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Tariff Authority for Major Ports

G No. 167 **New Delhi, 30 July 2012**

NOTIFICATION

In exercise of the powers conferred by Sections 48, 49 and 50 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the V. O. Chidambaranar Port Trust for fixation of upfront tariff for shallow draught berth for handling cement and related raw materials on DBFOT basis in pursuance of the guidelines for upfront tariff setting at Major Port Trusts which was notified vide this Authority's Notification No.TAMP/52/2007-Misc. dated 26 February 2008 as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports

Case No. TAMP/44/2011-VOCPT

V.O. Chidambaranar Port Trust **- - - - -** **Applicant**

O R D E R

(Passed on this 18th day of June 2012)

This case relates to a proposal dated 19/20 August 2011 received from the V.O. Chidambaranar Port Trust (VOCPT) for fixation of upfront tariff for handling of cement and related raw materials at the proposed shallow draft berth to be developed on PPP mode.

2.1. The highlights of the proposal are as below:

(i). Physical features:

(a). The proposed Shallow Draught Berth (SDB) would be located in the south breakwater and in continuation and alignment to the existing SDB with berth IX.

(b). The proposed SDB shall be 243 m. long and 30 m. width. The dock basin area will be dredged by the port initially for berthing of 10,000 DWT vessels having LOA of 145 m. and draft of 7.90 m. and in future increased to 20,000 DWT having overall length of 180 m. and draught of 9.70 m.

(c). A dredging levy will be collected from the PPP operator for the dredging work executed by the port trust.

(d). The cement and related raw materials to/ from the ship will be loaded/ unloaded using mobile cement loader of 750 tonne/ hour capacity and mobile cement unloader of 300 tonne/ hour capacity. An area of 3.50 hectares (i.e. approximately 35000 sq. m.) of land located adjacent to the berth shall be made available for storage.

(ii). Capacity of the terminal:

(a). It is proposed to handle bagged cargo, dry bulk cargo, bulk cement for export and bulk cement for import.

(b). The percentage share of cargo proposed to be handled and the handling rate considered by the port as per the handling norms prescribed for multipurpose cargo terminal (The handling norms prescribed for multipurpose cargo terminal is for semi-mechanised terminal) is tabulated below:

Commodity	Percentage share of cargo	Handling rate (tonnes/ day)
(i). Bagged cargo	2%	4000
(ii). Dry bulk cargo	20%	10,000
(iii). Bulk cement (export)	52%	10,000
(iv). Bulk cement (import)	26%	6000

(c). The optimal capacity of the terminal is, accordingly, assessed at 22,58,620 tones i.e. 2.25 Million Tonnes (MT) or 2.3 MT.

(iii). Capital cost:

The capital cost is allocated to individual cargo group while arriving at the proposed upfront tariff. The total estimated capital cost is ₹8408 lakhs. The break up of the capital cost is as given below:

(₹ in lakhs)

Sr. No.	Particulars					Estimated Capital cost in lakhs
A.	**Cargo handling activity**					
	(i).	Civil structure				
		(a). Civil construction cost			1770	
		(b). Supervision charges @ 7% of base cost			124	
		(c). Contingencies @ 3% of the base cost			53	
		(d). Works contract tax @ 4% on 65% of the base cost			46	
	TOTAL					**1993**
	(ii).	**Cargo Handling Equipments**				
		(a).	Mechanical works			
			(i). Rail Mounted Cement Loader - 1	1200		
			(ii). Conveyor System	400		
			(iii). Mobile Cement Unloader - 1	700		
			(iv). Bagging plant - 8	60		
			(v). Pay loader - 2	100		
			(vi). FLT - 2	20		
			Total		2480	
		(b). Supervision charges @ 7% of base cost			174	
		(c). Contingencies @ 3% of the base cost			74	
		(d). Works contract tax @ 4% on 65% of the base cost			64	
	TOTAL					**2792**
	(iii).	Miscellaneous cost (5% of i & ii above excluding works contract tax)				**234**
TOTAL (i + ii +iii)						**5019**
B.	**Berthing activity**					
	(a). Cost of the berth				3010	
	(b). Supervision charges @ 7% of base cost				211	
	(c). Contingencies @ 3% of the base cost				90	
	(d). Works contract tax @ 4% on 65% of the base cost				78	
	TOTAL					**3389**
TOTAL CAPITAL COST						**** 8537.76**

*** The aggregate of the estimated capital cost is ₹8408 lakhs. The port has, however, considered the estimated capital cost as ₹8537.76 lakhs.*

(iv). Annual Operating cost:

The Annual Operating Cost estimated for the bulk exports, bulk imports and raw materials is as given below:

(₹ in lakhs)

Sr. No.	Operating cost	Bulk export	Bulk import	Raw materials
1.	Fuel for loader / unloader / 2 FLTs & 2 Pay Loaders	87.12	87.12	66.21
2.	Power cost	13.00	26.00	0.00
3.	Repairs & Maintenance			
	Civil assets--common	5.11	2.56	2.13
	Civil assets--exclusively for import & export	6.76	3.38	----
	Mechanical asset	78.82	54.05	6.76
4.	Insurance	27.65	13.83	8.71

5.	Depreciation			
	Civil assets	39.64	19.82	7.11
	Mechanical asset	163.00	111.77	13.97
6.	License fee			
	Water front	8.72	4.36	3.63
	Stackyard	9.60	14.40	9.60
7.	Other expenses	138.27	69.14	43.54
	Total operating cost	**577.69**	**406.43**	**161.66**

The Annual Operating Cost for the berthing activity is estimated at ₹180.98 lakhs.

(v). The Return on Capital Employed is considered at 16%.

(vi). Annual Revenue Requirement:

The Annual revenue requirement (ARR) estimated from both the activities is as given below:

(₹ in lakhs)

Sr. No.	Particulars	Cargo handling activity			Berthing activity
		Bulk exports	Bulk imports	Raw materials	
1.	Total annual operating cost	577.69	406.43	161.66	180.98
2.	Return on capital employed	442.48	221.24	139.33	542.28
ANNUAL REVENUE REQUIREMENT		**1020.17**	**627.67**	**300.99**	**723.27**

(vii). As per the norms for the multipurpose berth, the ARR is to be apportioned to cargo handling charges, storage charges and miscellaneous charges in the ratio of 90%, 5% and 5% respectively. The port has proposed apportionment of the ARR to cargo handling charges, storage charges and miscellaneous charges in the ratio of 96%, 2% and 2% respectively. The reason for deviation is, however, not explained.

(viii). Accordingly, the port has proposed the following charges:

I. Berth hire charges

	Foreign going vessels	Coastal vessels
Per GRT per hour or part thereof	₹ 1.68	₹ 1.01

II. Handling charges

	Rate Per Metric Tonne
Bagged cargo	₹ 128.51
Dry bulk cargo	₹ 51.40
Bulk Cement (Export)	₹ 73.71
Bulk Cement (Import)	₹ 151.17

III. Storage charges

Free period: 5 days for import cargo and 15 days for export cargo

	Rate per tonne per day (beyond free period)		
	First six days	Next six days	Thereafter
Bulk export	₹ 3.00	₹ 4.86	₹ 9.48
Bulk import	₹ 5.00	₹ 8.10	₹ 15.80
Raw materials	₹ 2.00	₹ 3.24	₹ 6.32

IV. **Miscellaneous charges**

	Rate per tonne
Bulk export	₹ 1.54
Bulk import	₹ 3.15
Raw materials	₹ 1.13

2.2. The VOCPT has submitted the proposed Scale of Rates (SOR) and the feasibility report along with the proposal.

3. In accordance with the consultation process prescribed, the proposal dated 20 August 2011 was circulated to the users/ user organisations/ RFQ applicants (as forwarded by the VOCPT) for seeking their comments. The comments received from the users/ user organisations/RFQ applicants have been forwarded to the VOCPT. The VOCPT vide letters dated 18 November 2011 and 7 December 2011 has furnished comments on the points made by the users/ user organisations/ RFQ applicants.

4. Based on the preliminary scrutiny of the proposal, the VOCPT was requested to furnish additional information/ clarifications vide our letter dated 12 October 2011. The VOCPT vide its letter dated 15 November 2011 has furnished its reply on queries raised by us. A summary of the queries raised by us and reply of VOCPT are tabulated below:

Sl. No.	Query raised by TAMP	Reply furnished by VOCPT
(i).	Optimal Capacity:	
	The optimal capacity of the terminal assessed at 2.258 Million Tonnes Per Annum (MTPA) seems to have been arrived at to meet the traffic projections of 2.30 MTPA made by individual importers/ exporters as per table 29 of the Feasibility Report. Clause 3.3.2. of the 2008 guidelines stipulates that the upfront tariff is to be determined for the optimal capacity of the terminal irrespective of traffic forecast. In the light of the above clause in the guidelines and the other gaps observed hereunder, the optimal capacity assessed for the terminal needs to be re-assessed by the VOCPT.	The optimal capacity is based on TAMP upfront tariff guidelines. There is no linkage to traffic projections which is based on Business plan study and consequent working in the Feasibility Report. Hence reassessment is not felt required.
	(a). The tariff guidelines of 2008 prescribe norms/ guidelines for determination of upfront tariff for container terminal, mechanised handling of iron ore terminal and coal terminal, liquid terminal and for multipurpose cargo terminal (semi-mechanised). The instant proposal filed by the V.O. Chidambaranar Port Trust (VOCPT) for handling cement and related raw material envisages mechanised handling with deployment of ship loader/ unloader and conveyor system and other auxiliary equipment/ facilities. The port has proposed mechanised handling, but for assessing the optimal capacity, it has adopted the handling norms of 10,000 tonnes/ day for cement (export) and dry bulk cargo, 4,000 tonnes/ day for bagged cargo which are in fact the handling norms prescribed in the upfront tariff guidelines for multipurpose cargo handling terminal by semi-mechanised means. The handling norms prescribed in the guidelines for multipurpose cargo terminal are with level luffing cranes which may not be relevant for mechanised handling envisaged by the VOCPT. The VOCPT to assess loading/ unloading rate achieved for similar mechanized handling of cement cargo related dry bulk cargo at ports. Alternatively, the loading/ unloading parameters may be computed as per the technical specification of the loader/ unloader. The basis for the revised loading/ unloading parameters (to be) adopted by the port may be explained.	The capacity of the vessels in the form of parcel size and draught of the vessel can be linked to norms in respect of Multipurpose berths and not more than that. The assessment of optimal capacity is linked to the constraints of parcel size and draft. For the shallow water berths, the norms of multipurpose berths only will be realistic and not higher norms applicable to deep draft berths.
	(b). The equipment presently deployed and the actual handling rate achieved for handling each of the above mentioned cargo group at the VOCPT for the last three years to be indicated.	New concept. Present handling is by Ship shore cranes and to some extent private mobile cranes. Hence Port does not have relevant data as sought by the Authority.

<table>
<tr><td></td><td>(c). (i). The proposal states that the cement loader will load at the rate of 750 T/ hour and cement unloader will unload @ 300 T/ hour. The basis of this productivity rate may be explained.</td><td>The proof for the capacity of the equipment will be furnished after collecting data. (VOCPT has not furnished the requisite details till the finalisation of this case.)</td></tr>
<tr><td></td><td>(ii). Applying the productivity rate of ship loader at 750 T/ hour indicated by the VOCPT, the ship day output will be 18,000 T/ day as against 10,000 T/ day assumed by VOCPT. For cement unloader, the per day output will be 7,200 T/ day as against 6,000 T/ day considered by VOCPT. The productivity rate may be revised in the light of the above observation and our point at (d) below.</td><td>The handling rate adopted is as per TAMP guidelines.</td></tr>
<tr><td></td><td>(iii). The productivity of the ship unloader is assumed half of the ship loader. As a result, the handling rate for bulk cement import arrived by VOCPT is almost double the rate arrived for bulk export cement. Explain why rate should vary widely between import and export of bulk cement when the handling operations are the same.</td><td>The export cargo to be handled is 13.20 lakhs Tonnes and import cargo to be handled is only 3.99 lakhs tonnes.</td></tr>
<tr><td></td><td>(d). From upfront tariff calculation (cargo-wise) furnished by VOCPT, it is observed that the VOCPT has proposed to deploy individual handling equipment for ship shore transfer for each types of cargo which may result in underutilisation of these equipment. A summary of the ship loader/ unloader proposed to be deployed and number of days the equipment will be utilised as per the berth hire calculation furnished by the VOCPT along with other relevant details is tabulated below:
<table>
<tr><th>Sl. No.</th><th>Cargo</th><th>Exclusive equipment proposed for handling the bulk cement cargo</th><th>Share of the cargo in the capacity</th><th>Handling rate assumed (Tonnes/ day)</th><th>Capacity of individual cargo in lakh tonnes</th><th>No. of days of operation of the equipment</th></tr>
<tr><td>1.</td><td>Bulk Cement (Export)</td><td>Ship loader ₹1351 lakhs</td><td>52%</td><td>10,000</td><td>13.28</td><td>133</td></tr>
<tr><td>2.</td><td>Bulk Cement (Import)</td><td>Ship unloader ₹788 lakhs</td><td>26%</td><td>6,000</td><td>3.99</td><td>66</td></tr>
</table>
It is understood that the VOCPT has proposed one ship loader for handling bulk cement export and the utilisation of this equipment is expected to be 133 days. A separate unloader is proposed to handle bulk cement (import) and it will be utilised for 66 days as per the calculation of VOCPT. By proposing individual equipment for handling import/ export cargo of cement, the capacity of individual equipment does not seem to be utilised to the optimal level of 70% i.e. 255 days. Consequently, it results in higher upfront tariff. The VOCPT need to examine this issue to ensure optimum utilisation of the facilities to be provided.</td><td>The selection of equipment (i.e.) loader and unloader is based on the cargo share predicted. If the lower capacity of equipment has been used, number of days to evacuate the cargo will be increased consequently, the waiting time of ship will also increase. In future when the cargo will increase, the spare capacity of equipment will be utilized to optimum level.</td></tr>
<tr><td></td><td>(e). The port has not envisaged any handling equipment for ship shore transfer of dry bulk cargo and bagged cargo citing that it will be handled by ships gear or by hiring equipment from private users. In this context, clarify the output norms considered for handling dry bulk cargo at 10,000 tonnes/ day in assessing the capacity is with reference to ship gear or with reference to hire of equipment.</td><td>The handling rate 10,000 tonnes/ day adopted for dry bulk cargoes is as per TAMP guidelines 2008.</td></tr>
<tr><td></td><td>(f). The basis of adopting the share of cargo capacity at 52% and 26% for bulk cement (export) and bulk cement (import) respectively and 20% for dry bulk cargo and 2% of bagged cargo may be explained.</td><td>Based on the Business plan study and present scenario the share of cargo capacity in percentage is arrived.</td></tr>
</table>

	(g). The nature of dry bulk cargo expected to be handled at the terminal may be indicated. It may be confirmed whether the PPP operator will be prohibited from handling any other kind of break bulk or bulk cargo in the berth, even if spare capacity is available.	Cement and bagged cement raw materials are expected to be handled at the terminal. Others are prohibited.
	(h). (i). Chapter 3 of the proposal states the dock basin will be dredged to initially to berth 10,000 DWT vessels having 145 m. LOA. The port has also assumed 10,000 DWT vessels in the upfront tariff calculation. But, the berth length envisaged to be developed is 243 m. in length. In this context, VOCPT to confirm technically it is not feasible to handle two vessels at a time. If so, then the capacity calculation needs to be reviewed to capture its effect.	The proposed shallow Draught Berth will be able to handle 10,000 DWT vessels having LOA of 140 m. initially and 20,000 DWT vessels having 180 m. LOA. Hence, the quay length 243 m. is necessary.
	(ii). Page no.13 and 14 of the Feasibility Report states that the berth structure is designed to handle 20,000 DWT. In view of the above position envisaged in the feasibility report, and considering the long horizon of the project the port may consider larger size vessel in capacity calculation and also in berth hire calculation.	The designed capacity of 20,000 MT is only a statement of capacity. For capacity calculations, the current trends only could be considered with respect to current arrival of vessels.
	(iii). The proposal does not indicate the ratio of import and export cargo expected with reference to dry bulk cargo and bagged cargo. VOCPT to provide the requisite details along with the basis for the same.	The bagged cargo and dry bulk cargoes are raw materials for manufacturing of cement. These cargoes are fully import cargoes.
(ii).	<u>Capital cost estimation</u>:	
	(a). The total capital cost for cargo handling activity as per page no.65-66 of Feasibility Report is ₹51.48 crores whereas the VOCPT in the proposal for upfront tariff calculation has considered it at ₹50.19 crores. Inconsistency in the figures may be explained or corrected.	The capital cost in the upfront tariff calculations are with respect to TAMP guidelines for upfront tariff which do not consider 5% Miscellaneous cost in respect of Berth Hire Capital Cost. Hence the difference.
	(b). In the normative list prescribed in the guidelines, water supply and sewage are grouped under Civil works and Power, Lighting and Communication are grouped under equipment. The port has shown these works under the capital cost of miscellaneous items. The estimates may be corrected following the general norms prescribed in the guidelines.	Yes, water supply. Sewage power lighting and communication expenditures are since been deleted under miscellaneous items.
	(c). (i). The VOCPT has considered 7% and 3% of the base cost as supervision charges and contingencies respectively. Confirm that the base capital cost considered in the Feasibility Report does not include supervision charges and contingencies.	It is confirmed that the base capital cost does not include the supervision charges and contingencies.
	(ii). The basis for considering 65% of the base cost towards work contract tax may be explained.	As in North Cargo Berth-II 65% of the base cost towards calculation of works @ 4% is adopted. This is also generally adopted in respect of all projects.
	(d). (i). Confirm the estimates of capital cost reflect the prevailing rate.	The consultant has submitted final report during May 2011. As per the report the estimate is based on the current market rates for similar works.
	(ii). The Feasibility Report does not contain any documents validating the estimates of the capital cost. VOCPT to furnish copies of supporting documents/ calculation/ budgetary quotations, market rates to justify the estimates of both civil and equipment cost.	The estimates are based on information collected from various sources.
	(e). The sum of capital cost estimated in the Feasibility Report for civil works relating to filling and protection work along the SDB and the capital cost for development of backup area is ₹17.80 crores. Whereas, the VOCPT has considered the base civil capital cost for cargo handling activity at ₹17.70	This is an error in the feasibility report-Table 37 capital cost-civil under Sl.No.2. The sub total of filling and protection works along the SDB is ₹156.00 and not ₹166.25 as mentioned

	crores. The discrepancy in the estimates may be corrected. Also, confirm that the civil cost of ₹1.66 crores estimated for filling and protection works along the SDB is not part of the berth construction cost and berth side dredging else it should form part of the upfront tariff for berth hire calculation as per the upfront tariff guidelines.	in the feasibility report. Hence the difference.
	(f). The VOCPT seems to have proposed cement unloader exclusively for bulk cement import and cement loader exclusively for bulk cement export. Page 54 of the Feasibility Report states that other raw materials viz. other dry bulk and bagged cargo will be handled by ship gears or from hire of equipment from private parties. In this regard, the following points are to be clarified:	
	(i). The tariff arrangement envisaged for hire of equipment from private parties as the same is not captured in the upfront tariff calculation.	The PPP Operator has to decide in this issue.
	(ii). If handling of this cargo will be by private agency, who will be responsible for the said service as it will have impact on the productivity of the terminal.	The engagement of private agency/ship gears is a private arrangement between the user agency and owner of the equipment, ship agent as the case may be. Hence, cost of the same is not relevant to the Capital cost.
	(iii). The Authority while examining its earlier proposal relating to fixation of upfront tariff for handling construction materials i.e. dry bulk cargo like stone, sand, etc. and bagged cargo like timber, granite, etc. at Shallow Draft berth (Order No.TAMP/18/2010-TPT dated 23 July 2010 passed by the Authority) had specifically advised the VOCPT to confirm whether only one HMC can be deployed at that proposed Shallow Draught Berth. The VOCPT had at that time clarified that considering the current and future traffic, one HMC is found sufficient to handle this cargo. Now in the instant proposal, the port has envisages handling of dry bulk cargo and bagged cargo relating to construction material at 20% and 2% respectively and the optimal cargo capacity assessed by VOCPT is 5.11 lakh tonnes and 0.20 lakh tonnes per annum respectively for these cargo groups. The VOCPT has not proposed deployment of ship to shore handling equipment for these two cargo citing that it will be handled by ship's gear or on hire of equipment from private users. In this scenario and recognising that the rate proposed are closer to the upfront tariff already approved for similar cargo at shallow berth, please clarify why this share of cargo capacity was not considered as part of other upfront tariff proposal for construction material at shallow draft berth.	The proposed shallow Draught Berth for handling cement is a separate proposal. The equipment proposed in the shallow Draught berth for handling construction materials is not linked with the proposed SDB for cement. In the proposed berth the cargo to be handled is only cement and cement related raw materials such as lime stone and gypsum, etc.
	(g). As stated earlier, the proposal envisages deployment of only one of the equipment at a time i.e. either the ship unloader or ship loader in case of bulk cement loading/ unloading or hire of equipment in case of handling dry bulk cargo. Each of these equipments will be grossly underutilised and thereby result in higher burden of tariff on users. The VOCPT needs to thoroughly re-look its proposal and also the estimation of capital cost.	The consultant has submitted final report during May, 2011. As per the report the estimate is based on the current market rates for similar works. [Port has not addressed the issue raised.]
	(h). The VOCPT has estimated capital cost for bagging plant at ₹0.68 crores (the base capital cost at ₹0.60 crores plus supervision charges, contingencies and work contract tax). In this regard, the following points may be clarified:	Yes, the entire import bulk cement will avail the facility of bagging plant and will leave the terminal by road.
	(i). Please clarify whether the entire import bulk cement cargo will avail the facility of bagging plant and will leave the terminal by land route. Can there not be instances	

	where the cargo accumulated for export may avail bagging facility and are exported as bagged cargo.	
	(ii). It may be more appropriate to propose a separate rate for bagging plant taking into consideration the relevant capital cost and the operating cost as has been done in case of mechanised handling of fertilizer in Visakhapatnam Port Trust which involved bagging and stitching of the bags. VOCPT to confirm whether the bagging and stitching will be mechanised or will involve any special labour for bagging and stitching and if so the relevant operating cost is taken care of in the upfront tariff calculation.	Not agreed to as the same is a composite facility made available. If separate rate is available, the usage of the equipment could not be predicted. This will result in loss to the PPP operator.
	(iii). Indicate the exact land area proposed to be allotted for the proposed bagging plant. Show that the license fee on the land proposed for the bagging plant and the relevant cost are considered in the upfront tariff calculation only with reference to the cargo capacity expected to avail the facility of bagging and not for the other cargo groups.	An area of 3.50 hectares will be allotted to the PPP operator adjacent to berth. The bagging plant will be located in this back up area. The licence fee on the land proposed for the bagging the plants are already considered.
	(iv). VOCPT to furnish the optimal capacity of bagging plant with reference to its output. Also furnish detailed working in this regard and also explain each of the parameters adopted in the calculation and justify the basis of the parameters adopted.	The capacity of bagging plant is 20 tonnes/hr.
	(i). The capital cost estimated by VOCPT show that it has estimated ₹6.80 crores for 8 numbers of silo bins. In this regard, the following points are to be clarified:	
	(i). Explicitly state the cargo item likely to be stored in silos bins and number of silos proposed for each of the cargo groups.	2 Nos. silos with 4 bins are proposed to be constructed in the back area of proposed berth. The capacity of each bin of silo is 2300 tonnes and the total capacity id 9200 tonnes. This silos are used for storing both (ie) bulk export cement and Bulk import cement.
	(ii). Please furnish detailed working of capacity of silos taking into consideration the quantity that can be stacked, evacuation from the silos and the average dwell time of cargo. If different cargo groups are to be stored then the average dwell time of each cargo may be furnished and captured in the capacity calculation.	
	(iii). Please explain how the capital cost of silos and the linked operating cost are treated in the upfront tariff calculation. Confirm and show that the cargo not availing the said facility is not burdened with the capital cost and the operating cost of silos.	The capital cost of silos is considered in cargo handling activity under cargo handling equipment-civil construction cost. The same included in operating cost for both Bulk Export cement & Bulk import cements under civil assets for import & export.
(iii).	M/s.ABG-LDA Bulk Handling Private Limited in their comments which is already forwarded to VOCPT vide our letter of even number dated 4 October 2011 stated that the cost estimated for conveyor is not realistic. The VOCPT to examine this point as well as furnish its comments on the other points made by the prospective bidder.	The estimated cost is based on current market rate. Hence, increase in cost is not acceptable.
(iv).	The following points need to be addressed regarding the allocation of capital cost by the VOCPT to individual cargo group while arriving at the upfront tariff for cargo handling activity:	
	(a). Of the total civil cost of ₹1993 lakhs estimated by VOCPT, ₹979.62 lakhs is stated as common civil assets and ₹1013.10 lakhs is stated to be exclusively for import and export. The breakup of the common civil cost for import and export may be furnished.	**A Break Up of Civil Construction cost for cement (Import & Export)** ₹ in lakhs 1. Construction Silo 600.00 2. Construction of cement Storage shed 300.00 Sub Total (A) 900.00

		Supervision charges @ 7% of (A) 63.00 Contingencies @ 3% of (A) 27.00 Works Contract Tax 4% 23.40 **Total 1013.40** **Break up of common Civil Construction Cost** ₹ in lakhs 1. Filling & protection works along the SDB 156.00 2. Hardening of back-up Area of 3.50 Hector 630.00 3. Construction of compound wall 24.00 4. Ancillary structure 60.00 Sub Total (A) 870.00 Supervision charges @ 7% of (A) 60.90 Contingencies @ 3% of (A) 26.10 Works Contract Tax 4% on 65% of (A) 22.62 Total 979.62
	(b). The common civil capital cost is allocated between bulk export, bulk import of cement and other raw material viz. dry bulk cargo and bagged cargo in the ratio of their percentage share in the cargo capacity i.e. 52%, 26% and 22% respectively. Considering that the handling rate assumed for each of these cargo group are different, it may be appropriate to allocate the common civil capital cost in the ratio of optimal capacity of the individual cargo in absolute terms instead of adopting their percentage share in the capacity calculation.	The Authority may decide.
	(c). The basis of allocating the civil cost exclusively for import/ export of bulk cement in the ratio of 12 : 6 may be explained. As stated earlier, the VOCPT may consider to allocate the capital cost in terms of the optimal capacity of these cargo (in absolute terms) instead of relying on the percentage share, if adopted.	The Authority may decide.
	(d). Justify the basis of allocating the conveyor cost estimated at ₹4.50 crores at 50% each for bulk export cement and bulk import cement. Clarify whether the single conveyor system is envisaged for import/ export cargo or two conveyors are envisaged for each type of transfer. If it is single conveyor system, explain the logic of allocating 50% of its cost to import cargo when actually it will be used for 66 days as per the berth hire calculation whereas, the export bulk cement will avail the conveyor facility for 133 days.	It may be decided by the Authority based on the Consultant's Report.
	(e). For the purpose of computation of return on capital employed, as well as for estimating the insurance cost and other expense at 1%/ 5% of the gross value of assets, the VOCPT has not excluded the capital cost for front end loader and pay loaders which are proposed to be deployed only for handling raw material. Moreover, the cost of bagging plant which is not relevant for all the cargo items are also not excluded while determining the upfront tariff for cargo other than import of bulk cement. Thus the ROCE, insurance and other expense seems to be counted more than once on these capital cost items which are not found relevant for a few cargo groups. The VOCPT to modify its calculation suitably. While doing so, it may be appropriate to furnish the upfront	Feasibility Report and Port's proposal covers the issues and Port does not feel for any modification.

<table>
<tr><td></td><td>calculation adopting the following format for ease of understanding:
<table>
<tr><th>Sl. No.</th><th>Particulars</th><th>Amount</th><th>Basis of allocation indicate or Direct cost</th><th>Workings</th><th>Bulk export cement</th><th>Bulk import cement</th><th>Dry bulk cargo</th><th>Bagged cargo</th></tr>
<tr><td>(i).</td><td>Capital cost (with break up of civil cost common, direct, etc.,)</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>(ii).</td><td>Operating cost (with detailed break up)</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>(iii).</td><td>ROCE</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>(iv).</td><td>Revenue requirement</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>(v).</td><td>Apportionment of Revenue Requirement</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>
(The above proforma is illustrative and it may be suitably modified, if necessary while presenting the data.)</td><td></td></tr>
<tr><td>(v).</td><td><u>Operating Cost</u>:</td><td></td></tr>
<tr><td></td><td>(a). Power and fuel cost:</td><td></td></tr>
<tr><td></td><td>Though the upfront tariff guidelines for mechanised coal handling terminal with ship loader and conveyor system, wagon tippler etc., may not be fully relevant for the proposed facility, it is brought out that the guidelines prescribe the power consumption norm at 1.4 units/ tonne and there is no fuel consumption norms prescribed for mechanised handling. As against the above position, the VOCPT has assumed fuel consumption @ 50 litres/ hour for ship loader envisaged for handling bulk export of cement and 50 litres/ hour for ship unloader for bulk import of cement and the fuel cost is estimated for 4000 hours each for handling bulk import/ export cargo. In addition to that power cost is estimated considering 50 units/ hour for 4000 hours for these two cargo group. In this regard, the following points need to be examined by the port:</td><td></td></tr>
<tr><td></td><td>(i). Since the upfront tariff guidelines for iron ore/ coal terminal envisaging deployment of ship loaders or unloaders prescribed power consumption norms and no fuel consumption norm, VOCPT to confirm that ship loader/ unloader proposed to be deployed at the terminal are fuel driven and not power driven.</td><td>It is confirmed that the ship loader/ unloader proposed to be deployed in this terminal are fuel driven.</td></tr>
<tr><td></td><td>(ii). The basis of adopting the fuel consumption at 50 litres/ hour need to be justified with reference to similar equipment already deployed at VOCPT or any other port or with reference to the technical specification of the equipment.</td><td>The fuel consumption for the Harbour Mobile crane proposed to be deployed in another shallow Draught Berth for handling construction materials is 50 lit/hr. The same consumption has been adopted in this project also.</td></tr>
<tr><td></td><td>(iii). The output capacity of mobile ship unloader for handling import cement (bulk) is stated to be 300 T/ hour and the output of cement loader for export of cement at 750 T/ hour. From the above output level, it appears the capacity of both these equipment are different but the fuel consumption is assumed at the same level i.e. 50 litre/ hour for both these equipment. VOCPT to examine the fuel consumption considered by it in the light of the above observation.</td><td>The fuel consumption for the Harbour Mobile crane proposed to be deployed in another shallow Draught Berth for handling construction materials is 50 lit/hr. The same consumption has been adopted in this project also.</td></tr>
<tr><td></td><td>(iv). The power consumption of 50 units /hour considered by VOCPT for each of the cargo operations is not found to be in line with the power consumption norm of 1.4 units/ tonne prescribed in the guidelines for coal terminal for a fully mechanised handling. VOCPT to justify the basis for assuming power consumption at 50 units/ hour with reference to the existing handling system of the port or alternatively with the technical specification at the facility envisaged.</td><td>This is new concept. Hence, the power consumption has been taken as 50 unit/hrs,</td></tr>
</table>

	(v). Further, the bagging plant is prima facie not envisaged for bulk export of cement. In this circumstance it is not clear how the power consumption of 50 units/ hour assumed for bulk import of cement involving conveyor system as well as bagging plant can be applied for handling of bulk export of cement which does not envisage bagging plant. VOCPT to clarify the above points and modify the power consumption assumed in the upfront tariff calculation.	This is new concept. Hence the power consumption has been taken as 50 unit/hr.
	(vi). The VOCPT has estimated fuel cost for 4000 hours for each of the equipment viz. ship loader and unloader. As per the berth hire calculation, the ship loader for handling bulk cement (export) is proposed to be utilised for 3189 hours whereas ship unloader for handling bulk cement import is likely to be utilised for 1594 hours. Whereas the operating cost of fuel for these equipment are estimated for 4000 hours each. This inconsistency in the proposal need to be corrected and as stated earlier the entire proposal need to be re-examined to see whether each of these equipment can be used optimally at 70% i.e. for 6132 hours (i.e. 365 x 24 hours x 70%) as per the utilisation norms prescribed in the guidelines	The operating cost of fuel for the ship loader and unloader are estimated for 4000 hours as done in North Cargo Berth-II hence the Authority may allow to retain the same.
	(vii). (a).The fuel cost for 2 fork lift truck and 2 pay loaders is estimated for 4000 hours as per the working hours norms prescribed in the guidelines for multipurpose cargo. Please show that these equipments will be used for 4000 hours with reference to the cargo capacity assessed for dry bulk cargo and bagged cargo which is expected to use these equipments.	The working hours taken in this project is as per TAMP guidelines.
	(b). With reference to the estimation of repairs and maintenance cost, insurance cost, depreciation, other cost which are linked as percentage to the capital cost, the points observed at (iv) above regarding allocation of capital cost to the different cargo group need to be addressed by the VOCPT and consequently the estimation of these items of cost may have to be suitably modified.	Repair and maintenance cost has been worked out based on capital cost only. However, the cost arrived is apportioned based on cargo wise optimal capacity. **Based on Projected cargo** **Common** Bagged cargo 0.05 MT Bulk cement 1.80 MT Raw Materials 0.45 MT ------------- 2.30 MT Bulk Export 12.00 Lakhs Bulk Import 6.00 Lakhs Raw Materials 5.00 Lakhs ----------------- 23.00 Lakhs -----------------
	(c). License fee	
	(i). The total land area proposed to be allotted by the VOCPT may be indicated.	3.50 Hectares of land area
	(ii). From the estimation of license fee in the upfront tariff calculation, it is understood that the VOCPT proposes to allot 10,000 sq. m. of backup area for stacking bulk export cement, 15,000 sq. m. of land for bulk import cement and 10,000 sq. m. for raw material. In this regard, the following points need to be clarified:	
	(a). The share of export bulk (cement) is assumed at 52% and the share of other raw material i.e. other dry bulk cargo and bagged cargo is assumed at 22% in the cargo capacity but the land proposed to be	For import cement bagging plant is required. Hence, the area required for import cement is higher.

	allocated for stacking both this cargo group is considered at the same level i.e. 10,000 sq. m. For import of bulk cement with 26% cargo share capacity, the VOCPT has proposed to allocate 15,000 sq. m. of land for stacking. The basis of proposed allocation of land for individual cargo groups is not clear and hence needs explanation.	
	(b). VOCPT to furnish the yard capacity for each of the cargo group taking into consideration the stacking area, stacking quantity, average dwell time of cargo, the annual turnover assumed and justify each of the parameters adopted with reference to the actual parameters achieved by the port for handling these cargo items to justify the land proposed to be allotted for each of these cargo group and also to show that the yard capacity of these cargo more or less matches with the optimal quay capacity of the cargo. While furnishing the capacity of the stacking yard also furnish the capacity of the bagging plant and the capacity of the silos where these cargo will be stacked.	This could not be predicted now. Hence, Port's calculations may please be retained.
	(iii). The guidelines for upfront tariff stipulate that lease rent for port land and assets is to be estimated based on the rate prescribed in the Scale of Rates of the respective major ports. Please confirm that the rates adopted for estimation of license fee is in line with the existing rates prescribed in the Scale of Rates of the VOCPT giving reference of the relevant schedule.	Yes. As per Port's Scale of Rates.
	(iv). It is observed that license fee for water front is estimated by the VOCPT adopting the license fee of ₹8 per sq. meter per month prescribed in its SOR for storage of cargo within the security wall. As per the Land Policy Guidelines for Major Ports 2010 issued by the Ministry of Shipping, license fee for water area should be 50% of the license fee of abutting land. Please confirm the unit rate adopted by the VOCPT for water front area is the rate applicable for the land abutting the water front proposed to be allotted. Further, as per the Government guidelines, the VOCPT may consider to modify the estimation of lease rental for the water front area applying 50% of the license fee of the abutting land.	The Land Policy guidelines prescribe the 50% of Licence Fee for lease of water front outside the Customs boundary and covered under 2.2.3.(k). However, the subject allotment of waterfront is within Customs boundary covered under clause 6.1 for which the provision is not applicable.
(vi).	<u>Berth hire computation</u>	
	Though the working shows that terminal overall will operate for 6132 hours in a year as stated earlier individual equipment proposed to be deployed for each cargo group is likely to be highly underutilised. The VOCPT to have a re-look at its proposal in the light of our observation which may also require reworking of the berth hire calculation.	Port requests for retaining the existing calculations.
(vii).	<u>Storage charge</u>:	
	(a). The VOCPT has assumed 10% of the each of the cargo capacity will attract storage charge. The basis of adopting this percentage uniformly for arriving of storage charge for each cargo group needs to be explained.	It is assumed based on the existing trend and stack yard capacity.
	(b). The actual average dwell time of these cargo groups handled at the VOCPT for the last three years may be furnished.	The details of cargo-wise dwell time are not available. However, the details of category-wise dwell time for last three year are furnished. [As per the details furnished by port, the average dwell time of import dry bulk and import break bulk was 10 days and 3 days in all the 3 years.]

	(c). The VOCPT has proposed 5 days free period for import cargo and 15 days for export cargo. The average dwell time of each of the cargo group viz. bulk cement import, bulk cement export and bagged cargo and dry bulk both import/ export assumed by the VOCPT may be indicated and it may be captured while calculating the storage charge (cargo-wise).	The existing free period in general scale of rate of VOCPT is considered.
(viii).	(a). In the berth hire calculation, the VOCPT has proposed concessional rate for coastal vessel assuming 10% of the cargo capacity will be coastal vessel but, the impact of coastal concession is not captured in the revenue model while computing the berth hire. The effect of concessional tariff applicable for coastal vessel may be reckoned in the revenue model to ensure that the estimated revenue requirement can be achieved by the BOT operator at the proposed tariff level.	Based on Current trend, all vessels are Foreign Vessels. Hence, the coastal rate is only for use when required.
	(b). The ratio of foreign and coastal cargo in respect of cement bulk (import), cement bulk (export), dry bulk cargo and bagged cargo may please be indicated. Effect of coastal cargo entitled for coastal concession may be considered while arriving at the handling rate as well in the berth hire calculation. If no coastal cargo/ vessel is envisaged, it may be stated explicitly.	Based on Current trend, all vessels are Foreign Vessels. Hence, the coastal rate is only for use when required.
(ix).	Incorporate the general note that the users shall not be required to pay for charges for delays beyond reasonable level for the reasons attributable to the terminal operator.	Agreed to.

5.1. A joint hearing in this case was held on 16 November 2011 at the V.O. Chidambaranar Port Trust (VOCPT) premises. The VOCPT made a power point presentation of its proposal. At the joint hearing, VOCPT and the concerned users/ user organisations / RFQ applicants have made their submissions.

5.2. As decided at the joint hearing, the VOCPT was requested to take action on some points. The VOCPT vide its letter dated 7 December 2011 has furnished its response. The decisions taken at the joint hearing and the response of the port are summarised below:

Sl. No.	Action to be taken by the VOCPT	Response of VOCPT
(i).	Possible under-utilisation of various equipments proposed to be deployed has been pointed out. The port has agreed that it will reassess the handling rates assumed for different equipments and also optimal capacity of facilities based on the queries raised by TAMP. The port to review these points and submit the revised calculation.	The equipments Unloader and Loader are designed to handle the specified cargoes and are inevitable as per the scheme of operations vide Feasibility Report. Hence, underutilization may not be a determining factor for the induction. Hence, the deployment as proposed is requested for retention.
(ii).	It was brought out at the joint hearing that the lease rentals considered in the calculation are reportedly based on the Scale of Rates and that the port has not considered the correct lease rentals applicable for the land to be leased out and instead relied upon the storage charges/ license fee for storage of cargo prescribed in its Scale of Rates. The lease rentals for the port estate are overdue for revision since July 2007. In this context, the port informed that land valuation has already been done and a separate proposal will be submitted shortly. The port was advised to revise the upfront tariff calculation by considering the updated lease rentals.	The VOCPT has stated that the revised upfront tariff calculations considering the updated lease rentals are furnished.

5.3. At the joint hearing, the VOCPT was also requested to submit its revised proposal by 26 November 2011 taking into consideration the above mentioned points and simultaneously circulate its revised proposal to the concerned users/ prospective bidders advising them to furnish their comments within 5 days to TAMP and VOCPT. The VOCPT was also requested to furnish its comments on the points (to be) made by the users and prospective bidders on the revised proposal (to be) circulated by VOCPT. The response of the VOCPT dated 7 December 2011 did not show compliance of the decisions taken at the joint hearing.

The VOCPT has furnished a comparative position between Annual Revenue Requirement and rates proposed as per its initial proposal dated 20 August 2011 and the revised Annual Revenue Requirement and revised rates proposed due to consideration of rate proposed in the lease rent proposal. In this regard, it has made the following further submissions:

> "Out of two rates namely lease rate already proposed to the Authority in the lease rent proposal at ₹36.54 per sq. m. per month for commercial purposes and the rate based on interim land valuation report at ₹11.94 per sq. m. per month, the port proposes to adopt the rate already proposed in the lease rent proposal. It is relevant, in this regard, to note that the guideline value of Tamil Nadu Government is under upward revision manifold."

The revised revenue requirement and the revised rates proposed by the port after the above modifications are given below:

(a). Revised Revenue Requirement:

(₹ in lakhs)

Sr. No.	**Particulars**	**Cargo handling activity**		
		Bulk exports	**Bulk imports**	**Raw materials**
1.	Total annual operating cost	643.03	473.33	208.86
2.	Return on capital employed	442.48	221.24	139.33
ANNUAL REVENUE REQUIREMENT		**1085.50**	**694.57**	**348.19**

(b). **Revised proposed rates**:

- **Handling charges**:

Particulars	**Rate Per Metric Tonne**
Bagged cargo	₹ 148.67
Dry bulk cargo	₹ 59.47
Bulk Cement (Export)	₹ 78.43
Bulk Cement (Import)	₹ 167.29

- **Storage charges**:

Free period: 5 days for import and 15 days for export

	Rate per tonne per day		
	First six days	**Next six days**	**Thereafter**
Bulk export	₹ 3.00	₹ 4.86	₹ 9.48
Bulk import	₹ 6.00	₹ 9.72	₹ 18.95
Raw material	₹ 2.00	₹ 3.24	₹ 6.32

- **Miscellaneous charges**:

	Rate per tonne
Bulk export	₹ 1.63
Bulk import	₹ 3.49
Raw material	₹ 1.31

6. Some of the user organisations have furnished their further comments after the joint hearing. The comments received from them were forwarded to the VOCPT as feedback information vide our letter dated 23 November 2011. The VOCPT vide its letter dated 7 December 2011 has furnished its comments.

7.1. Further, on examining the reply furnished by VOCPT under cover of its letter dated 15 November 2011 to queries raised in our letter dated 12 October 2011, it was observed that the queries raised were not properly addressed. The VOCPT was, therefore, requested vide our letter dated 13 January 2012 to address all the issues and provide adequate clarity to the proposal. After reminders, the VOCPT vide its letter dated 14 April 2012 has furnished its reply. A summary of the queries raised by us and response of VOCPT thereon are tabulated below:

Sl. No.	Query raised by TAMP	Reply furnished by VOCPT
(i).	Item No.(i) (a) and (c): The reply furnished by the VOCPT does not address the specific queries raised by us. The loading/unloading parameters adopted by the Port require review and to be justified with calculations based on the technical specifications of the equipment.	The loading and unloading parameter for Bulk Exports has been revised from 10000 MT per day to 13388 MT and for Bulk Imports from 6000 MT to 5355 MT per day. Accordingly the Optimal capacity has been revised to 26.59 lakh tonnes.
(ii).	Item No.(i)(d): While replying to this query the port itself admits that at the capacity level assessed by the port there is a spare capacity which will be utilised in future when cargo volume will increase. This strengthens the point made at Sl. No.(i) that the port has arrived the capacity so as to meet the traffic projections of individual importers/ exporters and not with reference to the capacity of the equipment. As pointed out in our query by proposing individual equipment i.e. ship loader for export cement, and ship unloader for handling import cement with independent conveyors, the capacity of the individual equipment proposed to be utilised is 52%, 26% respectively as against optimum utilisation level of 70% (i.e. 255 days) prescribed in the tariff guidelines of 2008. Consequently, it results in higher upfront tariff. The VOCPT is again advised to examine the issues raised in our query to ensure optimum utilisation of the facilities to be provided and ensure the users are not burdened with high upfront tariff for the proposed facility owing to wrong assessment of capacity.	The Port's intention is not to reconcile the calculations of optimal capacity with that of traffic projections but the calculations worked out coincided with the traffic projections. With respect to the handling requirements specifically for Bulk (Export), Bulk (imports), bagged cargo and break bulk cargoes, the equipments are proposed. The optimum utilisation of 70% may not be relevant in the situation of handling multiple diversified cargoes with a limiting factor of Berth available. Hence, the berth capacity only is relevant and it is for the PPP operator to manage the optimum handling in total considering the need to maximise profit. Hence, the deployment of equipments as envisaged in the current proposal may be admitted by the Authority.
(iii).	Item No. (i)(e): Without addressing the point raised, the port has maintained that the handling rate is as per TAMP guidelines. Please note the said guidelines are for operations with 20T ELL cranes and not with reference the working of mechanised ship unloaders.	Handling norms have been revised as mentioned in the reply to point (i) above.
(iv).	Item No.(i) (h)(i) & (ii): In the reply the port has confirmed that 20,000 DWT vessels can be handled in future. Hence, the berth hire calculation should capture 20,000 DWT size of vessel instead of 10,000 DWT vessel assumed by the port considering long horizon of the project. The handling rate of 20,000 DWT	Based on the discussions with users/ manufacturers only, the vessel size of 10000 DWT vessels have been considered taking into account the current arrival of vessels carrying cargoes of Cement and others envisaged in the project. The question of 20000 DWT

	vessel may be higher than the 10,000 DWT vessel which also may be factored in the capacity calculation.	vessels is only with respect to the design of the berth with a life of 100 years and is not to be considered as a relevant factor for determining current handling rate.
(v).	Item No.(ii)(b): The port has stated that the capital cost towards water supply, sewage, power, lighting and communication earlier estimated as part of miscellaneous items under civil works has been deleted. It does not show whether these items of capital cost deleted from miscellaneous items under civil works are considered elsewhere under suitable head. As stated in our query, normative list prescribed in the guidelines indicate water supply and sewage under civil works and power, lighting and communication cost are grouped under equipment. It is reiterated that the estimates may correctly follow the general norms prescribed in the guidelines.	 The reply furnished vide Port's letter no.E(C).F.79/SBD-C/PD/2011 dated 15.11.2011 state that, "water supply, sewage, power, lighting and communication expenditure are since deleted under Miscellaneous item", refer to the deletion of the said terms added to Miscellaneous at 5% on Civil Construction cost and Mechanical works. The cost of water supply, power, sewage are included in the Ancillary structure in about 500 sq. m. @ ₹12,000/- per sq. m. ₹60 lakhs is included in the Civil Construction Cost below "Cargo Handling Activity". This covers the requirement.
(vi).	Item No.(ii)(f) and item (i)(e): The query raised by us regarding tariff arrangement envisaged for hire of equipment from private parties for handling other raw materials is not addressed by the port. The port has made a general statement that the BOT operator has to decide the issue on tariff arrangement and that the capital cost is not relevant for fixation of upfront tariff. In this context, it may be stated that if the project envisages the BOT operator to handle this category of cargo under PPP basis i.e. other bulk cargo, then the tariff has to be determined upfront. The port on one hand has stated that the capital cost for such equipment is not relevant but at the same time the capacity calculation considers the handling rate of these hired equipment. The operating cost on such equipment is not included in the revenue estimation. There is no clarity in the arrangement proposed by the port for handling the other bulk cargo by private agencies. The VOCPT to examine the matter once again and review its proposal taking into consideration our queries raised earlier vide letter dated 12 October 2011 in this regard.	 For Bagged cargoes and Dry bulk cargoes, it is proposed to adopt the rates of handling charges fixed in July 2010 with an escalation of 5.72% for 2011 for handling break bulk envisaged in Shallow Water Berth to handle construction materials. Regarding the storage charges and miscellaneous charges for Raw materials and bagged cargo, the share of 2% each of proportionate civil cost applicable for the said cargoes is considered and storage and miscellaneous charges are worked out.
(vii).	Item No.(ii)(g): The statement made by the VOCPT that the consultant has submitted the final report does not addressed our specific query raised that the equipments proposed to be deployed lead to gross underutilisation of the facilities and result in higher burden of tariff on users. The port may, if necessary, critically appraise the report and address the specific query raised in this regard.	 Regarding the capacity utilisation, the remarks furnished vide Sl.No.2 above may please be referred to.

(viii).	<u>Item No.(ii) (h)(ii)</u>: The VOCPT has not answered the query to confirm whether the bagging and stitching will be mechanised or will involve any special labour for bagging and stitching and if so, then operating cost is taken care of in the upfront tariff calculation. Please clarify and if necessary modify the upfront tariff calculation.	 The bagging plant is a mechanised one of 20 Ton capacity as specified in Para 10.1 (8) (c) of page 61 of Feasibility Report. The cost of the 8 nos. of 20T capacity Bagging Plant ₹68.00 lakhs included in the total mechanical equipment cost of ₹26.39 crores.
(ix).	<u>Item No.(ii) (i)(ii)</u>: The port has not furnished reply to our query about detailed working capacity of the silos taking into consideration the quantity that can be stacked, evacuation from silos and average dwell time for cargo. Our query is reiterated.	 The working capacity of silos, evacuation of cargo and average dwell time are not to be estimated with detailed calculations. The PPP operator for the subject project is to ascertain and estimate the same after award of the project.
(x).	<u>Item No.(iv) (b), (c), (d) and (e)</u>: The port was specifically advised to review the capital cost allocation to bulk export, bulk import and dry bulk cargo in view of our observation. The port does not appear to have made any attempt to address the issue raised and just stated that the Authority may decide. It is for the port to ensure that the well justified proposal is filed and the queries raised by us are reasonably addressed to enable the Authority to determine the upfront tariff. The port is again advised to review the allocation of common items of capital cost and other capital cost items pointedly brought out and suitably modify its proposal.	 The allocation of capital cost to bulk export, bulk import and dry bulk cargo as furnished in the calculation sheet may please be considered by the Authority.
(xi).	<u>Item No.(v) (a)(i)</u>: In the upfront tariff cases of other Major Port Trusts which involved deployment of ship loader/ ship unloader, the concerned ports had estimated power cost (and not fuel cost) as per the norms prescribed in the upfront tariff guidelines which are considered by the Authority for determining the upfront tariff. As stated earlier, even the upfront tariff guidelines for iron ore/ coal terminal which envisage deployment of ship loader/ ship unloader prescribed power consumption norm and not fuel consumption norms. In view of the above position, port is requested to re-confirm its reply furnished to our query that the ship loader/ ship unloader proposed to be deployed are fuel driven and not power driven. The reasons for selecting fuel driven ship loader/ unloader and the cost advantage vis-à-vis power driven loader/ unloader may be furnished. If the port re-confirms that the ship loader/ ship unloader proposed to be deployed is fuel driven, then it may assess the fuel	 Power cost is considered at the rate of 0.5 KWA per MT at the current revised rate of ₹8.25 per unit. In view of the above, the question of deploying fuel driven ship loader/ unloader does not arise. In view of the above, deploying fuel driven ship loader/ unloader does not arise.

	consumption with reference to technical specifications of the equipment or instead of solely relying on the fuel consumption of HMC proposed to be deployed at shallow draught berth.	
(xii).	Item No.(v) (a)(iii), (iv), (v), (vi) and (vii): The replies furnished by the port to the specific queries raised by us are not satisfactory and do not address the point raised hence our queries on the above items are reiterated.	Queries are addressed in the above reply.
(xiii).	Item No.(v) (c) (ii)(a): The port has made a general statement that bagging plant is required for import of cement and hence land area proposed for import cement is higher. Furnish the analysis done by the port for arriving at the proposed allocation of land for individual cargo items.	The scope of the subject project covering bagging plant is a new concept of handling in the Port and so far no such facility is available in our Port. Hence, the question of making study of the facility is too early to have concrete conclusions.
(xiv).	Item No.(v) (c)(iii): The port has with reference to its two other upfront tariff proposals for NCB-III and NCB-IV berths had vide its letter dated 5 January 2012 intimated that the license fee may be estimated based on the fresh proposal filed by the port for revision of lease rental vide letter No.E(C)-38/2/2006-EST/D dated 2 January 2012. The port may modify the estimation of license fee in the current proposal as well based on the revised proposal filed by the port.	Licence fee based on the rate adopted by TAMP in NCB-III & NCB-IV at the rate of ₹36.54 per sq. m. per month is adopted in the calculations.
(xv).	Item No.(vi): As stated earlier, the berth hire calculation may be reviewed in view of higher DWT vessels expected to be handled at the proposed terminal considering the project is for a long horizon of 30 years period.	The berth hire calculations are based on the GRT of 7,000 GRT based on the current trends and in consultation with users/ manufacturers. Hence, the same may be admitted.
(xvi).	Item No.(vii) (a) and (c): The port's has stated that 10% of cargo capacity will attract storage charge assumed in the proposal is based on the existing trend and stack yard capacity. Considering that the proposed facility which envisages mechanised handling with silos, bagging plant, etc., and is very much different from the existing conventional handling operations for similar cargo, please justify how the existing parameter can be applied for upfront tariff fixation. The port is again advised to reasonably assess the cargo capacity likely to attract storage charge based on the average dwell time of cargo, free period proposed to be allowed, etc. along with detailed working.	The storage charges at 10% had been admitted by the TAMP for the work of Construction of Shallow Draught Berth for handling construction materials at VOCPT on DBFOT basis vide Order No.TAMP/18/2010-TPT dated 23.7.2010. Hence, the same may also be considered for the similar project.

7.2. While furnishing the replies, the VOCPT has revised the calculations in respect of handling rate for cement loader and cement unloader and power driven ship loader and unloader and also proposed to adopt the usage of the facility for handling break bulk and bagged cargo envisaged in shallow water berth to handle construction materials. Subsequently, the VOCPT vide its letter dated 18 April 2012 has revised the berth hire charges. A comparative position of the rates proposed by the port in its initial proposal dated 20 August 2011, revised calculations furnished vide its letter dated 7 December 2011 and further revised calculations furnished vide its letters dated 14 April 2012 and e-mail dated 18 April 2012 is given below:

(i). **Berth hire charges**:

(**Per GRT per hour or part thereof**)

	Initial proposal dated 20 August 2011	Revised calculations vide letter dated 7 December 2011	Further revised calculations vide letters dated 14 April 2012 and e-mail dated 18 April 2012
Foreign	₹1.68	₹1.68	₹1.69
Coastal	₹1.01	₹1.01	₹1.01

(ii). **Handling charges**:

(**Rate Per Metric Tonne**)

Description	Initial proposal dated 20 August 2011	Revised calculations vide letter dated 7 December 2011	Further revised calculations vide letters dated 14 April 2012 and e-mail dated 18 April 2012
Bagged cargo	₹ 128.51	₹ 148.67	₹ 118.95
Dry bulk cargo	₹ 51.40	₹ 59.47	₹ 47.57
Bulk Cement (Export)	₹ 73.71	₹ 78.43	₹ 70.37
Bulk Cement (Import)	₹ 151.17	₹ 167.29	₹ 118.20

(iii). **Storage charges**:

Free period: 5 days for import and 15 days for export

(**Rate per tonne per day**)

Description	Initial proposal dated 20 August 2011			Revised calculations vide letter dated 7 December 2011			Further revised calculations vide letters dated 14 April 2012 and e-mail dated 18 April 2012		
	First six days	Next six days	Thereafter	First six days	Next six days	Thereafter	First six days	Next six days	Thereafter
Bulk export	₹ 3.00	₹ 4.86	₹ 9.48	₹ 3.00	₹ 4.86	₹ 9.48	₹ 2.00	₹ 3.24	₹ 6.32
Bulk import	₹ 5.00	₹ 8.10	₹ 15.80	₹ 6.00	₹ 9.72	₹ 18.95	₹ 4.00	₹ 6.48	₹ 12.64
Raw materials	₹ 2.00	₹ 3.24	₹ 6.32	₹ 2.00	₹ 3.24	₹ 6.32	₹ 1.00	₹ 1.62	₹ 3.16

(iv). **Miscellaneous charges**:

(**Rate Per Tonne**)

Description	Initial proposal dated 20 August 2011	Revised calculations vide letter dated 7 December 2011	Further revised calculations vide letters dated 14 April 2012 and e-mail dated 18 April 2012
Bagged cargo	₹ 1.13	₹ 1.31	₹ 0.86
Dry bulk cargo			₹ 0.86
Bulk Cement (Export)	₹ 1.54	₹ 1.63	₹ 1.47
Bulk Cement (Import)	₹ 3.15	₹ 3.49	₹ 2.46

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

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

(i). The proposal of the VOCPT is to fix upfront tariff for handling cement in bulk and related raw materials in dry bulk and bagged form in combination, at the proposed Shallow Draught Berth (SDB). The proposal envisages mechanized handling of bulk cement meant for import and export whereas related raw materials meant for imports are proposed to be handled by use of ship's gear or by hiring handling equipment from private parties. The Upfront tariff guidelines of 2008 do not prescribe separate norms for mechanized handling of bulk cement. However, the upfront tariff guidelines prescribe norms for handling related raw materials like limestone in bulk and bagged cargo in break bulk form, in a multipurpose berth. The VOCPT has formulated its proposal based on the norms and parameters prescribed in tariff guidelines of 2008 for multipurpose berth, wherever relevant, for assessing the optimal capacity of the terminal and operating cost.

(ii). The original proposal was filed by the VOCPT in August 2011. At our request to review the proposal, in view of possible underutilization of various equipments proposed to be deployed at SDB, the VOCPT, after some delay, has filed a revised proposal on 14 April 2012 which was followed with revised berth hire calculation workings on 18 April 2012. The revised proposal filed by VOCPT vide its letters dated 14 and 18 April 2012, along with the information/ clarifications furnished during the processing of the case is considered in this analysis.

(iii). (a). The port has not proposed any handling equipment for ship to shore transfer of related raw materials and stated that ship's gear or private hired equipment will be used for this purpose. Despite a specific query, the port neither clarified the tariff arrangement envisaged for the deployment of private hired equipment nor has it captured the estimated hire charges in the operating cost in this regard. When further insisted upon to review its proposal in this regard, the port has simply proposed to adopt the rates prescribed in the tariff Order dated 23 July 2010 relating to fixation of upfront tariff for handling construction materials in another SDB, without any analysis or justification to adopt the old rates.

(b). The VOCPT has reportedly filed its proposal based on the feasibility report of the consultant. The estimated capital cost of civil works and equipments, estimated norms for power and fuel consumption, unit rate power and fuel are not supported with documentary evidence, despite request made in this regard.

(c). The response of the VOCPT dated 7 December 2011 to the decisions taken at the joint hearing held on 16 November 2011 did not address the issues frontally. This necessitated to request the port again in January 2012 to address all the issues and provide adequate clarity to the proposal. After a lapse of 3 months, the port responded. However, this response also did not address all the issues raised. As can be seen from the earlier part of the note describing factual position of this case, the response of the port furnished vide its letters dated 15 November 2011 and 14 April 2012 was casual on some of the main issues raised and this gives a doubt on the quality of the proposal of the port.

(d). Notwithstanding the position brought out above, considering that this project has been included for award in the year 2012-13 as per the communications received from the Government vide its letter No.PD-18013/2/2012-PDIII dated 20 March 2012 as well as letter No.PD-18013/6/2010-PDIII dated 14 May 2012, further exchange of correspondence with the port may only further delay the finalisation of the case. Therefore, we have proceeded further to process the case with the limitations of the details / information / clarification furnished by the port.

(iv). (a). The VOCPT has reportedly filed its proposal based on the feasibility report of the consultant. Though the berth is designed to handle vessels of size upto 20,000 DWT, as stated in the feasibility report, the port has assumed that only vessels of 10,000 DWT would call in the terminal. It appears that the port has considered the handling equipments to cater to the vessels of 10,000 DWT only and accordingly the handling rates are considered in the optimal capacity calculation. It may not be convincing to presume that the required dredging may not materialize in the next 30 years and, therefore, larger size vessels at the proposed SDB would not be berthed, particularly when the berth is designed to accommodate vessels of size upto 20,000 DWT. Larger size of vessels (more than 10,000 DWT) call, in all likelihood, will have an effect on the optimal capacity of the terminal and, therefore, the revenue model.

(b). Based on the proposal filed by the VOCPT, this Authority vide its Order dated 23 July 2010 approved the upfront tariff caps for handling construction materials, in dry bulk form and bagged form, at another Shallow Draught Berth. The subject proposal of VOCPT also envisages handling of (cement) related raw materials in dry bulk and bagged forms. To a query posed in this regard why the share of capacity of related raw materials considered in the subject proposal was not considered as a part of the earlier proposal for handling construction materials at another SDB, the port stated that it envisages to handle cement related raw materials like limestone, gypsum, etc. in this project which was not considered in the earlier project. It is not clear why the earlier project may not accommodate this cargo. This project involves multiplicity of cargo and consequently different types of handling equipment. The proposal of the port envisages investment to the tune of around ₹26.00 crores in the handling equipment. However, the capacity utilization of the handling equipment, viz. loader and unloader will be only to the extent of 36% and 18% respectively which is expected to continue throughout the project period of 30 years.

(c). The project sanctioning authority in the Government may like to carefully examine the above observations before according approval to the project. The VOCPT is advised to bring to the notice of the project sanctioning authority in the Government the said observations.

(v). Optimal capacity:

The VOCPT has initially assessed the optimal capacity of the terminal at 2,258,620 tonnes and rounded off to 2.3 Million Tonnes per annum. Subsequently, at the instance of this Authority, the port has revised the optimal capacity upwards and assessed at 2,665,902 tonnes per annum. The optimal capacity of the terminal proposed by the VOCPT is analysed in the following paragraphs:

(a). The share of vessels carrying bulk cement for export, bulk cement for import, related raw materials in dry bulk form and related raw materials in bagged form is taken at 52%, 26%, 20% and 2% respectively reportedly based on the cargo share pattern indicated in the feasibility report. The percentage share of various cargo groups considered by the port in the optimal capacity computation is relied upon in this analysis.

(b). (i). Cement in bulk:

As stated earlier, the upfront guidelines of 2008 do not prescribe any separate norms for mechanised handling of cement in bulk. In the revised proposal dated 14 April 2012, the VOCPT has considered the handling rate of 13,388 tonnes per day for loading cement in bulk and 5,355 tonnes per day for unloading cement in bulk.

The VOCPT stated that the capacity of the ship loader and ship unloader are 750 tonnes per hour and 300 tonnes per hour respectively. Though the port said that it will provide documentary evidence in support of the capacity of the loader and unloader after collecting data, we did not receive any information from the port till the finalisation of this case.

If the capacity of the loader and unloader at 750 tonnes and 300 tonnes per hour is considered as the rated capacity of the respective equipment, it has to be recognized that the efficiency of the equipment may not be always equivalent to 100%. The per day handling rate of 13,388 tonnes and 5,355 tonnes of loader and unloader works out to around 75% of the rated capacity of the said equipments, which appears to be reasonable. Therefore, the handling rate of 13,388 tonnes and 5,355 tonnes per day considered by the port in capacity calculation is relied upon.

The proposal of the port envisages deployment of one loader exclusively for cement export in bulk and one unloader exclusively for cement import in bulk. Given the share of cement export and cement import in the optimal capacity at 52% and 26% respectively considered by the port, the share of the respective cargo in absolute terms works out to 17.79 lakh tonnes and 3.56 lakh tonnes respectively. Taking into account the per day handling rate of 13,388 tonnes and 5,355 tonnes, the no. of days of the operation of the loader and unloader works out to 133 days and 66 days respectively. At 70% utilization stipulated in the guidelines, the equipments required to be utilized for 255.50 days. However, at the estimated no. of days of operation of 133 days and 66 days, capacity utilization of loader and unloader, on stand alone basis, works out to 36% and 18% respectively as against the norm of 70% prescribed in the 2008 guidelines. To a specific advice rendered to the port to review this aspect of the proposal in order to optimize the utilization of equipment, the port has stated that it has proposed the equipment to suit the handling requirement of cargo and in the opinion of the port the optimum utilization at 70% of the individual equipments in the situation of handling multiple cargo at the same berth is not relevant. Though the under utilization of the equipment will have an impact on tariff payable by users, this Authority is constrained to rely upon the judgement of the port in this regard.

<u>Related raw materials:</u>
The upfront tariff guidelines for multi-purpose berth prescribe handling norms, *inter-alia*, for dry bulk cargo, viz. Coal, limestone, minerals, etc. at 10,000 tonnes per day and for break bulk cargo, viz. steel & bagged cargo at 4,000 tonnes per day. The norms prescribed in the guidelines are with reference to the deployment of 3 nos. of level luffing wharf crane of 20 Tonne capacity with grab/ hook attachments for ship to shore handling.

In the subject proposal, the port has not proposed any equipment for ship to shore handling of related raw materials and has stated that either ship's gear or private hired equipment would be used for the same. However, it has adopted the handling norms prescribed in the guidelines for estimation of optimal capacity for handling related raw materials which comprise of dry bulk and bagged cargo. In the absence of information relating to the capacity of the unloading equipment to be deployed for unloading the related raw materials, the handling norms as adopted by the port, which is in line with the guidelines, is considered.

(c). Based on the percentage of cargo share and handling norms discussed at paragraphs (a) and (b) above, the VOCPT has arrived at the optimal capacity at 70% utilization level, following the formula prescribed in the guidelines.

(d). The upfront tariff guidelines of multipurpose berth do not require assessment of yard capacity and, therefore, the capacity of the terminal is equal to the capacity determined for the quayside.

(e). Accordingly, the optimal capacity of the proposed SDB is considered at 2,665,902 tonnes per annum as assessed by the port.

(vi). <u>Capital Cost</u>:

In the revised proposal of April 2012, the VOCPT has estimated the capital cost for the facility to be developed at Shallow Draught Berth for handling cement and related raw materials at ₹82.48 crores of which ₹33.89 crores is towards berthing activity and ₹48.59 crores is for cargo handling services.

(a). <u>Berthing activity</u>:

(i). As per the upfront tariff guidelines, the capital cost for berth hire services shall include cost of construction of berth and cost of dredging, if any, carried out alongside the berth.

(ii). The VOCPT has estimated the capital cost for construction of berth at ₹33.89 crores, which includes supervision charges @ 7%, contingencies @ 3% and Works contract tax @ 4% on 65% of berth cost.

The estimated capital cost for berthing activity does not include cost of dredging the dock basin. The VOCPT has stated that the dredging work in dock basin would be executed by the port and dredging levy will be collected from the PPP operator. However, neither the estimates furnished by the VOCPT include dredging levy as an item of operating cost nor there is any enabling provision for operator to recover the said levy.

As recorded in paragraph No.10 (v) (a) (ii) of the Order No.TAMP/18/2010-TPT dated 23 July 2010 passed by this Authority with reference to the earlier proposal filed by VOCPT relating to development of SDB for handling construction materials, the VOCPT made a similar proposal to recover dredging levy from the PPP operator in the initial proposal and subsequently at our instance had agreed to collect it directly from the users. Based on the position recorded in the Order dated 23 July 2010, the VOCPT is advised to collect the dredging levy directly from the relevant vessels provided that such a levy, if becomes necessary, will have to be approved separately by this Authority and included in the Scale of Rates of the VOCPT. This will not, therefore, have any impact on the upfront tariff exercise in hand.

(b). <u>Cargo handling activity</u>:

(i). <u>Civil construction cost</u>:

The VOCPT has estimated the civil construction cost at ₹19.93 crores including supervision charges @ 7%, contingencies @ 3% and Works contract tax @ 4% on 65% of civil cost. The works included in the estimate are filling up and protection works alongside SDB, hardening of back up area of 3.50 hectares for development of storage yard, construction of compound wall, ancillary structure (including water supply, sewage, etc.), construction of silo bins (for storage of cement) and construction of cement storage shed.

The normative list of civil works prescribed in the guidelines for a multi-purpose terminal does not include construction of silos. To a query in this regard, the VOCPT has clarified that the silos are envisaged for storage of bulk cement both import and export and the capital cost and operating cost of silos have been apportioned only to bulk cement handling. Based on the clarification furnished by the port, the capital cost of silos estimated at a base cost of ₹6.00 crores is considered in this analysis.

(ii). Equipment cost:

In the revised proposal, the VOCPT has estimated the equipment cost at ₹48.59 crores including supervision charges @ 7%, contingencies @ 3% and Works contract tax @ 4% on 65% of equipment cost.

As per the guidelines, the equipment cost is to be estimated for the list of equipment prescribed therein. The list of equipment suggested in the guidelines for multipurpose berth is 3 nos. of Level Luffing Wharf crane of 20 Tonne capacity with grab / hook attachments, 6 Nos. Fork Lift Trucks (FLT) and 3 Nos. Pay loaders each of 10 T capacity and Power, Lighting & Communication. The VOCPT has considered in its revised proposal 1 No. loader for handling cement in bulk for export, 1 No. unloader for handling cement in bulk for import, conveyor system and bagging plant - 8 Nos. As per the proposal of the port, the conveyor system would be utilized for both import and export of cement and bagging plant would be exclusively used for imported cement.

As can be seen from the above, there is deviation in the fleet of equipment considered by the port vis-a-vis prescribed in the guidelines. The deviation appears to be on account of the mechanized handling of cement envisaged by the port at the SDB whereas the norms prescribed in the guidelines is for semi-mechanised handing of cargo in a multipurpose berth.

The level luffing cranes prescribed in the guidelines for multi purpose cargo terminal may not be relevant to the mechanised handling envisaged by the VOCPT. It appears that the port has considered the ship loader and unloader with conveyor system which are relevant for mechanized handling. It is noteworthy that the guidelines for upfront tariff fixation for mechanized coal terminal prescribe ship loaders and unloaders with conveyor system for export and import operations.

With reference to the 8 Nos. of bagging plant envisaged by the VOCPT, it appears from the clarification given by the port that the bagging plant is included in the list of equipments since the project envisages providing composite facility to cater to the requirement of imported cement. It is noteworthy that the port has confirmed that the entire imported bulk cement will avail the facility of bagging plant.

Further, clause 3.2 of the 2008 guidelines gives flexibility to this Authority to make necessary adjustment in the norms based on justification furnished by the port and in view of port specific conditions having impact on the norms prescribed in the guidelines. Based on the position brought out in the preceding paragraphs, the fleet of equipment comprising of 1 ship loader, 1 ship unloader, conveyor system and 8 Nos. bagging plant considered by the VOCPT for estimation of capital cost is accepted.

The fleet of equipment considered by VOCPT in the revised proposal does not include equipment for handling related raw materials for ship to shore transfer as well as shore to yard transfer. In its original proposal of August 2011, the port proposed 2 Nos. pay loader and 2 Nos. FLTs for transfer of related raw materials from shore to yard. In respect of ship to shore transfer the port stated that either ship's gear or private hired equipment will be used. Incidentally, the estimated operating cost also does not include the hire charges for equipment for ship to shore transfer. When sought to clarify the tariff arrangement envisaged for hire of equipment from private parties, the port initially stated that it has to be decided by the PPP operator. However, in the revised proposal the port has proposed to adopt the rates approved by this Authority in the Order dated 23 July 2010 fixing upfront tariff for construction materials proposed to be handled at an adjacent Shallow Draught Berth and excluded the capital cost of Pay loaders and FLTs from the estimated capital cost of equipment. For the reasons explained in a subsequent paragraph, the tariff approved for a different SDB cannot be made applicable to this project.

If the project envisages handling of related raw materials under PPP basis then the tariff such cargo has to be determined upfront by this Authority. Therefore, the 2 Nos. pay loaders and 2 Nos. FLTs excluded by the port are considered in this analysis at the base capital cost of 1.20 crores estimated by the port. Incidentally, the 2008 guidelines for fixation of upfront tariff for multipurpose berth provides for deployment of pay loaders and FLTs for shore to yard movement of cargo. As regards the equipment for ship to shore transfer of related raw materials, the stand taken by the port that it will be handled by the ship's gear is recognised and the upfront tariff fixed for handling related raw materials will be applicable only when such materials are unloaded using ship's gear.

(iii). The estimated capital cost for civil works and equipment are not supported with documentary evidence. To a query to substantiate the civil cost and equipment cost estimates with documentary evidence, the VOCPT has stated that the civil cost estimates are based on information collected from various sources. The capital costs are reportedly based on market rates for similar works prevailing as of May 2011 when the consultant submitted its report. The report of the consultant also does not contain any evidence validating the capital cost estimates considered in its report. Though more than 10 months elapsed since the time the VOCPT furnished its proposal in August 2011, the port has not updated its estimates. Since the guidelines require the costs to be considered as per the estimates of the Port Trust, the capital cost estimates for civil works and equipment are relied upon.

With reference to the point made by ABG-LDA Bulk Handling Pvt. Ltd. that the capital cost of conveyor system estimated by the port at ₹4 crores is not realistic, the port has asserted that its estimate reflect current market price.

(iv). The VOCPT has considered 7% and 3% on the civil and equipment cost estimates towards supervision charges and contingencies. It has also considered Works Contract Tax @ 4% on 65% of the civil and equipment cost estimates in arriving at the final capital cost. Based on the confirmation of the port that these elements are not included in the base cost estimated by the port and also recognizing the position that these provisions were allowed in the estimation of capital cost while fixing upfront tariff for Shallow Draught Berth, North Cargo Berth-III and IV at the VOCPT, supervision charges @ 7%, contingency @ 3% and Works contract tax @ 4% on 65% of estimated cost are considered.

(v). The VOCPT has considered the works of filling up and protection works alongside SDB, hardening of back up area, construction of compound wall and construction of ancillary structure as common civil works and has apportioned the capital cost of these works to the 3 cargo groups, viz. bulk cement import, bulk cement export and related raw materials import in the ratio of the cargo share percentage of the respective cargo groups in the optimal capacity. It is relevant here to mention that in the initial proposal the port had apportioned these costs based on the ratio of time taken for handling of each cargo group. Subsequently the port has modified its approach based on cargo share, which appears to be based on an incorrect appreciation of a query raised in this regard.

Generally, the Annual Revenue Requirement in respect of cargo handling charges is apportioned to different cargo groups in the ratio of time required for handling the volume of respective cargo in the optimal capacity for prescribing differential tariff for each cargo group. The percentage share of berth days of each cargo group, being an indicator of ratio of time required for handling the volume of respective cargo in the optimal capacity, the apportionment of Annual Revenue Requirement is done based on the percentage share of berth days. In this case, the VOCPT has identified certain assets like construction of silo bins, cement storage shed and equipments exclusively for bulk cement handling. Therefore, these identified capital costs are considered under the respective cargo group of cement export and cement import. This apart, the apportionment of common civil cost mentioned above done by the port in its original proposal to different cargo groups based on the percentage share of berth days is considered.

The VOCPT has apportioned the capital cost of silo bins and cement storage shed between bulk cement export and bulk cement import in the ratio of cargo share in the optimal capacity. Further, the capital cost of conveyor which is reportedly common to bulk cement export and import is apportioned by the VOCPT among these two cargo groups at 50:50 basis. The port has not explained the logic of apportionment of this cost on 50:50 basis. Following the approach adopted in the case of apportionment of common civil cost, the apportionment of cost of silo bins, cement storage shed and conveyor system is modified based on the ratio of berth days occupied by cement export and import.

The exercise of apportionment of capital cost to different cargo groups is done at the stage of capital cost estimation itself so that the depreciation and return on the capital employed are captured for the respective cargo group separately in the estimation of annual revenue requirement for the respective cargo groups.

(vi). The Miscellaneous capital cost estimated by VOCPT at 5% of the civil & equipment cost is as per the provisions in the guidelines and hence the same is considered.

(vii). To sum up, the capital cost estimated by the VOCPT, subject to modification in view of consideration of capital cost of pay loaders and FLTs, is relied upon.

(c). This Authority has adopted the ROCE at 16% for the upfront tariff cases to be decided during the year 2012-13 which is considered for arriving at the proposed tariff caps for this project.

(vii). Operating Cost:

(a). The guidelines for fixation of upfront tariff for multipurpose berth stipulate consumption norm of power at 100 units/hour/crane for estimating power cost, which is with reference to three electrical level luffing wharf cranes. Since the port proposes deployment of loader and unloader along with conveyor system, the consumption norm prescribed in the guidelines for estimation of power is not relevant in this case.

In the original proposal of August 2011, the VOCPT estimated fuel consumption for loader and unloader stating that they are fuel driven. Since the guidelines for fixation of upfront tariff for mechanized coal terminal with ship loader and ship unloader prescribe the power consumption norm at 1.4 units per tonne and there is no fuel consumption norm prescribed for mechanized handling, the VOCPT was requested to re-confirm its position that the loader / unloader are fuel driven. In response, the VOCPT in its revised proposal of April 2012 has considered power consumption for both loader and unloader at 0.5 KWH per tonne each. The basis for considering power consumption at 0.5 KWH per tonne each for loader and unloader remains unexplained by the port. The power consumption of 0.5 KWH per tonne considered by the port for loader and unloader is relied upon.

The VOCPT has considered a unit power cost of ₹8.25 per tonne in the estimation of power cost. The port has not furnished any documentary evidence in support of this unit rate. In the Orders passed by this Authority dated 19 January 2012 relating to upfront tariff fixation for North Cargo Berth-III and IV projects at VOCPT, this Authority has considered a unit rate of ₹6.87, which reflected the rate prevailing in the month of October 2011, as reported by the port. Recognising the position that the power tariff has been increased recently in the state of Tamil Nadu, the unit rate of ₹8.25 considered by the port is relied upon for the purpose of estimation of power cost.

Based on the daily output rate of 13,388 tonnes and 5,355 tonnes considered in the optimal capacity calculation, the VOCPT has calculated the power cost for loader and unloader for 190 days and 95 days respectively. In order to achieve the optimal capacity of cement export and cement import, the loader and unloader are expected to be in operation for a period of 133 days and 66 days respectively in a year, at 70% utilization as against 190 days and 95 days considered by the port for estimation of power cost. Since the power consumption considered by the port is on the higher side, the power consumption requires moderation. The port has considered the power consumption at 0.5 KWH per tonne, i.e. the port has linked the power consumption to output. The volume of cement export and import considered in the optimal capacity calculation is 1.78 million tonnes and 0.36 million tonnes respectively. Accordingly, the power cost calculated by the port is modified based on the optimal capacity of the cement export and import taking into account power consumption of 0.5 KWH per tonne. The moderated power cost for loader and unloader works out to ₹73.37 lakhs per annum and ₹14.67 lakhs per annum respectively, aggregating to ₹88.05 lakhs per annum.

In the estimation of power cost for conveyor system, the VOCPT has considered power consumption of 50 units per hour, 4000 hours each for cement export and import (reportedly based on the norm of 4000 hours prescribed in the guidelines for multi purpose berth for power and fuel consumption) and a unit rate of ₹8.25. The port has not furnished any basis for the power consumption considered by it stating that this is a new concept. Hence, the power consumption of 50 units per hour is relied upon.

The norm of 4000 hours prescribed in the guidelines is with reference to deployment of electrical level luffing cranes which is not relevant in this case. In order to achieve the volume of bulk cement export and bulk cement import considered in the optimal capacity, the operating hours of loader and unloader work out to 3189 hours and 1594 hours respectively aggregating to 4783 hours. As against this position, the port has considered 8000 hours of operation for estimating the power cost for conveyor system. Therefore, the operating hours of conveyor system is considered at 4783 hours, i.e. 3189 hours for cement export and 1594 hours for cement import. The moderated power cost for conveyor system works out to ₹19.725 lakhs per annum, i.e. ₹13.15 lakhs for cement export and ₹6.575 lakhs for cement import.

The VOCPT has estimated power cost for operation of the bagging plant taking into account power consumption of 50 units per hour, 4000 working hours (reportedly based on the norm of 4000 hours prescribed in the guidelines for multi purpose berth for power and fuel consumption) and a unit rate of ₹8.25.

The port has not furnished basis for the consumption of 50 units per hour. This consumption is relied upon. For the reasons stated earlier, the unit power cost of ₹8.25 is also relied upon.

With reference to 4000 working hours considered by the port for estimation of power cost for the bagging plant, it is relevant here to mention that the port has envisaged 8 bagging plants of 20 tonnes per hour capacity. Therefore, the aggregate capacity of the 8 bagging plants works out to 160 tonnes per hour. As confirmed by the port, the entire import bulk cement estimated at 3.56 lakh tonnes in the optimal capacity, will avail the facility of bagging plant. That being so, all the 8 bagging plants may have to be in operation for 2224 hours. Therefore, the power cost estimated for operation of 8 nos. of bagging plant is moderated based on the 2224 hours of working and 50 units per hour and ₹8.25 per unit, which works out to ₹9.17 lakhs.

The fuel consumption at 12 litres per hour for pay loader and 7 litres per hour for FLT considered by the port are found to be in line with the norms prescribed in the guidelines. The VOCPT has, however, considered fuel consumption for 4000 hours for each equipment reportedly as per the norms prescribed in the guidelines. Generally cargo operation hours may not be relevant for the working of pay loaders and FLTs and hence 4000 hours considered as per the norms may appear to be in order. However, in this case, the bulk cement handling with a majority share of about 80% in the optimal capacity would not use the pay loaders and FLTs. The pay loaders and FLTs are meant for handling related raw materials, the share of which is only about 20% in the optimal capacity. In view of the above, the consumption hours in the estimation of fuel cost for pay loaders and FLTs is moderated based on the time required for handling raw materials considered in the optimal capacity computation, which works out to 1349 hours.

The VOCPT has considered the unit rate of fuel at ₹43.56 per litre which is updated to ₹43.95 per litre based on the prevailing market rate. Accordingly, the moderated total fuel cost for pay loaders and FLTs works out to ₹22.53 lakhs per annum.

(b). The VOCPT has estimated repairs and maintenance cost at 1% on the civil assets and 5% on the mechanical and electrical equipment, insurance at 1% of the gross value of fixed assets and other expenses at 5% of the gross value of fixed assets which are found to be as per the norms prescribed in the guidelines. However, the estimates of the above said items of operating expenses are modified based on the modified capital value of assets for each cargo group considered in this analysis.

(c). The VOCPT has computed depreciation on civil assets including berth @ 3.34% per annum and on mechanical assets @ 10.34% per annum as per the Companies Act and according to the norms prescribed in the guidelines which is considered.

(d). The VOCPT has calculated the lease rentals for the backup land area as well as waterfront area to be allotted to the PPP operator under this project. An area of 35,000 sq. m. is proposed to be allotted for the backup area which includes area required for construction of silos, bagging plant, cement storage shed, buildings for electrical room, store room and open storage yard for keeping the raw materials in transit. Out of the total back-up area, 10,000 sq. m. each have been apportioned to cement bulk export and related raw materials and 15,000 sq. m. has been apportioned to cement bulk import. Despite specific query posed to the port, the port has not furnished the basis for apportionment of the area to different cargo groups except stating that more area has been allotted to cement bulk import considering the area required for housing bagging plant which is relevant only for bulk cement import. The extent of backup area of 35,000 sq. m. and the apportionment of the same to each cargo group considered by the port are relied upon.

In the initial proposal, the port calculated the lease rental for backup area applying the rate of ₹8/- per sq. m. per month being the Licence Fees (storage) inside the security wall as per the then existing SOR of VOCPT, approved by this Authority vide Order dated 14 July 2008. The lease rentals for the port estate are overdue for revision since July 2007. Since the port at the joint hearing held in this case informed that land valuation is already done and a separate proposal is to be filed shortly, the port was advised to revise the upfront tariff calculation by considering the updated lease rentals.

Subsequently, the VOCPT vide its letter No.E(C)-38/2/2006-EST/D dated 2 January 2012 filed a fresh proposal for revision of lease rent for port lands, wherein it has proposed a rate of ₹286.85 per sq. m. per annum (i.e. ₹23.90 per sq. m. per month) for commercial purpose for Zone A (port related activity) w.e.f. 1 July 2007.

As per clause 6.3 (1) of Land Policy Guidelines 2010, the Scale of Rates for land will be recommended to the TAMP by a Committee as decided by the Board headed by the Chairman of the Port Trust after taking into account the applicable factors from the various methods prescribed therein for determination of market value of land. Since the proposal dated 2 January 2012 of VOCPT did not contain the approval of the Committee for the revised rates proposed therein, the VOCPT was requested vide our letter No.TAMP/6/2012-VOCPT dated 18 January 2012 to forward the recommendations of the Committee for the rates proposed by it for the five years period commencing from 1 July 2007 and 1 July 2012 respectively. The VOCPT has not furnished its response in this regard till the finalisation of this case.

In the meantime, notwithstanding the above position, to facilitate implementation of proposed projects on a time bound manner in terms of directions of Government, in the Orders dated 19 January 2012 passed by this Authority relating to upfront tariff fixation for North Cargo Berth-III and IV, this Authority has considered the lease rental proposed by the VOCPT in its letter dated 2 January 2012 for commercial purpose at Zone ‘A’ at ₹286.85 per sq. m. per annum (i.e. ₹23.90 per sq. m. per month) after applying annual escalation of 2% per annum as per the Government guidelines on the rate proposed with effect from 1 July 2007, which worked out to ₹25.87 per sq. m. for the year from 1 July 2011 to 30 June 2012.

Despite this position, in the revised proposal of April 2012, the VOCPT has estimated lease rent for backup area adopting the unit rate at ₹36.54 sq. m. per month which is based on unit rate proposed by them in the proposal filed by them earlier vide letter dated 23/26 June 2009 for land allotment for commercial purposes which was in fact closed by this Authority vide Order No.TAMP/14/2009-TPT dated 11 October 2011 for reasons stated in the said Order with an advice to the port to file a fresh proposal.

In view of the above, following the approach adopted by this Authority in the Orders dated 19 January 2012 relating to NCB-III and IV, a rate of ₹25.87 per sq. m. per month is considered in this case also in the estimation of lease rental for the backup area.

In case the revised lease rentals to be approved based on the proposal (to be) filed by the port is different from the lease rental considered in this case, then the port may approach this Authority to review the upfront tariff with reference to this item.

The VOCPT has also considered the lease rentals for 17,500 sq. m. of water front area. This Authority has considered license fee for water front area while determining upfront rate in VOCPT for coal berth, SDB, NCB-III and NCB-IV also.

The port has applied the lease rental of ₹36.54 per sq. m. per month applicable for area inside the security wall for calculation of lease rental for water front area also. As per the Land Policy Guidelines for Major Ports 2010 issued by the Ministry of Shipping, license fee for water area should be 50% of the license fee of abutting land. The argument of VOCPT in this regard that the License fee for water area, comes under clause 6.2.2.3 (K) of Land Management Policy for Major Ports 2011 for outside customs bound area, whereas, the subject license is for the inside customs bound under 6.1. and hence 50% factor is not applicable, is already rejected by this Authority in the Orders dated 19 January 2012 relating to upfront tariff fixation of NCB-III and IV for the reasons recorded in paragraph 10 (v) (d) of the ibid Orders. In these cases, this Authority has allowed only 50% of lease rentals applicable for land area for calculation of lease rental for water front area complying with the guidelines. Therefore, and following the approach adopted in the NCB-III and IV Orders, the license fee for water front area is estimated at 50% of the rate adopted for estimating the license fee for land. Following the approach adopted in the case of apportionment of capital cost, the license fee for water front area is also apportioned to the different cargo groups based on the percentage share of berth days of respective cargo group.

(e). The guidelines require the operating cost for berthing service to be estimated at 1% of the berth cost.

The VOCPT has considered insurance @ 1% per annum and depreciation @ 3.34% per annum on the aggregate capital cost relating to construction of berth while estimating the annual revenue requirement of berthing service apart from the prescribed norm of 1% towards maintenance.

Although the guidelines restrict the annual operating cost at 1% of the berth cost, the asset requires adequate insurance coverage and the fact that the value of the asset will depreciate due to wear and tear can also not be denied. While fixing upfront berth hire for the coal, iron ore & multipurpose cargo berth terminals at various ports, this position was recognised by this Authority and the cost of insurance and depreciation were considered to assess the annual revenue requirement from berthing service.

In view of the position explained above, the element of insurance cost at 1% per annum and depreciation @ 3.34% per annum of the capital cost is considered in this case also while estimating the operating cost for assessment of the revenue requirement from berth hire service.

(viii). The statement for fixing upfront tariff submitted by the VOCPT has been modified in line with the above analysis. A copy of the statement along with the calculation of berth hire is attached as **Annex - I**.

(a). As per the statement, the total revenue requirement from cargo handling service works out to ₹1871.55 lakhs which is an aggregate of Return on a capital employed of ₹780.39 lakhs and modified operating cost of ₹1091.16 lakhs.

(b). The guidelines specify 90% of the total revenue requirement to be apportioned to handling charge, 5% each towards storage charge and miscellaneous charges.

The VOCPT has proposed to apportion 96% of the revenue requirement towards handling charge, 2% towards storage charge and 2% towards miscellaneous charge. This Authority while fixing upfront tariff for SDB, NCB-III and NCB-IV at VOCPT has approved the proposal of VOCPT for a similar revenue apportionment between cargo handling, storage and miscellaneous charges.

Clause 3.8.2 of the guidelines states that the tariff cap for different individual services is to be set appropriately in such a way as to achieve the annual revenue requirement.

In view of the position explained above, the apportionment of the total revenue requirement between the three tariff heads as proposed by the port is accepted. Based on the revised revenue requirement estimated, the revenue apportioned to handling charge is ₹1796.69 lakhs, ₹37.43 lakhs each from storage charge and miscellaneous charge.

(c). The upfront tariff caps are determined so as to meet the revenue requirement estimated for each of the cargo groups. Based on the methodology adopted for apportionment of capital cost and operating cost as discussed in the earlier paragraphs, the revenue requirement for each of the cargo groups, viz. cement bulk export, cement bulk import, related raw materials (dry bulk and bagged cargo) from cargo handling services, storage charges and miscellaneous charges are tabulated below:

(**Annual Revenue Requirement - ₹ in lakhs**)

Sl. No.	Particulars	Bulk cement export	Bulk cement import	Raw materials dry bulk	Raw materials bagged	Total
(a).	Cargo handling services	1132.64	443.26	200.72	20.07	1796.69
(b).	Storage charges	23.60	9.23	4.60		37.43
(c).	Miscellaneous charges	23.60	9.23	4.60		37.43
	Total	**1179.84**	**461.72**	**229.99**		**1871.55**

(d). Based on the estimated throughput of each cargo group in the optimal capacity and estimated revenue requirement from cargo handling services, the composite handling rates for cement bulk export, cement bulk import, related raw materials (dry bulk) and related raw materials (bagged cargo) work out to ₹63.68 per tonne, ₹124.60 per tonne, ₹39.28 per tonne and ₹98.20 per tonne respectively, as against the rates of ₹70.37 per tonne, ₹118.19 per tonne, ₹47.57 per tonne and ₹118.95 per tonne proposed by the port.

(e). The rates of ₹47.57 per tonne and ₹118.95 per tonne for dry bulk and bagged cargo respectively are proposed by the port by adopting the rates approved by this Authority in the earlier Order dated 23 July 2010 in the project relating to handling of construction material in another SDB at VOCPT and applying 5.72% escalation thereon, as brought out earlier. The proposal of the VOCPT to adopt the earlier rates with escalation in the subject proposal cannot be approved for the following reasons:

(i). The rates approved by this Authority in Order dated 23 July 2010 are with reference to deployment of 42 Tonne Mobile Harbour crane (MHC) for ship to shore handling whereas in the subject proposal the port envisages to handle the cargo from ship to shore by using ship’s gear or private hired equipment.

(ii). In the subject case, it has to be recognised that the share of dry bulk and bagged cargo in the subject proposal is only 20% and 2% respectively as against 65% and 35% considered in the Order dated 23 July 2010 relating to construction materials.

(iii). Though the port has proposed to adopt the earlier rates with escalation, it has not considered the revenue that may be realized by the BOT operator at such rates and adjust the rates for other cargo.

(iv). Even if the revenue that may be realized by the BOT operator by adopting the earlier rates with escalation is estimated, the rates proposed by the port for bulk cement handling may have to adjusted to ensure revenue neutral position for the project as a whole. Adjustment of the cost based rates proposed by the port for bulk cement handling to accommodate the old rates for related raw materials will distort the rates proposed by the port for bulk handling of cement.

(f). As already stated, the capital cost of equipment do not capture the cost of handling equipment for ship to shore transfer of related raw materials. Though the port has stated that private hired equipment may be deployed for this purpose, it has not considered the hire charges of such equipment in the estimation of operating cost also perhaps due to the reason that it may be difficult to estimate the hire charges in the absence of the capacity and nature equipment proposed to be hired. Therefore, the rates of

₹39.28 per tonne and ₹98.20 per tonne approved for handling related raw materials in dry bulk and bagged form respectively will be applicable when these cargo items are handled by the ship's gear only. If any private operator is allowed to deploy harbour mobile crane for ship-shore handling of raw materials, the performance based ceiling rates, already approved by this Authority for deployment of HMC at VOCPT vide Order No.TAMP/22/2007-TPT dated 30 December 2009 and notified on 12 January 2010, as may be revised from time to time, would apply. In case any other type of equipment or methodology is used for ship-shore handling of raw materials, it would be the responsibility of the port to come up with a suitable proposal for fixation of common ceiling rate for such equipment / services to be provided by authorised service providers before commencement of such operations.

(g). As can be seen from para (d) above, the composite handling charges for bulk cement import is almost double to the rate approved for bulk cement export, though a similar methodology is proposed for handling both import and export cargo, which is due to the following reasons:

(i). The major reason is deployment of handling equipment of lower capacity for import operations, viz. 300 tonnes/ hour as against 750 tonnes / hour deployed for export operations. In view of the lower handling rate for import cement assumed by the port, the share of import cargo in the optimal total capacity of the terminal is much lower as compared to the share of export cargo considered. It appears that the capacity of the loader / unloader have been decided based on the volume of estimated imported cement contained in the traffic analysis of the feasibility report.

(ii). The capital cost of bagging plant and allotment of more area for cement bulk import in order to house bagging plant and related operating costs is also attributable to the higher composite handling rate in the case of cement bulk import. It may be appropriate that a separate tariff for bagging plant is prescribed based on the optimal capacity, capital cost and operating cost of the bagging plant so that the handling rate for import cement will come down. The VOCPT has not agreed to the suggestion made in this regard stating that a composite facility is made available. In the absence of requisite details, exercise of fixation of separate tariff for bagging plant could not be taken up.

(h). The VOCPT has proposed concessional tariff for coastal vessel in berth hire charges as per the Government policy, but it has not proposed concessional tariff for coastal cargo in the composite handling charge. The revenue impact of allowing such concession is, however, not considered while arriving at the proposed berth hire charges. During the proceedings of the case, the VOCPT confirmed that the entire cargo and vessels to be handled in the proposed facility would be foreign and the coastal rates are only for use as and when required. In the Order dated 23 July 2010 passed by this Authority relating to SDB for handling construction materials, this Authority has prescribed concessional rates for coastal vessels and coastal cargo without recognizing the revenue impact, as proposed by the VOCPT. Following the same approach, concessional berth hire charges and composite handling charges for coastal vessels / coastal cargo is prescribed. Though prescribing concessional rates for coastal cargo / vessel may not have any impact on the revenue realization, concessional rate is prescribed for coastal category in line with the Government policy in this regard.

(i). As per the upfront tariff guidelines, storage charge for multipurpose terminal is leviable for storage of cargoes at the transit area beyond the allowable free period of 5 days for import cargo and 15 days for export cargo. The port has assumed 10% of the optimal capacity would attract storage charges. It has not furnished the average period for which such 10% of the cargo would stay beyond the free period. The basis on which it has worked out storage charges for the first slab remains unexplained. Based on the storage charges proposed by the port for the first slab, it appears that the port has considered an average stay period of 7.33 days, 6.16 days and 8.63 days for export cement, import cement and related raw materials respectively which do not fit into the first slab of 6 days proposed by the port. Therefore, keeping the slab structure proposed by the port in tact, the storage charges proposed by the port is modified taking into account an average period of 6 days beyond the stipulated free period. The VOCPT has worked out the storage charges for the next two slabs of 6 days each, by applying factors of 1.62 and 3.16. The same factor is considered on the modified storage charges for first slab, in order to arrive at the storage charges for the next two slabs.

(j). Based on the modified revenue requirement, tariff cap for miscellaneous charge works out to at ₹1.33 per tonne, ₹2.60 per tonne and ₹0.87 per tonne for bulk cement export and bulk cement import and raw materials import respectively. The miscellaneous charge is stated to be a composite charge for all miscellaneous services such as environment and management, safety measures and sweeping of cargo on the wharf which is marginally modified to state that it will cover all services which is not specifically prescribed.

(k). The revenue requirement from berthing service estimated by VOCPT at ₹723.27 lakhs (comprising of ₹542.28 lakhs being 16% return on a capital cost and operating cost of ₹180.98 lakhs) is considered without any modification.

The VOCPT in the revised proposal has proposed berth hire in rupee terms for foreign going vessel at Re.1.69 per GRT per hour or part thereof. The methodology followed by the VOCPT for arriving at the berth hire is in general found to be in line with the approach followed by this Authority in other upfront tariff cases. After rectifying a minor error in the computation of berth hire charges, tariff cap for Berth hire charge is prescribed at ₹1.68 per GRT per hour for foreign going vessels and ₹1.01 per GRT per hour for coastal vessels.

Normally vessel related charges for foreign going vessels are denominated in US dollar terms by converting the rupee value to dollar terms by applying the exchange rate prevailing at the time of notification of the relevant tariff order. This Authority while finalising the upfront berth hire at various ports has held that prescribing dollar denominated berth hire is not appropriate in the upfront tariff cases which will have a validity of 30 years. It was then decided that applying a WPI based escalation on a foreign currency is not correct as the foreign exchange variation over the next 30 years cannot be predicted and in case of any abnormal variations, either the users or the operator will have to bear the incidence, depending on which side the appreciation takes place. Therefore, it has been decided by this Authority to approve the upfront berth hire charge in Rupee term only.

(ix). As briefly highlighted earlier, the VOCPT has stated that shallow draught berth is envisaged to handle vessels of size upto 10,000 DWT initially with dredging the dock basin upto -8.70 m. and it is proposed to handle vessels of upto 20000 DWT with dredging the dock basin to -9.70 m. in future. However, the calculations furnished by the VOCPT consider vessel size of upto 10,000 DWT only. The port has clarified that handling of vessels upto 20,000 DWT is envisaged with reference to the berth life of 100 years and hence it is not relevant for the present project. Since the berth is designed to handle 20,000 DWT vessels, the capital cost and operating cost considered in this proposal are relevant for vessel size upto 20,000 DWT. Any change in the vessel size may have an impact on the capacity and revenue model considered in the upfront tariff fixation. The upfront tariff approved now shall be subject to review when vessels above 10000 DWT calls the port at the said terminal on completion of the proposed deepening of the dock basin/ berth approach. VOCPT is advised to include a suitable provision in the bid documents about review of tariff at a future date and also to ensure that a suitable proposal is filed by it for review, when the contingency arises.

(x). The general conditions and notes under schedules, viz. applicability of concessional rates to coastal vessels / cargo, rounding off the bill amount, no refund / claim for amount less than ₹100/-, penal interest on delayed payments, users not required to pay for delays beyond reasonable level attributable to the operator, etc. proposed by the VOCPT are in line with the general conditions prescribed in other Major Ports / Terminals. These conditions are prescribed as proposed by the port subject to inclusion of certain words / sentences omitted by the port in clause (iii) of Section 1.2 General Terms & conditions, Note (i) and Note (v) under Schedule 2 Berth hire charges and Note (iv) under Schedule 4 - Storage charges.

(xi). The VOCPT has proposed a note under Schedule 3 - 'Cargo Handling Charges' indicating the services proposed to be rendered against the levy of composite cargo handling charge in the draft SOR forwarded by it, which is found to be in line with the note prescribed in the SoR approved by this Authority in Order dated 23 July 2010 relating to SDB for construction materials. As brought out earlier, the composite rates approved for handling related raw materials in this case is applicable for ship-shore transfer of cargo using ship's gear only and also the proposal envisages usage of silo bins and bagging plant in bulk cement handling. In view of the above, the note proposed by the VOCPT under the schedule of composite handling charges is modified suitably.

10.1. As per clause 2.8 of the Guidelines, the tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2008 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31 March of the following year. In the instant case, the estimation of capital cost and related operating cost considered in the upfront tariff calculation reflects the market rate prevailing as of May 2011 as reported by the VOCPT. The port has not updated the capital cost and the related operating cost to reflect the current market price. In any case, it may be appropriate to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2012.

10.2. It is reiterated that the VOCPT should bring the observations of this Authority on the quality of the proposal to the notice of the Government at the time of seeking clearance of the project.

10.3. As specified in clauses 2.9.1. and 2.9.2. of the guidelines, before commencement of commercial operations, the private operator shall approach this Authority for notification of Scale of Rates containing the approved ceiling rates and the statement of conditions, as required under Section 48 of the Major Port Trusts Act, 1963.

10.4. As per clause 3.8.5 of the guidelines, if any question arises requiring clarifications or interpretation of the Scale of Rates and the statement of conditionalities, the matter shall be referred to this Authority and its decision in this regard will be binding on the operator.

10.5. The performance norms for the projects should be clearly brought out in the bid documents. The private operator is expected to perform at least at the performance norms brought out in the bid document/concession agreement.

10.6. The actual performance of the private operators will be monitored by this Authority. If any complaint regarding quality of service is received, this Authority will enquire into such allegation and forward its findings to the V.O.C. Port Trust. If any action is to be taken against the private operators, the V.O.C. Port Trust shall initiate appropriate action in accordance with the provisions of the relevant Concession Agreement.

10.7. During the commercial operation at the terminal, within 15 days from the end of every quarter, the private operator shall submit to this Authority through the V.O. Chidambaranar Port Trust a report containing the terminal's physical and financial performance during the preceding three months.

11. In the result, and for the reasons given above and based on a collective application of mind, this Authority approves the upfront tariff caps for Shallow Draught Berth for handling cement and related raw materials at VOCPT attached as **Annex - II**.

(Rani Jadhav)
Chairperson

ANNEX - I

FORMULATION OF UPFRONT TARIFF FOR SHALLOW DRAUGHT BERTH FOR HANDLING CEMENT AND RELATED RAW MATERIALS AT V.O.CHIDAMBARANAR PORT ON DBFOT BASIS

(Rs. in lakhs)

Sl. No.	Particulars	Estimates furnished by the VOCPT										Estimates moderated by TAMP				
		Original proposal dated 19 August 2011					Revised estimates furnished vide letters dated 14 April 2012 and 18 April 2012									
		Bulk cement export	Bulk cement import	Related raw materials		Total	Bulk cement export	Bulk cement import	Related raw materials		Total	Bulk cement export	Bulk cement import	Related raw materials		Total
				Dry bulk cargo	Bagged cargo				Dry bulk cargo	Bagged cargo				Dry bulk cargo	Bagged cargo	
I	**Optimal capacity**						67%	13%	19%	1%	100%	67%	13%	19%	1%	100%
(a)	Percentage share of capacity of cargo to be handled (S1 to S4)	52%	26%	20%	2%	100%	52%	26%	20%	2%	100%	52%	26%	20%	2%	100%
(b)	Handling Rate (ship day output) for the Cargo groups (P1 to P4)	10000	6000	10000	4000		13388	5355	10000	4000		13388	5355	10000	4000	
(c)	Optimal Capacity (in tonnes)	**1328600**	**398580**	**511000**	**20440**	**2258620**	**1778730**	**355733**	**511000**	**20440**	**2665902**	**1778730**	**355733**	**511000**	**20440**	**2665902**
	Optimal Capacity in million tonnes	**1.33**	**0.40**	**0.51**	**0.02**	**2.26**	**1.78**	**0.36**	**0.51**	**0.02**	**2.67**	**1.78**	**0.36**	**0.51**	**0.02**	**2.67**
II	**Capital Cost**															
(a)	**Cargo Handling Activity**															
(i)	**Civil Construction Cost**															
	Filling up and protection works along SDB	81.39	40.70	33.91		156.00	108.00	18.00	30.00		156.00	81.12	40.56	34.32		156.00
	Hardening of backup area of 3.50 hectares	328.70	164.35	136.96		630.00	436.14	72.69	121.15		630.00	327.60	163.80	138.60		630.00
	Construction of compound wall	12.52	6.26	5.22		24.00	16.62	2.77	4.62		24.00	12.48	6.24	5.28		24.00
	Ancillary structure (including water supply, sewage, etc.)	31.30	15.65	13.04		60.00	41.54	6.92	11.54		60.00	31.20	15.60	13.20		60.00
	Construction of Silo	400.00	200.00	0.00		600.00	514.29	85.71	0.00		600.00	400.00	200.00	0.00		600.00
	Construction of cement storage shed	200.00	100.00	0.00		300.00	257.14	42.86	0.00		300.00	200.00	100.00	0.00		300.00
	Sub total	**1053.91**	**526.96**	**189.13**		**1770.00**	**1373.73**	**228.96**	**167.31**		**1770.00**	**1052.40**	**526.20**	**191.40**		**1770.00**
	Supervision charges @ 7% of civil cost	73.77	36.89	13.24		123.90	96.16	16.03	11.71		123.90	73.67	36.83	13.40		123.90
	Contingencies @ 3% of civil cost	31.62	15.81	5.67		53.10	41.21	6.87	5.02		53.10	31.57	15.79	5.74		53.10
	Works contract tax @ 4% on 65% of civil cost	27.40	13.70	4.92		46.02	35.72	5.95	4.35		46.02	27.36	13.68	4.98		46.02
	Total civil cost	**1186.70**	**593.36**	**212.96**		**1993.02**	**1546.81**	**257.81**	**188.39**		**1993.02**	**1184.99**	**592.51**	**215.52**		**1993.02**
(ii)	**Equipment Cost**															
	Rail mounted cement loader - 1	1200.00	0.00	0.00		1200.00	1192.00	0.00	0.00		1192.00	1200.00	0.00	0.00		1200.00
	Conveyor system	200.00	200.00	0.00		400.00	198.50	198.50	0.00		397.00	266.67	133.33	0.00		400.00
	Mobile cement unloader - 1	0.00	700.00	0.00		700.00	0.00	695.00	0.00		695.00	0.00	700.00	0.00		700.00
	Bagging plant - 8	0.00	60.00	0.00		60.00	0.00	60.00	0.00		60.00	0.00	60.00	0.00		60.00
	Pay loader - 2	0.00	0.00	100.00		100.00	0.00	0.00	0.00			0.00	0.00	100.00		100.00
	Forklift Trucks - 2	0.00	0.00	20.00		20.00	0.00	0.00	0.00			0.00	0.00	20.00		20.00
	Sub total	**1400.00**	**960.00**	**120.00**		**2480.00**	**1390.50**	**953.50**	**0.00**		**2344.00**	**1466.67**	**893.33**	**120.00**		**2480.00**
	Supervision charges @ 7% of civil cost	98.00	67.20	8.40		173.60	97.34	66.75	0.00		164.08	102.67	62.53	8.40		173.60
	Contingencies @ 3% of civil cost	42.00	28.80	3.60		74.40	41.72	28.61	0.00		70.32	44.00	26.80	3.60		74.40
	Works contract tax @ 4% on 65% of civil cost	36.40	24.96	3.12		64.48	36.15	24.79	0.00		60.94	38.13	23.23	3.12		64.48
	Total Equipment cost	**1576.40**	**1080.96**	**135.12**		**2792.48**	**1565.70**	**1073.64**	**0.00**		**2639.34**	**1651.47**	**1005.89**	**135.12**		**2792.48**
(iii)	**Miscellaneous [5% on (i) and (ii)]**	**134.96**	**81.78**	**17.00**		**233.75**	**152.03**	**65.04**	**9.20**		**226.27**	**138.55**	**78.07**	**17.13**		**233.75**
	Total Capital Cost for Cargo Handling Activity (i + ii + iii)	**2898.06**	**1756.10**	**365.08**		**5019.25**	**3264.54**	**1396.50**	**197.59**		**4858.63**	**2975.01**	**1676.47**	**367.77**		**5019.25**
(b)	**Capital Cost For Berthing Services**															
	Construction of berth					3010.00					3010.00					3010.00
	Supervision charges @ 7% of civil cost					210.70					210.70					210.70
	Contingencies @ 3% of civil cost					90.30					90.30					90.30
	Works contract tax @ 4% on 65% of civil cost					78.26					78.26					78.26
	Total Capital cost for berthing services					**3389.26**					**3389.26**					**3389.26**
(c)	**Total Capital Cost for the Project (a + b)**					**8408.51**					**8247.89**					**8408.51**

Sl. No.	Particulars	Estimates furnished by the VOCPT										Estimates moderated by TAMP				
		Original proposal dated 19 August 2011					Revised estimates furnished vide letters dated 14 April 2012 and 18 April 2012									
		Bulk cement export	Bulk cement import	Related raw materials		Total	Bulk cement export	Bulk cement import	Related raw materials		Total	Bulk cement export	Bulk cement import	Related raw materials		Total
				Dry bulk cargo	Bagged cargo				Dry bulk cargo	Bagged cargo				Dry bulk cargo	Bagged cargo	
III	**Operating Cost**															
(a)	**Cargo Handling Activity**															
(i)	Power Cost - conveyor and bagging plant	13.00	26.00	0.00		39.00	16.50	33.00	0.00		49.50	13.15	15.75	0.00		28.90
		(1 x 50 units x Rs.6.50 x 4000 hrs.)	(2 x 50 units x Rs.6.50 x 4000 hrs.)				(1 x 50 units x Rs.8.25 x 4000 hrs.)	(2 x 50 units x Rs.8.25 x 4000 hrs.)				(1 x 50 units x Rs.8.25 x 3198 hrs.)	(50 units x Rs.8.25 x (1594 +2224) hrs.)			
	Power cost - loader & unloader	0.00	0.00	0.00			104.93	20.98	0.00		125.91	73.37	14.67	0.00		88.05
							(loader: 0.5kw / ton x 13388 tons x Rs.8.25 x 365 days x 52%)	(unloader: 0.5kw / ton x 5355 tons x Rs.8.25 x 365 days x 26%)				(Loader: 0.5kw / ton x Rs.8.25 x optimal capacity)	(Unloader: 0.5kw / ton x Rs.8.25 x optimal capacity)			
(ii)	Fuel cost	87.12	87.12	66.21		240.45	0.00	0.00	0.00		0.00	0.00	0.00	22.53		22.53
		(loader: 1 x 50 ltr. x Rs.43.56 x 4000 hrs.)	(unloader: 1 x 50 ltr. x Rs.43.56 x 4000 hrs.)	2 FLT & 2 Payloaders: (2 x 12 ltr. x Rs.43.56 x 4000 hrs.) + (2 x 7 ltr. x Rs.43.56 x 4000 hrs.										2 FLT & 2 Payloaders: (2 x 12 ltr. x Rs.43.95 x 1349 hrs.) + (2 x 7 ltr. x Rs.43.95 x 1349 hrs.)		
(iii)	Repair & Maintenance															
	Civil Assets (1% on capital cost)	11.87	5.94	2.13		19.94	15.47	2.58	1.88		19.93	11.85	5.93	2.16		19.93
	Mech. & Elec. assets (5% on capital cost)	78.82	54.05	6.76		139.62	78.82	54.05	0.00		132.87	82.57	50.29	6.76		139.62
(iv)	Insurance (1% on Gross fixed assets)	27.65	13.83	8.71		50.19	35.31	5.88	7.40		48.59	29.75	16.76	3.68		50.19
(v)	Depreciation															
	Civil Assets (3.34% p.a.)	39.64	19.82	7.11		66.57	51.66	8.61	6.29		66.57	39.58	19.79	7.20		66.57
	Mech. & Elec. assets (10.34% p.a.)	163.00	111.77	13.97		288.74	163.00	111.77	0.00		274.77	170.76	104.01	13.97		288.74
(vi)	License Fee															
	Water front area	8.72	4.36	3.63		16.71	52.82	8.80	14.67		76.29	14.04	7.02	5.94		27.01
		(12/23 x 17400 sq.m.@ Rs.8/- sq.m. /month x 12)	(6/23 x 17400 sq.m.@ Rs.8/- sq.m. /month x 12)	(5/23 x 17400 sq.m.@ Rs.8/- sq.m. /month x 12)			(18/26 x 17400 sq.m.@ Rs.36.54 sq.m. /month x 12)	(3/26 x 17400 sq.m.@ Rs.36.54 sq.m. /month x 12)	(5/26 x 17400 sq.m.@ Rs.36.54 sq.m. /month x 12)			(52% of 17400 sq.m.@ 50% of rate applicable for land area)	(26% of 17400 sq.m.@ 50% of the rate applicable for land area)	(22% of 17400 sq.m. @ 50% of the rate applicable for land area)		
	Stackyard	9.60	14.40	9.60		33.60	43.85	65.77	43.85		153.47	31.04	46.57	31.04		108.65
		(10000 sq.m.@ Rs.8/- sq.m. /month x 12)	(15000 sq.m.@ Rs.8/- sq.m. /month x 12)	(10000 sq.m.@ Rs.8/- sq.m. /month x 12)			(10000 sq.m.@ Rs.36.54 sq.m. /month x 12)	(15000 sq.m.@ Rs.36.54 sq.m. /month x 12)	(10000 sq.m.@ Rs.36.54 sq.m. /month x 12)			(10000 sq.m.@ Rs.25.87 sq.m. /month x 12)	(15000 sq.m.@ Rs.25.87 sq.m. /month x 12)	(10000 sq.m.@ Rs.25.87 sq.m. /month x 12)		
(vii)	Other Expenses (5% on gross value of assets)	138.27	69.14	43.54		250.95	176.55	29.42	36.98		242.95	148.75	83.82	18.39		250.96
	Total Operating Cost	**577.68**	**406.43**	**161.66**		**1145.77**	**738.91**	**340.86**	**111.08**		**1190.85**	**614.88**	**364.62**	**111.66**		**1091.16**
IV	**Revenue Requirement & Proposed Tariff**															
(a)	**Handling Charges**															
(i)	**Revenue Requirement**															
	(a) Total Operating Cost	577.68	406.43	161.66		1145.77	738.91	340.86	111.08		1190.85	614.88	364.62	111.66		1091.16
	(b) Return on Capital Employed @ 16%	442.48	221.24	139.33		803.05	564.95	97.11	118.33		780.39	564.95	97.11	118.33		780.39
	(c)Total Revenue requirement from cargo handling activity	**1020.16**	**627.67**	**300.99**		**1948.82**	**1303.86**	**437.97**	**229.41**		**1971.24**	**1179.83**	**461.73**	**229.99**		**1871.55**
(ii)	**Apportionment of Revenue Requirement**															
	(a) Handling Charges (96% of ARR)	979.36	602.56	288.95		1870.87	1251.71	420.45	220.23		1892.39	1132.64	443.26	220.79		1796.69
	(b) Storage Charges (2% of ARR)	20.40	12.55	6.02		38.98	26.08	8.76	4.59		39.42	23.60	9.23	4.60		37.43
	(c) Miscelleneous Charge (2% of ARR)	20.40	12.55	6.02		38.98	26.08	8.76	4.59		39.42	23.60	9.23	4.60		37.43
	(d) Total	**1020.16**	**627.67**	**300.99**		**1948.82**	**1303.86**	**437.97**	**229.41**		**1971.24**	**1179.83**	**461.73**	**229.99**		**1871.55**

Sl. No.	Particulars	Estimates furnished by the VOCPT										Estimates moderated by TAMP				
		Original proposal dated 19 August 2011					Revised estimates furnished vide letters dated 14 April 2012 and 18 April 2012									
		Bulk cement export	Bulk cement import	Related raw materials		Total	Bulk cement export	Bulk cement import	Related raw materials		Total	Bulk cement export	Bulk cement import	Related raw materials		Total
				Dry bulk cargo	Bagged cargo				Dry bulk cargo	Bagged cargo				Dry bulk cargo	Bagged cargo	
(iii)	**Proposed tariff (Rs. per tonne)**															
	(a) Composite Handling Charge															
	Revenue Requirement (Rs. in lakhs)	979.36	602.56	262.68	26.27		1251.71	420.45	200.21	20.02		1132.64	443.26	200.72	20.07	
	Capacity (Million Tonnes per annum)	1.33	0.40	0.51	0.02		1.78	0.36	0.51	0.02		1.78	0.36	0.51	0.02	
	Rate per tonne - Foreign cargo (Rs.)	**73.71**	**151.18**	**51.41**	**128.51**		**70.37**	**118.19**	**47.57**	**118.95**		**63.68**	**124.60**	**39.28**	**98.20**	
	Rate per tonne - Coastal Cargo (Rs.)	**44.23**	**90.71**	**30.84**	**77.11**		**42.22**	**70.92**	**28.54**	**71.37**		**38.21**	**74.76**	**23.57**	**58.92**	
									39.18	**97.95**						
	(b) Storage Charges															
	Revenue Requirement (Rs. in lakhs)	20.40	12.55	6.02			26.08	8.76	4.59			23.60	9.23	4.60		
	% of Cargo that attract storage charge	10%	10%	10%			10%	10%	10%			10%	10%	10%		
	Cargo that attract storage charge (in tonnes)	132860	39858	53144			177873	35573	53144			177873	35573	53144		
	Free period	15 days	5 days	Import cargo 5 days Export cargo 15 days			15 days	5 days	Import cargo 5 days Export cargo 15 days			15 days	5 days	Import cargo 5 days Export cargo 15 days		
	Average period of stay beyond free period											**6 days**	**6 days**	**6 days**		
	Storage Charge (beyond the free period) - Rs. Per day or part thereof															
	- First six days	**3.00**	**5.00**	**2.00**			**2.00**	**4.00**	**1.00**			**2.21**	**4.33**	**1.44**		
	- 7th day to 12th day	**4.86**	**8.10**	**3.24**			**3.24**	**6.18**	**1.62**			**3.58**	**7.01**	**2.34**		
	- 13th day onwards	**9.48**	**15.80**	**6.32**			**6.32**	**12.64**	**3.16**			**6.99**	**13.67**	**4.56**		
	(iii) Miscelleneous Charge															
	Revenue Requirement (Rs. in lakhs)	20.40	12.55	6.02			26.08	8.76	4.59			23.60	9.23	4.60		
	Capacity (Million Tonnes per annum)	1.33	0.40	0.53			1.78	0.36	0.53			1.78	0.36	0.53		
	Rate per tonne (Rs.)	**1.54**	**3.15**	**1.13**			**1.47**	**2.46**	**0.86**			**1.33**	**2.60**	**0.87**		
(b)	**BERTH HIRE CHARGES**															
(i)	**Revenue Requirement**															
	(a) Repairs & Maintenance Charge (1% on captial cost for berth as per norm)					33.89					33.89					33.89
	(c) Depreciation (@ 3.34%)					113.20					113.20					113.20
	(d) Insurance (1% on cost of construction of berh)					33.89					33.89					33.89
	Subtotal (i)					**180.98**					**180.98**					**180.98**
(ii)	Return on capital Employed @ 16%					**542.28**					**542.28**					**542.28**
(iii)	**Total Revenue requirement from Berthing services (i + ii)**					**723.27**					**723.27**					**723.27**
(iv)	**Berth hire Charges**															
	Rate per GRT per hour in Rs. - Foreign					**1.68**					**1.69**					**1.68**
	Rate per GRT per hour in Rs. - Coastal					**1.01**					**1.01**					**1.01**

Note: The VOCPT in its proposals dated 19 August 2011 and 14 April 2012 has not given item-wise capital cost for each commodity group. Based on the details furnished by the VOCPT for allocation of common capital cost to each commodity group, the item-wise capital costs are arrived at and shown in the cost statement above which reconciles with the total capital cost considered by VOCPT.

Sl. No.	Particulars	Estimates furnished by the VOCPT										Estimates moderated by TAMP				
		Original proposal dated 19 August 2011					Revised estimates furnished vide letters dated 14 April 2012 and 18 April 2012									
		Bulk cement export	Bulk cement import	Related raw materials		Total	Bulk cement export	Bulk cement import	Related raw materials		Total	Bulk cement export	Bulk cement import	Related raw materials		Total
				Dry bulk cargo	Bagged cargo				Dry bulk cargo	Bagged cargo				Dry bulk cargo	Bagged cargo	

BERTH HIRE COMPUTATION

Sl. No.	Particulars	Unit	Furnished by VOCPT vide proposal dated 19 August 2011					Revised berth hire calculation furnished by VOCPT vide letter dated 18 April 2012				
			Bulk cement export	Bulk cement import	Dry bulk cargo	Bagged cargo	Total	Bulk cement export	Bulk cement import	Dry bulk cargo	Bagged cargo	Total
1	DWT	Tons	10000	10000	10000	10000		10000	10000	10000	10000	
2	Ratio	%	52	26	20	2	100	52	26	20	2	100
3	Handling rate	Tons/day	10000	6000	10000	4000		13388	5355	10000	4000	
4	Average GRT per vessel	Tons	7000	7000	7000	7000		7000	7000	7000	7000	
5	Average parcel size	Tons	6000	6000	6000	6000		6000	6000	6000	6000	
6	Traffic	Tons	1328600	398580	511000	20440	2258620	1778730	355733	511000	20440	2665902
7	No. of berth days (row 6 / row 3)	Days	132.86	66.43	51.10	5.11	255.50	133.00	66.00	51.00	5.00	255.00
8	No. of berth hours (row 7 x 24)	Hours	3188.64	1594.32	1226.40	122.64	6132	3192.00	1584.00	1224.00	120.00	6120
9	No. of vessels (row 6 / row 5)	No.	221	66	85	3	375	222	67	86	4	379
10	Total GRT hours (row 4 x row 8)	Hours	22320480	11160240	8584800	858480	42924000	22344000	11088000	8568000	840000	42840000
11	Revenue Requirement	Rs. in lakhs					**723.27**					**723.27**
	Berth hire Charges - Foreign (row 11 / row 10 *100000)	Re per GRT per hour or part thereof					**1.68**	Rs. per GRT per hour or part thereof				**1.69**
	Berth hire Charges - coastal	Re per GRT per hour or part thereof					**1.01**	Rs. per GRT per hour or part thereof				**1.01**

Estimates considered by TAMP

Sl. No.	Particulars	Unit	Bulk cement export	Bulk cement import	Dry bulk cargo	Bagged cargo	Total
1	DWT	Tons	10000	10000	10000	10000	
2	Ratio	%	52	26	20	2	100
3	Handling rate	Tons/day	13388	5355	10000	4000	
4	Average GRT per vessel	Tons	7000	7000	7000	7000	
5	Average parcel size	Tons	6000	6000	6000	6000	
6	Traffic	Tons	1778730	355733	511000	20440	2665902
7	No. of berth days (row 6 / row 3)	Days	132.86	66.43	51.10	5.11	255.50
8	No. of berth hours (row 7 x 24)	Hours	3189.00	1594.00	1226.00	123.00	6132
9	No. of vessels (row 6 / row 5)	No.	296	59	85	3	443
10	Total GRT hours (row 4 x row 8)	Hours	22323000	11158000	8582000	861000	42924000
11	Revenue Requirement	Rs. in lakhs					**723.27**
	Berth hire Charges - Foreign (row 11 / row 10 *100000)	Re per GRT per hour or part thereof					**1.68**
	Berth hire Charges - Coastal	Re per GRT per hour or part thereof					**1.01**

Annex - II

V.O. CHIDAMBARANAR PORT TRUST

UPFRONT TARIFF SCHEDULE FOR HANDLING CEMENT AND RELATED RAW MATERIALS AT THE SHALLOW DRAUGHT BERTH

1.1. Definitions – General

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

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

(ii). **"Foreign-going vessel"** shall mean any vessel other than coastal vessel.

(iii). **"Day"** shall mean the period starting from 6 a.m. of a day and ending at 6 a.m. on the following day.

1.2. General Terms & Conditions

(i). The status of the vessel, as borne out by its certification by the Customs or the Director General of Shipping, shall be the deciding factor for classifying into 'coastal' or 'foreign-going' category for the purpose of levying vessel related charges; and, the nature of cargo or its origin will not be of any relevance for this purpose.

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

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

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

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

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

(iii). (a). The berth hire charges for all coastal vessels should not exceed 60% of the corresponding charges for other vessels.

(b). The cargo related charges for all coastal cargo other than thermal coal and POL including crude oil, iron ore and iron ore pellets should not exceed 60% of the normal cargo related charges.

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

(d). Cargo from a foreign port which reaches an Indian Port "A" for subsequent transhipment to Indian Port "B" will be levied the concession charges relevant for its coastal voyage. In other words, cargo from/to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for the concession.

(e). The charges for coastal vessels shall be denominated in Indian Rupees.

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

(v). Interest on delayed payments / refunds.

(a). The user shall pay penal interest on delayed payments of under this Scale of Rates. Likewise, the terminal operator shall pay penal interest on delayed refunds.

(b). The rate of penal interest will be 2% above the prime lending rate of the State Bank of India.

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

(d). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the terminal operator. This provision shall, however, not apply to the cases where payment is to be made before availing the services / use of Port Trust's properties as stipulated in the Major Port Trusts Act and / or where payment of charges in advance is prescribed as a condition in the scale of rates.

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

(vii). No claims for refund shall be entertained unless the amount refundable is ₹100/- or more. Likewise, the terminal operator shall not raise supplementary claim or undercharge bills, if the amount due to the concessionaire is less than ₹100/-.

(viii). (a). The rates prescribed in the Scale of Rates are ceiling levels: likewise, rebates and discounts are floor levels. The terminal operator may, if they so desire, charge lower rates and / or allow higher rebates and discounts.

(b). The terminal operator may also, if they so desire rationalise the prescribed conditionalities governing the application of rates prescribed in the Scale of Rates if such rationalisation gives relief to the user in rate per unit and the unit rates prescribed in the Scale of Rates do not exceed the ceiling levels.

(c). The terminal operator should notify the public such lower rates and / or rationalisation of the conditionalities governing the application of such rates provided the new rates fixed shall not exceed the rates notified by the TAMP.

(ix). Users will not be required to pay charges for delays beyond reasonable level attributable to terminal operator.

2. **BERTH HIRE CHARGES**:

2.1. **Schedule of Berth Hire**:

Sl. No.	Vessels	Rate per GRT per hour or part thereof	
		Foreign Going Vessel (in ₹)	Coastal Vessel (in ₹)
1.	Vessels	1.68	1.01

Notes:

(i). The Period of berth hire shall be calculated from time the vessel occupies berth till she vacates the berth.

(ii). (a). Berth hire shall stop four hours after the time of the vessel signaling its readiness to sail.

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

(c). The Master/ agent of the vessel shall signal readiness to sail only in accordance with favourable tidal and weather conditions.

(iii). The Penal berth hire shall be equal to one-day's (24 hours) berth hire charges for a false signal.

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

(iv). Ousting Priority / Priority Berth Hire Charges

The rates and conditions for granting ousting priority berthing / priority berthing will be governed by extant Government guidelines in this regard and provisions prescribed in the Scale of Rates of the Tuticorin Port Trust.

(v). No berth hire shall be levied for the period when the vessels idle at its berths for continuous one hour or more due to break down of Terminal Operator's equipment or power failure or any other reasons attributable to the Terminal Operator.

3. CARGO HANDLING CHARGES

Sl. No.	Commodity	Unit	Rate in Rupees	
			Foreign	Coastal
(a).	Bulk Cement (Export)	Per Metric Tonne	63.68	38.21
(b).	Bulk Cement (Import)	Per Metric Tonne	124.60	74.76
(c).	Related raw materials - dry bulk cargo like limestone, gypsum, etc.	Per Metric Tonne	39.28	23.57
(d).	Related raw materials - bagged cargo	Per Metric Tonne	98.20	58.92

Note:

(i). The handling charges prescribed at (a) above is a composite charge for unloading of the cargo at the stack-yard, storage at the stack-yard up to a period of 15 days, including use of silo bins, transfer the cargo to the loading point and loading onto the ship including stevedoring.

(ii). The handling charges prescribed at (b) above is a composite charge for unloading of the cargo from the vessel including stevedoring and transfer of the same up to the point of storage, storage at the stack-yard up to a free period of 5 days, including use of silo bins and bagging plant and loading for delivery in respect of import cargo.

(iii). The handling charges prescribed at (c) and (d) above is a composite charge for unloading of the cargo from the vessel using ship's gear including stevedoring and transfer of the same up to the point of storage, storage at the stack-yard up to a free period of 5 days and loading for delivery in respect of import cargo. These charges do not include provision of handling equipment for ship-shore transfer. If harbour mobile crane is deployed for ship-shore transfer, the performance based ceiling rates, already approved by the Authority for deployment of HMC at VOCPT in PSTS & Sons Pvt. Ltd. case vide Order No.TAMP/22/2007-TPT dated 30 December 2009 and notified on 12 January 2010, as may be revised from time to time, would apply. In case any other methodology / equipment is deployed for ship-shore handling of raw materials, necessary approval of the Authority for the ceiling rate leviable should be obtained by the V.O.C.Port Trust.

(iv). The composite charges prescribed at (a) to (d) above includes wharfage and supply of labour, wherever necessary and all other miscellaneous charges not specifically prescribed in the Scale of Rates.

4. STORAGE CHARGES (Per ton per day)

The storage charges to the cargo stored in the stack yard beyond the free period allowed shall be as below:

(A) Free Period : 5 days for import cargo and 15 days for export cargo

(B) Storage charges after free period (Per tonne / day)

Sl. No.	Description	First six days	Next six days	Thereafter
(1).	Bulk Cement (Export)	2.21	3.58	6.99
(2).	Bulk Cement (Import)	4.33	7.01	13.67
(3).	Raw materials (Import)	1.44	2.34	4.56

Notes:

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

(ii). Free period for export cargo shall commence from the actual date of the receipt of goods in the operator's premises.

(iii). Free period for import cargo shall be reckoned from the day following the day of completion of final discharge from the vessel.

(iv). Storage charges on cargo shall not accrue for the period when the Terminal Operator is not in a position to deliver / ship the cargo when requested by the User due to reasons attributable to the Terminal Operator.

5. MISCELLANEOUS CHARGES:

Sl. No.	Particulars	Bulk cement export	Bulk cement import	Raw materials import
(i).	Charges for all miscellaneous services such as environment and management, sweeping of cargo on the wharf, safety measures, etc.	₹ 1.33 per tonne	₹ 2.60 per tonne	₹ 0.87 per tonne

6. GENERAL NOTE TO SCHEDULE (2) TO (5) ABOVE:

The tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2012 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31st March of the following year.

* * * *

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

F. No.TAMP/44/2011 - VOCPT - **Proposal from the V.O. Chidambaranar Port Trust for fixation of upfront tariff for shallow draught berth for handling cement and related raw materials on DBFOT basis.**

A summary of comments received from users/ user organisations/ RFQ applicants and response of V.O. Chidambaranar Port Trust (VOCPT) thereon are tabulated below:

Sl. No.	Comments of users/ user organisations/ RFQ applicants	Reply of VOCPT
1.	**M/s. ABG-LDA Bulk Handling Pvt. Ltd.**	
(i).	Please provide details on how the break-up by commodities handled at the berth has been obtained.	The break-up of commodities are arrived based on the cargo projection given in the feasibility report.
(ii).	The capacity may be updated for the following reasons: (a). Assuming that the break-up has been obtained through the cargo projection provided by Coeus (VOCPT Consultant) please consider the fact that the break-up in commodity, in order to fix a tariff, has to be considered as the mean in between the current and the prospective situation. It appears that the tariff-setting has been done only through the projection for 2034-35. (b). The terminal can be considered as multipurpose terminal and the parcel delivered will be below 30,000MT (TAMP application Chapter 5 berth hire calculation page 21). As per TAMP guideline for upfront tariff setting PPP projects at Major Port Trusts, 2008 Annex V section 3.1 table 1 page 19, the daily handling rate of dry bulk cargo should be fixed at 6,000 MT per day. (c). In view of operational constraints the efficiency factor of an unloader is 50%. Therefore the daily productivity of the cement import cannot be more 3,300 MT with an unloader tagged as 300 Tph capacity.	(a). Yes, The tariff setting has done taking into account the cargo project in the year 2034-35. The capacity of the berth has been arrived as per TAMP guidelines. (b). The optimal terminal capacity has been calculated as per TAMP guideline. Various handling rate has been considered for different commodities viz. 4000 MT for Bagged cargo, 10000 MT for Dry bulk cargoes and Bulk cement (Export) and 6000mT for Bulk cement (Import). (c). The optimal terminal capacity has been calculated as per TAMP guidelines.
(iii).	As per TAMP guidelines for upfront tariff setting for PPP projects at Major Port Trusts, 2008. Annex V section 2.0 page 18, the percentage of total revenue required should be fixed at 90% for the handling charge and 5% for the storage charges.	This was adopted as approved by the TAMP for the project "Construction of Shallow Draught Berth for handling construction materials at V.O. Chidambaranar Port".
(iv).	The cargo share break-up in column 2 does not match the cargo to be handled (column 4)	The cargo to be handled has been calculated as per TAMP guidelines for example. (i) Percentage of Bagged cargo : 2% (ii) Handling rate for bagged cargo: 4000 T/day Cargo to be handled :0.70 X 2% X 4000 T/day X 365 days = 20440MT
(v).	The origin of volume to be handled presented in column 4 may be explained.	Refer Sl. No.(iv) above

(vi).	The unit of row 6 from lakh Tons to Tons may be changed.	Yes, The unit may be read as 'Tons'
(vii).	The ratio in row 2 does not match the traffic mentioned in row 6.	The ratio specified in row 2 is as per cargo projection in the year 2034-35. The traffic to be handled mentioned in row 6 has been calculated as per TAMP guidelines.
(viii).	The origin of volume to be handled presented in row 6 may be explained.	The volume to be handled has been calculated as per TAMP guidelines.
(ix).	Justifications for the cost estimation regarding civil and equipment costs may be provided.	The estimation is based on the current market rates for similar works.
(x).	According to our estimate the projection of ₹4 crores to build up a conveying system for such a project is unrealistic. Please increase this cost and the overall Capital cost for mechanical equipment.	As mentioned in Sl. No.: (ix), the estimate cost is based on the current market rate. Hence, increase in cost is not acceptable.
(xi).	Details on how the civil works cost break-up in between 'cement' and 'common' has been obtained may be provided.	The cost break-up between "cement" and "common" has been calculated from the table-37 of feasibility report. The facilities required for cement (Export & Import) has been separated from total cost.
2.	**M/s. TranssTroy-OJSC Consortium**	
	They have no comments to offer.	---
3.	**Tuticorin Port Handling Agents' Association, Tuticorin Custom House Agents' Association and Tuticorin Ship Agents Association**	
(i).	It is understood that the port is planning to give the total berth to the private operator and the charges indicated should be inclusive of all labours requirement, wharfage charges etc., It needs to be ensured that the port shall not claim any wharfage apart from the prescribed tariff for the private operator.	Yes. Wharfage will be collected by Private Operator as per the upfront tariff fixed by TAMP.
(ii).	Quite apart from the above, kindly clarify that the tariff fixation is worked out based on the guidelines already approved by the government.	Yes. Tariff fixation is worked based on Tariff Guidelines.
(iii).	The owners of vessels are not responsible for non-availability of fixed berth.	The question is not clear.

2. A joint hearing in this case was held on 16 November 2011 at the V.O. Chidambaranar Port Trust (VOCPT) premises. The VOCPT made a power point presentation of its proposal. At the joint hearing, VOCPT and the concerned users/ user organisations / RFQ applicants have made the following submissions:

VOCPT

(i). Powerpoint presentation. Hard copy is given.

(ii). We will update lease rental calculations.

(iii). Based on TAMP and stakeholders queries, we will reassess handling rates and capacity.

M/s.ABG-LDA Bulk Handling Private Limited

(i). Handling rates considered by the Port needs to be reviewed.

Tuticorin Ship Agents' Association

(i). Berth hire should be linked to performance. Any under performance by operator will require users to pay higher charges.

3. Some of the user organisations have furnished their further comments after the joint hearing. The comments received from them were forwarded to the VOCPT as feedback information. The VOCPT has furnished its comments. A summary of the further comments received from user organisations and response of VOCPT thereon are tabulated below:

Sl. No.	Comments of users/user organisations	Comments of VOCPT
(1)	**Tuticorin Port Handling Agents' Association, Tuticorin Ship Agents Association, Tuticorin Custom House Agents' Association**	
(i).	It is understood that the port is planning to give the total berth to the private operator and the charges indicated should be inclusive of all labour requirement.	Yes. Wharfage will be collected by Private Operator as per the upfront tariff fixed by TAMP.
(ii).	In the course of joint hearing it was clarified that booking of pool labour employment and private labours is totally exempted for shallow draught berth while operating harbour mobile crane. This requires confirmation.	Yes.
(iii).	The productivity for operation at shallow draught berth have been defined in the BOT agreement. In case of deficiency on the part of Berth operator in achieving in the prescribed productivity, the vessel agents will bear additional Berth hire cost. The berth hire charges shall be worked out as per the actual berth hire and based on the productivity prescribed. The berth hire, whichever is lesser shall be applicable for payment. This may please be incorporated in the order.	The berth hire charges is worked out as per TAMP Guidelines.
(iv).	It may be clarified that the tariff fixation is worked out based on the guidelines already approved by the government.	Yes. Tariff fixation is worked based on Tariff Guidelines.
(v).	It may be added that the owners of vessels are not responsible for non-availability of fixed berth.	The Question is not clear.

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