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Tariff Authority for Major Ports

G.No. 469 **New Delhi,** **27 December 2016**

NOTIFICATION

In exercise of the powers conferred by Section 49 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Visakhapatnam Port Trust for revision of Lease Rents of Port Land for the quinquennium 2013-2018 following the amended Land Policy Guidelines for Major Ports, 2014 as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports

Case No. TAMP/80/2015-VPT

Visakhapatnam Port Trust - - - **Applicant**

QUORUM:

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

O R D E R

(Passed on this 17th day of November 2016)

This case relates to the proposal received from Visakhapatnam Port Trust (VPT) on 10 December 2015 for revision of Lease Rents for Port Land for the quinquennium 2013-2018. The VPT has filed the proposal under the Land Policy Guidelines, 2014 announced by the Ministry of Shipping (MOS), Government of India effective from 02 January 2014 and as amended by the MOS vide MOS letter dated 17 July 2015.

2.1. The lease rent for VPT lands was last approved by this Authority, vide Order No.TAMP/63/2011-VPT dated 18 June 2012. This Authority had approved lease rentals for the 31 zones as proposed by the VPT in the said Order. The lease rent approved by this Authority was given retrospective effect from 1 April 2008 as sought by the VPT and validity was prescribed for
5 years i.e. till 31 March 2013.

2.2. It is relevant to state here that the VPT had filed a separate proposal for revision of license fee for open cargo stacking on temporary license basis in the 12 zones under service category. This Authority vide Order No.TAMP/48/2014-VPT dated 15 January 2016 has, while approving the license fee for open cargo stacking on temporary license basis in the 12 zones under service category, had advised the VPT to immediately file a comprehensive proposal for the current quinquennium 2013-2018 as agreed by the port during the processing of that case. In this back drop, the VPT has filed the proposal for revision of lease rent.

3. The highlights of the proposal filed by the VPT for revision of lease rent following the amended Land Policy Guidelines 2014 are as given below:

(i). The VPT has appointed M/s.Rakesh Narual & Co., Consortium leaders for the work of conducting detailed survey of entire VPT land and all its features with total station instrument including capturing all VPT boundary pillars/ boundary walls/boundary kerbs with differential global system (DGPS) and preparation of land use plan and assess market valuation of land and rental unit of Visakhapatnam Port Trust.

(ii). The valuer has given the report. The proposal of revision on lease rent for land (zone wise) is as per the revised land use plan prepared by M/s.Rakesh Narula, Consortium appointed by VPT.

(iii). (a). In the last revision based on the proposal of VPT, the Authority has approved the revision of lease rentals of VPT land for 31 Zones. Now the VPT has submitted proposal for revision of lease rental of its land by rezoning the existing 31 zones into 11 Zones which includes one new zone at Lankelapalem [12 in number in view of 2 zones as ZI-A and ZI-B] consisting as Z1A to Z11. The existing zones and the restructured zones as given by VPT and as per LAC report is tabulated below:

Sr. No.	NEW ZONE	OLD ZONES
1.	1 A (Core operational Area) (Total Extent: Acs.370.00)	I-(A, B, C)
		II-(A1, A2)
		VI-(A, B),

		VIII, IX-A
2.	1B (Near Convent Junction) (Total Extent: Acs.185.00)	X-(A, B)
3.	2 (Fishing Harbour Area) (Total Extent: Acs. 924.00)	XIV
4.	3 (Hilly Area) (Total Extent: Acs.924.00)	II-C,
		XV
5.	4 (Industrial Area) (Total Extent: Acs.2498.00)	II-A3, II-B, III, III-(A, B1, B2, B3), IV, IX-B
6.	5 (Under Airport Area) (Total Extent: Acs.747.00)	V, VI-B, VII, VIII, IX-B
7.	6 (Near National Highway Area) (Total Extent: Acs.816.00)	IV-A, V, VI-B, XI
8.	7 (Away from National Highway) (Total Extent: Acs.30.01)	VI-B
9.	8 (Salagramaturam Area) (Tatal Extent: Acs.269.01)	XII
10.	9 (Harbour Park Area) (Total Extent: Acs.32.00)	XIII,
		XIII-A
11.	10 (Bhimili Patram Area) (Total Extent: Acs.288.00)	XVI
12.	11* (Lankela-Patram Area) (Total Extent : Acs.307.00)	New Zone

*Note: While rezoning of existing zones the port has also considered its other land at Lankelapalem and created new Zone as Z11.

(b). The approved valuer has given brief details about each zone in respect of key features, occupancy, infrastructure (road & rail) available, development level, proposed use and water accumulation status etc. in detail.

(c) The said rezoning has been considered by the LAC and subsequently approved by the Board of Trustees of the VPT vide its Board meeting held on 10 October, 2015.

(iv). In pursuance of the amended Land Policy Guidelines 2014, Land Allotment Committee (LAC) was constituted under the Chairmanship of Deputy Chairman (VPT) and other members viz. FA & CA, Chief Engineer, Traffic Manager I/c and Deputy Estate Manager.

(v). The Committee in its meeting on 29 August 2015 has considered various factors among those listed in the amended Land Policy Guidelines to determine the market value of the land. The highlights of the report of LAC is given below:

(a). The LAC has also gone through the land utilisation details submitted by the approved valuer.

The LAC noted that the existing VPT land zones i.e. 16 zones and 15 sub zones and other land at Lankelapalem and Bheemunipatanam are now re-organized duly revising as Z1 to Z11 making total of 12 zones. The details of rezoning and extent of areas are given below:

Sr. No.	Zones	Area (In Acres)
1	Z1 Core Operational Area	1,370
2	Z1B Near to Convent Jn.	185
3	Z2 Fishing Habour	152
4	Z3 Hilly Area	924
5	Z4 Industrial Area	2,498
6	Z5 Under Airport Area	747
7	Z6 Near National Highway	816
8	Z7 Away from National Highway	30

9	Z8	Salagramapuram	269
10	Z9	Harbour Park Area	32
11	Z10	Bheemlipatnam	288
12	Z11	Lankelapalem	307

(b). As per the procedure laid down in the Land Policy Guidelines 2014, the committee has examined the land valuation as per (i) Andhra Pradesh (A.P.) State Government's ready reckoner, for the base year 2013 referred in the proposal as guideline rate (ii) Comparative recorded sale instances in Sub Registrar Office of Visakhapatnam for 3 years i.e. 2010-11, 2011-12, 2012-13 (iii) Accepted tender rate of land allotted on tendering basis and (iv) rate arrived at by an approved valuer amongst the five factors listed in guidelines to determine the marker value of the land. As regard the fifth factor for market valuation of land, the LAC has recorded "Not available" in the statement attached on market valuation of land.

(c). On examining the land value as per the applicable factors among those listed in guidelines to determine the market value of the land, the LAC has made the following observations:

(i). Land value arrived based on the A.P. State Government's ready reckoner (DRA Rates), 2013, for the adjacent lands to the Port's lands, made available by District Collector, Visakhapatnam is for the transactions made for residential and ownership of the land.

(ii). Land values based on Highest rate of actual transactions registered in last three years i.e. 2010-11, 2011-12 and 2012-13, in the Port's adjacent land in Joint Sub-registrar Office, Visakhapatnam:

It is opined by the LAC that the transactions are mostly for the residential purpose and no significant transactions have taken place for industrial purpose. Further, the market rates of land belonging to port estate are not available either in the GLR or in the Sub Registrar Office, Visakhapatnam, since there is no sale of port estate land.

(iii). As regards the highest accepted tender-cum-auction rate of port lands for similar transactions:
The LAC has observed that there were no tenders/ auctions carried out at VPT in the past 3 years.

(iv). The land value arrived by and approved valuer, appointed for the purpose by the VPT:
The LAC has observed that the land valuer has considered the rate obtained from the Joint Collector, Vishakhapatnam. The value of land has been arrived by taking the statistical average of all the rates available for each 32 zones (31 old zones + 1 new zone) depending upon the existing zones falling in the new proposed zones. In some zones there is only one rate available and same has been considered as the market value of land.

(v). The statement of market value of land under the various options taken into consideration by the LAC is furnished by port.

(vi). The LAC has noted that the approved valuer has considered the factors like 1. Distance from port/ Infrastructure Development – Road & Rail connectivity, 2. Purpose of the use (Development level as Residential/ Commercial/ Industrial), 3. Low lying Area

(Water Accumulation), 4. Size of Plot, 5. Key features of each zone etc., for arriving the market rates for the 11 zones duly allowing the following discounts/ adding premium for these factors:

(a). Estimated rate a discount of 25% is applied as the nature of ownership changes in comparison with the freehold land outside and inside VPT Boundaries.

(b). A discount of 30% is applied to arrive at the rate for the land of VPT as the Joint Sub-registrar Office (JSRO) rates are for the net plot of lands which is arrived after deduction of this common amenities and facilities.

(c). Suitably adopted a premium of 5%/ 10%/ 25% on the estimated rate of residential and commercial for having a superior location and development stage.

(d). Suitably adopted a premium of 10%/ 25%/ 30% on the estimated industrial rate for having a superior location in terms of public road connectivity and proximity to the city as well as the national highway.

(vii). The LAC has noted that the market value of the land is categorized based on the usage and location etc., in the land use plan. The purpose of the usage of the land was categorized as Industrial, Commercial, Residential, Cargo, Stacking purpose and suitable adjustment have been incorporated considering the usage of zone/ land parcel.

(viii). LAC has also taken note of the d.o. letter dated 8 June 2015, received form MOS, duly stating that on the factors mentioned in the para 18 of the Land Policy Guidelines 2014, while determining the latest market value of the land, it is not mandatory that the LAC has to necessarily taken the highest of the 5 factors give in Land Policy Guidelines but can choose another factor with proper justification and also commented that representation have been received that in some Ports high market values have been fixed by mechanical and inappropriate application of Land Policy Guidelines.

(ix). The LAC expressed its concern that if highest valuation of land is considered it will adversely impact the business of the Port.

(x). The LAC has observed following points for due consideration of the Board:

(a). Land at Port operational areas measuring Acs.340: Board has already considered a proposal at ₹6.21 ps. Per Sq. Mtr. Per week as against ₹11.08 ps. Per Sq. Mtr. Per week by considering the business requirement of the Port. However, these allotments are only on License basis for cargo stacking purposes and not on lease basis.

(b). Allotment of additional land to BOT/PPP Operators:
Some of the Concession Agreements do have enabling provision for allotment of additional land. It is projected that the competitive Ports are having edge over VPT due to availability of extra storage space at their Ports. The Concession Agreements have been entered into taking

into account the assessed land requirements at the relevant point of time. In the event of fixing of SOR other than the highest rate and allotment of additional land to BOT/PPP operations on SOR rates, the same can be viewed as allotment of land to BOT/PPP Operators at lesser than the highest value arrived at in the Land Policy Guidelines, 014. Hence, for allotment of additional land to BOT/PPP operators, a separate policy may have to be considered, as these allotments have to be on nomination basis wherein tender-cum-auction route may not be resorted to.

(c). The committee also observed that the valuer report considers a rebate of 25% on account of leases Vs. Freehold and 30% towards service area etc., based on the guidelines for valuation of Assets for IT purposes such as assessment of “Capital Gain” etc., providing such a concession without considering the occupation levies, development potential, FSI etc., is also a concession.

(xi). The recommendations of the LAC are summarized below:

(a). The market value of the land as given by the approved valuer for arriving at the proposed lease rental. The lease rentals is arrived at 6% on the market value of the land. A summary of the market value of land and the proposed lease rent recommended by LAC is given below:

(in ₹)

New Zones	Market value of land recommended by LAC				Lease rent recommended by LAC at 6% of the market value of land			Open Space-Unpaved (₹ per calendar WEEK or part thereof)	Open Space-Paved (₹ per calendar WEEK or part thereof)	Storage Sheds, Warehouses and Covered Storage (₹ per calendar WEEK or part thereof)
	Old Zones	Residential per sq. yd.	Commercial per sq. yd.	Industrial per sq. yd.	Residential per sq. yd./ annum	Commercial per sq. yd./ annum	Industrial per sq. yd./ annum			
1A (Core operational Area) (Total Extent : Acs.1370.00)	I – (A-61 Acres, B-88 Acres, C-291 Acres) II –(A1-170 Acres, A2-68 Acres) VI-(A-37 Acres, B-30 Acres), VIII-491 Acres, IX-A-134 Acres	5,600	10,900	4,500	336	654	270	6.21	12.45	20.00
1B (Near Convent Junction) Total Extent : Acs.185.00)	X-(A-127 Acres, B-58 Acres)	7,500	15,000	7,500	450	900	450	6.21	12.45	20.00
2 (Fishing Harbour Area) (Total Extent : Acs.152.00)	XIV-152 Acres	6,800	9,000	5,500	408	540	330	6.21	12.45	20.00
3 (Hilly Area) Total Extent : Acs.924.00)	II- C -161 Acres, XV-763 Acres	2,500	NA	NA	150	NA	NA	NA	NA	NA
4 (Industrial Area) (Total Extent : Acs.2498.00)	II-A3-27 Acres, II-B-176 Acres, III-75 Acres, III-(A-6 Acres, B1-39 Acres, B2-237 Acres, B3-413 Acres), IV 519 Acres, IX-B-1006 Acres	4,900	7,600	4,000	294	456	240	6.21	12.45	20.00
5 (Under Airport Area)	V-115 Acres, VI –B-	4,700	11,900	2,700	282	714	162	6.21	12.45	20.00

New Zones	Market value of land recommended by LAC				Lease rent recommended by LAC at 6% of the market value of land			Open Space-Unpaved (₹ per calendar WEEK or part thereof)	Open Space-Paved (₹ per calendar WEEK or part thereof)	Storage Sheds, Warehouses and Covered Storage (₹ per calendar WEEK or part thereof)
	Old Zones	Residential per sq. yd.	Commercial per sq. yd.	Industrial per sq. yd.	Residential per sq. yd./ annum	Commercial per sq. yd./ annum	Industrial per sq. yd./ annum			
(Total Extent : Acs.747.00)	30 Acres, VII-431 Acres, VIII-134 Acres, IX-B-37 Acres									
6 (Near National Highway Area) (Total Extent : Acs.816.00)	IV-A-410 Acres, V-174 Acres, VI-B-29 Acres, XI-203 Acres	5,700	18,600	4,000	342	1,116	240	6.21	12.45	20.00
7 (Away from National Highway) (Total Extent : Acs.30.00)	VI-B-30 Acres	4,100	11,900	2,600	246	714	156	6.21	12.45	20.00
8 (Salagramapuram Area) (Total Extent : Acs.269.00	XII -269 Acres	20,000	30,000	NA	1,200	1,800	NA	NA	NA	NA
9 (Harbour Park Area) (Total Extent : Acs.32.00)	XIII-30 Acres, XIII-A-2 Acres	36,700	41,700	NA	2,202	2,502	NA	NA	NA	NA
10 (Bhimili Patnam Area) (Total Extent : Acs.288.00)	XVI-288 Acres	1,300	NA	NA	78.00	NA	NA	NA	NA	NA
11 (Lankela-palem Area) (Total Extent : Acs.307.00)	New Zone	1,700	NA	NA	102	NA	NA	6.21	12.45	20.00

(b). The lease rent for covered space and for the paved area at ₹20.00 per sq. mtr. per week and ₹12.45 per sq. mtr. per week respectively. Zone 1 A industrial rate will be applicable for the existing firms which are paying previously as per Scale of Rates.

(c). Provisions relating to Right of Way leave charges as per the Land Policy Guidelines, 2014.

(d). One time supervision charges @ 15% of the cost of laying of pipelines/ cables/ conveyors in port limits before granting way leave permission. This is not applicable for Single Buoy Mooring (SBM)/ Single Point Mooring (SPM) / sub-area pipelines for which the applicable supervisory charges will be decided by Board, on a case to case basis.

(vi). The VPT held its Board of Trustees meeting on 10 October 2015. The Board after going through the above recommendations of the said Committee has resolved the following:

(a). To re-organise the present VPT land zones (16 zones & 15 sub zones and other land having at Lankelapalem & Bheemunipatnam) into 11 zones, revising as Z1 to Z11.

(b). To fix Annual lease rentals/ SOR @ 6% on the latest market value recommended by the LAC, w.e.f. 1 April 2013.

(c). To fix Annual escalation of lease rentals/ SOR @ 2%, w.e.f. 1 April 2013.

(d). To revise of SOR (lease rentals/ License Fee) under different categories such as Residential/ Commercial/ Industrial/ Open Space (unpaved/ paved)/ covered storage (sheds/ warehouses)/ Way leave charges etc. of

VPT lands (11 zones) for the quinquennium 2013-2018, as recommended by the LAC and to submit the comprehensive proposal to TAMP, for its approval / notification of the revised SOR.

(e). To consider a separate policy for arriving at the rate, in case of allotment of additional land to PPP operators, as these allotments have to be on nomination basis wherein tender cum auction may not be resorted.

(vii). Accordingly, based on the recommendations of LAC and approval of its Board, the VPT has proposed revised Scale of Rates for License Fee/ Lease Rent for the quinquennium 2013-2018 as given below:

(a). Proposed Scale of Rates for License fee / lease rent:

Item No.	Zone (Area)	Unit	Residential (₹ per calendar or MONTH or part thereof)	Commercial (₹ per calendar or MONTH or part thereof)	Industrial (₹ per calendar or MONTH or part thereof)	Open Space-Unpaved (₹ per calendar or WEEK or part thereof)	Open Space-Paved (₹ per calendar or WEEK or part thereof)	Storage Sheds, Warehouses and Covered Storage (₹ per calendar or WEEK or part thereof)
1.	**Zone-1 A** (Core Operational Area)	Sq. Mtr.	33.49	65.18	26.91	6.21	12.45	20.00
2.	**Zone-1 B** (Core Operational Area)	Sq. Mtr.	44.85	89.70	44.85	6.21	12.45	20.00
3.	**Zone-2** (Fishing Harbour Area)	Sq. Mtr.	40.66	53.82	32.89	6.21	12.45	20.00
4.	**Zone-3** (Hilly Area)	Sq. Mtr.	14.95	NA	NA	NA	NA	NA
5.	**Zone-4** (Industrial Area)	Sq. Mtr.	29.30	45.45	23.92	6.21	12.45	20.00
6.	**Zone-5** Under Airport Area)	Sq. Mtr.	28.11	71.16	16.15	6.21	12.45	20.00
7.	**Zone-6** (Near National Highway Area)	Sq. Mtr.	34.09	111.23	23.92	6.21	12.45	20.00
8.	**Zone-7** (Away from National Highway Area)	Sq. Mtr.	24.52	71.16	15.55	6.21	12.45	20.00
9.	**Zone-8** (Salagramapuram Area)	Sq. Mtr.	119.60	179.40	NA	NA	NA	NA
10.	**Zone-9** (Harbour Park Area)	Sq. Mtr.	219.46	249.36	NA	NA	NA	NA
11.	**Zone-10** (Bheemlipatnam Area)	Sq. Mtr.	7.77	NA	NA	NA	NA	NA
12.	**Zone-11** (Lanelapalem Area)	Sq. Mtr.	10.17	NA	NA	NA	NA	NA

(b). Proposed Conditionalities:

General Conditions:

(i). All conditions prescribed in the Land Policy, 2014 guidelines issued by the Government of India in January 2014, as amended/ replaced from time to time, shall apply in respect of allotment of land/ space/ covered accommodation on License/ Lease basis.

(ii). The rates prescribed above are the base rates applicable with effect from the effective date of implementation as per Notification by TAMP and are subject to automatic escalation of 2% per annum (compoundable). The reserve price in terms of annual lease rent as provided in the SOR shall get automatically escalated by 2% per annum after expiry of one year from the effective date of implementation of the SOR. The base rates will be revised after five years with the approval of Competent

Authority. Such revised rent will be effective from the effective date of implementation of the Order passed by the Competent Authority.

(iii). The rates prescribed above are excluding taxes and duties. Service tax and other taxes and duties, as applicable, from time to time shall be paid extra.

(iv). In addition to the rates prescribed above, the rates will be fixed for buildings also based on the zone rates including cost of water and electricity consumed every month at the rates fixed by the VPT from time to time, together with the installation and maintenance charges on electrical installations every month as may be fixed by the VPT from time to time shall be paid by the Licensee/ Lessee.

(v). Zone 1A industrial rate will be applicable for the existing firms which are paying previously as per Scale of Rates.

(c). Scale 2 - Charges for Right of Way Permission for laying pipelines in VPT's premises:

The rate for open area as applicable to the category of the concerned zone of Industrial rates mentioned in Scale - 1 above, as the case may be, for the area occupied by the Pipelines/ Conveyors, etc.

Note: For the purpose of Right of Way leave charges, the area occupied by single pipelines should be calculated based on the diameter and length of those pipelines. In case of multi-layer pipeline/ conveyor stacks, the physical area occupied by the multilayer pipeline/ conveyor stacks should be considered and the respective users should be billed on pro-rata basis. As far as underground pipelines are concerned, if the users establish that the possession of surface area above the underground cross-country pipelines is not physical with them, the area occupied by such pipelines should be considered as 50% of the diameter and length, for the purpose of levy of Right of way charges. The clause 14 of Land Policy Guidelines of 2014 is applicable.

(d). **Conditions for Granting way leave permission** (The clause 14 & Terms and conditions at Annexure of Land Policy Guidelines 2014 is applicable):

(i). Way leave permission for laying pipelines within and outside the port area shall be given on temporary basis at the discretion of VPT. Only permission will be given. There will not be any allotment of land to the party nor is to be construed as lease.

(ii). In case of way leave permission for public utilities, relevant rules applicable for such utilities shall apply.

(iii). The Way leave charges with applicable escalation from time to time shall be paid in advance for each year. Delay in payment of way leave charges will attract penal interest and penalty in line with the penal interest and penal License fee provisions applicable for monthly License.

(iv). One time Supervision charges @ 15% of the cost of laying of pipelines/ cables/ conveyors in Port limits before granting way leave permission. This is not applicable for Single Buoy Mooring (SBM)/ Single Point Mooring (SPM)/ sub-sea pipelines for which the applicable supervisory charges will be decided by Board, on a case to case basis.

4.1. VPT had submitted the exhaustive list of 419 users/ user organisations and lessees under the following categories.

(i).	A list containing	41 Parties
(ii).	A list containing names of Shipping Agents	101
(iii).	List of Stevedores	88
(iv).	List of Plot Holders	80
(v).	List of Associations and Major Stake Holders	36
(vi).	List of Lessees	73
	Total	419

Since the list provided by VPT for consultation was exhaustive, VPT was requested vide our letter dated 1 January 2016 to closely examine the list of individual Shipping Agents and individual Stevedores furnished by the port and suggest list of users/ user organisations and lessees of those relevant stevedores who have to be necessarily consulted due to their high stake.

4.2. In response, the VPT vide its letter dated 18 January 2016 has submitted a revised list of 100 users/ user organisations/ lessees to be consulted for the proposed proposal.

5.1. In accordance with the consultation process prescribed, a copy of the VPT proposal dated 10 December 2015 was circulated vide our letter dated 1 February 2016 to the users/ user organisations/ lessees seeking their comments. The comments received from the users/ user organisations/ lessees were forwarded to the VPT from time to time as feedback information. The VPT vide its letters dated 19 July 2016 and 29 September 2016 has furnished its reply on the comments of some of the users/ user organizations.

5.2. The Visakha Container Terminal Private Limited (VCTPL), the Visakhapatnam Stevedores Association (VSA) and the Hindustan Petroleum Co-operation Limited (HPCL) have furnished their comments on which the VPT has not responded.

6.1. A joint hearing on this case in reference was held on 18 March 2016 at VPT premises. At the joint hearing, the VPT made a power point presentation of its proposal. The VPT and the concerned users/ user organizations/ lessees have made their submissions at the joint hearing.

6.2. As agreed at the joint hearing, the VPT was requested vide our letter dated 31 March 2016 to take action on the following points, followed by reminders dated 28 April 2016 and 22 June 2016:

(i). Furnish a copy of power point presentation made at the joint hearing.

(ii). Forward a copy of the complete valuation report.

(iii). At the joint hearing, Hindustan Petroleum Corporation Ltd., Coromandel International Ltd., Visakhapatnam Stevedores Association, Rain CII Carbon (Vizag) Ltd., Essar Steel India Ltd., Integral Trading & Logistics, Visakhapatnam Custom House Agents Association (Integral Trading & Logistics) and Central Warehousing Corporation have furnished their written submissions. A copy of the each of the written submissions was already forwarded for comments. The VPT was to furnish its comments immediately.

(iv). At the joint hearing, most of the users/ users associations/ lessees present have raised objections on the proposed revision of rentals. A copy of the notes on arguments made by the users/ users associations/ lessees as recorded at the joint hearing was made available to VPT. The VPT was to re-examine the proposal in the light of the comments/ points made by the users/ users associations/ lessees and file a revised proposal within 10 days as agreed by the port. Simultaneously, the revised proposal to be forwarded to the users/ users associations/ lessees for their comments within 3 days. The VPT was to respond to the comments of users/ users associations/ lessees within 3 days thereafter.

6.3. As decided at the joint hearing, the users vide our letter dated 31 March 2016 were requested to furnish their comments, if any, on revised proposal (to be) filed by VPT to TAMP and to the port 3 days from receipt of the revised proposal.

7. With reference to first and the second point of action decided at the joint hearing brought out above, the VPT vide its letter dated 13/16 April 2016 has furnished a copy of power point presentation made by the VPT at the joint hearing and the complete valuation report.

8.1. With reference to third point of action decided at the joint hearing brought out above, the VPT vide its letter dated 29 September 2016 has furnished its comments on some of the written submissions made by users / user organisations.

8.2. The Hindustan Petroleum Co-operation Limited (HPCL) and the Visakhapatnam Stevedores Association have furnished their comments. The VPT has not responded.

8.3. After the joint hearing, some of the users have furnished their comments. The VPT has furnished its reply.

9.1. With reference to the fourth point of action decided at the joint hearing brought out in earlier paragraphs, the VPT vide its letter dated 19 July 2016 has furnished its comments on the notes on arguments made by the users/ users associations/ lessees as recorded at the joint hearing.

9.2. With reference to second part of the fourth point of action decided at the joint hearing and in view of serious objections raised by various users/ user associations and lessees about steep hike proposed in its proposal of December 2015, the VPT has reviewed and filed a revised proposal dated 19 July 2016. The revised proposal is also supported with a copy each of the Report of the Committee and approval of the Board of Trustees of the VPT approving the revised proposal forwarded by the port to this Authority. The VPT vide its letter dated 19 July 2016 has furnished its revised proposal. The highlights of the revised proposal are as under.

(i). TAMP their letter dated 31 March 2016 while forwarding the written objections made by the lessees requested VPT to reexamine the proposal and to submit revised proposal as agreed by the port at the joint hearing.

(ii). Subsequently a committee headed by the Dy. Chairman with FA&CAO, CE, CME and TM, as members was constituted to go through the entire issue of new SoR and recommend appropriate policy keeping in view the nature of different activity so as to arrive at reasonable lease rentals so that the business of the port is not affected in the long run. The highlights of the report of LAC held on 6 June 2016 are given below:

(a). The LAC has considered detailed analysis separately for Govt. PSUs & pvt. Parties.

(b). The LAC has considered the percentage increase of SOR 2013-18 proposed vis-à-vis approved rates as on 31 March 2013.

(c). The LAC has considered the major points raised by lessees and remarks on the same of VPT.

(d). The LAC has noted the Clause 11.2(f) and Para 13(c) of the land policy guidelines (LPG) 2014. It also noted the objectives of LPG, 2014.

(e). The LAC has noted that Clause 11.3 (k) of the land policy stipulates that in respect of old leases, where the terms of lease stipule automatic renewal at pre-determined rates such cases are to be reviewed by the Board on a case to case basis from the point of view of the reasonability of such terms of renewal, including the rates. In such cases, the endeavor should be to migrate to lease rentals based on latest market value.

(f). The LAC submitted its report to Board for deliberations and directions.

(iii). The Board of Trustees of VPT on perusing the report has taken note of the following:

(a). There is steep rise of lease rentals as proposed earlier, for the 2013-18 quinquennium and the rise is 37% to 242% in Zone No.1 to Zone No.7 where port related activities are carried out.

(b). Due to clubbing of rentals zones from 31 Nos. to 12 Nos., there is abnormal increase in lease rentals in some zones. However, Board duly recognised the need to club various zones on the basis of particular land use.

(c). Board also recognises that in respect of captive Industries there is abnormal increase in rentals in the proposed rates.

(d). Considering the above and also taking into consideration the steep competition being faced by VPT from neighbouring Private Ports there is an urgent need to retain and attract port traffic. Accordingly, the Board of the VPT in its meeting held on 17 June 2016 resolved the following:

(i). The Port related activities being carried at Zone No. 1 to Zone No.7, where the modifications to the proposed rates shall be (a) there will be no change if the differences in proposed rates vis-à-vis average of the earlier old zones / sub-zones lease rentals of 2008-13 (as on 31 March 2013) are less that 50% (b) wherever the average of earlier zones in respect of 2008-13 rate and proposed rate, the differences are more than 50%, the incremental increase will be made half subject to the condition that the rise in lease rentals shall not be more that 75% of the average of the old rates as per 2008-13 rates.

(ii). There will be no change, in the proposed rate of lease rentals in respect of Zone-8 to Zone-11 as there is hardly any port related activity.

(iii). In respect of Port based captive industries having more than 50 acres of land, there will be a discount on proposed SOR to the extent of 25%.

(iv). Board further resolved that with the above modifications the revised SOR for quinquennium 2013 – 18 shall be submitted to TAMP for approval.

(v). The Board has approved revised SOR as given below for notification of TAMP.

(iv). Estate Rentals for the quinquennium 2013-2018

SCALE 1: SOR for License Fee / Lease Rent for allotment of Land/Space/Covered Accommodation:

Item	ZONE (AREA)	Unit	Residential	Commercial	Industrial	Open	Open	Storage

No.			(₹ per calendar month or part thereof)	(₹ per calendar month or part thereof)	(₹ Per calendar month or part thereof)	Space-Unpaved (₹ per calendar week or part thereof)	Space-Paved (₹ per calendar week or part thereof)	Sheds, Warehouses and Covered Storage (₹ per calendar week or part thereof
1.	ZONE-1 (Core Operational Area)	Sq. Mtr.	33.49	65.18	21.03	4.85	9.70	15.00
2.	ZONE-1 B (Core Operational Area)	Sq. Mtr.	44.85	89.70	44.85	4.85	9.70	15.00
3.	ZONE-2 (Fishing Harbour Area)	Sq. Mtr.	40.66	53.82	23.92	4.85	9.70	15.00
4.	ZONE-3 (Hilly Area)	Sq. Mtr.	14.95	NA	11.36	NA	NA	NA
5.	ZONE-4 (Industrial Area)	Sq. Mtr.	29.30	45.45	14.05	4.85	9.70	15.00
6.	ZONE-5 (Under Airport Area)	Sq. Mtr.	28.11	71.16	14.25	4.85	9.70	15.00
7.	ZONE-6 (Near National Highway Area)	Sq. Mtr.	34.09	111.23	17.04	4.85	9.70	15.00
8.	ZONE-7 (Away from National Highway Area)	Sq. Mtr.	24.52	71.16	15.55	4.85	9.70	15.00
9.	ZONE-8 (Salagramapuram Area)	Sq. Mtr.	119.60	179.40	NA	NA	NA	NA
10.	ZONE-9 (Harbour Park Area)	Sq. Mtr.	219.46	249.36	NA	NA	NA	NA
11.	ZONE-10 (Bheemlipatnam Area)	Sq. Mtr.	7.77	NA	NA	NA	NA	NA
12.	ZONE-11 (Lankelapalem Area)	Sq. Mtr.	10.17	NA	NA	NA	NA	NA

(v). The general conditions are retained as in the original proposal except for the following deletion/ insertion.

(a). The note (iv) under general conditions relating to building is proposed for deletion.

(b). A note is inserted to state that in respect of Port based captive industries having more than 50 acres of land, there will be a discount on proposed SoR to the extent of 25%.

(vi). The proposed schedule-2 relating to charges for Right of way permission for laying pipeline alongwith conditions are retained as in the original proposal except for the deletion of the following conditions which were proposed by VPT in its original proposal:

(a). In addition to the rates prescribed above, the rates will be fixed for buildings also based on the zone rates including cost of water and electricity consumed every month at the rates fixed by the VPT from time to time, together with the installation and maintenance charges on electrical installation every month as may be fixed by the VPT from time to time shall be paid by the Licensee/ Lessee.

(b). Way leave permission for laying pipelines within and outside the port area shall be given on temporary basis at the discretion of VPT. Only permission will be given. There will not be any allotment of land to the party nor is to be construed as lease.

(c). In case of way leave permission for public utilities, relevant rules applicable for such utilities shall apply.

(d). The Way leave charges with applicable escalation from time to time shall be paid in advance for each year. Delay in payment of way leave charges will attract penal interest and penalty in line with the penal interest and penal license fee provisions applicable for monthly license.

(e). One time supervision charges @ 15% of the cost of laying of pipelines/cables/conveyors in port limits before granting way leave permission. This is not applicable for Single Buoy Mooring (SBM) / Single Point Mooring (SPM) / sub-sea pipelines for which the applicable supervisory charges will be decided by Board, on a case to case basis.

(vii). The following condition are proposed for insertion:

In respect of port based captive industries having more than 50 acres of land, there will be a discount on proposed SoR to the extent of 25%.

(viii). The VPT in its revised proposal has retained lease rental for Residential and Commercial area as proposed in its original proposal. The VPT has proposed reduction in lease rental in respect of Industrial category, Open Space (unpaved), Open Space (paved) and storage sheds, warehouses and covered storage. The VPT has furnished the following statement showing the basis for arriving at the reduced proposed lease rent for industrial category considered by the Board of VPT while approving the revised lease rental.

(₹./Sq.yard/annum)

Statement Showing basis for Arriving at the Proposed SOR (Revised) for Industrial Category

Category		**As per TAMP as on 31-3-2013**	**As per TAMP as on 31-03-2013**	**Proposed SoR as on 01-04-2013**	**Percentage raise from the average rate to previous**	**Difference (Previous Proposed Rate-TAMP rate)**	**SOR Proposed Rate / Sq. Yd P.A.**	**Remarks**
New Zones	**Old Zones**	**Per Sq.Yd.**	**(Average)**					
1	**2**	**3**	**4 (Average of Col.3)**	**5**	**6 (Col.5-4) / Col.4*1000)**	**7 (Col.4-5)**	**8**	
1 A (Core operational Area) (Total Extent : Acs.1370.00)	I-A (61 Acres)	155.44	**151.26**	**270**	**78.50%**	118.74	**211**	The 50% of Co.7 + average of old TAMP rate taken as proposed rate (Col.8) **(i.e. 118.74/2 + 151.26)**)
	I-B (88 Acres)	155.44						
	I-C (291 Acres)	168.40						
	II-A1 (170 Acres)	196.48						
	II-A2 (68 Acres)	196.48						
	VI-A (37 Acres)	168.40						
	VI-B (30 Acres)	140.34						
	VIII (491 Acres)	89.13						
	IX-A (134 Acres)	91.25						
1 B (Near Convent Junction) (Total Extent : Acs. 185.00)	X-A (127 Acres)	421.02						
	X-B (58 Acres)	**421.02**	**421.02**	450	6.88%	28.98	**450**	As the excess is not more than 50% already proposed rate is retained.
2 (Fishing Harbour Area) (Total Extent : Acs.152.00)	XIV (152 Acres)	**149.14**	**149.14**	330	121.27%	180.86	**240**	The 50% of Col.7 + average of old TAMP rate taken as proposed rate (Col.8 **(i.e. 180.86/2 + 149.14)**
3 (Hilly Area) (Total Extent : Acs.924.00)	II-C (161 Acres)	**70.17**	**77.19**	150	94.326%	72.81	**114**	The 50% of Col.7 + average of old TAMP rate taken as proposed rate (Col.8) **(i.e. 72.81/2 + 77.19)**
	XV (763 Acres)	**84.21**						
4 (Industrial Area) (Total Extent :	II-A3 (27 Acres)	70.17						As the 50% of Col.7 + average old TAMP rate is exceeding to 75%, the proposed rate (Col.8), restricted to 75%
	II-B (176 Acres)	70.17						
	III (75 Acres)	91.25						
	III-A (6 Acres)	70.17						

Statement Showing basis for Arriving at the Proposed SOR (Revised) for Industrial Category								
Category		**As per TAMP as on 31-3-2013**	**As per TAMP as on 31-03-2013**	**Proposed SoR as on 01-04-2013**	**Percentage raise from the average rate to previous**	**Difference (Previous Proposed Rate-TAMP rate)**	**SOR Proposed Rate / Sq. Yd P.A.**	**Remarks**
New Zones	**Old Zones**	**Per Sq.Yd.**	**(Average)**					
1	**2**	**3**	**4 (Average of Col.3)**	**5**	**6 (Col.5-4) / Col.4*1000)**	**7 (Col.4-5)**	**8**	
Acs.2498.00)	III-B1 (39 Acres)	73.66	81.24	240	195.41%	158.76	**141**	(i.e75% of 158.76) / 2 + 81.24 =140.78)
	III-B2 (237 Acres)	736.66						
	III-B3 (413 Acres)	96.49						
	IV (519 Acres)	96.49						
	IX-B (1006 Acres)	89.13						
5 (Under Airport Area) (Total Extent : Acs.747.00)	V (115 Acres)	73.66	96.28	162.00	68.26%	65.72 (i.e. 140.34 + 2% Esc. 143.15	143	As the 50% of Col.7 + average old TAMP rate is below to existing rate, enhance rate as at Col.8 is proposed
	VI-B (30 Acres)	140.34						
	VII (431 Acres)	89.13						
	IX-B (37 Acres)	89.13						
6 (Near National Highway Area) (Total Extent : Acs.816.00)	IV-A (410 Acres)	89.13	102.09	240	135.09%	137.91	171	The 50% of Col.7 + average of old TAMP rate taken as proposed rate (Col.8) **(i.e. 137.91/2 + 102.09)**
	V (174 Acres)	73.66						
	VI-B (29 Acres)	140.34						
	XI (203 Acres	105.22						
7 (Away from National Highway) (Total Extent : Acs.30.00)	VI-B (30 Acres)	140.34	140.34	156	11.16%	15.66	156	As the excess is not more than 50%, already proposed rate is retained.
8 (Salagramapu ram Area) (Total Extent : Acs.269.00)	XII (269 Acres)	168.40	168.40	1200		****	NA	
9 (Harbour Park Area) (Total Extent : Acs.32.00)	XII (30 Acres)	322.78	306.13	2202		****	NA	----
	XIII-A (2 Acres)	289.47				****		
10 (Bhimili Patnam Area) (Total Extent : Acs.288.00)	XVI (288 Acres)	1.80	1.80	78		****	NA	
11 (Lankela-palem Area) (Total Extent : Acs.307.00)	New Zone (307 Acres)	****	****	102		****	NA	

(ix). The comparison of lease rental proposed in the original proposal and revised proposal for industrial category, Open Space (unpaved), Open Space (paved) and storage sheds, warehouses and covered storage is given below after converting per sq.yd./annum into per sq.mtr/month applying conversion factor (divisible) of 0.836/12.

Comparative statements of Lease Rental Proposed by VPT in its Original in respect of Industrial, Open Space (unpaved), (paved) and storage and Revised Proposal									
Sr. No.	**Zones**	**As Proposed in its Original Proposal dt. 10 Dec 2015**				**As Proposed in its revised Proposal dt. 19 July 2016**			
		Industrial	**Open Space Unpaved**	**Open Space Paved**	**Storage Sheds Warehouses and Covered Storage**	**Industrial**	**Open Space Unpaved**	**Open Space Paved**	**Storage Sheds Warehouses and Covered Storage**
1	1A	26.91	6.21	12.45	20	21.03*	4.85	9.7	15
2	1B	44.85	6.21	12.45	20	44.85	4.85	9.7	15
3	2	32.89	6.21	12.45	20	23.92	4.85	9.7	15
4	3	NA	NA	NA	NA	11.36	NA	NA	NA
5	4	23.92	6.21	12.45	20	14.05	4.85	9.7	15
6	5	16.15	6.21	12.45	20	14.25	4.85	9.7	15

Comparative statements of Lease Rental Proposed by VPT in its Original in respect of Industrial, Open Space (unpaved), (paved) and storage and Revised Proposal									
Sr. No.	Zones	As Proposed in its Original Proposal dt. 10 Dec 2015				As Proposed in its revised Proposal dt. 19 July 2016			
		Industrial	Open Space Unpaved	Open Space Paved	Storage Sheds Warehouses and Covered Storage	Industrial	Open Space Unpaved	Open Space Paved	Storage Sheds Warehouses and Covered Storage
7	6	23.92	6.21	12.45	20	17.04	4.85	9.7	15
8	7	15.55	6.21	12.45	20	15.55	4.85	9.7	15
9	8	NA	NA	NA	NA	NA	NA	NA	NA
10	9	NA	NA	NA	NA	NA	NA	NA	NA
11	10	NA	NA	NA	NA	NA	NA	NA	NA
12	11	NA	NA	NA	NA	NA	NA	NA	NA

* 211/0.836/12=₹21.03 Sq.mtr/Month.

[No change is proposed by VPT in residential and commercial category in its revised proposal]

10. It is seen that the port has not furnished comments on each of the points made by users/ user associations/ lessees. The VPT has, however, furnished the major issues raised by lessees and has furnished its remarks thereon. A summary of the major issues raised by lessees and remarks of VPT thereon are tabulated below:

Sl. No.	Major issues raised by lessees	Remarks of VPT
(i).	Most of the VPT lands in industrial area were low lying which lessees had developed spending huge cost.	The SOR rates are after deduction of 30% and 25% discount on the market value. It is one time investment to develop back up area only.
(ii).	Comparison of land value with that of State Govt. Ready Reckoner is not correct, because port land is mainly used for port related purposes.	
(iii).	Land policy says comparison of land value with that of land at close vicinity for similar uses only.	The valuer also considered the same.
(iv).	Lessees have invested huge amount to bring the land conducive for the present use which was not factored in.	The SOR is 45% of market value only.
(v).	Existing lease rental can only be increased to the extent of inflation.	Not in line with the Land Policy, 2014.

11. The VPT vide letter no.ESTATE/SOR/TAMP/982, dated 25 July 2016 has intimated that the revised proposal is hosted on its website and intimated the users/ user associations/ lessees about the same and to furnish the comments simultaneously to TAMP and to VPT.

12. With reference to point of action decided at the joint hearing brought out in para 6.2.(iv) and 6.3. above, the users/ users associations/ lessees have furnished their comments on the revised proposal of VPT. The VPT vide its letters dated 26 September 2016 and 15 November 2016 have furnished its reply.

13.1. Subsequently, the VPT vide its letter dated 14 October 2016 has submitted the following:

(i). The VPT in its original proposal dated 10 December 2015 has proposed the following rates for (a) Open space area, (b) Paved area and (c) Storage Sheds, Warehouses and Covered Storage alongwith new rates proposed for revised zones duly enclosing the Board resolution and LAC recommendations:

(a). Open Space area: ₹6.21 per Sq.Mtr. per week for Open Space Area, was arrived based on the rates furnished by the approved valuer for core operational area i.e. Zone – Z1A which got recommended by the Land Allotment Committee and approved by the Board.

(b). <u>Paved Area</u>: ₹12.45 Per Sq. Mtr. Per week for Paved Area, was taken twice the rate of Open Space Area, which subsequently got recommended by the Land Allotment Committee and approved by the Board.

(c). <u>Storage Sheds, Warehouses and Covered Storage</u>: ₹20.00 Per Sq. Mtr. Week for Storage Sheds, Warehouses and Covered Storage, was taken thrice the rate of Open Space are duly rounding off, which subsequently got recommended by the Land Allotment Committee and approved by the Board

(ii). Subsequently, after the joint hearing conducted by TAMP on 18 March 2016, TAMP requested VPT to re-examine the proposal and to submit the revised proposal.

Accordingly, a revised proposal with due approval from the Board as well as Committee's recommendations was sent vide VPT letter dated 19 July 2016, for the following (a) Open Space Area (b) Storage Sheds, Warehouses and Covered Storage Areas, alongwith new rates proposed for revised zones:

(a). Open Space Area: ₹4.85 per Week for Open Space Area, was arrived based on the methodology approved by the Board for core operational area i.e. Zone-Z1A.

(b). Pave Area: ₹9.70 per Sq.Mtr. per week for Paved Area, was taken twice the rate of Open Space Area.

(c). Storage Sheds, Warehouses and Covered Storage: ₹15.00 per Sq. Mtr. Per Week for Storage Sheds, Warehouses and Covered Storage was taken thrice the rate of Open Space area.

13.2. In continuation of its letter dated 14 October 2016, the VPT vide its letter dated 19 October 2016 has given the following clarification regarding revision of rate for Open cargo stacking purpose:

(i). The proposal was sent vide Office letter No.ESTATE/TM/TAMP/531 dated 13 April 2015, with a request to approve and notify the rate of ₹11.68 per sq. mtr. Per week under service category for the land meant for the service of temporary open cargo stacking purpose in the 12 zones (i.e., old zones) considering as one zone.

(ii). Upon the above proposal, the TAMP advised to re-look and file a revised proposal, in view of the strong objections raised by most of the users / licensees.

(iii). In the meanwhile, an approved valuer was appointed to submit land use plan and the valuation report of VPT lands, for which, the valuer submitted the same duly re-organising the existing VPT land zones i.e. 16 zones & 15 sub zones and other land at Lankelapalem and Bheemunipatnam, as Z1 to Z11 (New Zones) and also submitted a report for open cargo stacking purpose, in which it was stated that "as majority Zone Z1, which is core operation area is used for stacking of the coal, iron ore etc., the valuation of ₹4,500/- per sq. yard is derived while performing valuation for the VPT, the same valuation can be considered for the land utilized for the open cargo stacking. Thus we recommended that for open cargo stacking, valuation rate for the land should be ₹4,500/- per sq. yard".

(iv). Upon submission of the report by the valuer, LAC in its meeting held on 31 July 2015 noted that "the market rate recommended by the valuer for temporary cargo storage purpose, which is akin to industrial purposes, according to which the License fee worked out to ₹6.21 per sq. mtr. per week, against the rate of ₹11.68" (license fee @ 6% of ₹4,500/- ₹270 per sq. yard per annum, ₹270/- x 1.19599 = ₹322.92 per sq. mtr. Per annum, ₹322.92/52 weeks = ₹6.21 ps per sq. mtr. Per week). As per the approved valuer's report / Land Allotment Committee recommendations / Board approval, for open cargo stacking purpose (for not more than 11 months) in the core operational area, which is covered under Zone-Z1 (New Zone), the revised proposal was sent to TAMP duly informing that separate action is being taken for submit a comprehensive proposal.

(v). For open cargo stacking purpose irrespective of all new Zones, land valuation at ₹4,500/- per sq. yard for zone 1A is in tandem with what is considered while arriving at license fee of ₹6.21 per Sq.Mtr / week for open stacking of cargo the same licence fee is proposed in the current proposal also which is in tandem with the comprehensive proposal as recommended by the LAC and approved by the Board and filed by the port to TAMP on 10 December 2015 i.e. prior to the Notification received from TAMP on 2 March 2016.

(vi). Upon the comprehensive proposal which includes open cargo (paved/ unpaved)/ storage sheds, the TAMP requested VPT to re-examine the proposal and to submit revised comprehensive proposal.

(vii). The Board taken a stand to offer 50% discount on differential rate (between valuer rate and average rate of old clubbed zones) for Industrial category. Accordingly, the revised comprehensive proposal, including for open cargo stacking purposes (paved / unpaved) / storage sheds, duly revising the basic rate of ₹6.21 ps, which was arrived earlier as per the Industrial rate of core operational area i.e., Zone-Z1, to ₹4.85 for which calculation statement was enclosed duly showing for all revised rates for all categories.

(viii). In this connection, it is also hereby clarified that the rates including for open cargo stacking purposes (paved / unpaved) / storage sheds, proposed in the subject comprehensive proposal is for the quinquennium 2013-2018 i.e. for the period from 1 April 2013 to 31 March 2018.

(ix). In respect of way leave charges the words "open area" may please be treated as deleted.

14. Subsequently, the VPT vide its letter no.IENG/Estate/SOR/ TAMP/1256 dated 29 October 2016 has made following submissions:

(i). The Licence fee approved by TAMP vide Notification no.TAMP/48/2014-VPT dated 02.03.2016 is for allotment of land for cargo stacking purpose in open area for a period not more than 11 months on licence basis. Whereas, the proposal for fixation of rate for open cargo purpose as a part of comprehensive proposal sent to TAMP vide this office letter no.IENG/Estate/SOR/TAMP/967 dated 19.07.2016 is for allotment of land for cargo stacking purpose for a period more than 11 months on long lease basis.

(ii). Therefore, the above two rates shall prevail for open cargo stacking purpose i.e. one rate for allotment of land on licence basis for a period upto 11 months and the other rate is for allotment of land on lease basis for a period more than 11 months.

(iii). As regards fixation of licence fee for transit sheds and storage sheds, warehouses and all covered spaces including warehouse behind GCB, it is to inform that the licence fee approved by TAMP vide order dated 21.06.2016 shall be adopted for charging the licence fee for allotment of sheds for the period not more than 11 months on licence basis, and the current proposed rates as part of comprehensive proposal sent to TAMP vide IENG/Estate/SOR/TAMP/967 dated 19.07.2016 is for allotment of sheds for period more than 11 months on lease basis.

15. Subsequently, the VPT vide its letter dated 5 November 2016 has submitted the following clarification as regards the criteria for segregation of land by VPT into residential, commercial and industrial purpose:

(i). The approved valuer has recommended schedule of rates (SOR) according to the end use of the land such as Industrial, Commercial and Residential Purpose as reflected in the land use plan. The zoning of the areas is done based on pre dominant use and on principals of similar types of uses.

(ii). The rates for different categories such as Industrial, Commercial and Residential are obtained from State Government and suitable adjustments have been incorporated considering the usage of the Zone/ Land parcel.

(iii). The Land Allotment Committee / VPT Board has recommended the proposed SOR and submitted to TAMP.

16. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the comments received 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.

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

(i). The existing Rent Schedule for Visakhapatnam Port Trust (VPT) was last approved by this Authority vide Order No.TAMP/63/2011-VPT dated 18 June 2012 for a period of five years from 1 April 2008 to 31 March 2013. This Authority in the said Order had approved lease rentals for the 31 zones as proposed by the VPT.

As brought out in the earlier paragraphs of this Order, the VPT had earlier in September 2014 filed a separate proposal for revision of license fee for open cargo stacking on temporary license basis in the 12 zones under service category. The revision of lease rentals of VPT lands for the quinquennium 2013 to 2018 was overdue since year 2013. Hence, while approving the license fee for open cargo stacking on temporary license basis in the 12 zones under service category, the VPT was advised to immediately file a comprehensive proposal for the quinquennium 2013-2018. In this back drop and after follow-up, the VPT has filed the proposal in December 2015 for revision of lease rent of port land following the amended Land Policy Guidelines, 2014.

(ii). Most of the users/ user association and some of the existing lessees of VPT have raised objections on steep increase in lease rentals proposed by the VPT in its proposal dated 10 December 2015 and submitted their representation. In view of that, the VPT was requested vide our letter dated 31 March 2016 to re-examine the proposal in the light of the comments/ points made by the users/ users associations/ lessees and file a revised proposal. In this backdrop, the VPT has filed its revised proposal dated 19 July 2016. In the revised proposal, the lease rent proposed by the port earlier for “industrial category” has been reduced. The port has also reduced the lease rent proposed by it earlier for Open Space (Unpaved), Open Space (paved), and Storage Sheds, Warehouses and Covered Storage. The port has, in its revised proposal, also proposed 25% discount in the lease rent in respect of Port based captive industries having more than 50 acres of land. The revised proposal is supported with a copy each of the Report of the Land Allotment Committee (LAC) appointed by the VPT Board and approval of the Board of Trustees of the VPT. The final revised proposal filed by VPT vide its letter dated 19 July 2016 under the amended Land Policy Guidelines, 2014 along with submissions made by VPT during the processing of the case are considered in this analysis.

The VPT has not furnished comments on all of the comments of users/ user associations, despite reminders. The VPT has, however, furnished comments on common issues raised by users/ user associations/ lessees which are taken into consideration while analysing this case.

(iii). Before proceeding to the analysis of this case, it is pertinent to mention that the existing lease rent approved by this Authority based on the proposal filed by the VPT covered 31 zones. The VPT has stated that its land presently categorized into 31 zones is re-categorized into 11 zones (i.e. 12 subzones including 1 new zone Lankelapalem) in the current exercises based on the usage and location. Thus, in short the current proposal, the port has proposed revision of lease rental after rezoning the existing 31 zones of its land into 12 Zones which includes one new zone at Lankelapalem. The rezoned areas for which the revision of lease rent is proposed are as follows:

Sr. No.	Zones after rezoning done by VPT
1	Z1 Core Operational Area
2	Z1B Near to Convent Jn.
3	Z2 Fishing Habour
4	Z3 Hilly Area
5	Z4 Industrial Area
6	Z5 Under Airport Area
7	Z6 Near National Highway
8	Z7 Away from National Highway
9	Z8 Salagramapuram
10	Z9 Harbour Park Area
11	Z10 Bheemlipatnam
12	Z11 Lankelapalem

The said rezoning has been considered by the LAC and subsequently approved by the Board of Trustees of the VPT vide its Board meeting held on 10 October, 2015 while approving the proposal of the VPT for revision of lease rent. The VPT while responding to the comments of Food Corporation of India (FCI) has stated that it has proposed categorisation of land for approval of this Authority. Zoning and categorisation of the Port Trust Land is prerogative of the concerned Port Trust and it does not fall under the domain of this Authority. In view of the above and recognising that the rezoning of the port land is approved by the Board of Trustees of the VPT and also recognising that most of the users/ user associations like Visakhapatnam Stevedores Association, etc. have welcomed the rezoning of the port lands, this Authority decides to go ahead with the proposal of the port for revision of lease rent for the rezoned port lands.

(iv). (a). The amended Land Policy Guidelines 2014, clearly lays down the procedure and the methodology to be adopted for determining the market value and the latest Scale of Rates of the port lands.

(b). As per clause 11.2(e) of the revised Land Policy Guidelines 2014, a Land Allotment Committee (LAC) shall be constituted by the Port Trust Board consisting of Deputy Chairman of the Port, and Heads of Departments of Finance, Estate and Traffic.

Port has constituted the LAC under the Chairmanship of Dy. Chairman, VPT and comprising of other members viz. Chief Engineer, Traffic Manager I/c., Financial Advisor and Chief Accounts Officer, Dy. Estate Manager. Even the subsequent report of LAC dated 6 June, 2016 which has reviewed its earlier recommendation comprises of the same composition. Thus, the VPT has complied with the stipulation of the formulation of the LAC as per the amended Land Policy Guidelines, 2014.

(c). As per Clause 13(a) of the amended Land Policy Guidelines of 2014, the LAC shall determine the market value of land taking into account highest of the five factors like (i) State Government’s ready reckoner value if available for similar classification/ activities, (ii) Highest rate of actual relevant transactions registered in last three years in the Port's vicinity (the vicinity of the Port is to be decided by the respective Port Trust Boards), with an appropriate annual escalation rate to be approved by the Port Trust Board (iii) Highest accepted tender-cum-auction rate of Port land for similar transactions, updated on the basis of the annual escalation rate approved by the Port Trust Board., (iv) rate arrived at by an approved valuer and (v) any other relevant factors as may be identified by the port. In case the LAC is not choosing the highest factor, the guidelines requires the reasons for the same have to be recorded in writing.

As per clause 13 (c) read with clause 13(a) and (b) of the amended Land policy guidelines of 2014, the port shall file a proposal to this Authority for fixation of latest SOR of the land based on the market value of land recommended by the LAC which will normally take into account the highest of the five factors for market value of land stipulated in Para 13 (a) amended Land Policy Guidelines of 2014.

Of the five factors prescribed in the amended Land Policy Guidelines, 2014 for arriving at the market value of the land, the VPT has considered the three factors viz. (i) Andhra Pradesh State Government’s Ready Reckoner, for the base year 2013, (ii). highest rate of actual relevant transactions registered in last three years i.e. 2010-11, 2011-12 and 2012-13 in the Port’s vicinity and (c). rate arrived at by an approved valuer. As regards the factor of highest accepted tender-cum-auction rate of port lands for similar transactions, the LAC has observed that there were no tenders/auctions carried out at VPT in the past 3 years and hence recorded that land valuation is not available under this option. As regards the fifth factor viz. any other relevant factor, also the LAC has recorded that market valuation of land is not available.

It is relevant here to state that the existing lease rent prescribes uniform lease rent. This is based on the last proposal filed by the VPT for revision of lease rent. In the current proposal, the port has proposed lease rent for each of the purposes viz. (a) residential, (b) commercial and (c) industrial purposes. The land valuation is assessed for the residential, commercial and industrial purposes. The port has, in its proposal, stated that the market value of the land is categorised based on the usage and location etc. in the land use plan. The purpose of the usage of the land is categorised as industrial, commercial, residential, cargo stacking purpose and suitable adjustment has been incorporated considering the usage of the zone/ land parcel. The LAC has recommended the market value of land and lease rent at 6% of the market value of land for the three purposes specified above and the same is also approved by its Board.

(d). Under the first option, the maximum and minimum land value as per State Govt. Ready Reckoner for residential, commercial and industrial purposes are reportedly considered based on the Andhra Pradesh State Government’s ready reckoner (DRA Rates), 2013, for the land adjacent to the Port’s lands, as made available by District Collector, Visakhapatnam.

(e). Under the second option land values based on Highest rate of actual transactions registered in last three years i.e. 2010-11, 2011-12 and 2012-13, in the Port’s adjacent land in Joint Sub-registrar Office has been considered.

(f). Under the third option, the VPT has engaged M/s.Rakesh Narula & Co. as an approved valuer for the purpose of determining the market value of the land. The port has also furnished the copy of valuation report of M/s.Rakesh Narula & Co.

From the proposal of VPT it is seen that the State Government Ready Reckoner has minimum and maximum value of land for three purposes viz. Residential, Commercial and Industrial. It is seen from the valuation report that the approved valuer has assessed the market value of land taking the State Government Ready Reckoner value of land for each of the three purposes and arrived at market value of land and further applied suitable discounting factor while recommending the market value of land for the said three purposes.

The VPT has stated that the approved valuer has considered the factors like 1. Distance from port/ Infrastructure Development – Road & Rail connectivity, 2. Purpose of the use (Development level as Residential/ Commercial/ Industrial), 3. Low lying Area (Water Accumulation), 4. Size of Plot, 5. Key features of each zone etc., for arriving the market rates for the 11 zones duly allowing the following discounts/ adding premium for these factors while arriving at the land valuation of the 11 zones:

(i). Discount of 25% is applied as the nature of ownership changes in comparison with the freehold land outside and inside VPT Boundaries.

(ii). Discount of 30% is applied to arrive at the rate for the land of VPT as the JSRO rates are for the net plot of lands arrived after deduction of the common amenities and facilities.

(iii). Suitable premium of 5%/ 10%/ 25% is applied on the estimated value of land of residential and commercial for having a superior location and development stage.

(iv). Suitable premium of 10%/ 25%/ 30% is applied by the valuer on the estimated industrial value of land for having a superior location in terms of public road connectivity and proximity to the city as well as the national highway.

(v). The market value of the land is categorized based on the usage and location etc., in the land use plan. The purpose of the usage of the land is categorized as Industrial, Commercial, Residential, Cargo Stacking purpose and suitable adjustment have been incorporated considering the usage of zone/ land parcel.

(v). Land valuation for 2008-2013 was done on acre basis. Whereas now, VPT has shifted to sq. yard basis for land valuation, which has resulted in abnormal increase, as observed by the Visakhapatnam Stevedores Association. In this regard, the port has clarified that Valuation of land on acre basis is not available. Further, the port has also stated that the approved valuer has discounted for size of the plot. Hence, the point made by the VSA is addressed by the port.

(vi). The LAC has also taken note of the d.o. letter dated 8 June 2015, received from MOS, duly stating that while determining the latest market value of the land, it is not mandatory that the LAC has to necessarily take the highest of the 5 factors given in Land Policy Guidelines but can choose another factor with proper justification. The LAC has also expressed its concern that, if highest valuation of land is considered it will adversely impact the business of the Port. The LAC has finally recommended the market value of the land as given by the approved valuer for arriving at the proposed lease rental. The VPT has stated that it has not taken the highest valuation of land. Thus, the proposal of VPT to determine the lease rental for its estate is based on the market values of the lands as assessed by the approved valuer appointed by the VPT. A comparative position of the market value of land for residential, commercial and industrial purposes considered by the LAC and as furnished by the VPT is attached as **Annex - I**. The zone wise market value of land recommended by the LAC is given below:

(in ₹)

CATEGORY		**Residential**	**Commercial**	**Industrial**
NEW ZONES	**OLD ZONES**	**Per Sq.Yd.**	**Per Sq.Yd.**	**Per Sq.Yd.**
1A **(Core operational Area) (Total Extent : Acs.1370.00)**	I – (A-61 Acres, B-88 Acres, C-291 Acres) II –(A1-170 Acres, A2-68 Acres) VI-(A-37 Acres, B-30 Acres), VIII-491 Acres, IX-A-134 Acres	5600	10900	4500
1B **(Near Convent Junction) (Total Extent : Acs. 185.00)**	X-(A-127 Acres, B-58 Acres)	7500	15000	7500
2 **(Fishing Harbour Area) (Total Extent : Acs.152.00)**	XIV-152 Acres	6800	9000	5500
3 **(Hilly Area) (Total Extent : Acs.924.00)**	II- C -161 Acres, XV-763 Acres	2500	NA	NA
4 **Industrial Area) (Total Extent : Acs.2498.00)**	II-A3-27 Acres, II-B-176 Acres, III-75 Acres, III-(A-6 Acres, B1-39 Acres, B2-237 Acres, B3-413 Acres), IV 519 Acres, IX-B-1006 Acres	4900	7600	4000
5 **(Under Airport Area) (Total Extent : Acs.747.00)**	V-115 Acres, VI –B-30 Acres, VII-431 Acres, VIII-134 Acres, IX-B-37 Acres	4700	11900	2700
6 **(Near National Highway Area) (Total Extent : Acs.816.00)**	IV-A-410 Acres, V-174 Acres, VI-B-29 Acres, XI-203 Acres	5700	18600	4000
7 **(Away from National Highway) (Total Extent :Acs.30.00)**	VI-B-30 Acres	4100	11900	2600
8 **(Salagramapuram Area) (Total Extent : Acs.269.00)**	XII -269 Acres	20000	30000	NA
9 **(Harbour park area) (Total Extent : Acs.32.00)**	XIII-30 Acres, XIII-A-2 Acres	36700	41700	NA
10 **(Bhimili Patnam Area) (Total Extent : Acs.288.00)**	XVI-288 Acres	1300	NA	NA
11 **(Lankela-palem Area) (Total Extent : Acs.307.00)**	New Zone	1700	NA	NA

(vii). Apart from residential, commercial and industrial purposes, the VPT has also proposed lease rent for open space (unpaved), open space (paved) and Storage Sheds, Warehouses and Covered Storage based on the recommendation of the LAC and approval of Board of Trustees of VPT.

As regards open space (unpaved area), it is seen from the Land Valuer's report that the approved valuer has assessed land value for core operational area at ₹4,500 per sq. yard. The VPT has stated that for open space (unpaved area), the lease rent proposed in the current proposal is in tandem with the license fee of ₹6.21 sq. mtr/ week for open stacking of cargo approved by this Authority based on separate proposal filed by the port which was based on the Land Policy Guidelines, 2014.

The one page Valuation Report furnished by the VPT while seeking approval of the license fees for temporary stacking of cargo wherein the land valuation for core operational area was assessed at ₹4,500/ sq. yard is found to be the same as in the detailed Report of the approved valuer furnished by the VPT in the current proposal.

(viii). (a). The LAC has recommended lease rent at 6% of the market value of the land. The Board also approved the lease rent as recommended by the LAC in the Board meeting held on 10 October 2015.

(b). As regards lease rent for industrial purpose, the LAC had earlier recommended the lease rent at 6% of the market value of land, which was approved by the Board of Trustees of the VPT. The lease rent for industrial purpose was recommended by the LAC. However, subsequently in view of the objections raised by various lessees/ user associations the VPT was requested to re-examine the proposal in the light of the objections raised by various lessees/ user associations.

It is in this backdrop, the LAC has reviewed the rates recommended by it earlier. The LAC has considered and analysed the information relating to existing lessees and Govt. PSU & Private parties. The LAC has noted that as per clause 11.3(k) of the Land Policy Guidelines, 2014 in respect of old leases, where the terms of lease stipulate automatic renewal at pre-determined rates, such cases are to be reviewed by the Board on a case to case basis from the point of view of the reasonability of such terms of renewal, including the rates. The LAC has also viewed that in such cases, the endeavour should be to migrate to lease rentals based on latest market value. The LAC after reviewing has referred the matter to the Board of Trustees of the VPT to deliberate and decide.

(c). The Board of VPT while reviewing the LAC report has taken note that due to clubbing of rentals zones from 31 Nos. to 12 Nos., there is abnormal increase in lease rentals in some zones. However, the VPT Board has recognized that there is a need to club various zones on the basis of particular land use. Considering that there is steep competition being faced by VPT from neighbouring Private Ports and hence there is an urgent need to retain and attract port traffic, the Board of Trustees of VPT have reduced the lease rent approved by the Board earlier for industrial purposes as well as for the open space (paved), unpaved and for Storage Sheds, Warehouses and Covered Storage.

For arriving at the revised proposed (reduced) lease rent for industrial purpose, wherever the difference in the average lease rent of earlier zones in respect of 2008-13 rate and proposed lease rent is more than 50%, then 50% of the differential plus average of old lease rate is considered to arrive at the proposed revised lease rent. This is subject to the condition that the rise in lease rentals shall not be more that 75% of the average of the old rates as per 2008-13 rates. For Zone 4 where following the above method, the revised lease rent comes to more than 50% of the average of the old rate, the VPT has arrived at reduced lease rent taking 75% of the differential and divided it by 2 and added it to the average lease rent of earlier zones in respect of 2008-13 rate to arrive at the proposed reduced lease rent rate. In respect of Zone 5, the VPT has explained that since the average of existing lease rent of the old zones clubbed to the new zone comes to ₹96.28/ sq. yard/ per annum which is lower than the existing lease rent for one of the (old) zones i.e. VI Bl at ₹140.34/ sq. yard/ per annum, the port has taken the existing lease rent of ₹140.34/ sq. yard/ per annum, as the base and applied 2% escalation to arrive at the proposed revised lease rent. The basis for arriving at the reduced lease rent for industrial purpose is explained in detail in para 9.2(iii)(d)(i) and (ii) and 9.2(viii) above and hence not reiterated here. There is no change in the lease rent proposed by the VPT for Zone 1B and Zone 7 industrial purpose as the increase in lease rent for these two zones comes to less than 50%. This is as per the decision taken by the Board of VPT.

It is thus seen that as per the revised proposal filed by the VPT based on the approval of its Board, the increase in the lease rent for industrial purpose has been reduced. The increase proposed in the revised proposal for this category is in the range of 6.86% to 136.82% in comparison to earlier proposed increase in the range of 68.5% to 195.41%.

The Board of Trustees of the VPT on review has not proposed any change in the lease rent approved by them earlier for residential and commercial purposes which was based on the recommendation of the LAC at 6% of the market value of the land. Thus, in short, there is no change in the lease rent proposed by the VPT for residential and commercial purposes.

(d). In the revised proposal, as stated earlier the VPT has also proposed lease rent for open space (paved), open space unpaved and for storage area, warehouses and covered storage. The existing lease rent schedule does not prescribe separate lease rent for open space (paved) (unpaved) and for storage area, warehouses and covered storage.

For open unpaved area, the lease rent proposed in the original proposal is in tandem with the license fee of ₹6.21/sq mtr. / week approved by this Authority based on separate proposal filed by the port. In this regard, it is to state that the VPT had in September 2014 filed a proposal for revision of license fee for stacking of cargo in open area at 12 zones for land allotted by VPT on license basis following the Land Policy Guidelines of 2014. This was approved by this Authority vide Order No.TAMP/48/2014-VPT dated 15 January 2016 and was made effective from 1 January 2016 and the validity of the license fee for stacking of cargo in open area at the 12 zone was prescribed for five years i.e. till 31 December 2020. The license fee approved in the said order at ₹6.21/ sq. mtr/ week is for temporary stacking of cargo in open area on land allotted by VPT on license basis not more than 11 months at core operational area in the 12 zones (old zones) Zone I-B, I-C, II-A1, II-A2, IV-A, VI-B, VIII, IX-A, IX-B, X-A X-B and XIV. This was based on the market value of land assessed at ₹4500/ Sq yard by the approved valuer and recommended by the LAC and approved by the VPT Board. The license fee proposed by the VPT at ₹6.21/ sq. mtr/ week was based on 6% of the market value of land [i.e. 6% * ₹4500 = ₹270/ sq. yard/ annum which is converted to per sq. mtr. basis applying conversion factor of 0.836 and on per week basis (₹270/ sq. yard/ 0836/ 52 weeks = ₹6.21/ sq. mtr. / week)].

The LAC has observed that the said license (for temporary stacking of cargo in open space) is only on License basis (not more than 11 months) for cargo stacking purposes and not on lease basis. The current proposal of the VPT seeks approval of lease rent for open space. In the current proposal, the LAC earlier recommended ₹6.21/sq. mtr./ week at par with the license fee already approved by this Authority for temporary stacking of cargo in open space) on License basis. The VPT in the original proposal has proposed uniform lease rent for open space across all the new zones Z1A, ZB, Z2 to Z7 and has sought approval of the same.

Thus, for open unpaved area, the lease rent proposed in the current proposal is reported to be in tandem with license fee approved by this Authority for temporary stacking of cargo in open space on License basis. The only difference is that was approved for temporary stacking of cargo on license basis for not more than 11 months. The port proposed the same rate as lease rent for open space (unpaved) uniformly across all the zones from Z1A, ZB, Z2 to Z7.

As stated earlier, the one page Valuation Report furnished by the VPT while seeking approval of the license fees for temporary stacking of cargo wherein the land valuation for core operational area was assessed at ₹4,500/ sq. yard is the same as furnished now by the same approved valuer.

It is relevant to state that ₹6.21/ sq. mtr./ week approved by this Authority as license fee for temporary stacking of cargo for not more than 11 months lease was following the Land Policy Guidelines, 2014. The VPT has, based on the recommendation of LAC and approval of its Board, proposed to extend the same as lease rent for open stacking (unpaved) across all the relevant new zones.

The lease rent recommended by the LAC for open space (paved) and for storage sheds, warehouses and covered storage is at ₹12.45 / sq. mtr/ week and ₹20 / sq. mtr/ week respectively, uniform across all the zones Z1A, ZB, Z2 to Z7. The port has clarified that the lease rent for open space (paved) and Storage Sheds, Warehouses and Covered Storage is arrived twice and thrice the rate proposed by it for open space (unpaved) after minor rounding off. The Board had approved the lease rent as recommended by the LAC and accordingly, the VPT has proposed the same.

Subsequently, the VPT in the light of the objections raised by various lessees/ user associations and at our request has reviewed the rates recommended by it earlier by going to LAC and to its Board. As stated earlier, the LAC after making its observations and views has referred the matter to the Board of Trustees of the VPT to deliberate and decide. The Board of Trustees of the VPT for the reasons recorded, which has been brought out earlier, has proposed reduction in the lease rent open space (unpaved), open space (paved) and Storage Sheds, Warehouses and Covered Storage. The revised reduced lease rent proposed by VPT is ₹4.85 / sq. mtr/ week for open space (unpaved). For open space (paved) and storage sheds, warehouses and covered storage, Board of Trustees has approved ₹9.70/ sq. mtr/ week and ₹15 sq. mtr/ week being two times and three times the lease rent for open space (unpaved) following the approach adopted by the Board earlier. Three times of ₹4.85/ sq. mtr/ week comes to ₹14.55/ sq. mtr/ week. However, the Board has, while approving, rounded it off to ₹15.00/ sq. mtr/ week.

The reduced lease rent proposed by the VPT in June 2016 for open space (unpaved), open space (paved) and storage sheds, warehouses and covered storage flows from the demand of the users/ user association / lessee to reduce the rates. Since the proposal filed by the VPT is following the provisions of the amended Land Policy Guidelines 2014, and the reduced lease rent proposed by the VPT in the revised proposal flows from the demand of the users/ user association/ lessee to reduce the rates and has been approved by the Board of Trustees of the VPT for the reasons cited by the Board, the lease rent for open space (unpaved), open space (paved) and storage sheds, warehouses and covered storage as proposed by the VPT in its revised proposal is approved.

(ix). The final revised lease rent as approved by the Board and proposed by the VPT for the 12 new zones with effect from 1 April 2013 is as follows:

Item No.	ZONE (AREA)	Residential (₹ per sq. mtr. / calendar month or part thereof)	Commercial (₹ per sq. mtr. / calendar month or part thereof)	Industrial (₹ per sq. mtr. / calendar month or part thereof)	Open Space-Unpaved (₹ per sq. mtr. / calendar week or part thereof)	Open Space-Paved (₹ per sq. mtr. / calendar week or part thereof)	Storage Sheds, Warehouses and Covered Storage (₹ per sq. mtr. / per week or part thereof
1.	ZONE-1A (Core Operational Area)	33.49 **	65.18	21.03	4.85	9.70	15.00
2.	ZONE-1 B (Core Operational Area)	44.85	89.70	44.85	4.85	9.70	15.00
3.	ZONE-2 (Fishing Harbour Area)	40.66	53.82	23.92	4.85	9.70	15.00
4.	ZONE-3 (Hilly Area)	14.95	NA	11.36	NA	NA	NA
5.	ZONE-4 (Industrial Area)	29.30	45.45	14.05	4.85	9.70	15.00
6.	ZONE-5 (Under Airport Area)	28.11	71.16	14.25	4.85	9.70	15.00
7.	ZONE-6 (Near National Highway Area)	34.09	111.23	17.04	4.85	9.70	15.00
8.	ZONE-7 (Away from National Highway Area)	24.52	71.16	15.55	4.85	9.70	15.00
9.	ZONE-8 (Salagramapuram Area)	119.60	179.40	NA	NA	NA	NA
10.	ZONE-9 (Harbour Park Area)	219.46	249.36	NA	NA	NA	NA
11.	ZONE-10 (Bheemlipatnam Area)	7.77	NA	NA	NA	NA	NA
12.	ZONE-11 (Lankelapalem Area) (New Zone)	10.17	NA	NA	NA	NA	NA

** 6% of the market value of land (6%* ₹5600= 336/sq. yard/ annum/ 0.836/12 = ₹33.49/ sq. mtr. Month)

(x). As stated earlier, this Authority has, based on a separate proposal filed by the VPT following the Land Policy Guidelines 2014, already approved license fee for Core Operational Areas for open cargo stacking purpose for 11 months at 12 zones at ₹6.21 per sq. metre per week as proposed by the VPT in the Order dated 15 January 2016. Whilst the VPT had filed a separate proposal for Sl. No.2 license (storage) fee for cargo stacking following the Land Policy Guidelines 2014 which was approved by this Authority, as regards the license fee at Sl. No.(1) License fee for sheds and Sl. No.(3) License fee for 1st floor of T-2 shed, the VPT had proposed 300% hike in the general revision proposal under Tariff Policy, 2015 under the ARR model. As a result, the fixation of License (Storage) Fees and Warehousing Charges, the rates for which are prescribed on “area occupied” basis and not on “tonnage” basis, is to be governed by the provisions of the amended Land Policy Guidelines of 2014. Since the VPT had not determined the License (Storage) Fees for the above two items based on the stipulation contained in the amended Land Policy Guidelines of 2014, this Authority approved license fee for the said two items in VPT general revision Order No.TAMP/9/2016-VPT dated 21 June 2016 on ad hoc basis subject to the condition that the VPT to formulate a well analysed proposal to prescribe License (Storage) Fees for the above two items in line with the stipulations contained in the Land Policy Guidelines of 2014, within three months of date of notification of the Order in the Gazette of India. The VPT has so far not filed the proposal for these items following the Land Policy Guidelines. The VPT is, therefore, again advised to adhere to the advice rendered in the general revision Order passed by this Authority dated 21 June 2016.

(xi). The existing lease rent schedule prescribes 25% concession in lease rental in case of low lying and water logged areas. Concession of 30% in existing lease rental is prescribed in the existing lease rent in respect of larger extents of land of 50 Acres and above subject to the condition that road, drainage, illumination etc., developed by the lessees in the periphery of the leased plots is common usage by the other lessees and the VPT. Balmer Lawrie & Co. Ltd., Duraflex Services & Construction Technologies Ltd. have requested to retain these existing provisions. The VPT has clarified that the approved valuer has considered the factor like Distance from port/ Infrastructure Development – Road & Rail connectivity, Purpose of the use (Development level as Residential/ Commercial/ Industrial), Low lying Area (Water Accumulation), Size of Plot, Key features of each zone, Low lying Area (Water Accumulation) apart from other factors for arriving the market value of land and applied suitable discount. The VPT has proposed lease rent following the Land Policy Guidelines 2014. It is relevant to state that the Land Policy Guidelines does not mandate the Major Port Trust to prescribe discount in lease rent for marshy land. In view of the above position and in view of the clarification furnished by the VPT, this Authority approves the proposal of the VPT for deletion of the said two existing notes.

The Board of VPT on reviewing the LAC report has, however, recognized that in respect of captive Industries there is abnormal increase in rentals in the proposed rates. That being so, the Board has approved 25% discount on the lease rent in respect of Port based captive industries having more than 50 acres of land. The VPT has, based on the approval of its Board, proposed to insert a note in the revised proposal to state that in respect of Port based captive industries having more than 50 acres of land the VPT in its revised proposes to grant 25% discount on prescribed lease rent. The amended Land Policy Guidelines 2014 does not contain any stipulation of granting discount in lease rent in respect of port based captive industries. Since the new proposed note by VPT intends to encourage captive industries and has the approval of the Board of the VPT, the same is approved as proposed by the VPT.

(xii). The Defence Estate Officer under the Ministry of Defence has pointed out that the VPT authorities are charging lease rentals at full rates in the SOR without giving any concession to Government of India, Ministry of Defence, which are security agencies. They have stated that as per the policy guidelines for land management by Major Ports, 2014 which was approved by the GOI, concession may be granted to security agencies and Government organisations upto 50% of the annual lease rent and hence has requested VPT to consider 50% concession rate to the Government of India, Ministry of Defence from the date of approval of the Government Policy in the year 2014. The VPT in response has stated that as per the Land Policy Guidelines, 2014, the port has considered to grant 50% concession to security agencies and Government of India organisations as per their request.

In this context, it is relevant to state that as per clause 11.2(h) of the amended Land Policy Guidelines, 2014, concession in lease rent may be granted by Major Port Trust to security agencies and Government Department only upto 50% of the annual lease rent. In respect of land to be allotted to Government departments which are essential to functioning of the port like customs, electricity department, health department and for core security functions, concessions upto 75% of lease rent can be considered by the port trust. The amended Land Policy Guidelines, 2014 further states that such concession can be given for only small extent of land required for core operational purposes imperative for Port functioning and not otherwise. The issue of granting concession and the quantum may be decided on a case to case basis by the Port Trust Board, after recording the reasons in writing, as stipulated in the amended Land Policy.

Though the VPT has agreed to the request of Defence to grant 50% concession in lease rent of security agencies and Government of India organisation, it has not prescribed a specific note in the Schedule of Rent. Further, the VPT has also not produced the approval of the Board for the same which is mandated as per the amended Land Policy Guidelines 2014. Hence, this Authority is not in a position to prescribe the note on its own. The VPT may, therefore, as agreed by the port and in exercise of the powers granted to Major Port Trusts under clause 11.2(h) of the amended Land Policy Guidelines, 2014 grant concession to security agencies and Government of India organisations as agreed by the port in line with the provisions prescribed in the amended Land Policy Guidelines, 2014.

(xiii). The Balmer Lawrie & Co. Ltd. (BLCL) while accepting that the regrouping of present land zones 31 zones into 11 new land zones, has stated that applying the same logic to arrive at uniform lease rent may not be appropriate. BLCL has stated that sub soil strata and properties of vast land, their topography, ground levels, terrain, shape, size, location, service facilities, approach road conditions etc. are bound to have wide variations which would have direct bearing on the land valuation. The VPT has clarified that for valuation of land, the features of land like land with water accumulation, size of plots, land with railway siding facility and paved area, etc. are taken into consideration by the approved valuer. As stated by the VPT, the approved valuer, who is expert in their field have assessed the market value of land and have considered premiums/ discounts for various factors. The LAC has gone through the report of the approved valuer and recommended the land valuation which is also approved by the Board. Since the proposal filed by the VPT complies with the amended Land Policy Guidelines, 2014 this Authority is bound to approve the same.

(xiv). Vizag Seaport Private Ltd. (VSPL) and Visakhapatnam Stevedores Association (VSA) have stated that the part of the land allotted to lessees/ industries was marshy and not fit for any construction. The lessees/ industries have invested huge amounts for reclamation and development of land to bring it to usable condition. According to them, this factor is not considered in the land valuation. In this regard, the VPT has clarified that land is allotted by the port to all the lessees on as is where is basis. The VPT has categorically stated that the capital cost incurred by the lessees to develop area is one time investment for berth /back up area only. Since the proposal filed by the VPT is based on approved valuer and is approved by its Board and is in compliance with the amended Land Policy Guidelines, 2014, this Authority is bound to approve the proposal of the VPT.

(xv). M/s.Essar Steel has contended that due to wrong classification of the area, land allocated to them has fallen in the core operational area, which is related to port activities, where the rates are at higher side and increase in lease rent comes to 5.5 times due to rezoning of land. But, for the other industries viz.; HPCL, Coromandel and RCL, etc. their land have fallen under industrial area, where the lease rentals are low compared to lease rent for core operational area. Hence, M/s.Essar Steel have requested VPT to re-classify the area as industrial area to get the benefit at par with other industries in the port lands.

In this regard, the port has clarified that M/s.Essar Steel is located in core operational area in which the rates of District authorities are high. The areas are located adjacent to the berths and channels and prominent to import and export. The Industrialists or business people in this area would get advantages for better facilities in VPT. Further, the port has stated that though the market rate is high, approved valuer has considered 55% deduction in market value before recommending the rate to the Port. As regard the point made by M/s.Essar Steel about recategorization of land, it is reiterated that categorisation of the land is prerogative of the concerned Port Trust. It does not fall under the domain of this Authority. The rezoning of port lands from the existing 31 zones to 12 zones is considered by the LAC while arriving at the proposed lease rent and the rezoned area is approved by the Board of Trustees of the VPT.

(xvi). The VCTPL has stated that the methodology adopted for calculating the lease rentals based on evaluation of land prices in the nearby areas in the port city needs to be re-examined. The VCTPL is of the view that port land is basically used for storage of cargo and therefore determining its lease rentals based on estate prices in the nearby areas is not logical. The VCTPL has felt that the revised proposed lease rent @ ₹4.85 per sqm per week is too high for long term lease cases like that of VCTPL where the land has been allotted under BOT scheme. The VCTPL has stated that a separate methodology needs to be adopted for BOT operators like VCTPL for charging the lease rent at a nominal rate as the land being used are incidental and critical to the container stacking/ storage purpose and the VCTPL has stated that it was agreed upon during the joint hearing held on 18 March 2016 at VPT. As regard the point made by the VCTPL that the above point is agreed at the joint hearing, it is to state that that there is nothing of that sort recorded in the proceedings of the joint hearing.

As regard the contention of the VCTPL, the VPT has clarified that the proposed land lease rentals is arrived based on the approved valuer's recommendation and are realistic and holds good. As rightly stated by the VPT, there is no separate methodology prescribed in the amended Land Policy Guidelines, 2014 for arriving the land lease rentals for BOT operator. The VPT has stated that Major Port Trust cannot adopt any separate methodology/ formula not prescribed in the amended Land Policy Guidelines, 2014 issued by the MOS. As rightly stated by VPT, both the VPT and this Authority are governed by the relevant provisions of Land Policy-2014 issued by the Ministry of Shipping for revision of lease rent.

It is relevant to state here that this Authority approves lease rent/ license fee for the Port trusts land following the applicable Land Policy Guidelines issued by the Government from time to time. If by any chance the matter pointed out by VCTPL flows from the lease/ license agreement, this Authority would like to state that lease/ license agreement is entered by the concerned port trust with the individual lessee/ licensee. This Authority, therefore, does not like to interfere in the matter of individual lease agreements entered by the concerned Port Trust with the individual lessees.

It is seen that the Board of Trustees of VPT has resolved to consider separate policy for arriving at rate for allotment of additional land to PPP operators on nomination basis wherein tender-cum-auction may not be resorted to. The above position is for additional land (to be) allotted by the port. The amended Land Policy Guidelines, 2014, however, does not prescribe any separate methodology for arriving at lease rent for additional land to PPP operators. Nor has VPT proposed so in the current proposal.

(xvii). (a). The Central Warehousing Corporation (CWC) while furnishing their comments on the revised proposal of VPT has stated that the 6.9677 acres of land allotted to them is situated in Kancherlapalem for which lease rent has been paid for 30 years i.e. upto 17-11-2037. The CWC has stated that in the absence of relevant details and sufficient time, CWC is not able to give specific comments and reserve the right to furnish the specific comments as and when specific details regarding the zone where CWC facilities are located are provided alongwith the basis of proposed lease rentals/ licence fee to be fixed. The VPT has not responded to this point, despite reminder. With reference to the point made by CWC, it is to state that the complete proposal as received from the VPT along with the valuation report made available to this Authority was circulated for comments to all the stake holders, included the CWC. With reference to the revised proposal filed by the port in July 2016, the VPT has confirmed of having hosted its revised proposal on its website and intimated the same to users/ stakeholders. A joint hearing was held in this case on 18 March 2016 where the concerned users/ user associations/ lessees including CWC were invited to make their submissions. Thus, sufficient opportunity and time was provided to CWC for furnishing its views. Moreover, it is to state that the revision of lease rent is done for the port land as a whole and not for individual lessees/ allotment/ plot.

(b). Balmer Lawrie & Co. Ltd. (BLCL) has stated that whilst the land valuation shows minimum & maximum land values for different categories on the basis of the valuation of land in the area/location adjacent to VPT, no document supporting the valuation of land in the adjacent area/location to VPT is attached. It has requested to advise VPT to provide it these documents in support of the land valuation in the area/location adjacent to VPT. The port has not commented on this.

With reference to point made by BLCL, it is to state that the original proposal of the VPT gives a statement showing minimum & maximum land values for different categories of Visakhapatnam Port Lands zone-wise obtained from Joint Collector Visakhapatnam vide R.C. No.3628/ 2007 G1 dated 11 December 2014. The said statement also gives the Survey nos./ Door nos. of adjacent/ vicinity.

(xviii). Bhabha Atomic Research Centre (BARC) has stated that 5 acres of land was allotted to them by VPT and that BARC has already paid non-refundable upfront premium. Hence, BARC has stated that they should be exempted from the current revision. In this regard, the VPT has clarified that the proposed revision of lease is not applicable to the BARC as the said land was leased out to them 30 years from 2006 to 2036 on upfront mode. Only the nominal rent of Re.1/- per sq. mtr. p.a. continues till expiry of lease period in case of leases on payment of rentals on upfront mode. This clarification of the VPT fully addresses the request made by BARC.

(xix). Hindustan Petroleum Corporation. Ltd. (HPCL) has stated that 33% of land should have been earmarked by the port for green belt as per the guidelines of the Government for environmental protection. Citing this, HPCL has argued that they have to spare 33% of their for plant operations for the Green Belt but lease rentals for this land is also payable at par with any other land. The HPCL has, therefore, requested that the lease rental shall be reduced proportionately to take green belt factor into account. In this regard, the VPT has stated that it is 10% only and has further clarified that the port is already maintaining greenery at various locations in addition to the 10% greenery maintained by the lessees in their leased premises. It is further relevant to state that the amended Land Policy Guidelines, 2014 does not prescribe any separate methodology for fixation of lease rent for land with green belt area. The proposal filed by VPT is found to be in line with the amended Land Policy Guidelines, 2014.

As regards the point made by the M/s.Essar Steel that increase in lease rent for one of the parcels of land where lease agreement is over, comes to 24 times, the port has, clarified that the maximum hike is 3 times only and not 24 times. It is further relevant to state that lease rent fixed by this Authority is for the VPT lands as a whole and not for individual parcel of land allotted to lessees by the Major Port Trust.

(xx). The VSA has stated that till expiry of existing lease, their interest should be protected and has requested that the revised lease rent may be applied after the existing lease agreement, comes to an end. In this regard, as being brought out in the subsequent paragraph the revised lease rent approved by this Authority will apply to existing lessees / licensees subject to provision for periodic revision of rates agreed in the surviving lease agreements and it is for the VPT to ensure that all leases/ licenses granted by VPT contain a suitable provision for retrospective revision of lease rent.

(xxi). (a). The VPT has proposed to insert a provision to levy Charges for Right of Way Permission for laying pipelines in VPT's premises. The port has proposed to levy way leave charges at the rate prescribed for open area as applicable to the category of the concerned zone of Industrial rates prescribed in the lease rent schedule, as the case may be, will apply for the area occupied by the Pipelines/ Conveyors, etc. The proposed levy which is based on recommendation of LAC and approved by the VPT Board is approved.

(b). The port has also proposed a note about computing the area occupied by single pipelines, multilayer pipeline/ conveyor stacks. The proposed note states that for the purpose of Right of Way leave charges, the area occupied by single pipelines should be calculated based on the diameter and length of those pipelines. In case of multi-layer pipeline/ conveyor stacks, the physical area occupied by the multilayer pipeline/ conveyor stacks should be considered and the respective users should be billed on pro-rata basis. As far as underground pipelines are concerned, if the users establishes that the possession of surface area above the underground cross-country pipelines is not physically with them, the area occupied by such pipelines should be considered as 50% of the diameter and length, for the purpose of levy of Right of way charges. The proposed general notes governing Right of way permission are in line with the terms and conditions in the annexure attached to the amended Land Policy Guidelines, 2014 and hence is approved as proposed by VPT.

(xxii). The VPT has proposed a note that all conditions prescribed in the Land Policy 2014 guidelines issued by the Government of India in January 2014, as amended/ replaced from time to time, shall apply in respect of allotment of land/ space/ covered accommodation on License/ Lease basis. The proposed note is slightly modified to state that all conditions governing the license fee/ lease rent / right of way charges shall be as per the amended Land Policy Guidelines of 2014 issued by the Ministry of Shipping, and as may be amended from time to time in respect of allotment of land/ space/ covered accommodation on License/ Lease basis.

(xxiii). The port has proposed a note that rates prescribed above are excluding taxes and duties. Service tax and other taxes and duties, as applicable, from time to time shall be paid extra. Tariff approved by this Authority are excluding taxes and duties at all the Major Port Trusts. Such note as proposed by the VPT is not prescribed in SOR of any other Major Ports and hence no extra ordinary circumstance is found warranting such prescription only in the case of VPT. Hence, the proposed note is not prescribed.

(xxiv). Earlier, the port had proposed a note that in addition to the rates prescribed, the rates will be fixed for buildings also based on the zone rates including cost of water and electricity consumed every month at the rates fixed by the VPT from time to time, together with the installation and maintenance charges on electrical installations every month as may be fixed by the VPT from time to time shall be paid by the Licensee/ Lessee. In the revised proposal the VPT has withdrawn the note proposed by the VPT earlier.

(xxv). The VPT has proposed a note stating that Zone 1A industrial rate will be applicable for the existing firms which are paying previously as per Scale of Rates.

It is relevant to state here during the processing of the proposal of the VPT for fixation of license fee for temporary stacking of cargo for 11 months, the VCTPL had sought clarification from the port whether the proposed licence fee will be applicable in its case. The VPT was, therefore, requested specifically to examine the aspect raised by the VCTPL with reference to the provisions in the License Agreement entered between VPT and VCTPL.

The VPT had then stated that for all PPP projects except VCTPL, port is charging the rates for land allotments based on Schedule of Rates. However, in case of VCTPL, it is based on the Scale of Rates. Land was allotted to VCTPL based on the Scale of Rates which prevailed during the time of allotment. After issue of the Land Policy Guidelines, 2014, the complete structure of license fee to be collected undergoes a change based on the provision prescribed in the Land Policy Guidelines. The VPT had then stated that the proposed license fee arrived following the provisions of the Land Policy Guidelines, 2014 issued by the Ministry of Shipping, is applicable to short term/ long term leases/ licenses of VCTPL as well.

In the current proposal, the VPT has proposed the lease rent for open space (unpaved), paved and covered storage and categorically stated that the license fee approved in January 2016 Order was for temporary stacking of cargo in open area on license basis for less than 11 months and the current proposal proposes lease rent for these three categories. Since the proposed note appears to be of clarificatory in nature, the same is approved.

While prescribing the proposed note, this Authority desires to make it abundantly clear that this Authority determines lease rent/ license fee for the Port trusts land following the applicable Land Policy Guidelines issued by the Government from time to time. This Authority therefore, would not like to interfere in the matter of individual lease agreements entered by the concerned Port Trust with the individual lessees.

(xxvi). The VPT had originally proposed a note stating that one time Supervision charges @ 15% of the cost of laying of pipelines/ cables/ conveyors in Port limits before granting way leave permission shall be levied. The said note also stated it will not be applicable for Single Buoy Mooring (SBM)/ Single Point Mooring (SPM)/ sub-sea pipelines for which the applicable supervisory charges will be decided by Board, on a case to case basis. As brought out in the earlier paragraph, the VPT had also proposed a few conditions relating to way leave charges. In the revised proposal, the VPT has proposed to delete these notes. In any case, the VPT is governed by the provisions of the amended Land Policy Guidelines, 2014 and a note in this regard is already prescribed.

(xxvii). The VPT has sought approval of revised lease rent for 11 zones from 01.04.2013. It is relevant here to state that rezoning of existing 31 zones plus one new zone into 11 zones was approved by the Board of Trustees of the VPT on 10 October 2015. That being so, it is not appropriate for this Authority to prescribe lease rent for new zones from 1 April 2013. The lease rent for new 11 zones is, therefore, approved from the date the Board of Trustees have approved the rezoning i.e. 10 October 2015. For the period 1 April 2013 to 9 October 2013, lease rent is prescribed at the level proposed by the VPT indicating the 31 old zones. Accordingly, the lease rent is prescribed in Schedule 1 A for old zones for the period 1 April 2013 to 9 October 2013 and the lease rent proposed by the VPT corresponding the old zones with the new zones is prescribed. In the old zones, the new zone 11 Lankelapalem was not there. This new zone was approved by the VPT Board on 10 October 2015, hence it will not form part in Schedule 1A.

In Schedule 1B, the lease rent is prescribed for the 11 zones based on the rezoning proposed by the VPT and approved by the Board. The effective date of lease rent for Schedule 1B is prescribed as 10 October 2015 i.e. from the date the

Board of Trustees approved the rezoning. For prescription of lease rent, the lease rent proposed by VPT is escalated by applying 2% annual escalation factor proposed by VPT applicable on 1 April 2014 and 1 April 2015.

(xxviii). Clause 18 (c) of Land Policy Guidelines, 2014 and clause 13(c) of the amended Land Policy Guidelines 2014 gives flexibility to Ports to fix rate of annual escalation which should not be less than 2% with the approval of the Port Trust Board. The port has proposed a note that reserve price in terms of annual lease rent shall get automatically escalated by 2% per annum (compoundable) after expiry of one year from the effective date of implementation of the SOR. The base rates will be revised after five years with the approval of Competent Authority. Such revised rent will be effective from the effective date of implementation of the Order passed by the Competent Authority. Since the annual escalation in lease rent at 2% is recommended by the LAC and approved by the Board and is found to be in line with the amended Land Policy Guidelines, 2014, the proposed note is approved with slight moderation as given below:

(a). As brought out earlier, the VPT has sought for retrospective revision of lease rent from 1 April 2013 which is approved for the reasons explained.

To have clarity, instead of stating that the lease rent will be applicable with effect from the effective date of implementation as per Notification by this Authority and are subject to automatic escalation of 2% per annum (compoundable), the note is modified to state that the base lease rent prescribed in Schedule 1A will be applicable with effect from the 1 April 2013 till 9 October 2015 and are subject to automatic escalation of 2% per annum (compoundable) on 1 April 2014 and 1 April 2015 in the first schedule 1A which prescribes lease rent for the old zones.

As regards lease rent prescribed in Schedule 1B, it is specifically stated in the note that the next annual escalation in lease rent for the lease rent prescribed for the new 11 zones in Schedule 1B will be on 1 April 2016 and April 2017 to avoid ambiguity.

(b). The words “the reserve price in terms of” proposed by VPT in the note is proposed for deletion because the amended Land Policy Guidelines mandates this Authority to prescribe the lease rent.

(xxix). (a). The proposal of the VPT seeks approval of rates for quinquennium 2013-18 with retrospective effect from 1 April 2013. Steel Authority of India Limited, VSA have requested to approve the revised lease rent with prospective effect.

Significantly, Section 49 of the Major Port Trusts Act, 1963 calls for fixation of rates from time to time. For fixation of lease rent, this Authority is bound by the Land Policy guidelines issued by the Government for arriving at the lease rental for Major Port Trusts land. Clause 13(c) of the Amended Land Policy Guidelines of 2014 stipulates that the Scale of Rates will be revised every five years.

The lease rent approved by this Authority in the last tariff Order of June 2012 clearly mentions that the rates are effective from 1 April 2008 and SOR will be reviewed after five years. The position that the lease rentals for the lands of VPT will be reviewed after expiry of five years i.e. from 1 April 2013 is in the knowledge of all the stakeholders. The VPT has accordingly sought approval to the revised rates retrospectively w.e.f. 1 April 2013 for the quinquennium 2013-18.

In view of the clear Government guidelines in this regard, and also recognizing that lease rentals prescribed in the past is with retrospective effect based on the proposal of the VPT, the proposal of VPT to consider revision of lease rents at VPT retrospectively is approved even though this Authority does not ordinarily resort to retrospective fixation of rates. Accordingly, the objection of the stakeholders in this regard is dismissed. The revised rates approved for the quinquennium 2008-13 will have effect from 1 April 2013. A suitable note is, therefore, inserted to this effect in the rent schedule stating the revised rent approved for the quinquennium 2013-2018 will come into effect from 1 April 2013 and will be valid till 31 March 2018.

In fact, it is relevant to mention here that this approach is being followed not only in the case of the VPT but also in the other Major Port Trusts. In the case of the V.O. Chidambaranar Port Trust, the lease rent approved by this Authority vide Order No.TAMP/6/2012-VOCPT dated 4 April 2014 for the two quinquennium 2007-2012 and 2013-2017 was given retrospective effect from 1 July 2007 and 1 July 2012 for the two quinquennium respectively as proposed by the VPT following the applicable land policy guidelines.

The lease rental approved in the case of New Mangalore Port Trust vide Order No.TAMP/15/2007-NMPT dated 16 June 2010 was also given retrospective effect from 20 February 2007. It is relevant here to mention that the said Order of the NMPT was challenged by some users/ lessees in the High Court of Karnataka mainly in view of retrospective effect given by this Authority. The Hon'ble High Court vide their judgment dated 28 June 2013 has dismissed all the Writ Petitions filed by the users/lessees in this matter and has upheld the Order of this Authority for retrospective revision and has also upheld the demand made by the NMPT based on the Order of this Authority for revised lease rentals with retrospective effect. Though the matter lies on appeal, the higher court has not stayed the order of the Single Judge.

However, recognising that rezoning of the VPT lands was approved by the VPT Board only on 10 October 2015, this Authority is not in a position to prescribe the lease rent for the new zones for the period from 1 April 2013 till 9 October 2015. Hence, this Authority approves two schedules of lease rent without change in the rates viz. (a). Schedule 1A-Revised lease rent as per old zones for the period from 1 April 2013 to 9 October 2015 (b). Schedule 1B-Revised lease rent as per new zones from 10 October 2015 till the validity of the lease rent i.e. 31 March 2018.

(b). It is also made abundantly clear that the revised rates approved by this Authority with retrospective effect from 1 April 20013 based on the revised proposal filed by the VPT can apply in the existing leases subject to provision for periodic revision of rents agreed in the surviving lease agreements and it is for the VPT to ensure that all the leases/ licences granted by VPT contain a suitable provision regarding retrospective revision of lease rentals.

18. In the result, and for the reasons given above, and based on collective application of mind, this Authority approves the revised lease rentals for Lands at various Zones of VPT alongwith the conditionalities attached as **Annex - II**. The revised lease rent will be effective from 1 April 2013 till the validity of the lease rent i.e. 31 March 2018.

19. The VPT is directed to accordingly amend the Schedule of Lease Rent.

(T.S. Balasubramanian)
Member (Finance)

ANNEX-I

Statement of Market Value of Land under Various Options Consideration by the LAC

BASE		As per State Govt. ready reckoner-Market Value per Sq. Yd. (Rs.) (2013) (1)						Highest rate of actual transactions registered in last three years. (yearwise highest market value per sq. yd. (Rs.) [2]																		Highest accepted tender-cum-action rate (3)	Approved valuer rate per sq. yd. (Rs.) 2013 (4)			Any other factor (5)	As per TAMP (SOR) 2013 (after 2% each year)	
TYPE		RES.		COM.		INDU.		2010-11						2011-12						2012-13							RES.	COM.	INDU.		RES.	
NEW ZONES	OLD ZONES	MIN.	MAX.	MIN.	MAX.	MIN.	MAX.	RES.		COM.		INDU.		RES.		COM.		INDU.		RES.		COM.		INDU.							MIN.	MAX.
1 A (Core operational Area) (Total Extent: Acs.1370.00)	I-(A-61, B-88, C-291) II-(A1-170, A2-68) VI-(A-37, B-30), VIII-491, IX-A-134	7000	15000	11000	30000	10000	***	5500	12000	15000	25000	***	***	5500	12000	15000	25000	***	***	9000	15000	20000	30000	***	***	NOT AVAILABLE	5600	10900	4500	NOT AVAILABLE	1515	3340
	RENTS	420	900	660	1800	600	***	330	720	900	1500	***	***	330	720	900	1500	***	***	540	900	1200	1800	***	***		336	654	270		91	200
1B (Near Convent Junction) (Total Extent: Acs.185.00)	X-(A-127, B-58)	15000	***	30000	***	10000 (zone 1A rate)	***	12000	***	25000	***	***	***	12000	***	25000	***	***	***	15000	***	30000	***	***	***		7500	15000	7500		7157	***
	RENTS	900	***	1800	***	600	***	720	***	1500	***	***	***	720	***	1500	***	***	***	900	***	1800	***	***	***		450	900	450		429	***
2 (Fishing Harbour Area) (Total Extent: Acs. 152.00)	XIV-152	15000	***	20000	***	***	***	12000	***	***	***	***	***	12000	***	15000	***	***	***	15000	***	20000	***	***	***		6800	9000	5500		2535	***
	RENTS	900	***	1200	***	***	***	720	***	***	***	***	***	720	***	900	***	***	***	900	***	1200	***	***	***		408	540	330		152	***
3 (Hilly Area) (Total Extent: Acs.924.00)	II-C-161, XV-763	2500	7000	***	***	10000	***	4200	5500	***	***	***	***	4500	5500	***	***	***	***	5500	***	***	***	***	***		2500	NA	NA		1192	1432
	RENTS	150	420	***	***	600	***	252	330	***	***	***	***	270	330	***	***	***	***	330	***	***	***	***	***		150	NA	NA		72	86
4 (Industrial Area) (Total Extent: Acs.2498.00)	II-A3-27, II-B-176, III-75, III-(A-6, B1-39, B2-237, B3-413), IV-519, IX-B-1006	5500	15000	11000	30000	6000	10000	4200	10000	25000	***	***	***	4200	10000	25000	***	***	***	4200	10000	30000	***	***	***		4900	7600	4000		1192	1640
	RENTS	330	900	660	1800	360	600	252	600	1500	***	***	***	252	600	1500	***	***	***	252	600	1800	***	***	***		294	456	240		72	98
5 (Under Airport Area) (Total Extent: Acs.747.00)	V-115, VI-B-30, VII-431, VIII-134, IX-B-37	5500	15000	25000	28000	6000	***	4200	12000	14440	18200	***	***	4200	12000	18000	20000	***	***	4200	15000	25000	28000	***	***		4700	11900	2700		1252	2367
	RENTS	330	900	1500	1680	360	***	252	720	866	1092	***	***	252	720	1080	1200	***	***	252	900	1500	1680	***	***		282	714	162		75	142
6 (Near National Highway Area) (Total Extent: Acs.816.00)	IV-A410, V-174, VI-B-29, XI-203	2500	15000	25000	28000	5500	6000	900	8200	14440	18200	10000	***	1500	11000	18000	20000	***	***	2500	15000	25000	28000	***	***		5700	18600	4000		1252	2367
	RENTS	150	900	1500	1680	330	360	54	492	866	1092	600	***	90	660	1080	1200	***	***	150	900	1500	1680	***	***		342	1116	240		75	142
7 (Away from National Highway) (Total Extent: Acs.30.00)	VI-B-30	9000	***	***	***	***	***	6000	***	***	***	***	***	6000	***	***	***	***	***	9000	***	***	***	***	***		4100	11900	2600		2367	***
	RENTS	540	***	***	***	***	***	360	***	***	***	***	***	360	***	***	***	***	***	540	***	***	***	***	***		246	714	156		142	***
8 (Salagramapuram Area) (Tatal Extent: Acs.269.00)	XII-269	18000	32000	40000	***	NA	NA	12000	20000	***	***	***	***	12000	20000	***	***	***	***	18000	32000	40000	***	***	***		20000	30000	NA		2863	***
	RENTS	1080	1920	2400	***	NA	NA	720	1200	***	***	***	***	7200	1200	***	***	***	***	1080	1920	2400	***	***	***		1200	1800	NA		172	***
9 (Harbour Park Area) (Total Extent: Acs.32.00)	XIII-30, XIII-A-2	30000	50000	35000	55000	NA	NA	***	***	21000	45000	***	***	21000	25000	25000	45000	***	***	30000	***	35000	55000	***	***		36700	41700	NA		4921	5487
	RENTS	1800	3000	2100	3300	NA	NA	***	***	1260	2700	***	***	1260	1500	1500	2700	***	***	1800	***	2100	3300	***	***		2202	2502	NA		295	329
10 (Bhimili Patnam Area) (Total Extent: Acs.288.00)	XVI-288	2800	***	NA	NA	NA	NA	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***		1300	NA	NA		NA	NA
	RENTS	168	***	NA	NA	NA	NA	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***		78.00	NA	NA		NA	NA
11 (Lankela-palem Area) (Total Extent : Acs.307.00)	New Zone – 307	1500	6000	NA	NA	NA	NA	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***		1700	NA	NA		NA	NA
	RENTS	90	360	NA	NA	NA	NA	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***		102	NA	NA		NA	NA

Annex - II

1A - Schedule of Lease rent of the Visakhapatnam Port Trust Land For the Old Zones from 1.4.2013 till 9.10.2015 subject to Annual escalation as per General Condition (2)

CATEGORY		Lease Rental from 1-4-2013 to 9.10.2015					
OLD ZONE NO.	NEW ZONE No. (For Reference)	Residential (in ₹ Per Sq.Mtr/Per Month or part thereof)	Commercial (in ₹ Per Sq.Mtr/Per Month or part thereof)	Industrial (in ₹ Per Sq.Mtr/Per Month or part thereof)	Open Space Unpaved (In ₹ Per Sq. Mtr/Per Week or Part thereof)	Open Space Unpaved (In ₹ Per Sq. Mtr/Per Week or Part thereof)	Storage Sheds, Warehouses and Covered Storage (In ₹ Per Sq. Mtr/Per Week or Part thereof)
I-A	1A (Core operational Area)	33.49	65.18	21.03	4.85	9.70	15.00
I-B		33.49	65.18	21.03	4.85	9.70	15.00
I –C		33.49	65.18	21.03	4.85	9.70	15.00
II-A1		33.49	65.18	21.03	4.85	9.70	15.00
II-A2		33.49	65.18	21.03	4.85	9.70	15.00
VI-A		33.49	65.18	21.03	4.85	9.70	15.00
VI-B		33.49	65.18	21.03	4.85	9.70	15.00
VIII		33.49	65.18	21.03	4.85	9.70	15.00
IX-A		33.49	65.18	21.03	4.85	9.70	15.00
X-A	1B (Near Convent Junction)	44.85	89.7	44.85	4.85	9.70	15.00
X-B		44.85	89.7	44.85	4.85	9.70	15.00
XIV	2(Fishing Harbour Area)	40.66	53.82	23.92	4.85	9.70	15.00
II-C	3 (Hilly Area)	14.95	NA	11.36	NA	NA	NA
XV		14.95	NA	11.36	NA	NA	NA
II-A3	4 (Industrial Area)	29.30	45.45	14.05	4.85	9.70	15.00
II-B		29.30	45.45	14.05	4.85	9.70	15.00
III		29.30	45.45	14.05	4.85	9.70	15.00
III-A		29.30	45.45	14.05	4.85	9.70	15.00
III-B1		29.30	45.45	14.05	4.85	9.70	15.00
III-B2		29.30	45.45	14.05	4.85	9.70	15.00
III-B3		29.30	45.45	14.05	4.85	9.70	15.00
IV		29.30	45.45	14.05	4.85	9.70	15.00
IX-B		29.30	45.45	14.05	4.85	9.70	15.00
V	5 (Under Airport Area)	28.11	71.16	14.25	4.85	9.70	15.00
VI-B		28.11	71.16	14.25	4.85	9.70	15.00
VII		28.11	71.16	14.25	4.85	9.70	15.00
VIII		28.11	71.16	14.25	4.85	9.70	15.00
IX-B		28.11	71.16	14.25	4.85	9.70	15.00
IV-A	6 (Near National Highway Area)	34.09	111.23	17.04	4.85	9.70	15.00
V		34.09	111.23	17.04	4.85	9.70	15.00
VI-B		34.09	111.23	17.04	4.85	9.70	15.00
XI		34.09	111.23	17.04	4.85	9.70	15.00
VI-B	7 (Away from National Highway)	24.52	71.16	15.55	4.85	9.70	15.00
XII	8 (Salagramapuram Area)	119.60	179.4	NA	NA	NA	NA
XIII	9 (Harbour Park Area)	219.46	249.36	NA	NA	NA	NA
XIIIA		219.46	249.36	NA	NA	NA	NA
XVI	10 (Bhimili Patnam Area)	7.77	NA	NA	NA	NA	NA

1B - Schedule of Lease rent of the Visakhapatnam Port Trust Land. For the New Zones from 10.10.2015.

NEW ZONE NO.	Lease Rentals from 10-10-2015					
	Residential (In ₹ Per Sq.Mtr/Per Month or part thereof)	Commercial (In ₹ Per Sq.Mtr/Per Month or part thereof)	Industrial (In ₹ Per Sq.Mtr/Per Month or part thereof)	Open Space Unpaved (In ₹ Per Sq. Mtr/Per Week or Part thereof)	Open Space Unpaved (In ₹ Per Sq. Mtr/Per Week or Part thereof)	Storage Sheds, Warehouses and Covered Storage (In ₹ Per Sq. Mtr/Per Week or Part thereof)
1A (Core operational Area)	**34.84**	**67.81**	**21.88**	**5.05**	**10.09**	**15.66**
1B (Near Convent Junction)	**46.66**	**93.32**	**46.66**	**5.05**	**10.09**	**15.66**
2 (Fishing Harbour Area)	**42.30**	**55.99**	**24.89**	**5.05**	**10.09**	**15.66**
3 (Hilly Area)	**15.55**	**NA**	**11.82**	**NA**	**NA**	**NA**
4 (Industrial Area)	**30.48**	**47.29**	**14.62**	**5.05**	**10.09**	**15.66**
5 (Under Airport Area)	**29.25**	**74.03**	**14.83**	**5.05**	**10.09**	**15.66**
6 (Near National Highway Area)	**35.47**	**115.72**	**17.73**	**5.05**	**10.09**	**15.66**
7 (Away from National Highway)	**25.51**	**74.03**	**16.18**	**5.05**	**10.09**	**15.66**
8 (Salagramapuram Area)	**124.43**	**186.65**	**NA**	**NA**	**NA**	**NA**
9 (Harbour Park Area)	**228.33**	**259.43**	**NA**	**NA**	**NA**	**NA**
10 (Bhimili Patnam Area)	**8.08**	**NA**	**NA**	**NA**	**NA**	**NA**
11 (Lankela palem Area)	**10.58**	**NA**	**NA**	**NA**	**NA**	**NA**

1 C - Charges for right of way permission for laying Pipelines in VPT's premises:

Way leave charges for laying of Pipeline /: The rate as applicable for the category of the concerned zone of Industrial rates mentioned in Scale-1 above, as the case may be, for the area occupied by the Pipelines / Conveyors etc.

Note: For the purpose of Right of Way leave charges, the area occupied by single pipelines should be calculated based on the diameter and length of those pipelines. In case of multi-layer pipeline / conveyor stacks, the physical area occupied by the multilayer pipeline / conveyor stacks should be considered and the respective users should be billed on pro-rata basis. As far as underground pipelines are concerned, if the users establish that the possession of surface area above the underground cross-country pipelines is not physically with them, the area occupied by such pipelines should be considered as 50% of the diameter and length, for the purpose of levy of Right of way charges.

General Conditions:-

(1). All conditions governing the lease rental / license fee right of way charges shall be as per the amended Land Policy Guidelines of 2014 issued by the Ministry of Shipping and as may be amended from time to time in respect of allotment of land/ space/ covered accommodation on License/ Lease basis.

(2). The lease rents prescribed in schedule 1 A are applicable with effect from the 1 April 2013 till 9 October 2015 and are subject to automatic escalation of 2% per annum (compoundable) on April 2014 and 1 April 2015.

(3). The lease rents in schedule 1 B are applicable with effect from the 10 October 2015 and are subject to automatic escalation of 2% per annum (compoundable) on 1 April 2016 and April 2017.

(4). The lease rent prescribed in above schedules will be revised w.e.f. 01.04.2018 with the approval of Competent Authority.

(5). Zone 1A industrial rate will be applicable for the existing firms which are paying previously as per Scale of Rates.

(6). In respect of Port based captive industries having more than 50 acres of land, there will be a discount on proposed SoR to the extent of 25%.

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/80/2015-VPT - Proposal from Visakhapatnam Port Trust (VPT) for revision of Lease Rents of Port Land for the quinquennium 2013-2018.

1.1. The summary of comments received from users/ user organizations and reply of the Visakhapatnam Port Trust (VPT) is tabulated below:

Sl. No.	Comments of the users/ user organisations	Reply of VPT
1.	**M/s. Prathyusha Resource Infra (P) Ltd.**	
	The proposed lease rents of port lands (revised) are too high and it cannot be sustained by us.	The proposed SoR is as per the Land Policy Guidelines-2014. The rates were approved by the LAC and approved by Board and the submitted to TAMP for approval.
2.	**Essar Steel India Limited**	
(i).	The land allotted to our industry was marshy and not fit for any construction. We have invested huge amounts for reclamation of land and the cost of the construction was increased drastically due to poor quality of the soil. As the said lands were left waste without any development by the VPT and allotted to us, it is desirable to adopt favorable methods in fixing reasonable rentals.	VPT is allotting land to all the lessees on as is where is basis. Capital cost incurred by the lessees to develop area is one time investment for berth back up area only.
(ii).	The basic value or the market value, as recorded by the registration department, is considered to fix the lease rentals of the port lands. The process and methodology to arrive at a price to fix the lease rental have the following lapses.	The nomenclature of the village for the lands in VPT is as per the survey number and the rates are arrived accordingly.
(iii).	As there are no sales and registration of port lands, the basic value or the registration statistics of the lands located in the revenue villages that are adjacent or nearer to the port lands are taken into consideration to fix the lease rentals. Moreover, the highest basic value or the highest value of registration is considered. It is observed that this process is not proper for the following reasons.	The views expressed by the lessee were already taken into consideration in the valuation. There is no much difference in financial implication due to merging of the Zones.
	(a). The nature and status of port lands, which are under our lease, cannot be compared with that of Marripalem, Butchirajupalem or Natayyapalem as the same are well developed with potentiality of all kinds. Hence the comparison is not reasonable.	
	(b). Consideration of sale transaction with highest value that is over and above the basic value or the prevailing market value is also not correct as there is every possibility for organized and motivated transactions by some vendees with other intention.	

<table>
<tr>
<td>(iv).</td>
<td>It is a fact that huge extents of lands are required to set up any industry and the required lands are to be acquired or leased in measuring acres only. But, the port authorities are adopting the scale of measurement in square meters while allotting large extends of lands with an intention to fix the lease rentals in square meters basing on the market value of the lands adjacent revenue villages that are available in square meters only. Hence the adoptability is not reasonable.

Therefore, the process needs to be reviewed by adopting scientific methods.</td>
<td>Unit taken to arrive the rate per acre and sq.yd/sqm is one and the same based on value of the land at the location.</td>
</tr>
<tr>
<td>(v).</td>
<td>As per the guidelines of the Government, 33% of the lands, out of the total extent earmarked for any industry, should be utilized as greenbelt in view of environmental protection which is left unproductive for which separate rental charges need to be fixed.

In view of the Government policy, the present condition of the manufacturing industry need to be considered while levying taxes or enhancing land lease rentals. Though the Government is encouraging the industrial sector on all aspects, the steel industry is presently running in heavy losses in view of global market scenario and it may take some more years to overcome the present situation. In such a situation, any increase of cost on the resources would lead to further damage to the industries.

As per newly proposed rates, the land rentals are as under:

<table>
<tr><th colspan="3">Rent per acre per year as per new rates</th></tr>
<tr><th>Area</th><th>Industries</th><th>Commercial</th></tr>
<tr><td>Core operational area</td><td>12,96,000</td><td>31,39,200</td></tr>
<tr><td>Near convent Jn</td><td>21,60,000</td><td>43,20,000</td></tr>
<tr><td>Fishing Harbour</td><td>15,84,000</td><td>25,92,000</td></tr>
<tr><td>Industrial area</td><td>11,52,000</td><td>21,88,800</td></tr>
<tr><td>Airport Area</td><td>7,77,600</td><td>34,27,200</td></tr>
<tr><td>Near NH</td><td>11,52,000</td><td>53,56,800</td></tr>
</table>

As could be seen from the above proposed rentals, the market rate of the lands in the outskirts of Visakhapatnam city is less than the proposed yearly rentals.</td>
<td>VPT is maintaining greenery at various locations in addition to the 10% greenery maintained by the lessees in their leased premises.

[Essar Steel has not given the details of market rate of lands in the outskirts of the city]</td>
</tr>
<tr>
<td>(vi).</td>
<td>The lease periods of certain lands which is going to be lapsed need to be renewed duly adopting the proposed revised rates. As seen from the proposed revised rates, there is increase by 55 times against the on-going rentals. This will have heavy burden on the industry.</td>
<td>To be reviewed.</td>
</tr>
</table>

	We request that the revision of proposed lease rentals may kindly be reexamined and a reasonable and favourable decision may kindly be taken to give a boost to the industries located in the port lands which are in crises.	
3.	**Alufluoride Limited**	
(i).	During 01.04.2013 to 31.03.2014 we paid lease rentals of ₹3,22,248, from 01.04.2014 to 31.12.2014, we paid ₹2,65,855 (For One year it is ₹3,54,473 only). We are surprised to receive enhancement of rent from existing ₹3,54,473 to ₹34,69,277 during 01.01.2015 to 31.12.2015 which is almost ten times of the existing rent. The land leased to us is only to an extent of 7 acres and our industry is basically and mainly engaged in the manufacture of Aluminium Fluoride using CFL's hazardous effluent as a raw material (drawing the acid through pipe line) and thus our company is eco-friendly, pollution abatement and very much essential to clear the waste generated by CFL.	Land Allotment Committee has examined all contents received from expert valuer and examined the rates for Industrial area and recommended the same for approval of VPT Board and sent to TAMP for approval. The Industrialists or business period in this area would get advantages for better facilities in VPT. Zone Z-4 is considered as Industrial area and the rate is lower than residential area. M/s.Alufluoride Limited paid rentals as per the DRA rates as per agreement conditions during the currency of the original lease period, and on expiry of the original lease, the SOR as finalised shall become applicable as per the land policy guidelines. M/s.Alufluoride was the beneficiary of having old meager lease rentals as per lease condition. Now, since their lease has expired, they have to accept the approved SOR rate as per Land Policy - 2014.
(ii).	Due to sudden enhancement of lease rent by ten times we will not be in a position to run the industry. Due to lower receipts of raw material from CFL bringing balance raw material from long distance by paying a large transport cost, the current manufacturing operations itself are just break even and our operations are not profitable. By paying huge demand rent, we will be losing very heavily and will be forced to close the industry.	
(iii).	We have requested VPT, vide our letter dated 15 June, 2015 to reconsider the existing annual rent and to reduce the same as we are not in a position to pay this huge rent.	
(iv).	Under protest, we have paid the rent of ₹34, 69,277 to VPT for the period from 01.01.2015 to 31.12.2015 and requested VPT vide our letter 27 January, 2016 to reduce the unfeasible exorbitant rent. Copy of the letter scanned and attached to this mail. Also enclosed our various correspondence with VPT since 19 March, 2014.	
(v).	We request to reconsider the excessive enhancement of rent and reduce the rent for survival of the industry.	
4.	**Balmer Lawrie & Co. Ltd.**	
(i).	As part of its strategic growth plan, BL is always on lookout for suitable opportunities for investment especially in logistics infrastructure. In this context, BL approached VPT in 2009 for allotment of land for setting up a Container Freight Station (CFS). After several rounds of discussions, both BL and	

	VPT reached an understanding in June 2010 to set up in VPT area for port related facilities.	
(ii).	Based on the feasibility study done by Feedback Back Venture, Financial Appraisal by IDBI Capital Market & Technical Feasibility Study by Lea Associates, VPT Board of Trustees approved the project in July 2011 and thereafter forwarded it to the Ministry of Shipping (MoS) for its clearance. However, in view of the notification issued by the PMO prohibiting any alienation of land by a Government dept or PSU, the project could not be cleared by MoS until a clarification was issued by PMO in 2012 exempting transfer of land to other Government dept/PSU. The project was finally reviewed and approved by VPT Board of Trustee in Nov 2012.	
(iii).	As per the MoU signed between BL and VPT in February 2013, the project is to be implemented through a Joint Venture Company to be formed between BL & VPT having equity share in the ratio of 60:40. The initial paid up capital was to be around ₹97 crore with VPT share of ₹38.75 crore coming in the form of upfront lease rental for 50 acres of land to be leased out to JV for 30 years. BL's investment in the equity capital was to be ₹58 crore (approx.). The estimated project cost is about ₹211 crore.	
(iv).	However, VPT again forwarded the proposal to MoS seeking its approval for formation of a Joint Venture Company. MoS approved the proposal in March 2014. After signing of the share purchase agreement/JV agreement, the allotted land parcel was handed over to the JV/SPV Company in Jan 2015.	
(v).	The land parcel handed over to us falls under the old zone IV & IVA and revised Zone Z4 & Z6.	
(vi).	**General** The increase in land lease rents proposed by VPT for 2013/2018 is exceptionally high as evident from the working in Annexure-I. Consequently, it would substantially escalate the cost of logistics at this port adversely impacting EXIM trade and economic development in this part of the country. It would certainly go against the spirit of the "Port led Development" concept zealously pursued by both Government of India and AP Government. Such increase, if implemented, would further increase the overall Logistics cost of the Country which is already higher as compared to other countries rendering our products uncompetitive in international market.	
(vii).	It would also undermine the very stated objectives of the amended Land Policy Guidelines for Land Management by Major Ports-2014 "to ensure that land resources are	

	put to optimum use as per the approved Land Use Plan with focus on retaining / attracting port traffic." Obviously, with so high land value as proposed by VPT, no new CFS/ MMLH would be financially viable in the near future. It means the existing players in the oligopolistic market would continue to exploit both importers and exporters which would ultimately have adverse bearing on the port traffic. In fact, it is already reflected in the containerised cargo almost stagnating over the last 2-3 years.	
(viii).	We feel such abnormal hike in lease rentals will discourage the investors interested in developing CFS, ICD, etc. and hamper growth of Visakhapatnam Port and its adjoining areas.	
(ix).	The regrouping of present land zones (16 zones, 15 sub zones, etc.) into 11 new land zones may be correct from the land use perspective. However, applying the same logic to arrive at a uniform land value or lease rental for the entire area falling under one zone does not seem to be correct. The total area of land under the new zone Z4 is 2498 acres. Obviously, for such a vast area of land in zone Z 4, the sub soil strata and properties, topography, ground levels, terrain, shape, size, location, service facilities, approach road conditions etc. are bound to have wide variations which would have direct bearing on the land valuation. In this context, as an example, please refer to valuation of new zone Z4 (page 356 attached to the proposal) in which there is a wide variation in the land value ranging from ₹6000/- to 15000/- per square yard under Residential Segment and ₹6000/- to 10000/- per square yard under Industrial Segment.	
(x).	The land value of the Industrial Segment in the erstwhile zones IV & IX-B has been valued at ₹6,000/- per sq. yard and zones II-A3, II-B, III, III-B1, III-B2 & III B3 at ₹10,000/- per square yard. However, by clubbing the erstwhile zones II-A3, II-B, III, III-B1, III-B2 & III B3 with the erstwhile zones IV & IX-B, and taking simple average of the highest & the lowest land value, VPT has increased the land value of the erstwhile zone IV & IX B from ₹6,000/- per sq. yard to ₹8,857/- per square yard, an increase of as high as 48%, which is unfair, inequitable, unreasonable & unrealistic.	
(xi).	As such, VPT should further classify each zone into various sub-zones depending upon the overall land / soil conditions in each sub-zone to arrive at a more realistic and acceptable land value as has been done in the past.	

(xii).	Moreover, it is also not right to follow simple average method when bulk of the land parcels involved are of different sizes. In such instances, one should follow the weighted average method which is more realistic and rational.	
(xiii).	The TAMP rate schedule of 2008-2013 has provisions for offering discount on account of the following:	
	a. In case of low lying and water logged areas, a reduction of 25% shall be granted in the lease rent prescribed in the land rate schedule. b. A reduction of 30% lease rents will be granted in respect of larger extents of land of 50 Acres and above subject to the conditions that road, drainage, illumination etc., developed by the lessees in the periphery of the leased plots is common usage by the other lessees and the VPT. The above provisions are deleted from the proposed Scale of Rates of VPT for quinquennium 2013-2018, which we feel in all fairness be continued to be offered to the Lessees who are allotted low lying areas and bigger land parcels to enable them to compensate with the high land filling and developmental costs. It is also noted that the port does not extend TAMP approved discount facilities to the eligible lessees. The above provisions should not be discretionary and offered to the eligible lessees.	
(xiv).	The revised land rates as proposed by VPT for 2013-18 are stated to be on the basis of the land valuation done by an independent land valuation agency, Rakesh Narula Co., engaged by VPT. On perusal of land valuation calculations as shown on pages 355-360 of the proposal, it is noted that under various zone ones minimum & maximum land values have been shown for different categories on the basis of the valuation of land in the area/location adjacent to VPT. However, no document supporting the valuation of land in the adjacent area/location to VPT is attached. VPT may be advised to provide us these documents in support of the land valuation in the area/location adjacent to VPT.	
(xv).	While such sharp increases in the land value may be immaterial to all those lessees who have taken possession of land before 31.3.2013 & paid upfront lease rentals for 30 years, but for lessees like BL, who are under	

<table>
<tr><td></td><td>erstwhile zone IV & VI A and have been handed over the possession of land only after March 2013, such increases would really make their projects unviable. With a view to ensure that such projects are made viable and make significant contribution towards improving VPT traffic and economic growth in the region, the increase in the land rate should be in line with the trend in past.</td><td></td></tr>
<tr><td>(xvi).</td><td>Observations/ comments on the proposal – impacting our MMLH project:

There are major discrepancies in zone –wise area as shown in pages C387 & C-401 attached to the proposal. VPT may be advised to reconcile and give the correct zone-wise area for both old and new land zones.</td><td></td></tr>
<tr><td>(xvii).</td><td>As per VPT's lease rental schedule for quinquennium 2008-2013, our land parcel falls under zone –IV and IVA within VPT area. With the proposed rezoning under quinquennium 2013-18, the land parcel will come under zone- Z4 and Z6.</td><td></td></tr>
<tr><td>(xviii).</td><td>VPT's proposal seeking exceptionally abnormal increase in land valuation would make our project unviable as it has no cushion to absorb such steep hike in cost of the land parcel :
<table>
<tr><th>Sl. No.</th><th>Land parcel Details</th><th>Rate as approved by TAMP as on 01/04/2008 (per Sq. Yard)</th><th>Rate as on 01/04/2013 with escalation of 2% pa (per Sq. Yard)</th><th>Rate as proposed by VPT as on 01/04/2013 (Per Sq. Yard)</th><th>Proposed % increase over the rate as on 01/04/2013</th></tr>
<tr><td>A</td><td>38.40 Acres under Zone-IV (new Zone Z4)</td><td>₹1485.74</td><td>₹1640.38</td><td>₹4000.00</td><td>144 %</td></tr>
<tr><td>B</td><td>14.63 Acres under Zone – IVA (New Zone Z6)</td><td>₹1372.41</td><td>₹1515.25</td><td>₹4000.00</td><td>164 %</td></tr>
<tr><td></td><td>Total: 53.025 Acres</td><td></td><td></td><td></td><td></td></tr>
</table>

Note: The rate as on 01/04/2013 is already inclusive of escalation of 10.41% (@ 2% per annum on a compounded basis) over the rates of 01/04/2008.</td><td></td></tr>
<tr><td>(xix).</td><td>While taking possession of the land parcel, BL had assumed that the increase in land value for the quinquennium 2013/18 over 2008/13 would be more or less in line with the increase approved in the previous periods i.e. TAMP had allowed an increase of 8% in the land value for the period of 2008/13 over 2003/08. However, if the subject proposal is approved by TAMP, the project land cost will go up from about ₹39 crore (of the project cost ₹211 crore) to ₹116 crore; thus increasing the land cost by about ₹77 crore which obviously would adversely impact the viability of the project.</td><td></td></tr>
<tr><td>(xx).</td><td>This proposal if implemented, would mean that the land cost for someone who had taken possession on 31/3/13 would be "₹ X" and for</td><td></td></tr>
</table>

	those who have taken possession on 1/4/13 it will be "₹1.64 X". This would give a huge advantage to the one who had taken possession on 31/3/13 and put the other party in a totally hopeless place considering the steep hike in land cost. We always feel, the prices of land for industrial purpose go up gradually and Government's intention in all communications is to ensure a level playing field for all stakeholders and not to put any one party in a hugely disadvantageous position vis-à-vis others. If VPT's proposal is accepted, the decision may be commercially justifiable for VPT but it will not be viewed as a decision taken in the interest of promoting trade and employment in the region.	
(xxi).	The total area of land considered under new zone Z4 is 2498 Acres and under zone Z6 is 816 Acres. As mentioned earlier, for such vast area of land, the sub soil strata and property, ground levels, terrain, location, service facilities, approach road conditions etc. are bound to have wide variation resulting in wide variation in the land valuation. Therefore, as explained earlier, port's valuation process should have been sub classified this into various sub zones to arrive at more acceptable rates depending upon such conditions. The value of our land coming under the erstwhile zones IV has been valued at ₹6000/- per sq. yard. However after clubbing it with other zones II-A3, II-B, III, III-B1, III-B2 & III B3 having land value at ₹10000/- per square yard, its value under new zone IV stands increased to ₹8857/- per square yard, which is illogical and unacceptable to us.	
(xxii).	The land parcel allotted for setting up Industry would generally have ready infrastructural/ service facilities like proper approach road, water supply, electrical connectivity, drainage, street lighting etc. to facilitate smooth construction and commissioning of project. However, it may be noted from the following that the land parcel allotted to us does not have such infrastructure facilities.	
(xxiii).	We have highlighted these concerns to the Chairman VPT and Secretary, MOS, Govt. of India and informed them that such sharp increase in land valuation and lease rentals as proposed by VPT for the quinquennium 2013-2018 will not only make our Project unviable but also deter other Business Entrepreneurs from investing in VPT land.	
(xxiv).	Considering all the above factors we feel that the Valuation of land as proposed by VPT for quinquennium -2018 is exceptionally high and would make our project financially unviable.	

<table>
<tr><td>(xxv).</td><td>We, therefore, would request the TAMP to take a rational view of the situation and allow VPT to fix a rate with marginal increase of 8-10% over the approved rates of quinquennium 2008-2013 (which incidentally had already taken care of increase @ 2% per annum amounting to a total increase of 10.4% from 2008 to 2013).</td><td></td></tr>
<tr><td>(xxvi).</td><td>Suggestions / Recommendations
While appreciating the regrouping of zones on land use basis, we recommend the zone should be further classified keeping in view soil strata and property, ground levels, terrain, location, service facilities, approach road conditions etc. so as to arrive at a more realistic land value.</td><td></td></tr>
<tr><td>(xxvii).</td><td>Consider increasing the land rate by 8-10% over the approved rate of quinquennium 2008-2013.</td><td></td></tr>
<tr><td>5.</td><td>Bhabha Atomic Research Centre</td><td></td></tr>
<tr><td>(i).</td><td>Bhabha Atomic Research Centre (BARC), Visakhapatnam has taken on lease, 5 acres of land from Visakhapatnam Port Trust (VPT) in Salagramapuram / Akkayapalem area for construction of Guest house, Hostel etc. BARC had already paid an amount of ₹6,44,87,588/- towards non-refundable upfront premium and on a nominal rent of ₹20,235/- per annum.</td><td rowspan="2">The proposed revised tariff is not applicable to the said 5 acres land exist under lease hold of BARC as the said land was leased out for 30 years from 2006 to 2036 upfront mode and accordingly BARC has arranged the lease amounts. Only the nominal rent of Re.1/- per sq.mtr. p.a. continues till expiry of lease period in case of leases on payment of rentals on upfront mode.</td></tr>
<tr><td>(ii).</td><td>As ours is an exclusive Research Centre under Department of Atomic Energy (DAE), Government of India; we do not propose or undertaken any type of business/commercial operation in VPT land.
We, therefore, request you to exempt this Research Centre from the revised tariff.</td></tr>
<tr><td>6.</td><td>ADM Agro Industries Ltd.</td><td></td></tr>
<tr><td>(i).</td><td>The rental structure for the entire lease period with respect to TG2 shed located at Visakhapatnam – New Zone 1A Industrial
<table>
<tr><th>Rent Payment Schedule</th><th>Payment</th></tr>
<tr><td>09.12.1995 to 08.12.1996</td><td>6,09,000</td></tr>
<tr><td>09.12.1996 to 08.12.1997</td><td>6,69,900</td></tr>
<tr><td>09.12.1997 to 08.12.1998</td><td>7,36,890</td></tr>
<tr><td>09.12.1998 to 20.12.1998</td><td>32,423</td></tr>
<tr><td>21.12.1998 to 08.12.1999</td><td>6,93,823</td></tr>
<tr><td>09.12.1999 to 31.03.2000</td><td>2,54,399</td></tr>
<tr><td>01.04.2000 to 31.03.2001</td><td>7,94,997</td></tr>
<tr><td>01.04.2001 to 31.03.2002</td><td>8,74,456</td></tr>
<tr><td>01.04.2002 to 31.03.2003</td><td>9,61,879</td></tr>
<tr><td>01.04.2003 to 31.03.2004</td><td>10,58,035</td></tr>
<tr><td>01.04.2004 to 31.03.2005</td><td>11,63,830</td></tr>
<tr><td>01.04.2005 to 31.03.2006</td><td>12,80,213</td></tr>
<tr><td>01.04.2006 to 31.03.2007</td><td>14,08,225</td></tr>
<tr><td>01.04.2007 to 31.03.2008</td><td>15,49,043</td></tr>
<tr><td>01.04.2008 to 31.03.2009</td><td>18,74,626</td></tr>
<tr><td>01.04.2009 to 31.03.2010</td><td>20,62,089</td></tr>
<tr><td>01.04.2010 to 31.03.2011</td><td>22,68,298</td></tr>
<tr><td>01.04.2011 to 31.03.2012</td><td>24,67,557</td></tr>
<tr><td>01.04.2012 to 31.03.2013</td><td>27,14,312</td></tr>
<tr><td>01.04.2013 to 31.03.2014</td><td>29,85,743</td></tr>
</table></td><td>No comments furnished by VPT.</td></tr>
</table>

<table>
<tr>
<td></td>
<td>
<table>
<tr><td>01.04.2014 to 31.03.2015</td><td>32,84,318</td></tr>
<tr><td>01.04.2009 to 31.03.2010</td><td>20,62,089</td></tr>
<tr><td>01.04.2010 to 31.03.2011</td><td>22,68,298</td></tr>
<tr><td>01.04.2011 to 31.03.2012</td><td>24,67,557</td></tr>
<tr><td>01.04.2012 to 31.03.2013</td><td>27,14,312</td></tr>
<tr><td>01.04.2013 to 31.03.2014</td><td>29,85,743</td></tr>
<tr><td>01.04.2014 to 31.03.2015</td><td>32,84,318</td></tr>
<tr><td>01.04.2015 to 31.03.2016</td><td>36,12,750</td></tr>
<tr><td>01.04.2016 to 31.03.2017</td><td>39,74,025</td></tr>
<tr><td>01.04.2017 to 31.03.2018</td><td>43,71,428</td></tr>
<tr><td>01.04.2018 to 31.03.2019</td><td>48,08,571</td></tr>
<tr><td>01.04.2019 to 31.03.2020</td><td>52,89,428</td></tr>
<tr><td>01.04.2020 to 31.03.2021</td><td>58,18,370</td></tr>
<tr><td>01.04.2021 to 31.03.2022</td><td>64,00,207</td></tr>
<tr><td>01.04.2022 to 31.03.2023</td><td>70,40,228</td></tr>
<tr><td>01.04.2023 to 31.03.2024</td><td>77,44,251</td></tr>
<tr><td>01.04.2024 to 2.11.2024</td><td>55,07,768.00</td></tr>
<tr><td>Total</td><td>8,43,11,082</td></tr>
</table>

<table>
<tr><th colspan="4">Port Proposal for TAMP as below for period 2013 to 2018</th></tr>
<tr><th>Industrial Rate INR</th><th>S. Yards Per Acre</th><th>Total Acres</th><th>Amount-INR</th></tr>
<tr><td>270</td><td>4840</td><td>4.42</td><td>5776056</td></tr>
</table>

It is observed that VPT is proposing to escalate the Rent @ 10% per annum whereas we have been paying the same on regular intervals. We are now surprised to see that fresh proposal for revision of lease rentals would hardly leave us to save anything in our kitty. Moreover, we don’t foresee any growth in business in near future. In view thereof, it would not be out of context to reiterate some crucial facts for your review and kind consideration.
</td>
<td></td>
</tr>
<tr>
<td>(ii).</td>
<td>The warehouses complex area of 4.42 acres land was secured on long term lease from VPT in the year 1995 which is located at Zone 1A – Industrial. Subsequently, we diversified a huge investment to build a modern warehouse complex with weighbridge facilities to contribute our support to the tonnage handled by Visakhapatnam Port and elevated its status to the no. 1 place, among the other major port in India.

This has resulted in commodities like agricultural produce, fertilizers etc. shifting to other close ports, thus eroding our volumes and plunging Visakhapatnam Port to the 5th position, among the major ports, this year.</td>
<td rowspan="2">No comments furnished by VPT.</td>
</tr>
<tr>
<td>(iii).</td>
<td>Visakhapatnam Port leaned heavily on coal imports and more and more areas were committed to the said commodity, thus contaminating other cargoes thereby driving most of the agricultural products like soya meal, maize, wheat etc., to other ports. Of course, other factors like lower trade of the</td>
</tr>
</table>

	agricultural commodities, hit drastically by the overall international scenario, cannot be ignored.	
(iv).	We all witnessed the aftermath of the cyclonic storm Hud Hud, a first of the magnitude to strike Visakhapatnam which badly affected our system and damaged all the warehouses and port related facilities. Here we would like to bring to your kind notice that our TG-2 warehouse (complex housing about 1 lakh sq ft covered warehouse) situated at Zone 1A – Industrial was badly affected with the entire roof and structure extensively damaged.	The proposed SoR is as per the land policy guidelines – 2014 and recommended by LAC and approved by Board and submitted to TAMP for approval. The request of the firm for waiver of rent is not in line with LPG 2014 and not connected with the fixation of SoR. Shall be examined separately as per the land lease agreement between the parties.
(v).	Nevertheless, we continue to pay an annual rental of INR 40,00,000.00 (Rupees forty lakhs only) inclusive of all taxes for the year 2015-16 (fiscal), with 10 percent enhancement every year. This despite the fact that there exists no business for the past 16 months on account of the damages sustained due to the cyclonic storm Hud Hud.	
(vi).	We have represented our case to Visakhapatnam Port for consideration of the lease rent waiver during the period effective from the date of the cyclonic storm Hud Hud i.e. 12.10.2014 till writing this letter. We are currently debating whether to rebuild these warehouses, again with huge investment, but remain unaware of the policies of VPT.	
(vii).	Our aforesaid experience is borne out of our experience with respect to TG-1 warehouse (EQ6 shed) which was taken possession of VPT for the development of Visakhapatnam Port, although we spent enormous investment to build this warehouse with mechanized system of loading through conveyors in the year 1995. It is important to note here that none of the Indian Ports were equipped with this system and we proudly state that we introduced the same, thus drawing the attention and interest of the global agricultural commodities traders to Visakhapatnam Port.	No comments furnished by VPT.
7.	**Container Corporation of India Limited**	
(i).	On an application from CONCOR, VPT allotted Acs.98.0 to CONCOR, after due consideration, for the purpose of setting up a Port-related infrastructure Project of Multi Model Logistics Park (MMLP) comprising a Private Freight Terminal (PFT) under the scheme of Government of India, Container Freight Station (Customs Notified Station) for EXIM cargo, Warehouses, Rail infrastructure, Reefer Container Handling facility and other relevant and Critical infrastructure Facilities which are supplementary to the Port activity. The proposed MMLP Project of CONCOR would ease the Infrastructure bottlenecks and help	No comments furnished by VPT.

	in shoring up the Port revenues and this shall supplement the VPT's proposed expansion plan of existing Container Terminal by developing a second Container Terminal under PPP mode.	
(ii).	The said extent Acs. 98.0 situated opposite to Airport is an undeveloped stretch of slushy land with Jungle vegitation/bushes and a low lying area highly prone to flooding. It is surrounded by Railway / Railway land on the North, National Highway on the South, Meghadrigadda Reservoir Rivulet on West side and INS Dega on the East side. CONCOR is investing about ₹388 crores to develop this land and bring it into use as an MMLP serviceable to the Port. As part of the terms of lease and at the rates prevailing during 2008-2012 (as approved by TAMP), CONCOR had paid ₹101 crores to VPT towards lease charges on upfront basis in December 2012 and construction of MMLP had started.	No comments furnished by VPT.
(iii).	During detailed land survey in the field, it came to the notice of VPT and CONCOR that a small stretch of Acs.11.0 belonging to Airport Authority of India (AAI) remained in the middle of the land allotted to CONCOR. Subsequently, the matter was considered by the Government of India (both Ministry of Shipping and Ministry of Civil Aviation) and a decision was taken to transfer the said AAI land to VPT for onward leasing to CONCOR. This entire process of transfer of land has delayed the execution of the Project. With this transfer of land, the actual extent of VPT's leased land given to CONCOR for MMLP project might go up to Acs.105.0 instead of the initial allotment of Acs.98.0.	
(iv).	Since CONCOR had already remitted the Lease charges to VPT on upfront basis for 98 acres, the differential Lease Rent, if any, to be paid an upfront basis to VPT towards additional Acs.7.0 of land (which is part & parcel of overall Project) may kindly be assessed on the basis of TAMP approved Lease tariff as already approved for the initially assessed land of Acs. 98.0. It is also requested that there shall be no escalation in any of the charges payable by CONCOR in respect of above land leased by VPT during the entire lease period so that there is no adverse impact in commercial terms on the MMLP project.	The rate for additional land of Ac.7.0 cts will be as on the date of allotment of the said land.

1.2. The Visakha Container Terminal Private Limited (VCTPL), the Visakhapatnam Stevedores Association (VSA) and the Hindustan Petroleum Co-operation Limited (HPCL) have furnished their comments as given below on which the VPT has not responded:

The Visakha Container Terminal Private Limited

(i). At the outset we state that the proposed increase in the license fees / lease rentals, which is very steep, is going to adversely affect the export / import Trade at Visakhapatnam Port and also, if made applicable to land allotted to BOT Projects would spell disaster to these Projects and need to be reconsidered and status quo maintained.

(ii). The methodology adopted for calculating the lease rentals based on evaluation of land prices in the nearby area in the port city need to be reexamined. Often, the estate prices in the nearby city areas are based on different considerations like potential for commercial development or for building residential complexes. Port land is basically used for storage of cargo and therefore determining its lease rentals based on estate prices in the nearby areas is not logical.

(iii). Clause 18(a) of the Land Policy Guidelines outlines the market value of the land. Under sub-clause (ii), one of the options is that the highest rate of actual relevant transactions registered in last three years in the Port's vicinity needs to be considered. The key word here is the "relevant transactions". The Valuer's Report clearly indicates that no port land has been sold in the recent past which could have become a proper basis for assessing market costs nor any port land has been put to auction / tender in the recent times to arrive at the justifiable rates. It is obvious that these exorbitant rates have been worked based on transactions in the municipal area meant for residential/ commercial purposes which cannot, by no stretch of imagination, be considered as relevant / commercial purposes which cannot, by no stretch of imagination, be considered as 'relevant transactions'. TAMP has to ensure that the interests of the port users are not affected adversely as ultimately the port users will have to bear the brunt of all such escalations.

(iv). An area of 164000 sq. mtr. was allotted to VCTPL on license fees basis for a period of 30 years w.e.f. 11.09.2002, at the rate of ₹3450 per 100 sq. meter per annum for development of infrastructure of container terminal which is based on the policy prevailing at that time. As per the present proposal this is going to increase to ₹5,29,58,880 a whopping 569% increase in the rentals. In absolute terms, the lease rentals would go up from ₹79.11 lakhs / annum to ₹5.29 crores / annum.

(v). VPT has maintained the license fee for open space (under Section-6) at the existing level in its proposed General scale of rates for 2015 according to TAMP guidelines of 2015 submitted to the Authority recently.

(vi). Therefore, in our considered view the proposed revision of lease rent should not apply to VCTPL.

(vii). The entire business model of the VCTPL is built on the basis of the prevailing input costs, which if allowed to be raised beyond reasonable levels, would spell disaster and needs to be looked into very seriously. It is therefore requested the proposed increase should not be made applicable to the land allotments made to BOT Projects.

(viii). The additional lease rent cost would have to be ultimately passed on to the trade resulting in tariff hike of about 18.12% from the existing tariff (i.e. about ₹673 per TEU).

(ix). The license fees for the past 12 years has been flat and such sudden increase in the license fees to such an extent at one go would adversely affect the cash flows of the company. This will also badly affect the container trade in the region as the revision will ultimately affect them. Whilst we have stiff competition in and around Visakhapatnam from minor ports, VPT and VCTPL to remain competitive, it is imperative to maintain the existing land lease rates.

Visakhapatnam Stevedores Association

(i). The rates proposed by VPT for revision of lease rents are highly abnormal and the same are higher than the present lease rentals being paid by the users. Further, the increase proposed by VPT is un-reasonable and un-competitive and the Importers, Exporters and Users, patronizing VPT are not in a position to bear such a higher rentals in the present recession in the market.

(ii). The neighbouring private ports are offering flexible and competitive lower rentals and there is every possibility of diversion of cargoes from VPT to neighbouring Ports in view of the proposed increase.

(iii). Further, the Port has categorised the land as industrial, commercial and residential while fixing lease rents leaving service category for cargo stacking purpose. Hence there is a need to incorporate this category and suitable adjustments may have to be incorporated in the proposal.

Hindustan Petroleum Corporation Limited

(i). Hindustan Petroleum Corporation Limited (HPCL) is major customer of VPT and it is giving to VPT an average annual cargo traffic of around 10 MMT of POL products. The above results in sizeable contribution in the form of wharfage charges, vessel related charges etc., to VPT.

(ii). In the recent past, we have also come across instance where it was clear that VPT is incurring shortfall / deficit in handling the commodities like fertilizer, iron ore, coal etc. and it is incurring a huge surplus in POL and in fact the POL products are cross subsiding the other products mentioned above.

(iii). In addition to the above, HPCL is in the process of expanding the Refinery capacity by undertaking huge expansion project which would result in increase in cargo traffic of POL products and consequent increase in the revenues of VPT. So there is a strong case of VPT to treat HPCL as a special customer while undertaking any revision in the charges for services rendered by VPT / land leased out to HPCL.

(iv). Moreover, any increase in the above charges including the land rentals would adversely affect the Refinery profitability which in turn would have consequential adverse impact on the expansion projects by making the project itself less viable and in turn would have adverse effect on the cargo traffic and consequential revenue impact to VPT.

(v). Moreover, the Refinery is in the business of Refining of crude and Marketing of essential commodities like kerosene, LPG, petrol, diesel etc., which are required for the overall economic development of the country especially in the areas which are catered by the Refinery.

(vi). Moreover, the Refinery contributes to both Central and State Exchequer in the form of huge volume of Taxes and duties hereby improving the economic barometer of the society.

(vii). For the above reasons, we request TAMP to advise VPT to keep the revision in land rentals to the bare minimum for HPCL and in any case for lands wherein HPCL has made upfront land rentals to VPT while taking possession of the land should be kept outside the purview of the periodical revisions proposed by VPT including the above proposed revision.

2. A joint hearing on this case in reference was held on 18 March 2016 at VPT premises. At the joint hearing, the VPT made a power point presentation of its proposal. The VPT and the concerned users/ user organizations/ lessees have made the following submissions at the joint hearing:

<u>Visakhapatnam Port Trust (VPT)</u>

(i). The VPT land is presently categorized into 31 zones. The land is re-categorized into 11 zones (12 subzones) in the current exercises for land use plan. The land is divided into zones / sub zones based on purpose of use of land viz. Industrial, Commercial and Residential, availability of infrastructure, road etc. The re-categorization of 11 zones (12 subzones) has been accepted by the VPT Board.

(ii). Of total 7,618 sq. mtr. land, vacant land, only 891 sq. mtrs. is vacant.

(iii). The maximum and minimum land value as per State Govt. Ready Reckoner is considered. The land valuation based on the highest rate of actual transaction in the last three years as per State Govt. Ready Reckoner is considered. There was no tender opened in the last few years at VPT, hence no data is available under this option. The land valuation is also done by the approved land valuer.

(iv). The valuation of land is done for zones. It is not done for each plot. For valuation of land, the features of land like land with water accumulation, size of plots, land with railway siding facility and paved area, etc. are taken into consideration.

(v). The valuation of land available is for freehold land. Whereas, the port land is not a free hold. Hence 25% discounting factor is applied.

(vi). VPT land area is of larger parcel size. Whereas, comparable land valuation obtained is of smaller size. Discounting factor is applied for size of plot also.

(vii). For land which are closer to national highway, not dusty etc., premium is applied while arriving at land valuation.

(viii). For Zone – 1A, land valuation at ₹4,500 per sq. yard is in tandem with what is considered while arriving at license fee of ₹6.21 sq. mtr/ week for open stacking of cargo. For open unpaved area, the license fee proposed in the current proposal is in tandem with separate proposal filed by the port.

(ix). The Land Allotment Committee (LAC) constituted by VPT Board has taken into consideration the report of the valuer. The LAC has recommended the valuation of land as given by the approved valuer and has proposed lease rent at 6% of the land valuation.

(x). MOS letter of 8 June 2015 states that the lease rent need not be based on highest of value of land. We have not taken the highest valuation of land.

<u>Vizag Seaport Private Limited (VSPL)</u>

(i). We operate EQ8 and EQ9 berths at VPT. 29 acre of back up area is allotted to us. We have also been allotted additional land in the year 2015. Lease agreement was signed in October 2015.

(ii). We come under category of Industrial zone. There are specific pockets in industrial zone which are still in primitive stage.

(iii). The part of the land allotted to us was submerged in water. We had to raise land by 6.5 mtrs. Huge capital cost is involved to fill the land.

(iv). Land allotted to us cannot be valued at the level valued by VPT.

(v). Comparison of land value with value of land as per State Govt. Ready Reckoner may not be correct.

(vi). The land allotted to us is used for storage of dusty bulk cargo.

(vii). Gangavaram Port is giving land free of cost. We have to face competition, with neighboring ports. Lease rent should not be increased so high.

(viii). The Land Policy Guidelines states one of the objectives of port estate is revenue maximization. But, if lease rent is increased so steep, cargo will drift to neighboring port. VPT will lose revenue.

Visakhaptnam Stevedores Association (VSA)

(i). We cover interest of users providing warehousing facility.

We appreciate the zoning done by the port which was long due.

(ii). Port as owner of the land has a right to invite tender for lease. But, that exercise has to be for future leases. It cannot be done in between.

(iii). If VPT revalues the land in between and revises the lease rent of land, all our calculation goes hay way.

(iv). Till expiry of existing lease, our interest should be protected. When the existing lease agreement, comes to an end, the revised lease rent may be applied.

(v). Land Policy Guidelines says comparison of land should be with land at close vicinity for similar usage of land.

(vi). Lessees have invested huge amount to develop the land to bring it to usable stage. This factor is not considered in the land valuation.

(vii). Market cannot bear any increase at this juncture. Port may concentrate on port services to maximize its revenue.

(viii). Land valuation for 2008-2013 was done on acre basis. Now, VPT has shifted to sq. yard basis for land valuation.
[VPT : Valuer has discounted for size of the plot. Valuation of land on acre basis is not available.]

Steel Authority of India Limited (SAIL)

(i). We are importing coal through VPT.

(ii). Our lease rent will increase by 6.5 times at the proposed rate.

(iii). We export steel and compete with international ports.

(iv). VPT has proposed revised lease rent retrospectively w.e.f. 1 April 2013. Please consider to approve it with prospective effect.

Tamil Nadu Electricity Board (TANGEDCO)

(i). Port should find other avenue to generate revenue from port services and not from land.

(ii). People using land for port related operations, the lease rent should be different. If the land is used for other purposes, the lease rent may be different.

(iii). Existing lease rent may be increased to the extent of inflation.

M/s. Hindustan Petroleum Corporation. Ltd. (HPCL)

(i). Our land is in zone 9B. It should be categorized in Zone 1A and not Zone 4.

(ii). Land Valuation is done for sq. yard / sq. mtr. basis and not on the basis of area. This is fundamentally wrong.

(iii). We have incurred huge expense to develop marshy land allotted to us. This is not captured in valuation. We are penalized.

(iv). Existing lease and new lease should be dealt with separately.

(v). 33% of land should be earmarked by the port for green belt.

(vi). Hike should not be more than 30% of existing lease rent.

M/s. Essar Steel

(i). Proposed increase in lease rent will adversely impact us.

(ii). Increase comes to 5.5 times due to rezoning of land.

(iii). Increase in lease rent for one of the parcels of land where lease agreement is over, comes to 24 times. We have no option but to close down the operation.

(iv). Give us three months to give comments.

Coromandal International Limited

(i). We have land at industrial area for storage of cargo. Comparison of land in Convent area with land in industrial area is not correct as they are not comparable.

(ii). Port may consider a reasonable increase in the existing lease rent instead of steep hike.

Balmer Lawrie & Co Ltd.

(i). We are working with port for multi modal project.

(ii). Port should see whether at the proposed rate, it can retain cargo in its port.

(iii). Importers / Exporters will drift away from the port. Port will not be able to optimize revenue.

(iv). Andhra Pradesh Govt. is giving land free of cost. Whereas, VPT has proposed to increase lease rent to the tune of 300%.

(v). Normally, rate for industrial area should be lower than residential area. But, in the case of VPT, it is the reverse.

(vi). There was a provision for concession in lease rent for marshy / water logged land. Such a provision is not included in the current proposal.

(vii). Allow moderate increase as allowed in the last quinquennium in interest of all users.

M/s. CONCOR

(i). We fear we will fall under commercial zone.
[VPT : CONCOR will fall under industrial zone]

(ii). Increase lease rent to the extent of inflation. Consider reasonable and acceptable increase.

M/s. Alufloride Ltd.

(i). We are pollution abatement unit of Coromondel. We had earlier taken 7 acres of land from Coromondel. Subsequently, we have taken that land on direct lease from port.

(ii). We are presently struggling to meet our costs. Please consider a reasonable increase.

M/s Rashtriya Chemicals & Fertilizers Ltd.

(i). Industry has invested huge amount. Port can earn revenue from Port services. Proposed lease rent will kill the industry.

(ii). Port should come forward as facilitator to see that industries survive.

(iii). For industries, a separate lower rate should be proposed.

3.1. A summary of the written submissions made by user/ user organisations at the joint hearing and the reply furnished by VPT thereon is tabulated below:

Sl. No.	Written submissions	Reply furnished by VPT
1.	**Coromandel International Ltd., Rain CII Carbon (Vizag) Ltd. and Essar Steel India Ltd.**	
(i).	The proposed increase of rental being exorbitant high with increase our cost of production, which will threaten the very survival of our plant in the prevailing fiercely competitive domestic as well as global fertilisers market.	The LPG 2014 stipulates that the annual lease rent shall be arrived at taking not less than 6% of the market value. The SoR is arrived as per the provision stipulated in LPG 2014 and LAC/ Board consider the approved value rates as per which the proposed SoR is only 45% of the market value.
(ii).	We propose annual rent to be fixed @ 2% - 2.5% of the original premium amount paid for the leased land.	
(iii).	Annual rental value of leased land differs from Zone to Zone. Therefore merging of zones may have adverse financial impact on the industries established in a particular zone, where lower rate of rent is applicable at present. As such, we need to obtain details of the factors which have been taken into account in re-organizing the zones to assess our position.	
(iv).	The basic value or the market value, as determined by the District Revenue Authority is considered as base to fix the lease rentals of the port lands. The rentals have been fixed per square meter. The process and methodology for determination of the basic value may be reviewed on taking into account factors like land use, extent of land allotted, appropriate scale of measurement of land (i.e. per sq. mt., per acre, etc.) for fixing the rental in respect of large and small extent/ parcel of land.	
(v).	The land allotted to the industries was marshy and not fit for any construction. The industries have invested huge amounts for reclamation and development of land. Besides, the cost of the construction was increased drastically due to poor quality of the soil. As the said lands were left as waste land without any development by the VPT and allotted to	

	the Industries, it is requested to adopt different method for fixing the rentals considering such allottees as special category. In view of the fact that the land have been developed by us to the present stage, it has suggested to consider the initial premium amount as the basic price of the land for the purpose of fixing the rental. However, an increase in the rent as per para-(ii) may be considered for the quinquennium. It is further submitted that such allottees who are also the source of revenue to the VPT on sustained basis for many years deserves special consideration.	
(vi).	As per the guidelines of the Government, 33% of the land, out of the total extent earmarked for any industry, should be utilized as Green Belt for environmental protection. Accordingly, we were allotted sufficient acreage of land for development of Green Belt.	
(vii).	It is further submitted that the lease period of our lands already over and some of them which are going to be lapsed need to be renewed duly adopting the proposed revised rates. As a result the rental amount will be increased by many folds as against the ongoing rentals. This will further increase the cost of production threating the viability of the plant.	Request is not in line with the LPG 2014.
(viii).	In view of the above, it has submitted that the proposed revised lease rentals deserve to be reexamined and reviewed for fixing a reasonable rates to give a boost to the industries located in the port lands which are in crisis at present. To facilitate the review and reexamination process it has submitted further details in support of request for review of the proposed rentals, on obtaining certain information from the VPT as mentioned at para (iii) above, besides other information as may be required.	
2.	**Integral Trading & Logistics**	
(i).	As the cargoes are not available and traffic is relatively reduced, it has requested for consideration for removal of 5 times and 10 times demurrage charge for General Cargo as well and Project Cargoes.	Not connected to the subject SoR proposal.
(ii).	As the volumes of General Cargo are picking up and to encourage the VPT and as well the shipping trade and industry. There is clear indications from Manufacturers viz. M/s.Uttam Galva Metallics and NTPC, Paravada expected to get the cargo to VPT about 70,000 tons.	
(iii).	Keeping in view of the above and revenues are going to increase, it has requested to consider to removal of 5	

	times and 10 times of demurrage charges from SOR and release necessary instructions immediately.	

3.2. The Hindustan Petroleum Co-operation Limited (HPCL) and the Visakhapatnam Stevedores Association have furnished their comments as brought out below upon which the VPT has not responded:

<u>Hindustan Petroleum Co-operation Limited</u>:

(i). HPCL has got lands which are taken on lease from VPT that are covered by individual bilateral Agreements where the validity expires at a future date.

(a). These Agreements also have a Clause that the lease rentals would be calculated based on the DRA Valuation.

(b). HPCL has submitted that for the above lands the rental valuation should be kept out of TAMP rental valuation as long as they are covered by valid Agreements.

(ii). HPCL has also taken couple of lands on lease from VPT by paying upfront lease premium for the entire lease period.

(a). HPCL has submitted that these lands also are to be kept out of TAMP rental valuation.

(iii). In other cases which are not covered by 1 and 2 above (which were hitherto covered by DRA valuation) HPCL has submitted that there should be only nominal increase in the rental valuation either by continuing DRA valuation or otherwise and in any case the abnormal increase in valuation as proposed in the TAMP valuation is not carried out; otherwise the rental cost makes very big impact on the business.

(iv). The proposed increase of rental being exorbitantly high, it will increase our cost of production, which will threaten the very survival of our plant in the prevailing fiercely competitive domestic as well as global market.

(v). HPCL has suggested that the proposed rental hike from one quinquennium to the next quinquennium for the leased land shall be kept at the bare minimum.

(vi). Annual rental value of leased land differs from Zone to Zone. Therefore merging of zones may have adverse financial impact on the industries established in a particular zone, where lower rate of rent is applicable at present.

(vii). The land allotted to the industries was marshy and not fit for any construction. The industries have invested huge amounts for reclamation and development of land. Besides, the cost of the construction was increased drastically due to poor quality of the soil. As the said lands were left as waste land without any development by the VPT and allotted to the Industries, it is requested to adopt different method for fixing the rentals considering such allottees as special category. In view of the fact that the land have been developed by us to the present stage, HPCL has suggested to consider the said aspect in fixing the rental value of the subject land for fixing the rental. Presently, the same has not been considered.

(viii). It is further submitted that such allottees who are also the source of revenue to the VPT on sustained basis for many years deserves special consideration.

(ix). As per the guidelines of the Government, 33% of the land, out of the total extent earmarked for any industry, should be utilized as Green Belt for environmental protection. As a result, we had to spare 33% of our own land meant for plant operations for the Green Belt. For this 33% of land also we are paying the land lease rentals at par with any other land. Considering this fact, the rental values shall be reduced proportionately to take Green belt factor into account.

(x). It is further submitted that the lease period of certain lands which is going to be lapsed may be renewed duly adopting the proposed revised rates. As a result the rental amount will be increase by many folds (in our case 53 times) as against the ongoing rentals. This will further increase the cost of production threating the viability of the plant.

(xi). In view of the above, HPCL has submitted that the proposed revised lease rentals deserve to be reexamined and reviewed and a cap of not more than 30% hike shall be allowed from one quinquennium to the next quinquennium to give a boost to the industries located in the port lands which are in crises at present.

<u>Visakhapatnam Stevedores Association</u>

(i). The proposed increase in lease rent by VPT is very high and abnormal and the industry is not in a position to bear such a huge hike in lease rent in the present market scenario. Hence VSA has requested to reduce the rentals to a reasonable level and make the port more competitive to attract more business to this port.

(ii). VPT has allotted undeveloped, slushy and marshy lands to the users and in turn the users invested huge amounts in development of the land to make it suitable for cargo handling services including warehousing services. VPT has to consider the investment made by the users in VPT land all these years, while proposing the increase in lease rent.

(iii). Further, the Warehouse business is dependent on fertiliser imports and food grain exports. The volumes of both the commodities in VPT have come down drastically for the last two years, resulting in un-viability of warehousing business and any further increase of rentals may ruin the entire business of the warehousing community in VPT.

(iv). The methodology adopted by the valuer is not at all acceptable since the market rates cannot be applied for the cargo handling services and there is every need to separate cargo handling services as a separate category without clubbing the same with commercial, industrial and residential categories.

(v). The land allotted is basically used for stacking export import cargoes and other cargo handling services which is a core activity of VPT and cannot be equated with real estate values by the valuer.

(vi). VPT has to adopt a Principle of offering the land for cargo handling services to attract more volumes with a competitive tariff with reasonable return.

(vii). The present proposal may lead to diversion of cargoes to other neighbouring ports in view of abnormal increase in the transaction cost.

4. After the joint hearing, some of the users have furnished their comments. A summary of the comments received from the users and comments of VPT thereon are tabulated below:

Sl. No.	Comments received from the users	Comments furnished by VPT
1.	**Central Warehousing Corporation (CWC)**	
(i).	The East Coast from Calcutta to Tuticorin is in the developing stage and require favourable climate to compete with the ports of West Coast. Any increase in the lease rentals/ licence fee will ultimately be passed on to the end-users of port and thus may be detrimental not only to us but also to the interest of the port as well.	VPT has arrived the subject proposed SoR duly following the Land Policy Guidelines-2014 issued by the Government and the SoR rate proposed is after deduction of 30% and 25% discount on the market value.
(ii).	The area has been hit repeatedly by cyclones and huge amount of money has been spent and shall continue to be spent on reconstruction. Any increase in lease rental/ licence fee shall therefore inhibit the growth and development of infrastructure under the control of this Corporation.	
(iii).	Our facilities i.e. Container Freight Station, Vizag, Opp: Naval dock Yard, Naval Base Port, Visakhapatnam-530 014 is located in	

	marshland requiring increased amount of capital for developing high standing yard. Thus, we are already at disadvantageous position and should rather be considered for relaxation in the existing lease rent/ licence fee.	
(iv).	Land leased to as is situated in 6.9677 acres of land for which lease rent has been paid for 30 years i.e. upto 17-11-2037. Even the existing lease rental if compared to the rate at which lease rental for 30 years was paid, is abnormally high and require reduction.	
(v).	We have not been provided about the details of zone where our above cited 2 facilities are located along with the basis of proposed lease rental/ licence fee. Our officers have visited VPT several time but, these details are not provided by them. Therefore, it is not possible for us to specifically comment on the proposal of VPT with regard to increase in lease rental/ licence fee if any applicable for the land where our above 2 facilities are located. There are no extra facilities provided by the VPT in addition to the facilities provided earlier.	
(vi).	In absence of relevant details and sufficient time, this office is not able to give specific comments and reserve the right to furnish the specific comments as and when specific details regarding the zone where our facilities are located are provided alongwith the basis of proposed lease rentals/ licence fee to be fixed by VPT.	
2.	**Visakhapatnam Stevedores Association**	
(i).	The proposed increase should be from prospective date only.	The SoR proposed is for the quinquennium 2013-18.
(ii).	The existing lessees of port land are to be protected and the rentals are to be charged as per the terms and conditions of the respective lease agreements without changing the rentals considering the existing valuation of the land.	Not in line with Land Policy Guidelines, 2014.
(iii).	The Valuer has not considered similar classification/ activities while valuing the land which is against to the guidelines issued by the Ministry.	The SoR proposed is in line with the provision of Land Policy Guidelines, 2014.
(iv).	The Valuer has taken the values in port vicinity to arrive at market value of the port land without considering the actual relevant transactions for “equivalent size of the land parcels” and for “similar usage” of land.	The SoR rate arrived is after deduction of 30% towards common areas and 25% deduction for nature of ownership.
(v).	In view of the mechanical and in-appropriate application of the policy guidelines, the valuer has arrived at	No comments furnished by the VPT.

	inflated and unrealistic market value which may result in loss of business to VPT.	
(vi).	The Valuer has taken 'per square yard' valuation instead of 'per Acre' valuation which has resulted in abnormal increase in market values. The earlier quinquennium 2008-2013 rates were proposed on per acre basis and we do not understand why the valuer has gone back to per square yard basis without stating any valid reason for the same.	The SoR rate is after deduction of 30% & 25% discount on the market value.
(vii).	In the process of re-grouping and re-zoning of the land, the Valuer has arrived at substantial variation in market values. While welcoming the decision of re-zoning, in all fairness, the lowest rates in the new zones suitably escalated, should be taken for this quinquennium 2013-18 and may be reviewed suitably in the next quinquennium.	This will be reviewed suitably while proposing SoR for the next quinquennium.
(viii).	No weightage has been given for development of slushy land and no weightage has been given to water logging areas, as TAMP has extended 50% concession for water-logging areas in earlier orders.	No comments furnished by the VPT.
(ix).	As per Port guidelines 33% of the land is earmarked for the development of green belt and in view of the steep increase, it may not be possible for the lessees to keep the land vacant and the Valuer has to recommend proportionate concession for green belt area.	
(x).	The market rate arrived at, may be adopted for commercial allotments to maximize revenues. The rates for industrial and service category (cargo handling services) purpose should be governed by the principle of maximizing through put for the port.	
3.	**Bhabha Atomic Research Centre (BARC)**	
(i).	We have paid a non-refundable upfront premium of ₹6,44,87,588/- and a nominal rent of ₹1/- per sq. mtr. per annum amounting to ₹20,235/- p.a. apart from advance rent of ₹20,235/- towards refundable security deposit which will be refunded at the end of lease period after handing over of land in good condition to VPT and carries no interest. As such, it appears the proposed revision of lease rent by VPT is not applicable to us.	The proposed revised tariff is not applicable to the said 5 acres land exist under lease hold of BARC as the said land was leased out for 30 years from 2006 to 2036 upfront mode and accordingly BARC has arranged the lease amounts. Only the nominal rent of ₹1/- per sq.mtr. p.a continues till expiry of lease period in case of leases on payment of rentals on upfront mode.
(ii).	Further to the contents cited in our letter dated 7 March 2016, it may be noted that as per para under sub-hearing "Rents" at Page No.6 of the lease deed dated 29.08.2008 entered into with VPT by BARC, "the rent will be at the nominal rate of Re.1/- per sq. mtr. per annum up to 30	

	years i.e., ₹20,235/- per annum from the date of handing over payable yearly in advance in one installment on or before 1 April of each year whether the nominal rent is legally or formally demanded or not". In view of the above, it is presumed that the above referred letter regarding increase in rent is not applicable to BARC.	
4.	**Duraflex Services & Construction Technologies Ltd.**	
(i).	The port land leased by VPT to various Shipping Companies at Visakhapatnam is used by such Companies for storage and warehousing of cargo and handling cargo in warehouse/ godown, built by them over such land.	As per land policy guidelines, the SoR is to be revised every quinquennium.
(ii).	For the last few years, the cargo handling at Visakhapatnam Port work has extremely dwindled and consequently the warehousing income have likewise have gone down considerately in such circumstance raising of lease land will badly hit them badly.	
(iii).	As such the proposal of revision of lease rent may be deferred for the time being till the cargo handling work picks up at Visakhapatnam Port.	
5.	**Balmer Lawrie & Co. Ltd.**	
(i).	VPT has proposed a steep hike in land rates ranging from 70% to 235% in majority of the cases which we strongly believe is not in the overall interest of the stakeholders – lessees, VPT, exporters, importers, trade & industry, etc.in long term.	No comments furnished by the VPT.
(ii).	Logistics cost of both imports / exports at VPT will further escalate thus making exports & imports uncompetitive which would ultimately have an adverse effect on the port traffic.	
(iii).	The proposed revision would make new projects, for which land leases are finalized after 1.4.2013, unviable.	
(iv).	The proposed revision would discourage new investors to set up facilities in VPT area thus restrict competition which is essential for improving efficiencies and optimum use of resources.	
	Inherent flaws in Land Valuation Report	
(v).	The minimum & maximum rates shown in the report are not backed by any credible documents or justifications.	
(vi).	Further, there are contradictions in the rates reported to have been registered with District Revenue Authority (DRA) - refer to pages 166 & 167 attached to the proposal. The market values of industrial plots have been shown either much higher	

	or equal to that of residential & commercial plots, whereas it is a known fact the market value of residential plots and commercial plots is always several times higher than that of industrial plots. It is therefore imperative to get more details of such transaction in terms of year of transaction, plot size, location of the plot, etc.	
(vii).	The report is silent in terms of to what extent the plots referred to are comparable with the plots in VPT area.	
(viii).	The report shows only few industrial plots that have been registered with DRA which may not be representative samples to arrive at the correct land value.	
(ix).	Apart from the above, Balmer Lawrie & Co Ltd. have reiterated few of their earlier comments.	
	Impact of the proposed increase in land value on our MMLH project:	
(x).	If the revision in the land value as proposed by VPT is approved by TAMP, the land cost of our project would go up from about ₹39 crore (of the total project cost 211 crore) to ₹116 crore making our project unviable. Our land parcel falls in Z4 & Z6 whose land value has not been properly worked out by the valuation agency as explained in point 1.	
(xi).	The VPT proposal, if approved, would mean that the land cost for someone who had taken possession of land in Z4 on 31/3/13 would be "₹ X" and for BL who has taken possession on after 1/4/13 it will be "₹2.64 X". This would give a huge advantage to the one who had taken possession on 31/3/13 and put us in a totally hopeless place considering the steep hike in land cost.	
(xii).	The land parcel allotted for setting up Industry would generally have ready infrastructural/service facilities like proper approach road, water supply, electrical connectivity, drainage, street lighting etc to facilitate smooth construction and commissioning of project. However, it may be noted from the following that the land parcel allotted to us does not have such infrastructure facilities: a. The approach road to the land parcel is a kuccha road developed by dumping stones/boulders/ construction debris etc. Even trailers/ trucks find it difficult to traverse this road. b. With high water table, marine clay and water logging, the condition of soil is extremely poor with negative bearing capacity. It is forcing us to make huge	

	investment of time and money in land development for movement of heavy equipment for container handling and yard for container storage on 4 high. c. This problem is further compounded by the lake formed by the accumulation of waste water being discharged by Coromandel Fertilizer since long in the area running along the periphery on the north-eastern side of our land parcel. Through continuous seepage of this waste water, major part of land is either water logged or having high water table which has become a major hindrance even in the construction of boundary wall. d. The land parcel does not have any nearby water supply connectivity. Moreover, the ground water being brackish in nature is not suitable for use. The project has to depend entirely on tanker supply for its entire water requirement. e. The land parcel does not have immediate access to electricity line and the Lessee is required to draw the supply line from the nearest supply in Mindi Village. f. The land parcel was long being used for dumping of effluents of nearby Coromandel Fertilizer and Hindustan Zinc plant and contains high level of chemical contamination including chloride and sulphate contents. This is compelling us to use only sulphate resistant cement and corrosion resistant steel for all substructures which will increase our construction cost substantially.	
(xiii).	The land parcel of 53 acres allotted to us is low lying marshy & water logged land and hence eligible to discounts as provided in the published TAMP rate schedule of 2008-2013: a. **25%** of the lease rent prescribed in the land rate schedule on account low lying marshy land and water logging, b. **30%** of lease rents on account of land parcel being above **50 Acres**	
	Suggestions / Recommendations	
(xiv).	Methodology adopted for arriving at the revised land rates need to be reviewed. The proposed land valuation should be realistic and reasonable so that (a). It helps make optimum use of resources (b). It is not oppressive for the lessees	The SOR rates are proposed as per the provision stipulated in the LPG 2014.

	(c). It give impetus to the VPT's throughput & overall growth in economy in this part of the country	
(xv).	There are major inconsistencies in the report prepared by the valuation agency, which need to be looked into & rectified before being accepted for the purpose of the valuation.	
(xvi).	To arrive at a more realistic land value, the zone should be further classified into sub-zones keeping in view soil strata and property, ground levels, terrain, location, service facilities, approach road conditions, etc.	The SOR rates are proposed based on the zoning of the land use plan approved by the Board.
(xvii).	The increase in land value need to be restricted to 10-15% over the approved rates of quinquennium 2008-2013 in the interest of all stakeholders.	No comments received from VPT.
(xviii).	The provisions related to discount on account of the following should be retained: (a). 25% of the lease rental in case of low lying and water logged areas. (b). 30% of lease rents on account of larger extents of land of 50 Acres and above. (c). The above provisions should not be discretionary and offered to all eligible lessees.	The rate is arrived is after discount of 30% and 25% on the market value.
(xix).	The land parcel allotted to us is marshy & water logged with almost nil load bearing capacity is eligible to special discounts.	No comments received from VPT.
(xx).	Before the revised land rates are being decided, TAMP & VPT may consider jointly visiting some of the zones and sub-zones to understand soil conditions, ground levels, terrain, location, service facilities, approach road conditions, etc.	

5. A summary of the notes on arguments made by the users/ users associations/ lessees as recorded at the joint hearing and comments of VPT thereon is tabulated below:

Sl. No.	Notes on Arguments made by the users/ users associations/ lessees at the joint hearing	Comments of VPT thereof			
		Purpose and Extent (Ac.cts)	**Old Zone @ ₹**	**New Zone @ ₹**	**% of Increase**
1.	**Vizag Seaport Private Limited (VSPL)**				
	We operate EQ8 and EQ9 berths at VPT. 29 acre of back up area is allotted to us. We have also been allotted additional land in the year 2015. Lease agreement was signed in October 2015. We come under category of Industrial zone. There are	Storage and handling of cargo - 28.57 & 1.43 Back Space-24.19 Add Back UP Space-3.34 & 1.57 Railway Lines-0.96	VII @ 89.13 VIII SOR 0.9055 after 1st week	Z-1A @ ₹270 ₹6.21 per sqm.	3 times 6.85 times

	specific pockets in industrial zone which are still in primitive stage. The part of the land allotted to us was submerged in water. We had to raise land by 6.5 mtrs. Huge capital cost is involved to fill the land. Land allotted to us cannot be valued at the level valued by VPT. Comparison of land value with value of land as per State Govt. Ready Reckoner may not be correct. The land allotted to us is used for storage of dusty bulk cargo. Gangavaram Port is giving land free of cost. We have to face competition, with neighboring ports. Lease rent should not be increased so high. The Land Policy Guidelines states one of the objectives of port estate is revenue maximization. But, if lease rent is increased so steep, cargo will drift to neighboring port. VPT will lose revenue.				
		(i). The land is located adjacent to the berths and channels and it is very prominent for import & export. (ii). The LAC has examined all contents received from expert valuer and examined the rates for industrial area and recommended the same for approval of VPT Board and TAMP. (iii). VPT is allotting land to all the lessees on as is where is basis. Capital cost incurred by the lessees to develop area is one time investment for berth back up area only.			
2.	**<u>Visakhapatnam Stevedores Association (VSA)</u>**				
	We cover interest of users providing warehousing facility. We appreciate the zoning done by the port which was long due.	Construction of office and meeting hall 0.206 (836.10 Sq.mts)	I-C @ 168.40	Z-IA 270 per sq yd.	1.60 times

	Port as owner of the land has a right to invite tender for lease. But, that exercise has to be for future leases. It cannot be done in between. If VPT revalues the land in between and revises the lease rent of land, all our calculation goes hay way. Till expiry of existing lease, our interest should be protected. When the existing lease agreement, comes to an end, the revised lease rent may be applied. Land Policy Guidelines says comparison of land should be with land at close vicinity for similar usage of land. Lessees have invested huge amount to develop the land to bring it to usable stage. This factor is not considered in the land valuation. Market cannot bear any increase at this juncture. Port may concentrate on port services to maximize its revenue. Land valuation for 2008-2013 was done on acre basis. Now, VPT has shifted to sq. yard basis for land valuation. [VPT : Valuer has discounted for size of the plot. Valuation of land on acre basis is not available.]	(i). The Industrialists or business people in this area would get advantages for better facilities in VPT. (ii). Though the market rate is high at this area but the expert valuer has finalised lowest rate for this area. (iii). According to guidelines the five parameters have been observed and expert valuer rate was recommended by the LAC and Board and submitted to TAMP. (iv). The areas are located adjacent to the berths and channels and prominent to import and export. (v). The land was given as is where is basis and to develop their height of land according to their need for industries. (vi). Unit taken to arrive the rate per acre and sq. yd/ sqm is one and the same is based on value of the land at the location.			
3.	**Steel Authority of India Limited (SAIL)**				
	We are importing coal through VPT. Our lease rent will increase by 6.5 times at the proposed rate. We export steel and compete with international ports. VPT has proposed revised lease rent retrospectively w.e.f. 1 April 2013. Please consider to approve it with prospective effect.	Storage 17.88	SOR ₹0.9055 per sq.m after first week	₹6.21 per sqm	6.85 times
		No comments furnished by VPT.			
4.	**Tamil Nadu Electricity Board (TANGEDCO)**				
	Port should find other avenue to generate revenue from port services and not from land. People using land for port related operations, the lease rent should be different. If the land is used for other purposes, the lease rent may be different. Existing lease rent may be increased to the extent of inflation.	No comments furnished by VPT.			
5.	**M/s. Hindustan Petroleum Corporation Ltd. (HPCL)**				
		AC.212.31	IX-B@ ₹89.13	Z-A @ ₹240 per sq.yd	2.69 times

<table>
<tr><td></td><td>Our land is in zone 9B. It should be categorized in Zone 1A and not Zone 4.
Land Valuation is done for sq. yard / sq. mtr basis and not on the basis of area. This is fundamentally wrong.
We have incurred huge expense to develop marshy land allotted to us. This is not captured in valuation. We are penalized.
Existing lease and new lease should be dealt with separately.
33% of land should be earmarked by the port for green belt.
Hike should not be more than 30% of existing lease rent.</td><td colspan="4">(i). The extent (Ac.212.31) mentioned by M/s.HPCL lies in old Zone IX-B. Since the area comes under industrial, the new Zone was categorized as Z-4. Z-1(A) is classified for the area of core operational.

(ii). Valuation is categorized as
(a). Industrial
(b). Commercial
(c). Residential
Rates arrived for each category is per sq. yd. only.

(iii). The expenditure spent for the development of the plot is one time investment.

(iv). Discrimination in such case mentioned above may be reviewed for existing lessees.

(v). VPT is maintaining greenery at various locations in addition to the 10% greenery maintained by the lessees in their leased premises.</td></tr>
<tr><td>6(a).</td><td colspan="5"><u>M/s. EVTL & Essar Steel</u></td></tr>
<tr><td>(i).</td><td>The land allotted to them was marshy and not fit for any construction. They have invested huge amount for reclamation of land and the cost of construction was increased drastically due to poor quality of soil, as the VPT has left the land as waste without any development.</td><td>Up gradation of the existing facility and creation of new facility for iron ore handling on DBFOT basis TOTAL 98.50 AC.</td><td>IIA-I @ 196.48
VIII @ .89.13
XIV @ 149.14
X-A @ 421.04
X-B @421.04,I-B @ 421.04, I-B@ 155.44
I-C @ 168.40</td><td>Z-I(A) @270,Z-2 @330
Z-IB@450
Z-IA @270</td><td>1.37 times
3 times
2.20 times
Marginal Hike
Marginal Hike
1.73 Times
1.60 times
1.60 times</td></tr>
<tr><td>(ii).</td><td>There was no sales and registration of Port lands. The basic value or the registration statistics of the land located in the revenue villages adjacent to the port lands are taken into consideration to fix the lease rentals of VPT lands is not proper.</td><td colspan="4" rowspan="2">No comments furnished by VPT.</td></tr>
<tr><td>(iii).</td><td>The nature of status of port lands which under their lease, cannot be compared with that of Marripalem, Butchirajupalem or Nathayyapalem as the same are well developed with potentiality of all kinds. Hence the comparison is not reasonable.</td></tr>
<tr><td>(iv).</td><td>Consideration of sale transaction with highest value that is over and above the basic value of the prevailing market value is also not correct as there is every possibility also not correct as there is every possibility for organized and motivated transactions by</td><td colspan="4"></td></tr>
</table>

	some vendees with other intention.				
(v).	The large extents of lands are required to set up for any industry and are to be acquired or leased shall be measured in acres only. But the VPT adopting the scale of measurement on square meters while allotting large extents. Hence, fixing of lease rentals in sq. mtrs is not reasonable.	Conveyor Acs. 6.82 Cts Stock pile Area Ac.13.74	IX-A@51.25	Z-I(A)@270.00	2.96 times
(vi).	33% Greenery	Maximum hike is 3 times only not 24 times as mentioned by M/s. Essar Steel			
(vii).	Steep hike in the case of expiry of lease.				
7.	**Coromandal International Limited**				
(i).	The land allotted to them was marshy and not fit for any construction. They have invested huge amount for reclamation of land and the cost of construction was increased drastically due to poor quality of soil, as the VPT has left the land as waste without any development.	Fertilizer Plant 36.08	IX-B @ 89.13	Z-4 @ 240	2.69 Times
		352.33	IV @ 96.49	Z-4 @ 240	3.45 times
		24.75	III B3 @ 96.49	Z-4 @ 240	2.48 times
		4.83	III B2 @ 73.66	Z-4 @ 240	3.25 times
		0.88	III B1@ 70.14	Z-4 @ 240	3.25 times
		5.89	III B@ 70.14	Z-4 @ 240	3.42 times
		4.21	II-AI@196.48	Z-4 @ 240	1.22 times
(ii).	There are no sales and registration of port lands. The basic value or the registration statistics of the lands located in the revenue villages adjacent to the port lands are taken into consideration to fix the lease rentals of VPT lands is not proper.	Bore well 4.43AC GFCL 9.82 Cts	IV-A@89.13 VIII-A@89.13	Z-6@240 Z-6@240	2.7 Times 3 Times
(iii).	The nature and status of port lands which under their lease, cannot be compared with that of Marripalem, Butchirajupalem or Nathayyapalem as the same are well developed with potentiality of all kinds. Hence, the comparison is not reasonable.	No comments furnished by VPT.			
(iv).	Consideration of sale transaction with highest value that is over and above the basic value of the prevailing market value is also correct as there is every possibility for organized and motivated transaction by some vendees with other intension.				
(v).	The large extents of lands are required to set up for any industry and are to be acquired or leased shall be measured in acres only. But the VPT adopting the scale of measurement on square meters while allotting large extents. Hence, fixing of lease rentals in sq. mtrs is not reasonable.				

(vi).	33% Greenery				
(vii).	Steep hike in the case of expiry of lease.				
8.	**Balmer Lawrie & Co Ltd.**				
(i).	We are working with port for multi modal project.		IV@96.49	Z-4 @240	3.45 Times for industrial , 4.72 times if it is commercial
(ii).	Port should see whether at the proposed rate, it can retain cargo in its port.	(i). Here, the rate per sq. mtr. is ₹49,000/- for residential which is higher than the rate of industrial rate, adopted by expert valuer. (ii). May be reviewed. (iii). Zone Z-4 is considered as industrial area and the rate is lower than residential area.			
(iii).	Importers / Exporters will drift away from the port. Port will not be able to optimize revenue.				
(iv).	Andhra Pradesh Govt. is giving land free of cost. Whereas, VPT has proposed to increase lease rent to the tune of 300%.				
(v).	Normally, rate for industrial area should be lower than residential area. But, in the case of VPT, it is the reverse.				
(vi).	There was a provision for concession in lease rent for marshy / water logged land. Such a provision is not included in the current proposal.				
(vii).	Allow moderate increase as allowed in the last quinquennium in interest of all users.				
9.	**M/s. CONCOR**				
(i).	We fear we will fall under commercial zone. [VPT : CONCOR will fall under industrial zone]	97.08 cts	XI-@105.22	Z-6@240	2.28 Times for industrial and 10.60 times for commercial
(ii).	Increase lease rent to the extent of inflation. Consider reasonable and acceptable increase.	No comments furnished by VPT.			
10.	**M/s. Alufloride Ltd.**				
(i).	We are pollution abatement unit of Coromondel. We had earlier taken 7 acres of land from Coromondel. Subsequently, we have taken that land on direct lease from port.	Setting up of aluminum fluoride plant 7	IV@96.49	Z-4 @240	2.48 Times
(ii).	We are presently struggling to meet our costs. Please consider a reasonable increase.	No comments furnished by VPT.			
11.	**M/s Rashtriya Chemicals & Fertilizers Ltd.**				
(i).	Industry has invested huge amount. Port can earn revenue from Port services. Proposed lease rent will kill the industry.	Ac.10 cts	IX-B@89.13	Z-A@240	2.70 times

(ii).	Port should come forward as facilitator to see that industries survive.	(i). Land is lying vacant from date of handing over to the lessee and they did not establish any structures in the area. (ii). Hence lease is terminated.
(iii).	For industries, a separate lower rate should be proposed.	

6. A summary of the comments received from users/ users associations/ lessees on the revised proposal of VPT dated 19 July 2016 and reply received from VPT thereon are tabulated below:

Sl. No.	Comments received from users/ users associations/ lessees	Reply received from VPT
1.	**Visakha Container Terminal Pvt. Ltd.**	
(i).	The proposed increase in the license fees/ lease rentals, which is very steep, is going to adversely affect the export/ import trade at Visakhapatnam Port and also, if made applicable to land allotted to VCTPL would spell disaster to existing as well as the upcoming Extension Project and need to be reconsidered and status quo maintained.	The revision of land lease rentals proposed is as per Land Policy Guidelines-2014. It is clarified that the rates were arrived by the approved valuer, appointed for the purpose after considering all aspects like DRA rates, transactions of nearby land duly adopting discount of 25% towards nature of ownership and 30% for common areas. Thereafter, the Land Allotment Committee moderated further such reasonable rate and the VPT Board approved the same and submitted to TAMP for approval.
(ii).	The methodology adopted for calculating the lease rentals based on evaluation of land prices in the nearby areas in the port city needs to be reexamined. Often, the estate prices in the nearby city areas are based on different considerations like potential for commercial development or for building residential complexes. Port land is basically used for storage of cargo and therefore determining its lease rentals based on estate prices in the nearby areas is not logical.	
(iii).	The proposed lease rent in the Schedule of rates @ ₹4.85 per sqm per week is too high for long term lease cases like ours where the land has been allotted under BOT scheme.	
(iv).	The lease rent as per scale of rates has been always lower than the schedule of rates published over the years, from the date of signing the Licence Agreement with VPT.	
(v).	A separate methodology need to be adopted for BOT operators like ours for charging the lease rent at a nominal rate as the land being used are incidental and critical to the container stacking/ storage purpose and it was agreed upon during the joint hearing held by TAMP on 18 March 2016 at VPT.	There is no separate methodology prescribed for arriving the land lease rentals for BOT operator in the land policy guidelines 2014. The proposed land lease rentals arrived based on the approved valuer's recommendation are realistic and holds good. VPT is guided by the relevant provisions of Land Policy-2014 in regard to revision of SOR.
(vi).	The Board (Resolution No.141/2015-16 approved by the Board of Trustees of Visakhapatnam Port Trust), had agreed to consider a separate policy for arriving the rate, in case of allotment of additional land to PPP operators, as these allotments have to be on nomination basis wherein tender cum auction may not be resorted.	

(vii).	An area of 164000 sq. mtr. was allotted to VCTPL on license fees basis for a period of 30 years w.e.f. 11-09-2002, at the rate of ₹3450 per 100 sq. meter per annum for development of infrastructure of container terminal which is based on the policy prevailing at that time. As per the present proposal this is going to increase to ₹4,13,60,800/-, a whopping 424% (5.23 times) increase in the rentals. In absolute terms, the lease rentals would go up from ₹79.11 lakhs/ annum to ₹4.14 crores/ annum.	
(viii).	Apart, the additional area of 12,996 sq. mtr. (Near Fishing Harbour side) was allotted to VCTPL in 2012 to overcome congestion, VPT has applied the lease rent as per scale of rates approved by TAMP vide Order No.TAMP/48/2014-VPT dated 15 January 2016 @ ₹6.21 per sqm per week. After due consideration VPT has allowed 50% concession. The total lease rent has gone up from ₹6.27 lacs per annum to ₹20.98 lacs a whopping 235% (3.35 times).	
(ix).	The additional lease rent cost would have to be ultimately passed on to the trade resulting in tariff hike. The additional lease rent payable works out to ₹3.34 crores (if applied prospectively) which needs to be recovered from the volume to be handled in remaining months of this financial year. Assuming it has to be recovered from 1,50,000 TEUs, cost would have to increase by ₹233 per TEU which is about 6% hike. If the lease rent is applied on retrospective affect, the increase would be ₹935 per TEU (basis above assumptions) which is about 22% hike.	
(x).	The licence fees for the past 12 years has been flat and such sudden increase in the license fees to such an extent at one go would adversely affect the cash flows of the company. This will also badly affect the container trade in the region as the revision will ultimately affect them. Whilst we have stiff competition in and around Visakhapatnam from minor ports, VPT and VCTPL to remain competitive, it is imperative to maintain the existing land lease rates or a reasonable escalation of twice of the existing lease rent at the most.	
(xi).	We would therefore request to keep the lease rent at the same level which is ₹2.14 per sqm per week.	
(xii).	With the proposed increase the lease rent would go upto ₹3.48 crores a whopping 127% hike (2.27 times) from current level, would act as deterrent in offering competitive tariff to the Trade.	

(xiii).	The land allotted to VCT of 34 Acres has been largely undeveloped; marshy and part of the backwater channel passing on the northern boundary. The water table is at just about 1 meter depth and fully saline. VCTPL has spent huge amount in excavation, general filling and paving the yard to bring it to a workable standard because of the poor nature of soil which was marine clay. One can consider this an equal to a water body and extend the 50% discount allowable to water bodies as similar general filling is required in both cases.	VPT is allotting land to all the lessees on as is where is basis. Capital cost incurred by the lessees to develop area is one time investment for berth back up area only.
(xiv).	The methodology adopted for calculating the lease rentals is based on evaluation of "fully developed" lands in the nearby areas in the port city. This needs to be reexamined. Often, the estate prices in the nearby city areas are based on different considerations like potential for commercial development or for building residential complexes. Port land is basically used for storage of cargo and therefore determining its lease rentals based on estate prices in the nearby areas, that too of developed lands is not logical.	The LAC has examined all contents received from expert valuer and examined the rates for industrial area and recommended the same for approval of VPT Board and TAMP.
2.	**Essar Steel India Limited**	
(i).	Though the rentals were reduced to a marginal extent, still it is a burden on industries in view of present economic scenario. As regards M/s.Essar Steels, the land lease period for an extent of 13.74 acres was expired in the year 2012. The lease rent amount was ₹11.06 per sq. yard at the time agreement and after renewal the amount enhanced to ₹115.82, which is more than 10 times increase against previous rental amount, as the renewal is considered as lease afresh. As could be seen from the present proposed rents, it is fixed at ₹270/- per sq. mtr., which is 24 times increase against original rental amount with in a span of 4 years' time. This abnormal increase in land rentals would naturally become a heavy burden on the industry that leads to crises in the financial planning. As you are kindly aware – (a). The Government at present is encouraging the industrial sector on all aspects. (b). The central and state governments are promoting industries by allotting lands on nominal cost throughout the country. (c). The lease rentals are being fixed in neighboring states at a nominal amount calculated @ 2% to 2.5% of the initial	No comments furnished by VPT.

	premium and there will not be any increase in lease up to the end of lease period. (d). 33% of the land becomes unproductive due to development of green belt as per the norms of the Government. (e). In appreciation of the prolonged crisis the Indian steel Industry has been passing through, the Government of India has initiated various measures to protect the steel industry.	
(ii).	In view of the above facts, the proposed revised lease rentals/ land policy deserve to be reexamined and we humbly request the authorities to consider the following favourably:	
	(a). Due to wrong classification of the area, where M/s.Essar Steel is located, it has fallen in the core operational area, which is related to port activities, where the rates are at higher side. But the other industries viz.; HPCL, Coromandel and RCL etc. have fallen under industrial area, where the lease rentals are low when compared with core operational area. Hence, it is requested to re-classify the area, where M/s.Essar Steel is located, as industrial area to get the benefit on par with other industries in the port lands.	M/s.Essar Steel is located in core operational area in which the rates of District authorities are high. It is core operational area. The Industrialists or business in this area would get advantages for better facilities in VPT. According to guidelines the five parameters have been observed and expert valuer rate was recommended by the Land Allotment Committee & Board and submitted to TAMP. Though the market rate is high at this area but the expert valuer has deducted 55% of market value and finalised lowest rate for this area. The approved valuer has examined all factors and submitted his report and the Land Allotment Committee also agreed to recommend the same submitted to the VPT Board and sent to TAMP for approval. According to Land Policy Guidelines 2014, there is no such provision to allot the land on 50% deduction of SOR for private organisations. The areas are located adjacent to the berths and channels and prominent to import and export.
	(b). The Hon'ble Supreme Court while considering an appeal against the order passed by the Hon'ble High Court of Andhra Pradesh in K.Vasundhra Devi Vs Revenue Divisional Officer (LAO) held that "when genuine and reliable sale deeds of small extents were considered to determine the market value of large book of lands sufficient deduction should be made to arrive at the just and fair market value of large book of land". In the judgment of the Hon'ble Supreme Court in Administrator General of West Bengal Vs Collector, Varanasi, 50% deduction was held to be reasonable. In view of the above, it is requested to assess the market value of the land parcels of 110 acres, 24.64 acres, 13.74 acres, 6.82 acres and 1.77 acres allotted to Essar @ 50% of the market value assessed in respect of small extent of land.	
	(c). After expiry of existing lease period, when the industry requested for renew of lease, it may not be treated as a fresh lease under new rates/ conditions. The lease may be renewed under the existing terms. However, a nominal increase in the lease rentals may be imposed.	
(iii).	In view of the present difficult conditions the steel industry is passing through at present, we would like to request you again to kindly	

	consider the above issues which will help us in particular, at the present critical condition and also give boost to the industries located in port land, in general.	
3.	**Defence Estate Officer / Ministry of Defence.**	
(i).	VPT is charging rentals on quinquennium revision rates fixed by District Revenue authorities @ 9% p.a. and escalation @ 5% every year for Navy. In case of Coast Guard Orgn. VPT lands are leased on payment of upfront premium for the period 30 years @ 6% DCF and 2% escalation. In case of SBC Orgn. (R&D) the lease rentals are paid @ 6% on the basic rate (bench mark valuation) approved by the TAMP @ 2% escalation every year, another areas of leased land 24.86 acs., 924.75 sq.mts., 390 sq.mts., 396.80 sq.mts. and 1.05 acs. the lease rentals are paid @ 9% on the quinquennium revision without escalation every year.	No comments furnished by VPT.
(ii).	The VPT authorities are charging above lease rentals @ full SOR without giving any concession to Government of India, Ministry of Defence, which are security agencies. As per the policy guidelines for land management by Major Ports, 2014 which was approved by the GOI, that concession may be granted to security agencies and Government organisations upto 50% of the annual lease rent. It is requested to consider the representation of this office on behalf of GOI, MOD [Navy, CG, SBC(R&D)] and approve/ fix rates of SOR at 50% concession rate to the Government of India, Ministry of Defence [Navy, CG,SBC(R&D)] from the date of approval of the Government policy in the year 2014.	According to the land policy guidelines, 2014 the Visakhapatnam Port Trust has considered 50% concession to security agencies and Government of India organisations as per their request.
4.	**Alufluoride Limited**	
(i).	The lease rentals of VPT for 2008-13 are itself on higher side and unable to absorb the same due to its difficult operating/ financial conditions.	Land Allotment Committee has examined all contents received from expert valuer and examined the rates for Industrial area and recommended the same for approval of VPT Board and sent to TAMP for approval.
(ii).	We have taken long lease of seven acres of land from VPT situated at Mulagada, Mindi, Visakhapatnam, adjacent and rear side of Coromandel International Limited, erstwhile, Coromandel Fertilisers Limited (CFL) for setting up manufacture of Aluminium Fluoride and other related products.	The Industrialists or business period in this area would get advantages for better facilities in VPT. Zone Z-4 is considered as Industrial area and the rate is lower than residential area. M/s.Alufluoride Limited paid rentals as per the DRA rates as per agreement conditions during the currency of the original lease period, and on expiry of the original lease, the SOR as finalised by shall become applicable as per the land policy guidelines. M/s.Alufluoride was the beneficiary of having old meager lease rentals as per
(iii).	CFL has set up Fertilizers manufacturing unit in early seventies and had set up the project on VPT long leased land. While producing Phosphoric Acid, a major raw material for manufacture of Fertilizer, CFL generates fluorine vapors, which are hazardous and harmful to the neighboring lands and villages. Effluents of fluorine	

	vapors/ gases are prohibited by the pollution Control Board and are required to convert these hazardous vapors to Hydrofluosilicic Acid. Therefore, CFL associated as a supplier with Alufluoride Limited leasing to the Aluminium Fluoride (AIF3) unit about two decades back, using the acid as a major raw material.	lease condition. Now, since their lease has expired, they have to accept the approved SOR rate as per Land Policy -2014.
(iv).	For setting up the AIF3 project, which is mandatory for CFL in terms of pollution control angle, offered their VPT lease land of seven acres to us as a sub-lease with the approval of VPT.	
(v).	While financing the AIF3 project, Public Financial Institutions like ICICI, IDBI and SCICI insisted for a direct lease from VPT in place of sub-lease from CFL. For the purpose, with the acceptance of VPT, CFL surrender their seven acres land to VPT and VPT sanctioned a direct lease of the same to Alufluoride for setting up of AIF3 unit.	
(vi).	The lease from VPT of Alufluoride Limited as well of Coromandel International Limited has expired by 31 December 2014 and both the companies requested for renewal of the lease for further periods.	
(vii).	It was informed that, CFL lease agreement allows for automatic lease renewal for further periods but with Alufluoride Limited the lease is not allowed for automatic renewal, though the land is one and the same of original CFL lease land. Kindly note that, after expiry of existing lease period, when the industry requested for renew of lease, it may not be treated as a fresh lease under new rates/ conditions. The lease may be renewed under the existing terms. However, a nominal increase in the lease rental may be imposed.	
(viii).	Since both the CFL and Alufluoride are inter-dependent companies, Alufluoride requested VPT to consider the same terms and conditions, which will be finalised to CFL while renewing their lease.	
(ix).	As ours is a continuous manufacturing industry, earning valuable foreign exchange to the Nation through all our exports through VPT and contributing to the ex-chequer in the form of taxes and duties to the State as well to the Nation, as it is Pollution Abatement Project and helping CFL as well as nearing VPT lands and nearing village from CFL's disposal of hazardous waste, as it is listed Company with shareholders over 7,500 spread all over the country.	
(x).	Regarding lease rentals we would like to inform you that, during 01.04.2013 to 31.03.2014 we paid lease rentals of ₹3,22,248 from 01.04.2014 to 31.12.2014,	

	we paid ₹2,65,855 (for one year it is ₹3,54,473). We are surprised to receive enhancement of rent from existing ₹3,54,473 to ₹34,69,277) during 01.01.2015 to 31.12.2015 (₹122 per sq.mtr.) which is almost ten times of the existing rent. Reference to your letter dated 25 July 2016 addressed to us, the lease rent works out to ₹169 per sq.mtr. This abnormal increase in land rentals would be a heavy burden on the industry and leads to closure of the unit once for all. Our closure of plant will adversely affect the existing CFL plant as well make difficult for the CFL surrounding lands of VPT, due to high pollution from CFL. In view of this, we request VPT and TAMP to sympathically value the lease rents of our land as a special case and for survival of our unit.	
(xi).	As you are kindly aware – (a). That the Government at present is encouraging the industrial sector on all aspects. (b). The central and state governments are promoting industries by allotting lands on nominal cost throughout the country. (c). 33% of the land becomes unproductive due to development of green belt as per the norms of the Government.	
5.	**Food Corporation of India**	
(i).	Due to re-zoning of VPT lands we have requested the VPT vide our letter dated 19 August 2016 to intimate the actual zone in respect of FCI Godowns (ANG Godowns). Accordingly, the VPT authorities have informed that FCI leased godowns come under Zone-1A which is Core Operational Area as per the Land Allotment Committee proposals of VPT as per various parameters adopted by them.	No comments furnished by VPT.
(ii).	Food Corporation of India is not a profit oriented Organisation and striving to help the farmers and the consumers and hence the Ministry of Food & Consumer Affairs has taken the VPT land on long lease i.e., for 99 years only for the purpose of construction of godowns for buffer storage of foodgrains.	The subject proposal is only for revision of lease rentals. The categorization of land as Industrial / Commercial / Residential based on the usage and location was proposed in the revision of SoR 2013-2018 submitted to TAMP for approval and proposed Industrial rates are lower than Residential / Commercial rates. Any concession in respect of low-lying/water logged area / usage of land for long terms period as per the Land Policy Guidelines 2014 is within the purview of Board / Chairman.
(iii).	We have requested the VPT authorities for several times not to impose the leased rentals on commercial / industrial basis since FCI is not making any profit. It is further to inform that our ANG Godowns are lying in low level and water logged area and as per the Land Policy Guidelines, there should be some relaxation in fixing the rentals.	
(iv).	Kindly consider our request to minimize the SoR in respect of our ANG Godowns, port area by not treating as Industrial / Commercial Core Operational area of VPT.	

6.	**Central Warehousing Corporation**	
(i).	On perusal of the revised lease rents, it is observed that there is 373.7% increase in the rates in respect of Central Warehouse which comes under Commercial. The existing rate is ₹115.38 and rate proposed to TAMP by VPT is ₹545.40. As such there is abnormal hike in the rates proposed when compared to the existing rate.	VPT has arrived the subject proposed SOR duly following the Land Policy Guidelines-2014 issued by the Government and the SOR rate proposed is after deduction of 30% and 25% discount on the market value. Further, the increase of the proposed rate of Industrial (Port related activities) category when compared with the aforesaid existing provisional rate is only ₹53.26 (168.64-115.38). But, whereas M/s.CWC has compared with the rate proposed under commercial category hence the increase is more.
(ii).	As explained in our earlier letter dated 16 March 2016, the condition of land and dilapidated condition of godowns due to hudhud cyclone. The amount of capital investment for developing the land and structures are very high and income generation is very low due to tough competition.	
(iii).	The East Coast from Calcutta to Tuticorin is in the developing stage and require favorable climate to complete with the Ports of West Coast. Any increase in the lease rentals/ license fee will ultimately be passed on to the end-users of port and thus may be detrimental not only to us but also to the interest of the port as well.	
(iv).	The area has been hit repeatedly by cyclones and huge amount of money has been spent and shall continue to be spent on re-construction. Any increase in lease rental/ license fee shall therefore inhibit the growth and development of infrastructure under the control of this Corporation.	
(v).	The facilities i.e., Container Freight Station, Vizag, Opp. Naval Dock Yard, Naval Base Depot, Visakhapatnam - 530 014 is located in marsh land requiring increased amount of capital for developing and maintaining high standing yard. Thus, CWC are already at disadvantageous position and should rather be considered for relaxation in the existing lease rent/ license fee.	
(vi).	In view of the above, CWC has requested to consider rather reduction in the existing rates of quinquennium 2008-13 in respect of lands leased to CWC at Container Freight Station, Vizag, Opp. Naval Dock Yard, Naval Base Post, Visakhapatnam-530 014 and Central Warehouse, Unit-I, Kancherapalem, Visakhapatnam-530 008 while deciding the rates for quinquennium 2013-18.	

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