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Tariff Authority for Major Ports

G.No. 30 **New Delhi,** **25 January 2017**

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 V.O. Chidambaranar Port Trust for fixation of reference tariff for development of Shallow Draught Berth for handling general cargo through Public Private Partnership (PPP) mode to Develop, Build, Finance, Operate and Transfer (DBFOT) basis at VOCPT as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

TARIFF AUTHORITY FOR MAJOR PORTS

Case No. TAMP/51/2016-VOCPT

V.O. Chidambaranar Port Trust - - - - Applicant

QUORUM

(i). Shri. T. S. Balasubramanian, Member (Finance)
(ii). Shri. Rajat Sachar, Member (Economic)

O R D E R

(Passed on this 16th day of December 2016)

This case relates to a proposal dated 30 July 2016 received from V.O. Chidambaranar Port Trust (VOCPT) for fixation of reference tariff for development of Shallow Draught Berth for handling general cargo through Public Private Partnership (PPP) mode to Develop, Build, Finance, Operate and Transfer (DBFOT) basis at VOCPT.

2. The Ministry of Shipping (MOS) under cover of its letter No.PR-14019/16/2012-PG dated 9 September 2013 and 12 September 2013 has issued Revised 'Guidelines for Determination of Tariff for Projects at Major Ports, 2013' under Section 111 of the Major Port Trusts Act, 1963. In compliance of the policy directives issued by the (MOS) under Section 111 of the MPT Act, 1963, the said Guidelines were notified vide Notification No.TAMP/18/2013-Misc. in the Gazette of India on 30 September 2013, vide Gazette no.254. The said Guidelines were made effective from 9 September 2013.

3.1. The VOCPT has filed its proposal dated 30 July 2016 seeking approval of reference tariff for development of Shallow Draught Berth for handling general cargo on DBFOT basis under Tariff Guidelines of 2013.

3.2. The main submissions made by the VOCPT in its proposal are as follows:

(i). Total volume of cargo handled by VOCPT during the year 2015-16 is 36.85 Million Tonnes. Of this, the volume of General Cargo handled was 8.57 Million Tonnes. The future traffic for General Cargo has been projected as follows:

Year	Projected Traffic
2016 - 17	9.21 MT
2027 – 28	20.41 MT
2038 – 39	40.42 MT

(ii). In order to meet the future traffic growth of General Cargo, the VOCPT proposes to Develop Shallow Draught Berth for handling general cargo through PPP on DBFOT basis.

(iii). **Type of Berth required**

The vessels used for the transport of cargo are assumed to be 20,000 DWT sized vessels. These vessels have a length of 180 m and width of 22.5m. The vessels shall have a maximum draft of 9.7 m. The present depth of (-) 10.7m is sufficient for a maximum draft of 9.7m. Hence, it is concluded that the vessels proposed can be handled in the Present inner harbour with a depth of (-) 10.7 CD. The vessel parameters are as follows:

Sr. No.	Description of Berth	Type of Cargo	Vessel Size (DWT)	Parcel Size (T)	Dredging Remarks
1	SDB	Multipurpose Cargo	20,000	16,000	Already dredged

(iv). (a). **Details of Berth**

Considering the overall length of the design vessel, i.e. 180m and allowing 18m, the length of berth works out to 198m. However, with space available, the length of the berth is kept as 243m. The width of the berth is kept as 30m.

(v). (a). **Material Handling Equipments**

One Harbour Mobile crane of 80 T capacity and Grab (20 MT) are proposed. The proposed crane can handle general cargo upto 36T (average) per move including weight of hook. Total no. of moves in one hour will be 30. Based above with 60% efficiency, mobile harbour can handle 648 T/hr. Therefore, assuming 20 hour of operation per day, one mobile harbour crane can handle 12960 Tonnes Per Day (TPD).

(b). **Evacuation of Cargo**

Evacuation of cargo will be by trucks.

(vi). **Optimal Capacity:**

The optimal quay capacity of the proposed Shallow Draught berth is calculated as 2.60 Million Tonnes Per Annum considering the current trend of traffic and present handling at VOCPT as given below:

Optimal Capacity			
(a)	Percentage share of capacity of cargo to be handled		
	Percentage of Dry Bulk Cargo.	S1	10%
	Percentage of Break bulk cargoes.	S2	90%
(b)	Handling rate of cargo vessels carrying (In Tonnes per day)		
	Handling rate of dry bulk cargo.	P1	10,000 Tonnes / day
	Handling rate Break bulk cargoes.	P2	10,000 Tonnes / day
(c)	Optimal quay capacity = 0.70 { (S1 x P1)+(S2 x P2) }x 365		2,555,000 (ie. 2.56 MTPA)

(vii). **Estimated Capital Cost:**

The construction of Shallow Draught Berth work will broadly include all civil, mechanical, electrical works for installation of a suitable unloading system of bulk cargoes and the Operation & Maintenance thereof. The total capital cost of the Project is estimated as ₹123.35 crores. The breakup is presented below:

Sl. No.	**Particulars**	**Estimated Capital Cost (₹ in Crores)**
A.	**Cargo Handling Activity**	
(i).	Civil Work	
	Berth work and approaches	27.40
	3% Contingencies and 7% Supervision charges on Base cost	2.74
	Work contract tax (4% on 65% of civil cost on base cost)	0.71
	Total Cost	**30.85**
(ii).	Cargo Handling Equipments	
	Mechanical work	31.80
	3% Contingencies and 7% Supervision charges on Base cost	3.18
	Work contract tax (4% on 65% of Mechanical cost on base cost)	0.83
	Total Cost	**35.81**
(iii).	Miscellaneous cost (5% of (i) & (ii))	3.33
	Total Capital Cost for Cargo Handling Activity (i)+(ii)+(iii)	69.99
B.	**Berthing Activity**	
	Berth Cost	47.39
	3% Contingencies and 7% Supervision charges on Base cost	4.739
	Work contract tax (4% on 65% of civil cost on base cost)	1.23
	Total Capital Cost for Berth Hire	**53.36**
	Total Capital Cost	**123.35**

The above cost estimates are based on prevailing market rates**.**

(viii). **Operating Cost and Reference Tariff Working**

(a). **Cargo handling Activity:**

Sl. No.	**Particulars**	**(₹ in Lakhs)**

(i).	Power Cost for 80 T HMC (1 x 100 unit x ₹10.20 x 4000hrs)	40.80
(ii).	Repair & Maintenance cost	
(a).	Civil assets (1% x ₹30.85 Cr) – Common	30.85
(b).	Mechanical asset @ 7% x ₹35.81 Cr on Cost of all Mechanical and Electrical equipment.	250.65
(iii).	Depreciation	
(a).	Civil assets (3.17% on ₹30.85 Cr)	97.80
(b).	Mechanical asset @6.33% on ₹35.81 Cr	226.66
(iv).	Insurance 1% of Gross fixed assets	69.99
(v).	License fee (Rentals for land and other Port assets)	
(a).	Water-front charges payable to the Port (27,338 Sq.m. @ ₹181.38 / Sq.m. /Annum (Rate as per land on 50%)	49.59
(b).	Stack yard (35,000 Sq.m. x ₹362.76 / Sq.m. / Annum)	126.97
(vi).	Other expenses @ 5% on gross fixed assets	349.96
	Total Operating cost	**1,243.26**

(b). **Revenue requirement & proposed tariff:**

(₹ in Lakhs)

Sl. No.	Particulars	Estimates
	Cargo Handling Activity	
(a)	**Total revenue Required (in lakh)**	
(i)	Operating cost	1,243.26
(ii)	Return on capital employed @ 16% on gross fixed assets	1,119.87
	Total revenue Requirement for cargo handling activity	**2363.14**
(b)	**Apportionment of Revenue requirement**	
(i)	Cargo handling charges @ 96% of ARR	2268.61
(ii)	Storage charges @ 2% of ARR	47.26
(iii)	Miscellaneous charges @ 2% of ARR	47.26
	Total revenue Requirement for cargo handling activity	**2363.14**
	(a) .Handling Charge (Composite)	
	- Revenue Requirement (₹ in lakhs)	**2268.61**
	Composite Handling Charge (₹ per tonne) for Optimal Capacity of 2,555,000 Tonnes	
	- Foreign (₹ / tonne)	**88.79**
	- Coastal (₹ / tonne)	**53.27**
(b).	Storage Charge	-
	- Revenue Requirement (₹ in lakhs)	47.26
	- % of Cargo to attract storage charge	10%
	- Cargo likely to pay storage charge (lakh tonnes) (2.56 MTPA X 10%)	2.56
	(i). Free period	
	(ii). Storage Charge (beyond the free period)	₹./Tonnes
	- First six days	3.00
	- Next six days	4.86
	- Thereafter	9.48
(c).	Miscellaneous Charge	
	- Revenue Requirement (₹ in lakhs)	47.26
	- Capacity (Tonnes per annum)	25.55
	- Miscellaneous Charge(₹ / tonne)	1.85

(c). **Berthing Activity:**

Sl. No.	Particulars	₹ in Lakhs
(i).	Repairs and maintenance cost (1% of construction of Berth ₹30.85 Cr)	53.36
(ii).	Depreciation @ 3.17% of ₹53.36 Cr	169.14
(iii).	Insurance @ 1% of ₹53.36 Cr	53.36
(iv).	**Total operating cost Berthing service (a)**	**275.85**
(v).	Return on Capital Employed @ 16%	**853.69**
(vi).	Total Revenue requirement from Berthing services (iv + v)	**1,129.54**

(d). **Proposed Berth Hire Charges:**

Sl. No.	Particulars	Unit	Dry Bulk/Break bulk
1	DWT	Tons	20,000
2	Ratio	%	100
3	Ship day output	Tons/day	10,000
4	Ave. GRT per vessel	Tons	11,242
5	Ave. Parcel size	Tons	16,000
6	Traffic	Tons	2,555,000
7	No. of berth days (row. 6/ row 3)	Days	256
8	No. of berth hours (row 7x24 hrs)	Hrs.	6132
9	No. of vessels (row.6 / row. 5)	No.	160
10	Total GRT hrs. (row.4 x row 8)	Hrs.	68,935,944
11	**Revenue Requirement (₹ in lakhs)**		**1,129.54**
12	**Rate per GRT per hour (11/10) foreign (11 x 100000/10) ₹**		**1.64**
13	**Rate per GRT per hour (12x 60%) coastal ₹**		**0.98**

(ix). The reference rates proposed by VOCPT are given below:

(a). Berth Hire Charges:

Sl. No.	Particulars	Unit	Foreign (In ₹)	Coastal (In ₹)
1.	Vessel	Rate per GRT per hour / or Part thereof	1.64	0.98

(b). Cargo Handling Charges:

Sl. No.	Particulars	Unit	Foreign (In ₹)	Coastal (In ₹)
1.	Dry Bulk Cargo / Break Bulk Cargo	Per Metric Tonne	88.79	53.27

(c). Storage Charges after free period (Per Tonne / Day):

(In ₹)

Sl. No.	Particulars	First Six Days	Next Six Days	Thereafter
1.	Dry Bulk Cargo / Break Bulk Cargo	3.00	4.86	9.48

(d). Miscellaneous Charges for sweeping and dust suppression services etc.

Dry Bulk Cargo / Break Bulk Cargo	₹1.85 / Tonne

(x). Performance Standards proposed by VOCPT is as follows:

The licensee shall meet the following performance standard.

(a). The PPP operator shall guarantee to handle a minimum volume of general cargo as 8000 Tonnes per day.

4. In accordance with the consultative procedure prescribed, the VOCPT proposal dated 30 July 2016 was forwarded to the concerned users / user organisations and prospective bidders (as forwarded by VOCPT vide its subsequent letters dated 10 August and 11 August 2016) for their comments.

5. Based on the preliminary scrutiny of the proposal, the VOCPT was vide our letter dated 16 September 2016 requested to furnish requisite information / clarification by 22 September 2016. The VOCPT has subsequent to the joint hearing furnished additional information / clarification vide its letter dated 7 October 2016 which is brought out in subsequent paragraph.

6.1. A joint hearing in this case was held on 19 September 2016 at the VOCPT premises. The VOCPT made a brief power point presentation of its proposal. At the joint hearing, the VOCPT and the concerned users / organisation bodies / prospective bidders have made their submissions.

6.2. As agreed at the joint hearing, the VOCPT was requested vide our letter dated 26 September 2016 with subsequent reminder dated 6 October 2016 to take action on the following points:

(i). Modify the handling rate considered for break bulk cargo.

(ii). Incorporate the various cargo items under the broad major cargo group of Bulk Cargo and Break Bulk Cargo.

(iii). Relook at the percentages considered for apportionment of Annual Revenue Requirement to the cargo handling activity, Storage and Miscellaneous activities.

(iv). The port to revise its proposal in a week's time and to circulate the revised proposal to the prospective bidders / users / user associations under intimation to TAMP. The prospective bidders / users / user associations were allowed to furnish their comments, if any, on the revised proposal within 3 days to the port and TAMP.

7.1. The VOCPT vide its letter dated 7 October 2016 has furnished its response to the additional information / clarification sought by us vide our letter dated 16 September 2016. The summary of the additional information / clarification sought by us and reply furnished by the port is tabulated below:

Sl. No.	Additional information / clarification sought by us	Reply furnished by VOCPT
1.	**<u>General</u>:**	
(i).	The VOCPT is to forward a copy of the approval of the Board of Trustees of the port approving the Reference tariff proposal.	Copy of Resolution approving the proposal vide Reso.No. 172 of the Board Meeting dated 12 July 2016 is furnished.
(ii).	As per the checklist of the documents /information to be submitted while filling the proposal for upfront tariff setting the port has to submit the copy of Feasibility Report. The VOCPT to furnish the copy of the Feasibility Report.	Copy of Feasibility Report prepared by M/s. WAPCONS, Gurgaon is furnished.
2.	**<u>Capacity</u>:** Considering the handling capacity of the crane of 80 Tonne at 10000 tonnes per day and for an operation of 365 days and at 70% utilisation, the VOCPT has arrived at the optimal capacity at 2.56 MTPA. In this regard, the VOCPT to clarify/ furnish the following:	The average handling rate of the port in respect of Dry Bulk cargo for the years 2013-14, 2014-15, 2015-16 (9,624 Tonne per day). In line with the handling rate of 10,000 Tonnes per day as per TAMP Guidelines, 2008 for Dry bulk cargo (90%) and based on current arrival pattern of the break bulk cargo (bagged) (2.50%) and other break bulk cargo (7.50%), the handling rate of 6,000 Tonnes per day for bagged cargo and 3,750 Tonnes for other break bulk cargos is considered in line with the order of HMC issued. The optimal capacity of the Project is now revised to at 24,09,648 tonnes as against earlier figure of 26,00,000 tonnes (it is 2.56 MTPA). Based on this revised tariff for cargo handling activity, storage charges and Misc. charges are proposed for the consideration of the Authority. [The port has not furnished separate reply to the point of action given at para 7.2 (i) above. The reply of the VOCPT addresses the point of action given at Para 7.2 (i)]
(i).	(a). The upfront tariff guidelines for the multipurpose terminal, which has been considered as base by the VOCPT in the proposal in reference, stipulate norms for handling rate of the vessel carrying different type of cargo. For Break bulk cargo the rate is 4000 Tons/day (steel & bagged cargo) and 2500 Tons/day for others. The VOCPT has considered single handling rate of 10000 Tonnes/day which is relevant for Dry Bulk cargo while arriving the optimal capacity in its present proposal. The VOCPT to justify considering the single handling rate for all types of cargoes at 10000 Tonnes/day. Also furnish the reasons for deviation from the norms.	

<table>
<tr><td></td><td>(b). The port to furnish the cargo handling rate achieved by it in the last three years for bulk cargo and break bulk cargo.</td><td>As required, the cargo handling rate per day achieved by VOCPT in the last three years viz., 2013-14, 2014-15 & 2015-16 are furnished below:
<table>
<tr><th>Sl. No.</th><th>Cargo Group</th><th>2013-14</th><th>2014-15</th><th>2015-16</th></tr>
<tr><td>1</td><td>Dry Bulk – Conventional</td><td>8,661</td><td>9,879</td><td>10,331</td></tr>
<tr><td>2</td><td>Break Bulk</td><td>2,016</td><td>2,364</td><td>2,113</td></tr>
</table></td></tr>
<tr><td>(ii).</td><td>The rates of dry bulk cargo expected to be handled at the Berth may be indicated. It may be confirmed that the PPP operator will be prohibited for handling any other kind of cargo other than Dry Bulk cargo and break bulk cargo for which tariff has been proposed by the port.</td><td>Refer the above reply for rates for handling of dry bulk and break bulk. The Concessionaire will not be allowed to handle other than the specified cargo mentioned in the tender.</td></tr>
<tr><td>(iii).</td><td>The 2008 tariff guidelines prescribe a norm for handling rate of 7,500 tonnes per day for bulk cargo for vessels of parcel size lower than 30,000 tonnes. The VOCPT to comment on the handling rate of 10,000 tonnes/day considered by it to handle lower parcel size of vessels of 16,000 tonnes.</td><td>The handling rate of 10,000 Tonnes per day with respect to the parcel size of 16,000 Tonnes is considered as per Feasibility Report furnished by M/s. WAPCONS.</td></tr>
<tr><td>3.</td><td><u>Capital Cost</u>:</td><td></td></tr>
<tr><td>(i).</td><td>The VOCPT in its proposal has indicated only the total Civil Construction Cost, Mechanical Works and Cost of the Berth at ₹27.40 crores, ₹31.80 crores, and ₹47.39 crores respectively. The VOCPT has, however, not furnished the individual breakup of each of the above costs which constitute the total costs. Therefore, the individual breakup of costs which constitute the total costs of ₹27.40 crores, ₹31.80 crores, and ₹47.39 crores towards civil cost, mechanical equipment cost and Berthing cost respectively to be furnished.</td><td>The breakup details for civil construction cost, mechanical works and cost of the berth is furnished as given below:
Capital Cost Breakup
<table>
<tr><th colspan="3">Filing and Protection Work along SDB</th></tr>
<tr><th>Sl. No.</th><th>Description</th><th>Cost ₹ In Lakhs</th></tr>
<tr><td>1</td><td>Stones protection work</td><td>136</td></tr>
<tr><td>2</td><td>PCC Concrete Block</td><td>64</td></tr>
<tr><td>3</td><td>Back-up area (Soiling & Hardening)</td><td>900</td></tr>
<tr><td>4</td><td>Construction of storage shed (2000 m @ ₹ 15000)</td><td>300</td></tr>
<tr><td>5</td><td>Construction of Transit shed (1000 m @ ₹ 15000)</td><td>150</td></tr>
<tr><td>6</td><td>Construction of compound wall along the periphery (800m @ ₹ 8400 per m</td><td>67</td></tr>
<tr><td>7</td><td>Internal Roads (1500m @ ₹ 50,000)</td><td>750</td></tr>
<tr><td>8</td><td>Water supply and sewage etc.</td><td>200</td></tr>
<tr><td>9</td><td>Ancillary Structure</td><td>175</td></tr>
<tr><td>(III)</td><td>Filing and Protection Work along SDB Total Cost</td><td>2742</td></tr>
<tr><td></td><td>Electrical and Mechanical Cost</td><td></td></tr>
<tr><td>1</td><td>80T HMC INCL FREIGHT COST</td><td>2100</td></tr>
<tr><td>2</td><td>Grab (20 MT)</td><td>100</td></tr>
<tr><td>3</td><td>Electrical Items</td><td></td></tr>
<tr><td>4</td><td>4000 KVA Transformers – 11 KV/3.3 KV</td><td>150</td></tr>
<tr><td>5</td><td>500 KVA Transformers – 3.3 KV/415V</td><td>75</td></tr>
<tr><td></td><td>Switch Gear</td><td>50</td></tr>
<tr><td></td><td>Motor Control Gear</td><td>50</td></tr>
<tr><td></td><td>PLC</td><td>50</td></tr>
<tr><td></td><td>HT Electric Cable</td><td>527</td></tr>
<tr><td></td><td>Illumination High Mast Towers</td><td>64</td></tr>
<tr><td></td><td>Conventional Fittings, LT cables etc.</td><td>15</td></tr>
<tr><td>(II)</td><td>Electrical and Mechanical Total Cost</td><td>3181</td></tr>
<tr><td></td><td>Berth Hire Cost</td><td></td></tr>
<tr><td>1</td><td>Mobilization and Demobilization</td><td>846</td></tr>
<tr><td>2</td><td>Setting up the piling gantry and connected equipment over each pile location</td><td>80</td></tr>
<tr><td>3</td><td>Pile work (Cast in situ)</td><td>1703</td></tr>
<tr><td>4</td><td>Super structure work</td><td></td></tr>
<tr><td>5</td><td>Beams (cross)</td><td rowspan="3">1756</td></tr>
<tr><td>6</td><td>Beams (Longitudinal)</td></tr>
<tr><td>7</td><td>Slab</td></tr>
<tr><td>8</td><td>Conducting High Drain Dynamic test</td><td>5</td></tr>
<tr><td>9</td><td>Rubber tender @ 21m c/c</td><td>76</td></tr>
<tr><td>10</td><td>60T Bollard @ 21m c/c</td><td>9</td></tr>
<tr><td>11</td><td>Wharf accessories like ladders etc.</td><td>35</td></tr>
<tr><td></td><td>Variation</td><td>229</td></tr>
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<tr><td></td><td></td><td><table><tr><td>(I)</td><td>Berth Hire Total Cost</td><td>4738</td></tr><tr><td></td><td>Total Cost (I+II+III) =</td><td>10661.00</td></tr></table>
Say ₹ 107.00 Crores</td></tr>
<tr><td>(ii).</td><td>The VOCPT has not furnished any workings, budgetary Quotations, market rates in support of the estimates of civil, mechanical and cost of the berth. Please furnish the documentary evidence in support of the cost of each item of civil construction costs, Mechanical Works and Cost of the Berth and clarify capital cost estimation is as per the Feasibility Report.</td><td>All the estimates of Civil, Mechanical and cost of berth furnished in the workings for tariff proposal is based on the Feasibility Report furnished by M/s. WAPCONS.</td></tr>
<tr><td>(iii).</td><td>Explain the basis of considering Supervision charges @ 7% and contingencies @ 3% on base cost. The VOCPT to confirm that the supervision and contingency charges are included as per the Feasibility Report.</td><td>The supervision charges @ 7% and contingencies @ 3% on base cost are included as per the Feasibility Report.</td></tr>
<tr><td>(iv).</td><td>The VOCPT to confirm that the equipment proposed will cater to the requirement of 20,000 DWT vessels.</td><td>Yes, it is confirmed that the equipment proposed will cater to the requirement of 20,000 DWT vessels.</td></tr>
<tr><td>(v).</td><td>Please confirm that the civil structures prescribed in the normative list of civil construction cost at section 4.2 of 2008 guidelines are considered by the port. It may also be confirmed whether the cost of providing power, lighting and communication listed under equipment cost (Section 4.3) is considered.</td><td>As per clause 4.2 of 2008 guidelines, it is confirmed that all items have already been included. We have excluded approach and rail tracks due to following reasons:

(i). Approach
As jetty is besides the reclaimed land
(ii). Rail Tracks
We have proposed mobile harbour crane for which rail tracks are not required.</td></tr>
<tr><td>4.</td><td><u>Operating Cost</u>:</td><td></td></tr>
<tr><td>(i).</td><td><u>Power Cost</u>:
The VOCPT has considered the unit rate @ ₹10.20 per hour. The VOCPT, to confirm that the unit rate of power considered for estimating the power cost is at the prevailing rate. The VOCPT to also furnish copies of electricity bills of the last three months to support the unit rate adopted in the computation.</td><td>₹10.20 per unit is worked out based on the electricity cost for the months of April, 2016 and May, 2016. Electricity Bills supporting the unit rate of ₹10.20 is enclosed.</td></tr>
<tr><td>(ii).</td><td><u>License Fee</u>:</td><td></td></tr>
<tr><td></td><td>(a). The VOCPT to confirm the proposed leasing of water front and stack yard is as per the Feasibility Report. Please also confirm that the proposed allotment is as per the land use plan of the port.</td><td rowspan="2">It is confirmed that the proposed lease rent area for stack yard and water front area is as per Feasibility Report. The proposed backup area is in reclaimed area for which the land use plan is not applicable.

The unit rate is based on the rate for lease / license of land in port area approved by TAMP vide Order No.TAMP/6/2012-VOCPT dated 4 April 2014 under the category of Commercial – Port related with the base rate of Rs335.14 w.e.f 1 July 2007 with the escalation of 2% per annum w.e.f 1 July 2013 till 30 July 2017.</td></tr>
<tr><td></td><td>(b). The guidelines for upfront tariff stipulate that lease rent for port land and assets is to be estimated based on the rate prescribed in the Scale of Rates of the respective major ports. Please confirm that the rates considered at ₹181.38 Sq.m/Annum indicated rate as per land on 50% for water front area and ₹362.76 Sq.m/Annum for stack yard</td></tr>
</table>

	while arriving the lease rental as per the existing rates prescribed in the Scale of Rates of the VOCPT giving reference of the relevant schedule.	
5.	**Operating Cost- Berth:** The capital cost indicated by the VOCPT at ₹30.85 crores while estimating the Repairs and Maintenance cost and Depreciation is not matching with capital cost of the Berth at ₹47.39 crores indicated in Chapter-5 Revenue Calculation table at Sl. No. III. The VOCPT to correct the capital cost figures in the estimation of operating cost of berthing services.	The capital cost of the berth is inadvertently mentioned as ₹30.85 crores in the description column instead of ₹53.36 crores but in the amount column, it is correctly considered as ₹53.36 crores for arriving R&M cost @ 1% and Depreciation @ 3% on ₹53.36 crores. Hence, there no change is required in the amount column.
6.	**Annual Revenue Requirement (ARR) & Proposed Tariff Calculation:**	
(i).	As per the norms for apportionment of total revenue requirement for fixation of upfront tariff for services rendered at multipurpose berth, 90% of the total revenue is allocated to cargo handling charges and balance 10% is equally distributed between storage charges and Misc. charges (5% each). The VOCPT has allocated 96% of total revenue to cargo handling charges and balance 4% equally distributed between storage charges and Misc. charges. The reasons for deviation to be furnished with justification.	The Annual Revenue Requirement was apportioned towards cargo handling charges, storage charges and Misc. charges in the ratio of 96%, 2% and 2% as apportioned previously in the proposal for fixation of upfront tariff for the project of Shallow Draught berth for handling cement and cement raw materials. The workings is revised now in the ratio of 90%, 5% and 5% as per Guidelines and the revised workings is submitted in respect of cargo handling services. [The VOCPT has not furnished separate reply to the point of action given at para 7.2. (iii) above. The reply of the VOCPT at the above point addresses the point of action brought out at para 7.2 (iii) above.]
(ii).	In the berth hire calculation, the VOCPT has proposed concessional rate for coastal vessel at 60% of the rate arrived, but, the impact of coastal concession is not captured while computing the berth hire charges. The effect of concessional tariff applicable for coastal vessel may be reckoned in the revenue model to ensure that the estimated revenue requirement can be achieved by the BOT operator at the proposed tariff level.	As port is undertaking berth exclusively for handling coastal vessels in VOCPT, all the vessels to be handled in the subject general cargo berth assumed as Foreign. Hence, the revenue requirement is also not captured for coastal vessels.
7.	**Computation of Berth Hire Charges:** The VOCPT to confirm that the vessel parameters viz. Average GRT hours, parcel size of vessel etc. adopted for berth hire computation is in line with actuals for the last 3 years.	The vessel parameters viz. Average GRT hours, parcel size of vessel etc. adopted for berth hire computation is based on the information available in the Feasibility Report of the said project and the same is prepared in line with actual arrival pattern of the vessels in the port for the previous years.
8.	**Storage charge calculation:**	
(i).	The basis for assuming 10% of cargo capacity to attract storage charge to be explained.	Considering the nature of cargo to be handled in the Shallow Draught Berth it is assumed that 10% of the cargo will attract storage charges as assumed in the previous proposal for Shallow Draught Berth for handling cement and related raw materials.
(ii).	The VOCPT has proposed ₹3 per tonne/day for the first six days beyond free period, ₹4.86 per tonne/day next six days and ₹9.48 per tonne/day thereafter. The basis and workings for the proposed rates of storage charges to be furnished.	The revenue requirement toward the storage charges (₹118.16 lakhs) is divided by the quantum of cargo (2.41 lakh tonne) that will attract storage charges and the resultant is divided further by 6 days to arrive the tariff for per tonne per day for the first six days

		thereafter it is multiplied by 1.62 times for the next slab and then by 1.95 times for the third slab as proposed in the previous proposals of NCB-III and SDB for handling cement and related raw materials, which was considered.
9.	**Scale of Rates:** The following general condition may be incorporated in the Scale of Rates in line with similar prescription in the upfront/ reference tariff schedule in other Major Port Trusts, including VOCPT: "Users will not be required to pay charges for delays beyond reasonable level attributable to BOT operator".	The Authority may please incorporate a clause under General Terms & Conditions 1.2 of the SoR as "Users will not be required to pay charges for delays beyond reasonable level attributable to BOT operator".

7.2. While furnishing additional information / clarification, the VOCPT vide its letter dated 7 October 2016 has also filed a revised tariff calculation.

7.3. The main modifications proposed by the VOCPT vide its letter dated 7 October 2016 are as under:

(i). The port has considered the separate handling rate for dry bulk cargo, break bulk cargo and break cargo (others) as against the single handling rate considered by it in its original proposal.

The comparison of handling rate considered in its original proposal and revised proposal is as under:

Commodity	Handling Rate as per Original Proposal dated 30 July 2016	Handling Rate as per Revised Proposal dated 7 Oct 2016
Dry bulk cargo	10,000 Tonnes/day	10,000 Tonnes/day
Break bulk cargo	10,000 Tonnes/day	6,000 Tonnes/day
Break cargo others	NIL	3,750 Tonnes/day

(ii). Accordingly, it has revised the calculation of Optimal Quay Capacity as given below:

Optimal Quay Capacity:

(i).	Optimal Quay Capacity = 0.70 [(90% X 10,000) + (2.50% X 6,000) + (7.50% X 3,750)] X 365 = (2299500+38325+71859)	24,09,684

(iii). There is no change in the estimation of Capital Cost and Operating Cost and ARR in comparison to its original proposal.

(iv). **Apportionment of Revenue Requirement:**

(a). The VOCPT has revised the apportionment of revenue requirement in its revised proposal following the norms for apportionment of ARR prescribed in the 2008 guidelines as tabulated below:

Commodity	% Considered for apportionment in the Original Proposal dated 30 July 2016	% Considered for apportionment in the Revised Proposal dated 7 Oct 2016
Cargo Handling Charges	96%	90%
Storage Charges	2%	5%
Miscelleneous Charge	2%	5%

(b). Accordingly, the revised apportionment considered by VOCPT in its revised proposal is given as below:

(₹ in lakhs)

Sl. No.	Apportionment of Revenue Requirement	Estimates
(i).	Cargo Handling Charges @ 90% of ARR	2,126.82

(ii).	Storage Charges @ 5% of ARR	118.16
(iii).	Miscellaneous Charges @5% of ARR	118.16
	Total Revenue Requirement for cargo handling activity	2,363.14

(v). Working of revised tariff:

(a). **Cargo handling charges**

For arriving at the proposed rate for cargo handling charge, the estimated revenue requirement is apportioned to the three cargo groups viz. Dry Bulk Cargo, Break bulk cargo and Break cargo (others) in the ratio of 90%, 2.5% and 7.5% respectively and the rate for foreign cargo is arrived as follows:

Sl. No.	Particulars	₹ in lakhs
1.	**Handling Charges**	
(a).	Revenue Requirement.	2126.82
(b).	Terminal Capacity (in lakh tonnes)	2409684
(c).	Cargo Handling Charges **₹ per tonne (for foreign)**	
	Dry Bulk Cargo	83.24
	Break bulk cargo	138.74
	Break cargo (others)	221.98

(b). **Working for Storage Charges & Miscellaneous Charges:**

Due to changes in Apportionment of Revenue Requirement by VOCPT, the VOCPT has revised Storage Charges and Miscellaneous Charges as follows:

Sl. No.	Particulars	Amount
1.	**Storage Charges**	
(a).	Revenue Requirement for storage charges (₹ in lakhs)	118.16
(b).	Percentage of cargo that attract storage charges	10%
(c).	Cargo that attract storage charges (in lakh tonnes) (24.10 x 10%)	2.41
2.	**Storage Charges per tonne per day : (beyond free period)**	
(a).	For first six days (In ₹ per tonne per day)	8.17
(b).	Next six days (In ₹ per tonne per day)	13.24
(c).	Thereafter (In ₹ per tonne per day)	25.81
3.	Miscellaneous Charges	
(a).	Revenue Requirement for Miscellaneous Charges	118.16
(b).	Terminal Capacity (in lakh tonnes)	24.10
	Misc Charges for sweeping and dust suppression services etc. (In ₹ / Tonne)	4.90

(c). **Berth Hire Calculation:**

There is no change in the Berth Hire Charge calculation and Berth hire charge from the rate proposed by the VOCPT earlier.

7.4. The revised tariff proposed by VOCPT are given below:

(i). Cargo Handling Charges for Shallow Draught Berth for handling General Cargo:

Sl. No.	Commodity	Unit	Rate (In ₹) (Foreign)	Rate (In ₹) (Coastal)

1.	Dry Bulk Cargo	Per Metric Tonne	83.24	49.94
2.	Break Bulk (Bagged)	Pet Metric Tonne	138.74	83.24
3.	Break Bulk (Others)	Per Metric Tonne	221.98	133.19

(ii). Storage Charges after free period (Per tonne / day)

(a). Free Period : 5 days for Import
15 days for Export

(b). Storage Charges after free period

(In ₹ / tonne / day)

Sl. No.	Description	First Six Days	Next Six Days	Thereafter
1.	Dry Bulk Cargo / Break Bulk Cargo	8.17	13.24	25.81

(iii). Miscellaneous Charges for Sweeping and dust suppression services etc.

1.	Dry Bulk Cargo / Break Bulk Cargo	₹4.90/Tonne

(iv). Schedule of Berth Hire

Sl. No.	Vessels	Rate in ₹ per GRT per Hr. or Part thereof
1.	Vessels (Foreign)	1.64
2.	Vessels (Coastal)	0.98

7.5. In response to point of action brought out at para 7.2 (iii), the list of commodities which are proposed to be handled in proposed Shallow Draft berth are as under, as furnished by VOCPT:

- Cement
- Lime Stones
- Palm Oil
- Cashew nuts in bag
- Oil cake/ Copra
- Peas
- Stone Dust
- Stone (Rough)
- Salt in Bulk
- Sulphur

The VOCPT has confirmed that the concessionaire will not be allowed to handle other than the specified cargo mentioned in the tender.

8.1. With reference to the submission of revised proposal, the VOCPT was requested vide our letter dated 18 October 2016 to confirm circulation of the revised proposal dated 7 October 2016 to the users / user associations / prospective bidder for furnishing their comments within 3 days from the receipt of the revised proposal. The VOCPT vide its email dated 5 November, 2016 has confirmed that the revised proposal has been forwarded to the users / user associations / prospective bidder for furnishing their comments.

8.2. The Tuticorin Stevedores Association (TSA) vide its letter dated 5 October 2015 has furnished its comments on the revised proposal. A copy of the comments received from the TSA was forwarded to the VOCPT vide our letter dated 18 October 2016. The VOCPT vide its email dated 8 November 2016 has furnished its reply.

9. During the processing of the case for finalisation, it was given to understand by the VOCPT that the port may have to relook at the proposal with reference to the rate for bagging services for handling cement. Hence, the VOCPT was requested vide our letter dated 9 November 2016 to do the needful in this regard. In response, the VOCPT vide its letter dated 11 November 2016 has clarified that if cement is handled necessary silo arrangement will be made by the PPP operator. The port has confirmed that there is no need for any modification in its proposal as such.

10. 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 parties will be sent separately to the relevant parties. These details will also be made available at our website http://tariffauthority.gov.in.

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

(i). The proposal of the VOCPT is to determine reference tariff for handling general cargo at the Shallow Draught Berth (SDB) under Tariff Guidelines of 2013 following the principle of 2008 guidelines.

The VOCPT has formulated its proposal based on the norms and parameters prescribed in tariff guidelines of 2008 for multipurpose berth, wherever relevant, for assessing the optimal capacity of the terminal and operating cost.

(ii). Clause 2.4 of the tariff guidelines of 2013 stipulates that if in the view of the Major Port Trust, the tariff determined for a particular commodity under 2008 guidelines at that Major Port Trust or any other Major Port Trust is not a representative Reference Tariff for that commodity, then the Major Port is free to approach this Authority with a proposal to fix Reference Tariff under 2008 guidelines for the project giving detailed and sufficient justification. As stated earlier, the proposal in reference is for fixation of Reference tariff for development of Shallow Draught Berth for handling general cargo through Public Private Partnership (PPP) mode to Develop, Build, Finance, Operate and Transfer (DBFOT) basis at VOCPT by deployment of 80T HMC. The upfront tariff approved by this Authority is for 100T HMC at most of the Major Port Trusts and for 124 T HMC at a few ports based on the proposal of the concerned port. No upfront tariff is found to have been prescribed for similar full-fledged facility envisaged by the port with 80T HMC under the Tariff guidelines of 2008. Hence, the proposal filed by the VOCPT under 2013 guidelines by following the principles of 2008 guidelines which has been approved by the Board of Trustees of the port is taken for consideration.

(iii). The original proposal was filed by the VOCPT on 30 July 2016. In the original proposal, as brought out in the earlier paragraphs, there were few deviations from the norms prescribed in the upfront tariff guidelines in respect of vital elements viz. handling rate and percentage considered for apportionment of Annual Revenue Requirement (ARR) to the cargo handling activity, storage and miscellaneous activities. Having been pointed out by us on the deviations, the VOCPT vide its letter dated 7 October 2016 has filed a revised proposal. The VOCPT has also furnished further clarification vide its letter dated 11 November 2016. This case could be taken up for finalisation only on receipt of complete information / clarification from the port. The revised proposal filed by VOCPT vide its letter dated 7 October 2016, along with the information/ clarification furnished during the processing of the case is considered in this analysis.

(iv). The proposal of VOCPT envisages to handle dry bulk cargo, Break bulk cargo and other Break bulk cargo. The proposal of VOCPT as well as the proposed SOR do not list out the dry bulk cargoes expected to be handled for which the reference tariff is proposed. On being pointed out, the port has listed that it envisages to handle Cement, Lime Stones, Palm Oil, Cashew nuts in bag, Oil cake/ Copra, Peas, Stone Dust, Stone (Rough), Salt in Bulk, Sulphur etc. cargo items at the SDB. It is seen that the list of cargo items envisaged to be handled at shallow draft by the port include dry bulk, Break bulk cargo bagged and Break bulk cargo (others). The port in the proposed SOR has maintained the cargo groups in the three main categories viz. dry bulk cargo, break bulk cargo and break bulk (others) and sought tariff for these three broad cargo groups. The port has not proposed to list the cargo items in the proposed SOR. The VOCPT has, however, confirmed that the Concessionaire will not be allowed to handle other than the specified cargo to be mentioned in the tender. Based on the clarification furnished by the VOCPT this Authority proceeds further to fix reference tariff for the three broad cargo categories for which reference tariff is sought by the port.

(v). Optimal capacity:

The VOCPT had initially assessed the optimal capacity of the terminal at 2.56 Million Tonnes Per Annum (MTPA). Subsequently, the port has revised the optimal capacity and assessed it at 2.41 MTPA. The proposal of the VOCPT envisages deployment of one 80 T HMC. The optimal capacity of the terminal proposed by the VOCPT is analysed in the following paragraphs:

(a). The share of vessels carrying dry bulk cargo, break bulk cargo, and other break bulk cargo taken by VOPT is at 90%, 2.50% and 7.50% respectively. The percentage share of various cargo groups considered by the port in the optimal capacity computation is reportedly based on the current trend which is relied upon in this analysis.

(b). Dry bulk cargo:

The upfront tariff guidelines for the multipurpose terminal, which has been considered as base by the VOCPT in the proposal in reference, stipulate norms for handling rate of the vessel carrying different type of cargo. For dry bulk cargo vessels of parcel lower than 30,000 tonnes, the norm for handling rate prescribed in 2008 guidelines is 7,500 tonnes/day and for parcel size of vessels above 30,000 tonnes, the handling rate norm prescribed in 2008 guidelines is 10,000 T/day. For Break bulk cargo the handling norm prescribed is 4000 tonnes/day (steel & bagged cargo) and 2500 tonnes/day for others. The above handling rate norms prescribed in the 2008 guidelines is for 3 nos. of 20T Electrical Level Luffing (ELL) crane aggregating to 60T crane capacity.

It is relevant here to state that the upfront tariff determined by this Authority is for standard 100T HMC in most of the cases. In few a Major Port Trust like Kandla Port Trust this Authority has determined tariff for 124 T HMC and 60T HMC. With reference to one of the proposals of VOCPT seeking tariff for 80T HMC for private service provider authorised by the port, this Authority vide its Order No.TAMP/22/2007-TPT dated 30 December 2009 had prescribed performance linked tariff for standard HMC capacity of 100T and not for 80T.

For 100T HMC, the handling rate considered by this Authority for determination of tariff for HMC is 12,500 tonnes/day. For Break bulk cargo the rate is 6000 tonnes/day (steel & bagged cargo) and 3750 tonnes /day for others.

As against the above, the VOCPT has considered the handling rate of 10000 tonnes per day for dry bulk cargo 6000 tonnes per day for break bulk bagged cargo and 3750 tonnes per day for break bulk other cargo for deployment of 80T HMC.

When the port was requested to comment on the handling rate of 10,000 tonnes/day considered by it for parcel size of vessels of 16,000 tonnes as against the handling rate norms of 7500T / day for vessels below 30000 tonnes parcel size, the port has clarified that the handling rate of 10,000 Tonnes per day with respect to the parcel size of 16,000 Tonnes is considered as per Feasibility Report. The VOCPT has further stated that the average handling rate of the port in respect of Dry Bulk cargo for the years 2013-14, 2014-15, 2015-16 is 9,624 Tonne per day. Relying on the clarification furnished by the port and recognising that the handling rate of 10,000 Tonnes per day for dry bulk cargo is as considered in the Feasibility Report for this project and closer to the actual handling rate of 9625 tonnes per day achieved by VOCPT in the year 2015-16 the handling rate of 10,000 Tonnes per day for dry bulk cargo same as considered by the VOCPT is considered.

As regards break bulk (bagged) and break bulk cargo (others) the handling rate considered by the port at 6000 Tonnes/ day and 3,750 Tonnes/ day respectively is at the level of handling rate considered for 100T HMC. Since the handling rate considered by the port is reportedly as per Feasibility Report and none of the users/ prospective bidders have made any adverse remark on this, the analysis is proceeded based on the handling rates considered by the port.

(c). Based on the percentage of cargo share and handling norms discussed at paragraphs (a) and (b) above respectively, the VOCPT has arrived at the optimal capacity at 70% utilization level, following the formula prescribed in the guidelines for multipurpose berth at 2,409,648 MT (i.e. 2.41 MTPA).

(d). The upfront tariff guidelines of multipurpose berth do not require assessment of yard capacity and, therefore, the capacity of the terminal is equal to the capacity determined for the quayside.

(e). Accordingly, the optimal capacity of the proposed SDB is considered at 2,409,684 tonnes per annum i.e. 2.41 MTPA as assessed by the port.

(iv). Capital Cost:

The VOCPT has estimated the capital cost for the facility at ₹123.35 crores of which ₹53.36 crores is towards berthing activity and ₹69.99 crores is for cargo handling services.

(a). Berthing activity:

(i). As per the upfront tariff guidelines, the capital cost for berth hire services shall include cost of construction of berth and cost of dredging, if any, carried out alongside the berth.

(ii). The VOCPT has estimated the capital cost for construction of berth at ₹53.36 crores, which includes supervision charges @ 7%, contingencies @ 3% and Works contract tax @ 4% on 65% of berth cost. The estimated capital cost for berthing activity does not include cost of dredging the dock basin. The dredging work in dock basin has already been done and the draft at SDB is sufficient to handle the vessels proposed to be handled at the inner harbour at SDB, as reported by the port. The capital cost for berthing services which is based on the Feasibility Report is relied upon.

(b). Cargo handling activity:

(i). Civil construction cost:

The VOCPT has estimated the civil construction cost at ₹30.85 crores including supervision charges @ 7%, contingencies @ 3% and Works contract tax @ 4% on 65% of civil cost. The works included in the estimate are filling up and protection works alongside SDB, hardening of back up area of 3.50 hectares for development of storage yard, construction of compound wall alongwith periphery, internal roads and water supply and sewage etc. The tariff guidelines of 2008 require this Authority to consider the estimates of Civil Works as furnished by the port. All the estimates of Civil, Mechanical and cost of berth furnished in the workings for tariff proposal is based on the Feasibility Report furnished by M/s.WAPCONS. Based on the clarification furnished by the port, the capital cost estimated by VOCPT is considered in this analysis.

(ii). Mechanical Works Cost:

The VOCPT has estimated the equipment cost at ₹35.81 crores including supervision charges @ 7%, contingencies @ 3% and Works contract tax @ 4% on 65% of equipment cost.

As per the guidelines, the equipment cost is to be estimated for the list of equipment prescribed therein. The list of equipment prescribed in the guidelines for multipurpose berth is 3 nos. of Level Luffing Wharf crane each of 20 Tonne capacity with grab / hook attachments, 6 Nos. Fork Lift Trucks (FLT) and 3 Nos. Pay loaders each of 10 T capacity and Power, Lighting & Communication. The VOCPT has considered 1 No. 80T HMC and 1 No. 20 MT Grab and electrical works for handling general cargo.

As can be seen from the above, there is deviation in the equipment considered by the port vis-à-vis fleet of equipment prescribed in the guidelines. The deviation appears to be on account of the port proposing deployment of 80T HMC at the SDB whereas the norms prescribed in the guidelines is for 3 nos. of 20T ELL aggregating to 60T. As brought out earlier, the VOCPT has considered higher handling rate than the handling norms prescribed in 2008 guidelines in the optimal capacity calculation.

The port has confirmed that the equipment proposed will cater to the requirement of 20,000 DWT vessels. The deployment of equipment proposed by the VOCPT is as per the Feasibility Report.

Further, clause 3.2 of the 2008 guidelines gives flexibility to this Authority to make necessary adjustment in the norms based on justification furnished by the port and in view of port specific conditions having impact on the norms prescribed in the guidelines. Based on the position brought out in the preceding paragraphs, the equipment considered by the VOCPT for estimation of capital cost is accepted.

(iii). The estimated capital cost for civil works and equipment are not supported with documentary evidence. The VOCPT, however, submitted that the capital cost estimation is based on the Feasibility Report of the project with confirmation that the cost estimates are based on prevailing market rates. The capital cost estimates for mechanical equipment is, therefore, relied upon and considered.

(iv). The VOCPT has considered 7% and 3% on the civil and equipment cost estimates towards supervision charges and contingencies. It has also considered Works Contract Tax @ 4% on 65% of the civil and equipment cost estimates in arriving at the final capital cost. The above items are based on the Feasibility Report. Moreover, recognizing the position that these provisions were allowed in the estimation of capital cost while fixing upfront tariff for Shallow Draught Berth, North Cargo Berth-III and IV at the VOCPT, supervision charges @ 7%, contingency @ 3% and Works contract tax @ 4% on 65% of the estimated base cost are considered as estimated by the VOCPT.

(v). The Miscellaneous capital cost estimated by VOCPT at 5% of the civil & equipment cost is as per the provisions in the guidelines and hence the same is considered.

(vi). To sum up, the capital cost estimated by the VOCPT, is relied upon.

(c). This Authority has adopted the ROCE at 16% for the upfront tariff cases to be decided in the year 2016-17 which is considered for arriving at the proposed tariff caps for this project.

(v). Operating Cost:

(a). The guidelines for fixation of upfront tariff for multipurpose berth stipulate consumption norm of power at 100 units/hour/ ELL/crane for estimating power cost, which is with reference to three electrical level luffing wharf cranes. The VOCPT has adopted the same for estimating power cost for deployment of 80 T HMC. No norms are available for power consumption by 80T HMC in the upfront tariff guidelines of 2008. There has been no adverse comments from any users/ prospective bidders consulted during the processing of this case on this item. In the absence of norms or details of power consumption for an 80T HMC, the power consumption considered by the VOCPT, which is supported by the Feasibility Report, is relied upon and considered in the analysis.

As regards the working hours for power cost, the VOCPT has estimated power consumption of the above mentioned equipment for 4000 working hours citing that it is as per the working hour norms prescribed in the guidelines for multipurpose cargo terminal. It is relevant here to state the shallow draft project proposed to be given on BOT arrangement is a dedicated terminal. The optimal capacity of 2.41 MTPA assessed for this project is based on 6132 hours (i.e. 365 days *24 hours *70%). That being so, estimation of power cost for equipment for 4000 hours does not match with the working hours considered for assessing the optimal capacity for this project. Therefore, estimation of power cost is modified and considered at 6132 hours instead of 4000 hours considered by the VOCPT. This is done so that working hours for equipment proposed for deployment match with working hours considered in the optimal capacity assessed for the project. It is also in line with the modification in working hours done in other reference tariff cases at VOCPT and other Major Ports.

The unit cost of power considered by the VOCPT is ₹10.20 which the port has supported with copy of the electricity bills for the month of May, June & July 2016. In this regard, it is relevant to state that in the other proposal filed by the VOCPT for fixation of reference tariff for deployment of mobile rubber tyred electrically operated hopper, the port has furnished copies of recent electricity bills. In the said proposal, the port has adopted unit rate of power at ₹11.50/ tonne i.e. ₹10.28 / unit + ₹1.15/ unit overhead charge as per VOCPT SOR +0.07=11.50/ unit based on the electricity bills of the September, October and November 2016. The charges for recovery of overhead charges for supply of electricity by port prescribed in the recent general revision of the SOR of the VOCPT is ₹1.47 / unit consumed. Further, as per the recent bill of November 2016 furnished by the port, per unit cost of electricity is ₹9.78 / unit instead of ₹10.28 / unit considered by the port. The unit cost of power is, therefore, updated based on the recent electricity bill furnished by the port. As regards pension fund levy considered by the port, it is to state that the said levy has already been withdrawn by the port in the general revision of its SOR filed under the Tariff Policy, 2015 and approved by this Authority and hence excluded from the unit rate of power considered by the port for the estimating this item. Based on the above analysis, the unit rate of power is considered at ₹11.25 per unit [i.e. ₹9.78 / unit + ₹1.47 / unit being the overhead charge as per the existing SOR of the VOCPT]. Based on the above modification the power cost works out to ₹68.99 lakhs.

(b). The VOCPT has estimated repairs and maintenance cost at 1% on the civil assets and 7% on the mechanical and electrical equipment, insurance at 1% of the gross value of fixed assets and other expenses at 5% of the gross value of fixed assets which are found to be as per the norms prescribed in the guidelines except repairs and maintenance cost estimated on the mechanical and electrical equipment. The Tariff Guidelines 2008 prescribe norm of 5% for estimating repairs and maintenance cost on mechanical and electrical equipment for multipurpose berth.

The VOCPT has also not furnished any reason for deviation from the prescribed norm. The repairs and maintenance cost estimated for HMC in other cases as well as at VOCPT for berth no. III & IV approved vide Order No. TAMP/41/2015-VOCPT dated 10 August 2015 and also for multipurpose berth is at 5% as per the norm. That being so, there is no reason to deviate from the norm only in respect of this case.

That being so, the estimate repair and maintenance cost on mechanical equipment is modified applying the prescribed norm of 5% in line with approach followed in other cases for similar facility.

(c). Depreciation, as per the guidelines, should be calculated following the depreciation rates as per Straight Line Method (SLM) prescribed in the Companies Act. The VOCPT has computed depreciation on civil assets @ 3.17% per annum and on mechanical assets @ 6.33% per annum. The deprecation rate considered by the VOCPT is in line with the depreciation considered in other reference tariff cases wherein the port has furnished relevant extract of the Companies Act, 2013, in support of the depreciation rate considered.

(d). The VOCPT has calculated the lease rentals for the backup land area (stack yard) as well as waterfront area to be allotted to the PPP operator under this project. An area of 35,000 sq. m. is proposed to be allotted for the backup area which includes area required for construction of silos & hardening, storage shed, buildings for electrical room, store room and open storage yard for keeping the raw materials in transit. The extent of backup area of 35,000 sq. m. considered by the port are relied upon.

The lease rent approved by this Authority vide Order No.TAMP/6/2012-VOCPT dated 4 April 2014 under the category of Commercial – Port related with the base rate of ₹335.14 per Sq.m./annum w.e.f. 1 July 2007 with the escalation of 2% per annum w.e.f. 1 July 2013 works out to ₹362.77 for the year 2016. The unit rate considered by VOCPT for estimating the license fee on land is found to be in order.

For the water area, the port has applied 50% of the applicable lease rent i.e. ₹181.38 per sq. m. per / annum. (362.77*50/100) which is in line with the amended Land Policy Guidelines, 2014.

(e). The VOCPT has computed other expenses on gross fixed assets @ 5% according to the norms prescribed in the guidelines which is considered.

(f). The guidelines require the operating cost for berthing service to be estimated at 1% of the berth cost.

The VOCPT has considered insurance @ 1% per annum and depreciation @ 3.17% per annum on the aggregate capital cost relating to construction of berth while estimating the annual revenue requirement of berthing service apart from the prescribed norm of 1% towards maintenance.

Although the guidelines restrict the annual 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 various ports including VOCPT, this position was recognised by this Authority 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 at 1% per annum and depreciation @ 3.17% per annum of the capital cost as considered by VOCPT for assessment of the revenue requirement from berth hire service are taken into account.

(vi). The statement for fixing upfront tariff submitted by the VOCPT has been modified in line with the above analysis. A copy of the statement along with the calculation of berth hire is attached as **Annex - I**.

(a). As per the statement, the total revenue requirement from cargo handling service works out to ₹2319.73 lakhs which is an aggregate of Return on a capital employed of ₹1119.87 lakhs and modified operating cost of

₹1199.86 lakhs as against total annual revenue requirement of ₹2363.14 lakhs estimated by the VOCPT being an aggregate of Return on a capital employed of ₹1119.87 lakhs and operating cost of ₹1243.26.

(b). The VOCPT has proposed to apportion 90% of the revenue requirement towards handling charge, 5% towards storage charge and 5% towards miscellaneous charge which is in line with the upfront tariff guidelines hence considered as proposed by the port.

Based on the modified total revenue requirement of ₹2319.73 lakhs, ₹2087.76 lakh is apportioned towards cargo handling charges, ₹115.99 lakh towards Storage charges & ₹115.99 lakh towards Miscellaneous charges.

Clause 3.8.2 of the guidelines states that the tariff cap for different individual services is to be set appropriately in such a way as to achieve the annual revenue requirement.

The port has reported that the entire share of cargo capacity will be foreign. Taking this into consideration and based on the estimated throughput of each cargo group in the optimal capacity and modified estimated revenue requirement from cargo handling services, the composite handling rates for Bulk cargo, break bulk and break bulk others works out to ₹81.71 per tonne, ₹136.19 per tonne, and ₹217.90 per tonne respectively for foreign cargo as against ₹83.24 per tonne, ₹138.74 per tonne and ₹221.98 per tonne proposed by VOCPT. Further, the VOCPT is of the view that the entire cargo handled would be only foreign cargo. Nevertheless, coastal rate has been prescribed at 60% of the foreign rate, as proposed by the port so that a rate is available in SOR.

The port has proposed note stating that the handling charge prescribed above is a composite charge for (a). unloading of the cargo from the vessel including stevedoring and transfer of the same up to the point of storage, storage at the stack yard upto a free period of 5 days and loading for delivery in respect of import cargo and (b) unloading of the cargo at the stack yard, storage at the stack yard upto free period of 15 days, transfer the cargo to the loading point and loading onto the ship including stevedoring for export cargo. This composite charge includes wharfage and supply of labour, wherever necessary and all other miscellaneous charges not specifically prescribed in the Scale of Rates. The proposed note is incorporated in the SOR.

(c). As per the upfront tariff guidelines, storage charge for multipurpose terminal is leviable for storage of cargoes at the transit area beyond the allowable free period of 5 days for import cargo and 15 days for export cargo. The port has assumed 10% of the optimal capacity would attract storage charges. The position furnished by the VOCPT is solely relied upon. The VOCPT has furnished calculation for arriving at storage charge. In the upfront tariff calculation furnished by VOCPT to meet estimated annual revenue requirement of ₹118.16 lakhs from storage charge beyond the proposed free period, the rate for the first slab of 6 days comes to ₹8.17 per tonne/ day. The rate for the subsequent slab is proposed at 1.62 times and 3.16 times the rate for first slab.

In view of modification in the estimated annual revenue requirement and the optimal capacity for containers, the storage charge proposed by the VOCPT has been modified keeping the slab structure and the approach adopted by the VOCPT unaltered. For the modified annual revenue requirement of ₹115.99 lakhs from storage charge, the storage rate beyond the proposed free period for the first slab of 6 days comes to ₹8.02 per tonne/ day. The rate for the subsequent two slabs are prescribed at 1.62 times and 3.16 times the rate for first slab in line with the approach followed by the VOCPT.

(d). Based on the modified revenue requirement, tariff cap for miscellaneous charge spread over the optimal capacity works out to at ₹4.81 per tonne, for dry bulk cargo, break bulk cargo, and other break bulk cargo as against 4.90 per tonne proposed by the port. The miscellaneous charge is stated to be a for sweeping and dust suppression services etc., Since the note under the cargo handling charge already states that composite rate will cover all miscellaneous services which is not specifically prescribed in the SOR, there is no need to state this under the schedule of miscellaneous charge.

(e). The revenue requirement from berthing service estimated by VOCPT at ₹1,129.54 lakhs (comprising of ₹853.69 lakhs being 16% return on a capital cost and operating cost of ₹275.85 lakhs) is considered with slight at ₹1129.64 modification. The reason for marginal decrease in ARR remains unexplained.

The VOCPT proposed berth hire in rupee terms for foreign going vessel at ₹1.64 per GRT per hour. The methodology followed by the VOCPT for arriving at the berth hire is in general found to be in line with the approach followed by this Authority in other upfront tariff cases. After computation of berth hire charges, tariff cap for Berth hire charge is prescribed at ₹1.64 per GRT per hour for foreign going vessels and ₹0.98 per GRT per hour for coastal vessels.

Normally vessel related charges for foreign going vessels are denominated in US dollar terms by converting the rupee value to dollar terms by applying the exchange rate prevailing at the time of notification of the relevant tariff order. This Authority while finalising the upfront berth hire at various ports has held that prescribing dollar denominated berth hire is not appropriate in the upfront tariff cases which will have a validity of 30 years. It was then decided that applying a WPI based escalation on a foreign currency is not correct as the foreign exchange variation over the next 30 years cannot be predicted and in case of any abnormal variations, either the users or the operator will have to bear the incidence, depending on which side the appreciation takes place. Therefore, it has been decided by this Authority to approve the upfront berth hire charge in Rupee term only.

(vii). The Government of India in the Ministry of Shipping (MOS) undercover of its letter No. PT-11033/51/2014-PT dated 11 November 2014 has forwarded a copy of the guidelines on priority berthing of coastal vessels at Major Port issued vide letter No. PT-11033/51/2014-PT dated 4 September 2014 to this Authority. Accordingly, this Authority vide its Order No.TAMP/52/2014-Genl. dated 28 November 2014 has, *inter alia*, approved the replacement of definition of 'Coastal Vessel' prescribed in the existing SOR of all the Major Port Trusts as follows:

"*Coastal vessel" shall mean any vessel exclusively employed in trading between any port or place in India to any other port or place in India having a valid coastal licence issued by the Director General of Shipping/ Competent Authority.*'

Therefore, the definition of Coastal Vessel proposed by the VOCPT has been modified in line with the above mentioned definition of 'Coastal Vessel'.

(viii). (a). The general conditions and notes under schedules, viz. applicability of concessional rates to coastal vessels / cargo, rounding off the bill amount, no refund / claim for amount less than ₹100/-, penal interest on delayed payments, etc. proposed by the VOCPT are in line with the general conditions prescribed in other Major Ports / Terminals.

(b). The VOCPT was requested to incorporate the general condition in the Scale of Rates stating that Users will not be required to pay charges for delays beyond reasonable level attributable to BOT operator in line with similar prescription in the upfront/ reference tariff schedule in other Major Port Trusts.

The said general note in this regard is incorporated in the SOR at the request of VOCPT.

(ix). In the Berth hire Schedule, the common conditionalities like the period of berth hire to be calculated from the time vessel occupies the berth, no berth hire to be levied for the period when the vessel idles at the berth due to breakdown of terminal operator's equipment or any other reasons attributable to the terminal operator, penal berth hire for false signal which 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 and hence is incorporated in the Scale of Rates.

For ousting priority/ priority berth hire charges, the VOCPT has proposed a note stating that the rates and conditions for granting ousting priority berthing/ priority berthing are governed by the Government guidelines in this regard and provisions in the SOR of VOCPT. The Scale of Rates of VOCPT prescribes specific conditions relating to charges for priority berthing and ousting priority. The proposed note is, therefore, replaced with the conditionalities relating to ousting priority and priority berth hire charges in line with the prescription in the Scale of Rates of VOCPT.

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

The Performance Standards proposed by the port is that the PPP operator shall guarantee to handle a minimum volume of general cargo as 8000 Tonnes per day. The performance standard proposed by the VOCPT is not found to be in line with the handling rate considered in the optimal capacity calculation at 10000 tonnes per day for dry bulk cargo 6000 tonnes per day for break bulk bagged cargo and 3750 tonnes per day for break bulk other cargo.

Though the revised guidelines of 2013 do not require this Authority to go into the Performance Standards proposed by the port it is not unreasonable to assume that the ports would propose reasonable and achievable Performance Standards. This Authority has vide its letter no.TAMP/18/2013-Misc dated 5 December 2013 to the MOS requested to consider whether uniform norms or guidelines need to be prescribed to Major Port Trusts for proposing Performance Standards to reflect the best performance to be achieved either by a Major Port Trust or by a BOT operator. Recognising that evolvement of uniforms norms/ guidelines for Performance Standards across all Major Port Trust may involve some time, the MOS was requested to advise all the Major Port Trusts to propose reasonable and achievable Performance Standards which should not be lower than the output (handling) rate considered in the optimal quay capacity calculation of the PPP project. That being so, in the instant case, the performance standard is modified and prescribed at 10,000 tonnes per day for dry bulk cargo 6000 tonnes per day for break bulk bagged cargo and 3750 tonnes per day for break bulk other cargo at par with the handling rate considered by the port in the optimal capacity calculation.

(xi). The VOCPT has proposed a general note relating to indexation factor for automatic adjustment every year giving the base WPI occurring between January 2016 and relevant year to be considered for such indexation. Since the cost estimates considered in the reference tariff calculation are based on the market rate pertaining to the year 2016, it is found appropriate and relevant to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2016, as proposed by the Port. Thus, the note in this regard as proposed by the Port is suitably modified and incorporated in the reference tariff schedule.

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

13.2. (i). If there is any error apparent on the face of record considered, the VOCPT may approach this Authority for review of the reference tariff fixed, prior to completion of bidding process of the project giving adequate justification/ reasoning within 30 days from the date of notification of the Order in the Gazette of India.

(ii). The VOCPT may also, for any other justifiable reasons, approach this Authority for review of the reference tariff fixed prior to completion of bidding process of the project giving adequate justification/ reasoning within 30 days from the date of notification of the Order in the Gazette of India.

13.3. In the result, and for the reasons given above, and based on application of mind, this Authority approves the Reference Tariff Schedule for the development of Shallow Draught Berth for handling General Cargo as well as Performance Standards attached as **Annex - II** and **Annex - III** respectively.

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

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

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

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

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

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

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

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

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

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

14.9. Within 15 (fifteen) days of the signing of the Concession Agreement, the concerned operator will forward the Concession Agreement to this Authority which will host it on its website.

14.10. The PPP operator shall furnish to this Authority quarterly reports on cargo traffic, ship berth day output, average turnaround time of ships, average pre-berthing waiting time as well as the tariff realized for each berth. The quarterly reports shall be submitted by the PPP operator within a month following the end of each quarter. Any other information which is required by this Authority shall also be furnished to them from time to time.

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

(T.S. Balasubramanian)
Member (Finance)

ANNEX - I

FORMULATION OF REFERENCE TARIFF FOR SHALLOW DRAOUGHT BERTH FOR HANDLING GENERAL CARGO THROUGH PUBLIC PRIVATE PARTNERSHIP AT V.O.CHIDAMBARANAR PORT ON DBFOT BASIS

Sr. No.	Particulars	Original proposal vide letter dated 30 July 2016	Revised proposal of VOCPT vide letter dated 07 October 2016	Modified Estimates as considered by TAMP
I	**Optimal capacity**			
(a).	Percentage share of capacity of cargo to be handled			
	(i) Percentage of Dry Bulk Cargo (S1)	10%	90.00%	90.00%
	(i). Percentage of Break Bulk (Bagged) S2)	90%	2.50%	2.50%
	(ii). Percentage of Break Bulk (Others) (S3)		7.50%	7.50%
(b).	Handling rate of cargo vessels carrying (In Tonnes per day)			
	-Handling rate of dry bulk cargo (P1)	10,000	10,000	10,000
	-Handling rate of Break bulk cargo			
	(i). Bagged (P2)	10,000	6,000	6,000
	(ii). Others (P3)		3,750	3,750
(c).	Optimal quay Capacity = 0.7*((S1*P1)+(S2*P2)*365	**2555000**	**2409684**	**2409684**
	Optimal capacity in MTPA	**2.56**	**2.41**	**2.41**
II	**Capital Cost**			
(i).	**Cargo Handling Activity**	**Rs. In Crores**	**Rs. In Crores**	**Rs. In Crores**
	Cargo Handling Equipment			
a).	**Civil Works**	**27.40**	**27.40**	**27.40**
	Sub total	**27.40**	**27.40**	**27.40**
	3% Contingencies and 7% Supervision charges on Base cost	2.74	2.74	2.74
	- Works contract tax @ 4% on 65% of the base cost	0.71	0.71	0.71
	Total Civil Construction Cost 'Sub total (a)	**30.85**	**30.85**	**30.85**
b).	**Mechanical Works**			
(i).	80T HMC	21.00	21.00	21.00
(ii).	Grab (20 MT)	1.00	1.00	1.00
(iii).	Electrical Items	9.80	9.80	9.80
	Sub Total	**31.80**	**31.80**	**31.80**
	3% Contingencies and 7% Supervision charges on Base cost	3.18	3.18	3.18
	- Works contract tax @ 4% on 65% of the base cost	0.83	0.83	0.83
	Total Mechanical Works Cost' Sub total (b)	**35.81**	**35.81**	**35.81**
c).	**Miscellaneous @ 5% on Civil construction cost and Mechanical works (a) and (b) excluding works contract tax.**	3.33	3.33	3.33
	Total Capital Cost for Handling Activity (a +b + c)	**69.99**	**69.99**	**69.99**
(ii).	**Capital Cost For Berthing Services**			
	Cost of berth	47.39	47.39	47.39
	3% Contingencies and 7% Supervision charges on Base cost	4.74	4.74	4.74
	- Works contract tax @ 4% on 65% of the base cost	1.23	1.23	1.23
	Total Capital cost for berthing services (a+b+C)	**53.36**	**53.36**	**53.36**
(iii).	**Total Capital Cost of the Project (i+ii)**	**123.35**	**123.35**	**123.35**
III	**Operating Cost**			
	Cargo Handling Activity	**Estimates (Rs.in lakhs)**	**Estimates (Rs.in lakhs)**	**Estimates (Rs.in lakhs)**
	(i) Dry Bulk /Break Bulk			
	(a) Power Cost for 80 T HMC (By VOCPT: 1*100 units* Rs10.20 * 4000 hrs) (Considered by TAMP 1*100 units*RS.11.25*6132 hours)	40.80	40.80	68.99
	(b). Repair & Maintenance cost			
	- Civil Assets (1% on civil work)	30.85	30.85	30.85
	- Mechanical asset @ 7% *on all mechanical and electrical euqipment.(Considered by TAMP @ 5%)	250.65	250.65	179.05
	(c). Depreciation			
	- Civil Assets (3.17%)	97.80	97.80	97.80
	- Mechanical assets @ 6.33%	226.66	226.66	226.66
	(d) Insurance (1%)	69.99	69.99	69.99
	(e). License Fee (Rentals for land and other port assets)			
	- Water Front Charges (27,338 sq.m @ Rs 181.38 / sq.m/Annum (50% of lease rent on land)	49.59	49.59	49.59
	- Stack yard (35,000 sq. m * Rs 362.76 / sq.m /Annum)	126.97	126.97	126.97
	(f). Other Expenses @ 5% on gross fixed assets	349.96	349.96	349.96
	Total Operating Cost	**1243.26**	**1243.26**	**1199.86**

IV	**Revenue Requirement & proposed tariff**						
(i).	**Cargo Handling charge**						
	1. Revenue Requirement						
	a) Total revenue requirement						
	Operating Cost	1243.26		1243.26		1199.86	
	(b). Return on Capital Employed (16%)	1119.87		1119.87		1119.87	
	(c). Total Revenue requirement from cargo handling activity	**2363.14**		**2363.14**		**2319.73**	
	2. Apportionment of Revenue Requirement						
	(a). Cargo Handling Charges	2268.61		2126.82		2087.76	
		(96% of ARR)		(90% of ARR)		(90% of ARR)	
	(b). Storage Charges	47.26		118.16		115.99	
		(2%of ARR)		(5%of ARR)		(5%of ARR)	
	(c). Miscelleneous Charge	47.26		118.16		115.99	
		(2%of ARR)		(5%of ARR)		(5%of ARR)	
	(d). Total Revenue requirement from cargo handling activity	**2363.14**		**2363.14**		**2319.73**	
	(a). Handling Charges (Composite)						
	- Revenue Requirement (Rs. in lakhs)	2268.61		2126.82		2087.76	
	Composite Handling Charge (Rs per tonne)	(2,555,000 tonnes)		(2,409,684 tonnes)		(2,409,684 tonnes)	
		Foreign	Coastal	Foreign	Coastal	Foreign	Coastal
	Bulk cargo			83.24	49.94	81.71	49.03
	Break bulk (bagged)	88.62	53.17	138.74	83.24	136.19	81.71
	Break bulk (other)			221.98	133.19	217.90	130.74
	(b). Storage Charge						
	- Revenue Requirement (Rs. in lakhs)	47.26		118.16		115.99	
	- % of Cargo to attract storage charge	10%		10%		10%	
	- Cargo likely to pay storage charge (lakh tonnes)	2.56		2.41		2.41	
	Storage Charge (beyond the free period)	**Rate Per tonne/day**		**Rate Per tonne/day**		**Rate Per tonne/day**	
	-First six day	3.08		8.17		8.02	
	-Next six days	4.86		13.24		12.99	
	-Thereafter	9.48		25.81		25.35	
	(c). Miscelleneous Charge						
	- Revenue Requirement (Rs. in lakhs)	47.26		118.16		115.99	
	- Capacity (Million Tonnes per annum)	2.56		2.41		2.41	
	- Miscellenous Charge per tonne	1.85		4.90		4.81	
(ii).	**BERTH HIRE CHARGES**						
	Operating cost for calculation of Berth hire						
(a).	**Revenue Requirement**	**(Rs. in Lakhs)**		**(Rs. in Lakhs)**		**(Rs. in Lakhs)**	
	(i). Repairs & Maintenance Charge (1% on construction of berth)	53.36		53.36		53.36	
	(ii). Depreciation @ 3.17%	169.14		169.14		169.14	
	(iii). Insurance @ 1%	53.36		53.36		53.36	
	Total operating cost Berthing service	**275.87**		**275.85**		**275.86**	
(b).	Return on capital Employed @ 16%	**853.78**		**853.69**		**853.69**	
	Total Revenue requirement from Berthing services (a + b)	**1129.65**		**1129.54**		**1129.64**	
	Berth hire Charge						
	Foreign going vessel (Rate per GRT per hour) in Rs.	**1.64**		**1.64**		**1.64**	
	Coastal vessel (Rate per GRT per hour) in Re.	**0.98**		**0.98**		**0.98**	

BERTH HIRE COMPUTATION

Furnished by VOCPT and considered by TAMP

Sr. No	Particulars	Unit	Dry bulk	Break bulk (Bagged)	Break bulk (Others)	Total	
i.	DWT	Tons	20000	20000	20000	20000	
ii	Ratio	%	90	2.5	7.5	100	
iii.	Ship day output	Tons/day	10000	6000	3750		
iv.	Average GRT per vessel	Tons	11242	11242	11242		
v.	Average parcel size	Tons	16000	16000	16000		
vi.	Tonnage expected to be handled (Traffic)	Lakh Tons	2299500	38325	71859	2409684	
vii.	Average no of berth days (vi / iii)		229.95	6.39	19.16	255.5	
viii.	No of berth hours {24 x (vii)}		5519	153	460	6132	
ix.	Expected number of vessels (vi/v)		144	2	4	151	
x.	Total GRT hours (iv*viii)		62042350	1723399	5170169	68935917	
xi.	Revenue Requirement (in lakhs)					1129.64	
xii.	**Berth hire - foreign going vessel (Rs /GRT/Hour)**					**1.64**	
xiii.	**Berth hire -Coastal vessel (Re / GRT/Hour)**					**0.98**	

Annex-II

V.O. CHIDAMBARANAR PORT TRUST

REFERENCE TARIFF SCHEDULE FOR DEVELOPMENT OF SHALLOW DRAUGHT BERTH FOR HANDLING GENERAL CARGO ON DBFOT BASIS FOR 30 YEARS

1.1. Definitions – General

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

(i). **"Coastal vessel"** shall mean any vessel exclusively employed in trading between any terminal or place in India to any other port or place in India having a valid coastal licence issued by the Directorate General of Shipping / Competent Authority.

(ii). **"Demurrage"** shall mean charges payable for storage of cargo in transit area within the Terminal premises beyond free period, as specified in the Scale of Rates.

(iii). **"Foreign-going vessel"** shall mean any vessel other than coastal vessel.

(iv). "**Free period"** shall mean the period during which cargo / container is allowed storage free of demurrage charges/ ground rent and this period shall exclude Customs notified holidays and Terminal's non-operating days.

(v). **"Port"** shall mean V.O.Chidambaranar Port Trust.

(vi). **"Per day"** shall mean a calendar day or part thereof.

1.2. General Terms & Conditions:

(i). The status of a vessel as borne out by its certification by the Customs or the Director General of Shipping, shall be the deciding factor for its classification as 'coastal' or 'foreign-going' for the purpose of levy of vessel related charges; and, the nature of cargo or its origin will not be of any relevance for this purpose.

(ii). System of classification of vessel for levy of Vessel Related Charges (VRC)

(a). A foreign going vessel of Indian flag having a General Trading Licence can convert to coastal run on the basis of a Customs Conversion Order. Such vessel that converts into coastal run based on the Customs Conversion Order at her first port of call in Indian Port, no further custom conversion is required, so long as it moves on the Indian Coast.

(b). A Foreign going vessel of foreign flag can convert to coastal run on the basis of a Licence for Specified Period or Voyage issued by the Director General of Shipping and a custom conversion order.

(iii). Criteria for levy of Vessel Related Charges (VRC) at Concessional Coastal rate and foreign rate:

(a). In cases of such conversion, coastal rates shall be chargeable by the load port from the time the vessel starts loading coastal goods.

(b). In cases of such conversion coastal rates shall be chargeable till the vessel completes discharging operations at the last call of Indian Port; immediately thereafter, foreign going rates shall be chargeable by the discharge ports.

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

(iv). <u>Criteria for levy of Cargo Related Charges (CRC) at Concessional Coastal rate</u>

(a). Foreign going Indian Vessel having General Trading License issued for 'worldwide and coastal' operation should be accorded applicable coastal rates with respect to Handling Charges (HC) i.e. ship to shore transfer and transfer from/ to quay to/ from storage yard including wharfage in the following scenario:

(i). Converted to coastal run and carrying coastal cargo from any Indian Port and destined for any other Indian Port.

(ii). Not converted* to coastal run but carrying coastal cargo from any Indian Port and destined for any other Indian Port.

* The Central Board of Excise and Customs Circular no.15/2002-Cus. dated 25 February 2002 allows carriage of coastal cargo from one Indian port to another port in India, in Indian flag foreign going vessels without any custom conversion.

(b). In case of a Foreign flag vessel converted to coastal run on the basis of a Licence for Specified Period or Voyage issued by the Director General of Shipping, and a Custom Conversion Order, the coastal cargo/ container loaded from any Indian Port and destined for any other Indian Port should be levied at the rate applicable for coastal cargo/ container.

(v). The charges for coastal vessels shall be denominated in Indian Rupees.

(a). The berth hire charges for all coastal vessels should not exceed 60% of the corresponding charges for other vessels.

(b). 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 related charges.

(c). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship shore transfer and transfer from/to quay to/from storage yard including wharfage.

(d). Cargo from a foreign port which reaches an Indian Port "A" for subsequent transhipment to Indian Port "B" will be levied the concession charges relevant for its coastal voyage. In other words, cargo from/to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for the concession.

(vi). In calculating the gross weight or measurement by volume or capacity of any individual item, fractions upto 0.50 shall be taken as 0.50 unit and fractions of 0.50 and above shall be treated as one unit, except where otherwise specified.

(vii)**.** <u>Interest on delayed payments / refunds</u>**:**

(a)**.** The user shall pay penal interest on delayed payments of any charge under this Scale of Rates**.** The rate of interest will be at 2% above the Prime Lending Rate of State Bank of India.

(b)**.** Like wise, the Terminal operator shall pay penal interest on delayed refunds. The rate of interest will be at 2% above the Prime Lending Rate of State Bank of India.

(c). The delay in refunds by the Terminal Operator will be counted beyond 20 days from the date of completion of services or on production of the documents required from the users, whichever is later.

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

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

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

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

(b). The Terminal Operator may also, if he so desires, rationalise the prescribed conditionalities governing the application of rates prescribed in the Scale of Rates if such rationalization gives relief to the user in rate per unit and the unit rates prescribed in the Scale of Rates do not exceed the ceiling levels.

(c). The Terminal Operator should notify the Public such lower rates and / or rationalization of the conditionalities governing the application of such rates provided the new rates fixed shall not exceed the rates notified by the TAMP.

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

2. BERTH HIRE CHARGES

2.1. Schedule of Berth Hire

Sl. No.	Vessels	Rate per GRT per Hr. or Part thereof (in ₹)
1.	Foreign going vessel	1.64
2.	Coastal vessel	0.98

General notes relating to Berth Hire:

(i). The Period of hour shall be calculated from the time the vessel occupies berth.

(ii). (a). Berth hire shall stop four hours after the time of the vessel signaling its readiness to sail.

(b). The time limit of 4 hours prescribed for cessation of berth hire shall exclude the ship's waiting time for want of favorable tide conditions, inclement weather and due to lack of night navigation.

(iii). The Penal berth hire shall be equal to one-day’s (24 hours) in berth hire charges for a false signal.

“False signal” would be when the vessel signals readiness and asks for a pilot in anticipation even when she is not ready for un-berthing due to engine not being ready or cargo operation not completed or such other reasons attributed to the vessels. The excludes signaling readiness when a vessel is not able to sail due to unfavorable tide, lack of night navigation or adverse weather conditions.

(iv). Ousting Priority / Priority Berth Hire Charges:

(a). For providing the priority berthing to any vessel, a fee equivalent to berth hire charges for 24 hours or 75% of the berth hire charges calculated for the total period of actual stay at the berth, whichever is higher shall be levied.

(b). For providing the ousting priority to any vessel, a fee equivalent to berth hire charges for 24 hours or 100% of the berth hire charges calculated for the total period of actual stay at the berth whichever is higher, shall be levied.

(v). No berth hire shall be levied for the period when the vessels idle at its berths due to break down of Terminal Operator's equipment or power failure or any other reasons attributable to the Terminal Operator.

3. CARGO HANDLING CHARGES

Sl. No.	Commodity	Unit	Rate (in ₹)	
			Foreign	Coastal
1	Dry Bulk Cargo /	Per Metric Tonne	81.71	49.03
2	Break Bulk (Bagged)	Per Metric Tonne	136.19	81.71
3	Break Bulk (Others)	Per Metric Tonne	217.90	130.74

Note :

(i). The handling charges prescribed above is a composite charge for

(a). Unloading of the cargo from the vessel including stevedoring and transfer of the same up to the point of storage, storage at the stack yard upto a free period of 5 days and loading for delivery in respect of import cargo and

(b). Unloading of the cargo at the stack yard, storage at the stack yard up to free period of 15 days , transfer the cargo to the loading point and loading onto the ship including stevedoring in respect of export cargo. This composite charge includes wharfage and supply of labour, wherever necessary and all other miscellaneous charges not specifically prescribed in the Scale of Rates.

4. STORAGE CHARGES

The storage charges to the cargo stored in the stack yard beyond the free period allowed shall be as below:

(A) Free Period : 5 days for import cargo and 15 days for export cargo

(B) Storage charges after free period (Per tonne/day)

(Rate in ₹/tonne/day)

Sl. No.	Particulars	First six days	Next six days	Thereafter
1.	Dry Bulk Cargo / Break Bulk Cargo (Bagged) / Break Bulk (Others)	8.02	12.99	25.35

Notes:

(i). For the purpose of calculation of free period Customs notified holidays and Terminals non-working days shall be excluded.

(ii). Free period for export cargo shall commence from the actual date of the receipt of goods in the operator’s premises.

(iii). Free period for import cargo shall be reckoned from the day following the day of completion of final discharge from the vessel.

(iv). Storage charges on cargo shall not accrue for the period when the Terminal Operator is not in a position to deliver / ship the cargo when requested by the User due to reasons attributable to the Terminal Operator.

5. Miscellaneous Charges:

Miscellaneous charges for sweeping and dust suppression services etc.

1.	Dry Bulk Cargo/ Break Bulk Cargo(Bagged)/ Break Bulk Cargo (Others)	₹4.81 /Tonne

6. General Note to Schedule 2 to 5 above

(i). The tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1st January 2016 and 1st January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1st April of the relevant year to 31st March of the following year.

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

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

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

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

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

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

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

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

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<u>Annex - III</u>

<u>PERFORMANCE STANDARDS FOR DEVELOPMENT OF SHALLOW DRAUGHT BERTH FOR HANDLING GENERAL CARGO ON DBFOT BASIS FOR 30 YEARS</u>.

The licensee shall meet the following Performance standards:

Sl. No.	Commodity	Performance Standard (Tonnes per day)
1	Dry Bulk Cargo /	10,000
2	Break Bulk (Bagged)	6,000
3	Break Bulk (Others)	3,750

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

F.No.TAMP/51/2016-VOCPT - **Proposal received from the V.O. Chidambaranar Port Trust (VOCPT) for fixing upfront tariff for development of Shallow Draught Berth for handling general cargo through Public Private Partnership (PPP) mode on Develop Build Finance Operate and Transfer (DBFOT) basis at VOCPT.**

At the joint hearing, the VOCPT and the concerned users/ organisation bodies / prospective bidders have made the following submissions:

V.O. Chidambaranar Port Trust (VOCPT)

(i). To meet the future traffic demand of general cargo, the port proposes to develop a Shallow Draught Berth to handle general cargo through Public Private Partnership.

(ii). As per traffic projection, the general cargo traffic will be 12.30 Million Tonnes. This traffic will increase to 17.66 Million Tonnes in the year 2025-26. So, the development of a Shallow Draught berth to handle general cargo through Public Private Partnership is undertaken. The PPP model will be Design, Build, Finance, Operate and Transfer (DBFOT) basis.

(iii). The size of the berth is 243m X 30m. The LOA (Length overall of the vessel) will be 180 Metres with 20,000 DWT. Port will allow the PPP operator to berth vessels of different sizes considering the allowance for safe berthing / mooring of vessels as per IS Standards within 243 Metres of berth length.

(iv). The capital cost of the project is estimated at ₹123.35 crores to create an optimum capacity of 2.60 MTPA. The PPP operator will invest the capital.

(v). Port will provide water front area of 27,338 sq. metres, 7,290 sq. metres water area for constructing berth, 3.50 Ha for stack yard and common user facility like Road connectivity and road lighting provisions.

(vi). The PPP operator shall construct the berth to handle 20,000 DWT vessels. He has to strengthen 3.50 Ha of lands adjacent to apron berth for development of temporary storage area. He will have to provide Harbour Mobile Crane of 80 Tonne capacity with one grab of 20 Tonne Capacity per hour.

(vii). We have assumed same handling rate of crane for both bulk cargo and break bulk cargo, which is not alright. We will correct it and revise our proposal. We will also have a relook on the percentages considered for apportionment of Annual Revenue Requirement to the cargo handling activity, storage activity and Miscellaneous activity.

(viii). Our tariff proposal is based on 2008 upfront tariff setting guidelines.

(ix). The optimal capacity of the berth will be 2.60 Million Tonnes of which the share of break bulk cargo is 90%. The balance is bulk cargo.

(x). We have proposed berth hire charge at ₹1.64 per GRT per hour for foreign vessel and ₹0.98 for coastal vessel. Cargo handling charge is proposed at ₹88.79 per MT for foreign cargo and ₹53.27 for coastal cargo. The Miscellaneous Charge is proposed at ₹1.85 per MT. The proposed storage charges is ₹3 per tonne per day after free period of 6 days for first 6 days, ₹4.86 per tonne per day for next 6 days and ₹9.48 per tonne per day thereafter.

(xi). We request TAMP to fix the upfront tariff for development of the Shallow Draught Berth.

(xii). TAMP has sought some information / clarification, we will examine. We will revise the proposal.

Sea Port Logistics Ltd.

(i). We request the port to inform the average handling rate achieved by the port in the last 3 years for the cargoes considered in the proposal.
[Dy. Chairman, VOCPT: Traffic Manager is requested to collect the data and inform TAMP]
[Dy. Chairman, VOCPT: We have assumed same handling rate for Bulk cargo and break bulk cargo. We will correct it and revise our proposal]
[CE, VOCPT reads the cargo items considered under broad major cargo group of Bulk cargo and Break bulk cargo. Dy. Chairman agrees to list down the individual cargo items forming part of major cargo groups of bulk cargo and break bulk cargo in the Scale of Rates]

Tuticorin Ship Agents Association

(i). Cargo earmarked for the proposed berth should not be handled in the other berths of the port.
[Dy. Chairman, VOCPT : Exclusivity clause will be there for specific cargo. There will not be exclusivity clause for unspecified cargo]

Sea Port Logistics

(i). We are not ensured of 16% Return, since we have to pay revenue share to the port out of 16% return.
[Dy. Chairman, VOCPT: Operator has to share his revenue from 16% return]

2. A summary of the comments received from TSA and reply furnished by VOCPT thereon is tabulated below:

Sl. No.	Comments of users	Reply furnished by VOCPT
1.	**Tuticorin Stevedores Association**	
(i).	The per day discharge of 8,000 MT fixed for discharge of General cargo and break bulk cargo for a vessel carrying a parcel size of 16000 MTs is too much on the higher side considering the small size of the vessel of 20,000 MT DWT and it should be fixed at a realistic level.	8000 MT discharge per day is fixed based upon the optimal efficiency of the crane with the assumption of 20 cbm bucket and 30 cycles per hour 8000 Tonnes per day may be handled.
(b).	As far as discharges and loading of Bagged cargoes are concerned, the expectation of discharge / loading of 8,000 MT is not realistic and it must be scaled down to the realistic level as loading / discharge of break bulk cargo involve considerable time as stowage is involved and it would affect feeding of cargo or evacuation at hook points. The feeding / delivery should match discharge / loading per day.	The average rate of loading reached during the past in break bulk as 2364 MT/day during 2014-15 and rate of dry bulk commodity was 10335 MT/day during 2015-16.
(c).	The per MT handling rate of ₹90.64 MT for Dry Bulk cargo is too much on the higher side and it must be reduced.	Tariff worked out as per TAMP guidelines.
(d).	As the proposed shallow drought berth is situated exactly to the opposite side (west to eastern) the dust emanating from the present coal yard contaminating the Export / Import cargo stacked in the open of shallow Draught Berth cannot be ruled out.	The proposed location for Shallow Draught Berth is as per the Feasibility Report prepared by M/s. WAPCOS.

(e).	Wherever possible, Hook Point delivery / loading should be allowed and the differential cost of loading / unloading at stackyard from stackyard to hook point and vice versa should be refunded or dispensed with.	Hook Point delivery / direct feeding of export cargo to the vessel may be allowed by the PPP operator. But the same should not be quoted by the operator as reason for poor output/productivity.
(f).	Since the Truck Freight is always payable for delivery / receipt of Wharf, wherever the hook point is free it can be utilized to deliver / load cargo at hook points by dispensing the charges through stackyard handling. This will reduce the per MT Handling cost.	It may be difficult to maintain account of the Hook point loading / delivery and refund of differential cost etc. on this account.
(g).	Moreover, since covered storage facility is no being provided at Berth stackyard the rain damage to the stacked cargo cannot be ruled out for cargoes sensitive to water damage during monsoon period and or during sudden downpour of rain.	The facilities proposed for the berth is based upon the Feasibility study prepared by M/s. WAPCOS.

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