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Tariff Authority for Major Ports

GNo.251

New Delhi,

18 December 2009

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 mechanised fertilisers handling facilities in pursuance of the guidelines for upfront tariff setting for Public Private Participation (PPP) projects at Major Ports notified 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/26/2009-VPT

Visakhapatnam Port Trust

Applicant

O R D E R

(Passed on this 27th day of November 2009)

This case relates to a proposal received from the Visakhapatnam Port Trust (VPT) for fixation of upfront tariff for mechanised fertilisers handling facilities at Visakhapatnam Port in pursuance of the guidelines for upfront tariff setting for Public Private Participation (PPP) projects at Major Ports Trusts, 2008.

2. Initially, the VPT had vide its letter dated 29 May 2009 (received by us on 31 July 2009) filed a proposal for setting upfront tariff for the mechanized fertilizers handling facilities which was followed by another letter dated 31 July 2009 forwarding the relevant Feasibility Report. Since several gaps in the proposal was observed vis-à-vis the norms prescribed in the upfront tariff guidelines particularly with reference to optimal terminal capacity calculation, the VPT was vide our letter dated 11 August 2009 advised to justify the reasons for deviations from the guidelines along with information / clarifications on some other points.

3.1. The VPT vide its letter dated 10 September 2009 filed a revised proposal and also furnished information / clarifications on the points raised by us. The salient points of the proposal filed by VPT are given below:

- (i). The proposal envisages installation of mechanised unloading facilities at the existing East Quay 7 berth at Inner harbour along with additional bagging & dispatch facilities.
- (ii). The length of the berth is envisaged at 255 metres. The existing draft of the berth is 11 metres which is expected to be increased to 12.5 metres after further dredging to be undertaken by the VPT. This will enable receiving panamax vessels.
- (iii). Finished fertiliser, Murate of Phosphate (MOP) and general cargo are expected to be handled.
- (iv). The proposal envisages the following main facilities:
 - (a). Installation of two gantry type unloaders of 800 tonnes / hr. capacity each, with 35 tonne grab capacity to achieve the targeted daily output rate of 25,000 tonnes.
 - (b). Conveyor system to transport fertilisers from the berth to the silos and other storage sheds and bagging plants.
 - (c). Total storage capacity is planned at 40,000 tonnes, which comprises of 28,000 tonnes capacity in two storage sheds each of size 225 x 40m i.e. (2 x 225 x 40) and 12,000 tonnes capacity in silos (4 x 14m and 20 mtrs. high).
 - (d). Bagging plant will comprise of bagging machines with storage/ feeding hoppers, stitching machines, transport conveyors to transport stitched bags for stacking. The bagging plant will have automatic / semi-automatic machines with an installed capacity of 8400 Tonnes Per Day. The bagging plant will be monitored by a centralized control room.
 - (e). Railway sidings for handling two half trains on either side of the platform in the ground floor of bagging plant complex are envisaged.

(v). The following approach was adopted by the port for arriving at the upfront tariff.

(a). **Optimal Capacity:**

(i). **Optimal Quay Capacity:**

- The port has calculated optimal quay capacity of mechanised fertilisers handling facilities at 6.17 Million Tonnes Per Annum (MTPA). The output norm for handling fertiliser viz. Murate of Phosphate (MOP) and other finished fertilisers is considered at 25,000 tonnes per day as against handling norm of 10,000 tonnes per day prescribed in the upfront tariff guidelines for multipurpose cargo terminal for vessels more than 30,000 tonnes parcel size.

The handling rate for general cargo viz. steel and bagged cargo is considered at 4,000 tonnes per day in line with the handling rate prescribed in the guidelines.

- The percentage share of the capacity of MOP is assumed at 24%, other finished fertilisers at 72% and general cargo at 4%.

(ii). **Capacity of Bagging Plant and Silos:**

Optimal Capacity of proposed bagging plant and silos is assessed at 3.9 Million Tonnes Per Annum which is sum of storage and bagging plant capacity assessed at 2.1 Million Tonnes Per Annum and capacity of silos determined at 1.8 Million Tonnes Per Annum. (The upfront tariff guidelines do not prescribe any formula or norms for assessing the capacity of bagging plant and silos for mechanised fertiliser handling.)

- (iii). The lower of the optimum quay capacity and the capacity of bagging at storage shed and capacity of silos i.e. 3.9 Million Tonnes Per Annum (MTPA) is considered as the optimal capacity of the mechanised fertiliser handling facility in the calculation for determining the upfront tariff.

(b). **Estimated Capital Cost:**

The total capital cost of the mechanised fertilisers handling facilities is estimated at Rs.181.40 crores. The breakup thereof is given below:

Sl. No.	Particulars	Estimated Capital cost (Rs. in lakhs)
	<u>Cargo Handling Activity</u>	
(i).	Civil Cost	
	- Hopper Track behind berth	69.35
	- Conveyor Galleries	1053.53
	- Silo Farm	1174.34
	- Storage Shed	2701.64
	- Trucking parking area	22.24
	- Transfer tower and Drive Houses	200.12
	- Dismantling Railway Tracks	11.68
	- Formation of Railway Tracks	111.18
	- Formation of Peripheral surface roads	333.53
	- Surface Drainage	11.12
	- Operational Buildings	30.02
	- Customs Compound wall	44.47
	- Provision for water supply	11.12

	- Provision for Environmental works	277.95
	- Soil investigation	16.67
	Subtotal (i)	6068.96
(ii).	Equipment Cost	
	- Ship unloader grabbing gantries (norms - 2 nos.) VPT proposes 2 nos.	5781.27
	- Conveyors (2580 mtrs.)	2868.40
	- Electrical works	1028.40
	Subtotal (ii)	9678.07
(iii).	Cost of Bagging Plant	
	- Bagging Plant (civil work)	1083.98
	- Bagging Plant (2 nos.) (mechanical work)	444.71
	Subtotal (iii)	1528.69
(iv).	Miscellaneous	
	- 5% on Civil Cost and Equipment Cost at (i) and (ii) above (excluding bagging plant) [i.e. 5% * (Rs.6068.96 lakhs + Rs.9678.07 lakhs)]	787.35
	- 5% on Civil Cost and Equipment Cost of bagging plant [i.e. 5%* Rs.1528.69 lakhs]	76.44
	Subtotal (iv)	863.79
	Total Capital Cost for Handling Activity (i + ii + iii + iv)	18139.51

(c). The ROCE is determined at 16% on the gross block of assets.

(d). **Operating Cost:**

Adhering to our suggestion, the VPT has estimated the operating cost for cargo handling service and bagging and stitching services separately taking into consideration the relevant capital cost. The operating cost is estimated generally following the norms prescribed in the guidelines as explained hereunder except for the deviation in the estimation of power cost:

(i). The upfront tariff guidelines for multipurpose cargo berth prescribes consumption norm for power at 100 units per hour per crane. Fuel consumption norm is prescribed at different levels for different capacity of fork lift truck / payloaders. The guidelines require the power and fuel cost estimation to be made for 4000 working hours in a year.

The VPT has estimated power cost adopting the norms prescribed for coal handling terminal at 1.4 units per tonne for cargo handling facility excluding bagging plant citing that the facility envisaged by it is for mechanised handling whereas the norms prescribed in the guidelines is by semi-mechanised means. For bagging and stitching activities, the power cost is estimated assuming the consumption at 0.50 units per tonne. The unit rate adopted for estimating the power cost is 6.20 per unit.

(ii). The repairs and maintenance on civil cost is estimated at 1% on the civil work and 5% on the equipment cost.

(iii). Insurance is estimated at 1% and other expenses at 5% on gross fixed assets value.

(iv). Depreciation is estimated adopting the rate prescribed in the Companies Act 1956 as per the norms prescribed in the guidelines.

(v). License fee (lease rent) for area to be made available by the port is estimated applying 6% return on basic value of land indicated

by the District Revenue Authority (DRA) for the quinquennium 2003-08 for the relevant zones. Annual escalation factor @ 2% per annum is considered for the years 2004-05 to 2009-10 to arrive at the base rate for the year 2009-10.

- (e). The Annual Revenue Requirement estimated by VPT is as follows:

(Rs. in lakhs)			
Sl. No.	Particulars	For cargo handling (excluding bagging plant)	For bagging and stitching services
(i).	Capital cost		
	(a). Civil	6068.96	1083.98
	(b). Mechanical and electrical equipment	9678.07	444.71
	(c). Miscellaneous	787.35	76.43
	Total Capital Cost	16534.38	1605.12
(ii).	ROCE @ 16% on capital cost	2645.50	256.82
(iii).	Operating cost	3477.49	276.67
(iv).	Total Revenue Requirement	6122.99	533.49

- (f). The breakup of the annual estimated revenue requirement (adopting the norms prescribed in the guidelines) for cargo handling activity (excluding bagging and stitching) is given below:

(Rs. in lakhs)		
Sl. No.	Particulars	Apportioned estimated revenue requirement
(i).	Handling charges (Rs.6122.99 lakhs x 90%)	5510.69
(ii).	Storage charges (Rs.6122.99 lakhs x 5%)	306.15
(iii).	Miscellaneous charge (Rs.6122.99 lakhs x 5%)	306.15
	Total Revenue Requirement from cargo handling activity	6122.99

- (vi). The upfront tariff proposed by the VPT to meet the estimated revenue requirement is as follows:

- (a). Composite coal handling charges:

(Rate in Rs. per tonne)		
Nomenclature	Foreign	Coastal
Finished fertilisers including murate of phosphate	* 166.70	100.05

* If the bagging and stitching facility is not availed, then the rate applicable is Rs.141.30 per tonne (The rate for bagging and stitching is Rs.25.40 per tonne).

- (b). Storage charges:

- (i). Free period:

Import cargo - 5 days
Export cargo - 15 days

- (ii). Storage charge for balance cargo remaining beyond the free period:

Sl. No.	Particulars	Rate per tonne per day or part thereof (in Rs.)
(i).	For the first 5 days	19.65
(ii).	6 th to 10 th day	29.45
(iii).	Beyond 10 th day	39.30

- (c). Miscellaneous charge for all miscellaneous services such as fumigation, cargo security, etc. proposed at Rs.7.85 per tonne.

3.2. As stated earlier, the VPT while furnishing the revised proposal has furnished information / clarifications to the queries raised by us vide our letter dated 11 August 2009. A summary of points made by us with reference to its original proposal dated 29 May 2009 and the response of the VPT which may be relevant in this exercise is tabulated below:

Sl. No.	Our queries	Response of VPT
(i).	(a). The capital cost for various civil works such as Hopper track behind berth, silo farm, bagging plant, etc., considered by the VPT are not as per the list of civil works prescribed in the guidelines. Explain the reasons for deviation from the norms and the justification for inclusion of each items of the civil cost.	(a). The capital cost for civil works such as Hopper track behind berth, silo and bagging plant is as per the project requirement. The proposal envisages unloading of fertilizers using unloaders on to the conveyors through hoppers for conveying them to storage shed and bagging plant. Though the recommendation is with in-built hoppers, in the event of technical problems getting unloaders with in-built hoppers, in view of the narrow gauge (10 mtrs.) the hoppers have to be outside the unloaders tracks. The hoppers will have to move along with the unloaders on rails. Hence, hopper tracks are required. (b). The silo farm is required to store cargo for onward transmission to the existing bagging plant. (c). It is pertinent to mention that the TAMP guidelines do not specify any kind of equipment required for mechanised handling of fertilisers. The port has included the equipment based on project requirement. Details are furnished in the Feasibility Report.
	(b). The cargo handling equipment considered in the proposal for fixation of upfront tariff do not match with the normative level of equipment prescribed in Schedule 4.3 Annex V of the upfront tariff guidelines. Explain the reasons for deviation from the norms and the justification for inclusion of each item of equipment.	(b). The cargo handling equipment stipulated in the para 4.3 of Annexure-5 of the upfront tariff guidelines is indicative equipment for handling multipurpose cargoes including fertilisers by semi mechanised means whereas the project envisages installation of mechanised handling facilities for fertiliser for which there are no specific guidelines.
	(c). The proposal does not substantiate the capital cost estimate of Rs.181.40 crores with documentary support. The project feasibility report (revised) also does not contain documents validating the estimates of capital cost. Furnish copies of supporting documents / calculations / rate analysis done by the port / Consultant appointed by the port to justify the estimation of the capital cost both civil and equipment indicating the period pertaining to which the unit rate is adopted and also give references to the main sheet to co-relate the figures.	(c). The civil block estimation is based on the VPT schedule of rates / quotations collected from the local market / rates as per works executed earlier. The capital cost in respect of Mechanical and Electrical Equipment is based on current market prices / budgetary quotes and prices based on the work recently undertaken / implemented by the port.

	(d). Confirm whether the works contract tax will be applicable for all the items of assets i.e. civil work, equipment cost, electrical work.	(d). Yes, the works contract tax will be applicable for all the items of assets i.e. civil works, equipment cost and electrical work.
(ii).	(a). The proposal states that the norms prescribed for multipurpose berth is adopted for arriving at the proposed rate. However, for estimating the power cost, the consumption norm prescribed in the guidelines for coal / iron ore terminal is adopted. Explain, how the power consumption norm prescribed in the guidelines for iron ore / coal terminal is relevant to the fertiliser handling terminal.	(a). The norms given for multipurpose berths have been adopted to the extent possible for assessing the optimal quay capacity, productivity norm of 4000 tonnes per day adopted for handling general cargo, Annual Revenue Requirement apportioned to various items based on norms indicated, free period of 5 days for import of cargo reckoned is as per norms prescribed in the guidelines for multipurpose cargo berth. Regarding estimation of power cost, the consumption norm of 1.4 per tonne prescribed in guidelines for the coal handling is adopted for the following reasons as there are no specific guidelines for mechanised handling of fertilisers in the TAMP guidelines: (1). Densities of coal and fertilisers are very much close viz. potash is 0.90 per sq. mtr. as against the density of 0.883 per sq. mtr. for coking coal. (2). Mechanised systems proposed for fertiliser handling consists of unloaders, conveyors, etc. which are very much similar to mechanised coal handling system which also consists of unloaders and conveyors.
	(b). Though the optimal capacity of the terminal is considered is 39 lakh tonnes per annum for arriving at the handling rate, for estimation of power cost 60 lakh tonnes of cargo is considered.	(b). The reason for considering power cost for 60 lakh tonnes is keeping in view the power requirement at the bagging plant of 39 LT of cargo unloaded from the system about 21 LT be transferred to the new bagging plant.
	(c). The actual unit consumption of power for handling fertiliser at the VPT berths and the dedicated mechanised berth operated by Coromandel Fertilisers Limited may be indicated during the last three years 2006-07, 2007-08 and 2008-09.	(c). There are no mechanised handling facilities for fertilisers at VPT. The power consumption ascertained from Coromandel Fertilisers Limited, is at the level of 1.25 to 1.4 units per tonne.
(iii).	(a). The guidelines for upfront tariff stipulate that lease rent for port land is to be estimated based on the rate prescribed in the Scale of Rates of the respective major ports. The lease rent of land belonging to the VPT was last approved by the Authority vide Order No.TAMP/41/2005-VPT on 22 April 2008 for the quinquennium 1998-2003 and 2003-08. The method adopted by the VPT in estimating the lease rent applying 2% annual increase beyond the period April 2008 is not found to be in line with the norms prescribed in the upfront tariff guidelines. The lease rent approved by the Authority is due for revision since April	(a). The proposal for revision of lease rentals for the lands belonging to VPT which is due for submission for quinquennium 2008-13 for TAMP's approval has not been obtained as the fixation of land valuations by District Revenue Authorities (DRA) as per the procedure being followed is awaited. The matter is been pursued with the concerned authorities. To mitigate the urgency to implement port projects on time bound manner in terms of directions of Government, the VPT has provisionally adopted the rate approved for the quinquennium 2003-08 giving

	2008. 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 even after lapse of more than one year.	escalation @ 2% per annum compoundable as provided in Government policy guidelines on Land Management dated 8 March 2004. Soon after obtaining the land valuations fixed for 2008-13, VPT will place the same before the Rate Fixation Committee (RFC) for recommendations of the revised lease rates. After approval of the Board of VPT, the same will be submitted to TAMP for approval.
	(b). The lease rent approved by the Authority in the tariff Order of April 2008 does not cover Zone X-A as the port did not seek approval of the rate for this zone. In this context, indicate the basis on which the lease rent for zone X-A is adopted in the estimation of lease rental. Also, indicate the zone which is analogous to Zone X-A in terms of market value of land, infrastructure and facilities provided by the port, etc.	(b). In fact, VPT has submitted the proposal for the entire 31 zones vide letter No.LR/LV/SA/999 dated 29 June 2005 for approval of the lease rentals for the quinquennium 2003-08 by TAMP wherein, the Zone X-A and the analogous Zone X-B are included but however, in view of the instructions given by the TAMP during the meeting held on 12 June 2007 in VPT, proposal limiting to 19 zones was submitted vide VPT letter dated 3 July 2007 where the leases are given on the market rate basis and where there is scope for allotting land to new leases in which the both zones i.e. Zone X-A and analogous Zone X-B are excluded at that time. However, revised proposal for the balance 12 zones inclusive of said Zone X-A is being submitted to TAMP for approval. The area proposed to be provided for this project falls under Zone X-A. The rate adopted by VPT is as per rate fixed by the DRA for Zone X-A for quinquennium 2003-08 after giving applicable escalation of 2% per annum.
(iv).	(a). The basis of segregating the capacity into those likely to avail bagging facility and those not likely to avail such facility may be explained.	(a). The existing bagging plant has a capacity of 8000 tonnes per day. The reason for considering 50% to the existing bagging plant and balance of 50% to the proposed bagging plant is in line with the capacity of proposed system including silos and storage shed.
	(b). It is also not clear how the power consumption norm of 1.4 unit per tonne prescribed for iron ore / coal handling terminal is relevant for bagging and stitching service. Please explain and justify the consumption of power adopted by the VPT for estimating the revenue requirement for bagging and stitching activity.	(b). It is ascertained from one of the existing user that the power consumption for bagging plant is 0.5 unit per tonne. Accordingly, the calculations have been modified.
	(c). Annexure - II states that it pertains to "Revenue Requirement for bagging and stitching service for 21 lakh tonnes." It is, therefore, not clear as to why cost of additional cargo of 3 lakh tonnes apart from 21 lakhs tonnes (availing bagging service) is also considered while estimating the revenue.	(c). Since modified. In the modified calculation, the VPT has separately worked out the rate of bagging and stitching services likely to be availed by 2.1 Million Tonnes of fertiliser taking into consideration the relevant capital cost. The operating cost is estimated following the norms prescribed in the guidelines.

	(d). The per tonne rate for bagging and stitching service may be computed with reference to the capacity of the facility envisaged and shown separately.	(d). Complied with.
(v).	Though the port has proposed concessional handling rate for coastal cargo, the revenue impact of allowing such concession is not considered while arriving at the proposed rates. If no coastal cargo is envisaged, it may be expressly stated.	As far as fertilisers are concerned there is no coastal cargo.
(vi).	(a). The basis of assuming cargo equal to 40% of the capacity will attract storage charge beyond the proposed free period may be explained and justified with reference to the plot turnover assumed by VPT and proposed free period of 5 days.	(a). The basis of assuming 40% of cargo throughput for storage charges beyond free period is as explained below: ➤ Estimated discharge of cargo per month = 5.13 lakh tonnes (as per Table 5.1 of section-5 of TEFR) capacity of the cargo that can be evacuated in a month = 3.25 lakh tonnes (13000T x 25 days) (300 days spread out throughout the year). ➤ Percentage of cargo that attract storage charges = (5.13 lakh tonnes - 3.25 lakh tonnes) / 5.13 lakh tonnes = 37% or say 40%.
	(b). For arriving at the proposed storage charge of Rs.21.70 per tonne per day, the VPT has divided the revenue requirement by the cargo likely to attract storage charge. Revenue is also dependent upon the number of days the cargo is likely to remain uncleared. The time factor is not considered by VPT. The storage charge proposed by the VPT may be reviewed and revised in light of the above observation.	(b). Dwell time component is not considered to arrive at storage, as it is dependent on various factors like seasonality, readiness of the importers to take cargo etc. It is ascertained from the private operators operating storage sheds that the dwell time is varying between 0 days to 1 month and during non-season 2 to 3 months. Further, the cargo being seasonal, it is found difficult to factor in the concept dwell time. Regarding the data on dwell time it may be stated that the cargo is immediately transferred to the respective godown / storage sheds of the users. As such, the required data are not available with us. In this context, it is to mention that the rate for storage charges for first five days beyond free period has been assessed and is proposed to be increased by 50% for next five days and doubled from 11th day onwards. The rate indicated is in line with charges levied by the existing operators i.e. for first 15 days – Rs.25/- per tonne and beyond 15 days – Rs.45/- per tonne.
	(c). The actual average dwell time of fertiliser handled by the port during the last two years 2007-08 and 2008-09 may be furnished.	(c). In view of the clarification above, the dwell time of fertilisers could not be ascertained.
(vii).	From the project feasibility report, it appears that all vessel related service will be provided by the port, and charges including berth hire will be collected by the port. Please confirm and explicitly state the position in the proposal also.	It is confirmed that all vessel related services (including berth hire) will be provided by the port. The project envisages only installation of mechanised handling facilities at the existing operational berth (EQ-7)

4. In accordance with the consultation process prescribed, the proposal dated 10 September 2009 received from the VPT were circulated to the concerned users / user bodies / organisations / prospective bidders (as per the list provided by the VPT) seeking their comments. Comments were received from M/s.SICAL Logistics Limited which were forwarded to VPT as feedback information. The VPT has also furnished its observations on the comments of M/s.SICAL Logistics Limited.

5. Based on preliminary scrutiny of the proposal, the VPT was advised to furnish additional information / clarifications. The VPT vide its letter dated 11 November 2009 has furnished its reply. A summary of the queries raised and the clarifications furnished by the VPT are brought out in subsequent paragraphs.

6.1. A joint hearing in this case was held on 22 October 2009 at the VPT premises. At the joint hearing, the VPT presented a revised proposal. In the said proposal, the (upfront) handling rate and the storage charge reckoning the time factor were modified. At the joint hearing, VPT and the concerned users / user bodies / organisations / prospective bidders have made their submissions.

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

- (i). The revised calculations of the tariff proposed by the VPT at the joint hearing along with the revised proposed upfront tariff should be circulated to all the concerned users and bidders immediately who in turn should furnish their additional comments, if any, to TAMP and VPT within 7 days thereafter.
- (ii). Additional information / clarifications sought vide our letter of even number dated 15 October 2009 should be furnished by 29 October 2009. In addition, a note on improving storage capacity to match with the quay side capacity in the light of the port's proposed improvement plans for evacuation of cargo and bearing in mind the fact that upfront tariff is being fixed with 30 year time horizon in sight to be furnished.
- (iii). The infrastructure improvement plans may be circulated to all users and prospective bidders of this case as agreed by the port.

7.1. With reference to the points discussed at the joint hearing, the VPT has vide letter dated 11 November 2009 furnished its response. It has further modified the upfront tariff proposal reportedly to address the issues raised by the users / prospective bidders. Some of the main modifications made by the VPT in the proposal and the reasons therefor are given hereunder:

- (i). In the joint hearing, the bidders expressed the need to induct front end loaders and reclaimer to complete the operational cycle from ship shore discharge to bagging plant. In view of the suggestion made by bidders, the proposal has been examined with reference to the operation process flow and 2 nos. of reclaimers and 8 nos. of front end loaders are included in the proposal to make the operation flow complete. The cost of 2 nos. reclaimers is taken at Rs.22.60 crores and cost of 8 nos. front end loaders is taken at Rs.2.4 crores. Thus, there is escalation of Rs.25 crores in the equipment cost.
- (ii).
 - (a). Keeping in view the deliberation held in the joint hearing, the port has examined the possibility of increasing the yard capacity to minimise the mismatch between quay and yard capacity. The concern expressed by bidders about difficulty in evacuation of 3 rakes with two half-rake sidings has also been analysed by the port and it has proposed to allot additional land of 8 acrs. in addition to 20.48 acres.
 - (b). This has resulted in increase in cost by Rs.6 crores towards development of platforms and additional conveyor of 500 mtrs. for facilitating full rake accommodation enabling evacuation of cargo by 3 to 4 rakes per day.
 - (c). The optimal yard capacity is improved and increased to 4.30 Million Tonnes Per Annum on account of additional area proposed to be allotted.

- (iii). Consequent to above modifications, the capital cost is increased to the tune of Rs.31 crores (Rs.25 crores in equipment cost + Rs.6 crores for rail platforms). The revised updated capital cost is Rs.223.80 crores.
- (iv). Based on the submissions made by one of the prospective bidders, the port has proposed to provide 7% toward repairs and maintenance costs as per the norms prescribed for coal terminal instead of 5% proposed earlier keeping in view the fact that, the equipment proposed and method of handling from ship to storage for fertilizers is similar to that of coal terminal.
- (v). The port has submitted that Public Private Participation Appraisal Committee (PPPAC) Expert in the recent meeting has directed ports to consider 12% towards miscellaneous cost as against 5% as per norms prescribed in the guidelines. However, it is proposed to consider miscellaneous cost at 8% of gross value of assets as against the prescribed norm of 5%.

The VPT has submitted that the revised updated capital cost of Rs.223.80 crores and the parameter of 7% of mechanical cost adopted for estimating Repairs and Maintenance cost and 8% towards miscellaneous cost have been brought to the notice of SFC/ CoS meeting and were accepted.

- (vi). Some of the elements of capital cost items viz. storage shed, formation of tracks, considered in the cargo handling activity in the earlier proposal are shifted to bagging plant for arriving at predetermined tariff for bagging and stitching service separately. Further, in the revised proposal, 50% of the capital cost towards surface drainage, operational buildings, compound wall pertaining to bagging plant are allocated to bagging plant.

Lease rentals for the area to be used for bagging plant is identified and included under bagging and stitching charges as suggested by TAMP.

- (vii). The time factor of 5 days is considered for arriving at the storage charges.
- (viii). The details of revised optimal capacity, capital cost, annual revenue requirement and revised upfront tariff proposed is given below:

- (a). **Capacity:**
In view of additional land of 8 acres proposed to be allotted, the VPT envisages the bagging plant can be fully utilised to handle 8400 tonnes per day as against 7000 tonnes per day considered earlier. Consequently, capacity of storage and bagging plant and silos is modified to 4.3 Million Tonnes Per Annum (MTPA) as against 3.9 MTPA assessed in the original proposal. The optimal capacity of the mechanised fertiliser handling terminal is considered at 4.3 MTPA being lower of the two capacities quay and yard.
- (b). **Capital Cost:**
Capital cost is revised to Rs.223.80 crores as against Rs.181.40 crores estimated earlier as given hereunder:

(Rs. in lakhs)			
Sl. No.	Particulars	Capital cost estimated in original proposal	Revised estimation of capital cost
	Cargo Handling Activity		
(i).	Civil Cost		
	- Hopper Track behind berth	69.35	69.35
	- Conveyor Galleries	1053.53	1609.42
	- Silo Farm	1174.34	1174.34
	- Storage Shed	2701.64	(allocated to bagging activity)
	- Trucking parking area	22.24	22.24

	- Transfer tower and Drive Houses	200.12	200.12
	- Dismantling Railway Tracks	11.68	11.68
	- Formation of Railway Tracks	111.18	(allocated to bagging activity)
	- Formation of Peripheral surface roads	333.53	333.53
	- Surface Drainage (in revised proposal 50% allocated to handling activity)	11.12	5.56
	- Operational Buildings (50%)	30.02	15.01
	- Customs Compound wall (50%)	44.47	22.24
	- Provision for water supply	11.12	11.12
	- Provision for Environmental works	277.95	277.95
	- Soil investigation	16.67	16.67
	Subtotal (i)	6068.96	3769.23
(ii).	Equipment Cost		
	- Ship unloader grabbing gantries (as per norms – 2 nos.)	5781.27	5781.27
	- Reclaimers (2 nos.)	-	2512.63
	- Front end loaders (8 nos.)	-	266.83
	- Conveyors	2868.40	2868.40
	- Electrical works	1028.40	1028.40
	Subtotal (ii)	9678.07	12457.53
(iii).	Cost of Bagging Plant		
	- Bagging Plant	1083.98	1083.98
	- Storage shed	--	2701.64
	- Formation of Railway tracks	--	222.36
	- Surface drainage (50%)	--	5.56
	- Operational Buildings (50%)	--	15.01
	- Customs compound wall (50%)	--	22.23
	- Bagging Plant (2 nos.) (mechanical work)	444.71	444.71
	Subtotal (iii)	1528.69	4495.49
(iv).	Miscellaneous		
	(a). For Cargo handling service (excluding bagging plant): - In the original proposal 5% on Civil Cost and Equipment Cost at (i) and (ii) above. In the revised proposal estimated at 8%.	787.35	1298.14
	(b). For bagging plant: - In the original proposal 5% on Civil Cost and Equipment Cost of bagging plant. In the revised proposal estimated at 8%.	76.44	359.64
	Subtotal (iv)	863.79	1657.78
	Total Capital Cost for Handling Activity (i + ii + iii + iv)	18139.51	22380.03

(c). **Annual Revenue Requirement:**

(Rs. in lakhs)

Sl. No.	Particulars	Original Proposal		Revised proposal	
		For cargo handling (excluding bagging plant)	For bagging and stitching services	For cargo handling (excluding bagging plant)	For bagging and stitching services
(i).	ROCE @ 16% on capital cost	2645.50	256.82	2803.98	776.82

(ii).	Operating cost	3477.49	276.67	4021.31	904.78
(iii).	Total Revenue Requirement	6122.99	533.49	6825.29	1681.60

- (d). The revised estimated Annual Revenue Requirement cargo handling activity is apportioned @ 96% for handling charges, 2% each for storage and miscellaneous charges as given below:

(Rs. in lakhs)		
Sl. No.	Particulars	Apportioned estimated revenue requirement
(i).	Handling charges (Rs.6825.29 lakhs x 96%)	6552.28
(ii).	Storage charges (Rs.6825.29 lakhs x 2%)	136.50
(iii).	Miscellaneous charge (Rs.6825.29 lakhs x 2%)	136.50
	Total Revenue Requirement from cargo handling activity	6825.29

The VPT has stated that one of the bidders has suggested to change the apportionment of revenue for storage charges from 5% to 1% at par with coal and iron ore. However, as there are no specific guidelines for fertilisers and keeping in view the fact that combination of guidelines of multipurpose berths and specialised terminal has been considered, revenue is apportioned at 96%, 2%, 2% at par with upfront tariff fixation of multipurpose cargo berth.

- (e). Proposed upfront tariff to meet the revised estimated revenue requirement is:

- (i). Composite coal handling charges:

(Rate in Rs. per tonne)	
Nomenclature	Foreign
Finished fertilisers excluding murate of phosphate	152.40

- (ii). Bagging and Stitching charge (for capacity of 25 lakh tonnes) - Rs.67.30 per tonne

- (iii). Storage charges:

- (a). Free period:

Import cargo - 5 days

- (b). Storage charge for balance cargo remaining beyond the free period:

Sl. No.	Particulars	Rate per tonne per day or part thereof (in Rs.)
(i).	For the first 5 days	1.60
(ii).	6 th to 10 th day	2.40
(iii).	Beyond 10 th day	3.20

- (iv). Miscellaneous charge for fumigation, cargo security, etc. proposed at Rs.3.20 per tonne.

7.2. A summary of the queries raised vide our letter dated 15 October 2009 and the clarifications furnished by the VPT vide its letter dated 11 November 2009 thereon are tabulated hereunder:

Sl. No.	Queries raised by us	Reply received from VPT
(i).	The VPT has clarified that since there are no norms prescribed in the upfront tariff guidelines for mechanised handling of fertilizers, the handling rate has been considered at 25000 tonnes per day based on its own assessment. In the calculation furnished, it is observed whilst the port has reckoned 70% capacity utilisation factor as per the norm prescribed in the guidelines for arriving at the optimal quay capacity, each factors therein such as handling rate, number of hours, etc., has also been scaled down by the port. In this regard, the following may be clarified: (a). The basis for considering the net pay load capacity of grab at 60% of the designed capacity. (b). The number of hour is restricted to 21 hours in a day for arriving at the handling rate when the formula for quay capacity already recognizes 70% of the maximum capacity as the optimum capacity.	(a). Unloading rate of 25,000 tonnes per day is considered as per the justification given in TEFR. The proposal is to install 2 unloaders of 800 tonnes/per capacity with 35 Mts. grab for each. Net lifting capacity at 60% (approximately) of the designed capacity is considered excluding tare weight of grab, which is around 40% of the designed capacity. (b). As regards to number of hours, 3 hours loss of time per day is considered for 3 shifts due to berthing and unberthing of vessels moving between holds, working arrangement like hatch arrangements and shift changes etc. With reference to 70% of efficiency factor, it is stated that the grabs cannot be utilized at the same level of efficiency during 21 hours continuous of working due to the reasons of variations in grab pickup in the start of the work till completion. Variation in density of different types of fertilizers ranging 0.8 to 1.2 tonnes/cum. 70% of maximum capacity as the optimal capacity as per TAMP guidelines is reckoned towards norms of berth occupancy out of 365 days.
(ii).	The capacity of the mechanised handling facility is restricted to the capacity assessed for bagging and stitching services. There are no norms prescribed in the upfront tariff guidelines for bagging and stitching service. In this regard, the following points may be clarified with reference to the capacity of storage, bagging and stitching services computed by the VPT: (a). The bagging and stitching service indicated at 8000 tonnes per day reportedly achieved by the two private warehouse provider may be substantiated by	(a). The information has been obtained orally.

documentary evidence. The quantum of fertiliser bagged and stitched by Coromandel Fertilisers Limited providing mechanised fertiliser handling facilities at a berth of VPT may also be indicated along with details of area utilised, number of bagging plant, etc. (b). Explain the reasons for considering the capacity of bagging plants only at the level of 8400 Tonnes Per Day (TPD). Further, for calculation of the capacity of bagging plant it is further restricted to the evacuation of cargo by rail i. e. at 7000 per day. The possible mechanisms of improving the capacity of bagging facility and evacuation facility may please be examined in depth so as to remove the limitations placed on the terminal capacity. It is to be borne in mind that upfront tariff is fixed for a period of 30 years and there will be no or limited scope to review the rates subsequently. (c). The capacity of the silos is estimated at 12000 tonnes per day. It is understood from the project feasibility report furnished by the port (page 35) that the cargo from silos will be transported to the existing two private warehouses which are already handling bagging and dispatch of 8000 tonnes per day. Explain why the capacity of silos is determined with reference to 6000 tonnes per day, when the actual cargo handled (bagged and stitched) is reported at 8000 tonnes per day. (d). Explain why the capacity of silos is to be restricted to the bagging and storage facility provided by the existing two private service provider and that too based on the existing facilities provided by them. It is not necessary that the existing arrangement would continue for the next 30 years.	(b). The capacity of Bagging plant is envisaged at 8400 TPD. The evacuation of cargo by rail at 6,960 tonnes per day was considered based on 3 train loads of 40 Nos. wagons of 58 tonnes wagon each (3 rakes x 40 wagon x 58 tonnes), The limitation for evacuation upto the level of bagging plant is due to the limitation in existing holding lines. During the joint hearing held by TAMP 22.10.2009, the bidders expressed that with two half rake sidings, evacuation of 3 rakes per day will be difficult due to time lost for operational requirement like shunting, regrouping etc. The aspect was reviewed in light of the observation made by TAMP and queries made by bidder and an additional land of 8 acres is considered to enable to handle full rakes of 3 to 4 per day and accordingly terminal capacity is increased to 4.3 MTPA from 3.9 MTPA. (c). As per TEFR, the quantity of fertilizers to be transported to the existing warehouses is assumed as 8,000 tonnes. The designed capacity of existing bagging plant is 8,000 TPD. Keeping in view efficiency factor of 75% of designed capacity of bagging plant was for suitable evacuation of cargo from silos, the capacity of silos was considered at 6000 T. (d). KRIBHCO is one the importers, Other major importers who are utilizing the existing bagging plant will be continued to use the same facility even after the new bagging plant commences its operation. If the importing who are utilizing existing bagging plant on some commercial arrangements are compelled to utilize the new bagging plant, there is a possibility of not importing the cargo at the proposed facility leading to under utilization of the berth. Hence some portion of the cargo is envisaged to continue to utilize at the existing bagging plant and accordingly separate charges are worked out for bagging and stitching charges. Regarding the continuation of existing arrangement, it is commercial decision to be taken up by the Importer.
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	(e). The port is again advised to examine all the possible ways of increasing the capacity of storage, bagging and evacuation facility both by rail as well as road movement so as improve the terminal capacity.	(e). Due to allotment of 8 acres land additionally for the yard, the terminal capacity is increased to 4.3 MTPA from earlier proposed capacity of 3.9 MTPA.
(iii).	Despite specific request, the VPT has not furnished the supporting documents / rate analysis to validate estimates of capital cost. It is, therefore, reiterated that copies of supporting documents / calculation / rate analysis may be furnished to justify the estimation of civil capital cost giving references to the main sheet to co-relate the figures. The estimation of equipment cost stated to be based on the current prices / budgetary quotes and prices of work recently undertaken by the port may also be established with necessary documents. Please confirm that all the capital cost figures are updated as on 1 January 2009.	Copies of the rate analysis considered during 1 st July '09 in respect of civil works are enclosed (these documents are not furnished). With regards to mechanical and electrical equipment, the manufactures normally do not give budgetary offers to non-buyers. The cost is based on the recent purchases of similar equipment by other major ports and it is confirmed that the rate adopted for estimates is based on prevailing market rates.
(iv).	The lease rent for the area to be used for providing bagging and stitching service may be recognised while determining the upfront tariff for the bagging / stitching service instead of reckoning this cost for determining the upfront rate composite handling (excluding bagging and stitching).	The area for the bagging plant after additional allotment of 8 acres is 69.816 Sq. yards and accordingly the lease rentals has been worked out and included in bagging and stitching charges.
(v).	The port is advised to review and revise the storage charge proposed for the first slab taking into consideration the time factor. Consequently, the rates for subsequent slabs may also be modified.	Time factor of 5 days has been reckoned with and accordingly storage charges have been reworked in the revised proposal dated 11 November 2009..
(vi).	Since the handling rate of general cargo (steel and bagged cargo) is different from fertiliser, please explain why a differential composite handling rate is not proposed taking into consideration the different level of productivity of the two cargo items.	Handling of General cargo is not under the scope of BOT Operator.

7.3. As decided in the joint hearing, the port has also furnished the related infrastructures improvement plans which is summarised below:

- (i). Deepening and widening of Inner Harbour entrance channel and turning circle to 11m. draft vessels was completed and deepening and widening of Inner Harbour entrance channel and turning circle to 12.5m. draft vessels has been taken up and is expected to be completed by October 2010.
- (ii). Port connectivity road of 12.5 kms. connecting National Highway as joint venture with NHAI is operational which will enable free flow of movement of cargo.
- (iii). Development of road infrastructure and flyover bridges in phases at an estimated cost of Rs.215 crores. Other Road improvement proposals include development of road infrastructure and flyover bridges in 11th plan, strengthening of existing two lane roads including rehabilitation of bridges, development of internal roads to connect the Port connectivity road.
- (iv). Expression of Interest initiated for development of Truck terminal to have parking facilities for 1000 nos. trucks (approx) and 20 nos. trailers and associated facilities with efficient communication system between place of loading/ unloading and parking area.

- (v). The port owns, operates and maintains 200 kms. of track length. There are 12 sidings and 17 open terminals in the port railway system. There are plans to develop 16 more sidings by 2007-12. The following are the rail connectivity proposals:
 - (a). Modernization of railway siding facilities at an estimated cost of Rs.25 crores is under progress.
 - (b). Revamping of East yard railway lines has been taken up and is progressing at a faster pace for facilitating loading of 8 full rakes as against 9 half rakes.
 - (c). Development of interchange yard at Vadlapudi and reception and dispatch yard at Mindi and associated facilities at an estimated cost of Rs.81 crores
- (vi). Other logistics.
 - (a). Procurement of launches and barges is under progress.
 - (b). 3 nos. Locos of 3100 HP locos have been procured.
 - (c). Tenders invited for Hiring of High power Tugs which is in advanced stage of action.
 - (d). Work order issued for procurement of 2 nos. High power Tugs and is under progress.

7.4. With reference to the decision taken at the joint hearing as brought in para 6.2. (i) and (iii) above, the VPT has vide email dated 11 November 2009 forwarded its revised proposal dated 11 November 2009 and details infrastructure improvement to the concerned users / user associations / prospective bidders. No specific comments from users / bidders is received on the revised proposal of the VPT. The port has, however, stated that KRIBHCO and M/s.SICAL Logistics Ltd. have furnished their comments to VPT. The port has furnished the comments made by KRIBHCO and the remarks of the port thereon.

8. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the comments received from 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>

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

- (i). The proposal of the Visakhapatnam Port Trust (VPT) to fix upfront tariff cap for installation of mechanised fertiliser handling facilities at Visakhapatnam Port Trust (VPT) is in pursuance to the guidelines for upfront tariff fixation issued by the Ministry of Shipping, Road Transport and Highways (MSRTH) in February 2008 which require upfront tariff setting for projects envisaged to be developed by Major Port Trusts on Public Private Participation (PPP) basis.

As per Clause 2.2. of the guidelines of February 2008 for upfront tariff setting for PPP Projects at the major ports, the upfront tariff caps to be prescribed would be applicable to all the projects to be bid out for mechanised fertiliser handling facilities at the Visakhapatnam Port Trust during the next five years. It is noteworthy that the VPT is well aware of this position.

- (ii). It can be seen from the narration of factual position recorded in the earlier part of this Order that the VPT has modified its proposal four times since its original proposal filed in May 2009 (received by us in end of July 2009). The capital cost estimated in the original proposal of May 2009 was Rs.181.39 crores which has been revised after the joint hearing. Based on the suggestions made by some of the bidders, the port has reviewed its earlier proposal and proposed to allot

additional land to develop full rake siding facility. It has also included 2 reclaimers, 8 nos. of front end loaders and cost of 1 plat form and additional conveyor. The VPT in the revised proposal dated 11 November 2009 has accordingly revised the estimated capital cost to Rs.223.80 cores and has confirmed that the revised proposal has been circulated to the concerned users / bidders.

The last revised proposal filed by the VPT dated 11 November 2009 along with the information / clarifications furnished during the processing of the case is considered in this analysis.

- (iii). It may be relevant to mention that the tariff guidelines of 2008, do not stipulate any exclusive norms for mechanised fertiliser handling facilities. The port has, therefore, adopted the norms prescribed for multipurpose berth to the extent relevant with updation and revision wherever necessary. Citing that the some of the facilities envisaged for mechanised fertiliser handling are similar to (mechanised) coal handling terminal, the VPT has also adopted the norms prescribed in the guidelines for coal terminal for some of the items such as estimation of power cost, repairs and maintenance cost, capital items of civil works and mechanical equipment, etc. to the extent relevant for the fertiliser handling facility proposed. Some of the users / bidders consulted in the case have also suggested adopting the norms prescribed in the guidelines for coal terminal since the mechanised handling facility proposed by VPT are to some extent comparable to coal terminal.

It is found that only the handling norms for general cargo and the normative free period are adopted from the multipurpose cargo terminal. The revised proposal filed by the VPT are mainly found to be adopting the norms prescribed for coal terminal for reasons already cited by the port with necessary revisions and updation for the mechanised handling facility envisaged by the port. Deviations proposed in some of the norms / parameters are, *inter alia*, discussed in the subsequent paragraphs.

(iv). Optimal Terminal Capacity:

(a). Optimal Quay Capacity:

- (i). Optimal quay capacity of the mechanised fertiliser handling terminal is assessed at 6.17 Million Tonnes Per Annum (MTPA). The percentage share of capacity of Murate of Potash (MOP) is assumed at 24%, other fertiliser at 72% and general cargo viz. steel and bagged cargo at 4%. The share of cargo capacity assumed by the VPT is relied upon. In any case this will not make any impact on the final optimal capacity of the terminal which is limited by the storage and silos capacity.
- (ii). The handling norms prescribed for fertiliser in the upfront tariff guidelines for multipurpose cargo terminal is 10,000 tonnes per day for vessels more than 30,000 tonnes parcel size and 7500 tonnes per day for lower parcel size vessels. The port has clarified that the handling norms for fertiliser prescribed in the guidelines for multipurpose cargo berth are for a semi mechanised handling whereas the VPT envisages mechanised handling of fertiliser. Thus, the handling norms prescribed in the guidelines for fertiliser for a multipurpose cargo terminal are not relevant.
- (iii). The VPT has considered the handling rate for fertiliser at 25000 tonnes per day based on the two unloaders proposed to be deployed. One of the bidders KRIBHCO has pointed out that the handling rate assumed by the port is on the higher side. The port has, however, furnished the basis for arriving at the handling rate. In the absence of any specific handling norms prescribed in the guidelines for mechanised handling of fertiliser, the handling rate

assumed by the VPT is relied upon in the upfront tariff calculation. It is notable that the quay capacity is not a constraint in the instant case but, the capacity of storage and silos is the limitation factor.

For general cargo viz. steel and bagged, the port has considered the handling rate at 4000 tonnes per day as per the norms prescribed in the guidelines for multipurpose cargo berth. It is presumed that the general cargo may not be utilizing the mechanised handling facilities proposed to be deployed which is mainly for fertiliser handling which is the predominant cargo. The handling rate for general cargo considered by the VPT is adopted.

- (iv). At the handling rates proposed by the VPT, the optimal quay capacity of the terminal works out to 6.17 MTPA.

(b). Optimal Capacity of Bagging Plant and Silos:

- (i). The optimal capacity of bagging plant and silos determined by the VPT in the revised proposal is 4.30 Million Tonnes Per Annum which is the sum of storage and bagging plant capacity assessed at 2.52 Million Tonnes Per Annum and capacity of silos determined at 1.8 Million Tonnes Per Annum.

As stated earlier, the upfront tariff guidelines of 2008 do not prescribe any norms for mechanised handling of fertiliser. No norms are, therefore, available in the guidelines for determining the capacity of bagging plant and silos facility envisaged by the port for fertiliser handling terminal. Hence the approach and the basis adopted by the VPT for arriving at the optimal capacity of the Bagging plant and silos is relied upon subject to some modifications which are explained in the subsequent paragraphs.

- (ii). In the proposals filed by the port prior to the revised proposal dated 11 November 2009, the capacity of the bagging plant was determined at 8400 tonnes per day. However, for arriving at the optimal capacity of the bagging plant as a whole, the productivity was assumed at 7000 tonnes per day based on the expected evacuation of cargo by rail. The port was advised to examine the possibility of increasing the capacity of bagging plant and silos to minimize the mismatch between quay and yard capacity. Even some of the bidders have pointed out the need for additional storage area and improving the rail side facilities for better evacuation of cargo.

The port has accordingly, in the revised proposal considered additional area of land to match the evacuation of cargo with the output of bagging plant assessed at 8400 tonnes per day. The capacity of bagging plant is thus arrived at 2.52 Million Tonnes Per Annum (MTPA) by the VPT based on the revised productivity of bagging plant and reckoning 300 days. None of the users have raised any objection on the bagging capacity proposed by the port. The optimal capacity of bagging plant assessed by the VPT based on bagging service of 8400 tonnes per day is relied upon and accepted subject to taking the number of days in a year as 365 and applying the 70% optimum utilisation factor to the annual capacity as per the general prescription in the guidelines. Accordingly, the optimal capacity of the bagging plant works out to 2.15 MTPA.

- (iii). The optimal capacity of silos is determined by the port at 1.80 MTPA by taking the storage capacity at 12000 tonnes per day. For arriving at the optimum annual capacity of the silos, however, the capacity is lowered to 8000 tonnes per day based on the

capabilities of bagging and dispatch service available at the existing two private warehouses operating outside the port and applying the optimum efficiency factor of 75% thereon and reckoning 300 days.

As far as the project is concerned, the service envisaged is ship - shore handling, movement to silos and delivery in bulk form with reference to cargo moved through silos. Delivery is envisaged in bulk form and not in bagged form. It may not be necessary that only the existing warehousing services would continue and with the existing capacity at that, for the next 30 years. Further, it may not be necessary that all the cargo moved from silos in the bulk form would avail bagging services only from the existing two private warehouses. Even the port has admitted that continuation of existing warehousing arrangement is a commercial decision of the operator. That being so, limiting the capacity of the silos solely based on the capacity of the bagging service provided by the existing two private warehouses is found to be extraneous and not relevant in the normative method followed.

The optimal annual capacity of the silos is revised based on the storage capacity of silos assessed by the VPT i.e. at 12000 tonnes per day and the number of days in a year is taken at 365 and the normative utilisation level of 70% is applied for determining the optimum capacity. Accordingly, optimum capacity of silos works out to 3.07 MTPA.

Subject to the above modifications, the sum of the optimum capacity of bagging plant and silos is determined at 5.21 MTPA.

(c). Optimal Terminal Capacity:

The optimal capacity of mechanised handling of fertiliser is considered at 5.21 MTPA in the calculation of upfront tariff being lower of the two capacities i.e. quay and capacity of bagging plant and silos.

(v). Capital Cost:

The revised capital cost for the mechanised fertiliser handling facilities is estimated at Rs.223.80 crores. As stated earlier, the port has at the request made by the bidders proposed additional storage area for development of conveyors and rail platform, and additional equipment viz. 8 front end loader and 2 reclaimers. The port envisages the operator to develop and operate mechanised fertiliser handling facilities at the existing operational berth. The estimated capital cost, therefore, does not include cost for construction of berth. The port has confirmed that all vessel related services will be provided by the port and, therefore, relevant tariff for such services will be levied by VPT based on its Scale of Rates.

The upfront tariff guidelines for coal terminal broadly indicate the civil works involved and require to rely on the estimates the civil cost made by the port. The items of civil works estimated by the VPT follow the broad indicative list prescribed in the guidelines for the coal terminal. In addition to that port has included some of the items like silo farm, hopper track behind the berth, trucking parking area, provision for environmental works, etc. based on the handling facilities envisaged for fertiliser cargo.

The port has considered 2 unloaders, conveyors, and electrical works apart from additional equipment as suggested by some of the bidders. Since part of the optimal capacity is likely to avail bagging service and part of the cargo capacity is expected to be delivered from silos in bulk form, the capital cost relating to bagging plant is estimated separately. Cost of some common expenses like

drainage, building, etc. are, however, apportioned equally between the cargo handling facilities and bagging plant.

The port has clarified that in the absence of any norms prescribed in the guidelines for mechanised fertiliser handling, civil work and equipment proposed by the port are based on the handling facilities envisaged to be developed.

It is noteworthy that clause 3.2. of the guidelines for upfront tariff setting give flexibility to this Authority to make necessary adjustment in the norms based on justification furnished by the port and in view of port specific conditions having impact on the norms prescribed in the guidelines. It is relevant to mention that none of the users/ bidders have made any pointed objection on the civil work and equipment proposed by the VPT except certain specific issues of inadequate storage yard and requirement of additional front end loaders and reclaimers which has been addressed with by the port in the revised proposal.

The estimation of civil and equipment cost made 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 soil investigation, engineering / supervision charge. Despite specific request, the VPT has not furnished supporting documents / rate analysis etc., to validate the estimates of capital cost with reference to the unit rate adopted for civil work and equipment cost.

The Port has clarified that the estimates of civil works are based on rate analysis during 1st July '09. With regards to mechanical and electrical equipment cost, the port has explained that the manufacturers normally do not give budgetary offers to non-buyers. The port has confirmed that the estimates are based on the recent purchases of similar equipment by other major ports and that the rate adopted is based on prevailing market rates. Based on the clarifications furnished by the port, the capital cost estimates furnished by the port are relied upon subject to modification in the estimation of miscellaneous capital cost as explained in the subsequent analysis.

- (vi). With reference to miscellaneous capital cost, the guidelines for coal handling terminal prescribe a norm of estimating this item at 5% on civil and equipment cost. The norm prescribed in the guidelines for other bulk cargo handling is also at the same level. KRIBHCO and M/s.SICAL Logistics Limited have, however, pointed out that the estimate of miscellaneous cost adopting the norm of 5% is on the lower side.

The VPT has in the revised proposal has estimated miscellaneous capital cost at 8% on the civil and equipment cost based on a suggestion made by an expert of Public Private Participation Appraisal Committee (PPPAC) to consider 12% towards miscellaneous cost. The estimation of miscellaneous capital cost is not found to be in line with the norms prescribed in the guidelines. The reasons for considering deviations are also not brought on record with necessary analysis to justify the modified norm proposed. It is relevant to state here that the Miscellaneous Capital Cost in the upfront tariff setting at other Major Port Trusts has been estimated following the norms prescribed in the guidelines. No extraordinary circumstances is brought out by the port warranting deviation from the norms prescribed in the guidelines only in its case. That being so, the estimation of Miscellaneous Cost considered as per the norms prescribed in the guidelines for coal and other bulk cargo handling terminal.

- (vii). Subject to the above modifications, the total capital cost for cargo handling service is estimated at Rs.21758.36 lakhs. This includes Rs.4720.26 lakhs estimated for bagging and storage plant and Rs.17038.10 lakhs for cargo handling service excluding bagging and stitching service.
- (viii). The return on capital employed is estimated at 16% of the estimated capital cost as per the norms prescribed in the guidelines. This works out to Rs.2726.10 lakhs for cargo handling service (excluding bagging plant) and Rs.755.24 lakhs for bagging and storage plant.

(ix). Operating Cost:

- (a). The power cost is estimated by the port adopting the consumption norms prescribed for coal handling terminal i.e. 1.4 units per tonne citing that the facility envisaged by it for mechanised handling of fertiliser handling consists of unloaders, conveyors, reclaimers., etc. which are similar to mechanised coal handling system. The port has also ascertained the power consumption from Coromandel Fertilisers Limited which is reportedly in the range of 1.25 to 1.4 units per tonne. For bagging plant, the VPT has considered power consumption of 0.50 units per tonne as ascertained by it from one of the existing facilities.

The unit cost of power considered by the VPT is Rs.6.20 and the port has confirmed that it is based on the prevailing unit cost of power incurred by the port. Even in the upfront tariff earlier determined in February 2009 for multipurpose cargo berth and liquid cargo berths, unit rate of power at Rs.6.20 was considered.

- (b). The port had earlier estimated repairs and maintenance at 5% of the equipment cost based on the norms prescribed for multipurpose cargo berth. KRIBHCO has suggested to provide repairs and maintenance at 7% based on the norms prescribed in the guidelines for coal and iron ore terminal. The bidder has infact requested to provide 5% additionally towards repairs and maintenance cost due to corrosive nature of fertiliser. In the revised proposal, the repairs and maintenance is estimated @ 7% of equipment cost as per the norms prescribed for coal terminal keeping in view the fact that, the equipment proposed and method of handling from ship to storage for fertilizers is similar to that of coal terminal. Based on the clarification furnished by the VPT, repairs and maintenance cost estimate is accepted.

As per the norms prescribed in the guidelines for coal terminal, the repairs and maintenance cost on civil work is estimated at 1% on the civil cost, insurance cost at 1% of the gross fixed assets and other expenses at 5% of the gross value of fixed assets.

- (c). Depreciation is 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.
- (d). Lease rentals is calculated for the area proposed to be allotted for storage yard and bagging plant, silos, conveyor gallery etc. The guidelines for upfront tariff stipulate that lease rent for port land is to be estimated based on the rate prescribed in the Scale of Rates of the respective major ports.

The port has submitted that proposal for revision of lease rentals for the lands belonging to VPT which is due for submission for quinquennium 2008-13 has not yet been finalised as land valuations by District Revenue Authorities (DRA) is awaited. With reference to land proposed to be allotted at Zone 1C, the VPT has provisionally adopted the base rate approved by this Authority for the quinquennium 2003-08 subject to escalation @ 2% per annum compoundable as provided in Government policy guidelines on Land Management dated 8 March 2004. Similar approach was followed while determining upfront tariff for liquid cargo terminal and multipurpose cargo terminal of the VPT in February 2009.

The lease rental approved by this Authority for the Quinquennium 2003-2008 vide Order No.TAMP/41/2005-VPT on 22 April 2008 does not, however, cover Zone XA and XB. The port has clarified that the annual lease rent for land at zones XA and XB is arrived adopting the valuation of land fixed by the DRA, for quinquennium 2003-08 and applying 6% return as per the Government guidelines and applying annual escalation of 2%

per annum to arrive at the rate for the year 2009 which is also as per the Government guidelines. It is noteworthy that the port has recently submitted a separate proposal for fixation of lease rentals in respect of these zones on the same lines.

Since the lease rentals for the Zone XA and XB are not approved by this Authority for the quinquennium 2003-08, and also recognising the proposal in this regard is recently filed by the VPT, this Authority relies on the valuation of land provided by the District Revenue Authority (DRA) which is considered by the VPT for arriving at the lease rental. The approach adopted in arriving at the base lease rental applying 6% return and 2% annual escalation is in line with the Government guidelines on land policy and hence is accepted. In case the revised lease rental for the quinquennium 2008-13 comes into force before issue of the RFP for the proposed fertiliser handling facility, then the port may approach this Authority to review the upfront tariff with reference to this item.

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

- (a). The total revenue requirement from cargo handling service (excluding bagging plant) is estimated at Rs.6797.17 lakhs which is the aggregate of operating cost of Rs.4071.07 lakhs and Return on investment of Rs.2726.17 lakhs.

The total revenue requirement from storage and bagging service is estimated at Rs.1640.95 lakhs which is the aggregate of operating cost of Rs.885.71 lakhs and Return on capital cost of Rs.755.24 lakhs.

- (b). The VPT in the revised proposal has apportioned 96% of the total estimated revenue requirement from cargo handling service (excluding bagging plant) handling charges, and 2% each towards storage and miscellaneous charge based on the revenue apportioned in the upfront tariff set for multipurpose cargo berth by this Authority for the port of Visakhapatnam in February 2009.

Since the facility envisaged by the VPT is similar to coal handling terminal as reported by the VPT and also recognising that norms prescribed for coal terminal are adopted for estimating most of the capital cost and operating cost items, it is found more appropriate to apportion the revenue requirement following the norms prescribed in the guidelines for coal terminal. Even the bidder KRIBHCO and M/s.Sical Logistics Limited have suggested to apportion revenue requirement following the norms prescribed for coal terminal. Accordingly, 98% of the estimated revenue requirement is apportioned to handling activity and 1% each to storage activity and miscellaneous services as per the norms prescribed in the guidelines for coal terminal.

- (c). As the handling rate for general cargo assumed is different from fertiliser, the port was advised to consider proposing a differential composite handling rate for general cargo viz. steel and bagged cargo. The port has not proposed separate rate for steel and aged cargo citing that handling of General cargo is not under the scope of BOT Operator. It is relevant to mention that in the quay capacity calculation, the port has assumed share of general cargo at 4%. Recognising that the facility is mainly for mechanised handling of fertiliser cargo and also the share of general cargo is not very significant, the same rate as prescribed for the fertiliser handling is prescribed as upfront tariff cap.

Based on the optimal capacity of the terminal assessed at 5.21 MTPA, the upfront handling rate (excluding the bagging and stitching service) to meet the estimated revenue requirement of Rs.6661.23 lakhs from cargo handling service works out to Rs.127.85 per tonne.

- (d). Though, the upfront tariff calculation is made by the port separately for composite handling service (excluding bagging and stitching) and bagging and stitching service, the VPT has proposed to prescribe in the Scale of Rates a composite rate including bagging and stitching and a separate handling rate is prescribed if cargo does not avail bagging and stitching services.

In the upfront tariff schedule approved, the cargo handling charges (excluding bagging and stitching service) and upfront tariff cap for bagging and stitching service are prescribed separately as some part of cargo capacity is not likely to avail the bagging and stitching service.

- (e). Consequent to the above change in the tariff structure, the proposed Note no.1 under Schedule 2 – Cargo handling charges defining the services included in the composite handling service is suitably modified to exclude the facilities relating to bagging and stitching service. The Note no.1 in Schedule under Cargo handling charge is modified to state that composite handling charge includes unloading of the cargo from the vessel including stevedoring and transfer of the same up to the point of storage, storage at the stackyard/ silos up to a free period of 5 days, loading cargo onto trucks / railway wagons. The composite charge also includes wharfage and supply of labour, wherever necessary and all other miscellaneous charges not specifically prescribed in the Scale of Rates.
- (f). As regards the tariff for bagging and stitching service which is a separate supporting facility envisaged, the port has apportioned the revenue requirement from bagging and stitching service over the estimated capacity of the facility. The approach adopted by the VPT in arriving at the upfront tariff for bagging and stitching service is accepted subject to modification made by us in the estimated revenue requirement and optimal capacity of bagging, storage and stitching plant. The upfront tariff for bagging and stitching service is thus arrived at Rs.76.46 per tonne as against Rs.67.30 per tonne proposed by the VPT.
- (g). In the proposed Scale of Rates, the VPT has proposed free period of 5 days for import cargo and 15 days for export cargo. The free period proposed for export cargo is not found relevant for fertiliser handling as port only envisages import of this cargo as the port do not consider any export of cargo.

The VPT has assumed 40% of the total cargo will attract demurrage. It has furnished calculation in support of its assumption. It has proposed the rate for the first slab (6th day to 10th day) at 1.60 per tonne. For the subsequent two slabs, it has proposed the rate at twice and thrice the rate of the base slab.

In view of modification in the optimal terminal capacity and estimated annual revenue requirement apportioned to storage service, the unit storage charge proposed by the VPT has been modified keeping the slab structure adopted by the VPT unaltered.

Consequently, the storage charge for the first slab is Rs.0.65 per tonne per day or part thereof. The rates for the subsequent slabs are determined accordingly.

- (h). Based on the modified revenue requirement and modified optimal capacity, tariff cap for miscellaneous charge is prescribed at Rs.1.30 per tonne as against Rs.3.20 per tonne proposed by the port. The miscellaneous charge covers charges for fumigation, cargo security, etc.
- (i). The port has proposed concessional tariff for coastal vessel / coastal cargo in composite handling charge as per clauses 4.3 and 6.1.2 of the tariff guidelines notified in the Gazette of India on 31 March 2005. The revenue impact of allowing such concession is, however, not considered while arriving at the proposed rates concessional tariff. On being pointed out, the port has confirmed that no coastal cargo is envisaged at the proposed terminal. Though prescribing concession rate to coastal cargo / vessel may not have any impact on the revenue realization, concessional rate is prescribed for coastal category in line with the Government policy in this regard.
- (xi). Definitions of some of the common terms like foreign going vessel, coastal vessel, per 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. Definition of week proposed by the VPT in the upfront tariff schedule is not found to be relevant and hence deleted.
- (xii). 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, non accrual of storage charge for the period when the operator is not in a position to effect deliver/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.
- (xiii). The VPT has proposed to prescribe a few conditions regarding the commencement of free period which are in line with the prescription at the other major ports / private terminals.
- (xiv). Recognising that conditionalities fixed now would 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.

10.1. 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 July 2009 as reported by the VPT, it is found appropriate and relevant to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2009 as rightly stipulated by VPT also in general note 5 in the proposed Scale of Rates.

10.2. 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.

10.3. 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.

10.4. 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.

10.5. The actual performance of the private operators 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 operators, the Visakhapatnam Port Trust shall initiate appropriate action in accordance with the provisions of the relevant Concession Agreement.

10.6. 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.

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

(Rani Jadhav)
Chairperson

ANNEX - I

FORMULATION OF UPFRONT TARIFF FOR MECHANISED FERTILIZER HANDLING FACILITIES AT VISAKHAPATNAM PORT TRUST

Sr. No.	Particulars	(Rs. in lakhs)	
		Revised estimates furnished by the	Estimates of VPT modified by TAMP
I	Optimal capacity		
(i).	Optimal Quay Capacity		
(a).	Share of capacity of different cargo items		
	Percentage share of capacity of Murate of Potash (S1)	24%	24%
	Percentage share of capacity of other finished fertiliser (S2)	72%	72%
	Percentage share of capacity of general cargo (S3)	4%	4%
(b).	Ship day Output (in tonnes per day)		
	- Handling rate of vessels carrying Murate of Phosphate (P1)	25000	25000
	- Handling rate of vessels carrying other finished fertilizer (P2)	25000	25000
	- Handling rate of vessels carrying general cargo (P3)	4000	4000
(c).	Quay Capacity = $0.7*((S1*P1)+(S2*P2)+(S3*P3))*365$	6172880	6172880
	Quay Capacity in million tonnes / annum	6.17	6.17
(ii).	Optimal Capacity of proposed storage and bagging plant and silos		
(a).	Capacity of Storage and Bagging Plant		
	- Capacity of storage shed (in tonnes / day)	28000	28000
	- Capacity of proposed bagging plant (tonnes/ day)	8400	8400
	- Capacity of evacuation of cargo (tonnes/ day)	-	-
	- Capacity of evacuation of cargo (in tonnes /per day) rounded off to sa	-	-
	- Capacity of proposed bagging plant (tonnes/ annum) VPT has considered 8400 TPD * 300 days =2.52 MTPA. In our calculation, the number of days is 365 and optimum utilisation norm of 70% is applied as prescribed in the guidelines)	2520000	2146200
	- Capacity of proposed bagging plant (million tonnes/ annum)	2.52	2.15
(b).	Capacity of Silos		
	- Capacity of silos (in tonnes / day)	12000	12000
	- Designed capacity of existing bagging plant at a private warehouse(tonnes/ day)	8000	-
	- Capacity that can be achieved at 75% efficiency (75% * 8000 tonnes) (tonnes/ day)	6000	-
	- Capacity of silos (in tonnes /per annum) VPT has considered (6000 tonnes *300 days). In our calculation, capacity of silos recognised at 12000 tonnes per day, the number of days considered at 365 and optimum utilisation norm of 70% is applied as prescribed in the guidelines)	1800000	3066000
	- Capacity of silos (million tonnes/ annum)	1.80	3.07
(c).	Total Yard capacity (in million tonnes / anum) (a + b)	4.32	5.21
(iii).	Optimal capacity of the Terminal - lower value of the optimal quay capacity and optimal capacity of storage and bagging plant and silos (in Million tonnes/ annum)	4.30	5.21
II	Capital Cost		
	Cargo Handling Activity	Rs. in lakhs	Rs. in lakhs
(i).	Civil Cost		
	- Hopper Track behind berth	69.35	69.35
	- Conveyor Galleries	1609.42	1609.42
	- Silo Farm	1174.34	1174.34
	- Trucking parking area	22.24	22.24
	- Transfer tower and Drive Houses	200.12	200.12
	- Dismantling Railway Tracks	11.68	11.68
	- Formation of Peripheral surface roads	333.53	333.53
	- Surface Drainage (in the revised proposal dated 11.11.09, 50% apportioned to storage and bagging plant)	5.56	5.56
	- Operational Buildings (in the revised proposal dated 11.11.09, 50% apportioned to storage and bagging plant)	15.01	15.01
	- Customs Compound wall (in the revised proposal dated 11.11.09, 50% apportioned to storage and bagging plant)	22.24	22.24
	- Provision for water supply	11.12	11.12
	- Provision for Environmental works	277.95	277.95
	- Soil investigation	16.67	16.67
	Subtotal (i)	3769.23	3769.23
	(ii). Equipment Cost		
	- Ship unloader grabbing gantries (2 nos)	5781.27	5781.27
	- Conveyors (2580 mtrs)	2868.4	2868.4
	- Electrical works	1028.4	1028.4
	- Reclaimers (2 nos)	2512.63	2512.63
	- Front end loaders (8 nos)	266.83	266.83
	Subtotal (ii)	12457.53	12457.53
	(iii). Cost of Bagging Plant		
	(a). Civil work		
	- Bagging Plant	1083.98	1083.98
	- Storage Shed	2701.64	2701.64
	- Formation of Railway Tracks	222.36	222.36
	- Surface Drainage (50%)	5.56	5.56
	- Operational Buildings (50%)	15.01	15.01
	- Customs Compound wall (50%)	22.23	22.23
	Subtotal (a)	4050.78	4050.78
	- Bagging Plants (2 nos) (mechanical work)	444.71	444.71
	Subtotal (iii)	4495.49	4495.49
	(iv). Miscellaneous		
	- 8% on Civil Cost and Equipment Cost at (a) and (b) (excluding bagging plant)	1298.14	811.34
	- 8% on Civil Cost and Equipment Cost of bagging plant	359.64	224.77
	Subtotal (iv)	1657.78	1036.11
	Total Capital Cost for Handling Activity (i + ii + iii + iv)	22380.03	21758.36
Sr. No.	Particulars	Revised estimates furnished by the	Estimates of VPT modified by TAMP
III	Operating Cost for Cargo Handling Activity (Excluding bagging plant)	Estimates (Rs.in lakhs)	Estimates (Rs.in lakhs)
	(a). Power Cost (1.4 units per tonne * Rs. 6.20 per unit * optimal capacity) .	373.24	452.23
	(b). Repair & Maintenance		
	- Civil Assets (1% on civil work)	37.69	37.69
	- Mechanical & Electrical Equipment including spares (7% on mechanical and electrical works)	872.03	872.03
	(c). Insurance (1% on Gross asset value)	175.25	170.38
	(d). Depreciation		
	- Civil Work @ 3.34%	125.89	125.89
	- Mechanical Work @ 10.34%	1288.11	1288.11
	(e). License Fee	272.85	272.85
	(f). Other Expenses (5% on gross value of assets)	876.25	851.90
	Total Operating Cost	4021.30	4071.07

IV	Estimated Revenue Requirement & upfront tariff for Cargo Handling Activity (Excluding bagging plant)		
(i).	Estimated Revenue Requirement		
	Revenue Requirement Cargo Handling service (excluding bagging plant)		
	(a). Total Operating Cost	4021.30	4071.07
	(b). Return on capital Employed @ 16%	2803.98	2726.10
	(c).Total Revenue requirement from cargo handling activity	6825.29	6797.17
(ii).	Apportionment of Revenue Requirement		
	(a). Cargo Handling Charges (VPT has apportioned 96% of ARR) (Modified and apportioned at 98% of ARR)	6552.28	6661.23
	(b). Storage Charges (2% of ARR by VPT). (In modified calculation by TAMP 1% of ARR apportioned)	136.50	67.97
	(c). Miscellaneous Charge (2% of ARR apportioned by VPT) (in modified calculation by TAMP 1% of ARR)	136.50	67.97
	(d).Total Revenue requirement from cargo handling activity	6825.29	6797.17
(iii).	Cargo Handling charge (excluding bagging plant)		
	(a). Cargo Handling Charge		
	- Revenue Requirement (Rs. in lakhs)	6552.28	6661.23
	- Capacity (Million Tonnes per annum)	4.30	5.21
	- Composite Handling Charge Rs.per tonne (foreign) (excluding bagging and stitching service)	152.40	127.85
	(b). Storage Charge		
	- Revenue Requirement (Rs. in lakhs)	136.50	67.97
	- % of Cargo to attract storage charge	40%	40%
	- Capacity of cargo to attract storage charge (lakh tonnes)	17.20	20.84
	(i). Free period (Import)	5 days	5 days
	(ii). Storage Charge (beyond the free period)	Rate Per tonne per day or part thereof	Rate Per tonne per day or part thereof
	-First five days	1.60	0.65
	-6th day to 10th day	2.40	0.98
	-11th day onwards	3.20	1.30
	(c). Miscellaneous Charge		
	- Revenue Requirement (Rs. in lakhs)	136.50	67.97
	- Capacity (Million Tonnes per annum)	4.30	5.21
	- Miscellaneous Charge per tonne	3.20	1.30
V	Operating Cost for Bagging and Stitching activity for cargo capacity of 21 lakh tonnes of Fertiliser including Muriate of Potash	Estimates (Rs.in lakhs)	Estimates (Rs.in lakhs)
	(a). Power Cost (0.50 units per tonne * unit rate 6.20 * optimal capacity of bagging plant)	77.50	66.53
	(b). Repair & Maintenance		
	- Civil Assets	40.51	40.51
	(1% on civil work		
	- Mechanical & Electrical Equipment including spares (5% on mechanical and electrical works on the original proposal, 7% on mechanical and electrical work in the revised proposal dated 11.11.2009)	31.13	31.13
	(c). Insurance (1% on Gross fixed assets excluding bagging plant)	48.55	47.20
	(d). Depreciation		
	- Civil Work (3.34%)	135.30	135.30
	- Mechanical Work (10.34%)	45.98	45.98
	(e). License Fee	283.05	283.05
	(f). Other Expenses towards salaries and overheads (5% on gross value of assets)	242.76	236.01
	Total Operating Cost	904.78	885.71
VI	Estimated Revenue Requirement & upfront tariff for bagging and		
(i).	Estimated Revenue Requirement		
	Revenue Requirement Cargo Handling service (excluding bagging plant)		
	(a). Total Operating Cost	904.78	885.71
	(b). Return on capital Employed @ 16%	776.82	755.24
	(c).Total Revenue requirement from bagging and stitching activity	1681.60	1640.95
(ii).	Bagging and Stitching Charge		
	(a). Revenue Requirement (Rs. in lakhs)	1681.60	1640.95
	(b).Capacity of bagging plant (lakh Tonnes per annum)	25.00	21.46
	(c). Bagging and Stitching Charge per tonne (Rs.)	67.30	76.46
VII	Cargo handling Charge proposed (Rs. per tonne)		
	- Cargo Handling Charge (Excluding bagging and stitching service) (Foreign) as computed in IV(iii) (a)	152.40	127.85
	- Bagging and stitching charge as computed in VI (ii)(c) above	67.30	76.46
	- Composite Handling Charge including bagging and stitching (Rs. per tonne) for coastal	not proposed	not proposed

VISAKHAPATNAM PORT TRUST

UPFRONT TARIFF SCHEDULE FOR MECHANISED HANDLING OF FERTILISERS

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 cargo related charges for all coastal cargo other than crude including POL, Iron ore and Iron pellets and thermal coal should not exceed 60% of the normal cargo related charges.
 - (b). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship shore transfer and transfer from/to quay to/from storage yard including wharfage.
 - (c). Cargo from a foreign port which reaches an Indian Port "A" for subsequent 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.
 - (d). The charges for coastal cargo / containers / vessels shall be denominated and collected in Indian rupee.
- (iii). Interest on delayed payments / refunds.
 - (a). The user shall pay penal interest on delayed payments of 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, however, 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. CARGO HANDLING CHARGES:

(A). Composite handling charge (excluding bagging and stitching service):

Sl. No.	Commodity	Unit	Rate in Rupees	
			Foreign	Coastal
(a).	Finished Fertilisers including muriate of potash	Per Metric Tonne	127.85	76.71

Note:

The handling charges prescribed above is a composite charge for unloading of the cargo from the vessel including stevedoring and transfer of the same up to the point of storage, storage at the stackyard/ silos up to a free period of 5 days, and loading on to trucks / railway wagons. This composite charge includes wharfage and supply of labour, wherever necessary and all other miscellaneous charges not specifically prescribed in the Scale of Rates.

(B). Charges for Bagging and Stitching Service:

Sl. No.	Commodity	Unit	Rate in Rupees
			Foreign and Coastal
(a).	Finished Fertilisers including muriate of potash	Per Metric Tonne	76.46

3. STORAGE CHARGES:

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

(A). Free period:

Import cargo 5 days free.

(B). Storage charges after free period (per ton / per day)

Description	Rate in Rs. per tonne per day
First five days after expiry of free period	0.65
6 th day to 10 th day after expiry of free period	0.98
Beyond 10 th day	1.30

Notes:

- (i). For the purpose of calculation of free period Customs notified holidays and Terminal's non-working days shall be excluded.
- (ii). Free period for import cargo shall be reckoned from the day following the day of completion of final discharge from the vessel.
- (iii). Storage charge 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.

4. MISCELLANEOUS CHARGES:

Rs.1.30 per tonne is a composite charge for all miscellaneous services such as fumigation, cargo security etc.

5. GENERAL NOTE TO SCHEDULE (2) TO (4) 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 2009 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 / DIFFERENT USER ORGANISATIONS AND PROSPECTIVE BIDDERS AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY

F. No.TAMP/26/2009 - VPT - Proposal from the Visakhapatnam Port Trust for fixation of upfront tariff for installation of mechanised fertilisers handling facilities in inner harbour at Visakhapatnam Port on Design Built Finance Operate And Transfer (DBFOT) basis.

A summary of comments received from M/s.SICAL Logistics Limited and the comments of Visakhapatnam Port Trust (VPT) thereon are tabulated below:

Sl. No.	Comments of M/s.SICAL Logistics Limited	Comments of VPT
(i).	Miscellaneous cost as mentioned in feasibility report is 5% of capex. This includes IDC, which we feel is on the lower side.	As per TAMP guidelines.
(ii).	Capital dredging of berth is included in the DCA but not included in the capex used in TAMP calculation.	Neither Capital Dredging nor Maintenance Dredging of EQ-7 berth comes under the purview of BOT Operator and not considered. The berth hire shall accrue to VPT, as such the revenue on account of berth hire is not given in the proposal.
(iii).	The DCA mentions (Pg. No.64) to pay 1 year rent premium + 1 year rent advance + 5yr security deposit. The Financial costs towards these payments are not considered in the TAMP calculation.	One year rent advance is adjustable. Five years security deposit will be in the form of Bank guarantee. As such, one year rent is taken under O&M cost of the proposal.
(iv).	3 Rakes has been assured to be used for evacuation. This would be difficult to achieve given that the rakes will be loaded in half wagons.	With the three rakes, the evacuation will be 7000 tonnes (3 rakes x 40 wagons x 58 tonnes). There is a feasibility of developing 3 (three) rake siding and to this end, the additional land can be made available to the BOT Operator.
(v).	The storage area / rail siding area / Right of way for conveyor galleries have not yet been finalized.	Already covered under Appendix-8.01 in the Feasibility Report.
(vi).	Confirm that the estimates of equipment cost and civil cost are based on the prevailing market by obtaining budgetary quotations and furnish documentary evidence. The estimates may be modified in line with the norms prescribed in the guidelines.	The civil cost are based on schedule of rates of July 2009. The estimates of mechanical and electrical equipment cost is based on the recent purchases of similar equipment by other major ports and it is confirmed that the rate adopted for estimates is based on prevailing market rates.
(vii).	Confirm that the unit rate adopted for fuel and power are the prevailing rate. Furnish copy of recent electricity bill to substantiate the unit rate of power.	Yes
(viii).	The capital cost is based on the estimates and is not backed by detailed engineering. Therefore, provision for contingency should be made in the Capital cost to provide for unforeseen situations and as margin for error in estimation.	8% is provided for supervision and contingencies and detailed engineering.

2. A joint hearing in this case was held on 22 October 2009 at the VPT premises. At the joint hearing, the VPT made a power point presentation of its revised proposal. In the said proposal, the VPT has marginally modified the (upfront) handling rate and has also modified the storage charge reckoning the time factor. At the joint hearing, VPT and the concerned users / user bodies / organisations / prospective bidders have made the following submissions:

Visakhapatnam Port Trust

- (i). No exclusive norms for fertiliser handling is available in the guidelines. Therefore, we have adopted norms for multipurpose berth with necessary revisions and updation.
- (ii). Storage charges are reviewed and revised to factor time duration under each slab.
- (iii). Concession Agreement provides for allotment of additional land.
- (iv). We will share with users the evacuation upgradation plans drawn up by the port.
- (v). We have already created storage capacity of about 4 million tonnes. elsewhere. By the time the project matures, we may create additional facility in this terminal itself.

M/s. SICAL Logistics Limited

- (i). Payment of premium and security deposit on land should be considered as part of Capex.
- (ii). The storage area is not sufficient to put up bagging plants and handle about 3 rakes / day.

Visakhapatnam Stevedores Association

- (i). Fertiliser is seasonal cargo. This feature should be recognised while estimating the capacity.
- (ii). VPT should also recognise bunching of vessels during peak seasons. (VPT clarifies that not only this terminal but also other berths will receive fertiliser vessels.)

Gammon Infrastructure Projects Ltd.

- (i). Cost of manual loading of wagons after stitching should be recognised and factored in the computation.
- (ii). Stitching, bagging and loading involve labour. Labour cost is not included in the costing done by VPT.

M/s. KRIBHCO

- (i). Fertiliser needs to be evacuated faster to avoid congestion in bunching situation. Free storage period should be reviewed and reduced. Also, distribute Annual Revenue Requirement @ 98%, 1%, 1% to handling, storage and miscellaneous activities respectively.
- (ii). By prescribing rates separately for bagging, we are making direct cargo moving out through Silo unviable.
- (iii). Nature of fertiliser is corrosive. Therefore, Repair and Maintenance norms as given for coal should be adopted (i.e. 7% of capital expenditure).

3. With reference to the decision taken at the joint hearing, the VPT has vide email dated 11 November 2009 forwarded its revised proposal dated 11 November 2009 and details infrastructure improvement to the concerned users/ user associations/ prospective bidders. We

have not received any specific comments from users/ bidders on the revised proposal of the VPT. The port has, however, stated that KRIBHCO and M/s.SICAL Logistics Ltd. have furnished their comments to VPT. A summary of comments of the above prospective bidders and the comments of VPT thereon as furnished by the port is tabulated below:

Sl. No.	Comments received from prospective bidders	Remarks of VPT
1.	KRIBHCO	
I.	Project Design	
(i).	As per Feasibility Report, length of vessel that can be accommodated is stated at 195 mtrs. without restriction and 230 mtrs. with forepart of ship occupying 10m of EQ6. For a vessel with a parcel of 40000 MT, the average of LOA would be about 210-230 mtrs. As result we would require a berth length which can accommodate these vessels without any restricting any other berth.	For 230 mtrs. vessels with forepart of the ships occupying about 10 mtrs., neighbouring EQ6 berth will be provided on priority basis.
(ii).	Crane Capacity Clause 6.4 of the Feasibility Report assumes deployment of 2 unloaders of 800 tonnes per hour capacity. Further, effective capacity is considered at 80% of rated capacity as per Clause 5.1.1 of the Feasibility Report. From an experience in another port, it is observed that the effective capacity of grab unloaders achieved in actual operation is around 50% of the rated capacity. Thus to achieve an output of 25000 tonnes per day. The effective capacity needs to be 1200 tonnes per hour. If there are two grab unloaders the effective capacity of each would need to be 600 tonnes per day.	50% of rated capacity considered during operation is very low. The output rate of 25000 TPD is considered on the following basis. Equipment proposed to be installed are 2 unloaders with designed grab capacity of 35 tonnes each / Net payload @ 60% = 21 tonnes each, and number of cycles / hour at 40. Thus, handling rate = 21 T X 40 Cycles X 21 hrs X 2 Nos. X 70% (efficiency factor) = 24691 tonnes = 25000 tonnes per day.
(iii).	Equipment like reclaimer, Front end loader & Wharf side & baggage side hopper are not taken into costing. For proper use of mechanization facility it is essential to have a reclaimer at warehouse point so that bulk cargo can be fed on the conveyor for bagging. Similarly Front end loader & Wharf side & baggage side hoppers would be required to minimize manual intervention & make sure that desired throughput can be achieved.	Cost of 2 scraper reclaimers and 8 front end loaders are included in the revised proposal to enable the operation cycle complete.
(iv).	Evacuation Facility It is not possible to evacuate 3 full rakes on daily basis with one siding with provision of two half rakes as there is considerable time lost in shunting etc. Evacuation of 8000 MT of bulk cargo on daily basis would not be possible with current infrastructure. As per current assessment about 4000-5000 MT can moved as bulk to outside warehouses. Even if 8000 MT is moved as bulk to other godowns outside the port and 5000 MT is loaded into railway wagons each day, there will be balance cargo in the warehouse which will choke the facility in a matter of days. It is therefore essential to increase evacuation capacity by rail & provide additional space for 2 full rail siding so that about 6 rakes can be evacuated daily. For accommodating a full rake siding, there is a requirement of additional land which measures 800 m in length and 78 m in width, translating to an additional area of 15.4 acres. This additional area of 15.4 acres is required adjacent to the R-11 area. We request to	In addition to 20.48 acres, allotment of additional land of 8 acres has been considered to develop full rake siding facility. In the updated proposal, Rs.6 crores was considered under capital cost towards development of platform and conveyor gallery. As per the additional allotment of land and platform and additional conveyor of 500 mtrs. for full rake facility will be available enabling handling of 4 rakes /day

	consider the additional capital costs (rails, platform & conveyor for 500 m) and operating cost (additional lease rent) on this account in the proposal while recommending the tariff.	
(v).	Additional Infrastructure In case additional rail siding is given to accommodate 2 full length rails, the current infrastructure of 2 bagging plants would be insufficient and additional plant would be required.	2 bagging plant with a total capacity of 8400 are considered to be sufficient for a projected throughout of tonnes 25 lakhs tonnes (8400 tonnes X 300 days) for the proposed bagging plant.
(vi).	Storage Capacity With provision of 5 day free storage period a minimum storage capacity of $5 \times 25000 = 1,25,000$ MT is required. There would be heavy queuing during peak season & to ensure continuous unloading at berth, storage capacity of 40000 ton would be inadequate.	Storage capacity has been explained in Clause 5.3.3. of TEFR wherein the sufficiency of storage capacity has been explained.
(vii).	Railway Siding There is no provision for construction of platform at railway siding	This was considered in the revised proposals.
II.	Capital Cost	
	The points mentioned in the previous section will have an implication on the capital cost. We need an assurance that after change of project design, the additional the capital cost will be considered for tariff calculations. As per industry norms the contingency of 3% is considered during the detailed engineering stage. At this stage, the contingency should be at least 10%.	Additional cost of Rs.25 crores is considered for additional 2 reclaimers, 8 front end loaders in the revised upfront tariff. 3% contingency is considered as per the projects existing at Port. In addition 8% Miscellaneous cost has been considered on totals cost of the project.
(i).	The cost of conveyor as per industry quotations is about 20% more than given in Feasibility Report at 1 lakh per mtr.	The rate is based on the recent procurements as obtained by the consultants. However, 8% escalation is considered on total costs.
(ii).	Miscellaneous cost taken as 5% [including Interest During Construction (IDC), upfront fee, working capital margin etc.] as per TAMP guidelines, which is too low. With an industry norm of 7:30 Debt: Equity ratio & existing market rate of around 10% -12% interest rate (SBI PLR is 11.75%) for infrastructure projects, IDC comes to about Rs.13.5 crores per year. Thus for 2 year construction period total IDC will be about Rs.27 crores. Thus estimate of Rs.8 crores is too low.	As per TAMP guideline 5% is only to be considered towards miscellaneous cost which includes IDC, working capital margin etc. However, 8% is considered towards miscellaneous cost for the project in the revised proposal.
(iii).	Dredging Operation As per Concession Agreement, the concessionaire shall carry out capital dredging at berth at depth of 12.5 mtrs. & maintain dredged berth at 12.5 mtrs. In case this operation needs to be done by concessionaire the costs for the same have not been included in the project costing.	Neither capital dredging nor maintenance dredging will come under the purview of the BOT operator.
(iv).	The works contract tax has been taken as 2.8%. However, the VAT rate is 4% or 12.5% depending on the product category and the service tax is 10.3%. In the light of this 2.8% appears to be on lower side.	4% of 70% of capital cost is considered as per APVAT.
III.	Repairs and Maintenance cost	
	R&M of mechanical & electrical equipment R&M cost for mechanical & electrical equipments is taken at 5% as per guidelines for Multi Purpose Berth. In the same TAMP guideline the R&M cost for Iron ore & coal berth is stipulated at 7% and this should be	In the revised proposal, towards repairs and maintenance cost is estimated at 7% on mechanical equipment on par with the Iron ore

	taken as a base. Also, since the proposed berth would be handling 4 different type of cargo, as a result there would be additional cost of clearing of conveyors etc. Moreover fertilizers are corrosive material unlike coal & iron ore as result the total R&M cost should be to the tune of 7% + 5% which would take care of all fertilizer specific additional R&M expenses.	and coal berth.
IV.	Operating Cost	
(i).	Storage Free Period Since fast evacuation is the essence of the project and available space is limited, it is proposed that only 24 hour free storage be prescribed to importers.	5 days free storage is as per the TAMP guidelines.
(ii).	Power Cost As per TAMP guidelines there is no mention of benchmark for power consumption for fertilizer facility. However for coal & iron ore cost berths, power consumption is prescribed at 1.4 units/tonne which is considered by VPT. For fertilizer mechanization there are additional power requirements for equipments like bagging plants, additional conveyers, etc., thus the consumption parameter needs to be increased to accommodate the extra power requirement.	1.4 per tonne is considered for ship to storage, discharge as per the norms prescribed for iron ore and coal terminal. Consumption of 0.50 kwh/tonne is considered for the bagging plant separately.
(iii).	Other Expenses As per TAMP Guidelines, other expenses consisting of Salaries of staff & management, maintenance of office equipments other admin cost are taken as 5% of Gross Fixed Assets. This works out to Rs.23 / tonne for capacity of 3.9 Million Tonnes Per Annum. Fertilizer handling is totally different from coal or other cargoes handling, as lot of manual intervention are required. Some of the activities are loosening the cargo inside ship hull (Rs.20/ton), stacking of bags & manual loading in trains (Rs.40/ton) and other rake loading expenses (Rs.20/-pmt) Thus the existing rates are much higher than estimated rates & hence estimates are not workable.	5% towards other expenses is considered as per the TAMP guidelines.
V.	Revenue Mix	
(i).	(a). During the joint hearing, we had requested for apportionment of total revenue in line with TAMP guidelines for coal and iron ore, where only 1% is allocated for storage, 1% for miscellaneous and 98% for handling. The essence of this project is to evacuate the entire cargo at a faster rate, so that more number of ships are handled at the berth. The limited storage space is a further constraint. Due to these reasons it is expected that the actual storage at R-11 area will be very less and hence it is requested to allocate 1% of revenue requirement to storage charges as per the guidelines prescribed for coal and iron ore terminal. We request you to incorporate this change in the revised proposal that you are about to submit. (b). The basis of the assuming 40% of the total capacity cargo will not be cleared within the free period and attract storage may be clarified.	(a). In the revised proposal revenue apportionment is considered as following: 96% - towards Handling charges 2% - Storage charges 2% - Miscellaneous charges (b). Out of 25,000 tonnes discharge per day 14,400 per day will be evacuated through bagging and silo (8400T + 6000) (i.e. 58% or say 60%) and remaining 40% i.e. 10,600 tonnes is expected to attract storage charges.

(ii).	There is no mention of provision of bagged cargo being transported through road. As bagging of cargo would be done on rail platform location, additional manual charge would need to be incurred if same has to be transported via trucks. Thus tariff for the same needs to be set.	Bagged Cargo through road is not envisaged. The revised rate for the fertilizer to be handled as per the revised proposal is Rs.219.70 ps.																																
VI.	As was pointed by us during the joint hearing, manual labour is a major cost component which has not been included in the TEFR. After bagging of the cargo it will have to be manually stacked in the warehouse / rail platform then again de-stacked and loaded into railway wagons or into trucks. The costs involved may be considered while calculating the operations cost or the BOT operator may be allowed to approach TAMP for the fixation of the rates for the above activities, in which case these activities will be outside the purview of the mechanization project and the BOT operator need not give any revenue share from the income that accrues from these activities. It is requested that this is clearly stated in the final concession agreement.	The upfront tariff is fixed from the point of ship's to shore discharge to the point of bagging and stitching keeping in view the scope of BOT operations. There are no guidelines for fixing the tariff for manual labour component.																																
VII.	Only one element of civil structure and element of mechanical and electrical equipment has been considered for calculation of bagging charges. However, this allocation needs to be relooked at. We have proposed and appropriate allocation in the table below along with reasons. It is requested that this is considered while calculating the tariff: <table><tr><th>A</th><th>Civil Structure</th><th>Head</th><th>Reasons</th></tr><tr><td>I</td><td>Hopper Track behind berth</td><td>Handling Charges</td><td>Hopper track is installed at the EQ7 berth and its main use is for unloading from ship.</td></tr><tr><td>II</td><td>Conveyor Galleries</td><td>Handling Charges</td><td>Conveyors are to handle the fertilizers from EQ-7 and to transport to R-11.</td></tr><tr><td>III</td><td>Silo farm</td><td>Handling Charges</td><td>Silo farm is mainly to handle bulk cargo.</td></tr><tr><td>IV</td><td>Bagging Plant</td><td>Bagging charges</td><td>Bagging plant is used for bagging the fertilizers.</td></tr><tr><td>V</td><td>Storage shed</td><td>Bagging charges</td><td>The storage shed is mainly to store the fertilizer that is kept for bagging. From the storage shed the fertilizer will be taken to the bagging plant.</td></tr><tr><td>VI</td><td>Truck Parking area</td><td>Handling Charges</td><td>Trucks are mainly used for bulk handling of fertilizer.</td></tr><tr><td>VII</td><td>Transfer towers and Drives houses</td><td>Handling Charges</td><td>These are part of the conveyor system.</td></tr></table>	A	Civil Structure	Head	Reasons	I	Hopper Track behind berth	Handling Charges	Hopper track is installed at the EQ7 berth and its main use is for unloading from ship.	II	Conveyor Galleries	Handling Charges	Conveyors are to handle the fertilizers from EQ-7 and to transport to R-11.	III	Silo farm	Handling Charges	Silo farm is mainly to handle bulk cargo.	IV	Bagging Plant	Bagging charges	Bagging plant is used for bagging the fertilizers.	V	Storage shed	Bagging charges	The storage shed is mainly to store the fertilizer that is kept for bagging. From the storage shed the fertilizer will be taken to the bagging plant.	VI	Truck Parking area	Handling Charges	Trucks are mainly used for bulk handling of fertilizer.	VII	Transfer towers and Drives houses	Handling Charges	These are part of the conveyor system.	Considered in the capital cost for fixation of tariff. Considered in the capital cost for fixation of tariff. Considered in the capital cost for fixation of tariff. Tariff considered separately in the revised proposal. Tariff considered separately in the revised proposal Considered in the capital cost for fixation of tariff. Considered in the capital cost for fixation of tariff.
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	VIII	Dismantling Railway tracks	Bagging Charges	The railway tracks are solely for the rakes which will transport bagged fertilizer.	Considered under handling charges as the dismantling of Railway track pertains to different areas of operation wherever necessary.
	IX	Formation of Railway tracks	Bagging Charges	The railway tracks are solely for the rakes which will transport bagged fertilizer.	Considered under tariff for bagging charges.
	X	Formation of peripheral surface roads	Handling Charges	The surface roads are primarily for the truck movement.	Considered in handling charges.
	XI	Surface Drainage	Bagging Charges	The surface drainage is critical in the storage sheds where the fertilizer to be bagged will be stored.	50% of the cost considered under bagging costs as this is a common facility.
	XII	Operational Buildings	Bagging Charges	The operational building will mainly be for the control room of the bagging plant.	50% of the cost considered under bagging costs as this is common facility.
	XIII	Customs compound wall	Bagging charges	The compound wall will be in the R-11 area and since the major portion will be transported by rakes, this can be taken under bagging charges.	50% of the cost considered under bagging costs as this is common facility.
	XIV	Provision for water supply	Handling Charges	This is a generic provision and can be taken under handling charges.	Considered is handling charges.
	XV	Provision for Environmental works	Bagging Charges	The environmental works will be mainly required in the R-11 area and in the storage sheds. Thus this can be taken under bagging charges.	Environmental concerns mainly due to transportation and conveying the same to Silos / storage. Hence, considered under handling charges.
	XVI	Soil investigation	Handling Charges	This is a generic requirement and can be taken under handling charges.	Considered under handling charges.
	B. Mechanical & Electrical Equipment				
	I	Ship unloading grabbing gantries (2 Nos)	Handling Charges	This will be under handling charges.	Considered

	II	Conveyors (2580m)	Handling Charges	This will be under handling charges.	Considered for 3080 mtrs.																												
	III	Bagging plants (2 nos)	Bagging Charges	This will be under bagging charges.	Considered																												
	IV	Front End Loaders (New equipment not considered in IPA report)	Handling Charges	Front End Loaders are required for loading into trucks and use mainly a part of handling charges.	Considered																												
	V	Reclaimer (New equipment considered in IPA report)	Bagging charges	Reclaimer over required in the storage sheds and will be a part of the bagging charges.	Considered under bagging charges.																												
	VI	Electrical works	Bagging charges	The bagging plant will require major electrical works and therefore this can be taken under bagging plant.	Considered under bagging charges.																												
2.	M/s. SICAL Logistics Limited																																
(i).	Silo proposed by the VPT will have technical difficulty in the free flow of the material in view of the hygroscopic nature of the cargo envisaged. Hence the modified design of the Silo and Stockyard will require equipments which are mandatory for reclaiming the cargo from the Storage yard/ Silo for feeding into the bagging plants/trucks. Based on our study, our consultants have suggested the following additional equipments required for handling the cargo at the storage yard/ Silo: <table><tr><td>Stacker or Tripper to feed Material to stockyard from Roof Truss of shed</td><td>Rs.1.0 crores X 3 = 3 crores</td></tr><tr><td>Scraper Reclaimer</td><td>Rs.7 crores X 3 = 21 crores</td></tr><tr><td>Reclaiming Conveyor for Reclaimer</td><td>Rs.1 crores X 3 = 3 crores</td></tr><tr><td>Total Stacking Reclaiming system in 3 sheds</td><td>Rs.27 crores</td></tr><tr><td>BIN Discharge system</td><td>Rs.2.0 crores X 3 = 6 crores</td></tr><tr><td>Front end Loaders</td><td>Rs.8 nos. = 6 crores</td></tr><tr><td>Grand Total cost for above referred Equipment</td><td>Rs.39 crores</td></tr></table> Hence, we feel that these equipments should be considered for efficient flow of the process. There equipments will cost around Rs.39 crores based on budgetary quotes from various parties. Hence, the Capex for the project should be increased to this extent for calculation of the tariff rates to be fixed for the project.				Stacker or Tripper to feed Material to stockyard from Roof Truss of shed	Rs.1.0 crores X 3 = 3 crores	Scraper Reclaimer	Rs.7 crores X 3 = 21 crores	Reclaiming Conveyor for Reclaimer	Rs.1 crores X 3 = 3 crores	Total Stacking Reclaiming system in 3 sheds	Rs.27 crores	BIN Discharge system	Rs.2.0 crores X 3 = 6 crores	Front end Loaders	Rs.8 nos. = 6 crores	Grand Total cost for above referred Equipment	Rs.39 crores	The following additional equipment / infrastructure has been considered in the revised proposal. <table><tr><td></td><td>(Rs. in crores)</td></tr><tr><td>2 Nos. of Scraper Reclaimers</td><td>: 22.60</td></tr><tr><td>8 Nos. front end loaders</td><td>: 2.40</td></tr><tr><td>1 No. plat form + addl. Length of 500 mts. Conveyor</td><td>: 6.00</td></tr><tr><td></td><td>-----</td></tr><tr><td></td><td>31.00</td></tr><tr><td></td><td>=====</td></tr></table> Based on the above the updated cost of the project stands at Rs.223.80 crores as against earlier cost of Rs.181.40 crores.		(Rs. in crores)	2 Nos. of Scraper Reclaimers	: 22.60	8 Nos. front end loaders	: 2.40	1 No. plat form + addl. Length of 500 mts. Conveyor	: 6.00		-----		31.00		=====
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(ii).	Additional activities after the bagging plant have not been included in the business plan capital expenditure and hence the scope for the bidder will be limited until the bagging activity for the tariff suggested by TAMP. For loading / conveying the bagged cargo, labour cost will be in addition to the tariff fixed by TAMP for this				The scope of BOT operators is limited to ship to shore, discharge to the level of bagging and stitching.																												

	project and successful bidder can approach the authority for fixing the labour component tariff separately.	
(iii).	It has reiterated the point made by KRIBHCO to provide additional area for storage.	Port has already addressed the issue raised.
(iv).	It has reiterated the suggestion made by KRIBHCO to allocate revenue share at 98%, 1% and 1% similar to other bulk projects.	Port has already furnished the comments on the point made by KRIBHCO and modified the proposal.
