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Tariff Authority for Major Ports

G No. 206 **New Delhi,** **18 August 2010**

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 Tuticorin Port Trust for setting upfront tariff for construction of shallow draught berth for handling construction materials at Tuticorin Port through Public Private Partnership 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/18/2010-TPT

Tuticorin Port Trust **- - - - -** **Applicant**

O R D E R

(Passed on this 23rd day of July 2010)

This case relates to the proposal filed by the Tuticorin Port Trust (TPT) for fixing upfront tariff for handling construction material at the shallow draught berth in the Tuticorin Port through Public-Private Partnership scheme on Design, Built, Finance, Operate and Transfer (DBFOT) basis.

2. The Tuticorin Port Trust (TPT) has vide letter dated 17 March 2010 filed its proposal for fixing upfront tariff for handling construction material at the shallow draught berth through Public-Private Partnership scheme (PPP) on DBFOT basis in pursuance of the guidelines for upfront tariff setting for Public Private Participation (PPP) projects at Major Ports Trusts vide Notification No.TAMP/52/2007-Misc. dated 26 February 2008. Subsequently, the TPT vide its letter dated 25 March 2010 has filed documents in support of the estimated capital cost of harbour mobile cranes and pay loaders.

3.1. The highlights of the proposal are as below:

(i). Physical features:

(a). The proposed Shallow Draught Berth (SDB) would be constructed in continuation of the existing SDB on the North–Eastern direction in the Western end of berth No.9.

(b). The proposed SDB shall be 260 mtrs. long and 30 mtrs. width (-)8.70 mtrs. to handle vessels upto 10000 DWT with parcel size of 6000 tons initially.

(c). The existing average depth in front of the SDB is (-)7 mtrs. which shall initially be dredged. In future, with further deepening of the berth to (-)11.4 mtrs. it is proposed to handle vessels of size upto 20000 DWT / 25000 DWT having LOA of 180 mtrs./194mtrs. and draught of 10.30 mtrs.

(d). The dredging work will be executed by the port and the dredging levy will be collected from the PPP operator.

(e). The port envisages Construction materials viz. building blocks, bricks, tiles (ceramic and mosaic), coarse, fine aggregate, stone dust, timber, granite and reinforcement steel will be handled at SBB.

(f). An area of 2.50 hectares (i.e. 25000 sq. mtrs.) of land located adjacent to the berth shall be made available for development of temporary storage of in-bound and out-bound cargo.

(ii). Optimal Capacity of the terminal is assessed at 2.00 Million Tonnes Per Annum as explained hereunder:

(a). The percentage share of bagged cargo like timber, granite, etc. is assumed at 35% and dry bulk like stone, sand, etc. is assumed at 65%.

(b). The handling rate is considered as per the norms prescribed for the multipurpose cargo berth, i.e. for bagged cargo at 4000 tons per day and for dry bulk cargo at 10000 tons per day.

(c). Accordingly, the optimal capacity of the berth is assessed at 20,18,450 tonnes, i.e. 2.00 Million Tonnes (MT).

(iii). The port has also separately assessed yard capacity at 19,16,880 tonnes (i.e. 1.916 Million Tonnes) for the total stackyard area of 25,000 sq. mtrs. For this purpose, the area requirement for export cargo is considered at 22800 sq. mtrs. and for import cargo at 2200 sq. mtrs. The TPT has assumed stacking factor at 5 tonnes / sq. mtr. The turnover ratio of 32 for export of construction material and 24 for import of timber is considered. (The yard capacity assessed is not reckoned by the TPT as the optimal capacity for upfront tariff calculation. The port has concluded that the yard capacity is adequate to meet the optimal capacity of the terminal assessed at 2.0 Million Tonnes Per Annum).

(iv). Capital cost:

In the upfront tariff calculation, the total capital cost is estimated at Rs.6401 lakhs. The break up thereof is as below:

Sr. No.	Particulars		Estimated Capital cost Rs. in lakhs	
A.	**Cargo handling activity**			
	(i).	Civil structure		
		(a). Civil construction cost	896	
		(b). Supervision charges @ 7% of base cost	63	
		(c). Contingencies @ 3% of the base cost	27	
		(d). Works contract tax @ 4% on 65% of the base cost	23	
	Total (i)			**1009**
	(ii).	Cargo Handling Equipments		
		(a). Mechanical works (1 Harbour Mobile Crane and 2 pay loaders)	1700	
		(b). Supervision charges @ 7% of base cost	119	
		(c). Contingencies @ 3% of the base cost	51	
		(d). Works contract tax @ 4% on 65% of the base cost	44	
	Total (ii)			**1914**
	(iii).	Miscellaneous cost (5% of i & ii above excluding works contract tax)		**143**
TOTAL (i + ii +iii)				**3066**
B.	**Berthing activity**			
	(a). Cost of the berth		2962	
	(b). Supervision charges @ 7% of base cost		207	
	(c). Contingencies @ 3% of the base cost		89	
	(d). Works contract tax @ 4% on 65% of the base cost		77	
	TOTAL			**3335**
TOTAL CAPITAL COST				**6401**

(v). The Return on Capital Employed is computed at 16% on the gross block of the capital assets.

(vi). Annual Operating cost:

(a). The fuel consumption is considered at 50 litres per hour for Harbour Mobile Crane and 12 litres per hour for pay loaders. The unit cost of fuel is considered at Rs.38.19 per litre.

(b). The Repairs & Maintenance, Insurance, Depreciation and other expenses have been estimated as per the norms prescribed in the guidelines.

(c). The port has considered license fee at Rs.8/- per sq. mtr. for the stackyard area of 25,000 sq. mtrs. and also for the water front area of 15,869 sq. mtrs.

(d). The total annual operating cost for the cargo handling activity is estimated at Rs.673.65 lakhs.

(e). Annual operating cost for the berthing activity is estimated at Rs.178.10 lakhs considering 1% of capital cost towards maintenance, depreciation at the applicable rate and insurance at 1% of the capital cost.

(vii). Annual Revenue Requirement

The Annual Revenue Requirement (ARR) from both the activities are estimated as below:

(**Rs. in lakhs**)

Sr. No.	**Particulars**	**Cargo handling activity**	**Berthing activity**
1.	Total annual operating cost	673.65	178.09
2.	Return on capital employed	490.54	533.60
ANNUAL REVENUE REQUIREMENT		**1164.19**	**711.69**

(viii). As per the guidelines for multipurpose cargo terminal, 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 not proposed any storage charges and included it as part of the cargo handling charges. Accordingly, the estimated ARR is apportioned to cargo handling and miscellaneous charges at 95% and 5% respectively. The reason for deviation is not explained.

(ix). The port has computed the berth hire charges considering the average GRT and average parcel size of the vessels at 7,000 tonnes and 6,000 tonnes respectively and handling rate as per the norms.

(x). (a). Accordingly, the upfront tariff proposed by TPT is as follows:

Particulars of the tariff	**Unit**	**Foreign**	**Coastal**
Berth Hire	Per GRT per hour or part thereof	Rs.1.3889	Re.0.8333
Handling charges	Per Metric Tonne	Rs.55.30	Rs.33.20
Misc. charges	Per Metric Tonne	Rs.2.91	

(b). The proposed Scale of Rates allows 5 days free period for import cargo and 15 days free period for export cargo. The TPT has, however, not proposed any separate storage charge beyond the proposed free period.

(c). The port has also proposed various conditionalities for handling equipment about calculation of average berth day output, levy of additional charge of 5% if there is any increase/decrease by 1000 tonnes per day, and other conditions as proposed by them in the another upfront tariff proposal filed by the port for fixation of tariff for mechanical handling equipment i.e. HMC in the port.

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

4.1. In accordance with the consultation process prescribed, the proposal of the port was circulated to the users / shortlisted bidders (as furnished by the TPT) seeking their comments. The comments received from users / shortlisted bidders were forwarded to TPT as feed back information.

4.2. Subsequently, ABG-LDA Bulk Handling Pvt. Ltd. requested to forward a proposal to them. The TPT vide letter dated 22 June 2010 informed that the proposal was already forwarded to ABG-LDA Bulk Handling Pvt. Ltd. along with three other firms who had purchased RFQ documents. The ABG-LDA Bulk Handling Pvt. Ltd. has furnished their comments on the proposal of TPT and endorsed a copy to the port. The TPT has furnished its comments on the points made by users / user associations and ABG-LDA Bulk Handling Pvt. Ltd.

5. Based on a preliminary scrutiny of the proposal, the Tuticorin Port Trust was requested to furnish additional information / clarifications vide our letter dated 24 May 2010. The port has furnished its reply by e-mail dated 23 June 2010. A summary of the queries raised by us and the corresponding replies furnished by the port is tabulated below:

Sl. No.	Queries raised by us	Reply furnished by TPT
	General:	
(a).	The TPT has requested this Authority to fix upfront tariff cap for handling construction materials in the proposed shallow draught berth to be developed by a private operator on DBFOT basis at the Western end of berth No.9 in Zone A. It may be noted that the tariff caps prescribed by this Authority would not only be applicable to the proposed project but would also be applicable to all the projects bid out subsequently for identical cargo at the TPT during the next five years.	Yes, the port confirms that this tariff cap proposed for this Project would also be applicable to all the projects to be bidded out subsequently for identical cargoes at this Port during the next five years subject to revision by TAMP from time to time.
(b).	The TPT has stated that the port will execute dredging work to further deepen the dock basin area in front of the proposed Shallow Water Berth (SWB) and it will collect a dredging levy from the PPP operator. As stipulated in the upfront tariff guidelines, the capital cost of the berth to be borne by the operator, should include cost of dredging alongside the berth and the berth hire to be levied by the PPP operator is fixed accordingly. The port will continue to collect pilotage fees and port dues even from the vessels calling at the proposed shallow water berth. That being so, the reasons for seeking to transfer the financial burden of approach channel dredging to the Terminal Operator are not clear. For justifiable reasons, if the PPP operator has to bear the burden of capital dredging even of the approach channel, the capital estimates do not include provision for such expenditure. Nor is any enabling provision proposed for levy of dredging levy by PPP operator. Further, the quantum of such levy is not determined with reference to the cost involved. The TPT is advised to review the position comprehensively and make necessary adjustments in the proposal.	The dock basin area in front of the current proposal viz. “SDB for Handling Construction Materials” and the dock basin area in front of the subsequent proposal to be taken up by the Port viz. “SDB for Handling Cement and Cement related raw Materials” would be a 'Common Maneuvering Area' for both the PPP Operators and also for the Concessioning Authority. Hence, it would be logical that the Concessioning Authority shall bear the dredging cost and dredging levy will be imposed. The cost of dredging is not included in the investment made by the PPP operator. It is confirmed that the question of transferring financial burden of approach channel dredging to Terminal operator is not contemplated by the Port as part of the proposal.
(c).	The TPT is requested to justify the proposed allotment of water front area to the BOT operator and the mode of usage of water front area by the operator in the cargo handling / vessel operations. The TPT may also furnish the basis for considering an area of 15,869 sq. m. for allotment. The basis and workings for the rate of Rs.8/- per sq. m. considered in the estimation of license fee for water front area may also be furnished.	The water front area 15,869 Sq.m., is a typographical error. TPT had calculated the water front area for the initial handling of vessels upto 10,000 DWT as 15,600 Sq.m., where as the proposed berth is planned to handle maximum vessel size of 194m LOA having 25,000 DWT and the requirement of water front area as per IS 4651(Part III- 1974) is 18,200 Sq.m. Justification : These area is taken into consideration the berthing area of 25,000 DWT vessel + deck area for handling cargo activities. (a) [24.70m (Width of 25,000 DWT vessel) x 1.15 (factor of IS Code 4651 (Part V) – 1980) + width of attendant craft = 40m].

<table>
<tr><td></td><td></td><td>(b) Berthing area = 40m x 260m (length of berth) = 10,400 Sq.m.
(c) Deck area for handling cargo activities = 260m x 30m = 7,800 Sq.m.
Total = 18,200 Sq.m. (10400+7800)
<u>Mode of usage</u>: 10,400 Sq.m., area for berthing area and 7,800 Sq.m., apron / Jetty area.
(d) Rate approved as per Licence fees (Storage) Open Space - Within security wall at Rs.8/-Sq.m/month vide 2(ii) of 3.3. Licence (Storage) Fee of TPT Scale of Rates approved vide Authority Order dated 14.7.2008 is considered.</td></tr>
<tr><td>(d).</td><td>The details of number of vessels, average GRT of the vessels, average parcel size of the vessels in respect of construction materials handled and the productivity levels achieved during the last 5 years from 2004-05 to 2008-09 may be furnished separately for bagged cargo and dry bulk cargo.</td><td>The details are furnished hereunder:
<table>
<tr><th>Description</th><th>2004-05</th><th>2005-06</th><th>2006-07</th><th>2007-08</th><th>2008-09</th></tr>
<tr><td>No. of vessels</td><td>323</td><td>355</td><td>361</td><td>490</td><td>414</td></tr>
<tr><td>Avg. GRT of vessels</td><td>4717</td><td>4714</td><td>4488</td><td>3572</td><td>3496</td></tr>
<tr><td>Avg. parcel size</td><td>4307</td><td>3629</td><td>4415</td><td>3580</td><td>3442</td></tr>
</table></td></tr>
<tr><td>(e).</td><td>The TPT has furnished the volume of construction materials handled during the last five years 2004-05 to 2008-09. The break-up of bagged cargo and dry bulk cargo in the actual volume of construction materials handled during the last 5 years may be furnished.</td><td>The details are tabulated below:
<table>
<tr><th>Description</th><th>2004-05</th><th>2005-06</th><th>2006-07</th><th>2007-08</th><th>2008-09</th></tr>
<tr><td>Bagged cargo</td><td>476459</td><td>428295</td><td>451916</td><td>523188</td><td>403650</td></tr>
<tr><td>Dry Bulk cargo</td><td>578247</td><td>512246</td><td>467480</td><td>545100</td><td>843474</td></tr>
<tr><td>TOTAL</td><td>1054706</td><td>940541</td><td>919396</td><td>1068288</td><td>1247124</td></tr>
</table></td></tr>
<tr><td>2.</td><td><u>Optimal Capacity:</u></td><td></td></tr>
<tr><td></td><td>(a). The port has assumed handling of vessels upto 10000 DWT in the proposed berth, that too, on achieving a dredged depth of 8.7 m. It is also mentioned that vessels of around 20000 DWT will be handled in future when depth is increased to 10.3 mtrs. The feasibility report indicates LOA of around 145 m. for vessels of 10000 DWT. But the berth length of 260 mtrs. is considered perhaps to handle vessels of 20000 DWT at a future date. That being so, the reasons for not considering larger size vessels in capacity calculation, particularly in berth hire calculation may be explained.</td><td>The berth is designed for handling 25,000 DWT vessels. Initially, the dock basin area in front of the proposed Shallow Draught Berth will be dredged to cater to 10,000 DWT vessels and in future it is proposed to deepen to cater to 25,000 DWT vessels having draught upto 10.30m. According to the traffic forecast viz. Table 29 of Final Feasibility report, the Shallow Draught Berth will handle a traffic of 1.62 Million Tonnes during the year 2014-15 and it will increase to 2.00 Million Tonnes during the year 2020-21. Hence, the stage wise development has been planned. The same could not be predicted and hence larger size vessels is not considered for capacity calculation for upfront tariff.</td></tr>
<tr><td></td><td>(b). 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.</td><td>Scope of the project covers only handling of construction materials. Hence, handling other cargoes is outside the scope and will be not permitted.</td></tr>
<tr><td></td><td>(c). Furnish the basis for considering the share of bagged cargo and dry bulk cargo at 35% and 65% respectively in the calculation of optimal capacity of the terminal.</td><td>During 2008-09, the total volume of construction materials handled was 12,47124 tonnes. The bagged cargo comprises Timber & building blocks, with a quantity of 4,03,650 tonnes constitutes approx. 33% of the total volume handled. Hence 35% for bagged cargo & 65% for dry bulk has been assumed.</td></tr>
<tr><td></td><td>(d). From the optimal capacity calculation furnished by the Port, the share of bagged cargo and dry bulk cargo works out to 3,57,700 tons and 16,60,750 tons respectively in the total optimal capacity of 2018450 tons. However, the share of bagged cargo and dry bulk cargo in the berth hire computation has been considered</td><td>The Berth hire calculations are revised as per optimal capacity calculations and the revised berth hire charges is Rs.1.6613 per GRT (Foreign) and Rs.0.997 per GRT (Coastal) and revised Berth Hire Calculation and Revenue calculation sheet are furnished.</td></tr>
</table>

	at 7 lakh tons and 13 lakh tons respectively. This position may be clarified and the difference may be reconciled.	
	(e). The share of foreign cargo and coastal cargo in the optimal capacity may be furnished separately for bagged cargo and dry bulk cargo.	Taking into consideration the present cargo scenario of construction materials, the entire cargo is considered as 'foreign cargo'.
3.	Capital Cost:	
	(a). Civil Construction Cost: (i). The estimated civil construction cost furnished by the port does not give break up of capital cost for each items mentioned in the guidelines. However, as seen from the Project Feasibility Report furnished by the port, the civil construction cost considered by the port appears to be towards (a) construction of stone bund along the jetty including filter layers and (b) hardening of backup area of 2.50 hectares. The TPT is requested to justify the expenditure on construction of stone bund. (ii). The civil cost considered by the port does not include the cost of Berth apron and approach, Transit sheds, Roads, Rail Tracks and Buildings prescribed in the normative list of civil works in the guidelines. The reasons for not considering these items of works in the estimation of civil construction cost may be explained. (iii). The civil cost includes an item for hardening the back-up area of 25,000 sq. m. In this connection, the feasibility report furnished by the port states that the cost of filling the area with dredged material has not been included in the estimate. The reason for not including the cost for this item in the civil cost estimate may be explained. (iv). The proposal does not substantiate the civil cost estimate of Rs.38.58 crores with documentary support. The Project Feasibility Report also does not contain the documents validating the estimates of capital cost. Furnish copies of documentary support / calculations / rate analysis considered by the port / consultant appointed by the port to justify the estimation of capital cost for civil works.	(i). The statement showing the capital cost for civil works including Berth apron etc., storage yard for Rs.3858.37 lakhs is furnished. For development of storage yard, the reclamation using dredged materials with in stone bund area is to be carried out. The total cost of storage yard includes cost of stone bund and hardening of backup area. (ii). The total width of jetty is 30m which is inclusive of apron. No separate approach is required as the existing SDB serves as the approach. Rail tracks already exist near the backup area. No transit shed is considered for this project. (iii). TPT is to execute capital dredging project in which a quantum of 3.20 Million Cum., of dredged materials will be generated and the water area at the back side of the Berth will be reclaimed using the dredged materials. Separate provision is made in the dredging contract for filling the area with dredged materials. The back-up area of the SDB will be reclaimed and handed over to PPP Operator. Hence, cost of filling the area with dredged material is not included in the estimate. (iv). Civil cost estimate are based on works of similar nature recently carried out at Chennai, Ennore and Tuticorin Port. Break up cost of civil works as per guidelines will be prepared by the successful bidder based on the detailed engineering study to be carried out by them after choosing the equipment.
	(b). Mechanical Equipment Cost: (i). As per the norms prescribed in the upfront tariff guidelines, equipment shall include 3 Nos. Level Luffing wharf cranes of 20 T capacity with grab / hook attachments, 4 Nos. FLT of 5 T capacity, 2 Nos. FLT of 10 T capacity, 3 Nos. Pay Loaders of 10 T capacity and Power, Lighting & Communication. As seen from the Project Feasibility Report furnished by the port, the	(i). For handling construction materials, 1 Harbour Mobile Crane of handling capacity 8400T/day is considered adequate. In addition, 2 no. Payloaders (one in hatch and 1 in wharf) have been considered. FLTs are not considered necessary for this type of cargo.

	TPT has considered (a) 1 No. Harbour Mobile Crane of 42 T capacity with one grab and (b) 2 Nos. Pay loaders of 10 T capacity. The reasons for not considering other items of equipment listed in the guidelines may be furnished.	
	(ii). The port has considered 1 No. Harbour Mobile Crane of 42 T capacity with one grab as against 3 Nos. Level Luffing wharf cranes of 20 T capacity with grab / hook attachments prescribed in normative list of equipments. The deviation in this regard may be justified. Also, please clarify whether the impact of this deviation in the handling rate has been reckoned with in the calculation of optimal capacity.	(ii). Mobile Harbour Crane is versatile equipment with long reach with higher loads. MHC's are highly reliable with unsurpassed mobility with low operation costs. Also, TAMP has already given approval for procurement of MHC on PPP basis for another proposal at TPT.
	(iii). It may be confirmed that only one MHC can be deployed at the proposed berth. If the PPP operator puts up additional MHCs at a later stage, the capacity assessed will undergo manifold increase, but capital cost will not proportionately increase as civil cost is considered fully even with one MHC.	(iii). Taking into account the current and future traffic growth, the requirement of MHC as 1 No. is found sufficient. Hence, there will not be any requirement for installing one more MHC.
	(iv). The equipment cost for 1 Nos. Harbour Mobile Crane and 2 Nos. Pay loaders has been estimated at Rs.17.00 crores. In the absence of workings for the estimated cost of equipment, the estimates could not be verified with reference to the budgetary offers furnished by the port under cover of its letter dated 25 March 2010. The TPT is, therefore, requested to furnish detailed workings for the estimated capital cost of equipment linking the budgetary offer furnished by it. Also, please confirm that the estimated cost of Rs.17.00 crores includes taxes and duties and incidental costs upto installation and commissioning of the equipment.	(iv). Based on the indicative cost obtained by the suppliers, the approx. cost has been worked out as below: MHC cost – Euro 22,48,000 Grab cost – Euro 1,20,000 Total cost – Euro 23,68,000 Total cost (in Rs) – Rs14.20 Cr (exchange rate 1Euro=Rs 60) So, the estimated cost MHC – Rs 14.20 Cr Payloaders (2 no.) – Rs 1.00 Cr Freight & taxes – Rs 1.80 Cr Total – Rs 17.00Cr
	(v). The estimates for civil and equipment cost includes 7% supervision charges, 3% contingencies and 4% works contract tax (on 65% of base cost). It may be confirmed whether these charges / taxes are also applicable on the equipment cost considered in the estimates.	(v). Yes
	(c). <u>Miscellaneous works</u>: In the normative list prescribed in the guidelines, water supply and sewage are grouped under Civil works and Power, Lighting & Communication are grouped under equipment. The port has included these works under the capital cost of miscellaneous items. As per the guidelines, miscellaneous capital cost does not envisage these items. The capital cost of power and lightning, communication, water	The 5% for Miscellaneous expenditure in the capital cost for civil works comes to Rs.28.56 Crores to water supply, drainage, power, lighting etc., has since been deleted.

	supply and sewage may be excluded from the capital cost of miscellaneous items and considered under equipment cost and civil cost.	
4.	<u>Operating Cost</u>:	
	(a). The port has considered fuel consumption of 50 Litres/hour for the 42 T Harbour Mobile crane. Furnish the basis for estimating the fuel consumption at 50 Ltrs./hour supported by documentary proof.	The fuel consumption of MHC varies with type of operation and facilities utilized. However, we have assessed & estimated the fuel consumption at 50 litres/hour based on feedback given by the suppliers.
	(b). The port has considered the norm of 4000 hours in estimating fuel cost. However, as per optimal capacity calculation, the berth working hours is considered at 6132 hours at 70% utilization (365 x 24 x 0.7). The fuel cost for harbour mobile crane may be revised for the actual berth working hours as per the optimal capacity.	Revised revenue calculation duly correcting the operating expenditure by considering the 6,132 working hours is furnished. The revised handling charges works out to Rs.56.82/M.T (Foreign) and Rs.34.09/M.T (Coastal). Miscellaneous charges works out to Rs.2.99/M.T.
	(c). As per the upfront tariff guidelines, the license fee has to be estimated as per rates prescribed in the Scale of Rates of the concerned Major Port Trusts. The TPT is requested to furnish workings for the rate of Rs.8/- per sq. m. considered by it in the estimation of licence fee at Rs.24.00 lakhs per annum. The TPT may also confirm that the rate considered by it is as per the Lease Rental rates approved by this Authority vide Order No.TAMP/35/2003-TPT dated 18 November 2004 taking into account the escalation factor up to 1 January 2010.	Licence fees (Storage) inside security wall approved at Rs.8/-Sq.m/month in the Scale of Rates of TPT approved vide Authority Order dated 14.7.2008 is considered.
5.	<u>Berth Hire Charges</u>:	
	(a). In Berth Hire calculation, the TPT has considered, inter alia, the average DWT and average parcel size of the vessels in respect of dry bulk cargo at 10000 Tons and 6000 Tons respectively. As per the feasibility report (Table 15 & 16) furnished by the port, the average DWT and average parcel size of dry bulk vessels handed by the port during the last 5 years from 2004-05 to 2008-09 works out to 37625 Tons and 30602 Tons respectively. Reasons for considering the average DWT and average parcel size at a very lower level for dry bulk vessels in the calculation of berth hire charges may be clarified and revised. In the event of revision of average DWT and average parcel size, the average GRT of the vessels considered at 7000 Tons may also be reviewed.	In the Berth hire calculation, the average DWT and average parcel size of the vessels in respect of dry bulk cargo at 10000 Tons and 6000 Tons respectively is considered for the proposed Shallow Draft Berth alone for handling construction materials. The average DWT and average parcel size of dry bulk vessels during the 5 years period from 2004-05 to 2008-09 works out to 37,625 Tones and 30,602 Tons respectively vide Table 15 & 16 of Feasibility Report includes the handling dry bulk like Industrial coal in other Berths. As the proposed shallow draft berth will have a lower draft, the lower average DWT and lower average parcel size is considered.
	(b). The share of foreign vessels and coastal vessels in the total GRT hours considered in the berth hire computation may be furnished.	Taking into consideration the present cargo scenario of construction materials, the entire cargo is assumed to be as 'foreign cargo'
6.	<u>Scale of Rates</u>:	
	(a). The port has proposed a uniform cargo handling rate for both bagged cargo and dry bulk cargo. As the nature of bagged cargo like timber and granite is different from the nature of dry bulk cargo like sand, stone, etc. and the handling rate for the two	In view of the fact that for the same cargo efficiency rates differ from vessel to vessel based on the type and age of the vessel deployed quantity of cargo available at that time etc., As such, it is desirable for a uniform cargo handling rate for both bagged cargo and dry bulk cargo.

	types of cargoes also varies considerably, the port may prescribe differential rates for bagged cargo and dry bulk cargo based on the share of each type of cargo considered in the optimal capacity.	
	(b). Though the port has proposed concessional tariff for coastal vessel / coastal cargo in berth hire as well as composite handling charge, the revenue impact of allowing such concession is not considered while arriving at the proposed rates. The port may confirm that it does not expect to handle coastal vessel / cargo at the proposed facility.	Based on the current trends of construction materials cargo throughput, such vessels are considered to be foreign.
	(c). The Port has not proposed any storage charges for the cargo likely to be kept in the yard beyond free days and the 5% revenue requirement to be apportioned towards storage charges, as per the norms, has been included in the cargo handling charges. However, the port has not justified the deviation from the stipulated norms. In this context, it is relevant here to mention that the port has considered a plot turnover ratio of 32 for export cargo and 24 for import cargo which indicates that the average stay of cargo at port is 11 days for export cargo and 15 days for import cargo. Accordingly, the export cargo will be loaded on to the vessel within the free period of 15 days. But, on the import side, considering a free period of 5 days, as stipulated in the guidelines, and one day for average stay of vessel at berth, about 60% of the cargo will stay beyond the free days for an average period of 9 days. In the absence of storage charges prescribed in the SOR, the Operator will not be in a position to recover any charges from the users in respect of overstaying import cargo. In view of this, the port may review its stand and prescribe storage charges.	As the cargo is expected to be evacuated within 15 days free period as per norms for exports, there will not be any storage charge after free period. Hence the same element is clubbed with handling charges for recovery. Regarding import cargoes, Timber is the only cargo to be handled 4,00,674 tonnes per annum with an output rate of 4000 tonnes / day for 100 berth days. The same will be taken outside the port area for private storage yard within free period.
	(d). The draft SOR provided by the port, in clause 1.2 (v) (b), indicates penal interest will be 18% p.a. The same may be changed as SBI Prime Lending Rate + 2%.	As suggested, the penal interest will be accepted as SBI Prime Lending Rates +2% as per clause 2.18.2 of TAMP guidelines dated 31.3.2005
	(e). The list of services proposed to be rendered towards levy of composite cargo handling rate may be listed out in Section 3 of the draft SOR proposed by the port.	Charges for landing places and handling charges of equipments are included.
	(f). The conditions (i) to (vii) proposed under Chapter-3 appear to be for performance linked tariff. The relevance of such conditions to the subject proposal for fixation of upfront tariff for construction of berth for handling construction materials may be explained. Keeping in view the list of services proposed to be rendered for levy of composite handling rate. If the above conditions are found not relevant, they may be deleted from the proposed SOR.	The conditions of performance linked tariff under Chapter-3 is incorporated in line with the rates approved by the Authority for fixation of hire charges of 80-T Mobile crane operated by M/s PSTS & Sons Pvt. Ltd., vide order No.30.12.2009. The Authority may like to take a decision in this regard.

	(g). Since the TPT has stated that the capital cost estimates reflects the current market rates, it is requested to incorporate a general note in the draft SOR stating that the tariff caps will be indexed to inflation but only to an extent of 60% of variation in the Wholesale Price Index occurring between 1 January 2010 and 1 January of relevant year and that such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of relevant year to 31 March of the following year.	The suggestion to incorporate a general note in the draft SOR stating the tariff caps will be indexed to inflation to an extent of 60% of variation in the Wholesale Price Index occurring between 1 January 2010 and 1 January of relevant year and that such automatic adjustment of tariff caps will be made every year is accepted

6. While furnishing clarifications to the queries raised by us, the TPT has made certain modifications to its original proposal. Fuel consumption for Harbour Mobile Crane has been estimated for 6120 hours based on berth working hours, License fee on waterfront area to be allotted to the PPP operator has also been revised. The Annual Revenue Requirement from cargo handling activity is revised to Rs.1207.14 lakhs from Rs.1164.19 lakhs estimated earlier. The Berth hire charges have been revised considering the share of bagged cargo and dry bulk cargo reckoning the handling rate of each cargo group. The revised rates proposed by TPT are as given below:

Particulars of the tariff	Unit	Foreign	Coastal
Berth Hire	Per GRT per hour or part thereof	Rs.1.6613	Re.0.997
Handling charges	Per Metric Tonne	Rs.56.82	Rs.34.09
Misc. charges	Per Metric Tonne	Rs.2.99	Rs.2.99

7.1. A joint hearing in this case was held on 30 June 2010 at the Tuticorin Port Trust. The TPT made a power point presentation its proposal. At the joint hearing, TPT and the concerned users/ organisation bodies/ RFQ applicants have made their submissions.

7.2. As agreed at the joint hearing, the TPT was requested to consider the issue of prescribing free days and storage charges and amend its proposal accordingly.

7.3. M/s.ABG-LDA Bulk Handling Pvt. Ltd. was advised to furnish their comments to TPT. The TPT was requested to examine the comments of M/s.ABG-LDA Bulk Handling Pvt. Ltd., and furnish its response thereon.

8.1. As decided at the joint hearing, M/s.ABG-LDA Bulk Handling Pvt. Ltd. vide letters dated 6 and 7 July 2010 has furnished its comments to TAMP with a copy endorsed to the port. M/s.Indian Port Terminals has furnished written submission after the joint hearing. The TPT vide its letters dated 9 July 2010 and 14 July 2010 has furnished its response on the comments of M/s.Indian Port Terminals and M/s.ABG-LDA Bulk Handling Pvt. Ltd

8.2. The TPT has also furnished revised calculation vide its letter dated 9 July 2010. The main modifications done by the TPT with reference to the original proposal are summarised below:

(i). The operating cost towards fuel consumption for Harbour Mobile Crane has been estimated for 6120 hours based on berth working hours considered in the optimal capacity calculation as against 4000 hours considered earlier.

(ii). The waterfront area to be allotted to the PPP operator has been revised from 15,869 sq. mtrs. to 18,200 sq. mtrs. Consequently, the Licence Fees estimated in the operating cost has also been revised.

(iii). The unit rate of fuel was updated from Rs.38.19 per litre to Rs.40.44 per litre to reflect the prevailing rate.

(iv). The TPT has confirmed that the investment to be made by the port towards cost of dredging the basin to 8 mtrs. will be recovered from the shippers directly by the TPT.

(v). The proposed berth hire charges have been revised considering the share of bagged cargo and dry bulk cargo reckoning the handling rate factored in optimal capacity calculation.

(vi). The TPT has reworked the apportionment of Annual Revenue Requirement (ARR) in order to arrive at storage charges. It has proposed to apportion 96% of ARR towards cargo handling charges and 2% each from Storage charges and Miscellaneous charges. Accordingly, the ARR from cargo handling activity, storage activity and miscellaneous services stands at Rs.1167.55 lakhs, Rs.24.32 lakhs and Rs.24.32 lakhs respectively.

(vii). The revised rates proposed by TPT are as given below:

Particulars of the tariff	**Unit**	**Foreign**	**Coastal**
Berth Hire	Per GRT per hour or part thereof	Rs.1.6613	Rs.0.997
Handling charges	Per Metric Tonne	Rs.57.84	Rs.34.70
Storage charges	Per Metric Tonne Per day		
	First 6 days after free period	Rs.6.03	Rs.6.03
	Next 6 days (7^{th} to 12^{th} day)	Rs.11.81	Rs.11.81
	Thereafter (from 13^{th} day)	Rs.23.62	Rs.23.62
Misc. charges	Per Metric Tonne	Rs.1.21	Rs.1.21

(viii). The TPT has also requested this Authority to fix separate rates for bagged cargo and bulk cargo as considered appropriate and confirmed that it will abide by the decision of this Authority in this regard.

9. 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.

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

(i). The proposal is to fix upfront tariff cap for handling construction materials at the proposed shallow draught berth in the Tuticorin Port Trust (TPT).

It has been clarified to the port that as per clause 2.2. of the guidelines for upfront tariff setting for PPP projects at Major Port Trusts of February 2008, the tariff caps to be prescribed now would not only be applicable to the proposed project but would also be applicable to all projects to be bid out subsequently for identical cargo handling berth at Tuticorin Port during the next five years.

(ii). The original proposal filed by the TPT does not propose storage charge. The TPT at our instance has reviewed its earlier proposal and has filed a revised proposal dated 9 July 2010 incorporating tariff for storage of cargo along with other modifications to its proposal as explained in the earlier part of this Order. The revised proposal filed by TPT vide its letter dated 9 July 2010, along with the information / clarification furnished during the processing of the case is considered in this analysis.

(iii). The TPT has in general complied with the guidelines issued for upfront tariff setting vide Notification No.TAMP/52/2007-Misc. dated 26 February 2008 and generally based its proposal on the norms prescribed for a multi-purpose cargo handling terminal. Deviations proposed in some of the norms / parameters are, *inter alia*, discussed in the subsequent paragraphs.

(iv). The optimal capacity of the terminal is assessed by the port at 2018450 tonnes and is rounded off to 2.0 Million per annum in the upfront tariff calculation.

(a). The share of vessels carrying bagged cargo and dry bulk cargo is taken at 35% and 65% respectively reportedly based on the cargo share pattern during 2008-09 as reported by the TPT.

The list of equipment suggested in the guidelines includes 3 nos. of level luffing wharf crane of 20 Tonne capacity with grab/ hook attachments of the other items. The TPT has, however, considered 1 no. of 42 tonnes mobile harbour carne. However, handling rates of 10,000 tonnes per day for dry bulk and 4,000 tonnes per day for bagged cargo are considered as per the norms prescribed for multipurpose terminal operating with 3 level luffing cranes of 20 tonnes to determine the optimal capacity.

In this regard, the following points are considered:

- Though 1 Mobile Harbour Crane of 42 tonnes capacity is proposed by the port, the handling rates as per the norms are considered and therefore the change in the equipment composition may not have affected the optimal capacity.

- The upfront tariff guidelines require considering optimal capacity at 70% of the maximum capacity. In respect of the multipurpose terminal a provision is included in the guidelines with reference to calculation of power and fuel cost that the norm of 4,000 hours of working in a year is to be adopted. Consequently, in the earlier Orders relating to multipurpose terminals, capacity determination was made with reference to working of crane for 4,000 hours per annum instead of 6,132 hours per annum at 70% level (70% x 365 x 24). The same parameter of 4,000 hours per annum was applied for determining hire charges of Mobile Harbour Cranes elsewhere. In this case, the port has, however, computed capacity for 6,120 hours of working in a year, which, in fact, is an improvement of the prescribed norm.

- There can be an argument that the berth can accommodate more than 1 mobile crane. The TPT has not pointly allayed this apprehension by a categorical statement that only 1 such Mobile Harbour Crane would be technically feasible in the berth. The argument of the port is that 1 number of Mobile Harbour Crane is sufficient taking into account the current and future traffic. If the operator puts up additional crane at the later stage, the capacity assessed will undergo manifold increase. It is noteworthy that the upfront tariff guidelines for multipurpose terminal do not prescribe any norm for the number of Mobile Harbour Crane to be deployed but prescribe deployment of 3 numbers of 20 tonnes wharf cranes. As mentioned earlier, daily handling rate is considered at the normative level prescribed in the guidelines and the number of working hours per annum is considered at 70% of the total time. Therefore, the deviation in the equipment does not result in any underestimation of optimal capacity, otherwise to be calculated as per the guidelines.

(b). 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. The TPT has, however, confirmed that the yard facilities provided will be sufficient to handle the assessed optimal capacity of 2 Million Tonnes Per Annum.

(c). The TPT has considered optimal capacity of 2 Million Tonnes to frame its proposal for setting upfront tariff in this case. Subject to the discussions above, the optimal capacity of the terminal works out to 2018450 tonnes per annum which is considered in this analysis without resorting to any rounding off.

(v). Capital Cost:

The capital cost estimated by the TPT for the facility to be developed at shallow draught berth is Rs.64.01 crores of which Rs.33.35 crores is towards berthing activity and Rs.30.66 crores is for cargo handling services as explained hereunder:

(a). Berthing activity:

(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 capital cost estimated by the TPT for berthing activity does not include cost of dredging the dock basin. The TPT has clarified that the dock basin area in front of the proposed SDB and the dock basin area in front of the subsequent berth proposed to be developed by the TPT for handling cement and related raw Materials would be a common manoeuvring area for both the PPP Operators and the TPT. As the TPT will bear the dredging cost, it has proposed to collect a dredging levy. The dredging levy was proposed to be collected from the PPP operator in the initial proposal. On being pointed out, that estimates do not include provision for such expenditure by the PPP operator nor there is any enabling provision for the operator to recover the said levy, the TPT has reviewed and proposed to recover the proposed dredging levy directly from users. Such a levy, if becomes necessary, will have to be approved separately by this Authority and included in the Scale of Rates of the Port Trust. This will not, therefore, have any impact on the upfront tariff exercise in hand.

(b). Cargo handling activity:

(i). Civil construction cost:
The civil construction cost estimated by the TPT includes construction of stone bund and hardening of back up area for development of storage yard. It does not include the cost of other items such as transit sheds, roads, rail tracks, buildings, etc. as prescribed in the normative list of civil works for a multi-purpose terminal in the guidelines. The TPT has clarified that since the existing SDB itself serves as approach, no separate approach is envisaged. Rail tracks already exist near the backup area and hence not envisaged. No transit shed is considered for this project in view of the nature of cargo to be handled. To our query to substantiate the civil cost with budgetary quotation/other documents, the TPT has stated that the civil cost estimates are based on works of similar nature recently carried out at Chennai, Ennore and Tuticorin Port and break up of civil works as per guidelines will be prepared by the successful bidder based on the detailed engineering study to be carried out by them after choosing the equipment. The guidelines require the costs to be considered as per the estimates by the Port Trust.

In view of the above, the civil construction cost and berth construction cost as estimated by the TPT is relied upon.

(ii). 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 indicates 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, apart from Power, Lighting and Communication. As has been brought out earlier, the TPT has considered 1 No. of 42 tonnes capacity Mobile

Harbour Crane with one grab and 2 Nos. Pay loaders of 10 T capacity. The TPT has clarified that for handling construction materials, 1 HMC is considered adequate. The ABG-LDA Bulk Handling Pvt. Ltd. has stated though movement of cargo from berth to stack yard forms integral part of the project, no provision has been made for any capital expenditure for the additional equipment that will be required to effect the cargo movement. The TPT has stated in its comments that the two pay loaders one each in hatch and wharf is considered in the equipment cost to meet the said movement of cargo. FLTs are not considered necessary for type of cargo to be handled.

It is noteworthy that clause 3.2 of the guidelines for upfront tariff setting give flexibility to this Authority to make necessary adjustment in the norms based on the justification furnished by the port and in view of port's specific conditions having impact on the norms prescribed in the guidelines. Based on the clarifications furnished by the TPT, the number of handling equipment considered by the TPT for estimation of capital cost is accepted.

The cost of HMC considered by TPT is supported by budgetary quotations obtained by it in December 2009 & March 2010 respectively. Since the base cost of HMC is quoted in terms of Euro, the exchange rate for Euro considered by TPT at Rs.60.00 is adjusted to Rs.59.1725 based on the rates prevailing at the time of concluding this analysis. The cost of 2 pay loaders is considered at Rs.1 crores by the TPT whereas the cost as per the budgetary quotations provided by the TPT for front end loader, it works out to Rs.0.76 crores. The cost of two pay loaders are modified and considered at Rs.0.76 crores based on the budgetary quotations furnished by the port.

(iii). The civil and equipment cost estimates prepared by the port are with provision for contingencies to take care of any requirement which is not envisaged in the estimates, works contract tax and engineering / supervision charge. While fixing the upfront tariff for coal terminal, the TPT had submitted that the provision for contingencies and supervision charge are based on the CPWD manual. These provisions were allowed while fixing upfront tariff for coal terminal at the TPT and hence the same position is maintained in this case also.

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

(v). The TPT has confirmed that the capital cost estimates reflect the current cost as civil costs are based on recent construction and equipment cost is based on budgetary quotation. In view of the clarification furnished by the TPT, the capital cost estimated by the TPT, subject to modification in view of updation in the exchange rate of Euro and the cost of pay loader, is relied upon.

(c). This Authority has adopted the ROCE at 16% for the upfront tariff cases to be decided during the year 2010-11 which is considered in this case also.

(vi). Operating Cost:

(a). The guidelines stipulate consumption norm of power at 100 units/hour/crane for estimating power cost. Since the port proposes deployment of mobile harbour crane instead of three electrical luffing level wharf crane, the consumption norm prescribed in the guidelines for estimation of power consumed by crane is not found relevant in this case.

The fuel consumption for a 100 Tonne HMC is considered at 70 litres / TEU in the upfront tariff fixation of multipurpose cargo terminal in Paradip Port Trust. The TPT has estimated fuel consumption at 50 litres per hour for the HMC. The TPT has not furnished any documents or analytical proof for its estimate, but, has confirmed that the estimation is based on the feedback given by the suppliers of the equipment. In the absence of any fuel consumption norm prescribed in the guidelines for this capacity of HMC, the fuel consumption at 50 litres/hour estimated by TPT is relied upon.

The guidelines for multipurpose cargo terminal prescribe a norm of 4000 working hours in a year for cranes for estimating the fuel cost. The fuel cost estimated by the TPT in the revised proposal is with reference to the number of berth hours i.e. 6120 hours for handling the cargo. In our calculation, the number of berth hours comes to 6132 which is considered for estimating the fuel cost.

The fuel consumption estimated for 12 litres per hour per pay loader is found to be in line with the norms prescribed in the guidelines and is computed for 4000 hours as per the norms prescribed in the guidelines. Since the berth hours may not be relevant for the working of pay loaders, 4000 hours considered as per the norms prescribed in the guidelines for estimation of fuel cost is accepted.

The TPT has updated the unit rate of fuel considered by it in the initial proposal at Rs.38.19 per litre to Rs.40.44 per litre based on the prevailing market rate. Accordingly, the total fuel cost works out to Rs.162.81 lakhs.

(b). The estimation of 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 are found to be as per the norms prescribed in the guidelines.

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

(d). The TPT has calculated the lease rentals for the storage yard area as well as waterfront area to be allotted to the PPP operator under this project. The lease rental for storage yard area has been calculated for 25000 sq.mtrs. applying the rate of Rs.8/- per sq.mtrs. per month being the Licence Fees (storage) inside the security wall as per the existing SOR of TPT, approved by this Authority vide Order dated 14 July 2008. The TPT has also considered the lease rentals on 18,200 sq.mtrs. of water front area taking into consideration 10,400 sq.mtrs. for the berthing area of 25,000 DWT vessel and deck area of 7,800 sq.mtrs. The Licence fee of Rs.8/- per sq.mtr. per month applicable for area inside the security wall has been applied for calculation of lease rental for water front area also. This Authority has approved license fee for water front area while determining upfront rate in Tuticorin port Trust for coal berth also.

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

In its revised proposal, the TPT has considered insurance @ 1% and depreciation @ 3.34% 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 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 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% and depreciation @ 3.34% 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.

(vii). The statement for fixing upfront tariff submitted by the TPT has been modified in line with the above analysis. A copy of the statement is attached as **Annex - I**.

(a). As per the statement, the total revenue requirement from cargo handling service works out to Rs.1197.71 lakhs which is an aggregate of Return on a capital cost of Rs.482.48 lakhs and modified operating cost of Rs.715.24 lakhs.

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

As stated earlier, TPT did not initially propose any storage charges and had included the 5% revenue requirement towards storage in the handling charge on the grounds that the cargo is expected to be evacuated within free days on both import side and export side. The TPT has subsequently vide its letter dated 9 July 2010 while maintaining its earlier stand that cargo will be evacuated within the prescribed free period, in order to meet any eventuality during the operation of the berth, has reconsidered its earlier proposal and has proposed to apportion 96% of the revenue requirement towards handling charge, 2% towards storage charge and 2% towards miscellaneous charge in line with an Order passed by this Authority in respect of Visakhapatnam Port Trust. This Authority in its Order No.TAMP/39/2008-VPT dated 12 February 2009 while fixing upfront tariff for multipurpose berth at VPT has approved the proposal of VPT 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 by the TPT, this Authority accepts the apportionment of the total revenue requirement between the three tariff heads as proposed by the port. Based on the revised requirement estimated, the revenue apportioned to handling charge is Rs.1149.81 lakhs, Rs.23.95 lakhs from storage charge and Rs.23.95 lakhs from miscellaneous charge.

(c). The TPT has proposed uniform tariff caps for the two commodity groups, viz. dry bulk cargo and bagged cargo despite the differences in their nature and handling rates. Based on our advice to consider proposing differential handling rate for the cargo groups proposed, the port in principle has agreed for prescription of differential tariff caps for dry bulk cargo and bagged cargo but the port has not proposed such differential rate. Differential tariff caps for dry bulk cargo and bagged cargo is calculated based on the handling rates applicable for the respective cargo group, i.e. based on the number of days the handling facility will be occupied for each cargo group. The composite handling rates for dry bulk cargo and bagged cargo accordingly work out to Rs.45 per tonne and Rs.112.51 per tonne respectively, as against the uniform rate of Rs.57.84 proposed by the port.

(d). The TPT has proposed concessional tariff for coastal vessel / coastal cargo in berth hire as well as composite handling charge as per the Government policy which is reflected in clauses 4.3 and 6.1.2 of the tariff guidelines notified in the Gazette of India on 31 March 2005. The revenue impact of allowing such concession is, however, not considered while arriving at the proposed rates. The ABG-LDA Bulk Handling Pvt. Ltd. has also made the same point and has stated that it will adversely effect the operator if the coastal volume is beyond the level considered by the TPT in the upfront tariff calculation. On being pointed out, the port has confirmed that no coastal vessels/coastal movement of cargo are envisaged at the proposed coal terminal. The port is of the firm view that the entire cargo would be of foreign nature. This Authority relies on the submission made by the port. 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.

(e). 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 for an average period of 2 days beyond the stipulated free period.

Based on the revised revenue requirement, the storage charge estimated by the TPT is modified following the approach adopted by the TPT and calculated at Rs.5.93 per tonne per day or part thereof for the first six days after free period, Rs.11.86 per tonne per day or part thereof for the next 6 days and Rs.23.72 per tonne per day or part thereof thereafter maintaining the differential slab rate ratio adopted by the TPT.

(f). Based on the modified revenue requirement, tariff cap for miscellaneous charge works out to at Rs.1.19 per tonne as against Rs.1.21 per tonne proposed by the TPT. 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.

(g). The TPT has estimated the revenue requirement from berthing service at Rs.711.70 lakhs. After correcting the rounding off differences, the revenue requirement is slightly modified and estimated at Rs.711.81 lakhs (i.e. Rs.533.68 lakhs being 16% return on a capital cost of Rs.3335.50 lakhs and operating cost of Rs.178.13 lakhs).

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.

The TPT in the revised proposal has proposed berth hire in rupee terms for foreign going vessel at Re.1.6613 per GRT per hour or part thereof. The methodology followed by the TPT for arriving at the berth hire is in general found to be in line with the approach followed by the Authority in other upfront tariff cases. As already stated in para viii (d) above, the TPT has prescribed concessional berth hire to coastal vessels as per the Government policy, on a notional basis without considering the revenue impact on account of such concession.

Based on the modified revenue requirement, Berth hire charge works out to Rs.1.6583 per GRT per hour for foreign going vessels and Rs.0.995 per GRT per hour for coastal vessels. Detailed computation of berth hire is furnished in the **Annex - II** attached.

(viii). The TPT has stated that shallow draught berth is envisaged to handle vessels of size upto 20000 DWT / 25000 DWT. However, the calculations furnished by the TPT assumes the vessel size of upto 10,000 DWT. The port has clarified though the berth is designed to handle 25,000 DWT vessels, initially, the dock basin area in front of the proposed Shallow Draught Berth will be dredged to 10.3 metres to cater to 10,000 DWT vessels and in future it is proposed to deepen to cater to 25,000 DWT vessels. The port has expressed inability to predict the share of larger size vessels at this juncture. Any change in the vessel size may have an impact on the revenue model considered in this analysis. The upfront tariff approved in this Order shall be subject to review when vessel above 10000 DWT calls the port at the said terminal on completion of the proposed deepening of the dock basin/ berth approach. The TPT 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.

(ix). The general conditions relating to applicability of concessional rates to coastal vessels / cargo, rounding off the bill amount, no refund / claim for amount less than Rs.100/- and users not required to pay for delays beyond reasonable level attributable to the operator proposed by the TPT are in line with the general conditions prescribed in other Major Ports / Terminals. The proposed definition of ‘week’ is deleted as it is not found relevant in this case.

(x). Recognising that conditionalities fixed now would be applicable for a time frame of 30 years, the provision relating to penal rate of interest for delayed payment by users and delayed refund by the operator, is prescribed at 2% above the Prime Lending Rate of the State Bank of India in line with the provision prescribed in other upfront tariff cases decided by this Authority.

(xi). The conditions indicating the quantum of Ousting priority / Priority berth hire charges have been modified such that the rate and conditions for granting ousting priority berthing / priority berthing will be governed by extant Government guidelines in this regard and provisions approved in the Scale of Rates of TPT. Some of the general notes under Berth Hire charges defining false signal, are included.

(xii). The TPT has proposed various conditionalities under cargo handling charge about increase/ decrease in the handling charge if the handling rate varies, giving allowance for stoppage of HMC, for arriving at the average berth day output of HMC, and has also proposed provisions to measure performance in case of breakdown of HMC for more than an hour, stoppage of operations of HMC, penalty in case of shifting of vessel on account of breakdown / non-performance of vessel etc. The TPT has borrowed the conditions proposed by it for fixation of upfront tariff for mechanical handling equipment. It has to be recognised that the instant proposal is for setting upfront tariff for comprehensive handling service to be offered in a terminal and not for a stand alone mobile harbour crane. Performance linked tariff structure was not prescribed in other upfront tariff cases except for the case of hire charges for Mobile Harbour Cranes fixed for operation at any of the existing berths of the Major Port Trusts. In this case also, performance related tariff and the associated conditionalities are not prescribed. The TPT may, however, examine the matter further and propose performance linked tariff structure, if it becomes absolutely necessary at the proposed terminal.

(xiii). The TPT has not indicated the services proposed to be rendered against the levy of composite cargo handling charge in the draft SOR forwarded by it. The services covered under the levy of composite handling charge has been prescribed as a note under Chapter-3 – ‘Cargo Handling Charges’ to cover (i). unloading of the cargo from the vessel including stevedoring and transfer of the same up to the point of storage, storage at the stackyard up to a free period of 5 days and loading for delivery in respect of import cargo and (ii). unloading of the cargo at the stackyard, storage at the stackyard up to a free period of 15 days, transfer the cargo to the loading point and loading onto the ship including stevedoring. This composite charge includes wharfage and supply of labour, wherever necessary and all other miscellaneous charges not specifically prescribed in the Scale of Rates in line with the conditions prescribed in other Major Ports / Terminals.

(xiv). Some common conditions such as 'day of reckoning the free period for export cargo', and 'storage charges not to accrue when the terminal operator is not in a position to deliver the goods' etc. have been included under Chapter-4 'Storage Charges'.

11.1. 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, since the estimation of capital cost and unit rate of operating cost considered in the upfront tariff calculation are around January 2010 period as reported by the TPT, it is found appropriate to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2010.

11.2. 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.

11.3. 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.

11.4. 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.

11.5. 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 Tuticorin Port Trust. If any action is to be taken against the private operators, the Tuticorin Port Trust shall initiate appropriate action in accordance with the provisions of the relevant Concession Agreement.

11.6. 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 Tuticorin Port Trust a report containing the terminal's physical and financial performance during the preceding three months. The quarterly report should specifically highlight any deviation from the parameters assumed to determine the tariff caps in this Order.

12. 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 construction materials at Tuticorin Port Trust attached as **Annex - III**.

(Rani Jadhav)
Chairperson

ANNEX - I

FORMULATION OF UPFRONT TARIFF FOR THE PROPOSED 'CONSTRUCTION OF SHALLOW DRAUGHT BERTH FOR HANDLING CONSTRUCTION MATERIALS' AT TUTICORIN PORT ON DBFOT

Sl. No.	Particulars	Estimates furnished by TPT			Estimates considered by TAMP
		Proposal vide letter dated 17 March 2010	Revised vide letter dated 23 June 2010	Revised vide letter dated 9 July 2010	
I	**Optimal capacity**				
(a)	Percentage share of capacity of cargo to be handled				
	Bagged cargo like timber, granite, etc. (S1)	35%	35%	35%	35%
	Dry bulk cargo like stone, sand, etc. (S2)	65%	65%	65%	65%
(b)	Handling rate of cargo vessels carrying (in tonnes/day)				
	Bagged cargo like timber, granite, etc. (P1)	4000	4000	4000	4000
	Dry bulk cargo like stone, sand, etc. (P2)	10000	10000	10000	10000
(c)	**Optimal Capacity (in tonnes)**	2018450	2018450	2018450	2018450
	Total Optimal Capacity	**2018450**	**2018450**	**2018450**	**2018450**
II	**Capital Cost**				
(i)	**Cargo Handling Activity**	**(Rs. in lakhs)**	**(Rs. in lakhs)**	**(Rs. in lakhs)**	**(Rs. in lakhs)**
(a)	**Civil Cost**				
	Construction of stone bund along the Jetty	446.12	446.12	446.12	446.12
	Hardening of back-up area of 25000 sq. m.	450.00	450.00	450.00	450.00
	Sub total	896.12	896.12	896.12	896.12
	Supervision charges @ 7% on base cost	62.73	62.73	62.73	62.73
	Contingencies @ 3% on base cost	26.88	26.88	26.88	26.88
	Works Contract tax @ 4% on 65% of base cost	23.30	23.30	23.30	23.30
	Subtotal (a)	**1009.03**	**1009.03**	**1009.03**	**1009.03**
(b)	**Equipment Cost**				
	Cost of HMC 1 No. & Pay loaders 2 Nos.	1700.00	1700.00	1700.00	1657.20
	Supervision charges @ 7% on base cost	119.00	119.00	119.00	116.00
	Contingencies @ 3% on base cost	51.00	51.00	51.00	49.72
	Works Contract tax @ 4% on 65% of base cost	44.20	44.20	44.20	43.09
	Subtotal (b)	**1914.20**	**1914.20**	**1914.20**	**1866.01**
(c)	**Miscellaneous (5% on (a) and (b)**	142.79	142.79	142.79	140.43
	Total Capital Cost for Handling Activity (a +b + c)	**3066.02**	**3066.02**	**3066.02**	**3015.47**
(ii)	**Capital Cost For Berthing Services**				
(a)	Construction of berth	2962.25	2962.25	2962.25	2962.25
(b)	Supervision charges @ 7% on base cost	207.36	207.36	207.36	207.36
(c)	Contingencies @ 3% on base cost	88.87	88.87	88.87	88.87
(d)	Works Contract tax @ 4% on 65% of base cost	77.02	77.02	77.02	77.02
	Total Capital cost for berthing services (a) to (d)	**3335.50**	**3335.50**	**3335.50**	**3335.50**
(iii)	**Total Capital cost of the project [(i) + (ii)]**	**6401.52**	**6401.52**	**6401.52**	**6350.97**

Sl. No.	Particulars	Estimates furnished by TPT			Estimates considered by TAMP
		Proposal vide letter dated 17 March 2010	Revised vide letter dated 23 June 2010	Revised vide letter dated 9 July 2010	
III	**Operating Cost**				
(i)	**Cargo Handling Activity**	**(Rs. In lakhs)**	**(Rs. In lakhs)**	**(Rs. In lakhs)**	**(Rs. In lakhs)**
(a)	Fuel Cost				
	Harbour Mobile Crane (50 Ltrs./hr. - no norm)	76.38	117.09	123.99	123.99
	Payloaders - 2 Nos. (12 Ltrs./hr. as per norm)	36.66	36.66	38.82	38.82
	Subtotal (Fuel cost)	113.04	153.75	162.81	162.81
(b)	Repair & Maintenance				
	Civil Assets (1% on civil capital cost)	10.09	10.09	10.09	10.09
	Mechanical Assets (5% on mech. capital cost)	95.71	95.71	95.71	93.30
(c)	Insurance (1%on Gross fixed assets)	30.66	30.66	30.66	30.15
(d)	Depreciation				
	Civil Assets (@ 3.34% on gross block)	33.70	33.70	33.70	33.70
	Mechanical Assets (@ 10.34% on gross block)	197.93	197.93	197.93	192.95
(e)	License Fee (Rentals for land & other port assets)				
	Waterfront area (original proposal 15869 sq. m. @ Rs.8/sq. m. per month) (revised proposal 18200 sq.m. @ Rs.8/sq.m. per month)	15.23	17.47	17.47	17.47
	Stackyard (25000 sq. m. @ Rs.8/sq. m. per month)	24.00	24.00	24.00	24.00
(f)	Other Expenses towards salaries and overheads (5% on gross value of assets)	153.29	153.29	153.29	150.77
	Total Operating Cost (a) to (f)	**673.65**	**716.60**	**725.66**	**715.24**
IV	**Revenue Requirement & proposed tariff**	**(Rs. In lakhs)**	**(Rs. In lakhs)**	**(Rs. In lakhs)**	**(Rs. In lakhs)**
(i)	**Cargo Handling charge**				
(a)	**Revenue Requirement**				
	(i) Total Operating Cost	673.65	716.60	725.66	715.24
	(ii) Return on capital Employed @ 16%	490.54	490.54	490.54	482.48
	(iii)Total Revenue requirement from cargo handling activity	**1164.19**	**1207.14**	**1216.20**	**1197.72**
(b)	**Apportionment of Revenue Requirement**				
	(i) Handling Charges (96% of ARR)	1105.98	1146.78	1167.55	1149.81
	(ii) Storage Charges (2%of ARR)	0.00	0.00	24.32	23.95
	(iii) Miscelleneous Charge (2% of ARR)	58.21	60.36	24.32	23.95
	(iv) Total Revenue requirement from cargo handling activity	**1164.19**	**1207.14**	**1216.19**	**1197.71**
(c)	**Proposed tariff (Rs. per tonne)**				
	(i) Composite Handling Charge				
	Revenue Requirement (Rs. in lakhs)	1105.98	1146.78	1167.55	1149.81
	Capacity (Million Tonnes per annum)	2.00	2.02	2.02	2.02
	Composite Handling Charge (foreign)	**55.30**	**56.82**	**57.84**	
	Composite Handling Charge (coastal)	**33.18**	**34.09**		
	Composite Handling Charge - Cargowise foreign				
	Drybulk cargo	Not prescribed	Not prescribed		**45.00**
	Bagged cargo	Not prescribed	Not prescribed		**112.51**
	(ii) Storage Charge				

Sl. No.	Particulars	Estimates furnished by TPT			Estimates considered by TAMP
		Proposal vide letter dated 17 March 2010	Revised vide letter dated 23 June 2010	Revised vide letter dated 9 July 2010	
	Revenue Requirement (Rs. in lakhs)	0.00	0.00	24.32	23.95
	% of Cargo to attract storage charge	0%	0%	10%	10%
	Cargo likely to pay storage charge (in tonnes)			201845.00	201845.00
	Free period	5 days - Import 15 days - export	5 days - Import 15 days - export	5 days - Import 15 days - export	5 days - Import 15 days - export
	Average period of stay beyond free period			2 days	2 days
	Storage Charge (beyond the free period)	**Rate Per tonne per day or part thereof**	**Rate Per tonne per day or part thereof**	**Rate Per tonne per day or part thereof**	**Rate Per tonne per day or part thereof**
	- First six days			6.03	5.93
	- 7th day to 12th day			11.81	11.86
	- 13th day onwards			23.62	23.72
	(iii) Miscelleneous Charge				
	Revenue Requirement (Rs. in lakhs)	58.21	60.36	24.32	23.95
	Capacity (Million Tonnes per annum)	2.00	2.02	2.02	2.02
	Miscellenous Charge in Rs./Tonne	**2.91**	**2.99**	**1.21**	**1.19**
II	**BERTH HIRE CHARGES**				
(a)	**Revenue Requirement**	**(Rs. in Lakhs)**	**(Rs. in Lakhs)**	**(Rs. in Lakhs)**	**(Rs. in Lakhs)**
	(i) Repairs & Maintenance Charge (1% on captial cost for berth)	33.35	33.35	33.35	33.36
	(ii) Depreciation (@ 3.34%)	111.40	111.40	111.40	111.41
	(iii) Insurance (1% on total cost for berh hire service)	33.35	33.35	33.35	33.36
	Subtotal (a)	**178.10**	**178.10**	**178.10**	**178.13**
(b)	Return on capital Employed @ 16%	**533.60**	**533.60**	**533.60**	**533.68**
(c)	**Total Revenue requirement from Berthing services (a + b)**	**711.70**	**711.70**	**711.70**	**711.81**
(d)	**Berth hire Charge**				
	Foreign going vessel (Rate per GRT per hour) in Rs.	**1.3889**	**1.6613**	**1.6613**	**1.6583**
	Coastal vessel (Rate per GRT per hour) in Re.	**0.8333**	**0.9970**	**0.9970**	**0.9950**

STATEMENT SHOWING THE CALCULATIONS OF HANDLING CHARGES UNDER DIFFERENT CARGO GROUPS

Sl. No.	Particulars	Cargo Group		Total
		Dry bulk cargo like stone, sand, etc.	Bagged cargo like timber, granite, etc.	
(i)	Handling Rate Per Day	10000	4000	
(ii)	Cargo to be handled (tonnes) - Foreign	1660750	357700	2018450
(iii)	Cargo Working Days (ii / i)	166.08	89.43	255.5
(iv)	Percentage of Cargo Working days	65.00%	35.00%	100
(v)	Revenue Requirement (Rs. in lakhs) (in proportion of % of cargo working days)	747.38	402.43	1,149.81
(vi)	Rate for foreign cargo in Rs. (v x 100000 / ii)	**45.00**	**112.51**	
(vii)	Rate for coastal cargo in Rs. (60% of vi)	**27.00**	**67.50**	

Sl. No.	Particulars	Unit	Bagged cargo Timber, Granite, etc.	Dry bulk cargo Stone, Sand, etc.	Total
1	Average DWT	tonnes	10000	10000	
2	Ratio	%	35%	65%	100%
3	Handling Rate	Tonnes per day	4000	10000	
4	Average GRT per vessel	tonnes	7000	7000	
5	Average parcel size	tonnes	6000	6000	
6	Traffic	Lakh tonnes	7.00	13.00	20.00
7	No. of berth days (row 6 / row 3)		175.00	130.00	305
8	No. of berth hours 24 x row (7)	hours	4200	3120	7320
9	No. of vessels (row 6 / row 5)	No of vessels	117	217	334
10	Total GRT hours	Tonne hours	29400000	21840000	51240000
11	Revenue Requirement	Rs. In lakhs			**711.69**
12	**Rate per GRT per hour foreign (Sl. No.11 x 100000 / Sl. No.10)**				**1.3889**
13	**Rate per GRT per hour coastal (Sl. No.12 x 60%)**				**0.8333**

Furnished by TPT vide letter dated 23 June 2010 and 9 July 2010

Sl. No.	Particulars	Unit	Bagged cargo Timber, Granite, etc.	Dry bulk cargo Stone, Sand, etc.	Total
1	Average DWT	tonnes	10000	10000	
2	Ratio	%	35%	65%	100%
3	Handling Rate	Tonnes per day	4000	10000	
4	Average GRT per vessel	tonnes	7000	7000	
5	Average parcel size	tonnes	6000	6000	
6	Traffic	Lakh tonnes	357700.00	1660750.00	2018450.00
7	No. of berth days (row 6 / row 3)		89.00	166.00	255
8	No. of berth hours 24 x row (7)	hours	2136	3984	6120
9	No. of vessels (row 6 / row 5)	No of vessels	60	277	337
10	Total GRT hours	Tonne hours	14952000	27888000	42840000
11	Revenue Requirement	Rs. In lakhs			**711.70**
12	**Rate per GRT per hour foreign (Sl. No.11 x 100000 / Sl. No.10)**				**1.6613**
13	**Rate per GRT per hour coastal (Sl. No.12 x 60%)**				**0.997**

Modified by TAMP

Sl. No.	Particulars	Unit	Bagged cargo Timber, Granite, etc.	Dry bulk cargo Stone, Sand, etc.	Total
1	Average DWT	tonnes	10000	10000	
2	Handling Rate	Tonnes per day	4000	10000	
3	Average GRT per vessel	tonnes	7000	7000	
4	Average parcel size	tonnes	6000	6000	
5	Traffic	Lakh tonnes	357700.00	1660750.00	2018450.00
6	No. of berth days (row 6 / row 3)		89.43	166.08	255.5
7	No. of berth hours 24 x row (7)	hours	2146	3986	6132
8	No. of vessels (row 6 / row 5)	No of vessels	60	277	337
9	Total GRT hours	Tonne hours	15022000	27902000	42924000
10	Revenue Requirement	Rs. In lakhs			**711.81**

11	**Rate per GRT per hour foreign (Sl. No.11 x 100000 / Sl. No.10)**	**1.6583**
12	**Rate per GRT per hour coastal (Sl. No.12 x 60%)**	**0.995**

Annex - III

TUTICORIN PORT TRUST

UPFRONT TARIFF SCHEDULE FOR HANDLING CONSTRUCTION MATERIALS AT THE SHALLOW DRAUGHT BERTH AT TUTICORIN PORT

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 Rs.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 Rs.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 Rs.)	Coastal Vessel (in Re.)
1.	Vessels	1.6583	0.9950

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).	Dry bulk cargo like stone stand, etc.	Per Metric Tonne	45.00	27.00
(b).	Bagged cargo like timber, granite, etc.	Per Metric Tonne	112.51	67.50

Note:

The handling charges prescribed above is a composite charge for (i) unloading of the cargo from the vessel including stevedoring and transfer of the same up to the point of storage, storage at the stackyard up to a free period of 5 days and loading for delivery in respect of import cargo and (ii) unloading of the cargo at the stackyard, storage at the stackyard up to free period of 15 days, transfer the cargo to the loading point and loading onto the ship including stevedoring. This composite charge 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 ton / day)

First 6 days after expiry of free period - Rs. 5.93 per ton per day

For the next 6 days	-	Rs.11.86 per ton per day
Thereafter	-	Rs.23.72 per ton per day

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	Rate per tonne or part thereof (in Rs.)
(i).	Charges for all miscellaneous services such as environment and management, sweeping of cargo on the wharf, safety measures, etc.	1.19

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 2010 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 / SHORTLISTED BIDDER / RFQ APPLICANTS AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY

F. No.TAMP/18/2010-TPT - Proposal from the Tuticorin Port Trust for fixing upfront tariff for construction of shallow draught berth for handling construction material at Tuticorin port on DBFOT basis.

The summary of comments received from users / shortlisted bidder / RFQ Applicants and comments of Tuticorin Port Trust (TPT) thereon are tabulated below:

Sl. No.	Comments of users / shortlisted bidder / RFQ Applicants	Comments of TPT
1.	**Tuticorin Ship Agents' Association and Tuticorin Custom House Agents' Association**	
	The berth hire charge seems to be too high and the percentage of increase is 1000% approximately. This will force the users to avail of the existing facility and the new operator will not have any business. Ultimately the DBFOT operator will have to close down the berth within a year of operation.	The TPT has not furnished any comments.
2.	**The Indian Coastal Conference**	
	No comments to offer.	
3.	**ABG-LDA Bulk Handling Pvt. Ltd.**	
(i).	Chapter 6 – Berth Hire calculation: Estimated number of working days per annum: The calculation made is based on 305 berth days. Kindly note that proposed crane will be in operation only for a maximum of 256 days (365 days x 70% utilisation factor) and not for 305 days.	Yes. Agreed. The revised berth hire charges has been prepared taking into account of 255 days and sent to TAMP for approval.
(ii).	Chapter 6 – Berth Hire calculation: Calculation of Handling Charges: As per the calculations, handling charge for foreign vessel has been proposed at Rs.55.30 per MT, taking into view that the total 2 million cargo should fetch a revenue of Rs.1105.98 lakhs. However, not all the cargo will be from foreign vessels and the coastal vessel cargo handling charge is lower (Rs.33.18 per MT). Thus the overall revenue earned will be lesser than Rs.1105.98 lakhs by an amount equal to volume of coastal cargo *(55.3-30.18). Thus we submit that the cargo handling charges should be increased to account for this differential rate.	The present cargo scenario of construction materials, the entire cargo is considered as foreign cargo.
(iii).	Chapter 4, Point 4 – Storage charges: If the storage charge is kept as NIL, then the users will have the incentive of keeping the cargo in the stack yard for as long as they want. Thus this will occupy the available space for cargo storage and may restrict further storage of cargo. Thus there must be penalty charge for storage of cargo beyond the free period.	The cargo will be placed temporarily in the storage yard for the requirement of vessel berthing in the berth. Hence, as long as the cargo exists in the storage yard, the berth hire charge will be levied. There will be no cargo after the vessel sailed out. However, during operation of the berth, if any problem encountered, suitable clause may be inserted as advised by TAMP.

2.1. A joint hearing in this case was held on 30 June 2010 at the Tuticorin Port Trust. The TPT made a power point presentation of its proposal. At the joint hearing, TPT and the concerned users/ organisation bodies/ RFQ applicants have made their following submissions:

Tuticorin Port Trust

(i). Capital estimates reflect the current cost. Civil costs are based on recent construction and equipment cost is based on budgetary quotation.

(ii). Dredging levy will be collected from ships and not from PPP operator.

(iii). Storage inside the terminal is not envisaged. The land given is much more than required for the cargo to be handled at 2 million tonnes.

M/s.ABG-LDA Bulk Handling Pvt. Ltd.

(i). Berth hire is computed for 305 days. It should be done for an occupancy of 70%.

(ii). No storage charge is prescribed. Cargo will be stored inside the terminal. So, the storage charge is to be prescribed.

(iii). Our cost of handling vessels will be same whether foreign-going and coastal. Coastal concession will pinch us particularly if coastal volumes increase more than the normative level assumed in the proposal.

(iv). Transportation from berth to storage area involves both capital and operating costs. Please include them in the estimates.

M/s. Indian Port Terminals

(i). The rate for bagged cargo and bulk cargo should be different as productivity levels and handling efforts are not the same. Chairman, TPT agreed to consider this suggestion.

Indian Chamber of Commerce & Industry

(i). TAMP should fix the free days and storage charge levied thereafter.

(ii). The proposed berth hire is very high compared with the existing rate for TPT berths.

Tuticorin Custom House Agents Association

(i). High berth rate will be a deterrent to attract vessels. Please keep berth hire at the same level as TPT rates.

2.2. As decided at the joint hearing, M/s.ABG-LDA Bulk Handling Pvt. Ltd. has furnished its comments to TAMP with a copy endorsed to the port. M/s.Indian Port Terminals has also furnished written submission after the joint hearing. The TPT has furnished its response on the comments of M/s.ABG-LDA Bulk Handling Pvt. Ltd. and M/s.Indian Port Terminals. A summary of the comments received from M/s.ABG-LDA Bulk Handling Pvt. Ltd. and M/s.Indian Port Terminals and the response of TPT thereon are tabulated below:

Sl. No.	Comments of M/s.ABG-LDA Bulk Handling Pvt. Ltd.	Response of TPT
(i).	Chapter 4 The Annual handling capacity should be calculated based on the average productivity/ performance of the stevedores. In case of poor evacuation, which is a factor beyond the control of the concessionaire, the concessionaire should	The contention is not acceptable. The tariff has been worked out based on the up front tariff guidelines which already provided for the methodology for calculation of the optimal capacity of a terminal. Hence, no deviation is possible.

	not be penalized for inefficiencies of other port operators/ stevedores. It is thus obvious that in calculating the annual handling capacity the evacuation rate from the berth is a key factor and cannot be ignored.	
(ii).	Chapter 4 The proposed tariff is linked to the performance of the HMC, the current TAMP proposal states that the stoppage of HMC, beyond the control of operator of less than 2 hrs will not be taken into consideration while calculating the performance of the HMC. Whilst the revenue of the HMC operator is dependent on the performance of the HMC it is not fair to penalize the operator for stoppages which are not attributable to him. In short this amounts to the HMC operator being penalized for inefficiencies of others.	The provision is based on a similar order notified by the Authority on fixation of rate for Harbour Mobile Crane operated by M/S PSTS &Sons (P) Ltd., at TPT. TPT will abide by the decision of the Authority.
(iii).	Chapter 4 The current proposal also states that the operations of the HMC would need to be certified by the stevedores of the vessel. We submit that the stevedore employed on the vessel is an interested party and his views/opinion/judgment may not be unbiased in all circumstances. Either the HMC operator jointly with the stevedore should certify the operations or an independent surveyor should be appointed.	The provision is based on a similar order notified by the Authority on fixation of rate for Harbour Mobile Crane operated by M/s.PSTS & Sons (P) Ltd., at TPT will abide by the decision of the Authority.
(iv).	Chapter 4 It is stated that in calculating the average berth day output (ABDO) the time from the commencement to completion of the operations will be considered. It is pertinent to clearly define the period which will be included in calculating the ABDO. Only periods in which the HMC is actually handling cargo or periods in which HMC is not available for reasons attributable to the operator should be taken into consideration while calculating ABDO.	The suggestion to consider only the periods in which the HMC is actually handling cargo is not agreed to for practical reasons. The provision to calculate the Average Berth Day Output based on the condition (ii) read with condition (iii), (iv), (v) and (vi) is felt sufficient to calculate ABDO as the same is based on the conditions included in the Order of the Authority dated 30.12.2009 in respect of Harbour Mobile Crane of M/s.PSTS & Sons P Ltd. It is stated that the Authority may like to take a decision.
(v).	In the best case situation, the average life span of a HMC is 10 to 12 years. It is requested that this should be taken into consideration while fixing the tariff.	This is relevant only for calculation of depreciation which is governed by the Depreciation Schedule of Companies Act 1956 as per the Upfront Tariff Guidelines notified by the Authority. Hence, no deviation is possible.
(vi).	While a lower tariff is proposed for coastal traffic, the impact that this will have on the revenue stream of the operator is not considered. Whilst we fully comprehend and support the cause of coastal trade, this should not be at the cost of an individual operator. It is proposed that once the percentages of coastal and foreign traffic have been estimated, the foreign vessel tariff should be increased such that the total revenue of the operator is not reduced. It is pertinent to known that	As far as the cargo composition anticipated in respect of Shallow Water Berth, it is based on the past / present cargo profile. Hence, the issue raised is not relevant for tariff fixation.

	whether the HMC operator handles foreign going or coastal cargo, his Capex and expenses remain the same.	
(vii).	The diesel rates have been revised and are upward of Rs.40 / lts. where as the rate of Rs.38.19 / lts. is considered in the proposal.	The current diesel rate of Rs.40.44 per ltr. is adopted and revised calculations are submitted to the Authority vide Port's letter of even number dated 09.07.2010.
(viii).	As discussed in the Joint hearing held on 30.06.2010 in the premises of the Tuticorin Port Trust and as brought out by Tuticorin Port Trust's TAMP application for the captioned project, there exists an ambiguity as to the scope of work of the concessionaire.	There is no ambiguity in the scope of the Project either in the TAMP application or in the bidding documents.
(ix).	Though movement of the cargo from the berth to the stockyard seems to be an integral part of the project, it is observed that: (a). No provision has been made for any capital expenditure for the additional equipment that will be required to effect the cargo movement. (b). Operational expenses for the said operation have also not been taken into account. (c). No tariff proposal for the said operation has been made to TAMP.	(a). For handling construction materials, 1 Harbour Mobile Crane of handling capacity 8400T/day is considered adequate. In addition, 2 nos. Pay loaders (one in hatch and 1 in wharf) have been considered. (b). In view of reply to (a) above, the question does not arise. (c). In view of reply to (a) above, the question does not arise
(x).	Moreover, Chapter 4, point 3.vi, states that working of the HMC will be certified by the stevedore of the vessel in the daily vessel performance report. This creates further ambiguity as, in-case, the entire scope of work is for the concessionaire, the stevedore has no role and then how can the stevedore certify the performance of the HMC.	The reply to the point No.3 of Letter dated 06.07.2010 of M/s.ABG–LDA Bulk Handling Pvt. Ltd. may be referred to Port will abide by the decision of the Authority.
2.	**M/s. Indian Port Terminals**	
(i).	The handling rate of Rs.55.30 is fixed considering only the operational cost of cranes and the stack yard, which can be considered for bulk cargo operation only.	No. The handling charge has been calculated considering the operational cost and stack yard charges for both cargoes i.e. bulk cargoes and bagged cargoes and same handling rate is proposed for bulk and bagged cargoes. The differential rate, if any, based on the rate already notified for the bagged cargoes in other port is acceptable to the port.
(ii).	The major cost such as labour for shore and onboard for stacking has not been considered and the time rate of TPTCHLP has to be considered for this work.	The engagement of TPTCHLP is out of purview for this project. Hence, the question does not arise.
(iii).	In addition to labour, there are wire tested slings has to be used for handling of logs and grandees and as per dock safety we have to change the ropes for every new vessel to avoid accidents. Hence the cost of wire slings has to be considered in addition to labour for these cargo items.	The miscellaneous charge @ Rs.2.99/MT will be collected from the users. The cost of wire slings etc. has been covered under the miscellaneous charge.
(iv).	It may be allowed to construct a T.Shed to handled cargoes such as cement which can not be stored in open and a separate rate for this also to be fixed by the TAMP.	Handling of cement in the proposed berth is out of the scope of the project. The proposed berth shall be used for handling construction materials, viz. building blocks,

		bricks, tiles, coarse & fine aggregates, timber, stone dust, Granite and reinforcement steel as indicated in the RFQ document. Hence, the question of construction of T. Shed does not arise.
(v).	The additional cost for bagged cargo considering the employee cost of Signalman, Labour at Shore, Crane Operator , Supervisior , Tandal , other expenses and PF and Gratuity divided by hook output works out to Rs.72.50	This is not as per Upfront Tariff Guidelines for Multipurpose Berth. Hence, not agreed to. However, the Port will abide by the decision of the Authority for fixation of separate rate for bulk and bagged cargo as per extant practice.
(vi).	For handling of logs and granites iron rope slings are required in addition to the labour. Additional Cost for Rope sling for handling of Granite and Log. Rs.40.00 per Ton. Kindly fix three different rates for bulk, bagged and logs and granite	The miscellaneous charge @ Rs.2.99/MT will be collected from the users. The cost of wire slings etc. has been covered under the miscellaneous charge. Rates for bulk and bagged cargoes only may be considered by the Authority.

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