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Tariff Authority for Major Ports

G.No. 400

New Delhi,

30 October 2018

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 2018-2023 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/30/2018-VPT

Visakhapatnam Port Trust

Applicant

QUORUM:

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

ORDER

(Passed on this 3rd day of October 2018)

This case relates to proposal received from Visakhapatnam Port Trust (VPT) for revision lease rentals / license fee under different categories of VPT land (11 zones) for the quinquennium 2018-2023. The VPT has filed the proposal under the amended Land Policy Guidelines, 2014 announced by the Ministry of Shipping (MOS).

2.1. The lease rent for VPT lands was last approved by this Authority, vide Order No.TAMP/80/2015-VPT dated 17 November 2016. This Authority had approved two schedules of lease rent viz. (i). Schedule-1A- Revised lease rent as per old zones for the period from 1 April 2013 to 9 October 2015 (ii). Schedule 1B-Revised lease rent as per new zones from 10 October 2015 till 31 March 2018 and (iii). Charges for right of way permission for laying Pipelines in VPT's premises in the said Order. The lease rent approved by this Authority was given retrospective effect from 1 April 2013 as sought by the VPT and validity was prescribed for a period of 5 years i.e. till 31 March 2018. The Order was notified in Gazette of India on 27 December 2016 vide Gazette No.469.

2.2. The revised lease rent approved in the said Order for Lands at various Zones of VPT is as follows:

- (i). 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 Paved (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

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 Paved (In ₹ Per Sq. Mtr/Per Week or Part thereof)	Storage Sheds, Warehouses and Covered Storage (In ₹ Per Sq. Mtr/Per Week or Part thereof)
III-B3	5 (Under Airport Area)	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		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
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

- (ii). 1B - Schedule of Lease rent of the Visakhapatnam Port Trust Land for the New Zones from 10.10.2015 (valid till 31 March 2018 subject to prescribed indexation annually).

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

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

Way leave charges for laying of Pipeline / Conveyors:

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:-

- (i). 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.
- (ii). 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.
- (iii). 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.
- (iv). The lease rent prescribed in above schedules will be revised w.e.f. 01.04.2018 with the approval of Competent Authority.
- (v). Zone 1A industrial rate will be applicable for the existing firms which are paying previously as per Scale of Rates.
- (vi). 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%.

3.1. In this backdrop, the VPT vide its letter No.Estate/SoR18-23/TAMP/483 dated 16 April 2018 [received by us on 20 April 2018] has filed the proposal for revision of lease rentals for the quinquennium 2018-2023. The VPT has filed the proposal under the amended Land Policy Guidelines, 2014 issued by the Ministry of Shipping (MOS), Government of India vide MOS letter dated 17 July 2015.

3.2. The highlights of the proposal are as under:

- (i). The VPT has appointed M/s.Kanti Karamsey & Co. to submit the valuation report for revision of lease rentals for the quinquennium 2018-2023. The VPT has furnished a copy of report of the port approved valuer.
- (ii). In pursuance of the amended Land Policy Guidelines 2014, Land Allotment Committee (LAC) was constituted by VPT under the Chairmanship of Deputy Chairman (VPT) and other members viz. Sr. Deputy CAO, Chief Engineer, Traffic Manager.
- (iii). As per the procedure laid down in the amended Land Policy Guidelines 2014, the Committee has examined the land valuation as per (i). Andhra Pradesh (A.P.) State Government's ready reckoner (ii). Comparative recorded sale instances in Sub Registrar Office of Visakhapatnam for 3 years i.e. 2015-16, 2016-17, 2017-18 (iii). Accepted tender rate of land allotted on tendering basis and (iv). rate arrived at by an approved valuer (v). Any other relevant factor as may be identified by the port.
- (iv). (a). In this regard, for valuation of land under method (i) of the above 5 factors, the District Revenue Authority (DRA) was requested to furnish the land valuations under different categories viz. Industrial, Commercial and Residential. The DRA vide its letter No.REV-GSECOLA/13/2017-SA

(G2)-VSKPCO, dated 21 November 2017 has furnished the land valuation for the quinquennium 2018-2023.

- (b). For the 2nd factor, the recorded sale instances in Sub Registrar office of Visakhapatnam, for 3 years i.e., 2015-16, 2016-17 and 2017-18 have been obtained.
 - (c). As regards 3rd factor, accepted tender rate of land allotted on tendering basis has been prepared.
 - (d). As regards 4th factor, VPT appointed a Valuer, M/s.Kanti Karamsey & Co. and their report has been obtained.
 - (e). As regards 5th factor, VPT has not found any relevant factor to consider for land valuation.
- (v). The LAC has made the following observations on the recommendation of approved valuer:
- (a). The zone wise market values of land were sought from the DRA for the Port lands for different categories such as Industrial, Commercial and Residential in the vicinity of VPT lands for quinquennium 2013-2018. However, DRA could only provide value of land for Residential and Commercial purposes. The LAC observed that the transactions made for residential or commercial are owner-ship basis and not on lease basis. However, Port land can only be allotted on lease or licence basis. No rates are furnished by DRA for the Industrial category.
 - (b). Land values are based on the highest rate of actual transactions registered in the last 3 years i.e. 2015-16, 2016-17 and 2017-18 in the vicinity of Port land in the Sub-Register's Office, Visakhapatnam. The LAC observed that the transactions are mostly residential only and no significant transactions have taken place for commercial and industrial category. The LAC has further noted that the market rates of the land belonging to the Port lands are not available in the Sub-Register's Office or made available by the DRA for industrial category.
 - (c). As regards the highest accepted tender-cum-auction rates carried out in last 3 years for Port lands for similar transactions, the LAC observed and has taken note of the recommendations of the approved Valuer for not considering the highest accepted tender cum auction rate for following reasons:
 - (i). *Only a few tenders/ auctions are carried out in the last past three years and those are for different sizes of plots for setting up of warehousing, garage and cold storage purposes. The rate determined through tenders is basically depended on the factors such as availability of infrastructure such as rail and road connectivity and those are all developed land which fetched higher rate can be treated as premium for those plots specifically and the prices determined through the tender mainly depends on the essential factors like demand and supply, purpose, size of the plot. Therefore the rates determined for those specific plot having inherent benefits like better connectivity, developed land, through tender don't reflect the realistic value of the remaining land of the zone. As the proposed rates of SOR are applicable throughout the zone for all the of plots of different sizes, different nature of uses, developed / undeveloped connectivity etc. the rates discovered through tender cum auction for these three plots cannot be considered as these are applicable for the transactions for equal size of land parcels and similar usage of land and their characteristics. Those 3 plots of land including their specific characteristics are discussed below:*
 - (ii). *In Zone 4, the Highest accepted tender-cum-auction rate per sq.yd by M/S Srivalli Shipping and Transport Ltd for 10.4 acres for purpose of development of Container Freight Station and storage facility is ₹4,390 per sq.yd. In case of Zone-5 the Highest accepted tender-cum-auction rate per sq.yd. was quoted by M/S Rain CII Carbon (Vizag Ltd) for area of 6.72 acres of contiguous*

land to their existing land for purpose of development of covered storage facility/ warehousing for processing of cargo is ₹3,428 per sq.yd. and in Zone-6 Highest accepted tender-cum-auction rate per sq.yd. is quoted by M/S Gateway East India Pvt Ltd for area of 4.5 acres of contiguous land to their existing land for purpose of development of covered storage facility/ warehousing for processing of cargo is ₹4,668 per sq.yd.

- (iii). In zone-4, M/S Srivalli Shipping and Transport Ltd have obtained 10.4 acres of land at ₹4,390 per sq.yd. which is already developed land and having rail connectivity and thus they can offer to pay premium for the land. And this factor may not be applicable for rest of the land in zone-4 hence this rate may not be applicable for entire zone over the prevailing schedule of rates.
- (iv). In zone-5, M/s. Rain CII Carbon (Vizag Ltd.) have obtained 6.72 acres of land at ₹3,428 per sq.yd. and this land is located contiguous to their existing lease hold land. This additional land, the bidder necessarily required for their expansion project, which cannot be equated for other pieces of land, and thus the bidder can afford to pay premium to take that contiguous land. And this factor may not be applicable for rest of the land in zone-5. Hence this rate may not be applicable for entire zone over the prevailing schedule of rates.
- (v). In zone-6, M/s. Gateway East India Pvt Ltd have obtained 4.5 acres of land at ₹4,668 per sq.yd. and this land is located contiguous to their existing lease hold land. This additional land, the bidder necessarily required for their expansion project, which cannot be equated for other pieces of land, and thus the bidder can afford to pay premium to take that contiguous land. And this factor may not be applicable for rest of the land in zone-6, hence this rate may not be applicable for entire zone over the prevailing schedule of rates.
- (vi). As per Land Policy Guidelines for Major Ports, for establishing the land rates, factor of Highest accepted tender cum auction rate also has to be considered. But, the Highest accepted tender cum auction rate for Zones 4, 5 and 6 was found to be 50% to 70% higher than the existing Schedule of Rates for 2018, for some specific reasons attached to those pieces of lands. The said highest rate thus cannot be imitated for rest of the lands of the 3 zones, viz., zone 4, 5 and 6. Moreover, such sudden increase of rate as per the Highest accepted tender cum auction rate can adversely affect the function and operation of the already existing leaseholder of the land. Hence for the purpose of establishing fair rates for zone 4, 5 and 6 and after observing the development potential, connectivity and location of the area, and stiff competition from neighbouring ports it is proposed that 10% to 15% premium on the updated Schedule of Rates of VPT as on 31-03-2018 can be considered reasonable for these three particular zones.”
- (d). The LAC has perused the valuation report submitted by M/s.Kanti Karamsey & Co., Mumbai the Approved Valuer appointed by VPT and has observed that the market value of land was assessed zone wise and rates have been arrived based on the AP State Govt. Ready Reckoner (Guideline rate). As per the AP State Govt. Ready Reckoner, the rates are for the lands adjacent to the Port boundary. The market rates of land belonging to Port land is not available either in the Guideline rate made available by the DRA in the Sub Registrar office, Visakhapatnam since there is no sale of Port land. The LAC has observed that the Approved Valuer has assessed the market value of Port land taking the State Government Ready Reckoner value of land for Residential and Commercial categories and considered the rate of Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for industrial category and

arrived at market value of Port land by applying suitable factors while recommending the market value of the land for 3 purposes (Industrial, Residential and Commercial).

- (e). The Approved Valuer has considered the factors like, 1. Distance from Port/ Infrastructure development – Road & Rail connectivity, 2. Purpose of 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 premium:
- (i). A discount of 25% is applied as the nature of ownership changes in comparison with the freehold land outside and inside VPT boundaries.
 - (ii). A 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 which is arrived after deduction of this common amenities and facilities.
 - (iii). Suitably adopted a premium of 25% on the estimated rate of residential and commercial for having a superior location and development stage for the lands situated in Zone 8 & 9.
 - (iv). Suitably adopted a premium of 5% to 15% on the estimated industrial rate for the Zones 1B, 4 & 5 having a superior location in terms of public road connectivity and proximity to the city as well as the national highway.
 - (v). Suitably adopted a discount of 20% on the base line rate of State Govt. considering that the existing Floor Area Ratio (FAR) of VPT lands is 1.00 and uniformly applied for all Zones.
- (vi). The LAC has also taken note of d.o. letter dated 8.7.2015 received from MOS which stated 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 and also commented that representation have been received that in some Ports high market values have been fixed by mechanical & inappropriate application of Land Policy Guidelines. It is further stated that it is important that while choosing the market value as per para 18 of LPG, 2014, due care is taken to choose relevant factor which captures the realistic market value of the land, mechanical and inappropriate application of the LPG may lead to inflated and unrealistic market value which results in poor response to tender-cum-auctions and subsequently loss of business to the Port”.
- (vii). The LAC observed that if the highest of the factors is considered, it may adversely affect the business of the Port. Therefore, the LAC felt that it is appropriate to choose the relevant factor which captures the realistic market value of the land to enable port to sustain business. Accordingly, the LAC felt that the land values arrived by the Approved Valuer is the relevant factor to the Port lands among the factors mentioned in the para 13 of the amended LPG 2014, so that the business of the Port is not affected in the long run and in view of the different nature of activity of the Port compared to the nature of activities in the land adjacent to the Port. The statement showing the land values recommended by the committee for arriving at the proposed lease rentals is furnished. The basic rate of lease rentals on the maximum land value is arrived and 6% on the market value is applied to arrive at the lease rent per annum. The existing lessees those who are paying industrial rate may be levied the industrial rate subject to condition of their agreement.
- (viii). A comparative statement of land valuation considered by the LAC under various methods given as per amended Land Policy Guidelines 2014, land valuation as considered by this Authority in November 2016 Order and indexed land valuation as on 01.04.2018 as considered by LAC is given as follows:

(in ₹ / sq. yard)

New Zone	Category	Land Valuation as per State Govt's ready reckoner (for 2018-2023)	Highest rate of actual relevant transactions registered in last 3 years (Market value of land)			Highest accepted tender-cum-auction rate	Land Valuation arrived by Approved Valuer (for 2018-2023)	Any other factors	TAMP approved market value 2013-2018 Per Yard	Indexed market value of land as on 01.04.2018 (after 2% annual escalation)
			2015-16	2016-17	2017-18					
(1)	(2)	(3)	(4)(a)	4(b)	4(c)	(5)	(6)	(7)	(8)	(9)
1A	Residential	22,000	nil	nil	nil	-	6,600 *	nil	5,600	6,183
	Commercial	35,000	6,000	6,000	6,000	-	12,250 *	nil	10,900	12,034
	Industrial	Nil	nil	nil	nil	4,236	4,236 #	nil	3,520	3,886
1B	Residential	22,000	13,000	13,000	13,000	-	8,800	nil	7,500	8,281
	Commercial	45,000	nil	nil	nil	-	18,000	nil	15,000	16,561
	Industrial	Nil	nil	nil	nil	8,110	8,546	nil	7,500	8,281
2	Residential	22,000	nil	nil	nil	-	7,700	nil	6,800	7,508
	Commercial	35,000	nil	nil	nil	27,439	10,500	nil	9,000	9,937
	Industrial	Nil	nil	nil	nil	-	4,511	nil	4,000	4,416
3	Residential	10,000	nil	nil	nil	nil	3,000	nil	2,500	2,760
	Commercial	Nil	nil	nil	nil	-	Nil	nil	Nil	Nil
	Industrial	Nil	nil	nil	nil	-	2,137	nil	1,900	2,098
4	Residential	10,000	10,000	12,000	13,000	-	5,500	nil	4,900	5,410
	Commercial	20,000	nil	nil	nil	-	8,600	nil	7,600	8,391
	Industrial	Nil	nil	nil	nil	4,390	2,984	nil	2,350	2,595
5	Residential	15,000	nil	nil	nil	nil	5,563	nil	4,700	5,189
	Commercial	Nil	nil	nil	nil	nil	15,000	nil	11,900	13,139
	Industrial	Nil	nil	nil	nil	3,428	3,022	nil	2,380	2,628
6	Residential	8,000	nil	nil	nil	nil	6,450	nil	5,700	6,293
	Commercial	8,000	nil	nil	nil	nil	21,375	nil	18,600	20,536
	Industrial	Nil	18,000	21,000	23,000	4,668	3,619	nil	2,850	3,147
7	Residential	15,000	11,000	12,000	15,000	nil	4,650	nil	4,100	4,527
	Commercial	Nil	nil	nil	nil	nil	13,800	nil	11,900	13,139
	Industrial	Nil	nil	nil	nil	nil	3,086	nil	2,600	2,871
8	Residential	15,000	nil	nil	nil	nil	22,588	nil	20,000	22,082
	Commercial	15,000	nil	nil	nil	nil	36,250	nil	30,000	33,122
	Industrial	Nil	nil	nil	nil	nil	2,849	nil	Nil	Nil
9	Residential	40,000	nil	nil	nil	nil	42,000	nil	36,700	40,520
	Commercial	47,000	nil	nil	nil	nil	49,350	nil	41,700	46,040
	Industrial	Nil	nil	nil	nil	nil	3,324	nil	Nil	Nil
10	Residential	1,300	nil	nil	nil	nil	1,464	nil	1,300	1,435
	Commercial	Nil	nil	nil	nil	nil	Nil	nil	Nil	Nil
	Industrial	Nil	nil	nil	nil	nil	1,199	nil	Nil	Nil
11	Residential	1,700	nil	nil	nil	nil	1,915	nil	1,700	1,877
	Commercial	Nil	nil	nil	nil	nil	Nil	nil	nil	nil
	Industrial	Nil	nil	nil	nil	nil	803	nil	nil	nil

* Sample calculation of market value of land for Zone 1A Residential and Commercial rate by approved valuer.

Residential		
	FACTORS	Premium/Discount
A	Large extent of Land parcel	-30%
B	Limits of VPT and leasehold land	-25%
C	Existing FAR on VPT land (1.00)	-20%
D	Location is suitable as per connectivity to different parts of city	5%
E	Total Adjustment (A+B+C)	-70%
F	Base Rate per sq. yd. [State Govt. Ready Reckoner rate for Residential category]	22,000
G	Total adjustment (E*F)	-15,400
	Adjusted land Rate for Subject Property (₹. Per sq. yd.) (F.G)	6,600

Commercial		
	FACTORS	Premium/Discount
A	Large extent of Land parcel	-30%
B	Limits of VPT and leasehold land	-25%
C	Existing FAR on VPT land (1.00)	-20%
D	Location is suitable as per connectivity to different parts of city	10%
E	Total Adjustment (A+B+C)	-65%

F	Base Rate per sq. yd. [State Govt. Ready Reckoner rate for Commercial category]	35,000
G	Total adjustment (E*F)	-22,750
	Adjusted land Rate for Subject Property (₹. Per sq. yd.) (F.G)	12,250

Sample calculation of market value of land for Zone 1A Industrial rate by approved valuer.

Industrial		
	FACTORS	Premium/Discount
A	Undeveloped Land	-15%
B	Total Adjustment	-15%
C	Base Rate per sq. yd. as per Andhra Pradesh Industrial Infrastructure Corporation (APIIC) Land Allotment.	4,748
D	Total Adjustment (C*B)	-712
	Adjusted land Rate for Subject Property (₹. Per sq. yd.) (C-D)	4,036

After observing the development potential, connectivity and location of these zones as well as stiff competition from neighbouring port it is proposed that the highest accepted tender cum auction rate for industrial land in Zone 1A has been considered fair and reasonable which is ₹. 4,236 per. Sq. yd

(ix). **Recommendation of LAC:**

(a). The LAC has recommended the following market value of the land as given by the approved valuer for arriving at the proposed lease rental.

(In ₹ per sq. yard)				
Zone	Location	Area in acs.	Category	Land Valuation arrived by valuer for 2018-2023
1A	Core Operational Area	1370	Residential	6,600
			Commercial	12,250
			Industrial	4,236
1B	Near Convent Junction	185	Residential	8,800
			Commercial	18,000
			Industrial	8,546
2	Fishing Harbour	152	Residential	7,700
			Commercial	10,500
			Industrial	4,511
3	Hilly Area	924	Residential	3,000
			Commercial	Nil
			Industrial	2,137
4	Industrial Area	2498	Residential	5,500
			Commercial	8,600
			Industrial	2,984
5	Near Airport Area	747	Residential	5,563
			Commercial	15,000
			Industrial	3,022
6	Near National Highway-5	816	Residential	6,450
			Commercial	21,375
			Industrial	3,619
7	Marripalem Railway Yard away	30	Residential	4,650
			Commercial	13,800
			Industrial	3,086
8	Salagrampuram Area	269	Residential	22,588
			Commercial	36,250
			Industrial	2,849
9	Harbour Park Area	32	Residential	42,000
			Commercial	49,350
			Industrial	3,324
10	Bhemunipatnam Area	288	Residential	1,464
			Commercial	NA
			Industrial	1,199
11	Lankelapalem Area	307	Residential	1,915
			Commercial	NA
			Industrial	803

- (b). The lease rentals is arrived at 6% on the market value to arrive at the lease rent per annum.
- (c). The LAC has also recommended adopting the zone 1A industrial rate for the existing firms which are paying previously as per scale of rates, administered by the Traffic Manager. The LAC has also recommended a few conditions for approval.
- (d). The LAC also recommended provisions relating to Right of Way leave charges as per the amended Land Policy Guidelines 2014 as brought out in subsequent points.
- (e). 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 multilayer 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 way leave charges with applicable escalation from time to time shall be paid in advance for each year.
- (f). 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.
- (x). The proposal was submitted before the VPT Board in its meeting dated 28 March 2018. The VPT Board has taken note of the valuation report submitted by the Approved Valuer, the LAC's Minutes dated 19 March 2018, the presentation given by the Valuer in the Board meeting, and the factors considered by the Valuer for arriving at the rates, etc.
- (xi). The VPT Board after detailed deliberations, vide Resolution No.185/2017-18 has resolved to adopt land valuation as per the recommendations of the LAC with a modification to a condition in regard to the existing occupiers/ licencees for multipurpose uses like petty shops, etc. The VPT Board has approved the following General condition in this regard:
- “For the extents of land with less than 500 sq.ft. build up area in case of existing occupiers / licenses for multipurpose uses like petty shops etc., useful to the VPT employees in residential colonies, 25% discount may be given on the commercial rates of respective zones”
- (xii). Accordingly, the VPT has proposed revised Scale of Rates of VPT lands for all 11 zones under the three categories i.e. Residential, Industrial and Commercial for the quinquennium 2018-2023. The VPT has furnished proposed SoR along with relevant conditions as given below:

(a). **Proposed Land Valuations and corresponding SoR (in Rupees per sq. yd. per annum) for the VPT lands for the quinquennium 2018-2023**

Zone	Location	Area in acs.	Category	Land Valuation considered by TAMP in last revision in 17 Nov. 2016 Order (₹ per sq. yard)	Land Valuation as arrived by valuer for 2018-2023 and recommended by the LAC and approved by the VPT Board (₹ per sq. yard)	Proposed Lease Rental (SoR) i.e. 6% on the Valuation (in ₹ per sq. yd. per annum)
(a)	(b)	(c)	(d)	(e)	(f)	(g)=(f)*6/100

1A	Core Operational Area	1370	Residential	5,600	6,600	396
			Commercial	10,900	12,250	735
			Industrial	3,520	4,236	254
1B	Near Convent Junction	185	Residential	7,500	8,800	528
			Commercial	15,000	18,000	1,080
			Industrial	7,500	8,546	513
2	Fishing Harbour	152	Residential	6,800	7,700	462
			Commercial	9,000	10,500	630
			Industrial	4,000	4,511	271
3	Hilly Area	924	Residential	2,500	3,000	180
			Commercial	Nil	Nil	Nil
			Industrial	1,900	2,137	128
4	Industrial Area	2498	Residential	4,900	5,500	330
			Commercial	7,600	8,600	516
			Industrial	2,350	2,984	179
5	Near Airport Area	747	Residential	4,700	5,563	334
			Commercial	11,900	15,000	900
			Industrial	2,380	3,022	181
6	Near National Highway-5	816	Residential	5,700	6,450	387
			Commercial	18,600	21,375	1,283
			Industrial	2,850	3,619	217
7	Marripalem Railway Yard away	30	Residential	4,100	4,650	279
			Commercial	11,900	13,800	828
			Industrial	2,600	3,086	185
8	Salagrampuram Area	269	Residential	20,000	22,588	1,355
			Commercial	30,000	36,250	2,175
			Industrial	nil	2,849	171
9	Harbour Park Area	32	Residential	36,700	42,000	2,520
			Commercial	41,700	49,350	2,961
			Industrial	nil	3,324	199
10	Bhemunipatnam Area	288	Residential	1,300	1,464	88
			Commercial	Nil	NA	NA
			Industrial	Nil	1,199	72
11	Lankelapalem Area	307	Residential	1,700	1,915	115
			Commercial	Nil	NA	NA
			Industrial	Nil	803	48

(b). **Proposed Conditionalities**

General Conditions:

- (i). All conditions governing the lease rental 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 on lease basis.
- (ii). The lease rentals are subject to automatic escalation of 2% per annum (compoundable) on 1st April 2019 onwards.
- (iii). The lease rent prescribed in above schedules will be revised w.e.f. 01.04.2023 with the approval of Competent Authority.
- (iv). Zone 1A industrial rate will be applicable for the existing firms which are paying previously as per Scale of Rates.
- (v). 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). If the low lying area developed by VPT and allotted on lease on Tender/ nomination basis, there may be an increase of 10% over the SoR.
- (vii). For the extents of land with less than 500 sq.ft. built up area in case of existing occupiers/ licencees for multipurpose uses like petty shops, etc., useful to the VPT employees in residential colonies, 25% discount may be given on the Commercial rates of respective zones.
- (viii). In case if a lessee builds in his lease land structure having Floor Area Ratio (FAR) more than 1.00, then for additional 0.5 FAR, corresponding increase of lease rentals shall be @ 40%.

4. The Vizag Seaport Pvt. Ltd. vide its email dated 13 June 2018 has stated that they have not received a copy of subject proposal. In response, we have vide our letter dated 14 June 2018 again forwarded a copy of proposal to VSPL to furnish its comments.

5. The VPT vide our letter dated 1 May 2018 was requested to immediately furnish the information / clarification on a few points. The VPT vide its letter dated 10 May 2018 has furnished its response. A summary of the information sought by us and reply received from VPT thereon is tabulated below:

Sl. No.	Information sought by us	Reply furnished by VPT
(i).	The VPT has vide its letter dated 16 April 2018 furnished only executive summary of Land Valuation of VPT land, submitted by M/s.Kanti Karamsey & Co., Govt. approved valuer appointed by the port. The VPT to immediately furnish complete Report of Land Valuation submitted by valuer. Also, simultaneously forward the same to users/ user organizations/ lessees under intimation to TAMP.	The VPT has furnished a copy of complete Report of the Land Valuation submitted by M/s.Kanti Karamsey & Co., Govt. approved valuer appointed by the port. Further, as per direction to forward the same to users/ user organisations/ lessees under intimation to TAMP, the said report has been placed in the VPT website on 8 May 2018 for information of the concerned users. In this connection, a circular No.Estate/TAMP/SoR (2018-23) dated 9 May 2018 informing about hosting the said report in the website for information of the concerned users is issued and a copy of the same is furnished.
(ii).	The proposal of VPT seeks revision of lease rent for the 11 zones in respect of Residential, Commercial and Industrial categories. The proposal of VPT is silent about revised lease rent for open space – unpaved, open space paved and storage sheds / warehouses / covered storage as lease rent for these categories approved in the Order No.TAMP/80/2015-VPT dated 17 November 2016 also expired on 31 March 2018. The VPT to furnish reasons for not including the said three categories in the current proposal.	Regarding rent for open space – unpaved, paved and for storage sheds/ warehouses/ covered storage, it is to inform that though VPT sought for rates for these categories also in the previous instance, in fact they were not used. Mostly, the vacant lands on long lease are being allotted through tender route. Further, the said categories are covered in the TAMP Order dated 21 June 2016 issued on Scale of Rates and as these rates remain in force till 31 March 2019, necessary proposal in this regard will be sent separately at appropriate time.

6. In accordance with the consultation process prescribed, a copy of the VPT proposal dated 16 April 2018 was circulated to the users / user organisations / lessees as per the list furnished by VPT seeking their comments. The comments received from the users / user organisations / lessees were forwarded to the VPT as feedback information. The VPT vide its letter dated 12 July 2018 has furnished its reply.

7.1. A joint hearing on this case in reference was held on 18 June 2018 at VPT premises. At the joint hearing, 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.

7.2. As agreed at the joint hearing, the VPT vide our letter dated 26 June 2018 was requested to take action on the following points, which was followed by reminder dated 11 July 2018.

- (i). At the joint hearing, Essar Steel India Limited (ESIL), Visakha Container Terminal Pvt. Ltd. (VCTPL) and M/s. Alufluoride Limited (AL) have furnished their written submissions. The VPT to furnish its comments immediately.
- (ii). Further, Vizag Seaport Pvt. Ltd. (VSPL) vide its letter dated 20 June 2018 and Bhabha Atomic Research Centre (BARC) vide its letter dated 6 June 2018 have also furnished comments. The VPT was requested to furnish its point-wise comments on the comments of the above users latest by 30 June 2018.

- (iii). Furnish comments on the comments of users/ user organisations/ lessees, which was forwarded from time to time.
8. With reference to point of action decided at the joint hearing brought out in para 7.2.(i). above, the VPT vide its letter dated 12 July 2018 has furnished its comments on the written submissions made by users / user organisations.
9. With reference to point of action as brought out in para 7.2.(ii). above, the VPT vide its letter dated 12 July 2018 has furnished its reply on the comments made by VSPL. As regards comments of BARC, the port has not furnished comments. However, the second point of BARC already addresses the comment of BARC.
10. 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>.
11. 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/80/2015-VPT dated 17 November 2016 for a period of five years. The lease rent approved by this Authority was given retrospective effect from 1 April 2013 as sought by the VPT and validity was prescribed for a period of 5 years i.e. till 31 March 2018.

In the current proposal dated 16 April 2018, the VPT has sought revision of lease rent following the amended Land Policy Guidelines, 2014. The VPT has sought approval of revised lease rent w.e.f. 1 April 2018 with a validity period of five years i.e. upto 31 March 2023 with annual escalation of 2% p.a.

The proposal of VPT dated 16 April 2018 alongwith submissions made during the processing of the case are taken into consideration in the analysis of this case.

- (ii). 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 for 11 zones (New zones) prescribes lease rent in respect of Residential, Commercial and Industrial categories as well as for open space – unpaved, open space paved and storage sheds/ warehouse/ covered storage. In the current proposal, however, the VPT has proposed lease rent for Residential, Commercial and Industrial categories only. It does not include revised lease rent for open space unpaved, open space paved and storage sheds / warehouses / covered storage. The VPT has clarified in this regard that rent for open space unpaved, paved and for storage sheds/ warehouses/ covered storage, though sought for in the last Order, in fact they were not used. Mostly, vacant lands on long lease are being allotted by the port through tender route. The port has further submitted that the license fee for said categories are covered in the Order No. TAMP/9/2016-VPT dated 21 June 2016 relating to general Scale of Rates of the VPT and as the rates in the SOR are valid till 31 March 2019. The port has stated that necessary proposal in this regard will be sent separately at appropriate time. As regards the general Scale of Rates referred by VPT which was approved under Tariff Policy, 2015, it includes license fee for sheds, transit shed, storage sheds, warehouses, covered space, and T2 sheds and for open space it is linked to the tariff Order of January 2014.

Relying on the clarification of the VPT that lease rent for open space unpaved, open space paved and for storage sheds/ warehouses/ covered storage, approved in the Order dated November 2016 were not used by the port, this Authority goes with the proposal of VPT seeking revision of lease rent for Residential, Commercial and Industrial categories for the 11 zones.

- (iii). As regards the point made by Coromandel International Limited (CIL) and Eastern Warehouse Corporation (EWC) to give an opportunity of personal hearing before the joint hearing, an opportunity of hearing was provided to all the users/lessees including CIL and EWC during the joint hearing held on 18 June 2018. Both these users have attended the said Joint hearing and have furnished their written comments.
- (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 and Sr. Dy. Chief Accounts Officer. 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 identified by the port. In case the LAC is not choosing the highest factor, the guidelines requires the reasons for the same 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 four factors viz. (i) Andhra Pradesh State Government's Ready Reckoner, for the base year 2018, (ii). Highest rate of actual relevant transactions registered in last three years .e. 2015-16, 2016-17 and 2017-18 in the Port's vicinity (c) Highest accepted tender-cum-auction rate of Port land and (d). Rate arrived at by an approved valuer. As regards the fifth factor viz. any other relevant factor, the LAC has recorded that market valuation of land under this method is not available.

In the current proposal, the port has proposed lease rent for each of the purposes viz. (a) residential, (b) commercial and (c) industrial purposes for the 11 zones based on the land valuation assessed for these three purposes. 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. The market valuation of land considered by the LAC under different methods are discussed in the subsequent paragraphs

- (d). Under the first option, (the land value as per State Govt. Ready Reckoner), the VPT has sought market value of land from District Revenue Authority (DRA) market valuation of land for different categories i.e. Residential, Commercial and Industrial in the vicinity of VPT land. The DRA has provided Andhra Pradesh State Government Ready Reckoner valuation of land for residential and commercial purposes only. Market valuation of land for industrial purposes is, however, not furnished by DRA. The LAC observed that the transactions made for residential or commercial are owner-ship basis and not on lease basis. However, Port land can only be allotted on lease or licence basis. No rates are furnished by DRA for the Industrial category.
- (e). Under the second option, land values based on Highest rate of actual transactions registered in last three years i.e. 2015-16, 2016-17 and 2017-18, in the Port's adjacent land in the Sub-registrar Office, Visakhapatnam has been considered.

The LAC observed that the transactions are mostly residential only and no significant transactions have taken place for commercial and industrial category. The LAC has further noted that the market rates of the land belonging to the Port lands are not available in the Sub-Register's Office or made available by the DRA for industrial category.

- (f). Under the third option, highest accepted tender-cum-auction rates carried out in the last 3 years on port lands the LAC has observed that only a few tenders / auctions were carried out in the last past three years and those are for different sizes of plots for setting up of warehousing, garage and cold storage purposes. Under this method, the market valuation of land has been obtained for Zones 1A, 1B, 4, 5 and 6.

Of the market valuation obtained for the above five zones, the LAC has observed that the highest accepted tender-cum-auction for Zone 4, 5 and 6 cannot be considered for the reasons recorded in writing by the LAC which has been brought out in the earlier paragraphs and hence not reiterated for sake of brevity.

As regards Zone 4, the LAC has observed that the Highest accepted tender-cum-auction rate quoted by M/S Srivalli Shipping and Transport Ltd at ₹4,390 per sq.yd is for development of Container Freight Station and storage facility. This land is already developed land and having rail connectivity and thus they can offer to pay premium for the land. This factor is not applicable for rest of the land in zone-4.

In case of Zone-5 the Highest accepted tender-cum-auction rate per sq.yd. of M/S Rain CII Carbon (Vizag Ltd) is ₹3,428 per sq.yd for area of 6.72 acres of contiguous land obtained by them to their existing land for purpose of development of covered storage facility/ warehousing.

In zone-6, M/s. Gateway East India Pvt Ltd have obtained 4.5 acres of land at ₹4,668 per sq.yd. and this land is located contiguous to their existing lease hold land. The LAC has viewed that the above bidders necessarily required to take the additional land, that contiguous to the existing land allotted for their expansion project and thus the bidder can afford to pay premium. This value of land cannot be equated for other pieces of land.

The LAC has observed that the rate determined through tenders is basically depended on the factors such as availability of infrastructure such as rail and road connectivity and those are all developed land which fetched higher rate can be treated as premium for those plots specifically and the prices determined through the tender mainly depend on the essential factors like demand and supply, purpose, size of the plot.

Therefore, the rates determined for those specific plot having inherent benefits like better connectivity, developed land through tender do not reflect the realistic value of the remaining land of the zone. As the proposed rates of SOR are applicable throughout the zone for all the plots of different sizes, different nature of uses, developed/ undeveloped connectivity etc. the LAC has viewed that rates discovered through tender cum auction for these three plots cannot be considered as these are applicable for the transactions for equal size of land parcels and similar usage of land and their characteristics.

Thus, in short, the LAC has categorically recommended that market value of land obtained under this option for Zone 4, 5 and 6 cannot be made applicable for entire area in this respective zones.

- (g). For the purpose of the fourth option, the VPT has engaged M/s.Kanti Karamsey & Co., Mumbai, the Approved Valuer for the purpose of determining the market value of the land and revision of lease rent for the quinquennium 2018-2023. The port has also furnished the copy of valuation report of M/s.Kanti Karamsey & Co.

The approved valuer has taken the market value of land as per the State Government Ready Reckoner market value of land for each of the two purposes, i.e. Residential and Commercial to arrive at the market value of land and further applied suitable discounting and premium factors while recommending the market value of land for the said two purposes.

For Industrial purpose, the approved valuer has considered land rate of Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for industrial category and arrived at market value of Port land by applying suitable premium / discounting factors while recommending the market value of land for the said purposes.

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). A 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 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 5% to 15% 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). Suitable discount of 20% is applied by the valuer on the base line rate of State Government considering that the existing Floor Area Ratio (FAR) of VPT lands is 1.00 and uniformly applied for all Zones.
- (v). The LAC has also taken note of the d.o. letter no.PD-13017/2/2014-PD.IV dated 8 July 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 result in poor response to tender cum auction and subsequently loss of business to the port and adversely impact the business of the Port. The LAC felt that it is appropriate to choose the relevant factor which captures the realistic market value of the land to enable port to sustain business. Accordingly, the LAC felt that the land values arrived by the Approved Valuer is the relevant factor to the Port lands among the factors mentioned in para 13 of the amended LPG 2014, so that the business of the Port is not affected in the long run and in view of the different nature of activity of the Port compared to the nature of activities in the land adjacent to the Port. Thus, based on the above reasoning, the LAC has finally recommended the market value of the land as reported by the approved valuer for arriving at the proposed lease rental. The VPT Board has taken note of the valuation report submitted by the Approved Valuer, the Minutes of the LAC meeting dated 19 March 2018, the presentation given by the Valuer in the Board meeting.

- (vi). The VPT Board, after detailed deliberations, vide Resolution No.185/2017-18 has resolved to adopt land valuation as per the recommendations of the LAC. A comparative position of the market value of land for residential, commercial and industrial purposes under the various factors considered by the LAC and approved by the Board of Trustees of the VPT brought out in the earlier paragraph is reproduced here under for ease of ready reference:

₹ per sq yard

New Zone	Category	Land Valuation as per State Govt's ready reckoner (for 2018-2023)	Highest rate of actual relevant transactions registered in last 3 years (Market value of land)			Highest accepted tender-cum-auction rate	Land Valuation arrived by Approved Valuer (for 2018-2023)	Any other factors	Market value of land in November 2016 Order considered by TAMP 2013-2018 Per Yard	Indexed market value of land as on 01.04.2018 (after 2% annual escalation)
			2015-16	2016-17	2017-18					
(1)	(2)	(3)	(4)(a)	4(b)	4(c)	(5)	(6)	(7)	(8)	(9)
1A	Residential	22,000	nil	nil	nil	-	6,600	nil	5,600	6,183
	Commercial	35,000	6,000	6,000	6,000	-	12,250	nil	10,900	12,034
	Industrial	Nil	nil	nil	nil	4,236	4,236	nil	3,520	3,886
1B	Residential	22,000	13,000	13,000	13,000	-	8,800	nil	7,500	8,281
	Commercial	45,000	nil	nil	nil	-	18,000	nil	15,000	16,561
	Industrial	Nil	nil	nil	nil	8,110	8,546	nil	7,500	8,281
2	Residential	22,000	nil	nil	nil	-	7,700	nil	6,800	7,508
	Commercial	35,000	nil	nil	nil	27,439	10,500	nil	9,000	9,937
	Industrial	Nil	nil	nil	nil	-	4,511	nil	4,000	4,416
3	Residential	10,000	nil	nil	nil	nil	3,000	nil	2,500	2,760
	Commercial	Nil	nil	nil	nil	-	Nil	nil	Nil	Nil
	Industrial	Nil	nil	nil	nil	-	2,137	nil	1,900	2,098
4	Residential	10,000	10,000	12,000	13,000	-	5,500	nil	4,900	5,410
	Commercial	20,000	nil	nil	nil	-	8,600	nil	7,600	8,391
	Industrial	Nil	nil	nil	nil	4,390	2,984	nil	2,350	2,595
5	Residential	15,000	nil	nil	nil	nil	5,563	nil	4,700	5,189
	Commercial	Nil	nil	nil	nil	nil	15,000	nil	11,900	13,139
	Industrial	Nil	nil	nil	nil	3,428	3,022	nil	2,380	2,628
6	Residential	8,000	nil	nil	nil	nil	6,450	nil	5,700	6,293
	Commercial	8,000	nil	nil	nil	nil	21,375	nil	18,600	20,536
	Industrial	Nil	18,000	21,000	23,000	4,668	3,619	nil	2,850	3,147
7	Residential	15,000	11,000	12,000	15,000	nil	4,650	nil	4,100	4,527
	Commercial	Nil	nil	nil	nil	nil	13,800	nil	11,900	13,139
	Industrial	Nil	nil	nil	nil	nil	3,086	nil	2,600	2,871
8	Residential	15,000	nil	nil	nil	nil	22,588	nil	20,000	22,082
	Commercial	15,000	nil	nil	nil	nil	36,250	nil	30,000	33,122
	Industrial	Nil	nil	nil	nil	nil	2,849	nil	Nil	Nil
9	Residential	40,000	nil	nil	nil	nil	42,000	nil	36,700	40,520
	Commercial	47,000	nil	nil	nil	nil	49,350	nil	41,700	46,040
	Industrial	Nil	nil	nil	nil	nil	3,324	nil	Nil	Nil
10	Residential	1,300	nil	nil	nil	nil	1,464	nil	1,300	1,435
	Commercial	Nil	nil	nil	nil	nil	Nil	nil	Nil	Nil
	Industrial	Nil	nil	nil	nil	nil	1,199	nil	Nil	Nil

11	Residential	1,700	nil	nil	nil	nil	1,915	nil	1,700	1,877
	Commercial	Nil	nil	nil	nil	nil	Nil	nil	nil	nil
	Industrial	Nil	nil	nil	nil	nil	803	nil	nil	nil

The market value of land recommended by the LAC and 6% of the market value of lease rent and approved by the VPT Board w.e.f. 1 April 2018 is tabulated below:

(Rate in ₹ Per Sq.Yd/Per Annum)

Zone	Market Value of Land (Per Sq.Yd)			Recommended Lease Rental at 6% of Market Value of Land(Per Sq.Yd / Per Annum)		
	Residential	Commercial	Industrial	Residential	Commercial	Industrial
1A (Core operational Area)	6600	12250	4236	396	735	254
1B (Near Convent Junction)	8800	18000	8546	528	1080	513
2 (Fishing Harbour Area)	7700	10500	4511	462	630	271
3 (Hilly Area)	3000	NIL	2135	180	NIL	128
4 (Industrial Area)	5500	8600	2984	330	516	179
5 (Under Airport Area)	5563	15000	3022	334	900	181
6 (Near National Highway Area)	6450	21375	3619	387	1283	217
7 (Marripalem Railway Yard Away from National Highway)	4650	13800	3086	279	828	185
8 (Salagramapuram Area)	22588	36250	2849	1355	2175	171
9 (Harbour park area)	42000	49350	3324	2520	2961	199
10 (Bhimili Patnam Area)	1464	NIL	1199	88	NA	72
11 (Lankela-palem Area)	1915	NIL	803	115	NA	48

A comparative position as regards the lease rent approved by this Authority in November 2016 Order for Residential, Industrial and Commercial purposes, escalated lease rent as on 31 March 2018, the lease rent proposed by the port as per the revised proposal and the percentage increase from the existing lease rent in respect of residential, commercial and industrial is given below:

- A. Lease rent approved by this Authority in November 2016 Order for Residential, Industrial and Commercial purposes, escalated lease rent as on 31 March 2018 and the lease rent proposed by the port in the current proposal w.e.f. 1.4.2018

CATEGORY	Lease Rental as approved in the Order No. TAMP/80/2015-VPT dated 17 November 2016 as on 10-10-2015 for the quinquennium 2008-2013 ₹ Per Sq. Mtr/Per month			Indexed Lease Rent as on 31 March 2018 by applying suitable escalation factor as per TAMP Order dated 17-11-2016 ₹ Per Sq.Mtr / per month			Conversion of Lease Rent as on 31-3-2018 into Sq. Yd. / Per Annum for comparison purpose			Proposed Lease Rental as on 1-4-2018 Per Sq. Yard / Per annum		
	Residential (2)	Commercial (3)	Industrial (4)	Residential (5)	Commercial (6)	Industrial (7)	(8)=(5)* 0.836* 12	(9)=(6)* 0.836* 12	(10)=(7)* 0.836* 12	Residential (11)	Commercial (12)	Industrial (13)
1A (Core operational Area)	34.84	67.81	21.88	36.25	70.55	22.76	363.64	707.75	228.37	396	735	254
1B (Near Convent Junction)	46.66	93.32	46.66	48.55	97.09	48.55	487.00	974.01	487.00	528	1080	513
2 (Fishing Harbour Area)	42.30	55.99	24.89	44.01	58.25	25.90	441.50	584.38	259.78	462	630	271
3 (Hilly Area)	15.55	-	11.82	16.18	-	12.30	162.30	-	123.37	180	0	128
4 (Industrial Area)	30.48	47.29	14.62	31.71	49.20	15.21	318.13	493.58	152.59	330	516	179
5 (Under Airport Area)	29.25	74.03	14.83	30.43	77.02	15.43	305.29	772.67	154.79	334	900	181
6 (Near National Highway)	35.47	115.72	17.73	36.90	120.40	18.45	370.21	1207.80	185.05	387	1283	217
7 (Away from National Highway)	25.51	74.03	16.18	26.54	77.02	16.83	266.26	772.67	168.88	279	828	185

Highway)												
8 (Salagramapuram Area)	124.43	186.65	-	129.46	194.19	-	1298.71	1948.12	-	1355	2175	171
9 (Harbour Park Area)	228.33	259.43	-	237.55	269.91	-	2383.15	2707.75	-	2520	2961	199
10 (Bhimili Patnam Area)	8.08	-	-	8.41	-	-	84.33	-	-	88	0	72
11 (Lankela palem Area)	10.58	-	-	11.01	-	-	110.43	-	-	115	0	48

- B. Percentage increase at the proposed lease rent w.e.f 1.4.2018 in comparison to the lease rent prevailing as on 31.3.2018 category.

NEW ZONES (1)	% increase over rate as on 31-03-2018		
	Residential (14) = (11)-(8)/(8)*100	Commercial (15) = (12)-(9)/(9)*100	Industrial (16) = (13)-(10)/(10)*100
1A (Core operational Area)	9	4	11
1B (Near Convent Junction)	8	11	5
2 (Fishing Harbour Area)	5	8	4
3 (Hilly Area)	11	-	4
4 (Industrial Area)	4	5	17
5 (Under Airport Area)	9	16	17
6 (Near National Highway)	5	6	17
7 (Away from National Highway)	5	7	10
8 (Salagramapuram Area)	4	12	-
9 (Harbour Park Area)	6	9	-
10 (Bhimili Patnam Area)	4	-	-
11 (Lankela palem Area)	4	-	-

On perusing the above statement, it is seen that the proposed increase in lease rent in zones is in the range of 4 to 11 % in Residential Category, 4 to 16% in Commercial Category and 4 to 17% in industrial Category over the existing lease rent as on 31 March 2018.

Most of the users have objected the proposed increase in the lease rent. Since the proposed lease rent is arrived by the VPT based on the recommendation of LAC and approved by the Board of Trustees of the VPT and is in line with the applicable amended land policy guideline 2014, this Authority approves the revised lease rent as proposed by the port.

- (vii). The existing lease rent schedule at 1C prescribes charges for right of way permission for laying of pipelines in VPT's premises. The said schedule prescribes that the rate as applicable for the category of the concerned zone of Industrial rates mentioned in Scale -1, as the case may be, for the area occupied by the pipelines/ conveyors etc. shall be levied. In the current proposal, the LAC has recommended the existing note and the Board of Trustees of VPT has approved the recommendation on LAC. It is found that the VPT in the proposed Scale of Rates has, however, missed to include the existing schedule on way leave charges. If the said schedule is not prescribed in the Scale of Rates, the VPT will not be in a position to apply the rates for this service. Since the charges for way leave are approved by the Board of Trustees of VPT based on recommendation of LAC, the same is prescribed at Schedule 2.
- (viii). The existing general notes approved in the last revision of lease rental vide Order No.TAMP/80/2015-VPT dated 17 November 2016 have been retained by the VPT with minor modification. Hence, the notes proposed by VPT are approved. Further, the VPT has proposed three new conditionalities which have been approved by its Board. The proposed new conditionalities based on recommendation of LAC and approved by Board are discussed in subsequent paragraphs.

- (ix). The VPT has proposed a note stating that in case if a lessee builds in his lease land structure having Floor Area Ratio (FAR) more than 1.00, then for additional 0.5 FAR, corresponding increase of lease rentals shall be @ 40%. It is seen from the LAC Report that there is no mention of the proposed new note in recommendation of the LAC. Further, the minutes of the Board of Trustees of the VPT also do not mention approval of this newly proposed note. The VPT has not explained the rationale or basis for adopting the 40% of lease rent in the proposed note. This Authority has, in case of MOPT and KOPT approved lease rent for structure constructed by the concerned Port Trusts following the Land Policy Guidelines, 2014. In the instant case, the additional lease rent proposed is on structure constructed by the lessee and not by the VPT. It is relevant here to state that VOCPT had earlier proposed 50% additional lease rent on multistorey building constructed by a few lessees on land leased by VOCPT. In the said case, the VOCPT was advised to file a well analysed proposal, if the ownership position for structures is of VOCPT. Hence, in the light of the above deficiencies observed in the proposed note of VPT, the VPT is advised to file a well analysed proposal in the light of the above observation and following the amended Land Policy Guidelines, 2014.
- (x). The VPT has proposed to insert a new note stating that if the low lying area is developed by VPT and allotted on lease on Tender/ nomination basis, there may be an increase of 10% over the SOR. Since the VPT is making financial investment for development of low lying area and the proposed note is based on recommendation of LAC and approved by the VPT Board and noting that none of the users/ lessees have objected to the proposed note, the same is approved.
- (xi). The VPT has proposed a note that all conditions governing the 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 amended from time to time in respect of allotment of land on 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 amended from time to time in respect of allotment of land/ space/ covered accommodation on License/ Lease basis.
- (xii). 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 lease rental is subject to automatic escalation by 2% per annum (compoundable) on 1 April 2019 onwards. 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.
- (xiii). The existing lease rent schedule prescribes 25% concession in lease rental in case of Port based captive industries having more than 50 acres of land. The VPT has proposed the existing note to continue as the same is recommended by the LAC and approved by the Board.
- (xiv). The Board of Trustees of VPT has approved a new note stating that for the extent of land with less than 500 sq.ft build up area in case of existing occupiers/ licenses for multipurpose uses like petty shops etc. useful to the VPT employees in residential colonies, 25% discount is given on the commercial rates of respective zones

The VPT has, based on the approval of its Board, proposed to insert a note to that effect. Since the new proposed note is based on the approval of Board of Trustees of VPT this Authority approves the proposed new note. Even in VOCPT

for petty shops in Zone B, reduced lease rent proposed by the VOCPT is approved by this Authority based on the proposal of the VOCPT.

- (xv). Some of the users / lessees have requested for rezoning of the lands allotted to them. The Essar Steel India Ltd (ESIL) has stated that they are allotted land under Zone 1A for core operational area. ESIL is reported to be the only industry which is categorised in Zone 1A core operational area and hence they have requested to categorise the land allotted to them under new Zone 4. Andhra Petrochemicals Limited (APL) has stated that earlier they were coming under IX-B and rentals were fixed based on quality of land and other factors. As per the APL the VPT has reclassified the 31 zones into lands into 11 zones without seeing the present conditions of the land and without considering the earlier investment incurred by APL to bring the land to present usage position and due to reclassification AL has been categorised under Zone 4.

The VPT has clarified that re-zoning of the areas was done based on predominant use and on the principles of similar types of end uses and was approved by the Board and most of the users associations have welcomed the re-zoning of the Port lands during the last revision. It is relevant to state here that during the last revision of lease rental of port land done in the year 2016, the VPT had proposed revision of lease rent for rezoned 11 zones as against pre-revised 31 zones. The said rezoning was considered by the LAC and approved by the Board of Trustees of the VPT vide its Board meeting held on 10 October, 2015 while seeking approval of revised lease rent by the VPT as brought out in para 17(iii) of November 2016 Order. As brought out in the said Order, it is reiterated that the 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.

- (xvi). CIL, APL, Hindustan Petroleum Corporation Ltd (HPCL), Alufluoride Ltd (AL) and Vizag Seaport Private Ltd. (VSPL) have stated that the part of the land allotted to lessees/ industries was marshy and not fit for any construction. According to them, the lessees / industries have invested huge amounts for reclamation and development of land to bring it to usable condition and 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 basis is" condition. The proposal filed by the VPT is in compliance with the amended Land Policy Guidelines, 2014. This Authority and the Major Port Trusts are bound by the amended Land Policy Guidelines, 2014 issued by MOS to arrive at the revised lease rent.
- (xvii). The Andhra Petrochemical Limited (APL) has stated that for industrial purposes large extent of land is required. Hence, it has objected the proposal of levying of lease rental on Sq. yds basis. The APL states sq yard basis of levy is normally done for building or commercial complex and not for industrial purposes. They have suggested levy should be on acre basis. The VPT has clarified that that Audit has objected levying of lease rent on acre basis. Further, the port has clarified that while working out the valuation of land on square yard basis, the valuer appointed by VPT has applied suitable discount factors for size of the plot.
- (xviii). AVR Infra Pvt. Ltd. (AVRIPL), a BOT Operator governed under upfront tariff guidelines, 2008 has stated that Concession agreement was signed between VPT and AVRIPL on 16 August 2010 for Development of Eastern Quay Beth-10 (EQ-10) in the Northern Arm of inner harbor of Visakhapatnam Port for handling liquid cargo (excluding POL products) on DBFOT basis. The then prevailing lease rent was considered in the upfront tariff fixation for the said project on which AVRIPL had bid. Hence, the License Fee of the Project land cannot be refixed every 5 years for a BOT Project which is akin to the pure lease of land.

In this regard, the VPT has clarified that as per the conditions stipulated in the Concession Agreement with the AVRIPL, time to time (i.e. Quinquennial) revision of the lease rent fixed by TAMP is applicable. The matter flows from the lease/ license agreement entered by the concerned port trust with the individual lessee / licensee. The mandate of this Authority is to determine the rates following the

relevant guidelines for tariff fixation issued by the MOS. This Authority, therefore, does not like to interfere in the matter arising from individual Concession agreements entered by the concerned Port Trust with the individual operator.

This Authority makes it abundantly clear that as per clause 2.8. of the upfront tariff fixation guidelines of 2008, the handling charges fixed upfront are subject to only annual indexation to the extent of 60% of the variation in Wholesale Price Index (WPI). The 2008 Guidelines do not provide for enhancement of cargo handling charges prescribed for the PPP projects whenever revised lease rentals are notified. However, the cargo handling charges qualify for annual indexation to the extent of 60% of the variation in Wholesale Price Index (WPI) as per clause 2.8. of the upfront tariff guidelines of 2008 to meet inflation.

- (xix). ESIL has requested to give concession in rent based on quantum of business done by ESIL and has sought for no increase in the lease rent for the quinquennium 2018-23. As regards concession in lease rent sought by ESIL, clause 11.2(h) of the amended Land Policy Guidelines, 2014 prescribes concession in lease rent to be granted by Major Port Trusts 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, and 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 point made by ESIL for concession in lease rent based on quantum of business is not in line with the provision in the Land Policy Guidelines, 2014.
- (xx). CIL, APL, ESIL, HPCL and AL have stated that 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. They have, therefore, sought separate rental charges to be fixed for such area maintained as green land. In this regard, the VPT has clarified that maintaining 33% land as green belt is a condition given by Ministry of Environment and Forest (MOEF) considering overall pollution scenario of the area / location and that the VPT has no role to play. The amended Land Policy Guidelines, 2014 do not prescribe any separate methodology for fixation of lease rent for land with green belt area.
- (xxi). (a). Some of the users like APL and ESIL have referred to renewal of existing lease. All these matters fall under the domain of the VPT and hence this Authority does not like to look into these matters which are beyond the mandate of this Authority
- (b). CIL, ESIL and Alufluoride Ltd. have pointed out that the annual rental is fixed at 2% - 2.5% of the original premium amount paid for the lease land and have referred to the practice of the State Governments to allot land on long term lease to the industries with reasonable and affordable rentals for the promotion of industrialization and business. Hence, CIL and ESIL have requested that the Ministry of Shipping and Ports may re-examine the Land Policy Guidelines, 2014 to boost industry

The Land Policy Guidelines, 2014 issued by the MOS is with the approval of the Cabinet (2 January 2014) and made effective from 02.01.2014. Subsequently, the MOS has in October 2015 issued a few clarification on the Land Policy Guidelines, 2014 which is referred here as amended Land Policy Guidelines, 2014. The proposal of the VPT is in line with the applicable LPG 2014. Hence this Authority is bound to approve the revised lease rent as proposed by the port.

- (xxii). The existing lease rent schedule prescribes a note that lease rent of industrial rate will be applicable for those who are covered as per SOR. The said note was prescribed in the last revision of Order of November 2016 based on the proposal

of the VPT. The VSPL has requested to delete this note or else to modify it to state that it is subject to provisions of License Agreement. The comments of the VSPL were forwarded to the VPT. The VPT has neither commented on it nor proposed any modification in the existing note. Since the proposed note is prescribed in the last revision Order based on the proposal of the VPT and recognising that the VPT, the licensor port, has proposed the existing note to continue which has also been approved by its Board, this Authority allows the existing note to continue.

The VSPL has reiterated its earlier points about applicability of Rentals as per the Scale of Rates instead of Schedule of Rent and date from which the same will be applicable and about levy of commercial rate by the VPT for additional land allotted by VPT at CFS at Exim Park. These points have been elaborately dealt with in Order No TAMP/19/2017-VSPL dated 19 January 2018 in 16 (xviii) (a) and (b) in the general SOR of VSPL. Hence, the same is reiterated as VSPL has not made any new point in this regard. As stated in the said Order, the matters referred by VSPL arises from the provision of License Agreement entered between the VSPL and VPT. This Authority while passing the tariff Order No.TAMP/48/2014-VPT dated 15 January 2016 and Order No.TAMP/80/2015-VPT dated 17 November 2016, with reference to similar matter brought out by another BOT operator Visakha Container Terminal Private Limited (VCTPL) governed under Tariff Guidelines of 2005, has held that this Authority fixes lease rent of port land following the Land Policy Guidelines issued by the Government from time to time and this Authority does not like to interfere in the matters of individual lease agreement entered by VPT with individual licensees/ lessees.

- (xxiii). The Ship Building Centre, under the Ministry of Defence, has pointed out that as per sub para (h) of para 11.2 of the policy guidelines for land management enclosed with GOI / MOS letter no. PD-13017/2/2014-PD IV dated 17 July 2015, it is stipulated that concession is granted to security agencies and government departments upto 50% of the annual lease rent and has requested this Authority 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.

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 is granted by Major Port Trust to security agencies and Government Department only upto 50% of the annual lease rent. 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 is decided on a case to case basis by the Port Trust Board, after recording the reasons in writing. The VPT has also, referring to the provision in Land Policy Guidelines-2014, stated that the issue of granting concession and the quantum is decided on a case to case basis by the Port Trust Board after recording the reasons in writing at the discretion of the Board of the VPT.

- (xxiv). (a). The proposal of the VPT seeks approval of rates for quinquennium 2018-23 with retrospective effect from 1 April 2018.

The VSPL has stated that Section 49 of MPT Act does not authorise TAMP to notify lease rentals with retrospective effect.

Significantly, Section 49 of the Major Port Trusts Act, 1963 calls for fixation of rates of port land 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 November 2016 clearly mentions that the rates are effective from 1 April

2013 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 2018 is in the knowledge of all the stakeholders. The VPT has accordingly sought approval to the revised rates retrospectively w.e.f. 1 April 2018 for the quinquennium 2018-23.

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 is retrospectively approved. 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 lease rent proposals of other Major Port Trusts like NMPT, VOCPT, MOPT, etc. while revising the lease rent of port land. Accordingly, the objection of the VSPL in this regard is dismissed. The revised rates approved for the quinquennium 2018-23 will have effect from 1 April 2018. A suitable note is, therefore, inserted to this effect in the rent schedule stating the revised rent approved for the quinquennium 2018-2023 will come into effect from 1 April 2018 and will be valid till 31 March 2023.

- (b). It is also made abundantly clear that the revised rates approved by this Authority with retrospective effect from 1 April 2018 based on the 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.

12. 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** effective from 1 April 2018 till the validity of the lease rent i.e. 31 March 2023.

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

(T.S. Balasubramanian)
Member (Finance)

1. Schedule of Lease rent of the Visakhapatnam Port Trust Land.

NEW ZONE NO.	Lease Rentals w.e.f. 01.04.2018		
	Residential (In ₹ Per sq. yd. per annum)	Commercial (In ₹ Per sq. yd. per annum)	Industrial (In ₹ Per sq. yd. per annum)
1A (Core operational Area)	396	735	254
1B (Near Convent Junction)	528	1080	513
2 (Fishing Harbour Area)	462	630	271
3 (Hilly Area)	180	Nil	128
4 (Industrial Area)	330	516	179
5 (Under Airport Area)	334	900	181
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7 (Away from National Highway)	279	828	185
8 (Salagramapuram Area)	1355	2175	171
9 (Harbour Park Area)	2520	2961	199
10 (Bhimili Patnam Area)	88	N.A.	72
11 (Lankela palem Area)	115	N.A.	48

2. Charges for right of way permission for laying Pipelines in VPT:

Way leave charges for laying of Pipeline / Conveyors: The rate as applicable for the category of the concerned zone of Industrial rates mentioned in Schedule-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 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.
- (2). The revised rent approved for the quinquennium 2018-2023 will come into effect from 1 April 2018 and will be valid till 31 March 2023.
- (3). If the low lying area developed by VPT and allotted on lease on Tender/ nomination basis, there may be an increase of 10% over the SOR.
- (4). The lease rent prescribed in above schedule will be revised w.e.f. 01.04.2023 with the approval of Competent Authority.
- (5). The lease rentals are subject to automatic escalation of 2% per annum (compoundable) on 1st April 2019 onwards.
- (6). Zone 1A industrial rate will be applicable for the existing firms which are paying previously as per Scale of Rates.
- (7). 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%.
- (8). For the extents of land with less than 500 sq.ft. built up area in case of existing occupiers/ licencees for multipurpose uses like petty shops, etc., useful to the VPT employees in residential colonies, 25% discount may be given on the Commercial rates of respective zones.

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

F.No. TAMP/30/2018-VPT - Proposal from the Visakhapatnam Port Trust for revision of Lease Rents of Port Land for the quinquennium 2018-2023.

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

Sl. No.	Comments of users/ user organisations/ lessees	Reply of VPT																		
1.	M/s.Eastern Ware House Corporation (EWC)																			
(i).	EWC are unable to bear the proposed rentals for 2018-23 as there is no much business as per our estimates.	VPT is allotting land to all the lessees on 'as is where is basis'. The approved valuer appointed by the Port has examined all factors and submitted the report and thus the proposed SoR rate is after deduction of suitable discount on the market value. Thus, the proposed SoR is very less if compared with the market value.																		
(ii).	Initially, after allotment of land by VPT, EWC have developed the land by investing huge funds and poured 20-25 feet of gravel to fill and level the marshy soil for construction of the Warehouse.																			
(iii).	Now, the warehousing business is decreasing year by year and there is no much commodities to Import/ Export from VPT due to various Government policies and hampered the whole of Trade.																			
(iv).	In this connection, EWC strongly objecting on the proposed increase rentals.																			
2.	Coromandel International Limited (CIL)																			
(i).	CIL have been importing raw materials through VPT and has been steadily increasing its operations over a period of time. CIL are currently embarking on expansion plan which will entail increased handling of imported materials and will increase the revenue to VPT. Following are the payments made to VPT for year 2017-18	No comments furnished by VPT.																		
	<table border="1"> <thead> <tr> <th>Particulars of payments made under various heads to VPT in the year 2017-18</th> <th>Amount in ₹/ lacs</th> </tr> </thead> <tbody> <tr> <td>Wharfage charges for vessels</td> <td>753.08</td> </tr> <tr> <td>Shifting charges for vessels</td> <td>69.42</td> </tr> <tr> <td>Royalty, Pollution fire tender charges</td> <td>49.83</td> </tr> <tr> <td>VPT Siding & Haulage & Dem. charges</td> <td>387.00</td> </tr> <tr> <td>VPT Staff Salaries – Main</td> <td>175.00</td> </tr> <tr> <td>VPT Staff Salaries – GFCL Terminal</td> <td>35.00</td> </tr> <tr> <td>Rent Adhoc payment</td> <td>3000.00</td> </tr> <tr> <td>Total paid to VPT in 2017-18</td> <td>4459.37</td> </tr> </tbody> </table>		Particulars of payments made under various heads to VPT in the year 2017-18	Amount in ₹/ lacs	Wharfage charges for vessels	753.08	Shifting charges for vessels	69.42	Royalty, Pollution fire tender charges	49.83	VPT Siding & Haulage & Dem. charges	387.00	VPT Staff Salaries – Main	175.00	VPT Staff Salaries – GFCL Terminal	35.00	Rent Adhoc payment	3000.00	Total paid to VPT in 2017-18	4459.37
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Rent Adhoc payment	3000.00																			
Total paid to VPT in 2017-18	4459.37																			
(ii).	The manufacturing sector of Indian Industries especially the infrastructure sector offering a huge employment potential is always subjected to severe	No comments furnished by VPT.																		

	<p>crisis periodically. Such industries invariably need support from Government. CIL are one among those, which is contributing huge revenue share as can be seen above, to the VPT and other departments of State and Central Governments. Hence, it is genuine and desirable to adopt favorable methods in fixing reasonable lease rentals for the lands belong to VPT.</p> <p>It is the ongoing practice of the State Governments to allot lands on long term lease to the Industries with reasonable and affordable rentals for the promotion of industrialization and business. The Government of India has to its own policy to encourage industrialists by granting several concessions to reduce the capital investment. CIL has requested to the Ministry of Shipping and ports to take decisions keeping in view the Government policies for industrial promotion in fixing the land lease rentals.</p>	
(iii).	<p>The land allotted to our industry was marshy and not fit for any construction. CIL has 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 land were left waste without any development by the VPT and allotted to us, it is desirable to adopt favorable methods in fixing reasonable rentals.</p> <p>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 various lapses.</p> <p>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.</p> <p>(a). The nature and status of port lands, which are under our lease, cannot be compared with that of Marrisalem, Butchirajupalem or Natayyapalem as the same are well developed with potentiality of all kinds. Hence the comparison is not reasonable.</p>	No comments furnished by VPT.

	(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 vendors with other intention.	
(iv).	<p>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 extents of lands with an intention to fix the lease rentals on square base is on the market value of the lands of adjacent revenue villages that are available in square meters only. Hence the adoptability is not reasonable.</p> <p>Therefore, the process needs to be reviewed by adopting scientific methods. Also, it is a fact that the industries located in these areas only brought about the development in the surrounding areas creating market value for those areas. Using the market value for fixing the rentals for existing users is like punishing the industry for contributing to the development of surrounding area.</p>	No comments furnished by VPT.
(v).	Therefore, in the interest of justice and a measure to support the industries, lease may be renewed under the existing terms and conditions and the method of reasonable increase on original lease amount should be dropped as a special case for Fertilizer Industry like ours	No comments furnished by VPT.
(vi).	During 2014-2016 VPT had come up with new rates which were governed by Tariff Authority of Major Ports (TAMP) instead of previously which used to be given based on District Revenue Authority (DRA) rates. VPT requested for surrender of Land of 200 Acres etc. and we have surrendered 123.70 Acres and VPT had given further discount of 25% over the TAMP rate for Lessees having more than 50 Acres.	No comments furnished by VPT.
(vii).	Since our land requirement is necessary for our factory which is serving the farming community for the last 50 years, CIL has requested to relook into the rentals which are very high and which is nowhere near to reality and which is purely based on TAMP rates whereas CIL is under the DRA rates as per Registered Agreement.	No comments furnished by VPT.
(viii).	Due to abnormal increase of land rentals for the quinquennium 2013-2018, the industries have to face serve financial problems in future during renewal of lease agreements. The proposed average hike of 15% for the quinquennium 2018-2023 is not	No comments furnished by VPT.

	feasible at all. As could be seen from the revision of rentals, the market rate of the lands in the outskirts of Visakhapatnam city is lesser than the annual rentals.																									
(ix).	In view of proposed revision of lease rents of port lands for quinquennium period of 2018-2023, CIL has submitted the following comments for consideration.	No comments furnished by VPT.																								
(x).	(a). The original rentals proposed by TAMP & VPT new rates which are exorbitantly high for any business firm to pay and run the company as it will increase our cost of production, which will threaten the very survival of CIL plan in the prevailing fiercely competitive domestic as well as global fertilisers market.	The proposal of VPT is in line with the amended land policy guidelines – 2014.																								
	(b). Annual rental value of leased land differs from Zone to Zone. Therefore, merging of zones had an adverse financial impact on the industrial established in a particular zone, where lower rate of rent is applicable at present. As such, there is a need to obtain further details of the factors which have been taken into account in re-organizing the zones to assess our position.	Re-zoning of the areas was done based on predominant use and on the principles of similar types of end uses and was approved by the Board and most of the users associations have welcomed the re-zoning of the Port lands.																								
	(c). 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. Charging commercial rate for such marshy land which will never be put into any industrial use and will be maintained as green land may require review.	Maintaining 33% land as green belt is a condition given by MOEF considering overall pollution scenario of the area / location, which VPT has no role to play.																								
	(d). 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, multi fold increase in rentals will affect the sustenance of the industry.	The rates were arrived by the approved valuer, appointed for the purpose after considering all aspects like State Govt. ready reckoner rates, transactions of nearby land duly considering necessary discount factors in arriving the lease rents towards nature of ownership and for common areas etc. besides applying suitable discount factor in arriving the lease rents in the marshy / low-lying areas. Thereafter, the Land allotment committee recommended the same and accordingly the VPT Board resolved to submit the proposal to TAMP and the proposal submitted for TAMP approval and notification is in compliance with the amended land policy guidelines -2014.																								
	(e). As per newly proposed rates, the land rentals are as under: <table border="1" data-bbox="316 1637 834 1928"> <thead> <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> </thead> <tbody> <tr> <td>Core Operational area</td> <td>12,96,000</td> <td>31,39,200</td> </tr> <tr> <td>Neat 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> </tbody> </table> <p>As could be seen from the above proposed rentals, the market rate of the lands in the</p>	Rent per acre per year as per new rates			Area	Industries	Commercial	Core Operational area	12,96,000	31,39,200	Neat Convent Jn	21,60,000	43,20,000	Fishing Harbour	15,84,000	25,92,000	Industrial Area	11,52,000	21,88,800	Airport Area	7,77,600	34,27,200	Near NH	11,52,000	53,56,800	After expiry of Original lease by December 2014, M/s.CIL has surrendered certain land for Port requirement and thereupon fresh lease was granted for the balance land.
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	<p>outskirts of Visakhapatnam city is less than the proposed yearly rentals. It is further submitted that the lease period of CIL Lands is already over & new rates are introduced resulting in the rental amount increase drastically by many folds as against the ongoing rentals. This will further increase the cost of production threatening the viability of the plant.</p>	<p>Accordingly, after expiry of the original lease, Existing SoR rates become applicable for the fresh lease extent as per LPG - 2014.</p>
	<p>(f). Considering the fact that we have been operating fertilizer plants for more than 5 decades and serving the farming community, preferential discount of 50% on the TAMP rates be considered instead of 25% applicable to all major lessees excluding the Green Belt premises within the factory.</p>	
	<p>(g). For the de-leased portion of 123.7 Acres, as the lease with respect to this land parcel is not getting renewed, the old rates to be considered till the date of surrender, instead of the new TAMP rates.</p>	
	<p>(h). CIL had also represented to the Ministry of Shipping on the above and request to take up once again. Further, we request that pending finalization of rates, no penal interest to be charged on the residual amount payable.</p>	
(xi).	<p>(a). It is further submitted that the lease periods of certain lands which is going to lapse need to be renewed duly adopting the proposed revised rates. As seen from the proposed revised rates, there is increased by 50-60 times against the on-going rentals. This will have heavy burden on the industry.</p> <p>(b). The proposed revised lease rentals deserve to be reexamined and reviewed for fixing reasonable rates to give a boost to the industries located in the port lands back to back in the process of maximizing the Port operation for long terms in future.</p> <p>(c). CIL has once again requested to reconsider keeping its long term 50 years relation and finalise the rentals accordingly at old rates and further future increase in rate fixation for port rentals due from April 2018 onwards for the block of next 5 years should be kept at PRESENT LEVELS to minimize the impact. As expressed earlier, CIL is not in a position to pass on the price increase to the farming community and hence portion of land of CIL should be treated as a separate manufacturing activity and cost escalation as applicable to industrial shed should not be applied for the fertilizer manufacturing unit.</p>	<p>No comments furnished by VPT.</p>

	<p>(d). CIL has requested to reduce burden of lease rental and enable to service effectively to the farming community as for “<u>Ease of Doing Business</u>” as per Andhra Pradesh Government with VPT.</p> <p>(e). CIL has requested the authority that the matter may be taken up with the Ministry to re-examine the land policy and favorable decision may kindly be taken to give a boost to the industries located in the port lands. CIL has also requested to given an opportunity of personal hearing before the joint hearing.</p>	
3.	The Andhra Petrochemicals Limited	
(i).	VPT was pleased to allot an extent of 75 acres of land on lease basis in June, 1989 for a period of 30 years to the Andhra Petrochemicals Limited (APL) at lease rentals of ₹7,260/- per acre per annum. The lease rentals are being increased every 5 years by 30%. Presently, we are paying ₹23,885/- per acre per annum.	No comments furnished by VPT.
(ii).	The land allotted to the APL was undeveloped and was predominantly saline, marshy land and not fit for any construction and not put in use since 1928. The land does not have proper approach when it was allotted to APL.	No comments furnished by VPT.
(iii).	APL had invested huge amounts to raise the ground level considerably. The cost of construction was increased drastically due to poor quality of soil and also huge amounts was incurred for piling work not only for major structures but also for minor structures. We have not only incurred developmental cost for developing the land but also a lot of delay in execution of the Project resulted increasing the associated overheads cost.	No comments furnished by VPT.
(iv).	The present 31 zones/sub zones were fixed earlier based on location, condition of soil approach to main road based on which rentals were fixed. Accordingly, land allotted to APL was classified under category Zone IX B and rentals were fixed based on quality of land and other factors. VPT has now reclassified the lands into 11 zones seeing the present conditions of the land without considering the earlier investment incurred by APL to bring the land to present usage position. VPT has not spent any amount towards the development of land allotted to us. Due to reclassification of Zones (our IXB zone comes under Zone 4) lower land rentals are made equal to the lands of higher rentals without considering condition at the time of allotment and present use.	<p>Re-zoning of the areas was done based on predominant use and on the principles of similar types of end uses and was approved by the Board and most of the users associations have welcomed the re-zoning of the Port lands.</p> <p>For fixation of land rentals, 5 parameters are prescribed in the Land policy guidelines. However, the rates were arrived by the approved valuer, appointed for the purpose after considering all aspects like State Govt. ready reckoner rates, transactions of nearby land duly considering necessary discount factors in arriving the lease rents towards nature of ownership and for common areas etc. besides applying suitable discount factor in arriving the lease rents in the marshy / low-lying areas. Thereafter, the Land allotment</p>

		committee recommended the same and accordingly the VPT Board resolved to submit the proposal to TAMP and the proposal submitted for TAMP approval and notification is in compliance with the amended land policy guidelines -2014.
(v).	APL's present land lease will be expiring by 2019 when renewed we may come under revised lease Rentals Guidelines from 2019. As per the new Lease Rentals Guidelines, their rentals would be about ₹8.6 lakhs per acre per year which is more than 36 times of the present rentals which is ₹23,885/- per acre per year at present. This may likely to drive the Company to sick.	
(vi).	Taking market rate as basic value as recorded by Registration Department in the nearby lands and considering to fix lease is not proper as there is no sale of Port Lands or other lands for Industrial purpose.	
(vii).	As per the guidelines of the Government, Industry has to maintain 33% of land for green belt purpose for environment protection which is unproductive for which separate rentals charges need to be fixed.	As per land lease conditions, lessee is required to maintain greenery in 10% area only. VPT is maintaining greenery at various locations in addition to the 10% greenery to be maintained by the lessees in their leased premises.
(viii).	Industry requires huge extent of land in acres but Port Authorities are adopting the scale of measurement in Sq.yds for fixing the rentals which is also not reasonable. The charging of rentals in Sq.yds is normally to be done in Buildings or Commercial complexes not for the vacant land. The present chargeable rent for vacant land at ₹8.6 lakhs per acre year for industries in Port land is not fair as the same vacant land even in Centre of City cannot earn the same rentals which VPT is earning unless there is a commercial complex or constructed building.	Regarding request for working land valuation on acreage basis, Audit has objected the same. However, while working the valuation on square yard basis, the valuer appointed by VPT has applied suitable discount factors and arrived the maximum possible reduced rate considering the policy to encourage industrial category.
(ix).	After expiry of existing lease period and when it is required to be renewed on the request of the industry, it is not justified to treat the lease as a fresh case to effect the new rates and terms and conditions. Having made capital investments in about 600 crores on both the movable and immovable assets, the existing industries are already constrained. Investment decisions were based on the earlier defined set of rules and line facilities having a long gestation period and extended longevity are established.	After expiry of existing lease period, as per land policy, - <i>the land will be put to tender-cum-auction with the first right of refusal to be extended to the existing lessee. The existing lessee should be allowed to match the H-1bid</i> - Thus, the existing party, upon expiry of original lease term, can participate in the tender-cum-auction and opt to match the H-1 bid to get the land on fresh lease basis. Hence the concerns of the existing lessees have been duly taken care in the land policy 2014.
(x).	In view of the factors mentioned above, APL has requested the Authority for re-examining the present rentals. In the interest of justice and a measure to support the industries, lease may be renewed under	No comments furnished by VPT.

	the existing terms and conditions and the method of reasonable increase on original lease amount can be adopted.	
4.	Essar Steel India Limited (ESIL)	
	With reference to the proposed increase of land lease rentals relating to Visakhapatnam Port Trust, Essar Steel India Limited (ESIL) has submitted following facts and problems for consideration. During revision of land rentals for the quinquennium 2013-2018, ESIL has explained the same problems in brief. However, for further consideration, the following averments are submitted.	No comments furnished by VPT.
(i).	Annual rental to be fixed @ 2% - 2.5% of the original premium amount paid for the lease land. It is the ongoing practice of the State Governments to allot land on long term lease to the industries with reasonable and affordable rentals for the promotion of industrialization and business. The Government of India has its own policy to encourage industrialists by granting several concession to reduce the capital investment. The Ministry of Shipping and Ports need to take decisions keeping in view the Government policies for industrial promotion in fixing the land lease rentals.	As per land policy guidelines - 2014, the annual lease rent would in no case be less than 6% of the latest Market value of the land.
(ii).	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. The land earmarked for greenbelt is left unproductive for which separate rental charges need to be fixed.	As per land lease conditions, lessee is required to maintain greenery in 10% area only. VPT is maintaining greenery at various locations in addition to the 10% greenery to be maintained by the lessees in their leased premises.
(iii).	The land allotted to the industries was marshy and not fit for nay construction. The industries had to invest huge amounts for reclamation and development of the land and the cost of the construction got increased drastically due to poor quality of the soil. With practically nil load bearing capacity of the soil, only with extensive input the land could be brought to a state of minimum fitness for use. Even then the entire plant has to be constructed after drilling 8,000 (approx.) number of 600/500/400 mm dia piles each to a depth of 16mts for laying the foundation substantially increasing the construction cost. The said lands were left waste without any development by the VPT for a long time before allotment to the industries. Such land were put to utilization by several industries, through which the Port Trust started earning huge revenues. Therefore, these facts and factors are required to be	<p>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.</p> <p>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.</p> <p>The proposal furnished by VPT is based on approved valuer and the rates proposed are lower compared to the market rate for this area.</p> <p>The areas are located adjacent to the Berths and Channels and prominent to import & export.</p>

	considered while revising the land lease rentals.	
(iv).	The manufacturing sector of Indian Industries especially the infrastructure sector offering a huge employment potential is always subjected to serve crisis periodically. Such industries invariably need support from Government. The Essar Steel is one among those, which is contributing huge revenue share to the VPT and other departments of States and Central Government despite its losses in the business for the last five years. Hence it is genuine and desirable to adopt favorable methods in fixing reasonable lease rentals for the lands belonging to VPT.	No comments furnished by VPT.
(v).	After expiry of existing lease period and when it is required to be renewed on the request of the industry, it is not justified to treat the lease as a fresh cash to effect new rates and terms & conditions. Having made capital investments in thousands of crores on both the movable and immobile assets, the existing industries are already constrained. Investment decision were based on the earlier defined set of rules and line facilities having a long gestation period extended longevity are established. Also, it is a fact that the industries located in these areas only brought about the development in the surrounding areas creating market value for those areas. Using the market value of fixing the rentals for existing users is like punishing the industry for contributing to the development of surrounding area.	After expiry of existing lease period, as per land policy, - <i>the land will be put to tender-cum-auction with the first right of refusal to be extended to the existing lessee. The existing lessee should be allowed to match the H-1bid</i> - Thus, the existing party, upon expiry of original lease term, can participate in the tender-cum-auction and opt to match the H-1 bid to get the land on fresh lease basis. Also, as per land policy guidelines 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 cases to cases basis from the point of view of the reasonability of such terms of renewal including rates. In such cases, the endeavor should be to migrate to lease rentals based on latest market value.
(vi).	Therefore, in the interest of justice and a measure to support the industries, lease may be renewed under the existing terms and conditions and the method of reasonable increase on original lease amount can be adopted.	
(vii).	Due to abnormal increase of land rentals for the quinquennium 2013-2018, the industries have to face severe financial problems in future during renewal of lease agreement. The proposed average hike of 15% for the quinquennium 2018-2023 is not justifiable.	
(viii).	As could be seen from the revision of rentals, the market rate of the lands in the outskirts of Visakhapatnam city is lesser than the annual rentals. ESIL has requested the authority that the matter may be taken up with the Ministry to re-examine the land policy and favorable decision may kindly be taken to give a boost to the industries located in the port lands which are in crisis.	The rates were arrived by the approved valuer, appointed for the purpose after considering all aspects like DRA rates, transactions of nearby land duly considering necessary discount factors in arriving the lease rents towards nature of ownership and for common areas etc. besides applying suitable discount factor in arriving the lease rents in the marshy / low-lying areas. Thereafter, the Land allotment committee recommended the same and

		accordingly the VPT Board resolved to submit the proposal to TAMP and the proposal submitted for TAMP approval and notification is in compliance with the amended land policy guidelines -2014.
5.	Hindustan Petroleum Corporation Ltd.	
(i).	HPCL has taken note of the very steep increase in the proposed rates of VPT lands for the quinquennium 2018-23 for various zones. In our case the leased facility falls under Zones 4 & 5 mostly. The land lease rental rates are ₹179/sq yard/year and ₹181/sq yard/year for Zone 4 & 5 respectively. These rates are 27% higher than the 2013-2018 rates. It may be noted that the existing 2013-2018 land lease rates were steeply hiked during the quinquennium 2013-2018 and the hike for our zones was in the range of 57% to 118%.	No comments furnished by VPT.
(ii).	The VPT land allotted to lessees (Visakha refinery) were swampy barren reclaimed marine clay soil. Over the period of years we have developed the land by strengthening of the soil bed suitable to construct storage tanks and other operating facilities for storage of petroleum products at our cost which is substantial. In addition to this, we have invested substantial amounts in developing infrastructure facilities like approach Roads, Path Ways, Drains, Rail Siding facilities at our own cost and the same facilities are being maintained by ourselves including provision of lighting and drinking facilities.	The land is allotted by the Port to all lessees on 'as is where is basis' only. The capital cost incurred by the lessees to develop area is one time investment only based on their usage. The proposal for revision of lease rentals for 2018-2023 in respect of VPT lands is in line with the Land Policy Guidelines –2014.
(iii).	As per the guidelines of the Government of India, 33% of the land, out of the total extent earmarked for any industry, should be utilized as Green Belt for environment protection. As a result HPCL had to utilize 33% of our leased land meant for plant operations for the Green Belt. For this 33% of land also HPCL are paying the land lease rentals at par with any other land. Considering this fact, the rentals values shall be reduced proportionately to take Green belt factor into account.	As per land lease conditions, lessee is required to maintain greenery in 10% area only. VPT is maintaining greenery at various locations in addition to the 10% greenery to be maintained by the lessees in their leased premises. The Land Policy Guidelines-2014 does not prescribe any separate methodology for fixation of lease rent for land with green belt area.
(iv).	HPCL are paying GVMC Property taxes although no tangible services are being provided by GVMC at our facilities in terms of providing proper drainage facility, water, street lighting, garbage removal etc.	The payment of property tax to local bodies is common to all Lessees. VPT is also providing proper drainage facility, Street lighting, etc.
(v).	HPCL requests the TAMP to consider the previous steep hike in 2013-2018 quinquennium period and limit the increase in the proposed revisions to 5% of the	The rates were arrived by the approved valuer, appointed for the purpose after considering all aspects like State Govt. ready reckoner rates, transactions of

	<p>2013-2018 Land Lease Rents. It may be noted that the proposed 2018-2013 quinquennium rates are subject to automatic escalation of 2% per annum (compoundable) on 1st April 2019 onwards. It may be mentioned that any steep hike in land valuations will have serious financial implications for their organization and commercially unviable for HPCL.</p>	<p>nearby land duly considering necessary discount factors in arriving the lease rents towards nature of ownership and for common areas etc. besides applying suitable discount factor in arriving the lease rents in the marshy/ low-lying areas. Thereafter, the Land allotment committee recommended the same and accordingly the VPT Board resolved to submit the proposal to TAMP and the proposal submitted for TAMP approval and notification is in compliance with the amended land policy guidelines-2014.</p>
6.	AVR Infra Pvt. Ltd. (AVRIPL)	
(i).	<p>AVRIPL refers to the Concession Agreement dated August 16,2010 executed with the Board of Trustees for Visakhapatnam Port Trust (“Agreement”) for the development of Eastern Quay Berth – 10 (EQ-10-Berth or the “Project”). AVRIPL also refers to the captioned email and VPT letters, whereby VPT has unreasonably and arbitrarily revised rate of License Fee for the Project land.</p>	No comments furnished by VPT.
(ii).	<p>On February 24, 2009, prior to issuance of Request for Proposal inviting price bids from Qualified bidders. Tariff Authority for Major Ports notified the tariff structure for the Project based on the recommendations of VPT as regards the Estimated Project Cost, projected revenues and operation and maintenance expenditure for the Project. Upon completion of the tender process, the Agreement was executed on August 16, 2010.</p>	No comments furnished by VPT.
(iii).	<p>Article 9.1 of the Concession Agreement stipulate that an amount of ₹34 lakhs per annum to be paid as License Fee for the Project Land comprising of 30,000 sqm for reception, storage and dispatch facilities and 3200 sqm for pipeline routing. AVRIPL have been regular in making these payments (for the actual area that have been handed over to them) escalated by 2% year on year.</p>	No comments furnished by VPT.
(iv).	<p>However, VPT sought to increase the License Fee from April 1, 2013 onwards which is merely within 9 (nine) months from the date of handing over of part of the project land in June 2012- contrary to the intention of the parties at the time of submission of the bid.</p>	No comments furnished by VPT.
(v).	<p>AVRIPL represent that the escalation sought in the License Fee is exorbitant, unreasonable and arbitrary for various reasons <i>inter alia</i> the following: (a). The License Fee is sought to be revised from 108.73 (being 6% of ₹1812.23) per sqm per annum to ₹273.42 (being 6% of ₹4556.91) per sqm per</p>	No comments furnished by VPT.

annum thus effecting an increase of about 150% over the previously applicable rate:

(b). The project is a Build, Operate and Transfer (“**BOT**”) Project wherein the Agreement provides for a handing over of the project Assets by the BOT operator to VPT at the end of the 30 year Concession Period.

(c). While the Tariff from the Project is governed by TAMP Guidelines specific to the BOT Project, the present increase sought in the License Fee was based on the order of the TAMP for a pure lease transaction involving leasing of port lands.

(d). AVR IPL’s is considered opinion is that the License Fee of the Project land cannot be refixed every 5 years for a BOT Project akin to the pure lease of land;

(e). AVR IPL further states that in the absence of any specific order of TAMP for this Project land, the increase cannot be made applicable for the BOT Project land.

(f). In any event, the terms and conditions of the BOT Project land cannot be equated with a pure lease of land.

(g). It is respectfully submitted that under the BOT model, the Concessionaire is liable to pay the License Fee in addition to the Revenue Share in the form of Royalty on the Gross Revenue chargeable by AVR IPL from the Project Facilities and Services.

However, in the case of a pure lease of lands by the port, the lessees are not required to pay any amount over and over the lease rentals.

(h). Further the Agreement provides for reversion (transfer) of the assets to VPT at the end of the Concession Period of 30 years whereas the assets constructed by a pure lessee of the port land (not being a BOT operator) always remain with the lessee and such lessee is free to deal with the assets as its deems appropriate.

(i). It is also pertinent to note that TAMP fixes the maximum tariff chargeable by the BOT operators for the user of its Project Facilities and Service taking into consideration a guaranteed 16% ROCE. For this purpose, TAMP considers the Project Cost, Project Capacity and Operation and Maintenance Expenditure and therefore the revenue stream for BOT project is also subject to TAMP guidelines issued in February 2008 read with the specific tariff notification issued for a BOT Project. The tariff structure provides for a yearly escalation mechanism only upto 60% of the increase in the WPI index, which means if there is negative WPI index

	<p>there would be no increase in the tariff chargeable by the BOT Operator. As can be seen in the last three years of the TAMP notifications for BOT Projects, in view of the WPI index remained negative for the year 2016-17, 2017-18 and 2018-19 the tariff remained the same with no escalation available to BOT operators.</p> <p>(j). AVR IPL therefore submit that on the one hand the revenue stream available for the BOT operator remained constantly under check and are subjected to specific guidelines issued by TAMP in February 2008 with maximum percentage of escalation, the license fee which forms a major component of expenditure of this BOT Project remain unchecked and are now subjected to exorbitant increase.</p> <p>(k). More specifically, VPT is now seeking an increase of over 150% in respect of the License Fee for the Project land i.e. from ₹108.73 (being 6% of ₹1812.23) per sqm per annum to ₹273.42 (being 6% of ₹4556.91) per sqm annum.</p>	
(vi).	In view of the aforesaid, AVR IPL inform that they are regular in making License Fee payment for the Project land at the rates that they contracted to under Article 9.1 of the Agreement and therefore there is neither default nor delay in making payments thereof.	As per concession agreement entered into between the VPT and the firm, the quinquennial revision of SoR is applicable to the project land.
(vii).	AVR summarises that on account of (i) insurmountable delays in clearing the impediments in Project land; and (ii) exorbitant, unreasonable and arbitrary increase in the License Fee for the Project land, the financial feasibility of the Project has undergone a drastic change and has now become unviable.	
(viii).	AVR requests to please take the above on record and further requests not to subject the BOT Project land with revision of License Fee every 5 years akin with the increase for a pure lease of land.	
7.	AVR Infra Pvt. Ltd. (AVR IPL)	
(i).	VPT is demanding a steep increase of over 150 percent (from ₹108.73 per sq.m per annum in 2011-12 to ₹273.42 per sq.m per annum in 2017-18) in the Licence Fee for our BOT Project, viz Eastern Quay Berth-10 in the Northern Arm of inner Harbour of Visakhapatnam Port.	No comments furnished by VPT.
(ii).	Attention to AVR IPL letter dated 10 May 2018, wherein AVR IPL had given representations to why the lease rentals applicable for plots allotted under Lease Model should not be applicable for land allotted under BOT Projects. A copy of letter is enclosed for reference.	No comments furnished by VPT.
(iii).	The TAMP approved tariff has taken into	Time to time (i.e. Quinquennial) revision of

	account the Licence Fee of ₹102.41 per sq.m per annum as specified in the Concession Agreement. AVR IPL had submitted bid for the project based on this value of Licence Fee with 2 percent annual escalation.	the SoR (Schedule of rates) fixed/ finalized by TAMP are applicable as per the conditions stipulated in the Concession Agreement.
(iv).	BOT Projects cannot be compared to projects developed under land lease models, as BOT Operators have to pay Revenue Share to the Port. Further all Project Assets will have to be transferred to the port at the end of the BOT concession period.	
(v).	The Tariff for BOT Projects is fixed by TAMP and cannot be increased by the Operator, beyond the prescribed ceiling limits to cover any additional costs. This is not the case in land lease models, where the Operator has the freedom to fix tariff.	
(vi).	With a drastic increase in Licence Fee, we cannot achieve the ROCE of 16% even if we handle the entire project traffic for the project.	
(vii).	They cannot predict future major revisions in Licence Fee, as a result of which they are subject to uncertain financial risks in terms of variation in Operating Costs and lower Returns on Capital Employed.	
(viii).	AVR IPL requested for discussion on representation regarding the Licence Fee applicable to land allotted to BOT Projects and a favourable resolution of concerns regarding the huge increase in Licence Fee demand from VPT.	No comments furnished by VPT.
8.	Alufluoride Ltd.	
(i).	The rentals of VPT for 2018-23 are abnormally high and requests TAMP for reduction of lease rentals for survival.	<p>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.</p> <p>Though the market rate is high at this area, but, the expert valuer has applied several discount factors and finalized lowest rate which is very less than the market rate exist in this area.</p> <p>The approved valuer has examined all factors and submitted his report and the Land allotment committee has also agreed to recommend the same and it was submitted to the VPT Board and sent to TAMP for approval.</p>
(ii).	Alufluoride Ltd. have taken long lease of seven Acres of land from VPT situated at Mulagada, Mindi, Visakhapatnam, adjacent and rear side of Coromandel International Ltd. for setting up manufacture of Aluminium Fluoride and other related products. For setting up the ALF3 project,	No comments furnished by VPT.

	which is mandatory for CFL in terms of pollution control angle, offered their VPT lease land of seven acres to Alufluoride Ltd. as sub lease with the approval of VPT.	
(iii).	Further, Alufluoride Ltd. has informed that even though they do not have proper approach road to their factory for which, the movement of vehicles carries raw materials and finished goods is a problem from inception of the company.	No comments furnished by VPT.
(iv).	Proposed rates for industrial category for the land leased rentals for the quinquennium 2013-2018, is not acceptable. Because our company is located at Zone 4. The % change of rate arrived by the Visakhapatnam Port Trust is 69% compared to the other zones which varies from 2% to 69%.	No comments furnished by VPT.
(v).	VPT is offering a discount of 25% on lease rentals to the land lease holders in Visakhapatnam. In Alufluoride Ltd case they are not giving any discount.	A discount on the SoR to the extent of 25% is only in respect of Port based captive industries having more than 50acres of land. Alufluoride does not have 50acres of land on lease from VPT hence such concession cannot be allowed.
(vi).	Annual rental to be fixed @ 2% to 2.5% of the original premium amount paid for the leased land. It is the ongoing practice of the State Governments to allot lands on long term lease to the Industries with reasonable and affordable rentals for the promotion of industrialization and business. The government of India has its own policy to encourage industrialists by granting several concessions to reduce the capital investment. The Ministry of Shipping and Ports needs to take decisions keeping in view the Government policies for industrial promotion in fixing the land lease rentals.	As per land policy guidelines – 2014, the annual lease rent would in no case be less than 6% of the latest Market value of the land. The areas are located adjacent to the Berths and Channels and prominent to import & export.
(vii).	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. The land earmarked for greenbelt is left unproductive for which separate rental charges need to be fixed.	As per land lease conditions, lessee is required to maintain greenery in 10% area only. VPT is maintaining greenery at various locations in addition to the 10% greenery to be maintained by the lessees in their leased premises.
(viii).	The land allotted to the industries was marshy and not fit for any construction. The industries had to invest amounts for reclamation and development of the land and the cost of the construction got increased drastically due to poor quality of the soil. The said lands were left waste without any development by the VPT for a long time before allotment to the Industries. Such lands were put to utilization by several industrialists, through which the Port Trust started earning huge revenues. Therefore, these facts and figures are required to be considered while revising the	The rates were arrived by the approved valuer, appointed for the purpose after considering all aspects like DRA rates, transactions of nearby land duly considering necessary discount factors in arriving the lease rents towards nature of ownership and for common areas etc. besides applying suitable discount factor in arriving the lease rents in the marshy / low-lying areas. Thereafter, the Land allotment committee recommended the same and accordingly the VPT Board resolved to submit the proposal to TAMP and the proposal submitted for TAMP approval and

	land lease rentals.	notification is in compliance with the amended land policy guidelines -2014.
(ix).	The lease of land taken from VPT to Alufluoride Ltd. as well of Coromandel International Ltd. has expired by 31 December 2014 and both the companies have requested for renewal of the lease for further period. After expiry of existing lease period and when it is required to be renewed on the request of the industry, it is not justified to treat the lease as a fresh case to effect the new rates and terms & conditions. Having made capital investments in thousands of crores on both the movable and immovable assets, the existing industries are already constrained. Investment decisions were based on the earlier defined set of rules and line facilities having a long gestation period and extended longevity are established.	
(x).	Further, the fact is the industries located in these areas only brought about the development in the surrounding areas creating market value for those areas. Using the market value for fixing the rentals for existing users is like punishing the industry for contributing to the development of surrounding area.	
(xi).	Therefore, in the interest of Justice and a measure to support the industries, lease may be renewed under the existing terms and conditions and the method of reasonable increase on original lease amount can be adopted.	
(xii).	Due to abnormal increase of land rentals for the quinquennium 2013-2018, the industries have to face severe financial problems in future during renewal of lease agreements. The proposed average hike of 69% for the quinquennium 2018-2023 is not justifiable.	
(xiii).	Alufluoride Ltd. has requested the authority that the matter may be taken up with the Ministry to re-examine the land policy and favourable decision may kindly be taken to give a boost to the industries located in the port lands which are in crises.	
9.	East India Petroleum Pvt. Ltd. (EIPPL)	
(i).	Industry land contained by VPT is not to be equated with urban commercial land for computation of lease rentals.	The proposal of VPT is in line with the Land policy guidelines-2014. The rates were arrived by the approved valuer, appointed for the purpose after considering all aspects like State Govt. ready reckoner rates, transactions of nearby land duly considering necessary discount factors in arriving the lease rents towards nature of ownership and for common areas etc. besides applying suitable discount factor in arriving the lease rents in the marshy / low-lying areas. Thereafter, the Land allotment committee recommended the same and
(ii).	Commercial/ residential plots in GVMC area are small sized and priced high. VPT is in view to take these high priced market values to propose as basic rates for computation of lease rentals which is not viable for port based industries.	
(iii).	Port infrastructure dependent industries are required to be in port area, otherwise they become unviable. They should not be forced to pay more, otherwise they become	

	uncompetitive and other port will take away the business. Loss will be to VPT & the city of Visakhapatnam.	accordingly the VPT Board resolved to submit the proposal to TAMP and the proposal submitted for TAMP approval and notification is in compliance with the amended land policy guidelines -2014.
(iv).	It is to be noted that all land in port area is not the same. Earlier, there was system of zones. Swampy, marshy land had lower rate as lot of land rectification development work at capital cost had to be taken up, before industrial infrastructure could be set up. Even then, lot of piling work had to be taken up to provide stability, which is very capital intensive, and increase the project cost. Even today subsidizing and settlement of land continues to take place, requiring maintenance work. Example – East India Petroleum Ltd. Distinction should be made between such low lying land and other land.	
(v).	In urban areas, GVMC will provide Roads, drainage networks, drinking water facility, sewerage system etc., and in many industrial areas of VPT, there is no drinking water supply facility and no sewerage system available hence, the industrial area are building these facilities at their own cost.	
(v).	In view of the above, TAMP is requested to consider lower premium of land valuation instead of equating with Municipal Corporation urban / commercial valuations.	No comments furnished by VPT.
(vi).	VPT has proposed an increase of 19.6% in Zone 4 over the existing TAMP approved rates (Quinquennium 2013-18) for the next Quinquennium of 2018-23 which is on higher side. EIPPL has requested to recommend and approve for an increase of 10% as the existing rates are at higher side. [Increase sought for zone 4 is 4% for residential , 5% for commercial and 17% for industrial zones from 01.04.2018 as compare to the lease rent applicable as on 31.03.2018.]	No comments furnished by VPT.
10.	Eastern Warehouse Corporation (EWC)	
(i).	Initially, after allotment of land by Visakhapatnam Port Trust (VPT) and Easter Warehouse Corporation (EWC) have developed the land by investing huge funds and poured 20-25 feet of gravel to fill and level the marshy soil for construction of the Warehouse.	VPT is allotting land to all the lessees on 'as is where is basis'. The approved valuer appointed by the Port has examined all factors and submitted his report and thus the proposed SoR rate is after deduction of suitable discount on the market value. Thus, the proposed SoR is very less if compared with the market value.
(ii).	Now, the warehousing business is decreasing year by year and there is no much commodities to Import / Export from VPT due to various Govt. policies and hampered the whole of Trade.	
(iii).	In this connection, EWC are strongly objecting on the proposed increase rentals and they will personally attend to convey their grievances.	
11.	Ship Building Centre	
(i).	As per sub para (h) of para 11.2 of the	As per Land Policy Guidelines-2014, the

	policy guidelines for land management enclosed with GOI / MOS letter no. PD-13017/2/2014-PD IV dated 17 July 2015, it is stipulated that concession may be granted to security agencies and government departments upto 50% of the annual lease rent.	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. Therefore, it is discretion of the Board to decide on granting the concession.
(ii).	Ship Building Centre, Visakhapatnam, being a Government of India organization under Ministry of Defence, it is requested that concession of 50% of the annual lease rent may be incorporated in TAMP guidelines for lease payments to VPT.	
12.	Hindustan Shipyard Ltd.	
	The proposal of Schedule of rates per square yard in the Industrial area is already very high and require to be maintained at the present levels.	As per the Land Policy Guidelines issued by Government of India, Schedule of Rates for the Port lands shall be revised once in 5 years (quinquennially).

2. A joint hearing on this case in reference was held on 18 June 2018 at VPT premises. At the joint hearing, VPT made a power point presentation of its proposal. The VPT and the concerned users / user organizations / lessees have made the following submissions:

Visakhapatnam Port Trust (VPT)

- (i). VPT land divided into 11 different zones.
- (ii). The port has appointed an approved valuer for valuation of VPT land. Valuation of land is done under the four factors out of the five factors prescribed in the amended LPG 2014. The fifth factor i.e. any other factor is not found relevant and hence not considered.
- (iii). The zone wise rates were obtained from District Revenue Authority (DRA) for each zones under different categories viz. Industrial, commercial and residential under the first method.
- (iv). Under the second method, recorded sale transactions in the Sub Registrar's office of Visakhapatnam have been obtained.
- (v). In the third method, accepted tender rate of land allotted on tendering basis is obtained.
- (vi). Under the fourth method, the approved valuer has followed the market approach for valuation of land.
- (vii). Taking the zone wise value of land from the Andhra Pradesh State Government Ready Reckoner, the approved valuer has arrived at value of land after giving suitable premium and discounts.
- (viii). Factors like, distance from Port/ Infrastructure development – Road & Rail connectivity, Purpose of use, Low lying area. Size of Plot, key features etc., are considered for giving premium/ discount for arriving at the market value of land.
- (ix). Discount of 25% is applied towards the nature of ownership i.e. freehold land outside the VPT boundaries.

- (x). Premium of 25% is considered on the market value of land for residential and commercial for having a superior location and development stage for the lands situated in Zone 8 & 9.
- (xi). Suitable premium of 5% to 15% is adopted on estimated industrial land value for Zone 1B, 4 and 5 having a superior location in terms of public road connectivity and proximity to city.
- (xii). For Zone IV, the value of land arrived based on highest tender-cum-auction at ₹4,390/ sq. mtrs. is very high. Valuer has recommended ₹2,984 applying 15% increase over the existing approved rate by TAMP.
- (xiii). At the proposed lease rent, the increase in Zone nos.4, 5 and 6 for industrial purpose is 15%. For other zones and purposes, the increase in the lease rent is in the range of 2% to 9% over the lease rent as on 31 March 2018.

Visakha Container Terminal Pvt. Ltd. (VCTPL)

- (i). We have been allotted 2 land parcels by VPT. One for terminal and the other for storage.
- (ii). For the terminal, the license agreement provides lease rent is payable as per Scale of Rates. We, therefore, are governed by licence fee prescribed in the Scale of Rates @ 0.90/ sq. mtr./ week. The VPT has changed the methodology based on Land Policy Guidelines and has sought to increase the lease rent for long term leases on retrospective basis.
- (iii). We have been brought by VPT under the Schedule of Rent by way of a note which states that Zone 1A rate will be applicable for the existing firms which were paying previously as per SOR.
- (iv). It is not clear how this note was approved in the Order. This may be clarified.
- (v). For additional land taken on lease for CFS, the lease agreement states we have to pay commercial rate. The additional land allotted to us should be categorized as “industrial use” as it is used for stacking of cargo.
- (vi). VPT is treating it as a commercial category going by the term mentioned in the lease agreement with the VPT.
- (vii). The Scale of Rates should define the terms “Commercial” and “Industrial”.
- (viii). Last time itself, there was steep hike in lease rent. Now again increase is proposed in lease rent. This may be looked into.
- (ix). We enter into agreement on the premise that the then existing lease rent will be applicable with 2% escalation per annum year on year. Now under quinquennial revision, after every five years lease rent is being increased. This impacts our financials.

Vizag Seaport Pvt. Ltd. (VSPL)

- (i). During the last revision, for the first time, a note was prescribed that lease rent of industrial rate will be applicable for those who are covered as per SOR.
- (ii). The TAMP Order says the note is clarificatory note. We are governed by license agreement. This note should be deleted or else it may be modified saying it is subject to provisions of License Agreement. This issue may be clarified by TAMP.

- (iii). When we entered into lease agreement, there was no lease rent based on categorization viz. industrial, commercial and residential. In the last tariff Order, lease rent was for the first time prescribed category-wise for different use i.e. residential, industrial and commercial.
- (iv). Our Land can only be used for industrial purpose. It cannot be used for commercial purpose.
- (v). We want confirmation that categorisation of land for industrial and commercial should be based on use.
- (vi). Even if it is assumed that Zone 1A rate are applicable, the valuation of land should be reasonable. We have paid 2% annual escalation. This itself becomes more than 10%.
- (vii). The rate arrived by VPT is of land value which is 10 km away from Zone 1A land. [VPT, Dy. Chairman: The approved valuer has gone to the relevant area, applied his mind and considered relevant premiums and discount on the State Govt. ready reckoner rate to arrive at the market value of land. The increase proposed in the lease rent is reasonable. The rate is closer to Andhra Pradesh State Govt. rate.]

Visakhapatnam Stevedores Association (VSA)

- (i). Land rent should be ₹1/- per annum in any port. The capacity of port is based on turnaround of ship during the year.
- (ii). Land is a raw material. Lease rent should be kept at a minimum level. Efforts should be to generate revenue from port services by increasing the traffic. [Member (Finance), TAMP: Port is governed by the Land Policy Guidelines, 2014.]
- (iii). Government has provided enough leverage in the LPG 2014 to keep the port competitive.
- (iv). Port may retain the existing rate.

West Quay Multiport Pvt. Ltd. (WQMPL)

- (i). The principle of Land Policy Guidelines, 2014 is to attract traffic and not to increase profit.
- (ii). We should not disincentivise cargo from the port.
- (iii). Storage cannot be compared with industrial use.
- (iv). Industrial use means there is any conversion. We use store yard only for storage of cargo.
- (v). We were surprised when we got bill for double the lease rent. We factored the then applicable lease rent with 2% annual escalation.
- (vi). Though “time to time revision” is mentioned in license agreement, no one will envisage such a steep hike.

Coromandal International Limited

- (i). The last revision for the years 2013-18 itself was 10 times.
- (ii). There should be distinction in rate between small industries and big industries.

- (iii). More slabs to be introduced by the port for giving discount for big industries occupying large parcel size of land.
- (iv). We request to maintain the existing rate.
- (v). Rate quoted is for warehouse.
[VPT, Dy. Chairman: The bids quoted were very high. We have considered maximum 15% increase in the lease rent.]

M/s. AVR Infra Private Ltd.

- (i). We are BOT operator under 2008 guidelines.
- (ii). We have entered into long term agreement with customers. We will have problem with the proposed increase in lease rent.

Vizag General Cargo Berth Pvt. Ltd. (Vedanta)

- (i). 2% annual increase in lease rent and again revision in lease rent after 5 years is additional burden.

M/s. Essar Steel India Limited

- (i). Presently, land allotted to us is under Zone 1A for core operational area. Our is the only industry which is categorised in Zone 1A core operational area.
- (ii). We should be categorised under new Zone 4.
- (iii). VPT should provide additional discount on principles of higher the business lower the rental.
- (iv). Also, give discount based on size of land. Large quantum of land, lease rent should be low.
- (v). We are captive user of port. Revenue from rent is not the core objective of the port.

M/s. Rain C-II Carbon India Ltd.

- (i). We are not able to compete in international market due to increase in the cost of production.
- (ii). VPT being service provider, land is not the source of revenue. Port can increase revenue from other port services.

East India Petroleum Pvt. Ltd.

- (i). All area in port are not the same.
- (ii). We invested a lot on development of the land. Consider reasonable increase only.

Hindustan Shipyard Limited

- (i). We have requested the port for upfront payment.
- (ii). Rent may be minimised. We are a Government organisation. We are under financial crisis.

M/s. Alufluoride Ltd.

- (i). Consider giving concessional rate in slabs.
- (ii). Till 2014 we were paying 3 lakhs. Now, we are paying 60 lakhs.
- (iii). 25% concession may be extended and more slab-wise rate may be prescribed.

3.1. At the joint hearing Essar Steel India Ltd. (ESIL), Visakha Container Terminal Pvt. Ltd. (VCTPL) and M/s. Alufluoride Limited (AL) have furnished their written submissions. The VPT vide its letter dated 12 July 2018 has furnished its comments on the written submissions made by users / user organisations. 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.	Essar Steel India Ltd. (ESTIL)	
(i).	<p>The land on lease hold of Essar Steel India Ltd. (ESTL) from Visakhapatnam Port Trust (VPT) should be included in the new zone-4 (Industrial area) for the following reasons:</p> <p>At present ESTIL land parcels are located in Zone-1A (core operational area) of VPT. ESTL being a major industry, there is no justification in including the lands of ESTIL in the zone of "core operational area". There is a separate zone exclusively for the industries which is named as "New Zone-4" (Industrial area), where other industries are located. ESTIL is the only industry located in the Zone-1A (core operational area). As such, the lands allotted to ESTIL should be included in "New Zone-4 (Industrial area). It is mentioned further, that the "New zone-4 (Industrial area) is in close proximity to ESTIL land.</p>	<p>Rentals for most of the area out of the total land exist under lease hold of ESTIL is under coverage of the old types of rates which are being fixed/ finalized quinquennially by the District Revenue Authority (DRA) as per the lease agreement. In fact, these DRA rates are on extremely on lower side than the Schedule of Rates (SOR) notified by TAMP.</p>
(ii).	<p>ESTIL has been allotted an extent of 156.97 acres of land in total. As such ESTIL should be allowed reasonable discount on the total rent calculated in view of the large extent of land.</p>	
(iii).	<p>ESTIL should be allowed concession on the rent fixed giving due weightage for the contribution made by the company for development of the area as explained hereunder.</p> <p>When the land parcels were given to ESTIL on lease during 1991, the condition of the land was marshy due to dumping of dredged soil which was not fit for any construction. ESTIL have invested huge amounts for reclamation of land and the cost of the construction was increased drastically due to poor quality of the soil. ESTIL have developed the land spending huge amount of establishing the plant which propelled initiation of various economic activities in the surrounding areas, besides generating employment and thus ESTIL contributed significantly towards overall development of the area resulting in escalation of the land values as compared with that prevailing in 1991.</p>	<p>Question of concession in rentals for large extent of area etc. arise only to the lands allotted on the TAMP notified rates.</p>

	This important contribution of ESTIL deserves recognition.	
(iv).	<p>VPT should provide additional discount on the lease rentals based on the quantum of business provided by the lessee on the principle of “Higher the quantum of business, lower the amount of rent” for the following reason.</p> <p>ESTIL was given the land on lease by VPT in line with the guidelines issued by the Ministry of Surface Transport for utilizing vacant land for setting up port related industry. By setting up the pellet plant on the leased land ESTIL has practically provided VPT with captive business of substantial volume and value, which differentiates ESTIL from other exporters / Importers and downstream industries. Introduction of such additional discount will encourage the industry to improve the volume of business continuously with VPT which will result in win-win situation for both.</p> <p>It may kindly be appreciated that the policy of the Government of India for utilizing the vacant land for port related industry is to ensure assured business for the port. (ESTIL has been providing assured business to VPT). The revenue earned on rent from the land is not the prime objective of the Government policy. Hence, it may be considered appropriate to fix a token rent for the industries who are providing assured business to the port on sustained basis.</p> <p>In view of the above, ESTIL has requested to consider to include the ESTIL lease hold land in the “New zone-4 (Industrial area) w.e.f quinquennium 2013-18 for immediate relief.</p>	No separate comments furnished by VPT on this point.
(v).	<p>ESTIL has also submitted following points for consideration –</p> <p>(a). Essar is the 2nd highest cargo provider among 676 customers of VPT, since so many years.</p> <p>(b). Essar contributed 7.15 million tons i.e. 12.2% of total cargo handled by VPT during last FY.</p> <p>(c). Essar is providing captive business of substantial volume and value, which differentiate Essar from other exporters/ importers and downstream industries.</p> <p>(d). Essar will provide business worth of ₹130 crores approximately for the current FY, considering the last year performance of 7.2 millions and the current year target is 8 millions.</p> <p>ESTIL have 3 requests for consideration-</p>	No separate comments furnished by VPT on this point.

Zone issue:

(a). Currently Essar land parcels are located in Zone-1A (core operational area) of VPT.

(b). Essar being a major industry, there is no justification in bringing the lands of Essar in to “core operational area”.

(c). There is separate zone exclusively for the industries which is named as “New Zone-4” (Industrial area), where other industries are located.

(d). Essar is the only industry located in the “Zone-1A (core operational area)”.

(e). As such the lands allotted to Essar should be included in “New Zone-4 (Industrial area).”

(f). The “New Zone-4 (Industrial area) is in close proximity to ESTIL land.

Concession rates:

(a). VPT should provide additional discount on the lease rentals based on the quantum of business provided by the lessee on the principle of “Higher the quantum of business, lower the amount of rent”.

(b). Consider concession for the large extent of land of 156.97 acres.

Proposed increase of land rentals:

(a). In quinquennium 2013-18 the land rentals were increased by 133% and again it was proposed to increase 15% on the existing rates for the quinquennium 2018-2023.

(b). Expenditure on land procurement is one time investment. If this expenditure becomes recurring with abnormal increase in rentals periodically, it will adversely affect the competitiveness of the industry in domestic and as well as in global market.

(c). Essar is captive cargo provider to VPT. As per Government policy vacant land to be allotted to set up port related industry with the objective to ensure continuous assured business to the port. The revenue earned on rent from the land is not the prime objective of the Government policy. Hence it may be considered appropriate to fix a token rent for the industries who are providing assured business to the port on sustained basis.

(d). Request to consider no increase in rentals for this quinquennium.

To sum up Essar requests are as below:

(a). Essar lands should be included in “New Zone-4 (Industrial area)”.

(b). Concession in rent should be allowed

	to Essar. (c). No increase in the amount of rent for the Quinquennium 2018-23.	
2.	Visakha Container Terminal Pvt. Ltd.	
(i).	VCT has two pieces of land at present- (a). For the Container Terminal 163377.08 Sqm of land was allotted in 2003 for establishment of the Container Terminal and to operate the container handling equipment at Multipurpose Berth, outer Harbour for a period for a period of 30 years from the date of the Concession Licence Agreement (CLA). The lease rent according to allotment letter and CLA was payable as per Port Sclae of Rates – Licese fee basis prevailing at that point of time and then revised from time to time.	Comments furnished in subsequent points by VPT.
	(b). For the Container Freight Station: 138140 Sqm (34.135 acres) allotted in 2015 for establishment of a Container Freight Station at EXIM Park falling under Zone 4. The lease rent according to the lease deed was payable as per commercial rate (at the time of allotment of CFs land there were no differentiation between commercial rate and industrial rate and any rate other than port scale of rates was referred to as commercial rate under schedule of rate) with an escalation of 2% every year and thereafter revised rent every 5 years.	According to the lease agreement entered into between VCTPL and VPT, the VCTPL agreed to pay commercial rate with 2% escalation per annum and thereafter revised rentals for every five years.
(ii).	Applicability of Licenser fee for Container Terminal Land:	
	Hitherto the license fees for the land allotted to VCTPL was collected as per section 6 of the Scale of Rates of VPT fixed under Section 48 and 49 of the Major Port Trusts Act by TAMP. This is in line with the provisions of the License Agreement (Appendix 21A), Land Allotment letters No.Estate/VCTPL/BOT/SA/47 dated 17 January 2003 and Estate/VCTPL/BOT/SA/147 dated 25 February 2003 as well as the Lease Agreement dated 10 March 2016 signed between VPT and VCTPL. VPT has changed the methodology prescribed in the aforesaid documents and sought to recover the Licence Fees as per the Lease Rentals prescribed by TAMP for long term leases with retrospective application. VPT has sought to make this change by virtue to Note (5) under Schedule of Rates in the TAMP notification No.TAMP/80/2015-VPT dated which says that "Zone 1A rates will be applicable for existing firms which are paying previously	As per the Land Policy Guideline 2014, land rentals need to be fixed based on market value of land. Further, since there were only a few cases, existing on Scale of Rates which are not based on land valuation, only the SOR (Schedule of Rates) was proposed and got notified by TAMP in the last quinquennium 2013-2018. Thus, Zone 1A Industrial Rates are applicable for firms previously paying rentals as per the Scale of Rates

	as per Scale of Rates”.	
	The basis for this “note” and subsequent TAMP approval may kindly be clarified.	
(iii).	<p>Applicability of Land Lease for Container Freight Station:</p> <p>In the current proposal of VPT, the quinquennium rate has been proposed to increase by 15% is not in the interest of the Trade. CFS business is already being adversely affected by the Direct Port delivery scheme of the Govt. of India. With further increase in the fixed cost, it will become an unviable proposition.</p> <p>Moreover, CFS as per the Ministry of Commerce (reference be made to website of Ministry of Commerce) is an off-dock facility located near the servicing ports which helps in decongesting the port by shifting cargo and customs related activities outside the port area. Any increase in land lease cost would have to be passed on to the trade which will affect the traffic to the Port.</p> <p>Therefore, VCTPL request the TAMP authorities and VPT Authorities not to increase the land lease rates for the CFSS.</p>	The Licence Agreement entered into between the VCTPL and the VPT clearly stipulates charging commercial rates for additional land allotment.
(iv).	VCTPL also request the TAMP authorities and VPT Authorities to define the terms “Industrial Category” and “Commercial Category” in terms of its inherent activity to bring clarity in the application of lease rent to the users. VCT has represented to VPT authorities clarifying it’s CFS land lease should be charged under “Industrial category” and not under “Commercial category”.	No comments furnished by VPT.
(v).	Quinquennium revision of base rates	
	Whilst the base rates are fixed under Schedule of Rates every quinquennium, the applicability of the revised rate to existing licensee needs to be clarified, especially since it is amply stated that the base rate will be increased by 2% year on year.	No comments furnished by VPT.
3.	M/s. Alufluoride Limited (AL)	
(i).	Revise the rent charges which are being charged very high and paying rent at these levels our unit will not survive and has to close our operations. Ours is a pollution abatement project. Both Coromandel International Limited (CIL) and Alufluoride Limited (AL) are inter dependent companies and we are treating hazardous pollution of CIL and helping the CIL for continuing their operations as well helping the nearby port lands.	No comments furnished by VPT.

(ii).	Charge the rent similar to CIL, as our land is originally leased to CIL, and for setting of our unit, CIL surrendered the land to VPT for giving direct lease to AL and we have received the subject land as Direct lease from VPT. As both CIL and AL are inter dependent companies and AL is treating CIL's hazardous pollution and without AL, CIL operations standstill, we requested to apply similar CIL rents to us. Till date, we have not received any communication from VPT. We are herewith paying 50% of rent, plus 100% of Service tax and GST as per VPT bills, and the same is paid under protest.	No comments furnished by VPT.
(iii).	Request to waive the excess rentals and confirm that, we are update in rent payments till 31 March 2018.	No comments furnished by VPT.

3.2. The Vizag Seaport Pvt. Ltd. (VSPL) and Bhabha Atomic Research Centre (BARC) have also furnished further comments. The VPT vide its letter dated 12 July 2018 has furnished its reply on the comments made by VSPL. As regards comments of BARC, the port has not furnished comments. A summary of the written submissions made by VSPL and BARC and the reply furnished by VPT on comments of VSPL is tabulated below:

Sl. No.	Comments of VSPL and BARC	Reply furnished by VPT
1.	VSPL	
(i).	VSPL Terminal Area:	
	(a). For VSPL Terminal area of 1,21,700 sq. meters, VPT is claiming Zone 1A industrial rates (Core Operational area) with retrospective effect. The lease rental increase is 20.34% compared to the market rate as on 1.4.2013. But, as we have been already paying 2% annual escalation, further escalated rate as on 1.4.2018 is 9% at ₹25.30/ sq.m./ month and an increase of ₹34.00 lakhs per annum for VSPL, a substantial amount and this cannot be passed on to any customer under severe competition prevailing at Vizag and neighbouring ports. Absorption of this cost by VSPL will drain our cash flows and jeopardise our repayment commitments to our lenders. As this land area is exclusively used for our Project operations, the increase in rental income to VPT on account of the proposed revision could accrue much more to VPT through enhanced Royalty and collection of Port dues arising from increase in cargo handling volume from our terminal by offering competitive rate to our customers. Hence, the 10% escalated rate as on 1.4.2018 may please be retained without any further increase.	The minimum 2% escalation per annum is a common thing. Besides this, revision/ re-fixing the SoR (land rentals) once in five years taking certain factors into consideration as per the land policy guidelines issued by the Government of India is mandatory. Hence, continuing the rentals merely with the said yearly common escalation is not proper.
	(b). In this connection, we also wish to state that no Market value is available and provided by District Revenue Authority or State Government Reckoner or Any Sub Registrar. The Valuer Firm appointed by	Said clarification by the MOS has already been observed and taken care in the proposed SoR for the current quinquennium 2018-23 with due process

	<p>VPT has adopted the APIIC allotment rate for industries at Auto Nagar as the base stating Auto Nagar is within 2 to 3 kms radius from majority of Zones of VPT. This is incorrect as our Terminal Area is away from Auto Nagar by at least 10 Kms. Hence the valuation is not correct by reflection of Industrial rate at core operational area of VPT. The guidelines of Land Policy and clarification by MOS, clearly specify that Major Ports need not strictly or mechanically adopt the market value or any of the five parameters for justifiable reasons and the objective shall be preventing cargo migration on account of non competitive rates to Port customers.</p>	<p>as prescribed in the guidelines.</p> <p>As per the Land policy guideline 2014, land rentals need to be fixed based on market value of land. Further, since there were only a few cases existing on Scale of Rates which are not based on land valuation, only the SoR (Schedule of Rates) was proposed and got notified by TAMP in the last quinquennium 2013-18. Thus, Zone 1A Industrial Rates are applicable for firms previously paying rentals as per Scale of Rates.</p>
	<p>(c). VPT is collecting industrial rate as per note no.4 in the SOR stating conditionalities for collecting lease rentals for that Zone which provides, "Zone 1A industrial rates are applicable for existing firms which are paying previously as per Scale of Rates." When we informed TAMP that this note is in contravention of our Licence Agreement which provides for payment of rentals as per Scale of Rates, given under Storage charges of VPT's General Scale of Rates, TAMP clarified in our order that this note is as proposed by VPT just to clarify that the Zone 1A rate is applicable for long term leases and it will not interfere in License Agreement provisions between VPT and VSPL. VPT is stating that this note applies exclusively for VSPL and VCTPL the only two BOT operators paying lease rentals as per Scale of Rates.</p>	<p>Government guidelines on land policy for major ports directs revision of SoR once in five years (quinquennially). Thus, the practice of quinquennial revision exists from very long since and under TAMP purview the quinquennium flow continued as 1998-2003, 2003-2008, 2008-13, 2013-18 and the current quinquennium falls as 2018-23. Hence, SoR fixed/finalized by the TAMP is quinquennium wise only. So the question of retrospective or prospective is not relevant.</p> <p>The spirit of categorization i.e. Industrial / Residential / Commercial is as per the land use. However, the Licence Agreement entered into stipulates charging commercial rates.</p>
	<p>(d). Further, Section 49 of MPT Act does not authorise TAMP to notify lease rentals with retrospective effect. Therefore, even if industrial rates are made applicable to VSPL terminal area, it should be from prospective date i.e., from the date of TAMP Notification and not to be made applicable with retrospective effect. We once again reiterate that proposal of charging industrial rates is in contravention of our License Agreement provisions which provide for charging Scale of Rates and substitution of Schedule of rates in General Scale of Rates of VPT is a Change in Law as per our Licence Agreement provisions arising out of Policy Guidelines of the Government. Such change can never be retrospective and same can only be effected in such a way that the Material Adverse effect caused by such change is mitigated to the Licensee, VSPL. VSPL is in a view that application of industrial rate from prospective date of</p>	

	TAMP order with annual escalation at 2% would meet the ends of justice and win-win situation for both VPT and VSPL as Licensor and Licensee. Any further revision of further quinquennium period shall be dispensed with as same was not contemplated while submitting our bid and same will jeopardise our long term and short term business plans.	
	(e). Hence, VSPL has requested that the TAMP may either consider deleting this note as it is misleading or to modify this note to state that "this note is applicable subject to the provisions of the Licence Agreement" (OR) to frame a separate policy for BOT operators including VSPL in Visakhapatnam Port under the condition of Change in Law in line with our License Agreement provisions. (OR) may provide necessary instructions/ clarifications to VPT as deemed fit addressing our above stated issues.	No comments furnished by VPT.
(ii).	Additional land in EXIM Park:	
	(a). Regarding EXIM Park land of 9 acres in Zone V, VPT is claiming commercial rate as per our License Agreement which is disputed by us stating that TAMP has fixed rates based on usage of the land and commercial rates can apply only if usage of land is commercial. We have been maintaining that only industrial rates shall apply as the land could be used exclusively for cargo handling operations and can never be used for commercial purpose as per the allotment conditions and the terms of our Lease Agreement. The increase in lease rental under industrial category is 15% as on 1.4.2018 compared to the rate as on 1.4.2013 with annual escalation of 2% till 31.3.2018. We have already represented to TAMP to clarify that the commercial rates notified by it will apply only if the usage of the land is commercial. We are yet to receive any response from the TAMP in this regard.	VPT has furnished its comments on the same point in its earlier comments.
	(b). Hence, VSPL once again request that the TAMP may clearly clarify that commercial rate approved by it shall apply only if the usage of the land is commercial.	
2.	BARC	
(i).	Attention is invited to BARC letters Nos.15/1(VPT)/2009-Admn-II/3767 & 5457 dated 28 March 2016, 10 May 2016 & No.15/1(VPT)/2009-Admn.II/947 dated 18 January 2017 stated that BARC reiterated that revision to lease rents is not applicable to BARC Facilities, Visakhapatnam for the reasons stated therein (Last General Revision Case).	No reply received from VPT. [However, the point (ii) of BARC already addressed the point.]
(ii).	The said stand was accepted by VPT and	

	reflected in the TAMP Order No. TAMP/80/2015-VPT passed on 17 November 2016 (refer para 3 (ii) (c) (xviii)) and notified on 27 December 2016. [Copies of relevant correspondence stated to be enclosed by BARC but not received.]	
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