(Published in Part - III Section 4 of the Gazette of India, Extraordinary)

Tariff Authority for Major Ports

G No. 201 **New Delhi,** **12 August 2010**

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Tuticorin Port Trust for setting upfront tariff for operation of mechanical handling equipment 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/16/2010-TPT

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

O R D E R
(Passed on this 23rd day of July 2010)

This case relates to the proposal from the Tuticorin Port Trust (TPT) for setting upfront tariff for the upgradation of the mechanical handling infrastructure through Public Private Partnership on Build, Own and Operate (BOO) basis.

2. In pursuance of the guidelines for upfront tariff setting for Public Private Participation (PPP) projects at Major Ports Trusts announced by the Government vide Notification No.TAMP/52/2007-Misc. dated 26 February 2008, the TPT vide its letter dated 25 February 2010 has filed its proposal for fixation of upfront tariff for the upgradation of mechanical handling infrastructure at berth Nos.I to VI and IX of Tuticorin Port through Public Private Partnership on Build, Own and Operate (BOO) basis. The TPT has also furnished the proposed Scale of Rates (SOR) and the feasibility report.

3. The salient features of the proposal are as follows:

(i). The TPT has stated that total additional handling capacity required by 2020-21 is 8.8 Million Tonnes (MT) and 13.7 MT by 2027-28. Considering the reach required for handling dry bulk cargo of larger size vessels calling at berths III & IV & IX, a minimum two high capacity crane with greater reach are to be procured and deployed. It is proposed to deploy 1 No. of 140 tonne HMC and 1 No. of 100 tonne HMC in 2010-11 and further 1 No. of 100 tonne HMC in the year 2020-21 under PPP on BOO basis. The capital cost estimated to be incurred in 2010-11 is Rs.53.92 crores and Rs.26.18 crores in 2020-21. The scope of the present proposal is limited to fixation of upfront tariff for 2 Nos. HMCs proposed to be deployed in 2010-11.

(ii). Optimal Capacity of the HMCs:

The optimal capacity of the 140 T and 100 T HMC is assessed at 4.7 Million Tonnes (MT) and 3.6 MT respectively following certain assumptions and norms as given below:

A. Assumptions:

On stream days considered in a year	330 days
Equipment availability per day	21 hours
No. of cycles per crane per hour	20
Material handling equipment efficiency	85%

B. Norms:

Details	140T HMC	100T HMC
Maximum reach required	34m	34m
Grab weight	12T	10T
Load/ move at 11 to 23m	52T	52T
Load/ move at 34m	52T	29T
Average load/move (excluding the grab weight)	(40+40) /2 =40T/grab	(42 +19)/2 = 30.5T/grab
Handling rate/hour	40 * 20 =800T/hr	30.5 * 20 =610 T/hr
Equipment efficiency	85%	85%
Handling capacity / hour	800*0.85 = 680 T/hour	610 * 0.85 = 518 T/hour
Handling capacity / day	680 *21= 14280T /day	518 * 21= 10878T /day
Annual handling capacity	14280 * 330 = 47,12,400 i.e. 4.7MT	10878 * 330 = 35,89,740 i.e. 3.6 MT

The port has stated that it has considered handling rate of 100T HMC at 12500 tonnes per day. (However, the capacity of 100 T HMC considered by the TPT as per the above table is 10,878 tonnes only)

(iii). Capital Cost

(a). The capital cost of the 140 T and 100 T HMCs and grabs estimated by TPT is as follows:

Particulars	140 T HMC (Rs. in lakhs)	100 T HMC (Rs. in lakhs)
Cost of crane (without grab)	2434.00	2041.00
Cost of crane grab	92.00	92.00

(b). The TPT has furnished a copy of the budgetary offer in support of the estimation.

(c). The TPT has considered the exchange rate for Euro as on 18.2.2010 at Rs.62.781 to estimate the capital cost in Indian Rupee.

(iv). Annual Operating cost

(a). The TPT has estimated the operating cost for the crane and grab separately.

(b). The TPT has considered direct labour cost at 5% of the capital cost. The norm prescribed for estimating other expenses at 5% of the capital cost is not considered separately.

(c). The fuel consumption is considered at 100 Litres per hour and 70 Litres per hour for 140 T HMC and 100 T HMC respectively. The unit cost of fuel is considered at Rs.35.00 per litre.

(d). Repairs & Maintenance, Insurance & Depreciation have estimated adopting the norms prescribed in the guidelines for multipurpose berth.

(e). The port has not considered license fee for the area to be occupied by the HMCs in the estimation of operating cost.

(f). The total annual operating cost estimated for the 140 T and 100 T HMCs and grab are tabulated below:

Particulars	140 T HMC (Rs. in lakhs)	100 T HMC (Rs. in lakhs)
Operating Cost for HMC (without grab)	659.42	533.55
Operating Cost for grab	19.63	19.63

(v). Annual Revenue Requirement (ARR):

The estimated ARR is as given below:

Particulars	140 T HMC (Rs. in lakhs)	100 T HMC (Rs. in lakhs)
ARR for HMC (without grab)	1048.86	860.11
ARR for grab	34.35	34.35

(vi). For determining at the upfront rate, TPT has first arrived at per shift rate based on 540 shifts per annum. For arriving at the upfront rate for grab service, the TPT has considered 62% of 540 shifts.

To arrive at the per tonne rate for operating the HMC, the per day productivity is reckoned at 14,280 tonnes and 12,500 tonnes for 140 tonnes and 100 tonnes HMCs respectively and 3 shift operations per day is assumed.

(vii). The upfront tariff proposed by the TPT are as follows:

Sl. No.	Description	Capacity in tonnes per day	Proposed Rate for usage of HMC (without grab) (Rs. per tonne)		Proposed rate for usage of grab (Rs. per tonne)	
			Foreign	Coastal	Foreign	Coastal
(i).	140T Harbour Mobile Crane	14280	40.81	24.49	2.16 *	1.30 *
(ii).	100T Harbour Mobile Crane	12500	38.00	22.80	2.46	1.48

* The TPT has stated that the grab charges on higher rates as for 100 tonnes HMC is adopted for both cranes but the Scale of Rates proposed by the TPT does not reflect this position.

(viii). The TPT has proposed the following conditions:

(a). The rates indicated above are with respect to the output per day specified. Incase, there is any increase / decrease by 1000 tonnes the rate will be increased / decreased by 5% for every 1000 tonnes per day.

(b). The formula for calculation of average berth-day out put is as follows:

$$\frac{\text{Total Quantity loaded / unloaded by the HMC}}{\text{Total time taken from vessel commencement to completion}} \times 24 \text{ hrs}$$

(c). According to the average berth-day output for the vessel from commencement to completion of loading / discharge of cargo, the appropriate rate of crane hire charge will be chosen for recovery from port users for the full quantity of cargo loaded / discharged.

(d). If one HMC works with another HMC or ELL crane/s, the Berth-day output for the crane will be ascertained on the basis of the quantity as recorded by the HMC's load meter.

(e). In case of breakdown of the crane for more than one hour till the vessel leaves the berth, the quantity handled by HMC will be determined taking into account cargo loaded / discharged prior to break-down divided / crane working hours and multiplied by 24.

(f). In case of stoppages of operation of HMC for more than two hours at a stretch for reasons not attributable to the HMC, appropriate allowance will be allowed to the crane while calculating the total time of crane operation in the vessel. Stoppages of HMC for less than 2 hours will not be taken into consideration for the above purpose. No allowance will be allowed for stoppages attributable to the HMC. All stoppages in loading / unloading operations during working of HMC are required to be certified by the Stevedore of the vessel in the daily vessel performance report.

(g). In case shifting of a vessel becomes necessary due to breakdown / non-performance of HMC, the shifting charges of the vessel from berth to anchorage will be recovered from the crane operator in addition to a penalty of Rs.1,00,000/- (Rupees one lakh only). The shifting charges so recovered will be refunded to the vessel's agent while the penalty will be retained by the port.

(h). In case of dispute on the average output, the decision of the port trust will be final and binding.

4. In accordance with the consultation process prescribed, the proposal of the TPT was circulated to the users / RFQ applicants (as furnished by the TPT) seeking their comments. The comments received from the users/ user organizations have been forwarded to the TPT as feedback information. The TPT has not furnished any comments on the points made by the users.

5. Based on a preliminary scrutiny of the proposal, the Tuticorin Port Trust was requested to furnish additional information / clarifications vide this Authority letter dated 28 May 2010. The reply from the port has been received by e-mail dated 22 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 port
I.	**General**	
(a).	The TPT has proposed a differential handling charges based on the capacity of the MHC. User of the crane may not be concerned with the capacity of the cranes but on the productivity and reliability of services to be offered. The TPT is requested to review the proposal and prescribe a common rate for handling of different cargo linked with productivity, irrespective of the type and capacity of the crane.	Port has suggested separate rates for each type of crane which again varies based on the productivity levels.
(b).	As per the Feasibility Report furnished by the TPT, the cargo profile for the berths I to VI and IX where the proposed HMCs are to be deployed includes break bulk cargo and dry bulk cargo. The productivity of the crane will depend on the nature of cargo handled. However, the TPT has considered a uniform handling rate for all types of cargo in the estimation of capacity of the cranes and accordingly proposed a common rate irrespective of the nature of cargo. The TPT is, therefore, requested to review the position and revise the proposal suitably.	The rates proposed per tonne of cargo is for the Harbour Mobile Crane (without grab). For Grab, separate rate is proposed similar to the prevailing tariff structure of the port. Hence the same may be accepted.
II.	**Optimal capacity**	
(a).	The TPT has considered 330 workings days in a year, 21 workings hours per day and 85% equipment efficiency level for calculating the optimal capacity of the cranes. As per the norms prescribed in the Upfront Tariff guidelines of February 2008, for various types of berths including multipurpose berth, the optimal capacity is reckoned as 70% of the maximum capacity. The norms does not allow separate cushion in each of the parameters relevant for determining the capacity. The TPT is, therefore, requested to review the capacity calculation estimated by it and revise it suitably.	The crane will be deployed in any of the berths identified for this tender. The optimal capacity is calculated considering the equipment efficiency at 85% level and need not be 70% prescribed for berth.
(b).	The TPT has stated that the handling rate in respect of 100 T Mobile crane at 12500 tonnes per day based on the experience of Paradip Port Trust in handling similar cranes. However, it is seen from the capacity calculations furnished by the TPT that the handling rate considered for 100 T Mobile crane is only 10878 tonnes per day. Please clarify.	While working out the handling rate as per technical specifications for a 100 tonnes HMC, it will fetch only 10878 tonnes per day. Hence the handling rate similar to Paradip Port at 12500 tonnes per day is considered to moderate the rate so that the rate does not exceed the rate proposed for 140 tonnes HMC.

(c).	It is seen from the calculations furnished by the TPT for deriving the rate for grab that it has considered 62% share of the estimated capacity of the crane. It implies that the remaining 38% of the estimated capacity will not require grab. As the handling rate of the crane with grab and without grab may vary, the impact of the capacity share not requiring grab may be taken into account in the estimation of optimal capacity of the cranes.	The existing scenario in Berths is considered in arriving the share of estimated capacity of the crane with Grab and without Grab.
III.	**Capital Cost:**	
	The capital cost estimates which are based on the exchange rate of Euro may be updated with the current exchange rate for Euro.	The exchange rate of Euro is nearly at Rs.66/- during January, 2010 and the exchange rate of Euro on 16.6.2010 is Rs.57.40. Considering this exchange rate fluctuation it is premature to adopt a rate at this current juncture. Hence, the Authority may like to adopt the rate of equivalent rupee in respect of Euro on the date of passing the order by the Authority.
IV.	**Operating Cost:**	
(a).	In estimation of operating cost, it appears that TPT has adopted the norms prescribed in the upfront tariff fixation guidelines of 2008 for estimation of operating costs for a multi purpose berth. However, the TPT has not considered the Licence Fees for the area occupied by the Harbour Mobile Crane. The reasons therefor may be explained.	100-T and 140-T Harbour Mobile Crane are expected to operate anywhere in Berth No. I to IV, V & VI, and in Berth No.IX based on the demand for utilization besides HMC are to work in a open space like Wharf crane and is expected to move from one Berth to another to comply the demands of the crane. Hence no specific storage area is envisaged and consequently no licence fee is anticipated.
(b).	The port has considered fuel consumption of 70 Litres/hour and 100 Litres/hour for the 100 T and 140 T Harbour Mobile cranes respectively. The technical details furnished by the equipment manufacturer in the budgetary offer indicate a fuel consumption of 40 to 60 Litres / hour depending on the product handled. Please clarify the reasons for considering fuel consumption at a higher level with justification.	The fuel consumption varies depending upon specification and design of engine, equipment, working load of the crane and efficiency of the operator. Hence, higher level of fuel consumption is considered after actually analysing the factors.
V.	**Scale of Rates:**	
(a).	The port has proposed rates for usage of Harbour Mobile Cranes without grab and proposed a separate rate for usage of grab in respect of 100 T and 140 T cranes separately. Though the rates proposed by the port are on per ton basis, it is seen from the calculations furnished by the port that it has derived the rate per shift on the basis of 540 shifts per annum and then worked out at the rate per ton, on the basis of tonnage to be handled per day as per the optimal capacity. However, the rate so derived does not appear to be correct if the optimal handling capacity of cranes is taken into account. The TPT is, therefore, requested to derive the rate based on the optimal handling capacity of the cranes to achieve the estimated annual revenue requirement.	Workings by considering 540 shifts is based on the workings approved by the Authority for 80-T Harbour Mobile Crane owned by PSTS vide TAMP order dated 30.12.2009.
(b).	The TPT has considered 62% of the 540 shifts for bulk cargo handling for deriving the rate for use of grab. In the calculations, it	Based on the cargo statistics of the previous years, 62% of bulk cargo require the use of Grab. The entire Grab cost is recovered

	has considered only 62% of the Annual Revenue Requirement (ARR) for working out the rate. In this regard, furnish the basis for considering 62% towards bulk cargo and clarify how the port expects to earn the balance 38% ARR estimated towards grab operations.	from 62% of 540 shifts (i.e., 335 shifts).
(c).	Though the port has proposed concessional tariff for coastal vessel / coastal cargo in crane rate as well as grab rate, 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 with the proposed equipment.	Probably the coastal cargoes are handled at Coal Jetty-I and Coal Jetty-II. The Harbour Mobile Cranes are meant for Berth Nos. I to VI and IX. The cargoes to be handled by this HMC is assumed as foreign cargo.
(d).	The Note (i) under the proposed Scale of Rates furnished by the TPT mentions that the rates indicated are with respect to the output per day specified and in case, there is any increase/decrease by 1000 tonnes, the rate will be increased/decreased by 5% for every 1000 tonnes per day. Accordingly, the rate proposed would be applicable for handling from 13281 to 15280 tonnes per day for 140 T HMC and 11501 to 13500 tonnes per day for 100 T HMC, the range of lower and upper limit being 2000 tonnes. As per the methodology adopted in the PPT case relating to fixing rate for HMCs, the rate proposed would be applicable only for the optimum level of handling and slab rates with +/- 5% would be applicable for each 1000 tonnes increase / decrease from the optimum level indicated. The TPT is, therefore, requested to review this clause suitably and propose an efficiency linked tariff structure. In this regard, the TPT may refer to the tariff structure prescribed by this Authority for hire charges of HMC in the Scale of Rates of PPT vide order dated 30 December 2009.	This rate is proposed based on the rate approved by the Authority for 80-T Harbour Mobile Crane owned by PSTS vide TAMP order dated 30.12.2009.
(e).	The TPT is requested to confirm that the cost estimates reflects the current market rates and incorporate a general note in the draft Scale of Rates 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 Scale of Rates 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.

6.1. 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 submissions.

6.2. As decided at the joint hearing, M/s.ABG-LDA Bulk Handling Pvt. Ltd. were advised to furnish its 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.

6.3. M/s.ABG-LDA Bulk Handling Pvt. Ltd. vide letter dated 30 June 2010 have furnished their comments to TPT with a copy endorsed to us. The TPT vide its letter dated 13 July 2010 has furnished its response on the comments of M/s.ABG-LDA Bulk Handling Pvt. Ltd.

7. 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.

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

(i). With a view to upgrade the mechanical handling infrastructure of the port through Public Private Partnership (PPP), the Tuticorin Port Trust (TPT) has filed a proposal for fixation of upfront tariff for two Harbour Mobile Cranes (HMC), one each of 100 tonne and 140 tonne capacity.

(ii). The tariff guidelines of 2008 for upfront tariff fixation prescribe norms/ guidelines for dedicated facilities such as coal, iron ore, container, liquid handling terminal and multipurpose cargo terminal. The guidelines of 2008 for upfront tariff fixation do not prescribe separate norms / guidelines for operating Harbour Mobile Crane as a stand alone facility.

The Feasibility Report and the information furnished by the port in this proceeding states that the berth no.I to VI and IX where the HMCs are proposed to be deployed are expected to handle dry bulk as well as break bulk cargo. Hence, the relevant norms prescribed for multipurpose cargo terminal in the upfront tariff guidelines of 2008 which cover handling of dry bulk cargo and break bulk cargo seem to be more relevant in this case. The Tuticorin Port Trust has also in general adopted the norms / guidelines issued for a multipurpose cargo terminal for estimating the operating cost. The deviation proposed by the TPT particularly in the estimation of the optimal capacity is discussed in the subsequent paragraphs.

(iii). The TPT has proposed differential upfront tariff for a 100 Tonne and 140 Tonne HMC based on the capital cost, operating cost and optimum capacity assessed separately for each of the cranes. Upfront tariff for grab is proposed separately.

User of the crane will be concerned with the productivity and reliability of services offered by the crane and not with the capacity of the crane deployed. There can be instances where productivity of a 140 T HMC may be lower than an efficient 100 T HMC. When advised to review the proposal and prescribe a common rate for handling of different cargo linked with productivity, instead of relying on the type and capacity of the cranes, the port has reiterated its proposal for differential upfront hire charge for different capacities of HMC. The port has not appreciated the fact that tariff linked to productivity will automatically take care of the differences in the capacity, as a higher capacity crane is expected to return a better productivity in terms of handling rate. Further, the possibility of induction of additional cranes in future at the TPT cannot be ruled out in view of the increasing traffic demand at the concerned berths projected by the TPT. In that case, upfront tariff will have to be set again for different capacity of the crane, if inducted in future, which is not the objective of the upfront tariff guidelines. Clause 2.2. of the upfront tariff guidelines stipulates that upfront cap fixed once will apply in the same port for the next five years for handling identical commodity or service.

It is found more appropriate to fix upfront tariff considering a standard capacity of HMC so that it can cover different capacity range of HMCs which may provide identical handling of commodity/ service in the port in the next five years. Seen from this perspective, this Authority decides to set upfront tariff assuming a standard HMC of 100 tonne capacity and links the tariff to the performance of the crane. Linking of tariff with performance will, to a great extent, take care of the interest of users and also the service provider even if the actual capacity of the crane deployed varies within a range from the standard HMC considered in this exercise.

This Authority has vide Order No.TAMP/54/2007-PPT dated 30 December 2009 prescribed ceiling rate for hire of HMC deployed by service providers authorised by the Paradip Port Trust (PPT). It is relevant to state here that in Paradip Port Trust (PPT), though HMCs of different capacities are deployed by various crane service providers authorised by the port, for the purpose of fixation of hire charge of HMC, the PPT had formulated its proposal based on certain assumed norms and parameters for HMC of 100 tonnes capacity. Though the said proposal of the PPT was not governed by the upfront tariff guidelines of 2008, the norms prescribed in the tariff guidelines of 2008 were adopted by this Authority to test the reasonableness of the estimates provided by the PPT for estimating the operating cost and the tariff was fixed in graded scale with linkage to performance. The approach adopted in PPT was followed while prescribing hire charge for HMC at other Major Port Trusts such as Tuticorin Port Trust, Visakhapatnam Port Trust and New Mangalore Port Trust also.

Following the decision taken earlier to determine hire charge for a standard HMC of 100 Tonne capacity, upfront tariff fixation in the instant case is also undertaken for a standard HMC of 100 Tonne capacity.

(iv). The TPT has proposed to prescribe a separate rate for grab attachments to the HMC. Grab cannot be used independently in handling operation unless it is attached with a working crane. It is admitted the existing Scale of Rates of some of the major ports including TPT prescribe hire charge of grab separately. This may be because such rates were mainly for miscellaneous services and also due to the fact that at some of the ports, private cranes which are deployed for operation hire the grabs alone from the port. It may be relevant to mention here that the hire charge prescribed by this Authority in PPT as well as at other ports for a standard HMC of 100 Tonne capacity include grab component also in the case of dry bulk handling.

In the instant case, the TPT has specifically pointed out that only 62% of the cargo capacity pertaining to bulk cargo would require grab. The rate for grab is to be determined separately with reference to the bulk cargo capacity likely to avail the services of grab so as to recover the estimated revenue requirement relating to grab service from the relevant cargo. This will also ensure that break bulk and other cargo which do not avail the services of grab are not burdened with the cost of grab component. The upfront tariff for hire of HMC for bulk cargo will thus be a composite rate including supply of necessary grab alongwith the crane.

(v). <u>Optimal capacity:</u>

(a). The TPT has assessed the optimal capacity of the HMCs adopting certain assumptions like average load per move, 20 no. of cycles per hour considering 85% equipment efficiency level, 21 workings hours per day and 330 workings days in a year. ABG-LDA Bulk Handling Pvt. Ltd has objected the optimal capacity assessment made by the TPT. The approach adopted by the TPT in assessing the capacity of the HMC is not found to be in line with the general formula prescribed in the upfront tariff guidelines for assessing the optimal capacity for dedicated facilities such as coal, iron ore, container terminal and the multipurpose cargo terminal. The upfront tariff guidelines clearly mandate to determine the optimal capacity at 70% of the maximum capacity and also prescribe handling norms for each cargo group in a multipurpose cargo terminal. The optimal capacity for the Harbour Mobile Crane of 100T capacity is thus determined following the formula prescribed in the upfront tariff guidelines with suitable adjustment in the daily output rate based on the approach adopted while prescribing the hire charges of HMC in PPT, VPT, NMPT and TPT.

(b). The tariff guidelines of 2008 prescribe norm for cargo handling at multipurpose berth at a rate of 10,000 tonnes per day for dry bulk cargo comprising food grains, fertilizer (with parcel size more than 30,000 tonnes) and 10,000 tonnes per day for coal, limestone, minerals etc. The handling norm prescribed for steel & bagged cargo is 4,000 tonnes per day and 2,500 tonnes per day for other cargo.

Though the port has maintained that performance level of 100 T HMC at 12500 tonnes per day is considered, the upfront tariff calculation furnished by it considers the productivity for 100 T HMC at 10878 tonnes/ day.

The output norms prescribed in the tariff guidelines of 2008 is with reference to operation of 3 numbers of wharf cranes of 20 tonne capacity each. Since the exercise is to prescribe hire charges for the HMC of 100 tonne capacity, the norm prescribed in the 2008 guidelines may have to be adjusted suitably. This point was examined while approving the hire charge for 100 tonne capacity HMC in the PPT and also applied in the cases pertaining to NMPT, VPT and TPT. Considering the higher handling capacity of HMC as compared to the aggregate capacity of the wharf cranes prescribed in the 2008 guidelines, and based on the performance of 100 tonnes capacity HMCs reportedly operating in PPT, the handling rate for bulk cargo was considered at 12500 tonnes per day i.e. 25% over the handling rate prescribed in the guidelines. Incidentally, TPT has also proposed the handling rates at this level, though it had considered a different figure in the calculations.

With reference to break bulk cargo like steel & bagged cargo and other cargo the handling rate is considered 50% over the norms prescribed in the guidelines borrowing the decision of this Authority in the PPT case and other cases. Accordingly, updated normative handling rate of 12500 tonnes per day for bulk cargo, 6,000 tonnes per day for steel and bagged cargo, and 3750 tonnes per day for other cargo are considered in this analysis.

(c). Considering the handling rate for bulk cargo at 10878 tonnes per day and 330 days, the capacity of the HMC is computed at 3.59 million tonnes by the TPT. It is relevant to mention that the upfront tariff guidelines for multipurpose cargo terminal prescribe a norm of 4000 hours for fuel consumption. As rightly stated by the ABG-LDA Bulk Handling Pvt. Ltd., the number of working days considered by the TPT at 330 is not as per the guidelines.

Another relevant factor is the share of cargo in the break bulk cargo category, viz. steel & bagged cargo and other cargo availing the service of HMC is not furnished. From the information furnished by the port, it can be inferred that 62% of the cargo capacity availing the HMC service will pertain the bulk cargo. Since the port has not furnished the share of cargo mix availing the service of HMC at different berths of the port, the optimal capacity of crane may have to be arrived separately for each cargo groups i.e. dry bulk cargo, steel & bagged cargo and other cargo. But, in reality the HMC will handle different cargo mix and not mono cargo.

The optimal capacity of the HMC is determined considering 4000 number of working hours per annum based on normative level of working hours prescribed in the 2008 guidelines for estimating the power / fuel cost for multipurpose cargo berth and in line with the position maintained while fixing of hire charge of HMC at PPT, TPT, NMPT and VPT.

Accordingly, optimal capacity of 100 T HMC determined with reference to each cargo group at 29,76,000 tonnes if dry bulk cargo is handled, 14,28,000 for handling steel/ bagged cargo and 89,2000 for other cargo is considered in this analysis for determining cargo-group wise upfront tariff for hire of HMC.

Citing that different cargo will have different density, the ABG-LDA Bulk Handling Private Limited has pointed out that 3 numbers of grab with different specification may have to be deployed instead of 1 grab. The port has confirmed that as per the study conducted it envisages deployment of 1 grab per crane and does not foresee any difference in the handling rate on this account due to difference in the density. This Authority relies on the submissions made by the TPT based on the technical study of the port.

(vi). Capital cost:

The TPT has estimated the capital cost for the 100 tonne HMC at Rs.2041.00 lakhs and Rs.92.00 lakhs for one grab. The capital cost estimated by the TPT reckons freight and the duty benefit under EPCG scheme. The port has substantiated the base cost of the equipment with the budgetary quotation obtained by it. The capital cost estimated by TPT is fully relied upon in this analysis subject to updating the exchange rate of Euro at Rs.59.1725 to reflect the exchange rate prevailing at the time of concluding the analysis of this case. Accordingly, the estimated capital cost of the 100 Tonne HMC and a grab is considered at Rs.1992.51 lakhs and Rs.87.02 lakhs respectively.

(vii). Operating cost:

(a). No fuel consumption norm for a HMC is prescribed in the tariff guidelines of 2008. The fuel consumption estimated by TPT at 70 litres per hour for the 100 tonne HMC is at par with the consumption estimated by the Paradip Port Trust in its upfront tariff proposal for multipurpose berth which envisages deployment of 100 Tonne HMC. It is also in line with the fuel consumption considered while prescribing the hire charge for HMC at the PPT and the other Major Port Trusts. The unit cost of fuel is considered at Rs.40.44 per litre as per the prevailing rate reported by the port. Accordingly, the estimated fuel cost for 4,000 working hours as per norms prescribed in the guidelines works out to Rs.113.23 lakhs.

(b). The repairs and maintenance cost and insurance are estimated at 5% and 1% respectively of the capital cost of crane as per the norms prescribed in the guidelines of 2008.

(c). The guidelines of 2008 stipulate estimation of license fee based on the rates prescribed in the Scale of Rates of the respective Major Ports. The TPT has clarified that HMCs are expected to operate anywhere in the seven berths earmarked for deployment in port berths and is expected to move from one berth to another based on the demand for utilisation besides working in an open space like wharf crane and hence no specific storage area is envisaged. As the TPT does not propose to levy any licence fee from the operator, license fee is not factored in the operating cost.

(d). Depreciation is estimated at 10.34% on the capital cost of the crane as per the rate prescribed under the Companies Act 1956.

(e). Other expenses are estimated at 5% of the capital cost of crane as per the norms prescribed in the guidelines of 2008.

(viii). Subject to the above modification, the total estimated annual revenue requirement of operating HMC (without grab) is Rs.831.11 lakhs which is aggregate of operating cost of crane Rs.523.51 lakhs plus 16% return Rs.307.60 lakhs. The total estimated annual revenue requirement from grab is Rs.32.49 lakhs which is aggregate of operating cost of crane Rs.18.57 lakhs plus 16% return Rs.13.92 lakhs. The suggestion made by Tamil Nadu Electricity Board to allow only 12% ROCE instead of 16% cannot be considered as the rate of ROCE was reviewed recently by this Authority and it was decided to adopt ROCE of 16% for the year 2010-11 to determine tariff for major ports and private terminals.

The port has proposed a uniform rate of Rs.38 per tonne for hire of HMC and Rs.2.46 per tonne for grab. Though the port expects the HMC to handle dry bulk cargo as well as break bulk cargo at the port berths, it has not proposed differential rate for these cargo groups recognising the difference in their productivity rate. As stated earlier, the entire upfront tariff exercise is done for each cargo groups with reference to optimal capacity and separate upfront rate are prescribed for each cargo groups availing the service of HMC based on the handling rate of the respective cargo groups. The upfront rate for grab is merged with the upfront rate of HMC determined for bulk cargo.

Accordingly, the upfront tariff for hire of the HMC with grab for dry bulk cargo is prescribed at Rs.29.69 per tonne. The upfront tariff for hire of the HMC for handling steel and bagged cargo is prescribed at Rs.58.20 per tonne and Rs.93.17 per tonne for other cargo. The statement submitted by the TPT for use of HMC has been modified in line with the above analysis. A copy of the modified statement is attached as **Annex - I**.

By way of abundant caution, it is stated that the unit upfront tariff prescribed for HMC in this case should not be compared with the ceiling charges earlier prescribed for hire of HMC in PPT, VPT, NMPT and TPT as they are governed by the tariff guidelines of 2005. Though the rates prescribed in those cases are with reference to optimal capacity for the HMC, the rates so fixed are subject to review once in the three years following the usual cost plus method and the rates in future cycle will be determined considering capital cost at written down value. Whereas in the upfront tariff fixed in this order, the rate is subject to indexation at 60% of the WPI as per the tariff guidelines of 2008.

(ix). The TPT has proposed concessional rate for coastal cargo as per the extant Government policy. The revenue impact of allowing such concession is, however, not considered while arriving at the proposed concessional tariff. On being pointed out, the TPT has confirmed that only foreign cargo is envisaged to be handled by the HMCs and that there would be no coastal cargo. Though prescribing concession rate to 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.

(x). Considering the possibility of HMC deployment with different capacity range and also recognising that actual performance of HMC may vary from the standards assumed in this calculation, as stated earlier it may be necessary to prescribe tariff linked to performance levels. The TPT has also proposed a conditionality allowing increase / decrease in the base rate by 5% for increase/ decrease in the productivity by 1000 tonnes per day from the base productivity levels of 12500 tonnes / day for a 100 T HMC. None of the users/ bidders consulted in this proceedings have made any adverse comments or objection on the incentive/ disincentive scheme proposed by TPT. The proposed conditionality in principle is in line with the incentive/ disincentive scheme prescribed earlier in the cases. Instead of a general condition proposed by the TPT, a structured performance linked tariff structure in slabs for each cargo groups to be handled by the HMC is prescribed. The performance linked tariff will encourage a private service provider to maintain higher efficiency level in order to enhance his returns due to higher rates prescribed. Such efficiency improvement will also be benefit users due to faster turn around of vessel.

(xi). The TPT has proposed conditions 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 users/ bidders consulted in this proceedings have not raised any pointed objection on the conditionalities proposed by the TPT except ABG-LDA Bulk Handling Private Limited.

ABG-LDA Bulk Handling Private Limited has pointed out that the evacuation rate from berth should not be ignored while assessing the handling capacity of the HMC. In the instant case the role of the operator is to deploy the HMC and provide cargo handling services from ship to shore or vice versa at the earmarked port wharfs. Hence capacity determination with reference to other factors stated by ABG-LDA Bulk Handling Private Limited is not warranted by the guidelines. However to address the concern of the ABG-LDA Bulk Handling Private Limited, the port is advised to ensure necessary logistic support will be available for quick evacuation of cargo from the wharf.

While proposing performance linked tariff, the port has proposed a condition giving allowance in calculating the total time of crane operation if stoppage for reasons not attributable to the operator is for more than 2 hours. For this purpose, a condition is proposed that all stoppage in loading/ unloading operations during working of HMC will have to be certified by the stevedores. The ABG-LDA Bulk Handling Private Limited has raised objection on the proposed condition citing that stevedores would be interested party and hence their view may not be unbiased. They have suggested to modify the condition allowing such certification of stoppage jointly certified by the operator with the stevedore or to appoint an independent surveyor.

It is notable that the proposal does not envisage the operator to offer a comprehensive service at a dedicated terminal. The HMC to be deployed is required to provide cargo handling service at the earmarked berths of the port itself. The proposed condition is therefore, modified authorising the port to nominate its officers or any other agency to certify the stoppage in loading/ unloading operations during the working of HMC. The proposed note is accordingly modified.

The port has furnished its comments / clarifications addressing the points made by ABG-LDA Bulk Handling Private Limited on the other conditionalities proposed by the port. Moreover, the proposed conditions are in line with the conditions prescribed in this Authority's Order dated 30 December 2009. The conditions proposed by the TPT are incorporated subject to modification suggested in the analysis in the preceding paragraphs.

(xii). Definitions of some of the common terms like foreign going vessel, coastal vessel, included in upfront schedule are in line with the definitions prescribed in the Scale of Rates of TPT. Day is defined as calendar day or part thereof. The definition of this term is modified in line with the definitions prescribed in the Scale of Rates of TPT which states day means period starting from 6 am and ending at 6 am on the following day. The definitions of some of the terms which have commonly understood meaning are not incorporated.

(xiii). The general terms and conditions for classification of vessel as foreign-going or coastal vessel are relevant for levy of vessel related charges and are not found relevant in the instant case and hence not incorporated in the proposed Scale of Rates. Some of the common conditions stipulated in the guidelines of 2005 and uniformly prescribed in the Scale of Rates of other major ports such as users should not be required to pay charges for delays beyond reasonable level attributable to the private terminal operator and the conditions for concessional tariff applicable for coastal cargo are incorporated in the Scale of Rates.

(xiv). As per Clause 2.2. of the guidelines for upfront tariff setting for PPP Projects at the major ports of February 2008, the tariff caps to be prescribed in the instant case would be applicable to all the projects to be bid out for deployment of HMC for handling identical cargo/ service at the Tuticorin Port Trust during the next five years.

9.1. 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 as of 1 January 2010 as reported by the TPT, it may be appropriate and relevant to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2010.

9.2. 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.

9.3. 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.

9.4. 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.

9.5. 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.

9.6. 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.

10. 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 deployment and operation of Harbour Mobile Crane under PPP model at Tuticorin Port Trust attached as **Annex - II**.

(Rani Jadhav)
Chairperson

ANNEX - I

Formulation of Upfront Tariff for the proposed upgradation of Mechanical Handling Infrastructure at Berths I to VI & IX of Tuticorin Port through PPP Scheme on BOO basis

A. For Dry bulk cargo **Rs. in Lakhs**

Sr. No.	Particulars	As furnished by Tuticorin Port Trust for a 100 T HMC			As considered by TAMP for Dry bulk - (a) food grains & fertiliser and (b). Coal, lime stone, minerals. etc.		
		Workings	Estimates		Norms prescribed in 2008 tariff guidelines for multipurpose cargo berth (workings)	Estimates	
I	**Optimal Capacity**						
	Handling rate	30.5 x 20 x 85%	518 T / hour		Dry bulk a) Food grain, fertiliser = 10000 tonnes / days (for vessels more than 30000 tonnes parcel size) b) Coal, Lime stone, minerals, etc. = 10000 tonnes / days (25% above the handling norms prescribed in the guideline	744	
	Handling capacity / day	518 x 21	10878 T / day		A norm of 4000 hours of working in a year is prescribed for estimating power / fuel cost	4000	
	Annual Handling Capacity (in tonnes)	10878 x 330 days	**3589740**		744 x 4000 hours	**2976000**	
	Annual Capacity (in Million tonnes)		**3.590**			**2.976**	
		Workings	**Estimates for HMC**	**Estimates for Grab**	**Workings**	**Estimates for HMC**	**Estimates for Grab**
II	**Capital Cost of Mobile Harbour Crane (Rs. Lakhs)**		**2041.00**	**92.00**		**1922.51**	**87.02**
III	**Operating cost**						
	(a). Fuel cost	70*35*4000 (70 Ltrs./hr. @ Rs.35/Ltr.)	98.00	0.00	4000 hours (70 Ltrs./hr. @ Rs.40.44 / Ltr.)	113.23	---
	(b). Repairs & Maintenance cost	@ 5% of capital cost	102.05	4.60	5% on total capital cost	96.13	4.35
	(c). Insurance	@ 1% of capital cost	20.41	0.92	1% on total capital cost	19.23	0.87
	(d). Depreciation	@ 10.34% of capital cost	211.04	9.51	As per norms prescribed in Companies Act (@ 10.34%)	198.79	9.00
	(e). Rent (License Fee)		0.00	0.00			
	(f). Other Expense	@ 5% of capital cost	102.05	4.60	5% of Gross fixed Asset Value	96.13	4.35
	Total (a) to (f)		**533.55**	**19.63**		**523.51**	**18.57**
IV	**ROCE**	@ 16% of capital cost	**326.56**	**14.72**	16% on capital cost	**307.60**	**13.92**
V	**Annual Revenue Requirement**		**860.11**	**34.35**		**831.11**	**32.49**
VI	**Proposed rate per shift**	Crane: 860.11* 100000/540 shifts Grab: 34.35* 100000 / 335 shifts, i.e. 62% of 540 shifts	Rs.159279.52	Rs.10260.69		---	---
VII	**Proposed rate per tonne (Foreign) in Rs.**	Crane: 159279.52 / (12500/3) Grab: 10269.69 / (12500/3)	**Rs.38.00**	**Rs.2.46**	**Revenue Requirement (in Rs.) / Capacity (in tonnes) ***	**27.93**	**1.76**
VII	**Proposed rate for MHC with grab per tonne (Foreign)**		**Rs.38.00**	**Rs.2.46**	**Rate per tonne for HMC with grab**	**29.69**	
VIII	**Proposed rate for MHC with grab per tonne (Coastal)**		**Rs.22.80**	**Rs.1.48**	**@ 60% of foreign rate**	**17.81**	

*** 62% of optimal capacity of dry bulk has been considered for arriving at the unit rate for grab following the methodology adopted by the TPT.**

B. For break bulk cargo

Sr. No.	Particulars	Norms (Workings)	Steel & bagged cargo	Others
I	Cargo Handling rate at 50% above the norms precribed in upfront tariff guidelines 2008 for multipurpose cargo terminal (in tonnes / day)		6000	3750
II	Cargo Handling rate in tonnes / hour	Sr. no I / (24 hours * 70% utilisation norm)	357	223
III	Working hours (per annum)		4000	4000
IV	Capacity (tonnes / annum)	Sr. No II * III	**1428000**	**892000**
V	Annual Revenue Requirement (excluding grab cost) as estimated in the first table at Sr.No.V		**831.11**	**831.11**
VI	**Proposed rate per tonne (Foreign going) in Rs.**	Sr. No V / IV	**58.20**	**93.17**
VII	**Proposed rate per tonne (Coastal) in Rs.**	60% of Sr.No VI	**34.92**	**55.90**

Annex - II

TUTICORIN PORT TRUST

UPFRONT TARIFF SCHEDULE FOR OPERATING HARBOUR MOBILE CRANE AT BERTHS I TO VI AND IX IN TUTICORIN PORT TRUST

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

(b). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship shore transfer.

(c). 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.

(d). The charges for coastal cargo vessels shall be denominated and collected in Indian rupee.

(ii). 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 where payment of charges in advance is prescribed as a condition in the scale of rates.

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

(iv). No claims for refund shall be entertained unless the amount refundable is Rs.100/- or more. Likewise, the terminal operator shall not raise supplementary bills for short collection, if the amount due to the terminal operator is less than Rs.100/-.

(v). (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.

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

2. CHARGES FOR HIRE OF HARBOUR MOBILE CRANES:

(I). For Dry Bulk Cargo

Average daily crane performance (in Metric Tonne)	Rate per tonne (in Rs.)	
	Foreign	**Coastal**
9500-10499	25.24	15.14
10500-11499	26.72	16.03
11500-12499	28.21	16.93
12500	29.69	17.81
12501-13500	31.17	18.70
13501-14500	32.65	19.59
14501 – 15500	34.13	20.48

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes and for the 2nd thousand tonnes the rate was enhanced to 110% of the base rate. The rate for third thousand tonnes was arrived by enhancing the base rate by 115%. The same methodology shall also be adopted to calculate the rate beyond 15500 tonnes. Likewise, ceiling rates for performance below 9500 tonnes shall be calculated by reducing the base rate accordingly.

(II). For Break-bulk cargo:

(A). Steel and Bagged Cargo

Average daily crane performance (in Metric tonne)	Ceiling rate per tonne (in Rs)	
	Foreign	**Coastal**
5000-5999	55.29	33.17
6000	58.20	34.92
6001-7000	61.11	36.67

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes. The same methodology shall also be adopted to calculate the rate beyond 7000 tonnes. Likewise, ceiling rates for performance below 5000 tonnes shall be calculated by reducing the base rate accordingly.

(B). Others

Average daily crane performance (in Metric tonne)	Ceiling rate per tonne (in Rs.)	
	Foreign	Coastal
2750-3749	88.51	53.11
3750	93.17	55.90
3751-4750	97.83	58.70

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes. The same methodology shall also be adopted to calculate the rate beyond 4750 tonnes. Likewise, ceiling rates for performance below 2750 tonnes shall be calculated by reducing the base rate accordingly.

Notes:

(i). The formula for calculation of average berth-day out put is as follows:

$$\frac{\text{Total Quantity loaded / unloaded by the HMC}}{\text{Total time taken from vessel commencement to completion}} \times 24 \text{ hours}$$

(ii). According to the average berth-day output for the vessel from commencement to completion of loading / discharge of cargo, the appropriate rate of crane hire charge will be chosen for recovery from port users for the full quantity of cargo loaded / discharged.

(iii). If one HMC works with another HMC or ELL crane/s, the Berth-day output for the crane will be ascertained on the basis of the quantity as recorded by the HMC's load meter.

(iv). In case of breakdown of the crane for more than one hour till the vessel leaves the berth, the quantity handled by HMC will be determined taking into account cargo loaded / discharged prior to break-down divided by crane working hours and multiplied by 24.

(v). In case of stoppages of operation of HMC for more than two hours at a stretch for reasons not attributable to the HMC, appropriate allowance will be allowed to the crane while calculating the total time of crane operation in the vessel. Stoppages of HMC for less than 2 hours will not be taken into consideration for the above purpose. No allowance will be allowed for stoppages attributable to the HMC. All stoppages in loading / unloading operations during working of HMC are required to be certified by the TPT Officers or any other agency nominated by the TPT in the daily vessel performance report.

(vi). In case shifting of a vessel becomes necessary due to breakdown / non-performance of HMC, the shifting charges of the vessel from berth to anchorage will be recovered from the crane operator in addition to a penalty of Rs.1,00,000/- (Rupees one lakh only). The shifting charges so recovered will be refunded to the vessel's agent while the penalty will be retained by the port.

(vii). In case of dispute on the average output, the decision of the port trust will be final and binding.

3. GENERAL NOTE TO SCHEDULE (2) 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 / RFQ APPLICANTS AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY

F. No.TAMP/16/2010-TPT - **Proposal from the Tuticorin Port Trust (TPT) for setting upfront tariff for the upgradation of mechanical handling infrastructure on Build, Own and Operate (BOO) basis.**

A summary of comments received from users / user organisations / RFQ applicants are summarised below:

<table>
<tr><th>Sl. No.</th><th>Comments of users</th></tr>
<tr><td>1.</td><td>Tuticorin Ship Agents' Association and Tuticorin Custom House Agents' Association</td></tr>
<tr><td></td><td>It has no comments to offer at present. If any, the same will be submitted at the time of joint hearing.</td></tr>
<tr><td>2.</td><td>Tuticorin Thermal Power Station</td></tr>
<tr><td></td><td>The comments have been submitted by the Tamil Nadu Electricity Board, Chennai.</td></tr>
<tr><td>3.</td><td>Tamil Nadu Electricity Board, Chennai</td></tr>
<tr><td></td><td>Tuticorin Port Trust has arrived at the tariff for both 140T Mobile crane and 100T mobile crane by fixing Return on Capital Employed (ROCE) @ 16% which is felt to be high. It is suggested that ROCE may be fixed @ 12%. Also, the tariff for coastal vessel is fixed at 60% of the tariff of foreign vessel. This may be fixed at 50%. The rates arrived at by TNEB by adopting the above is tabulated below:
<table>
<tr><th rowspan="2">Sl. No.</th><th rowspan="2">Description</th><th rowspan="2">Capacity in tonnes per day</th><th colspan="2">Rate for usage of crane (without grab) (Rs. per tonne)</th><th colspan="2">Rate for usage for Grab (Rs. per tonne)</th></tr>
<tr><th>Foreign</th><th>Coastal</th><th>Foreign</th><th>Coastal</th></tr>
<tr><td>1.</td><td>140T Harbour Mobile crane</td><td>14280</td><td>37.01</td><td>18.51</td><td>1.92</td><td>0.96</td></tr>
<tr><td>2.</td><td>100T Harbour Mobile crane</td><td>12500</td><td>34.59</td><td>17.29</td><td>1.92</td><td>0.96</td></tr>
</table></td></tr>
<tr><td>4.</td><td>The Indian Coastal Conference</td></tr>
<tr><td></td><td>No comments to offer.</td></tr>
<tr><td>5.</td><td>ABG-LDA Bulk Handling Pvt. Ltd.</td></tr>
<tr><td>(i).</td><td><u>Annexure: 1 – Sr. No. V II Estimated number of working hours per annum</u>-
Calculation made is based on 330 days, which is on stream days considered in a year; kindly note proposed cranes will be in operation only for a maximum of 256 days (365 days x 70% utilization factor) and not for 330 days.</td></tr>
<tr><td>(ii).</td><td><u>Chapter 3, Point 3.2-</u> The volume envisaged includes construction material and cement which in due course will shift to the Shallow Draught Berths.</td></tr>
<tr><td>(iii).</td><td><u>Chapter 6, Point 6.2, Chapter 7, Annexure – 1 & 2</u> – Grab hire charges, Handling capacity, etc. evaluated is based on the capital expenditure for one type of grab but the requirement is for 3 Nos. of grab with 3 different specification to handle different type of cargoes.</td></tr>
<tr><td>(iv).</td><td><u>Chapter 7-</u> The Annual handling capacity should be calculated based on the space available behind the existing berth and 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 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.</td></tr>
<tr><td>6.</td><td>M/s. SHV LPG INDIA PRIVATE LIMITED (formerly Caltex Gas India Private Limited)</td></tr>
<tr><td></td><td>They do not have comment to offer.</td></tr>
</table>

2.1. A joint hearing in this case was held on 30 June 2010 at the Tuticorin Port Trust (TPT). 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 the following submissions:

Tuticorin Port Trust

(i). The project involves provision of 2 numbers of MHCs.

(ii). Port will provide electricity, water and grab to MHC operator on hire on chargeable basis.

(iii). The crane will operate in 5 berths. Higher utilisation is possible. Therefore, we have proposed higher utilisation of 85%.

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

(i). Number of working days should be considered at 70% and not 330 days.

(ii). The operator would need 3 different types of grab to handle different cargoes.

(iii). When stoppages occur due to reasons not attributable to the operator, then the tariff should not be reduced for performance.

(iv). No MHC, either in India or Foreign country, can do more than 2.5 Million Tonnes Per Annum. The productivity of 14000 Tonnes / day assumed is very high and unrealistic.

Tamil Nadu Electricity Board

(i). ROCE of 16% is high. Please reduce to 12%.

(ii). Coastal concession allowed is high. Please allow only 20%.

2.2. As decided at the joint hearing, M/s.ABG-LDA Bulk Handling Pvt. Ltd. was advised to furnish its 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. M/s.ABG-LDA Bulk Handling Pvt. Ltd. has furnished its comments to TPT. The TPT has furnished its response on the comments of M/s.ABG-LDA Bulk Handling Pvt. Ltd. A summary of the comments received from M/s.ABG-LDA Bulk Handling Pvt. Ltd. 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).	<u>Annexure: 1 – Sr. No. V II Estimated number of working hours per annum</u>- Calculation made is based on 330 days, which is on stream days considered in a year; kindly note proposed cranes will be in operation only for a maximum of 256 days (365 days x 70% utilization factor) and not for 330 days.	Number of working days per annum is considered as 330 days taking into account the day lost due to repair and maintenance, monsoon and National Holidays.
(ii).	<u>Chapter 3, Point 3.2-</u> The volume envisaged includes construction material and cement, which in due course will shift to the Shallow Draught Berths.	The volume projected for the proposed mechanical handling infrastructure is based on the business plan study covering berth No. I to VI and Berth No.IX, is reduced by the tonnage handled by the existing Cargo handled by Wharf Cranes in I to IV berths. Hence the question of shifting of construction materials to Shallow Draught Berths has already been given weightage in the calculation.
(iii).	<u>Chapter 6, Point 6.2, Chapter 7, Annexure – 1 & 2</u> – Grab hire charges, Handling capacity, etc.	The handling equipments are intended to operate at Berth No. I to VI and IX covering Bulk and Break Bulk commodities. Cargo

	evaluated is based on the capital expenditure for one type of grab, but since the project envisages handling of different types of cargoes each having a different density, it would be necessary to deploy 3 Nos. of grab with 3 different specification. It is requested that the Capex of the project be accordingly revised to take into account eh cost of these grabs.	wise handling in respect of equipments to be deployed is out side the purview of the tariff fixation considering the uncertainty regarding the cargo composition in the Berth. The study requires one grab per crane and the Port foresee no difference in handling rate due to difference in density. Hence there is no need for revising the charges of the grabs
(iv).	<u>Chapter 7-</u> The annual handling capacity should be calculated based on the space available behind the existing berth and 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 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.	The equipments proposed are with reference to the specification for handling the required capacity etc. and the space available at the existing Berth and the rate of evacuation is out side the purview of fixing upfront tariff.
(v).	<u>Chapter 2 -</u> The proposed tariff is linked to the performance of the MHC's, the current TAMP proposal states that the stoppage of HMC's, beyond the control of operator, of less than 2 hrs will not be taken into consideration while calculating the performance of the HMC's, whilst the revenue of the HMC operator is depended on the performance of the HMC's 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 penalize for inefficiencies of others.	The terms and conditions of the proposed scale of rates for mechanical handling equipments vide note (vi) below, the schedule of scale of rates provide for allowance in the case of stoppage of operation for more than 2 hours for reasons not attributable to the HMC. No allowance will be allowed for stoppage attributable to harbour mobile cranes. Hence interest of the operator is already taken care of.
(vi).	<u>Chapter 2 –</u> The current proposal also states that the operations of the HMC's 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.	Regarding the roll of stevedore and operator to certify the operations of HMC, it is stated that sl.no.(viii) of notes provide for intervention of Port and decision of Port Trust will be final and in case of dispute, Port Trust is the authority whose decision is final.
(vii).	<u>Chapter 2 -</u> 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.	Note-(vi) Takes care of requirements to calculate total time of the crane operation.

<table>
<tr><td>(viii).</td><td>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.</td><td>The life period of 20 years is based on manufacture's specification.</td></tr>
<tr><td>(ix).</td><td>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 whether the HMC operator handles foreign going or coastal cargo, his Capex and expenses remain the same.</td><td>The concession for coastal cargo is based on government guidelines. Hence no change is possible.</td></tr>
<tr><td>(x).</td><td>The diesel rates have been revised and are upward of Rs.40 / Lts. whereas the rate of Rs.35/LTs. is considered in the proposal.</td><td>The revised rates in respect of the fuel will be properly considered while notifying the rates.</td></tr>
<tr><td>(xi).</td><td>In the proposal, an average handling capacity of 14280 TPD is considered. While this figure may be achievable on certain days, the average TPD capacity of a HMC over a period of 1 year is in best case situation about 12500 TPD. The reasons for this, among others, are Poor Evacuation, Hold Cleaning, Weather, Hold Shifting, Vessel Order, etc. the maximum theoretical capacity of a HMC is thus 3.19 MMTA. In practice globally the average volume handled by HMC is around 2.5 MMTA.</td><td>The handling capacity of 14,280 tonnes for TPT is based after considering manufacturer’s specification and Port's data about handling. Hence there is no change in the same.</td></tr>
<tr><td>(xii).</td><td>We also submit that the tariffs for the comparable services in various part of the world are as below:

<table><tr><th>Region</th><th>Rate / MT</th></tr><tr><td>Europe</td><td>~ 4-5 USD</td></tr><tr><td>Middle East</td><td>~ 2.5-3 USD</td></tr><tr><td>Asia</td><td>~ 3.5-4 USD</td></tr></table>
We also submit that the Capex for deploying this equipment in India is higher on account of freight charges and import duty. Repair and Maintenance charges are also higher because of the same reasons and additionally the requirement to bring in Expat service engineers for maintenance. The fuel cost in India is comparable if not higher than the above regions. In this era of globalization and increased foreign competition it is, natural to expect that TAMP will fix tariffs that do not put Indian operators at a disadvantage vis-à-vis foreign operators.</td><td>Comparative rates in respect of other Ports are not relevant. Since the tariff is based on upfront tariff guidelines notified by the Authority, no deviations is possible.</td></tr>
</table>

******