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# TARIFF AUTHORITY FOR MAJOR PORTS

**G. No. 268** **New Delhi,** **17 September 2014**

## NOTIFICATION

This Authority, in exercise of the powers conferred on it under Sections 48, 49 & 50 of the Major Port Trusts Act, 1963, had disposed of the proposal received from the Chennai Port Trust (CHPT) for general revision of its Scale of Rates, in the Meeting of the Authority held on 4 August 2014. However, considering the time required for notifying (Speaking) Order along with the Scale of Rates, approved by this Authority and considering that the revised Scale of Rates is based on the financial/ cost position of the CHPT for the period of 18 months from 01 October 2014 to 31 March 2016, this Authority decided to notify only the revised Scale of Rates immediately. Accordingly, the Scale of Rates so approved were notified in the Gazette of India on 27 August 2014 by an Order dated 4 August 2014 vide Gazette No. 251. Further, it was stated in the said Notification dated 27 August 2014 that this Authority will notify the Order, in due course of time. Accordingly, this Authority hereby notifies the reasoned Speaking Order connected with disposal of the proposal of the CHPT for general revision of its Scale of Rates as in the Order appended hereto.

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

# Tariff Authority for Major Ports
**Case No. TAMP/11/2013-CHPT**

**Chennai Port Trust - - - - Applicant**

**QUORUM**

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

**O R D E R**
(Passed on this 4th day of August 2014)

This case relates to a proposal from Chennai Port Trust (CHPT) for general revision of its Scale of rates.

2.1. The existing Scale of Rates of the CHPT was last revised vide Order dated 10 November 2010. The validity of the SOR was prescribed till 31 March 2013. Vide the said Order, a reduction of 11% was effected in the then existing port dues charges of CHPT and status quo was maintained in the rates of other tariff items.

2.2. In exercise of the powers conferred by Sections 48, 49 and 50 of the Major Port Trust Act, 1963, this Authority had passed an Order in September 2008 refining / clarifying certain areas of the approach / practice followed in tariff setting exercise of major port trusts and private terminals operating thereat. In the said Order, the major port trusts and private terminals are, inter alia, required to file their tariff proposals by 30 June of the financial year in which tariff revision falls due. Since the review of the Scale of Rates of CHPT fixed in November 2010 fell due in 2012-13, the CHPT was required to file its proposal for revision of its tariff by 30 June 2012.

2.3. Accordingly, the CHPT was reminded in this regard vide our letter no. TAMP/39/2005-Misc dated 7 May 2012 and 4 July 2012. In response, the CHPT vide its letter dated 26 July 2012 requested two months' time to file its proposal. This Authority considered the request of CHPT and decided to allow CHPT time upto 30 September 2012 to file its proposal. This position was communicated to CHPT vide our letter dated 30 August 2012.

2.4. Since the CHPT did not submit its proposal, the CHPT was again reminded vide our letter no. TAMP/39/2005-Misc dated 12 December 2012 to file its proposal for revision of its Scale of Rates before 31 December 2012. The CHPT vide its letter dated 11 December 2012 requested time upto 31 January 2013 to permit them to file its proposal. However, the CHPT was advised vide our letter dated 31 December 2012 to file its proposal for revision of its Scale of Rates immediately.

2.5. Thereafter, this Authority decided that the additional surplus, if any, accruing to the port due to operation of the facilities applying the existing Scale of Rates beyond 1 April 2013 will be adjusted fully in the tariff for the future cycle and that if any loss is suffered by port beyond 1 April 2013, it would not be factored in the tariff for the future tariff cycle. This position was conveyed to the CHPT vide our letter dated 28 January 2013 and the CHPT was requested to file its proposal for revision of its Scale of Rates immediately.

3.1 In this backdrop, the CHPT vide its letter dated 19 February 2013 submitted its proposal for general revision of its Scale of Rates. However, the CHPT did not furnish its proposed draft Scale of Rates with the governing conditionalities alongwith its proposal dated 19 February 2013. It had also not furnished all the prescribed forms as required to be furnished by the port while filing its proposal for general revision of its Scale of Rates.

3.2. Accordingly, the CHPT was advised vide our letter dated 01 March 2013 to furnish the requisite information. It was also communicated to the CHPT that the proposal of CHPT for revision of its Scale of Rates would be taken up on consultation only after the receipt of the complete proposal from CHPT.

3.3. The CHPT vide its e-mail dated 29 May 2013 furnished the proposed draft Scale of Rates along with the requisite forms.

4.1. The main points made by the CHPT in its proposal dated 19 February 2013 are summarized below:

(i). The proposal is for the tariff cycle 2013-14 to 2015-16.

(ii). The Traffic projection for the years 2013-14 to 2015-16 is as follows:

| Years | Traffic in lakh tonnes |
|---|---|
| 2010-11 (actuals) | 61.46 |
| 2011-12 (actuals) | 55.71 |
| 2012-13 (estimates) | 57.00 |
| 2013-14 (estimates) | 59.85 |
| 2014-15 (estimates) | 62.84 |
| 2015-16 (estimates) | 65.00 |

(iii). CHPT has proposed to transfer 50% of the revenue share receipts to a separate Account from the year 2013-14 onwards as per the Tariff guidelines 2005. Accordingly, from the year 2013-14 onwards, 50% of the Estimated Revenue share receipts from the Chennai Container Terminal Private Limited (CCTPL) and Chennai International Terminal Private Limited (CITPL) have been transferred to Escrow Account and balance 50% has been considered as Operating Income.

The accumulations in the Escrow Account will be utilized for infrastructure development projects viz., development of Mega Container Terminal wherein the port's share of investment is to the tune of ₹562 Cr. towards Capital Dredging and Navigational aids and also for other infrastructure development projects, within a period of 5 years as stipulated in the Tariff guidelines.

(iv). The proposal for general revision of Scale of Rates has been prepared after taking into account the following factors:

(a). Though the Port had generated operating surplus and net surplus upto 2011-12, as per RE 2012-13 and BE 2013-14, it is expected that there will be a net loss of ₹51.29 crores for the year 2012-13 and for the year 2013-14 the loss is expected to be ₹73.33 crores.

(b). Further, the Plan expenditure of the Port is being met from Statutory Reserves and Budgetary Support of the Ministry and Non-Plan expenditure is to be met from Statutory Reserves. That apart, Port has to meet 50% of the Rehabilitation and Relocation cost of the Elevated Corridor Project for providing smooth and uninterrupted flow of cargo traffic from the Port to the National Highway due to congestion in the city roads and the restriction imposed on Cargo movement for the convenience of the public.

(c). The Port has to maintain adequate cash flow for refurbishing and repair of the equipment at regular intervals for smooth cargo operation. The other infrastructure facilities like Roads, Cargo Berths etc., also require regular maintenance for providing uninterrupted cargo operation.

(d). The following major projects are envisaged:

(₹ in crores)

| Sl. No. | Particular | Amount |
|---|---|---|
| 1. | Contribution for dedicated Elevated corridor on NH4 from Port to Maduravayal | 1655 |
| 2. | Contribution for Ennore – Manali Road Improvement Project. | 600 |
| 3. | Deepening of Channel Basin and Berths | 143 |
| 4. | Modernization of Chennai Port | 200 |
| 5. | Construction of RO-RO at Southern end of Container Terminal. | 100 |
| 6. | Development of Dry Dock facility at Timber pond Boat | 250 |
| 7. | Procurement of ELL Wharf Cranes. | 93 |
| 8. | Deepening of Channel, Basin and Berths at Dr. Ambedkar Boat basin and Entrance Channel | 143 |

(e). As the Wage Revision for the Port employees is due from 01.01.2012, it is estimated that the additional annual burden may be around ₹80/- Crores, based on the last Wage Revision increase of 23%.

(f). 268 employees have been relieved on Special Voluntary Retirement Scheme as on 31.1.2013 and further it is expected that around 900 employees may opt for Special V.R.S. The ex-gratia payable to these employees may amount to around ₹90 crores.

(g). The port is not handling Coal and Iron Ore as per Hon'ble High Court order from 01.10.2010. The details of the volume and the income earned during previous years is as given below:

| Description | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|
| Coal (in MT) | 9.758 | 7.715 | 3.193 |
| Iron Ore (in MT) | 7.844 | 1.763 | .029 |
| **Total (in MT)** | **17.602** | **9.478** | **3.222** |
| Coal Income (₹ in crores) | 113.21 | 84.92 | 23.73 |
| Iron Ore Income (₹ in crores) | 149.40 | 62.25 | 49.81 |
| **Total (₹ in crores)** | **262.61** | **141.17** | **73.54** |

From the above table, it can be observed that there is drastic drop in the Operating Income.

(h). Increase in Salary Expenditure due to changes in VDA and other allowances, increase in the repairs and maintenance expenditure of equipments, berths, roads, etc., due to inflation, periodic hike in the Tariff of electricity and water charges, taxes payable to the Corporation and hike in Fuel Price.

(v). The cost statements have been worked out by taking into account the following:

(a). The income and expenditure for the years 2012-13 projected as per the Revised Estimates and for 2013-14 projected as per the Budget Estimates.

(b). The income for the year 2014-15 & 2015-16 has been worked out as per the tonnage projected for 2014-15 & 2015-16. The F&M Income for the year 2014-15 & 2015-16 has been worked out as per Budget Estimate 2013-14.

(c). In case of Operating expenditure, a 10% hike has been made for Salaries and wages and 5.5% for other expenditure. (As per TAMP Guidelines the hike allowed is 6.5%)

(d). The F&M Expenditure for the year 2014-15 & 2015-16 has been worked out as per Budget Estimate 2013-14.

(e). Capital employed has been worked as per TAMP's norms. Depreciation has been calculated as per Straight Line Method.

(f). A sum of ₹15/- Crores has been provided in the year 2014-15 on account of wage revision due effective from 1.1.2012.

(vi). The estimated financial / cost implications as shown in the consolidated income and cost statement furnished by the CHPT are summarised below:

(₹ in lakhs)

| Sl. No | Particulars | 2008-09 (Actuals) | 2009-10 (Actuals) | 2010-11 (Actuals) | 2011-12 (Actuals) | 2012-13 (RE) | At existing tariff | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 2013-14 | 2014-15 | 2015-16 |
| (i). | Traffic (in MTs) | 57.49 | 61.06 | 61.46 | 55.71 | 57.00 | 59.85 | 62.84 | 65.00 |
| (ii). | Operating income | 67,149.39 | 71,835.05 | 68,391.13 | 62,710.64 | 65,000.00 | 58,400.74 | 60,122.74 | 62,375.53 |
| (iii). | Operating Cost | 24,282.80 | 28,551.07 | 31,418.35 | 29,536.61 | 36,213.84 | 37,473.61 | 42,525.66 | 46,778.23 |
| (iv). | Depreciation | 2,338.70 | 2,224.53 | 2,366.67 | 2,480.03 | 2,330.00 | 2,446.00 | 2,438.77 | 2,405.66 |
| (v). | Overheads | -- | 22,503.87 | 24,187.97 | 24,463.23 | 27,320.63 | 28,916.61 | 31,016.00 | 33,187.00 |
| (vi). | FMI less FME | -7,809.02 | -10,400.55 | -14,634.57 | -19,177.59 | -20,712.10 | -22,187.00 | -21,761.58 | -24,334.00 |
| (vii) | Capital employed | -- | 61,176.43 | 70,678.45 | 69,101.50 | 70,483.52 | 71,893.19 | 71,927.33 | 73,331.05 |
| (viii) | Return on Capital employed | -- | 9,788.23 | 11,308.55 | 11,056.24 | 11,277.36 | 11,502.91 | 11,508.37 | 11,732.97 |
| (ix). | Net surplus / deficit | 4,640.79 | -1,633.20 | -15,524.98 | -24,003.06 | -32,853.93 | -44,125.39 | -49,127.64 | -56,062.33 |
| (ix). | Net deficit as a percentage of operating income | | -20.97 | -46.91 | -67.38 | -78.49 | -92.68 | -98.59 | 106.47 |

(vii). The following percentage of increase in the existing tariff for each activity/ sub-activity has been proposed:

| Sl. No. | Activity/Sub-Activity | Proposed % of Revision |
|---|---|---|
| 1. | General Cargo | 50% |
| 2. | Crane & FLT | 110% |
| 3. | POL | 10% |
| 4. | Warehouse | 60% |
| 5. | Port Dues | 100% |
| 6. | Towage & Pilotage | 70% |
| 7. | Berthing & Mooring | 100% |
| 8. | Railways | 100% (*) |

(*) The percentage revision does not include increase in Terminal Charges.

(viii). An additional Revenue of ₹293.00, ₹303.56 and ₹314.68 Crores is proposed to be generated during the years 2013-14, 2014-15, 2015-16 respectively with the proposed revision.

(ix). The proposal for general revision of Scale of Rates has been made after considering the deficit in the activities for the last three years. Though the CHPT Board during its Meeting held on 29 January 2013 vide Board Resolution No.157 has approved the proposal, it has objected to the steep increase proposed and has viewed that the TAMP should consider only such increase which will be acceptable to stakeholders.

4.2. The CHPT in its proposal has requested to consider incorporation of the revised stevedoring License as per Ministry's guidelines in its Scale of Rates. It has proposed a provision in this regard in the proposed draft Scale of Rates.

4.3. In this regard, it is relevant here to mention that with reference to a proposal filed by the CHPT in January 2011, to incorporate the revised stevedoring License Fees as per "Chennai Port Trust (Licensing of Stevedores) Regulation, 2009 based on the Ministry's Notification dated 26 may 2010 as an amendment, based on the decision taken by this Authority in its meeting held on 17 December 2012, the CHPT was advised vide our letter No.TAMP/22/2011-

CHPT dated 30 January 2013 to formulate a well analyzed proposal giving justification for the proposed rates of fees for issuance / renewal of stevedoring license and include such a proposal in its proposal for general revision of Scale of Rates to be filed by the CHPT.

5.1. Further, with reference to the request of the Tamil Nadu Sailing Association (TNSA) for fixing reasonable tariff for non-commercial pleasure yachts, the CHPT vide its letter No.AO(SOR)/Misc./ 5686/2012/FR dated 4 April 2013 had submitted its proposal and sought approval of TAMP for incorporating the rate of ₹2100/- per calender month in the Scale of Rates of CHPT under Clause 2.0 – Berth Hire Charges-(C)(2) for non-commercial pleasure yachts of TNSA for the purpose of berth hire in the port.

5.2. (a). With regard to the proposal for prescribing berth hire charges for non-commercial pleasure yachts of TNSA, the CHPT has made the following submissions:

(i). TNSA has been representing since 2011 to fix reasonable berth hire charges for non-commercial pleasure yacht/ craft berthed at Boat Basin to encourage arrival of tourists and to encourage local population to take up sailing in big yacht.

(ii). Berth hire charges for vessels berthed other than at Boat Basin and Timber Pond is based on GRT of vessels (Clause 2.0(A) of SOR i.e. ₹ 0.0763 per GRT per hour for coastal vessel) whereas on vessels berthed at Boat Basin and Timber Pond, the berth hire is prescribed on an hourly basis (Clause 2.0(B) of SOR i.e. ₹ 65.52 per hour). Incase of non-commercial Harbour craft registered under Harbour Craft Rules, the rate is ₹ 2100/- per month or ₹ 3.93 per hour per craft at the option of the owner (Clause 2.0(C) of SOR).

(iii). The GRT of the pleasure yacht is between 2 MT to 20 MT. If they are berthed at other than at Boat Basin and Timber Pond and charged as per Coastal vessels, then they would have to pay charges which is almost 50% less than the Harbour craft berth hire charges.

(iv). The non-commercial pleasure craft/ yacht need not be licensed under Harbour Craft Rules as they can ply without a licence as long as they are maintained solely for the purpose of pleasure.

(v). Thus, the proposal of CHPT is to consider the request of TNSA to consider these non-commercial pleasure yacht just as Harbour Craft for the purpose of Berth Hire charges without licensing them under Harbour Craft Rules.

(b). The proposal of the CHPT is seen to have been approved by its Competent Authority.

5.3. In this regard, the CHPT was advised vide our letter No.TAMP/53/2012-Misc. dated 19 April 2013 to incorporate the proposal submitted by it for prescription of berth hire for non-commercial pleasure yachts in its general revision proposal, so that the overall financial / cost position of CHPT is available to determine the rate of berth hire for non-commercial pleasure yachts. Accordingly, the CHPT has included the said proposal in its general revision proposal.

6. In accordance with the consultative procedure prescribed, a copy each of the CHPT letters dated 19 February 2013 and 29 May 2013 was forwarded to the two BOT operators operating at CHPT viz., Chennai Container Terminal Private Limited (CCTPL) and Chennai International Terminals Private Limited (CITPL) and to the concerned users/ user organisations seeking their comments. The comments received from the users were forwarded to CHPT as feedback information. The CHPT has also responded vide its letter dated 14 March 2014 on the comments of the users/ user organization.

7. Based on the preliminary scrutiny of the proposal, the CHPT was requested to furnish additional information/clarifications on various points vide our letter dated 24 September 2013. After reminders, the CHPT has responded after a lapse of five months vide its letter dated 14 March 2014. The queries raised by us and the response of the CHPT thereon is tabulated below:

| Sl. No. | Queries raised by us | Response of CHPT |
|---|---|---|
| (A). | **General:** | |
| (i). | The CHPT, while forwarding its proposal has stated that its proposal has been approved by the Board Members and that while approving the proposal, the Board has objected to the steep increase proposed and viewed that the TAMP has to consider only such increase which will be acceptable to trade. The CHPT under cover of its letter dated 19 February 2013, while forwarding the copy of the minutes of the Board meeting, has also forwarded a copy of the letter of one of the Trustees addressed to the Chairman of CHPT, interalia, requesting to not send the general revision proposal to TAMP. In this regard, it is relevant to draw reference to Clause 2.4.1 of the tariff guidelines of 2005, which stipulates that TAMP would continue to be governed by the Cost plus approach for determining tariff. Therefore, the cost position as reflected in the Cost statements for the years 2013-14 to 2015-16 would be the guiding factor to determine the percentage of increase/ decrease to be effected in the existing Scale of Rates of CHPT. TAMP is mandated to follow the 2005 Guidelines, which has been issued to TAMP as a policy direction by the Government under Section 111 of the MPT Act. In the light of the above position, if the proposal of the CHPT is that TAMP should consider only such increase which will be acceptable to all the stakeholders, then the CHPT, if it so desires, is to determine such increase in consultation with all stakeholders which would be acceptable to them and propose such increase in its revised proposal to be sent to TAMP. | With reference to the views of the Board, it is stated that as per Clause 3.1.4 of tariff guidelines 2005, the Port Trusts may send their proposals with the approval of the Board of Trustees of the Port. The views of the Board of Trustees will be considered provided these are received within two months of submission of the proposal. Accordingly, views of the Board were forwarded to TAMP along with the proposal.<br><br>Subsequently, as directed by TAMP vide its letter dated 3.10.2013 based on the decision taken at the Joint hearing, a meeting was held with the users on 10.10.2013 to make an attempt to arrive at a mutually consensus percentage increase. However, no consensus could be reached in the meeting.<br><br>Subsequently, CPSA vide their letter 4 November 2013 addressed to TAMP has stated it has been resolved in their Executive Committee Meeting held on 28.10.13 to request and convey TAMP to admit only 5% upward revision over and above the existing Scale of Rates prospectively.<br><br>In view of the above, TAMP may consider the views of the Board of CHPT and process the proposal as per the Tariff Guidelines.<br><br>It is further stated that based on the additional information/ clarification sought by TAMP, the cost statements have been revised incorporating the actuals for the year 2012-13 and the estimates for the years 2013-14 to 2015-16 have also been updated based on RE 2013-14 and BE 2014-15. Based on the revised cost statements, the proposal has been revised. |
| (ii). | The CHPT has not furnished the Undertaking forming part of the Cost statement formats. The CHPT to furnish the same, duly signed. | The undertaking is furnished along with the revised cost statements. |
| (iii). | In respect of Sl.No.3 of Form -1, CHPT has stated that its pricing strategy is cost based. The CHPT to bring out the impact of the anticipated improvement in the productivity on the unit price. | The cost estimates have been prepared based on existing productivity levels. Hence, there is no reduction/ improvement in the unit price. However, it may be relevant here to mention that the Port has |

<table>
<tr><td></td><td></td><td>introduced Half-shift gang to the incoming and finishing vessels in order to improve the turn-round time of the vessels.</td></tr>
<tr><td>(iv).</td><td>Though the CHPT has furnished the comparative position with regard to the existing rates and the proposed rates as required at Sl. No. 4 of the Form – 1, it has not furnished the comparative position with regard to the existing conditionalities and the proposed conditionalities. Also, the CHPT has not furnished the reasons for the changes proposed in the draft Scale of Rates. The CHPT to furnish the requisite information.</td><td>In the proposed draft SOR furnished to TAMP vide our letter dated 19.2.2013, only a few modifications was made in the conditionalities which has been shown in bold letters. However, certain modifications in the conditionalities have been proposed in the revised proposal. A revised draft proposed SOR along with a comparative statement of existing and proposed conditions is furnished along with our revised proposal.</td></tr>
<tr><td>(v).</td><td>The tariff guidelines of 2005 stipulate that tariff should be linked to benchmark of the levels of productivity. In this regard, the CHPT has not responded to the information sought at Sl. No. 6 of the Form – 1 to provide the current performance and targeted objective for productivity enhancement measures. The CHPT to furnish details of productivity enhancement measures proposed and targeted to be achieved during the tariff cycle under review taking into consideration the efficiency improvement on account of capital investments proposed during the tariff cycle.</td><td>The cargo wise productivity norms have been revised and is furnished. Half shift gang system was introduced for incoming vessels w.e.f. 04.04.2013 on trial basis and subsequently as approved by the Board vide B.R.No.188 dated 30 December 2013, half-gang system has been implemented for both incoming and finishing vessels on permanent basis. Stevedore operations are being monitored regularly and the stevedores are impressed upon the necessity of strict compliance on cargo handling with improved productivity norms. Consequently the overall average output per ship berth day has recorded substantial progress.
<table>
<tr><th rowspan="2">Year</th><th colspan="2">Average output per ship berth day (in tonnes)</th></tr>
<tr><th>Achieved</th><th>Target</th></tr>
<tr><td>2010-11</td><td>11279</td><td>12291</td></tr>
<tr><td>2011-12</td><td>10846</td><td>11835</td></tr>
<tr><td>2012-13</td><td>12485</td><td>11835</td></tr>
</table>
(The document relating to the cargo wise productivity norms reported to have been furnished by the CHPT, lists down the import norm and the export norm in respect of about 75+ commodities.)</td></tr>
<tr><td>(vi).</td><td>The Cost statement furnished by CHPT for the various sub-activities falling under the cargo related activity reflect a deficit position ranging from 8% to 45% at the existing level of tariff for the years 2013-14 to 2015-16. However, the CHPT is stated to have sought an across the board increase of 50% in the cargo related charges. Though the CHPT has furnished a note below each of the sub-activity stating that since the percentage deficit is not sufficient it has sought a higher level of increase, the explanation furnished by the CHPT is not clear. The CHPT to furnish an explanatory note justifying the higher percentage of increase in tariff sought by it in the proposed draft Scale of Rates for each activity/ sub-activity, as compared to the cost position reflected in the respective cost statements of the sub-activities.</td><td>As per the revised proposal, Tariff hike has been recommended for the activities which have deficits. The percentage of increase requested is the increase required to make good the deficit in the respective activity and also taking into account the overall financial/ cost position. It may be seen that inspite of the proposed tariff, the various activities result in marginal surplus only.</td></tr>
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|---|---|---|
| (vii). | Similarly, the Cost statement furnished by CHPT for the Port Dues activity and Berthing & Mooring activity (Form-5B(iii)) reflects an average deficit of around 77% and 89% respectively at the existing level of tariff for the years 2013-14 to 2015-16. However from the proposed draft Scale of Rates, it is seen that the CHPT has sought around 100% increase in the Port dues charges and Berth hire charges.<br><br>Similarly, the Cost statement furnished by CHPT for the Pilotage activity (Form – 5B(iii)) reflects an average deficit of around 68% at the existing level of tariff for the years 2013-14 to 2015-16. However from the proposed draft Scale of Rates, it is seen that the CHPT has sought around 70% increase in the Pilotage charges.<br><br>Though the CHPT has furnished a note below each of the sub-activity stating that since the percentage deficit is not sufficient, a higher level of increase is sought, the explanation furnished by the CHPT is not clear. The CHPT to furnish an explanatory note justifying the higher percentage increase in tariff sought by it in the proposed draft Scale of Rates for each activity/ sub-activity, as compared to the cost position reflected in the respective cost statements of the sub-activities. | As per the revised cost statements, the sub-activity 'Port dues' depicts surplus position. Hence, no increase has been proposed in the tariff item 'Port dues'.<br><br>As per the revised cost statements, the average deficit for the years 2013-14 to 2015-16 in respect of Towage and Pilotage activity works out to 99%. However, an increase of 104% has been proposed taking into consideration the overall financial / cost position.<br><br>As stated above, the increase sought is marginally higher than the deficit percentage for some of the activities. However, for some of the activities in deficit, the increase proposed is either lesser than the deficit percentage or nil. Hence, taking into account, the overall financial/ cost position of the port, a higher level of increase has been proposed in some of the sub-activities. |
| (viii). | The cost statements furnished by CHPT contain actuals for 2009-10 to 2011-12, revised estimates for 2012-13 and projections for the years 2013-14 to 2015-16. Since the financial year 2012-13 is already over, the CHPT to update the estimates for the year 2012-13 with actuals for the corresponding period and review the estimates for the years 2013-14 to 2015-16 based on the actuals for the year 2012-13, if required. The CHPT also to furnish its provisional annual accounts for the year 2012-13, if audited annual accounts are not available, the Revised Estimates for the year 2013-14 and the Budget Estimates for the year 2014-15. | As already stated, the cost statements have been revised with actuals for the year 2012-13 and the projections for the years 2013-14 to 2015-16 have also been revised. A copy of the Annual Accounts for the year 2012-13 and RE 2013-14 and modified BE 2014-15 are furnished. |
| (ix). | The port to examine whether any of the services qualifying under Section 42(3) of the Major Port Trusts Act are offered by any service provider authorized by the port. If so, the action initiated by the CHPT for fixation of tariff for such services as per the provisions of Chapter 7 of the tariff guidelines of 2005 to be intimated. In this regard, the observation made by this authority at para 11(xxxv) of Order of November 2010 may be referred to. | It is stated that the entire cranage services at CHPT is proposed to be outsourced to BOT operator through PPP mode. Apart from this, no other services under Section 42 (3) are provided by authorised service providers as per Chapter 7 of Tariff Guidelines 2005. |
| (x). | The CHPT to confirm that the financial implications of PPP projects to be commissioned in the Port within the three year period under review are captured in the cost statements filed by the port. The year wise details of the financial implication in this regard | The BOT project for development of barge handling facilities at CHPT under PPP mode has been awarded on 30.1.13. Concession Agreement signed on 30.3.13. The construction period of the project is 2 years from the date of compliance of |

| | | |
|---|---|---|
| | to be furnished. | conditions precedent. Hence, the project is not likely to be commissioned during the current tariff cycle. Hence, financial impact of the same has not been considered. |
| (xi). | The CHPT has furnished the Cost statement for the Railway Activity and has sought 100% increase in the railway charges. In this regard, the CHPT to confirm that the increase in the tariff items sought by it is with reference to the items which are within the purview of TAMP. | As per the existing working agreement entered with Southern Railway during 1983, it is stated that each party to this agreement shall be free to make its own charges. A copy of the working agreement with Railways is furnished.<br><br>The Port charges related to railway activity, viz. Haulage Charges, Special Port Service Charges, Haulage charges for empty wagons (dummy charges) are being collected based on the CHPT's Scale of Rates and hence revision of port charges does not come under the purview of Railways.<br><br>In the existing SOR approved by TAMP, only Special Port Service Charges @ ₹7.50 per tonne is prescribed. Other railway related tariff items have been removed from the SOR by TAMP in its earlier Orders. Hence, it is requested to re-instate the tariff item of 'Haulage Charges' in the Scale of Rates and allow the tariff increase of 100% in the tariff items, Haulage Charges and Special Port Service Charges. The revised proposed Scale of Rates has been modified in this regard. |
| (xii). | As per clause 2.6.2 of the tariff guidelines of March 2005 it is necessary to conduct time and motion study of different operations and regularly adjust manning scales/ datum accordingly after due process of law. The action, if any, taken in this respect to be informed. | As per the recent BWNC settlement dated 25.10.2013 for revision of wage for Class III & IV employees of Major Port Trusts, the National Industrial Tribunal Award on manning Scales shall be discussed locally with the Unions and to be implemented in the Ports of Chennai, Mumbai and Kolkata (including Haldia) within 2 months from the date of BWNC settlement. Accordingly, a Memorandum of Settlement (MoS) u/s 18 (1) of Industrial Disputes Act, has been entered with Unions on 10.1.2014, revising the manning scale and datum. In partial modification of MoS dated 10.1.2014, another MoS was entered on 31.1.2014. A copy of the Memorandum of Settlement dated 10.1.2014, 31.1.2014 and Trade notice dated 31.1.2014 is furnished. |
| (xiii). | Rebates and discounts, it any, over the notified ceiling tariff, allowed by CHPT during the years 2010-11 to 2012-13 to be furnished year wise. | In order to attract mainline container vessels, a 30% concession in the vessel related charges in respect of Vessels of GRT between 35000 Tonnes to 50000 Tonnes and a 50% concession in the vessel related charges in respect of vessels of GRT above 50000 Tonnes have been given with the approval of the Board with effect from 18 January 2010 to 17 July |

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| | | 2012. Another scheme for granting concession ranging from 20% to 55% in vessel related charges based on the annual volume achieved by the mainline vessel operator and GRT of the vessels has been introduced on trial basis from 1.1.2013 to 31.12.2013. Further extension of the scheme from 1.1.2014 is under consideration and will be decided in due course based on the impact of the scheme during the year 2013.<br>The annual financial impact of such concession for the years 2010-11 to 2012-13 are ₹201.80 lakhs, ₹943.80 lakhs and ₹428.96 lakhs respectively.<br>Further, a concession of 20% on the vessel related charges in respect of Passenger / Cruise vessels was given for a period of one year from 20 January 2012, with the approval of the Board. The concession was discontinued from 21 January 2012. During this one year, only a very few passenger / cruise vessels have visited the Port. Hence, the financial impact of this concession has not been quantified. |
| (xiv). | In the recent proposal filed by CHPT for fixation of reference tariff for fleet of equipment, the CHPT has also considered handing over of 150 tonne Floating Crane to the successful BOT operator. In such a scenario, the reason for estimating income and expenditure for F.C Thangam and proposing to continue to levy for the 150 tonne floating crane in the proposed draft Scale of Rates to be explained. | The proposal for outsourcing of cranage services is taken up on PPP model. RFP has been invited in January 2014; but there was no response. The reason for no response is being analysed and it is proposed to re invite the bids with suitable modifications to the project. In the revised proposal, F.C. Thangam may or may not be handed over to the BoT operator. In any case, it is expected to take about 3 to 6 months for finalization of the bid and some more time will be required to complete the post bid formalities after which the handing over of existing cranes including F.C. Thangam is likely to take place. A separate proposal will be filed for modification/ deletion of the relevant items in the existing Scale of Rates in this regard at appropriate time.<br>It is further stated that major portion of the expenditure incurred for F.C. Thangam is on account of salaries and wages which may continue to be incurred by CHPT even after handing over of FC Thangam to private operator. Hence, there may not be significant change in the actual/ estimated expenditure reported in the general revision proposal. Further, despite the estimated average deficit of 630% for the years 2013-14 to 2015-16, at the existing tariff, an increase of 100% has been proposed in the existing rate for F.C. Thangam. Hence, TAMP is requested to allow the proposed rate for F.C. Thangam |

<table>
<tr><td></td><td></td><td>till such time the Crane is handed over to BOT operator.</td></tr>
<tr><td>(xv).</td><td>The CHPT to furnish a Statement showing the income and the expenditure relating to the levy of Pollution levy by the CHPT during the years 2010-11 to 2012-13 by clearly bringing out the surplus/ (deficit) position for each of the said years.</td><td>The income on account of pollution levy has been drastically reduced due to stoppage of handling iron ore and coal as per Madras High Court Order. However, pollution levy is being collected for other dry bulk cargoes causing pollution. The details of income and expenditure for the last 3 years are furnished.<br>(The CHPT has furnished a Statement relating to Proforma Account of Pollution levy, which is summarized below:<br>(₹ in crores)
<table>
<tr><th>Description</th><th>2010-11</th><th>2011-12</th><th>2012-13</th></tr>
<tr><td>Income<br>- Iron Ore<br>- Coal/ Dry Bulk</td><td><br>1.66<br>5.71</td><td><br>0.01<br>2.28</td><td><br>0.00<br>1.81</td></tr>
<tr><td>Total</td><td>7.37</td><td>2.29</td><td>1.81</td></tr>
<tr><td>Expenditure<br>- Iron Ore<br>- Coal/ Dry Bulk</td><td><br>10.17<br>2.87</td><td><br>5.18<br>3.28</td><td><br>4.17<br>3.00</td></tr>
<tr><td>Total</td><td>13.04</td><td>8.45</td><td>7.17</td></tr>
<tr><td>Net Surplus<br>- Iron Ore<br>- Coal/ Dry Bulk</td><td><br>(8.51)<br>2.84</td><td><br>(5.17)<br>(1.00)</td><td><br>(4.17)<br>(1.19)</td></tr>
<tr><td>Total</td><td>(5.67)</td><td>(6.16)</td><td>(5.36)</td></tr>
</table></td></tr>
<tr><td>(B).</td><td><u>Comparison of actuals vis-à-vis estimates provided earlier</u>:</td><td></td></tr>
<tr><td></td><td>Clause 2.13 of the tariff guidelines of 2005 requires this Authority to review the actual physical and financial performance at the end of the prescribed tariff validity period with reference to the projections relied upon at the time of fixing the prevailing tariff. In this context and with reference to Form – 7 of the tariff proposal filed by CHPT, the CHPT to clarify/ furnish the following:</td><td>The para-wise reply/ clarifications are furnished below:</td></tr>
<tr><td>(i).</td><td>As stated earlier, since the financial year 2012-13 is already over, CHPT to update the Form -7 by including the comparison of the actuals vis-à-vis estimates for the year 2012-13 also. The CHPT also to furnish reasons for variation in the actuals vis-à-vis estimates for each of the parameters in the cost statement for the years 2010-11 to 2012-13.</td><td>A revised Form-7 incorporating actuals and estimates for the year 2012-13 is furnished as a part of the revised cost statements.</td></tr>
<tr><td>(ii).</td><td>At the time of revision of the Scale of Rates in November 2010, review of tariff of CHPT was based on the projections for 2010-11 to 2012-13. It is seen that the estimates considered by CHPT for the years 2010-11 to 2012-13 -12 in Form-7 do not match with the projections relied upon in the Order of November 2010. The CHPT to modify the Form-7 so as to capture the estimates considered in the tariff Order of November 2010.</td><td>In the Form-7 furnished as a part of revised cost statements, the estimates considered by TAMP in its Order dated 10 November 2010 have been considered.</td></tr>
<tr><td>(iii).</td><td>In the Form – 7, the CHPT has furnished the actual traffic for the years 2010-11 to 2012-13 at 61.46 MMTs, 55.71 MMTs and 53.40 MMTs respectively. These figures appears to include the traffic handled at the BOT berths also. The CHPT to furnish the actual traffic for the said</td><td>In the revised Form-7 forming part of revised cost statements, the actual traffic handled by CHPT and BOT operators have been separately indicated.</td></tr>
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| | three years by excluding the traffic handled by the BOT operators at CHPT. | |
| (iv). | This Authority, in its Order of November 2010 had reduced the pollution levy from ₹5/- per tonne to ₹3/- per tonne. The then existing port dues were also reduced by 11%. The CHPT to update the estimated income for the years 2010-11 to 2012-13 as reflected in the Cost statement of CHPT, forming part of the Order of November 2010, so as to give effect to the reduction in the estimated income considered in the said Order. | In the revised Form-7 forming part of revised cost statements, the estimates have been modified taking into account the impact of tariff reduction as per Order dated 10 November 2010. |
| (v). | CHPT has considered an amount of ₹80.42 crores and ₹60.69 crores as Finance & Miscellaneous Income for the years 2010-11 and 2011-12 respectively, in the Cost statement. The said figure of the Finance & Miscellaneous Income in the Cost statement do not match with the sum total of the figures of the sub-heads under Finance & Miscellaneous Income as shown in the Annual Accounts for the corresponding years. The CHPT to explain the difference and reconcile and furnish the list of items considered under the said head of income in the Cost statement. Similar information may also be furnished for the year 2012-13. | The Finance & Miscellaneous Income reported in the cost statements for the years 2010-11 to 2012-13 excludes interest income. The FMI reported in the Annual Accounts minus interest income is in agreement with the FMI reported in the cost statements for the years 2010-11 to 2012-13. |
| (vi). | Similarly, the CHPT has considered an amount of ₹226.76 crores and ₹252.46 crores as Finance & Miscellaneous Expenditure for the years 2010-11 and 2011-12 respectively, in the Cost statement. The said figure of the Finance & Miscellaneous Expenditure in the Cost statement do not match with the sum total of the figures of the sub-heads under Finance & Miscellaneous Expenditure as shown in the Annual Accounts for the corresponding years. The CHPT to explain the difference and reconcile and furnish the list of items considered under the said head of expenditure in the Cost statement. Similar information may also be furnished for the year 2012-13. | The Finance & Miscellaneous Expenses reported in the cost statements for the years 2010-11 to 2012-13 excludes interest on loans. The FME reported in the Annual Accounts minus interest expenses is in agreement with the FME reported in the cost statements for the years 2010-11 to 2012-13. |
| (vii). | It may be recalled that as recorded at para 11(iii)(c) of the tariff Order of November 2010, during the years 2010-11 to 2012-13, 50% of the estimated revenue share income was transferred to the Escrow account and the balance 50% of the estimated revenue share was treated as the income of the port for the relevant years. In the cost statements now furnished by the port, the CHPT is seen to have excluded the entire royalty income (Form – 3A). However, it has also not been reflected as transfer to the Escrow Account (Form – 9). The CHPT to make suitable adjustments in the cost statements for the years 2010-11 to 2012-13, in line with the approach adopted in the November 2010 Order. | The cost statements have been revised wherein 50% of the estimated royalty/ revenue share receipts from the year 2013-14 to 2015-16 are transferred to Escrow A/c. As far as the years 2010-11 to 2012-13, the royalty / revenue share receipts have been shown as income under the sub-activity 'Royalty / revenue from BOT operators'. |
| (viii). | This Authority in paragraph no. 11(iii)(c) of its Order of November 2010 had arrived at the actual closing balance of the Escrow account as | As informed vide our letter dated 29 May 2013, it is proposed to transfer 50% of the royalty / revenue share receipts to Escrow |

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| | on 31 March 2010 as ₹218.88 crores. However, in the Form – 9 now furnished by the CHPT, there is no opening balance in the Escrow account at the beginning of the year 2010-11. Considering that the details of the Escrow account in the Order of November 2010, is based on the actual position upto the year 2009-10, the CHPT to re-cast the Form – 9, by taking into consideration the opening balance of ₹ 218.88 crores for the year 2010-11 as base and then taking into account the 50% of the actual revenue share transfer to Escrow account, and the actual withdrawals from the Escrow account for the years 2010-11 to 2012-13. | A/c (Infrastructure Reserve) only from the year 2013-14 onwards. Hence, Form-9 is furnished only from the year 2013-14 onwards. |
| (ix). | As recorded at para 11(iii)(d) of the Order of November 2010, the CHPT to furnish the details of the usage of the amount of ₹67.86 crores towards development of infrastructure facilities in the port supported by documentary evidence, for verification. | Reply furnished in respect of Sl. No.(viii) above may please be seen. |
| (x). | It may be recalled that during the general revision of its tariff in November 2010, the CHPT had been advised to take up the matter relating to upward revision of railway charges with the Railway authorities. The cost statement relating to the railway activity shows deficit in the existing arrangement, for all the years under consideration. In this context, CHPT to furnish/ clarify/ explain the following: | The para-wise reply / clarifications are furnished below: |
| | (a). Whether the railway charges has been reviewed by the Railway authorities. If the answer is in affirmative, the outcome of the said review to be furnished. If the railway charges have not been reviewed, then the steps taken by the port in this regard to be explained. | The Railway Board vide Circular dated 22.3.2013 has increased the Terminal Handling Charges at the Ports of Mumbai, Kolkata, Chennai, Cochin, Paradip, Mormugao and Visakhapatnam from ₹15.83 to ₹16.95 per tonne. A copy of the Railway Board Circular dated 22.3.2013 is furnished. |
| | (b). The reason for the deficit in the Railway activity during each general revision to be explained. | The major cargoes handled through Railway are iron ore and coal. As per the High Court Order, handling of iron ore and coal at CHPT has been stopped with effect from 1.10.2011.<br><br>The Haulage charges for Marshalling yard were fixed during 1983 (₹5/- per tonne) and has not been revised upwards thereafter.<br><br>Further, the Terminal handling charges are fixed by the Railway Board. Though the Railway Board increases the tariff every two years, the increase is meagre. The revision of THC by the Railway Board is commonly applicable to the Railway Terminals in all Major Ports and the Railway Board does not take into account the cost of operations / deficit position of Railways division at the individual Ports. (Refer reply to point No. a above). |

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| | (c). Steps taken to make the railway activity self-reliant. | Considering that the port related tariff items for Rail bound cargo has not been increased for a long time, a 100% increase has been proposed in the Railway tariff items, viz. Haulage charges and Special Port Service Charges. |
| | (d). The necessity for the railway activity being cross-subsidised by other surplus making activities. | Efforts are being taken to increase the cargo traffic handled through Railways and also to minimise the expenditure. Further, the Railway activity is a supporting activity for Cargo handling activity and hence it cannot be considered on a stand-alone activity. It is relevant here to point out that as recorded in para 11 (vii) of Tariff Order dated 10 November 2010 relating to the last general revision of SOR at CHPT, the TAMP has also taken a similar view. Hence, cross-subsidization may be allowed. |
| (xi). | The CHPT was advised vide paragraph no.11(xi) of the Order of November 2010 to estimate depreciation in line with Clause 2.7.1. of the tariff guidelines while it submits its tariff proposal during the next review of its Scale of Rates. In this backdrop, CHPT to confirm that the depreciation for the 2013-14 to 2015-16 has been computed in line with the Clause 2.7.1 of the tariff guidelines. The CHPT also to furnish a detailed working for the estimated depreciation cost for the years 2013-14 to 2015-16 indicating details of assets, rate of depreciation, method followed and life norms adopted as per Companies Act to be furnished. | The port is computing depreciation on Straight Line Method following the life norms of various assets as stipulated by the Ministry of Shipping.<br><br>The computation of depreciation as per Companies Act as per TAMP guidelines will tantamount to maintaining two sets of books of Accounts and the reconciliation will be very cumbersome and complex. Hence, the depreciation computed as per life norms fixed by Ministry of Shipping may be considered. |
| (xii). | Clause 2.5.2 of the tariff guidelines of 2005 stipulate that One-time expenses such as, arrears of wages/ pension, VRS compensation, contributions to Pension Fund for past liability, etc. will not be allowed as admissible cost while determining the tariff. Therefore, the reason for including an amount of ₹24.76 lakhs under Finance & Miscellaneous Expenditure relating to 'Pension Arrears – retd. Prior to 14/11/02' in the year 2011-12 to be justified. Also, justify the inclusion of ₹601.14 lakhs and ₹1499.42 lakhs under Finance & Miscellaneous Expenditure relating to 'Payment of Wage Revision arrears' during the years 2010-11 and 2014-15. In this regard, the CHPT to meet the said expenditure from the accumulated surpluses/ reserves other than specifically earmarked funds or provisions, as stipulated in the said clause. | The Wage revision arrears payments have been met out from the provision calculated for the same during 07-08 & 08-09. The spill over only has been met out during the year 09-10, the year in which the BWNC committee reached settlement with the Govt. and hence considered under Finance & Miscellaneous Expenditure. |

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| **(C).** | **Financial/ Cost Statement:** | |
| (1). | **Capacity**:<br><br>The CHPT to furnish workings in support of the designed capacity of the port as a whole as indicated in Form – 2A, for the years 2013-14 to 2015-16. The CHPT also to confirm whether the designed capacity of the port as a whole as indicated in Form – 2A has been worked out after taking into account the capital investment proposed to be made during the years 2013-14 to 2015-16 and the productivity improvements expected to achieve. If not, the designed capacity may be modified suitably, after taking into account the capital investment proposed to be made and the productivity improvements expected to achieve. | The designed capacity indicated in Form–2A is the capacity intimated to CHPT by the Ministry on the basis of berthwise capacity.<br><br>As no capital investment is envisaged during the years 2013-14 to 2015-16, there is no change in the designed capacity on account of capital investment.<br><br>(The Form – 2A indicates the berthwise designed capacity of the port at 71.32 lakh tonnes, 79.72 lakh tonnes and 83.19 lakh tonnes for the years 2010-11 to 2012-13. For the years 2013-14 to 2015-16, the designed capacity is stated to be 85.59 lakh tonnes each.) |
| (2). | **Traffic:** | |
| (i). | Clause 2.5.1. of tariff guidelines of 2005 stipulates that the traffic projections should be in line with the projections in the 5 year annual plan and current / expected growth. The CHPT may, therefore, furnish commodity-wise projections made in the MOU for the year 2013-14. The CHPT may confirm whether the traffic projections for the years 2013-14 to 2015-16 are as per the projections contained in the Business Plan of the Port for the corresponding years. If not, then the reasons for the variation to be furnished. The basis of estimation of traffic for the years 2013-14 to 2015-16 also to be explained. | The traffic projections are in concurrence with the projections in the 5 year plan and current expected growth. The MoU has been completely replaced by RFD (Results Framework Document) from the year 2013-14. The overall cargo traffic target for the year 2013-14 is 60.00 Million Tonnes, under RFD and there is no commodity wise target. Further, while approving the RE 2013-14 and BE 2014-15, Ministry has directed to revise the traffic projections for the years 2013-14 to 2015-16. Accordingly, the traffic projections for the said three years have been revised to 54.00 MT, 55.00 MT and 56.65 MT respectively and incorporated in the revised cost statements.<br><br>The traffic projections are not as per the projections contained in the Business Plan of the port. In the Business plan the growth strategy adopted is on a long term plan and used Regression Analysis to estimate the trend. The targeted share of Chennai Port has been estimated in accordance with the total demand potential in the hinterland and estimating the likely share that can be taken away by competing ports on their future plans.<br><br>However, Chennai Port has estimated the traffic for the years 2013-14 to 2015-16 based on the current overall trend and a nominal anticipated growth of about 3%. |
| (ii). | The reason for not estimating any traffic in respect of Iron Ore during the years 2012-13 to 2015-16, to be explained. | Consequent to the ban on handling dusty cargoes by the Honourable High Court of Madras, Coal & Iron Ore handling has been completely suspended w.e.f. 1st |
| (iii). | Similarly, the reason for not estimating any | |

<table>
<tr><td></td><td>traffic in respect of Coal during the years 2012-13 to 2015-16, may be explained.</td><td>October 2011 at Chennai Port. As the future plan on the same is subject to the outcome of port's appeal in the Supreme Court, estimating any traffic in respect of Coal and Iron ore within a time frame is impractical. Hence, no traffic in respect of coal and iron ore has been estimated.</td></tr>
<tr><td>(iv).</td><td>The reason for projecting only around 5% growth in the traffic of POL including Crude oil during the years 2013-14 to 2015-16, over the respective previous years, when there is seen to be around 12% growth in Crude oil traffic in the year 2011-12 as compared to the year 2010-11, to be explained.</td><td>Though there was a 12% growth in the Crude Oil traffic there is a decline of 4% in other POL. Further it was ascertained from IOC that there is adequate stock and less demand in the hinterland for the other POL products. Hence the usual strategy of uniform overall growth at a nominal rate was projected for POL as a whole.</td></tr>
<tr><td>(v).</td><td>CHPT to list out the items handled/ proposed to be handled under the head of 'Other port specific Cargo'.</td><td>The list of commodities being handled / proposed to be handled under the head "other cargo" is given below.
<table>
<tr><th colspan="2">OTHER CARGOES</th></tr>
<tr><td>Wheat</td><td>Fluorspar</td></tr>
<tr><td>Rice</td><td>Scrap</td></tr>
<tr><td>Sugar</td><td>Pig Iron</td></tr>
<tr><td>Molasses</td><td>Cobble Stones</td></tr>
<tr><td>Manganese Ore</td><td>Industrial Salt</td></tr>
<tr><td>Barytes</td><td>Soda Ash</td></tr>
<tr><td>Iron Ore Pellets</td><td>Dolomite</td></tr>
<tr><td>Iron Ore Lumps</td><td>Phosphoric Acid</td></tr>
<tr><td>Bauxite</td><td>LimeStone</td></tr>
<tr><td>Palm Oil</td><td>Cement</td></tr>
<tr><td>Soyabean Oil</td><td>Logs & Timber</td></tr>
<tr><td>Sunflower Oil</td><td>Iron & Steel</td></tr>
<tr><td>Orthoxylene</td><td>Granite Blocks</td></tr>
<tr><td>Pulses</td><td>Wood Pulp</td></tr>
<tr><td>LAB</td><td>RORO</td></tr>
<tr><td>MEG</td><td>Machinery/Project Cargo</td></tr>
<tr><td>CBFS</td><td>Metals Manufactured</td></tr>
<tr><td>Paraffin Wax</td><td>Electrical Items</td></tr>
<tr><td>Gypsum</td><td>Other Break Bulk</td></tr>
</table></td></tr>
<tr><td>(vi).</td><td>In the Form – 2A, the traffic figures for the years 2013-14 to 2015-16 includes the container traffic handled. If the container traffic, actual as well as estimates is related to the BOT operators, the same may be excluded from the cost statements. However, if the container traffic is that handled or estimated to be handled by the CHPT itself, then the reason for projecting only around 5% growth in the Container traffic during the years 2013-14 to 2015-16, over the respective previous years, when there is seen to be around 25% growth in Container traffic in the year 2010-11 as compared to the year 2009-10, to be explained.</td><td>Though the containerized cargo is handled by private operators, it is part of the overall cargo handled and the estimates in respect of containerized cargo are also worked out by Chennai Port uniformly as in the cases of other cargo. In Form 2A, the container traffic handled by BOT operators has been indicated separately. The spurt in the container traffic in the year 2010-11 is attributed to additional volume of cargo generated through the second container terminal and thereafter the growth was minimal i.e.(+)2.22% and (-) 1.22% during the years 2011-12 and 2012-13 respectively. Hence it is ascertained that projection cannot be worked out on the basis of sudden spurt and decline due to general economy.</td></tr>
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<tr><td>(vii).</td><td>The CHPT also to confirm that additional traffic on account of additional capacity proposed to be created during the years 2013-14 to 2015-16, if any, has been considered in the estimation of traffic.</td><td>The additional capacity proposed to be created is based on the realization of completion / development of the projects as well as additional facilities to be created for cargo handling. As stated earlier, no major projects / additional facilities are likely to be commissioned during the years 2013-14 to 2015-16 and hence no additional traffic has been considered.</td></tr>
<tr><td>(3).</td><td><u>Operating Income</u>:</td><td></td></tr>
<tr><td>(i).</td><td>Note 3 to Form 2B of the prescribed formats for tariff proposal adopted by this Authority requires the major ports to provide detailed computation of income with reference to the estimated traffic. However, no such computation has been furnished by CHPT. CHPT to furnish detailed computation of income with reference to the estimated traffic at CHPT's existing Scale of Rates and the proposed Scale of Rates for all the years under consideration separately for each of the activities and sub-activities and Port as a whole.</td><td>The revised cost statements have been prepared based on the actual income earned against the traffic handled during the year 2012-13 and income projected based on the traffic expected to be handled for the years 2013-14 to 2015-16.</td></tr>
<tr><td>(ii).</td><td>The CHPT also to furnish detailed workings with reference to computation of the income from Warehousing, Hiring of F.C Thangam, On-board Stevedoring levy, Cranage and Others for the years 2012-13 to 2015-16, as required under Note 1 to Form 2B.</td><td>The cost statements have been prepared based on the actual income earned against the traffic handled during the year 2012-13 and income projected based on the traffic expected to be handled for the years 2013-14 to 2015-16. It is not practically possible to furnish break up and workings for the estimated income for each tariff item.</td></tr>
<tr><td>(iii).</td><td>CHPT to explain the nature of income captured under the head ‘Others’ as given at Sl. No. (A)(XII) of Form – 2B and the items considered under this head to be listed along with values for the years 2012-13 to 2015-16 with workings.</td><td>The nature of income under the head ‘Others’ as given at Sl.No.(A) (X of Form-2B for the years 2012-13 to 2015-16 pertains to miscellaneous charges as furnished below:
<table>
<tr><th>Description</th><th>12-13</th><th>13-14</th><th>14-15</th><th>15-16</th></tr>
<tr><td></td><td colspan="4">(Rupees in lakh)</td></tr>
<tr><td>Weighment charges</td><td>3.10</td><td>3.00</td><td>4.00</td><td>4.00</td></tr>
<tr><td>Baggage fees</td><td>0.47</td><td>1.00</td><td>2.00</td><td>2.00</td></tr>
<tr><td>Sundry charges (charges collected towards damages, etc. caused by Port users/ contractors)</td><td>195.63</td><td>200.00</td><td>220.00</td><td>225.00</td></tr>
<tr><td>Pollution levy on all dry bulk at cargo at IH & JD</td><td>181.29</td><td>100.00</td><td>100.00</td><td>100.00</td></tr>
<tr><td>Total</td><td>380.49</td><td>304.00</td><td>326.00</td><td>331.00</td></tr>
</table></td></tr>
<tr><td>(iv).</td><td>Apart from the general increase in rate proposed, the CHPT has also proposed introduction of some new tariff items/ facilities. The year-wise additional revenue implication arising from these new tariff items may be quantified item wise and furnished for all the years under consideration with workings.</td><td>In the proposal filed with TAMP vide letter dated 19 February 2013, no new tariff items have been introduced. However, in the revised draft proposed SOR filed now, tariff for some miscellaneous tariff items have been rationalised as a part of modification of conditionalities. The details in this regard have been furnished in the comparative statement of existing SOR conditions and proposed SOR conditions.</td></tr>
<tr><td>(v).</td><td>In the Form – 2B, the CHPT has not indicated the exchange rate considered by it in the</td><td>As already stated above, income has been furnished based on the actual earnings for</td></tr>
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| | estimation of income for the years 2013-14 to 2015-16. CHPT to furnish the same. Further, it may be noted that the exchange rate prevailing at the time of finalisation of the case will be applied for estimation of income for the years 2013-14 to 2015-16. | the year 2012-13 and projected for the years 2013-14 & 2015-16 based on the estimated GRT for the traffic projections. Hence, no foreign exchange variation has been considered. |
| (vi). | When the average time spent by the vessels in the berth is expected to decrease year by year, by considering the year 2010-11 base, the reason for increase in the actual/ estimated income from berth hire during the years 2011-12 to 2015-16 as compared to the year 2010-11 to be explained. | In the revised cost statements, the Berth hire income has been estimated based on the estimated number of vessels and aggregate GRT. |
| (vii). | In the Cost statement relating to Iron Ore activity, the CHPT has estimated operating income to the tune of ₹80 lakhs each during the years 2012-13 and 2013-14, though no traffic of iron ore has been estimated for the respective years. CHPT to clarify the position and the nature of income of the said item. | The Port does not expect any income from iron ore activity. The RE 2012-13 & B.E. 2013-14 is estimated as 'Nil'. This has been corrected in the revised cost statements. |
| (4). | **Operating Cost**: | |
| (i). | It is seen that CHPT has adopted different percentages of escalation for estimating various operating expenses for each of the year under consideration. In this regard, it is relevant to mention here that we have under cover of our letter no. TAMP/27/2005-Misc dated 27 June 2013 communicated to all major port trusts including CHPT that an escalation factor of 7% would be applied in determining the expenditure projections in all tariff cases of major port trusts and private terminals operating thereat to be decided in the financial year 2013-14. The same may be considered by CHPT for estimating the expenditure for the years 2013-14 to 2015-16, by taking the actuals for the year 2012-13 as base. | In the revised cost statements, the expenditure projections for the years 2013-14 and 2014-15 is as per the Revised Estimates and Budget Estimates furnished to the Ministry. For the year 2015-16, an overall escalation of 7% has been considered in respect of all expenses excluding dredging & dry docking expenditure and salaries and wages. For salaries and wages, an escalation of 32% has been considered for the year 2013-14 based on the actuals of 2012-13 taking into consideration the actual impact of recent BWNC settlement for revision of salaries and wages in respect of Class III and IV employees. For the next two years, 10% escalation has been considered taking into account the hike towards quarterly increase towards VDA and annual increment. |
| (ii). | Clause 2.5.2 of the tariff gudielines of 2005 stipulate that One-time expenses such as, arrears of wages/ pension, VRS compensation, contributions to Pension Fund for past liability, etc. will not be allowed as admissible cost while determining the tariff. In this regard, the CHPT to furnish a confirmation that one-time expenses have not been built while drawing up the cost statements for the years 2010-11 to 2015-16. | Reply furnished in respect of query at para B (xii) above may please be seen. It is further stated that the arrears paid in excess of provisions made earlier have been considered under FME, which may kindly be considered. |
| (iii). | **Salary & Wages cost:** | |
| | (a). Under the various sub-activities forming part of the cargo handling activity, it is seen that the CHPT has sought an increase of around 10%, 12%, 14% and 10% in the estimation of salary and wages cost during the years 2012-13 to 2015-16 over the respective previous years, taking the actuals for the year 2011-12 as base. | Reply furnished in respect of Sl. No.C (4) (i) may be seen. The higher escalation factor for salary and wages is based on the revision of salaries and wages for Class III and IV employees with effect from 1.1.2012 and based on actual trend of automatic DA increase, every 3 months |

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| | The percentage of increase, more than the admissible level of escalation factor of 7%, sought during each of the year to be justified. | and annual increments. Hence, the higher escalation factor considered by the port may be allowed. |
| | (b). Similarly, the different percentage of increase sought by CHPT in the estimation of salary and wages cost during each of the year 2012-13 to 2015-16 in the various sub-activities forming part of the vessel related activity may also be justified. | In the revised Cost Statements, escalation has been considered uniformly in all the sub-activities. |
| | (c). The salaries and wages cost reported in Form 3B is not tallying with the aggregate of the salary and wages cost as reflected in the sub-activity wise cost statements furnished by CHPT. The CHPT to reconcile the total salaries and wages with the salaries and wages expenses reported in the activity / sub-activity wise cost statements. | Salary & Wages expenditure is accounted activity wise for the following activities:<br><br>(1) Cargo Handling & Storage<br>(2) Port & Dock<br>(3) Railway Earnings<br>(4) Estate income<br>(5) Management & General Admn.<br><br>The Management and Gen. Admn. expenditure is allocated to the above said four activities and total expenditure tallied.<br><br>Hence the difference between the Salary & Wages cost reported in Form 3(B) as against the salaries & wages cost reflected in the four sub-activities cost statement is the amount of Salary & Wages expenditure included in the Management & G.A. activity. A statement giving break up of salaries and wages included in operating cost and management and general overheads is furnished. |
| | (d). Though the Form – 3B reflects a reduction in the number of employees each during the years 2012-13 to 2015-16, the average annual salary is seen to be increasing by 14%, 14% 12% and 11% during the years 2012-13 to 2015-16 over the respective previous years, taking the actuals for the year 2011-12 as base. The CHPT to justify the proposed increase in the average annual salary. | Please refer to the reply furnished in respect of C (4) (i) above. The Form 3 B has been revised. |
| | (e). Provision made, if any, for revision of wage arrears with effect from 1 January 2012 for Class III and IV employees of Major Port Trusts, to be furnished. | A provision of ₹ 20 Crores has been made for Wage Revision of Class III & IV employees in the Annual Accounts 2012-13. |
| | (f). The National Tribunal Award of 2006 on manning scales has already been notified. Clause 2.6.2 of the tariff guidelines requires the port to regularly review and adjust the manning scales / datum. The CHPT to clarify whether the proposal of the CHPT is based on the revised manning scales. If not, CHPT to modify the estimation of salary and wage cost based on the revised manning scales awarded by National Tribunal in 2006. | Reply furnished to query at A (xii) above may please be seen. |
| | (g). Furnish the existing manning scales for different services, the manning scale proposed to be followed by the CHPT, if the National Tribunal Award is yet to be implemented, and cost thereon for the traffic estimation made | |

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| | during the years 2013-14 to 2015-16. | |
| | (h). CHPT to confirm that the estimation of incentive payments, if any, are made based on the revised datum, if any, announced in the National Tribunal Award of 2006. | |
| (iv). | **Power costs:** | |
| | (a). The reason for seeking an increase of about 10% while estimating the power costs under each of the sub-activity during the year 2015-16 over the estimates for the year 2014-15 to be justified. | As stated earlier, the expenditure projection towards power has been considered as per RE 2013-14 and BE 2014-15. For the year 2015-16, an escalation of 7% has been considered over the estimates of 2014-15. |
| | (b). The power cost reported in Form 3B is not tallying with the aggregate of the power cost as reflected in the sub-activity wise cost statements furnished by CHPT. The CHPT to reconcile the total power cost with the power costs reported in the activity/ sub-activity wise cost statements. | The difference between the power cost reported in Form 3(B) as against the power cost reflected in the four sub-activities cost statement is the amount of power cost included in the Management & G.A. activity. |
| | (c). The CHPT has not furnished the information relating to the equipment wise cost of power, as required in Form – 3B. The CHPT to furnish the requisite information. | Equipment-wise cost of power is not compiled at this port. |
| (v). | **Fuel costs:** | |
| | (a). The reason for seeking an increase of about 10% while estimating the fuel costs under each of the sub-activity during the year 2015-16 over the estimates for the year 2014-15 to be justified. | Please refer reply to the point at Sl. No.C (4) (i) and C 4 (iv) (a) above. |
| | (b). In the cost statement pertaining to 'F.C Thangam', it is seen that the CHPT has sought an increase of around 79% and 97% in the estimation of fuel cost during the years 2012-13 and 2013-14 over the respective previous years, taking the actuals for the year 2011-12 as base. The percentage of increase sought during each of the year to be justified. | Please refer reply to the point at Sl. No.C (4) (i) and C 4 (iv) (a) above. |
| | (c). In the cost statement pertaining to 'P.O.L', it is seen that the CHPT has sought a reduction of around 83% and 36% in the estimation of fuel cost during the years 2012-13 and 2013-14 over the respective previous years, taking the actuals for the year 2011-12 as base. The reason for reduction in fuel expenses during each of the year to be clarified. | The fuel cost under POL activity has been modified in the revised cost statements. |
| | (d). The reason for seeking an increase of about 224% while estimating the fuel costs under the sub-activity 'Port Dues' during the year 2012-13 over the actuals for the year 2011-12 to be justified. | There is a reduction in the actual fuel cost during the year 2012-13 since the dredger was sent for dry docking. Fuel cost increase in Port dues is estimated taking into account resuming of dredging operations by dredgers/ tugs after dry docking. |
| | (e). In the cost statement pertaining to 'Towage & Pilotage', it is seen that the CHPT has sought an increase of around 399% and 17% in the estimation of fuel cost during the years 2012-13 and 2013-14 over the respective previous years, taking the actuals for the year 2011-12 as base. The percentage of increase sought during each of the year to be justified. | The cost statements have been revised with actual fuel expenses for the year 2012-13. |

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| | (f). The reason for estimating the fuel expenses at almost negligible level in the cost statement pertaining to 'Berthing & Mooring' during the years 2012-13 to 2015-16 as compared to the actuals for the year 2011-12 to be clarified. | The estimated fuel expenses under berthing and mooring activity has been modified in the revised cost statements. The port is presently hiring vehicles and hence there is increase in the estimated expenses for the year 2013-14 over the actual of 2012-13. |
| | (g). The reason for estimating fuel expenses under the sub-activity 'Salvage & Divers' only during the years 2012-13 and 2013-14 (and not for any other years) to be explained. Also, justification to be furnished for seeking an increase of about 100% while estimating the fuel costs during the year 2013-14 over the estimates for the year 2012-13. | In the revised cost statements, the sub-activity 'salvage & divers' has been merged with other Port & Dock activities. |
| | (h). The CHPT has not furnished the information relating to the equipment wise cost of fuel, as required in Form – 3B. The CHPT to furnish the requisite information. | Equipment-wise fuel cost is not compiled at this port. |
| | (i). The fuel cost reported in Form 3B is not tallying with the aggregate of the fuel cost as reflected in the sub-activity wise cost statements furnished by CHPT. The CHPT to reconcile the total fuel cost with the fuel expenses reported in the activity / sub-activity wise cost statements. | The difference between the fuel cost reported in Form 3(B) as against the fuel cost reflected in the four sub-activities cost statement is the amount of fuel cost included in the Management & G.A. activity. |
| (vi). | **Repairs and Maintenance:** | |
| | (a). The reason for estimating the repairs and maintenance costs during the year 2012-13 at ₹50000/- as against the actuals of ₹2000/- during the year 2011-12 to be explained. | It appears that the query relates to sub-activity cranage under Cargo handling activity. The cost statements have been modified based on the actual repairs and maintenance expenses for the year 2012-13. The projections for the year 2013-14 to 2015-16 has been made as explained in the reply to earlier queries. |
| | (b). The reason for seeking an increase of about 207% while estimating the repairs and maintenance costs under the sub-activity 'F.C Thangam' during the year 2012-13 over the actuals for the year 2011-12 to be explained. Also, explain the reason for estimating a reduction in the expenditure to the tune of about 31% during the year 2013-14 as compared to the estimates for the year 2012-13. | The cost statements have been modified based on the actual repairs and maintenance expenses for the year 2012-13. The projections for the year 2013-14 to 2015-16 has been made as explained in the reply to earlier queries. |
| | (c). Justification may be furnished for seeking an increase of about 90% while estimating the repairs and maintenance costs under the sub-activity 'P.O.L' during the year 2012-13 over the actuals for the year 2011-12. | The cost statements have been modified based on the actual repairs and maintenance expenses for the year 2012-13. The estimation made for the R&M under the sub-activity during 2013-14 is based on the details of maintenance expenditure proposed to be incurred by the operating departments. In POL, major works like replacements of oil pipe lines/f ire fighting line at Bharathi Dock are to be taken up. |
| | (d). An increase of about 2703% while estimating the repairs and maintenance costs under the sub-activity 'Port Dues' during the year 2012-13 over the actuals for the year 2011-12 to be justified. | The cost statements have been modified based on the actual repairs and maintenance expenses for the year 2012-13. The actual repairs and maintenance costs incurred under 'Port Dues' during the year 2012-13 is ₹56.35 lakh due to |

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| | | works like overhauling of main and auxiliary engines, repair to automatic voltage regulator, surge suppressor, windlass motor, operator cabin roof, propulsion defects in common rectifier and other deck machinery. |
| | (e). The reason for the 10% reduction in the estimation of repairs and maintenance costs under the sub-activity 'Towage & Pilotage' during the year 2012-13 over the actuals for the year 2011-12 to be clarified. | The cost statements have been modified based on the actual repairs and maintenance expenses for the year 2012-13. The increase in the estimated repairs and maintenance expenses under 'Towage & Pilotage' for the year 2013-14 is on account of the proposed dry docking of Tugs / Launches. |
| | (f). In the cost statement pertaining to 'Berthing & Mooring' it is seen that the CHPT has sought an increase of around 311% and 88% in the estimation of repairs and maintenance cost during the years 2012-13 and 2013-14 over the respective previous years, taking the actuals for the year 2011-12 as base. The percentage of increase sought during each of the year to be justified. | The cost statements have been modified based on the actual repairs and maintenance expenses for the year 2012-13. The increase in repairs and maintenance cost in the cost statement pertaining to 'Berthing & Mooring' during the year 2012-13 and 2013-14 is due to payment to M/s. SCL towards the cost of PL Poomarichan, replacement of propeller bush of ML Velan and hull plate of renewal of ML Vignesh, repairs to gearboxes of all the mooring launches. |
| | (g). The reason for estimating repairs and maintenance cost under the sub-activity 'Salvage & Divers' only during the years 2012-13 and 2013-14 to be clarified. | In the revised cost statements, the sub-activity 'salvage & divers' has been merged with other Port & Dock activities. |
| | (h). The repairs and maintenance cost reported in Form 3B is not tallying with the aggregate of the repairs and maintenance cost as reflected in the sub-activity wise cost statements furnished by CHPT. The CHPT to reconcile the total repairs and maintenance cost with the repairs and maintenance expenses reported in the activity / sub-activity wise cost statements. | The difference between the R&M cost reported in Form 3(B) as against the R&M cost reflected in the four sub-activities cost statement is the amount of R&M cost included in the Management & G.A. activity. |
| | (i). CHPT to confirm that one time repairs and maintenance costs have not been considered in the actual expenditure relating to the years 2010-11 and 2011-12 and also not built in the estimates for the years 2012-13 to 2015-16. | It is hereby confirmed that one time repairs and maintenance costs have not been considered in the actual expenditure relating to the years 2010-11 and 2011-12 and not built in the estimates for the years 2012-13 to 2015-16. |
| (vii). | **Dredging costs:** | |
| | (a). The dredging cost reported in Form 3B is not tallying with the aggregate of the dredging cost as reflected in the sub-activity wise cost statements furnished by CHPT. The CHPT to reconcile the total dredging cost with the dredging expenses reported in the activity / sub-activity wise cost statements. | The dredging cost as stated in Form 3-B is the overall cost which includes maintenance dredging and other expenses related to dredgers. Whereas, the activity/ sub-activity cost statements reflect dry docking expenses exclusively and not the entire dredging cost. Based on TAMP's observation, in the revised cost statements, the expenses have been regrouped and indicated in the sub-activity cost statements in line with the Form 3B. |
| | (b). The dredging expenditure has been estimated by CHPT for all the years under consideration in Form – 3B. However, the said | Reply to the query at (vii) (a) above may be seen. Based on TAMP's observation, in the revised cost statements, the |

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| | expenditure is seen to have been partly allocated by the CHPT only to the sub-activity 'F.C Thangam' during the years 2012-13 and 2013-14. The remaining amount of dredging expenditure during the years 2012-13 and 2013-14 is not seen to have been allocated to any other vessel related activity. Further, the said expenditure is not seen to have been allocated to any of the activity during the other years under consideration. In this regard, it is relevant to draw reference to Note 3 to Form– 5 of the prescribed formats (Instructions for filling up Form – 5A, 5B, 5C and 5D), which states that Dredging & Marine cost must be allocated to (i) Port conservancy and (ii) Berthing & Mooring at the docks & Bunder in proportion to the number of days the dredgers worked for each service or on the basis of quantum of silt dredged for each service. Further, the cost of channel dredging is to be allocated between port dues and pilotage. Also, the cost of dredging alongside berth should be allocated to the berth hire. The CHPT to allocate the dredging expenses correctly following the above mentioned instructions. | expenses have been regrouped and indicated in the sub-activity cost statements in line with the Form 3B. |
| (viii). | **Dry docking expenses:** | |
| | (a). An increase of about 218% in the dry docking expenses under the sub-activity 'Towage & Pilotage' during the year 2012-13 over the actuals for the year 2011-12 to be justified. | The dry docking of Dredger Cauvery commenced during 2012-13. Hence the actual expenditure incurred during the said year has been given in the statement. No dry docking has been done during 2011-12. |
| | (b). Though the cost statements of the various sub-activities under vessel related activity reflect dry docking expenditure, it is not seen to have been furnished in Form – 3B, furnished by the port. The CHPT to furnish revised Form – 3B. | In Form 3 B the dry docking expenditure is included under the head Dredging Cost. Based on TAMP's observation, in the revised cost statements, the expenses have been regrouped and indicated in the sub-activity cost statements in line with the Form 3B. |
| (ix). | **Others:** | |
| | (a). In each of the Cost statement pertaining to the various sub-activities, there is an item of expenditure 'Others'. The other expenses reported in Form 3B is not tallying with the aggregate of the other expenses as reflected in the sub-activity wise cost statements furnished by CHPT. The CHPT to reconcile the total of other expenses reported in the Form – 3B with the other expenses reported in the activity/ sub-activity wise cost statements. | The 'other' expenditure as stated in Form 3-B does not include the dredging cost, whereas the sub-activity cost statements include expenses relating to dredgers but does not include dry docking expenses. Based on TAMP's observation, in the revised cost statements, the expenses have been regrouped and indicated in the sub-activity cost statements in line with the Form 3B. |
| | (b). The reason for seeking an increase of about 131% and 140% while estimating Other expenses under the sub-activity 'General cargo including storage' and 'P.O.L' respectively, during the year 2012-13 over the actuals for the year 2011-12 to be explained. | The cost statements have been revised with actuals for the year 2012-13. The increase/ decrease during the year 2014-15 is based on the expenditure estimated to be incurred by way of maintenance. |
| | (c). An increase of about 2798% in the estimation of Other expenses under the sub-activity 'F.C Thangam' during the year 2012-13 over the actuals for the year 2011-12 to be justified. Subsequently, a reduction of around | The cost statements have been revised with actuals for the year 2012-13. The increase or decrease during the year 2014-15 is based on the expenditure estimated to be incurred by way of maintenance. |

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| | 75% in the estimation of other expenses during the year 2013-14 over the estimates for the year 2012-13 to be clarified. | |
| | (d). An increase of about 5787% sought while estimating Other expenses under the sub-activity 'Port Dues' during the year 2012-13 over the actuals for the year 2011-12 to be explained. Subsequently, a reduction of around 72% in the estimation of other expenses during the year 2013-14 over the estimates for the year 2012-13 to be justified. Thereafter, an increase of about 150% in the estimation of other expenses during the year 2014-15 over the estimates for the year 2013-14 to be justified. | The cost statements have been revised with actuals for the year 2012-13. The increase/ decrease during the year 2014-15 is based on the expenditure estimated to be incurred by way of maintenance. |
| | (e). The reason for estimating a reduction of around 83% in the estimation of other expenses under the sub-activity 'Towage & Pilotage' during the year 2012-13 over the actuals for the year 2011-12 to be clarified. Subsequently, an increase of about 104% in the estimation of other expenses during the year 2013-14 over the estimates for the year 2012-13 to be justified. | The actual expenditure incurred under the relevant sub- activity has been furnished for the year 2012-13. The increase/decrease during the year 2014-15 is based on the expenditure estimated to be incurred by way of maintenance. |
| | (f). The reason for seeking an increase of about 56% and 21% while estimating Other expenses under the sub-activity 'Berthing & Mooring' during the years 2012-13 and 2013-14 over the respective previous years, taking the actuals for the year 2011-12 as base, to be explained. | The actual expenditure incurred under the relevant sub- activity has been furnished for the year 2012-13. The increase /decrease during the year 2014-15 is based on the expenditure estimated to be incurred by way of maintenance. |
| | (g). An increase of about 50% sought while estimating the other expenses under the sub-activity 'Salvage & Divers' during the year 2013-14 over the estimates for the year 2012-13 to be justified. | In the revised cost statements, the sub-activity 'salvage & divers' has been merged with other Port & Dock activities. |
| (x). | **Expenses under the Railway activity:** | |
| | (a). The reason for estimating a reduction in the estimation of 'Operational maintenance of locomotives and wagons' and 'Operational maintenance of yards and stations' under the Railway activity during the year 2012-13 over the actuals for the year 2011-12 to be clarified. | The cost statement (Form 5C) has been revised with actuals for the year 2012-13. The actual expenditure incurred under operation & maintenance of locomotives and wagons for 2012-13 was lesser than the actuals of 2011-12, as already estimated and furnished. The reason for the same is lesser activity i.e. reduction in operation by rail. |
| | (b). An increase of about 15% sought while estimating 'Maintenance of permanent way, signal, and interlocking' under the Railway activity during the year 2012-13 over the actuals for the year 2011-12 to be justified. | The cost statement (Form 5C) has been revised with actuals for the year 2012-13. The increase sought while estimating expenses towards maintenance of permanent way, signal and interlocking for subsequent years is mainly on account of normal increase in salary & wages of the employees deployed for the said work. |
| | (c). Also, an increase of about 12% sought while estimating 'Operational maintenance of yards and stations' under the Railway activity during the year 2013-14 over the estimates for the year 2012-13 to be justified. | The cost statement (Form 5C) has been revised with actuals for the year 2012-13. The increase sought while estimating the expenses towards maintenance of yards and stations for subsequent years is mainly on account of normal increase in |

<table>
<tr><td></td><td></td><td>salary & wages of the employees deployed for the said work.</td></tr>
<tr><td>(xi).</td><td>Expenses under the Estate activity:</td><td></td></tr>
<tr><td></td><td>(a). CHPT to list down the items covered under the head ‘Direct Expenses’ along with the values, for each of the years under consideration.</td><td>List of items covered under direct expenses is as below:
<table>
<tr><th>Description</th><th>2012-13</th><th>2013-14</th><th>2014-15</th><th>2015-16</th></tr>
<tr><td></td><td colspan="4">(Rupees in lakhs)</td></tr>
<tr><td>Salaries Wages</td><td>559.76</td><td>738.88</td><td>812.77</td><td>894.05</td></tr>
<tr><td>Stores</td><td>15.75</td><td>38.50</td><td>35.61</td><td>39.17</td></tr>
<tr><td>Sundry exp.</td><td>185.33</td><td>221.05</td><td>124.50</td><td>136.95</td></tr>
<tr><td>Total</td><td>760.84</td><td>998.43</td><td>972.88</td><td>1070.17</td></tr>
</table></td></tr>
<tr><td></td><td>(b). In the cost statement it is seen that the CHPT has sought an increase of around 17%, 13% and 15% in the estimation of expenditure during the years 2012-13, 2013-14 and 2015-16 over the respective previous years, taking the actuals for the year 2011-12 as base. The percentage of increase sought during each of the year to be justified.</td><td>As already stated, the expenditure projections for the years 2013-14 and 2014-15 are considered based on Budget Estimates furnished to the Ministry. For the year 2015-16, an escalation of 7% has been considered over the estimates of 2014-15. The increase sought in expenditure for the Estate Activity is mainly on account of the salary & wages and sundry expenses of security and repairs & maintenance.</td></tr>
<tr><td>(xii).</td><td>Insurance:<br><br>For the years 2013-14 to 2015-16, though the Form – 3B reflects insurance expenditure, it is not seen to have been allocated to the various sub-activities. The CHPT to carry out the necessary allocation in its cost statements. Also, furnish the basis to arrive at the insurance cost for each of the years under consideration.</td><td><br>The insurance expenditure indicated in Form 3 B relates to the Insurance taken for Motor Vehicles owned by the Port as per the requirement of Motor vehicles Act 1988. Hence it is not booked under management & administration overheads and duly allocated to all the activities.</td></tr>
<tr><td>(xiii).</td><td>Stores & Spares:<br><br>Similarly, though the Form – 3B reflects expenditure relating to stores and spares, it is not seen to have been allocated to the various sub-activities. The CHPT to carry out the necessary allocation in its cost statements. Also, furnish the basis to arrive at the stores and spares cost for each of the years under consideration.</td><td><br>The stores & spares reflected in 3 B has been allocated to various activities and by way of allocation to management & general overheads.</td></tr>
<tr><td>(5).</td><td><u>Depreciation:</u><br>The CHPT was advised vide paragraph no.11(xi) of the Order of November 2010 to estimate depreciation in line with Clause 2.7.1. of the tariff guidelines while it submits its tariff proposal during the next review of its Scale of Rates. In this backdrop, CHPT to confirm that the depreciation for the 2013-14 to 2015-16 has been computed in line with the Clause 2.7.1 of the tariff guidelines. The CHPT also to furnish a detailed working for the estimated depreciation cost for the years 2013-14 to 2015-16 indicating details of assets, rate of depreciation, method followed and life norms adopted as per Companies Act.</td><td><br>Reply furnished in respect of query B (xi) may please be seen. It is further stated that the depreciation has been worked out based on straight line method adopting the life norms based on the Ministry of Shipping, Govt. of India letter No PR-24021/28/98-G dated 19.09.1998. The detailed working is already furnished vide Form 4A. The Port does not expect to have major additions to capital assets during the next 5 years as all major projects are undertaken in the PPP mode. Hence, no addition has been projected for the years 2013-14 to 2015-16.</td></tr>
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<tr><td>(6).</td><td><u>Management & Administrative Overheads:</u><br><br>The reason for seeking an increase of about 12% while estimating Overheads during the year 2012-13 over the actuals for the year 2011-12 to be explained. Also, furnish the basis to arrive at the overheads for each of the years under consideration.</td><td>The cost statements have been updated with actual management and general overheads for the year 2012-13. The estimated management and general overheads for the years 2013-14 to 2015-16 have also been revised as explained earlier.<br><br>The expenditure incurred on the management and administrative activity comprises of expenses relating to service departments, viz. Finance, GA, Medical, etc. The Salaries & Wages, Stores, General & Sundry expenses incurred by the Finance Department, General Administration Dept., Medical Dept., Vigilance and Management & Administrative expenses of the operating departments viz., Engineering Dept, Mechanical Electrical & Electronic Dept, Traffic & Marine Dept are booked under this head. The increase sought is mainly due to normal increase in Salary & Wages and routine expenses.</td></tr>
<tr><td>(7).</td><td><u>Finance & Miscellaneous Income:</u></td><td></td></tr>
<tr><td></td><td>(a). CHPT to list down the items forming part of Finance & Miscellaneous Income along with their values for each of the years under consideration.</td><td>The list of items forming part of Finance & Miscellaneous income is already furnished in Annexure III (f) of the cost statements.</td></tr>
<tr><td></td><td>(b). CHPT to furnish the basis for estimating each of the sub-item forming part of the estimated Finance and Miscellaneous Income for the years 2013-14 to 2015-16.</td><td>The basis for estimation of these items is the trend of income earned during the past years.</td></tr>
<tr><td>(8).</td><td><u>Finance & Miscellaneous Expenditure:</u></td><td></td></tr>
<tr><td></td><td>(a). CHPT to furnish the basis for estimating each of the sub-item forming part of the estimated Finance and Miscellaneous Expenditure for the years 2013-14 to 2015-16. Also, furnish basis for allocation of the said expenditure to the various activities and sub-activities along with workings.</td><td>The details of Finance & Miscellaneous Expenditure are furnished Annexure III (g) to cost statements. The Finance & Miscellaneous Expenditure is apportioned to various activities / sub-activities in the proportion of Operating cost of the relevant activities / sub-activities.</td></tr>
<tr><td></td><td>(b). CHPT to furnish the pension, gratuity and leave encashment fund position for the years 2010-11 to 2012-13 as per the Annual Accounts and the estimates for the years 2013-14 to 2015-16 in the following format, as prescribed in Form-3c of the formats:
<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>2010-11</th><th>2011-12</th><th>2012-13</th><th>2013-14</th><th>2014-15</th><th>2015-16</th></tr>
<tr><td>(i).</td><td>Balance in the Pension Fund as of last date of previous year</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>(ii).</td><td>Annual contribution made towards the pension fund</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>(iii).</td><td>Pension payments made during the year</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>(iv).</td><td>Interest accrued on the pension fund balance</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>(v).</td><td>Balance in the pension fund as of last date of the year<br>[(i) + (ii) - (iii) + (iv)]</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table></td><td>The required details are furnished as Annexure-III (k) to the revised cost statements.</td></tr>
</table>

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| | (c). CHPT to confirm that the provision for pension/ gratuity/ leave encashment made in the annual accounts for the years 2010-11, 2011-12 and 2012-13 are on account of specific year pension payments and do not include past year liability. | It is hereby confirmed that no provision has been made for Pension/Gratuity/Leave Encashment fund for past liability. The contribution due to the fund as per Income Tax rules/ Chennai Port accounting policy has been transferred to the respective funds. |
| | (d). CHPT to furnish a copy of actuarial valuation report as on 31 March 2013 for perusal. Break up of actuarial valuation of Pension Fund in respect of existing employees and the pensioners as of 31 March 2013 may also be furnished. The provision for pension/ gratuity contribution for the year 2012-13 to be updated based on the actuarial valuation report. | A copy of the actuarial valuation report of Pension Gratuity & Leave Encashment Fund as on 31st March 2013 with break-up details is furnished. As per the Actuarial valuation report, there is a short-fall of Rs.58.64 crores in Gratuity fund and Rs.1080 Crores in Pension Fund, as on 31.3.2013. |
| | (e). The estimates of pension/gratuity provision for the years 2013-14 may be reviewed and justified based on the actuarial valuation report as on 31 March 2013. The basis for estimates of pension/gratuity provision for the years 2014-15 and 2015-16 to be furnished with justification. | The estimates for contribution to the Pension fund/ Gratuity fund for the years 2013-14 to 2015-16 are made as per Income Tax rules as these funds are approved by the CBDT. |
| | (f). It may be confirmed that the pension payments to the retired employees are met from the pension fund created for the purpose and that the pension payments have not been accounted separately in the Cost statements. | As per the Board approval vide B.R. No. 102 dated 29.12.2010, Pension expenditure pertaining to employees retired prior to 14.11.2002 (date of recognition of the pension fund by the Income Tax Dept.) is met out of the Port revenue account and booked under Finance & Miscellaneous Expenditure. Gratuity expenditure in excess of Rs.3.50 lakh is met from Port Rev. account and accounted under Finance & Miscellaneous Expenditure. |
| (9). | **Escrow Account:** | |
| (i). | This Authority vide Order No.TAMP/55/2009-CCTPL dated 25 March 2011 has reduced the then prevailing tariff of Chennai Container Terminal Private Limited (CCTPL) by 35%. Similarly, this Authority vide Order No.TAMP/51/2011-CITPL dated 06 January 2012 has reduced the then prevailing tariff of Chennai International Terminal Private Limited (CITPL) by 12.33%. However, both the CCTPL and CITPL have challenged the said Orders and the said tariff Orders have been stayed by the Madras High Court. In this connection, for a better appreciation of the information contained in Form 9 and to recast the Escrow account, if required, the CHPT to clarify whether the revenue share relating to the BOT operator i.e. CCTPL and CITPL has been considered based on the income calculated at the reduced level of tariff or at the pre-revised level of tariff of CCTPL and CIPTL. | The royalty / revenue share received from the BOT operators are based on the actual income reported by the respective BOT Operators. The Revenue Share relating to the BOT operators has been considered based on the actual income accounted during the respective years. |
| (ii). | The basis for estimating the Royalty/ Revenue share receipt from the CCTPL and the CITPL in the Form – 9 for the years 2012-13 to 2015-16 to be furnished with detailed workings. | The Revenue Share relating to the BOT operators has been considered based on the actual income accounted during the respective years. The same has been |

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| | | projected based on the Traffic Projections for the respective years. |
| (iii). | There appears to be a mistake in the percentage of revenue share mentioned in respect of CITPL at 4580.10%. The same to be rectified | It is a clerical error and rectified in the revised cost statements. |
| (iv). | The amount transferred to the Escrow account is required to be utilized by the port within a period of five years for infrastructure development. Accordingly, the actual accruals in Escrow A/c upto 2008-09 should be spent within the year 2012-13. The CHPT to confirm this position. If the amount remains unutilized, the CHPT to consider the said unutilized balance in the Escrow account as operating income for the year 2012-13. | As already communicated to TAMP vide our letter dated 29 May 2013, it is proposed to maintain the Escrow Account (Infrastructure Reserve) by transferring 50% of the royalty / revenue share receipts from the year 2013-14 onwards. Hence, there is no accrual in the Escrow Account upto the year 2012-13. |
| (v). | The CHPT to furnish the details of assets created from Escrow A/c accumulations during the years 2010-11 to 2012-13, viz. nature of assets, date of commissioning and capitalized value, the activity /sub-activity classification etc. Likewise, the details of assets proposed to be created during the years 2013-14 to 2015-16 from the Escrow A/c accumulations may also be furnished. It may be ensured that the value of assets to be so furnished for the years 2010-11 to 2015-16 match with the figure of assets created out of infrastructure reserves shown at sl.no. VIIA of Form 4A. | Reply furnished at (iv) above may please be seen. |
| (vi). | As stated in Note–2 to Form–9, the CHPT has not considered the interest earned on the investment of the accumulations in the Escrow Account as income. The CHPT to credit the said interest income to Escrow Account as provided in the Form–9 for all the years under consideration. | It is not proposed to maintain the Escrow Account (Infrastructure Reserve) as a separate fund. Hence, interest has not been calculated. |
| (10). | **Capital employed:** | |
| (i). | The CHPT has not furnished giving the details of all the additions proposed by the CHPT during the years 2013-14 to 2015-16, whose value exceeds ₹1 crore. The CHPT to furnish Form – 4B in respect of all the investments proposed to be made (exceeding ₹1 crores) and giving complete details regarding additions to the gross block for the years 2013-14 to 2015-16 along with justification for the proposed investments. The impact of the additional investment may also be specified. | The Port does not expect to have major additions to capital assets during the next 5 years as all major projects are undertaken through PPP mode. Hence no addition has been considered in the proposal. |
| (ii). | The present status in respect of additions proposed for the year 2013-14 to be furnished. | |
| (iii). | The status of action initiated in respect of additions proposed for the year 2014-15 may also be intimated. | |
| (iv). | It may be noted that only completed and commissioned assets should alone be counted for capital employed. The work-in-progress shall not be taken into account. A confirmation in this regard to be furnished. | It is confirmed that only completed and commissioned assets are considered and capital work-in-progress is not taken into account under ‘capital employed’. |
| (v). | It may be confirmed that the capital outlay in the form of additions to the gross block of assets | Reply furnished for (i) above may please be seen. |

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| | proposed for the years 2013-14 to 2015-16 is in line with Five year plan envisaged by the Port. | |
| (vi). | CHPT to furnish basis for allocation of the net block of assets to the various activities and sub-activities along with workings. | Assets are allocated to the activities based on the activity for which they are used. Activity wise depreciation / working is already furnished vide Form 4A and Annexure III (d) and III (j) to cost statements. |
| (vii). | With reference to Form 9, the CHPT to furnish the items of the capital expenditure incurred or proposed to be incurred from the balance maintained in the Escrow Account. It may be noted that as stipulated in Clause 2.8.3 of the tariff guidelines, the investment made out of the Escrow Account will not qualify for ROCE. Accordingly, CHPT to exclude the items of assets funded from the Escrow account for the purpose of calculating ROCE. The details of items of assets so excluded from the capital employed to be furnished year wise beginning from 2010-11 to 2015-16. | Reply furnished at 9 (iv) above may please be seen. The accruals in the Escrow Account from the year 2013-14 onwards will be utilised within the 5 year period stipulated in the 2005 Tariff Guidelines. |
| (viii). | With reference to the estimated expenditure on fixed assets, CHPT to furnish documentary evidence in respect of the capital value of various assets already commissioned. Similarly, documentary evidence indicating the value of works along with action taken to procure other assets to be added subsequently to be furnished. | Reply furnished at (i) above may please be seen. |
| (ix). | The basis of allocation of assets into Business assets, Business related assets and social obligation assets to be furnished. | The basis of allocation of assets into business assets, business related assets and social obligation assets has been made based on the usage of the assets. |
| (x). | The CHPT to furnish workings and the basis adopted to determine each component of the working capital viz., sundry Debtors, Inventory, Cash balances and Current liabilities for each of the years under consideration. | The basis of workings adopted to determine each component of the working capital is as per the tariff guidelines. |
| **(D).** | **Scale of Rates:** | |
| (i). | The CHPT has formulated its proposed Scale of Rates considering an increase in the existing tariff at CHPT. The additional services/ facilities proposed to be provided to the users and the benefit of productivity improvements accruing to users justifying this hike to be listed out. | Reply furnished to query at A (iii) above may please be seen. |
| (ii). | In the proposed Scale of Rates, the CHPT has proposed increase in rates of some of the tariff items. It has also proposed to maintain status quo in the rates for some of the tariff items. In this connection, the CHPT to furnish item-wise annual revenue implication arising due to the proposed changes in rates of each tariff item and for each of the three years under consideration. | The annual revenue implication for the activities / sub-activities has been furnished in the cost statements. As the details of actual revenue earned from each of the tariff item in the SOR is not captured and maintained, it is not possible to furnish tariff item-wise revenue implication. |
| (iii). | CHPT to confirm whether the rate of interest at the proposed note S.1.2(vi)(b) has been updated with the prevailing Prime Lending Rate of State Bank of India as stipulated in clause 2.18.2 of the tariff guidelines of 2005. | The rate of interest has been modified with the prevailing SBI PLR plus 2% which works out to 16.75%. |
| (iv). | As stated earlier, the percentage of increase | Reply furnished in respect of query at A |

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| | sought by CHPT is not seen to be in tandem with the cost position reflected in the sub-activity wise cost statements. The CHPT to furnish an explanatory note justifying the higher percentage increase in tariff sought by it in the proposed draft Scale of Rates for each activity/ sub-activity, as compared to the cost position reflected in the respective cost statements of the sub-activities. | (vi) and (vii) may please be seen. |
| (v). | It may be recalled that this Authority vide paragraph no. 11(xxiii)(b) of the Order of November 2010 had allowed CHPT to continue with the six slab structure for the pilotage fee on iron ore vessels, as it was based on a 'consensus structure', though it was beyond the stipulation contained in the 2005 guidelines in this regard. Given that it is the third general revision of CHPT after the issue of the 2005 guidelines, the CHPT to propose the pilotage fee on iron ore vessels in line with the stipulation contained in the 2005 guidelines. | At present handling of iron ore at CHPT is stopped as per High Court directions. Hence, iron ore vessels are not visiting the Port. Further, the matter is in the Supreme Court. Hence, it is felt that the proposal for single slab pilotage fee for iron ore vessels will be considered after resuming handling of iron ore, if any. |
| (vi). | The reason for introducing a note in sub-section C under Section – 2 (Berth hire charges) to the effect that non-commercial pleasure yachts belonging to Tamil Nadu Sailing Association shall pay a berth hire charges of ₹4200/- per calendar month or part thereof to be explained.<br><br>The proposed rate of ₹4200/- per calendar month or part thereof to be justified with cost analysis. | It is informed that TAMP's approval has already been requested vide our letter No.AO(SOR)/Misc./5686/2012/FR dated 4.4.2013 to incorporate a rate of Rs.2,100/- per calendar month under clause 2.0 – Berth Hire charges (C) (2) for non-commercial pleasure yachts of TNSA.<br><br>Considering the proposed increase of 164% in the Berth hire charges, the rate has been increased in the proposed draft SOR. |
| (vii). | The reason for deleting the item 'Jute, Hemp and their manufacturers' from the wharfage schedule to be explained. | The wharfage for Jute, Hemp and their manufacture is already available under Sl. No.11 of wharfage schedule. The same has been erroneously repeated in Sl. No.10 which relates to Conveyance. Hence, the proposal may be considered. |
| (viii). | The Scale – 5 and 6 in the existing Chapter – III (Cargo related charges) is not found prescribed in the proposed Scale of Rates. The reason for deletion of these chapters to be justified. | The Scale 5 and 6 of Chapter-III are available in the proposed draft SOR forwarded to TAMP vide our letter dated 29 May 2013. It is not proposed to be deleted. Hence, the same may be prescribed. |
| (ix). | Since the CHPT has submitted a separate proposal for revision of lease rentals for its estates, the Scale – I and II of Chapter VI (relating to the licence fees) may be deleted from the proposed Scale of Rates for the port as a whole, as the Rent Schedule may have to be prescribed separately based on the proposal already filed by the CHPT for revision of its estate rental charges. | As per the existing arrangement, the lease rentals / licence fee rates form part of the Scale of Rates as Chapter VI. The definitions and general terms and conditions in Chapter I and II of the SOR are also applicable to this Chapter. Hence, if the Rent schedule is separated from the SOR, the general conditions / definitions may not be applicable to that Schedule. Further, the existing Rent Schedule will have to be continued till such time the revised lease rentals are approved by TAMP and comes into force. In case of any delay in finalising the proposal for |

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| | | revision of estate rental, there may be confusion on the applicability of lease rental rates. Hence, it is suggested that TAMP may delete the existing rent schedule in the SOR while approving the fresh rent schedule, with conditions. |
| (x). | The increase of around 1010% sought in the fees for issue of the Stevedoring licences to be justified with detailed workings. | In the revised proposed draft SOR, the charges relating to issue of stevedoring licenses has been proposed to be deleted since the same is fixed as per the Regulations approved by the Ministry. |
| (xi). | The reason for seeking around 110% increase in the rate for hire of some of the Floating craft, appliances of CHPT as prescribed in the Category I and II of the proposed Scale 6 under Chapter VI to be justified with detailed workings. | The 110% increase was proposed based on the deficit position reflected for the sub-activity 'Cranage & FLT' in the cost statements forwarded to TAMP vide letter dated 19 February 2013 and 29 May 2013. It is further stated that based on the revised cost statements, the increase proposed has been modified to 151%. |
| (xii). | The reason for deleting the existing note that the Stevedores shall pay charges comprising time rate wages and 192% levy on wages for stevedoring operations prior to the engagement of labour and instead proposing a note that the Stevedore will be permitted to indent gang for half shift instead of full shift by making payment of 50% of existing wages and 192% levy on wages (50%), to be explained. | The existing note (2) is retained in the revised proposed draft SOR and renumbered as 2 (a).<br><br>Further, as approved by the Board vide B.R.No.188 dated 30 December 2013, half-gang system has been implemented for incoming and finishing vessels on permanent basis. Accordingly, stevedores are permitted to indent gang for half shift instead of full shift by making payment of 50 % of the existing wages and 192 % levy on wages (50%). Hence, a fresh note has been incorporated in the revised proposed draft SOR as Note 2 (b). |

8.1. A joint hearing in this case was held on 27 September 2013 at the CHPT premises in Chennai. The CHPT made a Power point presentation of its proposal. At the joint hearing, the CHPT and the concerned users/ organisation bodies have made their submissions.

8.2. In addition to the submissions made by CITPL during the joint hearing, the CITPL has submitted its written submission during the joint hearing.

8.3. After the joint hearing, the CPSA vide its letter dated 4 November 2013 has communicated to admit only 5% upward revision over and above the existing Scale of Rates prospectively.

9. The CHPT was requested vide our letter dated 3 October 2013 followed by reminder to take action on the decisions taken at the joint hearing. The CHPT vide its letter dated 14 March 2014 has responded. The decisions taken at the joint hearing and response of the CHPT thereon are tabulated below:

| Sl. No. | Decisions taken at the joint hearing | Response of CHPT |
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| (i). | As desired by CHPT, the CHPT to make an attempt to sit together with the Users and arrive at a consensus on the percentage of increase to be sought by the CHPT, | The CHPT held a meeting with Port Users on 10 October 2013 to arrive at a consensus between the Port and the Users/ trade on the percentage increase that can be mutually agreed and forward to TAMP for approval. In the meeting, the users/ user organizations unanimously expressed that considering the economic slowdown, exchange rate crisis and competition from the neighbouring |

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| | and file such a consensus proposal. | ports, they are not in a position to support any mutually agreed rate increase. Hence, no consensus could be reached on the percentage increase.<br><br>(The CHPT has furnished a copy of the Minutes of the meeting, which concludes by stating that all users unanimously did not agree to the proposed revision of Scale of Rates in the prevailing economic scenario and hence no consensus was reached.) |
| (ii). | The reason for estimating income and expenditure for F.C Thangam and proposing to continue to levy for the 150 tonne floating crane in the proposed draft Scale of Rates to be explained, when the CHPT has considered handing over of 150 tonne Floating Crane to the successful BOT operator, in its proposal submitted to TAMP, for fixation of reference tariff for fleet of equipment. | The proposal for outsourcing of cranage services is undertaken on PPP model. Since there was no response from the bidders for the RFP invited during January 2014, it is proposed to re-invite bids after carrying out some modifications in the project in consultation with the port users / prospective bidders. Further, there is a possibility that in the modified proposal, handling over of F.C. Thangam may not be included. In any case, it is expected to take about 3 to 6 months for finalization of the bid and some more time will be required to complete the post bid formalities after which the handing over of existing cranes including F.C. Thangam is likely to take place. A separate proposal will be filed for modification / deletion of the relevant items in the existing Scale of Rates in this regard at appropriate time.<br><br>It is further stated that major expenditure incurred for F.C. Thangam is on account of salaries and wages which may continue to be incurred by CHPT even after handing over of FC Thangam to private operator. Hence, there may not be significant change in the actual/ estimated expenditure reported in the general revision proposal. Further, despite the estimated average deficit of 630% for the years 2013-14 to 2015-16, at the existing tariff, an increase of 100% has been proposed in the existing rate for F.C. Thangam.<br><br>In view of the above, TAMP is requested to consider the inclusion of estimated income and expenditure for F.C. Thangam in the general revision proposal. |
| (iii). | CHPT to furnish a copy of the High Court Order wherein CHPT has been refrained from handling Coal and Iron Ore. | The CHPT has furnished a copy of the Honb'le Madras High Court Order dated 11 May 2011.<br>(From the copy of the Order, it is seen that the Order, interalia, states that all the dusty cargoes like Coal, iron ore and all other dusty cargoes should move only to Ennore port on and from 01 October 2011 and not to Chennai Port.) |
| (iv). | Inspite of the stipulation contained in the Guidelines to phase out the Advalorem rates from the Scale of Rates of the port trusts, the CHPT has proposed continuation of advalorem rates in its Scale of Rates, even though this is the third general revision of CHPT after the issue of the 2005 guidelines. The CHPT to propose unit levy of wharfage for the requisite | The Port is already facing financial crisis on account of stoppage of handling of coal and iron ore. Hence, phasing out of advalorem rates at this stage will result in reduction of revenue and further worsen the financial position.<br><br>Further, the actual volume of cargo handled and revenue generated on advalorem basis during the past years needs to be taken into consideration for arriving at the proposed rates on weight/ volume basis. This exercise will involve collection and compilation of voluminous data and therefore, will require some more time. Further, the Tariff Guidelines 2005 is under review and the revised guidelines are likely to be implemented in the near future.<br><br>In view of the above, it is proposed to file a separate |

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| | cargo items. | proposal in this regard in due course taking into account the revised tariff guidelines to be implemented. TAMP is, therefore, requested to consider continuation of existing ad valorem rates in the present revision of Scale of Rates. |
| (v). | A brief note on the litigation between CHPT and CITPL about the lease rent payable by CITPL to CHPT. | (i). A License Agreement (LA) with CITPL was entered on 7.3.2007 for development and operation of Second Container Terminal at CHPT on BOT basis. As per the LA (Article 12.10), the CITPL is liable to pay the Lease rentals for the licensed premises, as per the Scale of Rates (SOR) of CHPT. The SOR in force at the time of entering LA also forms part of LA as Appendix-6. Further, the LA (Article 13.14) stipulates that the Lease Rent shall bear an escalation at a rate of 5% (compoundable) per annum as per the Licensor's Scale of Rates and the Licensor shall have the option to refix the base of Lease Rent every five years.<br><br>(ii). The Scale of Rates appended to the LA, (approved by TAMP in March 2006) prescribes the rate for undeveloped land at ₹ 2000/- per 100 sq. m. per month and for developed land at ₹ 3,800/- per 100 sq. m. per month. The CHPT initially calculated the lease rentals for the first year of LA taking the rate of ₹ 2000/- and ₹ 3,800/- for undeveloped land and developed land respectively and accordingly raised invoices on CITPL. Subsequently, the CHPT revised its claim by applying an annual escalation of 5% with effect from 1.4.2001, over the base rates prescribed in the SOR, and claimed ₹ 2431/- and ₹ 4620/- for undeveloped and developed land respectively for the year 2007-08 and with 5% annual escalation (compounded) thereafter.<br><br>(iii). The CITPL disputed the revised claims of CHPT and made a representation stating that the rate of ₹2,000/- and ₹ 3,800/- prescribed in the SOR will be the base rate applicable for the year 2007-08 and also stated the rate escalation should be considered as 2% p.a. as per Land Policy 2004 and not 5% as per LA. The CITPL also made a plea that the rate for developed land (surfaced) should be the rate applicable for undeveloped land since the CITPL had to necessarily remove the concreted surface for development of project facilities. Subsequently, CITPL had filed an O.A. in the High Court of Madras, in which the Court, vide its Order dated 13.11.2009, directed the parties to attempt to resolve the disputes by mutual negotiations in terms of LA provisions.<br><br>(iv). In the meantime, during January 2010, CITPL made a representation to TAMP to clarify the three issues / aspects regarding applicability of Licence Fee to CITPL for the licensed premises, viz. 1) Base year for calculation of License fee, 2) Rate of annual escalation of license fee and 3) License Fee to be applied for Surfaced Land. CHPT also made representation to TAMP to clarify the base year and rate of escalation. TAMP, after hearing both parties, passed an Order in September 2010. The main points recorded/ clarified by TAMP in the above order are given below:<br>(a). The issues are clarified with reference to the Scale of Rates for common application. |

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| | | (b). With regard to the base year, TAMP clarified that the base year of the estate rental rates prescribed in the Scale of Rates of CHPT is the effective date of implementation of the tariff Order dated 5 October 2002, after which the said base rate will undergo annual escalation at the applicable rate every year.<br><br>(c). With regard to rate of escalation, TAMP clarified that the base rates prescribed in the Scale of Rates of CHPT vide Order dated 5 October 2002 for allotment of space should be escalated by 2% per annum from the due date of such annual escalation which fell after February / March 2004 on announcement of the Land Policy Guidelines by the Government. For the period prior to this, escalation factor of 5% per annum as stipulated in the tariff Order dated 5 October 2002 should be applied.<br><br>(d). With regard to the rate of escalation applicable for the land licensed to CITPL as per the LA, TAMP stated that both the parties (CHPT and CITPL) were aware at the time of executing the Agreement the stipulation of 2% annual escalation in the Scale of Rates notified in October 2006 and the Government Policy guidelines issued in February 2004, but have chosen to agree upon a different escalation rate as per the LA with the knowledge of MOS. The TAMP has however stated that the issues arising on account of the agreement entered into between CHPT and CITPL may have to be resolved by some other appropriate forum.<br><br>(v). Based on TAMP clarification's order mentioned above, the CHPT revised the licence fee rate by applying annual escalation of 5% on 1 April 2003, and 2% from 1 April 2004 to 1 April 2007 and arrived at the base rate for the year 2007-08 as ₹ 2274/- per 100 sq. m. per month for undeveloped land and ₹ 4,319/- per 100 sq. m. per month for developed land, as against the earlier claimed base rates of ₹2,431/- and ₹ 4,620/- for undeveloped land and developed land respectively. For the subsequent years, an escalation of 5% p.a. has been claimed as per the LA provisions. Simultaneously, CITPL has also revised the licence fee rates, based on TAMP's order and informed the base rate for the year 2007-08 as ₹ 2252/- and ₹ 4279/- for undeveloped land and developed land respectively. For subsequent years, CITPL has considered an escalation of 2% p.a. as per SOR. It can be seen that difference exists in the base rate and escalation factor worked out by CHPT and CITPL based on TAMP's clarification.<br><br>(vi). Subsequently CITPL invoked the Arbitration clause in the LA and the matter was referred to Arbitration in July 2011. Along with the 3 issues brought out earlier, the non-payment of Licence Fee for April 2007 by CITPL was also included as 4th issue in the Arbitration. The Arbitral Tribunal passed an Award on 19 September 2012. In the Arbitration Award, three issues, viz. 1) base year for calculation of License Fee, 2) Classification of Licensor's Assets (Water Bound Macadum Surface as Undeveloped Area) and 3) Land lease charges for the month of 2007 were decided in favour of CITPL. The issue of rate of escalation, i.e. applying 5% escalation as per LA was |

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<tr><td></td><td></td><td>decided in favour of CHPT.<br><br>(vii). In this connection, it is stated that the CHPT has filed O.P. No.190 / 2013 challenging the Arbitration Award dated 19.9.2012 under Section 34 of the Arbitration and Conciliation Act before Hon'ble High Court of Madras in so far as the three issues which were decided against CHPT. Likewise, the CITPL has also challenged the Arbitration Award with reference to the escalation factor which was decided in favour of CHPT. The petitions filed by CHPT and CITPL are pending before Hon'ble High Court of Madras. Apart from the above, CITPL has also filed an OA in the High Court claiming that as per the specific agreement between the CHPT and M/s.CITPL, fees for land licensed out by the CHPT to the M/s.CITPL are not subject to general revision by TAMP, which is also pending in the High Court.<br><br>(viii). To conclude, out of the four issues referred for legal resolution, two issues are arising out of SOR provisions, viz. base rate and rate of escalation and other two issues are not relevant to Scale of Rates. The position of CHPT and CITPL in the said two issues relating to SOR is tabulated below:
<table>
<tr><th>Issue / Dispute</th><th>Claim / Position of CHPT</th><th>Claim / Position of CITPL</th></tr>
<tr><td>Base rate for the year 2007-08</td><td>CHPT has considered base year as 2002 as per TAMP clarification and worked out the base rate as follows:
<table>
<tr><th rowspan="2">Particulars</th><th colspan="2">Rate in ₹ Per 100 sq. m. per month</th></tr>
<tr><th>Undeveloped</th><th>Developed</th></tr>
<tr><td>Rate as per SOR fixed in the year 2000</td><td>2000.00</td><td>3800.00</td></tr>
<tr><td>Escalation as on 1.4.2003 (5%)</td><td>2100.00</td><td>3990.00</td></tr>
<tr><td>Escalation as on 1.4.2004 (2%)</td><td>2142.00</td><td>4070.00</td></tr>
<tr><td>Escalation as on 1.4.2005 (2%)</td><td>2185.00</td><td>4151.00</td></tr>
<tr><td>Escalation as on 1 .4.2006 (2%)</td><td>2229.00</td><td>4234.00</td></tr>
<tr><td>Escalation as on 1.4.2007 (2%)</td><td>2274.00</td><td>4319.00</td></tr>
<tr><td>Base Rate for the year 2007-08</td><td>2274.00</td><td>4319.00</td></tr>
</table></td><td>CITPL claims that the base rate for the year 2007-08 shall be the rate prescribed in the 2002 SOR without allowing any escalation from 2002 to 2007.</td></tr>
<tr><td>Rate of escalation</td><td>The stand of CHPT is that as per the Licence Agreement provisions the applicable rate of escalation for CITPL is 5% p.a. and accordingly 5% escalation shall be payable from the date of Licence Agreement.</td><td>The contention of CITPL is that there is no clarity in the LA with regard to rate of escalation as it mentions both escalation as per SOR and escalation of 5%. Hence, escalation of 2% as per SOR only shall be applicable.</td></tr>
</table></td></tr>
<tr><td>(vi).</td><td>CHPT to furnish its reply to the additional information/ clarifications sought by us vide our letter of even number dated 24 September 2013.</td><td>The CHPT has responded to the queries raised by us vide our letter dated 24 September 2013, which has already been brought out in paragraph 6 above.</td></tr>
<tr><td>(vii).</td><td>The CHPT to furnish its comments on the comments of the users.</td><td>The CHPT has furnished its comments on the comments of users, which has already been brought out in paragraph 5 above.</td></tr>
</table>

10. While responding to the queries, the CHPT under cover of its letter dated 14 March 2014 has furnished a revised proposal. The main points of the revised proposal as furnished by CHPT are summarized below:

(i). The cost statements have been revised incorporating the actuals for the year 2012-13. The estimates for the years from 2013-14 to 2015-16 have also been modified. The salient points of the revised cost statements are as follows:

(a). The traffic projections for the three years 2013-14 to 2015-16 have been revised to 54.00 MT, 55.00 MT and 56.65 MT respectively.

(b). The income projections are based on the revised traffic projections.

(c). As no income is generated under Iron ore activity, expenditure relating the same is merged with General cargo including storage activity.

(d). Income/ expenditure relating to stevedoring activity is eliminated from general cargo & storage sub-activity and shown as a separate sub-activity under cargo handling activity.

(e). The income relating to miscellaneous container handling at inner harbour is eliminated from container handling activity and merged with general cargo handling activity.

(f). The sub-activity 'salvage and diving' under vessel related activity has been merged with port and dock activity.

(g). The expenditure projections for the years 2013-14 and 2014-15 is as per the RE 2013-14 and BE 2014-15. An overall escalation of 7% has been considered for the year 2015-16 for all expenditure except for salaries & wages and dredging & dry docking expenses.

(h). For salaries and wages, an escalation of 32% has been considered for the year 2013-14 based on the actuals of 2012-13 taking into consideration the actual impact of recent BWNC settlement for revision of salaries and wages in respect of Class III and IV employees. For the next two years, 10% escalation has been considered taking into account the hike towards quarterly VDA increase and annual increment.

(i). The expenditure projection relating to dry docking and dredging expenses is based on the actuals. The dry docking expenditure has been spread over to 33 months, i.e. 9 months in 2013-14 and over 2014-15 and 2015-16.

(j). No revision has been sought in respect of warehouse sub-activity since this has to be revised based on Land Policy Guidelines.

(k). As the average deficit in Railway activity works out to around 600%, a tariff hike of 100% has been considered in Railway Haulage charges and Special Port Service charges. The Terminal Handling income included under Railway activity is considered based on the tariff notified by Railway Board.

(l). As the details of activity wise manpower deployed is not available, Form-8 has not been filled in.

(m). As per Form-7, there is negative performance variation of more than 20%; hence, 50% of the deficit accrued for the years 2010-11 to 2012-13 is also to be set off while revising the tariff for the current tariff cycle.

(ii). Based on the deficit position reflected in the revised cost statements, the percentage of increase proposed over the present tariff for each activity/ sub-activity has also been revised. The activity wise increase proposed as per the original proposal forwarded in February 2013 and the increase proposed now as per revised cost statements is furnished below:

| Sl. No. | Activity/Sub-Activity | Increase proposed as per original proposal (Feb 2013) | Increase proposed as per revised proposal (Feb 2014) |
|---|---|---|---|
| 1. | General Cargo (*) | 50% | 198% |
| 2. | Crane & FLT | 110% | 151% |
| 3. | FC Thangam (**) | Nil | 100% |
| 4. | Stevedoring & CHD | Nil | Nil |
| 5. | POL | 10% | 67% |
| 6. | Warehouse | 60% | Nil |
| 7. | Port Dues | 100% | Nil |
| 8. | Towage & Pilotage | 70% | 104% |
| 9. | Berthing & Mooring | 100% | 164% |
| 10. | Railways (Haulage and Special Port Service charges only) | 100% | 100% |
| 11. | Estate Rentals | Nil | Nil |

(*) No revision has been sought in the rates for Coal and Iron Ore since handling these cargoes at Chennai Port is banned as per Court order.

(**) Despite average deficit of 630% in the existing tariff for the years 2013-14 to 2015-16, only 100% increase is proposed since the capacity of the Crane has been de-rated and its utilization is limited. However, the estimated additional revenue implication in this regard amounting to Rs.5.50 crores has not been considered in the cost statements.

(iii). Based on the above percentage increase, it is proposed to generate an additional revenue of ₹ 459.95 crores, ₹ 461.84 crores and ₹464.57 Crores during 2013-14, 2014-15, 2015-16 respectively as against the overall deficit of ₹ 657.55 crores, ₹ 642.07 crores and ₹ 701.30 crores reflected in the consolidated cost statement for the corresponding years.

(iv). The proposed draft Scale of Rates has been revised with the increase shown in the above table. Further, some of the conditionalities prescribed in the existing Scale of Rates have been modified based on the operational requirements, which inter-alia, include rationalisation of some miscellaneous tariff items like Passenger Toll, etc.

(v). With regard to revision of stevedoring charges, it is stated that based on the recent BWNC settlement, salaries and wages of Class III & IV employees have been increased with effect from 1 January 2012. On the other hand, the existing stevedoring charges have not been revised since July 2008. Hence, there is a huge under recovery in the wages paid to the labourers and time-rate wages and levy collected as per SoR. Further, based on the BWNC agreement, a Memorandum of Settlement (MoS) has been entered with the Unions in January 2014 for implementation of NIT award on manning scale. Further, the datum and piece rate incentive have also been revised based on the MoS. A separate proposal will be filed shortly for revision of stevedoring charges, after taking into account the revised wage structure, revised manning scale, datum, piece rate incentive, etc.

11. Since there was a substantial variation in the percentage of increase sought in the revised proposal as compared to the earlier proposal, a copy of the revised proposal of the CHPT was forwarded vide our letter dated 21 March 2014 to the CCTPL, CITPL and the concerned

users/ user organisations for their comments. Only the CITPL and CCHAA have furnished their comments on the revised proposal. A copy of the comments received from CITPL and CCHAA were forwarded to CHPT as feedback information. The CHPT has responded vide its letter dated 11 April 2014.

12.1. As stated earlier, the validity of the SOR prescribed vide Order dated 10 November 2010 was upto 31 March 2013. Based on the request made by the CHPT and recognizing the time required for finalizing the CHPT general revision proposal in hand, this Authority vide its Order dated 14 June 2013 extended the validity of the Scale of Rates of the CHPT till 30 September 2013. The validity of the Scale of Rates was extended subject to fully adjusting the additional surplus, if any, over and above the admissible cost and permissible return accruing to the CHPT for the period post 1 April 2013 in the tariff to be determined, as assessed during the review of its performance.

12.2. Thereafter, the validity of the Scale of Rates of the CHPT from time to time upto 30 June 2014 subject to fully adjusting the additional surplus, if any, over and above the admissible cost and permissible return accruing to the CHPT for the period post 1 April 2013 in the tariff to be determined, as assessed during the review of its performance.

13.1. The CHPT vide its letter dated 10 December 2013 has filed a proposal for levy of berth hire charges on vessels other than cargo vessels calling at the CHPT and requested to consider its proposal as a part of its general revision proposal. Accordingly, the CHPT proposed to insert the following provisions as Note (8) and (9) under Schedule 2.0 (Berth Hire charges) under Chapter – II – Vessel related charges, which are seen to have been determined through mutual consensus in the meeting with users:

"(8). Berth hire charges for non-cargo vessels will be charged at the rates given below or as per the rates prescribed in Scale – A above, whichever is higher:

| Sl. No. | Vessel Type | Berth Hire Charges (the rates given below or rates as per the SOR whichever is higher) |
|---|---|---|
| 1. | Supply Vessels | ₹ 25,000/- for less than 12 hours stay and ₹ 50,000/- for more than 12 hours stay/ per day. |
| 2. | Research -Government | Normal berth hire as per Scale – A above. |
| | -Others | ₹ 30,000/- (per day) |
| 3. | Repairs & Maintenance | 2 times of normal berth hire as per Scale – A above. |
| 4. | Bunkering | Normal Berth Hire as per Scale – A above. |
| 5. | Oil Rigs | ₹ 2 lakhs (per day) |
| 6. | Other Non-cargo vessels not specified above | 2 times of normal berth hire as per Scale – A above. |

(9). In respect of vessels idling at the Berth for more than 24 hours during operations due to dispute between the Master of the Vessel and receiver of the cargo, stowage problem, ship-crane repair, etc., berth hire charges at 2 times of normal berth hire charges prescribed at Scale – A above shall be payable."

13.2. With regard to the request made by the port to consider its above proposal along with its general revision proposal, it is to state that at the time of receipt of the subject proposal from CHPT in December 2013, the consultation proceeding on the CHPT general revision proposal had already been concluded with the relevant stakeholders. Considering the position that the subject proposal would also have to be taken up on consultation with the relevant users/ user organisations and a joint hearing may also have to be conducted on the case, it was not felt appropriate to deal with the subject proposal along with the general revision proposal. Therefore, the above proposal was decided to be dealt with separately and this position was communicated to the CHPT.

14. 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

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

(i). The existing Scale of Rates of the Chennai Port Trust (CHPT) was last approved by this Authority in November 2010 with a tariff validity period upto 31 March 2013. Vide the said Order, a reduction of 11% was effected in the then existing port dues charges and status quo was maintained in the rates of other tariff items.

Subsequently, the validity of the Scale of Rates of CHPT has been extended from time to time beyond 31 March 2013. On the last occasion, the validity of the existing Scale of Rates of CHPT has been extended till 30 September 2014 or the date of effect of the revised Scale of Rates, whichever is earlier. The extension of validity of the Scale of Rates of CHPT beyond 31 March 2013 is subject to condition of fully adjusting the additional surplus, if any, over and above the admissible cost and permissible return accruing to the CHPT for the period post 1 April 2013 in the tariff to be determined for future tariff cycle 2013-14 to 2015-16.

(ii). (a). After protracted correspondence, the CHPT filed its complete proposal for general revision of its Scale of Rates in February 2013 and draft Scale of Rates in May 2013. Since the relevant provision of 2005 tariff guidelines requires to necessarily circulate the draft Scale of Rates along with the proposal, the proposal was taken up for consultation with the relevant users after receipt of draft Scale of Rates.

(b). With reference to the mention made by INSA that the CHPT was comfortable with the existing tariff and only upon this Authority pursuing the matter, the port filed the proposal for review of its tariff, it has to be recognised that as rightly brought out by CHPT, the tariff at the Major Port Trusts is to be reviewed once in three years as per tariff guidelines of March 2005. The INSA also may note that the Major Port Trusts Act also mandates this Authority to fix the tariff of Major Port Trusts and persons authorised by them from time to time.

During the processing of the case, since the financial year 2012-13 was already over, the CHPT was requested to update the cost statements with actuals for the year 2012-13. The CHPT was also requested to review the estimates for the years 2013-14 to 2015-16 based on the actuals for the year 2012-13. The CHPT furnished a revised proposal in March 2014. The updated cost statements furnished by CHPT along with revised proposal under cover of its letter dated 14 March 2014 and the submissions made by CHPT during the processing of the case, are considered for the purpose of our analysis.

(iii). (a). Clause 2.8.3 of the tariff guidelines of 2005 requires all the major port trusts to create and maintain an Escrow account to record inflows of Royalty/ Revenue share receipts from the BOT operators and outflows for creation/ modernization of the port infrastructure facilities. In the tariff Order of November 2010, the Escrow account was drawn upto the year 2012-13, which was based on the estimated position for the years 2010-11 to 2012-13. The closing balance of the Escrow account as on 31 March 2010 was arrived at ₹218.88 crores in the tariff Order of November 2010.

(b). The CHPT is seen to have furnished the Escrow account for the period from 2013-14 to 2015-16 only. Inspite of a specific request, the CHPT has not drawn up the Escrow account for the period prior to 2013-14. Therefore, the Escrow account for the period from 2010-11 to 2015-16 has been drawn up by taking the closing balance in the Escrow account as on 31 March 2010 at ₹21887.62 lakhs as determined in the Order of November 2010, as base.

(c). In this connection, for the reasons recorded in the tariff Order of November 2010, 50% of the estimated Revenue share income was transfered to Escrow account during the years 2010-11 to 2012-13 and the balance 50% of the Revenue share income was considered as the estimated income of the CHPT for the corresponding years. Since the approach relied upon at the estimate stage is to be retained in respect of actuals also to enable a like to like comparison of estimates vis-à-vis actuals, 50% of the actual Revenue share income as reflected in the Annual Accounts is transferred to Escrow account during the years 2010-11 to 2012-13 and the balance 50% of the Revenue share income is treated as the operating income of the CHPT for the corresponding years, in accordance with the approach adopted in November 2010 Order.

(d). From the Annual Accounts of the CHPT for the years 2010-11 to 2012-13, it is seen that the CHPT has made investments to the tune of ₹ 3159.64 lakhs, ₹ 1607.13 lakhs and ₹ 189.35 lakhs during the years 2010-11 to 2012-13 respectively. For the purpose of this analysis, it is assumed that all the said investments have been made by utilizing the proceeds from the Escrow account.

(e). The CHPT has proposed to transfer 50% of the royalty/ revenue share receipts to the Escrow account and the balance 50% has been considered as income of the port for the years 2013-14 to 2015-16. Since the tariff guidelines of 2005 envisage transfer of minimum 50% royalty/ revenue share to the Escrow account, the approach adopted by the CHPT in this regard is accepted. There is a slight variation in the amount considered as 50% of the Royalty/ Revenue share shown in the Cost statement and that mentioned in the Escrow account statement furnished by the port. The amount as considered in the Cost statement is taken into account.

(f). Also, the CHPT has not estimated any capital additions during the years 2013-14 to 2015-16. The Escrow account cast by us, based on the discussions made in the preceding paragraphs, is given below:

(₹ in lakhs)

| No. | Particulars | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|---|---|---|---|---|---|---|
| 1 | Opening Balance | 21887.62* | 26571.55 | 31673.32 | 36965.76 | 41661.96 | 45503.31 |
| 2a | Transfer to Escrow a/c | 8108.46 | 9125.67 | 9810.58 | 9933.33 | 10283.33 | 10383.33 |
| 2b | Interest on balance** | 875.50 | 1062.86 | 1266.93 | 1478.63 | 1666.48 | 1820.13 |
| 3 | Total transfer ( 2a + 2b ) | 8983.96 | 10188.53 | 11077.51 | 11411.96 | 11949.81 | 12203.46 |
| | Balance available | 30871.58 | 36760.08 | 42750.82 | 48377.73 | 53611.76 | 57706.77 |
| 4 | Withdrawal for creation of assets | 3159.64 | 1607.13 | 189.35 | 0.00 | 0.00 | 0.00 |
| 5 | Amount left unutilised even after completion of five years from the year of transfer and treated as Operating income | 1140.39 | 3479.63 | 5595.71 | 6715.77 | 8108.46 | 9125.67 |
| 6 | Closing balance ( 1 + 3 - 4 - 5 ) | 26571.55 | 31673.32 | 36965.76 | 41661.96 | 45503.31 | 48581.11 |

* The Opening balance of ₹ 218.88 crores is the balance as on 31.03.2010 as per the Tariff Order of November 2010.

****** Since, the CHPT has not factored the interest income in the Escrow account, the interest on investments has been calculated by considering an interest rate of 4% per annum.

(g). Tariff guidelines stipulates a time limit of 5 years for utilisation of funds from the Escrow account. In this connection in the tariff Order of November 2010, the accrual to the Escrow account in the year 2005-06 was utilized during the year 2009-10, leaving no unutilized amount pertaining to the year 2005-06. Further, the accrual to the Escrow account in the year 2006-07 is to be utilized by the year 2010-11, accrual in the year 2007-08 to be utilized by the year 2011-12 and accrual in the year 2008-09 to be utilised by the year 2012-13. As stated earlier, the investments made by the CHPT to the tune of ₹ 3159.64 lakhs, ₹ 1607.13 lakhs and ₹ 189.35 lakhs during the years 2010-11 to 2012-13 respectively has been assumed to have been made by utilizing the proceeds from the Escrow account. In view of this position, an unutilized balance (beyond five years) to the tune of ₹ 1140.39 lakhs, ₹ 3479.63 lakhs and ₹ 5595.71 lakhs is available in the Escrow account. Since, any unutilized balance of Escrow Account after the expiry of five years is to be considered as operating income, the said amount is treated as operating income under the cargo handling activity for the years 2010-11 to 2012-13 respectively.

(iv). Clause 2.13 of the tariff guidelines of 2005 mandates review of the actual physical and financial performance of the port at the end of the prescribed tariff validity period with reference to the projections relied upon at time of fixing the prevailing tariff.

The last review of the Scale of Rates of CHPT was done in November 2010. Vide the Order of November 2010, the tariff for the CHPT was fixed for the years 2010-11 to 2012-13, by relying upon the estimates for the said years. Thus, the estimates vis-à-vis actuals for the years 2010-11 to 2012-13 is to be analysed to assess the performance of CHPT during the said years. The analysis of performance of CHPT is given below:

(a). The aggregate of the actual traffic handled by CHPT (exclusive of BOT operators) during the three year period from 2010-11 to 2012-13 works out to 81.36 million tonnes as against the estimated traffic of 130.25 million tonnes, registering a negative variation of 37.54%.

(b). The operating income and the operating expenditure pertaining to the four main activities of the CHPT viz., Cargo handling, Port & Dock facility, Railways and Estate, as considered by the CHPT in its Cost statements for the years 2010-11 to 2012-13, is as per the activity wise operating income and operating expenditure reflected in the annual Accounts for the corresponding years.

Since the tariff fixing exercise cannot recognize the discounts/ rebates allowed by the CHPT at its discretion, the CHPT was requested to furnish the details of the Rebates and discounts, if any, allowed by it during the years 2010-11 to 2012-13. In this connection, the CHPT has stated to have given some concessions in the vessel related charges to the mainline container vessels and mainline vessel operators. Though the CHPT has not furnished any working in this regard, it has quantified the annual financial impact of such concession for the years 2010-11 to 2012-13 at ₹201.80 lakhs, ₹943.80 lakhs and ₹428.96 lakhs respectively. The said concessions are taken into account in the analysis.

(c). The depreciation amount considered by CHPT in its Cost statement for the years 2010-11 and 2011-12 is seen to be the sum total of the depreciation under each of the heads viz., Cargo handling, Port & Dock, Railways and Estate as seen in the Annual Accounts for the respective years. However, there is some difference in the sum total of the depreciation amount considered in the Cost statement for the year 2012-13, when compared with the sum total of the depreciation in the Annual Accounts for the corresponding year. In other words, a lower amount of depreciation has been considered in the Cost statement. The sum total of the depreciation as reflected in the Annual Accounts is considered in this analysis.

(d). The figures of Management & General Overheads as shown in the Cost statement for the years 2010-11 to 2012-13 is seen to be as per the Annual Accounts of the respective years.

(e). The CHPT has considered Finance and Miscellaneous Income to the tune of ₹8041.73 lakhs, ₹6068.52 lakhs and ₹6910.35 lakhs for the years 2010-11 to 2012-13 respectively in the Cost statement. The CHPT is seen to have excluded Interest on general reserve funds, interest on staff advances and Interest on income tax refund as shown in the Annual Accounts for the years 2010-11 to 2012-13 to arrive at the figure pertaining to Finance & Miscellaneous Income in the Cost statement, for the respective years. The said exclusion of interest element from the Finance and Miscellaneous Income is found to be in order and taken into account in the analysis.

In other words, the Finance and Miscellaneous income comprises of profit on disposal of assets, dividend income from M/s. E.P.L, Lapsed deposits, Harbour entry fees, Prior Period income and recoveries towards Electricity, Water etc., for the years 2010-11 to 2012-13. The lapsed deposits appears to be unclaimed deposits lying with CHPT and credited to their revenue account. Normally, this being not an income arising from port operations, the same is not to be taken into account as income of the port. However, in the absence of breakup of lapsed deposits under the amount considered under the head of “Lapsed deposits, Harbour entry fees and other receipts”, the entire amount is treated as income. In the year 2012-13, in addition to the components as listed above, the CHPT is seen to have considered an amount of ₹ 12.71 crores under Finance and Miscellaneous income. From the Annual Accounts for the year 2012-13, it is understood that the said amount pertains to the amount receivable by CHPT from M/s. E.P.L as business incentive for the coal traffic diverted from CHPT to E.P.L. This position is considered in the analysis.

(f). The CHPT has considered ₹22676.30 lakhs, ₹25246.11 lakhs and ₹27794.11 lakhs as Finance and Miscellaneous expenses for the years 2010-11 to 2012-13 respectively in the Cost statement. The CHPT is seen to have excluded the Interest on loans as reported in the Annual Accounts. The Finance & Miscellaneous Expenditure include Contribution to Pension Fund as well as Pension payment. As per Note 6 to the Form 3A (formats for major port trusts for filing general revision proposal), pension payments to the extent it is not drawn from pension fund and the contribution to the pension fund relevant towards pension liabilities of existing employees are to be considered. The pension payment made from the Revenue account and booked under F & M expenditure is for the employees retired prior to 14 November 2002. Therefore, the pension payment is considered alongwith Contribution to Pension Fund. This position is considered in the analysis.

(g). The Net Block of assets as considered by the CHPT in the Cost statement is to the tune of ₹ 60622.64 lakhs, ₹ 59245.71 lakhs and ₹ 56437.01 lakhs for the years 2010-11 to 2012-13. This is seen to be after excluding the value of the lease hold land acquired by the CHPT in Sriperumbudur to the tune of ₹100.55 crores. The CHPT appears to have excluded the value of the said land in its analysis on the ground that the said land is a leasehold land. Since the port has made an investment and also since the value of the said land has been captured in the Annual Accounts from the year 2010-11 onwards, it may not be appropriate to ignore the said investment from tariff fixing exercise. Therefore, the said investment is considered to give return to the port on the said investment also. Therefore, the net block of assets as seen in the Annual Accounts for the years 2010-11 to 2012-13 is considered in the analysis for the respective years.

(h). The segregation of assets into Business assets, Business related assets and social obligation assets as given by the CHPT is reported to be made based on the usage of the assets and the same is relied upon in the analysis.

(i). The CHPT is not seen to have considered working capital for the years 2010-11 to 2012-13, as it works out to be negative. As a result, the working capital is considered as NIL in the analysis for the years 2010-11 to2012-13

(j). The designed capacity of the port (excluding BOT berths) as reported by CHPT is about 43.59 MMTPA as on 31 March 2013. Taking into account the actual traffic handled by CHPT (excluding traffic of BOT berths) during the years 2010-11 to 2012-13, the actual capacity utilization of the port works out to 73.50%, 58.80% and 54.35% during the years 2010-11 to 2012-13 respectively.

Since the capacity utilization for the year 2010-11 exceeds the cutoff limit of 60% for allowing full return, the Return on Capital employed is allowed at 16% for business assets and 8.40% for business related assets.

For the years 2011-12 and 2012-13, the capacity utilization is seen to be below 60%. As per clause 2.9.10 of tariff guidelines of 2005, maximum permissible return will be allowed for capacity utilisation of 60% and above. The guideline also stipulates that when the capacity utilisation is found to be in the region of 50% to 60%, a decision on pro-rata reduction in the maximum permissible return to be allowed will be decided on case to case basis after analysing the factors leading to under utilisation of capacity. It is noteworthy that on analysis of factors leading to under-utilisation of capacity, it is generally seen that ban on handling of coal and iron ore imposed by the Hon’ble High Court of Madras is the main factor for under-utilisation of port capacity. This factor is beyond the control of the CHPT. Therefore, there is a case for allowing maximum return of 16%. However, allowing of maximum return is not going to have an impact on the decision taken, as can be seen from the later part of this analysis. Since the estimated capacity utilisation is seen to be less than 60%, the return on capital employed is considered in proportion to the capacity utilization. While doing so, return at 16% is allowed in the case of business assets and 8.40% is allowed in the case of business-related assets for the years 2011-12 and 2012-13, as considered in the November 2010 Order.

No return is allowed on social obligation assets as per the tariff guideline position for any of the years under consideration.

(v). (a). A statement showing the analysis of the performance of CHPT for the years 2010-11 to 2012-13 is attached as **Annex-I**. A summary of the comparison of the actuals vis-à-vis the estimates considered in the last tariff Order is tabulated below:

| Particulars | Aggregate for the years 2010-11 to 2012-13 in absolute terms (₹ in lakhs) | | Variation in % |
|---|---|---|---|
| | Estimates as per tariff Order | Actuals | |
| Traffic (in million tonnes) | 130.25 | 81.36 | -37.54% |
| Operating Income | 213288.56 * | 162185.79 | -23.96% |
| TotalExpenses (including depreciation) | 176199.73 | 154749.96 | -12.17% |
| Surplus before Return (Average) | 25338.18 | -40880.21 | -261.34% |
| Capital Employed (Average) | 53343.67 | 67083.44 | 25.76% |
| Return on Capital Employed (Average) | 8459.34 | 10622.15 | 25.57% |

* The operating income estimates are moderated to reflect the 11% reduction granted to the then prevailing port dues charges with effect from mid of February 2011.

(b). The details regarding the actual Return earned by CHPT on the Capital Employed are given in the following table:

(₹ in Lakhs)

| Particulars | 2010-11 | 2011-12 | 2012-13 | Average |
|---|---|---|---|---|
| Actual Surplus (deficit) before Return earned by CHPT | -8296.64 | -17161.17 | -15422.40 | -13626.74 |
| Actual Capital Employed | 67518.71 | 67494.38 | 66237.22 | 67083.437 |
| Return on actual capital employed at eligible rate of 16% | 10680.52 | 10691.66 | 10494.28 | 10622.154 |
| Actual Return on Capital Employed | -12.29% | -25.43% | -23.28% | -20.33% |

(c). As per clause 2.13 of the tariff guidelines, if review of actual physical and financial performance for the previous tariff cycle shows the variation of more than + or – 20%, as compared to the estimates then 50% of such accrued benefit / loss has to be adjusted in the next tariff cycle.

As can be seen from the above tables, the variation in actual physical and financial performance as compared to the respective estimates, is seen to be more than (-) 20%. Therefore, in terms of the stipulation contained in Clause 2.13, there is a case to adjust 50% of the deficit pertaining to the years 2010-11 to 2012-13 in the current tariff cycle of CHPT.

(d). A summary of the surplus/ deficit position for the years 2010-11 to 2012-13 is given below:

(₹ in lakhs)

| Years | Amount |
|---|---|
| 2010-11 | -18977.15 |
| 2011-12 | -23447.64 |
| 2012-13 | -21125.76 |
| **Total** | **-63550.55** |
| **50% to be set off in future tariff** | **-31775.28** |

(e). It is noteworthy that the said deficit position is exclusive of the past period deficit position pertaining to the stevedoring activity. Though the past period deficit position pertaining to the stevedoring activity has been assessed at ₹ 121.07 crores, it is relevant to mention here that since the CHPT has filed a separate proposal for revision of the Stevedoring and Clearing & Forwarding levy, 50% of the past period deficit relating to the stevedoring activity to the tune of ₹ 60.53 crores is being excluded from the purview of the general revision proposal and would be considered while analyzing the proposal relating to revision of Stevedoring and Clearing & Forwarding levy.

(f). As per Clause 2.13 of the tariff guidelines the past surplus/ deficit is to be set off during the next tariff cycle. The year 2013-14 is already over. Further, considering the time taken for notification of the Order (to be) passed in the Gazette of India after following the due procedure and the lead time after which the revised Scale of Rates of CHPT would come into force, it would be around October 2014. In such a scenario, the adjustment relating to past deficit can only be effected over a period of 18 months from October 2014 to March 2016 of the current tariff cycle. However, it is not appropriate to load on the past period deficit over a small time frame. Considering the position that the Guidelines stipulate set off of past period surplus/ deficit during the next tariff cycle, which is generally of 3 years, it may be appropriate to adjust the past period deficit over a period of three years beginning from October 2014 to September 2017. Thus, out of the total past period deficit to be considered for adjustment to the tune of ₹ 317.75 crores, ₹ 158.88 crores may be adjusted in the remaining current tariff cycle of 18 months from October 2014 to March 2016 and the balance deficit of ₹158.87 crores is quantified to be set off in the next tariff cycle.

(vi). The traffic estimates as furnished by CHPT (excluding the traffic related to BOT berths) is 23.96 million tonnes, 23.93 million tonnes and 24.65 million tonnes each for the years 2013-14 to 2015-16 respectively. The actual level of traffic of 23.69 million tonnes during the year 2012-13 is seen to have been maintained by the CHPT, subject, however, to marginal variation while estimating the traffic for the years 2013-14 and 2014-15. The traffic for the year 2015-16 is seen to have been projected with about a 3% growth over the estimated traffic for the year 2014-15.

The CHPT has reported that the traffic projections are in concurrence with the projections in the 5 year plan and current expected growth. The CHPT has also stated that the traffic has been estimated in accordance with the total demand potential in the hinterland and after accounting for the likely share that can be taken away by competing ports on their future plans.

In this context, it is relevant to mention here that none of the user/ user organizations have objected to the traffic forecasts made by CHPT. Also, this Authority does not carry out any independent study so as to determine the likely traffic at a port/ private terminal. Since the traffic projection for the year 2013-14 to 2015-16 is reported to have been made in concurrence with the projections in the 5 year plan and current expected growth, the traffic forecasts for the years 2013-14 to 2015-16 as furnished by CHPT is relied upon for the purpose of this analysis.

(vii). The Cargo handling income estimates have been furnished by CHPT at ₹ 31024.43 lakhs, ₹ 31405.18 lakhs and ₹ 31613.10 lakhs for the years 2013-14 to 2015-16 respectively. The CHPT has not furnished workings with regard to the cargo handling income.

The CHPT has estimated transfer of 50% of the royalty/ revenue share receipts to the Escrow account. Thus, the cargo handling income as given above is inclusive of the balance 50% of the estimated royalty/ revenue share receivable by the CHPT from its BOT operators viz., CCTPL and CITPL, to the tune of ₹ 9933.33 lakhs, ₹ 10283.33 lakhs and ₹ 10383.33 lakhs during the years 2013-14 to 2015-16 respectively. In this connection, it is relevant to mention here that vide Order No.TAMP/55/2009-CCTPL dated 25 March 2011, the then prevailing tariff of Chennai Container Terminal Private Limited (CCTPL) was reduced by 35%. Similarly, vide Order No.TAMP/51/2011-CITPL dated 06 January 2012 the then prevailing tariff of Chennai International Terminal Private Limited (CITPL) was reduced by 12.33%. However, both the CCTPL and CITPL have challenged the said Orders and the said tariff Orders have been stayed by the Honb'le Madras High Court. From the submissions made by the CHPT, it appears that the royalty/

revenue share has been taken into account by the CHPT based on the actual level of income being collected by the CCTPL and CITPL. Since the matter is subjudice at present, the stand taken by the port is taken into account and the royalty/ revenue share as considered by the CHPT is relied upon. However, incase, if the outcome of the case goes against the BOT operators, it will have an impact on the estimated revenue share receipts considered by CHPT in this proposal. In that case, the financial position will undergo a change and the revenue implication on this account will be reviewed during the next tariff revision.

Further, the balance in the Escrow Account left unutilized after the expiry of five years to the tune of ₹ 6715.77 lakhs, ₹ 8108.46 lakhs and ₹ 9125.67 lakhs is being treated as operating income under the cargo handling activity for the years 2013-14 to 2015-16 respectively.

Thus, the moderated cargo handling income to the tune of ₹37740.20 lakhs, ₹ 39513.64 lakhs and ₹ 40738.77 lakhs for the years 2013-14 to 2015-16 respectively is considered in the analysis.

(viii). The income estimated by CHPT for the Vessel related activity is at ₹19261.67 lakhs, ₹19995.11 lakhs and ₹20180.45 lakhs for the years 2013-14 to 2015-16 respectively. Here also, the CHPT has not furnished workings with regard to the vessel related income.

As per clause 6.1.1 of the tariff guidelines of March 2005, vessel related charges for foreign going vessels will be denominated in US dollars terms and recovered in Indian Rupees. In this connection, when the CHPT was requested to indicate the exchange rate considered by it in the estimation of income for the years 2013-14 to 2015-16, the CHPT has stated that the vessel related income has been estimated based on the actual earnings for the year 2012-13 and projected for the years 2013-14 & 2015-16 based on the estimated GRT for the traffic projections and that therefore, there is no foreign exchange variation.

In respect of the income estimates from dollar denominated tariff items, the exchange rate prevailing at the time of analysis of the case, is considered uniformly for estimation of income from dollar denominated tariff items, for all the years under consideration. Hence, the income estimation furnished by the port needs adjustment with reference to the exchange rate prevailing at the time of analysis of this case.

As stated earlier, the CHPT has stated to have estimated the Vessel related income for the years 2013-14 & 2015-16, based on the actual earnings for the year 2012-13. The actual dollar exchange rate for the year 2012-13 is ascertained at ₹ 54.47. Further, in our analysis, since the financial year 2013-14 is already over, and since the actual dollar exchange rate for the said period is available, the vessel related income for the year 2013-14 is estimated based on the average exchange rate of ₹ 60.35 per US$ that prevailed during the said year, by taking the year 2012-13 as base. For the years 2014-15 and 2015-16, an exchange rate of ₹59.88 per US$ is considered as prevailing at the time of concluding the analysis of this case.

Thus, the moderated operating income related to Vessel related activity works out to ₹ 21340.95 lakhs, ₹ 21981.04 lakhs and ₹22,184.79 lakhs for the years 2013-14 to 2015-16 respectively, which is considered in the analysis.

(ix). The CHPT has not furnished detailed workings in support of its estimation of income from the Railway activity. Strictly speaking, tariff for railway activity is not within the regulatory purview of this Authority. But, as confirmed by the CHPT, only Special Port Service Charges for the Rail borne cargo has been prescribed in the existing SOR of CHPT, and that other railway related tariff items have been removed from the SOR of CHPT by this Authority through its earlier Orders. In this backdrop, the CHPT has requested to re-instate the tariff item of 'Haulage Charges' in its Scale of Rates and has requested to allow the tariff increase of 100% in the tariff items, Haulage Charges and Special Port Service Charges.

In this connection, it is relevant to mention here that when the tariff for the other railway related services have been delinked from the SOR of CHPT in the past, the CHPT now, has not brought out any extraordinary circumstances warranting reinstatement of the deleted items in the SOR of the CHPT. The existing arrangement is to, therefore, continue unaltered.

Since the railway activity is to be viewed as a supporting activity to the cargo handling operations, the financial/ cost position arising out of the railway activity is also considered in this exercise, as has been done during the previous general revision of tariff at CHPT. The operating income estimates for the years 2013-14 to 2015-16 relating to Railway activity at the existing level of tariff is relied upon, as furnished by CHPT.

(x). The CHPT has not furnished detailed workings in support of its estimation in terms of area allotted and rate considered under each category of land. Nevertheless, the income from estate rentals as estimated by the port are considered in this proposal only to ascertain the overall financial/ cost position of the port and to see whether the surplus, if any, arising from this activity could be utilized to cross-subsidize other deficit making activities, as provided in clause 2.11.5 of the tariff policy guidelines.

(xi). The estimates of operating expenses for the years 2013-14 to 2015-16 are discussed as given below:

(a). The annual escalation of the cost estimates is considered in terms of Clause 2.5.1 of the Tariff Guidelines of 2005 which requires that the expense projections of the major ports and terminal operators should be in line with traffic adjusted for price fluctuation with reference to current movement of Wholesale Price Index for all commodities as announced by the Government of India. The escalation factor to be adopted in respect of tariff cases to be disposed during the year 2014-15 has been announced at 6%. Though the case of CHPT is being decided during the year 2014-15, the expenditure for the years 2013-14 to 2015-16 has been estimated by CHPT considering the actuals for the year 2012-13 as base. Therefore, an escalation factor of 7% over the actuals for the year 2012-13 (being the escalation factor applicable for the year 2013-14) is considered in the analysis to estimate the expenditure for the year 2013-14 and the escalation factor of 6% is considered to estimate the expenditure for the years 2014-15 and 2015-16, over the respective previous years, irrespective of the escalation factor considered by the CHPT in its calculations.

(b). The CHPT has considered an escalation factor of about 32% in the estimation of salary and wages cost for the year 2013-14 over the year 2012-13 so as to take into consideration the actual impact of the BWNC settlement for revision of salaries and wages in respect of Class III and IV employees. To estimate the said expenditure for the subsequent years i.e. 2014-15 and 2015-16, it has considered an escalation factor of about 10% over the respective previous years.

Since the escalation factor of about 32% considered in the estimation of salary and wages cost for the year 2013-14 over the year 2012-13 is reported to be based on the actual impact of the revision of salaries and wages in respect of Class III and IV employees, the same is taken into account. The estimates of salary expenses for the years 2014-15 and 2015-16 are moderated by applying an escalation factor of 6% over the estimates of the respective previous years taking the estimates for the year 2013-14 as base.

(c). In the estimation of other operating expenses viz., Power, Fuel, Repairs & Maintenance, Dry Docking and Others and also in the estimation of Management & Administrative Overheads, for the years 2013-14 to 2015-16, the CHPT is seen to have adopted different escalation factors. In the estimation of expenses for some items of expenditure in some years, the CHPT is seen to have not considered any escalation factor or has considered a lower escalation factor and in the estimation of some items of expenditure, a higher escalation factor has been considered by the port to estimate the expenditure. The only reason given by the CHPT is that the estimation of expenditure for the years 2013-14 and 2014-15 is as per the Revised Estimates and Budget Estimates furnished to the Ministry. The lower escalation factor as considered by the port to estimate the expenditure is relied upon. However, where the CHPT has considered a higher escalation factor, in the absence of sufficient justification the same is restricted to 7% over the actuals for the year 2012-13 to estimate the expenditure for the year 2013-14 and the escalation factor of 6% is considered to estimate the expenditure for the years 2014-15 and 2015-16, over the respective previous years, irrespective of the escalation factor considered by the CHPT for estimation of expenditure under each of the activity viz., Cargo, Vessel, Railway and Estate.

(xii). Clause 2.7.1 of the Tariff guidelines of March 2005 stipulates that for the purpose of depreciation of assets, straight line method following the life norms adopted as per the Companies Act will be allowed in the case of Port Trusts. Accordingly, this Authority has been advising CHPT during its previous general revisions to estimate depreciation in line with Clause 2.7.1. of the tariff guidelines while it submits its tariff proposal during the next review of its Scale of Rates. However, even now, the CHPT is not seen to have estimated depreciation as per the stipulation contained in the Guidelines. The CHPT has stated that it has calculated the depreciation on straight line method as per the life norms fixed by the Government and has expressed difficulties in computing depreciation as per the rates stipulated in the Companies Act. From the submissions made by the CHPT, it appears that the CHPT has not taken any steps in the direction of complying with the guideline position relating to depreciation, inspite of a specific advice of this Authority. Given that when some of the major ports like Mormugao Port Trust (MOPT) and Jawaharlal Nehru Port Trust (JNPT) calculate depreciation based on the Companies Act, the reason for CHPT to not estimate depreciation based on the Companies Act is not clear. At this stage of finalisation, it is not found possible to initiate any steps by us to insist the port to calculate depreciation based on the stipulation contained in the 2005 guidelines. The CHPT is again urged upon to comply with the tariff guidelines for computing the depreciation while formulating its next tariff review/ revision proposal.

For the reasons stated earlier, the value of the leasehold land has been taken into account in the analysis. Therefore, the amortisation on the values of the said land has also been factored in the estimates of depreciation for the years 2013-14 to 2015-16.

(xiii). The Finance & Miscellaneous income estimated by the port for the years 2013-14 to 2015-16 takes into account the income from Profit on sale of assets, Prior period income, Miscellaneous income, Recoveries towards Electricity, Water etc., Penalties and Lapsed deposit/ Harbour Entry fees. For the reasons stated earlier, the lapsed deposits is also taken into account. Since the income relating to previous years cannot be foreseen for future period at the estimate stage, the estimated prior period income is excluded, as has been done during the last general revision of CHPT. The estimates of income in respect of other items is relied upon as estimated by the port.

(xiv). The Finance & Miscellaneous expenditure estimated by the port for the years 2013-14 to 2015-16 takes into account the expenses pertaining to Pension payment/ contribution, Loss on sale of assets, Gratuity Fund Contribution, Prior Period Expenditure, F&M Pension, Gratuity paid in excess of ₹ 3.5 lakhs, Superannuation Pension, Contribution to Leave encashment, Compensation paid to wards of deceased Employees and others. For the reasons stated above, the estimated prior period expenditure is excluded. The CHPT has not furnished workings to arrive at the estimate of expenditure in respect of other items. The estimate as furnished by the port is relied upon.

(xv). The CHPT has not proposed to carry out any capital additions during the years 2013-14 to 2015-16. Therefore, the net block of assets as on 31 March 2013 is taken as base to determine the net block of assets for the years 2013-14 to 2015-16.

(xvi). Estimation of current assets following the norms prescribed in the tariff guidelines of 2005 and taking into account the projections of current liability estimated by CHPT, the working capital of CHPT becomes negative. As a result no working capital has been considered by CHPT itself, in its cost statements.

(xvii). The classification of gross block of assets into business-assets, business-related assets and social obligation assets furnished by the CHPT is relied upon. CHPT has also confirmed that only completed and commissioned assets have been considered as capital employed.

(xviii). As stated earlier, the designed capacity of the port (excluding the berths operated by the BOT operators) is about 43.59 MMTPA for the year 2012-13. Considering that the CHPT has not proposed any capital investments during the years 2013-14 to 2015-16, the said capacity of 43.59 MMTPA is considered as the capacity of the port for all the years 2013-14 to 2015-16. Taking into account the estimated traffic proposed to be handled by CHPT during the said years, the capacity utilization of the port works out to 54.97%, 54.90% and 56.55% for the years 2013-14 to 2015-16 respectively.

As per clause 2.9.10 of tariff guidelines of 2005, maximum permissible return will be allowed for capacity utilisation of 60% and above. The guideline also stipulates that when the capacity utilisation is found to be in the region of 50% to 60%, a decision on pro-rata reduction in the maximum permissible return to be allowed will be decided on case to case basis after analysing the factors leading to under utilisation of capacity. Since the estimated capacity utilisation is seen to be less than 60%, the return on capital employed is considered in proportion to the capacity utilization. While doing so, return at 16% is considered in the case of business assets for all the years under consideration. A return of 8.33% is considered in the case of business-related assets for the year 2013-14 and a return of 8.90% is considered each in the case of business-related assets for the years 2014-15 and 2015-16. No return is allowed on social obligation assets as per the tariff guideline position for any of the years under consideration.

(xix). (a). Subject to the discussion above, the cost statements furnished by the CHPT for the port as a whole and for four main activities have been modified. The modified cost statements are attached as **Annex-II(a)** to **(e)**. The summarised results of cost statements are presented in the table given below:

| Sl. No. | Particulars | Operating Income (₹ in crores) | | | | Net Surplus (+) / Deficit (-) (₹ in crores) | | | | Net Surplus (+) / Deficit (-) as a % of Operating Income | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2013-14 | 2014-15 | 2015-16 | Total | 2013-14 | 2014-15 | 2015-16 | Total | 2013-14 | 2014-15 | 2015-16 | Average |
| 1. | CHPT as a whole | 591.57 | 616.26 | 630.98 | 1,838.81 | -300.46 | -328.75 | -398.46 | -1027.67 | -50.79% | -53.35% | -63.15% | -55.76% |
| 2. | Cargo activity | 343.37 | 360.25 | 372.27 | 1,075.89 | -75.50 | -74.37 | -87.01 | -236.87 | -21.99% | -20.64% | -23.37% | -22.00% |
| 3. | Vessel activity | 213.41 | 219.81 | 221.85 | 655.07 | -110.41 | -115.16 | -142.97 | -368.55 | -51.74% | -52.39% | -64.45% | -56.19% |
| 4. | Railway activity | 18.44 | 19.02 | 19.43 | 56.90 | -93.90 | -116.64 | -141.50 | -352.03 | -509.11% | -613.23% | -728.19% | -616.84% |
| 5. | Estate activity | 16.35 | 17.18 | 17.43 | 50.96 | -20.65 | -22.59 | -26.98 | -70.22 | -126.32% | -131.54% | -154.77% | -137.54% |

(b). As can be seen from the above table, there will be a net deficit amounting to ₹ 1027.67 crores at the existing level of tariff for the port as a whole during the years 2013-14 to 2015-16. Accordingly, there is a case for effecting an upward increase in the existing level of tariff of CHPT.

(c). It is noteworthy that the said deficit position is exclusive of the deficit position pertaining to the stevedoring activity to the tune of ₹ 259.45 crores. Though the cost position pertaining to the stevedoring activity has been assessed, as stated earlier, since the CHPT has filed a separate proposal for revision of the Stevedoring and Clearing & Forwarding levy, the said deficit cost position relating to the stevedoring activity is excluded from the purview of the general revision proposal and would be considered while analyzing the proposal relating to revision of Stevedoring and Clearing & Forwarding levy.

(d). As can be further seen from the above table, the Estate activity for the years 2013-14 to 2015-16 reflects an aggregate deficit to the tune of ₹ 70.22 crores. In this connection, it is relevant here to mention that the revision of estate rental charges at CHPT is overdue. It is understood that the CHPT is in the process of finalising a revised proposal for revision of its estate rentals in line with the provisions of the Land Policy Guidelines of 2014. Though the quantum of the increase in the lease rentals to be effected is not known at this juncture, it can be stated that there would be some amount of increase in the lease rentals. Therefore, the deficit of the Estate activity is not taken into account in the current exercise.

(e). The Railway activity is in deficit to the tune of ₹ 352.03 crores. Absorption of the deficit relating to the railway activity will mean introduction of new cross subsidy in this activity from other services which will not be in line with the guidelines. The 2005 tariff guidelines stipulates to contain flow of cross subsidy and to eventually phase it out. Moreover, railway related charges do not fall under the jurisdiction of the Authority. The port may, therefore, be advised to file a suitable proposal with the Railway Board seeking hike on the railway related charges to recover the deficit, if found necessary. Therefore, for deciding the tariff to be fixed for the current tariff cycle, the railway deficit has been excluded. It may be relevant here to mention that in the tariff revision of other ports such as Visakhapatnam Port Trust and V.O Chidambaranar Port Trust, the deficit position relating to railway activity was excluded while determining the tariff increase/ decrease to be allowed to the port.

(f). The Authority vide its Order no. TAMP/6/2014-CHPT dated 4 July 2014 has prescribed Berth hire charges for non-cargo vessels and idling vessels at CHPT. While approving the said prescription, it has been recorded that additional revenue of ₹ 4.70 lakhs during a period of 5 months from November 2013 to March 2014 and ₹11.28 lakhs each during the years 2014-15 and 2015-16, will be factored/ taken into account while disposing the general revision proposal of CHPT. Therefore, the deficit of ₹ 368.55 crores pertaining to the Vessel activity would stands at ₹ 368.27 crores.

(g). Considering the deficit of ₹ 368.27 crores of vessel activity to be recovered by the CHPT from the vessel related income over the remaining tariff cycle of 18 months from 1 October 2014 to 31 March 2016, it is seen that an increase in the vessel related charges is required at about 111%. Similarly, considering the deficit of ₹ 236.87 crores of cargo activity to be recovered by the CHPT from the cargo related income over the remaining tariff cycle of 18 months from 1 October 2014 to 31 March 2016, it is seen that an increase in the cargo related charges is required at about 43%. Thus, to enable the CHPT recover the aggregate deficit of about ₹ 605.14

crores (i.e. Deficit of vessel activity of ₹ 368.27 crores and deficit of cargo activity of ₹ 236.87 crores), over the remaining tariff cycle of 18 months from 1 October 2014 to 31 March 2016, it is seen that an across the board increase in the cargo and vessel related charges is required to the tune of about 68.47%.

(h). It is noteworthy that one of the main factors for the cost position to reflect such a quantum of deficit is due to reduced level of traffic arising on account of shift in the handling of coal and iron ore cargo from Chennai Port to Ennore Port from the year 2010-11 onwards, in pursuance of the Order of the Hon'ble Madras High Court. As compared to the actual traffic of CHPT during the year 2009-10, there has been sharp decline to the turn of about 38% in the traffic from the year 2010-11 onwards. It has to be recognised that in case of the Major Ports though a few cost elements may reduce to some extent due to drop in traffic, most of the expenses/ overheads will be fixed in nature and may not vary in proportion to the traffic. In such a scenario, emergence of deficit seems inevitable.

(i). From the inception of filing of the proposal, the users have been objecting to the steep increase in tariff proposed by the port. The CHPT, while forwarding its proposal had also stated that the Board has objected to the steep increase proposed and viewed that the Authority should consider only such increase which will be acceptable to trade. In this connection, as decided during the joint hearing, even when the CHPT had made an attempt to arrive at a consensus with the users on the percentage of increase in tariff, it could not arrive at a consensus on the quantum of increase. It has to be recognised that Clause 3.1.4 of 2005 guidelines calls for consideration of the views of Board of Trustees of a Major Port Trust in fixing / reviewing tariff. Therefore, this Authority is not in a position to brush aside the views of the Board of Trustees of CHPT.

(j). Generally, the cost position as reflected in the Cost statements for the years 2013-14 to 2015-16 would be the guiding factor to determine the percentage of increase/ decrease to be effected in the existing Scale of Rates of CHPT. However, since the CHPT itself is not in favour of the steep increase arising from its cost position and considering the authorisation given by CHPT at the joint hearing to make a trade off, it may be reasonable to grant increase albeit at a lower level. At the same time, it is also to be ensured that grant of increase at a lower level does not affect the operations of the port and does not put the port in a financial hardship position.

(k). As can be seen from the Cost statement of the Cargo activity and Vessel activity, the aggregated deficit of the said two activities for the years 2013-14 to 2015-16, before allowing of return works out to ₹ 370.29 crores. This deficit as a percentage of cargo income and vessel income for the remaining tariff cycle of 18 months from 1 October 2014 to 31 March 2016 works out to 42%. Thus, if an across the board increase of 42% is granted on the existing cargo related charges and vessel related charges, the CHPT is seen to be in a position to meet its estimated operating expenses including overheads and depreciation and it would be not be put in all disadvantageous position. Obviously, by doing so, the CHPT would not be in a position to enjoy any return on its assets, but considering the huge deficit as reflected in the cost statements, forgoing of the return component, is the way out to moderate the tariff increase and honour the views of the Board of Trustees on the tariff increase proposed by CHPT. Nevertheless, if the situation improves over a period of time, the CHPT can approach the Authority for ahead of schedule of review of its tariff as provided in the tariff guidelines.

Incidentally, if the CHPT hastens the process of filing its estate rental proposal, it may give greater relief to the CHPT.

Also, in the present financial position of the port, it may not be unreasonable to expect the port to initiate cost control measures to sustain its operation.

Keeping all these factors in view, this Authority is inclined to grant an across the board increase of 42% on the existing cargo related charges and vessel related charges. However, the warehouse charges shall continue at existing level as proposed by CHPT, since this charge is reported to fall under Estate activity. It appears that the covered space and the charges thereof prescribed in Chapter VI – Scale of Scale of Rates of CHPT fall under category of warehouse.

Since the Order passed is for granting an across the board increase in cargo and vessel related charges, without going into the sub-activity wise deficit position, sub-activity wise cost statements are not attached. However, cost statements for all the four main activities are attached.

(xx). On the ground that the CHPT proposes to prescribe a differential passenger toll for cruise vessels and normal passenger vessels, it has introduced a definition for the term 'Cruise vessel', in the draft Scale of Rates. The rates proposed towards toll for cruise vessels is reported to be reasonable when compared with other ports. However, the CHPT has not quantified the financial implication due to the proposed charge and has mentioned that it would be meagre. Considering the estimated cruise vessels likely to visit the port during the years 2013-14 to 2015-16 and considering the passengers travelling in such cruise vessels, it may not be difficult for the port to quantify the additional income that would be earned by the port on account of the levy in the remaining period of the current tariff cycle. Nevertheless, since the port has not quantified the additional income, it is not found possible for this Authority to approve the proposal of the port to prescribe a differential passenger toll for cruise vessels and normal passenger vessels. The existing arrangement may continue. Therefore, there is no necessity to prescribe a definition for the term 'Cruise vessel' at this juncture.

(xxi). In line with clause 2.18.2 of the tariff guidelines, the proposed note at 1.2(vi)(b) has been modified to reflect the prevailing Prime Lending Rate of State Bank of India at 14.75 %.

(xxii). The CHPT has proposed a new note at Chapter II - Schedule 2 – A(4)(iii) to the effect that the time limit prescribed for cessation of berth hire shall exclude the ship's waiting time for want of favourable tidal conditions or on account of inclement weather or due to absence of night navigation facilities. This note is in line with the stipulation contained in Clause 6.6.1 of the tariff guidelines and hence, the proposed note is approved.

(xxiii). Based on the request of the Tamil Nadu Sailing Association (TNSA) for fixing reasonable tariff for non-commercial pleasure yachts, the CHPT had initially in April 2013 submitted a separate proposal and sought approval of this Authority for incorporating the rate of ₹ 2100/- per calender month in the Scale of Rates of CHPT under Clause 2.0 – Berth Hire Charges-(C)(2) for non-commercial pleasure yachts of TNSA for the purpose of berth hire in the port. Since the general review of tariff of CHPT was due, the CHPT was requested to incorporate the proposed changes in its proposed draft Scale of Rates pertaining to the general revision proposal, so as to ascertain the consolidated income/cost position. Accordingly, the CHPT has proposed the above mentioned provision in its draft Scale of Rates. Further, in its revised proposal of March 2014, the CHPT is seen to have proposed the rate of ₹ 5544/-, after incorporating 164% increase over the rate of ₹ 2100/- initially proposed by it.

The existing Scale of Rates of CHPT at Clause 2.0(C) prescribes berth hire charges for non-commercial Harbour craft registered under Harbour Craft Rules at the rate of ₹ 2100/- per month or ₹ 3.93 per hour per craft at the option of the owner. From the submissions made by the CHPT, as brought out in the factual position relating to the case, it can be seen that the CHPT intends to treat the non-commercial pleasure yacht, as a Harbour Craft for the purpose of Berth Hire charges and thus be levied berth hire charges as applicable for Harbour Crafts. Since the proposal of the port has emanated based on the request made by the user and would give some relief to the owners of the non-commercial pleasure yachts by way of lower amount of berth hire charges, the proposal of the port in this regard is approved. However, since the proposal of the CHPT is to link the rate of berth hire of non-commercial pleasure yachts with that of Harbour crafts, the rate for non-commercial pleasure yachts are prescribed at the enhanced rate of berth hire of Harbour crafts approved. Further, since the rate of berth hire charges approved for non-commercial pleasure yachts is to be applied commonly among all non-commercial pleasure yachts, the reference to TNSA in the note proposed by the CHPT is not found appropriate and hence, is deleted.

(xxiv). The CHPT has proposed to modify the existing note no. 1 in Schedule 4.1 to the limited extent of stating that for shifting a vessel from berth to berth or anchorage within the enclosed harbour i.e. within Ambedkar Dock, Jawahar Dock or Bharathi Dock only shifting charges shall be levied except for shifting carried out on Ports convenience. Since the proposed amendment is reported to be based on operational requirement and also since no user has objected to the proposed amendment, the proposed amendment is approved. It is relevant here to mention that even in the existing arrangement, shifting charge is payable except for shifting carried out on port's convenience. As per Clause 6.4 of 2005 guidelines, shifting charge is leviable when shifting is carried out at the request of the users.

(xxv). The CHPT has proposed to delete the term 'Jute, Hemp and their Manufactures' from the Sl. No. 10(b) of the Wharfage Schedule on the ground that wharfage for the said items is already prescribed at Sl no. 11 of the wharfage Schedule of C. This position is confirmed. Since the prescription of two different wharfage rates for the same commodity may lead to confusion, the proposal of the port to delete one wharfage entry which prescribes a higher whafage rate among the two entries, is approved.

(xxvi). The CHPT has proposed continuation of advalorem rates in its Scale of Rates. When the CHPT was requested to propose unit levy of wharfage for the requisite cargo items, the Port has stated that phasing out of advalorem rates at this juncture would further aggravate the financial crisis being faced by it on account of stoppage of handling of coal and iron ore. The port has also stated that the exercise to propose rates on weight/ volume basis in lieu of advalorem rates will involve collection and compilation of voluminous data and that it will require some more time. In this connection, it is relevant here to mention that the 2005 Guidelines stipulates phasing out of prescription of Advalorem rates from the Scale of Rates of the port trusts. Even in the current general revision, which is the third general revision of CHPT after the issue of the 2005 guidelines, the CHPT makes a mention that it will require some more time for phasing out of advalorem rates. From the submissions made by the CHPT, it appears that the CHPT has not taken any steps in the direction of complying with the guideline position relating to phasing out of advalorem rates, inspite of a specific advice of this Authority. When some of the ports like Kolkata Port Trust have gradually phased out advalorem rates over a period of time, it is not clear why the CHPT is not in a position to carry out the exercise. The CHPT is directed to file a separate proposal in this regard as proposed by it, within six months from the date of notification of the order passed.

(xxvii). Under the existing arrangement, separate advalorem Wharfage rates are prescribed in the Wharfage Schedule for Motor vehicles like buses, dumpers, lorries, tractors, trucks, chassis & trawlers – without load – By RORO system and

Motor vehicles like buses, dumpers, lorries, tractors, trucks, chassis & trawlers – load – By RORO system. The CHPT now proposes to modify both the description so as to prescribe Motor vehicles like buses, dumpers, lorries, tractors, trucks, chassis & trawlers – without loaded merchandise or loaded with own accessories – By RORO system and Motor vehicles like buses, dumpers, lorries, tractors, trucks, chassis & trawlers – with loaded merchandise – By RORO system, respectively. The CHPT has proposed the said modification to the above two clauses on the ground that under the existing scenario, vehicles with spares and accessories are treated as vehicles with loaded merchandise and that by way of the proposed prescription, the vehicle's own accessories will not be considered as loaded merchandise. Since the proposed change in the prescription will give relief to the users, the proposed change is approved.

(xxviii). The term '& 36A' prescribed in the existing note no. (3)(ii) of Scale – 1 of Chapter III of CHPT SOR is deleted as proposed by the port reportedly based on the position that the usage said term is wrongly linked.

(xxix). For the reasons stated earlier, the Local Haulage charges pertaining to Railway related charges as proposed by the port is not approved. As a result, the proposed change to the adjoining note as proposed by the port is also not approved.

(xxx). The CHPT has proposed a note that no cranage shall be levied incase of usage of Tug Master for loading/ unloading/ delivery/ stacking of Steel Roller Trailer and incase of Loading/ unloading/ stacking/ delivery of Automobiles which move on its own wheel with self-engine power, on the ground that at no port crane is used for the said operations. Since the proposed note gives clarity on the levy of cranage charges, the proposed note is approved.

(xxxi). The CHPT has proposed a note that Private equipment shall be permitted on payment of 10 % of the charges specified in the table prescribing charges for hire of mobile cranes and fork lift trucks for purposes other than landing, shipment and delivery. The port has stated that the private parties by bringing the equipment utilize prime port infrastructure without contributing to the port revenue and that, therefore, it proposes to levy 10% notional charges for using private cranes/ equipment for other than cargo operations. In this connection, it is to mention that a similar condition already prevails in the prescription of charges for hire of mobile cranes and fork lift truck for landing, shipping and delivery and hence the proposed note is approved.

(xxxii). The request of the port to replace the term '150 tonne floating crane' with 'Heavy lift floating crane' to bring more clarity, is approved.

(xxxiii). The CHPT has proposed modification to the existing note no. 6 under Schedule II of Scale 11 of Chapter III, so as to exempt the levy of heavy lift charges on the packages weighing more than the rated capacity of FC Thangam, reportedly based on the position that the CHPT no longer renders services for such packages. Since the port has reported to be not rendering services on the packages weighing more than the rated capacity of FC Thangam, the proposed modification to the note is approved.

(xxxiv). The CHPT has proposed to introduce levy of gangway charges for providing gangway to vessels at ₹ 750/- per shift or part thereof on all working days and ₹ 1125/- per shift or part thereof on Sundays and Board holidays. The CHPT has not furnished the basis to arrive at the proposed rates. In the absence of requisite cost details, this Authority is not in a position to approve the proposed gangway charges.

(xxxv). The port has proposed modification to the existing note 8(a) under Scale 1 of Chapter IV in a manner so as to exclude Sundays and port closed holidays as notified by the Chennai Port while determining the free days, so as remove any ambiguity. The CHPT has not brought out how prescription of the proposed provision will remove the ambiguity. Since the note prevailing in the Scale of Rates of CHPT in this regard, is in line with the stipulation contained in Clause 4.5 of the 2005 guidelines, the same may continue in the Scale of Rates of CHPT. The proposed modification is not approved.

(xxxvi).Similarly, the port has proposed modification to the existing note 1(a)(i) under Scale 2 of Chapter IV in a manner as explained above. For the reasons stated above, the proposed modification is not approved and that note prevailing in the Scale of Rates of CHPT may continue unaltered.

(xxxvii).The existing Scale of Rates of CHPT prescribe recovery of charges per mazdoor on per shift basis. The CHPT has proposed modification to the said provision so as to enable it recover charges per staff also on per shift basis on the ground that staff are deployed on closed holidays for activities other than landing/ shipment for effecting delivery. Since the proposed modification will bring clarity to the existing provision, the proposed modification is approved.

(xxxviii). As stated earlier, the revision of estate rental charges at CHPT is overdue and that the CHPT is reportedly in the process of finalising a revised proposal for revision of its estate rentals in line with the provisions of the Land Policy Guidelines of 2014. Therefore, the CHPT has proposed modification to its existing note no. 1 under Scale 1 of Chapter VI, so as to replace the Land Policy for Major Ports 2010 with Land Policy for Major Ports 2014, till such time the estate rentals are revised. The proposed modification is approved. Till such time the revised proposal is filed by the CHPT and disposed by this Authority, the existing rates prescribed in the SOR of CHPT will continue. Nonetheless, while applying the rates of estate rentals prescribed in the SOR, the clarification given by this Authority vide Order dated 3 September 2010 regarding the base year and the rate of escalation to be applied from time to time is to be considered by the CHPT.

(xxxix).The existing Scale of Rates prescribe fees for issue of stevedoring licences. On the ground that the fees for issue of stevedoring licences forms part of the Stevedoring Regulations approved and notified by the Ministry of Shipping under Section 123 of the MPT Act, the port has proposed deletion of the said provision from its Scale of Rates. Based on the request made by the port, the proposed deletion is approved.

(xL). The existing Category I under Scale 6 of Chapter VI lists down the charges for hiring out of various types of Floating crafts and other appliances. In this provision, the CHPT has proposed to modify the term ‘Oil Barrier’ with ‘Oil Barrier (per 25 m length of oil barrier)’. The CHPT has stated that the prescription of unit of measurement would bring in clarity. The proposed modification is, therefore, approved.

(xLi). The existing Scale 18 of Chapter VI lists down the charges for hiring out of various types of plants and appliances. In this provision, at sl. No. 6, the CHPT has proposed to delete the names of individual launches and instead has proposed prescription of the term ‘All Launches (Pilot and Mooring)’, so as to avoid ambiguity. The proposed modification is, therefore, approved.

(xLii). This Authority has passed an Order No.TAMP/34/2007-CHPT dated 3 July 2008 disposing of the proposal received from the CHPT for revision of Stevedoring and C&F levy at CHPT. The validity of the rates approved in the Order dated 3 July 2008 was upto 31 March 2011. Subsequently, the validity of the Stevedoring and C&F levy has been extended by this Authority upto 31 March 2013, co-terminus with the validity of the existing Scale of Rates of CHPT approved vide Order No.TAMP/45/2008-CHPT dated 10 November 2010. The general revision proposal now under consideration does not involve revision in the Stevedoring and C&F levy. However, the CHPT has submitted its proposal for revision of stevedoring and C&F charges in March 2014. The said proposal is under process. Till such time, the said proposal of the CHPT is disposed of, this Authority is inclined to extend the validity of the existing levy for stevedoring activity beyond 31 March 2013 upto 30 September 2014 or till the effective date of implementation of the Order in respect of the stevedoring levy, whichever is earlier. Therefore, modifications proposed by CHPT in Chapter VII will be dealt while disposing of the proposal in respect of the stevedoring levy.

(xLiii). With regard to the Pollution levy from the details furnished by CHPT, it can be seen that the said service has been in deficit during the years 2010-11 to 2012-13. Further, considering the level of income estimated to be earned by CHPT from the said levy during the years 2013-14 to 2015-16 as compared to actual revenue during 2010-11 to 2012-13, it can be safely assumed that the said service would continue to be in deficit. Therefore, the pollution levy (with general increase) is continued to be levied by CHPT. The CHPT is advised to furnish a separate account in this regard during the next review of its tariff.

15.1. 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 CHPT.

15.2. The effective date of the revised Scale of Rates and conditionalties governing the application of revised Scale of Rates will remain the same as already indicated in the separate order dated 4 August 2014.

15.3 The validity of the existing SOR of CHPT is deemed to have been extended beyond 30 September 2014 till the effective date of implementation of the Order passed.

15.4. Since the estimates of cost and financial position of CHPT has been considered upto 31 March 2016, the tariff approved now shall remain in force till 31 March 2016. The approval accorded will automatically lapse thereafter unless specifically extended by this Authority.

15.5. The tariff of the CHPT 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 would require the CHPT 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.

15.6. In this regard, the CHPT is requested to furnish a report of the actual physical and financial performance within 15 days of completion of each quarter of a year i.e. for the period ending on 30 June, 30 September, 31 December and 31 March of each of the years in the same format in which the cost statement for the tariff proposals are filed. The report should also be accompanied with the reasons for variation from the estimates relied upon for fixing the tariff in force. If a variation of (+)/(-)20% is observed between the actual and the estimates for two consecutive quarterly period, this Authority will call upon the CHPT to submit its proposal for an ahead of schedule review. If the CHPT fails to file a tariff proposal within the time limit to be stipulated by this Authority, this Authority shall proceed *suo motu* to review the tariff.

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

**Annex - I**

**CHENNAI PORT TRUST**

**ANALYSIS OF PERFORMANCE DURING THE YEARS 2010-11 to 2012-13**

| Sr. No. | | Particulars | Estimates relied upon in the CHPT Order of November 2010 | | | Actuals | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2010-11 | 2011-12 | 2012-13 | 2010-11 | 2011-12 | 2012-13 |
| I | | Traffic (Million Tonnes) | 65.51 | 68.79 | 72.21 | 61.46 | 55.71 | 53.40 |
| | | Less: Container traffic (by BOT Operators) | 24.19 | 25.40 | 26.67 | 29.42 | 30.08 | 29.71 |
| | | Traffic of CHPT (Million Tonnes) | **41.32** | **43.39** | **45.54** | **32.04** | **25.63** | **23.69** |
| | | | | | | | | |
| II | | **Operating Income** | | | | | | |
| | | Cargo handling activity | 34,964.30 | 36,673.95 | 38,307.08 | 24,115.76 | 22,201.47 | 23,089.66 |
| | | Port & Dock activity | 20,056.25 | 20,748.24 | 21,611.20 | 19,312.42 | 14,910.74 | 19,498.01 |
| | | Railway activity | 4,683.35 | 5,013.45 | 5,125.82 | 2,867.79 | 2,219.83 | 1,741.47 |
| | | Estate activity | 1,611.82 | 1,831.70 | 2,056.49 | 1,880.97 | 1,711.73 | 1,591.24 |
| | | Royalty/ Revenue share @ 50% | 7,013.53 | 7,461.75 | 7,893.40 | 8,108.46 | 9,125.67 | 9,810.58 |
| | | **Total - II** | **68,329.25** | **71,729.09** | **74,993.99** | **56,285.40** | **50,169.44** | **55,730.96** |
| | | | | | | | | |
| III | | **Operating Cost** | | | | | | |
| | | Cargo handling activity | 18,615.01 | 19,314.93 | 20,041.17 | 14,941.09 | 13,196.46 | 12,665.53 |
| | | Port & Dock activity | 7,179.49 | 7,449.44 | 7,729.54 | 8,207.86 | 8,417.23 | 9,858.71 |
| | | Railway activity | 3,782.52 | 3,924.74 | 4,072.31 | 3,883.46 | 3,757.70 | 3,239.00 |
| | | Estate activity | 739.51 | 767.32 | 796.17 | 806.12 | 748.56 | 760.84 |
| | | **Total - III** | **30,316.53** | **31,456.43** | **32,639.19** | **27,838.53** | **26,119.95** | **26,524.08** |
| | | | | | | | | |
| IV | | **Depreciation** | **2,464.82** | **2,703.56** | **2,942.94** | **2,366.67** | **2,480.03** | **2,683.29** |
| | | | | | | | | |
| V | | **Management & General Administration Overheads** | **23,658.07** | **24,547.60** | **25,470.59** | **21,478.80** | **21,765.13** | **23,493.48** |
| | | | | | | | | |
| VI | | **Operating Surplus** | **11,889.83** | **13,021.50** | **13,941.27** | **4,601.40** | **(195.67)** | **3,030.10** |
| | | | | | | | | |
| VII | A | **Finance & Miscellaneous Income (excluding Interest)** | 4,200.00 | 4,550.00 | 4,900.00 | 7,375.52 | 5,586.47 | 6,451.43 |
| | | | | | | | | |
| | B | **Finance & Miscellaneous Expenses (excluding Interest)** | 8,402.05 | 8,507.05 | 8,491.55 | 20,273.56 | 22,551.97 | 24,903.94 |
| | | | | | | | | |
| VIII | | **Net Financial & Miscellaneous Income VII (A) - VII (B)** | **(4,202.05)** | **(3,957.05)** | **(3,591.55)** | **(12,898.03)** | **(16,965.50)** | **(18,452.50)** |
| | | | | | | | | |
| IX | | **Net Surplus ( VI - VIII )** | **7,687.78** | **9,064.45** | **10,349.72** | **(8,296.64)** | **(17,161.17)** | **(15,422.40)** |
| | | | | | | | | |
| X | | **Capital Employed** | 56,649.33 | 53,261.65 | 50,120.02 | 67,518.71 | 67,494.38 | 66,237.22 |
| | | | | | | | | |
| XI | | **Return on Capital Employed** | **8,950.75** | **8,484.65** | **7,942.61** | **10,680.52** | **10,691.66** | **10,494.28** |
| | | | | | | | | |
| XII | | **Capacity Utilisation** | **122.00%** | **122.02%** | **121.96%** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** |
| | | | | | | | | |
| XIII | | **Return on Capital Employed adjusted for Capacity utilisation** | **8,950.75** | **8,484.65** | **7,942.61** | **10,680.52** | **#DIV/0!** | **#DIV/0!** |
| | | | | | | | | |
| XIV | | **Net Surplus/ Deficit after Return ( IX - XI )** | **(1,262.97)** | **579.80** | **2,407.11** | **(18,977.15)** | **#DIV/0!** | **#DIV/0!** |

**Annex - II (a)**

**CHENNAI PORT TRUST**

**CONSOLIDATED COST STATEMENT FOR THE PORT AS A WHOLE**

(₹ in Lakh)

| Sr. No. | Particulars | Actuals | | | Estimates at the existing level of tariff furnished by the CHPT vide its letter dated 17 March 2014 | | | Estimates as modified by TAMP | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2013-14 | 2014-15 | 2015-16 |
| | Traffic (Million Tonnes) | 61.46 | 55.71 | 53.40 | 54.00 | 55.00 | 56.65 | 54.00 | 55.00 | 56.65 |
| | Less: Container traffic (by BOT Operators) | 29.42 | 30.08 | 29.71 | 30.04 | 31.07 | 32.00 | 30.04 | 31.07 | 32.00 |
| | Traffic - CHPT (Million Tonnes) | **32.04** | **25.63** | **23.69** | **23.96** | **23.93** | **24.65** | **23.96** | **23.93** | **24.65** |
| I | **Operating Income** | | | | | | | | | |
| | Cargo & Container Handling | 32,224.22 | 31,327.14 | 32,900.24 | 31,024.43 | 31,405.18 | 31,613.10 | 34,337.20 | 36,025.04 | 37,226.77 |
| | Vessel activity | 19,312.42 | 14,910.74 | 19,498.01 | 19,261.67 | 19,995.11 | 20,180.45 | 21,340.95 | 21,981.04 | 22,184.79 |
| | Railway activity | 2,867.79 | 2,219.83 | 1,741.47 | 1,844.39 | 1,902.01 | 1,943.12 | 1,844.39 | 1,902.01 | 1,943.12 |
| | Estate activity | 1,880.97 | 1,711.73 | 1,591.24 | 1,634.51 | 1,717.70 | 1,743.33 | 1,634.51 | 1,717.70 | 1,743.33 |
| | **Total Operating Income** | **56,285.40** | **50,169.44** | **55,730.96** | **53,765.00** | **55,020.00** | **55,480.00** | **59,157.05** | **61,625.78** | **63,098.01** |
| II | **Operating cost (excl. depreciation)** | | | | | | | | | |
| | Cargo & Container Handling | 14,941.09 | 13,196.46 | 12,665.53 | 21,744.83 | 23,134.06 | 25,422.54 | 16,544.35 | 17,483.56 | 18,532.86 |
| | Vessel activity | 8,207.86 | 8,417.23 | 9,858.71 | 12,717.78 | 11,986.89 | 12,958.71 | 10,627.90 | 10,891.21 | 11,454.63 |
| | Railway activity | 3,883.46 | 3,757.70 | 3,239.00 | 4,166.02 | 4,425.52 | 4,868.07 | 3,465.73 | 3,673.67 | 3,894.09 |
| | Estate activity | 806.12 | 748.56 | 760.84 | 998.43 | 972.88 | 1,070.17 | 954.04 | 918.93 | 974.07 |
| | **Total Operating Cost** | **27,838.53** | **26,119.95** | **26,524.08** | **39,627.07** | **40,519.35** | **44,319.49** | **31,592.02** | **32,967.38** | **34,855.65** |
| III | Depreciation | 2,366.67 | 2,480.03 | 2,683.29 | 2,489.00 | 2,515.00 | 2,450.01 | 2,590.93 | 2,616.93 | 2,549.29 |
| IV | Management & General Administration Overheads | 21,478.80 | 21,765.13 | 23,493.48 | 31,906.33 | 33,241.41 | 36,113.88 | 25,138.02 | 26,646.31 | 28,245.08 |
| V | **Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)** | **4,601.40** | **(195.67)** | **3,030.10** | **(20,257.40)** | **(21,255.76)** | **(27,403.38)** | **(163.92)** | **(604.84)** | **(2,552.01)** |
| VI | **Finance & Miscellaneous Income (FMI)** | | | | | | | | | |
| | Profit on sale of assets | 50.62 | 26.76 | 13.72 | 30.00 | 30.00 | 10.00 | 30.00 | 30.00 | 10.00 |
| | Prior period income | 1,538.69 | 759.67 | 1,692.77 | 1,000.00 | 600.00 | 500.00 | - | - | - |
| | Misc. income | 272.98 | 147.52 | 1,685.30 | 2,365.00 | 2,312.00 | 2,379.60 | 2,012.71 | 1,963.08 | 2,022.60 |
| | Recoveries towards Electricity, Water etc., | 1,630.29 | 1,863.14 | 1,928.32 | 1,971.00 | 1,936.00 | 2,000.00 | 1,971.00 | 1,936.00 | 2,000.00 |
| | Penalties | 1,817.15 | 2,098.66 | 442.47 | 500.00 | 500.00 | 500.00 | 500.00 | 500.00 | 500.00 |
| | Lapsed deposit/ Harbour Entry fees | 2,065.78 | 690.72 | 688.86 | 700.00 | 725.00 | 750.00 | 700.00 | 725.00 | 750.00 |
| | **Total** | **7,375.51** | **5,586.47** | **6,451.44** | **6,566.00** | **6,103.00** | **6,139.60** | **5,213.71** | **5,154.08** | **5,282.60** |
| VII | **Finance & Miscellaneous Expenses (FME)** | | | | | | | | | |
| | Pension payment / contribution | 5,770.00 | 6,200.00 | 6,500.00 | 6,300.00 | 6,500.00 | 6,700.00 | 6,300.00 | 6,500.00 | 6,700.00 |
| | Loss on sale of assets | - | - | - | 2,000.00 | - | - | 2,000.00 | - | - |
| | Others with details | | | | | | | | | |
| | - Gratuity Fund Contribution | 1,781.00 | 1,910.00 | 2,000.00 | 1,900.00 | 1,850.00 | 1,750.00 | 1,900.00 | 1,850.00 | 1,750.00 |
| | - Prior Period Expenditure | 219.66 | 2,098.67 | 379.50 | 500.00 | 400.00 | 500.00 | - | - | - |
| | - F&M Pension | 3,094.43 | 4,741.74 | 5,065.80 | 5,400.00 | 5,700.00 | 5,600.00 | 5,400.00 | 5,700.00 | 5,600.00 |
| | - Gratuity paid in excess of 3.5 lakhs | 135.29 | 408.47 | 1,455.57 | 3,000.00 | 1,500.00 | 1,500.00 | 3,000.00 | 1,500.00 | 1,500.00 |
| | - Superannuation Pension | 5,681.07 | 5,018.84 | 5,022.90 | 9,000.00 | 9,300.00 | 9,500.00 | 5,501.24 | 5,852.77 | 6,009.90 |
| | - Contribution to Leave encashment | 2,800.00 | 2,010.00 | 2,200.00 | 2,500.00 | 2,500.00 | 2,300.00 | 2,500.00 | 2,500.00 | 2,300.00 |
| | - Others | 190.96 | 164.25 | 2,280.16 | 2,995.82 | 2,310.07 | 2,319.60 | 2,995.82 | 2,310.07 | 2,319.60 |
| | - Payment of Wage Revision Arrears | 601.14 | - | - | - | - | - | - | - | - |
| | - Compensation paid to wards of deceased Employees | - | - | - | - | 700.00 | 700.00 | - | 700.00 | 700.00 |
| | **Total** | **20,273.55** | **22,551.97** | **24,903.93** | **33,595.82** | **30,760.07** | **30,869.60** | **29,597.06** | **26,912.84** | **26,879.50** |
| VIII | **FMI Less FME (VI) - (VII)** | **(12,898.03)** | **(16,965.50)** | **(18,452.48)** | **(27,029.82)** | **(24,657.07)** | **(24,730.00)** | **(24,383.36)** | **(21,758.76)** | **(21,596.90)** |
| IX | **Surplus Before Interest and Tax (V) + (VIII)** | **(8,296.64)** | **(17,161.17)** | **(15,422.38)** | **(47,287.22)** | **(45,912.83)** | **(52,133.38)** | **(24,547.28)** | **(22,363.60)** | **(24,148.91)** |
| X | Capital Employed | 67,518.71 | 67,494.38 | 66,237.22 | 62,376.73 | 59,136.01 | 56,126.77 | 63,149.05 | 59,906.12 | 56,894.17 |
| XI | Return on Capital Employed | 10,680.52 | 10,691.66 | 10,494.28 | 9,980.28 | 9,461.76 | 8,980.28 | 10,004.40 | 9,501.13 | 9,027.56 |
| XII | Capacity Utilization (%) | **73.50%** | **58.80%** | **54.35%** | **63.09%** | **64.26%** | **66.19%** | **54.97%** | **54.90%** | **56.55%** |
| XIII | RoCE adjusted for capacity utilization | 10,680.52 | 6,286.47 | 5,703.36 | 9,980.28 | 9,461.76 | 8,980.28 | 5,499.09 | 5,215.92 | 5,105.05 |
| XIV | **Net Surplus / (Deficit) (IX) - (XIII)** | (18,977.15) | (23,447.64) | (21,125.74) | (57,267.50) | (55,374.59) | (61,113.66) | (30,046.38) | (27,579.52) | (29,253.97) |
| XV | **Exclusion of Revenue share received on Container operation (Net)** | - | - | - | 9,946.36 | 10,274.65 | 10,443.19 | - | - | - |
| XVI | **50% of the deficit for the years 2010-11 to 2012-13 considered for set off in the current tariff cycle** | **(31,775.27)** | | | - | - | - | - | (5,295.88) | (10,591.76) |
| XVII | **Total Deficit** | | | | (67,213.86) | (65,649.23) | (71,556.85) | (30,046.38) | (32,875.40) | (39,845.72) |
| XVIII | **Deficit as a % of operating income of the respective years** | | | | -125.01% | -119.32% | -128.98% | -50.79% | -53.35% | -63.15% |
| XIX | **Average net deficit as a % of operating income** | | | | **-124.44%** | | | **-55.76%** | | |

**Annex - II (b)**

**COST STATEMENT FOR THE CARGO HANDLING ACTIVITY OF CHENNAI PORT TRUST**

(₹ in lakhs)

| Sr. No. | Particulars | Actuals | | | Estimates at existing level of tariff as furnished by the CHPT | | | Estimates at exisitng level of tariff as modified by TAMP | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2013-14 | 2014-15 | 2015-16 |
| **I** | **Operating Income** | | | | | | | | | |
| | General Cargo including Storage | 14,756.01 | 12,263.27 | 12,038.80 | 12,080.10 | 11,608.25 | 11,630.77 | 12,080.10 | 11,608.25 | 11,630.77 |
| | Warehousing | 3,845.02 | 2,569.43 | 1,931.63 | 2,090.00 | 2,200.00 | 2,200.00 | 2,090.00 | 2,200.00 | 2,200.00 |
| | POL including crude oil | 2,977.29 | 2,881.94 | 2,201.87 | 2,218.00 | 2,325.00 | 2,387.00 | 2,218.00 | 2,325.00 | 2,387.00 |
| | Iron ore (Stevedores Income) | 0.00 | 0.00 | 0.00 | 3,403.00 | 3,488.60 | 3,512.00 | 0.00 | 0.00 | 0.00 |
| | Port specific cargo (F.C.Thangam) | 152.10 | 43.77 | 148.52 | 150.00 | 200.00 | 200.00 | 150.00 | 200.00 | 200.00 |
| | Cranage | 1,244.95 | 963.43 | 1,173.13 | 1,150.00 | 1,300.00 | 1,300.00 | 1,150.00 | 1,300.00 | 1,300.00 |
| | Container Income (Royalty/ Revenue share income @ 50%) | 8,108.46 | 9,125.67 | 9,810.58 | 9,933.33 | 10,283.33 | 10,383.33 | 9,933.33 | 10,283.33 | 10,383.33 |
| | Unutilised balance in Escrow Account treated as income | 1,140.39 | 3,479.63 | 5,595.71 | 0.00 | 0.00 | 0.00 | 6,715.77 | 8,108.46 | 9,125.67 |
| | **Total** | **32,224.22** | **31,327.14** | **32,900.24** | **31,024.43** | **31,405.18** | **31,613.10** | **34,337.20** | **36,025.04** | **37,226.77** |
| **II** | **Operating Expenses** | | | | | | | | | |
| | Handling and Storage of general cargo | 12,138.90 | 10,272.17 | 9,762.44 | 13,069.23 | 14,019.14 | 15,409.23 | 12,798.21 | 13,565.90 | 14,379.85 |
| | Others - Cranage | 959.86 | 893.20 | 910.24 | 1,202.67 | 1,320.30 | 1,452.20 | 1,201.05 | 1,271.85 | 1,348.16 |
| | F.C.Thangam | 167.31 | 151.48 | 162.87 | 303.18 | 324.91 | 353.87 | 210.09 | 222.70 | 236.06 |
| | POL including crude oil | 617.31 | 800.51 | 750.96 | 1,315.37 | 1,089.02 | 1,191.78 | 946.98 | 979.74 | 1,038.53 |
| | Stevedores | 0.00 | 0.00 | 0.00 | 4,452.34 | 4,886.33 | 5,374.79 | 0.00 | 0.00 | 0.00 |
| | Warehousing | 1,043.89 | 1,042.04 | 1,049.49 | 1,377.03 | 1,466.37 | 1,610.71 | 1,363.02 | 1,415.37 | 1,500.30 |
| | Operation and Maintenance of container handling facilities | 13.82 | 37.06 | 29.53 | 25.00 | 28.00 | 29.96 | 25.00 | 28.00 | 29.96 |
| | **Total (i to vii)** | **14,941.09** | **13,196.46** | **12,665.53** | **21,744.83** | **23,134.06** | **25,422.54** | **16,544.35** | **17,483.56** | **18,532.86** |
| **III** | **Depreciation** | **937.03** | **913.59** | **1,015.06** | **915.00** | **925.00** | **899.98** | **1,016.93** | **1,026.93** | **999.26** |
| **IV** | **Allocated share of Management and General overheads** | **11,078.42** | **10,798.73** | **10,468.29** | **16,046.15** | **16,717.58** | **18,162.19** | **11,201.07** | **11,873.13** | **12,585.52** |
| **V** | **Operating Surplus/ Deficit (I) – (II) - (III) - (IV)** | **5,267.68** | **6,418.35** | **8,751.36** | **(7,681.55)** | **(9,371.46)** | **(12,871.61)** | **5,574.85** | **5,641.41** | **5,109.13** |
| VI | Allocated share of FMI | 4,172.66 | 3,155.70 | 3,544.00 | 3,788.83 | 3,483.57 | 3,498.40 | 2,859.50 | 2,792.17 | 2,856.51 |
| VII | Allocated share of FME | 10,657.30 | 11,126.21 | 11,659.35 | 18,075.66 | 17,196.92 | 17,374.15 | 14,307.88 | 13,526.07 | 13,602.33 |
| VIII | FMI Less FME (VI) - (VII) | (6,484.64) | (7,970.50) | (8,115.35) | (14,286.83) | (13,713.35) | (13,875.75) | (11,448.38) | (10,733.90) | (10,745.82) |
| **IX** | **Surplus / deficit (V) + (VIII)** | **(1,216.96)** | **(1,552.15)** | **636.00** | **(21,968.38)** | **(23,084.81)** | **(26,747.36)** | **(5,873.54)** | **(5,092.50)** | **(5,636.70)** |
| X | **Capital Employed** | 20,585.47 | 20,578.05 | 20,194.76 | 18,480.91 | 17,494.40 | 16,578.81 | 19,253.23 | 18,264.50 | 17,346.20 |
| XI | **Return on Capital Employed** | 3,256.33 | 3,259.73 | 3,199.55 | 2,598.18 | 2,444.96 | 2,303.00 | 3,050.20 | 2,896.76 | 2,752.37 |
| XII | **Capacity Utilization (%)** | **73.50%** | **58.80%** | **54.35%** | **63.09%** | **64.26%** | **66.19%** | **54.97%** | **54.90%** | **56.55%** |
| XIII | **RoCE adjusted for Capacity utilization** | 3,256.33 | 1,916.65 | 1,738.87 | 2,598.18 | 2,444.96 | 2,303.00 | 1,676.59 | 1,590.26 | 1,556.46 |
| XIV | **Net surplus / (Deficit) (IX) - (XIII)** | (4,473.30) | (3,468.80) | (1,102.87) | (24,566.56) | (25,529.77) | (29,050.36) | (7,550.13) | (6,682.76) | (7,193.16) |
| XV | **Exclusion of Revenue share received on Container operation (Net)** | 0.00 | 0.00 | 0.00 | 9,946.36 | 10,274.65 | 10,443.19 | 0.00 | 0.00 | 0.00 |
| XVI | **50% of the deficit for the years 2010-11 to 2012-13 considered for set off** | | (4,522.49) | | 0.00 | 0.00 | 0.00 | - | (753.75) | (1,507.50) |
| XVII | **Total Deficit** | | | | (34,512.92) | (35,804.41) | (39,493.55) | (7,550.13) | (7,436.50) | (8,700.65) |
| XVIII | **Deficit as a % of operating income of the respective years** | | | | -111.24% | -114.01% | -124.93% | -21.99% | -20.64% | -23.37% |
| XIX | **Average net deficit as a % of operating income** | | | | | -116.73% | | | **-22.00%** | |

**Annex - II ( c)**

**COST STATEMENT FOR THE VESSEL RELATED ACTIVITY OF CHENNAI PORT TRUST**

(₹ in lakhs)

| Sr. No. | Particulars | Actuals | | | Estimates at existing level of tariff as furnished by the CHPT | | | Estimates at exisitng level of atriff as modified by TAMP | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2013-14 | 2014-15 | 2015-16 |
| **I** | **Operating Income** | | | | | | | | | |
| | Port dues | 4,476.82 | 3,865.36 | 4,350.09 | 4,430.31 | 4,568.00 | 4,608.00 | 4,908.56 | 5,021.70 | 5,065.67 |
| | Berth Hire including water supply | 5,115.61 | 686.71 | 4,238.49 | 4,291.36 | 4,537.11 | 4,582.45 | 4,754.61 | 4,987.74 | 5,037.58 |
| | Pilotage & Towage | 9,518.19 | 9,414.87 | 10,480.47 | 10,540.00 | 10,890.00 | 10,990.00 | 11,677.79 | 11,971.60 | 12,081.53 |
| | Rebate/ Discounts | 201.80 | 943.80 | 428.96 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | **Total** | **19,312.42** | **14,910.74** | **19,498.01** | **19,261.67** | **19,995.11** | **20,180.45** | **21,340.95** | **21,981.04** | **22,184.79** |
| **II** | **Operating Expenses** | | | | | | | | | |
| | Port Dues | 698.59 | 650.91 | 951.91 | 1,008.16 | 1,050.42 | 1,148.59 | 883.39 | 929.61 | 985.38 |
| | Berthing & mooring including water supply | 1,890.56 | 1,682.17 | 1,962.56 | 2,329.08 | 2,461.16 | 2,700.31 | 2,212.93 | 2,331.34 | 2,471.22 |
| | Pilotage & Towage | 5,618.71 | 5,966.14 | 6,058.85 | 7,095.54 | 7,824.30 | 8,509.81 | 6,584.21 | 6,979.26 | 7,398.02 |
| | Dry Docking/ Dredging | 0.00 | 118.01 | 885.39 | 2,285.00 | 651.00 | 600.00 | 947.37 | 651.00 | 600.00 |
| | **Total** | **8,207.86** | **8,417.23** | **9,858.71** | **12,717.78** | **11,986.89** | **12,958.71** | **10,627.90** | **10,891.21** | **11,454.63** |
| III | Depreciation | 1,176.27 | 1,317.71 | 1,315.59 | 1,312.00 | 1,320.00 | 1,300.03 | 1,312.00 | 1,320.00 | 1,300.03 |
| IV | Allocated share of Management and General overheads | 5,467.28 | 6,015.58 | 7,456.72 | 9,079.71 | 9,459.64 | 10,277.07 | 7,978.69 | 8,457.41 | 8,964.86 |
| **V** | **Operating Surplus/ Deficit (I) – (II) - (III) - (IV)** | **4,461.01** | **(839.78)** | **866.99** | **(3,847.82)** | **(2,771.41)** | **(4,355.36)** | **1,422.37** | **1,312.41** | **465.28** |
| VI | Allocated share of FMI | 2,565.39 | 1,985.24 | 2,474.87 | 2,352.32 | 2,217.92 | 2,233.24 | 1,994.06 | 1,999.87 | 2,051.36 |
| VII | Allocated share of FME | 6,298.57 | 7,676.30 | 9,594.84 | 11,191.51 | 9,511.49 | 9,411.30 | 11,024.94 | 9,387.80 | 9,258.86 |
| VIII | FMI Less FME (VI) - (VII) | (3,733.18) | (5,691.06) | (7,119.97) | (8,839.19) | (7,293.57) | (7,178.06) | (9,030.89) | (7,387.93) | (7,207.50) |
| **IX** | **Surplus / deficit (V) + (VIII)** | **727.83** | **(6,530.84)** | **(6,252.98)** | **(12,687.01)** | **(10,064.98)** | **(11,533.42)** | **(7,608.52)** | **(6,075.52)** | **(6,742.22)** |
| X | **Capital Employed** | 42,150.44 | 42,135.25 | 41,350.43 | 33,249.92 | 31,289.07 | 29,472.41 | 39,422.55 | 37,398.06 | 35,517.77 |
| XI | **Return on Capital Employed** | 6,667.61 | 6,674.57 | 6,551.35 | 5,319.99 | 5,006.25 | 4,715.59 | 6,245.53 | 5,931.35 | 5,635.71 |
| XII | **Capacity Utilization (%)** | 73.50% | 58.80% | 54.35% | 63.09% | 64.26% | 66.19% | 54.97% | 54.90% | 56.55% |
| XIII | **RoCE adjusted for Capacity utilization** | 6,667.61 | 3,924.50 | 3,560.48 | 5,319.99 | 5,006.25 | 4,715.59 | 3,432.96 | 3,256.18 | 3,186.97 |
| XIV | **Net surplus / (Deficit) (IX) - (XIII)** | (5,939.78) | (10,455.34) | (9,813.47) | (18,007.00) | (15,071.23) | (16,249.00) | (11,041.48) | (9,331.70) | (9,929.19) |
| XV | **50% of the deficit for the years 2010-11 to 2012-13 considered for set off** | | (13,104.30) | | - | - | - | - | (2,184.05) | (4,368.10) |
| XVI | **Total Deficit** | | | | | | | (11,041.48) | (11,515.75) | (14,297.29) |
| XVII | **Deficit as a % of operating income of the respective years** | | | | -93.49% | -75.37% | -80.52% | -51.74% | -52.39% | -64.45% |
| XVIII | **Average net deficit as a % of operating income** | | | | -83.13% | | | -56.19% | | |

**Annex - II (d)**

**COST STATEMENT FOR THE RAILWAY ACTIVITY OF CHENNAI PORT TRUST**

(₹ in Lakh)

| Sr. No. | Particulars | Actuals | | | Estimates at existing level of tariff as furnished by the CHPT | | | Estimates at exisitng level of atriff as modified by TAMP | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2013-14 | 2014-15 | 2015-16 |
| I | **Operating Income** | | | | | | | | | |
| | Haulage | 581.12 | 443.12 | 350.37 | 370.00 | 400.00 | 403.00 | 370.00 | 400.00 | 403.00 |
| | Terminal charges | 1,487.49 | 1,169.78 | 924.29 | 989.69 | 990.00 | 1,022.12 | 989.69 | 990.00 | 1,022.12 |
| | Special Port Service Charges | 685.72 | 482.68 | 360.98 | 376.00 | 391.00 | 395.00 | 376.00 | 391.00 | 395.00 |
| | Wagon Demurrage Charges | 105.20 | 106.66 | 87.00 | 90.00 | 100.00 | 101.00 | 90.00 | 100.00 | 101.00 |
| | Others | 8.26 | 17.59 | 18.83 | 18.70 | 21.01 | 22.00 | 18.70 | 21.01 | 22.00 |
| | **Total** | **2,867.79** | **2,219.83** | **1,741.47** | **1,844.39** | **1,902.01** | **1,943.12** | **1,844.39** | **1,902.01** | **1,943.12** |
| II | **Direct Operating Expenses** | | | | | | | | | |
| | Operational Maintenance of Locomotives & Wagons | 1,401.34 | 1,157.74 | 903.37 | 1,118.32 | 1,175.85 | 1,293.44 | 966.61 | 1,024.60 | 1,086.08 |
| | Maintenance of Permanent Way, Signal & Interlocking fac. | 473.76 | 493.20 | 486.21 | 588.99 | 588.30 | 647.13 | 520.24 | 551.46 | 584.55 |
| | Operational Maintenance of Yards & Stations | 2,008.36 | 2,106.76 | 1,849.42 | 2,458.71 | 2,661.37 | 2,927.51 | 1,978.88 | 2,097.61 | 2,223.47 |
| | **Total** | **3,883.46** | **3,757.70** | **3,239.00** | **4,166.02** | **4,425.52** | **4,868.07** | **3,465.73** | **3,673.67** | **3,894.09** |
| III | Depreciation | 215.95 | 211.48 | 213.46 | 220.00 | 225.00 | 215.00 | 220.00 | 225.00 | 215.00 |
| IV | Allocated share of Management and General overheads | 3,661.06 | 3,621.95 | 3,839.89 | 4,675.66 | 4,871.31 | 5,292.25 | 4,108.68 | 4,355.20 | 4,616.52 |
| V | **Operating Surplus/ Deficit (I) – (II) - (III) - (IV)** | **(4,892.68)** | **(5,371.30)** | **(5,550.88)** | **(7,217.29)** | **(7,619.82)** | **(8,432.19)** | **(5,950.03)** | **(6,351.87)** | **(6,782.49)** |
| VI | Allocated share of FMI | 384.97 | 251.55 | 226.03 | 225.24 | 210.98 | 215.03 | 190.94 | 190.24 | 197.52 |
| VII | Allocated share of FME | 2,751.50 | 3,129.82 | 2,964.46 | 3,498.71 | 3,324.10 | 3,355.01 | 3,446.64 | 3,280.87 | 3,300.67 |
| VIII | **FMI Less FME (VI) - (VII)** | **(2,366.53)** | **(2,878.27)** | **(2,738.43)** | **(3,273.47)** | **(3,113.12)** | **(3,139.98)** | **(3,255.70)** | **(3,090.63)** | **(3,103.15)** |
| IX | **Surplus / deficit (V) + (VIII)** | **(7,259.21)** | **(8,249.57)** | **(8,289.31)** | **(10,490.76)** | **(10,732.94)** | **(11,572.17)** | **(9,205.73)** | **(9,442.50)** | **(9,885.64)** |
| X | **Capital Employed** | 2,262.12 | 2,261.31 | 2,219.19 | 1,784.45 | 1,679.22 | 1,581.22 | 2,115.72 | 2,007.07 | 1,906.16 |
| XI | **Return on Capital Employed** | 357.84 | 358.21 | 351.60 | 285.51 | 268.68 | 253.00 | 335.18 | 318.32 | 302.46 |
| XII | **Capacity Utilization (%)** | **73.50%** | **58.80%** | **54.35%** | **63.09%** | **64.26%** | **66.19%** | **54.97%** | **54.90%** | **56.55%** |
| XIII | **RoCE adjusted for Capacity utilization** | 357.84 | 210.62 | 191.08 | 285.51 | 268.68 | 253.00 | 184.24 | 174.75 | 171.04 |
| XIV | **Net surplus / (Deficit) (IX) - (XIII)** | (7,617.05) | (8,460.19) | (8,480.39) | (10,776.28) | (11,001.61) | (11,825.17) | (9,389.97) | (9,617.25) | (10,056.68) |
| XV | **50% of the deficit for the years 2010-11 to 2012-13 considered for set off** | | (12,278.81) | | 0.00 | 0.00 | 0.00 | 0.00 | (2,046.47) | (4,092.94) |
| XVI | **Total Deficit** | | | | (10,776.28) | (11,001.61) | (11,825.17) | (9,389.97) | (11,663.72) | (14,149.61) |
| XVII | **Deficit as a % of operating income of the respective years** | | | | -584.27% | -578.42% | -608.56% | -509.11% | -613.23% | -728.19% |
| XVIII | **Average net deficit as a % of operating income** | | | | | -590.42% | | | -616.84% | |

Annex - II (e )

**COST STATEMENT FOR THE ESTATE ACTIVITY OF THE CHENNAI PORT TRUST**

(₹ in Lakh)

| Sr. No. | Particulars | Actuals | | | Estimates at existing level of tariff as furnished by the CHPT | | | Estimates at exisitng level of atriff as modified by TAMP | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2013-14 | 2014-15 | 2015-16 |
| | **Operating Income** | | | | | | | | | |
| I | Rent from land and Buildings | 719.75 | 748.43 | 696.03 | 700.00 | 750.00 | 770.00 | 700.00 | 750.00 | 770.00 |
| | Others | 1,161.22 | 963.30 | 895.21 | 934.51 | 967.70 | 973.33 | 934.51 | 967.70 | 973.33 |
| | **Total** | **1,880.97** | **1,711.73** | **1,591.24** | **1,634.51** | **1,717.70** | **1,743.33** | **1,634.51** | **1,717.70** | **1,743.33** |
| | **Direct Expenses** | | | | | | | | | |
| II | Salaries & Wages | 530.63 | 532.32 | 559.76 | 738.88 | 812.77 | 894.05 | 738.88 | 783.22 | 830.21 |
| | Stores expenses | 94.16 | 31.55 | 15.75 | 38.50 | 35.61 | 39.17 | 16.85 | 17.86 | 18.94 |
| | Repairs & Maintenance | 167.16 | 166.18 | 164.74 | 197.05 | 94.50 | 103.95 | 176.27 | 94.50 | 100.17 |
| | Others | 14.17 | 18.51 | 20.59 | 24.00 | 30.00 | 33.00 | 22.03 | 23.35 | 24.75 |
| | **Total** | **806.12** | **748.56** | **760.84** | **998.43** | **972.88** | **1,070.17** | **954.04** | **918.93** | **974.07** |
| III | Depreciation | **37.42** | **37.25** | **139.18** | **42.00** | **45.00** | **35.00** | **42.00** | **45.00** | **35.00** |
| IV | Allocated share of Management and General overheads | 1,272.04 | 1,328.87 | 1,728.58 | 2,104.81 | 2,192.89 | 2,382.38 | 1,849.58 | 1,960.56 | 2,078.19 |
| V | **Operating Surplus/ Deficit (I) – (II) - (III) - (IV)** | **(234.61)** | **(402.95)** | **(1,037.36)** | **(1,510.74)** | **(1,493.07)** | **(1,744.22)** | **(1,211.11)** | **(1,206.79)** | **(1,343.93)** |
| VI | Allocated share of FMI | 252.50 | 193.97 | 206.54 | 199.61 | 190.53 | 192.92 | 169.21 | 171.80 | 177.21 |
| VII | Allocated share of FME | 566.18 | 619.64 | 685.28 | 829.95 | 727.56 | 729.45 | 817.60 | 718.10 | 717.64 |
| VIII | **FMI Less FME (VI) - (VII)** | **(313.68)** | **(425.67)** | **(478.75)** | **(630.34)** | **(537.03)** | **(536.53)** | **(648.38)** | **(546.30)** | **(540.43)** |
| IX | **Surplus / deficit (V) + (VIII)** | **(548.29)** | **(828.62)** | **(1,516.11)** | **(2,141.08)** | **(2,030.10)** | **(2,280.75)** | **(1,859.49)** | **(1,753.09)** | **(1,884.35)** |
| X | **Capital Employed** | 2,520.68 | 2,519.77 | 2,472.84 | 1,988.41 | 1,871.15 | 1,762.51 | 2,357.55 | 2,236.48 | 2,124.03 |
| XI | **Return on Capital Employed** | 398.74 | 399.15 | 391.78 | 318.15 | 299.38 | 282.00 | 373.49 | 354.71 | 337.03 |
| XII | **Capacity Utilization (%)** | **0.74** | **0.59** | **0.54** | **0.63** | **0.64** | **0.66** | **0.55** | **0.55** | **0.57** |
| XIII | **RoCE adjusted for Capacity utilization** | 398.74 | 234.69 | 212.92 | 318.15 | 299.38 | 282.00 | 205.30 | 194.73 | 190.59 |
| XIV | **Net surplus / (Deficit) (IX) - (XIII)** | **(947.03)** | **(1,063.31)** | **(1,729.03)** | **(2,459.22)** | **(2,329.48)** | **(2,562.75)** | **(2,064.79)** | **(1,947.81)** | **(2,074.94)** |
| XV | **50% of the deficit for the years 2010-11 to 2012-13 considered for set off** | **(1,869.68)** | | | **0.00** | **0.00** | **0.00** | **0.00** | **(311.61)** | **(623.23)** |
| XVI | **Total Deficit** | | | | **(2,459.22)** | **(2,329.48)** | **(2,562.75)** | **(2,064.79)** | **(2,259.43)** | **(2,698.17)** |
| XVII | **Deficit as a % of operating income of the respective years** | | | | **-150.46%** | **-135.62%** | **-147.00%** | **-126.32%** | **-131.54%** | **-154.77%** |
| XVIII | **Average net deficit as a % of operating income** | | | | | **-144.36%** | | | **-137.54%** | |

**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/11/2013-CHPT** | **-** | **Proposal from the Chennai Port Trust for general revision of its Scale of Rates.** |

A summary of the comments received from the BOT Operators, users/ user organisations and response of the CHPT thereon is tabulated below:

| Sl. No. | Users Comments | Response of CHPT |
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| 1. | **Chennai Port Stevedores Association (CPSA)**<br>**&**<br>**Madras Chamber of Commerce and Industry (MCCI)** | **On CPSA's Comment**<br><br>The proposal for periodical (once in 3 years) revision of Scale of Rates has been filed as per the Tariff Policy Guidelines 2005.<br><br>As there is increase in the expenses incurred by the Port from manpower cost to repairs and maintenance, water, electricity, fuel, etc. it is inevitable to avoid increase in the Scale of Rates. It may be noted that during the last general revision in the year 2010 also there was no increase in any of the tariff items. In fact, Port dues and Pollution levy was reduced marginally during the last revision.<br><br>**On MCCI's Comment**<br><br>As per Tariff Guidelines 2005, the tariff at Major Port Trusts needs to be revised once in 3 years. Accordingly, the CHPT has filed the proposal before TAMP for revision of its SOR.<br><br>The increase / revision sought by the CHPT are based on the deficit position reflected for the three years 2013-14 to |
| (i). | The Chennai Port Trust is already losing cargo and if the Port further increases the Rates, the cargo on hand in Chennai Port is also likely to move to other ports. | |
| (ii). | It is not justifiable on the part of Chennai Port to claim a disproportionate upward revision of Scale of Rate, ranging between 10% and 100% over and above the existing Scale of Rates. | |
| (iii). | The proposal of any upward revision in the existing Scale of Rates may be dropped once and for all and allow the trade and industry to survive. | |

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| | | 2015-16 in the cost statements, which have been prepared in line with the Tariff Policy Guidelines 2005.<br><br>Further, as per the SOR, the rates prescribed are ceiling rates and the port is provided with flexibility to reduce the ceiling rates / or to increase the discounts, which may be of use to avoid diversion of cargo to the neighbouring ports. |
| 2. | **Indian National Shipowners' Association (INSA)** | |
| (i). | The proposal for revision has been made by CHPT after TAMP pursued for it. In other words, Port had been comfortable with its performance and no revision was thought necessary. | As per Tariff Guidelines 2005, the tariff at Major Port Trusts is to be revised once in 3 years. Since the tariff approved by TAMP for CHPT was valid upto 31.3.2013 and the revision was due from 1.4.2013, TAMP requested the Port to submit the proposal for revision of tariff. The letter sent by TAMP may have to be seen as a follow-up / reminder to comply with Tariff Policy Guidelines. |
| (ii). | Main reasons for increase is said to be increase in Salary expenditure. The proposal further acknowledges that the arithmetic calculation would show the need of increasing tariff which the port administration admits to be unjustifiable. | The salaries and wages to the employees are paid as per the All India Port & Dock Workers Settlement from time to time. Hence, increase in salary expenditure is inevitable. As employee cost is a major portion in the total operating cost, there is increase in the operating cost. In the cost plus method of tariff setting, the increase in tariff is warranted to offset the increase in cost. |
| (iii). | In view of the above, the quantum of tariff increase sought is incomprehensible. Following observations, taking the figures for the year 2013-14 (at increased tariff), would help clarify further: | |
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<table>
<tr>
<td>(a).</td>
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<tr><td>Tariff Projection</td><td>59.85 Million Tonnes</td></tr>
<tr><td>Container Traffic</td><td>31.5 Million Tonnes</td></tr>
<tr><td>POL incl. crude (approx)</td><td>14 Million Tonnes</td></tr>
<tr><td>Operating Income</td><td>₹58400 Lacs</td></tr>
<tr><td>Operating Cost</td><td>₹37473 Lacs</td></tr>
<tr><td>Depreciation</td><td>₹2446 Lacs</td></tr>
<tr><td>Management</td><td>₹28916 Lacs</td></tr>
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<br>
Container cargo which accounts for about 53% of traffic is out of purview for increase. For the Port Oil cargo, which accounts for more than 23%, the raise sought for this category is only 10%.
</td>
<td rowspan="2">It may not be appropriate to say that the entire burden of increased cost is being put on vessel related charges. The increase proposed in the vessel related charges are based on the cost position for vessel related activity (Form 5B) which shows an average deficit of 83% for the years 2013-14 to 2015-16 at the existing tariff.</td>
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<td>(b).</td>
<td>At the same time, the port is not able to show any measures that would reduce its cost burden and as a result the entire burden of increased cost is being put on vessel related charges. The 100% hike sought in Berth hire charges and Port Dues is the reflection of this unjust proposal.</td>
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<td>(c).</td>
<td>The projected income and expenses for the period considered in proposal show no noteworthy reduction in Manpower, Operating cost or income. And as the above table suggests, Management and Administration is going to be 77% of the Operating cost. The chances of port recovering from losses would get more difficult.<br><br>Considering the total expenditure for the year including depreciation, the management & administration cost at ₹28916 Lakhs is 42% of the total ₹68835 Lakhs. It is necessary that this aspect requires to be planned in advance and be considered for committed action from port before any raise in Scale of Rates is approved. Otherwise it is feared that vessel related charges would remain to be the soft</td>
<td><br><br>The apportionment of Management and General Overheads to various activities/ sub-activities for the years 2012-13 to 2015-16 are based on the actual overhead costs of the respective activity/ sub-activity for the year 2012-13. As no income is generated under iron ore activity, expenditure relating to the same is merged with general cargo handling activity in the</td>
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| | option for recovery and pay for inefficiencies that would continue to get accumulated. Inflation will only hike actual amounts of different cost centers and port will have to seek compensation which apparently can come from only vessel related income. | revised cost statements. |
| (d). | Though port acknowledges NIL revenue from Iron Ore and Coal cargoes for future, the apportionment of Management & General Overheads in Annexure-VII towards Iron Ore cargo is consistently estimated at very high share of the total. | |
| (iv). | The form 6 submitted by port does not have information on productivity improvement. Since the port acknowledges that 80% of the cost is fixed cost, it becomes more imperative for port administration to take early corrective measures for reducing its cost and improving productivity. | The CHPT has introduced Special Voluntary Retirement Scheme in the year 2012 to reduce the employees and thereby the manpower cost. So far, 884 employees have been relieved under SVRS.<br><br>Other steps like control of Overtime expenses, maintenance expenses have also been taken.<br><br>It may also be noted that some of the costs incurred by the Port are legacy and statutory cost and are not controllable. |
| (v). | The port in its proposal has mentioned about new projects that are in pipeline. It is necessary for port to demonstrate its ability to control cost and bring out changes in its operational efficiency if trade were to really get any benefit. | – |
| (vi). | Attention is drawn to the issue of facilities & services required to be provided by port under MARPOL. These should be spelt out with correct SOPs with applicable tariff as part of Scale of Rates. GOI is a signatory to the convention, and these services are required | This will be examined and action will be taken as per the position prevailing in other Major Ports and orders of the Ministry, if any. Meanwhile, TAMP may also examine this aspect as it appears that the issue is commonly applicable to all the Major Port |

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| | to be provided by law and should therefore be treated as integral part of port services. The port needs to create and provide for the same in its services provided under Scale of Rates. | Trusts. |
| 3. | **PSA Chennai International Terminals Pvt. Ltd (PSA CITPL)** | |
| (i). | Based on a License Agreement dated 7 March 2007, entered into between CITPL and CHPT, CITPL has developed the Terminal and is entitled to operate the same for 30 years. The license fees and royalty payable to the CHPT by CITPL are clearly set out in the Agreement. The license fees may not be revised to the detriment of CITPL. | With regard to the point made by CITPL that any revision in the license fee will adversely affect their revenue model, it is submitted that as per Tariff Guidelines of March 2005 which is applicable to CITPL, the actual license fee paid / payable by the operator is an admissible item of cost for fixation / revision of tariff. Hence, the contention of CITPL that any revision in license fee will affect the revenue model may not hold good. |
| (ii). | The terms of the Agreement between the parties capture the essence of the said arrangement. Under the public private partnership arrangement one party cannot unilaterally and arbitrarily seek to revise the charges to the detriment of the other party. The parameters on which the charges payable to CHPT are to be based are well documented in the Agreement between parties. The CHPT is being paid monthly revenue share by CITPL in terms of the Agreement. When it bid for the project, the basis of the monthly revenue share payable to the CHPT has been arrived by CITPL based on various factors including the tariff that the market can bear and the license fees payable by CITPL. The CHPT may not unilaterally enhance one of the components based on which the revenue share has been arrived at and reduced to writing. It is | (ii). With reference to the point made by CITPL that the Scale of Rates existing at the time of Agreement would only prevail and the subsequent revisions / increase may not be applicable, it is stated that Article 13.14 of the Concession Agreement as well as Clause (c) of General conditions for Long Term Lease prescribed in the SOR appended to the Agreement clearly stipulates that the port shall have an option to refix the base of lease every five years. |

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<tr><td></td><td>submitted that the License Agreement should be understood as a whole based on the public private participation model and the principle of business efficacy and that the License fees will not be revised during the term of the Agreement. Revision of the License fees will have drastic financial implications for the viability of the terminal. Hence the proposed revision ought not to be approved.</td><td rowspan="4">(iii). Appendix 3 of the Concession Agreement contains classification of the area into developed area and undeveloped area with break up details. Article 13.14 of the Concession Agreement categorically stipulates that the Licensor’s Assets shall be classified as provided in Appendix-3 for the purpose of determining the Annual land lease charges. Further Article 6.12 of the CA states that the Licensee accepts possession of the Licensor’s Assets on ‘as is where is’ basis and the Licensee shall not raise any dispute at any time during the License period.<br><br>The above provisions in the Concession Agreement are very clear that for the purpose of annual land lease charges the classification of area provided in Appendix-2 only shall prevail subject to joint measurement.<br><br>Since there is a specific provision in the Concession Agreement for refixing the base or lease rent every five years, citing reference to the position prevailing at the other ports may not be relevant.<br><br>The payment of lease rent on an annual</td></tr>
<tr><td>(iii).</td><td>CITPL’s revenue model under the License Agreement has been worked out based on the license fees mentioned in the Agreement. Any revision in the license fees, as proposed by the CHPT, will adversely impact the said revenue model. The survival of CITPL, which is a special purpose vehicle incorporated for the purpose of developing and operating the Terminal project, will itself be at stake if CHPT is allowed to revise the license fees. The agreement between CITPL and CHPT is not a short term one. The term of the Agreement is 30 years and it is only in its 6th year today. If such revisions are permitted under such a long term Contract, it will cause enormous losses to CITPL over the term of the Agreement.</td></tr>
<tr><td>(iv).</td><td>Ports across India are not subjected to revision in license fees during the term of the Agreement. To cite one example, in the Agreement between the Mumbai Port Trust with Indira Container Terminal Pvt. Limited (ICTPL), a similarly placed Terminal also bound by the 2005 Tariff Guidelines, there is no provision for revising the license fee and it only provides for an annual escalation.</td></tr>
<tr><td>(v).</td><td>It is pointed out that the Arbitral Tribunal</td></tr>
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| | which went into certain disputes between CITPL and CHPT has also held in its award dated 19 September 2012 that the Scale of Rates (SOR) in existence at the time of entering into the Agreement will be applicable to the Agreement and thereafter, during the term of the Agreement, the annual escalation is to take care of CHPT's interest. | basis stipulated in the CA is only the periodicity of payment and it cannot be construed that every year the payment will be made based on the classification of area prevailing at that time. Further, this would mean allotment of land on annual basis which is not at all envisaged in the CA. As per CA the Licensor's assets are handed over to the Licensee for the entire Concession period of 30 years and not on annual basis.<br><br>It is stated that the existing rates for different types of land are in force from 2000. These rates were approved by TAMP in the year 2000 as a part of general revision of SOR. It has to be recognized that these rates were not fixed following the Land Policy Guidelines.<br><br>But, the revised rates proposed now are based on the valuation report furnished by the Approved Valuer appointed by the port this purpose as per the provisions of Land Policy Guidelines in force.<br><br>Further, the proposal for revision of estate rentals is being reviewed in the light of the New Land Policy guidelines 2014 announced by the Government in January 2014 and a revised proposal will be submitted to TAMP.<br><br>With regard to the point made by the CITPL that it had to necessarily remove the surfacing for development of project, it is stated that as per clause 6.12 of the CA, the Licensor's assets were handed over to |
| (vi). | The award held that the license agreement clearly says that the charges will be payable as per the Scale of Rates in Appendix-VI and that it should only mean the Scale of Rates which was in existence at that time namely the March 2006 Scale of Rates prescribed by TAMP. Thereafter the escalation provided by TAMP will take care of the interest of the Port Trust. The tribunal further said that they gave importance to the words prevailed in the license agreement and the Scale of Rates which prevailed on the date of the license agreement was only the Scale of Rates issued in March 2006. | |
| (vii). | The Agreement between the parties is comprehensive and final in respect of all matters including the license fees payable by CITPL to CHPT during the tenure of the Agreement. Revision of the license fees was not in the contemplation of the parties when entering into the Agreement. Hence any revision of the license fees will alter the terms of the Agreement and will amount to the Agreement between the parties being unilaterally re-written by CHPT, which will be opposed to the very premise of public private partnership and also contrary to all canons of law. | |

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<tr><td>(viii).</td><td>Without prejudice to preliminary objection stated above, it is submitted that by suggesting exorbitant revision in the SOR, the CHPT is trying to indirectly achieve something which it has been unsuccessful in doing directly. The Arbitral Tribunal has in its award dated 19 September 2012 clearly held that since agreement between the parties provides that license fees are to be paid on an annual basis each year, the CHPT could not have levied and collected rates applicable to developed area (open space with surfacing) in respect of such area from where CITPL had to remove the surfacing.</td><td rowspan="4">the Licensee on ‘as is where is’ basis for the development of project, which makes it clear that the Licensee may have to necessarily carryout modifications / alteration to the assets in order to develop the facility. Removal of surfacing reported by CITPL is one of such measures, which may not in any way affect the clear cut provisions in the Concession Agreement for levy of annual land lease charges.<br><br>As per Land Policy Guidelines, the SOR for land shall be revised every five years. It has to be borne in mind that the SOR for land lease / license at CHPT has not been revised since the year 2000. Further, as already stated, the revised rates proposed now are based on the valuation report furnished by the Approved Valuer appointed by the port this purpose as stipulated in the Land Policy Guidelines. Hence, the statement made by CITPL that the increase sought by CHPT has no basis or rationale is incorrect.<br><br>As the rates proposed by CHPT is based on the provisions of Land Policy Guidelines, as mentioned above, the statement made by CITPL that CHPT is trying to make good the loss on account of stoppage of handling of coal and iron ore, is baseless and beyond truth.<br><br>The proposal filed by CHPT for revision of estate rental / general revision is as per the Land Policy Guidelines / Tariff Guidelines, which will be commonly applicable to all</td></tr>
<tr><td>(ix).</td><td>It is significant to note that under the Agreement between the parties, which was considered by the Arbitral Tribunal, the fees payable for un-surfaced open space is about 53% of the fee for surfaced open space (i.e. ₹2000 per 100 Sq. Mtrs. per month vis-à-vis ₹3800 per Sq. Mtr. Per month).</td></tr>
<tr><td>(x).</td><td>The Arbitral Tribunal has directed CHPT to refund the excess amounts collected from CITPL at the rate of ₹3800/- per 100 Sq. Mtrs. per month for such period when only ₹2000/- per 100 Sq. Mtrs. per month was to be paid.</td></tr>
<tr><td>(xi).</td><td>The CHPT has now, contrary to the Agreement between the parties, sought to not only revise the fee payable for both open space and open space with surfacing drastically, but also to virtually equate the two by making the fees for un-surfaced open space around 95% of the fee for surfaced open space. This is a clear attempt to illegally negate the arbitral award and to achieve indirectly what it could not achieve directly legally.</td></tr>
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| (xii). | It is pointed out that the proposal of CHPT is also opposed to the principles of equality enshrined under Article 14 of the Constitution of India. CHPT has entered into an Agreement with CCTL. The CHPT is not entitled to levy and collect any license fees. Further, the revenue share which CHPT receives from CCTL is much less than, the 45% revenue share which is received from CITPL under the License Agreement. Hence, the proposed revision is clearly opposed to the constitutional mandate of equality of similarly place persons. | the port users. The cases filed by CHPT and CITPL in the High Court of Madras are only with reference to the provisions of the Concession Agreement which will in no way affect the services rendered by the port to other users / licensees.<br><br>It is a fact that Land Policy Guidelines 2004, which was in force at the time of entering into CA, was not applicable to BOT projects. In any case, the revision in License fee for CITPL will be only based on the provisions contained in the CA. It has to be noted that the CA provides for revision of License fee, once in five years. |
| (xiii). | It is pointed out that the CHPT in its proposal has sought a preposterous increase of 962.5% in the fee for un-surfaced open space and 534.4% in the fee for surfaced open space, for which no rationale or basis has been given. This is nothing but an illegal and outrageous reasons such as a fall in the port's revenue as a result of stoppage of coal and iron ore cargo. | |
| (xiv). | It is pointed out that the High Court of Madras by judgment dated 11 May 2011 issued a direction to totally shift handling of coal and iron ore from Chennai Port to Ennore Port with effect from 1 October, 2011. The CHPT is trying to make this loss by trying to revise the license fees to bizzare and absurdly high levels. | |
| (xv). | A lot of land has now become available and is lying vacant at the port as a result of stoppage of iron ore and coal cargoes. Thus, this is a good reason to effect a downward revision of the license fee. | |
| (xvi). | CITPL strongly objects to the proposal made by the CHPT to revise the Scale of Rates. It is | |

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| | submitted that connected issued relating to the Terminal are sub-judice before the Hon'ble Madras High Court and hence the CHPT cannot seek a revision of the license fees. | |
| (xvii). | The parties are presently contesting before the Hon'ble Madras High Court an award passed by the Arbitral Tribunal wherein it has been held that as the license agreement between the parties provides that license fees are to be paid on annual basis each year and that after removal of the surfacing for developing of the Terminal, the CHPT cannot levy the charges applicable for surfaced open space, in respect of such area from where the surfacing was removed for developing the terminal. Having suffered the arbitral award on the point, the proposed revision is a flagrant attempt on the part of CHPT to defeat the arbitral award and unjustly enrich itself. The background of the case pending before the Hon'ble Madras High Court is set out below. | |
| (xviii). | The premises licensed to CITPL under the License Agreement dated 7 March 2007 have been set out in Appendix-3 to the Agreement, by classifying the total licensed area as undeveloped and developed areas. As per the Agreement between the parties, the charges in respect of open space and open space hardened with water bound macadam surface were adopted as the charges payable by the CITPL for undeveloped and developed areas respectively. However, even after removal of the surfacing for developing the Terminal, the CHPT continued levying and collecting the annual fee based on the nature | |

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| | of the area as it existed on the date of grant of license to the claimant without considering that CITPL had to necessarily remove the surfacing from the surfaced area in order to develop the terminal. | |
| (xix). | CITPL had initiated Arbitration Proceedings against CHPT in relation to certain disputes which arose under the License Agreement. In the said proceedings, CITPL had, inter alia, sought a declaration that after the removal of the surfacing, the CHPT should collect the license fees only as applicable to un-surfaced area in respect of such area from where CITPL had to remove the surfacing for the development of the terminal. After contest, the Arbitral Tribunal considering the rival submission gave a well-reasoned award dated 19 September 2012 holding that since the agreement between the parties provides that license fees are to be paid on an annual basis each year, the CHPT is not entitled to levy the charges applicable for un-surfaced area in respect of such area from where the surfacing was removed by CITPL for developing the terminal. | |
| (xx). | CHPT has filed Original Petition No.190 of 2013, under section 34 of the Arbitration and Conciliation Act, 1996 before the Hon'ble Madras High Court challenging the said award dated 19 September 2012 passed by Arbitral Tribunal. In the said Petition, the Hon'ble High Court on 28 March 2013 issued notice to the Respondents. CITPL has entered appearance in the matter. The matter is likely to be listed for hearing after completion of service to the Respondents. | |
| (xxi). | The issue relating to the correct charges | |

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| | applicable to such area which was surfaced when handed over to CITPL but from which surfacing had to be necessarily removed subsequently having been decided in favour of CITPL and being presently under challenge before the Madras High Court in O.P 190 of 2013 filed by the CHPT, the proposed revision ought not to be considered. | |
| (xxii). | It appears that proposed revision by the CHPT is based on certain provisions of the Land Policy guidelines. It is relevant to point out that it has been the stand of the CHPT that the Land Policy guidelines are not applicable to the Terminal in question as it is a BOT project. The Arbitral Tribunal has also held so in its award. It is submitted that the CHPT having consistently contended that the said guidelines are not applicable to the terminal, cannot on the basis of the guidelines seek revision in license fees, when the Agreement between the parties only contemplates an annual escalation over the rates originally agreed under the License Agreement. | |
| (xxiii). | In view of the aforesaid objections, it is requested that the proposed revisions to the Scale of Rates be rejected. | |

2. A joint hearing in this case was held on 27 September 2013 at the CHPT premises in Chennai. At the joint hearing, the CHPT and the concerned users/ organisation bodies have made the following submissions:

**<u>Hindustan Chamber of Commerce (HCC)</u>**

(i). The trade is suffering huge pecuniary loss. This is not the correct time to seek increase in the rates. The trade would not be in a position to bear any increase in tariff. During the Board meeting itself, it was desired that the proposal in the current form may not be sent to TAMP. Yet, the CHPT has forwarded the proposal to TAMP.

(ii). Why does the CHPT want to increase the rates and dissuade the cargo from coming to CHPT.

(iii). The prescription of advalorem wharfage rates also needs to be looked into by the port.

**Chennai Port Stevedores Association (CPSA)**

(i). We completely agree with the points made by the HCC.

(ii). The neighboring ports like Krishnapatnam, Karriakkal etc. are out of the jurisdiction of TAMP. The rates at these ports are less than CHPT. With CHPT seeking increase in tariff, the CHPT would be uncompetitive.

(iii). The traffic of Iron Ore and Coal has stopped at CHPT. The CHPT should introduce volume discount schemes to attract some other import and export cargo.

**Madras Chamber of Commerce and Industry (MCCI)**

(i). Reduction in the traffic of coal and iron ore has widened the gap between the income and the costs for the CHPT. But that does not mean that the CHPT has to seek increase in the tariff.

(ii). Though the CHPT is seeking increase in tariff, it is not proposing any improvement in the services or facilities.

(iii). Depreciation in the value of Rupee has enhanced the vessel related income which are dollar denominated tariff.

(iv). This is not the right time to seek increase in tariff.

(v). It is not only the question of quantum of increase, but also about improvement in the infrastructure.

**Chennai Custom House Agents' Association (CCHAA)**

We do not want any increase in tariff of CHPT.

**Chennai Port Trust (CHPT)**

(i). We discussed the tariff proposal in the Board. Board has apprehension on the proposed tariff increase. Capacity of the port is more than demand. TAMP may make a tradeoff.

(ii). The increase sought by us has been worked out based on the TAMP Guidelines.

(iii). However, the CHPT Board of Trustees felt that the trade would not be in a position to bear the increase. Hence, we wanted TAMP to do a tradeoff.

(iv). Is it fair on the part of the users to oppose the increase in tariff now when no increase in tariff has been granted since the year 2006?

(v). It may be recalled that during the revision of tariff of CHPT in the year 2006, the trade as well as the CHPT had mutually arrived at a consensus on the percentage of tariff increase to be sought. A similar exercise can be carried out now to decide the quantum of increase. I request the trade to co-operate with the port in this regard. Port and Trade can work out a mutually agreed proposal, which can be sent to TMAP for approval. We have precedence.

[All users present agree to examine this suggestion of the port for a consensus proposal.]

3. The CITPL has submitted its written submission during the joint hearing. The points made by the CITPL are summarised below:

(i). PSA CITPL had raised Arbitral Dispute with the Chennai Port trust on certain issues concerning the purported land lease charges payable under the Agreement. The arbitral Tribunal by the unanimous award dated 19.09.2012 held in their favour on all the issues except one. It was the categorical finding of the Tribunal that “the license agreement clearly says that the charges will be payable as per the Scale of Rates which was in existence at the time, namely the March 2006 Scale of Rates prescribed by TAMP. Thereafter the escalation provided by TAMP will take care of the interest of the Port Trust.”

(ii). The Parties have challenged the award before the Hon’ble Madras High Court and the petitions in this regards are pending. It is at this juncture that the Chennai Port Trust has submitted the proposal to revise the Scale of Rates. CITPL vide its letter dated 20.07.2013 objected to the said proposal with specific reference to the revision of the land lease charges and its applicability to CITPL and requested TAMP not to consider the proposal when the issue is sub judice before the Hon’ble Madras High Court.

(iii). CITPL filed Original Application No. 703 of 2013 before the High Court of Madras against the proposal of the Chennai Port Trust. In the said application CITPL sought an interim injunction restraining the Chennai Port Trust from having its proposal for revision of land lease charges considered by TAMP in so far as the assets licensed to the CITPL under the Agreement dated 07.03.2007 are concerned pending disposal of the petition filed by the Chennai Port Trust before the

Hon'ble Court against the award dated 19.09.2012 passed by the Arbitral Tribunal.

(iv). The aforesaid Application was heard by the Hon'ble Court on 25.09.2013. After considering the issue involved and the request made by the counsel for the Chennai Port Trust, the Hon'ble Court passed an order directing the Chennai Port Trust to file its counter affidavit to the Application by 30.09.2013 and further directed that the proceedings in this regard pending before the Tariff Authority for Major Ports shall be subject to the Original Application.

4. Since there was a substantial variation in the percentage of increase sought in the revised proposal over the earlier proposal, a copy of the revised proposal of the CHPT was forwarded vide our letter dated 21 March 2014 to the CCTPL, CITPL and the concerned users/ user organisations for their comments. The comments received from the CITPL and CCHAA on the revised proposal of CHPT and response of the CHPT thereon are tabulated below:

| Sl. No. | Users Comments | Response of CHPT |
|---|---|---|
| **1** | **PSA Chennai International Terminals Pvt. Ltd (PSA CITPL)** | |
| (i). | It is pointed out that in the proposal submitted by CHPT, no revision has been proposed in respect of estate rentals in Chapter VI of the SOR. The CHPT in its revised proposal has merely aligned the estate rentals with the Land Policy for Major Ports-2014. | At the outset, it is to state that CITPL in its letter dated 26 March 2014 has mentioned the subject as "Proposal from CHPT for revision of estate rentals", even though TAMP has clearly mentioned the subject in its letter dated 21 March 2014 as "Proposal for general revision of Scale of Rates". CITPL may be aware that CHPT has filed two separate proposals with TAMP one for general revision of Scale of Rates and another for revision of estate rentals. TAMP has circulated both the proposals to CITPL. Hence, it is not clear why the CITPL is drawing reference to the revision |

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| | Hence the note annexed by CHPT on the Arbitral Proceedings between CITPL and CHPT and the consequential proceedings pending before the Hon'ble Madras High Court, where the issue in dispute is essentially a bilateral one, is unwarranted. | of estate rentals while furnishing its comments on the general revision of SOR.<br><br>After joint hearing on 27 September 2013, TAMP vide its letter dated 3 October 2013 has requested CHPT, inter-alia, to furnish a brief note on the litigation between CHPT and CITPL about the lease rent payable by CITPL to CHPT. Accordingly, the note was furnished to TAMP. Since the note was furnished at the specific request of TAMP, it may not be appropriate on the part of CITPL to state that the note furnished by CHPT is unwarranted. |
| (ii). | The following proposals by CHPT are detrimental to the CITPL's business viability and to the trade. | |
| | (a). CHPT proposes a 164% increase in Berthing and Mooring charges and 104% increase in pilotage and towage charges which would increase the cost for the lines calling on them. | The revised proposal for general revision of Scale of Rates has been prepared as per the Tariff Guidelines 2005. The increase proposed in the Berthing & Mooring activity and Pilotage & Towage activity is based on the deficit position reflected in the revised cost statements. |
| | (b). CHPT proposes 100% increase in rail tariffs. CITPL efforts to convert container movement to Rail would be further affected and our on dock rail siding business in CITPL will suffer badly. | As per Note (2) of Scale-7 (Railway related charges) of the proposed draft Scale of Rates, the charges prescribed therein are not applicable on rail borne containerized goods. Hence, the observation of CITPL is not found to be relevant. |
| | (c). it is noted that in the proposal CHPT has shown under income only 50% of the revenue share from CITPL & CCTL. The balance 50% has been transferred to infrastructure Reserve. However there are no guidelines or advice on how this is to be used for the betterment of the port or port users. | The treatment of royalty / revenue share receipts from BOT operators have been done in accordance with the provisions of clause 2.8.3 of Tariff Guidelines 2005. The amount transferred to Infrastructure reserve would be utilized for development of port infrastructure facilities within the |

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| | | period of 5 years specified in the above guideline provision. |
| 2. | **<u>Chennai Custom House Agents Association (CCHAA)</u>** | |
| | (a). In the Present Scenario, increase in any rate is not advisable. | At the outset, it is stated that CCHAA has reiterated the views expressed in the joint hearing and the subsequent meeting held on 10.10.2013. In this connection, it is stated that there is increase in the expenses incurred by the Port from manpower cost to repairs and maintenance, water, electricity, fuel, etc. The last increase in the Scale of Rates was approved by TAMP in the year 2006 and no increase in any of the tariff items was approved during the last general revision in the year 2010. In fact, Port dues and Pollution levy was reduced during the last revision. In view of the above, the port will incur huge loss, if the existing tariff is maintained. |
| | (b). In the Current Scenario for retaining the existing business itself is great thing. | |
| | (c). In the Current Scenario, due to heavy competition among neighboring ports, increase in rate may lose the business of Chennai Port. | |
| | (d). CHA proposed to maintain the status quo which was already recorded by them in the minute on 19.10.2013 by Chennai Port. | |

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