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Tariff Authority for Major Ports

G No. 326 **New Delhi,** **17 December 2013**

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 Chennai Port Trust for notification of Reference Tariff for proposed project of Supply of Mobile Harbour Cranes and other cargo handling equipments at Chennai Port Trust under PPP mode on BOO basis under the revised guidelines for determination of Tariff for projects at Major Ports, 2013, which were notified vide Notification No.TAMP/18/2013-Misc. dated 30 September 2013 vide Gazette No. 254, as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/45/2013-CHPT

Chennai Port Trust - - - **Applicant**

QUORUM:

(i). Shri. T.S. Balasubramanian, Member (Finance)
(ii). Shri C.B. Singh, Member (Economic)

O R D E R
(Passed on this 29th day of November 2013)

This case relates to a proposal from the Chennai Port Trust (CHPT) for notification of Reference Tariff for proposed project of Supply of Mobile Harbour Cranes and other cargo handling equipments at the CHPT under PPP mode on BOO basis under the guidelines for determination of Tariff for projects at Major Ports, 2013.

2.1. The CHPT vide its letter dated 3 September 2013 had filed a proposal for notification of Reference Tariff for the Mobile Harbour Cranes and other cargo handling equipments at Chennai Port under the 2013 guidelines.

2.2. However, the proposal of CHPT to seek approval of Reference tariff was a combination of upfront tariff approved under 2008 guidelines for MHC, capacity being determined under 2005 guidelines for Floating crane and relying upon the past experience of the port for some of the other equipment. Since, the 2013 Guidelines do not provide to adopt the approach as proposed by the port, the proposal was returned to the CHPT and the CHPT was requested vide our letter dated 17 September 2013 to have a relook at its proposal and consider filing a revised proposal adopting the principles and the norms of the 2008 guidelines for the complete fleet of equipment.

3.1. In this backdrop, the CHPT under cover of its letter dated 05 October 2013 filed a proposal for the “Supply, Maintenance and Operation of Harbour Mobile Cranes and other cargo handling equipment in Chennai Port on PPP mode under Build Own and Operate basis”.

3.2. On perusing the CHPT proposal dated 5 October 2013, it was seen that the CHPT had not furnished the list of users / short listed bidders or prospective applicants to be consulted. Further, the CHPT had also not furnished the soft copy of its proposal dated 5 October 2013.

3.3. In the absence of details of the list of users / short listed bidders or prospective applicants to be consulted, the proposal of CHPT could not be taken up on consultation with relevant stakeholders. We had, therefore, requested the CHPT vide our letter dated 9 October 2013 to furnish the list of users / shortlisted bidders or prospective applicants to be consulted with contact details to enable us to proceed further in the matter. The CHPT was also requested to furnish the soft copy of the proposal. Further, the CHPT was also intimated that its proposal would be taken up for further processing only after the receipt of the requisite details from CHPT.

4. The CHPT under cover of its email dated 10 October 2013 furnished the soft copy of its proposal. The CHPT also furnished under cover of its letter dated 10 October 2013 the list of prospective applicants, who have participated in the Pre-Proposal Conference held for the project in reference

5.1. On going through the hard copy of the CHPT proposal dated 5 October 2013 and the soft copy of the proposal furnished by the CHPT vide its email dated 10 October 2013, it was found that there is difference between the hard form of the proposal (letter dated 05 October 2013) and soft form of the proposal (e-mail dated 10 October 2013). In other words, the hard form and soft form of the proposal were entirely different.

5.2. In view of this, we had vide our letter dated 15 October 2013 requested the CHPT to confirm, as to which proposal has to be taken up on consultation, by this Authority.

5.3. In response, the CHPT vide its e-mail dated 17 October 2013 requested to ignore its proposal dated 05 October 2013 and forwarded the tariff proposal dated 10 October 2013 for consideration followed by its e-mail dated 21 October 2013 forwarding the feasibility report and draft Scale of Rates.

6. The main points made by the CHPT in its proposal dated 17 October 2013 and 21 October 2013 are summarized below:

(i). The CHPT has proposed to award the project for Supply of Mobile Harbour Cranes and other cargo handling equipments at Chennai Port under PPP mode on BOO basis.

(ii). Cargo to be handled at the facility

The cargo to be handled includes dry bulk cargo (including fertilizers), steel and bagged cargo and break bulk cargo. The different cargoes categorized as dry bulk include lime stone, dolomite, barites, gypsum, food grains such as wheat in bulk, etc. These would be handled using a hopper. The current levels of the above cargo types handled and the projections are based on the most likely scenario made by the technical consultant for the years starting from financial year 2016 to financial year 2024. The cargo projected at the berths for the year 2015-16 is 10.8 million tonnes and 16.33 million tonnes for 2023-24.

(iii). Berths to be provided for cargo handling

The port is of the view that the equipment profile needs to be determined by the load bearing capacity at the berths. At Chennai port, the load bearing capacity varies from 3 t/sqm to 6 t/sqm. However, the equipment available in the market are with a uniform quay load of 2 t/sqm. Hence, the port is of the view that the profile of the cranes is unlikely to be impacted by the load bearing capacity of the berths. The following table provides the brief details regarding the load bearing capacity at these berths.

Berth	**Load bearing capacity in tons/sqn**
NQ	3 t/sqm
WQ I, II, III & IV & CB	6 t/sqm
SQ I & II	3 t/sqm
JD I & III	5 t/sqm
JD V	3 t/sqm

The outreach capacity of the cranes is determined by the capacities of the vessel. The range of vessel sizes handled by the port in the year 2012-13 is given below:

Berth group	**DWT of the vessel**					
	Upto 10,000	**10,001 to 20,000**	**20,001 to 30,000**	**30,001 to 40,000**	**40,001 to 50,000**	**50,001 to 80,000**
NQ, WQ I to IV & CB	138	171	79	14	9	4
SQ I & II and JD west berths	45	96	25	24	21	42

(iv). Proposed scope of work and equipments to be provided by the developer

(a). The PPP operator will handle the dry bulk cargo, steel and bagged cargo and other break bulk cargo on shore by receiving it on dumpers & moving the cargo to the plots within port, besides the ship to shore operation. Based on the cargo projection, the gross number of Harbour Mobile

Cranes (HMC) required for the project is six numbers each with 100 ton capacity. However, Chennai Port has decided that the BOO operator has to acquire the cranes listed in the next paragraph at an upfront pre-determined price. Therefore, the cost of acquisition of these cranes would be part of the project cost for the BOO operator.

(b). As per the feasibility report provided by the technical consultant, the crane Thangam may be substituted for one 100 ton crane and the six ELL cranes together may be substituted for one 100 ton crane for the purpose of capacity. Hence, the net requirement of HMCs for the project is estimated at four. The following are the equipments required for the project for handling of different cargo at the shore based on the likely estimates of traffic at the port. The quantum and technical specifications as provided by the technical consultant is shown below:

Equipment to perform operation between ship and shore and bulk handling operation on shore	4 nos Harbour Mobile Crane 6 nos of ELL wharf cranes (operator to acquire these cranes from Chennai Port at predetermined cost) 1 no of Thangam Crane (150 tons capacity) (operator to acquire from Chennai Port at predetermined cost) 6 nos. Hoppers of 35 tons capacity each and 45 nos. of Dumpers of 25 tons capacity each 3 nos. of Front end loaders of 5 cubic meters capacity each

These equipments may be maintained as a common pool and deployed at North, West quay berths and at South and Jawahar Dock berths based on the requirements. The technical specifications for the equipments are as follows:

(i).	**Harbour Mobile Cranes - Technical specifications :**	
	Lifting Capacity	Upper limit 100 Tons and lower limit 34 Tons.
	Max. Out-reach	Not less than 32 mtrs. and not more than 48 mtrs.
	Minimum Out-reach	Not less than 11 mtrs and not more than 12 mtrs.
	Tower cab height (Operator eye level)	Not less than 21 mtrs.
	Handling compatibility	Dry bulk, steel, bagged and other break bulk cargo
	Working speeds	Hosting/ lowering : 0 to 60 mtrs/min Slewing : 0 to 1.5 rpm Luffing : 0 to 40 mtrs/min Travelling : 0 to 5 kmph
(ii).	**Design of the equipment**	The self propelled Rubber Tyred Mobile Harbour Crane with crane control and crane management system (Integrated monitoring system) shall be designed and built to incorporate the latest technological features in "large crane" engineering using most advanced CAD/CAE design, engineering and calculation technology. The design shall be as per the relevant standards, to suit the local site conditions and to meet the requirement likely to occur in actual operations for the following:

		• Bulk handling by grab • Handling of heavy items like project cargo
(iii).	**Floating Crane – Thangam**	• Capacity – 150 tons • LOA – 55 m • Width: 22.4 m • Speed: 6 knots at 60% MCR • Electric Crane installed twin screw conventional propulsion with bow thrustor
(iv).	**Electrical Level Luffing Cranes**	• Capacity – 15 tons • Four rope grabbing system
(v).	**DUMPERS:**	Peak carrying capacity – 25 tons
(vi).	**FRONT END LOADERS/PAY-LOADER**	• Capacity: 4 to 5 cu. Meters Bucket capacity • Engine having not less than 200 HP having twin turbine transmission and full power steering • Heavy duty axels feature hardened gears. • Load sensing hydraulic. • Additional attachment for timber logs, pipes

(v). For the purpose of cargo handling, the technical consultants have proposed the equipments as given below:

S. No.	Equipment	No. of Equipments	Comment
1	Harbour Mobile Crane with Grab	6	6 Harbour mobile cranes has been indicated by considering FC Thangam as equivalent to 1 HMC, 6 ELL cranes as equivalent to 1 HMC and 4 HMCs.
2	Hoppers	6	
3	Dumpers	45	
4	Payloaders	2	

(vi). **Optimal Yard Capacity**:

(a). The 2008 guidelines for tariff determination for multipurpose berth suggest that the capacity be divided between the different types of cargo as the efficiency of the crane is different for different types of cargo. Under this proposal; it has been assumed that the capacity of the crane is the capacity of the overall system i.e. the other equipments such as dumpers and payloaders would be utilised based on the capacity of cranes. The operating efficiency is considered equal for loading and unloading operation.

(b). As mentioned earlier, the current project proposes use of four 100 ton harbour mobile cranes. The technical consultant, in its report has suggested that the Floating Crane Thangam (150 ton capacity) be compared equivalent to that of a 100 ton harbour mobile crane. However, the crane cannot be used for handling dry bulk cargo due to operational restrictions. On the other hand, the consultant also suggested that the six ELL cranes of 15 ton capacity each can also be considered equivalent to a 100 ton HMC and these can be used for handling all types of cargo considered viz. Dry bulk, steel and break bulk cargo. Hence, for the purpose of computation of optimal capacity, the CHPT has assumed the usage of cranes as given below:

Cargo	No of Cranes	Remarks
Dry Bulk	5 HMC	Thangam crane would not be able to handle this cargo and hence not considered while ELL cranes are considered.
Steel & Break Bulk	6 HMC	Thangam and ELL cranes would be able to handle this cargo and hence considered.

(vii). **Productivity of ELL (Wharf cranes) and F.C.THANGAM**

(a). For developing the norm for the productivity levels for the 15 ton wharf cranes and 150 ton F.C. Thangam, the past data will not be of much use as the deployment pattern will undergo greater changes when they are put into operation by the private PPP operator. For example, the utilization of the crane in the past period indicates that the cranes were hardly put into use which may not be the case when deployed for work by the PPP operator. Similarly, the F.C. Thangam could also be deployed for normal cargo handling work instead of deploying for only heavy lifts. The norms for the productivity of the wharf cranes and F.C. Thangam have been derived taking these factors into consideration.

(b). In the earlier section, it was indicated that the six numbers 15 tons capacity wharf cranes would be equated with one harbour mobile crane. This would mean that the productivity of the six cranes should match the productivity achieved by one HMC. The productivity of a HMC is 12,500 tons, 6000 tons and 3750 tons per day for handling bulk, steel and bagged, and other cargos respectively as per the norms adopted by TAMP. Applying this yard stick, the productivity of on wharf crane is to be reckoned as 2100 tons, 1000 tons and 625 tons per day respectively for handling bulk, steel and bagged and other cargos.

(c). In respect of F.C. Thangam, it is being considered equivalent to one HMC. However it is to be noted that this floating crane cannot be deployed for handling bulk cargos due to the operational restrictions. It can be deployed for handling steel and bagged and the other cargos. The productivity of this crane has to be the same as that of the HMC. Hence the productivity is 6000 tons and 3750 tons respectively for handling steel and bagged cargo and the other cargos.

(d). The table given below shows the computation of optimal capacity of the system.

Cargo Types (i)	**Cargo Share (in %)** (ii)	**Handling Rate or Shipday output (Tonnes/day) - Assumed at 70% efficiency** (iii)	**Handling Rate in tonnes per hour at 100% efficiency – (Handling Rate/24 hours/70%)** (iv)	**Normative working hours per annum - TAMP Guidelines** (v)	**No of Cranes deployable** (vi)	**Allocated Capacity (Tonnes) - ((ii) x (iv) x (v) x (vi))**
Dry Bulk (Including Food Grains and Fertilizer)	69%	12500	744	4000	5	10,267,200
Steel and Bagged Cargo	14%	6000	357	4000	6	1,199,520
Other Break Bulk	17%	3750	223	4000	6	909,840
Total Optimal Capacity (Tonnes)						**12,376,560**

It is noteworthy to mention here that the share of different types of cargo estimated to be handled at the berth shown in column 2 of the above table is based on the percentage share of these cargoes handled at Chennai Port during the year 2012-13. An extract from the feasibility report containing the cargo handled for the year 2012-13 is shown in the table below. It may be observed that the percentage share of cargoes is the same as that used in the above table.

Type of cargoes handled in 2012-13 at Chennai Port

Cargo type	Traffic for 2012-13	Traffic share
Dry Bulk and Fertilizer	62,43,000	69%
Iron and Steel	12,92, 000	14%
Other Bulk cargoes	14,71,000	17%
Total	90,12,243	100%

The handling rate considered for a HMC for handling each of the types of cargo is as approved by TAMP in case of the tariff order for "Upgradation of Mechanical handling infrastructure in Tuticorin Port" vide notification no. G-201 dated 12th August 2012. A similar methodology was considered appropriate for this project as well. TAMP had considered a norm of 4000 working hours per annum. Hence, these daily capacities at 70% handling efficiency were converted to hourly handling rate at 100% efficiency levels. The reduction in efficiency levels were subsequently factored in while considering overall capacity at only 4000 working hours per annum. Based on these calculations, the overall capacity of the system was calculated as 12.325 million tonnes. The same has been shown in the table above.

(viii). **Capital cost**:

The capital cost for the project has been worked out by the technical consultant based on current estimates and prevailing rates. The capital cost for the project are given below:

Capital Cost	**₹ in Lakh**
Harbour Mobile Cranes (100T) – 4 nos	10,328
Hoppers (Tyre Mounted)-35T – 6 nos	120
Dumpers (20 T) – 45 nos.	1,395
Front End Loaders - 5 cu. m – 3 nos	210
ELL Crane (15 ton) - 6 nos	1,556
FC Thangam (150 ton) – 1 no.	1,801
Contingency	603
Misc Cost	801
Total	**16,814**

The cost for new equipments viz. HMC, hoppers, dumpers and front end loaders have been provided based on current estimates. The cost of cranes owned by Chennai Port viz. FC Thangam and ELL cranes have been considered based on Written Down Value of the cranes. Miscellaneous cost of 5% has been assumed as per TAMP guidelines.

(ix). **Operating cost:**

(a). The operating cost for the project has been worked out on the basis of TAMP guidelines wherever possible. For instance, the fuel requirement for HMC has been assumed based on a norm of 70 litres per hour per 100 ton HMC. This normative value was approved by TAMP in case of the tariff order for Tuticorin Port referred to earlier. It is noteworthy to mention here that there is no norm available for fuel requirement of dumpers and payloaders. Hence, the same was obtained through past experience at Chennai Port and the levels currently observed by existing stevedores.

(b). With respect to expenditure on heads such as maintenance, insurance and general expenses, the norms suggested by TAMP as shown in column 2 of the table below have been assumed. For the purpose of depreciation, the TAMP guidelines suggest that the provisions of Companies Act be considered. The provisions as per the Companies Act 2013 (ref Schedule II of section 123) suggest that the useful life of heavy lift equipments be considered as 20 years. This translates to a depreciation rate of 5% per annum. However, the Act also suggests that the depreciation rate be increased by 100% of existing rate in case of a three shift operation. This would mean that the depreciation rate of 5% gets doubled to 10%. For the purpose of depreciation, a value of 10% of capital cost has been assumed.

(c). The operating cost considered for the purpose of this proposal are given below:

Dry bulk cargo (including fertilizer)

Operating Cost	Norm	No. of equip-ments	Working hours per annum	Unit Rate (Rs.)	Total Cost - Working	Total Cost (Rs. Lakh)
Fuel - for Crane	70 litres/ hour/crane	5 (5cranes with allocated capacity of 69%)	4000	55	70 litres per hour per crane x 5 cranes x ₹ 55 per litre x 4000 hours per annum x 69%	531
Fuel-Dumper	20 litres/ hour/ dumper	45	4000	55	20 litres per hour per dumper x 45 dumpers x ₹55 per litre x 4000 hours per annum	1980
Fuel-Payloader	10 litres/ hour/ payloader	3	4000	55	10 litres per hour per payloader x 3 payloaders x ₹ 55 per litre x 4000 hours per annum	66
Maintenance	5% of Capital Cost	-	-	-	5% x 10894 lakh	545
Insurance	1% of Capital Cost	-	-	-	1% x 10894 lakh	109
Depreciation	10% of Capital Cost	-	-	-	10% x 10894 lakh	1089
Other expenses		-	-	-	5% x 10894 lakh	545
License fee	₹ 4633 per 100 sq.m per month	-	-	-	4633 x 2940/100 x 12	17
Total Operating Cost						**4882**

Steel, bagged and other break bulk cargo

Operating Cost	Norm	No. of equip-ments	Working hours per annum	Unit Rate (₹)	Total Cost - Working	Total Cost (₹ Lakh)
Fuel - for 5 HMC and equivalent cranes (4 HMC and 1 HMC equivalent (6 ELL cranes considered equivalent to 1 HMC)	70 litres/ hour/crane	5 (5 cranes with allocated capacity of 31%)	4000	55	70 litres per hour per crane x 5 cranes x Rs. 55 per litre x 4000 hours per annum x 31%	239
Fuel - for 1 HMC equivalent crane (FC Thangam considered as equivalent to 1 HMC)	70 litres/ hour/crane	1 crane with allocated capacity of 100%	4000	55	70 litres per hour per crane x 1 crane x Rs. 55 per litre x 4000 hours per annum	154
Maintenance	5% of Allocated Capital Cost	-	-	-	5% x 5920 lakh	296
Insurance	1% of Allocated Capital Cost	-	-	-	1% x 5920 lakh	59
Depreciation	10% of Allocated Capital Cost	-	-	-	10% x 5920 lakh	592

License Fee	₹ 4633 per 100 sq. m per month or part thereof	-	-	-	4633 x 920 sq.m./100 x 12	6
Other expenses		-	-	-	5% x 5920 lakh	296
Total Operating Cost						**1642**

(x). The Annual Revenue Requirement has been estimated as follows:

	Particulars	**Dry bulk cargo (including fertilizer) ₹ Lakh**	**Steel, bagged and other break bulk cargo (₹ Lakh)**
1	Total Operating Cost	4882	1642
2	16% ROCE	1743	947
	Annual Revenue Requirement	**6625**	**2589**

(xi). The segregation of annual revenue requirement is given below:

Tariff Group	**% share**	**Annual Revenue Requirement (₹ lakh) For dry bulk cargo**	**Annual Revenue Requirement (₹ Lakh) For steel, bagged and other break bulk cargo (₹ Lakh)**
Cargo handling charges	95%	6,294	2,459
Miscellaneous Charges	5%	331	130
Total		**6,625**	**2,589**

(xii). The rates proposed by the CHPT are as follows:

(a). Dry bulk (including Fertilizer)

Dry Bulk (Including Food Grains and Fertilizer)	**Foreign (₹ Per tonne)**	**Coastal (₹ Per tonne)**
Handling Charges	66.63	39.98
Miscellaneous charges	3.51	2.10

(b). Steel and Bagged cargo

Steel and Bagged Cargo	**Foreign (Rs. Per tonne)**	**Coastal (Rs. Per tonne)**
Handling Charges	100.64	60.38
Miscellaneous charges	5.30	3.18

(c). break bulk cargo

Other Break Bulk	**Foreign (₹ Per tonne)**	**Coastal (₹ Per tonne)**
Handling Charges	161.11	96.66
Miscellaneous charges	8.48	5.09

7.1. In accordance with the consultative procedure prescribed, the CHPT proposal dated 17 October 2013 and 21 October 2013 were forwarded to the users / user organisations and prospective applicants (as per the list provided by the CHPT) vide our letter dated 22 October 2013 seeking their comments by 1 November 2012. The users were informed that no further extension will be granted to respond and if no comments are received from them, it may be presumed that they have no comments to offer. The comments received from M/s. IMC Limited were forwarded to the CHPT as feedback information. The CHPT has not responded to the comments of IMC.

7.2. The comments received from ICC Shipping Association were forwarded to the CHPT as feedback information. The CHPT has responded vide its letter dated 18 November 2013.

7.3. One of the users organisation viz., engineering Export Promotion council (EEPC) vide its e-mail dated 31 October 2013 has made their submissions. The submissions made by the EEPC were not found relevant to the proposal of CHPT in reference. However, the comments of EEPC were forwarded to CHPT for appropriate action at their end.

8. Based on a preliminary scrutiny of the proposal, the CHPT was requested to furnish additional information/ clarifications on various points vide our letter dated 30 October 2013. The CHPT vide its letter dated 18 November 2013 has responded to our queries. A summary of the queries raised by us and the response of CHPT thereon are tabulated here below:

Sl. No.	**Queries raised by us**	**Reply received from CHPT**
I.	**<u>Optimal Capacity:</u>**	
(i).	The CHPT has stated to have relied upon the cargo mix of Dry bulk & Fertiliser, Iron & Steel and Other Bulk Cargo at 69%, 14% and 17% respectively, based on the cargo mix that prevailed during the year 2012-13. In this regard, the CHPT to consider the average of the cargo mix that prevailed during the last three years at CHPT viz., 2010-11 to 2012-13, as it may reflect a fair picture of the cargo mix at CHPT.	We believe that in the last 3 years, there has been significant change in the profile of cargo handled at the port. Hence, use of average value would not be a representative sample in calculation of allocated capacity. Instead, the more recent values pertaining to the year 2012-13 would provide a fair picture of the actual cargo distribution foreseen at the facility.
(ii).	While fixing the upfront tariff for the barge handling jetty at Tuna at Kandla Port Trust (KPT), a handling rate of dry bulk cargo, steel and other cargo have been considered at 22776 tonnes/ day, 12144 tonnes/ day and 7584 tonnes/ day respectively for the deployment of a Floating crane. The said Order has been hosted in the website of TAMP. The CHPT to review its optimal capacity by considering the said productivity parameters in its calculation, since the Floating crane has been treated as equivalent to HMC by the CHPT in its capacity calculation.	The barge handling facility at Tuna referred in which there is a Floating crane cannot be compared with the use of floating crane in this project. The reason attributable is that the Tuna project involves use of dump barge along with the Floating crane whereas the instant project proposes use of Floating Crane as standalone equipment. Notwithstanding, the Floating Crane in Chennai Port has handled only 6681 tonnes in the year 2012-13. In this regard, the assumptions made in the proposal with regard to the capacity of the Floating crane may be retained.
II.	**<u>Capital Cost:</u>**	
(i).	As per the traffic projections furnished by the CHPT, the facility would be handling about 11 million tonnes of Dry bulk & Fertiliser, Iron & Steel and Other Bulk Cargo during the year 2015-16 and would gradually handle upto 14 million tonnes by the year 2018-19. In such a scenario, the reason for proposing deployment of fleet of equipment, which has an optimal capacity to handle only about 12.5 million tonnes is not clear. The CHPT to clarify the position.	The traffic projection for the project is the expected tonnage at the facility. If the traffic exceeds the capacity and the BOO operator is able to utilize the equipments at more than optimal levels, he can handle traffic more than the optimal capacity. The traffic is projected to reach optimal capacity in the year 2018-19 i.e. the traffic estimate for the year 2017-18 in 12.2 million tonnes and for the year 2018-19, it is 12.98 million tonnes. In the event of the traffic exceeding capacity, Chennai port can take an appropriate decision at that

		point in time to augment the capacity suitably.
(ii).	In the proposal, the CHPT has stated that 45 nos. of dumpers, 3 nos. of front end loaders and 6 nos. of Hoppers would be utilised based on the capacity of the cranes. In this regard, the CHPT to furnish an analysis supported with workings to justify the number of each of the above type of equipment envisaged to be used at the facility to handle Dry bulk & Fertiliser, Iron & Steel and Other Bulk Cargo, showing that given the productivity of each type of the equipment, the quantity of different equipment commensurate with the quantity of each type of cargo estimated to be handled.	Section 5.4.2 of the feasibility report submitted along with the proposal reads as follows: *The bulk cargo received in the hoppers will be discharged into the dumpers of 25 tons capacity and moved to the storage yards within the port premises. Taking into consideration the total bulk cargo to be handled in a year, the capacity of the dumpers and the lead distance to the storage yard from the berths, 45 numbers of dumpers of same capacity is proposed. For cargo aggregation that spills on the wharf and for other miscellaneous purposes that arise out of operation, three number of front end loaders of 5 cubic meters capacity is recommended.* The same was considered in the preparation of the tariff proposal.
(iii).	The CHPT to furnish documentary evidence in support of the cost of the proposed equipment like HMCs, Hoppers, Dumpers, Front End Loaders. Also, furnish workings to determine the cost of the said equipment as considered by CHPT in its calculations.	The CHPT has provided the Proforma invoice collected for arriving at the costs of equipments.
(iv).	The CHPT to furnish the relevant extract of the Asset Register reflecting the written down value of the FC Thangam and 6 nos. of ELL cranes, as considered by the CHPT in its capital cost estimation.	The CHPT has furnished the details of Asset register containing the WDV of Floating Crane and ELL cranes.
(v).	The basis to consider contingencies at about 5% of the capital cost (excluding the cost of FC Thangam and ELL cranes) to be explained.	Contingency is provided for establishment of workshop and other unanticipated expenditure that may come up at the time of execution. Contingency was not considered for expenditure pertaining to the cost of FC Thangam and ELL cranes as the BOO operator is expected to acquire these assets by paying the written down value of these assets. The written down value is already determined and there is no uncertainty in this regard. Hence, these were excluded for the purpose of calculation of contingency.
III.	**<u>Operating Costs:</u>**	
(i).	The basis for considering the fuel consumption of 20 litres per hour per dumper to be justified, given that while fixing upfront tariff for the multipurpose berth at Kolkata Port Trust (KOPT), a fuel consumption of about 4 litres per hour per dumper has been considered.	The fuel requirement for dumpers has been ascertained based on discussions with stakeholders after providing them the current project configuration and the work to be performed using the dumpers. Hence, comparison of the same with the assumptions made in case of Kolkata Port multipurpose berth may not be appropriate.

(ii).	The basis for considering the fuel consumption of 10 litres per hour per front end loader to be justified.	The fuel requirement for front end loaders has been ascertained based on discussions with stakeholders after providing them the current project configuration and the work to be performed by the payloaders.
(iii).	The CHPT has considered the 6 nos. of ELL cranes as equivalent to 1 no. of 100 tonne HMC while determining the optimal capacity. The Written down value of the 6 nos. of ELL cranes have been captured in the capital cost estimation. However, the reason for not estimating the power cost for operation of ELL cranes and instead considering fuel consumption as applicable for operation of HMC is not clear, given that the 2008 upfront guidelines stipulate the power consumption norm for the ELL cranes. The CHPT to revise the operating cost estimation in this regard. While doing so, the documentary evidence in support of per unit cost of electricity considered by the CHPT for operation of ELL cranes in its calculation also to be furnished.	The operating cost has been reworked on the basis of suggestions provided by TAMP and the revised proposal submitted.
(iv).	Similarly, the CHPT has considered 1 no. of Floating crane as equivalent to 1 no. of HMC while determining the optimal capacity. Accordingly, it has considered the fuel consumption as applicable for HMC as fuel consumption for the Floating crane also. In this regard, it is relevant to mention here that as stated earlier, at the barge handling jetty of Tuna at KPT, deployment of Floating crane has been envisaged. In the said case, a fuel consumption of 96 litres per hour during working hours and 12 litres per hour during idle hours respectively has been considered. The details in this regard are available in the Order of KPT. The CHPT to review the fuel consumption of the Floating crane.	The Floating Crane in case of the Tuna OBT in Kandla is operating in tandem with a dump barge. However, in case of Chennai Port, the Floating Crane would be used in existing conditions. Hence, the mode of operation for the Floating crane in Tuna project and the current project are not comparable. This is the reason for not considering the Floating Crane for handling dry bulk cargo. Hence, the assumptions provided for floating crane as part of the proposal has been retained.
(v).	The CHPT has indicated the licence fee as ₹4633/- per 100 sq. m per month. In this regard, the CHPT to furnish the basis for considering the said rate by giving reference to its Scale of Rates and supported by necessary workings.	The License fee is based on the prevailing scale of rates of Chennai Port Trust.
IV.	**Scale of Rates:**	
(i).	The CHPT in its proposal has stated that the rate proposed in respect of dry bulk cargo is a composite rate for movement of cargo from ship to shore and from shore to yard incase of import cycle and vice versa in respect of export cycle. Similarly, the CHPT has also stated that in respect of all cargo other than dry bulk cargo, the proposed rate is towards handling from ship to shore incase of import cycle and vice versa in respect of export cycle. A suitable note in this regard to be prescribed in the tariff schedule clearly listing out the various services that would be	The tariffs have been proposed in the Scale of Rates schedule provided in the annexure to the tariff proposal. The description of the services pertaining to the tariffs have been provided in the tariff schedule appended to the revised tariff proposal.

	rendered in respect of the each of the cargo category.	
(ii).	Given that the CHPT has not proposed any performance linked handling rates, the reason for proposing conditionalities which are relevant only when performance linked tariff are prescribed, is not clear. The CHPT to explain the relevance of proposing the conditionalities governing the performance linked handling rates.	The CHPT has furnished the Performance standards for handling of each cargo, annexed to the revised tariff proposal.
(iii).	The list of services covered by the levy of miscellaneous charges also to be prescribed.	The list of services to be provided under the head miscellaneous services has been included in the schedule containing the scale of rates.
(iv).	The CHPT has proposed a General note to Schedule (2) that 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 2013 and 1 January of the relevant year. In this context, the CHPT to confirm that the capital cost and operating cost estimates considered by the port are as prevailing during the year 2013.	The capital and operating costs as indicated in the proposal are based on current estimates. Hence, the escalation proposed in the tariff proposal in line with the guidelines has been retained.
(v).	Clause 2.15. of the tariff guidelines of 2005 states that users should not be required to pay charges for delays beyond reasonable level attributable to the operator. This condition is uniformly prescribed in the Scale of Rates of all Major Port Trusts under 2005 guidelines, 2008 guidelines as well as 2013 guidelines. Flowing from the principle prescribed in the above clause a general condition is also prescribed in the Scale of Rates of Private Terminal operators where berth hire is not collected by the operator stating that in case a vessel idles due to breakdown or non-availability of the shore based facilities of Terminal Operator or any other reasons attributable to Terminal Operator, rebate equivalent to berth hire charges payable to the concerned Major Port Trust accrued during the period of idling of vessel shall be allowed by Terminal Operator. This general condition to be incorporated in the tariff schedule.	The general condition regarding levy of berths hire charges has been included in the scale of rates as suggested.
(vi).	The CHPT to furnish a Schedule for the performance standards, as the reference tariff schedule is to be accompanied with the performance standards relating to the facility for notification.	The CHPT has furnished Performance standards as required.

9. A joint hearing in this case was held on 1 November 2013 at the CHPT premises in Chennai. The CHPT made a power point presentation of its proposal. At the joint hearing, the CHPT and the Madras Chamber of Commerce and Industry (MCCI) have made their submissions.

10. As agreed at the joint hearing, the CHPT was requested vide our letter dated 4 November 2013 to take action / furnish information on some of the points. After a reminder vide our letter dated 11 November 2013, the CHPT vide its letter dated 18 November 2013 has responded. The points raised by us and the response of the CHPT thereon are tabulated below:

Sl. No.	Points raised by us	Response of the CHPT
(i).	The CHPT to write to the users / prospective bidders consulted in this case immediately requesting them to furnish their comments on the subject proposal simultaneously to the CHPT and TAMP. The CHPT may furnish its comments on the comments of users / prospective bidders thereafter to this Authority. The CHPT was requested to ensure that this process is completed latest by 8 November 2013.	The CHPT has furnished its response to the comments of the ICC Shipping Association and Madras Chamber of Commerce & Industry.
(ii).	As per the Scope of the Project indicated in the powerpoint presentation made by the CHPT at the joint hearing, cargo operation in respect of Break-bulk cargo and Steel and Bagged cargo is restricted upto shore handling. The CHPT was requested to clarify the position with regard to the evacuation plan for the said cargo beyond the point of shore.	The evacuation of steel/bagged cargo and other break bulk cargo would be undertaken by the existing operators who are currently undertaking shore clearance under a separate stevedoring license.
(iii).	The CHPT to firm up the performance standards for the subject proposal and circulate among the users/ prospective bidders and furnish a copy to this Authority, advising the users/ prospective bidders to furnish their comments immediately on the performance standards to CHPT and to this Authority. The CHPT may furnish its comments on the comments of users / prospective bidders on the performance standards to this Authority latest by 8 November 2013.	The CHPT has furnished the Performance Standards vide its e-mail dated 16 November 2013

11.1. As agreed at the joint hearing, the Chennai Custom House Agents' Association (CCHAA) and Madras Chamber of Commerce and Industry (MCCI) were requested vide our letter dated 4 November 2013 to furnish its written comments on the subject proposal simultaneously to the CHPT and this Authority immediately.

11.2. In response, the MCCI and the CCHAA vide their letters dated 11 November 2013 and 12 November 2013 have furnished the written comments on the proposal respectively. The written comments received from the MCCI and CCHAA were forwarded to the CHPT as feedback information. The CHPT vide its letter dated 18 November 2013 and 22 November 2013 has responded.

12. On going through the schedule of performance standards as furnished by the CHPT vide its e-mail dated 16 November 2013, the CHPT was requested vide our letter dated 19 November 2013 to furnish some clarification. The CHPT vide its letter dated 20 November 2013 has responded. The points raised by us and the response of the CHPT are tabulated below:

Sl. No.	Points raised by us	Response of the CHPT
(i).	The CHPT has forwarded the said schedule of performance standards to some users, it is not clear whether the same has been sent to all the relevant users/ prospective bidders, as decided during the joint hearing. The CHPT to confirm that the schedule of performance standards has been sent to all the relevant users/ prospective bidders.	It is confirmed that the port has forwarded the Schedule of Performance Standards to all the relevant users / prospective bidders as decided during the joint hearing held on 1 November 2013.
(ii).	The CHPT has prescribed conditionalities relating to Minimum Guaranteed Efficiency, penalty linked to	The modified Performance Standards after excluding the

	revenue share for shortfall in the minimum guaranteed efficiency and conditionalities governing performance evaluation and calculation of liquidated damages. Clause 2.2 of the revised guidelines for determination of tariff for projects at major port trusts, 2013, requires a port trust to propose 'Performance standards'. In this regard, the CHPT is requested to examine the relevance of prescribing the above said conditionalities in the schedule of performance standards.	"Minimum Guaranteed Efficiency" and the penalty for non-achievement of the same is furnished.

13.1. While responding to the points made by us during the joint hearing vide its e-mail dated 20 November 2013, the CHPT has updated its proposal with regard to the power and the fuel costs forming part of the Operating Costs. This has led to change in the Annual Revenue Requirement and the corresponding change in the proposed rates. A comparative position between the parameters contained in the original proposal of CHPT dated 17 October 2013 and revised proposal submitted vide its letter dated 20 November 2013 are given below:

Estimates contained in the CHPT proposal dated 17 October 2013							**Revised Estimates furnished by CHPT under cover of its letter dated 20 November 2013**						
Dry bulk cargo (including fertilizer)													
Operating Cost	**Norm**	**No. of equip-ments**	**Working hours per annum**	**Unit Rate (₹)**	**Total Cost - Working**	**Total Cost (₹ Lakh)**	**Opera-ting Cost**	**Norm**	**No. of equip-ments**	**Worki-ng hours per annum**	**Unit Rate (₹)**	**Total Cost - Working**	**Total Cost (₹ Lakh)**
Fuel - for Crane	70 litres/ hour/crane	5 (5cranes with allocated capacity of 69%)	4000	55	70 litres per hour per crane x 5 cranes x ₹ 55 per litre x 4000 hours per annum x 69%	531	**Fuel - for Crane**	70 litres/ hour/ crane	4 (4 cranes with allocated capacity of 69%)	4000	55	70 litres per hour per crane x 5 cranes x ₹ 55 per litre x 4000 hours per annum x 69%	425
-	-	-	-	-	-	-	**Power – for ELL Wharf Cranes**	75 units/ hour/ crane	6 cranes with allocated capacity of 69%	4000	9.44	75 unites per hour per crane x 6 cranes x ₹ 9.44 per unit x 4000 hours per annum x 69%	117
Fuel- Dumper	20 litres/ hour/ dumper	45	4000	55	20 litres per hour per dumper x 45 dumpers x ₹55 per litre x 4000 hours per annum	1980	**Fuel- Dumper**	20 litres/ hour/ dumper	45	4000	55	20 litres per hour per dumper x 45 dumpers x ₹55 per litre x 4000 hours per annum	1980
Fuel- Payloader	10 litres/ hour/ payloader	3	4000	55	10 litres per hour per payloader x 3 payloaders x ₹ 55 per litre x 4000 hours per annum	66	**Fuel- Paylo-ader**	10 litres/ hour/ payloa-der	3	4000	55	10 litres per hour per payloader x 3 payloaders x ₹ 55 per litre x 4000 hours per annum	66
Mainten-ance	5% of Capital Cost	-	-	-	5% x 10894 lakh	545	**Mainten-ance**	5% of Capital Cost	-	-	-	5% x 10894 lakh	545
Insurance	1% of Capital Cost	-	-	-	1% x 10894 lakh	109	**Insura-nce**	1% of Capital Cost	-	-	-	1% x 10894 lakh	109
Deprecia-tion	10% of Capital Cost	-	-	-	10% x 10894 lakh	1089	**Depreci-a-ion**	10% of Capital Cost	-	-	-	10% x 10894 lakh	1089
Other expenses		-	-	-	5% x 10894 lakh	545	**Other expen-ses**		-	-	-	5% x 10894 lakh	545
License fee	₹ 4633 per 100 sq.m per month	-	-	-	4633 x 2940/100 x 12	17	**License fee**	₹ 4633 per 100 sq.m per month	-	-	-	4633 x 2940/100 x 12	17
-	-	-	-	-	-	-	**Other expenses**					5% x 10894 lakh	545
Total Operating Cost						**4882**	**Total Operating Cost**						**4893**
Estimates contained in the CHPT proposal dated 17 October 2013							**Revised Estimates furnished by CHPT under cover of its letter dated 20 November 2013**						
Steel, bagged and other break bulk cargo													
Operating Cost	**Norm**	**No. of equip-ments**	**Working hours per annum**	**Unit Rate (₹)**	**Total Cost - Working**	**Total Cost (₹ Lakh)**	**Operating Cost**	**Norm**	**No. of equip-ments**	**Working hours per annum**	**Unit Rate (₹)**	**Total Cost - Working**	**Total Cost (₹ Lakh)**
Fuel - for 5 HMC and equivalent cranes (4 HMC and 1 HMC equivalent (6 ELL cranes considered equivalent to 1 HMC)	70 litres/ hour/crane	5 (5 cranes with allocated capacity of 31%)	4000	55	70 litres per hour per crane x 5 cranes x ₹ 55 per litre x 4000 hours per annum x 31%	239	**Fuel – for 4 HMC**	**70 litres/ hour/ crane**	**4 (4 cranes with allocated capacity of 31%)**	**4000**	**55**	70 litres per hour per crane x 4 cranes x ₹ 55 per litre x 4000 hours per annum x 31%	191
Fuel - for 1 HMC equivalent crane (FC Thangam considered as equivalent to 1 HMC)	70 litres/ hour/crane	1 crane with allocated capacity of 100%	4000	55	70 litres per hour per crane x 1 crane x ₹ 55 per litre x 4000 hours per annum	154	**Fuel - for 1 HMC equivalent crane (FC Thangam considered as equivalent**	70 litres/ hour/crane	1 crane with allocated capacity of 100%	4000	55	70 litres per hour per crane x 1 crane x ₹ 55 per litre x 4000 hours per annum	154

							to 1 HMC)						
-	-	-	-	-	-	-	**Power – For ELL Cranes**	75 units/ per hour/ crane	6 cranes with allocated capacity of 31%	4000	9.44	75 units per hour per crane x 6 cranes x ₹10 per unit x 4000 hours per annum x 31%	53
Maintenance	5% of Allocated Capital Cost	-	-	-	5% x 5920 lakh	296	**Mainten-ance**	5% of Allocated Capital Cost	-	-	-	5% x 5920 lakh	296
Insurance	1% of Allocated Capital Cost	-	-	-	1% x 5920 lakh	59	**Insurance**	1% of Allocated Capital Cost	-	-	-	1% x 5920 lakh	59
Depreciation	10% of Allocated Capital Cost	-	-	-	10% x 5920 lakh	592	**Deprecia-tion**	10% of Allocated Capital Cost	-	-	-	10% x 5920 lakh	592
License Fee	Rs. 4633 per 100 sq.m per month or part thereof	-	-	-	4633 x 920 sq.m./100 x 12	6	**License Fee**	Rs. 4633 per 100 sq.m per month or part thereof	-	-	-	4633 x 920 sq.m./100 x 12	6
Other expenses		-	-	-	5% x 5920 lakh	296	**Other expenses**		-	-	-	5% x 5920 lakh	296
Total Operating Cost						**1642**	**Total Operating Cost**						**1647**

ANNUAL REVENUE REQUIREMENT

	Particulars	Dry bulk cargo (including fertilizer) ₹ Lakh	Steel, bagged and other break bulk cargo (₹ Lakh)	Particulars	Dry bulk cargo (including fertilizer) ₹ Lakh	Steel, bagged and other break bulk cargo (₹ Lakh)
1	Total Operating Cost	4882	1642	Total Operating Cost	4893	1647
2	16% ROCE	1743	947	16% ROCE	1743	947
	Annual Revenue Requirement	**6625**	**2589**	**Annual Revenue Requirement**	**6636**	**2594**

SEGREGATION OF ANNUAL REVENUE

Tariff Group	Annual Revenue Requirement (₹ lakh) For dry bulk cargo	Annual Revenue Requirement (₹ Lakh) For steel, bagged and other break bulk cargo (₹ Lakh)	Tariff Group	Annual Revenue Requirement (₹ lakh) For dry bulk cargo	Annual Revenue Requirement (₹ Lakh) For steel, bagged and other break bulk cargo (₹ Lakh)
Cargo Handling Charges (95%)	6,294	2,459	Cargo Handling Charges (98%)	6,503	2,542
Miscellaneous Charges (5%)	331	130	Miscellaneous Charges (2%)	133	52
Total Revenue Requirement (Cargo Handling)	**6,625**	**2,589**	**Total Revenue Requirement (Cargo Handling)**	**6,636**	**2,594**

PROPOSED SCALE OF RATES

Particulars	Handling Charges	Miscellaneous charges	Particulars	Handling Charges	Miscellaneous charges
(a). Dry bulk (including Fertilizer)			**(a). Dry bulk (including Fertilizer)**		
Foreign (₹ Per tonne)	66.63	3.51	Foreign (₹ Per tonne)	68.85	1.40
Coastal (₹ Per tonne)	39.98	2.10	Coastal (₹ Per tonne)	41.31	0.84
(b). Steel and Bagged cargo			**(b). Steel and Bagged cargo**		
Foreign (₹ Per tonne)	100.64	5.30	Foreign (₹ Per tonne)	104.01	62.41
Coastal (₹ Per tonne)	60.38	3.18	Coastal (₹ Per tonne)	2.12	1.27
(c). break bulk cargo			**(c). break bulk cargo**		
Foreign (₹ Per tonne)	161.11	8.48	Foreign (₹ Per tonne)	166.51	3.40
Coastal (₹ Per tonne)	96.66	5.09	Coastal (₹ Per tonne)	99.91	2.04

14. With regard to the clarification sought by us from the CHPT on the fuel consumption of dumpers considered by it in its proposal, the CHPT vide its e-mail dated 26 November 2013 has made the following submissions:

(i). Since there is absence of norms in the guidelines of TAMP for fuel requirement of dumpers, the stakeholders who currently operate similar equipment were consulted for their inputs on the fuel requirement. They were briefed about the capacity of the dumpers to be put to operation (i.e. 25 tonnes). The scope of the project was also briefed and the exact work to be performed using these dumpers were also discussed.

(ii). The stakeholders have given their opinion after considering the following:

(a). The average lead distance to be travelled by the dumpers from shore to storage yard is approximately 5 km (5 km is because the minimum distance is approximately 3 km and the maximum distance is 8 km). Hence, the distance to be travelled for a round trip is 10 km.

(b). The dumpers need to have their engine switched on even while waiting for their turn to be loaded and unloaded.

(c). The unloading operation which is hydraulic would also consume fuel.

(iii). Based on all these inputs and an average requirement of around 2 trips per hour, the stakeholders have given an opinion that the fuel requirement would be 20 litres per hour per dumper.

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

16. 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, the Chennai Port Trust (CHPT) has filed a proposal for fixation of Reference tariff for handling of Dry bulk & Fertiliser, Iron & Steel and Other Bulk Cargo by deployment of fleet of equipment comprising of 4 nos. of 100 tonne Harbour Mobile Cranes (HMC), 6 nos. of 15 tonne Electric Level Luffing Cranes and 1 no. of 150 tonne of Floating Crane, through PPP on Build, Own and Operate (BOO) basis.

The proposal is based on the Revised Guidelines for Determination of Tariff for Projects at Major Ports, 2013, effective from 9 September 2013, issued by the Ministry of Shipping. Clause 2.4 of the said guidelines stipulates that if in the view of the Major port Trust, the tariff determined for a particular commodity under 2008 guidelines at that Major Port Trust or any other Major Port Trust is not a representative Reference Tariff for that commodity, then the Major Port is free to approach this Authority with a proposal to re-fix Reference Tariff under 2008 guidelines for the project giving detailed and sufficient justification.

Since the upfront tariff for handling the cargo with the deployment of the above mentioned fleet of equipment is not available either in CHPT or in any other major port, the CHPT is seen to have come up with a proposal for fixation of Reference tariff handling the cargo with the deployment of the above mentioned fleet of equipment, following the principles of 2008 Guidelines.

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 Cranes, ELL Cranes or Floating Cranes as a standalone facility, in which the above mentioned equipment would be deployed for cargo operations.

The Feasibility Report and the information furnished by the port in its proposal state that the berths where the fleet of equipment would be deployed are proposed to handle dry bulk cargo and 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 CHPT has also in general adopted the norms / guidelines issued for a multipurpose cargo terminal for estimating the operating cost.

(ii). The CHPT has filed its proposal in October 2013. Subsequently, based on the information/ clarifications sought by us during the processing of the case and based on the decisions taken during the joint hearing on 01 November 2013, the CHPT vide its e-mail dated 20 November 2013 has updated its proposal. The updation is seen to be only with reference to inclusion of the power costs with reference to the operation of ELL cranes. The other parameters like optimal capacity and capital costs remain unchanged. The updated proposal of the CHPT dated 20 November 2013 along with the information/ clarification furnished by CHPT during the processing of the case in reference are considered in this analysis.

(iii). Clause 2.2 of the revised tariff guidelines of 2013 requires this Authority to prescribe the Reference Tariff along with the Performance Standards.

Accordingly, the said Clause also requires the ports to furnish a proposal comprising of the proposed Reference Tariff and "Performance Standards". Inspite of a specific stipulation prescribed in the guidelines, the CHPT did not furnish the Schedule of Performance Standards alongwith the proposal. However, due to the urgency involved in disposal of the Reference tariff proposal, the proposal of CHPT was taken up on consultation albeit, the CHPT was requested during the joint hearing to forward the Schedule of Performance Standards to all the relevant users and the prospective bidders, which was later confirmed by the CHPT so that delay in finalization of the case can be avoided. Further, though the CHPT had been prompt in furnishing the requisite information, submission of the information in a more organized and focused manner would have enabled us to proceed with the disposal of the proposal early.

(iv). As stated earlier, the CHPT has envisaged deployment of fleet of handling equipment comprising of 4 nos. of 100 tonne Harbour Mobile Cranes (HMCs), 6 nos. of 15 tonne Electric Level Luffing (ELL) Cranes and 1 no. of 150 tonne of Floating Crane (FC). Out of the said fleet of equipment, 4 nos. of HMCs are envisaged to be provided by the successful BOT operator at the facility. The ELL cranes and the FC which are owned by the port are proposed to be handed over to the BOT operator by the CHPT at the book value of the respective asset.

However, for the purposes of determining the optimal capacity, the CHPT has considered the 6 nos. of ELL cranes as equivalent to one no. of 100T HMC and also one no. of FC as equivalent to one no. of 100T HMC, reportedly based on the report of the technical consultant. In other words, the optimal capacity has been determined based on the 6 nos. of HMCs i.e. 4 nos. to be provided by the operator, 1 no. as an equivalent to ELL cranes and another 1 no. as an equivalent to FC. The judgment of the port in this regard equating the ELL cranes to one HMC and equating the FC to one HMC, is relied upon.

(v). Optimal Capacity:

(a). By considering the percentage share of each type of cargo viz., Dry bulk & Fertiliser, Iron & Steel and Other Bulk Cargo and the handling rate of each of the above mentioned cargo based on deployment of HMCs, the CHPT has determined the optimal capacity of each of the cargo.

(b). Consideration of cargo mix based on larger horizon of time period say three years would be representative of the cargo mix. However, since the cargo mix during the three years viz., 2010-11 to 2012-13 has undergone a significant change, the CHPT has considered the actual cargo mix of Dry bulk & Fertiliser, Iron & Steel and Other Bulk Cargo at 69%, 14% and 17% respectively, based on the cargo mix that prevailed during the year 2012-13, which is considered in the analysis.

(c). The CHPT has considered the handling rate of 12500 tonnes per day for dry bulk cargo, 6000 tonnes per day for steel and bagged cargo and 3750 tonnes per day in respect of Other Break Bulk cargo.

In this regard, it is relevant to mention here that the tariff guidelines of 2008 prescribe a norm for cargo handling at multipurpose berth at a rate of 10,000 tonnes per day for dry bulk cargo comprising food grains & fertilizer and coal, limestone, minerals etc., 4000 tonnes per day for steel & bagged cargo and 2500 tonnes per day for others with the deployment of 3 numbers of wharf cranes of 20 tonne capacity each.

Considering the higher handling capacity of HMC as compared to the aggregate capacity of the wharf cranes prescribed in the 2008 guidelines and in the absence of any other norms available, a 25% increase over the handling rate of 10,000 tonnes per day for dry bulk cargo and a 50%

increase over the handling rate prescribed in the guidelines for steel and bagged cargo and other bulk cargo have been considered in the cases relating to fixation of hire charge of HMC at Paradip Port Trust (PPT), New Mangalore Port Trust (NMPT), Visakhapatnam Port Trust (VPT) and V.O Chidambaranar Port Trust (VOCPT). This results in an updated normative handling rate of 12500 tonnes in respect of dry bulk cargo, 6,000 tonnes per day for steel and bagged cargo and 3750 tonnes per day for other break bulk cargo. This position considered by the CHPT in its capacity calculation, is found to be in line with the approach adopted by this Authority in respect of the cases mentioned above.

(d). The CHPT has considered 4000 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 for this purpose. This position is also in line with the position maintained while fixing of hire charge of HMC at PPT, TPT, NMPT and VPT.

(e). As stated earlier, the CHPT has considered 6 nos. of ELL cranes as equivalent to one no. of 100T HMC and one no. of FC as equivalent to one no. of 100T HMC. However, the CHPT has reported that the FC cannot be deployed for handling dry bulk cargo due to the operational restrictions and can be used for steel & bagged cargo and Other break bulk cargo only. The ELL cranes as well as the HMCs can be used for handling all types of cargo. Hence the capacity of dry bulk cargo has been determined by CHPT based on 5 HMCs (4 HMCs + 1 HMC equivalent to 6 ELL cranes) and that of steel & bagged cargo and Other break bulk cargo based on 6 HMCs (4 HMCs + 1 HMC equivalent to 6 ELL cranes + 1 HMC equivalent to FC).

In this regard, it is relevant to mention here that while fixing the upfront tariff for the barge handling jetty at Tuna at Kandla Port Trust (KPT), a handling rate of the Floating Crane to handle break bulk cargo has been considered at 11640 tonnes/ day. By treating the Floating crane as equivalent to HMC by the CHPT, the port has in effect considered the handling rate at 6000 tonnes/ day for Steel & Bagged cargo and 3750 tonnes/ day for Break Bulk cargo. To a query raised in this context, the CHPT has sought to clarify that both the projects are not comparable, as the Tuna project involves use of dumb barge along with the Floating crane whereas the instant project proposes use of Floating Crane as standalone equipment. From the clarification furnished by the CHPT, it appears that the handling rate considered in the case of KPT cannot be made applicable to the CHPT case for the reasons of project configuration at CHPT.

Given that the CHPT has requested to consider the handling capacity of the Floating crane by treating it as an equivalent to HMC as proposed by it in its proposal and also that no users have objected to the approach adopted by the CHPT to treat the 150 tonne FC as equivalent to 100 tonne HMC, this Authority is inclined to consider the handling rate of the Floating crane by treating it as an equivalent to the handling rate of HMC for handling Steel & Bagged cargo and Other Dry Bulk cargo.

(f). Based on the above position, the capacity works out to 10267200 tonnes, 1199520 tonnes and 909840 tonnes in respect of Dry bulk & Fertiliser, Iron & Steel and Other Bulk Cargo respectively, which aggregates to 12376560 tonnes of cargo per annum, as assessed by the CHPT.

(vi). The CHPT has stated that since the sequence of operations to be performed on the cargo with the fleet of equipment is different for the different cargo, it has proposed tariff for different cargo based on the equipment used for providing different services incidental to handling of the said cargo at the port. For the purpose, the CHPT has allocated the capital cost of the relevant equipment and the operating cost relating to the relevant equipment to dry bulk cargo and steel & other break bulk cargo in the ratio of 69 : 31 (based on the cargo share).

As reported by CHPT, the tariff for dry bulk cargo would be a composite rate for rendering services such as ship to shore/shore to ship handling and transportation to yard. In case of cargo other than dry bulk and fertilizer, the tariff is only for handling using the cranes from ship to shore or vice versa. It is in this context, that the cost related to Hoppers, Dumpers and Pay loaders are not seen to be allocated in respect of Steel & Bagged cargo and Other Break Bulk Cargo, for which ship shore transfer activity is not envisaged. As stated earlier, FC is not envisaged to handle dry bulk cargo due to operational constraints. Hence, the cost of FC is seen to have been allocated only in respect of Steel & Bagged cargo and Other Break Bulk Cargo. The cost related to other equipment like HMC and ELL cranes have been allocated to dry bulk cargo and steel & other break bulk cargo in the ratio of 69 : 31.

(vii). Capital Costs:

(a). The capital cost estimated by the CHPT is ₹ 16814 lakhs. This comprises of the cost of the equipment like 4 nos. of 100 tonne Harbour Mobile Cranes, 6 nos. of 35 tonne Tyre Mounted Hoppers, 45 nos. of 25 tonne Dumpers, 3 nos. of $5m^3$ Front End Loaders, 6 nos. of 15 tonne ELL Cranes and 1 no. of 150 tonne Floating Crane. Miscellaneous capital costs as well as contingency have also been considered by the CHPT.

(b). The CHPT has stated that based on the cargo projection, six numbers of 100 tonne HMCs would be required for the project. Since, the 6 no. of ELL cranes and 1 no. of Floating Crane, to be handed over by the CHPT to the operator, is being considered as equivalent to the 2 nos. of HMC, the CHPT is stated to have considered the deployment of 4 no. of HMCs.

In respect of dumpers, considering the capacity of the dumpers and the lead distance to the storage yard from the berths, the CHPT has stated that 45 numbers of dumpers would be required. Further, to handle the spills on the wharf and for other miscellaneous purposes that arise out of operation, three number of front end loaders of 5 cu.m capacity is envisaged.

Except for the information as brought out above, the CHPT has not furnished any other analysis to show that the number of each type of equipment commensurate with the quantity of each type of cargo estimated to be handled, inspite of a specific request in this regard.

Clause 3.2. of the guidelines for upfront tariff setting gives flexibility to this Authority to make necessary adjustment in the norms based on the justification furnished by the port in view of the port's specific conditions having impact on the norms prescribed in the guidelines. Since the deployment of the above mentioned equipment is reported to be as per the Feasibility Report and also since, none of the users/ prospective bidders have objected to the equipping plan envisaged by the CHPT, this Authority is inclined to consider the equipping plan as envisaged by the CHPT.

(c). Inspite of a specific request, the CHPT has not furnished documentary evidence in respect of cost of any of the equipment envisaged to be acquired. The cost of each HMC @ ₹2582 lakhs is reported to have been considered based on information collected by it from vendors. Since the Hopper is envisaged to be fabricated from a contractor, the cost of each

Hopper at ₹20 lakhs is reported to be based on the prevailing cost of steel, tyres, other parts and cost of fabrication. No documentary evidence in support of the cost of dumper is made available. The cost of each Front end Loader @ ₹70 lakhs is reported to have been considered based on information collected from vendors. The capital cost estimates as furnished by the port is relied upon.

With reference to ELL cranes and FC, as stated earlier, the CHPT has envisaged handing over the said assets from its existing pool of assets to the operator at the respective written down value of the asset. The CHPT has furnished the book value of the FC at ₹1801 lakhs as on 01 April 2013 and considered the same in the overall capital cost estimation.

With reference to ELL cranes, the CHPT has furnished the book value of the 2 set of ELL cranes. One set comprising of 4 ELL cranes acquired in 2004-05 amounting to ₹1170.56 lakhs and another set comprising of 4 ELL cranes acquired in 2005-06 amounting to ₹5.79 cranes. Inspite of repeated requests, the CHPT has not explained how it has derived the book value of 6 ELL cranes at ₹1556 lakhs in its capital cost estimates. In the absence of information as to the ELL cranes from which set is envisaged to be handed over to the operator, it is not found possible to work out the book value of the relevant ELL cranes. Hence, the cost of ELL cranes as furnished by the CHPT is relied upon in the analysis.

(d). The CHPT has considered contingency @ 5% of the cost of equipment except for the cost of ELL cranes and FC. Cost towards contingency has been considered while fixing the upfront tariff in respect of other cases, hence considered in this case also.

(e). The miscellaneous capital cost has been estimated at 5% on the capital cost, which is as per the norms prescribed in the guidelines for multipurpose cargo terminal as well as other cargo terminals. As stipulated in the guidelines, this cost is towards upfront payment, working capital margin and Interest during construction.

(viii). Operating costs:

(a). Power costs:

The CHPT has considered power cost in respect of operation of 6 no. of ELL cranes, by considering a consumption of 75 units per hour per crane for 4000 hours and at the rate of ₹9.44 per unit.

The upfront guidelines for multipurpose berth prescribe a power consumption norm for a 20 tonne ELL crane at 100 units per hour per crane. Since the CHPT has proposed deployment of 15 tonne ELL cranes, it has proportionately considered the consumption at 75 units per hour per crane. In this regard, it is relevant to mention here that though the lower capacity crane would consume less power, the power consumption may not be in direct proportion to the capacity of the crane. Nevertheless, in the absence of any other relevant information, the same is relied upon.

The CHPT has furnished documentary proof in support of per unit cost of electricity at ₹9.44.

(b). Fuel costs:

The CHPT has considered the fuel costs in respect of the HMCs, Floating Crane, Dumpers and Pay loaders.

The fuel consumption of 70 litres per hour per HMC, considered by the CHPT is in line with the fuel consumption considered while prescribing the hire charge for a 100 tonne HMC at the other Major Port Trusts.

The fuel consumption of 70 litres per hour in respect of a HMC has been considered by the CHPT as the fuel consumption of the Floating crane also. In this regard, as brought out in the earlier part of the analysis, the FC has been considered as equivalent to HMC. Hence, the fuel consumption of HMC has been considered for a FC also.

The CHPT has considered the fuel consumption of dumpers at 20 litres per hour per dumper, reportedly based on discussions with stakeholders and taking into account the current project configuration and the work to be performed using the dumpers. In this regard, it is relevant to mention here that the fuel consumption for dumper/ dumper trucks considered by us in the past fall in the range between 4 litres to 13.33 litres per hour per dumper. The CHPT has not furnished any document in support to the fuel consumption considered by it. Given that the CHPT has categorically stated that the fuel consumption of 20 litres per hour per dumper is based on its project configuration and the work to be carried out by the dumpers and the fuel consumption being decided based on the discussion the port had with the stakeholders who currently operate similar equipment as brought out in the earlier part of the note, this Authority is inclined to rely upon the same in the analysis.

The CHPT has considered the fuel consumption of 5 cu.m. front end loaders at 10 litres per hour per loader, also based on discussions with stakeholders and taking into account the current project configuration and the work to be performed using the loaders. Since the guideline does not prescribe norm for operation of 5 cu.m. front end loaders, the fuel consumption as furnished by the port is relied upon.

The consideration of fuel consumption for operation of each of the equipment is for 4000 hours. The unit rate of fuel at ₹55/- per litre considered by CHPT has been updated with the prevailing rate of diesel at ₹56.61 per litre, which has been considered in the estimation of fuel cost of all the equipment in the analysis.

(c). Repairs and maintenance cost is estimated by CHPT at 5% on the cost of equipment, which is in line with the norms prescribed in the guidelines.

(d). Insurance cost is estimated at 1% of the cost of equipment and other expenses are estimated at 5% of the cost of equipment by CHPT, which is in line with the norms prescribed in the guidelines.

(e). Depreciation is reported to be computed @ 10% on the cost of equipment as per the rates prescribed in the Companies Act, 2013 and is in line with the guidelines for upfront tariff fixation.

(f). The guidelines for upfront tariff stipulate that licence fee for port land is to be estimated based on the rates prescribed in the Scale of Rates of the respective Major Port Trusts. Licence fee has been estimated by the CHPT for 2940 sq. metres of land area in the case of dry bulk cargo and 920 sq. metres of land in case of Steel and Other Dry Bulk cargo at the rate of ₹46.33 per sq.m., for a period of 12 months. The CHPT has stated to have considered the License fee based on the prevailing scale of rates of Chennai Port Trust. This position is considered in the analysis.

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

(a). The annual revenue requirement for handling dry bulk cargo, which is the sum of the operating cost relevant to handle the dry bulk cargo and return on capital employed in respect of equipment used for handling dry bulk cargo is estimated at ₹6707 lakhs, as against ₹6636 lakhs estimated by the port.

(b). Similarly, the annual revenue requirement for handling Steel & Bagged Cargo and Other Break Bulk Cargo, which is the sum of the operating cost relevant to handle the said cargo and return on capital employed in respect of equipment used for handling the said cargo is estimated at ₹2603 lakhs, as against ₹2594 lakhs estimated by the port.

(c). The upfront guidelines for multipurpose cargo terminal prescribes apportionment of the annual revenue requirement towards handling charges, storage charges and miscellaneous charges in the ratio of 90:5:5 respectively. The CHPT has envisaged apportionment of the annual revenue requirement towards handling charges and miscellaneous charges in the ratio of 98 : 2 respectively, on the ground that in the project under reference, the scope of work of the operator does not envisage storage of cargo. This position is considered in the analysis.

(d). As per policy direction of the Government, concessional tariff are to be prescribed for coastal cargo (other than thermal coal and POL including crude oil, iron ore and iron ore pellets) not exceeding 60% of the normal cargo/ vessel related charges. Accordingly, the CHPT has proposed concessional rates for coastal cargo in line with the Government policy, assuming the share of foreign and coastal cargo in the total optimal capacity as 80% and 20% respectively for each of the three cargo groups, reportedly based on the report of the Consultant. The share of foreign/ coastal cargo assumed by the port is relied upon in this analysis.

(e). The CHPT has arrived at the handling charges and miscellaneous charges for each cargo category with reference to their individual composition of foreign/ coastal cargo to meet the estimated revenue requirement. The reference tariff caps for the Dry bulk cargo is derived based on the revenue requirement determined in respect of the said cargo item.

In respect of the Steel & Bagged Cargo and Other Break Bulk Cargo facility, the reference tariff cap has been determined, based on the composition of foreign/ coastal cargo and the handling rates in respect of the above said cargo items. The approach followed by the CHPT is in line with the approach accepted by this Authority while fixing the upfront tariff for mechanization of Dry Cargo Berth Nos.7 and 8 at the KPT and in the case of Bunder Basin case of KPT also.

(x). In the proposed reference tariff schedule, the CHPT has proposed definitions for the terms like ‘coastal vessel’, ‘foreign vessel’, ‘day’, ‘HMC’, ‘FC’ and ‘ELL’. The definitions for ‘coastal vessel’, ‘foreign vessel’, and ‘day’ are found to be in line with the definition prescribed for the said terms in the Scale of Rates of CHPT. The CHPT has defined the terms ‘HMC’, ‘FC’ and ‘ELL’, by expanding the acronym. The same is prescribed in the tariff schedule.

(xi). In the proposed reference tariff schedule, the CHPT has proposed some conditionalities like conditionalities prescribing coastal concessions, conditionalities governing levy of interest on delayed payments/ refunds, rounding off the bills, prescription of minimum amount for entertaining refund claim of users and raising of supplementary bills for short collection by operator, conditionalities governing the flexibility provided to the terminal operator to levy charges lower than ceiling rates as has been incorporated in other Scale of rates, non levy of charges for delay beyond a reasonable level attributable to the terminal, which are found to be in line with the general conditionalities prescribed in the Scale of Rates.

(xii). The conditionalities governing the criteria for categorizing of a vessel as a foreign going vessel or coastal vessel, as has been incorporated in other Scale of rates, have been included in the reference tariff schedule of CHPT.

(xiii). Clause 2.15. stipulated in the tariff guidelines of 2005 states that users should not be required to pay charges for delays beyond reasonable level attributable to the operator. This condition is uniformly prescribed in the Scale of Rates of all Major Port Trusts under 2005 guidelines, 2008 guidelines as well as 2013 guidelines. Flowing from the principle prescribed in the above clause a general condition is also prescribed in the Scale of Rates of Private Terminal operators where berth hire is not collected by the operator stating that in case a vessel idles due to breakdown or non-availability of the shore based facilities of Terminal Operator or any other reasons attributable to Terminal Operator, rebate equivalent to berth hire charges payable to the concerned Major Port Trust accrued during the period of idling of vessel shall be allowed by Terminal Operator. At our request, the CHPT has included the said general condition in the tariff schedule.

(xiv). Under the Schedule prescribing the rates for dry bulk cargo, the CHPT has stated that the per tonne handling charges is towards handling of cargo from ship to shore using grab, loading it on to the dumpers using hoppers, loading of spilled over cargo onto dumpers using payloader, Carriage of cargo using dumpers to the storage yard, dumping of cargo at the yard and vice versa. The per tonne miscellaneous charge is towards shifting of cargo within the vessel, if necessary. The said activities are described in the Reference Tariff Schedule.

(xv). Under the Schedule prescribing the rates for Steel & Bagged Cargo and Other Break Bulk Cargo, the CHPT has stated that the per tonne handling charges is towards Handling of cargo from ship to shore using crane and vice versa. From the above, it can be seen that the cargo operation in respect of Break-bulk cargo and Steel and Bagged cargo is restricted upto shore handling. With regard to the evacuation of the said cargo beyond the point of shore, the CHPT has clarified that the evacuation of steel/ bagged cargo and other break bulk cargo would be undertaken by the existing operators who are currently undertaking shore clearance under a separate stevedoring license.

The CHPT has also stated that the per tonne miscellaneous charge for Steel & Bagged Cargo and Other Break Bulk Cargo is towards on shore handling of cargo and carriage to storage area in times of emergency. The CHPT has not described as to what constitutes emergency. Further, the cost of rendering the said service has also not been captured to arrive at the per tonne miscellaneous charge. Keeping of the conditionality open ended may give rise to different interpretation to the term “emergency” by the service provider as well as the user. Hence, the proposed scope of work covered by the miscellaneous charge is suitably modified to exclude the service of carriage to storage area in times of emergency. In any case, an existing arrangement is in place for evacuation of cargo from shore.

(xvi). The exercise is for prescription of reference tariff following the stipulation contained in the 2013 revised guidelines. As per Clause 2.2 of the revised 2013 guidelines, the CHPT has proposed ‘Performance standards’, which is discussed subsequently. In such a scenario, there is no reason to prescribe any performance linked handling rates, as has been prescribed while fixing the hire charges for the use of HMC. Accordingly, conditionalities which are relevant only when performance linked tariff are prescribed, may also not be relevant. Hence, the conditionalities governing the performance linked handling rates, proposed by the CHPT are not found relevant and hence not prescribed.

(xvii). (a). As stated earlier, Clause 2.2 of the revised tariff guidelines of 2013 requires this Authority to prescribe the Reference Tariff along with the Performance Standards. Though the revised guidelines of 2013 do not require this Authority to go into the Performance Standards proposed by the port it may not be unreasonable to assume that the ports would propose reasonable and achievable Performance Standard.

(b). The CHPT has proposed the Performance Standards in respect of Dry Bulk Cargo, Steel & Bagged cargo and Other Bulk Cargo. The cargo items for which Performance Standards are proposed match with the cargo items for which tariff has been proposed in the Reference tariff schedule. The CHPT has proposed the Performance Standards by prescribing the norms at 12500 tonnes per day per HMC in case of Dry Bulk Cargo, 6000 tonnes per day per HMC in case of Steel & Bagged cargo and 3750 tonnes per day per HMC in case of Other Dry Bulk Cargo. These norms are seen to be in line with the handling norms considered in the optimal capacity calculation.

(c). It is relevant to mention here that Clause 2.5 of the 2013 revised tariff guidelines stipulates that the Reference Tariff and Performance Standards notified by TAMP would be mentioned in the bid document and subsequently in the Concession Agreement in respect of PPP Projects. As per the said guidelines, it is only on the achievement of the Performance Standards as incorporated in the Concession Agreement, that the operator would be eligible for any performance linked tariff. It is true that the revised 2013 guidelines only requires prescription of performance standards. It does not stipulate as to what constitutes performance standard. Since the CHPT has expressed its desire to prescribe the performance standards as proposed by it, the same are prescribed by this Authority.

(d). In the schedule of performance standards, the CHPT has prescribed conditionalities relating to Performance Evaluation and calculation of liquidated damages which state that Performance evaluation shall be made on a quarterly review of the reports furnished by the Concessionaire and/ or the records of the Concessionaire and/ or by an enquiry by the Concessioning Authority. The Concessionaire shall be liable to pay liquidated damages determined at the rate of 1% (one per cent) of the Gross Revenue of the respective quarter for every shortfall of 10% (ten per cent) in the average performance.

The said conditionality is seen to be relevant between the parties entering into a Concession Agreement. The Performance Standard Schedule notified by this Authority need not prescribe conditionalities governing review of reports of the Concessionaire by the Concessioning Authority and payment of liquidated damages. These conditionalities may form part of the Concession Agreement to be entered by the parties, if CHPT so desires, and hence not incorporated in the Performance Standard Schedule notified by this Authority.

17.1. Subject to above, the Reference Tariff Schedule along with conditionalities governing the Reference Tariff has been modified.

17.2. The modified Reference Tariff Schedule is attached as **Annex-II** and the Performance Standards as proposed by the port and subject to changes made, as mentioned in the earlier paragraph above is attached as **Annex-III**.

17.3. In the result, and for the reasons given above, and based on a collective application of mind, the modified Reference Tariff Schedule for supply of fleet of equipment at CHPT for handling of Dry bulk cargo, Steel & Bagged cargo and Other Dry Bulk Cargo is approved and notified along with the Performance Standards.

17.4. As per clause 2.5 of the Revised Tariff Guidelines 2013, the Reference Tariff and Performance Standards notified by this Authority shall be mentioned in the bid document and subsequently in the Concession Agreement in respect of PPP Projects. Accordingly, the CHPT is advised to incorporate the Reference Tariff and Performance Standards, in the bid document and subsequently in the Concession Agreement in respect of PPP Projects as agreed by the port.

18.1. As stipulated in Clause 6.2 of the revised 2013 guidelines, in the event any user has any grievance regarding non-achievement by the PPP operator/ Major Port Trust of the Performance Standards as notified by the TAMP, he may prefer a representation to this Authority which, thereafter, shall conduct an inquiry into the representation and give its finding to the concerned Major Port Trust. The Major Port Trust will be bound to take necessary action on the findings as per the provisions of the respective Concession Agreement.

18.2. As stipulated in Clause 6.3.1 of the revised 2013 guidelines, within 15 (fifteen) days of the signing of the Concession Agreement, the concerned operator should forward the Concession Agreement to this Authority which will host it on its website.

18.3. As stipulated in clause 6.3.2 of the revised 2013 guidelines, the PPP operator shall furnish to this Authority quarterly reports on cargo traffic, ship berth day output as well as the tariff realized for each berth. The quarterly reports shall be submitted by the PPP operator within a month following the end of each quarter. Any other information which is required by this Authority shall also be furnished from time to time.

18.4. As stipulated in clause 6.3.3 of the revised 2013 guidelines, this Authority shall publish on its website all such information received from PPP operator. However, this Authority shall consider a request from the PPP operator about not publishing certain data/ information furnished which is commercially sensitive. Such requests should be accompanied by detailed justification regarding the commercial sensitiveness of the data/ information in question and the likely adverse impact on their revenue/ operation of upon publication. The decision of this Authority in this regard would be final.

19.1 From the date of Commercial Operation (CoD) till 31st March of the same financial year, the tariff would be limited to the indexed Reference Tariff relevant to that year, which would be the ceiling. The aforesaid Reference Tariff shall be automatically revised every year based on an indexation as provided in para 2.2 of the tariff guidelines of 2013 which will be applicable for the entire concession period.

However, the PPP operator would be free to propose a tariff along with Performance Standards (the "**Performance Linked Tariff**") from the second year of operation onwards, over and above the indexed Reference Tariff for the relevant financial year, at least 90 days before the 1st April of the ensuing financial year. Such **Performance Linked Tariff** shall not be higher than 15% over and above the indexed Reference Tariff for that relevant financial year (and this will be the **Tariff Cap**). The Performance Linked Tariff would come into force from the first day of the following financial year and would be applicable for the entire financial year.

19.2. The proposal shall be submitted to TAMP along with a certificate from the independent engineer appointed under the Concession Agreement of the Project indicating the achievement of Performance Standards in the previous 12 months as incorporated in the Concession Agreement or for the actual number of months of operation in the first year of operation as the case may be.

19.3. On receipt of the proposal, TAMP will seek the views of the Major Port Trust on the achievement of Performance Standards as outlined in para 5 of the tariff guidelines of 2013, within 7 days of receipt.

19.4. In the event of Operator not achieving the Performance Standards as incorporated in the Concession Agreement in previous 12 months, TAMP will not consider the proposal for notifying the Performance Linked Tariff for the ensuing financial year and the Operator shall be entitled to only the indexed Reference Tariff applicable for the ensuing financial year.

19.5. After considering the views of the Major Port Trust, if TAMP is satisfied that the Performance Standards as incorporated in the Concession Agreement have been achieved, it shall notify the performance linked tariff by 15th of March to be effective from 1st of April of the ensuing financial year.

19.6. While considering the proposal for Performance Linked Tariff, TAMP will look into the Performance Standards and its adherence by the Operator. TAMP will decide on the acceptance or rejection of the Performance Linked Tariff proposal based on the achievement or otherwise of the Performance Standards by the operator. Determination of indexed Reference Tariff and Performance Linked Tariff will follow the illustration shown in the Appendix attached to the tariff guidelines of 2013

19.7. From the third year of operation, the Performance Linked Tariff proposal from the PPP operator shall be automatically notified by TAMP subject to the achievement of Performance Standards in the previous 12 months period as certified by the Independent Engineer. The PPP operator, for the Performance Linked Tariff from the third year onwards, will submit the Performance Linked Tariff proposal along with the achievement certificate from the independent engineer by 1st March and TAMP shall notify by 20th March, the Performance Linked Tariff to be effective from the ensuing financial year.

(T.S. Balasubramanian)
Member (Finance)

ANNEX - I

Fixation of Reference Tariff for the Supply, Maintenance and Operation of Harbour Mobile Cranes and Other handling Equipment at Chennai Port Trust through PPP mode.

Rs. in Lakhs

Sr. No.	Particulars	Estimates furnished by the CHPT under cover of its letter dated 20.11.2013			Estimates considered by TAMP		
I	**Optimal Capacity**						
		Dry Bulk Cargo	**Steel & Bagged Cargo**	**Other Break Bulk Cargo**	**Dry Bulk Cargo**	**Steel & Bagged Cargo**	**Other Break Bulk Cargo**
(i)	Cargo share	69.00%	14.00%	17.00%	69.00%	14.00%	17.00%
(ii)	Handling Rate per day per HMC @ 100% utilisation	12500	6000	3750	12500	6000	3750
(iii)	Handling Rate per hour per HMC @ 100% utilisation	744	357	223	744	357	223
(iv)	Working hours in a year	4000	4000	4000	4000	4000	4000
(v)	No of HMCs considered	5	6	6	5	6	6
(vi)	Individual Capacity (i x iii x iv x v)	10267200	1199520	909840	10267200	1199520	909840
	Annual Handling Capacity (in tonnes)	**12376560**			**12376560**		
	Annual Handling Capacity (in Million tonnes)	**12.377**			**12.377**		
II	**Capital costs**						
		Total Capital Costs	**Allocated to Dry bulk Cargo (69%)**	**Allocated to Steel & Bagged Cargo and Other Break Bulk Cargo (31%)**	**Total Capital Costs**	**Allocated to Dry bulk Cargo (69%)**	**Allocated to Steel & Bagged Cargo and Other Break Bulk Cargo (31%)**
	Harbour Mobile Cranes (100T) – 4 nos	10328	7126	3202	10328	7126	3202
	Hoppers (Tyre Mounted) (35T) – 6 nos	120	120	0	120	120	0
	Dumpers (25T) – 45 nos.	1395	1395	0	1395	1395	0
	Front End Loaders - 5m^3 – 3 nos	210	210	0	210	210	0
	ELL Crane (15T) - 6 nos	1556	1074	482	1556	1074	482
	FC Thangam (150T) – 1 no.	1801	0	1801	1801	0	1801
	Contingency (5% of cost of equipment excl. ELL crane & FC Thangam)	603	416	187	603	416	187
	Miscellaneous Cost (5% of the entire capital cost)	801	553	248	801	552	248
	Total	**16814**	**10894**	**5920**	**16813**	**10893**	**5920**
III	**Operating Costs**						
		Total Operating Cost	**Allocated to Dry bulk Cargo (69%)**	**Allocated to Steel & Bagged Cargo and Other Break Bulk Cargo (31%)**	**Total Operating Cost**	**Allocated to Dry bulk Cargo (69%)**	**Allocated to Steel & Bagged Cargo and Other Break Bulk Cargo (31%)**
	Power Costs (CHPT - 75 units per hour per crane * 4000 hours * Rs.9.44 per unit * 6 ELL cranes) (TAMP - 75 units per hour per crane * 4000 hours * Rs.9.44 per unit * 6 ELL cranes)	170	117	53	170	117	53
	Fuel Cost						
	- Harbour Mobile Crane (CHPT - 70 litres per crane per hour * 4000 hours * Rs.55 per litre * 4 cranes) (TAMP - 70 litres per crane per hour * 4000 hours * Rs.56.61 per litre * 4 cranes)	616	425	191	634	437	197
	- Floating Crane (considered as equivalent to 1 no. of HMC, to be utilised only for Steel & Break Bulk cargo) (CHPT - 70 litres per crane per hour * 4000 hours * Rs.55 per litre * 1 crane) (TAMP - 70 litres per crane per hour * 4000 hours * Rs.56.61 per litre * 1 crane)	154	0	154	159	0	159
	- Dumpers (CHPT - 20 litres per dumper per hour * 4000 hours * Rs.55 per litre * 45 dumpers) (TAMP - 20 litres per dumper per hour * 4000 hours * Rs.56.61 per litre * 45 dumpers)	1980	1980	0	2038	2038	0
	- Pay loaders (CHPT - 10 litres per pay loader per hour * 4000 hours * Rs.55 per litre * 3 pay loaders) (TAMP - 10 litres per pay loader per hour * 4000 hours * Rs.56.61 per litre * 3 pay loaders)	66	66	0	68	68	0
	Maintenance Cost (5% of the Capital Cost)	841	545	296	841	545	296
	Insurance Cost (1% of the Capital Cost)	168	109	59	168	109	59
	Depreciation (10% of the Cost of the Equipment)	1681	1089	592	1681	1089	592
	Licence Fee (Dry Bulk - 2940 sq.m * 46.33 per sq.m per month * 12 months) (Steel and Other Break Bulk - 920 sq.m * * 46.33 per sq.m per month * 12 months)	23	17	6	21	16	5
	Other Expenses (5% of the Capital Cost)	841	545	296	841	545	296
	Total	**6540**	**4893**	**1647**	**6621**	**4965**	**1656**

Sr. No.	Particulars	Estimates furnished by the CHPT under cover of its letter dated 20.11.2013			Estimates considered by TAMP		
IV	**Annual Revenue Requirement (ARR)**						
		Total	**Dry bulk Cargo**	**Steel & Bagged Cargo and Other Break Bulk Cargo**	**Total**	**Dry bulk Cargo**	**Steel & Bagged Cargo and Other Break Bulk Cargo**
	- Operating costs	6540	4893	1647	6621	4965	1656
	- Return on Capital employed @ 16%	2690	1743	947	2690	1743	947
	Total	**9231**	**6636**	**2594**	**9311**	**6707**	**2603**
V	**Apportionment of Annual Revenue Requirement**						
	- Cargo handling charges (98%)	9046	6504	2542	9125	6573	2551
	- Miscellaneous charges (2%)	185	133	52	186	134	52
	Total	**9231**	**6636**	**2594**	**9311**	**6707**	**2603**
		Dry Bulk Cargo	**Steel & Bagged Cargo**	**Other Break Bulk Cargo**	**Dry Bulk Cargo**	**Steel & Bagged Cargo**	**Other Break Bulk Cargo**
VI	**Per tonne Cargo Handling rates**						
	- Foreign cargo	**68.85**	**104.07**	**166.52**	**69.59**	**104.44**	**167.10**
	- Coastal cargo	**41.31**	**62.44**	**99.91**	**41.75**	**62.66**	**100.26**
VII	**Per tonne Miscellaneous Charges for Foreign cargo**						
	- Foreign cargo	**1.41**	**2.12**	**3.40**	**1.42**	**2.13**	**3.41**
	- Coastal cargo	**0.84**	**1.27**	**2.04**	**0.85**	**1.28**	**2.05**

Annex – II

CHENNAI PORT TRUST

REFERENCE TARIFF SCHEDULE FOR OPERATING HARBOUR MOBILE CRANES, FLOATING CRANE, ELECTRICAL LEVEL LUFFING CRANES, DUMPERS AND FRONT END LOADERS AT BERTHS NQ, WQ I, II, III & IV & CB, SQ I & II, JD I & III, JD V OF CHENNAI 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.

(iv). **"HMC"** mean Harbour Mobile Crane of supplied by the BOO operator for the project

(v). **"FC"** shall mean Floating Crane Thangam

(vi). **"ELL"** shall mean Electrical Level Luffing Crane

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 'foreigngoing' 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 or on filing of Coastal International General Manifest in Coastal Establishment Section of Customs Department.

(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.

(f). For vessels visiting the port other than for cargo operations the conditions referred in (c) and (d) above shall not apply.

(iii). (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.

(iv). 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.

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

(vi). 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/-.

(vii). (a). The rates prescribed in this Scale of Rates are ceiling levels; likewise, rebates and discounts are floor levels. The Terminal Operator may, if it so desires, charge lower rates and/ or allow higher rebates and discounts.

(b). The Terminal Operator may also, if he so desires, rationalize the prescribed conditionality governing the application of rates prescribed in the Scale of Rates, if such rationalization 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). Provided that the Terminal Operator should notify the public such lower rates and / or rationalization of the conditionality governing the application of such rates and continue to notify the public any further changes in such lower rates and / or in the conditionality governing the application of such rates, provided the new rates fixed shall not exceed the rates notified by the TAMP.

(viii). Users will not be required to pay charges for delays beyond reasonable level attributable to BOO operator. In case a vessel idles due to breakdown or non-availability of the shore based facilities of BOO Operator or any other reasons attributable to BOO Operator, rebate equivalent to berth hire charges payable to the Chennai Port Trust (as per the prevailing scale of rates of Chennai Port) accrued during the period of idling of vessel shall be allowed by BOO Operator.

2. CHARGES FOR USE OF HARBOUR MOBILE CRANES, FLOATING CRANE, ELL CRANES AND OTHER CARGO HANDLING EQUIPMENTS BASED ON CARGO TYPE:

(i). For Dry Bulk Cargo (Including Fertilizer)

	Description of Services	**Foreign (₹ Per tonne)**	**Coastal (₹ Per tonne)**
Handling Charges	1. Handling of cargo from ship to shore using grab, loading it on to the dumpers using hoppers, loading of spilled over cargo onto dumpers using payloader 2. Carriage of cargo using dumpers to the storage yard, dumping of cargo at the yard And vice versa	69.59	41.75
Miscellaneous charges	Shifting of cargo within the vessel if necessary	1.42	0.85

(ii). Steel and other bagged cargo

	Description of Services	**Foreign (₹ Per tonne)**	**Coastal (₹ Per tonne)**
Handling Charges	Handling of cargo from ship to shore using crane and vice versa	104.44	62.66
Miscellaneous charges	On shore handling of cargo.	2.13	1.28

(iii). Other Break Bulk Cargo

	Description of Services	**Foreign (₹ Per tonne)**	**Coastal (₹ Per tonne)**
Handling Charges	Handling of cargo from ship to shore using crane and vice versa	167.10	100.26
Miscellaneous charges	On shore handling of cargo and carriage to storage area in times of emergency	3.41	2.05

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 1st January 2013 and 1st 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.

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Annex - III

Performance Standards for the project for Supply, Maintenance and Operation of Harbour Mobile Cranes and other cargo handling equipments in Chennai Port under PPP mode on Build, Own and Operate (BOO) basis

Performance Standards

Concessionaire shall endeavor to handle cargo per day (24 Hrs of actual working) per crane or tonnage of proportionate hours of actual working as detailed below. For the purpose of comparison, Floating Crane is considered equivalent to a Harbour Mobile Crane (HMC) and 6 ELL cranes together are considered equivalent to a HMC.

a. **For Dry Bulk Cargo**

12500 Metric tonnes(average)/per day per HMC or equivalent crane

b. **For Steel and bagged Cargo**

Steel and Bagged Cargo - 6000 Metric tonnes(average)/per day per HMC or equivalent crane

c. **For Beak bulk Cargo**

Others - 3750 Metric tonnes (average)/per day per crane

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

F. No.TAMP/45/2013-CHPT	**-**	**Proposal from the Chennai Port Trust (CHPT) for notification of Reference Tariff for proposed project of Supply of Mobile Harbour Crane and other cargo handling equipments at Chennai Port Trust under PPP mode on BOO basis under the guidelines for determination of Tariff for projects at Major Ports, 2013.**

1.1. A summary of comments received from M/s. IMC Limited is given below:

(i). 'Iron and Steel' comprises of multiple commodities like steel pipes, plates, bars, scrap, rods etc. Each of these commodities requires unique and distinct handling capabilities. The manner of handling and the cost thereof also significantly varies. Hence grouping of these into a single tariff element is not suggested. Similar treatment may be done for 'Other Bulk' cargo category.

(ii). As per RFQ terms, CHPT has allowed the selected developer to handle all commodities. Based on current traffic pattern and hinterland profile - salt, sugar and minerals are also major commodities for which a separate tariff element may kindly be fixed.

(iii). For anchorage/lighterage operations conducted at CHPT during last 3 years M/s.IMC Limited would request to provide complete details like cargo type, cargo quantities, vessel sizes, discharge details at anchorage and barging at respective berths etc. of. Also provide the bifurcation of geared and gearless vessels called (along with vessel/parcel size) during the same period. This information would help M/s.IMC Limited to evaluate the trends.

(iv). Considering the vessel size restrictions, the vessels to be called at the berths will mostly be with 'gears', having almost similar handling efficiency as of selected MHC. The actual capacity of each MHC's would be in the range of 2.5 to 3 MMTPA and the serviceable cargo at the beginning is only 10.99 MMTPA (in the year 2014-15). Hence M/s.IMC Limited propose to allow deploying a used/second-hand MHC with usage benchmark criteria, rather than a new one, which will ultimately reduce the handling cost in the benefit of trade. Similarly, other handling equipments like Dumpers, Pay loaders would not be optimally utilized; hence for these M/s.IMC Limited propose a 'hire/lease' model rather than 'ownership' model.

(v). The costs of material handling equipments (which are mostly imported) may be revised considering the recent devaluation in Indian Rupee.

(vi). While calculating the operating expenses of all commodities, deployment of 'Operating Staff' is not considered which is part and parcel of basic stevedoring. This is a 'direct cost' element relating to commodity handling and not a 'general cost' element.

Reference may be drawn upon the order passed by TAMP in case of Chennai Port Trust Ro-Ro cum Multipurpose terminal wherein stevedoring cost for car movement was considered as operating expenses. Similarly for dry bulk operating staff deployment would be required for loading/unloading, transportation of material to/from yard, storage/housekeeping and receipt/dispatch (by road/rail). The same may kindly be considered while calculating the handling cost.

(vii). While calculating the optimal capacity, no consideration has been made for the 'gate capacity' and/or restriction relating to cargo movement.

(viii). Clarify the basis of estimating foreign vs. coastal cargo share of 80:20.

(ix). Basis of calculation of fuel consumption for dumpers and pay loaders is not in line with actual consumption pattern.

(x). Old cranes to be handed over by CHPT may bear higher cost of repairs and maintenance and would require a higher provision.

(xi). Refer to note no. vi of Clause 2 of the suggested upfront tariff. This note may kindly be removed as it may pose additional burden the operator. Nevertheless, CHPT in their agreement would have a penal clause for non-performance.

1.2. The CHPT has not responded to the comments of IMC.

1.3. A summary of comments received from ICC Shipping Association and the response of the CHPT thereon is tabulated below:

1.	**ICC Shipping Association**	**Response of CHPT**
(i).	Indian coastal shipping is today struggling to find its legitimate place in our country's transport logistics sector. Reasons are numerous, both technical and bureaucratic. However, it is agreed by all that if coastal shipping is made competitive, the spin off benefits to the nation are multifold. De-congestion of highways network and roads, efficient and timely transportation of huge volumes, lower costs and environmental benefits have been recorded and accepted by all. However, coastal shipping opportunity has remained a pipe dream for a variety of reasons, the most substantial reason being cost. Cost inefficiencies have arisen from bureaucratic impediments obstructing free and speed flow of goods as well as exorbitant tariff regimes in ports. The port gateway costs in India is today too high on account of tariff and bureaucratic barriers.	
(ii).	It, therefore, needs to be reinforced that when deciding on tariffs and charges for various port services including that of mobile cranes and heavy lift cranes, the end customer's need for economic ship to shore interface needs to be kept foremost in mind. Unless the ports play their role in ensuring that their coastal trade comes competitive, all their best laid plans for port development will come to naught, as inland road transportation would continue to carry the bulk of the cargo, and the ports will have very few ships to use their facilities. Hence, ports need to take the long term view and maintain their focus on increasing utilisation and volumes by encouraging increased coastal trade through their gateway rather than simply looking at short term returns.	
(ii).	The ICCSA, therefore, requests that when fixing tariffs for cranes and other services, the following be considered:	
	(a). Work out tariffs based on longer payback period on asset investments, say 10 years.	Tariffs are worked out based on 2013 guidelines which stipulates computation of Annual Revenue Requirement linked

		to operating cost plus 16% return on capital employed (ROCE). The 16% ROCE indirectly considers payback period.
	(b). Enabling better financing terms by means of softer interest loans to the BOO investors under infrastructure financing schemes.	Tariffs do not consider directly, the financing cost and financing terms. However, the tariff structure which includes 16% ROCE factors the financing cost and the loan period.
	(c). Try to introduce an element of Govt. subsidy built into the tariffs to be offset against intangible but important gains like decongestion of roads, lower environmental impact and higher efficiency of transportation. The indirect benefits to the economy will more than justify these subsidies.	The tariffs are based on TAMP guidelines which are in practice. The Major Port Trusts are required to follow these guidelines.
	(d). Ensure better competition in the tendering process by eliminating non-critical barriers to entry.	The question does not pertain to tariff fixation. The tendering process is transparent (2 stage) and as per the guidelines of the Ministry of Shipping.
	(e). Allow BOO bidders to employ their own staff to operate their cranes, thus enabling better control and maintenance as well as cost efficiencies. If old port trust staff are thrust upon the bidders, they will have to add costs of inefficiency, overheads and existent malpractices into the costing, ultimately increasing cost to the end user.	As per the contract structure, the BOO operator is free to deploy its own personnel.

2.1. One of the users viz., engineering Export Promotion council (EEPC) vide its e-mail dated 31 October 2013 has made the following submissions:

Sl. no.	Description	Rate 2012 in ₹	Rate 2013 in ₹
1.	CFS charges & stuffing activity charges	5,420.00	7,218.00
2.	THC(Terminal Handling charges	4,310.00	4,540.00
3.	CFS to port (Transport charges)	6,600.00	6,600.00
4.	ACD(Advance Cargo Declaration)	1,422.00	1,587.00
5.	Transport from Pondy to Chennai port	16,840.00	20,000.00
	Total	34,592.00	38,358.00

It can be seen that the difference between 2012 & 2013 charges (approx 10% higher). If Chennai port is going to increase their rates further then we will not be competitive in the international market. This will definitely affect the export growth.

2.2. The submission made by the EEPC were not found relevant to the proposal of CHPT in reference. The comments of EEPC were forwarded to CHPT for appropriate action at their end.

3. A joint hearing in this case was held on 1 November 2013 at the CHPT premises in Chennai. The CHPT made a power point presentation of its proposal. At the joint hearing, the CHPT and the Madras Chamber of Commerce and Industry (MCCI) have made the following submissions:

Chennai Port Trust (CHPT)

(i). There are no specific guidelines in the 2008 guidelines for this type of project. Therefore, we have followed principles of 2008 guidelines for determination of capacity, estimation of capital cost and operating cost and apportionment of Annual Revenue Requirement to various activities.

(ii). We have considered the cargo share based on the actual cargo share prevailed in the year 2012-13. TAMP has suggested to consider the average of the cargo mix that prevailed during 2010-11 to 2012-13. We are working on the suggestion.

(iii). We want to modernize and upgrade mechanical infrastructure and improve utilisation of the existing Floating Cranes and ELL Cranes.

(iv). The proposed tariff are attractive.

MCCI

(i). Project envisages utilisation of existing handling equipment. We want to know whether the handling rates considered for capacity determination are based on existing equipment or new equipment.

[Chairman, CHPT : Optimum Capacity is calculated based on norms and TAMP assumption for similar capacity Cranes in other ports]

4.1. As agreed at the joint hearing, the Chennai Custom House Agents' Association (CCHAA) and Madras Chamber of Commerce and Industry (MCCI) were requested vide our letter dated 4 November 2013 to furnish its written comments on the subject proposal simultaneously to the CHPT and this Authority immediately.

4.2. In response, the MCCI and the CCHAA vide their letters dated 11 November 2013 and 12 November 2013 have furnished the written comments on the proposal respectively. The written comments received from the MCCI and CCHAA were forwarded to the CHPT as feedback information. The CHPT vide its letter dated 18 November 2013 and 22 November 2013 has responded. A summary of the comments of MCCI and CCHAA and the response of the CHPT are tabulated below:

Sl. No.	Comments of MCCI & CCHAA	Response of CHPT
1.	**Madras Chamber of Commerce & Industry (MCCI)**	
(i).	The methodology adopted on the assumptions made by PWC towards the expected cargo volumes.	The new proposed equipments and the port crafts that would be handed over to the BOO operator are the only ones that would be operating at the designated berths for the project. The profile of equipments proposed for the project is based on the suggestions made by IPA in the feasibility report for the project submitted to Chennai Port.
(ii).	The Per Ton cost indicated to the bidders by CHPT should not be a constraint in concluding the right capacity of equipment or it should not act as a deterrent for the bidders in supplying the latest equipment, which will directly contribute in increased throughput and save time.	The tariffs for the project have been worked out based on TAMP guidelines which take into account normative operating cost and 16% Return on Capital Employed (ROCE).
(iii).	MCCI has also made a request to take note of the competing ports in and around CHPT and take suitable decision while concluding the list of equipments and their resultant costs to the users.	Chennai Port has been handling these cargoes in the recent past and subsequent to the development of this project, the BOO operator would also be marketing the facility to the users and attracting cargoes.
2.	**Chennai Custom House Agents' Association**	
(i).	In the joint hearing, TAMP Officials noticed that 'Performance Standard' report has not been submitted by CHPT, as it is absolutely necessary for fixing	

	new rates as per the new guidelines of TAMP. One of other trade body also requested to submit 'projection volume' for the forthcoming years, since there two have not submitted by CHPT, we were not in a position to give our comments in suitable way.	
(ii).	As an Association CCHAA are well coming to the PPP mode on BOO basis, CCHAA expect that this new mode may boost / increase the volume of business at Chennai Port, as far as increase of rates are concerned, CCHAA is requesting to decide very competitive manner keeping neighbor ports in (ports like Ennore, Kattupalli, Krishnapattinam ports etc.) because of new rates, business should not be diverted to other ports.	The CHPT has informed that the Performance Standards for the proposed PPP project has already been sent to the CCHAA on 16.11.2013.

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