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Tariff Authority for Major Ports

G No. 181

New Delhi,

20 July 2010

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 Visakhapatnam Port Trust for revision of Dry docking charges as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports
Case No. TAMP/4/2009-VPT

Visakhapatnam Port Trust

- - -

Applicant

ORDER

(Passed on this 16th day of June 2010)

This case relates to a proposal dated 1 January 2009, filed by the Visakhapatnam Port Trust (VPT) for revising the dry docking charges leviable at the dry dock owned by the port.

2.1. The main submissions made by the VPT in the proposal are given below:

- (i). The dry dock at the outer repair section (ORS) of VPT was built in the year 1933 to cater to the needs of port owned vessels. The dock is provided with 10T Electric Level Luffing crane to carry out repairs / needs of docked vessels. This is the only dry dock owned by the port with fully equipped facilities which exists in the entire east coast.
- (ii). In the past due to frequent break down of port craft and periodical scheduled dry docking the facility was restricted to port owned vessels throughout the calendar year for better upkeep of the flotilla, namely, dredgers, tugs, launches, barges, floating cranes, etc.
- (iii). Due to very few dry docks on the west coast and excess demand coupled with monsoon that cause delay and restrictions to dry docking on the west coast, pressure is mounting on the port from the Indian Navy, Coast Guard, Geological Survey, Off Shore Supply Vessels, etc., for allotment of slot at the dry dock.
- (iv). Further, due to increased offshore activity in the Krishna-Godavari belt the requirement of the dry dock has increased as there are very few dry docks in the east coast which are above 70 meters length.
- (v). VPT in its Board meeting held on 25 August 2006 has decided to accommodate Naval / Coast Guard / private shipping vessels without affecting the schedule of port vessels. It has also been decided to accord priority to Navy, Coast Guard and the vessels in distress.
- (vi). The existing Scale of Rates (SOR) of the VPT prescribes the dry docking charges which are in effect from 2001 and are too low and meagre.
- (vii). The maintenance cost of the dry dock has increased abnormally due to increase in staff charges, power tariff and cost of materials.
- (viii). Taking all the above factors into consideration, the VPT has proposed to revise dry docking charges.

2.2. The VPT has furnished cost statements in support of the proposed dock block preparation charges, rental / stayal charges, composite docking and undocking charges and crane charges. A summary of the cost analysis furnished for each of the tariff items is given below:

(i). **Dock block preparation charges:**

(in Rs.)

Particulars	For Flat bottom vessels < 50 mtrs. length	For Shaped vessels less than 50 mtrs. length
Total salary including bonus, LSC & PC	31909.18	54692.43
Add: 25% pending wage revision	7977.29	13673.11
Total	39886.47	68365.54
Add: Diver cost	4000.00	2000.00

Cost of wooden planks & nails	27250.00	54500.00
Total cost for dock block preparation	71136.47	124865.54
Proposed rate for the first slab	70000	120000

(ii). **Dry dock Rental / Stayal charges for vessel docked in ORS dry dock:**

Sl. No.	Name of the asset: (ORS Dry Dock)	Total (in Rs.)
1.	Capital Cost	65000000
	Life in years	75
	No. of working days per annum	310
2.	Fixed Cost:	
(a).	Return on investment @ 16% on original capital cost	10400000
(b).	Depreciation	866667
	Total Fixed Cost (A)	11266667
3.	Variable Cost:	
(a).	Repairs & Renewals @ 3.33% on original capital cost	2164500
(b).	Salaries	1357958
(c).	Management & General Admn., Exps. on Item-b @ 20.54%	278925
(d).	Oils & Lubricants and other consumables	732230
(e).	Power	422960
(f).	Workshop, stores & General Overheads on Item a,d,&e @ 10.27%	322674
	Total Variable Cost (B)	5279246
	Total Cost per annum (A + B)	16545913
	Total Cost per day (16545913 / 310 days)	53374
	Rate proposed per day (in Rs.)	53350

(iii). **Composite Docking and Undocking charges:**

(in Rs.)			
Sl. No.	Items	Docking Charges	Undocking Charges
(i).	Labour charges:		
	(a). Salary including bonus, LSC & PC	15345.77	7377.47
	(b). Add: 25% pending wage revision	3836.44	1844.36
		19182.21	9221.78
	After Rounding off (A)	19200	9200
(ii).	Dock Cleaning charges:		
	(a). Salary including bonus, LSC & PC	5955.75	5955.75
	(b). Add: 25% pending wage revision	1488.94	1488.94
		7444.69	7444.69
	After Rounding off (B)	7400	7400
(iii).	Dewater charges:		
	(a). Pumping charges 16901.60		--
	(b). Surcharge @ 25% 4225.50		
	(c). Meter charges 2000	21147.50	
	After Rounding off (C)	21150.00	--
(iv).	Total A + B + C	47750	16600
(v).	Composite charges (47750 + 16600)	64350	
(vi).	According, composite charge proposed (in Rs. per day)	64000	

(iv). **Charges for hire of crane:**

Staff cost per hour	-	Rs.215
Power charges	-	Rs.352
Hire charges per hour	-	Rs.414
TOTAL	-	Rs.981.05

Crane charges per hour proposed is Rs.981/- subject to a minimum of Rs.1395/- per hour.

2.3. To summarise, the dry docking charges prescribed in schedule 7.6.1. of the existing SOR and the proposed dry docking charges are tabulated below:

Existing dry docking charges			Proposed dry docking charges																																	
Schedule 7.6.1.			(i). Dock block preparation charges:																																	
<table border="1"> <thead> <tr> <th colspan="3">Unit per day</th> </tr> <tr> <th>Item</th> <th>Description</th> <th>Rate in Rs.</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>On the 1st day</td> <td>Rs.27,009.25</td> </tr> <tr> <td>2.</td> <td>From 2nd to 14th day inclusive</td> <td>Rs.22,022.95</td> </tr> <tr> <td>3</td> <td>From fifteenth day and after</td> <td>Rs.33,034.45</td> </tr> </tbody> </table>			Unit per day			Item	Description	Rate in Rs.	1.	On the 1 st day	Rs.27,009.25	2.	From 2 nd to 14 th day inclusive	Rs.22,022.95	3	From fifteenth day and after	Rs.33,034.45	<table border="1"> <thead> <tr> <th rowspan="2">Type of vessel</th> <th colspan="3">Length of vessel</th> </tr> <tr> <th>50 mtrs. or less</th> <th>More than 50 mtrs but less than 100 mtrs.</th> <th>More than 100 mtrs.</th> </tr> </thead> <tbody> <tr> <td>Flat bottoms</td> <td>Rs.70000/-</td> <td>Rs.87500/-</td> <td>Rs.105000/-</td> </tr> <tr> <td>Shaped vessel such as Coast Guard/Navy</td> <td>Rs.120000/-</td> <td>Rs.160000/-</td> <td>Rs.200000/-</td> </tr> </tbody> </table>		Type of vessel	Length of vessel			50 mtrs. or less	More than 50 mtrs but less than 100 mtrs.	More than 100 mtrs.	Flat bottoms	Rs.70000/-	Rs.87500/-	Rs.105000/-	Shaped vessel such as Coast Guard/Navy	Rs.120000/-	Rs.160000/-	Rs.200000/-		
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			(v). Block shifting charges at actuals.																																	
			(vi). Overtime to the staff at actuals if docking/ undocking is carried out beyond normal working hours.																																	
			(vii). Second docking charges will be charged extra for Naval and Coast Guard vessels -- Rs.47000/-																																	

3. In accordance with the consultative procedure prescribed, a copy of the proposal received from the VPT was forwarded to the concerned users/ user organizations seeking their comments. Some of the users have furnished their comments. The comments received from them were forwarded to VPT for its comments as feedback information. The VPT has furnished its comments on the comments of users.

4. Based on a preliminary scrutiny of the proposal, the VPT was requested to furnish information/ clarifications on various points. The VPT has furnished its reply. On examining the reply furnished by the VPT some gaps were noticed. Accordingly, the VPT was again requested to furnish further additional information / clarifications. The VPT has furnished its reply. A summary of the queries raised and the replies furnished by VPT is tabulated below:

Sl. No.	Queries raised by us	Reply furnished by VPT
(i).	(a). The cost statements furnished with the proposal shows that the salaries/wages cost and management overheads are significantly	The cost statements for the years 2006-07 to 2008-09 furnished during general revision of SOR in 2006, after considering salaries/

	<p>influencing the proposed rates. It has to be recognised that the estimated Salaries/ Wages and Management Overheads for the years 2006-07 to 2008-09 were already considered during the last tariff revision of the VPT. In this connection please clarify whether the port proposes to deploy any additional manpower for offering this service. Also, please ensure that there is no overlapping of these cost elements in the cost items to be considered in the general revision of Scale of Rates (SOR) of the VPT which is due for revision.</p>	<p>wages and Management Overheads under Port and Dock Facility Activity showed an aggregate deficit of 8.82%. As per the modified estimates considered by TAMP the deficit is 5.82%. Hence, the revision is proposed. It is clarified that there is no change in the staff component but, only likely increase in salaries due to wage revision has been considered. It will be ensured that there is no overlapping of cost elements in the ensuing general revision of rates. In fact the proposed revision of dry docking charges is already included in the proposal for general revision of SOR sent to TAMP vide its letter dated 1 April 2009.</p>
	<p>(b). Explain the basis of considering the impact of wage revision at 25% of salaries and wage cost. It may be noted that the Authority in the last general revision of the SOR of VPT, New Mangalore Port Trust and other major ports allowed provision for wage revision at 15% of the total wage cost.</p>	<p>A provision of 15% for wage revision was considered while submitting the SOR in 2005 assuming that only 15% rise in salaries may occur. As per the Sixth Pay Commission for Central Government employees, there is an increase of more than 30% on existing salaries. Hence, hike in wage revision of 25% is assumed for ports also on the same lines.</p>
(ii).	<p><u>Dock block preparation charges:</u></p>	
	<p>(a). Explain details of the services to be rendered against the levy of the proposed dock block preparation charges.</p>	<p>Before docking the vessel, keel blocks/bilge blocks/side blocks are to be arranged for supporting the vessel structure as per the docking plan. It depends on the shape of the underwater hull of the vessel and size of the vessel.</p>
	<p>(b). Explain the reasons for proposing differential tariff for different types of vessels.</p>	<p>Depending upon the size of the vessel and shape of the underwater hull of the vessel, number of blocks to be used will differ. In case of Coast Guard vessels, the underwater shape of the hull is quite different from that of the commercial vessels due to various reasons. So the dock blocks preparation for shaped vessels/Coast Guard vessels involve more days in preparation. Hence the different charges are proposed in order to ensure that the port is not at loss for long spell of the time taken in this preparation.</p>
	<p>(c). Furnish the basis of estimating the cost of divers and the cost of wooden planks and nails in Annex-IV of the subject proposal and justify it with reference to the actual cost incurred by the port for similar services.</p>	<p>Wooden wedges/planks are to be used at the top of heel/bilge/side blocks. The wedges are to be cut to suit the underwater shape of the hull. These wooden planks/wedges are to be fixed in place by nails etc. These wooden planks/wedges cannot be reused as they get compressed or broken in most cases. The VPT dry dock is having conventional type of gates with rubber sealing. Often there will be some leaks through these sealing. The divers are required to do coking from the seaside to arrest the leakages. The time required for coking depends on the quantum of leakage. An average was taken in this case.</p>
(iii).	<p><u>Rental charges:</u></p>	
	<p>(a). (i). Confirm whether the ORS dry dock is a new addition to the existing block of fixed assets. If so, furnish documentary evidence of capital cost incurred by the port and date of commissioning of this asset.</p>	<p>ORS dry dock conventionally called as dry dock of inner harbour is not a new addition to the existing block of fixed assets. Year of commissioning of said asset is 1950.</p>

<p>(ii). Indicate the gross and net fixed assets pertaining to ORS dry dock as on 31 March 2009 as reported in the provisional Annual Accounts 2008-09. Confirm that the return on investment is computed on the net fixed assets as per the tariff guidelines of 2005 in the cost calculation.</p>	<p>The net fixed assets pertaining to ORS Dry dock as on 31 March 2009 as per records is Rs.1,06,94,055/-. However, the reinstated value of the ORS Dry dock was considered as Rs.6.50 crores based on the Asset valuation report submitted by M/s.Jadon & Co. in the year 2007-08. Hence return on investment is also considered on the same.</p>												
<p>(b). Confirm that the depreciation on the capital asset is considered as per the life norms prescribed in the Companies Act, 1956 as per the tariff guidelines of 2005. Also, give reference to the relevant provisions the said Act.</p>	<p>The life of the asset is considered as 75 years prescribed by the Ministry for the purpose of calculation of yearly depreciation. Depreciation is calculated on Straight line method.</p>												
<p>(c). (i). Explain the basis of estimating the other items such as repairs and renewals, salaries, management & general overheads, oil & lubricants, power and workshop, stores & general overheads for arriving at the proposed rate.</p>	<p>Oils, lubricants, power and other consumables are estimated based on the amount actually incurred for operating the dry dock. Variable cost of repairs and renewals considered at 3.3% on capital cost and work shop, stores & general over heads considered at 10.27% on cost of repairs and renewals + oils + power are in line with the approach followed for fixing the hire charges for different port equipment.</p>												
<p>(ii). The repairs and maintenance cost considered in the cost calculation may be justified with reference to the actual repairs and maintenance cost incurred by the port for this particular service in the last two years 2007-08 and 2008-09. Ensure that one time major repairs and maintenance expenditure incurred, if any, in the last two years is shown separately and amortised over a longer period of time.</p>	<p>The one time repairs and maintenance costs incurred for the past 2 years is as follows:</p> <table border="1" data-bbox="887 987 1439 1193"> <tr> <td>i.</td> <td>Keel block procured (2009)</td> <td>Rs.16,66,000</td> </tr> <tr> <td>ii.</td> <td>Special repairs (civil works) to Dry Dock pump house & Dry dock 2007-08 2008-09</td> <td>Rs. 2,96,374 Rs.19,89,230</td> </tr> <tr> <td>iii.</td> <td>Dry dock pump spares</td> <td>Rs.26,43,939</td> </tr> <tr> <td colspan="2" style="text-align: center;">Total</td> <td>Rs.65,95,543</td> </tr> </table> <p>The above expenditure on amortizing over a period of 3 years comes to Rs.21,98,514/-. In addition to the said amortized expenditure routine R&M expenses incurred are Rs.50,000/- for the year 2007-08 and Rs.45,000/- for the year 2008-09. Hence, the amount mentioned in cost statement towards R&M expenses @ 3.33% on capital cost i.e. Rs.21,64,500/- is justified.</p>	i.	Keel block procured (2009)	Rs.16,66,000	ii.	Special repairs (civil works) to Dry Dock pump house & Dry dock 2007-08 2008-09	Rs. 2,96,374 Rs.19,89,230	iii.	Dry dock pump spares	Rs.26,43,939	Total		Rs.65,95,543
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<p>(iii). The general overheads, stores, etc., may be estimated based on the actual expenditure incurred for ORS dry dock during the last two years instead of estimating this item as percentage of repairs and renewals plus oil plus power.</p>	<p>The stores expenditure for the last 2 years actually incurred is Rs.13,44,416/-, where as in the cost statement only Rs.3,22,674/- considered applying 10.27% for workshop stores and general overheads. Dry dock involves Fixed cost and Variable costs, Oils, lubricants, power and other consumables taken into account based on the amounts actually incurred for operating the Dry dock. Variable cost of Repairs and renewals considered at 3.3% on capital cost and Work shop, Stores and General overheads considered at 10.27% on cost of repairs and renewals + Oils + Power as followed for fixing the hire charges for different port equipments.</p> <p>Hence the general overheads, stores, etc. are taken as percentage as mentioned above.</p>												

	(d). Furnish detailed computation of salary estimated at Rs.13.58 lakhs for dock rental charges giving break up of number of employee hours deployed for this activity and the average salary cost thereof.	The staff employed for dry docking facilities for both ORS dry dock and Fishing Harbour dry dock put together are 10 in number. Hence 50% of staff salaries are apportioned for the ORS dry dock. Necessary calculation sheet furnished.												
	(e). Explain the basis of estimating the management and general overhead at 20.54% of salary cost. Furnish the break up of overhead components incurred by the port towards this activity in the last two years 2007-08 and 2008-09 to justify the estimated cost.	The basis for MGA as 20.54% is furnished. As per booked figures, the total overheads expenditure for ORS Dry dock for the year 2007-08 is Rs.2,29,36,464/- and for the year 2008-09 is Rs.3,31,08,182/-.												
(iv).	Crane charges:													
	(a). The SOR of VPT prescribes hire charges for the 10T Electric Level Luffing (ELL) crane at Rs.414 per hour. From the proposal it appears that the port would deploy the existing 10T ELL crane. However, the port has proposed a different rate of Rs.981 per hour as crane charges. Explain the reason for proposing differential rate for the crane with the same capacity.	Crane hire charges as prescribed in the SOR rate i.e. Rs.414/- per hours is considered plus staff cost and power charges for operating the said crane is also considered.												
	(b). Generally, the cost of operating the crane i.e. staff cost, power cost, depreciation, etc., are taken into consideration while fixing hire charge of equipment. In this context, please confirm that the hire charge prescribed in the existing Scale of Rates does not include staff cost and power cost with reference to the said crane.	The charges for crane hire charges fixed before the proposal for general revision of Scale of Rates was filed is considered. While forwarding the proposal for general revision of Scale of Rates, VPT decided not to increase the crane hire charges and hence it is to inform that the crane hire charges will be as per the existing Scale of Rates i.e. Rs.414/- per hour subject to a minimum of Rs.828/-.												
(v).	Explain the services the port would provide under the proposed block shifting charges. The port may consider to propose a specific rate for this service based on the cost of providing the service instead of proposing to levy it based on actuals. The query was again reiterated.	Block shifting is required in few cases only. It is required whenever vessels require to do bottom painting and number of block shiftings depends on the vessel and requirement. Hence, a specific rate cannot be proposed as the work involved in shifting of side/bilge/keel blocks differs.												
(vi).	(a). Explain the reasons for proposing extra docking charges at Rs.47000/- for Naval and Coast Guard vessels.	Coast Guard vessels often request for second docking that involves flooding of the dock and shifting of the vessel by few metres and again make them sit on the new blocks. Hence, extra charges are proposed.												
	(b). Furnish detailed cost calculation in support of the proposed rate Rs.47000/- towards extra docking charges for Naval and Coast Guard vessels with reference to the additional cost involved in this regard.	The detailed cost calculation for 2 nd version docking for Naval and Coast Guard vessels is furnished hereunder: <table border="1" data-bbox="885 1697 1417 1816"> <tr> <td>(a).</td> <td>Labour charges</td> <td>Rs.19,000/-</td> </tr> <tr> <td>(b).</td> <td>Dock cleaning charges</td> <td>Rs.7,000/-</td> </tr> <tr> <td>(c).</td> <td>De watering charges</td> <td>Rs.21,000/-</td> </tr> <tr> <td></td> <td>Total</td> <td>Rs.47,000/-</td> </tr> </table> <p>However, the port while furnishing its comments on the comments of the VSRA vide letter dated 6 June 2009 has mentioned that the proposed extra docking charges for Naval and Coast Guard vessel will be levied at 50% of 1st docking charges as labour and material required would be less when compared to 1st version docking.</p>	(a).	Labour charges	Rs.19,000/-	(b).	Dock cleaning charges	Rs.7,000/-	(c).	De watering charges	Rs.21,000/-		Total	Rs.47,000/-
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(vii).	<p>(a). Furnish the additional revenue likely to accrue from the proposed tariff items for the three years 2009-10, 2010-11 and 2011-12.</p> <p>(b). Indicate the instances when the dry dock facilities were availed by outside vessels in the years 2006-07, 2007-08 and 2008-09.</p> <p>(c). Furnish estimate of vessels likely to avail dry docking facilities during the years 2009-10 to 2011-12.</p>	<p>It is to state that during the year 2008-09 only 4 outside vessels docked for repairs. However, the dry dock is being utilized generally for port crafts and will be given to outside vessels on availability. Considering the above and proposed increase in rates, the revenues were projected at 32.00 lakhs per annum in the cost statements.</p> <p>The instances of dry dock facility availed by private vessels in 2006-07 is 8, 2007-08 it is 4 and 2008-09 it is 10 vessels.</p> <p>The estimated number of vessels likely to avail dry docking facilities during the years 2009-10 to 2011-12 are 18 (6 vessels per year).</p>
(viii).	<p>Cost calculation furnished in Annex-II Docking / Undocking charges</p> <p>(a). The denominator considered for estimation of labour cost for docking / undocking / cleaning activity is 26 days in Annex-II relating to docking / undocking charges. Whereas in Annex-III relating to dry block preparation charges, the denominator considered for arriving at per day labour cost is 30 days. Explain the reasons for such variation for estimating the labour cost in the said two calculations furnished by the VPT.</p> <p>(b). Indicate the average actual consumption of power in last two years 2007-08 and 2008-09 by the pumps deployed at the dry dock for dewatering activity.</p> <p>(c). The unit rate of power adopted by the VPT in fixation of upfront tariff of multipurpose cargo terminal and liquid cargo terminal is Rs.6.20. No other cost elements are added to the said unit rate of power. Whereas, in the cost statement furnished for revision of dry docking charges, the unit rate of power considered by the VPT is 6.20 + 0.06 ED and 25% surcharge. Explain the reasons for adopting differential rate for estimating power cost in the instant proposal and substantiate it with copy of relevant electricity bill.</p> <p>Meter charge is a fixed expense. The basis of allocating Rs.20 towards meter cost to this activity may also be explained.</p>	<p>The denominator considered at Annexure II and III is 30 days for preparation of dock blocks etc., as salaries are payable on monthly basis. However, while fixing the dry dock rental charges at Annexure-1, no. of working days of dock was considered as 310 days excluding Sundays.</p> <p>The actual power consumption during dewatering in ORS dry dock is about 5,600 KWH (units) for vessel including leakage water, dewatering for 1 month period. The average power consumption for the years 2007-08 is 55,000 KWH and 2008-09 is 65,000 KWH.</p> <p>The reasons for including ED and Surcharge is – at dry dock a separate meter was installed to monitor the power consumption and hence, the vessel owner has to bear the ED surcharge in addition to the power consumption and meter charges of Rs.20/-. Hence the same were not considered for upfront tariff calculation of BOT operator.</p> <p>The unit rate of power for fixation of tariff considered by VPT is based on the tariff rates, terms and conditions of Andhra Pradesh Eastern Power Distribution Corporation Limited for the consumers of temporary power supply under LT category i.e. unit cost @ Rs.6.20 + 0.06 towards Electricity Duty and 25% surcharge towards low power facto (or) non-installation of capacitors (Furnished copy of Power Tariff in Telugu language).</p>
(ix).	<p>The additional income likely to accrue for each of the tariff items proposed may be furnished for the years 2009-10 to 2011-12 along with detailed calculation of income at the existing tariff level and income at the proposed tariff level, number of vessels availing the services, number of hours the service is availed, etc.</p>	<p>During the year 2008-09, 10 outside vessels docked for repairs. However, the dry dock is being utilized generally for port crafts and will be given to outside vessels on availability. The expected vessels for the years 2009-10 to 2011-12 will be around 6 vessels per annum. The cost statement prepared for the years 2006-07 to 2008-09 based on actuals and for 2009-10 to 2011-12 with proposed rates is furnished. Even at proposed rates</p>

		also the dry dock activity is showing a deficit. Since the dry dock caters mainly for VPT crafts, the deficit is proposed to be absorbed by VPT.
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5. A joint hearing in this case was held on 22 October 2009 at the VPT premises. At the joint hearing, VPT and some of the users have made their submissions.

6.1. In compliance of the decision taken at the joint hearing, the VPT has furnished further clarifications/ justifications which are summarised below:

- (i). The MGA is considered taking into account the average of MGA percentage for a period of 3 years. The procedure for calculation of MGA is as follows:

Total Operating expenditure of the port (a)	xxx
Less MGA (excluding provision for wage revision (b)	xxx

Net Operating Expenditure (c)	xxx
Engineering & Work shop overheads (d)	xxx
Store keeping (e)	xxx
Other General overheads (f)	xxx

Total MGA {d+e+f} (g)	xxx
% of General MGA to Operating Expenditure {g/c}	xxx (Applied on salaries component in cost sheet)
% of Work shop, Engg. & Stores Overheads to Operating expenditure {(d+e)/c}	xxx (Applied on R&M, power & stores consumables)

- (ii). It is clear from the above separate overhead recovery rates for MGA overheads and Workshop & Stores. Overheads were arrived and are applied on direct expenditure components like Salaries, R&M spares, Fuel and other consumable stores separately. Hence the contention that overhead recovery rates applied double is not correct as opined by Tariff Authority for Major Ports MGA calculation for the last 3 years in attached.

- (iii). Regarding Overtime charges it is to state that, the VPT Dry dock works only in general shift and general shift means from 07.00 to 16.30 hrs from Monday to Thursday, from 07.00 hrs on Friday and from 07.00 hrs to 12.00 hrs on Saturday and the staff strength is maintained accordingly for single shift only. Sunday is a holiday/weekly off as per the Industrial Rules/Factory act. Hence, if staff is required to be engaged after general shift hours at the request of the user, overtime charges as paid to the staff will be collected at actuals from the user.

- (iv). With regards to 2nd docking charges it is to state that the rate of Rs.47000/- and its break up is as follows:

Labour chares	-	Rs.19200
Dock cleaning chares	-	Rs. 7400
Dewatering charges	-	Rs.21150

Total	-	Rs.47750
		=====

However, VPT had already conveyed its acceptance for charging 50% of 1st docking charges only instead of Rs.47000/- as above vide letter No.FA/Cost/Dry docking/37 dated 27 July 2009.

- (v). As regards to the crane hire charges, VPT has agreed for the same rates as existing in the resent Scale of Rates instead of proposed rates.

6.2. Subsequently, the VPT has indicated the additional income of Rs.0.70 lakhs from block preparation and Rs.32.33 lakhs per annum from Rental to be earned at the proposed level of tariff.

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

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

- (i). The port has stated that the dry docking facility was initially restricted to port owned vessels. However, since the dry docking facility is decided to be extended to other vessels and the maintenance cost of the dry dock has increased, the port has come up with the proposal in reference. The existing dry docking charge prescribed in the Scale of Rates of VPT was last revised in 2001. In the proposal in reference, the port has proposed not only upward revision of the existing dry docking rental charges but also certain new charges.
- (ii). It is notable that during the last general revision of tariff of VPT in 2006, though the port as a whole reflected a surplus position, the Port and Dock Facility under which the results of the dry dock activity are captured showed a deficit of 5.82%. Though cost position for dry dock activity was not assessed separately, the income reported from this activity was negligible as compared to the expense estimated for dry dock service. Recognizing the flow of cross subsidization between various activities and sub-activities, no upward revision was effected in the tariff of VPT, except some changes on account of rationalisation of the tariff structure. No emphasis was placed at that juncture on resetting the dry dock charges as the facility was primarily catering to the requirements of the port alone. The benefit of cross-subsidisation generally remained within the same user groups. With the dry docks being used now for other vessels also, if tariff correction is not effected then the particular segment of dry dock users may get the advantage at the cost of other user groups.
- (iii). The VPT has furnished a separate cost statement for the Dry Docking activity and confirmed that there is no overlapping of cost elements in the cost statement. It is, however, difficult to verify the claim made by the VPT when such statement is examined in isolation and not comprehensively as a part of the general revision of port tariff. Further, on examining the cost statement, it is found that the sum of the expenses estimated by port for individual services under the dry docking activity do not match with the consolidated expenses reported in the cost statement for the dry dock activity. The difference may be perhaps because the dry docking activity as a whole includes dry docking at fishing harbour also which is not covered in the present proposal. As no correlation can be drawn between the consolidated statement for dry dock activity and the cost calculation submitted for individual services, the cost statement furnished by the port for dry dock activity does not serve any purpose. Separate cost calculation for individual services under dry docking at inner harbour furnished by the port in support of the rates proposed is considered for the purpose of this analysis.
- (iv). The cost calculations furnished by VPT in support of the rate proposed for each of the items are analysed below:
 - (a). Dock Rental/ Stayal Charges:
The increase proposed in the existing Rental / Stayal charges levied for vessel docked in ORS dry dock is around 142%. The VPT has furnished a cost sheet in support of the proposed rate of Rs.53350/- per day from the 1st day of stayal of vessel upto the 14th day. To arrive at the proposed rate, VPT has restated the capital value of the dry dock. The operating expenses such as repairs, depreciation, and return are computed based on the restated value. It is notable that the dry dock is in existence from 1950 as reported by the port. It is relevant to mention that the cost plus

approach mandated by the tariff guidelines requires to consider the written down value of asset. The net value of the dry dock asset reported by the port at Rs.1.07 crores as on 31 March 2009 is considered. Accordingly, return on the asset @ 16% and depreciation are worked out on the written down value of the asset. Other moderations effected in the operating costs is discussed below:

- (i). The VPT has estimated repair cost at Rs.21.65 lakhs applying 3.33% on the restated capital value of the asset. To justify the estimated repair expenses, the VPT has stated that the routine repair expenses for dry dock activity has been Rs.45000/- during the year 2008-09. In addition, the VPT has stated that one time repair expenses incurred during 2007-08 and 2008-09 amounting to Rs.65.95 lakhs has been amortised over a period of 3 years and considered as part of repair cost.

The VPT has not furnished any explanation for restricting amortisation of the one time expenses to a period of only 3 years. Assuming that the benefits arising from the one time repairs may be available for a longer period of time and also assuming that port may have to incur similar type of one time expenses once in every five years, the one time repair cost furnished by VPT is amortised over a period of 5 years. The actual repairs cost for the year 2008-09 is escalated by 5.8% (based on the escalation factor considered during the year 2009-10) to arrive at the regular repair cost for the year 2009-10. Accordingly, the total estimated repair cost works out to Rs.13.67 lakhs.

- (ii). The estimated salary and wage cost is inclusive of an increase of 25% on account of the pending wage revision. The impact of wage revision is moderated to 23% based on the wage hike recently announced for all the Major Port Trusts.
- (iii). VPT has calculated Management & General Overheads @ 20.54% of the salaries cost and explained the basis with reference to the actuals for the year 2007-08 which is relied upon. Management & General Overheads is considered @ 20.54% of the moderated wage cost.
- (iv). In the absence of workings in respect of oils, lubricants and power etc., the estimate as furnished by VPT is considered in the analysis.
- (v). VPT has calculated Workshop, Stores & General Overheads @ 10.27% of the repairs, oil and power cost. Since the VPT has derived this percentage based on the actuals for the year 2007-08, the same is relied upon.
- (vi). The VPT has considered the number of working days of dock as 310 days (excluding Sundays). Taking into account the number of vessels anticipated by the port and the average stay of vessels in the dock, the number of working days considered by the port appears to be on the higher side. The upfront tariff guidelines of 2008 prescribe optimum utilisation at 70% which has been applied while determining the hire charge of mobile harbour cranes in case of various major ports. Accordingly, in this case also the number of working days is considered as 256 days for arriving at the per day rental charges.
- (vii). The cost statement for dock rental/ stayal charges is attached as **Annex - I**. As per the revised calculation, the charges for dock rental / stayal of vessel works out to Rs.27967/- per day which is 25% higher than the existing rate for first 14 days. The rates for

the subsequent two slabs are prescribed maintaining the percentage increase with reference to the first slab as proposed by the VPT.

(b). Docking and Undocking Charges:

The VPT has calculated the proposed rate based on the cost of offering this service. Wage cost is modified on the same lines as explained under the previous item of tariff.

The VPT has considered rate of Rs.6.20 per unit of electricity plus Rs.0.06 per unit as electricity duty plus 25% surcharge toward pumping out water. The port has stated that at dry dock a separate meter is installed to monitor the power consumption and thus the vessel owner has to bear the electricity duty and surcharge in addition to the power consumption and meter charges of Rs.20/-. Despite specific request, the port has not furnished copies of relevant electricity bill to substantiate the levy of surcharge @ 25% as claimed by port. It is relevant to state that the unit rate of power considered while fixing upfront tariff for various PPP projects at VPT which were decided in the years 2008-09 and 2009-10, is Rs.6.20 based on the documentary proof submitted by the port. That being so, the electricity cost for pumping out water is estimated at unit rate of Rs.6.20. Electricity duty at 1% is also allowed. Since the VPT has confirmed that electricity meter has been installed, the meter charges are also factored.

The cost statement for docking and undocking charges is attached as **Annex - II**. As per the cost statement, the charges for first docking works out to Rs.43123 per vessel which is approved.

Initially, the VPT had proposed an additional rate for second docking charges at Rs.47000/- for Naval and Coast Guard vessels. Subsequently, the port proposed second docking charges at 50% of 1st docking charges citing that the labour and material required would be less as compared to 1st docking. The quantum of reduction in the cost for second docking service is not justified with any calculation. Tariff for second docking is, however, approved at 50% of the charge approved for first docking charges (i.e. Rs.21562 per vessel). The second docking charges will apply on all vessels availing second docking facility.

The port is advised to formulate a well analysed proposal for second docking with reference to the cost of such services at time of the next tariff revision.

(c). It may be relevant here to mention that in the Scale of Rates of other Major Port Trusts such as Mumbai Port Trust (MBPT) and Kolkata Port Trust (KOPT), charges for the use of dry docks viz., rental charges, docking and undocking charges are prescribed based on the GRT of the vessels and separate tariff are prescribed for foreign-going vessel in dollar terms with concessional tariff prescribed for coastal vessel.

In respect of VPT, the existing rental charges are prescribed on per day per vessel without any linkage to the GRT and the port has proposed the existing unit of levy to continue. The proposed docking/ undocking charges are also not based on the GRT of vessels.

As stated earlier, the dry dock facility was primarily catering to the requirements of the port alone. It is now that the port anticipates the use of the facility by other vessels also. This Authority at this juncture does not like to insist for prescription of rates based on the GRT of vessels.

The port has not proposed separate rates for foreign going and coastal vessels for the said services. Since the port proposes to mainly accommodate naval and coast guard vessels, the rates so derived for the rental and docking / undocking charges may be treated as the rate

applicable for coastal vessels. Though port has not indicated any foreign going vessel, separate rate may be prescribed for a foreign going vessel in an event such vessel calls the port for dry docking facility in future. The rate for foreign going vessel is derived by maintaining the stated level of disparity in the rates between foreign-going and coastal vessel and applying the prevailing exchange rate of 1 US \$ = Rs.46.84. This may not have any significant financial impact as the VPT anticipates mainly the naval and coast guard vessels.

The port is advised to propose suitable rates for dock rental and docking / undocking charges separately for foreign going and coastal vessel with reference to GRT of the vessels at the time of the next general revision of its Scale of Rates, based on the experience gained from such operation.

(d). Dock block preparation charges:

The VPT has proposed rates of Rs.70000/- for flat bottom vessels measuring less than 50 metres and Rs.120000/- for shaped vessels measuring less than 50 metres, which escalate with increase in the size of vessel.

- (i). The cost mainly involves the salary and wages of different class of employees associated with preparation of dock block for a period of 2 days, cost of 2 divers for 2 days and cost of wooden planks and nails.

The VPT has furnished detailed breakup of the salary and wage cost for different class of employees. Wage cost is modified as explained earlier.

- (ii). An argument was advanced about recycling of the materials used for block preparation. Port has categorically maintained that the materials cannot be reused as they suffer damage during the first use itself. The position averred by the port is relied upon.

- (iii). Subject to the above modification, the unit rate for dock block preparation charges works out to Rs.70498 for flat bottom vessel and Rs.123772 for shaped vessels. A copy of the cost statement is attached as **Annex - III**. The rate proposed by VPT at Rs.70,000 and 1,20,000 for flat and shaped vessels for vessels less than 50 metres is , therefore, approved. On the ground that number of blocks to be used will differ depending upon the size of the vessel and shape of the underwater hull of the vessel, incremental rates are proposed for flat bottom and shaped vessels measuring between 50 to 100 metres and that measuring more than 100 metres which is also approved. In this regard, it is noteworthy that the Indian Coast Guard has also found the proposed rate for dock block preparation charges for different length of ships to be reasonable.

(e). Block Shifting Charges:

The port proposes to levy the Block Shifting Charges based on the actuals incurred. When asked to propose a specific rate, the port has stated that block shifting is carried out only in cases where the vessels are required to carry out bottom painting and as such the block shiftings depends on the size and type of the vessel. In view of difficulty expressed by the port in proposing a specific rate for this service, the proposal of VPT to charge the users at actuals is accepted for the time being. The port should, however, attempt to quantify the cost involved for shifting blocks, based on the experience gained from such operation over the last 2 years and propose suitable rates at the time of the impending general revision of tariff for the port.

- (f). Overtime of the staff:
The VPT has claimed that dry dock works only in general shift and the staff strength is maintained accordingly for single shift only. The port has, therefore, proposed to levy overtime charges based at actuals if docking/undocking is carried out beyond normal working hours. This Authority is generally not in favour of prescribing separate overtime charges as the ports are expected to render services round the clock. Moreover, the basic charges are recovered by the port from this tariff item even in the extended hours of working. In view of the above, this Authority is not inclined to approve the proposal of the port for levy of overtime charges at actuals for working beyond the normal working hours. It is relevant to mention that this Authority has earlier in May 2006 also disapproved the proposal of port for levy of overtime charges and in another separate proposal filed by the port for recovery of overtime charges for use of floating cranes.
- (v). The port has estimated additional income to the tune of Rs.33.03 lakhs per annum based on the tariff proposed for rental and dock block preparation charges. The port has not estimated additional income from other new tariff items proposed to be introduced. As per our assessment, the additional income likely to accrue at the tariff hike approved for rental charges and new tariff items will be around Rs.11.18 lakhs per annum based on the 6 number vessels estimated to avail the dry dock facility. In any case this activity will be included while determining the cost position for the port as a whole in its general revision proposal for which the process is already initiated.
- (vi). While furnishing replies to our queries, the VPT has agreed to withdraw the increase in crane hire charges proposed and continue to charge at the rates prescribed in item no. (i) of sub-section 5.5 under Section 5 of the existing Scale of Rates of VPT.
- (vii). The conditionalities for rentals / stayal prescribed in the existing Scale of Rates are maintained. The VPT has not proposed conditionalities governing the new tariff items. Based on the comments furnished by the VPT during the proceedings, a note stipulating the services included in the dock block preparation is incorporated. It is explicitly stated that the charges include all cost including materials for preparation of keel blocks and do not include materials for preparation of bilge blocks.
- (viii). The tariff guidelines stipulate a tariff validity cycle of 3 years. As stated earlier, it may be difficult to ensure that there is no overlapping of cost elements when a proposal is examined in isolation. It may, therefore, be appropriate to review this tariff item along with the review of other tariff items prescribed in its Scale of Rates. That being so, the validity of the tariff approved for dry docking activity is prescribed till the validity of revised Scale of Rates of VPT (to be) approved by this Authority.

9.1. In the result, and for the reasons given above, and based on a collective application of mind, the existing Section 7.6.1 in the Scale of Rates of VPT is replaced with the following:

“ 7.6.1. VISAKHAPATNAM INNER HARBOUR:

7.6.1.1 For use of dry dock at Visakhapatnam inner harbour:

Item	Description	Unit	Foreign going vessel (in US \$)	Coastal Vessel (in Rs.)
1.	From 1 st day to 14 th day	Per day	995.13	27967.00
2.	From 15 th day to 30 th day	-do-	1492.21	41937.00
3.	From 31 st day onwards	-do-	1990.25	55934.00

Notes:

- (1). The above charges include the shipwright and pumping charges but do not include charges for the supply of fresh water, cranes, electric lights and other facilities.
- (2). Time is reckoned from the moment any part of the vessel passes the gate line when entering to the moment the whole vessel is clear of the gate line or leaving the deck.
- (3). Day means a period of 24 hours or part thereof calculated from the time fixed in Note.2.
- (4). The VPT may at its discretion permit the use of the Dry Dock for more than one vessel at the same time. On such occasions, the Dock charges of a vessel, which has completed her repairs earlier than the vessel or vessels, and whose undocking is delayed, due to the non-completion of the repair to the latter, will be levied upto the end of the day on which the work on that vessel is completed. The time between the completion of work on a particular vessel and the final undocking of all the vessels will be treated as 'Dies-non'.
- (5). When the Dock is used simultaneously by two or more crafts belonging to Private parties or to the other Departments of Government or belonging to the Port the total charges may be charged proportionately, the proportion being decided by the VPT on the basis of floor area occupied subject to a limit of not less than half the charges prescribed for each vessel. The decision of the VPT in the apportionment of charges shall be final.

7.6.1.2 Dock Block Preparation Charges:

(in Rs. per vessel)

Length of Vessel	< 50 mtrs	50 - 100 mtrs	> 100 mtrs
Flat Bottom Vessel	70000	87500	105000
Shaped Vessel	120000	160000	200000

Notes:

The dock block preparation charges include all cost involved including materials for preparation of Keel Blocks. The above charges do not include preparation of Bilge Blocks for which the materials are required to be supplied by the vessel owner.

7.6.1.3 Composite Docking and Undocking Charges:

- (i). The Composite Docking and Undocking Charges will be levied at US\$ 2117.95 per foreign going vessel and Rs.59523/- per coastal vessel.
- (ii). Incase of 2nd Docking, a rate of US\$ 767.22 per foreign going vessel and Rs.21562/- per coastal vessel will be levied.

7.6.1.4 Block Shifting Charges:

Block Shifting Charges will be levied on actuals. ”

9.2. The amendment to the Scale of Rates of VPT will take effect after expiry of 30 days from the date of notification of this Order in the Gazette of India.

(Rani Jadhav)
Chairperson

Annex - I

COST SHEET FOR FIXATION OF DOCK RENTAL CHARGES

Particulars	(Amt. in Rs.)	
	As given by VPT	As moderated by us
Capital Cost	65000000	10694055
Life of Asset (in years)	75	15
No. of working days per annum	310	256
<u>Fixed Cost:</u>		
- Return on investment (16% of original cost of asset)	10400000	1711049
- Depreciation	866667	1057000
	A)	
	11266667	2768049
<u>Variable Cost:</u>		
- Repairs & Renewals (3.33% on original capital cost)	2164500	1366719
- Salaries (Incl. Increased salary @ 23% on account of pending wage revision)	1357958	1336230
- Management & General Admin Overheads (20.54% of salaries cost)	278925	274462
- Oils, Lubricants and Other Consumables	732230	732230
- Power	422960	422960
- Workshop, Stores and General Overheads (10.27% of repairs, oils & power)	322674	259000
	B)	
	5279247	4391600
Total Cost per annum (A + B)	16545913	7159649
Total Cost per day	53374	27967
Say	53350	27967

Annex - II

COMPOSITE CHARGES FOR DOCKING & UNDOCKING

Particulars	(Amt. in Rs.)	
	As given by VPT	As moderated by us
Docking Labour Salaries including Bonus, LSC and PC	15345.77	15345.77
Add: Increase in salary on account of 23% pending wage revision	3836.44	3529.53
Say	19182.21 19200	18875.30 18875
Undocking Labour Salaries including Bonus, LSC and PC	7377.43	7377.43
Add: Increase in salary on account of 23% pending wage revision	1844.36	1696.81
Say	9221.79 9200	9074.24 9074
Dock Cleaning Labour Salaries including Bonus, LSC and PC	5955.75	5955.75
Add: Increase in salary on account of 23% pending wage revision	1488.94	1369.82
Say	7444.69 7400	7325.57 7326
<u>Dewatering charges</u>		
Pumping charges (2 pumps * 15 hours per pump * 90 units * Rs.6.20 per unit)	16902	16902
Surcharge @ 25%	4226	0
Meter charges	20	20
Say	21148 21150	16922 16922

Composite Charges (As given by VPT)			
	Docking	Undocking	Total
Labour	19200	9200	28400
Dock cleaning charegs	7400	7400	14800
Dewatering charges	21150	0	21150
Say	47750	16600	64350 64000

Composite Charges (As moderated by us)			
	Docking	Undocking	Total
Labour	18875	9074	27950
Dock cleaning charegs	7326	7326	14651
Dewatering charges	16922	0	16922
Say	43123	16400	59523 59523

Annex - III

DOCK BLOCK PREPARATION CHARGES (FLAT BOTTOM VESSELS)

Particulars	(Amt. in Rs.)	
	As given by VPT	As moderated by us
Total Salary including Bonus, LSC and PC (for 2 days)	31909.18	31909.18
Add: Increase in salary @ 23% on account of pending wage revision	7977.30	7339.11
	39886.48	39248.29
Add:		
Cost of 2 divers for 2 days (Rs.1000 per call * 2 divers * 2 days)	4000.00	4000.00
Cost of Wooden planks and nails	27250.00	27250.00
Total cost for dry dock preparation	71136.48	70498.29
Say	70000.00	70000.00

DOCK BLOCK PREPARATION CHARGES (SHAPED VESSELS)

Particulars	(Amt. in Rs.)	
	As given by VPT	As moderated by us
Total Salary including Bonus, LSC and PC (for 2 days)	54692.43	54692.43
Add: Increase in salary @ 23% on account of pending wage revision	13673.11	12579.26
	68365.54	67271.69
Add:		
Cost of 2 divers for 1 day (Rs.1000 per call * 2 divers * 1 day)	2000.00	2000.00
Cost of Wooden planks and nails	54500.00	54500.00
Total cost for dry dock preparation	124865.54	123771.69
Say	120000.00	120000.00

SUMMARY

(Amt. in Rs.)

Length of Vessel	< 50 mtrs	50 - 100 mtrs	> 100 mtrs
<i>Flat Bottom Vessel</i>	70000	87500	105000
<i>Shaped Vessel</i>	120000	160000	200000

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

F. No.TAMP/4/2009-VPT - Proposal from the Visakhapatnam Port Trust for Dry docking charges at the Dry dock owned by the port.

A summary of comments received from the users / user organisations and comments of Visakhapatnam Port Trust (VPT) thereon are given below:

Sl. No.	Comments of users / user organisations	Comments of VPT
1.	Indian Coast Guard Overseeing Team (V)	
(i).	Dock block preparation charges for different length of ships considered are reasonable. However the charges should include supply of all the material required for preparation of dry-dock blocks.	For dock block preparation during dry docking of the vessels, wood is required for keel blocks/wood wedges as well as bilge blocks. The charges for dock block preparation are inclusive of material cost and labour cost for preparation of keel blocks/wood wedges only. It does not include bilge blocks, since the material required for bilge blocks differs from vessel to vessel and hence vessel owner / contract firm has to supply the wood at their cost.
(ii).	The proposed rental charges of Rs.53,350/- from 1 st day to 14 th day, Rs.80,000/- from 15 th day to 30 th day and Rs.1,06,700/- from 31 st day onwards are exorbitant. Dry-dock rental charges may be limited to two slabs instead of three as suggested by VPT. The initial slab i.e. 1 st to 14 th day @ Rs.53,350/- and the second slab may be charged Rs.80,000/- from 15 th onwards.	Dry-Dock rental charges are proposed for 3 spells to discourage prolonged usage of dry dock by a single user. It was experienced that the vessel management had come up with additional work, after docking the private vessel, which led to delay for docking and repair schedules of port craft. Hence, it is proposed to keep 3 slabs and for genuine planned shipper the 3 rd slab would not effect.
(iii).	Critical services such as continuous fire man at 5 kg/cm ² pressure, electric power supply, provision of emergency D/A power supply, compressed air supply, refit office, toilet/bathroom facilities are provided by dry-dock authority as a standard practice. Hence all these facilities may be catered by the port religiously for safety/habitability and speedy completion of ships jobs.	At present, port is providing the following amenities at ORS dry dock: (a). Fire main, Electric power supply on chargeable basis. (b). Toilet/Bathroom facilities already exists. Due to shortage of staff, the port is not in a position to extend the compressed air supply services to commercial vessels / private vessels and there is no provision in VPT for emergency D/A power supply.
2.	Vizag Ship Repairer's Association (VSRA)	
(i).	The existing charges as on date are not too low. The revision and thereby hike may be calculated on the tariff fixed during the year 2001 and not as per on the cost calculation for ORS dry dock rental charges furnished by VPT. As per the cost sheet, we assume the estimate has been worked out during peak inflation period and the estimation need to be reviewed and the hike may be restricted to maximum of 20% on the existing tariff.	The existing Scale of Rates of VPT expired on 31 March 2009 and the new tariff to be implemented w.e.f. 1 April 2009.
(ii).	(a). There are no dock block preparation charges in the existing Scale of Rates. The tariff for the dry dock is normally fixed for a	(a). Number of blocks to be used will differ depending upon the size of the vessel and shape of the underwater hull of the vessel.

	<p>single party and hence option to be given to them for docking either one or two vessels which can fit into the dock. However, the dock block preparation charges proposed is very much on the higher side and need to be reviewed and reduced according to the manpower and material required. The pending wage revision calculated in the estimate maybe waived off.</p>	<p>So the dock block preparation for shaped vessels involve more quantum of work with more days in preparation. Hence, the different charges are proposed based on the cost of materials and time taken in this preparation. The request for waiving of the wage revision implication is also not reasonable as the salaries and wages payable to staff has direct impact on the variable expenditure of the activity.</p>
	<p>(b). A vessel having length of 102 Meter has been docked in the recent past. For the said vessel 30 metallic stands were fabricated and wooden planks for the required blocks were supplied by the party as it was not available at dry dock. The total cost of wood was Rs.30,000/- and the same is projected by VPT in Annex-4. It has stated that the said cost is on the higher side.</p>	<p>(b). The cost of Rs.30000/- stated to have been incurred for wood supplied by the firm is for preparation of Bilge blocks and not for keel blocks. As already explained, the bilge blocks differ from vessel to vessel, the owner of the vessel has to supply the material for bilge blocks as the same were not considered in the charges proposed for Dock Block preparation.</p>
(iii).	<p>(a). The dock block preparation for the vessels having flat bottoms may be brought under one category and a fixed charge may be prescribed irrespective of the size of the vessel. The same may be followed for the shaped vessel too. The material such as cement blocks or wood can be recycled and the investment for the material shall not be booked in every dock block preparation charges.</p> <p>(b). The dock block preparation charges may be fixed between Rs.50,000/- and Rs.70,000/- irrespective of type and length of the vessel.</p>	<p>Most of the wood lose its shape or get crushed, hence the same cannot be recycled/ reused and hence not considered in cost statements. In view of the above, the dock block preparation charge proposed is reasonable.</p>
(iv).	<p>In the past as there was no specific charges for dock block preparation, all materials were being provided by the owners of the vessel. By imposing this dock block preparation charges, Visakhapatnam Port Trust shall be committed to provide everything that is required for the docking of any type of vessel.</p>	<p>The dock block preparation charges were fixed duly considering all cost involved including materials for preparation of Keel Blocks and VPT is committed to provide the same. However, the above charges do not include preparation of Bilge Blocks for which the materials required are to be supplied by the vessel owner if required.</p>
(v).	<p>Docking charges of the vessel should be part of the 1st day of dock hire or otherwise there should be no charges on the 1st day, as no other job can be attended on the day of docking. Similarly, for undocking no charges may be claimed separately as owners pay for the charges for the dry dock on the undocking day too.</p>	<p>The time for calculating docking charges is reckoned from the moment vessel enters Dry dock till the vessel clears out of the Dry dock. Day means a period of 24 hours or part thereof calculated from the time fixed as stated above. The Dry dock hire charges are based on the time period of occupancy, as the Dry dock could not be used for any other purpose after its occupancy by a vessel, the request for no charges for Docking and Undocking charges is not reasonable. The composite rate of Rs.64,000/- for docking and undocking of a vessel is meant for costs involved in the Docking / undocking operations.</p>
(vi).	<p>Crane charges need to be reviewed at a competitive rate. The crane available at ORS can handle a maximum of 10 tonne capacity whereas a crane having 16 tonne capacity is available @ Rs.450/hr subject to a minimum of 2 hour rental.</p>	<p>No revision is proposed in the charge for utilizing the crane. It is as per the rate prescribed in the existing Scale of Rates.</p>

(vii).	<p>Block shifting, overtime to the staff as on date are being charged with additional charges as Management, Administration charges etc., as detailed hereunder:</p> <p>(a). Overheads on Labour Charges @ 150% on Labour</p> <p>(b). Incidental Charges @ 23% on Labour + Overheads on Labour</p> <p>(c). Departmental Charges @ 20% on all the above.</p> <p>The same need to be cancelled as new proposal for each service relating to Dry-dock operations are cost based.</p>	<p>Block shifting, if any, will be charged at actuals. Overtime will be booked after normal working hours at the request of the vessel owner and will be charged. There will be no other overhead charges over these rates.</p>
(viii).	<p>The second version of docking charges may be restricted to flooding and de-flooding charges according to the pumping hours only. For the second version block arrangements, the wages to the staff, block shifting charges etc., are covered under page 3 and 4 of the VPT proposal.</p>	<p>The second version of docking also involves costs which cannot be ignored. However, the same may be charged @ 50% of the charges for 1st version of docking as labour and material required would be less compared to the 1st version of docking.</p>

2. A joint hearing in this case was held on 22 October 2009 at the VPT premises. At the joint hearing, VPT and the concerned users / organisation bodies have made the following submissions:

Visakhapatnam Port Trust

- (i). We have some surplus capacity in our dry docks after our use. We have, therefore, started allowing mainly Navy and Coast guard vessels to use our dry dock. This costs us. Hence the proposal.
- (ii). The existing charges were not fixed bearing in mind regular use of dry docks by outsiders on commercial terms. These charges do not cover our cost.
- (iii). We have modified our proposal by revising down crane hire charges to Rs.414 / per hour as per the existing Scale of Rates.
- (iv). The proposed rates are far less than the charges levied by Hindustan Shipyard for providing similar facility to commercial vessels.

Everson

- (i). The proposed rates are very high.
