

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

GNo. 163

New Delhi,

22 June 2010

**NOTIFICATION**

In exercise of the powers conferred by Sections 48, 49 and 50 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Visakhapatnam Port Trust for setting upfront tariff for handling Steam Coal in pursuance of the guidelines for upfront tariff setting for Public Private Participation (PPP) projects at Major Ports vide this Authority's Notification No.TAMP/52/2007-Misc. dated 26 February 2008 as in the Order appended hereto.

**(Rani Jadhav)**  
Chairperson

**Tariff Authority for Major Ports**  
**Case No. TAMP/54/2009-VPT**

Visakhapatnam Port Trust

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Applicant

**O R D E R**

(Passed on this 4<sup>th</sup> day of May 2010)

The Visakhapatnam Port Trust (VPT) had vide its letter dated 26 November 2009 filed a proposal for setting upfront tariff for mechanised terminal for handling steam coal at East Quay 1 on Design, Built, Finance, Operate, and Transfer (DBFOT) basis in pursuance of the guidelines for upfront tariff setting for Public Private Participation (PPP) projects at Major Ports Trusts vide Notification No.TAMP/52/2007-Misc. dated 26 February 2008. The upfront tariff proposal filed by the VPT did not provide the requisite details / documents like physical features of the proposed facility, reasons for deviation from the norms prescribed in the guidelines with reference to stacking factor, turnover ratio, basis of adopting the share of capacity of different sizes of vessels in the capacity calculation, draft proposed Scale of Rates and copy of Feasibility Report. In view of the gaps noticed, the proposal was returned to VPT vide our letter dated 4 December 2009 with an advice to furnish a comprehensive proposal.

2. The comprehensive proposal filed by the VPT vide its letter dated 6 January 2010 was not accompanied with the list of users/ short listed bidders or prospective applicants to be consulted in this case despite pointing out this requirement. After reminding again vide our letter dated 14 January 2010, the VPT vide its letter dated 19 January 2010 and 22 January 2010 forwarded a list of users / user organisations / bidders.

3. The salient points of the proposal are as given below:

(i). The port proposes to develop an integrated mechanised terminal for handling steam coal (unloading operations) on DBFOT basis by replacing the existing East Quay-1 berth and part of East Quay-2 berth.

(ii). Physical features:

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

(iii). Capacity of the terminal:

(a). The optimal quay capacity is assessed at 6.40 Million Tonnes Per Annum (MTPA) adopting the following parameters:

- The percentage share of capacity of handy & handy max and panamax vessels is considered at 16% and 84% respectively.
- The ship day output for handy & handy max vessel is adopted at 15000 Tonnes Per Day (TPD) as per the norm prescribed. The output norm for panamax vessel is considered at 27000 TPD as against the unloading norm of 35000 TPD prescribed in the guidelines for coal.

In this connection the port has submitted that output norm of 27000 TPD is considered as the cargo proposed to be handled is light in weight and dusty without inherent moisture. It has reported that the same norm was also adopted in the upfront tariff for steam coal at GCB project which was approved by the Authority.

- (b). The optimal stackyard capacity is assessed at 5.95 MTPA adopting the following parameters:
- The yard capacity is assessed with reference to 25 acres of area proposed to be allotted for stacking (i.e.101200 sq. m., after conversion).
  - For assessing the stackyard capacity, the port has proposed to deviate from the norms prescribed in the guidelines with respect to the stacking capacity per sq. m. and turnover ratio. The stacking quantity is considered at 4 tonnes per sq. m. as against the prescribed norm of 3 tonnes per sq. m. The stacking factor of 4 tonnes per sq. m. is based on stack height of 5 m. as ascertained from one of the importers of steam coal. The deviation from the guideline is justified on the ground that steam coal is light in weight and dusty without inherent moisture.
  - The guideline prescribes turnover ratio of 12 in a year reckoning free storage period of 25 days. Based on the position ascertained from one of the prime user agencies, the port has assumed that free storage period of 10 days would be reasonable and accordingly turnover ratio is considered as 30.
- (c). Accordingly, the capacity of the terminal is assessed at 5.95 MTPA being the lower value of the optimal quay capacity and the optimal stackyard capacity.
- (iv). Capital cost:
- (a). The capital cost of the project is estimated at Rs.26552.16 lakhs. The break up of the capital cost for cargo handling and berthing activity is tabulated below:

			(Rs. in lakhs)
Sl. No.	Group	Amount	
(i).	<b>Cargo handling activity</b>		
	(1). Civil construction cost	484.23	
	(2). Coal handling equipment	17946.08	
	(3). Miscellaneous (5% of civil & handling equipment cost)	921.52	
	<b>Total</b>		<b>19351.83</b>
(ii).	<b>Berthing activity</b>		
	(1). Cost of construction of berth	5200.44	
	(2). Construction of Slope protection works	438.47	
	(3). Berth fixtures	180.29	
	(4). Ground Improvement	590.84	
	(5). Cost of dredging alongside the berth	790.29	
	<b>Total</b>		<b>7200.33</b>
	<b>Total project cost</b>		<b>26552.16</b>

In respect of fleet of equipment, the following deviations are noticed with reference to the norms for coal handling prescribed in the upfront tariff guidelines of February 2008:

- VPT has considered two numbers of 100 tonnes Harbour Mobile Cranes instead of two ship unloaders.
  - The port has not considered 1 no. truck loader.
  - It has not considered two cranes.
- (b). The VPT has stated that the estimates are prepared based on the VPT schedule of rates applicable from 1 June 2008 and the Rate analysis prepared in VPT schedule of rates of 1 June 2008 and with latest amendment no.2 effective from 1 January 2009 and prevailing market rates / quotations for items where rates are not applicable in VPT in respect of civil works. The cost of dredging is worked out based on the Rs.300/cum done by M/s.DCI.
- (v). Operating cost:
- (a). The operating cost is estimated at Rs.4989.93 lakhs generally following the norms prescribed in the guidelines except for estimation of power and fuel cost.
  - (b). In view of deployment of 2 HMCs, fuel cost is estimated assuming consumption at 83 ltrs. per hour for 4000 hours per year for one crane. The port has stated that 4000 hours is considered based on the working hours as per norms prescribed in the guidelines for multipurpose cargo berth. The unit rate of fuel is considered as Rs.37.50 per litre.
  - (c). In view of estimating the fuel cost for HMC separately, the power cost is estimated assuming the consumption at 50% of the norm prescribed in the guidelines i.e. 50% of 1.4 unit / tonne = 0.7 unit / tonne.
- (vi). The Return on Capital Employed (ROCE) is computed at 16% on the estimated capital cost.
- (vii). Annual Revenue Requirement:

The estimated annual revenue requirement is as below:

(Rs. in lakhs)		
Sl. No.	Particulars	Amount
1.	Total annual operating cost	4989.93
2.	ROCE (16% on Rs.19351.83 lakhs)	3096.29
<b>ANNUAL REVENUE REQUIREMENT</b>		<b>8086.22</b>

- (viii). The revenue requirement is apportioned to various tariff groups as per the norms prescribed in the guidelines as given below:

Sl. No.	Particulars	Rs. in lakhs
1.	Handling charges (98%)	7924.50
2.	Storage charges (1%)	80.86
3.	Miscellaneous charges (1%)	80.86

- (ix). The handling charges is derived so as to recover the estimated revenue requirement from the handling charges from the optimal capacity of the terminal assessed at 5.95 MTPA. The port envisages to handle foreign cargo only.

- (x). Storage charge is estimated assuming 17% of cargo capacity will attract storage charges beyond 10 days free period proposed.

(xi). **Berth hire**

- (a). The operating cost for berth hire services is estimated at Rs.384.49 lakhs. The operating cost reckons repairs & maintenance and insurance at 1% each on the total capital cost of berth and depreciation as per the Companies Act.

- (b). Annual Revenue Requirement:

The estimated annual revenue requirement from berth hire is assessed as below:

(Rs. in lakhs)		
Sl. No.	Particulars	Amount
1.	Total annual operating cost	384.49
2.	ROCE (16% on Rs.7200.33 lakhs)	1152.05
<b>ANNUAL REVENUE REQUIREMENT</b>		<b>1536.54</b>

- (xii). To summarise, upfront tariff cap proposed by the port is given below:

- (a). Berth hire:

Rate per GRT per hour or part thereof	
Foreign going vessel (in Re)	Coastal vessel (in Re)
0.672	0.403

- (b). Cargo handling charges:

(Rate per metric tonne)			
Sl. No.	Commodity	Rate in Rupees	
		Foreign	Coastal
1.	Steam coal	133.18	79.91

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

➤ Free period: 10 days

(Rate in Rs. per tonne per day or part thereof)				
Sl. No	Commodity	Rate for first 5 days for the balance cargo remaining after the free period	Rate for 6 <sup>th</sup> day to 10 <sup>th</sup> day for the balance cargo	Rate for 11 <sup>th</sup> day onwards for the balance cargo
1.	Steam coal	1.60	3.20	6.40

- (d). Miscellaneous charges for sweeping, dust suppression, environment, etc. – Rs.1.36 / tonne.

4. In accordance with the consultation process prescribed, the proposal dated 6 January 2010 received from the VPT was circulated to the concerned users / organisation bodies and RFQ applicants, as per the list provided by the VPT seeking their comments. The Steel Authority of India Limited has stated that they do not handle any Steam Coal and hence have no comments to offer. The SEW-PSRB Consortium is not interested in the subject matter. We have not received any comments from any other users / user associations and RFQ applicants other than the two organisations mentioned above.

5. Based on the preliminary scrutiny of the proposal, the VPT was requested to furnish information/clarifications on various points vide our letter dated 12 March 2010. The VPT vide its e-mail dated 14 April 2010 has furnished its reply. A summary of the queries raised and the clarifications furnished by the VPT are tabulated below:

Sl. No.	Queries raised by us	Reply of VPT																														
(i).	Average GRT, parcel size of steam coal vessels handled at the port as well as at the private terminal operator Vizag Seaport Private Limited during the last three years 2006-07 to 2008-09 to be furnished.	<p>Details are furnished below:</p> <table border="1" data-bbox="898 439 1461 689"> <thead> <tr> <th rowspan="2">Cargo</th> <th colspan="2">Handled by Port</th> <th colspan="2">Handled by Vizag Seaport Private Limited</th> </tr> <tr> <th>Average GRT</th> <th>Average Parcel</th> <th>Average GRT</th> <th>Average Parcel</th> </tr> </thead> <tbody> <tr> <td>Steam coal</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2006-07</td> <td>29420</td> <td>41118</td> <td>26059</td> <td>32236</td> </tr> <tr> <td>2007-08</td> <td>30827</td> <td>40565</td> <td>27790</td> <td>35577</td> </tr> <tr> <td>2008-09</td> <td>28646</td> <td>45839</td> <td>28162</td> <td>35222</td> </tr> </tbody> </table>	Cargo	Handled by Port		Handled by Vizag Seaport Private Limited		Average GRT	Average Parcel	Average GRT	Average Parcel	Steam coal					2006-07	29420	41118	26059	32236	2007-08	30827	40565	27790	35577	2008-09	28646	45839	28162	35222	
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(ii).	<p><u>Capacity:</u></p> <p>(a). The port has not assumed any share of capesize vessel while assessing the quay capacity. Bearing in mind that the upfront tariff to be fixed is for time horizon 30 years and also the deepening projects envisaged by the port now and in future, VPT to confirm that no capesize vessels are expected to be handled during the 30 years project period.</p> <p>(b). Based on the steam coal vessels handled at its port and also at the private terminal operator i.e. Vizag Seaport Private Limited during the last three years and considering the increased draft envisaged in the proposal, the share of vessel distribution pattern assumed in the upfront tariff calculation to be justified.</p>	<p>Development of EQ-1 berth is planned at inner harbour of Visakhapatnam Port. The deepening of inner harbour from the existing 11 m. draft to 14 m. is planned in two phases and with that the inner harbour can accommodate panamax vessels. Cape size vessels which require 18 m. draft can not be handled at inner harbour.</p> <p>The vessel distribution pattern is assumed basing on the bulk carrier fleet profile of Clarkson Register (January 2008) for handymax and panamax vessels which is as follows:</p> <table border="1" data-bbox="898 1122 1461 1440"> <thead> <tr> <th>DWT</th> <th>No. of vessels</th> <th>Percentage share</th> </tr> </thead> <tbody> <tr> <td><b>Handymax</b></td> <td></td> <td></td> </tr> <tr> <td>40000 – 45000</td> <td>472</td> <td>16</td> </tr> <tr> <td><b>Panamax</b></td> <td></td> <td></td> </tr> <tr> <td>45000 – 50000</td> <td>500</td> <td></td> </tr> <tr> <td>50000 – 60000</td> <td>620</td> <td></td> </tr> <tr> <td>60000 – 70000</td> <td>445</td> <td></td> </tr> <tr> <td>70000 – 80000</td> <td>876</td> <td></td> </tr> <tr> <td><b>Total panamax</b></td> <td><b>2441</b></td> <td><b>84</b></td> </tr> <tr> <td><b>Total No. of vessels</b></td> <td><b>2913</b></td> <td><b>100</b></td> </tr> </tbody> </table>	DWT	No. of vessels	Percentage share	<b>Handymax</b>			40000 – 45000	472	16	<b>Panamax</b>			45000 – 50000	500		50000 – 60000	620		60000 – 70000	445		70000 – 80000	876		<b>Total panamax</b>	<b>2441</b>	<b>84</b>	<b>Total No. of vessels</b>	<b>2913</b>	<b>100</b>
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	(c). The port has considered two numbers of Harbour Mobile Cranes instead of 2 ship unloaders prescribed in the guidelines. Productivity rate as per the unloading norms prescribed in the guidelines for handymax is considered whereas unloading norm for panamax is scaled down citing the light nature of cargo. The reason why only for panamax vessel, the unloading norms prescribed in the guidelines should be scaled down is not explained. The port has also not explained the reasons for opting for MHC instead of unloaders. No distinctive advantage in terms of productivity or saving in capital cost is envisaged due to the proposed deviation from the normative equipment.	<p>The reason for reckoning lower productivity rate is keeping in view the nature of the cargo (steam coal) being light in weight without inherent moisture due to which grab pick up will be relatively low. It requires frequent sprinkling of water while discharging as well as transporting to stack yards and loading into wagons which will also affect the handling rate. Further, emission of dust while unloading is high due to which there will be restriction in discharge rate to contain pollution. The norm of 27000 TPD for steam coal for panamax vessels has been accepted by TAMP in GCB mechanization proposal.</p> <p>TAMP's observation with respect to handling rate of handymax vessels of 15000 TPD has been reviewed and norm of TAMP has been considered reasonable. Hence, 15000 TPD has been adopted.</p>																														

		The reason for considering HMC instead of unloaders is keeping in view the mobility and operational flexibility particularly for unloading operations.																																												
(iii).	<u>Capital Cost:</u>																																													
	(a). The capital cost estimates are based on the Schedule of Rates applicable from 1 June 2008 with amendment effected from 1 January 2009 and for other items for which rates are not available, the prevailing market rate are adopted. The estimates of capital cost based on the prevailing market to be updated.	The capital cost estimates furnished for civil works are based on the schedule of rates with latest amendments as on 1 <sup>st</sup> January 2010. For the items which are not available in SR, the prevailing market rates as on January 2010 haven been adopted. As far as mechanical works is concerned, the costs are updated based on the recent budgetary offer obtained from M/s.Sandvic Asia Pvt. Ltd. (Ship loader, Stacker, Reclaimers) and M/s.Liebherr India Pvt. Ltd. (HMC). (VPT has furnished a copy each of budgetary offer dated 7 April 2010 and 8 April 2010.)																																												
	(b). Despite specific advice, port has not furnished documentary support of unit rate adopted in the estimation of civil and equipment cost. The project Feasibility Report does not contain documents validating the estimates. Copies of supporting documents/ calculation/ rate analysis/ budgetary quotations, market rates to justify the estimates of both civil and equipment cost to be furnished.	The documentary support of unit rates adopted in the estimation of civil costs and copies of supporting documents / calculation / rate analysis / budgetary quotations, market rates to justify the estimates of civil costs are enclosed. The documentary support furnished by VPT is only a statement showing capital cost estimates. Proof for unit rate adopted is not furnished by the port.																																												
	(c). The basis of estimating the capital cost towards berth apron and approach at Rs.68.38 lakhs to be explained.	<p>Berth Apron and Approach comprises of the strengthening part of berth apron as well as approaches which include laying of hard surfacing enabling unhindered cargo handling activity at the approaches as well as berth location. All these activities are identified and worked out under the head as indicated below for the base cost of Rs.60.36 lakhs:</p> <table border="1"> <thead> <tr> <th>Sl. No.</th> <th>Description</th> <th>Quantity</th> <th>Rate</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>01.</td> <td>Earth work in excavation over areas</td> <td>510 m<sup>3</sup></td> <td>93.60</td> <td>47,736</td> </tr> <tr> <td>02.</td> <td>Supplying and filling with gravel/morum</td> <td>638 m<sup>3</sup></td> <td>447.45</td> <td>2,85,473</td> </tr> <tr> <td>03.</td> <td>Transportation of debris/excavated earth up to a lead of 11 KM.</td> <td>510 m<sup>3</sup></td> <td>163.57</td> <td>8,34,207</td> </tr> <tr> <td>04.</td> <td>Providing sub-base 300 mm thick with moorum/gravel</td> <td>764 m<sup>3</sup></td> <td>769.50</td> <td>5,87,898</td> </tr> <tr> <td>05.</td> <td>Providing and laying Water bound macadam 225 mm thick</td> <td>574 m<sup>3</sup></td> <td>1344.20</td> <td>7,71,571</td> </tr> <tr> <td>06.</td> <td>Supplying and laying of high strength M-50 grade precast blocks 200x100x100mm</td> <td>2548 m<sup>3</sup></td> <td>824.90</td> <td>21,01,845</td> </tr> <tr> <td colspan="4"><b>Total for berth lenth of 215 mts.</b></td> <td><b>46,34,730</b></td> </tr> <tr> <td colspan="4"><b>Total for berth lenth of 280 mts.</b></td> <td><b>60,35,927</b> or say 60.35 lakhs</td> </tr> </tbody> </table> <p>When 3% contingencies, 7% project supervising charge and 2.8% work contract tax are added, the unit cost works out to Rs.68.38 lakhs.</p>	Sl. No.	Description	Quantity	Rate	Total	01.	Earth work in excavation over areas	510 m <sup>3</sup>	93.60	47,736	02.	Supplying and filling with gravel/morum	638 m <sup>3</sup>	447.45	2,85,473	03.	Transportation of debris/excavated earth up to a lead of 11 KM.	510 m <sup>3</sup>	163.57	8,34,207	04.	Providing sub-base 300 mm thick with moorum/gravel	764 m <sup>3</sup>	769.50	5,87,898	05.	Providing and laying Water bound macadam 225 mm thick	574 m <sup>3</sup>	1344.20	7,71,571	06.	Supplying and laying of high strength M-50 grade precast blocks 200x100x100mm	2548 m <sup>3</sup>	824.90	21,01,845	<b>Total for berth lenth of 215 mts.</b>				<b>46,34,730</b>	<b>Total for berth lenth of 280 mts.</b>			
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(d). In the normative list prescribed in the guidelines, electrical works is grouped under mechanical and electrical equipment. The civil cost includes Rs.46.72 lakhs towards area illumination which is not as per the normative list prescribed in the	The observation made by TAMP is correct and the component for area illumination has been included under electrical power & control switch gears etc.																																													

	<p>guidelines. Since the estimation of mechanical equipment cost already includes Rs.339.89 lakhs towards electrical works and lighting, the reason for estimating Rs.46.72 lakhs under civil cost towards area illumination to be furnished.</p>	<p>[Cost of electrical power and control switch gears = Rs.339.89 lakhs earlier considered</p> <p>Add: Cost of Area illumination = Rs.46.72 lakhs</p> <p>Modified electrical power and control switch gears cost = <b>Rs.386.61 lakhs</b> ]</p>
	<p>(e). Transfer towers is stipulated under list of civil work in the guidelines. The port has considered this item under handling equipment which is not as per the guidelines.</p>	<p>Cost of transfer towers has since been considered under civil construction cost.</p>
	<p>(f). Though the equipment cost includes wagon tippler as per the norms prescribed in the guidelines, the civil cost does not include the cost of rail tracks and wagon tipping station or dumper houses. Further, the cost of conveyor galleries, marshalling yard, roads, etc. prescribed in the normative list of civil works in the guidelines are also not included. The port may again confirm that these civil works (mentioned in the guidelines) are not envisaged by the port.</p>	<p>There are five railway lines in the stacking area recently laid by VPT which can be used by the user. With regard to wagon tipping station or dumper houses, the existing buildings/sheds are to be dismantled for development of back up area of the berth which can be utilized as dumper houses.</p> <p>With regard to cost of civil works towards laying of roads, it is to state that already there are existing as well as recently laid roads and vacant buildings.</p> <p>With regard to civil works relating to conveyor gallery, it is to state that an amount of Rs.5.22 crores has been allocated for ground improvement which includes foundation for conveyor gallery and transfer towers. The cost of Rs.5.91 crores towards ground improvement which was earlier considered under berth activity, has since been considered under handling activity as per guidelines.</p>
<p>(iv).</p>	<p><u>Operating Cost:</u></p> <p>(a). The norms for number of working hours prescribed in the guidelines for multipurpose berth i.e. 4000 hours cannot be applied for mechanised coal handling terminal. The number of hours in the quay capacity calculation is 365 days x 24 hours x 70% utilisation = 6132 hours. This is supported by 5952 berth hours in the berth hire calculation furnished by the port also. The estimation of power cost to be modified in the light of the above observation.</p> <p>(b). As already mentioned in our letter No.TAMP/51/2009-VPT dated 11 March 2010 para 5 (iv) (c), the fuel consumption considered while fixing hire charge of 100 Tonne Harbour Mobile Crane in Paradip Port Trust and Tuticorin Port Trust is 70 litres / hour. The Vizag Seaport Private Limited, the bulk operator in VPT has indicated fuel consumption of 60 litres / hour. In light of the above position, the fuel consumption of 83 litres / hour for 100 Tonne Harbour Mobile Crane adopted for VPT need to be justified.</p>	<p>As observed by TAMP fuel cost has been modified with reference to the actual working hours i.e. 6120 hrs. as shown in the berth hire tariff per tonne/per GRT (255 berth days x 24 hrs.).</p> <p>The observation of TAMP has been noted and fuel considered by the Authority in case of Paradip Port i.e. 70 ltrs. per hour has been reckoned.</p>

	<p>(c). The basis of assuming 50% of power consumption norm prescribed in the guidelines for estimating the power cost is not explained. The port may justify 0.7 unit/tonnes of power consumption assumed in the calculation with reference to the equipment/ facility likely to consume power instead of an adhoc 50% percentage of the norm assumed in the calculation.</p>	<p>The total operational activity involves:</p> <ul style="list-style-type: none"> <li>▪ Unloading through HMCs</li> <li>▪ Conveyor system</li> <li>▪ Unloading at stack yard</li> <li>▪ Reclaiming and stacking</li> <li>▪ Wagon loading etc.</li> </ul> <p>Except unloading through HMCs, all the remaining activity requires consumption of power and hence, 80% of 1.4 nit/tonne has been considered for equipment other than HMC and in case of HMC fuel consumption.</p>												
	<p>(d). As per the upfront tariff guidelines, the license fee has to be estimated as per rates prescribed in the Scale of Rates of the concerned Major Port Trusts. The basis on which the unit rate of license fee is estimated for Zone IC along with the working of base rate adopted and the annual escalation applied as per the Government guidelines to be explained. The Authority has not prescribed the lease rent for zone IB. The basis adopted for estimating the lease rental for area proposed to be allotted in this zone may be explained.</p>	<p>The basis on which the unit rate of license fee is estimated for Zone-IC is furnished. As the valuation for 2008-13 period is not yet fixed, 2% escalation is considered. With respect to Zone-IB, the authority has not prescribed the lease rental for that Zone. But with respect to adjacent Zone i.e. Zone-IA which has a rate of Rs.2215 per sq. yard i.e. Rs.2650 per sq. m. which has been approved by TAMP. Hence the same has been adopted for Zone-IB also. [Calculation sheet for lease rent for Zone-IB and IC is furnished.]</p>												
(v).	<p>Though the port has proposed concessional tariff for coastal vessel / coastal cargo in berth hire as well as composite handling charge, the revenue impact of allowing such concession is not considered while arriving at the proposed rates. It may be confirmed that no coastal vessel / coastal movement of cargo is envisaged at the proposed coal terminal.</p>	<p>It is confirmed that no coastal vessels/ coastal movement for import of steam coal is envisaged as steam coal is overseas imports.</p>												
(vi).	<p>Analysis to be furnished to show that 17% of cargo capacity will attract storage charge. The average dwell time assumed for determining cargo capacity likely to attract storage charge may be indicated.</p>	<p>The percentage cargo that attracts storage charges has been reviewed and reconsidered at 23%, and the details are as follows:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Dwell time</td> <td style="text-align: right;">10 days</td> </tr> <tr> <td>Stay of vessel at berth</td> <td style="text-align: right;">2.7 days</td> </tr> <tr> <td>Free period</td> <td style="text-align: right;">5 days</td> </tr> <tr> <td>Days that attract storage</td> <td style="text-align: right;">2.3 days</td> </tr> <tr> <td>Percentage cargo that attracts storage</td> <td style="text-align: right;">23%</td> </tr> <tr> <td colspan="2">(2.3 days/10 days x 100)</td> </tr> </table>	Dwell time	10 days	Stay of vessel at berth	2.7 days	Free period	5 days	Days that attract storage	2.3 days	Percentage cargo that attracts storage	23%	(2.3 days/10 days x 100)	
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(2.3 days/10 days x 100)														
(vii).	<p>The capital cost estimates should be updated to reflect the current market position and the indexation in the upfront tariff will be with reference to 1 January 2010.</p>	<p>The rates have been worked out based on Schedule of Rates as on 1<sup>st</sup> January 2010.</p>												

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

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

- (i). A detailed response of the VPT on the additional information / clarifications sought from the port.

- (ii). The VPT to reconsider its proposal in order to remove mismatch between quay and yard capacities.

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

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

6.4. With reference to the points decided at the joint hearing, the VPT has furnished its reply vide its letter dated 14 April 2010 alongwith a revised proposal. When the discrepancies noticed in the estimation of civil cost were pointed out to the port, the VPT revised its estimates vide its letters dated 22 April 2010 and 24 April 2010 followed by clarification dated 27 April 2010. The main modifications made by the VPT in the revised upfront tariff proposal dated 24 April 2010 filed by VPT are summarised below:

- (i). The optimal capacity of the terminal is revised to 6.41 Million Tonnes Per Annum as against 5.95 Million Tonnes Per Annum estimated in the original proposal. In the original proposal, quay capacity and yard capacity were assessed at 6.41 Million Tonnes and 5.95 Million Tonnes. In the revised proposal, the yard capacity stands revised to 6.55 Million Tonnes and the quay capacity of 6.41 Million Tonnes being the limiting factor, the VPT has pegged the optimal terminal capacity at 6.41 Million Tonnes.
- (ii). The estimated cost of Rs.590.84 lakhs towards ground improvement earlier considered by it under the capital cost of berthing services is now revised to Rs.673.75 lakhs and considered under civil cost of cargo handling activity.
- (iii). The estimated cost of Transfer Towers of Rs.192.60 lakhs earlier considered under capital cost of equipment which is not under the normative list of equipments is now considered under civil cost of cargo handling activity.
- (iv). Cost of Rs.46.72 lakhs towards area illumination earlier considered under civil cost of cargo handling activity is now clubbed with the estimated cost of electrical power and control switch gears listed under normative list of equipments.
- (v). The earlier estimated amount of Rs.3625.47 lakhs towards cost of 2 numbers Harbour Mobile Cranes (in lieu of 2 numbers ship unloaders) is revised to Rs.5891.39 lakhs.
- (vi). VPT had earlier proposed 2 numbers each of Reclaimer and Stacker, which are as per the norms prescribed in the guidelines. In the revised proposal, the port has proposed 1 reclaimer and 1 stacker and 1 stacker-cum-reclaimer. The stacker-cum-reclaimer does not figure in the normative list of equipment. The aggregate cost of reclaimers and stackers has been revised from Rs.6117.98 lakhs to Rs.8970.77 lakhs.
- (vii). The earlier estimated cost of one wagon loader has been revised from Rs.1699.44 lakhs to Rs.2447.19 lakhs.
- (viii). Consequent to the above modifications, the capital cost of berthing service, cargo handling service and the total capital cost are revised by the port. The total capital cost has been revised from Rs.265.52 crores to Rs.323.18 crores.
- (ix). The estimation of operating cost is also modified with reference to the revised capital cost estimation.
- (x). The proposal envisages transfer of cargo from the un-loading system to the stake yard through a belt conveyor system, stacking of the cargo at stackyard and reclaiming the cargo from the stackyard to the wagon-loader for onward

transportation to the hinterland. There is no need to have separate truck loader as the cargo is transferred through conveyor system to the stackyard. Hence, the truck-loader is not considered.

Two Harbour Mobile Cranes envisaged in the proposal can easily cater to the requirement of envisaged coal un-loading of 27,000 tonnes.

- (xi). The revised Annual Revenue Requirement is as given below:

(Rs. in lakhs)			
Sl. No.	Particulars	For Cargo handling	For Berth hire
1.	Capital cost		
	(a). Civil	1292.70	6110.90
	(b). Mechanical & Electrical equipment	23666.67	--
	(c). Miscellaneous	1247.97	--
	<b>Total Capital Cost</b>	<b>26207.34</b>	<b>6110.90</b>
2.	ROCE at 16%	4193.17	977.74
3.	Operating Cost	6692.75	326.32
4.	Total Revenue Requirement	<b>10885.92</b>	<b>1304.06</b>

- (xii). The free storage period has been revised from 10 days to 5 days.

- (xiii). The upfront tariff proposed by the VPT to meet the estimated Annual Revenue Requirement is as follows:

- (a). Berth hire charges:

Rate per GRT per hour or part thereof
Foreign going rate (in Re)
0.53

- (b). Steam coal handling charges:

(Rate in Rs. per tonne)	
Nomenclature	Foreign
Handling charge	166.48

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

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

Sl. No.	Particulars	Rate in Rs. per tonne per day or part thereof
1.	For 1 <sup>st</sup> 5 days	1.48
2.	6 <sup>th</sup> to 10 <sup>th</sup> day	2.22
3.	11 <sup>th</sup> day onwards	2.96

- (d). Miscellaneous charges is proposed at Rs.1.70 per tonne to cover the services sweeping, dust suppression, environment, etc.

7. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the arguments made by the concerned parties will be sent separately to the relevant parties. These details will also be made available at our website <http://tariffauthority.gov.in>.

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

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

As per Clause 2.2. of the guidelines for upfront tariff setting for PPP Projects at the major ports of February 2008, the tariff caps to be prescribed would be applicable to all the projects to be bid out for steam coal handling at the Visakhapatnam Port Trust during the next five years. It is noteworthy that the VPT is well aware of this position. Incidentally as stipulated in clause 2.2. of the guidelines, the applicability of tariff cap fixed for a terminal for the next five years is with reference to handling identical commodity or for providing similar services. The tariff cap fixed by this Authority recently at the VPT vide Order No.TAMP/58/2008-VPT dated 27 November 2009 is for a combination of facility for handling coking coal and steam coal. Further the capacities of the two projects are also different. That being so, this case is taken up for fixing upfront tariff for steam coal handling alone.

- (ii). After the joint hearing held on the subject proposal, the VPT has revised its proposal vide its letter dated 24 April 2010 wherein the capital cost is revised to Rs.323.18 crores and the optimal capacity is taken at 6.41 Million Tonnes. The revised proposal dated 24 April 2010 along with the information / clarifications furnished during the processing of the case is considered in this analysis.
- (iii). The VPT has in general complied with the guidelines issued for upfront tariff setting vide Notification No.TAMP/52/2007-Misc. dated 26 February 2008. Deviations proposed in some of the norms / parameters are, *inter alia*, discussed in the subsequent paragraphs.
- (iv). Optimal Terminal Capacity:
- (a). Optimal Quay Capacity:

The VPT has assessed the optimal quay capacity of the mechanised coal handling terminal at 6.41 Million Tonnes Per Annum. The VPT envisages to deepen the inner harbour upto 14 m. draft, where the steam coal handling terminal is proposed to be developed. Reporting that the capesize vessels require 18 m. draft, the VPT has not assumed any share of capesize vessels while assessing the quay capacity. The port has assumed the share of capacity of vessels on the basis of bulk carrier fleet profile of Clarkson Registry.

With reference to the productivity, the handling rate of 15,000 tonnes per day for handymax vessels as per the unloading norms prescribed in the guidelines is considered by the port whereas the unloading norm for panamax vessels is scaled down from 35,000 tonnes per day to 27,000 tonnes per day citing the light nature of cargo. It is noteworthy that coal has many grades and categories but the norms forming part of the guidelines do not prescribe different handling rates for different types of coal. That the nature of coal will impact productivity / handling rate was recognised by this Authority while fixing upfront tariff for coking coal and steam coal combination at VPT vide its Order dated 27 November 2009. In the said Order, handling rate of steam coal was taken at 27000 tonnes per day. The same position is maintained in this case also.

- (b). Optimal Yard Capacity:
- (i). The upfront tariff guidelines stipulate that the yard capacity is to be assessed for the area of the yard made available by the port for development. The VPT has assessed the yard capacity with reference to 25 acres of area proposed to be allotted for the facility. It is noteworthy that the yard capacity is dependent upon the backup area available and the guidelines do not specify any norm for storage area to be considered.
  - (ii). Stacking Capacity:  
The guidelines for upfront tariff setting prescribe the stacking factor norm at 3 tonnes per sq. m. The VPT has considered the stacking factor at 4 tonnes per sq. m. for steam coal, the nature of cargo being light in weight and dusty. Incidentally, in the fixation of upfront tariff for handling coking coal and steam coal at the VPT vide Order No.TAMP/58/2008-VPT dated 27 November 2009 this Authority relied upon stacking factor of 4 tonnes per sq. m. for steam coal assumed by the VPT. The stacking factor assumed by the VPT is considered in this analysis without any modification.
  - (iii). Plot turnover:  
The norm for plot turnover for a coal terminal prescribed in the guidelines is 12. In the original proposal of November 2009, the VPT considered the turnover ratio as 30 based on the free storage period of 10 days reportedly ascertained from one of the prime user agencies. The port has revised the turnover ratio to 33 in its revised proposal of April 2010 assuming 330 working days in a year and dwell time of 10 days. Keeping in view that the improvement in rail connectivity envisaged to be developed by the port by the year 2012 which is expected to increase rail side service and thereby increasing the evacuation of cargo and reduce the dwell time, the revised turnover ratio of 33 assumed by the port is considered. Faster turnaround of the available storage plot is essential to achieve the optimal capacity and to avoid mismatch between quay and yard capacities.
  - (iv). The optimal yard capacity of the mechanised terminal for handling steam coal adopting the stacking factor and the turnover ratio as explained above and applying the formula prescribed in the guidelines is assessed at 6545616 Tonnes Per Annum.  
If turnover ratio and cargo stacking factor are considered strictly as per norms, the yard capacity would be 1.78 Million Tonnes Per Annum as against 6.55 MTPA arrived at based on modified parameters.
- (c). Optimal Terminal Capacity:  
The optimal capacity of the mechanised terminal is considered at 6407940 tonnes per annum being lower of the two capacities i.e. quay and yard in the calculation of upfront tariff.
- (v). Capital Cost:  
The revised capital cost estimated by the VPT is Rs.323.18 crores of which Rs.61.11 crores is allocable to berthing activity and Rs.262.07 crores for cargo handling services as explained hereunder:
- (a). Berthing activity:
    - (i). As per the upfront tariff guidelines, the capital cost for berth hire services include cost of construction of berth and cost of dredging,

if any, carried out alongside the berth. The guidelines require to consider the civil cost as per the estimates of the Port Trust.

The cost of berth is estimated at Rs.53.21 crores. This includes estimated cost of Rs.3.90 crores towards construction of slope protection walls plus Rs.1.80 crores towards berth fixtures. The VPT has clarified that construction of slope protection walls and berth fixtures are part of berth construction.

- (ii). The VPT has estimated Rs.7.90 crores towards dredging alongside the berth adopting the unit rate of Rs.300/cum based on the work done by M/s.Dredging Corporation of India. In the recently concluded proceedings relating to fixation of upfront tariff for handling coking coal and steam coal vide Order No.TAMP/58/2008-VPT dated 27 November 2009, the unit rate of Rs.300 per cubic metre reported by the VPT was relied upon by this Authority.

(b). Cargo handling activity:

- (i). Civil construction cost:

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

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

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

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

- (ii). Equipment cost:

- (a). As against the normative deployment of 2 nos. ship unloaders for handling coal, the port has proposed deployment of 2 nos. of 100 tonnes Mobile Harbour Crane (MHC). It is true that the guidelines authorise this Authority to deviate from the prescribed norms for the reasons and justification furnished by the port. In support of the proposed deviation, the port has not furnished any analysis other than maintaining that MHCs will provide operational flexibility.

The coal unloading terminal at the Visakhapatnam Port Trust (VPT) for which upfront tariff was set by this Authority's Order dated 27 November 2009, the port had proposed deployment of ship unloaders. Even in the upfront tariff case of VPT pertaining to EQ-1A which is

also for handling thermal coal and steam coal, the port has not proposed any MHCs for the operational flexibility. The compelling reason for providing operational flexibility only in respect of this project is not explained.

The estimated cost of 2 MHCs are higher by about Rs.6.80 crores in comparison to the cost of 2 nos. of ship unloaders, the capital cost of which was estimated by the VPT for some other project catering to coking coal and steam coal at the GCB. The higher capital cost of the equipment will have consequential impact in the tariff in the form of higher return on capital, depreciation, insurance, etc. Further, the MHCs are fuel operated for which a separate estimate of fuel cost is provided in the operating cost. If the power cost for other facilities and fuel cost of operating MHCs are taken together, the total cost per annum would be higher than the normative level of power cost for operating with ship unloaders. The increase in the capital and operating cost and therefore, the higher tariff does not appear to result in any palpable improvement in the efficiency or handling rate. Even with the MHC, the handling rate is pegged at 27000 tonnes per day for handling a Panamax vessel which incidentally is a handling rate with ship unloaders considered at GCB. In the circumstances, this Authority does not find it justifiable to deviate from the prescribed norm by accepting the proposal of VPT. The capital cost estimate provided by the port trust is accordingly modified to include the capital cost of 2 ship unloaders in place of two MHCs. For this purpose, the capital value of ship unloaders estimated by the VPT in relation to its earlier project of GCB which was disposed by us recently is relied upon.

It has to be recognised that the users of the facility are not concerned with the type of equipment to be deployed. The users pay for the services to be provided at the stated efficiency level. Though the normative tariff computation considers the normative level of 2 ship unloaders, it will not be seen as fetter on the port trust or the operator to provide any other type of equipment to achieve the same or better results.

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

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

(c). The normative list of equipment prescribes one truck loader and two cranes, among other equipment. These equipments are not considered by the port.

(iii). The civil and equipment cost estimates prepared by the port are with provision for contingencies to take care of any requirement which is not envisaged in the estimates, works contract tax and engineering / supervision charge.

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

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

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

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

(iv). The VPT has estimated miscellaneous capital cost at 5% on the civil and equipment cost, which is found to be in line with the norm prescribed in the guidelines.

(v). The capital cost for berth hire service at Rs.61.11 crores and cargo handling service at Rs.254.93 crores summing to Rs.316.04 crores is considered. It is relevant here to mention that the capital cost estimates are based on the schedule of rates as of 1 January 2010, as reported by the port.

(vi). The return on capital employed is estimated at 16% of the estimated capital cost. Tamil Nadu Electricity Board has requested to reduce return to 12% on the ground that 16% return is very high. It is relevant here to mention that the rate of ROCE was reviewed recently by this Authority and it was decided to adopt ROCE of 16% for the year 2009-10 to determine tariff for major ports and private terminals. Hence the return on capital employed is computed at 16% on the estimated capital cost. This works out to Rs.9.78 crores for berth hire service and Rs.40.79 crores for cargo handling services.

(vi). Operating Cost:

(a). The upfront tariff guidelines for coal terminal prescribe power consumption at 1.40 units per tonne for the normative fleet of equipment prescribed in the guidelines.

For deployment of HMCs and other complement of equipment, the VPT has estimated fuel cost for HMCs and power cost for other complement of

equipment aggregate of which works out to Rs.771.67 lakhs. In view of the position that 2 ship unloaders are considered as per norms in lieu of 2 HMCs, for the reasons stated in the earlier part of this analysis, the normative level of power consumption at 1.40 units per tonne prescribed in the upfront tariff guidelines is considered.

The unit cost of power considered by the VPT is Rs.6.20. Even in the upfront tariff earlier determined in November 2009 for coking coal and steam coal and in February 2009 for multipurpose cargo berth and liquid cargo berth, the VPT had indicated the unit rate of power at Rs.6.20 which was considered by this Authority. The power cost works out to Rs.556.21 lakhs as compared to the aggregate cost of power and fuel at Rs.771.67 lakhs estimated by VPT for HMCs and other complement of equipment.

- (b). As per the norms, the repairs and maintenance cost is estimated at 1% on the civil assets and 7% on the mechanical and electrical equipment, insurance cost at 1% of the gross fixed assets and other expenses at 5% of the gross value of fixed assets.
- (c). Depreciation, as per the guidelines, should be calculated following the depreciation rates for Straight Line Method (SLM) prescribed in the Companies Act, 1956. Depreciation is computed @ 3.34% on civil cost and 10.34% on equipment cost as per the rates prescribed in the Companies Act under the SLM for the relevant group of assets.
- (d). Lease rent is calculated for 1,01,200 sq. mtrs. of total area. The VPT has estimated the lease rent based on the rate approved by this Authority for quinquennium of 2003-08. Annual escalation is considered @ 2% per annum as per the existing schedule of rates from the years 2004-05 onwards to 2009-10. The port has clarified that the rate for land (to be) allotted in Zone IB is not approved by this Authority, hence the unit rate is considered at the existing lease rent applicable for Zone IA which is adjacent and analogous to Zone IB.

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

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

In case the revised lease rental for the quinquennium 2008-13 comes into force before issue of the RFP for the proposed EQ1 terminal, then the port may approach this Authority to review the upfront tariff with reference to this item.

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

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

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

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

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

- (a). The total revenue requirement from cargo handling service is estimated at Rs.10395.56 lakhs which is an aggregate of operating cost of Rs.6316.59 lakhs and Return on a capital cost of Rs.4078.97 lakhs.
- (b). As per the guidelines, 98% of the total revenue requirement is apportioned to handling charge and 1% each to storage charge and miscellaneous charge for arriving at the pre-determined tariff.
- (c). Based on the optimal capacity of the terminal assessed at 6407940 tonnes per annum, the composite handling rate to meet the estimated revenue requirement of Rs.10395.56 lakhs from cargo handling service works out to Rs.158.98 per tonne.

As compared to the handling rate of Rs.131.94 per tonne approved in the Order dated 27 November 2009 fixing upfront tariff for handling coking coal and steam coal in the GCB of VPT, it may appear that the handling rate of Rs.158.98 per tonne is on the higher side. The optimal capacity of the steam coal terminal at EQ-1 is less by 3.77 Million Tonnes as compared to the optimal capacity of the GCB mainly due to the nature of the cargo. There is no proportionate reduction in the capital cost as same complement of facilities are required to handle the cargo.

- (d). Composite handling charge proposed by the VPT include charges for unloading of the cargo from the vessel, transfer upto the point of storage, storage at the stackyard upto 5 days free period, reclaiming from stockyard, loading on to railway wagons including wharfage and supply of labour whenever necessary and all other miscellaneous services not specifically prescribed in the Scale of Rates.

- (e). The VPT has assumed that 23% of the total cargo will attract demurrage. It has proposed the rate for the first slab (6<sup>th</sup> day to 10<sup>th</sup> day) at 1.48 per tonne. For the subsequent slabs, the proposed rate is 150% and 133% of the respective preceding slab.

The unit storage charge proposed by the VPT has been modified considering a turnover ratio of 33 and 5 free days and 2.7 days' for average vessel's stay at berth. Accordingly, the percentage of cargo that will attract demurrage works out to 30% and the average number of days for which the storage charge will be earned works out to 3.31 days.

Consequently, the storage charge for the first slab is Rs.1.61 per tonne per day or part thereof. The rates for the subsequent slabs are determined at twice that of the preceding slab as per the approach adopted in the fixation of upfront tariff for coking coal and steam coal vide Order dated 27 November 2009.

- (f). Based on the modified revenue requirement, tariff cap for miscellaneous charge is prescribed at Rs.1.62 per tonne as compared to Rs.1.70 proposed by VPT. The miscellaneous charge covers charges for sweeping, dust suppressions, environment safety etc.
- (g). The revenue requirement from berthing service works out to Rs.1304.06 lakhs as estimated by the port.

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

The VPT has proposed berth hire in rupee terms for foreign going vessel at Re.0.53 per GRT per hour or part thereof. The methodology followed by the VPT for arriving at the berth hire is in general found to be in line with the approach followed by this Authority in other upfront tariff cases. The optimal capacity of the terminal is limited by the quay capacity. Accordingly, the quantum of steam coal is considered at 6407940 tonnes per annum i.e. at the level determined in the quay capacity calculation. The percentage share of handymax / panamax vessels bringing steam coal furnished by the VPT is taken as the base for distributing the steam coal capacity. Berth hire rate works out to Re.0.527 per GRT per hour for foreign going vessels (calculation attached as part of Annex - I).

- (h). The port has proposed concessional tariff for coastal vessel / coastal cargo in berth hire as well as composite handling charge as per clauses 4.3 and 6.1.2 of the tariff guidelines notified in the Gazette of India on 31 March 2005. The revenue impact of allowing such concession is, however, not considered while arriving at the proposed rates concessional tariff. On being pointed out, the port has confirmed that no coastal vessels/coastal movements of cargo is envisaged at the proposed coal terminal. Though prescribing concession rate to coastal cargo / vessel may not have any impact on the revenue realization, concessional rate is prescribed for coastal category in line with the Government policy in this regard.
- (viii). Definitions of some of the common terms like foreign going vessel, coastal vessel, Day are included in upfront schedule in line with the definitions prescribed in the Scale of Rates of VPT and other private terminals operating in VPT.

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

9.1. As per clause 2.8 of the Guidelines, the tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2008 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31 March of the following year. In the instant case, since the estimation of capital cost and unit rate of operating cost considered in the upfront tariff calculation are as of 1 January 2010 as reported by the VPT, it is appropriate and relevant to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2010.

9.2. As specified in clauses 2.9.1. and 2.9.2. of the guidelines, before commencement of commercial operations, the private operator shall approach this Authority for notification of Scale of Rates containing the approved ceiling rates and the statement of conditions, as required under Section 48 of the Major Port Trusts Act, 1963.

9.3. As per clause 3.8.5 of the guidelines, if any question arises requiring clarifications or interpretation of the Scale of Rates and the statement of conditionalities, the matter shall be referred to this Authority and its decision in this regard will be binding on the operator.

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

9.5. The actual performance of the private 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.

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

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

**(Rani Jadhav)**  
Chairperson

## ANNEX - I

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

Rs. in lakhs

Sl. No.	Particulars	Estimates furnished by the VPT			Estimates considered by TAMP
		Proposal vide letter dated 6 January 2010	Revised proposal vide letter dated 14 April 2010	As modified vide letter dated 24 April 2010	
<b>A</b>	<b><u>Optimal capacity</u></b>				
<b>I</b>	<b><u>Optimal Quay Capacity</u></b>				
(a)	Share of Vessel Size				
	Percentage share of capacity of Capesize vessels (S1)	0%	0%	0%	0%
	Percentage share of capacity of Panamax vessels (upto 80000 DWT) (S2)	84%	84%	84%	84%
	Percentage share of capacity of Handy & Handymax vessels (upto 45000 DWT) (S3)	16%	16%	16%	16%
(b)	Ship day Output ( in tonnes per day)				
	- Capesize vessels (P1)	0	0	0	0
	- Panamax vessels (P2)	27000	27000	27000	27000
	- Handy & Handymax vessels (P3)	15000	15000	15000	15000
(c)	Quay Capacity = $0.7*((S1*P1)+(S2*P2)+(S3*P3))*365$	<b>6407940</b>	<b>6407940</b>	<b>6407940</b>	<b>6407940</b>
	<b>Quay Capacity in million tonnes</b>	<b>6.41</b>	<b>6.41</b>	<b>6.41</b>	<b>6.41</b>
<b>II</b>	<b><u>Optimal Yard Capacity</u></b>				
(a)	Area of yard made available by the Port (in sq. m.) (A)	101200	101200	101200	101200
(b)	Area available for stacking (%) (U)	70%	70%	70%	70%
(c)	Stacking Quantity per square metre (tons) (Q)	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>
(d)	Annual Turnover Ratio of the plot (T)	<b>30</b>	<b>33</b>	<b>33</b>	<b>33</b>
(e)	<b>Total Yard Capacity ( in tonnes)</b>	<b>5950560</b>	<b>6545616</b>	<b>6545616</b>	<b>6545616</b>
(f)	<b>Total Yard Capacity ( in million tonnes)</b>	<b>5.95</b>	<b>6.55</b>	<b>6.55</b>	<b>6.55</b>
<b>III</b>	<b>Optimal capacity of the Terminal - lower value of the optimal quay capacity and optimal stack yard capacity (in Million tonnes)</b>	<b>5.95</b>	<b>6.41</b>	<b>6.41</b>	<b>6.41</b>
<b>B</b>	<b><u>Capital Cost</u></b>				
<b>I</b>	<b><u>Cargo Handling Activity</u></b>	<b>(Rs. In lakhs)</b>	<b>(Rs. In lakhs)</b>	<b>(Rs. In lakhs)</b>	<b>(Rs. In lakhs)</b>
(a)	<b>Civil Cost</b>				
	- Berth Apron and Approach	68.39	68.39	57.21	57.21
	- Storage Yards, Building, Water supply & Sewerage	54.85	54.85	54.85	54.85
	- Dismantling of existing structures & reconstruction of compound wall	314.29	314.29	314.29	314.29
	- Ground Improvement	--	590.84	673.75	673.75
	- Drive houses & Transfer houses	--	192.60	192.60	192.60
	- Area illumination	46.72	--	--	--
	<b>Subtotal (a)</b>	<b>484.25</b>	<b>1220.97</b>	<b>1292.70</b>	<b>1292.70</b>

<b>(b) Equipment Cost</b>				
- Harbour Mobile Crane 100 T (2 Nos.) (TAMP considered cost of 2 Nos. Ship Unloaders taken from the recent order passed for GCB at VPT as per norms)	3625.47	5891.39	5891.39	5211.62
- Reclaimer 2000 TPH (2 Nos.)	3398.88	--	--	--
- Reclaimer 1500 TPH (1 No.) (Norms: 2 Nos.)	--	3261.79	3261.79	3261.79
- Stackers 1500 TPH (2 Nos.)	2719.10	--	--	--
- Stackers 1500 TPH (1 No.)	--	2447.19	2447.19	2447.19
- Stacker cum Reclaimer 1 No. (not included in the normative list of equipment and proposed against 1 No. Reclaimer & 1 No. Stacker)	--	3261.79	3261.79	3261.79
- Wagon Loader 1500 TPH (1 No.) (Norms: Wagon Loader&Truck Loader - 1 No. each)	1699.44	2447.19	2447.19	2447.19
- Belt Conveyors 3000 TPH (5000 Mts.)	5664.79	5664.79	5664.79	5664.79
- Metal Detectors & Weighers	56.65	56.65	56.65	56.65
- Drive houses & Transfer houses	192.60	--	--	--
- Pay Loaders & Dozers (2 Nos. each)	135.96	135.96	135.96	135.96
- Work Shop equipment	113.30	113.30	113.30	113.30
- Electric Power & Control switch gears	339.89	386.61	386.61	386.61
<b>Subtotal (b)</b>	<b>17946.08</b>	<b>23666.66</b>	<b>23666.66</b>	<b>22986.89</b>
<b>(c) Miscellaneous (5% on (a) and (b))</b>	<b>921.52</b>	<b>1244.38</b>	<b>1247.97</b>	<b>1213.98</b>
<b>Total Capital Cost for Handling Activity (a + b + c)</b>	<b>19351.85</b>	<b>26132.01</b>	<b>26207.33</b>	<b>25493.57</b>
<b>II Capital Cost For Berthing Services</b>				
<b>(a)</b> Construction of berth	5200.44	5200.44	4750.08	4750.08
<b>(b)</b> Construction of slope protection works	438.48	438.48	390.24	390.24
<b>(c)</b> Berth Fixtures	180.30	180.30	180.30	180.30
<b>(d)</b> Ground Improvement	590.84	--	--	--
<b>(e)</b> Dredging cost	790.28	790.28	790.28	790.28
<b>Total Capital cost for berthing services (a to e)</b>	<b>7200.34</b>	<b>6609.50</b>	<b>6110.90</b>	<b>6110.90</b>
<b>III TOTAL PROJECT CAPITAL COST (I + II)</b>	<b>26552.19</b>	<b>32741.51</b>	<b>32318.23</b>	<b>31604.47</b>
<b>C Operating Cost</b>				
<b>I Cargo Handling Activity</b>	<b>(Rs. In lakhs)</b>	<b>(Rs. In lakhs)</b>	<b>(Rs. In lakhs)</b>	<b>(Rs. In lakhs)</b>
<b>(a)</b> Power Cost (1.12 units per ton @ Rs. 6.20 / unit) (Norms: 1.4 units per ton)	258.25	444.97	444.97	556.21
<b>(b)</b> Fuel Cost (6120 hrs. x 70 lts. X 38.90) (Not in the normative cost - considered as the proposal envisages using Harbour Mobile Cranes instead of Ship Unloader)	249.00	326.70	326.70	0.00
<b>(c)</b> Repair & Maintenance				
- Civil Assets (1% on civil work)	4.84	12.21	12.93	12.93
- Mechanical & Electrical Equipment including spares (7% on mechanical and electrical works)	1256.23	1656.67	1656.67	1609.08
<b>(d)</b> Insurance (1%on Gross fixed assets)	193.52	261.32	262.07	254.94
<b>(e)</b> Depreciation				
- Civil Structures (@ 3.34%)	16.17	40.78	43.18	43.18
- Mechanical & Electrical (@ 10.34%)	1855.62	2447.13	2447.13	2376.84
<b>(h)</b> License Fee	188.73	188.73	188.73	188.73
<b>(i)</b> Other Expenses towards salaries and overheads (5% on gross value of assets)	967.59	1306.60	1310.37	1274.68
<b>Total Operating Cost</b>	<b>4989.95</b>	<b>6685.11</b>	<b>6692.75</b>	<b>6316.59</b>
<b>D Revenue Requirement &amp; proposed tariff</b>				
<b>I Cargo Handling charge</b>				
<b>(a) Revenue Requirement</b>				
(i) Total Operating Cost	4989.95	6685.11	6692.75	6316.59
(ii) Return on capital Employed @ 16%	3096.30	4181.12	4193.17	4078.97
<b>(iii) Total Revenue requirement from cargo handling activity</b>	<b>8086.25</b>	<b>10866.23</b>	<b>10885.92</b>	<b>10395.56</b>

<b>(b) Apportionment of Revenue Requirement</b>				
(i) Coal Handling Charges (98% of ARR)	7924.53	10648.91	10668.20	10187.65
(ii) Storage Charges (1% of ARR)	80.86	108.66	108.86	103.96
(iii) Miscellaneous Charge (1% of ARR)	80.86	108.66	108.86	103.96
<b>(iv) Total Revenue requirement from cargo handling activity</b>	<b>8086.25</b>	<b>10866.23</b>	<b>10885.92</b>	<b>10395.57</b>
<b>(c) Proposed tariff per tonne rate</b>				
(i) Coal Handling Charge (Composite)				
- Revenue Requirement (Rs. in lakhs)	7924.53	10648.91	10668.20	10187.65
- Capacity (Million Tonnes per annum)	5.95	6.41	6.41	6.41
<b>Composite Handling Charge - Cargo wise (foreign)</b>	<b>133.17</b>	<b>166.18</b>	<b>166.48</b>	<b>158.98</b>
(ii) Storage Charge				
- Revenue Requirement (Rs. in lakhs)	80.86	108.66	108.86	103.96
- % of Cargo to attract storage charge	17%	23%	23%	30%
- Cargo likely to pay storage charge ( lakh tonnes)	10.12	14.74	14.74	19.22
- Free period	10 days	5 days	5 days	5 days
- Storage Charge (beyond the free period)	Rate Per tonne per day or part thereof	Rate Per tonne per day or part thereof	Rate Per tonne per day or part thereof	Rate Per tonne per day or part thereof
- First five days	1.60	1.48	1.48	1.61
- 6th day to 10th day	3.20	2.22	2.22	3.22
- 11th day onwards	6.40	2.96	2.96	6.44
(iii) Miscellaneous Charge				
- Revenue Requirement (Rs. in lakhs)	80.86	108.66	108.86	103.96
- Capacity (Million Tonnes per annum)	5.95	6.41	6.41	6.41
<b>- Miscellaneous Charge per tonne</b>	<b>1.36</b>	<b>1.70</b>	<b>1.70</b>	<b>1.62</b>
<b>II BERTH HIRE CHARGES</b>				
<b>(a) Revenue Requirement</b>	<b>(Rs. in Lakhs)</b>	<b>(Rs. in Lakhs)</b>	<b>(Rs. in Lakhs)</b>	<b>(Rs. in Lakhs)</b>
(i) Repairs & Maintenance Charge (1% on capital cost for berth)	72.00	66.10	61.11	61.11
(ii) Depreciation (@ 3.34%)	240.49	220.76	204.10	204.10
(iii) Insurance (1% on total cost for berth hire service)	72.00	66.10	61.11	61.11
<b>Subtotal (a)</b>	<b>384.49</b>	<b>352.96</b>	<b>326.32</b>	<b>326.32</b>
<b>(b) Return on capital Employed @ 16%</b>	<b>1152.05</b>	<b>1057.52</b>	<b>977.74</b>	<b>977.74</b>
<b>(c) Total Revenue requirement from Berthing services (a + b)</b>	<b>1536.54</b>	<b>1410.48</b>	<b>1304.06</b>	<b>1304.06</b>
<b>(d) Berth hire Charge</b>				
Foreign going vessel (Rate per GRT per hour) in Re	0.67	0.57	0.53	0.527
Coastal vessel (Rate per GRT per hour) in Re	0.40	0.34	0.32	0.316

**BERTH HIRE COMPUTATION**

Furnished by VPT vide letter dated 6 January 2010

Sl. No.	Particulars	Unit	Handy & Handymax	Panamax	Total
i.	Average DWT	tonnes	40000	80000	
ii.	Ratio	%	16%	84%	100%
iii.	Ship day output	Tonnes per day	15000	27000	
iv.	Average GRT	tonnes	22000	44000	
v.	Average parcel size	tonnes	36000	72000	
vi.	Tonnage expected to be handled	Tonnes	952090	4998470	5950560
vii.	Average no of berth days (vi / iii)		63.00	185.00	248
viii.	No of berth hours (24 x (vii))	hours	1512	4440	5952
ix.	Expected number of vessels (vi/v)	No of vessels	26	69	95
x.	Total GRT hours	Tonne hours	33264000	195360000	228624000
xi.	Revenue Requirement	Rs. In lakhs			1536.54
xii.	Berth hire - foreign going vessel (xi /x)	Re per GRT per hour or part thereof			0.67

Furnished by VPT vide letter dated 14 April 2010

Sl. No.	Particulars	Unit	Handy & Handymax	Panamax	Total
i.	Average DWT	tonnes	40000	80000	
ii.	Ratio	%	16%	84%	100%
iii.	Ship day output	Tonnes per day	15000	27000	
iv.	Average GRT	tonnes	22000	44000	
v.	Average parcel size	tonnes	36000	72000	
vi.	Tonnage expected to be handled	Tonnes	1025270	5382670	6407940
vii.	Average no of berth days (vi / iii)		68.00	199.00	267
viii.	No of berth hours (24 x (vii))	hours	1632	4776	6408
ix.	Expected number of vessels (vi/v)	No of vessels	28	75	103
x.	Total GRT hours	Tonne hours	35904000	210144000	246048000
xi.	Revenue Requirement	Rs. In lakhs			1410.48
xii.	Berth hire - foreign going vessel (xi /x)	Re per GRT per hour or part thereof			0.57

Furnished by VPT vide letter dated 24 April 2010

Sl. No.	Particulars	Unit	Handy & Handymax	Panamax	Total
i.	Average DWT	tonnes	40000	80000	
ii.	Ratio	%	16%	84%	100%
iii.	Ship day output	Tonnes per day	15000	27000	
iv.	Average GRT	tonnes	22000	44000	
v.	Average parcel size	tonnes	36000	72000	
vi.	Tonnage expected to be handled	Tonnes	1025270	5382670	6407940
vii.	Average no of berth days (vi / iii)		68.00	199.00	267
viii.	No of berth hours (24 x (vii))	hours	1632	4776	6408
ix.	Expected number of vessels (vi/v)	No of vessels	28	75	103
x.	Total GRT hours	Tonne hours	35904000	210144000	246048000
xi.	Revenue Requirement	Rs. In lakhs			1304.06
xii.	Berth hire - foreign going vessel (xi /x)	Re per GRT per hour or part thereof			0.53

Modified calculation by TAMP

Sl. No.	Particulars	Unit	Handy & Handymax	Panamax	Total
i.	Average DWT	tonnes	40000	80000	
ii.	Ratio	%	16%	84%	100%
iii.	Ship day output	Tonnes per day	15000	27000	
iv.	Average GRT	tonnes	22000	44000	
v.	Average parcel size	tonnes	36000	72000	
vi.	Tonnage expected to be handled	Tonnes	613200	5794740	6407940.00
vii.	Average no of berth days (vi / iii)		41	214	255
viii.	No of berth hours (24 x (vii))	hours	984	5136	6120
ix.	Expected number of vessels (vi/v)	No. of vessels	17	80	97
x.	Total GRT hours	Tonne hours	21648000	225984000	247632000
xi.	Revenue Requirement	Rs. In lakhs			1304.06

xii.	Berth hire - foreign going vessel (xi /x)	Re per GRT per hour or part thereof			<b>0.527</b>
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**VISAKHAPATNAM PORT TRUST**

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

**1.1. DEFINITIONS**

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

- (i). **"Coastal vessel"** means any vessel exclusively employed in trading between any port or place in India to any other port or place in India having a valid coastal licence issued by the competent authority.
- (ii). **"Foreign going vessel"** means any vessel other than a Coastal vessel.
- (iii). **"Day"** shall mean the period starting from 6.00 A.M. of a day and ending at 6.00 A.M. on the next day.

**1.2. GENERAL TERMS & CONDITIONS**

- (i). The status of the vessel, as borne out by its certification by the customs or Director General of Shipping, is the relevant factor to decide whether vessel is "coastal" or "foreign-going" for the purpose of levy of vessel related charges; and the nature of cargo or its origin will not be of any relevance for this purpose.
- (ii).
  - (a). The berth hire charges for all coastal vessels should not exceed 60% of the corresponding charges for other vessels.
  - (b). The cargo related charges for all coastal cargo other than thermal coal should not exceed 60% of the normal cargo related charges.
  - (c). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship shore transfer and transfer from/to quay to/from storage yard including wharfage.
  - (d). Cargo from a foreign port which reaches an Indian Port "A" for subsequent transshipment to Indian Port "B" will be levied the concession charges relevant for its coastal voyage. In other words, cargo from/to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for the concession.
- (iii). Interest on delayed payments / refunds.
  - (a). The user shall pay penal interest on delayed payments under this Scale of Rates. Likewise, the terminal operator shall pay penal interest on delayed refunds.
  - (b). The rate of penal interest will be 2% above the prime lending rate of the State Bank of India.
  - (c). The delay on refunds will be counted only 20 days from the day of completion of services or on production of all the documents required from the users, whichever is later.
  - (d). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the terminal operator. This provision shall, however, not apply to the cases where payment is to be made before availing the services where payment of charges in advance is prescribed as a condition in the scale of rates.

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

**2. BERTH HIRE CHARGES:**

Sl. No.	Vessels	Rate per GRT per hour or part thereof	
		Foreign Going Vessel (in Re.)	Coastal Vessel (in Re.)
1.	Vessels	0.527	0.316

**Notes:**

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

### 3. CARGO HANDLING CHARGES:

Sl. No.	Commodity	Unit	Rate in Rupees	
			Foreign	Coastal
(a).	Steam coal	Per Metric Tonne	158.98	95.39

#### Note:

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

### 4. STORAGE CHARGES:

The Storage charges for the cargo stored in the stack yard beyond the free period of 5 days shall be as below:

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

Sl. No.	Commodity	Rate for first 5 days for the balance cargo remaining after the free period	Rate for 6 <sup>th</sup> day to 10 <sup>th</sup> day for the balance cargo	Rate for 11 <sup>th</sup> onwards for the balance cargo
1.	Steam coal	1.61	3.22	6.44

#### Notes:

- (i). 5 free days shall be allowed. Free period shall commence from the day following the day of complete discharge of vessel cargo. For the purpose of calculation of free period, Custom 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 charges on cargo shall not accrue for the period when the terminal operator is not in a position to deliver / ship the cargo when requested by the user due to reasons attributable to the Terminal operator.

### 5. MISCELLANEOUS CHARGES:

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

Sl. No.	Particulars	Rate per tonne or part thereof (in Rs.)
(i).	Charges for Sweeping, dust suppression and environment etc.	1.62

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

The tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2010 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31<sup>st</sup> March of the following year.

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**ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING  
BEFORE THE AUTHORITY**

**F. No.TAMP/54/2009-VPT - Proposal from the Visakhapatnam Port Trust for fixation of upfront tariff for mechanised terminal for handling Steam Coal at East Quay 1**

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

**Visakhapatnam Port Trust**

- (i). VPT is laying 11 full rake length lines. This will improve turn round of wagon, then rake availability will not be an issue.
- (ii). We are discussing with Indian Railways. By 2012-13, when these projects are commissioned, the railway evacuation facility is also expected to be ready.

**Tamil Nadu Electricity Board**

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

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

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

**Navayuga Engineering Co. Ltd.**

- (i). No comments.

**M/s. IVRCL Infrastructure & Projects Ltd.**

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

**M/s. NALCO**

- (i). No comments.

**M/s.Prathyusha Associates Shipping Pvt. Ltd.**

- (i). No comments.

**IMC Limited**

- (i). No comments.