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Tariff Authority for Major Ports

GNo.191

New Delhi,

12 November 2008

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Tuticorin Port Trust for fixing upfront tariff for the Container Terminal at the Tuticorin Port as in the Order appended hereto.

(Brahm Dutt)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/34/2008 - TPT

Tuticorin Port Trust

Applicant

ORDER

(Passed on this 16th day of October 2008)

This case relates to a proposal received from the Tuticorin Port Trust (TPT) for fixing upfront tariff for Container Terminal on Build-Operate-Transfer (BOT) basis for a period of 30 years.

2. The Ministry of Shipping, Road Transport and Highways (MSRTH) announced the guidelines for upfront tariff setting for Public Private Participation (PPP) projects at Major Ports vide its communication No.PR-14019/25/2007-PG dated 12 February 2008. In compliance with the directions from the MSRTH under Section 111 of the Major Port Trusts Act 1963, this Authority notified the guidelines for upfront tariff setting vide Notification No.TAMP/52/2007-Misc. in the Gazette of India on 26 February 2008.

3. In pursuance of the guidelines for upfront tariff, the TPT has filed a proposal for the fixing upfront tariff for the proposed container terminal at berth no.8 on BOT basis.

4. The TPT has submitted that the berth no.8 was constructed by the TPT during 2001-02. It has a pile foundation and can be dredged upto 12.8 mtrs. draft to bring 2nd and 3rd generation vessels. The berth no.8 was designed as a multipurpose berth to handle overflowing general cargo and container traffic. The berth is supported by suitable pavements and has backup area of 10 hectares. As the quantum of the container traffic has increased substantially, the port proposes to develop another full fledged container terminal by converting the berth no.8 as a container terminal.

5.1. The salient features of the proposal are as follows:

A. **Project details:**

- (i). Wharf length of the proposed Container Terminal is 340 mtrs.
- (ii). Storage area: A total area of 10 hectares of land is proposed to be provided for landing and stacking of containers. Out of this, around 6.5 hectares of the area is already paved and remaining area is to be paved by the operator for enabling effective movement of container handling equipment.
- (iii). Deep draft vessels upto 12.8 mtrs can be accommodated once the proposed dredging work is completed by the port.

B. **Upfront tariff calculation:**

- (i). Optimal Terminal Capacity – This is determined as per the norms prescribed in the guidelines:
 - (a). Optimal Quay Capacity – This is assessed at 597,870 TEUs per annum following the norms prescribed in the guidelines as tabulated hereunder:

Sr. No.	Parameters	Norms	Values considered by TPT
A.	Number of Gantry Cranes deployed for work in a year	Berth Length (in mt) / 100	3

B.	Number of Working Hours of Gantry Cranes in a year	24 x 365	8760
C.	Average Number of moves per gantry Cranes	25 moves/hour	25 moves/hour
D.	TEU Ratio	1.3	1.3
E.	Optimal Capacity ratio	70%	70%

Hence, Optimum Quay Capacity applying the formula (A x B x C x D x E) works out to 597,870 TEUs per annum.

- (b). Optimal Yard Capacity – This is assessed at 823,780 TEUs as given hereunder:

Sr. No.	Parameters	Norms	Values
G	Total Ground Slots in TEU	720 TEUs/Ha	5346 TEUs/Ha *
H	Average Stack Height	2.5	2.5
P	Period in Number of Days	All Year round	365 days
S	Surge factor	1.3	1.3
D	Average Dwell Time	4 Days - Export, 2 Days - Imports	3.2 **

*:- As per the Feasibility study of berth no.8, the total area available for container ground slots is 7.425ha, hence $720 \times (74250/10000) = 5346$

**:- "D" is calculated as per latest Import-Export ratio of containers handled at TPT i.e. 60% for import and 40% for export.

Applying the formula of $0.7 \times \frac{G \times H \times P}{S \times D}$, the Optimal Yard Capacity works out to 823780 TEUs.

- (c). Optimal Terminal Capacity is taken as 597,870 TEUs being lower of the quay capacity and yard capacity for calculation of upfront tariff in line with the guidelines.
- (ii). The capital cost of the proposed terminal is estimated at Rs.194.43 crores.

- (a). Civil Cost: The civil cost for paving 3.5 hectares of the backup area is estimated at Rs.6.3 crores adopting the unit rate of Rs.1800 per sq. mtrs.

Rs.12.15 crores is estimated for civil construction work for workshop facilities, administration building, etc. based on the estimations furnished in the feasibility study conducted in 2003-04 at Rs.10 crores and after applying escalation factor of 5% per annum.

- (b). Container handling equipment cost: The equipment cost is estimated for the normative level of equipment and adopting the indicative unit rate of equipment prescribed in the guidelines.
- (c). IT cost and other cost are estimated at 2% and 10% of the sum of the civil and container handling equipments cost as per the guidelines.

(d). Detailed computation of capital cost furnished by the TPT and the norms prescribed in the guidelines is tabulated hereunder:

Sl. No.	Group	Norms	Estimation furnished by TPT (Rs. in crores)		
1.	Civil Construction cost	As per the estimates given by the Port Trust for construction of civil works for achieving maximum capacity.	18.46		
2.	Container Handling equipment (*)	Equipment	Norms	Calculation	Rs. in crores
		Quay gantry crane	One for 100 m of berth length	3 Nos. x Rs.26.30 lakhs per QGC	78.90
		Rail mounted gantry crane	One for handling 6 Rakes/day	Not estimated as it does not envisage ICD traffic	
		Rubber Tyred Gantry crane	Three for each quay gantry crane	9 Nos. x Rs.7.50 lakhs per RTGC	67.50
		Reach stacker	One for nine RTGs	1 Nos. x Rs.1.90 lakhs per Reach stacker	1.90
		Tractor Trailer	Six for each Quay gantry crane	18 Nos. x Rs.0.38 lakhs per Tractor Trailer	6.84
3.	IT System cost	2% of the sum total of the civil construction and container handling equipment cost.	Estimated as per norms	3.47	
4.	Other Cost including Financing cost and Interest during construction.	10% of the sum total of the civil construction and container handling equipment cost.	Calculated as per norms	17.36	
Total Capital Cost				194.43	

(iii). Annual operating cost for operating the terminal is estimated to be around Rs.56.85 crores following the norms prescribed in the guidelines.

- Power cost is estimated for consumption norm of 8 KWH per TEU and applying the unit rate of power at Rs.6.86.
- Fuel cost is estimated for consumption norm of 4 litres per TEU applying the prevailing (28 May 2008) rate of fuel at Rs.36 per litre.
- Repairs and maintenance: The civil repairs and maintenance cost is estimated at 1% of civil assets and repair and maintenance cost on mechanical and electrical asset is estimated at 2% of the gross value of mechanical and electrical equipment.
- Insurance is estimated as per norms at 1% of gross fixed assets value.
- Depreciation is estimated at 3.34% on civil cost, 10.34% on container handling equipment cost and 16.20% on IT system cost based on the depreciation rate prescribed in the Companies Act 1956.
- Lease rentals is estimated as per the rate prescribed in the Scale of Rates of TPT at Rs.8 per sq. mtr. per month for 1,02,000 sq. mtrs. of area.
- Other expenses are estimated at 10% of gross fixed assets value as per the norms.

- (iv). The Return on Capital Employed (ROCE) is computed at 16% on the estimated capital cost of the project.
- (v). Accordingly, the annual revenue requirement is estimated at Rs.87.96 crores say around Rs.88 crores.

Sl. No.	Particulars	Rs. in crores
1.	Total annual operating cost	56.85
2.	Return on capital employed	31.11
Total		87.96

- (vi). The total revenue requirement is apportioned among major tariff groups as per normative percentage prescribed in the guidelines.

(Rs. in crores)			
Sl. No.	Tariff Group	Percentage of total revenue allocated as per norms	Estimated Revenue
(i).	Container handling charges	90%	79.56
(ii).	Container storage charges	7%	6.11
(iii).	Miscellaneous charges	3%	2.66
(iv).	Less: Rebates (not in the guidelines)		0.30
Total			88.03

- (vii). Approach for arriving at upfront tariff and the proposed Scale of Rates:
- (a). The existing container traffic profile handled by PSA SICAL at berth no.7 of the Tuticorin Port has been scaled up to the optimal capacity of berth no.8.
- For the purpose of scaling up the data for berth no.8, the breakup of 20 feet and 40 feet container traffic is considered in the ratio of 60% / 40% as obtained from the container traffic handled at berth no.7.
- (b). The proposed Scale of Rates has been designed using the broad guidelines prescribed in 2005 guidelines for recovery of the revenue requirement.
- The existing tariff prescribed in the Scale of Rates of other container terminals has been taken as the base and suitably adjusted to arrive at the proposed tariff to meet the expected revenue requirement for the projected optimal capacity of the terminal.
- For revenue calculations, the foreign exchange rate is taken as one US dollar = Rs.40/-.
- (c). The TPT has accordingly submitted the proposed Scale of Rates for various services expected to be offered at the terminal along with the terms and conditions governing the rates. The differential tariff between 20' and 40' container for handling and storage charges is maintained as prescribed in 2005 guidelines.

- (d). The upfront tariff proposed for key services are summarised below:

Particulars	Laden Container		Empty Container	
	20'	40'	20'	40'
A. Handling charges:				
(i). Handling by Quay Crane (QC)	US \$ 22	US \$ 33	US \$ 22	US \$ 33
(ii). Transportation from QC to yard and vice versa and handling at yard including lift on / off and delivery	Rs.700	Rs.1050	Rs.500	Rs.750
(iii). Yard to CFS or vice versa	Rs.900	Rs.1350	Rs.900	Rs.1350
(iv). Yard to Rail or vice versa (for ICD's)	Rs.700	Rs.1050	Rs.700	Rs.1050
(v). Yard to Truck or vice versa for direct delivery	Rs.300	Rs.450	Rs.300	Rs.450
(vi). Handling transshipment container	US \$ 27.5	US \$ 41.25	US \$ 27.5	US \$ 41.25
B. Storage charges	Proposed in the range of US \$ 5 to US \$ 20 in graded slabs for different types of containers. Free days proposed at 2 days for loaded import container, 4 days for loaded export container, 10 days for ICD container, 15 days for transshipment container and so on.			
C. Miscellaneous charges	The charges are proposed in the range from Rs.75/- to Rs.1275/- for various services like cancellation of document, fixing or removal of seal, lift on / lift off in the CY, charges for shifting within the terminal, etc.			

- (e). The consolidated container handling charges is stated to include stevedoring, use of gantry crane, use of transfer crane, lashing and unlashng, stowage planning, wharfage on container and containerised cargo, transportation.
- (f). Container related charges for coastal container is proposed at 60% of the foreign going container related charges in line with policy of the Government.
- (g). The handling charge and storage charge for hazardous containers and over dimensional container are proposed at 25% above the charges for normal container.

5.2. The TPT has proposed to collect upfront fee from the successful bidder. In this connection it has submitted that the guidelines for upfront tariff setting with reference to the Container Terminal does not mention any specific norms about the treatment of upfront fee payable by the bidder for the PPP project while setting the pre-determined tariff. The TPT has sought the advice of this Authority on treatment of upfront fee for arriving at upfront tariff cap. In its proposal, the TPT has, however, assumed that the upfront fee to be part of the other capital cost (10% of total civil and container handling equipment cost).

6. In accordance with the consultative procedure prescribed, the proposal received from the TPT was circulated to the concerned users / user organisations / shortlisted bidders forwarded by the TPT seeking their comments. The comments received from the users and potential bidders were forwarded to TPT as feedback information. The Container Shipping Lines Association has stated that it does not have any comments on the proposal. The TPT has furnished its observations on the comments of the users / potential bidders.

7.1. The proposal of the Tuticorin Port Trust to fix upfront tariff cap for container terminal at the Tuticorin Port under PPP projects seems to have been drawn based on the proposed development of berth no.8 as the container terminal. In this context, it was clarified to TPT that the tariff cap to be prescribed by this Authority would not only be applicable to the proposed container terminal at berth no.8 but would also be applicable to all the projects bid out subsequently for identical container handling operation at the Tuticorin Port during the next five years.

7.2. Based on a preliminary scrutiny of the proposal, the Tuticorin Port Trust was also requested to furnish additional information / clarifications. The TPT has furnished its reply. A summary of the queries raised by us and the clarifications furnished by the TPT are tabulated below:

Sl. No.	Queries raised by us	Reply received from TPT
(i).	Capacity:	
(a).	The analysis done by the TPT to arrive at the effective container stacking space of 7.425 hectares may be furnished. Also, confirm 7.425 hectares is the actual area available for stacking containers after providing for the area required for internal roads for movement trailers and other handling equipment within the yard.	The area of 7.425 hectares on container ground slots has been worked out after providing for necessary area for roads around the yard. Area for building, workshop, etc. is not included. In this connection, it has drawn reference to feasibility report.
(b).	The ratio of import / export containers handled by the PSA SICAL Terminals Limited (furnished in Annex - I of the proposal) for the years 2006-07 and 2007-08 is 48: 52. Whereas for arriving at the average dwell time, 60% import containers and 40% export has been considered by the port in the calculation of the optimal yard capacity. The TPT may consider to modify the average dwell time considered in the computation of the optimal yard capacity.	Although reference was made to the present container traffic profile of the port, the ratio of import: export TEUs was taken as 60:40 in anticipation of future traffic profile and dwell time, viz. 2 days for import and 4 days for export as prescribed in the upfront tariff guidelines. However, as suggested by TAMP while arriving at the optimal yard capacity the import : export ratio has been updated in the calculation of average dwell time based on the ratio of traffic profile at the existing container terminal.
(ii).	Capital Cost:	
(a).	The TPT has assumed the unit cost of container handling equipment as indicated in the upfront tariff guidelines. As already mentioned in the guidelines, the capital cost of equipment should be updated to capture the prevailing market rate while fixing the upfront tariff cap. The TPT may, therefore update the estimates of equipment cost based on the prevailing market rate by obtaining budgetary quotations and furnish documentary evidence.	The capital cost for container handling equipment was taken as per the rates indicated in the guidelines. However, it has obtained some of the recent budgetary quotations for QC, RTGC and Reach Stackers, which, if permitted by TAMP, can be used in updating the Container Handling Equipment Cost. The quotes are as follows: a) Cost of a Quay Crane taken in the proposal is Rs.26.30 crores per crane, while the cost as per budgetary quotation is Rs.31.88 Crore (considering exchange rate 1USD = Rs.42.50 and excluding, Taxes and Duties) b) Cost of RTGC taken in the proposal is Rs.7.5 crores per unit, while the cost as per Budgetary quotation is Rs.7.31 crores (considering exchange rate of 1 Singapore Dollar = Rs.31.10 and excluding taxes and duties) c) Cost of Reach Stacker taken in the proposal is Rs.1.90 crores, while the cost

		as per Budgetary Quotation it is Rs.2.45 crores (considering exchange rate of 1 Euro = Rs.66.2 and excluding taxes and duties).															
(b).	<p>The civil cost estimation based on the estimates prepared in 2003 with an adhoc increase of Rs.10 crores may not be reasonable and appropriate. It is understood from the upfront tariff proposals received from other port trusts, that the increase in the price of steel, iron, etc., is substantial in the last few years.</p> <p>The TPT may therefore review and update the estimates of civil cost bearing in mind that the construction will be in future after award of the concession.</p>	<p>Civil cost is worked out taking 5% annual escalation over the cost of Rs.10 crores provided in the Feasibility Report. The rough estimates are as follows:</p> <p style="text-align: right;">(Rs. in crores)</p> <table border="1"> <tr> <td>1.</td> <td>Office Building & Workshop At 20000 sq ft @1500</td> <td>3.00</td> </tr> <tr> <td>2.</td> <td>Furnitures & others facility</td> <td>0.50</td> </tr> <tr> <td>3.</td> <td>Tools & Plants (FLT - 1, Compressor - 2, Welding Sets -6, Service Truck - 2 & Spl. Tools, etc.)</td> <td>4.00</td> </tr> <tr> <td>4.</td> <td>Electrification (750 KVA Gen. sets - 1, 5MA transformer - 1, reefer points-90 &Other installations)</td> <td>5.00</td> </tr> <tr> <td colspan="2" style="text-align: center;">Total</td> <td>12.50</td> </tr> </table>	1.	Office Building & Workshop At 20000 sq ft @1500	3.00	2.	Furnitures & others facility	0.50	3.	Tools & Plants (FLT - 1, Compressor - 2, Welding Sets -6, Service Truck - 2 & Spl. Tools, etc.)	4.00	4.	Electrification (750 KVA Gen. sets - 1, 5MA transformer - 1, reefer points-90 &Other installations)	5.00	Total		12.50
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4.	Electrification (750 KVA Gen. sets - 1, 5MA transformer - 1, reefer points-90 &Other installations)	5.00															
Total		12.50															
(c).	<p>The norms prescribed in the guidelines stipulate deployment of one Rail Mounted Gantry Cranes (RMGC) for handling six rakes per day. The TPT has not considered this equipment while estimating the equipment cost. The proposed Scale of Rates, however, include tariff for handling ICD containers which involve movement of containers by rail. The port is requested to confirm that it does not envisage deployment of RMGC at the container terminal by the BOT operator.</p>	<p>As of now the terminal operator will not handle ICD Containers by rail as it is being handled by the port itself. Hence, RMGC was not included in the Capital cost. However, a tentative tariff provision has been made in the Scale of Rates with reference to such rail movement of container by the operator.</p>															
(d).	<p>Other capital cost prescribed in the guidelines is with reference to financing cost and interest during construction. The reasons for apportioning the "other capital cost" to the base civil cost and equipment cost for estimating IT capital cost are not explained in the proposal.</p> <p>The estimate of IT cost may be estimated at 2% of the civil construction and container handling equipment cost as per the guidelines.</p>	<p>For estimating IT costs only the base civil and equipment costs have been considered. The 'Other capital costs' have not been apportioned.</p> <p>IT costs have been estimated at 2% of the civil construction and container handling equipment costs as per the guidelines.</p>															
(iii).	Operating cost:																
(a).	<p>Confirm that the unit rate of power and fuel considered for estimating the power / fuel cost are the prevailing rate.</p>	<p>It is confirmed that the rates for power and fuel (Diesel), are the rates prevailing at the time of submission of Upfront Tariff Application. There is no change in unit rate of power rate and fuel (diesel) Rate is Rs.37.55 / litre. If permitted by TAMP, these rates will be updated at the time of finalisation of the Upfront Tariff.</p>															
(b).	<p>The reasons for including the apportioned portion of "other capital cost" to the base civil and equipment cost for estimating repairs and maintenance cost, insurance cost and depreciation may be explained. For reasons explained in (iii). (d). above, the TPT may consider to modify these estimates.</p>	<p>Base capital cost will be adopted for estimating the repairs and maintenance cost.</p>															

(iv).	Traffic Estimation:	
(a).	<p>The container traffic estimated (in Table 2.3.B., 2.3.C. and 2.3.D. in Annexure 3) for movement of containers from yard to CFS / CFS to yard, yard to rail / rail to yard, yard to truck / truck to yard is found to be significantly lower than the traffic handled by the existing container terminal operator. Justify the reasons for scaling down the traffic from the traffic level handled by the existing container terminal under each of these operations with detailed analysis done by the port in this regard.</p> <p>Likewise, hazardous container traffic estimated in Table 2.3.B., 2.3.C. and 2.3.D. for similar movements of containers also needs to be justified.</p>	<p>In designing the tariff for the container Terminal at TPT, it has been assumed that the Terminal operator will normally only provide services for movement of containers from / to ship to/from quay to / from yard. In case of heavy congestion at the Terminal/yard, it is assumed that the Terminal Operator will shift the container lying at the Terminal yard beyond a reasonable time on a FIFO basis to CFS or ICD or to a designated transit yard area within port limits (by Terminal Operator's truck). This service being on exception basis, only about 10% of the volume of respective of traffic has been considered here. (The percentage have been taken based on discussions with the existing container terminal operator at TPT.)</p>
(b).	<p>With reference to dwell time of container in Table 2.10, Annexure - 3, the basis of assuming various percentage of traffic in each of the times slots may be explained and justified.</p>	<p>These percentages of traffic has been taken based on discussions with the existing container terminal operator at TPT.</p>
(c).	<p>The surge factor considered for estimation of yard capacity is 1.3 as per norms. The traffic estimated by the TPT is converted into boxes applying the conversion factor as 1.4. Explain the reasons for such variations in application of conversion factor.</p>	<p>The surge factor observed from the past traffic data handled at the existing berth no.7 at TPT is 1.4 and hence the same has been assumed while making the estimates for the traffic data for the upcoming berth no.8. The surge factor for calculation of the Annual Revenue Requirement has been assumed as 1.3, as per the given guidelines. This figure has been maintained as 1.3 as increasing the surge factor to 1.4 would further reduce the optimal quay capacity from 597,870 TEUs.</p>
(v).	<p>The prevailing practice of prescribing certain container related charges in US dollar terms by converting the dollar value to rupee terms may not be appropriate in the upfront tariff cases which will have a validity of 30 years. This is because applying a WPI based escalation on a foreign currency is not correct. Secondly, the foreign exchange variation over the next 30 year cannot be predicted. In case of any abnormal variations, either the users or the operator will have to bear the incidence, depending on which side the appreciation takes place. The TPT may therefore propose tariff in Indian Rupee only.</p>	<p>US dollar tariff is to be retained to give parity to BOT operator vis-a-vis Port operations. TAMP may prescribe periodicity for revision in foreign exchange fluctuation say above / below 10%.</p>
	Scale of Rates:	
(i).	<p>General Terms and Conditions: With reference to the proposed note no. (xiii), the TPT may propose specific penalty clause for under performance or over stoyal of vessel based on the performance norms to be prescribed by the port in the bid document.</p>	<p>This penalty clause is applicable only for TPT as all vessel related charges are going to be collected by TPT. The current Scale of Rates of TPT provides for shifting a vessel for non performance and that will hold good in this case also. Hence, no penal provisions need to be prescribed in the bid / RFP documents.</p>
(ii).	<p>The TPT has proposed concessional rate for coastal container at 60% of the tariff proposed for foreign going in respect of movement of container from yard to CFS / CFS to yard, yard to rail / rail to yard, yard to truck / truck to yard, shutout container and charges for reefer</p>	<p>This recommendation of TAMP has been noted and the necessary changes are being incorporated in the computation of upfront tariff.</p>

	<p>containers. As per the Orders No.TAMP/4/Genl/2004 passed by the Authority on 7 January 2005 and dated 15 March 2005 (in compliance with the direction from the Ministry of Shipping, Road Transport and Highways), in case of container related charges where itemised charges were levied, concession on coastal containers is applicable on all relevant charges for ship to shore transfer, transfer from / to quay, to / from storage yard as well as wharfage on cargo containers. The concessional tariff proposed by the TPT for various movements mentioned herein above is not found to be in line with the Government's direction. The TPT may, therefore, consider to review and revise the concessional rates proposed for the coastal containers in line with the relevant policy. Consequently, the revenue estimation may also have to be revised with consequent adjustments in the proposed tariff caps.</p>	
(iii).	<p>Justify the rebates proposed in the handling charges when users carry out the operations with their own arrangements with reference to the tariff component included in the base handling rates.</p>	<p>(a). If the ship's gears are used for loading/unloading containers from ship to shore or vice versa, rebate is calculated at 50% of Quay crane.</p> <p>(b). If the Terminal user deploys his own tractor trailer for transporting containers from quay to container yard or container yard to quay, rebate is proposed at 25% of the applicable handling charges for transportation of containers from quay to yard and vice versa.</p> <p>(c). If the Terminal user deploys his own equipment for lifting containers from the container yard to truck and vice versa, rebate is worked out at 25% of the applicable handling charges of containers at the stack yard including lift on / lift off.</p> <p>(d). If the Terminal user provides labour for lashing/unlashing operation to container, rebate is calculated at 5% of Quay crane handling charges.</p>

8.1. A joint hearing in this case was held on 16 September 2008 at the premises of Chennai Port Trust. At the joint hearing, the TPT made a power point presentation of its proposal along with revised estimation of capital cost. At the joint hearing, the TPT, the users/user associations and the short listed bidders made their submissions.

8.2. At the joint hearing, the TPT was advised to file revised calculations and furnish copies of the documents based on which revised capital cost is estimated alongwith consequent revised calculation of upfront tariff and revised proposed Scale of Rates.

9. Subsequent to the joint hearing, M/s.Chettinadu Logistics Private Limited and PSA SICAL Terminals Limited has filed written submissions. At the request made by the bidders, the TPT was advised to forward a copy of the presentation made by them during the joint hearing to all the bidders / users.

10.1. In response to the decisions taken at the joint hearing, the TPT has furnished updated capital cost based on budgetary offers with reference to container handling equipment and has also furnished revised calculation and revised proposed Scale of Rates. The main modifications done by the TPT are summarised below:

(i). (a). **Capital Cost:**

(Rs. in crores)

Sl. No.	Description	Estimated in the initial proposal	Revised cost estimates
1.	Civil Construction Cost	18.46	18.80
2.	Container Handling Equipment *		
a).	Quay Gantry Crane (3 nos.)	78.90	134.33
b).	Rubber tyred Gantry crane (9nos.)	67.50	86.98
c).	Reach Stacker (1 no.)	1.90	3.15
d).	Tractor/Trailers (18 nos.)	6.84	6.84
	Total Container Handling Equipment	155.14	231.30
3.	IT systems cost (2% of 1 plus 2)	3.47	5.00
4.	Other Cost (10% of 1 plus 2)	17.36	25.01
5.	Total Capital Cost [1+2+3+4]	194.43	280.12

* The exchange rate applied in the revised proposal for conversion of budgetary quotations in foreign currency are 1US\$ = Rs.45, 1 Singapore dollar at Rs.31 and 1 Euro = Rs.64. The applicable cess, duties, etc., are reportedly applied for arriving at the unit rate of the equipment.

(ii). **Annual Operating Costs:**

- (a). The unit rate of fuel at Rs.37.75 per litre is adopted based on the prevailing rate as against Rs.36 per litre considered in the initial proposal.
- (b). The estimation of repairs and maintenance, insurance, depreciation and other expenses linked to capital cost has been consequently modified in view of revision in the capital costs.
- (c). The revised annual operating costs works out to Rs.76.82 crores as against Rs.56.85 crores estimated in the original proposal.
- (iii). The Return on Capital Employed at 16% works out to Rs.44.82 crores as against Rs.31.11 crores estimated earlier.
- (iv). The total Annual Requirement works out to Rs.121.65 crores as against Rs.87.96 crores estimated in the initial proposal.
- (v). It has also furnished revised proposed Scale of Rates indicating the upfront tariff for individual items. The tariff proposed by the TPT for main services in the revised proposed Scale of Rates vis-à-vis the tariff proposed in the initial proposal are highlighted below:

(Tariff for 20' containers)

Particulars	Initial proposal		Revised proposal	
	Laden 20'	Empty 20'	Laden 20'	Empty 20'
A. Handling charges:				
(i). Handling by Quay Crane (QC)	US \$ 22	US \$ 22	US \$ 30	US \$ 30
(ii). Transportation from QC to yard and vice versa and handling at yard including lift on / off and delivery	Rs.700	Rs.500	Rs.840	Rs.600

(iii). Yard to CFS or vice versa	Rs.900	Rs.900	Rs.1000	Rs.1000
(iv). Yard to Rail or vice versa (for ICD's)	Rs.700	Rs.700	Rs.700	Rs.700
(v). Yard to Truck or vice versa for direct delivery	Rs.300	Rs.300	Rs.300	Rs.300
(vi). Handling transshipment container	US \$ 27.5	US \$ 27.5	US \$ 30	US \$ 30
B. Storage charges	In the range of US \$ 5 to US \$ 20		In the range of US \$ 6.20 to US \$ 24.80	

(vi). Apart from the above modifications in the proposal, the TPT has made the following submissions with reference to the points discussed at the joint hearing:

(a). Free Period

Though the free period of 5 days is being allowed by PSA SICAL Terminals Limited and TPT at present, the calculations of the Upfront tariff including the ground rent are based on the extant guidelines. The proposed free period of 2 days for empty and 4 days for laden containers are the minimum and the terminal operator can allow higher free period as concession considering the operation logistics of the terminal operator. Hence, the Port feels that the free period as proposed by the Port in the original proposal of 2 days and 4 days respectively for empty and loaded containers may be retained.

(b). Upfront Fee

Regarding the issue of considering the upfront fee as part of the capital cost, it is submitted that the guidelines of upfront tariff fixation of the Authority provide for the elements of upfront fee as one of the elements of other capital costs calculated at 10% of the civil and mechanical costs in respect of all terminals except container terminals. Hence, this differential treatment may kindly be resolved by the Authority so as to facilitate the same level playing ground for all operators under the PPP mode. With respect to the upfront fee of Rs.60.00 crores proposed by the TPT, it is submitted that the same has been included as a condition in the RFQ based on which five bidders have been shortlisted. Therefore, the Port proposes to include the same in the RFP for submission to Government of India (PPPAC) for sanction prior to circulating to the said shortlisted bidders. The quantum of upfront fee is an entirely different issue concerning upfront tariff fixation and hence it may be left to the decision of the PPPAC as a matter of national policy.

(c). Charges for Overdimensional Containers:

The port is interested to retain the prescription of 5 times the normal charges for handling overdimensional containers for the reasons of the wear and tear involved on the equipment and the same cannot be a regular feature. Hence, the Authority is requested to retain the same and leave it to the individual discretion of the terminal operator based on the ground realities.

10.2. Subsequently, the TPT has further updated the capital cost and has furnished revised upfront tariff calculation alongwith revised proposed Scale of Rates. The main modifications done by the TPT with reference to its earlier revised proposal of 20 September 2008 is summarised below:

(i). Civil Cost:

(a). Pavement Cost: The unit cost of paving the unpaved stackyard area of 3.5 Ha has been revised from Rs.1800 per sq. mtr. to Rs.2700 per sq. mtr. based on the latest available rates as of September 2008.

- (b). Cost for construction of gates and fencing of the terminal area have been included in the civil cost estimates. These were not included in the earlier estimation.
- (c). Provision for contingencies has been made to the tune of 2% of the total civil cost in the revised capital cost estimation to meet contingency requirement.
- (d). It has confirmed that all the items of civil cost are based on the prevailing rates as on September 2008.
- (e). The updated civil cost is Rs.22.92 crores as against Rs.18.80 crores estimated earlier.
- (ii). Container Handling Equipment Cost:
- (a). This per unit cost for the tractor / trailer has been updated from Rs.38 lakhs per unit to Rs.62 lakhs per unit as per latest available market rates.
- (b). 2% of the container handling equipment cost has been provided to meet the contingency requirements.
- (c). The revised container handling equipment cost is Rs.240.34 crores as against Rs.231.13 crores estimated earlier.
- (iii). The estimation of IT cost and other capital cost has also been updated in view of revised capital cost. The detailed breakup of the revised capital cost is furnished below:

Sl. No.	Group	Basis	Estimation furnished by TPT (Rs. in crores)
1.	Civil construction cost	Estimated by port based on prevailing rates of September 2008	22.92
2.	Container handling equipment (Based on budget quotations obtained in June-August 2008)	Unit rate of equipment (Rs. in crores)	
(i).	Quay gantry crane (3 nos.)	44.78	134.33
(ii).	Rubber Tyred Gantry crane (9 nos.)	9.67	86.98
(iii).	Reach stacker (1 no.)	3.15	3.15
(iv).	Tractor Trailer (18 nos.)	0.62	11.16
(v).	Contingencies	2% of container handling equipment cost	4.71
	Total Container handling equipment cost		240.33
3.	IT System cost	2% of the sum total of the civil construction and container handling equipment cost.	5.27
4.	Other Cost including Financing cost and Interest during construction.	10% of the sum total of the civil construction and container handling equipment cost.	26.33
	Total Capital Cost		294.85

- (iv). The operating cost viz. the repairs and maintenance, insurance, depreciation and other costs which are linked as percentage to the capital cost has been updated. The modified operating cost for the optimal terminal capacity of 597,870 TEUs is estimated at Rs.79.89 crores as given hereunder:

Sl. No.	Cost Item	Norm	Basis	Estimates (in Rs.)
(i).	(a). Power	8 KWH/TEU	Rs.6.86/ KWH	32,811,106
	(b). Fuel	4 Liters/TEU	Rs.37.55 litre	89,800,074
(ii).	(a). Civil repair and maintenance	1% of cost of all civil assets	1% x Rs.22.92 crores	2,292,338
	(b). Mechanical and electrical equipment repair and maintenance	2% of cost of container handling equipment and IT systems	2% x Rs.245.60 crores	49,120,435
(iii).	Insurance	1% of Gross Fixed Assets Value	1% x Rs.294.85 crores	29,485,159
(iv).	Depreciation**	As per rates prescribed in the Companies Act	3.34% on civil works 10.34% on container handling equipment 16.20% on IT systems	290,644,909
(v).	License Fee (rentals for land and other port assets, including 2,000 sq. mtr. land required for terminal building and workshop)	As per the rate prescribed in the prevailing Scale of Rates of Port Trust	(102,000 + 2,000) sq. mtr. @ Rs.8 sq. mtr. / month	9,984,000
(vi).	Other expenses -For Terminals having capacity more than 0.5 million TEUs	10% of Gross Fixed Assets value	10% x Rs.294.85 crores	294,851,590
Total Operating Cost				798,989,611

**:- The apportioned portion of the "Other Capital Costs" has been included while calculating depreciation cost in accordance with the Normal Accounting Practice as per Accounting Standard 16 (on borrowing cost) of Institute of Chartered Accountants of India (ICAI).

- (v). The updated Annual Revenue Requirement is:

Sl. No.	Particulars	Rs. in crores
1.	16% ROCE on Rs.294.85 crores	47.18
2.	Operating cost	79.90
Total Annual Revenue Requirement		127.08

- (vi). The estimated Annual Revenue Requirement (ARR) is apportioned as per the guidelines into main tariff items as follows:

(Rs. in crores)

Sl. No.	Tariff Group	Percentage of total revenue allocated as per norms	Annual Revenue Requirement breakup
(i).	Container handling charges	90%	114.30
(ii).	Container storage charges	7%	8.89
(iii).	Miscellaneous services	3%	3.81
	Total	100%	127.00

- (vii). (a). The proposed Scale of Rates has been modified in view of the above changes to meet the revenue requirement. The quay crane charge and storage charge are proposed in rupee terms in the revised proposed Scale of Rates instead of dollar denomination proposed earlier. The tariff proposed for main services are summarised below:

(in Rs.)

Sl. No.	Particulars	Laden Container		Empty Container	
		20'	40'	20'	40'
(i).	Handling by Quay Crane	1440	2160	1440	2160
(ii).	Transportation from QC to yard and vice versa	840	1260	600	900
	Total handling charge	2280	3420	2040	3060
(iii).	Yard to CFS or vice versa	1000	1500	1000	1500
(iv).	Yard to Rail or vice versa	900	1350	900	1350
(v).	Yard to Truck or vice versa for direct delivery	300	450	300	450
(vi).	Handling charge for transshipment container	2160	3240	2160	3240
(vii).	Storage charge	Proposed in the range of Rs.290/- to Rs.1160/- for the highest slab beyond the proposed free period.			

- (b). Definitions of some of the terms which are not relevant for container terminal has been deleted. Definition of 'Day' is modified as per calendar day or part thereof instead of 6:00 a.m. to 6:00 a.m. of the following day proposed earlier.
- (c). Some of the general terms and conditions which are not relevant in view of proposing rupee denominated rates have been deleted from the revised proposed Scale of Rates.
- (d). As regards storage charge for hazardous containers, it has retained the earlier proposed provision of 25% premium. With reference to Over Dimensional Containers, the port has proposed to levy storage charge based on the actual numbers of ground slots in the respective container occupies under the respective slab instead of 25% premium proposed by it earlier.

11. 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>.

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

- (i). The proposal is for fixing upfront tariff for Container Terminal proposed to be developed under PPP mode at an existing berth of Tuticorin Port Trust (TPT).

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

- (ii). In the initial proposal, the port had considered the unit rate of equipment as indicated in the upfront tariff guidelines for estimating the container handling equipment cost. The cost of civil works was based on the estimates furnished in the feasibility report prepared in 2003 and escalated by 5% per annum.

While furnishing indicative rates for different container handling equipment, the guidelines of 2008 stipulate that the capital cost should be updated based on the prevailing market rate. Some of the users / short listed bidders had also pointed out that the capital cost estimated by the port is understated and unrealistic. The TPT was, therefore, advised to review the capital cost estimate considering the prevailing market rate for civil and equipment cost.

At the joint hearing, the TPT has submitted revised capital cost based on budgetary quotations obtained for container handling equipment and had also suitably revised the calculation for upfront tariff setting.

Subsequently, on 7 October 2008, the TPT has further revised the capital cost estimation mainly updating the estimation of a few items under civil works. The revised calculation furnished by the port on 7 October 2008 and additional information / clarifications furnished by the port are considered in this analysis.

- (iii). The proposal filed by the TPT generally complies with the guidelines issued for upfront tariff setting vide Notification No.TAMP/52/2007-Misc. dated 26 February 2008. Deviations from the guidelines proposed by the TPT are, inter alia, discussed in the subsequent paragraphs.

- (iv). Optimal Terminal Capacity:

The guidelines for upfront tariff setting prescribe the methodology for determination of optimal capacity of a Container Terminal. The factors determining the Optimal Terminal Capacity as per the norms considered by the TPT in the proposal are briefly explained hereunder:

- (a). Optimal Quay Capacity:

- (i). The guidelines stipulate one quay crane for berth length of 100 metres. The TPT has taken 3 quay cranes for berth length of 340 metres as per the norms prescribed in the guidelines.
- (ii). The productivity of the quay crane at 25 moves per hour TEU to boxes ratio, the number of days of working in a year are considered as per the norms.
- (iii). Applying the norms and formula prescribed in the guidelines the optimal quay capacity is estimated at 597870 TEUs per annum for the proposed container terminal.

(b). Optimal Yard Capacity:

(i). Ground slots:

A total area of 10 hectares of land is proposed to be provided by the TPT out of which 7.425 hectares of area would be reportedly available for container ground slots after providing area for roads around the yard, building, workshop, etc. based on the feasibility study conducted by the port.

Ground slots of 720 TEUs per hectare is considered for estimating the yard capacity as per the norms prescribed in the guidelines.

(ii). Average Stack Height:

The upfront tariff guidelines specify average stack height of 2.5 which is complied with by the TPT.

(iii). Average dwell time:

The upfront tariff guidelines specify average dwell time for export container at 4 days and for import container at 2 days which is considered by the TPT.

The port has considered the ratio of export : import at 51 : 49 based on the import / export mix obtained from the Container Terminal i.e. PSA SICAL Terminals Limited operating in its port. With the correction of an arithmetical error, the average dwell time works out to 3.02 days instead of 3.01 days considered by the TPT.

(iv). In view of the corrections made in the average dwell time, the yard capacity based on the formula prescribed in the guidelines works out to 869,780 TEUs as against 872,879 TEUs determined by the TPT. The optimal yard capacity assessed by Chettinad Logistics Limited also works out to 869,780 TEUs. In any case, this modification will not have any impact on upfront tariff calculation as lower of the two capacities i.e. yard and quay capacities is to be considered as the optimal terminal capacity.

(c). As per the guidelines, optimal capacity of the Container terminal is considered at 597,870 TEUs per annum being the lower of the optimal quay and yard capacities.

Upfront tariff needs to be fixed based on the optimal capacity irrespective of any traffic forecast. PSA SICAL Terminals Limited and Oceanic Transport Limited have submitted that it will take some time for the operator to build the traffic volume to reach optimal terminal capacity. It has sought to recognise the time taken by the prospective terminal operator for building the volumes to optimal capacity while fixing the upfront tariff. As required by the guidelines, the upfront tariff fixation exercise will recognise only the optimal capacity determined based on the given formula. It is for the concerned bidders to assess the demand for the services and formulate its financial bid.

The reference made by Chettinad Logistics Private Limited about the formula for yard capacity suggested to the Ministry of Shipping is not found to be relevant at this juncture in view of specific norms for upfront tariff setting announced by the MSRTH. In any case, the optimal capacity of 597,870 TEUs worked out as per norms does not vary significantly from the capacity of 589,173 TEUs suggested by Chettinad Logistics Private Limited.

(v). Capital Cost:

As already mentioned earlier, the TPT has revised the capital cost estimation from Rs.194.43 crores considered in the initial proposal to Rs.294.85 crores in the revised proposal. The revised capital cost of Rs.294.85 crores comprises Rs.22.92 crores toward civil works, Rs.240.33 crores for container handling equipment, Rs.5.27 crores for IT system cost and Rs.26.33 crores cost for other assets which is explained hereunder:

(a). Civil Cost

The upfront tariff guidelines specify to rely upon the estimates of the port for civil cost necessary for achieving the optimal terminal capacity. The port had initially estimated the civil cost at Rs.18.46 crores based on the estimates furnished in the feasibility report in 2003-04 and applying annual escalation factor. It has subsequently on our advice reviewed the estimates of civil cost and revised it to Rs.22.92 crores reportedly based on the latest market rates of September 2008. Estimation for fencing, construction of gate, etc., which were not considered in the initial proposal are included in the revised civil cost estimations

The civil cost estimates are prepared by the port with provision for miscellaneous items and contingencies to take care of any requirement which is not envisaged in the estimates. The estimation of civil cost made by the TPT is relied upon for fixing upfront tariff.

(b). Container Handling Equipment Cost:

(i). The number of Quay cranes, Rubber Tyred Gantry Cranes, Reach Stackers, Tractor Trailers considered by the TPT for estimating container handling equipment cost is in line with the normative level of equipment prescribed in the guidelines.

(ii). The guidelines stipulate deployment of one Rail Mounted Gantry Cranes (RMGC) for handling six rakes per day. The TPT has excluded this equipment while estimating the equipment cost.

The port has clarified that the terminal operator is not expected to handle ICD Containers by rail as it is being handled by the port itself. Hence, RMGC is not included in the capital cost. Rate for rail movement of container by the operator is, however, included in the proposed Scale of Rates as a tentative tariff provision.

Relying on the submissions made by the port and also recognising that none of the users / bidders have raised any pointed objection on non-inclusion of the RMGC in the estimation of container handling equipment cost, the deviation proposed by the port in estimation of this item is accepted.

(iii). The TPT was advised to confirm that the estimates of capital cost are based on the prevailing market rate and the project report has been either updated or quotation obtained wherever required and supporting documents are furnished to substantiate the estimates.

Adhering to our advice, the TPT has updated the unit rate of equipment based on quotations obtained from the concerned suppliers during June - August 2008. It has substantiated the estimates with copies of quotations.

(iv). The exchange rate applied by the TPT for conversion of budgetary quotations in foreign currency are 1US\$ = Rs.45, 1 Singapore dollar at Rs.31 and 1 Euro = Rs.64.

The unit rate of quay crane considered by the TPT in the revised capital cost is Rs.44.78 crores, Rs.9.67 crores for RTG and Rs.3.15 crores for a reach stacker. The unit cost for tractor / trailer estimated at Rs.0.62 crores is reportedly based on the latest market rates.

The unit cost of the equipment and the total project cost considered by the TPT in the revised capital cost estimates are found to be comparable to the estimates furnished by the Chettinad Logistics Limited.

The unit rates of quay crane, reach stacker, and RTG furnished by the TPT are relied upon subject to updating the exchange rate prevailing at the time of analysis this case. The budgetary quotations furnished by the TPT in foreign currency are converted into rupee terms applying the exchange rate of 1US\$ = Rs.48.43, 1 Singapore dollar at Rs.32.75 and 1 Euro = Rs.65.46 with consequent changes in the cess and duties as considered by the TPT.

(v). The revised container handling equipment cost subject to modification in the exchange rate explained above works out to Rs.255.85 crores as against Rs.240.33 crores estimated by the TPT.

(c). IT System Cost and Other Cost

The capital cost for IT systems and other items are estimated at 2% and 10% respectively of the sum of the civil cost and container handling equipment cost as per the norms prescribed in the guidelines.

(d). Based on the above analysis, the aggregate capital cost works out to Rs.312.23 crores as against Rs.294.85 estimated by the TPT.

(e). The project does not envisage the operator to construct the berth. The existing berth no.8 of the TPT is proposed to be handed over the successful bidder for developing container terminal berth on BOT basis by deploying the required container handling equipment and other supporting facilities. The capital cost, therefore, does not include cost for construction of berth and dredging cost. The TPT has confirmed that the entire dredging cost will be incurred by the Port.

Chettinad Logistics Private Limited has argued that although, berth is constructed by the port, the lessee will be required to pay royalty for the use of port infrastructure including the berth. Therefore, any cost incurred by the port on construction of berth should also be included in civil capex for setting of the tariff.

Since the operator is not required to incur any capital expenditure for construction of berth and the port will continue to provide berthing services and collect berth hire charge from vessels arriving at this berth, there is no justification to include the berth cost on notional basis for fixing upfront tariff. As regards the point made by the bidder about royalty, the guidelines clearly disallow this item in the fixation of upfront tariff.

(f). Chettinad Logistics Private Limited and the PSA SICAL Terminals Limited have stressed the need to consider the additional item of upfront fee of Rs.60 crores payable by the bidder to the TPT as per the RFQ document.

The TPT has clarified that upfront fee is a matter related to structuring the deal in respect of the revenue sharing mechanism. Since it is a

transaction related parameter and not a capital cost parameter this factor has not been considered by the port in the upfront tariff calculation.

The guidelines for upfront tariff setting do not allow royalty payment as pass through for upfront tariff calculation. Since the upfront fee in the instant case is of a nature of royalty as admitted by the TPT, it is not found appropriate to include it in the upfront tariff calculation by a different terminology.

The TPT has also submitted that that no specific approval of the Government is obtained for the deviation from the new Model Concession Agreement for levying upfront payment. This matter has to be decided by the Government of India (PPPAC) as a national policy.

Notwithstanding the above position, in case the upfront fee payment is to be made by the bidder then the 'other capital cost' can be construed to include the upfront payment as well. This flows from the guidelines for upfront tariff setting prescribed for coal / iron ore terminal which states that "other items" under capital cost estimation includes upfront fee apart from other items such as interest during construction period, working capital margin, miscellaneous assets, etc.

(vi). The Return on Capital Employed at 16% on the modified capital cost of Rs.312.23 crores works out to Rs.49.96 crores. M/s.Oceanic Transport Limited have stressed the need to review the rate of return of 16% on capital employed in view of change in the key parameter included under Capital Assets Pricing Model (CAPM) prescribed in the 2005 guidelines. It has suggested to consider ROCE @ 20%. It is relevant here to mention that the rate of ROCE was reviewed recently by this Authority and it was decided to adopt ROCE of 16% for the year 2008-09 to determine tariff for major ports and private terminals. Hence the return on capital employed computed at 16% of the estimated capital cost, which works out to Rs.4995.68 lakhs is considered.

(vii). Operating Cost:

- (a). Consumption of power is considered as per the norms at 8 KWH per TEU. The unit cost of power considered by the TPT in the revised calculation is Rs.6.86 per unit reportedly based on the unit rate of power incurred in May 2008. The TPT has confirmed that the unit rate of power adopted for the upfront tariff calculation is the prevailing rate.
- (b). Consumption of fuel is considered at 4 litres per TEU as per the consumption norms prescribed in the guidelines. The unit cost of fuel considered in the initial proposal was Rs.36 per litre. The TPT has subsequently updated the rate for fuel (diesel) at prevailing rate reported at Rs.37.55 per litre.
- (c). As per the norms, repairs and maintenance cost is estimated at 1% on the civil assets.

The norms stipulate the repairs and maintenance cost on mechanical and electrical equipment at 2% of the relevant cost of the assets. The TPT has rightly estimated repairs and maintenance @ 2% on container handling equipment and IT system cost in line with the guidelines. The request of PSA SICAL Terminals Limited to consider repairs and maintenance at 2.5% on equipment cost is not in line with the norms prescribed in the guidelines and has not been substantiated with any empirical evidence.

- (d). The insurance cost is estimated at 1% of the gross fixed assets and other expenses at 5% of the gross value of fixed assets as per the norms prescribed in the guidelines.
- (e). Depreciation, as per the guidelines, should be calculated following the depreciation rates for Straight Line Method (SLM) prescribed in the Companies Act, 1956. Depreciation is computed @ 3.34% on civil cost and 10.34% on container handling equipment and 16.20% for IT systems as per the rates prescribed in the Companies Act under the SLM for the relevant group of assets. The depreciation rate prescribed in the Companies Act for IT system is 16.21% against 16.20% considered by the TPT. The computation of depreciation is modified to that extent. This will, however, not have any significant impact on the total operating cost.

For calculation of depreciation, value of other assets has been capitalised to civil works, container handling equipment and IT systems and depreciation at the applicable rate is claimed thereon by the TPT as per the accounting practice followed for the borrowing costs. The same approach is followed while estimating the depreciation on the modified capital cost.

- (f). Lease rental is estimated for a total area of 104000 sq. mtrs. of land including 2000 sq. mtrs. of land required for terminal building and workshop proposed to be allotted by the port.

The guidelines stipulate the lease rental to be considered as per the rates prescribed in the Scale of Rates of the concerned Major Port Trust. The port has considered a rate of Rs.8 per square metre per month for estimating the lease rental, which is the license fee prescribed in its Scale of Rates of the TPT for open space inside the security wall. With reference to the point made by the Chettinad Logistics Private Limited, the Tuticorin Port Trust has confirmed that no additional lease rent is payable on the wharf area.

- (g). The total operating cost based on the above analysis works out to Rs.8394.33 lakhs as against Rs.7989.89 lakhs by the TPT.
- (viii). The statement for fixing upfront tariff cap for container terminal in line with the above analysis is attached as **Annex-I**.
 - (a). The total revenue requirement for the container terminal works out to Rs.13390.01 lakhs which is an aggregate of 16% Return on a capital cost (i.e. Rs.4995.68 lakhs) and operating cost (Rs.8394.33 lakhs).
 - (b). The guidelines require 90% of the total revenue requirement to be apportioned to handling charge, 7% towards storage charge and 3% towards miscellaneous charge.

Accordingly, Rs.12051.01 lakhs is to be realised from container handling charges and Rs.937.30 lakhs each from storage charge and Rs.401.70 lakhs from miscellaneous charges to meet the total revenue requirement of Rs.13390.01 lakhs.

- (ix). The guidelines do not prescribe any specific methodology for framing the Scale of Rates. The container handling charges include tariff items for various services and further the rates differ based on the type and size of containers.

The pattern of the services and facilities offered at the existing container terminal in the port is reportedly taken as the base by the TPT and scaled up to the optimal capacity assessed for the proposed Container terminal. The tariff for the similar

services offered by the existing terminal is taken as the base and adjusted by the TPT to meet the estimated revenue requirement for optimal terminal capacity of 597870 TEUs.

The new Scale of Rates for upfront tariff is, therefore, to be drawn up by iteration taking the tariff structure and the pattern of various services offered by other similar functioning terminal as the base so as to achieve the normative annual revenue requirement.

The approach adopted by the TPT in arriving at the proposed Scale of Rates to meet the revenue requirement is on the same lines and is relied upon except for correcting an error observed in the conversion of TEUs into number of boxes.

For deriving unit rates, the TPT has converted the optimal terminal capacity of 597870 TEUs into 427050 boxes. Whereas adopting the TEU ratio of 1.3 specified in the guidelines for arriving at the optimal terminal capacity, the number of boxes works out to 459900 boxes. This factor is corrected in the service break up furnished by the TPT.

Some of the users have raised an objection that the storage charge proposed by the TPT is on the higher side. While examining the calculation furnished by the TPT, it is observed that while estimating the revenue estimation from storage charge, the TPT has not considered average number of days each categories of container is expected to stay under each slab after availing the free period.

After rectification of error, the estimated revenue from the handling charge is Rs.11755.45 lakhs, Rs.1910.86 lakhs from storage charge and Rs.396.44 lakhs from miscellaneous services at the tariff level proposed by the TPT.

As against this, as already explained in the earlier paragraphs, the revised revenue requirement is Rs.13390.01 lakhs which constitutes Rs.12051.01 lakhs from container handling charge, Rs.937.3 lakhs from storage and Rs.401.70 lakhs from miscellaneous services following the distribution norms prescribed in the guidelines.

Thus, in order to meet the revised total revenue requirement, the handling charge proposed by the TPT is increased by 2.5%.

As regards storage charge, the tariff needs to be reduced by 50% from the level proposed by the TPT. This is mainly on account of error in the computation of revenue from storage charge by the TPT as mentioned earlier.

The revised storage charge for the first slab after 50% reduction from will work out to Rs. 145 per 20' container as against 290 per 20' proposed by the port. This is comparable to the storage charge in the range of US\$ 2.67 to US\$ 3.58 prescribed for the first slab in the Scale of Rates of the ABG Kandla Container Terminal Limited, Jawaharlal Nehru Port Trust and NSICT.

The differential in the revenue requirement at the tariff level proposed by the TPT and the as per revised revenue requirement calculation is not significant in respect of miscellaneous category. In view of this and also recognising that they are not mandatory services, the tariff proposed by the TPT for miscellaneous services is prescribed without any modification.

- (x). It may be noteworthy that some of the container related tariff items are prescribed in dollar terms in a few existing terminals. It has been decided by this Authority that prescribing dollar denominated tariff is not appropriate in the upfront tariff cases which will have a validity of 30 years. Firstly, applying a WPI based escalation on a foreign currency is not correct. Secondly, the foreign exchange

variation over the next 30 year cannot be predicted. In case of any abnormal variations, either the users or the operator will have to bear the incidence, depending on which side the appreciation takes place. This Authority has, therefore, in the case of Paradip Port Trust coal / iron ore terminal at Paradip Port Trust and for coal terminal in Mormugao Port Trust prescribed the upfront berth hire which is normally prescribed in dollar terms in rupee denomination.

Flowing from this decision, the TPT was advised to propose some of the dollar denominated container related tariff in rupee terms. Though the port had initially stressed the need to prescribe the handling charges in dollar terms in line with the prescription for similar tariff items in the existing container terminal, it has in its revised proposed Scale of Rates, proposed all the tariff items in rupee terms.

- (xi). In case of handling restow container without landing on the quay, the tariff prescribed in the Scale of Rates of other private terminals is about 40% to 50% of the normal charges. In case of handling such container by landing on quay, the rate prescribed in other private terminals is around 1.5 times the handling rate for normal containers. The differential tariff proposed by the TPT for this category of container is not found to be in the line with the position obtaining at the other private terminals. Hence the tariff for restow container is modified and prescribed at 43% of normal handling charge in case of handling without landing on quay and 1.43 times with landing on quay. The impact of this is considered in while arriving at the revenue estimation.
- (xii). The TPT has proposed tariff for movement of ICD container from yard to rail as a tentative provision.

As already mentioned earlier, the port does envisage the operator to handle ICD container. Even the relevant equipment i.e. Rail Mounted Gantry Crane is also not considered by the TPT in the capital cost estimation. Since the port itself proposes to handle such containers and also recognising that the revenue estimation does not consider any revenue from this service, it is not found necessary to include tariff for this particular service. Hence tariff for movement of container between yard to rail and storage charge for ICD container is deleted from the revised Scale of Rates.

- (xiii). The tariff for handling 40' container is proposed 1.5 times the rate prescribed for a 20' container and the tariff for container above 40' is prescribed two times the tariff for 20' container in line with the differential tariff prescribed in the 2005 guidelines.
- (xiv). A premium of 25% is proposed on hazardous cargo containers over the handling charges by quay crane transportation from quay to yard, yard to CFS, yard to rail and yard to truck over the rate prescribed for normal container. The tariff guidelines of 2005 allow 25% premium on hazardous cargo container over the applicable handling charges. Hence the tariff proposed for hazardous cargo is prescribed at 25% over the revised handling charge prescribed for the normal containers.

The TPT has also proposed 25% premium on over dimensional containers in line with the tariff prescribed for hazardous cargo container. It is relevant to mention that this Authority has prescribed the premium at the stated level on handling charges of over dimensional containers in case of Chennai Container Terminal Limited, Nhava Sheva International Container Terminal Limited, India Gateway Terminal Private Limited, etc. Based on the position obtained at the existing terminals, the 25% premium proposed in case of over dimensional containers is accepted with suitable modification in the rates.

- (xv). (a). The TPT has proposed 2 days free period for import containers and 4 days for export containers.

The free days proposed for Transshipment containers, ICD containers are 15 days and 10 days respectively and 15 days for shut out containers.

Whilst some of the bidders have argued that large number of free days as proposed by TPT will encourage port users not to move boxes at the earliest which impairs the yard capacity, some of the user associations like the Tuticorin Ship Agents Association have that the proposed free period is inadequate.

The free days for import and export containers proposed by the TPT are as per the norms for the average dwell time for import / export container prescribed in the guidelines. Free days proposed by the TPT for other categories of containers are specifically provided in the guidelines but are found to be comparable to the free days prescribed in other private terminals. Hence it is not found necessary to modify the free period structure proposed by the TPT.

Chettinad Logistics Limited has argued that there should not be any free period for shut out containers as the container is shut out under shipping instruction and not at the fault of the terminal operator. In this context it is clarified that the Authority has already held in one of its Orders relating to Tuticorin Port Trust that when a charge is levied in lieu of container being shut out, then it is entitled to get the benefit of the free period as well.

The Scale of Rates of other Private Terminals like the the Chennai Container Terminal Limited, Nhava Sheva Container Terminal Limited, PSA SICAL Terminals Limited etc., allow the applicable free period to such container from the time the container is first received.

The free period for shut out container is, however, not prescribed at a higher level of 15 days but is allowed as per the relevant category of container.

A suitable note is, therefore, incorporated in the Schedule of shut out charge in line with the provision prescribed in the Scale of Rates of other private terminals.

- (b). The storage charge for hazardous container is proposed at 25% premium over the applicable storage charge which is found to be in line with the tariff guidelines of 2005 and hence is accepted. As regards storage charge for over dimensional containers, TPT has revised its earlier proposal to specify that storage charge for over dimensional containers shall be levied based on the actual number of ground slots occupied by the respective containers. This is found to be in line with the prescription in some of the container terminals like the Chennai Container Terminal Limited, etc., and hence is accepted.
- (xvi). (a). The Tuticorin Ship Agents Association and Tuticorin Custom House Association have objected the proposed fee of Rs. 500 for late processing of the EIR. The Scale of Rates of other private container terminal like the CCTL, NSIC, ABG Kandla Container Terminal Limited do not prescribe tariff for such an tariff item. In view of strong objection raised by the users and also based on the position obtained from the other private terminals, the tariff for late processing fee is not included. The final revenue estimation takes into consideration the impact of deleting the said tariff item.

- (b). Another point made by the Tuticorin Ship Agents Association is that the lift on / lift off (LOLO) charges proposed at the same level for a laden and empty container is not logical.

Though in the Scale of Rates of the PSA SICAL, differential charges for lift on / lift off are prescribed, it is relevant to mention that no differential is maintained in this tariff item for laden / empty container in the Scale of Rates of other private terminals such as Chennai Container Terminal Limited, ABG Kandla Container Terminal Limited, etc., It has to be recognised that this tariff is for additional lift on / lift off at the CY. Since it is for miscellaneous service and based on the position obtaining at some of the other container terminals, it is not found necessary to modify the rate proposed by the TPT.

- (c). Some of the amendments suggested by the Tuticorin Custom House Agents Association (TCHAA) in the proposed Scale of Rates about provisions relating to penal interest for delay in refunds by the operator, specifying the bank for adopting the dollar rate, etc., call for amendments of the provisions stipulated in the 2005 tariff guidelines. These amendments may be suggested by the association while reviewing the 2005 guidelines. As regards the definition of the 'day' the TPT in the revised Scale of Rates has modified it to state it as a calendar day which addresses the point made by the TCHAA.
- (xvii). The handling charge by quay crane, is stated to include stevedoring, handling by quay crane, lashing and unlashng, stowage planning, wharfage on container and containerize cargo. The said note is partially modified to include that it also covers charges for all the miscellaneous services not specifically prescribed in the Scale of Rates.
- (xviii). The concessional rates for coastal containers are prescribed in line with clause 4.3 of the 2005 tariff guidelines and the policy directions issued by the Government. The concessional tariff is proposed at 60% of the tariff of foreign containers on the quay crane charge and movement between quay to yard for handling normal import / export containers, for transshipment containers, restow container and hatch cover handling for coastal category. The proposed concessional rates for coastal containers are found to be in line with the Government policy guidelines.
- (xix). Rebate on the handling charge is proposed, if the users make their own arrangement for carrying out operation with the prior permission of the operation when the equipment is not available for some reason. None of the user associations or the bidders have raised any objection of the proposed rebate. The rebate is prescribed at the level proposed by the TPT. The impact of the rebate has been considered while arriving at the revenue estimation.
- (xx). The TPT will continue to levy berth hire charge for the vessels arriving at the proposed Container Terminal at the rates prescribed in its Scale of Rates. Since the berth hire charges for vessels handled by operator are proposed to be collected by the TPT has incorporated a conditionality to allow rebate equivalent to berth hire charges to the vessels for the period when the vessels idle at its terminal when operations cannot take place due to failure / break down of the shore based facilities. This flows from the principle of not requiring user to pay for delays beyond the reasonable level attributable to the port / operator.
- (xxi). Definitions of some of the terms and general terms and conditions which are not found to be relevant have been deleted by the TPT in the revised proposed Scale of Rates.

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 operator, free days to exclude Customs holidays and terminal's non-operating days, storage charge not to accrue for the period when the operator is not in a position to deliver / shift the containers, etc. has been incorporated by the TPT in the proposed the upfront tariff schedule. Some of the proposed provisions which are not in line with the common prescription at other major ports / private terminals and the provisions of the revised tariff guidelines have been either been deleted or modified.

(xxii). The penal rate of interest for delayed payment by users and delayed refund by the operator, has been proposed at 2% above the Prime Lending Rate of the State Bank of India in line with the prescription in the upfront tariff schedule approved for coal / iron ore terminals in the Mormugao Port Trust, Paradip Port Trust, New Mangalore Port Trust, etc., and in line with Clause 2.8.2 of the March 2005 tariff guidelines.

13.1. 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.

13.2. 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.

13.3. 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.

13.4. 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.

13.5. 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 Tuticorin Port Trust. If any action is to be taken against the private operators, the Tuticorin Port Trust shall initiate appropriate action in accordance with the provisions of the relevant Concession Agreement.

13.6. 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 Tuticorin Port Trust a report containing the terminal's physical and financial performance during the preceding three months.

14. In the result, and for the reasons given above, this Authority approves the tariff caps for the container terminal at Tuticorin Port Trust which is attached as **Annex-II**.

(Brahm Dutt)
Chairman

FORMULATION OF UPFRONT TARIFF FOR CONTAINER TERMINAL AT TUTICORIN PORT

Sr. No.	Particulars	Norms prescribed in the guidelines	As proposed by the TPT		As considered by TAMP
I	Optimal capacity				
(i)	Optimal Quay Capacity		Calculation furnished by TPT	Values considered by TPT	
(a)	Values for detemining the quay capacity				
	A = Number of Gantry Cranes deployed for work in an year.	= Berth Length / 100	=345/100	3	3
	B = Number of working hours of gantry cranes in an year.	= 24 * 365 hours	= 24 * 365 hours	8760	8760
	C = Average number of moves per gantry crane.	= 25 moves per hour	= 25 moves per hour	25	25
	D = TEU ratio	= 1.3		1.3	1.3
	E = 70%	= 70%		70%	70%
(b)	Optimal Quay Capacity = A * B * C * D * E TEUs			597870	597870
(ii)	Optimal Yard Capacity				
	G = Total Ground Slot in TEUs	= 720 TEUs per hectare	= 720 * 7.425 hectare	5346	5346
	H = Average Stack height	= 2.50		2.5	2.5
	P = Period in number of days	= 365		365.0	365.0
	S = Surge factor	= 1.3		1.3	1.3
	D = Average Dwell Time	= 4 days for Export & 2 days for Import			
			= (4*49%*597870)+(2*51%*597870)/600000	3.01	3.02
	Optimal Yard Capacity = $0.7 * \frac{G * H * P}{S * D}$ In TEUs			872879	869780
(iii)	Optimal capacity of the Terminal - lower value of the optimal quay capacity and optimal stack yard capacity (in TEUs).			597870	597870
II	Capital Cost				
(i).	Container Handling Activity	Norms wherever prescribed	Calculation furnished by TPT	Rs. In crores	Rs. In crores
(a).	Civil Cost	As estimated by the terminal			
	(i).Office buidling and work Shop		=20000 sq. ft * Rs.1500 / sq. ft	3.00	3.00
	(ii) Furniture & other facilities		Lump sum	0.50	0.50
	(iii) Tools and Plants'			4.00	4.00
	(iv) Electrification			5.00	5.00
	(v) Fencing		=620 mtrs * Rs.2700 / meter	0.32	0.32
	(vi) Construction of Gate			0.20	0.20
	(vii) Pavement cost		=35000 sq mtrs * Rs.2700 / sq. meter	9.45	9.45
	(viii) Contingencies		2% of Civil cost	0.45	0.45
	Subtotal (a)			22.92	22.92
(b).	Container Handling Equipment	Norms			
	(i) Quay Gantry Crane	1 no. for 100 metres berth length	3 Nos * unit rate Rs 44.78 crores (rate updated as Rs.48.19 crores in our calculation)	134.33	144.57
	(ii) Rail Mounted Gantry Crane	1 no. for handling 6 rakes/ day	estimation as ICD movement not envisaged	-	-
	(iii)Rubber Tyred Gantry Crane	3 nos. for each Quay Gantry crane	9 Nos * unit rate Rs9.67 crores (rate updated as Rs.10.21 crores in our calculation)	86.98	91.89
	(iv) Reach Stacker/ Top Lift Truck	1 no. for 9 RTG's	1 Nos * unit rate Rs 3.15 crores (Rate updated as Rs. 3.22 crores in our calculation)	3.15	3.22
	(v) Tractor Trailers	6 nos. for each Quay Gantry Crane	18 Nos * unit rate Rs.0.62 crores	11.16	11.16
	(vi) Contingencies		2% of Equipment cost	4.71	5.02
	Subtotal (b)			240.33	255.85
	Subtotal (a +b)			263.25	278.77

Sr. No.	Particulars	Norms prescribed in the guidelines	As proposed by the TPT		As considered by TAMP
	(c) IT System Cost	2% of Civil & Equipment Cost	2% * Rs. 263.25 crores (on Rs. 278.77 crores in TAMP estimation)	5.27	5.58
	(d) Other Cost	10% of Civil & Equipment Cost	10% * Rs.263.25crores (on Rs.278.77 crores in TAMP estimation)	26.33	27.88
	(e). Total Capital Cost (a +b + c+d)			294.85	312.23

Sr. No.	Particulars	Norms prescribed in the guidelines	As proposed by the TPT		As considered by TAMP
III	<u>Operating Cost Estimation</u>				
		Norms	Calculation furnished by TPT	Rs. In lakhs	Rs. In lakhs
	(a). Power Cost	8 KWH per TEU * Prevailing unit rate	8 KWH * Rs. 6.86/ KWH	328.11	328.11
	(b). Fuel	4 litres per TEU * Prevailing unit rate	4 litres * Rs. 37.55. per litre	898.00	898.00
	(b). Repair & Maintenance				
	- Civil Assets	1% of cost of Civil assets	1% * Rs. 22.92 crores	22.92	22.92
	- Equipment	2% of cost of Equipments	2% * Equipment cost & IT systems	491.20	522.84
	(c). Insurance	1% of Gross fixed assets	1% * Rs. 294.85 crores	294.85	312.23
	(d). Depreciation	provisions of LA whichever is higher	As per Companies Act	2906.45	3088.11
	(e). License Fee	As per the Rates prescribed in the Scale of Rates of the concerned Port Trusts	1,04000 sq mtres * Rs. 8/sq.mtr.mth	99.84	99.84
	(f). Other Expenses (for terminals having more than 0.5 million TEUs)	10% of Gross fixed assets value	10% * Rs. 294.85 crores	2948.52	3122.28
	Total Operating Cost (a to f)			7989.89	8394.33
IV	<u>Annual Revenue Requirement</u>				
	<u>Annual Revenue Requirement ARR</u>				
	(a). Total Operating Cost			7989.89	8394.33
	(b). Return on capital Employed @ 16%			4717.63	4995.68
	(c).Total Revenue requirement			12707.52	13390.01
	<u>Apportionment of Revenue Requirement</u>	% of total ARR			
	(a) Container Handling Charges	90%	90%	11436.77	12051.01
	(b) Storage Charges	7%	7%	889.53	937.30
	(c) Miscellaneous Charge	3%	3%	381.23	401.70
	(d).Total Revenue requirement (Rs.in lakhs)		100%	12707.52	13390.01

TUTICORIN PORT TRUST

UPFRONT TARIFF SCHEDULE FOR CONTAINER HANDLING TERMINAL

1.1. DEFINITIONS

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

- (i). **“Coastal Vessel”** shall mean any vessel exclusively employed in trading between any Terminal or place in India to any other Port or place in India having a valid coastal license issued by the competent authority.
- (ii). **“Container”** shall mean the standard ISO container, suitable for the transport and stacking of cargo and must be capable of being handled as a unit and lifted by a crane with a container spreader.
- (iii). **“Demurrage”** shall mean charges payable for storage of cargo in transit area within the Terminal premises beyond free period, as specified in the Scale of Rates.
- (iv). **“Foreign-going Vessel”** shall mean any vessel other than a coastal vessel.
- (v). **“Free period”** shall mean the period during which cargo/container is allowed storage free of demurrage charges/ground rent and this period shall exclude Customs notified holidays and Terminal's non-operating days.
- (vi). **“Full Container Load”** (FCL) shall mean a container containing cargo belonging to one consignee in the vessel's manifest.
- (vii). **“Hazardous container”** shall mean a container containing hazardous goods as classified under International Maritime Organisation (IMO.)
- (viii). **“ICD”** shall mean Inland Container Depot.
- (ix). **“Less than a Container Load”** (LCL) shall mean a container containing cargo belonging to more than one consignee in the vessel's manifest.
- (x). **“Over Dimensional Container”** shall mean a container carrying over dimensional cargo beyond the normal size of standard containers and needing special devices like slings, shackles, lifting beam, etc. Damaged Containers (including boxes having corner casting problem) and Container requiring special devices for lifting is also classified as Over Dimensional Container.
- (xi). **“Port”** shall mean Tuticorin Port Trust.
- (xii). **“Per day”** shall mean a calendar day or part thereof.
- (xiii). **“Reefer Container”** shall mean a refrigerated container used for carriage of goods with provisions for electrical supply to maintain the desired temperature.
- (xiv). **“Shut Out Container”** shall mean a container, which enters into the Terminal as an export intake for a particular vessel as indicated by the Vessel Identification Advice No.(VIAN) Container Advance Information List (COPRAR) and is not shipped into the particular vessel for reasons whatsoever.
- (xv). **Transshipment container”** shall mean any container, which is discharged from one vessel stored in the container Terminal and shipped through another vessel for other port.

1.2. GENERAL TERMS & CONDITIONS

- (i). The status of the vessel, as borne out by its certification by the Customs or the Director General of Shipping, shall be the deciding factor for its classification as 'coastal' or 'foreign-going' for the purpose of levying vessel related charges; and, the nature of cargo or its origin will not be of any relevance for this purpose.
- (ii).
 - (a). A foreign going vessel of Indian Flag having a General Trading Licence can convert to Coastal run on the basis of a Customs Conversion Order.
 - (b). A foreign going vessel of Foreign Flag can convert to coastal run on the basis of a Coastal Voyage Licence issued by the Director General of Shipping.
 - (c). In cases of such conversion, coastal rates shall be chargeable by the load Terminal 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 Terminals.
 - (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). Interest on delayed payments/refunds.
 - (a). The user shall pay penal interest on delayed payments of any charge under this Scale of Rates. The rate of interest will be at 2% above the Prime Lending Rate of State Bank of India
 - (b). Like wise, the Terminal operator shall pay penal interest on delayed refunds. The rate of interest will be at 2% above the Prime Lending Rate of State Bank of India.
 - (c). The delay in refunds by the Terminal Operator will be counted beyond 20 days from the date of completion of services or on production of 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 as stipulated in the Major Port Trusts Act, 1963 and/or where payment of charges in advance is prescribed in this Scale of Rates.
- (iv). All charges worked out shall be rounded off to the next higher rupee on the grand total of each bill.
- (v). No claims for refund shall be entertained unless the amount refundable is Rs.100/- or more. Likewise, Terminal Operator shall not raise any supplementary or under charge bills, if the amount due to Terminal is Rs. 100/- or less.
- (vi). Containers less than and up to 20' in length will be reckoned as one TEU for the purpose of tariff.
- (vii). An LCL Container coming in and going out of the Terminal as a unit load will be regarded as an FCL for the purpose of levying charges.
- (viii). Users shall not be required to pay charges for delays beyond a reasonable level attributable to the Terminal.

- (ix). In case a vessel idles due to breakdown or non-availability of the shore based facilities of Terminal Operator or any other reasons attributable to Terminal Operator,, rebate equivalent to berth hire charges payable to the Tuticorin Port Trust accrued during the period of idling of vessel shall be allowed by Terminal Operator.
- (x). (a). The container related charges for all Coastal containers should not exceed 60% of the normal container related charges.
- (b). The concession will be on all the relevant charges for ship-shore transfer, and transfer from / to quay to / from storage yard as well as wharfage on cargo and containers.
- (c). A container from a foreign port landing at TPT Berth No. 8 Container Terminal for subsequent transshipment to an Indian port on a coastal voyage or vice versa would be charged at 50% of the transshipment charge prescribed for foreign going vessel and 50% of that prescribed for the coastal category.
- (xi). (a). The rates prescribed in this Scale of Rates are ceiling levels; likewise, rebates and discounts are floor levels. The Terminal Operator may, if it so desire, charge lower rates and/ or allow higher rebates and discounts.
- (b). 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 rationalization 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. Provided that the Terminal should notify the public such lower rates and / or rationalization 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.

CHAPTER-II

CHARGES FOR CONTAINER OPERATIONS

2.1. Charges for normal and reefer containers.

Note: The consolidated container handling charges prescribed in Schedule 2.1(A)(i), 2.2, 2.3(A)(i), 2.4(A)(i) include the following elements, viz., stevedoring, handling by quay crane, lashing and unlashng, stowage planning, wharfage on containers and containerized cargo and charges for all other miscellaneous services not specifically prescribed in the Scale of Rates.

2.1.A. (i). Handling by Quay Crane including lashing/ unlashng

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded Container	1476	2214	2952	885.60	1328.40	1771.20
(ii).	Empty Container	1476	2214	2952	885.60	1328.40	1771.20

2.1.A. (ii). Transportation from QC to Yard & Vice Versa and Handling at Container Yard including lift on/lift off and Delivery/ Receipt to and from Customers.

Sr. No.	Particulars	Foreign-Going in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded Container	861	1291.50	1722	516.60	774.90	1033.20
(ii).	Empty Container	615	922.50	1230	369	553.50	738

2.1.B. Yard to CFS/CFS to yard - Transport and lifts at CFS

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded Container	1025	1537.50	2050	1025	1537.50	2050
(ii).	Empty Container	1025	1537.50	2050	1025	1537.50	2050

2.1.C. Yard to Truck/ Truck to Yard - For Direct Delivery

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded Container	307.50	461.25	615	307.50	461.25	615
(ii).	Empty Container	307.50	461.25	615	307.50	461.25	615

Note: Normal containers are the general type containers, not falling under any special categories mentioned in subsequent schedules.

2.2. Charges for Transshipment containers.

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded Container	2214	3321	4428	1328.40	1992.60	2656.80
(ii).	Empty Container	2214	3321	4428	1328.40	1992.60	2656.80

Note: A container originally declared as transshipment container, subsequently moved by rail or road will lose its identity as a transshipment container and shall be treated as normal import container and the prescribed charges as applicable shall be payable.

2.3. Charges for Hazardous containers.

2.3 A. (i). Handling by Quay Crane including lashing/ unlashng

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded Container	1845	2767.50	3690	1107	1660.50	2214

2.3.A. (ii). Transportation from QC to Yard & Vice Versa and Handling at Container Yard including Lift On/Lift Off and Delivery Receipt to and from Customers.

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded Container	1076.25	1614.40	2152.50	645.75	968.65	1291.50

2.3.B. Yard to CFS /CFS to yard– Transport and lifts at CFS

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded Container	1281.25	1921.90	2562.50	1281.25	1921.90	2562.50

2.3.C. Yard to Truck/ Truck to Yard - For Direct Delivery

Sr. No.	Particulars	Foreign-Going (In Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded Container	384.40	576.60	768.80	384.40	576.60	768.80

2.4. Charges for Over Dimensional Cargo Containers.

2.4. A. (i). Handling by Quay Crane including lashing/ unlashng

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded	1845	2767.50	3690	1107	1660.50	2214
(ii).	Empty	1845	2767.50	3690	1107	1660.50	2214

2.4.A. (ii). Transportation from QC to Yard & Vice Versa and Handling at Container Yard including Lift On/L Off and Delivery/ Receipt to and from Customers.

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded	1076.25	1614.40	2152.50	645.75	968.65	1291.50
(ii).	Empty	768.75	1153.10	1537.50	461.25	691.90	922.50

2.4.B. Yard to CFS /CFS to Yard- Transport and lifts at CFS.

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded	1281.25	1921.90	2562.50	1281.25	1921.90	2562.50
(ii).	Empty	1281.25	1921.90	2562.50	1281.25	1921.90	2562.50

2.4.C. Yard to Truck/ Truck to Yard - For Direct Delivery

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Loaded	384.40	576.60	768.80	384.40	576.60	768.80
(ii).	Empty	384.40	576.60	768.80	384.40	576.60	768.80

2.5. Rebates:

Rebates as follows shall be applicable to users for carrying out various operations with their own arrangements, with the prior written permission of the Terminal Operator when the equipment of the Terminal Operator are not available for some reasons.

Sr. No.	Description	Foreign Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(a).	If the ship's gears are used for loading / unloading containers from ship to shore or vice versa.	720	1080	1440	432	648	864
(b).	If the Terminal user deploys his own tractor trailer for transporting containers from quay to container yard or container yard to quay.	150	225	300	90	135	180

Sr. No.	Description	Foreign Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(c).	If the Terminal user deploys his own equipment for lifting containers from the container yard to truck and vice versa.	150	225	300	150	225	300
(d).	If the Terminal user provides labour for lashing/unlashing operation to container.	72	108	144	43.20	64.80	86.40

Notes:

- (1). No rebate will be admissible for back to town containers handled by private equipment.
- (2). In case of Sr. No. (d), above rebate shall be limited to the number of containers actually lashed.

2.6. Charges for handling Hatch Covers of vessels

Sr. No.	Particulars	Foreign Going (in Rs.)	Coastal (in Rs.)
(i).	When placing the hatch cover on the quay	1890	1134
(ii).	Without placing the hatch cover on the quay	758	454.80

Note: If only one operation is carried, half of the hatch cover handling charges as above shall be levied.

2.7. Charges for shifting containers within vessel (Restows)

(A). Shifting within hatch (without landing and reshipping)

Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
Loaded & Empty	635	952.50	1270	381	571.50	762

(B). Shifting via quay (shifting by landing on quay and reshipping)

Particulars	Foreign-Going (in Rs.)			Coastal (In Rs.)		
	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
Loaded & Empty	2110	3165	4220	1266	1899	2532

2.8. Charges for Shut Out containers.

Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
Loaded & Empty	1153.10	1729.65	2306.20	1153.10	1729.65	2306.20

Notes:

- (1). Above charges shall apply where an export container or transshipment container is shut out and delivered out of the Terminal.
- (2). In this case, the free storage period will be given to the container in accordance with section 2.10. from the time the container is first received. If the free storage period is exceeded, storage charges shall be calculated after the expiry of the free period up to the time of lift on.

2.9. Charges for General services applicable to Reefer containers.

Sr. No.	Particulars	Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Pre-trip inspection (including supply of electricity)	1384	1384	1384	1384	1384	1384
(ii).	Connection or disconnection Services On board a Vessel	92	92	92	92	92	92
(iii).	Cleaning of Container	72	144	216	72	144	216
(iv).	Supply of electricity (including connection and disconnection, monitoring of temperature at reefer yard) Per container per 4 hours or part thereof	149	223.50	447	149	223.50	447

Notes:

- (1). The tariff prescribed above does not include parameter setting or repair & maintenance of malfunctioning reefers.
- (2). The charges prescribed in the schedule above are also applicable to restow reefer containers.
- (3). Pre-trip inspection of the reefer containers, connection or disconnection services on board the vessel and cleaning of containers are optional services and shall be rendered when requested.
- (4). Pre-trip inspection of the reefer containers and connection or disconnection services on board the vessels will be uniform irrespective of the length of the containers.

2.10. Dwell time charges.

2.10.A. Loaded Import containers

Sr. No.	Particulars	Rate per container per day or part thereof					
		Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	First 2 Days	Free	Free	Free	Free	Free	Free
(ii).	3 Days to 7 Days	145	290	435	145	290	435
(iii).	8 Days to 15 Days	290	580	870	290	580	870
(iv).	Thereafter	580	1160	1740	580	1160	1740

2.10.B. Loaded Export containers

Sr. No.	Particulars	Rate per container per day or part thereof					
		Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	First 4 Days	Free	Free	Free	Free	Free	Free
(ii).	5 Days to 7 Days	145	290	435	145	290	435
(iii).	8 Days to 15 Days	290	580	870	290	580	870
(iv).	Thereafter	580	1160	1740	580	1160	1740

2.10.C. Empty Import or Export containers

Sr. No.	Particulars	Rate per container per day or part thereof					
		Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	First 2 Days	Free	Free	Free	Free	Free	Free
(ii).	3 Days to 7 Days	145	290	435	145	290	435
(iii).	8 Days to 15 Days	290	580	870	290	580	870
(iv).	Thereafter	580	1160	1740	580	1160	1740

2.10.D. Transshipment loaded/ empty Containers

Sr. No.	Particulars	Rate per container per day or part thereof					
		Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	First 15 Days	Free	Free	Free	Free	Free	Free
(ii).	16 Days to 30 Days	145	290	435	145	290	435
(iii).	Thereafter	290	580	870	290	580	870

2.10.E. Shutout loaded & empty containers

Sr. No.	Particulars	Rate per container per day or part thereof					
		Foreign-Going (in Rs.)			Coastal (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length	Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	First 15 Days	145	290	435	145	290	435
(ii).	16 Days to 30 Days	290	580	870	290	580	870
(iii).	Thereafter	580	1160	1740	580	1160	1740

Notes:

- (1). Free dwell-time (storage) period for import containers shall commence from the day after the day of landing of the container and for export containers the free period shall commence from the time container enters the terminal.
- (2). For the purpose of calculation of free time, Custom notified holidays and Terminal's non operating days shall be excluded.
- (3). Transshipment containers whose status is subsequently changed to local FCL/LCL/ICD shall lose the Concessional storage charges. The storage charges for such containers shall be recovered at par with the relevant import containers storage tariff.
- (4). Transshipment containers subsequently changing the mode of dispatch to rail shall be treated as other ICD containers for the purpose of levy of storage fees. In such cases additional shifting charges will be applicable for movement of containers from container yard to ICD yard.
- (5). The users will not have to pay storage charges for the period during which the Terminal operator is not in a position to deliver/ shift the containers when requested by the users.
- (6). Normal import containers subsequently changing the mode of dispatch to rail will enjoy the free period applicable to normal import containers only.
- (7). The total storage period for a shutout container shall be calculated from the day following the day when the container has become shutout till the day of Shipment/delivery.
- (8).
 - (i). Dwell time charges for Hazardous containers shall attract 1.25 times the normal applicable charges.
 - (ii). For Over Dimensional Containers, storage charge shall be based on actual number of ground slots the respective container occupies under the respective slab as given above.
- (9). The storage charges on abandoned FCL containers / shippers owned containers shall be levied up to the date of receipt of intimation of abandonment in writing or 75 days from the days the day of landing of the container, whichever is earlier subject to the following conditions:
 - (i). The consignee can issue a letter of abandonment at any time.
 - (ii). If the consignee chooses not to issue such letter of abandonment, the container agent/MLO can also issue abandonment letter subject to the condition that,
 - (a). The Line shall resume custody of container along with cargo and either take it back or remove it from the Terminal premises; and
 - (b). The line shall pay all Terminal charges accrued on the cargo and container before resuming custody of the container.

- (iii). The container Agent/MLO shall observe the necessary formalities and bear the cost of transportation and de-stuffing. In case of their failure to take such action within the stipulated period, the storage charge on container shall be continued to be levied till such time all necessary actions are taken by the shipping lines for de-stuffing the cargo.
- (iv). Where the container is seized/confiscated by the Custom Authorities and the same cannot be de-stuffed within the prescribed time limit of 75 days, the storage charges will cease to apply from the day the Custom order release of the cargo subject to lines observing the necessary formalities and bearing the cost of transportation and de-stuffing. Otherwise, seized/confiscated containers should be removed by the line/consignee from the Terminal premises to the Customs bonded area and in that case the storage charge shall cease to apply from the day of such removal.

CHAPTER-III

3.1. Charges for miscellaneous services

Sr. No.	Particulars	Rate (in Rs.)		
		Container not exceeding 20' in length	Container exceeding 20' but up to 40' in length	Container exceeding 40' in length
(i).	Fixing/removal of seal	200	200	200
(ii).	Lift on/lift off in the CY	650	975	1300
(iii).	Charges for shifting within the Terminal	800	1200	1600
(iv).	Shifting of containers within the Terminal for customs inspection	900	1350	1800
(v).	Stacking of containers in the designated yard for customs examination	275	405	540
(vi).	Direct loading	500	750	750
(vii).	Reshuffling	850	1275	1275
(viii).	Change of shipment status	550	825	825
(ix).	Change of container status	450	450	450
(x).	Cancellation of document	300	300	300
(xi).	Visitor entries pass (Cost per pass)			
	(a). Yearly		200	
	(b). Monthly		50	
	(c). Daily		20	
(xii).	Photography (Cost per day)			
	(a). For Shooting/ Filming		13000	
	(b). For Photography of goods		640	
	(c). For Photography of operations		3900	

3.2. Charges for supply of fresh water alongside the container berths.

Particulars	Rate (in Rs.)
Per 1000 Liters or part thereof	300
