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Tariff Authority for Major Ports

G No. 142 **New Delhi,** **11 August 2009**

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the India Gateway Terminal Private for revision of its Scale of Rates as in the Order appended hereto.

(Brahm Dutt)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/25/2008-IGTPL

India Gateway Terminal Private Limited - - - Applicant

O R D E R
(Passed on this 5th day of August 2009)

This case relates to proposal from the India Gateway Terminal Private Limited (IGTPL) for revision of its Scale of Rates (SOR).

2. The Cochin Port Trust (COPT) and IGTPL entered into a Licence Agreement (LA) on 31 January 2005. The relevant provisions of the Licence Agreement are briefly mentioned below:

(i). The LA is for two licenses viz.

(a). license for operation and a management including necessary development, modification of facilities of the Rajiv Gandhi Container Terminal (RGCT) for a maximum period of eight years and six months; and,

(b). license for development, construction, operation and management of International Container Transhipment Terminal (ICTT) at Vallarpadam in Cochin Port Trust on BOT basis for a period of 30 years from the date of commencement of license period of ICTT.

(ii). Licensee has to take over the existing facility of RGCT against payment of an upfront fee of Rs.40.80 crores (payable in a phased manner over a period of 8 years). The upfront payment includes cost of the identified equipment of COPT transferred to IGTPL.

(iii). The COPT to lease berth of 414 meters length, container parking yard, reefer yard against an annual license fee of Rs.96 million (based on 1.04.2004) p.a. subject to 5% of annual escalation.

Additional 158.5 meters of Q7 berth with backup area contiguous to the RGCT berth to be made available to licensee at the request of IGTPL at a nominal rate of Rs.1 per square meter per annum subject to 30% escalation after every 5 years.

(iv). Licensee has to pay royalty on a monthly basis equivalent to 33.3% of the gross revenue earned. This will not be factored in tariff computation as per the tariff guidelines of March 2005.

(v). The licensee has to take over 352 no. of employees of the licensor who are currently engaged at RGCT and they would continue to be on deputation to IGTPL as long as they run RGCT.

(vi). The licensee has to develop RGCT to handle 400,000 TEUs by the end of 6th year if the licensee does not commence construction of ICTT before expiry of 6 years from the date of operation of RGCT.

(vii). At the end of RGCT project period, the Licensee has an option to hand over the licensor's equipment against the compensation payable by the Licensor as stipulated in the L.A.

(viii). The LA allows concurrent operation by the IGTPL at ICTT and RGCT for a maximum period of two years subject to mutual agreement with the COPT.

(ix). (a). At the time of commencement of commercial operations of ICTT, berth length not less than 600 mtrs. shall be provided by the IGTPL with adequate equipment and capabilities commensurate with the traffic.

(b). Based on actual built -up of traffic the Licensee shall augment the facilities and capacity of ICTT by adding berths and supporting equipment to phase I of ICTT as required to handle the actual traffic.

(x). (a). In respect of ICTT project site, an area upto 60 hectares for terminal development to be allotted to IGTPL and upto 10 hectares for berth construction at a nominal rate of Re.1/- per square metre per annum subject to 30% escalation after every 5 years;

(b). Additional area (10 hectares) will be allotted by COPT as requested by the Licensee for terminal development at a concessional rate of Rs.25/- per square metre subject to 30% escalation after every 5 years;

(c). The LA also stipulates allotment of 10 hectares of land for development of railway sidings and associated requirements contiguous to the terminal area of ICTT at nominal rate of Re.1/- per square metre per annum, subject to 30% escalation after every 5 years.

(xi). At all times during the operation of ICTT, productivity is to be maintained at minimum 25 moves per hour.

(xii). The berths (except dedicated feeder berths) shall be designed for a minimum dredged depth of 16 metres for receiving vessels not less than 8000 TEUs.

3.1. While fixing the initial tariff of IGTPL when it commenced its operations at the RGCT, the following assumptions were made in the Order of October 2005:

(i). Though the BOT agreement allows the licensee to operate at the RGCT for a maximum period of 8 years and 6 months, the IGTPL had firmly maintained that it will operate RGCT for 4 years only and thereafter shift to ICTT. The COPT had also confirmed that the LA does not put any restrictions on early migration.

In view of the above position, the capital cost of assets taken over from the COPT were spread over the project period at RGCT of 4 years. (While doing so, the residual value payable by the COPT at the end of fourth year when equipment would revert back to COPT was excluded from the capital cost)

(ii). Likewise, preliminary expense was also amortised over the project period of the RGCT i.e. 4 years.

3.2. Based on the deficit reflected in the cost statement, this Authority approved graded increase in the tariff of COPT which was earlier adopted as the interim tariff.

Period	% increase in tariff
November 2005 to 31 March 2007	10% increase over the interim tariff approved earlier
From April 2007 to 31 March 2008	8% increase over the tariff increase allowed in first stage
November 2005 to March 2008	Flat increase of 50% approved in the storage charge prescribed in the Scale of Rates of COPT

3.3. The Order alongwith the Scale of Rates was notified in the Gazette of India on 17 October 2005 vide Gazette No.145. The validity of SOR was prescribed till 31 March 2008.

3.4. The validity of the SOR of the IGTPL has been extended a couple of times and the validity of the existing SOR has been extended till 30 September 2009 vide Order No.TAMP/34/2005-IGTPL dated 17 June 2009.

4.1. The IGTPL has vide its letter dated 23 April 2008 filed a proposal for revision in its SOR. It has subsequently forwarded the draft proposed Scale of Rates vide its letter dated 13 May 2008.

4.2. The highlight of the original proposal is given below:

(A). **Cost Statement**:

(i). Traffic: - The actual traffic handled and the income earned at the existing tariff for the years 2005-06 to 2007-08 and projections for the next three years 2008-09 to 2010-11 is tabulated below:

Year	Traffic (in TEUs)	Income (Rs. in lakhs)
2005-06 (Actuals)	201178	6148
2006-07 (Actuals)	226171	7227
2007-08 (Actuals)	253761	7788
2008-09 (estimated)	285059	8638
2009-10 (estimated)	337126	9679
2010-11 (estimated)	448594	11812

(ii). The total net fixed assets reported in the cost statement at the end of the financial year 2007-08 is Rs.76.11 crores. It has not proposed any addition to the gross block during the year 2008-09 and 2010-11.

It has proposed to add Rs.975 crores to the gross bock of assets in the year 2009-10 towards building and operation of the ICTT at Vallarpadam as per the terms of the Licence Agreement.

The IGTPL has submitted that it has commenced the construction of ICTT at Vallarpadam site from 1 January 2008 and expects to commission the operations there by the end of 2009.

(iii). The cost statement filed by the IGTPL at the existing tariff level reflects the following position:

Surplus / deficit (Rs. in crores)	Surplus / deficit (% of operating income)	Surplus / deficit (Rs. in crores)	Surplus / deficit (% of operating income)	Surplus / deficit (Rs. in crores)	Surplus / deficit (% of operating income)
(2008-09)	(2008-09)	(2009-10)	(2009-10)	(2010-11)	(20010-11)
5.87	7%	(-)148.71	-154%	-153.13	-130%

(B). **Tariff increase proposed**:

(i). It has proposed graded increase in tariff as given below:

From 1 July 2008 to 31 March 2009	25% increase
From 1 April 2009 to 31 March 2010	25% increase
From 1 April 2010 to 31 March 2011	25% increase

(ii). It has proposed to reduce the free days for import containers from existing 7 days to 3 days.

(iii). The wage revision impact of the COPT staff taken over by the operator (as per the terms of LA) is assumed to increase by 20% w.e.f. January 2007. However, the likely increase in wage revision in view of recommendation of wage revision Committee is expected to be significantly higher. It has, therefore, proposed 'a separate' additional levy of Rs.30 per TEU to make up for the shortfall.

5. The IGTPL was requested vide our letter dated 27 May 2008 to furnish clarifications on certain points with reference to the proposal filed by it. The IGTPL vide letter dated 1 July 2008 has furnished its response. A summary of points raised by us and clarifications furnished by IGTPL are tabulated below:

Sl. No.	Queries raised by us	Reply received from IGTPL
(i).	Though a single Licence Agreement was signed between Cochin Port Trust (COPT) and IGTPL, it is meant for operation of two	IGTPL is a private terminal operator under BOT arrangement which has undertaken to provide container handling services at COPT

	licences, viz., operation of existing Rajiv Gandhi Container Terminal (RGCT) and International Container Transhipment Terminal (ICTT).	from the existing RGCT facility and thereafter from the ICTT facility. Hence, it is not appreciated as to why this Authority should insist on splitting the tariff proposal.
(ii).	At the time of fixing the initial tariff for the operations at RGCT, it was ensured that the cost relating to the second licence i.e. ICTT is not included in tariff of RGCT. This position was confirmed by the IGTPL and the cost calculations were also verified by the COPT.	The observation of this Authority is agreed to. However, during the initial period of first three years of operations, IGTPL did not have proposed investment for ICTT project as per the Concession Agreement. Hence the question of considering the costs relating to ICTT facility did not arise.
(iii).	In the instant proposal, the IGTPL has sought 25% graded increase with effect from 1 July 2008 which will apply to RGCT. The cost statement furnished to justify the proposed increase indicates huge capital cost estimated to be incurred at Vallarpadam. This amounts to the existing users at RGCT financing part of the cost of Vallarpadam though they are not using it.	As per the License Agreement with the port, the investment in Vallarpadam need to commence now in order to have the project operational by end of 2009. Reference is drawn to Clause 2.9.11. of the guidelines which states that in cases the investment made by the private terminal operator is in accordance with the obligations under the concession agreement it will be considered for ROCE even if full capacity utilisation is not achieved. It is ensured that the return on capital employed is considered only from the date of commissioning of assets and not during construction in line with the guidelines. IGTPL has proposed a staggered increase of 25% year over year to avoid a sudden price increase of 92% as per the cost statements prepared in line with existing tariff setting guidelines.
(iv).	The IGTPL is requested to split the proposal for revision of Scale of Rates of RGCT from the ICTT project and file a revised proposal for RGCT immediately. The IGTPL may file a separate proposal for ICTT three months prior to likely commencement of operations at Vallarpadam after firming up the capital and operating cost.	Based on above submissions, the proposal of IGTPL is in line with the existing tariff setting guidelines. In view of our above submissions Authority may commence the review based on our proposal dated 25 April 2008. It has also submitted that if this Authority feels that the proposed price increase is very high for RGCT users it can be resolved by having a separate tariff which would be valid upto the commercial commissioning of the ICTT. It has agreed to evaluate a differential increase between RGCT and ICTT operations in such a way that the increase of ICTT will be implemented only on commencement of ICTT operations.
(v).	(a). The exact time when the IGTPL expects to migrate at the ICTT may be indicated. Also, indicate the exact time when the IGTPL will close operations at RGCT since the LA allows concurrent operations at ICTT and RGCT by the licensee for a maximum period of two years subject to mutual agreement between the COPT and the IGTPL. (b). While filing the proposal for revision of tariff of RGCT, suitable adjustments may be made in the cost statement on account of deviation from the basic assumption made while fixing the initial tariff.	(a). It is confirmed that based on the existing construction schedule, commercial operations are expected to commence at the ICTT in November 2009. It will not be administratively possible or envisaged in the concession agreement for IGTPL to continue RGCT and ICTT operations simultaneously. (b). It is confirmed that there are no adjustments necessary in cost statement on account of deviation of basic assumptions made while fixing initial tariff.

6. The COPT was also requested to examine the approach adopted by IGTPL in the clubbing of cost of ICTT and RGCT and furnish its comments. The COPT has vide letter dated 18 July 2008 stated that the costs should be bifurcated and shown separately since the RGCT operations are showing a net surplus in the previous years in the cost statement. If the revenue and cost are shown separately during 2009-10, there will definitely be net surplus at least in the period during which the operations are at RGCT. The revenue and cost should be shown separately and the ROCE and net surplus / deficit should be calculated on the basis of the investment made during the period of operation. The COPT has indicated that IGTPL is expected to migrate its operations to Vallarpadam by November 2009.

7.1. Since the IGTPL had agreed to have separate tariff arrangement for RGCT till it commences operations at ICTT, the proposal filed by IGTPL was registered as a case. The IGTPL was again advised to furnish relevant cost statements segregating the operating cost and capital cost for its operations at RGCT till it shifts to ICTT and propose the tariff level for RGCT based on such revised cost position.

7.2. In accordance with the consultative procedure prescribed, the proposal of the IGTPL was forwarded to COPT and the concerned users / user associations seeking their comments. The comments received from COPT, users/ user associations were forwarded to IGTPL as feedback information. The IGTPL has not furnished its written comments on the observations of the users / user associations, despite a specific advice given.

8. Based on a preliminary scrutiny of the proposal, the IGTPL was requested vide our letter dated 23 January 2009 to furnish additional information / clarifications on various points. Some of the main queries raised by us are given below:

Sl. No.	Queries raised by us
A.	**General**:
(1).	Recognising that the capital cost, operating cost, capacity, income projections at ICTT would be different from the operations at RGCT, it is reiterated that separate cost statements and proposed SOR may be filed for RGCT till it expects to operate at RGCT (i.e. November 2009). The cost statement and SOR for ICTT may be filed separately taking into consideration the relevant capital cost, operating cost etc. Even the landlord port COPT has held the view that the cost, investment and return on capital employed relating to RGCT should be segregated and shown separately.
(2).	The cost statements may be updated with 2007-08 actual based on the figures reported in the Annual Accounts. Also, update the cost statements for the year 2008-09 based on the actual traffic, income / expenditure and capital employed for the period April 2008 to December 2008 and estimates for January 2009 to March 2009. Consequently, if necessary, the estimates for the succeeding years may be adjusted.
(3).	The revised tariff guidelines stipulates that tariff should be linked to benchmark of the levels of productivity. Please indicate benchmark levels of productivity and propose incentive for better performance of the terminal and disincentives for performance below benchmark levels. The productivity parameters should be included in the Scale of Rates as conditionalities governing the respective tariff items.
B.	**Financial / Cost Statements**:
(1).	This Authority in its Order Nos. TAMP/142008– NSICT dated 19 September 2008 and TAMP/55/2008– NSICT dated 30 December 2008 has fixed the tariff of the Nhava Sheva International Container Terminal Limited (NSICT) with reference to the standard capacity in order to recognise volume efficiency achieved by the operator beyond the standard capacity. The IGTPL may examine tariff fixation of its terminal based on standard capacity.
(2).	**Capacity**:
(i).	Reassess the capacity following the norms / formula prescribed in Annex - I of the upfront tariff guidelines. Deviation, if any, from the prescribed norms in view of any specific conditions prevailing in the port/ terminal needs to be justified.
(ii).	(a). (i). Indicate the total area allotted by the COPT (in hectares) as per the LA for stacking of containers / other operations at RGCT and ICTT giving reference to the appropriate clauses in the Licence Agreement.

	(ii).Total storage area (in hectares) available for stacking containers at the RGCT and the storage area expected to be available at the ICTT may also be indicated. (b). The ratio of import / export container handled by the IGTPL along with their average dwell time may be furnished for the past three years i.e. 2005-06 to 2007-08.
(3).	**<u>Income estimation</u>:**
	Furnish detailed computation of income with reference to estimated traffic for each of the tariff items at the existing tariff level and at the proposed tariff level for all the years under consideration separately for RGCT and ICTT operations.
(4).	**<u>Operating Cost</u>:**
(i).	**Operating and Direct Labour:** (a). As per Appendix 8 of the Licence Agreement, the IGTPL was required to take over 352 employees of the COPT then engaged in the container terminal of the port for the period the IGTPL operates and maintains the RGCT. Subsequently, these employees have to be repatriated to the COPT, when the RGCT terminal is reverted to the port. Since the IGTPL envisages to migrate and commence operation at ICTT by November 2009, the estimation of the employee cost needs to be split for the operations at RGCT and for the operations at ICTT. (b). The actual number of COPT employees as well as additional employees, if any, deployed by the IGTPL giving break up of number of employees/cost under each categories for its operations at RGCT may be furnished. Similar details about employees proposed to be employed for ICTT operations may also be furnished to justify the cost estimates. (c). Though the COPT employees have to be repatriated to the port when it transfers the RGCT operations, neither the strength of labour nor unit employee cost show any reduction. In fact the IGTPL has estimated increase in the labour during the years 2009-10 and 2010-11.
(ii).	**Equipment Running Cost:**
	(a). <u>Fuel Cost</u>: The reasons for assuming the annual escalation in the cost of fuel at 10% in the year 2009-10 and 10.9% in the year 2010-11 which are beyond the general permissible escalation level of 4.6% needs to be justified.
	(b). <u>Repairs and Maintenance Cost</u>: The repairs and maintenance cost reported / estimated by the IGTPL is found to be higher than the repairs and maintenance cost allowed for other private terminals. The repairs and maintenance cost estimated is also found to be higher than the norms prescribed in the 2008 guidelines. The estimation of repairs and maintenance may therefore be justified with reference to the norms and the cost allowed in the other private container terminals.
(iii).	**Equipment hire charge:**
	Details of equipment taken on hire by the IGTPL may be indicated and copies each of the contracts entered with the contractors may also be furnished to substantiate the actual/estimates for the years 2007-08 and 2008-09. It may be confirmed that the hire charges payable to the suppliers are competitive market rates.
(iv).	**Lease Rentals:**
	Please furnish detailed calculation of estimation of lease rental for all the years under consideration.
(v).	**Insurance:**
	A copy of Insurance cover taken from the Insurance Company may be furnished to justify the estimate of Rs.98 lakhs for the year 2008-09. Explain the basis of estimating the insurance cost at Rs.166 lakhs for the year 2009-10 and Rs.285 lakhs for the year 2010-11.

(vi).	**Other expenses:**
	(A). Management Fee: (i). During the initial tariff fixation in October 2005, this Authority had allowed Management fee under the head Technical Service Fee (TSF) relying on the certificated issued by its Chartered Accountant establishing the 'arms-length relationship' of the transaction of the TSF payable by the IGTPL to its promoter company subject to the conditions that IGTPL will produce at the time of next review documentary evidence and IT assessment orders for each of the years to show that the Income Tax Authorities have allowed this expenditure. It was categorically mentioned in the said Order that if such an evidence is not produced in the review, the estimated expenditure allowed in the said Order will be set off in the next tariff review. The IGTPL is, therefore, advised to furnish a copy of each of (a). Income Tax Assessment Order for the years 2005-06 and 2006-07; (b). Provisional Tax Audit Certificate from the Chartered Accountant for this item of expense for the year 2007-08; (c). Document establishing remittance of management fee for the year 2007-08. (ii). The service agreement entered by the IGTPL with Dubai Port Authority does not segregate the TSF payment with reference to services rendered for RGCT operations and that for ICTT operations. The port is advised to segregate this item of cost on appropriate basis and consider the cost relevant to the services rendered with reference to operations at RGCT and ICTT. The basis of appropriation of this expense for RGCT and ICTT may be explained. (iii). Indicate the exact term of the agreement entered with the DPA for providing TSF at RGCT and ICTT. (B). Lease rent on additional area: (i). Indicate the extent of additional area allotted by the COPT and also confirm whether it is as per the LA giving reference of the relevant provision. (ii). Indicate the purpose for which this additional area is used and also confirm whether it is in line with the LA terms. (iii). The income earned by the IGTPL from the additional area taken from the COPT may be indicated for the past period 2005-06 to 2007-08 along with estimates for the future 2008-09 to 2010-11. Also, show where this revenue is recognised in the income (actual / projections). (iv). Furnish detail computation of rental for additional area indicating the area leased, unit rate of lease rental giving reference to the relevant provision of the Licence Agreement/Scale of Rates. (C). Outsourced tally / survey expense: The estimation of tally/survey services and security services outsourced by the IGTPL may be justified with reference to copying of contract entered with outsourcing agency for providing this service.
(vii).	**Depreciation:**
	(a). Depreciation rate adopted in respect of each group of assets may be furnished giving reference to the Companies Act or the provisions of the Licence Agreement as the case may be. (b). Detailed working of the depreciation during the years 2005-06 to 2007-08 based on actual and estimates for 2008-09 to 2010-11 may be furnished separately in respect of assets taken over from the COPT and assets procured by the IGTPL. Separate calculation may be furnished for ICTT operations.

(viii).	**Management and Administration Overheads:**
	Detailed breakup of items included under the Management and Administration Overheads for each of the years 2007-08 to 2010-11.
(5).	**<u>Capital Employed</u>:**
	Fixed Assets:
	(a). The breakup of the addition to the plant and machinery / cranes to the tune of Rs.262.51 crores proposed to be deployed at ICTT in 2009-10 , may be furnished giving details of number of equipment, unit cost of the equipment and the total cost supported by documentary evidence in form of Work Order / Purchase Order / Invoice, etc. (b). The present status of each of the investments proposed for ICTT may be indicated. Based on the present status of progress of work and also in view of the above provision available in the LA allowing concurrent operations at RGCT and ICTT, the realistic date of migration of operations to ICTT and transfer of RGCT to the COPT need to be confirmed. (c). As per Article 5.1(e) of the Licence Agreement, the Licensee has an option to handover the Licensor's equipment to COPT when the IGTPL transfers back the RGCT operations to the port and migrates its operations to ICTT. The IGTPL is requested to indicate the option proposed to be exercised by it when it transfers the RGCT operations to the COPT and also clarify the following points: ➢ In case the IGTPL proposes to handover the Licensor's equipment to the COPT, then please indicate takeover compensation payable by the COPT to the IGTPL and the treatment given by the IGTPL in the financial cost statement. Also, confirm whether the take over compensation payable by the COPT is as per the terms of the LA. ➢ Furnish of details of assets taken over from COPT, their value at the time of take over from the COPT, depreciation, value assets at the time of handing over the assets to the COPT and the compensation payable by the COPT. ➢ If the IGTPL does not propose to transfer the assets to the COPT, then please indicate the value of such assets, effect of depreciation, etc. ➢ Sl.No.III in Form 4A shows deletion of Rs.500 lakhs from Buildings, Sheds, and Rs.4176 lakhs from the gross block of Cranes during the year 2009-10. Please clarify whether this deletion from gross block pertains to assets taken over from COPT. If so, indicate the basis of arriving at this value of the assets for deletion from the gross block. (d). It may be noted that only completed and fully commissioned assets will be considered for capital employed. The work in progress should be excluded. A confirmation in this regard may be furnished. (e). The IGTPL in Form 4B in Sl. No. VI has made a general statement about achieving operational efficiency in view of all brand new equipment and reduction in labour force. In this regard the existing moves per hour achieved by IGTPL at RGCT and the improvement expected in the productivity in terms of moves per hour in the years 2009-10 may be indicated. The move per hour expected to be achieved in ICTT during the year 2010-11 may also be indicated.
(6).	**<u>Efficiency gain</u>:** Clause 2.4.1 of the tariff guidelines stipulates that the benchmark for efficiency will be the actual cost reduction achieved by the operator due to efficiency improvement in the previous tariff cycle. The benchmark for efficiency is average of the past performance of the same operator at the same terminal achieved in the immediately preceding tariff validity cycle. 50% of such cost reduction has to be considered for estimating the relevant expenditure while fixing tariff for the succeeding tariff validity period. The efficiency improvement claimed by the IGTPL is not found to be as per the tariff guidelines.

(7).	**<u>Comparison of Actual vis-à-vis the Estimates (Form 7)</u>:**
	(a). In this form, the estimated operating income for the years 2005-06 to 2007-08 need to be adjusted for tariff increase allowed in the said Order for a like to like comparison. (b). Estimates of capital employed and the return on capital employed for the years 2005-06 to 2007-08 are not as per the estimates considered in the last tariff Order. The estimated capital employed and ROCE may be taken as per the last tariff Order for comparing them with the actual. (c). For a like to like comparison, the capacity may be considered at the level considered in the last tariff Order while arriving at the capacity utilization for allowing ROCE (as per the 2005 tariff guidelines).
C.	**<u>Scale of Rates</u>:**
(1).	The cost statement for the year 2008-09 shows net surplus of Rs.587 lakhs. A quick calculation shows that the estimates for the year 2009-10, if segregated for RGCT operations will not reflect a deficit position for the year 2009-10 (till November). In the light of this position, the increase of 25% at the first stage proposed to be applied for its operations at RGCT need to be justified.
(2).	This Authority while fixing the initial tariff of IGTPL in October 2005 (which was based on the tariff structure model then prevailing in the Scale of Rates of the Cochin Port Trust) had in para 15(xx) specifically advised the IGTPL to draw its proposal based on cost of rendering the service for individual activities at the time of the next revision / review of its tariff. The IGTPL has, however, not adhered to our advice while formulating its tariff proposal. The IGTPL is again advised to arrive at the proposed rates with reference to the cost of rendering the service for individual components based on the actual experience gained in the past operations.
(3).	The reasons for reducing the number of free days for laden container from existing 7 days to 3 days may be explained. The additional income likely to accrue to the IGTPL in view of the proposed reduction in the free days at the existing tariff may be indicated for each of the years under consideration.
(4).	During the initial tariff fixation it was clearly established that the licence granted requires IGTPL to offer on-board stevedoring services. The COPT has also reported to have granted stevedoring license to the IGTPL for this purpose. This Authority has based on the proposed filed by the IGTPL approved tariff for on-board stevedoring including lashing / unlashing, stowage planning and supervision. It is now understood from communication received from some of the users that the IGTPL has outsourced the lashing / unlashing services to a private party through CSAA. In this regard please clarify the following points with reference to RGCT operations: (a). Whether the outsourcing of stevedoring service is done with the permission of the land lord port , COPT. (b). Confirm whether the LA allows the IGTPL to outsource the stevedoring service to other private party. If so, whether the stevedoring license granted by the COPT to the IGTPL is cancelled. (c). If this services are outsourced, clarify what is the tariff arrangement for on-board services offered by a private party authorized by the IGTPL and also as to who collects the tariff. (d). If the tariff is collected by the persons authorized by the IGTPL, clarify under what provisions levying of tariff is delegated to a private party without seeking approval of the TAMP. (e). Consideration, if any, available to the IGTPL for granting permission to others agencies to offer this service at its terminal may be stated.
(5).	As per clause 4.2 of the LA, the tariff has to be competitive with the tariff level existing at international container transhipment hubs and major competing port in the region. For this purpose, the IGTPL is required to consult the COPT prior to recommending the tariff. Please provide us the details of such consultation.

9. The COPT was also requested to furnish additional information/clarifications vide our letter dated 23 January 2009. The COPT has responded to our queries vide letter dated 19 June 2009. The queries raised by us and the response of COPT are tabulated below:

Sl. No.	Queries raised by us	Reply furnished by COPT
(i).	The realistic date as to when the IGTPL will commence its operations at International Container Transhipment Terminal (ICTT) and transfer the Rajiv Gandhi Container Terminal (RGCT) operations to the COPT may be indicated. It may also be indicated whether concurrent operations at both RGCT and ICTT will be resorted to, as provided in the LA.	IGTPL are expected to commission ICTT by November 2009. IGTPL have also informed that the migration from RGCT to ICTT is estimated to take 3-4 months for the entire process to complete and that till such time the RGCT project site will be occupied by IGTPL.
(ii).	(a). Indicate the length of the berth allotted to the IGTPL for operations at RGCT.	As per the Licence Agreement, 1800m waterfront is to be made available to IGTPL. The entire 1800m waterfront is readily available with the Cochin Port. As requested by the IGTPL, 625m waterfront was handed over to them on 15-12-2007 for the development of Phase I of ICTT. Further waterfront will be made available as required by the IGTPL according to the traffic growth.
	(b). Appendix 3 of the LA stipulates stage-wise allotment of water front area to the IGTPL for development/construction of berth at International Container Transhipment Terminal, Vallarpadam. The stage-wise water front area already provided / to be provided (with realistic assessment of time of such allotment) for development/construction of berth at ICTT may be furnished.	Appendix 3 of the LA states the following:- Sixty (60) hectares of land area will be made available at nominal rate as detailed in Article 5.3 (c) (i) for the terminal development and this area will be handed over in stages as per the requirement of the Licensee. Further, Ten (10) hectares of land area will be made available according to the requirement at the concessional rate as detailed in Article 5.3 (c) (ii). For the terminal development of Phase I of ICTT, thirty (30) hectares of land area will be initially handed over to the Licensee. In case more area is required by the Licensee for the terminal development at the Phase I of ICTT, it will be made available subject to substantiating the requirement by the Licensee with details on the proposed development.
(iii).	Comment on the reasonableness of capacity of the terminal assessed by the IGTPL for the years 2005-06 to 2010-11.	As per the proposal, IGTPL is using two Gantry Cranes (Ansaldo) and two Gotwald Cranes, while they are operating RGCT. IGTPL has utilised the optimum capacity of RGCT during the years 2005-06 to 2007-08, with the entire supporting infrastructure available at present. As regards the projections for the year 2009-10 & 2010-11, it appears that they are transferring the Gotwald Cranes to ICTT and adding new four QCs, thereby six cranes are proposed for operation in a berth of 600 metre length and also having 4840 ground slots in the yard. This provision is enough to achieve the targets proposed by IGTPL subject to providing sufficient number of yard equipments as these equipments have a direct bearing on the total throughput of the Terminal.

(iv).	(a). Indicate the total area allotted by the COPT for stacking of containers for operations at RGCT and ICTT. (b). Confirm whether the area allotted / to be allotted by the COPT is as per the terms of the Licence Agreement. Also, give reference to the appropriate clauses in the Licence Agreement. (c). The lease rentals receivable from the IGTPL as per the terms of L.A. for land / back up area allotted / proposed to be allotted may be furnished giving the details of the area leased and the applicable lease rental per sq. mtr. for the years 2008-09 to 2010-11.	(a). Regarding the land allotment for ICTT, an area of 425813 sq.m. was handed over to IGTPL on 15-12-2007 and further an area of 60200 sq.m was handed over on 16-02-2008. (b). Area has been allotted / to be allotted by COPT is as per the terms of the License Agreement vide Appendix-3A (I) of the Licence Agreement. (c). License fee payable by IGTPL for the land allotted is @ Rs.1 per sq.m per annum.
(v).	Furnish your comments on the traffic estimation made by the IGTPL for the years 2008-09 to 2010-11. As regards transhipment containers, it has estimated a whopping increase of 644% and 240% during the years 2009-10 and 2010-11 respectively. Please comment on the reasonableness of these traffic estimates as well.	It is also mentioned here that IGTPL has estimated only 0.56 % growth for foreign containers in the year 2009-10 compared to 2008-09, whereas the growth in transshipment container for the same period is 644%. In this regard, it may be noted that the ICTT at Vallarpadam to be commissioned in November 2009 is primarily meant to develop as a transshipment hub and the main driver of growth for the terminal shall be transshipment. Foreign containers cannot be reasonably expected to grow at a very fast pace considering the limitations in the hinterland of the terminal and the limited industrial growth scenario in the said hinterland. The transshipment containers on the other hand can grow irrespective of the growth of the industry and the economy of the immediate hinterland, and can be attracted from far off places connected by sea / rail routes with the unique positioning of the Transshipment Terminal, which can attract mother vessels. It may also be noted that while the growth in transshipment containers in the year 2009-10 is projected at 644%, this is only a statistical figure and has very little relevance for the growth of the Terminal considering the very low base of 4207 TEUs in the year 2008-09. Similarly, growth of 240% projected in 2010-11 is on the low base of 31304 TEUs. With respect to the volume of traffic at the container terminal whose main activity is going to be transshipment, the terminal operator is better equipped to provide the projections considering the prevailing and the future scenario, which they will have to support with adequate data / study reports, if felt necessary. The Port Trust has no reason to denounce the statistics provided by the terminal operator.
(vi).	(a). The estimated impact of wage revision, if any, to be borne by the IGTPL with reference to the COPT employees taken over by the IGTPL for RGCT operations may be furnished along with the detailed working.	It has stated that information is awaited from the IGTPL.

<table>
<tr>
<td></td>
<td>(b). As per Appendix 8 of the Licence Agreement, employees of the COPT taken over by the IGTPL have to be repatriated to the COPT, when the RGCT terminal is reverted to the port. The IGTPL expects to migrate and commence operation at ICTT by November 2009. However, it has not estimated any reduction in the strength of the employee. Please comment on the reasonableness of the employee cost estimated by the IGTPL particularly for the year 2010-11 by when it would have shifted its operations to the ICTT.</td>
<td></td>
</tr>
<tr>
<td>(vii).</td>
<td>The prevailing rate at which the COPT supplies power to the IGTPL may be indicated. Please comment whether the unit rate adopted by the IGTPL for estimating the power cost for the three years 2008-09 to 2010-11 are reasonable.</td>
<td>IGTPL is grouped under the head HT Consumer and the rates charges as on 31.3.2009 is as follows:-
<table>
<tr><th>Particulars</th><th>Rate (Rs.)</th></tr>
<tr><td>Demand Charges (Rs./kVA of Billing Demand/Month)</td><td>350</td></tr>
<tr><td>Energy Charge (Paise/kWh)</td><td>370</td></tr>
</table>
The power cost estimated by IGTPL for the three years from 2008-09 to 2010-11 is reasonable.</td>
</tr>
<tr>
<td>(viii).</td>
<td>(a). Comment on the reasonableness of the additions to the gross block estimated by the IGTPL at Rs.975.17 crores in the year 2009-10. Confirm whether the proposed additional investments are in accordance with the provisions in the LA.

(b). Reasonable estimates of takeover compensation payable by the COPT to the IGTPL when the RGCT is expected to be reverted to the COPT may be furnished so that such receipt can be accounted in the financial cost statement of the IGTPL.

(c). In respect of assets transferred by the COPT to the IGTPL, please furnish asset-wise details of gross block of assets as on 1 April 2004, Net block of such assets, value recovered/ recoverable through upfront fee and the compensation payable by the COPT to the IGTPL.</td>
<td>(a). IGTPL has not furnished details of the additions (Rs.975.17 crores) made to the Gross Block of assets during the year 2009-10.

(b). Vide clause 13.2 (a) of the Licence Agreement, the Licensee shall hand over the vacant and peaceful possession of the Project Site together with all fixed assets forming part of the Project Facilities to the Licensor free of cost and free from all encumbrances. Therefore, no take over compensation is payable by the COPT when the RGCT is reverted to COPT.

(c). The details of assets transferred as on 1st April 2005 is furnished as follows:
<table>
<tr><th>Asset Name</th><th>No.</th><th>Gross Block</th><th>Net Block</th><th>Replacement Value</th></tr>
<tr><td>Gantry crane</td><td>2</td><td>2606</td><td>1431</td><td>2872</td></tr>
<tr><td>R T G</td><td>4</td><td>1225</td><td>463</td><td>300</td></tr>
<tr><td>Reach Stacker</td><td>5</td><td>751</td><td>330</td><td>295</td></tr>
<tr><td>Prime Movers</td><td>29</td><td>204</td><td>60</td><td>86</td></tr>
<tr><td>Trailer chassis</td><td>24</td><td>45</td><td>-</td><td>20</td></tr>
<tr><td>Top lift truck</td><td>2</td><td>492</td><td>-</td><td>32</td></tr>
<tr><td>Computer facilities</td><td></td><td></td><td></td><td>13</td></tr>
<tr><td>Miscellaneous (tools, equipment etc)</td><td></td><td></td><td></td><td>16</td></tr>
<tr><td>Cost of spares</td><td></td><td></td><td></td><td>446</td></tr>
<tr><td>TOTAL</td><td>66</td><td>5323</td><td>2284</td><td>4080</td></tr>
</table></td>
</tr>
</table>

		Upfront payment recovered First year - Rs.2.04 crs (5% of Rs.40.80 crs) Second year-Rs.2.04 crs (5% of Rs.40.80 crs) Third year - Rs.4.08 crs (10% of Rs.40.80 crs) Fourth year-Rs.4.08 crs (10% of Rs.40.80 crs) The possibility of assessing the amount of compensation payable is very remote at this stage.
(ix).	As per clause 4.2 of the LA, the tariff has to be competitive with the tariff level existing at international container transhipment hubs and major competing ports in the region. For this purpose, the IGTPL is required to consult the COPT prior to recommending the tariff. Please provide us the details of such consultation.	IGTPL had forwarded their tariff revision proposal to COPT before it was sent to TAMP. COPT did seek clarifications on various points and IGTPL had replied the same.
(x).	It is understood from communication received from some of the users that the IGTPL has outsourced the lashing / unlashing services to a private party through CSAA. In this regard please clarify the following points: (a). Whether the outsourcing of stevedoring service is done with the permission of the land lord port, COPT. (b). Confirm whether the LA allows the IGTPL to outsource the stevedoring service to other private party. If so, whether the stevedoring license granted by the COPT to the IGTPL is cancelled. (c). If this services are outsourced, clarify what is the tariff arrangement for on-board services offered by a private party authorized by the IGTPL and also as to who collects the tariff. (d). If the tariff is collected by the persons authorized by the IGTPL, clarify under what provisions levying of tariff is delegated to a private party without seeking approval of the TAMP.	It has not furnished an reply stating that the information is awaited from the IGTPL.

10. A joint hearing in this case was held on 20 June 2009 at the COPT premises. The IGTPL made a power point presentation of its revised proposal requesting tariff to be set on a normative basis for the new facility at ICTT, Vallarpadam. At the joint hearing, the IGTPL, COPT and the concerned users / user associations made their submissions. The IGTPL argued that the average revenue per TEU will be Rs.5878 under cost plus method which will mean 83% increase. Since such a high level of tariff might not be sustainable, they proposed normative method by which average revenue would be Rs.4497 per TEU only. The COPT pointed out that the rates to be fixed for ICTT should be competitive and at the same time, ensure validity of operation. It also indicated that the estimated savings to trade due to ICTT by avoiding transhipment would be $ 200 per TEU. The trade generally demanded lower tariff at ICTT and some of them even suggested that the existing rates at RGCT should be reduced and applied to ICTT to boost trade. The Cochin Chamber of Commerce and Industry submitted a common written submission which, *interalia*, contains its comments on the proposal of the IGTPL.

11. As decided in the joint hearing, the IGTPL was advised to furnish following information / clarifications:

(i). Clarifications / additional information sought vide letter of even no. dated 23 January 2009.

(ii). Revised proposal segregating the financials of RGCT and ICTT and draft proposed Scale of Rates. The proposal should be self contained and submitted with all necessary workings and explanations as well as supporting documents.

(iii). The capital expenditure for the ICTT project may be substantiated with documentary evidence and verified by the Cochin Port Trust.

(iv). A detailed analysis of tariff, revenue, expenditure and capital employed may be furnished year-wise in respect of ICTT for the entire project life under the following options:

(a). Tariff setting following the cost plus method under Tariff Guidelines of 2005.

(b). Tariff setting on normative method suggested by IGTPL in the hearing.

(v). Response of IGTPL to the written comments of the Port Trust and users which were forwarded from time to time earlier.

12.1. As decided in the joint hearing, the COPT was requested to initiate action on the following points:

(i). Verification of the capital expenditure claimed by IGTPL for their ICTT project and furnish its report and also confirm the capital expenditure is in line with the provisions of the Licence Agreement.

(ii). To furnish the detailed estimates prepared by COPT for ICTT which was approved at the project clearance stage by the Government. The variation of actual expenses with reference to these estimates may be furnished alongwith reasons therefor.

(iii). Comments, if any, of COPT on the request of IGTPL to fix tariff based on a normative method instead of the tariff guidelines of 2005.

12.2. With reference to the points discussed at the joint hearing, the COPT vide letter dated 6 July 2009 has furnished the requisite information / clarifications which is summarised below:

(i). The entire expenditure projected by IGTPL could not be certified as the IGTPL has been able to furnish documentary evidence only in some cases while in other cases, the figures furnished are only estimates or quotations.

(ii). (a). As against the civil capital expenditure of Rs.889.4 crores projected by the IGTPL, the contract documents worth Rs.729.7 crores were only produced by IGTPL. The remaining expenditure are either at quotation stage or in estimation stage. Hence port could authenticate the expenditure of Rs.729.7 crores only.

(b). With reference to capital expenditure of Rs.377.13 crores projected by the IGTPL on equipment, the port could authenticate expenditure worth Rs.270.14 crores. The remaining expenditure of Rs.107 crores are stated to be at quotation / estimation stage.

(iii). No estimate has been prepared by COPT for ICTT at the time of project clearance stage by the Government. A copy of the feasibility report prepared by M/s.Fredrick.R. Harris in 1998 had been annexed to the RFP document only to assist the bidders to make an assessment of the business proposition offered by the project, without any commitment on the reliability of the details from the Port side. The project finalised after pre-bid negotiations with the prospective bidders is substantially different from that conceived in the feasibility report.

(iv). The BOT Agreement provides for developing not less than 600 mtr berth with adequate equipment and capabilities in the first phase and further increase in the berth length to 1800 mtr. in subsequent phases commensurate with the growth in traffic. The contract does not provide for any minimum level of investment nor is there a financial closure requirement before proceeding with the project. As stipulated in the Agreement, they are now providing the minimum berth length of 600 mtr. with supporting equipment and yards.

(v). In consideration of the requests made by IGTPL as per the provisions of the Agreement, a total area of 48.8 hectare has been handed over to IGTPL in two spells viz. 42.60 hectare on 15 December 2007 and 6.2 hectare on 22 February 2008, for the phase I development of the terminal including construction of berth and development of railway sidings.

(vi). It has no comments to offer on the normative method of tariff fixation requested by IGTPL.

13.1. With reference to the decision taken at the joint hearing, the IGTPL has furnished the requisite information/clarifications in piecemeal which is explained in subsequent paragraphs.

13.2. The IGTPL vide letter dated 22 June 2009 has furnished separate financial projections for ICTT and RGCT operation along with its revised proposal. The highlights of the proposal are explained hereunder:-

A. **For RGCT operations**:

(i). Cost statement is furnished for the tariff cycle 2005-06 to 2007-08 and also for the year 2008-09 and projections for the year 2009-10. It has stated that the salaries are estimated based on account payment made for COPT staff and final wage settlement of the Cochin Port staff who are on deputation with IGTPL is yet to be completed. On receipt of final details, the actual labour costs would be higher that estimates.

(ii). The summary and the position reflected in the cost statement prepared by the IGTPL is for RGCT operating at the existing tariff is tabulated below:

(**Rs. in lakhs**)

Sl. No.	Particulars	2005-06 Actuals	2006-07 Actuals	2007-08 Actuals	2008-09 Provisional	2009-10 Estimates
(i).	Traffic (in TEUs)	201178	226171	253761	260872	185010
(ii).	Operating income	6148	7227	7788	8621	6037
(iii).	Operating costs + Depreciation + Management Overheads	5345	5779	5872	6029	5939
(iv).	FMI-FME	50	2	26	(-)214	(-)15
(v).	Capital employed	9793	9357	8485	7066	6202
(vi).	ROCE at applicable rate (15% for 2005-06 and 2006-07 and 16% for 2007-08 onwards).	1469	1404	1358	1131	662
(vii).	Net surplus / deficit	(-)615	46	586	1247	(-)579
(viii).	Net surplus / deficit as % of operating income	(-)10%	1%	8%	14%	(-)10%

(B). **ICTT Operations**:

(i). Additions to the gross block in the year 2010 has increased from Rs.975 crores estimated earlier to Rs.1260 crores. The increase in the capex projections is on account of original cost not considering some elements of civil cost, inaccurate estimate from poor soil conditions, increase in price at the time of awarding contract etc. (The total gross block estimated in the cost statement is Rs.1335.20 crores in year 2010).

(ii). The summary of the cost position reflected in the cost statement is as follows:

(**Rs. in lakhs**)

Sl. No.	Particulars	2010 Estimates	2011 Estimates	2012 Estimates
(i).	Traffic (in TEUs)	478000	588000	684456
(ii).	Total operating income	15438	18856	21889
(iii).	Operating cost	5920	6751	7581
(iv).	Depreciation	7504	7504	7504
(v).	Management Overheads	534	619	698
(vi).	Lashing/unlashing labour expenses	1008	1314	1711
(vii).	Surplus/Deficit	472	2668	4394
(viii).	Capital employed	125636	118453	108350
(ix).	ROCE @ 16%	20102	18952	17336
(x).	Net deficit	(19629)	(16284)	(12942)
(xi).	Net deficit as % of operating income	(-)127%	(-)86%	(-)59%

(C). **Request to set tariff for upcoming ICTT on Normative Basis**:

(i). The IGTPL has made a request to adopt the normative guidelines of 2008 for tariff fixation for ICTT operations citing the following reasons:

(a). ICTT operations are commencing post the new guideline and the present application is the first tariff setting for the terminal and hence the normative approach can be adopted.

(b). The major issue being debated about disallowance of royalty in tariff setting mechanism is unaltered under normative tariff setting approach.

(c). Proposed normative tariff will be lower compared to ROCE method and will benefit trade.

(d). The normative tariff linked to inflation related increases provides flexibility to enter into long term arrangement.

(e). The existing normative tariff specifies the tariff cap and allows further discounting mutually agreed by the port and terminal operator to attract transshipment volume and compete with Colombo.

(f). The return on capital employed method of tariff setting will involve significant deviation arising from reduction/loss of volume. Also the existing structure of concession agreement which provides incremental investment on full utilisation of existing 600 mtrs. quay line which will not allow the tariffs to reduce atleast over next ten years.

(ii). Accordingly, the IGTPL has furnished tariff for ICTT operations following norms prescribed in the guidelines of 2008 for upfront tariff fixation as summarised below:

(a). <u>Optimal Capacity</u>:

(i). Optimal quay capacity computed in line with 2008 guidelines is 1195740 TEUs. The IGTPL has considered quay length of 600 metres and has adopted the norms prescribed in the guidelines for arriving at the optimal quay capacity.

(ii). Optimal yard capacity is assessed at 792705 TEUs assuming total ground slot at 4840 TEUs. It has submitted that since additional ground slot can be created depending on need, quay line is the limiting factor.

(iii). In view of the above, optimal terminal capacity is considered at 1195740 TEUs in the tariff computation on normative basis.

(b). <u>Capital Cost Estimation</u>:

(i). Capital cost considered by the IGTPL for normative tariff fixation and the norms prescribed in the guidelines of 2008 is tabulated hereunder:

Sl. No.	**Group**	**Norms**		**Estimation furnished by IGTPL for ICTT operations (Rs. in crores)**	
1.	Civil Construction cost	As per the estimates given by the Port Trust for construction of civil works for achieving maximum capacity.			883.722
2.	Container Handling equipment (*)	**Equipment**	**Norms**	**Calculation**	**Rs. in crores**
		Quay gantry crane	One for 100 mtr. of berth length	6 Nos. x Rs.44.724 crores per QGC	268.344
		Rail mounted gantry crane	One for handling 6 Rakes/day	1 Nos. x Rs.5.76 crores per RMGC	5.760
		Rubber Tyred Gantry crane	Three for each quay gantry crane	18 Nos. x Rs.8.16 crores per RTGC	146.880
		Reach stacker	One for nine RTGs	2 Nos. x Rs.1.90 crores per Reach stacker	3.800
		Tractor Trailer	Six for each Quay gantry crane	36 Nos. x Rs.0.65 crores per Tractor Trailer	23.400
	Total Equipment Cost				**448.184**
3.	IT System cost	2% of the sum total of the civil construction and container handling equipment cost.		Estimated as per norms	26.638
4.	Other Cost including Financing cost and Interest during construction.	10% of the sum total of the civil construction and container handling equipment cost.		Calculated as per norms	133.191
	Total Capital Cost				**1491.735**

(ii). The operating cost estimated for an optimal capacity of 11,95,740 TEUs by the IGTPL is tabulated below:

(**Rs. in lakhs**)

Component	Norm	Working furnished by IGTPL	Operating cost
Power	8 KwH / TEU	8 KwH / TEU x Rs.8 per unit	76.53
Fuel	4 Litres / TEU	4 litres / TEU x Rs.38 per litre	1817.52
Civil Repair and Maintenance	1% of Civil Asset	1% x Rs.883 crores x 10%	972.09
Mechanical & Electrical Equipment repair and maintenance	2% of Cost of Mechanical & Electrical Equipment	2% x Rs.448.18 crores x 10%	1044.61
Insurance cost	1% of Gross Fixed Asset Value	1% x Rs.149.173 crores	1491.74
Depreciation	As per norms prescribed in Companies Act or any norms prescribed in LA which is higher	As per norms	9394.58
Licence Fee	As per the rate prescribed in the prevailing SOR	Rs.60 per sq. mtr. per month x 12	7.20
Other Expenses	10% Gross Fixed Assets	10% x Rs.149.17 crores	14917.35
Total Operating Cost			**29721.62**

(iii). Accordingly, the annual revenue requirement is estimated at Rs.5358.94 lakhs.

Sl. No.	Particulars	Rs. in lakhs
1.	Total annual operating cost	2972.16
2.	Return on capital employed	2386.78
Total Revenue Requirement		**5358.94**
3.	Stevedoring revenue requirement (90% of total revenue requirement)	4823.05
4.	Stevedoring revenue per in Rs.TEU [Rs.48.23 crores / 1195740 TEUs]	4034

(iii). To summarise, based on the above submissions, the IGTPL has proposed the following:

(a). Extension of the present tariff for RGCT operations till the date the container terminal operations are shifted to ICTT.

(b). Approve tariff for ICTT based on normative method (i.e. Average stevedoring revenue at Rs.4094/-per TEU).

13.3. The revised proposal filed by the IGTPL was forwarded to the COPT seeking their comments, if any.

14. The cost statement submitted by the IGTPL vide letter dated 22 June 2009 did contain working and explanations. Further it did not address the important issues raised vide our earlier letter dated 23 January 2009. Further, the IGTPL had not furnished requisite information/clarification on the various points identified at the joint hearing held on 20 June 2009. Hence, the IGTPL was reminded to furnish requisite information on the points decided in the joint hearing. Apart from that, the gaps observed in the cost statements filed by the IGTPL vide letter dated 22 June 2009 was also pointed out to IGTPL vide letter dated 24 June 2009 with a request to furnish necessary additional information/clarifications. The IGTPL has vide letters dated 26 June

2009, 29 June 2009 and 30 June 2009 furnished the information/clarifications. A summary of queries raised by us and the clarifications furnished by the IGTPL are tabulated below:

<table>
<tr><th>Sl. No.</th><th>Queries raised by us</th><th>Reply received from IGTPL</th></tr>
<tr><td>1.</td><td>Clarifications / additional information sought vide our letter of even no. dated 23 January 2009.</td><td>We have submitted updated proposal for RGCT / ICTT tariff setting vide our letter dated 22 June 2009. Since the application is revised, we request to let us know the clarifications required on the revised applications.</td></tr>
<tr><td>2.</td><td>The capital expenditure for the International Container Transhipment Terminal project substantiated with documentary evidence and verified by the Cochin Port Trust.</td><td>(a). Civil cost details as prepared by our Resident Engineer and duly certified by independent Chartered Accountant is submitted. The same has also been submitted to Cochin Port Trust for their comments.

Copy of the Certificate of the Chartered Accountant certifying the civil cost is furnished. A summary of the statement furnished by the Chartered Accountant is as follows:

(Rs. in crores)
<table>
<tr><th>Contract Value (as per agreement)</th><th>Contracted variations</th><th>Uncontracted Estimates</th><th>Claims Received</th><th>Total</th></tr>
<tr><td>692.00</td><td>20.50</td><td>144.60</td><td>32.10</td><td>889.30</td></tr>
</table>

Uncontracted Estimates refer to estimates of expenses likely to be incurred in future. Claims Received indicated in the statement are claims received for additional compensation which is yet to be finally approved by the IGTPL.

(b). The estimated costs for equipment along with letter of award / intent for some of the items issued by IGTPL is also furnished.

For the equipment cost estimated at Rs.377.13 crores, the IGTPL has submitted copies of contract documents in respect of quay cranes, Rubber Tyred Gantry Cranes and Inspection fees which sum to Rs.271.06 crores and for the balance items the estimate is based on quotations / estimates from its Engineering department.</td></tr>
<tr><td>3.</td><td>A detailed analysis of tariff, revenue, expenditure and capital employed year-wise in respect of International Container Transhipment Terminal for the entire project life under the following options :

(a). Tariff setting following the cost plus method under Tariff Guidelines of 2005.

(b). Tariff setting on normative method suggested by IGTPL in the hearing.</td><td>(a). Statement indicating expenditure, capital employed and average revenue under the normative method as well as cost plus method is furnished for the project period of ICTT vide email dated 29 June 2009.

(b). For the purpose of 30 year's analysis under normative method, IGTPL has revised the quay length to 1800 mtrs. from 600 mtrs. reported earlier. Capital cost is increased to Rs.4475 crores from Rs.1491 crores considered earlier. The average stevedoring revenue arrived at is Rs.4086 per TEU and the total average revenue per TEU is estimated at Rs.4540. Tariff escalation is stated to have bee considered at 2.5% per annum. (The calculation shows that the tariff is escalated by 1.5 % per annum under the normative method)

(c). In the cost plus scenario, the capital employed is increased at regular intervals without offering any explanations therefor. The other operating cost items are also increased substantially. The average revenue requirement per TEU estimated under cost plus method</td></tr>
</table>

<table>
<tr><td></td><td></td><td>and normative method for period of first five year is tabulated below:

(in Rs.)
<table>
<tr><th rowspan="2">Year</th><th colspan="2">Average Revenue per TEU</th></tr>
<tr><th>Cost plus method</th><th>Normative method</th></tr>
<tr><td>2010</td><td>7128</td><td>4540</td></tr>
<tr><td>2011</td><td>5770</td><td>4608</td></tr>
<tr><td>2012</td><td>4945</td><td>4677</td></tr>
<tr><td>2013</td><td>5385</td><td>4747</td></tr>
<tr><td>2014</td><td>5196</td><td>4818</td></tr>
</table>
</td></tr>
<tr><td>4.</td><td>Response of IGTPL to the written comments of the Port Trust and users which were forwarded from time to time earlier.</td><td>Since we have submitted the revised application as discussed at the joint hearing held with port users, we wish to submit specific response to the comments.</td></tr>
<tr><td>5. (A).</td><td>Cost statement for RGCT:</td><td></td></tr>
<tr><td>(i).</td><td>A copy of Provisional Annual Accounts for the year 2008-09 may be furnished along with a statement reconciling the income, operating cost, depreciation, gross block considered in the cost statement with the figures reported in the Provisional Annual Accounts 2008-09.</td><td>Provisional unaudited Accounts for 2008-09 is furnished along with reconciliation statement.</td></tr>
<tr><td>(ii).</td><td><u>Operating and Direct Labour</u>:

Explain the reasons for estimating the operating and direct labour to increase from 285 in 2008-09 to 300 in 2009-10. Since the IGTPL is about to migrate its operations to ICTT in November 2009. The actual number of operating and direct labour deployed by the IGTPL during the year 2008-09 and in the first three months of the Financial Year 2009-10 may be indicated.</td><td>The actual number of employees presently with IGTPL is 489 (Operations – 292, Maintenance – 136 & others – 61). IGTPL has not added any headcount during the first three months of the 2009-10 financial year. It, however, plans to recruit 15 additional staff at RGCT in a phased manner.</td></tr>
<tr><td>(iii).</td><td>Furnish a copy of the recent electricity bill paid by the IGTPL to justify the unit rate of Rs.7.10 adopted for the calculation of power cost in the year 2009-10.</td><td>Photocopy of the electricity bill of April 2009 is furnished. The average cost per unit for the month of April 09 works out to Rs.6.87 per unit. The rate considered for 2009- 10 is based on an anticipated increase of an average of 10% during the financial year.</td></tr>
<tr><td>(iv).</td><td>Our Query no. B (5) (iii) (c) (i) raised in our earlier letter dated 23 January 2009 is reiterated. The estimates of repairs and maintenance cost may be justified with reference to the norms and the cost allowed in other private container terminals.</td><td>IGTPL had inherited several equipment from the Cochin Port which are very old. These include 2 RMQCs which are more than 15 years old (Commissioned in 1994). The 5 Reach Stackers taken over from the COPT are also in need of regular repairs and maintenance to even keep them operational till the migration. Due to the vintage of these equipment, the repair & maintenance costs are extremely high. The stack yard and the wharf areas require constant attention to keep them in serviceable condition.</td></tr>
<tr><td>(v).</td><td>(a). The licence fee as per the terms of the Licence Agreement works out to Rs.1058.40 lakhs in 2006-07, Rs.1111.32 lakhs in 2007-08 and Rs.1166.89 lakhs in 2008-09. The lease rental</td><td>The license agreement specifies the minimum area required for operating the RGCT terminal. However, as and when operationally required, additional land area is made available by COPT to IGTPL to facilitate handling additional volume. The variance in payment represents these adhoc rentals paid by IGTPL.</td></tr>
</table>

	reported/estimated by the IGTPL in the cost statement for these years is found to vary marginally from the estimates made by us as per the terms of the Licence Agreement. The reasons for the variation may be explained.	
	(b). Furnish a detailed calculation of estimation of lease rental for all the years under consideration.	It has confirmed that all lease rentals are worked out as per the concession agreement. It has submitted copies of bill raised by the COPT for the years 2005-06 to 2008-09 as documentary evidence.
(vi).	(a). During the initial tariff fixation in October 2005, this Authority had allowed management fee considered under the head Technical Service Fee (TSF) relying on the certificated issued by its Chartered Accountant establishing the 'arms-length relationship' of the transaction of the TSF payable by the IGTPL to its promoter company subject to the conditions that IGTPL will produce at the time of next review documentary evidence and IT assessment orders for each of the years to show that the Income Tax Authorities have allowed this expenditure. It was categorically mentioned in the said Order that if such an evidence is not produced in the review, the estimated expenditure allowed in the said Order will be set off in the next tariff review. The IGTPL is, therefore, advised to furnish a copy of each of the following documents: • Income Tax Assessment Order for the years 2005-06 and 2006-07. • Provisional Tax Audit Certificate from the Chartered Accountant for this item of expense for the year 2007-08. • Document establishing remittance of management fee for the year 2007-08 and 2008-09.	Income Tax Assessment for the year 2005-06 is completed and the assessment order is furnished. Assessment for the rest of the years is not yet complete. Tax Audit Certificate for the year 2007-08 (Assessment Year 2008-09) certifying that the transactions are at arm's length basis is submitted. Management fee for the years 2007-08 and 2008-09 are not paid due to paucity of funds. However, provisions for these have been made in the books of accounts.
	(b). The service agreement entered by the IGTPL with Dubai Port Authority does not segregate the TSF payment with reference to services rendered for RGCT operations and that for ICTT operations. The IGTPL was in this regard advised to segregate this item of cost on appropriate basis and consider the cost relevant to	The Management Fee paid to DPW cannot be apportioned to RGCT and ICTT as there is no equitable basis to do the same. Also, the extract of agreement reproduced below clearly differentiates on the fees required for ICTT operations which will be higher and payable from commencement of ICTT operations in 2010.

	the services rendered with reference to operations at RGCT and ICTT. Explain the basis of appropriation of this expense for RGCT and ICTT.	
	(c). Furnish detailed calculation of this item for each of the years under consideration.	The computation of Technical Service Fees for the years 2007-08 to 2012 has been furnished.
	(d).Please explain why the management fee payable to DPA should be linked to gross revenue earned by the IGTPL without any linkage to services provided.	The ICTT, in its final phase, will be a terminal with 1,800 Mtrs of quay and will require significant efforts from DPA for technical and managerial input. ICTT operations will involve capturing significant volume of transshipment business which will require significant global support from DPA in securing revenue stream at competitive pricing. Hence, we believe the linking of management fees to revenue is appropriate. This is normal practice for royalty/ technical services agreements. So long as the amount due is established at arm's length under transfer pricing principles, the expense should be considered in tariff setting as per the prevailing guidelines.
(vii).	Explain the reasons for estimating around 40% increase in the other expenses in the year 2009-10 over the 2008-09 provisional figures.	The provisional figure for other expenses for the year 2008-09 is Rs.146 lakhs and the same for the year 2009-10 (8 months) is Rs.111 lakhs, which shows an annualized increase of only 14%. The proposed increase is on account of deployment of additional security during migration.
(viii).	(a). The depreciation in the year 2009-10 considers Rs.11.70 crores for impaired assets. Please clarify what this estimate pertains to and how the values of such assets were determined.	As per the Licence Agreement (LA) the QCs and RTGCs of RGCT which are not being migrated to ICTT could be returned to COPT at the value defined in the LA (article 5 clause (e)). Hence, the amount prescribed in the LA is taken as the realizable value for 2 QCs and 1 RTGC and the balance book value has been taken as impartment. For items like civil construction, yard etc. these are returned to the Port and the entire written down value of the asset is taken as impairment. It has furnished asset-wise details of impairment loss estimated at Rs.11.70 crores after adjusting Rs.10.95 crores receivable from COPT for 2 QCs and 1 RTGs to be handed over to the Port.
	(b). Para 15 (x) of the Order explains the treatment of depreciation considered during the initial tariff fixation. In the said Order, the upfront payment of Rs.40.80 crores payable towards cost civil assets and equipment transferred by the port were depreciated @ 25% assuming that the IGTPL would shift the operations to ICTT by the end of the fourth year as reported at that point of time. This was done after adjustment of Rs.15.11 crores receivable as residual value for the assets to be reverted at the option of the licensee as per the terms of LA. Please confirm whether the depreciation considered in the statement is in line with the approach followed in the last tariff Order.	IGTPL has adopted the depreciation prescribed by the Company's Act for the year 2005-06 to 2008-09 resulting in deprecation charge compared to the original estimates being lower. The difference between the written down value of the assets as on 30th November 2008 and the transfer price to COPT is shown as impairment.
	(c). Furnish depreciation rate adopted for the assets taken over	Depreciation on fixed assets (including assets created on leasedhold land) is provided on straight line basis at the

<table>
<tr><td></td><td>from the Cochin Port Trust as well as for other assets.</td><td>rates specified in Schedule XIV of the Companies Act except in case of major refurbishment to buildings roads, payments, and boundary walls on leasehold property which is written off over useful period of life of 8.67 years. Assets taken over from Cochin Port viz. Plant and Machinery and computers are depreciated over their useful life estimated by the management i.e. Plant and Machinery over 8.1 to 9.08 years and computers over 6.16 years. Additions are depreciated from the month of addition and deletions are depreciated up to the month of sale.</td></tr>
<tr><td>(ix).</td><td>The proposal does not explain the loss on foreign exchange variation to the tune of Rs.1.86 crores considered in the cost statement in the year 2008-09.</td><td>This is exchange rate loss due to reinstatement amount due to DP World as per AS11. We request the authority to group this under management fees.</td></tr>
<tr><td>(x).</td><td>The cost statement separately indicates efficiency gain of Rs.3.22 crores in the year 2006-07, Rs.10.34 crores in the year 2007-08 and Rs.13.02 crores in the year 2008-09. The efficiency gain figures indicated in the cost statement is not supported by any calculation.</td><td>Efficiency gain is worked out based on optimum yard capacity of RCTT based on present dwell days. The RGCT suffers from severe yard congestion from time to time. It also has no recourse to CFS which facilitate large scale evacuation of containers from the terminal. The summary of efficiency gain calculation furnished by IGTPL is tabulated below:

(Rs. in lakhs)
<table>
<tr><th>Calculation of Efficiency Gain</th><th>2006-07</th><th>2007-08</th><th>2008-09</th></tr>
<tr><td>Volume as per Capacity (TEUs)</td><td>214,054.59</td><td>214,054.59</td><td>214,054.59</td></tr>
<tr><td>Actual Volume done (TEUs)</td><td>226,170.50</td><td>253,760.50</td><td>260,872.00</td></tr>
<tr><td>Volume achieved due to efficiency (TEUs)</td><td>12,115.91</td><td>39,705.91</td><td>46,817.41</td></tr>
<tr><td>Additional revenue due to efficiency</td><td>387.16</td><td>1,218.66</td><td>1,547.17</td></tr>
<tr><td>Less: Associated variable cost (excl royalty)</td><td>65.56</td><td>184.51</td><td>244.99</td></tr>
<tr><td>Contribution</td><td>321.60</td><td>1,034.16</td><td>1,302.18</td></tr>
</table></td></tr>
<tr><td>(xi).</td><td>In the initial tariff fixation Order, the upfront payment of Rs.40.80 crores payable towards cost civil assets and equipment transferred by the port were depreciated @ 25% assuming that the IGTPL would shift the operations to ICTT by the end of the fourth year. The residual value of Rs.15.11 crores stipulated in the LA receivable at the end of the fourth year was, however, adjusted from the upfront payment for the computation of depreciation.

The presumption here was that all the assets taken over from the COPT would be reverted back to the port when the IGTPL shifts its operations to ICTT at the end of the fourth year. The cost statement filed by the IGTPL does not show deletion of any assets from the gross block of the assets in the year 2009-10 when it proposes to revert back the RGCT</td><td>No specific reply furnished.</td></tr>
</table>

<table>
<tr><td></td><td>to the COPT. If anything contradicts to the presumption made during the last tariff fixation in real terms, then the correct position may be indicated and also reflected in the cost statement.</td><td></td></tr>
<tr><td></td><td>(a). Para 15 (xv) (c) of the initial tariff Order deals with return allowed on assets taken over from the COPT. Since the payment of upfront fee for assets taken over from the COPT was payable in a phased manner as per the terms of the LA, the return was allowed only to the extent of the amount actually payable by the IGTPL during each of the financial years and interest was allowed on the unpaid amount of upfront fee as an expense. It is not clear how the depreciation and return on the assets taken over from the COPT is considered in the cost statement. Furnish of details of assets taken over from COPT, their value at the time of take over from the COPT, depreciation and return considered on value assets from the year 2005-06 onwards.</td><td>Details of assets taken over from COPT have been furnished which is reported to be Rs.40.80 crores with reference to equipment. The rate of deprecation applied thereon is as per Companies Act and accounting policy of the company. The depreciation charge is considered only as per audited accounts. It has not furnished the depreciation and written down value of assets from the year 2005-06 onwards with reference to the assets taken over from the COPT.</td></tr>
<tr><td></td><td>(b). In case the IGTPL proposes to handover the Licensor's equipment to the COPT, then indicate takeover compensation payable by the COPT to the IGTPL and the treatment given by the IGTPL in the financial cost statement. Also, confirm whether the take over compensation payable by the COPT is as per the terms of the LA.</td><td>The working of loss on handover of the assets based on written down value as on 30th November 09 is furnished which is tabulated below. It has confirmed that the compensation payable by COPT is as per terms of license agreement.

(Rs. in lakhs)
<table>
<tr><th>Particulars</th><th>Original Cost</th><th>WDV</th><th>Realisable value</th><th>Loss</th></tr>
<tr><td>RTG
(1 No.)</td><td>112.50</td><td>57.22</td><td>18.75</td><td>(38.47)</td></tr>
<tr><td>RMQC
(2 Nos.)</td><td>2990.00</td><td>1520.76</td><td>1077.00</td><td>(443.76)</td></tr>
<tr><td>Total</td><td>3102.50</td><td>1577.98</td><td>1095.75</td><td>(482.23)</td></tr>
</table></td></tr>
<tr><td></td><td>(c). If the IGTPL does not propose to transfer the assets to the COPT, then please indicate the value of such assets, effect of depreciation, etc. in the cost statement of RGCT.</td><td>Refer to point (b) above.</td></tr>
<tr><td>(xii).</td><td>During the initial tariff fixation, the Preliminary Expenses estimated by IGTPL pertaining to RGCT operations were spread over for four year period. However, the cost statement now submitted by IGTPL does not show any expenses under this head. Please indicate the factual position and indicate the treatment for preliminary expenses given by the IGTPL in the cost statement as well as in Annual Accounts from the years 2005-06 to 2008-09.</td><td>Preliminary expenses are reported in the Form 4A under Intangibles.</td></tr>
</table>

<table>
<tr><td>(xiii).</td><td><u>Comparison of Actual vis-à-vis the Estimates (Form 7)</u>:

The estimate of ROCE may be considered as per the last tariff Order for comparing them with the actual.</td><td>The form No 7 is duly updated in line with the tariff order. As per the statement furnished, the actuals vis-à-vis estimates (considered in the last tariff order) for the years 2005-06 to 2007-08 is as follows:

(Rs. in lakhs)
<table>
<tr><th rowspan="2">Particulars</th><th colspan="2">2005-06</th><th colspan="2">2006-07</th><th colspan="2">2007-08</th></tr>
<tr><th>Estimates</th><th>Actuals</th><th>Estimates</th><th>Actuals</th><th>Estimates</th><th>Actuals</th></tr>
<tr><td>Traffic</td><td>212951</td><td>201178</td><td>244894</td><td>226171</td><td>265761</td><td>253761</td></tr>
<tr><td>Income</td><td>5374</td><td>6148</td><td>6686</td><td>7227</td><td>7880</td><td>7788</td></tr>
<tr><td>Total Cost</td><td>5308</td><td>5294</td><td>5941</td><td>5777</td><td>6412</td><td>5845</td></tr>
<tr><td>Net Surplus / Deficit</td><td>66</td><td>854</td><td>745</td><td>1450</td><td>1468</td><td>1943</td></tr>
</table></td></tr>
<tr><td>(xiv).</td><td>(a). Please explain why the income from lashing / unlashing for the years 2005-06 and 2006-07 is shown under the FME when the income is directly related to container handling operations. Please clarify where the income from lashing / unlashing is recognised in the cost statement for the years 2007-08 to 2009-10 as it shows Nil under the Finance and Miscellaneous Income.</td><td>IGTPL has ceased to carryout the lashing / unlashing operation since 1 Oct 2006. The lashing/unlashing operations are undertaken by the Cochin Steamer Agents Association and IGTPL has no role in it. Hence, it is considered as an exceptional item.</td></tr>
<tr><td></td><td>(b). Finance and Miscellaneous Income (FME) includes income from MOT and CUT off charge. Please explain what is the nature of the income.</td><td>MOT represents the reimbursement of amounts recovered from the trade towards merchant overtime payable to customs during 2005-06. The CUT off charge is realised from customers by way of penalty.</td></tr>
<tr><td>B.</td><td>Cost statement for ICTT operations:</td><td></td></tr>
<tr><td>(i).</td><td>As per the actual traffic handled by the IGTPL at RGCT, the transhipment container hardly constituted 1.5% of the total container traffic handled by the operator. As against this the transhipment container projected for ICTT operations is 29% (both foreign / coastal) for all the years 2010, 2011 and 2012. Explain the basis of estimating such significant increase in the traffic of transhipment container.</td><td>The formation of ICTT is primarily with the objective to attract transhipment cargo which is presently handled at neighboring international ports. Closest port to ICTT handling transhipment is Colombo. During the year 2007, Colombo handled about 3.38 mn TEUs, out of which 75% (2.54 mn TEUs) is transhipment and 70% of this (1.76mn TEUs) is for India. The South Indian Ports gets 60% of this i.e. about 1 mn TEUs. Based on this, we expect to handle about 29% of throughput as transhipment.</td></tr>
<tr><td>(ii).</td><td>Furnish the existing container mix in the operations carried out by the IGTPL at RGCT under different categories i.e. coastal, foreign, transhipment, 20 / 40 empty / laden may be furnished.</td><td>Details of the container mix for the year 2009-10 is furnished.</td></tr>
<tr><td>(iii).</td><td>The detailed analysis done by the IGTPL for estimating a container mix traffic under different categories i.e. coastal, foreign, transhipment, (20'/40' empty/laden) may be furnished to justify the traffic projections for the years 2010, 2011 and 2012.</td><td>The existing cargo trend for costal and foreign volumes is assumed for ICTT volumes. The transshipment volumes mix is estimated based on actual volumes handled at Colombo which has significantly higher number of 40' containers.</td></tr>
<tr><td>(iv).</td><td>(a). The IGTPL has not furnished form 2B furnishing income projections in the format prescribed by the Authority. Further, Note 3 to Form 2B of the prescribed formats for tariff proposal adopted by this Authority requires the operator to</td><td>Form 2B giving break up of income from various categories of container is furnished.</td></tr>
</table>

	provide detailed computation of income with reference to estimated traffic. However, no such computation has been furnished by the IGTPL. Please furnish the details in Form 2B as well as detailed computation of income with reference to estimated traffic for each of the tariff items at the existing tariff level and at the proposed tariff level for all the years under consideration.	
	(b). The Form 2A states that the TEU ratio adopted for estimating the traffic / income is 1.50 for each of the years 2010 and 2011 and 1.36 in the year 2012. Furnish the existing 20' / 40' containers handled at RGCT and the prevailing TEU ratio at RGCT and furnish, reasons with detailed analysis for change, if any, there from when operation is moved to ICTT.	Details of existing TEU ratio are furnished. The projected volumes are at box TEU ratio of 1.50 in view of larger number of 40' containers from Transhipment volumes for all three years. There was formula error in Form 2A in the year 2012 for computing the ratio. However the actual containers indicated in the forms are correctly estimated and reflected in the revenue.
(v).	Confirm that the income projections are made taking into consideration the prevailing exchange rate. The exchange rate adopted for estimating the dollar denominated tariff item may be indicated.	The exchange rate adopted is Rs.48 per USD.
(vi).	The cost statement considers estimation of labour expenses for lashing and unlashing services under the head FME. However, the income from lashing / unlashing is not shown in the cost statement separately. Please indicate the estimated income from lashing / unlashing and also clarify under which head the income from this service is factored in the cost statement. The Authority in the initial tariff Order has already explained that the IGTPL approval of tariff arrangement for on-board stevedoring charges is to be obtained from the Authority. The IGTPL is, therefore, advised to incorporate to file a suitable proposal in this regard and include the income at the existing level approved by the Authority in the cost statement for both RGCT and ICTT. The expenditure for the relevant services is factored in the cost statement than the relevant income should also be recognised.	IGTPL has ceased to carryout the lashing / unlashing operation since 1 Oct 2006. This is being now being undertaken by the CSAA and IGTPL has no role in performing this activity at RGCT. On migration to ICTT, it would like to levy all inclusive charge for stevedoring including lashing and unlashing operations as done by other terminals. Hence the revised Scale of Rates to be adopted for ICTT operations should specify comprehensive stevedoring charge including the provision of lashing / unlashing services.
(vii).	The average cost per employee estimated for RGCT operations is Rs.2.9 lakhs per employee for operating and direct labour as well as for maintenance labour. In this context, justify the reasons for	At RGCT, the majority of the staff are on deputation from the Cochin Port. For ICTT operations only direct recruits of IGTPL will be taken. The pay scales of IGTPL and COPT are quite different. Also the number of employees proposed for ICTT facility is significantly lower than that employed at RGCT by COPT which require significantly

	estimating the average cost per employee to increase the level of Rs.3.5 lakhs for operating and direct labour and Rs.4.1 lakhs for maintenance labour in the year 2010.	higher skill levels requiring adequate remuneration.
(viii).	The reasons for estimating the average employee cost increased by 7.3% to 9% may be justified.	The increase is in line with normal salary increase applicable in India.
(ix).	Equipment Running Cost:	
	Power Cost:	
	(a). Power cost for all the years under consideration is estimated based on electricity consumption of around 17 units per TEU. The estimated electricity consumption is found to be higher when compared with the position at some other container terminals. It is noteworthy that the consumption considered by IGTPL is more than double of that of the norm prescribed in the upfront guidelines. The estimated consumption of electricity may be justified with detailed analysis.	This is in line with the actual cost incurred at RGCT. Since the ICTT consumption cannot be established, we request the Authority to adopt the normative consumption norms.
	(b). The unit cost of power considered for estimating the RGCT operations is Rs.7.10. The unit cost of power for ICTT operations is estimated based on the rate of Rs.9.90 for the year 2010. Explain the reasons for such variation in the unit cost of power.	The average per unit (fixed as well as variable) cost at RGCT is Rs.7.10 per unit. The rate increase estimated for ICTT operations is after considering various factors i.e. the area under operations is likely to be significantly higher (present area approximately 9 Hectare going up to 90 Hectare) resulting in significantly larger number of light points which are fixed in nature. With the increased peak demand for operating four Quay Cranes with high technical specifications, the peak demand requirement is likely to go up significantly. Further, in view of short supply of electricity in Kerala the rate is likely to increase. Based on above justifications, the estimate of Rs.9.90 per unit is reasonable.
(x).	Equipment hire charge:	
	(a). Details of equipment proposed to be taken on hire in the years 2010, 2011 and 2012 may be furnished.	The ITV Hiring charges is taken at Rs.150 per TEU with an increase of 2.50% yoy for inflation.
	(b). Copies of the contracts entered with the contractors for the ICTT operations may also be furnished to substantiate the estimates for the year 2010.	IGTPL is currently negotiating with prospective contractors. No contract has been signed so far.
	(c). It may be confirmed that the hire charges payable to the suppliers are competitive market rates.	The rates which is charged in other DPW terminals is between Rs.100 to Rs.200 per TEU. However, the costs in Kerala are much higher. For estimation purpose Rs.150 per TEU is considered based on recent payments made for hiring ITVs to work inside the terminal.
(xi).	Lease Rentals:	
	(a). As per Article 5.3 (c) of the Licence Agreement, the area to be allotted by the COPT for construction of berth, for terminal development and for development of railway sidings and container storage yard is at the rate and Re.1 per square metre per annum	The lease rent for 80 hectares of the terminal is Re.1 per sq metre and for the next 10 hectares, it is Rs.25 per sq metres. A detailed working is furnished in this regard.

<table>
<tr><td></td><td>subject to 30% escalation after every 5 years. Whereas the lease rate considered for estimating lease rental is Rs.3.67 per square metre. The reasons for such variations may be explained and confirm that the estimation is based on the relevant terms of License Agreement.</td><td></td></tr>
<tr><td></td><td>(b). As per Article 5.3 (c) (i), (iii) and (iv), the total area to be allotted by the COPT for terminal development, berth construction and development of railway sidings works out to 80 hectares (8 lakhs square metre) whereas the lease rental is estimated for 9 lakhs square metre. Please clarify whether the IGTPL has made any request to the COPT requesting for additional area and also if so justify the need for additional area when the capacity utilisation estimated by the IGTPL is only 50% in the year 2010, 61% in the year 2011 and 71% in the year 2012.</td><td>As per the licence agreement [clause 5.3 (c)], the land area allotted for terminal development is 70 hectares (Original – 60 hectares + additional – 10), for berth – 10 hectares and for rail sidings – 10 hectares, which sums up to 90 hectares.</td></tr>
<tr><td>(xii).</td><td>(a). Justify the reasons for estimating other expenses from Rs.146 lakhs reported in the year 2008-09 as per provisional accounts to Rs.209 lakhs in the year 2010 for ICTT operations.</td><td>The other expenses consist mainly of security and survey / tally expenses. Since the office area at ICTT is larger compared to RGCT and also volumes are higher, higher cost is estimated. Detailed break up of this expenses is tabulated below:
(Rs. lakhs)
<table>
<tr><th></th><th>2010</th><th>2011</th><th>2012</th></tr>
<tr><td>Security</td><td>111</td><td>116</td><td>122</td></tr>
<tr><td>Tally / Survey</td><td>97</td><td>135</td><td>176</td></tr>
<tr><td>Total</td><td>209</td><td>251</td><td>298</td></tr>
</table></td></tr>
<tr><td></td><td>(b). Explain the reasons for estimating the other expenses to increase by 20% and 18.7% in the years 2011 and 2012 over the estimates of the respective previous.</td><td>The other expenses include the Tally / survey costs which is to be outsourced at a unit rate of Rs.30.67 per box. This has contributed to increase in other expenses over and above the inflation norms.</td></tr>
<tr><td>(xiii).</td><td>Justify the reasons for escalating the management and general overheads which is generally fixed in nature by 10% in the year 2011 and 12.7% in the year 2012 over the estimates of the respective previous years.</td><td>With the growth of the throughput at the terminal a provision has been made to source senior and experienced personnel to undertake the additional responsibilities that flow out of the growth of the terminal.</td></tr>
<tr><td>(xiv).</td><td><u>Capital Employed</u>:</td><td></td></tr>
<tr><td></td><td>The basis of estimating the current liability for the years 2010, 2011 and 2012 may be explained.</td><td>There has been an error in estimating the working capital employed. Fresh calculation is furnished. Debtors is estimated at 30 days of outstanding based on approved tariff. It has justified that in order to achieve the desired growth rate and counter the competition from Colombo, additional credits will have to be granted to customers.

Current liability for the year 2010, 2011 and 2012 is Rs.111 Lakhs, Rs.126 Lakhs and Rs.137 Lakhs respectively. This is estimated at one month's payment of labour and equipment hire costs.</td></tr>
<tr><td>(xv).</td><td>The IGTPL has not furnished draft proposed Scale of Rates for ICTT</td><td>Though it has stated that detailed working has been submitted to TAMP, it has not submitted the draft</td></tr>
</table>

<table>
<tr><td></td><td>operations while segregating the cost statement of RGCT from ICTT. The IGTPL may furnish the draft proposed Scale of Rates for ICTT operations and furnish detailed working of revenue at the proposed tariff level.</td><td>proposed Scale of Rates or any detailed working in this regard.</td></tr>
<tr><td>(C).</td><td>Computation of the Normative tariff as per 2008 upfront tariff guidelines:</td><td></td></tr>
<tr><td>(i).</td><td>(a). The computation of yard capacity furnished by the IGTPL is not in accordance with the formula prescribed in the upfront tariff guidelines. Please furnish the yard capacity as per the norms prescribed in the guidelines.</td><td>ICTT is proposing to commence the operations with only 2,000 ground slots. The normative capacity for the entire yard area at ICTT would work out to 4.1 Million TEUs. However since quay line is the constraining factor, the normative capacity indicated at 1195740 TEUs should not undergo a change.</td></tr>
<tr><td></td><td>(b). Indicate the total backup area for ICTT operations as per the License Agreement terms and also furnish the actual area of land available for use for ICTT project and the distribution of available land in terms of storage facility and auxiliary facility at the container terminal.</td><td>As per the LA, the COPT is obliged to hand over 90 hectares for development of the yard, berth, railway facilities and related activities. The total area available in the project site is 115 hectares. IGTPL proposes to operate 15,000 ground slots with the additional availability of land.</td></tr>
<tr><td></td><td>(c). Furnish the container mix viz., foreign containers, transhipment containers, coastal containers and others, for operating at the optimal capacity. The break-up in terms of laden, empty containers and reefer containers under each of the above category of containers may also be furnished.</td><td>It is difficult to quantify the percentages on transhipment and foreign containers ratio at forecasted volumes. Based on the preset estimates of volumes mix given below the normative tariff can be established. Over dimensional and Hazardous containers would not be more than 2% of total containers in line with trend observed at other terminals.
<table><tr><td>Origin Destination Foreign containers</td><td>60%</td></tr><tr><td>Transhipment Containers</td><td>25%</td></tr><tr><td>Coastal Containers</td><td>6%</td></tr><tr><td>Coastal Transhipment</td><td>4%</td></tr></table></td></tr>
<tr><td>(ii).</td><td><u>Capital Cost</u>:
The berth cost and the cost relating to berth apron may be shown separately. Please confirm whether Rail Mounted Gantry Cranes is likely to be deployed for the ICTT operations. The unit cost adopted for estimating the equipment cost may be substantiated with documentary evidence.</td><td>Refer to our response dated 26th June 2009 furnishing the details of civil and equipment costs.</td></tr>
<tr><td>(iii).</td><td>Update the unit cost of power and fuel considered for estimating the power / fuel cost with the prevailing rate.</td><td>The present cost of power is Rs.7.10 per unit at RGCT. However, in case of ICTT it is estimated at Rs.9.10 per unit. The present fuel cost is Rs.33.05 per litre.</td></tr>
<tr><td>(iv).</td><td>The repairs and maintenance cost on civil assets and mechanical and electrical equipment estimating as per the normative level of percentage indicated in the guidelines seems to have been further escalated by 10% while arriving at the operating cost. Justify the reasons for considering 10% escalation for the individual cost item.</td><td>The repairs and maintenance costs on civil assets and mechanical / electrical equipment are computed in line with the guidelines after considering the additional assets allocation provided in the guidelines.</td></tr>
</table>

(v).	Confirm that the license fee estimated for area of 60 hectares of land is as per the provisions of the License Agreement.	The LA permits licensing/lease of 90 hectares of land. The total license fee estimated is as per the LA and is estimated at Rs.32.88 lakhs per annum. The same may be considered while establishing the tariff.
(vi).	The IGTPL has arrived at average stevedoring revenue of Rs.4034 per TEU. The IGTPL has, however, not furnished the draft proposed Scale of Rates. The draft Scale of Rates may be drawn by the IGTPL taking into account the capacity mix, the tariff structure and pattern of various services likely to be offered for the operations at ICTT so as to achieve the estimated annual revenue requirement. The IGTPL may furnish the draft Scale of Rates for levy of container handling charges, ground rent and miscellaneous charges to meet the estimated revenue requirement. Furnish detailed working of the revenue estimation at the proposed Scale of Rates.	Authority's guidance is sought on how the actual tariff per TEU is to be split in form of tariff schedule applicable for berth hire and terminal handling stevedoring rates for various categories of containers.
(vii).	Clause 2 of Appendix-4 of the License Agreement requires the licensee to develop the facilities and services at ICTT so as to maintain the minimum productivity level of 25 moves per hour. The IGTPL may, therefore, propose a suitable provision in case the productivity falls below the minimum productivity level required to be achieved as per the License Agreement.	The benchmark of the level of productivity will be 25 moves per hour per crane for handling containers. In event of productivity levels falls below the minimum productivity level the mutually agreed reduction in terminal handling charges up to 5% be agreed with the customer.

15.1. Subsequently the IGTPL vide e-mail of 6 July 2009 has modified its earlier proposal and proposed to levy berth hire charges also on the vessels calling at ICTT. The main submissions made by the IGTPL in the revised proposal are as follows:

(i). From clause 4.1 of the Licence Agreement, it is clear that since the berth is constructed by IGTPL for ICTT operations, berth hire charges need to form part of IGTPL's tariff for ICTT operations. In order to avoid any changes in the existing tariff structure for berth hire, it proposes to adopt the existing tariff charged by COPT for berth hire charges.

(ii). It has estimated revenue from berth hire at Rs.128 per TEU. The analysis is based on berth hire collected at the rate prescribed in the Scale of Rates of COPT for vessels that called RGCT berth during the month of May 2009.

The balance revenue is proposed to be allocated to the stevedoring charges. The summary of the normative based tariff furnished by the IGTPL is given below:

Sl. No.	Particulars	Amount (in Rs.)
1.	Total Revenue Requirement (following normative guidelines 2009)	5358939
2.	Stevedoring revenue 90% of total revenue	4823045
3.	Stevedoring revenue Rs. per TEU (Rs.4823045/1195740 TEUs)	4034

4.	Revenue proposed to be collected from berth hire Rs. per TEU	129
5.	Revised stevedoring revenue (Rs. per TEU)	3905

(iii). The IGTPL has also furnished draft Scale of Rates. As per the draft Scale of Rates, the berth hire and the handling charge proposed for 20' container is as follows:

(a). Berth hire charge schedule is proposed as prescribed in Scale of Rates of Cochin Port Trust.

Sl. No.	**Vessel Size (GRT)**	**Rate per GRT per hour or part thereof**	
		Coastal vessel (in Rs.)	**Foreign -going vessel (in US $)**
1.	Upto 3000	0.287	0.00996
2.	3001 to 10000	0.187	0.00648
	Minimum charge	860.544	**29.88**
3.	10001 to 15000	0.114	0.00396
	Minimum charge	1,866.240	**64.80**
4.	15001 to 30000	0.086	0.003
	Minimum charge	1,710.720	**59.40**
5.	30001 to 60000	0.086	0.003
	Minimum charge	-	**-**
6.	60001 and above	0.114	0.00396
	Minimum charge	-	**-**

(b). Handling charge (Foreign going laden)

Sl. No.	**Tariff item**	**Proposed Rate**
(i).	Gantry crane charges including lashing/unlashing and wharfage	US $ 78
(ii).	Transportation from QC to Yard and vice versa and transportation from CY to Rail yard and vice versa	450
(iii).	Handling at Container Yard for lift on/off from truck/rail or delivery/receipt to and from customers Note: The rate is per container movement.	600 (600 x 2) = 1200
	Total	**5394***

* The exchange rate adopted for converting dollar denominated tariff into rupee term is 1 US $ = Rs.48.

(iv). The IGTPL has requested to incorporate the following condition in its proposed Scale of Rates:

"The rates mentioned in the scale of rates are the ceiling rates. These rate do not preclude ICTT from offering lower rates or discounts to its customers so long as the rates charged by ICTT do not exceed the rates as mentioned herein"

15.2. The IGTPL has considered the vessel profile at RGCT for the period of May 2009. While arriving at the proposed berth hire of Rs.129 per TEU which may not be comparable to ICTT for which a different traffic profile is projected particularly for transhipment container. The IGTPL was, therefore, vide our letter dated 7 July 2009 advised to furnish the estimated income from berth hire charges for the years 2010, 2011 and 2012 under cost plus method as per tariff guidelines of 2005 based on the projected vessels traffic to handle actual estimated volumes, GRT grouping of the vessels, average GRT under each group, parcel size under each group, productivity level, expected stay of vessels at berth under each GRT group. The IGTPL was also requested to confirm whether any consultation with COPT on the proposed SOR had taken place in terms of Article 4.2 of the License Agreement. If so, the result of the consultation may be communicated.

15.3. The IGTPL vide its letter dated 10 July 2009 (forwarded by e-mail on 15 July 2009) has furnished the following clarifications with reference to its proposal for levy of berth hire charges:

(i). We have not had any discussion with the IGTPL regarding the proposed levy of berth hire charges for ICTT. Highlighting clause 4.1 of the Concession Agreement, it has stated that all port dues, pilotage, berth hire and other vessel related charges shall accrue to the Licensor for such services provided by the Licensor. This aspect was specifically clarified during negotiations with COPT on 29 October 2004. Since the berth is constructed by IGTPL for ICTT operations, berth hire charges need to form part of IGTPL's tariff for ICTT operations.

(ii). (a). The berth hire charges working for three years, with estimated vessel calls in a year as per tariff guidelines of 2005 is furnished. The berth hire charge under the normative working and the revenue per TEU for berth hire at a normative volume is also furnished.

(b). Revenue per TEU towards berth hire is likely to reduce from Rs.67 per TEU in 2010 to Rs.52 per TEU in 2012.

The higher capacity vessel expected to call at ICTT will not result in increase in berth hire revenue per TEU since the higher parcel size require increased crane split and relatively lower occupation at berth results in effectively lower revenue per TEU. Also, the transshipment will attract increased number of feeders to move the transshipment containers to other ports in India/outside India which will be of lower GRT.

(c). The vessel profile over next ten years is not likely to change significantly from the normative workings provided.

(d). The revenue per TEU estimated under normative working of Rs.129 per TEU is definitely higher than actual realization expected at normative volume.

(iii). It has segregated the wharf construction cost from the total civil cost. This works out to Rs.302.05 crores. A copy of the same duly certified by our engineers is stated to have been attached. (Certificate not attached.)

The berth hire charges worked out on the basis of the approach followed by TAMP while fixing upfront tariff for the Container Terminal at JNPT is furnished. As per the calculation furnished, the berth hire charges under Normative method works out to Rs.2.07 per GRT per hour. It has, however, proposed to levy the existing berth hire charge prescribed in the SOR of COPT for ICTT.

(iv). It has submitted that it may not be appropriate to allocate the entire wharf costs towards recovery of berth hire charges for the following reasons:

(a). The wharf and container yard both are construed to render the handling services based on which the ship stevedoring charges are computed at normative capacity. Hence, it would not be logical to adopt the guidelines in this case as the total cost of the wharf cannot be by itself be attributed to berth hire and hence it needs to be spread vis-à-vis berth hire and stevedoring charges.

(b). Further, it may not be appropriate to apply the norms for berth hire charges established for fixation of upfront tariff for services rendered at iron ore berth, at coal terminal and liquid berth terminal fully for container terminal.

16. Since the communication from IGTPL did not disclose whether the COPT was consulted on the modified proposed Scale of Rates as required under Article 4.2. of the License Agreement, a copy of the letter received from the IGTPL was forwarded to the COPT seeking their comments.

17. The COPT has responded vide letter dated 8 July 2009. It has made the following observation with reference to the modified proposal of the IGTPL to levy berth hire charge:

(i). The revised tariff revision proposal submitted to TAMP by IGTPL has not been done after consulting the COPT, as required under Clause 4.2 of the License Agreement.

(ii). (a). According to clause 4.1. (a) of the License Agreement, the Licensee (IGTPL) shall have the right to levy and recover tariff from the owners / consignees of cargo using Project Facilities (ICTT) services in respect of container handling and associated activities in respect of the Project. So the clause clearly states that IGTPL can levy only container related charges for the services rendered at ICTT.

(b). Clause 4.1.(b) of the License Agreement further clarifies the matter which explains that all Port Dues, Pilotage, Berth Hire and other vessel related charges shall accrue to the Licensor (Cochin Port) for such services provided by the Licensor.

(iii). Mere construction of the berth does not entitle the Licensee to collect the berth hire charges. The berthing activity being a vessel related activity is done by the Port. Moreover, maintenance of the berth basin is also carried out by the Port through capital and maintenance dredging on a regular basis.

(iv). The Port would be spending a sum of Rs.328 crores for the capital dredging for the project and the cost of maintenance dredging for the first year i.e. 2010-11 for work has already been awarded. It was in anticipation of the high cost of dredging that the Port had insisted on collecting berth hire charges while negotiating the License Agreement.

(v). In view of the above, it may be seen that the berth hire shall accrue to the Licensor irrespective of the fact that the construction of berth is carried out by the Licensee.

18.1. In view of the above, the COPT and IGTPL were advised to mutually resolve the matter relating to collection of berth hire charges at ICTT and to convey the mutually agreed position.

18.2. The COPT has responded that a meeting was held with the representatives of IGTPL on the matter of inclusion of berth hire rates in the supplementary tariff proposal for ICTT. It has reiterated that Articles 4.1 (a) and (b) of License Agreement clearly state that the Licensee shall be entitled to levy tariff on cargo from the owners/consignees of cargo in respect of container handling and associated activities and that all port dues, pilotage, berth hire and other vessel related charges shall accrue to the port.

In similar cases in other ports like NSICT at JNPT or second container terminal at Chennai Port Trust etc., the ports have been levying the berth hire charges even though the operator may have incurred expenditure on constructing the berth. It has reiterated that the berth hire charges are leviable from the ships for which the port is required to provide facilities like depended berth basins etc. The berth hire charges to be levied from container vessels would only suffice to set off a fraction of this expenditure.

The COPT has clarified that it has clearly conveyed to the IGTPL to strictly follow the provisions of the License Agreement in this matter.

As regards the question of applying the guidelines for upfront tariff setting for PPP projects at Major Port Trusts 2008, it has referred to clause 1.3.2 of the said guidelines which amply clarifies that those projects where bidding process were concluded before publication of the guidelines do not come under their purview.

Article 4.2. of the License Agreement stipulates that the parties agree subject to applicable laws and approval of the competent authority that tariffs are competitive vis-à-vis international container transhipment hubs and major competing ports in the region. The ICTT project has been conceived to avoid Indian import/export containers suffering transhipment through neighboring country ports. In view of the above, it has requested TAMP to take an appropriate view in the interest of the project.

19. 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.

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

(i). The Licence Agreement between Cochin Port Trust (COPT) and India Gateway Terminal India Limited (IGTPL) covers two licences, viz., operation of existing Rajiv Gandhi Container Terminal (RGCT) and International Container Transhipment Terminal (ICTT).

(ii). The initial tariff of the IGTPL approved by this Authority in October 2005 was for the operations at the Rajiv Gandhi International Terminal. Based on a subsequent proposal received from the IGTPL, this Authority vide Order No.TAMP/68/2005-IGTPL dated 11 May 2006 approved tariff for lashing / unlashing, stowage planning.

(iii). The proposal initially filed by IGTPL in April 2008 did not segregate the cost statements for the RGCT and the International Container Transhipment Terminal.

At the time of fixing the initial tariff for the operations at RGCT, it was assured that the cost relating to the second licence i.e. ICTT was not included in tariff of RGCT. The COPT was of the view that the revenue, cost and investment for the RGCT and ICTT should be shown separately. Though the IGTPL did not favourably react initially, it has later filed a revised proposal date 22 June 2009 segregating the cost for the RGCT and ICTT separately.

The proposal filed by the IGTPL dated 22 June 2009 and the submissions made by the IGTPL and COPT are considered in this analysis. The proposal of the IGTPL is considered in two parts viz. (I) RGCT operations and (II) ICTT operations.

I. **<u>Operations at the Rajiv Gandhi International Terminal</u>**:

(iv). The IGTPL has stated that it will shift the Container Handling operations to ICTT by November 2009. The COPT has also endorsed this position.

(v). The IGTPL has furnished actual traffic, income and expenditure, etc, for the years 2005-06 to 2008-09 duly reconciling the figures with the Annual Accounts 2005-06 to 2007-08 and Unaudited Accounts for the year 2008-09. The estimates for the year 2009-10 are also furnished. It appears that the estimates for the year 2009-10 are for eight months period from April 2009 to November 2009.

(vi). Clause 2.13 of the tariff guidelines of 2005 mandates this Authority to review the actual physical and financial performance of the major port / private operators at the end of the prescribed tariff validity period with reference to the projections relied upon at the time of fixing the prevailing tariff. The last tariff Order was based on estimated position for the years 2005-06 to 2007-08. The analysis of estimates vis-à-vis actual reported in the Annual Accounts for the years 2005-06 to 2007-08 is explained in the subsequent paragraphs.

The actual position reported does not fully follow the approach adopted with reference to the transactions between the COPT and the IGTPL for the operations at the RGCT followed in the earlier tariff Order. As a result, the actual reported by the IGTPL with the estimates considered in the last tariff revision Order needs to be done with necessary reconciliation in order to make a like-to-like comparison. In this analysis, the comparison is made with reference to the estimates forming the basis of the last Order and the actuals reported by IGTPL. The adjustments made in the estimates forming the basis for the last tariff Order and the actuals for the purpose of a like to like comparison are shown in **Annex - I**. Thus, for the correct appreciation of the comparative position of the actual vis-à-vis the estimates considered in the last tariff Order, the position after the adjustments shown in Annex - I should be considered.

The classification of actual income and expenditure furnished by the IGTPL in the cost statement differs from that reported in Annual Accounts for some of the items. The IGTPL has furnished a statement reconciling the Profit / Loss before tax reported in the Annual Accounts with the net surplus / deficit reflected in the cost statement. Actuals furnished by the IGTPL in the cost statement are, therefore, considered subject to the following modifications/ observations:

(a). Revenue from lashing / unlashing income which is reported under the head Finance and miscellaneous income by the IGTPL is considered as part of the operating income for the years 2005-06 and 2006-07, as income from this activity is reported as part of the operating income in the audited Annual Accounts.

As stated earlier, tariff was for lashing / unlashing was approved subsequent to the initial tariff fixation and such approval was given with retrospective effect from commencement of the services. The estimates forming basis for fixing the initial tariff thus did not capture the income and expenses relating to lashing / unlashing services. Hence, the actual income and expenditure relating to lashing / unlashing is added to the estimates forming the basis of the last tariff order. Both income as well as expenditure relating to lashing/ unlashing are, however, not reported from the years 2006-07 onwards on the grounds that lashing / unlashing service were discontinued from October 2006. The position reported by the IGTPL is relied upon in this analysis.

(b). The estimated revenue shown in the statement attached to the last tariff Order is updated with the tariff increase granted by the said Order.

(c). Both the gain and loss on foreign exchange variation reported in the Annual Accounts is not considered. The approach followed by this Authority is to allow loss on foreign currency transaction as an item of cost only for the actual repayment of loan / debt, which is also not relevant now after adoption of Return on Capital Employed method. As the entry pertaining to foreign exchange gain / loss reported in the Annual Accounts relates to restatement of monetary foreign currency assets at the closing dated of the Balance Sheet, both the gain and loss on foreign exchange variation is not considered as an item of cost.

(d). In the present model of tariff fixing, the effect of direct taxation is not considered. Fringe benefit tax not is considered as an item of cost in line with the decision taken already in some of the tariff cases pertaining to Cochin Port Trust, Kolkata Port Trust, Kandla Port Trust, etc.,

(e). During the initial tariff fixation in October 2005, this Authority had allowed management fee considered under the head Technical Service Fee (TSF) relying on the certificated issued by the Chartered Accountant of IGTPL establishing the 'arms-length relationship' of the transaction of the TSF payable by the IGTPL to its promoter company subject to the conditions that IGTPL will produce at the time of next review documentary evidence and IT assessment orders for each of the years to show that the Income

Tax Authorities have allowed this expenditure. The IGTPL has furnished the Income Tax Assessment Order for the Assessment Year 2006-07 and the details furnished to the Income Tax Department in Form 3CD for the assessment year 2008-09. The Income Tax Assessment Order does not explicitly mention whether this item was admitted as expenditure by the Income Tax Authorities.

The Certificate of the Chartered Accountant produced by the IGTPL to the Income Tax Authorities for the Assessment Year 2006-07 states that the transaction between the IGTPL and the Associated Enterprise are based on the rates which are reasonable having regard to prevailing international practice and hence been deemed to be arms length price. Based on the Certificate issued by the Auditors of IGTPL this item is admitted as cost as per the revised tariff guidelines subject to the condition that the IGTPL will produce at the time of next review the IT assessment orders for each of the years to show that the Income Tax Authorities has allowed this expenditure. If such evidence is not produced, expenditure allowed now will be set off in the next tariff review. This Authority has in case of Chennai Container Terminal Limited, PSA SICAL Terminals Limited Visakha Container Terminal Private Limited also admitted this item of expense as per the tariff guidelines of 2005 relying on the Certificate issued by their Chartered Accountant of arms length relationship of the transaction.

(f). Though the net financial result shown in the cost statements are exclusive of efficiency gain, the IGTPL has separately indicated efficiency gain of Rs.3.22 crores in the year 2006-07, Rs.10.34 crores in the year 2007-08 and Rs.13.02 crores in the year 2008-09. On being advised, the IGTPL has subsequently furnished calculation of efficiency gain which on account of optimum utilisation of yard capacity at RGCT.

As per the clause 2.4.1. of the tariff guidelines, benchmark to measure efficiency improvement is the average performance of the same terminal achieved in the preceding cycle. The first tariff Order was passed in October 2005 considering estimates for the years 2005-06 to 2007-08. Hence the actuals for these years is to be considered for comparison with the next cycle. The computation of efficiency gain by the IGTPL is not found to be as per the relevant clause of the tariff guidelines 2005.

(g). During the initial tariff fixation, the IGTPL had confirmed that upfront fee of Rs.40.80 crores was relevant for RGCT operations only and this amount was towards the cost of equipment taken over from the COPT. The residual value of Rs.15.11 crores payable by the COPT as per the terms of LA at the end of the fourth year, was excluded and depreciation was computed on the balance Rs.25.69 crores for four years period by the IGTPL. In addition, scrap value of two RTGs were also excluded.

(h). The IGTPL has now maintained that the Plant and Machinery taken over from the COPT was depreciated over their useful life of 8.1 to 9.08 years estimated by the management. The depreciation policy adopted by the IGTPL is different from the position considered in the last tariff Order. The approach adopted in the initial tariff fixation is to evenly distribute the burden over the period of operation of the RGCT. The same approach is adopted for appraising the actual position. For this purpose, the predetermined value of Rs.1095.75 lakhs realizable from the COPT for returning 1 RTG and 2 Quay cranes is excluded from the total value of assets taken over from the COPT reported at Rs.4080 lakhs and the depreciation is calculated on the balance 2984.25 lakhs at the uniform rate for the actual period of operations at the RGCT i.e. 4 years and 8 months.

The estimates considered in the last tariff Order is also adjusted for depreciation on assets taken over from the COPT in view of extended operations at the RGCT as against 4 years assumed in the last tariff Order.

In the initial tariff Order depreciation in respect of the other assets/ equipment was computed based on the life norms adopted in the Companies Act or based on the life norm prescribed in the LA which ever is higher. The IGTPL has reported that the depreciation on fixed assets other than assets taken over from the COPT is provided on the rate specified under straight line method specified in the Companies Act. The position reported by the IGTPL is considered.

(i). In the initial tariff Order, preliminary expenses was spread over the period of four years relevant for RGCT operations as proposed by the IGTPL. The cost statement now submitted by IGTPL does not show any expenses under this head. The IGTPL has, however, clarified that preliminary expenses are reported under Intangibles and shown along with depreciation. From the Annual Accounts and the cost statements submitted by the IGTPL, it is found that Rs.368.73 lakhs reported as the Preliminary Expenses is spread over seven years period from the year 2005-06. For the purpose of a like to like comparison and on the assumption that this expense does not fully relate to ICTT, the estimates considered in the last tariff Order are adjusted to write off the expense over seven years.

(j). During the initial tariff revision the upfront payment of Rs.40.80 crores which pertains to the cost of equipment taken over from the COPT was excluded from the capital employed to the extent of deferred payment permitted by the Licence Agreement. While doing so, interest on the unpaid upfront payment was admitted as cost item.

While reporting the actuals, the entire upfront payment is shown by IGTPL as part of the gross block of assets under the head plant and machinery and return is claimed thereon. Consequently, interest on the unpaid upfront payment does not arise and rightly not claimed also.

The differential between the return allowable on the relevant asset block and the interest on the dues to the port is suitably adjusted in the earlier estimates for the purpose of comparison.

(k). The net fixed assets reported in the Annual Accounts is considered and the working capital, as per the norms prescribed in 2005 guidelines, is considered. The effect of modification done in the depreciation on the capital employed is recognised in the reconciliation statement.

(l). In the initial tariff Order, the IGTPL claimed that the capacity of the terminal will be 255000 TEUs based on average dwell time of 7 days. The COPT had, however, certified the capacity of the terminal will be 401000 TEUs based on the average dwell time of 4.45 days which was considered for the purpose of this analysis. The maximum permissible Return on Capital Employed (ROCE) of 15% was moderated for the year 2005-06 with reference to the capacity utilisation in line with the revised tariff guidelines for the year 2005-06 and for the subsequent years full ROCE was allowed as the capacity utilisation based on the throughput projections was more than 60%.

The capacity utilisation for the actual throughput with reference to the capacity considered in the last tariff Order is at the level of 50% for the year 2005-06. Hence for the year 2005-06 the ROCE is moderated to the level of the capacity utilisation. In the year 2006-07, the capacity utilisation based on the actual throughput is 57%. The guidelines of 2005, stipulates that if utilisation is in the region of 50% to 60%, the maximum permissible return can be allowed on a case to case basis after analysing the factors leading to capacity under utilisation. In view of the yard constraints brought out by the IGTPL, the maximum permissible Return on Capital Employed (ROCE) of 15% is allowed in the year 2006-07. For the subsequent years, the capacity utilisation is beyond 60% and hence full ROCE is allowed as per the guidelines of 2005.

(m). Though the IGTPL in the initial proposal had stated that the impact of wage revision with reference to the employees of COPT engaged for the RGCT operations is considered to the extent of 20%, in the revised proposal it has stated that the salaries for the years 2006-07 to 2008-09 are estimated based on account payment made for COPT staff and final wage settlement of the Cochin Port staff who are on deputation with IGTPL is yet to be completed. Since the IGTPL has not segregated the employee cost with reference to the COPT employees taken on deputation and the employees of the IGTPL, it may not be possible to make provision for wage revision with accuracy. During the initial tariff fixation, the staff cost for the COPT employees taken over by the IGTPL was estimated to be Rs.795.26 lakhs for the year 2005-06 by the COPT. In the absence of actuals for this item separately made available by the IGTPL, the position reported during 2005-06 is taken as the base. Applying the annual escalation factor of 6.44% per annum, the impact of wage revision is estimated from 1 January 2007 at 15% of the wage cost in line with the wage revision impact allowed in tariff cases of Cochin Port Trust, Visakhapatnam Port Trust, etc. Provision for wage revision is also made in the estimates for the year 2009-10.

(n). The analysis, subject to the adjustments explained above, shows that a total additional surplus of Rs.2.54 crores for the years 2005-06 to 2007-08 as against deficit of Rs.6.59 crores which was estimated for the corresponding period in the initial tariff Order.

(o). Comparison of the position estimated in the 2005 tariff Order vis-à-vis the actuals in the terms of the physical and financial parameters shows the following:

(i). The actual traffic handled is lower than the estimates considered in the Order by 6% in the year 2005-06, 8% in the year 2006-07 and 5% in the year 2007-08.

(ii). The actual income is found to be 16%, 10% and 3% more than the estimates for three years 2005-06 to 2007-08 respectively.

(iii). Comparison of total admissible actual expenses including depreciation, management and general overhead and finance and miscellaneous expense vis-à-vis the expenses forming the basis for the last tariff Order, subject to the adjustments made as per the reconciliation statement, show that the expenses is 7% higher in the years 2005-06 in comparison to the estimates and for the years 2006-07 and 2007-08 it is 4% and 3% lower than the estimated position.

(iv). The variation in the capital employed arises mainly due to deferred upfront payment excluded in the estimates forming the basis for the last tariff Order. Without such exclusion, the variation in the actual capital employed vis-à-vis the estimates is in the range of 3% to 14% for the three years 2005-06 to 2007-08.

(v). Thus, the physical and financial performance of the IGTPL in the said three years shows a variation within the region of +/(-) 20%. As prescribed in clause 2.13 of the 2005 tariff guidelines, no adjustment of additional surplus arising in the said three year is, therefore, made in the future tariff.

(vii). The validity of the Scale of Rates approved by this Authority in October 2005 was till 31 March 2008 which has subsequently been extended. Since the earlier tariff order does not cover the year 2008-09, the actual position as reported by the IGTPL, subject to the modification done for the reasons already explained earlier is considered. The additional surplus after admissible expenses and permissible return for the year 2008-09 comes to Rs.1206.45 lakhs at existing level of tariff. A statement showing of the analysis of actual vis-à-vis estimates for the years 2005-06 to 2007-08 and the actual as per the provisional Annual Accounts 2008-09 after effecting the modifications explained above is attached as **Annex - I**.

This Authority had passed an Order No. TAMP/23/2003-WS on 30 September 2008 refining the guidelines of 2005 which, inter alia, specifies that grant of extension of the existing tariff of a major port trust / private terminal shall be subject to the condition that additional surplus, if any, over and above the admissible cost and permissible return accrued during the extended period would be fully set off in the next tariff revision. While extending the Scale of Rates of the IGTPL in vide Order No.TAMP/34/2005-IGTPL dated 17 June 2009, it was stipulated that additional surplus, if any, over and above the admissible cost and permissible return for the period post 1 April 2008 will be adjusted fully in the tariff to be determined.

Since operations at the RGCT will continue only for few more months from now and IGTPL has proposed to continue with the existing tariff at the RGCT for the remaining period of operation and also bearing in mind the need to moderate the initial rates at ICTT, the balance of convenience is to adjust the additional surplus arising from the RGCT operations at the existing level of tariff in the tariff to be set for ICTT.

(viii). The estimates furnished by the IGTPL for the year 2009-10 for the RGCT operations are considered with the following modifications:

(a). The IGTPL has furnished copies of recent electricity bill of April 2009 which shows unit cost of power at Rs.6.87 per unit whereas power cost is estimated by IGTPL adopting unit rate of Rs.7.10. The estimated power cost for the year 2009-10 is, therefore, corrected based on the prevailing rate furnished by the IGTPL.

The unit cost of fuel considered by the IGTPL for the year 2008-09 is Rs.36.37 per litre and Rs.38.36 litre for the year 2009-10. For the ICTT operations, it has considered the unit cost of fuel at 33.05 per litre. To our query to update the fuel rate with the prevailing rate, the IGTPL has confirmed that the prevailing rate is Rs.33.05. That being so, for the period April to June 2009 i.e. three months the unit cost of fuel is considered at Rs.33.05 and for the balance period i.e. July to November it is considered at Rs.36.10 taking into consideration the recent hike in fuel price announced by the Government.

(b). The lease rental estimated by the IGTPL at Rs.11.84 crores is for the full year which is considered only for the period of operations at the RGCT i.e. till November 2009.

(c). The estimate of the others cost items except the management and general overhead is found to be within the annual escalation of 5.8% allowed by this Authority for the tariff cases decided in the year 2009-10. The annual escalation in the management and general overhead is restricted to the 5.8%.

(d). Depreciation for the year 2009-10 includes Rs.11.70 crores on account of impaired assets. The IGTPL has clarified that the difference between the written down value of the assets as on 30th November 2009 and the transfer price to COPT is shown as impairment.

With reference to the transfer cost of assets worth Rs.40.80 crores taken over from the COPT, the approach as adopted in the initial tariff Order of evenly writing off over the life of RGCT life period is followed. The position maintained for the previous years is applied to modify the depreciation estimate for the year 2009-10 also.

The impairment cost of assets claimed by IGTPL also include other assets worth Rs.259.32 lakhs. Since the exact impairment cost with reference to these assets is not furnished separately by the IGTPL, depreciation at the rate based on life norm of 6.16 years stated in Annual Accounts for the years 2005-06 to 2009-10 (upto November) is provided and the residual value of the assets estimated at the end of November 2009 is treated as impairment cost and considered along with the depreciation in the year 2009-10 (upto November).

(e). The modified cost statement for the year 2009-10 is attached as **Annex - II**. The cost statement reflects surplus of Rs.815 lakhs for the year 2009-10. For reasons stated earlier, the additional surplus estimated for the year 2009-10 along with the surplus estimated for the year 2008-09 is to be adjusted while determining the tariff of ICTT under the cost plus method. The aggregate additional surplus for the years 2008-09 and 2009-10 i.e. Rs.2021 lakhs is adjusted over a period of five years of ICTT operation, in line with the decision taken in respect of such adjustment in the case of some other private terminals like the NSICT and the PSA SICAL.

Since the figures considered in the analysis for the year 2008-09 is based on provisional accounts and 2009-10 is based on estimates, the actual position for the year 2008-09 and 2009-10 shall be subject to review during the next tariff revision exercise. If any variation is found in the additional surplus quantified now, such variation will be fully adjusted in the next tariff validity cycle.

(ix). The proposal of the IGTPL to continue with the existing tariff for the operations at the RGCT is accepted recognising that only few months are left after which it proposes to shift the operations to ICTT and return the RGCT back to the COPT. In the initial proposal, the IGTPL had proposed to introduce levy of Rs.30 per TEU to cover the impact of wage revision with reference to the COPT employees deputed at the RGCT. In the revised proposed SOR, however, it has not mentioned about the said levy. In any case, the provision for wage revision is made with reference to the COPT employees deputed at the RGCT in the cost statement from the period 1 January 2007 to November 2009.

II. **International Container Transhipment Terminal**:

Clause 2.2 of the Tariff Guidelines (2005) requires TAMP to be guided, amongst other things, by factors which will encourage competition, economical use of resources, efficiency in performance and optimum investment; ensure just and fair return to ports; tariff leverage to improve operational efficiency of the ports; long term objective to move to competitive pricing and to push performance of Indian ports to internationally competitive levels. The existing terminal-wise cost plus approach to tariff setting takes into account the traffic volumes achieved at a terminal in the past period and the expected growth for the future. Tariff fixation cannot be viewed as a mere arithmetic exercise but should keep in view the market dynamics.

(x). In its revised proposal, the IGTPL has requested to determine the tariff for ICTT operations on a normative basis over a long term period in conformity with the guidelines of February 2008 announced by the Government for determination of upfront tariff. The IGTPL has argued that since the ICTT operations are commencing post 2008 guidelines, the normative approach prescribed in the said guidelines may be considered in its case. It has also submitted that the normative tariff will be lower in comparison to the tariff fixed following the usual cost plus method which will benefit the trade and impart stability and provide a conducive environment to negotiate long term contracts. Cost statements for ICTT operations are, however, furnished under cost plus method following 2005 guidelines as well as tariff based on the normative guidelines of 2008.

(xi). Clause 1.3.1. of the guidelines of 2008 stipulates that these guidelines will apply to all PPP projects for which bids will be invited by setting tariff caps upfront in the manner provided therein when such projects are awarded under BOT/BOOT or any other arrangement for private sector participation under the Major Port Trusts Act, 1963 adopted by the Government as amended from time to time. Clause 1.3.2. of the said guidelines further clarifies that the Guidelines for Regulation of Tariff at Major Ports, 2004 which were notified in the Gazette No.39 dated 31 March 2005, as may be amended from time to time, shall continue to govern the tariff setting for the Major Port Trusts and the private terminals already operating thereat and also for the projects where bidding process is concluded before publication of these guidelines in the Gazette. The COPT has also referred to the above clauses of the tariff guidelines 2008 and maintained that these guidelines would not apply in the case of the IGTPL.

(xii). This Authority has elaborated its view on fixing tariff on normative basis, while deciding the tariffs at Nhava Sheva International Container Terminal Ltd. (NSICT). This Authority observed in the said case that the existing cost plus method does not adequately recognize the efforts of an operator which enables him to achieve volume beyond the standard capacity. This approach provides a framework that would encourage an operator to bring efficiency in operations to handle volumes higher than the standard capacity level considered for tariff computation in order to improve return on investment. Also rising volume will benefit port users and trade at large. Besides, this approach will also discourage capacity under utilization. The Authority still maintains that tariff fixing on normative basis is a desirable approach. Undoubtedly, normative approach enables to even out wide fluctuations in tariff by restricting annual tariff increase to a fraction of inflation. While recognizing that the normative tariff guidelines of 2008 cannot be applied in toto in this case, the case can be analysed under the provisions of tariff guidelines of 2005, keeping in view the norms prescribed in the 2008 guidelines.

(xiii). It was, therefore, decided in NSICT case to fix tariff with reference to standard capacity level, irrespective of traffic forecast, in order to encourage the volume efficiency achieved by the operator. The formula prescribed to determine optimum capacity in the 2008 guidelines provides a useful analytical basis to determine the standard capacity only. The model adopted in the NSICT case cannot be applied meaningfully in this case at the present juncture when standard capacity is not achieved. However, the method will be relevant when the volumes handled at ICTT exceed the standard capacity. When such a stage is reached, which is expected after the 7th of operation as projected by IGTPL in its 30 year analysis, the normative approach adopted to determine tariff at NSICT can be useful and could be applied without much difficulty for determining the tariff in future when the traffic volumes exceed the standard capacity in the future for providing long term stability in tariff structure for benefit of all stake holders.

(xiv). While stipulating that the cost plus approach would continue, clause 2.4.1 of the tariff guidelines 2005 also mentions about the attempts to be made to evolve norms for different items of cost. The national level working group constituted for this purpose could not recommend any specific norms for implementation in respect of the existing terminals and instead suggested that a terminal specific approach towards efficiency improvement as specified in clause 2.4.1. of the guidelines would be the workable option.

Even if evolving norms for older terminals may be fraught with problems as concluded by the Working Group, possibilities of evolving a normative approach for the greenfield terminals like ICTT need to be explored. In the consultation meeting held with different container terminal operators as a part of evolving the standard capacity based approach in the NSICT case, all the stakeholders endorsed adoption of a normative approach. Applying normative method in a newer terminal is relatively easier because of recent investments and absence of legacy cost. This Authority is, therefore, of the view that norms for fixing tariff even in the case of older terminal need to be evolved duly recognizing the ground realities and fixing tariff based on norms should be the desirable approach. Even in the case of IGTPL, this analysis considers development of 600 mtrs. of quay length which when extended in future, the tariff level under cost plus method may escalate sharply due to the surge in incremental capital investment. It may, therefore, be advantageous to adopt a normative approach to smoothen the tariff increase with a view to provide greater stability in tariff which will help the trade as well as the terminal operator to plan in advance their business decisions. Tariff Guidelines of 2005 are due for review by March 2010. This will provide an opportune time to revisit the existing guidelines with a view to evolve a normative approach for fixing tariff at newer terminals which are not covered by the upfront tariff guidelines. If such a method is evolved as a part of the revised guidelines and implemented, tariff for ICTT can be worked out within normative framework. Normative framework is a better (desirable) approach as it provides an objective basis to determine tariff with reference to certain predetermined standards of operation and asset utilization instead of relying solely on the actuals of a particular operator. The normative approach not only benefits an efficient operator but also protects the interest of users by not allowing cost of inefficiency in the name of actual. The normative framework will also encourage an operator to improve efficiency and handle volumes higher than the standard capacity level in order to improve his return on investment. Further rising volumes and efficient operation will go a long way to benefit ports, port users and trade.

(xv). It has come out clearly in the joint hearing that the primary concern, which is shared by IGTPL, COPT and the user community, is the steep hike in tariff in the initial phase of the project due to high level of capital investment. Some of the user associations have even demanded reduction in existing rates. As correctly pointed out by the COPT at the joint hearing, the task before the Authority is to balance the trade interest and allow the reasonable level of return to the operator on his investment for creating the facilities.

The objective of moderating tariff increase in the initial years can be achieved by allowing a reduced level of return to the operator in the initial years and compensate the shortfall quantified at the present value in the subsequent period. This approach enables not only moderate the initial tariff but also to avert a possible tariff fall in the latter years when volumes increase, thereby providing a reasonable stability in tariff over medium term. This will also ensure reasonable return to the port, with suitable adaptations. Further the amount received by the port as its share of revenue will consistently increase with increasing volume of the traffic handled by the terminal operator. In addition, this will provide stability to the port and terminal operator for further development of both port and terminal related facilities on a long term basis.

This Authority feels it is desirable to adopt the graded annual tariff increase linked to inflation as it does not put an undue strain on the users. Keeping this in mind it is necessary to moderate and to determine the tariff increase on an objective and scientific basis in the initial period. The framework of the normative tariff approach is well suited. Keeping in view the need to moderate tariff increase in the initial period and provide objective and scientific basis for tariff setting, the principles of normative tariff can be adopted, subject to adjustment of the total revenue requirement to match with aggregate estimated revenue under cost plus approach.

Normative approach provides a useful analytical tool to refine the usual cost plus method to moderate the initial tariff spike and at the same time to allow the entitled return to the operator over a longer horizon of time. Only the norms prescribed in the tariff guidelines of 2008 are adopted in the process since separate set of norms under clause 2.4.1 of the tariff guidelines of 2005 are not evolved. The normative approach is suitably adjusted to factor the actual capital cost instead of the estimates prior to bidding. As reported by COPT, no estimate was prepared prior to the bidding stage and the investment being made by IGTPL is in line with the requirements of the License Agreement. This calls for consideration of the case for a period longer than the usual tariff period. As the subsequent analysis will reveal that the twin competing objectives i.e. moderation in tariff and stated level of return to the operator can be effectively achieved by considering the case for a period stretching over six years from 2010 to 2015.

After the 7th year, it is expected that traffic handled by the terminal would reach the standard capacity level determined based on norms given in 2008 guidelines. In that case, it would be feasible to apply the normative approach as adopted in NSICT. It is also expected that norms would be evolved by the review exercise under clause 2.4.1 of the existing guidelines for terminals set up before the commencement of 2008 guidelines, even if finalisation of new guidelines takes some time. It also needs to be reiterated that Authority will suggest to the government for evolving norms as part of the new guidelines for terminals set up prior to 2008 guidelines. It is also reasonable to assume that approach and policy for fixing tariff for terminals set up prior to 2008 guidelines can not be significantly different from the policy followed for new terminals governed by 2008 guidelines. Of course, appropriate changes and adaptations will have to be made in the 2008 guidelines to reflect the existing status of these terminals and to provide a rational basis for fixing tariff for them with a view to encouraging efficiencies in their operations and to provide long term viability and stability to terminals in the best interests of all stake holders. The endeavor should be to sincerely pursue these objectives.

In conclusion, it may be stated that normative approach for fixing tariff is appropriate not only in this case but it can also be applied to other old terminals with advantage to all stake holders.

(xvi). TAMP in exercise of its powers had notified refinement on certain areas of the existing approach vide order No. TAMP/23/2003-WS dated 30.10.2008. Under the said notification Port Trust and private terminal operators are required to furnish a report of the actual physical and financial performance within 15 days of completion of each quarter of a year in the same format in which the cost statement for the tariff proposals are filed along with the reasons for variation from the estimates relied upon for fixing the tariff. If a variation of (+)/(-) 20% is observed between the actual and the estimates for two consecutive quarterly period, this Authority will call upon the operator to submit their proposal for an ahead of scheduled review. If the concerned port trust or private terminal operator fails to file a tariff proposal within the time limit to be stipulated, this Authority will proceed *suo motu* to review the tariff. It has to be recognized that the entire analysis is based on estimates in this case. If need be, necessary tariff corrections can be made for ensuring interests of all stakeholders during the period of six years. It is to be noted that the power to review tariff at any time for good and valid reasons is available to this Authority. This power can be exercised even in upfront tariff cases if any unforeseen developments take place during the project life cycle.

(xvii). Another important aspect relates to claim of IGTPL to levy berth hire charges. Since the investment reported includes cost of berth, an additional tariff item could go to reduce burden on container charges. The IGTPL has justified its claim based on the ground that since the berth for ICTT is constructed by them, it is entitled to collect berth hire charges. However, COPT has contested this claim. The COPT and IGTPL are advised to resolve issues between themselves in the manner provided in the license agreement. This Authority has proceeded with the case based on revised proposal filed after the joint hearing which did not include berth hire. If berth hire charges are to be collected by ICTT, the tariff determined by this order will be adjusted appropriately. If berth hire is to be allowed separately at a later stage it may not affect the total revenue estimated now but will affect distribution of revenue over different sub activities and hence the unit tariff rates.

(xviii). (a). Before proceeding with the further analysis, it is relevant to mention about the capital cost estimated by the IGTPL for its operations at the ICTT which has significant impact on fixation of tariff. In its revised proposal dated 22 June 2009, the IGTPL has estimated the gross block of assets for ICTT operations in the years 2010 at Rs.1335.20 crores constituting of Rs.68.64 crores with reference to RGCT assets carried over to ICTT operations and addition of new assets worth Rs.1266.57 crores.

(b). The Report of the Chartered Accountant furnished by the IGTPL reveal that out of total civil cost of Rs.889.30 crores projected by the IGTPL, Rs.712.50 crores is certified based on the contract documents and Rs.144.60 crores pertain to uncontracted estimates which are likely to be incurred in future and balance Rs.32.10 crores relate to the additional compensation claimed by suppliers which is to be approved by the IGTPL.

(c). The COPT has furnished its report on verification of the capital expenditure claimed by the IGTPL for ICTT project. The COPT has in its report certified civil capital expenditure of Rs.729.7 crores out of Rs.889.40 crores estimated by the IGTPL. With reference to capital expenditure on equipment projected by the IGTPL at Rs.377.13 crores, the port has authenticated capex worth Rs.270.14 crores. The COPT has submitted that the remaining expenditure are either at quotation or estimation stage and hence could not be verify by them.

(d). Thus it is clear that the capital cost projected by the IGTPL for ICTT operations could not be certified fully either by the Auditors of the IGTPL or by the COPT. Nevertheless, it is recognised that capex will be incurred in future also as commissioning of ICTT is still about 5 months away. It in this regard, it may be relevant here to note that the COPT has earlier certified that the expenses incurred are in line with the facilities to be created as per the LA.

The revised capital employed furnished by IGTPL is relied upon for the purpose of this analysis.

(xix). It is true that the ICTT will be commissioned after about 5 months and there can be an argument that this Authority should wait for some more time for the issues relating to capital estimates and levy of berth hire charges to be settled. The IGTPL vide its letter dated 16 July 2009 has urged this Authority to pass this tariff order at the earliest. Their marketing efforts with international shipping lines to call at ICTT is not reportedly yielding desired result in view of lack of clarity on the ICTT tariff over a longer period. This Authority is willing to consider the request of IGTPL as ICTT is expected to handle not only the existing traffic at RGCT but also a significant volumes of transhipment via mainline vessels and, as pointed out by IGTPL, planning a mainline vessel call at a new terminal may require some time for the shipping lines to evaluate the new business option available.

(xx). Subject to the above discussion, the estimates furnished by the IGTPL are analysed as under:

(a). Traffic estimated by the IGTPL is 478000 TEUs in the year 2010, 588000 TEUs in the year 2011 and 684456 TEUs in the year 2012. For the subsequent years, the IGTPL has projected around increase of about 10% in the 30 years analysis. The traffic projection assumes that the transhipment containers will form around 29% of the total volume which is significantly higher in comparison to the existing traffic profile handled at RGCT. The IGTPL has clarified that the ICTT is formed primarily to attract transhipment cargo and its estimate is based on the traffic handled at Colombo Port and considering the transhipment containers at the South Indian Ports. Even the Cochin Port Trust has agreed that the ICTT operations is primarily to develop it as a transhipment hub and has not contested the traffic projections. In view of the above, the over all traffic projections and the estimated share of transhipment containers, as furnished by ICTPL, is considered in the analysis.

The estimates furnished by the IGTPL for non transhipment container show that the container mix of 20 feet and 40 feet import / export boxes assumed in the traffic estimation is 50:50. From the breakup of actual containers for non transhipment container category reportedly handled in the years 2007-08 and 2008-09 at the RGCT operations, it so found that the boxes to TEU ratio was around 1.28. When sought a specific clarification on adopting container mix of 20'/40' container different from the past actuals, the IGTPL has made a general statement that the projected volumes are at box TEU ratio of 1.50 in view of larger number of 40' containers from transhipment volumes for all three years.

Though it may not apply to the existing terminals, the TEU ratio prescribed in the upfront tariff guidelines of 2008 for assessing the optimal quay capacity is 1.3. The TEU ratio at many other private container terminals is also around 1.3. Sudden increase in the share of 40 feet container assumed by the IGTPL is not supported by any analysis. The number of boxes considered by the IGTPL under the non transhipment category for the estimates of income is, therefore, modified by applying conversion factor of 1.30 which is closer to the actual obtained for the RGCT as against the ratio of 1.5 adopted by the IGTPL. Notably, the traffic estimates in terms of TEUs projected by IGTPL are not altered but only the number of boxes in the non transhipment category is altered. Consequently, the estimation of income is also modified.

It is open for IGTPL to propose ahead-of-schedule review of tariff as per tariff guidelines in case of any significant shift in the conversion factor considered which will adversely affect the finance / cost model considered in this analysis.

(b). The IGTPL has not considered income from lashing / unlashing in the income estimation though it has submitted that lashing / unlashing services would be provided by them at the ICTT operations. Income from lashing / unlashing is considered in the analysis based on the existing tariff level approved by this Authority. The IGTPL despite specific request had not furnished detailed computation of income at the existing level of tariff. The income as estimated at the existing tariff level approved for the RGCT operations is considered.

In the existing SOR for RGCT, the tariff for lashing/unlashing and stowage planning and supervision is prescribed on per box basis. The IGTPL has in the SOR for ICTT proposed to merge the tariff for lashing/unlashing and stowage planning as part of the composite rate for handling charge. Consequently, the tariff component pertaining to lashing/unlashing forming part of the composite rate is prescribed at 1.5 times and 2.0 times the 20' box for a 40' container and above 40' container respectively. The impact of this change in the revenue is considered while modifying the income estimation.

(c). The existing SOR for RGCT does not prescribe separate tariff for transportation of Container from Container Yard to Rail yard for ICD containers. The IGTPL has proposed tariff for this service in the Scale of Rates for ICTT at the level proposed for transportation from Quay to Container Yard. It has, however, not indicated ICD traffic separately nor has factored the income likely to accrue for the movement of ICD traffic moving from Container Yard to Rail Yard.

It is understood that the Rail borne traffic at the Jawaharlal Nehru Port Trust is around 30% of the total traffic. At the Southern Indian Ports, the position is obtained at Chennai Container Terminal Limited where movement by rail forms about 6% of the total non-transhipment container.

In the absence of any details furnished by the IGTPL, it is assumed that 6% of the non-transhipment containers will avail the service of movement from Container Yard to Rail Yard at the ICTT. The income estimation is modified to include income for this movement of container at the existing rate prescribed for movement from Quay to Container Yard in line with the proposal of the IGTPL.

(d). The income from dollar denominated tariff items is reportedly estimated by IGTPL considering the exchange rate of 1 US $ = Rs.48. The income estimate is modified considering the prevailing exchange rate of 1 US $ = Rs.48.5225.

(e). For ICTT operations only the employees recruited by IGTPL are reportedly taken into consideration. The number of employees as estimated by IGTPL for all the years under consideration and the average pay estimated for the year 2010 is relied upon. This Authority has decided to adopt annual escalation factor of 5.8% for the tariff cases to be disposed of in the year 2009-10. That being so, the annual escalation in the unit cost of employee is restricted to 5.8% for the years 2011 and 2012.

(f). The power cost is estimated by the IGTPL adopting the consumption of 17 units per TEU obtained from the operations at the RGCT. Since the RGCT operations were based on the old cranes it may not be fully relevant for the operations at the ICTT. The guidelines of 2008 for upfront tariff fixation prescribe the consumption norm at 8 units per TEU. The IGTPL has also agreed vide its letter 30 June 2009 that the norms prescribed in the 2008 guidelines may be considered since it is not able to assess the consumption level at the ICTT. However, for the purpose of this analysis, consumption of power is considered at 12 units per TEU i.e. based on the highest level of power consumption allowed in the tariff Orders for other container terminals like the NSICT and JNPT upfront tariff case.

The unit cost of power considered by the IGTPL for the year 2010 is Rs.9.90 which is modified to Rs.7.27 based on the prevailing rate of Rs.6.87 reported by the IGTPL and after applying suitable escalation factor of 5.8%. For the subsequent years, stated level of annual escalation in the cost is considered.

(g). The unit cost for fuel considered by the IGTPL is Rs.71.70 per litre whereas under normative method the unit cost of fuel is considered by them at Rs.38 per litre. In our analysis, unit cost of fuel considered for the year 2010 is Rs.38.19 per litre based on the prevailing rate after applying the permissible escalation factor.

(h). The equipment hire charge is estimated by the IGTPL at Rs.150 per TEU with 2.50% annual increase towards inflation. The estimate furnished by the IGTPL is considered without any modification.

(i). The IGTPL has estimated lease rental for 90 hectares of land. The COPT has reported that 48.80 hectares of land has been allotted to IGTPL for its operations at ICTT. Hence the lease rental is estimated for 48.80 hectares based on the position reported by the COPT.

(j). The management and general overheads estimated by the IGTPL for the year 2010 at Rs.534 lakhs is relied upon. For subsequent years 2011 and 2012, this item is estimated to increased by 10% and 13% on the grounds that with the growth of the throughput at the terminal a provision has been made to source senior and experienced personnel to undertake the additional responsibilities that flow out of the growth of the terminal. In our analysis, annual escalation of only 5.8% is considered to moderate the estimates for years 2011 and 2012.

(k). As stated earlier, value of capital assets is considered without any modification at the level furnished by the IGTPL.

Sundry debtors at 30 days of the estimated revenue is considered in the working capital on the ground that additional credit is to be offered to the customers to achieve the desired growth rate and counter the competition from Colombo. The estimation of sundry debtors is not found to be line with the revised tariff guidelines. It is a commercial decision of the operator to allow credit facility to some of its customers and this burden cannot be passed on to all the users through tariff. On a similar analogy, this Authority has rejected such claims received in the past from some other private terminals like Vizag Sea Port Limited, etc.

Based on the decision taken in the Chennai Container Terminal Limited case, this Authority has passed an Order on 30 September 2008 announcing refinement in the 2005 tariff guidelines which, inter alia, permits the outflow on certain items arising from contractual obligations of LA to be taken as a part of Sundry Debtors.

In the case of the IGTPL, as per the LA the license fee is payable in advance for the full year and hence is recognised while computing the working capital.

Stores and spares consumption estimated by the IGTPL is considered and allowable cash balance is estimated based on the working capital norms prescribed in 2005 guidelines on the modified estimates of expenditure.

The capital employed subject to above modification is Rs.1240.21 crores in the year 2010, Rs.1166.43 crores in the year 2011 and Rs.1091.36 crores in the year 2012.

(xxi). Subject to the above discussions and adjustment of additional surplus pertaining to RGCT operation, the cost statements are modified. The modified cost statements are attached as **Annex - III**. The summarised position of the results disclosed by the financial / cost statements are tabulated below:

(**Rs. in lakhs**)

Operating Income (Rs. in lakhs)			**Net Surplus (+) / Deficit (-) (Rs. in lakhs)**			**Net Surplus (+) / Deficit (-) as a % of operating Income**			**Avg. surplus / deficit %**
2010	**2011**	**2012**	**2010**	**2011**	**2012**	**2010**	**2011**	**2012**	
17533	21064	24459	(-)15824	(-)12088	(-)8569	(-)90.2%	(-)57.4%	(-)35.0%	(-)57.85%

It can be seen from the above table that the modified cost statement shows an average deficit of around 57.85% for the years 2010 to 2012 for the ICTT operations over the operating income estimated at the rates approved for RGCT operations. In usual cost plus method followed by this Authority, the tariff approved for RGCT may have to be increased by 57.85% to bridge to the total deficit is Rs.364.81 crores for the three years 2010 to 2012. This would definitely cast a heavy burden on users besides perhaps acting as a deterrent in the efforts of the operator to attract international transhipment traffic.

As already explained, in order to smoothen the impact of steep hike in tariff increase in one cycle, an analysis is done for six years period i.e. two tariff cycle. For this purpose, the traffic estimated by the IGTPL in its 30 year analysis is considered and the estimates furnished by the IGTPL are modified restricting the annual escalation in the unit cost at 5.8%.

The addition proposed to the gross block of assets to the extent of Rs.1059.28 crores in the second year of the second cycle which is not explained by the IGTPL is not recognised as the investment proposed to be made in the year 2010 is for creating the full capacity which may be sufficient to meet the traffic projected till 2015. Consequently, the estimates of depreciation and return on capital employed are also suitably adjusted. If the excluded expenditure is absolutely necessary to achieve the anticipated volumes, IGTPL can seek its inclusion with necessary justification at the time of the mid term review.

The analysis for the second block of 3 years also forms part of Annex - III. The cost statement shows an average deficit of 12.09% at the existing tariff level (i.e. RGCT rates) for the next tariff cycle i.e. 2013 to 2015. It has to be noted that if an increase of 57.85% is granted in the first tariff cycle following the usual cost plus method, then the increased tariff of first cycle is to be reduced by 29.56% in the next cycle i.e. 2013 -2015. This shows wide fluctuation in the tariff movement for the ICTT operations under the usual cost plus method.

The total revenue requirement under the cost plus method for the six years period to meet the admissible costs and permissible return is estimated to be Rs.1993.5 crores and the net present value is Rs.1577.13 crores applying the discounting factor of 10%.

For the reasons explained earlier, an analysis is done to determine revenue requirement under the normative method but the total normative revenue requirement is restricted to the revenue requirement estimated under the cost plus method, with both the scenarios compared on Present Value.

Normative method:

(xxii). With reference to the normative tariff calculation furnished by the IGTPL, the following modifications / assumptions have been made:

(a). The IGTPL has estimated the optimal quay capacity at 1195740 TEUs based on the quay length of 600 meters and applying the norms prescribed in the guidelines. The optimal yard capacity computed by the IGTPL is not found to be in line with the norms prescribed in 2008 guidelines with reference to the ground slots factor adopted by the IGTPL. The optimal yard capacity for 48.80 hectares of land allotted by the IGTPL and adopting the norm for ground slot prescribed at 720 TEUs per hectare in the 2008 guidelines will be 5.75 million TEUs. If the modified ground slot of 286 TEU per hectare is adopted as considered in the upfront tariff fixation at JNPT, then the optimal yard capacity will be 2.28 million TEUs. The optimal quay capacity will be the limiting factor and, therefore, the optimal capacity of the terminal is taken at 1195740 TEUs.

(b). It may be noted that some of the equipment like the tractor trailors and Rail Mounted Quay Crane, etc., considered in the capital cost under the normative method are not to be deployed by the IGTPL in the actual terms.

However, for the purpose of normative revenue requirement, the capital cost estimated by the IGTPL are considered subject to updation in the civil cost based on the revised projection of the IGTPL. The civil cost is updated to Rs.889.3 crores as per the capital expenditure figures furnished by IGTPL vide letter dated 26.6.2009 as against Rs.883.7 crores furnished earlier. The equipment cost is considered at Rs.448.18 crores as estimated by the IGTPL vide its letter dated 22 June 2009. The total capital cost under normative method subject to above modification is Rs.1497.98 crores as against Rs.1491.73 crores considered by the IGTPL.

(c). The unit cost of power considered by the IGTPL is Rs.8 and fuel cost is estimated at Rs.38 per litre. The unit cost of power is considered at Rs.7.27 and fuel at Rs.38.19 per litre at the level adopted in the cost plus method.

(d). The depreciation estimated by the IGTPL is updated with reference to the modified civil cost furnished by the IGTPL.

(e). The license fee is computed for 48.80 hectares as considered under the cost plus method.

(f). The total operating cost subject to the above modification is Rs.30257 lakhs as against 29722 lakhs estimated by the IGTPL.

(g). Return on Capital Employed computed at 16% of the modified capital cost is Rs.23968 lakhs

(h). The total annual revenue requirement is estimated at 54225 lakhs.

A copy of the calculation under the normative method is attached as **Annex - IV**.

(i). The capital cost is considered at the full level without excluding the berth related expenses, even though for the reasons stated earlier, tariff for berth hire is not to be considered at this juncture till resolution of the difference between COPT and IGTPL on this count.

(j). The unit revenue derived from the annual revenue requirement determined for the base year 2010 is escalated by 60% of the escalation factor of 5.8% followed in this case. Thus the unit revenue was determined for the succeeding years from 2011 to 2015 by escalating the respective preceding year revenue by 3.48%. For a like to like comparison the normative unit revenue calculated for the optimal capacity is used to derive the revenue for the traffic forecast for each of the years.

The aggregate of normative revenue requirement for the forecasted traffic for the year 2010 to 2015 is Rs.2124.23 crores. Present value of which is Rs.1625.04 crores.

(xxiii). Since the revenue estimated following the tariff guidelines of 2008 is not applicable in this case, the revenue requirement is to be pegged at the estimated revenue determined under the cost plus method envisaged by the tariff guidelines of 2005. The revenue requirement determined under the normative tariff method is adjusted accordingly to match the revenue assessed under the cost plus method.

The adjusted revenue requirement will be Rs.21037 lakhs in the initial year which will be subject to an escalation of 3.48% per annum over the immediate preceding year for the next five years. (Calculation is attached in **Annex - V**)

Thus the analytical tool of normative method is applied to even out the fluctuations in revenue over the first year period and also to determine the lower revenue base in the initial year which will help in smoothening the tariff increase.

The income estimated at the existing tariff prescribed at the RGCT for the throughput projected for the ICTT subject to modification done as explained earlier is taken as the base and the revised tariff level to meet the estimated revenue requirement of Rs.21037 lakhs in the year 2010 is determined by iteration. By this approach it is found that the revenue requirement estimated in the year 2010 can be achieved by allowing an increase of about 20% in the tariff prevailing at RGCT. The calculation of estimated income at revised tariff level is shown at **Annex - VI**. The base rates will be applied for the year 2010 which will be subject to an annual escalation of 3.48% over rates of the immediate preceding year from the year 2011 to 2015.

Care is also taken to ensure that the moderation effected in the tariff increase does not unduly put the operator at a disadvantageous position. In the initial tariff cycle of 3 years, the operation of the moderated tariff will cover the admissible expenses and provide a return of about 10% as against the maximum level of 16%. The shortfall is made good by enhanced returns in the second cycle of 3 years. By opting for a normative tariff, the IGTPL itself has agreed to operate at a lower level of return in the initial phase.

There can be a view for further moderation in the initial tariff by stretching the tariff period beyond two tariff cycles. This Authority is not in favour of such an approach in view of the problems associated with the reliability of long term estimates. Going by the benefit to the trade quantified by COPT due to ICTT, an increase of 20% in the initial phase may not be unreasonable and taxing the users.

(xxiv). The IGTPL has proposed to incorporate / modify definitions of a few terms in line with the definitions prescribed in the Scale of Rates of for other private terminals like the Chennai Container Terminal Limited, Visakha Container Terminal Private Limited which is accepted.

(xxv). The general policy is that the container related charges will be denominated in US dollar terms and shall be collected in Indian equivalent Rupees. The IGTPL has proposed to modify the provision to have an option of collecting the revenue in the US dollar also. The modification proposed by the IGTPL is not in line with the provision stipulated in the tariff guidelines of 2005. The IGTPL has deleted the existing condition about regular review of the exchange rate once in 30 days. This condition is incorporated in the Scale of Rates in line with the clause 2.19.3. of 2005 tariff guidelines.

(xxvi). The penal rate of interest for delayed payments by users and delayed refunds by IGTPL is proposed at 15.75%. The prevailing Prime Lending Rate (PLR) of the State Bank of India is 11.75%. Accordingly, the proposed provision relating to penal rate of interest on delayed payments by users and delayed refunds by IGTPL is updated with interest rate of 13.75% being 2% above the prevailing PLR of the State Bank of India in line with the 2005 tariff guidelines.

The provision proposed at note 2.7 (iv). about levy of penal interest on delay in payment by users is proposed to be modified by the IGTPL which is not in line with the guidelines of 2005. The existing provision which is in line with the guidelines of 2005 and uniformly prescribed in the Scale of Rates at other Major Port Trusts and private terminal is prescribed in the Scale of Rates for ICTT.

(xxvii). Users should not be required to pay charges for delays beyond reasonable level attributable to the major ports / private terminals as stipulated in clause 2.15 of the revised tariff guidelines. The IGTPL has accordingly, in view of our suggestion introduced a suitable note in this regard in its proposed Scale of Rates for ICTT.

The IGTPL has proposed to incorporate a condition stating that in case a vessel idles due to non-availability of break down of shore based facility of IGTPL or another reasons attributing to IGTPL, rebate equivalent to berth hire charges payable during the period shall be allowed by IGTPL.

This condition has been prescribed in the Scale of Rates of the South West Port Limited, Vizag Seaport Limited, Chennai Container Terminal Limited, Gateway Terminal India Limited, NSICT, etc., where the berth hire charge are collected by the land lord port. The proposed condition is therefore incorporated in the Scale of Rates of the IGTPL for ICTT subject to modification by incorporating the words berth hire charge payable to the COPT, based on the position maintained in this Order.

(xxviii). The IGTPL has not furnished activity-wise costing to justify the each tariff item despite specific request. Therefore the tariff has to be fixed based on the overall cost position taking the existing tariff structure at the RGCT as the base.

The existing Scale of Rates for RGCT prescribes itemised tariff for quay crane, lashing /unlashing and stowage planning, and wharfage. The IGTPL has proposed a composite rate for gantry crane charge including lashing / unlashing and wharfage on containers. Whilst the tariff guidelines of 2005 recommends composite rate, it also stipulates that container related charges can be denominated in dollar terms subject segregation of cargo related charges. In other container terminals like the Nhava Sheva Container Terminal Limited, Jawaharlal Nehru Port Trust, etc. where a composite rate is prescribed, it is prescribed in rupee terms. Even while fixing the upfront tariff, for container terminals at Jawaharlal Nehru Port Trust and Tuticorin Port Trust, etc., container related charges are prescribed in rupee denominated tariff. The proposal of the IGTPL to club wharfage rate in the composite rate and seek dollar denomination also is not in line with the tariff guidelines 2005. Wharfage will continue to be prescribed separately for the operations at the ICTT. The IGTPL may come up with a proposal for a rupee denominated rate, if it desires to have a composite rate including wharfage.

The proposal to merge the lashing/ unlashing with the composite rate is in line with the tariff prescribed in other private terminals like the Chennai Container Terminal Limited, NSICT and hence is accepted.

(xxix). Subsequent to filing the proposal for revision of its SOR, the IGTPL had filed a proposal to unbundle the existing rates prescribed at RGCT for handling container at Container Yard and delivery / receipt to from customer. The proposal for unbundling this tariff item has been approved by this Authority vide Order No.TAMP/43/2008-IGTPL dated 27 June 2009. While drawing the Scale of Rates for ICTT, the approval granted in the said Order is relied upon.

(xxx). The IGTPL has proposed concessional tariff in the handling charge for coastal containers not exceeding 60% of the tariff proposed for normal cargo / foreign going vessels.

While prescribing the concessional tariff, the IGTPL has considered an exchange rate of Rs.48/- for the purpose of conversion of exchange dollar denominated rate into rupee terms. The exchange rate considered at the time of the last general revision of Scale of Rates of IGTPL was 1 US $ = Rs.43.58 as against the prevailing exchange rate of 1 US $ = Rs.48.5225. The tariff guidelines do not allow restatement of the coastal vessel rates at the time of tariff revision exercise. The objective of the relevant guidelines is to ensure that the coastal vessels are not burdened periodically on account of the accumulated effect of fluctuation in the exchange rate. Hence, the existing tariff prescribed for coastal vessels is also increased by 20% as allowed for foreign going without any restatement of foreign exchange rate. This will not affect the revenue model as the revenue estimated at the existing rates also follows the same position.

Concessional tariff is prescribed for coastal containers in the handling charge involving movement of container between ship to shore, shore to yard and wharfage in line with the tariff guidelines of 2005.

(xxxi). The IGTPL has proposed to increase the premium in the handling charge of over dimensional containers from existing level of 25% to 200%. It has not explained any reasons for the proposed increase in the premium level.

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

(xxxii). The IGTPL has proposed three times the normal applicable storage charge for over dimensional containers as against the existing premium of 25%. The IGTPL has not explained any reasons for the proposed increase in the levy despite specific query in this regard.

At Chennai Container Terminal Limited, ABG Kandla Container Terminal Limited etc., storage charge based on the actual number of ground slots occupied by the OOG containers is allowed. The note proposed by the IGTPL in the Scale of

Rates is modified in line with the prescription at the Chennai Container Terminal Limited, ABG Kandla Container Terminal Limited.

The proposed note prescribing the time limit for levy of storage charge in case of abandoned containers is not found to be complete in line with the clause 5.8.3. of the tariff guidelines. The relevant conditionalities as per the revised tariff guidelines 2005 are incorporated in the Scale of Rates of the IGTPL for ICTT operations.

(xxxiii). With reference to the reefer containers, the existing Scale of Rates of the IGTPL for RGCT prescribe tariff for supply of electricity and monitoring charges on four hourly basis only.

The IGTPL in the revised proposed Scale of Rates has proposed to introduce pre-trip inspection charge at US$ 50 per container and cleaning charges at US$ 2 for a 20' container and US$ 4 for a 40' container. The tariff proposed by the IGTPL is same as prescribed in the Scale of Rates of the Nhava Sheva Container Terminal Limited. The tariff prescribed in the Scale of Rates of the Chennai Container Terminal Limited is US$ 30 for pre-trip inspection and US$ 1.50 for cleaning a 20' container. Since the tariff for the two services proposed to be introduced are optional service offered at the request of the users, the rate for the two services at the level proposed by the IGTPL is approved. In the absence of the details of reefer container likely to avail the services of pre-trip inspection and cleaning of container, the revenue implication of this item cannot be estimated.

(xxxiv). For restow reefer containers, the charges prescribed for normal reefer containers are applicable as per the existing Scale of Rates. The IGTPL has proposed to levy additional charge of US$ 30 for 20 feet container per day for a restow refeer container. The IGTPL has not explained any reasons for differential tariff for restow reefer container. The Scale of Rates of other private terminals like the Chennai Container Terminal Limited, Visakha Container Terminal Limited, PSA SICAL Container Terminals Limited, do not prescribe levy of any additional charge for restow refeer container. Based on the position obtained at the other private terminals and also in the absence of any justification furnished by the IGTPL for a differential rate for restow of refeer container, the proposal is not accepted at this juncture. The existing note prescribed in the SOR of RGCT is continued to be prescribed in the SOR for ICTT.

(xxxv). The revised proposed Scale of Rates under the normative tariff method filed by IGTPL includes tariff for shut out containers and transportation of shut out container. The IGTPL has not explained any basis for the proposed tariff and the income estimation also does not capture revenue from this activity. The existing SOR prescribed for the operations at the RGCT does not prescribe any separate tariff for shut out container. Shut out container may not be a new feature which will arise only in ICTT. At RGCT also shut outs would have occurred and, therefore, the existing tariff arrangement at RGCT in case of shut out container will continue to apply at the ICTT.

(xxxvi). In the initial proposal, the IGTPL had proposed to reduce the number of free days for import containers from existing 7 days to 3 days. Most of the users have objected to the proposal to reduce free days. As rightly stated by some of the users, yard constraint may have been witnessed with reference to the present facilities at the RGCT. But at the ICTT, sufficient area is available for storage. Even the IGTPL has admitted that additional ground slot can be developed as per the requirement as the LA allows them to take additional land from the COPT.

It may be relevant to mention that the IGTPL has not furnished detailed income estimation alongwith average dwell time of containers at the existing Scale of Rates and at the proposed free period. The income estimation considered in the analysis is based on the income at the existing rate and free period structure. It is, therefore, not possible to accede to the request to reduce the free period as proposed by the IGTPL without appraising the revenue impact of reduction in free period. The existing level of free period prescribed in the SOR of RGCT is therefore allowed to continue for ICTT without any modification.

The free days for other categories of containers is also proposed to be modified. For reasons explained above, the existing number of free days is prescribed in the SOR for ICTT operations.

In case, the IGTPL witnesses that the prescribed free period hampers the productivity level at the terminal due to yard congestion, it may come up with a suitable proposal for modification in the SOR along with the financial impact thereof.

(xxxvii). License Agreement requires the licensee to develop the facilities and services at ICTT so as to maintain the minimum productivity level of 25 moves per hour. The tariff guidelines of 2005 also require the private operators to propose incentive for better performance of the terminal and disincentive for performance below the benchmark level.

When advised the IGTPL to proposed a suitable provision in case the productivity falls below the minimum productivity level prescribed in the License Agreement, the IGTPL has agreed to grant reduction upto 5% in the terminal handling charges as mutually agreed with the customer if the benchmark level of productivity falls below 25 moves per hour per crane for handling containers. The proposal of the IGTPL is incorporated in the SOR subject to partially modifying the scheme. It is made definite stating that 5% reduction in the handling charge will be allowed in case the productivity falls below 25 moves per hour per crane.

(xxxviii). The IGTPL has included tariff for various miscellaneous charges such as fixing / removal of seal, charges for shifting containers, POD change, etc. The rates proposed are found to be higher than the rate prescribed for these services at other terminal like the Chennai Container Terminal Limited, Visakha Container Terminal Limited. The proposed rates are, however, comparable to the rates prescribed for these miscellaneous services in the SOR of the NSICT and hence is incorporated in the SOR for ICTT operations. In any case these are miscellaneous service and it is assumed that it will not have any significant impact on the revenue stream.

The IGTPL in the revised proposal has proposed to introduce penalty of Rs.1,00,000 per hour for overstay of vessel at the terminal due to users fault under the Miscellaneous charges.

If the operator is required to give rebate to the user equivalent to berth hire accruing to the COPT in case a vessel idles at the terminal of IGTPL due to break down of shore based facilities or any other reasons attributable to it, then it is not unreasonable to compensate the operator if the vessels idles at the terminal for delay on account of users fault.

The charge proposed by the IGTPL is in the form of a penalty for overstay of vessel at its terminal and not a vessel related charge.

This Authority has approved penal rate of Rs.1 lakh per hour for overstayal of vessel at berth beyond two hours after completion of operations due to user's fault in the Scale of Rates of the NSICT. Since the rate proposed by the IGTPL is the same as prescribed in the NSICT and recognising that it is a penal provision, the proposed rate is approved which will be leviable for overstayal of vessel beyond two hours after completion of operations due to user's fault.

(xxxix). The IGTPL has proposed a caveat stating that the rates mentioned in the Scale of Rates are the ceiling rates and it does not preclude ICTT from offering lower rates or discounts to its customers so long as the rates charged by ICTT do not exceed the rates as mentioned herein. The Major Port Trust Act as well as the Licence Agreement permits IGTPL to allow rebates and discounts over the rates prescribed in the Scale of Rates. The IGTPL, therefore, has the flexibility to reduce the rate. This Authority cannot introduce a blanket provision in the Scale of Rates allowing unguided discretion to allow rebates on case to case basis. If this Authority is to introduce rebates and discounts, then such provisions should be declared upfront and will be made applicable in all similarly placed cases without any discrimination.

(XL). Some of the proposed provisions which are not in line with the common prescription at other major ports / private terminals and the provisions of the revised tariff guidelines have been modified.

21. In the result, and for the reasons given above and based on a collective application of mind, this Authority approves the following:

(i). Existing Scale or Rates for RGCT is allowed to continue from the date of its expiry till the end of December 2009.

(ii). The Scale of Rates for the operations at ICTT is approved which is attached as **Annex - VII**. The Scale of Rates for ICTT is valid till the end of 2015.

(Brahm Dutt)
Chairman

Annex - I

Comparision of Actuals vis-à-vis estimates for the operations of RGCT by the IGTPL

Rs. in lakhs

Sr. No.	Particulars	2005-06 Actuals	2005-06 Est.	2005-06 % change with reference to Estimates	2006-07 Actuals	2006-07 Est.	2006-07 % change with reference to Estimates	2007-08 Actuals	2007-08 Est.	2007-08 % change with reference to Estimates	2008-09 (Provisional Accounts)
	Traffic (In TEUs)	201,178	212,951	-6%	226,171	244,894	-8%	253,761	265,761	-5%	260872
I	**Total Operating Income**										
	(i) Container handling income	4377.63	5048.95		5195.32	5768.51		6303.49	6225.16		6338.00
	(ii) Additional income to be adjusted in the Estimates on account										
	(a) Increase allowed 10% from implementation of Order (Nov 20 2005) and another 8% from 1.4.2007. 50% increase in storage charge from the implementation of the Order	-	234.89			805.37			1362.74		0.00
	(b) Lashing/ unlashing charge	**254.00**	**254.00**		**200.00**	**200.00**		**0.00**	**0.00**		**0.00**
	(iii) Others	1770.65	-		2031.47	0.00		1485.00	0.00		2283.00
	Total Income	**6402.28**	**5537.84**	16%	**7426.79**	**6773.88**	10%	**7788.49**	**7587.90**	3%	**8621.00**
II	**Operating Costs (excluding depreciation)**										
	(i) Operating & Direct Labour	641.33	826.10		701.63	875.67		783.47	932.06		833.00
	(ii) Maintenance Labour	288.26			315.37			359.44			398.00
	(iii) Equipment Running Costs	1033.74	787.90		1106.29	927.65		1042.84	1049.29		1222.00
	(iv) Equipment Hire	257.93	255.00		249.70	262.00		123.78	271.90		0.00
	(v) Lease Rentals payable as per concession agreement	1008.00	1008.00		1056.00	1058.40		1104.65	1111.32		1152.00
	(vi) Insurance	165.61	173.70		130.74	173.70		92.61	173.70		76.00
	(vii) Other Expenses	84.00	-		126.00	0.00		158.00	-		146.00
	(viii) Technical Service Fee	294.21	267.47		298.37	274.66		301.73	279.23		294.00
	Total (i to viii)	**3773.08**	**3318.17**	14%	**3984.10**	**3572.08**	12%	**3966.51**	**3817.50**	4%	**4121.00**
III	Depreciation	**957.63**	**1239.79**	-23%	**1237.44**	**1468.74**	-16%	**1284.57**	**1468.74**	-13%	1225.00
IV	Overheads										
	(i) Management & Administration	614.00	666.58	-8%	558.00	706.62	-21%	620.00	749.02	-17%	683.00
	(ii) Preliminary expenses & Upfront Payment write-off	0.00	82.62		0.00	82.62		0.00	82.62		0.00
		614.00	**749.20**		**558.00**	**789.24**		**620.00**	**831.64**		**683.00**
V	Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)	**1057.56**	**230.68**		**1647.24**	**943.82**		**1917.41**	**1470.02**		**2591.00**
VI	Finance & Miscellaneous Income (FMI)										
	(ii) Profit on sale of assets	5.45	0.00		0.00	0.00		1.02	0.00		0.00
	(ii) Others - MOT & Cut off Charges	48.01	0.00		5.99	0.00		0.00	0.00		0.00
	(iii) Scrap sales	12.28	0.00		13.42	0.00		5.99	0.00		8.34
	Total	**65.75**	**0.00**		**19.41**	**0.00**		**7.01**	**0.00**		**8.34**
VII	Finance & Miscellaneous Expenses (FME)										
	(i)Interest on outstanding upfront fee payable in a phased manner as per LA	0.00	0.00		0.00	293.76		0.00	284.62		0.00
	(ii) Loss on sale of assets	0.00	0.00		21.57	0.00		0.00	0.00		0.00
	(iii) Others - Bank Charges	22.53	0.00		33.81	0.00		24.26	0.00		23.00
	(iv)Lashing & Unlashing	203.24	203.24		160.47	160.47		**0.00**	0.00		**0.00**
	Total	**225.76**	**203.24**		**215.85**	**454.23**		**24.26**	**284.62**		**23.00**
VIII	FMI Less FME (VI) - (VII)	**-160.01**	**-203.24**	-21%	**-196.44**	**-454.23**	-57%	**-17.25**	**-284.62**		**-14.66**
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**897.55**	**27.44**		**1450.80**	**489.59**		**1900.16**	**1185.40**		**2576.34**
X	Capital Employed	9363.61	6960.11	35%	8900.07	5554.32	60%	7697.55	4410.97	75%	6486.21
XI	Return on Capital Employed	15%	15%		15%	15%		15%	15%		16%
XII	Capacity Utilization	50%	53%		57%	61%		63%	66%		
XIII	RoCE adjusted for capacity utilization	**706.41**	**553.33**		**1335.01**	**833.15**		**1231.61**	**661.65**		**1037.79**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**191.14**	**-525.89**		**115.79**	**-343.56**		**668.55**	**523.76**		**1538.55**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I in %)**	3%	-9%		2%	-5%		9%	7%		18%

	Reconciliation of adjustments in the estimates and actuals for a like to like comparison										
		2005-06				**2006-07**			**2007-08**		**2008-09**
		Actuals	**Est.**			**Actuals**	**Est.**		**Actuals**	**Est.**	**Provisional**
	Net Surplus / Deficit	**191.14**	**-525.89**			**115.79**	**-343.56**		**668.55**	**523.76**	**1538.55**
(i).	Depreciation for assets taken over from the COPT during the last tariff Order considered at 25% over four years period, whereas the IGTPL has depreciated over 8.10 to 9.06 years. Impact on the estimates by depreciating the assets at 21.41% instead of 25%.	-164.42	119.66			-164.42	126.23		-164.42	126.23	-164.42
(ii).	Preliminary Expense was spread over 4 years for RGCT in last tariff Order. In actual terms, IGTPL has spread over the cost over seven years period. The impact of giving similar treatment in the estimates will be -	0.00	35.41			0.00	35.41		0.00	35.41	0.00
(iii).	(a). In the 2005 tariff Order, the deferred payment of upfront fee was exlcuded from the capital employed as per their proposal but interest on the balance upfront payment was allowed as item of cost. Now the IGTPL has claimed return on the capital employed on the full net fixed assets without such adjustment. At the same time, it has not considered the interest on dues to COPT as a cost element. The impact of giving this effect on the estimates . (b). The return on capital employed allowed on the net fixed assets as per reported in the Annual Accounts moderated on account of adjustment done in the depreciation as explained in sr no (i) above.	-12.40	-317.66			-24.66	-259.63		-24.66	-214.73	-26.31
(iv).	Impact of wage revisions at 15% of the total salaries and wage cost considered from 1 January 2007 which is reportedly not considered in actual but was considered in the Estimates.	0.00	0.00			-31.74			-135.15		-141.36
	Sum of the Adjustments	**-176.83**	**-162.58**			**-220.83**	**-97.99**		**-324.24**	**-53.09**	**-332.10**
	Modified net surplus/ Deficit	**14.31**	**-688.47**			**-105.04**	**-441.55**		**344.31**	**470.66**	**1206.45**
	Summary Position after the adjustments										
		Actuals	**Estimates**								
	2005-06	14.31	-688.47								
	2006-07	-105.04	-441.55								
	2007-08	344.31	470.66								
	Total	**253.59**	**-659.36**								
	2008-09	1206.45	0.00								

Annex-II

COST STATEMENT OF RAJIV GANDHI CONTAINER TERMINAL FOR THE YEAR 2009-10

Rs. in lakhs

Sr.No.	Particulars	Furnished by IGTPL	Modified Estimated
		2009-10 (Estimates)	2009-10 (Estimates)
	Traffic (in TEUs)	185,010	185,010
I	**Total Operating Income**		
	(i) Container handling income	4,495	4,495
	(ii) Others - Storage, Reefer, Extra moves	1,541	1,541
	Total (i to ii)	**6,037**	**6,037**
II	**Operating Costs (excluding depreciation)**		
	(i) Operating & Direct Labour	612	612
	(ii) Maintenance Labour	279	279
	(iii) Equipment Running Costs	883	848
	(iv) Equipment Hire	-	-
	(v) Lease Rentals	1,184	789
	(vi) Insurance	76	76
	(vii) Other expenses	111	111
	(viii) Technical Service Fee	222	222
	(ix) Impact of wage revision	-	100
	Total (i to ix)	**3,366**	**3,036**
		-	
III	Depreciation	**2,096**	**1,100**
IV	Overheads		
	(i) Management & Administration overheads	477	477
	(ii) Preliminary expenses write-off	-	-
	Total (i to iv)	477	477
V	Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)	**98**	**1,423**
VI	Finance & Miscellaneous Income (FMI)	-	-
	(i) Profit on sale of assets	-	-
	(ii) Others - MOT & Cut off charges	-	-
	Scrap Sales	-	-
	Gain from forex variance	-	-
	Revenue from Lashing / unlashing	-	
	Total	**-**	**-**
VII	Finance & Miscellaneous Expenses (FME)		
	(i) Interest on outstanding upfront payment		
	(ii) Loss on repayment of foreign currency loans if any		
	(iii) Loss on sale of assets	-	-
	(iv) Others - Bank Charges	15	15
	Lashing & Unlashing Labour	-	-
	Loss on Forex variance	-	-
	FBT	-	-
	Total	**15**	**15**
VIII	**FMI Less FME (VI) - (VII)**	**(15)**	**(15)**
IX	**Surplus Before Tax (V) + (VIII)**	82	1,408
X	Capital Employed	6,202	5,561
XI	RoCE - Maximum permissible (15% / 6.35% / 0%)	16%	16%
XII	Capacity Utilization		
XIII	RoCE adjusted for capacity utilization	662	593
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(579)**	**815**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I in %)**	**-10%**	**13.5%**

ANNEX -III

COST STATEMENT FOR INTERNATIONAL CONTAINER TRANSHIPMENT TERMINAL UNDER COST PLUS METHOD

Rs. in lakhs

Sr.No.	Particulars	Furnished by IGTPL			ESTIMATES					
		Estimates at existing tariff								
		2010	2011	2012	2010	2011	2012	2013	2014	2015
I	Traffic (In TEUs)	478,000	588,000	684,456	478,000	588,000	684,456	752,902	828,192	911,011
II	Revenue Estimates	15,438	18,856	21,889	17,533	21,064	24,459	26,905	29,595	32,555
	Total Income	**15,438**	**18,856**	**21,889**	**17,533**	**21,064**	**24,459**	**26,905**	**29,595**	**32,555**
III	**Operating Costs**									
	(i) Operating & Direct Labour	392	422	453	392	415	439	746	789	886
	(ii) Maintenance Labour	297	319	343	297	314	332	517	547	612
	(iii) Equipment Running Costs	3,183	3,728	4,282	2,163	2,527	2,911	3,272	3,685	4,160
	(iv) Royalty / revenue share	-	-	-	-	-	-	-	-	-
	(v) Equipment Hire	735	927	1,106	735	927	1,106	1,247	1,406	1,585
	(vi) Lease Rentals payable as per concession agreement	33	33	33	5	5	5	5	5	6
	(vii) Insurance	437	403	368	437	403	368	368	368	368
	(viii) Other expenses	209	251	298	209	251	298	336	379	427
	(ix) Technical Service Fee	634	669	699	634	669	699	716	734	753
	(x)Depreciation	7,504	7,504	7,504	7,504	7,504	7,504	7,504	7,504	7,504
	(xi) Management & Administration overheads	534	619	698	534	565	598	632	669	708
	(xii)Lashing & Unlashing Labour	1,008	1,314	1,711	1,008	1,314	1,711	1,991	2,317	2,697
	Total Expenses	**14,966**	**16,189**	**17,495**	**13,918**	**14,893**	**15,970**	**17,335**	**18,404**	**19,706**
IV	**Suplus/ Deficit**	**472**	**2,668**	**4,394**	**3,615**	**6,171**	**8,489**	**9,570**	**11,191**	**12,849**
V	Capital Employed	125,636	118,453	111,266	124,021	116,643	109,136	101,632	94,128	86,624
VI	ROCE @ 16%	20,102	18,952	17,803	19,843	18,663	17,462	16,261	15,060	13,860
VII	Net Surplus/ deficit after Return	(19,630)	(16,284)	(13,409)	(16,228)	(12,492)	(8,973)	(6,691)	(3,870)	(1,011)
VIII	Surplus of RGCT operations for the years 2005-06 to 2008-09 Rs. 2021 lakhs spread over five years period				404	404	404	404	404	-
IX	Net Surplus/ Deficit after adjustment of surplus from RGCT operations				(15,824)	(12,088)	(8,569)	(6,287)	(3,466)	(1,011)
X	Net surplus / deficit as percentage of operating income	**-127%**	**-86%**	**-61%**	**-90.2%**	**-57.4%**	**-35.0%**	**-23.4%**	**-11.7%**	**-3.1%**
XI	Average net surplus/ deficit (in %)		**-87.8%**			**-57.85%**			**-12.09%**	

Rs. In lakhs

Sr.No.	Particulars	2010	2011	2012	2013	2014	2015
I	Traffic (InTEUs)	478000	588000	684456	752902	828192	911011
II	Revenue Estimated at the existing tariff level for the years 2010 to 2012. For the years 2012 2015 , income estimated based on average revenue determined at Sr. No x below	17533	21064	24459	42812	47094	51803
III	Average Revenue per TEU before revision during the each tariff cycle (in Rs.)		3602.24			5686.31	
IV	Tariff increase / Decrease (-) required		57.85%			-29.56%	
V	Revised revenue Estimated after considering tariff increase / decrease at (III) above)	27181	33435	38920	30157	33172	36489
VI	Cost plus return	33761	33556	33432	33596	33465	33566
VII	Net Surplus/ Deficit (V- VI)	**(6,580)**	**(120)**	**5,489**	**(3,439)**	**(293)**	**2,924**
VIII	Surplus from RGCT for the years 2005-06 to 2008-09 adjusted		**1,213**			**808**	
IX	Total Net Surplus / Deficit for the tariff cycle		**0**			**0**	
X	Average Revenue per TEU for the 3 years tariff cycle after tariff revision (in Rs.)		**5686.31**			**4005.38**	

ANNEX - IV

COST CALCULATION FOR TARIFF OF INTERNATIONAL CONTAINER TRANSHIPMENT TERMINAL FOLLOWING 2008 GUIDELINES

1) Calculation of Optimal Capacity of NSICT.

1 Optimal Quay Capacity:

Optimal Quay Capacity = A * B * C * D * E TEUs where,

	Norms	Capacity based on 6 Cranes	
A = Number of Gantry Cranes deployed for work in an year.	= Berth Length / 100	= 600 metres / 100	6
B = Number of working hours of gantry cranes in an year.	= 24 * 365 hours	= 24 * 365 hours	8760
C = Average number of moves per gantry crane.	= 25 moves per hour	= 25 moves per hour	25
D = TEU ratio	= 1.3	= 1.3	1.3
E = 70%	= 70%	= 70%	70%
		1195740 TEUs	

2 Optimal Yard Capacity:

Optimal Yard Capacity = $0.7 * \frac{G * H * P}{S * D}$ TEUs where,

	Norms	Capacity based on norms presecribed in 2008 guidelines		Capacity based on modified norms for ground slot adopted in the JNPT upfront tariff	
G = Total Ground Slot in TEUs	= 720 TEUs per hectare	= 720 * 48.80	35136	= 286* 48.80	13956.8
H = Average Stack height	= 2.50	= 2.50	2.50	= 2.50	2.50
P = Period in number of days	= 365	= 365	365	= 365	365
S = Surge factor	= 1.3	= 1.3	1.3	= 1.3	1.3
D = Average Dwell Time		= 3 days	3	= 3 days	3
	= 4 days for Import & 2 days for Export				
		5754646 TEUs		2285873 TEUs	

Therefore, Optimal Capacity of the ICTT is considered as 1195740 TEUs

2) Calculation of Capital cost

Particulars		Actual Capital Cost as per Estimatates furnished by IGTPL for the year 2010 for ICTT operations (Rs. in crores)		Total Cost for normative level of equipment (As assessed by IGTPL vide letter dated 22.6.2009) (Rupees In crores)			Workings		Updated Estimates with reference to civil cost	Workings	
Civil Cost			**906.84**			**883.72**	As estimated by IGTPL in their calculation for normative tariff (dated 22.6.2009)		**889.30**	As furnished by IGTPL vide letter dated 26.6.2009 along with the certificate of its Auditors	
Container handling Equipment				1625640							
	Norms	**No of Equipment proposed to be deployed at ICTT as understood from the IGTPL**		**No of Equipment as per norms**			The unit rate of equipment as furnished by the IGTPL			The unit rate of equipment as furnished by the IGTPL	
- Quay Gantry Crane	1 QGC for 100 mtrs berth length	4		6	268.34		Rs.44.724 crores each * 6 nos =	268.34		Rs.44.724 crores each * 6 nos =	268.34
- Rail Mounted Gantry Crane	One for handling 6 rakes/day	Nil		1	5.76		Rs. 5.76 crores *1 =	5.76		Rs. 5.76 crores *1 =	5.76
- Rubber Tyred Gantry Crane	3 for each gantry crane	11 (new) + 4 (old)		18	146.88		Rs.8.16 crores each * 18 nos =	146.88		Rs.8.16 crores each * 18 nos =	146.88
- Reach Stacker/ Top Lift Truck	1 for nine RTGs	5 existing + 1(new) + 2 (old)		2	3.80		Rs.1.90 crores each * 2 nos =	3.80		Rs.1.90 crores each * 2 nos =	3.80
- Tractor Trailers	6 for each QGC	Nil		36	23.40		Rs.0.65 crores each *36 nos =	23.40		Rs.0.65 crores each *36 nos =	23.40
- Others		2 Harbour Mobile Crane (Old)						448.18			448.18
						448.18					
			409.71						**448.18**		
IT System Cost	**2% of Civil & Equipment Cost**		**14.59**			26.64	2% * (883.72+448.18 crores)		26.75	2% * (889.3+448.18 crores)	
Others	**10% of Civil & Equipment Cost**		**4.07**			133.19	10% * (883.72+448.18 crores)		133.75	10% * (889.3 crores +448.18 crores)	
Total Capital Cost			**1335.20**								
Less cumulative depreciation on assets taken over			**26.31**								
Total Capital Cost for ICTT			**1308.89**			**1491.73**			**1497.98**		

3) **Calculation of Operating cost**

Particulars	Norms	Workings by IGTPL	Estimate by IGTPL (Rs. in lakhs)	Working of TAMP	Estimate Rs. In Lakhs
Power Cost	8 KWH per TEU	8 * 8*1195740	76.53	8 * 7.27*1195740	695
Fuel Cost	4 litres per TEU	1195740 * 4 * 38	1817.52	4 * 38.19*1195740	1827
Repairs & Maintenance					
- Civil	1% of cost of Civil assets	1% of Rs.883.72 cr *1.10	972.09	1% of Rs.88930 lakhs	889.3
- Equipments	2% of cost of Equipments	2% of Rs. 474.82 cr *1.10	1044.61	2% of Rs. 47493 lakhs	949.87
Insurance	1% of Gross fixed assets	1% of Rs.1491.73 crores	1491.74	1% of Rs.1497.98 crores	1498
Depreciation	As per Companies Act or provisions of LA whichever is higher		9395	Rs. 9395 + (Rs. 558 lakhs *3.34%) Depreciation considered on the updated civil cost	9413
Licence Fee	At the rate prescribed in the SOR	60 hec * Rs. 1 per sq metre per month* 12	7.2	48.8 hec * Re. 1 per sq metre per annum	4.88
Other Expenses	10% of Gross fixed assets	10% of Rs.1491.73 crores	14917.35	10% of Rs.1497.98 crores	14980
TOTAL OPERATING COST		***	**29721.62**		**30257.1**

***** Arithmetical error in the decimal in the estimated of fuel cost observed in the calculation furnished by IGTPL which if corrected, the total operating cost will be Rs. 30410.39 lakhs instead of Rs. 29721.62 lakhs)**

4) **Return on Capital Employed**

Rs. in lakhs

Particulars	Workings	Estimates by IGTPL	Workings	Modified Estimates
Return on Capital Employed	16% of Rs.1491.73 crores	23868	16% of Rs.1497.98 cr	23967.7

5) **Normative Annual Revenue Requirement:**

Rs. In Lakhs

	IGTPL's Calculation	IGTPL Calculation after correction	As per modified Calculation
Operating Cost	29722	30410	30257
Return on Capital Employed	23868	23868	23968
	53589	**54278**	**54225**

6) **Average Revenue per TEU**

Year	Average Revenue per TEU (in Rs.)
2010	4535
2011	4693
2012	4856
2013	5025
2014	5200
2015	5381

Annex - V

TARIFF TO ARRIVE AT REVENUE NEUTRAL POSITION

ANALYSIS FOR 6 YEARS PERIOD

Rs. in lakhs

		Cost plus method				Normative method			Adjusted normative revenue to meet the revenue realisation under cost plus method		
Year	Traffic estimation	Average Revenue Rs. per TEU	Revenue for the traffic estimated (Rs. in lakhs)	Net Present value of Re. 1 during the period of 5 years applying discounting factor 10%	Net Present Value of the Revenue applying discounting factor of 10%	Average Revenue Rs. per TEU	Revenue for the traffic estimated (Rs. in lakhs)	Net Present Value of the Revenue applying discounting factor of 10%	Average Revenue (Rs. per TEU)	Revenue for the traffic estimated (Rs. in lakhs)	Net Present Value of the adjusted tariff fo match ther revenue neutral position
2010	478000	5686.31	27181	1.0000	27181	4535	21677	21677	4401.15	21037	21037
2011	588000	5686.31	33435	0.9091	30396	4693	27593	25084	4554.31	26779	24345
2012	684456	5686.31	38920	0.8264	32166	4856	33237	27468	4712.80	32257	26658
2013	752902	4005.38	30157	0.7513	22657	5025	37833	28424	4876.81	36718	27586
2014	828192	4005.38	33172	0.6830	22657	5200	43064	29414	5046.52	41795	28546
2015	911011	4005.38	36489	0.6209	22657	5381	49019	30437	5222.14	47574	29540
Total	**4242560**		**199355**		**157713**		**212423**	**162504**		**206161**	**157713**

Total revenue for the first year 2010	21037
Traffic in TEUs	478000
Average Revenue per TEU at the adjusted normative revenue	4401.15

ANNEX- VI

Income Estimation for the year 2010 at revised tariff for International Container Transhipment Terminal

Sr.No.	Particulars	Traffic Projections (in TEUs) for the year 2010	Existing Rates (in Rs.)	Existing Rates increased by 20%	Income at the revised tariff (Rs. in lakhs)
I	Container Handling Income (A + B + C + D +E)	478,000			15,645
A	Foreign containers (1)+(2)+(3)	319,932			11,868
	(1) Loaded Containers (a)+(b)+(c)	244,758			9,629
	(a) 20 ft containers	131,793	3705.85	4,447.02	5,861
	(b) 20-40 ft containers	112,965	5558.78	6,670.53	3,768
	(c) Above 40 ft containers				
	(2) Empty Containers (a)+(b)+(c)	52,705			1,356
	(a) 20 ft containers	28,380	2422.81	2,907.37	825
	(b) 20-40 ft containers	24,325	3634.22	4,361.06	530
	(c) Above 40 ft containers	-			-
	(3) Reefer Containers (a)+(b)+(c)	22,469			884
	(a) 20 ft containers	12,099	3705.85	4,447.02	538
	(b) 20-40 ft containers	10,370	5558.78	6,670.53	346
	(c) Above 40 ft containers				
B	Transhipment containers (1)+(2)+(3)	129,036			3,031
	(1) Loaded Containers (a)+(b)+(c)	129,036			3,031
	(a) 20 ft containers	39,971	4730.83	5,676.99	1,135
	(b) 20-40 ft containers	89,065	7096.24	8,515.49	1,896
	(c) Above 40 ft containers	-			-
	(2) Empty Containers (a)+(b)+(c)	-			-
	(a) 20 ft containers	-			-
	(b) 20-40 ft containers	-			-
	(c) Above 40 ft containers	-			-
	(3) Reefer Containers (a)+(b)+(c)	-			-
	(a) 20 ft containers	-			-
	(b) 20-40 ft containers	-			-
	(c) Above 40 ft containers	-			-
		-			
C	Coastal Containers (1)+(2)+(3)	18,761			460
	(1) Loaded Containers (a)+(b)+(c)	16,626			415
	(a) 20 ft containers	8,953	2351.96	2,822.36	253
	(b) 20-40 ft containers	7,674	3527.95	4,233.54	162
	(c) Above 40 ft containers	-			-
	(2) Empty Containers (a)+(b)+(c)	842			13
	(a) 20 ft containers	453	1425.32	1,710.39	8
	(b) 20-40 ft containers	388	2137.99	2,565.58	5
	(c) Above 40 ft containers	-			-
	(3) Reefer Containers (a)+(b)+(c)	1,293			32
	(a) 20 ft containers	696	2351.96	2,822.36	20
	(b) 20-40 ft containers	597	3527.95	4,233.54	13
	(c) Above 40 ft containers	-			-
		-			
D	Others (Restow - Foreign) (1 + 2 +3)	-			-
	(1) Loaded Containers (a)+(b)+(c)	-			-
	(a) 20 ft containers	-			-
	(b) 20-40 ft containers	-			-
	(c) Above 40 ft containers	-			-
	(2) Empty Containers (a)+(b)+(c)	-			-
	(a) 20 ft containers	-			-
	(b) 20-40 ft containers	-			
	(c) Above 40 ft containers	-			-
	(3) Reefer Containers (a)+(b)+(c)	-			-
	(a) 20 ft containers	-			-
	(b) 20-40 ft containers	-			-
	Others (Restow - Coastal) (1 +2 + 3)	-			-
	(1) Loaded Containers (a)+(b)+(c)	-			-
	(a) 20 ft containers	-			-
	(b) 20-40 ft containers	-			-
	(c) Above 40 ft containers	-			-
	(2) Empty Containers (a)+(b)+(c)	-			-
	(a) 20 ft containers	-			-
	(b) 20-40 ft containers	-			-
	(c) Above 40 ft containers	-			-
	(3) Reefer Containers (a)+(b)+(c)	-			-
	(a) 20 ft containers	-			-
	(b) 20-40 ft containers	-			-
	(c) Above 40 ft containers				-

Sr.No.	Particulars	Traffic Projections (in TEUs) for the year 2010	Existing Rates (in Rs.)	Existing Rates increased by 20%	Income at the revised tariff (Rs. in lakhs)
E	Others (Transshipment - Coastal) (1 + 2 + 3)				286
	(1) Loaded Containers (a)+(b)+(c)	10,271			286
	(a) 20 ft containers	6,465	2558.40	3,070.08	198
	(b) 20-40 ft containers	3,806	3837.60	4,605.12	88
	(c) Above 40 ft containers				
	(2) Empty Containers (a)+(b)+(c)	-			-
	(a) 20 ft containers	-			-
	(b) 20-40 ft containers	-			-
	(c) Above 40 ft containers	-			-
	(3) Reefer Containers (a)+(b)+(c)	-			-
	(a) 20 ft containers	-			-
	(b) 20-40 ft containers	-			-
II	Income from ICD container for movement between CY to Rail yard (1 +2)				360
	(1)Foreign container (i+ii)				
	(i).Laden (a+b+c)				340
	(a) 20 ft containers	8,633	267.30	320.76	199
	(b) 20-40 ft containers	3,700	400.95	481.14	85
	(c) Above 40 ft containers	-			
	(ii).Empty (a+b+c)				
	(a) 20 ft containers	1,703	237.60	285.12	39
	(b) 20-40 ft containers	730	356.40	427.68	17
	(c) Above 40 ft containers	-			
	(2) Coastal				
	(i).Laden (a+b+c)				20
	(a) 20 ft containers	579	267.30	320.76	13
	(b) 20-40 ft containers	248	400.95	481.14	6
	(c) Above 40 ft containers	-			
	(ii).Empty (a+b+c)				
	(a) 20 ft containers	27	237.60	285.12	1
	(b) 20-40 ft containers	12	356.40	427.68	0
	(c) Above 40 ft containers	-			
III	Demurrage / storage / Dwell time charges		Income estimated at existing Rate increased by 20% (Rs. 2974 lakhs * 20%)		3,568
IV	Others		Income at existing Rate increased by 20% (Rs. 1221 lakhs * 20%)		1,466
	Total (I) to (IV)	**478,000**			**21,039**

Annex - VII

INDIA GATEWAY TERMINAL PRIVATE LIMITED

SCALE OF RATES FOR INTERNATIONAL CONTAINER TRANSHIPMENT TERMINAL

PREFACE

This Scale of Rates sets out the charges payable to India Gateway Terminals Private Limited for use of services and facilities provided at the International Container Transhipment Terminal (ICTT).

1. DEFINITIONS

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

(i). **"IGTPL"** means India Gateway Terminal Private Limited, a company incorporated in India, its successors and assigns.

(ii). **"Coastal Vessel"** shall mean any vessel exclusively employed in trading between any port or place in India to any other port or place in India having a valid coastal license issued by the competent authority.

(iii). **"Container"** means the standard ISO container, suitable for the transport and stacking of cargo and must be capable of being handled as a unit and lifted by a crane with a container spreader.

(iv). **"FCL"** means a container said to contain Full Container Load.

(v). **"Foreign going Vessel"** shall mean any vessel other than a coastal vessel.

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

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

(viii). **"LCL"** means a container said to contain Less than full Container Load (Container having cargo of more than one importer/ exporter).

(ix). **"Over Dimensional Container"** means a container carrying over dimensional cargo beyond the normal size of standard containers and needing special devices like slings, shackles, lifting beam, etc. Damaged containers (including boxes having corner casting problem) and container requiring special devices for lifting is also classified as Over Dimensional Container.

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

(xi). **"Port"** means Cochin Port Trust.

(xii). **"Reefer"** means any container for the purpose of the carriage of goods, which require power supply to maintain the desired temperature.

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

(xiv). **"Transhipment container"** means a Container discharged from one vessel, stored in IGTPL and transported through another vessel.

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

2. GENERAL

(i). Status of a vessel as borne out by its certification issued by Director General of Shipping is the relevant factor for deciding whether the vessel is 'foreign-going' or 'coastal'. Foreign going vessels permitted to undertake coastal voyages and the cargo / container carried by them will also qualify for the concession in respect of such permissible voyages.

(ii). Container related charges denominated in US dollar terms shall be collected in equivalent Indian Rupees. For this purpose, the market buying rate notified by the Reserve Bank of India, State Bank of India or its associates or any other Public Sector Bank as may be specified from time to time prevalent on the date of entry of the vessel into the Terminal (in case of import containers) and on the date of arrival of containers in the Terminal premises (in case of export containers) shall be applied for conversion of the dollar denominated charges into Indian rupees.

(iii). A regular review of exchange rate shall be made once in 30 days from the date of arrival in the cases of vessels staying in the port for longer period. The basis of billing shall change prospectively with reference to the appropriate exchange rate prevailing at the time of review.

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

(v). (a). The user shall pay penal interest on delayed payments of any charge under this Scale of Rates. Likewise, the IGTPL shall pay penal interest on delayed refunds.

(b). The rate of penal interest will be 13.75% per annum. The penal rate will apply to both the IGTPL and the port users equally.

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

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

(vi). (a). The container related charges for all coastal should not exceed 60% of the normal container related charges.

(b). In case of container related charges, the concession is applicable on composite box rate. Where itemized charges are levied, the concession will be on all the relevant charges for ship-shore transfer, and transfer from / to quay to / from storage yard as well as wharfage on cargo and containers.

(c). For the purpose of this concession, container from a foreign port which reaches an Indian Port 'A' for subsequent transhipment to Indian Port 'B' will also qualify insofar as the charges relevant for its coastal voyage. In other words, cargo/containers from/to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for the concession.

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

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

(ix). In case a vessel idles at the IGTPL terminal for more than two hours due to user's fault, Rs.1,00,000 per hour will be levied.

(x). The tariff prescribed in the Scale of Rates will be increased by 3.48% per annum on 1st January every year with reference to the tariff prevailing in the immediate preceding year. The first such escalation will be effected on 1 January 2011 and the last one will be on 1 January 2015. The individual tariff arrived after applying the annual escalation shall be rounded off to 1/100th of a paise.

(xi). The minimum level of productivity will be 25 moves per hour per crane for handling normal containers by gantry crane as mentioned in schedule 1.1. A reduction of 5% in the charges prescribed in schedule 1.1. will be allowed in case the productivity falls below 25 moves per hour / per crane.

SECTION - I

1. CHARGES FOR ALL NORMAL AND REEFER CONTAINERS

1.1. Gantry Crane Charges including Lashing / unlashing, stowage planning

Particulars	Foreign-going (in US$)	Coastal (in Rs.)
Per Laden Container		
Not Exceeding 20' in length	42.14	1107.35
Exceeding 20' and upto 40' in length	63.21	1661.05
Over 40' in length	84.28	2214.70
Per Empty Container		
Not Exceeding 20' in length	42.14	1107.35
Exceeding 20' and upto 40' in length	63.21	1661.05
Over 40' in length	84.28	2214.70

Note:

The consolidated charges prescribed above include the following elements, viz. stevedoring, use of gantry crane, use of transfer crane, lashing / unlashing and stowage planning.

1.2. Transportation from QC to Yard and visa versa

Particulars	Foreign-going (in Rs.)	Coastal (in Rs.)
Per Laden Container		
Not Exceeding 20' in length	320.75	192.45
Exceeding 20' and upto 40' in length	481.15	288.70
Over 40' in length	641.50	384.90
Per Empty Container		
Not Exceeding 20' in length	285.15	171.10
Exceeding 20' and upto 40' in length	427.75	256.65
Over 40' in length	570.30	342.20

1.3. Transportation from Container Yard to Rail Yard and visa versa

Particulars	Foreign-going (in Rs.)	Coastal (in Rs.)
Per Laden Container		
Not Exceeding 20' in length	320.75	320.75
Exceeding 20' and upto 40' in length	481.15	481.15
Over 40' in length	641.50	641.50

Per Empty Container		
Not Exceeding 20' in length	285.15	285.15
Exceeding 20’ and upto 40’ in length	427.75	427.75
Over 40’ in length	570.30	570.30

1.4. Handling at Container Yard for lift on / off while receiving from Quay

Particulars	Foreign-going (in Rs.)	Coastal (in Rs.)
Laden Container		
Not Exceeding 20' in length	684.30	410.60
Exceeding 20’ and upto 40’ in length	1026.45	615.90
Over 40’ in length	1368.60	821.20
Empty Container		
Not Exceeding 20' in length	213.85	128.30
Exceeding 20’ and upto 40’ in length	320.80	192.45
Over 40’ in length	427.70	256.60

1.5. Handling from truck / rail for delivery / receipt to and from customers

Particulars	Foreign-going (in Rs.)	Coastal (in Rs.)
Laden Container		
Not Exceeding 20' in length	684.30	684.30
Exceeding 20’ and upto 40’ in length	1026.45	1026.45
Over 40’ in length	1368.60	1368.60
Empty Container		
Not Exceeding 20' in length	213.85	213.85
Exceeding 20’ and upto 40’ in length	320.80	320.80
Over 40’ in length	427.70	427.70

Note:
Normal containers are the general type containers, not falling under any special categories mentioned subsequently.

SECTION - II

2. CHARGES FOR ALL TRANSHIPMENT CONTAINERS

Particulars	Foreign-going (in US$)	Coastal (in Rs.)
Laden Container		
Not Exceeding 20' in length	117.00	3070.10
Exceeding 20’ and upto 40’ in length	175.50	4605.15
Over 40’ in length	234.00	6140.20
Empty Container		
Not Exceeding 20' in length	103.90	2727.95
Exceeding 20’ and upto 40’ in length	155.85	4091.95
Over 40’ in length	207.80	5455.90

Notes:

(1). The composite rates given above covers gantry crane charges, lashing, unlashing, stowage planning, charges for transportation from quay to yard and vice-versa, charges for grounding and lifting by transfer crane at the yard and wharfage.

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

(3). A transhipment container sent to CFS, ICD or taken delivery locally shall be charged the local container rate.

(4). Charges for Hazardous Containers and Overdimensional Containers will be 1.25 times the rates prescribed above.

SECTION - III

3. CHARGES FOR ALL HAZARDOUS CONTAINERS AND OVERDIMENSIONAL CONTAINERS

3.1. Gantry Crane Charges including Lashing / unlashing

Particulars	Foreign-going (in US$)	Coastal (in Rs.)
Laden Container		
Not Exceeding 20' in length	52.68	1384.20
Exceeding 20’ and upto 40’ in length	79.02	2076.30
Over 40’ in length	105.36	2768.40

3.2. Transportation from QC to Yard and visa versa

Particulars	Foreign-going (in Rs.)	Coastal (in Rs.)
Laden Container		
Not Exceeding 20' in length	400.95	240.60
Exceeding 20’ and upto 40’ in length	601.45	360.90
Over 40’ in length	801.90	481.20

3.3. Transportation from Container yard to Rail yard and visa versa

Particulars	Foreign-going (in Rs.)	Coastal (in Rs.)
Laden Container		
Not Exceeding 20' in length	400.95	400.95
Exceeding 20’ and upto 40’ in length	601.45	601.45
Over 40’ in length	801.90	801.90

3.4. Handling at Container Yard for lift on / off while receiving from Quay

Particulars	Foreign-going (in Rs.)	Coastal (in Rs.)
Laden Container		
Not Exceeding 20' in length	855.35	513.25
Exceeding 20’ and upto 40’ in length	1283.05	769.90
Over 40’ in length	1710.70	1026.50

3.5. Handling from truck / rail for delivery / receipt to / from customers

Particulars	Foreign-going (in Rs.)	Coastal (in Rs.)
Laden Container		
Not Exceeding 20' in length	855.35	855.35
Exceeding 20’ and upto 40’ in length	1283.05	1283.05
Over 40’ in length	1710.70	1710.70

SECTION - IV

4. WHARFAGE CHARGES

Particulars	Foreign-going (in Rs.)	Coastal (in Rs.)
Laden Container including ICD container		
Not Exceeding 20' in length	712.80	427.70
Exceeding 20’ and upto 40’ in length	1069.20	641.55
Over 40’ in length	1425.60	855.40
Empty Container including ICD empty container		
Not Exceeding 20' in length	149.70	89.85
Exceeding 20’ and upto 40’ in length	224.55	134.80
Over 40’ in length	299.40	179.70

SECTION - V

5. CHARGES FOR HANDLING HATCHCOVERS OF VESSELS

Particulars	Foreign-going (in US$)	Coastal (in Rs.)
Opening hatchcover and replacing it (charge per hatchcover)		
A. Without placing the hatchcover on the quay	19.63	513.25
B. When placing the hatchcover on the quay	49.07	1283.05

SECTION - VI

6. CHARGES FOR SHIFTING OF CONTAINERS WITHIN VESSELS (RESTOWS) [FULL CONTAINER LOAD AND EMPTY CONTAINER]

Particulars	Foreign-going (in US$)	Coastal (in Rs.)
A. Shifting containers within the vessel (per move)		
Not Exceeding 20' in length	32.71	855.35
Exceeding 20’ and upto 40’ in length	49.06	1283.05
Over 40’ in length	65.42	1710.70
B. Other than (A)		
Not Exceeding 20' in length	72.78	1903.20
Exceeding 20’ and upto 40’ in length	109.17	2854.80
Over 40’ in length	145.56	3806.40

SECTION - VII

7. REEFER RELATED CHARGES

Particulars	Foreign-going (in US$)	Coastal (in Rs.)
A. Charges for supply of electricity, reefer Monitoring and Connection/disconnection (per 4 hours/or part thereof) [For Laden and Empty]		
Not Exceeding 20' in length	3.81	166.10
Exceeding 20’ and upto 40’ in length	5.72	249.15
Over 40’ in length	7.62	332.20
B. Pre-Trip inspection (including supply of electricity)	50.00	2426.15
C. Cleaning of containers [For Laden and Empty]		
Not Exceeding 20' in length	2.00	97.05
Exceeding 20’ and upto 40’ in length	4.00	194.10
Over 40’ in length	6.00	291.15

Notes:

(1). Above tariff does not include parameter setting or repair and maintenance of malfunctioning reefers.

(2). Pre-trip inspection of the reefer containers, and cleaning of containers are optional services and shall be rendered when requested by user.

(3). The charges prescribed above are also applicable to restow reefer containers.

SECTION - VIII

8. STORAGE CHARGES

Particular	Rate per container per day or part thereof					
	Foreign-going (in US$)			Coastal (in Rs.)		
	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
Laden container						
i) First 7 days	Free	Free	Free	Free	Free	Free
ii) 8-15 days	5.40	10.80	16.20	235.35	470.70	706.00
iii) 16-30 days	10.80	21.60	32.40	470.65	941.30	1411.95
iv) Thereafter	21.60	43.20	64.80	941.35	1882.70	2824.05
Empty container						
i) First 3 days	Free	Free	Free	Free	Free	Free
ii) 4-10 days	5.40	10.80	16.20	235.35	470.70	706.00
iii) 11-15 days	10.80	21.60	32.40	470.65	941.30	1411.95
iv) Thereafter	21.60	43.20	64.80	941.35	1882.70	2824.05

Particular	Rate per container per day or part thereof					
	Foreign-going (in US$)			Coastal (in Rs.)		
	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length	Container not exceeding 20 feet in length	Container exceeding 20 feet in length and upto 40 feet length	Container exceeding 40 feet in length and upto 45 feet length
Transhipment container - Laden						
i) First 30 days	Free	Free	Free	Free	Free	Free
ii) 31-45 days	10.80	21.60	32.40	470.65	941.30	1411.95
iii) Thereafter	16.20	32.40	48.60	706.00	1412.00	2118.00
Transhipment container - Empty						
i) First 15 days	Free	Free	Free	Free	Free	Free
ii) 16-30 days	10.80	21.60	32.40	470.65	941.30	1411.95
iii) Thereafter	16.20	32.40	48.60	706.00	1412.00	2118.00

Notes:

(1). (a). Storage period for an import container shall be reckoned from the day following the day of landing upto the day of loading / delivery / removal of container.

(b). Storage period for export container starts from the date containers enters the terminal.

(2). For the purpose of calculation of free period Customs notified holidays and terminal's non-working days shall be excluded.

(3). Transhipment containers whose status is subsequently changed to local FCL/LCL/ICD shall lose the concessional storage charges. The storage charges for such containers shall be recovered at par with the relevant import containers storage tariff.

(4). Normal import containers subsequently changing the mode of dispatch to rail will enjoy the free period applicable to normal import containers only.

(5). The total storage period for a shutout container shall be calculated from the day following the day when the container has become shutout till the day of Shipment / delivery.

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

(7). For hazardous container, the storage charges shall be 25% more under the respective slab as given above.

(8). The users will not have to pay storage charges for the period during which IGTPL is not in a position to deliver/ ship the containers when requested by the users.

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

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

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

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

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

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

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

SECTION - IX

9. MISCELLANEOUS CHARGES

Sl. No.	Particulars	Rate per Container (in Rs.)	
		Not exceeding 20' in length	Exceeding 20' in length and upto 40' in length
(i).	Fixing/ removal of seal	200	200
(ii).	Additional service charge for stacking containers in the designated yard for customs examination or for any other purpose, by prior arrangement.	200	300
(iii).	Charges for shifting within the Terminal for customs examination or any other purpose and subsequent loading of containers for delivery with Prior arrangement with user.	1875	2813
(iv).	POD Change	2500	3750
(v).	Change of status of Container	2500	3750
(vi).	Fixing/removal of Hazardous Sticker (per container)	200	200
(vii).	One Door Open Charges(per container)	1000	1000
(viii).	Cancellation of documents (per EIR)	100	100
(ix).	Non-declaration / Mis declaration of Hazardous containers	3000	3000
(x).	On- Wheel Customs inspection (per container)	600	600
(xi).	Sending Containers survey report/Photo at Gate through electronic process (per container)	400	400

Notes:

(1). Cancellation charges applies when EIR is cancelled at the request of customers.

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

(3). "Fixing of Seal" - Bottle seals shall be fixed on every container arriving at the terminal - by rail /road/sea without a proper bottle seal on it, prior to allowing its entry. This shall be done without the written consent of the shipping line. The list of such containers on which a seal is affixed by the terminal shall be intimated to the lines. Seal charges will be applicable for removal of seals also.

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

(5). On-Wheel Customs inspection - The on-wheel inspection of a container shall be allowed at the nominated point only, on the written request of the customer. The container doors can be opened only under customs supervision. No stuffing/ destuffing, even partially, shall be permitted within the terminal premises.

(6). Non- Declaration / Mis-declaration of Hazardous container- The Customer has to declare the hazardous nature of the cargo as per the IMCO rules and furnish the relevant hazardous details to IGTPL. The above charges are only for non-declaration/mis-declaration of the hazardous nature of the container. The liabilities and cost towards the consequences arising due to non declaration or mis-declaration shall, however, be on the customers account.

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

F. No. TAMP/25/2008-IGTPL - **Proposal from the India Gateway Terminal Private Limited for general revision of its Scale of Rates.**

The summary of comments received from the Cochin Port Trust (COPT) and the users / user associations are tabulated below:

Sl. No.	Comments of users / user organisations
1.	**Cochin Chamber of Commerce and Industry**
(i).	Any increase in the tariff at this time is not acceptable in view of the heavy competition faced from our neighbouring ports of Tuticorin / New Mangalore and Chennai. The Scale of Rates of Cochin Port has always been on the higher side when compared to its neighbouring ports and this has always worked to our disadvantage.
(ii).	During April 2005, IGTPL enhanced the tariff by 16 percent, which was implemented in two stages. In our opinion, this increase in itself seriously impacted the EXIM Trade. An example is the fact that around 60% of Coffee, which used to move through the Cochin Port is now being shipped via Mangalore and Chennai Ports.
(iii).	Around 30 to 40% of our import volume of raw cashew is now diverted through New Mangalore Port. Consignees enjoy greater advantages in New Mangalore such as low wharfage rate and very low ground rent.
(iv).	In order to develop the coastal movement, the terminal must continue the benefits presently given to the coastal lines. If coastal rates are increased, these volumes will be diverted from Cochin to Tuticorin. Even though, COPT get a lot of coastal cargo there is no transhipment of coastal cargo from Cochin to other Indian ports which need to be promoted.
(v).	Rather than going in for a huge increase in tariff IGTPL must focus on increasing their revenue by increasing the productivity levels coupled with adequate cost saving measures. They must focus on marketing the terminal so as to double the throughput. This will assist both the terminal and the users.
(vi).	The current proposal of IGTPL should not be implemented in the larger interests of the port, the EXIM trade and the port users.
2.	**Coffee Exporters Association**
(i).	Proposed upward revision of 25% is absolutely not justified for this year as well as subsequent years.
(ii).	The operational efficiency of IGTPL has been extremely poor. There have also been numerous strikes on issues such as trailers. The brunt of all this has had to be borne by the users both in terms of higher costs as well as missed shipping opportunities.
(iii).	It is not adequate to just arrive at costs and pass them onto the users. IGTPL as the monopoly provider of shipping services at Cochin Port must also show operational gains and improved efficiency.
(iv).	Unless there is a perceptual improvement in the quality of services provided at the port, no increase in rates should be considered.

3.	**Coimbatore Custom House and Steamer Agents' Association**
(i).	IGTPL must come forward to find the solutions for smooth handling of containers without frequent strikes which is a major issue for the users of Cochin Port. Often we receive the feedbacks that due to behavioral issues of IGTPL staff with labours, port users and trade representatives frequent work stoppages are occurring at terminal.
(ii).	Transporters are facing serious hardships due to delay in permitting the export laden containers for discharge inside terminal which delays further execution of shipments of various exporters.
(iii).	Problems faced by ICD users for faster turnaround of trailers are not looked into. Since they are all operating with contractors, any delay in releasing the trailers will affect the whole industry using ICDs of Coimbatore / Tirupur.
(iv).	IGTPL is mentioning about the volume growth with the expectation of more volume into Cochin but there are no provisions for additional storage space for containers which will reduce most of the problems of IGTPL.
(v).	Comparing the cost (major issue cited by IGTPL for requesting revision in Scale of Rates) with one example of UK PORT - Felixstowe, it may be noted that for the past 2 decades, the THC is same GBP 85 for both 20' and 40' containers and no escalation till date in spite of several increases in overheads in various parameters.
(vi).	In neighboring port Tuticorin operated by PSA SICAL, the tariff has not been increased till date except clubbing of expenses such as Terminal Handling Charges and Gate In charges incurred separately earlier which are now clubbed together.
(vii).	Based on above reasons and facts, IGTPL has to come forward to offset the increase in expenses by way of increasing the volume of business without any upward revision in tariff.
4.	**Cochin Steamer Agents Association**
(i).	The CSAA would like to fully reject the IGTPL proposal which it considers completely unjustified.
(ii).	When the Rajiv Gandhi Container Terminal of the Cochin Port was taken over by IGTPL they had entered into an agreement with Cochin Port Trust fully understanding all the statistical figures such as the demand of workers, their wages, shipping trade and volume of cargo handled at this port, infrastructures available and all its ups and downs.
(iii).	Ever since such an agreement was executed with COPT and IGTPL, they had no reason to make a demand for any enhancement in the port tariff. As your good office is aware the Scale of Rates of Cochin Port was always on the higher side when compared to other ports in South India. However, after taking over of the Rajiv Gandhi Container Terminal by IGTPL in April 2005, without any justifiable reason, IGTPL enhanced the tariff by 16 percent, which was implemented in two stages. In our opinion, this increase itself was against the interest of the EXIM Trade and shipping interest.
(iv).	The justification given for the increase of 16 percent granted in two stages was for procurement of infrastructure to increase the productivity to 25 BMPH to be in line with international standards. However, till date, no justifiable investment has been made. Therefore, rather than granting any further increase, it would perhaps be more appropriate if the tariff was reduced by 16 percent.
(v).	The IGTPL entered into an agreement with the port trust for commencing the construction and operation of Vallarpadam Terminal anticipating all necessary investments (large investment anticipated in coming years). Accordingly, there is no justification in high lighting these investments as a valid reason to increase the tariff at this stage.
(vi).	The IGTPL is trying to justify their demand by mentioning that reduction in storage yields, adverse exchange rate and increase in coastal traffic, the effect of tariff increase granted earlier has been neutralized". These are also not valid reasons for the proposed increase in tariff. Their contention that the earlier tariff increases had no additional burden on the trade is incorrect. Further, while the coastal traffic might have increased, this is not

	relevant to the EXIM Trade, which has been badly hit by the increase in the tariff of IGTPL.
(vii).	The trade functions in a competitive environment and accordingly policies should be structured to ensure that trade volumes are not just retained but increased. Unfortunately the IGTPL proposal for a steep increase in tariff could well have the opposite effect. With the trade looking for cost effective options there is the distinct possibility that business may shift to neighbouring ports in South India.
(viii).	One of the principal reasons behind IGTPL's proposal for steep increase in tariff is to help fund their investments for the ICTT at Vallarpadam. This is frankly unacceptable as present users of the RGCT should not be forced to fund investment for a separate terminal project.
(ix).	The CSAA also rejects the proposal for a reduction in the free days for import cargo. While, it is admitted that the present facilities are certainly not adequate to meet the requirements of the import trade, it is suggested that this may be considered only once the ICTT is functional as it is likely that by then the number and location of CFS's could perhaps justify such a proposal.
(x).	The CSAA strongly opposes such a huge increase in the IGTPL tariff. It has suggested that the IGTPL should focus on enhancing their revenue by increasing productivity levels coupled with possible cost saving measures which would assist both the terminal and user interests and increase volumes before the ICTT becomes operational. It has requested not to accept the arbitrary proposal of IGTPL in the interest of the EXIM Trade, Shipping interest and Port users.
5.	**The Container Shipping Lines Association (India)**
(i).	On entering into the License Agreement with the COPT, IGTPL was fully aware of the high investments required for the Vallarpadam Terminal. This cannot therefore be a reason for the hike proposed.
(ii).	After take over of the existing terminal in 2005, there was an increase of 16 percent in 2 stages even though Cochin rates are on the higher side compared to other ports.
(iii).	There has not been any justifiable investments in the terminal, and the productivity has not reached the assured levels.
(iv).	The reduction of free days is not justified in the current set-up, and this is to be considered only after the Vallarpadam terminal becomes functional, by which time there will be multiple CFSs and options available.
(v).	In view of the above, the Scale of Rates should be reviewed only when the new terminal is operational.
6.	**Cochin Custom House Agents' Association**
(i).	<u>Proposal to reduce the free period from seven days to three days :</u> (a). When the IGTPL had earlier in 2007 proposed to reduce free period from seven days to three dyas, Cochin Custom House Agents' Association had filed a written objections vide letter dated 12 January 2007 against the proposed reduction in free period. (b). Due to various peculiar factors concerning Cochin Port, it would be practically difficult to take delivery of import containers within a period of 3 days. These factors still remain the same. (c). IGTPL has mentioned that there are two private CFS at Cochin Port, as such the reduction of free period is justified. The CCHAA does not subscribe to the above arguments of IGTPL. The private CFSs alone can accommodate only less than 1000 TEUs. Cochin Port on an average handles about 5000 TEUs. Hence, in the current scenario, Shippers and CHAs would be put into considerable difficulty if the above

	proposal of reduction in number of free period is accepted. (d). It is learnt that plans are on the anvil for more and more private CFSs coming up on the route to proposed container terminal at Vallarpadam. It would take couple of years to complete these CFSs. Hence, in our opinion TAMP could consider the reduction of free days at that time. (e). Besides, recently Custom House has given the permission to IGTPL to move import containers to the CFSs after 7 days to ease the congestion in consultation with IGTPL, CCHAA, CSAA and trade bodies. Hence, there are no possibility of backlog of import containers remaining at the terminal. Hence it is requested not to reduce the free period from existing 7 days to 3 days for the time being.
(ii).	<u>Additional levy of Rs.30 per TEU on account of proposed salary revision of 20% for the port staff transferred to IGTPL:</u> (a). The CCHAA is not against the above proposal, but at the same it needs to be considered that currently there are about 300 plus Cochin Port Staff employed at IGTPL on a deputation basis as per the agreement entered into between IGTPL and Cochin Port Trust. The agreement is valid upto 2009. (b). It is reliably learnt that as per the agreement the said staff have the option either to remain with IGTPL as their employee or go back to Cochin Port Trust. In such a scenario how many of them will remain with IGTPL after the agreement period in 2009 is a real question. Hence, if at all any increase is given by TAMP on the above account, the same should be reconsidered in 2009 taking into consideration the realities then and do away with the above additional levy, if not warranted then.
(iii).	<u>Proposed staggered increase of 25% annually:</u> (a). The proposed staggered increase of 25% annually from 2008 onwards is exorbitant. If the proposal of IGTPL is accepted then within a short span of four years IGTPL would get an increase of 43% (18 + 25) from the time they commenced their operations at Cochin Port. An increase of almost 50% within a short span of six years is too sharp increase. The same would really put Cochin Port in a disadvantageous position compared to the neighboring ports no matter whatever the infrastructure facilities improvements that would come up at Cochin Port. (b). Shippers and port users were of the view that with the handing over the RGCT to IGTPL the rates would come down. But contrary to all our expectations, it is evident from the proposal submitted by IGTPL that the rates are going to increase sharply which will prompt the shippers to divert the existing cargo to other neighbouring ports as already the cost of exports / imports through the port of Cochin is on the higher side compared to the neighbouring ports. Tuticorin Port widely accepted as the main competitor to Cochin Port is even giving concessions and rebates in their existing tariff rate to attract more and more cargo through Tuticorin Port. (c). Hence, at this juncture CCHAA do not support the proposal of IGTPL for staggered increase. Beside as per the agreement IGTPL is to commence operations at Vallarpadam in 2009. A revision, if any, could be considered after the shifting of operations to Vallarpadam.
7.	**Indian Chamber of Commerce and Industry**
(i).	It has reiterated the comments made by other user associations about high tariff in Cochin Port in comparison to the tariff prevailing in Tuticorin, New Mangalore, Chennai Ports.
(ii).	It has stated that reduction proposed in the free period in the case of import cargo, is not desirable since it will not be in tune with the traffic promotion drive. It has suggested to

	consider revision in rates if any, in 2009 when IGTPL commences operations at Vallarpadam in 2009.
8.	**Cashew Export Promotion Council of India**
(i).	Earlier when this proposal had come, Council had brought to the notice of all concerned, the difficulties this would create especially for the raw cashewnut importers. Raw Cashewnuts mostly imported from African countries and the related documents for clearing quite often take more time than the cargo to reach Cochin. This was considered sympathetically and a favourable decision was taken. Even the present seven days are not sufficient for clearing imported raw cashewnut and hence it is once again requested not to reduce the number of free days for cashew containers.
(ii).	IGTPL has proposed additional levy of Rs.30/- per TEU on account of proposed 20% increase of salary for the Cochin Port staff transferred to IGTPL with effect from 1 January 2007. It is understood that the agreement with IGTPL and Cochin Port is valid upto 2009 and as per the agreement, the employees have the option to continue with IGTPL or to go back to Cochin Port Trust. Hence, any increase based on the above account need be considered in 2009, taking into consideration the actual position.
(iii).	Apart from the above, it has reiterated the comments made by other users / user associations.
9.	**The Seafood Exporters Association of India**
	It has reiterated the submissions made by Cochin Custom House Agents' Association.
10.	**Coir Board**
(i).	The justifications and grounds given by the IGTPL for three dimensional tariff increase, viz. staggered increase of 25% from July 2008, April 2009 and April 2010, reduction in free period of import containers and additional levy of Rs.30 per TEU particularly in the context of global meltdown cannot be considered as supportive with logical reasoning.
(ii).	The pay revision and increase in salary element are applicable to all institutions which cannot be directly levied from the service utilizers. Instead, the organizers should increase the level of quality of the service and reduction in the time component which in turn will increase the productivity and generate more revenue to the organisation.
(iii).	The tariff rates whether it is at Cochin or Tuticorin or New Mangalore, it should be comparable and should be convincing to the conscience of the common folk.
(iv).	The popularization of private CFS should not be at the expense of the existing facilities available for the customers. In a world of competitiveness each service provider should approach the consumers with qualitative services and added benefits. The move of the IGTPL to reduce the free days now allowed for import container that too very drastically from 7 to 3 days cannot, therefore, be accepted.
(v).	Indian Coir Exporters are facing cut of running export orders to the tune of 20-50% by following the strategy of put on hold by the importers. All economic activities are being lowered due to the global meltdown. This will severely affects the performance of the Indian export sector in the current and the coming years.
(vi).	Therefore, the Board is of the view that any move to increase the transaction cost of exports by way of tariff increase, reduction in free days allowed for import containers and additional levy of Rs.30 per TEU will have unprecedented cascading effects on the prospects of the Indian export sector and will be highly detrimental to the larger interests of the trade and industry. It is requested the proposal of IGTPL is not agreed to, particularly in the context of adversities of global meltdown.

11.	**Cochin Port Trust**
(i).	Whether the income and expenditure related to pre-stage operation has been included in the calculations could not be verified ? TAMP may issue necessary orders to IGTPL to get the pre-stage rates approved by TAMP.
(ii).	Some discrepancy is seen in the amount of depreciation shown in Form 3A and Form 4A. On enquiry IGTPL stated that the mistake has been rectified. It is requested that TAMP may verify the corrected statements.
(iii).	IGTPL has taken the Technical Service Fee as an item of cost in the proposal. It is not clear whether the provision of the TAMP guidelines has been complied with in this case.
(iv).	Comparison of Ground rent charges for an import laden container in Cochin Port with Tuticorin Port is tabulated hereunder

(**US $**)

Particulars	**Cochin**			**Tuticorin**			**% high than TPT**		
	20’	**40’**	**45’**	**20’**	**40’**	**45’**	**20’**	**40’**	**45’**
First 5 days	Free	Free	Free	Free	Free	Free	-	-	-
7th day	Free	Free	Free	0.76	1.52	2.28	-	-	-
10th day	13.50	27.00	40.50	1.90	3.80	5.70	611	611	611
15th day	36.00	72.00	108.00	3.80	7.60	11.40	847	847	847
20th day	81.00	162.00	243.00	11.30	22.60	33.90	617	617	617
25th day	126.00	252.00	378.00	18.8	37.6	56.4	570	570	570
30th day	171.00	342.00	513.00	37.5	75.00	112.5	356	356	356

Ground rent charges at COPT are on the higher side when compared to neighbouring ports like Chennai and Tuticorin. On commissioning of ICTT at Vallarpadam in November 2009, there will no space congestion for storing containers. In the last joint hearing held at COPT on the subject, TAMP had specifically instructed IGTPL to consult their customers and get back to TAMP with a revised proposal. It is not stated whether or not this has been done.

(v).	On migration to ICTT, COPT employees may be repatriated to COPT. However, it is seen that the employee cost at the same level is considered for 2009-10 and 2010-11 including impact of wage revision. In all probabilities, employee strength will come down substantially on ICTT commissioning, which will have very high quality facilities.
(vi).	Construction of a new project facility like ICTT confers substantive tax benefits to the IGTPL under Income Tax Act. Moreover, the site of construction, Vallarpadam, has been notified as a SEZ, thereby exempting the activity from other duties, taxes and levies applicable to Domestic Tariff Area. From the workings, it could not be ascertained whether these benefits are factored.
(vii).	Since IGTPL is importing new equipment worth crores of rupees, it is possible for them to avail the benefits of Export Promotion Capital Goods (EPCG) Scheme. In case the scheme is availed, there will be considerable reduction in the investment and consequent reduction in depreciation and ROI, which can be passed over to the users.
(viii).	It has come to our knowledge that IGTPL has settled the issue of the ABG Crane (the hired crane) with the Company. Hence it is felt that there is no longer any need to show any amount under this head.
(ix).	Even though IGTPL is migrating to Vallarpadam by November 2009 where the lease rentals payable is substantially low, they have taken the lease rent payable at RGCT for the full year during 2009-10.

2.1. A joint hearing in this case was held on 20 June 2009 at the COPT premises. The IGTPL made a power point presentation of its revised proposal requesting tariff to be set on a normative basis for the new facility at ICTT, Vallarpadam. At the joint hearing, the IGTPL, COPT and the concerned users / user associations have made the following submissions:

India Gateway Terminal Private Limited

(i). Slide presentation of the revised proposal.

(ii). The new ICTT will be commissioned on 30 November 2009 at a total capital cost of Rs.1260 crores. The capital cost has since been updated based on the payments made so far and orders placed.

(iii). In RGCT, there is no significant variation between actual and the estimates based on which the existing rates were fixed. We request the same rates to continue for RGCT till November 2009.

(iv). By cost plus approach of 2005 guidelines, the net deficit at ICTT will be 123% in 2010, 84% in 2011 and 56% for 2012 which means average revenue / TEU will have to be Rs.5878/- to realise the stated return on capital. This means, 83% increase in the existing tariff for the ICTT.

(v). Since such a high level of tariff is not sustainable, we propose a normative model based on capacity, as per 2008 guidelines. Accordingly, the rate will be Rs.4497/- per TEU.

(vi). Since ICTT is a new facility being created after 2008 guidelines, we feel the upfront guidelines should be applied in case of ICTT.

(vii). We agree to submit capital cost details to COPT for verification.

(viii). Proposed normative tariff will be lower than the cost plus rates which will benefit trade and avoid the risk of sudden fluctuations in tariff.

Cochin Steamer Agents Association

(i). We welcome the proposal for not increasing the rates at RGCT.

(ii). The rates proposed for ICTT are very high. It should be lower than the existing rates to attract volumes.

Indian National Shipowners Association

(i). The rates for ICTT should not only be competitive with Colombo but also with reference to Chennai and Tuticorin, if the terminal wants to attract trade.

(ii). The existing tariff at Cochin Port is already about 600% more than those of Colombo.

Cochin Chamber of Commerce & Industry

(i). We request TAMP to review and reduce the existing rates at RGCT and apply them even in the case of ICTT.

The Seafood Exporters Association of India

(i). The actuals in future will definitely be different from the estimates presented by IGTPL now. We have seen such variation in many past cases.

(ii). We expect reduction in the existing tariff to boost trade.

Indian Chamber of Commerce & Industry

(i). We endorse the views of the other Associations.

(ii). IGTPL collects Rs.600/- extra for pre stack area which is not approved.

Shipping Corporation of India

(i). Any increase in tariff will push up THC.

Cochin Port Trust

(i). Our concern Is to make ICTT viable. Rates should be competitive and at the same time it should be financially viable to the operator.

(ii). Trade benefits due to avoiding transhipment. The estimated saving will be $200 per TEU.

Cochin Custom House Agents Association

(i). ICTT rates should be comparable with the prevailing rates in the region.

2.2. The Cochin Chamber of Commerce and Industry has filed written submissions reiterating its comments furnished earlier.

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