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Tariff Authority for Major Ports

G.No. 513 **New Delhi,** **18 December 2018**

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Visakhapatnam Port Trust (VPT) for fixation of reference tariff for the bulk liquid railway loading facility at the Liquid Railway siding at VPT as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/38/2018-VPT

Visakhapatnam Port Trust - - - - - **Applicant**

QUORUM

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

O R D E R
(Passed on this 15th day of November 2018)

This case relates to the proposal dated 10 May 2018 received from Visakhapatnam Port Trust (VPT) for fixation of reference tariff for bulk liquid railway loading facility under Reference Tariff Guidelines issued by the Ministry of Shipping (MOS).

2.1. The background for proposal filed by the VPT is as follows:

(i). An extent of land of VPT measuring 9.61 acres for the purpose of railway Terminal and 0.49 acres for the purpose of pipeline trench in Zone 1A of VPT was leased to M/s.Coromandel International Limited (Erstwhile M/s.GFCL) during the year 1986 and the lease expired on 30.06.2016.

(ii). VPT proposes to bid out of the above land to an extent of 3.9895 acres along with the existing infrastructure such as railway lines, pipeline gantry and pipelines, water tank and compound wall and Goomty for operation of the liquid loading facility for handling all liquid cargoes other than POL as a common user facility on PPP mode.

2.2. The main points of the reference tariff proposal are as follows:

(i). The existing facility is proposed to be augmented by providing new railway line and Goomty, terminal gate to AKP Gate, strengthening of existing railway line, new railway line for engine escaping, extension of existing liquid gantry and reinforcement of existing liquid gantry etc., at an estimated cost of ₹375.18 lakhs.

Valuation of the existing infrastructure in the identified land area was carried out and the value is ₹141.13 lakhs which is to be incurred by the successful bidder as one time upfront fee.

(ii). Capital cost:

Sl. No.	Description	Estimated cost (₹)
A.	Upfront cost:	
	(i). Cost of railway lines (terminal area)	81,79,812
	(ii). Pipeline gantry & pipelines	29,49,959
	(iii). Water tank	13,80,223
	(iv). Compound wall and Goomty	16,03,157
	Total upfront cost (A)	**1,41,13,151**
B.	New railway line and Goomty Terminal gate to AKP Gate Strengthening of existing railway line New railway line for engine escaping	3,75,18,000
C.	**Total capital cost (A+B)**	**5,16,31,151**

(iii). Traffic during last three years and projections:
2015-16 : 141 rakes
2016-17 : 146 rakes
2017-18 : 162 rakes

Considering the growth in the number of rakes handled during 2015-2018, forecast of the number of rakes expected to utilise the facility @ 5-6% growth is estimated at 175 rakes per annum. To ensure the successful bidder realises the Annual Revenue Requirement (ARR), the proposed tariff is estimated based on 175 rakes per annum. Accordingly, the expected/ anticipated cargo volume @ 59 wagons per rake and 55.28 tonnes per wagon works out to 5,70,766 tonnes per annum (175 rakes x 59 wagons x 55.28 tonnes).

(iv). Lease rent:

The total area proposed to be leased out is 3.9895 acres or 16,145 sq. mtrs. The lease rental to be paid by the successful bidder to VPT applicable for the year 2018-19 is ₹303.97 per square meter per year. An annual escalation of 2% over the previous year is considered over the period of project life of 15 years. Thus, the average value of lease rental works out to ₹56,57,992 per annum. The actual lease rent applicable will be as per the SOR notified by TAMP at the time of bidding.

(v). Depreciation:

The useful life of the facility as per Companies Act, for Railway sidings, locomotives, rolling stocks, tramways and railways used by concerns, excluding railway concerns (NESD) is 15 years. Thus, the depreciation works out to ₹34,42,077/- per annum.

(vi). Operation and maintenance cost:

Sl. No.	Description	Estimated cost (₹)
1.	Lease rent for Ac. 3.9895 cts or 16,145 sq. mtrs.	56,57,992
2.	Maintenance of railway track @ 4.5% of capital cost of total track length	16,47,000
3.	Electrical charges @ ₹250/- per day for 12 lamps	91,250
4.	Insurance @ 1% of gross fixed assets	5,16,312
5.	Depreciation	34,42,077
6.	Other expenses @ 1% on gross fixed assets	5,16,312
	Total	**1,18,70,943**

(vii). Return on capital employed @ 16% on ₹5,16,31,151 = ₹82,60,984.

(viii). Total Annual Revenue Requirement per annum (ARR) = O&M Cost + ROCE ₹1,18,70,943 + ₹82,60,984 = ₹2,01,31,927

(ix). Tariff for handling a rake at the terminal corresponds to the services rendered such as (i) haulage charges (ii) terminal charges and (iii) handling charges. The haulage and terminal charges are determined by the trunk railways and are payable by the user to the VPT.

(x). Handling charges proposed to be collected by the successful bidder works out as follows:

Annual revenue requirement / projected cargo volume

Thus, handling rate per tonne works out to:
₹2,01,31,927/ 5,70,766 = ₹35.27 per tonne

2.3. The VPT has furnished draft proposed Scale of Rates.

(i). The rates proposed by the VPT in its proposal are as follows:

Charges for bulk liquid loading at the railway siding:

Charges for bulk liquid loading at the railway siding facility	₹35.27 per tonne

(ii). **Performance Standards**:

Activity	Performance Standards
Time taken for haulage of rake from R&D Yard to the terminal, loading of rake at the terminal and haulage of rake from terminal to R&D Yard.	24 hours

3. In accordance with the consultative procedure prescribed, a copy of the proposal of VPT dated 10 May 2018 was forwarded vide our letter dated 04 June 2018 to the users / user organisations, potential users and prospective bidders as per the list furnished by VPT vide its email dated 31 May 2018 seeking their comments. We have not received any comments from the users/ user organizations till the case was taken up for finalization.

4. Based on the preliminary scrutiny of the proposal, the VPT was requested vide our letter dated 28 June 2018 to furnish additional information/ clarifications on a few points by 4 July 2018. After reminders vide our letters dated 11 July 2018 and 24 August 2018, the VPT vide its letter dated 31 August 2018, email dated 12 October 2018 and email dated 15 October 2018 has furnished its reply on the additional information/ clarifications sought by us. A summary of the additional information/ clarifications sought by us and reply furnished by VPT thereon is tabulated below:

Sl. No.	Information / clarifications sought by us	Reply furnished by VPT
1.	**General**:	
(i).	Furnish a copy of feasibility report for the proposed project as it is not accompanied with the proposal.	The liquid Railway Siding facility already exists that is developed by the existing lessee being used since 30 years. The proposal now is to bid out existing facility with augmentation as a common user facility. [The VPT has thus not furnished the Feasibility Report]
(ii).	Forward a copy of Board approval approving the subject proposal.	Copy of Board Resolution no.41/2018-19 dated 15 June 2018 is furnished. The Board has resolved to approve the proposal sent to TAMP for fixation of reference tariff for the bulk liquid railway loading facility at the liquid Railway siding at VPT.
(iii).	The Reference Tariff guidelines of 2013 require port to propose reference tariff based on the highest upfront tariff approved for comparable facility in its own port or any other Major Port Trusts. If this option is not feasible, the port can propose reference tariff following the principles of 2008 guidelines. The VPT to confirm that upfront tariff for similar facility is not available in the VPT or any other port and hence the port has filed the proposal following general principles of 2008 guidelines.	It is to state that upfront tariff for similar facility is not available in the VPT or any other port. Therefore, the proposal is now prepared following general principles of 2008 guidelines.
(iv).	The VPT has proposed reference tariff only for loading of bulk liquid at Railway siding. The port to confirm that no unloading of liquid bulk is envisaged at the proposed facility which is for long horizon of 15 years. If unloading facility is envisaged, the VPT may consider to propose the rate for unloading facility as well.	VPT was and is traditionally handling only import liquid bulk chemicals etc., (Other than POL) and therefore the facility is being proposed to be developed for handling railway tank wagons for evacuating import liquid bulk chemicals etc., (other than POL). Unloading facility is not envisaged for the present basing on the Master Plan study for VPT carried out by M/s. AECOM.
2.	**Reference Tariff Computation by VPT:**	
(i).	**Optimal Capacity:**	

<table>
<tr><td></td><td>The port has assessed the anticipated cargo volume based on the number of rakes handled during the last three years and with forecasted growth of 5% to 6% and arrived at rake handling of 175 rakes per annum. The VPT has considered expected / anticipated cargo volume @ 59 wagons per rake and considering 55.28 tonnes per wagon assessed the anticipated cargo volume at 5,70,766 tonnes per annum (175 rakes x 59 wagons x 55.28 tonnes).</td><td>As per railway standards, a rake consists of 59 tank wagons. Each tank wagon is designed with a capacity of 55.28 tonnes.</td></tr>
<tr><td></td><td>(a). As per Clause 3.3.2 of the upfront tariff Guidelines, the upfront tariff should be fixed for Optimal Capacity of the terminal irrespective of the traffic forecast. That being so, the VPT to assess the optimal capacity of the proposed bulk liquid Railway Loading facility to comply with the guideline position.</td><td>A railway rake consists of 59 tank wagons. The existing railway siding has facility to load two half rakes simultaneously.

Total time taken to handle a rake at the proposed facility is estimated to be 24 hours from receiving rake at exchange yard, placement at siding, loading and hauling back. Thus, 255 rakes may be dealt at the terminal with 70% of occupation.

However, the traffic forecast does not indicate handling higher volumes. As such, the capacity is reckoned as 175 rakes due to the following reasons:
There is no scope to develop a lesser capacity facility that synchronise with the traffic forecast due to technical limitations which may also lead to inefficient operations and consequent demurrages from Railways.
As per clause 3.8.2 of Tariff Guidelines 2008, the Annual Revenue Requirement is to be achieved through realisation of tariff. The facility developer will not be able to realize the ARR if higher capacity is considered.</td></tr>
<tr><td></td><td>(b). Since there are no norms prescribed for the proposed facility, the VPT to furnish the basis of each of the parameters considered for arriving at the optimal capacity. The parameters adopted should be justified with actual parameters achieved at VPT for services rendered for similar operations.</td><td>Capacity of the terminal is calculated as follows:

Number of rakes that can be dealt in a year x
Number of wagons per rake x
Capacity of each tank wagon in tonnes

Thus the capacity of the terminal works out to:
175 x 59 x 55.28 = 5,70,766 tonnes per annum

As per railways standards, a rake consists of 59 tank wagons. Each tank wagon is designed with a capacity of 55.28 tonnes. Basis for considering a capacity of handling 175 rakes at the terminal per annum is explained above.</td></tr>
<tr><td></td><td>(c). The port to indicate the items of bulk liquid cargo proposed to be handled at the proposed facility. The port to confirm that productivity of loading bulk liquid cargo proposed to be handled would be the same, if different types of bulk liquid cargo are envisaged to be loaded onto Railway Wagon. If not, the productivity of loading rate of</td><td>The facility is proposed to handle liquid cargoes other than POL mainly cargoes such as Caustic Soda and other chemicals. The productivity of loading the cargo would be the same.</td></tr>
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<tr><td></td><td>different types bulk liquid may be considered for assessing the optimal capacity. Suitable modification may also be done in the proposed rate as well.</td><td></td></tr>
<tr><td></td><td>(d). As per the norms prescribed in 2008 guidelines, upfront tariff is to be fixed for the optimal capacity. The general formula for assessing the optimal capacity is the handling rate x 365 days x 70% capacity utilization. The VPT may ensure that the calculation of optimal capacity (to be) furnished fits into the general formula prescribed in guidelines. In case of any deviation from the prescribed formula, the VPT to furnish adequate justification.</td><td>The Reasons for deviation as under :
There is no scope to develop a lesser capacity facility that synchronise with the traffic forecast due to technical limitations which may also lead to inefficient operations and consequent demurrages from Railways.
As per clause 3.8.2 of Tariff Guidelines 2008, the Annual Revenue Requirement is to be achieved through realisation of tariff. The facility developer will not be able to realize the ARR if higher capacity is considered.</td></tr>
<tr><td>(ii).</td><td><u>Capital Cost:</u>

The VPT has, in the subject proposal, estimated the total capital cost including upfront fee for cost of railway lines, pipeline gantry and pipelines, water tank and compound wall and goomty at ₹1,41,13,151/- and new railway line and goomty terminal gate to AKP Gate strengthening of existing railway line new railway line for engine at ₹3,75,18,000/-. In this regard, the VPT to furnish the following:</td><td></td></tr>
<tr><td></td><td>(a). A copy of the valuation report of existing infrastructure estimated at ₹141.13 lakhs as stated in the proposal.</td><td>Copy of valuation report is furnished.

The Valuer has considered the present condition of each of the existing infrastructure and assessed the reserve price as percentage of present estimated value. The valuer has considered the factors like type of construction, mode of maintenance, and deprecation. Applied cost indexed for 2016 and arrived at reserve price at 15% in case of railway track, pipeline gantry at 35%, water tank at 40% and compound wall at 25% of the present estimated value.

The break-up of existing infrastructure tabulated below:
<table>
<tr><th>Sl. No.</th><th>Components of Capital cost</th><th>Estimate (In ₹)</th></tr>
<tr><td></td><td>Upfront Cost :</td><td></td></tr>
<tr><td>(i).</td><td>Cost of existing Railway Line</td><td>81,79,812</td></tr>
<tr><td>(ii).</td><td>Pipeline Gantry and Pipelines</td><td>29,49,959</td></tr>
<tr><td>(iii).</td><td>Water Tank</td><td>13,80,223</td></tr>
<tr><td>(iv).</td><td>Compound Wall and Goomty</td><td>16,03,157</td></tr>
<tr><td></td><td>Total</td><td>1,41,13,151</td></tr>
</table></td></tr>
<tr><td></td><td>(b). Furnish a copy of the budgetary quotations/ market rates/ Rate Analysis in support of the estimates of capital cost of ₹375.18 lakhs.</td><td>Documents in support of estimates of capital cost are enclosed as Annex-3. Estimate has been prepared as per VPT Standard.</td></tr>
<tr><td></td><td>(c). Confirm that the capital cost estimated by the VPT reflects current market position.</td><td>The estimate has been prepared as per VPT Standard Schedule of Rates of the year 2018 which reflects present market position.</td></tr>
</table>

<table>
<tr><td></td><td>(d). The VPT has not considered 5% of the capital cost towards miscellaneous capital cost as per the norms prescribed in the 2008 tariff guidelines. The reasons, therefor, may be explained. The VPT to confirm that 5% miscellaneous capital cost is not applicable for this project.</td><td>As per the norms prescribed in the 2008 tariff guidelines, 5% of the Capital Cost towards miscellaneous expenditure is considered and the revised proposal is furnished.

[The VPT has also modified capital cost of few items which is brought out in the subsequent paragraph.]</td></tr>
<tr><td>(iii).</td><td><u>Operating Costs for bulk liquid railway loading facility:</u></td><td></td></tr>
<tr><td></td><td>(a). (i). Lease rent for 16,145 Sq. Mt is stated to have been estimated by VPT at ₹303.97/- per Sq. Mt. per annum for 15 years. The VPT to give reference to the relevant unit rate of lease rent approved by the Authority.</td><td>The rates adopted for land lease is as per the rates sent to TAMP for approval for the quinquennium 2018-23 vide Letter No.Estate/SoR/18-23/TAMP/483 dated 16 April 2018. The VPT has stated that the land in the current proposal is in Zone-1A is ₹254 per Sq.yard or ₹303.78 per sq.mtr.</td></tr>
<tr><td></td><td>(ii). The lease rent of 16,145 sq. mtrs x ₹303.97/ sq. mtrs works out to ₹49,07,596 per annum and not ₹56,57,992 per annum considered by VPT. The VPT may make necessary correction in the proposal in the light of the above observation.</td><td>Calculation of lease rent is corrected. (Though VPT has stated it has corrected, the port has not made necessary corrections removing arithmetical error).</td></tr>
<tr><td></td><td>(iii). The validity of lease of VPT land approved by the Authority vide Order No.TAMP/80/2015-VPT dated 17 November 2016 expired on 31 March 2018 and VPT has filed a proposal for revision of lease rent of VPT land which is in processing stage. The VPT may, if it finds appropriate consider to estimate lease rent at the proposed lease rent. While doing so, VPT to give details of the lease rent adopted for estimation along with working.</td><td>For calculation of lease rent the average of the lease rent for the extent of 16145 sq. mtrs. duly considering 2% annual escalation is considered as worked out below:
<table>
<tr><th>Year</th><th>Rate/Sq.Mtr. (Rupees)</th><th>Land Ext. Sq. Mtrs.</th><th>Annual Lease Rent (₹)</th></tr>
<tr><td>1</td><td>303.78</td><td>16145</td><td>49,04,528</td></tr>
<tr><td>2</td><td>309.86</td><td>16145</td><td>50,02,619</td></tr>
<tr><td>3</td><td>316.05</td><td>16145</td><td>51,02,671</td></tr>
<tr><td>4</td><td>322.37</td><td>16145</td><td>52,04,724</td></tr>
<tr><td>5</td><td>328.82</td><td>16145</td><td>53,08,819</td></tr>
<tr><td>6</td><td>335.40</td><td>16145</td><td>54,14,995</td></tr>
<tr><td>7</td><td>342.11</td><td>16145</td><td>55,23,295</td></tr>
<tr><td>8</td><td>348.95</td><td>16145</td><td>56,33,761</td></tr>
<tr><td>9</td><td>355.93</td><td>16145</td><td>57,46,436</td></tr>
<tr><td>10</td><td>363.05</td><td>16145</td><td>58,61,365</td></tr>
<tr><td>11</td><td>370.31</td><td>16145</td><td>59,78,592</td></tr>
<tr><td>12</td><td>377.71</td><td>16145</td><td>60,98,164</td></tr>
<tr><td>13</td><td>385.27</td><td>16145</td><td>62,20,128</td></tr>
<tr><td>14</td><td>392.97</td><td>16145</td><td>63,44,530</td></tr>
<tr><td>15</td><td>400.83</td><td>16145</td><td>64,71,421</td></tr>
<tr><td></td><td></td><td></td><td>8,48,16,049</td></tr>
<tr><td></td><td></td><td></td><td>56,54,403 Avg./Year</td></tr>
</table>
[Lease rent considered by VPT in ARR estimation is ₹56,57,992. At prevailing rate of ₹3030.78 it works out to ₹49,04,528.]</td></tr>
<tr><td></td><td>(b). (i). Explain the basis for estimating maintenance cost of railway track @ 4.5% of the capital cost, as there are no norms prescribed exclusively for the proposed facility.</td><td>Repairs and Maintenance Cost for railway track is considered at 4.5% of capital cost as per the agreement between VPT and East Coast Railway. A copy of the extract is furnished.</td></tr>
<tr><td></td><td>(ii). The maintenance cost @ 4.5% on ₹375.18 lakhs pertaining to Capital Cost of New railway line and 400 mtr gate works out to ₹16,88,310/- and not ₹16,47,000/- estimated by VPT. The VPT may examine and make necessary</td><td>Estimate of cost towards Repairs and maintenance is revised duly segregating the capital cost.
The working of R & M furnished by VPT is tabulated below:
<table>
<tr><th>Sl. No.</th><th>Components of Capital Cost</th><th>Estimate (In ₹)</th><th colspan="2">Repairs & Maintenance</th></tr>
<tr><td>A</td><td>Upfront Cost</td><td></td><td>Rate</td><td>Cost (₹)</td></tr>
<tr><td>(i).</td><td>Cost of existing railway</td><td>81,79,812</td><td>4.50%</td><td>3,68,092</td></tr>
</table></td></tr>
</table>

<table>
<tr><td></td><td>correction in the estimate.</td><td>
<table>
<tr><td></td><td>lines</td><td></td><td></td><td></td></tr>
<tr><td>(ii).</td><td>Pipeline gantry and pipelines</td><td>29,49,959</td><td>2%</td><td>58,999</td></tr>
<tr><td>(iii).</td><td>Water tank</td><td>13,80,223</td><td>0</td><td>-</td></tr>
<tr><td>(iv).</td><td>Compound wall and goomty</td><td>1,4113,151</td><td>1%</td><td>16,032</td></tr>
<tr><td></td><td>Total (A)</td><td></td><td></td><td>4,43,122</td></tr>
<tr><td>B.</td><td>Infrastructure Development</td><td></td><td></td><td></td></tr>
<tr><td>(v).</td><td>P Way Material</td><td>1,84,52,577</td><td>4.50%</td><td>8,30,366</td></tr>
<tr><td>(vi).</td><td>Strengthening existing rail lines</td><td>69,87,542</td><td>4.50%</td><td>3,14,439</td></tr>
<tr><td></td><td>Dismantling water tank</td><td>2,97,555</td><td>0</td><td>-</td></tr>
<tr><td></td><td>Extension and reinforcement of liquid gantry</td><td>42,67,618</td><td>2%</td><td>85,352</td></tr>
<tr><td></td><td>Earth work excavation, fabrication and other civil works</td><td>67,28,148</td><td>1%</td><td>67,281</td></tr>
<tr><td></td><td>Port cabin for FOIS operation</td><td>3,50,000</td><td>1%</td><td>3,500</td></tr>
<tr><td></td><td>IT Hardware</td><td>4,35,000</td><td>10%</td><td>43,500</td></tr>
<tr><td></td><td>Total (B)</td><td>3,75,18,439</td><td></td><td>13,44,439</td></tr>
<tr><td>C.</td><td>Miscellaneous Cost @ 5% on (B)</td><td>18,75,922</td><td></td><td>64,872 *</td></tr>
<tr><td>D.</td><td>Grant Total (A+B+C)</td><td>5,35,07,512</td><td></td><td>18,52,433</td></tr>
</table>

[It works out to 3.458% of the Miscellaneous capital cost]

The VPT has furnished the segregated Repairs and Maintenance Cost.</td></tr>
<tr><td></td><td>(iii). The VPT may consider to estimate repairs and maintenance cost for the total capital cost segregating into Civil and Equipment and miscellaneous in line with the approach followed for estimation of repairs and maintenance for other upfront cases.</td><td>The VPT vide its email dated 15 October 2018 has further clarified that Railway lines and Permanent Way material is considered at 4.5% as per railway standards the basis of which is submitted in the proposal i.e. as per Agreement made between VPT and East Coast Railway

For civil assets and mechanical equipment the norm of 1% and 2% respectively as provided in TAMP Guidelines 2008 for liquid terminal is considered

Provision of norm for IT systems is not separately available in TAMP Guidelines 2008. As such 10% is considered based on indications.</td></tr>
<tr><td></td><td>(c). <u>Electricity Charges:</u></td><td></td></tr>
<tr><td></td><td>(i). The VPT has estimated electricity cost @ ₹250 per day for 12 lamps. The VPT, to furnish detailed working of power consumption, basis thereof and the unit rate of electricity charges considered for estimating the electricity cost. Also, confirm unit rate of power is the prevailing rate and furnish copies of electricity bills of the last three months to support the unit rate adopted in the computation.</td><td>At present the bulk railway loading facility is provided with 12 Nos. of 250 W HPSV lamps which are operated during night time (i.e. 10.5 hrs. average) for illumination of the site. Accordingly, the electricity consumption charges for the above lighting load has been calculated as furnished below:
<table>
<tr><td>Nos. of 250W HPSV light fittings</td><td>12 Nos.</td></tr>
<tr><td>Working Hours</td><td>10.5 hrs</td></tr>
<tr><td>Electricity consumption (250 x 12 x 10.5 / 0.97 PF)</td><td>32.47 KVAh</td></tr>
<tr><td>EPDCL unit rates including electricity duty</td><td>₹7.72 per KVAh</td></tr>
<tr><td>Electricity charges per day = 32. 47 x 7.72</td><td>₹250.66 or say ₹251/- per day</td></tr>
</table>
As desired the electricity bills for the last 3 months i.e. April, May, June 2018 are furnished.</td></tr>
<tr><td></td><td>(ii). The VPT to confirm that for the proposed facility for loading liquid bulk onto railway wagon there is no other consumption of power or fuel apart from 12 lamps. In case VPT</td><td>It is to confirm that there is no other expenditure to incur except expenditure towards power consumption for 12 lamps as detailed above.
The VPT vide its email dated 15 October 2018 further clarified that as per APEPDCL bills the unit</td></tr>
</table>

<table>
<tr><td></td><td>proposes to modify the estimate in the light of the above observation, it may be justified with the basis for estimation and unit rate to be justified with documentary evidence.</td><td>rate works out to Energy charges of ₹7.66 and electricity duty charges of ₹0.06 per unit adding upto ₹7.72 per unit. The demand charges indicated in the bills are applicable only to HT consumption capacity of 50 Kw and above. The electrical consumption in the subject proposal is only for lighting and illumination which is not to be considered as HT.</td></tr>
<tr><td></td><td>(iii). Depreciation:</td><td></td></tr>
<tr><td></td><td>(a). The VPT has estimated Depreciation cost at ₹5,16,312 stating it is as per Companies Act. However, VPT has not furnished calculation thereof. The VPT to furnish detailed working of depreciation cost for each groups of total capital cost viz. civil, equipment and pipelines estimated by VPT. Also furnish, the depreciation rate/ life norm adopted for arriving the depreciation giving the relevant item adopted from the Depreciation Schedule under the Companies Act 2013. Also, clarify as to whether the depreciation estimated is considering the life norm of asset for single shift /double/ triple shift which should be in consonance with the estimation of the optimal capacity.</td><td>(a). Depreciation is revised duly segregating total cost into civil, equipment and pipeline. The VPT has furnished the detail calculation.
<table>
<tr><td>I. Building (NESD)
(b). Buildings (other than factory buildings) other than RCC frame structures</td><td>30 years</td></tr>
<tr><td>IV. Plant & Machinery (ii) special plant & machinery (e) plant machinery used in exploration, production and refining oil & gas (5) pipelines.</td><td>30 years</td></tr>
<tr><td>IX. Railway sidings, locomotives, rolling stocks, tramways and railways used by concerns, excluding railway concerns</td><td>15 years</td></tr>
</table>
(b). The working of, estimation of Depreciation furnished by VPT is tabulated below:
<table>
<tr><th>Sl. No.</th><th>Components of Capital Cost</th><th>Estimate (In ₹)</th><th colspan="2">Depreciation</th></tr>
<tr><td>A</td><td>Upfront Cost</td><td></td><td>Life (Yrs.)</td><td>Value (₹)</td></tr>
<tr><td>(i).</td><td>Cost of existing railway lines</td><td>81,79,812</td><td>15</td><td>5,45,321</td></tr>
<tr><td>(ii).</td><td>Pipeline gantry and pipelines</td><td>29,49,959</td><td>30</td><td>98,332</td></tr>
<tr><td>(iii).</td><td>Water tank</td><td>13,80,223</td><td>0</td><td>-</td></tr>
<tr><td>(iv).</td><td>Compound wall and goomty</td><td>1,4113,151</td><td>30</td><td>53,439</td></tr>
<tr><td></td><td>Total (A)</td><td></td><td></td><td>6,97,091</td></tr>
<tr><td>B.</td><td>Infrastructure Development</td><td></td><td></td><td></td></tr>
<tr><td>(v).</td><td>P Way Material</td><td>1,84,52,577</td><td>15</td><td>12,30,172</td></tr>
<tr><td>(vi).</td><td>Strengthening existing rail lines</td><td>69,87,542</td><td>15</td><td>4,65,836</td></tr>
<tr><td></td><td>Dismantling water tank</td><td>2,97,555</td><td>0</td><td>-</td></tr>
<tr><td></td><td>Extension and reinforcement of liquid gantry</td><td>42,67,618</td><td>30</td><td>1,42,254</td></tr>
<tr><td></td><td>Earth work excavation, fabrication and other civil works</td><td>67,28,148</td><td>30</td><td>2,24,272</td></tr>
<tr><td></td><td>Port cabin for FOIS operation</td><td>3,50,000</td><td>10</td><td>35,000</td></tr>
<tr><td></td><td>IT Hardware</td><td>4,35,000</td><td>6</td><td>72,500</td></tr>
<tr><td></td><td>Total (B)</td><td>3,75,18,439</td><td></td><td>21,70,033</td></tr>
<tr><td>C.</td><td>Miscellaneous Cost @ 5% on (B)</td><td>18,75,922</td><td></td><td>1,25,061</td></tr>
<tr><td>D.</td><td>Grant Total (A+B+C)</td><td>5,35,07,512</td><td></td><td>29,92,186</td></tr>
</table></td></tr>
<tr><td>(iv).</td><td><u>Scale of Rates</u>:</td><td></td></tr>
<tr><td></td><td>(a). The VPT has not defined the term “Bulk Liquid” to be handled at Railway loading facility. The VPT may consider to define the term so as to avoid any ambiguity in the SOR. The definition may be comprehensive to include other liquid as well, if any, since the project is for a long horizon of 15 years.</td><td>(a). The facility is proposed to handle liquid cargoes other than POL mainly cargoes such as Caustic Soda and other chemicals.</td></tr>
<tr><td></td><td>(b). The port has defined rake as a railway rake consisting of about 59 tank wagons each with a capacity to</td><td>(b). The current train complement of 59 wagons is fixed based on the Clear Standing Length (CSL) on Indian Railways which is currently 720 mts.</td></tr>
</table>

	carry about 55.28 tonnes. Since the reference tariff (to be) approved by the Authority will be valid for the entire project period and is only subject to annual escalation, the VPT to confirm whether the said definition of rake will hold good for the entire project period of 15 years and needs to be prescribed in the SOR.	It is not out of place to mention that Indian Railways are creating Dedicated Freight Corridor (DFC) for exclusively running freight trains (goods) and these DFCs would be mostly dedicated for running double haul (two trains at a time) container and dry bulk cargo trains and therefore may not increase the complement of tank wagons in the near future. Therefore, the proposed facility is designed accordingly.
	(c). The following general condition may be incorporated in the Scale of Rates in line with similar prescription in the upfront / reference tariff schedule in other Major Port Trusts including VPT: "*Users will not be required to pay charges for delays beyond reasonable level attributable to BOT operator*".	(c). The following note is incorporated in the revised Scale of Rates: "In the event of failure by the operator to load the cargo within the period specified in the performance standard for reasons attributable to the terminal operator, the consequent demurrage incurred by the user (if any) is to be compensated by the terminal operator to the users."
	(d). The list of services covered under the Schedule 2 i.e. charges for bulk liquid loading at railway siding may be prescribed under the Schedule by way of a note. This can be in line with definition proposed for cargo loading.	(d). The following note is incorporated in the revised Scale of Rates. "The services offered at the terminal include (a) providing connectivity to the pipeline of the terminal to the pipeline of users (b) providing loading connectivity of the gantry to each tank wagon (c) Disconnecting the pipeline of the terminal to the pipeline of users."
	(e). A general note governing application of Wholesale Price Index (WPI) based indexation factor may also be prescribed in the proposed draft Scale of Rates. The base year for indexation should be based on the year to which the capital cost estimates and operating cost (power cost) estimate relate to.	(e). The following note is Incorporated in the revised Scale of Rates. "The Reference Tariffs will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2018 and 1 January of relevant year. Such automatic adjustment of Reference Tariffs will be made every year and the adjusted tariffs caps will come into force from 1st April of the relevant year to 31st March of the following year."

<table>
<tr>
<td>(v).</td>
<td><u>Performance Standards:</u>

(i). As per Clause 2.2 of the Reference Tariff Guidelines the Authority has to notify the reference tariff and performance standard based on the proposal of the concerned port trust. The performance standards for the subject proposal proposed by VPT cannot be linked to the productivity parameters considered in the calculation of the optimal capacity for which reference tariff is arrived. The VPT is requested to propose relevant performance standards in tandem with the performance level considered for arriving at the optimal capacity and the proposed reference tariff. In the light of the above observation, the relevance of the note no (i) proposed by VPT about the time taken for handling of rake may also to be reviewed by the VPT.</td>
<td>The VPT has proposed the following in the Modified Performance Standard:
<table>
<tr><th>Activity</th><th>Performance Standard</th></tr>
<tr><td>Time taken for positioning of wagons at loading points till making the rake ready for drawing out after loading</td><td>18 hours</td></tr>
</table>

General Notes:
(i). In the event of failure by the operator to load the cargo within the period specified in the performance standard for reasons attributable to the terminal operator, the consequent demurrage incurred by the user (if any) is to be compensated by the terminal operator to the users.
(ii). The licensee is to ensure the above standards for all the rakes handled by it at all times. Calculation of performance shall be as per the notes given in SOR.
(iii). The reference tariffs will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2018 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31 March of the following year.</td>
</tr>
<tr>
<td></td>
<td>(ii). There are general conditions relating to performance linked tariff prescribed in the reference tariff Order of PPP projects in line with reference tariff guidelines of 2013. This may also be incorporated in the proposed tariff schedule.</td>
<td>The general conditions relating to Performance Standard are incorporated as desired in the SOR.</td>
</tr>
</table>

5.1. A joint hearing on this case in reference was held on 18 June 2018 at VPT premises. At the joint hearing, the VPT made a power point presentation of its proposal. At the joint hearing, the VPT and the users/ user organisations, potential users and prospective bidders have made their submissions.

5.2. (i). At the joint hearing, IMC Ltd. had sought the basis for estimation of capital cost for giving comments. The VPT was to share the basis for estimation of capital cost with IMC Ltd. within five days' time i.e.by 23 June 2018.

(ii). Further, the IMC Limited vide its letter dated 23 June 2018 addressed to this Authority with a copy endorsed to VPT requested the Port to provide information on a few points. A copy of the IMC Limited letter dated 23 June 2018 was forwarded to VPT. The VPT was requested to provide the requisite information to IMC Limited with a copy endorsed to TAMP.

(iii). The VPT vide its email dated 11 October 2018 has forwarded a copy of its letter no.IRNP/Stds./Liq.Rly.Siding/TAMP/2018 dated 31 August 2018 furnishing its reply to IMC Ltd.

We have not received any further comments from the IMC Ltd.

6.1 At the joint hearing, IMC Ltd. had pointed out that the estimate of manpower and railway staff charges are not considered and the estimation of other expenses is very low. In this regard, as agreed at the joint hearing, the VPT was requested to examine the points made by IMC Ltd. and furnish its response immediately. The VPT vide its email dated 11 October 2018 has furnished its comments on the comments furnished by M/s. IMC Ltd. dated 31 August 2018. Based on the suggestion made by IMC Ltd and information/ clarification sought by us, the VPT has filed revised proposal. The main modification/ highlights of the revised proposal filed by VPT vide its letter dated 31 August 2018 are summarised below:

A. Capital Cost:

(i). VPT has revised the Capital Cost of New railway line and Goomty Terminal gate to AKP Gate Strengthening of existing railway line New railway line for engine escaping from earlier capital cost of ₹3,75,18,000 to ₹3,67,33,439/-. The modification is on account of addition of two items.

(a). The VPT has added the Capital Cost towards Porta cabin for operation of FOIS (Freight Operations Information System) of Indian Railways at ₹3,50,000/- which was not included in the original proposal.

(b). The VPT has also included Capital Cost towards IT Network connectivity to Freight Operations Information System (FOIS) with other hardware cost at ₹4,35,000/-. This was not there in the original proposal.

(ii). Considered Miscellaneous cost @ 5% on total capital cost at ₹18,75,922/-. (₹3,75,18,439*5/100)

(iii). The VPT has engaged M/s.Novara Consultancy Services for the purpose of Valuation of structures/ sheds/ godowns/ RCC building MS Tanks etc. at VPT. The port has furnished the copy of valuation report of M/s.Novara Consultancy Services.

(iv). The modified Capital Cost is as under:

S. No.	Description	Estimated Cost (₹)
A.	Upfront Tariff	
(i).	Cost of Railway Lines (Terminal Area)	81,79,812
(ii).	Pipeline gantry & pipelines	29,49,959
(iii).	Water Tank	13,80,223
(iv).	Compound wall and Goomty	16,03,157
	Total upfront Cost (A)	**1,41,13,151**
B. (i).	New railway line and Goomty Terminal gate to AKP Gate Strengthening of existing railway line New Railway Line for engine escaping	3,67,33439
(ii).	Porta cabin for operation of FOIS (Freight Operations Information System) of Indian Railways	3,50,000
(iii).	IT Network connectivity to FOIS system with other hardware ware	4,35,000
	Total (B)	**3,75,18,439**
C.	**Miscellaneous Cost @ 5% on (B)**	**18,75,922**
D.	**Total Capital Cost (A+B+C)**	**5,35,07,512**

B. Operation and Maintenance Cost

(i). Depreciation:
The useful life of the Rail component of the facility as per Company's Act for "Railway sidings, locomotives, rolling stocks, tramways and railways used by concerns, excluding railway concerns (NESD)" is 15 years. The useful life for the pipelines and civil structure (other than RCC framework) is 30 years. The useful life of IT network and other infrastructure is 6 years. Thus, the modified

depreciation works out to ₹29,92,186/- per annum as against ₹34,42,077/- per annum estimated in the original proposal.

(ii). As pointed out by IMC, the VPT has considered Staff Charges (Port Railway / Contact Work) as under:
The proposed facility is notified by the Indian Railways as a private siding with a separate station code. It is essential that a component of Port Railway staff is exclusively posted at the siding for the purpose of carrying out Railway Commercial transactions. One Jr. Assistant in the pay scale of ₹17700-44600 and one Hamal in the pay scale of ₹13,500-27,400 are considered for the purpose. The expenditure towards salaries and wages is estimated as ₹20,46,270/- per annum. In addition, the successful bidder has to engage labour for other operations at the facility at an estimated cost of ₹4.40 per tonne based on the previous contract at the facility.

(iii). The VPT has revised the Repairs and Maintenance cost on account of modified capital cost.

(iv). The modified operating cost is given below:

Sr. No.	Description	Estimated Cost (₹)
1.	Lease Rent for Ac. 3,9895 cts or 16,145 sq. mtrs.[Average of the lease rent for the extent of 16145 sq.mts duly considering 2% Annual escalation for 15 yrs.=84816049/15yrs]	56,57,992* (Working furnished by VPT is based on average lease rent cost for 15 years applying 2% annual escalation ₹56,54,403)
2.	Staff Charges (Port Railway)[considered salary of one Jr. Assistant and one Hamal] Staff Charges (Contract Work) [₹4.40 per tonne x 570766]	20,46,270 25,11,370
3.	Repairs and Maintenance	18,52,446
4.	Electrical Charges @ ₹250/- per day for 12 lamps for 365 days [250x365]	91,250
5.	Insurance @ 1% of gross fixed assets [53507512x1%]	5,35,075
6.	Depreciation	29,92,186
7.	Other expenses @ 1% on gross fixed assets [53507512x1%]	5,35,075
	Total	**1,62,21,651**

C. Return on Capital Employed @ 16% on ₹5,35,07,512 is estimated at ₹85,61,202.

D. Total Revenue Requirement per annum (ARR) is estimated at O&M Cost + ROCE ₹1,62,21,651 + ₹85,61,202 = ₹2,47,82,853.

E. Revised Handling charges proposed to be collected by the successful bidder works out as follows:

Annual Revenue Requirement / project cargo volume

Handling rate per tonne = ₹2,47,82,853 / 5,70,766
= ₹43.42 per tonne

6.2. The VPT has furnished revised draft proposed Scale of Rates (SOR) incorporating a few conditionalities as brought out earlier.

6.3. To summarize, the revised Reference tariff proposed by VPT is given below:

Charges for bulk liquid loading at the Railway Siding Facility	₹43.42 per tonne

Notes:

(a). Time taken for a rake for the purpose of evaluation of performance standard is “Time taken from placement of rake at the terminal, loading of rake at the terminal and haulage of rakes from terminal to R&D Yard.

(b). Tonne means a quantity of 1,000 Kgs., or part thereof.

(c). The services offered at the terminal include (a) providing connectivity to the pipeline of the terminal to the pipeline of users (b) providing loading connectivity of the gantry to each tank wagon (c) Disconnecting the pipeline of the terminal to the pipeline of users.

6.4. The modified Performance Standard proposed by VPT is as given below:

Activity	Performance Standard
Time taken from positioning of wagons at loading points till making the rake ready for drawing out after loading	18 hours

General Notes:

(i). In the event of failure by the operator to load the cargo within the period specified in the performance standard for reasons attributable to the terminal operator, the consequent demurrage incurred by the user (if any) is to be compensated by the terminal operator to the users.

(ii). The licensee is to ensure the above standard for all the rakes handled by it at all times. Calculation of performance shall be as per the notes given in SOR.

(iii). The reference tariffs will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2018 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31 March of the following year.

6.5. We have vide our email dated 2 November 2018 sought clarification on one point. In the revised SOR, at the Note (i) under definitions, the Port has proposed the following:

> Time taken for handling a rake for the purpose of evaluation of performance standard is “Time taken from placement of rake at the terminal, loading of rake at the terminal and haulage of rake from terminal to R&D Yard.”

Whereas, under Schedule 3, Performance Standard states that the Time taken from positioning of wagons at loading points till making the rake ready for drawing out after loading. The provision in Schedule 3 does not match with the note (i). The VPT was therefore, requested to relook and propose the Performance Standard after removing the ambiguity and mismatch.

6.6. The VPT vide its email dated 5 November 2018 has intimated that the activity as mentioned in the revised SoR at "3.0 Performance Standard" do not conform to "(i) Notes" and therefore leading to ambiguity. It is to mention that the details of activities at the terminal are clearly brought out at "Notes (iii)". The VPT has, therefore requested to revise the Note (i)" as given below:

“(i). Time taken for handling a rake for the purpose of evaluation of Performance Standard is "Time taken from positioning of the rake at the terminal, loading of cargo into wagons and making the rake ready for drawing out".”

6.7. The VPT vide its email dated 6 November 2018 has also furnished the details of capital cost considered for IT Network connectivity to FOIS system with other hardware. The details are as under:

Sl. No.	Service	Charges (in ₹)
1.	2 MPS leased line charges- one time installation	2.60 Lakhs (As per pervious Work Order)
2.	Annual Maintenance Charges	0.60 Lakhs
3.	Desktop for Running Application	0.45 Lakhs
4.	Printer Cost	0.35 Lakhs
Total		4.35 Lakhs

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

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

(i). The proposal of the Visakhapatnam Port Trust (VPT) is to fix reference tariff for the bulk liquid railway loading facility for handling all liquid cargoes other than POL as a common user facility at the liquid railway siding at VPT through Public Private Partnership (PPP) mode.

(ii). As brought out in the earlier paragraphs bringing out the factual position of the case, the original proposal filed by VPT dated 10 May 2018 has been revised by VPT during the processing of the case. While furnishing information/ clarification to a few points sought by us the VPT under cover of its letter dated 31 August 2018, has furnished the revised calculation. The port has considered the Capital Cost towards Porta cabin for operation of FOIS, and IT Network connectivity to FOIS system with other hardware cost and also considered staff charges as pointed out by one of the prospective bidders i.e. M/s.IMC Ltd. Further, the VPT has also modified estimates of few operating cost items. The other parameters like the optimal capacity is retained as considered in its original proposal. The revised proposal of the VPT dated 31 August 2018 along with the information/ clarifications furnished by VPT during the processing of the case in reference are considered in this analysis.

(iii). The proposed facility envisages handling of railway tank wagons for evacuating import liquid bulk chemicals etc. (other than POL) through pipelines. The VPT has proposed reference tariff only for loading of bulk liquid at Railway siding. The port was requested to confirm that no unloading of liquid bulk is envisaged at the proposed facility which is for long horizon of 15 years. If unloading facility is envisaged, the port was requested to consider to propose the rate for unloading facility as well. In this regard, the port has stated that the liquid railway siding facility already exists in the port which was deployed by the existing lessee and was being used since 30 years. The proposal now is to bid out existing facility with augmentation as a common user facility. Further, port is traditionally handling only import liquid bulk chemicals etc., (Other than POL) and therefore the facility is being proposed to be developed for handling railway tank wagons for evacuating import liquid bulk chemicals etc., (other than POL). Unloading facility for unloading of liquid cargo from Railway Wagon for export is not envisaged for the present based on the Master Plan study for VPT carried out by M/s.AECOM.

It is relevant here to state that during the joint hearing held on 18 June 2018, the VPT has stated that the port will provide a provision in the bidding document for approaching this Authority for tariff fixation as and when unloading facility is expected. In this regard, it is to state that under the reference tariff Guidelines, the tariff approved on upfront basis is applicable for the entire project subject to annual escalation at 60% of the variation in WPI and Performance linked indexation upto 15% on achievement of notified Performance Standard. The reference tariff guidelines of 2013 do not provide scope for mid-term review of tariff if additional facility like unloading facility is envisaged to be provided during the project period. The successful bidder may quote the Royalty payable to the VPT taking into account the revenue streams from the tariff approved, which is decided based on the estimated ARR for loading the liquid bulk cargo on to the wagon. If separate tariff is to be prescribed for unloading of the liquid cargo from wagon, during project period, the revenue stream may differ and it may entail review of Royalty quoted by the successful bidder, which may give rise to renegotiation of the contract. M/s. IMC ltd has stated that the gantry for loading activity may not work for unloading facility. If different equipment are envisaged for the unloading facility, the VPT may, prior to the bidding process itself, consider to seek upfront tariff for unloading facility, if envisaged by the VPT considering the long horizon of the project period. The current proposal of VPT which seeks approval for reference tariff for bulk liquid railway loading facility is considered by this Authority as proposed by VPT.

(iv). Clause 2.4 of the Revised Guidelines for Determination of Tariff for Projects at Major Ports, 2013, stipulates that if in the view of the Major Port Trust, the tariff determined for a particular commodity under 2008 guidelines at that Major Port Trust or any other Major Port Trust is not a representative Reference Tariff for that commodity, then the Major Port is free to approach this Authority with a proposal to re-fix Reference Tariff under 2008 guidelines for the project giving detailed and sufficient justification. The VPT has stated that there is no upfront tariff available in the VPT or in any other Major Port Trusts which is similar to the one in the proposed project for adoption of the upfront tariff. Hence, the Port has filed the proposal following the general principles of 2008 guidelines.

Before proceeding to analyse this case, it is relevant here to state that the tariff guidelines of 2008 for upfront tariff fixation prescribe norms/ guidelines for dedicated facilities such as coal, iron ore, container, liquid handling terminal and multipurpose cargo terminal. The guidelines of 2008 for upfront tariff fixation do not prescribe separate norms/ guidelines for operating liquid bulk railway loading facility a standalone facility for the facilities/ services proposed by VPT in this project. Further, as per clause 2.2 of Tariff Guidelines of 2013, the Major Port Trust can adopt the Upfront Tariff fixed under 2008 Guidelines for comparable facilities in its own or any other Major Port Trusts. If these options are not feasible, then they have to file a proposal following the norms and principles under the Upfront Tariff Fixation Guidelines of 2008. Since no upfront tariff is fixed for such kind of facility in VPT or in any other Major Port Trusts under the Upfront Tariff Guidelines of 2008, the VPT has sought approval for reference tariff following the general principle of Upfront Fixation Tariff Guidelines of 2008.

It is also relevant here to state that in a separate proposal filed by the VPT seeking reference tariff for dry docking charges, docking and undocking charges and dock block preparation charges at its existing Fishing Harbour Dry Dock (FHDD) to be awarded on PPP mode, in the absence of norms prescribed in the upfront tariff guidelines for the said services in the Upfront Tariff Fixation Guidelines 2008, the Ministry of Shipping (MOS) was requested vide our letter dated 8 May 2018 to advise as to whether in the absence of any specific norms prescribed in the Upfront Tariff fixation Guidelines of 2008, the services proposed to be offered in the proposed project viz. dry docking charges, docking and undocking charges and dock block preparation charges, fixation of reference tariff can be done based on the actual parameters achieved by the VPT for the similar services offered by VPT.

The MOS vide its letter dated 27 June 2018 has clarified that fixation of Reference Tariff for the services at the existing FHDD at VPT may be arrived at based on actual parameters achieved by VPT for similar services offered by VPT in the last three years and justification provided by VPT in this regard. Based on the clarification furnished by the MOS, this Authority has approved the reference tariff for Dry Docking facility vide Order No.TAMP/34/2018-VPT dated 3 October 2018.

In the instant case, the port has stated that the railway liquid bulk loading facility was in operation by a lessee. Since the lease of that land is over, the port wants to award it on PPP mode with existing facility and investment proposed to be done by the successful bidder on few items. The parameter of number of rakes considered for assessing the optimal capacity is based on the last three years actuals with forecasted growth of 5-6%. Number of wagons per rake of 59 is as per the railway standards and each tank wagon is designed with capacity of 55.28 tonnes. Estimation of operating cost like Insurance, other expenses, depreciation, lease rent are broadly as per the norms prescribed in the upfront tariff guidelines for liquid bulk terminal. The port has furnished justification for the basis adopted.

In view of the above position and based on the communication of MOS recently in the other case of VPT where no norms are available in the Upfront Tariff Fixation Guidelines of 2008, this Authority goes ahead with the proposal of the VPT.

(v). Optimal Capacity:

(a). The bulk liquid cargo to be handled at the facility are liquid cargo other than POL, mainly cargo such as caustic soda and other chemicals.

(b). The proposal of port states that for arriving at the optimal capacity, the port has assessed the anticipated cargo volume based on the number of rakes handled during the last three years and with forecasted growth of 5% to 6% and arrived at rake handing of 175 rakes per annum. Another parameter considered is 59 wagons per rake and 55.28 tonnes per wagon. Based on the above parameters, the VPT has assessed the anticipated cargo volume at 5,70,766 tonnes per annum (175 rakes x 59 wagons x 55.28 tonnes).

(c). As per Clause 3.3.2 of the upfront tariff fixation Guidelines, the upfront tariff should be fixed for Optimal Capacity of the terminal irrespective of the traffic forecast. That being so, the VPT was requested to assess the optimal capacity of the proposed bulk liquid Railway Loading facility to comply with the guideline position. The VPT was also requested to furnish the basis of each of the parameters considered by the VPT for arriving at the optimal capacity and justifying it with actual parameters achieved at VPT for services rendered for similar operations in the absence of any norms prescribed in the Upfront Tariff Fixation Guidelines of 2008 for the proposed facility.

The VPT has clarified that as per railway standards, a rake consists of 59 tank wagons and each tank wagon is designed with a capacity of 55.28 tonnes. The existing railway siding has facility to load two half rakes simultaneously.

As regards the 175 rakes considered in the optimal capacity calculation, the port has clarified that total time taken to handle a rake at the proposed facility is estimated to be 24 hours from receiving rake at exchange yard, placement at siding, loading and hauling back. Thus, it works out to 365 rakes per annum. Considering, the norm of 70% capacity utilisation, the optimal capacity works out to 255 rakes (365 rakes per annum x 70% = 255.5 rakes rounded to 255 rakes by VPT). However, the VPT for arriving at the capacity has reckoned 175 rakes. At 175 rakes proposed by the VPT, the capacity utilisation works out to 48% (i.e. 175/365 rakes / annum) as against 255 rakes at 70% capacity utilisation as per the prescribed norms. The VPT has furnished the following justification for considering 175 rakes per annum:

(i). There is no scope to develop a lesser capacity facility that synchronise with the traffic forecast due to technical limitations which may also lead to inefficient operations and consequent demurrages from Railways.

(ii). As per clause 3.8.2 of Tariff Guidelines 2008, the Annual Revenue Requirement is to be achieved through realisation of tariff. If 255 rakes at 70% optimal utilisation is considered, then the developer will not be able to realize the ARR.

Clause 3.2. of the upfront tariff guidelines permits TAMP to consider necessary adjustment in norms based on justification furnished by the concerned port trust keeping in view the port specific conditions having impact on norms prescribed in the guidelines.

It is relevant here to state that if the capacity is assessed at 70% norms, then its works out to 8,31,688 tonnes per annum the proposed reference tariff will get reduced to ₹29.80 per tonne as against ₹43.42 per tonne proposed by the VPT.

However, in view of justification furnished by the VPT, the optimal capacity is considered as assessed by the VPT at 5,70,766 tonnes per annum i.e. 175 Number of rakes x 59 number of wagons per rake x 55.28 tonnes capacity of each tank wagon in tonnes. In order to ensure that no undue advantage accrues to the successful bidder at the optimal capacity assessed by the port, this Authority approves the reference tariff in this Order subject to review in case the actual number of rakes handled by the operator goes beyond 175 rakes for two consecutive years during the project period. It is relevant here to state that the VPT in its another proposal for WQ6 berth has, based on approval of its Board, proposed that the tariff approved for additional ten cargo will be for period of two years from the scheduled project completion date or the average annual volume of cargo handled at the project facilities and services reaches a level of 75% of project capacity for 2 (two) consecutive years, whichever is earlier. The same was accepted by this Authority. Flowing from the decision of this Authority in the said case, in the instant case also tariff approved now shall be subject to review in case the actual number of rakes handled by the operator goes beyond 175 rakes for two consecutive years during the project period. The VPT, being a licenser port, is advised to ensure that the operator immediately approaches this Authority for review of the approved tariff. The review of tariff will only be to the extent of review of the optimal capacity beyond 175 rakes. The estimated ARR shall be at the level considered in this Order subject to review of the staff cost on contract estimated at ₹4.40/ tonne which is linked to optimal capacity.

The VPT is advised to bring out the above position as regards the mid term review of the reference tariff explicitly in the bid document at the time of bidding as well as in the Concession Agreement to be signed with the successful bidder.

A note to this effect is also prescribed out in the SOR for more compliance.

The VPT being the Licensor port is also advised to monitor the number of rakes handled by the BOT operator and ensure that the BOT operator files the proposal for review of its tariff in case the actual number of rakes handled by the operator goes beyond 175 rakes for two consecutive years during the project period.

Thus, in short for the current exercise, optimal capacity as assessed by VPT is considered as 5,70,766 tonnes per annum as assessed by the VPT.

(vi). Capital Cost:

The total capital cost is estimated at ₹535.07 lakhs which comprises of ₹141.13 lakhs towards upfront cost for existing Infrastructure i.e. Cost of railway lines in terminal area, pipeline gantry, water tank compound wall and goomty to be handed over to the operator and ₹375.18 lakhs towards new railway line and goomty, Porta cabin, IT network connectivity and other hardware cost and ₹18.76

lakhs is towards miscellaneous cost @ 5% on ₹375.18 lakhs which is brought out in subsequent paragraphs.

(a). **Upfront Fees for Existing Infrastructure :**

The proposal of VPT envisages the successful bidder to use the existing liquid railway siding facility with augmentation as a common user facility. The VPT has estimated upfront cost of existing infrastructure namely railway lines, pipeline gantry and pipelines, water tank compound wall and goomty to be used by the successful bidder at ₹141.13 lakhs. This amount is to be paid to VPT upfront by the successful bidder.

In this connection, the VPT appointed M/s.Novara Consultancy Services, Kolkata for valuation of existing infrastructure. The Valuer has considered the present condition of each of the existing infrastructure and assessed the reserve price as percentage of present estimated value. The valuer has considered the factors like type of construction, mode of maintenance and deprecation. Applied cost index for 2016 and arrived at reserve price at 15% in case of railway track, pipeline gantry at 35%, water tank at 40% and compound wall at 25% of the present estimated value. None of users/ prospective bidders have objection to this item. The aggregate upfront fee estimated for above items at ₹141.13 lakhs considered by the Port based on the valuation report is relied upon.

(b). **Capital cost for Augmentation:**

(i). The capital cost estimated by the VPT for augmentation of new railway line, goompty, strengthening of existing line and development of new railway line for engine escape is at ₹367.33 lakhs, which comprises of cost of labour at ₹59.22 lakhs, material cost at ₹156.38 lakhs and civil cost at ₹95.70 lakhs and GST of ₹56.30 lakhs. The VPT has estimated the above cost as per VPT standard Schedule of Rates of the year 2018 and confirmed that reflects present market position. The upfront tariff fixation Guidelines require this Authority to consider the capital cost as estimated by Major Port Trusts. In the absence of any norms prescribed in the upfront tariff guidelines, the total capital cost as estimated by the VPT is relied upon and considered in the analysis.

When the successful bidder purchases capital goods for the facility he will pay GST at the applicable rate. This GST paid can be claimed as input tax credit. It is not known at this stage whether the operator will opt to claim GST paid as credit or he will capitalize the GST amount. In this given situation of uncertainty, the estimated GST component of ₹56.30 lakh is considered in capital cost as proposed by the VPT. In case, the successful bidder opts to claim GST paid as credit the tariff approved now is subject to review and the onus for approaching this Authority for review of tariff shall be on the successful bidder as he will be only privy to the option to be exercised by him.

(ii). The VPT has estimated the cost of supply of new Porta Cabin for operation of Freight Operations Information System (FOIS) of Indian railways at ₹3.50 lakhs. The port has furnished documentary evidence in support of the capital cost estimated by it. Hence, the capital cost for new porta cabin is considered as estimated by VPT.

(c). The Miscellaneous capital cost estimated by VPT is ₹18.76 lakhs at 5% of ₹375.18 lakhs~~.~~

(d). The total capital cost of ₹535.08 lakhs as estimated by VPT is considered in this analysis.

(vii). Operating costs:

(a). Lease Rent:

(i). Lease rent for 16,145 Sq. Mtrs. of land has been estimated by the VPT, to be allotted for the proposed project.

(ii). The VPT has calculated the lease rentals for the total area of 16,145 Sq. mtrs. to be allotted to the PPP operator under this project. The VPT has considered the base lease rent as approved by this Authority vide Order No.TAMP/30/2018-VPT dated 3 October 2018 for the Zone-1A - Core Operation area for Industrial category at ₹254 per Sq.yard/annum w.e.f. 1 April 2018. The port has then converted it into per sq. mtr. basis at ₹303.78 per annum applying conversion factor of 1.1959 (254 x 1.1959). Taking the lease rent of ₹303.78/sq. mtr/ per annum for zone 1A for Industrial category based on the recent Order approved by this Authority vide Order dated 3 October 2018, the VPT has arrived the estimated lease rent by considering 2% annual escalation in the prevailing rate of ₹303.78/sq. mtr./ annum for a period 15 years lease rent and estimated lease rent at ₹56.58 lakhs.

(iii). Clause 3.5.4 of the upfront tariff guidelines stipulates that license fee i.e. lease rent for port land, building and port assets is to be estimated based on the rates prescribed in the Scale of Rates of the concerned Major Port Trusts.

The methodology adopted by the VPT is not in line with the norms of upfront tariff fixation guidelines 2008. That being so, the lease rent is modified based on the rates as prescribed in the Schedule of rent of the VPT at ₹303.78 per sq.mtr./ annum for 16145 sq.mt. of land area. This is in line with approach followed in other upfront/ references tariff cases of other major port trusts including VPT itself.

The modified lease rent thus, comes, to ₹49.05 lakhs as against ₹56.58 lakhs estimated by VPT.

It is relevant here to state that the reference tariff approved by this Authority allows annual escalation of Reference Tariff at 60% of the variation in WPI.

(b). Other Cost:

The upfront tariff Guidelines prescribes norm for estimating other expenses at 1% of the gross block for a liquid terminal. The Other expenses include expenses towards salaries and wages of operating staff, management and general overheads, maintenance of computer, office equipment and other miscellaneous cost. The port has estimated other cost following the norm prescribed in the upfront tariff Guidelines. The same is considered.

(c). Manpower/ Staff Charges (Port Railways/ Contract Work):

The original proposal of VPT did not include cost for manpower/ staff charges. During the processing of this case, M/s.IMC Ltd. has pointed out that the estimate of manpower and railway staff charges are not considered by VPT in arriving at the reference tariff. The port agreed to examine the matter. Accordingly, the VPT on examination of the point made by IMC Ltd. has furnished revised cost calculation wherein cost toward staff charges for port railways is estimated at ₹20.46 lakhs as well as for contract work it is estimated at ₹25.11 lakhs.

The VPT has clarified that the proposed facility is notified by the Indian Railway as a private siding with a separate station code. A dedicated port railway staff is required to be exclusively posted at siding for the purpose of carrying out railway commercial transactions. The Port Railway Commercial & Operational transactions are governed by the MOU signed by Indian Railways (IR) & VPT. The IR usually carry out the railway commercial transactions at various ports etc. However at VPT, IR have authorised VPT staff who are trained by IR at their zonal training school for carrying out the Railway commercial transactions. That being so, the VPT has estimated salary and wages cost for deployment of 1 Jr. Assistant and one Hamal (1 skilled and 1 unskilled worker) for carrying out railway commercial transaction/ to operate the terminal from VPT side in their present pay scale at ₹20.46 lakh. The VPT may, in the bid document as well as in the Concession Agreement, explicitly bring out the position as regards deployment of port railway staff by the BOT operator and reimbursement of their salary and wage cost to VPT.

The VPT has also estimated staff charges for engagement of labour for the other operations at the facility at an estimated cost of ₹4.40 per tonne based on the previous contract at the facility. Since the above cost estimate of staff charges for one Jr. Assistant and one Hamal provided by VPT for carrying of Railway Commercial transactions and estimate of staff charges ₹4.40/tonne for other operation is as per prevailing contractual rate, the same is considered in the analysis.

(d). Repairs and Maintenance:

The VPT has estimated repairs and maintenance cost at 4.5% on capital cost of existing railway lines, P way material and strengthening existing rail lines, 2% on mechanical equipment (pipeline gantry and pipelines and extension and reinforcement of liquid gantry), 1% on the civil assets (compound wall goomty, earth work excavation other civil work) and 10% on the IT Hardware.

The Tariff Guidelines 2008 prescribe norm for estimating repairs and maintenance cost at 1% on civil work and 2% on mechanical and electrical equipment for liquid bulk terminal. The upfront tariff guidelines do not prescribe item wise norm for estimating repairs and maintenance cost under the broad head of civil work and mechanical and electrical equipment.

As regards repairs and maintenance cost estimated at 4.5% in respect of existing railway lines, P way material and strengthening existing rail lines, the VPT has clarified that it has considered it as per the agreement between VPT and East Coast Railway. The VPT has furnished the copy of extract of said Agreement. That being so, the said basis is relied upon and considered.

As stated earlier, Clause 3.2. of the upfront tariff guidelines permits this Authority to consider necessary adjustment in norms based on justification furnished by the concerned port trust keeping in view the port specific conditions having impact on norms prescribed in the guidelines.

The norm of 1% on civil work and 2% on mechanical equipment adopted by the port is in line with the norm prescribed in the Upfront Tariff Guidelines of 2008 for liquid bulk terminal and hence is considered

No separate norms are available in upfront tariff fixation guidelines of 2008 for liquid bulk terminal for estimating repairs and maintenance cost on IT hardware/ system. The VPT has considered repairs and maintenance cost at 10% on IT hardware/ equipment. For container terminal where the norms are prescribed for estimating repairs and maintenance for IT system it is at 2% of the IT capital cost. Hence, the estimate of repair and maintenance cost is modified by considering of 2% instead of 10% considered by VPT for this item.

The modified repairs and maintenance cost is ₹18.18 lakhs as against ₹18.52 lakhs estimated by VPT.

(e). Electricity Charges:

(i). The upfront tariff fixation guidelines of 2008 prescribe norm for power cost for liquid terminal at 2.4 lakhs unit per annum per hectare. The said norm is for general illumination as movement of liquid bulk is envisaged through pipelines. In the current proposal, the VPT envisages the bulk liquid cargo loading by providing pipe line connectivity and liquid gantry at the railway siding for pumping cargo by the users.

The port has furnished detail working of power consumption which is for general illumination at night time. The port has estimated power cost considering use of 12 Nos. of 250W HPSV lamps to be operational during night time. The power cost is estimated at ₹250 per day i.e. [32.47 KVAh x 7.72 KVAh = ₹250 per day].

The per unit cost considered by VPT at ₹7.72 is substantiated with electricity bill.

Accordingly, for 365 days the power cost is estimated at ₹91,250.

The VPT has clarified that as per the electric bill of the Andhra Pradesh Electricity Eastern Power Distribution Company Limited (APEPDCL), the unit rate works out to ₹7.66 per unit towards Energy charges and electricity duty charges at ₹0.06 per unit to ₹7.72 per unit. The electricity bill also indicates the demand charges. The demand charges indicated in the bills are applicable only to HT consumption capacity of 50 Kw and above. The electrical consumption in the subject proposal is only for lighting and illumination which is not to be considered as HT. Thus, the unit rate of power at ₹7.72 per unit is supported by documentary evidence in form of electricity bill.

In the absence of any norm for the power consumption for the proposed facility envisaged by the VPT, based on the justification and basis furnished by the VPT and recognising that none of the users/ prospective bidders have made any adverse remarks on the estimate of this item, the estimate of power cost is considered at the level estimated by the VPT.

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

(g). Depreciation:

The VPT has computed depreciation for railway assets for 15 years, Civil and mechanical assets for 30 years, Porta Cabin for FOIS Operation for 10 years and IT hardware for 6 years. The VPT has confirmed that the depreciation estimated by Port is in line with the life norms prescribed in the Companies Act, 2013. The port has also furnished relevant extract of the Companies Act, 2013, in support of the depreciation rate considered. The port has furnished detailed working of depreciation.

The estimate of depreciation is found to be in line with the norms prescribed for upfront tariff guidelines which prescribes estimation of depreciation based on Companies Act, 1956. The Companies Act, 1956 is replaced with Companies Act, 2013. The approach adopted by VPT is in line with the approach followed in the other upfront tariff cases.

The depreciation cost estimated by VPT at ₹29.92 lakhs is considered.

(h). The total operating cost for the project is ₹154.33 lakhs as against ₹162.22 lakhs estimated by VPT.

(i). Subject to above analysis, the cost statement for fixing reference tariff submitted by the VPT has been modified. A copy of the modified statement is attached as **Annex - I**.

(viii). (a). The total Annual Revenue Requirement (ARR) works out to ₹239.94 lakhs, which is an aggregate of operating cost (₹154.33 lakhs) and 16% return on capital cost (₹85.61 lakhs), as against the Annual Revenue Requirement estimated by the port at ₹247.83 lakhs.

(b). The VPT has stated that the scope of work is limited to only for loading of bulk liquid at Railway siding. The port has envisaged recovery of the entire assessed ARR from the optimal capacity of the facility by way of one tariff item only i.e. loading charge.

Accordingly, considering the modified ARR at ₹239.94 lakhs and the optimal capacity of 5,70,766 tonnes, the rate works out to ₹42.04 per tonne as against ₹43.42 per tonne estimated by the VPT.

(ix). The VPT was requested to insert list of services covered under the Schedule 2 i.e. charges for bulk liquid loading at railway siding by way of note. The VPT has proposed a note stating that the services offered at the terminal include (a) providing connectivity to the pipeline of the terminal to the pipeline of users (b) providing loading connectivity of the gantry to each tank wagon (c) Disconnecting the pipeline of the terminal to the pipeline of users. The note as proposed by VPT is incorporated in the SOR.

(x). The port has proposed definitions of terms “Cargo loading” and “Rake”. Since the definition of terms “Cargo loading” and “Rake” are relevant for the proposed project, the same is prescribed as proposed by VPT.

The term “Tariff” is proposed to be defined to state that tariff specified in the SOR is only for the service of providing the pipeline and the loading facility by the liquid gantry. It does not include the siding and haulage charges. Since the proposed definition is of clarificatory in nature the same is prescribed as proposed by VPT.

(xi). The VPT has not defined the term “Bulk Liquid” to be handled at Railway loading facility. The VPT was requested to consider to define the term so as to avoid any ambiguity in the Scale of Rates (SOR). The VPT has clarified that the facility is proposed to handle liquid cargoes other than POL mainly cargoes such as Caustic Soda and other chemicals. The VPT has, however, not proposed to include definition of term “Bulk Liquid” in SOR despite request.

(xii). The VPT was requested to incorporate the general condition in the Scale of Rates in line with similar prescription in the upfront/ reference tariff schedule stating that Users will not be required to pay charges for delays beyond reasonable level attributable to BOT operator. The port has not incorporated the said condition. The port has included a note stating that in the event of failure by the operator to load the cargo within the period specified in the performance standard for reasons attributable to the terminal operator, the consequent demurrage incurred by the user, if any, is to be compensated by the terminal operator to the users. The note as proposed by the VPT is incorporated. Apart from this, the general note as stated above is also prescribed in line with prescription made in the SOR in the other upfront and reference tariff cases.

(xiii). The VPT has proposed a note governing annual indexation based on Wholesale Price Index (WPI). Since the estimation of capital cost and unit rate of operating cost considered in the upfront tariff calculation are as of the year 2018, the proposal of VPT to prescribe the base WPI as January 2018 for automatic adjustment annually is found to be appropriate and hence is incorporated in the SOR as proposed by the VPT.

(xiv). (a). As per Clause 2.2 of the Reference Tariff Guidelines, 2013 this Authority has to notify the reference tariff and performance standard based on the proposal of the concerned major port trust. The VPT has proposed Performance Standard as time taken from positioning of wagons at loading points till making the rake ready for drawing out after loading at 18 hours. In the original proposal VPT had proposed the time taken at 24 hours.

Though the Reference Tariff Guidelines, 2013 do not require this Authority to go into the Performance Standard proposed by the port it is not unreasonable to assume that the ports would propose reasonable and achievable Performance Standard. For assessing the capacity, the port has considered handling of one rake per day. Based on this, performance standard is prescribed by this Authority as proposed by the VPT.

(b). The general conditions on Performance Standard has not been proposed by VPT. The said general conditions are incorporated in line with the prescription made in the other reference tariff cases.

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

9.1. As specified in clauses 2.9.1. and 2.9.2. of the guidelines, before commencement of commercial operations, the private operator shall approach this Authority for notification of Scale of Rates containing the approved ceiling rates and the statement of conditions, as required under Section 48 of the Major Port Trusts Act, 1963.

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

9.3. The modified Reference Tariff Schedule is attached as **Annex - II** and the Performance Standard as proposed by the port is attached as **Annex - III**.

10.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the Reference Tariff Schedule for the bulk liquid railway loading facility at VPT and notifies alongwith the Performance Standards

10.2. The tariff approved by this Authority is subject to review in case the actual number of rakes handled by the operator goes beyond 175 rakes for two consecutive years during the project period. The VPT being a licenser port is to ensure that the operator immediately approaches this Authority for review of the approved tariff. The review of tariff will only be to the extent of review of the optimal capacity beyond 175 rakes. The estimated ARR shall be at the level considered in this Order subject to review of the staff cost on contract basis estimated at ₹4.40/ tonne. The VPT to bring out this position as regards the mid term of the reference tariff explicitly in the bid document at the time of bidding as well as in the Concession Agreement to be signed with the successful bidder.

10.3. As per clause 2.5 of the Revised Tariff Guidelines 2013, the Reference Tariff and Performance Standard notified by this Authority shall be mentioned in the bid document and subsequently in the Concession Agreement in respect of PPP Projects. Accordingly, the VPT is advised to incorporate the Reference Tariff and Performance Standard, in the bid document and subsequently in the Concession Agreement in respect of PPP Project.

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

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

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

10.6 On receipt of the proposal, this Authority will seek the views of the VPT on the achievement of Performance Standard as outlined in para 5 of the tariff guidelines of 2013, within 7 days of receipt.

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

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

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

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

10.11. As stipulated in Clause 6.2 of the revised 2013 guidelines, in the event any user has any grievance regarding non-achievement by the PPP operator of the Performance Standard as notified by this Authority, he may prefer a representation to this Authority which, thereafter, shall conduct an inquiry into the representation and give its finding to the concerned Major Port Trust. The Major Port Trust will be bound to take necessary action on the findings as per the provisions of the respective Concession Agreement.

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

10.13. As stipulated in clause 6.3.2 of the revised 2013 guidelines, the PPP operator shall furnish to this Authority quarterly reports on cargo traffic. The quarterly reports shall be submitted by the PPP operator within a month following the end of each quarter. Any other information which is required by this Authority shall also be furnished to them from time to time.

10.14. As stipulated in clause 6.3.3 of the revised 2013 guidelines, this Authority shall publish on its website all such information received from PPP operator. However, this Authority shall consider a request from the PPP operator about not publishing certain data/ information furnished which may be commercially sensitive. Such requests should be accompanied by detailed justification regarding the commercial sensitiveness of the data/ information in question and the likely adverse impact on their revenue/ operation of upon publication. This Authority’s decision in this regard would be final.

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

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

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

(T.S. Balasubramanian)
Member (Finance)

Annex-I

COMPUTATION OF REFERENCE TARIFF FOR THE BULK LIQUID RAILWAY LOADING FACILITY AT THE LIQUID RAILWAY SIDING AT VISAKHAPATNAM PORT TRUST TO BE LEASED OUT FOR A PERIOD OF 15 YEARS

(in ₹)

Sr. No.	Particulars	Estimates by VPT	As considered by TAMP
I	**Optimal capacity**		
(a).	No of rake handled is one per day that is 365 rakes per annum at 70% optimal	255	255
(b).	Number of rakes as considered by VPT	175	175
(c).	Number of wagons per rake	59	59
(d).	Capacity of each tank wagon in tonnes	55.28	55.28
	Thus, Capacity of Terminal in a year [(b x c x d)]	570766	570766
	Optimal capacity of the facility (in no. of tonnes per annum)	**570766**	**570766**
II	**Capital Cost**		
A.	**Upfront Cost**		
(i).	Cost of Railway lines (terminal area)	8179812	8179812
(ii).	Pipeline gantry & Pipelines	2949959	2949959
(iii).	Water tank	1380223	1380223
(iv)	Compound Wall and Gantry	1603157	1603157
(a).	**TOTAL UPFRONT COST (A)**	**14113151**	**14113151**
B.	**Capital Cost**		
(i).	New railway line and Goomty Terminal gate to AKP Gate Strenghtening of existing railway line New railway line for engie escaping.	36733439	36733439
(ii).	Porta Cabin for operation of FOIS of Indian Railways	350000	350000
(iii).	IT Network connectivity to FOIS system with other hardware	435000	435000
(b).	**Total Capital Cost (B)**	**37518439**	**37518439**
C.	**Miscellaneous Cost @ 5% on (B) (C)**	**1875922**	**1875922**
D.	**Total Capital Cost [(A) + (B) + (C)]**	**53507512**	**53507512**
III	**Operation and Maintenance Cost**		
(i)	Lease rent	5657992 [Average of the lease rent for the extent of 16145 sq.mts duly considering 2% Annual escalation for 15 yrs.=84816049/15yrs]	**4904528** [16145 Sq.Mts x Rs.303.78 per Sq. Mts.]
(ii)	a). Staff charges (Port railway) [Cost for 1 Jr Assistant and 1 Hamal]	2046270	2046270
	b.) Staff charges (Contract work) [Rs.4.40 per tonne x 570766]	2511370	2511370
(iii)	Repairs and Maintenance	1852433 [Considered @4.5% on existing railway lines,Pway materials,Strengthening existing rail lines ,2% on Mechanical equipment & 1% on Civil assets and 10% on IT]	**1817633** [Considered @4.5% on existing railway lines,Pway materials,Strengthening existing rail lines ,2% on Mechanical equipment & 1% on Civil assets and 2% on IT]
(iv)	Electrical charges @ Rs.250/- per day for 12 lamps [32.47 KVAh x 7.72 KVAh = Rs 250 per day.] [Rs. 250 per day * 365 days = Rs. 91250]	91250	91250
(v)	Insurance @ 1% of gross fixed assets [1% of 53507512]	535075	535075
(vi)	Depreciation	2992186	2992186
(vii)	Other expenses @1% on gross fixed assets [1% of 53507512]	535075	535075
	Total Operating Cost	**16221651**	**15433387**
IV	**Estimated Annual Revenue Requirement & Reference Tariff**		
	(a). Total Operating Cost	16,221,651	15,433,387
	(b). Return on capital Employed @ 16% on Rs.53507512	8,561,202	8,561,202
	(c). Total Annual Revenue requirement	**24,782,853**	**23,994,589**
V.	**Per tonne charges for Bulk Liquid loading at the railway siding facility**		
	a). Total Annual Revenue requirement	**24,782,853**	**23,994,589**
	b). Optimal capacity of the facility	**570,766**	**570,766**
	c). Bulk Liquid loading at railway siding rate per tonne (a/b)	**43.42**	**42.04**

ANNEX - II

REFERENCE TARIFF SCHEDULE FOR THE BULK LIQUID RAILWAY LOADING FACILITY AT THE LIQUID RAILWAY SIDING AT VISAKHAPATNAM PORT TRUST

1. DEFINITIONS

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

(i). **Cargo loading** means providing pipe line connectivity and liquid gantry at the railway siding for pumping cargo by the users. Cargo loading does not constitute storage. Users have to make their own arrangement for storage of cargo. The cargo is to be pumped to the pipeline by the users.

(ii). **Rake** means a railway rake consisting of about 59 tank wagons each with a capacity to carry about 55.28 tonnes.

(iii). **Tariff** specified in this SoR refers only for the service of providing the pipeline and the loading facility by the liquid gantry. It does not include the siding and haulage charges.

2. Charges for bulk liquid loading at the railway siding

Charges for bulk liquid loading at the railway siding facility	**₹42.04 per tonne**

The tariff prescribed above is subject to review in case the actual number of rakes handled by the operator goes beyond 175 rakes for two consecutive years during the project period. The review of tariff will be only to the extent of review of the optimal capacity beyond 175 rakes. When the tariff is to be reviewed, the estimated ARR shall be at the level considered in approved Order subject to review only of the staff cost on contract basis, which is linked to the optimal capacity.

Notes:

(i). Time taken for handling a rake for the purpose of evaluation of Performance Standards is "Time taken from positioning of the rake at the terminal, loading of cargo into wagons and making the rake ready for drawing out"

(ii). “Tonne” means a quantity of 1,000 Kgs., or part thereof

(iii). The services offered at the terminal include (a) providing connectivity to the pipeline of the terminal to the pipeline of users (b) providing loading connectivity of the gantry to each tank wagon (c) Disconnecting the pipeline of the terminal to the pipeline of users.

(iv). In the event of failure by the operator to load the cargo within the period specified in the performance standard for reasons attributable to the terminal operator, the consequent demurrage incurred by the user (if any) is to be compensated by the terminal operator to the users.

3. GENERAL NOTES :

(i). The tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2018 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31 March of the following year.

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

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

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

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

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

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

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

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

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Annex - III

PERFORMANCE STANDARD FOR THE SERVICES AT THE BULK LIQUID RAILWAY LOADING FACILITY AT THE LIQUID RAILWAY SIDING AT VISAKHAPATNAM PORT TRUST

Performance Standard

Activity	Performance Standard
Time taken from positioning of wagons at loading points till making the rake ready for drawing out after loading	**18 hours**

General Notes:

(i). The licensee is to ensure the above standard for all the rakes handled by it at all times. Calculation of performance shall be as per the notes given in SOR.

SUMMARY OF THE COMMENTS RECEIVED FROM THE PORT USERS / USER ASSOCIATIONS / PROSPECTIVE APPLICANTS / POTENTIAL USERS / USER BODIES AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY

F.No. TAMP/38/2018-VPT - **Proposal received from the Visakhapatnam Port Trust (VPT) for fixation of reference tariff for the bulk liquid railway loading facility at the Liquid Railway siding at VPT.**

1.1. A joint hearing on this case in reference was held on 18 June 2018 at VPT premises. At the joint hearing, the VPT made a power point presentation of its proposal. At the joint hearing, the VPT and the users / user organisations, potential users and prospective applicants have made the following submissions:

Visakhapatnam Port Trust (VPT)

(i). We plan to give 3.9895 acres of land to be developed for liquid railway bulk terminal for 15 years on PPP basis.

(ii). Existing infrastructure is valued by Valuer at ₹1.41 crores. This is to be paid by the operator to VPT on upfront basis.

(iii). The operator to invest ₹3.75 cores for other facilities. Total capital cost is estimated at ₹5.16 crores.

(iv). Total anticipated cargo is 5,70,766 tonnes/ annum.

(v). ARR is estimated at ₹2.01 crores/ annum and the handling rate is proposed at ₹35.27/ tonne.

(vi). Haulage and terminal charges are payable separately to railways.

M/s. IMC

(i). We need clarity whether it is PPP mode or land lease model.
[VPT, FA&CAO: It will be on PPP mode.]

(ii). We need basis for estimation of capital cost for giving our comments.
[VPT: Please write to us.]

(iii). There is no estimate of manpower and railway staff charges. Further, the estimation of other expenses is very low.
[VPT, Dy. Chairman: We will examine the matter.]

(iv). Currently, this facility is for loading. In future, there may be a facility for unloading. Gantry for loading activity will not work for unloading facility.
[VPT Deputy Chairman: We will provide a provision in bidding document for approaching TAMP for tariff fixation as and when unloading facility is expected.]

1.2. The VPT vide its email dated 11 October 2018 has forwarded its letter dated 31 August 2018 furnishing its reply to IMC Ltd. A summary of points made by M/s.IMC Ltd and reply furnished by VPT thereon is tabulated below:

Sl. No.	**Written submissions made by M/s.IMC Ltd.**	**Reply furnished by VPT**
(i).	Basis and assumptions for valuation of existing assets such as railway lines, pipelines gantry and pipelines etc. to arrive at the total value of ₹1.41 Crores.	The valuation of the existing assets such railway lines, pipeline gantry, water tank, pipelines, compound wall and gumpty has been carried out by third party valuer M/s. Novara Consultancy Services, Kolkata, considering the condition, balance life structure and residual value. i. Cost of Railway lines (Terminal area) : 81,79,812 ii. Pipeline gantry & pipelines : 29,49,959 iii. Water tank : 13,80,223 iv. Compound wall and gumpty : 16,03,157 : 1,41,13,151
(ii).	Technical details of the new facilities to be provided by the new Operator.	Technical details of new facilities to be provided by the new operator (i). Pipeline from the EQ-6 & EQ-7 berths to the terminal (ii). New railway line from Terminal to AKP Railway crossing (iii). Strengthening the existing Railway line (iv). New Railway line for Engine escaping (v). New pipeline, extension of gantry & Suitable delivery system of product and any other requirements
(iii).	Cost break-up of various items forming part of the value of fresh investment of ₹3.75 Crores.	The statement showing the total cost estimate of the project and cost break up of various items forming part of the value of fresh investment of ₹3.75 Crores is furnished by VPT.

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