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TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 62 **New Delhi,** **10 February 2016**

NOTIFICATION

In exercise of the powers conferred under Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes the proposal received from Kandla Port Trust (KPT) for fixation of Port dues and Pilotage charges for providing Marine Services at the Dry Bulk Terminal operated by Adani Kandla Bulk Terminal Private Limited at Tuna /Tekra of KPT as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

TARIFF AUTHORITY FOR MAJOR PORTS

Case No. TAMP/42/2014-KPT

Kandla Port Trust … **Applicant**

<u>QUORUM:</u>

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

O R D E R

(Passed on the 15th day of January 2016)

This case relates to a proposal filed by the Kandla Port Trust (KPT) for fixation of Port dues and Pilotage charges for providing Marine Services at the Dry Bulk Terminal at Tuna /Tekra of KPT operated by Adani Kandla Bulk Terminal Private Limited (AKBTPL).

2.1. The KPT vide its letter dated 22 August 2014 has submitted its proposal for fixation of Port dues and Pilotage charges for providing Marine Services at the Dry Bulk Terminal at Tuna/Tekra of KPT. The main points made by the KPT in support of its proposal are summarized below:

(i). The KPT has entered into Concession Agreement (CA) for “Development of Dry Bulk Terminal of Tekra near Tuna” outside Kandla creek with M/s. Adani Kandla Bulk Terminal Private Limited (AKBTPL) for 30 years.

(ii). The construction phase of jetty is expected to be completed by November 2014 by AKBTPL and the commercial operation will start by December 2014.

(iii). As per Article No. 7.1 (c) of the Concession Agreement, Marine Services for the Terminal have to be provided by the KPT.

(iv). Since this project is outside the Kandla Creek and approach channel on the Northern coast of Gulf of Kutch, which is at a considerable distance from Kandla Port, a separate wing of Marine Services will be required by outsourcing the same, as no equipment or manpower can be spared from Kandla or Vadinar.

(v). The consultant appointed with the approval of Board has made estimation of requirements of Marine services for a period of 10 years and submitted the estimated cost. The budgetary offers were invited for the period of 10 years to be extended further by 2 years from six parties on 14.03.2014, out of which 5 parties has submitted their budgetary offers. The estimate has been prepared, considering the rates of four parties as one of the party has submitted considerably high rates.

(vi). The KPT has, along with its proposal, furnished a copy each of the following documents in support of its proposal:

(a). M/s AKBTPL’s letter dated 29 January 2014 furnishing Traffic Projection for ascertaining the requirement of Marine Services for Tuna Tekra.

(b). Statement showing

(i). Estimates for Hiring of Marine Services for Dry Bulk Terminal at Tuna Tekra for the period of 3 years and 10 years.

(ii). The projection of vessels on the basis of vessel traffic projected by AKBTPL’s in its letter dated 29 January 2014.

(iii). The estimated expenditure for providing Marine Services at Dry Bulk Terminal at Tuna Tekra.

(iv) The calculation of Port dues.

(v). The calculation of Pilotage charges.

(c). Proposed tariff for providing Marine services at Tuna Tekra.

2.2. The KPT has furnished working for arriving at the proposed Port Dues and Pilotage fee as tabulated below:

(i) Statement showing the estimated revenue requirement composing of estimated expenditure and return for the period of three years for providing Marine Services at Dry Bulk Terminal at Tuna Tekra:

Sr. No.	Expenditure		₹ (in crores)
1.	**Revenue requirement estimated by KPT for Pilotage fees for 3 years**		
(i).	Hiring Charges*		**63.15**
(ii).	Fuel Charges		
	a) 2 Tugs X 85 KL per month X ₹ 64,548.78 per KL X 12 months	6.60	
	b) 1 Pilot launch	0.83	
	c) 2 Launches (mooring & utility)	0.04	
	Total	7.47	**22.41** (₹ 7.47 crores X 3 years)
	Total Revenue requirement for Pilotage fees		**85.56**
2.	**Revenue requirement estimated by KPT for Port dues for 3 years**		
(i).	16% ROCE for 3 years on capital dredging expenses of ₹ 149.35 crores **		69.29
(ii).	Depreciation for 3 years (149.35/30*3) #		14.93
	Total Revenue requirement for Port dues		**84.23**

Notes:

* Estimated by KPT based on the average of budgetary offers received by KPT for outsourcing of pilotage services. [Comprising of Tugs, pilot launch, Utility Launch, Mooring Launch, Mooring Crew set, Signal station, Terminal OM cum pilot and Admin Cost + transportation.]

** 16% ROCE is computed based on Capital dredging expenses of contract value of ₹ 149.35 crores.

Agreement entered with AKBTPL is for 30 years. The capital dredging expenditure is to be incurred by KPT only once. Maintenance dredging is the responsibility of the concessionaire. As such it is logical to spread capital dredging cost over 30 years period.

(ii). Statement showing the calculation of Pilotage charges:

Sl. No.	Vessel size	GRT

(i).	Annual revenue requirement from Pilotage fees (₹ in crore) (₹ 85,56,00,000/3 years)	₹ 28.52 Crores	
(ii).	As per Tariff Guidelines 2005, rate of 2nd and 3rd slab is 80% & 70% of 1st slab respectively.		
(iii).	Computation of Pilotage Fee per GRT [₹28,52,00,000/[2610000+(1800000*80%)+(746647*70%)]	₹ 69.52 per GRT	
(iv).	Pilotage fees for three slabs		
	a) Upto 30,000 GRT	2610000	69.52
	b) 30,001 to 60,0000	1800000	55.616 (i.e. 80% of 69.52)
	c) 60,001 and above	74667	48.664 (i.e.70% of 69.52)

(iii). Statement showing the calculation of Port Dues:

Sl. No.	Vessel size	Average GRT	Average No. of Vessels *
(i).	Upto 30,000 GRT	0	0
(ii).	30,001 to 60,0000	2370000	52.67
(iii).	60,001 and above	2114667	34.67
(iv)	**TOTAL AVERAGE GRT**	**4484667**	**87.34**
(v).	Annual revenue requirement from Port Dues (₹ in crores) (₹ 84,23,00,000/3 years)	₹ 28.075	
(vi).	**Proposed Port Dues per GRT** **(**₹28,07,50,000/4484667)	**₹ 62.60 per GRT**	

Note: * Average Vessel traffic is based on vessel traffic projections given by AKBTPL vide its letter dated 29 January 2014.

2.3. Furnishing the above calculation, the KPT has requested this Authority to approve the Port Dues and Pilotage Charges for providing Marine Services for development of Dry Bulk Terminal at Tuna/Tekra of Kandla Port Trust as given below:

Sl.No.	Item		Rate in ₹ per GRT
(i).	Port Dues		62.60
(ii).	Pilotage charges		
	(a).	Upto 30,000 GRT	69.52
	(b).	30,001 to 60,000 GRT	₹2085600+₹55.62 per GRT over 30000 GRT
	(c).	60,001 and above	₹3754200 + ₹48.66 per GRT over 60000 GRT

2.4. The KPT has stated that its Board has approved the above proposal in the meeting held on 12 August 2014. The KPT has furnished a copy of its Board Resolution No.18 under cover of its letter dated 18 December 2014.

3. In accordance with the consultative procedure prescribed, a copy of the proposal of the KPT vide our letter dated 2 September 2014 and dated 1 October 2014 was circulated to the concerned users/user organisations as per the list of users furnished by KPT seeking their comments. We have not received any comments from concerned users/user organisations.

4. Based on preliminary scrutiny of the proposal the KPT was requested vide our letter dated 5 December 2015 to furnish additional information /clarification on few points. The KPT

has furnished its reply vide its letter dated 18 December 2014 which is brought out in the subsequent paragraph.

5.1. A joint hearing in this case was held on 6 December 2014 at the KPT premises in Gandhidham. At the joint hearing, the KPT made a brief power point presentation of its proposal. Further, the KPT and the concerned users/ organisation bodies have made their submissions.

5.2. At the joint hearing, the Gandhidham Chamber of Commerce & Industry (GCCI), AKBTPL have given their written submission.

5.3. As decided at the joint hearing, the KPT was requested to take action on the following points and furnish additional information / clarification, which were communicated to KPT vide our letter dated 09 December 2014:

(i) Furnish comments on each of the written submissions filed by the GCCI and AKBTPL at the joint hearing which was forwarded to the KPT.

(ii) Relook at the proposal and file a revised proposal in view of submissions made by the users at the joint hearing.

(iii) Expedite furnishing response to information / clarification sought vide our letter dated 5 December 2014.

6. With reference to point of action decided at the joint hearing brought out in para 5.3. (i) above, the KPT vide its letter dated 3 February 2015 has furnished its reply on the written submissions made at the joint hearing by the GCCI and AKBTPL.

7.1. With reference to points of action decided at the joint hearing brought out in para 5.3. (ii) and (iii) above, the KPT vide its letter dated 18 December 2014 and 3 February 2015 has furnished its reply. A summary of the information / clarification sought by us and the response of the KPT is tabulated below:

Sl. No.	Information / clarification sought by us	Response of KPT
I.	**<u>General:</u>**	
(i).	The subject proposal filed by the KPT is for fixation of marine related services i.e. Port dues and Pilotage fee at Tuna Tekra. The said marine related services to be provided by the Major Port Trusts falls under the list of services enlisted under subsections (a) to (e) of Section 42 of the Major Port Trusts (MPT) Act, 1963. Further, as per Section 48 of the MPT Act read with Section 42 of the MPT Act, the Tariff Authority for Major Ports is authorized to notify the tariff to be levied by the Major Port Trusts for services listed therein which include marine related services to be provided by Major Port Trusts themselves or by any other persons authorized by the Major port Trusts with the prior approval of the Central Government under Section 42(3) of the MPT Act. As KPT is well aware, for fixation of tariff for services provided by Major Port Trusts, TAMP is governed by the tariff guidelines of 2005 issued by the (then) Ministry of Shipping, Road Transport & Highways (MSRTH). Clause 2.4.1. of the 2005 tariff guidelines prescribes cost plus approach (i.e. admissible cost and return on capital	The present proposal for providing the Marine Services has been framed by hiring the equipment's instead of cost plus return method as the same is cheaper than acquiring the owned equipment's. As per Government directives, the cost-benefit analysis of Hire v/s Purchase of Tugs was undertaken by the KPT for arriving the decision to hire/own Tugs vide Board Resolution No. 33 in the Board meeting held on 28/7/2010 and a copy of the same is enclosed. Since the hiring was cheaper, it was approved by the Board to hire the tugs for additional requirement and purchase the tugs in replacement of old tugs where manning is available. The cost of present project covers 80% of the cost on hiring of tugs. The other equipments carries lesser weightage and not hired earlier by KPT. However, if new launches are procured, there is no manning staff available with KPT. There is also ban for new recruitment; hence analysis of Hiring v/s Purchase for other crafts has not been carried out and the proposal has been

	employed) for determining the tariff of Major Port Trusts. The existing Scale of Rates of the KPT including the tariff for Marine related services has also been approved by the Authority following the cost plus return approach. Even the general revision proposal filed by the KPT was based on the cost plus return approach prescribed in the 2005 guidelines. The subject proposal filed by the KPT for fixation of marine related services to be provided by the KPT also falls under the tariff guidelines of 2005 and has to be determined following the cost plus return approach. It is, however, observed that the proposal filed by the KPT for pilotage fee is not based on the cost plus return method stipulated in the tariff guidelines of 2005. The KPT has framed the proposal solely and entirely based on the budgetary offers from four vendors. It has not followed the cost plus return approach prescribed in the tariff guidelines of 2005. The KPT, therefore, to review and reframe its proposal under cost plus return method prescribed in the 2005 guidelines for fixation of pilotage taking into consideration the prevailing capital cost of marine related equipment envisaged for providing the pilotage services, operating cost drawing inference from the actual cost of vessel side operations carried out by the port for providing pilotage services and return on the capital employed.	framed considering the analysis made for tugs.
(ii).	In all the Major Port Trusts including the KPT, the inward and outward movement of the vessels are handled by the port's pilots. In the outsourcing arrangement envisaged by the KPT at Tuna/ Tekra, it appears from the estimate given at Annexure-II of the proposal that the outsourced contractor will provide the pilots for inward and outward movements of vessels. The KPT to examine whether such arrangement of the outsourced contractor providing the pilot is hit by any relevant statutory provision.	In the outsourcing arrangement envisaged by KPT at Tuna/Tekra, tender conditions stipulates that the contractor will employ the pilots who are qualified and hold a valid certificate of competency as masters of foreign going vessel and they shall have minimum 3 years experience in piloting of vessels in India / Foreign Ports. The contractor shall deploy pilots whose Bio-Data has been approved by the Dy. Conservator of KPT. He should also comply with the requirement of the other Central Government Rule/Regulations. The pilots once inducted would require training at KPT / Vadinar as decided by the Dy. Conservator of KPT before getting a pilot's licence for Kandla Port. Further, pilotage will be governed by Kandla Port Trust (Authorization of Pilots) Regulation – 2013. As such these arrangements are not hit by any relevant statutory provisions.
(iii).	The KPT has in its proposal stated that since the project is outside the Kandla Creek and approach channel on the Northern Coast of Gulf of Kutch, which is at a considerable distance from Kandla port, and as no	

	equipment or manpower can be spared from Kandla or Vadinar, a separate wing of Marine Services is proposed for Dry bulk terminal at Tuna Tekra by outsourcing the marine services. In this regard, the KPT to clarify the following points:	
	(a). As regard the point made by KPT about considerable distance, it is relevant to mention that even Vadinar division is around 300 Kms. away from Kandla Port. The KPT provides marine services for Vadinar division for which separate vessel related charges are prescribed in the existing Scale of Rates (SOR) of KPT. Hence, the KPT to justify for proposing outsourcing of the entire marine related services at Tuna Tekra instead of KPT rendering the services with deployment of port owned equipment.	KPT is already hiring 5 tugs (2 for Kandla and 3 for Vadinar) and 17 Pilots (10 for Kandla and 7 for Vadinar) for meeting the existing pilotage services due to shortage of regular pilots and owned equipments. Hence, it is not possible for KPT to spare any pilotage services for Tuna/Tekra. This newly developed terminal is away from the Kandla and requires all the services like Tugs, Launches, Pilots, Signal Station etc which are not spareble from the present pilotage facilities available at Kandla/Vadinar.
	(b). It is seen that apart from the project referred by the KPT for dry bulk terminal at Tuna Tekra on BOT basis for 30 years period, the Authority has approved reference tariff for container terminal at Tuna Tekra vide Order No TAMP/43/2013-KPT dated 4 October 2013 and upfront tariff for another project of barge jetty at Tuna vide order no. TAMP/6/2013-KPT dated 22 February 2013. The KPT to clarify what is the arrangement for providing marine related services for these other two BOT projects at Tuna/ Tekra along with the tariff arrangement proposed therefor. If marine related services to these two BOT projects at Tuna/ Tekra also fall within the same area of Tuna/ Tekra for which the current proposal is filed, then the KPT may consider to review its current proposal to capture the vessel and expense projections relating to marine related services to be provided by KPT for these two PPP projects as well.	Apart from the project of Dry Bulk Terminal, the other two projects are not going to start with this project due to either construction phase being 3 years or awaiting approval from the Board. Present marine services relates only to the project of Dry Bulk Terminal and marine services for other BOT projects will be considered at a later stage. Hence, no review is required for current proposal.
	(c). As per clause 2.6.3. of the 2005 tariff guidelines, when Major Port Trusts procure any equipment, floating craft/ asset etc., they are required to analyse the least cost option between the expenses to be incurred if craft/ equipment / other assets are owned by the port / hired. The KPT, therefore, to furnish the cost benefit analysis of Hire vs Purchase option undertaken by the KPT for arriving at decision to outsource the marine related services for Tuna	Copy of cost-benefit analysis of Hire V/s Purchase option for tugs is furnished by KPT. [As per the statements of cost benefit analysis furnished by the KPT, the NPV in case of hiring of tug with manning for a period of 20 years comes to ₹124.06 crores as against ₹162.4956 crores in case of procurement by KPT and manning with KPT staff.]

	Tekra.	
(iv).	The KPT to furnish a copy of the Board resolution approving the proposal filed by the KPT for fixation of port dues and pilotage charges for outsourcing Marine services for Dry Bulk Terminal at Tuna Tekra of Kandla Port.	Board Resoulution No. 18 of the Board Meeting held on 12.08.2014 is enclosed.
II.	**Cost Statement:**	
(i).	**Traffic:**	
	The KPT has solely relied upon vessel traffic projections submitted by Adani Kandla Bulk Terminal Private Limited (AKBTPL) for arriving at the proposed Port dues and Pilotage fee at Tuna Tekra. In this regard, the following points to be clarified:	
	(a). The KPT to confirm the reasonableness of vessel traffic projections considered by it in the computation.	After detailed deliberations by KPT Officers, Adani Kandla Bulk Terminal Pvt. Ltd and Consultant appointed by the KPT, the projections has been given by the Terminal Operator which have been considered for computation.
	(b). The vessel traffic expected from the other PPP projects [as mentioned in our queries raised at I (iii) (b) above] if envisaged to commence during the proposed tariff cycle of three years should also be captured in the tariff computation.	Other two PPP projects shall not commence during the proposed tariff cycle.
	(c). The KPT to consider share of foreign going vessel and coastal vessel in the vessel traffic projections while arriving at the proposed rate. Infact, the upfront tariff fixed for dry bulk cargo at Tuna Tekra considered the share of foreign/ coastal cargo in the ratio of 90:10 based on the proposal of the KPT.	It is envisaged by Terminal Operator that the vessels will be foreign going vessels only.
(ii).	**Operating Expenses:**	
(a).	For estimating the hire cost of marine services at Rs 63.15 crore for 3 years period, the KPT has considered the average of the hire charges quoted by four bidder in budgetary offer. In this regard KPT to clarify following points:	
	(i). Furnish a copy each of the budgetary offers received by the KPT for hire of marine related services from the four firms which has been complied by the KPT in Annexure –II of the proposal.	Copies of Budgetary offers are enclosed. However, now proposal has been revised based on the work order issued by the Kandla Port Trust to the lowest bidder. A copy of work order is attached.
	(ii). The KPT to explain basis of considering the number of Tugs, pilot launch and other marine related equipment for period of three years (brought in Annexure –II of the proposal).	The basis for considering no. of tugs, pilots launch and other marine related equipments for period of 3 years is based on Marine Consultant appointed for subject work. Copy of Marine Consultant's report is furnished by KPT.

	(iii). Instead of considering the average of the budget offer quoted by four vendors, it may be more relevant to consider the hire charge quoted by lowest bidder.	As per "Report of the Committee on Standardization of Procedures and documents for award of contracts" September-2008 – Preparation of estimates – where more than 1 budgetary quote is received, the estimate be framed on average of the quotes, which will reduce variations and fluctuations, copy is enclosed. However, as stated above, now proposal has been revised based on the work order issued by the Kandla Port Trust. The revised statement showing calculation of Port Dues and Pilotage Charges is furnished by KPT.
(b).	**Fuel cost:**	
	(i). Explain the basis of arriving at the fuel consumption of 85 Kilo litres per month for two 50 BP tugs. Furnish detailed working of per hour fuel consumption by Tug, number of hours of Tug operation per day and number of working days required for the vessel traffic projected in proposal. Also, justify the per hour fuel consumption (to be considered) with reference to the actual consumption of fuel by similar capacity tug deployed at KPT.	The fuel consumption of 85 KL per month for two tugs has been considered based on actual consumption of similar tugs hired by Kandla Port Trust. However, same has now been revised considering the estimated traffic and capacity of tugs. The detailed calculation is furnished.
	(ii). Explain the basis for estimating the fuel consumption for 1 pilot launch at ₹ 0.83 crores and 2 launches (mooring and utility) at ₹ 0.04 cores and justify the same with reference to the actual fuel consumption of similar launches deployed at KPT or else in any other Major Port Trusts.	The consumption of fuel for pilot launches and mooring launches is as per actual of similar launches deployed in KPT. The copy is furnished by KPT.
	(iii). The unit rate of fuel considered at ₹ 64.54 per litre may be substantiated with copies of the recent fuel bill of the KPT.	Fuel rate of ₹64.54 / litre declared by IOC is enclosed. Subsequently, KPT vide its email dated 5 October 2015 furnished bill for the month of September 2015 prevailing for High Speed Diesel (HSD).
	(iv). As regards fuel cost which is estimated separately, the KPT has not considered annual escalation in the fuel cost for the subsequent two years. The KPT may review this cost element and consider the impact of annual escalation in the fuel cost.	As directed, the impact of annual escalation in the fuel cost as per TAMP Guidelines has now been considered in revised proposal.
(iii).	**Dredging Expenses**:	
	(a). Confirm if the capital dredging work by the KPT is already completed. If not, indicate the likely date of completion of the capital dredging work at the proposed facility.	It is confirmed that capital-dredging work at proposed T shaped jetty terminal is completed on 30.11.2014.
	(b). Furnish copy of the documentary evidence in form of work order awarded or any other relevant document to support the capital dredging cost of ₹ 149.35 crores considered in the calculation.	Copy of work order No. MW/WK/8080/2197 dated 21.02.2014 issued to M/s Van Oord India Pvt. Ltd., Mumbai for amounting ₹149,34,78,644/- (One Hundred Forty Nine Crores Thirty four Lakhs Seventy Eight Thousand Six

		Hundred forty Four only) is enclosed as Annexure – I. However, the actual cost of work increased due to increase in dredging quantity. The Variation Statement with net excess of ₹25,50,80,057/- i.e., 17.08% higher than the contract amount of ₹149,34,78,644/- for the work approved by the Board vide Resolution No. 257 in its meeting held on 12.08.2014. Accordingly, the revised cost will be ₹174,85,58,701/-. The work was completed on 30.11.2014; actual cost for the work is ₹174.64 crores (excluding Service Tax) as per final bill submitted by the contractor which is under preparation. Copies of relevant documents are enclosed as Annexure – 'J'. Accordingly, after adding 2% establishment charges to ₹174.64 crores, ₹178.13 crores has been considered as capital dredging cost in revised proposal.
	(c). Clarify whether the said capital dredging cost of ₹.149.35 crores considered in the computation of port dues is only with reference to the PPP project of AKBTPL. If the other users (vessel interest) are likely to avail the benefit of proposed investments on capital dredging, then the KPT to clarify as to why the entire financial burden should be borne by the users of the AKBTPL. In that event, the KPT should modify the proposed port dues so as to capture the vessel traffic of other PPP project likely to avail the benefit of this capital dredging.	Presently, Kandla Port Trust has envisaged & is in process of developing only one project in the vicinity of subject project which is "Setting up of Container Terminal at Tuna-Tekra on BOT basis". The Feasibility Report of the envisaged project has been prepared in which separate/dedicated Navigational Channel has been considered for the project." Hence Container Terminal project will not avail benefit from the Capital dredging work of Dry Bulk Terminal of M/s AKBTPL.
(iv).	**Statement showing the calculation of Port Dues and Pilotage fee (Annexure –V and VI)**	
	(a) Clause 6.1.1. of the tariff guidelines of 2005 stipulates that the vessel related charges should be denominated in the dollar terms and recovered in Indian Rupees. The KPT has, however, proposed both port dues and pilotage fee in ₹ terms. Since the proposal of the KPT falls under 2005 guidelines, the KPT to propose the port dues and pilotage fee in US$ for foreign-going vessel and in rupee terms for coastal vessel.	As stated earlier, that the Terminal operator has envisaged that the vessel will be foreign going vessel only, coastal rates has not been proposed. However, as advised, now Port dues and Pilotage fees has been proposed in US $ for foreign going vessel. Considering the exchange rate of 1 $ = ₹60.26
	(b) The KPT to also consider the share of foreign-going vessel and coastal vessel in the computation of these tariff items. As KPT is aware, the coastal vessel are entitled for coastal concession as per the policy of the Government stipulated in clause 4.3. of the 2005 guidelines. Hence separate rates should be arrived for foreign going vessel and coastal vessel. The impact of coastal	Same comments as per II (1) (c) and (iv) (a)

<table>
<tr><td></td><td>concession eligible to coastal vessels should be captured while arriving at the proposed rate for foreign going vessels.</td><td></td></tr>
<tr><td>(v).</td><td>The KPT to furnish detailed computation of additional income likely to accrue on account of the proposed tariff for marine related services at Tuna Tekra for each of the three years. Please clarify, whether the additional income likely to accrue on account of the proposed tariff for marine related services at Tuna Tekra is captured in the general revision proposal recently filed by the KPT.</td><td>No additional income to KPT will accrue on account of the proposed tariff for Marine related services at Tuna Tekra for each of three years as KPT's proposal is based on the hire charges quoted by lowest bidder and actual capital dredging cost. Additional Income and Cost of ₹13.15 crores (approx) and ₹6.94 crores (approx) respectively, on account of Marine related services at Tuna Tekra, has been considered in the General revision proposal recently filed by Kandla Port Trust. [The earlier general revision proposal filed by KPT was closed in view of Tariff Policy 2015 issued by the Ministry of Shipping. There is no proposal filed by KPT for general revision of its SOR under Tariff Policy 2015.]</td></tr>
<tr><td>(III).</td><td><u>Scale of Rates:</u></td><td></td></tr>
<tr><td>(i).</td><td>A comparative position of the Port dues and pilotage prescribed for Kandla Division in the existing SOR of KPT is given below:
(a). Schedule of Port Dues:
<table>
<tr><th>Sr. no.</th><th colspan="2">Rate per GRT</th></tr>
<tr><td></td><td colspan="2">Kandla</td></tr>
<tr><td></td><td>Foreign going vessel (in US $)</td><td>Coastal vessel (in ₹)</td></tr>
<tr><td></td><td>0.3404</td><td>8.414</td></tr>
</table>
(b). Schedule of Pilotage Fees:
<table>
<tr><th>Sr. no.</th><th>Slabs of GRT</th><th colspan="2">Rate per GRT</th></tr>
<tr><td></td><td></td><td colspan="2">Kandla</td></tr>
<tr><td></td><td></td><td>Foreign going vessel (in US $)</td><td>Coastal vessel (in ₹)</td></tr>
<tr><td>1.</td><td>Upto 30,000 GRT</td><td>0.5742</td><td>14.1947</td></tr>
<tr><td>2.</td><td>30,001-60,000 GRT</td><td>U.S $ 17,226 + U.S $ 0.4588 per GRT over 30000 GRT</td><td>₹ 4,25,840+ ₹ 11.341 per GRT over 30000 GRT</td></tr>
<tr><td>3.</td><td>Above 60000 GRT</td><td>U.S. $ 30,990 + U.S. $ 0.401 per GRT over 60000 GRT</td><td>₹ 7,66,070+ ₹ 9.9145 per GRT over 60000 GRT</td></tr>
</table>
(c). As against the above, the port dues and pilotage proposed by KPT in ₹. terms is as follows:
(i). Schedule of Port Dues: ₹ 62.60 per GRT (In US $ 1.0115 arrived based on prevailing exchange rate of 1 US $ = ₹61.86 for comparison purpose.)
(ii) Schedule of Pilotage Fees:
<table>
<tr><th>S.N.</th><th>Slabs of GRT</th><th>Rate per GRT (in ₹)</th><th>Rate per GRT (in $) for Foreign going vessel arrived based on prevailing exchange rate of 1 US $ = ₹ 61.86 for comparison purpose only</th></tr>
<tr><td>1.</td><td>Upto 30000</td><td>69.52</td><td>$1.1233</td></tr>
</table></td><td>Proposed Port dues and Pilotage charges are based on actual cost and hence does not require any further justification. Incidentally, it is noticed that pilotage charges mentioned above is not as per the existing rate of Kandla SOR.
[The rates mentioned in our query are as per existing SOR of KPT approved vide Order No.TAMP/61/2009-KPT dated 18 January 2011]</td></tr>
</table>

	<table><tr><td></td><td>GRT</td><td></td><td></td></tr><tr><td>2.</td><td>30001-60000 GRT</td><td>₹ 2085600 + ₹ 55.62 per GRT over 30000 GRT</td><td>**U.S $ 33,700 + U.S $ 0.8987** per GRT over 30000 GRT</td></tr><tr><td>3.</td><td>Above 60000 GRT</td><td>₹ 3754200 + ₹ 48.66 per GRT over 60000 GRT</td><td>**U.S. $ 60,662 + U.S. $ 0.7863** per GRT over 60000 GRT</td></tr></table> The KPT to justify such wide difference in the port dues and pilotage proposed to be levied for the PPP project of dry bulk cargo terminal at Tuna Tekra in comparison to the existing rate of Kandla.	
(ii).	The KPT has not proposed any conditionalities governing the rates. If the proposed rates have to be incorporated in the existing SOR of the KPT, then the relevant schedule along with its applicability for which vessels and conditionalities, if any, should be furnished to avoid any ambiguity.	Proposed Scale of Rates for Port dues & Pilotage charges for providing Marine services for Dry Bulk Terminal at Tuna/Tekra of Kandla Port Trust is enclosed. Conditionality of Scale of Rates of Kandla Port Trust will be applicable. Proposed rate of Port Dues may be incorporated under the Chapter – II as 4. (A) "SCHEDULE OF PORT DUES for providing Marine Services at Dry Bulk Terminal at Tuna/ Tekra" and Proposed rate of Pilotage charges under Chapter II as 4 (B) "SCHEDULE OF PILOTAGE FEES for providing Marine Service at Dry Bulk Terminal at Tuna/ Tekra."

7.2. While furnishing reply to the information / clarification sought by us, and also in response to point of action decided at the joint hearing brought out at para 5.3. (ii) above, the KPT has furnished revised proposal alongwith detailed working for arriving at the revised proposed Port Dues and Pilotage fee for marine services for dry bulk terminal at Tuna/Tekra. A summary of the computation furnished by KPT in its original proposal and revised proposal is tabulated below for each of the tariff items proposed:

(i). **<u>Statement showing estimated Expenditure for marine services at Dry Bulk Terminal at Tuna/Tekra</u>**

(₹ in crores)

Sr No	Particulars	Original Proposal dated 22 August 2014 (For 3 years)	Revised proposal dated 18 December 2014 (For 3 years)
A.	**Revenue Requirement for Pilotage charge**		
(i)	**Hiring charges for 3 years**	**63.15**	**56.69**
(ii)	**Fuel charges for 3 years**		
	a) For 1 No. - 55T BP Tug		
	i) Main engine	6.60	2.24
	ii) Auxillary engine	-	0.58
	iii) Shore supply	-	0.98
	Total (a) for a year	**6.60**	**3.80**
	b) For 1 No. - 55T BP Tug		
	i) Main engine	6.60	2.95
	ii) Auxillary engine	-	0.65
	iii) Shore supply	-	0.98

	Total (b) for a year	**6.60**	**4.58**
	c) For 1 No. 60 T BP Tug		
	i) Main engine	6.60	4.99
	ii) Auxillary engine		1.10
	iii) Shore supply		1.47
	Total (c) for a year	**6.60**	**7.56**
	d) 1 pilot launch for 3 years	**2.49**	**2.49**
	e) 2 launches(mooring & utility) for 3 years	**0.12**	**0.12**
	Total (ii) Fuel charges for 3 years =(a+b+c+d+e)	**22.41**	**14.75***
(iii).	**Total Revenue Requirement for pilotage charge for 3 years [(i)+(ii)]**	**85.56**	**71.44***
B.	**Revenue Requirement for Port dues:**		
(i).	**ROCE of Capital dredging cost for 3 years**	[149.35 crores / 30 years]	[178.13 crores / 30 years]
	Capital Dredging Expenditure Contract value for 30 years	149.35	178.13
	a) 16% ROCE for 1st year on Rs. 149.35 crores /178.13 crores	23.90	28.50
	b) 16% ROCE for 2nd year on Rs. 144.37 crores / 172.19crores	23.10	27.55
	c) 16% ROCE for 3rd year on Rs. 139.39 crores / 166.25crores	22.30	26.60
	Total ROCE for 3 years	**69.30**	**82.65**
(ii)	**Depreciation for 3 years**	**14.94**	**17.81**
	(a) Depreciation per year	4.98	5.94
(iii).	Total Revenue Requirement for port dues for 3 years **[(i)+(ii)]**	**84.23**	**100.47**

* [some arithmetical error was observed in total of Fuel cost and the total fuel cost comes to ₹18.55 crores instead of ₹14.75 crores]

(ii). CALCULATION FOR PROPOSED PORT DUES

(₹ in crores)

Sr. No.	Particulars	Original Proposal dated 22 August 2014	Revised proposal dated 18 December 2014
(i).	**Total Revenue Requirement for 3 years for Port Dues**	**84.23**	**100.47**
(ii).	Average Annual Revenue Requirement [(i)/3]	**28.08**	**33.49**
(iii).	Total GRT of the vessels as per projections [as given in the original proposal]	4484667	4484667
(iv).	Port dues per GRT (in Rs.)	**62.61**	**74.67**
(v).	Port Dues per GRT (in US $) (1 US $ = Rs. 60.26)	Not proposed	**1.2392**

(iii). CALCULATION FOR PROPOSED PILOTAGE CHARGES

(Rs. In Crores)

<table>
<tr><th>Sr. No.</th><th>Particulars</th><th>Original Proposal dated 22 August 2014</th><th colspan="2">Revised proposal dated 18 December 2014</th></tr>
<tr><td>(i).</td><td>Total Revenue Requirement for 3 years for pilotage</td><td>85.56</td><td colspan="2">71.44</td></tr>
<tr><td>(ii).</td><td>Average Annual Revenue requirement from pilotage services
[(i)/3]</td><td>28.52</td><td colspan="2">23.81</td></tr>
<tr><td>(iii).</td><td colspan="4">Proposed Pilotage fee:</td></tr>
<tr><td></td><td>Slabs of GRT</td><td>Proposed rate (Rs. Per GRT)</td><td>Proposed rate (Rs. Per GRT)</td><td>Proposed rate (US $ per GRT)</td></tr>
<tr><td></td><td>Upto 30000 GRT</td><td>69.52</td><td>58.05</td><td>0.9633</td></tr>
<tr><td></td><td>above 30000 and 60000</td><td>55.62</td><td>46.44</td><td>0.7707</td></tr>
<tr><td></td><td>above 60000 vessels</td><td>48.67</td><td>40.63</td><td>0.6743</td></tr>
<tr><td></td><td colspan="4">Based on the traffic projections and clause 6.10 of Tariff Guidelines 2005. (rate of 2nd and 3rd slab is arrived at 80% & 70% of the rate proposed for 1st slab)</td></tr>
</table>

7.3. Based on the above calculations, the KPT has requested to approve the Port Dues and Pilotage Charges for providing Marine Services for the Dry Bulk Terminal at Tuna/Tekra of Kandla Port Trust as given below:

<table>
<tr><th>Sl. No.</th><th colspan="2">Item</th><th>Rate in US $ per GRT</th></tr>
<tr><td>(i).</td><td colspan="2">Port Dues</td><td>1.2392</td></tr>
<tr><td>(ii).</td><td colspan="2">Pilotage charges</td><td></td></tr>
<tr><td></td><td>(a).</td><td>Upto 30,000 GRT</td><td>US $ 0.9633</td></tr>
<tr><td></td><td>(b).</td><td>30,001 to 60,000 GRT</td><td>US $ 28899.77+US $ 0.7707 per GRT over 30000 GRT</td></tr>
<tr><td></td><td>(c).</td><td>60,001 and above</td><td>US $ 52019.58 + US $ 0.6743 per GRT over 60000 GRT</td></tr>
</table>

8.1. After the joint hearing held in this case on 6 December 2014, the KPT vide its letter dated 21 November 2014**,** received by the office on 8 December 2014, has requested to consult four additional users viz. M/s Swiss Singapore India Pvt Ltd, M/s Acc Ltd and M/s Reliance Power Ltd stating that they are major importers of coal cargo and the Fertilizer Association of India (FIA) on the subject proposal. Hence, a copy of the proposal of the KPT dated 22 August 2014 was forwarded vide our letter dated 11 December 2014 to the said four additional users for seeking their comments. Incidentally, the revised proposal dated 18 December 2014 was not available at the material point of time.

8.2. Since the four users to be consulted were intimated by the KPT after the joint hearing held on 6 December 2014, in order to give an opportunity of hearing to the four parties another joint hearing was held on 16 April 2015 at the KPT premises in Gandhidham to hear the four additional users and the KPT as well.

8.3. The KPT made a power point presentation of its proposal. None of the four additional users suggested by KPT were present at joint hearing. At the joint hearing, the KPT and the AKBTPL made the submissions.

9.1. As decided at the joint hearing, the KPT was informed vide our letter dated 22 April 2015 that M/s. Adani Kandla Bulk Terminal Pvt. Ltd. (AKBTPL) has made a written submission that KPT is currently utilizing the Tugs dedicated for the terminal of AKBTPL for port's purpose for providing marine services. Therefore, the AKBTPL has contended that KPT should not load the entire cost of Tug hiring on the terminal operated by AKBTPL and the Tug hiring cost may be apportioned on pro-rata basis as per the usage at Kandla and at the terminal operated by AKBTPL. As decided at the joint hearing, the KPT was requested to frontally address the issue raised by the AKBTPL at the joint hearing. The KPT was also requested to furnish its comments on the points made by AKBTPL in its written submissions dated 16 April 2015.

9.2. The KPT has responded vide its letter dated 13 May 2015 on the points raised by AKBTPL at the joint hearing as follows:

(i). As per Concession Agreement, Marine Services are required to be provided by KPT at Tuna Bulk Terminal. As this project is at considerable distance from Kandla, Separate wing of Marine services consisting of minimum equipments has been outsourced for which the entire expenditure is to be loaded only on the services intended for the AKBTPL.

(ii). The Marine Services hired for Tuna/Tekra are utilized at Kandla only occasionally during idle period when there is no requirement at Tuna Tekra which facilitate use of hired crafts as well as keep them in working condition. With sufficient traffic, the crafts will be stationed at Tekra with exclusive use for the terminal. This arrangement has no relevance with apportionment of expenditure as KPT has to pay monthly hire charges on fixed rates. As such, the contention of the AKBTPL for apportionment of expenditure due to utilization of Marine Services at Kandla is not correct.

10. The KPT vide its letter dated 1 April 2015 has requested to expedite and approve the Port Dues and Pilotage Charges for providing Marine Services for development of dry bulk terminal at Tuna/ Tekra of the KPT stating that commercial operation of Dry Bulk Terminal at Tuna/Tekra of KPT has already commenced from 10 January 2015 and dues have been collected provisionally as per proposal sent to this Authority.

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 the totality of the information collected during the processing of the case, the following position emerges:

(i). The proposal of KPT is for fixation of Port Dues and Pilotage charges for providing marine services at Dry Bulk Terminal commissioned by the BOT operator viz. Adani Kandla Bulk Terminal Private Limited (AKBTPL) at Tuna /Tekra outside the creek of KPT.

(ii). The AKBTPL is a BOT operator, governed under tariff guidelines of 2008. This Authority has notified the Scale of Rates (SOR) in the name of the AKBTPL vide Order No. TAMP/59/2014-KPT dated 2 January 2015 by duly indexing the upfront tariff approved for the project. The said SOR prescribes berth hire charges and cargo related charges to be collected by AKBTPL. The marine related services i.e. port dues and pilotage are to be rendered by the land lord port viz. KPT as per Clause 7.1.(c) of the Concession Agreement entered between the KPT and AKBTPL. It is relevant here to state that the existing SOR of the KPT prescribes charges for port dues and pilotage fee for vessels calling at Kandla as well as at its Vadinar division which is 300 km away from the KPT. The instant proposal of KPT is to provide marine related services at a separate tariff of port dues and pilotage fee at the dry bulk terminal at Tuna operated by AKBTPL by outsourcing the Marine services. When requested to justify outsourcing of the entire marine related services at Tuna Tekra instead of KPT rendering the services with deployment of port owned equipment, KPT has clarified that it has hired tugs and Pilots for meeting the existing pilotage services due to shortage of regular pilots and owned equipments. Therefore, KPT is not in a position to spare any pilotage services for Tuna/Tekra from the existing facilities. The KPT has categorically stated that the newly developed terminal of the AKBTPL is away from the Kandla and requires all the marine related services like Tugs, Launches, Pilots, Signal

Station, etc., which are not spareble from the present pilotage facilities available at Kandla /Vadinar. A separate wing of marine services is, therefore, proposed by the KPT by outsourcing the same for which the KPT has filed the instant proposal. The KPT has also confirmed that outsourcing of pilot service proposed by it is not hit by any relevant statutory provisions and has also confirmed that pilotage services at AKBTPL will be done following Kandla Port Trust (Authorization of Pilots) Regulation – 2013.

In view of submissions/clarification furnished by the KPT in support of its proposal, the proposal of KPT for fixation of port dues and pilotage services for the marine related services offered by the KPT on outsourcing basis at the dry bulk terminal operated by AKBTPL at Tuna/ Tekra is taken up for consideration.

(iii). As explained in the preceding paragraphs bringing out the factual position, the initial proposal was filed by the KPT in August 2014. Subsequently, after the joint hearing, the KPT has filed a revised proposal vide its letter dated 18 December 2014.

In the revised proposal filed by the KPT in December 2014, it is seen that the KPT has modified the estimates based on the actual cost incurred for capital dredging, hire charge for tugs based on work orders issued by the KPT instead of budgetary offers considered by it earlier. Apart from that the estimates of fuel cost, etc., has also been modified by the KPT. The revised proposal dated 18 December 2014 filed by the KPT along with the information/ clarification/ comments obtained during the processing of this case is considered for fixing the Port Dues and Pilotage charges for the marine services provided by the KPT at Dry Bulk Terminal operated by AKBTPL at Tuna /Tekra.

(iv). Before proceeding ahead with the analysis of this case, it is relevant here to mention that the proposal of the KPT was filed under the tariff guidelines of 2005 which prescribed the cost plus return model. Though the KPT has, during the processing of the case, made a mention that its proposal is on hire of equipment instead of cost plus method, the fact remains that consideration of all the operating cost including hire charge of equipment and return on the capital dredging cost is nothing but cost plus model.

When this case was under process and joint hearing also held, the Ministry of Shipping (MOS) vide its communication No. 8(1)/2014-TAMP dated 13 January 2015, under Section 111 of the Major Port Trusts Act, 1963 (38 of 1963), has issued a new Tariff Policy for Major Port Trusts, 2015 for determination of Tariff for Major Port Trusts which was notified by this Authority vide Gazette Notification No.30 dated 27 January 2015. The said Tariff Policy, 2015 is effective from 13 January 2015. Subsequently, in compliance with Clause 1.5 of the Tariff Policy, this Authority has, in consultation with all the Major Port Trusts, notified the Working Guidelines to operationalize the said Tariff Policy for Major Port Trusts, 2015 vide Gazette Notification No. 207 dated 4 June 2015.

Clause 5.7.1. of the Working Guidelines to operationalize the said Tariff Policy 2015 stipulates that whenever a specific tariff for a service/ cargo is not available in the SOR, of that particular port, the concerned Major Port Trust can approach this Authority for notification of tariff for the said new cargo/ equipment/ service adopting the tariff and performance standards, if any, fixed for comparable cargo/ equipment/ service in any other Major Port Trust. If there is no rate available in any other Major Port Trust or if the rate available is not representative enough of the proposed new cargo/ service/ facility, then the port may file the proposal for notification of tariff for the said new cargo/ equipment/ service with reference to optimal capacity assessed following the principles of 2008 guidelines or based on rated capacity or technical specification of service/ facility/ equipment. If determination of tariff based on the above prescribed options is not possible, then the Major Port Trusts after giving sufficient reasons may propose rates based on Cost plus 16% return formula.

It is relevant here to state that in the instant case, the marine related services are proposed to be rendered by KPT by outsourcing the said services. Hence, the option of adopting the rate of any other Scale of Rates including that of KPT may not be feasible. Fixing on normative / optimal capacity basis also may not be feasible at present because though presently this facility is for AKBTPL, in future it is not ruled out by the KPT that other BOT operators at Tuna may not avail the marine related services of the port at Tuna/ Tekra. There is uncertainty of capacity now. It is seen that clause 5.7.1. of the Working Guidelines under Tariff Policy 2015, allows the Major Port Trusts to propose rate for new cargo/ service for which rate is not available in the SOR of the concerned port based on cost plus 16% return formula. For the reasons stated above and recognising that the entire processing of this case including the joint hearing was done following the tariff guidelines of 2005 applicable to Major Port Trusts prior to the announcement of the new Tariff Policy for Major Ports, 2015, this Authority is inclined to consider the proposal of the KPT which is based on the cost plus return model and in line with one of the options prescribed in the Working Guidelines issued under the Tariff Policy 2015 for new cargo/service.

(v). The KPT has furnished estimates for 3 years. The KPT has estimated vessel traffic of 76, 89 and 97 for the first, second and the third year respectively. The port has not estimated any vessel below 30,000 GRT. The average GRT of vessel is estimated at 45,000 for the slab 30000 to 60000, and 61,000 for the slab above 60,000 GRT. The KPT has furnished vessel break up for these two GRT slabs for pilotage fees computation. The KPT has stated that estimate of vessel traffic and GRT of vessels is based on the traffic projections of the AKBTPL reportedly after detailed deliberations by KPT with the AKBTPL.

It is relevant here to state that this Authority has approved other reference tariff Orders at KPT for PPP projects at Tuna Tekra viz. Container terminal at Tuna Tekra vide Order no. TAMP/43/2013-KPT dated 4 October 2013 and for a barge jetty at Tuna vide Order no. TAMP/6/2013-KPT in February 2013.

When enquired about the marine related services proposed to be offered by the KPT for these two PPP projects at Tuna, the KPT has clarified that these two projects shall not commence during the tariff cycle for which the tariff is proposed in the instant case. Relying on the clarification furnished by the KPT and recognising that the vessel traffic projections is reportedly based on the estimates of the AKBTPL and none of the other user / user association including AKBTPL has objected the vessel profile projected by the KPT, the vessel traffic and GRT as estimated by the KPT has been relied upon and considered.

In case any other BOT operator for projects awarded / to be awarded by KPT at Tuna / Tekra commences operations within the validity period for which the tariff is approved in this case, then the KPT is advised to approach this Authority well before commencement of such operations for ahead of schedule review of the tariff approved by this Authority.

(vi). Port Dues: (Tariff for vessel entry).

The KPT in its initial proposal has proposed port dues in Indian rupee denomination. On being pointed out that vessel related charges in Major Port Trusts (MPT) are prescribed in dollar denomination for foreign – going vessel, the port has proposed port dues at $1.2392 per GRT for foreign going vessel in the revised proposal. The items considered for arriving at the proposed port dues are discussed herein below:

(a). Capital Dredging Expenses:

The KPT has stated that it had issued work order for the capital dredging work in February 2014 at ₹149.35 crores. The KPT has reported that capital dredging was completed on 30 November 2014 and the actual cost for capital dredging incurred by the port is ₹174.86 crores excluding service tax as per the final bill of contractor which is substantiated by the KPT with relevant documents. At some place the KPT has mentioned the actual cost as ₹174.64 but the documentary evidence is for ₹174.86 crores. After adding 2% establishment charges on the capital dredging cost the KPT has considered ₹178.13 crores as the capital dredging. The KPT had not considered any establishment charges on the estimates of capital dredging in original proposal. It is not substantiated that the establishment is exclusively meant for carrying out the dredging work. In any case, had the KPT incurred any establishment charges for the capital dredging by deploying port's own resources, it would be covered by the proposal to be filed by the KPT for general revision of its Scale of Rates following the Annual Revenue Requirement Model (ARR) as per new Tariff Policy of 2015 announced by the Government. Since the documentary evidence in the form of bill raised by the contractor for capital dredging raised is for ₹174.86 crores, same is considered.

(b). The KPT has considered depreciation on the capital dredging cost by spreading over 30 years i.e. in terms of percentage it comes to 3.33%, on the ground that the agreement with the AKBTPL is for 30 years. The depreciation on capital dredging in other recent reference tariff case i.e. capital dredging project of Mormugao Port Trust (MOPT) has been considered at 3.17% following the depreciation rate as per the Companies Act, 2013. Therefore, the depreciation rate in the instant case has been modified and considered at 3.17% which slightly varies from the depreciation rate of 3.33% considered by KPT by spreading it over 30 years.

(c). The KPT has considered 16% ROCE on the capital dredging cost on the written down value of the capital cost at the end of the each year. The return on capital employed is allowed at 16% on the modified written down value of the capital dredging cost in line with the approach followed by the KPT.

(d). The total revenue requirement from capital dredging cost for fixation of port dues comes to ₹95.24 crores as against ₹ 100.47 estimated by KPT for the period of three years. The reduction in the revenue requirement is due to exclusion of establishment charges from capital dredging cost and consequent impact on depreciation. The average Annual Revenue Requirement (ARR) comes to ₹31.75 crores as against ₹33.49 crores estimated by the KPT. Considering the average annual ARR of ₹33.49 crores over average annual GRT of vessel at 44,84,667 and considering the foreign exchange rate of 1 US $ = ₹60.26 the KPT has arrived at the proposed port dues of US $ 1.2392 per GRT for foreign going vessel. The AKBTPL has in fact agreed with the proposed port dues because the KPT has incurred capital dredging.

Following the approach adopted by the KPT and updating the exchange rate with the prevailing exchange rate of 1 US $ = ₹66.11 and considering the modified annual ARR of ₹31.75 crores, the port dues works out to US $ 1.0709 per GRT for foreign going vessel. The KPT has confirmed that all vessels will be foreign going vessel. Therefore, it has not proposed rate for coastal vessel. In the existing SOR of the all the Major Port Trusts including KPT, tariff for coastal vessels have been prescribed. Though the KPT has not projected any coastal vessel (to be) handled at the dry bulk terminal at AKBTPL for the three years period, tariff arrangement for coastal vessel is prescribed in the SOR following the Government coastal concession policy so that a tariff is in place in an event coastal vessel avails the proposed services.

The tariff for coastal vessel / cargo/ container are prescribed in the existing SOR of all the Major Port Trusts and BOT operators operating thereat based on the coastal concession policy issued by the Ministry of Shipping , Road Transport and Highways (MSRTH) which was notified by this Authority vide Order dated 12 January 2005 and amendment dated 22 March 2005.

Recently, the MOS vide its letter No.8/(15)2015-TAMP dated 17 September 2015 has issued a partial amendment to the coastal concession policy of January / March 2005. As per the said amendment, the vessel related charges for coastal vessel should take into account the exchange rate fluctuation of Indian Rupee Vs US $ so that vessel related charges for coastal vessels shall not exceed 60% of the corresponding charges for other foreign going vessels. Further, these charges will be collected in Indian Rupees only at the applicable exchange rate. This Authority has passed a common adoption Order no. TAMP/4/2004-Genl dated 5 October 2015 directing all Major Port Trust including KPT to amend their existing SOR accordingly. That being so, in the instant case also for coastal vessel, a note is prescribed stating that the rate for coastal vessel is 60% (of the rate for foreign-going vessel) calculated by taking into account the exchange rate fluctuation.

(e). A copy of the cost statement relating to fixation of Port Dues for the marine related services rendered by the KPT at the Dry Bulk Terminal operated by the AKBTPL at Tuna /Tekra is attached as **Annex-I**.

(vii). Pilotage fees:

The cost items considered for deriving the pilotage fee is discussed here under:

(a). Hire charges of tugs / launches.

(i). The KPT has, in its revised proposal, estimated hire charge for hire of tugs, pilot launch, utility launch and mooring launch. The estimates are substantiated with work order dated 4 October 2014 issued by the KPT. It is seen that the hiring contract is awarded for 10 years. The KPT has considered the estimates for three years for which the tariff is proposed. The KPT has proposed to hire 2 nos. of 55 BP tugs in the first two years of operation and a third tug is proposed to hire from the third year onwards. Other marine launches viz. pilot launch, utility launch and mooring launch at 1 no. each are proposed for each of the three years.

As stated earlier, the KPT has categorically expressed inability to the suggestion of the AKBTPL to cross-utilise the tugs of the port. The GCCI and AKBTPL have suggested that KPT should reduce the initial deployment of equipment to the minimum. The KPT has confirmed that the tugs proposed by them are bare minimum and no further curtailment is possible. As regards mooring launch/ pilot launch also, the KPT hast stated that these marine equipment cannot come from KPT. The port has confirmed that the marine launches considered are the minimum requirement keeping in view safety standards. Even the AKBTPL has confirmed that two tugs are bare minimum.

The KPT has clarified that to reduce the cost in initial tariff cycle of three years, the requirement of third tug has been dispensed with for initial two year and only two tugs have been hired. The 3rd tug has been considered from the third year only. The requirement of launches are reported to be bare minimum and the port has categorically stated that no further reduction is possible in the hiring of tugs / launches equipment for providing marine services at AKBTPL.

As regards the point made by AKBTPL that KPT is currently utilizing the Tugs dedicated for the terminal of AKBTPL for the port's purpose and hence tug hiring cost be apportioned on pro-rata basis as per the usage at Kandla and at the terminal operated by AKBTPL, the KPT has clarified that the fleet hired for Tuna/Tekra are occasionally utilized at Kandla during idle period when there is no requirement at Tuna Tekra which facilitate use of hired crafts as well as keep them in working condition. Hence, the KPT has not agreed to the suggestion of the AKBTPL to apportion the hire charges of the tugs to KPT.

(ii). Based on this clarification furnished by KPT and recognizing that the estimates of hire charge of tugs/launches is substantiated with copy of the work order, the estimates furnished by the KPT are relied upon and considered except for one adjustment. The KPT has considered estimates for three years to arrive at the proposed pilotage fee. Since the third tug is proposed to be deployed by the KPT only in the third year, the estimates are segregated and considered separately for first two years for arriving at the pilotage fee for the first two years and pilotage fee for the third year with deployment of the third tug is arrived separately in the cost statement prepared by us for arriving at pilotage fee. By doing so, the vessels calling AKBTPL will not be burdened with the hire charge of third tug from the first year itself. Infact even the KPT had agreed that it will propose pilotage fee for two years; however, it has not done so.

(b). Manpower Cost on Hire:

The hiring contract for marine services awarded is for hire of crafts as well as hire of manpower viz. Pilot, Radio operator, Signal Station assistants and Mooring crew. As stated earlier, the port has confirmed that the KPT will be governed by the Kandla Port Trust (Authorization of Pilots) Regulation – 2013 and has also confirmed that the Contractor has to comply with the relevant Central Government Rules / Regulation for deployment of pilots at the port. In any case, this is an operational issue falling under the domain of the KPT and not a tariff related matter. This Authority would not like to go into operational matters unless it impacts tariff. The estimates of manpower cost do not bear any escalation in line with the terms of the hiring contract. Since the estimates of fixed manpower for marine services are substantiated with copy of the work order, the same are relied upon and considered.

(c). Fuel cost:

(i). In the revised proposal, the KPT has considered fuel consumption of 192 ltrs. / hour / tug for tug 1, 188.6 ltrs. / hour / tug for tug 2 and 211 ltrs. / hour / tug for the 3rd tug . In the case of NMPT for fixation of charges for pitogage and pull back operations at SPM, fuel consumption of 205 litres/ tug for a 50T BP Tug was considered. The fuel consumption considered by the KPT in the instant case is found to be comparable to the fuel consumption considered in the case of the NMPT.

As regards Auxiliary Engine, the KPT has estimated fuel consumption of 15 ltrs. / hour for the 1st tug, 25.83 ltrs. /hour / tug for tug 2 and 28.40 ltrs. /hour / tug for the 3rd tug. The port has confirmed that the fuel consumption adopted is based on the actual fuel consumption of similar tugs hired by KPT. The fuel consumption estimated by the KPT is, therefore, relied upon.

(ii). The unit rate of fuel considered by KPT in the cost statement is ₹64.55 per litre. The KPT was subsequently furnished a copy of the bill of diesel dated 30 September 2015 which shows the unit rate at ₹45.90 / ltr. The KPT has not updated the cost statement with the prevailing rate of the diesel. In the cost statement prepared by us, the unit cost of fuel is updated with the latest fuel cost furnished by KPT ₹45.90/Ltr for the first year.

It is seen that the KPT has escalated the unit rate of fuel by around 12.6% and 12.4% for the second and third year respectively. The annual escalation considered by the KPT is found to be not in line with the annual escalation factor announced by this Authority. For the tariff cases to be decided in the year 2015-16, the annual escalation allowed is 3.82%. That being so, the unit rate of fuel is escalated by 3.82% per annum for the 2nd year and 3rd year over the unit rate of the respective previous year.

(iii). The KPT has also considered fuel cost of ₹0.83 crore per year for one no. of Pilot Launch and ₹0.02 crore per year for each of the Mooring Launch and Utility Launch. The KPT has not furnished detailed working of fuel consumption of these equipment but has confirmed that the estimates are based on the actual consumption. None of the users including AKBTPL have raised any objection on the fuel consumption considered by the KPT. That being so, fuel cost for pilot launch and utility launch estimated by the KPT is relied upon and considered except for moderating it in view of updated fuel rate as explained earlier. It is seen that the KPT has not considered annual escalation in these cost items for the second and third year. In our estimates, this item is also escalated by 3.82% per annum for the second and third year over the estimates of the respective previous year.

(iv). Based on the above analysis, the total fuel cost for tugs and launches for three years comes to ₹10.46 crores as against ₹14.75 crores estimated by KPT.

(d). The KPT has also estimated the power cost of ₹0.49 lakhs per tug for shore supply. The KPT has furnished detailed working in support of the said estimate. Hence, power cost for shore supply as considered by the KPT is relied upon.

(e). Return:

Tariff Guidelines of 2005 as well the new Tariff Policy for determination of tariff for Major Port Trusts, 2015 follows a cost plus return model. Though for new services / cargo as stated earlier various options are prescribed in the Tariff policy 2015, one of the options is cost plus return model under which this proposal is being considered. It is seen that the KPT has not considered any Return on Capital Employed, presumably because it has proposed to provide the marine services at Dry Bulk Terminal commissioned by the AKBTPL at Tuna /Tekra by hiring the marine related services for the reasons cited in the earlier paragraphs.

In a cost plus return approach prescribed in the 2005 guidelines as well as in 2015 Tariff Policy 2015, Major Port Trusts are entitled for 16% return on investment while determining the tariff. In the instant case, since the tugs and launches deployed by the KPT are on hire basis, it is not entitled for return on investment on the tugs and launches taken on hire. Thus, in this exercise for pilotage services offered by KPT using hired tugs, the KPT is only being reimbursed for the expenses incurred by the port. In a similar case at COPT where the port had taken tugs on hire for SPM operations by BPCL- KRL, the COPT had considered 6% of the total cost as margin while arriving at the proposed tariff. This Authority while passing Order No. TAMP/32/2007-COPT dated 17 December 2008 had allowed the approach followed by the COPT in this regard. Similar approach was also followed in NMPT case for fixation of charges for pilotage and pull back operations offered by NMPT at SPM operations commenced by Mangalore Refinery and Petrochemicals Limited (MRPL). Flowing from the approach followed in these cases, 6% margin on the total modified cost is considered while arriving at the pilotage fee for pilotage service by KPT at Dry Bulk terminal at Tuna / Tekra by hiring the marine related services.

(f). Based on the above analysis, the total cost plus return which in other terms Revenue Requirement (RR) comes to ₹43.39 crores for the first two years and ₹31.52 crores for the third year aggregating to ₹74.92 crores for the three years as against total RR of ₹71.44 crores estimated by KPT for the three years. There is arithmetical error in summing up the RR by the KPT and the correct figure of the KPT works out to ₹75.24 crores. As stated earlier, the pilotage fee is arrived by us segregating the total revenue requirement of three years between the first two years and third year so that the user is not burdened with the cost of third tug which is proposed to be deployed by the KPT in the third year. This will also to some extent address the concern of the operator about attracting the traffic at its terminal in in initial two years.

(g). Proposed pilotage fee:

(i). The average Annual Revenue Requirement (ARR) from pilotage fee works out to ₹21.70 crores for the first two years and ₹31.52 crores for the third year as against average ARR of ₹23.81 crores estimated by KPT for the three years. For arriving at the proposed rate of pilotage fee, the KPT has spread over the estimated average ARR of ₹23.81 crores over the Average GRT of vessel assessed at 44,84,667 GRT per annum for Aframax and Panamax vessels. The vessel parameters and average GRT of vessel are considered as given by the KPT.

The KPT has proposed the Pilotage fees in three slabs in line with the clause 6.10 of 2005 Tariff guidelines and corresponding Clause 10.9. of the Working Guidelines issued by this Authority. The KPT has proposed rate for the second slab i.e. 30,000 to 60,000 GRT and the third slab viz. above 60,000 GRT at 80% and 70% respectively of the pilotage fee arrived for the first slab. It is relevant to mention here that based on the reference made by the COPT on this provision and after a meeting with the MOS in this regard, this Authority has vide its letter no. TAMP/21/2009-WS dated 25 June 2015 informed to all the Major Ports that the clause 10.9 is deleted along with the modification/ deletion of few other clauses from the Working guidelines. However, despite deletion of this clause, there is nothing which restrains the Major Port Trusts from proposing the pilotage charges in three slabs and following the approach prescribed earlier. Following the approach adopted by the KPT and by spreading over the total modified average ARR of ₹21.70 crores over the average GRT of vessels for the first two years assessed at 42,40,500 GRT, the pilotage fee works out to ₹55.87 per GRT. With respect third year the pilotage fee works out to ₹69.17 per GRT on the modified ARR of ₹31.52 crores over the modified GRT 49,73,000. The pilotage fee for foreign going vessel is arrived by adopting the exchange rate of 1US$=₹66.11 prevailing at the time of finalizing this case as against exchange rate of 1US$=₹60.26 considered by the KPT. Accordingly, pilotage fee for first slab i.e., upto 30000 GRT comes to US$0.8451/ GRT (i.e. ₹55.87 per GRT/ ₹66.11) for first two years and US$1.0464 / GRT (i.e. ₹69.17 per GRT/ ₹66.11) in the third year as against US$0.9633/ GRT proposed by the KPT for first slab i.e., upto 30000 GRT uniformly for all the three years. The pilotage fee for the second and the third slab is arrived by applying the factor of 80% and 70% of the rate arrived for the first slab in line with the approach adopted by the KPT. Prescription of sliding rates will not have any financial impact for the port. The pilotage fee for coastal vessel is prescribed by way of a note as done for port dues.

(ii). A copy of the cost statement relating to fixation of Pilotage fee for providing marine services for a period of 3 years at Dry Bulk Terminal commissioned by the AKBTPL at Tune/Tekra at outside the creek of KPT is attached as **Annex-II**.

(viii). The point made by the KPT that no additional income will accrue to KPT on account of the proposed tariff for Marine related services at Tuna Tekra as its proposal is based on the hire charges quoted by lowest bidder and actual capital dredging cost is not found to be correct . While arriving at the tariff under the cost plus return model, 16% return on investment for capital dredging cost and 6% margin for the pilotage services has been considered as stated earlier. Hence, the contention of the KPT in this regard is not found to be correct. While filing the general revision proposal under the Tariff Policy 2015, the KPT is advised to capture the revenue from this tariff item as well.

(ix). The KPT in April 2015 has stated that Dry Bulk Terminal at Tuna/Tekra of KPT has already commenced from 10 January 2015 and that it is collecting the proposed rates provisionally as per proposal sent to this Authority. Clause 2.17.2. of the tariff guidelines of 2005 as well as the corresponding clause 5.7.3. of the Tariff Policy 2015, allow the concerned Major Port Trusts to levy the proposed rate for new cargo/ service simultaneously with submission of proposal on an ad hoc basis till the rate is finally notified. Clause 2.17.4 of the tariff guidelines of 2005 as well as the corresponding Clause 5.7.5. of the Tariff Policy 2015 allow this Authority to recognize the interim rate adopted in an ad hoc manner unless it is found to be excessive requiring some moderation retrospectively. In the instant case, it is seen that the interim rate levied by the KPT provisionally based on the revised proposal filed by the port in December 2014 is not found to be excessive in comparison to final rate approved by this Authority. None of the users/ user association including the AKBTPL has made any adverse comment on the provisional rates being levied by the KPT based on the proposed rates. That being so, rates levied by the KPT on provisional basis from the commencement of marine related services at AKBTPL till the final rates approved in this Order come into effect is regularized as such.

Clause 2.17.4 of the tariff guidelines of 2005 as well as Clause 5.7.5. of the Tariff Policy 2015 stipulate that the final rate to be fixed by this Authority for new cargo / service for which rate is not prescribed in the RSOR will ordinarily be effective only prospectively. That being so, the final approved by this Authority for Port Dues and Pilotage services rendered by the KPT for the dry bulk terminal operated by the AKBTPL at Tuna / Tekra is given effect prospectively. The rate approved will come into effect after expiry of 30 days from the date of notification of the Order in the Gazette of India.

(x). Tariff guidelines of 2005 and Tariff Policy 2015 prescribes that the rates approved by this Authority will have three year validity period. The existing Scale of Rates of KPT is already due for revision since 1 April 2013 and the validity of its existing SOR has been extended from time to time. The KPT has already been advised to file its proposal for general revision of its Scale of Rates under Tariff Policy 2015. It is, therefore, found appropriate that the validity of the rates approved for the marine related services provided by the KPT at Dry Bulk Terminal commissioned by the AKBTPL at Tuna/Tekra is made co-terminus with the validity of the general scale of rates to be revised by this Authority so that this tariff can be reviewed in future alongwith the general revision of the SOR of the KPT. However, as stated earlier, in case any other BOT operator for projects awarded / to be awarded by KPT at Tuna / Tekra commences operations within the validity period for which the tariff is approved in this case, then the KPT is advised to approach this Authority well before commencement of such operations for ahead of schedule review of the tariff approved by this Authority.

13.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the port dues and pilotage fee for marine services provided by the KPT at Dry Bulk Terminal commissioned by the Adani Kandla Bulk Terminal Private Limited at Tune/Tekra at KPT as at the Schedule given in **Annex-III.** The KPT is directed to insert relevant schedules in the existing Scale of Rates of the KPT appropriately as per **Annex-III**.

13.2. The KPT is directed to amend the existing Scale of rates accordingly.

(T.S. Balasubramanian)
Member (Finance)

Annex - I

COMPUTATION OF PORT DUES FOR MARINE SERVICES PROVIDED BY THE KANDLA PORT TRUST (KPT) AT THE DRY BULK TERMINAL OPERATED BY ADANI KANDLA BULK TERMINAL PVT. LTD. AT TUNA/TEKRA AT KPT.

Sr. No.	Particulars	Estimates furnished by KPT in its Original proposal dated 22/08/2014	Estimates furnished by KPT in its revised proposal dated 18.12.2014	Modified by TAMP
		For 3 years	For 3 years	For 3 years
		₹ in crores	₹ in crores	₹ in crores
I	**Capital Cost**			
(i)	Cost of Dredging	149.35	178.13	174.86
	Total	**149.35**	**178.13**	**174.86**
II.	**Operating Cost**			
(i).	Depreciation	14.93	17.81	16.63
	(KPT considered life for 30 years) (TAMP considered 3.17% p.a.)	(₹149.35crores * 3 years / 30 years)	(₹178.13crores * 3 years / 30 years)	(₹174.86crores * 3.17% p.a. * 3 years)
	Total	**14.93**	**17.81**	**16.63**
III.	**Revenue Requirement for Port Dues (₹ in Crores)**			
(i).	Operating Cost for 3 years	14.93	17.81	16.63
(ii).	ROCE @ 16% of capital cost for 3 years	69.29	82.65	78.61
				W.N.-1
	Total Revenue Requirement for 3 years	**84.23**	**100.47**	**95.24**
IV.	**Average Annual Revenue requirement (₹ in Crores)**	**28.08**	**33.49**	**31.75**
V.	**Average GRT**	**4484667**	**4484667**	**4484667**
VI.	**Exchange rate considered (In rupees)**		**60.26**	**66.11**
VII.	**Port Dues per GRT**	**in ₹ / GRT**	**in US $ / GRT**	**in US $ / GRT**
	(a) Foreign Going Vessels	62.60	1.2392	1.0709
	(b) Coastal Vessels	-	-	Note 1

Note 1: Rate for coastal vessel will be collected in Indian rupees upto 60% of the rate for foreign going vessel calculated by taking into account the exchange rate fluctuation.

Annex - II

COMPUTATION OF PILOTAGE CHARGES FOR PROVIDING MARINE SERVICES AT THE DRY BULK TERMINAL OPERATED BY ADANI KANDLA BULK TERMINAL PVT. LTD. AT TUNA/TEKRA AT KANDLA PORT TRUST.

Sr. No.	Particulars	Estimates furnished by KPT in its Original proposal dated 22/08/2014	Estimates furnished by KPT in its revised proposal dated 18.12.2014	Modified by TAMP		
		For 3 years	For 3 years	1st & 2nd year	3rd year	Total
		₹ in crores	₹ in crores	₹ in crores	₹ in crores	₹ in crores
A.	FIXED CRAFT HIRE CHARGES					
1	Tugs & Crafts					
(i).	55T BP Tugs (1 No.) - 3 years	22.01	19.44	12.96	6.48	19.44
(ii).	55T BP Tugs (1 No.) - 3 years	22.01	18.34	12.23	6.11	18.34
(iii).	60T BP Tugs (1 No.) - 1 years (i.e., in third year)	-	6.73	0	6.73	6.73
(iv).	Pilot Launch (1 No.) - 3 years	6.75	4.16	2.77	1.39	4.16
(v).	Utility Launch (1 No.) - 3 years	4.73	3.94	2.63	1.31	3.94
(vi).	Mooring Launch (1 No.) - 3 years	2.23	0.88	0.58	0.30	0.88
	Total Hire charges [Sum of Sr.No.1]	**57.71**	**53.49**	**31.17**	**22.32**	**53.49**
2	FIXED MANPOWER COST					
(i).	Terminal Manager cum Pilote - 1 No.	Break up not shown here	1.08	0.72	0.36	1.08
			(0.36 crores p.a. * 3years)	(0.36 crores p.a. * 2years)	(0.36 crores p.a. * 1 year)	
(ii).	Radio operator - 4 Nos.		0.72	0.48	0.24	0.72
			(0.24 crores p.a. * 3years)	(0.24 crores p.a. * 2years)	(0.24 crores p.a. * 1year)	
(iii).	Signal Station Assistants - 4 Nos.		0.54	0.36	0.18	0.54
			(0.18 crores p.a. * 3years)	(0.18 crores p.a. * 2years)	(0.18 crores p.a. * 1year)	
(iv).	Mooring Crew - Set 1		0.86	0.58	0.29	0.86
			(0.288 crores p.a. * 3years)	(0.288 crores p.a. * 2years)	(0.288 crores p.a. * 1year)	
	Total Manpower Cost [Sum of Sr.No.2]	**5.44**	**3.20**	**2.14**	**1.07**	3.20
3	**TOTAL FIXED COST [1 + 2]**	**63.15**	**56.69**	**33.31**	**23.39**	**56.69**
4	Fuel Cost					
(i).	For Main Engines	19.80	10.18	3.53	3.41	6.94
(ii).	For Aux. Engines	--	2.33	0.84	0.75	1.59
(iii).	For Pilot Launch	2.49	2.49	1.20	0.64	1.84
(iv).	For Mooring & Launch	0.12	0.12	0.06	0.03	0.09
				Working note - 2		
(v).	**Total Fuel Cost [Sum of Sr.No.4]**	**22.41**	**14.75**	**5.63**	**4.83**	**10.46**
			[error in totaliing by KPT . Correct total is 15.12]			
5	Power Cost					
	For Shore Supply	--	3.43	2.00	1.52	3.52
	Total Power cost [Sum of Sr.No.5]	**--**	**3.43**	**2.00**	**1.52**	**3.52**
			[Not added by the KPT in the total at sl. No 6]			
6	**Total cost for 3 years [Sr. No.3+4+5]**	**85.56**	**71.44**	**40.94**	**29.74**	**70.67**
			(Note - 2)			
7	**Margin @ 6% on total cost considered by TAMP (Sr No 6 *6%)**	**0.00**	**0.00**	**2.46**	**1.78**	**4.24**
8	**Total Cost Plus Return [Sr. No.6+7]**	**85.56**	**71.44**	**43.39**	**31.52**	**74.92**
9	**Average Annual Revenue Requirement (ARR)**	**28.52**	**23.81**	**21.70**	**31.52**	**53.22**
10	**Average GRT / annum**	4484667	4484667	4240500	4973000	--
11	**Exchange rate considered for US $ (as on 19/11/2015)**	--	**60.26**	**66.11**	**66.11**	
12	**Pilotage / GRT**					
(a).	**Pilotage rate for Foreign Going Vessel**	**in ₹ /GRT**	**in US $ / GRT**	**in US $ / GRT**	**in US $ / GRT**	--
	(i). Upto 30000 GRT	--	0.9633	0.8451	1.0464	--
	(ii). 30001 to 60000 GRT	--	0.7707	0.6761	0.8371	--
	(iii). 60001 and above	--	0.6743	0.5916	0.7325	--
(b).	**Pilotage rate /GRT in ₹ (Foreign Going Vessel)**			Working note -3		
	(i). Upto 30000 GRT	69.52	58.05	--	--	
	(ii). 30001 to 60000 GRT	55.62	46.44	--	--	
	(iii). 60001 and above	48.66	40.63	--	--	
(c).	**Pilotage rate for Coastal Vessel**					
	(i). Upto 30000 GRT	--	--			
	(ii). 30001 to 60000 GRT	--	--		Note 1	
	(iii). 60001 and above	--	--			

Note 1: Rate for coastal vessel will be collected in Indian rupees upto 60% of the rate for foreign going vessel calculated by taking into account the exchange rate fluctuation.

Note 2 : There is arithmetical error in sum of ARR for pilotage fee. Correct figure is 75.24 crores instead of 71.44 crores

Working Note - 1 ROCE on Capital dredging for port dues calculation

	Year 1	Year 2	Year 3
Gross value		174.86	
Rate of Depreciation as per provisions of Companies Act, 2013		3.17%	
Value at the beginning of the year	174.86	169.32	163.77
Depreciation	5.54	5.54	5.54
Net fixed assets	169.32	163.77	158.23
ROCE @ 16%	27.09	26.20	25.32

<u>Annex -III</u>

<u>Insert the following schedule of rates for Marine related services provided by Kandla Port Trust (KPT) at Dry bulk terminal commissioned by AKBTPL at Tuna / Tekra in the existing Scale of Rates of the KPT.</u>

(i). **<u>1.(a). Schedule of Port Dues under Chapter II – Vessel Related Charges</u>:**

<table>
<tr><th rowspan="3">Sr.No.</th><th rowspan="3">Vessels chargeable</th><th colspan="3">For vessel calling at Dry Bulk Terminal at Tuna / Tekra</th></tr>
<tr><th colspan="2">Rate per GRT</th><th rowspan="2">Frequency of payment in respect of the same vessel</th></tr>
<tr><th>Foreign Going vessel (in US $)</th><th>Coastal vessel (in ₹)</th></tr>
<tr><td>1.</td><td>Vessels handled at Dry bulk terminal at Tuna / Tekra</td><td>1.0709</td><td>Rate for coastal vessel will be collected in Indian rupees upto 60% (of the rate juxtaposed) for foreign going vessel calculated by taking into account the exchange rate fluctuation.</td><td>The due is payable on each entry into the port.</td></tr>
</table>

(ii). **<u>2.1.(a). Schedule of Pilotage fee under Chapter II – Vessel Related Charges</u>:**

<table>
<tr><th rowspan="4">Slabs of GRT</th><th colspan="4">Rate per GRT</th></tr>
<tr><th colspan="4">For vessels handled at Dry Bulk Terminal Tuna / Tekra</th></tr>
<tr><th colspan="2">For first 2 years</th><th colspan="2">For 3rd year</th></tr>
<tr><th>Foreign Going vessel (in US $)</th><th>Coastal vessel (in ₹)</th><th>Foreign Going vessel (in US $)</th><th>Coastal vessel (in ₹)</th></tr>
<tr><th>(1)</th><th>(2)</th><th>(3)</th><th>(4)</th><th>(5)</th></tr>
<tr><td>Upto 30,000 GRT</td><td>0.8451</td><td rowspan="3">Rate for coastal vessel will be collected in Indian rupees upto 60% (of the rate juxtaposed) for foreign going vessel calculated by taking into account the exchange rate fluctuation.</td><td>1.0464</td><td rowspan="3">Rate for coastal vessel will be collected in Indian rupees upto 60% (of the rate juxtaposed) for foreign going vessel calculated by taking into account the exchange rate fluctuation.</td></tr>
<tr><td>30,001 - 60,000 GRT</td><td>U.S.$ 25,353 + U.S.$ 0.6761 per GRT over 30000 GRT</td><td>U.S.$ 31,392 + U.S.$ 0.8371 per GRT over 30000 GRT</td></tr>
<tr><td>Above 60,000 GRT</td><td>U.S.$ 45,636 + U.S.$ 0.5916 per GRT over 60000 GRT</td><td>U.S.$ 56,505 + U.S.$ 0.7325 per GRT over 60000 GRT</td></tr>
</table>

Note:
The rates prescribed at column nos. (2) and (3) will be leviable for first two years from the date of implementation of the tariff approved. For the third year, the rate prescribed at column nos. (4) and (5) will be applicable.

****

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

No.TAMP/42/2014-KPT	**:**	**Proposal received from Kandla Port Trust for fixation of Port dues and pilotage charges for providing Marine Services at the Dry Bulk Terminal at Tuna /Tekra of KPT.**

A joint hearing in this case was held on 6 December 2014 at the Kandla Port Trust (KPT) premises in Gandhidham. At the joint hearing, the KPT made a brief power point presentation of its proposal. Further, the KPT and the concerned users/ organisation bodies have made the following submissions:

Kandla Port Trust (KPT)

(i). As per License Agreement, it is the obligation of the KPT to provide marine services for Adani Kandla Bulk Terminal Pvt. Ltd. (AKBTPL) at Tuna Tekra.

(ii). We proposed pilotage fee based on budgetary offers received at ₹2105.07 lakhs for hiring marine service (for pilotage) per annum for 3 years period.

(iii). AKBTPL has furnished vessel traffic projection. Based on that we have arrived at number of tugs and related equipment.

(iv). The proposal of KPT was based on budgetary offer invited by KPT. We have now finalised the contract.

(v). Actual contract rates is finalised which is 22.72% below the cost estimated in the proposal filed earlier. One additional tug is to be provided from the third year which is factored now. In view of that, pilotage charges have been recalculated.

(vi). Dredging expenditure has also increased due to increase in the actual quantity dredged. Considering the above, port dues has also been revised.

Adani Kandla Bulk Terminal Pvt. Ltd.

(i). Actual requirement of tugs/ pilot launch/ utility launch, etc., for deployment at Tuna Tekra should be reviewed.

(ii). The proposed vessel related rates are highest in South Asia. Even if converted in dollar terms nowhere else such high vessel charges are collected.

(iii). The proposed charges are three times the tariff prescribed in the SOR of KPT and four times the rate at Mundra. In such a scenario who will come to our terminal?

(iv). Trial vessel could not be handled by us at the terminal due to high marine dues.

(v). Capital dredging cost has already been incurred by the KPT. This is included in the computation of port dues. Examine how port dues can be reduced.

(vi). Two tugs are bearest minimum. We endorse it. Expense on pilot launch and utility launch are high.
[KPT: Utility launch/ Pilot launch considered in the computation are required.]

(vii). Traffic is based on estimates. These are uncertain as we have yet to commence operations. KPT and TAMP may consider to fix tariff initially for period of two years.

[KPT: We will further revise the calculation and propose tariff for period of two years. We will reduce one tug which is considered in third year in our revised calculation presented at the joint hearing.]

(viii). Traffic estimates was given by us before this computation. Cost should be brought down. Mooring launch/ Pilot launch of KPT can be used. The KPT should look into cross-utilisation of tugs in Kandla port. It should look into this and reduce the rate.

[KPT: Mooring launch/ Pilot launch cannot come from KPT. Tugs can come from KPT. But, bringing and taking them to Kandla will take 6 hours. In that case, AKBTPL will have to wait unless a spare tug is available. This may adversely affect the overall performance of the terminal. Even if it is one vessel, whatever is the minimum requirement from safety standards is only considered.]

2. A summary of written submission made by the Gandhidham Chamber of Commerce & Industry and Adani Kandla Bulk Terminal Pvt. Ltd at the joint hearing and reply furnished by Kandla Port Trust thereon are summarised below:

Sl. No.	Comments of the users/ user organisations	Reply received from KPT
1.	**The Gandhidham Chamber of Commerce & Industry (GCCI)**	
(a).	**Port Dues:**	
(i).	The KPT has incurred ₹149.35 crores towards Dredging Contract	Actual expenditure towards dredging incurred by KPT is Rs. 178.13 crores and accordingly proposal has been revised considering the same.
(ii).	The KPT has apportioned entire costs of dredging over 30 years of Concession Period.	The agreement period is 30 years and Capital Dredging Expenditure is to be incurred only once. Hence, entire dredging cost is apportioned for 30 years.
(iii).	The KPT has calculated 16% ROC every year on outstanding balance not written off.	16% RoCE every year has been worked out based on the guidelines issued by TAMP from time to time.
(iv).	The same are very high and need to be re-worked by the KPT.	Proposal was prepared as per TAMP guidelines. Now the proposal has been revised based on the actual expenditure incurred towards dredging and work order issued by KPT to the lowest bidder for Providing Marine Services for Dry Bulk Terminal at Tuna/ Tekra.
(b).	**Pilotage :**	
(i).	The KPT has arrived at Pilotage charges based on estimated quotes submitted by the prospective venders then.	Pilotage charges has now been revised based on work order issued by KPT to lowest bidder.
(ii).	The KPT has already finalized the Marine Services Provider for the subject terminal now and accordingly, the KPT should re-work the tariff, based on actual cost KPT is likely to incur on providing marine services to Tuna Dry Bulk Terminal.	
(iii).	The KPT should also look into cross-utilization of the tugs in Kandla and accordingly, should reduce the pro rata costs to be loaded onto the terminal.	Pilotage at Kandla is carried out by 2 hired tugs of 50 ton bollard pull and 3 owned tugs of 35 ton bollard pull. The small tugs cannot be utilized for Tuna Tekra due to handling of bigger size vessels. The two hired tugs are carrying maximum operational functions at all the berths. Sometimes the tugs are not spared even for routine maintenance / down time of the tugs. Hence, cross utilization of tugs from Kandla is not possible.

<table>
<tr><td>(iv).</td><td>The KPT should reduce the initial deployment to bare minimum as required and accordingly, although the contractor has submitted the rates for all the items, the items which need not operate for first 3 years should not be loaded into costs right from the beginning.</td><td>During the initial period of operations, two tugs, one pilot launch, one mooring launch and one utility launch have been hired which is minimum bare requirement and no further curtailment is possible. The movement at Tuna involves berthing of large vessels loaded to full draft which requires three tugs at the same time for any single movement. The berthing of full loaded vessel / cap size vessel involves transiting the channel with two tugs as escort tied up forward and at after end. On reaching the turning basin, the vessel has to be turn round and pushed with the third tug for safe berthing of larger vessel. However, to reduce the cost in initial period, the requirement of third tug has been dispensed with for initial two year and only two tugs have been hired and in 3rd year, requirement of 3 tugs has been considered. The requirement of launches is also minimum to one hence no further reduction is possible for berthing / un-berthing at the terminal.
Further, it is also clarified that the cost of equipments required after 3rd /4th years have not been included in the initial period of contract. A copy of work order has already been enclosed, with reply of even No. vide letter dated 18.12.2014.</td></tr>
<tr><td>(v).</td><td>The KPT should re-work on Pilotage costs and accordingly after effecting above, the tariff for pilotage charges may be notified for the subject terminal.</td><td>Same comments as para 1 and 2 above.</td></tr>
<tr><td>2.</td><td>Adani Kandla Bulk Terminal Pvt. Ltd.</td><td></td></tr>
<tr><td>(a).</td><td><u>Port Dues:</u></td><td></td></tr>
<tr><td>(i).</td><td>The KPT has incurred ₹ 149.35 crores towards Dredging Contract.</td><td rowspan="4">Same comments as above for para 1 to 4 of GCCI.

Further, proposal has been revised based on the actual expenditure incurred by KPT towards capital dredging, work order issued to the lowest bidder for Marine Services and based on applicable guidelines issued by TAMP from time to time.</td></tr>
<tr><td>(ii).</td><td>The KPT has apportioned entire costs of dredging over 30 years of Concession Period.</td></tr>
<tr><td>(iii).</td><td>The KPT has calculated 16% ROCE every year on outstanding balance not written off.</td></tr>
<tr><td>(iv).</td><td>The same are very high which can be seen from the comparison given below
Proposed Tariff at Tuna Dry Bulk Terminal V/s Tariff at nearby Ports
<table>
<tr><th></th><th>Rate applicable on</th><th colspan="2">Kandla (Current)</th><th colspan="2">APSEZ/MUNDRA PORT</th><th>TUNA/ AKBTPL Proposed</th></tr>
<tr><th></th><th></th><th>USD</th><th>INR</th><th>USD</th><th>INR</th><th>INR</th></tr>
<tr><td>Port Dues</td><td>Per GRT</td><td>0.3404</td><td>21.2750</td><td>0.1700</td><td>10.6250</td><td>62.6000</td></tr>
</table></td></tr>
<tr><td>(b).</td><td><u>Pilotage :</u></td><td></td></tr>
<tr><td>(i).</td><td>The KPT has arrived at Pilotage charges based on estimated quotes submitted by the prospective vendors then.</td><td rowspan="2">Same comments as above for para (i) to (v) of GCCI.</td></tr>
<tr><td>(ii).</td><td>The KPT has already finalized the Marine Services Provider for the subject terminal now and accordingly, the KPT should re-work the tariff,</td></tr>
</table>

<table>
<tr><td></td><td>based on actual cost KPT is likely to incur on providing marine services to Tuna Dry Bulk Terminal.</td><td></td></tr>
<tr><td>(iii).</td><td>The KPT should also look into cross-utilization of the tugs in Kandla and accordingly, should reduce the pro rata costs to be loaded onto the terminal.</td><td></td></tr>
<tr><td>(iv).</td><td>The KPT should reduce the initial deployment to bare minimum as required and accordingly, although the contractor has submitted the rates for all the items, the items which need not operate for first 3 years should not be loaded into costs right from the beginning.
The comparative Pilotage Tariff is given below for ready reference
Proposed Tariff at Tuna Dry Bulk Terminal V/s Tariff at nearby Ports
<table>
<tr><th>TARIFF FOR</th><th>Rate applicable on</th><th colspan="3">Kandla (Current)</th><th colspan="3">APSEZ/MUNDRA PORT</th><th colspan="2">TUNA/ AKBTPL Proposed</th></tr>
<tr><td></td><td></td><td>Remarks</td><td>USD</td><td>INR</td><td>Remarks</td><td>USD</td><td>INR</td><td>Remarks</td><td>INR</td></tr>
<tr><td>Pilotage</td><td>Per GRT</td><td>Upto 30000 GRT</td><td>0.6920</td><td>45.2500</td><td>Less than 10000</td><td>0.3200</td><td>20.0000</td><td>Upto 30000 GRT</td><td>69.5200</td></tr>
<tr><td></td><td>Per GRT</td><td>30001-60000 GRT</td><td>0.5529</td><td>34.5563</td><td>For above 10000</td><td>0.4000</td><td>25.0000</td><td>30001-60000 GRT</td><td>55.6200</td></tr>
<tr><td></td><td>Per GRT</td><td>Above 60000 GRT</td><td>0.4833</td><td>30.2063</td><td></td><td></td><td></td><td>Above 60000 GRT</td><td>48.6600</td></tr>
</table>
</td><td></td></tr>
<tr><td>(v).</td><td>The KPT should re-work on Pilotage costs and accordingly after effecting above, the tariff for pilotage charges may be notified for the subject terminal.</td><td></td></tr>
</table>

3. Since the four users to be consulted were intimated by the KPT after the joint hearing held on 6 December 2014, in order to give an opportunity of hearing to the four parties another joint hearing was held on 16 April 2015 at the KPT premises in Gandhidham to hear the four additional users and the KPT as well. At the joint hearing, the KPT made a brief power point presentation of its proposal. None of the four additional users suggested by KPT were present at joint hearing. At the joint hearing, the AKBTPL made the submission :

M/s. Adani Kandla Bulk Terminal Private Limited (AKBTPL)

(i). We are operational for last three months and only two vessels were handled during this period.

(ii). Last time, KPT proposed rate based on estimates. Now, the KPT has completed the capital dredging and has also completed the award of contract for marine services. Cost should be reworked based on the actual cost.

(iii). We request KPT to allow use of the Kandla Tugs for our terminal.

[KPT- We allowed the KPT Tugs to be used for the Dry bulk terminal only for initial period. It was for limited period and not for regular purpose.]

(iv). We agree with the proposed port dues because the KPT has incurred the capital dredging cost.

(v). Tugs are taken on contract basis by KPT for exclusively for our terminal. But, they can be utilised by KPT as presently these tugs are not fully utilised. This will optimize the utilisation of hired tugs. For such usage of tugs by KPT, cost may be pro-rata adjusted in the cost calculation of pilotage charge.

[KPT- KPT provides composite pilotage services at KPT. There will be resistance from users if cost of marine services dedicated for Dry bulk terminal at Tuna are loaded onto them.]

(vi). Presently, pilotage tariff for our terminal at Tuna is around three to four times more than the existing rate at KPT. We are ok if, the pilotage charges at dry bulk terminal are double the rates applicable as per the SOR of KPT. But, if the pilotage rates are three to four times the KPT rate, we will be adversely affected as our terminal will not be attractive for vessels to call.

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