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Tariff Authority for Major Ports

GNo.176

New Delhi,

30 October 2008

NOTIFICATION

In exercise of the powers conferred by Sections 48, 49 and 50 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the New Mangalore Port Trust for fixing upfront tariff for mechanised iron ore handling facilities at the New Mangalore Port as in the Order appended hereto.

(Brahm Dutt)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/22/2008 - NMPT

New Mangalore Port Trust

- -

Applicant

ORDER

(Passed on this 30th day of September 2008)

This case relates to the proposal received from the New Mangalore Port Trust (NMPT) for fixing upfront tariff for mechanised iron ore handling facilities to be developed on Build-Operate-Transfer (BOT) basis at the New Mangalore Port.

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 compliance with the guidelines, the NMPT has filed the proposal for fixing upfront tariff for mechanised iron ore handling facilities on Build-Operate-Transfer (BOT) basis at the New Mangalore Port. It has subsequently forwarded the draft upfront tariff schedule for the proposed facility.

4. The highlights of the original proposal of NMPT are as follows:

(i). The proposal envisages setting up a mechanised iron ore handling facility at deep draft multipurpose berth no.14 for handling iron ore on BOT basis. The mechanised handling facility will include:

- (a). The system will be designed to handle the wagons received at the marshalling yard.
- (b). The wagons will be tippled and the iron ore will be transported from marshalling yard to the stacking yard located behind the Berth No.14 through a conveyor system.
- (c). The wagon will be shunted by road-cum-rail engine.
- (d). The ship loading will be done from the stackyard through mobile ship loaders (2 Nos.); and, the pay loaders will do reclaiming in the stackyard.

(ii). Allotment of land:

The port proposes to allot the following land to the prospective BOT operator for setting up the mechanised iron ore handling facility:

- (a). 75,000 square meters of land inside the security compound wall behind the proposed berth.
- (b). 64,000 square meters of land near the Port Rail Marshalling Yard.
- (c). 5,000 square meters Right of Way (ROW) for providing conveyor system from Marshalling Yard to the Deep Draft Berth.

(iii). Optimal Terminal Capacity:

(a). Optimal Quay Capacity:

- (i). For calculation of quay capacity, the loading rate of various type of ships has been considered based on the system envisaged in the

proposal. The loading rate considered is lower than the norms prescribed in the guidelines. The norms for loading rate of ship prescribed in the guidelines for upfront tariff setting of an iron ore terminal and the loading rate considered by the NMPT is given below:

Type of Ship	Loading norms as per guidelines	(in tonnes / day)
		Loading rate considered by NMPT
Cape size	60,000	50,000
Panamax	55,000	40,000
Handy size and handy max	25,000	20,000

- (ii). The share of capesize vessels, panamax vessels and handy max vessels is assumed to be at 30%, 60% and 10% respectively.
- (iii). Optimal Quay Capacity applying the formula prescribed in the guidelines and adopting the loading rates as mentioned above is assessed at 10.48 million tonnes per annum.
- (b). Optimal Yard Capacity:
 - (i). Area of the stackyard to be made available by the port is 75,000 square metres.
 - (ii). Stacking quantity is considered at 15 tonnes per square metre (as per norms).
 - (iii). Plot turnover ratio is factored at 12 times in a year as per norms.
 - (iv). Optimal yard capacity applying the formula prescribed in the guidelines is assessed at 6.62 million tonnes per annum.
- (c). Optimal capacity of the terminal:

Optimal capacity of the proposed facility is assessed at 6.62 million tonnes per annum being lower of (a) and (b) above.
- (iv). The mechanised handling system is expected to have a loading rate of 50,000 tonnes per day. The berth will cater vessels upto 14 mtrs. draft i.e. 85000 DWT.
- (v). Capital Cost:

- (a). The capital cost of the project was estimated at Rs.162.74 crores as given below:

Particulars	Estimated capital cost (Rs. in crores)
Civil Cost	39.13
Mechanical equipment	118.61
Electrical	5.00
Total	162.74

- (b). The civil cost has been estimated based on the works of similar nature recently awarded in the New Mangalore Port.
- (c). The estimation of mechanical engineering and machinery cost is based on the cost indicated in the feasibility report prepared by M/s.Howe India Private Limited in 2001 and suitably escalated for material component and labour component of 60% and 40% respectively. The escalation in the equipment cost is based on difference in the market prevailing rate while preparing the feasibility report in 2001 and recent market rates of steel material.

(vi). Operating Cost:

- (a). Power cost is estimated based on the consumption norms of 1.4 units per tonne. The unit rate of power adopted for calculation of upfront tariff is Rs.10.
- (b). Repairs and Maintenance is estimated at 1% of civil cost and 7% of mechanical and electrical cost as per the norms.
- (c). Insurance and other expenses are estimated at 1% and 5% respectively of the gross fixed asset value of Rs.162.74 crores.
- (d). Depreciation is computed @ 5% on civil assets, 20.87% on mechanical assets and 20.87% on electrical assets for two shift operation on Written Down Value Method.
- (e). License fee is estimated at Rs.120 per square metre per annum for total 1,44,000 square metres of area to be allotted by the port.
- (f). Accordingly, the total operating cost is estimated at Rs.5,755 lakhs.

- (vii). The total revenue requirement for handling iron ore by mechanised facilities after considering 16% return on capital cost is estimated at Rs.83.59 crores per annum as summarised below:

(Rs. in crores)		
Sl.No.	Particulars	Estimated Revenue Requirement
(i).	ROCE-16% on estimated cost of capital of Rs.162.74 crores	26.04
(ii).	Operating Cost	57.55
(iii).	Total estimated revenue requirement	83.59

- (viii). The upfront tariff cap originally proposed by the NMPT to meet the estimated revenue requirement is given below:

Sl. No.	Services rendered	Rate (per metric tonne)
1.	Iron ore Handling Charges	120.00
2.	Storage charges for the goods lying in the storage yard without export beyond 25 days of free period	
	(a). Per day in the 1 st week	3.00
	(b). Per day in the 2 nd week	5.00
	(c). Per day in the 3 rd week	7.00
3.	Miscellaneous charges	
	(a).Sweeping, collecting spillage from yards / conveyors / galleries	1.00
	(b). Moisterising the cargo	0.50

- (ix). The berth is not licensed to the BOT operator and hence berth hire charge is not proposed. The NMPT will continue to collect berth hire alongwith other vessel related charges.

5.1. Subsequently, the NMPT in response to our queries has modified the calculation of depreciation by applying the rates under Straight Line Method as per the Companies Act, 1956. Consequent to this modification, the operating cost estimation was modified. The revenue requirement estimated as per the revised cost statement is given below:

Particulars	Rs. in crores
ROCE @ 16%	26.04
Operating cost	43.22
Total revenue requirement	69.25

5.2. Consequently, the revised handling charge worked out to Rs.102.60 per tonne (say Rs.103) as against Rs.120 per tonne proposed in its initial proposal. The NMPT has not suggested any modification in storage charge and miscellaneous charge.

6.1. In accordance with the consultative procedure prescribed, the original proposal received from the NMPT as well as the revised proposal was circulated to the concerned users and qualified bidders forwarded by the NMPT seeking their comments. The comments received from the users and qualified bidders were forwarded to NMPT as feedback information. The NMPT has furnished its observations on the comments of the users / qualified bidders.

6.2. Comments received from the users / user associations and qualified bidders on the original proposal were forwarded to the NMPT. We have not received any written comments from the users / user associations on the revised upfront tariff proposed by the port.

7. The proposal of the NMPT for fixing upfront tariff for mechanised iron ore handling facilities under BOT basis appeared to be drawn based on the upcoming proposal for setting up of a mechanised iron ore handling facilities at berth no.14. It was, therefore, clarified to the NMPT that the tariff cap to be prescribed would be applicable to the proposed project at berth no.14 as well as all projects bid out subsequently for identical cargo at the New Mangalore Port for the next five years.

8. Based on a preliminary scrutiny of the proposal, the NMPT was requested to furnish information / clarifications on various points. The NMPT has responded to our queries. The queries raised by us and the response of NMPT are tabulated below:

Sl. No.	Our queries	Response of NMPT
(i).	Indicate the normative level of berth length considered for setting up mechanised iron ore handling facilities. Also, indicate the average GRT of the vessel expected to be handled under this project.	(a). The berth is not licensed or leased to the operator. The operator will be issued license for handling iron ore from Marshalling Yard through railway wagons and to some extent cargo received by road transport. Ship loading using the berth apron is done on the wharf area. Therefore, the berth length is not indicated. Berth hire charge is not to be set upfront for the subject proposal. (b). The berth hire charges will be payable by the exporter/operator including wharfage for handling per tonne of cargo to NMPT as per the Scale of Rates of the NMPT. Therefore, the GRT of the vessel expected would not be necessary at this stage.
(ii).	Capacity: The ship day output of capsize / panamax / handymax vessels considered for arriving at the optimal quay capacity do not comply with the norms prescribed in the guidelines. The reasons for deviating from the guidelines in this regard may be explained with necessary justification.	The ship day output for capsize, panamax, handymax vessels have been considered less than ship loading output prescribed in guidelines since the proposal envisages setting up of tyre mounted mobile cranes which have a capacity to handle 25000 tonnes per day unlike the fixed or rail mounted ship loaders. As per the proposal the tyre mounted cranes will have to be shifted to parking space whenever they are not in use. After considering various options and the rated outputs expected out of the tyre mounted mobile crane ship loaders, it is considered to reduce the loading norms. Accordingly, it is assumed loading rate of 50,000, 40,000 and 20,000 tonnes for capsize, panamax and handymax vessels respectively.
(iii).	Capital Cost Estimation	
(a).	The number of ore handling equipment considered in the proposal for upfront tariff fixation of ore handling plant do not match with	The proposal envisages the BOT operator to handle iron ore from the existing Marshalling Yard of 64,000 sq.m. area. It would be possible

	the quantum of ore handling equipment stipulated in 4.3.-Annex-II of the upfront tariff guidelines. Explain the reasons for variation from the norms for the estimation of capital cost.	to install one wagon tippler with expected cargo receipt from rail linkage. It is proposed to provide a rail-cum-road shunter which will operate one wagon tippler. The equipment considered in the proposal for setting upfront tariff have been brought out while qualification of the bidders and accordingly they have been incorporated. It may be noted that the qualification of bidders is completed in the subject case. As per the existing rail connectivity, it would be possible to receive only 4 rakes per day at NMPT and the equipment envisaged in the proposal would be adequate.
(b).	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. Supporting documents may be furnished to substantiate the estimates.	The feasibility report for the subject proposal has been prepared in-house and a copy is attached. The feasibility report has been prepared and the relevant aspects of the earlier studies carried out by Howe India Pvt. Ltd. (HIPL) in 2001 have been incorporated as far as the facility planning is concerned and for estimation of the capital cost. There are no supporting documents available with port prepared by HIPL for the capital costs incorporated in feasibility report.
(c).	The cost of two ship loaders in table 8.4. of the excerpts of the feasibility report attached is Rs.14 crores. As against this, the NMPT has considered the base cost of the particular equipment at 28 crores (Annexure 1/3) in the proposal. The capital cost of this equipment may be suitably corrected to reflect the correct position.	The cost of ship loaders have been estimated at Rs.14 crores in the year 2001. After latest enquiry, it is ascertained that the cost of cranes are almost double the cost envisaged in the year 2001 due to increase in the basic cost of steel from Rs.17,000 per tonne to 38,000 per tonne between 2001 and 2008. Various manufacturers have been consulted on this issue and it is informed that the cost of ship loaders is approximately Rs.14 crores for tyre mounted mobile cranes therefore the same is adopted.
(iv).	Operating Cost:	
(a).	The norms for consumption of power is prescribed at 1.4 unit per tonne in the guidelines. Estimate of power cost at Rs.9.26 crores in the proposal does not seem to factor the unit rate of power.	The norms for consumption of power prescribed at 1.4 units per tonne is considered. The rate per unit rate of power adopted in estimation is Rs.10 considering all aspects of generation of power with dedicated designated generator. The estimation of power cost at Rs.9.26 crores is correct and there is no need to modify the same.
(b).	Depreciation has been computed based on the rate prescribed for Written Down Value of the assets in the Companies Act. This is not in accordance with the guidelines prescribed for upfront tariff setting. The depreciation may be calculated following the Straight Line Method as per the life norms prescribed in the Companies Act in line with the clause 3.5.3. of the relevant guidelines.	Depreciation is calculated on Straight Line Method as per Companies Act, 1956 and accordingly cost sheets are modified. It has estimated depreciation at Rs.13.42 crores as against Rs.27.75 crores estimated in the initial proposal. Consequently, the iron ore handling rate is revised and reduced to Rs.102.60 per tonne as against earlier proposed rate of Rs.120/- per tonne.
(c).	Confirm that the licence fee estimated at Rs.120 per square meter per annum for port land proposed to be allotted to the BOT operator is based on the rate prescribed in the prevalent Scale of Rates of the NMPT.	At present, the licence fee is Rs.9.38 per square metre per month. The Scale of Rates of NMPT prescribes license fee at Rs.9.17 per sq.m. per month for long term lease i.e. Rs.110.04 per square metre per annum. In the proposal, the license fee is estimated @ Rs.120 per sq.m. per annum. There is a marginal deviation considering 2% escalation per annum for the next few years until the finalisation of BOT proposal. Therefore, it is not considered necessary to change or modify the estimation.

(d).	Explain the basis of deriving the steel component cost in the mechanical equipment cost at 60% and other component cost at 40% in the equipment cost estimated in the feasibility report	(a). The major component for manufacturing the proposed system involves use of steel material for storage yard facility and even in construction of handling equipment.
(e).	The estimate of steel component has been increased by 250% over the estimates considered in the feasibility report carried out in 2001 on account of escalation in this cost element over the last seven years. Furnish a copy of analysis done by the port for arriving at the increase in steel price during this period.	(b). The rates for each component were not available immediately. Since the equipment is of proprietary items, quotations were asked, however there is no reply from the manufacturers. In order to arrive at the realistic cost, port has adopted the escalation factor over the 2000 rates by considering the steel rates during 2001 and during 2008. The difference is nearly more than 150%. The component of labour escalation is due to the increase in labour cost. Therefore in order to arrive at a realistic rate the material component has been considered as 60% of the work involved and 40% towards labour cost on all the types of work i.e. Civil, Electrical and Mechanical. (c). The steel rates over the years have increased more than 100%, the fabrication of steel etc., have increased more than 250%. Accordingly, the base rate has been escalated suitably in order to arrive at a realistic estimation of equipment cost. (d). A copy of the Memorandum of Understanding entered between M/s.Navayuga Engineering Co. and M/s.Rashtriya Espat Nigam Ltd. for the work of Deep Draft Berth at NMPT in the year 2003 and the rate quoted by M/s.Tata Steel Limited for the enquiry floated in January 2008 is attached in support of its submissions. The cost of material component as per PWSR 2007 is also attached.

9.1. A joint hearing in this case was held on 18 August 2008 at the NMPT premises. The NMPT made a power point presentation of its proposal. At the joint hearing, NMPT and the concerned users / qualified bidders made their submission.

9.2. In view of certain information gaps observed in the proposal, the NMPT was advised during the joint hearing to furnish the following details / information alongwith consequent revised calculation of upfront tariff:

- (i). In view of a wide mismatch between the quay and yard capacities, the feasibility of improving the yard capacity is to be examined by reducing the free period of 25 days permitted by the guidelines.
- (ii). Revise the capital cost estimates considering the prevailing market rate for civil and equipment cost instead of merely updating the estimates prepared in the year 2001 by certain ad-hoc percentage.
- (iii). Furnish detailed calculation to support the unit rate of electricity at Rs.10/- per unit assumed in the proposal. Along with calculations, the port should also furnish details of availability of electricity from different sources of supply and the cost of procurement of power from such sources.
- (iv). The NMPT envisages receipt of iron ore for export by both rail and road. Since the facility of wagon tipping is relevant only for rail borne cargo, separate handling charges may be proposed for iron ore received by rail and road.

9.3. At the joint hearing, while commenting on the capital cost estimates furnished by the NMPT, M/s.Sical Logistics Limited volunteered to share the capital cost estimates obtained by it for various type of equipment for iron ore handling with the TAMP and the NMPT.

10. As agreed at the joint hearing, the M/s.Sical Logistics Limited has furnished the detailed capital cost estimate for construction of Railway siding in the marshalling yard and equipment cost for the proposed mechanised iron ore terminal at berth no.14. M/s.Sical Logistics Limited has also shared these details with the NMPT.

11. With reference to the points discussed at the joint hearing, the NMPT has furnished the requisite information / clarifications alongwith the revised calculation as summarised below:

- (i). (a). The railway capacity has been examined. The track capacity of the railway connecting to mine heads and New Mangalore Port can operate 5 rakes per day i.e. about 5 Million Tonnes Per Annum (MTPA). Hence, the provision of one wagon tippler would be sufficient. It is estimated that about 300 nos. of truck cargo per day can be received and hence the estimated cargo that can move to stackyard directly i.e. 1.44 MTPA. Thus, in totality the cargo that can be handled is 6.52 MTPA, which is nearer to the yard capacity.
- (b). The subject proposal is based on the optimum capacity of the yard based on prescribed standards. The yard capacity of 6.62 million tonnes per annum will be adequate since there are limitations of railway track capacity connecting to New Mangalore Port. The number of cycles per year cannot be increased. The provision of 12 cycles is retained.
- (ii). The project cost has been revised to Rs.239.88 crores as against Rs.162.74 crores estimated in the initial proposal. The unit rates for civil works adopted in the calculation are based on the rate analysis of PWD rates and prevailing market rates for the civil engineering works and the cost of mechanical equipment have been adopted based on the inputs given by the Paradip Port and Vizag Port where similar project is envisaged.
- (iii). As regards power cost, the NMPT has revised downwards the unit rate of power to Rs.8 as against Rs.10 per unit assumed in the initial proposal. It has furnished a copy of the electricity bill of July 2008 and August 2008 of Mangalore Electricity Supply Company Limited (MESCL) to substantiate the unit rate adopted in the calculation. It has separately estimated fuel cost for mobile loader at Rs.2 per tonne. The estimate of depreciation, repairs and maintenance, insurance and other cost have also been revised in view of modified capital cost.

12. The NMPT was requested to furnish further information / clarification on the following points:

- (i). The basis for estimating the fuel cost with expected consumption by mobile loader and the unit rate.
- (ii). Review the turn over factor adopted in the computation of yard capacity.
- (iii). Review the proposed upfront tariff cap for road-bound cargo by eliminating certain items of expenses which appear to have been counted twice.
- (iv). NMPT to review and confirm whether the operator will be in a position to meet the revised revenue requirement from the tariff level proposed in its initial proposal.
- (v). The reasons for proposing to collect wharfage charge separately alongwith the service provided by the port.

13. The NMPT has furnished further clarifications / information and has also submitted revised calculation along with revised proposed Scale of Rates. The information / clarification furnished by the NMPT are summarised below:

- (i). The fuel cost for mobile loading has been deleted in the revised calculation. The estimation of power cost is maintained at Rs.8.00 per unit. The unit cost of power as per the latest consumer bill of July and August 2008 is Rs.7.79 per unit. The demand charges at Rs.2.88 lakhs in the electricity bill are for the minimum demand as per the norms of electric supply by Mangalore Electricity Supply Company Limited. A copy of the abstract of Karnataka Electricity Regulatory Commission Rules is furnished in this regard.
- (ii).
 - (a). The port has reiterated that the turn over ratio can not be increased more than 12 for reasons already explained earlier. It has further stated that the proposed facility will serve for assorted customers and export will be of different grades of iron ore. The approximate quantity of iron ore moved by rail for each customer assuming there will be 3 or 4 customers will be 1.25 lakhs tonnes (assuming 1 rake for 25 days at 3500 tonne per rake + 75 trucks for 25 days at 16 tonne per truck). Therefore, convergence of cargo for shipment will require more than 25 days for shipment with sufficient reserve quantity.
 - (b). The number of days have been considered as 300 days for estimating road bound cargo capacity instead of 365 days since, on an average there are 50-55 days of stoppage of cargo by truck movement. The reasons vary from natural as well as un-natural, political, maintenance of road and force measures etc. The port has experienced such stoppages in the past and accordingly that there could be only 300 days for transportation of cargo through road movement.
 - (c). K-Ride a nodal agency for implementation for Hassan- Mangalore rail project had appointed M/s.A.F.Ferguson & Company (AFF) to carry out traffic estimation study for the project. As per the reports, this section can handle only 12 pairs per day and the slot allotted for the iron ore movement is 5. The balance will cater to the passenger trains, POL, lime and coal etc.
 - (d). The steep gradient in the ghat section of H-M railway line do not permit additional line. Unless the doubling takes place, it would not possible to handle more cargo by rail as per the railway sources. The doubling in railway line is not expected in near future at least for the next 15 years.
 - (e). Considering above constraint in movement by rail borne traffic, the port has proposed only one wagon tippler of 26 tipples per hour so that the rakes are free within 4 hours and on any day 4 to 5 wagons can be handled. There are also space constraints for accommodating of second tippler and associated receipt and formation lines.
- (iii).
 - (a). During the joint hearing, some of the bidders have observed that the equipment proposed by the port are not standard. The port has, therefore, proposed to revise the scope of equipment as far as stacking and reclaiming are concerned. Balance equipment have been kept the same.
 - (b). Port has requested all the bidders to indicate the probable cost of the project with supporting documents. However, there is no response from other bidders except M/s.Sical Logistics Limited. M/s.Sical Logistics have furnished the detail estimate of project cost for railway yard, storage, mechanical equipment, etc. The cost of project indicated by M/s.Sical Logistics Limited is Rs.267.2 crores.
 - (c). The costs of all the equipment have been revised based on the latest rate obtained from the other Ports like Paradip Port Trust wherever applicable and some of the equipment cost have been verified with manufacturing

firms. It has furnished a copy of quotation obtained from M/s.Sandvik Asia Limited for some of the mechanical equipment.

- (d). The capital cost estimated in the initial proposal vis-à-vis the revised capital cost estimations along with the basis adopted for estimation is given hereunder:

Sl. No.	Particulars	As proposed initial proposal (Rs. in lakhs)	As per Revised proposal (Rs. in lakhs)	Basis of the unit rate adopted in the estimation of capital cost
I.	Civil Cost			
	(i). Railway track	720	720	Recently awarded work in the month of March 2008 by Southern Railways.
	(ii). Platform	110	221	Based on the PWD rate and analysed and revised as per latest market rates of July 2008 and are comparable with latest tendered rates.
	(iii). Dumper house & wagon unloading system	41	270	Based on the PWD rate and analysed and revised as per latest market rates of July 2008 and are comparable with latest tendered rates. The variation is owing to the revised scope of work.
	(iv). Tunnels	65	165	Unit rate is based on market enquiry for the similar works awarded in the month of July 2008
	(v). Storage yard	1875	2751	Based on the PWD rate and analysed and revised as per latest market rates of July 2008 and are comparable with latest tendered rates. The variation is owing to the revised scope of work.
	(vi). Conveyor Galleries and Transfer Towers	38	2385	Based on the awarded work by M/s.Lanco in the month of June 2008 with latest rate adopted for steel. The variation is owing to the revised scope of work.
	(vii). Buildings, civil approaches, misc civil works	75	500	Based on the PWD rate and analysed and revised as per latest market rates of July 2008 and are comparable with latest tendered rates. The variation is owing to the revised scope of work.
	(viii). Roads in marshalling yard and storage yard	525	450	Based on the PWD rate and analysed and revised as per latest market rates of July 2008 and are comparable with latest tendered rates. The variation is owing to the revised scope of work.
	(ix). Drainages	228	133	Based on the PWD rate and analysed and revised as per latest market rates of July 2008 and are comparable with latest tendered rates. The variation is owing to the revised scope of work.
	(x). Contingencies for Miscellaneous items	186	380	5% of the civil cost
	(xi). Environmental aspects	50	-	Included in the Miscellaneous items in the revised calculation.
	Subtotal (I)	3913	7975	

II.	Mechanical Equipment			
	(i). Wagon Tippler System (1unit)	1533	1038	Based on the cost adopted by the PPT i.e. Rs.10.38 crores and indication by other Ports for similar facility in June 2008. Cost is comparable with M/s.Sical.
	(ii). Belt Conveyor	3108	2697	Based on unit rate of Rs.83,000 per running metre adopted by PPT for similar project. M/s.Sical have indicated cost as (Rs.17.6 crores + Rs.10 crores) = Rs.27.6 crores.
	(iii). Stackers (2 Nos.)	-	2076	The cost is based on unit rate adopted by PPT for similar project at Rs.10.38 crores and M/s.Sical Logistics has indicated Rs.24 crores (for 2 Nos.).
	(iv). Reclaimers (2 Nos.)	-	4000	Based on unit rate of around Rs.20 crores for PPT. Latest enquiry from M/s.Sandvik have indicated the unit rate of Rs.19 crores.
	(v). Ship Loader (2 Nos.)	5880	6226	Based on the cost adopted by the PPT i.e. Rs.31.13 crores each and indication by other Ports for similar facility in June 2008. M/s.Sical have indicated that the cost at Rs.61.3 crores for 2 Nos.
	(vi). Dust suppression System & Ventilation	50	50	Lot
	(vii). Rail cum road shuter (one unit)	525	500	Lot
	(viii). Pay loaders / Bull dozers	100	200	This is new provision based on cost of One bulldozer @ Rs.50 Lakhs.
	(ix). Miscellaneous items	100	100	Lot
	(x). Contingencies	565	844	5% of Mechanical cost estimates.
	Subtotal (II)	11861	17731	
III.	Electrical Works	500	685	
IV.	Total Capital Cost (I +II + III)	16274	26391	

- (iv). (a). In view revised scope of equipment proposed, the ship day output has also been revised and considered as per the loading norms prescribed in the guidelines.

The percentage of capsize, panamax vessel and handy / handimax considered in the calculation of quay capacity are based on the vessels that called at the port during the year i.e. 2007-08. Accordingly, the revised quay capacity is assessed at 13.67 million tonnes per annum as against 10.48 million tonnes estimated in the initial proposal.

- (b). Yard capacity has, however, been maintained at 6.62 million tonnes per annum.
- (c). Accordingly, the optimal capacity of the terminal is minimum of quay / yard capacity i.e. 6.62 MMTPA which is considered while calculating the upfront tariff.

- (v). A summary of the revised operating cost and revenue requirement is given below:

- (a). Operating cost:

(Rs. in crores)		
Sl. No.	Description	Cost
1.	Power (1.4 unit per tonne @ Rs.8 per unit)	7.41
2.	Repairs and Maintenance	
	(a). Civil assets (1% on civil cost)	0.80
	(b). Mechanical assets and electrical assets (7% of the relevant capital cost)	12.89
3.	Insurance (1% on gross fixed asset value)	2.64
4.	Depreciation (as per the Companies Act)	21.71
5.	Licence fee (for 144000 sq. mtr. @ Rs.120 per sq. mtr. per annum)	1.73
6.	Other Expenses (5% of gross fixed assets)	13.20
	Total	60.37

- (b). Revenue Requirement:

(Rs. in crores)		
Sl. No.	Particulars	Estimated Revenue Requirement
(i).	ROCE-16% on estimated cost of capital of Rs.263.91 crores	42.23
(ii).	Operating Cost	60.37
(iii).	Total estimated revenue requirement	102.60

- (c). 98% of the revenue requirement is considered for estimating the composite handling charge and 1% each for storage and miscellaneous charges.
- (vi). (a). As regards the upfront tariff for handling road bound cargo, it has furnished a separate calculation. The value of assets not involved for road bound cargo is ascertained at Rs.36.17 crores. The return on capital employed, operating cost on such asset viz. depreciation, repairs and maintenance, insurance, etc. is estimated at Rs.13.22 crores. Considering 98% of the value i.e. Rs.12.96 crores pertains to handling, and taking into consideration the capacity of 6.62 million tonnes per annum, the differential between rail and road bound cargo is arrived at Rs.20 per tonne.
- (b). Assuming rail borne cargo at 80% (i.e. 5292000 tonnes) and road bound cargo at 20% (i.e. 1323000 tonnes), the upfront handling rate for rail borne cargo is estimated at Rs.156 per tonne and Rs.136 per tonne for road bound cargo to meet the revenue requirement from handling charge.
- (c). It has not proposed any modification in storage charge and miscellaneous tariff items from the level proposed in the initial proposal.
- (vii). The NMPT has also updated the earlier proposed Scale of Rates with the revised rates. The definition, general terms and conditions and the scope of services included in the composite handling charge are incorporated in the proposed Scale of Rates.
- (viii). As regards collection of wharfage by the port, it has clarified that this issue should not be linked to the subject facility. The port has proposed the subject proposal as a handling of iron ore from Marshalling Yard to berth without licensing of berth. The port will collect wharfage as per the SOR for such facilities. The wharfage as such does not form part of composite charge. The wharfage is on account of total facility being extended including services rendered in terms of logistics, security, safety illumination and surveillance and police etc. Therefore, the proposal as such is to set composite upfront only for iron ore handling from marshalling yard to back up area of berth and loading into the ship.

14. 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>

15. 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 developing iron ore handling facilities at an existing berth of New Mangalore Port Trust (NMPT). 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.14 but would also be applicable to all projects to be bid out subsequently for identical cargoes at the New Mangalore Port during the next five years.

The Association of New Mangalore Port Stevedores has expressed certain apprehension about the possible adverse effect on the existing cargo due to the new facility for iron ore to be developed. The reference before this Authority is to fix upfront tariff for iron ore handling at NMPT. It is not for this Authority to examine the need and analyse the pros and cons of any PPP projects to be taken by the port except as required for fixation of tariff.

- (ii). Some of the users / short listed bidders pointed out that the capital cost estimated by the port in its initial proposal is low and unrealistic. M/s.Sical Logistics Limited have also suggested that separate tariff should be proposed for rail and road bound cargo as the port envisages movement of cargo by both by rail / road.

The NMPT was, therefore, advised to review the capital cost estimate considering the prevailing market rate instead of updating the estimates prepared in the year 2001 by certain adhoc percentage. The port was also advised to propose separate handling charges for iron received by rail and road.

The port has furnished final revised calculation for upfront tariff setting on 23 September 2008. The revised calculation furnished by the port along additional information / clarifications furnished are considered in this analysis.

- (iii). The revised proposal 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 NMPT are, inter alia, discussed in the subsequent paragraphs.

- (iv). Optimal Terminal Capacity:

- (a). Optimal Quay Capacity:

- (i). For the computation of optimal quay capacity, the ratio of Cape size vessels, Panamax vessels and Handi max vessels are considered to be at 30%, 60% and 10% respectively by the NMPT based on the statistics of vessels that called at the port during the last year 2007-08 at berth no 14.
- (ii). The guidelines prescribe norms for loading rate of vessels viz. capesize vessel at 60,000 tonnes / day, panamax vessels at 55,000 tonnes / day and handy size / handymax vessels at 25,000 tonnes per day. In the initial proposal, the NMPT had taken the loading rates lower than the norms prescribed on the grounds that the customized mobile loaders envisaged for the terminal has a capacity to handle only 25000 tonnes per day.

In the revised proposal, the NMPT has, however, modified the scope of the equipment to be deployed at the proposed terminal.

Consequently, the loading rate of iron ore for each of the categories of vessels are considered as per the norms prescribed in the guidelines. The optimal quay capacity of the iron ore terminal assessed by the NMPT in the revised proposal is 13.67 million tonnes per annum.

(b). Optimal Yard Capacity:

(i). Stacking capacity:

Stacking area of 75000 sq. mtr. is considered for estimating the yard capacity. The stacking factor considered by the NMPT is 15 tonnes per square meter of area as per the norms prescribed in the guidelines.

(ii). Plot turn over norm:

(a). The upfront tariff guidelines specify plot turnover norm for an iron ore at 12 times in a year, which is complied with by the NMPT.

(b). In view of the wide gap between the quay and yard capacities and based on higher plot turnover reported at some other ports, NMPT was advised to examine the feasibility of adopting higher plot turnover to improve the yard capacity by reducing the free period of 25 days prescribed in the guidelines.

(c). The constraints in the railway infrastructure is cited as one of the main reasons restraining the port from increasing the turn over factor beyond 12 per annum. The port has submitted that the steep gradient in the ghat section do not permit additional railway line. Further, the port does not expect any improvement in the present railway facilities for at least next fifteen years. A similar view was expressed by one of the bidders South West Port Limited in their comments.

Considering the track capacity of the railway connecting to mine heads and New Mangalore, port expects to operate 5 rakes per day i.e. about 5 Million Tonnes Per Annum (MTPA) approximately. The port envisages to handle around 1.44 MTPA by road assuming 300 nos. of truck cargo carrying 16 tonnes of cargo per truck per day for 300 number of days. Thus, the port has arrived at the total capacity at 6.52 MTPA which is nearer to the yard capacity of 6.62 MTPA.

(d). It has further justified that the proposed facility will cater to mixed customers who may be export different grades of iron ore. The port is of the opinion that assuming there are 3 to 4 customers and presuming 1 rake for 25 days at 3500 tonne per rake plus 75 trucks for 25 days with 16 tonne load per truck for each customer, it will take more than 25 days to accumulate about 1.25 lakh tonnes of iron ore at the stack yard for shipment. The port therefore, does not find it feasible to reduce the free period in the stack yard.

(e). Relying on the above submissions made by the NMPT, the yard capacity is considered by adopting the plot turn over of 12 as assessed by the NMPT.

- (f). Accordingly, the optimal yard capacity of the iron ore terminal works out to 6.62 million tonnes per annum.
- (c). As per the guidelines, optimal capacity of the iron ore terminal is considered at 6.62 million tonnes 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. M/s.ABG Infralogistics Limited have, however, sought to recognise the time taken for traffic built up. 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 his financial bid.
- (v). Capital Cost:
- (a). As has been mentioned earlier, the NMPT has revised the estimated capital cost of Rs.162.74 crores considered in the initial proposal to Rs.263.91 crores. The revised capital cost of Rs.263.91 crores comprises Rs.79.75 crores toward civil works and Rs.184.16 crores for mechanical equipment and electrical works.
- Since the port reported some problems in obtaining budgetary quotations for equipment, the shortlisted bidders present at the hearing were requested to share such details, if available with them. It is understood from the port that only M/s.Sical Logistics Limited have furnished some details of the capital estimates to the port.
- (b). The upfront tariff guidelines broadly indicate the civil works involved for an iron ore terminal and require the port to estimate civil cost. The project does not envisage the operator to construct the berth and hence the civil cost does not include the berth construction and dredging cost.
- (c). The upfront tariff guidelines also indicate the normative level of equipment for an iron ore terminal. The initial proposal filed by the NMPT did not consider some of the equipment like the 2 numbers of reclaimers, 2 numbers of stackers, 4 numbers of pay loaders and 2 numbers of cranes stipulated in the tariff guidelines. Subsequently, the port has reviewed the equipment requirement. The revised capital cost includes the cost of reclaimers, stackers and pay loaders at the normative level prescribed in the guidelines.
- (d). The port has considered one wagon tipplers instead of two numbers prescribed in the guidelines. The port has clarified that due to space constraint in the railway yard and also recognising that it expects to receive 5 rakes / day, it has considered only one wagon tippler in estimates of capital cost. In this context, it is noteworthy that clause 3.2. of the guidelines for upfront tariff setting give flexibility to this Authority to make necessary adjustment in the norms based on justification furnished by the port and in view of port specific conditions having impact on the norms prescribed in the guidelines. In view of clarification furnished by the NMPT and also recognising that none of the users / bidders have raised any objection on this point, this Authority accepts the deviation made by the port in estimation on this item.
- (e). The port 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.

The NMPT has furnished detailed calculation for estimation of capital cost and has also explained the basis adopted for estimating the capital cost as given in paragraph 13.(iii).(d).

The rate analysis for the civil works is reportedly based on the updated rates of Public Works Department in June / July 2008 for similar nature of work.

The estimated cost of mechanical equipment is reportedly based on the unit rates ascertained from the Paradip Port Trust for similar facility. The port has furnished copy of the quotation obtained from one of the suppliers with reference to a few equipment. The unit rates of most of the equipment adopted by the NMPT in the revised calculation and also the total project cost are comparable to the capital cost estimates furnished by M/s.Sical Logistics Limited.

- (f). The civil and mechanical equipment 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 upfront tariff guidelines stipulate 5% of the civil and equipment cost towards upfront payment, interest during the construction period, and other miscellaneous items.

The capital cost furnished by the port does not include estimates for these items. 5% of the estimated civil and mechanical equipment cost is considered towards the miscellaneous category in line with the norms prescribed in the guidelines.

- (g). Subject to the above modification, the aggregate capital cost towards civil works, mechanical equipment, electrical works and miscellaneous items works out to Rs.277.11 crores as against Rs.263.91 crores estimated by the NMPT.
- (h). M/s.ABG Infralogistics Limited have stressed the need to consider updated and current rate of return on capital employed. It is relevant here to mention that the rate of ROCE for the year 2008-09 was reviewed recently by this Authority and it was decided to adopt ROCE of 16% for the year 2008-09 in the computation of tariff for major ports and private terminals. The return on capital employed is accordingly computed at 16% of the estimated capital cost, which works out to Rs.44.34 crores.

(vi). Operating Cost:

- (a). Consumption of power is considered as per norms at 1.4 unit per tonne. The unit cost of power considered by the NMPT in the revised calculation is Rs.8 as against Rs.10 considered in its initial proposal. The port has furnished a copy of the electricity bill for the month of July 2008 and August 2008 raised by Mangalore Electricity Supply Company Limited (MESCL) to substantiate the estimate. The unit cost of power as per the bills works out to Rs.7.79. Relying on the documentary support and the clarification furnished by the NMPT, the unit rate adopted by the port for estimation of power cost is considered.
- (b). As per the norms, the repairs and maintenance cost is estimated at 1% on the civil assets and 7% on the mechanical and electrical equipment, insurance cost at 1% of the gross fixed assets and other expenses at 5% of the gross value of fixed assets.
- (c). Depreciation, as per the guidelines, should be calculated following rates for Straight Line Method prescribed in the Companies Act, 1956. The NMPT in the initial tariff proposal had computed the depreciation based on the rates prescribed in the Companies Act under Written Down Method. On being pointed out the specific provision in the guidelines, NMPT has revised the calculation of depreciation in line with the guidelines. Depreciation is computed @ 3.34% on civil cost and 10.34% on equipment as per the rates prescribed in the Companies Act for the relevant group of assets.

- (d). The lease rental is estimated for the total area of 1,44,000 sq. mtrs. of land 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.120 per square metre per month for estimating the lease rental. The port has clarified that existing license fee for long term lease as per the rate prescribed in its Scale of Rates is Rs.9.17 per sq. mtr. per month i.e. Rs.110.04 per square metre per annum. But, it has adopted the rate of Rs.120 per sq.mtr. per annum considering 2% escalation per annum for the next few years until the commissioning of the project. The port has admitted the deviation to the extent of applying annual escalation factor.

The upfront tariff guidelines already provide for annual escalation in the upfront tariff cap approved by this Authority. It is, therefore, not required to provide for escalation in unit rate of lease rental separately. The estimation of lease rental is modified and considered at the prevailing lease rental of Rs.110.04 sq. mtr. per annum as per the norms prescribed in the guidelines. Accordingly, the modified lease rental works out to Rs.158 lakhs per annum as against Rs.173 lakhs estimated by the NMPT.

- (e). The total operating cost estimated subject to the above modification works out to Rs.6102 lakhs as against Rs.6037 lakhs per annum estimated by the NMPT.
- (vii). The statement submitted by the NMPT for fixing upfront tariff cap for iron ore terminal has been modified in line with the above analysis. The copy of the statement is attached as **Annex-I**.

- (a). As per the statement, the total revenue requirement from iron ore terminal works out to Rs.10536 lakhs which is an aggregate of 16% Return on a capital cost (i.e. Rs.4434 lakhs) and operating cost (Rs.6102 lakhs).
- (b). The guidelines require 98% of the total revenue requirement to be apportioned to handling charge and 1% each towards storage charge and miscellaneous charge.

Accordingly, Rs.10325 lakhs is to be recovered from iron ore handling charge and Rs.105 lakhs each from storage charge and miscellaneous charge to meet the total revenue requirement of Rs.10536 lakhs.

- (c). Since the facility will receive iron ore both by rail and road, the port has proposed separate handling rate for rail and road movement of cargo in its revised proposal.
- (d). The approach followed by the NMPT to derive separate handling charges for road and rail cargo and the modification done by us are shown in the statement attached as **Annex-II**. The following modifications have been done in the calculation furnished by the NMPT:
- (i). In view of change in the unit rate of lease rental explained earlier, the estimation of lease rental pertaining to marshalling yard is modified.
- (ii). Though the port has mentioned that the traffic from road will be 1.44 MTPA, for calculation of the handling rate, it has considered a traffic of 1.32 MTPA by assuming a share of 20% of the total capacity.

The differential revenue requirement from handling charges for road and rail mode i.e. Rs.1296 lakhs has been spread over the total

capacity of 6615000 tonnes to arrive at the differential rate of Rs.20 per tonne. The approach adopted by NMPT does not appear to be correct. The cost and investment not relevant for road bound cargo needs to be borne only by rail borne cargo. The calculation is accordingly modified and the differential in rate stands revised to Rs.24.35 per tonne.

- (iii). Taking into consideration the differential between the rail borne cargo rate and road bound cargo rate and the share of the respective capacities at 80% and 20%, the unit handling rate works out to Rs.136.60 for road bound cargo and Rs.160.95 for rail borne cargo to meet the revenue requirement from handling charge at Rs.10325 lakhs.
- (viii). The NMPT has claimed that wharfage as such does not form part of composite handling charge and it has proposed to collect wharfage charge separately from the importer / exporter at the rates prescribed in its Scale of Rates. When requested to explain the services provided by the port to justify collection of wharfage, the port has in general terms clarified that the berth is not licensed to the operator and hence the port proposes to collect wharfage as well as the berth hire. The explanation furnished by the NMPT that wharfage is on account of total facility being extended including services rendered in terms of logistics, security, safety illumination and surveillance and police etc. is not convincing, as it will receive revenue share from the private operators.

Since the berth is not to be licensed or leased to the operator, there is justification in collection of berth hire charge by the port.

It has to be noted that the upfront handling rate is for composite service which includes wharfage and all other miscellaneous service not specifically prescribed in the Scale of Rates. The handling charge is levied for providing services / facilities for unloading of rail borne cargo through unloading facilities at Marshalling Yard and unloading of road bound cargo at stacking yard directly, transfer the same upto the point of storage, storage at the stackyard upto a free period of 25 days, reclaiming from stackyard and loading onto the ship, wharfage and all the miscellaneous services not specifically prescribed in the Scale of Rates.

- (ix). As per the guidelines, 1% revenue requirement is to be met from storage charge after allowing the 25 days free period for coal terminal and balance 1% from storage charge.

The port has proposed storage charge after the prescribed free period at Rs.3 per tonne per day for the first week, Rs.5 for the second week and Rs.7 for the third week and beyond as proposed in the initial tariff proposal.

The miscellaneous charges is proposed for sweeping and collecting spillage at yard at Rs.1 per tonne and Re.0.50 for moisturising and dust suppression applicable for all the rail / road bound cargo as proposed in its initial proposal.

The port has confirmed that the revised revenue requirement can be met at the proposed storage charge and miscellaneous charge. The modification in the revenue requirement made by the port and as per our calculation is not significant. Hence the storage charge and the tariff for miscellaneous service are prescribed as proposed by the port.

- (x). The port has proposed a condition stating that twenty five days shall be allowed for accumulation of cargo. Free period in case of export commences from the actual day of receipt of cargo in the transit / stack area as per the prescription in the Scale of Rates of other major ports / private terminal. The proposed condition of free period is therefore modified to that extent.

- (xi). The port has in the proposed Scale of Rates defined the term 'iron ore' as any grade meant for export as per statutory norms. There is no common definition of the term 'iron ore' in the Scale of Rates of other major ports/ private terminal. The terminology as is understood at the port at present can continue to be applied.
- (xii). 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 / ship import / export cargo, etc. has been incorporated by the NMPT in the proposed the upfront tariff schedule.
- (xiii). 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 in the Scale of Rates of the Mormugao Port Trust.
- (xiv). 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.

16.1. 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.

16.2. 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.

16.3. 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.

16.4. 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.

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

16.6. 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 New Mangalore Port Trust a report containing the terminal's physical and financial performance during the preceding three months.

17. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the tariff caps for the iron ore terminal at New Mangalore Port Trust which is attached as **Annex-III**.

(Brahm Dutt)
Chairman

FORMULATION OF UPFRONT TARIFF FOR IRON ORE TERMINAL AT NEW MANGALORE PORT

Sr. No.	Particulars	As proposed by NMPT (Rs. In lakhs)	Estimates considered by TAMP (Rs. In lakhs)
I	Optimal capacity		
(i)	Optimal Quay Capacity		
(a)	Ratio of Vessel Size to be handled	% of vessels	% of vessels
	Number of Capesize vessels (S1)	30%	30%
	Number of Panamax vessels (S2)	60%	60%
	Number of Handy size/ max vessels (S3)	10%	10%
(b)	Ship day Output (in tonnes per day)		
	- Capesize vessels (P1)	60000	60000
	- Panamax vessels (P2)	55000	55000
	- Handy size/ max vessels (P3)	25000	25000
(c)	Quay Capacity = $0.7*((S1*P1)+(S2*P2)+(S3*P3))*365$	13669250	13669250
	Quay Capacity in million tonnes	13.67	13.67
(ii)	Optimal Yard Capacity		
	Area allotted by the Port (in square metres) (A)	75000	75000
	Area available for stacking (%) (U)	70%	70%
	Stacking Quantity per square metre (tons) (Q)	15	15.00
	Annual Turnover Ratio of the plot (T)	12	12
	Yard Capacity (in tonnes) = $0.7 * A * U * Q * T$	6615000	6615000
	Yard Capacity (in million tonnes)	6.62	6.62
(iii)	Optimal capacity of the Terminal - lower value of the optimal quay capacity and optimal stack yard capacity (in Million tonnes).	6.62	6.62
II	Capital Cost		
(i).	Iron ore Handling Activity	Rs. In lakhs	Rs. In lakhs
(a).	Civil Cost		
	(i). Railway track	720	720
	(ii). Platform	221	221
	(iii). Dumper house & wagon unloading system	270	270
	(iv). Tunnels	165	165
	(v). Storage yard	2751	2751
	(vi). Conveyor Galleries and Transfer Towers	2385	2385
	(vii). Buildings, civil approaches, misc civil works	500	500
	(viii). Roads in marshalling yard and storage yard	450	450
	(ix). Drainages	133	133
	(x). Contingencies for Miscellaneous items	380	380
	Subtotal (a)	7975	7975
(b).	Mechanical Equipment		
	(i). Wagon Tippler System (1unit)	1038	1038
	(ii). Belt Conveyor	2697	2697
	(iii). Stackers (2 Nos)	2076	2076
	(iv). Reclaimers (2 Nos)	4000	4000
	(v). Ship Loader (2 nos)	6226	6226
	(vi). Dust suppression System & Ventilation	50	50
	(vii). Rail cum road shuter (one unit)	500	500
	(viii). Payloader (4 Nos) and Work shop facilities	200	200
	(ix). Miscellaneous items	100	100
	(x). Contingencies	844	844
	Subtotal (b)	17731	17731
(c).	Electrical Works	685	685
	Sum of civil, mechanical equipment cost and electrical works	26391	26391
	(d). Miscellaneous (5% of civil, mechanical and electrical works)	0	1320
	(iv). Total Capital Cost for Handling Activity (a +b + c+ d)	26391	27711

Sr. No.	Particulars	As proposed by NMPT (Rs. In lakhs)	Estimates considered by TAMP (Rs. In lakhs)
III	Operating Cost Estimation		
(i).	Iron Ore handling Activity	(Rs.in lakhs)	Rs. In lakhs
	(a). Power Cost (1.4 units per tonne @ Rs. 8 per unit)	741	741
	(b). Repair & Maintenance		
	- Civil Assets (1% on Civil cost)	80	80
	- Mechanical & Electrical Equipment including spares (7% on mechanical and electrical asset cost)	1289	1289
	(c). Insurance (1% on Gross fixed asset value)	264	277
	(d). Depreciation (As per the companies Act)	2171	2171
	(e). Lease Rentals	173	158
	(f). Other Expenses (5% of Gross fixed Assets)	1320	1386
	Total Operating Cost	6037	6102
IV	Revenue Requirement & proposed tariff		
(i).	Cargo Handling charge		
	Revenue Requirement		
	(a). Total Operating Cost	6037	6102
	(b). Return on capital Employed @ 16%	4223	4434
	(c). Total Revenue requirement from cargo handling activity	10259	10536
	Apportionment of Revenue Requirement		
	(a). Iron Ore Handling Charges (98% of the revenue requirement)	10054	10325
	(b). Storage Charges (1% of revenue requirement)	103	105
	(c). Miscellaneous Charge (1% of revenue requirement)	103	105
	Total Revenue requirement from cargo handling activity	10259	10536
	Proposed tariff per tonne rate		
	(a). Iron Ore Handling Charge (Composite)		
	For Rail Bound Cargo	156	160.95
	For Road Bound Cargo	136	136.60
	(b). Storage Charge		
	(i). Free period	25 days	25 days
	(ii). Storage Charge (beyond the free period)		
		Rate Per tonne per day or part thereof	Rate Per tonne per day or part thereof
		First week - Rs. 3	First week - Rs. 3
		Second Week - Rs. 5	Second Week - Rs. 5
		Third week onwards - Rs. 7	Third week onwards Rs. 7
	(c). Miscellaneous Charge		
	(i). Sweeping, collecting spillage from yards/conveyors/galleries	Rs. 1 per metric tonne	Rs. 1 per metric tonne
	(ii). Moisterising the cargo	Re 0.50 per metric tonne	Re 0.50 per metric tonne

Computation of differential handling rate between Rail and Road bound cargo of iron ore terminal at New Mangalore Port Trust

Sr. No.	Particulars	Estimates furnished by the NMPT		Estimates considered by TAMP	
		Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs
1	Total Optimal Terminal Capacity in tonnes		6615000		6615000
	(i). Road bound Capacity 20%	1323000		1323000	
	(ii). Rail bound capacity 80%	5292000		5292000	
2	Cost of Capital Assets included in the total capital cost which are not relevant for road bound cargo (As furnished by the (NMPT)				
A	Civil Works				
	(i). Railway Track	720		720	
	(ii). Railway Platform	221		221	
	(iii). Dumper House & wagon loading system	270		270	
	(iv). Tunnels	165		165	
	Subtotal (A)		1376		1376
B	Mechanical Equipment				
	(i). Wagon Tippler system	1038		1038	
	(ii). Belt conveyor to the extent not applicable for road bound cargo	1203		1203	
	Subtotal (B)		2241		2241
C	Total Cost of capital Assets (A) + (B)		3617		3617
3	Operating cost linked to the capital assets (not relevant to the road bound cargo)				
	(i). Repairs & Maintenance				
	(a). 1% on Civil Cost	14		14	
	(b). 7% on Mechanical equipment cost	157		157	
	(ii). Insurance (1% on total capital cost)	36		36	
	(iii) Depreciation	278		278	
	(iv). Other Expense (5% on total capital cost)	181		181	
	(v). Lease rental on marshalling yard	78		72	
	Total Operating cost [(i) to (v)]		743		737
4	Estimation of Revenue requirement (Differential)				
	(i) 16% Return on Capital cost Rs. 3617 lakhs	579		579	
	(ii). Operating cost as in 3 above	743		737	
	Revenue Requirement (Differential)		1322		1316
5	Per tonne handling Rate differential between road and rail bound cargo				
	(i). Revenue requirement from Handling charge 98%		1296		1289
	(ii). Per tonne differential handling rate between road and rail bound cargo arrived by spreading the differential revenue requirement over the rail bound capacity [5(i) / 1(ii)] in our computation (Rs. Per tonne)		19.59 say Rs. 20		24.35
6	Total Handling Revenue requirement for the entire terminal from both road and rail bound cargo		10054		10325
7	Per tonne Handling Rate assuming the ratio of rail vis a vis road at 80% and 20% and the differential in the per tonne rated for road bound cargo				
	Per tonne Handling Rate for road cargo		136		136.60
	Per tonne Handling Rate for rail cargo		156		160.95

NEW MANGALORE PORT TRUST
UPFRONT TARIFF SCHEDULE FOR IRON ORE HANDLING

1.1. DEFINITIONS

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

- (i). “Per day” means per calendar day unless other wise stated.

1.2. GENERAL TERMS AND CONDITIONS

- (i). Interest on delayed payments / refunds:
- (a). The user shall pay penal interest on delayed payments under this Scale of Rates. Likewise, the terminal operator shall pay penal interest on delayed refunds.
 - (b). The rate of penal interest will be 2% above the Prime Lending Rate of the State Bank of India.
 - (c). The delay in refunds will be counted only 20 days from the date of completion of services or on production of all the documents required from the users, whichever is later.
 - (d). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the Terminal operator. This provision shall, however, not apply to the cases where payment is to be made before availing the services where payment of charges in advance is prescribed as a condition in this Scale of Rates.
- (ii). All charges worked out shall be rounded off to the next higher rupee on the grand total of the bill.
- (iii). (a). The rates prescribed in the Scale of Rates are ceiling levels, likewise, rebates and discounts are floor levels. The operators may, if they so desire, charge lower rates and/or allow higher rebates and discounts.
- (b). The operator may also, if they so desire rationalise the prescribed conditionalities governing the application of rates prescribed in the Scale of Rates if such rationalisation gives relief to the users in rate per unit and the unit rates prescribed in the Scale of Rates do not exceed the ceiling level.
- (c). The operator should notify the public such lower rates and/or rationalisation of the conditionalities governing the application of such rates and continue to notify the public any further changes in such lower rates and/or in the conditionalities governing the application of such rates provided the new rates fixed shall not exceed the rates notified by the TAMP.
- (iv). Users will not be required to pay charges for delays beyond reasonable level attributable to the operator.
- (v). In case a vessel idles due to breakdown or non-availability of the shore based facilities of the operator or any other reasons attributable to operator, rebate equivalent to berth hire charges payable to the New Mangalore Port Trust accrued during the period of idling of vessel shall be allowed by the operator.

2. CARGO HANDLING CHARGES:

Sl. No.	Particulars	Unit	Rate in Rupees
(i).	Iron ore handling charge		
(a).	For rail borne cargo	Per Metric Tonne	160.95
(b).	For road bound cargo	Per Metric Tonne	136.60

Notes:

- (i). The handling charges prescribed at (i).(a). above for rail borne cargo is a composite charge for unloading of cargo from wagon through unloading facilities at Marshalling Yard, transfer the same upto the point of storage, storage at the stackyard upto a free period of 25 days, reclaiming from stackyard and loading onto the ship, wharfage and all other miscellaneous services not specifically prescribed in the Scale of Rates.
- (ii). The handling charge prescribed at (i).(b). above for road bound cargo is a composite charge for unloading of cargo at stackyard directly, storage at the stackyard upto a free period of 25 days, reclaiming from stackyard and loading onto the ship, wharfage and all other miscellaneous services not specifically prescribed in the Scale of Rates.

3. STORAGE CHARGES:

The storage charge shall be levied for the goods lying in the storage yard without export beyond the prescribed free period as follows:

Sl. No.	Particulars	Unit	Rate in Rupees per tonne per day or part thereof
(i).	In the first week	Metric tonne	3.00
(ii).	In the second week	Metric tonne	5.00
(iii).	Beyond second week	Metric tonne	7.00

Notes:

- (i). Free period of twenty five days shall commence from the actual day of receipt of goods in the stackyard. For the purpose of calculation of free period, Customs notified holidays and Terminal's non-working days shall be excluded.
- (ii). Storage charges shall be payable for all days including Terminal's non-working days and Customs notified holidays for stay of cargo beyond the prescribed free days.
- (iii). Storage charges on cargo shall not accrue for the period when the operator is not in a position to deliver / ship the cargo when requested by the user due to reasons attributable to the operator.

4. MISCELLANEOUS CHARGES:

The following miscellaneous charges are applicable on iron ore handled by both rail/road movement:

Sl. No.	Particulars	Unit	Rate per tonne or part thereof
(i).	Charges for sweeping, collecting, spillage from yards conveyors, galleries, etc.	Metric tonne	1.00
(ii).	Charges for moisturising of cargo and dust separation services, etc.	Metric tonne	0.50

5. GENERAL NOTE TO SCHEDULE (2) TO (4) ABOVE:

The tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale price Index (WPI) occurring between 1 January 2008 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31 March of the following year.

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

F. No.TAMP/22/2008 - NMPT - Proposal from the New Mangalore Port Trust for fixing upfront tariff for construction of mechanised iron ore handling facilities on BOT basis at the New Mangalore Port.

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

Sl. No.	Comments of users / user organisations	Comments of NMPT
1.	Mineral Enterprises Limited	
(i).	Cost of project estimated by New Mangalore Port appears to be on the lower side considering the increase in the cost of input.	The estimated capital cost is based on the cost of materials upto March 2008. The capital cost indicated is inclusive of all the preliminary expenses and pre-operative costs which has been considered at 5% of the project cost.
(ii).	The proposed upfront handling charges of Rs.120 per MT is on lower side and needs to be re-looked.	The handling cost of Rs.120 per MT has been revised to R.102 per MT after corrections incorporated in the calculation of Depreciation. The rate arrived at Rs.102/- is based on guidelines prescribed for fixation of upfront tariff.
2.	South West Port Limited	
(i).	The rail connectivity is not yet ready to meet the traffic of 5 million metric tonnes per annum. As per the statistics today, the traffic is hardly 30 to 35 rakes per month. Hence, evacuation will be a real hurdle.	The rail connectivity to the Mangalore Port is from KRCL and HMRDCL from the iron ore mine heads. At present, the manual handling is being done for handling iron ore. However, it is expected that after setting up of mechanised iron ore handling facility, the turnaround time of the rakes will increase and expected cargo can be handled.
(ii).	The berth is owned by the port and berth hire charges is to be collected by it directly. Hence it is not clear whether any delay in berthing / movements / tug arrangements, etc. will be borne by the port. By achieving higher efficiency level, the port may loose berth hire revenue. Will it be charged to the customer?	The port will follow the guidelines as per port rules for berthing and de-berthing of the vessels calling at Berth No.14. The BOT operator will have to abide by the procedure laid down in the port rules.
(iii).	The iron and steel cost is increased by 14-17% during the current year, which is not accounted in the project cost.	(iii). and (iv). The estimated capital cost is based on the anticipated cost of material upto March, 2008. The BOT operator will have to take into consideration the increase in the material cost.
(iv).	Overall inflation and increase in cost must also be added in project cost.	
(v).	The project cost given is only core cost. Interest and expenses during construction should also be added.	The capital cost estimation is inclusive of all pre-operative cost which has been considered at 5% of the project cost as per the guidelines.
(vi).	(a). The project is planned for 14 metres draft. It is admitted that partly loaded cape-size vessels may berth but, it can load upto 85000 metric tonnes only. Further, loading at anchorage will have phenominal cost. (b). It is to be noted that because of high demand, the capesize vessels are charged the full freight rates irrespective of quantum loaded. This will be a great disadvantage to the exporters. (c). Hence berthing capesize vessels will increase the costs to exporters which may have to be reviewed.	Vessels of different sizes are considered while determining the berth capacity. The handling at the anchorage is not considered in the analysis. The BOT operator will have to make a suitable provision accordingly.

(vii).	Stacking 15 tonnes per square meter is on higher side. Normally iron ore like dense material can be stacked upto 8 to 10 tonnes only. Also, different quality and grade require separate stocking. Hence, the entire 70% of stack area may not be viable at all times. This will reduce the handling capacity. Stacking factor may, therefore, be reviewed.	The stacking of 15 meter per tonne sq. mtr. of iron ore is as per the norms prescribed in the guidelines.
(viii).	It has requested to inform the time of preparation of the cost estimates. Today's rail laying cost is approximately Rs.1.65 crore per km.	The cost of laying rail track has been considered at Rs.1.8 crores per km. in the project cost.
(ix).	The land development / site filling costs are not included. Will it mean that the port will give land in 'ready for project' possession? This is not clear.	The cost of construction of platform is separately considered at Rs.1.1 crores.
(x).	Operating cost does not include man power and administration costs, diesel and lube for the pay loaders and stock internal movement / stock collection / piling costs.	Operating cost are estimated as per the guidelines for upfront tariff setting.
(xi).	The contractors operating in other berths are charging about Rs.150 for manual handling. The estimated costs are about 30% lesser than this. Where as with this difference, the terminal operator has to manage his royalty, finance and other costs. The cost calculation needs to be reviewed.	It is expected that the mechanised handling facility will improve the productivity thereby achieve lesser cost.
(xii).	Depreciation rates supposed to be at Written Down Value method are at higher side.	Depreciation has been revised and is based on Straight Line Method. Accordingly, the cost per tonne has been revised and reduced to Rs.102 per tonne as against Rs.120 per tonne proposed in the initial proposal.
(xiii).	The port is planning to use mobile harbour crane instead of mobile loader. This will hamper the speed of the cargo loading. As per the existing standards, with two cranes, about 32,000 MT can be loaded into the vessel which is well below the target expected.	No comments received
(xiv).	While loading through crane, we need a drop point, reloading into tippers and usage of loaders etc., where as the capital cost is not covering the cost of Chute Point, tippers and loaders.	No comments received
(xv).	Double / triple handling will increase the time and cost as well as the handling losses. This is not considered in the calculations.	No comments received
3.	M/s.Larsen and Toubro Limited	
(i).	Calculation of capital cost: The capital cost shall include costs like preliminary and pre-operative expenses, interest during construction, escalation charges, etc. The calculation of capital cost must include these costs.	It has referred to its earlier comments at 1(i) above, in this regard.
(ii).	Norms for operating cost: The project is structured with revenue sharing concept wherein the selected concessionaire will share the quoted revenue with the respective port trust. Invariably revenue sharing becomes expenditure while doing the viability assessment in the business model. TAMP may assume a fixed percentage for the purpose of calculating the revenue and fix the tariff. It is, therefore, requested that revenue sharing may be treated as part of the operating cost while arriving at the upfront tariff.	The revenue sharing to the port does not constitute as a cost as per the extant guidelines. The request cannot be acceded to.

(iii).	Rate of return on capital employed: Rate of return on capital employed is assumed as 16%. In the present context, the cost of debt itself is more than 12% to 13% for infrastructure projects. Hence the return on capital employed, assumed at 16% may be revisited and revised upwards.	As per the extant guidelines, the rate of return on capital cost is at 16%. The request cannot be acceded to.
(iv).	Indexing for inflation: For the subsequent years, 100% revision shall be made in upfront tariff linked to WPI.	The tariff caps will be indexed to inflation to the extent of 60% variation in WPI occurring between 1 st January of a year to the next relevant year as per the extant guidelines. No change is proposed.
4.	M/s.ABG Infralogistics Limited	
(i).	The upfront tariff calculation is based on ROCE at 16% which is the return currently prescribed by TAMP. In their Notification dated 31 March 2005, TAMP has clarified that ROCE would be allowed for Major Port Trusts and Private Terminal operators in accordance with Capital Asset Pricing Model (CAPM) and has also listed the key parameters that determine CAPM. Based on the above, TAMP has fixed ROCE at 16% for the financial year 2007-08. As these key parameters have undergone a change, it is necessary to review the ROCE at 16% and revise it upwards, and accordingly, revise the tariff.	No comments received.
(ii).	(a). NMPT has estimated that the optimal capacity of the berth at 6.62 million tonnes per annum. This optimal capacity has been adopted for the purpose of arriving at the tariff for handling of iron ore. (b). In December 2005, NMPT had circulated the Request For Price (RFP) for the project, where the anticipated traffic projections for the facility was furnished as below: 1 st year of operation 1 Million tonne 2 nd year of operation 1 Million tonne 3 rd year of operation 2 Million tonnes 4 th year of operation 3 Million tonnes 5 th year of operation 4 Million tonnes 	

(iii).	There is nothing to indicate that the list of equipment mentioned in the tariff calculation is adequate to handle the optimal capacity of 6.62 million tonnes and it is not clear, from the papers made available by the NMPT, that the Licensee of the project has the option to decide the mix / scale of the equipment depending on the throughput.	No comments received.
(iv).	NMPT has attempted to revise the cost estimates, furnished sometimes in September 2001 by their consultants M/s.Howe (India) Limited by indexing the prices. This should not be acceptable and the port trust ought to have obtained fresh and updated cost estimates for the purpose of proposing upfront tariff.	No comments received.
(v).	The list of equipment which are mentioned in the estimates of NMPT is at variance with the list of equipment indicated in the TAMP guidelines dated 26 th February 2008. Equipment like reclaimer and cranes are missing in the estimates considered by the port.	No comments received.
(vi).	In the original estimates of Howe (India) Private Limited, the cost of the electrical items was estimated at Rs.11 crores. In the revised estimates of NMPT, this has been reduced to Rs.5 crores. The reason for the downward revision is not understood as prices of all items have gone up since 2001.	No comments received.

2.1. A joint hearing in this case was held on 18 August 2008 at the NMPT premises. The NMPT made a power point presentation of its proposal. At the joint hearing, NMPT and the concerned users/user associations and the qualified bidders have made the following submissions:

New Mangalore Port Trust

- (i). The proposed tariff is for mechanised iron ore handling. The Berth has already been constructed by the Port and, therefore, construction cost of berth is not included in the upfront tariff computation.
- (ii). 75000 sq.mt. of storage area and 64000 sq.mt. of rail yard will be allotted by the port for mechanised operations of iron ore handling.
- (iii). We propose only one tippler because of the space constraint in the rail yard. We expect to receive 5 rakes / day. Therefore, there is no need for two wagon tipplers, as provided in the norms.
- (iv). We can't improve yard capacity by improving the turnover ratio. The capacity of the railway system is the constraint.
- (v). We have proposed deviation from the norms in respect of nature of equipment duly considering the peculiarities of the port and the constraints faced. We have already issued and assessed RFQ based on the equipment proposed.
- (vi). The Mangalore Electricity Supply Company Limited (MESCOM) is supplying power. There is around 20% power-cut. The power generation by Genset to supplement the shortfall is costlier.
- (vii). The traffic projection of 5 million tonnes per annum made in the Feasibility Report was in the year 2001 when NMPT was not handling any iron ore traffic. Now, we have already handled 4 million tonnes in the last year. We will share the updated feasibility report with short-listed bidders.

- (viii). We had written to many suppliers for budgetary cost estimates of equipment. No one shares information. Therefore, we have no option but to logically update the 2001 estimates.
- (ix). Standard equipment is not possible due to the space constraints. In any case, our projections and specifications are indicative. The successful bidder can bring in standard equipment, if he desires so.

ABG Infralogistics Limited

- (i). Since tariff is set for 30 years, the proposal should correctly capture the costs – particularly, the capital expenditure. The port can't take the study done in the year 2001 as the base. Fresh and current estimates should be obtained.
- (ii). Traffic forecast is vital. Tariff should not be unrealistically set solely based on designed capacity ignoring the traffic potential.
- (iii). The capital estimate of Rs.11 crores for electrical installations considered in the 2001 Report is downgraded to Rs.5 crores. No justification is, however, furnished.

Mineral Enterprises Limited

- (i). We have already given our written comments. Nothing more to add.

Kanara Chamber of Commerce and Industry

- (i). The existing Berth 14 is multipurpose. The port must, therefore, put up unloading system also so that it can be used for handling other cargo.
- (ii). Since tariff setting is for 30 years, port must consider the state of the art equipment.
- (iii). Capital cost is not realistic. The approach adopted by the port of simply updating 2001 cost is not correct.
- (iv). We request the upfront tariff should be pegged around Rs.60 per ton.

M/s.Sical Logistics

- (i). The capital cost is totally underestimated. Our estimates show that the capital cost will be around Rs.263 crores. We will share the details with the port and TAMP.
- (ii). The project requires drawing 11 KVA lines from MESCOM source. This costs more than the estimates given by the port.
- (iii). Since both road and rail receipt of iron ore will continue, the port should split the handling rates and prescribe separate rate for receipt as tipping is relevant only for rail borne cargo.
- (iv). The proposed rate may put the investment at high risk since the proposed tariff cap is not viable due to underestimated capital cost. Further, the non standard equipment specified by NMPT will also cost more than the standard equipment.

Association of New Mangalore Port Stevedores

- (i). All the berths at NMPT are occupied at the level of 90%. The proposed BOT Project for handling iron ore should consider developing new berths.
- (ii). Sharing of railway marshalling yard with the additional iron ore traffic will affect the movement of the existing cargo.
- (iii). We request NMPT should defer the project.

2.2. At the joint hearing, the Association of New Mangalore Port Stevedores and Kanara Chamber of Commerce and Industry filed their written submissions which are summarised below:

Association of New Mangalore Port Stevedores

- (i). The BOT operator will be allotted 75,000 sq. mtrs. of scarce land inside the security compound wall. Presently, there is no sufficient land available inside the port for many exporters.
- (ii). 64,000 sq. mtrs. of port land near the port Railway Marshalling Yard is also proposed to be allotted to the BOT operator. This will affect the present traffic requirements at the Railway Marshalling Yard.
- (iii). The Right of Way (ROW) between the Railway Marshalling Yard and the Deep draft berth requiring 5,000 sq. mtrs. will constrict the inner roads of the port and also pollute / contaminate other cargoes moving on the same roads like fertilisers, food grains, coal and other general cargoes.
- (iv). The said Mobile Ship Loaders (2 nos.) at Berth No.14 will interfere with the handling of import / export cargoes. The tyre mounted loading equipment will occupy areas of the berth. The spillages and the run-off dust of iron ore caused during loading ships at berth no.14, and adjoining areas will contaminate other cargoes like fertilisers, food grains, coal, coke, limestone, etc. to be handled at the same berth no.14. Further, the multipurpose berth no.14 will not be available for other cargo items presently being handled due to continuous ship loader operations to meet the targets. Also, that ships arriving in the port for import / export of other cargoes will suffer demurrages due to waiting for the ship loader operations to give sufficient gaps to occupy the berth. The very purpose of this multipurpose, multi-cargo berth no.14, will thus be defeated.
- (v). Presently handymax vessels loading between 40,000-70,000 MT load at berth no.14, at a loading rate of between 20,000-30,000 MT per day. Hence there is no requirement of an expensive ship loader doing more or less the same rate of loading at this berth.
- (vi). The present semi-mechanised handling system is fully able to meet the requirements of exporters through the NMPT and also give employments to port (RCHW) labour as well as other skilled including drivers, cleaners' operators etc., which is also a necessary function of any enterprise. The wagon handling facilities are also sufficient to handle future rake arrivals. The requirement of additional port land to stack the exporters' cargo all along was the only constraint and not any mechanised ship loading facilities.
- (vii). As per the feasibility report prepared in-house by the port, the traffic projection was 2 million tonnes by 2008-09 in the present semi-mechanised facilities. As against this, the present iron ore fine traffic has reached above 6 million tonnes and very well handled by the present facilities.
- (viii). The traffic projection could actually reduce due to setting up of new mechanised facilities ports on the East Coast targeting the same hinterland of Karnataka and due to government policy on iron ore exports and attitude of steel manufactures.

Kanara Chamber of Commerce and Industry

- (i). From the proposal, it is understood that the number of rakes to be handled will be 3 to 4 per day with the quantum of 3600 tonnes approximately per rake. There ought to be enough stockpile material before a vessel arrives for loading. Taking an example of 6 Million Tonnes and with the loading rate proposed with one lakh tonnes it will be 60 vessels a year, rather 5 vessels a month.

The port needs to consider the existing and possible infrastructure facilities such as National Highways, Rail infrastructure etc., before committing to this additional mechanised berth.

- (ii). Deep Draught Ports with rail connectivity have opened at places equidistant from source of origin of iron ore in Karnataka. New Mangalore Port will have to compete with modern ports like Krishnapatnam, Gangavaram besides Goa and Chennai.

- (iii). (a). In the entire computation in the feasibility report, 3 million tonnes per annum of iron ore traffic is envisaged with semi-mechanised handling facility in the initial years and 5 million per annum from 4th, 5th and 6th year onwards. In the computation of viability analysis revenue from operations is taken at 8,75,000 MT whereas in reality at present the port is handling 6 million tonnes.
- (b). After having perused the workings furnished by the port, it has been reworked assuming traffic at 6 million tonnes per annum. Depreciation is taken at 13.42 as per the revised computation furnished by the port and operating and maintenance cost at Rs.981.40 lakhs per annum as per the report. Based on re-worked calculation, the per tonne cost works out to Rs.60/-
- (c). In view of the above, in the interest of the trade and the prevailing competition from the neighbouring ports it has requested that the tariff for mechanised iron ore may not fixed more than Rs.60.00 per metric tonne. It has also highlighted that the trade has to take the additional burden of wharfage too.
