

(Published in Part –III Section 4 of the Gazette of India, Extraordinary)
Tariff Authority for Major Ports

G No. 103

New Delhi

25 April 2012

CORRIGENDUM

(Passed on this 9th day of April 2012)

This Authority has passed an Order dated 4 May 2010 in the case No.TAMP/53/2009-VPT relating to setting upfront tariff for handling thermal coal and steam coal at the Visakhapatnam Port Trust (VPT). This Order has been notified in the Gazette of India Extraordinary (Part–III Section 4) on 11 June 2010 vide Gazette No.161.

2. Some provisions were not printed in the English version of the Gazette Notification of the above mentioned Order. Therefore, the following paragraphs 7 to 8 (iv) (c) not printed in the Gazette copy are reinstated and are to be read between para 6 (4). and para 8 (v).:

“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 concerned 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 totality of the information collected during the processing of this case, the following position emerges:*

(i). *The proposal is to fix upfront tariff cap for handling of thermal coal and steam coal for coastal movement at the proposed mechanised terminal at the Visakhapatnam Port Trust (VPT) to be developed on Public Private Participation (PPP) basis. The proposal is based on the guidelines for upfront tariff fixation issued by the Ministry of Shipping, Road Transport and Highways (MSRTH) in February 2008.*

(ii). *After the joint hearing held on the subject proposal, the VPT has revised its proposal vide its letters dated 15 April 2010 and 24 April 2010 wherein the capital cost is revised to Rs.313.39 crores and the optimal capacity is revised upwards to 7.36 Million Tonnes. The revised proposal dated 24 April 2010 along with the information / clarifications furnished during the processing of the case is considered in this analysis.*

(iii). *The VPT has in general complied with the guidelines issued for upfront tariff setting vide Notification No.TAMP/52/2007-Misc. dated 26 February 2008. Deviations proposed in some of the norms / parameters are, inter alia, discussed in the subsequent paragraphs.*

(iv). Optimal Terminal Capacity:

(a). Optimal Quay Capacity:

The VPT has assessed the optimal quay capacity of the mechanised coal handling terminal at 7.36 Million Tonnes Per Annum. Citing draft constraints in the inner harbour,

the VPT has not considered handling of capesize vessels for assessing the quay capacity. The port has assumed the share of capacity of panamax and handymax vessels on the basis of bulk carrier fleet profile of Clarkson Registry (January 2008).

With reference to the productivity, the handling rate of 20,000 tonnes per day for handymax vessels and 40,000 tonnes for panamax vessels as per the loading norms prescribed in the guidelines are considered by the port for thermal coal. Loading norm for steam coal is, however, proposed to be scaled down from 40,000 tonnes per day to 27,000 tonnes per day for panamax and 20,000 tonnes to 15,000 tonnes per day for handymax vessels citing the light nature of cargo. It is noteworthy that coal has many grades and categories but the norms forming part of the guidelines do not prescribe different handling rates for different types of coal. That the nature of coal will impact productivity / handling rate was recognised by this Authority while fixing upfront tariff for coking coal and steam coal combination at VPT vide its Order dated 27 November 2009. In the said Order, handling rate of steam coal was taken at 27000 tonnes per day. The same position is maintained in this case also. The handling rate for steam coal by handymax vessel at 15,000 tonnes per day proposed by the VPT is relied upon.

(b). Optimal Yard Capacity:

- (i). The upfront tariff guidelines stipulate that the yard capacity is to be assessed for the area of the yard made available by the port for development. The VPT has assessed the yard capacity with reference to 25 acres of area proposed to be allotted for the facility. It is noteworthy that the yard capacity is dependent upon the backup area available and the guidelines do not specify any norm for storage area to be considered.*

The area is equally allotted for thermal coal and steam coal i.e. 12.5 acres each.

(ii). Stacking Capacity:

- (a). The guidelines for upfront tariff setting prescribe the stacking factor norm at 3 tonnes per sq. m. The VPT has considered the stacking factor of 5 tonnes per sq. m. for thermal coal. Based on the clarification furnished by the VPT that it is erecting compound wall of 7 metres high as a dust barrier and taking into account the bulk density of the thermal coal at 0.71 tonnes per cubic metre reported by the port, the stacking factor of 5 (7 x 0.71) proposed by VPT is considered.*

(b). *The VPT has considered the stacking factor at 4 tonnes per sq. m. for steam coal, the nature of cargo being light weight without inherent moisture apart from dusty nature of cargo. Incidentally, in the fixation of upfront tariff for handling coking coal and steam coal at the VPT vide Order No.TAMP/58/2008-VPT dated 27 November 2009 this Authority relied upon stacking factor of 4 tonnes per sq. m. for steam coal assumed by the VPT. The stacking factors proposed by the VPT are considered in this analysis without any modification.*

(iii). Plot turnover:

The norm for plot turnover for a coal terminal prescribed in the guidelines is 12. In the original proposal of November 2009, the VPT considered the turnover ratio as 30 based on the free storage period of 10 days. The port has revised the turnover ratio to 33 in its revised proposal of April 2010 assuming 330 working days in a year and dwell time of 10 days. The Sical Logistics is of the view that the turnover ratio of 30 is very high. Keeping in view that the improvement in rail connectivity envisaged to be developed by the port by the year 2012 which is expected to increase rail side service, as clarified by the port, and thereby increasing the evacuation of cargo and reduce the dwell time, the revised turnover ratio of 33 assumed by the port is taken into account. Faster turnaround of the available storage plot is essential to achieve the optimal capacity and to avoid mismatch between quay and yard capacities.

(iv). *The optimal yard capacity of the mechanised terminal for handling thermal coal and steam coal adopting the stacking factor and the turnover ratio as explained above and applying the formula prescribed in the guidelines is assessed at 7.36 Million Tonnes Per Annum (MTPA).*

(c). Optimal Terminal Capacity:

The optimal capacity of the mechanised terminal is considered at 7363818 tonnes per annum (around 7.36 MTPA) being lower of the two capacities i.e. quay and yard in the calculation of upfront tariff without any rounding off.

If turnover ratio and cargo stacking factor are considered strictly as per norms, the yard capacity would be 1.79 Million Tonnes Per Annum as against 7.36 MTPA arrived at based on modified parameters.”

(Rani Jadhav)
Chairperson