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Tariff Authority for Major Ports

G.No. 417 **New Delhi,** **24 October 2017**

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Visakhapatnam Port Trust (VPT) for fixation of reference tariff for use of 40 tonne Harbour Mobile Crane to be installed by Private Service Provider authorised by VPT in the inner harbour for cargo handling operations at Visakhapatnam Port as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports

Case No. TAMP/39/2017-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 September 2017)

This case relates to the proposal dated 4 May 2017 received from the Visakhapatnam Port Trust (VPT) for fixation of reference tariff for use of 40 tonne Harbour Mobile Crane to be installed in the inner harbour for cargo handling operations at Visakhapatnam Port following the principles of upfront tariff guidelines of 2008.

2.1. The main points contained in the VPT proposal are summarised below:

(i). There is no ceiling tariff prescribed at VPT for 40 T HMC nor a Reference Tariff exists at any major port. As such, tariff as per 2008 Tariff Guidelines is worked out and proposed vide Clause 2.2 of the revised guidelines for determination of tariff for projects at Major Port Trusts 2013.

(ii). Traffic handled for the year 2015-16 has been considered as basis for the proposed cargoes to be handled by the crane. The list of cargoes likely to be handled by the crane is furnished.

2.2. The working furnished by the VPT to arrive at per tonne handling rate for the 40 tonne Harbour Mobile Crane is as under:

Sl. No.	Description	₹ in lakhs		
		Dry Bulk	**Bagged Cargo**	**Other Break Bulk Cargo**
I	**Optimal Capacity**			
(i).	Net lifting capacity (tonnes)	30	15	40
(ii).	No. of cycles per hour	As per vendor specification i.e. 18.33 *	6	4
(iii).	Rate of loading per hour	550	90	160
(iv).	Efficiency factor @ 70% (iii x 70%)	385	63	112
(v).	No. of hours	4,000	4,000	4,000
(vi).	Rate of loading per day (iii x 16.8 hours)	9,240	1,512	2,688
(vii).	Total capacity (iv x v)	1,540,000	252,000	448,000
(viii).	**In million tonnes**	**1.54**	**0.25**	**0.45**
II	**Capital cost**			
(i).	Cost of one 40 T crane (1.80 million Euro* ₹69.30)	1247.40		
(ii).	Cost of grabs	74.50		
(iii).	Sea freight	129.94		
(iv).	Custom Duty @ 3%	39.66		
(v).	Miscellaneous cost (5% on total capital cost)	74.57		
	Total Capital Cost (i to v)	**1566.07**		
III	**Operating Cost per annum**			
(i).	Fuel cost (45 lts. * ₹62 per ltr. * 4000 hrs)	111.60		
(ii).	Repair & Maintenance @ 5% on equipment cost	66.10		
(iii).	Insurance @ 1% on gross equipment cost	15.66		
(iv).	Depreciation @ 10.34%	136.68		
(v).	License fee (1567.5 sqm x ₹22.76 per sqm x 12 months)	4.28		
(vi).	Other expenses @ 5% on gross equipment cost	78.30		

Sl. No.	Description	₹ in lakhs		
		Dry Bulk	**Bagged Cargo**	**Other Break Bulk Cargo**
	Total operating cost (i to vi)	**412.62**		
IV	**Estimated Annual Revenue Requirement**			
(i).	Total operating cost	412.62		
(ii).	Return on Capital Employed @ 16%	250.57		
(iii).	**Total revenue requirement**	**663.20**		
V	**Cost per tonne**	**Dry Bulk**	**Bagged Cargo**	**Other Cargo**
(i).	Total revenue requirement (₹ in lakhs)	663.20	663.20	663.20
(ii).	Capacity (in Lakh tonnes)	15.40	2.52	4.48
(iii).	Ratio of foreign cargo to coastal cargo (handled in 2015-16)			
	(a). Foreign	93.45%	82.13%	100.00%
	(b). Coastal	6.55%	17.87%	0.00%
(iv).	**Cost per tonne in ₹**			
	(a). Foreign	**44.22**	**283.44**	**148.03**
	(b). Coastal	**26.53**	**170.06**	**88.82**

* *The VPT has, subsequently, indicated number of cycles per hour for Dry bulk cargo at 18.33 which is updated in the above table.*

2.3. The draft Scale of Rates with the base performance levels and tariff linked to performance standards is furnished. The rates proposed by the VPT in its proposal are as follows:

(i). **For Dry Bulk Cargo**:

Average daily crane performance (in Metric Tonne)	Ceiling rate per tonne (in ₹)	
	Foreign	**Coastal**
9,240	44.22	26.53
9,241-10,240	46.43	27.86
10,241-11,241	48.64	29.18

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes and for the 2nd thousand tonnes the rate was enhanced to 110% of the base rate. The same methodology shall also be adopted to calculate the rate beyond 11241 tonnes.

(ii). **For Bagged Cargo**:

Average daily crane performance (in Metric Tonne)	Ceiling rate per tonne (in ₹)	
	Foreign	**Coastal**
1,512	283.44	170.06
1,513-1,613	297.61	178.56

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes. The same methodology shall also be adopted to calculate the rate beyond 1,613 tonnes.

(iii). **For Other Break Bulk Cargo**:

Average daily crane performance (in Metric Tonne)	Ceiling rate per tonne (in ₹)	
	Foreign	**Coastal**
2,688	148.03	88.82
2,689-3,688	155.43	93.26

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes. The same methodology shall also be adopted to calculate the rate beyond 3688 tonnes.

3. The VPT has submitted the list of bidders to be consulted for its proposal.

4. The VPT vide its letter dated 12 May 2017 has furnished Board Resolution No.162/2016-17 along with Board agenda on the subject proposal, at our request vide our letter dated 8 May 2017.

5. In accordance with the consultation process prescribed, a copy of the VPT proposal dated 5 May 2017 was circulated to the users/ user organisations/ prospective bidders (as suggested by the VPT) seeking their comments. We have not received comments from any users/ user organisations/ prospective bidders.

6. A joint hearing in this case was held on 15 June 2017 at the VPT premises. The VPT made a power point presentation of its proposal. At the joint hearing, the VPT and users/ users associations have made their submissions.

7. Based on the preliminary scrutiny of the proposal, the VPT was requested vide our letter dated 28 June 2017 to furnish additional information / clarifications on a few points by 3 July 2017. After reminders dated 7 July 2017 and 26 July 2017, the VPT vide its letter dated 29 July 2017 has furnished reply to additional information/ clarification sought by us. A summary of the additional information/ clarifications sought by us and reply furnished by VPT thereon are tabulated below:

<table>
<tr><th>Sl. No.</th><th>Information/ clarifications sought by us</th><th>Reply furnished by VPT</th></tr>
<tr><td>(i).</td><td>The proposal of VPT is for fixation of reference tariff under 2013 guidelines following the principles of 2008 guidelines in the absence of any upfront tariff rate fixed for 40T HMC. Clause 2.2 of reference tariff guidelines requires the authority to notify reference tariff and performance standards. The proposal of VPT does not propose cargo-wise performance standards for 40T HMC. The VPT to, therefore, propose performance standards as required under the 2013 guidelines.</td><td>Commodity-group wise performance standards and the liquidated damages to be levied towards shortfall in performance are incorporated as follows:

Performance Standards:
<table><tr><th>Cargo group</th><th>Average berth day output (in Metric Tonne)</th></tr><tr><td>Dry bulk cargo</td><td>9,240</td></tr><tr><td>Bagged cargo</td><td>1,512</td></tr><tr><td>Other break bulk cargo</td><td>2,688</td></tr></table>
The crane operator is to ensure the above standards for all the vessels handled by it at all times. Calculation of average berth day output shall be as per the notes given above.

Performance evaluation will be made for every vessel upon completion of cargo handling basing on the reports furnished by the crane operator in concurrence by the concerned Stevedore. Liquidated damages of 1% shall be levied for every shortfall of 10% in the performance standards for each of the commodity group separately. The liquidated damages so collected shall be paid to the concerned Stevedore.</td></tr>
<tr><td>(ii).</td><td>Clause 2.9 of 2013 guidelines allows PPP operator for Performance Linked Tariff upto 15% over and above the indexed</td><td>A Clause on performance linked tariff is included in the draft SoR at point no.ix of “Notes”.</td></tr>
</table>

	Reference Tariff on achievement of Performance Standards. The VPT is, therefore, requested to incorporate the suitable clause in the proposed SOR.	
(iii).	(a). Whilst the VPT has specified the no of cycles per hour in case of Bagged cargo and other cargo as regards Dry Bulk Cargo, the proposal of VPT states it is as per the vendor specification. The VPT is requested to specify the no of cycles per hour for Dry Bulk Cargo as per the vendor specification considered by the VPT in the computation of loading rate of dry bulk cargo.	The Vendor has specified material handling capacity for bulk cargo at 550 Tonnes per hour and maximum load at 30 tonnes as per which no. of cycles works out to be 18.33 or say 18 per hour.
	(b). The basis for no. of cycles per hour in case of Bagged cargo and other cargo may be furnished.	No. of cycles for bagged cargo is reckoned considering the limited capacity of the net that can be used, time required for arranging the bags in the net in a secured way, hooking, un-hooking and unloading. The no. of cycles in respect of break bulk cargo is reckoned basing on the non-homogeneous nature of cargo and as per the actual duration taking place at the port.
	(c). Average output in terms of tonnes / day achieved by the similar capacity MHCs, if any, presently deployed by the port may please be furnished cargo-wise (dry bulk cargo, steel and bagged cargo and other cargo) for the last three years 2014-15 to 2016-17.	The similar capacity of MHCs was not deployed by VPT so far.
(iv).	The Authority has decided that for fixation of upfront / reference tariff of HMC, fuel rate of High Speed Diesel (HSD) is to be considered. In this context, VPT may confirm the unit rate of fuel is of HSD. If not, VPT may modify it suitably. The unit rate adopted in the computation to be substantiated with copies of fuel bill for last three months.	It is to confirm that the unit rate to be considered is in respect of HSD oil. Copies of the documents as evidence for fuel rate of HSD for the last three months are furnished.

8.1. Subsequently, the VPT vide its e-mail dated 8 August 2017 has furnished following information:

(i). **Area considered under calculation of license fee**

The area to be considered for calculation of license fee may be reckoned as under:

Area occupied by crane in idling condition

-	Distance from berth berm to crane position	:	5 mtrs.
-	Width of the crane – Pad to Pad	:	12 mtrs.
-	Length of crane including boom from Pad to Pad	:	19 mtrs.
	Total area occupied (19 m X (12 m + 5 m))	:	323 sqm.
	Rate per sqm	:	₹22.76

Thus, the annual license fee works out to ₹88,218 (323 mts. X ₹22.76 X 12 months) (ii). **Rate of depreciation**

The rate of depreciation is 6.33% for single shift as per Companies Act 2013. As such, for double shift, the rate of depreciation works out to 9.50%. Thus depreciation works out to ₹125.58 lakhs per annum.

8.2. Subsequently, the VPT vide its e-mail dated 10 August 2017 has requested to include at page 3 of SOR i.e. performance standards a note that the liquidated damages of 1% shall be levied on total revenue earned on vessel for every shortfall of 10% in the performance standards.

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

10. With reference to totality of the information obtained during the proceedings of this case, the following position emerges:

(i). The proposal filed by the Visakhapatnam Port Trust (VPT) relates to fixation of reference tariff for use of 40 tonne Harbour Mobile Crane (HMC) to be installed by private operator in the inner harbour for cargo handling operations at Visakhapatnam Port .

(ii). As per clause 2.2. of the Reference tariff guidelines of 2013, reference tariff will be the highest tariff fixed for the commodity/ service/ category in the concerned Major Port Trust or highest upfront tariff fixed in any other Major Port Trust under 2008 Guidelines. In case no upfront tariff has been fixed for that commodity/ service at its own port or any other Major Port Trust, then the Port has the option to file a proposal following principles of Upfront tariff Guidelines of 2008.

In this regard, the port has stated that no ceiling upfront tariff is fixed in VPT or any other Major Port Trust. Hence, VPT has filed the proposal for fixation of reference tariff following principles of upfront tariff guidelines of 2008. The proposal is in line with the clause 2.2. of the reference tariff guidelines. The proposal of the VPT also has the approval of the Board of Trustees of VPT.

(iii). Before proceeding ahead with analysis of this case, it is relevant here to state that the tariff guidelines of 2008 for upfront tariff fixation prescribe norms/ guidelines for dedicated facilities for handling cargo such as coal, iron ore, container, liquid handling terminal and multipurpose cargo terminal. The guidelines of 2008 for upfront tariff fixation do not prescribe any exclusive norms/ guidelines for 40 tonne HMC for cargo handling operation.

It is, however, seen that norms considered by the port for estimating the operating cost are based on the norms prescribed in the 2008 upfront tariff guidelines for the Multipurpose cargo terminal.

In the absence of any specific norms prescribed in the 2008 guidelines for 40T HMC, the approach adopted by VPT of adopting the norms prescribed in the 2008 upfront tariff guidelines for a multipurpose terminal to the extent relevant to arrive at the reference tariff for this project is relied upon.

(iv). **Optimal Capacity**:

(a). The proposed facility is for handling dry bulk cargo, bagged cargo and other break bulk cargo which are the broad cargo groups prescribed in the upfront tariff guidelines for multipurpose cargo berth.

(b). The VPT has considered the handling rate of 9,240 tonnes/ day for dry bulk cargo, 1,512 tonnes / day for bagged cargo and 2,688 tonnes / day for other break bulk cargo for 40T HMC. The handling rate norms prescribed in the upfront tariff guidelines of 2008 for multipurpose cargo berth is 10,000 tonnes per day for dry bulk, 4000 tonnes per day for bagged steel and bagged cargo and 2,500 tonnes per day for other break bulk cargo.

It is relevant here to mention that the handling rate norms prescribed in the 2008 are with reference to deployment of 3 numbers of 20 tonnes level luffing wharf cranes aggregate capacity working out to 60 tonnes. The proposal of port is for 40T HMC for which no norms are prescribed in the 2008 guidelines. The VPT has arrived at handling rate based on the lifting capacity and number of cycles per hour as per specification given by the vendor. The methodology adopted by VPT to arrive at the handling rate is furnished in part 2.2. at Sl. No.I and hence not reiterated. The port has considered loading rate per hour at 550T for dry bulk cargo, 90T/ hour for bagged cargo and 160T/ hour for other break bulk cargo. Considering the number of hours at 16.8 applying 70% optimal utilisation factor as per norms, the port has arrived at loading rate of 9240T/ day for dry bulk cargo (i.e. 550T/ hour x 16.8 hours), 1512T/ day for bagged cargo and 2688T/ day for other break bulk cargo.

When VPT was requested to furnish average productivity achieved for dry bulk cargo, bagged cargo and break bulk cargo for similar capacity of HMC for last three years for similar capacity HMC deployed by the port, the VPT has stated that similar capacity HMC is not deployed at the port.

It is seen that the handling rate per day considered by VPT for 40T HMC for handling dry bulk cargo at 9240T/ day is closer to the norms prescribed for dry bulk cargo at 10,000 T/ day with 3 numbers of 20T ELL crane aggregating to 60T capacity. As regards break bulk cargo, the proposed handling rate of 2688T/ day is in fact higher than the norm of 2500T/ day with 3 numbers of ELL aggregating 60T capacity.

As regards bagged cargo, productivity considered by VPT at 1512T/ day is found to be lower than the productivity norms of 2500T /day prescribed in the 2008 guidelines for aggregated ELL of 60T capacity. The Seapol Port Pvt. Ltd. (SPPL) has pointed out that upfront tariff for bagged cargo is on the higher side. One of the reasons for this is lower productivity for bagged cargo considered by the port.

The VPT has stated that number of cycles per hour considered for bagged cargo is reckoning with limited capacity that can be used, time required for arranging bags in the net in a secured way, hooking, un-hooking and unloading of the bagged cargo. The VPT has stated that the loading rate considered by it is based on the vendor specification. In the absence of any specific norms prescribed in the 2008 guidelines for 40T HMC, based on the clarification of the VPT that the handling rate for 40T HMC considered by the port is based on vender specification, the same is relied upon and the reference tariff is fixed at the handling rate considered by the VPT.

(c). The optimal capacity has been assessed by the VPT for each cargo groups taking into consideration the per hour handling rate for the normative working hours of 4000. The computation of the optimal capacity of 40T HMC is found to be in line with the formula prescribed for determination of optimal capacity in the upfront tariff guidelines of February, 2008 for multipurpose berth. The optimal capacity as assessed by the VPT for 40T HMC for handling dry bulk cargo is 15,40,000 tonnes. For bagged cargo, the port has assessed the optimal capacity at 2,52,000 tonnes/ annum. For other break bulk cargo, the optimal capacity assessed by the port is 4,48,000 tonnes/ annum.

(v). The capital cost of 40 T HMC considered by the VPT is ₹1247.40 lakhs (i.e. 18 lakhs Euros x conversion factor of 1 Euro = ₹69.30). The total capital cost of HMC is arrived at ₹1566.07 lakhs after considering capital cost of grabs, sea freight and custom duty. Miscellaneous cost at 5% on total capital cost is also estimated as per norms prescribed in the 2008 guidelines. The VPT has stated that Custom Duty Exemption at applicable level under EPCG Scheme is also captured in the estimate of capital cost.

The capital cost for equipment is substantiated with budgetary offer. Hence, the total equipment cost as estimated by the VPT is considered in the analysis.

(vi). **Operating cost:**

The operating cost estimated by the VPT is discussed hereunder

(a). Fuel Cost:

(i). The VPT has considered fuel consumption at 45 litres per hour. The 2008 tariff guidelines prescribes power consumption of 100 units/ hour/ crane for an electrical level luffing crane. The guidelines do not prescribe fuel consumption norm for HMC. Fuel consumption of 70 litres per hour/ per HMC had been considered while fixing upfront tariff at other Major Port Trusts such as PPT, NMPT, KPT, etc., involving deployment of 100 tonnes HMC.

The budgetary offer of vendor of Liebberr India Pvt. Ltd. furnished by VPT towards the capital cost estimate of 40T HMC states that fuel consumption would be 40 to 50 litres/ hour approximately and it will depend on the product being handled. Based on the above position reflected in the budgetary offer of the HMC vendor, the fuel consumption of 45 litres per hour considered by VPT is taken into account in the reference tariff calculation.

(ii). As decided by this Authority for fixation of upfront / reference tariff of HMC, the fuel rate of High Speed Diesel (HSD) is to be considered. The VPT has confirmed that fuel cost of ₹62/ litre considered by it is the fuel rate of HSD. The documentary evidence furnished by VPT shows the unit rate of HSD in the range of ₹59.14 to ₹61.05 per litre. The prevailing HSD rate is ₹61.70 per litre. The unit rate considered by VPT is closer to the prevailing rate and hence unit rate of ₹62 per litre as considered by the VPT is considered for reference tariff fixation.

(b). Repair and maintenance cost and insurance cost:

The repairs and maintenance cost and insurance are estimated at 5% and 1% respectively on the estimated capital cost. The VPT has estimated the repair and maintenance cost at 5% on equipment cost of 40T Crane and Cost of Grab (i.e. 5% on ₹1321.90 lakhs) and not on the total capital cost of equipment estimated by the VPT at ₹1566.07 lakhs. That being so, the repair and maintainace cost is modified and considered at 5% on total equipment cost of ₹1566.07 lakhs which works out to ₹78.30 lakhs as against ₹66.10 lakhs estimated by the VPT. This is in line with the approach followed in other upfront tariff cases. The estimate of insurance cost by the VPT following the norms prescribed in the guidelines is found to be in order.

(c). Depreciation:

Depreciation, as per the guidelines, should be calculated following the depreciation rates as per Straight Line Method (SLM) prescribed in the Companies Act. The VPT has considered depreciation @ 10.34% of capital cost of equipment as per the rates prescribed in the Companies Act, 1956 under the SLM for relevant group of assets.

The deprecation on plant and machinery as per the Companies Act, 2013 under Straight line Method (SLM) is 6.33% for single shift. For two shift operation, the depreciation is 9.50%. The VPT has recomputed depreciation on equipment at 9.5% at ₹125.58 lakhs per annum stating that it is as per the Companies Act, 2013. The depreciation rate considered by the VPT is in line with the depreciation considered in other reference tariff cases. It is relevant here to state that though the VPT has modified the depreciation to ₹125.58 lakhs it has not furnish revised working of reference tariff.

The VPT has estimated depreciation on ₹1321.90 lakhs and not on the total capital cost of equipment. This is corrected and depreciation is considered on ₹1566.07 lakhs i.e. total cost of equipment. The modified depreciation works out to ₹148.78 lakhs as against ₹125.58 lakhs estimated by the VPT.

(d). License fee:
The guidelines for upfront tariff stipulate that Licence fee for port land is to be estimated based on the rates prescribed in the Scale of Rates of the respective Major Port Trusts. The VPT has considered the license fee of ₹22.76 per sq. meter per month (i.e. ₹21.88 for 1A core operational area for Industrial purpose x 1.02% x 1.02%) for area of 1567.5 sq. mtrs. amounting to ₹4.28 lakhs per year. Subsequently the VPT vide email dated 8 August 2017 has recomputed the license fees for total area occupied by the HMC as 323 sq.mtrs. when it is idle. The modified license fee estimated by VPT is ₹88,218 (323 sq.mtrs. x ₹22.76 sq.mtrs. x 12 months). The unit rate of lease rental is as approved by this Authority vide its Order No.TAMP/80/2015-VPT dated 17 November 2016.

This Authority in the HMC cases of the Paradip Port Trust (PPT), Chennai Port Trust and New Mangalore Port Trust (NMPT) has allowed license fee estimated by the concerned port for the entire year. Hence estimation of license fee at ₹88,218/- for 12 months period as considered by the VPT is accepted.

(e). Other Expenses:
Other expenses are estimated at 5% of capital cost of equipment. The estimate of other expense at 5% of the capital cost is found to as per the norms prescribed in the guidelines of 2008 and is in line with the expense allowed in the NMPT, PPT, VOCPT, KPT cases and hence is allowed in the determination of tariff for the HMC in the instant case.

(vii). The cost statement for fixing Reference tariff submitted by VPT and considered by this Authority is attached as **Annex - I**.

(viii). (a). The total Annual Revenue Requirement (ARR) works out to ₹684.09 lakhs, which is an aggregate of operating cost of ₹433.52 lakhs and 16% return on capital cost of ₹250.57 lakhs as against total ARR of ₹663.19 estimated by VPT (i.e. ₹412.62 + ₹250.57).

(b). Clause 4.3. of the tariff guidelines of March 2005 stipulates prescription of concessional tariff for coastal cargo. The said clause further stipulates that the cargo related charges for all coastal cargo, (other than thermal coal and POL including crude oil, iron ore and iron ore pellets) should not exceed 60% of the normal cargo related charges. The port has assumed the share of foreign and coastal cargo at 93.45% and 6.55% respectively for dry bulk cargo, 82.13% and 17.87% respectively for bagged cargo. The VPT has stated that the entire optimal capacity of other break bulk cargo is envisaged for this project are foreign cargo. The share of foreign/

coastal cargo assumed by the port is relied upon in this analysis. The VPT has considered the impact of concessional rates for coastal cargo while arriving at the proposed rates for foreign cargo.

(c). For arriving at the proposed hire charge for HMC, the VPT has apportioned the estimated ARR of ₹663.19 lakhs over the optimal capacity assessed for each of the three cargo groups. Accordingly, the reference tariff proposed by the port for dry bulk cargo (foreign) is ₹44.22 per tonne, ₹283.44 per tonne for bagged cargo (foreign) and ₹148.03 per tonne for other break bulk cargo (foreign). The rates for coastal cargo are proposed by port at 60% of its foreign counter part.

(d). Following the approach adopted by VPT, the modified ARR assessed by us at ₹684.09 lakhs is spread over the optimal capacity assessed for each cargo category. The reference tariff works out to ₹45.62, ₹292.36 and ₹152.70 for foreign dry bulk, bagged and other break bulk cargo respectively. The rates for coastal cargo at 60% of its foreign counter part comes to ₹27.37, ₹175.42 and ₹91.62 for the corresponding cargo.
It is relevant to state that even though VPT has not envisaged coastal break bulk cargo, the port has proposed concessional rate for coastal cargo for this cargo. The proposal of the port for prescription of rate for coastal break bulk cargo in case coastal break bulk cargo arrives is accepted.

(ix). The Seapol Port Pvt. Ltd. (SPPL) has stated that the rates for HMC may be fixed on shift basis instead of per tonne basis as stevedores plan their operation on shift basis. The reference tariff/ upfront tariff is arrived by apportioning the total ARR over the optimal capacity which is in tonnes/ annum. That being so, the rate has to be on per tonne basis. The request of SPPL to prescribe rate on per shift basis will be deviation from the guidelines. The upfront/ reference tariff for HMC fixed in other Major Port based on the proposal of Ports is on per tonne basis.

(x). The VPT has proposed to insert a note (f) in the SOR to levy penalty for break down / non-performance of HMC. The note states that in case shifting of a vessel becomes necessary due to breakdown / non-performance of HMC, 40% of the shifting charges of the vessel from berth to anchorage will be recovered from the crane operator in addition to the penalty of ₹40,000/- (Rupees forty thousand only). The shifting charges so recovered will be refunded to the vessel agent while the penalty will be retained by the Port.

It is relevant to state that in other 100T HMC cases approved in KPT, NMPT a similar note is prescribed wherein the penalty proposed by the ports and approved by this Authority is 1,00,000. The VPT has proposed penalty of ₹40,000/- for 40T HMC. Since it is the proposal of the port and is penalty which is not a mandatory tariff item, this Authority decides to go with the proposal of the port in this regard. As regards the proposed note about levying 40% of shifting charges in case of shifting of a vessel due to breakdown / non-performance of HMC, the proposal is silent about levy of balance 60% of the shifting charges. It is relevant to state that at KPT and NMPT, for similar situation, the note prescribed as proposed by these ports is for levying entire shifting charges from the operator. That appears to be logical. That being so, the proposed note is slightly modified by deleting the 40% from the proposed note. This will be in line with the prescription made in the HMC cases at KPT and NMPT.

(xi). The VPT has not proposed the definitions of some relevant terms like Coastal vessel, Day, Foreign-going vessel and general conditions like penal interest for delayed payments and refund, user not to be charged for reasons attributable to the terminal operator, coastal concession, criteria for classification of vessel as per tariff Order dated 26 November 2015 Order flowing from the clarification of

Directorate General (DG) Shipping which are included in the Reference Tariff Schedule.

(xii). As per Guidelines, 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 2008 and 1 January of the relevant year. In the instant case, since the estimation of capital cost and unit rate of operating cost considered in the upfront tariff calculation are as of the year 2017 as reported by the VPT, it is found appropriate and relevant to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2017. The port has proposed general note relating to indexation in reference tariff. The proposed note states that tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1st January 2017 and 1st January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1st April of the relevant year to 31st March of the following year. The proposed note is found to be in order and hence is approved.

(xiii). (a). Clause 2.2 of the revised tariff guidelines of 2013 requires this Authority to prescribe Reference Tariff along with Performance Standards. Though the revised guidelines of 2013 do not require this Authority to go into the Performance Standards proposed by the port it is not unreasonable to assume that the ports would propose reasonable and achievable Performance Standards. The port had initially not proposed Performance Standards. At our request, the VPT has proposed the Performance Standards in respect of Dry Bulk, Bagged Cargo and Other Break Bulk cargo. The cargo-wise Performance Standards proposed by VPT is at the par with the handling rates considered by VPT in the optimal capacity calculation. The Performance Standards as proposed by the VPT are, therefore, notified along with the Reference tariff schedule.

(b). The VPT has proposed performance linked tariff structure proposing a reward by way of 5% increment in the base rate if the performance achieved is 1000/100 tonnes higher than the bench mark level for each cargo groups. This is in line with the prescription for HMC in the other Major Ports like the KPT, PPT and the NMPT and hence approved.

(c). While proposing Performance Standards, the port has also proposed liquidated damages of 1% for every shortfall of 10% in the performance standards for each of the commodity group separately. Since these provisions are penalty provisions, they are not prescribed as part of the Performance Standards which have linkage to performance linked tariff.

(xiv). (a). If there is any error apparent on the face of records considered, 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.

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

11. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the Reference Tariff Schedule and Performance Standards for 40 tonne Harbour Mobile Crane to be installed by private operator in the inner harbour for cargo handling operations at Visakhapatnam Port attached as **Annex - II and Annex - III** respectively.

12.1. As per clause 2.5 of the Revised Tariff Guidelines 2013, the Reference Tariff and Performance Standards notified by this Authority shall be mentioned in the bid document and subsequently in the Concession Agreement. Accordingly, the VPT is advised to incorporate the Reference Tariff and Performance Standards, in the bid document and subsequently in the Licence Agreement.

12.2. As specified in clauses 2.9.1. and 2.9.2. of 2008 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.

12.3. From the date of Commercial Operation (CoD) till 31st March of the same financial year, the tariff would be limited to the indexed Reference Tariff relevant to that year, which would be the ceiling. The aforesaid Reference Tariff shall be automatically revised every year based on an indexation as provided in para 2.2 of the tariff guidelines of 2013 which will be applicable for the entire licence period.
However, the Licensee would be free to propose a tariff along with Performance Standards (the "Performance Linked Tariff") from the second year of operation onwards, over and above the indexed Reference Tariff for the relevant financial year, at least 90 days before the 1st April of the ensuing financial year. Such Performance Linked Tariff shall not be higher than 15% over and above the indexed Reference Tariff for that relevant financial year (and this will be the Tariff Cap). The Performance Linked Tariff would come into force from the first day of the following financial year and would be applicable for the entire financial year.

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

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

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

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

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

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

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

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

12.12. As stipulated in clause 6.3.2 of the revised 2013 guidelines, the Licensee shall furnish to this Authority quarterly reports on cargo traffic, ship berth day output as well as the tariff realized for each berth. The quarterly reports shall be submitted by the 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.

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

12.14. 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.

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

12.16. 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

COST STATEMENT FOR FIXATION OF REFERENCE TARIFF TO ARRIVE AT PER TONNE HANDLING RATE FOR 40 TONNE HMC AT VISAKHAPATNAM PORT TRUST

(Rs. in Lakhs)

Sr. No.	Particulars	Estimates furnished in the Proposal of VPT dated 04.05.2017			As considered by TAMP		
		Dry Bulk	Bagged Cargo	Other Break Cargo	Dry Bulk	Bagged Cargo	Other Break Cargo
I	**Optimal capacity**						
	Handling rate of HMC :						
(i).	Net lifting capacity (tonnes)	30	15	40	30	15	40
(ii).	No. of cycle per hours	18.3	6	4	18.3	6	4
(iii).	Rate of load per hour	550	90	160	550	90	160
(iv).	Efficiency Factor	385	63	112	385	63	112
		(70% of 550)	(70% of 90)	(70% of 160)	(70% of 550)	(70% of 90)	(70% of 160)
(v).	No. of hour	4,000	4,000	4,000	4,000	4,000	4,000
(vi).	Rate of loading per day (iv x v)	9,240	1,512	2,688	9,240	1,512	2,688
(vii).	Total Capacity	1,540,000	252,000	448,000	1,540,000	252,000	448,000
(vii).	**Annual Handling capacity (in Million tonnes)**	**1.54**	**0.25**	**0.45**	**1.54**	**0.25**	**0.45**
II	**Capital Cost of Hopers**	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
(i).	Cost of one 40T Crane as estimated by VPT	1,247.40			1,247.40		
		(1.80 million euro * Rs.69.30)			(1.80 million euro * Rs.69.30)		
(ii).	Cost of Grabs (Based on average of the rate quoted by the Vendor)	74.50			74.50		
		[(100000 euro +115000 euro)/2 * Rs.69.30]			[(100000 euro +115000 euro)/2 * Rs.69.30]		
(iii).	Sea Freight (Based on average of the rate quoted by the Vendor)	129.94			129.94		
		[(175000 euro + 200000 euro)/2 * Rs.69.30]			[(175000 euro + 200000 euro)/2 * Rs.69.30]		
(iv).	Custom Duty @ 3%	39.66			39.66		
		(3% * Rs 1321.9 lakhs)			(3% * Rs 1321.9 lakhs)		
(v).	Miscellaneous cost @ 5%	74.57			74.57		
		(5% * Rs.1491.5 lakhs)			(5% * Rs.1491.5 lakhs)		
(vi).	**Total Capital Cost (a+e)**	**1,566.07**			**1,566.07**		
III	**Operating Cost**	Rs. In Lakhs			Rs. In Lakhs		
(i).	Fuel Cost	111.60			111.60		
		(45 ltr.*Rs 62 per ltr*4000 hrs)			(45 ltr.*Rs 62 per ltr*4000 hrs)		
(ii).	Repair & Maintenance	66.10			78.30		
		(5% * Rs 1321.9 lakhs)			(5% * Rs1566.07 lakhs)		
(iii).	Insurance	15.66			15.66		
		(1% * Rs 1566.07 lakhs)			(1% * Rs 1566.07 lakhs)		
(iv).	Depreciation:						
(v).	Mechanical & equipment cost*	136.68			148.78		
		(10.34% * Rs.1321.9 lakhs)			(9.5% * Rs 1566.07 lakhs)		
(vi).	License fee*	4.28			0.88		
		(1567.5 sqm* Rs 22.76 per sqm*12 months)			(323 sqm* Rs 22.76 per sqm*12 months)		
(vii).	Other expenses	78.30			78.30		
		(5% * Rs. 1566.07 lakhs)			(5% * Rs. 1566.07 lakhs)		
	Total Operating Cost	**412.62**			**433.52**		
IV	**Annual Revenue Requirement and Proposed Handling Rate**	Rs. in Lakhs			Rs. in Lakhs		
(a).	**Annual Revenue Requirement (ARR)**						
	(i). Total Operating Cost	412.62			433.52		
	(ii). Return on Capital Employed @16%	250.57			250.57		
	(iii). Total Revenue requirement	**663.19**	**663.19**	**663.19**	**684.09**	**684.09**	**684.09**
(b).	Optimal Capacity **(Tonnes/ Annum)**	1,540,000	252,000	448,000	1,540,000	252,000	448,000
(c).	**Ratio of Foreign cargo to coastal cargo (handled in 2015-16)**						
	Foreign	93.45%	82.13%	100.00%	93.45%	82.13%	100.00%
	Coastal	6.55%	17.87%	0.00%	6.55%	17.87%	0.00%
(d).	**Per tonne handling rate (in Rs./Tonne)**						
	(i). For Foreign cargo	**44.22**	**283.43**	**148.03**	**45.62**	**292.36**	**152.70**
	(ii). For Coastal cargo	**26.53**	**170.06**	**88.82**	**27.37**	**175.42**	**91.62**

* VPT has subsequently vide email dated 8 August 2017 modified the depreciation at Rs.125.58 Lakhs appling 9.5% depreciation rate. The modified depreciation is considered in our Cost Statement.

* VPT has subsequently vide email dated 8 August 2017 modified the license fee at Rs.88,218/- (323 sq.mt. x Rs.22.76 sq.mt. x 12 months). The modified license fee is considered in our Cost Statement.

Annex-II

VISAKHAPATNAM PORT TRUST

REFERENCE TARIFF FOR USE OF 40 TONNE HARBOUR MOBILE CRANE TO BE INSTALLED BY PRIVATE SERVICE PROVIDER AUTHORISED BY VISAKHAPATNAM PORT TRUST IN THE INNER HARBOR FOR CARO HANDLING OPERATIONS AT VISAKHAPATNAM PORT.

1.1. Definitions – General

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

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

(ii). "Day" shall mean the period starting from 6.00 A.M. of a day and ending at 6.00 A.M. on the next day.

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

1.2. GENERAL TERMS & CONDITIONS

(i). The status of the vessel, as borne out by its certification by the Customs or Director General of Shipping is the relevant factor to decide whether vessel is “coastal” or “foreign-going” for the purpose of levy of Berth hire, and the nature of cargo or its origin will not be of any relevance for this purpose.

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

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

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

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

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

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

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

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

(a). Foreign going Indian Vessel having General Trading License issued for ‘worldwide and coastal’ operation should be accorded applicable coastal rates with respect to

Handling Charges (HC) i.e. ship to shore transfer and transfer from/ to quay to/ from storage yard including wharfage in the following scenario:

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

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

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

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

(v). (a). The cargo related charges for all coastal cargo other than thermal coal and POL including crude oil, iron ore and iron ore pellets should not exceed 60% of the normal cargo related charges.

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

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

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

(vi). Interest on delayed payments / refunds**:**

(a). The user shall pay penal interest on delayed payments under this Scale of Rates**.** Likewise**,** the Terminal Operator shall pay penal interest on delayed refunds**.**

(b). The rate of penal interest will be 2% above the prime lending rate of the State Bank of India.

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

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

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

The Crane Operator may also, if so desires, rationalise the prescribed conditionalities governing the application of rates prescribed in the Scale of Rates if such rationalization gives relief to the user in rate per unit and the unit rates prescribed in the Scale of Rates do not exceed the ceiling levels. The Crane Operator should however, notify the Public such lower rates and/ or rationalization of the conditionalities governing the application of such rates and continue to notify the public any further changes in such lower rates and/ or in the conditionalities governing the application of such rates provided the new rates fixed shall not exceed the rates notified by the TAMP.

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

2. Charges for use of 40 Tonne Harbour Mobile Crane

(i). **For Dry Bulk Cargo**

Average berthday output (in Metric Tonne)	Ceiling rate per tonne (in ₹)	
	Foreign	Coastal
Upto 9,240	45.62	27.37
9,241-10,240	47.90	28.74
10,241-11,241	50.18	30.11

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes and for the 2nd thousand tonnes the rate was enhanced to 110% of the base rate. The same methodology shall also be adopted to calculate the rate beyond 11,241 tonnes.

(ii). **For Bagged Cargo**

Average berthday output (in Metric Tonne)	Ceiling rate per tonne (in ₹)	
	Foreign	Coastal
Upto 1,512	292.36	175.42
1,513-1,613	306.98	184.19

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes. The same methodology shall also be adopted to calculate the rate beyond 1,613 tonnes.

(iii). **For Other Break Bulk Cargo**

Average berthday output (in Metric Tonne)	Ceiling rate per tonne (in ₹)	
	Foreign	Coastal
Upto 2,688	152.70	91.62
2,689-3,688	160.34	96.20

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes. The same methodology shall also be adopted to calculate the rate beyond 3,688 tonnes.

Notes:

(a). The formula for calculation of average berth-day output is as follows:-

$$\frac{\text{Total Quantity loaded / unloaded by HMC (tonnes)}}{\text{Total time taken from vessel commencement to completion (Hrs.)}} \times 24$$

(b). According to the average berth-day output for the vessel from commencement to completion of loading / discharge of cargo, the appropriate rate of crane hire charge will be chosen for recovery from Port users for the full quantity of cargo loaded / discharged.

(c). If the 40 T HMC works with another crane/s, the Berth-day output of the crane will be ascertained on the basis of the quantity as recorded by the HMC's load meter.

(d). In case of breakdown of the crane for more than one hour till the vessel leaves the berth, the quantity handled by HMC will be determined taking into account cargo loaded/ discharged prior to break-down divided by crane working hours and multiplied by 24.

(e). In case of stoppages of operation of HMC for more than two hours at a stretch for reasons not attributable to the HMC, appropriate allowance will be allowed to the crane while calculating the total time of crane operation in the vessel. Stoppages of HMC for less than 2 hours will not be taken into consideration for the above purpose. No allowance will be allowed for stoppages attributable to the HMC. All stoppages in loading/unloading operations during working of HMC are required to be certified by the Stevedore of the vessel in the daily vessel performance report.

(f). In case shifting of a vessel becomes necessary due to breakdown / non-performance of HMC, the shifting charges of the vessel from berth to anchorage will be recovered from the crane operator in addition to a penalty of ₹40,000/- (Rupees Forty thousand only). The shifting charges so recovered will be refunded to the vessel's agent while the penalty will be retained by the Port.

(g). In case of dispute on the average output, the decision of the Port Trust will be final and binding.

3. GENERAL NOTE TO SCHEDULE (2) ABOVE:

(i). The tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1st January 2017 and 1st January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1st April of the relevant year to 31st March of the following year.

(ii). As specified in clauses 2.9.1. and 2.9.2. of the guidelines, before commencement of commercial operations, the private operator shall approach the 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.

(iii). From the date of Commercial Operation (CoD) till 31st March of the same financial year, the tariff would be limited to the indexed Reference Tariff relevant to that year, which would be the ceiling. The aforesaid Reference Tariff shall be automatically revised every year based on an indexation as provided in para 2.2 of the tariff guidelines of 2013 which will be applicable for the entire licence period.
However, the Licensee would be free to propose a tariff along with Performance Standards (the "Performance Linked Tariff") from the second year of operation onwards, over and above the indexed Reference Tariff for the relevant financial year, at least 90 days before the 1st April of the ensuing financial year. Such Performance Linked Tariff shall not be higher than 15% over and above the indexed Reference Tariff for that relevant financial year (and this will be the Tariff Cap). The Performance Linked Tariff would come into force from the first day of the following financial year and would be applicable for the entire financial year.

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

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

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

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

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

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

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Annex-III

PERFORMANCE STANDARDS FOR REFERENCE TARIFF FOR USE OF 40 TONNE HARBOUR MOBILE CRANE TO BE INSTALLED BY PRIVATE SERVICE PROVIDER AUTH ORISED BY VISAKHAPATNAM PORT TRUST IN THE INNER HARBOR FOR CARO HANDLING OPERATIONS AT VISAKHAPATNAM PORT.

The performance standards corresponding to the SoR for the crane are as under:

Cargo group	Average berth day output (in Metric Tonne)
Dry bulk cargo	9,240
Bagged cargo	1,512
Other break bulk cargo	2,688

Note:

(i). The crane operator is to ensure the above standards for all the vessels handled by it at all times. Calculation of average berth day output shall be as per the notes given in SOR.

(ii). Performance evaluation will be made for every vessel upon completion of cargo handling basing on the reports furnished by the crane operator in concurrence by the concerned Stevedore.

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

F.No. TAMP/39/2017-VPT - Proposal received from the Visakhapatnam Port Trust (VPT) for fixation of reference tariff for use of 40 tonne Harbour Mobile Crane to be installed by Private Service Provider authorised by VPT in the inner harbour for cargo handling operations at Visakhapatnam Port.

A joint hearing in this case was held on 15 June 2017 at the VPT premises. The VPT made a power point presentation of its proposal. At the joint hearing, the VPT and users/ user association have made the following submissions:

Visakhapatnam Port Trust

(i). Makes a brief power point presentation of the proposal. Hard copy of the proposal is given.

(ii). Sagarmala has done detailed study. Focus is on movement of cargo on coastal route.

(iii). The proposed 40 Tonne HMC is meant for handling vessels upto 15,000 GRT with permissible LOA of 165 mtrs and draft within 8 mtrs.

(iv). Cargo likely to be handled by HMC are dry bulk, bagged cargo and other cargo.

(v). There is no reference tariff available for 40T HMC. Hence, reference tariff is proposed following principles of 2008 guidelines.

(vi). Handling rate considered is 9240 T/ day for dry bulk cargo, 1512 T/ day for bagged cargo and 2688 T/ day for other cargo. Handling rate is arrived based on lifting capacity specification given by the vendor.

(vii). Maximum quantity that 40 Tonne HMC can handle is 15 tonnes of bagged cargo. Handling of bagged cargo is time consuming. Hence 6 cycles/ hour is taken for arriving at the loading rate per day. Other break bulk cargo will be in various sizes. Therefore, the number of cycles per hour is low at 4.

(viii). Base capital cost is taken from vendor. After applying the conversion rate of 1Euro = ₹69.30, capital cost of 40T HMC is ₹12.47 crores. Considering the cost of grabs, sea freight, customs duty and miscellaneous cost at 5% the total capital cost considered is ₹15.66 crores. We have taken into account the customs duty exemption at applicable level under EPCG Scheme.

(ix). Annual Revenue Requirement from operation of HMC is assessed at ₹6.63 crores following the norms for HMC.

(x). As per the prevailing pattern, coastal cargo envisaged is 6.55% for dry bulk and 17.87% for bagged cargo. No coastal cargo is envisaged for other cargo.

M/s.Seapol Port Pvt. Ltd.

(i). The rate for foreign cargo is reasonable. But, for coastal cargo, the proposed rate is low.

(ii). The rates for HMC may be fixed on shift basis instead of per tonne basis. Stevedores plan their operation on shift basis.

(iii). The rate for bagged cargo appears to be on the higher side.

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