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Tariff Authority for Major Ports

G No. 161

New Delhi,

11 June 2010

NOTIFICATION

In exercise of the powers conferred by Sections 48, 49 and 50 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 for setting upfront tariff for handling Thermal Coal and Steam Coal in pursuance of the guidelines for upfront tariff setting for Public Private Participation (PPP) projects at Major Ports vide this Authority's Notification No.TAMP/52/2007-Misc. dated 26 February 2008 as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports
Case No. TAMP/53/2009-VPT

Visakhapatnam Port Trust

Applicant

O R D E R

(Passed on this 4th day of May 2010)

The Visakhapatnam Port Trust (VPT) had filed its proposal vide letter dated 26 November 2009 for fixing upfront tariff for mechanised handling of thermal coal and steam coal at the proposed East Quay 1A berth on Design, Built, Finance, Operate and Transfer (DBFOT) basis in pursuance of the guidelines for upfront tariff setting for Public Private Participation (PPP) projects at Major Ports Trusts vide Notification No.TAMP/52/2007-Misc. dated 26 February 2008. The proposal contained certain gaps. Physical features of the proposed facility were not furnished. The proposal was not accompanied with draft Scale of Rates and reasons for deviations from the norms prescribed in the guidelines with reference to certain factors were not explained. The VPT also did not furnish copy of the Feasibility Report and the list of users / shortlisted bidders or prospective applicants to be consulted in this regard. Therefore, the proposal dated 26 November 2009 was returned to the VPT vide letter dated 4 December 2009 with an advice to file a comprehensive proposal.

2. The VPT has vide its letter dated 6 January 2010 filed a revised proposal addressing some of the points raised by the Authority earlier.

3. The highlights of the proposal are as given below:

(i). The VPT proposes to develop a terminal as integrated mechanized loading terminal on DBFOT basis for coastal loading of thermal coal and steam coal at East Quay 1A in the inner harbour of VPT.

(ii). Physical features:

(a).	Length of the proposed berth	---	280m
(b).	Apron width	---	22.5m
(c).	Draft	---	To cater 14 mtrs. draft vessels in stages duly synchronizing with deepening plans of VPT.
(d).	Storage area	---	25 acres with a stacking capacity of 67.00 lakhs tonnes per annum.

(iii). Capacity of the terminal:

(a). The port has assumed 16% share of handy and handymax vessels (40000 DWT) and 84% share of panamax vessels (80000 DWT) based on vessel deployment pattern as per Clarkson registry.

(b). 3 Million Tonnes Per Annum of imported steam coal was envisaged as back loading for coastal movement to neighbouring ports.

(c). The optimal quay capacity is assessed at 9.40 million tonnes per annum (MTPA) based on the percentage share of capacity of handy & handy size and panamax vessels and ship day out put (loading rate) as per the norms in the guidelines.

(d). The optimal stackyard capacity is assessed at 6.7 MTPA being sum total of the optimal stackyard capacity of thermal coal at 3.72 MTPA and steam coal at 2.98 MTPA. The total storage area of 25 acres is proposed to be equally allotted for stacking the two cargo items for assessing their respective stackyard capacity.

The deviations from norms noticed in the calculation of yard capacity and the reasons given by VPT for the deviations are furnished in the following table:

Item	Norms as per guidelines	Considered by VPT	Reasons given by VPT for deviations
I. Thermal Coal			
(i). Quantity that could be stacked per sq. m. area	3 tonnes per sq. m.	5 tonnes per sq. m.	No reasons given.
(ii). Turnover ratio	12	30	As per guidelines dwell time norm is 25 days which gives 12 turnaround of cargo. As ascertained from one of the prime user agencies 7 days cargo requirement (Minimum inventory) is expected to remain in the port stockpile and the cargo would be moved out from the port as and when imported. Hence, a dwell time of 10 days is considered reasonable and on this basis the turnover ratio of stockpile works out to 30.
II. Steam coal			
(i). Quantity that could be stacked per sq. m. area.	3 tonnes per sq. m.	4 tonnes per sq. m.	Keeping in view the nature of cargo being light in weight and dusty cargo without inherent moisture and the stack height of 5 mtrs. (as asserted from one of the steam coal importers, 4 tonnes of cargo per sq. m. can be stacked). (5 m. x 0.833 per cubic m.)
(ii). Turnover ratio	12	30	As mentioned at Item No.I (ii).

- (e). As per the guidelines, the lower of the optimum quay and optimum stackyard capacity, i.e. 6.70 MTPA is considered as the optimum capacity of the terminal for proposing the upfront tariff.

- (iv). Capital cost of the project:

The total capital cost of the project is estimated at Rs.26971.28 lakhs. The break up of the capital cost estimates considered in the upfront tariff calculation is tabulated below:

(Rs. in lakhs)			
Sl. No.	Group		Amount
(1)	Cargo handling activity		
	(a) Civil construction cost	361.14	
	(b) Mechanical & Electrical Works	18285.97	
	(c) Miscellaneous (5% of civil & mechanical cost)	932.36	
	Total		19579.47
(2)	Berthing activity		
	(a) Cost of construction of berth	5200.44	
	(b) Cost of Slope protection works	826.90	
	(c) Berth Fixtures	180.29	
	(d) Ground improvement	590.84	
	(e) Cost of dredging alongside the berth	593.34	
	Total		7391.81
	Total project cost		26971.28

- (a). With regard to the civil cost, the VPT has considered the cost towards dismantling of the existing structure. Further, it has considered the cost of area illumination under civil cost which is grouped under Mechanical and Electrical works cost in the normative list and on the other hand it has considered the cost of Transfer Towers stipulated under civil cost in the guidelines under 'Mechanical & Electrical Works'. Apart from this, the VPT has not considered the cost of Railway tracks, Conveyor galleries, Wagon Tipling station or Dumper House, Marshalling Yard, Roads, etc. prescribed in the normative list of civil works in the guidelines of February 2008.
- (b). The VPT has considered the equipments as per the norms mentioned in the guidelines except wagon tippler and cranes. As against the norm of 2 wagon tipplers, it has considered 1 twin wagon tippler and not included the cost of 2 Nos. Cranes in the capital cost estimation.
- (c). The VPT has stated that the estimates are prepared based on the VPT schedule of rates applicable from 1 June 2008 and the Rate analysis prepared in VPT schedule of rates of 1 June 2008 and with latest amendment no.2 effective from 1 January 2009 and prevailing market rates / quotations for items where rates are not applicable in VPT in respect of civil works. Cost of dredging is worked out based on the rate of Rs.300/cubic metre done by M/s.DCI.
- (v). Operating cost:
- The operating cost is assessed as per the norms prescribed in the guidelines at Rs.5131.51 lakhs.
- (vi). The Return on Capital Employed (ROCE) is computed at 16% on the estimated capital cost.

(vii). Annual Revenue Requirement:

The annual revenue requirement for the proposed loading terminal from the handling activity is assessed as per the guidelines as below:

(Rs, in lakhs)		
Sl. No.	Particulars	Amount
1.	Total annual operating cost	5131.51
2.	Return on capital employed	3132.71
ANNUAL REVENUE REQUIREMENT		8264.22

(viii). The VPT has apportioned the revenue to various tariff items as per the guidelines as given below:

Sl. No.	Particulars	Rs. in lakhs
1.	Handling charges (98%)	8098.94
2.	Storage charges (1%)	82.64
3.	Miscellaneous charges (1%)	82.64

(ix). The port has proposed handling charges considering the capacity of the terminal and the revenue requirement from the handling charges. Entire movement of thermal coal is anticipated as coastal exports. As regards steam coal, it has stated that rate for foreign cargo will be applicable for steam coal loaded to neighboring ports as origin of cargo is foreign.

(x). In view of the proposed sophisticated mechanised loading terminal, the port has proposed storage charges beyond 10 days as against 25 days prescribed in the guidelines.

(xi). Storage charge is estimated assuming that 17% of cargo capacity will attract storage charge beyond 10 days free period proposed, for an average period of 5 days.

(xii). **Berth hire**

(a). The capital cost and operating cost are considered by the port in arriving at the proposed berth hire charges.

(b). The operating cost takes into account repairs & maintenance and insurance each at 1% of the capital cost of construction of berth and depreciation as per the Companies Act. The details of operating cost are tabulated below:

Sl. No.	Group	Rs. in lakhs
(i).	Repairs and Maintenance (1% of Rs.7391.81 lakhs)	73.92
(ii).	Insurance (1% of Rs.7391.81 lakhs)	73.92
(iii).	Depreciation (3.34% on Rs.7391.81 lakhs)	246.89
Total		394.73

(c). The revenue requirement is assessed at operating cost plus 16% ROCE as per the norms.

(d). For arriving at the proposed berth hire charges, the port has considered the berth occupancy factor of each category of vessel for thermal and steam coal based on ship day out put and the average parcel size of the vessels. It has assumed GRT of the handy and handymax vessel at 22000 tonnes and GRT of panamax vessel at 44000 tonnes.

(e). The port has arrived at the proposed berth hire charges of Rs.0.89 per GRT per hour. It is stated in the proposal that the proposed charge is for coastal vessel.

The rate for foreign vessel is arrived at by escalating the coastal rate to the extent of concession available to the coastal vessel (i.e. $0.89 * 100/60$). Accordingly, the rate for foreign vessel is proposed at Rs.1.487 per GRT per hour.

(xiii). To summarise, the upfront tariff cap proposed is as given below:

(a). Berth hire

Sl. No.	Vessel	Rate per GRT per hour or part thereof	
		Foreign going vessel (in Re)	Coastal vessel (in Re)
1.	Vessel	1.487	0.892

(b). Cargo handling charges

(Rate per metric tonne)

Sl. No.	Commodity	Rate in Rupees	
		Foreign	Coastal
1.	Thermal coal	120.88	120.88
2.	Steam coal	120.88 *	72.53

* It is stated that Steam coal is imported from a foreign port and unloaded at the berths of VPT / BOT berths and back loaded for neighboring ports is considered as foreign cargo as the origin of the cargo being foreign. Accordingly, rates for foreign will be applicable for such cargo.

(c). Storage charges

(Rate in Rs. per tonne per day or part thereof)

Sr. No.	Commodity	Rate for first 5 days for the balance cargo remaining after the free period	Rate for 6 th day to 10 th day for the balance cargo	Rate for 11 th day onwards for the balance cargo
1.	Thermal coal & Steam coal	1.45	2.90	5.80

Note: 10 free days shall be allowed.

(d). Miscellaneous charges for sweeping, dust suppression, environment, etc. – Rs.1.23 / tonne.

4. In accordance with the consultation process prescribed, the proposal dated 6 January 2010 received from the VPT was circulated to the concerned users / organisation bodies and RFQ applicants (as per the list provided by the VPT) seeking their comments. The comments received from the users / organisation bodies and RFQ applicants have been forwarded to the VPT as feedback information. The VPT has furnished its observations on the comments of the users / organisation bodies and RFQ applicants.

5. Based on the preliminary scrutiny of the proposal, the VPT was requested to furnish additional information/clarifications on various points vide our letter dated 12 March 2010. The VPT vide its email letter dated 15 April 2010 has furnished its reply alongwith revised proposal. A summary of the queries raised by us and the clarifications furnished by the VPT thereon are tabulated below:

Sl. No.	Queries raised by us	Reply of VPT				
(i).	Average GRT, parcel size of thermal coal and steam coal vessels handled at the port as well as at the private terminal operator Vizag Seaport Private Limited during the last three years 2006-07 to 2008-09 may be furnished.	Cargo	Handled by Port		Handled by Vizag Seaport	
			Average GRT	Average Parcel	Average GRT	Average Parcel
		Steam coal (Import)				
		2006-07	29420	41118	26059	32236
		2007-08	30827	40565	27790	35577

		<table><tr><td>2008-09</td><td>28646</td><td>45839</td><td>28162</td><td>35222</td></tr><tr><td colspan="5">Thermal coal (Export)</td></tr><tr><td>2006-07</td><td>27326</td><td>34877</td><td>--</td><td>--</td></tr><tr><td>2007-08</td><td>27536</td><td>36880</td><td>--</td><td>--</td></tr><tr><td>2008-09</td><td>24156</td><td>32329</td><td>--</td><td>--</td></tr></table>	2008-09	28646	45839	28162	35222	Thermal coal (Export)					2006-07	27326	34877	--	--	2007-08	27536	36880	--	--	2008-09	24156	32329	--	--
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(ii).	<u>Capacity:</u> (a). The port has not assumed any share of capesize vessel while assessing the quay capacity. Bearing in mind that the upfront tariff to be fixed is for time horizon 30 years and also the deepening projects envisaged by the port now and in future, kindly confirm no capesize vessels are expected to be handled during the 30 years project period. (b). The port may based on the steam coal vessels handled at its port and also at the private terminal operator i.e. Vizag Seaport Private Limited during the last three years and considering the increased draft envisaged in the proposal, justify the share of vessel distribution pattern assumed in the upfront tariff calculation. (c). The port has distinguished the stacking factor for steam coal and thermal coal citing that steam coal is a dusty cargo and light in weight. Such distinction is, however, not considered by the port in the loading rate of steam coal. (d). The stacking height achieved by the port with reference to stacking of thermal coal during the last three years may be furnished. (e). The stacking factor in tonnes / sq. m. and the density of the cargo considered for arriving at the stacking factor of 5 tonnes/ sq. m. may be explained. It is relevant to mention that the Authority while setting upfront tariff for coal terminal (thermal coal) at Tuticorin Port Trust has considered stack height of 6.6 tonnes / sq. m. based on the submissions made by the Tuticorin Port Trust. When stack height of 6.6 tonnes / sq. m. can be achieved by TPT, the reasons why the same cannot be adopted in the case of the VPT may be explained. The stacking factor assumed in the calculation may, therefore, be reviewed in light of the above observations. (f). It is relevant to mention that the upfront tariff guidelines do not prescribe any norm nor does it place any restriction on the port on area to be allotted to the operator for storage purpose. The expectation is to consider area required to handle the anticipated capacity. In view of wide gap observed between the optimal quay and optimal	Inner Harbour, even after Phase –III deepening can accommodate vessels upto 14 m draft, Cape size vessels which require 18 m. draft can not be handled at inner harbour. The vessel distribution pattern was assumed basing on the bulk carrier fleet profile of Clarkson Register (January 2008) for handymax and panamax vessels which is as follows: <table><tr><td>DWT</td><td>No. of vessels</td><td>Percentage share</td></tr><tr><td>40000 – 45000</td><td>472</td><td>16</td></tr><tr><td>45000 – 50000</td><td>500</td><td></td></tr><tr><td>50000 – 60000</td><td>620</td><td></td></tr><tr><td>60000 – 70000</td><td>445</td><td></td></tr><tr><td>70000 – 80000</td><td>876</td><td></td></tr><tr><td>Total</td><td>2441</td><td>84</td></tr><tr><td>Total No. of vessels</td><td>2913</td><td>100</td></tr></table> There is a distinction in the handling rate also. Average stack height achieved is 4 to 5 meters. However, some of the importers are stacking even upto 8 mtrs. high. The bulk density of the Thermal coal is 0.71 tonnes per cum. 7 mtrs. high compound wall is being constructed as a dust barrier considering the stack of height of 7 meters. Considering a stack height of 7 meters, 5 tonnes per sq. m. can be stacked (7 mtrs. x 0.71 tonne / cum). With regard to steam coal, the nature of cargo being light in weight and dusty cargo without inherent moisture, the stack height of 5 meters is considered being the specific gravity of steam coal is 0.833 tonne / cum. The stacking factor is worked out to 4 tonnes per sq. m. Further, it may not be proper to compare the facility with that of Tuticorin Port as it depends upon the type of the soil and its developments. There is no need to review as there is no mismatch between quay and Yard capacity in the revised proposal.	DWT	No. of vessels	Percentage share	40000 – 45000	472	16	45000 – 50000	500		50000 – 60000	620		60000 – 70000	445		70000 – 80000	876		Total	2441	84	Total No. of vessels	2913	100	
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	yard capacity, the port may examine the possibilities of improving the yard capacity by increasing the area to be allotted for storage and also by improving the other parameters considered in assessing the optimal yard capacity.																																					
(iii).	Capital Cost:																																					
	(a). The capital cost estimates are based on the Schedule of Rates applicable from 1 June 2008 with amendment effected from 1 January 2009 and for other items for which rates are not available, the prevailing market rate are adopted. The estimates of capital cost based on the prevailing market may be updated.	The capital cost estimate furnished for civil works are based on the schedule of rates with latest amendments as on 1 st January 2010. For the items, which are not available in SR, the prevailing market rates as of January 2010 have been adopted. Budgetary offer have been obtained and updated duly applying necessary taxes and duties prevailing as of April 2010.																																				
	(b). Despite specific advice, port has not furnished documentary support of unit rate adopted in the estimation of civil and equipment cost. The project Feasibility Report does not contain documents validating the estimates. Copies of supporting documents/ calculation/ rate analysis / budgetary quotations, market rates to justify the estimates of both civil and equipment cost may be furnished.	The documentary support of unit rates adopted in the estimation of civil costs and copies of supporting documents / calculation / rate analysis / budgetary quotations, market rates to justify the estimates of civil costs are furnished. With regard to mechanical equipment, Budgetary offers obtained for ship loader, Reclaimer, Stacker and for HMC' are furnished.																																				
	(c). The basis of estimating the capital cost towards berth apron and approach at Rs.68.38 lakhs may be explained.	Berth Apron and Approach comprises of the strengthening part of berth apron as well as approaches which include laying of hard surfacing enabling unhindered cargo handling activity at the approaches as well as berth location. All these activities are identified and worked under the head as indicated below: <table><tr><th>Description</th><th>Quantity</th><th>Rate</th><th>Total</th></tr><tr><td>Earth work in excavation over areas</td><td>510 m³</td><td>93.60</td><td>47,736</td></tr><tr><td>Supplying and filling with gravel/morum</td><td>638 m³</td><td>447.45</td><td>2,85,473</td></tr><tr><td>Transportation of debris/excavated earth up to a lead of 11 KM.</td><td>510 m³</td><td>163.57</td><td>8,34,207</td></tr><tr><td>Providing sub-base 300 mm thick with moorum/gravel</td><td>764 m³</td><td>769.50</td><td>5,87,898</td></tr><tr><td>Providing and laying Water bound macadam 225 mm thick</td><td>574 m³</td><td>1344.20</td><td>7,71,571</td></tr><tr><td>Supplying and laying of high strength M-50 grade precast blocks 200x100x100mm</td><td>2548 m³</td><td>824.90</td><td>21,01,845</td></tr><tr><td colspan="3">Total for berth lenth of 215 mts.</td><td>46,34,730</td></tr><tr><td colspan="3">Total for berth lenth of 280 mts.</td><td>60,35,927 or say 60.35 lakhs</td></tr></table> Add: 3% contingencies, 7% project supervising charge and 2.8% work contract tax.	Description	Quantity	Rate	Total	Earth work in excavation over areas	510 m ³	93.60	47,736	Supplying and filling with gravel/morum	638 m ³	447.45	2,85,473	Transportation of debris/excavated earth up to a lead of 11 KM.	510 m ³	163.57	8,34,207	Providing sub-base 300 mm thick with moorum/gravel	764 m ³	769.50	5,87,898	Providing and laying Water bound macadam 225 mm thick	574 m ³	1344.20	7,71,571	Supplying and laying of high strength M-50 grade precast blocks 200x100x100mm	2548 m ³	824.90	21,01,845	Total for berth lenth of 215 mts.			46,34,730	Total for berth lenth of 280 mts.			60,35,927 or say 60.35 lakhs
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	(d). In the normative list prescribed in the guidelines, electrical works is grouped under mechanical and electrical equipment. The civil cost includes Rs.46.72 lakhs towards area illumination which is not as per the normative list prescribed in the guidelines. Since the estimation of mechanised equipment already includes Rs.339.89 lakhs towards electrical works and lighting. The reason for estimating Rs.46.72 lakhs under civil cost towards area illumination may be justified.	The observation made by TAMP is correct and the component for area illumination has been included under electrical power & control switch gears etc.
	(e). Transfer towers is stipulated under list of civil work in the guidelines. The port has considered this item under handling equipment which is not as per the guidelines.	Cost of transfer towers has since been considered under civil construction cost.
	(f). Though the equipment cost includes wagon tippler as per the norms prescribed in the guidelines, the civil cost does not include the cost of rail tracks and wagon tipping station or dumper houses. Further, the cost of conveyor galleries, marshalling yard, roads, etc. prescribed in the normative list of civil works in the guidelines are also not included. The port may again confirm that these civil works (mentioned in the guidelines) are not envisaged by the port.	There are five railway lines in the stacking area recently laid by VPT which can be used by the user. With regard to wagon tipping station or dumper houses, there are existing buildings/sheds to be dismantled for development of back up area of the berth which can be utilized as dumper houses. With regard to cost of civil works towards laying of roads, it is to state that already there are existing as well as recently laid roads and vacant buildings. With regard to civil works relating to conveyor gallery, it is to state that an amount of Rs.5.22 crores has been allocated for ground improvement, which includes foundation for conveyor gallery and transfer towers. The cost of Rs.7.90 crores towards ground improvement, which was earlier considered under berth activity, has since been considered under handling activity as per guidelines.
	(g). The civil cost under berth hire activity includes cost of slope protection works, berth fixtures and ground improvement. Confirm that these items form part of berth construction cost as guidelines do not list individual items.	It is confirmed that cost of slope protection works and berth fixtures will form part of berth construction. With regard to ground improvement, the cost is considered under handling activity in the revised proposal.
(iv).	<u>Operating Cost:</u>	
	(a). The unit rate of power considered in the upfront tariff fixation of the multipurpose cargo terminal in February 2009 was Rs.6.20 in the instant proposal. The port has adopted the same unit rate. Confirm whether the unit rate of power considered is the prevailing rate and substantiate it with copy of recent electricity bill.	The unit rate of power i.e. Rs.6.20 ps. is the prevailing rate in vogue.
	(b). As per the upfront tariff guidelines, the license fee has to be estimated as per rates prescribed in the Scale of Rates of the concerned Major Port Trusts. The basis on which the unit rate of license fee is estimated for Zone IC along with the working of base rate adopted and the annual escalation applied as per the Government guidelines may be explained. The Authority has not prescribed the lease rent for zone IB. The basis adopted for estimating the lease rental for area proposed to be allotted in this zone may be explained.	With respect to Zone-IB, the authority has not prescribed the lease rental for that Zone. But with respect to adjacent Zone i.e. Zone-IA which has a rate of Rs.2215 per sq. yard i.e. Rs.2650 per sq. m. which has been approved by TAMP. Hence the same has been adopted for Zone-IB also. TAMP approved rate for Zone-IC for quinquennium 2003-08 is Rs.2400 per sq. yard (Rs.2870 per sq. mtr.), which is considered now. As the valuation for 2008-13 period is not yet fixed, 2% escalation is continued. [Calculation sheet for lease rent for Zone-IB and IC is furnished.]

(v).	The reasons for proposing uniform handling rate for thermal coal and steam coal when the handling rates for both these cargo items are different may be explained.	Handling rate differ due to density of the cargo. However, equipment and other infrastructure used is same for both type of coal. Hence, it is rational to propose a single rate. Further, in case of GCB uniform handling rate is reckoned to coking coal and steam coal.
(vi).	The proposal of the port for not allowing concessional tariff in the handling charge for coastal movement of steam coal to neighbouring ports is not found to be as per the coastal concession policy envisaged by the Government which is notified vide Order No.TAMP/4/2004-Genl dated 7 January 2005 and subsequent amendment dated 15 January 2005. Since the entire cargo of steam coal is envisaged as back loading for coastal movement, it is to be treated as coastal cargo for the purpose of levying tariff. Since both the commodities to be handled are coastal, the rates derived may be taken as coastal rates. Prescribing rate for foreign cargo may be only artificial in this case as the port does not envisage any foreign movement.	The entire back loading of steam coal has now been considered as coastal movement and accordingly concession of 60% is reckoned while arriving the handling rate.
(vii).	Though the port has proposed concessional tariff for coastal vessel / coastal cargo in berth hire as well as composite handling charge (steam coal), the revenue impact of allowing such concession is not considered while arriving at the proposed rates. The port may confirm that it does not expect to handle foreign vessel / cargo at for the proposed facility.	It is confirmed that no foreign vessel/ cargo will be handled at the proposed facilities.
(viii).	Thermal coal is envisaged to be handled only by panamax vessel and steam coal only by handy / handy max vessels while assessing the quay capacity. Whereas while calculating berth hire a mix of panamax and handy / handy max vessels is considered for each of these cargo items and the share of vessel adopted and share of vessel type considered in the berth hire calculation is found to be different from that assumed in the quay capacity calculation. This inconsistency in the proposal may be corrected.	For both the cargoes, the share of 16% for handy max and 84% for panamax vessels is considered as explained in the proposal.
(ix).	Please furnish an analysis to show that 17% of cargo capacity will attract storage charge. The average dwell time assumed for determining cargo capacity like to attract storage charge may be indicated.	23% of cargo that attracts storage charges is determined as follows: Dwell time : 10 days Free period : 5 days Stay of Vessel at berth : 2.75 days Days that attract storage : 2.3 days Percentage cargo that attract : 23% Storage (2.3 / 10 days x 100
(x).	The capital cost estimates should be updated to reflect the current market position and the indexation in the upfront tariff will be with reference to 1 January 2010.	The rates have been worked out based on Schedule of Rates as on 1 st January 2010.

6.1. A joint hearing in this case was held on 17 March 2010 at the VPT premises. The VPT made a power point presentation of its proposal. At the joint hearing, VPT and the concerned users / organisation bodies / potential bidders have made their submissions.

6.2. At the joint hearing, the VPT was advised to take action on the following points:

- (i). A detailed response of the VPT on the additional information / clarifications sought from the port.
- (ii). The VPT to reconsider its proposal in order to remove mismatch between quay and yard capacities.

The VPT was allowed one week's time to respond (i.e.) by 23 March 2010.

6.3. M/s. IVRCL Infrastructures & Projects Limited was allowed one week's time to furnish its written comments as agreed by it. However, no comments were received from them till finalisation of this case.

6.4. With reference to the points decided at the joint hearing, the VPT has furnished its reply vide its letter dated 15 April 2010 alongwith a revised proposal. When the discrepancies noticed in the estimation of civil cost were pointed out to the port, the VPT revised its estimates vide its letters dated 22 April 2010 and 24 April 2010 followed by clarification dated 27 April 2010. The main modifications made by the VPT in the revised upfront tariff proposal dated 15 April 2010 and 24 April 2010 filed by VPT are summarised below:

- (i). In the original proposal, quay capacity and yard capacity were assessed at 9.40 Million Tonnes and 6.70 Million Tonnes. In the revised proposal, the yard capacity stands revised to 7.36 Million Tonnes and the quay capacity at 7.82 Million Tonnes. The yard capacity of 7.36 Million Tonnes being the limiting factor, the VPT has pegged the optimal terminal capacity at 7.36 Million Tonnes. In quay capacity calculation, the handling rates for thermal coal by handymax vessels and panamax vessels are maintained as per norms at 20,000 tonnes and 40,000 tonnes per day respectively, the handling rates for steam coal by handymax vessels and panamax vessels are considered at 15,000 tonnes and 27,000 tonnes per day respectively as against the respective norm of 20,000 tonnes and 40,000 tonnes.
- (ii). Cost of berth apron and approach earlier estimated at Rs.68.38 lakhs revised to Rs.57.21 lakhs due to rectification of arithmetical error.
- (iii). The estimated cost of Rs.590.84 lakhs towards ground improvement earlier considered by it under the capital cost of berthing services is now considered under civil cost of cargo handling activity at a higher level of Rs.673.75 lakhs due to revision in estimate.
- (iv). Cost of Rs.46.72 lakhs towards area illumination earlier considered under civil cost of cargo handling activity is now clubbed with the estimated cost of electrical power and control switch gears listed under normative list of equipments.
- (v). The estimated cost of Transfer Towers of Rs.192.61 lakhs earlier considered under capital cost of equipment which is not under the normative list of equipments is now considered under civil cost of cargo handling activity.
- (vi). The earlier estimated amount of Rs.3965.36 lakhs towards cost of 2 numbers ship loaders is revised to Rs.4937.43 lakhs.
- (vii). VPT had earlier proposed 2 numbers of each Reclaimer and Stacker, which are as per the norms prescribed in the guidelines. In the revised proposal, the port has proposed 1 reclaimer and 1 stacker and 1 stacker-cum-reclaimer. The stacker-cum-reclaimer does not figure in the normative list of equipment. The aggregate cost of reclaimers and stackers has been revised from Rs.6117.98 lakhs to Rs.8970.78 lakhs to meet the cost of 1 reclaimer, 1 stacker and 1 stacker-cum-reclaimer.
- (viii). The earlier estimated cost of wagon tippler has been revised from Rs.1699.44 lakhs to Rs.2447.20 lakhs.

- (ix). Consequent to the above modifications, the capital cost of berthing service, cargo handling service and the total capital cost are revised by the port.

The total capital cost has been revised from Rs.269.71 crores to Rs.313.39 crores.

- (x). The estimation of operating cost is also modified with reference to the revised capital cost estimation.
- (xi). The proposal envisages un-loading of the cargo from the wagons, stacking of the cargo at stackyard and reclaiming the cargo from the stackyard and loading onto ship.
- (xii). The revised Annual Revenue Requirement is as given below:

(Rs. in lakhs)			
Sl. No.	Particulars	For Cargo handling	For Berth hire
1.	Capital cost		
	(a). Civil	1169.62	6262.16
	(b). Mechanical & Electrical equipment	22712.71	--
	(c). Miscellaneous	1194.12	--
	Total Capital Cost	25076.45	6262.16
2.	ROCE at 16%	4012.23	1001.95
3.	Operating Cost	6321.66	334.40
4.	Total Revenue Requirement	10333.89	1336.35

- (xiii). The free storage period has been revised from 10 days to 5 days.
- (xiv). The upfront tariff proposed by the VPT to meet the estimated Annual Revenue Requirement is as follows:

- (a). Berth hire charges:

Rate per GRT per hour or part thereof
Foreign going rate (in Re)
0.57

- (b). Thermal coal and Steam coal handling charges:

(Rate in Rs. per tonne)		
Cargo	Foreign	Coastal
Thermal coal	167.26	167.26
Steam coal	167.26	100.36

- (c). Storage charges (beyond free period)

- Free period: 5 days
- Storage charge for the balance cargo remaining beyond the free period

Sl. No.	Particulars	Rate in Rs. per tonne per day or part thereof
1.	For 1 st 5 days	1.22
2.	6 th to 10 th day	1.83
3.	11 th day onwards	2.44

- (d). Miscellaneous charges is proposed at Rs.1.40 per tonne to cover the services sweeping, dust suppression, environment, etc.

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 (7×0.71) 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.

(v). Capital Cost:

The revised capital cost for the thermal and steam coal terminal estimated by the VPT is Rs.313.39 crores of which Rs.62.62 crores is allocable to berthing activity and Rs.250.77 crores for cargo handling services as explained hereunder:

(a). Berthing activity:

- (i). As per the upfront tariff guidelines, the capital cost for berth hire services include cost of construction of berth and cost of dredging, if any, carried out alongside the berth. The guidelines require to consider the civil cost as per the estimates of the Port Trust.

The length of the mechanised steam coal berth is envisaged to be 280 metres and the width of the berth at 22.50 metres. The cost of berth is estimated at Rs.56.69 crores. This includes estimated cost of Rs.7.38 crores towards construction of slope protection walls plus Rs.1.80 crores towards berth fixtures. The VPT has clarified that construction of slope protection walls and berth fixtures are part of berth construction.

- (ii). The VPT has estimated Rs.5.93 crores towards dredging alongside the berth adopting the unit rate of Rs.300/cum based on the work done by M/s.Dredging Corporation of India. In the recently concluded proceedings relating to fixation of upfront tariff for handling coking coal and steam coal vide Order No.TAMP/58/2008-VPT dated 27 November 2009, the unit rate of Rs.300 per cubic metre reported by the VPT was relied upon by this Authority.

(b). Cargo handling activity:

- (i). Civil construction cost:

The upfront tariff guidelines broadly indicate the civil works involved for coal terminal and require the port to estimate civil cost. The estimated civil cost does not include the cost of rail tracks and wagon tipping station or dumper houses or marshalling yard.

The port has clarified that it has recently laid five railway lines in the stacking area which can be used by the users. Likewise, the existing civil structures are required to be dismantled for development of backup area which can be used as dumper houses.

The VPT has not considered the cost of laying roads on the ground that roads already exist and it has also recently laid roads.

One of the items listed under civil works as per guidelines is conveyor galleries. The port has considered cost of ground improvement under civil works and clarified that ground improvement includes cost of laying foundation for conveyor gallery.

- (ii). Equipment cost:

- (a). The normative list of equipment prescribes 2 nos. of reclaimers and 2 stackers amongst other equipment, whereas the VPT has considered one reclaimer, one stacker and one stacker-cum-reclaimer.

The difference in equipment with reference to the norms stipulated is only on one equipment i.e. one reclaimer cum stacker. The port proposes deployment of one reclaimer-cum-stacker instead of one reclaimer and one stacker separately. Earlier, the VPT in the upfront tariff fixation for coking coal and thermal coal had considered deployment of one reclaimer-cum-stacker instead of one reclaimer and one stacker separately which was relied upon by this Authority vide Order No.TAMP/58/2008-VPT dated 27 November 2009.

- (b). The normative list of equipment prescribes two nos. wagon tippler and two cranes, among other equipment. The VPT has considered one no. wagon tippler and not considered cranes.
- (iii). The civil and equipment cost estimates prepared by the port are with provision for contingencies to take care of any requirement which is not envisaged in the estimates, works contract tax and engineering / supervision charge.

With reference to the doubt raised by Sical Logistics about the rate of Work Contract Act, the VPT has clarified that 2.8% considered by it is as per the existing tax regime in the State.

The unit cost of stacker-cum-reclaimer (Rs.32.62 crores), wagon tippler (Rs.24.47 cores), metal detectors and weighers (0.57 crores), workshop equipment (Rs.1.13 crores), and electric power & control switch gears (Rs.3.87 crores) considered by VPT are not supported by budgetary offer and the cost for the respective items reported by VPT is, however, relied upon.

The cost of belt conveyors (Rs.56.65 crores) and Payloaders and Dozers (Rs.1.36 crores) are as per the position relied upon by this Authority in the upfront tariff Order dated 27 November 2009.

In respect of civil cost, the Port has clarified that the estimates are prepared based on the VPT schedule of rates with latest amendments as on 1 January 2010. For the items where rates not available in the schedule of rates, rates prevailing in the market rates as on 1 January 2010 are considered.

For the reasons explained by the port, this Authority relies on the estimates furnished by the port. It is notable that none of the users or bidders have any objection on the civil and equipment cost estimated by the VPT.

- (iv). The VPT has estimated miscellaneous capital cost at 5% on the civil and equipment cost, which is found to be in line with the norm prescribed in the guidelines.
- (v). The capital cost for berth hire service at Rs.62.62 crores and cargo handling service at Rs.250.77 crores summing to Rs.313.39 crores is considered. Incidentally, the estimates considered by us are at the levels reported by the port. It may be relevant here to mention that the capital cost estimates are based on the schedule of rates as of 1 January 2010, as reported by the port.
- (vi). The TNEB has requested to reduce the return to 12% on the ground that 16% return is very high. It is relevant here to mention that the rate of ROCE was reviewed from time to time by this

Authority and the rate in force currently is 16%. Hence, the return on capital employed is computed at 16% on the estimated capital cost. This works out to Rs.10.02 crores for berth hire service and Rs.40.12 crores for cargo handling services.

(vi). Operating Cost:

- (a). The VPT has considered power consumption at 1.40 units per tonne as prescribed in the upfront tariff guidelines for the normative fleet of equipment.

The unit cost of power considered by the VPT is Rs.6.20. Even in the upfront tariff earlier determined in November 2009 for coking coal and steam coal and in February 2009 for multipurpose cargo berth and liquid cargo berth, the VPT had indicated the unit rate of power at Rs.6.20 which was considered by this Authority. Thus, the power cost works out to Rs.639.20 lakhs for the optimal terminal capacity of 7.36 Million Tonnes.

- (b). As per the norms, the repairs and maintenance cost is estimated at 1% on the civil assets and 7% on the mechanical and electrical equipment, insurance cost at 1% of the gross fixed assets and other expenses at 5% of the gross value of fixed assets.
- (c). Depreciation computed @ 3.34% on civil cost and 10.34% on equipment cost as per the rates prescribed in the Companies Act under the SLM for the relevant group of assets, is found to be in order as per the norms stipulated in the guidelines.
- (d). Lease rentals is calculated for 1,01,200 sq. mtrs. of total area in Zone IB and Zone IC. The VPT has estimated the lease rent based on the rate approved by this Authority for quinquennium of 2003-08. Annual escalation is considered @ 2% per annum as per the existing schedule of rates from the years 2004-05 onwards to 2009-10. The port has clarified that the rate for land (to be) allotted in Zone IB is not approved by this Authority, hence the unit rate is considered at the existing lease rent applicable for Zone IA which is adjacent and analogous to Zone IB.

The guidelines for upfront tariff guidelines stipulate that the lease rent for the port land is to be estimated based on the rate prescribed in Scale of Rates of the respective Major Port Trusts. The lease rent of the land belonging to the VPT was last approved by this Authority vide Order No.TAMP/41/2005- VPT on 22 April 2008 for the quinquennium 1998-2003 and 2003-2008 following the Government guidelines on land policy issued in March 2004. The lease rent approved by this Authority is due for revision but the port has not yet filed any proposal for revision of lease rental in line with the guidelines of the Government on land policy of major ports. Till such time any revision takes place, the existing Scale of Rates continues.

Recognising the specific provision in the upfront tariff guidelines requiring estimation of this item based on the existing lease rental prescribed in the Scale of Rates of the Major Port Trusts, the estimate of the VPT for this item, which is based on the rate approved by this Authority for quinquennium of 2003-08 with approved annual escalation of 2% and application of the approved rate applicable for Zone-1A to Zone-1B as proposed by the VPT, is considered without any change.

In case the revised lease rental for the quinquennium 2008-13 comes into force before issue of the RFP for the proposed EQ-1A terminal, then the port may approach this Authority to review the upfront tariff with reference to this item.

- (e). The guidelines require the operating cost for berthing service to be estimated at 1% of the berth cost.

The VPT has considered insurance @ 1% and depreciation @ 3.34% on the aggregate capital cost relating to construction of berth and dredging while estimating the annual revenue requirement of berthing service apart from the prescribed norm of 1% towards maintenance.

Although the guidelines restrict the operating cost at 1% of the berth cost, the asset requires adequate insurance coverage and the fact that the value of the asset will depreciate due to wear and tear can also not be denied. While fixing upfront berth hire at other Port Trusts, this position was recognised and the cost of insurance and depreciation were considered to assess the annual revenue requirement from berthing service.

In view of the position explained above, the element of insurance cost at 1% and depreciation @ 3.34% of the capital cost are considered in this case also while estimating the operating cost for assessment of the revenue requirement from berth hire service. In this context, it is noteworthy that clause 3.6. of the guidelines for upfront tariff setting gives flexibility to this Authority to decide on a particular item of expenditure, which it considers for incorporation while computing the upfront tariff cap for which norms are not explicit in the guidelines.

- (vii). The statement for fixing upfront tariff submitted by the VPT has been considered in line with the above analysis. A copy of the statement is attached as **Annex - I**.

- (a). The total revenue requirement from cargo handling service is estimated at Rs.10333.89 lakhs which is an aggregate of operating cost of Rs.6321.66 lakhs and Return on a capital cost of Rs.4012.23 lakhs.
- (b). As per the guidelines, 98% of the total revenue requirement is apportioned to handling charge and 1% each to storage charge and miscellaneous charge for arriving at the pre-determined tariff.
- (c). As brought out earlier, the handling rate assumed for steam coal is different from thermal coal. To a query regarding proposing uniform handling rate for steam coal and thermal coal, the VPT has clarified that the handling rate differs due to the density of the cargo and insisted upon prescribing uniform rate. The upfront tariff guidelines do not explicitly require prescribing separate rates for different categories of coal. Incidentally, in the case of GCB at VPT, uniform handling rate was prescribed for coking coal and steam coal. Thus, based on the optimal capacity of the terminal assessed at 7.36 MTPA, the composite handling rate to meet the estimated revenue requirement of Rs.10127.21 lakhs from cargo handling service works out to Rs.137.53 per tonne, which is comparable with the handling rate of Rs.131.94 per tonne approved in the Order dated 27 November 2009 fixing upfront tariff for handling coking coal and steam coal in the GCB of VPT.

As per the coastal concessional policy envisaged by the Government, coastal cargo other than some specified commodities like thermal coal enjoys concessional rates for coastal movement. The VPT has treated the entire back loading of steam coal as coastal movement and proposed concessional rate loading the revenue impact of such concession on the rate for handling thermal coal. Since both the commodities, thermal coal and steam coal, to be handled at the terminal are coastal, the rate of Rs.137.53 per tonne is considered as coastal rate applicable for both cargo. It is noteworthy that the VPT has categorically stated that no foreign cargo will be handled at the terminal. Allowing concession for

coastal cargo as per the Government policy arises with reference to the rate determined for foreign cargo. Since this terminal is stated to be handling only coastal movement, the question of determining foreign cargo rate does not arise and, therefore, a separate rate for coastal cargo. The rate determined is for coastal movement alone.

- (d). Composite handling charge proposed by the VPT includes charges for unloading of the cargo at the stackyard, transfer upto the point of storage, storage at the stackyard upto 5 days free period, reclaiming from stockyard, loading on to the vessel including wharfage and supply of labour whenever necessary and all other miscellaneous services not specifically prescribed in the Scale of Rates.
- (e). The VPT has assumed that 23% of the total cargo will attract demurrage. It has proposed the rate for the first slab (6th day to 10th day) at 1.22 per tonne. For the subsequent slabs, the proposed rate is 150% and 133% of the respective preceding slab.

The unit storage charge proposed by the VPT has been modified considering a turnover ratio of 33 and 5 free days and 2.2 days for average vessel's stay at berth. Accordingly, the percentage of total cargo that will attract demurrage works out to 35% and the average number of days for which the storage charge will be earned works out to 3.8 days.

Consequently, the storage charge for the first slab is Rs.1.06 per tonne per day or part for the first slab as against Rs.1.22 proposed by VPT. The rates for the subsequent slabs are determined at twice that of the preceding slab as per the approach adopted in the fixation of upfront tariff for coking coal and steam coal vide Order dated 27 November 2009.

- (f). The tariff cap for miscellaneous charge is prescribed at Rs.1.40 per tonne as proposed by VPT. The miscellaneous charge covers charges for sweeping, dust suppressions, environment safety etc.
- (g). The revenue requirement from berthing service works out to Rs.1336.35 lakhs as estimated by the port.

Normally vessel related charges for foreign going vessels are denominated in US dollar terms by converting the rupee value to dollar terms by applying the exchange rate prevailing at the time of notification of the relevant tariff order. This Authority while finalising the upfront berth hire at other major port trusts has already decided to approve the upfront berth hire charge in Rupee term only for the stated reasons.

The VPT has proposed berth hire in rupee terms for foreign going vessel at Re.0.57 per GRT per hour or part thereof. The methodology followed by the VPT for arriving at the berth hire is in general found to be in line with the approach followed by this Authority in other upfront tariff cases. The optimal capacity of the terminal is limited by the yard capacity. Accordingly, the quantum of thermal coal and steam coal is considered at 7.36 MTPA i.e. at the level determined in the yard capacity calculation. The percentage share of handymax / panamax vessels bringing thermal coal and steam coal furnished by the VPT is taken as the base for distributing the thermal coal and steam coal capacity. The berth hire works out to Re.0.57 per GRT per hour (calculation attached as part of Annex - I).

- (h). The VPT, while proposing berth hire charges, has treated the derived rate of Re.0.57 as coastal rate and has proposed a rate of Re.0.95 for foreign going vessel by escalating the coastal rate artificially. Since the VPT has stated that no foreign vessels will be handled at the proposed terminal, the question of prescribing rate for foreign going vessel does not arise.

- (viii). Definitions of some of the common terms like foreign going vessel, coastal vessel, Day are included in upfront schedule in line with the definitions prescribed in the Scale of Rates of VPT and other private terminals operating in VPT.
- (ix). Some of the common conditions stipulated in the guidelines of 2005 and uniformly prescribed in the Scale of Rates of other major ports / private terminals such as 'users should not be required to pay charges for delays beyond reasonable level attributable to the private terminal operator', 'berth hire shall stop 4 hours after the vessel signaling readiness to sail', 'penal berth hire for a false signal', 'non accrual of storage charge for the period when the operator is not in a position to effect delivery/ship the cargo when requested by user for the reasons attributable to the operator' proposed by the VPT are incorporated in the upfront tariff schedule for coal terminal.
- (x). Recognising that conditionalities fixed now would be applicable for a time frame of 30 years, the provision relating to penal rate of interest for delayed payment by users and delayed refund by the operator, is prescribed at 2% above the Prime Lending Rate of the State Bank of India in line with the provision prescribed in other upfront tariff cases decided by this Authority.

9.1. As per clause 2.8 of the 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. 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. 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 1 January 2010 as reported by the VPT, it may be appropriate and relevant to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2010.

9.2. 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.

9.3. 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.

9.4. The performance norms for the projects should be clearly brought out in the bid documents. The private operator is expected to perform at least at the performance norms brought out in the bid document/concession agreement.

9.5. The actual performance of the private operator 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 Visakhapatnam Port Trust. If any action is to be taken against the private operator, the Visakhapatnam Port Trust shall initiate appropriate action in accordance with the provisions of the relevant Concession Agreement.

9.6. During the commercial operation at the terminal, within 15 days from the end of every quarter, the private operator shall submit to this Authority through the Visakhapatnam Port Trust a report containing the terminal's physical and financial performance during the preceding three months.

10. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the tariff caps for handling thermal coal and steam coal at Visakhapatnam Port Trust attached as **Annex - II**.

(Rani Jadhav)
Chairperson

ANNEX - I

**FORMULATION OF UPFRONT TARIFF FOR COAL TERMINAL AT THE PROPOSED EQ-1A BERTH OF
VISAKHAPATNAM PORT TRUST**

Rs. in lakhs

Sl. No	Particulars	Estimates furnished by the VPT			Estimates considered by TAMP
		Proposal vide letter dated 6 January 2010	Revised proposal vide letter dated 14 April 2010	As modified vide letter dated 24 April 2010	
A	<u>Optimal capacity</u>				
I	<u>Optimal Quay Capacity</u>				
(a)	Share of Vessel Size				
	Percentage share of capacity of Capesize vessels (S1)	0%	0%	0%	0%
	Percentage share of vessels of capacity 45000 to 80000 DWT (S2)	84%			
	for Thermal Coal (S2.1)		39.50%	39.50%	39.50%
	for Steam Coal (S2.2)		44.50%	44.50%	44.50%
	Percentage share of vessels of capacity upto 45000 DWT (S3)	16%			
	for Thermal Coal (S3.1)		7.50%	7.50%	7.50%
	for Steam Coal (S3.2)		8.50%	8.50%	8.50%
(b)	Ship day Output (in tonnes per day)				
	- Capesize vessels (P1)	0	0	0	0
	- Vessels of capacity 45000 to 80000 DWT (P2)	40000			
	for Thermal Coal (P2.1)		40000	40000	40000
	for Steam Coal (P2.2)		27000	27000	27000
	- Vessels of capacity upto 45000 DWT (P3)	20000			
	for Thermal Coal (P3.1)		20000	20000	20000
	for Steam Coal (P3.2)		15000	15000	15000
(c)	Quay Capacity = $0.7*((S1*P1)+(S2*P2)+(S3*P3))*365$	9402400	7815745	7815745	7815745
	Quay Capacity in million tonnes	9.40	7.82	7.82	7.82
II	<u>Optimal Yard Capacity</u>				
(a)	Area of yard made available by the Port (in sq. m.) (A)	101200	101200	101200	101200
	for Thermal Coal	50600	50600	50600	50600
	for Steam Coal	50600	50600	50600	50600
(b)	Area available for stacking (%) (U)	70%	70%	70%	70%
(c)	Stacking Quantity per square metre (tons) (Q)				
	for Thermal Coal	5	5	5	5
	for Steam Coal	4	4	4	4
(d)	Annual Turnover Ratio of the plot (T)	30	33	33	33
(e)	Total Yard Capacity (in tonnes)	6694380	7363818	7363818	7363818
	for Thermal Coal	3719100	4091010	4091010	4091010
	for Steam Coal	2975280	3272808	3272808	3272808
(f)	Total Yard Capacity (in million tonnes)	6.70	7.36	7.36	7.36
III	Optimal capacity of the Terminal - lower value of the optimal quay capacity and optimal stack yard capacity (in Million tonnes)	6.70	7.36	7.36	7.36

B	<u>Capital Cost</u>				
I	<u>Cargo Handling Activity</u>	(Rs. In lakhs)	(Rs. In lakhs)	(Rs. In lakhs)	(Rs. In lakhs)
(a)	Civil Cost				
	- Berth Apron and Approach	68.38	68.38	57.21	57.21
	- Storage Yards, Building, Water supply & Sewerage	54.84	54.84	54.85	54.85
	- Dismantling of existing structures & reconstruction of compound wall	191.20	191.20	191.20	191.20
	- Ground Improvement	--	590.84	673.75	673.75
	- Drive houses & Transfer houses	--	192.61	192.61	192.61
	- Area illumination	46.72	--	--	--
	Subtotal (a)	361.14	1097.87	1169.62	1169.62
(b)	Equipment Cost				
	- Ship Loader 1500 TPH (2 Nos.)	3965.36	4937.43	4937.43	4937.43
	- Reclaimer 1500 TPH (2 Nos.)	3398.88	--	--	--
	- Reclaimer 1500 TPH (1 No.) (Norms: 2 Nos.)	--	3261.79	3261.79	3261.79
	- Stacker cum Reclaimer 1 No. (not included in the normative list of equipment and proposed against 1 No. Reclaimer & 1 No. Stacker)	--	3261.79	3261.79	3261.79
	- Twin Wagon Tippler 1500 TPH (1 No.) (Norms: 2 Nos.)	1699.44	2447.20	2447.20	2447.20
	- Stackers 1500 TPH (2 Nos.)	2719.10	--	--	--
	- Stackers 1500 TPH (1 No.) (Norms: 2 Nos.)	--	2447.20	2447.20	2447.20
	- Belt Conveyors 3000 TPH	5664.79	5664.79	5664.79	5664.79
	- Metal Detectors & Weighers (4 + 2 Nos.)	56.65	56.65	56.65	56.65
	- Drive houses & Transfer houses	192.60	--	--	--
	- Pay Loaders & Dozers (2 Nos. each)	135.96	135.95	135.95	135.95
	- Work Shop equipment	113.30	113.30	113.30	113.30
	- Electric Power & Control switch gears	339.89	386.61	386.61	386.61
	Subtotal (b)	18285.97	22712.71	22712.71	22712.71
(c)	Miscellaneous (5% on (a) and (b))	932.36	1190.53	1194.12	1194.12
	Total Capital Cost for Handling Activity (a +b + c)	19579.47	25001.11	25076.45	25076.45
II	<u>Capital Cost For Berthing Services</u>				
(a)	Construction of berth	5200.44	5200.44	4750.08	4750.08
(b)	Construction of slope protection works	826.90	826.90	738.45	738.45
(c)	Berth Fixtures	180.29	180.29	180.29	180.29
(d)	Ground Improvement	590.84	--	--	--
(e)	Dredging cost	593.34	593.34	593.34	593.34
	Total Capital cost for berthing services (a to e)	7391.81	6800.97	6262.16	6262.16
III	TOTAL PROJECT CAPITAL COST (I + II)	26971.28	31802.08	31338.61	31338.61
C	<u>Operating Cost</u>				
I	<u>Cargo Handling Activity</u>	(Rs. In lakhs)	(Rs. In lakhs)	(Rs. In lakhs)	(Rs. In lakhs)
(a)	Power Cost (1.4 units per ton @ Rs. 6.20 / unit)	581.56	639.20	639.20	639.20
(c)	Repair & Maintenance				
	- Civil Assets (1% on civil work)	3.61	10.98	11.70	11.70
	- Mechanical & Electrical Equipment including spares (7% on mechanical and electrical works)	1280.02	1589.89	1589.89	1589.89
(d)	Insurance (1%on Gross fixed assets)	195.79	250.01	250.76	250.76
(e)	Depreciation				
	- Civil Structures (@ 3.34%)	12.06	36.67	39.07	39.07
	- Mechanical & Electrical (@ 10.34%)	1890.77	2348.49	2348.49	2348.49
(h)	License Fee	188.73	188.73	188.73	188.73

(i)	Other Expenses towards salaries and overheads (5% on gross value of assets)	978.97	1250.06	1253.82	1253.82
	Total Operating Cost	5131.51	6314.03	6321.66	6321.66
D	Revenue Requirement & proposed tariff				
I	Cargo Handling charge				
(a)	Revenue Requirement				
	(i) Total Operating Cost	5131.51	6314.03	6321.66	6321.66
	(ii) Return on capital Employed @ 16%	3132.72	4000.18	4012.23	4012.23
	(iii) Total Revenue requirement from cargo handling activity	8264.23	10314.21	10333.89	10333.89
(b)	Apportionment of Revenue Requirement				
	(i) Coal Handling Charges (98% of ARR)	8098.95	10107.93	10127.21	10127.21
	(ii) Storage Charges (1% of ARR)	82.64	103.14	103.34	103.34
	(iii) Miscellaneous Charge (1% of ARR)	82.64	103.14	103.34	103.34
	(iv) Total Revenue requirement from cargo handling activity	8264.23	10314.21	10333.89	10333.89
(c)	Proposed tariff per tonne rate				
	(i) Coal Handling Charge (Composite)				
	- Revenue Requirement (Rs. in lakhs)	8098.95	10107.93	10127.21	10127.21
	- Capacity (Million Tonnes per annum)	6.70			
	for Thermal Coal	0	4.09	4.09	4.09
	for Steam Coal	0	3.27	3.27	3.27
	Composite Handling Charge - Cargo wise	120.88			
	for Thermal Coal	0	166.94	167.26	137.53
	for Steam Coal (Coastal)	0	100.16	100.36	137.53
	(ii) Storage Charge				
	- Revenue Requirement (Rs. in lakhs)	82.64	103.14	103.34	103.34
	- % of Cargo to attract storage charge	17%	23%	23%	35%
		11.39	16.94	16.94	25.77
	- Cargo likely to pay storage charge (lakh tonnes)				
	- Free period	10 days	5 days	5 days	5 days
	- Storage Charge (beyond the free period)	Rate Per tonne per day or part thereof	Rate Per tonne per day or part thereof	Rate Per tonne per day or part thereof	Rate Per tonne per day or part thereof
	- First five days	1.45	1.22	1.22	1.06
	- 6th day to 10th day	2.90	1.83	1.83	2.12
	- 11th day onwards	5.80	2.44	2.44	4.24
	(iii) Miscellaneous Charge				
	- Revenue Requirement (Rs. in lakhs)	82.64	103.14	103.34	103.34
	- Capacity (Million Tonnes per annum)	6.70	7.36	7.36	7.36
	- Miscellaneous Charge per tonne	1.23	1.40	1.40	1.40
II	BERTH HIRE CHARGES				
(a)	Revenue Requirement	(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)
	(i) Repairs & Maintenance Charge (1% on capital cost for berth)	73.92	68.01	62.62	62.62
	(ii) Depreciation (@ 3.34%)	246.89	227.15	209.16	209.16
	(iii) Insurance (1% on total cost for berth hire service)	73.92	68.01	62.62	62.62
	Subtotal (a)	394.73	363.17	334.40	334.40
(b)	Return on capital Employed @ 16%	1182.69	1088.16	1001.95	1001.95
(c)	Total Revenue requirement from Berthing services (a + b)	1577.42	1451.33	1336.35	1336.35
(d)	Berth hire Charge				

	Foreign going vessel (Rate per GRT per hour) in Re	1.48	1.03	0.95	
	Coastal vessel (Rate per GRT per hour) in Re	0.89	0.62	0.57	0.569

BERTH HIRE COMPUTATION

Furnished by VPT vide letter dated 6 January 2010

Sl. No.	Particulars	Unit	Thermal Coal		Steam Coal		Total
i.	Average DWT	Tonnes	Upto 45000	45000 to 85000	Upto 45000	45000 to 85000	
ii.	Ratio	Tonnes	9%	47%	7%	37%	100%
iii.	Ship day output	Tonnes per day	20000	40000	15000	27000	
iv.	Average GRT	tonnes	22000	44000	22000	44000	
v.	Average parcel size	tonnes	36000	72000	36000	72000	
vi.	Tonnage expected to be handled	Lakh Tonnes	603000	3149000	469000	2479000	6700000
vii.	Average no of berth days (vi / iii)	Days	30	79	23	62	194
viii.	No of berth hours {24 x (vii)}	hours	720	1896	552	1488	4656
ix.	Expected number of vessels (vi/v)	No of vessels	17	44	13	34	108
x.	GRT hours (iv x viii)	Lakh hours	158	834	121	655	1768
xi.	Total GRT hours	Lakh hours	992		776		1768
xii.	Revenue Requirement	Rs. In lakhs					1577.42
	Berth hire - coastal vessel (xii /xi)	Re per GRT per hour or part thereof					0.89

Furnished by VPT vide letter dated 14 April 2010

Sl. No.	Particulars	Unit	Thermal Coal		Steam Coal		Total
i.	Vessel Size	DWT	Upto 45000	45000 to 85000	Upto 45000	45000 to 85000	
ii.	Handling Rate	Tonnes per day	20000	40000	15000	27000	
iii.	Average GRT	tonnes	22000	44000	22000	44000	
iv.	Average parcel size	tonnes	36000	72000	36000	72000	
v.	Tonnage expected to be handled	Lakh Tonnes	6.55	34.36	5.24	27.49	73.64
vi.	Average no of berth days (vi / iii)	Days	33.00	86.00	35.00	101.00	255
vii.	No of berth hours {24 x (vii)}	hours	792	2064	840	2424	6120
viii.	Expected number of vessels (vi/v)	No of vessels	18	48	15	38	119
ix.	Total GRT hours	Lakh hours	174	908	185	1067	2334
x.	Revenue Requirement	Rs. In lakhs					1451.33
xi.	Berth hire - coastal vessel (xi /x)	Re per GRT per hour or part thereof					0.62

Furnished by VPT vide letter dated 24 April 2010

Sl. No.	Particulars	Unit	Thermal Coal		Steam Coal		Total
i.	Vessel Size	DWT	Upto 45000	45000 to 85000	Upto 45000	45000 to 85000	
ii.	Ship day output	Tonnes per day	20000	40000	15000	27000	
iii.	Average GRT	tonnes	22000	44000	22000	44000	
iv.	Average parcel size	tonnes	36000	72000	36000	72000	
v.	Tonnage expected to be handled	Lakh Tonnes	6.55	34.36	5.24	27.49	73.64
vi.	Average no of berth days (vi / iii)	Days	33.00	86.00	35.00	101.00	255
vii.	No of berth hours {24 x (vii)}	hours	792	2064	840	2424	6120
viii.	Expected number of vessels (vi/v)	No of vessels	18	48	15	38	119
ix.	Total GRT hours	Lakh hours	174	908	185	1067	2334
x	Revenue Requirement	Rs. In lakhs					1336.35
xi	Berth hire - coastal vessel (xi /x)	Re per GRT per hour or part thereof					0.57

Modified calculation by TAMP

Sl. No.	Particulars	Unit	Thermal Coal		Steam Coal		Total
i.	Vessel Size	DWT	Upto 45000	45000 to 85000	Upto 45000	45000 to 85000	
ii.	Ship day output	Tonnes per day	20000	40000	15000	27000	
iii.	Average GRT	tonnes	22000	44000	22000	44000	
iv.	Average parcel size	tonnes	36000	72000	36000	72000	
v.	Tonnage expected to be handled	Lakh Tonnes	3.55	37.36	3.14	29.59	73.64
vi.	Average no of berth days (v / ii)	Days	17.75	93.40	20.93	109.59	242
vii.	No of berth hours {24 x (vi)}	hours	426	2242	502	2630	5800
viii.	Expected number of vessels (v/iv)	No of vessels	10	52	9	41	112
ix.	Total GRT hours	Lakh hours	94	986	110	1157	2348
x.	Revenue Requirement	Rs. In lakhs					1336.35
xi.	Berth hire - coastal vessel (xi /x)	Re per GRT per hour or part thereof					0.569

VISAKHAPATNAM PORT TRUST

UPFRONT TARIFF SCHEDULE FOR MECHANISED HANDLING OF THERMAL COAL AND STEAM COAL AT EAST QUAY 1A BERTH AT INNER HARBOUR ON DBFOT BASIS

1.1. DEFINITIONS

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

- (i). **"Coastal vessel"** means 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 competent authority.
- (ii). **"Foreign going vessel"** means any vessel other than a Coastal vessel.
- (iii). **"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.

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 vessel related charges; and the nature of cargo or its origin will not be of any relevance for this purpose.
- (ii).
 - (a). The berth hire charges for all coastal vessels should not exceed 60% of the corresponding charges for other vessels.
 - (b). The cargo related charges for all coastal cargo other than thermal coal should not exceed 60% of the normal cargo related charges.
 - (c). 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.
 - (d). Cargo from a foreign port which reaches an Indian Port "A" for subsequent transshipment 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.
- (iii). 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 on refunds will be counted only 20 days from the day 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 terminal operator. This provision shall, however, not apply to the cases where payment is to be made before availing the services where payment of charges in advance is prescribed as a condition in the scale of rates.

- (iv). In calculating the gross weight or measurement by volume or capacity of any individual item, fractions upto and inclusive 0.5 shall be taken as 0.5 unit and fractions of above 0.5 shall be treated as one unit, except where otherwise specified.
- (v). All charges worked out shall be rounded off to the next higher rupee on the grand total of the bill.
- (vi).
 - (a). The rates prescribed in the Scale of Rates are ceiling levels : likewise, rebates and discounts are floor levels. The terminal operator may, if they so desire, charge lower rates and / or allow higher rebates and discounts.
 - (b). The terminal operator may also, if they so desire, rationalise the prescribed conditionalities governing the application of rates prescribed in the Scale of Rates if such rationalisation 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.
 - (c). The terminal operator should notify the public such lower rates and / or rationalisation of the conditionalities governing the application of such rates provided the new rates fixed shall not exceed the rates notified by the TAMP.
- (vii). Users will not be required to pay charges for delays beyond reasonable level attributable to terminal operator.

2. BERTH HIRE CHARGES:

Sl. No.	Vessels	Rate per GRT per hour or part thereof
		Coastal Vessel (in Re.)
1.	Vessels	0.569

Notes:

- (i). The period of berth hire shall be calculated from the time vessel occupied the berth till she vacates the berth.
- (ii). Berth hire includes charges for services rendered at the berth, such as occupation of berth, rubbish removal, cleaning of berths, fire watch etc.
- (iii). No berth hire shall be levied for the period when the vessel idles at its berth for continuous one hour or more due to non-availability / break down of terminal operator's equipment or power failure or any reasons attributable to the terminal operator.
- (iv).
 - (a). Berth hire shall stop four hours after the time of the vessel signaling its readiness to sail.
 - (b). The time limit of 4 hours prescribed for the cessation of the berth hire shall exclude the ship's waiting time for want of favorable tide conditions, inclement weather and due to lack of night navigation.
 - (c). The Master/ agent of the vessel shall signal readiness to sail only in accordance with favourable tidal and weather conditions.
- (v). The Penal berth hire shall be equal to one-day's (24 hours) berth hire charges for a false signal.
 "False Signal" would be when the vessel signals readiness and asks for a pilot in anticipation even when she is not ready for un-berthing due to engine not being ready or cargo operation not completed or such other reasons attributable to the vessels. This excludes signaling readiness when a vessel is not able to sail due to unfavorable tide, lack of night navigation or adverse weather conditions."

3. CARGO HANDLING CHARGES:

Sl. No.	Commodity	Unit	Rate in Rupees
			Coastal
(a).	Thermal coal	Per Metric Tonne	137.53
(b).	Steam coal	Per Metric Tonne	137.53

Note:

The handling charges prescribed above is a composite charge for unloading of the cargo from the wagons, storage at the stackyard up to a free period of 5 days reclaiming from stackyard and loading on to ship including wharfage and supply of labour whenever necessary and all other miscellaneous charges not specifically prescribed in the Scale of Rates.

4. STORAGE CHARGES:

The Storage charges for the cargo stored in the stack yard beyond the free period shall be as below:

(Rate in Rs. per tonne per day or part thereof)

Sl. No.	Commodity	Rate for first 5 days for the balance cargo remaining after the free period	Rate for 6 th day to 10 th day for the balance cargo	Rate for 11 th onwards for the balance cargo
1.	Thermal coal & Steam coal	1.06	2.12	4.24

Notes:

- 5 free days shall be allowed. Free period for export cargo shall commence from the actual date of the receipt of goods in the Port premises. For the purpose of calculation of free period, Custom notified holidays and Terminal's non-working days shall be excluded.
- Storage charges shall be payable for all days including Terminal's non-working days and Customs notified holidays for stay of cargo beyond the prescribed free days.
- Storage charges on cargo shall not accrue for the period when the terminal operator is not in a position to deliver / ship the cargo when requested by the user due to reasons attributable to the Terminal operator.

5. MISCELLANEOUS CHARGES:

The following Miscellaneous charges are applicable of coking coal and steam coal handled:

Sl. No.	Particulars	Rate per tonne or part thereof (in Rs.)
(i).	Charges for Sweeping, dust suppression and environment etc.	1.40

6. GENERAL NOTE TO SCHEDULE (2) TO (5) ABOVE:

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 2010 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 31st March of the following year.

**SUMMARY OF THE COMMENTS RECEIVED FROM THE PORT USERS / RFQ APPLICANTS
AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING
BEFORE THE AUTHORITY**

F. No.TAMP/53/2009-VPT

- **Proposal from the Visakhapatnam Port Trust for fixation of upfront tariff for proposed berth for loading thermal and steam coal at the East Quay 1A.**

A summary of comments received from the users / organisation bodies and RFQ applicants and the comments of Visakhapatnam Port Trust (VPT) thereon are tabulated below:

Sl. No.	Comments of users / organisation bodies and RFQ applicants	Comments of VPT
1.	SEW Infrastructure Limited and SEW-PRSB Consortium	
	They have no comments on the proposal.	--
2.	Tamil Nadu Electricity Board	
(i).	Handling Charges of Thermal Coal (Coastal) The Handling charges for Thermal coal at Vizag port East Quay 1A berth is proposed to be fixed at Rs.120.88. At Haldia port for the same mechanical coal handling operations, the Coal handling charges collected by the port are Rs.81 per MT. Hence, it will be reasonable if the coal handling charges are fixed at Rs.100 per MT in view of the better facilities available at VPT when compared to Haldia.	Handling charges are dependent on the type of the equipment proposed, handling rates, quay capacity etc. Further, the upfront tariff have been adopted.
(ii).	Storage Charges The storage charges proposed by VPT for is very high. Usually, TNEB keeps stock at the port throughout the year to facilitate continuous movement of coal and hence TNEB will have to pay the storage charges @ Rs.5.80 per MT of coal in the event of using the East Quay 1A Berth. The plot rent at West Quay berth is collected on area basis @ 115.35 per 100 sq. mtr. for the first week and 90.55 per 100 sq. mtr. for the subsequent 49 weeks for an occupied area of 53966 sq mtr. This works out around Rs.1.09 per MT for an annual quantity of around 3.3 million tones. The plot rent at Paradip port is 1200 per 100 sq. mtr. which works out to Rs.1.84 per MT of coal for an annual quantity of 8 million tonnes. Hence, it is requested to fix the plot rent by Rs.3.00 per MT of coal or on area basis @ Rs.1200 per 100 sq. mtr. on par with Paradip Port.	It is envisaged that 23% of cargo will attract storage charges and accordingly storage charges have been worked out. Average Free period : 5 days Stay of vessel at Berth : 2.75 days Ave. Dwell time : 10 days Cargo that may attract : 23% Storage charges The Storage charges beyond free period of 5 days based on the above works out is as follows: 1 st five days : Rs.1.22ps./tonne per day 5 th day to 10 th day : Rs.1.83ps/ tonne per day 10 th day onwards : Rs.2.44ps/tonne per day
(iii).	Berth Hire Charges Berth hire charges for coastal movement has been proposed to be fixed as Rs.0.892 as per GRT per hour. Regarding port dues and pilotage charges nothing has been mentioned in the proposal. Since the facility proposed for Vizag Port at EQ-1A for loading the vessels is similar to the facility available at Paradip Port, the	Pilotage and Port dues will be collected by VPT as per the General Scale of Rates, with regard to Berth hire, It may not be appropriate to compare the rates with the existing SOR of VPT / or Paradip as the methodology is different

	proposed berth hire charges at EQ 1A is compared with the berth hire charges at Paradip Port. <table><tr><th></th><th>Proposed upfront tariff at EQ 1A</th><th>Present rate for WQ berths at Vizag</th><th>Present Paradip Port Trust Berth charges</th><th>Berth hire charges higher than WQ berths</th><th>Berth hire charges higher than Paradip Port</th></tr><tr><td>Berth hire charges per GRT per hour</td><td>Rs.0.892</td><td>Rs.0.03</td><td>Rs.0.098</td><td>29.72%</td><td>9.10%</td></tr></table> From the above table, it may be seen that the berth hire charges proposed for East Quay 1A is 29.72% higher than the present berth hire charges prevalent at Vizag Port for manual berth and 9.10% higher than the berth hire charges at Paradip Port Trust. In this regard, it is stated that the proposed ship loader is 2 nos. @ 1500 tonnes per hour (3000 TPH), whereas at Paradip Port, ship loaders with a capacity of 4000 tonnes per hour per berth are available. Also the allied equipments at Paradip Port viz. reclaimer, stacker, conveyor, etc. are also compatible for 4000 tonnes per hour which is higher than that proposed at Vizag port. Hence the facility proposed at Vizag Port is lower than the installed capacity at Paradip Port but the berth hire charges proposed is 9.10% higher than the present berth charges at Paradip Port. In view of the above, the berth hire charges quoted for EQ 1A may be reduced by about 25% from the rate applicable at Paradip Port and fixed at 0.669 per GRT per hour.		Proposed upfront tariff at EQ 1A	Present rate for WQ berths at Vizag	Present Paradip Port Trust Berth charges	Berth hire charges higher than WQ berths	Berth hire charges higher than Paradip Port	Berth hire charges per GRT per hour	Rs.0.892	Rs.0.03	Rs.0.098	29.72%	9.10%	i.e. cost-plus approach vis-à-vis Normative approach.
	Proposed upfront tariff at EQ 1A	Present rate for WQ berths at Vizag	Present Paradip Port Trust Berth charges	Berth hire charges higher than WQ berths	Berth hire charges higher than Paradip Port									
Berth hire charges per GRT per hour	Rs.0.892	Rs.0.03	Rs.0.098	29.72%	9.10%									
3.	Sical Logistics													
(i).	<u>Optimal Yard Capacity calculation:</u> The assumption of staking 4 T/sq. m. should be revised to 3 T/sq m as per the TAMP guidelines by which the optimum quay capacity is coming to 4.46 MTPA instead of 6.7 MTPA.	4 T/ sqm. arrived considering a stack height of 5 mtrs. is reasonable.												
(ii).	<u>Equipments:</u> For handling 6.70 MTPA of coal, the capacity of the equipment proposed is very high. The proposed facility can handle upto 2100 tonnes per day even at 70% of the optimum capacity (3000 Tonnes per day). The quay capacity is working out to 9.40 MTPA. The equipment designed should cater to the stockyard capacity, which will be the bottleneck for handling the specified cargo. Hence either the capacity of the equipments can be reduced in order to cater to the capacity of the stockyard proposed or the area to be allotted for stockyard should be increased.	Equipment proposed has been reviewed and one stacker cum reclaimer is proposed as against the one stacker and one reclaimer. As per the revised proposed the optimal terminal capacity works out to 7.36 MT.												
(iii).	<u>Miscellaneous cost:</u> The Miscellaneous cost is assumed at 5% including IDC is on the lower side. It should be increased to at least 8%.	5% miscellaneous cost has been considered as per the TAMP guidelines.												
(iv).	<u>WCT:</u> The calculation for assuming Work Contract Tax at 2.8% which in India at present is 4% may be explained.	2.8% works contract tax has been considered @ 4% of 70% of the capital cost as per the APVAT.												

(v).	<u>Storage charges.</u> The plot turnover cycle of 30 times considered is very high. With the 10 free days available for storage, the storage days will come to 12 days (2 ship days +10 free days) and with this plot turnover, the overall storage comes to 360 days in a year. Hence, either the plot turnover of 30 times considered should be reduced or the revenue requirement from the storage charges should be reduced.	Free period has been reviewed and taken as 5 days in the revised proposal. Average dwell time reckoned is 10 days. Accordingly, plot Turn over cycles is 33 which works out to 330 days. If free days of 5 and 2 ship days reckoned, the plot turn over could be more.
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2. A joint hearing in this case was held on 17 March 2010 at the VPT premises. The VPT made a power point presentation of its proposal. At the joint hearing, VPT and the concerned users / organisation bodies / potential bidders have made the following submissions:

Visakhapatnam Port Trust

- (i). VPT is laying 11 full rake length lines. This will improve turn round of wagon, then rake availability will not be an issue.
- (ii). We are discussing with Indian Railways. By 2012-13, when these projects are commissioned, the railway evacuation facility is also expected to be ready.
- (iii). We can't allot any further land to berth 1A as it will affect the development of other projects.

Tamil Nadu Electricity Board

- (i). ROCE of 16% is very high. Reduce it to 12%.

M/s. RAIN CII Carbon (India) Ltd.

- (i). Evacuation is a problem. Rake availability is not certain. This will affect the capacity of the terminal.

Navayuga Engineering Co. Ltd.

- (i). No comments.

M/s. IVRCL Infrastructure & Projects Ltd.

- (i). We will give written comments in 7 days.

M/s. NALCO

- (i). No comments.

M/s.Prathyusha Associates Shipping Pvt. Ltd.

- (i). No comments.

IMC Limited

- (i). No comments.
