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Tariff Authority for Major Ports

G.No.325 **New Delhi,** **23 September 2015**

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 V.O. Chidambaranar Port Trust (VOCPT) for fixation of reference tariff for mechanization of evacuation of cargo from Berth No.9 to interim stack yard on license basis for 10 years period as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/40/2015-VOCPT

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

QUORUM:

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

O R D E R
(Passed on this 18th day of August, 2015)

This case relates to the proposal dated 22 May 2015 received from V.O. Chidambaranar Port Trust (VOCPT) for fixation of reference tariff for mechanization of evacuation of cargo from Berth No.9 to interim stack yard on license basis for 10 years period.

2. It is relevant here to mention that this Authority had passed an Order No.TAMP/7/2015-VOCPT dated 21 March 2015 fixing reference tariff for the same project under the tariff guidelines of 2013 following the principles of upfront tariff fixation guidelines of 2008 in line with clause 2.4 of the tariff guidelines of 2013 based on the proposal filed by the VOCPT.

3.1. The VOCPT has, vide its letter no.MEE/P&M/ F.IX Berth/2015/D.2187 dated 22 May 2015, again come up with the proposal for fixation of reference tariff for the same project stating that no tender was received in response to the NIT Published on 16.02.2015 for the project based on the reference tariff approved by this Authority in March 2015 even after extension of the due date to 27 March 2015.

3.2. The submissions made by the VOCPT in its letter dated 22 May 2015 in this regard are given below:

(i). In response to the NIT Published on 16.02.2015 for the project no tender was received within the extended due date of 27.3.2015.

(ii). When the above position was informed to the Board of Trustees of VOCPT, the Board in the meeting held on 30.03.2015 suggested to go in for re-tender for all three mechanization projects, after re-visiting the capacity and cost of the projects.

(iii). In view of the above, the VOCPT had a meeting with port users/ prospective bidders on 17.04.2015 to obtain views/ suggestions of the prospective bidders regarding viability of the Project and suggestions were obtained. Based on the suggestions, the revised proposal is submitted to this Authority.

3.3. The main highlights of the proposal submitted by VOCPT are summarized below:

(i). The Berth No.9 is having 12.8 mtr. draught and Gearless Panamax vessels are being berthed. To increase the Productivity, 2 numbers of 124 Tonnes capacity Harbour Mobile Cranes have been deployed on Public Private Partnership (PPP) mode in addition to operation of Ship Gears. The cargoes unloaded from the vessels through Harbour Mobile Cranes and Ship cranes are accumulated in the berth due to less evacuation of cargo by Trucks using Front end loaders and it takes time to evacuate the cargo from the berth. Hence, to minimize the time and to make quick evacuation of cargo/coal in 9th berth and to reduce the pollution caused by transportation of cargo/coal handling by trucks, it has been proposed to evacuate the cargo quickly using Hopper and conveyor system. Hence, the Project for mechanised evacuation of dry bulk cargo at 9th berth is formulated.

(ii). **Physical Features of facility to be developed**:-

In order to ensure continuous unloading operation from ships and for quick evacuation of bulk cargoes at 9th berth and to reduce turnaround time of the vessel, it is proposed to install a conveyor system for quick evacuation of cargo from 9th Berth, so that the operation of Harbour Mobile Cranes discharge is uninterrupted. The following equipments are proposed for installation in the mechanized evacuation system:-

(a).	Hopper	: 4 Nos. 100cbm capacity
(b).	Hopper Height	: 9-10 meter
(c).	Conveyor rated capacity	: 2000TPH
(d).	Conveyor enclosure	: Circular type Hood.
(e).	Conveyor length	: 3.12 K.M (approximately).
(f).	Power requirement	: 1400KW approx.
(g).	Dust suppression system	
(h).	Safety system	

The approximate cost of the Project comes to ₹88.30 Crores. In the proposed Mechanized system, the cargoes handled by the Harbour Mobile Cranes / Ship Gears will be dumped into the hopper, and it will be carried through conveyors to the interim stack yard. The time taken for evacuation of cargo in this system is less than the existing system.

(iii). **Optimal Capacity of Evacuation system**:

(a). The capacity of Harbour Mobile Cranes (HMC) is arrived at 15000 Tonnes per day proportionate to the 12500 Tonnes per day considered for 100T HMC in the TAMP Order No.TAMP/16/2010-VOCPT dated 23.7.2010. Further, the capacity of HMC is arrived after considering the factor of working hours of HMC at berth no.9 in the year 2014-2015.

(b). The handling capacity for 2 Ship Gears is arrived at 6720 Tonnes per day. Further, the percentage share of cargo handled at 9th berth (i.e. Coal, gypsum & limestone) is also included while calculating the capacity of HMC & Ship gears. Following assumptions are made for arriving Optimal capacity of evacuation system:-

Sr. No.	Particulars	Total
i.	Capacity of 120 T HMC is (12500/100) X 120	15,000 Tonnes/day
ii.	For 2 HMC (2 X 15,000 Tonnes)	30000 Tonnes/day
iii.	Capacity of 2 HMCs per annum (30000 Tonnes * 365 days * 0.7)	76,65,000 Tonnes
iv.	Percentage of working time of HMC at 9th berth for the period 2014-15	62% [working at (c) below]
v.	Hence actual quantity of cargo to be handled at 9th berth by HMCs	**47,52,300 tonnes** (76,65,000 T X 0.62)
vi.	Capacity of 2 ship gears per annum (20 cycles/hr X 10T X 24 hrs X 0.7 X 2 X 365 days X 0.7)	17,16,960 Tonnes/ annum
vii.	Total cargo to be handled by HMC and ship gears per annum (v+vi)	64,69,260 Tonnes/ annum
viii.	% share of cargo (coal, gypsum & Limestone) handled at 9th berth	82%
ix.	Total cargo to be handled by HMC and ship gears per annum after adopting percentage share of cargo	**53,04,793T/ annum** (64,69,260T *82%)

Sr. No.	Particulars	Total
x.	Capacity of conveyor system	2000 Tonnes/hr
xi.	Capacity of conveyor system per day (2000 Tonnes X 24 hrs X 0.7)	33,600 Tonnes
xii.	Capacity of conveyor system per annum (33,600 Tonnes X 365 days X 0.7)	**85,84,800 Tonnes**
xiii.	Optimal capacity of evacuation system based on the lowest of (ix) & (xii) = 53,04,793 Tonnes	5.30 MTPA

(c). **<u>Working of working hours of HMC at 9th berth as furnished by VOCPT</u>**:

Sr. No.	Particulars	Unit
(i).	Crane 1 & 2 Total Working Hrs	4225 Hrs
(ii).	Berth no.3 & 4 Working Hrs	235 Hrs
(iii).	Additional Berth	190 Hrs
(iv).	Berth no.9	3800 Hrs
(v).	Percentage of total working hrs at 9th berth [3800 hrs / (365 days X 24 hrs X 0.7)]	62%

(iv). **<u>Share of Cargo:-</u>**

Out of dry bulk cargo handled at 9th berth for the period 2014-15, the percentage share of coal, gypsum and limestone is 82%. Hence, it is considered for the calculations of optimal capacity since the conveyor will handle the above cargoes only.

(v). **<u>Optimal Yard Capacity</u>**:-

The scope of work is limited to only quick evacuation of the cargo from 9th berth to stack yard through conveyors. From the stack yard, users have to clear the cargo immediately. Hence, the cargo handled in this project does not attract storage charge.

(vi). **<u>Capital Cost of Conveyor system</u>**:

(a). **Civil Works**

Based on the budgetary offer, capital cost for civil works of conveyor system is considered as ₹15.25 Crores.

(b). **Mechanical and Electrical works cost**

Based on the budgetary offer, capital cost of equipments, machinery and electrical works proposed is ₹59.75 Crores.

(c). The breakup of the estimated Capital cost is as given below:

(**₹ in Lakhs**)

Sr. No.	Particulars	Amount
i.	Mechanical & Electrical works	5,975.00
ii.	Civil Works	1525.00
iii.	Taxes Duties, P&F, Freight & Insurance	1330.00
iv.	**Total**	**8,830.00**
v.	Miscellaneous cost @ 5% on sl. no.iv	441.50
	Total Capital Cost (iv+v)	**9,271.50**

(vii). **Operating cost:**

(a). **Power requirement :-**
Based on the TANGEDCO bill for March-2015, ₹10.10 per unit is considered for estimating electricity.
Electricity charges as per TANGEDCO bill dated 1.4.2015

- Electricity consumption = 840656 units
- Amount in the TANGEDCO bill = ₹84,86,222
- Rate per unit = ₹84,86,222 / 840656 units = **₹10.10/unit**
- Electricity requirement = 1556KVA X 70% X 24 hrs X 365 days X 0.62 = 5915663 units
- Hence per tonne requirement = 5915663 / 53,04,793.40 Tonnes = **1.43 unit per Tonne**
- Power cost = 53,04,793.40 Tonnes X ₹10.10 X 1.43 U/T = 7,66,17,000/-

(b). **License fee**
In the previous proposal, license fee has been considered. Now, the plots will be under the control of Port. Hence license fee does not arise.

(c). Way leave charges for length of the conveyor 3.12 Km and width 4.5mtr. has been considered.

Way leave charges for conveyor = ₹1.42 per Sq.m X 3120m X 4.5m = ₹19,937/-

(d). The calculation of the operating cost is as given below:

(**₹ in Lakhs**)

Sr. No.	Particulars	Amount
i.	Electricity Cost	
ii.	Power Cost = 1.43 Unit/ Tonne @ ₹10.10 per unit for 5.30 MTPA	766.17
iii.	Repair & Maintenance on Civil Cost (1% of Civil Cost)	16.01
iv.	Repair & Maintenance on Mechanical Assets (7% on equipment cost)	536.92
v.	Insurance (1% on Total capital cost)	92.72
vi.	Depreciation	
	(a). 3.17% on Civil cost	50.76
	(b). 6.33% on equipment cost	397.13
vii.	Way leave charges for Conveyor route 3120m*4.5mtr = 14040 Sq.m * ₹1.42/ Sq.mtr.	0.20
viii.	Other expenses (5% on Total capital cost)	463.58
	Total operating cost	**2323.48**

(viii). The return on capital employed is estimated at 16% on the Capital Cost.

(ix). Accordingly, the revenue requirement estimated by VOCPT is as follows:

(**₹ in lakhs**)

Sl. No.	Particulars	Amount
(i).	ROCE @ 16%	1483.44
(ii).	Operating cost	2323.48
(iii).	Total Revenue Requirement	**3806.92**

(x). **Annual Revenue Requirement**:-
The total Annual Revenue Requirement (ARR) is apportioned to handling of Dry Bulk cargoes of coal, gypsum & limestone, as per TAMP Guidelines 2008. The

apportionment of revenue requirements for the remaining activities of Storage and Miscellaneous items does not arise.

(xi). The reference tariff proposed for Cargo Handling Charges for Mechanized evacuation system from Berth no.9 to interim stack yard by the VOCPT to meet the estimated ARR over the optimal capacity is as follows:

Sl. No.	Commodity	Rate per in MT (in Indian Rupees)	
		Foreign	Coastal
1	Dry Bulk Cargo (coal, gypsum & limestone)	71.76	43.06
2	Thermal Coal	71.76	71.76

(xii). **<u>Performance standard for Mechanised evacuation system:</u>**

The Licensee shall meet both the following Performance standards:-

(a). The minimum guaranteed availability of 90% of Mechanized system per month. The availability shall be calculated for the total mechanized system; and

(b). The Licensee shall handle optimal cargo of 33,600 Tonnes per day (or) tonnage for proportionate hours of actual working.

3.4. The VOCPT has submitted the proposed Scale of Rates (SOR) with performance standard and Board approval note along with its proposal. The VOCPT has stated that Feasibility Report for the said project is not applicable.

4. In accordance with the consultative procedure prescribed, a copy of the VOCPT proposal dated 22 May 2015 was circulated to the concerned users/ user organisations and prospective bidders/ users (as forwarded by VOCPT) seeking their comments by 12 June 2015. We have received comments only from one prospective bidder viz. Delta Infralogistics (Worldwide) Limited vide its letter dated 20 June 2015 stating that the proposed cargo handling charges for mechanized evacuation system from Berth No.9 (i.e. ₹71.76 foreign) is reasonable and sustainable.

5. A joint hearing in this case was held on 26 June 2015 at the VOCPT premises. The VOCPT made a brief powerpoint presentation of its proposal. At the joint hearing, the VOCPT and the concerned users/ user organizations / prospective bidders have made their submissions.

6. As agreed at the joint hearing, the VOCPT was requested vide our letter dated 1 July 2015 to take action on the following points arising out of joint hearing proceedings:

(i). Furnish reply to the additional information/ clarifications sought by us vide our letter dated 30 June 2015 latest by 3 July 2015.

(ii). At the joint hearing, M/s.PSTS Logistics Pvt. Ltd. (PLPL) has pointed out that most of vessels calling at berth no.IX do not have ship gears. Hence, the PLPL requested that the port may reduce number of ship gears considered in the optimal capacity calculation to 1 no. instead of 2 nos. or take it at 50% for assessing the capacity. As agreed at the joint hearing, the VOCPT was requested to examine the point raised by PLPL and respond immediately. If this results in modification in the proposal, then VOCPT to file its revised proposal to us and simultaneously to the users/ user organizations and prospective bidders for their comments within three days thereafter. The VOCPT was also requested to respond within two days on receipt of comments thereon, if any, from the stakeholders.

7.1. With reference to point of action decided at the joint hearing brought out in para 6(i) above, the VOCPT vide its letter dated 16 July 2015 has responded. A summary of queries raised by us and the response of VOCPT are tabulated below:

Sl. No.	Our queries	Reply of VOCPT
(i).	For assessing the optimal capacity, the VOCPT has applied share of cargo i.e. coal,	The mechanized system proposed is for transporting Coal, gypsum & limestone only,

<table>
<tr><td></td><td>limestone, Gypsum handled at berth no.9 at 82% and arrived at the optimal capacity for the facility at 5.30 Million Tonnes (MT) of these cargo groups to be handled. The total percentage share of cargo to be considered for ascertaining the optimal capacity should be 100% as per the formula prescribed in the tariff guidelines of 2008. The total of the percentage share of cargo considered by VOCPT for estimation of optimal capacity is, however, 82%. The VOCPT has not captured the balance percentage share of cargo (100%-82%) i.e. 18% in optimal capacity calculation. The VOCPT to make necessary corrections in the estimation of optimal capacity in the light of the above observation.</td><td>which constitutes 82% of the cargo handled at 9th berth, to the interim stack yard. Other dry bulk and break bulk cargoes will not be transported through the conveyors from 9th berth to interim stack yard. Hence the percentage share of coal, gypsum and limestone handled at 9^{th} berth is 82% only is taken for calculating the optimal capacity. Therefore, this may please be accepted.</td></tr>
<tr><td>(ii).</td><td>The total capital cost estimated in the present proposal is ₹9271.50 lakhs, as compared to the ₹5670 lakhs estimated by the VOCPT earlier with reference to the tariff for mechanization of evacuation of cargo from Berth No.9 to coal yard on license basis for 10 years period vide Order No.TAMP/7/2015 dated 21 March 2015. In this context, the VOCPT to:</td><td></td></tr>
<tr><td>(a).</td><td>Substantiate the revised (increased) capital cost with documentary evidence in the form of Budgetary quotation, work order etc.,</td><td>The Budgetary offer received from M/s.Chennai Radha Engineering Works (P) Ltd., Chennai is furnished by VOCPT.</td></tr>
<tr><td>(b).</td><td>Bring out reasons for upward revision for capital cost.</td><td>Reasons for upward revision in the capital cost furnished by VOCPT is as Annexure-II is as follows:
<table>
<tr><th colspan="6">Comparison of Present Proposal with the previous proposal approved by TAMP in respect of Capital cost</th></tr>
<tr><th>Sl. No.</th><th>Capital Cost:</th><th colspan="2">(₹ in crores)</th><th>Percentage variation</th><th>Reason for increase in capital cost</th></tr>
<tr><td>(i).</td><td>Civil Works</td><td>4.00</td><td>15.25</td><td>11.25</td><td>MCC Room, Tripper conveyor, Coal Stackyard & Compound wall excluded in the previous estimate but now included.</td></tr>
<tr><td>(ii).</td><td>Mechanical & Electrical works</td><td>50.00</td><td>59.75</td><td>9.75</td><td>Plummber Blocks, DG Set, Transformers, Metal Detector are not included previously but included in the present estimate cost.</td></tr>
<tr><td>(iii).</td><td>Taxes & Duties</td><td>-</td><td>13.30</td><td>13.30</td><td>Previously Rate furnished exculusive of taxes.</td></tr>
<tr><td></td><td></td><td>54.00</td><td>88.30</td><td>34.30</td><td></td></tr>
</table></td></tr>
<tr><td>(iii).
(a).</td><td>The VOCPT has enclosed detailed break up of Capital cost i.e. mechanical and electrical cost along with duties and taxes applicable on the equipment. In Capital cost estimation, the VOCPT has considered Duties, taxes, P & F, freight and insurance at ₹1,330 lakhs. However, in detailed breakup of Capital cost furnished by VOCPT, ₹1880 lakhs is estimated towards these items. The mismatch in the figures to be corrected.</td><td>The cost towards Freight, VAT (for civil works), Insurance & Service Tax in the Budgetary offer are excluded since the same are not relevant for computation. The cost towards Excise Duty & VAT (for mechanical & electrical equipments) in the Budgetary offer amounting to ₹13.30 crores is considered.</td></tr>
<tr><td>(b).</td><td>Duties, taxes, P & F and insurance are shown separately in Capital cost estimation. The VOCPT to consider to merge these elements</td><td>The capital cost after including the Excise Duty & VAT (for mechanical & electrical equipments) is detailed below :-</td></tr>
</table>

	with Capital cost instead of showing it as a separate entry.	Mechanical cost - ₹62.42 Crores Electrical cost - ₹10.63 Crores Civil Cost - ₹15.25 Crores -------------------- Total - ₹88.30 Crores
(iv).	The Port has considered the power consumption of 1.43 units/ tonnes instead of power consumption at 1.11 units/tonnes considered in the tariff approved on 21 March 2015. Justify the increase in the power consumption.	The power consumption of ₹1.11 per tonne is now considered w.r.t. standard electricity consumption for 1556 KVA (i.e.) 59,15,663 Units divided by optimal capacity 5.30 Million Tonnes. The power consumption of ₹1.43 units/Tonne was w.r.t earlier calculation of 4.14 Million Tonnes and may please be ignored. Hence issue of increase in Power consumption does not arise now.
(v).	The VOCPT is requested to furnish a copy of Board Resolution approving the subject proposal.	A copy of the Board Resolution approving the Project is furnished by VOCPT.
(vi).	The base year for indexation in note (v) under schedule 2.2. of the proposed Scale of Rates may be corrected at 1 January 2015 instead of 1 January 2013.	The base year for indexation is to be corrected as 1 January 2015.
(vii). (a).	The optimal capacity assessed for this project will depend on the evacuation of cargo from the coal yard. So please explain what is the arrangement for evacuation of cargo handled (at berth no.9) from the interim stack yard and show by calculation that the said evacuation facility from the coal yard is synchronised and is adequate and to enable the operator of this project to achieve the optimal capacity for which the reference tariff is fixed.	Three numbers plots at the size of 100m X 100m will be allotted in the interim stacking yard for stacking cargo. Each plot has storage capacity of 30,000 Tonnes. For three plots (3 X 30,000 Tonnes) = 90,000 Tonnes. Conveyor will transfer 33,600 Tonnes per day. Port users will evacuate the cargo from interim stack yard to their plots in the coal yard through trucks. If the panamax vessel arrives with a cargo of 60,000 Tonnes, then cargo will be unloaded from the vessel within 2 days. **<u>Evacuation Details:</u>** If the stevedore arranges 20 Trucks of each 20T capacity and makes 5 trips per hour (considering the coal is transferred to Port users plot in the coal yard from interim stack yard), Quantity to be evacuated in one hr = 20 Trucks X 20 Tonnes X 5 = 2000 Tonnes per hour Quantity to be evacuated in a day = 2000 X 24 X .7 = 33,600 Tonnes Time required to evacuate one plot (i.e. 30000 Tonne) = $\frac{30000}{33600} \times 24$ = 21.42 Hrs = 22 Hrs (say 1 day) Entire cargo of 60,000 Tonnes, discharged from the vessel will be evacuated in two days from two interim stack yard. Hence in addition to 3rd plot, these two plots are also available for stacking cargo of the next vessel. Hence the evacuation facility from the coal yard is adequate to enable the operator to achieve the optimal capacity.
(b).	The VOCPT had while processing its reference tariff earlier on the same project had proposed	The following may be added as Note No.2 below the schedule of cargo handling charge:-

	a note no.(2) below the schedule of cargo handling charge stating that cargo should be evacuated within the prescribed free period. Beyond the prescribed free period, VOCPT will take action to move the cargo from interim stack yard at the cost of stevedores. This note is prescribed in the tariff Order No.TAMP/7/2015-VOCPT dated 21 March 2015. It is seen that no such condition is prescribed in the proposed draft SOR. The VOCPT to examine this aspect and propose a suitable note in this regard to address the point made at (a) above.	In the interim stack yard free period of 2 days is allowed from the date of completion of unloading from vessel. The cargo should be moved by the stevedores from interim stack yard within the stipulated free period. If the cargo is not moved by stevedores from interim stack yard within the stipulated free period then VOCPT will remove the cargo from the stack yard at the cost of concerned stevedores.
(c).	The title of the schedule states cargo handling charge is for mechanisation from 9th berth to interim stack yard. The note 1 below the schedule proposed by the VOCPT states tariff proposed is for transportation from 9th berth to coal yard through conveyor. Proposed note 1 under the schedule may be corrected suitably as the movement of cargo is from berth 9th to the interim stack yard and not to the coal yard.	The Note 1 under the schedule may be corrected as "Rate prescribed above is for transportation of cargo from 9th berth to interim stack yard through conveyor system".
(vii).	The SOR proposed by the port does not clarify that no storage charge will be levied. The VOCPT may consider, if necessary, to incorporate a suitable note to avoid any ambiguity.	Storage charges will not be applicable for this proposal. Hence the following note may be added below the schedule of rates:- No storage charges will be levied. If the cargo is not evacuated by the stevedores from interim stack yard within the stipulated free period of two days, the Port will remove the cargo from the stack yard at the cost of respective stevedores.

7.2. While responding, the VOCPT vide its letter dated 16 July 2015 has submitted revised calculation modifying the power cost. A comparative position between the calculation in the initial proposal dated 22 May 2015 and the revised calculation in its letter dated 16 July 2015 are tabulated below:

(i). Operating cost:

(**₹ in lakhs**)

Sr. No.	**Particulars**	**Initial proposal dated 22 May 2015**	**Revised proposal dated 16 July 2015**
(i).	Electricity Cost		
	Power Cost	766.17 [1.43 Unit/ Tonne @ ₹10.10 per unit for 5.30 MTPA	594.72 [1.11 Unit/ Tonne @ ₹10.10 per unit for 5.30 MTPA
(ii).	Repair & Maintenance on Civil Cost (1% of Civil Cost)	16.01	16.01
(iii).	Repair & Maintenance on Mechanical Assets (7% on equipment cost)	536.92	536.92
(iv).	Insurance (1% on Total capital cost)	92.72	92.72
(v).	Depreciation		
	(a). 3.17% on Civil cost	50.76	50.76
	(b). 6.33% on equipment cost	397.13	397.13
(vi).	License fee for Hoppers – 4 nos. (10*10*4) sq. mtr. * ₹348.68	NA	1.49

Sr. No.	Particulars	Initial proposal dated 22 May 2015	Revised proposal dated 16 July 2015
(vii).	Way leave charges for Conveyor route 3120m*4.5mtr = 14040 Sq.m * ₹1.42/ Sq.mtr.	0.20	0.20
(viii).	Other expenses (5% on Total capital cost)	463.58	463.58
	Total operating cost	**2323.48**	**2153.52**

(ii). Annual Revenue Requirement:

(**₹ in lakhs**)

Sl. No.	Particulars	Initial proposal dated 22 May 2015	Revised proposal dated 16 July 2015
(i).	ROCE @ 16%	1483.44	1483.44
(ii).	Operating cost	2323.48	2153.52
(iii).	Total Revenue Requirement	**3806.92**	**3636.96**

(iii). Per tonne handling rate:

[Rate per in MT (in Indian Rupees)]

Sl. No.	Commodity	Initial proposal dated 22 May 2015		Revised proposal dated 16 July 2015	
		Foreign	**Coastal**	**Foreign**	**Coastal**
(1).	Dry Bulk Cargo (coal, gypsum & limestone)	71.76	43.06	68.56	41.15
(2).	Thermal Coal	71.76	71.76	--	--

7.3. With reference to point of action decided at the joint hearing brought out in para 6(ii) above, the VOCPT vide its letter dated 16 July 2015 has stated that the scenario of arrival of ship with gears or without gears cannot be predicted. Hence, the optimal capacity formulated in the proposal is based on the working of two number of ship gears and two number of HMCs. While calculating the ship gear capacity, 70% utilization factor is considered. The existing capacity may be retained.

8. On perusal of information/ clarification furnished by VOCPT vide its letter dated 16 July 2015, it was observed that some gaps in its proposal communicated vide our letter dated 30 June 2015 was not addressed satisfactorily. The gaps in the proposal to the extent not addressed adequately by VOCPT were, therefore, reiterated vide our letter dated 20 July 2015. The VOCPT vide its letter dated 24 July 2015 has responded. A summary of the points/ gaps observed and reply furnished by VOCPT are tabulated below:

Sl. No.	Points/ gaps observed by us	Reply furnished by VOCPT
(i).	(a). On perusal of VOCPT letter dated 16 July 2015, it is seen that the queries raised at para 2(i) of our letter dated 30 June 2015 are not addressed satisfactorily. As regards the total percentage share of cargo considered by the VOCPT at 82% for arriving at the optimal capacity of the terminal, it was specifically pointed out that the percentage share of the cargo for optimal capacity calculation should be 100%. The VOCPT in the response has stated that the mechanized system proposed is for transporting coal, gypsum & limestone only, which constitute 82% of the cargo	(a). At present various dry bulk cargo like fertilizers, food grains, copper concentrate, coal, gypsum, limestone are being handled in the 9th berth. The proposed mechanized system is for transferring the coal, gypsum, limestone, only. The mechanized system proposed is for transporting coal, gypsum & limestone only, which constitutes 82% of the cargo handled at 9th berth, to the interim stack yard. Other dry bulk and break bulk cargoes will not be transported through the subject mechanized system from 9th berth to interim stack yard. Hence, the

	handled at 9th berth, to the interim stack yard. Other dry bulk and break cargo will not be transported through the conveyors from the 9th berth to interim stack yard. Hence, the percentage share of coal, gypsum and limestone handled at 9th berth is 82% and is taken for calculating the optimal capacity according to the VOCPT.	percentage share of coal, gypsum and limestone handled at 9th berth i.e., 82% only is taken for calculating the optimal capacity. Therefore, this may please be considered by the Authority.
	(b). In this regard, it is relevant to mention that as per clause 3.3.2 of the Upfront Tariff 2008 Guidelines, the tariff has to be prescribed for the optimal capacity of the terminal irrespective of the traffic forecast. The optimal capacity is to be assessed with reference to the equipment proposed to be deployed at the terminal and irrespective of the traffic forecast. Further, as stated in our query the total percentage share of cargo for ascertaining the optimal capacity should be 100%. The VOCPT to, therefore, again reassess the optimal capacity considering the total percentage share of the cargo as 100% and not 82% as considered by VOCPT.	(b). In the 9th berth though various dry bulk, break bulk and liquids cargoes are handled, among these cargoes only coal, gypsum, limestone are proposed to be handled through the subject mechanized system for which the proposal is submitted. Hence the percentage share of coal, gypsum and limestone handled at 9th berth is 82% only is taken for calculating the optimal capacity. Further, it is submitted that the optimal capacity of the system is arrived based on the handling capacity of 2 nos. of Harbour Mobile Cranes and 2 nos. of ship gears proposed to be deployed and also considering the percentage share of cargo handled at 9th berth (coal, gypsum, limestone) which is 82% and the same only can be handled through the proposed mechanized conveyor system.
(ii).	The VOCPT has expressed urgency in disposal of this case. We are not in a position to take up this case for processing since the query raised on optimal capacity which is vital in upfront tariff fixation is not addressed by the port satisfactorily. The VOCPT to make necessary correction in the optimal capacity calculation and file a revised proposal immediately. If this results in modification of the proposal, the revised proposal (to be) filed to us to be simultaneously forwarded to all the concerned users for their comments in 3 days and VOCPT to respond thereon in 1 day. The VOCPT also to depute the concerned official to TAMP along with the revised proposal (to be) filed to expedite finalising this case.	Percentage share of cargoes which cannot be handled by the subject project is not considered for calculation of the optimal capacity. Hence, the Authority is requested to consider the optimal capacity of the proposed system as 5.30 MTPA.

9.1. Subsequently, the VOCPT has furnished revised calculation under the cover of its e-mail dated 28 July 2015. However, vide its subsequent letter dated 30 July 2015, the VOCPT has requested to ignore the cost statement furnished by it vide its e-mail dated 28 July 2015. Hence, the calculation furnished by VOCPT in its e-mail dated 28 July 2015 is not brought out.

9.2. The VOCPT has furnished final revised calculation vide its letter dated 30 July 2015. The additional submissions made by VOCPT in the said letter is as follows:

(i). The optimal capacity for the project is now assessed at 5.92 MTPA. The capacity of conveyor system is maintained at 8.58 MTPA. This mismatch is inevitable. To match the output of 2 nos. of HMC and 2 nos. of ship gears having total productivity of 36,720 tonnes per day, the conveyor system of 2000-T capacity is proposed so as to achieve evacuation of 33,600-T per day so as to avoid uninterrupted discharge of cargo from the vessel.

(ii). The two Harbour Mobile Cranes work in Berth Nos.I to VI in addition to Berth No.IX as per the concession agreement entered with the HMC operator viz., M/s.Immcola Crane Company Private Ltd. As per the prevailing statistics for 2014-15, the Harbour Mobile Cranes will be available at 62% (approximately) only in a year for the operation in IX berth.

(iii). It is assumed that the entire cargo proposed to be handled through this mechanised system is foreign cargo.

(iv). In the revised cost statement furnished now Taxes and duties is included with the basic cost of Mechnical & Electrical works. The letter dated 28 July 2015 of the VOCPT enclosing the cost statement may be ignored.

9.3. The VOCPT vide its letter dated 30 July 2015 has furnished final revised cost statement and has also provided the working of the 67.74% share to be handled on Ship Gears with available Capacity for this system. The details furnished by the VOCPT vide its letter dated 30 July 2015 and the revised rate proposed by the VOCPT are given below:

Sl. No.	Particulars	Amount
A	**Optimal capacity of the Evacuation system**	
1	Capacity of HMC as per Standard Norms for 100-T /day (MT)	12,500
2	For the capacity of 120-T HMC is (12500/100) x 120	15,000
3	For 2 HMC (Sl.No.2 x 2)	30,000
4	Capacity of 2 HMC per annum (Sl.No.3X365 days X0.7)	7,665,000
5	% of working time of HMC at 9th berth	62
6	Actual quantity of cargo to be handled by HMC per annum (Sl.No.4 X Sl.No.5)	**4,752,300**
7	Capacity of Ship Gears 20 cycles/hr x 10T x 24 x 0.7	3,360
8	For 2 Ship Gears (Sl.No.7 X 2)	6,720
9	Cargo to be handled by ship gears per annum (Sl.No.8*365*0.7)	1,716,960
10	% share to be handled on Ship Gears available Capacity for this system	67.74%
11	Quantum of cargo to be handled by ship Gears (Sl.No.9 x 10)	**1,163,069**
12	Total cargo to be handled by HMC & Ship Gears (S.No.6 + 11)	**5,915,369**
13	Capacity of conveyor system per hour (MT)	2,000
14	Capacity of conveyor system per day (Sl.No.13 X 24hrs X 0.7)	33,600
15	Capacity of conveyor system per annum (Sl.No.14*365*70%)	**8,584,800**
16	Optimal capacity based on the lower of Sl.No.12 & Sl.No.15 (in MTPA)	**5.92**
B	**Capital Cost of Conveyor system**	**Amount (₹ in lakhs)**
1	Mechanical & Electrical works including Taxes Duties, P&F, Freight and Insurance	7,305.00
2	Civil Works	1525.00
3	Total (1+2)	8,830.00
4	Miscellaneous cost @ 5% on sl.no.3	441.50
	Total Capital Cost (4+5)	**9,271.50**
C	**Operating Cost of conveyor system**	**Amount (₹ in Lakhs)**
1	Electricity Cost	
	Power Cost = 1.00Unit/Tonne @ ₹10.10 per unit for 5.92 MTPA (Power required =1400KW * power factor 0.9=1400/0.9=1556 KVA power consumption = 1556KVA*365*0.7*0.62=5915663 units)	597.45
2	Repair & Maintenance on Civil Cost (1% of Civil Cost)	16.01
3	Repair & Maintenance on Mechanical Assets (7% on equipment cost)	536.92
4	Insurance (1% on Total capital cost)	92.72
5	Depreciation	
6	3.17% on Civil cost	50.76
7	6.33% on equipment cost	485.53
8	Lease Rent for Hoppers - 4 Nos. (10*10*4) Sq. Mtr. *₹355.65	1.42
9	Way leave charges for Conveyor route 3120m*4.5 mtr = 14040 Sq.m*₹1.42/Sq.mtr.	0.21

Sl. No.	Particulars	Amount
10	Other expenses (5% on Total capital cost)	463.58
11	**Total operating cost**	**2244.60**
12	**ROCE** (16% of Capital cost)	**1483.44**
13	**Total Revenue Requirement (11+12)**	**3,728.04**
D	Total Tonnage handled per Annum (in MTPA)	**5.92**
E	**(i). Per tonne handling rate of foreign cargo** (in ₹)	
	Dry Bulk Cargo (coal, gypsum & limestone)	**63.02**
	(ii). Per tonne handling rate of Coastal cargo (in ₹)	
	Bulk Cargo (coal, gypsum & limestone)	**37.81**

Working of Percentage of cargo by shipgears for conveyor system as furnished by VOCPT

Sr. No.	Particulars	Tonnage (In lakhs tonnes)
(i)	Total tonnage at 9th Berth 2014-15	**50.92**
(ii)	Tonnage available for Conveyor System	
(a)	Handled by HMC	24.97
(b)	Handled by shipgears	16.84
(iii)	Total cargo meant for conveyor system (ii (a)+ (b))	**41.81**
(iv)	Other cargo handled by HMC	1.09
(v)	Other cargo handled by Shipgears	8.02
(vi)	Total cargo handled by shipgears	**24.86**
(vii)	Percentage of cargo by shipgears for conveyor system to total cargo by shipgears ((ii) (b)/(vi) i.e. (16.84/24.86)	**67.74%**

10. Further, the VOCPT vide its e-mail dated 3 August 2015 has submitted that the performance standard for the Project Mechanisation of 9th berth may be considered as furnished in the hard copy of Application filed on 22 May 2015 as detailed below:-

Performance standard for Mechanized evacuation system :-
The Licensee shall meet both the following Performance standards:-

(a). The minimum guaranteed availability of 90% of Mechanized system per month. The availability shall be calculated for the total mechanized system; and

(b). The Licensee shall handle optimal cargo of 33,600 Tons per day (or) tonnage for proportionate hours of actual working.

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

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

(i). The proposal is to fix reference tariff for the project of V.O. Chidambaranar Port Trust (VOCPT) for mechanization of evacuation of cargo from Berth No.9 to interim stacking yard on license basis for a 10 years period. To achieve higher productivity, 2 numbers of 124 Tonnes HMC have been deployed on Public Private Partnership (PPP) mode in addition to operation by ship gears. The cargo unloaded from the vessels through HMC and ship cranes are accumulated in the berth. Presently, evacuation of cargo is done by Trucks using front end loaders and it takes time to evacuate the cargo from the said berth. This adversely impacts the productivity of HMC on berth no.9. Hence, in order to enable quick evacuation of cargo/coal from the berth no.9, to reduce turnaround time of the vessel and to reduce the pollution level caused by transportation of cargo/coal handling by trucks, the VOCPT has proposed mechanized evacuation of dry bulk cargo from berth no.9 using hoppers and conveyor system under the proposed project. The cargo will be transferred through conveyor to three plots each of 100 mtr x 100 mtr i.e. total area of 30,000 sq. mtrs proposed to be allotted by the port to the operator for interim stacking of cargo for a free period upto two days. From the interim stacking area, port users have to arrange to evacuate the cargo to their individual plots allotted to them at the coal yard or to final destination as the case may be within the specified free period.

(ii). It is relevant hereto mention that this Authority had passed an Order No.TAMP/7/2015-VOCPT dated 21 March 2015 for fixation of reference tariff for the same project based on Reference Tariff under 2013 guidelines following the principles of upfront tariff guidelines of 2008 on the proposal filed by the VOCPT.

(iii). Citing that only one tender was received in response to its project on the reference tariff approved by this Authority within the extended due date of inviting bids offer to 27 March 2015, the port has come up with a proposal for fixation of reference tariff for the same project.

(iv). 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.

The proposal in reference is for fixation of Reference tariff mechanization of evacuation of cargo from Berth No.9 to interim stacking yard. Upfront tariff approved by this Authority is available for handling of coal terminal/ dry bulk terminal for the entire movement of cargo i.e. from ship to shore, shore to yard and yard to truck/ wagon. No upfront tariff is, however, available for only one leg of operation i.e. transfer of cargo from berth to interim stacking yard envisaged in this project. That being so, the proposal is seen to have been filed by the VOCPT under 2013 guidelines by following the principles of 2008 guidelines. Since Feasiblity report is not applicable for this project as reported by the port, Feasibility report has not been prepared for this subject. During the proceeding relating to the Order dated 21 March 2015, the VOCPT has clarified that since the project involves only erection of conveyors and hoppers and no construction of Berth/ Jetties are included and hence, feasibility report is not prepared. The proposal of the VOCPT, however, has the approval of its Board of Trustees.

(v). Before proceeding ahead with analysis of this case, it is relevant here to state that the tariff guidelines of 2008 for upfront tariff fixation prescribe norms/ guidelines for dedicated facilities such as coal, iron ore, container, liquid handling terminal and multipurpose cargo terminal. The guidelines of 2008 for upfront tariff fixation do not prescribe any exclusive norms / guidelines for one leg of operation i.e. mechanization of evacuation of cargo from Berth No.9 to interim stacking yard envisaged in this project.

It is, however, seen that norms considered by the port for estimating the operating cost is based on the norms prescribed in the 2008 upfront tariff guidelines for the coal terminal as the proposed Mechanisation is seen to be mainly for coal cargo handled at berth no.9. Apart from coal, the VOCPT anticipates that other dry bulk cargo like gypsum and limstone may be handled. The VOCPT has during the proceeding relating to the Order No.TAMP/7/2014-VOCPT dated 21 March 2015 confirmed that the handling rate considered by it is same for the dry bulk cargo envisaged in this project. Since the dry bulk cargo envisaged to be handled include mainly coal and more importantly the proposed project involves conveyor system as prescribed in the guidelines for coal terminal, adoption of norms prescribed in the guidelines for coal terminal for the purpose of estimation of operating cost is accepted as proposed by VOCPT. In the absence of any specific norms prescribed in the 2008 guidelines and in view of urgency expressed by the VOCPT for seeking reference tariff for this project, the approach adopted by VOCPT of adopting the norms prescribed in the 2008 upfront tariff guidelines for a Coal terminal to the extent relevant to arrive at the reference tariff for this project is relied upon.

(vi). Optimal Capacity:

As brought out in the previous paragraphs relating to the factual position, the optimal capacity assessed by the VOCPT for this project in the orginal proposal dated 21 March 2015 is 5.30 MTPA based on the lower of the two optimal capacities assessed for 2 HMCs plus 2 shipgears at 53,04,793 tonnes and optimal capacity of the conveyor system envisaged for this project at 85,84,800 tonnes. For assessing the optimal capacity of 5.30 MTPA for 2 HMCs plus 2 shipgears, the VOCPT has first arrived at the optimal capacity of 2 MHC and 2 Ship gears at Berth No 9 at 64,69,260 tonnes and applied 82% of share of dry bulk caro i.e. coal, limestone, Gypsum handled at berth no.9 during the year 2014-15 to be handled by conveyor facility proposed under this project. The port has categorically stated that other dry bulk and break bulk cargoes will not be transported through the conveyors from 9th berth to interim stack yard.

In the final revised proposal the VOCPT has marginally increased the optimal capacity from 5.30 MTPA to 5.92 MTPA based on the modification in the computation of the optimal capacity of 2HMC and 2 Shipgears, which is discussed in the subsequent paragraphs.

(a). Handling rate (per day) of Berth No.9 by HMCs and Shipgears:

(i). This Authority vide Order No.TAMP/16/2010-VOCPT dated 23 July 2010 has approved upfront tariff for mechanical handling infrastructure at Berth Nos.I to VI and IX on Build, Own and Operate (BOO) basis for standard HMC of 100 Tonnes considering handling rate for dry bulk cargo at 12500 T / day. The VOCPT has reported that 2 HMC of 124 T has been deployed at berth no.9 of PPP mode. The mandate of this Authority under the 2008 and 2013 guidelines is restricted to fixation of upfront / reference tariff. It is for the port to award the project on PPP mode based on the upfront/ reference tariff obtained by the port and hence this Authority would not like to delve on the matter of higher capacity HMC deployed by the VOCPT which is beyond the mandate of this Authority. Since the HMC deployed under PPP mode is of higher capacity than 100 T HMC for which upfront tariff was approved by this Authority, the VOCPT has proportionately adjusted (increased) handling rate for dry bulk cargo for 124 Tonnes HMC (rounded off to 120T HMC for capacity estimation purpose) at 15000 T/ day (i.e. 12500 T/day / 100T HMC * 120 T HMC). In the absence of any specific norm available for 120T HMC in 2008 guidelines, the increased handling rate of 15000 T/day/ for one number of 124T HMC considered by the VOCPT based on proportionately increasing the handling rate considered by this Authority for 100T HMC is accepted. Thus, for 2 HMCs of 124T capacity, the total handling rate comes to 30,000T/ day.

The port has stated that the two HMCs deployed by another BOT operator viz. M/s.Imcola Crane Company Pvt. Ltd. work at berth nos I to VI and in addition to berth no.9. The port has emphatically stated that the working time available for 2 HMCs at berth no.9 is 62%. This is based on the operations of the HMC in the year 2014-15. Based on the submission made by the port that the HMC deployed by the BOT operator of the another project is only 62% at berth no.IX of the total working time based on the operations in the year 2014-15 and also recognizing that none of the user/ prospective bidders have made any adverse remarks on the percentage share applied by the VOCPT, the percentage share of 62% applied by the VOCPT in arriving the optimal capacity at the HMC is totally relied upon and considered as done by VOCPT. That being so, the optimal capacity of 2 HMC of 120T assessed at 47,52,300 (i.e 30,000T/day x 365 x 70% x 62% percentage of working times HMC at berth no.IX) by the VOCPT is relied upon.

(ii). In addition to two HMCs, in order to achieve improved productivity, two ship gears are also envisaged at berth no.IX for transfer of cargo from ship to shore. The VOCPT has considered the capacity of ship gear at 3360 Tonnes /day considering 20 cycles/ hr / ship gear, with handling rate of 10 tonnes per cycle (i.e. 20 cycles/hr x 10T x 24 hours x 70%) = 3360 tonnes/ day/ ship gear. The VOCPT had during the proceeding relating to 21 March 2015 Order stated that the productivity adopted is based on the experience gained by the port in operation of ship gears. In the absence of any specific norms available for ship gears, the handling rate considered by the port which is reportedly based on experience gained by the port in such operations is relied upon and considered. That being so, for two ship gears, the port has assessed the handling rate of 6720 tonnes / day (i.e. 3360 T/ day/ ship gear * 2 ship gears). In the final revised calculation, the VOCPT has assessed the annual optimal capacity of the conveyor applying 67.74% of the share of cargo capacity of ship gear. The port has furnished working to show that the of the total cargo handled by ship gear at berth nos IX, 67.74% share of cargo pertains to the dry bulk cargo envisaged to be handled by conveyor system under this project. The share of cargo capacity for ship gear adopted by the VOCPT is totally relied upon. Considering the above parameters, the optimal capacity of 2 ship gears for this project is assessed by the VOCPT is 11,63,069 tonnes (i.e. 6720 T/ annum * 365*70%* 67.74%). The said optimal capacity furnished by the VOCPT is relied upon.

(iii). Thus, the total optimal capacity of 2 HMCs plus 2 ship gears assessed by the VOCPT is 59,15,369 tonnes (i.e. 47,52,300 tonnes + 11,63,069 tonnes).

(b). Handling rate (per day) of conveyor system:

(i). As per the formula prescribed in the 2008 guidelines, the factor of 70% is to be applied only once for determining the optimal capacity. The VOCPT has applied the factor of 70% at two stages. First, as the operating load factor to arrive at the daily conveyor handling rate (i.e. 2000 tonnes/ day * 70% * 24 hours= 33,600 T/ day) and the second in the overall capacity calculation as prescribed in the norms. The norms do not allow separate cushion in each of the parameters relevant for determining the capacity. When pointed out, the port has during the proceeding relating to the 21 March 2015 Order clarified that 70% factor first applied is towards the efficiency/ operating factor of conveyor and the second time when applied it is for arriving at the optimal capacity utilisation as per the norms prescribed in the guidelines for berthing occupancy. It has referred that the approach adopted by it is similar to the approach followed by the port for assessing the optimal capacity for fixation of reference tariff for handling of vessels using floating crane at anchorage which was approved by this Authority vide Order No.TAMP/53/2013-VOCPT dated 23 December 2013 and hence may be accepted in this case also. It is noteworthy that apart from the above order referred by the VOCPT, each in case of fixation of upfront tariff for mechanized iron ore handling at WQ 1 berth of Visakhapatnam Port Trust (VPT) approved by this Authority vide Order No.TAMP/32/2010-VPT dated 29 November 2010, equipment efficient factor was reckoned to factor the time taken for operational requirements (over and above the norm of 70% prescribed in the guidelines). That being so, recognising that there are no prescribed norms available for transfer of cargo through conveyors, the approach followed by the VOCPT which is in line with the method allowed in the one another case of VOCPT and also VPT the case of the handling rate of conveyor assessed by the VOCPT at 33,600T / day may be relied upon and considered in the analysis.

(ii). Based on the above productivity parameter, the optimal capacity of conveyor system assessed by the VOCPT is 85,84,800 tonnes (i.e. 8.5 MTPA) [33600 tonnes/ day*365 days * 24 hours).

When brought to the attention of the VOCPT about the wide mismatch between the optimal capacity of conveyor system at 8.58 MTPA and optimal capacity of the 2 HMCs + 2 ship gear at 5.92 MTPA, the VOCPT has emphatically stated that this mismatch in the optimal capacity is inevitable. The port has emphasised that to match the output of 2 nos. of HMC and 2 nos. of ship gears having total productivity of 36,720 tonnes per day, the conveyor system of 2000-T capacity is proposed so as to achieve evacuation of 33,600-T per day (2000 Tonnes x 70% x 24 hours) so as to avoid uninterrupted discharge of cargo from the vessel. Based on the clarification furnished by the VOCPT, the optimal capacity for the mechanisation facility through conveyor system envisaged in this project as assessed by the VOCPT is solely relied upon as furnished by the VOCPT and considered in the cost statement.

(c). Optimal Capacity:

Considering lower of the two capacities viz. optimal capacity of 2 HMC each of 124 Tonnes + handling capacity for 2 ship gears at 59,15,369 tonnes per annum, vis-à-vis handling capacity of conveyor at 85,84,800 tonnes per annum the VOCPT has assessed the annual optimal capacity of the project at 59,15,369 tonnes. The optimal capacity as assessed by the VOCPT at 59,15,369 tonnes is relied upon.

(vii). Capital Cost:

(a). The total capital cost estimated by the VOCPT is ₹88.30 crores comprising of civil works ₹15.25 crores and mechanical equipment cost including plant and conveyors along with accessories and erection at ₹73.05 crores. The estimate of capital cost is inclusive of taxes duties, P&F, freight and insurance estimated at ₹13.30 crores for mechanical equipment. Miscellaneous capital cost at 5% of the capital cost i.e. ₹4.42 crores is also estimated as per norms prescribed in the 2008 guidelines.

(b). Civil works:

The break up of capital cost estimates for civil works furnished by the port shows that it includes MCC Rooms & Pump house, Tripper Conveyor, Interim stackyard and Compound wall and conveyors. As stated earlier, there are no norms prescribed in the guidelines for one single leg of operation for evacuation of cargo from berth to interim stack yard. In the absence of any norms for this kind of project, and recognizing that 2008 guidelines require this Authority to rely on the civil works as estimated by the port, the civil works as estimated by the VOCPT may be considered.

(c). Equipments:

In the mechanised evacuation system envisaged in this project, dry bulk cargo handled by the HMC / ship gears will be dumped into hoppers and it will be carried through conveyor to the interim stack yard. The port has proposed 4 Nos. of hoppers of 100 cbm reported to be operated manually, conveyor with rated capacity of 2000 TPH of 3.12 km length, power installation, dust suppression system, safety system and ancilliary items as part of the equipment cost. As stated earlier, there are no norms prescribed in the guidelines for one single leg of operation for cargo transfer from berth to interim stack yard. In the absence of any norms for this kind of project, the list of items included in the equipment cost may have to be relied upon and considered as estimated by the VOCPT.

The VOCPT has in its original proposal shown the duties, taxes, P&F and insurance separately. In the final revised proposal, it has merged these components with the mechanised equipment cost.

The capital cost for equipment is substantiated with budgetary offers. Hence, the total equipment cost as estimated by the VOCPT are relied upon in the analysis.

(d). The tariff guidelines of 2008, prescribe a norm for estimating miscellaneous capital cost at 5% of the capital cost. The VOCPT has estimated miscellaneous capital cost of ₹4.42 crores on the total capital cost of ₹88.30 crores based on the norms prescribed in the 2008 tariff guidelines.

(e). Based on the above, the total capital cost of ₹92.72 crores as estimated by the VOCPT is considered.

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

(ix). Operating cost:

The operating estimated by the VOCPT is discussed hereunder:

(a). Power cost:

The VOCPT had earlier estimated power consumption at 1.43 units per tonne based on power requirement of 59,15,663 units (for 1556 KVA) over the optimal capacity estimated at 5.3 MTPA in the original proposal. In the final revised proposal, the consumption of power is reduced to 1.00 unit/ tonne by spreading 59,15,369 units over the revised optimal capacity of 5.92 MTPA. The port has furnished detailed computation for arriving at power consumption of 1.00 unit per tonne based power requirement for the project. The unit rate power of ₹10.10 for per unit of power is also validated based on a documentary evidence.

Based on the detailed computation furnished by the port, the revised power cost of ₹597.45 lakhs estimated by the port is considered in the analysis.

The VOCPT had during the proceeding relating to the Order No.TAMP/7/2015-VOCPT dated 21 March 2015 confirmed that hoppers envisaged in this project are operated manually for movement and hence no fuel consumption is envisaged for hoppers in this project.

(b). Repairs and maintenance cost on civil work is estimated by VOCPT at 1% on the civil cost and 7% on mechanical equipment cost, which appears to be adopted from the norms prescribed in the guidelines for coal terminal. As stated earlier, there are no norms prescribed in 2008 guidelines for the mechanisation facility proposed by the VOCPT. It is relevant here to state the normative list of facilities for coal terminal, apart from various item in the civil works, include conveyor system. Recognising that the proposed project involves conveyor system for transfer of cargo, the estimates of Repairs and maintenance cost adopting the norms prescribed for coal terminal is accepted in the absence of any specific norms for the facility proposed by VOCPT.

(c). Insurance cost is estimated at 1% of the gross fixed assets and other expenses are estimated at 5% of the gross value of fixed assets by VOCPT, which are in line with the norms prescribed in the guidelines.

(d). 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 calculated depreciation @ 6.33% on the equipment cost and @ 3.17% on the civil works in the cost statement filed by it along with its proposal, which are in line with the norms prescribed in the guidelines and hence relied upon and considered as estimated by the VOCPT.

(e). (i). The guidelines for upfront tariff stipulate that licence fee for port land is to be estimated based on the rates prescribed in the Scale of Rates of the respective Major Port Trusts.

(ii). Licence fee has been estimated by the port in respect of area proposed to be allotted under this project for hopper. The VOCPT has adopted the rate of licence fee at ₹355.68 per sq. mtr. reportedly as per the rates applicable as per the prevailing Scale of Rates.

(iii). In respect of Way leave charges for the Conveyor area of 3120 mtrs length and 4.50 mtrs width, the VOCPT has adopted the unit rate of way leave charges at ₹1.42 per sq. mtr which is also seen to be as per the prevailing Scale of Rates. In addition to that the VOCPT has also considered pension fund levy of 6.5% on the way leave charges for the conveyor. The total way leave charges estimated by VOCPT is ₹0.21 lakhs (3120 mtrs. x 4.50 mtrs. x 1.42 per sq.mtr. x 1.065).

As regards to pension fund levy estimated by the VOCPT in the way leave charges, it is relevant here to mention here that the pension fund levy approved by this Authority vide Order No.TAMP/47/2012-VOCPT in the general revision of the Scale of Rates of VOCPT was for limited purpose to enable the VOCPT meet the shortfall in Pension fund liability. The schedule 5.22 of the Scale of Rates of VOCPT clearly states that the Pension fund levy will cease to apply from 1 April 2016. That being so, the component of Pension fund levy considered by VOCPT in the estimation of way leave charges is excluded in the revised cost statement prepared by us. The revised way leave charges comes to ₹0.20 lakhs as against 0.21 lakhs as estimated by VOCPT.

(f). The total operating cost based on the above analysis works out to ₹2244.59 lakhs as against ₹2244.60 lakhs estimated by the VOCPT. The negligible change in the operating cost is due to the exclusion of the pension levy fund in the estimation of the way leave charges for the Conveyor for reasons stated in the preceding paragraph.

(x). The cost statement for fixing Reference tariff submitted by VOCPT is modified in line with the above analysis. A copy of the statement is attached as **Annex - I**.

(xi). (a). The total Annual Revenue Requirement (ARR) works out to ₹3728.03 lakhs, which is an aggregate of operating cost (₹2244.59 lakhs) and 16% return on capital cost (₹1483.44 lakhs), as against the Annual Revenue Requirement estimated by the port at ₹3728.04 lakhs.

(b). The VOCPT has stated that the scope of work is limited to only quick evacuation of the cargo from berth no.9 to interim stack yard through conveyors. Hence, the cargo handled through the above operations does not attract storage activity. The port has envisaged recovery of the entire assessed ARR from the optimal capacity of the facility by way of one tariff item only i.e. handling charge.

Accordingly, considering the modified ARR at ₹3728.03 lakhs and the optimal capacity of 5915369 tonnes, the rate works out to ₹63.02 per tonne (₹3728.03 lakhs / 59,15,369 tonnes) as proposed by the VOCPT.

(c). The VOCPT has stated that the entire optimal capacity of dry bulk cargo viz. coal, gypsum and limestone envisaged for this project are foreign cargo. If any of the vessel carrying coastal cargo is forthcoming and berthed, the coastal rate is required and hence the rate is proposed for coastal cargo. In view of submissions made by the port, rate for coastal cargo is prescribed at 60% of the foreign rate, as proposed by the port for dry bulk cargo other than thermal cargo complying with the Government policy of coastal concession.

The port has proposed separate rate for thermal cargo uniformly at ₹63.02/ tonne for both foreign and coastal cargo. That being so, the proposed note that thermal coal will not come under coastal cargo is not found relevant and hence deleted.

(xii). The note 1 to the original proposal stated that the rate prescribed in the schedule is for transportation of cargo from berth no.9 to coal yard. Subsequently, on pointing out that its proposal is for transfer to interim stackyard, the VOCPT has stated that the note 1 under the schedule of cargo handling charges may be corrected to state that the rate prescribed is for transportation of cargo from IXth Berth to Interim Stackyard through conveyor system. The modified note proposed by the VOCPT is incorporated in the Scale of Rates.

(xiii). The Scale of Rates proposed by the VOCPT did not mention about storage charge/ free period included in the consolidated handling charge. On being pointed out, the VOCPT has proposed to introduce a note in the Scale of Rates to state that in the interim stack yard free period of 2 days is allowed from the date of completion of unloading from vessel. The cargo should be moved by the stevedores from interim stack yard within the stipulated free period. If the cargo is not moved by stevedores from interim stack yard within the stipulated free period then VOCPT will remove the cargo from the stack yard at the cost of concerned stevedores.

The VOCPT has furnished detailed working, as brought out in the factual position earlier, to show that the cargo discharged through conveyor to the interim stackyard can be moved by users within the proposed free period. The note proposed by the VOCPT is incorporated in the Scale of Rates as requested by the VOCPT.

Further, in the proposal the port has stated that the plot will be under the control of the port and it will take necessary action for removal of cargo if not vacated within the prescribed time. In this context, the port has also requested to insert a note stating that no storage charges will be levied. If the cargo is not evacuated by the stevedores from interim stack yard within the stipulated free period of two days, the Port will remove the cargo from the stack yard at the cost of respective stevedores.

The above mentioned note proposed by the VOCPT is also included in the Scale of Rates as requested by the VOCPT.

(xiv). The Government of India in the Ministry of Shipping (MOS) under cover 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, interalia, 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 with the above mentioned definition of 'Coastal Vessel'.

(xv). The VOCPT has not incorporated a general condition 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 including VOCPT. The said condition is a general condition to protect the interest of users for delays beyond reasonable level attributable to BOT operator irrespective of the unit of levy. That being so, the said condition is prescribed in the reference tariff schedule in the instant case and is in line with the prescription in the upfront/ reference tariff schedule in other Major Port Trusts including VOCPT.

(xvi). The VOCPT has proposed a general note relating to indexation factor for automatic adjustment every year giving the base WPI occurring between January 2013 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 2015, it is found appropriate and relevant to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2015, 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.

(xvii). Clause 2.2 of the revised tariff guidelines of 2013 requires this Authority to prescribe the Reference Tariff along with the Performance Standards. Though the revised guidelines of 2013 do not require this Authority to go into the Performance Standards proposed by the port it is not unreasonable to assume that the ports would propose reasonable and achievable Performance Standards. The VOCPT has proposed for performance standards in terms of Minimum guaranteed availability and also with reference to the productivity in terms of cargo transfer and proposed that the Licensee has to meet both the Performance Standards.

The port has proposed Performance Standards in terms of (a). Minimum guaranteed availability of 90% of Mechanised System per month and the availability shall be calculated for the total mechanised system; and, (b). Licensee to handle optimal cargo of 33,600 Tonnes per day or tonnage proportionate to hours of actual working. The performance parameter of 33,600 tonnes proposed by the port is line with the handling rate for conveyor system considered in the assessment of optimal capacity. The Performance Standards as proposed by the Port are prescribed.

13.1. Subject to above analysis, the Reference Tariff Schedule and the Performance Standards as proposed by the port attached are as **Annex - II** and **Annex - III** respectively.

13.2. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the Reference Tariff Schedule for mechanization of evacuation of cargo from Berth No.IX to interim stacking yard on license basis in VOCPT and notifies it along with the Performance Standards.

14.1. 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 Licence Agreement in respect of PPP Project.

14.2. 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 licence 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.

14.3. The proposal shall be submitted to this Authority along with a certificate from the independent engineer appointed under the Licence 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.

14.4. 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.

14.5. In the event of Licensee not achieving the Performance Standards as incorporated in the Licence 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 Licensee shall be entitled to only the indexed Reference Tariff applicable for the ensuing financial year.

14.6. After considering the views of the Major Port Trust, if this Authority is satisfied that the Performance Standards as incorporated in the Licence 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.

14.7. While considering the proposal for Performance Linked Tariff, this Authority will look into the Performance Standards and its adherence by the Licensee. 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 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.

14.8. From the third year of operation, the Performance Linked Tariff proposal from the Licensee 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 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 this Authority shall notify by 20th March, the Performance Linked Tariff to be effective from the ensuing financial year.

14.9. As stipulated in Clause 6.2 of the revised 2013 guidelines, in the event any user has any grievance regarding non-achievement by the Licensee 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 VOCPT. The VOCPT will be bound to take necessary action on the findings as per the provisions of the respective Licence Agreement.

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

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

14.12. As stipulated in clause 6.3.3 of the revised 2013 guidelines, this Authority shall publish on its website all such information received from PPP operator. However, this Authority shall consider a request from the Licensee about not publishing certain data/ information furnished which may be 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.

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

14.14. The performance norms for the project should be clearly brought out in the bid documents. The Licensee is expected to perform at least at the performance norms brought out in the bid document/ Licence agreement.

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

(T.S. Balasubramanian)
Member (Finance)

Annex - I

COST STATEMENT FOR FIXATION OF REFERENCE TARIFF FOR MECHANISATION OF CARGO EVACUATION FROM BERTH NO.IX TO INTERIM STACK YARD AT V.O. CHIDAMBARANAR PORT TRUST UNDER 2013 GUIDELINES FOLLOWING THE PRINCIPLES OF 2008 GUIDELINES

(Rs. in Lakhs)

Sr. No.	Particulars	Estimates by VOCPT in its original proposal dated 22.5.2015	Estimates by VOCPT in its final revised proposal dated 30.7.2015	As considered by TAMP
I	**Optimal capacity**			
(i)	**Handling rate of HMC and Ship Gears:**			
(a).	Handling rate of HMC as per Standard Norms for 100Tonne HMC **(Tonnes/day)**	12,500	12,500	12,500
(b).	Handling rate for 120-T HMC **(Tonnes/day)**	15,000	15,000	15,000
		(12500/100) x 120	(12500/100) x 120	(12500/100) x 120
(c).	Handling rate for 2 HMCs of 120T each **(Tonnes/day)**	30,000	30,000	30,000
		(2 * 15000T)	(2 * 15000T)	(2 * 15000T)
(d).	Capacity of 2 HMCs **(Tonne / annum)**	7,665,000	7,665,000	7,665,000
		(30000 tonnes/day *365 days * 70%)	(30000 tonnes/day *365 days * 70%)	(30000 tonnes/day *365 days * 70%)
(e).	% of working time of HMC at 9th berth	62	62	62
(f).	Actual quantity of cargo to be handled by HMC per annum **(in Tonnes)**	**4,752,300**	**4,752,300**	**4,752,300**
		(62%*76,65,000 tonnes/annum)	(62%*76,65,000 tonnes/annum)	(62%*76,65,000 tonnes/annum)
(g).	Handling rate of Ship Gears **(Tonnes/day)**	3,360	3,360	3,360
		(20 cycles/hr x 10T x 24 x 70%)	(20 cycles/hr x 10T x 24 x 70%)	(20 cycles/hr x 10T x 24 x 70%)
(h).	Handling rate for 2 Ship Gears **(Tonnes/day)**	6,720	6,720	6,720
(i).	Cargo to be handled by ship gears per annum **(in Tonnes)**	**1,716,960**	**1,716,960**	**1,716,960**
		(6,720T / annum * 365* 70%)	(6,720T / annum * 365* 70%)	(6,720T / annum * 365* 70%)
(j).	Total Handling rate of 2 HMCs and 2 Ship Gears per annum **[I (i) (f) + I (i) (i)]**	**6,469,260**	--	--
(k).	% share of cargo (coal, gypsum & limestone) handled under this project at berth no.9.	82	--	--
(l).	% share of dry bulk cargo of 9th berth to be handled on ship gears	--	67.74	67.74
(m).	Capacity of cargo to be handled by ship gears **[I (i) (i) * I (i) (l)] (in Tonnes)**	**--**	**1,163,069**	**1,163,069**
(n).	Total Handling rate of 2 HMCs and 2 Ship Gears per annum after adopting percentage share of cargo **[I (i) (f) * I (i) (m)] in 30.7.2015 calculation (in Tonnes)**	**5,304,793 (Note-1)**	**5,915,369**	**5,915,369**
(ii).	**Handling rate of the Conveyor system:**			
(a).	Handling rate of conveyor system **(Tonnes/hour)**	2000	2000	2000
(b).	Handling rate of conveyor system per day with 70% weightage **(Tonnes/day)**	33,600	33,600	33,600
		(2000T/hour * 24 hours *70%)	(2000T/hour * 24 hours *70%)	(2000T/hour * 24 hours *70%)
(c).	Optimal Capacity of conveyor system per annum **(in Tonnes)**	**8,584,800**	**8,584,800**	**8,584,800**
		(33600MT/day * 365days * 70%)	(33600MT/day * 365days * 70%)	(33600MT/day * 365days * 70%)
(iii).	Optimal Capacity **(Tonnes/annum)**	**5,304,793**	**5,915,369**	**5,915,369**
(iv).	**Optimal Capacity [in Million Tonnes per Annum(MTPA)]**	**5.30**	**5.92**	**5.92**
II	**Capital Cost of Conveyor system**	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
(i).	Mechanical & equipment works (including Taxes duties, P&F, Freight & Insurance in the revised proposal)	5,975.00	7,305.00	7,305.00
(ii).	Civil Works	1525.00	1525.00	1525.00
(iii).	Taxes duties, P&F, Freight & Insurance	1330.00	(Merged with Capex)	(Merged with Capex)
(iv).	Sub Total **(i+ii)**	**8,830.00**	**8,830.00**	**8,830.00**
(v).	Miscellaneous cost @ 5%	441.50	441.50	441.50
		(5% * Rs.8,830 lakhs)	(5% * Rs.8,830 lakhs)	(5% * Rs.8,830 lakhs)
(vi).	**Total Capital Cost (iii+iv)**	**9,271.50**	**9,271.50**	**9,271.50**

Sr. No.	Particulars	Estimates by VOCPT in its original proposal dated 22.5.2015	Estimates by VOCPT in its final revised proposal dated 30.7.2015	As considered by TAMP
III	**Operating Cost**	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
(i).	Electricity Cost	766.17	597.45	597.45
		(53,04,793 tonnes * 1.43 unit/tonne * Rs 10.10/unit)	(59,15,369 tonnes * 1.00 unit/tonne * Rs 10.10/unit)	(59,15,369 tonnes * 1.00 unit/tonne * Rs 10.10/unit)
(ii).	Repair & Maintenance			
(a).	Civil Cost	16.01	16.01	16.01
		(1% * Rs.1601.25 lakhs)	(1% * Rs.1601.25 lakhs)	(1% * Rs.1601.25 lakhs)
(b).	Mechanical Assets	536.92	536.92	536.92
		(7% * Rs 7,670.25lakhs)	(7% * Rs 7,670.25lakhs)	(7% * Rs 7,670.25lakhs)
(iii).	Insurance	92.72	92.72	92.72
		(1% * Rs.9,271.50 lakhs)	(1% * Rs.9,271.50 lakhs)	(1% * Rs.9,271.50 lakhs)
(iv).	Depreciation:			
(a).	Civil works	50.76	50.76	50.76
		(3.17% * Rs.1,601.25 lakhs)	(3.17% * Rs.1,601.25 lakhs)	(3.17% * Rs.1,601.25 lakhs)
(b).	Mechanical & equipment cost	397.13	485.53	485.53
		(6.33% * Rs. 6,273.75 lakhs)	(6.33% * Rs. 7,670.25 lakhs)	(6.33% * Rs. 7670.25 lakhs)
(v).	License fee for 4 hoppers	--	1.42	1.42
			[(10*10*4)sq.mtr*Rs.355.65]	[(10*10*4)sq.mtr*Rs.355.65]
(vi).	Way leave charges for Conveyor	0.20	0.21	0.20
		(3120mtr * 4.5mtr * Rs.1.42/sq.mtr)	(3120mtr * 4.5mtr * Rs.1.42/sq.mtr*1.065)	(3120mtr * 4.5mtr * Rs.1.42/sq.mtr)
(vii).	Other expenses	463.58	463.58	463.58
		(5% * Rs.9,271.50lakhs)	(5% * Rs.9,271.50lakhs)	(5% * Rs.9,271.50lakhs)
(viii).	**Total Operating Cost**	**2323.48**	**2244.60**	**2244.59**
IV	**Annual Revenue Requirement and Proposed Handling Rate**	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
(i).	**Annual Revenue Requirement (ARR)**			
	(a). Total Operating Cost	2323.48	2244.60	2244.59
	(b). Return on Capital Employed @16%	1483.44	1483.44	1483.44
	(c).Total Revenue requirement	**3,806.92**	**3,728.04**	**3,728.03**
(ii).	Optimal Capacity **(Tonnes/ Annum)**	5,304,793	5,915,369	5,915,369
(iii).	Per tonne handling rate **(in Rs./Tonne)**			
	(a). For Foreign cargo	**71.76**	**63.02**	**63.02**
	(b). For Coastal cargo	**43.06**	**37.81**	**37.81**

Note-1: In the 22.5.2015 proposal, the VOCPT had assessed the total capacity of handling by 2 HMC's and 2 ship gears at berth no.9 at 64,69,260 tonnes and applied 82% of the share of dry bulk cargo to be handled by this project to arrive at optimal capacity at 53,04,793 tonnes/annum.

Annex - II

V. O. CHIDAMBARANAR PORT TRUST

Reference tariff for mechanization of evacuation of cargo from Berth No. IX to Interim Stack yard.

CHAPTER 1 – DEFINITIONS & GENERAL TERMS & CONDITIONS

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 Terminal or place in India having a valid coastal license issued by the Competent Authority / Director General of Shipping.

(ii). “**Foreign-going Vessel**” shall mean any vessel other than a coastal vessel.

(iii). **“Per day**” shall mean a calendar day or part thereof.

(iv). “**Port”** shall mean V.O. Chidambaranar Port Trust.

(v). **“Tonne”** shall means one Metric Tonne or 1000 Kilograms or one cubic meter.

1.2. General Terms & Conditions

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

(ii). (a). A foreign going vessel of Indian Flag having a General Trading Licence can convert to Coastal run on the basis of a Customs Conversion Order.

(b). A foreign going vessel of Foreign Flag can convert to coastal run on the basis of a Coastal Voyage Licence issued by the Director General of Shipping.

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

(d). In cases of such conversion, coastal rates shall be chargeable only till the vessel completes coastal cargo discharging operations; immediately thereafter, foreign-going rates shall be chargeable by the discharge Terminals.

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

(iii). Interest on delayed payments/refunds.

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

(b). Like wise, the Terminal shall pay penal interest on delayed refunds. The rate of interest will be (prescribed at 2% above the Prime Lending Rate of State Bank of India) (c). The delay in refunds 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. (The Terminal must specify specific documents to be submitted for claiming refund).

(d). The delay in payments by the users will be counted beyond 10 days after the date of raising the bills by the Terminal. This provision shall, however, not apply to the cases where payment is to be made before availing the services as stipulated in the Major Port Trusts Act, 1963 and/or where payment of charges in advance is prescribed in this Scale of Rates.

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

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

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

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

(vii). User will not be required to pay charges for delays beyond a reasonable level attributable to operator.

2. CARGO HANDLING CHARGES FOR MECHANIZED EVACUATION SYSTEM FROM BERTH NO. IX TO INTERIM STACKYARD:-

Sl. No.	Commodity	Rate per in MT (in Indian ₹)	
		Foreign	Coastal
1	Dry Bulk Cargo (Coal [other than thermal coal], Gypsum and Limestone)	63.02	37.81
2	Thermal Coal	63.02	63.02

Notes :-

1. Rate prescribed above is for transportation of cargo from berth no. IX to interim stack yard through conveyor system.

2. In the interim stack yard free period of 2 days is allowed from the date of completion of unloading from vessel. The cargo should be moved by the stevedores from interim stack yard within the stipulated free period. If the cargo is not moved by Stevedores from interim stack yard within the stipulated free period then VOCPT will remove the cargo from the stack yard at the cost of concerned Stevedores.

3. No storage charges will be levied. If the cargo is not evacuated by the stevedores from interim stack yard within the stipulated free period of two days, the port will remove the cargo from the stack yard at the cost of respective stevedores.

3. GENERAL NOTES:

(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 1 January 2015 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31 March of the following year.

(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 licence 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 Licence 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>

PERFORMANCE STANDARDS

The Licensee shall meet both the following Performance Standards:

(a). The Minimum guaranteed availability of 90% of Mechanised System per month. The availability shall be calculated for the total mechanized system; and,

(b). The Licensee shall handle optimal cargo of 33,600 tonnes per day or tonnage for proportionate hours of actual working.

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SUMMARY OF THE ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY

F. No.TAMP/40/2015 - VOCPT - **Proposal received from V.O. Chidambaranar Port Trust for fixation of reference tariff for mechanization of evacuation of cargo from Berth No. 9 to interim stack yard on license basis for 10 years period.**

A summary of the arguments made by the V.O. Chidambaranar Port Trust (VOCPT) and the concerned users/ user organizations / prospective bidders during the joint hearing is given below:

V.O. Chidambaranar Port Trust (VOCPT)

(i). Port invited tenders for this project and two other projects.

(ii). Because of poor response, Board suggested to rework and retender. Before that we had a meeting with trade and concerned port users. Based on the suggestion of port users/ trade, we have revised the computation.

(iii). Two numbers of 124T capacity harbour mobile cranes have been deployed at 9th berth on revenue share basis under PPP mode for a period of 10 years for handling dry bulk cargo. Maximum quantity of cargo (coal) handled by two HMCs in a day is 42,041 Tonnes.

(iv). Cargo dumped in the wharf causes pollution and also affects the discharge rate of vessels due to slow evacuation of cargo. The evacuation of discharged cargo from the IX berth using Front End Loaders and trucks are not equal to the discharge rate of vessel using Harbour Mobile Cranes and ship cranes.

(v). Total optimal capacity assessed for cargo to be handled by HMC and ship gears and adopting 82% of cargo handled at 9th berth is assessed at 5.30 MTPA.

(vi). Total capital cost is estimated at ₹92.72 crores. Total ARR for the project is estimated at ₹3806.92 lakhs. The rate proposed is ₹71.06 per tonne for handling foreign cargo.

(vii). In the earlier proposal, license fee was considered. Now, it is proposed that the plots will be under the control of port. Hence, license fee does not arise.

Tuticorin Stevedores Association (TSA)

(i). Port has only one deep draft berth no.IX. Whether cargo other than dry bulk and thermal coal covered under this project can be handled at berth no.IX with this mechanisation proposed by VOCPT?

[VOCPT: Hoppers are movable at the berth. Trade can handle other cargo at berth No.IX by conventional means.]

M/s.PSTS Logistics Pvt. Ltd.

(i). At the proposed rate, handling charge will become ₹30 to ₹40 per tonne costlier than the existing handling rate at the 9th berth. Mechanisation at berth nos.III/ IV works out to be cheaper.

[VOCPT: Deep drafted vessel cannot be berthed at berth nos.III/ IV. Deep draft vessels can be handled at Berth No.IX only. Discharge rate will improve with the proposed mechanization. Hence, the trade should consider the overall cost saving.]

(ii). Most of vessels calling at berth no.IX do not have ship gears. Hence, port may reduce number of ship gears considered in the optimal capacity calculation to 1 no. instead of 2 nos. or take it at 50% for assessing the capacity.

[VOCPT: We will examine this point and respond to TAMP.]

M/s.J.M. Baxi & Co.

(i). Port to clarify what happens if plot is not vacant when the vessel arrives at the berth?

[VOCPT: Plot is under the control of VOCPT. First plot has to be vacated before the second vessel comes. VOCPT will take necessary action for removal of cargo, if it is not vacated within the prescribed time.]

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