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Tariff Authority for Major Ports

G.No.134 **New Delhi,** **21 April 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 coal 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/7/2015-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 21st day of March, 2015)

This case relates to the proposal dated 28 January 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 coal yard on license basis for 10 years period under revenue share mode.

2. The VOCPT has proposed to implement a Mechanized evacuation system by way of grant of license to the prospective bidder for evacuating the cargo from 9th berth to stack yard for a period of 10 years. The VOCPT has stated that the Ministry of Shipping has fixed timeline for issuing Letter of Award for the subject project on or before 30 March 2015 and sanction of Ministry of Shipping, Government of India to the proposal is being submitted with Board's approval.

3. The main submissions made by the VOCPT in the proposal are summarized below:

(i). The Berth No.IX is having 12.8 mtr draught and Gearless Panamax vessels are being berthed. Arrival of Gearless vessel is one of the scenarios. To increase the Productivity, 2 numbers of 124 Tonnes capacity Harbour Mobile Cranes (HMC) have been deployed on PPP mode in addition to operation of Ship Gears. Cargoes unloaded from the vessels through HMC 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 berth No. IX and to reduce the pollution caused by transportation of cargo/coal by trucks, it has been proposed to evacuate cargo from berth no. IX quickly using hoppers and conveyor system. Hence, the current Project for evacuation of cargo from berth no. IX is formulated.

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

(a). In order to ensure continuous unloading operation from ships and for quick evacuation of bulk cargoes at berth no. IX and to reduce turnaround time of the vessel, it is proposed to install a conveyor system for quick evacuation of cargo from Berth no. IX, so that the operation of HMC discharge is uninterrupted. The following equipments are proposed for installation in the mechanized evacuation system:-

(i).	Hopper	: 4 Nos. 100cbm capacity
(ii).	Hopper Height	: 8 meters
(iii).	Conveyor rated capacity	: 2000TPH
(iv).	Conveyor enclosure	: Circular type Hood.
(v).	Conveyor length	: 3.12 K.M
(vi).	Power requirement	: 1400KW approx.
(vii).	Dust suppression system	
(viii).	Safety system	

(b). In the proposed Mechanized system, cargoes handled by the HMC / Ship Gears will be dumped into the hopper, and it will be carried through conveyors to the (interim) Coal stacking yard. The time taken for evacuation of cargo in this system is lesser than the existing system.

(c). In this proposed system, the conveyor is routed from berth no.IX to (interim) coal yard along north side of south break water road.

(iii). **<u>Optimal Capacity of Evacuation system</u>**:

Considering the norms prescribed in the Tariff Guidelines of 2008 for Coal Terminal at 35000 Tonnes/day for unloading coal from Panamax Vessel, it is proposed to provide conveyor system of 2000 Tonnes per hour for 24 hours per day. Following assumptions are made for arriving Optimal capacity of evacuation system:-

- Operating factor - 70% and Berth occupancy - 70%.

- Optimal capacity is computed based on lower of the handling rate of 2 HMCs plus 2 ship gears capacity of 36,700 MT/day and conveyor capacity of 33,600 MT/day. Optimal capacity is assessed at 8.58 Million Tonnes Per Annum as given below:

Sr. No.	**Particulars**	**Figures in MT**
	<u>Optimal capacity of the Evacuation system</u>	
1	Handling rate of HMC as per Standard Norms for 100-T /day (MT)	12,500
2	Handling rate of 120-T HMC is (12500/100) x 120	15,000
3	Handling rate for 2 HMCs 2 x 15000 (A)	30,000
4	Handling Capacity of Ship Gears 20 cycles/hr x 10T x 24 x 0.7	3,360
5	For 2 Ship Gears (B)	6,720
6	Total Handling rate (A) + (B)	36,720
7	Handling rate of conveyor system per hour (MT)	2000
8	Handling rate of conveyor system per day with 70% weightage	33,600
9	Optimal Capacity based on the lower of the two handling rates i.e. based on conveyor system (33,600 x 365 x 70%)	8,584,800
10	**Optimal capacity (tonnes / annum) (in Million Tonnes Per Annum)**	**8.58 MTPA**

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

100% Dry bulk cargo is considered for the calculations, since in the proposed evacuation system dry bulk cargo only will be handled and the entire cargo capacity is considered as foreign based on current scenario.

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

The scope of work is limited to only quick evacuation of the cargo from berth no.IX to interim stack yard through conveyors. From the stack yard the users have to clear the cargo immediately. Hence, the cargo handled through the above operations does not attract storage activity.

(vi). **Capital Cost of Conveyor system**:

(₹ in lakhs)

Sl. No.	Particulars	Amount
1	Plants & Conveyors along with accessories including erection	5,000.00
2	Civil Works	400.00
3	Total (1+2)	5,400.00
4	Miscellaneous cost @ 5% on sl.no.3	270.00
5	**Total Capital Cost (3+4)**	**5,670.00**

As stated earlier, the Ministry of Shipping has fixed the timeline to issue Letter of Award for the subject project on or before 30.3.2015. Hence in order to avoid delay in filing application before TAMP for fixing upfront Tariff for the subject project, budgetary offers have been invited from the relevant firms and also published in the Port website. In response, the following three firms have furnished their Budgetary offers:-

- M/s.Seaport Logistics Pvt. Ltd., Chennai – ₹54 Crores
- M/s.Chennai Radha Engineering works (P) Limited, Chennai – ₹96.30 Crores (Plus taxes)
- M/s.Tecpro Systems Ltd., Chennai – ₹54.00 Crores (cost of erection, commissioning, civil works & taxes extra)

From the above, the offer of M/s.Seaport Logistics Pvt. Ltd., fulfills the requirement of the Proposal and the cost is also lower than the other two offers. Based on the budgetary offer, the capital cost of ₹54.00 crores is considered for fixing upfront tariff for the Project.

(vii). **Operating cost:**

(a). Power requirement is taken as 1.4 units/ Ton, as per 2008 TAMP Guidelines for coal Terminal.

(b). License fee:
Lease rent for 3 plots at the size of 100 mtrs. X 100 mtrs. are earmarked in the coal yard for dumping the cargo evacuated from 9th berth.

Total area = 100mtrs X 100 mtrs.
= 10000 sq. mtrs. X 3
= 30000 sq. mtrs.

The proposed storage area comes under commercial category. Hence ₹348.68 per sq. mtr. as per Estate rental of VOCPT for the period 2014-15 is taken for calculating the lease rent.

Lease rent = 30000 sq. mtrs. X ₹348.68 sq. mtr.
= ₹1,04,60,400/-

(c). Way leave charges for length of the conveyor 3.12 Km and width 4.5 mtr. has been considered. Way leave charges for conveyor is estimated at unit rate of ₹1.42 per sq.m X 3120 X 4.5 = ₹19,937.

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

(**₹ in Lakhs**)

Sl. No.	Particulars	Workings	Amount
(i).	Power cost	1.4 unit/ tonnes	961.50
(ii).	Repair & Maintenance on Civil Cost (1% of Civil Cost)	1% on civil works	4.00
(iii).	Repair & Maintenance on Mechanical Assets	7% on equipment cost	350.00

Sl. No.	Particulars	Workings	Amount
(iv).	Insurance	1% on total capital cost	56.70
(v).	Depreciation	3.34% on Civil cost	13.36
		10.34% on equipment cost	517.00
(vi).	Lease Rent	30000 * ₹348.68	104.60
(vii).	Way leave charges for Conveyor route	3120m*4.5 mtr. =14040 Sq. mtr. *₹1.42/Sq. mtr.	0.20
(viii).	Other expenses	5% on Total capital cost	283.50
	Total operating cost		**2290.86**

(viii). The return on capital employed is estimated at 16% on the gross block of assets.

(ix). Accordingly, the Annual Revenue Requirement estimated by VOCPT is as follows:

(**₹ in lakhs**)

Sl. No.	Particulars	For cargo handling activity
(i).	ROCE @ 16%	907.20
(ii).	Operating cost	2290.86
(iii).	Total Revenue Requirement	**3,198.06**

(x). **<u>Annual Revenue Requirement</u>**:

The total Annual Revenue Requirement is apportioned to handling activities of Dry Bulk cargoes. The apportionment of revenue requirement for the remaining activities of Storage and Miscellaneous items does not arise.

(xi). The upfront tariff proposed for Cargo Handling Charges for Mechanized evacuation system from berth no. IX to (interim) stacking yard to meet the estimated revenue requirement is as follows:

Sl. No.	Commodity	Rate per in MT (in Indian Rupees)	
		Foreign	Coastal
1	Dry Bulk Cargo	37.25	22.35

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

The Licensee shall endeavour to handle optimal cargo of 33,600 Tons per day (24 hours X 70%) (or) tonnage of proportionate hours of actual working.

4. The VOCPT has submitted the proposed Scale of Rates (SOR) and Budgetary offers along with its proposal.

5. The VOCPT has not furnished the Feasibility Report for the said project. Therefore, while acknowledging the proposal dated 28 January 2015, the VOCPT was requested vide our letter dated 2 February 2015 to furnish a copy of the Feasibility Report of the project and simultaneously forward a copy of the Feasibility Report to the concerned users/ organization bodies/ prospective bidders. The VOCPT was also requested to forward a copy of the sanction letter of the Ministry of Shipping as cited in its proposal and a copy of the Board approval for the proposal filed to the TAMP immediately. In this connection the VOCPT has vide its letter dated 07 February 2015 partly replied informing that, Feasibility report has not been prepared for this Project, since it involves only erection of conveyors and hoppers and no construction of Berth/ Jetties etc. Based on the budgetary offer received, the capital cost of the Project is arrived and the same has been furnished to the Authority.

6. In accordance with the consultative procedure prescribed, the VOCPT proposal dated 28 January 2015 was forwarded to the concerned users/ user organizations/ prospective bidders for their comments. The Tuticorin Stevedores Association (TSA) and Seaport Logistics Pvt. Ltd. (SLPL) have furnished their comments, which have been forwarded to the VOCPT as feedback information. The VOCPT has responded to the comments of TSA and SLPL vide its letters dated 20 February 2015 and 25 February 2015 respectively.

7.1. Based on a preliminary scrutiny of the proposal, the VOCPT was requested vide our letter dated 19 February 2015 to furnish information / clarifications on a few points. The VOCPT has responded to our queries vide its emails dated 25 February 2014, 26 February 2015, letters dated 2 March 2015, 03 March 2015 and 17 March 2015 respectively. A summary of queries raised by us and the response of VOCPT are tabulated below:

Sl. No.	Our queries	Reply of VOCPT
(1).	**<u>GENERAL:</u>**	
	While acknowledging the proposal, the VOCPT was (vide our letter dated 2 February 2015 requested) to forward a copy of the Feasibility report for the said project to TAMP and simultaneously forward a copy of the Feasibility Report to the concerned users/ organization bodies / prospective bidders. Apart from that the VOCPT was also requested to forward a copy of the sanction letter of the Ministry of Shipping as cited in its proposal and a copy of the Board approval for the proposal filed to the TAMP immediately. The VOCPT has still not forwarded these documents same. The VOCPT is again requested to furnish the requisite documents immediately as stated in our said letter.	(a). Feasibility report has not been prepared for this Project, since it involves only erection of conveyors & hoppers and no construction of Berth/ Jetties etc. Based on the budgetary offers received, the capital cost of the Project is arrived. (b). The VOCPT vide its letter dated 2 March 2015 has stated that relevant agenda note seeking approval of the Board has been placed in the Board meeting held on 13.2.2015. The VOCPT has furnished copy of the said Board Note. The port has agreed to forward the copy of the minutes of the Board meeting on its receipt and has stated that approval of Ministry of Shipping will be sought. (c). Subsequently, the VOCPT vide its letter dated 17 March 2015 has forwarded a copy of the Board resolution dated 13 February 2015 approving the said proposal filed before TAMP.
(2).	**<u>Optimal Capacity:</u>**	
	It is seen that for arriving at the optimal capacity the port has considered lower of the two handling rates i.e. 2 HMC each of 120 Tonnes assessed at 30000 tonnes/ day (i.e. 15000 tonnes / day/ HMC) + handling capacity for 2 ship gears at 6,720 tonnes per day aggregating to 36,720 tonnes/ day vis-à-vis optimal capacity of conveyor @ 2000 tonnes / hour assessed at 33,600 tonnes per day and considered the handling rate of 33,600 tonnes per day and arrived at the optimal capacity of 8,584,800 tonnes at 70% utilisation. In this regard the VOCPT to clarify the following points.	
	(a). The 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 and the optimal capacity assessed for dry bulk cargo was at 2.976 MTPA per HMC. So, for 2 HMC proposed to be deployed at berth No 9 it will work out to 5.952 MMTPA. As against that the port has assessed the optimal capacity for coal handling at berth No 9 at 8.58 MMTPA. Please justify the optimal capacity now considered by the VOCPT which significantly differs from the optimal capacity assessed in the said Order along with the reasons for considering 120	In berth No.9 two numbers 124 Tonnes HMCs are deployed for handling cargoes from the panamax size vessels. The 124 Tonnes HMCs are achieving productivity of 15000 Tonnes/ day. In addition two ship gears are engaged. The capacity of ship crane is 3,360 Tonnes/day. Total berth output is 36720 MT per day. In order to evacuate the cargo from the 9th berth at par with the handling capacity of HMCs & Ship cranes conveyor rated capacity of 2000 Tonnes/hour is proposed and per day capacity is 33,600 Tonnes (24hrs*2000T*70%). Hence, lower capacity of 33,600 Tonnes is considered with reference to conveyor capacity.

	Tonne HMC instead of 100 Tonne HMC considered in the tariff order dated 23 July 2010.	
	(b). Explain the basis of assuming the number of cycles at 20/ hour for assessing the handling rate of ship gears at 3360 tonnes / ship gear and the basis for considering two numbers of ship gears in the computation. From the computation it appears that port has assumed each coal vessel calling berth No.9 will be handled by 2 ship gears apart from 2 HMC of 120 T at the berth. Please confirm whether this assumption made by the port is correct based on the coal handling operations at the port for the last three years. Also, justify the parameters adopted by the port with reference to the actual coal handling operation by ship gears at the port for the last three years.	Whenever the panamax vessels with ship gears arrive at 9th berth, two numbers of 124 Tonnes are being engaged for handling the cargoes in addition to two ship gears for achieving the Productivity. Based on the experience of operation of Port wharf cranes, 20 cycles/ hr is considered for operation of ship gears.
	(c). For arriving at the handling rate for conveyor taking the base as 2000 tonnes/ hour the port has applied the factor of 70% twice. Once the port has applied the 70% factor for arriving at the handling rate for the day i.e. 2000 Tonnes / hour *24 hours * 70% = 33600 tonnes/ day. It has again applied the 70% factor as per the formula for assessing the optimal capacity i.e. 33,600 tonnes/ day *365 days * 70% = 8,584,800 tonne. Like wise, the 70% factor is also duplicated for arriving at the capacity of ship gears once for arriving at the hourly handling rate of 3360 tonnes / hour and then again while computing the optimal capacity as per the formula. The tariff guidelines of 2008 do not allow applying the 70% utilisation factor for each parameters. The approach adopted by the VOCPT of applying twice the 70% factor is not found to be as per the guidelines. Hence, the VOCPT to examine this point and modify its proposal so as to exclude double counting the 70% factor in the optimal capacity calculation.	70% is considered for berthing occupancy and another 70% is considered for mechanical efficiency of conveyor system. TAMP has approved the same in its proposal for deployment of Floating crane for handling of vessels at anchorage having draft more than 12.8mtr in V.O. Chidambaranar Port vide G.No.60 dt. 19.2.2014. Hence the approach may please be admitted here also.
	(d). From para 2 of the Budgetary Proposal of Seaport forwarded by the port along with the proposal, it is understood that proposed evacuation from berth no 9 to the yard is with reference to the "coal" handled at berth No 9. This is also strengthened as for estimating power cost the port has assumed the power consumption prescribed in the 2008 guidelines for "coal" terminal. Whereas, the rate proposed is for "dry bulk cargo". The VOCPT is requested to confirm whether the mechanized evacuation system from berth 9 to coal yard can handle any other dry bulk cargo other than coal. If so, explicitly state the dry bulk cargo categories covered under this project and also	In the Mechanized evacuation system of 9th berth, Dry bulk cargo like Rock phosphate, Gypsum Coal can be handled. Handling rate in respect of HMC & conveyors will be the same.

<table>
<tr><td></td><td>modify the proposed SOR to that extent listing out the dry bulk cargo. Also, clarify whether the handling rate by HMC, gears and conveyors will be the same as assumed by the port in the optimal capacity calculation for the different dry bulk cargo if proposed to be handled, else, suitably modify the optimal capacity calculation as well as the rate. If the port envisages to handle only coal under this project then the VOCPT to suitably modify its proposal and the proposed SOR explicitly describing the cargo category as coal.</td><td></td></tr>
<tr><td>(3)</td><td><u>Capital cost:</u></td><td></td></tr>
<tr><td>(i).</td><td>The VOCPT has stated in its brief write up that since Ministry of Shipping has fixed the timeline to issue Letter of Award for the subject project on a before 30 March 2015, the port has obtained budgetary offer at ₹54.00 crores to avoid delay. The VOCPT to confirm whether the port is in agreement of the project cost of ₹54.00 crores.</td><td>The lowest Budgetary offer received is suitable to Port’s requirement and hence the Project cost is considered as ₹54.00 Crores.</td></tr>
<tr><td>(ii).</td><td>The project cost at ₹54.00 crores estimated by the VOCPT is “approximate” as stated by the port. The VOCPT is requested to note that correct estimation of project cost and optimum capacity are carried for viability and success of BOT project. The port, therefore, to avoid approximation in estimation of capital cost of the project and furnish correct estimate of project cost.</td><td>The Project cost is confirmed as ₹54.00 Crores.</td></tr>
<tr><td>(iii).</td><td>Page 41 Para 2 of the Budgetary Proposal of Seaport Logistics Pvt. Ltd. forwarded by the port along with the proposal, states that the total offer price exclude actual sea freight, all import duties, port handling and Customs clearance charges for imported supply of items if any. Since the capital cost excludes the above components, the VOCPT to examine and consider to modify the estimated capital cost, if necessary.</td><td>As per page 24 of Budgetary offer, the Estimate Project cost is furnished for “as installed system” as ₹54.00 Crores. In the Project cost, Transport, Freight & Insurance are included. Hence project cost is considered as ₹54 crores.</td></tr>
<tr><td>(4).</td><td><u>Operating Cost:</u></td><td></td></tr>
<tr><td>(a).</td><td><u>Power Cost:</u></td><td></td></tr>
<tr><td></td><td>(i). The port has adopted the power consumption norm of 1.4 units/ tonnes prescribed for coal terminal for the proposed project. The norms prescribed in the tariff guidelines of 2008 is for coal terminal providing consolidated services with normative list of equipments for transfer of coal from ship to shore, shore to yard and vice versa and for storage at the yard as well. As against that, the project envisaged by the port is only for one leg i.e. shore to yard transfer of cargo. The number of equipment also do not match with the list of normative equipment prescribed for coal terminal. In this context, please clarify as to how the adoption of power consumption norm of 1.4 unit / tonne is relevant for the subject proposal. In the light of the above observation, the VOCPT is requested to modify the power</td><td>(a). As per Budgetary offer the power requirement will be 1400 KW. Accordingly the Power cost may be considered as follows:
<table>
<tr><td colspan="3">CALCULATION OF POWER COST @ 1400 KW FOR 9TH BERTH MECHANIZATION</td></tr>
<tr><td><u>Load details</u></td><td></td><td></td></tr>
<tr><td>Estimated sanctioned load</td><td>1556</td><td>(1400 KW @ 0.9pf)</td></tr>
<tr><td>Nature of supply</td><td colspan="2">High Tension</td></tr>
<tr><td>Supplier tariff to be adopted</td><td colspan="2">TANGEDCO</td></tr>
<tr><td>Tariff to be adopted</td><td colspan="2">HT-III</td></tr>
<tr><td colspan="3"><u>Tariff details</u></td></tr>
<tr><td>Demand charges (in ₹)</td><td>350</td><td>Per KVA</td></tr>
<tr><td>Consumption charges (in ₹)</td><td>8</td><td>Per unit</td></tr>
<tr><td>Electricity tax</td><td>5%</td><td></td></tr>
<tr><td>Levy (overhead charges) (in ₹)</td><td>1.15</td><td>Per unit</td></tr>
<tr><td>Pension levy</td><td>6.50%</td><td>of levy on (4)</td></tr>
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<td>consumption based on the actual power consumption of similar facility at its own port or any other port or else based on the power consumption as per the technical specification of the facilities proposed to be deployed.</td>
<td>
<table>
<tr><td>Efficiency factor</td><td>70%</td><td></td><td></td></tr>
<tr><td colspan="3"><u>One time charges</u></td><td></td></tr>
<tr><td>Development charges (in ₹)</td><td>350</td><td>per KVA</td><td></td></tr>
<tr><td colspan="2">(₹350 X 1556KVA)</td><td>544600</td><td></td></tr>
<tr><td colspan="2">Registration charges(in ₹)</td><td>500</td><td></td></tr>
<tr><td colspan="2">Earnest Money charges (in ₹) (₹800 Per KVA)</td><td></td><td></td></tr>
<tr><td colspan="2">(₹800 X 1556KVA)</td><td>1244800</td><td></td></tr>
<tr><td colspan="2">Security deposit (in ₹) (₹800 per KVA)</td><td></td><td></td></tr>
<tr><td colspan="2">(₹800 X 1556KVA)</td><td>1244800</td><td></td></tr>
<tr><td colspan="2">Total amount (in ₹)</td><td>3034700</td><td>A</td></tr>
<tr><td colspan="2"><u>Recurring charges per annum</u></td><td></td><td></td></tr>
<tr><td colspan="2">Current Consumption charges per annum</td><td></td><td></td></tr>
<tr><td colspan="2">(1556KVA X 70% X 24hrs X 365days)</td><td>9541392</td><td>units</td></tr>
<tr><td colspan="2">9541392 X 8 ₹</td><td>76331136</td><td></td></tr>
<tr><td colspan="2">Demand charges</td><td></td><td></td></tr>
<tr><td colspan="2">(₹350 X 90% X 1556KVA X 12 Months) (in ₹)</td><td>5881680</td><td></td></tr>
<tr><td colspan="2">Electricity tax (in ₹)</td><td>4110641</td><td></td></tr>
<tr><td colspan="2">Levy (Overhead charges)</td><td></td><td></td></tr>
<tr><td colspan="2">(₹1.15 per unit) (in ₹)</td><td>10972601</td><td></td></tr>
<tr><td colspan="2">Pension levy (in ₹)</td><td></td><td></td></tr>
<tr><td colspan="2">(6.5% of levy amount) (in ₹)</td><td>713219</td><td></td></tr>
<tr><td colspan="2">Total amount (recurring charges) (in ₹)</td><td>98009277</td><td>B</td></tr>
<tr><td colspan="2">Total A + B (in ₹)</td><td>101043977</td><td></td></tr>
</table>
(b). The VOCPT has forwarded a copy of the electricity bill of December 2014 and January 2015.

(c). Subsequently, the VOCPT has further vide its letter dated 2 March 2015 furnished working for arriving at the per tonne power consumption of 1.11 units/tonnes. The VOCPT has stated that power requirement for the project is 1400 KW and the electricity consumption is 1550 KVA (1400/ 0.90 power factor). Hence 1556 KVA is considered for the working. Working of per unit power consumption and revised power cost furnished by the port is given below:
<table>
<tr><td>Optimal capacity</td><td>85,84,800 tons</td></tr>
<tr><td>Electricity charges</td><td>as per TANGEDCO bill dt 2.01.2015, ₹8230076</td></tr>
<tr><td>Electricity consumption</td><td>7,90,440 Units</td></tr>
<tr><td>Rate per unit</td><td>₹82,30,076/790440 = ₹10.41 per unit</td></tr>
<tr><td>Electricity requirement</td><td>1556 KVA x 70% x 24 hrs x 365 days = 95,41,392 units.</td></tr>
<tr><td>Hence per Ton requirement</td><td>95,41,392/ 85,84,800 ton = 1.11 unit per ton</td></tr>
<tr><td>Power Cost</td><td>₹9,91,98,222/-</td></tr>
</table>
(d). The VOCPT vide its email dated 17 March 2015 has further clarified that hoppers proposed will be moved manually and hence no fuel cost is to be considered.
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<td>(ii). The proposal of the VOCPT does not indicate the unit rate of power adopted. By reverse calculation the unit rate of power</td>
<td>Copies of electrical bills for last three months, Nov-2014, Dec-2014 & Jan-2015 are furnished vide its email dated 26 February 2015.</td>
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</table>

	comes to ₹11.2 per tonne. The VOCPT to furnish copies of electricity bills of the last three months to justify the unit rate adopted in the computation.	
(b).	Repairs & Maintenance:	
	The scope of work included in the Budgetary proposal for supply & installation of 2000 TPH coal carrying system includes operation and maintenance of the carrying system. In other words, the amount of ₹54 crores considered by the VOCPT includes cost of operation and maintenance of the system. That being so, consideration of Repairs and Maintenance of 7% of the cost of equipment cost to be justified.	The proposed system is to be awarded on license basis. As per the Budgetary offer Rs.54 Crores is meant for Design, Supply, testing and commissioning of the Mechanized system. The licensee will have to incur cost towards Operation & Maintenance of the system every year for the 10 years license period. The budgetary offer in this regard does not include R&M cost.
(c).	Depreciation:	
	As per the Companies Act, 2013 depreciation on equipment in reference for tariff calculation at other Major Port Trusts has been considered at 10%. The VOCPT to also consider to modify the estimate of deprecation at10% as per the rate applicable as per the Companies Act, 2013.	As per the Ministry of Shipping Order No. DW/DTO-6/2003 dt. 21.2.2003 the life period of the conveyor system is 15 years. As per Part "C" of Schedule II of the Companies Act 2013 Under Plant and Machinery (a) (i) (Plant and Machinery other than continuous process plant not covered under specific) 6.33% may be considered. The VOCPT has furnished the Depreciation Rate chart as per companies Act. The VOCPT has further stated that, as considered in the remaining two projects the revised rate of depreciation as per Companies Act, 2013 for Plant & Machinery @ 6.33% and for Civil Works @ 3.17% may be considered and accordingly the depreciation cost will be ₹316.50 lakhs for equipment and ₹12.68 lakhs for Civil Works.
(d).	Lease Rent:	
(i).	Justify the basis for arriving at the total area of 30,000 sq. mtrs. for 3 plots proposed to be allotted in the coal yard under this project. Please confirm whether the proposed allotment is as per the land use plan of the port.	The allotment of land for the project will be as per Land Policy Guidelines 2014.
(ii).	The scope of work is limited to evacuation of cargo from 9th berth to stackyard through conveyers. That being so, the need for allotment of 3 plots may be examined.	(a). At present various Port users have been allotted plots for stacking coal. Different Port users are using the plots allotted in the coal stack yard for stock and sale when there is a demand in the market. (b). The land area of 30000 sq. mtrs. proposed to be allotted to the licensor is for stacking coal transferred through conveyor and for using as common user facility. As the cargo transferred through conveyor to the common user plot belongs to one Port user, at a time before the cargo of next vessel for the other user comes, the plot is to be vacated by moving the balance cargo to the individual uses plot. For this a maximum period of say one week will be allowed. Hence in order to keep the cargo near the coal yard, three plots of 100 mtrs. x 100 mtrs. size are proposed as common user facility.

		(c). Subsequently, the VOCPT vide its letters dated 2 and 3 March 2015 has requested for following modifications in the proposed SOR: (i). Note 1 to be modified as follows: *"The tariff rate proposed above is for transportation of cargo from 9th Berth to Interim Stackyard through conveyor system".* (ii). To ensure the cargo moved from the Berth No.IX to Interim Stackyard (3 Nos. 100 x 100 sqm Plots) speedily <u>following provision is proposed to be included in the SoR:-</u> **"** *Free period of 5 days is allowed from the date of commencement of stacking at interim stackyard. The cargo should be moved from interim stackyard within the stipulated free period. If the cargo is not moved by Stevedores from interim stackyard within the stipulated free period, from the 6th day onwards, the VOCPT will remove the cargo from the stackyard at the cost of concerned Stevedores***".**
(iii).	Whilst the port has envisaged to allot 30,000 sq. mtrs. area in the coal yard for dumping cargo evacuated from berth No 9 and also estimated license fee thereon, the port has stated that the operation will not attract storage charge. In this regard the following points may be clarified:	
	(i). When the estimate of area includes license fee for storage yard provided, explain the reasons for not proposing storage charge. If the cargo is not evacuated for considerable period it will have an adverse impact on achieving the optimal capacity envisaged for the project.	Three plots are proposed to be allotted to the licensee as a common user facility. From these plots cargo will have to be transferred to the Port users allotted plots or destination point within the free period allowed. Storage charges is already considered for revenue requirement calculation.
	(ii). 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 coal yard and show by calculation that the said evacuation facility from the coal yard is synchronized and is adequate and to enable the operator of this project to achieve the optimal capacity for which the reference tariff is fixed.	The size of the plot is 100 mtrs. X 100 mtrs. Hence considering 7 meters height of cargo, in one plot, above 35000 Tonnes of cargo can be stacked. Cargo will be taken by the owner of the cargo to their plots allotted in the nearby coal yard or to the destination or to the wagon loading depending upon the requirement. Further, if cargo are not evacuated from the common coal yard within the free period, then the Port will remove such cargo at the cost of the owner.
	(iii). 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.	As stated in the reply at (i) & (ii) above.
(5).	**<u>Proposed Rate:</u>**	
(a).	For arriving at the proposed rate the port has divided the total estimated ARR of ₹3198.06 lakhs by the optimal capacity. As stated earlier, if different types of dry bulk cargo are proposed to be handled having different handling rate based on their density then its impact should be considered while arriving at the proposed rate.	In the proposed rate, the capacity of the conveyor system 2000 TPH is taken for arriving the optimal capacity. As the conveyor can transfer 2000 TPH in respect of Dry bulk cargo, the rate may be same for evacuation of different types of bulk cargo.

(b).	The port has stated that all cargo will be foreign cargo. Then explain the reasons for proposing the rate for coastal cargo. If the port anticipates any coastal cargo, then the impact of allowing coastal concession should be considered while arriving at the proposed tariff, taking into account the share of foreign and coastal cargo.	All cargo handled at 9th berth 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.
(6).	**Scale of Rates:**	
(a).	The definition of the terms “per day” and “TAMP” may not be relevant to be incorporated in the SOR and hence may be deleted.	Authority may delete the definition of “TAMP” in section 2.1. However, the optimal capacity is based on per day output and for penalty for lower performance is to be worked out based on that definition of per day may please be retained.
(b).	The following general condition that may be incorporated in the Scale of Rates in line with similar prescription in the upfront/ reference tariff schedule in other Major Port Trusts including VOCPT: “Users will not be required to pay charges for delays beyond reasonable level attributable to BOT operator”.	As the rate is prescribed on per Metric Tonne basis, the issue of delay may not be required.
(c).	The proposed note no (v) under General terms and conditions while prescribing the provision relating to indexation in the rate has prescribed the base year for indexation as 1 January 2013. The base year for indexation needs to be modified say either as 1 January 2014 or 1 January 2015 based on the year to which the capital cost estimates and operating cost (power cost) relate to.	The base year of Indexation needs to be modified as 1st January-2015.
(d).	Instead of the proposed note (2) stating that thermal coal will not come under coastal category, the port may propose a separate rate for coal and thermal coal in the schedule itself.	As the cargo handled is assumed as Foreign, the coastal concession does not arise.

7.2. The VOCPT while furnishing reply to the queries raised by us has also proposed to modify the performance standards. The modified performance standards proposed by VOCPT are given below:

(i). 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 proportionate hours of actual working.

8.1. Subsequently, M/s.Reach Cargo Movers Pvt. Ltd. (RCMPL) vide their email dated 10 March 2015 have forwarded a copy each of tender notice invited by VOCPT, clarification sought by RCMPL from VOCPT, clarification furnished by VOCPT to RCMPL and a letter addressed to the Authority making its submissions.

8.2. Since the submissions made by RCMPL were seen to flow from the bidding process initiated by the VOCPT, a copy of the said email received from the RCMPL was forwarded to the VOCPT along with enclosures vide our letter dated 11 March 2015 for appropriate action by the port.

9. A joint hearing in this case was held on 20 February 2015 at the VOCPT premises. At the joint hearing, the VOCPT and the concerned users/ user organizations/ prospective bidders have made their submissions.

10. As agreed at the joint hearing, the VOCPT has furnished its replies to our queries vide its emails dated 25 February 2015, 26 February 2015 and letter dated 02 March 2015, 03 March 2015 and 17 March 2015 which are already brought out in the earlier paragraphs.

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

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

(i). The proposal of the V.O. Chidambaranar Port Trust (VOCPT) is for fixation of reference tariff for its project of mechanization of evacuation of cargo from Berth No.IX to interim stacking yard on license basis for 10 years period.
The port has stated that to achieve higher productivity at berth no.IX, 2 numbers of 124 Tonnes Harbour Mobile Crane (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.IX. Hence, in order to enable quick evacuation of cargo/coal from the berth no.IX, 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.IX 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. 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). 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 is for fixation of Reference tariff for mechanization of evacuation of cargo from Berth No.IX to interim stacking yard. The upfront tariff approved by this Authority and available is 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. Feasibility report has not been prepared for this subject Project, since it involves only erection of conveyors and hoppers and no construction of Berth/ Jetties are included. The proposal of the VOCPT, however, has the approval of its Board.

(iii). 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.IX to interim stacking yard envisaged in this project.

It is, however, seen that norms considered by the port for estimating the operating cost are based on the norms prescribed for the coal terminal in the 2008 upfront tariff guidelines as the proposed Mechanisation is seen to be mainly for coal cargo handled at berth No.IX. Apart from coal, the VOCPT anticipates that other dry bulk cargo like rock phosphate and gypsum may be handled. The VOCPT has confirmed that the handling rate considered by it is same for the dry bulk cargo like coal, rock phosphate and gypsum. 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 appears to be appropriate. In view of the above position and 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 and the proposal being filed in the fag end of the year, and keeping in view that the Government has advised the VOCPT to award the project before 30 March 2015 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.

(iv). The VOCPT has filed its proposal on 28 January 2015. Subsequently, with reference to the information/ clarifications sought by us during the processing of the case, the VOCPT under cover of its letters dated 25, 26 February 2015 and 2, 3 and 17 March 2015 has furnished its response. While furnishing reply to our queries the VOCPT has modified the estimation of power cost and deprecation and has requested this Authority to consider the modified estimates. It is seen that the VOCPT has not furnished revised cost statement capturing the effect of the modification proposed by it. The proposal dated 28 January 2015 along with the information/ clarification furnished by VOCPT during the processing of the case in reference is considered in this analysis.

(v). Optimal Capacity:

(a). Handling rate (per day) of Berth No.IX:

(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 HMCs of 124 T capacity have been deployed at berth No.IX on 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 it is not for this Authority to delve on the matter of deployment of higher capacity HMC. 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 HMC of 124T capacity, the total handling rate comes of 30,000T/ day.

(ii). The VOCPT has reported that in addition to two HMCs two ship gears are also engaged at berth no.IX for transfer of cargo from ship to shore in order to achieve improved productivity. 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 has stated that the parameters 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). Thus, the total handling rate for dry bulk cargo deploying by 2 HMCs of 124T each plus two ship gears aggregates to 36,720 T/ day.

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

(i). The port has stated that considering the norms prescribed in the Tariff Guidelines of 2008 for Coal Terminal at 35000 Tonnes /day for unloading coal from Panamax Vessel, it is proposed to provide conveyor system of 2000 Tonnes per hour. In this context it is relevant to state that the port has itself stated that 2 HMC of 124 T are deployed at berth no.IX on PPP mode and hence the reference drawn by the port of handling norms of 35000 T/ day which is for a fully mechanised coal terminal with ship unloaders, conveyors, etc., does not appear to be of relevance here. The total handling rate of 2 HMCs + 2 ship gears assessed at 36,720 tonnes per day is the relevant handling rate for ship to shore transfer of cargo. The handling rate so derived is, however, found to be closer to the handling rate figure of 35000T/ day referred by the VOCPT. Based on the above position, the proposal of the VOCPT for deployment of 2000T conveyor system is relied upon.

(ii). Considering the conveyor rated capacity of 2000 Tonnes/hour the VOCPT has assessed the per day conveyor handling capacity at 33,600 Tonnes (i.e. 24hrs*2000T*70%).
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 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 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 is accepted in this case also. It is noteworthy that apart from the above order referred by the VOCPT, 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 is relied upon and considered in the analysis.

(iii). The port has assumed 100% share of cargo as dry bulk cargo. It has stated that dry bulk cargo like Rock phosphate, Gypsum and Coal can be handled. The port has confirmed that the handling rate in respect of HMC and conveyors will be the same for the three categories of dry bulk cargo proposed to be handled. This position is relied upon.

(c). Optimal Capacity:
Considering the lower of the two daily handling rate capacities viz. handling rate by 2 HMC each of 124 Tonnes assessed at 30000 tonnes/ day (i.e. 15000 tonnes / day/ HMC) + handling capacity for 2 ship gears at 6,720 tonnes per day aggregating to 36,720 tonnes/ day vis-à-vis handling capacity of conveyor @ 2000 tonnes / hour assessed at 33,600 tonnes per day, the VOCPT has assessed the annual optimal capacity at 85,84,800 tonnes (33600 T/day* 365 days*70%). The optimal capacity is considered at 85,84,800 tonnes as assessed by the VOCPT.

Seaport Logistics Pvt. Ltd. (SLPL) has pointed out that the port has assumed all vessels will arrive with gear. It has requested to consider all vessels as gearless vessel and rework the optimal capacity. Arrival of gearless vessels is only one of the scenarios as reported by VOCPT. The VOCPT has emphaticaically stated that the proposed facility is planned for the maximum possible discharge from the vessels and hence the computation of optimal capacity at 8.58 MTPA is in order.

(vi). Capital Cost:

(a). The total capital cost estimated by the VOCPT is `56.70 crores comprising of civil works at `4.00 crores and mechanical equipment cost including plant and conveyors along with accessories and erection at `54.00 crores. Miscellaneous capital cost at 5% of the capital cost i.e. `2.70 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 unloading storage site handling, site assembly, commissioning spares and transportation cost. 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 list of civil works as estimated by the VOCPT is 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 conveyors to the interim coal 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 is relied upon and considered as estimated by the VOCPT.

(d). As stated earlier, the port has stated that feasibility report has not been prepared for this subject project as it involves only erection of conveyors and hoppers and there is no construction of Berth / Jetties. The total capital cost of `4 crores for civil works and `50 crores for equipment cost estimated by VOCPT is reportedly based on the lowest budgetary offers received by the port from M/s.Seaport Logistics Pvt. Ltd. being the lowest amongst the budgetary offers received from total three firms.
As regards the point made by Tuticorin Ship Agents Association that capital cost estimate of ₹54 crores considered by the port is very much on the lower side and that another firm M/s.Chennai Radha Engineering Works had given a budgetary offer of ₹96.30 crores for this project, the port has clearly stated that budgetary offer of Chennai Radha Engineering Works was not as per its project. The port has confirmed that the project cost is ₹54.00 crores and has also forwarded copy of the quotation of the M/s.Seaport Logistics Pvt. Ltd to substantiate the estimate. It has also confirmed that the estimated capital cost includes cost of transportation freight and insurance and has confirmed that it is in order. Based on the above position and recognising that the capital cost is substantiated with budgetary offers received by the port, the list of civil works and list of equipment as proposed by the port and the total capital cost as estimated by the VOCPT are relied upon in the analysis.

(e). 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 ₹2.70 crores on the total capital cost of ₹54.00 crores based on the norms prescribed in the 2008 tariff guidelines.

(f). Based on the above, the total capital cost of ₹56.70 crores as estimated by the VOCPT is considered.

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

(viii). Operating cost:

The operating cost estimated by the VOCPT is discussed hereunder:

(a). Power cost:
The VOCPT had earlier estimated power consumption at 1.4 units per tonne. The power consumption norm of 1.4 unit / tonne prescribed in the tariff guidelines of 2008 is for coal terminal with normative list of equipments for providing entire array of services like transfer of coal from ship to shore, shore to yard and vice versa and for storage at the yard as well. As against that, the project envisaged by the port is only for one leg of operation i.e. transfer of cargo from berth to interim stacking yard. On being pointed out, the VOCPT has furnished revised power cost of ₹991.98 lakhs for optimal capacity based on the power consumption of 1.11 units per tonne and unit rate of ₹10.41 per unit. It has furnished detailed computation for arriving at power consumption of 1.11 units per tonne based on the power requirement for the project. The unit rate power of ₹10.41 for per unit of power is also validated based on a documentary evidence. It is relevant here to state that whilst the VOCPT has furnished the revised power cost it has not captured its effect in the cost statement.

Based on the detailed computation furnished by the port, the revised power cost of ₹991.38 lakhs estimated by the port is considered in the analysis.
The VOCPT has 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 are in line with the norms prescribed in the guidelines for coal terminal. The port has not estimated repairs and maintenance cost on the miscellaneous component of the civil cost and equipment cost. In the cost statement prepared by us repairs and maintenance cost is considered on the component of civil cost as well as equipment costs forming part of the Miscellaneous Capital cost also.

(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). (i). 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 @ 10.34% on the equipment cost and @ 3.34% on the civil works in the cost statement filed by it along with its proposal.
The VOCPT has subsequently stated that the revised rate of depreciation as per Companies Act, 2013 may be considered @ 6.33% for Plant & Machinery and @ 3.17% for Civil Works and has accordingly estimated revised depreciation of ₹316.50 lakhs for equipment and ₹12.68 lakhs for Civil Works. The VOCPT has furnished relevant extract of the Companies Act, 2013, in support of the depreciation rate considered. This position is relied upon in the analysis. It is relevant to state here that the VOCPT has not captured the effect of the modified depreciation in the cost statement filed by it along with the original proposal. In the cost statement prepared by us, the revised depreciation estimated by the VOCPT is considered subject to one modification. The port has not estimated depreciation on the miscellaneous component of the civil cost and equipment cost. In our analysis depreciation is also calculated on the component of civil cost and equipment cost forming part of the Miscellaneous Capital costs in our analysis. Accordingly, the revised depreciation cost considered in the modified cost statement is ₹13.31 lakhs for civil works and ₹332.33 lakhs for equipment cost.

(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 3 plots each of 100 mtr. * 100 mtrs. (i.e. total area of 30,000 sq. mtrs. of area) proposed to be allotted under this project for interim stacking of cargo transferred through conveyor. The VOCPT has adopted the rate of licence fee at `348.68 per sq. mtr., which is seen to be as per the prevailing Scale of Rates.

(iii). In respect of Conveyor area of 3120 mtrs. length X 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.

(f). The total operating cost based on the above analysis works out to ₹2154.32 lakhs as against ₹2290.96 lakhs estimated by the VOCPT.

(ix). 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**.

(x). (a). The total Annual Revenue Requirement (ARR) works out to ₹3061.52 lakhs, which is an aggregate of operating cost (₹2154.32 lakhs) and 16% return on capital cost (₹907.20 lakhs), as against the Annual Revenue Requirement estimated by the port at `3198.06 lakhs.
It is relevant to state here that the ARR estimated by us works out to be lower than the level estimated by the VOCPT mainly because the effect of reduction in the estimation of depreciation and increase in the estimation of power cost has not been captured by the port. The port has requested this Authority to capture the modified estimation which is captured in the modified cost statement prepared by us.

(b). The VOCPT has stated that the scope of work is limited to only quick evacuation of the cargo from berth no. IX 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 `3061.52 lakhs and the optimal capacity of 85,84,800 tonnes, the rate works out to `35.66 per tonne as against `37.27 per tonne estimated by the VOCPT i.e. (`3198.06 lakhs / 85,84,800 tonnes).

(c). The VOCPT has stated that Dry Bulk Cargo like Rock phosphate, Gypsum and Coal can be handled under this project and has also confirmed that handling rate in respect of HMC & conveyors will be the same for these cargo items under the dry bulk cargo. Based on the above position clarified by the port its proposal for prescription of a common rate for dry bulk cargo is allowed in line with the approach adopted by the VOCPT.
The VOCPT has stated that the entire optimal capacity of cargo handled at IX berth 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, coastal rate is prescribed at 60% of the foreign rate, as proposed by the port.
Further, the port has proposed a note stating that thermal coal will not come under coastal category. Instead of the proposed note it is found appropriate to prescribe a separate rate for thermal coal at par with the rate for foreign cargo as this cargo category is not entitled for coastal concession as per the coastal concession policy of the Government. Consequently, the description of the dry bulk cargo is slightly elaborated to state Dry bulk cargo other than thermal coal.

(xi). The port has proposed to insert a note under the schedule of handling charge to state that tariff prescribed is for transportation of cargo from Berth No.IX to Interim Stackyard through conveyor system. The proposed note is only to specify the services covered in the tariff prescribed and hence is approved as proposed by the port.

(xii). One of the prospective bidders PSTS Logistics Pvt. Ltd (PLPL) has pointed out that the 3 plots of total 30,000 sq.mtr. of area proposed to be allotted by the port to the operator under this project for interim stacking of cargo is not sufficient. It has contended that individual users may stock cargo for a longer period and thereby there can be a possibility that cargo from interim stack yard is not evacuated before the fourth vessel comes as envisaged by the port. This will have an adverse impact on achieving the optimal capacity envisaged for the project. This point was also raised in our queries. To address this point, the port has proposed to insert a note in the Reference tariff Schedule stating that free period of 5 days is allowed from the date of commencement of stacking cargo at interim stack yard. 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, from 6^{th} day onwards, the VOCPT will remove the cargo from the stack yard at the cost of concerned Stevedores. The proposed note is mainly to address the concern raised by the prospective bidder and hence merits inclusion in the Reference tariff Schedule.

(xiii). With reference to one another clarification sought by PLPL whether it is possible to evacuate cargo from berth no IX directly without availing the facility of the proposal project, the port has clarified that direct delivery is not allowed. The cargo has to go to the interim stack yard and from there, users have to take delivery. This is done to reduce the pollution.

(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 was requested to incorporate 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 point made by the VOCPT that as the rate proposed is per Metric tonne of cargo handled, the charges for delays beyond reasonable level may not be relevant is not found to be correct. 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 also 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 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 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 performance standards in terms of Minimum guaranteed availability of the mechanised system and also with reference to the productivity in terms of cargo transfer and has 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 considered in the assessment of optimal capacity. The Performance Standards as proposed by the Port are prescribed.

13.1. Subject to the above analysis, the Reference Tariff Schedule and the Performance Standards as proposed by the port are attached 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 TAMP 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 proposal dated 28.1.2015	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
(b).	Handling rate for 120-T HMC **(Tonnes/day)**	15,000 (12500/100) x 120	15,000 (12500/100) x 120
(c).	Handling rate for 2 HMC's of 120T each **(Tonnes/day)**	30,000 (2 * 15000T)	30,000 (2 * 15000T)
(d).	Handling rate of Ship Gears **(Tonnes/day)**	3,360 (20 cycles/hr x 10T x 24 x 70%)	3,360 (20 cycles/hr x 10T x 24 x 70%)
(e).	Handling rate for 2 Ship Gears **(Tonnes/day)**	6,720	6,720
(f).	Total Handling rate of 2 HMCs and 2 Ship Gears **[I (i) (c) + I (i) (e)]**	**36,720**	**36,720**
(ii).	**Handling rate of the Conveyor system:**		
(a).	Handling rate of conveyor system **(Tonnes/hour)**	2000	2000
(b).	Handling rate of conveyor system per day with 70% weightage **(Tonnes/day)**	**33,600** (2000T/hour * 24 hours *70%	**33,600** (2000T/hour * 24 hours *70%
(iii).	Optimal capacity based on lower of the two handling rate at (i)(f) and (ii)(b) **(Tonnes/day)**i.e.	**33,600**	**33,600**
(a).	Optimal capacity **(Tonnes/annum)**	**8,584,800** (33600MT/day * 365days * 70%)	**8,584,800** (33600MT/day * 365days * 70%)
(b).	**Optimal Capacity [in Million Tonnes per Annum(MTPA)]**	**8.58**	**8.58**
II	**Capital Cost of Conveyor system**	Rs. in Lakhs	Rs. in Lakhs
(i).	Plants & Conveyors along with accessories including erection	5,000.00	5,000.00
(ii).	Civil Works	400.00	400.00
(iii).	Sub Total **(i+ii)**	**5,400.00**	**5,400.00**
(iv).	Miscellaneous cost @ 5%	270.00 (5% * Rs.5400 lakhs)	270.00 (5% * Rs.5400 lakhs)
(v).	**Total Capital Cost (iii+iv)**	**5,670.00**	**5,670.00**

Sr. No.	Particulars	Estimates by VOCPT in its proposal dated 28.1.2015	As considered by TAMP
III	**Operating Cost**	Rs. in Lakhs	Rs. in Lakhs
(i).	Power Cost	961.50	991.98
		(85,84,800 tonnes * 1.4 unit/tonne * Rs 8/unit) (Note 1)	(85,84,800 tonnes * 1.11unit/tonne * Rs10.41/unit) [Note 1]
(ii).	Repair & Maintenance		
(a).	Civil Cost	4.00	4.20
		(1% * Rs.400 lakhs)	(1% * Rs.420 lakhs)
(b).	Mechanical Assets	350.00	367.50
		(7% * Rs 5000lakhs)	(7% * Rs 5250lakhs)
(iii).	Insurance	56.70	56.70
		(1% * Rs.5670 lakhs)	(1% * Rs.5670 lakhs)
(iv).	Depreciation:		
(a).	Civil works	13.36	13.31
		(3.34% * Rs.400 lakhs) [Note 2]	(3.17% * Rs.420 lakhs)
(b).	Mechanical & equipment cost	517.00	332.33
		(10.34% * Rs. 5000 lakhs) [Note 2]	(6.33% * Rs. 5250 lakhs) [Note 2]
(v).	Rent (lease rent)	104.60	104.60
		(3plots * 100mtrs * 100mtrs *Rs.348.68/sq.mtr)	(3plots * 100mtrs * 100mtrs *Rs.348.68/sq.mtr)
(vi).	Way leave charges for Conveyor	0.20	0.20
		(3120mtr * 4.5mtr * Rs.1.42/sq.mtr)	(3120mtr * 4.5mtr * Rs.1.42/sq.mtr)
(vii).	Other expenses	283.50	283.50
		(5% * Rs. 5670)	(5% * Rs. 5670)
(viii).	**Total Operating Cost**	**2290.86**	**2154.32**
IV	**Annual Revenue Requirement and Proposed Handling Rate**	Rs. in Lakhs	Rs. in Lakhs
(i).	**Annual Revenue Requirement (ARR)**		
	(a). Total Operating Cost	2290.86	2154.32
	(b). Return on Capital Employed @16%	907.20	907.20
	(c).Total Revenue requirement	**3,198.06**	**3,061.52**
(ii).	Optimal Capacity **(Tonnes/ Annum)**	8,584,800	8,584,800
(iii).	Per tonne handling rate **(in Rs./Tonne)**		
	(a). For Foreign cargo	**37.27**	**35.66**
	(b). For Coastal cargo	**22.35**	**21.40**

Notes:

(1). The VOCPT in its e-mail dated 2 March 2015 has furnished revised power cost of Rs.991.98 lakhs (i.e. 1.11 units / tonne * Rs.10.41 per unit * 8.5848 Million tonnes). The VOCPT has not furnished modified cost statement in view of the above modification in the power cost. It has, however, requested the Authority to consider the modifed estimate of power cost. In the above cost statment, revised power cost as furnished by VOCPT is considered.

(2). The VOCPT in its e-mail dated 25 February 2015 has requested to consider depreciation @ 6.33% on equipment and 3.17% on civil works as per the Companies Act, 2013. It has, however, not modified cost statement to capture its effect. In the above cost statment, depreciation @ 6.33% on equipment and 3.17% on civil works is considered by the Authority as stated by VOCPT.

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. <u>CARGO HANDLING CHARGES FOR MECHANIZED EVACUATION SYSTEM FROM BERTH NO. IX TO INTERIM STACKYARD:-</u>

	Commodity	**Rate per in MT (in Indian ₹)**	
		Foreign	**Coastal**
1	**Dry Bulk Cargo (other than thermal coal)**	**35.66**	**21.40**
2	**Thermal Coal**	**35.66**	**35.66**

<u>Notes</u> :-

1. Rate prescribed above is for transportation of cargo from berth no. IX to interim stack yard through conveyor system.
2. Free period of 5 days is allowed from the date of commencement of stacking at interim stack yard. 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, from 6th day onwards, the VOCPT will remove the cargo from the stack yard at the cost of concerned 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 Licensor 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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Annex - III

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

F. No.TAMP/7/2015 - VOCPT - Proposal received from V.O. Chidambaranar Port Trust for fixation of upfront tariff for mechanization of evacuation of cargo from Berth No.9 to coal yard on license basis for 10 years period under revenue share mode.

A summary of comments of concerned users / prospective bidders and the response of V.O. Chidambaranar Port Trust (VOCPT) thereon is tabulated below:

Sl. No.	Comments of the users / user organisations	Reply of VOCPT
1.	**Tuticorin Stevedores Association (TSA)**	
(i).	Already VOC Berth No.III, IV, NCB II and III have been allotted for coal unloading and the only available deep draft Berth at VOC Port is 9th Berth.	The proposed project for Mechanization of evacuation of Cargo from Berth No.9 to coal yard on license basis for 10 years period under revenue share mode is formulated to increase the evacuation of cargo quickly from 9th berth in order to increase the productivity, to reduce the turnaround time of the vessel and to reduce the pollution caused by transportation of cargo/coal handling by trucks.
(ii).	Under such circumstances, if 9th Berth is also allotted for coal handling it will affect the discharge as well as the Traffic of other deep draft vessels calling at Tuticorin Port especially regular cargoes like copper concentrate, Rock phosphate, sulphur, Lime stone, Gypsum, Mineral ore, Iron ore and pulses which have to call at VOC Port for the supply of raw materials for the factories situated in the hinterland like Starlit, Green Star Fertilizer etc., Cement plants and export vessel which arrives & sail in deep depth.	The proposed system is meant for handling Dry bulk cargo.
(iii).	Moreover, the unloading of coal by conveyer system by evacuating the coal from 9th Berth to existing coal yard may not be of much help as most of the coal stored in the existing coal yard are stock and sale coal which evacuation / clearance from various plots may not be uniform by the importers and the vacation of plots would be intermittent and haphazard and the conveyer system has to be spread out to cover a wide area involving the cost intensive investment which would increase the cost of mechanization which may not be competitive when compared to the present conventional mode of Transport by Trucks as some of the discharged coal are directly taken delivery from hook point by the consignees. Trucks to factories are captive in nature.	Cargo will be transferred to coal yard through conveyor and will be kept in the three plots allotted for this project as common facility. From the plots the Port users can take the cargo to their plots or destination.
(iv).	As there is a clause for payment of Revenue Share to the port in addition to the capital cost involved and Mechanical evacuation expenses, the Handling cost of coal through port would tend	The conveyor system will be provided up to the plots allotted for this Project and not spread over for the entire coal stack yard. Hence there will not be any

	to increase making the port uncompetitive and-uneconomical from the point of view of cost of handling rate which ultimately will discourage the traffic to the port. Recently, the wharfage & Levy of the cargo handling is increased by 100-150%. The project is ill conceived depriving the 4 dedicated berths which have been projected to handle 18 Million tons and make unviable the existing terminals which have signed contracts for 30 years on Revenue sharing basis. There are 2 captive berths installed with hoppers and dedicated conveyors which are now under utilized (less than 50%) by the State Government run TTPS-Thermal Plant.	increase in cost for transferring cargoes through conveyors in comparison to the conventional method of transferring cargoes by trucks. Moreover, only the conveyor in the 9th berth is fixed and also installed at a maximum distance of three meters from wharf edge. The hoppers are movable whenever there is a need for other cargo then the hoppers will be moved to end of the berth so that it will not be hindrance to other cargo. Hence providing the mechanized system will not restrict other cargo handling at 9th berth.
(v).	The Port has been identified for a Mega Outer Harbour where cargo are likely to be shifted to a still deeper draft of 14 Meters+. If the existing 6 Berths are utilized which are going to have dedicated conveyors it can easily handle 30 Million tons of cargo. Any mechanization / automation in the existing berths in the south break water is absurd and the Port should look for the Outer Harbour development as in the near future. Bulk vessels such as Coal, Limestone, Rock phosphate, Gypsum, Iron ore, Copper concentrate, Pulses, etc, will draw a draft of not less than 14 meters which we are witnessing now.	Since the movement of cargo is through conveyor from 9th berth to the coal yard, it will remove cost of truck movement incurred by the users. Hence, it will not be additional cost for the users.
(vi).	So this project needs to be dropped for the above reasons and the Port should try to use the existing 6 berths facility for more productivity and leave the 9th berth for other commodity vessels which has only one berth in the Port Trust.	The feasibility of outer Harbour Project is under study and the first & second coal terminals are expected to be commissioned in the year 2023-24 and 2025-30 respectively under the Phase-I development of the outer harbor project. Hence the implementation of the outer harbor project will not affect the present proposal.
2.	**Seaport Logistics Pvt. Ltd.**	
(i).	Power Consumption is stated to be 1.4 unit / ton. Please clarify whether escalation will be considered as and when there is revision in power tariff.	Power consumption charges will be levied as per the prevailing rate of TANGEDCO & VOCPT SOR.
(ii).	In the working it is assumed that all the vessel calling at Berth No.9 will be Geared vessel. As the purpose of mechanization is to handle only gearless vessel in course of time it should be assumed that all the vessels handled at Berth No.9 should be gearless vessel. Accordingly, the capacity of the conveyor system will be as follows: (2 HMC x 15000 X 70%) X 365 X 70%-----2100 X 365 X 70% 5.37 MMT per Annum. Therefore it is requested to rework the total tonnage handled per annum and per ton handling cost	Facility proposed is planned for the maximum possible discharge from the vessels. Arrival of Gearless vessel is one of the scenarios. Optimal capacity worked out at 8.58 Million Tonnes per Annum is reiterated.
(iii).	Please clarify whether stevedoring will be permitted for manual handling after installation of conveyor system at the Berth No.9.	Not relevant to upfront tariff fixation for the project.

(iv).	In the proposal, source of power supply is not clear. If the power is to be drawn from the substation it requires additional cabling work at an estimate cost of ₹3.5 crores which is to be included in the capital cost.	Cost of erection & commissioning is included in the Project cost.
(v).	Going the past history of evacuation pattern at the port, the cargo is not being evacuated instantaneously and the cargo is at storage for a longer time. As the conveyor operator evacuation is not in our control and please clarify, what will be the mechanism proposed by the port for the immediate evacuation from the plot.	Not relevant to upfront tariff fixation for the project.
(vi).	After commissioning of North Cargo Berth, is there any proposal to move coal and other dust generating cargos to the North Cargo Berths. If it is so the viability of the conveyor system will be impacted heavily. Having mechanized Berth No.9 and pollution free handling is ensured, there is no rational behind shifting the cargo to North Cargo Berths. Port should allow market force to decide the choice of berth.	Not relevant to upfront tariff fixation for the project.

2. A joint hearing in this case was held on 20 February 2015 at the VOCPT premises. At the joint hearing, the VOCPT and the concerned users/ user organizations/ prospective bidders have made the following submissions:

<u>V.O. Chidambaranar Port Trust (VOCPT)</u>

(i). Made a brief presentation of its proposal. Hard copy was given.

(ii). Two numbers of 124T HMC are deployed at Berth No.IX. Average handling rate is 33,000 Tonnes/ day by two HMCs and the maximum quantity handled in a day has been 41,553 Tonnes.

(iii). Presently, cargo unloaded from vessel are dumped at wharf. This is because the evacuation rate of cargo unloaded from vessel using front end loaders and trucks is not equal to the productivity of the two HMC. This adversely affects the productivity of HMCs at berth no.IX.

(iv). To overcome this it is proposed to have mechanization of cargo evacuation at berth no.IX. In the proposed project, cargo unloaded by HMC / Ship gears at Berth no.IX will be evacuated through conveyors to the plots allotted at the coal yard. The system shall consist of four numbers of mobile hoppers in the IXth berth for receiving the cargo discharged by HMCs/ship gears, a closed conveyor system to transfer the cargo from hoppers to the plots allotted in the coal stack yard and branch conveyors in the allotted coal stack yard for stacking cargo.

(v). Optimal capacity is computed based on lower of the two handling rates viz. 36,700 tonnes /day by 2 HMC + 2 ship gears vis-à-vis handling rate of conveyor assessed at 33,600 MT/day. Total capacity is 8.58 Million tonnes/ per annum.

(vi). 3 plots of total 30,000 (size of 100 m x 100 m) will be allotted for storage of cargo as an interim stack yard and then the cargo will be delivered from the stack yard to the destination / port users stack yard.

(vii). It is possible for 2 HMCs and 2 Ship Gears Cranes to simultaneously unload cargo from a vessel at Berth IX.

(viii). We received lowest budgetary offer of ₹54 crores for this project which is considered as the capital cost.

(ix). Total operating cost is estimated at ₹22.90 crores and total ARR is estimated at ₹31.98 crores.

(x). Performance standard is proposed at 33,600 Tonnes per day or tonnage based on proportionate hours of actual working.

Tuticorin Stevedores Association (TSA)

(i). Presently, only berth no.IX has 12.8 mtrs draft. No other berth has this depth. The VOCPT has proposed mechanization only for berth IX.

(ii). Where the other cargo will be handled?

[VOCPT- There is no restriction to handle cargo other than coal at berth no.IX. Berth No.IX is not a dedicated berth. Such a system is working at other Major ports. Proposed mechanization at berth IX will not hamper handling of other cargo]

(iii). Fertilizer vessel comes in panamax. It does not have gear. But, VOCPT has assumed as if all vessels calling at berth no.IX will come with ship gear.

(iv). Cost of handling coal will increase by around ₹40/- tonne with the proposed project.

[VOCPT- Ultimate aim of this project is to ensure that cargo is evacuated within a specific time from the wharf and to reduce the pollution level].

IMC Limited

(i). HMC will be kept on wharf area. We cannot keep mobile hoppers on wharf. Each time hopper has to be moved. There will be obstruction to move hoppers during the operations.
[VOCPT- Hoppers proposed are mobile and they can be moved. There will not be obstruction on account of HMC for handling any other cargo. Such operations are going on at Chennai Port Trust.]

(ii). The rate may be fixed a little higher considering the traffic figures.

[TAMP- Under 2008/2013 guidelines, tariff is fixed for optimal capacity and not for the traffic. The tariff is fixed based on the norms prescribed in the 2008 guidelines for the optimal capacity.]

(iii). We will be able to use the plots proposed to be allotted only after the commissioning of the project. So, do we have to pay the license fee from the beginning i.e. from the date of award of the project?

[VOCPT- This is a separate issue not linked to tariff fixation. We will separately examine this point.]

(iv). Three plots will be allotted to BOO operator to store upto 3 vessels cargo. Before the fourth vessel comes, plot should be evacuated.

PSTS Logistics Pvt. Ltd.

(i). The life of some of the equipment/ conveyor to be deployed in this project may be more than 10 years. Then, why the license of this project is taken for 10 years?

[VOCPT- The period of the project is for 10 years. Hence, license for this project is taken as 10 years.]

(ii). The port has proposed concessional rate for coastal cargo. But for the operator, cost involved for handling foreign or coastal cargo will be the same.

[VOCPT- We do not anticipate any foreign cargo to utilize this facility. Entire cargo at berth no.IX will be foreign cargo. However, rate for coastal cargo is proposed so as to have a rate in the SOR in case coastal cargo arrives during the project period. Concession proposed in the rate for coastal cargo is as per the coastal concession Policy of the Government.]

(iii). Is it possible to evacuate the cargo from berth no.IX directly without availing the facility of the proposal project.

[VOCPT- The proposed facility has to be utilized. Direct delivery is not allowed. The cargo has go to coal yard and from there, users have to take delivery. This is done to reduce the pollution.]

(iv). 3 plots are not sufficient. Individual users will stock the cargo for a longer period and may evacuate it. Hence it may not be possible to evacuate the coal stack yard before the fourth vessel comes.

[VOCPT- Port will take the responsibility to evacuate the cargo from the plots allotted to the operators, if it is not evacuated within the prescribed time limit. We will introduce a suitable condition in the proposed SOR of the operator of this project.]

Tuticorin Thermal Power Station (TTPS)

(i). It is not possible to handle optimal capacity assessed at 8.58 Million tonnes per annum based on the present traffic handled at the port and based on the cargo projections.

[VOCPT- We anticipate the traffic of the port and in particular the coal traffic to increase in future years]

Tuticorin Ship Agents Association (TSAA)

(i). Capital cost estimate of ₹54 crores considered by the port is very much low. Chennai Radha Engineering Works has given a budgetary offer of ₹96.30 crores for this project.

[VOCPT- The budgetary offer of Chennai Radha Engineering Works was not as per our project.]

NLC Tamil Nadu Power Limited (NTPL)

(i). Whether cargo is permitted to be handled at IXth Berth.

[VOCPT: It is possible to handle cargo other than coal at IXth Berth through conventional means]

(ii). Why user is not allowed to handle and evacuate coal from wharf itself under this project?

[VOCPT: It is only to reduce pollution. There are berths other than berth No IX wherein coal can be handled and evacuated from the wharf.]

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