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Tariff Authority for Major Ports

G No. 203 **New Delhi, 19 September 2012**

NOTIFICATION

In exercise of the powers conferred by Section 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 fixing upfront tariff for the liquid cargo to be handled at the barge facility to be developed in Bharathi Dock at Chennai Port Trust under PPP mode as in the Order appended hereto.

(T. S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/27/2012-CHPT

Chennai Port Trust **- - -** **Applicant**

O R D E R
(Passed on this 17th day of August 2012)

This case relates to a proposal received from the Chennai Port Trust (CHPT) for fixation of upfront tariff for handling liquid cargo at the barge facility to be developed in Bharathi Dock of Chennai Port under Public Private Participation (PPP) mode.

2. The CHPT vide its letter dated 4 May 2012 had filed a proposal for fixation of upfront tariff for the barge handling facility to be developed at Bharathi Dock of Chennai Port. Since the proposal was incomplete, we had vide our letter dated 7 May 2012 requested CHPT to file a proposal, complete in all respects, along with the required documents/details as per the check list.

3. Subsequently, the CHPT vide its letter dated 25 May 2012 has filed the proposal along with Detailed Project Report (DPR), proposed draft Scale of Rates with conditionalities, list of prospective applicants, etc. The CHPT has furnished a copy of the report of the Indian Maritime University (IMU) and sought the approval for the rates proposed. The main points made in the proposal are summarised below:

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

(a). The proposed berth is located on the southern side of the trestle leading to the oil jetty. The berth will be of dimension 150 m. by 15 m. The approach jetty is of 40 m. length and 5 m. width.

(b). The capital dredging alongside the berth is to be carried out by the BOT operator. The estimated quantity is 10,000 cu. m. The port will carry out the maintenance dredging.

(c). An area of 5000 sq. m. is provided on the north western side of the berth at a distance of about 200 m. from the berth for storage of bunker oil and other cargo.

(d). The DPR envisages handling of three cargoes through the barges, viz. the bunker oil comprising of Furnace oil and HSD and edible oil. However, the port recognising the potential for water supply to the ships, has also considered water supply as an additional cargo for handling at the barge berth.

(e). The projected cargo volume for the proposed berth, as per DPR, for the year 2043-44 is 14,52,000 tons of bunker oil and 32,94,000 tons of edible oil cargo.

(ii). **Optimal Berth Capacity**:

(a). The approach prescribed in the calculation of capacity for liquid cargo terminals in the 2008 guidelines is applied to determine the berth capacity.

(b). The percentage share of the four cargoes viz., Furnace oil, HSD, edible oil and water are considered at 50%, 10%, 35% and 5% respectively for capacity calculation.

(c). As per the norm prescribed in the upfront tariff guidelines, the handling rate is 300 tons per hour for other cargoes. This handling rate is meant for ships carrying the liquid cargo.

(d). The average DWT of the product ships is in the range of 10,000 to 30,000 GRT whereas the barges is in the range of 400 to 2000 GRT. Further, the handling rate is determined by the pipeline dimensions which supply the cargo to the barge or receive the cargo from the barge.

(e). Citing the limitations of size of barges and dimensions of pipelines supplying cargo to/from the barges, the port has stated that the rate prescribed in the guidelines cannot be applied and hence, the handling rate currently achieved by IOCL is relied upon in the estimation of optimal capacity.

(f). The port has assumed the handling rates at 300 tonnes / hour, 100 tonnes/ hour and 150 tonnes / hour for Furnace oil, HSD and Edible oil respectively. As regard to supply of water through barges to the ships, the handling rate for water is taken as 150 tonnes per hour.

(g). Accordingly, the optimal berth capacity is assessed at 13,49,040 tonnes as per the calculation shown below:

Sl. No.	**Category**	**Percentage share**	**Handling rate in tons per hour**
(i).	Furnace oil	50%	300
(ii).	HSD	10%	100
(iii).	Edible oil	35%	150
(iv).	Water	5%	150
Optimal berth capacity		0.7 *{(0.5*300 + (0.1*100) + (0.35*150) + (0.05*150)} * 24 * 365 = **13,49,040 tonnes**	

(iii). **Capital cost**:

(a). The port has stated that the capital cost estimates furnished in the DPR are relied upon. The total estimated capital cost of the project considered by the port is given below:

		(**₹ in lakhs**)
(i). Construction of berth	-	2501.62
(ii). Capital dredging	-	30.00
(iii). Construction of Approach jetty	-	67.20
(iv). Other costs @ 5% of (i) to (iii)	-	129.94

Total		**2728.76**
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(b). Total capital cost is allocated / apportioned to the liquid bulk cargo handling activities and berthing activities, as follows:

- Berth construction cost in the ratio of 75:25 between berthing and liquid bulk cargo handling activities.

- The entire cost of capital dredging is allocated to the berthing activities.

- The entire cost of construction of approach jetty is allocated to liquid cargo handling activities.

- Other cost is apportioned on the basis of share of capital cost of berthing and liquid cargo handling activity respectively in the total capital cost before apportioning other cost.

(c). The allocation / apportionment of total capital cost for the three activities is tabulated below:

(**₹ in lakhs**)

Particulars	**Liquid bulk cargo handling**	**Berthing**	**Total**
Berthing structure	625.40	1876.22	2501.62
Approach jetty	67.20	0	67.20
Dredging along side the berth	0	30.00	30.00
Sub Total	692.60	1906.22	2598.82
Other costs	34.63	95.31	129.94
Total	**727.24**	**2001.53**	**2728.76**

(iv). **Operating cost**:

(a). Power & Fuel:

- The power requirement for the cargo handling activity is considered only towards lighting for the area. The port has adopted the norm of 2.4 lakhs units per hectare prescribed in the 2008 guidelines for Liquid bulk terminal in this regard. The port has considered 24 units per sq. m. and unit rate of ₹ 8 in the estimation of power cost.

- The storage area of 5000 sq. m., berth area of 2250 sq. m. (150 x 15) and approach jetty area of 200 sq. m. (40 x 5) are considered in the estimation of power cost towards lighting.

(b). The repairs and maintenance expenditure, insurance and other expenses are estimated as per the norms prescribed in the 2008 guidelines for liquid bulk terminal.

(c). The operating cost estimated by the port does not include expenditure towards maintenance dredging since the port has undertaken the responsibility to carry out the same.

(d). The berth area of 2250 sq. m. will be fully built by the operator. The area of the approach jetty is 200 sq. m. Both these areas are considered under the category of undeveloped area. The area of 5000 sq. m. proposed to be allotted for storage purposes is considered as 'developed area'. The lease rental charges for these two categories are ₹2390/- and ₹4542/- per 100 sq. m. per month respectively.

(e). The port has stated that depreciation of civil, mechanical and electrical assets is calculated as per the Companies Act, in accordance with the 2008 guidelines.

(f). The operating cost for berthing activity estimated by the port comprises repairs & maintenance (at 1% of capex), insurance (at 1% of civil assets), depreciation (at 3.34% p.a. on capital cost excluding capital dredging) and other expenses (at 5% of gross fixed assets).

(g). A summary of the operating cost estimates furnished by the port for the cargo handling and berthing activities are given in the tables below:

For Liquid bulk cargo handling activities:

(**₹ in lakhs**)

Sl. No.	**Description**		**Amount**
1.	Power	((150X15)+(40X5)+5000) X 24 X 8	14.30
2.	R & M of civil assets	0.01 x 692.61	6.93
3.	Insurance	0.01 X 727.24	7.27
4.	Lease rentals	((2450 X 2390)+(5000X4542)) X 12/ (100X100000)	34.28
5.	Depreciation	(0.0334X692.61)	23.13
6.	Other expenses	0.05 X727.24	36.36
	Total		**122.28**

For Berthing activities:

(**₹ in lakhs**)

Sl. No.	**Cost items**	**Amount**
1.	R & M of civil structures @ 1% of Capex	18.76
2.	Insurance @ 1% of civil assts	18.76
3.	Depreciation @ 3.34% on civil assets	62.67
4.	Other expenses @ 5% on Gross Fixed Assets	100.08
	Total	**200.27**

(v). The annual revenue requirement estimated by the port for the two activities are tabulated below:

(**₹ in lakhs**)

Sl. No.	**Activities**	**Liquid bulk cargo handling**	**Berthing**
1.	Operating cost	122.28	200.27
2.	Return on capital employed (ROCE)	116.36	320.24
3.	**Total (Revenue Requirement)**	238.64	520.51

(vi). Apportionment of revenue requirement (ARR):

(a). For Liquid bulk cargo handling activities:

(**₹ in lakhs**)

Sl. No.	**Activities**	**Percentage share**	**Amount**
1.	Liquid bulk cargo handling	95%	226.71
2.	Miscellaneous	5%	11.93

(The port has stated that ARR is apportioned as per the norms prescribed in the 2008 guidelines for liquid bulk cargo terminal.)

(vii). The upfront tariff proposed by the CHPT to meet the estimated revenue requirement are as follows:

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

Sl. No.	GRT	Rate per GRT per hour or part thereof
1.	Any volume of GRT	6.48

(The port has assumed average GRT of the barges at 1500 GRT / barge for barges handling Furnace oil, HSD and edible oil. For Water supply the average GRT of the barges is assumed at 700 GRT / barge.)

(ii). **Cargo handling charges**:

Sl. No.	Cargo group	Charges for handling per ton
1.	Furnace oil	12.32
2.	HSD	36.97
3.	Edible oil	24.65
4.	Water	24.65

(The port has arrived at differential rates for each cargo group based on the time required to handle the volume of cargo considered in the optimal capacity calculation for respective cargo.)

(iii). **Miscellaneous charges**:

Cargo type	Rate per tonne in ₹
All Liquid bulk cargo	17.69

(The port has proposed a common miscellaneous charge for all cargoes, which is calculated assuming that only 5% of the total volume would avail miscellaneous services).

4. In accordance with the consultative procedure prescribed, the proposal of CHPT 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 users and prospective applicants were forwarded to CHPT as feedback information. The CHPT has furnished its remarks on the comments of users / user organisations and prospective applicants.

5.1. Based on the preliminary scrutiny of the proposal, the CHPT was requested to furnish additional information/ clarifications on various points vide our letter dated 27 June 2012. The CHPT vide its letter dated 10 July 2012 has furnished its replies. A summary of the queries raised by us and the response of CHPT thereon are juxtaposed below:

Sl. No.	Queries raised by us	Response from CHPT
(A).	<u>**Optimal Capacity**</u>:	
(i).	The proposal of CHPT is to handle Furnace oil, High Speed Diesel (HSD), Edible oil and water at the proposed barge berth. It has reportedly assessed the optimal berth capacity of the proposed Barge berth at 13,49,040 tons per annum at 70% utilization adopting the formula prescribed in the 2008 upfront tariff guidelines for Liquid Terminal berth. The 2008 upfront tariff guidelines for Liquid bulk terminal	---

	prescribe handling norms for Crude, POL products, LPG/LNG and other liquids at 5000 tons/hour, 1000 tons/hour, 250 tons/hour and 300 tons/hour respectively. The guidelines do not prescribe any handling norm for water supply. Though according to the CHPT the Furnace oil, HSD and edible oil fall under the category of other liquids for which a handling norm of 300 tons/hour is prescribed in the guidelines, it has stated that the handling rate prescribed in the guidelines cannot be applied since they are relating to ships of 10,000 to 30,000 GRT whereas the size of barges is in the range of 400 to 2000 GRT. It has further stated that the handling rate is also determined based on the pipeline dimensions which supply / receive the cargo to / from the barge. In view of the above, CHPT has considered a handling rate of 300 tons/hour for Furnace oil, 100 tons/hour for HSD, and 150 tons/hour each for Edible oil and water in the determination of optimal berth capacity reportedly relying on the rate currently achieved by IOCL. However, the handling rates considered by the port do not appear to be justified by the actual handling rates achieved by IOCL during the past years. In this regard, the CHPT to furnish the following:	
	(a). Details of actual handling rates achieved by IOCL for Furnace oil and HSD during the last 3 years in order to justify the handling rates of 300 tons/hour and 100 tons/hour considered by it for Furnace oil and HSD respectively.	For loading 700 tons of Furnace oil (FO), the time taken is approximately 4 hours and accordingly the handling rate works out to 175 tons per hour. Against this 300 tons per hour is assumed so that the handling rate is on par with the rate prescribed in the TAMP guidelines of 2008 for other cargoes under Liquid bulk terminal. The HSD handled is approximately in the ratio of 4:1 with the FO. Both the cargoes are loaded into the same barge and hence it is appropriate that HSD is loaded within 4 hours time. Hence a handling rate of 100 tons per hour is assumed for HSD. As far as the edible oil is concerned, the cargo is more viscous than FO and less viscous than HSD. For this cargo a handling rate in between the handling rate proposed for FO and HSD had been proposed. It is to be noted that the edible oil is not handled through barges at present and is expected that the BOT operator will use his marketing efforts to attract the cargo to the barge berth for handling through the barges. Hence no past data is available for this cargo. Bunkering of water is not regular and the supply of water to the ships is through pipeline when the ship is at the berth. No outside agencies supply water through barges as of now. In the absence of data
	(b). Details of actual handling rate achieved by the port for edible oil (through barges) during the last 3 years in order to justify the handling rate of 150 tons/hour considered by it.	
	(c). Details of actual handling rate achieved by the port / private agencies for supply of water to the ships during the last 3 years in order to justify the handling rate of 150 tons/hour considered by it.	

		the handling rate adopted for edible oil is taken for the handling rate for water also.
	(d). Details of capacity of pipelines proposed to be installed for transporting different liquid cargoes from / to the barges in order to justify the handling rates considered by the port for the respective cargoes, and establish linkage between pipeline dimensions and handling rates of respective cargo.	The port has stated that these details are not provided in the DPR. It is expected that the BOT operator will allow the users of the berth to provide pipelines which will be capable of achieving the handling rate prescribed.
	(e). The CHPT is requested clarify when the handling rate of 300 tons/hour prescribed in the norm for other liquids is achievable in respect of Furnace oil even with barges why the same handling rate is not applicable for HSD, edible oil and water.	As stated in reply to Para (a) to (c) above
	(f). CHPT has proposed not to rely on the norms prescribed in the Guidelines mainly on account of (a). Pipeline dimensions and (b). size of vessels. With reference to pipeline, the port may certify that the dimensions considered by it in the proposal is optimum and no further improvement, which may have impact on handling rate, would be possible due to technical reasons. It may also be clarified whether the Concession Agreement will categorically specify the dimensions of pipeline, which cannot be altered by the BOT operator.	The pipelines will be provided by the users and the BOT operator will be mandated to achieve this handling rate.
	(g). The present jetty is reported to be around 30 m. in length whereas the proposed facility will be about 150 m. The reason for development of the new facility is explained as growing traffic and the need to accommodate larger size barges. Detailed Project Report (DPR) indicates barges of size 4000 DWT could be accommodated. In this background, CHPT may explain why the handling rates at the new facility should be only at par with the productivity levels achieved in the existing jetty. CHPT to clarify whether capacity calculations take into account handling of more than one barge of existing size.	The norms specified in TAMP 2008 guidelines for handling rate for various types of Liquid Bulk is applicable for all sizes of the vessels, probably due to the fact that the facility created is to cater to all types of ships. Likewise, the handling rate at the new facility has been proposed on par with the existing facility. The capacity calculation takes into account handling of only one barge at any point of time at the jetty as the proposed berth length could accommodate only one barge at a time.
	(h). The reasons for proposing the new facility with assessed capacity much lower than the traffic projected in the DPR.	This aspect has been studied by the Consultant M/s.WAPCOS. Though the traffic projection is higher than the assessed capacity of the jetty, the assessed capacity is the optimal capacity of the proposed facilities and when the traffic exceeds the optimal capacity of this jetty, the Port will have to develop another jetty to meet the increase in traffic.
(ii).	The CHPT has proposed to allot 5000 sq. m. of land at a distance of 200 m. for storage of cargo. It is not clear from the proposal how this area will be utilized for storage of liquid cargo like whether storage	The allotment of 5000 sq. m. of land area to be utilized by the operator is for storage purpose. The operator is free to utilize this area to develop storage tanks by the users of the berth. Irrespective of such facilities

	tanks will be constructed in the said area or whether the cargo will be kept in barrels. Though the computation of storage yard capacity is not required as per the guidelines, it appears that the capacity of the storage area may have an impact on the optimal capacity considered by the port in this case. The CHPT, therefore, to compute and furnish the optimal capacity of the storage yard with workings.	the discharge rate to the barges is through the fixed pipelines and the rate of discharge is as indicated in the optimal capacity calculation. Hence, the development of any storage facility at the land area will not affect the optimal capacity.
(iii).	The CHPT has computed the optimal capacity of the barge berth assuming a cargo share percentage of 50%, 10%, 35% and 5% for Furnace oil, HSD, edible oil and water respectively. The share of these cargoes in the total optimal capacity of 13,49,040 tons, in absolute terms, works out to 9,19,800 tons, 61,320 tons, 3,21,930 tons and 45,990 tons respectively. The CHPT is requested to furnish / clarify the following:	---
	(a). Basis for the cargo share percentage considered by it with reference to the actual share pattern obtained at the port during the last 3 years.	The IOCL currently handles Furnace Oil and HSD through the barges as per the demand from the ships. On an average ratio of Furnace Oil and HSD loaded on the barges is 4:1 which is likely to go to 5:1 as the usage of Furnace Oil is likely to go up in the ships. Hence, the ratio of 5:1 has been assumed between these two cargoes. The DPR prepared by M/s.WAPCOS has considered the edible oil also as the Liquid Bulk that can be handled through the barges. At present, no edible oil is handled through the barges. Similarly demand could also come from ships for water bunkering which is not figuring in the DPR. In order to meet these two demands, it is assumed that about 35% of the capacity of the berth and another 5% of the capacity of the berth could be utilized to cater to the edible oil and water bunkering.
	(b). The share of various cargoes in the optimal capacity in absolute terms may be justified based on the traffic forecast contained in the DPR for the respective cargoes.	Though the projections had been given in the DPR, the Consultant had not considered the edible oil traffic for revenue calculations and considered only the bunkering oil. However as indicated earlier, it is proposed to utilize this berth for handling edible oil and water also. Hence the share had been made for all of them based on assumptions.
	(c). The DPR at Chapter 2.3 (Traffic Forecasts) mentions, after studying the plans of the firms participated in the EOI, the details of cargoes expected to be handled in the barge berth which, inter-alia, includes Bitumen and other chemicals. However, the proposal of CHPT for upfront tariff fixation does not consider handling of Bitumen and other chemicals in the proposed Barge berth. CHPT to clarify.	Though the Consultants have indicated Bitumen and other chemicals can be handled through the barges, these cargoes are neither accounted in their revenue calculation nor projections has been made as done for the bunker oil and edible oil in the report. Hence, these cargoes were not considered for calculation of the capacity.

(B).	**Capital cost**:	
(i).	The CHPT has estimated the cost of construction of berth at ₹2051.62 lakhs, cost of construction of approach jetty at ₹67.20 lakhs and cost of capital dredging at ₹30.00 lakhs. The capital cost considered in the proposal is seen to be based on cost estimates furnished in the DPR which was prepared in October 2011. As mentioned in the guidelines, the capital cost should be updated to capture the prevailing market rate while fixing the upfront tariff cap. The CHPT, therefore, to update the estimates of capital costs to reflect the prevailing market rate.	The Consultant has prepared the estimate based on the CPWD rates and Tamil Nadu PWD rates prevailing during October 2011. The same estimate has been sent to the Standing Finance Committee (SFC) and the cost estimate has been frozen.
(ii).	The DPR contains rough cost estimates for the civil works and capital dredging. The unit rates considered in the cost estimates, including unit rate for capital dredging need be substantiated with documentary support in the form of budgetary quotations, rate analysis, etc. as required by the Guidelines.	As indicated in the Column above the consultant had worked out the estimates for the civil works on the basis of CPWD and Tamil Nadu PWD rates. As far as dredging work is concerned, it is based on the quotation given by Kerala Maritime Board for carrying out the dredging work for Pondicherry Port. The port has furnished a copy of the letter of Kerala State Maritime Development Corporation Ltd. (KSMDCL) dated 19 October 2009.
(iii).	The CHPT has apportioned 25% of berth cost to cargo handling activities in addition to the entire cost of approach jetty. As per the 2008 tariff guidelines, cost of berth apron and approach should be considered under cargo handling activity for the purpose of fixation of cargo handling charges. The CHPT, therefore, to furnish the basis for apportioning 25% of the berth construction cost to cargo handling activities.	The CHPT used 25% of the cost of construction of berth for consideration in the calculation of the handling cost in the Mega Container Terminal which was approved by TAMP earlier. The same norm has been adopted in this case also.
(iv).	The total capital cost considered by the CHPT under berthing activity is at ₹2001.53 lakhs which comprises of cost of construction of berth at ₹ 1876.22 lakhs (75% of 2501.62 lakhs), cost of capital dredging at ₹ 30.00 lakhs and ₹ 95.31 lakhs towards other cost being 5% of the berth cost and dredging cost. As stipulated under clause 4.4 of Annex-IV (Norms for fixation of upfront tariff for Liquid bulk terminal) of 2008 upfront tariff guidelines, the capital cost under berthing activity will comprise only two items, viz. cost of construction of berth and cost of alongside dredging and there is no provision for considering 5% of capital cost towards other cost. The CHPT to note that estimated cost of construction of berth already contains a provision of 10% towards contingencies.	The 5% of the capital cost towards other cost has been considered in the berthing activity similar to the norm adopted for the handling activity. The 10% is towards the engineering contingencies work whereas 5% towards the other cost is for IDC and other SPV cost.

(v).	As per the norms provided in the 2008 upfront tariff guidelines for liquid bulk terminal, the estimation of capital cost shall include cost of (i) Marine loading/ unloading equipment/ flexible Hoses, (ii) Pipelines, (iii) Fire Fighting Equipment and (iv) Power Lighting and communication under equipment cost. The capital cost estimates of CHPT for Barge berth do not consider any investment towards the above mentioned facilities. The CHPT is, therefore, requested to clarify how the cargo would be transported between storage yard and barge berth which are located at a distance of 200 m. and how the loading / unloading activities would be carried out in the barge berth in the absence of the above facilities.	This facility does not contemplate provision of marine loading and unloading equipment. Only the flexible hoses to connect the pipeline and the barge may be required which will be provided by the respective user. Fire Fighting equipment, lighting, etc., are already available in the place as it is very close to the existing Oil Terminal. Hence, capital cost for these items are not considered.
(vi).	The proposal of CHPT envisages allotment of 5000 sq. m. area towards storage of cargo. The capital cost estimates furnished by CHPT do not include any expenditure towards development of storage yard / construction of storage tanks in the said area, especially when the DPR at Chapter 2.3 (Traffic Forecasts) mentions that the firms participated in the EOI have indicated plans to construct storage tanks and warehouses within the available land of CHPT. The CHPT to clarify the position.	The land that will be given to the BOT operator is meant for development of any temporary or permanent storage facility which will help the smooth operation of the barge berth. However these storage or other facilities will be developed by the users of the barge berth and the BOT operator will make available the land space for these purposes.
(C).	**<u>Operating cost</u>**:	
	<u>Lease rental</u>: The CHPT has estimated the payment of licence fee by the BOT operator as an item of operating cost for the area proposed to be allotted under the project. The following points may be clarified in this regard.	
	(a). The CHPT has considered a rate of ₹ 4542 per 100 sq. m. per month for developed area and ₹ 2390 per 100 sq. m. per month for undeveloped area reportedly as per the rates prescribed in the existing Scale of Rates of CHPT. Please confirm that the rates adopted for estimation of license fee are the updated rates after taking into account escalation factor applicable as per the Land Policy Guidelines announced by the Government from time to time.	The rate adopted for the developed area and the undeveloped area of ₹4542/- and ₹2390/- per 100 sq. m. respectively are updated rates as per Scale of Rates after taking into account escalation factor applicable.
	(b). The revision of lease rentals at CHPT is overdue. As recorded in paragraph No.7 of order No.TAMP/47/2008-CHPT dated 10 November 2010 passed by this Authority relating to disposal of the proposal filed by CHPT in the year 2008 for revision of lease rental, the CHPT vide its letter dated 12 August 2010 had informed that it has initiated steps to assess the market value of its lands under all options specified in the	The revised Estate rental proposal is under submission after taking into account the latest Guideline Value issued by Tamil Nadu Government.

	Land Policy Guidelines. Based on the above position the CHPT was allowed to continue with the existing rates with annual escalation at applicable rates till the revision of its estate rentals with a direction to file the fresh proposal for revision of lease rentals within 31 December 2010. However, despite reminders, the CHPT has not filed its proposal for revision of lease rentals so far. As the revision of lease rentals may have an impact on the upfront tariff to be fixed for the subject project, the CHPT is requested to consider the updated lease rentals as per the Land Policy Guidelines in force.	
	(c). The estimated lease rental includes lease rental for the 5000 sq. m. area proposed to be allotted for storage of cargo. In this connection, as already stated, the CHPT is requested to furnish the yard capacity computation for the proposed storage area in order to justify the land proposed to be allotted for storage of cargo and also to show that the yard capacity of these cargo more or less matches with the optimal quay capacity.	The TAMP guidelines do not propose any method for calculation of storage yard capacity for the Liquid Yard Terminals. In the absence of any guiding factor, it is not possible to assess the storage capacity of the yard. Further the yard is given to the BOT operator for development of storage or other facilities by the users as per their requirements.
(D).	**Revenue Requirement and proposed tariff**:	
(i).	The CHPT has proposed a composite handling rate of ₹ 12.32 per ton for furnace oil, ₹ 36.97 per ton for HSD and ₹ 24.65 per ton each for edible oil and water. The CHPT to furnish the existing tariff charged by it for handling these cargoes, as per the approved SOR.	Only wharfage is charged by the port in respect of Furnace Oil and HSD. The rate as per SoR is ₹ 36.30 per kilolitre for both Furnace Oil and HSD. For the edible oil, the rate as per SoR is Rs 55.00 per kilolitre.
(ii).	The CHPT has not proposed concessional rate for coastal cargo for any of the commodities proposed to be handled at the barge berth. As per Government policy for coastal concession, the cargo related charges for all coastal cargo, other than thermal coal and POL including crude oil, iron ore and iron ore pellets should not exceed 60% of the normal cargo/container related charges. The CHPT is requested to:	The liquid berth cargo that will be handled at the berth is the cargo that will be brought by the users either from landside for delivery to the ships or the cargo from the ships to be delivered to land side. As such the BOT operator is catering to the requirement of the users for passage of the cargo through the berth. Hence it was considered that there is no distinction as foreign or coastal.
	(a). clarify whether coastal concession will not be applicable to bunkering and water supply activities, especially when the DPR mentions that bunkering is carried out to both coastal and foreign ships.	
	(b). confirm whether entire volume of edible oil will be foreign cargo. If not, concessional rate for edible oil based on coastal share of the said cargo may be proposed.	As per the DPR, the entire volume of edible oil considered and projected will be of foreign origin. There is no coastal share contemplated.
(iii).	The CHPT has stated that only 5% of the estimated volume will attract miscellaneous services and has thus arrived at the miscellaneous charge at ₹ 17.69 per tonne. The CHPT is requested to furnish the basis for considering 5% of the volume for	Unlike the other type of handling such container bulk, etc. the type of the miscellaneous services that can arise in the barge jetty is very minimal or negligible. However, in order to provide for any such miscellaneous activities, 5% of the volume

	providing miscellaneous services and also an illustrative list of such miscellaneous services.	has been considered.
(E).	**Berth hire charges**:	
(i).	The CHPT has considered the average GRT of barges carrying furnace oil, HSD and edible oil at 1500 tons each and barges carrying water at 700 tons and it has considered an average parcel size of 1500 tons, 300 tons, 2000 tons and 1000 tons for the said four groups of vessels respectively in the berth hire computation reportedly based on past data. As mentioned in the DPR (Page 41), based on traffic projection and the requirement the proposed barge jetty is designed for 4,000 DWT capacity. The CHPT is, therefore, requested to justify the average GRT and average parcel size considered by it for the three cargo groups with reference to the capacity of the proposed barge jetty.	Though it has been mentioned in the DPR that the jetty is designed for 4000 DWT, the present quantum of bunker oil supplied to the ships by IOC is in the order of 1000 tons for both FO and HSD. Further as indicated earlier both these cargoes are loaded in the same barge. Hence the reason for the same GRT for both. A parcel size of 1500 tons and 300 tons had been assumed for FO and HSD which is almost twice the present load factor and also in the ratio of 5:1.
(ii).	The capital dredging is the responsibility of the BOT operator and the port has also estimated a sum of ₹30 lakhs and considered in the total capital cost of the berth and the berth hire charges are proposed to be collected by the BOT operator. As per the tariff guidelines for calculation of berth hire the operating cost for berthing activity, inter-alia, includes 1% on the cost of capital dredging carried out alongside the berth. However, in the present case the CHPT has not considered 1% of the capital cost of dredging under operating cost and has stated that maintenance dredging alongside the berth will be the responsibility of the port. In this context, the CHPT is requested to explain the reasons for undertaking the responsibility of maintenance dredging. It may also be clarified whether the port intends to levy any charges on the BOT operator in this regard.	The CHPT has been carrying out the maintenance dredging in respect of the Container Terminals which are operated by the BOT operators. In the Mega Container Terminal proposed under PPP mode also, the CHPT has proposed to take up the Capital and Maintenance dredging. Hence, 1% of the capital cost of dredging is not taken for consideration while calculating the operating cost. No levy is proposed on the BOT operator in this regard.
(iii).	The depreciation considered under berthing activity does not include depreciation on capital dredging while the capital cost of berthing activity includes the estimated cost of capital dredging. The CHPT is requested to clarify and review the position.	The dredging work has no life norm fixed and there is no replacement of Asset. Hence the depreciation for dredging work was not considered.
(iv).	The operating cost considered by the CHPT under berthing activity includes 5% of the capital cost of berth and capital dredging towards other expenses which is not allowed as an item of cost as per the guideline provisions. The CHPT to revise the operating cost estimation by excluding this item.	The other cost of 5% considered under the cargo handling activity is to meet the cost towards the administrative overhead, manpower and other miscellaneous cost. The same yardstick is applied for the berthing activity also.
(v).	The CHPT has arrived at the total GRT hours at 8032920 in the computation of berth hire charge per GRT (Please refer	It is considered that the barge carrying FO will carry HSD also. The loading onto the barges are expected to take place

	Sl.No.9 in table under Annexure-7). However, it is found that the sum of the GRT hours of individual cargoes as reported in the same table works out to 8952720 GRT hours (4599000 + 919800 + 3219300 + 214620) and consequently the berth hire charge works out to ₹ 5.81 per GRT per hour as against ₹ 6.48 proposed by the port. The CHPT is requested to rectify the arithmetical error in the calculation of total GRT hours and revise the proposed berth hire charge	simultaneously and hence the GRT hours of FO alone are considered in the calculation as it is the dominant operation between the two. Hence the calculation furnished is correct.
(F).	**Scale of Rates**:	
(i).	The conditionality prescribed at clause (v) of 1.2 General Terms and conditions of the proposed Scale of Rates is seen to be overlapping provision since the non-payment of berth charges for idling of berth is already included as a conditionality under schedule 2.2 at clause (6). The CHPT to delete the overlapping provision.	The Clause (v) of 1.2 General Terms and Conditions is deleted and the Clause (6) under schedule 2.2 is retained.
(ii).	The proposed prescription of clause (vi) under 1.2 General Terms and Conditions appears to be a new provision. The CHPT is requested to explain the necessity for its prescription.	The Clause (vi) under 1.2 General Terms and Conditions is deleted.
(iii).	The conditionalities prescribed in the proposed Scale of Rates relating to cessation of berth hire charges and false call for pilot is seen to varying with the standard conditionalities prescribed by this Authority at the other Major Port Trusts. The CHPT is requested to update the conditionalities based on the standard provisions.	The conditionalities are changed as per clause 6.6.1, 6.6.2 & 6.6.3 of TAMP guidelines of March 2005.
(iv).	As per the notes prescribed under schedule 3.1.1 (Liquid bulk cargo handling), the composite charges proposed, inter-alia include providing the required facilities including supervision for connection of the pipeline and the barge. The CHPT to clarify who will carry out the cargo operations of unloading the cargo from the barges and supply to the ships in the case loading and vice versa in the case of unloading and also explain the tariff arrangement proposed for such services.	The cargo operations mentioned will be carried out by the respective users of the barge berth.
(v).	As per the notes prescribed under schedule 3.1.1 (Liquid bulk cargo handling), the composite charges proposed, inter-alia include providing the required firefighting facilities and adequate manpower to operate and maintain. As already mentioned in the query at Sl. No. (B) (e) above, the capital cost estimates of CHPT do not include firefighting equipment. The CHPT is, therefore, requested to clarify how the composite charge will include charges for provision of firefighting facilities.	It was indicated earlier that the fire fighting equipment is available with the port in the nearby oil jetty. The BOT operator could use this facility in the event of any fire and the applicable charges could be paid by him to the port.

(vi).	The CHPT has proposed the miscellaneous charges for Liquid bulk cargo handling at ₹ 17.69 per tonne, which is more than composite handling charge for furnace oil, 72% of composite handling charge for edible oil and water and 48% of the composite handling charge for HSD. Generally, the miscellaneous charges will be a nominal amount compared to the composite handling charge. In view of the above, the CHPT is requested to explain the nature of miscellaneous services proposed to be provided to each cargo against this levy and incorporate in the draft SOR.	The service such as cleaning of the area in the event of any leakage of the Liquid Bulk handled is contemplated under the Miscellaneous charges. It will be incorporated in the draft SOR.
(vii).	The CHPT has mentioned in Schedule 4.0 (Genera note to schedule 2 & 3) that tariff caps will be indexed to WPI as on 1 January 2008 for automatic escalation. As per the 2008 tariff guidelines, the estimated capital and operating cost should reflect the prevailing market price and indexation should be linked to 1 January of the year in which tariff caps are approved. Accordingly, the CHPT is requested to modify the clause linking indexation to 1 January 2012.	The CHPT has modified the conditionality.

5.2. The CHPT in its letter dated 10 July 2012 has also stated that the PPP Project on handling of Liquid bulk cargo through barges is a maiden attempt made by the port and such facilities are not in existence in any of the other Major Ports. The port relied on the existing data to the extent available and for other data certain valid assumptions have been made. Based on this, the updated Scale of Rates and replies to the queries raised have been furnished. The CHPT has requested to consider the modified proposal sent along with its letter dated 10 July 2012.

6.1. A joint hearing in this case was held on 27 July 2012 at the CHPT premises. The CHPT made a power point presentation of its proposal. At the joint hearing, the CHPT, concerned users/organisation bodies and prospective bidders have made their submissions.

6.2. At the joint hearing, the CHPT was advised to take action/ furnish additional information/ clarifications on the following points and furnish its response by 10 August 2012. The CHPT has furnished its response vide its email dated 7 August 2012, letter dated 7 August 2012 and email dated 9 August 2012. The decisions taken at the joint hearing and the response of CHPT thereon are tabulated below:

Sl. No.	Decision taken at the joint hearing	Response of CHPT
(i).	CHPT to justify the handling norms proposed by it with reference to the characteristics of the commodity, dimensions of the pipelines to be used and the pumping rate.	The handling rate proposed in the tariff proposal is 300 t/hr, 100 t/hr, 150 t/hr and 150 t/hr respectively for Furnace oil, HSD, Edible oil and water. The type of barges considered have an average parcel size of 1500 tons, 300 tons, 2000 tons and 1000 tons respectively for the above cargoes. As indicated in the proposal, the handling rate proposed for these barges are not comparable with the handling rate prescribed for sea going ships. The handling rates are dependent on the size of the vessels/ barges to be loaded/ unloaded. They are dependent on the pumping capacity of the pumps

<table>
<tr><td></td><td></td><td>available in the ships/barges and associated pipeline to carry the cargo meeting the pumping rate. Details on handling rate prevailing in an Indian port where barges are handled is forwarded for the reference. As per this the handling rate (pumping Rate) achieved for bunker oil is as given below.

<table>
<tr><th>Sl. No</th><th>Barge size</th><th>Handling Rate in t/hr</th></tr>
<tr><td>1</td><td>3000 MT</td><td>250</td></tr>
<tr><td>2</td><td>1350 MT</td><td>150</td></tr>
<tr><td>3</td><td>400 to 500 MT</td><td>100</td></tr>
</table>
Considering these values the handling rate of 300 t/hr taken up in the tariff proposal is justifiable. As regards HSD, as this cargo will be loaded onto the same barge that will load Furnace oil and considering the reason that its quantity will be 1/5 of the Furnace oil, the handling rate of 100 t/hr is also justifiable.

As indicated in the proposal the handling of edible oil through barges for inters carting between ship and shore is a new attempt. Hence data on such handling activities are not readily available. However in US, transportation of edible oil through barges and small capacity tankers through rivers is in vogue. A literature survey indicates that the barges used are around 1200 tons capacity and the tankers are with capacity around 1800 to 9000 tons. The pump used in this tanker is of capacity around 800 tons per hour. Considering this, a handling rate of 150 tons per hour for the barge proposed in the proposal is justifiable. For water supply also the same rate is adopted considering that the quantity that is expected to be handled is only 5%.

(The CHPT under cover of its email dated 9 August 2012 has furnished the pumping rates for barges of various sizes handled at the barge berth of the Mundra Port and SEZ for bunkering operations. The pumping rate ranges from 100 MT per hour to 250 MT per hour.)</td></tr>
<tr><td>(ii).</td><td>Since the proposal lacks clarity on the utilisation of the storage area and the pipelines to be laid, the CHPT to review its proposal by revisiting the configuration of the project with reference to the storage area and pipelines to be laid.</td><td>A meeting was convened on 01.08.2012 under the chairmanship of Dy. Chairman, Ch.P.T. in which the subject of utilization of storage area and pipelines were reviewed and as accepted during the meeting, the proposal is revised without considering land area of 5000sq.m. proposed to be allotted on lease. The proposal now finalized is in accordance with the proposal as per the DPR. The views of the users and bidders were taken into account and accordingly the proposal has been modified.</td></tr>
<tr><td>(iii).</td><td>Update the lease rentals considered for the proposal with reference to the prevailing market rate of the concerned land as per the land policy guidelines of the Government.</td><td>A comprehensive proposal for revision of Licence fee for the entire area of ChPT will be submitted shortly to TAMP for which the task of collecting various inputs is under process. Hence, the proposal for revision of Licence fee for the 2450 sq.m of undeveloped area to be allotted for the proposed Barge handling facility is not being submitted now. The present proposal of upfront tariff for proposed Barge handling facility is based on the existing rates of licence fee as per Scale of Rates already approved by TAMP.</td></tr>
</table>

		However, after approval by TAMP for the comprehensive proposal for revision of licence fee for the entire area of ChPT, a revised proposal for the Barge handling facility project will be forwarded to TAMP for consideration and approval and thereafter the same will be included in the Concession Agreement to be entered into with the Successful Bidder.
(iv).	CHPT to convene a meeting with the relevant users / prospective bidders of the projects and furnish its revised proposal	The CHPT has furnished its revised proposal under cover of its letter dated 7 August 2012.

7.1. The CHPT vide its e-mail dated 7 August 2012 has furnished its revised proposal. A comparative position between the proposal of May 2012 and August 2012 is given below:

(i). There is no change in the capacity of the facility. The capacity has been maintained at 1349040 tonnes.

(ii). **Capital cost:**

(a). Total Capital Cost:

Sl. No.	Particulars	Proposal of May 2012 (₹ in lakhs)	Proposal of August 2012 (₹ in lakhs)
(i).	Construction of berth	2501.62	2501.62
(ii).	Capital dredging	30.00	30.00
(iii).	Construction of Approach jetty	67.20	67.20
(iv).	Other costs @ 5% of (i) to (iii)	129.94	129.94
	Total	**2728.76**	**2728.76**

(b). The allocation / apportionment of total capital cost for the three activities:

Sl. No.	Particulars	Proposal of May 2012 (₹ in lakhs)			Proposal of August 2012 (₹ in lakhs)		
		Liquid bulk cargo handling	**Berthing**	**Total**	**Liquid bulk cargo handling**	**Berthing**	**Total**
(i).	Berthing structure	625.40	1876.22	2501.62	625.40	1876.22	2501.62
(ii).	Approach jetty	67.20	0	67.20	67.20	0	67.20
(iii).	Dredging along side the berth	0	30.00	30.00	0	30.00	30.00
(iv).	Sub Total	692.60	1906.22	2598.82	692.60	1906.22	2598.82
(v).	Other costs	34.63	95.31	129.94	34.63	95.31	129.94
	Total	**727.24**	**2001.53**	**2728.76**	**727.24**	**2001.53**	**2728.76**

(iii). **Operating Cost**

(a). For liquid bulk cargo handling activities:

Sl. No.	Description	Proposal of May 2012 (₹ in lakhs)	Proposal of August 2012 (₹ in lakhs)
		Amount	**Amount**
(i).	Power	14.30	4.70
(ii).	R & M of civil assets	6.93	6.93
(iii).	Insurance	7.27	7.27

(iv).	Lease rentals	34.28	7.03
(v).	Depreciation	23.13	23.13
(vi).	Other expenses	36.36	36.36
	Total	**122.28**	**85.42**

(b). For Berthing activities:

Sl. No.	Cost Items	Proposal of May 2012 (₹ in lakhs)	Proposal of August 2012 (₹ in lakhs)
		Amount	**Amount**
(i).	R & M of civil structures @ 1% of Capex	18.76	18.76
(ii).	Insurance @ 1% of civil assts	18.76	18.76
(iii).	Depreciation @ 3.34% on civil assets	62.67	62.67
(iv).	Other expenses @ 5% on Gross Fixed Assets	100.08	100.08
	Total	**200.27**	**200.27**

(iv). **The annual revenue requirement estimated by the port:**

Sl. No.	Activities	Proposal of May 2012 (₹ in lakhs)		Proposal of August 2012 (₹ in lakhs)	
		Liquid bulk cargo handling	**Berthing**	**Liquid bulk cargo handling**	**Berthing**
(i).	Operating cost	122.28	200.27	85.42	200.27
(ii).	Return on capital employed (ROCE)	116.36	320.24	116.36	320.24
	Total (Revenue Requirement)	**238.64**	**520.51**	**201.78**	**520.51**

(iv). **Apportionment of revenue requirement (ARR):**

For Liquid bulk cargo handling activities:

Sl. No.	Activities	percentage share	Proposal of May 2012 (₹ in lakhs)	Proposal of August 2012 (₹ in lakhs)
			Amount	**Amount**
(i).	Liquid bulk cargo handling	95%	226.71	191.69
(ii).	Miscellaneous	5%	11.93	10.09

(v). The upfront tariff proposed by the CHPT to meet the estimated revenue requirement are as follows:

(a). Handling charges:

Sl. No.	Cargo Group	Percentage share	Proposal of May 2012 (₹ in lakhs)	Proposal of August 2012 (₹ in lakhs)
			Charges for handling per ton	
(i).	Furnace oil	50	12.32	10.42
(ii).	HSD	10	36.97	31.26
(iii).	Edible oil	35	24.65	20.84
(iv).	Water	5	24.65	20.84

(b). Berth Hire

Sl. No.	GRT	Proposal of May 2012 (₹ in lakhs)	Proposal of August 2012 (₹ in lakhs)
		Rate per GRT per hour or part thereof	
(i).	Any volume of GRT	6.48	6.48

(c). Miscellaneous charges:

Sl. No.	Cargo type	Proposal of May 2012 (₹ in lakhs)	Proposal of August 2012 (₹ in lakhs)
(i).	All Liquid Bulk Cargo	17.69	14.96

7.2. The CHPT has also made some changes to the proposed conditionalities, mainly with reference to the conditionalities in the Schedule of Berth hire to bring them in line with the similar conditionalities prescribed in the Scale of rates of CHPT.

8. One of the user organisations viz., Madras Chamber of Commerce and Industry (MCCI) furnished its comments after the joint hearing. This was forwarded to the CHPT as feedback information. The CHPT has also responded on the comments of MCCI.

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

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

(i). The Indian Oil Corporation Limited (IOCL) currently handles Furnace Oil and HSD through the barges as per the demand from the ships. However, the steady growth in the demand for the bunker fuel from the shipping lines at the Chennai Port Trust (CHPT) has prompted the CHPT to develop a dedicated barge handling facility to handle the bunker fuel. Therefore, the port has planned to develop a new barge handling facility under Public Private Partnership (PPP) mode to handle Furnace Oil, High Speed Diesel (HSD), Edible Oil and Water. The guidelines of February 2008 issued by the Government as policy direction under Section 111 of the Major Port Trusts Act, 1963, stipulate, interalia, that tariff caps have to be set upfront for all PPP projects for which bids will be invited after announcement of said guidelines. Accordingly, the proposal from CHPT is to fix upfront tariff for the liquid cargo to be handled at the barge facility based on the Guidelines for upfront tariff fixation issued by the Government in February 2008.

It is clarified that the upfront tariff fixed now is for the barge handling facility to handle Furnace Oil, High Speed Diesel (HSD), Edible Oil and Water. If the liquid cargo profile to be handled at the proposed barge handling facility undergoes a change, upfront tariff caps will have to be reviewed to capture the changes, if any.

(ii). The CHPT has filed its proposal in May 2012. Subsequently, based on the information/ clarifications sought by us during the processing of the case and based on the discussions held during the joint hearing on 27 July 2012 and also taking into account the views of the users and bidders conveyed in a meeting convened by the port on 1 August 2012, the CHPT under cover of its letter dated 7 August 2012 has forwarded a revised proposal, as explained earlier. Since the revised proposal is after taking into account the views of the users and the bidders, as reported by the CHPT and considering that this project has been included for award in the year 2012-13 as per the communications received from the Government vide its letter No.PD-18013/2/2012-PDIII dated 20 March 2012 as well as letter No.PD-18013/6/2010-PDIII dated 14 May 2012, the revised proposal dated 7 August 2012 has not been again taken up on consultation with the relevant users and bidders. The revised proposal of the CHPT dated 7 August 2012 along with the information/ clarifications furnished by CHPT during the processing of this case are considered.

(iii). The proposal filed by CHPT envisages handling of liquid cargo through fixed pipelines to be installed by the users of the barge berth. The CHPT has also reported that the BOT operator of the facility will allow the users of the berth to provide pipelines and the BOT operator is required to ensure that the users would achieve the handling rates considered by the CHPT for the liquid cargo considered in its proposal.

The mechanism, under which the BOT operator will ensure that the users will provide the pipelines to achieve the handling rate envisaged by it, is not clear. If the pipelines with a higher diameter and higher pumping rate are put into use, it would result in higher productivity of the liquid cargo, thereby increasing the optimal capacity of the berth.

Inspite of a specific request to CHPT during the proceedings relating to this case to review its proposal by revisiting the configuration of the project with reference to the pipelines to be laid, the CHPT has not addressed this issue. The proposal of the port with regard to the users providing for the pipelines lacks clarity. Nevertheless, the proposal of the port is only to fix upfront tariff for handling of liquid cargo at the barge berth. In view of this position perhaps, the investment towards Marine loading/ unloading equipment/ flexible Hoses, Pipelines etc., as prescribed in the upfront tariff guidelines of 2008 for the liquid bulk terminal has not been considered by CHPT in its proposal. Further, the flexible hoses to connect the pipelines and the barges are to be provided by the respective users. Thus, it is only the investment cost relating to the construction of the new barge handling facility (as discussed in the succeeding paragraphs) that has been estimated by the port as capital cost for the barge handling facility. In view of the above position, the issue regarding the pipelines has not been gone into in detail in the current exercise of fixing upfront tariff and hence is not dealt with.

(iv). The CHPT has proposed allotment of 2250 sq. m. of berth area and 200 sq. m. of area towards approach jetty. The CHPT had initially taken into account an area of 5000 sq. m. at a distance of about 200 m. from the berth for storage of bunker oil and other cargo. It was not clear how the BOT operator will allot the land to different users for construction of storage facilities at the storage area. Also, keeping in view that the proposed facility is a common user facility, it was not clear whether the storage tank constructed by one user will be made available for other users and if so, how the tariff for usage of storage tank by other users will be regulated.

Therefore, during the joint hearing, the CHPT was advised to revisit the configuration of the project with reference to the storage area. Thereafter, as communicated by the port, based on the discussions it had with the users and bidders in a meeting convened by the port on 1 August 2012, the CHPT has not considered land area of 5000 sq.m. in its revised proposal. Thus, the revised proposal now furnished by the port under cover of its letter dated 7 August 2012 takes into account the berth area and approach area aggregating to 2450 sq. mtrs of land.

(v). With regard to fixation of upfront tariff for handling liquid cargo at the barge handling facility, the CHPT has claimed to have followed the norms prescribed in the Upfront tariff guidelines for the liquid bulk terminal.

(vi). Optimal Capacity of the Barge handling facility:

(a). By considering the percentage share of barges handling liquid cargoes viz., Furnace oil, HSD, edible oil and water at 50%, 10%, 35% and 5% respectively and the handling rate of respective barges carrying respective cargo at 300 tonnes/ hour, 100 tonnes/ hour and 150 tonnes/ hour each for Edible oil and water and at 70% utilisation, the CHPT has arrived at the optimal capacity of the Barge handling facility at 13.49 lakh tonnes per annum.

(b). On the ground that the usage of Furnace Oil is likely to go up in the ships, the CHPT has considered the ratio of Furnace Oil and HSD loaded on the barges at 5:1 as compared to the reported average ratio of 4:1 for the said liquid cargoes, based on the current position obtaining at the existing facility being handled by IOCL.

Since the Detailed Project Report (DPR) has assessed the potential of handling edible oil through the barges, the CHPT has stated to have assumed a share of 35% for edible oil and the balance 5% towards water bunkering. Though some of the bidders / users have pointed out the mismatch of handling edible oil in a facility which will cater mainly to POL products, CHPT has maintained the same cargo composition.

In view of clarification furnished by the CHPT, the percentage share of barges for the four cargoes as proposed by the Port is considered in the analysis.

(c). The upfront tariff guidelines of 2008 prescribe handling norm for Crude, POL products, LPG/ LNG and other liquids at 5000 tonnes/ hour, 1000 tonnes/ hour, 250 tonnes/ hour and 300 tonnes/ hour respectively.

With regard to Furnace oil, the CHPT has stated to have adopted the handling norm of 300 tonnes per hour prescribed for the residual category of liquid cargo. Further, the CHPT has sought to justify the handling rate based on the pumping rate of bunker oil achieved by different sizes of barges ranging from 100 tonnes per hour to 250 tonnes per hour based on the position prevailing at Mundra Port and SEZ.

It is relevant here to mention that the liquid cargo like Furnace oil and HSD would fall in the group of POL products and therefore, the handling rate of 1000 tonnes per hour as prescribed in the upfront guidelines is required to be made applicable. However, the CHPT has sought to argue that the handling norms stipulated in the 2008 upfront tariff guidelines is with reference to higher sized vessels whereas the facility envisaged at CHPT is with reference to small sized barges. Incidentally, the handling norms prescribed in the guidelines for liquid cargo terminal is not with reference to any particular type of the vessels.

Inspite of a specific request during the proceedings relating to the case in reference to justify the handling norms proposed by CHPT with reference to the characteristics of the commodity, dimensions of the pipelines to be used and the pumping rate, the CHPT has not furnished any concrete justification/ analysis in support of the handling rates adopted by it for the different types of liquid cargo envisaged to be handled at the barge handling facility.

Though the upfront guidelines do not prescribe handling norms for Furnace oil, HSD, edible oil and water, it prescribes norm of 300 tonnes per hour for residual category of liquid cargo. However, it may not be appropriate to consider the same handling rate for all the types of liquid cargo proposed to be handled at the jetty, given that the nature, characteristics and viscosity of each of the said liquid cargo would be different. In the absence of norms and given that there is no objection from the users with regard to the handling rate considered by the CHPT, this Authority is constrained to rely upon the handling rates as considered by the port, in its capacity calculation.

(d). Thus, the optimal capacity of the proposed barge handling facility at 13.49 lakh tonnes per annum at 70% utilization, as assessed by the port is relied upon.

(vii). Capital cost:

(a). The capital cost considered by the port is towards the cost relating to the construction of the barge handling facility and other costs related to the berthing activity. For the reasons explained earlier, the CHPT does not contemplate provision of Marine loading/ unloading equipment/ flexible Hoses, Pipelines etc. in the proposed facility.

(b). The upfront tariff guidelines require to consider the civil cost as per the estimates given by the Port Trust. The CHPT has estimated the cost of construction of berth at ₹2501.62 lakhs, cost of construction of approach jetty at ₹67.20 lakhs and cost of capital dredging at ₹30 lakhs, in line with the cost estimations furnished in the DPR. The DPR furnished by the port mentions that the estimates for the civil works relating to construction of berth and approach jetty is on the basis of CPWD and Tamil Nadu PWD rates.

(c). The documentary evidence furnished by the port to support the estimated rate of dredging at ₹300/- per cu. m. indicates the unit rate of dredging around ₹230/- per cu. m. including applicable taxes in October 2009. Accordingly, the estimated cost of dredging for 10,000 sq. m. should be ₹23 lakhs as against the cost estimate of ₹30 lakhs considered by the port. Nevertheless, since the DPR relies upon the estimate of ₹30 lakhs which is reported to be based on the present market rate, the estimated cost of dredging alongside the berth is considered at ₹30 lakhs.

(d). The CHPT has apportioned 25% of berth construction cost and the entire cost of approach jetty to the handling activity. In this regard it may be recalled that at the time of fixing upfront tariff for the mega container terminal vide tariff Order no.TAMP/47/2009-CHPT dated 3 March 2010, the CHPT had considered 75% of the cost of construction of berth under berthing services and the residual 25% for container handling facilities on the ground that the horizontal surface of the berth will be relevant for the container handling activity. In line with this position, the CHPT has stated to have apportioned the berth construction cost to handling and berthing activity. This position is considered in the estimates of capital cost.

(e). Under the civil capital cost relating to handling activity, the CHPT has considered miscellaneous capital cost @ 5% of the estimated civil cost. Similarly, the CHPT has considered miscellaneous capital cost @ 5% of the estimated civil capital cost relating to berthing activity.

Though the Upfront tariff guidelines of 2008 stipulate estimating Miscellaneous capital cost @ 5% of the total of the estimated civil cost incase of handling activity, the guidelines do not specifically provide for estimation of miscellaneous capital cost under berthing service. It is noteworthy that in case of the upfront tariff determined for various projects of Visakhapatnam Port Trust (VPT), Coal terminal at V.O Chidambaranar Port Trust (VOCPT), Mormugao Port Trust (MOPT), multipurpose and mechanised berths at Kolkata Port Trust (KOPT), the miscellaneous capital cost at 5% has been allowed to meet contingencies under the Berthing Service. Keeping in view the decision taken by this Authority in the above mentioned cases, the miscellaneous capital cost under the berthing activity at 5% of the civil cost of berth is taken into account, as proposed by the port.

(viii). Return on capital employed is calculated at 16% of the estimated capital cost as per the norms prescribed in the guidelines.

(ix). Operating cost:

(a). For the handling activity:

(i). Power cost:

Power cost has been estimated by the port for lighting of 2450 sq. mtrs of area (berth area and approach area) at 24 units per sq.m per annum at the rate of ₹8/- per unit.

The consumption of 24 units per sq.m for lighting is as per the norm prescribed in the upfront guidelines.

The CHPT in its other upfront proposal relating to RORO cum multipurpose berth which is also being disposed of simultaneously, has furnished documentary evidence in support of the unit rate of electricity at ₹8/-. Hence, the power cost of ₹8/- per unit as estimated by the port is considered in this analysis.

(ii). The guidelines prescribe a norm of 1% on all civil costs to arrive at the estimates of Repairs and Maintenance. However, the CHPT has applied the norm of 1% to the cost of berth and approach jetty only and not on the 'other costs' estimated under the handling activity. Therefore, the norm of 1% is applied on the total civil cost estimated under the handling activity.

(iii). Insurance cost is estimated at 1% of the gross fixed assets by CHPT, which is in line with the norms prescribed in the guidelines.

(iv). Depreciation is to be computed @ 3.34% on civil cost as per the rates prescribed in the Companies Act, 1956 under the Straight Line Method. However, the CHPT has calculated depreciation at the rate of 3.34% on the cost of berth and approach jetty only and not on the 'other costs' estimated under the handling activity. Therefore, in the analysis, the depreciation is calculated at 3.34% on all civil cost estimated under the handling activity.

(v). The CHPT has calculated 'other expenses' at 5% of the gross fixed assets. However, the guidelines for the liquid terminal prescribe a norm of 1% of the gross fixed assets to estimate 'Other expenses'. Therefore, in the analysis, the 'other expenses' is calculated at 1% on the gross fixed assets.

(vi). Licence Fee:
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 2450 sq. mtrs of area at the rate of ₹23.90 per sq. mtr reportedly based on the rates as per the

existing Scale of Rates of CHPT after taking into account the applicable escalation factor.

As already brought out in the factual position relating to the case in reference, inspite of a direction given by this Authority to CHPT way back in 2010 to file a fresh proposal for revision of lease rentals, the port is yet to submit its proposal for revision of lease rentals. Even now, the port has reported that the task of collecting various inputs with regard to filing a comprehensive proposal for revision of lease rental is under process. It is noteworthy that revision of lease rentals may have an impact on the upfront tariff to be fixed for the subject project. Inspite of giving an opportunity to the port to update the lease rentals with reference to market value of land, CHPT has not done anything in this regard and has merely stated that after the revision of licence fee for CHPT, a revised proposal for the Barge handling facility project will be forwarded to TAMP for approval and thereafter the same will be included in the Concession Agreement to be entered into with the Successful Bidder. While the port may recover the revised licence fee from the Operator, it is not clear how a revised licence fee can be factored at a later stage in the upfront tariff caps after the bidding for the project is concluded based on the upfront tariff caps set now. In the absence of updated details furnished by CHPT, the estimate of licence fee as reported by CHPT is relied upon.

(b). Berthing activity:

(i). The guidelines require the operating cost for berthing service to be estimated at 1% of the berth cost. In addition to maintenance cost, the CHPT has considered insurance and depreciation while estimating the operating cost of berthing service.

Although the guidelines restrict the operating cost at 1% of the berth cost, the asset requires adequate insurance coverage and the fact that the value of the asset will depreciate due to wear and tear can also not be denied. While fixing upfront berth hire at the other Major Port Trusts, this position was recognised and the cost of insurance and depreciation were considered to assess the annual revenue requirement from berthing service.

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

For the reasons stated above, though the CHPT has calculated ‘other expenses’ at 5% of the gross fixed assets, the same is not considered in the analysis.

(ii). The CHPT has considered the element of insurance cost and depreciation on the cost of berth alone and not on the component of capital dredging and ‘other costs’ forming part of the capital cost of the berthing activity. In all other upfront tariff Orders passed by this Authority so far, the element of insurance cost @ 1% and depreciation cost @ 3.34% has been considered on the entire capital cost of the berthing activity including the capital cost of dredging. Hence, the same position is considered in this analysis also.

(iii). The CHPT has undertaken the responsibility of maintenance dredging alongside the berth and accordingly, the 1% maintenance cost estimated by it excludes estimated cost of capital dredging. The position reported by the CHPT is relied upon.

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

(a). The annual revenue requirement for the handling activity which is the sum of the operating cost and return on capital employed is estimated at ₹174.19 lakhs as against ₹201.78 lakhs estimated by the port.

(b). In line with the guidelines for liquid bulk terminal, 95% of the total revenue requirement has been apportioned towards handling charge and 5% towards miscellaneous charge by CHPT.

(c). The upfront tariff caps for the liquid cargo to be handled at the facility is arrived at by CHPT by taking into account the handling rate of barges carrying different types of cargo and the cargo working days of each type of cargo.

(d). As per policy direction of the Government, concessional tariff are to be prescribed for coastal cargo (other than thermal coal and POL including crude oil, iron ore and iron ore pellets) not exceeding 60% of the normal cargo/ vessel related charges. With regard to a specific query to CHPT relating to prescription of concessional rates to bunkering and water supply activities, the CHPT has reported that the liquid cargo handled at the berth would either be the cargo brought by the users either from land side to be delivered to the ships or the cargo from the ships to be delivered to land side. Therefore, since the barge facility is to enable passage of the cargo through the berth, the CHPT has categorically stated that there would be no distinction of liquid cargo as foreign or coastal. The CHPT has also stated that it does not contemplate any coastal Edible oil.

It is not clear how the bunkering operations and supply of water to ship is different from normal loading/ unloading operations taking place at a port/ terminal for which the Government policy for coastal concession is applicable. Infact, the Scale of Rates of CHPT itself, prescribe coastal concessional rates for supply of water for shipping. In view of the above position, though no coastal traffic is anticipated by CHPT for edible oil and water, concessional coastal rates are prescribed to enable the port levy the rate incase of handling any coastal cargo. The Furnace oil and HSD being POL products, the question of prescribing coastal rates for them does not arise.

(e). On the ground that the type of the miscellaneous services that can arise in the barge handling facility is very minimal or negligible, the CHPT has considered only 5% of the optimal capacity to attract the levy of miscellaneous services. This position is relied upon in the analysis. Based on the modified revenue requirement, the upfront tariff cap for miscellaneous charge is prescribed at ₹12.91 per tonne as against ₹14.96 per tonne as proposed by the Port.

(f). Based on the analysis explained earlier, the revenue requirement from berthing service works out to ₹425.87 lakhs instead of ₹520.51 lakhs estimated by the port.

As per policy direction of the Government, concessional tariff is to be prescribed for coastal vessels not exceeding 60% of the corresponding charges for other vessels. For the said purpose, the status of a vessel as borne out by its certification is the relevant factor to decide whether a vessel is 'foreign-going' or 'coastal'. However, in the instant case, only the barges would ply between the ship and the berth. Therefore, the question of prescribing berth hire charges for foreign going vessel or coastal vessel does not arise. A single berth hire charge is to be prescribed for barges using at the said facility.

After rectification of some arithmetical error noticed in the working of berth hire charge furnished by the port, the berth hire charge to be levied on the barges works out to ₹4.63 per GRT per hour or part thereof as against ₹6.48 per GRT per hour erroneously calculated by the port.

It has already been decided by this Authority while finalising the upfront berth hire at the other Major Port Trusts to approve the upfront berth hire charge in Rupee term only. The proposal of the CHPT for rupee denominated berth hire is in line with the decision taken by this Authority in the other upfront tariff cases.

(xi). In the proposed upfront tariff schedule, the CHPT has proposed definitions for common terms like port, per day, terminal, terminal operator and coastal vessel. The definitions are found to be in line with the definitions prescribed for the respective terms in the other upfront tariff cases and Scale of Rates of other major ports and private terminals.

(xii). The CHPT has proposed some general conditionalities prescribing criteria for categorization of a vessel as a coastal vessel, non levy of charges for delay beyond a reasonable level attributable to the terminal operator, conditionalities governing the flexibility provided to the terminal operator to levy charges lower than ceiling rates, conditionalities governing levy of interest on delayed payments/ refunds, which are found to be in line with the general conditionalities prescribed in the Scale of Rates of the CHPT.

(xiii). In the Berth hire Schedule, the common conditionalities like enabling levy of additional berth hire and the situations where additional berth hire is not leviable, berth hire to stop 4 hours after the time of vessel signaling its readiness to sail, prescription of penal berth hire charges for false signal and conditionality governing the levy of penal berth hire, no berth hire charges to be levied for the period when the barge idles at the berth due to breakdown of equipment or power failure or for any other reasons attributable to the terminal operator, ousting priority/ priority berth hire are seen to be in line with the conditionalities prescribed at the Scale of Rates of the port and also in other upfront tariff Schedule.

(xiv). The CHPT has proposed a provision to state that the handling charges prescribed is for providing the required facilities including supervision for connection of the pipeline and the barge, adequate lighting and security at the berth area, required fire fighting facilities and adequate manpower, documentation, to oversee the smooth loading of the cargo into or unloading from the barge, which is approved.

(xv). Under the Miscellaneous charge schedule, the CHPT has proposed a note stating that miscellaneous charge is towards cleaning of the area in the event of leakage and for attending to any other work required for smooth flow of cargo. The phrase 'attending to any other work required for smooth flow of cargo' is vague and may result in different interpretations and which would be the reason for conflict in future. The said phrase is, therefore, deleted.

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

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

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

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

11.5 The upfront tariff now approved by this Authority is with reference to the handling of certain liquid cargo at the barge handling facility. If there is any change in the cargo profile, the upfront tariff will have to be reviewed.

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

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

12. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the upfront tariff caps for handling Furnace oil, High Speed Diesel, Edible Oil and Water at the Barge handling facility at the Chennai Port Trust which is attached as **Annex - II**.

(T. S. Balasubramanian)
Member (Finance)

ANNEX - I

UPFRONT TARIFF CALCULATION FOR THE BARGE HANDLING FACILITY TO BE DEVELOPED IN BHARATHI DOCK AT CHENNAI PORT TRUST.

₹ in lakhs

Sr. No.	Particulars	Updated Estimates furnished by CHPT as on 7 August 2012	Estimates modified by TAMP
I	**Optimal capacity**		
(a)	Percentage Share of different Barges handling:		
	Furnace Oil (S1)	50.00%	50.00%
	High Speed Diesel (HSD) (S2)	10.00%	10.00%
	Edible Oil (S3)	35.00%	35.00%
	Water (S4)	5.00%	5.00%
(b)	Handling rate of barges carrying:		
	- Furnace Oil (P1)	7200	7200
	- High Speed Diesel (HSD) (P2)	2400	2400
	- Edible Oil (P3)	3600	3600
	- Water (P4)	3600	3600
(c)	Optimal Quay Capacity = 0.7*((S1*P1)+(S2*P2)+(S3*P3)+(S4*P4))*365	**1349040**	**1349040**
	Optimal Capacity in lakh tonnes / annum	**13.49**	**13.49**
II	**Capital Cost**		
		₹ in lakhs	
A.	**Liquid Bulk Cargo Handling Activity**		
	a) Civil Costs		
	- Berthing structure	625.40	625.40
	- Approach jetty	67.20	67.20
		692.60	**692.60**
	b) Other Costs		
	- Other cost	34.63	34.63
	Total cost	**727.23**	**727.23**
B.	**Berthing Activity**		
	- Berthing structure	1876.22	1876.22
	- Dredging alongside the berth	30.00	30.00
	- Other cost	95.31	95.31
	Total cost	**2001.53**	**2001.53**
	Total Capital Cost (A + B)	**2728.76**	**2728.76**
III	**Operating Cost for Cargo Handling Activity**	**₹ in lakhs**	
	(a). Power cost		
	(CHPT - 2450 sq. mtrs of land * 24 units per sq.m @ Rs.8 per unit) (TAMP - 2450 sq. mtrs of land * 24 units per sq.m @ Rs.8 per unit)	4.70	4.70
	(b). Repair & Maintenance (1% on civil costs)	6.93	7.27
	(c). Insurance (1% on Gross fixed assets)	7.27	7.27
	(d). Depreciation (3.34% on civil costs)	23.13	24.29
	(e). License Fee		
	(CHPT - 2450 sq. mtrs of land * Rs.23.90 per sq.m * 12 months) (TAMP - 2450 sq. mtrs of land * Rs.23.90 per sq.m * 12 months)	7.03	7.03
	(f). Other Expenses		
	(CHPT - 5% of Gross fixed assets) (TAMP - 1% of Gross fixed assets)	36.36	7.27
	Total Operating Cost	**85.42**	**57.84**
IV	**Estimated Revenue Requirement & upfront tariff for Liquid Handling Activity**		
A.			
(i).	**Estimated Revenue Requirement**		
	(a). Total Operating Cost	85.42	57.84
	(b). Return on capital Employed @ 16%	116.36	116.36
	(c). Total Revenue requirement from liquid handling activity	**201.78**	**174.19**
(ii).	**Apportionment of Revenue Requirement**		
	(a). Liquid Handling Charges (95% of ARR)	191.69	165.48
	(b). Miscelleneous Charge (5% of ARR)	10.09	8.71
	(c). Total Revenue requirement from liquid handling activity	**201.78**	**174.19**
(iii).	**Liquid Handling charge**		
	(a). Liquid Handling Charge		
	- Revenue Requirement (₹ in lakhs)	191.69	165.48
	- Capacity (Lakh Tonnes per annum)	13.49	13.49
	- Per tonne handling rate (in Rs.)		
	- Furnace Oil	10.42	9.00
	- HSD	31.26	26.99
	- Edible oil	20.84	17.99
	- Water	20.84	17.99
	(b). Miscelleneous Charge		
	- Revenue Requirement (₹ in lakhs)	10.09	8.71
	- 5% of total Liquid cargo to attract Miscellaneous levy (Lakh Tonnes per annum)	0.67	0.67
	- Miscellenous Charge (₹ per tonne)	**14.96**	**12.91**

B.	BERTH HIRE CHARGES		
(i).	**Revenue Requirement**	₹ in lakhs	
	(a). Repairs & Maintenance Charge (1% on captial cost for berth)	18.76	18.76
	(b). Depreciation	62.67	66.85
	(CHPT - 3.34% on captial cost for berth) (TAMP - 3.34% of total capital cost of berthing activity)		
	(c). Insurance	18.76	20.02
	(CHPT - 1% on captial cost for berth) (TAMP - 1% of total capital cost of berthing activity)		
	(d). Other expenses		
	(CHPT - 5% of capital cost of berth) (TAMP - NIL)	100.08	0.00
	Subtotal (i)	**200.27**	**105.63**
(ii).	Return on capital Employed @ 16%	**320.24**	**320.24**
	Total Revenue requirement from Berthing services (i + ii)	**520.51**	**425.87**
	Berth hire Charge (Rate per GRT per hour) in ₹	**6.48**	**4.63**

Berth Hire Calculation as furnished by CHPT

Sr. No.	Particulars	Unit	Furnace Oil	HSD	Edible Oil	Water	Total
i	Barge day output	Tonnes/day	7200	2400	3600	3600	
ii.	Average GRT of the barge	Tonnes	1500	1500	1500	700	
iii.	Average parcel size	Tonnes	1500	300	2000	1000	
iv.	Tonnage expected to be handled	Tonnes	919800	61320	321930	45990	1349040
v.	Average no. of berth days (iv / i)	Days	127.75	25.55	89.43	12.78	255.50
vi.	No. of berth hours {24 x (v)}	Hours	3066	613.20	2146.20	306.60	6132.00
vii.	Expected number of barges (iv / iii)	Nos.	613	204	161	46	1025
viii.	Total GRT hours (ii * vi)	GRT hours	4599000	919800	3219300	214620	8952720
ix.	Revenue Requirement	Rs. In lakhs					520.51
x.	**Berth hire charge**	Rs. Per GRT per hour					**6.48**

Berth Hire Calculation as per TAMP Estimates

Sr. No.	Particulars	Unit	Furnace Oil	HSD	Edible Oil	Water	Total
i	Barge day output	Tonnes/day	7200	2400	3600	3600	
ii.	Average GRT of the barge	Tonnes	1500	1500	1500	1500	
iii.	Average parcel size	Tonnes	1500	300	2000	1000	
iv.	Tonnage expected to be handled	Tonnes	919800	61320	321930	45990	1349040
v.	Average no. of berth days (iv / i)	Days	128	26	89	13	256
vi.	No. of berth hours {24 x (v)}	Hours	3066	613	2146	307	6132
vii.	Expected number of barges (iv / iii)	Nos.	613	204	161	46	1025
viii.	Total GRT hours (ii * vi)	GRT hours	4599000	919800	3219300	459900	9198000
ix.	Revenue Requirement	Rs. In lakhs					**425.87**
x.	**Berth hire charge**	Rs. Per GRT per hour					**4.63**

Annex - II

Chennai Port Trust

Upfront Tariff Charges for Barge Berth Terminal

CHAPTER – I

Definitions and General Terms and Conditions

1.1 Definitions

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

(i). `Port' shall mean Chennai Port Trust

(ii). 'Terminal operator' shall mean the concessionaire who has been given the concession to operate the terminal

(iii). 'Terminal means the berth and the land area given to the concessionaire and/or developed by the concessionaire for carrying out the activities for which the concession has been given.

(iv). `Coastal Vessel' shall mean any vessel exclusively employed in trading between any Terminal or place in India to any other Port or place in India having a valid coastal license issued by the competent authority.

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

1.2 General Terms and Conditions

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

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

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

(iv). Users shall not be required to pay charges for delays beyond a reasonable level attributable to the terminal.

(v). The rebate will be on all the relevant charges for ship-shore transfer and transfer from/to quay to/from storage yard as well as wharfage on cargo.

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

(b). 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.

(vii). Interest on delayed payment/refunds:

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

(b) The rate of penal interest will be 2% above the Prime Lending Rate (PLR) of the State Bank of India per annum. The penal rate chosen will apply to both the terminal operator and other port users equally.

(c) 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.

(d) The delay in payments by the users will be counted only 10 days after the date of raising the bills by the terminal operator. This provision shall, however, not apply to the cases where payment of charges in advance is prescribed in this Scale of Rates.

CHAPTER – II

Charges for Berth Hire

2.1 Charges for berth hire

The berth hire charges for the barges calling at the Terminal are as per the rates given below and subject to conditionality given there under:-

GRT	Rate per GRT per Hour or part thereof in Rs.
Any volume of GRT	4.63

2.2. Conditionality's

(1). All vessels of war flying the white ensign in the service of the Republic of India but including in times of war, mine sweepers and patrol vessels shall be exempted from the payment of berth hire charges when they occupy berth for a period not exceeding one month in any case and for a period exceeding one month if there are other moorings available for ordinary steamers, but becomes liable for payment of Berth Hire Charges when they occupy alongside berths. All other vessels belonging to the Central Government or State Government shall pay Berth Hire Charges as per the rates specified in the schedule above.

(2). A barge after completion of discharge or loading or ballasting shall call for the Pilot for sailing within 4 Hours (or within such extension granted by the Terminal operator in writing for stated reasons). If the barge do not call for the Pilot for sailing within the period of 4 Hours after completion of discharge or loading or ballasting or within such extension granted by the Terminal operator or officials authorized by him, the barge shall pay Additional Berth Hire Charges in addition to normal berth hire charges payable. The Additional Berth Hire charges payable shall be at the rate equivalent to normal berth hire charges applicable for the said barge for the period from the time of expiry of four hours or such extended time granted by the Terminal operator or officials authorized by him till the time of calling the Pilot.

(3). The Additional Berth Hire Charges specified in Note 2 shall not be charged for the following cases:-

(a). Barge waiting for tide, draft, etc., to sail for the safety of the barge.

(b). Strike by the Terminal employees.

(c). Usage of idle berth within the Terminal with concurrence of the Terminal operator or officials authorized by him.

(4). Berth hire shall stop 4 hours after the time of the vessel signalling its readiness to sail. The time limit prescribed for cessation of berth hire shall exclude the ship's waiting time for want of favourable tidal conditions or on account of inclement weather or due to absence of night navigation facilities.

(5). There shall be a penal berth hire equal to berth hire charges of one days berth hire charge for a false signal.

'False call for Pilot' means when barge is not ready in all aspects but has called for Pilot and after boarding the barge, the Pilot could not sail the barge, as it was not ready resulting in disembarkation of the Pilot from the barge without sailing.

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

(7). No berth hire will be charged when the barges idle at the Terminal berth when operations cannot take place due to breakdown of the equipment or power failure or any other reasons attributable to the Terminal operator

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

CHAPTER III

Charges for Cargo Handling

3.1 Liquid Bulk Cargo Handling

3.1.1 Liquid Bulk Cargo Handling

The charges for handling four different liquid cargoes either for loading into or discharging from the barges shall be payable as per the rate specified below.

Sl. No	**Cargo**	**Rate per ton in ₹**
1	Furnace oil	9.00
2	HSD	26.99
3	Edible oil	17.99
4	Water	17.99

The charge prescribed above is a composite charge which comprise of the following activities.

(1). Providing the required facilities including supervision for connection of the pipeline and the barge.

(2). Providing adequate lighting at the berth area.

(3). Providing adequate security at the berth area.

(4). Providing the required fire fighting facilities and adequate manpower to operate and maintain.

(5). Documenting the quantity of the liquid bulk loaded onto or received from the barge.

(6). Maintaining the document relating to the barges.

(7). To oversee the smooth loading of the cargo into or unloading from the barge.

3.1.2. Miscellaneous charges

The miscellaneous charges for provision of any other services by the terminal operator are charged on the basis of per tonne of cargo and the charge is given below.

Cargo type	Rate per tonne in ₹
MIiscellaneous services shall be levied for Cleaning of the area in the event of leakage.	12.91

4.0. General note to schedule 2 to 3 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 2013. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of 2013 to 31 March of the following year.

****

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/27/2012-CHPT	:	**Proposal from the Chennai Port Trust for fixing upfront tariff for development of Barge handling facility in Bharathi Dock at Chennai Port 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, representative bodies and prospective users	Response of CHPT
1.	**Sical Logistics Limited**	
(i).	The Liquid Bulk Terminal is capital intensive project. But, the total estimated cost of the Barge Handling Facility is ₹26 Crore only and no equipments are envisaged. Therefore the method of arriving at the Tariff based on the Liquid Bulk Terminal model may not be appropriate and a more realistic approach may be required.	As contended by M/s.SICAL the proposed Barge jetty may not be on par with liquid bulk terminal handling crude. Cargo handled is liquid bulk and the infrastructure required is on par with any liquid bulk terminal. Hence, the approach adopted for carrying out fixation of tariff using the guidelines prescribed for liquid bulk terminal is appropriate.
(ii).	Under SWOT analysis under the heading Strength (Pg.no:2 of DPR), it has been mentioned that "The BOT operator to take control of the existing Barge Handling Facility along with the proposed jetty. This will take additional strength for the BOT Operator" This statement needs clarification as on what terms the existing jetty will be handed over to the BOT operator.	There is no proposal to hand over the existing barge jetty to the prospective BOT operator.
(iii).	It is suggested that the Barge Handling facility project may be combined with Ro-Ro Multi Purpose Berth project as an integrated project and tariff worked out under Multipurpose Cargo. This will prove to be an attractive proposal for the prospective bidders as the total investment will be around ₹126 Crores only and will enable them to handle a variety of cargo. The IRR may also likely to increase.	The present proposal is for developing of Barge handling facility which is a stand alone proposal. There is no proposal to combine this with Ro-Ro.
(iv).	An additional area of at least 10,000 m2 may be leased out inside the Port near the barge jetty for installing mini tankages and other storage requirements and office, etc.	Except the land area already agreed no other area is proposed to be handed over under this proposal.
2.	**Chennai Port Stevedores Association (CPSA)**	
	The CPSA have no comments to offer.	-
3.	**Indian National Shipowners Association (INSA)**	
	The INSA have no comments to offer.	-

5.1. A joint hearing in this case was held on 27 July 2012 at the CHPT premises. The CHPT made a power point presentation of its proposal. At the joint hearing, the CHPT, concerned users/organisation bodies and prospective bidders have made the following submissions:

The Chennai Port Trust (CHPT)

(i). The parameters adopted mainly rely upon the performance of the exiting barge jetty, though it may be smaller in size.

(ii). Users will lay pipelines. They have to apply to Port for way leave. Presently, oil companies use 10" dia pipeline. The same type is expected to continue.

(iii). FO and HSD will not be loaded simultaneously. It will be loaded into the same barge one after the other.

(iv). Storage charges will not be charged separately. BOT operator will have to charge the same lease rentals which he pays to the port. (Port accepts that this income is not accounted for.)

OSA

(i). The Project should be comprehensive to cover storage pipeline and berth loading. We can't consider the project in isolation of berth handling alone.

(ii). Edible oil is a mismatch in the cargo configuration consideration. Further, no edible oil tank farms are functioning in the vicinity of the proposed berth.

(iii). The proposed berth hire is about 8000% more than the existing berth hire. It will not attract business.

8. One of the user organisations viz., Madras Chamber of Commerce and Industry (MCCI) vide its email dated 7 August 2012 furnished its comments after the joint hearing. This was forwarded to the ChPT as feed back information. The ChPT vide its letter dated 10 August 2012 has responded. The comments of MCCI and the response of ChPT are tabulated below:

Sl. No.	Comments of MCCI	Response of ChPT
(i).	The ChPT is requested to resubmit the tariff application with the necessary changes as discussed during the joint hearing.	Based on the instruction of TAMP, a revised proposal for barge handling facility has been sent to TAMP on 9.8.2012.

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