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Tariff Authority for Major Ports

GNo. 64

New Delhi,

15 April 2009

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 Vizag Seaport Private Limited for revision of its Scale of Rates for its terminal at the Visakhapatnam Port Trust as in the Order appended hereto.

(Arvind Kumar)
Member

Tariff Authority for Major Ports
Case No. TAMP/9/2007-VSPL

Vizag Seaport Private Limited

- - -

Applicant

ORDER

(Passed on this 27th day of March 2009)

This case relates to the proposal received from Vizag Seaport Private Limited (VSPL) for revision of its Scale of Rates for its terminal at the Visakhapatnam Port Trust (VPT).

2.1. The Scale of Rates of the Vizag Seaport Limited (VSL) was initially fixed by this Authority vide Order dated 15 March 2005 notified in the Gazette of India on 31 March 2005.

2.2. The cost statement after necessary modification reflected a total deficit of Rs.18.26 crores for the years 2004-05 to 2006-07 at the proposed level of tariff. In percentage terms it worked out on an average of 58% of the operating income for the years 2004-05 to 2006-07. When the abnormal deficit of the first year was excluded, the overall cost position reflected an average deficit of 4% at the tariff level proposed by the operator. In view of that, this Authority approved the Scale of Rates as proposed by the operator.

2.3. The validity of Scale of Rates (SOR) was initially for two years period from the date of implementation of the Order in the Gazette of India i.e. till 15 April 2007, which was extended by this Authority a couple of times. This Authority vide its Order dated 17 December 2008, has extended the validity period of the existing Scale of Rates till 31 March 2009 or till finalisation of its proposal whichever is earlier.

3.1. The initial proposal filed by VSPL dated 1 February 2007 was taken up for usual consultation process with VPT and the concerned users. No comments are received from any users / user associations on the initial proposal filed by the VSPL. A joint hearing was held on 12 June 2007. At the joint hearing, the VSPL requested to defer its earlier proposal as it was in the process of revising the tariff revision proposal.

3.2. The VSPL accordingly filed the revised tariff proposal on 30 June 2007. The highlights of the proposal and the submissions made by the VSPL are given below:

- (i). The License Agreement period of 30 years commences from 28 November 2001, and the Terminal commenced its commercial operations on 24 July 2004.
- (ii). The current Scale of Rates proposed and revenue estimated does not enable the company to reach even the break-even-point at the end of 10th year of the License Period.
- (iii). One of the constraints that VSPL faces is limited space and consequential throughput of only 5 to 6 MTPA.
- (iv). **Traffic:**
 - (a). The berth EQ-8 became operational in July 2004 and berth EQ-9 in September 2005.
 - (b). The installation of Bulk Material Handling System (BMHS) on berth no.EQ-8 was carried out for 2 years. Consequently, it has resulted in lower utilisation of cargo handling at berth no.EQ-8. As a result, the total

actual cargo handled by VSPL is lower vis-à-vis the projections made in the initial tariff fixation proposal.

(in Million Metric Tonnes)

Years	Cargo (as considered in TAMP Order of 15 March 2005)	Actual Cargo handled
2004-05	1.06 (For 8 months)	0.83 (For 9 months)
2005-06	4.20	1.59
2006-07	5.24	2.37

- (c). Bulk Material Handling System (BMHS) commissioned in January 2007. The BMHS consists of harbour mobile cranes, mobile hoppers connected conveyors, stacker-cum-reclaimers, wagon loader with associated system like sampling system, dust suppression system, in-motion weighing systems etc.

The BMHS shall facilitate provision of Integrated Terminal Services (ITS) for handling bulk cargo right from the receipt of cargo from the vessel to dispatch of the cargo through rail / road loading operations.

- (d). The berth no.EQ-8 and the connected integrated BMHS shall be utilised exclusively for providing Integrated Terminal Services (ITS) for Coal/Coke.

The berth no.EQ-9 shall be utilised for handling bulk/non-bulk/general cargo in conventional manner.

- (e). Both the berths EQ-8 and EQ-9 are designed and constructed for handling Panamax vessels with draft up 14 metres. To enable handling of these vessels, deepening of the entrance channel, along-side the berth and other adjoining areas is under progress and is scheduled for completion by March 2007.

- (f). The above facilities is expected to substantially improve the volume of cargo from 2.37 MMT in the year 2006-07 to 4.80 MMT in the year 2007-08. The traffic for subsequent years is estimated to increase by 5% over the traffic projections of the relevant previous years.

- (g). Accordingly, the volume of cargo estimated for the years 2007-08 to 2009-10 is tabulated below:

(in MMT)

Years	Cargo estimated
2007-08	4.80
2008-09	5.04
2009-10	5.29

- (v). The net block of fixed assets as on 31 March 2007 considered in the cost statement is Rs.27092.35 lakhs (Rs.27098.55 lakhs reported in the Annual Accounts). The VSPL has proposed an addition of Rs.5501.94 lakhs to the gross block of assets consisting of 500 lakhs in plant and machinery, Rs.1 lakh in furniture and fixture, Rs.4994.94 lakhs on dredging and Rs.6 lakhs on computers and office equipment. Accordingly, the net block of fixed assets estimated by VSPL in the cost statement as on 31 March 2008 is Rs.31336.21 lakhs.

It has not proposed any additions to the gross block during the years 2008-09 and 2009-10.

- (vi). The capacity of the terminal is assessed at 4.5 Metric Million Tonnes (MMT) per annum for the year 2005-06, 5.4 MMT in 2006-07 which is expected to increase to 6.7 MMT p.a. from the year 2007-08 onwards with the proposed additions to the asset block.

(vii). **Expenditure:**

- (a). Operating and direct labour and maintenance labour is estimated on the basis of agreement entered with the contractors for the services outsourced.
- (b). The VSPL has claimed full revenue share (i.e. 17.111% of revenue from wharfage and berth hire) payable by it to the VPT as cost.
- (c). The overall cost position at the existing tariff as per the cost statement filed by the operator on 30 June 2007 reflected an average deficit of 90% of the operating income i.e. Rs.142 crores for the years 2007-08 to 2009-10.

(viii). **Proposal:**

- (a). A new tariff for services rendered under Bulk Material Handling System (BMHS) is proposed to be introduced as given below:

Item No.	Description	Charge per ton (in Rs.)
1.	Discharge of cargo with 104 MT Harbour Mobile Cranes	64.00
2.	1200 TPH Mobile Hoppers – 2 Nos. with belt feeders and telescopic spout for truck loading.	13.00
3.	Conveyor and stackers – 2 Nos. for stacking @ 1600 TPH	57.00
4.	Reclaiming and wagon loading @ 1050 TPH	38.00
5.	Inmotion Electronic weighment	5.00
6.	Sampling system	2.00
7.	Other services – leveling, labeling and photographing	10.00
	Total:	189.00

A composite rate of Rs.180 per tonne is proposed in case integrated terminal services covering all the items mentioned in this schedule are availed by a user.

- (b). Berth hire proposed in two tiers for vessels upto 30000 GRT and for vessels above 30000 GRT as against existing single slab. The proposed berth hire is 42% more for the vessels above 30000 GRT and no increase is proposed for vessels upto 30000 GRT.
- (c). Wharfage rate on most of the commodities is proposed to be reduced in the range 3 % to 26%.
- (d). Stevedoring charges is proposed to be increased by 8.7% in respect of pet coke, calcined pet coke, lime stone, 15% in coking coal, 66% in handling iron ore, 33% in granite and 11% in the case of feldspar. No increase in stevedoring charges is proposed for handling fertiliser, thermal/steam coal, illuminated sand, food grains, slag, scrap, raw sugar and other cargo not listed in the schedule.
- (e). New wharfage rate and stevedoring charge is proposed for crude oil, petroleum products (Except LPG) and RBD palm oil, or any other liquid cargo including raw material for bio-diesel. New Stevedoring rate is also proposed for gypsum and cement clinker which do not exist in the prevailing SOR.

- (f). The unit of levy of storage charge is proposed to be changed from the existing area basis to tonnage basis. Storage charge is proposed at Rs.6 per metric tonne for first fortnight and Rs.9 per metric tonne from second fortnight onwards as against existing rate of Rs.138 per week per 100 square meters. The VSPL has estimated additional income of Rs.2.19 crores for the years 2008-09 and 2009-10 due to proposed change in this tariff item.
- (g). Dust suppression charge is proposed for dry bulk and break bulk separately at Rs.1.50 per tonne and Re.0.50 per tonne respectively as against existing rate of Rs.1.41 per tonne on all bulk cargo.
- (h). It has proposed to introduce a new tariff for weighment charges for 80 tonne and 120 tonne electronic weigh bridge at Rs.3/- per tonne and Rs.5/- per tonne respectively.

4.1. In accordance with the consultative procedure prescribed, the revised proposal filed by the VSPL was circulated to the VPT and the concerned users / user associations to furnish their comments. The comments received from the VPT and the users / user associations were forwarded to the VSPL as feedback information / comments. The VSPL has furnished its comments on the comments of the VPT and the users/user associations.

4.2. The Visakhapatnam Customs Clearing Agents Association, Visakhapatnam Steamship Agents Association and Visakhapatnam Stevedores Association filed a joint representation during the joint hearing held on 1 June 2007 on the initial proposal of the VSPL.

5.1. The VPT has requested to club crane hire charge provided by VSPL with berth hire charge. The submissions made by the VPT were forwarded to VSPL seeking their comments. A summary of the comments of the VPT and comments of the VSPL thereon are given below:

Sr. No.	Comments of the VPT	Comments of VSPL
(i).	<p>As per the License Agreement, the VSL has to pay revenue share of 17.111% of the gross revenue earned from the project to the VPT. Gross revenue is aggregate of berth hire and wharfage charges. Consequent to the fixing of the separate charges for berth hire and harbour cranes, it is being deprived of getting revenue share on the cranage charges.</p> <p>Clause 6.5.2. of the revised tariff guidelines stipulates that composite berth hire charge include charges for use of wharf cranes (other than special purpose cranes / handling systems). The two BOT berths constructed by VSPL are equipped with harbour mobile crane, which are nothing, but wharf cranes. They perform similar functions as that of wharf cranes. Hence, HMC cannot be treated as special purpose crane or handling system. It has, therefore, requested to club the cranage charges with berth hire charges or in alternatively direct the VSPL to pay revenue share on cranage component also.</p>	<p>(a). The claim of the VPT is neither in the spirit of the License Agreement dated 28 November 2001 between VPT and VSL nor in compliance with the tariff guidelines of 2005.</p> <p>(b). It is submitted that cranage is clubbed with berth hire only for some of the berths in the VPT. The trade, which is so far making payment for cranage component only when they avail the crane facility may have to pay for cranage component irrespective of whether they avail this facility or not.</p> <p>(c). In the mechanical cargo handling operations contemplated in its terminal, it has proposed tyre mounted Harbour Mobile Cranes as integral part of bulk material handling system as against traditional rail mounted grab unloaders. The HMCs are special purpose cranes. These cranes are, therefore, not comparable to the conventional wharf cranes installed at traditional General Cargo berths. As such charges for these cranes should not form part of berth hire.</p>

(ii).	<p>Berth numbers EQ1 and EQ7 of the VPT are the crane berths of the port. Once agent/trade operates at any of these berths, he has no option but to pay berth hire charges applicable to crane berths accordingly. By the same analogy, since VSPL berths EQ-8 and EQ-9 are equipped with wharf cranes, composite berth hire charges inclusive of crane charges must be notified so that there is parity between crane berths of VPT and VSPL and no undue advantage is given to VSPL. If VSPL desires to give option of non-crane berth to trade then, they should not provide wharf cranes on one of their berths.</p>	<p>The VPT has 15 berths in its Inner Harbour. The trade/user has option to avail the berth with or without crange facility and pay the appropriate berth hire i.e. inclusive of crange or exclusive of crange as per the existing Scale of Rates of VPT. However, in view of limited berths at its terminal and in order to provide similar facility to the trade/user, components of berth hire and crange are separately prescribed/ proposed in the Scale of Rates of the VSPL.</p>
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5.2. With reference to this issue, this Authority had also sought clarifications from VPT on a few points. The VPT has furnished its response. A summary of our queries and clarification furnished by VPT in this regard are given below:

Sr. No.	Clarification sought from VPT	Comments of the VPT
(i).	<p>The users have an option to utilise the service of harbour mobile crane or deploy ship's gear. The VPT may explain the reasons why it feels that the harbour mobile cranes cannot be taken to be 'special purpose cranes' mentioned in clause 6.5.2. of the revised tariff guidelines.</p>	<p>(a). The berths EQ-8 and EQ-9 constructed by the VSPL on BOT basis are multi purpose berths for handling general bulk cargo. Thus, considering separate charges for the cranes provided at these berths is not in line with the tariff guidelines.</p> <p>(b). As per License Agreement, VSL has to procure 2 numbers of grab tyre unloaders and one ship loader besides providing other equipment. The VSL in its operational plan had indicated that it would handle cargo by fully mechanised means and through integrated cargo handling system. The LA envisages construction of berths including installation of equipment. Thus while finalising the LA, it had considered that the berth hire charges will include the charges for equipment proposed to be installed alongside the wharves as per the practice and applicable tariff system in vogue.</p> <p>Contrary to the practice and tariff system in vogue, TAMP has allowed VSPL separate charges for the said equipment provided instead of in-built berth hire charges and thereby VPT is deprived of realisation of its share of royalty on the same as originally contemplated during the BOT agreement process. Hence, the berth hire charges are to include charges for the use of equipment also.</p> <p>(c). The VSPL has procured and installed 2 HMCs, which are nothing but ship un-loader/loader as envisaged in the LA. They perform similar functions as that of wharf cranes. Hence, the HMC cannot be treated</p>

		as special purpose crane or handling system. However, if TAMP desires to continue with separate charges for HMC, then VPT may be allowed to have revenue share on harbour crane charges also.
(ii).	The other container terminal operating in Visakhapatnam Port itself (i.e. Visakha Container Terminal Private Limited), levies the charges for handling containers by quay crane. The crane charges are not clubbed with berth hire charges not only because berth hire are container charges are levied by separate agencies but also due to treating such cranes as special purpose crane.	The container terminal in VPT is meant for handling container and not for general cargo. The gantry crane provided at the container terminal cannot be compared with the cranes provided at multi purpose berths of VSPL. In respect of VCTPL, the royalty is payable on per TEU basis. The berth belongs to VPT and port directly collects berth hire charges.

6.1. Based on a preliminary scrutiny of the proposal, the VSPL was requested to furnish additional information / clarifications. The VSPL was also requested to furnish additional information / clarification on the revised proposal. The VSPL has furnished its reply alongwith revised cost statement. A summary of the queries raised by us and the information / clarifications furnished by the VSPL are tabulated here below:

Sl. No.	Queries raised by us	Reply received from VSPL
1.	The initial tariff proposal was filed in name of Vizag Seaport Limited whereas the instant proposal is filed in the name of Vizag Seaport Private Limited (VSPL). Please furnish copies of certificate of change of name of the company and the amendments carried out to the License Agreement.	It has furnished a copy of Certificate of change dated 24 March 2004 in name of the Company issued by the Registrar of Companies, Hyderabad, Andhra Pradesh.
2.	Furnish a reconciliation statement for the years 2004-05, 2005-06 and 2006-07 reconciling the net surplus / deficit reflected in the consolidated cost statements with the respective Annual Accounts.	As requested by TAMP, a reconciliation statement for the year 2004-05, 2005-06 and 2006-07 is furnished.
3.	Traffic	
	(i). Explain the basis of estimating the traffic of individual cargo items. Justify the traffic growth of 5% estimated for the subsequent two years 2008-09 and 2009-10 with reference to the general growth anticipated in traffic by other major ports/private terminals.	(a). The last five years growth in cargo throughput in Visakhapatnam Port has been 5%. The increase in throughput is mainly on account of bulk cargo especially coal. It has in its business plan laid emphasis on developing a dedicated coking coal terminal. In this direction, it has invested heavily on Bulk Material Handling System (BMHS) that can handle cargo of bulk density of 0.8. (b). It has also invested heavily on on-going dredging program to increase the draft of Visakhapatnam Port's navigable waterways to facilitate berthing of deep drafted Vessels (upto an arrival draft of 13 meters). (c). With VSPL having Panamax compatibility from March 2007, the coking coal being main commodity carried by Panamax Vessels would naturally be the chosen destination for importers.

		<p>(d). Due to the above reasons, it has estimated that the cargo throughput would be mainly coking coal and its effort would be supplementing the VPT facilities.</p> <p>(e). As explained above, 5% traffic growth is considered for the year 2008-09 and 2009-10.</p>																														
	(ii). Explain the reasons for variation in the growth projected in cargo traffic vis-à-vis the vessel traffic.	With the completion of deepening undertaken in phase I by VPT and Phase II by VSPL, the size of the vessel calling at the port would obviously increase resulting in no appreciable change in the number of vessels despite increased throughput. This aspect is also taken in to consideration while assessing the number of vessels expected to call at the terminal.																														
4.	Capacity																															
	(i). The capacity of the terminal was assessed at 6.0 Million Metric Tonne (MMT) for the year 2005-06 in the initial tariff fixation. Explain the reasons for considering the capacity of the terminal at 4.50 MMT per annum for the year 2005-06 in the instant tariff revision proposal.	The capacity of the terminal was assessed as 6.0 MMT for the year 2005-06 in the initial tariff fixation, presuming that EQ-8 & EQ-9 would be ready by that time. But, since EQ-9 became operational from September 2005 only, the capacity of the terminal has been reassessed as 4.5 MMT (2.70 MMT for EQ-8 Berth for full year and 1.80 MMT for EQ-9 for half year)																														
	(ii). (a). Furnish detailed computation of capacity estimation for the years 2005-06 to 2009-10 taking into consideration the capital investment proposed to be made during these years particularly the BMHS and productivity improvements expected to be achieved.	<p>(a). It has furnished the capacity of its terminal as below:</p> <p>(1). Berth Capacity (as per Conventional method):</p> <table border="1"> <tr> <td>Average discharge rate</td> <td>12000 MT</td> </tr> <tr> <td>No. of days (as per norms)</td> <td>330 days</td> </tr> <tr> <td>Berth occupancy rate</td> <td>70%</td> </tr> <tr> <td>No. of days berth occupied</td> <td>231 days</td> </tr> <tr> <td>Capacity (12000 * 231 days) say</td> <td>2.70 MMT</td> </tr> </table> <p>(2). BMH System capacity is arrived as below:</p> <table border="1"> <tr> <td>1 Rake = 58 * 58</td> <td>3364 MT</td> </tr> <tr> <td>Designed capacity of wagon loading</td> <td>1050 PH</td> </tr> <tr> <td>Efficiency Factor</td> <td>75%</td> </tr> <tr> <td>Capacity of wagon loading (say)</td> <td>780 TPH</td> </tr> <tr> <td>Total No. of Hours taken (3364/780)</td> <td>4.31 Hours</td> </tr> <tr> <td>Time taken for placing, trimming & withdrawal</td> <td>1.69 Hours</td> </tr> <tr> <td>Total No. of hours considered</td> <td>6 Hours</td> </tr> <tr> <td>No. of rakes per day (24/6)</td> <td>4 rakes</td> </tr> <tr> <td>No. of operating days</td> <td>330 days</td> </tr> <tr> <td>Total capacity (330 * 4 * 3364) say</td> <td>4.0 MMT</td> </tr> </table> <p>Based on the above, the year-wise capacity is updated in the revised cost statements at 4.5 MMT in the year 2005-06 (i.e. EQ8 - 2.70 MMT + EQ9 - 1.80 MMT), 5.4 MMT in 2006-07 (i.e. EQ8 - 2.7 MMT + EQ9 - 2.70 MMT) and 6.40 MMT in 2007-08 onwards i.e. (EQ8 - 4 MMT + EQ9 - 2.70 MMT).</p>	Average discharge rate	12000 MT	No. of days (as per norms)	330 days	Berth occupancy rate	70%	No. of days berth occupied	231 days	Capacity (12000 * 231 days) say	2.70 MMT	1 Rake = 58 * 58	3364 MT	Designed capacity of wagon loading	1050 PH	Efficiency Factor	75%	Capacity of wagon loading (say)	780 TPH	Total No. of Hours taken (3364/780)	4.31 Hours	Time taken for placing, trimming & withdrawal	1.69 Hours	Total No. of hours considered	6 Hours	No. of rakes per day (24/6)	4 rakes	No. of operating days	330 days	Total capacity (330 * 4 * 3364) say	4.0 MMT
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	(b). For the purpose of arriving at the capacity of the terminal, berth occupancy @ 70%/75% is considered. Apart from this the number of operating	(b). Berth is not available for operation during quay side maintenance, maintenance dredging and down time on account of weather etc. Such period is, therefore, excluded for arriving at berth occupancy.																														

	<p>days is scaled down from 365 days to 331 days. The VSPL is, therefore, requested to inform whether the berth occupancy rate does not factor the non-operating days of the terminal.</p>	<p>Higher berth occupancy of 70% percent is reckoned even though it is having only two berths. The system efficiency of BMHS coupled to the berth is considered at 75%.</p>
<p>5.</p>	<p>Income estimation</p>	
	<p>(i). Average per tonne wharfage and handling charge realised based on the actual income furnished for the years 2005-06 and 2006-07 in Form 2B is found to significantly vary with the average per tonne handling and wharfage realisation estimated for each of the cargo items for the years 2007-08 to 2009-10. For example - the average wharfage and handling rate of iron ore is Rs.50.27 PMT in the year 2005-06 and Rs.54.70 PMT in 2006-07 whereas the estimates for future shows an average rate of Rs.81/- PMT, for 'other cargo' the average wharfage and handling rate is at the level of Rs.194.35 PMT in the year 2005-06 and Rs.268.32 PMT in 2006-07 whereas the estimates for future is based on average per tonne rate of Rs.99.51. Similar variations are observed for other cargo items as well. The reasons for such variations may please be explained.</p>	<p>(a). The SOR are ceiling rates. However, it can charge rates that the market or the trade can accept considering the fact that similar operations are performed by stevedores in VPT, which has many times larger infrastructure and financial muscle compared to VSPL. Therefore, in order to survive and utilise the assets already created in terms of the License Agreement (LA), it has charged wharfage at a discount equivalent to VPT SOR. Similarly, the harbour mobile cranes and stevedoring charges are charged at discounted rates.</p> <p>(b). The variation in income in respect of 'other cargo' is attributable to inclusion of demurrage charges on cargoes in transit area in this head of classification and the same has since been corrected.</p> <p>(c). It has provided cargo handling and dedicated storage facility to Reliance Industries for deploying specialised equipment for servicing offshore service vessels. The cargo storage area earmarked for Reliance Industries Limited is 2500 square meters on a short term basis. The storage capacity of this area is 22500 tons. Period beyond the free time is categorized under demurrage for equivalent quantity at the rate of Rs.24 per ton per day as per the SOR. This has been accepted by the customer and the income has been accordingly reflected under the head of demurrage.</p>
	<p>(ii). (a). The Scale of Rates last approved by this Authority in March 2005 do not prescribe any separate wharfage rate for handling gypsum. Though the detailed income estimation furnished by the VSPL reveal that this cargo is classified with limestone, the wharfage income for this cargo is estimated at Rs.40 per tonne as against Rs.30 per tonne prescribed for limestone. Indicate under which category, gypsum is classified for the purpose of levy of wharfage and handling charge. Also, clarify whether VSPL handled this cargo in the past three years and if so, what tariff arrangement is applied for handling this cargo.</p>	<p>Gypsum is treated and classified under unenumerated goods as was agreed to by the customers, since separate approved rate does not exist for this cargo in its existing Scale of Rates of VSPL or that of VPT. The rate of Rs.40/- per tonne for unenumerated goods as per VPT SOR was adopted and accepted by the customer. The same rate is proposed to be followed in the coming years also for this item.</p>
	<p>(b). In case gypsum is expected to be handled in significant quantity at its terminal, the VSPL may propose separate wharfage rate based on the cost of handling the cargo instead of classifying it under unenumerated</p>	<p>Based on user requirement it expects to handle gypsum for some more time. It is, however, not feasible at this stage to work a unit rate as adequate experience is not yet gained. It is therefore, proposed to charge this commodity and other similar unenumerated commodities as in the past. The</p>

<p>goods. Also, update the income estimation at the proposed rates to that extent.</p>	<p>income estimations are made taking in to consideration existing rate levied by VSPL/the proposed rate of Rs.40/-per metric tonne only.</p>																																																															
<p>(iii). With reference to estimation of income from berth hire charges, the following points may be clarified:</p> <p>(a). During the initial tariff fixation, the berth hire income was estimated for each categories of cargo vessels based on their respective average discharge rate of a particular cargo vessel. As against this, in the instant proposal a uniform average discharge rate of 12000 MT per day is considered for all bulk cargo vessels and 6000 MT per day for other break bulk cargo vessels. Please indicate the average discharge rate of each major cargo vessels handled in the last two years 2005-06 and 2006-07 and the expected average discharge rate for the next three years taking into consideration the commissioning of bulk material handling system. The income estimation from berth hire may be modified to reckon with the average discharge rate of individual category of cargo vessels instead of a general average discharge rate of 12000 per MT per day.</p> <p>(b). Based on such average discharge rate of Rs.12000 MT per day and considering the average GRT size of a vessel, the VSPL has estimated the berth hire income at Rs.3 PMT. The actual berth hire income earned during the years 2005-06 and 2006-07 is Rs.5.62 per MT and 4.91 per MT respectively. The reasons for estimating the berth hire income at Rs.3 PMT for the next three years may, therefore, be justified with reference to the actual berth hire income earned during the preceding two years.</p> <p>(c). The detailed income estimation furnished by the VSPL reveal that berth hire income from coal is estimated at proposed berth hire instead of prevailing berth hire charges. Since the tariff revision exercise involves revision of the existing Scale of Rates, the income has to be estimated on the prevailing rates. The income estimation may be modified to that extent. Additional income likely to</p>	<p>(a). It has furnished the cargo-wise average discharge rate (in tonnes per day) during the years 2005-06 and 2006-07. The details thereof are as follows:</p> <table border="1" data-bbox="790 560 1428 996"> <thead> <tr> <th>Sl. No.</th> <th>Cargo items</th> <th>GRT</th> <th>Average discharge rate of 2005-06 and 2006-07</th> <th>Estimated discharge rate for 2007-08</th> <th>Rate per MT (in Rs.)</th> </tr> </thead> <tbody> <tr> <td colspan="6">Up to 30000 GRT</td> </tr> <tr> <td>(i).</td> <td>Iron Ore</td> <td>25000</td> <td>12613</td> <td>12000</td> <td>2.87</td> </tr> <tr> <td>(ii).</td> <td>BF Slag</td> <td>25000</td> <td>11694</td> <td>12000</td> <td>2.87</td> </tr> <tr> <td>(iii).</td> <td>Fertiliser & FKM</td> <td>25000</td> <td>6170</td> <td>8000</td> <td>4.31</td> </tr> <tr> <td>(iv).</td> <td>Gypsum</td> <td>25000</td> <td>15242</td> <td>15000</td> <td>2.30</td> </tr> <tr> <td>(v).</td> <td>Other</td> <td>20000</td> <td>3146</td> <td>4000</td> <td>6.89</td> </tr> <tr> <td colspan="6">Above 30000 GRT</td> </tr> <tr> <td>(vi).</td> <td>Coal</td> <td>32000</td> <td>15074</td> <td>20000</td> <td>3.15</td> </tr> </tbody> </table> <p>Based on the above, it has estimated the berth hire income in the revised cost statement.</p> <p>The average discharge rate for bulk cargo items handled from panamax vessels through the BMHS is considered as 20000 Tonnes Per Day (TPD).</p> <p>(b). Based on cargo wise discharge rate of previous two years, the berth hire income for the next three years 2007-08, 2008-09 & 2009-10 is estimated and updated in the revised cost statement as follows.</p> <table border="1" data-bbox="893 1388 1340 1489"> <thead> <tr> <th colspan="3">(Rs. in lakhs)</th> </tr> <tr> <th>2007-08</th> <th>2008-09</th> <th>2009-10</th> </tr> </thead> <tbody> <tr> <td>160.69</td> <td>168.73</td> <td>177.17</td> </tr> </tbody> </table> <p>The average income is assessed to be approximately Rs.3/- per tonne only as per SOR proposed. It may thus be appreciated that the users will not be having any impact as a result of proposed rates.</p> <p>(c). As per the existing Scale of Rates, Berth Hire charges per ton of above 30000 GRT works out to Rs.2.20 as follows:</p> <p>Coal Vessels: Average GRT - 32,000 Avg. Discharge rate - 20,000 Berth Hire rate (per GRT) - \$ 0.0014 Exchange Rate - Rs41.00 Berth hire per day - Rs.44083 Average per ton - Rs.2.20</p>	Sl. No.	Cargo items	GRT	Average discharge rate of 2005-06 and 2006-07	Estimated discharge rate for 2007-08	Rate per MT (in Rs.)	Up to 30000 GRT						(i).	Iron Ore	25000	12613	12000	2.87	(ii).	BF Slag	25000	11694	12000	2.87	(iii).	Fertiliser & FKM	25000	6170	8000	4.31	(iv).	Gypsum	25000	15242	15000	2.30	(v).	Other	20000	3146	4000	6.89	Above 30000 GRT						(vi).	Coal	32000	15074	20000	3.15	(Rs. in lakhs)			2007-08	2008-09	2009-10	160.69	168.73	177.17
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<p>accrue at the proposed tariff may be indicated.</p> <p>(d). The additional income, if any, on account of fluctuation in foreign exchange rate for the years 2008-09 and 2009-10 may be computed and shown separately.</p>	<p>The income estimation has been modified accordingly. The berth hire income estimated for the three years is as follows:</p> <p style="text-align: right;">(Rs. in lakhs)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <th>2007-08</th> <th>2008-09</th> <th>2009-10</th> </tr> <tr> <td>132.20</td> <td>138.80</td> <td>145.75</td> </tr> </table> <p>The approximate additional income at the proposed berth hire for the three years put together is estimated at Rs.90.0 Lakhs.</p> <p>(d). As of now the dollar is weakening against rupee. Hence, the additional income on account of fluctuation in foreign currency is not estimated and is not likely to have any noticeable impact.</p>	2007-08	2008-09	2009-10	132.20	138.80	145.75																																								
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<p>(iv). (a). Explain the basis of estimating wharfage income of 'other cargo' at Rs.25 per tonne in the detailed income computation attached to the proposal. Also, indicate the predominant cargo under the category of 'other cargo'.</p>	<p>The wharfage rate for predominant cargo under the category of "other cargo" is estimated based on the average wharfage rate for unenumerated goods [i.e. (Rs.40 + Rs.20)/2 =Rs.25/- per tonne]</p>																																														
<p>(b). The wharfage income from other cargo is estimated based on the average rate proposed for unenumerated goods of value below Rs.1000 and value above Rs.1000. The income estimation may be modified applying the prevailing wharfage rate of Rs.22 per MT for estimating wharfage income from other cargo.</p>	<p>As suggested, wharfage income is reworked and the effect of reduction in income is as under:</p> <table style="margin-left: 20px;"> <tr> <td>2007-08</td> <td>-</td> <td>Rs.9 Lakhs</td> </tr> <tr> <td>2008-09</td> <td>-</td> <td>Rs.10 Lakhs</td> </tr> <tr> <td>2009-10</td> <td>-</td> <td>Rs.10 Lakhs</td> </tr> </table> <p>It has clarified that main cargo items are already listed. Other cargo items to be handled and their volumes would not be significant and also would depend on the requirement of the users. It is, therefore, not feasible to predict the same. Hence they are included in the single category.</p>	2007-08	-	Rs.9 Lakhs	2008-09	-	Rs.10 Lakhs	2009-10	-	Rs.10 Lakhs																																					
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<p>(v). Furnish details of tonnage of cargo availing stevedoring services with harbour mobile crane, only stevedoring services and stevedoring with harbour mobile crane along with shore operation services cargo-wise for the last two years to justify the ratio of these services considered in the income estimation for the years 2007-08 to 2009-10.</p>	<p>Details of tonnage of cargo availing stevedoring services with Harbour Mobile Cranes (HMC), only stevedoring services and stevedoring services with harbour mobile cranes along with shore handling service for the years 2005-06 and 2006-07 is furnished. A summary position is given below:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th rowspan="2">Year</th> <th rowspan="2">Total cargo</th> <th colspan="2">Stev. With HMC</th> <th colspan="2">Stev., HMC + Shore</th> <th colspan="2">Only Stevedoring</th> </tr> <tr> <th>MMT</th> <th>%</th> <th>MMT</th> <th>%</th> <th>MMT</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2006-07</td> <td>2.37</td> <td>1.28</td> <td>54</td> <td>0.71</td> <td>30</td> <td>0.38</td> <td>16</td> </tr> <tr> <td>2005-06</td> <td>1.59</td> <td>1.13</td> <td>71</td> <td>0.32</td> <td>20</td> <td>0.15</td> <td>9</td> </tr> <tr> <td>Total</td> <td>3.96</td> <td>2.41</td> <td>62</td> <td>1.03</td> <td>25</td> <td>0.53</td> <td>13</td> </tr> <tr> <td>Proposed</td> <td></td> <td></td> <td>60</td> <td></td> <td>20</td> <td></td> <td>20</td> </tr> </tbody> </table> <p>Based on the past two years experience, it is estimated that for the year 2007-08 onwards, 60% of cargo other than coal will avail Stevedoring with HMC, 20% of cargo other than coal will avail only stevedoring services and 20% of total cargo other than coal is expected to avail Stevedoring and HMC along with Shore Handling services.</p>	Year	Total cargo	Stev. With HMC		Stev., HMC + Shore		Only Stevedoring		MMT	%	MMT	%	MMT	%	2006-07	2.37	1.28	54	0.71	30	0.38	16	2005-06	1.59	1.13	71	0.32	20	0.15	9	Total	3.96	2.41	62	1.03	25	0.53	13	Proposed			60		20		20
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<p>(vi). (a). The basis of estimating the income from plot rent at Rs.3 per tonne (indicated in the assumption sheet) is</p>	<p>The average plot rent earned during the year 2005-06 and 2006-07 was Rs.3 PMT and Rs.4 PMT respectively. Based on the average dwell time for</p>																																														

	<p>not clear. Furnish working of this base rate and justify with reference to the actual income earned in the last two years.</p>	<p>the year 2006-07, average dwell time of 15 days is assumed for the years 2007-08, 2008-09 & 2009-10.</p> <p>In the revised proposal, plot rent is proposed at Rs.6 per ton per fortnight.</p>								
	<p>(b). Furnish an analysis of average dwell time of each cargo items during the last years 2004-05, 2005-06 and 2006-07.</p>	<p>It has furnished the details of dwell time of each cargo for the year 2006-07 as shown below:</p> <table border="1" data-bbox="871 439 1382 566"> <thead> <tr> <th>Cargo Item</th> <th>No. of days</th> </tr> </thead> <tbody> <tr> <td>Coal</td> <td>34</td> </tr> <tr> <td>Fertiliser</td> <td>4.50</td> </tr> <tr> <td>Gypsum</td> <td>21</td> </tr> </tbody> </table>	Cargo Item	No. of days	Coal	34	Fertiliser	4.50	Gypsum	21
Cargo Item	No. of days									
Coal	34									
Fertiliser	4.50									
Gypsum	21									
	<p>(c). Indicate the average dwell time considered for estimating the demurrage income for the years 2007-08 to 2009-10</p>	<p>Based on the average dwell time for the year 2006-07, average dwell time of 15 days is considered for estimating storage / demurrage income (reduced due to reasons explained at point (e) below) for the years 2007-08, 2008-09 & 2009-10. The revised cost statements have, accordingly, been updated.</p>								
	<p>(d). Furnish detailed computation of storage/ demurrage income for the years 2005-06 to 2009-10 for each of the main cargo items to substantiate the estimate.</p>	<p>(i). The present storage charges were erroneously proposed in the previous tariff proposals. The tariff proposed was equal rentals stipulated in the License Agreement (LA) for developing the BOT project. This did not factor the capital expenditure required for creating the modern storage plots with substantial ground improvement for eliminating high subsidence due to poor soil conditions, concrete paving with blocks with adequate slopes, drainage with sedimentation ponds linked to recycling of run off cargo during the monsoons and especially depressions and cyclonic weather. Geographical strata of VPT area are extremely poor. Subsidence is inevitable and continuous. The concrete paving requires maintenance, removal and resurfacing once every 6 months to ensure the slopes.</p> <p>The proposed change in rates is to cater to the above expenditure.</p> <p>(ii). It cannot sustain its business if the storage area is utilised as warehousing facility by users. A deterrent is required to cater to the eventuality of trading commodities left in the storage areas due to market fluctuations by importers and exporters. The high rate is justified as a deterrent to cater to such eventualities.</p> <p>Based on the above revised rate, storage charges for the year 2007-08 onwards is recalculated and the revised cost statement has been updated accordingly.</p> <table border="1" data-bbox="791 1778 1430 1933"> <tbody> <tr> <td>Total Cargo (excluding exports)</td> <td>- 4.1 MT</td> </tr> <tr> <td>Average storage period</td> <td>- 15 days</td> </tr> <tr> <td>Rate per fortnight (revised SOR)</td> <td>- Rs.6/- per ton per fortnight</td> </tr> <tr> <td>Storage Charges</td> <td>- Rs.2.46 Crores</td> </tr> </tbody> </table> <p>The storage / demurrage realised during the years 2005-06 & 2006-07 and estimates for the years</p>	Total Cargo (excluding exports)	- 4.1 MT	Average storage period	- 15 days	Rate per fortnight (revised SOR)	- Rs.6/- per ton per fortnight	Storage Charges	- Rs.2.46 Crores
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Storage Charges	- Rs.2.46 Crores									

		<p>2007-08, 2008-09 & 2009-10 at the proposed rates is given below:</p> <table border="1" data-bbox="790 280 1428 651"> <tr> <td data-bbox="790 280 1114 342">2005-06 1.59 MMT @ Rs.3.23 per MT</td> <td data-bbox="1114 280 1428 342">= Rs.0.05 crores</td> </tr> <tr> <td data-bbox="790 342 1114 405">2006-07 2.37 MMT @ Rs.4.26 per MT</td> <td data-bbox="1114 342 1428 405">= Rs.1.01 crores</td> </tr> <tr> <td colspan="2" data-bbox="790 405 1428 468">(excluding demurrage income on short term contract with RIL)</td> </tr> <tr> <td data-bbox="790 468 1114 530">2007-08 4.10 MMT @ Rs.6.00 per MT</td> <td data-bbox="1114 468 1428 530">= Rs.2.46 Crores</td> </tr> <tr> <td data-bbox="790 530 1114 593">2008-09 4.30 MMT @ Rs.6.00 per MT</td> <td data-bbox="1114 530 1428 593">= Rs.2.58 Crores</td> </tr> <tr> <td data-bbox="790 593 1114 651">2009-10 4.52 MMT @ Rs.6.00 per MT</td> <td data-bbox="1114 593 1428 651">= Rs.2.71 Crores</td> </tr> </table>	2005-06 1.59 MMT @ Rs.3.23 per MT	= Rs.0.05 crores	2006-07 2.37 MMT @ Rs.4.26 per MT	= Rs.1.01 crores	(excluding demurrage income on short term contract with RIL)		2007-08 4.10 MMT @ Rs.6.00 per MT	= Rs.2.46 Crores	2008-09 4.30 MMT @ Rs.6.00 per MT	= Rs.2.58 Crores	2009-10 4.52 MMT @ Rs.6.00 per MT	= Rs.2.71 Crores
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	<p>(e). The rate of Rs.24 per tonne applied by VSPL to Reliance Industries for storage space earmarked to them is demurrage charge prescribed in its SOR. Please clarify whether the rate applied to Reliance Industry is not higher than the storage charge applicable as per the Scale of Rates approved by this Authority for the area allotted on short term basis. Explain specific reasons, if any, for applying differential tariff arrangement for storage space earmarked on short term basis to Reliance Industries. Clarify whether the short term contract with Reliance Industries for allotment of earmarked storage space still continues. If so, forward a copy of the contract and also confirm that the income estimation includes the storage income expected from this particular user.</p>	<p>As the area was not available for other cargoes, as agreed to by the user, demurrage rate as per existing SOR was applied. The short term contract with reliance came to an end with effect from 10-09-2007.</p>												
	<p>(vii). (a). The income from stevedoring charges with deployment of harbour mobile crane plus shore operations is estimated at Rs.110 PMT for coaking coal, fertilizer, gypsum and others. Out of this, Rs.110 PMT, Rs.40 PMT is towards shore operations. Explain the basis for considering Rs.40 PMT for shore operations since the SOR approved by this Authority does not prescribe any such rate. Also, explain why the charges towards shore operations are not considered for estimating the income from slag and iron ore.</p>	<p>(a). The harbour mobile cranes discharges cargo at the rate of 1000 tonnes per hour onto the Quay side warranting continuous and efficient evacuation of cargo from the quay side to the transit area by deploying large number of cater pillars, dumpers and dozers of high capacity. If it does not deploy evacuating equipment accordingly, the discharge rate is affected. Hence, on account of equipment deployment, substantial expenditure is incurred on outsourced basis. In order to arrest spillages as well as disbursement of cargo a large contingent of manual labour gangs are deployed for continuous sweeping and aggregating the cargo. All these expenses are clubbed under towards shore operations and the component of Rs.40/- is computed. Though, income of this Rs.40/- is being projected, the same is being outsourced for other agencies like stevedores. The shore operations include equipment hire, labour, supervision, expenses for area illumination, railway infrastructure, and overheads etc.</p>												

		<p>As informed above, trade is requesting VSPL to carry shore handling activity as part of composite service during cargo handling operations.</p> <p>In the case of export of cargo items like BF Slag and Iron ore, the shore handling activity is normally arranged by the exporters themselves, hence not considered.</p>
	<p>(b). The existing Scale of Rates as well the proposed Scale of Rates do not prescribe any specific tariff for offering services on shore. Please clarify what is the tariff setting arrangement for offering the cargo handling service on-shore and under what authorization such tariff is being collected.</p>	<p>(b). Normally in case of any major ports, the shore operations are taken care by the importer / exporter through his stevedoring agent. Some of the customers desired to have all the services available to them through a single agency. To attract the trade at the terminal, it has offered these services by outsourcing the activities as it does not have required infrastructure to handle shore operations.</p> <p>The VSPL acting as a facilitator has not proposed the rate in the SOR. Based on agency's rate and overheads etc., thereon, users pay for the same. These operations would be offered only if required and agreed by the customers and are not compulsory in nature. Therefore, a separate rate towards shore operations has not been contemplated in the SOR.</p>
	<p>(c). The services offered on shore will come under the services listed under section 42 of the MPT Act and hence, needs to be regulated by this Authority irrespective of whether the VSPL themselves offer this service or outsource them. Therefore, the rate proposed to be offered under this head may be included in the proposed Scale of Rates giving details of the services included and any other conditions governing the proposed rates. The income estimation at the proposed tariff level may be modified to that extent.</p>	<p>(c). As explained above, VSPL's overheads are only offset in this item.</p>
6.	Operating Cost:	
(i).	Operating and direct labour	
	<p>(a). The estimates of direct labour cost for the years 2007-08 to 2009-10 at Rs.4.40 PMT considered in the cost statement may be justified with reference to the actual direct labour cost of Rs.3.13 PMT and Rs.2.02 PMT incurred in the previous years 2004-05 and 2005-06.</p>	<p>The rate per ton of Rs.4.40 is estimated based on the agreement entered by VSPL with contractor to provide direct operating services.</p>
	<p>(b). Furnish copy each of the agreements entered by the VSL with the contractors to provide direct and operating labour to substantiate the estimates furnished for the years 2007-08 to 2009-10.</p>	<p>It has furnished copy of work order dated 28 December 2006 issued to the contractor for providing manpower for on-board and on-shore operations to justify its estimates. It subsequently furnished revised work Order dated 6 October 2008.</p>
(ii).	Maintenance labour:	
	<p>(a). The actuals for the two years 2004-05 and 2005-06 do not report any expenditure under the head</p>	<p>Maintenance expenditure includes cleaning, sweeping, up-keeping, etc., of terminal i.e., berths, roads, stockpile areas wharfs, Machine Control</p>

	<p>'maintenance labour'. Please furnish documentary evidence of Rs.16.09 lakhs incurred during the year 2006-07 towards maintenance labour.</p>	<p>Rooms etc. These labour intensive items are outsourced. The actual expenses incurred on this head for the year 2006-07 is Rs.27.82 Lacs, which has been updated in the revised cost statement.</p> <p>This expenditure was included under the head Management and Administrative overheads during the years 2004-05 & 2005-06, as there was no specific head during that time for maintenance labour cost.</p>
	<p>(b). As per the copies of contracts furnished by the VSL for maintenance of the terminal, the maintenance cost works out to around 38 lakhs including service tax. The contract is for three years beginning from April 2007 onwards. As against this, the maintenance labour cost estimated by VSL is Rs.50.40 lakhs during the year 2007-08 and annual escalation of 5.4% is applied for the subsequent two years. Explain the reasons, if any, for variation in the estimation of this cost item from the documentary support furnished by VSL.</p>	<p>We have attached only two contracts that were entered by VSL for cleaning and maintenance. Apart from these, it has entered in to lump-sum contracts for cleaning the wharf before handling of cargo items like fertilizers, urea etc. in order to avoid contamination. In such cases additional manpower also needs to be engaged for cleaning the wharf. This cost is in addition to the above lump-sum contracts. Accordingly, all these costs have been taken into consideration for estimating the expenditure.</p> <p>Nevertheless, it is to be noted that the maintenance cost per ton for the year 2007-08 works out to Rs.1.05 which is lower than the per ton maintenance cost for the last two years.</p>
(iii).	<p>Equipment Running cost:</p>	
	<p>(a). The power cost per tonne of cargo handled works out to Rs.1.25 PMT and 2.21 PMT for the years 2005-06 and 2006-07 respectively. As against this, the power cost for the year 2007-08 works out to Rs.3.55 PMT of cargo handled which need to be justified with reference to the actual power cost incurred in the previous two years.</p>	<p>Power cost is not linked to tonnage handled. During the years 2004-05, 2005-06 and part of 2006-07, the handling operations were carried out using Harbour Mobile Cranes which do not require power.</p> <p>During the year 2006-07, a 33KV power substation was installed as part of BMH system. The entire BMH system will be operated using power, whereas the Mobile Harbour Cranes are operated using diesel. Hence, power cost for the year 2007-08 has been estimated taking into consideration commissioning of BMH system. Power cost is projected with 5.4% escalation for the next two years.</p>
	<p>(b). The income estimation assumes 80% of total cargo traffic will avail the services of Harbour Mobile Crane (HMC) and the balance 20% will not be availing this service. Explain why the fuel which is consumed for operation of HMC is estimated for 92.5% of the cargo traffic instead of 80% of cargo (availing the services of HMC).</p>	<p>It is assumed that in the case of cargo items other than coal, 80% of total cargo traffic will avail the services of Harbour Mobile Cranes. But in the case of coal, it is assumed that 100% of cargo will avail the services of Harbour Mobile Cranes. Hence fuel consumption is estimated accordingly which is 92.5% weighted average of over all cargo projected for the year 2007-08 onwards (weighted average of Coal 3.0 MMT * 100% + other cargo 1.80 MMT *80% = 92.5% of Total 4.80 MMT).</p>
	<p>(c). The unit cost of diesel is estimated to increase by 10% per annum for the years 2007-08 to 2009-10. Recognising that the annual escalation in other cost elements is estimated at 5% by the VSPL, the reasons for estimating the escalation in the unit cost of diesel beyond the stated 5% needs to be justified.</p>	<p>The annual escalation in respect of fuel cost is changed to 5.40%.</p>

	<p>(d). Recognizing that merely because warranty is over, the ageing of equipment does not happen in an accelerated manner unless there is major revamping programme, please review the estimation of repairs and maintenance cost for the years 2007-08 and modify it with reference to the actuals incurred in 2006-07. Consequently estimates of subsequent years may also be modified.</p>	<p>Repairs & Maintenance cost is estimated to be around 1% of net block of civil works and 2% of net block of plant & machinery like Harbour Mobile Cranes, BMHS etc.</p> <p>It is to be noted, that break down of machinery can not be predicted. Since, the machinery has already become 3 years old, due to normal wear and tear and increase in handling operations, the chances of having machinery break down is more common. Also, most of the spares of HMC Cranes are to be imported by spending huge money. Moreover, the warranty period of Harbour Mobile Cranes also ended during the year 2007-08.</p> <p>Therefore, keeping in view the above facts, repairs and maintenance on Machinery was estimated @ 2% of net block and it confirms, TAMP's Order dated 15-03-2005. It agrees to estimate the repairs & maintenance cost @ 1% on opening Gross Block value of assets, for next revision of SOR if the actual expenditure during the currency of the proposed SOR are lower than the estimates.</p>
	<p>(e). Confirm that the repairs and maintenance cost is not computed on the technical service fee which is added to the gross block of assets in the year 2006-07.</p>	<p>The estimation is on the total net block value of assets i.e. including technical service fee.</p>
<p>(iv). Maintenance Dredging:</p>		
	<p>(a). Furnish details of maintenance dredging cost incurred during the years 2004-05 to 2006-07 with the quantity dredged, unit rate of dredging and increase in the draft achieved by the VSPL. Also, validate the figures with documentary support.</p>	<p>Periodical hydrographic survey is being carried out by VPT for ascertaining the draft level after initial dredging is over. The relevant survey charges are being debited to VSPL by VPT during the periods 2004-05 to 2006-07. Maintenance dredging cost represents the same. This amount is not for actual maintenance dredging. It has also furnished copies of bill raised by VPT on it.</p>
	<p>(b). As per clause 3.9.(c). of the LA, it is the obligation of the licensor to provide for maintenance dredging of entrance channel and alongside the draft upto 10.70 mtrs draft. If the draft achieved is upto 10.70 mtrs, please justify how this item can be considered as item of cost in the tariff fixation of the VSPL in view of this specific provision in the LA.</p>	<p>As pointed by TAMP, maintenance dredging cost upto draft of 10.7 mtrs shall be to the account of VPT only. The above expenditure was incurred for the purpose of periodical hydrographic survey charges being debited by VPT, but not the maintenance dredging cost.</p>
	<p>(c). If the draft achieved is more than 10.70 mtrs., then please clarify whether any vessels arriving at the berths of the VPT will also derive the benefit of increased draft or whether the benefit of increased draft is exclusively available only to the vessels arriving at the VSPL berths.</p> <p>In case the vessels arriving at the berths of VPT are expected to derive the benefit of increased draft on account of maintenance dredging cost</p>	<p>(i). Deepening is done in two phases as of now. In phase I, the expenditure for which is met by VPT, vessels up to 11.0 m draft can use berths of VSPL and most of the berths of VPT. On completion of phase II, which is carried out by VSPL, vessels up to 12.50m draft can call at its berths in the first instance. Strengthening is required to be carried to most of the berths of VPT in the Inner Harbour to cater to such deep draft vessels dredging requirement. It has asked the VPT to compensate for such extra cost. However, as insisted by VPT the expenditure for Phase II is fully met by VSPL.</p>

	<p>incurred by the VSPL, then it may be appropriate to share the cost of maintenance dredging between the VPT and VSPL. Please intimate whether the VPT and the VSPL had any discussion regarding sharing of the maintenance dredging cost.</p>	<p>(ii) It has furnished a copy of a MOU dated 24 November 2006 entered into between VSPL and VPT with the approval of Government for deepening and widening entrance channel, inner harbour turning circle and waterways of northern arm of inner harbour to -13.5 mtrs.</p> <p>After initial dredging is completed upto -13.5 mtrs, the regular maintenance dredging cost will be to the account of VPT only, except alongside the berths EQ 8 & EQ 9, which will be borne by VSPL.</p> <p>The estimation for maintenance dredging cost was made accordingly, only for alongside the berths of EQ 8 and EQ 9, from the year 2007-08 onwards.</p>
	<p>(d). Explain the reasons for significant increase in the cost estimation under this head from Rs.24.37 lakhs in 2007-08 to Rs.102.76 lakhs in the year 2008-09 in the revised cost statement.</p>	<p>Since, the deepening of draft to-13.50m was estimated to be completed during the end of the year 2007-08, maintenance cost has been estimated for only part of the year. Where as it is estimated for full year in the case of 2008-09 and 2009-10.</p>
	<p>(e). The basis of estimating the cost of maintenance dredging at Rs.150 per cubic meter in 2007-08, Rs.158 per cubic meter in 2008-09 may be substantiated with documentary support.</p>	<p>The rate arrived is based on existing dredging contract. It has furnished a copy of work order dated 24 July 2006 issued to contractor for dredging work which indicates the unit rate of Rs.140 per cubic metre.</p>
<p>7.</p>	<p>Revenue share:</p>	
	<p>(i). Clause 5.1. of the LA stipulates that the licensee shall pay the licensor royalty equivalent to 17.111% of the gross revenue earned by the licensee from the operation of the project facilities. In view of this position, please clarify on what basis gross revenue is considered as revenue earned from berth hire and wharfage charge for the computation of the revenue share when the VSPL generates revenue from various other tariff items prescribed in its SOR. Also, clarify whether this arrangement of computing the gross revenue has the specific approval of the Government.</p>	<p>As per the terms of LA, royalty shall be paid on revenue share basis of 17.111% of gross revenue which is deemed to include berth hire and wharfage earned at the terminal as per SOR of VPT.</p> <p>During the initial bidding process, the same was confirmed by VPT vide their letter dated 14 June 2000. This document is part of LA. The LA is entered into after VPT obtaining the approval for the same from Ministry of Shipping & Transport under Section 42 (3) of MPT Act. It has furnished copy of the above mentioned VPT letter dated 14 June 2000.</p>
	<p>(ii). The treatment of revenue share shall be considered as per the clause 2.8.1. of the revised tariff guidelines. In this context, the VSPL is requested to indicate the likely loss to accrue if revenue share is not admitted.</p>	<p>The revenue share quoted by the next highest bidder, M/s South Indian Corporation Ltd., is 12.811%. The cost statement has been revised accordingly as per the clause 2.8.1 of the revised tariff guidelines. The likely loss if revenue share is not admitted as cost would be Rs.182.36 lakhs, Rs.191.48 lakhs and Rs.201.05 lakhs for the years 2007-08 to 2009-10 respectively.</p>
	<p>(iii). The VSPL has included the entire revenue share payable by it to VPT as pass through which is not in line with the tariff guidelines. The revenue share considered as pass through in the cost statement may be modified in line with the tariff guidelines.</p>	<p>Though the VSPL has computed the revenue share to the extent of second quote, in the consolidated cost statement it has considered full revenue share as pass through. It is to inform that while estimating revenue share for the next three years the amount quoted by next highest bidder i.e., 12.811% has been considered in the cost statement as per the tariff guidelines.</p>

		<p>Actual revenue share paid to VPT during the last three years is as follows:</p> <table border="1" data-bbox="805 280 1412 504"> <thead> <tr> <th>Year</th> <th>Actual revenue share payable @ 17.111% (Rs. in lakhs)</th> <th>Revenue share admissible to the extent of second quote @ (12.811%) (Rs. in lakhs)</th> </tr> </thead> <tbody> <tr> <td>2004-05</td> <td>24.24</td> <td>18.15</td> </tr> <tr> <td>2005-06</td> <td>79.21</td> <td>59.30</td> </tr> <tr> <td>2006-07</td> <td>109.72</td> <td>82.15</td> </tr> </tbody> </table>	Year	Actual revenue share payable @ 17.111% (Rs. in lakhs)	Revenue share admissible to the extent of second quote @ (12.811%) (Rs. in lakhs)	2004-05	24.24	18.15	2005-06	79.21	59.30	2006-07	109.72	82.15
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2004-05	24.24	18.15												
2005-06	79.21	59.30												
2006-07	109.72	82.15												
8.	Lease Rentals:													
	<p>Verify the computation and confirm that the lease rate considered for estimation of this item is in line with the rates prescribed in the Scale of Rates of the VPT and as per the terms of the License agreement.</p>	<p>The lease rent shown in the audited accounts includes both rent paid to VPT for leased land and also for leased building. The lease rent payable to VPT as per section 6 (2) of revised SOR of VPT is recalculated as below and updated in the revised cost statement and Form 3B:</p> <table border="1" data-bbox="790 761 1412 907"> <tbody> <tr> <td>1) 121700 Sq Mtrs X 90.55 per 100 sq mtr X 53 weeks</td> <td>= Rs.58,40,566/-</td> </tr> <tr> <td>2) Lease rent on building @ Rs.86,630/- per month</td> <td>= Rs.10,39,560/-</td> </tr> <tr> <td>Total</td> <td>= Rs.68,80,126/-</td> </tr> </tbody> </table> <p>It is hereby confirmed the lease rent rate considered for estimation is as per the prevailing SOR of VPT.</p>	1) 121700 Sq Mtrs X 90.55 per 100 sq mtr X 53 weeks	= Rs.58,40,566/-	2) Lease rent on building @ Rs.86,630/- per month	= Rs.10,39,560/-	Total	= Rs.68,80,126/-						
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9.	Equipment hire charges:													
	<p>(i). (a). Furnish a copy each of the contracts entered by the VSL with the contractors to justify the estimate of equipment hire charges for the year 2007-08.</p> <p>(b). Copies of invoice furnished for barge services availed by VSPL for lighterage operations shows that the rate is around 70 per tonne. As against this, Rs.113 per tonne is considered for estimating the services availed for lighterage under the head 'equipment hire charge'. The reasons for this variation in the estimation of expense may be explained. Further documentary evidence, if any, may be furnished to substantiate the differential in the estimation of this cost item.</p>	<p>(a). It has submitted the tariff proposal to TAMP on 31st January 2007 was on the assumption that VPT would complete capital dredging under phase-I to cater to vessels of 11 m draft by January 2007. Thereafter, Phase-II of capital dredging by VSPL was expected to be completed by July 2007 to cater to vessels of 14 m draft duly taking tide. However, its assumptions did not materialize. The VPT capital dredging under Phase-I is expected to be completed only by September 2007 and VSPL capital dredging under Phase-II is expected to be completed within 6 months thereafter i.e. by March 2008.</p> <p>(b). The above situation has left VSPL with no option, but to resort to lighterage operations at the Outer Harbour of all vessels arriving beyond 10.06 m till March 2008. Lighterage operation requires the services of both barge and floating crane. Copies of bills have already been furnished. Also, an amount of Rs.3/- per ton is payable to VPT as transshipment charges on lighterage operations. All these costs have been clubbed and Rs.113/- per ton has been taken in to consideration for estimating the expenditure for lighterage operation.</p> <p>(c). As per arrival pattern of deep drafted vessels calling at the port, it is estimated that 35% in 2008-09; 25% in 2009-10 and 15% in 2010-11 cargo of every vessel needs to be lightened in the Outer Harbour.</p>												

		(d). Annual cost of these equipments is projected in the revised cost statement. The cost grossly varies from original estimated amount of Rs.3.19 crores to Rs.19.88 crores during the year 2007-08 on account of lighterage operation. It is to be noted, the expenditure is reducing for the years 2008-09 & 2009-10, due to deepening of draft, which reduces lighterage operations to be carried out.
	<p>(ii). (a). Furnish details of equipment taken on hire in the year 2006-07 and proposed to be taken on hire in 2007-08. The additional capacity and improvement in productivity envisaged on account of deployment of additional equipment may also be indicated.</p> <p>(b). The capacity computation does not seem to include the additional capacity on account of deployment of equipment taken on hire. Whether the equipment taken on hire are utilized effectively or not may not be a relevant factor for assessment of capacity assessment of the berths. It is reiterated to indicate additional capacity on account of equipment taken on hire and also the improvement in productivity envisaged there from.</p>	<p>(a). Poclains, Pay Loaders, Z Bars, Floating Cranes, Mobile Harbour Crane, Dumpers, Barge etc. were hired during the year 2006-07 and are proposed to be hired during the next three years for the purpose of handling cargo including lighterage operations: The discharge rate estimated can be achieved only when the above equipment are utilized effectively. Other agreements with reference to on board equipment have been furnished.</p> <p>(b). The computation of terminal capacity has been done based on the BMH rated capacity in the case of EQ 8 and Berth Capacity in the case of EQ 9. The capacity of the additional equipment used during operations have been also been taken in to consideration while arriving the terminal capacity.</p>
10.	Insurance	
	Furnish documentary support of insurance cover taken on the bulk material handling system proposed to be commissioned to justify the estimates for the year 2007-08. Explain the reasons of considering 5.4% annual escalation for estimating the insurance cost for the years 2007-08 to 2009-10.	It has furnished a copy of the Insurance policy for the period January 2007 to 2008 which show insurance premium of Rs.54.06 lakhs has been paid to the insurance company. The estimations for the next three years has been modified in the cost statement based on the actual insurance payment made during the year 2006-07 with inflation rate of 5.4%. As per Industrial All Risks Policy assets shall be insured for the replacement value or reinstatement value (but not at the depreciated value). Therefore, premium shall be paid on sum insured.
11.	Management and general overheads:	
	Explain specific reasons for considering 17% escalation in Management and General Overheads as this expense is generally fixed in nature.	It has noted and stated to have made necessary modifications in the cost statement.
12.	(i). The treatment of preliminary expense and upfront fee is not found to be in line with the general approach adopted in case of other private terminals and as considered in the initial tariff fixation of VSPL. Modify the treatment of this expense by spreading it over the entire project period for the past period as well for future projections for the purpose of tariff computation.	The treatment of preliminary expenses is done as per the prevailing Accounting Standards and is audited by the Statutory Auditors of the Company. The upfront fee of Rs.8.30 Crores had been capitalised and amortised over the period of LA i.e., 30 years. Though the same is not shown separately under this head, it is included in the depreciation / amortisation charge.

	(ii). In view of the reply, the VSPL was requested to exclude the pre-operative expenses and upfront fee from gross block, adjust the depreciation and net block also. The preliminary expense and upfront fee may be shown as a separate entry in the cost statement and spread over the remaining period of the project in line with the treatment given in the initial tariff fixation.	It is submitted that it has paid Rs.8.30 Crores towards upfront fee. This fee has been capitalised as part of cost of EQ8 and EQ9 berths. The total berth cost (including upfront fee) has been amortised over the project period i.e., 30 years. Therefore, even though amortisation of upfront fee is not shown separately, there will not be any impact on cost statement.
13.	Depreciation:	
	Confirm that the depreciation has been computed as per the Companies Act or based on life norms prescribed in the Concession Agreement whichever is higher. Indicate the depreciation rate considered for computation of depreciation giving reference to the relevant slabs in the schedule of depreciation given in the Companies Act.	Depreciation on fixed assets, other than project berths, is being provided using the straight line method based on the rates specified in Schedule XIV to the Companies Act, 1956. Project berths are depreciated over the life of the LA signed between VPT and VSPL.
14.	Technical service fee:	
	(i). The actuals for the years 2004-05 and 2005-06 do not report any expense towards technical service fee in the respective Annual Accounts. The basis of introducing this entry from the year 2007-08 may be justified with documentary support in form of the agreement signed by the VSPL with the concerned party for rendering the technical expertise.	As per LA, M/s.Portia Management Services Limited (PMSL) shall undertake the equipping, operation, maintenance and management of operations. As per the agreement dated 19.01.2005, technical service fee of Rs.10 millions per year is payable for a period of 3½ years from the date of commencement of commercial operations of both the berths. Therefore, the expenditure is not appearing in the last two years. It has furnished a copy of the agreement entered with the PMSL.
	(ii). Furnish certificate from IT Authorities establishing the 'arms length relationship' of the transaction entered between the VSPL and concerned party as defined under section 92 of the Income Tax Act to justify inclusion of this item as cost in tariff revision exercise, as stipulated in the tariff guidelines.	The Income Tax returns for the years 2004-05 and 2005-06 are filed with the Income Tax Department. It has agreed to submit the assessment orders as and when they are received from the IT Authorities. It has furnished a certificate from its Chartered Accountant certifying that the fees payable to M/s.Portia Management Services Limited (PMSL) is determined with regard to Arms length price as computed as per the provisions of section 92 (C) of the Income Tax Act, 1961.
	(iii). Clarify whether the benefit of technical service rendered by PMS is expected to be available for the entire project. If so, VSPL may consider amortising the technical service fee payable to PMS over the remaining period of the project.	The agreement with PMS is in two phases. A lump sum fee of Rs.45 million which has been paid is capitalised and amortised over the project period. Secondly, an annual agreed fee of Rs.10 million per annum is payable for a period of 3 years after the commencement of commercial operations. This payment is treated as revenue expenditure.
15.	Capital employed:	
(i).	Net Fixed Assets:	
	(a). The VSPL has reported gross block of Rs.222.89 crores at the end of the year 2005-06 and additional investment of Rs.112.79 crores is estimated in 2006-07 (in the initial proposal) and Rs.5.07 crores in 2007-08. The total investment made by the VSPL from commencement of	Appendix 14 of LA stipulates minimum and tentative investment plan. But due to delay in implementing the project, the project cost has been increased considerably. Year-wise gross block of VSPL as per the audited annual accounts is Rs.222.89 crores in 2005-06 and Rs.289.61 crores in 2006-07.

	<p>operations upto the year 2006-07 and additions proposed to the gross block in the years 2007-08 do not seem to be in accordance with the investment plan envisaged in the License Agreement entered into between the VSL and VPT. The reasons for such variations in the estimate of capital investment vis-à-vis the position envisaged in the LA need to be explained and justified.</p>	<p>The estimated investment indicated in the LA is based on the pricing in the year 2000, while the actual expenditure is made in later years and includes escalation since then.</p> <p>Also, investment for deepening the water ways and dredging of Channel and alongside EQ 8 and EQ 9 to deepen the draft to 13.50 mtrs. is also being undertaken at the cost of VSPL in order to handle Panamax vessels at its berths.</p> <p>With regard to VPT's observation that it is not to be included in the capital cost, it may please be noted that, to the extent VPT's interest is concerned that is for assessing the terminal value alone it would not be included as capital cost. It may please be appreciated that, any capital cost need to be catered to in working out return on investment.</p>
	<p>(b). Clause 2 of the Memorandum of Understanding (MOU) dated 24 November 2006 entered between the VPT and VSPL for deepening and widening of entrance channel by the VSPL states that VSPL shall not consider the investment incurred for deepening and widening of entrance channel as an expenditure under the license agreement and shall not claim any compensation or incremental tariff on this account. Even the VPT has stated that the capital dredging cost must not be included in the tariff revision exercise as per the MOU. Hence dredging cost to the tune of Rs.49.90 crores added to the gross block of assets in the year 2007-08 is not found to be as per the MOU entered between the VPT and the VSPL and hence may be excluded in this tariff revision exercise.</p>	<p>The capital dredging cost estimated is Rs.49.95 crores.</p> <p>Cost of dredging work contemplated under this project, is for dredging including rock predominantly in VPT water ways viz., Entrance Channel to inner harbour, Inner Turning Circle and northern arm and a small component of the cost of the work is for dredging in EQ8 & EQ9 water ways. As the proposed dredging is not catered to in the BOT License Agreement, it is agreed in the MOU entered in to between VSL and VPT to not to include the same for the purpose of evaluation of Project cost by the VPT. The intention of the MOU therefore, is not to consider this investment as a capital cost for the BOT Project in the context of VPT's making payment, if any, in terms of License Agreement and not to claim any compensation or incremental tariff on this account as far as VPT is concerned.</p> <p>In as much as the entire cost incurred for creating the infrastructure is to be realised during the License period, it has to find place while working out the appropriate cost for the services. It is also to be noted that users have to pay for the facility and would not get any facility freely.</p>
	<p>(c). Confirm that only completed and commissioned assets are shown under capital employed and fully depreciated assets are excluded.</p>	<p>It has confirmed that only completed and commissioned assets are shown under capital employed and fully depreciated assets are excluded.</p>
	<p>(d). With reference to the investment in 2007-08 and additional equipment proposed to be hired and deployed, please quantify the effect of the same in terms of addition to capacity, additional traffic/business, reduction in the unit operating cost or any other improvement in the operational efficiency.</p>	<p>The capacity of the terminal does not vary due to commissioning of BMHS and dredging, except as reassessed earlier. But, certainly the business will improve, due to handling of Panamax vessels and operational efficiency will improve due to mechanised handling of cargo through BMHS vis-à-vis conventional method of handling cargo. The estimations were made after taking into consideration the above aspects.</p>
	<p>(e). Clarify why the 'technical service fee' to the tune of Rs.4.71 crores is</p>	<p>(i). The technical service fee of Rs.45 millions is paid for consulting services for design, engineering,</p>

	<p>included as addition to the gross block of assets during the year 2006-07. The VSPL may consider amortising this expense over the project period by showing a separate entry. The technical service fee may be excluded from the gross block of assets and the computation of depreciation, repairs and maintenance, insurance and net block may be suitably modified.</p>	<p>construction, planning, equipping, operating, maintaining and replacing including providing management, administrative and technical services in connection with the project as per agreement with M/s.Portia Management Services. Also, an amount of Rs.63 lakhs was incurred towards syndication fee for arranging long term loan facilities with banks. The above expenditure are capital in nature, therefore, as per the prevailing accounting standards and as per the audited financial statements certified by the Statutory Auditors, these two amounts are capitalised and amortised over the remaining project period.</p> <p>(ii). For the purpose of calculation of repairs & maintenance, depreciation, etc., there will not be any impact since; the amount has been amortized over the period of project only. Further, there will not be any impact on insurance cost also since this cost has been estimated based on actual expenditure incurred but not as a percentage to cost of assets. As far as cost of repairs and maintenance is considered, since only 1% is considered as cost, there will not be much impact on cost statement.</p>
(ii).	Working capital:	
	<p>(a). The tariff guidelines limits sundry debtors to two months estate income and Railway terminal handling charges payable to Indian Railways while computing the working capital. Since these two items may not be relevant to VSPL, the estimation of sundry debtor for estimation of working capital may be modified in line with clause 2.9.9. of the tariff guidelines.</p>	<p>The sundry debtors figure has been updated as per the guidelines of TAMP i.e., 2 months of terminal handling charges or actuals. The actual debtor outstanding as on 31 March 2007 is Rs.2.63 crores.</p> <p>Except for wharfage and berth hire, other charges are not collected by VSPL in advance. As per the request of the Trade, VSPL has to allow some credit period to the customers. Therefore, one month revenue (excluding vessel related income, which is normally collected in advance) has been considered as sundry debtors for the purpose of working capital calculation. TAMP is requested to agree for the same.</p>
	<p>(b). Furnish detailed working for the estimated inventory bearing in mind clause 2.9.9. of the tariff guidelines.</p>	<p>The inventory figure has been updated as per the guidelines of TAMP i.e., 6 months consumption. The closing inventory as on 31.03.07 is Rs.24.73 lakhs.</p>
	<p>(c). The estimation of cash balance in the working capital may be modified in line with the norms prescribed in the revised tariff guidelines. Furnish detailed basis of computation of this item.</p>	<p>The estimation of cash balance in the working capital has been modified in line with the tariff guidelines i.e., one month cash expenses. Since the TAMP guidelines do not specifically mention any thing about current liability, it has considered the standard working capital ratio norm i.e., 2:1 for calculating liability. TAMP is requested to agree for the same.</p>
16.	<p>Explain the basis of allocation of berth hire income, each item of operating cost, depreciation, overheads and capital employed between Bulk Material Handling System and conventional cargo handling system.</p>	<p>(a). The revenue generated and expenditure incurred towards handling coal has been allocated to Bulk Material Handling System and for cargo items other than coal it has been allocated to conventional handling system.</p> <p>(b). Assets have been identified separately for mechanical method of handling cargo and conventional method of handling cargo and depreciation has been calculated based on the above.</p>

17.	Form 7- Comparison of actual, vis-à-vis the earlier estimates.	
	(i). The individual items considered in Form 7 do not match with the estimates considered in the last tariff Order. The VSPL may consider to make necessary correction in this statement duly tallying the estimates as considered in our Order and actuals as reported in the respective Annual Accounts.	In the old formats of tariff submission, there was no separate column for technical service fee, equipment hire etc. The same were shown under operating expenses that time. Since, the new formats specifically require that data to be filled separately, the same has been shown separately. Further, during the process of capitalisation of assets during the years 2004-05 and 2005-06 certain operating expenditure (including lease rentals, insurance etc.) incurred prior to commercial operations of EQ8 & EQ9 have been capitalised. Annual Accounts specifically, show the same as deduction from total operating expenditure incurred.
	(ii). Since this analysis is to compare the actuals vis-à-vis the estimates considered in the last tariff Order, the computation of return with reference to both the estimates and the actuals may be modified maintaining the position/approach followed in the initial tariff Order.	The cost statement has been modified to link return on capital employed based on capacity utilisation of the terminal.
18.	Furnish detailed computation of credit back of terminal value estimated to accrue at the end of the project as per the terms of the LA applying the appropriate discounting factor.	The terminal value at the end of the project as per the terms of the LA is Rs.4 crores for each berth amounting to Rs.8 crores in total. The terminal value as adopted by TAMP during the previous proposal has been followed for the current proposal also.
SCALE OF RATES:		
1.	General terms and conditions:	
	(i). Modify the proposed note no.8 to include a clause stating that even the VSPL will not raise supplementary or under charge bills, if the amount due to the operator is Rs.100/- or less.	The clause is modified as suggested by TAMP.
	(ii). Update the proposed penal rate of interest and delayed payments by port users or delayed refunds by the operator at 2% above the prevailing Prime Lending Rate of State Bank of India.	The clause is modified as suggested by TAMP.
	(iii). Modify the proposed condition No.14 to include the provisions relating to concessional tariff for coastal cargo/container prescribed vide our Order No.TAMP/4/2000-GenI dated 7 January 2005 and subsequent amendment dated 15 January 2005.	The proposed condition is modified as suggested by TAMP.
	(iv). Incorporate the following conditionality in the proposed SOR as per clause 2.15. of the tariff guidelines: <i>"Users will not be required to pay charges for delays beyond a reasonable level attributable to the VSL."</i>	The condition is included as suggested by TAMP.
	(v). The VSPL has proposed to introduce a condition (note No.15) requiring hirer to deposit the charges for damages in case of damages to craft/equipment, etc. The VSPL	As per the terms of the present insurance policy i.e., Industrial All Risks Policy, only damages having value more than Rs 5 Lacs can be claimed. The damages below Rs.5 Lacs are not covered. Therefore, VSPL intends to keep deposit from the

	<p>proposes to refund the cost of damage received from the insurance company on admittance of its claim. The reasons for introducing the proposed condition need to be explained in the light of the fact that the VSPL has already considered the insurance premium in each of the years 2007-08 to 2009-10 respectively and clause 2.14 of the tariff guidelines requires the port/operator to recover the cost of repairs to damage from the insurance company or contribution if any made to the insurance fund. If VSPL proposes to secure deposit from the user as a contingency measure till insurance company honours its claim, then refund to be made by VSPL should include interest on the deposit so retained.</p>	<p>hirer, to meet liability of expenditure not reimbursed by insurance, if any, for the damage caused to the craft / equipment.</p> <p>Refund to be made by VSPL to the hirer in this regard would entail interest as normally applicable for such refunds.</p>
<p>2.</p>	<p>Section 2.1.1. –Schedule of berth hire</p>	
	<p>(i). Clause 6.10. of the tariff guidelines stipulates single slab of berth hire charge. The proposed berth hire schedule in two-tier slabs as against the existing single tier rate is not found to be in line with clause 6.10. of the revised tariff guidelines. Explain the reasons for this deviation from the tariff guidelines.</p>	<p>Huge cost is being incurred for the dredging to deepen the waterways to cater to large/deep drafted vessel of higher GRT. The berth hire for these class of vessel alone is proposed as a separate slab. Such larger vessels facilitate higher berth outputs. The berth hire rate for this GRT class is so proposed to offset the reduction in stay of vessel at berth on account of such higher outputs as well.</p> <p>Thus, the two slab system proposed is likely to make the facility attractive to all users. As a common user facilitator, it does not discriminate in handling vessels of such GRT which can be handled at the inner harbour berths.</p>
	<p>(ii). Furnish detailed computation of arriving at the proposed berth hire charge of U.S.\$0.0020 per GRT in case of a foreign going vessel above 30000 GRT.</p>	<p>The berth hire for higher GRT vessels is so proposed in order to realise the per tonne component of berth hire.</p>
	<p>(iii). The general note No.3 under this schedules regarding levy of penal rates of berth hire for a false signal of vessel may be elaborated as prescribed in the Scale of Rates of VPT in line with clause 6.6.1. to 6.6.3. of the revised tariff guidelines.</p>	<p>As a Licensee of VPT, it has no role in berthing and unberthing of the vessels. It is only an operator and is dependent on the major port to provide the services. The port follows its own priorities and for no fault of the terminal operator if the vessel is detained at the berth, the terminal operator should not suffer. It has, therefore, requested this Authority not to impose this condition on a terminal within a major port. It is proposed to delete the clause from its SOR.</p>
	<p>(iv). Modify the proposed note No.4 to incorporate that no berth hire charges shall be levied even in case of power failure apart from the other reasons mentioned in the proposed note.</p>	<p>The suggestion of TAMP is accepted and point no.4 in 2.1.1 of SOR has been suitably modified.</p>
<p>3.</p>	<p>Schedule 2.1.2. to 2.1.4. – Penal berth hire charges</p>	
<p>(i).</p>	<p>The output norms proposed by the VSPL based on norms prescribed in the SOR of VPT in 2001 may not be relevant to the VSPL. Based on the experience gained in the actual</p>	<p>As rightly pointed by TAMP the output norms were adopted from the SOR of VPT. Since, VPT has got experience of over 7 decades; the norms fixed by VPT have been adopted and included during initial SOR. But many of the cargo items mentioned in the</p>

	<p>operations, the VSPL may either propose the output norms applicable for its terminal in consultation with users. Alternatively, as already mentioned earlier, recognizing that the output norms are dynamic in nature and need to be reviewed periodically VSPL may propose the principle for fixing the norms in consultation with VPT and users in line with our suggestion to the VPT.</p>	<p>output norms were not handled by VSPL during the last 2 years of operations, except for cargo items like coal, iron ore etc.</p> <p>It agrees in principle with the observations of TAMP. However, as the BMHS which is a major component at its terminal was commissioned only in March 2007, to establish norms it will require some experience.</p> <p>Since, it has gained only three years of experience in conventional handling and 9 months in operation of BMHS, it is not feasible to fix output norms in the proposed SOR. Therefore, after gaining adequate experience, the output norms will be proposed in consultation with users and VPT. Till such time, the existing output norms may be continued.</p>																
(ii).	<p>Furnish an analysis of how many vessels have overstayed at the berth of VSPL, the period of overstay of vessels and the penal berth hire collected by the VSPL for the last 3 years, i.e., 2004-05, 2005-06 and 2006-07.</p>	<p>The requisite details are given below:</p> <table border="1" data-bbox="790 739 1404 918"> <thead> <tr> <th>Year</th> <th>No. of Vessels</th> <th>No of Hours overstayed</th> <th>Penal Berth Hire charges collected</th> </tr> </thead> <tbody> <tr> <td>2004-05</td> <td>1</td> <td>14</td> <td>Rs.0.50 lakhs</td> </tr> <tr> <td>2005-06</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>2006-07</td> <td>2</td> <td>40</td> <td>Rs.1.27 lakhs</td> </tr> </tbody> </table>	Year	No. of Vessels	No of Hours overstayed	Penal Berth Hire charges collected	2004-05	1	14	Rs.0.50 lakhs	2005-06	Nil	Nil	Nil	2006-07	2	40	Rs.1.27 lakhs
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(iii).	<p>When the VSPL expects some performance assurance from vessels, counter assurance in terms of efficiency from the operator's side should also be disclosed. If such minimum assured levels of performance are not met by the operator, it should also be ready to offer rebate in the base tariff. It is reiterated that some counter performance assurance in terms of efficiency from the operator side should be included in the SOR.</p>	<p>Contrary to the major ports which are land lord ports with all the services catered to by various operating agencies, VSPL itself is a functionally operating port. There are not many operating agencies to fix performance incentives/disincentives. Shortfall in efficiency has direct affect on revenue generation. Hence, it will be its endeavor to achieve sustained efficiency. In view of this, the counter performance assurance shall be included in SOR as and when there is increase in operating agencies and to invoke competition among them, after gaining adequate experience.</p>																
4.	<p>Schedule 2.2. Charges for supply of water to vessels</p>																	
	<p>Clause 6.1.2. of the tariff guidelines stipulates that restatement of rates for coastal vessels may not be resorted to with reference to the prevailing exchange rate at the time of each general revision of Scale of Rates while prescribing concessional rate for coastal vessels. In view of this specific clause in the revised tariff guidelines, the charges for supply of water to coastal vessels may be retained at the existing level of tariff without restating it with reference to the prevailing exchange rate.</p>	<p>The suggestion of the TAMP to retain the charges status quo in respect of supply of water to coastal vessels is accepted and modified in the revised draft SOR.</p>																
5.	<p>Schedule 3.1.: Wharfage</p>																	
	<p>(i). Furnish the financial impact of the proposed reduction in wharfage rate from the existing level for all the three years under consideration.</p>	<p>It is to clarify that most of the users negotiate the wharfage and by and large it is compelled to charge wharfage at the VPT tariff as the SOR is the ceiling rate. Therefore, reduction proposed in wharfage rates of coal and fertiliser is not expected to affect the income estimates.</p>																

		<p>The reduction in wharfage rate for coal is Rs.7/- (Rs.33 – Rs.26) and fertiliser is Rs.1.50 (Rs.29 – 27.50). Accordingly, the total reduction will be to the tune of Rs.2.38 crores for all the three years under consideration.</p> <p>There is no change in wharfage rate in respect of other items of cargo projected during the years 2007-08 to 2009-10, hence the impact is not shown.</p>
	(ii). In the revised proposed Scale of Rates, VSPL has introduced wharfage rate for chemicals, crude oil, POL and RBD, palm oil, etc. under Sl. No. 12, 13 and 14. The basis of arriving at the proposed wharfage rate for these cargo items may be explained.	It has not handled the said cargo items so far. Based on the enquiries made by the trade, the VSPL proposes to handle these cargo items in future. The wharfage rates have been proposed based on existing SOR of VPT/other ports. After gaining experience in handling these cargo items, it shall modify the wharfage rate.
	(iii). Advalorem rate proposed for machinery at Sl.No.20 should be done away with in view of clause 4.2.2. of the revised tariff guidelines. The wharfage rate for each cargo may be proposed based on the weight and volume of cargo with reference to the cost of handling instead of proposing advalorem rate.	<p>The suggestion of TAMP is to do away with the advalorem rates in about 5 years time. In this direction, deliberations with concerned will be commenced.</p> <p>The reason for fixing wharfage based on advalorem is keeping in view the high value of cargo under this category. More over, these items being import cargo, VSPL assumes the responsibility of security and safety of the cargo by keeping the same in safe custody till it is cleared. In view of the high risk involved in handling this cargo, it is proposed to continue the practice of charging the same based on advalorem rate. In any case, the volumes of these cargo items is insignificant during the earlier years</p>
	(iv). Explain the reasons and basis for proposing two sets of wharfage rates for unenumerated goods based on the FOB/CIF value of cargo as against the existing single rate.	The reason for proposing two sets of wharfage rates for unenumerated goods is that low value cargo items like, river sand etc., will be affected by charging more wharfage. Keeping this in view, it is proposed to incorporate two sets of wharfage rates for unenumerated goods in line with VPT SOR.
6.	Schedule 3.5: Demurrage charges	
	(i). Incorporate the following conditionality in the proposed SOR flowing from the principle stipulated in clause 2.15. of the guidelines: <i>"Demurrage charge on cargo shall not accrue for the period when the VSL is not in a position to deliver/ship the cargo when requested by the user due to reasons attributable to VSL".</i>	The suggestion of TAMP is accepted and the condition is incorporated in the revised SOR.
	(ii). Also incorporate the following conditionality in the proposed SOR as per clause 4.6. of the tariff guidelines: <i>"If operational area is leased on rental to users, demurrage on cargo stored therein shall not be levied again."</i>	<p>Plot rentals are chargeable beyond the allowable free time for and such subject periods alone as agreed between VSPL and the users. If the plot is not vacated after the agreed period of lease only demurrage is charged then. Lease rentals are not charged for such period when demurrage is charged.</p> <p>The logic behind the suggestion of TAMP is accepted. For the sake of abundant clarity, the following clause is proposed to be added.</p> <p>"Plot rentals are chargeable beyond the allowable free time of 3 days for import cargo and 20 days for</p>

		export cargo. The storage period beyond free time is specifically agreed to between VSPL and the Users. If the plot is not vacated after the agreed specific period, demurrage is charged”.
	<p>(iii). (a). The proposed note will lead to inconsistency in application of tariff to different users since the agreed storage period between VSPL and the users will vary from case to case. Instead it may be more appropriate to prescribe storage charge on graded basis for longer duration of stay of cargo in the terminal.</p> <p>(b). In the light of the above observation and suggestion made in the subsequent query, the proposed note may be deleted and clause 4.6. of the revised tariff guidelines may be incorporated as suggested earlier.</p>	<p>(a). Storage charge will be applicable only when area is leased on rental basis. Note is corrected to avoid inconsistency.</p> <p>(b). Accepted and the following note has been included: “If operational area is leased on rental to users, demurrage on cargo stored therein shall not be levied again”.</p>
7.	Schedule 3.6.: Storage charge	
	Demurrage charge is for stay of cargo in the transit area. Whereas storage charge is for the area allotted for stacking cargo as a warehouse facility. In view of this distinction, explain the reasons for proposing to change the unit of levy of storage charge from the existing "per 100 sq. mtr." basis to "per tonne basis". Even users consulted on the revised proposal have raised objection on the proposed modification in the unit of levy. The VSPL may consider continuing with existing unit of levy. The rate may be arrived at on a graded basis taking into consideration the investment made by it for developing the stacking area, average storage time and other relevant factors.	The stock pile area of the terminal is about 55,000 sq mtrs. only. The sub-soil condition being very poor with recent incidents of subsidence, the storage capacity has been limited drastically. The VSPL cannot afford to keep the cargo more than 3 days in the transit area. Any further extension in storage period would result in berths becoming unproductive with no space for loading or unloading of cargo which in turn would further affect the throughput and revenue. The VPT is expected to allot additional land, away from the terminal shortly. Upon development, same can be treated as storage area. As explained above, the land allotted to it in contiguous to berths is very limited and needs to be evacuated immediately after discharge, to have better productivity. Therefore, the back up area is to be treated as “transit area”. In order to discourage the trade from keeping their cargo for unduly longer period and as a measure to evacuate the cargo immediately, it is proposed to charge the unit on per ton basis for storage of cargo in this area instead of per 100 sq mtr rate per week as existing in the present SOR. It is to submit that the VSPL is not a warehousing facility and does not have vast land to lease out land on rental basis.
8.	Schedule 3.9.: Stevedoring charges	
	(i). List out the services provided against levy of stevedoring charges.	The stevedoring activity involves deployment of on board labour, deployment of gear supply, deployment of on board equipment like Poclains, Pay Loaders, illumination, infrastructure, supervision etc.,
	(ii). The basis of arriving at separate stevedoring charges for different commodities may be explained along with detailed computation with reference to the cost of providing such stevedoring services.	(a).The stevedoring charges for different commodities obviously will have to vary with complexity involved and effort required to load/unload the cargo. Further, the output that can be achieved also is dependent upon the physical characteristics of the respective cargo. The most important factor for bulk cargo being

	<p>(iii). Justify the proposed increase of 8.7% in respect of pet coke, calcined pet coke, limestone, gypsum, 66% increase in iron ore, 15% in coking coal, 11% increase in feldspar and 33% increase in granite with reference to the increase in the cost of providing stevedoring services from the present cost level.</p>	<p>bulk density of the cargo, its moisture content, grain size, weight, the equipment required to be used in the holds of the vessel, the composition of the manual labour, etc.</p> <p>(b). It is to submit once again, that it is not feasible at this stage to give individual cost break up cargo wise for stevedoring activity. The rates have been proposed and accepted by the trade. It is to be noted that, even after considering these rates proposed in the SOR, it is not getting the required Return on Capital Employed as allowed as per the TAMP guidelines. After gaining adequate experience, the VSPL shall modify the rates after taking in to consideration cost involved. Therefore, TAMP is requested to agree for the same.</p>																																				
	<p>(iv). Furnish a detailed computation of the proposed stevedoring charges of Rs.175 per tonne in respect of project cargo based on the cost of the services provided.</p>	<p>In case of break bulk cargo, the most important factors that would influence the output are dimensions of the cargo, its weight of individual sling load, stowage factor involved, extra safety measures required and the composition of the manual labour. Apart from these, the value of the cargo also determines the stevedoring rates. The principal applied here is that port operator can only charge such rates which the trade can bear.</p>																																				
	<p>(v). Justify the stevedoring charges newly proposed for cement clinker, RBD palm oil (for industrial application) including raw material for bio diesel, other liquid cargo, unenumerated goods/cargo with reference to the cost incurred for providing the services.</p>	<p>VSPL has not handled the said cargo in the past. Based on the enquiries made by the Trade, VSPL is expecting to handle these cargoes in future. After gaining experience in handling these cargoes, VSPL shall modify the rates after taking in to consideration the costs involved.</p>																																				
<p>9.</p>	<p>(i). Clause 6.8. of the tariff guidelines stipulates that tariff should be linked to benchmark levels of productivity. The VSPL has not indicated anything about the productivity levels to be maintained for various operations/services. In view of specific provision in the guidelines and as already mentioned in the initial tariff fixation Order, the VSPL is advised to propose the productivity parameters for offering stevedoring services, harbour mobile crane services, etc. based on the experience gained in the actual operations and propose suitable incentive scheme for better performance of terminal and disincentive scheme for performance below the benchmark levels.</p>	<p>While the EQ8 and EQ9 berths are operational with conventional means since July 2004 and Sept 2005, the BMHS was commissioned only in March 2007. The TAMP guidelines of incentive / disincentive with regard to performance would be implemented in due course TAMP is requested to agree for inclusion of same in the next revision of SOR.</p> <p>However, the following norms are agreeable for Bulk Material Handling system for VSPL.</p> <table border="1" data-bbox="805 1489 1412 1825"> <thead> <tr> <th>No.</th> <th>Commodity</th> <th>Method</th> <th>Output norm (Tonnes Per Hour)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Coking Coal</td> <td>BMH</td> <td>600</td> </tr> <tr> <td>2.</td> <td>Coking Coal</td> <td>Conventional</td> <td>500</td> </tr> <tr> <td>3.</td> <td>Steam Coal</td> <td>Only conventional</td> <td>500</td> </tr> <tr> <td>4.</td> <td>Gypsum</td> <td>Only conventional</td> <td>500</td> </tr> <tr> <td>5.</td> <td>Iron Ore</td> <td>Only conventional</td> <td>600</td> </tr> <tr> <td>6.</td> <td>Fertilizers</td> <td>Only conventional</td> <td>300</td> </tr> <tr> <td>7.</td> <td>BF slag</td> <td>Only conventional</td> <td>600</td> </tr> <tr> <td>8.</td> <td>Break Bulk with Vessel's Gear</td> <td>Only conventional</td> <td>100</td> </tr> </tbody> </table> <p>Note:</p> <p>The above norm for the dry bulk cargo (No.1 to 4) are for cargo with moisture content of 9% maximum. Output would come down by 50 tons per hour for increase of every 1% of moisture thereof.</p>	No.	Commodity	Method	Output norm (Tonnes Per Hour)	1.	Coking Coal	BMH	600	2.	Coking Coal	Conventional	500	3.	Steam Coal	Only conventional	500	4.	Gypsum	Only conventional	500	5.	Iron Ore	Only conventional	600	6.	Fertilizers	Only conventional	300	7.	BF slag	Only conventional	600	8.	Break Bulk with Vessel's Gear	Only conventional	100
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	<p>(ii). It is found that the output norms stated in the reply are almost same for most of the commodities as prescribed in pre-revised SOR of VPT in the year 2001 for levy of penal berth hire. Explain the basis of arriving at output norms for different commodities. Also, confirm whether the proposed output norms are arrived at based on consultation with the concerned users. If so, a copy of the consent letter of the users may be forwarded.</p>	<p>The output norms given earlier are based on experience gained during the last 2 years of operations. But as mentioned above, to prescribe better output norms in the SOR, it needs to gain some more experience in handling these cargo. Till such time, it is proposed to go ahead with the existing norms in SOR.</p>
	<p>(iii). The VSPL has not proposed any suitable incentive/ disincentive scheme based on the output norms indicated in the reply. The VSPL may, therefore, consider to devise a suitable incentive/disincentive scheme for stevedoring services based on experience gained in actual operations.</p>	<p>Suitable incentive / disincentive scheme based on the output norms shall be introduced as and when number of operating agencies increase, to invoke competition among them and after gaining adequate experience.</p>
<p>10.</p>	<p>Schedule 4.1. (104 tonne harbour mobile crane)</p>	
	<p>(i). (a). Furnish the basis of arriving at the proposed rate of Rs.64 per tonne for hire of harbour mobile crane along with a detailed computation.</p>	<p>(a). The VSPL had invested an amount of about Rs.29 crores for procuring 2 nos. harbour mobile cranes. Apart from initial capital outlay, recurring expenditure is also incurred for operation and maintenance of the equipment. The rate is arrived on overall cost basis approved by TAMP during the previous tariff proposal and the same rate is proposed to be continued for the three years also.</p> <p>(b). Each item and services rendered is not amenable to be priced on stand alone basis in view of the interdependency on the entire infrastructure created. The test, therefore should be the competition with the immediate neighborhood, compatibility of service, impact of higher productivity, acceptability of user, and expected return on investment. For the capital investment of about Rs.345 crores, the gross revenue as per proposed SOR tariff is assessed for the coming years which works out on an average at Rs.94 crores and after duly catering to associated costs, the ROC works out to an average of -6% as against 16% ROC allowed by TAMP.</p>
	<p>(ii). The VSPL has proposed to delete the existing note (4) under Schedule 3.6. Consequently, it proposes to levy commodity-wise stevedoring charges which is in the range of Rs.20 to 175/- per tonne in the revised proposed Scale of Rates in addition to Rs.64/- towards hire charge of mobile crane as against the prevailing composite rate of Rs.70 per tonne applicable if users avails all the stevedoring services along with hire of mobile crane. Apart from this, revenue of Rs.40 per tonne is estimated for offering services on-shore. Since the impact of the modifications proposed in the revised Scale of Rates will be significant, the</p>	<p>(a). In the initial tariff fixation proposal in 2005, only shore labour component of Rs.6/- per ton was provided under HMC Crane Hire charges. It had at that time missed out various inputs that go in to the working of a Mobile Harbour Crane.</p> <p>(b). In the revised proposal, it has proposed to delete the existing note 4 prescribing additional levy of Rs.6 per tonne for usage of all stevedoring services in addition to usage of harbour mobile crane on the grounds that it had missed the following inputs that go in to the working of a Mobile Harbour Crane while filing the initial proposal:</p> <ol style="list-style-type: none"> (1). Deployment of highly skilled operators (three in each shift per crane) (2). Manufacturer trained maintenance crew round the clock

	<p>VSPL is requested to furnish breakup of cost details commodity-wise for each tariff items i.e. hire charge of mobile crane, stevedoring services and on-shore operations to justify each of the proposed rates.</p>	<p>(3). On shore signal man for directing the movement of crane, discharge point, hooking and unhooking, (4). On board Tindals and signal men as well as labour. (5). Equipment such as pay loaders and procalines in the holds for aggregating cargo to match the huge bite capacity of the grabs (25 tons) (6). Bob cats and slurry pumps for catering to cargo with high level of water. (7). Round the clock surveyors' presence to ensure damage and contamination free operations.</p> <p>The rate of Rs.6/- is not even covering 25 % of above costs. Therefore this clause is deleted. Stevedoring charges are proposed to be colleted separately for each cargo in addition to hire charges of the crane, if the users avail stevedoring services in addition to the usage of Mobile Harbour Crane. The above activities would be covered under stevedoring charges. The financials have also been updated accordingly.</p>								
	<p>(iii). The impact of the increase at the proposed tariff for users availing (i) stevedoring plus Harbour Mobile Crane (HMC) and (ii) stevedoring plus HMC and services on-shore may be indicated.</p>	<p>The impact on revenue due to proposed modification in tariff is given below:</p> <table border="1" data-bbox="790 929 1109 1048"> <thead> <tr> <th>Year</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>2007-08</td> <td>Rs.4.14 Cr</td> </tr> <tr> <td>2008-09</td> <td>Rs.4.35 Cr</td> </tr> <tr> <td>2009-10</td> <td>Rs.4.56 Cr</td> </tr> </tbody> </table>	Year	Amount	2007-08	Rs.4.14 Cr	2008-09	Rs.4.35 Cr	2009-10	Rs.4.56 Cr
Year	Amount									
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2009-10	Rs.4.56 Cr									
	<p>(v). The VSPL in their reply dated 8 November 2006 apart from other points has mentioned that most of the cargo receivers do not utilise these cranes. This seems to be contradictory to its submission elsewhere in the proposal where 80% of the cargo is assumed to be availing the services of harbour mobile cranes. When 80% of the cargo receivers are expected to avail the facility of harbour mobile crane as per its own submissions, please explain on what basis this equipment can be treated as special purpose crane / handling system.</p> <p>Are these cranes not discharging the cargo handling service as done by wharf cranes? Please justify how these cranes can be considered as special purpose cranes / handling system and not as wharf cranes.</p>	<p>(a). The Harbour mobile Cranes are mainly intended to form part of the Bulk Material Handling System for unloading bulk cargo from the ship into the Mobile Hoppers and also do not come under berth hire even as per TAMP guide lines 6.5.2, which clearly states that special purpose cranes / handling system shall not be treated as wharf cranes.</p> <p>(b). VSPL intends to provide mechanical cargo handling operations in its terminal; therefore, it had procured Harbour Mobile Cranes as integral part of Bulk Material Handling System instead of traditional rail mounted grab unloaders. Thus the HMCs' are special purpose cranes.</p> <p>(c). These Harbour Mobile cranes are not attached to wharf. As such they can not be treated on par with wharf cranes. It is to submit once again that the Harbour Mobile Cranes are movable in nature and can be operated any where in the terminal, and also these cranes are mainly intended to form part of Bulk Material Handling System. These cranes are to be reckoned as special purpose cranes/handling systems as per the revised guidelines of TAMP.</p> <p>(d). Out of about 80% of cargo handling expected to be undertaken by HMCs, 60% of the total handling is through Bulk Material handling System and about 20% is to utilize HMC. This will also come down if other vessels calling at the facility also use their gear, a case normally applicable for most of Handymax vessels. Therefore, every justification</p>								

		exists to reckon these HMCs as Special Purpose cranes/handling systems. Guidelines of TAMP also exclude special purpose cranes/handling systems from inclusion in composite berth hire. Therefore, it is not correct and justifiable to club the charges along with berth hire, which is applicable only in the case of wharf cranes.
11.	Schedule 4.2.: Dust suppression system charges	
	(i). Justify the proposed rate of Rs.1.50 per tonne towards dust suppression system charges with reference to the cost of providing this service by the VSPL. That, this rate is prescribed in the SOR of VPT cannot be the reason for proposing the rates in its SOR.	It is reiterated that the VSPL has invested an amount of Rs.2.46 crores towards dust suppression equipment, which is mandatory as per Andhra Pradesh Pollution Control Board. Apart from initial capital outlay, recurring expenditure like, regular maintenance of the system, water sprinkling charges, power, manual supervision, overheads etc are to be incurred. The rate is arrived on overall cost and also the same is as per VPT SOR.
	(ii). Explain the reasons for introducing the dust suppression charges for break bulk cargo. Also, explain the basis of arriving at the proposed rate of 0.50 paise per tonne towards dust suppression of break bulk cargo.	The cost sheet is attached to justify the proposed rate. It is to be noted that the average per ton cost of dust suppression charges is coming to Rs.1.77 whereas; VSPL proposes to charge Rs.1.50 per ton in line with rate prescribed in the Scale of Rates of VPT. The reason for introducing the dust suppression charges for break bulk cargo @ 0.50 paise per ton is to fall in line with the VPT SOR.
	(iii). The cargo items which will be offered dust suppression services and are liable to pay the proposed charge may be explicitly specified in the proposed Scale of Rates	All dry bulk and break bulk cargoes will be offered water sprinkling services. Specifically cargoes like Fertilizers, Urea etc., do not require water sprinkling.
	(iv). Furnish reasons why this charge should not be merged with the wharfage rate of the relevant cargo.	Water Sprinkling System is introduced to suppress the dust as per the norms of Andhra Pradesh Pollution Control Board. This is a separate cost incurred to fulfil the statutory obligations of pollution norms. Hence, it needs to be charged separately and should not be merged with wharfage. Even the VPT has also not merged it with wharfage.
12.	Schedule 4.3.: Weighment charges	
	(i). Furnish a detailed computation of arriving at the proposed weighment charge of Rs.3 per tonne and Rs.5 per tonne in respect of 80 tonne and 120 tonne weighbridge respectively with reference to the investment, cost of operation, etc.	VSPL has invested an amount of Rs.17 lakhs and Rs.30 lakhs in procuring 80 Ton Electric Road Weigh Bridge and 120 Ton In motion Weigh Bridge. In addition to the above, manpower cost, maintenance cost and overheads etc., is to be incurred on regular basis. Therefore, the rates have been fixed accordingly on overall cost basis. In fact, the comparable rates in VPT are very much higher.
	(ii). The weighbridge charges prescribed in the Scale of Rates of VPT is Rs.11.50 to Rs.23.00 per truck / trailer as against Rs.3 per tonne and Rs.5 per tonne proposed by the VSPL. Hence, the statement made by the VSPL that the rates prescribed in the Scale of Rates of VPT for weighment charge is higher than the proposed rates is not correct.	Noted
	(iii). The VSPL has not furnished cost details to justify the proposed	Weighment service is provided as an optional service at the request and requirement of the

	<p>weightment charge and hence our query in this regard is reiterated.</p>	<p>customer, therefore it is not possible to predict the exact quantity availing this service so as to arrive actual costing. Therefore, on overall basis the charges are proposed. As explained above, even after considering these rates, VSPL is not getting the required ROCE.</p>
	<p>(iv). Weightment charge at most other major ports / private terminals is prescribed on 'per truck' / 'per trailer' basis and not on tonnage basis. In the light of this position prevailing at other major ports / private terminals justify the basis and reasons for proposing weightment charge on the basis of tonnage carried by truck / trailer. VSPL may consider to propose this tariff item on 'per truck' / 'per trailer basis'.</p>	<p>It is to bring to the notice of TAMP that certain ports are charging weightment charges based on per ton basis only instead of truck / trailer basis Therefore, VSPL would also like to propose weightment charges based on per ton.</p>
<p>13.</p>	<p>Schedule 4.4.: Material handling system for handling of bulk cargo</p>	
	<p>(i). Furnish a detailed computation of each element included in the composite rate of Rs.189 per tonne for handling of bulk cargo through mechanised handling system.</p>	<p>(a). The annualised cost of the facilities developed and the likely volumes of coal imports at EQ8 berth through the BMHS are considered in arriving at the per tonne rate of the BMHS. It has furnished detailed computation in this regard. The rate is fixed after taking into consideration the capital investment of Rs.254 crores and cost involved for operation, maintenance and general overheads. It has also explained the entire operations of handling cargo through BMHS.</p> <p>(b). This is the first time the operations are carried out through mechanised system using BMHS. The implications of costs and expenditure to be incurred would be better known only after certain period of time after handling reasonable vessels. While the break up costs for major components are indicated in the proposed SOR, it is not the intention to charge these components in isolation except HMC and Weigh Bridge charges.</p> <p>(c). The composite rate for undertaking all the activities under BMHS is proposed at Rs.180/- PMT.</p> <p>(d). Some of incentives for users are:</p> <ol style="list-style-type: none"> (1). The BMH is designed for handling Gearless Panamax Vessels compared to Geared Vessels offering considerable freight benefit of minimum USD 4 per ton which is a huge advantage to the users. The freight advantage alone would compensate for full cost of the Bulk Material handling System for the users. (2). Apart from freight advantage, cargo losses are limited to 0.5% for dry bulk cargo. (3). Discharge rate with a combination of stacking line and Harbour Mobile Crane is at the rate of 700 tonnes per hour. (4). Mechanized cargo sampling collection facility for coking coal integrated with Bulk Material Handling System facilitate users

		<p>to determine the quality of cargo on a random basis.</p> <p>(5). Reclaimer System integrated with Wagon Loader and Excavators achieve a load rate of 1 rake in 3 hours, which will enable users to gain 5% freight advantage.</p> <p>(6). Online belt weigh scales to load wagons to their full capacity thereby eliminating under-loading or over-loading.</p>
	(ii). If these services are proposed to be out sourced, please substantiate the proposed rates with documentary support in form of contracts given to contractors for providing these services.	As of now only operation and maintenance of BMH system is outsourced to a contractor. A copy of the contract is furnished.

6.2. As mentioned above the VSPL has furnished revised cost statements along with its reply. The revised cost statement shows average net deficit position of 89% for the years 2007-08 to 2009-10 as against the average net deficit of 90% estimated in its June 2007 proposal for those years.

7.1. The VPT was also requested to furnish additional information/clarification. The VPT has furnished its reply. A summary of queries raised by us and the reply furnished by the VPT are tabulated below:

Sr. No.	Queries raised by us	Reply of VPT
(i).	Furnish specific comment on the reasonableness of the traffic projections made by the VSPL. A rough indication of additional traffic likely to be handled by the VSPL on account of commissioning of bulk handling system from March 2007 onwards may also be indicated.	The realization of traffic projections by the private party depends on its ability to attract trade by offering efficient services at economic cost, ability to market its services, etc. The estimated traffic of iron ore, B.F.slag, fertilisers, gypsum/lime stone and others are reasonable. However, the traffic estimation of coal at 30 lakhs tonnes, 31.50 lakhs tonnes and 33 lakhs tonnes for the years 2007-08, 2008-09 and 2009-10 respectively are on the higher side. It is of the opinion that a maximum of 20 lakhs tonnes can be handled during this period keeping in mind the backup space available to VSPL.
(ii).	Comment on the reasonableness of average discharge rate and average ship size considered by the VSPL for estimation of berth hire income. The expected average discharge rate with commissioning of the Bulk Material Handling System may also be indicated.	The average discharge rate of 12000 tonnes per day for all bulk cargo vessels and 6000 tonnes for other break bulk cargo indicated is correct in respect of Handymax vessels. The VSPL is, presently, handling even Panamax vessels. In that case the discharge rate may increase upto 15000 to 18000 tonnes per day.
(iii).	(a).As per clause 3.9.(c). of the License Agreement, it is the obligation of the licensor to provide for maintenance dredging of entrance channel and alongside the draft upto 10.70 mtrs. draft. In this context, clarify how this item can be considered as item of cost in the tariff fixation of the VSPL in view of this specific provision in the LA.	The maintenance dredging of entrance channel at 10.70 mtrs. depth is being carried out by VPT as provided in Clause No.3.9 (c)(i)(b). Hence the expenditure towards the same cannot be considered as item of cost in the tariff fixation of M/s.Vizag Seaport Private Ltd. As regards maintenance dredging alongside the berths EQ-8 & EQ-9, in view of the

		inconsistency between the clauses 3.9 (c)(i)(d)&(e), the maintenance dredging at 10.7 mtrs. along side the berths EQ-8 & 9 upto 50 mts., is not being carried out by VPT and the same is being carried out by VSPL itself. Hence, the expenditure towards the same can be considered as item cost in tariff fixation of M/s. Vizag Seaport Private Ltd.
	<p>(b). If the draft achieved is more than 10.70 mtrs., then clarify whether any vessels arriving at the berths of the VPT also derive benefit from increased draft.</p> <p>In case the vessels arriving at the berths of VPT are also expected to derive the benefit of increased draft on account of maintenance dredging cost incurred by the VSPL, then intimate the whether the VPT and the VSPL had any discussion regarding sharing of the maintenance dredging cost.</p>	The License Agreement envisages carrying out maintenance dredging upto 10.7 mtrs. dredged depth with a provision for future dredging upto 12.5 mtrs. The Licensee has made a request to Visakhapatnam Port Trust to allow them to take up the deepening and widening of entrance channel, Inner Harbour Turning Circle and water ways leading to EQ-8 & EQ-9 berths upto 13.5 mtrs. dredged depth at their own risk and cost to facilitate bringing Panamax vessels to their berths. With the approval of Government, an MOU was entered into between M/s.VSPL and VPT which is separate and distinct and has no relation to other matters / agreements existing between VPT and M/s.VSPL. According to the MOU entered into with the VSL, the deepening under capital dredging for accommodating the increased draft vessels shall be carried out by M/s.VSPL at their cost, risk and responsibility and VSPL shall not consider this investment as an expenditure under the license agreement and shall not claim any compensation and incremental tariff on this account. Maintenance dredging will thereafter be done by VPT except alongside the berths EQ-8 & EQ-9.
	(c). Indicate the reasonableness of the estimated dredging considered by VSPL. Since VPT also engages dredging contractors, the dredging cost / cubic mtr. incurred by VPT may be furnished.	The dredging cost per cubic mtr. work carried out at VPT is around Rs.146.51 per cubic metre.
(iv).	Confirm that the estimation of lease rentals payable by the VSPL are in line with the lease rent prescribed in the SOR of the VPT and also in accordance with the terms of the LA. Furnish the exact lease rentals applicable to the land leased to the VSL.	Actual lease-rentals works out to Rs.58.41 lakhs for 2006-07 (as per section 6 (2) of VPT SOR) and onwards till 2009-10.
(v).	Appendix 14 of the LA, envisages an investment of Rs.145 crores in the first two years (i.e., 2004-05 and 2005-06), Rs.30 crores additional investment in the third year, i.e. 2006-07 and another Rs.30 crores from 4 th to 6 th year (i.e., 2007-08 to 2009-10). As against this, the VSPL has reported gross block of Rs.224.2 crores at the end of the year 2005-06 and additional investment of Rs.112.79 crores is estimated in 2006-07 and Rs.5.07 crores in 2007-08 is estimated.	The year-wise investment plan furnished by the licensee at Appendix-14 of the license agreement is only a tentative and preliminary year-wise investment planned by them and shall broadly abide by the year wise investment plan as per Clause 3.9(a)(i)(g) of the license agreement. The licensee indicated therein that, depending upon the type and volumes of cargo to be handled additional investment would be made. The investment of Rs.214.20 crores

	Investment made by the VSPL upto the year 2006-07 and additions proposed to the gross block in the years 2007-08 do not seem to be in accordance with the terms of License Agreement entered into between the VSL and VPT. Comment.	upto 2005-06 is broadly adhering to the investment plan planned by the licensee. The additional investment Rs.212.79 crores, during 2006-07 estimated by the licensee seem to be on higher side in view of the reason that the cost towards capital dredging for deepening is included in the estimates, which should not be considered as an item of cost for tariff fixation by VSPL as per MOU entered into between VPT and VSPL.
(vi).	Indicate the existing assessed capacity of the two berths handled by the VSPL taking into consideration the investments made by operator and the equipment deployed for the operations. Also, indicate the assessed capacity of the operator for the years 2006-07 to 2009-10 taking into consideration the additional investment proposed during the years 2006-07 and 2007-08 for construction of bulk material handling system.	The combined capacity of two berths based on the facility available and backup space, is assessed at 5 million tones per annum as per VPT's calculations
(vii).	(a). Confirm that the estimation of revenue share payment are in accordance with the terms of the LA.	The revenue share payment estimates were made considering that the Royalty is payable on wharfage and berth hire only. VPT's contention is that the Royalty shall be payable on handling charges also since the handling charges from 104 MT Harbour Mobile Cranes shall be included in the berth hire charges and charges for bulk material handling system are to be included in wharfage as a composite charge. Therefore the royalty payments to be made are Rs.14.19 crores, Rs.14.90 crores and Rs.15.64 crores for the years 2007-08, 2008-09 and 2009-10 respectively.
	(b). Clause 5.1 of the License Agreement stipulates that the licensee shall pay the licensor royalty equivalent to 17.111% of the gross revenue earned by the licensee from the operation of the project facilities. The term gross revenue has not been specifically defined in the License Agreement. In general terms, gross revenue means the total revenue earned. In view of this position, clarify on what basis gross revenue is considered as revenue earned from berth hire and wharfage charge for the computation of the revenue share when the VSPL generates revenue from various other tariff items prescribed in its SOR. Also, clarify whether this arrangement of computing the gross revenue has specific approval of the Government.	<p>The original bid document was issued in January, 1999. Subsequently, the bid document was revised based on the model bid document issued by IDFC and communicated by Ministry vide letter dated 28.3.2000.</p> <p>The gross revenue has not been specifically defined in the License Agreement signed in the year 2000 but in the original bid document issued in January, 1999, it was stated that the bidder shall quote royalty as a rate per tonne of cargo and also as a percentage of gross annual turnover at the terminal / berth.</p> <p>The gross annual Turnover is sum of berth hire and wharfage charges collected by the licensee from the users of the berth for the ships / cargo handled at the berth subject, however, to the condition that royalty is payable for the minimum guaranteed throughput at the berth irrespective of whether the same is achieved or not.</p>

		<p>On receipt of revised bid document, a reference was made by the bidder to confirm the definition of gross revenue as the sum total of berth hire and cargo wharfage as indicated in the original bid document (January, 1999) and it was confirmed by the VPT gross revenue earned at the terminal is deemed to include berth hire charges and cargo wharfage.</p> <p>In VPT Scale of Rates the berth hire charges includes crane hire charges and wharfage includes charges for mechanical handling facility. The VPT Scale of Rates was provided along with the bid document as a guideline. Thus the bidders were aware of the same at the time of bidding and VSPL cannot take the plea that crane hire charges should not be included in berth hire charges. The lease agreement between VPT and VSL which includes the clarification of VPT regarding gross revenue has the approval of the Government.</p>
	<p>(c). The tariff guidelines allows the royalty/revenue share payable by the private operator to the landlord port in those BOT cases where the bidding process was finalised before 29 July 2003 as a cost for tariff fixation subject to maximum of the amount quoted by the next lowest bidder. In this regard, the revenue share quoted by the next highest bidder may be furnished along with an extract of the relevant document. Also, indicate the exact date when the bidding process was finalised in this case.</p>	<p>A copy of the price proposal submitted by the next highest bidder M/s.South India Corporation Limited is furnished which shows that the royalty quoted is 12.811% of the gross revenue.</p>

7.2. In addition to the above, the following are the remarks of VPT on the proposed SOR of M/s.VSPL submitted to TAMP for approval and notification:

- (i) It is observed that M/s.VSPL intends to levy charges incidental to cargo handling separately, duly delinking with Wharfage charges probably to take advantage that charges other than Wharfage are not being considered for royalty payment. As per Directing Group's recommendation simplification and rationalisation of Port procedures (para 3.3.14), the following charges are to be merged with Wharfage viz.
 - (a). Delivery charges (b). Loading / unloading charges (c). Re-stacking charges (d). Removable charges (e). Weighment and measurement charges. Hence the charges proposed against item D (d) under Material Handling system for handling of bulk cargoes are required to be merged in the Wharfage. In the event that if such facility are not being used by any cargoes, a rebate may have to be prescribed.
- (ii). In the Scale of Rates of VPT, the wharfage for iron ore through mechanical system includes tipping & stacking, railway wharfage and handling charges, etc. For manual handling, a separate wharfage has been prescribed. The same principle should apply as otherwise in VSPL case else it will be deprived of getting royalty on such separate levies.

- (iii). The rate for deployment of 104 tonne Harbour Mobile crane @ Rs.64/- per tonne or part thereof subject to minimum of Rs.3,20,000/- is to be included in the berth hire charges as already submitted earlier.
- (iv). Three-tier slab rates of berth hire is to be fixed similar to the pattern suggested by TAMP to VPT.

8.1. The VSPL has subsequently at our request updated the cost position for the 2007-08 with actual. Consequently, it has modified the estimates for 2008-09 and 2009-10 and has also furnished estimates for the year 2010-11.

8.2. The cost position as per the revised cost statements filed by the VSPL reflects a total deficit of Rs.14402.53 lakhs for the years 2008-09 to 2010-11. This works out to average deficit of 98% on the income estimated for the three years.

8.3. The VSPL has stated that it is incurring huge losses due to non-revision of the Scale of Rates. It has reported net loss of Rs.11.28 crores in 2005-06, Rs.7.03 crores in 2006-07, Rs.12.44 crores in 2006-07 and Rs.16.99 crores in 2007-08. The VSPL has informed that it has adopted the proposed Scale of Rates since the same is for a downward revision compared to the existing Scale of Rates to ensure parity with the VPT and as requested by the trade. It has further submitted that even at the proposed Scale of Rates it does not earn 16% of ROCE.

9.1. A joint hearing in this case was held on 19 December 2008 at the VPT premises. The VSPL made a power point presentation of its proposal. At the joint hearing, VSPL, VPT and the concerned users/ user associations have made their submissions.

9.2. At the joint hearing, the VSPL was advised to furnish the actual physical and financial performance for the period from April - December 2008 with updated estimates for the future period.

9.3. As decided in the joint hearing, the VSPL has vide letter dated 29 January 2009 furnished the updated cost statements based on actual physical and financial performance from April to December 2008. Consequently the VSPL has revised the estimates for the years 2008-09, 2009-10 and 2010-11. A summary of the cost position reflected by the cost statement is tabulated below:

Sl. No.	Particulars	(Rs. in lakhs)		
		Cost position as per its revised proposal dated 29 January 2009		
		2008-09 (Estimates)	2009-10 (Estimates)	2010-11 (Estimates)
1.	Estimated traffic in million metric tones (MMT)	4.45 MMT	4.94 MMT	5.19 MMT
2.	Operating income	4673.62	5201.90	5461.99
3.	Total cost including depreciation.	5305.50	5383.14	5211.65
4.	FMI minus FME	2.00	2.00	2.00
5.	Surplus/Deficit (2-3+4)	(629.89)	(179.24)	252.34
6.	Capital Employed	24765.74	28472.79	27044.28
7.	16% ROCE	3962.52	4555.65	4327.08
8.	Net deficit (5+7)	(4592.41)	(4734.89)	(4074.75)
9.	Net deficit as % of operating income	(-)98%	(-)91%	(-)75%
10.	Average net deficit		88%	

It has reported that the total accumulated loss for the period upto 31 December 2008 has mounted to Rs.50.61 crores

10. 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>.

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

- (i). The initial tariff proposal was filed in name of Vizag Seaport Limited. The instant proposal for review of the Scale of Rates is filed in the name of Vizag Seaport Private Limited (VSPL). In support, a copy of Certificate dated 24 March 2004 about the change in name of the Company issued by the Registrar of Companies has been furnished. Even the Memorandum of Understanding signed between the Visakhapatnam Port Trust in the year 2006 for dredging work is in the name of the new Company i.e. Vizag Seaport Private Limited. This Authority proceeds to prescribe the revised Scale of Rates for the renamed company as requested by the VSPL.
- (ii). The proposal filed by VSPL in June 2007 was based on estimates for the years 2007-08, 2008-09 and 2009-10. Subsequently, on our advice, the cost statements were updated with actuals for the years 2007-08 and 2008-09 (upto December). Consequently the estimates for the years 2009-10 and 2010-11 are also modified based on the previous years actual.

The proposal filed by the VSPL dated 30 June 2007 and subsequent submissions made by the VSPL along with the revised cost statement filed by it on 29 January 2009 are considered in this analysis.

- (iii). The actual traffic handled for the financial years 2004-05 (eight months), 2005-06 and 2006-07 are reported at 0.83 Million Metric Tonnes (MMT), 1.59 MMT and 2.37 MMT as against the estimated traffic of 1.06 MMT, 4.20 MMT and 5.24 MMT based on which the initial tariff was fixed. One of major reasons attributed by VSPL to the reduction in traffic is lower utilisation of cargo handling facilities at EQ-8 when Bulk Material Handling System (BMHS) was being installed at that berth. Bulk Material Handling System (BMHS) is reported to have been commissioned in January 2007.

The actual traffic handled by the VSPL for the financial year 2007-08 is 3.88 MMT and for the year 2008-09 upto December it is reported at 3.76 MMT. The VSPL has, subsequently, updated the traffic projections to 4.45 MMT, 4.942 MMT and 5.189 MMT for the years 2008-09 to 2010-11 in the revised cost statement filed on 29 January 2009 based on the actual traffic handled during the first nine months of the year 2008-09. The revised traffic projections of coking coal included in the total projection is also revised to 2.60 MMT, 3.0 MMT and 3.15 MMT respectively for the corresponding period. The overall growth in the volume assumed by the VSPL is 11% for the year 2009-10 and 5% for the year 2010-11 over the estimates of the respective previous years.

The revised traffic estimates furnished by VSPL is relied upon for the purpose of this analysis. At the time of the next general review of tariff to be undertaken after the validity period is over, if any undue advantage is found to have accrued to the Terminal Operator due to wrong estimation, the additional surplus earned will be accounted for in the tariff to be fixed then as per the tariff guidelines.

It may be relevant to mention here that this Authority had in a case of a private container terminal, evolved an improved approach to recognise volume efficiency achieved by the operator. In this approach, the tariff was fixed based on the volumes equivalent to the standard capacity of the terminal. The level of standard capacity was determined by applying the formula and relevant parameters provided in the upfront tariff guidelines of 2008. Though the tariff determination was made with reference to standard capacity, the revenue contribution from additional volume was recognised to reduce the quantum of pass through of royalty which otherwise would have been admitted. Thus it was a win-win situation for both operator and users as the approach recognised the volume efficiency of

an operator and at the same time reduced the burden of royalty as pass through to be borne by users.

In the case of the VSPL, the standard capacity cannot be computed following the formula contained in the 2008 tariff guidelines due to significant variation in the actual position with reference to the parameters relevant to assess the standard capacity. The capacity of the terminal assessed by the VSPL is 6.7 MMT. As against this, the traffic handled /estimated by the VSPL as stated above is far below the capacity assessed by the operator itself. Standard capacity based approach cannot, therefore, be adopted at this juncture. Therefore, this case is analysed based on the cost plus approach prescribed in the Tariff Guidelines of 2005.

(iv). (a). The income has been estimated by the VSPL at the tariff level prescribed in the existing Scale of Rates for the revised throughput projected for the years 2008-09 to 2010-11 subject to the analysis contained in the subsequent paragraphs.

(b). It is noticed that that the VSPL has provided certain services and levied tariff therefor which are not approved in its Scale of Rates. As per the provisions of the Major Port Trusts Act, 1963, any services listed in Section 48 of the Major Port Trusts Act provided by the major port trusts or the private terminals operating therein has to be levied in terms of the notified Scale of Rates. The arrangement under which the VSPL has collected the tariff for the Bulk Material Handling System, shore operations, wharfage rate for gypsum, without obtaining specific approval of this Authority is not clear. The income details furnished by the VSPL for the first nine months show that the operator has also collected the tariff towards the new tariff item proposed for weighment of cargo. The VSPL is strongly advised to refrain from levy of such tariff items which are not approved in its Scale of Rates. The relevant income accrued to VSPL is considered in this analysis, since income from these tariff items are included in the actual income reported for the year 2008-09 upto December and the services are proposed to be offered in the future period also.

(i). The charges for Bulk Mechanised Cargo Handling System (BMHS) at berth No.8 is reportedly being collected based on mutual agreement with the concerned users.

The actual income from the cargo handling activity reported by the VSPL for the year 2008-09 upto December is Rs.45.56 crores which includes the income from the BMHS service as well. The income estimates furnished by the VSPL for the subsequent years 2009-10 and 2010-11 based on the rates prescribed in the existing Scale of Rates does not, however, include income from BMHS. Since the VSPL is already providing this service to the users and will continue to do so in future, the estimates should include income from this tariff item. It will be a serious mismatch if only the investment is recognised without accounting for the revenue generated by the asset created. The income estimation made by the VSPL is, therefore, updated by including the income from the BMHS, calculated at the proposed rate for the traffic estimated to be handled.

(ii). The existing Scale of Rates of the VSPL does not prescribe separate wharfage rate for the Gypsum. Since there is no separate rate prescribed for gypsum in the existing Scale of Rates of VSPL or that of VPT, the wharfage rate of Rs.40/- per tonne for unenumerated goods prescribed in Scale of Rates of VPT is being

reportedly levied by the VSPL with the consent of the customers. The past action of the VSPL in applying the rate from the Scale of Rates of the VPT is not correct. The rates prescribed in the Scale of Rates of the VPT are applicable for the VPT and cannot be adopted by the VSPL on its own. Where there is no tariff prescribed for a particular service / item in the existing Scale of Rates, then the major ports / operator should submit a suitable proposal seeking approval of the rates in terms of clause 2.17.1 to 2.17.4 of the tariff guidelines.

Nevertheless, recognising that the actual income for the past period includes wharfage income from gypsum reportedly collected at Rs.40 per tonne, the income estimation made by the VSPL for the years 2009-10 and 2010-11 at Rs.40/- per tonne as presently collected by the VSPL is considered.

- (iii). The VSPL has reported that shore operations are offered by outsourcing based on the demand from customers. It is relevant to mention that the existing Scale of Rates as well the proposed Scale of Rates do not prescribe any specific tariff for shore operations.

The services relating to shore operations are covered under the services listed under section 42 of the Major Port Trusts Act and hence, the legal position is that the tariff for this service is to be regulated by this Authority irrespective of whether the VSPL themselves offer this service or outsource them.

The VSPL has argued that the shore operations in major ports are normally taken care by the importer / exporter through the stevedoring agents. The customers have the option and liberty to make their own arrangement for shore operations at such rates they feel optimal or avail the services through the outsourcing party of the VSPL. The VSPL is only acting as a facilitator and hence it does not contemplate a separate rate for shore operations in the Scale of Rates.

It is noteworthy that shore operations is one of the services listed under Section 42 of the Major Port Trusts Act, and the rate therefor is to be approved by this Authority. Clause 3.9(a)(i)(k) of the License Agreement clearly mandates the VSPL to perform undertake or provide the activities which the licensor is authorized to perform, undertake or provide as stipulated in Section 42 of the Major Port Trusts Act within the licensed premises. Provision of these services within the licensed premises by a third party permitted by VSPL will not alter the statutory requirement of obtaining the approval of the rates by this Authority. That being so, the tariff for this services is incorporated in the Scale of Rates approved by this Authority. The income estimated by the VSPL includes income from this service for the years 2009-10 to 2010-11 at Rs.40 per tonne is considered in the cost statement. While estimating the income from shore operations, the VSPL appears to have omitted to include estimated income at the existing rate for some of the commodities which are likely to avail this service as is evident from inclusion of such income in the proposed scenario. The income estimated by the VSPL in this regard is considered in our analysis.

- (c). The berth hire income estimated by the VSPL for the full year 2008-09 is found to be lower than the income from berth hire reported for the nine

months period upto December 2008. This inconsistency is corrected in our calculation. For the year 2008-09, the actual berth hire income reported upto December 2008 with the estimates for the three months arrived based on the traffic expected to be handled for the balance three months is considered.

The income from berth hire is estimated by VSPL applying exchange rate of US\$1= Rs.41.00 for the years 2009-10 and 2010-11. The prevailing rate of exchange is 1US \$=Rs.51.66.

The income estimated from berth hire charge subject to above change is considered in this analysis presuming that the discharge / loading rates envisaged in the proposal will be achieved by the VSPL.

- (d). The actual income from storage charge and miscellaneous services for the years 2006-07 and 2007-08 is reported to be Rs.10.82 crores and Rs.10.06 crores respectively. The income estimation, for the subsequent years 2008-09 is scaled down to Rs.2.63 crores. The VSPL has clarified that a short term storage arrangement agreed with one of its users for the years 2006-07 and 2007-08 has ended in September 2007 which is the reason for reduction in the income from the years 2008-09 onwards. The income from storage and demurrage charge excluding the income from short term contract is reported in the Annual Accounts at Rs.1.016 crores during the year 2006-07 and Rs.1.03 crores for the year 2007-08. The income estimated by the VSPL from storage and demurrage charge for the years 2008-09 to 2010-11 is comparable with the income earned from this service in the past period and hence the income estimates made by the VSPL are relied upon and considered in the analysis.
- (e). Subject to the above changes, the operating income as estimated by the VSPL are considered for the purpose of this analysis. At the time of next review, if it is found that the actual income varies widely from the estimates furnished, the additional accrual will be set off against the future tariff revision as per the tariff guidelines.
- (v). (a). The estimate of operating and direct labour cost for the year 2008-09 to 2010-11 is reportedly done on the basis of agreement entered by the VSPL with the contractors for the services outsourced. The VSPL has furnished revised work orders issued to contractors in October 2008 to support its estimates.

The operating and direct labour cost reported for the year 2008-09 upto December is Rs.114.42 lakhs. The VSPL has estimated this expense at Rs.166.90 lakhs for full year 2008-09 applying the revised contract rate for the full year of 2008-09. The estimate for the year 2008-09 is considered at actuals upto December 2008 and for the balance three months, the cost is estimated on the revised rate of outsourcing for the differential traffic estimated to be handled during the period January to March 2009.

For the years 2009-10 and 2011, the VSPL has not considered any annual escalation in this cost element. The unit rate adopted for estimating the operating and direct labour cost is found to be well within the contractual agreement entered by the VSPL for offering the service. The operating and direct labour cost estimated by the VSPL for the years 2009-10 and 2010-11 are considered without any modification.

- (b). The estimate of maintenance labour cost for the years 2009-10 and 2010-11 has been made by the VSPL with an escalation of 5.4% over the estimates of the respective previous year. Annual escalation of 4.6% is adopted for dealing with the tariff revision proposals considered during the

year 2008-09. The estimate for the years 2009-10 and 2010-11 is therefore modified applying the annual escalation factor of 4.6% over the actuals / estimate of respective previous years.

(vi). The estimate of equipment running cost include power, fuel and repairs and maintenance cost as discussed hereunder:

(a). Power cost is estimated based on the estimated consumption of 1.07 units per tonne for the years 2008-09 to 2010-11. Based on the actual power cost for the years 2007-08 and 2008-09 upto December 2008, the average power consumption works out to 0.93 unit per tonne for coal traffic which is handled through BHMS. The estimate for the year 2008-09 is, therefore, modified with reference to the average actual consumption obtained for the years 2007-08 and 2008-09 (upto December). The estimation of power cost for years 2009-10 and 2010-11 is also modified accordingly.

The escalation in the unit rate of power cost for the years 2009-10 and 2010-11 is allowed at the admissible level of 4.6% instead of 5.4% considered by the VSPL. The coal traffic considered for estimating the power cost for the years 2009-10 and 2010-11 is not as per the revised traffic estimation furnished by VSPL which is corrected.

(b). For estimating the fuel cost, VSPL has assumed that 80% of total cargo traffic other than coal and 100% of the coal traffic will avail the services of Harbour Mobile Cranes. The estimated fuel cost for the year 2008-09 is not in line with the traffic profile assumed by it which will avail the services of HMC. Based on the actuals reported for the year 2008-09 upto December 2008 and taking into consideration the assumption made by the VSPL about cargo profile expected to avail the services of HMC, the fuel cost per tonne works out to Rs.3.33 per tonne. The fuel cost for the year 2008-09 is, therefore, considered @ Rs.3.33 per tonne based on the actual position reported for the nine months period.

The estimation of fuel cost for the subsequent years 2009-10 and 2010-11 is made by applying 4.6% escalation over the estimates of the previous year in line with the approach followed for estimating other cost items.

(c). The actual repairs and maintenance cost reported for the year 2007-08 is Rs.208.84 lakhs and for the nine months of the operation in 2008-09 upto December, it is reported at Rs.202.00 lakhs. This works out to around 0.75% to 0.95% of the total gross block of assets. The actual repairs and maintenance cost reported for the past period is found well within the norm prescribed for estimating the repairs and maintenance cost under upfront tariff fixation model for a multipurpose cargo berth.

As against the actual position, the repairs and maintenance cost for the future period is estimated by VSPL at 1% on the net block of civil works and 2% on the net block of plant and machinery cost. The repairs and maintenance cost estimated by the VSPL for the full year 2008-09 is Rs.328.22 and Rs.312.54 lakhs in 2009-10. The steep hike in the estimate for 2008-09 and 2009-10 is attributed to the expiry of equipment warranty of HMC, increase in the possible break down and expensive spares for the machines. This general statement is not supported by any documentary evidence or cost analysis. The repairs and maintenance cost estimated by the VSPL for the years 2008-09, 2009-10 and 2010-11 is not justified with reference to the actual repairs and maintenance cost reported for the year 2007-08 and also with reference to the nine months actuals reported for the year 2008-09. The estimate of repairs and maintenance cost for the years 2008-09 is, therefore, considered by

extrapolating the actual reported for the year 2008-09 upto December for the full year.

Repairs and maintenance for the subsequent period 2009-10 and 2010-11 is estimated applying annual escalation of 4.6% over the estimates of previous year 2008-09 in line with the approach followed in case of other private terminals like the Visakha Container Terminal Limited, TM International Logistics Limited, etc.,

The VSPL has not estimated any addition to the gross block of the assets during the years 2009-10 and 2010-11 except Rs.49.95 crores towards capital dredging which is not recognised for the reasons explained in the subsequent analysis.

Repairs and maintenance @ 0.95% based on the position obtained at the VSPL is, however, allowed on addition of Rs.136.65 lakhs estimated to the gross block in the year 2008-09 on the presumption that repairs and maintenance cost on this new addition would not have been captured in the actual repairs and maintenance reported upto December 2008.

- (vii). (a). The VSPL has reported maintenance dredging expenditure for the years 2005-06 to 2007-08 and also estimated expenditure on this item for the years 2008-09 to 2010-11. The VSPL has clarified that expenditure incurred during the past period is for the purpose of periodical hydrographic survey charges debited by VPT and not for the maintenance dredging cost. It has also furnished copies of bills raised by the VPT in this regard to support its position. The actual survey expenses reported in the Annual Accounts and shown by the VSPL in the nomenclature of maintenance and dredging has been considered in the analysis of past period 2004-05 to 2008-09.
- (b). A plain reading of the License Agreement shows that maintenance dredging, if any, required to be done shall be undertaken by the VPT subject to reimbursement of the expenditure by the VSPL. The VPT has clarified that the maintenance dredging at 10.7 mtrs. along side the berths EQ-8 and 9 upto 50 mtrs., is not being carried out by VPT and the same is being carried out by VSPL itself. The VPT has stated that the expenditure towards maintenance dredging along side the berth no.EQ8 and EQ9 can be considered as item cost in tariff fixation of Vizag Seaport Private Limited. The VSPL has confirmed that the estimation for maintenance dredging cost is only made for dredging alongside the berths of EQ 8 and EQ 9. In view of the provision stipulated in the LA and based on the clarification furnished by both the Licensor and the VSPL, the estimate of maintenance dredging cost is considered for the future period 2009-10 and 2010-11.

As regards the quantum of dredging for estimation of this expense for the future period, in the absence of any pointed objection from the VPT and also relying on the clarification furnished by the VSPL, the estimates furnished by the VSPL is accepted. The unit rate of Rs.150/- per cubic metre adopted by the VSPL in the year 2008-09 is supported by documentary evidence furnished in form of contract entered by it with the dredging company in the year 2006 after applying suitable annual escalation. The unit rate of dredging is comparable with the unit rate of Rs.146.51 per cubic metre indicated by the VPT for the dredging work carried out by the port in the year 2007-08. The unit rate of dredging cost is allowed subject to applying annual escalation of 4.6% for each of the years 2009-10 and 2010-11 as against 5.4% considered by the VSPL.

- (viii). (a). In the initial tariff fixation Order of VSPL, revenue share was not admitted as an item of cost element for tariff computation in line with the principle then followed. For arriving at return on investment, the estimated cost of debt plus 20% return on equity share holder's funds deployed in the business linked to capacity utilisation was allowed during the initial tariff fixation.
- (b). Since the initial tariff Order of VSPL became effective from 15 April 2005 i.e. after the implementation of tariff guidelines of 2005, it is necessary to assess the performance of VSPL from the year 2005-06 onwards based on the revised tariff guidelines of 2005.
- (ix). The License Agreement was signed by the VSPL with the VPT in November 2001. While implementing the revised tariff guidelines for allowing partial royalty as pass through in all the qualifying private terminals, the loss for this purpose was taken to be the revenue deficit after considering admissible cost elements and permissible return in the cost plus regime which recognises the actual traffic volumes. If the royalty to the maximum extent quoted by the second bidder is not allowed, as per the revised tariff guidelines, it will result in reduction in the return on capital employed and to that extent there will be a 'loss'. Therefore, the maximum permissible level of revenue share as stipulated in clause 2.8.1. of the revised tariff guidelines is allowed as pass through for the years 2005-06 to 2010-11.
- (x). (a). The License Agreement stipulates that the licensee shall pay the licensor revenue share equivalent to 17.111% of the gross revenue earned by the licensee from the operation of the project facilities. The term gross revenue has not been specifically defined in the License Agreement signed in the year 2001. Both the VPT and the VSPL have confirmed that as per revised bid document, the definition of gross revenue is deemed to include only berth hire charges and cargo wharfage. The VPT has informed that the revenue share quoted by the next highest bidder is 12.811% of the gross revenue. This means 74.86997% of the revenue share paid / payable by VSPL can be admitted as pass through subject to the provisions of the tariff guidelines.
- (b). Though the VSPL has computed the revenue share to the extent of second quote on the berth hire and the wharfage income, in the consolidated cost statement it has shown full revenue share as pass through. This is not in line with the tariff guidelines.
- The revenue share is admitted on the wharfage income and the modified berth hire income to the extent quoted by the second bidder reported at 12.811% for the years 2009-10 and 2010-11 as per the tariff guidelines. The impact of increase in the revenue share payment due to increase allowed in the berth hire tariff and wharfage is also considered in the financial model in our analysis to the extent admissible as per the tariff guidelines.
- For the past period, 74.86997% of the actual revenue share paid by the VSPL to the VPT is considered as expenditure from the year 2005-06 for the purpose of performance review.
- (xi). The VSPL has estimated the lease rent at Rs.58.41 lakhs for total area 121700 sq. metres are of land allotted to it by the VPT @ Rs.90.55 per sq. metre for 53 weeks. The VPT has also independently estimated the lease rent for the land allotted by it to the VSPL which tallies with the estimates furnished by the VSPL. Both VPT and VSPL have confirmed that the computation of lease rent is as per the rates prescribed in the existing Scale of Rates of the VPT. Apart from this, the

VSPL has also estimated lease rent on building at Rs.10.39 lakhs and confirmed that it is as per the rates prescribed in the Scale of Rates of the VPT.

- (xii). The VSPL has listed the equipment taken on hire which include one number Harbour Mobile Crane deployed at EQ9 and other equipment required to facilitate transfer of cargo from hook point to transit area and truck/wagon loading. The VSPL has further clarified that in view of restriction in the draft, lighterage operations is carried out at the Outer Harbour which require the services of both barge and floating crane. As per arrival pattern of deep drafted vessels calling at the port, the VSPL has considered 25% and 15% of coal and gypsum cargo vessels will have to be lightened in the Outer Harbour during the years 2009-10 and 2010-11 respectively. The equipment hire charges estimated by VSPL include cost of hiring equipment for lighterage operation as well. It has furnished documentary evidence in the form of bills, copies of contract, etc., to justify the estimates.

The equipment hire charge reported for the year 2007-08 is Rs.14.35 crores and Rs.14.59 crores in the year 2008-09 (upto December). The VSPL has estimated equipment hire charge at Rs.18.15 crores for the full year 2008-09 which is found to be in line with the nine months actual cost reported by the VSPL. The equipment hire charge for the subsequent two years 2009-10 and 2010-11 are estimated at Rs.16.32 and Rs.12.96 crores respectively without considering any annual escalation in the unit rate of hire of equipment. The estimation of equipment hire charge made by the VSPL for the year 2009-10 and 2010-11 is considered in the analysis without any modification.

- (xiii). (a). The VSPL has entered into an agreement with M/s.Portia Management Services (PMS) on 19 January 2005 for providing technical consultancy services to the VSPL for design, engineering, construction, planning, equipping, operating, maintaining and replacing equipment, etc.,

The agreement with PMS is in two phases. The lump sum payment of Rs.45 million and technical service fee of Rs.10 millions per year payable for a period of 3½ years from the date of commencement of commercial operations apart from reimbursement of other incidental expenses relating to travel, boarding , etc.,

- (b). As per the guidelines for tariff fixation Technical Services Fee payable by the private terminals to their promoters or to their 'associate entity' can be admitted as an item of cost for tariff fixation purposes if yardstick of 'arms length relationship' of this transaction is established as defined under Income Tax Act.

The VSPL has furnished the certificate from its Chartered Accountant certifying that the technical service fee payable by the VSPL to certificate from its Chartered Accountant certifying that the fees payable to M/s.Portia Management Services Limited (PMSL) is determined with regard to Arms length price as computed as per the provisions of section 92 (C) of the Income Tax Act, 1961.

The VSPL has expressed its inability to furnish the Assessment Order of the Income Tax Authorities for the past years. It has agreed to furnish the Assessment Order of the Income Tax Authorities when received from the Income Tax Department.

Based on the undertaking given by VSPL, this Authority relies on the certificate issued by the Chartered Accountant establishing the arms length relationship of the transaction of the technical service fee payable by the VSPL to its promoter company as per the Income Tax Act and admits this expense as an item of cost for the present exercise subject to

the condition that VSPL will produce documentary evidence and IT assessment orders for each of the years to show that the Income Tax Authorities have allowed this expenditure. If such an evidence is not produced, estimated expenditure allowed now will be set off in the next tariff review.

- (c). The lump sum fee of Rs.4.5 crores paid by VSPL to M/s.Portia Management Services Limited along with the other fee for arranging term loan facilities i.e. total Rs.4.71 crores has been capitalized by the VSPL in the year 2006-07 and depreciated by spreading the concerned capital cost. Though the spreading this capital cost over the project period is in line with the general approach followed, an inconsistency is observed in the number of residual period over which the expenditure was amortised. The inconsistency is removed by spreading the balance net block as on 31 March 2008 equally over the remaining project from the year 2008-09 onwards.
- (d). As per the agreement, technical service fee of Rs.10 millions per year is payable for a period of 3½ years from the date of commencement of commercial operations of both the berths. The VSPL has reported technical service fee of Rs.89.09 lakhs and Rs.88.99 lakhs have been paid during the years 2006-07 and 2007-08. The VSPL has estimated this expense at Rs.100 lakhs each for the years 2008-09 and 2009-10 and Rs.50 lakhs for the year 2010-11. As per the agreement, the technical service fee is payable for 3 and half years whereas the VSPL has considered it for 4 and half years. The technical service fee payment is, therefore, considered for three and half years duration from 2006-07 to mid 2009-10 as per the terms of the agreement.

Strictly speaking, the technical service fee paid during the individual years beginning from the year 2006-07 is to be amortised over the remaining period for the project. In the instant case, since the benefit of hindsight is available and recognising that the analysis of the actual position with reference to the past period is done, the total technical service fee reported for the years 2006-07, 2007-08, 2008-09 (upto December) and estimates for the year 2008-09 from January 2009 onwards based on past nine months actual and estimate for 2009-10 arrived as per the agreement is amortised over the remaining period of 26 years of the project from 2006-07 onwards.

- (xiv). The VSPL has confirmed that depreciation on fixed assets, other than berths, has been provided using the straight line method based on the rates specified in the Companies Act, 1956. Berths are depreciated over the life of the License Agreement signed between VPT and VSPL.

The depreciation for the years 2009-10 and 2010-11 computed by the VSPL include depreciation on capital dredging which is excluded in this analysis since this capital cost is not allowed for the reasons explained in the subsequent paragraphs.

- (xv). The upfront fee of Rs.8.30 crores paid by the VSPL has been capitalised and depreciated along with the capital cost of the berth. In the revised cost statement, the capitalised portion of upfront payment was excluded from the gross block of berth cost with consequential adjustment in the depreciation, gross block, net block from the years 2004-05 onwards.

The upfront payment along with the preliminary expense has been spread over the remaining period of the project from the year 2004-05 onwards in line with the approach followed by this Authority at the other terminals. The upfront fee and the

preliminary expenses to the extent not written off is taken as part of the capital employed for computation of return.

- (xvi). The insurance cost for the year 2007-08 is reported at Rs.54.31 lakhs which is substantiated with a copy of the insurance premium paid to the Insurance Company for the period one year from January 2007 to January 2008. The insurance cost for the year 2008-09 is estimated at Rs.51.87 lakhs. The insurance cost works out 0.18% of the gross block of assets which is less than the prescribed norm of 1% of the capital value of assets in the upfront tariff guidelines.

The insurance cost for the subsequent years 2009-10 and 2010-11 is estimated applying 5.4% annual escalation over the estimate of the respective previous years.

The VSPL has clarified that as per Industrial All Risks Policy, assets have to be insured on the replacement value or reinstatement value of assets and not at the depreciated value. Even the License Agreement provides for insuring, the project facilities and services at replacement value. The VSPL has not explained how the annual escalation of 5.4% considered for estimating this cost is relevant for assessing the replacement value of assets. Nevertheless, since the LA requires the assets to be insured on the replacement value and in the absence of any other basis furnished by the VSPL for recognising this factor, the insurance cost for the years 2009-10 and 2010-11 is estimated in line with the approach followed by the VSPL but restricting the annual escalation to 4.6% instead of 5.4% over the estimates of the respective previous years.

- (xvii). Other expenses include charges towards railway siding charges payable to railways, security expenses, gear charges, etc. The expense estimated under this head for the full year 2008-09 at Rs.101.05 lakhs is found to be lower than the actual expense for the nine months reported by VSPL at Rs.103.13 lakhs. Since this expense is generally of fixed in nature, the estimate for the year 2008-09 is considered based on actual upto nine months and for the balance three months it is estimated on prorata basis by extrapolating the actual reported for the nine months.

The estimate of this expense for the subsequent two years 2009-10 and 2010-11 is made allowing 4.6% annual escalation as considered for estimating other cost items.

- (xviii). The management and general overhead estimated by the VSPL for the years 2008-09 is found to be well within the estimates derived based on nine month actuals reported by it and hence accepted. For the subsequent two years 2009-10 and 2010-11, the annual escalation is restricted to 4.6% over the estimates of the respective previous years as considered for the other cost items.

- (xix). The License Agreement stipulates that on expiry of the license period, the VSL shall be liable to transfer the entire facility and services to the VPT on payment of Rs.40 millions per berth of the estimated project cost which means Rs.80 millions for two berths. The VSL has considered the credit back of annualised terminal value receivable at the end of the project at the level considered in the last tariff Order of this Authority. In the last tariff fixation exercise, the terminal value receivable at the end of the project is annualized over the project life by applying discounting rate of 12% in line with the approach followed in case of the other private terminals. The same approach is followed in the existing tariff revision exercise.

- (xx). (a). The VSPL has proposed an addition of Rs.49.95 crores to its gross block of assets during the year 2009-10 toward capital dredging. The License Agreement entered between the VPT and the VSPL envisages the maintenance of entrance channel draft and draft along side the berth at

10.70 metres. As per the LA, it is the obligation of the Licensor to undertake capital dredging at the cost and responsibility of the Licensee i.e. the VSPL.

The VPT and the VSPL have entered into an Memorandum of Understanding in November 2006 wherein the VSPL has undertaken to deepen and widen entrance channel, inner harbour turning circle and waterways of northern arm of inner harbour to -13.5 mtrs.

As per the MOU, the VSPL shall not consider the investment incurred for deepening and widening of entrance channel as expenditure under the license agreement and shall not claim any compensation or incremental tariff on this account. The VSPL has argued that the intention of the MOU, is not to consider this investment as a capital cost for the BOT Project in the context of VPT's making payment, if any, in terms of License Agreement and not to claim any compensation or incremental tariff on this account as far as VPT is concerned. It has, therefore, requested to consider the proposed addition to the gross block of assets. Whereas the VPT has categorically stated that the capital dredging cost must not be included in the tariff revision exercise as per the MOU.

The wordings of the MOU are clear that the VSPL shall not claim any compensation or incremental tariff on account of the capital dredging proposed to be undertaken as per the MOU. The proposed addition of Rs.49.95 crores to the gross block of assets in the year 2009-10 is not found to be either in line with the Licence Agreement or as per the MOU entered between the VPT and the VSPL, which reportedly is approved by the Government also. Further, there is no indication by the VSPL about the present status of the said capital dredging project. For the reasons stated above, the estimated capital dredging expense of Rs.49.95 crores is excluded from the gross block of assets in this tariff revision exercise. The depreciation component considered by the VSPL is also excluded to that extent.

- (b). As already stated earlier, the depreciation on the capitalised portion of technical service fee is modified by spreading the net value under this head as on 31 March 2007 equally over the remaining period of the project. The upfront payment and preliminary expense remaining at the end of each year after amortisation is added to the capital employed for computation of return.
- (xxi). (a). For estimating the working capital, the VSPL has taken sundry debtor at one month's revenue excluding vessel related income. It has stated that at the request of the trade, credit period is offered to the customers and hence the estimates of sundry debtors may be considered. The estimation of sundry debtors is not found to be line with the revised tariff guidelines. It is a commercial decision of the operator to allow credit facility to some of its customers and this burden cannot be passed on to all the users through tariff.

This Authority had in the case of the Chennai Container Terminal Limited modified the approach in the working capital computation by admitting certain items under Sundry debtors which flow from the contractual obligation. Based on the decision taken in the Chennai Container Terminal Limited case, this Authority has passed an Order on 30 September 2008 announcing refinement in the 2005 tariff guidelines on this aspect.

In the case of the VSPL, it is found that none of the items qualify for consideration. As per Article 5.1 of the LA entered between VSPL and VPT, the revenue share is payable on monthly basis on 7th day of the immediately subsequent month. It is thus clear that as per LA also, the VSPL is not required to make any advance payment of royalty.

- (b). The estimate of stores and spares is allowed upto six months' of average consumption as per the norms prescribed in the tariff guidelines.
 - (c). Cash and bank balance has been considered at one month's operating expenditure in the computation of working capital. The VSPL has not applied this norm to management and administration overheads. Clause 2.9.9 of the revised tariff guidelines limits cash balance at one month's cash expense. It does not restrict the application of this norm to operating expenditure. Since management and administration overhead also involves cash expense, the prescribed norm is applied to this head of expenditure and the modified position is considered.
 - (d). Current liability as reported for the year 2008-09 upto December 2008 is considered.
 - (e). The modified estimation of working capital for the years 2008-09 to 2010-11 based on the norms prescribed in the revised tariff guidelines is negative and hence considered as nil.
 - (f). The capital employed subject to the modifications explained in the foregoing paragraphs works out to Rs.248.72 crores for the year 2008-09, Rs.236.22 crores for the year 2009-10 and Rs.223.79 crores for the year 2010-11.
- (xxii). The VSPL has furnished consolidated cost statement as well as cost statement for the sub-activities i.e. cargo handling by bulk material handling system (at berth no.EQ8) and conventional handling system (at berth no.EQ9). The berth hire income and relevant expenses are also included as part of the cargo handling sub-activity statement instead of furnishing a separate sub-activity cost statement for this activity capturing the relevant cost, income and the capital cost relating to berthing service.

Further, the allocation of some of the expenses between the two cargo handling sub-activities does not appear to have been done on a scientific basis. The entire maintenance dredging cost has been allocated to the BHMS system, despite the fact that along side dredging is to be undertaken for maintaining the required draft at both the berths EQ8 and EQ9. The other expenses, management and general overhead etc., are allocated between the two sub-activities based on the capital employed which may not be relevant for allocating this expense / overhead. The depreciation on some of the common assets is not apportioned to berth No.9 i.e. conventional handling system. In view of the above gaps observed, the sub-activity wise cost statements furnished by the VSPL are not useful for any meaningful analysis as they do not reflect the correct net surplus / deficit in each of these activities. Hence, this Authority decides to proceed based on the overall cost position. The VSPL is advised to furnish separate activity wise cost statement for vessel related activity and cargo handling activity taking into consideration the observation made by us while filing the next tariff revision proposal.

- (xxiii). The VSPL has assessed that the capacity of the terminal both the berths with conventional handling and the one with mechanised handling at 6.7 million metric tonnes per annum for the years 2009-10 and 2010-11. It has furnished computation of assessment of the capacity. The capacity utilisation based on the capacity assessed by the VSPL for the throughput projected by VSPL works out to

be 73.7% and 77.46% for the years 2009-10 and 2010-11. As per the revised tariff guidelines, the VSPL is entitled for full return on capital employed @ of 16% since the capacity utilisation is more than 60%.

- (xxiv). (a). Clause 2.13 of the revised tariff guidelines mandates this Authority to review the actual physical and financial performance of the major port / private operators at the end of the prescribed tariff validity period with reference to the projections relied upon at the time of fixing the prevailing tariff. In the last tariff Order, though the cost statement showed the estimated position for the years 2004-05 to 2006-07, the financial position for the years 2005-06 and 2006-07 was only considered while fixing the initial tariff. In view of the above position, and also recognising that the financial year 2004-05 was already over by the time the initial tariff order was implemented, the analysis of estimates vis-à-vis actual reported in the Annual Accounts is done for the years 2005-06 and 2006-07 as explained in the subsequent paragraphs.
- (b). The classification of actual income and expenditure furnished by the VSPL in the cost statement is different from the classification of expenditure reported in Annual Accounts. The VSPL has furnished a statement reconciling the Profit / Loss before tax reported in the Annual Accounts with the net surplus / deficit reflected in the cost statement which is found to be in order. Actuals furnished by the VSPL in the cost statement are, therefore, considered for analysing the actual position with reference to estimates considered in the last tariff Order. The analysis for the past period furnished by the VSPL is modified with reference to the following:
- (i). Revenue share payable to VSPL was not admitted as cost during the last tariff fixation in line with the principles then followed by this Authority prior to the issue of the revised tariff guidelines.
- As already mentioned earlier, by the time the initial tariff Order of VSPL became effective, the revised tariff guidelines of 2005 came into being. As per the provisions of the revised tariff guidelines, from the year 2005-06 onwards, revenue share paid by the VSPL to the extent of the second quote i.e. 74.86997% of the actual revenue share paid by the VSPL is considered.
- (ii). In the last tariff Order, 20% return on equity linked to capacity utilisation and the estimated cost of debt was considered in the tariff fixation process for the years 2004-05 to 2006-07. As per the 2005 tariff guidelines, from the year 2005-06 onwards, return on capital employed at the applicable rate is considered in line with the revised tariff guidelines. For the purpose of assessing the working capital, the norms prescribed in the guidelines are followed from the year 2005-06 onwards.
- (iii). As already mentioned earlier, the VSPL has excluded the upfront payment from the actual gross block reported in the Annual Accounts and has made suitable adjustment in the depreciation as well. The upfront payment and preliminary expense have been amortised over the remaining period of the project in line with the approach followed in the last tariff Order and the approach followed at the other private terminals and the same is accepted.
- Preliminary expense and upfront payment to the extent not written off is added to the capital employed for allowing return in line with the general approach followed by this Authority. The VSPL has not made this adjustment in the cost statement.

- (iv). As explained earlier, as per the tariff guidelines, technical service fee is admitted as cost based on the relying on the certificate issued by the Chartered Accountant establishing the arms length relationship of the transaction under the provisions of the Income Tax Act. The total expense under this head is spread over the project period beginning from the year 2006-07 when the expense was first reported to have been incurred.
- (c). A summary of net surplus / deficit after allowable return subject to the above discussions for the years 2005-06 and 2006-07 is as follows:

(Rs. in crores)

Years	Estimated Net Surplus/ deficit as per Order of 15 March 2005	Actual Net Surplus/ deficit
2005-06	(-) 4.14	(-) 11.31
2006-07	1.58	(-) 10.37
Total	(-) 2.56	(-) 21.68

- (d). The average cost position derived for the years 2005-06 and 2006-07 based on income estimated at the proposed tariff and for the throughput level projected by the VSPL were finally considered during the initial tariff fixation of VSPL in March 2005.

The total deficit estimated for the years 2005-06 and 2006-07 was Rs.2.56 crores in the tariff Order of March 2005. In actual terms based on the position reported in the Annual Accounts and after adjustment done with reference to the revised tariff guidelines, the deficit for these two years is Rs.21.68 crores. The increase in the deficit is mainly due to reduction in the traffic to the extent of 62% and 54.7% in the years 2005-06 and 2006-07 with reference to the traffic estimations considered in the last tariff Order.

The variation in the estimates considered in the last tariff Order vis-à-vis the actuals for each of the years 2005-06 and 2006-07 is more than 20%. The deficit for these two years has increased mainly because the actual volume handled by the operator is lower than the estimated traffic anticipated by the operator which is due to delayed commissioning of one of its berths. It is, therefore, not found justified to set off the deficit of the years 2005-06 and 2006-07 in the future tariff.

- (xxv). (a). The VSPL had filed the proposal for revision of the Scale of Rates in February 2007 well before the expiry of validity of the Scale of Rates. The case of the VSPL could not be taken up for final consideration by this Authority due to various reasons and hence the VSPL was allowed continue to operate the terminal for the years 2007-08 to 2008-09 at the rate approved in March 2005 based on the Orders passed by this Authority from time to time granting extension of the validity of the existing Scale of Rates.

Since no estimates for the years 2007-08 and 2008-09 are available for the purpose of comparison, the actual cost position as assessed by the VSPL subject to the modification done for the reasons already explained earlier are considered.

- (b). A summary of net surplus / deficit after allowable return for the years 2007-08 and 2008-09 subject to the above discussions is as follows:

(Rs. in crores)	
2007-08	(-) 14.59
2008-09	(-) 24.73
Total	(-) 39.32

A statement showing of the analysis for the years 2007-08 and 2008-09 forms part of **Annex - I** attached to the note.

Since the abovementioned deficit position is partially based on estimates, the actual position for the year 2008-09 shall be subject to review during the next tariff revision exercise. If any variation is found, it shall be fully adjusted in the next tariff validity cycle

- (c). Since the VSPL continued to levy the 2005 tariff for the years 2007-08 and 2008-09 in the absence of the revised tariff, the deficit of Rs.39.32 crores for these two years is to be fully accounted for in the tariff. The deficit for these two years i.e. Rs.39.32 crores need to be spread over the usual tariff validity cycle of three years period. In the instant case, since the cost estimates for two years period i.e. 2009-10 and 2010-11 are only considered, two installments of past deficit each of Rs.13.10 crores is adjusted during the current tariff validity cycle and the balance will be adjusted in the next tariff revision exercise.
- (xxvi). The consolidated cost statement for the years 2009-10 and 2010-11 has been modified in line with the above analysis. The modified cost statements are attached as **Annex - I**. The summarised position of the results disclosed by the financial / cost statements are tabulated below:

(Rs. in lakhs)								
Operating Income (Rs. in lakhs)			Net Surplus (+) / Deficit (-) (Rs. in lakhs)			Net Surplus (+) / Deficit (-) as a % of operating Income		Avg. surplus / deficit %
2009-10	2010-11	Total	2009-10	2010-11	Total	2009-10	2010-11	
8685.16	9119.42	17804.58	(-)1493.62	(-)639.67	(-)2133.29	(-)17.20%	(-)7.01%	(-)12.11%

It can be seen from the above table that the modified cost statement shows an average deficit of around 12.11% for the years 2009-10 and 2010-11 for the terminal as the whole over the operating income estimated at the prevailing rates. In absolute terms, the total deficit is Rs.21.33 crores for the two years under consideration. In view of the deficit position reflected by the cost statement, there is a need bridge the deficit by allowing increase in the existing tariff level as explained in the subsequent paragraphs.

- (xxvii). (a). The existing Scale of Rates of the VSPL prescribes a uniform berth hire for vessels calling at berth Nos.EQ8 and EQ9. The VSPL has proposed berth hire in two slabs i.e. upto 30000 GRT and above 30000 GRT with an increase of about 42% for the second slab.

The tariff guidelines of 2005 stipulate prescription of berth hire in single slab irrespective of the size of the vessels. Since the berth hire prescribed in the existing Scale of Rates is a uniform rate which is in line with the tariff guidelines, there is no reason to deviate the from the tariff guidelines to introduce a two tier rate as suggested by VSPL. The VPT has suggested to prescribe three tier berth hire in line with the prescription in the Scale of Rate of the VPT. In this context it may be clarified that in the pre-revised Scale of Rates of the VPT, berth hire was prescribed in six tier slab. Since the impact of prescribing a single berth hire as per the

tariff guidelines was found to have significant on some of the categories of vessels, it was decided to rationalize the berth hire schedule in a gradual manner from six tier to three tier slab instead of introducing a single rate.

The expenditure proposed on capital dredging is cited as the reason for seeking increased berth hire from vessels above 30000 GRT. Since the expenditure proposed for capital dredging is not recognised in this analysis for the reasons given earlier, the grounds on which the VSPL has sought introduction of two-tier berth hire are not relevant.

Nevertheless, recognising the overall deficit position of the terminal, there is a need to allow increase in the existing berth hire. The additional revenue from the berth hire as per the estimation furnished by the VSPL after updating the exchange rate and making corrections in the rate adopted for calculation would be Rs.1.26 crores for the years 2009-10 and 2010-11. This target can be achieved by making the proposed rate for the second slab as the berth hire applicable for all GRT categories since vessels of the size less than 30000 GRT are very few. The additional income from this item after revision is estimated at Rs.1.30 crores for the two years under consideration. The minimum berth hire charge prescribed in the existing Scale of Rates is derived for vessels of 20000 GRT which is also increased to U\$40 based on the revised berth hire.

- (b). The VSPL has proposed reduction in the wharfage rates for most of cargo items such as coal, thermal coal, alumina, cement clinker, fertiliser, granite block, etc., to bring it par with the rates prescribed in the Scale of Rates of the Visakhapatnam Port Trust. Most of the users / user association have welcomed the reduction proposed by the VSPL. It has to be, however, recognised any reduction in the rates for the selected few items will mean a disproportionate increase in some other tariff categories, in view of the overall deficit position for the years under consideration. This Authority is, therefore, not inclined to consider reduction in the existing wharfage rate proposed by the VSPL. The wharfage rate for the commodities prescribed in the existing Scale of Rates are, therefore, increased by 12.10% based on the overall deficit position reflected in the cost statement.

Gypsum categorized under un-enumerated for levy of wharfage by VSPL. Despite specific mention, the VSPL has not proposed a separate wharfage rate for gypsum though it has proposed separate stevedoring charge for this cargo. Since the volume of gypsum estimated to be handled by the VSPL forms 11% of the total estimated traffic, a separate wharfage rate for this cargo is introduced in the existing Scale of Rates after considering 12.10% increase over the existing tariff collected by the VSPL. The total additional income likely to be generated from the revised wharfage charge is Rs.3.77 crores for the two years under consideration. By way of abundant caution, it is mentioned that since the rates prescribed by this Authority are ceiling level, the VSPL may, at its discretion, charge a rate lower than the rate prescribed by this Authority.

The wharfage rate for some new commodities such as crude oil, petroleum products (Except LPG) and RBD palm oil, or any other liquid cargo including raw material for bio-diesel, etc., proposed to be introduced by the VSPL are included in the Scale of Rates, at the level prevailing in the Scale of Rates of VPT. Since no traffic of these commodities are projected for the years 2009-10 and 2010-11, it appears that these rates will only be superfluous and hence not included in the revised Scale of Rates. If for any reasons, traffic of these commodities are to be handled, then VSPL can approach this Authority for fixing the tariff for these commodities.

- (c). Stevedoring charges are proposed to be increased by 8.7% in respect of pet coke, calcined pet coke, lime stone, 15% in coking coal, 67% in handling iron ore, 33% in granite and 11% in the case of feldspar. No increase in stevedoring charges is proposed for handling fertilizer, thermal/steam coal, illuminated sand, food grains, slag, scrap, raw sugar and other cargo not listed in the schedule. The VSPL has stated that stevedoring charges proposed for various commodities differ on account of variation in cargo in terms of physical characteristics, effort required to load/unload the cargo, density, moisture content, the equipment required to be used in the holds of the vessel, the composition of the manual labour, etc. In view of the overall deficit, it seems justified to allow the increase in the stevedoring rate at the level proposed by the VSPL. The stevedoring charge for other commodities like the fertilizer, slag, etc., where the VSPL has not proposed any increase is also increased by 12.10%. For the reasons stated earlier in respect of wharfage rate, the stevedoring charges proposed to be introduced for some new commodities such as RBD palm oil, or any other liquid cargo including raw material for bio-diesel, other liquid cargo, project cargo are not included in the revised Scale of Rates.

As per the past trend, the VSPL has estimated that only 20% of the total cargo will avail stevedoring services alone whilst 60% of cargo are likely to avail services of both the Harbour Mobile Crane and Stevedoring. In case a composite service of harbour mobile crane plus stevedoring services are availed, the existing Scale of Rates in note no.4 prescribes levy of Rs.6 per tonne for the stevedoring services in addition to the hire charge of crane at Rs.64 per tonne. The VSPL has proposed to delete the said existing note on the grounds that at the time of initial tariff fixation it had missed the various services involved in the stevedoring operation while proposing this condition. The VSPL proposes to levy stevedoring charge at the rates separately prescribed in the Scale of Rates. Based on the clarification furnished by the VSPL and also recognising that none of the users have raised any objection in this regard, the said existing condition is deleted as proposed by VSPL.

The additional income due to upward revision of rates of the stevedoring activity is estimated to be Rs.6.85 crores for the two years under consideration as against Rs.6.69 crores estimated by the VSPL.

It is relevant to mention here that the VSPL does not anticipate any separate income on account of stevedoring of coal handled through BMHS. It is, therefore, found appropriate to prescribe a note stating that the coal handled through BHMS will not attract any stevedoring to avoid any ambiguity.

- (d). The VSPL has proposed to continue with the existing hire charge of harbour mobile crane prescribed at Rs.64 per tonne. In view of the overall deficit position and also recognising that mobile harbour crane hire charge is a significant source of revenue, the hire charge of mobile crane is increased to Rs.72.75 per tonne. In this context, it is clarified that the rate is not arrived at based on standalone cost of the crane but on an overall cost position and to bridge the revenue deficit.

The additional income from charges from harbour mobile after above modification is estimated at Rs.2.80 crores for the two years under consideration.

- (e). The VSPL has proposed itemized rates for various services provided under bulk material handling system at Rs.189 per tonne. The consolidated rate proposed for availing integrated services at Rs.180 per

tonne has been considered in the income estimation while arriving at the net surplus / deficit position.

Since the VSPL is already providing these services and collecting tariff for this service, and also since none of the users have raised any pointed objection on the proposed tariff, this Authority is inclined to include the rate proposed by the VSPL in the revised Scale of Rates subject to revising the tariff for hire charge of crane included in the itemized service from the proposed rate of Rs.64 per tonne to Rs.72.75 per tonne in line with the decision at para (d). Consequently, the composite rate is also increased from Rs.180 per tonne to Rs.188.75 per tonne.

The additional revenue from BHMS in view of the above modification is estimated at Rs.5.38 crores for the two years under consideration.

- (f). The unit of levy of storage charge is proposed to be changed from the existing area basis to tonnage basis. Storage charge is proposed at Rs.6 per metric tonne for first fortnight and Rs.9 per metric tonne from second fortnight onwards as against existing rate of Rs.138 per week per 100 square meters. The VSPL has also proposed penal rate @ Rs.3 per tonne per day for overstay of cargo beyond 30 days and upto 45 days and Rs.24 per tonne per day for the stay of cargo beyond 45 days. Some of the users / user associations have objected to the proposed modification in the levy of storage charge.

The VSPL has clarified that it has a small storage area of about 11 hectares of land allotted contiguous to the berth as back up space to receive, store, dispatch and operate the Terminal. Hence, the entire backup area contiguous to the berth is treated only as a transit area in the real sense and not as a storage area. If the cargo is not evacuated from the terminal with in a reasonable period of time, the Terminal would not be in a position to receive the targeted throughput. The proposed storage rates proposed is to discourage longer dwell time of cargoes in the Terminal with the intention of increasing the revenue. This Authority has held in many of the earlier tariff Orders that the storage area of a port should be treated as a temporary transit area and not as a warehouse. In view of this position and also recognising that the proposed rate is mainly to act as deterrent from longer stay of cargo in the terminal, this Authority approves the storage rate as proposed by the VSPL subject to allowing free period as discussed in the subsequent analysis.

The VSPL has estimated additional revenue of Rs.1.68 crores for both the years under consideration reportedly based on the average dwell time of cargo obtained in the year 2006-07. It has not furnished any analysis for assuming the average dwell time of cargo at 15 days for estimating the income from this tariff item. In the absence of any analysis furnished by the VSPL the additional income of Rs.1.68 crores estimated by the VSPL is considered in the analysis. At the time of the next general review of tariff to be undertaken after the validity period is over, if any undue advantage is found to have accrued to the Terminal Operator due to wrong estimation, the additional surplus earned will be fully accounted for in the tariff to be fixed then.

- (g). The VSPL has proposed to increase dust suppression charge for dry bulk from existing Rs.1.41 per tonne to Rs.1.50 per tonne. The cost sheet furnished by the VSPL to justify the proposed rate show that the average per ton cost of dust suppression charges works out to Rs.1.77. In view of the overall deficit in the terminal the increase proposed in the dust suppression charge is accepted.

The VSPL has also proposed to extend levy of this dust suppression charge on break bulk cargo at Re.0.50 per tonne which is approved. The VSPL has proposed to delete existing note under Schedule 3.7. stating that the charges for dust suppression will be levied on requisition of the service.

The Scale of Rates of the VPT also permits levy of pollution control charge at Re 0.50 for break bulk cargo. In view of the overall deficit position the proposed tariff arrangement / amendment in the existing SOR is accepted. The additional income from dust suppression at the proposed rate is not significant.

- (h). It has also proposed new tariff for weighment charges for 80 tonne and 120 tonne electronic weigh bridge at Rs.3/- per tonne and Rs.5/- per tonne respectively. The proposed rate is to cover the cost of the investment made by the VSPL and also to cover the operating cost incurred for offering this service. Since this service is reportedly an optional service, the rate proposed by the VSPL is approved. A note stating that the tariff for this service is optional at the request of the users is incorporated in the revised Scale of Rates.
- (i). Since the cost statements are drawn based on the existing rates, the admissible revenue share accounted therein is with respect to the existing rates. If the existing rates are increased, revenue share on the applicable revised income would become payable, which needs to be allowed to the operator. The revenue share admissible to the extent of the second highest bidder (i.e. 12.811%) on the differential revenue share outflow due to the increase allowed in berth hire and wharfage charge works out to Rs.0.65 crores for the two years under consideration which is recognised. Hence the revenue gap to be bridged considering the impact of the admissible revised revenue share will be around Rs.22 crores.
- (j). The tariff increase/ modification suggested in the (a) to (h) above is likely to bridge the deficit of around Rs.22 crores as summarised hereunder:

(Rs. in crores)		
Sr. No	Particulars	Additional revenue estimated for the years 2009-10& 2010-11
1.	Berth Hire	1.30
2.	Wharfage	3.77
3.	Stevedoring	6.85
4.	Harbour mobile crane charge	2.80
5.	Bulk Material Handling System	5.38
6.	Plot rent	1.68
7.	Dust Suppression	0.15
	TOTAL	21.9

- (xxviii). As already stated earlier, shore operation services are offered by the VSPL by outsourcing the activity. Whilst the cost statement includes income estimation as well as the expenditure projection from this service, the VSPL has not included the tariff item in the proposed Scale of Rates on the ground that it is only a facilitator offering the service by outsourcing. As already stated earlier, shore operations is one of the services identified u/s. 42 of the MPT Act, and the rate therefore is to be approved by this Authority. The tariff for shore operation are incorporated in the revised Scale of Rates approved by this Authority at Rs.40 per tonne as considered by the VSPL in the income estimation.

- (xxix). The VSPL has proposed to define the term 'hirer' as users of the facilities provided by the VSPL. The said definition is slightly modified based on the definition prescribed in the Scale of Rates of the Visakhapatnam Port to state that hirer shall mean all users of any of the appliances provided by the VSPL.

The definition of the term 'week' in the existing Scale of Rates is not found to be relevant as the storage charge which is prescribed on per week basis in the existing Scale of Rates is now prescribed on fortnight basis. Hence the definition of the term week is deleted.

- (xxx). The conditionality proposed to determine the status of vessel as coastal and foreign going for levy of vessel related charges is not found to be as definition prescribed in the Scale of Rates of other major ports and private terminal. The conditionality uniformly prescribed in the Scale of Rates of other major ports and private terminals is prescribed in the revised Scale of Rates of the VSPL.

- (xxxi). The penal rate of interest for delayed payments by users and delayed refunds by VSPL is proposed at 11.5%. The prevailing Prime Lending Rate (PLR) of the State Bank of India is 13%. Accordingly, the proposed provision relating to penal rate of interest on delayed payments by users and delayed refunds by VSPL is updated with interest rate of 15% being 2% above the prevailing PLR of the State Bank of India.

- (xxxii). The VSPL has proposed to introduce a condition requiring the hirer to deposit the charges for damages in case of damages to craft/equipment, etc. The VSPL proposes to refund the cost of damage received from the insurance company on admittance of its claim. VSPL was requested to explain the reasons for introducing the proposed condition since the insurance premium payable to the Insurance Company is recognised as an item of cost and hence, the cost of damage to the assets if any will have to be recovered from the insurance company. The VSPL has clarified that the damages below Rs.5 lakhs are not covered as per the terms of the present insurance policy and therefore the VSPL intends to keep deposit from the hirer, to meet liability of expenditure not reimbursed by insurance, if any, for the damage caused to the craft / equipment. Based on the clarification made by the VSPL and also recognising that it has agreed to pay interest as normally applicable for such refunds to the hirer, the proposed condition is incorporated in the Scale of Rates of the VSPL. Incidentally, a similar condition is also prescribed in the Scale of Rates of VPT.

- (xxxiii). Users should not be required to pay charges for delays beyond reasonable level attributable to the major ports / private terminals as stipulated in clause 2.15 of the revised tariff guidelines. The VSPL has accordingly, in view of our suggestion introduced a suitable note in this regard in its proposed Scale of Rates.

It has also incorporated a provision stating that demurrage charge shall not accrue for the period during which the VSPL is not in a position to deliver / ship the cargo when requested by the users. These proposed provisions are in line with the tariff guidelines hence accepted.

- (xxxiv). The VSPL has proposed concessional tariff for coastal vessels / cargo not exceeding 60% of the tariff proposed for normal cargo / foreign going vessels in line with the revised tariff guidelines. Iron ore pellets and thermal coal are excluded from the concessional tariff in respect of cargo handling charges i.e. wharfage, stevedoring charge in line with the revised tariff guidelines.

While prescribing the concessional tariff in respect of berth hire charges, the VSPL has considered an exchange rate of Rs.41/- for the purpose of conversion of exchange dollar denominated rate into rupee terms. The exchange rate considered at the time of the last general revision of Scale of Rates of VSPL was 1 US \$ = Rs.43.52 as against the prevailing exchange rate of 1 US \$ = Rs.51.66.

The tariff guidelines do not allow restatement of the coastal vessel rates at the time of tariff revision exercise. The objective of the relevant guidelines is to ensure that the coastal vessels are not burdened periodically on account of the accumulated effect of fluctuation in the exchange rate. Hence, the existing berth hire prescribed for coastal vessels will also be increased at the same level allowed in this tariff item, without any restatement of foreign exchange rate.

- (xxxv). When VSPL was advised to elaborate the existing general note no.3 about cession of berth hire after the prescribed time limit in line with Clause 6.6.1. to 6.6.3. of the tariff guidelines and the general conditionalities prescribed in the Scale of Rates of VPT. The VSPL has requested this Authority not to impose this condition as it has no role in berthing and unberthing of the vessels. It has submitted that the VPT follows its own priorities for berthing and unberthing of vessel and the operator should not be made to suffer for none of its fault when the vessel is detained at the berth. It is relevant to mention here that these conditions are general conditions prescribed in the Scale of Rates of other Major Ports and Private Terminals in line with the tariff guidelines. These general conditions are also prescribed in the Scale of Rates of the South West Port Limited operating in the Mormugao Port Trust which also collects berth hire directly from ships like VSPL. There is no special circumstance warranting the differential treatment only in the case of VSPL. Hence, the general conditionalities prescribed in the Scale of Rates of the VPT are incorporated in the Scale of Rates of VSPL.
- (xxxvi). The VSPL at our request has modified the existing note no.4 under Schedule of berth hire to state that no berth hire shall be levied even in case of power failure apart from the other reasons prescribed in the existing note. The VSPL has proposed that no berth hire shall be charged for the period when loading / unloading operations cannot be carried out due to non-availability of harbour mobile cranes. The note is modified to state that no berth hire charges shall be payable for the period when loading/unloading operations cannot be carried out due to non-availability or break down of plant equipment or any other reasons including power failure attributable to VSPL in line with the provision prescribed in other ports / private terminals.
- (xxxvii). In the initial tariff fixation, this Authority had allowed the VSPL to adopt output norms prescribed in the then prevailing Scale of Rates of the VPT as per its proposal. Since the output norms are dynamic in nature and need to be reviewed periodically, it would be more practical that the guiding principle for fixation of the norms are prescribed in the Scale of Rates leaving the actual norms to be fixed by the respective port or operator based on the principle. Despite specific mention to consider this aspect at the time of next revision, the VSPL not adhered to our suggestion and proposed to continue with the existing output norms prescribed in its Scale of Rates. The VSPL to our query has expressed its inability to revise the existing output norms on the ground that it has gained only three years experience in conventional handling and nine months in operation of BMHS. It has agreed to revise the output in the next tariff revision in consultation with users and VPT. Till such time, it has requested to continue with the existing norms. The income reported by the VSPL for the years 2004-05 to 2006-07 from levy of penal berth hire charge is not found to be significant. The output norms prescribed in the existing Scale of Rates are, therefore, allowed to continue. The VSPL is advised to formulate suitable output norms in consultation with the users and VPT at the time of next tariff review / revision.
- (xxxviii). The VSPL was advised to propose specific rates for machinery instead of its proposal to continue with the existing method of advalorem rates. The VSPL has clarified that in view of high risk involved in handling this cargo it proposes to continue the practice of charging wharfage rate based on advalorem and in any case, the volumes of these cargo is insignificant as per the past trend.

- (xxxix). The VSPL has proposed two sets of wharfage rate for unenumerated goods. It has clarified that low value cargo items like, river sand etc., will be affected by charging higher wharfage rate. The VSPL as proposed wharfage rate of 10 per tonne for value of cargo less than 1000 and 40 per tonne for value of cargo above 1000 in line with the rates prescribed in the Scale of Rates of VPT as against a single rate of Rs.22 per tonne in the existing Scale of Rates. In view of the clarifications furnished by the VSPL, the two set of wharfage rate for unenumerated goods is accepted.
- (xL). The VSPL has proposed to introduce a note about levy of wharfage charge on goods entering the docks even if they are not shipped. For excess cargo brought into docks for shipment but not shipped, it does not propose to levy wharfage if cargo is removed within 24 hours of shipment. While introducing this note, the VSPL has proposed to continue with the existing condition that no free days shall be allowed on goods brought into the VSPL premises and removed therefrom without shipment. This Authority has in one of its Order relating to Tuticorin Port Trust in the year 2006 held that when wharfage charge are paid by shut out cargo, they should get the benefit of free period as applicable to the export cargo. That being so, while approving the proposed note about levy of wharfage charge on goods entering the docks even if they are not shipped, the existing note disallowing free period for cargo not shipped is deleted from the revised Scale of Rates.
- (xLi). The VSPL was requested to extend the general condition about demurrage charge on cargo shall not accrue for the period when the VSPL is not in a position to deliver / ship the cargo when requested by the user due to reasons attributable to VSPL. The relevant conditionality is included by the VSPL in the revised proposed Scale of Rates in line with the prescription at other major port trusts / private terminal.
- (xLii). The VSPL had earlier proposed to introduce a note stating that the storage period beyond free time would be specifically agreed to between VSPL and the users and if the plot is not vacated after the specific period, demurrage will be charged. It was brought out that the proposed note would lead to inconsistency in application of tariff to different users since the agreed storage period between VSPL and the users will vary from case to case. The VSPL was, therefore advised, to propose specific storage charge on graded basis for longer duration of stay of cargo in the terminal. The VSPL has deleted the earlier proposed note but has not proposed any free storage period beyond which the storage charge is leviable. It has to be recognised free period is prescribed in the other major ports / private terminals beyond which storage charge is leviable. In case of other private bulk cargo terminals like, South West Port Limited (SWPL), International Seaport Haldia Private Limited (ISHPL), etc., also free period is prescribed beyond which storage charge is leviable. The free period prescribed in SWPL is three days free period for import and seven days for export cargo, and at ISHPL it is 21 days. This Authority, therefore, to start with decides to introduce free period of one day for import and export cargo beyond for the purpose of levy of storage charge. This Authority has introduced a similar provision even in the Scale of Rates of the New Mangalore Port Trust and Visakhapatnam Port Trust with reference to storage charge on containers.
- (xLiii). The VPT has pleaded to club hire charge of harbour mobile crane with the berth hire charge. The VPT has stated in view of fixing of the separate charges for berth hire and harbour cranes, it is deprived of getting revenue share on the crantage component. It has stated that the two BOT berths constructed by VSPL are equipped with harbour mobile crane, which are nothing but wharf cranes and they perform similar functions as that of wharf cranes. Hence, HMC cannot be treated as special purpose crane or handling system. It has, therefore, requested to club the crantage charges with berth hire charges or in alternatively direct the VSPL to pay revenue share on crantage component also.

The VSPL has clarified that the Harbour Mobile Cranes (HMC) are special purpose cranes procured by the VSPL instead of traditional rail mounted grab unloaders. The Harbour Mobile cranes are not attached to wharf and hence can not be treated at par with wharf cranes. The Harbour Mobile Cranes are movable in nature and can be operated any where in the terminal. These cranes form integral part of Bulk Material Handling System. Hence these cranes are to be reckoned as special purpose cranes/handling systems as per the guidelines of TAMP. These cranes are, therefore, not comparable to the conventional wharf cranes installed at traditional General Cargo berths. As such charges for these cranes should not form part of berth hire.

The issue is already settled in the earlier tariff Order of the VSPL. The VPT has reiterated its earlier submissions in this regard. It may be relevant here to note that hire charges of specialised cranes are prescribed as a separate item at many other major ports. Even the VPT has filed a proposal for fixation of separate hire charge of harbour mobile recently which is under consideration by this Authority. The VPT has not proposed to club the component of cramage in the relevant berth hire.

Even though it may not be relevant to the existing operators, the guidelines for upfront tariff fixation notified in February 2008 also do not require to club the hire charge of crane with the berth hire charge.

That being so, the request made by the VPT to club hire charge of crane with the berth hire charge cannot be accepted. As proposed by the VSPL, the existing system of levy of hire charge on crane will continue.

- (xLiv). The VSPL has proposed to delete existing note no.3 under Schedule 4.1. stating that the Harbour Mobile Crane would be available with shore Hoppers and Grabs. It has not furnished any specific reason for deleting the existing note. However, since there has not been any objection from any user, the proposal of the VSPL to delete the said note is accepted.
- (xLv). The VSPL on our advice introduced the condition stipulated in clause 4.6. of the tariff guidelines stating that if operational area is leased on rental to users, demurrage on cargo stored therein shall not be levied again.
- (xLvi). As per the revised tariff guidelines, the private operators are required to propose incentive for better performance of the terminal and disincentive for performance below the benchmark level. As agreed by the VSPL, it is advised to incorporate such a scheme based on the experience gained in the operation while formulating its next proposal for review of tariff.
- (xLvii). 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 modified.
- (xLviii). The revised tariff guidelines prescribe tariff validity cycle of three years. As already mentioned above, the cost position considered in this analysis is only for two years i.e. 2009-10 and 2010-11. Hence, the validity of the revised Scale of Rates is prescribed till 31 March 2011.

12.1. In the result, and for the reasons given above and based on a collective application of mind, this Authority approves the revised Scale or Rates of the VSPL which is attached as **Annex - II**.

12.2. Normally, the revised charges will come into effect after 30 days from the date of Gazette Notification, unless a different arrangement is specifically mentioned in the tariff Order as stipulated in Clause 3.2.8. of the 2005 Guidelines. It has to be recognised that the revision of the

Scale of Rates of the VSPL was already overdue. In view of this position and also recognising that the financial position considered in this analysis is for the period of two years from 1 April 2009, the revised charges is allowed to come into force 15 days from the date of the Order passed by this Authority and will remain valid till 31 March 2011.

12.3. The tariff of the VSPL has been fixed relying on the information furnished by the port and based on assumptions made as explained in the analysis. If this Authority, at any time, during the prescribed tariff validity period, finds that the actual position varies substantially from the estimations considered or there is deviation from the assumptions accepted herein, this Authority may require the VSPL to file a proposal ahead of the schedule to review its tariff and to setoff fully the advantage accrued on account of such variations in the revised tariff.

12.4. In this regard, the VSPL is requested furnish a report of the actual physical and financial performance within 15 days of completion of each quarter of a year in the same format in which the cost statement for the tariff proposals are filed. The report should also be accompanied with the reasons for variation from the estimates relied upon for fixing the tariff in force. If a variation of (+) / (-) 20% is observed between the actual and the estimates for two consecutive quarterly period, TAMP will call upon the concerned operator to submit their proposal for an ahead of scheduled review. If the VSPL fails to file a tariff proposal within the time limit to be stipulated by TAMP, this Authority will proceed *suo motu* to review the tariff.

(Arvind Kumar)
Member

Consolidated Cost statement of Vizag Seaport Private Limited

(in Rupees)

Sr.No	Particulars	Actuals	Estimates furnished by the VSPL				Estimates modified by TAMP		
			Estimates	Estimates	Estimates	Estimates	Actuals upto December Estimates (January to March)	Estimates	Estimates
		2007-08	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	
	Traffic (In MTs / TEUs)	3,884,746	4,450,000	4,942,500	5,189,625	4,450,000	4,942,500	5,189,625	
I	Total Operating Income								
	(i) Berth hire	17169728	11692500	12871125	13514681	16171269	16377180	17196039	
	(a) Wharfage	96605134	135300000	150975000	158523750	135300000	150975000	158523750	
	(b) . Cargo handling charge	348495215	294070000	327133500	343490175	477195850	671953500	705551175	
	(c). Plot Rent, Demurrage and	100567513	26299500	29210175	30670684	26299500	29210175	30670684	
	(ii) Cargo related activity	545667862	455669500	507318675	532684609	638795350	852138675	894745609	
	Total (i to ii)	562,837,590	467,362,000	520,189,800	546,199,290	654,966,619	868,515,855	911,941,648	
II	Operating Costs (excluding								
	(i) Operating & Direct Labour	8720332	16,690,000	18,604,500	19,534,725	13,755,067	18,604,500	19,534,725	
	(ii) Maintenance Labour	36311951	43,920,000	46,291,680	48,791,431	43,920,000	45,940,320	48,053,575	
	(iii) Equipment Running Costs	41047479	60,809,549	65,656,309	67,571,128	53,335,439	59,490,091	63,863,947	
	(iv) Maintenance dredging	478153	9,750,000	10,276,500	10,831,431	4,825,920	10,195,500	10,667,800	
	(v) Royalty / revenue share	13010319	25,151,887	28,035,710	29,437,496	19,404,984	21,439,488	22,511,462	
	(vi) Equipment Hire	143543169	181,582,600	163,289,730	129,630,092	181,582,600	163,289,730	129,630,092	
	(vii) Lease Rentals payable as per concession agreement	7501494	6,880,126	6,880,126	6,880,126	6,880,126	6,880,126	6,880,126	
	(viii) Insurance	5431164	5,187,471	5,467,594	5,762,844	5,187,471	5,426,094	5,675,695	
	(ix) Other expenses	73265456	10,105,000	10,304,850	10,740,211	13,750,883	14,383,423	15,045,061	
	(x) Technical Service Fee	1233696	10,000,000	10,000,000	5,000,000	1,233,696	1,233,696	1,233,696	
	Total (i to x)	330,543,212	370,076,633	364,806,999	334,179,483	343,876,185	346,885,967	323,096,177	
III	Depreciation	114717987	120,926,513	132,002,231	143,418,886	121,057,555	121,025,176	121,025,176	
IV	Overheads								
	(i) Management & Administration	34380943	36,237,514	38,194,340	40,256,834	36,237,514	37,904,440	39,648,044	
	(ii) General Overheads								
	(iii) Preliminary expenses & Upfront Payment write-off	3319548	3,310,479	3,310,479	3,310,479	3,310,479	3,310,479	3,310,479	
	Total (i to iii)	37,700,491	39,547,993	41,504,819	43,567,313	39,547,993	41,214,919	42,958,523	
V	Operating Surplus / (Deficit) (I) - (II) - (III) - (IV)	79,875,900	(63,189,139)	(18,124,248)	25,033,608	150,484,886	359,389,793	424,861,771	
VI	Finance & Miscellaneous Income (FMI)								
	(i) Profit on sale of assets	-	-	-	-	-	-	-	
	(ii) Discounted terminal value receivable as per the concession agreement (discounted at)	195,200	200,000	200,000	200,000	218,637	244,859	274,252	
	(iii) Others with details	-	-	-	-	-	-	-	
	Total	195,200	200,000	200,000	200,000	218,637	244,859	274,252	
VII	Finance & Miscellaneous Expenses (FME)	-	-	-	-	-	-	-	
VIII	FMI Less FME (VI) - (VII)	195,200	200,000	200,000	200,000	218,637	244,859	274,252	
IX	Surplus Before Interest and Tax (V) + (VIII)	80,071,100	(62,989,139)	(17,924,249)	25,233,608	150,703,523	359,634,652	425,136,023	
X	Capital Employed	2597936308	2,476,573,515	2,847,279,307	2,704,427,829	2,487,234,066	2,362,216,748	2,237,881,093	
XI	RoCE - Maximum permissible	15%	16%	16%	16%	16%	16%	16%	
XII	Capacity Utilization	57.98%	66.42%	73.77%	77.46%	66.42%	73.77%	77.46%	
XIII	RoCE adjusted for capacity utilization	225,942,521	396,251,762	455,564,689	432,708,453	397,957,451	377,954,680	358,060,975	
XIV	Net Surplus / (Deficit) (IX) - (XIII)	(145,871,421)	(459,240,901)	(473,488,938)	(407,474,844)	(247,253,927)	(18,320,027)	67,075,048	
XV	Accumulated loss for the period 2007-08 to 2008-09						(393,125,348)		
XVI	Two instalments of past loss adjusted in this cycle						(131,041,783)	(131,041,783)	
XVII	Net Surplus / (Deficit) after adjustment of past loss (XIV) - (XVI)						(149,361,810)	(63,966,734)	
XVIII	Net Surplus / (Deficit) as a % of operating income (XVII) in %	-26%	-98%	-91%	-75%	-38%	-17.20%	-7.01%	
XIX	Average net deficit as a % of operating income			-88%			-12.11%		

VIZAG SEAPORT PRIVATE LIMITED**SCALE OF RATES****SECTION - 1****1.1. Definitions - General**

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

- (1). "VPT" means Visakhapatnam Port Trust (VPT).
- (2). "VSPL" means Vizag Seaport Private Limited, a Company incorporated in India, its successors and assignees.
- (3). "Coastal vessel" means any vessel exclusively employed in trading between any port or place in India to any other port or place in India having a valid coastal licence issued by the competent authority.
- (4). "Foreign-going vessel" means any vessel other than coastal vessel.
- (5). "Day" shall mean the period starting from 6.00 A.M. of a day and ending at 6.00 A.M. on the next day.
- (6). "Hirer" shall mean all users of any of the appliances provided by VSPL.

1.2. General Terms & Conditions

- (1). Status of a vessel as borne out by its certification issued by the Customs or Director General of Shipping is the relevant factor for deciding whether the vessel is 'foreign-going' or 'coastal'. Foreign going vessels permitted to undertake coastal voyages and the cargo/container carried by them will also qualify for the concession in respect of such permissible voyages.
- (2).
 - (i). A foreign-going vessel of Indian Flag having a General Trading License can convert to Coastal run on the basis of a Customs Conversion Order.
 - (ii). A foreign-going vessel of Foreign Flag can convert to coastal run on the basis of Coastal Voyage License issued by the Director General of Shipping.
 - (iii). In cases of such conversion, coastal rates shall be chargeable by the load port from the time the vessel starts loading coastal goods.
 - (iv). In case of such conversion coastal rates shall be chargeable only till the vessel completes coastal cargo discharging operations; immediately thereafter, foreign-going rates shall be chargeable by the discharge ports.
 - (v). For dedicated Indian coastal vessels having a Coastal License from the Director General of Shipping, no other document will be required to be entitled to coastal rates.
- (3). Berth hire charges shall be levied on ship owners / steamer agents. Wherever rates have been denominated in US dollar terms, the charges shall be recovered in Indian Rupees after conversion of US currency to its equivalent Indian Rupees at the Market Buying rate notified by the Reserve Bank of India, State Bank of India or its associates or any other Public Sector Banks as may be specified from time to time. The day of entry of the vessel into the port limit shall be reckoned as the day for such conversion.

- (4). A regular review of exchange rate shall be made once in thirty days from the date of arrival of the vessels in cases of vessels staying in the VSPL for more than thirty days. In such cases the basis of billing shall change prospectively with reference to the appropriate exchange rate prevailing at the time of review.
- (5). No refund shall be made if the amount refundable is less than Rs.100/-. This limit shall also be applied for supplementary claims for under charges.
- (6). For the purpose of calculating the dues, the unit by weight shall be 1 tonne or 1,000 kilograms, the unit by volume measurement shall be 1 cubic metre and the unit by capacity measurement for liquids in bulk shall be 1,000 litres.
- (7). In calculating the gross weight or measurement by volume or capacity of any individual item, fractions upto 0.5 be taken as 0.5 unit and fractions of 0.5 and above be treated as one unit, except where otherwise specified.
- (8). Interest on delayed payments / refunds
 - (i). The user shall pay penal interest on delayed payments of any charge under this Scale of Rates. The rate of interest will be 15%.
 - (ii). Likewise, the VSPL shall pay penal interest @15% per annum on delayed refunds.
 - (iii). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the VSPL. This provision shall, however, not apply to the cases where payment is to be made before availing the services as stipulated in the Major Port Trusts Act and/or where payment of charges in advance is prescribed in this Scale of Rates.
 - (iv). 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.
- (9). All charges worked out shall be rounded off to the next higher rupee on the grand total of each bill.
- (10). All goods landed within the limits of the VSPL shall be assessed on import application and the fees shall be paid before the goods are removed.
- (11). All goods intended for shipment shall be assessed on export application and the fees shall be paid before the goods are shipped.
- (12).
 - (i). The vessel related charges for all coastal vessels should not exceed 60% of the corresponding charges for other vessels.
 - (ii). The cargo related charges for all coastal cargo, other than thermal coal, POL including crude oil, Iron Ore and iron pellets, should not exceed 60% of the normal cargo related charges.
 - (iii). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship-shore transfer and transfer from/to quay to/from storage yard including wharfage.
 - (iv). Cargo from a foreign port which reaches an Indian Port 'A' for subsequent transshipment to Indian Port 'B' will be levied the concession charges relevant for its coastal voyage. In other words, cargo from / to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for concession.
- (13). In case of damages to crafts, equipments, tools and plants, the hirer shall deposit anticipated amount for all such charges for damages as assessed by the VSPL immediately on receipt of the demand, pending determination of the actual charges. In case of total loss, the hirer shall deposit the book value or market value of the crafts or

appliances or properties of the VSPL whichever is higher. The VSPL shall refund the cost of damage received from the insurance company on admittance of its claim to the hirer from whom the cost of damage of the equipment was recovered, along with interest as applicable.

- (14). Users will not be required to pay charges beyond a reasonable level attributable to the VSPL.

SECTION – 2

VESSEL RELATED CHARGES

2.1 BERTH HIRE

2.1.1 Schedule of Berth Hire for Vessels

DESCRIPTION	Rate per GRT per hour or part thereof	
	Foreign-going vessel (in US \$)	Coastal vessel (in Rs.)
Berth EQ 8 & EQ 9	0.0020 subject to a minimum of US\$ 40	0.0527 subject to a minimum of Rs. 1054

General Notes relating to Berth hire

- (1). Berth hire for the period of 1 hour in which the vessel changes its status can be charged on the basis of the status of the vessel at the beginning of the relevant block of 1 hour period.
- (2). The period of berth hire shall be calculated from the time mooring in the berth is completed.
- (3). No berth hire charges shall be payable for the period when loading/unloading operations cannot be carried out due to non-availability or break down of plant equipment or any other reasons including power failure attributable to VSPL.
- (4).
 - (i). There shall be a time limit beyond which berth hire shall not apply. The berth hire shall stop 4 hrs after the time of vessel signalling its readiness to sail.
 - (ii). The time limit of 4 hrs prescribed for cessation of berth hire shall exclude the ship's waiting time for want of favourable tidal condition or on account of inclement weather or due to absence of night navigation facilities.
 - (iii). The Master/Agent of the vessel shall signal readiness to sail only in accordance with favourable tidal and weather condition.
 - (iv). There shall be a penal berth hire equal to one day's berth hire charge for a false signal.
"False signal" would be when a ship signals readiness and asks for a pilot in anticipation even when she is not ready for unberthing due to engine not being ready or cargo operation not completed or such other reasons attributable to the vessel. This excludes the signalling readiness when a ship is not able to sail due to unfavourable tide, lack of night navigation or adverse weather conditions".
- (5). Ousting Priority/Priority berth Hire:
 - (i). For providing the "ousting priority" to any vessel, a fee equivalent to berth hire for a single day (24 units of one hour each) or 100 % of the berth hire calculated for the total period of actual stay at the berth, whichever is higher, shall be levied.

- (ii). For "priority berthing" to any vessel, a fee equivalent to berth hire for a single day (24 units of one hour each) or 75% of the berth hire, calculated for the total period of actual stay at the berth whichever is higher, shall be levied.
- (iii). Where a working berth is already vacant for want of a vessel and a vessel having priority / ousting priority is berthed at that vacant berth when there are no vessels waiting at roads for berthing prior to its arrival or when the vessels waiting at roads are not ready in all aspects (unreadiness of documents/lack of cargo/lack of ullage/hatch cleaning/ receivers or shippers not willing to work), it is not treated as priority berthing and in such cases no priority berthing charges will be levied.
- (iv). The fee for according priority/ousting priority as indicated above shall be charged from all the vessels except the following categories:
 - (a). Vessels carrying cargo on account of Ministry of Defence.
 - (b). Defence vessels coming on goodwill visits.
 - (c). Vessels hired for the purpose of Antarctica expedition by Department of Ocean Development.
 - (d). Any other vessel for which special exemption has been granted by the Ministry of Shipping
 - (e). Coastal vessels which will be accorded priority berthing shall not be liable to pay priority berthing charges.

Note: The VSPL is governed by clause 3.9 (b) of the License Agreement which provides that the Licensee (VSPL) may with the prior written approval of the Licensor (VPT) offer preferential or priority berthing to any one or more shipping lines or vessel owners / operators to optimize the use of the berths and equipment.

2.1.2. Penal Berth Hire Charges

Penal berth hire charges shall become payable for over-stayal of the vessel beyond the berth occupancy as per the norms given in clause 2.1.4 if the norms cannot be achieved due to any reasons attributable to the vessel.

- (i). Vessel shall be permitted to occupy the berth after completion of cargo operation without attracting penal berth hire charges for period mentioned below:

(a). Any vessel which requires "securing"	10 hrs
(b). Food Grains vessels requiring fumigation and Inerting	10 hrs
(c). In all other cases	7 hrs
- (ii). The berth occupancy for each vessel for the purpose of levy of penal berth hire charges shall be subject to the following conditions:
 - (a). For deciding the period of stay of a vessel, number of shifts lost due to labour stoppage of work and labour holiday shall be excluded.
 - (b). The shift in which the vessel is berthed shall not be deciding the vessels stay at berth since normally vessels are berthed in the middle of shift resulting in engagement of less number of hooks.
 - (c). In case of new cargoes, average performance of three consignments shall be fixed as "NORM" tentatively which will be reviewed after six months for further refinement.
 - (d). Any stoppage of work for reasons attributable to VSPL shall be excluded.

- (iii). (a). In case of supply of bunkers and or water through barges, the vessel shall be permitted to stay at berth without attracting penal berth hire for 8 hours.
- (b). In case of supply of water, the vessel shall be permitted to stay at berth without attracting penal berth hire for 12 hours from the time of placement of barge alongside the vessel.
- (c). Vessels taking water / bunker through sources other than barge will be permitted to stay for 8 hours from the time of completion of loading / unloading the cargo without attracting penal berth hire.

2.1.3. Penal berth hire charges shall be levied in addition to normal berth hire for the period of over-stayal at the rates prescribed below.

Sl. No.	Particulars	Unit	Foreign-going vessel (in US \$)	Coastal vessel (in Rs.)
1.	Up to 6 hours	Per GRT	0.016	0.042
2.	Above 6 hrs. and upto 12 hours	- do -	0.032	0.84
3.	Above 12 hrs. but upto 18 hours.	- do -	0.064	1.67
4.	Above 18 hrs. per day or part there of	- do -	0.080	2.09

2.1.4 Commodity wise per hook per shift output rates

For Exports			For Imports	
Sl. No.	Nomenclature	Per hook per shift output (in tonnes)	Nomenclature	Per hook per shift output (in tonnes)
1.	Containers (boxes)	20	Containers (boxes)	22
2.	Ferro Silicon	102	Ferro Silicon	262
3.	General Cargo	82	General cargo	86
4.	Iron & Steel	180	Iron & Steel	108
5.	Iron Ore & Pellets (manual loading)	598	Iron Ore (manual unloading)	560
6.	Maize	61	Maize (bulk)	234
7.	Sugar	94	Sugar in bags	82
8.	Wheat (bags)	91	Wheat (in bulk)	134
9.	Rice (bags)	81	Rice	62
10.	Rice (Bulk)	80	Rock Phosphate	281
11.	Aluminium Billets	98	Ammonium Nitrate	347
12.	Aluminium Ingots	110	Ammonium Sulphate	210
13.	C.P. Coke	346	Bauxite Bags	233
14.	Cement	102	Bentonite	254
15.	Charge Chrome	404	Bulgar wheat bags	62
16.	Chick Peas	219	Carbon Anodes	229
17.	Chrome Ore	188	Chrome Ore	206
18.	Coal tar (Bags)	192	Coal tar pitch	77

19.	Coffee (Bags)	67
20.	Dry Yeast	62
21.	Feldspar	317
22.	Fenugreek	99
23.	Ferro Chrome (Bulk)	341
24.	Ferro Chrome Bags	226
25.	Ferro Manganese	99
26.	Granite Blocks	199
27.	Ilmenite Sand	333
28.	Kenaf	40
29.	Manganese Ore	310
30.	Pet Coke (Bags)	83
31.	Pig Iron	458
32.	Quarzite	117
33.	Silicon Manganese Ore (Bags)	200
34.	Silicon Manganese Ore (Bulk)	538
35.	Soya extracts	172
36.	Thermal Coal	665
37.	Vegetables	53

Coking Coal	
(a) Discharged by vessels with self discharging gear	622
(b) All types of coal discharged by non-self discharging vessels	360
CSB in bags	74
DAP Bulk	262
DBM in bags	242
DBM in Bulk	220
Dolomite	405
Coal / Coke (parcel of below 20000)	234
Coal / Coke (parcel of above 20000)	361
Lime Stone	372
Mono Ammonium Phosphate	210
MOP	267
Oil Pailes	57
Paper bundle	212
Petroleum Coke	401
Steam coal	578
Wood pulp	236
Sulphur	278
Timber logs	114
Urea	283

Notes:

- (1). The total number of hooks worked shall be reckoned to compute the per hook per shift productivity.
- (2). The following two cases shall be deemed as non-performance / poor performance of the vessel:
 - (a). If a vessel works with less number of hooks for reasons such as lack of / insufficient cargo, improper stowage, failure of ship's gear and lack of clearance arrangements;
 - (b). If the actual hook output in the shifts following the shift in which the vessel is berthed does not conform to the norms prescribed for that commodity.

2.2. CHARGES FOR SUPPLY OF WATER TO VESSELS:

Item No.	Description	Unit	Foreign-going vessel (in US \$)	Coastal vessel (in Rs.)
1.	Supply of fresh water to vessels at Shore.	Per 1000 Ltrs. or part thereof	3.241 subject to a minimum charge of \$ 16.205	Rs.84.65 subject to a minimum charge of Rs.423.25
2.	Supply of fresh water to vessels by Boat at Quay Walls, Jetties and Moorings.	Per 1000 Ltrs. or part thereof	4.182 subject to a minimum charge of \$ 20.912	Rs.109.20 subject to a minimum charge of Rs.546.00

SECTION - 3

CARGO RELATED CHARGES

3.1. WHARFAGE:

Item No.	Nomenclature	Unit	Rate (in Rs.)	
			Other than coastal cargo	Coastal cargo
1.	All types of Coal (other than thermal coal), Coke and Coal tar pitch	Tonne	37.00	22.20
2.	Alumina (bulk),	Tonne	40.35	24.20
3.	Aluminium, Alumina Sow Ingots, Alumina Billets and Alumina products	Tonne	24.70	14.85
4.	Asphalt/bitumen, Barytes and Feldspar, Cement clinker (including cement)	Tonne	21.30	12.80
5.	Manganese Ore	Tonne	21.30	12.80
6.	Blast furnace slag, Bentonite, Dolomite chips, Fly Ash and River sand	Tonne	14.60	8.75
7.	Calcined petroleum coke	Tonne	40.35	24.20
8.	Caustic Soda	Per K.L.	39.25	23.55
9.	Cereals, food grains, Pulses and Sugar	Tonne	24.70	14.80
10.	Charge chrome, Ferro Manganese, Ferro Silicon Silicon Manganese, High carbon Ferrochrome, and other ores.	Tonne	42.60	25.55
11.	Chemicals	Tonnes	61.65	37.00
12.	Edible Oils	K.L.	17.95	10.80
13.	Electrical goods (in %)	Ad valorem	0.30%	0.18%
14.	Fertilizers (including MOP)	Tonne	32.50	19.50
15.	Granite Blocks & Marbles	Tonne	49.30	29.60
16.	Gypsum	Tonnes	44.85	26.90
17.	Ilemenite sand	Tonne	14.60	8.75
18.	Iron Ore	Tonne	24.70	24.70
19.	Iron Ore Pellets	Tonne	25.80	25.80
20.	Limestone	Tonne	33.65	20.20
21.	Liquid Ammonia, Molten Sulphur, Rock phosphate and Sulphur	Tonne	33.65	20.20
22.	Machinery	Ad valorem	0.16%	0.09%
23.	Molasses	K.L.	39.25	23.55
24.	All types of Oil Extractions like Soya, Rape seed etc.,	Tonne	13.45	8.10
25.	Pig iron	Tonne	42.60	25.55
26.	R.R. materials:	Tonne	37.00	22.20
27.	Steel Products (including scrap) – all varieties	Tonne	49.30	29.60
28.	Styrene Monomar	Tonne	61.65	37.00
29.	Thermal Coal	Tonne	21.30	21.30
30.	Timber Logs & Wood items	Cu. M	24.70	14.80
31.	Unenumerated goods having FOB/CIF value upto and inclusion of Rs.1000/- per tonne.	Tonne	10.00	6.00
32.	Unenumerated goods having value more than Rs.1000/- per tonne.	Tonne	40.00	24.00

Notes:

- (1). Before classifying any cargo as 'un-enumerated goods' the relevant Customs classification shall be referred to find out whether the cargo can be classified under any of the specific categories mentioned in the Schedule given above.
- (2). Wharfage charges are leviable on goods entering the docks even if they are not shipped. However, for the excess cargo brought into docks for shipment but not shipped, no wharfage will be levied if the cargo is removed within 24 hours of shipment
- (3). Charges on packages containing articles of a miscellaneous character shall be levied at the rate applicable to the individual articles.
- (4). Advalorem wharfage on imports shall be calculated on CIF value; on the exports on FOB value; and on coastal cargo on value specified in the bill of coastal goods. Customs bills of entry/shipping bill/bill of coastal goods shall be the main documents for assessing the value of cargo for wharfage purpose and where it is not available, the value will be determined based on Bill of Lading/invoice etc.

3.2. WHARFAGE CHARGES FOR SPECIFIED CASES

In the following specified cases wharfage charges shall be levied as specified in Section 3.1.

- (i). On crafts carried on board the vessel.
- (ii). On goods abandoned.
- (iii). On the manifested description of package whether they are landed empty or partly empty.

3.3. WHARFAGE CHARGES ON GOODS FROM VESSELS IN DISTRESS

Item No.	Description	Charges Payable
1.	Cargo of other Ports landed from vessels in distress.	As specified in Section 3.1.
2.	Cargo that already paid export wharfage but has not been carried to destination.	No Wharfage
3.	Cargo of other Ports reshipped without having left the VSPL's premises.	No wharfage at the time of shipment.

3.4. CHARGES ON TRANSHIPMENT CARGOES

Item No.	Description	Charges Payable
1.	On cargo landed from one vessel and subsequently shipped to another vessel.	150% of the applicable Wharfage

Notes:

- (1). Cargo/container from a foreign port which reaches an Indian Port 'A' for subsequent transshipment to Indian Port 'B' will also qualify insofar as the concessional charges relevant for its coastal voyage. In other words, cargo/containers from/to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for the concession.
- (2). The concessional tariff prescribed for coastal cargo does not apply to the operations of loading/unloading on arrival/departure from/to a foreign port. Concessional cargo related charges will be levied only for handling the consignment in related to its coastal voyage.

3.5. DEMURRAGE CHARGES (IMPORTS/ EXPORTS/TRANSHIPMENT):

The demurrage charges shall be levied on the cargoes after the expiry of free days as under.

Item No.	Description	(Rate in Rs.)
1.	For the first ten days after the expiry of free period.	Rs.12.00 per tonne/Cu. meter or part thereof for every day or part thereof.
2.	Thereafter.	Rs.24.00 per tonne/Cu. meter or part thereof for every day or part thereof.

Notes:

- (1). In case of goods for which wharfage charges are collected on 'advalorem' basis, demurrage shall be levied on 'per tonne' basis. In all other cases demurrage shall be levied on 'per tonne' basis or 'per cubic metre' basis as the case may be based on the wharfage charges collected.
- (2). All goods shall be allowed free storage as indicated below:
 - (i). **Exports**
 - (a). 20 days (excluding Customs holidays and VSPL's non-working days) from the actual date of the receipt of the goods in the VSPL premises.
 - (ii). **Imports**
 - (a). Three days (excluding Customs holidays and VSPL's non-working days) from the day following the day of completion of final discharge and in the case of salvaged goods, from the day following the day of salvage.
 - (b). Where goods are landed by the vessel into lighters, barges or other floating crafts, the free days shall be calculated from the day of complete discharge of the goods from the lighters, barges or other floating craft, on the wharf or jetty.
 - (iii). **Transshipment Cargo**

10 days (excluding Customs holidays and VSPL's non-working days) from the last day of discharge of cargo from the VSPL premises.
- (3). **Demurrage on goods detained:**

The following periods shall be excluded from the calculation of any period for which free storage is allowed under this rule viz.:

 - (i). Any period during which goods are detained by the Health Officer before being destroyed.
 - (ii). Periods during which the goods are detained by the Commissioner of Customs for the purpose of special examination involving analytical or technical test other than the ordinary process of appraisal and certified by the Commissioner of Customs to be not attributable to any fault or negligence on the part of the Importers/Exporters;
 - (iii). Where goods are detained by the Commissioner of Customs on account of Import / Export Control formalities and the delay is certified by the Commissioner of Customs to be not attributable to any fault or negligence on the part of the Importer/Exporter,

For such period of detention demurrage charges shall be recovered as under:

First 45 days	:	Free
46 days to 90 days	:	50% of actual demurrage charges
Beyond 90 days	:	100% of actual demurrage charges

Actual demurrage charges at full rate shall be worked out as per Scale of Rates at the appropriate slab as applicable after 45 days and the concessional rate mentioned above shall be applied thereon on the full demurrage charges leviable.

The first 45 days shall be reckoned with as follows:

- (a). First 45 days after expiry of free days if cargo is detained by the Customs before expiry of free days; and,
- (b). First 45 days from the date of detention if cargo is detained by the Customs after accrual of demurrage charges.

The detention certificate for availing the above concession shall be submitted within a period of six months from the date of clearance of goods.

- (iv). Demurrage charge on cargo shall not accrue for the period when the VSPL is not in a position to deliver / ship the cargo when requested by the user due to reasons attributable to VSPL.
- (v). If operational area is leased on rental to user, demurrage on cargo stored therein shall not be levied again.

3.6. Storage charges: (open stacking space)

3.6.1 Free period :

(a). **Export:**

1 day free period (excluding Customs holidays and VSPL's non working days) will be allowed from the date of receipt of goods in the VSPL premises.

(b). **Import:**

1 day free period (excluding Customs holidays and VSPL's non working days) will be allowed from the day following the completion of final discharge of cargo from the vessel.

3.6.2. Storage charges leviable beyond the free period:

Description	Unit	Rate (in Rs.)
For the first fortnight after the expiry of free period	Per Tonne or part thereof per fortnight	Rs. 6/- PMT
Second fortnight and thereafter		Rs. 9/- PMT

Notes:

- (1). Storage beyond 30 up to 45 days shall attract penal storage charges @ Rs.3/- per ton per day in addition to the second fortnight storage charges. Beyond 45 days storage charges shall be Rs.24/- per ton per day.

3.7. Stevedoring charges:

Commodities	Rate in Rs. Per Ton	
	Other than coastal cargo	Coastal cargo
Dry Bulk:		
Fertilisers & FRM	44.85	26.90
Pet coke, Calcined Pet Coke and Met Coke	25.00	15.00
Iron ore	25.00	25.00
Coking Coal	23.00	13.80
Cement Clinker	40.00	24.00
Feldspar	20.00	12.00
Thermal Coal	25.80	25.80
Steam Coal	25.80	15.50
Illuminated Sand	22.45	13.50
Lime Stone	25.00	15.00
Gypsum	25.00	15.00
Food Grain	39.25	23.55
Slag	22.45	13.50
Scrap	33.65	20.20
Raw Sugar	24.65	14.80
Unenumerated goods / cargo	40.00	24.00
Break-Bulk:		
Steel	44.85	26.90
Pig Iron	28.05	16.85
Timber Logs	95.30	57.20
Granite	60.00	36.00
Others	39.25	23.55

Note:

- (1). The charges mentioned above are leviable for providing any or all of the activities like Picking, Lifting, Hoisting, Maneuvering, Positioning, Lowering, Unloading and Loading of Cargo bulk or break-bulk from/or into the Vessel's holds/Hatches/Combings/Wing Spaces/Between Decks and Decks till the Cargo is safely positioned either on the Wharf or on the Vessel, as the case may be.
- (2). Coal handled under Bulk material handling system will not attract separate stevedoring charges prescribed in the schedule 3.7.

3.8. Charges for shore operations:

(Rate in Rs. per tonne or part thereof)

Other than Coastal cargo	Coastal cargo
40.00	24.00

Note: Concessional tariff prescribed for coastal cargo will not be applicable for thermal coal, POL including crude oil, iron ore and iron ore pellets.

SECTION-4

CHARGES FOR DEPLOYMENT OF EQUIPMENT

4.1. 104 Tonne Harbour Mobile Crane:

Rate in Rs. per tonne or part thereof (in Rs.)	
Other than coastal cargo	Coastal cargo
Rs.72.75 per ton or part thereof subject to minimum of Rs.3,63,750/- per shift per crane	Rs.43.65 per ton or part thereof subject to minimum of Rs.2,18,250/- per shift per crane

Notes:

- (1). Concessional tariff prescribed for coastal cargo will not be applicable for thermal coal, POL including crude oil, iron ore and iron ore pellets.
- (2). This charge prescribed cover only the charges for working of the cranes. Slings and unslings and moving the loads within the reach of the crane shall be the responsibility of the hirer.

4.2. Dust suppression system charges:

Item No.	Description	Unit	Rate per tonne or part thereof (in Rs.)
Pollution control charges for water sprinkling			
1.	For Dry Bulk	Per Tonne or part thereof	1.50
2.	For Break Bulk	Per Tonne or part thereof	0.50

4.3. Weighment Charges:

Item No.	Description	Unit	Rate per tonne or part thereof (in Rs.)
1.	80 Tonne Electronic Road Weigh bridge	Per Tonne	3.00
2.	120 Tonne Electronic In Motion Weigh bridge	Per Tonne	5.00

Note: The service is optional and will be provided at the request made by the user.

4.4. Material Handling System for handling bulk cargo:

Item No.	Description	Rate per tonne or part thereof (in Rs.)
1.	Discharge of cargo with 104 MT Harbour Mobile Cranes	72.75
2.	1200 TPH Mobile Hoppers – 2 Nos. with belt feeders and telescopic spout for truck loading.	13.00
3.	Conveyor and stackers – 2 Nos. for stacking @ 1600 TPH	57.00
4.	Reclaiming and wagon loading @ 1050 TPH	38.00
5.	Inmotion Electronic weighment	5.00
6.	Sampling system	2.00
7.	Other services – leveling, labeling and photographing	10.00
	Total:	197.75

Note: Integrated terminal services covering all the items of services specified in 4.4 above shall be provided at a composite rate of Rs.188.75.

SECTION- 5

CHARGES FOR OTHER SERVICES

5.1. Visitor Entry Pass:	Yearly	Monthly	Daily
(a) Per Application	Rs. 200	Rs. 50	Rs.20
(b) Per Replacement	Rs. 50	Rs. 50	Rs.20

5.2. Vehicle Entry Pass (for vehicles other than the vehicles entering the terminal for delivery/dispatch of cargo):

Per Entry Rs. 75

5.3. Photography:

(i).	Film Shooting and Photography	Rs. 8500	per day
(ii).	Taking Photographs of Goods Imp/Exp	Rs. 425	per day
(iii).	Taking Photographs of Crews and Others	Rs. 215	per day
(iv).	Videography (related to operational activities)	Rs. 2550	per day

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/9/2007-VSPL - Proposal from the Vizag Seaport Private Limited (VSPL) for revision of its Scale of Rates for its terminal at the Visakhapatnam Port Trust (VPT).

1.1. The summary of comments received from the VPT, users / user organisations and comments of the Vizag Seaport Private Limited (VSPL) thereon are tabulated below:

Sl. No.	Comments of users / user organisations	Comments of VSPL
1.	Visakhapatnam Steel Plant Limited	
(i)	<p>Wharfage:</p> <p>(a). The proposed rate for Coal and Coke and Limestone reduced by the VSPL and brought at par with the rate prevailing at the VPT is acceptable.</p> <p>Likewise, the wharfage rate for Thermal Coal proposed to reduce from existing 19 per tonne to Rs.15 per tonne which is even lower than the rate prescribed in the Scale of Rates of VPT (Rs.26 per metric tonne) is acceptable.</p> <p>(b). The wharfage rate proposed for Iron Ore and Iron Ore Pellets is maintained at the prevailing level i.e. Rs.22 / Rs.23 per metric tonne respectively as against Rs.16.50 / Rs.15.50 per metric tonne respectively prescribed in the Scale of Rates of VPT. It is suggested to reduce the existing rates for these items on par with the rate prescribed in the VPT's Scale of Rates.</p>	<p>(a). No comments.</p> <p>(b). The wharfage rates of Visakhapatnam Port Trust Iron Ore and Iron Ore Pellets are handled by VPT using mechanical loading system. The surface of apron and berth do not, therefore, have contact with cargo and as such they are not getting damaged due to cargo handling operation. Where as in the case of VSPL, the dock surface being damaged by cargo and cargo trucks has to be maintained at huge cost and to cater to such contingencies also the wharfage rate for these commodities is proposed as Rs.22/- and Rs.23/- per ton respectively. These rates are lower than the prevailing wharfage of VPT.</p>
(ii).	<p>The proposed storage charges for open stacking space on per metric tonne basis as against the prevailing per weekly rate for the area allotted is not acceptable. There is no change in the infrastructure at VSPL and hence the existing system of levy on weekly basis per 100 sq. mtr. may be continued by reducing the existing rates at par with the storage charges prescribed in the Scale of Rates of VPT.</p>	<p>(a). VSPL is confined to the small area of about 11 hectares of land allotted contiguous to the Berth as back up space to receive, store, dispatch and operate the Terminal. Longer dwell time of cargo in its Terminal materially affects the throughput adversely. Hence, the entire backup area contiguous to the berth is treated only as a "Transit Area" in the real sense and not as a storage area.</p> <p>(b). If the cargo is not evacuated from the terminal within a reasonable period of time, the Terminal would not be in a position to receive the targeted number of vessels to achieve the expected levels of throughput, revenues and in turn meet to some extent the shortfall of cargo handling faced by the port.</p>

		<p>(c). The storage rates proposed in the revised draft Scale of Rates is to discourage longer dwell time of cargoes in the Terminal and should not be construed as though these rates are intended to increase the revenue.</p>
(iii).	<p>Increase proposed in stevedoring charges for Coking Coal and Limestone are not acceptable as no new facility is added at the VSPL premises. It has suggested to maintain status quo and stated that it cannot comment on the financial position of VSPL as it is not privy to the same.</p>	<p>(a). The stevedoring charges for different commodities obviously will vary with the complexity involved i.e., efforts required to load / unload the cargo.</p> <p>(b). The output that can be achieved also is dependent upon the physical characteristics of the respective cargo. Some of the most important factors for handling bulk cargo are bulk density of the cargo, moisture content of the cargo, grain size of the cargo, the equipment required to be used in the holds of the vessel, the composition of the manual labour, abrasive nature of cargo, method of packing, equipment required for reducing drop height to meet environmental safe guards, operations cycle time, etc.</p> <p>(c). Based on the these factors and as per the experience gained during the past operations, the rates are proposed to be increased marginally in the case of cargo items like, Coke, Limestone, etc.</p>
(iv).	<p>Charges proposed for dust suppression for dry bulk, break bulk and weighment charges are also not acceptable.</p>	<p>(a). Huge investment has been made towards dust suppression equipment which is mandatory as per Andhra Pradesh Pollution Control Board. Apart from initial capital outlay, recurring expenditure like, regular maintenance of the system, replacement of damaged parts, repairs to structures, power, manual supervision, overheads etc., are to be incurred. In addition, water sprinkling with trucks is also necessary in some of the operational areas beyond the reach of DSS. Also, it has to incur expenditure for clearing of spill over cargo and shifting to outside location.</p> <p>(b). With regard to the statement of Visakhapatnam Steel Plant that, there is no new facility added at VSPL, it is to clarify that VSPL had invested an amount of about Rs.60 lacs in procuring 80 Ton Electric Road Weigh Bridge and 120 Ton in motion Weigh Bridge. In addition to the above manpower cost, maintenance cost and overheads etc., are to be incurred on regular basis. The charges proposed are much lower than the rates prescribed in the VPT Scale of Rates.</p>
(v).	<p>The charges proposed for bulk material handling system for handling bulk cargo at Rs.189 per tonne is acceptable.</p>	<p>No comments</p>
2.	<p>Visakhapatnam Port Trust</p>	
(i).	<p>VSPL has at item No.1.1.(14) stated that cargo related charges for all coastal cargo,</p>	<p>As per the Orders of the Ministry, Coking Coal is also eligible for coastal concession.</p>

	other than thermal / coking coal, POL including crude oil, Iron ore and iron ore pellets, should not exceed 60% of the normal cargo / container related wharfage. As per the orders of the Ministry, the coking coal cargo is also eligible for coastal concession. This same should be deleted under item No.1.1.14(ii).	The necessary correction has been made in the revised proposed Scale of Rates.
(ii).	A substantial share of cargo handled by the VSPL is moving through VPT Roads. The port is incurring heavy expenses towards suppressing the dust generated on this cargo as well as VPT cargo. Hence, a suitable provision has to be made in the Scale of Rates of VSPL to compensate VPT for expenses incurred on containing pollution etc.	<p>(a). It is to clarify that, most of the cargo handled at VSPL is being transported through rail and a very small quantity of other cargo alone is transported by road. The contention of VPT that a substantial share of cargo handled by VSPL is moving through VPT roads is far from fact.</p> <p>(b). As our terminal is located in VPT's area, road traffic passes through VPT's roads, a fact known much before the BOT Project was conceived and agreed upon. Also, the Scale of Rates proposed by VSPL is only based on the factors like, investment in capital cost, expenditure towards operating, running and maintenance of assets, etc., in which expenditure to cater to this point is not factored.</p> <p>(c). If, VPT's request of compensating its expenses is to be conceded, it would make its tariff unattractive to users, as additional burden is to be borne ultimately by users.</p> <p>(d). It is also submitted that apart from paying lease rentals, VSPL has paid an initial payment of upfront fee, and is regularly paying royalty. The request of VPT that a suitable provision be made in VSPL Scale of Rates to compensate VPT for expenses incurred on containing pollution etc., is not acceptable in as much as VPT is trying to shift the responsibility on to VSPL.</p>

1.2. The main points made by the Visakhapatnam Customs Clearing Agents Association, Visakhapatnam Steamship Agents Association and Visakhapatnam Stevedores Association in the joint representation filed during the joint hearing held on 1 June 2007 on the initial proposal of the VSPL and which continue to be relevant for the revised tariff proposal are given below:

(i). Berth Hire:

- (a). Increase in berth hire for vessels of 30001 GRT and above is 42%. Additional dredging cost is stated as reason for steep increase. VSPL would be getting more revenue in terms of handling deeper draft vessels directly in their terminal by reducing / avoiding lightening of vessels at outer harbour.
- (b). Not all vessels above 30001 GRT would be benefited by increase in the draft. Even if the berth hire has to be increased to meet the dredging costs, it should be reasonable increase and confined only to those vessels which would be availing the benefit and just not all the vessels whose GRT is 30001 and above. There are many instances especially fertilizer

and met coke vessels where vessel GRT would be more than 30000 but draft would be even less than 10.06 metres.

(ii). Wharfage:

VSPL has reduced wharfage in respect of many cargo items stating that it is reduced in line with Scale of Rates of VPT and as requested by Trade. However, no reduction is proposed in wharfage charges for Iron Ore (Rs.22) and Iron Ore Pellets (Rs.23) which may also be reduced to make them fall in line with VPT rates as being requested by the trade.

(iii). Storage Charges:

It is not clear what is the fresh capital investment made on the open plots which warrants steep increase in storage charge. Since VSPL was trying to align their wharfage charges with those of VPT, they may be requested to align their storage charges also with VPT rates.

(iv). Stevedoring Charges:

(a). Marginal increase in cost of working is the reason stated by VSPL for the increase in stevedoring rates for some of the cargo items. However, there is a steep increase of 67% proposed in rate for iron ore from the present rate of Rs.15 to the proposed rate of Rs.25. Similarly 33% increase is proposed for granite from the present rate of Rs.45 to the proposed rate of Rs.60. The increase in the rates for the above two cargo items are not marginal as stated by VSPL. Similarly, proposed rate of Rs.175 per MT for project cargo is also felt very high.

(b). In fact VSPL has the advantage of not having to use DLB labour, gear boys etc., employment of which is mandatory in VPT and would form substantial part of stevedoring cost for vessels handled in VPT. In view of the above reasons, VSPL may be requested to maintain present stevedoring rates. However, in case of any increase in cost of working a reasonable increase may be considered for iron ore and granite cargo. Similarly, a reasonable rate may be considered for project cargo.

2. A joint hearing in this case was held on 19 December 2008 at the VPT premises. The VSPL made a power point presentation of its proposal. At the joint hearing, VSPL, VPT and the concerned users/ user associations have made their following submissions:

Vizag Seaport Private Limited

- (i). For the period April - December 2008, our revenue has gone down by about 10% compared with the projections in the proposal.
- (ii). In order to earn 16% ROCE, the unit rate should be Rs.193.95 per tonne for a volume of 5 million tonnes. Our average revenue now is only Rs.96.98 per tonne.
- (iii). We have proposed downward revision of wharfage and marginal increase in stevedoring charges. We have proposed increase in storage charges since yard maintenance has become very costly and the area availability is restricted.
- (iv). Competition from new ports, economic melt down and poor draft availability are constraints towards achieving higher throughput.

Visakhapatnam Port Trust

- (i). We request TAMP to include crantage in berth hire charges itself.

Visakhapatnam Steamship Agents Association

- (i). The proposed increase of about 43% in the berth hire for vessels of more than 30000 GRT is very high which should be moderated.
- (ii). The existing crantage of Rs.64/- PMT should be reduced.

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