

(Published in Part - III Section 4 of the Gazette of India, Extraordinary)  
**TARIFF AUTHORITY FOR MAJOR PORTS**

G.No. 199

New Delhi,

07 June 2019

**NOTIFICATION**

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from Visakhapatnam Port Trust (VPT) for fixation of tariff for operation of Mobile X-ray container scanning system at VPT as in the Order appended hereto.

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

**Tariff Authority for Major Ports**  
**Case No. TAMP/77/2018-VPT**

Visakhapatnam Port Trust

- - -

Applicant

**QUORUM**

- (i). Shri. T.S. Balasubramanian, Member (Finance)
- (ii). Shri. Rajat Sachar, Member (Economic)

**ORDER**

(Passed on this 29<sup>th</sup> day of March 2019)

This case relates to proposal dated 4 December 2018 received from Visakhapatnam Port Trust (VPT) for fixation of tariff for operation of Mobile X-Ray Container Scanning system at VPT.

2.1. This Authority had vide Order No.TAMP/9/2016-VPT dated 21 June 2016 passed an Order relating to general revision proposal of VPT along with the revised Scale of Rates. This Order was notified in the Gazette of India on 22 July 2016 vide Gazette No.305. The said Order prescribes a tariff validity period till 31 March 2019.

2.2. The existing Scale of Rates of VPT approved by this Authority does not contain the tariff for operation of Mobile X-Ray Container Scanning system at VPT.

3.1. The main points made by VPT in its proposal are summarized below:

- (i). A decision has been taken in the Governing Body Meeting of IPA that the ports should procure and install Mobile X-Ray Container Scanning Systems as mandated by the Directorate General for Foreign Trade (DGFT) and Customs for import of containers. Tendering process was undertaken by IPA and ports are directed to place purchase order on the L-1 bidder finalised by IPA.
- (ii). Ministry of Shipping (MOS) vide its letter No.PD-14033/113/2015-PD.V dated 12.7.2018 (furnished as Appendix-A) has referred to the minutes of the meeting held in IPA on 12 June 2018 on execution of project for installation of Mobile X-ray Container Scanning at port. The MOS has in the said letter communicated to the Chairmen of Jawaharlal Nehru Port Trust (JNPT), VPT, Paradip Port Trust (PPT), New Mangalore Port Trust (NMPT) and Kolkata Port Trust (KOPT), conveying the decision that ports will have to follow Normative rates for cost for recovery and take up the proposal with TAMP for fixation of Tariff.
- (iii). In this backdrop, the Board of Trustees of VPT vide Resolution No.142/2017-18 (furnished as Appendix-B) has approved a total amount of ₹29.68 crores towards procurement, installation and commissioning of one no. of Mobile X-ray Container Scanner including ₹10,15,38,775 (₹10.15 crores) towards annual maintenance charges for 8 years period, tax and duties from M/s.Smiths Detection (Asia Pacific) Pvt. Ltd. The Board of Trustees has also approved to levy infrastructure cess, if any, as per TAMP approved rates as per the MOS guidelines. Action is also initiated for installation of the equipment.
- (iv). Tariff for similar facility is not available in any other major port. As such, a proposal for fixation of tariff based on the rated capacity of the facility is prepared as per clause 5.7.1 of Tariff Working Guidelines, 2015. The VPT has requested to notify the tariff for the facility at VPT.

3.2. The costing for the tariff is as follows:

(i). **Capital Cost:**

|      |                                                                                          |              |
|------|------------------------------------------------------------------------------------------|--------------|
| I.   | Capital cost of X-Ray Scanner (Excl. GST)                                                | 15,48,71,376 |
| II.  | Capital cost of civil works (As per work order value)                                    | 1,81,90,940  |
| III. | Capital cost for providing power supply including illumination (As per work order value) | 21,15,830    |

|     |                                                                   |                     |
|-----|-------------------------------------------------------------------|---------------------|
| IV. | Capital cost for fiber and CCTV network (As per work order value) | 5,97,990            |
|     | <b>Total capital cost</b>                                         | <b>17,57,76,136</b> |

Notes:

1. No provision is made for miscellaneous cost of 5% on capital cost of civil and equipment cost as the costs are as per the actual work order value.
2. The cost items of the Price Schedule of items & schedule of quantities communicated by IPA is inclusive of GST. However, the same is excluded since GST will be taken credit except on capital cost of civil works.

(ii). **Rated capacity:**

The rated capacity of the X-ray container scanner is 20 numbers of 40 feet containers per hour (based on one way straight through operation) as per scope of work.

Therefore, the capacity per annum works out as follows:

$0.7 \times 365 \text{ days} \times 24 \text{ hours} \times 20 \text{ numbers} \times 2 \text{ TEUs} = 245,280 \text{ TEUs per annum.}$

(iii). **Operation and Maintenance cost:**

(a). (i). Power:

An amount of ₹18,58,305/- per annum is estimated towards cost of power consumption for operation of the facility.

(ii). Fuel:

The facility does not consume any fuel hence considered as NIL.

(b). Repair and Maintenance:

- (i). Repair and Maintenance of civil assets is estimated @ 1% of all civil assets as per norms. Total cost of civil works is ₹1,81,90,940/- . As such cost of repair and maintenance of civil assets works out to ₹1,81,909/- per annum.

(ii). Mechanical and electrical equipment including spares:

- (a). The Guarantee period for the x-ray scanner is two years. Total maintenance cost for a period of 8 years post-guarantee period including IGST @ 18% is ₹10,15,38,775/- and excluding IGST ₹8,60,49,809/- for 8 years. Thus, the average expenditure per annum towards AMC of x-ray scanner excluding IGST worked out to  $\text{₹}8,60,49,809/- \div 8 = 1,07,56,226.$

- (b). Repair and maintenance of electrical equipment and fiber and CCTV network is considered @ 2% on capital cost as per norms. Thus, R&M Cost on ₹27,13,820/- works out to ₹54,276/- per annum.

(c). Insurance:

The value of gross fixed assets is ₹17,57,76,136/-. Insurance @ 1% on gross fixed assets as per Norms works out to ₹17,57,761/- per annum.

(d). Depreciation:

The categorisation of the facility is considered under "IV. Plant and Machinery (a) Plant and Machinery other than continuous process plant not covered under specific industries" of the Companies Act for which specified life period is 15 years. Depreciation is calculated accordingly which works out to ₹1,17,18,409/- per annum.

(e). License fee and Other Expenses:

No provision for license fee and other expenses is made since the facility is being installed at VPT's cost in its premises to meet the mandatory requirement of DGFT and Customs. The Customs will take appropriate

manning of Officers and other staff in each shift in similar lines to those MXCS systems installed earlier at other locations which are being operated by Customs on their own.

(iv). **ROCE:**

As per TAMP norms, 16% ROCE is allowed. However, Ministry of Shipping Lr. No.PD-14033/113/2015-PD.V dated 12.7.2018 states that it was decided that port will have to follow Normative rates for cost recovery and take up the proposal with TAMP for fixation of Tariff. The life of the equipment is 15 years. As such, to recover the cost of the equipment during its life of 15 years, the ROCE works out to 6.67% (100/ 15 years).

(v). **Annual Revenue Requirement:**

| Sr. No. | Description                                    | Amount (₹)         |
|---------|------------------------------------------------|--------------------|
| 1.      | Power consumption                              | 18,58,305          |
| 2.      | Repair and maintenance of civil assets         | 1,81,909           |
| 3.      | Repair and maintenance of X- Ray scanner       | 1,07,56,226        |
| 4.      | Repair and maintenance of electrical equipment | 54,276             |
| 5.      | Insurance                                      | 17,57,761          |
| 6.      | Depreciation                                   | 1,17,18,409        |
| 7.      | ROCE (Cost recovery in 15 years)               | 1,17,18,409        |
|         | <b>Total</b>                                   | <b>3,80,45,295</b> |

(vi). **Proposed Tariff:**

Therefore, tariff per TEU = ₹3,80,45,295 ÷ 2,45,280 = ₹155.11 per TEU.

4. While acknowledging the proposal, the VPT was requested vide our letter dated 21 December 2018 to furnish information/ clarification on the following few points latest by 4 January 2019. This was followed by reminders dated 1 February 2019. In response, the VPT has furnished the information/ clarification vide its letter dated 5 February 2019. A summary of information/ clarification sought by us and comments furnished by VPT thereon is tabulated below:

| Sl. No.                       | Information/ clarifications sought by us                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Reply furnished by VPT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                  |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
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| I                             | <b><u>Tariff Computation by VPT:</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
|                               | <b><u>Operating Costs for X-Ray Container Scanner:</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
| (A).                          | <b><u>Power Cost:</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
|                               | <p>The VPT has estimated power cost at ₹18,58,305 per annum. The port has stated that detailed statement is attached as Annexure-2. However, no such statement is found to have been attached to letter dated 4 December 2018. The VPT to furnish detailed working of power cost giving power consumption alongwith basis for the power consumption and the unit rate of power considered for estimating the power cost. Also, confirm whether unit rate of power is the prevailing rate and furnish copies of electricity bills of the last three months to support the unit rate adopted in the computation.</p> | <p>The detail statement of the estimated power cost is tabulated below. It is to confirm that the unit rate power is the prevailing rate. Copies of bills for the last 4 months are enclosed.</p> <p><b>I. Power Supply Arrangements:</b></p> <table><tr><td>(i).</td><td>Lighting 200 watts X 26 Nos.</td><td>5.2 KW x 12 Hrs</td><td>62.40 Kwh</td></tr><tr><td>(ii).</td><td>15 A Power Sockets X 04 Nos.</td><td>12 KW x 06 Hrs</td><td>72.00 Kwh</td></tr><tr><td>(iii).</td><td>18 Watts TLs x 10 Nos.</td><td>0.18 KW x 18 Hrs</td><td>3.24 Kwh</td></tr><tr><td>(iv).</td><td>50 Watts C/F x 10 Nos.</td><td>0.5 KW x 18 Hrs</td><td>9.00 Kwh</td></tr><tr><td></td><td></td><td></td><td>146.64 Kwh / Day</td></tr></table> <p>Electrical Consumption / Annum : 150 X 365: 54750 Units<br/>Expenditure / Annum : 54750 X 6.38 (i.e. 6.32+0.06) <b><u>₹3,49,305/-</u></b></p> <p><b>II. MXCS Power Consumption:</b></p> <table><tr><td>Power Requirement</td><td>40 KVA X 0.9</td><td>36 KW</td></tr><tr><td></td><td>36 KW X 18 Hrs</td><td>648 KWH / day</td></tr><tr><td>MXCS Power Consumption/ Annum</td><td></td><td>648 x 365 : 2,36,520 Units</td></tr><tr><td>Expenditure/ Annum :</td><td>236520 x 6.38 (i.e. 6.32 + 0.06)</td><td>₹15,09,000/-</td></tr></table> | (i).             | Lighting 200 watts X 26 Nos. | 5.2 KW x 12 Hrs | 62.40 Kwh | (ii). | 15 A Power Sockets X 04 Nos. | 12 KW x 06 Hrs | 72.00 Kwh | (iii). | 18 Watts TLs x 10 Nos. | 0.18 KW x 18 Hrs | 3.24 Kwh | (iv). | 50 Watts C/F x 10 Nos. | 0.5 KW x 18 Hrs | 9.00 Kwh |  |  |  | 146.64 Kwh / Day | Power Requirement | 40 KVA X 0.9 | 36 KW |  | 36 KW X 18 Hrs | 648 KWH / day | MXCS Power Consumption/ Annum |  | 648 x 365 : 2,36,520 Units | Expenditure/ Annum : | 236520 x 6.38 (i.e. 6.32 + 0.06) | ₹15,09,000/- |
| (i).                          | Lighting 200 watts X 26 Nos.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 5.2 KW x 12 Hrs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 62.40 Kwh        |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
| (ii).                         | 15 A Power Sockets X 04 Nos.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 12 KW x 06 Hrs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 72.00 Kwh        |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
| (iii).                        | 18 Watts TLs x 10 Nos.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 0.18 KW x 18 Hrs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 3.24 Kwh         |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
| (iv).                         | 50 Watts C/F x 10 Nos.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 0.5 KW x 18 Hrs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 9.00 Kwh         |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 146.64 Kwh / Day |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
| Power Requirement             | 40 KVA X 0.9                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 36 KW                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                  |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
|                               | 36 KW X 18 Hrs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 648 KWH / day                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                  |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
| MXCS Power Consumption/ Annum |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 648 x 365 : 2,36,520 Units                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                  |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |
| Expenditure/ Annum :          | 236520 x 6.38 (i.e. 6.32 + 0.06)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | ₹15,09,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                  |                              |                 |           |       |                              |                |           |        |                        |                  |          |       |                        |                 |          |  |  |  |                  |                   |              |       |  |                |               |                               |  |                            |                      |                                  |              |

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|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>A) Electrical Consumption / Annum (With MXCS) – (I + II) = ₹18,58,305/-</p> <p>B) Electrical Consumption/ Annum (Without MXCS) – I = ₹3,49,305/-</p>                                                                                                                                                                                                                                                                                                                                         |
| <b>(B).</b> | <b><u>Repair and Maintenance of Mechanical and electrical equipment including spares</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| (i).        | <p>The VPT has stated that the life of X-Ray Container Scanner is 15 years and that the guarantee period of equipment is 2 years. The VPT has considered the maintenance at ₹1,07,56,226/- per annum which is the proportionate total maintenance cost of 8 years period estimated at ₹8,60,49,809. From the Annexure – I furnished by VPT it is seen that post two years guarantee period, the Annual Maintenance Cost of the Scanner increases year on year basis at 10% from ₹88,78,958/- in the first year to ₹29,68,74,836/- in the eight year. In this context, please clarify the following:</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| (a).        | <p>The reasons for not considering the balance period of life of the asset [15-(2+8)=5].</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>The firm in its proposal has furnished details of annual maintenance charges post guarantee period of 8 years only. Further, it is observed that the AMC charges have been escalated by 10% year on year for the 8 years post guarantee period. As such, the average of the AMC for the period of 8 years specified by the firm is considered as AMC per annum. The tariff fixed by TAMP is upfront and will be applied to the balance five year period also with applicable indexation.</p> |
| (b).        | <p>The reasons for not applying the norms prescribed in the Upfront Tariff Guidelines, 2008 may be explained more specifically because the Ministry of Shipping (MOS) letter No.PD-14033/113/2015-PD-V dated 12 July 2018 requires VPT to decide normative rates for cost recovery of the X-Ray Container Scanner.</p>                                                                                                                                                                                                                                                                                  | <p>Since the firm clearly indicated the AMC for 8 years post guarantee period, it is opined to consider the average of the 8 year period towards AMC per annum.</p>                                                                                                                                                                                                                                                                                                                             |
| (c).        | <p>Since normative tariff is to be fixed for recovery of cost as per the advice of MOS, the normative tariff for the container scanner may have to be independent of the periodic review once in 3 years and may have to be kept constant for the entire life period of the scanner subject to annual indexation of 60% of the variation in Wholesale Price Index (WPI). The VPT is requested to furnish its comments in this regard.</p>                                                                                                                                                               | <p>The tariff is proposed as per 2008 guidelines; wherein as per clause 2.8 the tariff will be indexed to an extent of 60% of the WPI as notified by TAMP for the period of operation and may not be reviewed once in 3 years.</p>                                                                                                                                                                                                                                                              |
| (d).        | <p>The proposed tariff rate for operation of X-Ray Container Scanner may have to be included in the General Scale of Rates (SOR) of VPT which is subject to review every 3 years under Tariff Policy, 2015. That being so, the reason for considering the average of the total maintenance cost for 8 years period post 2 years guarantee while arriving at the proposed tariff may be explained.</p>                                                                                                                                                                                                   | <p>Same as above.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| (e).        | <p>Recognising that this item is under warrantee and being estimated “nil” for the first two years, the VPT may consider to propose tariff</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>As per 2008 guidelines, there is no provision for fixation of two different tariffs for the same facility.</p>                                                                                                                                                                                                                                                                                                                                                                               |

|             | for Scanner excluding maintenance cost of Scanner for the first two years and separate tariff for third year capturing per TEU cost of maintenance of Scanner at ₹30.68 (i.e. ₹7524541/245280 TEUs).                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |             |             |  |  |  |    |                                           |              |          |             |     |                                                       |             |          |          |      |                                                                                         |           |          |          |     |                                                                   |          |         |        |  |  |              |  |             |
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| (C).        | <p><b><u>Depreciation:</u></b><br/>The VPT has estimated deprecation at ₹1,17,18,409 on the total capital cost for a period of 15 years. The total capital cost for 15 years period estimated at ₹17,57,76,136 is divided by 15 years to arrive at depreciation. The VPT has stated that it has considered the Categorisation of the facility under Schedule II of the Companies Act 2013 under IV- General rate applicable to plant and machinery. In this regard following points may be clarified:</p> | <p>The depreciation duly reckoning the life norm for different assets separately is revised as follows:</p> <table><tr><th colspan="5">(In Rupees)</th></tr><tr><td>I.</td><td>Capital cost of X-Ray Scanner (Excl. GST)</td><td>15,48,71,376</td><td>15 Years</td><td>1,03,24,758</td></tr><tr><td>II.</td><td>Capital cost of Civil Works (As per work order value)</td><td>1,81,90,940</td><td>60 Years</td><td>3,03,182</td></tr><tr><td>III.</td><td>Capital cost of providing power supply including illumination (As per work order value)</td><td>21,15,830</td><td>10 Years</td><td>2,11,583</td></tr><tr><td>IV.</td><td>Capital cost for fibre and CCTV network (As per work order value)</td><td>5,97,990</td><td>6 Years</td><td>99,665</td></tr><tr><td></td><td></td><td>17,57,76,136</td><td></td><td>1,09,39,188</td></tr></table> | (In Rupees) |             |  |  |  | I. | Capital cost of X-Ray Scanner (Excl. GST) | 15,48,71,376 | 15 Years | 1,03,24,758 | II. | Capital cost of Civil Works (As per work order value) | 1,81,90,940 | 60 Years | 3,03,182 | III. | Capital cost of providing power supply including illumination (As per work order value) | 21,15,830 | 10 Years | 2,11,583 | IV. | Capital cost for fibre and CCTV network (As per work order value) | 5,97,990 | 6 Years | 99,665 |  |  | 17,57,76,136 |  | 1,09,39,188 |
| (In Rupees) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |             |             |  |  |  |    |                                           |              |          |             |     |                                                       |             |          |          |      |                                                                                         |           |          |          |     |                                                                   |          |         |        |  |  |              |  |             |
| I.          | Capital cost of X-Ray Scanner (Excl. GST)                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 15,48,71,376                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 15 Years    | 1,03,24,758 |  |  |  |    |                                           |              |          |             |     |                                                       |             |          |          |      |                                                                                         |           |          |          |     |                                                                   |          |         |        |  |  |              |  |             |
| II.         | Capital cost of Civil Works (As per work order value)                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1,81,90,940                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 60 Years    | 3,03,182    |  |  |  |    |                                           |              |          |             |     |                                                       |             |          |          |      |                                                                                         |           |          |          |     |                                                                   |          |         |        |  |  |              |  |             |
| III.        | Capital cost of providing power supply including illumination (As per work order value)                                                                                                                                                                                                                                                                                                                                                                                                                   | 21,15,830                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 10 Years    | 2,11,583    |  |  |  |    |                                           |              |          |             |     |                                                       |             |          |          |      |                                                                                         |           |          |          |     |                                                                   |          |         |        |  |  |              |  |             |
| IV.         | Capital cost for fibre and CCTV network (As per work order value)                                                                                                                                                                                                                                                                                                                                                                                                                                         | 5,97,990                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 6 Years     | 99,665      |  |  |  |    |                                           |              |          |             |     |                                                       |             |          |          |      |                                                                                         |           |          |          |     |                                                                   |          |         |        |  |  |              |  |             |
|             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 17,57,76,136                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |             | 1,09,39,188 |  |  |  |    |                                           |              |          |             |     |                                                       |             |          |          |      |                                                                                         |           |          |          |     |                                                                   |          |         |        |  |  |              |  |             |
| (i).        | The total capital cost includes civil works and electrical works. The Companies Act, 2013 provides separate life norms for different nature of assets. The VPT may therefore, apply the relevant rate of depreciation depending on nature of asset and give reference of the same.                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |             |             |  |  |  |    |                                           |              |          |             |     |                                                       |             |          |          |      |                                                                                         |           |          |          |     |                                                                   |          |         |        |  |  |              |  |             |
| (ii).       | The depreciation rate for plant and machinery under Companies Act 2013 applying life norms of 15 years after considering 5% scrap value works out to 6.33% for single shift. For double shift the depreciation rate needs to be increased by 50% and for triple shift by 100%. Since the VPT has assessed optimal capacity of the X- Ray Container Scanner for 24 hours a day, the VPT may review the estimate of depreciation in the light of the above observation.                                     | All the assets proposed as part of facility fall under the category NESD for which No Extra Shift Depreciation is provided as per Companies Act. As such no extra shift depreciation is envisaged.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |             |             |  |  |  |    |                                           |              |          |             |     |                                                       |             |          |          |      |                                                                                         |           |          |          |     |                                                                   |          |         |        |  |  |              |  |             |
| (D).        | <p><b><u>Return on Capital Employed (ROCE):</u></b><br/>The VPT has proposed 6.67% ROCE to recover the cost of equipment. The VPT has already considered depreciation in the cost calculation to recover the cost of equipment. The VPT to therefore, justify the lower level of ROCE considered in the calculation than 16% ROCE allowed by the Authority.</p>                                                                                                                                           | <p>Depreciation is considered only as a component of O &amp; M cost. It is envisaged to recover the capital cost of the facility during the life of the project. Accordingly, ROCE is considered as 100/15=6.67%. A lower level of ROCE is considered keeping in view the following:</p> <p>(i). To recover the cost by levy of infrastructure cess without any return since it is a mandatory requirement of the DGFT.</p> <p>(ii). To reduce the logistic cost to a feasible extent.</p>                                                                                                                                                                                                                                                                                                                                                          |             |             |  |  |  |    |                                           |              |          |             |     |                                                       |             |          |          |      |                                                                                         |           |          |          |     |                                                                   |          |         |        |  |  |              |  |             |
| II.         | <p><b><u>Scale of Rates:</u></b><br/>The port has not furnished the conditionalities governing the tariff for operation of mobile X-Ray Container Scanning System at VPT. The VPT may therefore give the conditionalities governing the tariff, if any.</p>                                                                                                                                                                                                                                               | <p>The following conditionalities will apply to the facility:</p> <p>(i). The infrastructure cess / tariff for X-Ray container scanning system is applicable to all import overseas container expressed in TEUS.</p> <p>(ii). The tariff / infrastructure cess will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1<sup>st</sup> January 2019 and 1<sup>st</sup> January of the relevant year. Such</p>                                                                                                                                                                                                                                                                                                                                                                    |             |             |  |  |  |    |                                           |              |          |             |     |                                                       |             |          |          |      |                                                                                         |           |          |          |     |                                                                   |          |         |        |  |  |              |  |             |

|  |  |                                                                                                                                                                                                              |
|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  | automatic adjustment of tariff cap will be made every year and the adjusted tariff cap will come into force from 1 <sup>st</sup> April of the relevant year to 31 <sup>st</sup> March of the following year. |
|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

5. In accordance with the consultation process prescribed, a copy of the VPT proposal dated 4 December 2018 was circulated to the concerned users/ user organisations/ Importers/ CFS Agents. We have, however, not received any comments from users/ user organisations/ Importers/ CFS Agents despite reminder dated 15 January 2019.

6.1. A joint hearing in this case was held on 22 January 2019 at VPT premises. At the joint hearing, VPT made a power point presentation of its proposal. The users and the VPT made their submissions at the joint hearing.

6.2. As agreed at the joint hearing, the VPT was requested vide our letter dated 1 February 2019 to take action on the following points:

- (i). At the joint hearing, Container Corporation of India Ltd. (CCIL) has furnished their written submission dated 22 January 2019. A copy of the written submission made by CCIL was forwarded to VPT. The VPT was requested to furnish its comments within a week's time.
- (ii). At the joint hearing, at the request of Jindal Stainless Steel Ltd. (JSSL) one week's time was allowed to JSSL to furnish its comments to TAMP on the proposal of VPT with a copy endorsed to VPT. The VPT was requested to furnish its comments within three days on the receipt of comments from JSSL.

7.1. With reference to the action point no.6.2. (i) above, the CCIL vide its letter dated 22 January 2019 has furnished its written comments at the joint hearing. Further, RHI Clasil Pvt. Ltd (RCPL) vide its letter dated 22 January 2019 has also furnished its comments. The comments received from the CCIL and RCPL were forwarded to the VPT as feedback information. The VPT vide its e-mail dated 12 February 2019 has furnished its reply.

7.2. With reference to the action point no.6.2. (ii) above, though JSSL was granted one week's time sought by it to furnish its comments i.e. by 30 January 2019, no comments of JSSL are received till finalization of this case.

7.3. The VPT vide its e-mail dated 14 March 2019 has clarified that import overseas container refers to foreign containers imported/ landed and taken delivery out from terminal other than transshipment containers which are meant for reloading into another vessel.

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

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

- (i). The proposal filed by the Visakhapatnam Port Trusts (VPT) is for fixation of tariff for operation of Mobile X-Ray Container Scanning system at VPT. The proposal flows from the decision taken in the Governing Body Meeting of Indian Port Association (IPA) that the ports should procure and install Mobile X-Ray Container Scanning Systems as mandated by the Directorate General for Foreign Trade (DGFT) and Customs for import of containers. The Ministry of Shipping (MOS) vide its letter dated 12 July 2018 has, referring to the decision taken by the IPA regarding installation of Mobile X-ray Container Scanning at port, communicated to the five Major Port Trusts viz. VPT, Jawaharlal Nehru Port Trust (JNPT), Paradip Port Trust (PPT), New Mangalore Port Trust (NMPT) and Kolkata Port Trust (KOPT) to follow Normative rates for recovery of cost and take up the proposal with TAMP for fixation of Tariff.

- (ii). The proposal is stated to have been filed under clause 5.7.1. of the Working Guidelines to operationalise the Tariff Policy, 2015. Clause 5.7.1 of the working guidelines to operationalise the Tariff Policy, 2015 stipulates that when a tariff for service/ cargo is not available in the SOR of the concerned Major Port Trust, the port shall approach this Authority for notification of tariff for the said new cargo/ service/ facility adopting the tariff and Performance Standards, if any, fixed for comparable cargo/ equipment/ service in any other Major Port Trust. If there is no tariff prescribed in any Major Port Trust or the rate prescribed is not representative for the cargo/ service/ facility envisaged, the Port Trust may file a proposal with reference to optimal capacity following the principles of 2008 guidelines or based on rated capacity or alternatively under cost plus 16% return formula.

In this regard, it is relevant here to state that validity of the Tariff Policy, 2015 was extended by the MOS from date of its expiry on 13 January 2018 till 25 December 2018. The VPT has filed the current proposal prior to the issue of the new Tariff Policy, 2018 wherein few amendments have been made with reference to the then existing Tariff Policy of 2015. The new "Tariff Policy for determination of Tariff for Major Port Trusts, 2018" for determination of SOR was issued by the MOS vide its letter No.IWT-II/28/2018-IWT dated 26 December 2018 which has come into effect from 26 December 2018. The Working Guidelines to operationalise the Tariff Policy for Major Port Trusts, 2018 for determination of tariff for Major Port Trusts has also been notified by this Authority in the Gazette of India vide Gazette No.29 on 30 January 2019. The above mentioned Clause no.5.7.1 prescribed in the earlier Working Guidelines is also prescribed as Clause 7.6.1. in the Tariff Policy, 2018 which has come into effect from 26 December 2018 and same provision is also continued to be stipulated in Clause No.5.7.1. of the Working Guidelines notified by this Authority to operationalise the Tariff Policy, 2018. This proposal is thus processed under the Tariff Policy, 2018 issued by the MOS which is effective from 26 December 2018.

- (iii). The VPT has already procured the Mobile X-Ray Container Scanner and reported that tests are going on. The existing Scale of Rates (SOR) of VPT does not prescribe tariff for this item. The Port has stated that tariff for similar facility is not available in any other Major Port Trusts. Hence, the VPT has sought approval of this Authority for fixation of rate for this item broadly on norm basis following the broad principles prescribed in the upfront tariff guidelines of 2008 which is one of the methods prescribed in clause 7.6.1 and 5.7.1 of the Tariff Policy, 2018 and Working Guidelines on the said Tariff Policy respectively and also to comply with the decision of the MOS to arrive at normative tariff.

It is relevant here to state that though there are no specific norms prescribed in the Upfront Tariff Guidelines of 2008 for Container Scanner, the Port has filed the current proposal broadly following the general principles prescribed in the upfront tariff guidelines of 2008 and based on the rated capacity. In the absence of any specific norms prescribed in the Upfront Tariff Guidelines for this kind of facility, this Authority proceeds to fix the tariff sought by the VPT for operation of mobile X- Ray Scanner based on the approach adopted by the VPT. It is also relevant here to state that the proposal has been filed by the VPT to comply with the mandatory requirement of DGFT and Customs to scan the import of containers and the proposal has been approved by the Board of Trustees of VPT.

During the processing of the case, the VPT has, vide its letter dated 5 February 2019, furnished additional information/ clarification sought wherein the port has modified estimates of Depreciation. Hence, the original proposal of the VPT dated 4 December 2018 with modified estimates of depreciation along with information/ clarification furnished by the port during the processing of the case is considered.

- (iv). **Rated Capacity:**

The rated productivity of the X-ray container scanner is 20 containers of 40 feet per hour based on one way straight through operation. In the absence of any specific norm available for this facility, the rated productivity assessed by the VPT is relied upon.

As per norms prescribed in the Upfront Tariff Guidelines of 2008, optimal capacity is 70% of the total capacity. Applying the said norm of 70% on the rated productivity for 365 days in a year, the VPT has assessed the rated capacity at 2,45,280 TEUs MT per annum ( $0.7 \times 365 \text{ days} \times 24 \text{ hours} \times 20 \text{ numbers} \times 2 \text{ TEUs} = 2,45,280 \text{ TEUs}$ ). The rated capacity is considered as 2,45,280 TEUs per annum as assessed by the VPT.

(v). **Capital Cost:**

The total capital cost is estimated at ₹17.58 crores which comprises of ₹15.49 crores towards cost of X-Ray Scanners ₹1.82 crores towards Civil works, ₹0.21 crores towards power supply including illumination and ₹0.06 cost towards fiber and CCTV network.

The capital cost X-Ray Scanner is based on work order already issued to the L1 bidder identified by the IPA through tendering process done. The capital cost estimated by VPT for civil work is based on work order and is substantiated by the port with documentary evidence. The capital cost estimated by the port towards power supply including illumination, fiber and CCTV network by VPT is also substantiated by the port with documentary evidences. The port has stated that capital cost estimation considered in tariff fixation is excluding the GST component since credit for GST will be taken except on capital cost of civil works. This position is relied upon.

Since the estimate of capital cost are based on actuals and substantiated with documentary evidence, the capital cost is considered as estimated by the port.

(vi). **Operating costs:**

(a). Power Cost:

As stated earlier, there are no specific norms prescribed for the proposed facility in the upfront tariff guidelines, 2008. The port has furnished detailed basis and working for estimation of power consumption for estimating the power cost which is brought out in earlier para at 4 (I) (a) and hence not reiterated. The power consumption considered by the VPT supported with detailed working is relied upon.

The unit rate power of ₹6.38 for per unit of power is validated based on a documentary evidence of electricity bill of December 2018. Based on the detailed computation furnished by the port, the power cost of ₹18.58 lakhs estimated by the port is considered.

(b). Repairs and Maintenance Cost:

(i). On Civil Assets:

Repairs and maintenance cost for container scanner activity is estimated at 1% of the capital cost of civil works by VPT which works out to ₹1,81,909 (i.e. 1% of ₹1,81,90,940). The norm of 1% adopted by VPT is in line with the norm prescribed in the Upfront Tariff Guidelines of 2008.

(ii). Annual Maintenance Charges (AMC) on X-Ray Scanner:

The VPT has stated that the life of X-Ray Container Scanner is 15 years. The X-Ray Scanner procured by VPT is under two years guarantee and VPT has contracted for Annual Maintenance Charges (AMC) of the said facility for a period of 8 years. It is seen from the documentary evidence furnished by the port that the AMC is escalated by 10% year on year basis for the 8 years post two years guarantee period. The VPT has considered the maintenance cost at ₹1,07,56,226/- per annum in the cost calculation considering the average of total maintenance cost of ₹8,60,49,809 over period of 8 years ( $\text{₹}8,60,49,809 / 8 \text{ years}$ ).

When the VPT was sought to propose tariff for Scanner excluding maintenance cost of Scanner for the first two years during the

warranty and separate tariff for third year capturing per TEU cost of maintenance of Scanner, the port has clarified that there is no provision for fixation of two different tariffs for the same facility.

Though port has adopted the norms prescribed in the upfront tariff guidelines of 2008, for X-Ray Scanner the port has taken estimate based on AMC for the proposed facility for 8 years post two years guarantee and considered the average cost. Since the AMC rate is as per the contracted rate for period of 8 years post two years guarantee, and also recognising that the proposed rate is approved by the Board of Trustees of the VPT and none of the users have raised any objection on this estimate, the estimate of this item is considered as it is a contracted rate. The port has proposed to recover the proposed tariff from the commencement of operation and the proposed rate is approved by the Board of Trustees of the VPT.

Though the life the equipment is envisaged to be for 15 years, from the proposal it is seen that the guarantee and AMC covers 10 years. When the VPT was sought to give reasons for not considering the balance period of life of the asset of 5 years, the port has clarified that the contracted agency has furnished details of annual maintenance charges post guarantee period of 8 years only. The port has, however, clarified that the tariff fixed under this exercise on upfront basis will be applied to the balance five year period also with applicable indexation. That being so, a suitable note is inserted to state that the tariff prescribed shall be applicable for the life of the X-Ray scanner for 15 years subject to annual indexation as brought out in the subsequent paragraph.

It is presumed that the port while giving this equipment on AMC for a period of eight years has sufficient mechanism and checks to monitor that the outsourced contractor takes adequate care and maintains the assets diligently so that the equipment has life of 15 years.

(iii). On Electrical Equipment:

Repairs and maintenance cost for electrical equipment and fibre and CCTV network is estimated at 2% of the capital cost. The norm of 2% adopted by VPT is in line with the norm prescribed in the Upfront Tariff Guidelines of 2008.

- (c). Insurance cost is estimated at 1% of the gross fixed assets, which is in line with the norm prescribed in the guidelines.

(d). Depreciation:

The VPT in the original proposal had estimated depreciation at ₹1,17,18,409 per annum.

Subsequently, the VPT vide its letter dated 5 February 2019 has modified the estimate of depreciation to ₹1,09,39,188 per annum considering the respective life of different assets and has furnished detailed working in this regard which has been brought out in the earlier paragraphs and hence not reiterated for sake of brevity.

The Port has confirmed that no extra shift depreciation is provided as per Companies Act as all the assets of the facility fall under the category of No Extra Shift Depreciation (NESD). The VPT has confirmed that the depreciation estimated by Port is in line with the life norms prescribed in the Companies Act, 2013. In view of the above position, the revised estimate of depreciation cost by VPT at ₹1.09 crores is considered. Though the port has furnished revised estimate of depreciation, it has not made suitable correction in the cost statement. The cost statement prepared by us is updated with the modified estimation of depreciation furnished by the port.

(e). Return on Capital Employed (ROCE):

Clause 2.4. of the upfront tariff guidelines of 2008 requires to allow ROCE at 16%. The VPT has estimated ROCE @ 6.67% to recover the capital cost. The basis of 6.67% is explained by the VPT. The life of the X-Ray scanner is 15 years. Hence  $(100/15)$  6.67% is the return claimed by the port to recover the capital cost over the life of the said equipment. A lower level of ROCE is considered by VPT to recover the cost by levy of the proposed tariff since it is a mandatory requirement of the DGFT and to reduce the logistic cost to a feasible extent.

The VPT has further clarified that depreciation is considered only as a component of Operation and maintenance cost. ROCE of 6.67% is to recover the capital cost of the facility during the life of the project. The tariff proposed by the port with reduced ROCE of 6.67% is also approved by the Board of Trustees of the VPT. In view of the above points clarified by the port, this Authority considers the ROCE at the level estimated by the port.

(vii). Based on the above analysis, the total annual cost recovery requirement works out to ₹3.73 crores as estimated by the VPT. The cost statement for fixing tariff for operation of Mobile X-Ray Container Scanning System is attached as **Annex**.

(viii). In order to recover the total annual cost recovery requirement estimated at ₹3.73 crores over the optimal handling capacity of 2,45,280 TEUs per annum, the rate works out at ₹151.93 per TEU as proposed by the port. The VPT in the original proposal dated 4 December 2018 has proposed rate of ₹155.11 per TEU. Subsequently, the port modified the estimate of depreciation for which the port has not furnished modified cost statement. The proposed rate after considering the modified estimate of depreciation works out to ₹151.93 which is reflected in the cost statement.

It is relevant here to state that proposal of the port is to comply with the mandatory requirement of DGFT and Customs. Further, the port expects the trade to save around ₹6,000 per container as the scanned container need not go to CFS for custom examination. Moreover, containers can be cleared on Direct Port Delivery basis after scanning. This will improve the turn-around time of containers at the port. There has not been any objection on the proposal of the port. In fact, most of the users have commented that they are waiting for the container scanner to come in VPT. Thus, this Authority is inclined to approve the rate of ₹151.93 per TEU as proposed by the VPT. The VPT is advised to make appropriate adjustment in the cost statement to be filed for general revision of its SOR under Tariff Policy, 2018 to ensure that there is no duplication of cost recovery of the proposed facility of container scanner while seeking revision on the general SOR.

(ix). The port has stated during processing of the case that all import containers shall be charged the proposed rate. The scanner will pick up container at random for scanning. The proposed rate will be charged uniformly irrespective of whether import container is scanned or not. In this context, the VPT has proposed a note stating that the infrastructure cess/ tariff for X-Ray container scanning system is applicable to all import overseas container expressed in TEUs. The overseas container has been defined by the VPT as a foreign container imported/ landed and taken delivery out from terminal other than transshipment container which is meant for reloading into another vessel. Therefore, the proposed note is prescribed with slight modification to state that "The tariff prescribed for X-Ray container scanning system is applicable to all import overseas containers other than transshipment containers irrespective of whether import container is scanned or not" in line with position maintained by the port during processing of the case. The slight modification in the note is to avoid any ambiguity in its application.

(x). The port has also stated that in respect of the Container Terminal Operator operating in the VPT viz. Visakha Container Terminal Private Limited (VCTPL), the said charges shall be collected by VCTPL and paid to VPT since the investment on

container scanner and its operation is being done by the port. A note in this regard is included in the SOR of the VPT.

(xi). The port expects Container Scanner to come into operation by 31 March 2019. The port has assured the users concerned that if scanner is not operational by 31 March 2019, then the time will be extended and made known to the concerned users well before 31 March 2019 allowing them to handle containers without use of scanner and port shall seek necessary permission from DGFT in this regard. In view of the position brought out above, this Authority approves the prescribed rate effective from the date the Container Scanner becomes operational at the VPT.

(xii). Though the proposal filed by the VPT is under the Tariff Policy, 2015 and processed under Tariff Policy, 2018 which is presently applicable, it is relevant here to reiterate that the tariff proposed the port for the new service is following the normative approach and the principles of upfront tariff of 2008 guidelines which is one of the options available under the said Tariff Policy for fixing tariff for new cargo/ service.

Under the Tariff Policy, 2015 and 2018, the tariff is subject to review after every three years and indexation in tariff is at 100% of the WPI subject to achievement of performance standards.

In case of upfront tariff under 2008 guidelines, the tariff is for the project period and is subject to automatic annual indexation at 60% of the WPI.

Since the proposal of the VPT follows the principles of the upfront tariff Guidelines of 2008, the VPT has proposed the rate for the life of the X-Ray scanner which is 15 years subject to automatic annual indexation.

The port has proposed a general note that the prescribed tariff will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2019 and 1<sup>st</sup> January of the relevant year. Such automatic adjustment of tariff cap will be made every year and the adjusted tariff cap will come into force from 1<sup>st</sup> April of the relevant year to 31<sup>st</sup> March of the following year.

It is seen from the estimates considered in the tariff calculation by VPT that for many of the items are based on the unit rate pertaining to November/ December 2018. Hence, this Authority goes with the proposal of the port to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2019, as proposed by the Port. Thus, the note in this regard as proposed by the Port is incorporated.

10.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the following Schedule for operation of Mobile X-Ray Container Scanning System at VPT as Schedule 7.7 - Charges for Operation of Mobile X-Ray Container Scanning System at VPT under Section 7 - Charges for Other Services in the existing Scale of Rates of VPT:

**“Schedule of charge for Operation of Mobile X-Ray Container Scanning System at VPT:**

| Description                                                     | UNIT | Rate (in ₹) |
|-----------------------------------------------------------------|------|-------------|
| Charges for Operation of Mobile X-Ray Container Scanning System | TEU  | 152.00      |

Notes:

- (1). The tariff prescribed for X-Ray container scanning system is applicable to all import overseas containers other than transshipment containers irrespective of whether an import container is scanned or not.
- (2). In respect of the Container Terminal operated in the VPT by Visakha Container Terminal Limited (VCTPL), the said charge shall be collected by VCTPL and paid to VPT since the investment on container scanner and its operation is being done by the port.

- (3). The tariff prescribed will be valid for period of 15 years from the date it comes into effect subject to automatic annual indexation.
  - (4). The tariff prescribed above will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1<sup>st</sup> January 2019 and 1<sup>st</sup> January of the relevant year. Such automatic adjustment of tariff cap will be made every year and the adjusted tariff cap will come into force from 1<sup>st</sup> May of the relevant year to 30<sup>th</sup> April of the following year.”
- 10.2. The VPT is directed to amend the existing SOR suitably.

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

**COST STATEMENT FOR FIXATION OF TARIFF FOR OPERATION OF X-RAY CONTAINER SCANNING  
SYSTEM AT VISAKHAPATNAM PORT TRUST**

(in Rs.)

| Sr. No.    | Particulars                                                                                                                      | Estimates by VPT in its original proposal dated 4.12.2019 updated with modified depreciation estimated by VPT vide its letter dated 5 February 2019 | Estimates of VPT considered by TAMP |
|------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| <b>I</b>   | <b><u>Optimal handling capacity</u></b>                                                                                          |                                                                                                                                                     |                                     |
|            | <b>Total Optimal handling capacity say (TEUs per annum)</b><br>(0.7 x 365 days x 24 Hours x 20 numbers x 2 TEUs)                 | <b>245,280</b>                                                                                                                                      | <b>245,280</b>                      |
| <b>II</b>  | <b><u>Capital Cost</u></b>                                                                                                       |                                                                                                                                                     |                                     |
| i.         | Capital Cost of X-Ray Scanner (Excl. GST)                                                                                        | 154,871,376                                                                                                                                         | 154,871,376                         |
| ii.        | Capital Cost of Civil Works (As per work order value)                                                                            | 18,190,940                                                                                                                                          | 18,190,940                          |
| iii.       | Capital Cost for providing power supply including illumination (As per work order value)                                         | 2,115,830                                                                                                                                           | 2,115,830                           |
| iv.        | Capital Cost for fibre and CCTV network (As per work order value)                                                                | 597,990                                                                                                                                             | 597,990                             |
|            | <b>Total Capital costs</b>                                                                                                       | <b>175,776,136</b>                                                                                                                                  | <b>175,776,136</b>                  |
| <b>III</b> | <b><u>Operating Cost</u></b>                                                                                                     |                                                                                                                                                     |                                     |
| i.         | Power consumption                                                                                                                | 1,858,305                                                                                                                                           | 1,858,305                           |
| ii.        | Repair and Maintenance of Civil assets (@ 1% of Civil assets)<br>(Rs. Cost of civil work 1,81,90,940 x 1% of civil work)         | 181,909                                                                                                                                             | 181,909                             |
| iii.       | Repair and Maintenance of mechanical and electrical equipment including spares                                                   |                                                                                                                                                     |                                     |
|            | a). AMC of X-Ray scanner excluding GST<br>(VPT: Rs.8,60,49,809 / 8 years)                                                        | 10,756,226                                                                                                                                          | 10,756,226                          |
|            | b). Repair and Maintenance of electrical works and fibre and CCTV network (@ 2% of Capital Cost)<br>(O&M Cost Rs.27,13,820 x 2%) | 54,276                                                                                                                                              | 54,276                              |
| iv.        | Insurance (@1% of gross fixed assets)<br>(Gross fixed assets Rs.17,57,76,136 x 1%)                                               | 1,757,761                                                                                                                                           | 1,757,761                           |
| v.         | Depreciation                                                                                                                     | 10,939,188                                                                                                                                          | 10,939,188                          |
|            | <b>Total Operating Cost</b>                                                                                                      | <b>25,547,665</b>                                                                                                                                   | <b>25,547,665</b>                   |
| <b>IV</b>  | <b>ROCE (Cost recovery in 15 years @ 6.67%)</b>                                                                                  | <b>11,718,409</b>                                                                                                                                   | <b>11,718,409</b>                   |
| <b>V</b>   | <b>Total Annual cost recovery Requirement (III + IV)</b>                                                                         | <b>37,266,074</b>                                                                                                                                   | <b>37,266,074</b>                   |
| <b>VI</b>  | <b><u>Cost per TEU (V/II)</u></b>                                                                                                | <b>151.93</b>                                                                                                                                       | <b>151.93</b>                       |

**NOTE:** The VPT in the original proposal dated 4 December 2018 has proposed rate of Rs.155.11 per TEU. Subsequently, the port modified the estimate of depreciation for which the port has not furnished modified cost statement. The proposed rate works out to Rs.151.93 after considering the modified estimate of depreciation furnished by the port.

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

**F.No. TAMP/77/2018-VPT        -        Proposal received from the Visakhapatnam Port Trust (VPT) for fixation of tariff for Operation of Mobile X-Ray Container Scanning System at VPT.**

A joint hearing in this case was held on 22 January 2019 at Visakhapatnam Port Trust (VPT) premises. At the joint hearing, VPT made a power point presentation of its proposal. VPT and the concerned users/ user organisations have made the following submissions at the joint hearing:

**Visakhapatnam Port Trust (VPT)**

- (i). The Director General for Foreign Trade (DGFT) has mandated to use container scanner at five Major Port Trusts including VPT.
- (ii). Indian Ports Association (IPA) has undertaken the Tendering process and arrived L-1 and has directed the ports to issue work order to L-1 identified by the IPA.
- (iii). VPT has already procured the Mobile X-Ray Container Scanner. Tests are going on. We expect the Container Scanner to be installed and operational by 31 March 2019.
- (iv). We requested Ministry of Shipping (MOS) for advice on the approach to be followed for tariff determination. MOS has directed the five Major Port Trusts and Kamarajar Port Ltd (KPL) to follow normative tariff for cost recovery for Container Scanner.
- (v). So, VPT has filed the proposal seeking approval of tariff based on norms.
- (vi). Total capital cost of Container Scanner along with Civil works is ₹17.58 crores.
- (vii). For Annual Maintenance Cost, we have taken total maintenance cost of 8 years post two years guarantee period and have spread it over eight years.
- (viii). The ROCE is considered at 6.67% considering life of scanner is for 15 years. The intention of the port is not to make profit.
- (ix). The rated capacity of container scanner is assessed at 2,45,280 TEUs per annum.
- (x). The rate proposed is ₹155.11 per TEU to meet the estimated ARR of ₹3.80 crores.
- (xi). We will shortly reply to TAMP on the information sought by TAMP.

**Visakha Container Terminal Ltd. (VCT)**

- (i). We have gone through the proposal of port.
- (ii). We have no reservation on the proposal of the port.

**Jindal Stainless Steel Ltd.**

- (i). We are major importer/ exporter of steel scrap through containers from the terminal of VCTPL at the port.
- (ii). We are definitely waiting for Container Scanner.
- (iii). We seek rate by 31 March 2019.

- (iv). We want port to intimate the status of implementation of the container Scanner.  
[VPT, Dy. Chairman: Testing of Container Scanner is in progress. We expect Container Scanner to come into operation by 31 March 2019. If scanner is not operational by 31 March 2019, then the time will be extended and made known to the concerned users well before 31 March 2019 allowing to handle containers without use of scanner. We have asked Directorate General for Foreign Trade (DGFT) for 6 month extension for the scanner to be in place.]

**M/s.Container Corporation of India Limited**

- (i). We will follow the procedure of port for use of Container Scanner once its comes into operation.

**Dy. Chairman, Visakhapatnam Port Trust (VPT)**

- (i). All import containers shall be charged the proposed rate. The scanner will pick up container at random for scanning. The proposed rate will be charged uniformly irrespective of whether import container is scanned or not.
- (ii). Charges shall be collected by Container Terminal Operator i.e. VCTPL and paid to VPT since the investment on container scanner and its operation is being done by the port.
- (iii). Trade will save around ₹6,000 per container as the scanned container need not go to CFS for custom examination. Containers can be cleared on Direct Port Delivery basis after scanning.

2. The summary of written comments received from Container Corporation of India Ltd. (CCIL) at the joint hearing and comments received from RHI Clasil Pvt. Ltd. (RCPL) and reply of VPT is tabulated below:

| Sl. No.    | Comments of users / user organisations                                                                                                                                                                                                                                                 | Reply of VPT                                                                                                                                                                                             |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>I.</b>  | <b>Container Corporation of India Ltd.</b>                                                                                                                                                                                                                                             |                                                                                                                                                                                                          |
|            | (i). It is to inform that Container corporation is a facilitator for Handling, transportation and warehousing for the EXIM & Domestic trade in Visakhapatnam.                                                                                                                          | There are no specific comments on CCIL letter as the aspect relating to arrangement for collection of the proposed tariff at VPT was discussed during the joint hearing held by TAMP on 22 January 2019. |
|            | (ii). The movement of import and export between Visakha Container Terminal Pvt. Ltd. (VCTPL) port to CONCOR CFS are nominated and instructed by the Shipping Lines only. CONCOR is executing work on the behalf of shipping lines after clearance of all relevant documents of custom. |                                                                                                                                                                                                          |
|            | (iii). It is, therefore, to inform that all the financial transactions are dealt by shipping lines directly with the port only.                                                                                                                                                        |                                                                                                                                                                                                          |
| <b>II.</b> | <b>RHI Clasil Pvt. Ltd. (RCPL)</b>                                                                                                                                                                                                                                                     |                                                                                                                                                                                                          |
|            | (i). The proposal of VPT it is acceptable.                                                                                                                                                                                                                                             | No Comments.                                                                                                                                                                                             |
|            | (ii). RCPL participation would not be required in the joint hearing on the subject issue.                                                                                                                                                                                              |                                                                                                                                                                                                          |

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