

(Published in Part - III Section 4 of the Gazette of India, Extraordinary)
TARIFF AUTHORITY FOR MAJOR PORTS

G No.192

New Delhi,

12 November, 2008

NOTIFICATION

In exercise of the powers conferred under 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 of the Kandla Port Trust for upfront tariff setting for four multipurpose cargo berths on BOT basis at the Kandla 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 26th February 2008 as in the Order appended hereto.

(Brahm Dutt)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/35/2008-KPT

Kandla Port Trust

...

Applicant

ORDER

(Passed on this 14th day of October, 2008)

This case relates to a proposal dated 12 June 2008 received from Kandla Port Trust (KPT) for upfront tariff setting for construction of four multipurpose cargo berths on BOT basis at the Kandla Port in pursuance of the guidelines for upfront tariff setting for PPP projects at Major Ports vide Notification No. TAMP/52/2007-Misc. dated 26 February 2008

2. The salient features of the proposal as contained in KPT's proposal dated 12 June 2008 are as follows:

- (i). Berth length - 300 meters
- (ii). Commodities to be handled:
 - (a). Foodgrains and Fertilisers
 - (b). Coal, Limestone, Minerals, Sugar, Salt, etc.
 - (c). Other dry bulk
 - (d). Steel and Bagged cargo
 - (e). Timber Logs
- (iii). Storage area:
 - (a). 217000 square metres of open space
 - (b). 4410 square metres of covered storage area
- (iv). Capacity - 1.50 Million Metric Tonnes per berth
- (v). Estimated capital cost of a terminal:
 - (a). Civil - Rs.79.65 Crores per berth
 - (b). Equipment - Rs.46.69 Crores

 - Total - Rs.126.34 Crores
- (vi). Operating cost of the terminal - Rs.18.84 Crores
- (vii). Revenue requirement for cargo operation - Rs.39.05 Crores
- (viii). Cost of construction of berth - Rs.94.52 Crores
- (ix). Operating and Maintenance cost of the berth - Rs.3.26 Crores
- (x). Revenue requirement for berth operation - Rs.18.38 Crores
- (xi). Upfront tariff proposed:
 - (a). Cargo Handling Charges - Rs.234.36 per ton
 - (b). Storage Charges - Rs.13.02 per ton
 - (c). Miscellaneous Charges - Rs.13.02 per ton
 - (d). Berth Hire Charges - Re.0.02 per GRT per hour

3. For the calculation of the upfront tariff, following points have been considered by KPT:

- (i). Optimal capacity of a terminal has been determined taking into consideration the percentage share of average of last three years of cargo handled and handling rate of vessels carrying these cargo as per norms specified in the guidelines notified on 26 February 2008. The commodity-wise percentage share of average of last three years cargo handled and handling rate of vessels carrying this cargo are as under:

Sl. No.	Commodities to be handled	Percentage share	Handling rate(Tonnes)
(i).	Foodgrains and Fertilisers	19.79	10000
(ii).	Coal, Limestone, Minerals, Sugar, Salt, etc.	21.05	7500
(iii).	Other dry bulk	19.53	4505
(iv).	Steel and Bagged cargo	29.07	4000
(v).	Timber Logs	10.56	2500

- (ii). Tariff has been worked out with reference to the optimal capacity of the terminal irrespective of any traffic forecast.
- (iii). Deprecation has been calculated following the straight line method as per the life norms prescribed by the Ministry of Shipping and Road Transport and Highways.
- (iv). The License Fee for lands has been taken as per the rate prescribed in the existing Scale of Rates of KPT.
- (v). Revenue share has not been considered as an item of cost for fixing the upfront tariff.
- (vi). Return on Capital Employed is considered at 16% on the Capital Cost.

4.1. The proposal was circulated among the relevant user organisations and short listed bidders, based on the details furnished by KPT.

4.2. The comments, as and when received from the user organizations / short listed bidders, were forwarded to the KPT for remarks. The KPT has responded to the comments furnished by the users / shortlisted bidders on its proposal.

5. Based on the preliminary scrutiny of the proposal KPT was requested to furnish following information/clarification on various points vide our letter dated 28 July 2008. KPT has furnished its reply under letter dated 7 August 2008. The details sought and the replies received are juxtaposed below:

Sl. No.	TAMP observation	KPT Clarification												
1.	KPT has requested this Authority to fix upfront tariff for the 13 th to 16 th Multi Purpose Cargo Terminal. It is, however, clarified that the tariff cap to be prescribed now would not only be applicable to the 13 th to 16 th Multi Purpose Cargo Terminal but would be applicable to all the projects bid out subsequently for identical cargoes at the Kandla Port during the next five years. It is, therefore, necessary to prescribe a port specific tariff and not a project specific tariff as proposed by the KPT.	The proposal may please be considered as port specific and read as "Proposal from the Kandla Port Trust (KPT) for upfront tariff setting for Multi Purpose Cargo Berth (PPP Project) under Guideline for upfront tariff setting for PPP projects at Major Port Trust 2008".												
2.	The KPT is requested to submit working sheets revealing all the cost calculations including the physical features of a standard terminal to be constructed. For arriving out the prospective tariff, an existing Schedule of Rate of a similar functioning terminal/ berth can be taken as a basis. While submitting the working sheets KPT may comply with the following:	<p>(1) The physical parameters of one berth is furnished below:</p> <ul style="list-style-type: none"> • Berth Parameters :- <ul style="list-style-type: none"> ➤ Length of Wharf Structure: 300 m each (1200 m) ➤ Width of wharf structure: 55 m (approx.) ➤ Backup area: 21.70 hectares/each berth ➤ Dredged level: (-) 15.10 m <p><u>Berthing Structure:</u> The deck will be designed to withstand the weight of heavy-duty cargo handling equipment, including movement of loaded containers. The design must cater to berthing of ships maximum 75,000 DWT.</p> <p><u>(2) CAPITAL COST CALCULATIONS:</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Sr. No.</th> <th style="text-align: center;">Description</th> <th style="text-align: center;">Amount (Rs)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>Quay & Transit Area (Marine Civil Work)</td> <td></td> </tr> <tr> <td style="text-align: center;">a</td> <td>Pile Foundation (590 x 4 Nos)</td> <td style="text-align: right;">2124000000</td> </tr> <tr> <td style="text-align: center;">b</td> <td>Superstructure (4 x300 x 54.45 m)</td> <td style="text-align: right;">847459800</td> </tr> </tbody> </table>	Sr. No.	Description	Amount (Rs)	1	Quay & Transit Area (Marine Civil Work)		a	Pile Foundation (590 x 4 Nos)	2124000000	b	Superstructure (4 x300 x 54.45 m)	847459800
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		c	Mooring and berthing aids	82924996		
			Bollards 11	} x 4 =44 m		
			fender 11			
			Ladder 11			
		2	Development of Backup area			
		a	Reclamation of OSG/Backup area	522536000		
		3	Capital Dredging			
		a	Construction of Bunds	2000000		
		b	Dredging	215200000		
		4	Wharf Cranes			
		a	25 T crane	800000000		
		b	50 T Crane	600000000		
		5	Water supply and Fire Fighting lines			
		a	On wharf structure			
			i. 200 mm dia D.I. line	1291290		
			ii. 100 mm dia D.I. line	214500		
		b	FF line in back up area			
			i. 200 dia DI line	12771000		
		6	Custom Fencing Wall			
		a	RCC fencing wall	14400000		
		b	Temporary fencing wall	2310000		
		7	Storage godowns	123744600		
			(approved Block Estimate for 6 godowns = RS 260400000 having area 37120 m2, so cost for 1 m2 = Rs. 7015)			
		8	Office building	3200000		
		9	Electrifications			
		a	High Mast Towers on wharf structure and in Open Stacking Ground and back up area	56760000		
		b	Power supply line	3000000		
		c	Electric sub station	2400000		
		10	Environmental Measures	3000000		
			Total	5417212186		
			3% Contingencies	162516365		
			2% Establishment Charges	111594571		
	10% Escalation Charges	569132312				
	GRAND TOTAL	6260455434				
(a).	The traffic handled during the last three years in respect of the dry bulk cargoes and break bulk general cargoes considered for arriving at the optimal capacity of the terminal.	The requisite statement is furnished below:				
		(Tonnes)				
		2005-06	2006-07	2007-08	Average of 11 Berths	Handling of 1 Berth
I	Dry Bulk (free flow)					
	Group (A)					
(a)	Foodgrain	128479	1118268	561726	602824.33	54802.21
(b)	Fertilizers	1930349	2192620	4069331	2730766.67	248251.52
						303053.73
	Group (B)					
(a)	Coal Thermal/cooking	433629	724622	1179001	779084.00	70825.82
(b)	Salt	2163668	1229772	1217164	1536868.00	139715.27
(c)	Ores/Minerals	456547	828764	1013295	766202.00	69654.73
(d)	Sugar			181650	60550.00	5504.55
(e)	Miscellaneous	307262	376937	524574	402924.33	36629.48

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(b).	<p>A confirmation to the effect that:</p> <p>(i). the cost estimates are based on the prevailing market rate and the project report has either been updated or budgetary quotation obtained wherever required. Supporting documents should be furnished with the proposal.</p> <p>(ii). the unit rate of electricity applied is the prevailing rate.</p> <p>(iii). the unit rate of fuel applied is the prevailing rate.</p>	<p>It is confirmed that:</p> <p>(i). the cost estimates are based on the prevailing market rates, accepted rates of similar work and as per SOR.</p> <p>(ii). the unit rate of electricity applied is the prevailing rate and</p> <p>(iii). the unit rate of fuel applied is the prevailing rate.</p>																																																																																																	
(c).	<p>Depreciation, as per the guidelines, should be calculated following the Straight Line Method as per the norms prescribed in the Companies Act. KPT has stated that depreciation has been calculated following the Straight Line Method as per the life norms prescribed by the Ministry. KPT is requested to explain for the deviation.</p>	<p>There is no deviation in calculation of depreciation. Depreciation has been calculated following the straight line method only. However, the life is considered on the basis of norms prescribed by the Ministry.</p>																																																																																																	
(d).	<p>While calculating the depreciation on the civil structure and the berth, KPT has considered a time span of 50 years. In this respect, the KPT is requested to clarify in detail.</p>	<p>In the 40th conference of Chief Engineers as well as Chief Mechanical Engineers of all Major Ports the life of various Port structure were finalized. Based on this, for the calculation of depreciation on the civil structure and the berth, 50 years time span is considered.</p>																																																																																																	
(e).	<p>KPT is request to explain in detail how the berth hire rate per hour per GRT has been arrived at.</p>	<p>For the calculation of Berth Hire, rates per hour per GRT, average of actual dry cargo GRT of the year 2006-07 is considered.</p>																																																																																																	
(f).	<p>KPT is requested to submit a draft Scale of Rates along with the conditionalities.</p>	<p>In this regard , clause no. 2.3 & 2.9.1 of TAMP's guidelines for upfront tariff setting for PPP Projects at Major Port Trust, 2008 may please be referred.</p>																																																																																																	

6.1. KPT was requested to furnish the parcel size of the vessels estimated to handle the different types of cargoes. The port was also requested to explain how the berth hire rate per hour per GRT was arrived at at Re.0.02. It was also pointed out to the port that the capital cost of the

scheme amounting to Rs.626.05 crores stated in its letter dated 7 August 2008 differed from the capital cost mentioned in its proposal dated 12 June 2008. In an officer level meeting held on 18 August 2008, it emerged that KPT while calculating the berth hire had initially included Rs.48.62 crores (cost of berth apron and approach) twice, once in the civil construction cost and again in the berth construction cost.

6.2. KPT furnished the parcel size of the vessels and the average GRT of the vessels under different cargo groups vide letter dated 14 August 2008. By letter dated 28 August 2008, KPT also furnished a copy of the block estimate detailing the capital cost of the four berths at Rs.658.69 crores. It was observed that the increase in the estimated cost from Rs.626.05 crores to Rs.658.69 crores was due to the addition of 16 forklifts, 8 forklift trucks, 12 payloaders and the cost of laying road / rail tracks.

7.1. A joint hearing was held on 20 June 2008 where the KPT and the users/short listed bidders were present and made their submissions. At the joint hearing, KPT was advised to furnish the following additional information to enable this Authority to finalise the case:

- (i). Revised calculation of upfront tariff.
- (ii). Commodity wise tariff caps. The port should bear in mind the coastal tariff policy while proposing the commodity wise rate.
- (iii). The list of services to be offered against different tariff elements.
- (iv). The existing cost to users for handling different commodities.

7.2. KPT by letter dated 12 September 2008, submitted revised statements for the calculation of operating cost, berth hire charges and capital cost. It also furnished category wise tariff cap, proposed rates for foreign / coastal cargo and a statement showing category wise existing handling rates and proposed tariff cap. In the revised block estimate submitted, the capital cost of the project was increased to Rs.701.76 crores. It is observed that the capital cost increase from Rs.658.69 crores to Rs.701.76 crores is due to updating the cost of construction of the quay and transit area (Marine Civil Work) and reclamation of open stack ground and back-up area with revised rate analysis.

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 and arguments made by the concerned parties will be sent separately to the relevant parties. These details are also available at our website <http://tariffauthority.gov.in>

9. With reference to the totality of the information collected during the processing of the case, the following points emerge for consideration:

- (i). Although the KPT has requested this Authority to fix upfront tariffs for the four multipurpose dry cargo berths, it was 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 project of the four multipurpose dry cargo berths but would also be applicable to all the projects bid out subsequently for identical cargoes at the Kandla Port during the next five years. KPT in its letter dated 7 August 2008 has informed that its proposal may be considered as a port specific proposal for upfront tariff setting under Guidelines for upfront tariff setting for PPP projects at Major Port Trusts 2008.
- (ii). In general, the KPT has followed the guidelines for upfront tariff setting vide Notification No.TAMP/52/2007-Misc. dated 26 February 2008 issued by this Authority. Some deviations observed are discussed below:
 - (a). As per the norm for calculation of the capital cost, 5 % of civil and equipment cost has to be considered as miscellaneous cost to provide all other facilities required for operation of the berth including upfront payment, interest during construction and working capital margin. KPT has not included in the capital estimate the provision of 5 % of civil and equipment cost towards miscellaneous cost.

- (b). As per the guidelines, under dry bulk cargo handling, rates have been specified for only (i). food grains and fertilisers and (ii). coal, limestone minerals etc. KPT has proposed an additional cargo group 'other dry bulk' with a handling rate of 4505 tonnes per day based on the actual handling rate of this commodity during 2007-08.
 - (c). Depreciation, as per the guidelines, should be calculated following the Straight Line Method as prescribed in the Companies Act. KPT in its original proposal has calculated the depreciation following the Straight Line Method as per the life norms prescribed by the Ministry of Shipping, Road Transport and Highways (MSRTH). On being pointed out the specific provision in the guidelines, KPT has revised the calculation of depreciation in line with the guidelines.
 - (d). For foodgrains and fertilisers, the norm for cargo handling rate is 10,000 tonnes per day for vessels of more than 30,000 tonnes parcel size and 7,500 tonnes per day for lower parcel size vessels. The parcel size of the vessels estimated by KPT to handle foodgrains and fertilisers is 24,000 tonnes. For this cargo group, while arriving at the optimal capacity, the port has considered the handling rate as 10,000 tonnes instead of 7,500 tonnes per day prescribed in the norms.
 - (e). For coal, limestones, minerals etc, the norm for cargo handling is 10000 tonnes per day for vessels of all parcel sizes. The port has considered the handling rate at 7500 tonnes per day.
 - (f). While initially estimating the operating cost of the multipurpose dry cargo berths, the port, in addition to 1% of the aggregate cost of construction of berth and dredging as specified in the norm, had also included (a). depreciation at 2% of the fixed assets and (b) the cost of maintenance dredging based on the yearly expenditure on this count it incurs presently. KPT has subsequently revised the working by considering repairs and maintenance cost of berth, insurance and depreciation at 1%, 1% and 3.34% respectively of the capital cost. Although as per the norms the operating cost of the berth has to be restricted at 1% of the capital cost, the fact remains that the assets created require appropriate insurance cover and the value of the assets is bound to depreciate due to wear and tear. Hence, as has been considered while fixing the upfront tariff at other ports, the elements of insurance and depreciation respectively in the operating cost at 1% and 3.34% of the capital cost are allowed for determining revenue requirement for the berths. In this connection it is noteworthy that clause 3.6 of the guidelines for upfront tariff setting for PPP projects enables this Authority to decide on a particular item of expenditure, for which norms are not explicitly prescribed in the guidelines.
 - (g). As per norm, the terminal should have inter alia 3 Nos. level luffing wharf cranes of 20 Tonne capacity with grab / hook attachments. Instead, KPT has proposed 2 Nos. of 25 Tonne Cranes and one 50 Tonne crane.
- (iii). (a). The optimal capacity of the multipurpose dry cargo berth has been assessed by KPT as 14,98,426 MT (rounded of to 1.50 million tonnes) taking into consideration the percentage share of average of last three years cargo handled and handling rate of vessels carrying these cargoes as per the norms prescribed in the guidelines for upfront tariff setting for PPP projects with a minor deviation in handling rates for vessels carrying food grains and fertilizers and coal, limestone, minerals etc. If the norms prescribed in the Guidelines of 2008 are strictly applied, the optimal capacity works out to 15,06,458 metric tonnes as against the capacity of 14,98,426 metric tonnes arrived at by KPT. In view thereof, this Authority considers the optimal capacity at 1.5 million tonnes.

- (b). The KPT in its initial proposal dated 12 June 2008 estimated a capital cost of Rs.126.34 crores which would include cost of berth apron and approach, storage yard, roads, rail tracks, buildings, mechanical equipment cost, etc including a provision of 10% for escalation. The port subsequently revised the capital cost to Rs.134.17 crores due to addition of few equipment and updating of earlier estimates. KPT has confirmed that the cost estimates are based on the prevailing market rates or the accepted rates for similar works. As such, except to the extent referred to in para 9 (ii) (a) above the revised cost estimated by the port is relied upon for fixing the upfront tariff.
- (c). Based on the revised details received from KPT under letter dated 12 September 2008, the earlier calculations of KPT have been suitably corrected with reference to the capital cost and operating cost. While revising the earlier calculation, the KPT has effected following changes:
- (i). Operating cost for cargo handling:
- (a). The unit rate of fuel has been revised from Rs.36 per litre to Rs.40.27 per litre based on the current prevailing rate.
- (b). The depreciation on civil structure has been computed on life of 30 years.
- (c). The depreciation on cranes, forklift and other electric equipment has been provided at 10.34% p.a. as provided in the Companies Act considering 3 –shift working.
- (ii). Operating cost for berth maintenance:
- (a). Expenditure on insurance at 1% of the capital cost has been considered.
- (b). Maintenance dredging expenditure considered separately is removed since the norm for operating expenditure is deemed to include expenditure on this account also.
- (c). The depreciation has been allowed taking the life as 30 years.
- (d). A statement, attached as **Annex-I** gives the revised computation of upfront tariff in respect of the multipurpose dry cargo berths as furnished by KPT which is relied upon in this analysis. The statement reveals that after providing ROCE of Rs.2254 lakhs at 16% on a capital base of Rs.14088 lakhs and taking the operating cost at Rs.2415 lakhs, the annual revenue requirement from cargo handling operation as Rs.4669 lakhs. Although as per the norms, the port has apportioned this revenue requirement among cargo handling charges, storage charges and miscellaneous charges in the ratio of 90:5:5, it had not initially proposed the commodity-wise tariff caps. As a sequel to the advice given at the joint hearing, the port furnished the commodity-wise tariff caps under its letter dated 12 September 2008. While considering the commodity wise tariff caps, KPT has, however, assumed that the berth will be exclusively used by specific commodities group throughout the year. The commodity wise tariff cap has been revised taking into consideration the percentage share of cargo expected to be handled under each cargo group and the handling rate provided as per the norm which are relied upon to determine the capacity. Considering the different handling rates of the various commodities as per the norm and to meet the revenue requirement of Rs.4202 lakhs (90% of Rs.4669 lakhs stated above), the unit cargo handling charges have been worked out. A statement detailing the calculations has been attached as **'Annex II'**. The corresponding

concessional coastal rate as per the Government Policy has also been derived.

- (e). The upfront tariff cap of handling charges should indicate the array of services to be provided for which the operator can levy the tariff prescribed. It is admitted that listing out all the services comprehensively is difficult at this juncture as such services are provided by different agencies other than the Port Trust today. But, it is expected that the private terminal operator should provide all such services comprehensively. At the instance of this Authority, the KPT has furnished the various services being provided at the port. Based on the information furnished, the coverage of service against levy of cargo handling charges is indicated in the upfront tariff schedule.
 - (f). As per the Guidelines, Storage charge is leviable for storage of cargoes at the transit area beyond the allowable free period of 5 days for import cargo and 15 days for export cargo. The port has arrived at the revenue requirement for storage charges, but it has not proposed levy of any charges for the cargo that may remain in the transit area after the admissible free period. The revenue requirement of Rs.233.50 lakhs (5% of Rs.4669 lakhs) towards storage charges has to be met from the cargo that may remain after the permitted free period of 5 days for import cargo and 15 days for export cargo. This target can be achieved by prescribing a charge of Rs.10/-, Rs.15/- and Rs.20/- per tonne respectively for storage between 6th to 12th day, 13th to 19th day and 20th day and beyond in respect of import cargo and for storage between 16th to 22nd day, 23rd to 29th day and 30th day and beyond in respect of export cargo. The slabs on weekly basis can be conveniently adopted in this case also as a similar tariff structure is available in the existing Scale of Rates of KPT.
 - (g). The revenue requirement towards miscellaneous charges also works out to Rs.233.50 lakhs (5% of Rs.4669 lakhs). For meeting the expenses not covered under cargo handling and storage charges, a tariff cap of Rs.15.56 per tonne is approved as miscellaneous charges, as proposed by the Port.
 - (h). The port had initially estimated the construction cost of the berth at Rs.9451 lakhs with berth cost Rs.7636 lakhs, capital dredging Rs.543 lakhs, and contingencies, establishment and escalation charges at Rs.1272 lakhs. The construction cost of the berth has been subsequently amended as the cost of berth apron and approach had already been considered under the cost of civil construction. The revised construction cost of the berth is, therefore, reported at Rs.4126 lakhs.
 - (i). Considering the repairs and maintenance cost, insurance and depreciation at 1%, 1% and 3.34% respectively of the capital cost, the operating cost per berth works out to Rs.220 lakhs. After providing ROCE of Rs.660 lakhs at 16% on the capital cost of Rs.4126 lakhs and taking the operating cost at Rs.220 lakhs, the revenue requirement for multipurpose cargo berth operation works out to Rs.880 lakhs.
- (iv). 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 has to be prescribed for coastal cargoes (other than thermal coal and POL including crude oil, iron ore and iron ore pallets) and coastal vessels which should not exceed 60% of the normal cargo / vessel related charges. KPT initially had not proposed any coastal rates. As the multipurpose cargo berths will handle both foreign and coastal vessels it is necessary to provide concessional coastal rates both for cargo and vessel related charges.
- (v). It is observed that the unit rate of berth hire of Re.0.02 per GRT per hour arrived at by KPT in the initial proposal would not meet with the estimated revenue requirement for the berthing operation. In fact, the approach followed by the port for arriving at the unit rate of berth hire to meet with the target revenue is not correct. The methodology in arriving at the per GRT per hour charges has been modified by dividing the

revenue requirement by the total GRT hours. The detailed computation of upfront berth hire of the multipurpose cargo berths is attached as **Annex-III**. The modifications have resulted in changes in the per GRT per hour berth hire tariff from Re 0.02 to Re 0.94. 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 Re-Dollar exchange rate prevailing at the time of notification of the relevant tariff order. This Authority while finalising the upfront berth hire rates for the iron ore and coal berths of the Paradip Port Trust vide order No. TAMP/18/2008-PPT dated 12 August 2008 has, however, taken the view that this approach 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. As was decided in the case of Paradip Port Trust, the upfront berth hire charges in respect of the KPT's multipurpose cargo berths will be denominated in Rupee term only. KPT has estimated that 10% of the vessels calling at the berths would fall under coastal category. To meet with the revenue requirement of Rs.880 lakhs per annum, the rate for foreign going vessel will be Re.0.98 per GRT per hour and the corresponding concessional coastal rate will be Re.0.59 per GRT per hour.

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 operators shall approach this Authority for notification of the 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 operators.

10.4. The performance norms for the projects should be clearly brought out in the bid documents. The private operators are 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 Kandla Port Trust. If any action is to be taken against the private operators, the Kandla 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 Kandla Port Trust a report containing the terminal's physical and financial performance during the preceding three months.

11. In the result, and for the reasons given above and based on a collective application of mind, this Authority approves the upfront tariff schedule for the multipurpose cargo berths at Kandla Port Trust which is attached as **Annex – IV**.

(**Brahm Dutt**)
Chairman

**FORMULATION OF UPFRONT TARIFF FOR MULTIPURPOSE CARGO
BERTHS AT KANDLA PORT**

Sr.No.	Particulars	As estimated by KPT	As considered by TAMP
A.	Capacity		
	(a). Percentage of foodgrain and fertiliser vessels to be handled	19.79%	
	(b). Percentage of coal, limestone, minerals, etc. vessels to be handled	21.05%	
	(c). Percentage of other dry bulk vessels to be handled	19.53%	
	(d). Percentage of steel and bagged cargo vessels to be handled	29.07%	
	(e). Percentage of others-Timber Logs vessels to be handled	10.57%	
	(f). Ship day output of foodgrain and fertiliser vessels (tons)	10000	
	(g). Ship day output of coal, limestone, minerals, etc. vessels (tons)	7500	
	(h). Ship day output of other dry bulk vessels (tons)	4505	
	(i). Ship day output of steel and bagged cargo vessels (tons)	4000	
	(j). Ship day output of others-Timber Logs vessels (tons)	2500	
	(k). Optimal capacity as worked out by KPT $0.7 \times \{0.1979 \times 10000 + 0.2105 \times 7500 + 0.1953 \times 4505 + 0.2907 \times 4000 + 0.1057 \times 2500\} \times 365$ (tons)	14,98,426	
	(l). Optimal capacity as worked out by TAMP $0.7 \times \{0.1979 \times 7500 + 0.2105 \times 10000 + 0.1953 \times 4505 + 0.2907 \times 4000 + 0.1057 \times 2500\} \times 365$ (tons)	15,06,458	
	(m). Optimal capacity considered for fixing the upfront tariff (tons)	15,00,000	15,00,000
B.	Capital Cost of the terminal (Rs. in lakhs)		
(i).	Civil Structure	8748	8748
(ii).	Equipment Cost	4669	4669
(iii).	Miscellaneous Cost	---	671
	Total Cost	13417	14088
C.	Operating Cost of the terminal (Rs. in lakhs)		
(a).	Power	176	176

	(b). Fuel	135	135
	(c). Repairs and Maintenance - Civil	87	87
	(d). Repairs and Maintenance - Mechanical	233	233
	(e). Insurance	134	141
	(f). Depreciation	775	775
	(g). License fee	164	164
	(h). Other expenses at 5% of capital cost	672	704
	Total [(a)+(b)+(c)+(d)+(e)+(f)+(g)+(h)]	2376	2415
D.	Revenue Requirement for cargo handling (Rs. in lakhs)		
(i).	Operating Cost	2376	2415
(ii).	ROCE @ 16% of capital cost	2147	2254
	Total Revenue Requirement	4523	4669
E.	Tariff (Rs. per ton)		
(i).	Handling Charges		
	(a). Foodgrain and Fertiliser		
	Foreign	165.96	189.18
	Coastal	99.57	113.51
	(b). Coal, limestone, minerals, etc.		
	Foreign	221.27	141.81
	Coastal	132.76	85.09
	(c). Other dry bulk cargo		
	Foreign	368.38	314.96
	Coastal	221.03	188.98
	(d). Steel and bagged cargo		
	Foreign	414.89	354.54
	Coastal	248.93	212.73
	(e). Others-Timber Logs		
	Foreign	663.82	567.58
	Coastal	398.29	340.55
(ii).	Storage Charges	15.08	15.56
(iii).	Miscellaneous Charges	15.08	15.56
F.	Capital Cost of Berth (Rs. in lakhs)		
(i).	Berth construction cost	3583	3583
(ii).	Capital dredging	543	543
	Total of (i + ii)	4126	4126
G.	Operating Cost of Berth (Rs. in lakhs)		
(i).	Repairs and Maintenance (1% of capital cost)	41	41
(ii).	Insurance (1% of capital cost)	41	41
(iii).	Depreciation (2% / 3.34% of capital cost)	138	138
	Total (Rs. in lakhs)	220	220
H.	Revenue Requirement for berth operation (Rs. in lakhs)		
(i).	Operating Cost	220	220
(ii).	ROCE @ 16% on capital cost	660	660
	Total Revenue Requirement	880	880
I.	Tariff (Re)		
(i).	Berth Hire per GRT per hour		
	(a) Foreign Going Vessels	1.04	0.98
	(b) Coastal Vessels	0.62	0.59

STATEMENT SHOWING THE CALCULATIONS OF HANDLING CHARGES UNDER DIFFERENT CARGO GROUPS

Cargo Group	Cargo Share	Handling Rate Per Day	Cargo to be handled (tonnes)	Cargo Working Days (iv / iii)	Percentage of Cargo Working days	Revenue Requirement (Rs. in Lakhs)	Cargo to be handled	Cargo to be handled	Rate in Rs. (Per Tonne)	Rate in Rs. (Per Tonne)
							(Foreign) (In Rs.)	Coastal (Rs.)	(Foreign)	(Coastal)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)
Foodgrain and Fertiliser	19.79%	7500	296850	39.58	12.83%	539.12	267165	29685	189.18	113.51
Coal, limestone, minerals, etc.	21.05%	10000	315750	31.57	10.23%	429.86	284175	31575	141.81	85.09
Other dry bulk cargo	19.53%	4505	292950	65.03	21.08%	885.78	263655	29295	314.96	188.98
Steel and bagged cargo	29.07%	4000	436050	109.01	35.32%	1484.15	392445	43605	354.54	212.73
Others –Timber Logs	10.57%	2500	158400	63.36	20.54%	863.09	142560	15840	567.58	340.55
Total	100%		1500000	308.55	100.00	4202.00	1350000	150000		

Sample Working of Foreign / Coastal Rates (Foodgrain and Fertiliser)

Foreign Cargo : 267165 Tonnes

Coastal Cargo : 29685 Tonnes

Total Cargo: 296850 Tonnes

Revenue Requirement: Rs. 539.12 Lacs

$267165 x + 0.6 * 29685 x = \text{Rs. } 539.12 \text{ Lacs}$

$267165 x + 17811 x = \text{Rs. } 539.12 \text{ Lacs}$

$284976 x = \text{Rs. } 539.12 \text{ Lacs}$

$x \text{ (Foreign)} = \text{Rs. } 189.18$

$.6 x \text{ (Coastal)} = \text{Rs. } 113.51$

ANNEX - III

COMPUTATION OF UPFRONT BERTH HIRE OF 13th TO 16th MULTIPURPOSE CARGO BERTH (PPP PROJECT) AT KANDLA PORT TRUST

		As considered by TAMP						
Sr. No	Particulars	Unit	Foodgrain and fertilisers	Coal, minerals etc.	Other dry bulk	Steel and bagged cargo	Others	Total
i	Ratio	%	19.79%	21.05%	19.53%	29.07%	10.57%	100%
ii	Tonnage to be handled	Tonnes	296850	315750	292950	436050	158400	1500000
iii	Ship day output	TPD	7500	10000	4505	4000	2500	
iv	No of berth days (ii /iii)	Berth Days	39.58	31.58	65.03	109.01	63.36	
v	Number of berth hours (iv * 24)	Hours	949.92	757.80	1560.67	2616.30	1520.64	7405.33
vi	Average GRT	Tonnes	17085	16289	13037	8966	13654	69031
vii	Total GRT (viii) x (v)	Tonnes	16229383	12343804	20346402	23457746	20762819	93140153
viii	Revenue Requirement	Rs.						88000000
ix	Berth hire per GRT per hour (x / ix)	Re.						0.94

Workings:

i.	Revenue requirement for 90% foreign going vessels + 10% coastal vessels (Rs)		88000000
ii.	GRT of foreign going vessels		83826138
iii.	GRT of coastal vessels		9314015
iv.	Total GRT	=	93140153
v.	$83826138 \times 0.6 + 5588409 \times$		88000000
vi.	$83826138 \times 0.6 + 5588409 \times$	=	89414547x
vii.	89414547x		88000000
viii.	X (foreign going) (Re.)	=	0.98
ix.	0.6×0.94 (coastal) (Re.)	=	0.59

KANDLA PORT TRUST
TARIFF SCHEDULE OF MULTI PURPOSE CARGO TERMINALS

1.1. DEFINITIONS

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

- (i). **“Coastal Vessel”** means any vessel exclusively employed in trading between any port or place in India to any other port or place in India having a valid coastal license issued by the competent authority.
- (ii). **“Foreign Vessel”** means any vessel other than a coastal vessel.
- (iii). **“Per day”** means per calendar day unless other wise stated.

1.2. GENERAL TERMS AND CONDITIONS

- (i). The status of the vessel, as borne out by its certification by the Customs or the Director General of Shipping, is the relevant factor to decide whether vessel is 'coastal' or 'foreign-going' for the purpose of levy of vessel related charges; and, the nature of cargo or its origin will not be of any relevance for this purpose.
- (ii).
 - (a). The vessel related charges for all coastal vessels should not exceed 60% of the corresponding charges for other vessels.
 - (b). The cargo related charges for all coastal cargo other than thermal coal should not exceed 60% of the normal cargo related charges.
 - (c). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship-shore transfer and transfer from / to quay to / from storage yard including wharfage.
 - (d). Cargo from a foreign port, which reaches an Indian Port 'A' for subsequent transshipment to Indian Port 'B' will be, levied the 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.
- (iii). Interest on delayed payments / refunds:
 - (a). The user shall pay penal interest on delayed payments under this Scale of Rates. Likewise, the terminal operator shall pay penal interest on delayed refunds.
 - (b). The rate of penal interest will be 2% above the Prime Lending Rate of the State Bank of India.
 - (c). The delay in refunds will be counted only 20 days from the date of completion of services or on production of all the documents required from the users, whichever is later.
 - (d). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the 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.
- (iv). All charges worked out shall be rounded off to the next higher rupee on the grand total of the bill.
- (v). Users will not be required to pay charges for delays beyond reasonable level attributable to the terminal operator.

-
2.**BERTH HIRE CHARGES:**

The berth hire charge payable by masters / owners / agents of the vessel and other floating craft approaching or lying alongside the berth shall be as per the rates given below:

Sl. No.	Vessels	Rate per GRT per hour or part thereof	
		Foreign Going Vessel (in Re.)	Coastal Vessel (in Re.)
1.	All vessels	0.98	0.59

Notes:

- (i). The period of berth hire shall be calculated from the time vessel occupies the berth.
- (ii). Berth hire includes charges for services rendered at the berth, such as occupation of berth, rubbish removal, cleaning of berths, fire watch, etc.
- (iii). No berth hire shall be levied for the period when the vessel idles at its berth for continuous one hour or more due to breakdown of terminal operator's equipment or power or for any other reasons attributable to the terminal operator.
- (iv).
 - (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.
 - (c). The master / agent of the vessel shall signal readiness to sail only in accordance with favorable tidal and weather conditions.
- (v). 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."

3. CARGO HANDLING CHARGES:

The cargo handling charges shall be payable on the manifested cargo directly by the importer of cargo at the rates specified below:

Sl. No.	Commodity	Rate in Rupees (Per Tonne)	
		Foreign	Coastal
(a).	Foodgrains and Fertilisers	189.18	113.51
(b).	Thermal Coal	141.81	141.81
(c).	Coal (other than thermal coal), Limestone, Minerals, Sugar, Salt, etc.	141.81	85.09
(d).	Other dry bulk	314.96	188.98
(e).	Steel and Bagged cargo	354.54	212.73
(f).	Timber Logs	567.58	340.55

Note:

The handling charges prescribed above is a composite charge for (i) unloading of the cargo from the vessel including stevedoring and transfer of the same upto the point of storage, storage at the stackyard upto a free period of 5 days and loading on to trucks in respect of import cargo and (ii) unloading of the cargo from the trucks at the stackyard, storage at the stackyard upto a period of 15 days, transfer the cargo to the loading point and loading onto

the ship including stevedoring. This composite charge includes wharfage and supply of labour, wherever necessary.

4. **STORAGE CHARGES:**

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

(A). **For import**

(Rate in Rs. Per MT)

Sl. No.	Commodity	Rate for sixth day to twelfth day	Rate for thirteenth day to nineteenth day	Rate for twentieth day onwards
(a).	All types of cargo	10	15	20

(B). **For export**

(Rate in Rs. Per MT)

Sl. No.	Commodity	Rate for sixteenth day to twenty-second day	Rate for twenty-third day to twenty-ninth day	Rate for thirtieth day onwards
(a).	All types of cargo	10	15	20

Notes for Sections 4 (A) and 4 (B) above:

- (i). Five free days for import cargo and fifteen free days for export cargo shall be allowed. For the purpose of calculation of free period, Customs notified holidays and Terminal's non- working days shall be excluded.
- (ii). Storage charges shall be payable for all days including Terminal's non- working days and Customs notified holidays for stay of cargo beyond the prescribed free days.
- (iii). Storage charge on cargo shall not accrue for the period when the terminal operator is not in a position to deliver / ship the cargo when requested by the user due to reasons attributable to the terminal operator.

5. **Miscellaneous Charges**

Sl. No.	Commodity	Rate in Rupees (per tonne)
(a).	All types of cargo	15.56

The miscellaneous charges prescribed above is a composite charge for provision of all miscellaneous services such as sweeping of cargo on the wharf, weighment of cargo, dust suppression etc.

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

The tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 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.

SUMMARY OF THE COMMENTS RECEIVED FROM THE PORT USERS / DIFFERENT USER ORGANISATIONS/ SHORT LISTED APPLICANTS AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY

F. No.TAMP/35/2008 - KPT - Proposal from Kandla Port Trust for upfront tariff setting for multipurpose cargo berths on BOT basis.

The summary of comments received from the user / user organisations and comments of the Kandla Port Trust (KPT) thereon are tabulated below:

Sl. No.	Comments of users / user organisations	Comments of KPT
1.	MAN Industries (India) Limited	No comments
2.	M/s. ABG Infralogistics Limited	
(i).	In working out the proposed tariff KPT has not furnished the basis of cost estimates in respect of berth apron, berth, berth construction (including pile foundation), super structure and mooring and berthing aids, as also of capital dredging. In the absence of these details and period for which the estimate relates to, it would not be possible to make comments on the correctness or otherwise of the above. As the tariff fixation is a one-time affair with only amendments based on price indexation in future, it is essential that the intending bidders have full information on the basis of cost estimates which were relied upon in working out the tariff.	The detailed block estimates has been submitted to TAMP.
(ii).	Depreciation of the berth is estimated for 50 years, which is not valid in the instant as the BOT contract will be for a period of 30 years only. At the end of 30 years, the berth would be handed over free of cost to the port trust and therefore, the depreciation of fixed assets has to be made over a period of 30 years while calculating the operating and maintenance cost of the berth.	For the purpose of calculation of depreciation, the life of the assets has already been considered as 30 years.
(iii).	The details of estimating the GRT of the vessels considered for net calculation of the berth capacity have to be furnished.	The calculation of Optimal Capacity of berth as per TAMP's guidelines is furnished.
(iv).	It is presumed that all the calculations are in respect of one berth only. This may be confirmed.	It is confirmed that the calculations are in respect of one berth only.
3.	M/s. Gautam Freight Pvt. Limited	
(i).	The revenue requirement per ton as worked out to Rs.260.40 appears to be acceptable which is further apportioned among cargo handling charges, storage and miscellaneous charges 90%, 5%, and 5% respectively.	No comments from KPT.
(ii).	Kindly furnish detailed break up of activities involved in import cargo as well as export cargo which are contemplated in cargo handling.	No comments from KPT.
(iii).	Please clarify whether wharfage charges and open plot rent for bulk cargo are inclusive in cargo handling charges.	No comments from KPT.

(iv).	Please inform the components included in miscellaneous charges.	No comments from KPT.
(v).	The above clarifications shall help in arriving Scale of Rates before commencement of commercial operation	No comments from KPT.

2. A joint hearing was held on 20 June 2008 where the KPT premises. and the users/short listed bidders were present. At the joint hearing, KPT and the concerned users / user associations have made the following submissions The gist of the joint hearing held is as under:

KPT

- (i). Power point presentation explaining the proposal was made.
- (ii). The normative capacity as per the given formula is 1.5 million tonnes p.a. We are sure that actual throughput of about 2 million tonnes p.a. can be achieved.
- (iii). We have since slightly revised the calculations. The revised annual revenue requirement is Rs.43.12 crores and average cargo handling charges is Rs.258.73 per tonne. Berth hire would be Rs.0.93 per GRT per hour.
- (iv). (a). It is necessary to consider whether all commodities should bear the same tariff or differential rate should be prescribed for different groups of cargo.
(b). It is difficult to foresee cargo mix. Therefore, fixing differential rate is difficult.
(c). But, differential rate will best serve the interest of the port. We will attempt to fix separate tariff caps for different commodity groups on weighted average basis.
- (v). We have revised the earlier calculation by considering a life of 30 years for the purpose of depreciation.
- (vi). We will share the feasibility report with the short listed bidders at the RFP stage.
- (vii). The services to be provided vary between commodities. Generally, we expect the terminal operator to provide comprehensive service. We will furnish the list of services.
- (viii). In the existing systems certain services are provided by KPT and many other are offered by private parties. The all inclusive existing cost to trade is more than the proposed comprehensive tariff cap. We will furnish the details of the existing cost.

Gautam Freight

- (i). We request KPT to list out the different services covered by different tariff items.

ABG

- (i). Considering a life norm of 50 years for depreciation is wrong when the project life itself is 30 years.
- (ii). Estimation of GRT of vessel is not clear.
