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Tariff Authority for Major Ports

G No. 171

New Delhi, 17 August 2011

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 bauxite, gypsum, other dry bulk cargo and ores other than iron ore at Visakhapatnam Port in pursuance of the guidelines for upfront tariff setting at Major Port Trusts which were notified vide 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/16/2011-VPT

Visakhapatnam Port Trust

Applicant

O R D E R

(Passed on this 29th day of June 2011)

This case relates to a proposal filed by Visakhapatnam Port Trust (VPT) under cover of its letter dated 14 March 2011 seeking approval of revised upfront tariff for development of Berth No.WQ-7 in the Inner Harbour with Mechanized Handling Facilities for Handling Dry Bulk Cargo on Design, Built, Finance, Operate and Transfer (DBFOT) basis.

2.1. The VPT had earlier filed two separate proposals in November 2010 for fixation of upfront tariff for handling Alumina, BF Slag and Caustic Soda at berth no.WQ-7 and similar cargo group at berth no.WQ-8 in pursuance of guidelines of 2008 for setting upfront tariff for PPP projects at Major Port Trusts. Based on the discussions at the joint hearing held in these cases, the VPT vide its letter dated 28 March 2010 filed a revised proposal wherein the fixation of upfront tariff for berth Nos.WQ 7 and WQ 8 were clubbed and upfront tariff was sought for handling Alumina and other Bulk Cargo.

2.2. This Authority had passed an Order on 19 April 2010 fixing upfront tariff for handling of Alumina and other bulk cargo at VPT. The Order was notified in the Gazette of India on 11 May 2010 vide Gazette no.142.

3.1. In this backdrop, the VPT has now filed a reformulated proposal seeking approval of upfront tariff for handling dry bulk cargo at berth no.WQ-7 in the inner harbour with mechanized handling facilities.

3.2. The main submissions made by the VPT for filing its reformulated proposal are as follows:-

- (i). RFP for the two projects at berth Nos.7 and 8 were issued on 8.6.2010. However, no bidder participated in price bid due to reasons of non-availability of adequate quantities of alumina, slow progress in alumina industries coming up within the region for want of various statutory clearances and also due to the bidders own apprehensions and considerations.
- (ii). It is also learnt that there appears to be change in Government Policy with regard to handling of alumina requiring mobilization of additional infrastructure like smelter etc. calling for extra time and cost.
- (iii). There was no response even to the second RFP issued on 8.11.2010.
- (iv). In view of non-responsiveness from the bidders two times, the Ministry has directed the VPT to re-formulate the proposals duly changing the cargo profile and equipment.
- (v). In this backdrop, the VPT has submitted a reformulated proposal for fixation of upfront tariff for handling import dry bulk cargoes viz. Bauxite, Gypsum, Ores (other than Iron ore) and other dry bulk cargo with mechanical handling facilities at WQ-7 berth at inner harbour.

3.3. The VPT has stated that it has revisited its earlier proposal and modified the cargo profile, equipment and capital cost in the reformulated proposal. The highlights of the reformulated proposal vis-à-vis the parameters adopted while passing the Order on 19 April 2010 are given hereunder:

(i). Optimal Capacity:

Optimal capacity is assessed at 4.60 MTPA in the reformulated proposal as against 5.66 MTPA approved earlier. The comparative position is given below:

As assessed in Tariff Order dated 19 April 2010		As per the reformulated proposal dated 14 March 2011	
Optimal Capacity		Optimal Capacity	
(a). <u>Share of capacity of different cargo items:</u>		(a). <u>Share of capacity of different cargo items:</u>	
- % share of Alumina	50%	%share of bauxite	47%
- %share of other bulk cargo	50%	% share Gypsum	30%
		% share of Other Dry Bulk	16%
		% share of Ores (other than iron ore)	7%
(b). <u>Ship day Output (in tonnes per day):</u>		(b). <u>Ship day Output (in tonnes per day):</u>	
- Vessels carrying Alumina	31700	- Handling rate of vessels carrying Bauxite, Gypsum, other dry bulk and ores other than iron ore	18000
- Vessels carrying other bulk cargo	12600		
(c). Optimal capacity of the terminal in million tonnes/ annum	5.66	(c). Optimal capacity of the terminal in million tonnes/ annum	4.60

(ii). Capital Cost:

Revised Capital cost is estimated at ₹ 229.54 crores as against ₹ 242.15 crores assessed in tariff Order. The comparative position is given below:

As assessed in Tariff Order dated 19 April 2010		As per the reformulated proposal dated 14 March 2011	
Particulars	₹ in lakhs	Particulars	₹ in lakhs
Capital Cost		Capital Cost	
(A). <u>Cargo Handling Activity:</u>		(A). <u>Cargo Handling Activity:</u>	
(i). <u>Civil Cost:</u>		(i). <u>Civil Works:</u>	
(a). Alumina		- Berth Apron and Approach	44.18
- Silo Farm (3 nos.)	2719.10	- Storage yards, Building, Sewerage and ground improvement	648.29
- Transfer Houses (6 nos.)	453.18	- Dismantling of existing structures and reconstruction of compound	78.97
- Railway track for unloading system	135.95	- Railway tracks	115.56
- Wagon unloading system	713.76	- Transfer houses	186.01
- Other civil assets such as berth apron approach, storage yard, Building, ground improvement, sewerage, water supply (50% allocated to Alumina)	373.57	- Drive houses	207.78
		- Conveyor gallery and supports	1691.10
		- Stacker tracks	1010.27
		- Water supply	27.30
Total (a)	4395.56		

As assessed in Tariff Order dated 19 April 2010		As per the reformulated proposal dated 14 March 2011	
Particulars	₹ in lakhs	Particulars	₹ in lakhs
(b). Other bulk cargo			
- Berth apron and approach (50%)	22.09		
- Storage yard, building, water supply and sewerage (50%)	27.58		
- Dismantling of existing structures and reconstruction of compound wall (50%)	28.40		
- Ground improvement (50%)	295.50		
Total (b)	373.56		
Total Civil Cost (i)	4769.12	Total (i)	4009.46
(ii). <u>Equipment Cost:</u>		(ii). <u>Mechanical & Electrical Works:</u>	
(a). Alumina		- 2 nos. 60 T Harbour Mobile Crane	5605.43
- Ship loader (1 no.)	3217.60	- 2 nos. Mobile Hoppers (as per GCB)	118.96
- Conveyors	3115.64	- Conveyor system (as per WQ1 project)	2707.61
- Wagon unloading system	2698.71	- Stacker 1500 TPH (1 No.)	2447.20
- Power and lighting including area illumination (50%)	114.56	- Front end loaders/ dozers (3 Nos. - WQ1 project)	135.95
Total	9146.51	- Electrical works	275.84
(b). Other bulk cargo			
- Harbour Mobile Crane (60 tonnes - 1 no.)	2802.71		
- Front end loader/ dozers (4 nos. by VPT) [in our analysis considered 3 nos.]	101.97		
- Power and lighting including area illumination (50%)	114.57		
Total	3019.25		
Total Equipment cost (ii)	12165.76	Total (ii)	11290.99
(iii). <u>Miscellaneous:</u>		(iii). <u>Miscellaneous:</u>	
- 5% on Civil and Equipment cost for Alumina	846.74	- 5% on Civil and Equipment cost	765.02
Total Capital Cost for Handling Activity	17781.62	Total Capital Cost for Handling Activity	16065.47
(B). <u>Berth Hire Activity:</u>		(B). <u>Berth Hire Activity:</u>	
- Construction of berth including berth fixtures	5098.88	- Construction of berth	4632.28
- Cost of dredging	1335.15	- Dredging cost	1561.82
		- Slope protection	694.60
Total capital cost for berth hire activity	6434.03	Total capital cost for berth hire activity	6888.70
Total Capital Cost	24215.65	Total Capital Cost	22954.17

The VPT has stated that the capital cost in the reformulated proposed is estimated based on the rates prevailing in February 2011.

(iii). Operating Cost:

- (a). Power cost is estimated assuming the consumption at 0.70 unit per tonne (50% of consumption norm prescribed for iron ore / coal terminal at 1.4 unit per tonne) in view of deployment of 2 nos. harbour mobiles cranes and 3 nos. loaders / dozers which are fuel driven as against 2 nos. Ship unloaders, 2 reclaimers, 1 no. each of wagon loader / truck loader prescribed for coal unloading terminal operated by electricity for which consumption was considered at 1.4 units per tonne.
- (b). Fuel consumption in respect of Harbour mobile cranes and front end loader /dozers is considered in line with the upfront tariff approved by TAMP earlier for WQ-7 & WQ-8 berths.
- (c). Repairs and maintenance cost, insurance, depreciation and other expenses have been considered as per norms prescribed in Upfront tariff guidelines for multipurpose cargo berth.
- (d). Depreciation is worked out based on the straight line method and as per the norms described in Companies Act on triple shift basis.
- (e). License fee is reportedly worked out based on rates approved by TAMP for Zone IX-A for the quinquennium year 2003-08 with suitable escalation in the unit rate as per Government guidelines.
- (f). The operating cost estimated by VPT in the reformulated proposal is ₹ 3616.05 lakhs for the cargo handling activity and ₹ 367.86 lakhs for the berth hire activity in the reformulated proposal.

(iv). The return on capital employed is considered at 16%.

(v). (a). The estimated revenue requirement as per the reformulated proposal vis-à-vis the revenue requirement estimated in the Order is given below:

As assessed in Tariff Order dated 19 April 2010		As per the reformulated proposal dated 14 March 2011	
A. Revenue Requirement for handling activity		A. Revenue Requirement for handling activity	
<u>(i). For Alumina</u>			
(a). Total Operating Cost	2858.06	(i). Total Operating Cost	3616.05
(b). ROCE @ 16%	2275.07	(ii). ROCE @ 16%	2570.47
Total	5133.13		
<u>(ii). For Other Bulk Cargo</u>			
(a). Total Operating Cost	866.32		
(b). ROCE @ 16%	569.99		
Total	1436.31		
(iii). Total Revenue Requirement from cargo handling activity	6569.44	Total Revenue Requirement for handling activity	6186.52
B. Revenue Requirement for berthing services		B. Revenue Requirement for berthing services	
(a). Total Operating Cost	343.58	(a). Total Operating Cost	367.86
(b). ROCE @ 16%	1029.44	(b). ROCE @ 16%	1102.19
(c). Total Revenue Requirement from Berthing services	1373.02	(c). Total Revenue Requirement from Berthing services	1470.05

- (b). Of the total estimated revenue requirement from cargo handling activity, 96% is apportioned to derive handling rate, and 2% each to derive the storage charge and miscellaneous charge.

(vi). The rates approved in the Order dated 19 April 2010 and the rates proposed by VPT in the reformulated proposal are given below:

(a). Berth hire:

(Rate per GRT per hour or part thereof)

Rate approved in Tariff Order dated 19 April 2010 (Foreign-going vessel – in ₹)	Rate proposed by VPT in reformulated proposal dated 14 March 2011	
	Foreign-going vessel (in ₹)	Coastal vessel (in ₹)
0.74	1.16	0.696

(b). Cargo handling charges:

(Rate per metric tonne)

Rate approved in Tariff Order dated 19 April 2010 (Foreign-going vessel – in ₹)		Rate proposed by VPT in reformulated proposal dated 14 March 2011		
Commodity	Foreign	Commodity	Foreign (in ₹)	Coastal (in ₹)
Alumina	121.68	Bauxite, Gypsums, Other Dry bulk (excluding all types of coal & coke) and ores (other than iron ore)	129.14	77.48
Other Dry bulk	89.23			

(c). Storage charges:

- Free period: 5 days
- The port has assumed dwell time of cargo to be 10 days. Considering 5 days free period and 2.7 days of stay of vessel at berth, it has considered the cargo will attract storage charge for 2.3 days and in terms of percentage 23% of the optimal capacity. Accordingly, to meet estimated annual revenue requirement of ₹ 123.73 lakhs from storage charge over 10.58 lakh tonnes of cargo capacity (i.e. 23% of optimal capacity), the rate for the first slab of 5 days is arrived at ₹ 2.34 per tonne per day. The rate for the subsequent slab is proposed 1.5 times and 2 times the rate for first slab.
- Storage charge beyond the free period is proposed as follows:

(Rate in ₹ per tonne per day or part thereof)

Commodity	Rate for first 5 days for the balance cargo remaining after the free period	Rate for 6 th day to 10 th day for the balance cargo	Rate for 11 th day onwards for the balance cargo
Bauxite, Gypsums, Other Dry bulk (excluding all types of coal & coke) and ores (other than iron ore)	2.34	3.51	4.68

(In the Order dated 19 April 2010, separate storage charge was approved for Alumina at ₹ 2.11 per tonne per day and ₹ 1.78 per tonne per day for other dry bulk cargo for the first slab.)

(d). Miscellaneous charges for environment and management, sweeping of cargo on the wharf, safety measures, etc. – ₹ 2.70 per tonne per day (₹ 2.55 per tonne for Alumina and ₹ 1.78 per tonne for other dry bulk cargo approved in the Order dated 19 April 2010.)

3.4. Subsequently, the VPT vide its letter dated 19 March 2011 has furnished a copy of the Feasibility Report and the list of applicants/ prospective bidders to be consulted on the subject proposal.

4. In accordance with the consultation process prescribed, the proposal of the VPT dated 14 March 2011 was circulated to the concerned users/ user organisations and applicants/ prospective bidders (as forwarded by VPT) seeking their comments. None of the users/ user organisations have furnished their comments. We have received comments from only one prospective bidder viz. IVRCL Limited. The comments received from the IVRCL Limited was forwarded to the VPT as feedback information. The VPT has furnished its remarks on the comments of IVRCL Limited.

5.1. Based on the preliminary scrutiny of the proposal, the VPT was requested to furnish additional information/ clarifications on a few points vide our letter dated 4 May 2011. The VPT vide its letter dated 7 May 2011 has responded to the queries raised by us and has also furnished revised upfront tariff calculation. It has furnished further clarifications vide letter dated 10 June 2011. A summary of the queries raised by us and response of VPT are summarized and tabulated below:

Sl. No.	Queries raised by us	Response from VPT																																																											
(i).	Optimal Capacity																																																												
	(a). The basis of assuming share of bauxite, gypsum, other bulk cargo, ores other than iron ore at 47%, 30%, 16% and 7% respectively may be explained.	The import cargo handled for the years 2009-10 and 2010-11 in respect of cargoes envisaged in the subject proposal are furnished below: (in lakh tonnes)																																																											
	(b). The actual cargo handled by VPT in the last two years i.e. 2009-10 and 2010-11 and the estimated traffic in future as per the Business Plan of the Port in respect of each of the above mentioned cargo items may be furnished.	<table border="1"> <thead> <tr> <th rowspan="2">Cargo</th> <th colspan="2">2009-10</th> <th colspan="2">2010-11</th> </tr> <tr> <th>Traffic</th> <th>%</th> <th>Traffic</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Bauxite</td> <td>6.84</td> <td>29.50%</td> <td>3.23</td> <td>11.04%</td> </tr> <tr> <td>Gypsum</td> <td>10.90</td> <td>47%</td> <td>10.98</td> <td>37.54%</td> </tr> <tr> <td>Ores (other than iron ore)</td> <td>2.51</td> <td>10.82%</td> <td>8.17</td> <td>27.93%</td> </tr> <tr> <td>Other Dry Bulk</td> <td>4.94</td> <td>21.30%</td> <td>6.87</td> <td>23.49%</td> </tr> <tr> <td>- Lime Stone</td> <td>4.12</td> <td></td> <td>4.94</td> <td></td> </tr> <tr> <td>- Bentonite</td> <td>0.23</td> <td></td> <td>0.62</td> <td></td> </tr> <tr> <td>- Thermal Coal (import)</td> <td>0.59</td> <td></td> <td>--</td> <td></td> </tr> <tr> <td>- Iron scrap</td> <td>--</td> <td></td> <td>0.66</td> <td></td> </tr> <tr> <td>- Cement Clinker</td> <td>--</td> <td></td> <td>0.65</td> <td></td> </tr> <tr> <td>Total</td> <td>23.19</td> <td></td> <td>29.25</td> <td></td> </tr> </tbody> </table> <p>For assessing traffic projections for the above cargoes, the estimated traffic as per Business Plan has not been considered due to the following reasons:</p> <ul style="list-style-type: none"> ➤ Specific projections for bauxite and gypsum were not indicated in business plan which are ➤ The overall projections are based on pessimistic scenario and does not take into cognisance the requirements of the prospective industries coming up in and around the hinterland considering the latest developments. ➤ VPT's projections are assessed keeping in view the present traffic trend, developments in the hinterland and user requirement etc. ➤ The dry bulk projections as per Maritime Agenda-2010-2020 (excluding iron ore, coal and fertilizers) is estimated at 8.40 million tonnes by 2014-15 and 10.70 million tonnes by 2020 on which the following projections are based: 	Cargo	2009-10		2010-11		Traffic	%	Traffic	%	Bauxite	6.84	29.50%	3.23	11.04%	Gypsum	10.90	47%	10.98	37.54%	Ores (other than iron ore)	2.51	10.82%	8.17	27.93%	Other Dry Bulk	4.94	21.30%	6.87	23.49%	- Lime Stone	4.12		4.94		- Bentonite	0.23		0.62		- Thermal Coal (import)	0.59		--		- Iron scrap	--		0.66		- Cement Clinker	--		0.65		Total	23.19		29.25	
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		<p><u>Bauxite:</u></p> <ul style="list-style-type: none"> Vedanta Alumina is importing bauxite through Port of Visakhapatnam. 2 MT is projected keeping in view the requirement of bauxite for expansion plans and Greenfield plans of alumina industries in and around hinterland of Visakhapatnam <p><u>Gypsum:</u></p> <ul style="list-style-type: none"> Presently, VPT is handling more than 1 MT of Gypsum. The hinterland of Visakhapatnam is witnessing huge investment in cement sector with top cement companies setting up about five cement units. As such, 1.3 MT is projected <p><u>Ores (other than iron ore) and Other dry bulk:</u></p> <ul style="list-style-type: none"> As per the increasing trend, a projection of 0.30 MT and 0.70 MT is envisaged as against the present handling of 0.25 MT and 0.50 MT respectively: <p>Summarising the above, the following is the traffic projection and percentage share of cargo:</p> <table border="1" data-bbox="826 902 1471 1106"> <thead> <tr> <th>Cargo</th> <th>2014-15</th> <th>% share of cargo</th> </tr> </thead> <tbody> <tr> <td>Bauxite</td> <td>2.00</td> <td>47</td> </tr> <tr> <td>Gypsum</td> <td>1.30</td> <td>30</td> </tr> <tr> <td>Other dry bulk (excluding all types of coal, coke & fertilizers)</td> <td>0.70</td> <td>16</td> </tr> <tr> <td>Ores (other than iron ore)</td> <td>0.30</td> <td>7</td> </tr> <tr> <td>Total</td> <td>4.30</td> <td>100</td> </tr> </tbody> </table>	Cargo	2014-15	% share of cargo	Bauxite	2.00	47	Gypsum	1.30	30	Other dry bulk (excluding all types of coal, coke & fertilizers)	0.70	16	Ores (other than iron ore)	0.30	7	Total	4.30	100
Cargo	2014-15	% share of cargo																		
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Total	4.30	100																		
	<p>(c). <u>Ship day output:</u></p> <p>(i). In the upfront tariff fixation fixed earlier vide tariff order nos.TAMP/51/2009-VPT and TAMP/52/2009-VPT both dated 19 April 2010, the handling rate for other dry bulk cargo covering Gypsum, Caustic Soda and other dry bulk cargo was assumed by VPT at 12600 tonnes per day per HMC of 60 tonnes capacity. This was also supported by technical feasibility report furnished by the port under cover of its letter dated 25 March 2010. In this context, the reason for scaling down the handling rate for the same capacity of HMC (60 tonnes) for the handling similar commodities at 9000 tonnes per day per crane need to be justified and substantiated with technical specifications.</p> <p>(ii). The basis of considering the number of cycles of HMC at 18 per hour as against 25 cycles per hour assumed by the VPT in the earlier proposal may be justified recognising that all the other parameters assumed by the VPT are at the same level as assumed in the earlier proposal.</p> <p>(iii). The average actual handling rate for Bauxite, Gypsum, other dry bulk cargo and ores other than iron ore handled by</p>	<ul style="list-style-type: none"> For earlier WQ-7 and WQ-8 proposals, the cargoes envisaged were Alumina (with fully mechanized facility), BF Slag and gypsum. These berths were envisaged mainly to handle Alumina. In order to have optimum utilization of berth, dry bulk cargoes viz. Gypsum and BF Slag were also proposed for handling with Harbour mobile cranes for which 25 cycles per hour with an output rate of 12,600 TPD has been considered. The cargoes proposed in the present proposal are heterogeneous with a mix of slow/ fast moving cargoes. Hence 18 cycles per hour is considered resulting in 9000 TPD per crane. However, other parameters are in line with earlier order. <p>The average handling rates achieved by HMCs in Port during last two years for Bauxite, Gypsum, other dry bulk and ores (other than iron ore) are furnished hereunder:</p> <p style="text-align: right;">(in tonnes)</p> <table border="1" data-bbox="826 1809 1487 1910"> <thead> <tr> <th>Cargo</th> <th>2009-10</th> <th>2010-11</th> </tr> </thead> <tbody> <tr> <td>Other dry bulk (excluding all types of coal, coke & fertilizers)</td> <td>9,767 (import thermal coal)</td> <td>--</td> </tr> </tbody> </table> <p>Presently gypsum, bauxite and ores are being handled at non-cranes berths with an average output ranging between 5000 TPD and 9000 TPD during last two years.</p>	Cargo	2009-10	2010-11	Other dry bulk (excluding all types of coal, coke & fertilizers)	9,767 (import thermal coal)	--												
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	<p>HMCs achieved in the port or by the terminal operators Vizag Seaport Private Limited (VSPL) during the last two years 2009-10 and 2010-11 may be furnished.</p>	<p>The handling rate achieved by terminal operator (M/s.VSPL) with HMCs in respect of gypsum, other dry bulk and ores (other than iron ore) is furnished below: (in tonnes)</p> <table border="1" data-bbox="847 309 1465 519"> <thead> <tr> <th rowspan="2">Cargo</th> <th colspan="2">2009-10</th> <th colspan="2">2010-11</th> </tr> <tr> <th>EQ-8</th> <th>EQ-9</th> <th>EQ-8</th> <th>EQ-9</th> </tr> </thead> <tbody> <tr> <td>Gypsum</td> <td>13,019</td> <td>12,638</td> <td>13,786</td> <td>14,882</td> </tr> <tr> <td>Other dry bulk (excluding all types of coal, coke & fertilizers)</td> <td>--</td> <td>7,481 (limestone)</td> <td>--</td> <td>3,959 (iron scrap)</td> </tr> <tr> <td>Ores (other than iron ore)</td> <td>9,319 (manganese ore)</td> <td>8,439 (manganese ore)</td> <td>7,885 (manganese ore)</td> <td>10,457 (manganese ore)</td> </tr> </tbody> </table> <p>Keeping in view the higher productivity to be achieved by concessionaire, considering 18,000 TPD is reasonable.</p>	Cargo	2009-10		2010-11		EQ-8	EQ-9	EQ-8	EQ-9	Gypsum	13,019	12,638	13,786	14,882	Other dry bulk (excluding all types of coal, coke & fertilizers)	--	7,481 (limestone)	--	3,959 (iron scrap)	Ores (other than iron ore)	9,319 (manganese ore)	8,439 (manganese ore)	7,885 (manganese ore)	10,457 (manganese ore)
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Ores (other than iron ore)	9,319 (manganese ore)	8,439 (manganese ore)	7,885 (manganese ore)	10,457 (manganese ore)																						
(ii).	<p>Capital Cost Estimation:</p> <p>(a). The upfront tariff guidelines for multipurpose berth stipulate list of equipment such as fork lift trucks, pay loaders etc. which are not considered by the VPT in the capital cost estimation. The VPT has considered two mobile hoppers, one stacker (1500 TPH) which are not included in the normative list of equipment. The reasons for deviation proposed from the norms prescribed in the guidelines may be explained.</p>	<ul style="list-style-type: none"> ▪ The upfront tariff guidelines 2008 do not prescribe any exclusive norm for mechanized handling for multi purpose terminal. ▪ The present proposal envisages transfer of cargo through mechanized means from ship to stack yard for which mobile hoppers integrated with conveyor system to transfer the cargo to stack yard and a stacker to stack the cargo. ▪ In the absence of specific guidelines, equipment such as mobile hoppers, conveyor system, stacker etc. have been considered as per the guidelines prescribed for coal terminal. ▪ In view of the above, equipment is considered as per guidelines prescribed for coal terminal which is compatible to the present proposal. ▪ The VPT vide letter dated 10 June 2011 has clarified that the cost of railway track is considered for accommodating full rake for the cargo to be evacuated from stacking area through rail and is in line with TAMP guidelines for multipurpose terminal. ▪ With regard to deployment of 1 (one) stacker in the present proposal as against two stackers, it is submitted that 2 (two) nos. stackers are considered for 2 (two) nos. ship unloaders for coal/ iron ore terminal where output rates are ranging upto 50000 TPD. For output rate of 18000 TPD for the present proposal, 1 (one) stacker of 1500 TPD is considered sufficient. 																								
	<p>(b). The estimates of capital cost of various mechanical equipment show reference of earlier PPP projects approved by TAMP, however, the estimates considered by the VPT for most of the items do not match with the capital cost for these items estimated in PPP projects referred therein. The basis of arriving at the capital cost for each of the items may be explained with workings and substantiated with documentary evidence.</p>	<p><u>2 nos. Hoppers:</u> In accordance with the cost considered for approved GCB with 5% escalation.</p> <p><u>Front-end loaders:</u> In line with approved WQ-1 proposal.</p> <p><u>Conveyor:</u> Proportionate length cost approved as per WQ-1 project. Cost of conveyor of 1600 mm (width) for 1.635 kms. for WQ-1 is 22.13 crores while the present proposal is for 2 kms.</p>																								
	<p>(c). Though VPT has furnished rate analysis pertaining to the earlier PPP Projects (to justify its capital cost estimates), no correlation can be drawn with capital cost considered in the upfront tariff calculation. Please furnish copies of relevant supporting documents/</p>	<p>The relevant supporting documents / calculation / rate analysis / budgetary quotations market rates justifying the estimates for the subject proposal are furnished. (The VPT has again forwarded the Feasibility Report in support of the capital cost estimates.)</p>																								

	calculation/ rate analysis/ budgetary quotations, market rates to justify the estimates and correlate the same with the capital cost estimated for civil and equipment in the subject proposal.																			
	(d). The unit cost of dredging considered at ₹ 300 per cubic metre to estimate the capital dredging cost of ₹ 15.16 crores may be validated with documentary proof. The quantum of silt proposed to be dredged may also be indicated.	The documentary proof for the unit cost of dredging is furnished. The quantum of dredging works out to about 4,59,510 M ³ (The documentary proof to support the unit cost of dredging is not found attached.)																		
	(e). The capital cost estimated by VPT includes cost of conveyor system and conveyor gallery to tune of ₹ 41.38 crores, which is considered for deriving the upfront handling rate and proposed uniformly for all dry bulk commodities. In this regard please confirm that all the cargo items viz. bauxite, gypsum and other dry bulk and ores other than iron ore will avail the service of conveyor system and same is technically feasible.	Technically feasible.																		
	(f). The capital cost relating to berth include ₹ 6.95 crores towards slope protection which is not as per the normative list of estimating the capital cost of berth. The nature of the proposed capital expenditure may be indicated and the necessity of the proposed work may be explained.	In order to provide required depth in front of the berth for berthing the ships protection, soil at the Northern end shall be retained for which berthing structure is to be continued for slope protection, which shall form part of the berthing structure.																		
(iii).	Operating Cost:																			
	(a). The guidelines for multipurpose cargo berth prescribe power consumption of 100 units / hour / level luffing crane. The VPT has however proposed to deploy 2 HMCs. Fuel cost is already considered in the upfront tariff calculation with reference to 2 HMC as well as 3 front end loaders. In this context, the basis of estimating the power cost assuming power consumption at 0.70 units / tonnes which is not found as per the norms prescribed in the guidelines need to be justified.	Upfront tariff guidelines 2008 do not prescribe any exclusive norm for mechanized handling for multi purpose terminal. As such, in the absence of specific guidelines, equipment such as mobile hoppers, conveyor system, stacker etc. which are power driven have been considered as per the guidelines prescribed for coal/iron ore terminal. Power cost for coal/ iron ore terminal is 1.4 Unit / T for fully integrated mechanized system. Since, only conveyor system including hoppers & Stacker is envisaged with electric power driven, 50% of 1.4 unit / T is considered.																		
	(b). Fuel consumption norms prescribed in the guidelines for front end loader are with reference to the capacity of the equipment. Indicate the capacity of the three front end loader proposed for the multipurpose cargo terminal.	350 – 400 HP 4.8 cu.m – 6.1 cu.m																		
	(c). The guidelines for upfront tariff stipulate that lease rent for lands is to be estimated based on the rate prescribed in the SOR of Major Port Trusts. The lease new for Zone-IXA which is proposed to be allotted by the VPT is ₹ 78.00 per sq. yard per annum for the quinquennium 2003-08 as per the order no. TAMP/41/2005-VPT approved by the Authority on 22 April 2008. The lease rent approved by the Authority is subject to annual escalation	The existing lease rentals with 2% escalation on the TAMP's approved lease rentals for the quinquennium 2003-2008 has been considered as detailed below: <table border="1"> <thead> <tr> <th>Year</th> <th>Rate per sq. yard</th> </tr> </thead> <tbody> <tr> <td>2003-04</td> <td>78.00</td> </tr> <tr> <td>2004-05</td> <td>79.56</td> </tr> <tr> <td>2005-06</td> <td>81.15</td> </tr> <tr> <td>2006-07</td> <td>82.77</td> </tr> <tr> <td>2007-08</td> <td>84.43</td> </tr> <tr> <td>2008-09</td> <td>83.12</td> </tr> <tr> <td>2009-10</td> <td>87.84</td> </tr> <tr> <td>2010-11</td> <td>89.60</td> </tr> </tbody> </table>	Year	Rate per sq. yard	2003-04	78.00	2004-05	79.56	2005-06	81.15	2006-07	82.77	2007-08	84.43	2008-09	83.12	2009-10	87.84	2010-11	89.60
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	<p>prescribed in the Schedule of the Rates. The reasons and the basis of considering the market value of land for the year 2010-11 and 6% thereof for estimating the lease rental is not clear as the lease rental for this zone is already prescribed in the said Order. The VPT has been alerted on various occasions that its lease rentals are due for revision. But the port has not filed any proposal. The reasons why the existing lease rentals with 2% annual escalation may not be considered in the calculations, as was done in other upfront tariff cases of VPT may be explained.</p>	<p>This works out to ₹ 107.17 per sq. m (₹ 89.60 per sq. yard x 1.196 (conversion) = ₹ 107.17 per sq. mtr.) Hence no deviation.</p>																		
(iv).	<p>The concessional rate for entitled coastal cargo / vessel is prescribed at 60% of the rate for normal cargo in respect of berth hire and handling rate in the proposed Scale of Rates. The revenue model considered for arriving at the upfront tariff, however, does not reckon with this factor. Incidentally the VPT had assumed 10% coastal cargo and 90% foreign cargo in its earlier proposal for fixation of upfront tariff for dry bulk cargo at VPT. The port may, therefore, examine the ratio of foreign and coastal cargo, if any, expected to be handled at the cargo terminal for arriving at the handling rate and berth hire to ensure that the estimated revenue requirement can be achieved by the BOT operator at the proposed tariff level. The ratio of foreign and coastal cargo considered in the calculation of upfront tariff may be furnished explaining the basis of the ratio adopted.</p>	<p>The proposal has been modified keeping in view TAMP's observations and the revised proposal is enclosed. The basis for arriving foreign/ coastal ratio is as per traffic handled for the last two years i.e. 2008-09 and 2009-10 which is as follows:</p> <table border="1"> <thead> <tr> <th>Cargo</th> <th>Foreign</th> <th>Coastal</th> </tr> </thead> <tbody> <tr> <td>Bauxite</td> <td>--</td> <td>100%</td> </tr> <tr> <td>Gypsum</td> <td>100%</td> <td>--</td> </tr> <tr> <td>Other dry bulk (other than coal, coke & finished fertilizers)</td> <td>70%</td> <td>30%</td> </tr> <tr> <td>Ores (other than iron ore)</td> <td>100%</td> <td>--</td> </tr> <tr> <td>Overall considered for berth hire</td> <td>48%</td> <td>52%</td> </tr> </tbody> </table>	Cargo	Foreign	Coastal	Bauxite	--	100%	Gypsum	100%	--	Other dry bulk (other than coal, coke & finished fertilizers)	70%	30%	Ores (other than iron ore)	100%	--	Overall considered for berth hire	48%	52%
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(v).	<p>(a). The number of free days prescribed in the guidelines is 5 days for import cargo and 15 days for export. As against the above position, the port has in the proposal proposed a uniform free period of 5 days for both import and export cargo. Specific reasons for deviations from the guidelines may be explained.</p>	<p>As per TAMP guidelines for import cargo, a free period of 5 days has been considered, since the cargo items envisaged in the proposal are import cargo.</p>																		
	<p>(b). The actual average dwell time of import / export dry bulk cargo at VPT in the last two years may be furnished with reference to the cargo proposed to be handled at the terminal.</p>	<p>The dwell time of the proposed cargoes is varying between 5 and 15 days depending upon the evacuation/logistic availability. Hence, an average of 10 days is considered.</p>																		
(vi).	<p>Berth hire calculation : In the berth hire calculation, the VPT has assumed parcel size of vessels at 30000 GRT and 50000 GRT. However the handling rate for both the vessel size are assumed at the same level. The handling rate for a higher capacity vessel is higher as per the handling rates prescribed in the guidelines for dry bulk cargo. The VPT may review the handling rate assumed in the berth hire calculation and optimal capacity.</p>	<p>10000 TPD considered is as per guidelines prescribed for multi purpose terminal for coal, limestone, minerals etc. irrespective of vessel size as per Table-I of Annexure-V. As the proposed cargoes fall under this category, a single handling rate is considered. Also, due to deployment of HMCs with mechanized cargo transfer system, a higher output rate of 18000 TPD has been considered.</p>																		

5.2. While furnishing its reply, the VPT has furnished revised calculation wherein it has made the following main modifications:

- (i). Earlier, the VPT had proposed the use of 3 nos. of loaders. In the revised proposal, the VPT has proposed the use of 4 nos. of loaders. However, the VPT has not effected any change in the capital cost estimates of 4 nos. of loaders which is maintained at ₹ 135.95 lakhs. Consequent to increase in the number of front end loaders, the operating cost estimate on account of fuel is increased. The VPT has subsequently vide letter dated 10 June 2011 confirmed that cost of 4 nos. of front end loaders is correctly considered in the latest proposal vide its letter dated 9 May 2011.
- (ii). The revised annual revenue requirement estimated by the VPT is given hereunder:

		(₹ in lakhs)
A.	For Handling Activity:	
	(i). Operating cost	3645.26
	(ii). ROCE @ 16%	2570.48
	Total	6215.74
B.	For Berth Hire (as in the original proposal):	
	(i). Operating cost	367.86
	(ii). ROCE @ 16%	1102.19
	Total	1407.05

- (iii). In the original proposal, uniform handling charge was proposed for all the cargo items by dividing the estimated annual revenue requirement from handling activity over the optimal capacity assessed for the terminal. However, with reference to our query seeking the details of the share of foreign and coastal cargo, the VPT has adjusted handling charge by taking into account the foreign and coastal cargo for each cargo items. Gypsum and other ores are assumed to be 100% foreign cargo, Bauxite is assumed to be 100% coastal cargo, and as regards other dry bulk it has assumed 70% to be foreign and 30% coastal cargo. For arriving at the berth hire charges, it has considered overall foreign/ coastal cargo share of 48% and 52% respectively.
- (iv). In view of the above modifications in the parameters, the rates proposed earlier by VPT have been revised. A comparison of the rates proposed by VPT in its original proposal of March 2011 and the rates proposed by VPT now in its revised proposal of 7 May 2011 are given below:

- (a). Berth hire

(Rate per GRT per hour or part thereof)

Rate proposed by VPT in its proposal of March 2011		Rate proposed by VPT in its revised proposal of May 2011	
Foreign-going vessel (in ₹)	Coastal vessel (in ₹)	Foreign-going vessel (in ₹)	Coastal vessel (in ₹)
1.16	0.696	1.46	0.876

- (b). Cargo handling charges:

(Rate per metric tonne)

Commodity	Rate proposed by VPT in its proposal of March 2011		Rate proposed by VPT in its revised proposal of May 2011	
	Foreign (in ₹)	Coastal (in ₹)	Foreign (in ₹)	Coastal (in ₹)
Bauxite	129.14	77.48	216.30	129.78
Gypsum	129.14	77.48	129.72	77.83
Other Dry bulk (excluding all types of coal & coke)	129.14	77.48	147.34	88.40
Ores (other than iron ore)	129.14	77.48	129.72	77.83

(c). Storage charges:

(Rate in ₹ per tonne per day or part thereof)

Description	Rate proposed by VPT in its proposal of March 2011	Rate proposed by VPT in its revised proposal of May 2011
Free days	5 days	5 days
1 st 5 days after expiry of free period	2.34	2.35
6 th to 10 th day after expiry of free period	3.51	3.53
Beyond 10 th day	4.68	4.70

(d). Miscellaneous charges:

Description	Rate proposed by VPT in its proposal of March 2011	Rate proposed by VPT in its revised proposal of May 2011
Miscellaneous charges	2.70	2.70

6.1. A joint hearing in this case was held on 11 May 2011 at the Visakhapatnam Port Trust (VPT) premises. The VPT made a power point presentation of its proposal. At the joint hearing, the VPT and the concerned users/ organisation bodies have made their submissions.

6.2. At the joint hearing, certain observations on the proposal was conveyed and the port was asked to clarify the same. The VPT was also requested to rework its proposal and furnish a revised proposal by 26 May 2011 and circulate its revised proposal to the concerned users / bidders advising them to furnish their comments within one week to TAMP and VPT.

6.3. The VPT under cover of its letter dated 20 May 2011 has furnished the requisite information / clarifications along with a copy of the Techno Feasibility Report of May 2011. The points raised at the joint hearing and the response of VPT are summarised below:

Sl. No.	Queries raised by us	Response from VPT
(i).	VPT has in the recent past filed a number of proposals for development handling facilities for different commodities under PPP mode. In this backdrop, the VPT is requested to examine whether the commodities proposed to be handled as per the proposal under consideration cannot be accommodated in any of the existing facilities or the facilities already proposed for development under PPP mode.	<p>(a). The berth WQ-7 for which the proposal for fixation of upfront tariff for import of dry bulk cargoes viz. Bauxite, Gypsum, other dry bulk (excluding coal, coke and finished fertilizers) and ores (other than iron ore) are envisaged is not a new berth. The berth was made operational in the year 2004 and was decommissioned on 23.2.2007 due to distress caused and it was not feasible to carry out cargo handling operations. When the Ministry was approached for approval for special repairs to the berth, Ministry advised to develop the berth on PPP mode (DBFOT basis). Therefore, the idea of trying to adjust cargoes for other berths may not be appropriate.</p> <p>(b). In view of long term directions issued by Andhra Pradesh Pollution Control Board (APPCB), VPT shall phase out conventional handling of bulk cargo to adopt best practices for improving the environment by providing integrated mechanized handling facilities, hence the present proposal for development of berth with mechanized facilities for handling of various dry bulk cargoes is considered.</p> <p>(c). Apart from above, the VPT has made further submissions in support of its claim that the cargo proposed to be handled at WQ-7 cannot be accommodated at any other existing facility or facility proposed under PPP mode which is brought out under para 6.4. below.</p>

(ii).	<p>It is observed that the proposal has been formulated with an objective of catering to the traffic projections and not based on the capacities of the facilities to be created. Even, the traffic projections considered are short term. The port is requested to assess the capacity as per the guidelines which cannot be restricted only by the current traffic availability. If it becomes absolutely necessary to consider the traffic projections, then the port may take into account the long term projections and more importantly the projections considered in the Maritime Agenda.</p>	<p>The traffic projections as per Maritime Agenda for other cargo (excluding iron ore, coal, fertilizers, POL and containers) is 12.39 MT of which the projection of other dry bulk cargo is 8.40 MT by 2014-15.</p> <p>(a). 8.40 MT includes the existing traffic of gypsum and manganese ore being handled by M/s VSPL (1.5 MT) and CP coke and LAM coke (1.1 MT) are proposed to be handled at already awarded WQ-6 berth and other exports of 1.5 MT.</p> <p>(b). Remaining projection will be on account of proposed cargoes like bauxite, gypsum, import ores and other dry bulk. As per Maritime Agenda, these projections by 2019-20 will be 4.70 MT resulting in optimum utilization of the proposed berth. Hence, enhancing the capacity will lead to underutilization of the berth thereby operator may not realize revenue requirement. It naturally results in offering less revenue share to the Port in the bid and bidders may not participate if it is not viable. The details of traffic projections for other dry bulk cargoes as per Maritime Agenda-2010-20 are enclosed.</p>												
(iii).	<p>At some of the existing facilities of VPT, 100 tonnes Mobile Harbour Crane is already in operation. The reasons for considering deployment of only 60 tonnes Mobile Harbour Crane is, therefore, not clear. The VPT is requested to have a re-look at its proposal with the operation of deploying higher capacity Mobile Harbour Crane, as agreed at the joint hearing.</p>	<p>The proposal has been examined and it is considered that 2 nos. 60 T HMCs with mechanized handling facilities can create a capacity of 4.60 MT which can meet the projection of aforesaid cargoes by 2019-20 as explained below:</p> <table border="0"> <tr> <td>Designed capacity of HMC</td> <td>: 60 T</td> </tr> <tr> <td>Net lifting capacity of</td> <td>: 35 T</td> </tr> <tr> <td>Efficiency factor</td> <td>: 60%</td> </tr> <tr> <td>No. of cycles</td> <td>: 18*</td> </tr> <tr> <td>No. of hours</td> <td>: 24 hrs.</td> </tr> <tr> <td>No. of HMCs</td> <td>: 2 nos.</td> </tr> </table> <p>35 T x 18 cycles x 0.60 x 24 x 2 nos. = 18,144 or say 18000 TPD</p> <p>* The cargoes proposed in the present proposal are heterogeneous with a mix of slow/fast moving cargoes. Hence 18 cycles per hour is considered resulting 9000 TPD per crane.</p> <p>0.7 x 18,000 TPD x 365 days = 45,99,000 tonnes or say 4.60 MTPA</p> <p>This capacity for the <u>particular berth</u> is considered sufficient as the inner harbour even after deepening to (-) 16 mtrs. depth, can accommodate Panamax vessels. The share of Handymax vessels in respect of proposed cargoes will be considerably more than the share of Panamax vessels as the cargoes proposed are likely to be moved in small parcels.</p>	Designed capacity of HMC	: 60 T	Net lifting capacity of	: 35 T	Efficiency factor	: 60%	No. of cycles	: 18*	No. of hours	: 24 hrs.	No. of HMCs	: 2 nos.
Designed capacity of HMC	: 60 T													
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No. of cycles	: 18*													
No. of hours	: 24 hrs.													
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(iv).	<p>Lease rentals considered in the calculation are found to be based on the rates which are relevant for the period 2003-2008. Resetting of lease rentals after 2008 has not taken place as the port has not filed its proposal to this effect duly following the Government guidelines. The VPT is requested to launch such an exercise</p>	<p>As far as lease rentals are concerned, the District Registrar has already notified the basic valuations in respect of VPT lands in different zones for the quinquennium 2008-13 and submitted to the District Collector vide Ir. No. G4/140/2010, dt. 4.12.2010. A copy of which was also forwarded to VPT (copy enclosed for ready reference) and the formal proposal to TAMP for approval is under process.</p>												

	immediately and consider the revised lease rentals for calculation of upfront tariff in the case in reference.	<p>As per the notified rates by DRA, the lease rentals for sqm. is ₹107.17 as furnished hereunder :</p> <p>Basic value of land per acre : ₹ 70,80,920 Rental value per acre @ 6% : ₹ 4,24,855 Rent per Sq. yard : ₹ 87.78 Rent per sqm as on 12/2010. : ₹ 105.07 Rent per sqm. for 2011-12 : ₹ 107.17</p> <p>Hence, rate adopted towards license fee is in accordance with DRA rates.</p>
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6.4. The other submissions made by VPT with reference to the points discussed at the joint hearing are as follows:

- (i). At present, there are 14 multi-commodity berths at inner harbour (9 crane berths on EQ side and 5 non-cranes berths at WQ side). However, 2 HMCs of 104 T capacity have been provided (on hire basis) at West Quay berths. The inner harbour can accommodate 11 mtrs. draft vessels at present and after completion of the proposed deepening to (-) 14 mtrs. and (-)16 mtrs., vessels of draft 12.5/14 mtrs. respectively can be accommodated at these berths by 2013-14.

The status and utilization of aforesaid 14 multi-commodity berths of inner harbour during the year 2010-11 is furnished hereunder:

Berth East Side	Utilization in 2010-11		% utilization	Status/Remarks
	Norm	Occupancy		
EQ-1 & EQ-2	EQ1: 250 EQ-2: 250	334 310	134 124	- EQ-1 berth and part of EQ-2 berth which are constructed in 1933 have completed 78 years and outlived the economic life of the berth. - EQ-1 berth and part of EQ-2 berth are proposed to be developed as one berth i.e. EQ-1 on DBFOT basis for which concession agreement will be signed in May 2011.
EQ-3 EQ-4	EQ-3: 250 EQ-4: 250	302 329	121 132	EQ-3 berth was constructed in 1933 and hence more than 78 years old. EQ-4 berth was constructed in 1955 and completed its economic life of 50 years. In view of this, there are proposals to revamp these berths enabling to accommodate panamax vessels.
EQ-5 EQ-6	EQ-5: 250 EQ-6: 250	149 186 (These 2 berths were decommissioned for strengthening works during 2010-11 for the break bulk cargoes)	60 74	After allotment of EQ1 and EQ2 berths to BOT operator on BOT basis, the cargoes handled as of now at EQ1 & EQ2 berths have to be accommodated at EQ-5/EQ-6 and at the proposed WQ-7 & WQ-8 berth in future.
EQ-7	250	331	132	This berth is for installation of mechanized handling facilities for handling finished fertilizers under DBFOT was approved by Ministry.
EQ-8 & EQ-9	EQ-8: 250 EQ-9: 250	249 278	100 111	These berth are operated by M/s VSPL on BOT basis.
<i>West Side</i>				
WQ-1 WQ-2	WQ1: 250 WQ2: 250	115 241 (De-commissioned due to strengthening measures)	46 96	WQ-1 berth and part of WQ-2 berth are proposed to be developed on DBFOT basis for handling of iron ore at Inner harbour. TAMP also approved upfront tariff for iron ore.
WQ-3 WQ-4 WQ-5	WQ-3: 250 WQ-4: 250 WQ-5: 250	326 316 317	130 126 127	WQ-3 & WQ-4 were constructed in 1965. Deepening of inner harbour has been taken up to accommodate 14 mtrs. draft vessels. In view of the deepening, there is a requirement of strengthening these berths to accommodate 12.5 mtrs. draft vessels only. However, the possibility of strengthening to accommodate 14 mtrs. draft vessels has been taken up with IIT, Chennai. The cargoes presently handled at WQ1/WQ2 berths have to be handled at these berths (WQ3 & WQ4) after awarding to BOT operator.

- (ii). The existing Eastern Quay berths in the Inner Harbour, constructed during the 1933-55 period are of Gravity type Stone Masonry Lined Concrete Monolith structures, which are about 9.0 m wide, founded at about (-) 13.50 m and designed for a dredged depth of (-)9.50 m. Also, the structural capacity of these berths is limited to relatively lesser live loads of 3 tonnes per sq.m, as well as lesser crane capacities of 3.0 to 6.0 tonnes. Keeping in view the present need of higher dredge depths to cater to 14.0m draft Panamax Vessels as well as requirement to handle higher capacity equipment such as Harbour Mobile Cranes / Gantry Cranes / Ship Loaders, requiring a load bearing capacity up-to 30 tonnes per sq.m, planned, any strengthening to the existing berths is not possible to meet the present needs as aforesaid. Hence such construction is proposed to cater to 14 m draft vessels, with sufficient deck space, higher live load carrying capacity as well as higher crane carrying capacities of the present day, as well as future requirement, duly replacing the existing structures. The replacement of EQ1 to EQ4 berths also envisages increase in the channel width in the Northern Arm to enable Navigation of higher draft vessels.

The length of EQ1 to EQ3 berths is 167.64m each and EQ4 is 231.0m (total 733.92m), can only accommodate vessels upto 150m LOA. To cater to higher draft vessels viz., Panamax vessels, with LOA upto 230m, these berths need to be reconstructed with 280m length each.

- (iii). In addition to the above, since some of the existing berths like EQ-1, part of EQ-2, EQ-7/WQ-1 and part of WQ-2 are being allotted to BOT operators for development of berths on BOT basis, the traffic presently handled at these berths will have to be handled at EQ-5, EQ-6 and WQ-3 to WQ-5 berths.
- (iv). In addition to this, it is also brought to the notice of TAMP that VPT handled that 68.04 MT of cargo in 2010-11 as against the Port capacity of 62.27 MT with the existing infrastructure as assessed by Ministry as on 31.3.2010.
- (v). As seen from the above, the utilization of all multi commodity berths is much above the prescribed norm of 75% i.e. ranging between 100% and 134%. As such, the projected traffic cannot be accommodated at the existing multi commodity berths. As such, there is a requirement of development of additional berth with mechanized handling facilities to meet 103 MT of projection by 2019-20 in the Maritime Agenda.
- (vi). As per Maritime Agenda, the capacity creation in ports should be in excess of 30% of actual traffic over a period of time which enables pre-berthing detention on account of port to be almost "zero". The traffic projections as per Maritime Agenda (2010-2020) by the end of 2014-15 is 75.85 MT and to meet this requirement, the capacity augmentation shall be 109 MT through commissioning of BOT berths.
- (vii). In accordance with the Government Policy for development the berths with mechanised facilities through PPP, VPT already awarded 4 berths in inner harbour i.e. WQ-6, EQ-10, EQ-1 and EQ-1A and 2 more berths shall be awarded in 2011-12 on DBFOT basis which are allotted for specific cargoes viz. liquid bulk, coal, coke, fertilizers, iron ore etc. and hence the cargoes proposed for WQ-7 berth can not be accommodated at the already awarded/being awarded berths on DBFOT basis.
- (viii). The port has also taken up development of full siding facilities and re-organization of stacking areas to cater to the requirement of increasing traffic and for faster evacuation.

7. As agreed at the joint hearing, the VPT has reportedly forwarded the revised proposal to all the users / user organisations and all prospective bidders vide its email dated 20 May 2011. The revised proposal forwarded by the VPT is same as the one filed by it earlier vide its letter dated 7 May 2011.

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 will also be made available at our website <http://tariffauthority.gov.in>.

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

- (i). This Authority had passed an Order on 19 April 2010 fixing upfront tariff for handling Alumina and other bulk cargo at berth nos.WQ7 and WQ8 based on the proposal filed by the port. As has been brought out earlier, in view of lack of response in the bidding process and the reported change in policy relating to alumina handling, the Visakhapatnam Port Trust (VPT), based on the directions received from the Ministry of Shipping, has filed the instant proposal reformulating the cargo profile and the equipment profile and other parameters as well. Since the VPT has now sought approval of upfront tariff for berth No.7 based on the reformulated proposal, the upfront tariff earlier approved vide Order No.TAMP/51/2009-VPT dated 19 April 2010 is cancelled.
- (ii). The VPT was requested to examine whether the cargo proposed to be handled at berth No.WQ7 could be accommodated at the existing facilities or the various facilities proposed for development under PPP mode. The VPT has furnished various details and confirmed that cargo proposed to be handled at WQ7 cannot be accommodated at the existing berths of VPT or the berth already awarded/ to be awarded on PPP mode and hence has sought approval of the upfront tariff for the proposed facility.

As per Clause 2.2. of the guidelines of February 2008 for upfront tariff setting for PPP Projects at the Major Ports, the upfront tariff caps prescribed would be applicable to all the projects to be bid out for handling of bauxite, gypsum, other dry bulk excluding all types of coal and coke and ores other than iron ore at the Visakhapatnam Port Trust during the next five years. It is noteworthy that the VPT is well aware of this position.

The VPT has filed a revised proposal dated 20 May 2011. The revised proposal filed by the VPT dated 20 May 2011 along with the information/ clarifications furnished during the processing of the case are considered in this analysis.

- (iii). The reformulated proposal filed by the port envisages handling of bauxite, gypsum, other dry bulk and ores other than iron ore by mechanised means from ship to stack yard for which mobile hoppers integrated with conveyor system to transfer the cargo to stack yard and a stacker to stack the cargo is proposed. The upfront tariff guidelines of 2008 do not prescribe any separate norms for handling the multipurpose dry bulk cargo by mechanised means as envisaged by the port. In the absence of specific norms, the port has stated that equipment such as mobile hoppers, conveyor system, stacker etc. have been considered borrowing the norms prescribed in the guidelines for coal terminal to the extent relevant. The port has proposed 2 Harbour Mobile Crane each of 60 tonne capacity for the proposed terminal as against 2 ship loaders prescribed in the guidelines for coal terminal. The handling rates assumed in the optimal capacity calculation are reportedly based on an independent assessment made by the port. The operating cost is estimated adopting the norms prescribed for multipurpose berth to the extent relevant and power consumption is estimated following norms prescribed for coal terminal with some moderation.
- (iv). Clause 3.3.2. of the tariff guidelines of 2008 for fixation of upfront tariff stipulates that the upfront tariff should be determined with reference to the capacity of the terminal irrespective of the traffic forecast. The proposal of the VPT appeared to have been formulated with an objective of catering to the traffic projections and not based on the capacities of the facilities to be created. The port was, therefore, requested to assess the capacity as per the guidelines and not restrict it to the current traffic availability.

The port has maintained the optimal capacity was estimated in its original proposal at 4.599 Million Tonnes Per Annum (MTPA). It has submitted that the traffic projections of other dry bulk cargo is 8.40 MTPA by 2014-15 as per the Maritime Agenda which includes 4.1 MTPA already handled by the port, Vizag Seaport Private Limited and the cargo to be handled by another BOT operator at WQ6. The remaining cargo projection of 4.7 MTPA is expected to be handled at berth no.WQ7 as per the projections in the Maritime Agenda resulting in optimum capacity utilization of the proposed facility. The port has stated that enhancing the capacity will lead to underutilization of the berth thereby operator may not realize revenue requirement and result in offering less revenue share to the Port or no participation if it is not viable. This Authority does not endorse the views of the VPT of restricting the optimal capacity to obtain higher upfront tariff with an intention to optimise its revenue share. The exercise before this Authority is to determine reasonable upfront tariff for users and from the point of view of the operator he should be able to meet the estimated revenue requirement at the optimal capacity level.

The point made by the IVRCL to consider revenue share payable to the landlord port in the fixation of upfront tariff is not in line with Clause 3.5.5. of the upfront tariff guidelines as rightly clarified by the VPT also.

- (v). The VPT has proposed deployment of 2 numbers of 60 tonne capacity harbour mobile crane. At some of the existing facilities at the West Quay and other berths, Mobile Harbour Crane of 100 tonnes capacity are already put into operation by the port. Major Port Trusts such as Paradip Port Trust, VO Chidambaranar Port Trust and New Mangalore Port Trust have also proposed deployment of HMC of around 100 Tonne capacity for cargo handling operation. It is notable that for the other multipurpose cargo terminal at WQ-6, the VPT had proposed two numbers of 60 T HMC which was approved by this Authority vide Order No.TAMP/39/2008-VPT dated 12 February 2009.

The proposal of the VPT did not explain the reasons for not considering higher capacity HMC for the proposed terminal which can lead to achieving higher productivity and thereby increase the capacity of the terminal. It is to be borne in mind that a user is not concerned with the capacity of the equipment deployed but pays for the services to be provided at the stated level of efficiency. The VPT was, therefore, advised to re-look at its proposal with deployment of higher capacity Mobile Harbour Crane.

The VPT has maintained that 2 nos. of 60 T HMCs with mechanized handling facilities can create a capacity of 4.60 (Million Tonnes Per Annum) MTPA, which is considered sufficient. According to VPT, the inner harbour even after deepening to 16 mtrs. depth, can accommodate Panamax vessels and the share of Handymax vessels in respect of proposed cargoes is expected to be considerably more than the share of Panamax vessels as the cargo proposed at the terminal are likely to be move in small parcels. It is noteworthy that VPT has not ruled out the possibilities of deployment of higher capacity cranes for any technical reasons but only on account of traffic limitations.

Relying on the strong assertion made by VPT, its proposal to deploy 60 T HMC is considered in the analysis subject to the condition that the upfront tariff so determined will hold good for operations with 2 nos. of 60 Tonne HMC and not for higher capacity of HMC. If higher capacity cranes are deployed, the tariff will have to be reviewed.

- (vi). Optimal Terminal Capacity:

- (a). Optimal quay capacity of the terminal assessed by the port is 4.599 Million Tonnes Per Annum (MTPA). The share of bauxite, gypsum, other bulk cargo and ores other than iron ore is estimated at 47%, 30%, 16% and 7% respectively. The share of cargo capacity assumed by the VPT is

reportedly based on the present traffic trend and also takes into consideration the developments in the hinterland and user requirements, is relied upon.

- (b). The handling norms prescribed in the upfront tariff guidelines for dry bulk cargo such as coal, lime stone, minerals, etc., is 10,000 tonnes per day, which is with reference to deployment of three numbers of 20 tonne capacity of level luffing cranes.

The handling rates for all dry bulk cargo is proposed to be at 18000 tonnes per day for two HMC of 60 T capacity i.e. 9000 tonnes per day per HMC. It may be relevant here to recall that in the earlier proposal filed by the port for fixation of upfront tariff for WQ7, the handling rate for Gypsum, Caustic Soda and other dry bulk cargo other than alumina was taken at 12600 tonnes per day per HMC of 60 tonnes capacity.

When sought justification for scaling down the handling rate for the same capacity of HMC (60 tonnes) to 9000 tonnes per day per HMC as against 12600 tonnes/ day assumed earlier, the port has explained that the cargo proposed in the present proposal are heterogeneous with a mix of slow/ fast moving cargoes and hence 18 cycles per hour is considered as against 25 cycles per hour assumed earlier.

IVRCL Limited is of the view that 18 cycles per hour considered by the VPT to arrive at the output rate of 18000 tonnes per day by two HMC may not be achievable. They have suggested to reckon 12 to 15 cycles per hour. The VPT has clarified 18 cycles/ hour considered by them is reasonable.

The VPT has furnished the handling rate achieved by the Vizag Seaport Limited is 12638 to 14882 tonnes per day in respect of gypsum, 7885 to 10457 tonnes per day for manganese ore which is with reference to 104 tonne HMC. The average output achieved by the port is reported in the range of 5000 to 9000 tonnes per day in the last two years for handling gypsum, bauxite and ores.

There have been series of proposals filed by various port trusts for fixation of hire charge for HMC. The matter relating to handling rate was examined while approving the hire charge for standard capacity of 100 tonne capacity HMC in the Paradip Port Trust. Considering the higher handling capacity of 100 T HMC as compared to the aggregate capacity of the wharf cranes prescribed in the 2008 guidelines, and based on the performance of 100 tonnes capacity HMC reportedly operated in PPT for bulk cargo was considered at 12500 tonnes per day i.e. 25% over the handling rate prescribed in the guidelines. The handling rate of 12500 Tonnes per day per 100 T HMC has been applied in the cases pertaining to NMPT, VPT and upfront tariff determination for mechanization of berth involving deployment of HMC at the VOCPT.

The instant proposal of the VPT envisages deployment of 2 HMC of 60 Tonne capacity. The capacity of single HMC of 60 Tonne capacity proposed by the port matches with the aggregate capacity of the three level luffing crane of 20 T each prescribed in the guidelines for multipurpose cargo terminal for which the handling norm prescribed in the guidelines is 10000 tonnes per day for handling dry bulk cargo. Since the VPT proposed two HMC of 60 Tonne capacity each, the handling rate is considered at 20000 tonnes per day as per the handling norms prescribed in the guidelines as against 18000 tonnes / day assumed by the VPT.

- (c). Based on the handling rate of 20000 tonnes per day for 2 HMC and share of commodities assumed by the VPT, the optimal quay capacity of the terminal works out to 5110000 tonnes per Annum i.e. 5.11 Million Tonne per Annum (MTPA) as against 4.599 MTPA assessed by the VPT.

(vii). Capital Cost:

- (a). The capital cost estimated by the VPT in the revised proposal is ₹ 229.54 crores of which ₹ 68.89 crores is for berthing activity and ₹ 160.65 crores is estimated for cargo handling services.

The items of civil works estimated by the VPT follow the broad indicative list prescribed in the guidelines for the coal terminal.

The estimated capital cost of berth includes ₹ 46.32 crores towards construction of the berth, ₹ 15.61 crores for dredging and ₹ 6.95 crores for slope protection. The port has confirmed that capital cost for slope protection, forms part of the berthing structure. The upfront tariff guidelines require to rely on the estimates of the civil cost made by the port.

- (b). Apart from 2 HMC, the port has considered conveyor, 2 numbers of mobile hoppers, one stacker, 4 numbers of front end loaders and conveyor system to enable transfer of cargo through mechanised means from ship to stack yard. Equipment such as mobile hoppers, conveyor system, stacker etc., are stated to have been considered adopting the broad norms prescribed in the guidelines for coal terminal to the extent they are compatible to the current proposal. The port has confirmed that one stacker is sufficient for the proposed terminal as against two stacker prescribed for coal terminal. The VPT in the upfront tariff proposal for handling coking and steam coal at General Cargo Berth had proposed three numbers of hoppers instead of the prescribed norm of two cranes which was allowed. Since no specific norms are prescribed in the guidelines for the facility envisaged by the port, the equipment profile considered by the VPT following the relevant norms prescribed for coal terminals and the other equipment like mobile hopper supported by the Techno Feasibility Report is relied upon. It is relevant to mention that none of the users/ bidders have made any pointed objection on the civil work and equipment proposed by the VPT. The equipment profile proposed by the port is, therefore, considered subject to modification in the number of front end loaders for reasons explained in the subsequent paragraph.

- (c). The guidelines stipulate 3 pay loaders for a multipurpose cargo terminal where other dry bulk cargo are expected to be handled. In the initial proposal, port envisaged deployment of 3 front end loaders and considered the capital cost for this item at ₹ 135.95 lakhs. In the revised proposal, the port has proposed one additional front end loaders and stated that the capital cost considered in its original proposal was for four number of front end loaders.

The upfront tariff guidelines for multipurpose cargo terminal prescribe the norm of 3 pay loaders. It is relevant to mention that the upfront tariff fixed by this Authority vide our Order No.TAMP/39/2008-VPT dated 18 February 2009 for multipurpose cargo terminal recognised only two front end loaders as proposed by the port. Even in the earlier exercise of upfront tariff determination for WQ7 and WQ8, this Authority had allowed three front end loaders as per norms as against four numbers proposed by the VPT. The port has not furnished any justification for considering an additional front end loader by deviating from the norms. In this analysis, deployment of 3 nos. of front end loaders is, therefore, considered as per norms.

Since the capital cost of ₹ 135.95 lakhs estimated by VPT is stated to be for four front end loaders, it is modified and considered at ₹ 101.96 lakhs for three front end loader.

- (d). The VPT has estimated the capital cost of two HMC of 60 T at ₹ 56.05 crores i.e. ₹ 28.02 crores per HMC. Though the port has claimed that it has furnished documentary evidence for the estimation of capital cost, the capital cost for HMC is not supported by any documentary evidence.

It is notable that in case of steam coal terminal proposed at berth EQ1 in April 2010, the VPT had estimated capital cost of 100 T HMC at ₹ 29.46 crores. The port proposes to deploy a lesser capacity HMC of 60 T at WQ 7 facility but the capital cost is estimated at the level estimated for 100 Tonne HMC.

In this context, it is relevant to state that the Kandla Port Trust (KPT) has recently filed a proposal for fixation of upfront tariff for mechanisation of handling facilities wherein the capital cost of a 60 tonne HMC is estimated at ₹ 20.15 crores based on the average rate quoted by various manufacturers. In the another proposal for fixation of 60 T HMC owned and operated by the port itself, the KPT has already placed order for procurement of 2 HMC of 60 T each in August 2010 at the cost of ₹ 13.87 crores per HMC.

When the price at which another Major Port Trust has recently purchased a 60 MT HMC is available, there does not appear to be any reason for relying only on budgetary quotations, which are also incidentally not filed by VPT to support its estimates.

The capital cost of HMC of 60 Tonne capacity is considered at ₹ 14.57 crores based on the actual cost of HMC procured by the KPT in the August 2010 and applying an adhoc escalation of 5% thereon to arrive at 2011 cost of the HMC. The capital cost of one HMC in the upfront tariff proposal is also considered at ₹ 14.57 crores as against ₹ 20.15 crores estimated by KPT. The capital cost of two HMC is considered at ₹ 29.14 crores as against ₹ 56.05 crores estimated by the VPT.

- (e). IVRCL Limited has suggested to take into account 8 to 10% annual escalation on account of inflation and price escalation as the project would be implemented over a period after signing the concession agreement. It is relevant to mention that the capital cost estimations are based on the prevailing rate of February 2011 as reported by the VPT. As per the upfront tariff guidelines, annual escalation is provided in the upfront tariff cap approved by this Authority @ 60% of the WPI with reference to the WPI of January 2011.
- (f). The miscellaneous capital cost is estimated at 5% on civil and equipment cost which is as per the norms prescribed in the guidelines for multipurpose cargo terminal as well as other cargo terminals.
- (g). The VPT has furnished rate analysis pertaining to the earlier PPP Projects to justify the capital cost estimates considered for the instant proposal. Since no correlation could be drawn with capital cost considered in the upfront tariff calculation and the rate analysis sheet and the documents provided, the VPT was requested to forward relevant supporting documents/ calculation/ rate analysis/ budgetary quotations, market rates to justify the estimates.

The VPT has clarified that the capital cost of mobile hopper, front end loader are considered as allowed in the other upfront tariff fixation cases of the VPT with 5% escalation in the capital cost of mobile hopper where

the base rate was of 2009. It has again furnished supporting documents/ calculation/ rate analysis/ budgetary quotations market rates justifying the estimates and have also forwarded Techno Feasibility Report in support of the capital cost estimates considered in the upfront tariff calculation. The Feasibility Report confirms that the capital cost estimates are prepared based on rates prevailing as on February 2011.

The civil and equipment cost estimates prepared by the port are with a provision for contingencies to take care of any requirement which is not envisaged in the estimates, works contract tax and supervision cost. The capital cost estimated by the port is considered subject to the modification in the capital cost of front end loader and the capital cost of Harbour Mobile Crane as explained above. The modified total capital cost is ₹ 20092.64 lakhs as against ₹ 22954.17 lakhs estimated by the VPT.

(viii). Return on capital employed is calculated at 16% of the estimated capital cost as per the norms prescribed in the guidelines.

(ix). Operating Cost:

(a). The guidelines for coal terminal prescribe power consumption norm of 1.4 units per tonne which is for a fully integrated mechanised system operating on electric power. The proposal envisages conveyor system, hoppers and one stacker instead of two stackers for the coal terminal and quayside handling is different from the coal terminal to the extent it does not include 2 ship loaders (instead 2 HMC which is fuel driven is proposed), 2 reclaimers and, 2 wagon tippers. The port has, therefore, assumed 50% of power consumption norm prescribed in the guidelines for coal terminal i.e. 0.7 units per tonne. It has separately estimated fuel cost for HMC which is analysed separately. The power consumption considered by the VPT applying 50% of the consumption norm prescribed in the guidelines is not supported by any independent analysis done by the port. However, the aggregate of power and fuel cost taken together subject to the modification made in our analysis do not exceed the power cost computed applying the norm of 1.4 units per tonne prescribed for the fully mechanised coal terminal.

The unit cost of power considered by the VPT in the instant proposal is ₹ 6.50 in support of which the VPT has forwarded relevant extract of the unit rate of power charged by the Eastern Power Distribution Company of Andhra Pradesh Limited with effect from 1 August 2010.

(b). The consumption norm of fuel prescribed in the guidelines for multipurpose cargo terminal is with reference to operation of 3 nos. of luffing cranes. Since the VPT proposes deployment of two Harbour Mobile Cranes (HMCs) for handling bulk cargo, it has estimated fuel cost for the HMC assuming 70 litres of consumption of fuel by a harbour mobile crane. It is relevant to state that fuel consumption of 70 litres has been allowed by this Authority with reference to higher capacity HMC of 100 Tonnes. The port has proposed deployment of lower capacity crane of 60 T in operation and hence the consumption of fuel is expected to be on the lower side and estimate needs to be moderated.

It is relevant to state that the KPT in their proposal filed for fixation of upfront tariff for mechanisation of facilities for berth Nos.7 and 8 under the PPP mode and another proposal filed by KPT relating to the port owned HMC, the fuel consumption is estimated at around 33.33 litres per HMC/ hour. The KPT has reportedly arrived at the fuel consumption for 60T HMC based on the manufacturer's manual. ABG-LDA Bulk Handling Private Limited in the upfront tariff proposal of KPT has made a general remark that the power consumption assumed by the KPT is on the lower side but it has not suggested any revised fuel consumption for such HMC.

The fuel consumption proposed by the KPT at 33.33 litres per hour per crane which is reportedly based on the manufacturers manual is relied upon and considered in this cargo also.

For front end loader, the port has adopted the fuel consumption of 12 litres/ hour which is as per the norms prescribed in the guidelines for multipurpose cargo terminal. This is accepted subject to applying the norm for 3 front end loaders instead of 4 considered by the port.

The fuel cost is estimated by VPT 6120 hours based on number of berth days as per the norms. The exact number of hours applying the norms prescribed (i.e. $365 \times 24 \times 70\%$) work out to 6132 which is considered in our analysis for estimating fuel cost for HMC and the front end loader.

The unit rate of fuel is updated to ₹ 44.83 as prevailing at the time of the analysis of this case as against ₹ 39.75 per litre considered by the VPT.

- (c). As per the norms prescribed in the guidelines for multipurpose coal terminal, the repairs and maintenance cost on civil work is estimated at 1% on the civil cost and 5% on mechanical equipment and electrical equipment cost. Insurance cost is estimated at 1% of the gross fixed assets and other expenses is estimated at 5% of the gross value of fixed assets.
- (d). Depreciation is computed @ 3.34% on civil cost and 10.34% on equipment cost as per the rates prescribed in the Companies Act, 1956 under the Straight Line Method for the relevant group of assets and is in line with the guidelines for upfront tariff fixation.
- (e). The guidelines for upfront tariff stipulate that lease rent for port land is to be estimated based on the rate prescribed in the Scale of Rates of the respective Major Port Trusts. Lease rental is estimated by the port for total area of 25 acres proposed to be allotted at Zone IXA for the project envisaged at berth no.WQ7. The unit rate of lease rental applied by the VPT at ₹ 107.17 per sq. mtr. per annum in the original reformulated proposal is based on the rate approved by this Authority vide Order No.TAMP/41/2005-VPT dated 22 April 2008 for quinquennium of 2003-08 and applying annual escalation @ 2% per annum as per the Government guidelines from the years 2004-05 onwards to 2010-11.

It is relevant to state that the lease rental of the VPT is due for revision since 2008. The VPT has not filed proposal for revision of lease rental despite our advice rendered on several occasions while determining other upfront tariff proposals of the port. Since there has been considerable delay on the side of the port in filing its proposal for revision in lease land and recognising that the lease rental applied by the VPT based on market valuation of land as of 2003 and 2% annual escalation thereof may not represent the market value of land of 2008 which forms the basis for arriving at the lease rental, the VPT was to consider the revised lease rentals for calculation of upfront tariff in the case in reference.

The VPT in response has vide letter dated 20 May 2011 furnished the valuations of VPT land as obtained from the District Registrar, Hyderabad for different zones of the port estate. The copy of the valuation of the VPT land furnished by the District Collector states that the land valuation is with effect from 1 December 2010. Based on the land valuation furnished by the District Registrar for Zone IXA, the port has arrived at lease rental applying 6% on the value of land and has also applied annual escalation of 2% thereon as per the Government guidelines on Land Policy of Major Ports to arrive at the rate for the year 2011. The unit rate of lease rental thus arrived by the VPT is ₹ 107.17 which incidentally is same as arrived

by the VPT based on the lease rental approved by this Authority for the quinquennium 2003-08 and applying the annual escalation as per the Government guidelines.

To facilitate implementation of port projects on time bound manner, the approach followed by the VPT of estimating lease rental adopting the rate approved by this Authority for the quinquennium 2003-08 with 2% per annum escalation had been allowed while determining upfront tariff for other upfront tariff proposals of the VPT. While doing so, the port was given the option to seek review the upfront tariff with reference to the lease rental in case the revised lease rental for the quinquennium 2008-13 comes into force before issue of the RFP for the concerned facility.

In the instant case the VPT has updated the estimation of lease rental for Zone IX A based on the revised valuation of land obtained from the District Revenue Authorities.

The land policy guidelines of the Government of 2004 as well as 2008 stipulate valuation of land can be determined taking into consideration the factors like State Govt's ready reckoner value, the average rate of actual transactions in last three years for the lands in the port's vicinity, highest accepted tender value of port lands, rate arrived at by the approved valuer and any other relevant factors. As per the Land Policy guidelines of 2004 as well as 2010 issued by the Government, the concerned Major Port Trusts has to constitute a Committee under the Chairmanship of the Chairman of the respective port for determining the market value of lands based on various methods prescribed in the guidelines and based on the recommendation of the Committee the Major Port Trusts need to file the proposal.

It is relevant to state that the port has not filed any formal proposal for revision of lease rental for the quinquennium 2008-13 following the extant Government guidelines on Land Policy.

Incidentally the lease rental for the year 2011 adopting the rate approved by this Authority for the quinquennium of 2003-08 and applying annual escalation @ 2% per annum as per the Government guidelines from the years 2004-05 onwards to 2010-11 and the revised lease rental arrived at the VPT reportedly based on the land valuation provided by the District Registrar as of 1 December 2010 and applying one annual escalation of 2% as per the Government guidelines is almost the same.

That being so, the lease rent is estimated considering the unit rate of ₹ 107.17 per sq. mtr. per annum as considered by the VPT for estimating the lease rental.

The VPT is advised to file a formal proposal for the revision of lease rental of port estate following the extant Government guidelines. In case the revised lease rental for the quinquennium 2008-13 comes into force before issue of the RFP for the proposed WQ7 terminal and the rate approved is different from the lease rental considered in this case, then the port may approach this Authority to review the upfront tariff with reference to this item.

- (x). The guidelines requires 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 the other Major Port Trusts including the Visakhapatnam Port Trust, this position was recognised and the cost of insurance and depreciation were considered to assess the annual revenue requirement from berthing service.

In view of the position explained above, the element of insurance cost and depreciation cost are considered in this case also while estimating the operating cost for assessment of the revenue requirement from berth hire service.

(xi). 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 annual revenue requirement which is sum of the operating cost and return on capital employed is estimated at ₹ 5016.03 lakhs from cargo handling service as against ₹ 6215.73 lakhs estimated by the port.

(b). The guidelines for multipurpose cargo terminal require 90% of the total revenue requirement to be apportioned to handling charge, 5% towards storage charge and 5% each towards miscellaneous charge.

As against this, the VPT has proposed to apportion 96% of the estimated revenue requirement towards handling charge, 2% from storage charge and 2% from miscellaneous charge. Apportionment of the total revenue requirement between the three tariff heads is accepted as proposed by the port. Incidentally, while fixing tariff for multipurpose cargo terminal, this Authority had, for the reasons advanced by the VPT, allowed apportionment of 96% of revenue determined towards handling charge and 2% each to storage and miscellaneous charge. The revenue apportionment allowed while determining the upfront tariff for mechanised fertiliser handling facilities is also closer to this level.

(c). The upfront tariff caps are determined so as to meet the revenue requirement estimated for each of the cargo groups and with reference to the share in the optimal capacity.

(d). As per policy direction of the Government, concessional tariff are to be prescribed for coastal cargo (other than thermal coal and POL including crude oil, iron ore and iron ore pellets) and coastal vessels not exceeding 60% of the normal cargo/ vessel related charges. Entire capacity of gypsum and ore other than iron ore is expected to be foreign cargo and the entire capacity of bauxite is expected to be coastal. The ratio of foreign and coastal cargo with reference to other bulk cargo excluding coal and coke is expected to be 70% and 30% respectively.

In the revised proposal, the VPT has arrived at the handling rate for each cargo category with reference to their individual composition of foreign/ coastal cargo to meet the estimated revenue requirement.

Since the handling rate for all the four cargo items proposed to be handled are assumed to be the same, it may be logical to have uniform rate for all the cargo items. In that event, the entire capacity of bauxite which is expected to be coastal traffic can enjoy concession at the cost of other cargo like gypsum and ores other than iron ore for which the upfront tariff will have to be artificially set on the higher side. This will cause unintended burden on the user group of the said foreign cargo by cross subsidising the bauxite cargo. Further, higher tariff, if any, set for foreign cargo group could create a situation where an operator may prefer handling of foreign cargo which may yield higher revenue.

The upfront tariff is to be determined to meet the estimated revenue requirement over the optimal capacity. The approach followed by the VPT in arriving at the unit handling rate for cargo group based on the individual composition of foreign and coastal movement ensures there is no unintended flow of cross subsidy from foreign cargo to coastal cargo due prescription of concessional tariff for coastal category.

It is relevant to state that in the case of thermal and steam coal handling terminal at berth no. East Quay 1 A disposed by this Authority in May 2010, the port envisaged the entire cargo movement to be coastal only. Hence to recover the estimated revenue requirement over the optimal capacity, the handling rate was prescribed for coastal cargo alone. In few other cases such as coal at General Cargo Berth, mechanised fertiliser handling facilities, etc., where the VPT the entire cargo was expected to be foreign, the upfront tariff is determined to meet the cargo capacity from foreign cargo. Concessional upfront rates for coastal cargo are prescribed to comply with the Government guidelines though it may not have any impact on the revenue realisation.

In the instant case also, the VPT has proposed rates for both foreign/coastal category for all the cargo groups though prescription of foreign rate for bauxite and coastal rate for gypsum and other ores may not have any impact on the revenue realisation.

- (e). Based on the above analysis, the handling rate for Bauxite (100% coastal), gypsum and ores other than iron ore 100% foreign comes to ₹ 94.23 per tonne and the handling rate for other bulk cargo comes to ₹ 107.08 per tonne for foreign and ₹ 64.25 for coastal category.
- (f). The VPT has proposed a provision to state that the composite handling charges will cover unloading of the cargo from the vessel, transportation of the same upto the point of storage, storage at stack yard upto a free period of 5 days in respect of import cargo. This composite charge includes wharfage and supply of labour, wherever necessary and all other miscellaneous charges not specifically prescribed in the Scale of Rates. The first part of the proposed note is partially modified to state that it shall also include loading cargo on the trucks/ wagons as the case may be from the point of storage.
- (g). In the proposed Scale of Rates, the VPT has proposed free period of 5 days.

The port has considered 23% of the cargo share capacity will attract storage charge beyond the proposed free period of 5 days assuming average dwell time of 10 days. It has furnished calculation in this regard. Accordingly, to meet estimated annual revenue requirement of ₹ 124.31 lakhs from storage charge, the rate for the first slab of 5 days is arrived by KPT at ₹ 2.35 per tonne per day. The rate for the subsequent slab is proposed 1.5 times and 2 times the rate for first slab.

In view of modification in the estimated annual revenue and the optimal capacity, the unit storage charge proposed by the VPT has been modified keeping the slab structure adopted by the VPT unaltered. Consequently, the storage charge is pegged at ₹ 1.71 per tonne per day or part thereof for the first slab. The rates for the subsequent slabs are determined following the approach adopted by the VPT.

- (h). Based on the modified revenue requirement and modified optimal capacity, upfront tariff cap for miscellaneous charge is prescribed at ₹ 1.96 per tonne. The miscellaneous charge covers miscellaneous services such as environment and management, sweeping of cargo on the wharf, safety measures, etc.

- (i). The revenue requirement from berthing service is estimated at ₹ 1470.05 lakhs at the level estimated by the port.

The VPT has proposed berth hire in rupee terms for foreign going vessel at ₹ 1.46 per GRT per hour or part thereof.

The methodology followed by the VPT for arriving at the berth hire is in general found to be in line with the approach followed by this Authority in other upfront tariff cases. The VPT has considered the impact of concession applicable to the coastal vessels as per the 2005 tariff guidelines while arriving at the pre-determined berth hire. It has considered the overall share of foreign and coastal cargo at 48% and 52% respectively in the berth hire calculation.

The parcel size of vessel considered by the VPT in the berth hire calculation is with reference to 30000 GRT and 50000 GRT. The VPT has assumed uniform handling rate of 18000 tonnes/ day for all category of vessel as most of the vessels expected at the terminal are of handy max vessel. The workings furnished by VPT are modified by considering the handling rate of 20,000 tonnes/ day to determine the berth hire.

The number of berth days is taken as 6132 days as against 6120 days estimated by the VPT with consequent modification in the GRT hours. Subject to this modification, the berth hire rate for foreign vessel is ₹ 1.455 per GRT per hour.

It has already been decided by this Authority while finalising the upfront berth hire at the other Major Port Trusts including VPT to approve the upfront berth hire charge in Rupee term only. The proposal of the VPT for rupee denominated berth hire is in line with the decision taken by this Authority in the other upfront tariff cases.

- (xii). Definitions of some of the common terms like foreign going vessel, coastal vessel, per day are included in upfront schedule in line with the definitions prescribed in the Scale of Rates of VPT and other private terminals operating in VPT.
- (xiii). Some of the common conditions stipulated in the guidelines of 2005 and uniformly prescribed in the Scale of Rates of other major ports/ private terminals such as users should not be required to pay charges for delays beyond reasonable level attributable to the private terminal operator, non accrual of storage charge for the period when the operator is not in a position to effect deliver/ship the cargo when requested by user for the reasons attributable to the operator, etc. proposed by the VPT are incorporated in the upfront tariff schedule.
- (xiv). The VPT has proposed to prescribe a few conditions regarding the commencement of free period which are in line with the prescription at the other major ports/ private terminals. The note proposed by the VPT relating to commencement of free period for export cargo is not found to be relevant as from the list of services covered in the composite handling rate as well as clarification furnished by VPT states that the cargo handling service is for import cargo only. Hence, the said note relating to free period for export cargo is deleted.
- (xv). The VPT has proposed to include the provisions prescribed in its Scale of Rates for levy of penal berth hire equivalent to normal berth hire for the period of overstay of vessel beyond the stipulated period provided there is a demand for the berth and notice is served in 10 hours advance by the terminal operator to vacate the berth after completion of discharge/ shipment operations. This is an existing provision prescribed in the Scale of Rates of VPT. Similar provision for levy of penal berth hire are also prescribed in the Scale of Rates of the another BOT operator Vizag Seaport Private Limited operating in the VPT and also in the upfront tariff schedule approved for multipurpose cargo terminal at the VPT.

Recognising that berth is a scarce resource of the port/ operator and need to be utilised optimally, the provision for levy of penal berth is included in the upfront tariff schedule as proposed by the port.

The port has proposed a condition stating that the rate and conditions for granting ousting priority berthing/ priority berthing will be governed by extant Government guidelines in this regard and provisions approved in the Scale of Rates of VPT. This is in line with the prescription approved in the upfront tariff case of multipurpose cargo terminal at the Visakhapatnam Port.

10.1. As per clause 2.8 of the Guidelines, the tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2008 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31 March of the following year. In the instant case, since the estimation of capital cost and unit rate of operating cost considered in the upfront tariff calculation are as of February 2011 as reported by the VPT, it is found appropriate and relevant to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2011. The VPT has also proposed 1 January 2011 the base WPI for such automatic adjustment every year which is approved.

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

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

10.4. The performance norms for the projects should be clearly brought out in the bid documents. The private operator is expected to perform at least at the performance norms brought out in the bid document/concession agreement. As stated earlier, the upfront tariff approved by this Authority is with reference to 2 Harbour Mobile Cranes of 60 tonnes to be deployed by the BOT operator. If higher capacity cranes are deployed, the upfront tariff will have to be reviewed.

10.5. The actual performance of the private operators will be monitored by this Authority. If any complaint regarding quality of service is received, this Authority will enquire into such allegation and forward its findings to the Visakhapatnam Port Trust. If any action is to be taken against the private operators, the Visakhapatnam Port Trust shall initiate appropriate action in accordance with the provisions of the relevant Concession Agreement.

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

11. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the upfront tariff caps for handling bauxite, gypsum, other bulk cargo excluding coal and coke and ores other than Iron ore at Visakhapatnam Port Trust which is attached as **Annex - II**.

(Rani Jadhav)
Chairperson

**UPFRONT TARIFF CALCULATION FOR HANDLING BAUXITE, GYPSUM, OTHER DRY BULK CARGO, ORES
OTHER THAN IRON ORE AT THE VISAKHAPATNAM PORT TRUST**

₹ in lakhs

Sr. No.	Particulars	Revised estimates furnished by VPT	Estimates modified by TAMP
I	Optimal capacity		
	Optimal Quay Capacity		
(a)	Share of capacity of different cargo items		
	Percentage share of capacity of Bauxite (S1)	47%	47%
	Percentage share of capacity of Gypsum (S2)	30%	30%
	Percentage share of capacity of Other dry bulk cargo (S3)	16%	16%
	Percentage share of capacity of Other Ores other than iron ore (S4)	7%	7%
(b)	Ship day Output (in tonnes per day) (in our analysis considered 20000 tonnes/ day for two 60 T HMC i.e. following norms of 10000 tonnes /day for three level luffing crane of 20 T each prescribed in the guidelines for multipurpose cargo terminal for dry bulk cargo)		
	- Handling rate of vessels carrying Bauxite (P1)	18000	20000
	- Handling rate of vessels carrying Gypsum (P2)	18000	20000
	- Handling rate of vessels carrying Other dry bulk cargo (P3)	18000	20000
	- Handling rate of vessels carrying Other Ores (P4)	18000	20000
(c)	Optimal Capacity of the Terminal= $0.7*((S1*P1)+(S2*P2)+(S3*P3)+(S4*P4))*365$	4599000	5110000
	Optimal Capacity of the terminal in million tonnes / annum	4.60	5.110
II	Capital Cost		
A.	Cargo Handling Activity	₹ in lakhs	
	(i). Civil Cost		
	- Berth Apron and Approaches	44.18	44.18
	- Storage yard, building, water supply, sewerage and ground improvement	648.29	648.29
	- Dismantling of existing structures and reconstruction of compound wall	78.97	78.97
	- Railway tracks	115.56	115.56
	- Conveyor Gallery and Supports	1691.10	1691.10
	- Stacker Track	1010.27	1010.27
	- Transfer Houses	186.01	186.01
	- Drive Houses	207.78	207.78
	- Water Supply	27.30	27.30
	Total	4009.46	4009.46
	(ii). Equipment Cost		
	- 60 tonne Mobile Harbour Crane (2 nos.)	5605.43	2914.15
	- Mobile Hoppers (2 nos.)	118.96	118.96
	- Conveyor system	2707.61	2707.61
	- Stacker (1 No.)	2447.20	2447.20
	- Front end Loader/ Dozer (4 Nos. by VPT) [in our analysis considered 3 nos.]	135.95	101.96
	- Electrical works	275.84	275.84
	Total	11290.99	8565.72
	(iii). Miscellaneous		
	- 5% on Civil Cost and Equipment Cost	765.02	628.76
	Total Capital Cost for Handling Activity (i + ii + iii)	16065.47	13203.94
B.	Berth Hire Activity		
	- Construction of berth including cost of slope protection	5326.88	5326.88
	- Cost of dredging	1561.82	1561.82
	Total capital cost for Berth hire Activity	6888.70	6888.70
	Total Capital Cost (A + B)	22954.17	20092.64

Sr. No.	Particulars	Revised estimates furnished by VPT	Estimates modified by TAMP
III	Operating Cost for Cargo Handling Activity	₹ in lakhs	
	(a). Power Cost (0.7 units per tonne * ₹ 6.50 per unit * 45.99 lakh tonnes) (TAMP calculation 0.7 units per tonne * ₹ 6.50 per unit * 51.1 lakh tonnes)	209.25	232.51
	(b). Fuel Cost		
	- Harbour Mobile Crane (VPT - 70ltr/ hr/crane* ₹ 39.77/litre*6120 hours *2 HMC) (In our calculation - 33.33ltrs/hour/crane* ₹ 44.83/litre * 6132 hours * 2 HMC)	340.75	183.25
	- Front End Loaders/ dozers (VPT - 12ltr/ hr/FEL* ₹ 39.77/litre*6120 hours *4 FEL) (In our calculation - 12ltrs/hour/crane* ₹ 44.83/litre * 6132 hours * 3FEL)	116.83	98.96
	(c). Repair & Maintenance		
	- Civil Assets (1% on civil work)	40.09	40.09
	- Mechanical & Electrical Equipment including spares (5% on equipment cost)	564.55	428.29
	(d). Insurance (1% on Gross fixed assets)	160.65	132.04
	(e). Depreciation		
	- Civil Work @ 3.34%	133.92	133.92
	- Mechanical Work @ 10.34%	1167.49	885.70
	(f). License Fee	108.46	108.46
	(g). Other Expenses towards salaries and overheads (5% on gross value of assets)	803.27	660.20
	Total Operating Cost	3645.26	2903.40
IV	Estimated Revenue Requirement & upfront tariff for Cargo Handling Activity		
A.			
(i).	Estimated Revenue Requirement		
	(a). Total Operating Cost	3645.26	2903.40
	(b). Return on capital Employed @ 16%	2570.47	2112.63
	(c). Total Revenue requirement from cargo handling activity	6215.73	5016.03
(ii).	Apportionment of Revenue Requirement		
	(a). Cargo Handling Charges (96% of ARR)	5967.10	4815.39
	(b). Storage Charges (2% of ARR)	124.31	100.32
	(c). Miscellaneous Charge (2% of ARR)	124.31	100.32
	(d).Total Revenue requirement from cargo handling activity	6215.73	5016.03
(iii).	Cargo Handling charge		
	(a). Cargo Handling Charge		
	- Revenue Requirement (₹ in lakhs)	5967.10	4815.39
	- Capacity (Lakh Tonnes per annum)	45.99	51.10
	(b). Cargo wise handling Charge		
	- Bauxite (100% Coastal cargo)	129.78	94.23
	- Gypsum (100% foreign cargo)	129.72	94.23
	- Other Bulk cargo		
	- Foreign cargo 70%	147.34	107.08
	- Coastal cargo ratio 30%	88.40	64.25
	- Ores other than iron ore (100% foreign cargo)	129.72	94.23
	(c). Storage Charge		
	- Revenue Requirement (₹ in lakhs)	124.31	100.32
	- % of Cargo to attract storage charge	23%	23%
	- Capacity of cargo to attract storage charge (lakh tonnes)	10.58	11.75
	(i) Free period	5 days	5 days
	(ii) Storage Charge (beyond the free period)	Rate Per tonne per day or part thereof	Rate Per tonne per day or part thereof
	-First five days	2.35	1.71
	-6th day to 10th day	3.53	2.56
	-11th day onwards	4.70	3.41
	(d). Miscellaneous Charge		
	- Revenue Requirement (₹ in lakhs)	124.31	100.32
	- Capacity (Lakh Tonnes per annum)	45.99	51.10
	- Miscellaneous Charge (₹ per tonne)	2.70	1.96
B.	BERTH HIRE CHARGES		
(i).	Revenue Requirement	₹	in lakhs
	(a). Repairs & Maintenance Charge (1% on capital cost for berth)	68.89	68.89
	(b). Depreciation	230.08	230.08
	(c). Insurance (1% on total cost for berth hire service)	68.89	68.89
	Subtotal (i)	367.86	367.86
(ii).	Return on capital Employed @ 16%	1102.19	1102.19
	Total Revenue requirement from Berthing services (i + ii)	1470.05	1470.05
	Berth hire Charge		
	Foreign going vessel (Rate per GRT per hour) in ₹	1.46	1.455
	Coastal vessel (Rate per GRT per hour) in Re	0.876	0.873

Berth Hire Calculation as furnished by VPT

Sr. No.	Particulars	Unit	< 50000	> 50000	Total
i	Ship day output	Tonnes/day	18000	18000	
ii.	Average GRT	Tonnes	20000	30000	
iii.	Average parcel size	Tonnes	30000	50000	
iv.	Tonnage expected to be handled	Tonnes	4231000	368000	4599000
v.	Average no. of berth days (iv / i)	Days	235	20	255.5
vi.	No. of berth hours {24 x (v)}	Hours	5640	480	6120
vii.	Expected number of vessels (iv / iii)	Nos.	141	7	148
viii.	Total GRT hours	GRT hours	112800000	14400000	127200000
ix.	Revenue Requirement				1470.05
x.	Berth hire - foreign going vessel (ix / viii)				
	Berth hire - coastal vessel				
	Working for foreign cargo 48% / coastal cargo 52%)				
	$127200000 * 48% * x + 127200000 * 52% * 0.6x =$				1470.05
	$61056000 x + 66144000 * 0.6x =$				1470.05
	x = Foreign going vessel rate				1.46
	Coastal vessel Rate = 0.6 x foreign going vessel rate				0.876

Berth Hire Calculation as per TAMP Estimates

Sr. No.	Particulars	Unit	< 50000	> 50000	Total
i	Ship day output	Tonnes/day	20000	20000	
ii.	Average GRT	Tonnes	20000	30000	
iii.	Average parcel size	Tonnes	30000	50000	
iv.	Tonnage expected to be handled	Tonnes	4701111	408889	5110000
v.	Average no. of berth days (iv / i)	Days	235	20	256
vi.	No. of berth hours {24 x (v)}	Hours	5641	491	6132
vii.	Expected number of vessels (iv / iii)	Nos.	157	8	165
viii.	Total GRT hours	GRT hours	112826667	14720000	127546667
ix.	Revenue Requirement				1470.05
x.	Berth hire - foreign going vessel (ix/ viii)				
	Berth hire - coastal vessel				
	Working for foreign cargo 48% / coastal cargo 52%)				
	$127546667 * 48% * x + 127546667 * 52% * 0.6x =$				1470.05
	$61222400 x + 66324267 * 0.6x =$				1470.05
	x = Foreign going vessel rate				1.455
	Coastal vessel Rate = 0.6 x foreign going vessel rate				0.873

STATEMENT SHOWING THE CALCULATIONS OF HANDLING CHARGES UNDER DIFFERENT CARGO GROUPS

A. Handling Charge computed by the VPT given in tabular format

Cargo Group	Cargo Share	Handling Rate Per Day	Cargo to be handled (tonnes)	Cargo Working Days	Percentage of Cargo Working days	Revenue Requirement (₹ in Lakhs)	Cargo to be handled		Rate in ₹ Per tonne	
							Foreign (in lakh tonnes)	Coastal (in lakh tonnes)	For foreign cargo	For coastal cargo
Bauxite (100% coastal)	47.00%	18000	2161530	120	47.00%	2,804.54	0	21.61	216.30	129.78
Gypsum (100 % foreign)	30.00%	18000	1379700	77	30.00%	1,790.13	13.80	0	129.72	77.83
Other bulk cargo (70% foreign, 30% coastal)	16.00%	18000	735840	41	16.00%	954.74	5.15	2.21	147.34	88.40
Ores other than iron ore (100 % foreign)	7.00%	18000	321930	18	7.00%	417.70	3.22	0	129.72	77.83
Total	100%		4599000	255.5	100	5,967.10	22.17	23.82		

Foreign Other bulk Cargo (lakh tonnes)	5.15
Coastal other bulk Cargo (in lakh tonnes)	2.21
Revenue requirement from other bulk cargo (in ₹)	954.74
Rate for Foreign cargo say	x
$5.15x + 2.21 * 0.6x =$	954.74
$5.15x + 1.33x =$	954.74
$6.48x =$	954.74
$x =$	147.34
Rate for Foreign other bulk cargo after rounding off (in ₹ per tonne)	147.34
Rate for coastal other bulk cargo (in ₹ per tonne)	88.40

B. Handling Charge computed by TAMP based on modified revenue requirement

Cargo Group	Cargo Share	Handling Rate Per Day	Cargo to be handled (tonnes)	Cargo Working Days	Percentage of Cargo Working days	Revenue Requirement (₹ in Lakhs)	Cargo to be handled		Rate in ₹ / tonne	
							Foreign (in tonnes)	Coastal (in tonnes)	For foreign cargo	For coastal cargo
Bauxite (100% coastal)	47.00%	20000	2401700	120	47.00%	2,263.23	0	2401700	157.06	94.23
Gypsum (100 % foreign)	30.00%	20000	1533000	77	30.00%	1,444.62	1533000	0	94.23	56.54
Other bulk cargo (70% foreign, 30% coastal)	16.00%	20000	817600	41	16.00%	770.46	572320	245280	107.08	64.25
Ores other than iron ore (100 % foreign)	7.00%	20000	357700	18	7.00%	337.08	357700	0	94.23	56.54
Total	100%		5110000	255.5	100	4,815.39	2463020	2646980		

Foreign Other bulk Cargo	572320
Coastal other bulk Cargo	245280
Revenue requirement from other bulk cargo (in ₹)	77,046,270
Rate for Foreign cargo say	x
$572320x + 245280 * 0.6x =$	77,046,270
$572320x + 147168x =$	77,046,270
$719488x =$	77,046,270
$x =$	107.08
Rate for Foreign other bulk cargo after rounding off (in ₹ per tonne)	107.08
Rate for coastal other bulk cargo (in ₹ per tonne)	64.25

VISAKHAPATNAM PORT TRUST

**UPFRONT TARIFF SCHEDULE FOR BAUXITE, GYPSUM, OTHER DRY BULK
(EXCLUDING ALL TYPES OF COAL AND COKE) & ORES (OTHER THAN IRON ORE)
TO BE HANDLED WQ7 BERTH 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). **"Day"** shall mean the period starting from 6.00 A.M. of a day and ending at 6.00 A.M. on the next day.
- (iii). **"Foreign-going vessel"** shall mean any vessel other than Coastal vessel.

1.2. GENERAL TERMS & CONDITIONS

- (i). The status of the Vessel as borne out by its certification by the Customs or Director General of Shipping is the relevant factor to decide whether vessel is "Coastal" or foreign-going" for the purpose of levy of Berth hire, and the nature of cargo or its origin will not be of any relevance for this propose.
- (ii).
 - (a). A foreign going vessel of Indian Flag having a General Trading Licence can convert to Coastal run on the basis of a Customs Conversion Order.
 - (b). A foreign going vessel of Foreign Flag can convert to coastal run on the basis of a Coastal Voyage Licence issued by the Director General of Shipping.
 - (c). In cases of such conversion, coastal rates shall be chargeable by the load port from the time the vessel starts loading coastal goods.
 - (d). In cases of such conversion, coastal rates shall be chargeable only till the vessel completes coastal cargo discharging operations, immediately thereafter foreign going rates shall be chargeable by the discharge ports.
 - (e). For dedicated Indian coastal vessels having a Coastal Licence from the Director General of Shipping, no other document will be required to be entitled to Coastal rates.
- (iii).
 - (a). The berth hire for all coastal vessel should not exceed 60% of the corresponding charges for other vessels.
 - (b). The cargo related charges for all coastal cargo other than crude including POL, Iron ore and Iron pellets and thermal coal should not exceed 60% of the normal cargo related charges.
 - (c). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship shore transfer and transfer from/to quay to/from storage yard including wharfage.

- (d). Cargo from a foreign port which reaches an Indian Port "A" for subsequent 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.
- (e). The charges for coastal cargo / containers / vessels shall be denominated and collected in Indian rupee.
- (iv). Interest on delayed payments / refunds.
 - (a). The user shall pay penal interest on delayed payments for any charge under this Scale of Rates. Likewise, the terminal operator shall pay penal interest on delayed refunds.
 - (b). The rate of penal interest will be 2% above the Prime Lending Rate declared by the State Bank of India from time to time.
 - (c). The delay on refunds by the terminal operator 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 beyond 10 days after the date of raising the bills by the terminal operator. This provision shall, however, not apply to the cases where payment is to be made before availing the services where payment of charges in advance is prescribed as a condition in the scale of rates.
- (v). In calculating the gross weight or measurement by volume or capacity of any individual item, fractions upto and inclusive 0.5 shall be taken as 0.5 unit and fractions of above 0.5 shall be treated as one unit, except where otherwise specified.
- (vi). All charges worked out shall be rounded off to the next higher rupee on the grand total of the each bill.
- (vii). The rates prescribed in the Scale of Rates are ceiling levels: likewise, rebates and discounts are floor levels. The terminal operator may, if it so desires, charge lower rates and / or allow higher rebates and discounts.

The terminal operator may also, if it so desires rationalise the prescribed conditionalities governing the application of rates prescribed in the Scale of Rates if such rationalisation gives relief to the user in rate per unit and the unit rates prescribed in the Scale of Rates do not exceed the ceiling levels.

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

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

2. BERTH HIRE CHARGES

2.1. Schedule of Berth hire

Sl. No.	Vessels	Rate per GRT per hour or part there of	
		Foreign Going Vessel (in ₹)	Coastal Vessel (in ₹)
1.	Vessels carrying Bauxite, Gypsum, Other Dry bulk (excluding all types of coal & coke) and ores (other than iron ore)	1.455	0.873

2.2. Penal Berth hire for over-stayal of vessel:

- (i). Penal berth hire equivalent to normal applicable berth hire shall be levied in addition to the berth hire charge for the period of overstayal of vessel for occupancy of the berth beyond the stipulated periods mentioned at (ii) below, provided there is a demand for the berth and a notice is served by the BOT operator or its authorized officials 10 hrs in advance of completion of discharge / shipment operations.
- (ii). Vessel shall be permitted to occupy the berth after completion of cargo operation without attracting penalty for period mentioned below:-
 - (a). Vessels taking bunkers through barges. 08 hrs
 - (b). Vessels taking water through barges. 12 hrs [From the time of placement of barges alongside vessel].
 - (c). Vessels taking Water / Bunkers through 08 hrs
 - (d). In all other cases 07 hrs

General Notes relating to berth hire:

- (i). The time for the purpose of levy of berth hire shall be reckoned from the time the vessel occupies the berth till she vacates the berth.
- (ii).
 - (a). Berth hire shall stop 4 hours after the time of vessel signaling its readiness to sail.
 - (b). The time limit of 4 hours prescribed for the cessation of berth hire shall exclude the ship's waiting time for want of favourable tidal conditions or on account of inclement weather or due to absence of night navigation facilities.
 - (c). The master / agent of the vessel shall signal readiness to sail only in accordance with favourable tidal and weather conditions.
- (iii). The Penal Berth hire shall be equal to one-day's (24 hours) berth hire charge for a false signal.

"False signal" would be when the vessel signals readiness and asks for a pilot in anticipation even when she is not ready for un-berthing due to engine not being ready or cargo operation not completed or such other reasons attributable to the vessels. This excludes the signaling readiness when a vessel is not able to sail due to unfavourable tide, lack of night navigation or adverse weather conditions."
- (iv). No berth hire shall be levied for the period the vessel is compelled to idle at berth for continuously for one hour or more due to non- availability / break down of equipment and any other reasons including power failure attributable to the terminal operator.

- (v). Ousting priority / Priority berth Hire:

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

3. CARGO HANDLING CHARGES:

Commodity	Unit	Rate in Rupees	
		Foreign	Coastal
Bauxite	Per Metric tonne	157.06	94.23
Gypsum	Per Metric tonne	94.23	56.54
Other Dry bulk (excluding all types of coal & coke)	Per Metric tonne	107.08	64.25
Ores (other than iron ore)	Per Metric tonne	94.23	56.54

Notes:

The handling charges prescribed above is a composite charge for unloading of the cargo from the vessel including transportation up to the point of storage, storage at stack yard upto a free period of 5 days and loading on the trucks/ wagons as the case may be in respect of import cargo This composite charge includes wharfage and supply of labour, wherever 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 allowed shall be as follows:

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

Description	Rate in ₹ per tonne per day
	Bauxite, Gypsum, Other Dry bulk (excluding all types of coal & coke) and ores (other than iron ore)
Free period	5 days
First five days after expiry of free period	1.71
6 th day to 10 th day after expiry of free period	2.56
Beyond 10 th day	3.41

Notes:

- (i). For the purpose of calculation of free period Customs notified holidays and Terminal's non-working days shall be excluded.
- (ii). Free period for import cargo shall be reckoned from the day following the day of completion of final discharge from the vessel.
- (iii). Storage charge on cargo shall not accrue for the period when the terminal operator is not in a position to deliver / ship the cargo when requested by the user due to reasons attributable to the terminal operator.

5. MISCELLANEOUS CHARGES:

Description	Rate in ₹ Per tonne per day
	Bauxite, Gypsum, Other Dry bulk (excluding all types of coal & coke) and ores (other than iron ore)
	1.96

Composite charge for all miscellaneous services such as environment and management, sweeping of cargo on the wharf, safety measures 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 2011 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 AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY

F. No.TAMP/16/2011 -VPT - Reformulated proposal from the Visakhapatnam Port Trust seeking approval of upfront tariff for development of berth no.WQ-7 in the inner harbour with mechanized handling facilities for handling dry bulk cargo on DBFOT basis.

A summary of comments received from the IVRCL Limited and comments of Visakhapatnam Port Trust (VPT) thereon are given below:

Sl. No.	Comments of IVRCL Limited	Comments of VPT
(i).	Output per Ship berth day (OSBD): Output norm of 18000 TPD for 2 numbers of 60 tons capacity harbour mobile cranes was proposed. This was considered taking into account of 18 cycles per hour and 24 hours per day. This absolute figure may not be possible practically. Therefore 12 to 15 cycles per hour and 20 hours per day may be considered.	In view of 60% efficiency factor adopted, 18 cycles per hour and 24 hours per day reckoned in the present proposal is considered reasonable.
(ii).	Assessment of Optimal Terminal Capacity: All 365 days in a year has been considered for berth handling. Generally 300 days would be comfortable. However, TAMP may consider for non-operation of berth atleast on statutory Holidays and thus a correction needs to be carried out.	365 days in a year considered duly reckoning 70% utilisation of the berth is as per the TAMP guidelines. As such, the number of days for handling is considered as $365 \times 70\% = 255$ days only for assessing terminal capacity which is less than 300 days.
(iii).	Capital Cost Estimates: Capital cost of ₹ 230 crores was arrived at by considering prevailing rates as on February 2011 and VPT Schedule of Rates of June 2008. Assuming the privatization proposals would be successful and concession agreement would be signed by September/ October 2011 and thereafter 2 years to complete the capital cost should have been escalated by minimum 8 to 10% per annum to arrive at the realistic cost estimate. This is much reasonable when we think of June 2008 rates of VPT applied in ₹ 230 crores estimate which would be more unrealistic when the works are going to be grounded in 2012 and expected to be completed by end of 2013.	The estimates prepared on prevailing rates as on Feb 2011 are based on the Rate analysis prepared as per VPT schedule of rates - June 2008 and with latest amendments/ escalation and prevailing market rates / quotations for items where rates are not available in VPT Schedule of rates. Further, the cost includes 3% contingencies. However, The Tariff caps will be indexed to inflation but only to an extent of 60% of the variation in wholesale price index occurring between 1 st January to 1 st January of relevant year.
(iv).	Handling, Storage and Berth hire charges: It is appreciated that vide clause 5.2., license fees (Rentals for land) has been considered in estimating the operating cost. This is a statutory payment to be made by the Licensee to the Licensor. Similarly, revenue to the Licensee on capital employed is considered at 16% on the cost of assets (means capital cost). It is	As per the TAMP guidelines, Royalty / Revenue share payable to land lord port by the private operator will not be allowed as an admissible cost for Tariff computation. Hence, percentage share of Revenue is not considered while calculating Operation & Maintenance cost for fixation of Tariff. The extent guidelines do not specify threshold percentage share.

	<p>observed that no where in the chapters 5 and 6, threshold percentage share of revenue payable to the licensor is considered. It would be highly advantageous and convenient for both Licensee and Licensor. Licensee can ensure that any Licensor quoting less than the threshold percentage share, he will be disqualified for consideration of his proposals. For Licensor, he can competitively work for quoting higher than the threshold percentage share to win the tender. This may be given consideration while calculating handling, storage and berth hire charges.</p>	
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2. A joint hearing in this case was held on 11 May 2011 at the Visakhapatnam Port Trust (VPT) premises. The VPT made a power point presentation of its proposal. At the joint hearing, the VPT and the concerned users/ organisation bodies have made the following submissions:

Visakhapatnam Port Trust

- (i). Earlier order passed with Alumina handling option may be cancelled.
- (i). Considering the business volume available, we felt 60 tonnes MHC is enough. However, we will reconsider the proposal with 100 tonnes crane option.
- (iii). We don't propose to give any exclusivity to the PPP operator.
- (iv). User can choose any of the available berths which are capable of handling of the commodity.

Visakhapatnam Stevedores Association

- (i). We welcome the initiative of the port as a separate facility for the commodity may be required.
- (ii). The cargo projections and share of cargo may not remain same for 30 years. It is advisable to design conveyor system to handle both import and export.
- (iii). The proposed rate is about 20% - 30% more than the existing rates. Even in semi mechanized means, we achieve about 10000 to 12000 ton / days.

SEW

- (i). We request commodity-wise rate to be prescribed.
- (ii). Since exclusivity is to be available to PPP operator, it is desirable to specify commodities more pointedly terms like "other" will create confusion.
