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

Tariff Authority for Major Ports

G No. 70 **New Delhi,** **13 March 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 from the Chennai Port Trust for fixation of upfront tariff for the Dry Port and multimodal logistics hub to be developed at Mappedu near Sriperumbudur under PPP mode as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports
Case No. TAMP/67/2012-CHPT

Chennai Port Trust - - - **Applicant**

QUORUM

(i). Smt. Rani Jadhav, Chairperson
(ii). Shri. T.S. Balasubramanian, Member (Finance)

O R D E R
(Passed on this 24th day of January 2013)

This case relates to a proposal received from the Chennai Port Trust (CHPT) for fixation of upfront tariff for Rajiv Gandhi Dry Port and multimodal logistics hub to be developed at Mappedu near Sriperumbudur under PPP mode.

2.1. The Chennai Port Trust (CHPT) vide its letter dated 12 October 2012 has filed the subject proposal. The main points made by the CHPT in its proposal dated 12 October 2012 are summarized below:

(i). The CHPT has proposed to develop a Dry Port and Logistics Hub at Mappedu near Sriperumpudur under PPP Mode. Accordingly, the proposal for fixation of Upfront Tariff has been prepared as per the Upfront tariff Guidelines prescribed in 2008.

(ii). The salient features of the project are as follows:

(a). The Custom bound area to be licensed to the operator for cargo handling activities, storage, stuffing/ destuffing etc. is 106.78 acres.

(b). An area of 14.96 acres will be given to the operator for use of the land for developing logistic hub and an upfront premium decided by the Chennai Port will be paid by the operator.

(c). The land proposed to be allotted to the PPP operator is located at Sriperumbudur at a distance of 35 Km from the port.

(d). The projected volume of container traffic at CHPT is expected to increase from 18.18 lakh TEUs in 2013-14 to 129.19 lakh TEUs in the year 2043-44. Therefore, the traffic estimated to be handled at the dry port is expected to increase from 5.45 lakh TEUs in 2013-14 to 38.76 lakh TEUs in the year 2043-44.

(e). The container mix has been considered based on the analysis of past trend of container movement in Chennai Port and after discussion with the CFS, exporters & shipping agency.

(iii). In the absence of relevant information, the following assumptions have been made for determination of the upfront tariff for the Dry Port (DP):

(a). The capacity of the DP will be determined following the TAMP Guidelines for Container terminals.

(b). The capacity will be apportioned between the import, export and empty containers that will be handled by the DP and also the percentage between the containers that will be examined without de-stuffing and the containers that will undergo the process of stuffing or de-stuffing.

(c). The ratio between the import and export will be 55:45.

(d). The TEU ratio will be 1.3.

(e). The percentage share of various types of activities that will be carried out at DP is given below:

Sl. No	**ACTIVITY**	**Percentage share**
A	**IMPORT**	
1	The share of LCL in total import volume	5
2	The share of FCL in total import volume	95
3	The share of FCL that will be de-stuffed in total FCL volume	25
4	The share of FCL that will be delivered directly in total FCL volume	75
5	The share of hazardous and OOD containers in total import volume	5
6	The share of de-stuffed cargo that will be stored in covered space in the total volume of de-stuffed volume	90
7	The share of de-stuffed cargo that will be stored in open space in the total volume de-stuffed volume	8
8	The share of de-stuffed cargo that will be stored in covered bonded ware house in the total volume de-stuffed	1.6
9	The share of de-stuffed cargo that will be stored in open bonded area in the total volume de-stuffed	0.4
	EXPORT	
1	The share of cargo that will be stuffed into the export container in total export volume	95
2	The share of cargo that will be stuffed into the export container by manual means in the total export volume stuffed	35
3	The share of cargo that will be stuffed into the export container by mechanical means in total export volume stuffed	60
4	The share of bulk and heavy cargo that will be stuffed into the export container in total export volume stuffed	5
5	The share of export container that will undergo seal checking in total export volume	5
6	The share of cargo that will be stored in covered space in the total volume to be stuffed	90
7	The share of cargo that will be stored in open space in the total volume to be stuffed	10

(f). The handling charges (Lift on, Lift off) for the empty container will be one third of that for the loaded container and transportation charges (within the DP) will be 40% and this activity will constitute only 1 % of the volume handled at DP.

(g). The handling charges for one FEU will be 1.5 times that for the TEU.

(h). The handling rate for hazardous and OOD containers will be 25% extra than that for the normal container.

(i). The rate for reefer plugging will be ₹300 per TEU for 4 hours of plugging. The DP will have 25 plug points and the utilization is taken as 50%.

(j). The storage charges for loaded import containers will be free for first 3 days and the slab for charging will be 4-15 days, 16 to 30 days and beyond 30 days.

(k). The storage charges for the import cargo will be free for the first 3 days and the slab will be 4 to 7 days and beyond 7 days.

(l). For the export cargo, the charges will be free for first 7 days, and slab will be 8-15 and beyond 15 days.

(m). As regards container storage, it is assumed that 20% of the total volume handled will stay beyond the free period. In respect cargo, it is 10% that will stay beyond free storage period.

(n). The empties generated through de-stuffing and the empties received at DP and required to be stored will constitute 15% of the total volume handled by the DP.

(o). Similar assumptions were made for the miscellaneous/general activities such as shifting of container/cargo, Lift on/Lift Off, loading or unloading cargo onto or from the truck etc.

(iv). The following major activities will be carried out at the DP:

(a). Receipt of cargo in break bulk form for export, storage, stuffing in containers and sealing, storage of the containers at the yard and facilitate transportation of containers to the load port.

(b). Receipt of the import containers from the import port terminal, storage at the container yard, de-stuffing the container, storage of the de-stuffed cargo and delivering the same to the importers.

(c). Receipt of export containers for seal verification.

(d). Receipt of import container from the port and storing it at the yard, facilitate the customs inspection and the delivering it to the importer or his agent as container.

(e). Miscellaneous activities such as container and cargo shifting, transportation within DP, Lift On/ Lift Off, loading/ unloading of cargo etc.

(v). The above activities indicate that there are distinctively three major functions as classified below.

I. Container and cargo handling activities within the DP in respect of imports.

II. Container and Cargo Handling Activities within DP in respect of exports.

III. General activities carried out within DP in order to facilitate import/export activities.

(vi). Considering the activities described above, it is seen that the activities that are expected to be carried out at the DP are similar to the container handling activities performed at container terminals in the ports. Hence, it is proposed to apply the procedure prescribed in the TAMP guidelines for the container terminal for tariff determination. However, unlike in the case of port container terminals, there is no berth and berth related activities. Hence, only those activities that are applicable to the present case will be considered and applied.

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

(a). For capacity determination of a container terminal, the TAMP guidelines prescribe that the capacity will be the minimum value of the two capacities viz, the optimal quay capacity and optimal yard capacity. In the present case as there is no berth, the capacity of the DP will be the optimal capacity of the yard. Hence, the capacity is determined using the formula prescribed in the TAMP guideline for the yard. As per the guideline, the yard capacity is calculated using the following formula.

Yard capacity = 0.7 X G X H X P/ SXD

G - No. of ground slots is assumed at 9389.
H - Average stack height is assumed at 2.5.
P - Period is 365 days
S - Surge factor is considered at 1.3.
D - Average Dwell time is taken at 3 days.

(b). In the case of Mega Container Terminal of Chennai Port and in the case of the tariff determination for PPP container terminal of New Mangalore Port, a value of 360 ground slots per hectare has been adopted. It is proposed to use the same norm in this case for calculation of the number of ground slots. The project report indicates that the container yard will be developed in an area of 50 acres and 15.2 acres of land. Hence, the total number of ground slots that can be formed will be 9389.

(c). An average dwell time of 3 days on the norm of 4 days and 2 days prescribed in the guideline for export and import containers has been taken.

(d). The optimal capacity of the container yard has been worked out at 15,37,750 TEUs.

(viii). **Capital cost**:

Estimation of capital cost has been worked out by following the procedure prescribed in the TAMP guidelines as per the details given below:

(₹ in lakhs)

(i).	Development of civil infrastructure facilities	11699.81
(ii).	Mechanical and electrical equipment	10490.67
(iii).	Other infrastructure facilities	1866.57
	Sub Total	**24057.05**
(iv).	IT System cost	1803.52
	Total	**25860.57**
(v).	Other Cost @ 10%	2586.06
	Total	**28446.63**
	Rounded off	**28447**

(ix). **Operating cost:**

(a). Power:

- The power requirement for the activities at dry port is only for the lighting load as there are no electrically driven equipments. The port has stated to have considered the norm of consumption of 2.4 lakhs units per annum per hectare as indicated in the 2008 guidelines for Liquid Bulk Terminal.

- The total area of the DP is available for port activities is 106.777 acres. Under this area, the container yard, the warehouses, buildings, roads, amenities etc. has to be developed.

- The cost of power is taken as ₹8 per unit which is the rate adopted in the DPR.

(b). Fuel:

- All the equipments contemplated to work at the DP are fuel driven and the cost of fuel is calculated using normative values for the fuel consumption.

- The norms prescribed for fuel consumption in the Guideline is 4 liters per TEU handled. The same norm is adopted for the following reasons:

  (a). All the equipment which are prescribed in the Guideline for deployment in the CY are fuel driven. The equipments used at the quay are power driven. Hence, it is clear that the norm of 4 liters per TEU prescribed is for the equipments deployed at the CY.

  (b). The type and number prescribed in the guidelines for handling at the CY is to meet the operational requirement of the quay handling and the CY handling. Though there is no quay handling in this present case, there is necessity for movement of the same volume of containers between CY and warehouse. Hence, it can be presumed that the adoption of same norm is justifiable.

(c). **Civil Structure Repair & maintenance**

A norm of 1% for the repair and maintenance of the civil structure is specified in the guideline. The same norm is applied for the civil structures.

(d). **Mechanical and electrical Repair & maintenance:**

- The CHPT has stated that all the equipments are not only fuel driven but also will be on operation during most of the operating time. The norm for maintenance of the equipments prescribed in the guideline is 2% of the value of the capital cost which takes into account the cost of the quay gantry crane. Compared to the equipments such as FLT, Top lift trucks etc. used in the container yard, the quay gantry carne require lesser maintenance cost.

- Further, the capital cost of the quay crane is considerably higher compared to the cost of the mobile equipments. Hence, the norm of 2% of the capital cost for maintenance cannot be applied in this case.

- The CHPT has proposed to apply a norm of 5% of the cost of the equipment as prescribed in the guideline for multipurpose cargo berth which use similar type of equipments as proposed for DP.

- The maintenance cost is worked out on the basis of 5% of the cost of the capital cost of the equipment.

(e). **Insurance**

The guideline prescribes a norm of 1% of the cost of the Gross Fixed Assets as allowable towards insurance. The same norm is adopted for calculation of the cost towards insurance.

(f). **Lease rentals**

A separate proposal has been sent to TAMP for fixation of lease rental for the land at Sriperumbudur. The proposed rate of ₹.4186/- per 100 sq.m per month has been considered for estimation of lease rentals for the area of 106.777 acres of land, subject to approval of TAMP.

(g). **Depreciation**

The port has calculated the depreciation for the civil, mechanical and electrical assets as per the Companies Act, in accordance with the stipulation in the guidelines.

(h). **Other costs**

As in the 2008 guidelines, the CHPT has proposed to adopt the norm of 10% of the gross fixed asset value prescribed for container terminals having capacity more than 0.5 million TEUs, for determination of 'Other costs'.

(i). A summary of the operating cost estimates furnished by the port are given below:

(₹ is lakhs)

Sl. No.	Description		Amount
1.	Power	2.4X106.777 X 8 / 2.5	820.05
2.	Fuel	4X50X1537750 / 100000	3075.50
3.	R & M of civil assets	0.01 x (11645.15+1921.57)	135.66
4.	R & M of mech. Assets	0.05 X 10490.67	524.53
5.	Insurance	0.01 X 28447	284.47
6.	Lease rentals	(106.777 X4046X 4186 X 12) /100 /100000	2170.12
7.	Depreciation	((0.0334X13566.72 + (0.1034X10490.67) + (0.1621X1803.52)	1830.21
8.	Other expenses	0.1 X28447	2844.70
9.	**Total**		**11685.24**

(x). The annual revenue requirement estimated by the port is given below:

Sl. No.	Activities	(₹ in lakhs)
1	Operating cost	11685.24
2	Return on capital employed (ROCE)	4551.52
3	Total (Revenue Requirement)	16236.76

(The total Annual Revenue Requirement (ARR) is the sum of the total operating cost and the Return on Capital Employed (ROCE) is 16%.)

(xi). **Apportionment of revenue requirement**:

Sl. No.	Activities	Percentage share	(₹ in lakhs)
1	Container and cargo handling	85	13801.24
2	Storage	12	1948.41
3	Miscellaneous	3	487.11

(The guidelines for container terminal prescribes that the ARR be apportioned as 90%, 7%. 3% towards the handling, storage and miscellaneous activities respectively.)

(xii). The charges for various activities under the container and cargo handling activities are calculated to meet the RR.

(xiii). The storage charges are calculated on the assumption that only 20 % of the total volume of the containers stay beyond the free period of 3 days for import containers and 7 days for the export containers. The storage charges for the cargo are calculated on this basis of 3 days free period for import and 7 days free period for export cargo. The port has assumed that only 10% of the cargo stays beyond the free period. The storage charges are worked out on this assumption and the values are given in the SOR.

(xiv). The CHPT has proposed the following activities to be covered under the miscellaneous charges.

(a). Shifting of import and export cargo within DP

(b). Shifting of loaded and empty containers within DP

(c). Lift On / Lift Off of loaded and empty containers

(d). Loading and unloading of cargo onto/ from the truck

2.2. The upfront tariff proposed by the CHPT to meet the estimated revenue requirement is as follows:

(i). **Container and Cargo Handling Operation:**

Sl. No.	Description	Rate per container per day or part thereof (in `)		
		20 ft.	40 ft.	Above 40 ft.
A.	**Import operation**			
2.1	Unloading LCL container from the user vehicle received at the DP, off loading it, seal cutting, de-stuffing, unpacking, customs inspection, repacking, loading the cargo onto the user's truck, lift on the empty container.	1700	2550	3400
2.2	Unloading FCL container from the user vehicle received at the DP, off loading it, seal cutting, de-stuffing, unpacking, customs inspection, repacking, loading the cargo onto the user's truck, lift on the empty container.	1700	2550	3400

2.3	Unloading the laden container, facilitate the customs inspection, load the container back onto the user's vehicle	1020	1530	2040
B.	**Export operation**			
2.4	Unloading the cargo from the user's truck, storing in the covered Ware House / open yard, stuffing onto the container after custom inspection, sealing the container			
	(a) Stuffing (by manual means)	1000	1500	2000
	(b) Stuffing (by mechanical means)	1200	1800	2400
	(c) Stuffing (bulk cargo and heavy cargo like granite, machineries)	2000	3000	4000
2.5	On wheel inspection	600	900	1200

(ii). **Container and Cargo Storage**:

(a). **Ground Rent for containers**:

Sl. No.	**Description of service**	**Rate per container per day or part thereof (in ₹)**		
		20 ft.	**40 ft.**	**Above 40 ft.**
A.	**Loaded Containers (Import / Export)**			
	(i). 0 to 3 days (ii). 4 to 15 days (iii). 16 to 30 days (iv). Above 30 days	Free 170 255 340	Free 340 510 680	Free 510 765 1020
B.	**Empty containers**	8	12	24

(b). **Cargo Storage Charges**:

Sl. No.	**Description of services**	**Rate per tonne or part thereof per day or part thereof (in ₹)**
A.	**Import Cargo**	
3.1	Storage charges (in covered WH)	
	(i). First 3 days (ii). 4-7 days (iii). Beyond 7 days	Free 10 15
3.2	Storage charges (in open yard) (i). First 3 days (ii). 4-7 days (iii). Beyond 7 days	 Free 7 10.50
3.3	Storage charges (in covered custom bonded WH)	50 per cu. m. / day
3.4	Storage charges (in custom bonded open yard)	40 per cu. m. / day

B.	**Export Cargo**	
3.5	Storage charges (in covered WH) First 7 days 8-15 days Beyond 15 days	 Free 10 15
3.6	Storage charges (in open yard) First 7 days 8-15 days Beyond 15 days	 Free 8 12

(iii). **Miscellaneous Charges**:

(a). **Cargo related charges**:

Sl. No.	Description	Rate per tonne or part thereof (in ₹)
4.1	Shifting of import cargo from one place to any other place within DP for any purpose at the request of the user (per ton)	30
4.2	Shifting of export cargo from one place to any other place within DP for any purpose at the request of the user (per ton)	40
4.3	Loading of imported and de-stuffed cargo OR loading of shut out cargo onto the user's truck (per ton)	50
4.4	Unloading of export cargo from the truck (per ton)	40

(b). **Container related charges**:

Sl. No.	Description of service	Rate per container per day or part thereof (in ₹)		
		20 ft.	**40 ft.**	**Above 40 ft.**
4.5	Lift On / Lift Off of loaded container	300	450	600
4.6	Lift On / Lift Off of empty container	100	150	200
4.7	Shifting of loaded container within DP (only transportation)	250	375	500
4.8	Shifting of empty within DP (only transportation)	100	150	200

3. In accordance with the consultative procedure prescribed, a copy of the CHPT proposal dated 12 October 2012 was forwarded to the users / user organisations and prospective applicants (as per the list provided by the CHPT with the proposal) seeking their comments. The comments received from prospective applicants were forwarded to CHPT as feedback information. The CHPT has responded to the comments of users/ bidders.

4.1. Based on the preliminary scrutiny of the proposal, the CHPT was requested to furnish additional information/ clarifications on various points vide our letter dated 2 November 2012. The CHPT vide its letter dated 26 November 2012 has responded to our queries. A summary of the queries raised by us and the response of CHPT are juxtaposed below:

Sl. No.	Queries raised by us	Response of the CHPT
1.	**General:**	
(i).	The proposal of the CHPT in reference is to fix upfront tariff cap for a dry port and a	In the case of Container Terminals, it is possible to configure a standard Container Terminal with

	multimodal logistics hub to handle containers/ cargo based on the proposed development of 121.74 acres of land. The CHPT to explain the basis for considering an area of 121.74 acres of land as the configuration for a standard dry port and a multimodal logistics hub at CHPT.	berth length, back-up space and handling equipments, etc. However, in the case of the Dry Port, where the handling is restricted only at the Container Yard it may not be possible to prescribe standard configurations. However, with the availability of the land for the development of the Dry Port, the configuration has been done applying the standards as applicable to the Container Terminal.
(ii).	It may be confirmed whether the basic features and the terms of concessions applicable to the project under reference will be similar to the future similar projects at CHPT, if any.	The terms and conditions will be applicable subject to project specific conditions in the event that the similar project is proposed by Chennai Port Trust within a period of five years.
(iii).	As seen from the proposal of the CHPT, the CHPT has planned to establish the proposed dry port at Sriperumbudur Special Economic Zone (SEZ) area. In this context, the CHPT is required to quantify the annual financial benefits, if any, extended by the SEZ towards capital and/ or operating costs to the BOT operator and account for such benefits in the cost estimates.	The area in which the dry Port is proposed by CHPT is not coming under SEZ area and it is only adjacent to the SEZ area. As such, there is no financial benefit towards capital /operating cost as applicable to this project.
2.	**Optimal Yard Capacity:-**	
(i).	The analysis carried out by CHPT to show that out of the total area of 121.74 acres, only around 53% would be available for handling and storage of containers, leaving around 47% for ancillary facilities to be furnished.	Out of the total area of 121.74 acres, the area allocated for the development of the dry port facilities is only 106.77 acres. Out of this, the area allocated for handling and storage of containers works out to 61%.
(ii).	From the traffic projections for the Dry Port as furnished by the CHPT, it is seen that the Dry Port is estimated to be handling container traffic to the tune of 15.98 lakh TEUs from the 14^{th} year of the Project period and gradually the traffic increases upto 38.76 lakh TEUs by the end of the 30 year project period in 2043-44. However, the capacity of the proposed facility is estimated at 15.37 lakh TEUs by the CHPT. Considering that there is a huge potential for the traffic to be handled at the Dry Port, the CHPT to consider revising the parameters considered by it in the calculation of the yard capacity so as to minimize the gap between the potential traffic and the yard capacity calculated by CHPT. In this context, it is seen that out of the total land area, the CHPT has earmarked 5 acres of land towards handling empty containers, break bulk etc. When the land has been earmarked for handling empty containers, break bulk, it is not clear why the said area of land should not be considered while calculating the optimum capacity of the proposed facility. The CHPT, therefore, to consider the said	The traffic projection of 38.76 lakh TEUs indicated in the DPR prepared by M/s.WAPCOS is the traffic expected in the year 2043-44. With the existing infrastructure available, it may not be possible to handle the entire traffic cargo forecasted. The capacity has been calculated taking into account the availability of the land by applying the guidelines of TAMP. As per this, the capacity that could be achievable optimally is estimated as 16.56 lakh TEUs (revised estimate) based on which the tariff has been determined. As regards the area of 5 acres earmarked for empty container handling, this is now taken into account in the total area of Container Yard and accordingly the capacity is re-assessed and the revised statements are sent.

	area of 5 acres of land also in the yard capacity calculation, so as to improve the yard capacity.	
(iii).	The CHPT has considered an average stack height of 2.5 in the calculation of yard capacity, in line with the norms prescribed in the upfront guidelines in this regard. However, it may be recalled that while determining the yard capacity of the mega container terminal at CHPT, a stack height of 3 has been considered, as proposed then by the CHPT itself. In view of this position, the CHPT to revise the norm of stack height in the workings of the yard capacity.	The stack height of 3 has been considered in the Mega Container Terminal as the container stacking in the container yard is either to feed the containers to the ship or receive the containers from the ship. The load factor of such ships calling at the Mega Container Terminal is in the order of 1500 to 3000 TEUs and considering this factor, it is possible for the operator to achieve a stack height of 3. The Dry Port facility proposed now is not comparable with the type of operation carried out at the Mega Container Terminal. Hence, the stack height of 2.5 as given in the guidelines has been adopted as such.
(iv).	Also, the CHPT to furnish the actual stack height of containers that prevailed at the other two private terminals being operated at the CHPT during the last three years.	In view of the reasons furnished in the previous point, the stack heights of the Container Terminals are not comparable and hence the value prescribed in the guideline and adopted here may please be considered.
(v).	The analysis done by CHPT to arrive at the surge factor of 1.3 to be furnished.	The type of containers that could arrive at the Dry Port and the peaking that may occur is difficult to analyze in the absence of data as there are no Dry Port facilities existing at present. Hence, the surge factor of 1.3 as applied for Container Terminal is adopted for the Dry Port also.
(vi).	The average dwell time of 3 days, based on 4 days for exports and 2 days for import, to be justified taking into account the actual average dwell time that prevailed at the two private container terminals being operated at the CHPT during the last three years.	As explained above, all the norms that had been prescribed in the TAMP guidelines has been adopted in-toto except in places where there are deviations contemplated. In the case of dwell time also the norms prescribed in the TAMP guidelines has been adopted as such.
(vii).	Out of the total area of 121.74 acres, the CHPT has envisaged to allot 14.96 acres of land to the operator on lease on upfront payment basis. It appears that the said piece of land will be at the disposal of the BOT operator for sub-letting to the third parties for development of facilities for Importers and Exporters for Logistics purposes. In this context, the CHPT to certify that the BOT operator will not be permitted to carry out the container/ cargo handling, storage and Miscellaneous activities for which the CHPT has proposed the upfront tariff, in the said piece of land. The incorporation of a relevant provision in this regard in the Licence Agreement to be entered with the BOT operator may also be examined.	It is envisaged that as regards the remaining 14.96 acres of land, the operator will be permitted to carry out only logistic activities and as such the operator will not be carrying out the container handling activities. A provision in this regard will be incorporated in the Concession Agreement.
3.	**Capital Cost Estimation:-**	
(i).	Civil Cost: The Supplementary Report to DPR mentions that the cost estimate are based	 In light of the remarks given above the proposal is updated and in the updated proposal, this

	on CPWD and Tamilnadu Public Works Department Schedule of Rates and Data Sheet for the year 2010-11 and the market rate during the year 2010-11. Nevertheless, the civil costs estimated in the Supplementary Report to DPR does not match with the civil costs considered by CHPT in its proposal. CHPT to clarify the position. Further, the CHPT to furnish a detailed cost estimate for the civil works proposed to be undertaken at the said facility. The details about quantum of the work alongwith the unit rate considered may also be furnished. Also, the Schedule of Rates highlighting the rates considered for estimation of each item of civil cost may also be furnished. Further, since the years 2010-11 and 2011-12 are already over, the estimated civil costs may be updated to reflect the current market rates or the updated CPWD/ Tamilnadu Public Works Department Schedule of Rates.	aspect has been considered and revised figures are furnished. The details about the quantum of work along with the unit rates are also enclosed. The rates furnished in the updated proposal are based on the Schedule of Rates of CPWD, Govt. of Tamilnadu, applicable to 2012-13.
(ii).	<u>Equipment Cost:</u> Though the CHPT has estimated an amount of ₹.104.91 crores towards Mechanical and Electrical equipment, the various type of equipment proposed to be deployed at the facility has not been furnished. Also, the number of each type of equipment and the cost of each type of equipment has not been furnished. The CHPT to furnish the following:	The details on the number and type of equipments deployed at the facility are furnished in the updated Supplementary Report. The details of the quotations received from manufacturers / dealers for majority of the equipments are enclosed.
	(a). Number of each type of equipment at the facility and justification for the number of equipment so considered. Deviation, if any, in this regard from the Guideline norms to be justified.	
	(b). Cost of each type of equipment at the facility supported by budgetary quotations in support of the cost of each equipment.	
	(c). Workings to arrive at the cost of each type of equipment as considered by CHPT in its calculations, from the amount specified in the budgetary quotations.	
(iii).	<u>Other infrastructure facilities:</u> (a). CHPT to list out the nature of the capital cost covered under ‘Other infrastructure facilities’ along with estimated capital cost for each item.	The other infrastructure facilities indicated in the proposal pertains to the Civil infrastructure, viz., providing Railway lines, roads, etc., and in the updated proposal this has been included in the civil Infrastructure.
	(b). In this regard, it is relevant to mention here that the upfront guidelines for the container terminal bifurcates the capital cost into four categories viz., Civil costs, Equipment costs, IT costs and Other costs (10% of sum of civil and equipment costs). In the proposal under reference, the cost towards ‘Other infrastructure facilities’ to the tune of ₹18.67 crores is over and	In the updated proposal only 4 categories, viz., Civil costs, Equipment costs, IT costs and Other costs are given in tune with the upfront tariff guidelines.

	above the 'Other costs' as prescribed in the Guidelines. The CHPT is, therefore, to clarify the position and justify the estimated capital costs towards Other infrastructure facilities.	
(iv).	Other costs: The norms prescribed in the upfront guidelines of the container terminal for determining the 'Other costs' is 10% of sum total of civil and equipment costs. The CHPT is, however, seen to have considered IT cost also alongwith civil and equipment costs to estimate the 'Other costs. The CHPT to revise its workings suitably.	As indicated, the IT cost is excluded in the calculation of the Other costs.
4.	**Operating Cost:-**	
(i).	Power cost: The power consumption @ 2.4 lakh units per annum per hectare to be justified with workings.	The power consumption @ 2.4 lakh units per annum per hectare has been adopted based on the norm prescribed for the power consumption in the case of Liquid Bulk Terminal. The power consumption is meant only to provide the lighting for the entire area and there is no other power consumption.
(ii).	Fuel cost: As brought out by CHPT itself, the norm of fuel consumption of 4 litres per TEU as prescribed in the upfront guidelines is for operational requirement at the quay and for handling at the yard. The proposal of CHPT does not involve quay side handling. However, the CHPT has neither justified nor furnished workings to show that the fuel consumption of 4 litres per TEU would be essential with regard to its proposal in reference for movement of containers in the Dry Port premises. CHPT to clarify the position and justify the consumption of 4 litres per TEU.	The norm of fuel consumption of 4 liters per TEU as prescribed in the guidelines is adopted for the Dry Port also for the reasons explained in the proposal. It is reiterated that in the case of Container Terminal, the fuel consumption pertains only to those equipments which are deployed in the Container Yard. The equipments deployed in the quay, viz., Quay Gantry Cranes are operated using electric power and hence do not have any fuel consumption. As such the norm of 4 liters per TEU pertains only to the fuel consumption for the equipments deployed at the Container Yard. Hence, the proposal adopting the same norm of 4 liters per TEU may be considered by the TAMP.
(iii).	Repair and Maintenance: The deviation made in the norm relating to the repair and maintenance of equipment by considering 5% instead of 2% as prescribed in the guidelines to be justified.	In the case of repair and maintenance, the norm of 2% prescribed in the guidelines is considered for all the category of equipments which includes Quay Gantry Cranes. Normally, the repair and maintenance cost as a percentage will be lower in the case of Gantry Cranes compared to mobile equipments, viz., Fork Lift Trucks, Top Loaders, etc. As these equipments are mobile in nature, the cost of repair and maintenance will be higher compared to the Gantry Cranes. Hence, the norm of 5% as applied in the case of equipments deployed at the multipurpose terminals which deploy similar equipments, is adopted and the same may be considered by TAMP.
5.	**Apportionment of Revenue Requirement:** The deviation with regard to the apportionment of revenue requirement between handling, storage and	Unlike the case of Container Terminals, the containers are stored after stuffing and also stored at the Yard before de-stuffing. Hence, the quantum of the containers that will be coming to the yards for storage and the number

	miscellaneous at 85:12:3 instead of the norm of 90:7:3 as prescribed in the guidelines to be justified.	of days of stay will be in higher ratio compared to the normal Container Terminal. Hence, the apportionment has been slightly modified in order to take this factor into account, which may be considered by TAMP.
6.	**Upfront tariff calculation:-**	
	(a). The CHPT has not furnished workings to derive the proposed upfront tariff for the various services proposed to be rendered by the BOT operator under the handling operation, storage and for the various services covered under the miscellaneous charges. The CHPT to furnish detailed workings in this regard.	The CHPT has furnished the revised working sheet.
	(b). The CHPT is also to establish with workings that with the proposed upfront tariff, the operator would be in a position to achieve the total revenue requirement in respect of handling, storage and Miscellaneous activities.	

4.2. The CHPT while furnishing its reply to our queries vide its letter dated 26 November 2012 has revised its proposal. The CHPT also furnished its updated feasibility report. The changes observed in the updated proposal of November 2012 when compared with the proposal of October 2012 are summarized below:

(i). Optimal capacity:

The optimal capacity in the November 2012 proposal has been revised to 1655673 TEUs as against 1537750 TEUs, as calculated in the original proposal of October 2012.

(ii). Capital Cost

Sl. No.	Particulars	Original Proposal of October 2012	Updated Proposal of November 2012
(i).	Development of civil infrastructure facilities	11699.81	13566.38
(ii).	Mechanical and electrical equipment	10490.67	10490.67
(iii).	Other infrastructure facilities	1866.57	--
	Sub Total	**24057.05**	**24057.05**
(iv).	IT System cost	1803.52	1803.50
	Total	**25860.57**	**25860.57**
(v).	Other Cost @ 10%	2586.06	2405.70
	Total	**28446.63**	**28266.25**
	Rounded off	**28447**	**28266**

(iii). Operating Cost Estimates

Sl. No.	Particulars	Original Proposal of October 2012		Updated Proposal of November 2012	
		Description	Amount	Description	Amount
1.	Power	2.4X106.777 X 8 / 2.5	820.05	2.4X106.777 X 8 / 2.5	820.05
2.	Fuel	4X50X1537750 / 100000	3075.50	4X50X1655673 / 100000	3311.35
3.	R & M of civil assets	0.01 x (11645.15+1921.57)	135.66	0.01 x (13566.38)	135.66

4.	R & M of mech. Assets	0.05 X 10490.67	524.53	0.05 X 10490.67	524.53
5.	Insurance	0.01 X 28447	284.47	0.01 X 28266.25	282.66
6.	Lease rentals	(106.777 X4046X 4186 X 12) /100 /100000	2170.12	(106.777 X4046X 4186 X 12) /100 /100000	2170.12
7.	Depreciation	((0.0334X13566.72 + (0.1034X10490.67) + (0.1621X1803.52)	1830.21	((0.0334X13566.72 + (0.1034X10490.67) + (0.1621X1803.52)	1830.21
8.	Other expenses	0.1 X28447	2844.70	0.1 X 28266	2826.62
9.	**Total**		**11685.24**		**11901.20**

(iv). Annual Revenue Requirement

Sl. No.	Activities	Original Proposal of October 2012	Updated Proposal of November 2012
		(₹ in lakhs)	(₹ in lakhs)
1	Operating cost	11685.24	11901.20
2	Return on capital employed (ROCE)	4551.52	4522.60
3	Total (Revenue Requirement)	16236.76	16423.80

(v). Apportionment of revenue requirement:

Sl. No.	Activities	% share	Original Proposal of October 2012	Updated Proposal of November 2012
			(₹ in lakhs)	(₹ in lakhs)
1	Container and cargo handling	85	13801.24	13960.23
2	Storage	12	1948.41	1970.86
3	Miscellaneous	3	487.11	492.71

4.3. The proposed upfront tariff is as follows:

(i). **Container and Cargo Handling Operation:**

Sl. No.	Description	Original Proposal of October 2012			Updated Proposal of November 2012		
		Rate per container per day or part thereof (in ₹)			Rate per container per day or part thereof (in ₹)		
		20 ft.	40 ft.	Above 40 ft.	20 ft.	40 ft.	Above 40 ft.
A.	**Import operation**						
2.1	Unloading LCL container from the user vehicle received at the DP, off loading it, seal cutting, de-stuffing, unpacking, customs inspection, repacking, loading the cargo onto the user's truck, lift on the empty container.	1700	2550	3400	1560	2340	3120
2.2	Unloading FCL container from the user vehicle received at the DP, off loading it, seal cutting, de-stuffing, unpacking, customs inspection, repacking, loading the cargo onto the user's truck, lift on the empty container.	1700	2550	3400	1560	2340	3120

2.3	Unloading the laden container, facilitate the customs inspection, load the container back onto the user's vehicle	1020	1530	2040	936	1404	1872
B.	**Export operation**						
2.4	Unloading the cargo from the user's truck, storing in the covered Ware House / open yard, stuffing onto the container after custom inspection, sealing the container						
	(a) Stuffing (by manual means)	1000	1500	2000	1000	1500	2000
	(b) Stuffing (by mechanical means)	1200	1800	2400	1200	1800	2400
	(c) Stuffing (bulk cargo and heavy cargo like granite, machineries)	2000	3000	4000	2000	3000	4000
2.5	On wheel inspection	600	900	1200	475	475	475

(ii). **Container and Cargo Storage**:

(a). **Ground Rent for containers**:

Sl. No.	**Description of service**	**Original Proposal of October 2012**			**Updated Proposal of November 2012**		
		Rate per container per day or part thereof (in ₹)			**Rate per container per day or part thereof (in ₹)**		
		20 ft.	**40 ft.**	**Above 40 ft.**	**20 ft.**	**40 ft.**	**Above 40 ft.**
A.	**Loaded Containers (Import / Export)**						
	(i). 0 to 3 days (ii). 4 to 15 days (iii). 16 to 30 days (iv). Above 30 days	Free 170 255 340	Free 340 510 680	Free 510 765 1020	Free 150 225 300	Free 300 450 600	Free 450 675 900
B.	**Empty containers**	8	12	24	8	16	24

(b). **Cargo Storage Charges**:

Sl. No.	**Description of services**	**Original Proposal of October 2012**	**Updated Proposal of November 2012**
		Rate per tonne or part thereof per day or part thereof (in ₹)	**Rate per tonne or part thereof per day or part thereof (in ₹)**
A.	**Import Cargo**		
3.1	Storage charges (in covered WH)		
	(i). First 3 days (ii). 4-7 days (iii). Beyond 7 days	Free 10 15	Free 10 15
3.2	Storage charges (in open yard) (i). First 3 days (ii). 4-7 days (iii). Beyond 7 days	 Free 7 10.50	 Free 8 12

3.3	Storage charges (in covered custom bonded WH)	50 per cu. m. / day	50 per cu. m. / day
3.4	Storage charges (in custom bonded open yard)	40 per cu. m. / day	40 per cu. m. / day
B.	**Export Cargo**		
3.5	Storage charges (in covered WH) First 7 days 8-15 days Beyond 15 days	 Free 10 15	 Free 11 16.5
3.6	Storage charges (in open yard) First 7 days 8-15 days Beyond 15 days	 Free 8 12	 Free 9 13.5

(iii). **Miscellaneous Charges**:

(a). **Cargo related charges**:

Sl. No.	**Description**	**Original Proposal of October 2012**	**Updated Proposal of November 2012**
		Rate per tonne or part thereof (in ₹)	**Rate per tonne or part thereof (in ₹)**
4.1	Shifting of import cargo from one place to any other place within DP for any purpose at the request of the user (per ton)	30	32.5
4.2	Shifting of export cargo from one place to any other place within DP for any purpose at the request of the user (per ton)	40	42.5
4.3	Loading of imported and de-stuffed cargo OR loading of shut out cargo onto the user's truck (per ton)	50	42.5
4.4	Unloading of export cargo from the truck (per ton)	40	42.5

(b). **Container related charges**:

Sl. No.	**Description of service**	**Original Proposal of October 2012**			**Updated Proposal of November 2012**		
		Rate per container per day or part thereof (in ₹)			**Rate per container per day or part thereof (in ₹)**		
		20 ft.	**40 ft.**	**Above 40 ft.**	**20 ft.**	**40 ft.**	**Above 40 ft.**
4.5	Lift On / Lift Off of loaded container	300	450	600	285	427.5	570
4.6	Lift On / Lift Off of empty container	100	150	200	95	143	190
4.7	Shifting of loaded container within DP (only transportation)	250	375	500	200	300	400
4.8	Shifting of empty within DP (only transportation)	100	150	200	90	135	180
4.9.	Reefer Plugging charges per 4 hrs. or part thereof	--	--	--	300	450	600

4.4. The revised proposal dated 26 November 2012 was circulated to the concerned users / user organisations / prospective bidders for their comments. Only one of the prospective bidders viz., Simplex Projects Limited (SPL) has furnished its comments on the revised proposal. These comments were forwarded to the CHPT for their comments. The CHPT has not responded to the comments of SPL till finalisation of the case.

5.1. A joint hearing on the case in reference was held on 30 November 2012 at CHPT premises. At the joint hearing, the CHPT made a power point presentation of its proposal. At the joint hearing, the CHPT, the concerned users/ user organisations bodies/ prospective bidders have made their submissions.

5.2. As agreed at the joint hearing, the CHPT was requested vide our letter dated 6 December 2012 to take action on some points. The CHPT vide its letter dated 13 December 2012 has responded. The points raised by us and reply of the CHPT are tabulated below:

Sl. No.	Points raised by us	Reply of CHPT
(i).	Around 15 acres of land proposed to be allotted to the BOT operator is not captured in the optimal capacity calculation. The possibility of considering the said 15 acres of land as part of the project and considering the area for optimum capacity calculation to be explored.	The Transaction Advisor worked out the available options as detailed hereunder, and has submitted the same to the board. **<u>Option 1:</u>** ➢ Entire 121.74 acres to be developed as a custom bound area utilized for operation of dry port facilities ➢ Private partner to share with CHPT, the revenues accrued from the Dry Port Facilities. **<u>Option 2:</u>** ►The area to be divided into 72.61 acre custom bound dry port facility area and 49.13 acre Multi Modal Logistics Hub area ►Private partner to share with CHPT, both the revenues accrued from the Dry Port and logistic hub Facilities. *(a) Revenue Share and Upfront Premium* *(b) Revenue Share and Annual Premium* ***<u>Option 3:-</u>*** ➢ The area to be divided into 72.61 acre custom bound dry port facility area and 49.13 acre Multi Modal Logistics Hub area ➢ Private partner to share with CHPT, the revenues accrued from only the Dry Port while retain the entire revenues from logistics hub area During the discussion with the Board, the TA submitted another model (Hybrid Model – Option 4) to the Board as detailed below: ***<u>Option 4:</u>*** ►The 72.61 acre and 34.17 acre area are to be developed as custom bound area for dry port facility and 14.96 acre to be developed as non-custom bound area for Multi Modal Logistics Hub. ►Private partner to share with CHPT, both the revenues accrued from the Dry Port and logistic hub Facilities as elaborated below. The Fixed Bid Parameter 1 covers Land Lease Rentals and Fixed Bid Parameter 2 viz. premium payment is in lieu of revenues from the Multimodal Logistics Hub, which can be in the form of Upfront payment at the time of contract signing. The Variable Parameter,

		viz. royalty payment will be a percentage of gross revenue from the dry port. The bidder quoting highest revenue share would be declared as the preferred bidder. The advantages of the option 4 are greater freedom of development over the 14.96 acre parcel of land for the developer and better revenue source, equitable risk sharing between the Port and the Developer, lower risk of revenue leakage (limited to only 14.96 acres land portion), handling of containers from a different Port by each of the Dry Port Units and a Fixed Premium assuring ROCE on the 14.96 acre plot. The Board after detailed discussion about the pros & cons of all the models, decided to adopt option 4 for development of the subject project. Considering the various discussions held on the finalization of the development strategy and the final project strategy approved by the Board (i.e) to develop the 72.61 acre and 34.17 acre area as custom bonded area for dry port facility and develop 14.96 acre area as non-custom bonded area for Multi Modal Logistics Hub, it is proposed to indicate the TAMP that the land area of 14.96 acre will not be included in the area for dry port facility and accordingly the capacity will be as proposed in the tariff proposal for the subject project.
(ii).	The stack height of 2.5 envisaged at the proposed dry port to be justified with reference to the best performance standards obtaining at the other Container Freight Stations (CFS).	For the Mega Container Terminal Project, a stack height of 3 has been considered as the container stacking in the container yard and is either to feed the containers to the ship or receive the containers from the ship. The load factor of such ships calling at the Mega Container Terminal is in the order of 1500 to 3000 TEUs and considering this factor, it is possible for the operator to achieve a stack height of 3. The Dry Port facility proposed now is not comparable with the type of operation carried out at the Mega Container Terminal. Hence, the stack height of 2.5 as given in the Tariff guidelines has been adopted as such. Further, it is also confirmed that at CFS, on an average, the stack height of 2.5 may be taken as the norm for computing the Yard capacity. In view of the above, TAMP may consider the stack height of 2.5 as given in the Tariff Guidelines 2008.
(iii).	The traffic forecast for the Chennai Port Trust and the proposed dry port made by the CHPT in its proposal for the period from 2013-14 to 2043-44 to be substantiated with reference to the traffic projections as per the Business Plan / Five Year Plan / MOU with the MOS and review the optimal capacity of the Dry Port keeping in view the substantiated traffic potential at the proposed Dry Port for	For Traffic forecast, container traffic being actually handled at Chennai Port Trust from 1994-1995 to 2009-10 (15 years) was collected and analysed. The forecast was based on the trend along with Business Plan of Chennai Port carried out by M/s.Deloitte. In the Business plan, the container growth was arrived at 15% for the year 2008-09, 14% for the year 2013-14 , 10% for the year 2018-19, 11% for the year 2023-24 and 10% from the year 2025-26 on wards. The MOU entered with the Ministry of shipping, in the last 10 years shows, various percentage ranging from 10% to 25% year on year. However, considering the Ennore Port Terminal and Kattupali port terminal the target growth was reduced and given as (-) 8.4% for the year 2012-13. However, the container terminal at Ennore Port is not being developed and container handling in Chennai Port is in positive trend. Till Oct 2012, the port's container growth is (+) 0.25% compared to container handled till Oct, 2011. The traffic forecast analysis in the DPR shows that the initial period

	the project period.	(2010-11 to 2012-13) traffic growth is around 10% which gradually comes down to approximately 4% at the end of the 30 year, inline with the business plan of Chennai Port. However, out of this projected traffic, only 30% of the traffic is considered to be handled from proposed Dry Port. The volume trend is arrived after considering the traffic projection which was compared with earlier studies carried out by Chennai Port. In view of the above, the traffic projection is in line with the business plan of the Chennai Port and may be considered as substantiated traffic potential. Further, as indicated, considering the availability of other 30 CFS (approx.) operating in the region, the traffic for the proposed facility is assumed at 30% of the Chennai port traffic. The optimal capacity is arrived based on the ground slots as per the norms and not based on the traffic potential. Hence, the capacity arrived as 1.65 Million TEUs can be treated as justifiable.
(iv).	Lease Rentals to be aligned with Land Policy Guidelines for Major Ports 2010.	Detailed reply is separately given for a separate letter issued by TAMP in the proposal relating to fixation of land lease charges for the dry port land.
(v).	In the event of tariff figures proposed by the CHPT in its proposal undergoing change, due to revisiting the proposal, the CHPT to forward its revised proposal	Since no change is proposed after the joint hearing held on 30th November, 2012, TAMP is requested to consider the revised proposal of Chennai Port submitted vide its letter dated 26 November 2012.

6. The CHPT has stated, *inter alia,* vide its letter dated 11 January 2013 that the land of 14.96 acres is a back-up area to the BOT Operator for creation of allied / ancillary facilities.

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

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

(i). The proposal is to fix upfront tariff for handling containers at the Dry Port and multimodal logistics hub to be developed at Mappedu near Sriperumbudur under PPP mode. The proposal of the Chennai Port Trust (CHPT) is reported to be based on the Guidelines for upfront tariff fixation issued by the (then) Ministry of Shipping, Road Transport and Highways vide Notification No. TAMP/52/2007-Misc., dated 26 February 2008.

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

(ii). The CHPT has filed its proposal in October 2012. Subsequently, based on the information/ clarifications sought by us during the processing of the case, the

CHPT vide its letter dated 26 November 2012 has revised its proposal. The revision made by the CHPT in its revised proposal dated 26 November 2012 is to increase the capacity of the proposed facility by taking into account an area of 5 acres earmarked for empty container handling in the total area of Container Yard, at our instance. The revised proposal of the CHPT dated 26 November 2012 along with the information/ clarifications furnished by CHPT during the processing of the case are considered in this analysis.

(iii). As brought out earlier in the factual position of this note, the major activities envisaged to be carried out at the Dry Port, in case of the Export cycle is receipt of cargo in break bulk form, storage, stuffing in containers and sealing, seal verification, storage of the containers at the yard and facilitate transportation of containers to the load port. The proposed activities in the case of Import Cycle are stated to be receipt of the import containers from the import port terminal, storage at the container yard, de-stuffing the container, facilitate the customs inspection, storage of the de-stuffed cargo and delivering the same to the importers. Thus, except for handling of the containers at the quayside, all the other activities as listed out above are similar to the container handling activities carried out at a container terminal. In view of this position, the CHPT has selectively followed the norms prescribed in the Upfront tariff Guidelines i.e. the methodology prescribed for determination of yard capacity and some norms relating to the operating cost, for determination of upfront tariff for the proposed facility.

(iv). Optimal Capacity of the Dry Port:

As per Clause 3 of the guidelines of February 2008, the optimal capacity of the terminal is the lower of the optimum quay and yard capacities. However, since there is no quay/ berth in the case in reference, the optimal yard capacity alone will be the optimal capacity of the Dry Port. The determination of Optimal yard capacity is discussed below:

(a). Ground slots:

(i). Out of the total area of 121.74 acres of land at Sriperumbudur acquired by the CHPT on 99 years lease basis from the State Industries Promotion Corporation of Tamilnadu (SIPCOT), an area of 106.78 acres of land has been earmarked by the CHPT for the development of the Dry Port. The balance area of 14.96 acres of land is proposed to be allotted by the CHPT to the BOT Operator of the Dry Port for an upfront premium for developing logistic hub and for creation of allied/ ancillary facilities.

(ii). The piece of land measuring 14.96 acres, though will be at the disposal of the BOT operator for sub-letting to the third parties for development of facilities for Importers and Exporters for Logistics purposes, will not be part and parcel of dry port handling. Further, the CHPT has confirmed that the BOT operator will be permitted to carry out only logistic activities thereat and will not be permitted to carry out the container/ cargo handling, storage and Miscellaneous activities for which the CHPT has proposed the upfront tariff, in the said piece of land. The CHPT has also agreed to incorporate a provision in this regard in the Concession Agreement to be entered with the BOT operator. In view of this position and since this plot of land does not fall within the scope of Dry port, the CHPT has excluded the said piece of land in the capacity calculation. Accordingly, and in view of the position explained by the port, this area of 14.96 acres is not considered by us in the proposal.

(iii). Out of the remaining area of 106.78 acres of land earmarked for the Dry Port, the port has identified 36.61 acres of land towards Warehouse, Administration Building, Allied Building, Roads, Parking, Green Belt etc., and 70.17 acres of land for container storage. Thus, the area available for storage of containers is around 66% of the total area earmarked for the proposed dry port facility.

(b). For the purpose of calculation of the ground slots, the upfront tariff guidelines prescribe a norm of 720 TEUs per hectare. In the case of upfront tariff fixation for the container terminal at New Mangalore Port Trust (NMPT) vide Order dated 30 December 2009, ground slots of 360 TEUs per hectare was considered which was based on the analysis of the NMPT with reference to the area occupied by a container and additional area required for movement of container handling equipment, space between containers etc. Similar position has been considered in the case of fixation of upfront tariff for the Mega Container Terminal at CHPT and also incase of the container terminal at Visakhapatnam Port Trust (VPT) disposed recently. The CHPT has also considered the ground slots at 360 TEUs per hectare. The total ground slots have been determined at 10109.

(c). Average Stack Height:

The upfront tariff guidelines specify an average stack height of 2.5. The CHPT has also considered stack height of 2.5. Since, a stack height of 3 has been considered while determining the yard capacity of the mega container terminal at CHPT, the CHPT was requested to consider the stack height of 3 for the proposed facility also. In this regard, the port has cited that it is possible to achieve a stack height of 3 in case of Mega terminal as the container stacking in the container yard is either to feed the containers to the ship or receive the containers from the ship. It appears that since the activity of feeding of containers to the ship or receiving the container from ship are not involved in the proposed dry port facility, it may not be possible to consider a higher stack height of 3 at the dry port. Further, the CHPT has also confirmed that at CFS, on an average, the stack height of 2.5 is taken as the norm for computing the Yard capacity. Considering the operations to be carried out at the Dry Port, the stack height of 2.5 considered by the CHPT is relied upon.

(d). Average dwell time:

Based on the ratio of import and export containers at 50:50, the upfront tariff guidelines specify average dwell time of 3 days, based on 4 days for export container and 2 days for import container. The CHPT has considered the import / export ratio at 55:45, which also results in an average dwell time of around 3 days. Notably, the ratio of import and export containers is reported to be based on the analysis of past trend of container movement in the port and also after discussion with exporters and shipping agencies.

(e). The yard capacity based on the formula prescribed in the upfront guidelines and the parameters considered by the CHPT works out to 1655673 TEUs. This is considered as the optimal capacity of the Dry Port facility.

(v). Capital cost:

The total capital cost towards development of the proposed facility has been estimated by the port at ₹282.66 crores, of which ₹135.66 crores is estimated towards civil works, ₹104.90 crores towards Equipment, ₹18.04 crores towards IT and ₹24.06 crores towards Other assets, as explained below:

(a). Civil costs:

The upfront tariff guidelines require consideration of the civil cost as per the estimates given by the Port Trust. In this regard, the CHPT has estimated the civil costs relating to the proposed facility at ₹135.66 crores. This estimated cost pertains to Leveling, Consolidation, Development, Internal Roads, Landscaping, Construction of Buildings, Facilities, Reservoirs, STP, Fencing wall, High Mast Towers, Internal Railway, Diverting & Widening of Roads, Study, Investigation, Environmental measures etc. The CHPT has also made provisions in the estimates towards contingencies. The CHPT has confirmed that the rates adopted by it for estimation of civil works are based on the Schedule of Rates of CPWD, Govt. of Tamilnadu, applicable for the year 2012-13. The cost of civil works as estimated by the Port is relied upon.

(b). Equipment cost:

(i). The CHPT has envisaged deployment of equipment like Rubber Tyred Gantry Cranes, Spreaders, 3 tonne and 15 tonne Forklift Trucks, 3 tonne Electronic Forklift Trucks, Empty Container Handlers, 10-15 tonnes Mobile Crane, 12 tonne Trucks, 60 tonne Trailers, Air Compressor, Car washing machine, 80 tonne Electronic Weigh Bridge, 1 tonne Electronic Weigh Scale, Reefer Power Plugs, Battery operated open type vehicle etc., at the proposed facility.

(ii). The number of each type of equipment proposed by the CHPT are listed below:

Rubber Tyred Gantry Cranes	3 nos.
Spreaders	7 nos.
3 tonne Forklift Trucks	30 nos.
15 tonne Forklift Trucks	11 nos.
3 tonne Electronic Forklift Trucks	11 nos.
Empty Container Handler	8 nos.
10-15 tonne Mobile Crane	8 nos.
12 tonne Trucks	13 nos.
60 tonne Trailers	50 nos.
Air Compressor	3 nos.
Car washing machine	3 nos.
80 tonne Electronic Weigh Bridge	4 nos.
1 tonne Electronic Weigh Scale	10 nos.
Reefer Power Plugs	170 nos.
Battery operated open type vehicle	7 nos.

Inspite of a specific request to justify the number of each and every type of equipment proposed to be deployed at the facility, it has merely stated that the details are available in the updated Supplementary Report. The updated Supplementary Report just reflects the position as given above. It does not justify the number of each type of equipment considered in the proposal.

(iii). The Simplex Projects Limited (SPL) has stated that separate set of equipment will be required on two sides of the road and it will have major cost implication in the operations. Therefore, the SPL has requested this Authority to factor in this aspect while finalizing the upfront tariff for the Dry port. In this regard, the CHPT has stated that the operator has to equip and operate the premises. However, it is seen from the Project Report that the requirement of equipment for land measuring 72.6 acres and 34 acres has been identified for the respective areas separately by the CHPT.

(iv). As per the Upfront tariff guidelines for a container terminal, the basis for deploying the number of RTGs and Trailers at the facility flows from the number of Quay cranes deployed at the Quayside. Since there is no quayside operation, and hence no quay cranes, we are not in a position to verify the reasonableness of the number of RTGs and trailers envisaged to be deployed at the facility with reference to the norms prescribed in the guidelines for the container terminal.

(v). With reference to the other equipment, in the absence of norms for a facility independent of quayside handling, the reasonableness for the number of other equipment considered in the proposal could not be verified.

(vi). Nevertheless, presuming that the port would have carried out the necessary analysis to justify the requirement of each and every equipment at the facility and since the number of equipment considered by the port is as per the Project Report and also since none of the users/ prospective bidders have raised any pointed objection with regard to the number of each and every equipment, the number of each equipment as proposed by the port is relied upon in the analysis. However, as a measure of abundant caution, it is stated that consideration of the number of each type of equipment given above, should not be construed as norm for a similar facility.

(vii). Again, inspite of a specific request to furnish budgetary quotations to support the base rate of each equipment considered by it in the calculation of capital cost, the CHPT has furnished the documentary evidence only in support of few of the equipment. The documentary evidence in support of the cost of majority of the equipment has not been furnished by the port. Since the cost of each equipment considered by the port is as per the Project Report and also since none of the users/ prospective bidders have raised any pointed objection with regard to the cost of equipment, the cost of each equipment as estimated by the port is relied upon in the analysis. The cost of the above mentioned equipment is estimated to be at ₹88.37 crores.

(viii). The cost towards Tools, Lifting gears, Fire fighting equipment, Electric sub-station considered at lump sum, as furnished by the Port and as reflected in the Project Report are taken into account.

(v). Taking into account the provision for contingencies, the total equipment cost is estimated at ₹104.90 crores.

(c). IT system cost:

The capital cost towards IT systems has been estimated by the port at 2% on the sum of the civil cost (including the cost of acquisition of land by

CHPT and cost on the railway line proposed to be incurred by the port) and equipment cost. Since the cost of land and the estimated cost of providing railway line is proposed to be borne by the port, these items of cost are excluded for the estimation of IT system cost and capital cost towards IT systems is calculated at 2% on the sum of the civil cost and equipment cost estimated to be incurred by the Operator, as per the norms prescribed in the guidelines.

(d). Other Cost:

The capital cost towards Other costs are estimated at 10% on the sum of the civil cost and equipment cost as per the norms prescribed in the guidelines.

(e). Based on the above analysis, the aggregate capital cost for the Dry Port facility works out to ₹276.66 crores, as against ₹282.66 crores estimated by the port.

(vi). The CHPT has calculated the return on capital employed at 16% of the estimated capital cost, as prescribed in the guidelines.

(vii). Operating Costs:

(a). Power cost has been estimated by the port with regard to the illumination of the 106.77 acres of land considered in the optimal capacity calculation based on the power consumption of 240000 units per hectare per annum at the rate of ₹8 per unit.

It is relevant here to mention that the power consumption of 2.4 lakhs units per annum per hectare adopted by the CHPT is the norm prescribed in the guidelines for fixation of upfront tariff for liquid bulk terminal to quantify the expenses on illumination of yard.

The Upfront tariff guidelines for the container terminal do not prescribe norms towards consumption of power for illumination of the yard. Nevertheless, illumination of the yard is essential. The power consumption of 240000 units per hectare per annum as considered by CHPT is, therefore, considered in the analysis.

The unit cost of power considered by the CHPT at `8 per unit is supported with workings.

The accurate conversion factor of 1 hectare = 2.47105 acres is considered instead of the rounded off conversion factor of 1 hectare = 2.5 acres considered by the port in the workings.

(b). Consumption of fuel is considered at 4 litres per TEU as per the consumption norm prescribed in the guidelines.

The norm of fuel consumption of 4 litres per TEU as prescribed in the upfront guidelines is for operational requirement at the quay and for handling at the yard. Though the proposal of CHPT does not involve quay side handling, the port has reported that the fuel consumption norm of 4 litres per TEU prescribed in the upfront guidelines for container terminal pertains only to equipment deployed in the Container Yard as the equipment deployed in the quay side would use electric power and hence would not have any fuel consumption. Therefore, the CHPT is of the view that the norm of 4 liters per TEU in the guidelines pertains to the fuel consumption for the equipment deployed at the Container Yard only. Based on the analysis and justification furnished by the port, the fuel consumption of 4 litres per TEU is relied upon in the analysis, as estimated by the port.

The unit cost of fuel considered by CHPT at ₹50 per litre is modified to ₹50.68 per litre to reflect the prevailing market rate.

(c). As per the norms, the CHPT has estimated the repairs and maintenance cost at 1% on the civil assets. It has, however, estimated repairs on equipment at 5% on the capital cost of equipment, instead of the norm of 2%. The CHPT has sought to justify that the norm of 2% prescribed in the guidelines is for all the equipment including Quay Cranes. Since the CHPT has envisaged deployment of more mobile equipment viz. Fork Lift Trucks, Top Loaders etc., the port is of the view that cost of repair and maintenance will be higher as compared to the Gantry Cranes. Therefore, the CHPT has estimated repairs and maintenance cost at 5% of the capital equipment, in line with the norm prescribed in case of the multipurpose terminals which also deploy similar equipment. Based on the justification furnished by the CHPT and keeping in view the norm prescribed in this regard for the multipurpose berth, the estimation of repairs and maintenance cost at 5% of the equipment is considered in the analysis.

(d). The insurance cost has been estimated at 1% of the sum total of gross fixed assets, as prescribed in the guidelines. The SJK Industries Private Limited (SJKIPL) has requested to consider various policies like Machinery breakdown policy, third party liability policy etc in the calculation of Insurance cost. In this regard, it is relevant here to mention that the upfront guidelines prescribe a norm of 1% of the gross fixed assets towards insurance. The proposal of the CHPT is in line with the stipulation contained in the upfront guidelines. Infact, the CHPT has viewed that 1% has to take care of all the policies mentioned by SJKIPL.

(e). Depreciation, as per the guidelines, should be calculated following the depreciation rates as per Straight Line Method (SLM) prescribed in the Companies Act, 1956. The CHPT has calculated depreciation @ 3.34% on civil cost, 10.34% on equipment cost and 16.21% on the IT cost, as per the rates prescribed in the Companies Act under the SLM for the relevant group of assets, which is found to be as per the guidelines.

The CHPT has not calculated depreciation on the other assets. Hence, depreciation has been calculated on other assets duly considering the rate in proportion to the component of civil and equipment cost, as has been done in the upfront tariff fixation of the container terminals at NMPT, CHPT, JNPT and the recent case of VPT.

(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 port for 106.78 acres of land at the rate of ₹4186/- per 100 sq. mts per month. In this regard, it is relevant here to mention that the licence fee considered by the CHPT is the rate proposed by the port for the lands acquired by the port at Sriperumbudur, in a separate proposal.

The separate proposal filed by the CHPT for fixation of lease rental for the land at Sriperumbudur has been disposed off simultaneously alongwith this proposal under reference approving a rate of ₹1078 per 100 sq. mtr. per month. The rate approved at ₹1078/- per 100 sq.m per month is considered for calculation of licence fee for the dry port facility of 106.78 acres. Accordingly, the licence fee is arrived for the land of 106.78 acres at ₹5.59 crores, as against ₹21.70 crores estimated by the port.

(g). As stipulated in the guidelines, other expenses have been determined at 10% of the gross fixed assets.

(h). The total operating cost based on the above analysis works out to ₹103.35 crores as against ₹119.01 crores estimated by the CHPT.

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

(ix). (a). The total Annual Revenue Requirement works out to ₹147.62 crores which is an aggregate of 16% return on capital cost (₹44.27 Crores) and operating cost (₹103.35 Crores).

(b). The guidelines require 90% of the Annual Revenue Requirement to be apportioned to handling charges, 7% towards storage charge and 3% towards miscellaneous charge. However, the CHPT has apportioned the Annual Revenue Requirement among handling charges, storage charges and miscellaneous charge at 85%, 12% and 3% respectively. The CHPT has sought to justify more apportionment of revenue requirement towards storage and corresponding adjustment in the apportionment of revenue requirement towards handling by stating that unlike in the case of Container Terminals, the containers at the dry Port would be stored after stuffing and also stored at the Yard before de-stuffing. Hence, the quantum of the containers that will be coming to the yard for storage and the number of days of stay will be higher as compared to the normal Container Terminal. Based on the justification furnished by the port and also keeping in view the position that in the past different ratio of apportionment of revenue requirement among handling charges, storage charges and miscellaneous charge, has been considered other than that prescribed in the guidelines, based on the justification furnished by the concerned port trusts, the different ratio of apportionment now proposed by the CHPT is considered in the analysis.

Accordingly, ₹125.47 Crores, ₹17.71 Crores and ₹4.43 Crores is envisaged to be realized from container handling charges, storage charges and miscellaneous charges respectively to meet the total Annual Revenue Requirement of ₹147.62 Crores.

(x). (a). The guidelines do not prescribe any specific methodology for framing the Scale of Rates. The container handling charges include tariff items for various services. Further, the rates differ based on the type and size of containers.

(b). The Scale of Rates for upfront tariff is, therefore, to be drawn up by iteration taking the tariff structure and the pattern of various services offered by other similar functioning terminal as the base so as to achieve the normative annual revenue requirement. The same approach was adopted while setting upfront tariff for container handling at other major ports.

(c). Taking into consideration the container mix based on the analysis of past trend of container movement in Chennai Port and after discussion with the CFS, exporters & shipping agency, the CHPT is seen to have arrived at the proposed upfront tariff for rendering various services at the Dry Port including storage and rendering miscellaneous services, so as to meet the estimated Annual Revenue Requirement of ₹164.24 crores, as estimated by the port. A detailed working in this regard has been furnished by the port.

For the reasons recorded in the previous paragraphs, the annual revenue requirement estimated by the CHPT to be realised from the Dry Port at ₹164.24 crores stands reduced to ₹147.62 crores i.e. a reduction of 10.12%. In view of this position, the upfront tariff proposed by the port for all the services including storage and rendering miscellaneous services proposed to be rendered at the dry port is reduced by 10.12%.

(xi). It may be noteworthy that some of the tariff items are prescribed in dollar terms in a few existing container handling terminals. It has already been decided in other upfront tariff cases that prescribing dollar denominated upfront tariff would not be appropriate which will have a validity of 30 years. Firstly, applying a WPI based escalation on a foreign currency is not correct. Secondly, the foreign exchange variation over the next 30 years cannot be predicted. In case of any abnormal variations, either the users or the operator will have to bear the incidence, depending on which side the appreciation takes place. This Authority has, therefore, decided to prescribe the upfront tariff in rupee denomination. Flowing from this decision, the entire upfront tariff proposed to be levied at the dry port is also prescribed in rupee terms, as proposed by the port.

(xii). In the proposed upfront schedule, the CHPT has proposed definitions for common terms like Dry Port, Dry Port Operator, Free period and Per day. The definitions are found to be in line with the definitions prescribed for the respective terms in the other existing container terminals or upfront tariff cases.

(xiii). Some of the common conditionalities stipulated in the guidelines of 2005 and uniformly prescribed in the Scale of Rates of other major ports / private terminals such as conditionalities governing levy of interest on delayed payments/ refunds, conditionalities governing levy of storage charges on abandoned containers, users not requiring to pay charges for delays beyond reasonable level, conditionalities governing the flexibility provided to the terminal operator to levy charges lower than ceiling rates, consideration of gross weight of cargo for the purpose of levy, rounding off the charges in the total of each bill, have been prescribed in the Upfront tariff Schedule for the Dry Port, as proposed by the port.

(xiv). Under the Storage charges Schedule, the CHPT has proposed Conditionalities like the free days prescribed for import containers to reckon from the day following the day of receipt of import containers at the Dry Port and the free days for the export containers to be counted from the day following the day of completion of stuffing of export containers, exclusion of Customs notified holidays and Dry Port non working days for the purpose of calculation of free days, no free period to be applicable incase of empty containers, ground rent to not accrue for the period when the Dry Port is not in a position to deliver the import/ export containers for the reasons attributable to it, 25% premium for storage of hazardous and oversized containers, disposal of Containers remained uncleared beyond 30 days at the risk and cost of the importer/ CHA / Shipping Lines, Dry Port to be not responsible for risks during the storage at the Dry Port, additional charges to be applied for reefer plugging facility, are seen to be in line with the condiitonalities prescribed at the other container terminals including the CFS facility operating at Kandla Port Trust. Hence, the said conditionalities are approved.

(xv). The CHPT has proposed to reckon the free days for import cargo from the day of the completion of de-stuffing of the cargo from the container and that incase of export cargo, the free days to be reckoned from the day of receipt of export cargo at the Ware House or the open yard of the Dry Port. The said conditionality appears to be reasonable and hence is approved.

(xvi). With reference to the questions raised by the SPL whether this Authority will allow the BOT operator any increase in tariff in the event of reduction in traffic, it is relevant to mention here that the upfront tariff is fixed with reference to the optimal capacity of the facility and not with reference to the traffic estimates. With reference to the frequency in revision of tariff raised by the SPL, it is stated that in terms of Clause 2.8 of the upfront guidelines, the tariff cap fixed now would undergo an automatic change every year with reference to indexation to WPI subject to the condition as mentioned therein.

9.1. As per clause 2.8 of the Guidelines, the tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2008 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31 March of the following year. In the instant case, since the estimation of capital cost and unit rate of operating cost considered in the upfront tariff calculation are as of the year 2012, it is found appropriate and relevant to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2012, as proposed by the CHPT.

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

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

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

9.5. The actual performance of the private operator will be monitored by this Authority. If any complaint regarding quality of service is received, this Authority will enquire into such allegation and forward its findings to the CHPT. If any action is to be taken against the private operator, the CHPT may initiate appropriate action in accordance with the provisions of the relevant Concession Agreement.

9.6. During the commercial operation at the terminal, within 15 days from the end of every quarter, the private operator shall submit to this Authority through the CHPT a report containing the terminal’s physical and financial performance during the preceding three months.

10. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the tariff caps for the dry port at CHPT as attached in **Annex- II**.

(Rani Jadhav)
Chairperson

Annex - I

CALCULATION OF UPFRONT TARIFF FOR HANDLING CONTAINERS AT THE DRY PORT OF CHENNAI PORT TRUST.

₹ in lakhs

Sr. No.	Particulars	Estimates by CHPT in its original proposal dated 12 October 2012	Estimates by CHPT in its revised proposal dated 26 November 2012	Estimates modified by TAMP
I	**Optimal Capacity**			
	Optimal yard capacity			
	G=Total ground slot in TEUs	9389	10109	10109
	H=Average stack height	2.5	2.5	2.5
	P=Period or number of days	365	365	365
	S=surge factor	1.3	1.3	1.3
	D=Average dwell time	3	3	3
	Optimal yard capacity=0.7*G*H*P/S*D in TEUs	**1537750**	**1655673**	**1655673**
	Optimal capacity of the terminal (in TEUs)	**1537750**	**1655673**	**1655673**
II	**Capital Cost**			
	Container Handling activity			
	(a). Civil Cost			
	Leveling, Consolidation, Development, Internal Roads, Landscaping etc	4975.03	4975.28	4975.28
	Construction of Buildings, Facilities, Reservoir, STP, Fencing wall, High Mast Towers etc	5027.90	5660.92	5660.92
	Internal Railway	200.00	200.00	200.00
	Diverting & Widening of Roads	1346.88	1346.88	1346.88
	Study, Investigation, Environmental measures	150.00	150.00	150.00
	Contingencies @ 10%	0.00	1233.31	1233.31
	Subtotal (a)	**11699.81**	**13566.39**	**13566.39**
	(b). Container Handling Equipment			
	Equipment & Mechanical Costs	10490.67	-	-
	Rubber Tyred Gantry Cranes (3 Nos.)	-	2560.00	2560.00
	Spreaders (7 nos.)		1665.00	1665.00
	3 tonne Forklift Trucks (30 nos.)	-	288.00	288.00
	15 tonne Forklift Trucks (11 nos.)	-	472.00	472.00
	3 tonne Electronic Forklift Trucks (11 nos.)	-	177.00	177.00
	Empty Container Handler (8 nos.)		1204.00	1204.00
	10-15 tonnes Mobile Crane (8 nos.)		301.00	301.00
	12 tonne Trucks (13 nos.)		140.00	140.00
	60 tonne Trailers (50 nos.)		1855.00	1855.00
	Air Compressor (3 nos.)		2.25	2.25
	Car washing machine (3 nos.)		1.60	1.60
	80 tonne Electronic Weigh Bridge (4 nos.)		48.00	48.00
	1 tonne Electronic Weigh Scale (10 nos.)		5.20	5.20
	Reefer Power Plugs (170 nos.)		14.32	14.32
	Battery operated open type vehicle (7 nos.)	-	103.60	103.60
	Tools, Lifting gears, Fire fighting equipment		50.00	50.00
	Electric sub-station	-	500.00	500.00
	Diesel Genset		150.00	150.00
	Contingencies @ 10%		953.70	953.70
	Subtotal (b)	**10490.67**	**10490.67**	**10490.67**
	Subtotal (a+b)	**22190.48**	**24057.06**	**24057.06**
	(c). IT system cost (5% of the civil & equipment cost)	**1803.52**	**1803.50**	**1202.85**
	(d). Other cost (10% of the civil & equipment cost)	**4452.66**	**2405.71**	**2405.71**
	(e). Total capital cost for container handling activity (a+b+c+d)	**28446.66**	**28266.26**	**27665.61**

Sr. No.	Particulars	Estimates by CHPT in its original proposal dated 12 October 2012	Estimates by CHPT in its revised proposal dated 26 November 2012	Estimates modified by TAMP
III	**Operating Cost Estimation**			
	(a). Power Cost	820.05	820.05	829.68
	(CHPT - 240000 units * 106.78 acres * Rs.8 per unit / 2.5) (TAMP - 240000 units * 106.78 acres * Rs.8 per unit / 2.47105)			
	(b). Fuel (CHPT - 4 litres per TEU x 1655673 TEUs x Rs.50 per litre) (TAMP - 4 litres per TEU x 1655673 TEUs x Rs.50.68 per litre)	3075.50	3311.35	3356.38
	(c). Repair & Maintenance			
	- Civil Assets (1% on the civil costs)	135.66	135.66	135.66
	- Mechanical and electrical equipment (5% on the Equipment costs)	524.53	524.53	524.53
	(d). Insurance (1% on the gross fixed assets)	284.47	282.66	276.66
	(e). Depreciation			
	- Civil Assets (3.34% on the civil assets)	453.12	453.12	453.12
	- Mechanical and electrical equipment (10.34% on the equipment cost)	1084.73	1084.73	1084.73
	- IT System (16.21% of the System cost)	292.35	292.35	194.98
	- Other assets (Rates proportionate to civil & equipment cost component)	0.00	0.00	153.79
	(f). Licence Fee	2170.12	2170.12	559.00
	(g). Other Expenses (10% on the gross fixed assets)	2844.70	2826.63	2766.56
	Total operating cost (a to g)	**11685.23**	**11901.20**	**10335.09**
IV	**Annual Revenue Requirement ARR**			
(i).	**Container Handling Services**			
	(a). Total operating cost	11685.23	11901.20	10335.09
	(b). Return on Capital Employed @ 16%	4551.47	4522.60	4426.50
	(c). Total Revenue requirment	**16236.70**	**16423.80**	**14761.59**
	Apportionment of Revenue Requirement			
	(a). Container Handling Charges (85%)	13801.19	13960.23	12547.35
	(b). Storage Charges (12%)	1948.40	1970.86	1771.39
	(c). Miscelleneous Charges (3%)	487.10	492.71	442.85
	(d). Total Revenue requirement	**16236.70**	**16423.80**	**14761.59**

<u>Annex - II</u>

CHENNAI PORT TRUST

Upfront Tariff schedule for DRY PORT

<u>CHAPTER - I</u>

<u>Definitions and General Terms and Conditions</u>

1.1. Definitions

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

(i). 'Dry Port' shall mean the land based port set up at Mappedu near Sriperumbudur by Chennai Port Trust.

(ii). 'Dry Port Operator' shall mean the concessionaire who has been given the concession to operate the Dry Port

(iii). 'Free period' shall mean the period during which cargo / container is allowed storage free of storage charges and this period shall exclude Customs notified holidays and Dry Port's non-operating days.

(iv). 'Per day' shall mean a calendar day or part thereof.

1.2. General Terms and Conditions

(1). (i) The user shall pay penal interest on delayed payments of any charge under this Scale of Rates. Likewise, the Dry Port Operator shall pay penal interest on delayed refunds.

(ii). The rate of penal interest will be 2% above the Prime Lending Rate (PLR) of the State Bank of India. The penal rate will apply to both the Dry Port Operator and the users equally.

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

(iv). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the Dry Port Operator. This provision shall, however, not apply to the cases where payment is to be made before availing the services as stipulated in the Major Port Trusts Act and/or where payment of charges in advance is prescribed as a condition in this Scale of Rates.

(2). The storage charges on abandoned FCL containers/shipper owned containers shall be levied upto the date of receipt of intimation of abandonment in writing or 75 days from the date of landing of container, whichever is earlier subject to the following conditions:

(i). The consignee can issue a letter of abandonment at any time.

(ii). If the consignee chooses not to issue such letter of abandonment, the container Agent/MLO can also issue abandonment letter subject to the condition that,

(a) the Line shall resume custody of container along with cargo and either take back it or remove it from the DP premises; and

(b) the Line shall pay all charges accrued on the cargo and container before resuming custody of the container.

(iii). The container Agent/MLO shall observe the necessary formalities and bear the cost of transportation and de-stuffing. In case of their failure to take such action within the stipulated period, the storage charge on container shall be continued to be levied till such time all necessary actions are taken by the shipping lines for de-stuffing the cargo.

(iv). Where the container is seized/confiscated by the customs authorities and the same can not be de-stuffed within the prescribed time limit of 75 days, the storage charges will cease to apply from the date the customs order release of the cargo subject to Lines observing the necessary formalities and bearing the cost of transportation and de-stuffing. Otherwise, seized/confiscated containers should be removed by the Lines/consignee from the DP premises to the customs bonded area and in that case the storage charge shall cease to apply from the date of such removal.

(3). Users will not be required to pay charges for delays beyond a reasonable level attributable to the DP Operator.

(4). (i). 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 desire, charge lower rates and/or allow higher rebates and discounts.

(ii). The Terminal Operator may also, if it so desire, 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.

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 shall not exceed the rates notified.

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

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

(7). No claims for refund shall be entertained unless the amount refundable is ₹100/- or more. Likewise, Terminal Operator shall not raise any supplementary or under charges bills, if the amount due to Terminal is ₹100/- or less.

Chapter II

Container and Cargo Handling Operation

Sl. No.	Description	Rate per container (in ₹)		
		20 ft.	40 ft.	Above 40 ft.
A.	**Import operation**			
1	Unloading LCL container from the user vehicle received at the DP, off loading it, seal cutting, de-stuffing, unpacking, customs inspection, repacking, loading the cargo onto the user's truck, lift on the empty container.	1402.14	2103.19	2804.26
2	Unloading FCL container from the user vehicle received at the DP, off loading it, seal cutting, de-stuffing, unpacking, customs inspection, repacking, loading the cargo onto the user's truck, lift on the empty container.	1402.14	2103.19	2804.26
3	Unloading the laden container, facilitate the customs inspection, load the container back onto the user's vehicle	841.28	1261.92	1682.55
B.	**Export operation**			
4	Unloading the cargo from the user's truck, storing in the covered Ware House / open yard, stuffing onto the container after custom inspection, sealing the container (a) Stuffing (by manual means) (b) Stuffing (by mechanical means) (c) Stuffing (bulk cargo and heavy cargo like granite, machineries)	 898.80 1078.56 1797.60	 1348.20 1617.84 2696.40	 1797.60 2157.12 3595.20
5	On wheel inspection	426.93	426.93	426.93

Chapter III

Container and Cargo Storage

3.1. Ground Rent for containers

Sl. No.	Description of service	Rate per container per day or part thereof (in ₹)		
		20 ft.	**40 ft.**	**Above 40 ft.**
A.	**Loaded Containers (Import / Export)**			
	(i). 0 to 3 days (ii). 4 to 15 days (iii). 16 to 30 days (iv). Above 30 days	Free 134.82 202.23 269.64	Free 269.64 404.46 539.28	Free 404.46 606.69 808.92
B.	**Empty containers**	7.19	14.38	21.57

Notes:

(1). The free days prescribed for import containers will reckon from the day following the day of receipt of import containers at the Dry Port. The free days for the export containers will be counted from the day following the day of completion of stuffing of export containers.

(2). For the purpose of calculation of free days, Customs notified holidays and Dry Port non working days shall be excluded.

(3). In the case of empty containers, no free period is prescribed and hence the ground rent will be applied from the day of receipt of the container at the Dry Port or from the day of completion of de-stuffing of loaded container and the container is received at the empty container yard.

(4). Ground rent shall not accrue for the period when the Dry Port is not in a position to deliver the import/export containers for the reasons attributable to the DP

(5). In the case of the hazardous and oversized containers, 25% extra charges will be levied over the above charges.

(6). For reefer plugging facility, additional charge of ₹ 269.64 per 20’ container and ₹ 404.46 per 40’ container and ₹ 539.28 per above 40’ container, per four hours or part thereof will be levied in addition to ground rent.

(7). Containers remained uncleared beyond 30 days shall be liable for disposal at the risk and cost of the importer / CHA / Shipping Lines.

(8). Dry Port shall not be responsible against all possible risks during the storage at the Dry Port including the interest of the Customs. As such, Dry Port will not be responsible for any insurable claim or risks including consequential losses. This condition will apply for both import and export containers.

3.2. Cargo Storage Charges

Sl. No	**Description of services**	**Rate per tonne or part thereof per day or part thereof (in ₹)**
A.	**Import Cargo**	
1	Storage charges (in covered WH)	
	(i). First 3 days (ii). 4-7 days (iii). Beyond 7 days	Free 8.99 13.48
2	Storage charges (in open yard) (i). First 3 days (ii). 4-7 days (iii). Beyond 7 days	 Free 7.19 10.78
3	Storage charges (in covered custom bonded WH)	44.94 per cu. m. / day
4	Storage charges (in custom bonded open yard)	35.95 per cu. m. / day
B.	**Export Cargo**	
5	Storage charges (in covered WH) First 7 days 8-15 days Beyond 15 days	 Free 9.89 14.83
6	Storage charges (in open yard) First 7 days 8-15 days Beyond 15 days	 Free 8.09 12.13

Notes:

(1). The free days prescribed for import cargo will reckon from the day of the completion of de-stuffing of the cargo from the container. For export cargo, the free days will be reckoned from the day of receipt of export cargo at the Ware House or the open yard of the Dry Port.

(2). For the purpose of calculation of free days, Customs notified holidays and Dry Port non working days shall be excluded.

(3). Storage charges shall not accrue for the period when the Dry Port is not in a position to deliver the de-stuffed import cargo or ship the export cargo for the reason attributable to the DP

(4). Cargo remaining uncleared beyond 30 days shall be liable for disposal at the risk and cost of the importer / CHA / Shipping Lines.

(5). For hazardous cargo 25% extra charges will be levied over the above charges.

(6). Dry Port shall not be responsible against all possible risks during the storage at the Dry Port including the interest of the Customs. As such, Dry Port will not be responsible for any insurable claim or risks including consequential losses. This condition will apply for both import and export containers.

Chapter IV

4. Miscellaneous Charges:

A. Cargo related charges:

Sl. No.	Description	Rate per tonne or part thereof (in ₹)
1	Shifting of import cargo from one place to any other place within DP for any purpose at the request of the user (per ton)	29.21
2	Shifting of export cargo from one place to any other place within DP for any purpose at the request of the user (per ton)	38.20
3	Loading of imported and de-stuffed cargo OR loading of shut out cargo onto the user's truck (per ton)	38.20
4	Unloading of export cargo from the truck (per ton)	38.20

B. Container related charges:

Sl. No.	Description of service	Rate per container (in ₹)		
		20 ft.	40 ft.	Above 40 ft.
5	Lift On / Lift Off of loaded container	256.16	384.24	512.32
6	Lift On / Lift Off of empty container	85.39	128.53	170.77
7	Shifting of loaded container within DP (only transportation)	179.76	269.64	359.52
8	Shifting of empty within DP (only transportation)	80.89	121.34	161.78
9	Reefer Plugging charges per 4 Hrs or part thereof	269.64	404.46	539.28

4. General note to schedules at Chapters II to IV above

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

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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.

TAMP/67/2012-CHPT	:	**Proposal from the Chennai Port Trust for fixing upfront tariff for development of Rajiv Gandhi Dry Port and multimodal logistics hub at Mappedu near Sriperumbudur under PPP mode.**

A summary of main comments received from the users / user organisations and prospective bidders and the comments of CHPT thereon is tabulated below:

Sl. No.	Comments of users	Reply of CHPT
1.	**Shipping Corporation of India Limited (SCI)**	
	We have no comments to offer.	--
2.	**Simplex Projects Limited and Balmer Lawrie Consortium (SPL & BL)**	
(i).	Land cost has been adopted as ₹1976/Sqm. It is mentioned as actual Cost on 21.09.2012. Now it can be seen that land cost is further enhanced by 12% interest on account of loss of opportunity for 2 years or 24 months. This appears to be not in order as actual purchase occurred on 21.09.12. Therefore question of loss of interest from 10/2010 to 09/2012 is not relevant. CHPT may like to review the same.	The CHPT has paid an amount of ₹100.13 crores to SIPCOT on 21.9.2010 for acquiring 125 acres of land on lease basis. However, after completing all the required formalities, the lease deed was executed and registered in the Sub-Registrar Office on 27.06.2012 for 120.85 acres. Further, the land is acquired by the port only for the purpose of development of Dry port through PPP mode and the entire land is proposed to be allotted to the BOT operator. In view of the above, interest @ 12% p.a. from the month of actual payment (October 2010) till the expected period of award of Concession Agreement (considered as October 2013) on the actual investment of the port is added to compensate the loss of interest earnings to the Trust on the amount invested. It is further stated that the interest rate of 12% p.a. may be considered reasonable taking into account that a maximum ROCE of 16% p.a. on investment is allowed as per TAMP guidelines.
(ii).	What would be the frequency of revision of tariff?	The upfront tariff will remain same for the entire project period. However, as per the TAMP Guidelines 2008, this will be linked to WPI to the extent of 60% calculated on annual basis.
(iii).	In case the indicative volume falls short, revision of tariff must be permitted.	As per the guidelines, this upfront tariff fixed will remain the same and there will not be any revision of tariff except that base tariff fixed initially will be increased to 60% of WPI calculated on annual basis.
(iv).	The proposed lease rental is substantially high and initial projected DP Traffic is considerably low. Therefore, it would be highly difficult to recover the lease rental itself, which is about ₹22 crore per annum. On top of that, being a PPP project, CHPT requires a Revenue share.	The lease rentals have been prepared following the guidelines prescribed by TAMP. As regards the revenue share, it is to be decided by the BOT operator.
(v).	Confirmation is required from CHPT for the Rail connectivity till the plot of land which will have major cost implication in the project.	The rail connectivity up to the premises of the BOT operator has been planned in the project. However, port will make earnest efforts to liaise with concerned authorities and facilitate for completion of the project.

(vi).	The area segregations between Custom Bonded and Non-Custom Bonded have been specified differently in Page 7 & Page 9 of Final Report (October 2012). This will have implication on the Civil cost and consequently Revenue Realisation would also vary between Custom Bonded and Non-Custom Bonded areas.	The area, segregates between Custom bound area and non-Custom bound area specified in page 7 pertains to the area specified in the DPR prepared by WAPCOS in June 2011. However, after actual measurement, the exact area has been measured and the area between Customs bound area and non-Custom bound area has been specified in Page 9. The area specified under Page-9 is to be considered.
(vii).	As per the proposal of the port, the area of 14.96 acres is to be given on lease basis to the PPP operator, whereas the other two areas 72.61 and 34.17 acres will be given for cargo handling activities. As such the upfront tariff needs to be determined for the cargo handling activities. This causes a major confusion on Customs Bonded and Non-Custom Bonded areas as referred above. Further, confirmation is required whether the lease rentals for 14.96 acres would be limited to the lease rental to be finalised by TAMP and no other charges / Revenue Share would become payable to CHPT. Furthermore, as 14.96 acres would be on lease basis, any Revenue realisation would not be guided by TAMP. Confirmation is required.	An area of 14.96 acres of non-Custom bound area is limited to lease rentals and upfront premium, to be finalized by TAMP. This will not, however, attract the revenue share. However, it is to be noted that in the non-Custom bound area, the activities that are permitted to be carried out in the Custom-bound area for which upfront tariff is fixed by TAMP should not be performed.
(viii).	The entire plot of land of 121.74 acres is divided into three parts with Arterial road and Village road between them. Operating Customs Bonded areas on two sides of the road would require separate set of equipments which will have a major cost implication in operations and needs to be factored in finalisation of tariff. This will also lead to operational inconvenience. Additionally, both the areas would require separate Customs Notifications and may be separate Customs setups.	The area divided into three parts and two (excluding the 14.96 acres) are to be brought under custom bond area by following the rules and regulations of the Customs authorities. The prospective BOT Operator has to equip, and operate the premises satisfying the requirements of the Customs Authorities.
(ix).	Under the above perspective, in order to make the Project economically viable, it may be worthwhile to lease out land area of 72.61 acres only in the first phase which should suffice in setting up of the MMLH.	The area of 72.61 acres and 34.17 acres are combined together and proposed to be given out for development of the dry port as one lot.
(x).	Investment of ₹4,200 lakh by CHPT is envisaged for Railway Siding. CHPT to confirm whether it is up to the land. Furthermore, to which parcel of land will it access – 72.61 acres or 34.17 acres or 14.96 acres?	The assumption of providing railway lines to the 14.96 acres does not arise as it is not the part and parcel of the dry port handling. As far as the provision of railway lines as to which parcel of the area, i.e. 72.61 acres / 34.17 acres are concerned, it will be finalised as per the decision of the railway authorities.
(xi).	CHPT has mentioned that Rail connectivity will be provided by them. CHPT to confirm this.	The same reply as given at query No. 5 and 10.
(xii).	There is a major contradiction in the document. Under Clause 4.1 (1) of Final Report (October 2012), 72.61 acre plot on one side of the road has been earmarked for Customs Bonded area and balance of 49.13 acres is earmarked for Non-Custom Bonded and Third Party facilities. Whereas under Clause 4.2 (i) it is mentioned that 72.61 acres and 34.17 acres are Custom Bonded areas. This creates a major confusion	The area is divided as Custom bounded and non custom bounded areas. The area of 72.61 acres and 34.17 acres are to be brought under custom bounded by the BOT operator following the rules and regulations of the Customs authorities. The prospective BOT Operator has to operate the premises satisfying the requirements of the Customs authorities.

<table>
<tr><td></td><td>in civil cost estimation as the specifications for development of areas for Customs Bonded and Non-Custom Bonded may vary substantially.</td><td></td></tr>
<tr><td>(xiii).</td><td>Transportation from CHPT to Dry Port not considered in fixation of Tariff.</td><td>The port is saying that this is not forming part of the proposal.</td></tr>
<tr><td>(xiv).</td><td>No increase in lease rentals is considered over years which Major Port Trusts charge @ 2% every year and revaluation every five years.</td><td>The BOT operator has to pay lease rentals as per SOR with escalation @ 2% every year and revision of base rate after every five years is also applicable. The upfront tariff is linked to WPI to the extent of 60%, which will take care of this factor.</td></tr>
<tr><td>(xv).</td><td>Interest cost during construction period (pre-production interest) not considered.</td><td>The other costs considered in the assumption of the capital costs, takes into account the interest during the construction.</td></tr>
<tr><td>(xvi).</td><td>CHPT has not considered the Bridge Finance.

The details of other expenses estimated by SPL & BL and CHPT are given below:
₹ in lakhs
<table>
<tr><th>Other expenses</th><th>Estimated by SPL & BL</th><th>Estimated by CHPT</th></tr>
<tr><td>Salary (staff)</td><td>378</td><td rowspan="5"></td></tr>
<tr><td>Customs</td><td>301</td></tr>
<tr><td>Misc. Expenses (Trvl. exp.)</td><td>75</td></tr>
<tr><td>Interest – Normal</td><td>1674</td></tr>
<tr><td>Interest – Bridge Finance</td><td>1074</td></tr>
<tr><td>Total</td><td>3502</td><td>2844</td></tr>
</table></td><td>The tariff has been worked out following the TAMP guidelines and as indicated earlier, the other costs is to take into account the interest during the construction and other costs related to capital.

The operating expense has been calculated following the procedure outlined in the Tamp guidelines 2008 and it will not be possible to have different form of calculation of the operating costs.</td></tr>
<tr><td>(xvii).</td><td>Import volume gap of CHPT of 20% factored.</td><td>The CHPT has stated that the question is not clear.</td></tr>
<tr><td>(xviii).</td><td>Revenue on storage proposed is much on the lower side compared to the present rates charged at Chennai.</td><td>The storage rates have been arrived at based on the calculations as specified in the TAMP guidelines 2008.</td></tr>
<tr><td>(xix).</td><td>To ascertain “towards reasonable estimates” of Civil costs, it is essential that CHPT provides –
a. Actual layout of the Plot
b. Topography of the area
c. Soil testing report
d. Status of Environment clearance, which will also have implication on the Project Cost Time Overrun Cost.</td><td>Actual lay out of the Plot and topographical lay out of the area will be issued along with RFP document.
Regarding the soil testing, it is the responsibility of the BOT Operator.

The environmental clearance is being sought for. The details will be given at the time of RFP.</td></tr>
<tr><td>(xx).</td><td>While effect of above will have major implication on the Project cost itself and related other elements such as Interest, Depreciation, Insurance, Bridge Finance etc., this will affect the Tariff Fixation and thereby viability of the Project.</td><td>---</td></tr>
<tr><td>3.</td><td><u>M/s. SJK Industries Private Limited (SJKIPL)</u></td><td></td></tr>
<tr><td>(i).</td><td>As the land has been procured by the Chennai Port from SIPCOT & the tender is yet to be finalized, holding cost for the investment made by the Chennai Port for a period of 2 years being added to the project cost. Why this has to be taken as a cost for the BOT operator?</td><td>The CHPT has paid an amount of ₹110.13 crores to SIPCOT on 21.9.2010 for acquiring 125 acres of land on lease basis. However, after completing all the required formalities, the lease dead was executed and registered in the Sub-Registrar Office on 27.6.2012 for 120.85 acres. Further, the land is acquired by the port only for the purpose of development of Dry port through PPP mode and the entire land is proposed to be allotted to the BOT operator. In view of the above, interest @ 12% p.a. form the</td></tr>
</table>

		month of actual payment (October 2010) till the expected period of award of Concession Agreement (considered as October 2013) on the actual investment of the port is added to compensate the loss of interest earnings to the Trust on the amount invested. The CHPT further stated that the interest rate of 12% p.a. may be considered reasonable taking into account that a maximum ROCE of 16% p.a. on investment is allowed as per TAMP guidelines.
(ii).	The cost of the loan funds (assumption that SJKIPL can raise project finance by issuance of infra bonds) at the rate of 10% is practically not viable as SJKIPL have also seen several road projects, power projects, port projects who have raised long term borrowings and the average cost of such borrowing is around 12.5% and SJKIPL don't get fixed interest loan from banking system as the rates for floating.	The Consultant WAPCOS who has been engaged to prepare the DPR has taken the interest rate as 10% as per the procedure they adopt for the preparation of the DPR. As indicated, though the average cost of borrowing may differ with this rate, the prospective investor can make his own calculations and other analysis.
(iii).	The traffic study which is pegged for Chennai Port also has not taken into account the competition from existing ports in Chennai (Ennore and proposed port of Kattupally being developed and ready for commissioning by L&T which also will start handling cargo).	The traffic study has estimated the traffic potential for CHPT and only 30% of the expected volume is assigned for the dry port. As the traffic study adopted on many factors, the competition from port of Kattupalli and as indicated by the JSP Pvt. Limited, there can be other factors also which may affect over the 30 years period of time. The consultant has given this estimate and it is to be emphasized that only 30% is assigned out of the total volume.
(iv).	Regulatory factors like introduction, change or increase in MAT / service Tax, Cess, etc., additional duties by the State or Central Government in any form has not been taken into account for project viability.	19.5% of MAT & corporate tax 32.5% etc., have been taken into account for the project cost calculations.
(v).	With reference to the insurance, the assumption is pegged at 1% and the break up is not given nor the assumption for the calculation is there and SJKIPL need to get clarity whether the following are covered - Machinery break down policy, Third party liability policy, loss of profit policy, external & natural calamites have been factored.	The assumption of 1% of the gross fixed assets value towards the insurance has been taken into calculations of operating cost as per the norms prescribed in the TAMP guidelines 2008. This 1% has to take care of all types of insurance liabilities.
(vi).	Calculation of power cost, (given the power crises & increase in power cost by the state electricity board, increase in fuel cost by the Central Government in the event if SJKIPL use genset) as there is huge fluctuation, assumption need to be discussed.	As per TAMP guidelines 2008, the cost of power has to be taken at the prevailing rate in order to arrive at operating cost. This has been followed in the present case also.
(vii).	The SJKIPL need to get clarity on the cargo assumption given that Chennai Port will not handle going forward, iron ore, coal & liquid terminals as the same has been moved to Ennore Port and effectively it is going to be only cargo / containersw. As Ennore has got additional land availability and separate coal & liquid terminals are made available and the probability of these.	On the assumption of the bidder with regard to the cargo allocations to be handled at CHPT, the CHPT has stated that the port is free to handle any type of cargo subject to other rules and regulations and instructions by various statutory bodies / agencies including that of the Government.
(viii).	Operators looking to handle cargo in the future are not factored. Is there going to be any	

	consensus among Ennore Port and Chennai Port to look at jointly proposing for routing the cargo for both ports through this common CFS which is proposed to be developed by the party to whom the dry port contract is awarded.	CHPT has no comments to offer on the statement on availability of additional land at Ennore Port. It is the onerous responsibility of the prospective BOT operator to ensure that the minimum of cargo volume as specified in the MGC is routed through Chennai Port which is inclusive of both imports and exports.
(ix).	The assumption of traffic growth of 10% for the 1st year is also not seen to be viable given that in the last 10 years, India growth story was a main factor for growth but in the last 5 years SJKIPL has been very badly hit and have grown by about 2% in the last three years and the same is seen from the data provided by the TAMP report. This assumption might not hold well because of economic slowdown & growth hence SJKPIL need to revisit the growth calculation and this assumption is not justifying. SJKIPL need to restudy as this is driving factor for the success of this project.	The consultant has assumed the traffic growth of 10% for 10 years based on their own analysis and estimation. The growth rate adopted cannot be taken as a permanent nature and the growth may reach 10% or even more as years go by. The calculated values of traffic growth are bound to change as the years go by depending on many factors. It may not be possible to revise based on year by year growth-wise rates. However, as indicated earlier, it may be noted that only 30% of the cargo share has been assigned for the Dry Port which will even out such variations.
(x).	Development of Elevated Highway / Railway sliding is part of the project cost and any incidental expenditure happening in the event of any calamities or any untowards is not addressed.	The elevated highway is not forming part of the project cost. It is an independent project executed by NHAI. As far the railway sidings are concerned, CHPT will provide railway siding upto the premises of the BOT operator.
(xi).	Does the calculation of operating cost referring to other expenses include labour, administration and other operating cost?	The other expenses referred in the operating cost includes the cost of labour, administrative and other expenses including overheads etc. as per norms specified in the TAMP guidelines 2008.
(xii).	The 75% of the facility needs to be reserved for CHPT which has 2 container terminals and the CFS operator responsibility to get the cargo traffic from these operators are at his credentials, the risk of sourcing business lies entirely with the BOT, SJKIPL look at a minimum guaranteed cargo traffic from Chennai Port by way of a pass through mechanism.	As specified earlier, it is the responsibility of the successful operator to handle atleast the MGC volume through the CHPT.
(xiii).	The success of this project purely lies on the development of elevated high way corridor and the railway sliding (which is part of Chennai Port obligations), any delay in this will have significant financial impact on the BOT operator from the cost perspective and viability of the project. SJKIPL need to have a commitment for timely completion and any delay will lead to increase in project cost and same needs to be factored for reworking the financials and sharing the burden.\	The port is not in a position to offer commitment for the timely competition of the elevated highway and railway sidings. However, port will make earnest efforts to liaise with concerned authorities and facilitate for completion of the project.
(xiv).	Calculation of operating cost which includes plant and machinery where by assumption of 5% is being taken for calculation of maintenance seems to be on the lower side as against peer industry bench marks of about 9 to 10%.	The norm of 5% towards maintenance of plant and machinery has been adopted as per the norms prescribed in the TAMP guidelines 2008.

2. Since the CHPT had revised its proposal, it was felt appropriate to circulate the revised proposal dated 26 November 2012 to concerned users / user organisations / prospective bidders for their comments. Accordingly, a copy of the revised proposal was forwarded to the concerned users / user organisations / prospective bidders for their comments. Only one of the prospective bidder viz., Simplex Projects Limited (SPL) has furnished its comments on the revised proposal. These comments were forwarded to the CHPT for their comments. The CHPT has not responded to the comments of SPL till finalisation of the case. The comments of SPL are given below:

M/s. Simplex Projects Limited (SPL)

(i). The Annual Lease Rental has been projected same as ₹22 crores and not revised.

(ii). No assurance from CHPT that in case assessed forecast cargo reduces whether Authority will allow BOT operator to increase in tariff.

(iii). The element of carriage from Chennai Port to Rajiv Gandhi Dry Port not considered while computing the cost / tariff.

(iv). The frequency of revision of tariff not indicated.

(v). In original proposal only large parcel of land on one side of road i.e. 72.61 acres will be custom bonded and balance non custom bonded, whereas in revised proposal both side of land has been declared as Custom Bounded. The above proposal will increase the capital investment in manifold including the cost of Running and Maintenance.

(vi). SPL requested the CHPT for soil exploration report enable them to evaluate the civil cost independently by them self.

(vii). The total investment by BOT operator as shown in the revised proposal is ₹272.81 crores which is much on lesser side.

3. A joint hearing on this case in reference was held on 30 November 2012 at CHPT premises. At the joint hearing, the CHPT made a power point presentation of its proposal. At the joint hearing, the CHPT, the concerned users/ user organisations bodies/ prospective bidders have made the following submissions:

Chennai Port Trust

(i). We are not able to put up the facilities inside the port due to constraint of space available in the port. Hence the proposal.

(ii). Briefly explains the port's replies to the additional information/ clarifications sought by TAMP and port's comments on the comments of stakeholders.

M/s. Adani Ports and Special Economic Zone Ltd.,

Transportation of around 5 lakh TEUs through road is not practically possible without rail connectivity. Whether port will give firm commitment on development of Railway Connectivity to the Dry Port?

Chennai Port Trust
It is a policy decision involving both Central and State Governments. Therefore, port may not be in a position to give any commitment on this account. But, port would make all efforts including sponsoring the same.

M/s. Simplex Projects Limited

(i). Port will get back its cost of acquisition of the land in 6 years though it had obtained the land on lease from SIPCOT for 99 years. The BOT operator is burdened with huge cost implications.

(ii). Out of the three different locations, two areas are earmarked as Custom bound areas and the third area of around 15 acres is identified as non-Custom bound area. It is not known whether the BOT operator is free to do whatever activity at the 15 acre of land.

(iii). Refrigerator cargo will be handled. Therefore, power cost estimates needs to be revised.

Chennai Port Trust

(i). 15 acre area has been left out to provide certain other ancillary facilities like quarters, office complex, repair area etc.

(ii). Both the custom bounded area will be under the control of the same BOT operator

(iii). Even with the best possible estimation, there would be some deficiencies between the port estimates and actual investment of the BOT operator.

Hindustan Chamber of Commerce

(i). All the containers from the Dry Port should come to the Terminal of Chennai Port only and not to Ennore or Kattupalli or any other port that may come in the vicinity because Chennai Port having spent huge amount should reap the full benefit.

(ii). There should be MGT assurance from the BOT operator.

(iii). The elevated corridor project between Maduravoyal and the port should be completed otherwise moving huge volume of cargo from Dry Port to Chennai Port or vice versa may become a problem in the city roads.

Madras Chamber of Commerce and Industry

Since cost of transportation from Dry Port and Chennai Port or vice versa is not taken into account, it may have an indirect impact on the upfront tariff in this case. Therefore, connectivity to Dry Port is our concern.

Chennai Port Trust

We will take care of your concern

Andhra Chamber of Commerce

Whether there is any precedent like Dry Port in other ports in India?

Chennai Port Trust

The concept of Dry Port is prevalent in many other countries. It is new to India and Chennai Port is the first port attempting it.

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