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Tariff Authority for Major Ports

G.No. 349 **New Delhi,** **4 December 2014**

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Kolkata Port Trust for fixation of tariff for the floating pipeline handling facilities for unloading edible oil from vessels berthed at berth No.5/off 5/6/ off 6, as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports

Case No. TAMP/25/2014-KOPT

Kolkata Port Truste **- - - - -** **Applicant**

QUORUM:

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

O R D E R

(Passed on this 29th day of October 2014)

This case relates to a proposal received from Kolkata Port Trust (KOPT) vide its letter dated 29 April 2014 for fixation of tariff for the floating pipeline handling facilities for unloading edible oil from vessels berthed at berth No.5/off 5/6/ off 6.

2. The main points made by KOPT in its proposal dated 29 April 2014 are summarized below:

(i). KOPT is contemplating to replace the present arrangement of Floating pipeline system by engaging an Agency through tender for a period of 5 years.

(ii). The Board of Trustees of KOPT vide resolution dated 28 November 2013 and 17 February 2014 has approved the proposal to engage a service provider for supply, installation, operation and maintenance of Floating pipelines handling system for unloading of bulk liquid cargo from vessels berthed at berth No. 5/off5/6/off6 and delivery of aforesaid cargo into the consignee's/terminal operators' pipeline on shore inside custom bound area of Haldia Dock Complex (HDC) on realization of annual license fees to be fixed through tender.

(iii). The selected agency will set up appropriate floating pipeline system by his investment and will operate and maintain the facilities as per scope of work of the project for which the selected agency will directly charge the user as per Scale of Rates (SOR).

(iv). The SOR will be fixed by KOPT with approval of TAMP as per Clause 7.2 of the Tariff Guidelines of 2005 issued by TAMP.

(v). The KOPT Board has approved an estimated handling rate of ₹11/- per tonne as tariff to be charged by the selected agency in respect of the proposed floating pipeline handling system.

(vi). The Key feature of the facility to be developed as seen from the documents furnished by KOPT along with its proposal, are as follows:

(a). As per the Scope of Work, the successful tenderer will invest, supply, install, operate and maintain a Floating Pipeline Handling System for unloading of bulk edible oils (crude/refined) from vessels berthed in double banked condition at Berth no.5/off 5/6/ off 6 in the impounded dock of HDC and delivery of the aforesaid cargo into the consignee's/ terminal operator's pipeline on shore inside custom bound area of HDC including connection and disconnection of floating pipeline with & from the manifold of the vessel and that of consignee / terminal operator's pipeline on shore inside custom bound area of HDC as well as carrying out necessary pigging of the floating pipeline as may be required at the cost, charges, expenses, risk, manpower and other arrangements of the successful tenderer.

(b). The floating pipeline would be 8” in diameter with intermediate flexible hoses of same diameter. The floating pipeline handling system would be designed in a manner such that it is capable of handling 5kg/sq. cm pressure.

(c). The floating pipeline, flexible hoses, pipes, valves, compressor and all equipments/components to be installed shall be new.

(d). The successful tenderer shall ensure spillage free operation of the floating pipeline handling system during unloading of liquid cargo by it. Further, in case of spillage, the successful tenderer shall contain the spillage and remove the spilled material from the water/land area. The successful tenderer will be responsible for the disposal of both the product (spilled material) and cleaning material.

(e). The KOPT will separately allot space (covered / open) for setting up of a office, store, rest room etc. as may be required by the successful tenderer for fulfilling all the obligations of the contract. Such allotment will be made at the rates as per the prevailing Schedule of Rent of KOPT’s land and buildings at Haldia.

(vii). The cargo handled/to be handled through floating pipeline system at Berth No.5 Off and 6 Off of HDC, as given by KOPT is as follows:

Year	**Berth No. 5 off**		**Berth No. 6 off**		**Total**		**Average parcel load**
	No. of vessels	**Quantity**	**No. of vessels**	**Quantity**	**No. of vessels**	**Quantity**	
2009-10	35	184866	19	106489	54	291355	5395
2010-11	26	130930	18	107682	44	238611	5423
2011-12	33	189834	24	124848	57	314682	5521
2012-13	60	339179	22	82831	82	422010	5148
2013-14 (Up to Aug 13)	24	141586	9	41547	33	183133	5549
2014-15 (pro-rata)	57.6	339806.4	21.6	99712.8	79.2	439519.2	5549

(viii). The details of the Ship Day Output as given by KOPT is as follows:

Year	**Berth No. 5 off**			**Berth No. 6 off**		
	Qnty. (MT)	**Time (Hr.)**	**Average Shipday Output**	**Qnty. (MT)**	**Time (Hr.)**	**Average Shipday Output**
2009-10	184866	1367.83	3244	106486	1053.83	2425
2010-11	130930	1006.08	3123	107682	802.42	3221
2011-12	183402	1239.02	3553	116776	803.48	3488
2012-13	339179	2021	4029	82831	613.25	3242
2013-14 (Up to Aug 13)	141586	906	3752	41547	265	3762
2014-15 (pro-rata)	339806	2173	3752	99713	636	3762
Average Shipday Output (B5 off, B6 off) last 5 years = 1691674 / 11716 = 3465.34 MT						
Assuming 10% improvement in output for new system-Average Shipday Output is 3811.87 MT i.e. 3800 MT						
Ship day income per ship day					41800	
Ship day income per hour					1741.67 Say ₹1750/-	
LD per day (Based on 15% Royalty on income)					6270 Say ₹6000/-	

(ix). The cost calculations of the estimated handling rate per ton Floating Pipeline handling system as furnished by the KOPT for proposed rate of ₹11/- per MT is as follows:

Sl. No.	**Description**	**Amount (₹)**	**Remarks**
(A)	Capital Cost:		
(i).	Cost of Pipes/Hoses/Valves etc.	2211779	

Sl. No.	Description	Amount (₹)	Remarks
(ii).	Cost of Air compressor (450 ctm diesel powered trolley mounted)	1326640	
(iii).	Asbestos roofed store room cum rest sheller (20m x 5 mtrs) @ 800 per sft.	860800	
(B)	Operating cost per annum:		
(i).	Cost of Maintenance & Repair: (a) For pipes, hoses, flanges, valves etc. and asbestos roofed store room @ 5% (b) Air Compressor @ 5%	153629 66332	
(ii).	Insurance @1% on capital cost	43992	
(iii).	Depreciation: (a) For pipes, hoses, flanges, valves etc. (considering 5 years life) (b) Air Compressor	442356 137175	
(iv).	Wages	3092406	Labour rates inside dock is higher than minimum wages in absence of specific details, rate accepted for security tender (59% less allowable contractor's profit of 16% i.e. 43%) has been added to the minimum wages to arrive at the estimated wages.
(v).	Cost of Pigs (Usage 1 pig per vessel @ ₹900 per pig for pro-rata no. of vessels for 2013-14)	94800	
(vi).	Diesel @16 ltr per hr, each, each pigging of floating line taking 0.5 hours (per pigging) for 79 pigging @ 56.90 per lt. (HSD rate as per IOC website dated 29.10.2013)	35961	
(vii).	Land license fees for 100 sq. mtrs. @ ₹22.91 per sq. mtr. per month	27942	
(viii).	Annual Way leave permission fee for approx.48 mtrs. 8" dia pipeline portion on shore	3352	
(ix).	Other expenses @1% of Capital cost	43992	
	Total of (B (i) + (ix) above	4141487	
Add:	16% ROCE	703875	
	TOTAL	4845362	
	Expected traffic to be handled per annum through floating system (based on current year pro-rata figures)	439519	
	COST per MT	**11.02 Say ₹ 11/-**	

3.1. Since the KOPT had not furnished the list of users/ user organizations, prospective bidders who may be consulted in proposal in reference, we had vide our letter dated 8 May 2014 requested KOPT to furnish the list of concerned users/ user organizations. Simultaneously, the KOPT was also requested to note that the tariff to be fixed for the proposed facility will be ceiling tariff to be applied commonly at the facility without reference to individual service provider, as stipulated in Clause 7.2 of the 2005 guidelines.

3.2. The KOPT vide its letters dated 30 May 2014 and 11 June 2014 has furnished the list of concerned users of the floating pipeline facilities. With reference to the reminder sent by us to KOPT vide our letter dated 11 June 2014 to furnish the list of prospective bidders with their contact details, the KOPT vide its response dated 3 July 2014 has, inter alia, stated that the existing facility has been set up by the Ruchi Infrastructure Ltd., and the KOPT has received in the past, application from the Aegis Logistics Ltd., an existing user at HDC, for setting up of a floating pipeline system at HDC. Other than above, importers/ exporters/ Liquid Cargo Terminal Operator/ Liquid cargo pipe line operator/ Engineering Firms having relevant experience could also participate in the tender.

3.3. The KOPT vide its letter dated 3 July 2014 has also furnished the details about some individual importers from Nepal who import edible oil comparatively in smaller quantities and the details about some clearing and forwarding agents.

4. In accordance with the consultative procedure prescribed, a copy of the KOPT proposal was forwarded to the major users/ user organisations for their comments including the Aegis Logistics Ltd., Ruchi Infrastructure Ltd., and Clearing and Forwarding Agents except Nepal importers (they not being major users of the facility and may have been members of Chambers of Commerce and the Association of user interests who are being consulted on the proposal). Some of the users viz. M/s.Adani Wilmar Ltd., M/s.Emami Biotech Ltd., M/s.Gokul Refoils Solvent Ltd., M/s.JVL Oil Refinery and M/s.Ruchi Soya Industries Ltd. have furnished their comments jointly as common comments. The said comments was forwarded to the KOPT as feedback information. The KOPT has responded vide its letter dated 22 July 2014.

5. Based on a preliminary scrutiny of the proposal, the KOPT was requested to furnish additional information/ clarifications on few points vide our letter dated 19 August 2014. The KOPT vide its letter dated 22 September 2014 has responded. While responding to the queries raised by us, the KOPT has made some modifications in its proposal. The modifications are seen to be only with reference to the change in the operating costs. Summary of queries raised by us and the response of the KOPT thereon is tabulated below:

Sl. No.	Queries raised by us	Reply of KOPT
A.	**General:**	
(i).	The KOPT while responding to the comments of the user has stated that the existing floating pipeline handling system has been set up by Ruchi Infrastructure Ltd (RIL) for their own use and is also used by the other importers when RIL is not using the same. In this connection, the KOPT to clarify/furnish the following:	
(a).	The present tariff arrangement for use of floating pipeline handling system.	At present, KOPT does not have Tariff arrangement for use of floating pipeline. KOPT only collects wharfage from the edible oil importers. With a view to handle increased volume of edible cargo at Berth Nos. 6 & 7 along with dry bulk cargo, the need of unloading edible oil through over-side discharge was felt so that the other commodities may continue to be handled at the berth face proper. At the relevant point of time M/s Ruchi Infrastructure Ltd was the major importer of edible oil and as such they were allowed to set up the floating pipeline system for their own use. At that juncture, a few organizations were importing Edible Oil and for the sake of
(b).	It appears from the submission made by some edible oil importers that they share some expenses for using the existing floating pipeline maintained by a terminal operator. That being so, the authorization based on which the charge is levied by the terminal operator for use of floating pipeline handling system under the existing arrangement to be explained.	
(c).	The reason for replacing the existing floating pipeline handling system.	

		promoting this commodity, KOPT allowed use of floating pipeline to the concerned importers for convenience of operation and most importantly to address the issue of congestion that was being created inside the impounded dock by handling more vessels at Berth Nos. 6. The users of the floating pipeline facilities, as is learnt, are sharing some maintenance charges with RIL. With increase of edible oil importers at HDC, a need for having comprehensive common user facility with all required components and transparent tariff arrangements has been felt. As such, KOPT has proposed to set out up a common user floating pipeline facilities at berth off 5 and 6.
(ii).	To arrive at the proposed rate of ₹11/- per MT, the KOPT is seen to have considered the average of the actual /estimated traffic for the years 2009-10 to 2013-14, who have used the floating pipeline system, as base. In this connection, it is relevant here to mention that the KOPT has filed a proposal in terms of clause 7.2 of the 'Tariff Guidelines, 2005', which calls for fixation of common tariff without reference to individual service provider. In the circumstances, and following the approach adopted by the Authority in fixation of common ceiling tariff under Clause 7.2 of the tariff guidelines of 2005 for operation of Harbour Mobile Crane (HMC) by private operators at some of the major port trusts like Paradip Port Trust (PPT), New Mangalore Port Trust (NMPT), V.O Chidambaranar Port Trust (VOCPT) and Visakhapatnam Port Trust (VPT) and in the case of CFS – Buffer yard facility at Jawaharlal Nehru Port Trust (JNPT), the KOPT to review its proposal based on the normative capacity of the floating pipeline facility, without reference to any individual service provider, and instead of considering the actual/ estimated traffic. With regard to determination of the normative capacity, the KOPT to take note of the following points:	Normative capacity of the proposed floating pipeline is dependent on flow rate of different variety of edible oil commodities over a given time frame and the flow rate being dependent on viscosity and pumping rate of the vessel, as well, liable to vary from product to product which ultimately results in obtaining varied normative capacity of different product to be handled. As such, it may be difficult to arrive at an average normative capacity for the purpose of computing the ceiling rate. KOPT, as such, considered how much edible oil that may be handled by the importers of edible oil who are mainly the local industries and have edible oil pipeline connections from HDC and for this data of the recent past have been used. This approach appears to be more relevant as the service provider of the proposed facilities can reasonably expect to get this volume for handling. It is submitted that the quantum of cargo that has been used as base is not attributable to a specific service provider.
(a).	The dimensions of the floating pipeline and the handling rate of edible oil through floating pipelines would form the base to determine the capacity of the facility.	
(b).	The KOPT to certify that the dimensions considered would be optimum and that no further improvement, which may have an impact on handling rate, would be possible due to technical reasons.	Confirmed.

(iii).	While responding to the comments of edible oil importers, the KOPT has stated that its proposal is for providing comprehensive services through the floating pipelines. The services proposed to be provided through the floating pipelines to be listed down.	The services proposed to be provided will inter-alia include handling of pipeline after ship is berthed, connecting the floating pipeline with ship manifold and manifold of the importer on shore, opening of associated valves, sustenance of pipeline during pumping of cargo, delatching of pipe manifold both at shipside & shore side after completion of cargo discharge, cleaning of pipeline with pig together with injection of compressed air by running compressor to receive multigrade liquid cargo in same pipeline of same/ different importer in order to avoid intermixing/ contamination problem etc.
(iv).	The existing Scale of Rate prescribe wharfage charges on Vegetable oil landed at any place within the KOPT. Therefore, the proposal of KOPT to allow the operator to levy an additional charge for floating pipeline facility at the proposed rate apart from levy of wharfage by KOPT on the same cargo to be justified.	'Wharfage' shall mean the basic dues recoverable on all Cargo/ Container landed or shipped or transhipped within the port limit and approaches or passing through the declared landing stage of the port, whether porterage was provided by the port or not and shall include hooking/unhooking operation on shore, where necessary. The floating pipeline facilities are being additionally provided for over side unloading of edible oil from the vessels for which additional charge is proposed to be levied to recover the cost of providing such facilities including return on capital employed thereof.
B.	Capital cost:	
(i).	The KOPT has not furnished documentary evidence in support of the capital cost of Air Compressor at ₹13,26,640/- and cost of Asbestos roofed Store Room cum Rest Shelter of ₹8,60,800/-. The KOPT to furnish the documentary evidence along with the detailed working to arrive at the capital cost for Air Compressor and Asbestos roofed Store Room cum Rest Shelter, as considered in the cost statement.	Documentary evidences in the form of Budgetary quotation for Air compressor and Estimate for construction of Asbestos roofed store room cum rest shelter have been furnished. [The cost for Air Compressor includes excise duty and applicable taxes.]
(ii).	As per the scope of work, the Floating Pipeline Handling System envisages to deliver the cargo into terminal operator's pipeline on shore also. That being so, the capital cost and operating cost of the terminal operator's pipeline are not considered by KOPT.	KOPT has taken those cost which the proposed service provider will incur in setting up the facilities and for operating and maintaining the same for rendering the services as at item III above. The pipelines of shore are being provided by the users of the floating pipeline facility. Hence, this cost has not been considered.
C.	**Operating cost:**	
(i).	The Repairs and Maintenance cost for Pipes/Hoses/flanges/valves etc, Asbestos roofed Store Room and Air Compressor is seen to have been estimated at 5% of the respective capital cost. As the 2008	It is submitted that 2% of the capital cost in major port projects which include substantial extent of civil cost, provide a significant amount adequate for repairs and maintenance.

	guidelines for liquid bulk terminal stipulates determination of repairs and maintenance on the mechanical and electrical equipment's at 2% of the cost of mechanical and electrical equipment', the KOPT to justify considering the repair and maintenance cost at a high level of 5% of the capital cost of Pipes/ Hoses/ flanges/ valves etc., & Asbestos roofed Store Room and Air Compressor.	However, for the instant project whose capital cost is to the tune of only ₹44 Lacs, amount equivalent to 2% of the capital cost (about ₹88,000/-) would be inadequate for meeting annual expenses towards repair & maintenance cost. Therefore, in order to arrive at a practical & reasonable repair & maintenance cost, the same has been considered as 5 % of the capital cost of the project.
(ii). (a).	It is seen that the deprecation for Pipes/Hoses/flanges/valves has been calculated by considering the life of pipes/hoses etc. at 5 years. The basis for considering the life of 5 years to be explained. The KOPT to confirm whether the depreciation calculated is based on the life norms prescribed by the Companies Act, 2013.	The life of pipeline assembly together with ancillary fittings has been considered as 5 years, based on practical experience of atmospheric corrosion being experienced at this zone and the nature of liquid proposed to be handled through this piping system.
(b).	While estimating the deprecation for the Air Compressor, the KOPT is seen to have calculated the depreciation by considering the rate of 10.34% on the capital cost of Air Compressor. KOPT to confirm whether the depreciation calculation of Air Compressor is as per provision of Companies Act, 2013.	Confirmed.
(c).	The KOPT is not seen to have calculated the deprecation on the Asbestos roofed Store Room. The KOPT to explain the reason for not considering the depreciation on the Asbestos roofed Store Room.	The depreciation on asbestos roofed store room has now been calculated @ 3.34% per annum as per provision of Companies Act 2013 and incorporated in the Sl. No.3 of Opex pertaining to the revised calculation of Handling cost per Ton.
(iii). (a).	The KOPT has considered the "other expenses" at 1% of capital expenditure. If reference to the norms for fixation of upfront tariff for services rendered at Liquid Bulk Terminal as prescribed in 2008 guidelines is drawn, the "other expenses" cover, inter alia, salaries and wages of operators and maintenance staff including welfare and other expenses towards them. However, the KOPT is seen to have considered wage cost as an element of operating cost in the calculation apart from other expenses. The KOPT to justify this cost element considered in its calculation.	Other expenses of ₹44000 per annum (1% of capex) have been considered for meeting incidental/ various other unforeseen cost elements. These costs have not been included in specific categories of cost centers indicated in the proposal. This includes entry – exit permit within Dock area, idle cost of labour force, additional manning for cleaning for oil spills and for managing other unforeseen situations etc. It is reiterated that, this project being a very low capital but with proportionately high operating expenses, such provisions are required to be provided.
(b).	From the details provided by the KOPT in this regard in Annex III-B it is seen that 936 no. of supervisors, 3744 no. of skilled labour and 1872 no. of semi-Skilled labour are to be deployed in 3 shifts per year. The KOPT to justify the consideration of number of each category of the manpower for calculation of wage cost.	The analysis pertaining to labour element is based on the consideration of 312 days of operation per annum on 3 shift manning basis. In each shift, 1 Supervisor, 4 Skilled labours and 2 SSL will be required for operation & maintenance of proposed system. The above manning is considered to be bare minimum to run the system.
(c).	The daily / monthly / annual wage cost considered in respect of each category of labour in the calculation to be supported	The minimum wage as notified by Govt. of West Bengal together with statutory percentage of PF & ESI has been adopted

	by the documentary evidence.	for calculating the wages of labourers. (The documentary evidence in support of the wage cost reported to have been furnished by KOPT is not found attached. However, the cost sheet furnished by the KOPT, in the calculation pertaining to wage/ salary cost specifically makes a mention that Labor rates inside Dock is higher than minimum wages. In the absence of specific details, rate accepted for the security tender (59% less allowable contractor's profit of 16% i.e. 43%) has been added to the minimum wages to arrive at the estimated wages.)
(iv). (a). (i).	The KOPT to justify how the cost of pigs would be relevant in the estimation of operating cost.	Pigging operation is an essential element in the whole operation of cargo transfer and subsequent handling of other cargo in the same pipeline. It is used for cleaning the pipeline after handling operation in order to handle other grade of cargo of same /other importer or to handle same grade of cargo of other importer in order to avoid contamination. In this process pig is an essential element and as such cost of pig is relevant in estimation of operating cost.
(ii).	If pro-rata number of vessels for 2013-14 at 79.2 (say 80) is considered the total cost of pig works out to ₹72,000/- only. Therefore, the reason for considering the cost of pigs at ₹94,800/- to be furnished.	The total cost of pigging operation is ₹1200.00 out of which the procurement cost of bare Foam pig amounts to ₹900.00. The cost of ancillary activities required for carrying out each pigging activities like cost of Foam material required during each pigging operation, cost of provision of fresh water in respect of Soap water flushing of the pipeline after pigging prior to charging of cargo in pipeline etc. is estimated to be ₹300.00 only.
(b).	If reference to the 2008 upfront guidelines for liquid bulk terminal is drawn, it does not stipulate separate cost element towards pigging. The KOPT, therefore, to justify this cost element considered in its calculation of operating cost.	In capital intensive liquid cargo handling projects such as POL Terminals etc., the cost of pigging gets absorbed within the O&M cost calculated as percentage of the capital cost as per the 2008 guidelines. However, for low capital cost project like this, the cost of pigging is to be considered separately.
(c).	KOPT to furnish documentary evidence in support of cost of pigs at ₹900/- per pig.	Documentary evidence in support of cost of pig to the tune of ₹900/- is furnished.
(d).	The reason for considering the no. of vessel for the year 2013-14 as base to be justified, given that the KOPT has considered the average of the traffic of the past years as a base to arrive at the per tonne rate of ₹11/- for usage of floating pipeline.	Number of vessels to be handled annually has been computed on the basis of pro rata calculations of the actual traffic handled upto August, 2013-14.
(v).	With regard to calculation of diesel cost, please clarify/furnish the following:	
(a).	The basis for considering fuel consumption of 16 liters per hour.	Consumption rate of fuel for running of 450 CFM compressor has been

		considered as 16 litre per hour based on confirmation given by Manufacturer of Compressor (The KOPT has furnished the document in this regard).
(b).	The basis for considering the time taken by each pigging at 0.5 hours.	Based on experience of pigging operation at the piping system between ship manifold & shore manifold.
(c).	The basis for considering 79 piggings in the calculation.	One pigging operation considered per vessel. 79 operation has been envisaged based on no of vessels handled during 2013-2014 on prorate basis.
(vi). (a).	KOPT to confirm that an area of 100 sq.mtr considered in the calculation of land license fees will be sufficient to cover office, store, rest room etc., as mentioned in the proposed Scope of Work.	It is considered adequate as it is of approximately 1000 sq ft area which can accommodate office space along with rest room & store.
(b).	KOPT to confirm that the rate of ₹22.91 per sq. mtr per month considered in the calculation is as per the rent schedule of KOPT (Haldia) as approved in the year 2011. Please give reference to the rent schedule and workings to arrive at the rate of ₹22.91per sq. m. per month.	Confirmed. It may however, be mentioned that the said rate has become ₹2337 per 100 sq. mtrs. Per month w.e.f. 07.04.2014 after 2% escalation. The KOPT has furnished the relevant page of rent schedule. [Annual License fees amounts to 100 sq. mtr. x 23.37 per month x 12= 28044/-]. The revised calculation based on above has been incorporated in Sl. no-7 of Opex pertaining to revised calculation of Handling cost per Ton.
(c).	KOPT to furnish reference to the Rent Schedule as well as detailed working to determine the total way leave charges of ₹3352/- considered in the calculation.	Way leave calculation is amended as follows:- Current licence of land is ₹2336.78 per 100 sq. mtrs. Per month. Area occupied by pipeline – 0.203x 48 sq. mtrs. Annual way leave licence fee- ₹2733/- [0.203x 48 sq. mtrs. x 23.37 per month x 12]. The revised calculation based on above has been incorporated in Sl.no -8 of Opex pertaining to revised calculation of Handling cost per Ton.
(D).	The KOPT in its Scope of Work, major Obligations and Related Information (Appendix 1), Sr No 5 (ii) has mentioned that the successful tenderer shall ensure spillage free operation of the floating pipeline handling system during unloading of liquid cargo by it and that the successful tenderer will be responsible for the disposal of both the product (spilled material) and cleaning material. In this regard, KOPT to clarify how the revenue to be generated from disposal of spilled cargo has been captured in the determination of per tonne rate for use of floating crane.	Disposal of spilled cargo has been considered from the point of view of safety and pollution control and therefore, included under the obligation of the service provider. No revenue has been envisaged as the spilled cargo in this case would not fetch any revenue unlike spilled POL products etc.
(E).	The basis and the reason for considering other expenses to be brought out.	Basis has been mentioned in reply to III(a)

<table>
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<td>(F).</td>
<td>The KOPT is to propose draft scale of rates along with conditionalities governing levy of the proposed rates.</td>
<td>The KOPT has furnished draft Scale of Rates (SOR). The draft SOR is seen to be a full-fledged tariff Schedule containing definitions, general notes and the proposed rate along with its conditionalities. The relevant portion of draft SOR is reproduced below:

S.3 Handling Charges:
<table>
<tr><th rowspan="2">Commodity</th><th colspan="2">Unit Rate in ₹ per Metric Tonne</th></tr>
<tr><th>Foreign</th><th>Coastal</th></tr>
<tr><td>Edible Oil (Crude/Refined)</td><td>11.00</td><td>6.60</td></tr>
</table>
Notes to S.3:
(i). The Cargo handling charges prescribed under S.4 is a composite charges for:

(a). Bringing the Floating Pipeline in position from the parked position and connecting the Floating Pipeline with the ship manifold and manifold of the importer on shore.
(b). Opening of associated valves.
(c). Sustenance of the pipeline during pumping of the cargo.
(d). De-latching of the pipe manifold both at ship side and shore side after completion of cargo discharge.
(e). Cleaning of pipeline with pigging operation together with injection of compresses air by running compressor after completion of discharge of each type of liquid cargo through the Floating Pipeline so as to received multi grade liquid cargo in the same pipeline of same/ different importer.
(f). All consequential operations pertaining to cleaning of spilled/ contamination of liquid cargo, if any.

This composite charges also includes supply of labour and / or equipment wherever necessary and all other charges not specifically prescribed in the Scale of Rates.</td>
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6. A joint hearing in the case in reference was held on 22 August 2014 at the KOPT premises in Kolkata. The KOPT has made a brief power point presentation of its proposal. At the joint hearing, the KOPT and the users have made their submissions.

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

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

(i). The proposal from Kolkata Port Trust (KOPT) is for fixation of a common ceiling tariff for the floating pipeline handling facilities to be set up by a service provider for overside unloading of edible oil from vessels berthed at berth No. 5/ off 5/ 6/ off 6 and delivery of aforesaid cargo into the consignee's/ terminal operators' pipeline on shore inside custom bound area of Haldia Dock Complex (HDC). According to KOPT, the service provider would supply, install, operate and maintain Floating pipelines as per scope of work of the project on realization of annual license fees to be fixed through tender for a period of 5 years.

(ii). Since the operation pertains to movement of cargo from vessel to shore, it is one of the services listed under Section 42 of the MPT Act. In this connection, Section 42(4) of the Major Port Trusts Act, 1963, read with Section 48 requires this Authority to notify the rates in respect of identified services provided by persons authorised under Section 42(3) of the Major Port Trusts Act.

In cases where authorisation arrangement u/s 42(3) is other than by way of a BOT concession agreement, Clause 7.2 of the tariff guidelines of 2005 requires this Authority to fix ceiling rates for such services to be applied commonly at the concerned ports without reference to individual service provider. For this purpose, proposals for regulating these charges should be initiated by the concerned Major Port Trust and the tariff so fixed, will not undergo a change whether the port itself provides this service or has permitted a private operator to render the services. This case is, thus, taken up for prescription of ceiling rates for the floating pipeline handling facilities at KOPT following the stipulation contained in Clause 7.2. of the tariff guidelines of March 2005, as proposed by KOPT.

(iii). The KOPT had filed its proposal in April 2014. Subsequently, while responding to the queries raised by us, it has made some modifications in its proposal. The modifications are seen to be only with reference to the estimates of operating costs. The said modified proposal of September 2014, along with the information/ clarification furnished by the port during the proceedings of the case, has been considered in this analysis.

(iv). Clause 2.4.1 of the tariff guidelines of 2005, *inter alia*, calls for making attempts to evolve normative cost of each component of port operations. No specific guidelines have been laid down to fix tariff for the floating pipeline handling facilities, either under 2005 tariff guidelines or under 2008 guidelines for fixation of upfront tariff.

Clause 7.2 of the said tariff guidelines of 2005, under which the proposal is being considered, does not specify any particular tariff fixing methodology but only talks about the procedural aspects of filing tariff proposal and fixing tariff irrespective of the operator. Since there are no specific guidelines for determining the normative tariff for the floating pipeline handling facilities under the 2005 tariff guidelines, the KOPT is seen to have borrowed certain norms from the upfront tariff guidelines of 2008, relating to the liquid bulk terminal.

(v). The proposal of KOPT is discussed elaborately in the following paragraphs.

Capacity of the facility:

(a). To arrive at the proposed rate for use of the floating pipeline handling facilities, the KOPT is seen to have considered the average of the actual/ estimated traffic for a period of five years from 2009-10 to 2013-14, who have used the floating pipeline system, as base.

In this connection, as stated earlier, the proposal of KOPT is considered as per the stipulation contained in Clause 7.2 of the 2005 guidelines. In the past, whenever a tariff has been fixed in line with the stipulation contained in Clause 7.2, it has been based on the normative capacity of the facility/ equipment. It is noteworthy that in fixation of common ceiling tariff under Clause 7.2 of the tariff guidelines of 2005 for operation of Harbour Mobile Crane (HMC) by private operators at some of the major port trusts like Paradip Port Trust (PPT), New Mangalore Port Trust (NMPT), V.O Chidambaranar Port Trust (VOCPT) and Visakhapatnam Port Trust (VPT) and in the case of CFS – Buffer yard facility at Jawaharlal Nehru Port Trust (JNPT), tariff has been determined based on the normative capacity of the HMC or the CFS facility, without reference to any individual service provider. In view of this position, the KOPT was specifically requested to review its proposal based on the normative capacity of the floating pipeline facility.

(b). On the ground that it is difficult to obtain flow rate of different variety of edible oil commodities, which is further dependent on viscosity and pumping rate of the vessel to arrive at normative capacity, KOPT has maintained to consider the actual /estimated traffic for the years 2009-10 to 2013-14 as base. In this connection, it is relevant here to mention that the facility to handle edible oil through floating pipelines has been in existence in KOPT for a considerable time. That being so, the difficulty expressed by the KOPT to obtain information from an adjacent facility relating to the flow rate, viscosity and pumping rates does not merit consideration. The KOPT does not appear to have taken any steps in this direction.

(c). As reported by the existing operator of the facility, only 45% of edible oil cargo is handled by the floating pipelines. Since the KOPT has gone by the past actuals, it appears that the KOPT has not considered the optimum potential of the floating pipelines for determination of the proposed rate. Just for the reason that the KOPT has not furnished normative capacity of the facility, it is not felt appropriate to endorse the approach adopted by the KOPT to consider the traffic as base, which would amount to deviating from the approach followed by this Authority while fixing tariff under Clause 7.2 of the guidelines i.e. normative capacity approach. Therefore, it is proceeded further to fix tariff for the floating pipeline handling facility, based on normative capacity based on the information available in the records of this Authority.

(d). In 2008 upfront tariff fixation guidelines, handling rates to handle various types of liquid cargo to determine the optimal capacity of the liquid bulk terminal are prescribed. As per guidelines, the handling rate for the Other Liquids is prescribed as the 300 tonnes per hour. The norm of 300 tonnes per hour is considered as the handling rate of edible oil in the present exercise. Further, it is noteworthy that the guidelines also prescribe a utilization factor of 70% to be applied in the case of handling rate also. Thus, the handling rate of edible oil works out to 210 tonne per hour at 70% utilization, which is considered in this analysis.

(e). Generally, while fixing the upfront tariff for any full-fledged facility like container terminal, multipurpose berths, liquid cargo berths, the operation of the facility is considered for 6132 hours (24 hours x 365 days x 70% utilization). However, while fixing the hire charge of HMC at PPT, TPT, NMPT and VPT on a standalone basis, as mentioned above, 4000 working hours per annum as normative level of working hours (as prescribed in the 2008 guidelines for estimating the power/ fuel cost for multipurpose cargo berth) has been considered while determining the normative capacity of the HMCs. Further, from the details furnished by the KOPT, it is seen that the annual hours of operation of the floating pipeline at Berth no.5 off and 6 off, as estimated for the year 2014-15 is seen to be 2809 hours (2173 hours for berth 5 off and 636 hours for berth 6 off). Based on this position, it is not found unreasonable to consider the workings hours of the floating pipeline at 4000 hours.

(f). Considering the handling rate of 210 tonnes per hour and 4000 hours of operation, the normative capacity of the floating pipeline facility is assessed at 840000 tonnes per annum at 70% utilization of the facility.

(vi). Capital Cost:

(a). The KOPT has estimated the total capital cost for the floating pipeline facility at ₹43.99 lakhs. This comprises of Cost of Pipes/ Hoses/ flanges/ valves etc. at ₹22.12 lakhs, Air Compressor at ₹13.27 lakhs and Asbestos roofed Store Room cum Rest Shelter at ₹8.61 lakhs. It is presumed that the KOPT would have ensured and satisfied itself that the above mentioned three items would be sufficient to operate the floating pipeline facility in a smooth manner.

(b). From the rate analysis furnished by the KOPT to arrive at the cost of the Pipes/ Hoses/ flanges/ valves at ₹22.12 lakhs, it is seen that in addition to the base cost at ₹18.69 lakhs, the KOPT has considered the excise duty at 12.36%, VAT at 5% and transportation at 1%. However, the said components have been calculated in a consolidated manner at 18.36% of the base cost, instead of calculating it separately (i.e. excise duty on base cost, VAT on cost inclusive of excise duty and transportation at 1% of the cost inclusive of excise duty and VAT). This minor anomaly has been rectified. Thus, the revised capital cost of the Pipes/ Hoses/ flanges/ valves is considered at ₹22.27 lakhs, instead of ₹22.12 lakhs considered by the KOPT.

(c). The cost considered by the port for the Air Compressor [450 cfm diesel powered trolley mounted] at ₹13.27 lakhs comprises of the basic cost at ₹11.50 lakhs and applicable taxes. The KOPT has furnished documentary evidence in support of the cost of Air Compressor. The same is considered in the analysis.

(d). The KOPT has furnished detailed cost working in respect of the Asbestos roofed Store Room cum Rest Shelter at ₹8.61 lakhs. The cost estimated by port for the Asbestos is relied upon and considered in the analysis.

(vii). Operating Cost.

(a). Repairs and Maintenance:

The KOPT has estimated the cost of Repairs and Maintenance at 5% of the capital cost in respect of pipes/ Hoses/ flanges/ valves etc., Asbestos roofed Store Room and Air Compressor. If reference to the norms prescribed for repairs and maintenance in the 2008 guidelines for liquid bulk terminal which is at 2% of the cost of mechanical and electrical equipment and 1% of the cost of civil assets is taken into account, the estimate considered by KOPT is seen to be a higher percentage to estimate the repairs and maintenance cost. In this connection, the KOPT has sought to justify that since the total capital cost of the project is only about ₹44 lakhs, the amount equivalent to 2% of the capital cost would work out to about ₹0.88 lakhs only, which would be inadequate for meeting annual expenses towards repair & maintenance cost. Thus, according to KOPT, consideration of repairs and maintenance cost at 5% of the capital cost of the project would be practical and reasonable.

To begin with, the repairs and maintenance cost is to be determined based on classification of assets i.e. civil assets and mechanical assets. Accordingly, the Asbestos roofed store room is considered under civil assets and the other assets are considered as mechanical assets.

Further, the norms to quantify the amount of repairs and maintenance cost would have been determined under 2008 guidelines based on some sound analysis. The KOPT has not explained how the amount of ₹0.88 lakhs (based on 2% of the total capital cost) would be insufficient to meet the annual repairs cost. In the absence of sufficient justification, the repair & maintenance cost on the pipes/ Hoses/ flanges/ valves etc. and Air Compressor has been considered at 2% and that on the Asbestos roofed store room has been considered at 1%. Further, for the reasons explained subsequently, the cost of pigs as well as cost of diesel for operation of pigs is also considered separately. Therefore, consideration of repair & maintenance cost at 2% of the cost of pipeline is not felt unreasonable.

(b). Insurance Cost

The KOPT has considered the insurance cost at 1% of the total capital cost, which is seen to be in line with the norm of 2008 guidelines for liquid bulk terminal and considered in the analysis.

(c). Depreciation:

The port has calculated depreciation on Pipes/ Hoses/ Flanges/ Valves etc. at the rate of 20%, on the Air Compressor at the rate of 10.34% and on the Asbestos roofed Store Room cum Rest Shelter at the rate of 3.34%.

The KOPT has reported to have considered life of pipeline assembly together with ancillary fittings at 5 years, reportedly based on practical experience of atmospheric corrosion being experienced and the nature of liquid proposed to be handled through this piping system. Inspite of a specific request, the KOPT has not confirmed whether the life of 5 years considered by it for pipelines is as per the life norms prescribed in companies Act, 2013. In view of this position, the depreciation on pipelines is considered at 4% by considering the life of the floating pipeline at 25 years, in line with the life prescribed in the Companies Act, 2013 for pipelines. Incidentally, in the fixation of Reference tariff for the Liquid Bulk Terminal at Jawaharlal Nehru Port Trust, depreciation on pipelines has been considered at 4% in line with the Companies Act, 2013, as confirmed by the JNPT then.

The rate of depreciation of Air Compressor is considered at 10%, in line with the Companies Act, 2013, as against 10.34% considered by KOPT.

Depreciation on Asbestos roofed store room is also calculated at 3.34% in line with the rate prescribed in the Companies Act, 2013 for civil assets.

(d). Wages:

Based on the position that 1 no. of supervisor, 4 no. of skilled labour and 2 no. of semi-skilled labour are to be deployed in one shift, the KOPT has considered the cost in respect of 936 no. of supervisors, 3744 no. of skilled labour and 1872 no. of semi-skilled labour, to be deployed in 3 shifts per year, based on the consideration of 312 days of operation per annum on 3 shift manning basis.

The 2008 guidelines for the liquid bulk terminal or for that matter the 2008 guidelines for any of the berths, does not prescribe separate norms for calculation of salary and wages cost. It is considered as part and parcel of the 'Other expenses'. The 2008 Guidelines specifically makes a mention in this context.

However, from the submissions made by the KOPT, the floating pipeline facility appears to be more of a labour intensive service, involving deployment of labour. Infact, the non-estimation of any power cost or fuel cost by KOPT to carry the core operation of the facility, also supports this position. Thus, if salary and wages cost is to be included under 'Other Expenses' and capped at 1% of capital cost, being the norm for 'Other expenses' as prescribed in the 2008 Guidelines for Liquid bulk terminal, then the amount of ₹44141/- per annum so worked out may be totally inadequate to meet the annual salary and wage cost related to the floating pipeline facility. In view of this position, it is felt reasonable to consider salary and wage cost as a distinct cost item, albeit at a level different than that estimated by the KOPT, as discussed below.

As stated earlier, the KOPT has estimated the salary and wage cost considering operation of the facility for 3 shifts in a day and for 312 days in a year, thereby working out to 936 man-shifts in a year. Based on the position that the optimal capacity has been considered for 4000 operating hours, it is felt appropriate to consider 500 man-shifts for the facility (4000 hrs/ 8 hours = 500 man shifts).

This Authority does not go into the number of personnel to be deployed in a facility and the salary/ wages payable to them. The estimate of the port/ terminal in this regard is relied upon in fixation of tariff at Major Ports/ Private Terminals. The KOPT has reportedly considered the minimum wage as notified by the Government of West Bengal together with statutory payment towards Provident Fund and Employees State Insurance. The port has further reported that the wage cost inside the Dock is higher than the minimum wages and accordingly has considered additional 43% based on rate accepted in a tender. Thus, considering the requirement of Supervisor, skilled labours and Semi-Skilled Labour in each shift as estimated by KOPT and considering the wage rate for each type of worker as furnished by the port, the salary and wage cost is considered.

However, given that the salary and wage cost has been relied upon as estimated by the port, no separate expenses under the head 'Other Expenses' is allowed in the analysis.

(e). Pigging:

If the reference of the 2008 upfront guidelines for liquid bulk terminal is drawn, it does not stipulate separate cost element towards pigging. However, in the view of the KOPT, in capital intensive liquid cargo handling projects such as POL Terminals etc., the cost of pigging gets absorbed within the O&M cost calculated as percentage of the capital cost as per the 2008 guidelines, whereas, in a low capital cost project like that of the floating pipeline, the cost of pigging is to be considered separately. Incidentally, the Pigging operation involves cleaning the pipeline after handling operation in order to handle other grade of cargo of same/ other importer or to handle same grade of cargo of other importer in order to avoid contamination and hence included under the head of 'operating expenses', as clarified by KOPT.

Considering the number of vessels handled in the year 2013-14 at 79 and the cost of pigging at the rate of ₹1200/- per pigging per vessel, the pigging cost has been estimated by the port. The port has further clarified that out of the total cost of pigging operation at ₹1200/-, procurement cost of bare Foam pig amounts to ₹900/- and the balance ₹300/- is towards cost of ancillary activities like cost of Foam material required, cost of provision of fresh water, Soap water flushing of the pipeline after pigging etc. The KOPT has furnished documentary evidence in support of the cost of procurement of pigs at ₹900/- per pig. The rate for pigging as furnished by the port is relied upon. Also, the increase in the number of vessels i.e. 113 vessels attributable to increase in the operating hours of the facility is also taken into account.

(f). Diesel for pigging:

The port has considered the consumption rate of the diesel at 16 liter per hour for running of 450 CFM compressor at the rate of ₹59.60 for 79 pigging operations and based on the time of 0.5 hour required for each pigging operation.

The consumption of 16 litres per hour is supported by documentary evidence furnished by the port and is relied upon. The cost of diesel is updated and considered at ₹63.81 per litre, as prevailing at the time of finalization of the case in reference. The time required for each pigging operation at 0.5 hour is relied upon as furnished by the port. Thus, considering 113 pigging operations in respect of 113 vessels and based on the above parameters as discussed above, the diesel cost is worked out and considered in the analysis.

(g). License Fees

The licence fee is in respect of area of 100 sq. mtr. of land to cover office, store, rest room etc., as mentioned in the proposed Scope of Work. The licence fee considered by the KOPT is as per the licence fee prescribed in the Rent Schedule for HDC in respect of Bare Land inside Custom bonded area in the Dock Interior Zone, approved in the year 2011. The rate of licence fee is updated so as to reflect the escalated rate prevailing in the year 2014.

(h). Annual Way Leave permission fee:

The Annual Way leave permission fee is for the area occupied by the pipeline to the tune of approx. 0.203 x 48 mtrs. at the rate of ₹2291 per 100 sq.mtr for 12 months. The Rent Schedule for Haldia prescribes the manner of calculating separate way leave licence fees for laying pipelines carrying Crude Oil, POL Products and other Liquid Cargo over or under the ground. Why the port has considered the licence fee relevant for base land inside custom bonded area in the Dock Interior Zone remains unexplained. Nevertheless, the position as reported by the port is considered in this analysis.

(i). Other Expenses:

For the reasons stated earlier, the 'Other Expenses' are not considered in the analysis.

(viii). Return on Capital Employed is allowed at 16% of the estimated capital cost of the facility.

(ix). Thus, the annual revenue requirement, which is the sum total of the annual operating cost and the return on the capital employed, works out to ₹29.56 lakhs, as against the revenue requirement of ₹48.73 lakhs, estimated by the KOPT.

(x). Considering the Annual revenue requirement of ₹29.56 lakhs and considering the optimal capacity of the floating pipeline facility at 8.4 lakh tonnes per annum, the rate works out to ₹3.52 per tonne as against the rate of ₹11/- proposed by the port.

The difference in rate is mainly attributable to difference arising due to consideration of the optimum capacity based on normative approach by us as compared to the approach considered by KOPT of basing its calculations based on the actual/ estimated traffic. The other factors are also due to consideration of repairs and maintenance at 2% vis-à-vis 5% estimated by the port and also that of depreciation being considered at 4% vis-à-vis 20% considered by the KOPT. Thus, the difference is on account of following the norms stipulated in the guidelines and following the practice generally adopted by us in the disposal of cases of other major port trusts. As stated earlier, only 45% of edible oil cargo is handled by the existing floating pipelines. Since there is scope for handling more cargo at the level of optimum capacity at 70% utilisation, the prospective operator of the facility will be in a position to achieve the estimated Annual Revenue Requirement.

(xi). Based on the above position, the Cost statement furnished by the KOPT has been modified. The modified Cost statement is attached as **Annex - I**.

(xii). (a). The KOPT in its initial proposal of April 2014 had not forwarded the proposed draft Scale of Rates. Subsequently, while responding to a query raised in this regard, the KOPT has furnished a full-fledged tariff Schedule containing definitions, general notes and the proposed rate along with its conditionalities. On perusing the draft Scale of Rates furnished by KOPT, it is observed that:

(i). Except for the definition of 'Edible Oil', the definitions for the terms like coastal vessel, day, foreign going vessel, month and week as prescribed at S.1 of the proposed draft SOR are same as per existing SOR of KOPT approved in February 2014. They will continue to apply for the proposed facility also.

(ii). The General Principles of Assessment in the proposed draft SOR at S.2 are also seen to be same as per existing SOR of KOPT approved in February 2014. These General Principles of Assessment will also continue to apply for the proposed facility.

(b). Therefore, only S.3 of the proposed draft SOR, which prescribes the per tonne rate towards the floating pipeline facility and the conditionalities governing the per tonne levy, along with the definition of the terms "edible oil" is prescribed now.

(xiii). The KOPT has proposed a note in S.3 of the proposed draft SOR so as to mention that the Cargo handling charges is a composite charge for bringing the Floating Pipeline in position from the parked position and connecting the Floating Pipeline with the ship manifold and manifold of the importer on shore, Opening of associated valves, Sustenance of the pipeline during pumping of the cargo, De-latching of the pipe manifold both at ship side and shore side after completion of cargo discharge, Cleaning of pipeline with pigging operation together with injection of compressed air by running compressor after completion of discharge of each type of liquid cargo through the Floating Pipeline so as to receive multi grade liquid cargo in the same pipeline of same/ different importer and all consequential operations pertaining to cleaning of spilled/ contamination of liquid cargo, if any. The KOPT has also proposed that the composite charge also includes supply of labour and/ or equipment wherever necessary and all other charges not specifically prescribed in the Scale of Rates. Since the proposed note elaborates about the scope of work that would be undertaken with regard to the proposed levy, the proposed note is approved.

9.1. In the result, and for the reasons given above and based on collective application of mind, this Authority approves the following:

(i). The definition of 'Edible oil' : **"**'Edible Oil' means PLMOC, SBO, SOYA OIL etc. (both crude and refined).**"**

(ii). **Charges for Handling of Edible Oils by Floating Pipeline Handling Facilities from the Vessels berthed At Berth No. 5/ Off 5/ 6/ Off 6:**

Commodity	**Unit Rate in ₹ per Metric Tonne**	
	Foreign	**Coastal**
Edible Oil |(Crude /Refined)	3.52	2.11

Notes:

(i) The Cargo handling charges prescribed here is a composite charge for:

(a). bringing the Floating Pipeline in position from the parked position and connecting the Floating Pipeline with the ship manifold and manifold of the importer on shore

(b). Opening of associated valves

(c). Sustenance of the pipeline during pumping of the cargo

(d). De-latching of the pipe manifold both at ship side and shore side after completion of cargo discharge

(e). Cleaning of pipeline with pigging operation together with injection of compressed air by running compressor after completion of discharge of each type of liquid cargo through the Floating Pipeline so as to receive multi grade liquid cargo in the same pipeline of same / different importer.

(f). All consequential operations pertaining to cleaning of spilled/ contamination of liquid cargo, if any.

This composite charge also includes supply of labour and/ or equipment wherever necessary and all other charges not specifically prescribed in the Scale of Rates.**"**

9.2. The rates approved will come into effect after expiry of 30 days from the date of notification of the Order in the Gazette of India and shall remain in force for a period of three years. The approval accorded shall automatically lapse unless specifically approved by this Authority.

(T.S. Balasubramanian)
Member (Finance)

ANNEX - I

CALCULATION SHEET TO ARRIVE AT THE HANDLING COST PER TON FOR THE FLOATING PIPELINE HANDLING SYSTEM AT KOLKATA PORT TRUST

(Amount in Rupees)

Sl. No.	Description	Estimates furnished by the KOPT	Estimates moderated by TAMP
I	**Optimal capacity**		
(i)	Handling rate	**-**	300 Tonnes/Hr
(ii)	Total Working Hours	**-**	4000 Hours
(ii)	Utilization factor	**-**	70.00%
	Expected Traffic/ Capacity (i*ii*iii) (in tonnes)	**439,519**	**840,000**
II	**CAPITAL COST**		
(i)	Cost of Pipes/ Hoses/ flanges/ valves etc	2,211,779	2,226,687
(ii)	Cost of 450 cfm diesel powered trolley mounted Air Compressor	1,326,640	1,326,640
(ii)	Asbestos roofed Store Room cum Rest Shelter	860,800	860,800
	TOTAL of II (i+ii+iii)	**4,399,219**	**4,414,127**
III	**OPERATING COST PER ANNUM**		
(i)	Cost of Maintenance & Repair:		
	(a). For Pipes/ Hoses/ flanges/ valves etc (KOPT - 5% of capital cost TAMP - 2% of capital cost)	153,629	44,534
	(b). Asbestos roofed Store Room (KOPT - 5% of capital cost TAMP - 1% of capital cost)		8,608
	(c). Air Compressor (KOPT - 5% of capital cost TAMP - 2% of capital cost)	66,332	26,533
(ii)	Insurance @ 1% on Capital cost	43,992	44,141
(iii)	Depreciation :		
	Pipes/Hoses/flanges/valves etc. (KOPT - 20% of capital cost TAMP - 4% of capital cost)	442,356	89,067
	Asbestos roofed Store Room cum Rest Shelter (KOPT - 3.34% of capital cost TAMP - 3.34% of capital cost)	28,751	28,751
	Air Compressor (KOPT - 10.34% of capital cost TAMP - 10% of capital cost)	137,175	132,664
(iv)	Wages	3,092,406	1,651,927
(v)	Cost of Pigs (KOPT - 79 vessels * Rs.1200/- per pig per vessel TAMP - 113 vessels * Rs.1200/- per pig per vessel)	94,800	135,600
(vi)	Diesel (KOPT - 16 ltr.per hour * 0.5 hours Per Pigging* 79 piggings * Rs.56.90/- ltr. TAMP - 16 ltr.per hour * 0.5 hours Per Pigging* 113 piggings * Rs.63.81 per ltr)	35,961	57,684
(vii)	Land licence fees (KOPT - For 100 Sq. Mtrs * Rs.22.91 Per Sq. Mtr per month * 12 months (TAMP - For 100 Sq. Mtrs * Rs.23.37 Per Sq. Mtr per month * 12 months	27,492	28,041
(viii)	Annual Way leave permission fee for approx. 48 mtr 8 " dia pipeline portion on shore (KOPT - For area 0.203 * 48 Sq. Mtrs * Rs.23.36 Per Sq. Mtr per month * 12 months (TAMP - For area of 0.203 * 48 Sq. Mtrs * Rs.23.37 Per Sq. Mtr per month * 12 months	2,731	2,731
(ix)	Other expenses @ 1% of Cap Expenses	43,992	**-**
	Total Operating Cost (Sum i to ix)	**4,169,617**	**2,250,282**
IV	Return on Capital Employed @ 16%	703,875	706,260
V	**Total Annual Requirement (III+IV)**	**4,873,492**	**2,956,542**
VI	**Cost per MT**	**11.09**	**3.52**

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

F. No.TAMP/25/2014 - KOPT - Proposal from the Kolkata Port Trust for fixation of upfront tariff for setting up of floating pipeline handling facilities for unloading edible oil from vessels berthed at berth No.5/off 5/6/ off 6.

A summary of the comments received from the users and the comments of Kolkata Port Trust (KOPT) thereon are tabulated below:

Sl. No.	Comments of users	Comments of KOPT
1.	**M/s.Adani Wilmar Ltd., M/s. Emami Biotech Ltd., M/s.Gokul Refoils Solvent Ltd., M/s.JVL Oil Refinery and M/s.Ruchi Soya Industries Ltd.**	
(i).	At present, maintenance cost on an average of ₹3.00/Mt, (₹15,000.00 / Average 5000.00 MT vessel) per vessel is shared by us. We cannot afford to pay ₹11.00/MT as suggested, which is 4 times more than that of present cost.	The existing floating pipeline handling system has been set up by Ruchi Infrastructure Ltd. for their own use. This facility is also used by other importer when Ruchi is not using the same. The average cost of ₹3/- per ton mentioned in the letter has been stated to be the maintenance cost for using the existing floating line. However, KOPT proposal is for providing comprehensive services through the floating pipeline. Further, the rates proposed by KOPT and to be ultimately fixed by TAMP shall be ceiling rates and the service provider shall be at liberty to charge lower rates than those notified.
(ii).	Even though fixed berth is not used, ₹63.71/Mt as Port charges are paid by us for using Off berth.	Port charges referred to are actually the wharfage charges which are basic dues recoverable on all cargo landed within port limits. Further, the present wharfage on vegetable oils (foreign cargo) landed at any place within KOPT is ₹54/- per ton. It appears that the figure of ₹63.71 indicated in the letter has been arrived at by adding 12.36% service tax on the said amount of ₹56.70. Service Tax is not a revenue earned by the port, but is remitted to Govt. of India.
(iii).	At present scenario, cost of import of edible crude oil and finished edible oil are in same margin. If there is further increase in import cost, viability of industry will be jeopardized.	These are matters of record. KOPT has proposed minimum tariff based on infrastructure proposed to be created etc. by the private operator. Moreover, as already stated, the private operator may charge rate lower than the ceiling rate to be fixed by TAMP.
(iv).	If port wants to provide floating line, the same can be provided with better facility with existing charges.	Detailed calculation sheet based on which the rates have been proposed by KOPT have been furnished to TAMP.
(v).	Since the edible oil is used for common man purpose, Government of India wants to control price on the same, As such, any extra cost imposition will lead to inflation, which will hamper common man's daily life.	

2.	**Himachal C & F Agency Pvt. Ltd.**	
	The proposal is accepted. But it is proposed that It is better to have a direct combination between KOPT and Clearing Agent i.e. to take service facility and financial transaction directly with Port.	The KOPT has not responded on the comments of Himachal C & F Agency Pvt. Ltd.

2. A joint hearing in this case in reference was held on 22 August 2014 at the KOPT premises in Kolkata. The KOPT has made a brief power point presentation of its proposal. At the joint hearing, the KOPT and the users have made the following submissions:

<u>Kolkata Port Trust</u>

(i). In the past, Ruchi Infrastructure Ltd. (RIL) approached KOPT with its innovative idea of using Floating Pipeline Unloading Facility for overside discharge of its Edible Oil at Berth no. 5 and 6 and it was allowed to carry out its operations to ease pressure on our jetties.

(ii). With passage of time, there has been increase in the number of edible oil manufacturing units in and around KOPT, thereby increasing the handling of edible oil at Berth no. 5 and 6.

(iii). This led to usage of the Floating Pipeline Unloading Facility of RIL by other users also on payment of some charges by the said users to RIL.

(iv). Since the facility is being used by many users, the KOPT decided to appoint an Agent to render the service.

(v). Since the operation pertains to movement of cargo from vessel to shore, it is one of the services listed under Section 42 of the MPT Act. Therefore, authorization from TAMP is necessary for the common user facility under Clause 7.2 of the 2005 Guidelines.

(vi). It is one of the non PPP projects as contained in the RFD.

(vii). It is to be appreciated that the cost of the project is very low. Therefore, if the operating costs are estimated as per the norms contained in the Upfront guidelines, such operating costs are found to be very minimal. Therefore, a higher percentage has been considered to estimate the operating costs.

(viii). It has been decided to award the tender to the tenderer whoever quotes the highest licence fee. There is no revenue share involved.

(ix). We allowed only Ruchi. But, Ruchi is allowing others also to use the facility and is collecting a charge from them. When the facility is being used by many others, it is felt that KOPT should have proper control over the facility.

(x). The existing facility would be entirely replaced.

Ruchi Infrastructure is welcome to participate in the tendering process and if it is successful, it can continue to render the service

Ruchi Soya Private Ltd.

(i). The KOPT has huge hinterland. All the edible oil comes to the port. Now that the KOPT has seen that there is demand for the facility, it wants to monopolise its position by appointing an Agent.

(ii). We pay ₹62/- per tonne as wharfage to the port whereas our vessels are double banked and we do not get any service from the port. No priority is accorded to our vessel. We import oil cargo from Argentina and the vessel reaches us after visiting many other ports.

(iii). In such a scenario, we are now asked to pay ₹11/- per tonne for using the facility. This is not acceptable to us.

(iv). The edible oil is for the use of the common man. The levy of ₹11/- per tonne would further increase the cost of edible oil.

(v). When the existing arrangement has been going on smoothly for the past so many years, why does the KOPT now want to bring changes.

Ruchi Infrastructure Ltd.

(i). 45% of the edible oil cargo are handled by Floating Pipelines.

(ii). There is no dedicated berth for us. Still we are asked to pay ₹62/- per tonne as wharfage.

(iii). Now, adding a further ₹11/- per tonne will further aggravate the situation and we will lose our business.

Emami Biotech Ltd.

(i). The rate of ₹11/- per ton is too high. The existing levy of wharfage of ₹62/- should be sufficient.

Aegis Logistics Ltd.

(i). KOPT should evaluate the tender on reverse auction basis i.e. whoever quotes the lowest amount below ₹11/- per tonne should get the contract.

[**KOPT**
The matter relates to evaluation of the bid. This aspect pertains to KOPT. TAMP's role is to only determine the tariff for the facility. TAMP has no role to play in the bid evaluation process. This point can be discussed with KOPT and this is not the appropriate forum.]

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