(Published in Part - III Section 4 of the Gazette of India, Extraordinary)

Tariff Authority for Major Ports

G. No. 74 **New Delhi, 6 April 2011**

NOTIFICATION

In exercise of the powers conferred under Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes off the proposal received from the International Seaports (Haldia) Private Limited (ISHPL) for review of its Scale of Rates at Berth No.4A, Haldia Dock Complex of Kolkata Port Trust as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports
Case No. TAMP/8/2009-ISHPL

International Seaports (Haldia) Private Limited - - - Applicant

O R D E R
(Passed on this 19th day of January 2011)

This case relates to a proposal received from the International Seaports (Haldia) Private Limited (ISHPL) for review of its Scale of Rates at Berth No.4A, Haldia Dock Complex (HDC) of Kolkata Port Trust (KOPT).

2. The tariff of the ISHPL, a BOT operator at the KOPT, was fixed for the first time by this Authority vide its Order dated 25 January 2007 with validity up to 31 March 2009. Clause 3.1.2 of the tariff guidelines of March 2005 requires a major port / private terminal operator to file its proposal for review of its tariff, at least 3 months before the due date for revision. As no such proposal was forth-coming from the ISHPL, the terminal operator was reminded to file its proposal vide our letter No.TAMP/37/2005-ISHPL dated 14 January 2009.

3. The ISHPL filed a proposal for general revision of its Scale of Rates vide its letter dated 30 January 2009. Since the proposal filed by ISHPL was not found to be in the prescribed format, the terminal operator was advised to file its proposal in the prescribed format. The ISHPL responded and filed the proposal in the format prescribed by this Authority in June 2009.

4. The validity of the existing Scale of Rates of the ISHPL was extended from time to time with the latest extension being up to 30 September 2010 vide Order No.TAMP/37/2005-ISHPL dated 31 March 2010 with a condition that if any additional surplus over and above the admissible cost and permissible return emerges for the period after 1 April 2009, during the review of its performance, such additional surplus will be set off fully in the tariff to be determined.

5. The main points of ISHPL proposal are summarised below:

(i). Traffic and revenue

(a). The financial projection is based on a traffic of 21 lakh tonnes for the year 2009-10 and 20 lakhs tonnes each for the year 2010-11 and 2011-12.

(b). The actual volume handled during the year 2008-09 dropped substantially to 27 lakh tonnes due to drop in demand as compared to the actual volumes of 33.1 lakh tonnes and 31.7 lakh tonnes handled during the years 2006-07 and 2007-08 respectively.

(c). ISHPL anticipates that a sizable direct berthing of imported cargo vessels will take place at competing ports such as Damra, Vizag and Gangavaram. This is expected to result in coastal movement of cargo, with smaller parcels, destined for plants located closer to Haldia. Thus, the component of coastal cargo in the total cargo will substantially increase, according to ISHPL. This coupled with overall drop in cargo handled at berth No.4A will impact the revenue earning, as stated by ISHPL.

(ii). Operating expenditure

(a). The projected cost for the years 2009-10 to 2011-12 are based on the current actuals, adjusted for volume and average inflation rate of the last year.

(b). The ISHPL is stated to have adopted a higher inflation factor for projecting employee cost considering the difficulty in recruitment and retention of experienced staff.

(c). As reported by the ISHPL, royalty has been considered based on the existing Scale of Rates of KOPT. In case, KOPT's Scale of Rates undergoes revision, corresponding revision needs to be made in the projection of royalty costs in the proposal.

(iii). Other points

(a). As against the estimated surplus aggregating to about Rs.1044 lakhs for the years 2006-07 to 2008-09 considered by this Authority at the time of approving the last tariff, the actual aggregate surplus for the same period is only Rs.11 lakhs. The impact of this is not factored in the proposed tariff calculation.

(b). The ISHPL has estimated an average net deficit of about 61% in the forthcoming three years, 2009-10 to 2011-12. With the proposed increase in tariff, the terminal is expected to have a marginal surplus. Therefore, the ISHPL has stated that the rates proposed are reasonable.

(c). A number of additional items of optional services have been included in the proposed Scale of Rates on the basis of demand / interest shown by users. These services will safeguard the cargo.

(d). The current discharge rate of 14,000 tonnes per Weather Working Day (WWD) is proposed to be maintained in future despite the reported ageing of equipments.

(e). An additional investment to the tune of Rs.19.50 crores during the years 2009-10 to 2011-12 is proposed towards revamping of machineries.

(f). The ISHPL has unbundled the existing tariff item relating to Shore Handling Charges by shifting the activity relating to 'Conveying the cargo from TP-2 to the Stack yard' from Shore Handling Charges to Wharfage Charges, as coastal concession is applicable only on this portion of Shore Handling Charges.

(g). The volume discount for handling cargo beyond 2.3 million tonnes, indicated under Note (ii) of clauses 3.1 & 3.2 of SOR, has been increased to 25% from the existing level of 20%.

6. The proposal of the ISHPL is to increase the existing charges apart from proposing additional items of optional services. The increase proposed for main items of tariff ranges from around 15% to around 119%. The existing rates, the proposed rates along with the increase proposed for main items of tariff are tabulated below:

Sl. No.	Main tariff category	Existing rates (Rs.)	Proposed Rate (Rs.)	Increase sought (rounded off)
1.	Berth Hire (US $)	0.0025	0.003	20%
2.	Supply of manpower & mobile equipments	9.57	21	119%
3.	Wharfage	78.30	152	94%
4.	Shore handling charges	91.35	127	39%
5.	Delivery charges	30.45	45	48%
6.	Ground rent	43.50	50	15%
7.	Loading, re-loading & restacking	20	25	25%

7. The estimated financial / cost implications at the existing level of tariff as shown in the consolidated income and cost statements furnished by the ISHPL are summarised below:

(Rs. in lakhs)

Sl. No.	**Particulars**	**Estimates at existing level of tariff**		
		2009-10	**2010-11**	**2011-12**
1.	Traffic (in MTs)	2.1	2.0	2.0
2.	Operating income	4177	3999	3999
3.	Net surplus / deficit after return	- 2434	-2438	-2515
4.	Net deficit as a percentage of operating income	- 58.3%	- 61%	- 62.9%
5.	Average net deficit as a percentage of operating income	60.73%		

8.1. The ISHPL requested for inclusion of the following amendments to their proposal in Vessel Related Charges and Cargo Related Charges. The ISHPL stated that the amendments proposed are not revision in the rates, but in the nature of clarifications. The relevant Clauses of original proposal and the amendments proposed, by the ISHPL shown in italics, are tabulated below:

<table>
<tr><th>Clause No.</th><th>Original proposal of ISHPL</th><th>Amendments proposed by the ISHPL</th></tr>
<tr><td></td><td><u>VESSEL RELATED CHARGES</u></td><td></td></tr>
<tr><td>1.2.
(xi).</td><td><u>General Terms & Conditions</u>
(a). The Vessel related charges for all Coastal Vessels should not exceed 60% of the corresponding charges for other vessels.
(b). The cargo related charges for all Coastal cargo, other than thermal coal, POL including crude oil, Iron Ore and Iron pallets, should not exceed 60% of the normal cargo related charges.
(c). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship-shore transfer and transfer from / to quay to/ from storage yard including wharfage.
(d). For the purpose of this concession, cargo 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 from / to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for the concession.
(e). The charges for coastal cargo / coastal vessels shall be denominated and collected in Indian Rupee.</td><td><u>General Terms & Conditions</u>
(xi) (a). The vessel related charges for all Coastal vessels should not exceed 60% (or such percentage as may be modified as per Government of India notifications from time to time) of the corresponding charges for other vessels.

(b). The cargo related charges (as given in Clause 3.1 and Clause 3.2 only) for all coastal cargo, other than thermal coal, POL including crude oil, Iron Ore and Iron pallets, should not exceed 60% (or such percentage as may be modified as per Government of India notifications from time to time) of the normal cargo related charges.

[Clause 3.1 relates to levy of charges for supply of man power and mobile equipment. Clause 3.2 relates to levy of wharfage charges]</td></tr>
<tr><td>2.5.</td><td>Commodity wise per day output rates<table><tr><th>Sl. No.</th><th>Nomeclature (MT)</th><th>Output per WWD (in MT)</th></tr><tr><td>(i).</td><td>Coking coal (imported)</td><td>14000</td></tr></table></td><td>To read as follows:<table><tr><th>Sl. No.</th><th>Nomeclature (MT)</th><th>Output per WWD (in MT)</th></tr><tr><td>(i).</td><td>Coking coal</td><td>14000</td></tr></table>Note:
(i). The above output is based on two workable hatches or pro-rata, if less.</td></tr>
</table>

<table>
<tr><td></td><td><u>CARGO RELATED CHARGES</u></td><td></td></tr>
<tr><td>3.1.</td><td>Section A : Supply of Manpower and Mobile Equipment

These charges shall be payable by the importer / exporter of cargo to ISHPL on the draft survey quantity of cargo at the rates specified below for supply of man power and mobile equipment inside the holds of vessel.

<table><tr><th>Sl. No.</th><th>Particulars of Commodity</th><th>Rate per metric Tonne (Rs)</th></tr><tr><td>(i).</td><td>Coking coal (imported)</td><td>21</td></tr></table><u>Notes:</u>
(i). The weight to be charged shall be computed on the basis of the draft survey weight on arrival of the vessel and on completion of cargo discharge / shipment.

(ii). For volume of cargo offered by any importer / exporter beyond 2.3 million tones (imports and exports of any single item of cargo) in any financial year, 25% rebate shall be allowed on the incremental quantity of imports / exports, on a non-discriminatory basis.</td><td>To read as follows:

<table><tr><th>Sl. No.</th><th>Particulars of Commodity</th><th>Rate per metric Tonne (Rs)</th></tr><tr><td>(i).</td><td>Coking coal</td><td>21</td></tr></table>
<u>Add Note:</u>
(iii). For coastal cargo, discounts will be given as per para (xi) (b) of Clause 1.2.</td></tr>
<tr><td>3.2.</td><td>Section B : Wharfage Charges

Wharfage charges shall be payable by the importer / exporter of cargo to ISHPL on the draft survey quantity of cargo at the rates specified below, and shall cover transfer of cargo up to 2nd Transfer Point (TP-2), i.e.,

(i). Unloading of cargo from Vessel to Berth or vice versa
(ii). Movement of cargo from Berth till TP-2 or vice versa, and cleaning charges
(iii). Cleaning Charges
(iv). Dust suppression services wherever necessary and provided.
(v). Conveying from TP-2 to the stack yard in ISHPL premises including unloading / stacking

<table><tr><th>Sl. No.</th><th>Particulars of Commodity</th><th>Rate per metric Tonne (Rs)</th></tr><tr><td>(i).</td><td>Coking coal (imported)</td><td>152</td></tr></table><u>Notes:</u>

(i). The weight to be charged shall be computed on the basis of the draft survey weight on arrival of the vessel and on completion of cargo discharge / shipment.

(ii). For volume of cargo offered by any</td><td>To read as follows:

<table><tr><th>Sl. No.</th><th>Particulars of Commodity</th><th>Rate per metric Tonne (Rs)</th></tr><tr><td>(i).</td><td>Coking coal</td><td>152</td></tr></table>
Add Note:
(iii). For coastal cargo, discounts will be given as per para (xi) (b) of Clause 1.2.</td></tr>
</table>

	importer / exporter beyond 2.3 million tones (imports and exports of any single item of cargo) in any financial year, 25% rebate shall be allowed on the incremental quantity of imports / exports, on a non-discriminatory basis.	

8.2. The ISHPL also furnished the Audited Accounts for the financial year 2008-09.

9. In accordance with the consultative procedure prescribed, the proposal dated 25 June 2009 received from the ISHPL was forwarded to KOPT and to the concerned users/ user organisations for their comments. The comments received from some of the users and KOPT were forwarded to ISHPL as feedback information. The ISHPL responded to the comments of KOPT and has not furnished any comments on the comments of users.

10.1. Based on a preliminary scrutiny of the proposal, the ISHPL was requested to furnish additional information / clarifications on various issues. The ISHPL filed a revised proposal in August 2010 along with its response for the queries raised by us. The main points made by ISHPL in its revised proposal are summarised below:

(i). Financial projections have been based on traffic of 2.3 Million tonnes each for the years 2010-11 to 2012-13.

(ii). Actual capacity utilisation during the year 2006-07, 2007-08 and 2009-10 was nearer to the assessed capacity level. During the year 2008-09, the actual volume handled has dropped substantially reflections the market position in terms of drop in demand.

(iii). ISHPL expects the market to be weak. With competing terminals with superior facilities (cape size vessel handling) coming up soon and falling draft at HDC, the vessel sizes and parcel sizes will drop drastically. A sizable direct berthing of imported cargo vessels will happen at competing ports such Dhamra, Vizag and Gangavaram. This will result in coastal movement of cargo, with smaller parcels, destined for plants located closer to Haldia. This, coupled with overall drop in cargo handled at ISHPL the component of coastal cargo in the total cargo handled will substantially increase. This will impact on the revenue earning.

(iv). The projected costs for financial year 2010-11 to 2012-13 are based on the current actuals, adjusted for volume and average inflation rate of the last year. A higher inflation factor has been adopted for projecting the employee cost considering the difficulty in recruitment and retention of experienced staff.

(v). Royalty has been considered, as per LA, based on the existing Scale of Rates of KOPT. In case, KOPT's Scale of Rates undergo revision, corresponding revision need to be made in the projection of royalty cost in ISHPL proposal.

(vi). As against the estimated surplus aggregating to about Rs.10.43 Crores for the three years from 2006-07 to 2008-09 considered by TAMP at the time of approving the last tariff, the actual aggregate surplus for the same period is only around Rs.3.91 Crores. The impact of this surplus is not factored in the proposed tariff calculations.

(vii). On the basis of the existing tariff the terminal will result in a net deficit of about 47% in the forthcoming three years, 2010-11, 2011-12 and 2012-13. With the proposed increased tariff, the terminal will be within the limit of 16% ROCE. This indicates clearly that the rates proposed are reasonable.

(viii). A number of additional items of optional services have been included in the proposed Scale of Rates on the basis of demand / interest shown by users for providing these services. These services will safeguard the cargo. ISHPL, therefore, proposes to provide these value added services to the users.

(ix). The entire financial statements and underlying assumptions may not be circulated to the users to avoid competitors getting full information on our strategy. This will go against our interest in future competitive biddings for other BOT Projects.

(x). The ISHPL has also modified the rates proposed by it in its original proposal dated 25 June 2009. The rates proposed in the original proposal and revised proposal under main tariff categories are tabulated below:

Sl. No.	**Main tariff category**	**Existing rates (Rs.)**	**Proposed Rates 25.6.2009 (Rs.)**	**Revised Proposed Rates 12.8.2010 (Rs.)**	**Revised increase proposed w.r.t. existing rates***
1.	Berth Hire (US $) @	0.0025	0.003	0.003	20% (20%)
2.	Supply of manpower & mobile equipments	9.57	21	15	57% (119%)
3.	Wharfage	78.30	152	120	53% (94%)
4.	Shore handling charges	91.35	127	130	42% (39%)
5.	Delivery charges	30.45	45	45	48% (48%)
6.	Ground rent	45.30	50	50	15% (15%)
7.	Loading, re-loading & restacking	20	25	25	25% (25%)

* % increase proposed in original proposal dated 25.6.2009 furnished in brackets.
@ The ISHPL has stated that the increase in Berth Hire charges is proposed only for the foreign going vessels.

10.2. The queries raised by us and the clarifications furnished by the ISHPL are tabulated below:

<table>
<tr><th>Sr. No.</th><th>Queries raised by us</th><th>Reply of ISHPL</th></tr>
<tr><td>I. A.</td><td><u>Financial and Cost Statements General:</u></td><td></td></tr>
<tr><td>1.</td><td>The cost statements for the year 2009-10 may be updated with actuals and estimates for the years 2010-11 & 2011-12 may be reviewed, if required. Estimates for the year 2012-13 may also be furnished.</td><td>The Revised Proposal is submitted taking care the following:
(i). Cost statements for F/Y 2009-10 updated on actual.
(ii). Estimates for F/Y 2010-11 and F/Y 2011-12 reviewed and furnished.
(iii). Estimates for F/Y 2012-13 furnished.</td></tr>
<tr><td>2.</td><td>A detailed income calculation for the years 2006-07 to 2009-10 for the actual traffic handled and for the years 2010-11 to 2012-13 for the estimated traffic, applying the rates approved in the Scale of Rates (SOR) may be furnished.</td><td>The ISHPL has furnished the details in its revised proposal of September 2010 and subsequent letter dated 18 September 2010, as given below:
(Rs. In lakhs)
<table>
<tr><th>Particulars</th><th>2006-07</th><th>2007-08</th><th>2008-09</th><th>2009-10</th><th>2010-11</th><th>2011-12</th><th>2012-13</th></tr>
<tr><td>Berth Hire</td><td>232.30</td><td>286.00</td><td>297.00</td><td>404.70</td><td>213.10</td><td>168.80</td><td>143.90</td></tr>
<tr><td>Supply of manpower & equipment</td><td>316.40</td><td>299.30</td><td>255.50</td><td>295.70</td><td>223.90</td><td>192.90</td><td>176.10</td></tr>
<tr><td>Wharfage</td><td>2588.40</td><td>2448.30</td><td>2090.60</td><td>2419.10</td><td>1832.30</td><td>1578.50</td><td>1440.80</td></tr>
<tr><td>Shore handling</td><td>3019.80</td><td>2866.20</td><td>2450.10</td><td>2949.40</td><td>2375.10</td><td>2192.40</td><td>2101.10</td></tr>
<tr><td>Delivery</td><td>1006.60</td><td>955.40</td><td>816.70</td><td>983.10</td><td>791.70</td><td>730.80</td><td>700.40</td></tr>
<tr><td>Incentive as per SOR</td><td>(176.80)</td><td>(142.50)</td><td>(61.80)</td><td>(102.10)</td><td>0.00</td><td>0.00</td><td>0.00</td></tr>
<tr><td>Additional incentive</td><td>(325.60)</td><td>(293.00)</td><td>0.00</td><td>0.00</td><td>0.00</td><td>0.00</td><td>0.00</td></tr>
<tr><td>Misc. Income</td><td>--</td><td>--</td><td>474.30</td><td>415.40</td><td>301.90</td><td>278.70</td><td>267.10</td></tr>
<tr><td>TOTAL</td><td>6661.10</td><td>6419.70</td><td>6322.40</td><td>7365.30</td><td>5738.00</td><td>5142.10</td><td>4829.40</td></tr>
</table></td></tr>
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		(The ISHPL has not furnished the workings for additional incentive passed on to SAIL during the years 2006-07 & 2007-08. Coastal concession not applied on shore handling charges for coastal volume. Volume discount as per Scale of Rates has not been allowed on coastal cargo).
3.	The ISHPL to determine and furnish with workings its quay side capacity at 70% utilization, taking into account percentage share of various sizes of vessels and ship day output of such vessels. Likewise, the yard capacity may be determined and furnished at 70% storage capacity taking into account the area of the yard, percentage of total area that could be used for stacking, quantity that could be stacked per sq. m. of area and turnover ratio of the storage plot in a year.	The capacity of the Berth No. 4A, Haldia Dock Complex has been certified as 3 million tonnes per annum and the same has been incorporated in TAMP's Order dated 25.01.2007. Hence, 70% capacity utilisation works out to 2.1 million tonnes per annum.
4.	The ISHPL to furnish a copy of the draft accounts for the year 2009-10, if audited accounts are not available.	The ISHPL has furnished a copy of Audited Annual Accounts for the Year 2009-10.
5.	The ISHPL has furnished Directors' Report along with copy of the audited annual accounts for the years 2006-07 & 2007-08. However, the copy of the annual accounts furnished for the year 2008-09 does not contain the directors' report.	The ISHPL has furnished a copy of Directors' Report for the year 2008-09.
6.	This Authority vide its letter dated 3 March 2009 and reminders dated 8 April 2009 & 14 May 2009 requested the ISHPL to furnish comments on the reference made by the KOPT on charging of a consolidated rate by the ISHPL for the services rendered at berth 4A. The ISHPL has not furnished its comments on this issue so far.	During the exchange of correspondence prior to issue of TAMP's order of Jan. 2007, we had intimated that "Consolidated invoicing is as per the prevailing good industry practice. Presently, SAIL is the only customer to whom ISPHL renders services at Berth No. 4A. As per Agreement with SAIL which is valid upto the expiry of the BOT period, ISPHL will raise consolidated invoice (TTC) to SAIL for all the services rendered to them at Berth No. 4A. The agreement with SAIL does not allow billing in other manner". This also formed an integral part of the tabulated observation of KoPT, HDC vide their letter dated 15th June 2006 and ISPHL's comments on the same vide its letter dated 23rd Aug. 2006 at Serial No. 5. The copy of the SAIL's Agreement is available with TAMP. Please be informed that we are charging SAIL as per the Agreement / Contract ensuring that the Scale of Rates approved by TAMP is considered as the ceiling rate. (The ISHPL has not furnished the details of all services rendered to SAIL and the actual consolidated rate charged by it to verify whether it is lower than the ceiling rates approved in the SoR). In so far as amount of royalty payable to KoPT, HDC is concerned, this already forms an integral part of TAMP's announcement of Jan. 2007 and hence KoPT, HDC should not have any difficulty in ascertaining the Royalty payable by ISPHL which is in line with TAMP's Order of Jan. 2007. In any case, issue of consolidated invoices need not come in the way of computing royalty as it is to be computed at the

<table>
<tr><td></td><td></td><td>applicable cargo handling charges of SOR of the Licensor with relevant certification by the Independent Auditor as prescribed in the License Agreement.</td></tr>
<tr><td>7.</td><td>As per note to form 5B, the cost statement and capital employed statement should be furnished separately for each activity and sub-activities under each activity. However, no such statements have been furnished for the sub-activities, viz. Cargo handling, Wharfage and Transport & delivery. This may be furnished along with the basis of allocating the cost / assets to various activities and sub-activities.</td><td>The ISHPL has furnished the cost statements separately for each activity / sub-activity in its revised proposal.</td></tr>
<tr><td>8.</td><td>In Form 7 of the cost statement, the percentage variation in actuals from estimates has been computed with reference to actuals. The percentage variation may be calculated with reference to estimates and wherever the variation is more than 20%, the reasons for the variation may be explained in detail.</td><td>Variation above 20% in total operating income has been due to increase in traffic and also due to larger incidents of double/triple banking for which payment is yet to be realised from KoPT, HDC.

Variation above 20% in operating cost (excl. Dep.):
a. Survey / Testing Expenses in 2006-07 and 2007-08 which is due to increase in traffic.
b. Labour & Equipment Hire Charges in 2007-08 which is due to increase in traffic.
c. Terminal maintenance expenditure in 2007-08 and 2008-09 which is due to revision in maintenance contract and for reasons explained in Para D 4 (a).
d. Royalty / Revenue Share in 2007-08, which is due to increase in traffic.
e. Maintenance and Administration overheads in 2006-07, 2007-08 & 2008-09, which is due to increases as explained in Para F.2.

(The ISHPL has not revised the percentage variation computation with reference to estimates, as sought by us).</td></tr>
<tr><td>9.</td><td>It is noticed that the ISHPL has proposed revamping of machineries at a total cost of Rs.19.50 crores during the years 2009-10 to 2011-12. In this regard, the details of machineries proposed to be revamped or modified along with the nature of revamping/modification may be furnished. It may be clarified how the proposed revamping will improve the capacity and/or reduce unit operating cost. In this regard, the ISHPL may also clarify why the productivity is proposed to be maintained at the existing level of 14,000 Tons per day despite the proposed revamping of machineries.</td><td>The major jobs envisaged are:-

<table>
<tr><th></th><th>Details</th><th>Amount (Rs. in crores)</th></tr>
<tr><td>1.</td><td>Mechanical Structural repair of Ship un-loader 2</td><td>5.00</td></tr>
<tr><td>2.</td><td>Replacement of existing PLC/VVVF drives in both un-loaders</td><td>5.00</td></tr>
<tr><td>3.</td><td>Procurement of D.G. Sets (Capex)</td><td>3.00</td></tr>
<tr><td>4.</td><td>Replacement of Rly. Siding and In-motion Weight Bridge</td><td>1.00</td></tr>
<tr><td>5.</td><td>Revamping of conveying systems</td><td>2.00</td></tr>
<tr><td>6.</td><td>Augmentation of stackyard capacity</td><td>3.50</td></tr>
<tr><td></td><td>Total</td><td>19.50</td></tr>
</table>

All the repair/replacement jobs envisaged are to maintain the existing facilities coupled with technological obsolescence and in no way connected to capacity augmentation. If these are not carried out, there will be loss of operating efficiency. The item wise details are given at para 4) c under the heading ‘Repairs & Maintenance”.

DG sets have become a necessity with the progressive deterioration of the power availability in West Bengal.</td></tr>
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		(In its revised proposal of September 2010, the ISHPL has included one more item, viz. construction of hight mast towers at a cost of Rs.80 lakhs thereby enhancing the total value of repairs / replacement jobs from Rs.19.50 crores to Rs.20.30 crores)
B.	**<u>Traffic Projections</u>:**	
1.	The actual traffic handled for the year 2007-08 is mentioned as 31.7 lakh MT in Form 2A and the same is mentioned as 31.4 lakh MT in Form-7. This position may be verified and corrected.	The ISHPL has corrected the position in its revised proposal.
2.	The estimated traffic figure for the year 2009-10 may be updated with actuals and estimates for the years 2010-11 & 2011-12 may be reviewed, if required. The estimates for the year 2012-13 may also be furnished.	Reviewed and furnished in the Revised Proposal.
3.	The estimated traffic furnished by the ISHPL for the years 2009-10 to 2011-12 is around 22% less than the actual traffic for the year 2008-09. Further, the proportion of coastal traffic in the total traffic for the year 2008-09 is around 1%. As compared to this position, it is seen that the estimated coastal traffic for the years 2009-10 to 2011-12 is around 50% of the total traffic for each of the years. In this context, ISHPL to furnish the actual traffic handled for the year 2009-10 in terms of foreign and coastal. The trend of coastal cargo and analysis made to assess coastal volume for the years 2010-11 to 2012-13 may also be furnished.	The ISHPL furnished the actual traffic for the year 2009-10; reviewed the estimates for the years 2010-11 & 2011-12 and included estimates for the year 2012-13. Actuals for 2009-10 are as under: Imported: 28.8 lakh tonnes approx Coastal: 3.5 lakh tonnes approx Total: 32.3 lakh tones approx. ➢ The Projections have been made based on the information collected from the market and on the present trend of cargo mix. Besides in our view, the proposed augmentation by capacity in the Indian Port Sector particularly in the East Coast of India with development of competing facilities and a couple of technical reasons relating to HDC will also reduce the cargo availability at Berth 4 A in the coming years. We have summarized the reasons leading to drop in the volume estimate for your reference. ➢ Reducing draught. – The draught at Haldia port channel has been reducing over the past few years and it is now at 6/6.5 meters as against 9.5 meters earlier. We have no clear indication as to when and how the deepening is going to take place. This will result in reduced vessel movement in to HDC. ➢ New generation ports coming up in the near vicinity & coastal movement of imported cargo: The deep draught Port at Dhamra is expected to be operational during the current year. Paradip port has already awarded the tender to develop dedicated deep draught coal berth which will be operational in 2 years time. Vishakhapatnam port has also awarded a tender for developing mechanical shore handing facilities at general cargo berth. All these facilities will handle cape size vessels. Most of the bulk importers of coal are in the process of getting into long term contract with these ports. As per the announcement of Ministry / KOPT expression of interest has already been issued for setting

<table>
<tr><td></td><td></td><td>up transloading facilities at Sand heads and also at Kanika sands.

The above developments will result in cargo for HDC to be moved by coastal movement in smaller parcels. Besides the dedicated rail line development at Dhamra and the new Paradip rail connectivity will result in moving imported cargo directly by rail to the destinations in order to avoid multiple handling. These developments will impact on the cargo available for Berth No 4A.

➢ More number of Grades of coking coal being imported from various origins. – This will mean smaller parcels of cargo and higher time required for discharge. This will also require higher stacking area required as against the present availability.

➢ The development of Dhamra was on the drawing board since 2005. In view of this we had projected lesser cargo volume during the earlier years. The development got delayed of Dhamra and Haldia Berth No 4A benefited due to this delay. We continued to handle coking coal in line with the capacity. Besides major repair works scheduled to be carried out at Berth No 4A could not be carried out in the past and the same is postponed for the coming years. This also has contributed to higher volumes than estimates in the past years and would reduce the capacity available at the terminal in the coming years due to shut down. This is also evident from the budget for repairs projected.

➢ Coastal cargo handled in 2009-10 has been more than 10 times the cargo handled in 2008-09 (3.5 lakh tonnes in 2009-10 and 0.3 lakh tones in 2008-09) and this trend will continue due to falling draught which will reduce parcel size in larger vessels and encourage coastal movement. Projection for coastal movement is kept at 1.0 million, 1.25 million and 1.5 million tonnes respectively for 2010/11 to 2012/13.</td></tr>
<tr><td>C.</td><td><u>Income Projections:</u></td><td></td></tr>
<tr><td>1.</td><td>The estimated income for the year 2009-10 may be updated with actuals and estimated income for the years 2010-11 & 2011-12 may be reviewed, if required. The estimates for the year 2012-13 may also be furnished. As mentioned earlier income should be reported as realisable at the rates approved in the SOR.</td><td>Updated and reviewed in the Revised Proposal submitted by the ISHPL.</td></tr>
<tr><td>2.</td><td>A detailed computation for estimates of income from berth hire charges for the years 2010-11 to 2012-13 may be furnished separately for foreign going vessels and coastal vessels indicating the exchange rate adopted.</td><td>
<table>
<tr><th></th><th>2010-11</th><th>2011-12</th><th>2012-13</th></tr>
<tr><td>Traffic</td><td>23 Lakh</td><td>23 Lakh</td><td>23 Lakh</td></tr>
<tr><td>Coastal</td><td>10</td><td>12.5</td><td>15</td></tr>
<tr><td>Foreign</td><td>13</td><td>10.5</td><td>8</td></tr>
<tr><td>Rate</td><td></td><td></td><td></td></tr>
<tr><td>Coastal</td><td>0.07</td><td>0.07</td><td>0.07</td></tr>
<tr><td>Foreign</td><td>0.003</td><td>0.003</td><td>0.003</td></tr>
<tr><td>No. of Vessels</td><td></td><td></td><td></td></tr>
<tr><td>Coastal</td><td>67</td><td>83</td><td>100</td></tr>
<tr><td>Foreign</td><td>54</td><td>44</td><td>33</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><td></td><td></td><td>
<table>
<tr><td>Foreign Exchange Rate</td><td>47</td><td>47</td><td>47</td></tr>
<tr><td>Average GRT</td><td>Average Parcel</td><td colspan="2">Average Time (hrs)</td></tr>
<tr><td>16926</td><td>15000</td><td></td><td>30</td></tr>
<tr><td>40118</td><td>24000</td><td></td><td>52</td></tr>
<tr><td>Berth Hire Charges</td><td colspan="3">(GRT X Rate X Time Taken) X No. of Vessels X Exchange Rate</td></tr>
</table>
</td></tr>
<tr><td>3.</td><td>ISHPL to furnish the actual berth hire charges earned from coastal vessels during the years 2007-08 & 2008-09 in Form-2B, as ISHPL has handled 5 coastal vessels in each of these two years.</td><td>The ISHPL has furnished the details in the revised proposal.</td></tr>
<tr><td>4.</td><td>The projected income from berth hire charges from coastal vessels with reference to the existing tariff and proposed tariff are same for the years 2009-10 to 2011-12 despite a 20% increase proposed in the tariff for berth hire charges.</td><td>There is marginal increase in the rates of Berth Hire Charges of the coastal vessels. The 20% increase in Berth Hire Charges is proposed only for the foreign going vessels.</td></tr>
<tr><td>5.</td><td>ISHPL to furnish the details of other income of Rs.3.01 lakhs shown in the audited annual accounts for the year 2006-07. The reason for not considering this other income in the cost statement may be clarified.</td><td>Rs.3.01 lakhs has been considered in the Revised Proposal. This is interest income on the TDS Receivable from I.T. Department. It has shown in Form-3A under the Head “Other Income”.</td></tr>
<tr><td>6.</td><td>Details of actual other income for the year 2008-09 may also be furnished.</td><td>The income from the optional services is considered under the head “Other Income”. This is basically based on the past performance of the ISPHL. These services include:

a) Weighment charges for In-motion weigh bridge.
b) Retrieving Cargo which spills over in transit.
c) Siding Charges
d) Loading, reloading & Restacking
e) Taking photograph for loaded wagons
f) Providing manpower for manual sampling etc.
g) Charges for On-line sampling.
h) Despatch related services for rail bound cargo through Berth No. 4A, including trimming, cleaning, labelling & lime spraying.
i) Ship Stores
j) Quarterly survey of stock.

The ISHPL has subsequently vide its letter dated 18 September 2010 furnished the break-up details for the actual/ estimated miscellaneous Income for the years 2008-09 to 2012-13. The details are tabulated below:
(Rs. In lakhs)
<table>
<tr><td>Particulars</td><td>2008-09</td><td>2009-10</td><td>2010-11</td><td>2011-12</td><td>2012-13</td></tr>
<tr><td>Weighment charges</td><td>134.10</td><td>161.40</td><td>130.00</td><td>120.00</td><td>115.00</td></tr>
<tr><td>Siding charges</td><td>134.10</td><td>161.40</td><td>130.00</td><td>120.00</td><td>115.00</td></tr>
<tr><td>Photograph of loaded wagons</td><td>43.30</td><td>52.10</td><td>41.90</td><td>38.70</td><td>37.10</td></tr>
<tr><td>Retrieving spilled cargo</td><td>26.80</td><td>10.50</td><td>0.00</td><td>0.00</td><td>0.00</td></tr>
<tr><td>Loading / unloading / restacking</td><td>136.00</td><td>30.00</td><td>0.00</td><td>0.00</td><td>0.00</td></tr>
<tr><td>TOTAL</td><td>474.30</td><td>415.40</td><td>301.90</td><td>278.70</td><td>267.10</td></tr>
</table>
</td></tr>
<tr><td>7.</td><td>The estimated other income for the years 2009-10 to 2011-12 is found to be 84% less as compared to the actual other income for the year 2008-09.</td><td>The position stands revised in the Revised Proposal submitted by the ISHPL.</td></tr>
</table>

<table>
<tr><td>8.</td><td>It appears that the rate of Rs.5/- per ton proposed by the ISHPL in the draft SOR (Part IV – No.4.7) towards charges for online sampling for moisture analysis relates to the service of survey/testing. The ISHPL has also estimated the cost of rendering this service. Therefore, the estimated income arising out of rendering this service calculated by applying the SOR rate on the traffic (in tonnes) likely to avail this service may be furnished.</td><td>The Revised Proposal is being submitted.

(The ISHPL has not considered income from this service in the revised proposal also).</td></tr>
<tr><td>9.</td><td>The operating revenue for the years 2006-07 and 2007-08 has been reduced with an amount of Rs.502 lakhs and Rs.435 lakhs respectively under “other income”. ISHPL to clarify the position.</td><td>This credit in the income represents incentive provided to M/s. Steel Authority of India Ltd. (SAIL) for handing higher volumes of coking coal through Berth No 4A. This is as per the cargo handling Agreement entered into with them.

The ISHPL has subsequently furnished break-up details in terms of incentive allowable as per SOR and additional incentive passed on to SAIL, as given below:
(Rs. In lakhs)
<table><tr><th>Particulars</th><th>2006-07</th><th>2007-08</th></tr><tr><td>Incentive as per SOR</td><td>176.80</td><td>142.50</td></tr><tr><td>Additional incentive – disallowed</td><td>325.60</td><td>293.00</td></tr><tr><td>TOTAL</td><td>502.40</td><td>435.50</td></tr></table></td></tr>
<tr><td>10.</td><td>Storage Charge has been prescribed in the existing tariff schedule of the ISHPL. The ISHPL has also proposed rate for levy of storage charges in the proposed draft SOR. However, it is observed that it has neither reported any income under this head in the past nor projected any income for future years. If no income is anticipated to be generated in the next tariff cycle on this account, the relevant rates in the Scale of Rates for this purpose may be redundant and, therefore, may be deleted.</td><td>ISPHL do not want and expect that cargo to remain on our premises for prolonged period after the free period as this will hamper the smooth operations. Rate for storage charges has however been prescribed so that a deterrent is available to deal with the situation where cargo remains in the transit area after the free period.

Further to above, due to reduction in draught and consequential lower cargo volume expected, it is highly probable that new client/port users will be serviced for whom it will be necessary to have such deterrents</td></tr>
<tr><td>D.</td><td><u>Operating Cost:</u></td><td></td></tr>
<tr><td>1.</td><td><u>Operating & Direct Labour</u>:
(a). In the last tariff fixation, there was no item under the caption ‘Operating & Direct Labour’ in the cost statements. The direct labour cost was included in the ‘Labour & Equipment Hire charges’ which was an outsourced item as per ISPHL submissions. In this regard para 10 (ix) (a) of order dated 25 January 2007 may be referred to. ISHPL to explain the reasons for considering the ‘Operating & Direct Labour’ as a separate item in the present proposal apart from ‘Labour & Equipment Hire charges’.</td><td>The Revised Proposal is being submitted in original format.

(The ISHPL has included this item in the Management and Administration Overheads, in its revised proposal dated 14 September 2010).</td></tr>
</table>

<table>
<tr><td></td><td>(b). An increase of 15% in the average cost per employee is considered over the actual for the year 2008-09 progressively for the future years 2009-10 to 2011-12. Further, the direct labour employees' strength is assumed at a constant figure of 50 despite a reduction of around 25% in the estimated traffic over the actual traffic for the year 2008-09. This results in an increase of 48%, 79% and 106% in the unit cost (per ton) for the years 2009-10, 2010-11 and 2011-12 respectively as compared to the actual unit cost for the year 2008-09. ISHPL to justify the estimated expenditure on this account.</td><td>This point is not applicable in view of ISHPL not considering operating & direct labour cost as a separate item.</td></tr>
<tr><td>2.</td><td><u>Maintenance labour</u>:</td><td></td></tr>
<tr><td></td><td>(a). It is seen that the expenses considered under the caption 'Terminal Maintenance Expenses' in the previous tariff fixation has been split and mentioned under two separate captions, i.e. 'Maintenance labour' and 'Repairs & Maintenance'. The basis on which maintenance labour is considered as a separate item in the present proposal may be furnished.</td><td>Earlier these items were clubbed under "Terminal Maintenance Expenditure". This was outsourced to Larsen & Toubro. Since April 2009, the maintenance contract was split into two components. One related to maintenance manpower including technical, skilled categories, etc. which was outsourced to another company (PLM). The other was related to Maintenance and Repairs. The responsibility of Planning and Technical supervision and providing spares as well as tools and tackles was taken over by ISPHL.

(However, the ISHPL has not furnished a copy of the separate maintenance labour contract reported to have been entered with PLM in support of its estimates of maintenance labour cost for the years 2010-11 to 2012-13 furnished by it in its revised proposal of September 2010).</td></tr>
<tr><td></td><td>(b). An analysis showing the comparative position between the estimates considered by this Authority under "Terminal Maintenance Expenditure" for the years 2006-07 to 2008-09 and actual expenses incurred by the ISHPL under "Maintenance Labour" and "Repairs & Maintenance" for the years 2006-07 to 2008-09 may be furnished.</td><td>Details of Terminal Maintenance Expenditure:
(Rs. in lakhs)
<table>
<tr><td>Sl. No.</td><td>Particular</td><td colspan="6">Year</td></tr>
<tr><td></td><td></td><td colspan="2">2006-07</td><td colspan="2">2007-08</td><td colspan="2">2008-09</td></tr>
<tr><td></td><td></td><td>Estimates considered by TAMP</td><td>Actual</td><td>Estimates considered by TAMP</td><td>Actual</td><td>Estimates considered by TAMP</td><td>Actual</td></tr>
<tr><td>A.</td><td>Maintenance labour As per Existing Contract</td><td rowspan="2">482.10</td><td>334.26</td><td rowspan="2">563.80</td><td>441.60</td><td rowspan="2">526.50</td><td>508.90</td></tr>
<tr><td>B.</td><td>Repairs and maintenance (basis of the past experience)</td><td>154.28</td><td>189.70</td><td>268.50</td></tr>
<tr><td></td><td>TOTAL</td><td>482.10</td><td>488.54</td><td>503.80</td><td>631.30</td><td>526.50</td><td>777.40</td></tr>
</table></td></tr>
<tr><td></td><td>(c). The increase of 15% p.a. considered in the maintenance labour cost estimates, progressively over the actuals for the year 2008-09 may be justified supported by documentary evidence as it appears that maintenance labour is engaged on outsourcing basis.</td><td>Increase has been considered as around 6% as per proposal submitted.</td></tr>
<tr><td>3.</td><td><u>Power</u>:</td><td></td></tr>
<tr><td></td><td>(a). If the unit cost of power and consumption per tonne furnished in Form 3-B is considered, the resultant</td><td>The figures submitted seem to be in order. However the deviations, if any, could be due to rounding off.</td></tr>
</table>

<table>
<tr><td></td><td>figures do not tally with the actual/estimated expenditure shown in Form 3-B. This may be verified and corrected.</td><td></td></tr>
<tr><td></td><td>(b). ISHPL to furnish the documentary proof for the estimated power cost of Rs.6.30 per unit for the year 2009-10.</td><td>Actual power cost / unit for the year 2009-10 has been Rs.6.30 per unit approx. (sample bills enclosed).

(The ISHPL furnished copy of electricity bills for the months of December 2009 and January 2010).</td></tr>
<tr><td></td><td>(c). The escalation of power consumption per unit of output from 1.2 unit/ton to 1.4 unit/ton may be justified in the background of revamping of machineries.</td><td>Since some light mast towers are to be installed, consumption per unit of output will be 1.3 units/tonne in 2011-12 & 2012-13.

(The ISHPL has not furnished the power requirement for the proposed light mast towers and justified with workings the increase proposed in unit of power consumption per tonne).</td></tr>
<tr><td></td><td>(d). ISHPL to justify the escalation considered, both in consumption per unit and cost per unit.</td><td>In view of imposition of additional energy charge @ 0.92 per unit (inclusive of Govt. Duties) since Nov. 2009, the projected unit cost would be Rs.6.90 per unit in 2010-11. On 5% escalation basis, the rates would be Rs.7.20 per unit and Rs.7.60 in 2011-12 & 2012-13 respectively.</td></tr>
<tr><td>4.</td><td><u>Repairs & Maintenance:</u></td><td></td></tr>
<tr><td></td><td>(a). The reason for 41.5% increase in the Repairs & Maintenance expenses for the year 2008-09 over 2007-08 may be explained with details.</td><td>Bulk of Repairs and Maintenance during 2007-08 were taken up during the end of the financial year resulting in actual expenditure spilling over to 2008-09 due to which there appears to be unusual increase. Increase in expenditure was mainly on account of painting which is required to be done regularly depending upon corrosion due to saline atmosphere.</td></tr>
<tr><td></td><td>(b). ISHPL to furnish the basis for working out the estimated expenditure for the years 2009-10 to 2012-13.</td><td>2009-10 actuals: Expenditure has been Rs.8.96 cr. as against Rs.2.69 crores in 2008-09. This is mainly due to the bifurcation of the maintenance contract and repair/ replacement of worn out parts/ equipments.

(The repairs & maintenance expenditure reported in the cost statement for the year 2009-10 is Rs.7.17 crores.

The ISHPL has not furnished a copy of the contract reported to be entered separately for repairs & maintenance of equipments in support of the higher level estimates furnished by it towards repairs & maintenance for the years 2010-11 to 2012-13.)</td></tr>
<tr><td></td><td>(c). An amount of Rs.750 lakhs, Rs.600 lakhs and Rs.600 lakhs have been estimated for the years 2009-10 to 2011-12 respectively towards revamping and modification of machineries under the Repairs & Maintenance expenditure. In this regard, ISHPL to clarify/furnish the following:</td><td rowspan="3">A plan for revamping and modification of machines was formulated in early 2009 for implementation over a three year block period. However since such activities would require full / partial shutdown of plant for extended period, this had to be done with consent and convenience of our customer. Since there were difficulties, such activity could not be undertaken in 2009-10 and hence while there was practically no expenditure/shutdown on this account, the cargo volumes handled were higher than projected. The major jobs envisaged are:
<table><tr><th></th><th>Details</th><th>Amount (Rs. in crores)</th></tr><tr><td>1.</td><td>Mechanical Structural repair of Ship un-loader 2</td><td>5.00</td></tr><tr><td>2.</td><td>Replacement of existing PLC/VVVF drives in both un-loaders</td><td>5.00</td></tr><tr><td>3.</td><td>Procurement of D.G. Sets (Capex)</td><td>3.00</td></tr><tr><td>4.</td><td>Replacement of Rly. Siding and In-motion Weight Bridge</td><td>1.00</td></tr></table></td></tr>
<tr><td></td><td>(i). Workings for estimation of this expenditure and actual expenditure incurred in this regard during the year 2009-10 supported by documentary evidence.</td></tr>
<tr><td></td><td>(ii). Revamping of machineries may increase their useful life or operating efficiency or both</td></tr>
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<td></td>
<td>and such expenditure may have to be capitalised. That being so, the reasons for treating the said expenditure as revenue expenditure may be clarified.</td>
<td rowspan="2">
<table>
<tr><td>5.</td><td>Revamping of conveying systems</td><td>2.00</td></tr>
<tr><td>6.</td><td>Augmentation of stackyard capacity</td><td>3.50</td></tr>
<tr><td></td><td>Total</td><td>19.50</td></tr>
</table>
The main purpose of revamping and modification is provided below:
(i) The ship unloader was damaged during a cyclone storm in September 2006. The damage was examined by the equipment suppliers who had recommended total replacement of the unloader. Since this would involve a very long shutdown of the total plant and also huge costs it was decided to explore the possibility of repairs. After lengthy process repairing agency has been located for the work which will be carried out subject to the convenience of our customer or earlier if situation so develops.
(ii) Spares are practically not available any more for existing PLC/VVVF drives in the unloaders. Hence, unless timely action is taken to replace the old system with present day systems it may result in shutdown. Hence, it has been planned to carry out this activity one at a time starting from 2010-11.
(iii) Upto 2008-09 the total outages on account of power cuts have been insignificant and the position has started to deteriorate since 2009-10. It is generally known that there is an ongoing power shortage in West Bengal now which is likely to increase. Hence, there is a need for installing gensets.
(iv) The Railway tracks of the siding have deteriorated due to corrosion and need replacement. Existing In - motion weighbridge has suffered a non repairable breakdown and is already under replacement.
(v) The structures and other components of the conveying system need to be revamped / replaced due to corrosion related deterioration in order to reduce hazards.
As would be evident, the reasons outlined are intended to ensure that a situation of total forced shut downs for extended periods is avoided. Hence, the impact as queried in para C (iii) would not be strictly relevant. Besides projections do not reflect the possibility of additional traffic being available as explained elsewhere.
(vi) To accommodate cargo of other customers /port users and increase in number of grades/quality of SAIL.
(In its revised proposal of September 2010, the ISHPL has included one more item, viz. construction of high mast towers at a cost of Rs.80 lakhs towards capital expenditure in the year 2011-12)
(Despite specific request to furnish the status / progress of works and documentary evidence for the estimates, the ISHPL has furnished the details partly for Sl. Nos.ii & iv mentioned above and has not furnished the estimates / documents for majority of the items).
</td>
</tr>
<tr>
<td></td>
<td>(iii). Impact of revamping of machineries on the following aspects may be furnished:

Reduction in unit operating cost.
Additional traffic.
Improvement in operational efficiency.

</td>
</tr>
</table>

5.	Royalty:	
	(a). The revenue share paid/payable to KoPT has been computed based on the unit rate of Rs.82/- per tonne as against Rs.81/- prescribed in the existing SoR of KoPT. This may be corrected.	This is corrected in the Revised Proposal.
	(b). As per para 10 (iv) (b) of order dated 25 January 2007, 91.33% of the revenue share quoted by the ISHPL is considered as admissible cost. The revenue share claimed as an item of cost in the cost statements for the years 2006-07 to 2011-12 may be revised suitably.	This is corrected in the Revised Proposal.
6.	Labour & Equipment Hire charges:	
	(a). As per para 10 (ix) (a) of the order dated 25 January 2007, these services are outsourced to a private party. The ISHPL is, therefore, requested to furnish the details of individual outsourcing contracts along with a certification that the terms of such contracts are decided based on competitive bidding and arms length relationship is maintained in case of associated entities, if any.	The details of outsourcing of the contract are already available with the Authority. This is a continuing contract and rates are re-negotiated.
	(b). In the previous tariff fixation of the ISHPL (refer para 10 (ix) (a) of the order dated 25 January 2007), the rate considered under this head of expenditure was Rs.33/- per tonne. The actual expenses for the years 2006-07 to 2008-09 is around Rs.34/- per tonne. However, the rate considered in the projections for the year 2009-10 is Rs.40.62 per tonne which is about 20% more than the actual rate for 2008-09. The reason for considering such a steep increase from the year 2009-10 may be justified with documentary proof.	The average rate for 2009-10 has also been around Rs.34 PMT. The higher projected rate was on the basis of industrial unrest in and around Haldia which has ultimately led to a substantial increase in labour rates and accordingly the contract has had to be re negotiated at higher levels. The contractual rate for 2010-11 is Rs.40.09 and this may again increase substantially in 2011-12 due to the turbulent political situation prevailing. Otherwise the projected normal escalation of 5% is being proposed. (The actual rate for the year 2009-10 works out to Rs.33.81 per tonne and the estimated rate for the year 2010-11 is considered at Rs.41.81 per tonne. The ISHPL has not furnished any documentary evidence in support of the re-negotiated rate of Rs.40.09 or for the estimated rate of Rs.41.81 for the year 2010-11).
7.	Lease Rent:	
	(a). In the last tariff fixation, the ISPHL had stated that apart from 103,000 sq. m. area allotted as per the Licence Agreement, KoPT allotted 5,176 sq. m. additional area for realigning the railway line. In this regard, para No.10 (ix) (b) of order dated 25 January 2007 may be referred. However, in the present cost statement (Form 3B) ISHPL has mentioned the area as 106,907.21 sq. m. The reason for difference in the area considered now may be clarified.	Earlier proposal was based on the area as provided in the Licence Agreement. This has been revised to actual.

<table>
<tr><td></td><td>(b). The cost statement shows that the ISHPL has incurred an amount of Rs.326 lakhs, Rs.343 lakhs and Rs.360 lakhs towards lease rent for the years 2006-07 to 2008-09 to KOPT respectively. The Licence Agreement entered between the ISHPL and KOPT provides for a rebate of 2.5% on the lease rent if the payment is made by the stipulated due date. In this context, the ISHPL to confirm with workings that the actual lease rent paid by it to the KOPT for the years 2006-07 to 2009-10 are after availing a rebate of 2.5%.</td><td>This is already considered in the Proposal.</td></tr>
<tr><td></td><td>(c). The detailed workings for lease rent estimates indicating the rate and area, after considering the 2.5% discount for timely payment of lease rent to KoPT, may be furnished for the years 2010-11 to 2012-13.</td><td>Lease Rent paid to KoPT, HDC for the year 2009-10 (after 2.5% rebate) – Rs.379.9 Lakh. On 5.1% escalation basis, as per Licence Agreement, Rs.399.2 Lakh for 2010-11, Rs.419.6 Lakh for 2011-12 and Rs.441 Lakh for 2012-13.

(The ISHPL has not furnished workings for the estimated lease rent in terms of area allotted and rate applicable as per the HDC SOR)</td></tr>
<tr><td>8.</td><td><u>Insurance</u>:</td><td></td></tr>
<tr><td></td><td>(a). ISHPL to furnish the actual insurance cost for the year 2009-10 for assets related to berthing activity and cargo related activity separately supported by documentary proof.</td><td>Berth No 4 A at Haldia is covered by New India Assurance Co. Limited in respect of the insurance cover on the assets. The following are the covers in respect of the operations at Berth 4A.
(1) Port package policy which covers all the assets created at the Port Area by ISPHL. This policy is in line with the policy cover taken by Port terminals throughout the world. This includes covers such as machinery break down, port blockage, wreck removal, and consequential loss arising out of the insured perils. (Net Premium for 2009-10 – Rs.102.07 lakhs).
(2) General fire & allied perils and the consequential loss of profits policy covering all the assets, including covers for damages due to Acts of God which can beinsured. (Net Premium for 2009-10 – Rs. 11.88 Lakh)
(3) Policy on coal stock held at the yard
The ISHPL furnished copies of four Insurance Policies, as per details given below:

<table>
<tr><th>Policy No.</th><th>Nature</th><th>Period</th><th>Sum Insured (Rs. in crores)</th><th>Premium (Rs. in lakhs)</th></tr>
<tr><td>710500/11/09/07/00000010</td><td>Earthquake, Fire & Shock Clause on Gross Profit</td><td>1.4.09 to 31.3.10</td><td>32.00</td><td>2.13</td></tr>
<tr><td>710500/11/09/11/00000009</td><td>Earthquake, Fire & Shock Clause on Building, Plant & Machinery, Office Building & Assets</td><td>1.4.09 to 31.3.10</td><td>150.00</td><td>9.75</td></tr>
<tr><td>710500/46/09/39/00000010</td><td>Coal storage at Berth No.4A, Haldia</td><td>12.4.09 to 31.3.10</td><td>15.00</td><td>5.25</td></tr>
<tr><td>710500/22/09/10/00000001</td><td>Comprehensive package policy on Plant & Machinery</td><td>1.4.09 to 31.3.10</td><td>150.03</td><td>102.07</td></tr>
<tr><td></td><td>TOTAL</td><td></td><td></td><td>119.20</td></tr>
</table></td></tr>
</table>

	(b). It is observed that there is 35% increase in the insurance cost estimated for the year 2009-10 (in the absence of any addition to fixed assets) and then there is a reduction of 7.56% for the year 2010-11and again there is an increase of 9% for the year 2011-12 with reference to the insurance cost of respective previous years. Further, as per provision 7.1 (y) of Licence Agreement, the insurance cover for the assets shall be for replacement at market value and calculation of depreciation on the replacement value. The workings for estimation of insurance cost for the years 2010-11 & 2011-12 calculated in line with the LA provision may be furnished in support of the estimates.	Berth No 4 A at Haldia is covered by New India Assurance Co. Limited in respect of the insurance cover on the assets. The following are the covers in respect of the Operations at Berth 4A. (1) There is a port package policy which covers the areas specific to the port business, applicable worldwide in respect of ports and terminals, (2) There is a general fire & allied perils policy covering all the assets. (3) There is a special policy on coal stock held at the yard. While it is a fact that no major asset addition has taken place at Berth No 4A, the premium payable is a factor of two elements (1) Insured value (2) rates of premium. The assets at Berth 4A are insured at replacement value as required by the insurance companies. To get the replacement values, the historic values are inflated every year by the inflation rates (max 10%). Any insurance below this value will amount to under insurance and in the unfortunate event of a claim, insurance will only pay pro-rata if there is under insurance. Moreover it is always preferable to insure at replacement value since the purpose of insurance is to get the equipment replaced in case of accident etc. Considering these points, good industry practice is to insure at replacement values rather than depreciated values for safer coverage. The licence agreement conditions only protects the port in the event of loss whereas for a business which is continuing in nature the assets have to be insured at replacement costs for reasons stated above. The insurance premium rates (primarily for the port package policy) are driven by the rates prevailing in the international market year after year. While New India Assurance has control on the general insurance rates like fire and other perils, they are dependent on the international re-insurance markets for the port package policy. The international rates depend upon the claim experience of the insurance companies globally in this sector and also on the claims lodged by Berth No 4A. We have a good relationship and track record which has helped us to negotiate favourable rates and discounts with the insurance companies year after year much less than the increases that is prevalent internationally. In view of the foregoing it may be difficult to substantiate the increase in insurance premiums as requested. Since the cover is being taken with New India Assurance, a PSU company we believe that we are not paying high premiums. The charge to P&L account is based on the actual premiums paid net of discounts and only covers the assets with Berth No 4A.
9.	<u>Other Expenses</u>:	
	(a). <u>Testing/survey fee:</u> ISHPL to furnish the basis for survey / testing charges estimated at Re.0.86 per ton for the year 2009-10 and Re.1/- per tonne for the years 2010-11 & 2011-12. As observed by this Authority vide para No.10 (ix) (c) of its order	The existing rates since 2009-10 will continue for 2010-11, after which contract is due for renewal. It is projected that the rate will be a minimum of Rs.1/- per tonne for 2011-12 & 2012-13. (The actual rate for 2009-10 works out to Re.0.79 per tonne as against the estimate of Re.0.86 per tonne estimated by the

	dated 25 January 2007, this service is outsourced by the ISHPL. Therefore, ISHPL to furnish a copy of the contract in support of the rates considered for estimation.	ISHPL in its original proposal of June 2009).
	(b). <u>Demurrage</u>: During the last tariff fixation, the ISHPL was advised to come up with an Efficiency Linked Tariff Scheme (ELTS) in order to consider demurrage as admissible cost as mentioned in para 10 (iv) (c) of order dated 25 January 2007. However, the ISPHL has so far not come up with any such proposal. Hence, the cost statements may be revised excluding the demurrage expenses.	Demurrage payable in case of delay in the ship turn-round beyond agreed norms is to be reimbursed by ISPHL. On the basis of figures for the past years, demurrage amount has been considered for the projected years. Demurrage will be payable, if any, ship is delayed, i.e, tariff is indirectly linked to performance. (The ISHPL has not come up with any Efficiency Linked Tariff Scheme).
	(c). It is seen that 3% to 5% of other expenses have been apportioned to vessel related activity. The basis for this apportionment may be furnished.	This is corrected in the revised proposal.
10.	<u>Preliminary Expenses</u>: During the last tariff fixation, the preliminary expenses of Rs.22 lakhs was spread over the remaining project period of 29 years at Rs.0.76 lakhs (Refer para 10 (iv) (e) of order dated 25 January 2007). The ISPHL has not considered this expense in the cost statements.	This is being considered in the Revised Proposal.
E.	<u>Depreciation</u>: The ISHPL to confirm that the depreciation provided in the cost statements is in line with clause 2.7.1 of the revised tariff guidelines.	The Depreciation as provided in the cost statement is in line with clause 2.7.1 of the Revised Tariff guidelines.
F.	<u>General Administration Expenses</u>:	
1.	ISHPL to list out items considered in the estimates of 'General Administration Expenses' for the years 2009-10 to 2011-12.	The following are the items considered in the estimates of General Administration Expenses": 1. Salaries and Allowances 2. Contribution to PF & Gratuity 3. Staff Welfare 4. Photographic Expenses 5. Advertisement 6. Rent for Corporate Office at Kolkata 7. Telephone & Postage 8. Printing & Stationery 9. Travelling & Conveyance 10. Professional fee 11. Security Charges 12. Bank Charges 13. Miscellaneous Expenses 14. Provision for doubtful debts, if any

<table>
<tr><td>2.</td><td>The increase in the actual General Administration Expenses for the years 2006-07 to 2008-09 compared to estimates is steep, i.e. 51.3%, 52.4% & 101.6% respectively. ISHPL to explain the reasons for the same</td><td>This is mainly because of salary hike of the employees of ISPHL to retain the talent, increase of number of heads and also due to reasons set out in reply to paragraphs 3 to 6 below.</td></tr>
<tr><td>3.</td><td>The audited annual accounts for the years 2006-07 to 2008-09 show ‘Provision for doubtful debts’ to the tune of Rs.62.37 lakhs, Rs.15.91 lakhs and Rs.12.24 lakhs respectively under Schedule 11 - ‘Administration Expenses’. This item is in the nature of provision and not actual expenditure and hence, it is not an admissible item of cost.</td><td>The amount shown under the head “Provision for doubtful debts” represents trade receivables which are considered not recoverable. As per Accounting Norms/Principles, these amounts have been classified and disclosed under the said head during the earlier years. All provisions made during the earlier years have now been written off during the FY 2009-10 since in the opinion of the management they are not recoverable.</td></tr>
<tr><td>4.</td><td>Similarly, the provision for bank charges of Rs.15.30 lakhs shown under Schedule 11 - ‘Administration Expenses’ in the audited annual accounts for the year 2007-08 in the cost statement is not an admissible item of cost.</td><td>Union Bank of India, IFB, Chennai had charged bank charges for intra accounts transfers made over a period of 2 years. The Company had represented to the bank for waiver of these charges and hence a Provision was made in the accounts towards these charges. After several discussions with the officials of the bank, it has now been made clear that the Bank cannot waive this charge. In view of this development, the provision made on this account during the earlier years has already written off in the Accounts of FY 2009-10.</td></tr>
<tr><td>5.</td><td>In the audited annual accounts for the year 2008-09 under ‘Administration Expenses’ (Schedule 11), an amount of Rs.79.85 lakhs has been shown as ‘Bank Charges’ as against Rs.5.60 lakhs for 2007-08. The reasons for such an abnormal increase may be furnished. Further, it maybe confirmed that the expenditure of Rs.79.85 lakhs relates to the services rendered by the ISHPL at berth No.4A of HDC.</td><td>Bank Charges as shown for the year 2008-09 under the Administration Expenses is totally linked with the services rendered by ISPHL at Berth No.4A, Haldia. The details of Bank Charges are given below:
<table>
<tr><th>Particulars</th><th>Amount Rs. in lakhs)</th></tr>
<tr><td>Bank Guarantee (51/03) Extension Charges (in favour of KoPT for Land Rent for Berth 4A)</td><td>45.42</td></tr>
<tr><td>Bank Guarantee (77/03) Extension Charges (in favour of KoPT as Performance Guarantee)</td><td>16.85</td></tr>
<tr><td>Bank Charges (78/03) Extension Charges (in favour of KoPT for Electricity Charges)</td><td>4.25</td></tr>
<tr><td>Loan Processing Fees (taken for construction of facilities at Berth 4A)</td><td>11.32</td></tr>
<tr><td>Other Bank Charges</td><td>2.01</td></tr>
<tr><td>Total</td><td>79.85</td></tr>
</table>
It is evident from the above statement that all the bank charges incurred during the year 2008-09 are directly linked with the services as provided by the ISPHL at Berth No. 4A, Haldia.</td></tr>
<tr><td>6.</td><td>As per the audited annual accounts for the year 2008-09, the expenses under the head ‘professional charges’ is accounted at Rs.51.98 lakhs as against Rs.39.45 lakhs for the year 2007-08 with an increase of about 32%. The reasons for such a steep increase may be explained.</td><td>The primary increase is on account Legal Fees paid to the Lawyers to represent ISPHL in defending the case with KoPT in respect of KoPT’s claim on Royalty payable and also the Arbitration proceedings in respect of certain claims made by KoPT.</td></tr>
</table>

G.	<u>Capital Employed</u>:	
1	The actual capital employed for the years 2006-07 to 2008-09 shown in the cost statement (3A) includes Current Assets to the tune of Rs.1161.86 lakhs, Rs.1617.45 lakhs and Rs.2468 lakhs respectively. In this regard, the ISHPL to clarify/furnish the following:	
	(a). It is observed that the ISHPL has considered in the cost statements the value of inventories as on the closing date of the respective financial years as shown in the annual accounts of the respective years. Further, the value of inventory also includes value of work-in-process. The approach adopted by the ISHPL in respect of this item of current asset is not in line with the norms prescribed in clause 2.9.9 of the tariff guidelines of March 2005. The value of inventories may, therefore, be reviewed and determined as per the norms prescribed in the tariff guidelines of March 2005.	Inventory is in line with the norms prescribed as per clause 2.9.9 of the tariff guidelines of March 2005, in our Revised Proposal. (The ISHPL has not furnished inventory value as per norms in the cost statements filed along with the revised proposal dated 14 September 2010).
	(b). The Current Assets considered by the ISHPL includes 'Loans & Advances' apart from Inventories, Sundry Debtors and Cash balance. The element of Loans & Advances is not an item of current asset as per the Tariff Guidelines of March 2005.	Under the Revised guidelines, Working Capital means Current Assets (excluding cash balances of specific funds) minus current liabilities. The Balance shown under the head "Loans & Advances" represent mainly pre-paid expenses /supply of spares and TDS receivables and are part of the current assets and hence have been considered by ISPHL. As required under the concession agreement ISPHL furnished a Bank Guarantee for Rs.10 Crores to KoPT towards payment obligations. This Bank Guarantee was en-cashed by HDC, KoPT, during the last FY against a disputed payment obligation. Since this is disputed by ISPHL as not payable to KoPT this amount is shown as Advance paid to HDC, KoPT under protest. As per Revised Tariff guidelines this is neither an expenditure nor royalty. Moreover since ISPHL is still of the view that it is not payable and is a wrongful encashment and hence, this is shown under the head "Loans & Advances".
	(c). The Tariff Guidelines of March 2005 limit Sundry Debtors to two months' 'Estate Income' and 'Railway Terminal Charges' while computing the working capital. The Sundry Debtors considered by the ISHPL as an item of Current Asset is not in line with the Tariff Guidelines of March 2005. It may be noted that as per clause 5 (iv) of the Order dated 30 September 2008 issued by this Authority notifying the refinement on certain areas of the existing approach/practice followed in tariff setting exercise of Major Port Trusts and Private Terminals, the prepayments or advance to be made	Unlike major ports, ISPHL does not operate any railway system and also does not have large estate to be let out. Hence apparently the estate rentals and terminal charges are not strictly relevant in our case. Though normally cargo and vessel related charges are recovered in advance by major ports, ISPHL recovers only berth hire charges in advance and bills cargo related charges to port users. Sundry debtors have been estimated on the basis of anticipated credit period of 30 days and hence, this may be allowed.

	by the Private Operators to the Landlord Ports as per the Licence Agreement are to be recognised as a limit for Sundry Debtors to the extent they are otherwise permissible as pass through.	
	(d). The ISHPL has considered a sum of Rs.1612 lakhs as Sundry Creditors for the year 2008-09 in the cost statement as against a sum of Rs.612.24 lakhs shown in the audited annual accounts for the year 2008-09. ISHPL to clarify the position.	A performance Bank Guarantee for Rs.10 Crores was issued by Union Bank of India, IFB, Chennai in favour of HDC, KoPT, as required under the concession agreement. This Bank Guarantee for Rs.10 Crores was encashed by HDC, KoPT, on 31st March 2009 which is under dispute. The Company had to avail a short term facility from the Bank to meet the BG amount paid out by the Bank. Though this amount was shown as Current Liability in the draft Accounts, during the finalisation of Accounts, it has been reclassified and shown as Unsecured Loan, pending finalisation of paper formalities to get the same as secured loan sanctioned by the bank. The required formalities were completed during June 2009. (The above re-classification is not reflected in the cost statements furnished along with the revised proposal dated 14 September 2010).
2.	With reference to the estimated working capital shown in the cost statement for the years 2009-10 to 2011-12, the ISHPL to furnish/clarify the following:	
	(a). The estimated Sundry Debtors of Rs.557 lakhs, Rs.533 lakhs and Rs.533 lakhs for the years 2009-10 to 2011-12 respectively may be reviewed in the light of the observation made at para G (2) (c) above by us.	The Revised Proposal is submitted. (The estimates of sundry debtors furnished in the revised proposal of ISHPL dated 14 September 2010 is not supported with details as per norms stipulated in the guidelines.)
	(b). With reference to the estimated inventory of Rs.700 lakhs, Rs.800 lakhs and Rs.1000 Lakhs for the years 2009-10 to 2011-12 respectively, the ISHPL to justify the same with workings following the norms prescribed in clause 2.9.9 of the Tariff Guidelines of March 2005.	The Revised Proposal is submitted. Spares inventory includes Insurance Spares and other mechanical & consumables. (The ISHPL has not furnished any workings as per the norms stipulated in the Tariff Guidelines of March 2005).
II.	**SCALE OF RATES**	
1.	The ISHPL has sought for an increase ranging from 25% to 120% for various activities over the existing prescribed rates in the SOR. The increase sought for each tariff item may be justified with reference to cost of rendering the service with workings.	The Revised SOR is furnished. The increase is reasonable with reference to the estimated cost based on the past experience. (The increase proposed by the ISHPL in its revised proposal of 14 September 2010 ranges from 15% to 46%).
2.	The interest rate furnished in clause 1.2 (ix) under General Terms and conditions may be updated with the prevailing rate of interest.	The ISPHL desires to follow State Bank of India as the reference bank. The relevant clause has been amended suitably.
3.	VESSEL RELATED CHARGES (PART II): The prescription of minimum berth hire charge of US $ 300 per foreign going vessel may be justified.	The average GRT is 40,118 and the average stay of the vessel at the Berth No. 4A is about 52 hours. This translates in to a berth hire amount of (40,118 X 0.0030 X 52) = US$ 6,258,41. As compared to this, the minimum Berth Hire Charge of US$ 300 is not excessive.

4. (a).	<u>CARGO RELATED CHARGES (PART III)</u> <u>Volume Discount</u>: The projected volume of traffic for the years 2009-10 to 2011-12 is below 2.30 million tonnes per annum. That being so, the reasons for increasing the volume discount mentioned under Note (ii) of clauses 3.1 & 3.2 of SOR from the existing level of 20% to 25% for handling cargo above 2.30 million tonnes may be explained. The proposed clause appears to be in-fructuous.	The clause is deleted. (In the revised proposal dated 14 September 2010, the ISHPL has shifted the volume discount clause from schedule 3.1 & 3.2 to schedule 1.2 General Terms & Conditions as clause (xv) in the proposed Scale of Rates and enhanced the rebate to 50% for volume of cargo offered by any importer / exporter beyond 2.3 million tones (imports and exports of any single item of cargo).).
(b).	<u>Wharfage & Shore Handling Charges:</u> It is observed that the ISHPL has unbundled the existing tariff item relating to Shore Handling Charges by shifting the activity relating to 'Conveying the cargo from TP-2 to the Stack yard' from Shore Handling Charges to Wharfage Charges. While doing so, it does not appear that the ISHPL has effected necessary adjustment in the existing unit rate applicable for 'Shore Handling Charges' and 'Wharfage Charges' for shifting the activity of conveying the cargo from TP-2 to stack yard. The ISHPL is, therefore, requested to adjust the existing unit rates suitably based on the cost of rendering the service of conveying the cargo from TP-2 to stack yard and furnish workings in this regard.	Wharfage and Shore Handling Charges are suitably amended in the Revised Proposal based on the operational identification. (The ISHPL has not adjusted the existing unit rate of 'wharfage' and 'shore handling charges' on account of shifting the activity).
(c).	The proposed increase of around 15% over the existing rate of Storage Charges (Section – E 'Ground Rent) may be justified.	The provision is needed as a deterrent levy of charges in case of over-stayal beyond free period.
(d).	<u>Part IV – CHARGES FOR OTHER SERVICES</u>: (i). Since the dust suppression is one of the services listed by the ISHPL under Wharfage Schedule in the proposed SOR, a separate tariff item 4.10 proposed in the SOR may be deleted.	The clause is deleted.
	(ii). ISHPL to explain whether services mentioned at 4.5 to 4.9 & 4.11 are activities covered by MPT Act and included in the BOT agreement. If so, the proposed rates may be justified with cost details and income arising out of such services may be accounted for in the income estimates for the years 2009-10 to 2012-13.	These clauses are reviewed/amended in the revised proposal. These are the optional items, where ISPHL are not sure whether importer / port users will avail the services or not. So, ISPHL are showing this under the optional services. As & when, ISPHL will provide the services to port users, the cost will be there, which may be ascertained at the time of billing / obtaining the services, because of uncertainity of labour unrest at Haldia. Normally, these are the ancillary services incidental to the handling of particular type of cargo and optional. (In the revised proposal of September 2010, the ISHPL has

		deleted items 4.5 – Monitoring, Safety & Security through CCTV and 4.10 – Charges for dust suppression system; clubbed items 4.8 & 4.9; revised the rate for item 4.11 – Quarterly Survey of stock by approved valuers from Rs.10/- per MT to Rs.3/- per MT; and proposed one new item 'Charges for Ship stores' at Rs.100/- per MT).

10.3 A copy of the revised proposal submitted by the ISHPL was forwarded to the KoPT for its comments. The KOPT has not responded in this regard. However, the KOPT has furnished its comments with reference to the further revised proposal filed by the ISHPL in September 2010, which is furnished in the later part of this note.

11. The KOPT was requested to furnish its specific comments on some points on the proposal of the ISHPL. The points raised by us and the response of the KOPT are tabulated below:

Sl. No.	Specific points raised by us	Response of KOPT
(i).	KOPT to confirm whether the income details furnished by the ISHPL for the years 2006-07 to 2008-09 are as per the Scale of Rates of ISHPL.	As per records, ISHPL is issuing consolidated bills to their customer without any service wise rate break up. This issue has been appropriately highlighted to TAMP by KoPT and TAMP has also sought clarification from ISHPL in the matter. The subsequent developments in the issue are not known. However, it is observed that in the cost statement submitted to TAMP, ISHPL has shown break up of income against various head of charge like On board Charge, Wharfage, Shore Handling Charge, Delivery charge etc. As ISHPL is issuing consolidated bill without any break up, the basis of such segregation is not known. However, given the direction of TAMP to compare the income against such heads of income, shown by ISHPL in the cost statement, with permissible income against such heads of charge as per the Scale of Rates of ISHPL; a statement detailing the same has been drawn and the same is enclosed. In this regard it may also be mentioned that the existing Scale of Rates of ISHPL was notified on 19 February 2007 and the same had come into effect after elapse of 30 days there from i.e. at the fag end of 2006-07. Accordingly, the income relating to 2006-07 is not as per the SOR. In absence of details of Berth Hire Charges billed, no such comparison could be done for the Berth Hire Charge income reported by ISHPL in the cost statement. The KOPT furnished a comparative position of head wise income for the year reported by ISHPL with the head wise permissible income as per SOR of ISHPL, which is tabulated below:

I. Cargo handled (in tonnes)							
Foreign		3310000		3140000		2670000	
Coastal		0		300000		300000	
Total		3310000		3440000		2970000	

(Rs. in lakhs)

Particulars	Rate as per SOR (Rs./MT)	2006-07		2007-08		2008-09	
		Maximum Allowable as per SOR	**Position reported by ISHPL**	**Maximum Allowable as per SOR**	**Position reported by ISHPL**	**Maximum Allowable as per SOR**	**Position reported by ISHPL**
II. On board charges (Supply of manpower & mobile equipment)							
Foreign	9.57	316.77		300.50		255.52	

Coastal	5.74	0.00		17.23		17.23	
Total		**316.77**	**317.00**	**317.72**	**302.00**	**272.75**	**257.00**
III. Wharfage							
Foreign	78.30	2591.73		2458.62		2090.61	
Coastal	46.98	0.00		140.94		140.94	
Total		**2591.73**	**2592.00**	**2599.56**	**2473.00**	**2231.55**	**2105.00**
IV. Shore handling charges							
Foreign	91.35	3023.69		2868.39		2439.05	
Coastal	54.81	0.00		164.43		164.43	
Total		**3023.69**	**3024.00**	**3032.82**	**2896.00**	**2603.48**	**2466.00**
V. Delivery Charges							
Foreign	30.45	1007.90		956.13		813.02	
Coastal	18.27	0.00		54.81		54.81	
Total		**1007.90**	**1008.00**	**1010.94**	**965.00**	**867.83**	**822.00**
VI. Total (II to V)		**6940.08**	**6941.00**	**6961.04**	**6636.00**	**5975.60**	**5650.00**

(ii).	Traffic forecast made by the ISHPL for the years 2010-11 & 2011-12 with specific emphasis on the manifold increase in coastal movement.	On the issue of traffic forecast for the year 2010-11 as well as 2011-12 made by ISHPL, earlier the comment was given under the points of which was prepared in the month of December 2009. Since then, there has been some change in the situation. The following issues are required to be considered on the matter further. During the last year, there has been deterioration in the river draft due to difficulties arising out of siltation/dredging particularly in the Auckland region. As a result of this, ships carrying Coking Coal (being handled at Berth No.4A) from foreign countries had discharged more cargo at the East Coast Ports of Paradip, Visakhapatnam & Gangavaram on account of SAIL. However, to meet the requirement of Coking Coal on account of their plants in the eastern part of the country, M/s.SAIL have resorted to coastal movements from ports of Visakhapatnam & Gangavaram. The coastal Coking Coal traffic at Berth No.4A which was only 1.29% (i.e. 34,645 MT in 6 vessels) during the year 2008-09 had actually gone up to 10.78%(i.e. 347,919 MT in 26 vessels) in the year 2009-10. (The KoPT has furnished a statement). From further analysis of the traffic of Berth No.4A, it has been seen that while the total coastal traffic at Berth No.4A was only 4.46% during the first 6 months of FY 2009-10, but it has gone up to 16.71% in the 2nd half of the FY 2009-10. In the above connection, it is pertinent to say that to maximize Coking Coal & other Raw Material imports through HDC and to avoid lightering more cargo at coastal ports, SAIL has invited Expression of Interest (EOI) from prospective entrepreneurs for trans-loading of such cargo at Sand-heads or any other deep water place in the Orissa Coast. Similar EOI has been floated by KoPT also. While such operation would require some time, but it is felt that over a period of time instead of increasing movement by route, such Coking Coal import of SAIL will be through transloading operations as stated above. Similarly with a view to optimize availability of draft, KoPT has taken initiatives for opening of Eden Channel in the river Hooghly for which tender has already been floated. This would ensure availability of higher draft for cargo carrying vessel which will further reduce the movement of coastal

		Coking Coal traffic into Haldia Dock Complex in general and at Berth No. 4A in particular. In view of the said developments, KoPT feels that ISHPL's estimation of Coastal Traffic at 50% of the total traffic to be handled at Berth No.4A in the Financial Year 2010-11 as well as 2011-12 is on the higher side. However, as all these developments would require some time, KoPT feels that the percentage (i.e. 10.78%) of coastal traffic achieved at Berth No.4A during last Financial Year may be considered for 2010-11 & 2011-12 also. However, as ISHPL has made out the projection, TAMP may also consider advising them to provide detailed justification for the same and take a view in the matter. Incidentally, ISHPL has projected handling of only 2.10 million tons of traffic in their proposed S0R for FY 2009-10 against which they have actually handled 3.20 million tonnes at Berth No. 4A in the same period. In view of the same and also due to the fact that ISHPL has projected only 2.00 million tonnes traffic for the year 2010-11 & 2011-12, TAMP may like to advise ISHPL for detailed justification of the same. (Subsequently, the KOPT offered its further comments on the specific points raised in this regard based on the revised proposal of the ISHPL dated 14 September 2010 which is brought out in the later part of this note.)
(iii).	The estimated expenditure of Rs.19.50 Crores by the ISHPL during the years 2009-10 to 2011-12 towards revamping of machineries.	ISHPL neither have specifically furnished details of their requirements nor have they intimated KoPT about their plan for revamping of machineries during the stated period. The machineries installed at the berth were commissioned in 2003 and are over 7 years old now. As per the provisions of License Agreement (Clause-3.8) between ISHPL & KoPT, the "Repair & Maintenance" of the machineries installed at the berth is the obligation of ISHPL. On the issue of "Replacement of Equipment", Clause-3.8 (iii) of the License Agreement states as follows. "The licensee shall at its cost plan for replacement of equipment well ahead of the due dates there for and replace the equipment as per the Equipment Replacement Plan set out in Appendix "X". The appendix "X" of the License Agreement states the following on the matter. "The Licensee shall at its own cost plan for replacement of the equipment well ahead of its due dates and accordingly replace the equipment as per the economic life of the respective equipment as per manufacturer's recommendation to ensure that the equipments are in good working condition at the commencement of the license allowing for the normal wear and tear." Similarly, the clause 3.8.(iv) of the License Agreement on the issue of Repair of Damage & Destruction, it has been stated that ISHPL shall at its own costs, promptly & diligently repair, replace or restore any of the project facilities & services or part thereof, which may be lost, damaged, or destroyed. In view of the above and in absence of any details of plans / programs in the matter, it is not possible to give specific comment on the matter.

		TAMP, if so considers, may advise ISHPL to provide details of the estimated expenditure indicated by them in the proposal.

12.1 A joint hearing in this case was held on 25 August 2010 at the KOPT premises. The revised proposal of the ISHPL filed under cover of its letter dated 12 August 2010 did not address some of the important issues raised in our letter dated 23 July 2010. Income calculated at the rates approved in the existing SoR of ISHPL along with supporting workings therefor was not furnished. A steep increase envisaged in the coastal movement was not justified with reference to any traffic study and KOPT and SAIL have also expressed their reservation on the proposed share of coastal traffic. The ISHPL has not explained why commodities other than coke and coal could not be handled when its designed capacity is not fully utilised. There appeared to be some disagreement between ISHPL and KOPT on many issues, especially on royalty related issues. In this backdrop and as decided in the joint hearing, the ISHPL was requested to have a complete re-look at its proposal and forward the updated proposal and also furnish a copy to KOPT for their comments immediately.

12.2 The ISHPL filed a written submission in the joint hearing along with its feedback on the comments of the KOPT. The main points made by the ISHPL in the written submission are given below:

- The agreement was entered into between the BOT operator and the KoPT on the basis that a draught of 9 to 9.5 m. is available which would enable handling Handymax / Panamax vessels of parcel sizes 27,000 tons to 31,000 tons. The draught has fallen from 9.5 m. to 6.5 m. over a period of time, resulting in bringing vessels with an average parcel size of 21,000 tons / 26,000 tons for Handy max / Panamax respectively. This reduction in parcel size has a severe impact on the BOT operator.

- The HDC being the second port of call for all the vessels, the cargo availability in the vessels will be at the side walls of vessels with a cavity in the middle of the hatch. This has resulted in employment of more labour and equipment for discharging of the cargo and cleaning of the vessels.

- The recent industrial dispute at HDC has resulted in an increase to the extent of 67% to 90% of labour rates for operators, workers and labourers. There is a demand for further increase of over 100% from the present rates which would effectively mean an increase of 300% from FY 2008-09. In order to retain the trained manpower, the ISHPL is forced to increase the salaries and have a larger pool of workforce to take care of attrition.

- The ISHPL's contract with the client has an assured discharge guarantee and demurrage in case of delay. The contract has stringent provisions in terms of minimum no. of rakes to be dispatched and lowest handling loss.

- The equipments installed have been in use for over 6 to 7 years, requiring higher maintenance due to usage. Some of the PLCs and other electronics have already gone through technical obsolescence and needs to be replaced.

12.3. After a reminder, the ISHPL forwarded a further revised proposal vide its letter dated 14 September 2010. It has stated that it has carefully gone through the tariff guidelines of March 2005 and the proposal for fixation of tariff prepared is in accordance with the guidelines and in the formats prescribed by the Authority. The other main points made by the ISHPL in the updated proposal are summarized below:

(i). <u>Traffic and revenue</u>

(a). The financial projection is based on traffic of 26 lakhs tonnes, 24 lakhs tonnes and 23 lakhs tonnes for the years 2010-11 to 2012-13 respectively.

(b). During the three years under consideration, the traffic at Berth No.4A will be affected by falling draught & lock gate limitations at Haldia as also new facilities to handle bulk cargo inside the Dock Basin. In view of the global tendency to carry cargo in larger vessels, the coastal cargo component will also increase rapidly. This, coupled with overall drop in cargo handled at berth No.4A and the component of coastal cargo in the total cargo handled substantially increasing, will impact the revenue earning, as stated by ISHPL.

(c). The ISHPL has furnished a detailed note for projection of traffic at berth No.4A. The main points made in the note are summarised below:

- Average parcel size of coking coal imports has reduced from 28,500 MT in 2005-06 to 22,400 MT in 2009-10 due to progressive fall in draught.

- The structural repairs and refurbishment planned during 2010-11 for one of the two un-loaders will reduce capacity by 0.25 million tonnes. Also the remaining unloader will have to be taken for repair for a total period of 60 days in 2011-12 and 2012-13. Accordingly, the projected traffic for the years 2010-11 to 2012-13 have been considered at 2.6 million tonnes, 2.4 million tonnes and 2.3 million tonnes respectively.

- The various other factors including draught, lock gate limitations, Mobile Harbour Crane introduction at berth No.2 & 8 at HDC as well as commissioning of Dhamra Port in September 2010 will limit traffic to a maximum of 2.60 million tonnes at Berth No.4A in 2010-11.

- Creation of new facilities outside lock gate by KOPT over the next 1 to 3 years would add cargo volume but would not have any effect on the cargo volume inside the Dock Basin and hence would not benefit ISHPL.

- The availability of rakes after unloading at HDC has been progressively reducing since thermal coal receipts and iron ore receipts have reduced by more than 20% and 15% respectively in 2009-10 vis-à-vis 2008-09.

- The proportion of coastal cargo handled during the years 2008-09, 2009-10 and in the first quarter in 2010-11 are 1.13%, 10.78% and 24.07% respectively. Hence, coastal cargo is considered at 25% for 2010-11. With the progressive increase of coastal cargo, the share of coastal cargo is assumed at 40% and 50% respectively for the years 2011-12 to 2012-13.

- The facility at Berth 4A is for import cargo in bulk only. All the equipment is designed for unidirectional flow. Such mechanized equipment is suitable for large volumes and hence it is not possible to handle a mix of various cargoes in small quantities.

- Accordingly, the projected traffic to be handled at Berth No.4A would be as follows:

2010-11	-	2.60 million tonnes
2011-12	-	2.40 million tonnes
2012-13	-	2.30 million tonnes

- There is a growing trend of load ports for bulk cargo to insist upon usage of larger ships to reduce congestion. By this process smaller handymax vessels are being weeded out and only large handymax (near panamax size), panamax and cape size vessels are gradually being used preferentially. Due to draft restrictions and inability to handle cape size vessels this will entail higher coastal cargo due to transhipment / secondary movement. The HDC has issued EOI for transhipment and the reverine jetties outside lock gate next to oil jetty. Similarly it is also being contemplated by importers / shipping companies to bring cargo in cape size vessels to sand heads / Konica sands / Dhamra for subsequent movement to HDC / KOPT. Both the initiatives will ultimately lead to coastal movement. In 2008-09 and 2009-10 the coastal cargo handled by ISHPL was 1.13% and 10.78% respectively and 2010-11 the coastal cargo handled in April – June quarter has 24.07%.

  In view of the above 25% of coastal cargo is a justifiable proposition during 2010-11 and the coastal cargo has to progressively increase to 40% to 50% during subsequent years due to the reasons stated.

(d). The Major Repairs Jobs Envisaged are:

Sl. No.	Particular	Rate	Status
1.	Mechanical / Structural repair of Ship unloaders	Rs.5 Crores (Approx.)	Proposal is already available for both Ship Unloaders from Portek International Limited, Singapore.
2.	Replacement of existing PLC / VVF drives in both unloaders	Rs.5 Crores (Approx.)	Work order for one SUL on Siemens platform along with mobilisation advance placed with Next Gen Automation Limited. Work order for another SUL will be placed in due course.
3.	Procurement of D.G Sets	Rs.3 Crores (Capex)	Proposals obtained. PO to be issued pending settlement of some technical queries.
4.	Replacement of Railway Siding and IN-motion Weigh Bridge.	Rs.1 Crore (Approx.)	Work order has already been issued for replacement of In-motion weight bridge along with mobilisation advance. Railway siding replacement will be done in due course.
5.	Revamping of conveying systems	Rs.2 Crores (Approx.)	Will be undertaken over next two years.
6.	Augmentation of stackyard capacity	Rs.3.50 Crores (Approx.)	Will be undertaken over next two years
7.	High Mast Towers for lighting	Rs.80 Lakhs (Capex)	Will be undertaken in next year

All the repair / replacement of jobs envisaged are to maintain the existing facilities coupled with technological obsolescence and in no way connected to capacity augmentation. If these are not carried out, there will be loss of operating efficiency.

(e). The increase proposed for main items of tariff in the updated proposal dated 14 September 2010 ranges from around 15% to around 46%. The existing rates, the proposed rates along with the increase proposed for main items of tariff are tabulated below:

Sl. No.	**Main tariff category**	**Existing rates (Rs.)**	**Proposed Rate 14.9.2010 (Rs.)**	**Increase sought (rounded off)**
1.	Berth Hire (US $)	0.0025	0.003	20%
2.	Supply of manpower & mobile equipments	9.57	14	46%
3.	Wharfage	78.30	105	34%
4.	Shore handling charges	91.35	120	31%
5.	Delivery charges	30.45	42	38%
6.	Ground rent	43.50	50	15%
7.	Loading, re-loading & restacking	20	25	25%

12.4 The estimated financial / cost position at the existing level of tariff as shown in the consolidated income and cost statements furnished by the ISHPL in its original proposal dated 25 June 2009, revised proposal dated 12 August 2010 and further revised proposal dated 14 September 2010 are summarised below:

(Rs. in lakhs)

Sl. No.	**Particulars**	**Original proposal dated 25 June 2009**			**Revised proposal dated 12 August 2010**				**Updated proposal dated 14 September 2010**			
		2009-10	**2010-11**	**2011-12**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
1.	Traffic (in million tonnes)	2.1	2.0	2.0	3.23	2.3	2.3	2.3	3.23	2.6	2.4	2.3
2.	Operating income	4177	3999	3999	7365	4856	4749	4640	7365	5378	5142	4829
3.	Net surplus / deficit after return	- 2434	-2438	-2515	474	-2285	-2288	-2161	474	-1748	-2061	-2041
4.	Net deficit as a percentage of operating income	(-) 58.3%	(-) 61%	(-) 62.9%	6.4%	(-) 47.1%	(-) 48.2%	(-) 46.6%	6.4%	(-) 32.5%	(-) 40.1%	(-) 42.3%
5.	Average net deficit as a percentage of operating income	(-) 60.73%			(-) 33.85%				(-) 27.1%			

12.5. The KOPT has furnished its further comments on the specific issues of traffic projection and the estimated expenditure on revamping of the machineries, which are summarised below:

I. <u>Traffic Projection</u>

(a). ISHPL made the following traffic projections in their proposals dated 9 July 2009, 12 August 2010 and 14 September 2010:

(In million tonnes)

Particular	**2010-11 Proposal dated**			**2011-12 Proposal dated**			**2012-13 Proposal dated**		
	9.7.09	**12.8.10**	**14.9.10**	**9.7.09**	**12.8.10**	**14.9.10**	**9.7.09**	**12.8.10**	**14.9.10**
Foreign Cargo	1.00	1.30	1.95	1.00	1.05	1.44	Not indicated	0.80	1.15
Coastal Cargo	1.00	1.00	0.65	1.00	1.25	0.96	Not indicated	1.50	1.15
Total	2.00	2.30	2.60	2.00	2.30	2.40	Not indicated	2.30	2.30

(b). Prima facie, the revised traffic projection submitted by ISHPL appeared to be acceptable. However, KoPT would like to point out the following for information of TAMP:

i) The contractor appointed for equipping of Berth No-2 and 8 has commenced operations on 11 August 2010 at Berth No-2 and on 14 August 2010 at Berth No-8;

ii) KoPT has initiated action for opening a new shipping channel (Eden Channel), for which orders for removal of impediments from the channel and other related works have already been placed and work is in progress;

iii) Various studies are being undertaken to improve the efficiency of the lock gate. KoPT has also approached the original designer of the lock gates.

iv) KoPT has contemplated to construct additional port facilities at Salukkhali, which is 7 Km away from HDC. IPA has already been engaged for undertaking feasibility study of the project. The acquisition of land for the project is also in advanced stage.

v) Construction of two riverine jetties are being contemplated outside the impounded dock system, of which, one is being designed for handling of Panamax size vessels and the other for handling smaller vessels and barges. Both the jetties are expected to be in operation within 2-3 years.

(c). ISHPL has also revised the projection of Coastal Cargo to be handled at Berth No-4A from 50% to 25% for 2010-11. For 2011-12 and 2012-13, ISHPL has projected handling of coastal cargo at 40% and 50% respectively.

The aforesaid percentage of handling of coking coal, particularly the projections of 2011-12 and 2012-13, prima facie appears to be on higher side, even after factoring the likely effect of commissioning of Dhamra Port. However, trans-loading operation in coastal waters of Orissa as well as at Sandhead is being actively pursued by SAIL and HDC, KoPT. It is likely that by 2011-12 trans-loading operation can be a reality. It is further understood that SAIL has also floated tender for extensive transfer of Coking Coal from coastal ports like Vizag by engaging suitable ships. This is likely to increase the coastal movement of Coking Coal further. Therefore, while at this stage it is not possible to pin point the percentage of coastal movement of coking coal during 2011-12 and 2012-13, considering the complexity of the issue, ISHPL's projection of the increased coastal volume over a period of 3 years could be a reality. However, KoPT feels that the estimate of percentage of coastal cargo to be handled during 2011-12 and 2012-13 at Berth No-4A may be moderated to 35% and 45% respectively.

Further, as the tariff guidelines provides adjustment of surplus in excess of permissible limit earned during a tariff cycle, while fixing the tariff of next cycle, the revised projection of ISHPL subject to the aforesaid moderation may be considered by TAMP.

II. **Expenditure on Major Repair & Maintenance**:

Earlier ISHPL had not furnished the details of proposed expenditure on this account, which now they have submitted in detail. The same may be considered by TAMP.

12.6. The KOPT vide its e-mail dated 18 August 2010 furnished its comments on the original proposal dated 25 June 2009 of ISHPL, after reminders. A copy of the comments of KOPT was forwarded to the ISHPL as feedback information. The comments of KOPT and the comments of ISHPL thereon have been brought out in the earlier part of this note.

As decided at the joint hearing, a copy of ISHPL response on the comments of KOPT was forwarded to KOPT for its comments. We have not received the response of KOPT.

12.7 As decided in the joint hearing, the ISHPL forwarded the further revised proposal to the KOPT for the comments of the port. We also requested the KOPT to furnish their comments on the revised proposal. In response, the KOPT stated that the comments already made by it on the original proposal of ISHPL still holds good. KOPT also furnished its further comments.

13. The ISHPL was requested to furnish clarifications / information arising out of its revised proposal of September 2010 and the ISHPL responded. The points raised by us and replies furnished by the ISHPL are tabulated below:

Sr. No.	Points raised by us	Reply of ISHPL
1.	Additional trade discount amounting to Rs.325.60 lakhs and Rs.293.00 lakhs is shown in the cost statement for the years 2006-07and 2007-08 respectively. The ISHPL is requested to furnish the details of additional discount along with workings.	The differential incentive disallowed / the volume eligible for discount. (The response of ISHPL is not clear. The ISHPL has not furnished workings for the additional trade discount).
2.	The ISHPL has realized income on account of rendering miscellaneous services during the years 2008-09 and 2009-10 and also estimated income on this account for the subsequent three years 2010-11 to 2012-13. However, the ISHPL has not shown any income on account of rendering miscellaneous services for the years 2006-07 and 2007-08. The ISHPL is requested to confirm that it had not realised any income in this regard during the said two years and the reasons therefor.	It is confirmed that no income was realized on account of miscellaneous services for FY 2006-07 and 2007-08, since complete facilities and arrangement to render such services had not stabilized then.
3.	The workings furnished by the ISHPL for income projection for the years 2010-11 to 2012-13 is found to be based on the proposed rates. The ISHPL is, therefore, requested to furnish income projection for the years 2010-11 to 2012-13 based on the rates prescribed in the existing scale of rates and the projected traffic supported by workings.	The ISHPL furnished the detailed income workings for the years 2010-11 to 2012-13 at the existing level of tariff based on the estimated traffic.
4.	The ISHPL was requested vide our letter of even number dated 11 May 2010, inter alia, to furnish the reasons for treating the expenditure towards revamping and modification of machineries as revenue expenditure. The response of the ISHPL vide its letter dated 12 August 2010 in this regard is not categorical. The ISHPL is again requested to explain the reasons for treating the said expenditure as revenue expenditure.	As part of the projection, the company has budgeted for the purchase of D.G. Sets and installation of high mast light towers. These are new assets being created and hence have been shown as Capex. The rest of the expenditure have been shown as Revenue expenditure as no new assets are being created or purchased but the existing equipment and machineries are being repaired or renovated which may also include structural modification of the existing equipment as may be found required for operational convenience and efficiency. These also include replacement of obsolescent electronic technology (PLC / VVVF drives) for which systems, spares are no longer available and the company has no option except to replace the whole system to make it functional.
5.	With reference to the proposed major repair jobs considered by the ISHPL in its updated proposal dated 14 September 2010, the ISHPL has made a general statement that all the repair / replacement jobs envisaged are in no way connected to capacity augmentation.	Based on experience, it is found that the number of grades of cargo being handled is higher than originally envisaged and therefore, the possibility of mix up is extremely high especially in wet weather. In order to avoid such situations and to satisfy

	In that case, the estimated expenditure of Rs.3.50 crores envisaged for augmentation of stackyard capacity over the next two years may be justified.	our customer, some of the farther areas of stack yard are being consolidated. Though these areas will not be accessible to the stacker–reclaimers, this can be used with the coal dozed from the main area. This measure of stackyard augmentation is the only answer to handle this issue. (The ISHPL has not stated the nature of work proposed in stackyard augmentation and the basis / workings for the estimated cost).
6.	The ISHPL has estimated revenue expenditure towards revamping and modification of machineries at Rs.900 lakhs, Rs.500 lakhs and Rs.250 lakhs for the years 2010-11 to 2012-13 respectively. The ISHPL is requested to furnish the actual expenditure incurred in this regard so far in the year 2010-11 supported by documentary proof along with status of progress of work and the action initiated to execute the jobs envisaged for the years 2011-12 and 2012-13.	(a). Work order for in-motion weighbridge and evidence for advance thereof is furnished. This will be installed after the monsoon since bonding is required below the tracks. (The ISHPL has furnished a copy of the work order dated 1/3/2010 placed on a private party for Rs.15.35 lakhs and copy of receipt dated 5.3.2010 for Rs.3.42 lakhs). (b). The work order for PLC / VVVF drives for one ship unloader and evidence of advance is furnished. This is planned for Jan – March quarter 2011. (The ISHPL has furnished a copy of the work order dated 27 August 2010 placed on a private party for Rs.236.00 lakhs). (c). Structural repairs to the ship unloaders is also scheduled for Jan – Mar 2011 quarter for which the rates have to be finalized with Portek International Ltd., Singapore on the basis of quotation already obtained from them. [The ISHPL has not furnished any details on the status / action taken in respect of other works proposed. Out of the revamping expenses proposed to the tune of Rs.1650 lakhs, the ISHPL has furnished documentary evidence only for Rs.251.35 lakhs.]

14.1. The ISHPL made a presentation of their revised proposal of 14 September 2010 in the Office of the TAMP on 20 September 2010. The ISHPL was requested to furnish the activity wise additional income anticipated from the increase in rates proposed by it during the years 2010-11 to 2012-13 in order to meet the deficit estimated by it at the existing rates.

14.2. The ISHPL responded and quantified the additional income that will accrue to the operator from levy of various tariff items to cover the deficit of Rs.58.00 Crores. The details are given below:

			(Rs. in Crores)
A.	Berth Hire Charges	-	1.00
B.	Cargo Handling Charges		
	(i). On-board Charges	-	2.70
	(ii). Wharfage Charges	-	16.50
	(iii). Shore Handling Charges	-	20.90
	(iv). Delivery Charges	-	8.40

C. Optional Services - 8.50

58.00
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15. Since the proposal filed by the KOPT for revision of its rent schedule for land and buildings at KDC and HDC was processed simultaneously along with this proposal, the KOPT was requested to furnish the details of lease rent payable by ISHPL at the existing rent schedule and the lease rent payable as per the proposed rent schedule. The KOPT, vide its letters dated 10th and 11th January 2011 has furnished the requisite details. The details furnished by the KOPT are tabulated below:

Type	Area (sq. m.)	Zone	Monthly rental paid by ISHPL for Dec'2010		Monthly rental payable by ISHPL as per proposed SOR filed by the KOPT		Remarks
			Rate of Rent (Rs./100 sq.m.)	Monthly Rental incl. Service tax @ 10.3% (Rs.)	Rate of Rent (Rs./100 sq. m.)	Monthly Rental incl. Service tax @ 10.3% (Rs.)	
Lease	103000.000	DIZ B	3238.04	36,78,704	2376.00	26,99,350	As per LA the lease rent indicated in the LA with 5.1% annual escalation or the then prevailing schedule of rent, whichever is more, is payable by the ISHPL.
Lease	1795.000	DIZ	2267.41	44,892	2376.00	47,042	Allotments made subsequent to LA date and not covered under the LA provisions. Lease rent payable as per the schedule of rent, in force from time to time.
Bldg. Lic	112.110	DZ	73.55	9,096	71.00	8,780	
Land Lic.	715.000	DIZ	2380.78	18,776	2376.00	18,738	
Land Lic.	1179.000	DIZ	2380.78	30,960	2376.00	30,898	
Land Lic.	83.000	DIZ	2380.78	2,180	2376.00	2,175	
Land Lic.	23.100	DZ #	1909.58	486	1906.00	486	
Land Lic.	15.000	DZ *	2338.04	386	2334.00	386	
WL Lic.	11		1710.36	20,746	2000.00	24,266	
WL Lic.	10		1710.36	18,860	2000.00	22,060	

The lease rent is payable at the land rate applicable for Dock Zone plus 50% of the difference in rate between land rate for Dock Zone and land rate for Commercial Zone for Office, Banks, Workshops, etc. as per Note (1) to Schedule I.1 of the Schedule of Rent.

* The lease rent is payable at the land rate applicable for Dock Zone plus 50% of the difference in rate between land rate for Dock Zone and land rate for Commercial Zone for Shops, markets, nursing homes, etc. as per Note (1) to Schedule I.1 of the Schedule of Rent.

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

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

(i). The existing Scale of Rates (SOR) of ISHPL was approved in January 2007 with the validity till 31 March 2009. The validity of the existing SOR of the ISHPL was extended, from time to time, till 30 September 2010 with a condition that the additional surplus over and above the admissible cost and permissible return accruing to the ISHPL for the period post 1 April 2009 will be setoff fully in the tariff to be fixed for the next cycle.

The ISHPL filed its initial proposal in June 2009 with actuals upto 2008-09 and estimates for the years 2009-10 to 2011-12. Subsequently, as the financial year 2009-10 was over, at our request, the ISHPL revised the proposal with actuals for the year 2009-10 and including estimates for the year 2012-13 and filed a revised proposal in August 2010. As decided in the joint hearing, the ISHPL filed a further revised proposal vide its letter dated 14 September 2010. The revised proposal of ISHPL dated 14 September 2010 along with the relevant clarifications / additional information furnished during processing of this case is considered in this analysis.

(ii). The existing tariff of the ISHPL was fixed in January 2007 relying on the estimated financial / cost position for the years 2007-08 and 2008-09. As mandated by clause 2.13 of the tariff guidelines of March 2005, review of the actual physical and financial performance is to be carried out at the end of the prescribed tariff validity period with reference to the projections relied upon at the time of fixing prevailing tariff. Incidentally, while passing the tariff Order in January 2007, the cost position for the year 2006-07 though was considered in the past performance analysis of ISHPL it was at the estimate stage. Therefore, it is necessary to compare the estimates of 2006-07 also with reference to actuals.

The ISHPL has operated the facilities during the year 2009-10 also applying the tariff fixed in January 2007. Therefore, the actual physical and financial performance of the ISHPL during the years 2006-07 to 2009-10 are discussed in the following paragraphs.

(iii). (a). The actual traffic handled by the ISHPL from 2006-07 to 2008-09 vis-à-vis the estimates relied upon while fixing the tariff are tabulated below:

(Traffic in million tonnes)

Particulars	2006-07	2007-08	2008-09	Total
Estimate	2.78	2.46	2.63	7.87
Actual	3.31	3.14	2.68	9.13
Variation	+18.92%	+27.56%	+1.98%	+16.01%

The ISHPL has attributed the substantial drop in actual traffic handled during the year 2008-09 as compared to the previous two years to market position due to economic slow down. The aggregate positive variation in actual traffic compared to estimates works out to 16.01% for the years 2006-07 to 2008-09.

(b). The operating income reported by the ISHPL in the audited annual accounts for the years 2006-07 to 2008-09 is considered in this analysis. The operating income reported in the cost statement for the years 2006-07 and 2007-08 is understated to the tune of Rs.8.53 lakhs and Rs.67.49 lakhs respectively compared to audited annual accounts for the respective years. The reason for the understatement remains unexplained. The operating income as per audited annual accounts is considered in this analysis, the difference being considered under 'income from optional / miscellaneous services'.

The KOPT, when requested to confirm whether the income details furnished by the ISHPL are as per the approved Scale of Rates of ISHPL, has furnished workings in this regard which shows marginal variations from the figures reported by ISHPL. It is noted that the KOPT has considered the traffic figures rounded off to million tonnes, leading to the marginal difference over the income reported by the ISHPL. Therefore, there is no significant variation in workings furnished by the ISHPL and KOPT.

The ISHPL has furnished workings for the actual operating income realised by it during the said years. The actual income is found to be as per the rates prescribed in the existing SOR, except for the difference pointed out in the preceding paragraph.

If raising of the bills on a consolidated rate basis by the ISHPL is a concern to the KOPT, it is a billing issue to be sorted out between the ISHPL and KOPT. We have not received any complaint from users in this regard. It is, however, necessary that the actual income reported by the ISHPL is in agreement with the rates prescribed in the SOR.

As per the provisions of the existing SOR, volume discount to the tune of 20% would be allowed on the onboard and wharfage rates for handling of cargo beyond 2.3 million tonnes by a single importer / exporter. As reported by the ISHPL, SAIL is the only user in the case of berth No.4A operated by the ISHPL. It is seen from the income workings furnished by the ISHPL that volume discount allowed by the ISHPL in accordance with the above provisions has been restricted on the foreign cargo alone and coastal volume has not been taken into account for this purpose. The reason for not considering the coastal volume for discount purpose remains unexplained. In any case, there is no objection from the user in this regard.

It is further seen from the workings that during the years 2006-07 and 2007-08 the ISHPL has passed on additional discount to the tune of Rs.325.60 lakhs and Rs.293.00 lakhs respectively to the user over and above the discount stipulated in the SOR. Despite specific query to furnish the basis and workings for this additional discount, the response of ISHPL is vague. Since the additional discount allowed is beyond the scope of the SOR, no deduction on this account is considered in our analysis.

The workings for break-up of operating income further revealed that the ISHPL has not considered any income against miscellaneous / optional services for the years 2006-07 and 2007-08 and categorically confirmed this position stating that complete facilities and arrangement for rendering such services had not stabilised at that time. The position reported by the ISHPL is relied upon.

The operating income considered for the years 2006-07 to 2008-09 for the purpose of analysing the performance of ISHPL as against the estimates relied upon at the time of tariff fixation is tabulated below:

Particulars	2006-07	2007-08	2008-09	Total
Operating income as per cost statement	6661.02	6419.74	6322.60	19403.36
Add: Income understated in cost statement	8.53	67.49	-0.05	
Operating income as per audited accounts	6669.55	6487.23	6322.55	19479.33
Add: Additional incentive	325.60	293.00	--	
Operating income considered by us	6995.15	6780.23	6322.55	20097.93
Estimates relied upon	5280.08	5356.35	5726.51	16362.94
Variation between actuals and estimates	**+32.48%**	**+26.58%**	**+10.41%**	**+22.83%**

The aggregate variation in operating income for the three years is more than 20% as can be seen from the above table.

(c). The operating expenses, depreciation, management and administration overheads, financial and miscellaneous income and expenses for the years 2006-07 to 2008-09 are considered as reflected in the audited annual accounts of the respective years subject to the following moderations:

(i) This Authority vide para 10 (iv) (b) of Order dated 25 January 2007 approving the existing SOR of ISHPL considered 91.33% of revenue share / royalty quoted by the ISHPL at par with the revenue share quoted by the second highest bidder, in accordance with the provisions of clause 2.8.1 of the tariff policy guidelines of March 2005. Following the same approach, 91.33% of the actual royalty reported in the audited annual accounts for the years 2006-07 to 2008-09 has been considered as pass through in the past analysis. The dispute between KOPT and ISHPL is not gone into.

(ii) As stated in para 10 (iv) (c) of the tariff Order dated 25 January 2007, the demurrage expenses was not considered as pass through as ISHPL did not furnish the requisite details in this regard. The ISHPL was advised to come up with an Efficiency Linked Tariff Scheme (ELTS). ISHPL is yet to respond in this regard. Demurrage expenses are, therefore, not recognised maintaining the position followed in the tariff Order of January 2007.

(iii) The Administration expenses reported in the audited annual accounts for the years 2006-07 to 2008-09 includes an item towards provision for doubtful debts to the tune of Rs.62.37 lakhs, Rs.15.91 lakhs and Rs.12.24 lakhs respectively. This item was not comprised in the estimates of Administration expenses considered for the relevant years at the time of fixation of tariff in January 2007. Further, as per the provisions contained in the existing Scale of Rates of ISHPL, services are rendered on payment of the relevant charges in advance. In view of the above, provision for doubtful debts is not considered as pass through in the past analysis.

(iv) The Bank charges reported in the annual accounts for the year 2008-09 includes an element of ‘Loan processing fee’ for construction of facilities at berth No.4A to the tune of Rs.11.32 lakhs. As per tariff policy guidelines, Return at the applicable rate is allowed on the Capital Employed, which includes assets funded by equity as well as loans. Hence, the loan processing fee paid by the ISHPL is not considered as pass through in the past analysis.

(d). The capital employed for the years 2006-07 to 2008-09 is considered on the basis of Net Fixed Assets position reflected in the audited annual accounts and working capital as per norms prescribed in the tariff guidelines. Clause 2.9.9 of the tariff guidelines of March 2005 prescribes norms for admissibility of working capital. The details of working capital considered are as follows:

(i) As per the norms, two months’ estate income and two months’ terminal charges payable by Indian Railways are the limit for allowable sundry debtors. This Authority has passed an Order on

30 September 2008 which, inter-alia, permits the outflow on certain items arising from contractual obligations of LA to be taken as a part of sundry debtors. The ISHPL, while admitting that the estate income and railway operations are not relevant in their case, stated that the sundry debtors has been considered on the basis of 30 days credit period of cargo related charges and requested to allow the same. As per clause (i) of section 1.2 General Terms & Conditions of the existing SOR of ISHPL, the cargo related charges shall be paid before the goods are removed. Hence, the question of considering value of sundry debtors in working capital does not arise. Further, the ISHPL has not furnished any details of prepayments / advances made to the Licensor as per the LA. As per the provisions of LA, the lease rent is payable one month in advance. Considering this position, this Authority has allowed one month's average lease rent based on the annual lease rent actually paid by the ISHPL for the relevant years, as the value of 'sundry debtors'.

(ii) The limit on inventory for capital spares prescribed in the tariff guidelines is one year's average consumption and the limit on other items of inventory is six months' average consumption of stores excluding fuel, as stipulated in the tariff guidelines of March 2005.

The ISHPL has stated that the inventory considered by it is in line with the norms prescribed as per clause 2.9.9 of the tariff guidelines of March 2005. However, it has not furnished actual consumption of inventory for the said years. Further, neither the cost statements filed by the ISHPL nor the audited annual accounts give the details of actual value of consumption of stores & spares during the years 2006-07 to 2008-09. In the absence of basic data required for working out the inventory limit as per norms, the value of inventory reported by the ISHPL could not be verified. Therefore, the value of inventory is taken as 'nil' for the said three years for the purpose of working capital.

(iii) The limit on cash balance prescribed in the tariff guidelines is one month's cash expenses. The cash balance furnished by the ISHPL for the years 2006-07 to 2008-09 is limited to one month's moderated operating expenses and overheads excluding depreciation as per norms.

(iv) The current liabilities as furnished by the ISHPL for the years 2006-07 to 2008-09 are considered without any change.

(v) Considering the moderated current assets and current liabilities as furnished by the ISHPL, the working capital for these three years is found to be negative and hence considered as 'Nil'.

(f). Considering the capacity of the terminal at 3.00 million tonnes per annum, the actual capacity utilization during the years 2006-07 to 2008-09 works out to 110.20%, 104.60% and 89.40% respectively. Accordingly, return on capital employed for the said three years is allowed at the maximum rate applicable for the respective years.

(g). Subject to the above adjustments, the Net surplus position after return for the years 2006-07 to 2008-09 stands at Rs.691.38 lakhs, Rs.466.19 lakhs and Rs.222.36 lakhs respectively, aggregating to Rs.1379.93 lakhs for all the three years.

(h). The variations in the actual performance of ISHPL compared to the estimates, in respect of key parameters, are furnished in the table given below:

(Rs. in lakhs)

Particulars	**Aggregate of 2006-07 to 2008-09**		
	Estimates	**Actuals**	**Variance**
Traffic (in million tonnes)	7.87	9.13	**+16.01%**
Operating Income	16,362.94	20,097.93	**+22.83%**
Operating Expenses (including overheads)	10,267.93	11,872.24	**+15.62%**
Capital Employed	28,092.96	28,117.44	**+0.09%**
Rate of Return on Capital Employed	15%, 16% & 16%	20.55%	**+31.14%**

Clause 2.13 of the tariff guidelines of March 2005 while prescribing performance variation of + or – 20% for adjustment of past surplus, stipulates review of both physical and financial performance. The variation in operating income and rate of return on capital employed are more than the prescribed limit of 20%. Considering the sharp increase of 31.14% in the rate of ROCE, the past surplus is to be adjusted as stipulated in the guidelines. Accordingly, 50% of the aggregate net surplus over and above the admissible cost and permissible return for the years 2006-07 to 2008-09, amounting to Rs.689.97 lakhs is adjusted in the tariff to be fixed now.

(iv). As stated earlier, the validity of the existing SOR expired on 31 March 2009 and the extension granted beyond this date was subject to the condition that the additional surplus over and above the admissible cost and permissible return accruing to the ISHPL for the period post 1 April 2009 will be setoff fully in the tariff to be fixed. Keeping this stipulation in view the actual performance of the operator during the year 2009-10 is analysed.

The actual traffic handled during the year 2009-10 is reported at 3.23 million tonnes. The operating income reported in the audited annual accounts is Rs.7365.20 lakhs, which is seen to be supported with the workings furnished by the ISHPL at the existing tariff schedule.

It is seen from the workings of ISHPL that it has not allowed concession applicable for coastal cargo in respect of the tariff item ‘shore handling charges’ for the coastal volume handled during the years 2007-08 to 2009-10. It is relevant to mention in this regard here that the ISHPL had sought a clarification on the applicability of coastal concession on ‘shore handling charges’ in April 2009 and it has been clarified to ISHPL vide our letter dated 18 June 2009 stating that since the activities prescribed under shore handling charges comprise of some elements qualifying for coastal concession, the notified composite tariff prescribed for shore handling operations may have to continue with coastal concession, unless the existing composite tariff is unbundled suitably to differentiate the activities qualifying for concessional tariff and the activities not qualifying for concessional tariff. The ISHPL was also advised to suitably unbundle the said tariff item in its proposal for general revision of its SOR which was due at that time. Considering that the position was clarified in June 2009, not allowing of coastal concession on the relevant tariff item even after issuing clarification is found to be inappropriate. The excess income earned by the ISHPL in this regard from July 2009 to March 2010 is worked out on pro-rata basis which comes to about Rs.95.35 lakhs. No complaint in this regard is received from the concerned user. Since the terminal is essentially servicing a single user, it appears convenient to consider the income earned by not allowing coastal concession as part of the surplus and adjust it fully in the future tariff. This approach adopted cannot be seen as condoning the action of ISHPL in violating the Coastal Policy of the Government, but only as a mechanism to ensure the undue earning is not retained by the operator.

The operating expenses as reflected in the audited annual accounts are considered in this analysis subject to adjustment of royalty and demurrage expenses, as brought out in earlier paragraphs. Further, it is seen from the details of insurance policies furnished by the ISHPL, one policy relates to loss of profit. Clause 7.1 (y) of LA requires the ISHPL to purchase and maintain insurance to cover against loss, damage, destruction of the berth, the terminal area and the ancillary facilities on the terminal for replacement at market value. Insurance cover taken for loss of profit is not as per the LA. It is relevant to mention here that the while fixing the tariff at Chennai International Terminal Pvt. Ltd. (CITPL) recently, the premium towards insurance cover taken for 'loss of profit' was not allowed as admissible expenses. Therefore, premium paid by the ISHPL in this regard amounting to Rs.2.13 lakhs is not considered.

The depreciation, management & administration overheads, financial and miscellaneous expenses are considered as reflected in the audited accounts. It is seen that out of the total management and administration expenses of Rs.173.29 lakhs for the year 2009-10, an amount of Rs.100.08 lakhs has been incurred towards professional fee. Compared to the actual professional fee of Rs.51.98 lakhs for the year 2008-09, the increase is nearly 100%. The ISHPL has stated that primarily the increase is on account of Legal Fees paid to the lawyers to represent ISHPL in connection with legal cases and arbitration proceedings arising out of various claims made by the KOPT.

The approach adopted for considering capital employed and return on capital employed for the years 2006-07 to 2008-09 is elaborated in the foregoing paragraphs. The same approach is considered for the year 2009-10 also. The net working capital for the year 2009-10, arrived at as per norms, is found to be negative and hence considered as 'Nil'. The actual capacity utilisation at berth No.4A during the year 2009-10 worked out to 107.63%. Hence, maximum permissible return of 16% is allowed on the capital employed. The Net surplus after return for the year 2009-10 works out to Rs.771.77 lakhs.

The entire surplus of Rs.771.77 lakhs including excess recovery on account of not allowing coastal concession on 'shore handling charges' in the year 2009-10 and 50% of the surplus for the years 2006-07 to 2008-09 amounting to Rs.689.97 lakhs, aggregating to Rs.1461.74 lakhs is adjusted against the estimated net surplus / (deficit) position considered for the years 2010-11 to 2012-13.

(v). The ISHPL had initially, in June 2009, projected its traffic at 2.1 Million Tonnes for the year 2009-10 and 2 Million Tonnes each for the years 2010-11 and 2011-12. The SAIL and KOPT had raised apprehensions on the lower level of throughput estimated by ISHPL compared to the actual traffic handled during the past years and especially on the higher proportion of coastal volume assumed by the ISHPL when the coastal cargo handled in the past were marginal. Thereafter, the ISHPL revised its traffic estimates upwards twice, i.e. in August 2010 and September 2010 with detailed justifications for the lower level of traffic estimated by it. The actual traffic handled by the ISHPL during 2009-10 was 3.23 million tonnes as against 2.1 million tonnes estimated by it. The revised estimates for the years 2010-11 to 2012-13 is at 2.6 million tonnes, 2.4 million tonnes and 2.3 million tonnes respectively with a coastal volume share of 25%, 40% and 50% respectively.

The KOPT, licensor of ISHPL, initially observed that the traffic estimates of ISHPL considers only imported Coking Coal and the ISHPL should also consider handling of other cargo permitted as per LA, viz. Fertiliser Raw Materials, Coal, Soda Ash and other dry bulk cargo. In response, the ISHPL has stated that all the equipment designed at berth No.4A is for unidirectional flow and suitable for import in bulk only. Further, handling of import of other bulk commodities like Fertiliser raw materials, Manganese Ore is not technically feasible and commercially viable. The only viable alternative cargo is thermal coal import for which it has already taken initiatives and it would continue to explore the possibilities of handling this cargo. However, it is not likely to handle this cargo also in the next two to three years.

After analysing the reasons furnished by the ISHPL in support of its traffic estimates, the KOPT agreed to the total throughput estimated by ISHPL for the years 2010-11 to 2012-13, but, however, recommended for reducing the coastal share for the years 2011-12 & 2012-13, i.e. KOPT recommended a coastal share of 25%, 35% and 45% for the years 2010-11 to 2012-13. The revised traffic estimates of ISHPL with moderation in the coastal share, as recommended by the KOPT, are considered in this analysis for the purpose of estimation of operating income, subject to verification of actual share of coastal volume. Further, in view of the huge positive variation between the estimated traffic and actual traffic in the past years (excepting 2008-09), if variation between actual traffic and estimated traffic exceeds the 20% limit prescribed in the tariff guidelines or if any significant variation in the coastal share estimated in the total traffic is found, the benefit accruing to ISHPL on account of such variations will be set off fully in the next review of its tariff.

(vi). (a). The ISHPL has adopted an exchange rate of Rs.47.00 per US $ in the computation of income from berth hire charges. The estimated income from berth hire charges in respect of foreign going vessels is adjusted with reference to the updated exchange rate for US$ as follows:

(i) For the year 2010-11, for the first 8 months with the average of exchange rate prevailed from April 2010 to November 2010 which comes to Rs.45.33 per US$ and for the balance 4 months from December 2010 to March 2011 with the exchange rate of Rs.45.11 per US$ prevailed at the time of analysis of this case, on pro-rata basis, and

(ii) For the years 2011-12 and 2012-13 with the exchange rate of Rs.45.11 per US$ prevailed at the time of analysis of this case.

(b). It is seen that the ISHPL has earned income from double / triple banking operations during the past four years 2006-07 to 2009-10 at Rs.14.49 lakhs, Rs.63.19 lakhs, Rs.66.20 lakhs and Rs.106.57 lakhs. The ISHPL has not estimated any income from double / triple banking operations for the years 2010-11 to 2012-13, presumably because the double / triple banking operations are carried out at the insistence of KOPT and are not directly related to the operations of ISHPL. The income from double / triple banking operations should also be seen as a part of vessel related income for ISHPL. As double/ triple banking operations at berth No.4A cannot be ruled out in future also, it may not be appropriate to ignore the income from this activity for the future years, in tariff fixing exercise. It is seen that the income from double / triple banking operations generally shows an increasing trend in the past. However, in the absence of any basis for computation, the average income during the past 4 years, which works out to around Rs.62 lakhs is considered for estimating the income for the years 2010-11 to 2012-13. Accordingly, an additional income of Rs.62 lakhs for each of the said three years has been considered towards double / triple banking operations under vessel related income.

(c). The issue of applicability of concessional rate on 'shore handling charges' for coastal volume is brought out in the earlier paragraph. As advised by us, the ISHPL in its proposal, has stated that it has shifted the activity relating to 'conveying from TP-2 to the stackyard including unloading /

stacking' to wharfage charges. On this premise, it has estimated the income for the years 2010-11 to 2012-13 without considering concessional rates on 'shore handling charges' for estimated coastal volume. During the proceedings of this case, the ISHPL was specifically requested to adjust the existing unit rates of 'wharfage charges' and 'shore handling charges' on account of shifting the activity, based on cost of rendering the concerned service. The response of ISHPL in this regard is not categorical and it has merely shifted the activity in the proposed SOR without making any adjustment in the existing unit rate of 'wharfage charges' and 'shore handling charges'. In the absence of such adjustment in the existing unit rates, this Authority is not in a position to accede to the proposal of ISHPL for shifting the activity from shore handling charges to wharfage charges and thereby restricting coastal concession to on-board and wharfage charges only. This Authority has, therefore, revised the income estimates furnished by the ISHPL for the remaining period in this tariff cycle i.e. one month (March 2011) in 2010-11 and whole years 2011-12 and 2012-13, allowing coastal concession on 'shore handling charges' also, resulting in aggregate reduction of operating income to the tune of Rs.704.92 lakhs. As stated earlier, the estimated income recognised without allowing coastal concession for 11 months in the year 2010-11 cannot be construed as condoning the action of ISHPL in violating the Coastal Policy of the Government.

The ISHPL may, if required, come up with a separate proposal for unbundling the rate prescribed for shore handling charges with the cost details of activity/ies proposed to be shifted.

(d). The existing SOR of ISHPL prescribes rates for various optional / miscellaneous services like 'weighment', 'siding', 'loading, unloading & restacking', 'retrieval of spilled cargo', 'taking photograph of loaded wagons' etc. The income from 'weighment' and 'siding' activities are considered for the entire volume of estimated traffic for the years 2010-11 to 2012-13 at the rate prescribed in the existing SOR, as estimated by the ISHPL.

The ISHPL has considered income from 'photograph of loaded wagons' at Rs.41.90 lakhs, Rs.38.70 lakhs Rs.37.10 lakhs for the years 2010-11 to 2012-13 respectively. However, it has not furnished the workings in support of its estimates. The estimates of ISHPL in this regard are verified with reference to the actual traffic handled by the ISHPL vis-à-vis the actual income from this activity during the years 2008-09 and 2009-10 and the estimates are found to be more or less in order. Therefore, the income estimates of ISHPL for the years 2010-11 to 2012-13 in respect of this tariff item are considered without any change.

The computation of estimated operating income for the years 2010-11 to 2012-13 furnished by the ISHPL reveals that the ISHPL has not considered any income from 'retrieval of spilled cargo' and 'loading, unloading & restacking services'. However, the actual income for the years 2008-09 and 2009-10 shows that the ISHPL has earned income from rendering these services. Hence, it may not be appropriate to completely ignore these services for income estimation. Accordingly, income from these two services is considered on the basis of average proportion of cargo that have availed these services during the years 2008-09 and 2009-10 and the rate prescribed in the existing SOR. It is ascertained that during the two years, on an average, 15% and 13.25% of the total cargo have availed the services of 'loading, unloading & reloading' and 'retrieval of spilled cargo' respectively. Applying this percentage share on the estimated traffic for the years 2010-11 to 2012-13, the income from these services has been estimated for the three years. The additional income considered by us in this regard for the said three years works out to Rs.267.37 lakhs.

(vii). The estimated operating expenses are analysed as under:

(a). The ISHPL has estimated maintenance labour cost as a separate item in the present proposal. In the last tariff fixation exercise, this item was included under 'Terminal Maintenance Expenses', which was an outsourced item. The ISHPL has stated that since April 2009, the maintenance contract was split into two components, one related to maintenance manpower and other relating to maintenance and repairs of equipment. Reportedly, the responsibility of planning and technical supervision and providing spares & tools was taken over by the ISHPL itself. Though the ISHPL has stated that the item relating to maintenance manpower has been outsourced to a private party, it has neither furnished a copy of the contract nor furnished any details to substantiate that the estimates of maintenance labour expenses are based on the said contract. The actual maintenance labour cost for the year 2009-10 is reported at Rs.160 lakhs and the estimates for the years 2010-11 to 2012-13 are based on 5% annual escalation (compounded) over the 2009-10 actual. The estimates for the years 2010-11 to 2012-13 are moderated by applying the escalation factor of 3.76% per annum, which is applicable for the tariff cases to be decided during the year 2010-11, taking the actual for the year 2009-10 as base.

(b). The ISHPL has estimated the power cost based on the estimated power consumption per tonne of output and unit cost of power. The actual consumption per tonne of output during the year 2009-10 is reported at 1.17 units. The estimated power consumption is considered at 1.2 units per tonne for the year 2010-11, and for the years 2011-12 and 2012-13, it is increased by 0.1 unit and considered at 1.3 units per tonne. The ISHPL has attributed the increase to installation of light mast towers in the year 2011-12. But, the quantum of increase considered is not justified on the basis of the power requirement of the proposed light mast towers. In the absence of any other details, and since the capital cost of installation of light mast towers is admitted, as discussed in the later part of this analysis, the increase of 0.1 unit per tonne as estimated by the ISHPL is considered for the years 2011-12 and 2012-13. While the power consumption for the year 2010-11 is moderated to 1.17 unit per tonne based on actual for 2009-10, the same is considered at 1.27 units per tonne for the next two years.

The ISHPL has considered a unit cost of Rs.6.90 for the year 2010-11 and for the years 2011-12 and 2012-13, it has estimated the unit cost with 5% annual escalation (compounded) over 2010-11. The actual unit cost for the year 2009-10 is reported at Rs.6.30 per tonne. With the applicable escalation rate of 3.76%, the rate to be considered for the year 2010-11 works out to Rs.6.54 per unit. However, it is seen from the copy of electricity bill for January 2010 (furnished by the ISHPL in support of its estimate at a higher level for the year 2010-11) the actual unit cost works out to Rs.6.84 per tonne. Accordingly, the unit cost of Rs.6.84 is considered for the year 2010-11. For the next two years, the unit cost is moderated with the applicable escalation factor of 3.76% over the estimated unit cost for the year 2010-11.

The estimated power cost for the years 2010-11 to 2012-13 furnished by the ISHPL is revised considering the moderated unit consumption per tonne and moderated unit cost of power based on the estimated throughput.

(c). As stated earlier, the repairs and maintenance of equipments is bifurcated into a separate contract from April 2009 onwards. The ISHPL has not furnished a copy of the fresh contract in this regard and not furnished any details in support of the estimates considered by it for the years 2010-11 to 2012-13. The actual repairs & maintenance expenses for the year 2009-10 is reported at Rs.716.95 lakhs and 6% annual escalation (compounded) is considered by ISHPL on this amount for arriving at the estimates for the years 2010-11 to 2012-13. The estimates of repairs & maintenance expenses for the said three years are moderated by applying the escalation factor to 3.76% per annum, taking the actual of 2009-10 as base.

(d). The ISHPL has estimated an expenditure of Rs.900 lakhs, Rs.500 lakhs and Rs.250 lakhs during the years 2010-11 to 2012-13 respectively towards revamping of machineries. The major jobs envisaged in this regard along with estimated cost, as furnished by the ISHPL are listed below:

S.No.	**Particulars**	**Amount** (Rs. in crores)
1.	Mechanical Structural repair of 2 Ship un-loades	5.00
2.	Replacement of existing PLC/VVVF drives in both un-loaders	5.00
3.	Replacement of Rly. Siding and In-motion Weight Bridge	1.00
4.	Revamping of conveying systems	2.00
5.	Augmentation of stackyard capacity	3.50
	Total	**16.50**

The ISHPL has not furnished details of item-wise phasing of expenditure. Since the works considered under revamping of machineries involved major / structural repairs and replacement of assets and the expenses estimated is significant, the ISHPL was specifically requested to clarify the reason for not treating it as capital expenditure. In response, the ISHPL stated that these expenses have been shown as revenue expenses since no new assets are created / purchased but the existing equipment and machineries are repaired / renovated for operational convenience and efficiency. The ISHPL was also requested to furnish the impact of such revamping of machineries in terms of reduction in unit operating cost, additional capacity and improvement in operational efficiency. The ISHPL responded stating that all the repair / replacement jobs envisaged are to maintain the existing facilities coupled with technological obsolescence and in no way connected to capacity augmentation and if the repairs / replacement are not carried out there will be loss of operating efficiency.

To a specific query, the KOPT, responded citing the provisions in the LA, according to which it is the obligation of the ISHPL to replace the equipment, at its cost, as per the economic life of the respective equipment as per manufacturer's recommendation to ensure that the equipment are in good working condition, allowing for the normal wear and tear. The KOPT also stated that the details furnished by the ISHPL may be considered.

On perusal of the details furnished by the ISHPL, it is seen that except for structural repairs to ship unloaders, mentioned at Sl. No.1 in the above table, all the other works involve replacement of assets, which would fall under capital expenses. Accordingly, these items are considered under Capital expenses and discussed separately in the later part of this analysis.

As far as the structural repairs to ship unloaders is concerned, the estimated traffic for the year 2010-11 is reduced by 0.25 million tonnes by

ISHPL to recognise the downtime 30 days required for repair of one of the ship unloaders. In respect of the second ship unloader, a downtime of 60 days is considered by ISHPL in the years 2010-11 and 2011-12. This clearly shows that the repairs scheduled in Jan'11 to Mar'11 quarter is for one ship unloader only. In view of this, the estimated cost of repairs of one ship unloader (i.e. Rs.250 lakhs) is considered for the year 2011-12, as the completion of repairs is likely to materialise in earlier part of 2011-12. However, it is a fact to be recognised that such an abnormal one time expenses cannot be allowed in a single year especially when the benefit of the expenses will be reaped beyond the particular year till the remaining useful life of the equipment. During the last fixation of tariff in January 2007, the ISHPL adopted a life period of 14 years for the ship unloader. Considering that the commercial operations of ISHPL had commenced in January 2004, the remaining life of the ship unloader is about 7 years. Accordingly, the estimated cost of Rs.250 lakhs is considered as Deferred Revenue expenditure and written off over a period 7 years commencing from 2011-12, i.e. Rs.35.71 lakhs per year.

The same approach is followed in respect of the second ship unloader. The estimated cost of Rs.250 lakhs is allowed as deferred revenue expenses in the year 2012-13 and written off over the remaining useful life of 6 years, i.e. Rs.41.67 lakhs per year. The unamortized portion of deferred revenue expenses in respect of the two ship unloaders are considered under capital employed for the purpose of allowing return.

The ISHPL has not furnished any documentary proof in support of the estimated cost of repairs considered by it. Hence, admissibility of the expenses as stated above is subject to verification of actuals during the next review of its tariff. Further, ISHPL has not mentioned anything about the insurance claim on account of damage to ship unloaders. As per the tariff guidelines, the repairs and maintenance expenses net of insurance claim is to be considered as operating expenses. The ISHPL is, therefore, advised to take advantage of the insurance benefit to the extent available, and deduct the same from the actual cost of repairs.

(e). As stated earlier, 91.33% of the royalty payable by the ISHPL to the KOPT is considered as admissible cost. As per the LA, the percentage of royalty applicable for the years 2010-11 to 2012-13 is 61.04%. The ISHPL has estimated royalty for the year 2010-11 based on a rate of Rs.81/- per tonne, prescribed in the SOR of KOPT, as prevailing at the time of filing the proposal. The royalty for the next two years have been computed considering a rate of Rs.104/- per tonne, presumably the rate proposed by the KoPT in its proposal for general revision of Scale of Rates.

This Authority has recently disposed off the general revision proposal of KOPT, with a revised wharfage rate for coal at Rs.87.48 per tonne. The revised wharfage rate is likely to come into effect at KOPT by the end of February 2011. Accordingly, the royalty estimates for the year 2010-11 upto February 2011 is considered on the basis of old rate of Rs.81/- per tonne. The estimates from the March 2011 to March 2013 are revised taking into account the revised rate of Rs.87.48 per tonne.

The KOPT has raised certain issues on the computation of royalty payable by the ISHPL to the KOPT and has requested this Authority to consider the provisions of the LA in deciding the quantum of royalty payable by the ISHPL. As per clause 5.1 (a) and 5.1 (b) of the LA, royalty is payable on the cargo handling charges as per prevailing SOR / tariff of HDC. Accordingly, this Authority has considered the on-board and wharfage rate applicable for coal handling through mechanical system as prescribed in the SOR of HDC in the computation of royalty. The issues raised by the KOPT like whenever the rate for a particular service is not available in the SOR of HDC, royalty should be payable as per the actual revenue earned by the ISHPL, royalty should be payable on the Berth Hire charges and demurrage / storage charges also, non-furnishing of the required information by the ISHPL are to be settled between the KOPT and the ISHPL. It is not for this Authority to go into the legality of the issues raised by KOPT and interpret the provisions of the Licence Agreement. However, the estimated royalty payment considered in this analysis is without prejudice to the outcome of the disputes between the KOPT and ISHPL in this regard.

The KOPT has further stated that there is a difficulty in proper assessment of royalty since ISHPL is raising consolidated bills on its customer, wherefrom tariff for different services are not identifiable. As rightly clarified by the ISHPL, as per the LA, the royalty payable is dependent on the SOR of HDC and not on the SOR of ISHPL. In any case, this Authority has not gone into the rival contentions on the issue of royalty, which is to be resolved between them as per the provisions of LA.

The KOPT in its comments on the revised proposal of the ISHPL has stated that ISHPL has been paying royalty on the cleaning charge of Re.1/- per tonne also, in addition to the wharfage rate of Rs.81/- per tonne. In this connection, it is relevant to mention here that the ISHPL in its initial proposal of June 2009 had considered royalty on a rate of Rs.82/- per tonne. Since the computation of royalty in the last tariff fixation of tariff for ISHPL in 2007 was based on the rate of Rs.81/- per tonne, the ISHPL was requested to clarify the position. In response, the ISHPL revised its computation based on the rate of Rs.81/- per tonne in its revised proposal of September 2010. The same approach, which was adopted in Jan 2007, is followed in this tariff revision exercise also for computation of royalty payable by the ISHPL without taking into account the element of 'cleaning charges'. As an abundant measure of caution, it is stated that the approach adopted by this Authority in computing the admissibility of royalty should not be construed as an endorsement of the stand taken either by the ISHPL or by the KOPT.

The royalty computation furnished by the ISHPL is verified with reference to the estimated throughput, rate prescribed in the SOR of HDC, percentage of royalty payable and the extent of royalty admissible as an item of cost.

(f). During the last fixation of tariff in January 2007, the Labour & Equipment hire charges, which was an outsourced item, was considered based on the copy of the contract furnished by the ISHPL. During the proceedings of this case, the ISHPL has stated that the same contract is continuing and the rates are re-negotiated and reported the re-negotiated rate for the year 2010-11 at Rs.40.09 per tonne. However, the ISHPL has not furnished any documentary proof for the re-negotiated rate considered by it. Further, it has considered a rate of Rs.41.81 per tonne for the year 2010-11 and escalated the same by 5% per annum (compounded) for the next two years 2011-12 and 2012-13. It is seen from the cost statement furnished by the ISHPL that the actual rate for the year 2009-10 is Rs.33.81 per tonne. The rates considered by the ISHPL for the years 2010-11 to 2012-13 are moderated, allowing 3.76% annual escalation (compounded) over the actual rate of 2009-10. The estimates of the ISHPL towards Labour & Equipment charges for the years 2010-11 to 2012-13 are revised applying this moderated rate on the estimated throughput for the corresponding years.

(g). Despite specific request, the ISHPL has not furnished the workings for the computation of lease rental in terms of area allotted and rate applicable.

As stipulated in the LA, the lease rent payable shall be the lease rent specified in the LA with 5.1% annual escalation from the date of allotment or the schedule of rent prescribed in the SOR from time to time, whichever is higher. As reported by the KOPT, this LA provision is applicable only for the land area of 103,000 sq. m. mentioned in the LA and in respect of allotments made to ISHPL after the LA, the lease rent as per the Schedule of Rent applicable from time to time would be payable by the ISHPL.

The proposal filed by the KOPT for revision of schedule of rent for its properties at Kolkata Dock Complex (KDC) and Haldia Dock Complex (HDC) is also disposed off by this Authority simultaneously with this case and the new schedule of rent and conditionalities at HDC is likely to be effective in the later part of March 2011. Therefore, the estimate of lease rent payable by the ISHPL to KOPT for the year 2010-11 has been considered at the actual lease rent paid by the ISHPL for the year 2009-10 with 5.1% escalation as per LA. However, for the years 2011-12 and 2012-13, while the lease rent for the area of 103,000 sq. m. governed by the LA provisions has been worked out at the rate and provisions contained in the LA, the lease rent for rest of the allotments are computed as per the rates and conditionalities approved by this Authority in the proposal filed by the KOPT for revision of schedule of rent for its properties at HDC, based on the details furnished by the KOPT on the lease rent paid by the ISHPL at the existing rates.

(h). The actual insurance cost for the year 2009-10 is reported at Rs.119.20 lakhs, which is supported by copies of insurance policies. The ISHPL has estimated the insurance cost for the years 2010-11 to 2012-13 applying an escalation of 23%, 10% and 10% respectively over the corresponding previous year, taking the year 2009-10 as base. The ISHPL has stated that the assets are insured at replacement value by inflating the historic value with inflation rates of maximum 10% and hence it is difficult to substantiate the increase. It has further stated that the insurance cover is taken with public sector insurance company and covers only the assets relating to berth No.4A.

As stated earlier, an amount of Rs.117.07 lakhs has been considered as pass through towards insurance premium for the year 2009-10 in the past performance analysis, after deducting Rs.2.13 lakhs, being the premium paid on insurance policy relating to 'loss of profit'. . The estimated insurance cost for the years 2010-11 to 2012-13 is considered at the level of admissible insurance cost for the year 2009-10. The moderated estimates are cross verified with reference to the value of 1% of the opening Gross Block of the respective years and found to be within the limit of 1%.

(i). During the last tariff fixation of ISHPL in January 2007, the testing / survey charges was an outsourced item and considered based on the contractual rate payable to the private party with applicable escalation. As per the actual testing / survey charges for the year 2009-10, the rate works out to Re.0.79 per tonne. During the proceedings of this case, the ISHPL has stated that the same rate will continue for 2010-11 also and thereafter the contract is due for renewal. The ISHPL has considered a rate of Re.1/- per tonne for the years 2011-12 and 2012-13. While the actual per tonne rate for the year 2009-10 is considered for the year 2010-11 without escalation, the rates for the next two years are moderated allowing 3.76% annual escalation over the rate considered for 2010-11. The estimated testing / survey charges for the years 2010-11 to 2012-13 are revised applying the moderated unit rate on the estimated throughput for the respective years.

(j). During the last fixation of tariff for ISHPL, demurrage expenses was not considered as an admissible cost and the ISHPL was advised to come up with an 'Efficiency Linked Tariff Scheme' in this regard. Despite specific query, the ISHPL has not come forward with such 'ELTS'. Therefore, the estimated demurrage expenses for the years 2010-11 to 2012-13 considered by the ISHPL are disallowed.

(k). The ISHPL has confirmed that the depreciation provided in the cost statement is in line with clause 2.7.1 of the revised tariff guidelines. Accordingly, the estimated depreciation on the existing assets for the years 2010-11 to 2012-13 is considered as furnished by the ISHPL. The depreciation on additions to the gross block is considered in line with the moderated additions to the gross block for the respective years which is discussed in the later part of this analysis.

(l). The ISHPL has listed out the components of management and administration overheads, which includes general office expenses like Rent, Staff salaries & allowances, Telephone, Printing & Stationery, Travelling & Conveyance, Advertisement, Security charges, Bank charges, Miscellaneous expenses, Professional fees including legal expenses, Provision for doubtful debts, etc. As stated earlier, provision for doubtful debts is not an admissible item of expense for ISHPL. The ISHPL has, however, not furnished item-wise break-up of management and administration overheads in respect of estimates for the years 2010-11 to 2012-13. The estimates of ISHPL for the years 2010-11 to 2012-13 are, therefore, moderated based on the admissible actual management and administration overheads for the year 2009-10, allowing 3.76% annual escalation thereon on compounding basis. As stated earlier, since the actual management and administration expenses for the year 2009-10 includes an huge amount towards 'professional fee', the estimates considered in this exercise are subject to verification of actuals.

(m). During the last fixation of tariff, the preliminary expenses of Rs.22 lakhs was earmarked for amortization over the remaining license period and accordingly, Rs.0.76 lakhs was considered as annual amortization amount. After reminded by us, the ISHPL has considered Rs.0.76 lakhs per annum towards amortization of preliminary expenses in the estimates for the years 2010-11 to 2012-13.

(viii). (a). The ISHPL has considered estimated additions to the gross block to the tune of Rs.300 lakhs, Rs.80 lakhs in the years 2010-11 and 2011-12 respectively and it has not proposed any additions during the year 2012-13. Apart from this, as brought out earlier, some of the expenses considered by the ISHPL towards revamping of machineries also appeared to be in the nature of capital expenditure. These are analysed below:

(i) The additions considered for the year 2010-11 at Rs.300 lakhs is towards procurement of D.G. Sets. The ISHPL has stated that installation of D.G. sets is necessitated due to the on going power shortage since 2009-10, which is likely to increase in future. However, the ISHPL has not furnished any documentary proof in support of its estimates and also the status of procurement. That being so, and since major part of the current financial year has already elapsed, this item is considered as additions to the gross block in the year 2011-12, subject to verification of actual expenses to be incurred by the ISHPL in this regard. Since the expenditure is shifted to next year, full depreciation is allowed for the year 2011-12.

(ii) The addition of Rs.80 lakhs considered by the ISHPL in 2011-12 is towards installation of high mast towers for lighting. Though the ISHPL has stated that the work will be carried out in the next year, it has not furnished any details on the status of progress as well as documentary proof in support of estimated cost. The estimated addition to the gross block as proposed by the ISHPL is considered in the year 2011-12 subject to verification of actual expenditure in this regard. Depreciation as per Companies Act is allowed on this amount commencing from 2011-12.

(iii) The expenses to the tune of Rs.500 lakhs towards replacement of existing PLC / VVVF drive in the ship unloaders considered as revenue expenses under revamping of machineries by the ISHPL is treated as capital expenditure. The proposed replacement is justified by ISHPL on the ground that the electronic technology of the existing PLC / VVVF drives is obsolete and spares are no longer available. As stated by ISHPL, this activity is planned one at a time starting from 2010-11. The ISHPL has already placed work order for replacement of PLC / VVVF drive in one ship unloader and the work is scheduled for execution in the last quarter of this year. That being so, the full benefit of this replacement will be available only from the next year. Accordingly, an amount of Rs.250 lakhs being the estimated cost for one PLC / VVVF drive is considered as additions to the gross block in the year 2011-12 and the balance Rs.250 lakhs relating to the another PLC / VVVF drive is considered in the next year 2012-13. The depreciation on these additions is computed on straight line method for the remaining useful life of the ship unloaders, considering the life of the ship unloader as 14 years (as adopted by the ISHPL) commencing from 2004-05.

(iv) An amount of Rs.100 lakhs has been estimated under 'revamping of machineries' towards replacement of railway tracks and in-motion weighbridge. As stated by the ISHPL, the replacements are necessitated due to corrosion related deterioration of railway tracks and non-repairable breakdown suffered by in-motion weighbridge. As per the documentary evidence furnished by the ISHPL, it is seen that it has already placed work order for the replacement of in-motion weighbridge at a cost of Rs.15.35 lakhs. However, as the work is likely to be completed at the fag end of the year or early next year, the expenditure of Rs.15.35 lakhs is considered as additions to be gross block during the year 2011-12 and depreciation as per Companies Act is allowed for the full year. The ISHPL is advised to exclude the existing in-motion weigh bridge from the block of assets and also to account for the amount realised from the disposal of the same and report the matter during the next review of its tariff.

As regards replacement of railway tracks, the ISHPL has not furnished requisite details like the length of railway track to be replaced and its estimated cost supported with documentary proof and any definite time schedule for carrying out the work. Also, considering the life period of 28 years for railway tracks adopted by the ISHPL in the financial model submitted during the last fixation of tariff, the estimated cost of replacement of railway tracks is not considered at this juncture. However, if the ISHPL carries out replacement of railway tracks in the course of this tariff cycle, it may come up with a proposal for revision of tariff based on actual expenses incurred in this regard, supported by documentary evidence.

(v) The ISHPL has considered an amount of Rs.200 lakhs towards revamping / replacement of existing conveyor system, which is required to be carried out due to corrosion related deterioration in order to reduce hazards. As stated by the ISHPL, the work will be carried out in the next two years. Considering the life norm of 5 years adopted by the ISHPL and commencement of operations in 2004-05, the replacement is already overdue in the year 2009-10. As stated earlier, the provisions of the LA requires the ISHPL to replace the assets as per the economic life. Taking all these factors into consideration, an amount of Rs.200 lakhs is considered as addition to the gross block in the year 2012-13 towards replacement of conveyor systems, subject to verification of actual expenditure. The depreciation on this amount is allowed as per Companies Act for the year 2012-13.

(vi) The expenditure of Rs.350 lakhs proposed by the ISHPL towards augmentation of stackyard capacity is not justified properly with complete details like the nature of works to be carried out and its estimated cost, the phasing of expenditure, etc. Further, the ISHPL has stated that this work is required to be carried out to facilitate storage of cargo of other customers apart from more number of grades / quality of SAIL cargo. The estimated throughput of the ISHPL for the years covered under this tariff cycle does not consider any increase in traffic on account of these factors. As it is not fair to consider the investment alone without recognising the corresponding benefit, the proposed investment of Rs.350 lakhs towards augmentation of stack yard is not considered in this analysis.

(b). The working capital estimates for the years 2010-11 to 2012-13 furnished by the ISHPL are moderated following the norms stipulated in the guidelines. The value of inventory is taken as 'Nil' as the ISHPL has not furnished any details required as per norms. The sundry debtors are considered at one month's average of the estimated lease rental payable by the ISHPL to the KOPT, as per the norms. The admissible cash balance is considered on the basis of one month's estimated operating expenses and overheads excluding depreciation. The Loans and Advances are not considered for the purpose of working capital as the norms do not provide for the same. Accordingly, the total current assets for the years 2010-11 to 2012-13 works out to Rs.368.62 lakhs, Rs.371.72 lakhs and Rs.375.22 lakhs respectively. Considering the current liabilities as furnished by the ISHPL, the estimated working capital for the said three years is found to be negative. Therefore, the value of working capital is taken as 'Nil' for the years 2010-11 to 2012-13.

(c). As stated earlier, the expenses considered towards structural repair to the ship un-loaders are treated as deferred revenue expenses and written off over the remaining useful life of the equipment. The balance of such deferred revenue expenses as at the end of the years 31 March 2012 and 31 March 2013 are considered for the purpose of allowing return.

(d). The moderated capital employed for the years 2010-11 to 2012-13 stood at Rs.6983.58 lakhs, Rs.7010.74 lakhs and Rs.6749.71 lakhs respectively as against Rs.9149.62 lakhs, Rs.8209.35 lakhs and Rs.7167.24 lakhs for the corresponding years.

(e). During the last fixation of tariff in January 2007, the KOPT had certified the capacity of the berth at 3.00 Million Tonnes Per Annum (MTPA) and maintained the same position during the proceedings of this tariff revision. However, when the ISHPL was requested to furnish the quay capacity and yard capacity at 70% utilisation with workings, it has stated that the capacity of the berth has already been certified as 3.00 MTPA and at 70% utilisation the capacity works out to 2.1 MTPA. The contention of ISHPL is not correct since the capacity of 3.00 MTPA certified by the KOPT is after providing for necessary margins / allowances. In any case, this Authority has not carried out any independent assessment of the capacity of the terminal operated by the ISHPL and the position reported by the KOPT is relied upon.

Considering the capacity of 3.00 MTPA, the capacity utilisation for these three years based on the estimated throughput worked out to be 86.67%, 80% and 76.67% respectively. The tariff policy guidelines of March 2005 provide for allowing maximum permissible return on capital employed, if the capacity utilisation is more than 60%. Accordingly, the ISHPL is eligible for maximum permissible return. Therefore, the return on capital employed at the maximum permissible rate which is fixed at 16% for the year 2010-11 is considered for the years 2010-11 to 2012-13.

(ix). The operating expenses, management and administration overheads have been apportioned between various activities, viz. berthing, on-board & wharfage, cargo handling and delivery adopting the same percentage share considered at the time of fixation of tariff in January 2007. The capital employed and depreciation has been apportioned first to the berthing activity on the basis of assets identified for this activity and the balance is apportioned to cargo handling activity as a whole. The total cargo handling share is again re-apportioned between the three sub-activities, 'on-board & wharfage', 'cargo handling' and 'delivery' adopting certain percentage share. The basis of apportionment adopted by the ISHPL, as stated above, is relied upon in this analysis.

(x). Subject to the discussion above, the cost statements for the ISHPL as a whole and different main / sub-activities stand modified. The modified cost statements are attached as **Annex-I (a) to (f)**. The summarised results of cost statements are presented in the table given below:

Sl. No.	Particulars	Operating Income (Rs. in lakhs)				Net Surplus (+) / Deficit (-) (Rs. in lakhs)				Net Surplus (+) / Deficit (-) as a % of Operating Income			
		2010-11	2011-12	2012-13	**Total**	2010-11	2011-12	2012-13	**Total**	2010-11	2011-12	2012-13	**Average**
1.	ISHPL as a whole	5868.10	5030.42	4641.89	**15540.41**	1409.57	(-) 965.52	(-) 1384.06	**(-) 940.01**	24.02%	(-) 19.19%	(-) 29.82%	**(-) 6.05%**
Main activities													
2.	Vessel related (berthing)	267.81	233.94	210.13	**711.88**	(-) 112.45	(-) 199.74	(-) 210.18	**(-) 522.37**	(-) 41.99%	(-) 85.38%	(-) 100.02%	**(-) 73.38%**
3.	Cargo related	5600.29	4796.48	4431.76	**14828.53**	1522.02	(-) 765.78	(-) 1173.88	**(-) 417.64**	27.18%	(-) 15.97%	(-) 26.49%	**(-) 2.82%**
Sub-activities cargo related													
4.	Onboard wharfage	2191.18	1938.26	1776.67	**5906.11**	739.10	(-) 80.65	(-) 240.04	**418.41**	33.73%	(-) 4.16%	(-) 13.51%	**7.08%**
5.	Cargo handling	2486.36	2006.44	1838.80	**6331.60**	497.17	(-) 649.68	(-) 863.76	**(-) 1016.27**	20.00%	(-) 32.38%	(-) 46.97%	**(-) 16.05%**
6.	Delivery & loading	922.75	851.78	816.29	**2590.82**	285.75	(-) 35.45	(-) 70.08	**180.22**	30.97%	(-) 4.16%	(-) 8.59%	**6.96%**

(a). As can be seen from the above table, there will be a net deficit amounting to Rs.940.01 lakhs, if the ISHPL is allowed to operate at the existing level of tariff during the years 2010-11 to 2012-13.

(b). The ISHPL has proposed some new tariff items for optional services, viz. (i) Providing manpower for manual sampling, packing & delivery in gunny bags, (ii) Charges for online sampling & moisture analysis of Receipt and Despatch cargo, (iii) Despatch related services for rail bound cargo including trimming, cleaning, labelling & lime spraying, (iv) Charges for ship stores and (v) Quarterly survey of stock by approved surveyor. The ISHPL has neither furnished any workings for the rates proposed nor estimated any income out of these proposed new services. To a specific query in this regard, the ISHPL has stated that these are optional items and it is not sure whether the importer / port users will avail the services or not and as and when it provides these services, the cost of rendering would be ascertained. However, in its letter dated 14 September 2010 forwarding the revised proposal, the ISHPL has stated that the new services are included based on the interest / demand shown by the users. Further, in response to some other query, the ISHPL has, inter-alia, listed out the optional services rendered by it based on the past performance which include all the above services.

The agreement entered by the ISHPL with the SAIL shows that the integrated services to be rendered by the ISHPL include many of these services, viz. on-line sampling and moisture analysis, despatch related services like wagon cleaning, packing, trimming, lime spraying, etc. and physical verification of stock on quarterly basis. Taking into account all these factors, it appears that ISHPL is already rendering these services as a part of the integrated service obligation to SAIL and the cost incurred in this regard has been included in the actuals. That being so, the estimated operating expenses for the years 2010-11 to 2012-13, which are based on actuals for the year 2009-10, also includes some element of costs related to these services. The ISHPL has stated that these services are optional but the agreement entered by it with SAIL does not support this argument. The KOPT in its comments on the revised proposal has stated that since the entire cargo handled through berth No.4A is rail bound, charges for despatch related services are applicable on the entire volume handled by the ISHPL. Further, the services like on-line sampling and quarterly survey also appears to be applicable on the entire volume. Therefore, income from the above three services which are explicitly covered under SAIL agreement out of 5 services proposed by the ISHPL, is estimated based on the estimated throughput and the rate proposed by the ISHPL. The additional income likely to be earned by the ISHPL in this regard in the remaining period of this tariff cycle from March 2011 to March 2013 works out to Rs.885 lakhs. After adjusting this additional income from the estimated net deficit of Rs.940.01 lakhs, the net deficit for the years 2010-11 to 2012-13 stands reduced to Rs.55.01 lakhs.

(c). The ISHPL has sought 20% increase in berth hire charges for foreign going vessels. The estimated net deficit in berthing activity for the years 2010-11 to 2012-13 is at Rs.522.37 lakhs. Further, the analysis of performance for the years 2006-07 to 2009-10 shows that the berthing activity is in deficit position in all these years with an aggregated net deficit of Rs.802.79 lakhs, even though the ISHPL as whole showed surplus position. Therefore, increase in berth hire charges is allowed to meet the balance net deficit of Rs.55.01 lakhs. The net deficit as a percentage of estimated berth hire charges for the balance period of 2 years and one month works out to 11.79%. Therefore, considering margin for estimation errors, if any, an increase of 11% is allowed over the existing berth hire charges to be commonly applicable to foreign and coastal vessels as against 20% hike sought by the ISHPL in respect of foreign vessels alone. All other existing rates will continue without any change.

(xi). Though the ISHPL reportedly operates the berth on a common user basis, past performance and future estimates of ISHPL shows that the terminal is servicing only SAIL. The ISHPL has entered into a service agreement with SAIL and SAIL has maintained its position that the service obligations and charges payable by it to the ISHPL are governed by the provisions of the said agreement. As per the provisions of Major Port Trusts Act, 1963, this Authority is mandated to frame the Scale of Rates and statement of conditions for the Major Ports and Private Terminals operating thereat and the agreement entered between two parties cannot supersede the statutory provisions. Further, as provided under Section 42 (4) of the Major Port Trusts Act, the Scale of Rates approved by this Authority is binding on the ISHPL and therefore, the ISHPL is advised to scrupulously follow the Scale of Rates and conditionalities prescribed therein for rendering the services at the terminal and to ensure that any agreement entered into by it does not violate the provisions of the notified SOR.

(xii). The KOPT in its comments on the original proposal has stated that the ISHPL is entitled to charge only at the lower of the rates approved for ISHPL and the rates approved for KOPT. This issue has already been settled in the last tariff order of January 2007 passed in the case of ISHPL vide paragraph No.10 (ii).

(xiii). The KOPT has stated that the ISHPL had collected special rate from its customers, as approved by the Authority, towards recovery of old pension related dues of KOPT and not passed on the same to the KOPT. The ISHPL has also stated that it had agreed to transfer the approximate amount of Rs.22.00 lakhs collected in this regard by way of adjustment of dues payable by HDC/KOPT to ISHPL. This Authority has not interfered in the dispute between KOPT and ISHPL in this regard.

(xiv) KOPT has raised an issue that ISHPL shall not be permitted to recover berth hire charges for double / triple banking of vessels stating that the space occupied by such vessels falls outside the waterfront area allotted to the ISHPL. The KOPT has requested this Authority to delete provisions in the existing SOR of ISHPL [General Note (iv) to Section – C Berth Hire Charges] which enables ISHPL for recovery of berth hire charges for double / triple banked vessels. The ISHPL has sought to argue that double / triple banking operations are possible only because of the existence of the berth and hence berth hire charges are payable for such operations. It has further stated that double / triple banking is done only at the insistence of KOPT and they are impediment to operations at berth No.4A and undesirable in the interest of ISHPL. The KOPT and ISHPL are advised to resolve the dispute mutually.

(xv). The KOPT has stated that since the LA provides for handling of other dry bulk cargo like Fertilizer Raw materials, coal, soda ash, etc. the SOR of ISHPL should contain productivity norms and the rates for such other cargo also. However, the KOPT has endorsed the traffic estimates of ISHPL, subject to minor adjustment in the estimated coastal volume, which considers handling of Coking Coal import only. Accordingly, the tariff revision exercise considers the estimated income, expenditure and investment arising out of handling of Coking Coal only. Hence, the question of prescribing productivity norms and rates for handling of other cargo does not arise at this stage. However, the ISHPL is advised to file a suitable proposal whenever a specific tariff for a service / cargo is not available in the notified SOR, in terms of the provisions contained in the tariff guidelines of March 2005.

(xvi). The minimum berth hire charges prescribed in the existing Scale of Rates has been revised with reference to the revised berth hire charges approved, adopting the ratio considered by the ISHPL for arriving at the minimum berth hire charges.

(xvii). In its revised proposal, the ISHPL has included a note to state that the productivity norm of 14000 tonnes per day will be based on two workable hatches or pro-rata, if less, which is approved.

(xviii). The ISHPL has shifted the activity of 'conveying from TP-2 to the stack yard in ISHPL premises including unloading / stacking' from Section – C 'Shore Handling Charges' to Section – B 'Wharfage Charges', in the proposed SOR, with a view to restrict the applicability of coastal concession to 'supply of manpower & equipment' and 'wharfage' tariff items. As brought out earlier, the ISHPL has not made any adjustment in the existing unit rate of 'wharfage' and 'shore handling' based on cost of operation of such shifted activities. The apportionment of cost between various activities also does not reflect any adjustment towards shifting of activities. Therefore, the shifting of activities proposed by the ISHPL is not considered. Till such time, the composite rate is unbundled with adjustment in the unit rate, the coastal concession should continue on the prescribed 'shore handling charges'.

(xix). The ISHPL has proposed to include a new activity 'Loading of cargo as per grade and as per requirement for various plant destination' under the activity of 'Delivery'. Further, the ISHPL has shifted one existing activity from 'shore handling charges', viz. 'Collection of spillage right from vessel to stack yard and to transmission' to 'other services'. Since the ISHPL has not sought to increase the existing rate on account of these changes, the proposed changes are approved.

(xx). The KOPT has observed that in respect of tariff item 'Loading, unloading & restacking of cargo' under miscellaneous services, it should be mentioned that these charges will be levied for services not covered under 'handling' and 'delivery' activities. As pointed out by KOPT, it is seen that the restacking activity is covered under Shore handling charges and loading activity is covered under the activity, Delivery. Therefore, the following note is included under Section – F Miscellaneous (Optional Services).

> "Note:
> Charges under Sr. No.(ii) shall be leviable for the services not covered under clause 3.3, 3.4.2. and 3.5.2."

(xxi). The ISHPL has included the following new tariff items under Part – IV – Charges for other services:

(i) Providing Manpower for manual Sampling, Packing & delivery in Gunny Bags as per instructions of Consignee	Rs. 10 Per MT
(ii) Charges for On-line Sampling for Moisture analysis of Receipt and Despatch Cargo	Rs. 5 Per MT
(iii) Despatch related services for rail bound cargo through Berth No. 4A, including trimming, cleaning, labeling & lime spraying	Rs. 10 Per MT
(iv) Charges for Ship Stores	Rs. 100 Per MT
(v) Quarterly Survey of Stock by approved surveyor	Rs. 3 Per MT

As stated earlier, the tariff items under Sl. No.(ii), (iii) and (v) are mentioned in the agreement entered by ISHPL with SAIL as a part of integrated services to be rendered by the ISHPL. The income from rendering these services, at the rates proposed by the ISHPL have also been reckoned with in the revenue estimates. Therefore, these tariff items are approved, as proposed by ISHPL.

In respect of Sl. No.(i), it is not clear whether it forms part of regular service or it is an alternate service to 'online sampling' and how much share of the estimated traffic would avail this service. Hence, this tariff item is not considered for approval at present.

Similarly, in the absence of sufficient details in respect of Sl. No.(iv), this item is also not considered.

(xxii). The interest rate prescribed under clause (ix) (a) & (b) of 1.2 General Terms & Conditions updated to 14.75% with reference to the prevailing Prime Lending Rate of State Bank of India.

(xxiii). The existing approved SOR of ISHPL provides for allowing a discount of 20% in the ‘supply of manpower & equipment’ and ‘wharfage’ charges for any single item of cargo offered by any importer / exporter over and above 2.3 million tonnes. The ISHPL had, initially in June 2009, increased the quantum of discount to 25%. To a specific query in this regard, the ISHPL has stated that the clauses are deleted, which is approved.

However, it is seen that the ISHPL, in its revised proposal, has proposed a new clause under general terms and conditions for allowing 50% rebate in the ‘supply of manpower’ and ‘wharfage’ charges. In this connection, it is relevant to mention here that as per clause 2.16.1 of the tariff guidelines of March 2005, the rates fixed in the Scale of Rates are ceiling levels and the Major Ports and Private Terminal Operators threat are given flexibility to levy lower rates, if they so desire. Therefore, there does not appear to be a necessity to prescribe a separate provision in the Scale of Rates of ISHPL. It is needless to mention that the revenue effect of discounts, if any, allowed by the operator to any of its customers will not be recognised.

(xxiv). At the suggestion of the KOPT the following minor modifications have been made in the ‘definitions’, ‘general terms & conditions’ and ‘Notes’ as a measure of improvisation.

(a). The term ‘Port user’ is replaced with ‘Terminal user’ in clause (viii) of Section 1.1 – Definitions.

(b). The words ‘with Kolkata Port Trust’ are added at the end of existing clause (x) of Section 1.1 – Definitions.

(c). The terms ‘Port’ and ‘Port premises’ are replaced with ‘ISHPL premises’ in clause (xvii) of Section 1.1. – Definitions.

(d). The phrase ‘limits of the ISHPL’ is replaced with ‘ISHPL premises’ in clause (i) of section 1.2 General Terms and Conditions.

(e). The words ‘charges’ inserted between ‘to pay’ and ‘for delays’ in clause (xii) of section 1.2 General Terms & Conditions.

(f). The words ‘Port’ and ‘Port / Terminal’ are replaced with ‘ISHPL’ in clauses (xiii) (a) & (c) of section 1.2 General Terms and Conditions.

(g). The term ‘port equipment’ replaced with ‘ISHPL’s equipment’ in Note (vi) under Section 2.2 (Berth Hire charges), as suggested by the KOPT.

(h). The phrase ‘including Sundays and Customs notified holidays’ is replaced with ‘including Sundays, Customs notified holidays and Port/ISHPL non-operational days’ in Note (iii) under section 3.6 Ground Rent / Storage charges, as suggested by the KOPT.

(xxv). The following modifications proposed by the ISHPL / suggested by the KOPT are not considered:

(a). The KOPT has stated that definition of the terms ‘Inland vessels’, ‘on-board charges’ and ‘wharfage’ should be included under Section 1.1 – Definitions’, in line with the definitions in the KOPT SOR. The existing SOR of ISHPL does not prescribe rates for handling Inland vessels. Also, the SOR of ISHPL does not prescribe any tariff in the name of ‘on-board charges'. Further, the services rendered for levy of wharfage charges are listed in the existing Scale of Rates. Hence, defining these terms in the SOR of ISHPL is considered not necessary.

(b). The proposed inclusion of 'Non-weather working days' in the definition of 'Weather Working Day' is not found necessary since 'Weather Working Day' is already defined.

(c). The ISHPL has proposed to replace 'State Bank of India' with 'Reserve Bank of India' in clause (iv) of section 1.2 General Terms and Conditions. Since the ISHPL has not furnished any reasons for the proposed change, the existing clause is retained without any change.

(d). The ISHPL has proposed to insert the sentence '(or such percentage as may be modified as per Government of India notifications from time to time)' after the words 'should not exceed 60%' in clauses (xi) (a) & (b) of section 1.2 General Terms & Conditions relating to coastal concession. Since the existing clause is a standard clause and no ambiguity is reported or observed so far, the modification proposed by the ISHPL is not considered.

(e). All other minor changes proposed by the ISHPL / KOPT in the conditions are not considered since the existing prescriptions are found to be in order.

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

18.2. The revised Scale of Rates and conditionalities in respect of ISHPL will come into effect after expiry of 15 days from the date of notification of this Order in the Gazette of India and shall be in force till 31 March 2013. The approval accorded will automatically lapse thereafter unless specifically extended by this Authority. If the proposed additions for the year 2011-12 relating to installation of DG sets, replacement of PLC/VVVF drive in ship unloader, installation of high mast towers, replacement of in-motion weigh bridge and major structural repairs to the ship unloader are not completed by ISHPL latest by 31 March 2012, then the Scale of Rates approved by this Authority will automatically lapse on 31 March 2012.

18.3 The validity of the existing Scale of Rates of ISHPL is deemed to have been extended beyond 30 September 2010 till the effective date of implementation of the Order passed.

18.4 ISHPL should furnish to this Authority through KOPT its annual accounts and performance report within 60 days of closing of the respective accounting year. If ISHPL fails to provide such information within the stipulated time limit, the KOPT may initiate appropriate action against ISHPL.

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

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

(Rani Jadhav)
Chairperson

Annex-I (a)

INTERNATIONAL SEAPORTS (HALDIA) PVT. LTD. - GENERAL REVISION OF SCALE OF RATES

Consolidated Income & Cost statement for the Terminal as a whole

(Rs. in Lakhs)

Sr. No.	Particulars	Actuals				Estimates furnished by ISHPL			Estimates moderated by TAMP		
		2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2010-11**	**2011-12**	**2012-13**
	Traffic (in lakh tonnes) - Foreign	33.06	31.11	26.52	28.81	19.50	14.40	11.50	19.50	15.60	12.65
	Coastal	0.00	0.27	0.30	3.48	6.50	9.60	11.50	6.50	8.40	10.35
	Total	**33.06**	**31.38**	**26.82**	**32.29**	**26.00**	**24.00**	**23.00**	**26.00**	**24.00**	**23.00**
I	**Total Operating Income**										
	(i) Cargo handling income	6762.93	6494.26	6025.48	6960.56	5524.82	4973.30	4685.24	5600.29	4796.48	4431.76
	(ii) Vessel related income	232.22	285.97	297.07	404.64	213.16	168.81	143.82	267.81	233.94	210.13
	Total - I	**6995.15**	**6780.23**	**6322.55**	**7365.20**	**5737.98**	**5142.11**	**4829.06**	**5868.10**	**5030.42**	**4641.89**
II	**Operating Costs (excluding depreciation)**										
	(i) Maintenance Labour	488.54	441.60	508.90	160.00	168.00	176.40	185.22	166.02	172.26	178.74
	(ii) Equipment Running Costs	205.24	401.60	463.90	967.49	1875.25	1531.61	1331.36	951.98	1024.00	1093.56
	(iii) Royalty / revenue share	1473.09	1343.48	1206.61	1403.20	1056.64	1168.83	1066.79	1063.70	1006.58	919.77
	(iv) Equipment Hire	1145.73	1086.68	919.62	1091.33	1087.13	1055.22	1061.52	912.08	873.60	868.71
	(v) Lease Rentals payable as per concession agreement	325.81	343.05	360.03	379.86	399.23	419.59	440.99	399.23	419.46	440.51
	(vi) Insurance	92.20	85.31	87.91	117.07	146.67	161.34	177.47	117.07	117.07	117.07
	(vii) Other expenses (Testing / Survey Fee)	25.10	23.92	22.64	25.59	42.10	49.00	53.00	20.54	19.68	19.55
	Total - II	**3755.71**	**3725.64**	**3569.61**	**4144.54**	**4775.02**	**4561.99**	**4316.35**	**3630.62**	**3632.65**	**3637.91**
III	Depreciation	826.05	821.55	796.95	824.42	785.08	796.00	796.00	777.99	832.48	883.65
IV	Overheads										
	(i) Management & Administration	200.80	260.87	359.61	379.27	461.60	530.84	610.46	393.53	408.33	423.68
	(ii) Preliminary expenses write-off	0.76	0.76	0.76	0.76	0.76	0.76	0.76	0.76	0.76	0.76
	Total - IV	**201.56**	**261.63**	**360.37**	**380.03**	**462.36**	**531.60**	**611.22**	**394.29**	**409.09**	**424.44**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**2211.83**	**1971.41**	**1595.62**	**2016.21**	**-284.48**	**-747.48**	**-894.51**	**1065.20**	**156.20**	**-304.11**
VI	Finance & Miscellaneous Income (FMI)	3.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	4.71	0.00	2.59	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	3.01	(4.71)	0.00	(2.59)	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**2,214.84**	**1,966.70**	**1,595.62**	**2,013.62**	**(284.48)**	**(747.48)**	**(894.51)**	**1,065.20**	**156.20**	**(304.11)**
X	Capital Employed	10,156.38	9,378.16	8,582.90	7,761.57	9149.62	8209.35	7167.24	6983.58	7010.74	6749.71
XI	RoCE - Maximum permissible	1,523.46	1,500.51	1,373.26	1,241.85	1463.94	1313.50	1146.76	1,117.37	1,121.72	1,079.95
XII	Capacity Utilization	110.20%	104.60%	89.40%	107.63%	86.67%	80.00%	76.67%	86.67%	80.00%	76.67%
XIII	**RoCE adjusted for capacity utilization**	**1,523.46**	**1,500.51**	**1,373.26**	**1,241.85**	**1,463.94**	**1,313.50**	**1,146.76**	**1,117.37**	**1,121.72**	**1,079.95**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**691.38**	**466.19**	**222.36**	**771.77**	**(1,748.42)**	**(2,060.98)**	**(2,041.27)**	**(52.17)**	**(965.52)**	**(1,384.06)**
XV	**50% of past surplus for the years 2006-07 to 2008-09**								**689.97**		
XVI	**Surplus for the year 2009-10**								**771.77**		
XVII	**Net Surplus / (Deficit) (IX) - (XIII)**	**691.38**	**466.19**	**222.36**	**771.77**	**(1,748.42)**	**(2,060.98)**	**(2,041.27)**	**1,409.57**	**(965.52)**	**(1,384.06)**
XVIII	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	9.88%	6.88%	3.52%	10.48%	-30.47%	-40.08%	-42.27%	24.02%	-19.19%	-29.82%
XIX	**Average Net Surplus/(Deficit) as a % of operating income**		6.87%		10.48%		-37.24%			-6.05%	

Annex-I (b)

INTERNATIONAL SEAPORTS (HALDIA) PVT. LTD. - GENERAL REVISION OF SCALE OF RATES

Income & Cost statement for vessel related activity

(Rs. in Lakhs)

Sr. No.	Particulars	Actuals				Estimates furnished by ISHPL			Estimates moderated by TAMP		
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
	Traffic (in lakh tonnes) - Foreign	33.06	31.11	26.52	28.81	19.50	14.40	11.50	19.50	15.60	12.65
	Coastal	0.00	0.27	0.30	3.48	6.50	9.60	11.50	6.50	8.40	10.35
	Total	**33.06**	**31.38**	**26.82**	**32.29**	**26.00**	**24.00**	**23.00**	**26.00**	**24.00**	**23.00**
I	**Total Operating Income**										
	(i) Berth Hire - Foreign vessels	217.73	222.41	230.44	290.11	198.55	147.07	117.66	191.20	152.92	124.69
	(ii) Berth Hire - Coastal vessels	0.00	0.37	0.43	7.96	14.61	21.74	26.16	14.61	19.02	23.44
	(iii) Others (Parking & Double banking)	14.49	63.19	66.20	106.57	0.00	0.00	0.00	62.00	62.00	62.00
	Total - I	**232.22**	**285.97**	**297.07**	**404.64**	**213.16**	**168.81**	**143.82**	**267.81**	**233.94**	**210.13**
II	**Operating Costs (excluding depreciation)**										
	(i) Maintenance Labour	63.51	57.41	66.16	20.80	21.84	22.93	24.08	21.58	22.39	23.24
	(ii) Equipment Running Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(iii) Royalty / revenue share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(iv) Equipment Hire	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(v) Lease Rentals payable as per concession agreement	39.10	41.17	43.20	45.58	47.91	50.35	52.92	47.91	50.34	52.86
	(vi) Insurance	4.61	4.27	4.40	5.85	7.33	8.07	8.87	5.85	5.85	5.85
	(vii) Other expenses (Testing / Survey Fee)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total - II	**107.22**	**102.85**	**113.76**	**72.23**	**77.08**	**81.35**	**85.87**	**75.34**	**78.58**	**81.95**
III	Depreciation	108.54	108.54	108.54	108.54	108.54	108.54	108.54	108.54	108.54	108.54
IV	Overheads										
	(i) Management & Administration	8.03	10.43	14.38	15.17	18.46	21.23	24.42	15.74	16.33	16.95
	(ii) Preliminary expenses write-off	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
	Total - IV	**8.22**	**10.62**	**14.57**	**15.36**	**18.65**	**21.42**	**24.61**	**15.93**	**16.52**	**17.14**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**8.24**	**63.96**	**60.20**	**208.51**	**8.89**	**-42.50**	**-75.20**	**68.00**	**30.30**	**2.50**
VI	Finance & Miscellaneous Income (FMI)	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.19	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	0.12	(0.19)	0.00	(0.10)	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**8.36**	**63.77**	**60.20**	**208.41**	**8.89**	**(42.50)**	**(75.20)**	**68.00**	**30.30**	**2.50**
X	Capital Employed	1,980.50	1,872.00	1,763.43	1,654.88	1,546.33	1,437.78	1,329.23	1546.33	1437.78	1329.23
XI	RoCE - Maximum permissible	297.08	299.52	282.15	264.78	247.41	230.04	212.68	247.41	230.04	212.68
XII	Capacity Utilization	110.20%	104.60%	89.40%	107.63%	86.67%	80.00%	76.67%	86.67%	80.00%	76.67%
XIII	**RoCE adjusted for capacity utilization**	**297.08**	**299.52**	**282.15**	**264.78**	**247.41**	**230.04**	**212.68**	**247.41**	**230.04**	**212.68**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(288.72)**	**(235.75)**	**(221.95)**	**(56.37)**	**(238.52)**	**(272.54)**	**(287.88)**	**(179.41)**	**(199.74)**	**(210.18)**
XV	**50% of past surplus for the years 2006-07 to 2008-09**								**31.61**		
XVI	**Surplus for the year 2009-10**								**35.35**		
XVII	**Net Surplus / (Deficit) (IX) - (XIII)**	**(288.72)**	**(235.75)**	**(221.95)**	**(56.37)**	**(238.52)**	**(272.54)**	**(287.88)**	**(112.45)**	**(199.74)**	**(210.18)**
XVIII	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	-124.33%	-82.44%	-74.71%	-13.93%	-111.90%	-161.45%	-200.17%	-41.99%	-85.38%	-100.02%
XIX	**Average Net Surplus/(Deficit) as a % of operating income**		-91.56%		-13.93%		-151.95%			-73.38%	

Annex-I (c)

INTERNATIONAL SEAPORTS (HALDIA) PVT. LTD. - GENERAL REVISION OF SCALE OF RATES

Income & Cost statement for cargo related activity

(Rs. in Lakhs)

Sr. No.	Particulars	Actuals				Estimates furnished by ISHPL			Estimates moderated by TAMP		
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
	Traffic (in lakh tonnes) - Foreign	33.06	31.11	26.52	28.81	19.50	14.40	11.50	19.50	15.60	12.65
	Coastal	0.00	0.27	0.30	3.48	6.50	9.60	11.50	6.50	8.40	10.35
	Total	**33.06**	**31.38**	**26.82**	**32.29**	**26.00**	**24.00**	**23.00**	**26.00**	**24.00**	**23.00**
I	**Total Operating Income**										
	(i) Onboard & wharfage	2904.74	2747.55	2346.17	2714.75	2056.16	1771.46	1616.81	2056.15	1813.62	1657.21
	(ii) Handling	3019.78	2866.24	2450.14	2949.40	2375.10	2192.40	2101.05	2355.31	1885.46	1722.86
	(iii) Delivery	1006.59	955.41	816.71	983.13	791.70	730.80	700.35	791.70	730.80	700.35
	(iv) Other services	8.53	67.49	474.34	415.46	301.86	278.64	267.03	397.13	366.60	351.34
	(v) Incentives / volume discount	-176.71	-142.43	-61.88	-102.18	0.00	0.00	0.00	0.00	0.00	0.00
	Total - I	**6762.93**	**6494.26**	**6025.48**	**6960.56**	**5524.82**	**4973.30**	**4685.24**	**5600.29**	**4796.48**	**4431.76**
II	**Operating Costs (excluding depreciation)**										
	(i) Maintenance Labour	425.03	384.19	442.74	139.20	146.16	153.47	161.14	144.44	149.87	155.50
	(ii) Equipment Running Costs	205.24	401.60	463.90	967.49	1875.25	1531.61	1331.36	951.98	1024.00	1093.56
	(iii) Royalty / revenue share	1473.09	1343.48	1206.61	1403.20	1056.64	1168.83	1066.79	1063.70	1006.58	919.77
	(iv) Equipment Hire	1145.73	1086.68	919.62	1091.33	1087.13	1055.22	1061.52	912.08	873.60	868.71
	(v) Lease Rentals payable as per concession agreement	286.71	301.88	316.83	334.28	351.32	369.24	388.07	351.32	369.12	387.65
	(vi) Insurance	87.59	81.04	83.51	111.22	139.34	153.27	168.60	111.22	111.22	111.22
	(vii) Other expenses (Testing / Survey Fee)	25.10	23.92	22.64	25.59	42.10	49.00	53.00	20.54	19.68	19.55
	Total - II	**3648.49**	**3622.79**	**3455.85**	**4072.31**	**4697.94**	**4480.64**	**4230.48**	**3555.28**	**3554.07**	**3555.96**
III	Depreciation	717.51	713.01	688.41	715.88	676.54	687.46	687.46	669.45	723.94	775.11
IV	Overheads										
	(i) Management & Administration	192.77	250.44	345.23	364.10	443.14	509.61	586.04	377.79	392.00	406.73
	(ii) Preliminary expenses write-off	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57
	Total - IV	**193.34**	**251.01**	**345.80**	**364.67**	**443.71**	**510.18**	**586.61**	**378.36**	**392.57**	**407.30**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**2203.59**	**1907.45**	**1535.42**	**1807.70**	**-293.37**	**-704.98**	**-819.31**	**997.20**	**125.90**	**-306.61**
VI	Finance & Miscellaneous Income (FMI)	2.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	4.52	0.00	2.49	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	2.89	(4.52)	0.00	(2.49)	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**2,206.48**	**1,902.93**	**1,535.42**	**1,805.21**	**(293.37)**	**(704.98)**	**(819.31)**	**997.20**	**125.90**	**(306.61)**
X	Capital Employed	8175.88	7506.16	6819.47	6106.69	7603.29	6771.57	5838.01	5437.25	5572.96	5420.48
XI	RoCE - Maximum permissible	1226.38	1200.99	1091.11	977.07	1216.53	1083.46	934.08	869.96	891.68	867.27
XII	Capacity Utilization	110.20%	104.60%	89.40%	107.63%	86.67%	80.00%	76.67%	86.67%	80.00%	76.67%
XIII	**RoCE adjusted for capacity utilization**	**1,226.38**	**1,200.99**	**1,091.11**	**977.07**	**1,216.53**	**1,083.46**	**934.08**	**869.96**	**891.68**	**867.27**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**980.10**	**701.94**	**444.31**	**828.14**	**(1,509.90)**	**(1,788.44)**	**(1,753.39)**	**127.24**	**(765.78)**	**(1,173.88)**
XV	**50% of past surplus for the years 2006-07 to 2008-09**								**658.36**		
XVI	**Surplus for the year 2009-10**								**736.42**		
XVII	**Net Surplus / (Deficit) (IX) - (XIII)**	**980.10**	**701.94**	**444.31**	**828.14**	**(1,509.90)**	**(1,788.44)**	**(1,753.39)**	**1,522.02**	**(765.78)**	**(1,173.88)**
XVIII	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	14.49%	10.81%	7.37%	11.90%	-27.33%	-35.96%	-37.42%	27.18%	-15.97%	-26.49%
XIX	**Average Net Surplus/(Deficit) as a % of operating income**		11.03%		11.90%		-33.27%			-2.82%	

Annex-I (d)

INTERNATIONAL SEAPORTS (HALDIA) PVT. LTD. - GENERAL REVISION OF SCALE OF RATES

Income & Cost statement for cargo related sub activity on-board & wharfage

(Rs. in Lakhs)

Sr. No.	Particulars	Actuals				Estimates furnished by ISHPL			Estimates moderated by TAMP		
		2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2010-11**	**2011-12**	**2012-13**
	Traffic (in lakh tonnes) - Foreign	33.06	31.11	26.52	28.81	19.50	14.40	11.50	19.50	15.60	12.65
	Coastal	0.00	0.27	0.30	3.48	6.50	9.60	11.50	6.50	8.40	10.35
	Total	**33.06**	**31.38**	**26.82**	**32.29**	**26.00**	**24.00**	**23.00**	**26.00**	**24.00**	**23.00**
I	**Total Operating Income**										
	(i) Onboard (Supply of manpower & mobile equipment)	316.36	299.24	255.52	295.66	223.94	192.93	176.09	223.93	197.51	180.47
	(ii) Wharfage	2588.38	2448.31	2090.65	2419.09	1832.22	1578.53	1440.72	1832.22	1616.11	1476.74
	(iii) Other services (apportioned)	2.90	22.95	161.28	141.26	102.63	94.74	90.79	135.03	124.64	119.46
	(iv) Incentives / volume discount	-176.71	-142.43	-61.88	-102.18	0.00	0.00	0.00	0.00	0.00	0.00
	Total-I	**2730.93**	**2628.07**	**2445.57**	**2753.83**	**2158.79**	**1866.20**	**1707.60**	**2191.18**	**1938.26**	**1776.67**
II	**Operating Costs (excluding depreciation)**										
	(i) Maintenance Labour	146.56	132.48	152.67	48.00	50.40	52.92	55.57	49.81	51.68	53.62
	(ii) Equipment Running Costs	82.10	160.64	185.56	387.00	750.10	612.64	532.54	380.79	409.60	437.43
	(iii) Royalty / revenue share	736.55	671.74	603.31	701.60	528.32	584.42	533.40	531.84	503.29	459.89
	(iv) Equipment Hire	515.58	489.01	413.83	491.10	489.21	474.85	477.68	410.44	393.12	390.92
	(v) Lease Rentals payable as per concession agreement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(vi) Insurance	36.88	34.12	35.16	46.83	58.67	64.53	70.99	46.83	46.83	46.83
	(vii) Other expenses (Testing / Survey Fee)	8.28	7.89	7.47	8.44	13.89	16.17	17.49	6.78	6.49	6.45
	Total - II	**1525.95**	**1495.88**	**1398.00**	**1682.97**	**1890.59**	**1805.53**	**1687.67**	**1426.49**	**1411.01**	**1395.14**
III	Depreciation	193.73	192.51	185.87	193.29	182.67	185.61	185.61	180.75	195.46	209.28
IV	Overheads										
	(i) Management & Administration	84.34	109.57	151.04	159.29	193.87	222.95	256.39	165.29	171.50	177.94
	(ii) Preliminary expenses write-off	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
	Total - IV	**84.53**	**109.76**	**151.23**	**159.48**	**194.06**	**223.14**	**256.58**	**165.48**	**171.69**	**178.13**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**926.72**	**829.92**	**710.47**	**718.09**	**-108.53**	**-348.08**	**-422.26**	**418.46**	**160.10**	**-5.88**
VI	Finance & Miscellaneous Income (FMI)	1.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	1.98	0.00	1.09	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	1.26	(1.98)	0.00	(1.09)	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**927.98**	**827.94**	**710.47**	**717.00**	**(108.53)**	**(348.08)**	**(422.26)**	**418.46**	**160.10**	**(5.88)**
X	Capital Employed	2207.49	2026.66	1841.26	1648.81	2052.89	1828.32	1576.26	1468.06	1504.70	1463.53
XI	RoCE - Maximum permissible	331.12	324.27	294.60	263.81	328.46	292.53	252.20	234.89	240.75	234.16
XII	Capacity Utilization	110.20%	104.60%	89.40%	107.63%	86.67%	80.00%	76.67%	86.67%	80.00%	76.67%
XIII	**RoCE adjusted for capacity utilization**	**331.12**	**324.27**	**294.60**	**263.81**	**328.46**	**292.53**	**252.20**	**234.89**	**240.75**	**234.16**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**596.86**	**503.67**	**415.87**	**453.19**	**(436.99)**	**(640.61)**	**(674.46)**	**183.57**	**(80.65)**	**(240.04)**
XV	**50% of past surplus for the years 2006-07 to 2008-09**								**262.22**		
XVI	**Surplus for the year 2009-10**								**293.31**		
XVII	**Net Surplus / (Deficit) (IX) - (XIII)**	**596.86**	**503.67**	**415.87**	**453.19**	**(436.99)**	**(640.61)**	**(674.46)**	**739.10**	**(80.65)**	**(240.04)**
XVIII	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	21.86%	19.17%	17.01%	16.46%	-20.24%	-34.33%	-39.50%	33.73%	-4.16%	-13.51%
XIX	**Average Net Surplus/(Deficit) as a % of operating income**		19.43%		16.46%		-30.56%			7.08%	

Annex-I (e)

INTERNATIONAL SEAPORTS (HALDIA) PVT. LTD. - GENERAL REVISION OF SCALE OF RATES

Income & Cost statement for cargo related sub activity shore handling

(Rs. in Lakhs)

Sr. No.	Particulars	Actuals				Estimates furnished by ISHPL			Estimates moderated by TAMP		
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
	Traffic (in lakh tonnes) - Foreign	33.06	31.11	26.52	28.81	19.50	14.40	11.50	19.50	15.60	12.65
	Coastal	0.00	0.27	0.30	3.48	6.50	9.60	11.50	6.50	8.40	10.35
	Total	**33.06**	**31.38**	**26.82**	**32.29**	**26.00**	**24.00**	**23.00**	**26.00**	**24.00**	**23.00**
I	**Total Operating Income**										
	(i) Cargo Handling charges	3019.78	2866.24	2450.14	2949.40	2375.10	2192.40	2101.05	2355.31	1885.46	1722.86
	(ii) Other services (apportioned)	2.81	22.27	156.53	137.10	99.61	91.95	88.12	131.05	120.98	115.94
	Total-I	**3022.59**	**2888.51**	**2606.67**	**3086.50**	**2474.71**	**2284.35**	**2189.17**	**2486.36**	**2006.44**	**1838.80**
II	**Operating Costs (excluding depreciation)**										
	(i) Maintenance Labour	219.84	198.72	229.01	72.00	75.60	79.38	83.35	74.71	77.52	80.43
	(ii) Equipment Running Costs	82.10	160.64	185.56	387.00	750.10	612.64	532.54	380.79	409.60	437.42
	(iii) Royalty / revenue share	368.27	335.87	301.65	350.80	264.16	292.21	266.70	265.93	251.65	229.94
	(iv) Equipment Hire	458.29	434.67	367.85	436.53	434.85	422.09	424.61	364.83	349.44	347.48
	(v) Lease Rentals payable as per concession agreement	254.13	267.58	280.82	296.29	311.40	327.28	343.97	311.40	327.17	343.60
	(vi) Insurance	41.49	38.39	39.56	52.68	66.00	72.60	79.86	52.68	52.68	52.68
	(vii) Other expenses (Testing / Survey Fee)	8.53	8.13	7.70	8.70	14.31	16.66	18.02	6.98	6.69	6.65
	Total - II	**1432.65**	**1444.00**	**1412.15**	**1604.00**	**1916.42**	**1822.86**	**1749.05**	**1457.32**	**1474.75**	**1498.20**
III	Depreciation	452.03	449.20	433.70	451.00	426.22	433.10	433.10	421.75	456.09	488.32
IV	Overheads										
	(i) Management & Administration	80.32	104.35	143.84	151.71	184.64	212.34	244.18	157.41	163.33	169.47
	(ii) Preliminary expenses write-off	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
	Total - IV	**80.51**	**104.54**	**144.03**	**151.90**	**184.83**	**212.53**	**244.37**	**157.60**	**163.52**	**169.66**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**1057.40**	**890.77**	**616.79**	**879.60**	**-52.76**	**-184.14**	**-237.35**	**449.69**	**-87.92**	**-317.38**
VI	Finance & Miscellaneous Income (FMI)	1.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	1.88	0.00	1.04	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	1.20	(1.88)	0.00	(1.04)	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**1,058.60**	**888.89**	**616.79**	**878.56**	**(52.76)**	**(184.14)**	**(237.35)**	**449.69**	**(87.92)**	**(317.38)**
X	Capital Employed	5,150.80	4,728.88	4,296.27	3,847.21	4790.07	4266.09	3677.95	3425.47	3510.96	3414.90
XI	RoCE - Maximum permissible	772.62	756.62	687.40	615.55	766.41	682.58	588.47	548.07	561.76	546.38
XII	Capacity Utilization	110.20%	104.60%	89.40%	107.63%	86.67%	80.00%	76.67%	86.67%	80.00%	76.67%
XIII	**RoCE adjusted for capacity utilization**	**772.62**	**756.62**	**687.40**	**615.55**	**766.41**	**682.58**	**588.47**	**548.07**	**561.76**	**546.38**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**285.98**	**132.27**	**(70.61)**	**263.01**	**(819.17)**	**(866.72)**	**(825.82)**	**(98.38)**	**(649.68)**	**(863.76)**
XV	**50% of past surplus for the years 2006-07 to 2008-09**								**281.11**		
XVI	**Surplus for the year 2009-10**								**314.44**		
XVII	**Net Surplus / (Deficit) (IX) - (XIII)**	**285.98**	**132.27**	**(70.61)**	**263.01**	**(819.17)**	**(866.72)**	**(825.82)**	**497.17**	**(649.68)**	**(863.76)**
XVIII	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	9.46%	4.58%	-2.71%	8.52%	-33.10%	-37.94%	-37.72%	20.00%	-32.38%	-46.97%
XIX	**Average Net Surplus/(Deficit) as a % of operating income**		4.08%		8.52%		-36.15%			-16.05%	

Annex-I (f)

INTERNATIONAL SEAPORTS (HALDIA) PVT. LTD. - GENERAL REVISION OF SCALE OF RATES

Income & Cost statement fo cargo related sub-activity delivery and loading

(Rs. in Lakhs)

Sr. No.	Particulars	Actuals				Estimates furnished by ISHPL			Estimates moderated by TAMP		
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
	Traffic (in lakh tonnes) - Foreign	33.06	31.11	26.52	28.81	19.50	14.40	11.50	19.50	15.60	12.65
	Coastal	0.00	0.27	0.30	3.48	6.50	9.60	11.50	6.50	8.40	10.35
	Total	**33.06**	**31.38**	**26.82**	**32.29**	**26.00**	**24.00**	**23.00**	**26.00**	**24.00**	**23.00**
I	**Total Operating Income**										
	(i) Cargo Handling charges	1006.59	955.41	816.71	983.13	791.70	730.80	700.35	791.70	730.80	700.35
	(ii) Other services (apportioned)	2.81	22.27	156.53	137.10	99.61	91.95	88.12	131.05	120.98	115.94
	Total-I	**1009.40**	**977.68**	**973.24**	**1120.23**	**891.31**	**822.75**	**788.47**	**922.75**	**851.78**	**816.29**
II	**Operating Costs (excluding depreciation)**										
	(i) Maintenance Labour	58.62	52.99	61.07	19.20	20.16	21.17	22.23	19.92	20.67	21.45
	(ii) Equipment Running Costs	41.05	80.32	92.78	193.50	375.05	306.32	266.27	190.40	204.80	218.71
	(iii) Royalty / revenue share	368.27	335.87	301.65	350.80	264.16	292.21	266.70	265.93	251.65	229.94
	(iv) Equipment Hire	171.86	163.00	137.94	163.70	163.07	158.28	159.23	136.81	131.04	130.31
	(v) Lease Rentals payable as per concession agreement	32.58	34.31	36.00	37.99	39.92	41.96	44.10	39.92	41.95	44.05
	(vi) Insurance	9.22	8.53	8.79	11.71	14.67	16.13	17.75	11.71	11.71	11.71
	(vii) Other expenses (Testing / Survey Fee)	8.28	7.89	7.47	8.44	13.89	16.17	17.49	6.78	6.49	6.45
	Total - II	**689.88**	**682.91**	**645.70**	**785.34**	**890.92**	**852.24**	**793.77**	**671.47**	**668.31**	**662.62**
III	Depreciation	71.75	71.30	68.84	71.59	67.65	68.75	68.75	66.95	72.39	77.51
IV	Overheads										
	(i) Management & Administration	28.11	36.52	50.35	53.10	64.62	74.32	85.46	55.09	57.17	59.32
	(ii) Preliminary expenses write-off	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.19
	Total - IV	**28.30**	**36.71**	**50.54**	**53.29**	**64.81**	**74.51**	**85.65**	**55.28**	**57.36**	**59.51**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**219.47**	**186.76**	**208.16**	**210.01**	**-132.07**	**-172.75**	**-159.70**	**129.05**	**53.72**	**16.65**
VI	Finance & Miscellaneous Income (FMI)	0.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.66	0.00	0.36	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	0.42	(0.66)	0.00	(0.36)	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**219.89**	**186.10**	**208.16**	**209.65**	**(132.07)**	**(172.75)**	**(159.70)**	**129.05**	**53.72**	**16.65**
X	Capital Employed	817.59	750.62	681.95	610.67	760.33	677.16	583.80	543.73	557.30	542.05
XI	RoCE - Maximum permissible	122.64	120.10	109.11	97.71	121.65	108.35	93.41	87.00	89.17	86.73
XII	Capacity Utilization	110.20%	104.60%	89.40%	107.63%	86.67%	80.00%	76.67%	86.67%	80.00%	76.67%
XIII	**RoCE adjusted for capacity utilization**	**122.64**	**120.10**	**109.11**	**97.71**	**121.65**	**108.35**	**93.41**	**87.00**	**89.17**	**86.73**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**97.25**	**66.00**	**99.05**	**111.94**	**(253.72)**	**(281.10)**	**(253.11)**	**42.05**	**(35.45)**	**(70.08)**
XV	**50% of past surplus for the years 2006-07 to 2008-09**								**115.03**		
XVI	**Surplus for the year 2009-10**								**128.67**		
XVII	**Net Surplus / (Deficit) (IX) - (XIII)**	**97.25**	**66.00**	**99.05**	**111.94**	**(253.72)**	**(281.10)**	**(253.11)**	**285.75**	**(35.45)**	**(70.08)**
XVIII	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	9.63%	6.75%	10.18%	9.99%	-28.47%	-34.17%	-32.10%	30.97%	-4.16%	-8.59%
XIX	**Average Net Surplus/(Deficit) as a % of operating income**		8.86%		9.99%		-31.49%			6.96%	

Annex-II

INTERNATIONAL SEAPORT (HALDIA) PRIVATE LIMITED

SCALE OF RATES

PART I - GENERAL

1.1. Definitions –

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

(i). "Authorised Representative" means employee or agent of Customer / Berth user and ISHPL designated from time to time by them, through a written notice to other party, to monitor, facilitate and direct their respective parties' performance.

(ii). "Berth" means the berth No 4A at Haldia Dock Complex, Kolkata Port Trust and the back-up area.

(iii). "Conveyor System" means a series of belt conveyors extending from the berth to stackyard and to wagon loader.

(iv). "Draft" means the draft prevailing at HDC on day to day basis.

(v). "Haldia Dock Complex (HDC)" shall mean oil jetty, other jetties, wharves and berths at Haldia and River Moorings at Haldia Anchorage.

(vi). "Metric Ton" means a weight of 2,204.623 pounds or 1,000 Kilogram.

(vii). "Port" means 'Kolkata Port Trust (KOPT)', the corporate entity, and will include Kolkata Dock System and Haldia Dock Complex.

(viii). "Terminal User" means any importer or exporter using the facilities of the Terminal operated by ISHPL to import and/ or export the cargo.

(ix). "ISHPL" means International Seaport (Haldia) Private Limited, a Special Purpose Company (SPV) incorporated under of Laws of India having its Registered Office at 41,Jawahar Lal Nehru Road, Kanak Building, 3rd Floor, Kolkata – 700 071, its successors and permitted assignees, which has been granted license for construction, operation, management and maintenance of the berth No. 4A at Haldia Dock Complex of Kolkata Port Trust.

(x). "ISHPL Premises" means the area licensed to ISHPL including the back-up area allotted under the License Agreement with Kolkata Port Trust.

(xi). "Coastal vessel" means 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.

(xii). "Foreign-going vessel" means any vessel other than coastal vessel.

(xiii). "Day" shall be reckoned as a period from 6.00 a.m. of a day and ending at 6.00 a.m. the following day.

(xiv). "Weather Working Day" (WWD) means Monday through Sunday, covering three shifts of eight hours each excluding Port Holidays and Custom holidays.

(xv). "Week" shall mean 7 consecutive calendar days including holidays.

(xvi). "Month" shall mean 30 consecutive calendar days including holidays unless otherwise specified.

(xvii). “Shut-out” cargo shall mean export cargo left in the ISHPL premises having not been shipped on board the vessel for which it was received in ISHPL Premises.

1.2. General Terms & Conditions

(i). All goods landed within the ISHPL premises shall be assessed on import application and the charges/ fees shall be paid before the goods are removed.

(ii). All goods intended for shipment shall be assessed on export application and the statutory charges shall be paid before the goods are shipped.

(iii) (a). The status of a vessel, as borne out by its certification by the Customs or the Director General of Shipping, shall be the deciding factor for classifying into ‘coastal’ or ‘foreign-going’ category for the purpose of levying vessel related charges; and, the nature of cargo or its origin will not be of any relevance for this purpose. The corresponding vessel related charges shall be applied depending on the status of the vessel at the time of the incidence of such charge.

(b). A foreign-going vessel of Indian Flag having a General Trading License can convert to Coastal run on the basis of a Customs Conversion Order.

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

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

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

(f). For dedicated Indian coastal vessels having a Coastal Licence from the Director General of Shipping**,** no other document will be required by her to be entitled to Coastal rates.

(iv). Vessel related charges shall be levied on owners / agents of the vessel. Wherever rates have been denominated in US dollar terms, the charges shall be recovered in Indian Rupees after conversion of US currency to its equivalent Indian Rupees at the market buying rate notified by the State Bank of India. The day of entry of the vessel into the port limit shall be reckoned as the day for such conversion.

(v). A regular review of exchange rate shall be made once in 30 days from the date of arrival of the vessels in cases of vessels staying in the ISHPL for more than thirty days. In such cases the basis of billing shall change prospectively with reference to the appropriate exchange rate prevailing at the time of review.

(vi). No refunds shall be made unless the refund amount is Rs.100.00 or more.

(vii). For the purpose of calculating the dues, the unit weight shall be 1 MT or 1,000 kilograms. Fraction of a MT will be rounded off to the nearest MT.

(viii). In calculating the gross weight or measurement by volume or capacity of any individual item, fractions up to 0.5 be taken as 0.5 unit and fractions of 0.5 and above be treated as one unit, except where otherwise specified.

(ix). Interest on delayed payments / refunds.

(a). The user shall pay penal interest at the rate of 14.75% per annum on delayed payments of any charge under this Scale of Rates.

(b). Likewise, the ISHPL shall pay penal interest at the rate of 14.75% per annum on delayed refunds.

(c). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the ISHPL. 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 and/or where payment of charges in advance is prescribed in this Scale of Rates.

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

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

(xi). (a). The Vessel related charges for all Coastal vessels should not exceed 60% of the corresponding charges for other vessels.

(b). The cargo related charges for all Coastal cargo, other than thermal coal, POL including crude oil, Iron Ore and Iron pallets, should not exceed 60% of the normal cargo related charges.

(c). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship-shore transfer and transfer from / to quay to / from storage yard including wharfage.

(d). For the purpose of this concession, cargo 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 from/ to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for the concession.

(e). The charges for coastal cargo/ coastal vessels shall be denominated and collected in Indian Rupee.

(xii). The users will not be required to pay charges for delays beyond a reasonable level attributable to ISHPL.

(xiii). (a). Whenever a specific tariff for a service/ cargo is not available in the notified Scale of Rates, ISHPL can submit a suitable proposal.

(b). Simultaneously with the submission of proposal, the proposed rate can be levied on an ad hoc basis till the rate is finally notified.

(c). The ad hoc rate to be operated in the interim period must be derived based on existing notified tariffs for comparable services/ cargo; and, it must be mutually agreed upon by the ISHPL and the concerned user(s).

(d). The final rate fixed by the TAMP will ordinarily be effective only prospectively. The interim rate adopted in an ad hoc manner will be recognised as such unless it is found to be excessive requiring some moderation retrospectively.

(xiv). Survey / testing services shall include drawing of on line sample, moisture analysis both at the time of discharge and loading and submission of report.

PART II -VESSEL RELATED CHARGES

SECTION – A – PORT DUES & SECTION – B – TOWAGE & PILOTAGE

2.1. These services will be rendered by the Kolkata Port Trust to the vessels entering the ISHPL's berth No. 4A, Haldia Dock Complex. The charges for these services shall be payable directly to KOPT by Ship owners / vessel agents as provided in the KOPT Scale of Rates in force.

Section - C - BERTH HIRE CHARGES

2.2. Berth Hire Charges at Berth No. 4A shall be payable to ISHPL by Masters/ owners/ agents of the vessel at the rates specified below.

Description	Unit Rate per GRT/ Per hour or part thereof	
	Foreign-going vessel (US$)	Coastal vessel (Rs.)
Berth 4 A	0.0028	0.0743

General Notes relating to Berth hire:

(i). The minimum berth hire payable is US$280 in case of foreign going vessels and Rs.7430/- in case of coastal vessels.

(ii). Berth hire for the period of 1 hour in which the vessel changes its status can be charged on the basis of the status of the vessel at the beginning of the relevant block of 1 hour period.

(iii). The berth hire shall be leviable from the time the vessel occupies the berth till the time the vessel leaves the berth.

(iv). Whenever a Vessel is double/ triple banked with another vessel occupying the Berth, the Vessel so double / triple banked will be charged at the rate of 50% of the Berth hire charges specified above provided the vessel is in non-working condition.

(v). (a). No berth hire shall be levied on vessel after expiry of 4 hours from the time of signaling its readiness to sail.

(b). The time limit of 4 hours prescribed for cessation of Berth Hire shall exclude the ship's waiting time for want of favorable tidal conditions, inclement weather and due to lack of night navigation.

(c). The master / agent of the vessel shall signal readiness to ISHPL and HDC only in accordance with favorable tidal and weather conditions.

(d). There shall be a penal rate equal to one day's (24 hours) berth hire charge for a false signal.

'False Signal' would be when a ship signals readiness and asks for a pilot in anticipation even when she is not ready for un-berthing due to engine not being ready or cargo operation not completed or such other reason attributable to the vessel. This excludes the signaling readiness when a ship is not able to sail due to unfavourable tide, lack of night navigation or adverse weather conditions.

(vi). In case a vessel idles due to non availability or breakdown of the ISHPL's equipment or power failure at ISHPL or any other reasons attributable to ISHPL, rebate equivalent to berth hire charges accrued during the period of idling of the vessel shall be allowed.

2.3. Penal Berth Hire Charges

2.3.1. Penal berth hire charges shall become payable for over-stayal of the vessel beyond the berth occupancy as per the norms given in clause 2.5 if the norms cannot be achieved due to any reasons attributable to the vessel.

2.3.2. Vessels, which require closing hatches/draft survey, shall be permitted to occupy the berth after completion of cargo operation without attracting penal berth hire charges for four hours.

2.4. Penal berth hire charges shall be levied in addition to normal berth hire for the period of over-stayal at the rates prescribed below.

Sl. No.	Particulars	Rate per GRT per hour	
		Foreign-going vessel (in US $)	Coastal vessel (in Rs.)
(i).	Upto 6 hours	0.0050	0.1338
(ii).	Above 6 hours & upto 12 hours	0.0100	0.2676
(iii).	Above 12 hours & upto 18 hours	0.0200	0.5352
(iv).	Above 18 hours per day or part thereof	0.0400	1.0704

2.5. Commodity wise per day output rates

Sl. No.	Nomenclature	Output per WWD (in MT)
(i).	Coking coal	14000

Note: (i) The above output is based on two workable hatches or pro-rata, if less.

PART - III CARGO RELATED CHARGES

SECTION A – SUPPLY OF MANPOWER AND MOBILE EQUIPMENT

3.1. These Charges shall be payable by the importer/ exporter of cargo to ISHPL on the draft survey quantity of cargo at the rates specified below for supply of man power and mobile equipment inside the holds of the vessel.

Sr. No.	Particulars of Commodity	Rate per metric tonne (Rs.)	
		Foreign cargo	Coastal Cargo
(i).	Coking coal	9.57	5.74

Notes:

(i) The weight to be charged shall be computed on the basis of the draft survey weight on arrival of the vessel and on completion of cargo discharge/shipment

SECTION B - WHARFAGE CHARGES

3.2. Wharfage charges shall be payable by the importer/ exporter of cargo to ISHPL on the draft survey quantity of cargo at the rates specified below, and shall cover transfer of cargo up to 2nd Transfer Point (TP-2), i.e.,

(i) Unloading of cargo from Vessel to Berth or vice versa,
(ii) Movement of cargo from Berth till TP-2 or vice versa, and
(iii) Cleaning Charges
(iv) Dust suppression services wherever necessary and provided.

Sr. No.	Particulars of Commodity	Rate per metric tonne (Rs.)	
		Foreign cargo	Coastal Cargo
(i).	Coking coal	78.30	46.98

Notes:

(i) The weight to be charged shall be computed on the basis of the draft survey weight on arrival of the vessel and on completion of cargo discharge/shipment.

SECTION C - SHORE HANDLING CHARGES

3.3. Shore Handling Charges shall be payable to ISHPL by the importer/exporter on the draft survey quantity of cargo at the rates specified below and will cover

(i) Conveying from TP-2 to the stack yard in ISHPL Premises

(ii) Stacking the same with the help of Stacker & Reclaimer and other mobile equipments to avoid mix up and contamination.

(iii) Heaping the cargo, dozing, covering the cargo with tarpaulin to avoid sliding during rain and flying away during wind, extra dozing for accommodating more cargo and dozing in while loading wagon, to enable reclaiming by the reclaimer, water sprinkling, system cleaning, keeping the cargo grade-wise at different bay, keeping drainage system in proper working condition with continuous maintenance.

Sr. No.	Particulars Of Commodity	Rate per metric tonne for Import/ Export (Rs)	
		Foreign	Coastal
(i).	Coking coal	91.35	54.81

SECTION D - DELIVERY CHARGES

3.4.1. For delivery of cargo by mechanized wagon loading system charges shall be payable to ISHPL by the importer/ exporter on the draft survey quantity of cargo at the rates specified below.

3.4.2 Delivery Charges will cover

(i) Reclaiming cargo from the Stack Yard within ISHPL Premises by Stacker & Reclaimer.

(ii) Conveying and loading into the wagon, through the wagon loader, maintaining proper profile of loading as per the carrying capacity of the wagon.

(iii) Loading of cargo as per grade and as per requirement for various plant destination.

Sr. No.	Particulars of Commodity	Rate per metric tonne (Rs.)
(i).	Coking coal	30.45

3.5.1. For delivery of cargo by loading trucks by conventional method charges shall be payable to ISHPL by the importer/ exporter on the draft survey quantity of cargo at the rates specified below.

3.5.2. Delivery Charges will cover

(i) Reclaiming from the Stack Yard within ISHPL Premises by front end loader.

(ii) Loading into the trucks through the front-end loader maintaining proper profile of loading as per the carrying capacity of the truck.

(iii) Loading as per grade and plant site requirement

Sr. No.	Particulars of Commodity	Rate per metric tonne (Rs)
(i).	Coking coal	17.40

SECTION E - GROUND RENT / STORAGE CHARGES

3.6. All the cargo, which is received at ISHPL Berth No. 4A for export / outward and/or import / inward handling, shall be stored in the stack yard at ISHPL Premises. The charges for Storage / Ground Rent for the stack yard at ISHPL Premises shall be charged as follows:

Sr. No.	Particulars of Commodity	Rate per metric tonne per day for the period beyond 21^{st} day for the balance cargo (Rs)
(i).	Coking coal	43.50

NOTE:

i) Twenty-one free days shall be allowed after the complete discharge of vessel's cargo in case of imports and the date of arrival of cargo at the yard in ISHPL Premises in case of exports.

ii) For the purpose of calculating the free period Customs notified holidays and Port/ ISHPL Berth non-working days shall be excluded.

iii) Ground rent /storage charges shall be payable for all days including Sundays, customs notified holidays and Port/ISHPL non-operational days for stay of cargo beyond the prescribed free days.

SECTION F – MISCELLANEOUS (OPTIONAL SERVICES)

Sr. No.	Particulars	Rate per metric tonne (Rs.)
(i).	Weighment charges for in-motion weigh bridge empty and loaded including weighment certificate	5/-
(ii).	Loading, unloading & restacking of cargo	20/-
(iii).	Taking Photograph of loaded wagons converting into CD and supplying 2 CDs wagon wise / rake wise.	100/- per Wagon
(iv).	Siding Charges	5/-
(v).	Retrieving cargo which spills over in transit to the conveyor system / stack yard to minimize loss	5/-
(vi).	Charges for on-line sampling & moisture analysis of Receipt and Despatch cargo	5/-
(vii).	Despatch related services for rail bound cargo through Berth No. 4A, including trimming, cleaning, labeling & lime spraying	10/-
(viii).	Quarterly survey of stock by approved surveyor	3/-

PART – IV - CHARGES FOR OTHER SERVICES

4.1. Visitor Entry Pass:	Yearly	Monthly	Daily
(a) Per Application	Rs. 200	Rs. 50	Rs.20
(b) Per Replacement	Rs. 50	Rs. 50	Rs.20

4.2 Vehicle Entry Pass (for vehicles other than the vehicles entering the terminal for delivery/dispatch of cargo): Rs.75 per entry

4.3 Photography:

(i). Film shooting and photography	Rs. 8500 per day
(ii). Taking photographs of Crews and Others	Rs. 225 per day
(iii). Video-graphy (related to operational activities)	Rs. 2500 per day

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