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Tariff Authority for Major Ports

GNo. 21 **New Delhi,** **24 February 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 liquid cargo and chemical handling in Visakhapatnam Port in pursuance of the guidelines for upfront tariff setting for PPP projects at Major Ports vide this Authority's Notification No.TAMP/52/2007-Misc dated 26 February 2008 as in the Order appended hereto.

(Brahm Dutt)
Chairman

Tariff Authority for Major Ports

Case No. TAMP/17/2008-VPT

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

O R D E R

(Passed on this 12th day of February 2009)

This case relates to a proposal received from the Visakhapatnam Port Trust for setting upfront tariff for construction of liquid cargo and chemical handling in Visakhapatnam Port in pursuance of the guidelines for upfront tariff setting for Public Private Participation (PPP) projects at Major Ports Trusts notified by this Authority vide Notification No.TAMP/52/2007-Misc dated 26 February 2008.

2. The salient features of the initial proposal are as follows:

(i). The berth length of the proposed liquid cargo terminal at Berth no.EQ-10 is 160 metres. Of this, berth length of 60 metres is already constructed which will form part of the proposed liquid cargo terminal. The project requires the operator to construct 100 metres of the berth length. The estimated berth cost includes cost of berth to be constructed by the operator and Rs.5.85 crores payable to the VPT towards the constructed berth forming part of the terminal facility.

(ii). The berth shall be designed for a dredged depth of 14 metres for accommodating vessels having 12.5 metres draft in future. Initial draft of the berth will, however, be 12.5 metres.

(iii). Land to be allotted by the VPT:

(a). 50,000 sq. mtrs. of back up area

(b). 3,200 sq. mtrs. of land for laying pipelines

(iv). Optimal terminal capacity:

The optimal capacity of the terminal is assessed at 1.61 million tonnes per annum as explained below:

(a). The share of liquid cargo items i.e. caustic soda, bio diesel and edible oil is considered at 27% each and chemicals is assumed at 19%.

(b). The upfront tariff guidelines prescribe the norm for handling 'other liquid cargo' at 300 tonnes per hour. The handling rate is, however, arrived by the VPT based on the average Output Per Ship Berth Day (OSBD) achieved during the last three years i.e. 2004-05 to 2006-07 and considering 10% increase thereon. The handling rate of individual cargo items considered by the VPT for assessment of optimal terminal capacity are as follows:

Cargo	Handling Rate (in tonnes/hour)
Caustic soda	300
Chemicals	280
Bio-diesel	280
Edible oils	200

(c). Applying the formula prescribed in the guidelines the optimal terminal capacity is estimated at 1.61 Million Tonnes Per Annum (MTPA).

(v). The capital cost of the liquid cargo terminal is estimated to be Rs.53.52 crores as given below:

Sl. No.	Particulars		Capital cost estimation (Rs. in crores)
I.	Civil construction cost (excluding the cost of construction of berth and berth side dredging)		
		Rs. in crores	
	(i). Berth Apron and Approach	0.10	
	(ii). Storage Yard	1.00	
	(iii). Tankages	13.38	14.51
	(iv). Buildings, Water Supply, Sewage	0.03	
II.	Equipment cost		
	(i).Marine Loading/Unloading/Equipment/Flexible Hoses	1.00	
	(ii). Pipelines	0.80	
	(iii). Fire Fighting Equipment	0.80	2.73
	(iv). Power, Lighting and Communication	0.13	
III.	Miscellaneous cost	5% on Rs.14.51 crores + Rs.2.73 crores	0.86
IV.	Total capital cost for cargo handling, storage and miscellaneous services (I to III)		**18.10**
V.	Capital cost for construction of berth including cost of dredging		
	(i). Cost of construction of 100 mtrs. berth length plus Rs.5.85 crores payable upfront to the VPT towards 60 mtrs. of the constructed berth forming part of the proposed terminal.	30.91	**35.42**
	(ii). Cost of dredging alongside the berth	4.51	
VI.	**Total capital cost (IV + V)**		**53.52**

(vi). Return on capital employed is computed at 16% on the gross block of assets.

(vii). Operating cost:

(a). Operating cost is estimated based on the guidelines prescribed by the Government as explained below:

(i). Power cost is estimated for 5 hectares of land adopting the consumption norms of Rs.2.4 lakhs unit per annum per hectare prescribed in the guidelines. The unit rate of Rs.5.80 is adopted for estimating this cost.

(ii). Repairs and Maintenance is estimated at 1% of civil cost and 2% of mechanical and electrical equipment cost. Insurance and other expenses are estimated at 1% each on the gross fixed assets value.

(iii). Licence fee is estimated for back up area of 50,000 sq. mtrs. + 3,200 sq. mtrs. of land for laying pipeline. The rates as per the valuation given by the District Revenue Authority is considered for estimating the lease rentals.

(iv). Depreciation is estimated based on Straight Line Method as per the Companies Act 1956 for triple shift working. The depreciation rate adopted for construction of berth, tankages, pipelines and power and lighting is 13.91%, 10.34% for berth apron and approach, marine loading / unloading equipment and fire fighting equipment and 3.34% for building, water supply and sewage.

(b). It has submitted that the capital cost of the berth is relevant for cargo handling activity also since infrastructure and plant for cargo handling are to be installed in the berth. Hence, it may not be appropriate to consider the depreciation, repairs and maintenance and insurance on the entire berth construction for fixation of berth hire. In view of that, it has estimated operating cost under two scenarios:

Scenario I:

Repairs and maintenance, Depreciation, and insurance relating to construction of berth are included in the upfront tariff calculation for cargo handling charge.

Scenario II:

Depreciation, repairs and maintenance and insurance on construction cost of berth are considered as part of upfront tariff calculation for berthing services.

(viii). Total Revenue Requirement estimated by the VPT in the scenario I and II are:

(**Rs. in crores**)

Sl. No.	**Revenue Requirement**	**Scenario I**	**Scenario II**
(i).	Cargo handling service		
	(a). ROCE	2.90	2.90
	(b). Operating cost	7.41	3.78
	Total	**10.31**	**6.68**
(ii).	Berth hire service		
	(a). ROCE	5.67	5.67
	(b). Operating cost	0.35	3.97
	Total	**6.02**	**9.64**

(ix). A summary of upfront tariff caps proposed by VPT based on the above revenue requirement is given hereunder:

Berth hire:

Sl. No.	**Description**	**Scenario I**	**Scenario II**
		Rate per GRT per hour or part thereof	
		Foreign-going vessel (in US$)	**Foreign-going vessel (in US $)**
(i).	Vessel carrying caustic soda, chemicals, bio-diesel and edible oils.	0.023	0.037

Liquid Bulk cargo handling charges:

It has proposed upfront tariff of Rs.64.04 per tonne for handling liquid cargo under Scenario I or Rs.41.49 per tonne under Scenario II.

3. In accordance with the consultation process prescribed, the proposal received from the VPT was circulated to the concerned users / user associations / qualified bidders provided by the VPT seeking their comments. The comments received from the users and qualified bidders were forwarded to the VPT as feedback information. The VPT has furnished its observations on the comments of the users / qualified bidders.

4.1. The proposal of the VPT to fix upfront tariff cap for liquid cargo terminal seemed to have been drawn based on the proposed liquid bulk terminal at Berth No.EQ-10. It was clarified to VPT that the tariff cap to be prescribed by this Authority would not only be applicable to the proposed project at Berth No.EQ-10 but would also be applicable to all the projects bid out subsequently for identical cargo at the Visakhapatnam Port during the next five years.

4.2. Based on a preliminary scrutiny of the proposal, the VPT was requested to furnish information / clarifications on various points. The VPT has responded to our queries. The details sought and the reply received from the VPT are tabulated below:

Sl. No.	Our queries	Response of VPT
(i).	Normative level of berth length and width for setting up liquid cargo berth terminal.	As per International Standard Code of practice for planning and design of ports and harbours, the dimension of tankers for 30,000 DWT ships are - Length 200 mtrs., Width 25.8 mtrs. and Fully laden draft 10.3 mtrs. The recommended length of the berth should not be less than the length of design of the ship plus 10% subject to a minimum of 15 mtrs. on each side for clearance between vessels and for effective handling of Bow and stern mooring lines. As such the normative berth length for the tankers of size 30,000 DWT would be 230 mtrs. length and 25.8 mtrs. width.
(ii).	Explain how the BT and OSBD for various cargo items are arrived at.	The Berthing Time (BT) is arrived at by computing the total time taken for vessels at working berth from the time of berthing till the time of unberthing after completion of cargo handling operations. The time spent by ships at non-working berth viz., roads etc., is excluded for considering berthing time. The Output Ship per Berth Day (OSBD) is computed as below: OSBD = Tonnage handled divided by time spent at working berth.
(iii).	**Capacity:**	
(a).	The ship day output of vessels considered for arriving at the optimal quay capacity do not comply with the norms prescribed in the guidelines. The reasons for deviating from the guidelines in this regard may be explained with necessary justification. Privatisation is expected to bring in better efficiency and hence it may not be always correct to benchmark the performance of a private terminal with reference to the results achieved by the port in the past. The discharge rate needs to be determined in the light of the best handling technology available.	The reason for deviating from the norms given for other liquid cargo is keeping in view the smaller parcel size of less than 10,000 tonnes for edible oils. However, we agree with the observation of TAMP that privatization is expected to bring in better efficiency. Accordingly, the norm of 300 tonnes/hour is considered for assessing the capacity of terminal. The revised optimal capacity works out to 1.84 Million Tonnes Per Annum (MTPA).
(b).	Explain the basis of considering the share of different cargo items at 27% / 19% for computation of optimal capacity.	The percentages have been worked out based on the estimated traffic throughputs.
(iv).	**Capital Cost Estimation:**	
(a).	Confirm that the estimates of capital cost are based on the prevailing market rate and the project report has been either updated or budgetary quotations are obtained, wherever required.	It is to inform that the project report has been updated and the details of amounts of estimated cost are available in the project report. The estimates are updated based on the Schedule of Rates (SR) of the Engineering Department of the VPT applicable from 1.6.2008 and as per Rate Analysis prepared based on VPT SR and prevailing market rates for the items not available in VPT SR. A copy of the Schedule

<table>
<tr><td></td><td></td><td>of Rates 2008 (Engineering Department) of the VPT is attached.</td></tr>
<tr><td>(b).</td><td>Furnish details of numbers of marine loading / unloading equipment envisaged for the proposed liquid cargo terminal alongwith per unit cost of equipment to justify the estimates.</td><td>Three manifolds are proposed on the shore (at the berth) from where the hoses are connected to the ships manifold for unloading purposes. The details of liquid transfer operations are given in the project report. The unit cost of each manifold on the shore is taken as Rs.25,00,000/- (compressors Rs.5.00 lakhs each) including cost of fixing and other miscellaneous works such as trench for under ground pipe lines, man holes etc.</td></tr>
<tr><td>(c).</td><td>Furnish details of the quantum of dredging and the unit rate of dredging adopted for estimating the dredging cost.</td><td>No reply furnished by the port.</td></tr>
<tr><td>(v).</td><td>Operating Cost:</td><td></td></tr>
<tr><td>(a).</td><td>Repairs and maintenance, Insurance cost.</td><td></td></tr>
<tr><td></td><td>For estimation of revenue requirement from berth hire services, 1% of the civil cost for construction of berth and cost of dredging, if any, carried out alongside the berth should be considered towards maintenance charge as per the norms prescribed in the guidelines.</td><td>As per the norms prescribed in the guidelines, 1% of civil cost for construction of berth and cost of dredging along side the berth shall only be considered as Operation and Maintenance cost. However, the cost towards insurance and depreciation on the berth, which are substantial costs are not prescribed in the norms. It is felt that these costs also should be reckoned for calculating the operation and maintenance cost invariably. Accordingly, estimation of revenue requirement for berth hire services has been modified. Details are given below:

<u>Revenue requirement:</u>
(Rs. in crores)
<table>
<tr><th>OPERATING COST</th><th></th></tr>
<tr><td>Repairs and maintenance (31.54 x 1%)</td><td>0.32</td></tr>
<tr><td>Insurance (31.54 x 1% on cost of construction of berth)</td><td>0.31</td></tr>
<tr><td>Depreciation (as per Appendix-II)</td><td>3.47</td></tr>
<tr><td>Total operating cost</td><td>4.10</td></tr>
<tr><td>ROCE @ 16% x 31.54
i.e., cost of construction of berth and dredging</td><td>5.72</td></tr>
<tr><td>Revenue requirement</td><td>9.82</td></tr>
<tr><td>Per GRT berth hire per annum (in Rs.)</td><td>9815.70</td></tr>
<tr><td>Per hour per GRT berth hire (in Rs.)</td><td>1.60</td></tr>
</table></td></tr>
<tr><td>(b).</td><td>Depreciation:</td><td></td></tr>
<tr><td>(i).</td><td>Depreciation has been computed based on the rate prescribed for Written Down Value of the assets in the Companies Act on tankage, pipelines, etc., which are not found to be in accordance with the guidelines prescribed for upfront tariff setting.

The depreciation may be calculated following the Straight Line Method as per the life norms prescribed in the Companies Act in line with the clause 3.5.3. of the relevant guidelines.</td><td>Depreciation has been calculated on Straight line Method as per the norms prescribed in the Companies Act and is given hereunder:
<table>
<tr><th>Item No.</th><th>Details</th><th>Norms of depreciation</th><th>Reference of Companies Act</th></tr>
<tr><td>2.1.1</td><td>Berth apron & approach</td><td>10.34%</td><td>Sub-item (i) (a) of item-II of Schedule XIV Triple shift under SLB – 10.34%</td></tr>
<tr><td>2.1.3</td><td>Tankages</td><td>13.91%</td><td>Para 2 of note 6 to schedule XIV of Companies Act 1956 which states that the extra shift depreciation shall not be charged in</td></tr>
</table></td></tr>
</table>

<table>
<tr><td>(ii).</td><td>Explain the basis for categorizing berth apron, tankage and pipelines under plant and machinery for computation of depreciation (i.e. @ 13.91% / 10.34%) when these assets are civil infrastructure which is also acknowledged by the VPT in its proposal. Depreciation on these assets may be modified suitably.</td><td>
<table>
<tr><td></td><td></td><td></td><td>respect of any item which has been specifically excepted by inscription of letters NESD in schedule XIV and in respect of the following items of Machinery & Plant to which the general rate of depreciation of 13.91% shall apply.
Item 8(d) – Storage tanks (above ground)</td></tr>
<tr><td>2.1.5</td><td>Buildings, water supply and sewage</td><td>3.34%</td><td>Sub item (b) of item 1 – 3.34%
Single shift under SLM</td></tr>
<tr><td>2.2.1</td><td>Marine loading / Unloading equipment</td><td>10.34%</td><td>Same as for 2.1.1 above</td></tr>
<tr><td>2.2.2.</td><td>Pipe lines</td><td>13.91%</td><td>Same as for 2.1.3 above.</td></tr>
<tr><td>2.2.3</td><td>Fire fighting equipment</td><td>10.34%</td><td>Same as for 2.1.1 above</td></tr>
<tr><td>2.2.4</td><td>Power & lighting and communication</td><td>13.91%</td><td>Same as for 2.1.3 above
Item 5 – Electrical Machinery</td></tr>
<tr><td>4.1.1</td><td>Construction of berth</td><td>13.91%</td><td>Same as for 2.1.3 above
Item (18) – Salt works which includes Piers, Quays and Jetties.</td></tr>
</table>
</td></tr>
<tr><td>(d).</td><td>License fee:</td><td></td></tr>
<tr><td></td><td>In the revised proposal filed by the VPT relating to revision of lease rental, valuation of land for zone VIII was modified at Rs.1270 per sq. yard per annum based on the review undertaken by the Rate Fixation Committee appointed by the VPT instead of Rs.2400 per sq. yard per annum considered by the VPT in the upfront tariff proposal.</td><td>A proposal suggesting fixation of Rs.2,400 per sq.yard for the land close to the Dock area in zone VIII is submitted. The land is categorised as zone VIIIA in the proposal. For the land in zone VIII, far off to the Dock area and near to the zone IV, the rate is fixed at Rs.1270/-. Hence, lease rent computed on the basis of land valuation of Rs.2,400/- per sq.yard is in order.</td></tr>
<tr><td>(vi).</td><td>Scale of Rates:</td><td></td></tr>
<tr><td>(a).</td><td>Note 6- General Terms and conditions:</td><td></td></tr>
<tr><td></td><td>Since the proposal is for upfront tariff fixation, the provision relating to interest on delayed payment by the user and delayed refund by the operator may be modified to state that the penal interest rate will be as 2% above the Prime Lending Rate declared by the State Bank of India from time to time.</td><td>As suggested, the proposed provision is modified in SOR.</td></tr>
<tr><td>(b).</td><td>Schedule 3.1. Liquid Bulk Cargo Handling Charge:</td><td></td></tr>
<tr><td>(i).</td><td>The services proposed to be offered in consideration of the handling charges to be recovered by the operator may be listed and prescribed as a condition for the tariff cap to be determined.</td><td>A suitable provision is incorporated in the modified Scale of Rates to state that the cargo handling charges include the charges for cargo loading / unloading as the case may be, transportation through pipeline, storage charges for storing in tanks and wharfage.</td></tr>
<tr><td>(ii).</td><td>Explain the reasons for proposing uniform handling rate for the various cargo items when the</td><td>This issue has been addressed by adopting uniform handling rate for assessing capacity.</td></tr>
</table>

	handling rate for these cargo items are presumed to be different in the calculation of capacity, etc.,	
(c).	The guidelines stipulate the 95% of revenue requirement to be met from handling charge and balance 5% from miscellaneous charge. The VPT has not proposed any separate tariff for miscellaneous service.	Since the liquid cargo handling activity normally do not contain any miscellaneous services other than the services mentioned at 3.6 (c) (i), miscellaneous are not considered.
(vii).	A copy of the Feasibility Report prepared by the Consultant appointed by the VPT with reference to this project may be forwarded.	Copy of the Feasibility report proposed by the VPT is enclosed.

4.3. Apart from modifications in the computation of capacity calculation and estimation of capital / operating cost as explained above, the VPT has subsequently vide letter dated 10 July 2008 further modified the calculation of upfront tariff. To summarise the main modifications done by the VPT with reference to its initial proposal are as follows:

(i). Optimal Capacity of the liquid bulk terminal is assessed at 1.84 million tonnes per annum as against 1.61 million tonnes assessed in its initial proposal. The modification in capacity calculation is on account of revision of the handling rate of various liquid cargo at 300 tones per hour as per the norms prescribed in the guidelines.

(ii). The capital cost of the project is revised to Rs.54.45 crores as against Rs.53.52 crores estimated in the initial proposal.

(iii). In the initial proposal, the VPT had furnished computation of upfront tariff under two scenario. The VPT has submitted that cost towards insurance and depreciation on berth and dredging cost also form a substantial cost. Hence, these cost items are included in the estimation of operating cost for berth hire services in the revised calculation.

(iv). The depreciation rate for the construction cost of the berth is considered at 10.34% as prescribed for Plant and Machinery under Straight Line Method for triple shift in the Companies Act 1956 as against 13.91% considered in the initial proposal.

(v). In light of the above modifications, the revised revenue requirement estimated by the VPT is as follows:

Sl. No.	**Revenue Requirement**	**Rs. in crores**
(i).	Cargo Handling service	
	(a). ROCE	3.14
	(b). Operating cost	3.94
	Total (a + b)	**7.08**
(ii).	Berth hire service	
	(a). ROCE	5.72
	(b). Operating cost	3.21
	Total (a + b)	**8.93**

(vi). The upfront tariff proposed in the revised proposal vis-à-vis initial proposal is tabulated below:

Particulars	**Unit**	**Rates proposed in initial proposal**		**Revised Rates proposed**
		Scenario I *	Scenario II **	

Liquid bulk Cargo handling charges	Per tonne	Rs.64.04	Rs.41.49	Rs.41.15
Berth hire – foreign – going vessel	Per GRT per hour or part thereof	US$0.023	US$0.037	US $ 0.033

* Berth related cost included as part of cargo handling charge
** Berth related cost considered as part of berth hire tariff

4.4. In view of modification proposed in the initial proposal, the revised upfront tariff calculation filed by the VPT dated 10 July 2008 was forwarded to the users / user associations and potential bidders. No specific comments are received from them on the revised proposal.

5.1. A joint hearing in this case was held on 19 December 2008 at the VPT premises. The VPT made a power point presentation of its proposal bringing out the salient points with reference to the tariff guidelines. The port has updated the unit cost of power to Rs.6.20 in its revised proposal with reference to the prevailing rate and subsequently substantiated it with a copy of the Electricity bill. The port has also revised the lease rental and the depreciation cost. The revenue requirement and upfront tariff based on the revised calculation is tabulated below:

(i). Estimated Revenue Requirement:

Sl. No.	Revenue Requirement	Rs. in crores
(i).	Cargo Handling service	
	(a). ROCE	3.14
	(b). Operating cost	4.71
	Total (a + b)	**7.85**
(ii).	Berth hire service	
	(a). ROCE	5.72
	(b). Operating cost	1.83
	Total (a + b)	**7.55**

(ii). Proposed Upfront tariff:

Particulars	Unit	Revised Rates proposed
Liquid bulk Cargo handling charges	Per tonne	Rs.45.61 – Foreign Rs.27.37 - Coastal
Berth hire – foreign –going vessel	Per GRT per hour or part thereof	Rs.1.19

5.2. The users present at the joint hearing generally do not express any objections to the proposal of the port. M/s.IMC Limited, however, pointed out that the tankage capacity considered in the proposal will be inadequate to handle the optimal capacity of cargo. The VPT agrees to examine the issue raised by M/s.IMC Limited and furnish its comments within three days.

6. Subsequent to the joint hearing, M/s.IMC Limited has made further written submissions mostly reiterating its earlier points. This communication received from M/s IMC Limited was forwarded to the VPT. M/s.IMC Limited has pointed out that the storage tankfarm capacity considered at 18,000 KL, comprising 6 tanks of 3000 KL is very sub-optimal as with this capacity, the optimum throughput of 1.8 million tonnes per annum cannot be handled. It has suggested that capital cost of the project should be reviewed taking into consideration provision of adequate tankage capacity. Further, they have also requested that the tariff for storage may be taken out of the tariff structure at present and fixed at a later stage once the capacity, number of storage tanks and the capital costs are finalised on actual user requirements.

7. The VPT in response to the decision taken at the joint hearing has revisited its proposal with reference to point made by the user about storage capacity and has furnished its reply along with modified proposal vide letter dated 1 January 2009. The VPT has also modified the estimation of lease rental. The main submissions/ modification made by the VPT are highlighted below:

(i). Area of 924 sq. mtr. with a storage capacity of 20,300 tonnes was envisaged by the port keeping in view the fact that some of the liquid cargoes like edible oil, caustic soda and chemicals are directly pumped into the storage tanks of the refinery and only for those cargoes where the importers / exporters are located at a considerable distance, the tanks have been planned for storage. In case it is realised that these tanks are inadequate, there is a possibility to construct additional tanks in the area located which calls for additional investment by the operator. The storage tanks planned can cater to a projected throughput of about 4 lakh tonnes in case the dwell time is considered as 15 days and if the dwell time is considered as one week, the capacity that would be available is 9,00,000 tonnes.

(ii). Recognising the need to construct storage tanks, the port has considered is appropriate to apportion 90% of total revenue from cargo handling service towards handling charges which includes free storage of 7 days and 10% towards storage charges. Since biodiesel is an export cargo destined to European Countries, it is not likely that the cargo can be evacuated during free period. As such, entire quantity of biodiesel is expected to attract the storage charges. As part of the caustic soda is to be transported to plants located at considerable distance, 50% of the quantity is likely to attract storage charge. In case of chemicals 50% of quantities is reckoned for storage. As such the total cargo expected to contribute towards storage revenue is 9.5 lakh tones i.e. 5 lakh tonnes of Biodiesel + 2.5 lakh tonnes for Caustic Soda and 2 lakh tonnes for other chemicals.

(iii). The original proposal of allotting 50,000 sq. mtr. towards back up area for construction of storage tanks by the BOT operator has been also revisited and it has been now assessed that 30000 sq. mtr. back up area is sufficient for the aforesaid purpose. Accordingly, the operating cost and corresponding revenue requirement has been modified in the revised proposal.

(iv). The VPT has submitted that the existing lease rentals for VPT lands approved by TAMP is valid for quinquennium 2003-08. The valuation of land by the District Revenue Authorities (DRA) for quinquennium 2008-13 in respect of VPT lands is yet to be received from the DRA which is expected to take considerable time. The provisional lease rentals for Zone VIII-A has been arrived at Rs.172.80 for the quinquiennium 2008-09 after factoring 20% increase over the lease rental arrived based on the valuation of land given by the DRA for the previous quinquennium i.e. 2003-08. The VPT has in this regard referred to the proposal submitted by it in July 2008 wherein it has proposed to demarcate the land categorised under Zone VIII into two i.e. Zone VIII and Zone VIII A. The percentage increase is stated to be based on the increase in the value of land for the quinquennium 2003-08 over the previous quinquennium and is based on approval obtained from the VPT Board.

(v). The revised revenue requirement from cargo handling services estimated by the VPT in view of above modifications is tabulated below:

Sl. No.	Particulars	Rs. in crores
(i).	Return on Capital Employed @ 16% on Rs.19.64 crores	3.14
(ii).	Operating Cost	4.01
(iii).	**Total revised revenue requirement from cargo handling services**	**7.15**

There is no change in the revenue requirement estimated by it earlier from the berthing service.

(vi). For reasons stated earlier, 10% of the total revenue requirement is apportioned to the storage charges and 90% is apportioned to handling charge. Accordingly, the revised apportionment of total revenue requirement of Rs.7.15 crores is tabulated below:

Particulars	Rs. in lakhs
Revenue requirement apportioned to cargo handling (Rs.715 lakhs x 90%)	644.00
Revenue requirement apportioned to storage charge (Rs.715 lakhs x 10%)	71.5
Total Revenue Requirement estimated from cargo handling service	715.50

(vii). The revised upfront tariff proposed by the VPT with reference to cargo handling services are as follows:

(a). The composite handling charge for liquid cargo is proposed at Rs.37.42 per tonne for foreign cargo and Rs.22.45 for coastal cargo.

(b). Recognising the annual revenue requirement from storage charge estimated at Rs.71.5 lakhs and Rs.9.5 lakh tonnes of liquid cargo estimated to attract storage charge, the rate per tonne per day is arrived at Rs.8 for first week after expiry of free period. For the period after first week, the VPT has proposed storage charge at Rs.10 per tonne per day.

The VPT has opined that tariff for storage tanks may be made flexible and finalised after the requirement of user are firmed up as suggested by M/s.IMC Limited. It has requested TAMP to take a view on this issue.

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

(i). The proposal is to fix an upfront tariff cap for liquid cargo and chemicals handling berth to be developed at the Visakhapatnam Port Trust (VPT) under Public Private Participation (PPP) on Built Operate and Transfer (BOT). The proposal is based on the guidelines for upfront tariff fixation issued by the Ministry of Shipping, Road Transport and Highways (MSRTH) in February 2008.

It has already been clarified to the port that as per clause 2.2. of the guidelines for upfront tariff setting for PPP projects at Major Port Trusts of February 2008, the tariff caps to be prescribed now would not only be applicable to the proposed project at berth no.EQ-10 but would also be applicable to all projects to be bid out subsequently for identical Liquid Cargo Handling berth at Visakhapatnam Port during the next five years.

(ii). The proposed facility envisages handling of liquid cargo items such as caustic soda, bio-diesel, edible oils and chemicals. The guidelines for upfront tariff fixation stipulate handling norms for liquid bulk cargo in respect of crude, POL products, LPG/LNG and other liquids. The liquid bulk cargo envisaged to be handled at the proposed facility will come under the category of ‘other liquid’ for which handling norm prescribed is 300 tonnes per hour in the guidelines. Since the handling rate adopted by the VPT in the initial proposal was not in line with the norms prescribed in the guidelines, the VPT has revised the calculation of optimal capacity of the liquid berth terminal to 1.84 million tones per annum by adopting the handling norms prescribed in the guidelines. In the subsequent revised calculation, the VPT has revised the estimates of capital cost, modified the rate of depreciation and has also modified the apportionment of total revenue requirement between different tariff items. The revised calculation dated 1 January 2009 furnished by the port along additional information / clarifications furnished during the processing of the case are considered in this analysis.

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

(iv). Optimal Terminal Capacity:

(a). The share of cargo viz. caustic soda, bio diesel , edible oils and chemicals is presumed to be 27%, 27%, 27% and 19% reportedly based on the cargo mix likely to be handled at the liquid cargo terminal. The share of cargo estimated by the VPT is relied upon.

(b). The handling rate for each of the liquid cargo items is considered at 300 tonnes per hour i.e. 7200 tonnes per day in line with handling norms prescribed in the guidelines.

(c). The optimal quay capacity of the liquid bulk terminal following the formula prescribed in the guidelines works out to 18396000 tonnes per annum. The VPT has rounded off to 1.84 Million Tonnes Per Annum (MTPA). The optimal capacity of terminal is considered at 18396000 tonnes per annum in our calculation.

(v). Capital Cost:

(a). The total capital cost of the liquid bulk terminal is estimated at Rs.55.38 crores of which Rs.35.74 crores is attributed to berthing services and Rs.19.64 crores is estimated for cargo handling services.

(b). The berth length of proposed liquid bulk terminal is envisaged to be 160 metres of which 60 metres of the constructed berth will be available to the operator. The estimated capital cost of berth includes cost of constructing 100 metres of berth length by the operator and Rs.5.85 crores payable to the VPT towards constructed berth length.

Though the port has referred this payment as upfront fee, it has to be recognized that it is the cost of the part of the constructed berth made available to the operator which otherwise the operator would have incurred for construction. In the instant case since the berth hire would be collected by the operator, it is logical to consider the total cost of the berth which include the capital cost of Rs.5.85 crores incurred by the VPT toward construction of part of the berth.

(c). While estimating the capital cost with respect to the civil works and electrical / mechanical equipment, the VPT has adhered to the norms stipulated in the guidelines except for one item i.e. road. The VPT has clarified that since adequate road facilities are reportedly available for movement of cargo at the proposed area, the port does not envisage construction of roads by the operator and hence the capital cost does not include estimate for this item.

(d). M/s.IMC Limited has pointed out that the capital cost estimated by the VPT for creating tankage facility is inadequate to achieve the optimal terminal capacity of 1.84 MTPA. The VPT has revisited its proposal and clarified that the area of 924 sq. mtr. with a storage capacity of 20,300 tonnes is envisaged by the port keeping in view the fact that some of the liquid cargoes will be directly pumped into the storage tanks of the refinery and only for those cargoes where the importers / exporters are located at a considerable distance, the storage tanks have been planned in the capital cost.

It has to be recognised that the norm prescribed for arriving at the optimal terminal for liquid cargo berth is with reference to the quay side. Since the port expects most of liquid cargo to be directly pumped into the storage tanks of the users, it may not act as a constraint in achieving the optimal terminal capacity as apprehended by M/s.IMC Limited. The VPT has, however, stated that in case it is felt that the tanks considered in the proposal for storage are inadequate, operator can construct additional tanks in the area located which may involve for additional investment by the operator. Since separate storage charge for liquid cargo is considered, additional facilities, if any, created for storage of cargo will also earn revenue over and above the Annual Revenue Requirement considered in this analysis.

Insofar as the capital cost of civil works is concerned, the guidelines require to rely upon the estimate to be furnished by the port for achieving the optimal terminal capacity. The VPT has confirmed that the estimates of all civil works and electrical equipment are based on the Schedule of Rates (SR) of the Engineering Department of the VPT applicable from June 2008 and as per Rate Analysis and prevailing market rates for the items not available in VPT SR. Based on the clarification furnished by the VPT and relying on the judgment of the port with regard to the storage requirement, the cost estimate furnished by the VPT is accepted.

(e). The cost towards miscellaneous items is considered by the VPT at 5% of the civil and equipment cost in line with the norms prescribed in upfront tariff guidelines. The port has includes the estimation of miscellaneous items in the capital cost and also for the estimation of Return on capital employed. The port has, however, not recognised this cost for estimating few expenses like insurance, other expenses which has been corrected in our calculation.

(f). The return on capital employed is estimated at 16% of the estimated capital cost. This works out to Rs.5.72 crores for berth hire service and Rs.3.14 crores for cargo handling services.

(vi). <u>Operating Cost</u>:

(a). The power cost is estimated for the consumption norm of 2.4 lakh units per hectare per annum as prescribed in the upfront tariff guidelines. The port had earlier estimated back up area for storage at 5 hectares. It has subsequently while revisiting the proposal scaled down the back up area to 3 hectares which is reportedly stated to be adequate for the liquid cargo terminal. The unit rate of power considered earlier at Rs.5.80 is updated to Rs.6.20 per unit in the revised calculation based on the prevailing unit rate and substantiated with documentary support**.** The revised estimation of power cost is considered in the upfront tariff calculation.

(b). The estimation of repairs and maintenance cost at 1% on the civil assets and 2% on the mechanical and electrical equipment, estimation of insurance cost at 1% of the gross fixed assets and other expenses estimated at 1% of the gross value of fixed assets are found to be as per the norms prescribed in the guidelines.

(c). Depreciation is reportedly estimated based on Straight Line Method as per the Companies Act 1956 for triple shift working. In the initial proposal, the depreciation construction of berth was computed at 13.91%. In the revised calculation, the VPT has considered depreciation @ 10.34% for construction of berth, berth apron and approach. The VPT has argued that wharves and jetties are treated as plant and machinery instead of factory building under schedule XIV of the Companies Act, for which the applicable rate of depreciation is 10.34% under Straight Line Method (SLM) for three shifts and the same is adopted.

As rightly stated by M/s.Biomax Fuels Limited, the berth is a civil construction and will undoubtedly have a longer life than around 10 years based on the depreciation rate of 10.34% adopted by the VPT.

Examination of this position with reference to other existing private terminals shows that the depreciation rate on berth cost adopted at such companies varies in the range of 3.6% to 4.17% as against 3.34% prescribed in the Companies Act. The marginal variation in the rate is due to spreading over of the cost of berth on the remaining concession period after capitalisation of the asset. The depreciation rate adopted for fixation of upfront tariff at other major ports like the Paradip Port Trust, Mormugao Port Trust, Kandla Port Trust is 3.34% for all kinds of civil works including construction of berth, berth apron, approach, etc

The VPT has subsequently, in the revised proposal computed depreciation on berth cost and berth apron and approach @ 3.34% at par with other civil works in line with our suggestion.

Depreciation on tankages, pipelines and power and lighting is computed @ 13.91%, 10.34% for marine loading / unloading equipment and fire fighting equipment and 3.34% for building, water supply and sewage which is found to be as per the rates prescribed in the Companies Act for the relevant group of assets and hence accepted.

In the initial proposal, VPT has taken prorata depreciation for 255 days. It has subsequently corrected and computed the depreciation for the full year only in respect of civil works. In our calculation, the depreciation is considered for full year for all assets in line with the provisions of the Companies Act.

(d). The VPT had initially estimated lease rental based on a separate proposal filed by it in July 2008 for fixation of lease rental for Zone VIII-A i.e. applying 6% on the basic valuation of land recommended earlier by the District Revenue Authority for Zone VIII at Rs.2,400/- per sq. yard for the quinquennium 2003-08.

Subsequently, on the grounds that the lease rentals for VPT lands approved by this Authority is valid for quinquennium 2003-08 and is already due for revision it has revised the estimate. The VPT has submitted that since the valuation of the land for the quinquennium 2008-13 is yet to be received from the District Revenue Authorities (DRA) which is expected to take considerable time, the valuation of land for quinquennium 2008-13 for Zone VIII A has been provisionally recalculated at Rs.172.80 per square yard per annum giving proportionate increase of 20% over the valuation of land reported by the DRA earlier for the quinquennium 2003-08 over the previous quinquennium. The adhoc increase in lease rental is reportedly based on approval of the Board of the VPT.

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

It has to be recognised that the guidelines on land management of Major Port Trust issued by the Government in February / March 2004 prescribe various options for determining the market valuation of land for fixation of lease rental. During the last revision of lease rental, this Authority has already held that market value of land may be assessed by the port under all the options given in the Government guidelines on land policy of Major ports and recommend the lease rentals based on the best value of land so obtained.

The method adopted by the VPT considering adhoc increase in the market value of land based on the proportionate increase in the land valuation obtained during the past quinquennium is not found to be in accordance with the methodology prescribed by the Government for valuation of land for fixation of lease rental. Further, the port has proposed different lease rent for zone VIII and Zone VIII A whereas the lease rent approved by this Authority does not consider such segregation of land.

In the light of the above position and also recognising the specific provision in the guidelines require estimation of this item based on the existing lease rental prescribed in the Scale of Rates of the Major Port Trusts, the estimate of lease rent is taken at the base lease rent of Rs.76.20 per sq. metre per annum prescribed for Zone VIII in the existing Scale of Rates with the approved annual escalation of 2%.

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

(e). The guidelines requires the operating cost for berth hire service to be estimated at 1% of the berth cost.

In its revised proposal, the VPT has considered insurance @ 1% and depreciation @ 3.34% on the aggregate capital cost relating to construction of berth and dredging in the annual revenue requirement of berthing service apart from the prescribed norm of 1% of the relevant capital cost towards maintenance.

Although the guidelines restrict the operating cost at 1% of the berth cost, the asset requires adequate insurance coverage and the fact that the value of the asset will depreciate due to wear and tear can also not be denied. While fixing upfront berth hire for the coal and iron ore terminals at Paradip Port Trust, coal terminal at Mormugao port Trust and multipurpose cargo terminal at Kandla Port Trust this position was recognised and the cost of insurance and depreciation were considered to assess the annual revenue requirement from berthing service.

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

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

(a). As per the statement, the total revenue requirement from cargo handling service works out to Rs.6.87crores which is an aggregate of 16% Return on a capital cost of Rs.3.14 crores and modified operating cost of Rs.3.73 crores.

(b). The guidelines require 95% of the total revenue requirement to be apportioned to handling charge and 5% each towards miscellaneous charge.

The VPT has, however, proposed to apportion 90% of the total handling revenue towards composite liquid handling rate and 10% towards storage charge. It has not proposed any tariff for miscellaneous service on the grounds that liquid cargo handling activity normally do not contain any miscellaneous services other than the handling services.

Though no separate storage charge is envisaged by the guidelines, the port's proposal to prescribe separate storage charge within the over all estimated revenue requirement merits consideration on more than one account. Firstly, as pointed out by M/s.Biomax Fuels Limited the user responsible for discharge / shipment of cargo and the person responsible for storage of cargo are different. Secondly, not the entire volume is expected to be stored. Prescribing consolidated rate will unnecessarily require those commodities which may not use tankage to bear the burden of storage component. Most importantly, as pointed out by VPT, prescription of separate storage charge may encourage the operator to develop more tank farms if demand increases.

The basis of apportioning revenue to storage charge is, however, not explained by the VPT. Assuming that the proposal is based on the operational and technical judgment of the port, the ratio of apportionment of total revenue requirement into handling charge and storage charge is relied upon and adopted in our calculation.

Since separate tariff for miscellaneous service is not proposed, the tariff cap set for handling will also include any miscellaneous services that may be provided by the operator.

(c). As per clauses 4.3 and 6.1.2 of the tariff guidelines notified in the Gazette of India on 31 March 2005, concessional tariff are to be prescribed for coastal cargo (other than thermal coal and POL including crude oil, iron ore and iron ore pellets) and coastal vessels which should not exceed 60% of the normal cargo / vessel related charges

Out of the optimal capacity of 1839600 tonnes per annum assessed, the VPT has envisages coastal movement in respect of caustic soda to the tune of 2.97 lakh tonnes per annum. Taking into consideration the impact of concessional tariff applicable for this cargo, the composite handling rate works out to Rs.35.95 per tonne for foreign cargo as against Rs.37.42 per tones proposed by the VPT. The tariff for coastal cargo after applying the eligible concession works out to Rs.21.60 per tonne as against Rs.22.45 per tonne proposed by the VPT.

(d). Endorsing a suggestion made by M/s.IMC Limited, the port has held a view that tariff for storage tanks might be finalised after user requirements are firmed up. This suggestion cannot be accepted as the scheme of things envisaged by the guidelines of 2008 requires a definite tariff to precede bidding for the facility. It may not be possible for the port to offer an additional tariff to the successful bidder alone which was not the basis of bidding. In order to provide for unforeseen contingencies which may arise in exceptional cases, Clause 2.7.1. of the guidelines provides for periodic revision of upfront tariff caps, which will, of course, apply to subsequent projects only.

The port has proposed seven days free period for storage of liquid cargo in the storage tanks. The tariff guidelines of 2005 give the flexibility to individual major ports to propose the number of free storage period for their respective ports. The free period of seven days proposed by the VPT is considered while prescribing the upfront tariff schedule of the liquid cargo facility.

Though the port has furnished cargo items expected to avail storage facility beyond the proposed free period of seven days, for arriving at the storage rate it has assumed adhoc 50% of 1.85 million tonnes i.e. of cargo i.e. 9.5 lakh tonnes will attract storage charge. The port has accordingly proposed the storage charge at Rs.8 per tonne per day or part thereof for the first week, Rs.10 per tonne per day of part thereof for the second week to meet the revenue requirement.

Based on the revised revenue requirement, the storage charge estimated by the VPT is modified following the approach adopted by the VPT. While doing so, cargo likely to attract storage charge is considered at 919800 tonnes based on the cargo–wise analysis furnished by the VPT i.e. entire quantity of bio diesel, 50% of caustic soda and 50% of chemicals expected to contribute towards the storage revenue. Accordingly, the storage charge is prescribed at Rs.7.50 per tonne per day or part thereof for the first week, Rs.9.50 per tonne per day or part thereof from second weeks onwards maintaining the differential rate for the slabs adopting the approach followed by the VPT.

(e). The revenue requirement from berthing service is estimated at Rs.7.55crores (i.e. Rs.5.72 crores being 16% return on a capital cost of Rs.35.74 crores lakhs and operating cost of Rs.1.83 crores lakhs) at the level estimated by the port.

Normally vessel related charges for foreign going vessels are denominated in US dollar terms by converting the rupee value to dollar terms by applying the exchange rate prevailing at the time of notification of the relevant tariff order. This Authority while finalising the upfront berth hire for the iron ore and coal berths of the Paradip Port Trust, coal terminal in Mormugao Port Trust has held that prescribing dollar denominated berth hire is not appropriate in the upfront tariff cases which will have a validity of 30 years. It was then decided that applying a WPI based escalation on a foreign currency is not correct as the foreign exchange variation over the next 30 years cannot be predicted and in case of any abnormal variations, either the users or the operator will have to bear the incidence, depending on which side the appreciation takes place. Therefore, it has been decided by this Authority to approve the upfront berth hire charge in Rupee term only.

The VPT in the revised proposal has proposed berth hire in rupee terms for foreign going vessel at Rs.1.19 per GRT per hour or part thereof. The methodology followed by the VPT for arriving at the berth hire is in general found to be in line with the approach followed by this Authority in other upfront tariff cases. The VPT has, however, not considered the impact of concession applicable to the coastal vessels as per the 2005 tariff guidelines while arriving at the pre-determined berth hire.

Based on the coastal cargo volume of 2.97 lakh tonnes per annum assessed by the VPT for the said liquid handling terminal, the percentage of coastal vessel works out at 15% and foreign vessel at 85%. Taking into consideration the ratio of foreign / coastal vessel and concessional tariff applicable for coastal vessel, the pre-determined upfront berth hire for foreign vessel works out to Rs.1.27 per GRT per hour and Re.0.76 per GRT per hour for coastal vessel. The detailed computation of berth hire of coal terminal is furnished in the **Annex-II** attached.

(viii). Definitions of some of the common terms like foreign going vessel, coastal vessel, day, week are included in upfront schedule in line with the definitions prescribed in the Scale of Rates of other major ports/ private terminals. The definitions of the term "month" proposed by the VPT is not found to be relevant and hence deleted. Some of the conditions which are not in line with the general prescription in other Major Ports / Terminals have been modified.

(ix). The VPT has proposed to include the provisions prescribed in its Scale of Rates for levy of penal berth hire equivalent to normal berth hire for the period of overstayal of vessel beyond the stipulated period provided there is a demand for the berth and notice is served in 10 hours advance by the terminal operator to vacate the berth after completion of discharge / shipment operations. This is an existing provision in the Scale of Rates of VPT. Similar provision for levy of penal berth hire are also prescribed in the Scale of Rates of the another BOT operator Vizag Seaport Limited operating in the VPT. Recognising that berth is a scarce resource of the port / operator and need to be utilised optimally, the proposed provision for levy of penal berth is included in the upfront tariff schedule.

The rate and conditions for granting ousting priority berthing / priority berthing will be governed by extant Government guidelines in this regard and provisions approved in the Scale of Rates of VPT.

(x). The VPT in the another upfront tariff proposal relating to multipurpose cargo berth which is being dealt with this case simultaneously has proposed a few conditions regarding the commencement of free period for import and export cargo. Free period for export cargo is proposed to commence from the actual date of the receipt of goods in the operator's premises and for import cargo from the day following the day of completion of final discharge from the vessel. This is in line with the conditions prescribed in the Scale of Rates of the Visakhapatnam port and other ports as well and hence is prescribed in the upfront tariff schedule for multipurpose cargo berth. The same conditions are also prescribed in the upfront tariff schedule for liquid berth.

The condition stating that free period shall exclude Custom notified holidays and terminal's non operating days is also prescribed in line with the provision stipulated in the 2005 tariff guidelines.

(xi). Some of the common conditions stipulated in the guidelines of 2005 and uniformly prescribed in the Scale of Rates of other major ports / private terminals such as users should not be required to pay charges for delays beyond reasonable level attributable to the private terminal operator, berth hire shall stop 4 hours after the vessel signaling readiness to sail, penal berth hire for a false signal, storage shall not accrue for the period when the operator cannot deliver / ship the cargo at the request of the users for reasons attributable to the terminal operator are included in the upfront tariff schedule.

(xii). 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.

(xiii). Some of the proposed provisions which are not in line with the common prescription at other major ports / private terminals and the provisions of the revised tariff guidelines have been either been deleted or modified.

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.

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 tariff caps for the liquid cargo terminal at Visakhapatnam Port Trust attached as **Annex-III**.

(Brahm Dutt)
Chairman

ANNEX - I

FORMULATION OF UPFRONT TARIFF FOR LIQUID CARGO AND CHEMICALS TERMINAL AT VISAKHAPATNAM PORT

Sr. No.	Particulars	Estimates furnished by VPT					Estimates modified by TAMP
		Initial proposal dated 14 May 2008		Revised estimates dated 18 June 2008	Revised estimates dated 10 July 2008	Final revised estimates dated 1 January 2009	
I	**Optimal capacity**						
		Scenario I	**Senario II**				
(a)	Percentage share of capacity of cargo to be handled	% share of cargo	% share of cargo	% share of cargo	% share of cargo	% share of cargo	% share of cargo
	Percentage share of Capacity of Caustic Soda (S1)	27%	27%	27%	27%	27%	27%
	Percentage share of Capacity of Bio Diesel (S2)	27%	27%	27%	27%	27%	27%
	Percentage share of Capacity of Edible oil (S3)	27%	27%	27%	27%	27%	27%
	Percentage share of Capacity of Chemicals (S4)	19%	19%	19%	19%	19%	19%
(b)	Handling Rate of cargo vessel carrying (in tonnes per day)						
	- Caustic Soda (P1)	7170	7170	7200	7200	7200	7200
	- Bio Diesel (P2)	6700	6700	7200	7200	7200	7200
	- Edible Oils (P3)	4730	4730	7200	7200	7200	7200
	- Chemicals (P4)	6700	6700	7200	7200	7200	7200
(c)	Optimal Capacity in tonnes = 0.7*((S1*P1)+(S2*P2)+(S3*P3)+(S4*P4))*365	**1608372**	**1608372**	**1839600**	**1839600**	**1839600**	**1839600**
II	**Capital Cost**						
(i).	**Cargo Handling Activity**	Rs. In crores	Rs. In crores	Rs. In crores	Rs. In crores	Rs. In crores	Rs. In crores
	(a). Civil Cost						
	- Berth apron and approach	0.10	0.10	0.14	0.14	0.14	0.14
	- Storage Yard	1.00	1.00	1.23	1.23	1.23	1.23
	- Tankages	13.38	13.38	14.43	14.43	14.43	14.43
	- Roads	0.00	0.00	0.00	0.00	0.00	0.00
	- Building, water supply, sewage etc.,	0.03	0.03	0.16	0.16	0.16	0.16
	Subtotal (a)	**14.51**	**14.51**	**15.96**	**15.96**	**15.96**	**15.96**
	(b). Equipment Cost						
	- Marine loading / unloading equipment/ flexible hoses	1.00	1.00	1.00	1.00	1.00	1.00
	- Pipelines	0.80	0.80	0.80	0.80	0.80	0.80
	- Fire fighting Equipment	0.80	0.80	0.80	0.80	0.80	0.80
	- Power and Lighting, Communications	0.13	0.13	0.14	0.14	0.14	0.14
	Subtotal (b)	**2.73**	**2.73**	**2.74**	**2.74**	**2.74**	**2.74**
	(c).Miscellaneous (5% on (a) and (b)	0.86	0.86	0.94	0.94	0.94	0.94
	(iv). Total Capital Cost for Handling Activity (a +b + c)	**18.10**	**18.10**	**19.64**	**19.64**	**19.64**	**19.64**
(ii).	**Capital Cost For Berthing Services**						
	(a).Cost of construction of Berth including cost of constructed berth of 60 metres in length	30.91	30.91	31.54	31.54	31.54	31.54
	(b).Cost of dredging alongside berth	4.51	4.51	4.2	4.2	4.2	4.2
	Total Capital cost for berthing services	**35.42**	**35.42**	**35.74**	**35.74**	**35.74**	**35.74**
(iii).	**Total Capital Cost of the Project (i+ii)**	**53.52**	**53.52**	**55.38**	**55.38**	**55.38**	**55.38**
III	**Operating Cost**						
(i).	**Cargo Handling Activity**						
	(a). Power Cost	0.70	0.70	0.70	0.70	0.45	0.45
	(b). Repair & Maintenance						
	- Civil Assets (1% on gross civil assets)	0.45	0.15	0.16	0.16	0.16	0.16
	- Mechanical & Electrical Equipment including spares (2% on cost of mechanical and electrical equipments)	0.05	0.05	0.05	0.05	0.05	0.05
	(c). Insurance (1% on gross value of assets)	0.48	0.17	0.19	0.19	0.19	0.20
	(d). Depreciation	4.53	1.53	1.64	1.64	2.28	2.33
	(e). License fee (Rentals for land and other port assets)	1.01	1.01	1.01	1.01	0.69	0.34
	(f). Other Expenses (1% of Gross fixed assets)	0.17	0.17	0.19	0.19	0.19	0.20
	Total Operating Cost	**7.41**	**3.78**	**3.94**	**3.94**	**4.01**	**3.73**

Sr. No.	Particulars	Estimates furnihsed by VPT					Estimates modified by TAMP
		Initial proposal dated 14 May 2008		Revised estimates dated 18 June 2008	Revised estimates dated 10 July 2008	Final revised estimates dated 1 January 2009	
		(Rs.in crores)	(Rs.in crores)	(Rs.in crores)	(Rs.in crores)	(Rs.in crores)	(Rs.in crores)
IV	**Revenue Requirement & proposed tariff**	**Scenario I**	**Senario II**				
(i).	**Cargo Handling charge**						
	Revenue Requirement						
	(a). Total Operating Cost	7.41	3.78	3.94	3.94	4.01	3.73
	(b). Return on capital Employed @ 16%	2.90	2.90	3.14	3.14	3.14	3.14
	(c).Total Revenue requirement from cargo handling activity	**10.31**	**6.68**	**7.08**	**7.08**	**7.15**	**6.87**
	Apportionment of Revenue Requirement						
	(a) Liquid cargo Handling Charges	10.31	6.68	7.08	7.08	6.44	6.18
	(b) Storage Charges	0.00	0.00	0.00	0.00	0.72	0.69
	(c).Total Revenue requirement from cargo handling activity	**10.31**	**6.68**	**7.08**	**7.08**	**7.15**	**6.87**
	Proposed tariff per tonne rate						
	(a). Liquid handling charge (Rs. per tonne)						
	- Foreing going rate	64.04	41.49	38.50	41.15	37.42	35.95
	- Coastal rate	38.42	24.89	23.10	24.70	22.45	21.60
	(a). Storage charge Per tonne per day						
	- Free Period					7 days free	7 days free
	- 1st week after free period	Not proposed	Not proposed	Not proposed	Not proposed	Rs. 8.00	Rs. 7.50
	- Beyond first week					Rs. 10.00	Rs. 9.50
(ii).	**BERTH HIRE CHARGES**						
	Revenue Requirement						
(a)	**Operating Cost**						
	(a). Maintenance Charge (1% on construction of berth)	0.35	0.35	0.32	0.32	0.32	0.32
	(b). Depreciation	0.00	3.00	3.47	2.58	1.19	1.19
	(c). Insurance (1% on berth cost)	0.00	0.31	0.31	0.31	0.32	0.32
	(d). Repairs and Maintenance	0.00	0.31	0.00	0.00	0.00	0.00
	Subtotal (a)	**0.35**	**3.97**	**4.10**	**3.21**	**1.83**	**1.83**
(b)	Return on capital Employed @ 16%	5.67	5.67	5.72	5.72	5.72	5.72
	Total Revenue requirement from Berthing services (a + b)	**6.02**	**9.64**	**9.82**	**8.93**	**7.55**	**7.55**
	Berth hire Charge per GRT per hour in Rs	0.98	1.57	1.60	1.41	1.19	1.27
	Foreing going vessel (Rate per GRT per hour)	**US $ 0.023**	**US $ 0.037**	**US $ 0.038**	**US $ 0.033**	**Rs. 1.19**	**Rs. 1.27**
	Coastal vessel (Rate per GRT per hour) in Re	**Re. 0.59**	**Re.0.94**	**Re.0.96**	**Re.0.85**	**Re. 0.71**	**Re. 0.76**

Calucation of composite handling charge

Foreign Cargo (in tonnes)		1542600
Coastal Cargo (in tonnes)		297000
Revenue requirement from Handling charge (in Rs.)		61,818,675
Rate for Foreign cargo say		x
1542600 x+ 297000 *0.6x =		61,818,675
1542600 x+ 178200x =		61,818,675
1720800x =		61,818,675
x =		35.92
Rate for Foreign cargo after rounding off (in Rs. per tonne)		**35.95**

BERTH HIRE COMPUTATION

A	As furnished by the VPT				
Sr. No	Particulars	Unit	Caustic Soda	Bio Diesel	Edible Oil
i	Ratio	%	0.27	0.27	0.27
ii	Handling Rate	Tonnes pe	7200	7200	7200
iii	Average GRT per vessel	tonnes	10300	10000	8400
iv	Average parcel size	tonnes	8600	8600	8400
v	Tonnage expected to be handled	Tonnes	496800	496800	496800
vi	No of berth days (v/ii)	days	69	69	69
vii	No of berth hours {24 x (vi)}	hours	1656	1656	1656
ix	Expected number of vessels	No of vess	57	57	59
x	Total GRT hours	Tonne hou	17056800	16560000	13910400
xi	Revenue Requirement	Rs. in crores			
xii	Berth hire proposed by the VPT (›	per GRT per hour or part thereof			

B	As considered by TAMP				
Sr. No	Particulars	Unit	Caustic Soda	Bio Diesel	Edible Oil
i	Ratio	%	0.27	0.27	0.27
ii	Handling Rate	Tonnes pe	7200	7200	7200
iii	Average GRT	tonnes	10300	10000	8400
iv	Average parcel size	tonnes	8600	8600	8400
v	Tonnage expected to be handled	Tonnes	496692	496692	496692
vi	No of berth days (v/ii)	days	68.985	68.985	68.985
vii	No of berth hours {24 x (vi)}	hours	1656	1656	1656
viii	Average GRT hours per vessel (vii x iv)			0.19255814	0.197143
viii	Expected number of vessels	No of vess	58	58	59
ix	Total GRT hours (vii x viii)	Tonne hou	17056800	16560000	13910400
x	Revenue Requirement	Rs. in crores			
xi	Modified Berth hire (in Rs.)				
	Foreing going vessel (in Rs)	per GRT per hour or part thereof			
	Coastal vessel (in Rs.)				
	Ratio of foreign / coastal arrived based on volume of coastal caustic soda estimated to be hanc				
	Foreign going vessel		196	0.852173913	
	Coastal vessel		34	0.147826087	
			230		

Workings:

i.	Revenue requirement for85% foreign gc	75529160	
ii.	GRT hours of foreign going vessels	53813160	
iii.	GRT hours of coastal vessels	9496440	
iv.	Total GRT hours	63309600	
v.	53813160 x + 0.6 * 9496440 x	75529160	
vi.	53813160 x + 5697864x	59511024	x
vii	59511024x	75529160	
vii.	X (foreign going) (Rs.)	1.269163	
viii.	0.6 * 1.27 (coastal) (Re.)	0.761498	

ANNEX - II

Chemicals	Total
0.19	1
7200	
13700	
6300	
349600	1840000
48	
1152	
55	228
15782400	63309600
	7.5492
	1.192426

Chemicals	Total
0.19	1
7200	
13700	
6300	
349524	1839600
48	
1152	
0.18285714	0.572558
55	230
15782400	63309600
	7.552916
	1.269163
	0.761498

dled by the operator

Annex-III

VISAKHAPATNAM PORT TRUST

UPFRONT TARIFF SCHEDULE FOR LIQUID BULK CARGO TERMINAL

1.1. DEFINITIONS

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

(i). "**Coastal vessel**" shall mean any vessel exclusively employed in trading between any port or place in India to any other port or place in India having a valid coastal licence issued by the competent

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

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

(iv). "**Week**" shall mean a period of 7 days.

1.2. GENERAL TERMS & CONDITIONS

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

(ii). (a). A foreign going vessel of Indian Flag having a General Trading Licence can convert to Coastal run on the basis of a Customs Conversion Order.

(b). A foreign going vessel of Foreign Flag can convert to coastal run on the basis of a Coastal Voyage Licence issued by the Director General of Shipping.

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

(d). In cases of such conversion, coastal rates shall be chargeable only till the vessel completes coastal cargo discharging operations, immediately thereafter foreign going rates shall be chargeable by the discharge ports.

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

(iii). (a). The berth hire for all coastal vessels should not exceed 60% of the corresponding charges for other vessels.

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

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

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

(iv). Interest on delayed payments / refunds:

(a). The user shall pay penal interest on delayed payments for any charge 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 declared by the State Bank of India from time to time.

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

(d). The delay in payments by the users will be counted beyond 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 this Scale of Rates.

(v). 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.

(vi). All charges worked out shall be rounded off to the next higher rupee on the grand total of each bill.

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

The terminal operator may also, if it so desires 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.

The terminal operator should, however, notify the public such lower rates and / or rationalisation of the conditionalities governing the application of such rates and continue to notify the public any further changes in such lower rates and / or in the conditionalities governing the application of such rates provided the new rates fixed shall not exceed the rates notified by the TAMP.

(viii). Users shall not be required to pay charges for delays beyond a reasonable level attributable to the terminal operator.

2. **BERTH HIRE CHARGES**:

2.1. **Schedule of Berth hire**:

Sl. No.	**Vessels**	**Rate per GRT per hour or part thereof**	
		Foreign Going Vessel (in Rs.)	**Coastal Vessel (in Rs.)**
1.	Vessels carrying Caustic soda, Bio-diesel, Edible oils and Chemicals	1.27	0.76

2.2. **Penal Berth hire for overstayal of vessel**:

(i). Penal berth hire equivalent to normal applicable berth hire shall be levied in addition to the berth hire charge for the period of overstayal of vessel for occupancy of the berth beyond the stipulated periods mentioned at (ii) below**,** provided there is a demand for the berth and a notice is served by the BOT operator or its authorised officials 10 hrs in advance of completion of discharge / shipment operations.

(ii). Vessel shall be permitted to occupy the berth after completion of cargo operation without attracting penalty for period mentioned below: -

(a).	Vessels taking bunkers through barges.	08 hrs
(b).	Vessels taking water through barges.	12 hrs [From the time of placement of barges alongside vessel].
(c).	Vessels taking Water / Bunkers through source other than barges.	08 hrs
(d).	In all other cases	07 hrs

General Notes relating to berth hire:

(i). The period of berth hire shall be calculated from the time vessel occupies the berth till she vacates the berth.

(ii). (a). Berth hire shall stop 4 hours after the time of vessel signaling its readiness to sail.

(b). The time limit of 4 hours prescribed for the cessation of berth hire shall exclude the ship's waiting time for want of favorable tide conditions, inclement weather, and due to lack of night navigation facilities.

(c). The master / agent of the vessel shall signal readiness to sail only in accordance with favorable tidal and weather conditions.

(iii). The Penal Berth hire shall be equal to one-day's (24 hours) berth hire charge for a false signal.

"False signal" would be when the vessel signals readiness and asks for a pilot in anticipation even when she is not ready for un-berthing due to engine not being ready or cargo operation not completed or such other reasons attributable to the vessels. This excludes the signaling readiness when a vessel is not able to sail due to unfavorable tide, lack of night navigation or adverse weather conditions."

(iv). No Berth hire shall be levied for the period the vessel is compelled to idle at berth for continuously for one hour or more due to non-availability / break down of equipment and any other reasons including power failure attributable to the terminal operator.

(v). Ousting Priority/Priority berth Hire:

The rate and conditions for granting ousting priority berthing / priority berthing will be governed by extant Government guidelines in this regard and provisions prescribed in the Scale of Rates of Visakhapatnam Port Trust.

3. **LIQUID BULK CARGO HANDLING CHARGES**:

Sl. No.	Commodity	Unit	Rate in Rupees	
			Foreign	**Coastal**
(a).	Caustic Soda	Per Metric Tonne	35.95	21.60
(b).	Bio-Diesel	Per Metric Tonne	35.95	21.60
(c).	Edible oils	Per Metric Tonne	35.95	21.60
(d).	Chemicals	Per Metric Tonne	35.95	21.60

Note:

The handling charges prescribed above is a composite charge for loading / unloading of liquid cargo from / to vessel as the case may be, transportation of cargo through pipeline, wharfage, and all other miscellaneous services which are not specifically covered by any other charge in this Scale of Rates provided by the operator.

4. **STORAGE CHARGES PER TONNE PER DAY:**

The storage charges for the cargo stored in the tankage beyond the free period allowed shall be as below:

(A). **Free period**:

Import / Export cargo : 7 days free

(B). **Storage charges on both import / export cargo after free period**

Description	Rate in Rs. per tonne per day
First week after expiry of free period	Rs.7.50
Beyond 1st week	Rs.9.50

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 export cargo shall commence from the actual date of the receipt of goods in the operator's premises.

(iii). Free period for import cargo shall be reckoned from the day following the day of completion of final discharge from the vessel.

(iv). 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.

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 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.

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SUMMARY OF THE COMMENTS RECEIVED FROM THE PORT USERS / DIFFERENT USER ORGANISATIONS / QUALIFIED BIDDERS

F. No.TAMP/17/2008 - VPT - Proposal from Visakhapatnam Port Trust for fixing upfront tariff cap for EQ10 project for handling liquid cargo and chemicals on BOT basis in Visakhapatnam Port.

1. A summary of comments received from users / user organisations / qualified bidders and the comments of Visakhapatnam Port Trust (VPT) thereon are tabulated below:

<table>
<tr><th>Sl. No.</th><th>Comments of users / user organisations and qualified bidders</th><th>Comments of VPT</th></tr>
<tr><td>1.</td><td>Maytas Infra Assets</td><td></td></tr>
<tr><td>A.</td><td>With regard to the “Other Expenses” under the norms for operating costs, the percentage in respect of other cargo or terminals ranges from 15% - 10% in the case of Container Terminals, 5% for Iron Ore and Coal Terminals and 5% for multiple purpose Berth Terminals, but only 1% for Liquid Bulk Terminals.

The rationale for fixing these percentages is not understood. This should be clarified and spelt-out for the proper understanding and application by the PPP operator concerned.</td><td>As per the guidelines, the norm for other expenses is fixed at 1% to meet the expenditure of salaries and wages of operating staff, welfare expenses and management and general overheads. Since the staff requirement for operating a Liquid Bulk cargo terminal is much less when compared to Iron Ore Coal and Multipurpose Terminals, the guidelines have indicated a relatively lower percentage.</td></tr>
<tr><td>B. (i).</td><td>The rationale for allowing a 10% increase over the best average handling rate/hour figures achieved in the past for determining the handling rate of the commodities is not understood.</td><td>The norm fixed for other liquids in the guidelines i.e. 300 Tonnes Per Hour (TPH) has been adopted while furnishing the revised calculation to the TAMP.</td></tr>
<tr><td>(ii).</td><td>There is a lack of clarity in the attribution of the cost of construction of Berth assigned to the Project under consideration for determining the berth hire charges. The figures enclosed require more details.</td><td>Breakup cost for EQ10 Berth (BOT)
<table>
<tr><th>Description</th><th>Base cost</th><th>Contin-gencies at 3% (Rs. in crores)</th><th>Supervision charges at 5%</th><th>Total cost</th></tr>
<tr><td>A. Cost of the Berth</td><td>17.32</td><td>0.52</td><td>0.89</td><td>18.73</td></tr>
<tr><td>(i). Cost of Construction of Berth</td><td>6.96</td><td>--</td><td>--</td><td>6.96</td></tr>
<tr><td>(ii). Cost of Return end</td><td>3.88</td><td>0.12</td><td>0.20</td><td>4.20</td></tr>
<tr><td>(iii). Cost of dredging</td><td>5.85</td><td>--</td><td></td><td>5.85</td></tr>
<tr><td>Total (A)</td><td></td><td></td><td></td><td>35.74</td></tr>
<tr><td>B. Civil structures</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(i). Berth apron & Approach</td><td>0.13</td><td>0.004</td><td>0.007</td><td>0.14</td></tr>
<tr><td>(ii). Storage Yard</td><td>1.14</td><td>0.03</td><td>0.06</td><td>1.23</td></tr>
<tr><td>(iii).Tankages</td><td>14.43</td><td>--</td><td>--</td><td>14.43</td></tr>
<tr><td>(iv). Road & Railway truck</td><td>--</td><td>--</td><td>--</td><td>0.00</td></tr>
<tr><td>(v). Building, water supply, sewage, etc.</td><td>0.15</td><td>0.004</td><td>0.008</td><td>0.16</td></tr>
<tr><td>Total (B)</td><td></td><td></td><td></td><td>15.96</td></tr>
<tr><td>C. Equipment Cost</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(i). Marine loading/unloading equipment and flexible hoses</td><td>1.00</td><td>--</td><td>--</td><td>1.00</td></tr>
</table></td></tr>
</table>

<table>
<tr><td></td><td></td><td>
<table>
<tr><td>(ii). Dock pipelines from berth to terminal</td><td>0.80</td><td>--</td><td>--</td><td>0.80</td></tr>
<tr><td>(iii). Fire fighting equipment</td><td>0.80</td><td>--</td><td>--</td><td>0.80</td></tr>
<tr><td>(iv). Power and lighting</td><td>0.13</td><td>0.004</td><td>0.007</td><td>0.14</td></tr>
<tr><td>Total (C)</td><td></td><td></td><td></td><td>2.74</td></tr>
<tr><td></td><td></td><td></td><td></td><td>54.44</td></tr>
<tr><td></td><td></td><td></td><td></td><td>(or say)</td></tr>
<tr><td></td><td></td><td></td><td></td><td>54.45</td></tr>
</table>
</td></tr>
<tr><td>2.</td><td>M/s.Biomax Fuels Limited</td><td></td></tr>
<tr><td>(i).</td><td>It is noted that the Liquid Bulk Cargo Handling charges would be levied on the users. These charges are derived from the capital cost employed as well as operating cost requirements of tankages proposed in the project by the port. We feel that these charges should be levied only to those users of tankage facility and not users of the EQ-10 berth.</td><td>The norms for fixation of upfront tariff for services rendered at liquid bulk terminal prescribe fixation of composite rate for cargo handling charges which include cargo loading or unloading charges (as the case may be), transportation through pipelines and storage charges for storing in tanks, wharfage etc. Hence, a composite rate of handling charges has been worked out as per the tariff guidelines. No separate charges were envisaged for tankage facility. However, TAMP may examine this issue as this is a general comment on upfront tariff guidelines.</td></tr>
<tr><td>(ii).</td><td>The Liquid Bulk cargo handling charges are arrived at by using optimal capacity of 1.61 million tonnes, which is 70% of maximum capacity. This is too low a factor to be considered. Current utilization factor of other berths of the port should be considered for deriving optimal capacity rather than using 70%.</td><td>The norm of considering 70% of the maximum capacity for arriving the optimal capacity is in accordance with upfront tariff guidelines.</td></tr>
<tr><td>(iii).</td><td>The details of the land rent for various land zones being collected by the port may be furnished to us for our comparison since basic rate for Sq.yard considered by VPT for Zone-VIII viz. Rs.2,400/- per Sq.Yard is very high.</td><td>The valuation given by DRA for Zone VIII is Rs.2,400/- per sq.yd. for the quinquennium 2003-08. The Rate Fixation Committee (RFC) recommended a rate of Rs.1,270/- per sq.yd. for the above Zone. Accordingly, TAMP approved the lease rental based on land value of Rs.1,270/- per sq.yd. for Zone-VIII vide Order No.TAMP/41/2005-VPT in July 2008.

Meanwhile the location advantage in respect of certain areas within Zone VIII was reviewed and it was considered appropriate to bifurcate Zone VIII into VIII and VIII A. Accordingly a proposal was communicated to TAMP vide letter No.LR/LV/SA/700, dated 15 July 2008 for according approval for the bifurcation of Zones and to accord approval for levying of the DRA approved rate of Rs.2400/- per sq.yd. for Zone VIII-A. The proposed backup space for EQ-10 is falling in the bifurcated Zone VIII-A. Hence, the land value of Rs.2,400/- per sq.yd. was given by DRA as per the State Government Ready Reckoner is considered for estimating the lease rental.</td></tr>
<tr><td>(iv).</td><td>It is suggested that VPT may re-work the capacity of the berth EQ-10 with higher pumping rates and accordingly advise the users to augment their pumping/receiving capacity for better utilization of the berth since pumping rates of 200-300 tonnes/hour are very low.</td><td>The norm fixed for other liquids i.e. 300 tonnes per hour (TPH) has been adopted in accordance with the upfront tariff guidelines.</td></tr>
<tr><td>(v).</td><td>Regarding depreciation, VPT is adopting a rate of 10.34% under Straight Line Method (SLM) which is high. Since the berth is a civil construction and will have longer life, lower rate of depreciation should be considered at par with civil works and the</td><td>As per Income Tax Act, the wharves, quays and jetties are being considered for the purpose of allowing depreciation. As such, wharves and jetties were treated as plant and machinery instead of factory building under schedule XIV of Companies Act, for which the applicable rate of depreciation is 10.34% as SLM for 3 shifts and</td></tr>
</table>

	above rate of 10.34% may be considered for the equipment being installed on the berth.	the same was adopted. For the wharves, quays and jetties in respect of Salt work and mineral oil concerns, the rate of depreciation prescribed is 13.91%. Hence the depreciation rate considered by VPT is reasonable.
(vi).	The tariff collected from coastal vessels is 60% lower, whereas tariff for foreign vessels is much higher. Since Biomax is an exported oriented unit located in Visakha Special Economic Zone (VSEZ) and raw materials receipts as well as products dispatch will be through foreign vessels only and hence will be subjected to economically unviable situation. To encourage the exports this disparity may be removed.	Rates for the coastal vessels is proposed at 60% of the normal charges applicable to foreign vessels due to extension of concessions to the coastal cargo as per the Government directives for vessels related and cargo related charges except for iron ore, thermal coal and POL (including crude oil).
(vii).	It may be clarified whether the proposed rates by VPT would remain firm irrespective of the Firm Quotations received from Bidders on BOT basis for construction of the berth or whether the economics of the proposals would be re-worked out after receipt of Firm Quotations.	Upfront tariff so set by TAMP will only be the ceiling levels. Tariff caps will be reviewed once in five years to adjust for extraordinary event that could not have been foreseen by a prudent person and the tariff caps will be indexed to inflation but only to an extent of 60% of the variation in the Wholesale Price Index (WPI) occurring between 1st January 2008 and 1st January of the relevant year. Such automatic adjustment will come into force from 1 April of the relevant year of 31st March of the following year.
3.	**M/s. LG Polymers India Pvt. Ltd.**	
(i).	Presently its vessels are berthed at OR-I and II subject to availability of berth for import of basic raw material viz. Styrene Monomer. It has requested the Authority to reduce the existing wharfage rate i.e. Rs.55/- PMT which is very high to Rs.30/- PMT.	The existing rate of Rs.55/- per tonne is applicable for the cargo Styrene monomer handled at VPT berths towards wharfage. This is not applicable to BOT berths. The handling charges at BOT berths include cargo loading or unloading charges (as the case may be), transportation through pipelines and storage charges for storing in tanks, wharfage etc. and accordingly tariff has been worked out at Rs.41.15 per tonne for foreign cargo based on the upfront tariff guidelines notified by the Authority. However, the Authority may examine this issue while fixing the wharfage for liquid bulk terminal.
4.	**M/s.IMC Limited**	
(i).	Our major concern is that the tariff proposed is grossly inadequate based on the current cost of construction and operation. It may be noted that the project includes storage tankfarm construction and operation, which by itself is a major activity and hence the tariff must be raised to meet the minimum returns on investment.	No comments furnished.
(ii).	(a). The cost of construction of the berth (as per the break-up provided in Appendix-2) appears to be very low. What is the basis on which the cost of tankage is estimated at Rs.14.43 crores? (b). To handle 1 million tonnes of liquid cargo, the minimum storage capacity required would in the order of 200,000 KL to 250,000 KL. The cost of such tankage itself would be in excess of Rs.100 crores. Also, for one million tonnes, the number of pipelines required could vary depending on the product types and volumes.	No comments furnished.

<table>
<tr>
<td>(iii).</td>
<td>
(a). The liquid bulk cargo handling charges of Rs.38.50 per MT which includes cargo loading, unloading, transportation through pipeline and storage charges for storing in tanks is very low. For edible oils, the wharfage component alone is much higher in other ports as given below:
<table>
<tr><th>Port</th><th>Wharfage (Rs./MT)</th></tr>
<tr><td>JNPT</td><td>47</td></tr>
<tr><td>Mangalore</td><td>50</td></tr>
<tr><td>Cochin</td><td>91</td></tr>
<tr><td>Chennai</td><td>50</td></tr>
<tr><td>Tuticorin</td><td>51</td></tr>
<tr><td>Kakinada</td><td>44.50</td></tr>
</table>

Berth Hire is not included in the above tariff.

(b). Storage and Cargo Handling Charges: The charges for storage, receipt and discharge are charged separately by the tankfarm operators. Such charges are based on the storage capacity leased, the type of facilities required (for example, the charges will be higher if special facilities such as stainless steel tanks/dockline, heating arrangement etc. are required for handling the products), the term of contract (for customers offering long term contracts, the charges will be lower).

Export: In the case of export, the tankfarm will have to pump the cargo to vessels, for which additional charges are payable as provision of export pumps and consumption of additional power is required.

Generally, storage tanks are dedicated to each customer during the contract period and hence there is an upper limit as to the quantity of cargo that can be handled in a particular storage tank during a given period. As the cargo volumes increase through the berth, additional storage tanks and pipelines will have to be created, increasing the capital cost significantly.

In view of above, the storage charges would be much higher and is often a variable, unlike in the case of the berth, wherein all users can be subject to the same tariff.

(c). It has, therefore, made the following suggestions:

(i). The optimal storage capacity (in KL) is to be determined based on the throughput projections and the availability of other storage tankfarms.
</td>
<td>No comments furnished.</td>
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	(ii). The storage capacity must be increased in phases based on increase in the traffic. (iii). The investment and operating cost for the tankfarm must be considered separately for determining the tariff for storage.	
(iv).	Operating and Maintenance Cost The annual operating and maintenance cost is estimated at Rs.8.04 crores. It may be clarified whether shipment costs, salaries and wages, overtime charges, power cost for export (in the case of biodiesel), land lease rentals, administration costs for the BOT operator, inspection and survey costs and major maintenance costs have been considered.	No comments furnished.
(v).	Projected revenues At optimal capacity of 1.84 million tonnes per annum, the revenue on account of handling charges (including wharfage) to the BOT operator would be only Rs.7.084 crores. It is also noted that the revenue from Berth Hire Charges is higher than the handling charges. Generally, the revenue from Berth Hire is a small fraction of the total revenue and the wharfage and handling charges form the bulk of the revenue. With total revenue projections of Rs.10.14 crores against the operating cost of Rs.8.04 crores, the BOT operator will not be able to meet the debt service requirements and raise finances for expansion of the terminal.	No comments furnished.
5.	**The Federation of Andhra Pradesh Chamber of Commerce and Industry**	
(i).	They have forwarded a copy of the comments received from M/s.Biomax Fuels Limited.	The VPT has already furnished comments on the points made by M/s.Biomax Fuels Limited.

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