in the maximum demand charges are accepted subject to applying the annual escalation of 5.8%. Accordingly, the revised unit cost of power considered in the analysis is Rs.5.04 and Rs.6.11 for the years 2009-10 and 2010-11 respectively.

- (b). The actual consumption of fuel for the year 2008-09 upto December is reported at 1.93 litres per TEU. The upfront tariff guidelines prescribe a norm of 4 litre per TEU. In the case of VCTPL, some of the transportation related activities are outsourced and hence the fuel consumption reported by the VCTPL is lower.

The VCTPL has estimated 10% increase in the consumption of fuel during the years 2009-10 and 2010-11 due to growth in volume and increase in the internal shifting of the container not considered in the throughput calculations. Since the estimation of fuel cost is done with reference to the traffic projections, the impact of increase in cost due to growth in traffic is already recognised in the estimation. Since the total fuel cost reported in the year 2008-09 is taken as the base for arriving at fuel consumption per TEU, the argument of the VCTPL about cost of internal shifting of containers is not found to be relevant. The actual fuel consumption reported in the year 2008-09 is taken as a base for estimating the fuel cost for the years 2009-10 as well as 2010-11.

The unit rate of fuel reported by the VCTPL in the year 2008-09 is Rs.35.89 per litre. The VCTPL has not estimated any increase in the unit rate of fuel during the years 2009-10 and 2010-11. The unit rate of fuel is escalated by 5.8% and suitably adjusted for the estimated growth in traffic.

- (c). Repairs and maintenance cost estimated for the year 2008-09 is based on the actual cost incurred during the first nine months is Rs.126.40 lakhs. The repairs and maintenance cost for the years 2009-10 and 2010-11 is estimated directly in proportion to the variation in the traffic estimations. The entire expenditure may not be fully variable in nature. The VCTPL has, however, maintained that the consumption of stores and spares,

wear and tear of tyres and tubes, workshop tools, etc., tend to increase directly with the increase in the administrative activity due to the increase in the traffic and hence the cost is estimated directly in proportion to the throughput projections. The approach adopted by the VCTPL in estimating this cost is not followed in any of the existing container or cargo terminals. This expenditure is generally estimated as a percentage of cost of assets for new additions and in case no addition to the gross block is proposed then annual escalation in the cost is allowed. Even the guidelines of 2008 for upfront tariff fixation stipulates estimation of this cost element at 1% on cost of civil assets and 2% on cost of mechanical and electrical equipment. The repairs and maintenance cost estimated for the year 2008-09 based on the nine months actuals is found to be well within the norms prescribed in the upfront tariff guidelines. Estimated repairs and maintenance cost for the years 2009-10 and 2010-11 is revised by applying annual escalation of 5.8% over the estimates of the previous year in line with the approach followed in case of other private terminals. The repairs and maintenance cost is estimated at 1% of civil cost and 2% on mechanical and electrical cost during the years 2009-10 and 2010-11 on the additions proposed to the gross block in line with the approach followed in case of other private terminals.

The estimated repairs and maintenance cost furnished by VCTPL include the expenditure of Rs.168.50 lakhs towards relaying of blocks in the backup area of jetty. When asked to justify the classification of this expenditure as revenue instead of capital, the VCTPL has stated that the expenditure is of recurring nature and hence is treated as revenue expenditure. The VPT has viewed that relaying of paver block in the backup area of jetty is a major capital expenditure and needs to be amortized over appropriate period. Since the benefit of the proposed expenditure is not confined only to the year in which it is incurred, it is added to the gross block of assets and depreciated at the applicable rate. Repairs and maintenance cost and insurance are, however, allowed on this expenditure also.

- (vii). (a). In the last tariff revision, the royalty payable by the VCTPL to the VPT was admitted as an item of cost to the extent quoted by the second lowest bidder in line with the tariff guidelines of 2005.

The Net Present Value of the revenue stream quoted by the next lowest bidder obtained from the VPT was found to be 51% less than the relevant assessment for the VCTPL's bid. Accordingly, royalty amount payable by the VCTPL on its traffic projections was allowed upto 49% thereby restricting the royalty payment to the level quoted by the next lowest bidder.

- (b). The VCTPL has indicated the Minimum Guaranteed Throughput (MGT) at the level of 112000 TEUs for the financial year 2008-09, 140000 for the year 2009-10 and 166400 for the year 2010-11. The actual container traffic handled by VCTPL in the year 2007-08 as well as estimates for the years 2008-09 to 2010-11 are below the MGT level prescribed in the LA.

As per LA, the VCTPL is bound to pay royalty on the Minimum Guaranteed Throughput in case the actual traffic handled is less than the level of MGT. The VCTPL has, therefore, claimed royalty payable to the extent of the second highest quote on the throughput projected for the years 2008-09 to 2010-11 as well on the shortfall in the traffic estimation from the Minimum Guaranteed Throughput stipulated in the LA.

As already held in the last tariff Order of the VCTPL as well in the case of the South West Port Limited (SWPL), if the royalty amount beyond the traffic handled / estimated is considered as cost in tariff, then the existing traffic will have to bear additional burden arising due to the terminal not

achieving the minimum guaranteed throughput quoted by the private terminal operator.

Partial pass through of royalty can be allowed only on the estimated traffic projections. In other words, the royalty payment arising due to non-realisation of the Minimum Guaranteed Throughput will not be recognised for tariff fixation. Accordingly, royalty payable by VCTPL to VPT is allowed as pass through to the extent quoted by the second highest bidder on the actual throughput / projections for the years 2007-08, 2008-09, 2009-10 and 2010-11.

- (viii). The estimate of equipment hire charges relates to the expenditure on outsourcing the service relating to transportation of containers. The VCTPL has furnished a copy of the agreement entered with the outsourcing agency in June 2007 for a two year period which indicates the rate for outsourcing the service at Rs.200 per 20' container and Rs.255 per 40' container.

The expenditure on equipment hire for the years 2009-10 and 2010-11 is, however, estimated based on the unit rate of Rs.350 for a 20' container and Rs.550 for a 40 feet container. The VCTPL has maintained that the estimate is based on its proposal to outsource the existing service to another contractor who will provide specialized heavy duty and new terminal tractors- trailers to cater to twin lift cranes to enable higher efficiency level at an increased cost.

The document furnished by the VCTPL to justify the estimate is a bid received and not a firm work order issued by the VCTPL. The benefit to users from the new arrangement which will increase the cost by 75% to 105% is also not explained. That being so, the estimate of this item for the years 2009-10 and 2010-11 is made allowing annual escalation of 5.8% over the existing unit rate recognising that the contract is likely to expire in June 2009 and adjusted for the traffic projections.

- (ix). The insurance cost for the year 2007-08 is reported at Rs.42.15 lakhs which is supported by the copy of the insurance policy furnished by the VCTPL for the period October 2007 to September 2008. This cost item is estimated at Rs.40.87 lakhs for the year 2008-09 and Rs.41.63 lakhs in the year 2009-10 almost at the level reported for the year 2007-08 and hence is accepted. The insurance cost for the year 2010-11 estimated at Rs.82.94 lakhs includes the estimated insurance premium on the addition proposed to the gross block of assets based on the prevailing rate of insurance. The insurance cost estimated for the years 2008-09 to 2010-11 is in the range of 0.4% to 0.6% of the gross block of assets and is well within the norms prescribed in the upfront tariff guidelines. The estimates of insurance premium as furnished by VCTPL are considered in this analysis. As stated earlier, the insurance cost is also estimated on the cost of relaying the paver blocks which is treated as capital expenditure in this analysis.
- (x). The VCTPL pays lease rentals on 164000 sq. mtrs. of land allotted to it by the VPT in terms of LA. It has estimated lease rental of Rs.78.71 lakhs payable to VPT for each of the years 2008-09 to 2010-11, which is confirmed by the VPT.
- (xi). The estimate of management and administration overhead is made by the IGTPPL considering 5.6% increase towards inflation in the WPI over actuals/estimates for 2008-09. The annual escalation in the cost is allowed upto 5.8% over the actuals / estimates of the respective previous year in line with the approach followed for estimating the other cost items.

The management and administration overhead includes cost of 4 additional management staff proposed to be deployed during each of the years 2009-10 and 2010-11. The management and administration estimated for the year 2009-10 also include Rs.89.43 lakhs towards registration charges of the lease agreement with the VPT estimated. Since this expense is for the entire project, the cost is amortised over the balance period of the project i.e. 23 years from the year 2009-10 and shown along with preliminary expense and the upfront payment write off.

- (xii). 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 and shown separate entry by spreading this expenditure over the project period. It has also made suitable modification in the depreciation to that extent. This is found to be in line with the approach followed at other private terminals and the treatment given in the last tariff revision and hence is accepted.
- (xiii). The estimates of other expenses include tally charges, lashing/unlashing expenses and reefer monitoring charges varying directly in proportion to the traffic projections. The estimate of these items is considered subject to modification made in the number of boxes as already explained. The other items under this head such as security expenses, testing charge and water charges are modified applying the annual escalation at the stated level of 5.8% over the estimates of the respective previous years.
- (xiv). (a). The management expense relates to Technical Service Fee payable by the VCTPL to the Dubai Ports International (DPI) and United Liner Agencies (ULA). A copy of the contract entered by the VCTPL with the relevant parties in December 2002 for rendering this service was submitted during the tariff revision exercise of 2005.

As per the tariff guidelines, 'Technical Service Fee' 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 yardstick of 'arms length relationship' of this transaction is established as defined under Income Tax Act. This item was admitted as cost earlier in the 2005 and 2007 tariff Order relying on the certificate from the Chartered Accountant furnished by VCTPL which certified the technical service fee payable by the VCTPL to the DPI and ULA had been determined having regard to 'arms length price' computed as per the provisions of Section 92 (C) of the Income Tax Act 1961. This expense was allowed as cost subject to verification at the time of next review based on the IT assessment order.

The Income Tax Assessment orders furnished by the VCTPL for the assessment years 2004-05 and 2005-06 do not make any mention about this expense. It has been clarified that the actual payment is not yet effected. The VCTPL has clarified that a provision has been made in its Annual accounts for the payment of management / technical Services fee to the promoters as per the contracts entered into with them, but the payment of the fee was deferred in view of losses incurred by the company.

The actual cost position for the years 2005-06 and 2006-07 considered by this Authority in the tariff Order of June 2007 reported a loss. However, the cost position for the years 2007-08 and 2008-09 furnished by the VCTPL as well as the cost statement prepared by us after admissible cost and return on capital employed reflect a surplus position.

Based on the clarification furnished by VCTPL, this item is continued to be admitted as cost in this exercise also relying on the certificate issued by its Chartered Accountant during the tariff revision Order of 2005 certifying 'arms length' of this transaction as per the Income Tax Act 1961 subject to the condition that the VCTPL will produce at the time of next review the evidence of actual payment and the IT assessment orders. If such evidence is not produced, expenditure allowed till now in the earlier tariff fixation exercise will be reviewed and fully adjusted in the next tariff revision cycle.

- (b). The Technical Service Agreement specifies payment of fee to the parent companies for a period of 5 years from June 2003 till June 2008. The benefit of the technical services availed is expected to be enjoyed over

the entire project life. Hence the technical service fee paid / payable by the VCTPL is spread over the remaining period of the project in line with the approach followed during the earlier tariff exercise of the VCTPL and other private terminals.

Management fee made prior to the tariff guidelines of 2005 is not admitted as cost. The total management service fee as reflected in the Annual Accounts for the years 2005-06 to 2007-08 is Rs.389.51 lakhs and estimate furnished by the VCTPL for the year 2008-09 upto June 2008 is Rs.33.31 lakhs. Thus, the total management / technical service fee to be considered is Rs.422.82 lakhs. While analysing the actual position for the period covered by the last tariff Order, amortisation to the extent of Rs.27.98 lakhs is taken into account. Therefore, the balance amount of Rs.394.84 lakhs is spread over the remaining period of the project i.e. 25 years from the years 2007-08 onwards.

- (xv). The VCTPL has claimed Rs.29.55 lakhs, Rs.40.46 lakhs, Rs.50.40 lakhs, Rs.65.46 lakhs and Rs.94.86 lakhs towards efficiency gain achieved in the years 2006-07 to 2010-11 respectively.

While computing the efficiency gain, the VCTPL has compared the actual consumption of power in the years 2005-06, 2006-07 and 2007-08 with the actuals of 2004-05. For fuel, it has compared the actual consumption of fuel for the years 2006-07 and 2007-08 with that of 2005-06. For the years 2008-09 to 2010-11, the VCTPL has adopted the base year as 2004-05/ 2005-06 for comparing the savings in power / fuel consumption for efficiency gain computation. The VCTPL has adopted two different base periods for claiming efficiency gain for two different cost items. Further, the computation of efficiency gain is also not in line with the provisions of the tariff guidelines. 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. In the case of the VCTPL, the first tariff Order was passed by this Authority in September 2003 which considered the estimates for the years 2003-04 and 2004-05, the second tariff Order was passed in the year September 2005 which considered the estimates for the year 2005-06 and 2006-07. This Authority while passing the Order in June 2007 extending the then prevailing Scale of Rates, had advised the VCTPL to establish cost reduction achieved due to efficiency / productivity improvement with reference to the average efficiency / productivity improvement performance for the years 2005-06 to 2007-08. Thus, the average performance achieved by the VCTPL in terms of efficiency / productivity improvement during the years 2005-06 to 2007-08 should have been compared with the average performance of the preceding cycle i.e. 2003-04 and 2004-05 in line with the tariff guidelines. The computation of efficiency gain made by the VCTPL is not found to be in line with the tariff guidelines and hence no allowance is made for efficiency gain.

- (xvi). (a). The gross block of assets and net fixed assets excluding the upfront fee and lease hold premium capitalised is reported at Rs.73.08 crores and Rs.45.56 crores for the year 2007-08.

On our advice, the VCTPL has revisited the additions proposed to the gross block based on the current status of each of the capital projects and deferred some of the capital expenditure items such as procurement of two RMQCs, four RTGCs, part of the IT cost, workshop from the years 2009-10 to 2010-11. In the revised proposal, the VCTPL has considered addition of Rs.21.50 lakhs to the gross block of assets in the year 2008-09 which is the actual investment made by it during this year. The capital expenditure estimated during the years 2009-10 and 2010-11 are Rs.215.40 lakhs and Rs.11804.28 lakhs respectively.

- (b). The addition of Rs.215.40 lakhs to the gross block during the year 2009-10 proposed by the VCTPL includes cost for extension of Gate Complex, Office space for additional staff and IT related cost. Relying on the present status of the work and copy of the quotations furnished by the VCTPL, the proposed addition to the gross block of the assets during the year 2009-10 is recognised. As stated earlier, the estimated cost of Rs.168.50 lakhs towards relaying the paver blocks is also added to the gross block for this year.
- (c). The proposed addition of Rs.11804.28 lakhs to the gross block during the year 2010-11, mainly comprises Rs.10529 lakhs towards procurement of RMQCs / RTGCs, Rs.1050 lakhs towards Administrative building / workshop / additional storage yard and Rs.225 lakhs for Navis Software.

As per Appendix 13 - Equipment Procurement Plan stipulated 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 per year. Since the VCTPL expects to cross 1 lakh TEUs in the year 2009-10, it has proposed to deploy 2 RMQCs and 4 RTGCs in the year 2010-11 reportedly in accordance with the terms of the License Agreement. The VPT has confirmed that the Additional RMQCs and RTGCs proposed by the VCTPL is in line with the LA.

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 submitted that the existing 2 old RMQCs still have some useful life and could be deployed at berth to cater two vessels or a single main line vessel. Based on the clarification furnished by the VCTPL and confirmation from the VPT that the proposed investment is as per the LA, the addition of 2 RMQCs and 4 RTGCs proposed by the VCTPL in the year 2010-11 is considered in this analysis. The unit price of RMQCs and RTGCs considered for estimating the capital expenditure is substantiated with documentary evidence.

The VCTPL has not specified the exact time limit by which these equipments are expected to be commissioned. Depreciation, insurance, return on the investment on the additions proposed to the gross block are estimated by the VCTPL for the full year of 2010-11 is considered in the analysis on the presumption that these equipment will be commissioned and available for operation from the beginning of 2010-11.

Based on the documentary evidence in form of quotations from vendors and the status of the proposed investment furnished by the VCTPL, the capital cost estimated towards civil work and IT in the year 2010-11 is accepted.

- (xvii). (a). For the purpose of determining the working capital, debtors are estimated at two months' revenue projection, stores and spares at six months' average consumption, cash and bank balances at one months' cash expenses and current liabilities are assumed to be 15 days average operating expenses pertaining to equipment hire charge, equipment running cost and other expenses.

The estimation of sundry debtors is not found to be line with the revised tariff guidelines. 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.

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 also, the VCTPL is not required to make any advance payment of royalty.

- (b). The estimate of stores and spares is allowed upto six months' of average consumption as per the norms prescribed in the tariff guidelines.
 - (c). Cash and bank balance has been considered at one month's operating expenditure in the computation of working capital.
 - (d). Current liability as reported for the year 2007-08 is considered.
 - (e). The modified estimation of working capital for the years 2008-09 to 2010-11 based on the norms prescribed in the revised tariff guidelines is negative and hence considered as nil.
 - (f). The unamortized portion of preliminary expense, upfront fee and deferred revenue expenses forms part of the capital employed on which return is allowed. The capital employed subject to the modifications explained in the foregoing paragraphs works out to Rs.4376.11 lakhs for the year 2008-09, Rs.4250.05 lakhs for the year 2009-10 and Rs.14655.35 lakhs for the year 2010-11.
- (xviii). The capacity of the Container Terminal assessed by the VCTPL is 105668 TEUs for the year 2008-09. It has stated that there are 772 TEU ground slots available at present for stacking containers. With an average dwell time of 6 days and average stacking factor of 2.25, the terminal capacity is 105,668 TEUs. The capacity of the terminal for the year 2009-10 is estimated to increase to 126801 TEUs in view of reduction expected in the average stay of the container to 5 days. For the year 2010-11, the VCTPL proposed to increase the ground slots to 1096 TEUs anticipating additional equipment and the capacity of the terminal is assessed to be 180018 TEUs per annum. The capacity utilisation for the throughput projections is 79.52%, 82.81% and 73.88% for the years 2008-09 to 2010-11.

This Authority had in the Order of 30 December 2008 relating to Nhava Sheva International Container Terminal, decided to determine the level of standard capacity by applying the formula and relevant parameters prescribed in the upfront tariff guidelines of 2008. As stated earlier, the VCTPL has not fully developed the back up area allotted by the VPT for container stacking. It has considered only the grounds slots presently developed by it available for assessing the capacity. Further, the existing terminal consists of old cranes hence the productivity norms prescribed in the guidelines may not be applicable. It may, therefore, be difficult to apply the standard formula to determine the quay capacity of the existing terminal. A rough calculation shows that the capacity of the terminal would be around 4.8 lakhs TEUs per annum assuming the present terminal capacity as assessed by the VCTPL and considering capacity of the two new RMQCs proposed to be deployed in the year 2010-11 as per norms.

The revised tariff guidelines prescribes minimum capacity utilisation of 60% for claiming full ROCE. Clause 2.9.11. of the revised tariff guidelines 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. Both the VPT and the VCTPL have confirmed that the investment proposed in the year 2010-11 is as per LA. Hence, it is entitled for full ROCE @ 16% on the modified the capital employed as per the revised tariff guidelines. The VCTPL is, however, advised to compute the capacity as per the norms prescribed in the tariff guidelines of 2008 while filing the proposal for next tariff review/ revision.

- (xix). The License Agreement stipulates that on expiry of the license period, the licensor shall pay for and acquire the whole of the undertaking's project facilities and services at a price equal to the aggregate of fair value determined by an

independent expert. The VCTPL has not recognised the annualised impact of the terminal benefits receivable at the end to the project citing the difficulty in estimating the fair value of assets at the end of the validity period.

For similar reasons given by the Chennai Container Terminal Limited (CCTL) in their review application, this Authority in its Order dated 19 June 2008 had decided to consider the terminal value in the last 2 or 3 tariff cycles of the operator when the position about the assets likely to be transferred to the landlord port may become clearer. Flowing from the decision taken in the case of CCTL, the annualised impact of terminal value is not considered in the case of VCTPL also for the years 2008-09 to 2010-11. However, the position maintained prior to 2008-09 in the earlier tariff Order is not altered and credit may be given to the amount considered prior to 2008-09, when the terminal value of assets are considered in the tariff computation at the later stage.

- (xx). (a). Clause 2.13 of the revised tariff guidelines mandates this Authority to review the actual physical and financial performance of the major port / private operators at the end of the prescribed tariff validity period with reference to the projections relied upon at the time of fixing the prevailing tariff. The VCTPL has furnished an analysis of the actuals for the past period 2004-05 to 2006-07. The actual physical and financial performance for the years 2005-06 and 2006-07 was, however, already analysed and dealt with the last tariff Order of June 2007. Therefore, only the actual physical and financial performance for the past period 2007-08 is analysed now with reference to the estimates considered in the last tariff Order of June 2007.
- (b). The classification of actual income and expenditure furnished by the VCTPL in the cost statement differs from the classification followed for reporting in their Annual Accounts. The VCTPL has furnished a statement reconciling the Profit / Loss before tax reported in the Annual Accounts with the net surplus / deficit reflected in the cost statement which shows that adjustment are made in some of the cost items in the statement furnished for tariff revision. Actuals furnished by the VCTPL in the cost statement are, therefore, considered for analysing the actual position subject to making the adjustment shown by the VCTPL in the reconciliation statement. The analysis for the past period for the year 2007-08 furnished by the VCTPL is modified to the extent it is not found to be in conformity with the earlier Order and the general principles followed as explained hereunder:
- (i). The royalty payable to the VPT to the extent of the NPV quoted by the second lowest bidder is considered only on the actual throughput achieved.
- (ii). For allowing return on capital employed, the net fixed assets as reported in the annual accounts and working capital computed as per the tariff guidelines is considered. Unamortised portion of preliminary expenses and upfront payment is also added to the capital employed for computation of return.
- (iii). Accordingly, the net surplus / deficit after allowable return as per the last tariff Order vis-à-vis the actual subject to the above discussions is as follows:

(Rs. in lakhs)

Year	Net surplus / deficit as per tariff Order of 28 June 2007	Actual net surplus / deficit
2007-08	(-) 83.79	300.84

- (c). The actual traffic handled by the VCTPL in the year 2007-08 is 5.2% less than the estimates considered in the last tariff Order. The variation in the sum of actual cost as well as the capital employed position with reference to the estimates considered in the last tariff Order is found to be less than (+)/(-) 20%. The actual operating income is, however, reported to be 26% higher than the estimated income despite 5.2% drop in the actual traffic. The cost statement relating to past performance shows that the income from other items realised by the VCTPL is Rs.846.83 lakhs as against Rs.250.71 lakhs estimated in the last tariff Order. The variation is mainly on account of actual income from non-container vessels reported at Rs.603.58 lakhs by the VCTPL in the year 2007-08 which was not estimated at that level in the last tariff Order. This Authority had already in the last tariff Order of June 2007 held that if the actual operating income varies from the estimates furnished by the VCTPL, the additional accrual will be fully set off against future tariff revision. That being so, the net actual surplus assessed for the year 2007-08 after admissible cost and return is adjusted equally over the three years i.e. 2008-09 to 2010-11.

- (xxi). The cost statement for the years 2008-09, 2009-10 and 2010-11 has been modified in line with the above analysis. The modified cost statements are attached as **Annex - I**. The summarised position of the results disclosed by the financial / cost statements is tabulated below:

(Rs. in lakhs)

Operating Income (Rs. in lakhs)				Net Surplus (+) / Deficit (-) (Rs. in lakhs)			
2008-09	2009-10	2010-11	Total	2008-09	2009-10	2010-11	Total
3479.50	2960.77	3697.24	10137.51	1020.79	265.58	(-)2058.68	(-)772.31

From the above table, it is clear that the VCTPL is in surplus position to the tune of Rs.1020.79 lakhs in the year 2008-09 and Rs.265.58 lakhs in the year 2009-10 at the existing tariff level. The deficit of Rs.2058.68 lakhs arising in the year 2010-11 is contributed by the financial effect of the additional equipment i.e. 2 RMQCs and 4 RTGCs proposed to be deployed in the year 2010-11. Though, the average cost position for the three years in a tariff cycle is generally considered to determine the revised tariff, this Authority has followed year-wise approach also in some cases for stated reasons. In this case, the need for tariff increase arises on account of the additional equipment proposed to be deployed during the year 2010-11. Hence as justifiably demanded by Visakha Container Lines Association increase in tariff should be linked to the proposed investment. Incidentally, this is also in line with the approach followed by the VCTPL in its initial proposal which sought increase from the year when additional equipment were proposed to be deployed.

While passing the Order relating to the tariff revision of the Chennai Container Terminal, this Authority has decided that grant of extension of the existing Scale of Rates of Major Port Trusts/ Private Terminals shall be subject to the condition the additional surplus, if any, during the extended period would be fully set off in the next tariff revision. This Authority had accordingly passed an Order on 30 September 2008 refining the guidelines of 2005 in this regard for uniformly application of this condition. While extending the Scale of Rates of the VCTPL vide Order No.TAMP/12/2007-VCTPL dated 17 June 2009, it was stated that additional surplus, if any, over and above the admissible cost and permissible return for the period post 1 April 2008 will be adjusted fully in the tariff to be determined.

Though no adjustment is shown in the cost statement in this regard, the entire surplus estimated for the year 2008-09 is adjusted in the year 2010-2011 which reflect a deficit position to determine the effective tariff increase.

The VCTPL had proposed 7.81% increase in respect of one tariff item i.e. the composite handling rate for import and export from the year 2009-10 onwards since the investment on additional equipment was initially proposed during this

year. The additional income estimated by the VCTPL on account of tariff increase proposed in the composite handling rate is Rs.4.08 crores for the two years under consideration.

In the revised proposal, the VCTPL has deferred the investment proposed on the additional equipment to the year 2010-11 but has not altered the tariff proposal. Since additional investment on equipment has been deferred by the VCTPL to the year 2010-11 and also recognising surplus position reflected by the cost statement for the year 2009-10, there is no case for granting increase in the tariff proposed by the VCTPL and burden the users for an investment and the related cost, the benefit of which is likely to be available in the succeeding year. That being so, status quo is to be maintained in the year 2009-10 subject to some adjustments proposed by the VCTPL as explained in the subsequent paragraphs.

The surplus of Rs. 265.58 lakhs estimated for the year 2009-10 is to be adjusted on pro-rata basis upto the date of this Order say July 2009. But, recognising that there is no case for granting any increase in the year 2009-10 in view of the surplus position reflected by the cost statement and for the reasons explained in the preceding paragraph, this Authority finds it appropriate to adjust the entire surplus for the year 2009-10 against the deficit position estimated for the year 2010-11.

The net revenue deficit for the year 2010-11 to be bridged by tariff increase after adjusting the estimated additional surplus of Rs.1286.37 lakhs for the years 2008-09 and 2009-10 is Rs.7.72 crores. After considering an additional income of Rs.22 lakhs (approximately) for the two years 2009-10 and 2010-11 due to amendments proposed in the tariff for hazardous containers and out of gauge containers, etc., an increase of 20% in the existing rates will be required to bridge the estimated deficit of balance Rs.7.50 crores. This Authority finds that a sudden increase of about 20% in the last year of the tariff cycle will be too steep and may also act as a deterrent for the terminal which is already struggling to build up volumes. The deficit position mainly arises due to the proposed additional investment on 2RMQCs and 4 RTGCs in the year 2010-11 whereas the exact time of commissioning of these equipment is not firmed up. This Authority, therefore, finds it justified to restrict the increase to 10% for the year 2010-11 over the existing tariff level prescribed in Section I of the Scale of Rates. Incidentally, even the VCTPL has proposed 7.81% increase from the year 2009-10 in the composite handling rate for import / export containers.

While reviewing the actual position at the time of the next tariff review if it is found that the VCTPL has incurred any revenue loss on account of moderating the tariff increase to 10% for the year 2010-11, then such loss will be accounted for in the tariff to be determined for the next cycle.

It is reiterated that the need for tariff increase in the year 2010-11 arises mainly due to inclusion of the cost of the additional equipment (i.e. RMQCs and RTGCs) which are presumed in this analysis to be available for operation from the beginning of the financial year 2010-11. The other investment proposed by the VCTPL on administrative building, IT, etc., are of routine nature and not contributing significantly to the deficit position. That being so, the tariff increase of 10% allowed for the year 2010-11 will become effective in that year only from the date of commissioning of the 2 new RMQCs and 4 RTGCs. 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.

- (xxii). Users are not required to pay charges for delays beyond reasonable level attributable to the major ports / private terminals as stipulated in clause 2.15 of the revised tariff guidelines. The proposed Scale of Rates of VCTPL includes a note in this regard.

The existing provision stating that storage charge shall not accrue for the period during which the VCTPL is not in a position to deliver / ship the cargo as and when requested by the users is also included in the proposed Scale of Rates in line with the provision prescribed in other private terminals and the major ports.

- (xxiii). The penal rate of interest for delayed payments by users and delayed refunds by VCTPL is proposed at 14.75%. The prevailing Prime Lending Rate (PLR) of the State Bank of India is 11.75%. Accordingly, the proposed provision relating to penal rate of interest on delayed payments by users and delayed refunds by VCTPL is updated with interest rate of 13.75% being 2% above the prevailing PLR of the State Bank of India.
- (xxiv). To our suggestion to indicate benchmark level of productivity for inclusion in the Scale of Rates as conditionalities governing the respective tariff items, the VCTPL has indicated that the productivity level may be set in accordance with the License Agreement at 30 moves per berth hour. As already stated earlier, the VCTPL is presently operating with two old quay cranes. Two new RMQCs as per the License Agreement are proposed to be deployed and made available for use in the year 2010-11. The VCTPL has not proposed any incentive scheme for better performance and disincentive for performance below the proposed productivity level. The VCTPL is advised to incorporate a suitable scheme based on the actual operation of the new equipment at the time of next tariff cycle.
- (xxv). The VCTPL has proposed to increase the premium in the handling charge of Out of Gauge (OOG) containers from existing level of 25% to 100%.

The VCTPL has clarified that Out of Gauge (OOG) containers are handled using special handling gears like slings, shackles, etc, which require additional manpower and the average number of moves of OOG container in an hour is 7 as against an average move of 24 per hour for handling a normal container. Similarly even at the container yard the average moves for handling an OOG container is reportedly significantly lower than a normal container. Thus, based on the operational time and efforts involved for handling an OOG container being more than 3 to 5 times as compared to handling normal containers, it has proposed to charge 100% premium for handling OOG container.

It is relevant to mention that the premium prescribed for handling Over dimensional containers at the other container terminals like Chennai Container Terminal Limited, India Gateway Terminal Private Limited, PSA SICAL Terminals Limited is 25% of the applicable handling charge. There is no extra ordinary circumstance brought out by VCTPL which warrants an exceptional tariff arrangement in its case.

- (xxvi). The VCTPL has proposed double the normal applicable charge for storage of over dimensional containers as against the existing premium of 25%. The VCTPL has clarified that the OOG containers occupy more space than a normal container generally leading to loss of two container slots. It has, therefore, proposed to levy 200% premium for storage of OOG containers. It may be relevant to mention that in case of Chennai Container Terminal Limited, ABG Kandla Container Terminal Limited etc., this Authority has prescribed storage charge based on the actual number of ground slots occupied by the OOG containers. The note proposed by the VCTPL in the Scale of Rates is modified in line with the prescription at the Chennai Container Terminal Limited, ABG Kandla Container Terminal Limited.
- (xxvii). The existing Scale of Rates of the VCTPL does not specify separate free period for hazardous container and, therefore, the free period applicable for normal import / export container in the range of three days to ten days will apply for hazardous container. The VCTPL has proposed to reduce the free period for hazardous container to one day. It has submitted that average dwell time of a hazardous containers handled during the period October 2007 to March 2008 is 3.2 days and they avail 3 days free period as per the current Scale of Rates. These containers are stacked separately following the International Maritime Dangerous Goods (IMDG) code and there are risks involved due to overstayal of

the containers in the terminal. To act as deterrent and for safety related reasons, the free period of hazardous containers is proposed to be reduced from 3 days to 1 day for both import and exports categories. The tariff guidelines of 2005 also give the flexibility to the port / private operator to propose the free period. In view of this, and based on the clarifications furnished by the VCTPL, the reduction in the free days proposed by the VCTPL is accepted.

- (xxviii). The VCTPL has proposed to increase the film shooting charges from existing Rs.10,000/- per day to Rs.1,00,000/- per day. Since this is a miscellaneous tariff item and will not have any significant financial impact, the proposed tariff is accepted.
- (xxix). The VCTPL has proposed to increase the charges for removal of garbage from existing Rs.2000 per truck per trip to Rs.8000 per truck per trip. It has submitted that the garbage removed from the vessels calling at the terminal is moved out to a dumping yard approved by Municipal Corporation which is about 20 kms. from the terminal. Cost involved for garbage collection is approximately Rs.468/- per cubic meter and a truck trip can carry 15 cubic meters. Accordingly, it works out to Rs.7020/- per truck trip. It has proposed tariff of Rs.8000/- per truck per trip for this service which is optional. Recognising that the increase proposed is for a miscellaneous service, and also recognising that none of the users have made any major objection, this Authority approves the proposed rate.
- (xxx). The validity of the existing Scale of Rates has been extended till 30 September 2009 or till the 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 after 15 days from the date of the notification of the Order in the Gazette.

As already mentioned earlier, the financial position considered for the purpose of this analysis is till 31 March 2011 only. Hence, the validity of the revised Scale of Rates is prescribed till 31 March 2011. The approval accorded will automatically lapse thereafter unless specifically extended by this Authority.

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

11.2. The revised Scale of Rates approved will come into effect 15 days from the date of the Order passed by this Authority and will remain valid till 31 March 2011.

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

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

(Brahm Dutt)
Chairman

Consolidated Income & Cost statement of Visakha Container Terminal Private Limited

(Rs. Lakhs)

			Estimates furnished by the VCTPL				Estimates modified by TAMP		
Sr.No.	Particulars	2007-08 Actuals	2008-09 Actual upto Dec Estimates from Jan to March	2009-10 Estimates	2010-11 Estimates	2008-09 Actual upto Dec Estimates from Jan to March	2009-10 Estimates	2010-11 Estimates	
	Traffic (In MTs / TEUs)	71,086	84,031	105,000	133,000	84,030	105,000	133,000	
I	Total Operating Income								
	(i) Container handling income	1,865.46	2,387.98	2,548.19	3,162.57	2,387.98	2,766.89	3,503.69	
	(ii) Others	846.83	1,091.52	244.33	265.76	1,091.52	193.88	193.55	
	Total Operating Income	2,712.29	3,479.50	2,792.52	3,428.33	3,479.50	2,960.77	3,697.24	
II	Operating Costs (excluding depreciation)								
	(i) Operating & Direct Labour	106.17	129.85	177.15	356.39	129.85	177.41	357.02	
	(ii) Maintenance Labour	79.05	88.03	113.47	160.60	88.03	113.64	161.01	
	(iii) Equipment Running Costs	228.54	268.35	500.45	436.28	268.35	314.06	501.77	
	(iv) Royalty / revenue share	24.55	43.57	69.44	91.83	30.88	48.23	65.17	
	(v) Equipment Hire	116.18	154.36	327.87	412.79	154.36	203.58	255.21	
	(vi) Lease Rentals payable as per concession agreement	78.71	78.71	78.71	78.71	78.71	78.71	78.71	
	(vii) Insurance	42.15	40.87	41.63	82.94	40.87	42.64	83.92	
	(viii) Other expenses	113.74	143.47	152.63	173.20	143.47	160.39	183.13	
	(ix) Technical Service Fee	15.79	15.50	15.50	15.50	15.79	15.79	15.79	
	Total (i to x)	804.89	962.71	1,476.83	1,808.23	950.32	1,154.46	1,701.72	
III	Depreciation	570.66	582.08	577.36	1,376.95	582.08	582.98	1,382.56	
IV	Overheads								
	(i) Management & Administration overheads	245.49	313.38	432.62	381.28	313.38	343.82	382.63	
	(ii) General Overheads					-	-	-	
	(iii) Preliminary expenses & Upfront Payment and deferred revenue expense write off	12.53	12.53	12.53	12.53	12.53	16.41	16.41	
	(iv) Others					-	-	-	
	Total (i to iv)	258.02	325.91	445.15	393.80	325.91	360.24	399.04	
						-	-	-	
V	Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)	1,078.72	1,608.80	293.18	(150.65)	1,621.19	863.10	213.92	
VI	Finance & Miscellaneous Income (FMI)								
	(i) Discounted terminal value receivable as per the concession agreement	5.85							
	(ii) Others with details	12.54	15.75	2.30	2.30	15.75	2.30	2.30	
	Total	18.39	15.75	2.30	2.30	15.75	2.30	2.30	
VII	Finance & Miscellaneous Expenses (FME)								
	Contribution of Provident Fund	14.16	16.26	20.05	30.25	16.26	20.08	30.32	
	Others	0.74							
	Total	14.90	16.26	20.05	30.25	16.26	20.08	30.32	
VIII	FMI Less FME (VI) - (VII)	3.49	(0.51)	(17.75)	(27.95)	(0.51)	(17.78)	(28.02)	
IX	Surplus Before Interest and Tax (V) + (VIII)	1,082.21	1,608.29	275.43	(178.60)	1,620.68	845.31	185.90	
X	Capital Employed	4,883.58	4,753.74	4,319.10	14,890.82	4,376.11	4,250.05	14,655.35	
XI	RoCE - Maximum permissible (16% / 6.35% / 0%)	781.37	760.60	691.06	2382.53	700.18	680.01	2344.86	
XII	Capacity Utilization	67.27%	79.52%	82.81%	73.88%	79.52%	82.81%	73.88%	
XIII	RoCE adjusted for capacity utilization	781.37	604.86	572.24	1760.25	700.18	680.01	2344.86	
XIV	Net Surplus / (Deficit) (IX) - (XIII)	300.84	1,003.43	(296.81)	(1,938.85)	920.50	165.30	(2,158.96)	
XV	Net Surplus / (Deficit) as a % of operating income (XIV/I in %)		28.84 %	-10.63 %	-56.55 %	26.46 %	5.58 %	-58.39 %	
XVI	Efficiency Gain		50.40	65.46	94.86	-	-	-	
XVII	Net Surplus / (Deficit) after recognising efficiency gain (XIV) - (XVI)		953.03	(362.27)	(2,033.71)	920.50	165.30	(2,158.96)	
XVIII	Net Surplus / (Deficit) as a % of operating income (XVII/I in %)	11.09 %	27.39 %	-12.97 %	-59.32 %	26.46 %	5.58 %	-58.39 %	
XIX	Accumulated gain for the period 2007-08 spread over three years equally					100.28	100.28	100.28	
XX	Net Surplus after adjustment of gain accrued in 2007-08.		953.03	(362.27)	(2,033.71)	1,020.79	265.58	-2058.68	

Note: The estimates of 2010 -11 include cost of investment of two Rail Mounted Quay Crane and 4 Rubber Tyred Gantry Cranes and related operating cost reported to be made as per the LA. The VPT has also endorsed this position.

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 13.75% p.a. The penal interest will apply to both the VCTPL and the users equally.
 - (c). The delay in refunds by the VCTPL will be counted beyond 20 days from the date of completion of services or on production of all the documents required from the users, whichever is later.
 - (d). The delay in payments by the users will be counted beyond 10 days after the date of raising the bills by the VCTPL. This provision shall, not apply to the cases where payment is to be made before availing the services as stipulated in the Major Port Trusts Act, 1963.
- (iv). A premium of, 25% will be levied in case of Hazardous cargo containers/Out of Gauge containers over the applicable handling charge.
- (v). In case of coastal containers, concession is applicable on composite box rate. The composite box rate on all coastal containers shall not exceed 60% of the corresponding charges for normal containers. In case of 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). For the year 2010-11, the rates prescribed in Section I of the Scale of Rates will be revised upwards by 10% from the date the VCTPL commissions additional new equipment viz. 2 Rail Mounted Quay Cranes and 4 Rubber Tyred Gantry Cranes

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 Rs.)

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 Rs.)

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 Rs.)

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 Rs.)

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 Rs.)

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 Rs.)

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 Rs.)

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 Rs.)

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 Transshipment container is shut out, the following rates shall apply:

(in Rs.)

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 Rs.)

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

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.

1.10. CHARGES FOR STORAGE OF CONTAINERS

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

(Rate in Rs. 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 Rs. 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 10 days	Free	Free	Free
(ii).	from 11 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**

(in Rs. 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**

(in Rs. 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 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

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

(Rate in Rs. 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 Rs. 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 Rs. 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**

(in Rs. 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 Rs.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, Rs.200/- per 1000 Ltrs. or part thereof will be charged for supply of fresh water, subject to a minimum charge of Rs.1000/-.

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

SECTION - II

2. OTHER SERVICES

2.1. VISITOR ENTRY PASS

	Yearly	Monthly	Daily
(a). Per Application	Rs.250	Rs.100	Rs.20

2.2. VEHICLE ENTRY PASS

Per Entry	Rs.100/-
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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	Rs. 1,00,000 per day
(b). Taking Photographs of Goods Imported / Exported	Rs. 500 per day
(c). Taking Photographs of Crews and Others	Rs. 250 per day
(d). Videography (related to operational activities)	Rs. 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	Rs.2100 per hour
10001 to 30000	Rs.0.10 per GRT per hour with minimum of Rs.2100 per hour
30001 and above	Rs.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/7/2008-VCTPL - Proposal from Visakha Container Terminal Private Limited (VCTPL) for revision of its Scale of Rates.

The summary of comments received from the Visakhapatnam Port Trust and the users / user organisations and comments of the Visakha Container Terminal Private Limited (VCTPL) thereon are tabulated below:

Sl. No.	Comments of user	Comments of VCTPL
1.	Visakhapatnam Container Lines Association	
(i).	Prima facie it is against any increase in the costs as this leads to higher cost to the shipper/importers. At this juncture, the trade is still to grow to an acceptable level and increase in costs is a deterrent.	No comments to offer as the proposal was made considering proposed investment. The VCLA has consented the basis adopted for revision of Scale of Rates.
(ii).	TAMP may look into the percentage increase that's being proposed. Any increase in tariff, if accepted, should be tied to the proposed investments as this is the basis for the proposed increase.	
2.	Visakhapatnam Port Trust	
(i).	During the year 2008-09, VCTPL planned to go for repairs by relaying of pavement blocks in the back reach area of Jetty at a cost of Rs.168.50 lakhs. The reasonableness of the above projected increase in operating cost may be examined by the Tariff Authority for Major Ports. It is viewed that the expenditure for relaying the pavement block in the back reach area of the jetties is a major capital repair and need to be amortized for an appropriate period.	No comments furnished.
(ii).	It has no objection retaining the tariff at current levels for the year 2008-09 and the proposed increase in rates by 7.81% in the existing composite rate for handling import and export container for the years 2009-10 and 2010-11 in view of the anticipated increase in operating costs by Rs.532.70 lakhs and Rs.979.23 lakhs over the expenditure projected for 2008-09.	No comments furnished.

2. A joint hearing in this case was held on 19 December 2008 at the VPT premises. The VCTPL made a power point presentation of its proposal. At the joint hearing, VCTPL, VPT and the concerned users / user associations have made the following submissions:

Visakha Container Terminal Private Limited

- (i). Procurement of 2 new QCs is a requirement under the Licence Agreement, when volumes touches 1 lakh TEUs.

Visakhapatnam Port Trust

- (i). We generally endorse the proposal and the investment plan.

Visakhapatnam Container Lines Association

- (i). We have given written comments. Please consider them.
- (ii). The tariff increase, if given, should be linked to actual procurement and deployment of new equipment.
