

(Published in Part - III Section 4 of the Gazette of India, Extraordinary)

TARIFF AUTHORITY FOR MAJOR PORTS

G. No. : 40

New Delhi, 31 March 2005

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 approves the proposal received from the Vizag Seaport Limited for fixation of rates for its operations at berth numbers EQ-8 and EQ-9 in the Visakhapatnam Port Trust as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/33/2004 - VSL

Vizag Seaport Limited (VSL)

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Applicant

ORDER

(Passed on this 15th day March 2005)

This case relates to a proposal received from the Vizag Seaport Limited for approval of its Scale of Rates for vessels to be handled at its berths EQ-8 and EQ-9 at the Visakhapatnam Port Trust.

1.2. The Vizag Seaport Limited (VSL) has entered into a License Agreement (LA) on 28 November 2001 with VPT for construction, operation, management and maintenance of two multipurpose berth EQ-8 and EQ-9 in the northern arm of inner harbour at the VPT for handling coal, limestone, rock phosphate, sulphur and other bulk cargo or general cargo on Built, Operate and Transfer (BOT) basis. Since it proposed to commence the operation from 5 July 2004, it had vide its letter 4 July 2004 requested this Authority to permit recovery of tariff as prescribed in the existing Scale of Rates of the Visakhapatnam Port Trust (VPT) for an interim period of three months for handling a few vessels and assured that it would submit a detailed proposal within twenty days.

1.3. The VSL maintained that it had not submitted any tariff proposal earlier since the LA stipulated that the Licensee would be entitled to recover the tariff as per the Scale of Rates of the Visakhapatnam Port Trust approved by the TAMP.

2. The VSL has reported that a few vessels are already waiting at its berth and hence requested to approve the rates prescribed in the VPT as an interim arrangement. Recognising the huge investment made by the operator, it was not found appropriate to keep the infrastructure idle for want of tariff. Since no tariff existed and in the absence of any cost details furnished by the VSL, this Authority passed an Order on 8 July 2004 approving the following tariff as an interim arrangement for a period of three months subject to the VSL filing a comprehensive proposal by 26 July 2004:

- (i). To levy 75% of the rates prescribed in the VPT Scale of Rates for the relevant services provided by the VSL.
- (ii). The relevant conditionalities prescribed in the SOR of the VPT were made applicable in its case also.

3.1. In compliance of our order, the VSL has filed a comprehensive proposal on 26 July 2004 alongwith the cost statements in the prescribed format.

3.2. The highlights of the tariff proposal are as follows:

- (i). The investment proposed in the project is around Rs.151.89 crores in the fixed assets which is bifurcated in the following manner:

Particulars	Amount (in crores)
Berths - Dredging & other civil works	99.05
Railway Track	8.61
Handling Equipment (Harbour mobile crane)	41.05
Electrical and other assets, etc.	3.18

- (ii). The project is proposed to be financed by Debt and Equity in the ratio of around 1.67:1.
- (iii). The berths have the capacity to accommodate traffic upto 6 million tonnes, which would be done in a phased manner.

Year	Traffic forecast (in Million tonnes)
2004-05	1.06
2005-06	4.20
2006-07	5.24

- (iv). The traffic would mainly comprise of Fertilisers, Coking coal, Lime stone, Steam coal, Iron Ore, Food Grain, Scrap, General cargo etc.

Assumptions in the cost statement

- (i). The cost assumed for calculation of return has been limited to expenditure meant for revenue generation in the first phase. Thus all civil, mechanical and preliminary and pre-operative expenses meant for the phase-II have been excluded in the current project cost.
- (ii). The pricing strategy is partly value-based and partly performance-based while within the limits of reasonable return on investment. The tariff has been proposed keeping in view of high levels of productivity proposed to be offered by it.
- (iii). The proposed rates provide for penalties for poor performance of the stevedoring services rendered to the users. This is based on efficiency parameters such as load rate and discharge rate.

4.1. In accordance with the consultative procedure prescribed, the proposal filed by the VSL alongwith the relevant cost statements were forwarded to the Visakhapatnam Port Trust (VPT) and the concerned user organisations for their comments.

4.2. Comments received from the VPT and the Vizagapatnam Chamber of Commerce and Industry (VCCI) were forwarded to the VSL as feedback information/ comments. The VSL has not furnished its specific comments on the comments of VPT and the VCCI.

5. The interim tariff approved by this Authority was valid only till 7 October 2004. Since the proposal of the VSL was in the processing stage, this Authority passed an Order on 30 September 2004 extending the validity of the interim tariff arrangement approved earlier for a further period of three months from the date of its expiry or till notification of final Order, whichever is earlier. Subsequently, this Authority passed another Order on 20 January 2005 extending the interim tariff arrangement approved earlier till 31 March 2005 or notification of final Order whichever is earlier.

6.1. Based on a preliminary scrutiny of the proposal, the VSL was requested to furnish clarification / additional information on various points. Some of the main queries raised by us and the information furnished by the VSL has been summarised and tabulated below:

Sl.No.	Our Queries	Response of VSL
(i).	Basis of traffic projections for the years 2004-05, 2005-06 and 2006-07 and the reasons for variation in the traffic forecast in comparison to the terms of the LA.	<p>(a). Traffic projections are made based on two factors namely berth availability and marketing plan. Low traffic projections in the year 2004-05 is on account of single operating berth, restriction in berthing of vessels at night and smaller LOA vessels anticipated in the first year. During the years 2005-06 and 2006-07 both the berths will be fully operational and there will be no restrictions and hence the throughput is expected to increase substantially.</p> <p>(b). With efflux of time from bidding process to commencement of commercial operations (4-5 years) there have been several changes in pattern of port logistics and there has been change both in quantity and nature of cargo handled in Visakhapatnam Port. This fluidity in the market has, therefore, caused a shift in its traffic forecast as against the estimates given in the LA. It has clarified that the LA allows licensee to change the operational strategies and work plans under intimation to licensor.</p>
(ii).	Vessel loading / discharge rates assumed for income estimation from berth hire with reference to loading / unloading.	<p>Loading and discharge rates assumed for estimation of berth hire income is in line with the present VPT scenario. A major upward revision of these parameters is not anticipated since being a new terminal it will take some time to perform at the peak level and perform in view of superior cargo handling equipment deployed by it.</p> <p>Income from berth hire has been revised by adopting the current exchange rate of 1 US \$ = Rs.45/- for conversion of dollar denominated tariff into rupee term.</p>
(iii).	The actual area leased by the VPT and the reasons for variations, if any, from the Lease Agreement in this regard.	The lease area for back up as per the LA is 90,000 sq.mtrs, however, further land was allotted to it by the VPT. The present area leased is to the tune of 1,21,700 sq.mtrs. and lease rental is being paid for the said area as per the rates prescribed by the VPT.
(iv).	The reasons for not estimating income from demurrage charge.	Since major portion of the storage area will be used on rental basis, income from plot rental has been taken into account. It does not desire / expect the cargo to remain in the transit area beyond the free period and hence the demurrage income is considered nil.
(v).	Copies of contracts or agreements entered with the contractors for offering stevedoring service to substantiate the estimates of cargo handling expense.	No contract has been signed with the contractors for offering stevedoring services. Cargo handling operations are being undertaken by the VSL itself by hiring men and machine as per the day-to-day requirement. The cost has been anticipated based on the market cost prevalent for hire of men and equipment and the estimates are based on the anticipated average discharge / loading rate.
(vi).	Justification for the estimate of maintenance dredging cost (@ 15% on the initial dredging cost) with reference to the maintenance	Maintenance dredging requirement is expected to be 15% of the capital dredging cost.

	dredging cost incurred by the VPT or with reference to the quantum of dredging requirement and the on going rates for dredging.	
(vii).	(a). To amortise the preliminary expenditure over the entire project life in accordance with the general policy adopted by this Authority. (b). To annualise the terminal value receivable at the end of the license period and spread it over the entire license period at the current PLR / cost of debt.	(a). In the revised cost statement filed by the VSL the preliminary expenditure has been amortised over the entire license period. (b). Depreciation is computed on the original value less terminal value and, therefore, it is not necessary to separately consider the terminal value on annualised basis again.
(viii).	To explain the nature of 'know-how' fees and furnish justification for the estimated amount. It was made clear that technical service fees paid to promoters, payment of royalty and tax are not allowed as item of cost for tariff fixation.	Know how fees paid are as per actual reimbursement of living and working expenses of expatriate staff. The actual may differ from the estimated amount but, will not change substantially.
(ix).	To indicate the assets already deployed / commissioned by the VSL till date and the details of assets proposed to be commissioned by the end of this financial year 2004-05.	All the assets aggregating Rs.151.69 lakhs have been commissioned except Mobile Hoppers which will be commissioned by the end of 2004-05.
(x).	It was pointed out that royalty payment will not be allowed as a cost item for tariff fixation.	Royalty / revenue share being a contractual liability, it will have to make the payment in any case. The return available will further reduce if tariff is determined without considering this item of expenditure. It has quoted the CCTL case where revenue share was subsequently considered as admissible item of expenditure and on that basis, it has requested to consider royalty payment in its case also.
(xi).	Upfront fee considered in the cost statement is Rs.4.2 crores as against Rs.8.3 crores indicated in the LA.	Upfront payment relating to phase-I is Rs.4.2 crores and this amount only has been considered in the cost statement.
(xii).	To prescribe a single slab of berth hire levy in line with the decision of the Government and to incorporate a conditionality about not levying any berth hire for the period when the operations cannot take place due to break down of the cranes of the VSL or power failure.	The schedule of berth hire has been modified in line with the decision of the Government. A new condition about not levying berth hire when operations do not take place due to break down of VSL crane, or due to power failure has also been incorporated.
(xiii).	To explain the relevance of proposed levy of penal berth when all services at berth numbers EQ-8 and EQ-9 are proposed to be provided by the VSL. To indicate the minimum level of performance proposed to be offered by the VSL. It may be more relevant to prescribe output norms with reference to the	Since it will take some time for its superior cargo handling equipment to perform at the peak level and also in the absence of sufficient experience in actual operations, output norms as specified in the VPT Scale of Rates are adopted. These norms may in fact be beneficial to the users and occasions to levy penal berth hire charges may be less.

	performance of the equipment deployed by the VSL.	
(xiv).	To simplify the wharfage schedule and propose wharfage rate for relevant commodities taking into consideration the handling system deployed at the two berths.	<p>(a). In accordance with the terms of the License Agreement, it can handle all items of cargo except liquid, bulk, hazardous cargo. Simplification of the wharfage schedule will be considered later. Ad-valorem wharfage rates are already in force at Visakhapatnam and other major ports for break-bulk cargo and, therefore, the proposed rates may be approved till a policy decision is taken to do away ad-valorem rates for common application at all major ports.</p> <p>(b). The provision prescribing levy of wharfage on goods entering the terminal but, not shipped has been deleted and the provision regarding levy of demurrage on shut out cargo has also been modified.</p>
(xv).	To explain the basis of the proposed rate for hire harbour mobile crane and dust suppression charge with reference to the cost of service provided.	<p>(a). It has not explained explicitly the basis of the proposed rate for harbour mobile crane. It has stated that the users will have the option to utilise the services of the Harbour Mobile Crane (HMC) and / or stevedoring services or to deploy ship's gear in lieu of the HMC and / or make their own stevedoring arrangements. It does not intend to levy any charge when the users do not use its harbour mobile crane.</p> <p>(b). 25% of users are expected to use harbour mobile cranes and stevedoring services; 25% of the users will use only the harbour mobile cranes (and make their own stevedoring arrangements) and the balance 50% of users will use only stevedoring services (and use ships gear for unloading / loading of cargo). Income has been estimated accordingly.</p> <p>(c). It does not propose to merge dust suppression system charges with the wharfage as this service is optional and subject to availability of the system. It has not furnished any specific cost details in support of the rate proposed for this service.</p>
(xvi).	Detailed computation of the proposed stevedoring charges commodity-wise with reference to the cost of service provided. The productivity of offering the stevedoring services may be incorporated as a condition in the proposed SOR.	It is not possible at this stage to work out commodity-wise cost of stevedoring services. The inclusion of productivity parameters in the SOR will be considered after gaining experience in the operations.
(xvii).	To justify the proposed storage charge with reference to the charges levied by the VPT.	The port lets out undeveloped land outside the customs bound area for open storage and without any security arrangements whereas it has developed the storage area to be allotted on rental basis by providing boundary walls and security. In view of this position, and to discourage prolonged storage of cargo in the terminal, storage charges are proposed higher than the rate proposed by the VPT. It has agreed to modify the unit

		of levy on weekly basis as against 'fortnight' basis proposed in the SOR.
(xviii).	To incorporate a note stating that vehicle entry fee will not be levied in case of vessel entering the VSL for delivery / despatch of cargo.	It has incorporated a suitable note in the proposed SOR.

6.2. Subsequently, the VSL has clarified the following points:

- (i). Wharfage rate for granite is Rs.45 per ton and stevedoring charge is Rs.145 per tonne as against Rs.44 per tonne and Rs.45 per tonne respectively proposed by it in its initial proposal.
- (ii). Charges on goods not specified in wharfage schedule is Rs.44 per tonne and estimation of wharfage on scrap is done at this rate.
- (iii). Capacity of the berth for the first year of operation i.e. 2004-05 is 2 million tones.
- (iv). Cargo handling expense considered in the estimation are not directly correlated with the charges proposed for stevedoring service. Various factors such as ease of handling, weight, density of cargo affect the stevedoring charge.

7. In response to a reference made by us, the VPT has also furnished some additional information / clarifications as summarised below:

- (i). The EQ-8 berth of the VSL is partially commissioned w.e.f. 24 July 04, to handle vessels with 180 mtrs. LOA. The EQ-9 berth is designed to handle vessels with 195 mtrs. LOA and will be fully operational after completion of pending dredging operations.

Two numbers of hi-tech harbour mobile cranes of 104 tonnes hook capacity has been deployed at the berths capable of handling 20,000 tonnes of cargo per day. Other equipment such as stacker and wagon loader, conveyor system etc., will be commissioned gradually in fifteen months time as reported by the VSL.
- (ii). As indicated in the license agreement, the berth and equipment has been designed to accommodate a throughput upto 5 million tonnes per annum.
- (iii). The License Agreement envisages the throughput to increase gradually from 2.5 million tonnes to 4.25 million tonnes in the 5th year, 4.75 million tones in the 6th year and over 5 millions tonnes from 7th year onwards. The L A specifically requires the Licensee to lay more stress for new cargoes so that the new berths will complement the existing port berths instead of competing with them. The traffic projections made by VSPL for the fertilizer for the years 2005-06 and 2006-07 are less than the projections indicated in the License Agreement.
- (iv). Dwell time of cargo depends on various factors such as the availability of transit accommodation, the availability of transport and equipment etc. This may vary from time to time in respect of a particular commodity. Since VSL has started the cargo handling operations recently it is not possible to assess the dwell time of the commodities proposed to be handled by them. The average dwell time of certain export cargo handled at the VPT is furnished. The dwell time for imports is reported negligible since most of the cargoes are delivered directly.

- (v). Average discharge rate of various commodities handled by the VPT has been furnished vis-à-vis the estimation made by the VSL. Based on this comparative figure, it is found that the average discharge rate considered by the VSL for most of the commodities is higher than the level reported by the VPT except for steam coal, illuminate sand and limestone.
- (vi). It has confirmed that 1,21,700 sq.mtr. of land is allotted to VSL and the lease rentals are as per the rates prescribed in its Scale of Rates. The lease rent paid / payable by the VSL for 1,21,700 sq.mtrs. of land allotted to them works out to Rs.55.10 lakhs for each of the years 2004-05, 2005-06 and 2006-07 at the applicable lease rent of Rs.181.10 per 100 sq.mtrs. per fortnight. The lease rental payable by the VSL is subject to variation in the Scale of Rates. The refundable security deposit and one time non-refundable premium paid by the VSL is reported at Rs.84.80 lakhs.
- (vii). The VSL has paid a lump sum Rs.8.3 crores to the VPT towards upfront fee as per the terms of the LA. The licensee has shown the payment on average berth basis in the cost statement.
- (viii). As per the investment plan envisaged in the License Agreement, the VSL has to invest an amount of Rs.145 crores during the construction period of 24 months from the date of signing of license agreement. It has confirmed that the VSL has developed the back up area, railway network, internal roads, deployed mechanical dust suppression system and two harbour mobile cranes and other handling equipment.

8.1. A joint hearing in this case was held on 6 November 2004 at the VPT premises. At the joint hearing, the VPT and the Visakhapatnam Steamship Agents Association & Visakhapatnam Stevedores Association have made their submissions.

8.2. As decided in the joint hearing, the users were given some more time to discuss the proposal with the VSL and furnish their comments. In this regard, the VPT was advised to hold a meeting with the VSL and the users and forward a detailed report.

8.3. Accordingly, the VPT conveyed a meeting with the VSL and the port users on 27 December 2004 and has forwarded a copy of the minutes of the said meeting along with its letter dated 19 January 2005. The Visakhapatnam Steamship Agents Association has also forwarded a copy of this minutes duly endorsed by the Vizag Seaport Limited, Visakhapatnam Stevedores Association and Visakhapatnam Customs Clearing Agents' Association. The VSL has agreed to modify the following main provisions in its proposed SOR based on the observations made by the users.

- (i). The provisions prescribing the criteria for determining the status of the vessel is proposed to be modified by substituting certain words as suggested by the users.
- (ii). Penal rate for delayed payments by users and refund by VSL is reduced from 18% to 12% in view of a fall in the rate of interest.
- (iii). As regards penal berth hire, the request of the users to allow vessel to stay for 7 hours after completion of cargo operation without attracting penal berth hire as against 4 hours proposed by it earlier is accepted. Further, it has also agreed to allow additional time for other genuine cases as per the provisions prevailing in the SOR of the VPT.

8.4. The users have also requested for other modifications such as - to reduce the proposed berth hire charge for the 1st slab, to review the provisions relating to ousting priority /

priority berth hire, to modify the schedule of demurrage charge in line with the modifications proposed by the VPT in its general revision proposal filed recently, to raise the free time for export cargo from 20 days - 30 days, to reduce the charges for hire of mobile crane, water supply and vehicle entry pass, etc.

The VSL has, however, expressed its inability to modify the proposed SOR with reference to the above suggestions made by the users for reasons explained to the users thereof.

8.5. It is understood that the VPT has also sought clarification on certain points from the VSL based on the queries raised by us. The VPT has also pointed out the penal rate for delayed payment by users and refund by the VSL should be at 15% in line with the rate prescribed in the VPT SOR, and to increase the non-crane berth hire charge and wharfage for food grains, raw sugar and other cargo at the level prevailing in the SOR of the VPT.

8.6. The VSL has agreed to factor lease rentals at Rs.55.10 lakhs per annum, as reported by the VPT. It has also agreed to reduce the penal interest rate, but has not agreed to modify the proposed charges of berth hire and wharfage as suggested by the VPT.

9. 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 are also available at our website www.tariffauthority.org.

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

- (i). The VSL has been awarded a license on 28 November 2001 by VPT for construction, operation, management and maintenance of two multipurpose berths viz. EQ-8 and EQ-9 in the Northern arm of Inner harbour at the VPT for handling coal, limestone, rock phosphate, sulphur and other bulk cargo or general cargo on Built, Operate and Transfer (BOT).

Section 42 (4) of the MPT Act read with Section 48 *ibid* requires the rates to be notified by the TAMP in respect of identified services performed by the persons authorised u/s 42 (3) by the port trust. The VPT has agreed with the fact that VSL is an authorised person in terms of Section 42 of the Act and hence the rates for its operations should be fixed by this Authority. Even though initially VSL had doubts in this regard, it has subsequently realised the correct legal position and sought approval of this Authority to the tariff it proposes to levy.

- (ii). The traffic forecast made by VSL in its proposal is 1.06 million MT for 8 months of operation during the year 2004-05, 4.20 million MT for 2005-06 and 5.24 million MT for 2006-07. The traffic projection of fertilizer is found to be lower than the position envisaged in the LA as admitted by the VPT also.

The low traffic projection for 2004-05 is sought to be explained due to single berth operation and restriction in berthing of vessels at night. During the years 2005-06 and 2006-07, the traffic is estimated to grow to achieve a capacity utilisation of about 87.33% by 2006-07. It has reported that the traffic forecast varies from the estimates made in the LA on account of changes in pattern of port logistics, change in quantity and nature of cargo handled in Visakhapatnam Port Trust' etc.

It has confirmed that as per the terms of the LA, the licensee can handle all items of cargo except liquid bulk hazardous cargo. The LA gives flexibility to the licensee to change operational strategies and work plans under intimation to licensor and also the VPT has not made any adverse comments on the overall traffic projections made by the VSL. The traffic projections made by VSL has,

therefore, been relied upon for the purpose of this analysis. However, if any undue advantage is found to have accrued to the terminal operator due to wrong estimation, a suitable adjustment will be made in the tariff at the time of next review of tariff

- (iii). The loading and discharge rate considered for estimating the berth hire income are stated to be at par with the productivity levels prevailing in the VPT. It may be more appropriate for VSL to consider the load and discharge rate based on the performance of its own equipment instead of taking the parameters of the VPT. Since it is a new terminal, it expects some time to reach the peak performance of the superior cargo handling equipment. When the relevant details were separately collected from VPT, the discharge rate considered for estimation of berth hire income were found to be higher for most of the commodities in comparison to the average discharge rate reported by the VPT for cargo handled by the port.

The exchange rate applied for the conversion of dollar denominated berth hire into rupee terms is US \$1 = Rs.45 as against the Rs.44 considered in its proposed SOR for proposing the tariff of the coastal vessel. The exchange rate as on 1 February 2005 is reported at Rs.43.52. The income estimates are modified reckoning this rate. Thus, berth hire income as estimated by VSL is considered for this analysis except adjustment of exchange rate to the current level.

- (iv). As regards the income from stevedoring and harbour mobile crane, the VSL expects 25% of the users to avail composite service of harbour mobile crane and stevedoring services, 25% of the users to hire only harbour mobile crane and rest 50% of the users to avail only the stevedoring services. The income has also been estimated accordingly.

Stevedoring charge for granite was proposed at Rs.45 per tonne in the initial proposal and the income estimation had also been done accordingly. Subsequently, after the entire consultative process and the joint hearing in this case was over, the VSL has proposed to revise this rate upward to Rs.145 per tonne. The VSL has not furnished any justification or explanation for this upward revision. That being so, the stevedoring rate for granite is considered at Rs.45 per tonne as per its original proposal. If the VSL substantiates the upward revision proposed for this item with reference to the cost of service provided based on the experience gained in the actual operation, this rate may be subsequently taken up for review.

Further, the wharfage income for granite has subsequently been estimated @ Rs.145 per tonne as against the proposed rate of Rs.44 in its draft Scale of Rates. This inconsistency is eliminated. These modifications will revise the income estimation to the extent of Rs.1.01 crores, Rs.1.26 crores for the years 2005-06 and 2006-07 respectively. The modified income estimates are relied upon for the purpose of this analysis.

- (v). Expenditure on salaries and wages for the year 2004-05 is considered for operation of eight months. The salaries and wages for the years 2005-06 and 2006-07 are estimated to escalate by 4.50% to 5.50% over the previous year's estimates. No increase in the labour force is estimated for these years. The escalation factor applied is found to be well within the normal escalation in costs allowed by this Authority in case of other major ports and private terminal operators.

- (vi). As per the terms of the LA, the VPT is to allot 90,000 sq. mtrs. of back up area and additional land at the rate prescribed in its SOR. The VSL has reported that total 1,21,700 sq.mtrs. of land has been allotted by the VPT. The lease rental has been estimated @ Rs.34.50 per sq.mtrs for all the three years without any annual escalation. The VPT clarified that the lease rentals payable by the VSL for the land allotted to them will be Rs.55.10 lakhs as per the rates prescribed in its SOR. The VSL has agreed to factor the lease rental indicated by the VPT. That being so, lease rental reported by the VPT and accepted by the VSL is considered in the revised cost statement.
- (vii). Repair and maintenance cost is estimated @ 3% on the cost of equipment, 1% on the cost of Civil works and railway and 15% on the dredging cost.

It is relevant to mention here that repairs and maintenance cost estimated at other private terminals like the NSICT is at 1.15% on the opening block of asset for both civil and equipment, 2% on equipment cost at the CCTL and 1.5% on the civil works at the Visakha Container Terminal Private Limited (VCTPL). The repairs and maintenance cost on equipment has been allowed @ 3% on the cost of equipment at the VCTPL and South West Port Limited while fixing tariff recently at the respective terminals.

The estimate of repairs and maintenance cost on civil works and equipment made by the VSL is found to be in line with estimates at other private operator and hence is accepted.

The cost of maintenance dredging is estimated @ 15% on the capital cost of dredging which forms almost 42% of the total repairs and maintenance cost. The License Agreement provides that the maintenance dredging operations will be undertaken by the licensor at the cost of the licensee. The maintenance dredging cost as reported in the Annual Accounts of the VPT is found to be in the range of 15% to 20% of the capital dredging cost for the past three years. Since the estimate made by the VSL is in line with the cost incurred by the VPT, the estimate of maintenance dredging is accepted for the purpose of this analysis. The actual position will, however, be reviewed at the time of next review.

- (viii). The VSL has clarified that the depreciation is computed on the basis of license period and economic life of assets, as applicable. The estimate of depreciation given by the VSL are taken into account in the cost statement without any modification.
- (ix). As per the LA, royalty is to be paid @ 17.111% of gross revenue earned by licensee. In the cost statement furnished by VSL, royalty @ 17.111% of wharfage and berth hire charges is included as a cost item. The VSL has requested to consider this cost element in tariff on the ground that this payment is a contractual liability and if it is disallowed, the return on investment will reduce. Moreover, the VSL has quoted the CCTL case where royalty was subsequently considered by this Authority as admissible item of expenditure for tariff revision.

It is relevant to mention that the policy of this Authority about not considering royalty / revenue share as item of cost is already made known through various orders passed by this Authority in the case of tariff fixation of private terminal operators like the Chennai Container Terminal Limited, PSA SICAL Terminal Limited, the Visakha Container Terminal Private Limited, South West Port Limited and Central Warehousing Corporation. The (then) Ministry of Shipping

also issued orders in July 2003 stating that royalty / revenue share will not be treated as item of cost.

The subsequent policy direction issued by the Government to consider part of revenue share for tariff fixation is restricted only to the CCTL and hence, it is not open for this Authority to extend the Government directive to all private terminal operators in the name of precedence. That being so, the cost item relating to royalty is excluded for the purpose of this analysis.

- (x). Administrative expenses include an item called ' rates and taxes' estimated at Rs.12 lakhs towards running cost of equipment, maintenance and taxes. Repairs and maintenance of equipment, running cost i.e. fuel and power cost, etc., are already estimated separately in the cost statement.

Despite our request, the VSL has not furnished any breakup of the estimate of rates and taxes nor has it confirmed that the running and maintenance cost on equipment is not double counted. In the absence of any clarification from the VSL in this regard, the estimate of rates and taxes is excluded from the head 'administrative expense' to eliminate the possibility of counting the running and maintenance cost twice in the cost statement.

- (xi). The VSL has furnished a detailed working for estimates of fuel, power and water cost. The estimates are found to be comparable with the estimates made by some other private operators like the South West Port Limited and Visakha Container Terminal Private Limited.

- (xii). One of the items of cost included by the VSL in its cost statement is an expense of Rs.0.50 crores payable to the expatriate staff deployed in its site. It is relevant here to mention that the technical service fee payable to the promoter is generally considered as a part capital employed. It is, therefore, not allowed as a cost element while fixing tariff. The VSL has clarified that this cost element is different from technical service fee payable to the promoter. This estimate is to account for reimbursement of the working expenses payable to the expatriate staff deployed for offering services at its site. Subject to the correctness of the position explained by VSL, reimbursement of expense on account of expatriate staff appears different from a technical service fee payable to the promoter of its company. That being so, this cost element is allowed in tariff fixation. The actual position will be reviewed at the time of next tariff review / revision and any undue advantage is found to have accrued to VSL on account of this position, suitable adjustment shall be done in the tariff to be fixed then.

- (xiii). The VSL proposes to offer stevedoring services by outsourcing this service. In this regard an expense of Rs.1.41 crores for the year 2004-05, Rs.5.84 crores for the year 2005-06 and Rs.7.21 crores for the year 2006-07 are estimated. The VSL has not furnished any documentary evidence to substantiate this estimate on the ground that the contracts / agreements with the stevedoring agents are not yet finalised. The estimates are reportedly based on the market cost prevalent for hire of men and equipment and based on the anticipated average discharge / loading rate as reported by the VSL. The estimates furnished by the VSL is considered in this analysis, subject to review of the actual position at the time of the next revision.

- (xiv). As per the terms of the License Agreement, the Licensee shall pay upfront fee of Rs.8.30 crores to the Licensor. The VSL has reported that upfront fee of Rs.4.2 crores payable during phase I has only been accounted for in the cost statement. Upfront fee and other preliminary expenses summing to Rs.13.23 crores has

been spread over 27 years (i.e. the balance tenure of the project). This is in line with the approach followed for tariff fixation at other private terminals and hence is accepted.

- (xv). The VSL has also sought recovery of tax payable through tariff. Pre-tax return on equity is allowed since taxes are not considered as pass through. That being so, the effect of taxation considered in the cost statements by VSL is excluded.
- (xvi). 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. In this regard, the VSL was advised to spread over benefit accruing to it in the terminal year over the entire project period by annualising it at the prevailing PLR / cost of debt. The VSL has stated that depreciation has been computed on the original value less than terminal value and hence it may not be necessary to give the credit back of the terminal value. On scrutiny of cost statements, it is found that no adjustment as claimed by VSL is made. That being so, the terminal value as stipulated in the LA is annualised and spread over the project period by applying a discount factor of 12% in line with the approach followed in case of tariff fixation of other private terminal operators.
- (xvii). The VSL has projected gross block of Rs.149 crores for the year 2004-05 comprising of civil structure Rs.107.66 crores, mechanical equipment Rs.38.15 crores and other assets Rs.3.18 crores. The preliminary and pre-operative expense is reported at Rs. 7.96 crores. It has confirmed that most of the assets has already been commissioned except the mobile harbour crane which is proposed to be commissioned by end of 2004-05. No additions to the gross block are proposed during the years 2005-06 and 2006-07. The working capital is estimated at Rs.0.91 crores, Rs.1.33 crores and Rs.1.04 crores for the years 2004-05, 2005-06 and 2006-07 respectively. The estimates of working capital are found to be within the reasonable limit in line with the estimates allowed at other private terminals and hence is accepted for the purpose of this analysis.

The capital employed is estimated at Rs.155.95 crores, Rs.149.16 crores and Rs.141.70 crores for the years 2004-05, 2005-06 and 2006-07 respectively. The VSL has proposed to borrow loan of Rs.101.5 crores from the financial institutions and inject equity of Rs.64.1 crores. The ratio of debt to equity is well within the norms of 1:1 adopted for the purpose of allowing return on equity.

An analysis of the capital employed vis-à-vis the source funds reveals that approximately, Rs.9.65 crores, Rs.16.44 crores and Rs.16.3 crores are found to be not applied directly in the business during the corresponding years. The cost of debt is allowed as projected by the VSL and the equity is adjusted to exclude the funds not deployed in business following the approach adopted at some other private terminals.

- (xviii). Capacity of the terminal is relevant for allowing maximum permissible Return on Equity. The designed capacity of the two berths EQ-8 and EQ-9 is reported at 6 million MT by the VSL. For the first year 2004-05, the capacity of its berth is reported at 2 million MT due to availability of only one berth for operation period of eight months.

With reference to the traffic estimates for the years 2004-05, 2005-06 and 2006-07, the capacity utilisation comes to 53% (for 8 months of actual operation), 70% and 87.3% respectively. Return on Equity (ROE) computed @ 20% is adjusted

with reference to the capacity utilisation. The computation of ROE made by the VSL is in line with this approach.

- (xix). Subject to the discussion above, the cost statement has been modified. The modified cost statement is attached as **Annex-I**. The result disclosed by this statement is summarised as shown in the table given herein under:

Surplus (+) / deficit (-) 2004-05		Surplus (+) / deficit (-) 2005-06		Surplus (+) / deficit (-) 2006-07		Average Surplus (+) / Deficit (-) as a % of operating income (at the proposed rates)
(Rs. in crores)	As % of operating income (at the proposed rates)	(Rs. in crores)	As % of operating income (at the proposed rates)	(Rs. in crores)	As % of operating income (at the proposed rates)	
(-)15.70	(-) 165%	(-) 4.14	(-) 11%	(+) 1.58	(+) 3%	(-) 58%

- (xx) It can be seen from the above table that the modified cost statement shows an average deficit of 58% for the years 2004-05, 2005-06 and 2006-07 over the modified operating income estimated at the rates proposed by VSL.

The average deficit position is largely influenced by the huge deficit of 165% during the first year of operation. If this abnormal position is excluded, then the average deficit will be 4% for the second and third years when operations are expected to mature. It is to be noted that the VSL has not estimated any income from demurrage charge. Some income from demurrage will accrue which will partly offset the average deficit of 4%. In view of the deficit position reflected by the cost statement, this Authority decides to approve the rates as proposed by the VSL subject to the specific modifications suggested in the subsequent paragraphs.

- (xxi). The tariff proposed for some of the items like berth hire, demurrage, etc., are less than the rates prescribed in the VPT SOR whereas the proposed rate for wharfage are found to be higher by 15% to 30%. In fact none of the users have raised any pointed objections to the tariff level proposed by the VSL. The VPT has also not raised any major objection to the rate proposed by the VSL. The VPT has in fact suggested to increase the proposed berth hire charge and wharfage rate for some of the commodities to make them par with the rates prescribed in its SOR. When the private operator himself desires to offer competitive rates, there is no justification to increase the proposed rates as suggested by the VPT.

As per the terms of the LA, the VSL is entitled to handle all bulk and dry bulk cargo except liquid bulk of hazardous nature. The users apprehend that the cargo of the VPT may get diverted to the VSL. In view of similar facilities available at both the places, competition for cargo is likely to exist between the VPT and the VSL. This will, at least to a limited extent till one of the terminals reaches capacity saturation, result in the market forces influencing pricing at both

VSL and VPT. Recognising this positive development, and also in view of the deficit position reflected by the cost statement, this Authority approves the wharfage, berth hire and demurrage as proposed by the VSL.

- (xxii). The term 'transit area' has been defined as the area to be notified by the VSL from time to time where demurrage becomes payable after expiry of free days. The VSL has not modified this definition to explicitly specify the transit areas. Notification about the area to be considered as transit area is an administrative matter to be decided by the operator, and in the absence of any specific definition of this term, it is not found necessary to include it in the Scale of rates and hence the same is deleted.
- (xxiii). The VSL on the request made by the users has agreed to reduce the penal rate for delayed payment by users / refund by port to 12% from 18% proposed in its initial proposal. The proposed modification is accepted. One of the provisions proposed with reference to levy of interest on delayed payment pertains to change of agency. This is a procedural matter and not related to tariff and hence need not be included in the SOR. The common prescription applicable at the other major ports and private operators is included in this case also.
- (xxiv). The VSL in its initial proposed Scale of Rates had proposed to recover the damage cost / replacement cost of equipment from the users in case of any damage, breakdown caused to the equipment. Since the equipment are proposed to be insured and the insurance cost is also considered for tariff fixation, it is not appropriate to require the users to separately bear the cost of damage since the cost of damage / replacement, if any, is to be claimed from the insurance company. The VSL has subsequently modified the proposed provision to require the hirer to deposit the anticipated cost of damage to be adjusted subsequently on settlement of claim by the insurance company and has proposed to apply this provision only in case where the stevedoring operation is done by agency other than the VSL. The proposed provision is not found to be in accordance with provisions prescribed at other private operators and even the users have requested for deletion of this provision. The issue should be tackled by VSL while allowing other stevedores at its terminal. That being so, the provision relating to recovery of damages from the users is deleted from the proposed Scale of Rates.
- (xxv). The provisions prescribing the criteria for determining the vessel as foreign-going and coastal is proposed to be modified in view of the suggestion made by the users. Since the existing provisions in this regards are uniformly prescribed at all the major ports / private operator, the modifications suggested by the VSL are not accepted. The provisions prescribed for common adoption by all major ports / private operator are, therefore, included in the SOR.
- (xxvi). The users have requested to reduce the berth hire charge for the first slab. It is relevant to mention here that in the revised proposed Scale of Rates, the berth hire has been proposed for a single slab in accordance with the decision of the Government conveyed in March 2004. Further, the rate proposed for foreign going vessel is lower than the berth hire prevailing at the VPT. The rate proposed by the VSL is, therefore, accepted.
- (xxvii). The berth hire for coastal vessel is proposed at 70% of foreign-going vessel rate and the current exchange rate of Rs.44 per tonne is applied for conversion of dollar denominated rate into rupee terms. This is in line with the earlier Government guidelines uniformly being followed at all the major ports / private terminals prior to 1 February 2005. The Government of India in the Ministry of

Shipping has, however, recently issued a policy direction on 1 January 2005 directing this Authority that the vessels related charges for coastal vessels should not exceed 60% beyond the charges for other vessels. It has also decided that cargo / containers related charges other than thermal coal, POL including crude oil should also not exceed 60% beyond normal cargo / container related charges for coastal container / cargo.

In compliance of this direction, this Authority has passed an Order number TAMP/4/2004-Genl dated 7 January 2005 amending the Scale of Rates of all the major ports and private terminal operators by inserting general conditionality to this effect. This Order is effective from 1 February 2005.

Subsequently, the Government of India in the Ministry of Shipping, Road Transport and Highways (MSRT&H) has issued another policy direction on 9 March 2005 to exempt iron ore and iron ore pellets from its earlier directions for concessional charges for coastal cargo / containers.

Accordingly, the vessel related charges for the coastal vessel are prescribed at 60% the tariff for foreign-going vessel as against 70% considered by the VSL. The exchange rate applied by the VSL for conversion of dollar denominated rate into rupee terms is modified at the rate considered by the VPT as on 1 February 2005 i.e. Rs.43.52.

Separate tariff for coastal cargo is also to be prescribed at 60% the tariff for other normal cargo in case of the specified items of cargo related charges in compliance of specific direction from the Government in this regard. This concession will, however, not be applicable for thermal coal, POL including crude, iron ore and iron ore pellets as per the Govt. directions. The proposed Scale of Rates has been modified accordingly.

- (xxviii). The berth hire is proposed to be calculated from the time first line ashore while berthing till the last line is cast off at the time of un-berthing. Such a provision has not been prescribed in case of any of other major ports / private operator. The berth hire is levied from the time the vessel is berthed / moored. The proposed provision is, therefore, modified in line with the provision prescribed in the Scale of Rates of the VPT. Incidentally, even the South West Port Limited in their proposal for tariff fixation had proposed such a provision, which was modified by this Authority.
- (xxix). This Authority always insists that users should not be made to pay for the delays attributable to Ports / Terminals. Berth hire should not be levied for such period when operations cannot take place due to failure of harbour mobile cranes of private operator or port. Such a provision has been prescribed by this Authority in the Scale of Rates of the Cochin Port Trust, Paradip Port Trust and the South West Port Limited. The VSL at our advice agreed to include suitable condition in the revised Scale of Rates in this regard.
- (xxx). The proposed SOR prescribes levy of additional berth hire charge for priority berthing and ousting priority. The users has requested the VSL to review this provision. The LA categorically mentions that licensee may enter into any agreement for priority berthing schemes with prior written approval of the licensor to make optimum use of the facilities and services. Since a specific mention exists in the LA and also recognising that the proposed tariff arrangement is same as prescribed in the existing Scale of Rates of the VPT, this arrangement is allowed at the VSL also.

(xxxi). The VSL has proposed to levy penal berth hire charge in case of over stayal of vessels at its berths after completion of loading / unloading operation. The penal berth hire are proposed around 33% more than the existing rates at the VPT. Some of the provisions prescribed in the VPT SOR but not relevant in its case are proposed to be deleted. Some of the users have requested the VSL to modify the provisions relating to penal berth hire by increasing the vessel stay after completion of cargo operations upto 7 hours and to allow additional time in genuine cases as per provisions prevailing in VPT SOR. The VSL has also agreed to request made by the users. The proposed Scale of Rates is modified by incorporating suitable provision prescribed in the SOR of the VPT to this effect.

The hook output norms for the various commodities are proposed at the level existing in Scale of Rates of the VPT. It has clarified that the VPT norms are adopted since it does not have sufficient experience in actual operations to propose the output norms based on the productivity of the equipment deployed by it at the two berths.

It is more relevant to prescribe output norms with reference to the performance of the equipment deployed by the VSL. Nevertheless, it has to be recognised that the VSL has started the operations recently, and hence does not have sufficient experience in the actual operations to prescribe its own norms. That being so, this Authority accepts the output norms proposed by the VSL at the level prescribed in the SOR of the VPT. Since the output norms are dynamic in nature and require to be revised periodically it may be more practical to prescribe only the principles for fixing the norms and the respective port or the operator can notify the actual norms. This VSL is advised to consider this point at the time of the next review / revision based on the experience gained in the actual operation.

The users will not be adversely affected by the prescribing the output norms at the VPT level since the productivity at the VSL is claimed to be better. This Authority, therefore, approves the penal berth hire charge proposed by the VSL which is slightly higher than the rates prescribed in the SOR of the VPT.

Even though the VSL has agreed to the demands of users to maintain the norms for penal berth hire at the same level as that of VPT, the number of hours the vessel can stay after completion of loading / unloading without attracting penal berth hire is proposed lower than the grace period stipulated in the SOR of VPT. The VSL has not furnished any justification for proposing reduction in the vessel stay hours in comparison to the prescription in the VPT SOR. The stand of the VSL about not having sufficient experience to prescribe its own output norms will equally apply in case of the vessels stay also. There is, therefore, no reason to prescribe this provisions different from the VPT. That being so, the provisions relating to vessel stay after completion of operations are modified in line with the provisions prescribed in the existing SOR of the VPT.

(xxxii). The wharfage rate is proposed around 15% to 30% higher that the VPT rates. In case of coal, coke the increase proposed is 27% over the VPT rates, Fertilizer it is 5% more, Granite and Alumina are around 20% more than the existing rates at the VPT. Like wise, the charges for transshipment cargo are proposed 150% of the applicable wharfage as against 125% applicable at the VPT. No pointed objections to the proposed rates has been raised by any users. As stated earlier, the users have a choice of using VPT facilities. In view of this position, the rates proposed by the VSL are approved.

The VSL has proposed to levy ad valorem rate in case of edible oil and machinery and requested to approve since such rates are found to be existence at the VPT and other major ports. The proposed ad valorem rates are approved at this juncture. The VSL is, however, advised to propose a specific rate for these items and to simplify and rationalise the wharfage schedule at the time formulating the proposal for next review / revision.

The metal scrap traffic has been considered under unspecified category and the wharfage income has been estimated reckoning the higher of the two rates proposed under this category. The VSL has already agreed to a single rate for unspecified category instead of two sets of rates earlier proposed by it. This modification has not, however, been reflected in the proposed SOR and the income estimation. That being so, the proposed SOR is modified by deleting the second entry relating to wharfage on un-enumerated goods and a separate entry is made for scrap at Rs.44 per tonne as considered by the VSL in estimation of the income.

(xxxiii). In the revised proposed Scale of Rates, the VSL has deleted the earlier proposed provision about levy of wharfage in case of cargo brought in but not shipped. As against this, it proposes to levy demurrage charge on cargo without allowing any free period. The proposed provision is found to be reasonable since it does not propose to levy any shut out charge. The proposed provisions are, therefore, accepted.

(xxxiv). The proposed demurrage charges are lower than the existing VPT rates. It has proposed to allow 20 days free in case of exports from the actual date of receipt of goods and 3 days free in case of imports from the day following the completion of discharge. The users have requested to increase the free period for export cargo to 30 days in line with the proposal made by the VPT in its general revision case. The comparison made by the users is not found to be appropriate, since the free days are largely determined by the available back up area and dwell time of different cargo. That being so, the free days proposed by the VSL are accepted.

The free days allowed exclude Sundays, Customs holidays and the non working days of the VPT and the VSL. The proposed provision is in line with the prescription at other major ports and private terminals and hence accepted.

(xxxv). The charges for harbour mobile crane is proposed at Rs.64 per tonne and a composite rate of Rs.70 per tonne is proposed in case of the users availing the services of both the harbour mobile crane and the stevedoring services. The VSL does not propose to levy any charge when the users do not use its harbour mobile crane.

Further, the charges for stevedoring services are proposed separately for the different commodities. The VSL has not been in a position to furnish the basis of commodity-wise rates proposed for stevedoring services.

Since availing Harbour Mobile Crane (HMC) and / or stevedoring services offered by the VSL is optional, the rates proposed by the VSL is accepted. In case of stevedoring charge for granite, as mentioned earlier, the rate of Rs.45 per tonne proposed by the VSL in its original proposal is allowed.

The VSL has not proposed any productivity parameters for offering stevedoring services since it does not have sufficient experience of the operations. The VSL is advised to prescribe the efficiency parameters based on the experience gained in the actual operation at the time of filing its proposal for review / revision of tariff.

- (xxxvi). The charges for dust suppression are proposed at Rs.1.41 per tonne on all bulk cargo requiring this service. It is relevant to mention that the rate approved in the VPT Scale of Rates for the dust suppression is Rs.0.75 per tonne. But, this rate only takes into account the direct operating cost. In the general revision proposal filed by the VPT recently, the rate for this service is proposed at Rs.1.50 for dry bulk and around Rs.1 per tonne for bulk cargo. The VSL proposes to invest Rs.2.3 crores on the dust suppression system. Taking into consideration the traffic projections for dry bulk cargo and the proposed investment, the proposed rate for dust suppression is accepted.
- (xxxvii). The storage charges for open stacking space is proposed at Rs.276 per 100 sq.mtrs. per fortnight as against Rs.230.70 per 100 sq.mtrs. per fortnight at the VPT. The VSL has justified the proposed rate which is higher than the VPT rates since it provides open storage space provided in a developed land with security arrangements as against undeveloped land let out by the VPT outside the customs bound area without any security arrangements. The VSL has argued that the higher storage charge will act as a deterrent against prolonged storage of cargo in the terminal. In view of this position, the storage charge as proposed by the VSL is approved. The unit of levy is, however, modified to weekly basis as agreed by the VSL with corresponding changes in the unit rate.
- (xxxviii). The charges for supply of water to vessels are proposed same as the rates prescribed in the VPT SOR. This Authority has approved similar rates at the VCTPL also. The tariff for coastal vessel is, however, modified in line with the recent Government direction by prescribing the rate at 60% the tariff proposed for foreign-going vessel.
- (xxxix). The charges for other service are proposed same as the VCTPL. Since these services are not mandatory but optional, this Authority approves the proposed rate. With regard to levy of vehicle entry fee, it has proposed not to levy this fee for vehicles entering the terminal for delivery / dispatch of cargo.
- (xL). In the terms of the tariff setting arrangement in the Statute, the rates prescribed by this Authority are only ceiling levels in case of private terminals and they have discretion to levy charges at a level lower than the prescribed rates. While this discretion may be exercised, it is reasonable to prescribe a specific volume discount scheme in the Scale of Rates so that a minimum level of discount will be available uniformly to all users who fulfill the stipulated conditions. It is noteworthy that such discounts are prescribed in the Scale of Rates of the JNPT, NSICT and the PSA SICAL.
- One of the objectives of privatisation is efficiency in operations and cost reduction to users. This VSL is advised to consider formation of efficiency linked tariff scheme based on the experience gained in the operation while formulating its proposal for the next general review of tariff.
- (xLi). Some of proposed provisions which are not in line with the common prescription at other major ports / private terminals have been modified.
- (xLii). The interim tariff approved by this Authority earlier will continue to be applicable till the implementation of this Order.

11.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the Scale of Rates of the VSL attached as **Annex– II**.

11.2. The rates and conditionalities relating to vessel-related charges will become effective after expiry of 30 days from the date of notification of this Order in the Gazette of India.

11.3. The rates and conditionalities relating to cargo-related charges and other miscellaneous charges will become effective after expiry of 15 days from the date of notification of this Order in the Gazette of India.

11.4. The interim tariff arrangement approved earlier will be applicable till implementation of Scale of Rates approved in this Order.

11.5. The Scale of Rates shall be in force for 2 years from the effective date of its implementation after which the approval accorded to it will automatically lapse unless specifically extended by this Authority.

(A.L. Bongirwar)
Chairman

						Annex - I	
CONSOLIDATED COST STATEMENT OF VIZAG SEAPORT LTD							
(Rs in crores)							
Particulars	As furnished by VSL			Modified Estimates			
	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07	
Traffic (in MMT)	1.06	4.20	5.24	1.06	4.20	5.24	
I) Operating Revenue							
Wharfage	3.33	13.67	16.93	3.33	12.66	15.67	
Berth hire	0.76	3.15	3.87	0.73	3.05	3.74	
Dust Supression Charges	0.08	0.25	0.32	0.08	0.25	0.32	
Mobile Harbour Crane Hire	1.69	6.72	8.38	1.69	6.72	8.38	
Stevedoring	1.62	6.10	7.55	1.62	6.10	7.55	
Stevedoring and Crane Hire Charges	1.85	7.35	9.17	1.85	7.35	9.17	
Plot Rent	0.22	0.44	0.44	0.22	0.44	0.44	
Total Operating Revenue	9.54	37.68	46.66	9.51	36.57	45.27	
II) Operating Expenses							
(i) Salaries Wages	1.33	2.09	2.20	1.33	2.09	2.20	
(ii) Rent	0.42	0.42	0.42	0.55	0.55	0.55	
(iii) Fuel/Power	1.35	2.51	2.71	1.35	2.51	2.71	
(iv) Repairs & maintenance	2.53	3.80	3.80	2.53	3.80	3.80	
(v) Insurance	0.79	1.14	1.08	0.79	1.14	1.08	
(vi) Royalty	0.70	2.88	3.56	0.00	0.00	0.00	
(vii) Marketing Expenses	0.05	0.19	0.23	0.05	0.19	0.23	
(viii) Administrative Expenses	0.69	1.04	1.04	0.61	0.92	0.92	
(ix) Water Charges	0.06	0.09	0.09	0.06	0.09	0.09	
(x) Expatriate Staff	0.50	0.50	0.50	0.50	0.50	0.50	
(xi) Cargo Handling Expenses	1.41	5.84	7.21	1.41	5.84	7.21	
(xii) Amortisaton of upfront fee and preliminary and pre-operative exp	0.49	0.49	0.49	0.49	0.49	0.49	
(xiii) Depreciation	6.70	6.70	6.70	6.70	6.70	6.70	
Total Operating Expenses	17.02	27.69	30.03	16.36	24.83	26.48	
III) Net Operating Income (I-II)	(7.48)	9.99	16.62	(6.85)	11.74	18.79	
IV) Interest on Loans	3.08	9.23	8.89	3.08	9.23	8.89	
V) Credit back of terminal value receivable at end of License period	0.00	0.00	0.00	0.01	0.02	0.02	

VI) Net Surplus/ Deficit after interest & credit back of terminal value receivable at the end of License Period	(10.56)	0.76	7.73	(9.92)	2.53	9.92
VII) Tax	0.00	0.06	0.58	0.00	0.00	0.00
VIII) Net Surplus/ Deficit after interest & credit back of Security Deposit returnable at the end of License Period	(10.56)	0.70	7.16	(9.92)	2.53	9.92
IX) Sources of funds						
Borrowed funds				101.50	101.50	93.90
Equity less funds not deployed in the business				54.45	47.66	47.77
X) Capacity Utilisation (in %)	53%	70%	87.3%	53.0%	70.0%	87.3%
XI) Return on Equity @ 20% linked to Capacity Utilisation	6.77	8.98	11.20	5.77	6.67	8.34
XII) Net Deficit (-) / Surplus (+) after Return on Equity	(17.33)	(8.28)	(4.04)	(15.70)	(4.14)	1.58
XIII) Net Deficit (-)/ Surplus (+) as a % of Operating Income	-182%	-22%	-9%	-165%	-11%	3%
XIV) Average Net deficit as a % of Operating Income	-71%			-58%		

VIZAG SEAPORT 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). 'Port' means Visakhapatnam Port Trust (VPT)
- (2). "VSL" means Vizag Seaport 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). "Week" shall mean a period of 7 days.

General Terms & Conditions

- (1). All goods landed within the limits of the VSL shall be assessed on import application and the fees shall be paid before the goods are removed.
- (2). All goods intended for shipment shall be assessed on export application and the fees shall be paid before the goods are shipped.
- (3). Status of a vessel as borne out by its certification issued by 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.
- (4).
 - (i). A foreign-going vessel of Indian Flag having a General Trading Licence can convert to Coastal run on the basis of a Customs Conversion Order.
 - (ii). A foreign-going vessel of Foreign Flag can convert to coastal run on the basis of Coastal Voyage Licence 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 Licence from the Director General of Shipping, no other document will be required to be entitled to coastal rates.
- (5). Vessel related 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 subsidiary 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.
- (6). 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 VSL 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.
- (7). Charges on packages containing articles of a miscellaneous character shall be levied at the rate applicable to the individual articles.
- (8). No refunds shall be made unless the refund amount is Rs.100.00 or more.
- (9). 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.
- (10). 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.
- (11). Interest on delayed payments / refunds.
- (i). The user shall pay penal interest at the rate of 12% per annum on delayed payments of any charge under this Scale of Rates.
 - (ii). Likewise, the VSL shall pay penal interest @12% 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 VSL. 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.
- (12). All charges worked out shall be rounded off to the next higher rupee on the grand total of each bill.
- (13). Ad valorem 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.
- (14). In case of cargo related charge the concessional tariff prescribed for coastal cargo should be allowed on all the relevant handling charges for ship – shore transfer and transfer from quay to storage yard including wharfage.

SECTION – 2**VESSEL RELATED CHARGES****2.1 BERTH HIRE****2.1.1 Schedule of Berth Hire for Vessels**

Sr.No.	DESCRIPTION	Unit	Rate per GRT	
			Foreign-going vessel (in US \$)	Coastal vessel (in Rs.)
	Berth EQ 8 & EQ 9	Per hour or part thereof	0.0014 subject to a minimum of US\$ 28	0.037subject to a minimum of Rs. 740.

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 shall be levied on vessel after expiry of 4 hours from the time of signalling its readiness to sail. There shall be a penal rate equal to one day's (24 hours) berth hire charge for a false signal.
- (4). No berth hire charges shall be payable for the period when loading/unloading operations cannot be carried out due to non-availability of the harbour mobile cranes, due to breakdown or any other reasons attributable to VSL.
- (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 VSL is governed by clause 3.9 (b) of the License Agreement which provides that the Licensee (VSL) 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 VSL 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

Imports

Sl. No.	Nomenclature	Per hook per shift output (in tonnes)
1	Containers (boxes)	20
2	Ferro Silicon	102
3	General Cargo	82
4	Iron & Steel	180
5	Iron Ore & Pellets (manual loading)	598
6	Maize	61
7	Sugar	94
8	Wheat (bags)	91
9	Rice (bags)	81
10	Rice (Bulk)	80
11	Aluminium Billets	98
12	Aluminium Ingots	110
13	C.P. Coke	346
14	Cement	102
15	Charge Chrome	404
16	Chick Peas	219
17	Chrome Ore	188
18	Coal tar (Bags)	192
19	Coffee (Bags)	67

For

Nomenclature	Per hook per shift output (in tonnes)
Containers (boxes)	22
Ferro Silicon	262
General cargo	86
Iron & Steel	108
Iron Ore (manual unloading)	560
Maize (bulk)	234
Sugar in bags	82
Wheat (in bulk)	134
Rice	62
Rock Phosphate	281
Ammonium Nitrate	347
Ammonium Sulphate	210
Bauxite Bags	233
Bentonite	254
Bulgar wheat bags	62
Carbon Anodes	229
Chrome Ore	206
Coal tar pitch	77
Coking Coal (a) Discharged by vessels with	622

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

self discharging gear	
(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 Pailles	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.)
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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	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	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	33.00	19.80
2.	Alumina (bulk),	Tonne	36.00	21.60
3.	Aluminium, Alumina Sow Ingots, Alumina Billets and Alumina products	Tonne	22.00	13.20
4.	Asphalt/bitumen, Barytes, Feldspar, Cement clinker (including cement), Chrome Ore and Manganese Ore	Tonne	19.00	11.40
5.	Blast furnace slag, Bentonite, Dolomite chips and River sand	Tonne	13.00	7.80
6.	Calcined petroleum coke	Tonne	36.00	21.60
7.	Caustic Soda	Per K.L.	35.00	21.00
8.	Cereals, food grains, Pulses and Sugar	Tonne	22.00	13.20
9.	Charge chrome, Ferro Manganese, Ferro Silicon Silicon Manganese, Highcarbon Ferrochrome, and other ores.	Tonne	38.00	22.80
10.	Chemicals	Tonnes	55.00	33.00
11.	Edible Oils	K.L.	16.00	9.60
12.	Electrical goods	Ad valorem	0.27 %	0.16%
13	Fertilizers (including MOP)	Tonne	29.00	17.40
14.	Granite Blocks & Marbles	Tonne	44.00	26.40
15.	Ilemenite sand	Tonne	13.00	7.80
16.	Iron Ore	Tonne	22.00	22.00
17.	Iron Ore Pellets	Tonne	23.00	23.00
18.	Limestone	Tonne	30.00	18.00

19.	Liquid Ammonia, Molten Sulphur, Rock phosphate and Sulphur	Tonne	30.00	18.00
20.	Machinery	Ad valorem	0.14%	0.08%
21	Molasses	K.L.	35.00	21.00
22.	All types of Oil Extractions like Soya, Rape seed etc.,	Tonne	12.00	7.20
23.	Pig iron	Tonne	38.00	22.80
24	R.R. materials:	Tonne	33.00	19.80
	Al/Mg Alloyed powder	Tonne	33.00	19.80
	Brown fused Alumina or BFA			
	Chinese dead burnt magnesite [Grade - 94 & 60]			
	Chinese fused magnesite			
	Chinese fused magnesite [Grade – 97 & 100]			
	Fused Magnesia / Fused Magnesite / Dead burnt magnesite / DBM clinker / F.M.			
	Grades I, II and III of Calcined Bauxite / Rotary Kiln calcined Bauxite / Round Kiln calcined bauxite / Rotary Kiln Bauxite / Shaft Kilk Bauxite / Shaft Kiln calcined Bauxite / Refrstar Bauxite / Star Bauxite / Round Kiln Super grade.			
	Magnesia bricks / Magnestle brick / Magnesia Brick grog / Magnesite Brick Grog			
	Magnesia Grog, Magnesium Clinker & Sea water Magnesite			
	Reframul			
	Round Kiln Mid. Iron-2 Grade			
25.	Steel Products - all varieties	Tonne	44.00	26.40
26.	Styrene Monomar	Tonne	55.00	33.00
27.	Thermal Coal	Tonne	19.00	19.00
28.	Timber Logs & Wood items	1 Cu.M.	22.00	13.20
29.	Scrap	Tonne	44.00	26.40
30.	Unenumerated goods not specified above.	Tonne	22.00	13.20

Note:

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.

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 VSL'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:** (i). 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.
- (ii). 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 'ad valorem' 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 Sundays, Customs holidays and VPT & VSL non-working days) from the actual date of the receipt of the goods in the VSL premises.
- (b). No free days shall be allowed on goods brought into VSL premises and removed therefrom without shipment.

(ii). Imports

- (a). Three days (excluding Sundays, Customs holidays and VPT & VSL 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 Sundays, Customs holidays and VPT & VSL non-working days) from the last day of discharge of cargo from the VSL 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.

3.6. 104 TON Harbour Mobile Crane:

Rate in Rs. per tonne or part thereof (in Rs.)	
Other than coastal cargo	Coastal cargo
Rs.64/- per ton or part thereof subject to minimum of Rs.3,20,000/-	Rs.38.40 per ton or part thereof subject to minimum of Rs.1,92,000/-

Notes:

- (1). Concessional tariff prescribed for coastal cargo will not be applicable for thermal coal and 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.
- (3). These cranes would be available with shore Hoppers and Grabs.
- (4). Users using any or all of the stevedoring services in addition to the usage of Mobile Harbour Crane shall be charged a rate of Rs. 6 over the above per ton rate specified in Section 3.6. In case of coastal cargo other than the thermal coal, POL including crude oil, iron ore and iron ore pellets, Rs.3.60 over the above per ton rate shall be charged for users availing any or all of the stevedoring services in addition to the usage of Mobile Harbour Crane.

3.7. Dust suppression system charges:

Item No.	Description	Unit	Charge per ton (in Rs.)
1.	Usage of Dust Suppression System	Per tonne or part thereof	1.41 subject to a minimum charge of Rs. 2000

Notes:

- (1). The charges are leviable on all bulk cargo requisitioning the service.
- (2). The user shall confirm with VSL whether the service is available for a particular type of cargo.

3.8. Storage charges

Item No.	Description	Rate per 100 sq. meters or part thereof	Penal Rate per 100 sq. meters or part thereof
1.	Open stacking space	Rs.138/- per week or part thereof	Rs.216/- per week or part thereof

Notes:

- (1). Penal rate shall be charged for all unauthorised occupations without valid licence or for late application for renewal.
- (2). The charge shall be collected on the actual area licensed out on a prorata basis.

3.9. Stevedoring charges

Commodities	Rate in Rs. Per Ton	
	Other than coastal cargo	Coastal cargo
Dry Bulk:		
Fertilisers & FRM	40.00	24.00
Pet coke	23.00	13.80
Iron ore	15.00	15.00
Calcined Pet. Coke	23.00	13.80
Met coke	23.00	13.80
Coking Coal	20.00	12.00
Feldspar	18.00	10.80
Thermal Coal	23.00	23.00
Steam Coal	23.00	13.80
Illuminated Sand	20.00	12.00
Lime Stone	23.00	13.80
Others	23.00	24.00

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

F. No. TAMP/33/2004 - VSL - Proposal from Vizag Seaport Limited for approval of its Scale of Rates for vessels to be handled at its berths EQ-8 and EQ-9 at the Visakhapatnam Port Trust.

1.1. The comments received from the port users / representative bodies of port users are summarised below:

Visakhapatnam Port Trust (VPT)

- (i). The BOT operator has installed cranes on 17 September 2004 for cargo handling operations on their berths. Accordingly, the licensee may propose berth hire charges inclusive of crantage component so that the scale of rates of the BOT operator will be at par with the VPT.

The Vizagapatam Chamber of Commerce and Industry (VCCI)

- (i). It is difficult to compare the rates with the rates prescribed in the VPT SOR.

1.2. We have not received comments from any other user organisations despite reminders.

2. A joint hearing in this case was held on 6 November 2004 at the VPT premises. At the joint hearing, the following submissions were made:

Visakhapatnam Port Trust

- (i). The VSL should make sincere efforts to bring additional traffic instead of diverting only the existing cargo to their terminal.
- (ii). The VPT is also as efficient as VSL. If existing cargo is diverted, VPT will have to live with surplus labour which may push up cost for other commodities.

Visakhapatnam Steamship Agents Association & Visakhapatnam Stevedores Association

- (i). It will be better if incremental traffic moves to VSL. Then VPT will not have any labour problem.
- (ii). **We are not aware how tariff will tackle labour issue.**

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