

(Published in Part - III Section 4 of the Gazette of India, Extraordinary)  
**Tariff Authority for Major Ports**

G.No. 401

New Delhi,

30 October 2018

**NOTIFICATION**

In exercise of the powers conferred by Sections 48 and 50 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Visakhapatnam Port Trust (VPT) for fixation of reference tariff for rendering services at the existing Fishing Harbour Dry Dock at VPT to be leased out for a period of 15 years as in the Order appended hereto.

**(T.S. Balasubramanian)**  
Member (Finance)

**Tariff Authority for Major Ports**  
**Case No. TAMP/34/2018-VPT**

Visakhapatnam Port Trust

-----

Applicant

**QUORUM**

- (i). Shri. T.S. Balasubramanian, Member (Finance)
- (ii). Shri. Rajat Sachar, Member (Economic)

**O R D E R**

(Passed on this 3<sup>rd</sup> day of October 2018)

This case relates to a proposal dated 21 April 2018 received from the Visakhapatnam Port Trust (VPT) for fixation of reference tariff for rendering services at the existing Fishing Harbour Dry Dock (FHDD) at VPT to be leased out for a period of 15 years.

2.1. The main points made by the VPT in its proposal are summarised below:

- (i). (a). The dry dock facility at fishing harbour was commissioned in the year 1990. The dry dock is of size 65.00 m x 21.60 m and at entrance gate 19.60 m wide. Observed depth of water at guard wall of lock gate in low tide is 4.50 m. The FHDD is under de-commission due to unsafe structural condition.
- (b). An internal committee constituted to inspect the FHDD submitted its report on the status and the activities to be carried out for revamping. After deliberating on the recommendations of the report, an administrative decision is taken to revamp and operate FHDD on lease basis for a period of 15 years and call for Expression of Interest (EOI).
- (ii). Accordingly, the existing FHDD is proposed to be leased out on "as is where is" basis for a period of 15 years. The successful bidder/ Lessee has to carry out repairs/ replacement of machinery such as caisson gate, pumps, gate operating winches etc. The lease agreement will be on up-front fee payment basis for (i) the existing assets and (ii) annual lease rent of land. The successful bidder shall undertake refurbishment of FHDD and operate for a period of 15 years at the tariff notified by TAMP as ceiling rates.
- (iii). VPT Board in its meeting held on 28 March 2018 has resolved vide resolution No.184/2017-18 (copy furnished) to approach TAMP for notifying the Dry Dock charges and Docking and undocking charges and Dock block preparation charges for FHDD to be charged by the operator.

2.2. The proposal for formulation of reference tariff for the FHDD is as follows:

- (i). The total estimated cost towards upfront fee and capital cost towards refurbishment is estimated at ₹12,65,63,549/- as detailed below:

(a). Upfront fee:

(in ₹)

|                  |  |                    |
|------------------|--|--------------------|
| 1                | Upfront fee for leasing 5057.21 sq. mtrs. for a period of 15 years @ ₹4,263/- per sq. mtr. | 1,82,55,112        |
| 2                | Winch house-2  | 5,89,587           |
| 3                | Pump house   | 50,97,300          |
| <b>Total (a)</b> |  | <b>2,39,41,999</b> |

(b). Capital cost - I

(in ₹)

|   |  |                    |
|---|--|--------------------|
| 1 | Cost to fabricate new gate, excavate and remove sunken gate and repair of gate winches | 6,80,00,000        |
| 2 | Civil repair works on the dock structure   | 77,21,550          |
| 3 | Electrical switch gear renewals/ repairs   | 75,00,000          |
| 4 | Dredging cost  | 30,00,000          |
|   | <b>Total (b)</b>   | <b>8,62,21,550</b> |

(c). Capital cost - II

(in ₹)

|   |                            |                    |
|---|----------------------------|--------------------|
| 1 | 2 nos., new de-water pumps | 1,64,00,000        |
|   | <b>Total (c)</b>           | <b>1,64,00,000</b> |

(d). Total (a+b+c) - 12,65,63,549

(ii). Services to be provided at the FHDD are -

- (a). Dry docking
- (b). Docking and undocking
- (c). Dock block preparation

(iii). Parameters under consideration

- (a). Estimated time for dock block preparation = 40 hours
- (b). Estimated time for docking and undocking = 16 hours
- (c). Average stay of vessel under dry docking = 21 days
- (d). Skillset of manpower: (i) highly skilled : 2 (ii) semi skilled : 8

(iv). Capacity

|      |   |                  |
|------|---|------------------|
| (a). | Total number of operational days in a year    | 70% of 365 = 256 |
| (b). | Duration occupation per vessel                | 23.33 days       |
| (c). | Number of vessels that can be dealt in a year | 11 vessels       |

(v). Operation and maintenance cost and estimation of tariff

(A). Dry docking activity

(i). Estimation of Annual Revenue Requirement (ARR):

|    |   |                    |
|----|---|--------------------|
| a) | 16% ROCE on Gross fixed assets [on ₹11,01,63,549/- (a)+(b)]   | 1,76,26,168        |
| b) | Insurance @ 1% on ₹84,406,661 [on (a)+(b) – Cost of dredging] | 8,44,067           |
| c) | Depreciation as per Companies Act                             | 58,61,680          |
| d) | Other expenses (including electricity) 1% on Total (b)        | 8,62,216           |
| e) | Land rentals  | 5,057              |
|    | <b>ARR for 11 vessels</b>                                     | <b>2,51,99,188</b> |
|    | <b>ARR per vessel</b>   | <b>22,90,835</b>   |

(ii). Three rates applicable for 7 days in each spell with an escalation of ₹30,000 after every 7 days is envisaged.

Thus, if ₹ X is envisaged per day for first 7 days, ₹ X+30000 and ₹ X+60000 are the rates per day applicable for the second and third spells of each of 7 days.

$$\begin{aligned} \therefore (X \times 7) + (X+30000) \times 7 + (X+60000) \times 7 &= 2290835 \\ 21X + 210000 + 420000 &= 2290835 \\ 21X &= 2290835 - 630000 = 1660835 \\ X &= 1660835 / 21 = 79,087 \text{ (1660835 / 21)} \end{aligned}$$

Thus, dry docking charges are worked out as follows:

|               |   |                             |
|---------------|---|-----------------------------|
| 1 to 7 days   | : | ₹79,087 per day per vessel  |
| 8 to 14 days  | : | ₹109,087 per day per vessel |
| 15 to 21 days | : | ₹139,087 per day per vessel |

(B). Docking and undocking activity

(i). Estimation of ARR

|                    |  |           |
|--------------------|--|-----------|
| a)                 | 16% ROCE on cost of de-water pumps [on Total (C)]  | 26,24,000 |
| b)                 | Insurance @ 1% on Total (C)  | 1,64,000  |
| c)                 | Depreciation as per Companies Act (15 years)   | 10,93,333 |
| d)                 | Dewatering (2 pumps for 15 hours @ 125 units/ hour and ₹9.43 per unit) + Surcharge @ 25% + ₹45 meter charge per vessel | 4,86,739  |
| e)                 | Wages for 2 skilled and 8 semiskilled workers in 2 shifts per vessel at ALC rates (2 x 653 + 8 x 506) x 2 x 11         | 1,17,788  |
| ARR for 11 vessels |  | 44,85,860 |

- (ii). Therefore, tariff for docking and undocking activity per vessel works out to ₹4,07,805/- (44,85,860 / 11 vessels)  
35% of the above charge is proposed for 2<sup>nd</sup> docking

(C). Dock block preparation activity

(i). Flat bottom vessels

|   |        |
|---|--------|
| Cost of material                                  | 45,500 |
| Wages (2 skilled and 8 semi-Skilled for 5 shifts) | 26,770 |
| Total   | 72,270 |

(ii). Shaped bottom vessels

|   |          |
|---|----------|
| Cost of material                                  | 91,000   |
| Wages (2 skilled and 8 semi-Skilled for 5 shifts) | 26,770   |
| Total   | 1,17,770 |

2.3. The VPT has furnished draft proposed Scale of Rates (SOR). The definition of import and terms proposed by VPT and reference tariff proposed by the VPT in its proposal are as follows:

(i). Definitions:

- (a). **Dry docking** is a term used for repairs or when a ship is taken to the service yard. During dry docking, the whole ship is brought to a dry land so that the submerged portion of the hull can be cleaned inspected or repaired. Dry docks can be flooded to allow a vessel to be floated in, and then water pumped out to allow that vessel to come to rest on a dry platform preferably on wooden blocks. Dry docks are used for the construction, maintenance and repair of ships boats and other water craft.
- (b). **Docking** means bringing the vessel into the Dry dock and arranging to seat the vessel on the dock blocks by pumping out the water from the Dry dock.  
**Undocking** is the reverse process to bring the vessel out of the Dry dock duly flooding Dry dock and pulling the vessel out of Dry dock.
- (c). **Dock Block Preparation** is the activity involving necessary arrangement such as laying keel blocks/ bilge blocks/ side blocks etc., before docking the vessel, for supporting the vessel structure as per the docking plan. It depends on the shape of the underwater hull of the vessel and size of the vessel.

- (d). **2<sup>nd</sup> Docking** is the process of refloating and reseating vessel to enable surface maintenance to that part of the underwater structure which is obstructed by way of dock blocks.
- (e). **A flat bottom vessel** is a vessel with a flat bottom without any curvatures and angles. These are double chined hulls, which allows it be used in shallow bodies of water, such as rivers and inland waterways. Shaped bottom vessel/ craft.
- (f). Designs with higher numbers of chines, called multichine hulls where by increasing the number of chines, the hull can very closely approximate a round bottomed hull, required for the complex shapes needed to provide good performance under various conditions. This type of designed vessels having number of flat panels arranged at various angles are termed as the **shaped bottom vessels**.
- (g). **Gate line** is the line which is the inner most part of the gate towards the Dry dock, when the gate is completely closed.
- (ii). The Reference tariff proposed are as follows:

(a). **Dry Docking Charges:**

| Periodicity                                 | Tariff per day or part thereof per vessel (in ₹) |
|---|--|
| 1 <sup>st</sup> day to 7 <sup>th</sup> day  | 79,087   |
| 8 <sup>th</sup> day to 14 <sup>th</sup> day | 1,09,087   |
| 15 <sup>th</sup> day onwards                | 1,39,087   |

For the vessel staying more than 21 days, a penal charges of ₹35,000/- per day per vessel will be charged over and above the last slab rate of ₹1,39,087/-

(b). **Docking and un-docking charges:**

- (i). The charge for docking and un-docking for each time of utilisation of the FHDD per vessel/ craft is ₹4,07,805/-.
- (ii). For 2<sup>nd</sup> docking 35% of charges at (a) above will be charged.

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

Charges for dock block preparation for each time of utilisation of the FHDD per vessel/ craft is as follows:

| Type of vessel/ craft         | Tariff per vessel/ craft (in ₹) |
|-------------------------------|---------------------------------|
| Flat bottom vessel/ craft     | 72,270                          |
| Shaped bottom vessels/ crafts | 1,17,770                        |

**Notes:**

- (i). Time of occupation of Fishing Harbour Dry Dock by any vessel/ craft is reckoned from the moment any part of the vessel/ craft passes the gate line when entering to the moment the whole vessel is clear of the gate line or leaving the deck.
- (ii). "Day" means a period of 24 hours or part thereof calculated from the time fixed in (i) above.

3. In accordance with the consultation process prescribed, a copy of the VPT proposal dated 21 April 2018 was circulated to the users/ user associations (as suggested by the VPT) seeking their comments. A copy of comments received from few users/ user associations/ prospective bidders were forwarded to VPT for feedback information. The VPT vide its letter dated 23 July 2018 has furnished its reply on the comments of the users/ user associations/ prospective bidders.

4.1. Clause 2.2. of the Reference Tariff Guidelines of 2013 stipulates that Major Port Trust can adopt the upfront tariff in its own port or any other major port trusts for fixation of reference tariff for commodity/ category of commodities and for each of the service for which reference tariff is sought. If no reference tariff is available, then the major port has the option to file the proposal following principles of 2008 upfront tariff guidelines.

4.2. There are no norms prescribed in the upfront tariff guidelines for the services proposed to be rendered for the proposed project viz. dry docking charges, docking and undocking charges and dock block preparation charges. No upfront tariff has been prescribed in VPT or any other major port trusts for these services proposed by VPT. Since the basis of the parameters adopted in the current proposal filed by VPT is not explained in the proposal, the VPT was requested vide our letter dated 8 May 2018 to furnish information/ clarifications on a few points. The VPT vide its letter dated 5 June 2018 has furnished its reply, after a reminder. A summary of the information/ clarifications sought by us and reply furnished by VPT is tabulated below:

| Sl. No. | Information/ clarifications sought by us   | Reply furnished by VPT   |                       |                |  |  |               |             |                 |                       |         |   |    |    |    |         |   |   |   |    |         |   |   |   |    |
|---------|--|--|-----------------------|----------------|--|--|---------------|-------------|-----------------|-----------------------|---------|---|----|----|----|---------|---|---|---|----|---------|---|---|---|----|
| 1.      | <b>Basis for Parameters:</b>   |  |                       |                |  |  |               |             |                 |                       |         |   |    |    |    |         |   |   |   |    |         |   |   |   |    |
| (i).    | <p>The basis of each of the following parameters considered by the VPT in the current proposal:</p> <p><b>A. Parameters considered:</b></p> <p>(i) Estimated time for dock block preparation - 40 Hrs.</p> <p>(ii) Estimated time for docking and undocking - 16 Hrs.</p> <p>(iii) Average stay of vessel under dry docking - 21 days.</p> <p>(iv) Skillset of manpower (a) highly skilled - 2 nos.<br/>(b) Semi Skilled - 8 nos.</p> <p><b>B. Parameter for Optimal Capacity:</b></p> <p>(v). Duration occupation per vessel - 23.33 days</p> <p>(vi). Number of vessels that can be dealt in a year- 11 Vessels.</p> | <p>A. As per previous experience, time required for dock block preparation is 5 shifts (8*5=40 hrs), for docking &amp; undocking is 2 shifts (8*2=16 hrs). Therefore, total time required for the two works in days for expected 11 vessels that could be accommodated is 25.66 days (56/24*11).<br/>Out of total no. of 365 days, 70% of 365 days considered as optimal capacity as per TAMP norms, which works out to 256 days (365*70%). After considering 25.66 days for dock block preparation remaining days available is 230.34 days (256-25.66). Expected stay of vessel is 23 days. Therefore no. of vessels that could be docked in a year would be 11 vessels. (230.34/21)<br/>Hence total time required for one vessel is 23.33 days.</p> <p>B. Detailed explanation given above. Total no. of vessels that could be dry docked in a year would be 11.</p> |                       |                |  |  |               |             |                 |                       |         |   |    |    |    |         |   |   |   |    |         |   |   |   |    |
| (ii).   | The actual values of the last three years 2015-16, 2016-17 and 2017-18 for each of the above parameters in terms of actual operations at the port for similar activities.  | <p>As already informed, FHDD was decommissioned in 2011 and no docking was done afterwards. However, the data of ORS dry dock is furnished. The port has furnished details of vessels which arrived at Dry Dock Section for the years 2014-15, 2015-16, 2016-17 and 2017-18 along with number of days of stay.<br/>A summary position is given below:</p> <table border="1"> <thead> <tr> <th rowspan="2">Years</th> <th colspan="3">No. of Vessels</th> <th rowspan="2">Total Vessels</th> </tr> <tr> <th>VPT Vessels</th> <th>Private Vessels</th> <th>Shore Docking Vessels</th> </tr> </thead> <tbody> <tr> <td>2014-15</td> <td>4</td> <td>13</td> <td>--</td> <td>17</td> </tr> <tr> <td>2015-16</td> <td>6</td> <td>6</td> <td>4</td> <td>16</td> </tr> <tr> <td>2016-17</td> <td>3</td> <td>6</td> <td>8</td> <td>17</td> </tr> </tbody> </table>              | Years                 | No. of Vessels |  |  | Total Vessels | VPT Vessels | Private Vessels | Shore Docking Vessels | 2014-15 | 4 | 13 | -- | 17 | 2015-16 | 6 | 6 | 4 | 16 | 2016-17 | 3 | 6 | 8 | 17 |
| Years   | No. of Vessels   |  |                       | Total Vessels  |  |  |               |             |                 |                       |         |   |    |    |    |         |   |   |   |    |         |   |   |   |    |
|         | VPT Vessels  | Private Vessels  | Shore Docking Vessels |                |  |  |               |             |                 |                       |         |   |    |    |    |         |   |   |   |    |         |   |   |   |    |
| 2014-15 | 4  | 13   | --                    | 17             |  |  |               |             |                 |                       |         |   |    |    |    |         |   |   |   |    |         |   |   |   |    |
| 2015-16 | 6  | 6  | 4                     | 16             |  |  |               |             |                 |                       |         |   |    |    |    |         |   |   |   |    |         |   |   |   |    |
| 2016-17 | 3  | 6  | 8                     | 17             |  |  |               |             |                 |                       |         |   |    |    |    |         |   |   |   |    |         |   |   |   |    |

|        |   | 2017-18   | 2 | 3 | 7 | 12 |
|--------|---|---|---|---|---|----|
| 2.     | <b>General:</b>   |   |   |   |   |    |
| (i).   | It may be essential that the tariff models proposed by VPT based on certain norms should benchmark rates of tariff and Physical Performance of the operator to the general standards applicable for the sector.   | The physical performance of dry dock repairs are highly dynamic and bench marks cannot be fixed on general basis. The quantum of repairs can be ascertained only after dry docking the vessel, after which the time for completion of repairs can be ascertained. Hence, the performance has to be mutually agreed between the operator and the user.<br>The hire charges once finalized by notification, users shall be aware of the cost involved and accordingly they can negotiate with the operator. |   |   |   |    |
| (ii).  | The VPT is requested to ensure that the normative method adopted by VPT would reward an efficient operator and protect users from inefficient operator.   |   |   |   |   |    |
| (iii). | The VPT has in its proposal stated that the Board of Trustees of VPT accorded approval for the project in reference in the Board Meeting held on 28 March 2018. The VPT is, therefore, requested to forward a copy of Board approval approving the subject proposal.  | Copy of VPT Board Resolution No.183/2017-18 dated 28.3.2018 is furnished.   |   |   |   |    |
| (iv).  | The VPT in its proposal stated that an internal committee was constituted to inspect the FHDD and the said committee has submitted its recommendations. The VPT is requested to furnish a copy of the said internal committee report or any other feasibility report on the subject proposal.   | [Copy of 3 member committee Inspection Report bearing No.IENG/EE(South)/ Revamping Dry Dock dated 18.04.2016, is furnished. The Committee has recommended technical measures to revamp the FHDD.]   |   |   |   |    |
| (v).   | The existing SOR approved by the Authority vide its Order No.TAMP/9/2016-VPT dated 21 June 2016 is valid upto 31 March 2019. In the said Order the Authority has approved the tariff rates for use of dry dock at Visakhapatnam Port Trust inner harbour and for Visakhapatnam Fishing Harbour separately.<br>The tariff rates approved by the Authority for the use of dry docking at Visakhapatnam Port Trust (Inner Harbour) at Schedule 7.6 in existing SOR of VPT are for following activities:<br>(a) Dry docking charges<br>(b) Dock Block Preparation Charges<br>(c) Composite Docking and Undocking Charges<br>(d) Block Shifting Charges<br><br>The VPT to clarify whether the above tariff will continue to be prescribed in General SOR of VPT. | Yes. As informed, the ORS dry dock (inner harbor) is available with different measurements and is generally meant of bigger vessels. The said facility will be in operation as at present and hence, applicable tariff will continue.   |   |   |   |    |
| (vi).  | In the current proposal, the VPT has proposed the reference tariff for leasing out FHDD including machineries and sought tariff for the following services:<br>(a). Dry Docking Charges<br>(b). Docking and undocking charges<br>(c). Dock block preparation charges<br>The existing SOR of VPT, prescribes tariff at Visakhapatnam Fishing harbour at Schedule 7.6.2 for following services:<br>(a). Slipway repair berth hire charges for Slipway complex including approach  | Present proposal is only for FHDD and its services. After the approval of Tariff for present proposal the tariff existing in SOR at 7.6.2.6 and 7.6.2.7 will not be applicable. The tariff prescribed for slipway repair berth hire charges will be continued under existing SOR of VPT at 7.6.2.4 and 7.6.2.5.   |   |   |   |    |

|        |  |  |
|--------|--|--|
|        | <p>jetties to slipway complex and FHDD.</p> <p>(b). Docking and undocking charges for dry dock at fishing harbour.</p> <p>(c). Dry Docking Charges for dry dock at fishing harbour.</p> <p>The tariff prescribed for slipway repair berth hire charges in the existing SOR at fishing harbour are not proposed in the reference tariff SOR. The reasons therefor may be furnished.</p>   |  |
| (vii). | The VPT has not furnished the list of users, user's organisations/ prospective bidders to be consulted on the subject proposal. The VPT may furnish the same.  | List of user, user's organization is furnished.  |
| 3.     | <b><u>Capital Cost, Upfront Fee and Estimated Refurbishment Cost:</u></b>  |  |
| (i).   | <p>The VPT has, in the subject proposal, estimated the total capital cost including upfront fee for leasing out land and estimated cost for refurbishment of winch house and pump house at ₹12,65,63,549/- (Upfront Fee + Capital Cost-I + Capital Cost-II). The VPT is requested to furnish the basis of each of the following capital cost considered by VPT:</p> <p><b>A. Upfront fees and Refurbishment Cost:</b></p> <p>(a). Leasing of 5057.21 Sq. Mt at ₹4263/- per Sq. Mt. for 15 years. The VPT to give reference to the relevant lease rent approved by the Authority.</p> <p>(b). Winch House-2.</p> <p>(c). Pump House.</p> <p><b>B. Capital Cost (I &amp; II):</b></p> <p>(d). Cost to fabricate new gates excavate etc.</p> <p>(e). Civil repair works on the dock Structure</p> <p>(f). Electrical switch gear renewal/ repairs etc.</p> <p>(g). Dredging cost.</p> <p>(h). De-water Pumps – 2 nos.</p> | <p>(a). As per TAMP Order No.TAMP/80/2015-VPT dated 17.11.2016, the industrial rate per month at Fishing Harbour (Old zone no.XIV) is ₹23.92 sq. per month, which works out to ₹240 per sq. yard per annum. (<math>₹23.92/1.19599*12=240</math>)<br/>1 Sq.m = 1.19599 sq. yd.<br/>Calculation sheet for the upfront fee for 15 years at ₹3609.72 applying discounting factor of 6% for leasing out land for 15 years is also furnished (<math>₹3609.72*5057.21 = ₹1,82,55,112/-</math>)</p> <p>(b). Present value of the annual rental income from renting of winch house discounted @ 6% is worked out and furnished. The annual income calculation sheet is furnished.</p> <p>(c). Present value of the annual rental income from renting of Pump house discounted @ 6% is worked out and furnished. The annual income calculation sheet is furnished.</p> <p>Necessary documents in support of capital costs furnished.</p> |
| (ii).  | The VPT may furnish budgetary Quotations/  | Necessary documents in support of  |

|  | market rates/ Rate Analysis in support of each of the estimates of capital cost. The VPT is, also, requested to confirm that the capital cost estimated by the VPT reflects current market position.   | capital costs furnished.  |  |  |   |  |
|--|--|---|--|--|---|--|
| 4.   | <b><u>Estimates of ARR and Proposed Tariff:</u></b>  |   |  |  |   |  |
| (i).   | <b><u>Dry Docking Activity:</u></b><br>(a). 16% ROCE on Gross Fixed Assets:<br>The VPT has considered 16% ROCE on gross fixed assets at ₹1,76,26,168 on the capital cost of ₹11,01,63,549/- (i.e. ₹2,39,41,999 towards upfront fees, winch house-2 and Pump house and ₹8,62,21,550 towards cost of fabrication of new gate etc., civil repair work, electrical repairs and dredging cost). Capital cost for dewater pumps has been considered for Docking/undocking activity. The VPT has not considered 16% ROCE on the capital cost towards 2 nos. of New dewater pumps of ₹1,64,00,000/-. The VPT is, therefore requested to confirm that de water pumps are not relevant for dry docking activity. | (a). The new dewatering pumps are related to Docking and Undocking service. Hence return on capital cost of these pumps @ 16% is considered for ₹26,24,000/- for Docking and undocking activity.        |  |  |   |  |
|  | (b). <u>Insurance:</u><br>While arriving the insurance cost at ₹8,44,067/-, some arithmetical error is observed which is as under:<br><table border="1" data-bbox="327 996 896 1198"> <thead> <tr> <th>Considered by VPT in Proposal</th> <th>If arithmetical errors corrected it should be:</th> </tr> </thead> <tbody> <tr> <td>Insurance cost at 1% of (a) + (b) - Dredging cost = (a) 2,34,41,999 + (b) 8,62,21,550 - Dredging Cost 30,00,000 = 84,406,661</td> <td>2,34,41,999 + 8,62,21,550 = 11,01,63,549 - 30,00,000 = 10,71,63,549</td> </tr> </tbody> </table> <p>The VPT may examine and make necessary correction in the insurance cost in the light of above observation.</p>             | Considered by VPT in Proposal   | If arithmetical errors corrected it should be: | Insurance cost at 1% of (a) + (b) - Dredging cost = (a) 2,34,41,999 + (b) 8,62,21,550 - Dredging Cost 30,00,000 = 84,406,661 | 2,34,41,999 + 8,62,21,550 = 11,01,63,549 - 30,00,000 = 10,71,63,549 | Value of Land is not considered while arriving at Insurance cost. Hence, Insurance of ₹8,44,067/- on the value of Fixed assets stands good which is exclusive of Dredging and land cost. [Gross fixed assets ₹8,62,21,550 + value of winch house ₹72576 + value of pump house ₹1112535 - dredging cost ₹30,00,000/- = 8,44,06,661/- *1% = 8,44,067/- |
| Considered by VPT in Proposal  | If arithmetical errors corrected it should be:   |   |  |  |   |  |
| Insurance cost at 1% of (a) + (b) - Dredging cost = (a) 2,34,41,999 + (b) 8,62,21,550 - Dredging Cost 30,00,000 = 84,406,661 | 2,34,41,999 + 8,62,21,550 = 11,01,63,549 - 30,00,000 = 10,71,63,549  |   |  |  |   |  |
|  | (c). <u>Depreciation:</u><br>The VPT has estimated Depreciation cost at ₹58,61,680 stating it is as per Companies Act. However, VPT has not furnished calculation thereof. The VPT is requested to furnish the depreciation rate/ life norm adopted for arriving the depreciation giving the relevant item adopted from the Depreciation Schedule under the Companies Act 2013. Also, furnish working thereof. Also, clarify as to whether the depreciation estimated is considering the life norm of asset for single shift /double/ triple shift.  | Calculation statement for depreciation amount is furnished.   |  |  |   |  |
|  | (d). <u>Other Expenses (including electricity):</u><br>The VPT has considered other expenses (including electricity) at 1% of the total of capital cost towards fabrication of new gates excavate, civil, electrical repairs and dredging cost at ₹8,62,216/- (1% of ₹8,62,21,550/). The upfront tariff fixation guidelines for container, iron ore, coal, liquid and multipurpose berths prescribe normative unit of electricity consumption for estimating power cost. It is not linked to capital cost. In the light of the above observation, the VPT may explain the reasons and basis for  | 1% Other expenses norm is adopted from the norms specified for services rendered for Liquid Bulk of 2008 guidelines. Electricity cost is not taken as a separate cost but is clubbed in other expenses. |  |  |   |  |

|        |  |   |
|--------|--|---|
|        | estimation power cost as percentage of the above said capital cost. The VPT to furnish the actual power consumption for dry docking activity in the last three years and consider to modify the estimates based on the past trend of power consumption.  |   |
|        | (e). Basis for proposing three rates applicable for 7 days in each spell with an escalation of ₹30,000 after every 7 days may be furnished.  | Average stay of vessel is taken as 21 days. However, slabs are preferred to motivate & encourage vessels which leave within 7/14/21 days and impose penalty for those stay over 21 days.  |
| 5.     | <b>Docking and Undocking Activity:</b>   |   |
| (i).   | The VPT has considered the 16% ROCE on capital cost of 2 numbers of new de-water pumps for dry docking and undocking activity at ₹26,24,000/-. The VPT may confirm that other capital cost like pump house, upfront fee for lease of land, etc. are not relevant for docking and undocking activity. If relevant, the VPT may consider to apportion the capital cost between the two activities suitably.  | The upfront fee for lease of land, pump house & winch house is considered in dry docking activity only. It is not relevant to consider it in the docking & undocking activity.  |
| (ii).  | The VPT has estimated the Depreciation cost at ₹10,93,333/- (1,64,00,000/15) stating it is as per Companies Act for useful life of 15 years. However, the VPT has not furnished detail calculation thereof. The VPT is requested to furnish the depreciation rate/ life norm adopted for arriving the depreciation giving the relevant item adopted from the Depreciation Schedule under the Companies Act 2013. Also, furnish working thereof. Also, clarify as to whether the depreciation estimated is considering the life norm of asset for single shift/ double/ triple shift. | Life of 15 years considered as per (IV) I of Companies Act 2013.<br>Depreciation is 16400000/15= 1093333  |
| (iii). | (a). The VPT has considered de-watering cost at ₹4,86,739/-. The VPT to furnish the basis of considering power consumption of the 2 pumps at 15 hrs @ 125 unit rates/hour. The power consumption estimated by VPT may be justified with reference to actual power consumption of similar services or based on technical specification of the equipment.  | Necessary calculation sheet is furnished. The power consumption estimated by VPT is in line with the similar equipment being operated in VPT.   |
|        | (b). The unit rate of power cost at ₹9.43 per unit + surcharge @ 25% + ₹45 meter charges per vessel to be substantiated with copies of recent electricity bill.  | Copy of the recent electricity bill in respect of vessel which was Dry docked at VPT ORS Dry Dock (Inner Harbour) is furnished.   |
| (iv).  | The VPT has estimated the wage cost at ₹1,17,788/- for deployment of 2 skilled and 8 semi-skilled workers in two shifts per vessel at ALC rates. The meaning of "ALC" may be explained. The VPT to furnish the basis for considering the deployment of 2 skilled and 8 semi-skilled labours. The actual deployment of these categories of labour for the same operation at VPT may also be furnished. The wage rate of ₹653/shift and ₹506/shift for skilled and semi-skilled labours to be substantiated with documentary evidence.   | As per the Ministry of Labour & Employment, office of Chief Labour Commissioner (CLC) Order dated 6/10/2017, the wage rates of ₹653/- & ₹506/- per shift prescribed for B area (Visakhapatnam comes under B category) were considered (copy furnished). The work of preparation of Dock blocks for shaped and flat bottom needs expertise workers. Hence basing on the requirement of the work, skilled and semiskilled considered as per the operating departments advice. |
| (v).   | It is seen from the calculation that wages for workers is estimated for 2 shifts per vessels. The optimal capacity assessed is for 3 shifts i.e.   | The skilled and semi-skilled workers will be engaged based on the requirement only. Their services are required only  |

|        |   |   |
|--------|---|---|
|        | 70% of 365 days = 256 days. Hence the VPT may examine whether the estimation of wage cost need to fall in tandem with the estimation of optimal capacity.   | when vessel comes for docking i.e. if a vessel arrives for dry docking, for safe docking of the vessel, semi-skilled workers with direction of skilled workers docks the vessel. For docking 1 shift of labour and for undocking another shift of labour is sufficient. Hence they will not be engaged for all the 365 days and in 3 shifts.  |
| (vi).  | The VPT has proposed 35% of the tariff of docking and undocking activity for 2 <sup>nd</sup> docking. The basis and reasons for the same to be furnished. Also, furnish revenue estimates at proposed rates to show that revenue realisable from 2 <sup>nd</sup> docking is within the estimates ARR for this activity.   | Occurrence of 2 <sup>nd</sup> docking activity is rare and hence not taken within the ARR. The rate for 2 <sup>nd</sup> docking @ 35% of 1 <sup>st</sup> docking, is prescribed based on the approved ORS dry dock rate which is 36% of 1 <sup>st</sup> docking charge.   |
| 6.     | <b>Dock Block Preparation Activity:</b>   |   |
| (i).   | The VPT has considered cost of material at ₹45,500/- and ₹91,000/- for Flat and Shaped bottom vessels respectively. The VPT to furnish the basis thereof along with documentary evidences. Also, confirm that the material cost estimated by the VPT reflects current market position. The VPT to also elaborate what is the material cost and give break up thereof. Please clarify whether it will be uniform for all vessels under two broad categories proposed by VPT. | Number of blocks to be used will differ depending upon the length of the vessel and shape of the underwater hull of the vessel. The dock block preparation for shaped vessels (generally for Coast Guard/ Navy/ High speed) involve more quantum of work with more days in preparation. However, flat bottom i.e. generally Cargo vessels will take less time. Hence, the different average charges are proposed based on the cost of materials and time taken in this preparation. Calculation sheet containing the break-up details is furnished. The estimated material cost is as per the prevailing market rate. The rate proposed is only on average job per vessel under two broad categories. These blocks are not re usable. |
| (ii).  | (a). The VPT has estimated wage cost at ₹26,770/- for deployment of 2 skilled and 8 semi-skilled workers in five shifts for Flat and Shaped bottom vessels respectively. The VPT to furnish the basis for considering the deployment of 2 skilled and 8 semi-skilled labours. Also, confirm that there is no duplication of wages cost as wage cost for similar type and same number of labour is also estimated by VPT for docking and undocking activity.                 | The skilled and semi-skilled workers will be engaged based on the requirement only and will not be engaged for all the 365 days. Preparation of dock blocks on an average needs 40 hrs. Hence to complete this job and skill requirement, 2 skilled and 8 semi-skilled are required for 5 shifts to prepare dock block preparation for flat/ shaped bottom vessels. Hence, wages for 2 skilled and 8 semi-skilled for 5 shifts worked out to ₹26,770/-. It is also confirmed that there is no duplication of wages cost.  |
|        | (b). Furnish the basis with justification for estimating the wages for dock preparation activity for 5 shifts in terms of actual number of shift for similar operation at existing fishing harbour/ inner harbour at VPT.   | Dock block preparation activity depends on length, under water shape of the vessel. Total time will differ from vessel to vessel. However, on average 5 shifts is proposed basing on past experience.   |
| (iii). | For the calculation of dock block preparation activity, the wage cost estimation is for 5 shifts. In a day there can be maximum 3 shifts each of 8 hours. Hence estimation for wage calculation for 5 shifts may be examined and corrected, if necessary.   | As already stated, the deployment is based on the activity completion. For completing, dock block preparation total requirement is estimated as 40 hrs. approx or in other words which is equal to 5 shifts of payment. Hence there is no duplication of wage cost.   |

|        |   |   |
|--------|---|---|
| 7.     | <p><b>Repairs &amp; Maintenance Cost:</b><br/>The VPT has not estimated repair and maintenance cost for each activity viz. (a). dry docking activity (b). docking and undocking activity and (c). dock block preparation activity and other cost is not estimated for (b) and (c) above in the subject proposal. The Upfront Tariff Guidelines of 2008, prescribe norms for repairs and maintenances and other costs for various cargo/ container group as a percentage linked to capital cost. The VPT, may, therefore, explain the reasons for not estimating these items in reference tariff fixation.</p> | Other expenses @ 1% (₹8,62,216/-) is considered in FHDD tariff calculation which is felt sufficient which could cover small repairs & maintenance cost. Hence, no additional cost towards Repairs & maintenance is considered separately.   |
| 8.     | <p><b>Proposed SOR:</b></p>   |   |
| (i).   | The Authority has passed common adoption Orders, vide Order No.TAMP/53/2015-VOCPT dated 26 November 2015 and 10 June 2016 relating to provision prescribed for System of classification of vessel for levy of Vessel Related Charges (VRC) and Criteria for levy of Vessel Related Charges and Concessional Coastal rate for all Major Port Trusts and BOT operators thereat. It is, however, seen that the VPT has not included the provisions stipulated suitably in the proposed SOR. The VPT may examine and if relevant incorporate the same in the proposed SOR.  | As per existing SOR the rates prescribed for FHDD, there is no Foreign and coastal tariff. Further, it is to state that, the FHDD is meant for dry docking of fishing boats, fishing trawlers, mechanized boats and coast guard petrol boats which are of smaller size and all are coastal vessels only. Till date, no foreign vessel is docked at FHDD. Hence, there is no need of classification as such. |
| (ii).  | In the existing SOR of VPT concessional rate are prescribed for coastal vessel for dry docking charges and for docking and undocking charges. The VPT may, therefore, proposed concessional rate for these tariff item to fall in line with the coastal concession policy of Ministry of Shipping. The impact of the costal concession may be captured in the arriving of the rate. The share of foreign and coastal vessel considered in the calculation may also be furnished.  | So far VPT has not handled any foreign vessels and hence rate for coastal vessel only is proposed.  |
| (iii). | A general note governing annual indexation based on Wholesale Price Index (WPI) may also be prescribed in the proposed draft SOR in line with the prescription in other reference tariff cases in view of clause 2.9 of Reference Tariff Guidelines.  | The provision is now included in the proposed draft SOR.  |
| (iv).  | As per Clause 2.2 of the Reference Tariff Guidelines the Authority has to notify the reference tariff and performance standard based on the proposal of the concerned port trust. The VPT has not proposed performance standards for the subject proposal. In view of clause 2.2 read with clause 2.9 of the said guidelines, the VPT to propose the relevant performance standards in tandem with the performance level considered for arriving at the proposed reference tariff.  | The physical performance of dry dock repairs are highly dynamic and performance standards cannot be fixed at this stage. The quantum of repairs can be ascertained only after dry docking the vessel, after which the time for completion of repairs can be ascertained. Hence, the performance has to be mutually agreed between the operator and the user.  |

4.3. Further, the VPT vide its letter dated 5 June 2018 has made the following submissions:

- (i). The VPT is having Two Dry Docks. One is Outer Repair Section (ORS Dry Dock) situated in Inner harbour, with 140.20mtrs length, 18.28 mtrs Breadth and 5.60

mtrs Depth is existing for Dry Docking of vessels of bigger size vessels. One more Dry Dock in the name of FHDD is also existing in VPT outer harbour, with 65 mtrs X 21.60 mtrs and at entrance gate 19.60 mtrs wide with 4.50 mtrs depth, where all small fishing boats, fishing trawlers and any other boats are dry docked for carrying on repairs. In addition to this, one Slip way complex is also available with cradles. Different tariff rates were prescribed for ORS dry Dock at 7.6.1.1 of SOR and for FHDD at 7.6.2 and for slipway 7.6.2.4 and 7.6.2.5 of SOR basing on the nature of services rendered. Hence, the existing tariff of ORS dry dock or FHDD is not considered as reference tariff for FHDD as the private operator has to infuse capital to put in to use FHDD. Further, in existing SOR, there is no separate tariff for Dock Block preparation at FHDD and also no separate condition for 2<sup>nd</sup> docking charges. Hence, tariff fixation under cost plus approach submitted.

- (ii). The FHDD was decommissioned in the year 2011 due to unsafe structural condition and collapse of dry dock gate. The slipway complex is in operation and hence the tariff of the same is to be continued in SOR. Now, the VPT proposes to lease out the decommissioned FHDD under "as is where is" basis for a period of 15 years along with Pump house and winch house, on revenue sharing basis and the Board of VPT approved for the same. The successful bidder has to infuse capital for carrying out repairs and replacement of machinery such as caisson gate, pumps, etc. to bring the FHDD in to operational condition.
- (iii). In the above circumstances, VPT has filed the current proposal for fixation of reference tariff under cost plus approach for FHDD as there is no reference tariff to be applied with in VPT and among other ports on revenue sharing basis.

4.4. The VPT vide its email dated 14 August 2018 has furnished information/ clarification on a few additional information/ clarification sought by this Authority. A summary of information/ clarification sought by TAMP and reply furnished by VPT thereon are tabulated below:

| Sl. No.                        | Information/ clarification sought by TAMP  | Reply furnished by VPT  |                                |                          |         |  |  |  |
|--------------------------------|--|---|--------------------------------|--------------------------|---------|--|--|--|
| (i).                           | Capital cost of winch house & pump house considered should be the same for calculation of depreciation.                          | Upfront calculation is inclusive of land cost of winch house and pump house. As depreciation is not applicable on land, calculation of depreciation made only on the capital cost of the buildings (winch house and pump house) i.e. ₹72,576 + ₹11,12,535.  |                                |                          |         |  |  |  |
| (ii).                          | There is discrepancy in electricity unit charge considered while calculating O & M cost & documentary evidence furnished by VPT. | Since electricity in FHDD rentals consists of general electricity i.e. streetlights etc. and that being minor in nature, it is clubbed in 1% other expenses. For de-watering, the total electricity charge per vessel ₹44,249 is considered and statement in support of it is furnished.  |                                |                          |         |  |  |  |
| (iii).                         | Furnish basis for 35% rent on the 1 <sup>st</sup> slab. Confirm that it is not exceeding ARR.                                    | The slab rate difference is kept same as that of the present SOR of the FHDD at para 7.6.2.7. Since too many slabs have been removed now, the difference per slab which was applicable from 3 <sup>rd</sup> slab onwards has been made applicable in the proposed rate of 1 <sup>st</sup> & 2 <sup>nd</sup> slab and 2 <sup>nd</sup> & 3 <sup>rd</sup> slab respectively. The revenue per annum that will be generated from 11 vessels considering the stay of vessel on an average of 21 days slab rates were fixed. Accordingly, the estimated total rentals that will accrue to the operator amounts to ₹2,51,99,097/- which is with the ARR of ₹2,51,99,187/- |                                |                          |         |  |  |  |
|                                |  | <table border="1"> <thead> <tr> <th>Avg. no. of vessels considered</th> <th>No. of days in each slab</th> <th>Revenue</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>  | Avg. no. of vessels considered | No. of days in each slab | Revenue |  |  |  |
| Avg. no. of vessels considered | No. of days in each slab   | Revenue   |                                |                          |         |  |  |  |
|                                |  |   |                                |                          |         |  |  |  |

|       |  |   |         |  |
|-------|--|---|---------|--|
|       |  | 11  | 7       | =11*7*79087=6089699  |
|       |  | 11  | 7       | =11*7*109087=8399699   |
|       |  | 11  | 7       | =11*7*139087=10709699  |
|       |  | Total   | 21 days | 25199097 Which is within the required ARR i.e. 2,51,99,187/- |
| (iv). | 21 days in calculated in some calculation & 23 days in some calculation. | The total time considered for the activity is 23.33 days in which dock block preparation is 2.33 days and for dry dock rentals is 21 days. Therefore, dry dock rentals are calculated for 21 days and the rest 2.33 days is for dock block preparation. |         |  |

4.5. The reply furnished by VPT vide its letter dated 05 June 2018 and subsequent email dated 14 August 2018 still did not adequately furnish information on a few vital points. The VPT vide our letter dated 07 September 2018 was, therefore, requested to furnish the additional information/ clarification on the following points arising out of the response of VPT letter dated 05 June 2018 and subsequent email dated 14 August 2018 immediately. The VPT vide its fax dated 11 September 2018 has furnished its reply. A summary of the additional information/ clarifications sought by us and reply furnished by VPT is tabulated below:

| Sl. No. | Information/ clarification sought by TAMP   | Reply furnished by VPT   |
|---------|---|--|
| (i).    | <b><u>Item No. 8 (iv) of TAMP letter dated 08 May 2018 and VPT reply dated 05 June 2018:</u></b>  |  |
|         | <p>As per clause 2.2 of the Reference Tariff Guidelines, 2013 the Authority has to notify the Reference Tariff and Performance Standards based on the proposal of the concerned port trust. Further, as per clause 2.9 the BOT operator is entitled to Performance Linked Tariff upto 15% over and above the indexed Reference Tariff on achievement of Performance Standards. The VPT has not proposed Performance Standards for the subject proposal.</p> <p>When sought to propose, the VPT has stated that the physical performance of dry dock repairs are highly dynamic and Performance Standards cannot be fixed at this stage and that the performance has to be mutually agreed between the operator and the user.</p> <p>In the absence of Performance Standards, the successful bidder would not be able to reap the benefit of hike in tariff upto 15% on account of achievement of Performance Standards.</p> <p>Therefore, and in view of the guidelines position, the VPT is again requested to propose the relevant Performance Standards in tandem with the relevant parameters considered in the proposal for arriving at the proposed Reference Tariff.</p> | Performance Standards of the operator grossly depend on the repair work under taken by them to the customer vessels, which is dynamic in nature as the dry dock repairs can have varied amount of steel renewals and under water repairs. However, as already brought to the notice of the Authority, 11 vessels can be handled in a period of one year. Hence, this figure of the 11 vessels per annum can be taken as Performance Standard for the purpose of Performance linked tariff. |
| (ii).   | <b><u>Item No.5 (vi) of TAMP letter dated 08 May 2018 and VPT reply dated 05 June 2018 and 14 August 2018:</u></b>  |  |
|         | <u>Docking and Undocking Activity:</u><br>While the VPT has furnished the base for  | As per existing records there were two instances of 2 <sup>nd</sup> docking per annum which  |

|                              | <p>proposing 35% of the tariff of Docking and Undocking Activity vide its letter dated 05 June 2018 the second part of the information furnished by VPT vide its letter dated 14 August 2018 does not address point raised.</p> <p>The ARR estimated by VPT for Docking and Undocking Activity is ₹44.86 lakhs and rate proposed is ₹4,07,805 for docking and un-docking for each time of utilisation of the FHDD and ₹1,42,732 for second docking (i.e. 35% of 1<sup>st</sup> slab).</p> <p>The working given by VPT vide its letter dated 14 August 2018, however, considers ARR of ₹2,51.99 lakhs and rates as prescribed for Dry Docking Activity instead of ARR of ₹44.86 lakhs for Docking and Undocking Activity. Hence, the VPT is again requested to furnish working to show that the rate proposed for docking and undocking activity including the rate proposed for second docking is within the estimated ARR for Docking and Undocking Activity.</p> | <p>can be considered as norm. Considering two 2<sup>nd</sup> docking activities per annum, the revised rates calculated are as below:<br/> Docking and Undocking activity- ₹3,83,406.<br/> 2<sup>nd</sup> docking – ₹1,34,192.</p> <table border="1" data-bbox="863 376 1375 533"> <thead> <tr> <th>Particulars</th> <th>Rate</th> <th>No. of vessels</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Docking &amp; undocking activity</td> <td>₹3,83,406</td> <td>11</td> <td>42,17,466</td> </tr> <tr> <td>2<sup>nd</sup> docking</td> <td>₹1,34,192</td> <td>2</td> <td>2,68,384</td> </tr> <tr> <td></td> <td></td> <td>Total</td> <td>44,85,850</td> </tr> </tbody> </table> <p>Total revenue from docking and undocking activity and 2<sup>nd</sup> docking does not exceed the required ARR ₹44,85,860. Calculation statement for the above rate is as follows:</p> <p>Total ARR for docking and undocking – ₹44,85,860.<br/> 35 % of the docking and undocking charges to be as charges for 2<sup>nd</sup> docking:<br/> <math>11X + (2 \times 0.35X) = ₹44,85,860</math><br/> Therefore, X = docking and undocking charges = ₹ 3,83,406<br/> 2<sup>nd</sup> docking (35% of X) = ₹1,34,192</p> | Particulars | Rate | No. of vessels | Amount | Docking & undocking activity | ₹3,83,406 | 11 | 42,17,466 | 2 <sup>nd</sup> docking | ₹1,34,192 | 2 | 2,68,384 |  |  | Total | 44,85,850 |
|------------------------------|--|--|-------------|------|----------------|--------|------------------------------|-----------|----|-----------|-------------------------|-----------|---|----------|--|--|-------|-----------|
| Particulars                  | Rate   | No. of vessels   | Amount      |      |                |        |                              |           |    |           |                         |           |   |          |  |  |       |           |
| Docking & undocking activity | ₹3,83,406  | 11   | 42,17,466   |      |                |        |                              |           |    |           |                         |           |   |          |  |  |       |           |
| 2 <sup>nd</sup> docking      | ₹1,34,192  | 2  | 2,68,384    |      |                |        |                              |           |    |           |                         |           |   |          |  |  |       |           |
|                              |  | Total  | 44,85,850   |      |                |        |                              |           |    |           |                         |           |   |          |  |  |       |           |
| (iii).                       | <p><b><u>Item No.3 (i)(B) of TAMP letter dated 08 May 2018 and VPT reply dated 14 August 2018:</u></b></p>   |  |             |      |                |        |                              |           |    |           |                         |           |   |          |  |  |       |           |
| (a).                         | <p>Annexure I and J attached as documentary evidences in support of capital cost estimated by VPT for fabrication of new gate, excavate &amp; remove sunken gate &amp; repair of gate winches and Dredging cost do not match with capital cost estimated in the Cost statement. The VPT is requested to refurnish the relevant documentary evidence and give linkage to the capital cost estimated in the proposal.</p>  | <p>The supporting documents for capital cost of new gate, removal of sunken gate and repairs of damaged gate etc. are of ₹6,79,04810. However, VPT considered a round figure of ₹680 lakhs in capital cost. Likewise, for electrical switch gears estimation of ₹74,90,300 also rounded to ₹75 lakhs. Further, for arriving at dredging cost of ₹30 lakhs arrived duly considering the average rate of ₹400 (i.e. average of 1 &amp; 2 item rates of DCI AMC charges at ₹400 for a quantity of 7500 cum also furnished).</p>   |             |      |                |        |                              |           |    |           |                         |           |   |          |  |  |       |           |
| (b).                         | <p>Furnish working for amount of ₹72,576 for winch house and ₹11,12,535 for pump houses considered for calculation of depreciation (excluding land cost) for our record purpose. (VPT reply dated 14.08.2018 point no.1)</p>   | <p>The working for ₹72,576 for winch house and ₹11,12,535 for pump houses considered for calculation of depreciation is also furnished.</p>  |             |      |                |        |                              |           |    |           |                         |           |   |          |  |  |       |           |

5.1. Since there are no norms prescribed in the upfront tariff guidelines of 2008 for fixation of reference tariff for the proposed facility, the Ministry of Shipping (MOS) was requested vide our letter dated 8 May 2018 to advise as to whether in the absence of any specific norms prescribed in the Upfront Tariff Guidelines of 2008, the services proposed to be offered in the proposed project viz. dry docking charges, docking and undocking charges and dock block preparation charges, fixation of reference tariff can be done based on the actual parameters achieved by the VPT for the similar services offered by VPT. The approach adopted in the case of VPT will be applied in future upfront cases also for such operation.

5.2. The Ministry of Shipping vide its letter No.PD-19017/1/2017-PD-V dated 27 June 2018 has stated that fixation of Reference Tariff for the services at the existing FHDD at VPT to be leased out for a period of 15 years, may be arrived at based on actual parameters achieved by

VPT for similar services offered by VPT in the last three years and justification provided by VPT in this regard.

6. A joint hearing on this case in reference was held on 18 June 2018 at VPT premises. At the joint hearing, the VPT and the concerned users/ user organisations/ prospective bidder have made their submissions.

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

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

- (i). The dry dock facility at fishing harbour was commissioned by Visakhapatnam Port Trust (VPT) in the year 1990. The existing Fishing Harbour Dry Dock (FHDD) is proposed to be de-commissioned by VPT due to unsafe structural condition and based on recommendation of an internal committee constituted by VPT. The VPT has decided to revamp and operate FHDD on lease basis on "as is where is" basis for a period of 15 years and call for Expression of Interest (EOI). The project envisages the successful bidder/ Lessee to carry out refurbishment of existing FHDD, repairs/ replace few machinery such as caisson gate, pumps, gate operating winches etc. The project envisages that the successful bidder will make up-front fee payment for the existing assets to be handled over to the successful bidder and upfront payment for lease rent of land. The successful bidder has to undertake refurbishment of FHDD and operate for a period of 15 years at the tariff to be notified by this Authority as ceiling rates.
- (ii). The VPT is having Two Dry Docks. One is Outer Repair Section (ORS) Dry Dock situated in Inner harbour, with 140.20 mtrs. length, 18.28 mtrs. breadth and 5.60 mtrs. depth for Dry Docking of bigger size vessels. One more Dry Dock in the name of FHDD is also existing in VPT outer harbour, with 65 mtrs. X 21.60 mtrs. and at entrance gate 19.60 mtrs. width with 4.50 mtrs. depth, where all small fishing boats, fishing trawlers and any other boats are dry docked for carrying on repairs. In addition to this, one Slip way complex is also available with cradles. Presently, the operations at ORS and FHDD are under the VPT regime. The existing SOR of VPT prescribes different slab wise rates for ORS dry Dock at Section 7.6.1.1 and for FHDD at Section 7.6.2 and for slipway at Sections 7.6.2.4 and 7.6.2.5 of SOR based on the nature of services rendered. This tariff is fixed under Tariff Policy 2015 which is valid till 31 March 2019. For the reasons cited, the VPT has decided to handover existing FHDD on licence basis on as is where is basis to successful bidder who is expected to refurbish, repair existing assets and inject few equipments at a total estimated capital cost of ₹1265.64 lakhs including upfront payment to VPT. That being so, as rightly stated by VPT, the existing tariff of ORS dry dock or FHDD which is fixed under Tariff Policy, 2015 and not based on normative tariff cannot be considered for awarding this project under Reference Tariff Guidelines, 2013.
- (iii). Before proceeding to analysis this case, it is relevant here to state that the tariff guidelines of 2008 for upfront tariff fixation prescribe norms/ guidelines for dedicated facilities such as coal, iron ore, container, liquid handling terminal and multipurpose cargo terminal. The guidelines of 2008 for upfront tariff fixation do not prescribe separate norms/ guidelines for fixation of reference tariff for FHDD as a standalone facility for the facilities/ services proposed by VPT in this project. Further, as per clause 2.2 of Tariff Guidelines of 2013, the Major Port Trust can adopt the Upfront Tariff fixed under 2008 Guidelines for comparable facilities in its own or any other Major Port Trusts. If these options are not feasible, then they have to file a proposal following the norms and principles under the Upfront Tariff Guidelines of 2008. Since no upfront tariff is fixed for such kind of facility in VPT or in any other Major Port Trusts under the Upfront Tariff Guidelines of 2008, the

VPT has sought approval for reference tariff following the principle of Upfront Tariff Guidelines of 2008.

Since no norms are prescribed in the upfront tariff guidelines of 2008 for the services proposed to be rendered at the proposed project viz. dry docking charges, docking and undocking charges and dock block preparation charges and also since no upfront tariff has been prescribed in VPT or any other major port trusts for the proposed facility to be given by VPT on lease basis for 15 years, the Ministry of Shipping (MOS) vide our letter dated 8 May 2018 was requested to advise as to whether in the absence of any specific norms prescribed in the Upfront Tariff Guidelines of 2008, the services proposed to be offered in the proposed project viz. dry docking charges, docking and undocking charges and dock block preparation charges, fixation of reference tariff can be done based on the actual parameters achieved by the VPT for the similar services offered by VPT. The MOS was also informed that the approach adopted in the case of VPT will be applied in future upfront cases also for such operation.

The MOS vide its letter dated 27 June 2018 has clarified that fixation of Reference Tariff for the services at the existing FHDD at VPT to be leased out for a period of 15 years, may be arrived at based on actual parameters achieved by VPT for similar services offered by VPT in the last three years and justification provided by VPT in this regard. It is relevant here to state that in a similar scenario with reference to proposal from Deendayal Port Trust (DPT) for fixation of upfront tariff for SPM, for which no norms are available in the Upfront Tariff Guidelines of 2008, the matter was referred to MOS vide our letter dated 19 March 2010. The MOS vide its letter dated 09 June 2010 has stated that this Authority may undertake fixation of upfront tariff for SPM operations based on parameters applicable for liquid bulk handling with reference to SPM operations carried out of DPT, Cochin Port Trust (COPT) and Paradeep Port Trust (PPT).

Thus, based on the clarification furnished by MOS vide its letter dated 27 June 2018, this Authority proceeds with the proposal of VPT for fixation of reference tariff for dry docking, docking and undocking and dock block preparation services at FHDD based on actual parameters achieved by VPT for last 3 years and based on justification furnished by VPT.

The proposal dated 21 April 2018 filed by VPT and information/ clarification furnished by the VPT during the proceedings of the case in reference are considered in the analysis.

(iv). Optimal Capacity:

As stated earlier, the activities for which reference tariff sought are (i). dry docking activity, (ii). docking and undocking activity and (iii). dock block preparation activity. The parameters considered by VPT in the calculation of optimal capacity is reportedly based on the past experience of port for similar operations. The time required for dock block preparation is considered as 5 shifts which in terms of hours works out to  $8 \times 5 = 40$  hrs. For docking and undocking activity, time required is 2 shifts i.e.  $8 \times 2 = 16$  hrs. This aggregates to 56 hours per vessel at FHDD. This works out to 2.33 days per vessel for dock block preparation.

Average stay of a vessel based on the similar operation towards dry docking excluding dock block preparation at VPT is 21 days. The total average stay of vessel for dry docking and dock block preparation is 23.33 days i.e. 21 days + 2.33 days. The above parameters are based on past experience of VPT for similar service offered by VPT. The optimal capacity is assessed as 11 vessels per annum applying the 70% utilization norm prescribed in the upfront tariff guidelines of 2008 i.e.  $365 \text{ days} \times 70\% / \text{average stay of } 23.33 \text{ days per vessel}$ .

M/s. Marine Care 'N' Associations have stated that optimal capacity assessed at 11 vessels per annum is hypothetical and that on an average occupancy is 6 to 8

vessels per year and average stay is 15 days as against 23.33 days considered by VPT. Vizag Ship Repairer Association has also pointed out that optimal capacity at 11 vessels per year and 23.33 days of occupancy is not realistic.

The port has stated that FHDD was decommissioned in the year 2011 and no docking was done thereafter at FHDD. That being so, VPT has contended that the claim of the firm referring to records of VPT of FHDD which belong to 10 years back cannot be realistic. The VPT has furnished vessels handled by VPT for dry docking activity at ORS for the years 2014-15 to 2017-18 at 17, 16, 17 and 12 respectively. The port has clarified that considering the demand of the dry dock in VPT, the figures of occupancy has been projected. The VPT has stated that port has lined up 5 of its own crafts for extensive dry dock repairs, and as a policy, VPT craft are being repaired at ORS dry dock. Hence, the private vessels being accommodated at ORS, dry dock activity shall be automatically transferred to FHDD. Hence, the VPT has categorically stated that contentions of firm in this regard are not correct.

In view of the justification furnished by VPT, the optimal capacity as assessed by VPT is considered. Based on the above position, the optimal capacity for facility is considered as 11 vessels per annum as assessed by the VPT.

(v). Capital Costs:

The total capital cost is estimated at ₹1265.64 lakhs which comprises of ₹239.42 lakhs towards upfront fee (for leasing of land, 2 winch houses and pump house), ₹862.22 lakhs towards refurbishing and revamping and repairs of existing assets including dredging for dry docking activity and ₹164.00 lakhs is towards cost of 2 new de-water pumps for docking and undocking activity which is brought out in subsequent paragraphs.

(a). Upfront fees:

The proposal of VPT envisages the successful bidder to take over the existing FHDD on "as is where is basis" and refurbish/ revamp it. The VPT has estimated upfront payment of lease rent of land for 15 years and upfront payment for equipment i.e. winch house and pump house to be handed over by VPT to the successful bidder.

The Upfront fees estimated by VPT at ₹239.42 lakhs comprises of the upfront payment for leasing 5057.21 sq. mtrs. of area for period of 15 years estimated by VPT at ₹182.55 lakhs and upfront fees for 2 nos. of winch house estimated by VPT at ₹5.90 lakhs and pump house at ₹50.97 lakhs.

The VPT has considered the unit rate of lease rent at ₹23.92 per sq. mtr. per month as on 01 April 2013 as prescribed by this Authority in Order No.TAMP/80/2015-VPT dated 17 November 2016 for the industrial area for the Zone Fishing Harbour (Old zone No.XIV, New Zone No.2). The VPT has considered the applicable annual escalation factor @ 2% and arrived at ₹310.70 per sq. mtr. per annum (i.e. ₹23.92 per sq. mtr. per month x 12 months x 1.02 x 1.02 x 1.02 x 1.02). Since the upfront lease payment for 15 years is sought, the VPT has applied discount factor @ 6% per annum and arrived at upfront rate at ₹3,609.72 per sq. mtr. for 15 years. Accordingly, for leasing 5,057.21 sq. mtrs. of land area for 15 years, the VPT has estimated ₹182.55 lakhs as upfront payment (i.e. ₹3,609.72 x 5,057.21 sq. mtrs.).

Upfront payment for 2 nos. of winch houses and pump house is estimated by the VPT as the present value of annual rental income from renting these equipment discounted at 6%. The Port has furnished detailed working in this regard. The same is relied upon.

The aggregate upfront fee estimated for above items at ₹239.42 lakhs is considered as estimated by the Port.

- (b). Capital cost for Dry Docking Activity:  
The capital cost estimated by the VPT for dry docking activity is at ₹862.22 lakhs, which comprises of cost to fabricate new gate, excavate and to remove sunken gate and repair of gate winches at ₹680 lakhs, civil repair works on the dock structure at ₹77.22 lakhs, Electrical switch gear renewals/ repairs at ₹75.00 lakhs and Dredging cost at ₹30.00 lakhs. The port has furnished documentary evidence in support of the capital cost estimated by it. Hence, the capital cost for dry dock activity is considered as estimated by VPT.
- (c). Capital cost for Docking and Undocking Activity:  
The capital cost estimated by VPT for docking and undocking activity is ₹164.00 lakhs. This cost comprises of the cost of 2 nos. of de-water pumps. The documentary evidence is furnished by the VPT in support of the above referred cost. Therefore, the same is considered as estimated by the VPT.
- (d). As seen above, the VPT has estimated the upfront payment and capital cost for dry dock activity and docking and undocking activity based on prevailing rate and supported with detailed calculation. The upfront tariff Guidelines required this Authority to consider the capital cost estimated by Major Port Trusts. In the absence of any norms prescribed in the upfront tariff guidelines, the total capital as estimated by the VPT is relied upon and considered in the analysis.
- (vi). Operating costs:
  - (a). For Dry Docking Activity:
    - (i). Insurance:  
Insurance cost for Dry Docking Activity is estimated at 1% of the cost of equipment by VPT i.e. 1% of ₹8,44,06,661 (total capital cost of dry docking activity ₹8,62,21,550 + value of winch house ₹72,576 (after excluding value of land) + value of pump house ₹11,12,535 (excluding value of land included in this component) – dredging cost ₹30,00,000). The VPT has furnished working of value of winch house and pump houses considered in estimation of insurance cost excluding the land component. The norm of 1% adopted by VPT is in line with the norms prescribed in the Upfront Tariff Guidelines of 2008.
    - (ii). Depreciation:  
The VPT has computed depreciation for civil and mechanical assets at Dry Docking facility on Fabrication of new gate for 15 years, Civil repair works on dock for 30 years, Electrical switch gear renewals/ repairs for 10 years, Dredging cost for 10 years, Pump house for 60 years and Winch house for 30 years. The VPT has confirmed that the depreciation estimated by Port is in line with the life norms prescribed in the Companies Act, 2013. The port has also furnished relevant extract of the Companies Act, 2013, in support of the depreciation rate considered.

The estimate of depreciation is found to be in line with the norms prescribed for upfront tariff guidelines which prescribes estimation of depreciation based on Companies Act, 1956. This is replaced with Companies Act, 2013. The approach adopted by VPT is in line with the approach followed in the other upfront tariff cases. Hence, depreciation as estimated by the VPT is considered.

- (iii). License fees:  
The guidelines for upfront tariff stipulate that lease rent for port land is to be estimated based on the rates prescribed in the Scale of Rates of the respective Major Port Trusts. As stated earlier, the VPT has estimated upfront payment of lease rent for land area of 5,057.21 sq. mtr. per annum for 15 years at the prevailing updated lease rent and included in the estimation of capital cost. Under operating cost, the port has estimated license fee considering unit rate of ₹1/ sq. mtr. per annum for 5057.21 sq. mtrs. This is in line with clause 11.2(d) of amended Land Policy Guidelines, 2014 which stipulates that Land shall be leased through tender-cum-auction methodology through a competitive bidding process over the reserve price of such plots which shall be the updated SOR notified by TAMP. The said clause allows Major Port Trusts to invite bids on Upfront basis, where the bidding parameter is the one-time upfront payment offered by the bidder for the lease period and a nominal lease rent of ₹1 per square meter to be collected every year for the currency of lease period.

The license fee for land estimated by the VPT is in line with the said relevant clause of the amended Land Policy Guidelines, 2014 issued by the MOS and hence is considered as estimated by the VPT.

- (iv). The Upfront Tariff Guidelines of 2008 for iron ore berth, coal berth, multicargo berth and liquid berth prescribe norms for estimating repair and maintenance cost. The norm is a percentage of equipment cost. The VPT has not estimated repair and maintenance cost for each of the activities viz. (a). dry docking activity (b). docking and undocking activity and (c). dock block preparation activity. When sought VPT to explain reasons for not estimating repair and maintenance cost, the VPT has clarified that other expenses are considered in FHDD tariff calculation which is felt sufficient and would cover small repairs & maintenance cost. Hence, no additional cost towards repairs & maintenance is considered by VPT separately. This position is relied upon in the absence of any specific norm prescribed in the upfront tariff guidelines for the proposed facility.

- (v). Other Expenses including electricity:  
The VPT has estimated other expenses including electricity for Dry Docking Activity at 1% of the total of capital cost of dry docking activity of ₹862.22 lakhs at ₹8.62 lakhs i.e. (1% of ₹862.22 lakhs).

The upfront tariff fixation guidelines for container, iron ore, coal, liquid and multipurpose berths prescribe norms of power consumption for estimating power cost. It is not linked to capital cost. To a specific query in this regard, the VPT has clarified that other expenses at 1% of Gross Fixed Assets value is a norm adopted from the norms specified for services rendered for Liquid Bulk of Tariff Guidelines 2008. Further, the VPT has also clarified that electricity in FHDD rentals consists of general electricity i.e. streetlights etc. and that being minor in nature, hence, it gets captured in 1% of gross block considered in estimation of other expenses. The Port has clarified that electricity cost is not taken as a separate cost as it is clubbed in other expenses. The clarification furnished by the VPT is relied upon and estimates of other expenses is considered as estimated by VPT.

Incidentally, none of the users/ user associations/ prospective bidders have made any adverse remark on the said approach adopted by VPT.

- (vi). The total operating cost for Dry Docking Activity based on the above analysis works out to ₹75.73 lakhs as estimated by the VPT.

(b). For Docking and Undocking Activity:

- (i). Insurance:  
Insurance cost for docking and undocking activity is estimated at 1% of the capital cost of equipment, which is in line with the norms prescribed in the guidelines and hence considered as estimated by the VPT.
- (ii). Depreciation:  
The VPT has computed depreciation for docking and undocking activity on de-watering pumps for 15 years. As stated earlier, the VPT has confirmed the depreciation estimated is in line with life norms prescribed in the Companies Act, 2013. The depreciation as estimated by the VPT is, therefore, considered.
- (iii). De-watering:  
The VPT has proposed 2 nos. of de-watering pumps, which are power operated. Power Consumption is estimated by VPT at 125 units/ hour. The VPT has considered consumption unit at 3750 units (i.e. 2 nos. of pumps \* 15 nos. of hours per pump \* 125 consumption unit). To a specific query, the VPT has confirmed that the power consumption estimated by VPT is in line with the similar equipment being operated in VPT. In the absence of any norms prescribed for this activity in the upfront tariff guidelines of 2008, power consumption as considered by VPT for similar activity is relied upon and considered. Incidentally, none of users/ user organization/ prospective bidders have made any adverse remarks on the power consumption considered by the VPT. The unit rate of power considered by VPT for estimating power cost for de-watering pumps is ₹9.43 per unit. In addition to that, VPT has considered surcharge at 25% and meter charges at ₹45 per vessel. The power cost estimated by VPT comes to ₹4.87 lakhs  $[(2 \text{ nos. of pumps} * 15 \text{ hours} * 125 \text{ unit per hour} * ₹9.43 \text{ per unit}) + ((2 \text{ nos. of pumps} * 15 \text{ hours} * 125 \text{ unit per hour} * ₹9.43 \text{ per unit}) * 25\% \text{ surcharge}) + (45 \text{ meter charge per vessel})] * 11 \text{ nos. of vessels}$ .

The VPT has not considered Electricity duty, FSA charges and other components included in the Electricity Bill furnished by the VPT for the month of May 2018.

As per documentary evidence furnished by VPT in form of electricity bills for the month of May 2018 average unit cost of electricity works out to ₹14.89 per unit. Despite pointing out mismatch in the unit rate considered by VPT in the cost statement and electricity bill furnished by the Port, the Port has not updated this cost item based on the unit rate of power as per the electricity bill furnished by the Port. Therefore, estimation of unit rate of electricity cost is modified based on unit rate as per the documentation evidence furnished by VPT.

The modified electricity cost is ₹6.14 lakhs as against ₹4.87 lakhs estimated by VPT.

(iv). Wages:

The VPT has estimated wage cost under this activity for deployment of 2 skilled and 8 semi-skilled workers for two shifts. As stated earlier, there are no norms prescribed under the Tariff Guidelines of 2008 for the proposed project. The port was requested to furnish actual deployment of labour for similar activity. Further, the VPT was also requested to clarify the reasons for estimating the wage cost for 2 shift whereas the optimal capacity is estimated for 3 shifts.

The VPT has clarified that the work of preparation of Dock blocks for shaped and flat bottom needs expertise workers and hence basing on the requirement of the work, skilled and semiskilled is considered as per the information obtained from the operating departments of VPT. Based on the clarification furnished by VPT, the number of labour as estimated by VPT is considered.

The VPT has considered wage rate of ₹653/shift and ₹506/shift for skilled and semi-skilled labours for estimating this item. The wage cost is estimated at ₹1,17,788/- i.e. {(2 nos. of skilled worker \* ₹653 per worker) + (8 nos. of unskilled worker \* ₹506 per worker)} \* 2 shifts \* 11 vessels for deployment of 2 skilled and 8 semi-skilled workers in two shifts per vessel at ALC rates. The Port has clarified that the unit rate is as prescribed for B area (Visakhapatnam comes under B category) as per the Ministry of Labour & Employment, office of Chief Labour Commissioner (CLC) Order dated 06 October 2017. Clarification furnished by VPT on the unit rate of wage cost is relied upon. The estimate of this item is considered as estimated by VPT. There has been no adverse remarks on this estimation from any of the users/ user organization/ prospective bidders.

(v). It was pointed out to VPT that other expenses is not estimated by VPT for docking and undocking activity though norm is prescribed in upfront tariff guidelines for containers and cargo berths for estimating other expenses. In response, port has clarified that other expenses @ 1% is estimated for dry docking activity which is sufficient. This clarification of VPT is relied upon.

(vi). The total operating cost for Docking and Undocking Activity based on the above analysis works out to ₹19.89 lakhs as against ₹18.62 lakhs as estimated by the VPT.

(c). For Dock Block Preparation Activity:

(i). Flat Bottom Vessels:

(a). Cost of material:

The VPT has estimated cost of material for Dock Block Preparation Activity for Flat Bottom Vessels at ₹45,500.

The VPT has clarified that number of blocks to be used will differ depending upon the length of the vessel and shape of the underwater hull of the vessel. The dock block preparation for shaped vessels (generally for Coast Guard/ Navy/ High speed) involve more quantum of work with more days in preparation. However, flat bottom i.e.

generally Cargo vessels will take less time. Hence, the different average charges are proposed based on the cost of materials and time taken in this preparation. The VPT has further confirmed that the estimated material cost is as per the prevailing market rate. The rate proposed is only on average job per vessel under two broad categories and these blocks are not re-usable.

Based on the above clarification, this item is considered as estimated by VPT.

(b). Wages:

The VPT has estimated wages for Dock Block Preparation Activity for Flat Bottom Vessels at ₹26,770 i.e.  $\{(2 \text{ nos. of skilled worker} * ₹653 \text{ per worker}) + (8 \text{ nos. of unskilled worker} * ₹506 \text{ per worker})\} * 5 \text{ no of shifts}$ . To a specific query with regard to estimation of number of labour, the VPT has clarified that the skilled and semi-skilled workers will be engaged based on the requirement only and will not be engaged for all the 365 days. Preparation of dock blocks on an average needs 40 hrs., hence to complete this job and skill requirement, 2 skilled and 8 semi-skilled are required for 5 shifts to prepare dock block preparation for flat/ shaped bottom vessels. Hence, wages for 2 skilled and 8 semi-skilled for 5 shifts is estimated. As explained in earlier paragraph, the wage rate considered by VPT is reportedly as prescribed by the Ministry of Labour & Employment, office of Chief Labour Commissioner Order dated 06 October 2017.

The estimate of wage cost for Dock Block Preparation Activity for Flat Bottom Vessels is, therefore, considered as estimated by VPT relying on the clarification furnished by VPT.

The total operating cost for Dock Block Preparation Activity for Flat Bottom Vessels is ₹72,270 as estimated by VPT.

(ii). Shaped Bottom Vessels:

(a). Cost of material:

The VPT has estimated cost of material for Dock Block Preparation Activity for Flat Bottom Vessels at ₹91,000.

To a specific query in this regard, the VPT has clarified that number of blocks to be used will differ depending upon the length of the vessel and shape of the underwater hull of the vessel. The dock block preparation for shaped vessels (generally for Coast Guard/ Navy/ High speed) involve more quantum of work with more days in preparation. However, flat bottom i.e. generally Cargo vessels will take less time. Hence, the different average charges are proposed based on the cost of materials and time taken in this preparation. The VPT has further confirmed that the estimated material cost is as per the prevailing market rate. The rate proposed is only on average job per vessel under two broad categories and these blocks are not re-usable.

Based on clarification furnished by the VPT, the estimate of this item is considered as estimated by the VPT.

- (b). Wages:  
The VPT has estimated wages for Dock Block Preparation Activity for Flat Bottom Vessels at ₹26,770. As explained in earlier paragraph, the wage rate considered is in line with the Ministry of Labour & Employment, office of Chief Labour Commissioner Order dated 06 October 2017.

To a specific query with regard to estimation of number of labour and wage cost, the VPT has clarified that the skilled and semi-skilled workers will be engaged based on the requirement only and will not be engaged for all the 365 days. Further, port has also clarified that preparation of dock blocks on an average needs 40 hrs., hence to complete this job and skill requirement, 2 skilled and 8 semi-skilled are required for 5 shifts to prepare dock block preparation for flat/ shaped bottom vessels. Hence, wages for 2 skilled and 8 semi-skilled for 5 shifts worked out to ₹26,770/- and also confirmed that there is no duplication of wages cost. The estimation of VPT is considered in our analysis.

- (iii). The total operating cost for Dock Block Preparation Activity for Flat Bottom Vessels is ₹72,770.00 and ₹1,17,770.00 for Shape Bottom Vessels as estimated by VPT.

- (vii). The statement for fixing upfront tariff submitted by the VPT has been modified in line with the above analysis. A copy of the modified statement is attached as **Annex - I**.

- (a). Reference tariff for Dry Docking Activity:

- (i). The Annual Revenue Requirement (ARR) for Dry Docking Activity which is the sum of the operating cost and return on capital employed is ₹251.99 lakhs estimated by the port. The total ARR when divided to the optimal capacity of 11 vessels comes to ₹22.91 lakhs per vessel as estimated by VPT.
- (ii). As per policy direction of the Government, concessional tariff are to be prescribed for coastal vessel in vessel related charges. Hence, the VPT has not considered any percentage share of foreign/ coastal category for determining the rate for this activity. To a specific query, the VPT has confirmed that as per existing SOR, the rates prescribed for FHDD, there is no foreign and coastal tariff and the FHDD is meant for dry docking of fishing boats, fishing trawlers, mechanized boats and coast guard petrol boats which are of smaller size and all are coastal vessels only. Till date, no foreign vessel is docked at FHDD. Hence, there is no need of classification as such. The clarification furnished by VPT is relied upon.

Considering the annual revenue requirement to be realised from Dry Docking Activity and the total capacity, the port has proposed the slab wise per day or part thereof per vessel for Dry Dock activity.

To a specific query with regard to basis for proposing three slab rates applicable for 7 days in each spell with an escalation of ₹30,000 after every 7 days, the VPT has clarified that average stay of vessel is taken as 21 days. Slabs are preferred by VPT to

motivate & encourage vessels which leave within 7,14,21 days and impose penalty for those vessels which stay over 21 days.

The port has furnished detailed working for arriving at slab wise rates. At the proposed slab wise rates for three slabs, the estimated ARR of ₹22.91 lakhs per vessels are met. Based on the clarification of VPT and detailed working, the reference tariff for dry docking activity is approved as proposed by the port.

The port has proposed a note on levy penal charges of ₹35,000 per day per vessel for overstay of vessel beyond 21 days. Since the proposed note is to discourage vessel from overstaying beyond 21 days, the said note is approved. This is also pertinent to enable the operator to achieve the optimal capacity of 11 vessels per annum.

- (b). Reference tariff for Docking and Undocking Activity:
- (i). The annual revenue requirement for Docking and Undocking Activity which is the sum of the operating cost and return on capital employed is estimated and considered at ₹46.13 lakhs, as against the aggregate annual revenue requirement of ₹44.86 lakhs estimated by the port.
  - (ii). As explained earlier, the VPT has not proposed any percentage share of foreign/ coastal vessel for this activity. Considering the revenue requirement to be realised from Docking and Undocking Activity and the optimal capacity for docking and un-docking activity is arrived at. For this, the port has considered the optimal capacity assessed at 11 vessels. Further, the port has stated that as per existing records, there are two instances of second docking in a year for which the port has proposed 35% of the first slab rate. The port has furnished revised working considering this aspect. At the revised proposed rate, estimated revenue for the parameters considers meets the estimated ARR from this activity. The rate arrived by VPT is slightly modified on account of modified ARR.
- (c). Reference tariff for Dock Block Preparation Activity:  
The annual revenue requirement for Dock Block Preparation Activity which is the actual cost incurred is estimated and considered at ₹00.72 lakhs per vessel/ craft for flat bottom vessels and ₹1.78 lakhs per vessel/ craft for shaped bottom vessel as estimated by the port. The same is proposed by VPT as reference tariff. As there is no capex estimated for this activity, no ROCE is considered by the VPT for arriving at tariff for this activity.
- (viii). In the proposed SOR, the VPT has not included the provisions stipulated suitably in line with common adoption Orders has passed by this Authority, vide Order No.TAMP/53/2015-VOCPT dated 26 November 2015 and 10 June 2016 relating to provision prescribed for System of classification of vessel for levy of Vessel Related Charges (VRC) and Criteria for levy of Vessel Related Charges and Concessional Coastal rate for all Major Port Trusts and BOT operators thereat. To a specific query in this regard, the VPT has clarified that as per existing SOR the rates prescribed for FHDD, there is no foreign and coastal tariff and the FHDD is meant for dry docking of fishing boats, fishing trawlers, mechanized boats and coast guard petrol boats which are of smaller size and all are coastal vessels only. Till date, no foreign vessel is docked at FHDD. Hence, there is no need of classification as such. This clarification of VPT is relied upon.

The port has proposed definitions of various terms relevant for the proposed project which may be proposed as prescribed by VPT. The port has not proposed definitions of coastal which is relevant. The Government of India in the Ministry of Shipping (MOS) under cover of its letter No.PT-11033/51/2014-PT dated 11 November 2014 has forwarded a copy of the guidelines on priority berthing of coastal vessels at Major Port issued vide letter No.PT-11033/51/2014-PT dated 4 September 2014 to this Authority. Accordingly, this Authority vide its Order No.TAMP/52/2014-Genl. dated 28 November 2014 has, *inter alia*, approved the replacement of definition of 'Coastal Vessel' prescribed in the existing SOR of all the Major Port Trusts as follows:

*“Coastal vessel” shall mean 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 Director General of Shipping/ Competent Authority.’*

Hence, said definition of coastal is as prescribed as in all the Major Port Trusts cases.

- (ix). In view of specific query for insertion of a general note governing annual indexation based on Wholesale Price Index (WPI) is also prescribed in the proposed draft SOR in line with the prescription in other reference tariff cases in view of clause 2.9 of Reference Tariff Guidelines, the VPT has included same in revised SOR, which are found to be in line with the general conditionalities prescribed in the Scale of Rates.

Since the estimation of capital cost and unit rate of operating cost considered in the upfront tariff calculation are as of the year 2018, it is found appropriate and relevant to prescribe the base WPI to be considered for automatic adjustment every year as 1 January 2018, as proposed by the VPT.

- (x). The port has not proposed some of the general notes relating to automatic indexation etc. which are prescribed in the reference tariff of other cases which is prescribed.
- (xi). As per Clause 2.2 of the Reference Tariff Guidelines, 2013 this Authority has to notify the reference tariff and performance standard based on the proposal of the concerned port trust. The VPT has stated that Performance Standards of the operator grossly depends on the repair work under taken by them to the customer vessels, which is dynamic in nature as the dry dock repairs can have varied amount of steel renewals and under water repairs. However, on again reiterating the guideline clause, the VPT has proposed handling of 11 vessels per annum as Performance Standard for the purpose of Performance linked tariff. Though the Reference Tariff Guidelines, 2013 do not require this Authority to go into the Performance Standard proposed by this port it is not unreasonable to assume that the ports would propose reasonable and achievable Performance Standard. Hence, the same is prescribed by this Authority.
- (xii). To a specific query with regard to applicability of tariff existing in SOR at 7.6.2.6 and 7.6.2.7, the VPT has clarified that present proposal is only for FHDD and its services. After the approval of Tariff for present proposal the tariff existing in SOR at 7.6.2.6 and 7.6.2.7 will not be applicable. The tariff prescribed for slipway repair berth hire charges will be continued under existing SOR of VPT at 7.6.2.4 and 7.6.2.5. In view of that, VPT is advised to file a separate proposal for deletion of Schedule nos. 7.6.2.6 and 7.6.2.7 prescribed in existing SOR of VPT, which is not relevant once the successful bidder commences operations of this project.
- (xiii). If there is any error apparent on the face of records considered or for any other justifiable reasons, the VPT may approach this Authority for review of the reference tariff fixed, prior to completion of bidding process of the project giving adequate justification/ reasoning within 30 days from the date of notification of the Order in the Gazette of India.

9.1. As specified in clauses 2.9.1. and 2.9.2. of the guidelines, before commencement of commercial operations, the private operator shall approach this Authority for notification of Scale of Rates containing the approved ceiling rates and the statement of conditions, as required under Section 48 of the Major Port Trusts Act, 1963.

9.2. Subject to above, the Reference Tariff Schedule along with conditionalities governing the Reference Tariff has been modified.

9.3. The modified Reference Tariff Schedule is attached as **Annex - II** and the Performance Standard as proposed by the port is attached as **Annex - III**.

9.4. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the Reference Tariff Schedule for the services to be rendered at the existing Fishing Harbour Dry Dock and notifies alongwith the Performance Standard.

9.5. As per clause 2.5 of the Revised Tariff Guidelines 2013, the Reference Tariff and Performance Standard notified by this Authority shall be mentioned in the bid document and subsequently in the Concession Agreement in respect of PPP Projects. Accordingly, the VPT is advised to incorporate the Reference Tariff and Performance Standard, in the bid document and subsequently in the Concession Agreement.

10.1. From the date of Commercial Operation (CoD) till 31st March of the same financial year, the tariff would be limited to the indexed Reference Tariff relevant to that year, which would be the ceiling. The aforesaid Reference Tariff shall be automatically revised every year based on an indexation as provided in para 2.2 of the tariff guidelines of 2013 which will be applicable for the entire concession period.

However, the operator would be free to propose a tariff along with Performance Standard (the "Performance Linked Tariff") from the second year of operation onwards, over and above the indexed Reference Tariff for the relevant financial year, at least 90 days before the 1<sup>st</sup> April of the ensuing financial year. Such Performance Linked Tariff shall not be higher than 15% over and above the indexed Reference Tariff for that relevant financial year (and this will be the Tariff Cap). The Performance Linked Tariff would come into force from the first day of the following financial year and would be applicable for the entire financial year.

10.2. The proposal shall be submitted to this Authority along with a certificate from the independent engineer appointed under the Concession Agreement of the Project indicating the achievement of Performance Standard in the previous 12 months as incorporated in the Concession Agreement or for the actual number of months of operation in the first year of operation, as the case may be.

10.3. On receipt of the proposal, this Authority will seek the views of the VPT on the achievement of Performance Standard as outlined in para 5 of the tariff guidelines of 2013, within 7 days of receipt.

10.4. In the event of Operator not achieving the Performance Standard as incorporated in the Concession Agreement in previous 12 months, this Authority will not consider the proposal for notifying the Performance Linked Tariff for the ensuing financial year and the Operator shall be entitled to only the indexed Reference Tariff applicable for the ensuing financial year.

10.5. After considering the views of the VPT, if this Authority is satisfied that the Performance Standard as incorporated in the Concession Agreement has been achieved, it shall notify the performance linked tariff by 15<sup>th</sup> of March to be effective from 1<sup>st</sup> of April of the ensuing financial year.

10.6. While considering the proposal for Performance Linked Tariff, this Authority will look into the Performance Standard and its adherence by the Operator. This Authority will decide on the acceptance or rejection of the Performance Linked Tariff proposal based on the achievement or otherwise of the Performance Standard by the operator. Determination of indexed

Reference Tariff and Performance Linked Tariff will follow the illustration shown in the Appendix attached to the tariff guidelines of 2013.

10.7. From the third year of operation, the Performance Linked Tariff proposal from the PPP operator shall be automatically notified by this Authority subject to the achievement of Performance Standard in the previous 12 months period as certified by the Independent Engineer. The operator, for the Performance Linked Tariff from the third year onwards, will submit the Performance Linked Tariff proposal along with the achievement certificate from the independent engineer by 1<sup>st</sup> March and this Authority shall notify by 20<sup>th</sup> March, the Performance Linked Tariff to be effective from the ensuing financial year.

10.8. As stipulated in Clause 6.2 of the revised 2013 guidelines, in the event any user has any grievance regarding non-achievement by the operator of the Performance Standard as notified by this Authority, he may prefer a representation to this Authority which, thereafter, shall conduct an inquiry into the representation and give its finding to the concerned Major Port Trust. The Major Port Trust will be bound to take necessary action on the findings as per the provisions of the respective Concession Agreement.

10.9. As stipulated in Clause 6.3.1 of the revised 2013 guidelines, within 15 (fifteen) days of the signing of the Concession Agreement, the concerned operator will forward the Concession Agreement to this Authority which will host it on its website.

10.10. As stipulated in clause 6.3.2 of the revised 2013 guidelines, the operator shall furnish to this Authority quarterly reports on cargo traffic, ship berth day output as well as the tariff realized for each berth. The quarterly reports shall be submitted by the operator within a month following the end of each quarter. Any other information which is required by this Authority shall also be furnished to them from time to time.

10.11. As stipulated in clause 6.3.3 of the revised 2013 guidelines, this Authority shall publish on its website all such information received from operator. However, this Authority shall consider a request from the operator about not publishing certain data/ information furnished which may be commercially sensitive. Such requests should be accompanied by detailed justification regarding the commercial sensitiveness of the data/ information in question and the likely adverse impact on their revenue/ operation of upon publication. This Authority's decision in this regard would be final.

**(T.S. Balasubramanian)**  
Member (Finance)

**COMPUTATION OF REFERENCE TARIFF FOR DRY DOCKING SERVICES AT THE EXISTING FISHING HARBOUR DRY DOCK AT VISAKHAPATNAM PORT TRUST TO BE LEASED OUT FOR A PERIOD OF 15 YEARS**

(in ₹)

| Sr. No.    | Particulars   | Estimates by VPT  | As considered by TAMP   |
|------------|---|---|---|
| <b>I</b>   | <b>Optimal capacity</b>   |   |   |
| (a).       | Estimated time for dock block preparation [8 hours * 5 shifts]  | 40 hours  | 40 hours  |
| (b).       | Estimated time for docking and undocking [ 8 hours * 2 shifts]  | 16 hours  | 16 hours  |
| (c).       | Average stay of vessel under dry docking  | 21 days   | 21 days   |
| (d).       | A = Total number of days in a year  | 365.00  | 365.00  |
| (e).       | B = Duration of stay per vessel [21 days + 2.33 days (i.e. 40 hours + 16 hours = 56 hours/ 24 hours)] | 23.33   | 23.33   |
| (f).       | C = 70%   | 0.70  | 0.70  |
|            | <b>Thus, number of vessels that can be dealt in a year [(A * C)/ B]</b>                               | 10.95   | 10.95   |
|            | <b>Optimal capacity of the facility (in no. of vessels)</b>   | <b>11.00</b>  | <b>11.00</b>  |
| <b>II</b>  | <b>Capital Cost</b>   |   |   |
| <b>A.</b>  | <b>Upfront fee</b>  |   |   |
| (i).       | Upfront fee for leasing 5057.21 sq. mtrs. for a period of 15 years                                    | 18,255,112.00<br>[Rs.3609.72 per sq. mtr. * 5057.21 sq. mtrs]   | 18,255,112.00<br>[Rs.3609.72 per sq. mtr. * 5057.21 sq. mtrs]   |
| (ii).      | Winch house-2   | 589,587.00  | 589,587.00  |
| (iii).     | Pump house  | 5,097,300.00  | 5,097,300.00  |
| (a).       | <b>Subtotal</b>   | <b>23,941,999.00</b>  | <b>23,941,999.00</b>  |
| <b>B.</b>  | <b>Capital cost - I - Dry Docking Activity</b>  |   |   |
| (i).       | Cost to fabricate new gate, excavate and remove sunken gate and repair of gate winches                | 68,000,000.00   | 68,000,000.00   |
| (ii).      | Civil repair works on the dock structure  | 7,721,550.00  | 7,721,550.00  |
| (iii).     | Electrical switch gear renewals/ repairs  | 7,500,000.00  | 7,500,000.00  |
| (iv).      | Dredging cost   | 3,000,000.00  | 3,000,000.00  |
| (b).       | <b>Subtotal</b>   | <b>86,221,550.00</b>  | <b>86,221,550.00</b>  |
| <b>B.</b>  | <b>Capital cost - II - Docking and Undocking Activity</b>   |   |   |
| (i).       | De-water pumps (2 nos.)   | 16,400,000.00   | 16,400,000.00   |
| (c).       | <b>Subtotal</b>   | <b>16,400,000.00</b>  | <b>16,400,000.00</b>  |
|            | <b>Total Capital Cost [(a) + (b) + (c)]</b>   | <b>126,563,549.00</b>   | <b>126,563,549.00</b>   |
| <b>III</b> | <b>Operating Cost</b>   |   |   |
| (i)        | <b>Dry Docking Activity</b>   |   |   |
| (a).       | Insurance   | 844,066.61<br>[Rs.8,62,21,550 + value of winch house excluding land value Rs.72,576 + value of pump house excluding land value Rs.11,12,535 - dredging cost Rs.30,00,000/- = Rs.8,44,06,661*1%] | 844,066.61<br>[Rs.8,62,21,550 + value of winch house excluding land value Rs.72,576 + value of pump house excluding land value Rs.11,12,535 - dredging cost Rs.30,00,000/- = Rs.8,44,06,661*1%] |
| (b).       | Depreciation:   |   |   |
| (i).       | Fabricate new gate  | 4,533,333.33<br>[Rs.6,80,00,000 / 15 years]   | 4,533,333.33<br>[Rs.6,80,00,000 / 15 years]   |
| (ii).      | Civil repair works on dock  | 257,385.00<br>[Rs.77,21,550 / 30 years]   | 257,385.00<br>[Rs.77,21,550 / 30 years]   |
| (iii).     | Electrical switch gear renewals / repairs   | 750,000.00<br>[Rs.75,00,000 / 10 years]   | 750,000.00<br>[Rs.75,00,000 / 10 years]   |
| (iv).      | Dredging cost   | 300,000.00<br>[Rs.30,00,000 / 10 years]   | 300,000.00<br>[Rs.30,00,000 / 10 years]   |
| (v).       | Pump house  | 18,542.25<br>[Rs.11,12,535 / 60 years]  | 18,542.25<br>[Rs.11,12,535 / 60 years]  |
| (vi).      | Winch house   | 2,419.20<br>[Rs.72,576 / 30 years]  | 2,419.20<br>[Rs.72,576 / 30 years]  |
| (c).       | Lease rentals   | 5,057.00<br>[5057.21 sq. mtrs.*Rs.1 per sq.mtr.]  | 5,057.21<br>[5057.21 sq. mtrs.*Rs.1 per sq.mtr.]  |
| (d).       | Other Expenses (including electricity)  | 862,215.50<br>[Rs.8,62,21,550.00 * 1%]  | 862,215.50<br>[Rs.8,62,21,550.00 * 1%]  |
|            | <b>Total Operating cost for Dry Docking Activity</b>  | <b>7,573,018.89</b>   | <b>7,573,019.10</b>   |

| Sr. No.      | Particulars  | Estimates by VPT  | As considered by TAMP   |
|--------------|--|---|---|
| <b>(ii)</b>  | <b>Docking and undocking activity</b>  |   |   |
| (a).         | Insurance  | 164,000.00<br>[Rs.1,64,00,000 * 1%]   | 164,000.00<br>[Rs.1,64,00,000 * 1%]   |
| (b).         | Depreciation   | 1,093,333.33<br>[Rs.1,64,00,000 / 15 years]   | 1,093,333.33<br>[Rs.1,64,00,000 / 15 years]   |
| (c).         | Dewatering   | 486,739.00<br>[[{(2 nos. of pumps *15 hours *125 unit per hour * Rs.9.43 per unit)+(2 nos. of pumps *15 hours *125 unit per hour * Rs.9.43 per unit)*25% surcharge)+(45 meter charge per vessel)} * 11 nos. of vessels] | 614,212.50<br>[(2 nos. of pumps *15 hours *125 unit per hour * Rs.14.89 per unit) * (11 nos. of vessels)]   |
| (d).         | Wages  | 117,788.00<br>[[{(2 nos of skilled worker * Rs.653 per worker) + (8 nos. of unskilled worker * Rs.506 per worker)} * 2 no of shifts * 11 vessels]   | 117,788.00<br>[[{(2 nos of skilled worker * Rs.653 per worker) + (8 nos. of unskilled worker * Rs.506 per worker)} * 2 no of shifts * 11 vessels] |
|              | <b>Total Operating cost for Docking and Undocking Activity</b>                                     | <b>1,861,860.33</b>   | <b>1,989,333.83</b>   |
| <b>(iii)</b> | <b>Dock block preparation activity</b>   |   |   |
| (a).         | Flat bottom vessels  |   |   |
| (i).         | Cost of material   | 45,500.00   | 45,500.00   |
| (ii).        | Wages  | 26,770.00<br>[[{(2 nos of skilled worker * Rs.653 per worker) + (8 nos. of unskilled worker * Rs.506 per worker)} * 5 no of shifts]   | 26,770.00<br>[[{(2 nos of skilled worker * Rs.653 per worker) + (8 nos. of unskilled worker * Rs.506 per worker)} * 5 no of shifts]               |
|              | <b>Total operating cost for dock block preparation of flat bottom vessels</b>                      | <b>72,270.00</b>  | <b>72,270.00</b>  |
| (b).         | Shaped bottom vessels  |   |   |
| (i).         | Cost of material   | 91,000.00   | 91,000.00   |
| (ii).        | Wages  | 26,770.00<br>[[{(2 nos of skilled worker * Rs.653 per worker) + (8 nos. of unskilled worker * Rs.506 per worker)} * 5 no of shifts]   | 26,770.00<br>[[{(2 nos of skilled worker * Rs.653 per worker) + (8 nos. of unskilled worker * Rs.506 per worker)} * 5 no of shifts]               |
|              | <b>Total operating cost for dock block preparation of shaped bottom vessels</b>                    | <b>117,770.00</b>   | <b>117,770.00</b>   |
| <b>IV</b>    | <b>Estimated Revenue Requirement &amp; reference tariff</b>  |   |   |
| <b>A.</b>    | <b>Dry Docking Activity</b>  |   |   |
| <b>(i).</b>  | <b>Estimated Revenue Requirement</b>   |   |   |
| (a).         | Total Operating Cost   | 7,573,018.89  | 7,573,019.10  |
| (b).         | Return on capital Employed @ 16% on Rs.11,01,63,549  | 17,626,167.84   | 17,626,167.84   |
| (c).         | Total Annual Revenue requirement from Dry Docking Activity for 11 vessels                          | <b>25,199,186.72</b>  | <b>25,199,186.93</b>  |
| (d).         | Total Annual Revenue requirement from Dry Docking Activity for each vessels<br>[[c]/11 vessels]    | <b>2,290,835.16</b>   | <b>2,290,835.18</b>   |
| <b>(ii).</b> | <b>Dry Docking Activity (Tariff per day or part thereof per vessel )</b>                           |   |   |
| (a).         | 1st to 7th day   | <b>79,087.00</b>  | <b>79,087.00</b>  |
| (b).         | 8th to 14th day  | <b>109,087.00</b>   | <b>109,087.00</b>   |
| (c).         | 15th to 21th day   | <b>139,087.00</b>   | <b>139,087.00</b>   |
|              |  | [Working for slab wise rate as given by VPT is in the end]  |   |
| <b>B.</b>    | <b>Docking and undocking activity</b>  |   |   |
| <b>(i).</b>  | <b>Estimated Revenue Requirement</b>   |   |   |
| (a).         | Total Operating Cost   | 1,861,860.33  | 1,989,333.83  |
| (b).         | Return on capital Employed @ 16% on Rs.164 lakhs   | 2,624,000.00  | 2,624,000.00  |
| (c).         | Total Revenue requirement from docking and undocking activity                                      | <b>4,485,860.33</b>   | <b>4,613,333.83</b>   |
| <b>(ii).</b> | <b>Docking and undocking activity (per vessel/ craft)</b>  |   |   |
| (a).         | The charge for docking and un-docking for each time of utilisation of the Fishing Harbour Dry Dock | <b>383,406.00</b>   | <b>394,302.00</b>   |
| (b).         | For 2 <sup>nd</sup> docking [35% of B (i) above]   | <b>134,192.00</b>   | <b>138,006.00</b>   |
|              |  | [Working for slab wise rate as given by VPT is in the end]  |   |
| <b>C.</b>    | <b>Dock block preparation activity</b>   |   |   |
| <b>(i).</b>  | <b>Estimated Revenue Requirement</b>   |   |   |
| (a).         | Total cost and Revenue requirement from flat bottom vessels  | <b>72,270.00</b>  | <b>72,270.00</b>  |
| (b).         | Total cost and Revenue requirement from shapped bottom vessels                                     | <b>117,770.00</b>   | <b>117,770.00</b>   |
| <b>(ii).</b> | <b>Dock block preparation activity (per vessel/ craft)</b>   |   |   |
| (a).         | Flat bottom vessel/ craft  | <b>72,270.00</b>  | <b>72,270.00</b>  |
| (b).         | Shaped bottom vessels/ crafts  | <b>117,770.00</b>   | <b>117,770.00</b>   |

| Sr. No.  | Particulars   | Estimates by VPT      | As considered by TAMP  |                         |
|--|---|-----------------------|------------------------|-------------------------|
| <b>A. Workings to arrive at the per vessel per day Docking and undocking charges at the tariff proposed by VPT:</b>              |   |                       |                        |                         |
|  | <b>Docking &amp; undocking charges</b>                                  | <b>1st slab</b>       | <b>2nd docking</b>     |                         |
|  | Let docking and undocking charge per vessel in first slab be x          | x                     | 0.35X                  |                         |
|  | Revenue Requirement (Rs.)   | 4485860.33            |                        |                         |
|  | Sum of x [i.e.11X + (2*0.35X) = ₹44,85,860]                             | 11.70x = 44,85,860    |                        |                         |
|  | Docking and undocking charges per vessel                                | 383,406.00            | 134,192.00             |                         |
| <b>B. Workings to arrive at the per vessel per day Docking and undocking charges as modified by TAMP:</b>                        |   |                       |                        |                         |
|  | <b>Docking &amp; undocking charges</b>                                  | <b>1st slab</b>       | <b>2nd docking</b>     |                         |
|  | Let docking and undocking charge per vessel in first slab be x          | x                     | 0.35X                  |                         |
|  | Revenue Requirement (Rs.)   | 4613333.83            |                        |                         |
|  | Sum of x [i.e.11X + (2*0.35X) = ₹45,97,975]                             | 11.70x = 46,13,334    |                        |                         |
|  | Docking and undocking charges per vessel                                | 394,302.00            | 138,006.00             |                         |
| <b>C. Workings to arrive at the per vessel per day Dry Docking Charges at the tariff proposed by VPT and considered by TAMP:</b> |   |                       |                        |                         |
|  | <b>Dry Docking Charges</b>  | <b>1st slab</b>       | <b>2nd slab</b>        | <b>3rd slab</b>         |
|  |   | <b>1st to 7th day</b> | <b>8th to 14th day</b> | <b>15th to 21th day</b> |
|  | No. of days under each slab   | 7.00                  | 7.00                   | 7.00                    |
|  | Let dry docking charge per ship per day in first slab be x              | x                     | x + 30,000             | x + 60,000              |
|  | Revenue Requirement (Rs.)   | 2290835.16            |                        |                         |
|  | Sum of x [i.e. (X * 7) + (X + 30,000)*7 + (X + 60,000)*7 = 22.91 lakhs] | 21x + 630000          |                        |                         |
|  | Dry docking Rate per ship per day                                       | 79,087.00             | 109,087.00             | 139,087.00              |

**REFERENCE TARIFF SCHEDULE FOR THE SERVICES AT THE EXISTING FISHING  
HARBOUR DRY DOCK AT VISAKHAPATNAM PORT TRUST**

**1. DEFINITIONS**

- (i). **“Dry docking”**: **Dry docking** is a term used for repairs or when a ship is taken to the service yard. During dry docking, the whole ship is brought to a dry land so that the submerged portion of the hull can be cleaned inspected or repaired. Dry docks can be flooded to allow a vessel to be floated in, and then water pumped out to allow that vessel to come to rest on a dry platform preferably on wooden blocks. Dry docks are used for the construction, maintenance and repair of ships boats and other water craft.
- (ii). **“Docking”** shall mean bringing the vessel into the Dry dock and arranging to seat the vessel on the dock blocks by pumping out the water from the Dry dock.
- (iii). **“Undocking”** shall mean the reverse process to bring the vessel out of the Dry dock duly flooding Dry dock and pulling the vessel out of Dry dock.
- (iv). **“Dock Block Preparation”** shall mean the activity involving necessary arrangement such as laying keel blocks/ bilge blocks/ side blocks etc., before docking the vessel, for supporting the vessel structure as per the docking plan. It depends on the shape of the underwater hull of the vessel and size of the vessel.
- (v). **“2<sup>nd</sup> Docking”**: **2<sup>nd</sup> Docking** is the process of refloating and reseating vessel to enable surface maintenance to that part of the underwater structure which is obstructed by way of dock block.
- (vi). **“Flat bottom vessel”** shall mean a vessel with a flat bottom without any curvatures and angles. These are double chined hulls, which allows it be used in shallow bodies of water, such as rivers and inland waterways. Shaped bottom vessel/ craft.
- (vii). **“Shaped bottom vessels”**: Designs with higher numbers of chines, called multichine hulls where by increasing the number of chines, the hull can very closely approximate a round bottomed hull, required for the complex shapes needed to provide good performance under various conditions. This type of designed vessels having number of flat panels arranged at various angles are termed as the **shaped bottom vessels**.
- (viii). **“Gate line”** shall mean the line which is the inner most part of the gate towards the Dry dock, when the gate is completely closed.
- (ix). **“Coastal vessel”** shall mean 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 Director General of Shipping/ Competent Authority.
- (x). **“Day”** means a period of 24 hours or part thereof calculated from the time fixed in (i) above.

**1.1. Charges for Dry Docking**

| <b>Periodicity</b>                          | <b>Tariff per day or part thereof per vessel (in ₹)</b> |
|---|---|
| 1 <sup>st</sup> day to 7 <sup>th</sup> day  | 79,087.00   |
| 8 <sup>th</sup> day to 14 <sup>th</sup> day | 1,09,087.00   |
| 15 <sup>th</sup> day onwards                | 1,39,087.00   |

**Notes:**

For the vessel staying more than 21 days, a penal charges of ₹35,000/- per day per vessel will be charged over and above the last slab rate of ₹1,39,087/-

## 1.2. Docking and un-docking charges:

- (i). The charge for docking and un-docking for each time of utilisation of the FHDD per vessel/ craft is ₹3,94,302.00.
- (ii). For 2<sup>nd</sup> docking 35% of charges at (i) above will be charged i.e. ₹1,38,006.00.

## 1.3. Dock block preparation charges

Charges for dock block preparation for each time of utilisation of the FHDD per vessel/ craft is as follows:

| Type of vessel/ craft         | Tariff per vessel/ craft (in ₹) |
|-------------------------------|---------------------------------|
| Flat bottom vessel/ craft     | 72,270                          |
| Shaped bottom vessels/ crafts | 1,17,770                        |

### Note:

Time of occupation of Fishing Harbour Dry Dock by any vessel/ craft is reckoned from the moment any part of the vessel/ craft passes the gate line when entering to the moment the whole vessel is clear of the gate line or leaving the deck.

## 2. GENERAL NOTE :

- (i). The tariff caps will be indexed to inflation but only to an extent of 60% of the variation in Wholesale Price Index (WPI) occurring between 1 January 2018 and 1 January of the relevant year. Such automatic adjustment of tariff caps will be made every year and the adjusted tariff caps will come into force from 1 April of the relevant year to 31 March of the following year.
- (ii). From the date of Commercial Operation (CoD) till 31st March of the same financial year, the tariff would be limited to the indexed Reference Tariff relevant to that year, which would be the ceiling. The aforesaid Reference Tariff shall be automatically revised every year based on an indexation as provided in para 2.2 of the tariff guidelines of 2013 which will be applicable for the entire license period.

However, the Licensee would be free to propose a tariff along with Performance Standard (the "Performance Linked Tariff") from the second year of operation onwards, over and above the indexed Reference Tariff for the relevant financial year, at least 90 days before the 1st April of the ensuing financial year. Such Performance Linked Tariff shall not be higher than 15% over and above the indexed Reference Tariff for that relevant financial year (and this will be the Tariff Cap). The Performance Linked Tariff would come into force from the first day of the following financial year and would be applicable for the entire financial year.

- (iii). The proposal shall be submitted to TAMP along with a certificate from the independent engineer appointed under the Concession Agreement of the Project indicating the achievement of Performance Standard in the previous 12 months as incorporated in the License Agreement or for the actual number of months of operation in the first year of operation as the case may be.
- (iv). On receipt of the proposal, TAMP will seek the views of the Major Port Trust on the achievement of Performance Standard as outlined in para 5 of the tariff guidelines of 2013, within 7 days of receipt.
- (v). In the event of Licensee not achieving the Performance Standard as incorporated in the License Agreement in previous 12 months, TAMP will not consider the proposal for notifying the Performance Linked Tariff for the ensuing financial year and the Licensee shall be entitled to only the indexed Reference Tariff applicable for the ensuing financial year.

- (vi). After considering the views of the Major Port Trust, if TAMP is satisfied that the Performance Standard as incorporated in the Concession Agreement have been achieved, it shall notify the performance linked tariff by 15th of March to be effective from 1st of April of the ensuing financial year.
- (vii). While considering the proposal for Performance Linked Tariff, TAMP will look into the Performance Standard and its adherence by the Licensee. TAMP will decide on the acceptance or rejection of the Performance Linked Tariff proposal based on the achievement or otherwise of the Performance Standard by the Licensee. Determination of indexed Reference Tariff and Performance Linked Tariff will follow the illustration shown in the Appendix attached to the tariff guidelines of 2013.
- (viii). From the third year of operation, the Performance Linked Tariff proposal from the Licensee shall be automatically notified by TAMP subject to the achievement of Performance Standard in the previous 12 months period as certified by the Independent Engineer. The Licensee, for the Performance Linked Tariff from the third year onwards, will submit the Performance Linked Tariff proposal along with the achievement certificate from the independent engineer by 1st March and TAMP shall notify by 20th March, the Performance Linked Tariff to be effective from the ensuing financial year.

-----

**PERFORMANCE STANDARD FOR THE SERVICES AT THE EXISTING FISHING HARBOUR  
DRY DOCK AT VISAKHAPATNAM PORT TRUST**

**Performance Standard**

Number of vessels that can be dealt in a year - 11 vessels

-----

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

**F.No. TAMP/34/2018-VPT - Proposal received from the Visakhapatnam Port Trust (VPT) for fixation of reference tariff for the services at the existing Fishing Harbour Dry Dock at VPT to be leased out for a period of 15 years.**

1.1. The summary of comments received from users/ user associations/ prospective bidders and reply of the Visakhapatnam Port Trust (VPT) is tabulated below:

| Sl. No. | Comments of users/ user organization/ prospective bidders   | Reply furnished by VPT  |
|---------|---|---|
| 1.      | <b>M/s. Supreme Marine Tankers Pvt. Ltd.</b>  |   |
| (i).    | <p>The proposal to resume the much awaited Dry dock services at FHDD is laudable, which is badly needed in the port city of Visakhapatnam.</p> <p>Below are the two suggestions/ explanations for same:</p> <p>Total expenses as mentioned are in the tune of 12,00,00,000 to the bidder and after 15 years he need to just walk away leaving the fixed assets he had heavily invested in and not to forget his other routine expenses, which include:</p> <ul style="list-style-type: none"> <li>• Periodic maintenance of the DD gates, winches etc.</li> <li>• Periodical Renewal of Wire ropers and ancillaries etc.</li> <li>• Monthly Electricity Charges</li> <li>• Office and Monthly Salaries for staff and many more</li> </ul> | <p>The present tariff proposal has been prepared basing on the estimated capital expenditure for revamping, refurbishing the Dry Dock and related equipment to be borne by the private operator only.</p>   |
| (ii).   | <p>Apart from the ₹12,00,00,000 (approximately) as mentioned in your estimation, the bidder will have more expenses, which includes but not limited to:</p> <ul style="list-style-type: none"> <li>• Proper illumination of the whole area, including High Mast lights etc.</li> <li>• CCTV surveillance arrangement</li> <li>• Securing with barriers/ strong fence or wall</li> <li>• Safety expenditure (Fire station, Siren and evacuation arrangement etc.)</li> <li>• Plug and play office room facility for daily safety meeting and Owners Chamber (Preferably a container converted office)</li> </ul>   | <p>The operator will have to erect any additional permanent/ temporary structures as required for day to day operations of the Dry Dock at his own cost.</p> <p>VPT entitle for revenue share on Dry Dock charges (Hire charges), Docking and Undocking. Dock Block preparation and penal charges for the vessels staying more than 21 days on the TAMP notified rates.</p>   |
| (iii).  | <p>Since Visakhapatnam region all together does not have more than 10-15 barges of less than 60 meters (FHDD size limitation) and on an average will come to Dry-Dock once in 2.5 years (unless they have taken dispensation for in water survey), in which case they come once in 5 years, so all the Barges in Visakhapatnam together will visit Drydock 30-45 times in 15 years, which is 2 to 3 barges per year, assuming a great increase in Barges and adding tugs and coastguard vessels, it can never be more than 10-15 barges each year shared between 3 Dry Dock available now (ORS, Slip way and now FHDD), so where the</p>  | <p>It is to be noted that VPT ORS Dry Dock facility was primarily catering to the requirements of the port alone.</p> <p>VPT has lined up 5 of its own crafts for extensive Dry docking repairs. Hence, the private vessels being accommodated at ORS Dry Dock will automatically choose FHDD.</p> <p>Further, the operator may attract the business by prescribing different tariff rates depending on the market situation/ demand. However, offered percentage of revenue share shall be on the TAMP</p> |

|       |   |   |
|-------|---|---|
|       | <p>returns will come from and is it viable to the Bidder ?</p> <p>So the bidder can just break even with lot of difficulty and must be encouraged by:</p> <ul style="list-style-type: none"> <li>• Allowing 5 yearly increment of DD charges</li> <li>• Automatic renewal of Lease after 15 years</li> </ul>  | <p>notified rates only.</p> <p>Besides barges, there is a market for Dry Docks for undertaking Dry docking and other repairs in respect navy/ coast guard and other smaller vessels.</p> <p>The lease period will be for 15 years only and cannot be increased due to fast changing requirements of the ports and government.</p>   |
| (iv). | <p><b>Proposal 2:</b></p> <p>(a). The capital amount of around ₹2,40,00,000 is to be borne by the Bidder and all other major expenses to be borne by the Port Trust, which includes Gate repairs, Winches/ Electrical systems, Dredging and periodical dredging and periodical dredging, routine major overhauling or replacement of major machinery.</p> <p>(b). The additional expenses for bidder will include costs for:</p> <ul style="list-style-type: none"> <li>• Proper illumination of the whole area, including High Mast lights etc.</li> <li>• CCTV surveillance arrangement</li> <li>• Securing with barriers/ strong fence or wall</li> <li>• Safety expenditure (Fire station, siren and evacuation arrangement etc.)</li> <li>• Plug and play office room facility for daily Safety meeting and Owners Chamber (preferably a container converted office).</li> <li>• Monthly Electrical charges</li> <li>• Office expense and Monthly Salaries for staff and many more.</li> </ul> | <p>The primary motive in initiating the present process is to usher in the expertise from private sector in respect of Engineering, Procurement and Construction. Hence, the project as 'Turnkey' basis was decided to be more appropriate and prospective bidders can offer the revenue share depending on their market analysis. It may also be noted that another major component of income is the actual repairs being carried out on the vessels dry docked.</p> |
| (v).  | <p>Now, in this case, the Bidders total expense may be around ₹3,50,00,000 (Capital amount of around ₹2,40,00,000/- and expenses as per Paragraph 2 around ₹1,00,00,000/-) and the VPT is spending for major expenses in the tune of ₹12,00,00,000/-, VPT can claim for major stake in the charges from the user, out of DD Hire etc, block preparation, Docking and undocking charges and remaining goes to the bidder.</p>  |   |
| (vi). | <p>Importantly, since VPT is a Government organization and more over the facility is going to be taken back from bidder after 15 years, the ROCE calculation need to be done for a longer period, say 30 years due to which the user charges can be reduced and that will encourage more users and less burden.</p>   | <p>Government accepted rates of ROCE have been considered and calculated for 15 years lease and so it is not necessary to traverse the proposal of 30 years lease.</p>  |
| 2.    | <b>Vizag Ship Repairer Association</b>  |   |
| (i).  | <p>The projection given on occupancy status indicating 11 vessels per year of 23.33 days of occupancy is not realistic.</p>   | <p>Considering the vessels dry docked at different dry docking facilities, the occupancy has been projected.</p>  |
| (ii). | <p>The existing condition of the Dry Dock is in very bad state. Moreover, the Dry dock does not have the facilities such as crane, etc. In such a scenario, hike in the FHDD</p>  | <p>The present tariff proposal has been prepared basing on the estimated capital expenditure for revamping/ refurbishing the Dry Dock and related equipment by</p>  |

|         |   |  |
|---------|---|--|
|         | tariff is not at all justified.   | the private operator.<br>The returns for the huge investment made by the lessee for revamping should be guaranteed. Hence, the proposed tariff proposal is justified.  |
| (iii).  | Also the proposed hike in the FHDD when compared to the ORS Dry Dock of VPT and other Private Dry Docks at Paradip and Kakinada having full-fledged facility is not at all justified.   | Same as above.   |
| (iv).   | Moreover, once VPT sub-leases the place on rental basis, then the fixation of the Dry Docking and allied charges should be under the preview and judgement of the lessee as he not only need to cover his investment toward infrastructure repair charges but also to compete with the other private yards. | The operator shall charge hire charges and allied charges as per the tariff fixed by the TAMP.<br><br>The operator can charge different tariff rates, which however should not be more than the tariff fixed by the TAMP.<br><br>However, the offered percentage of revenue share to the VPT shall be on the TAMP notified rates only. |
| 3.      | <b>M/s. Yeoman Marine Services Pvt. Ltd.</b>  |  |
| (i).    | Provision of Repair Jetty upto 150 Mtr length in the vicinity of dry dock to facilitate alongside repairs before/ after docking during ship's refit.  | Not provided. Traffic Manager shall provide on case to case basis upon application.  |
| (ii).   | Quantum of civil work envisage for repair of Dry Dock structure.  | ₹77,21,550/-   |
| (iii).  | Availability of three phase supply to operate winch and lock gate.  | Yes available.   |
| (iv).   | Present state of lock gate and scope of repairs.  | New gate has to be fabricated, old sunken gate has to be cleared from under water.   |
| (v).    | Frequency of dredging and expenditure will be borne by whom.  | Depending on the hydrographic surveys the successful bidder has to undertake dredging.   |
| (vi).   | Variation in proposed tariff charges by operator is allowed or not?   | Tariff approved by the Authority cannot be exceeded.   |
| (vii).  | Lease period may be extended for minimum 30 years to compensate our expenditure incurred towards reviving of deed assets.   | Not feasible due to fast changing requirements of the ports and Government.  |
| (viii). | Provision of crane and expenditure involved.  | No crane is provided. Needs to work with mobile cranes and fork lifters.   |
| (ix).   | Scope of work and anticipated expenditure envisaged for operationalization of dead machinery for existing workshop.   | Fabrication of gate, removal of sunken gate and repair of winches : ₹6.80 crores<br>Civil repair works : ₹0.77 crores<br>Electrical repairs : ₹0.75 crores<br>Dredging Cost : ₹0.30 crores<br>2 new dewater pumps : ₹1.64 crores   |
| (x).    | Condition of existing fire main pipeline covering dock area and dry dock. Anticipated scope of repair and expenditure involved.   | No dedicated pipeline is existing.   |
| (xi).   | Status of existing flooding and de-flooding piping and scope of work involve for reviving system.   | Flooding by the valves provided in the dry dock gate and de-flooding by vertical turbine pumps. Both need to be renewed and considered in the estimates.   |
| (xii).  | Availability of fresh water through pipeline near dry dock minimum 8-10 tons per day to meet water requirement for yard and ship's staff.   | Have to get by Motor Tankers. No dedicated pipelines.  |

1.2. A summary of the written submissions made by M/s. Marine Care 'N' Associations (MCNA) and the reply furnished by VPT at the joint hearing thereon is tabulated below:

| Sl. No. | Written submissions  | Reply furnished by VPT   |
|---------|--|--|
| 1.      | <b>M/s. Marine Care 'N' Associations</b>   |  |
| (i).    | <p><u>Para 6 of the proposal:</u><br/>It is pertinent to mention that the records shown in the para 6 of the proposal indicates 11 vessels per year with duration of 23.33 days of occupancy. Marine Care 'N' Associates have drawn attention to the records of VPT for the occupancy status, as the projections are hypothetical.</p> <p>The occupancy on an average is 6 to 8 vessels per year and occupancy period is on an average of 15 days per vessel, this may be verified from VPT records prior considering approval.</p>  | <p>It may be noted that the facility under consideration has been out of service for the past 7 years and the claim of the firm stating records of VPT which belong to 10 years back cannot be realistic. Considering the demand of the dry dock in VPT the figures of occupancy has been projected.</p> <p>It may also be noted that VPT has lined up 5 of its own crafts for extensive dry dock repairs, and as a policy VPT craft are being repaired at ORS dry dock. Hence the private vessels being accommodated at ORS dry dock shall be automatically transferred to FHDD. Hence the contentions of firm are not correct.</p>         |
| (ii).   | <p><u>Para 7 of the proposal:</u><br/>VPT is having two dry-docks. The proposed FHDD is having dimensions of 65 mtrs. length x 21.6 mtrs. width. This dock has no security coverage, crane facility, no mooring facility. The dry-dock is in deserted condition for the past couple of years and a proposed hike in the tariff in the existing condition is meaningless.</p> <p>The VPT is operating another dry-dock (ORS) having 140 mtrs. Length and Width 18.4 mtrs. This dry-dock is double the size of FHDD, well secured area, availability of crane facility. The existing tariff for ORS Dry-dock is enclosed, with a request for a comparison with proposed hike, as it is considered to be not a justified proposal.</p>                | <p>The tariff proposed is for FHDD after refurbishment, but not in the existing condition.</p> <p>The present tariff proposal has been prepared based on the estimated capital expenditure for revamping/ refurbishing the dry dock and related equipment. Hence cannot be compared with the ORS dry dock, which has to cater to VPT's floating crafts.</p>  |
| (iii).  | <p><u>Annexure II (2.1):</u><br/>The penal charges mentioned ₹35000/- per day is not justified. The vessel in occupancy is liable to pay the rentals as per tariff till undocking of vessel. The FHDD is not in utilization and there is no demand. Hence, the reason for penalty clause is not understood and may be justified.</p> <p>The quotation from a private dry-dock existing at Kakinada Sea Ports Ltd., Kakinada in support of claim that the proposed hike in tariff cannot be justified in spite of bringing back the FHDD in operational status is attached.</p> <p>Similarly, the dry-dock at Paradip Port Trust with same dimensions is operating at a lower cost of ₹30,000/- day. Therefore, the points brought before is to</p> | <p>Earlier hiring charges in FHDD were having 8 slabs spanning upto 59 days, while in the present proposal it has been truncated to 3 slabs and upto 21 days only. Hence the necessity of penalty is evident lest the owner might overstay due to less charges than lay up berths.</p> <p>The proposed reference tariff is for bidding purposes at the stage of tendering. Secondly, the successful bidder may attract business by lowering the charges while sharing revenue with VPT as per the tender bidding. Thirdly, the advantages of a dock without sharing with another craft is paramount and risk free.</p> <p>Same as above.</p> |

|  |   |  |
|--|---|--|
|  | be reviewed and a revised and reasonable tariff may be accepted at par with other dry-dock tariff, keeping in view the stiff competition in the ship repairing field. |  |
|--|---|--|

2. A joint hearing on this case in reference was held on 18 June 2018 at VPT premises. At the joint hearing, the VPT and the concerned users/ user organisations/ prospective bidder have made the following submissions:

**Visakhapatnam Port Trust (VPT)**

- (i). The existing dry docking facility at FHDD of the port is not operational.
- (ii). After deliberation on the recommendation of the internal committee of the port to revamp the FHDD, the port proposes to give the existing FDDD on as is where is basis on lease for a period of 15 years.
- (iii). Few parties have shown interest. Hence we want to go for bidding. Hence for inviting bids, we want a reference tariff for the project.
- (iv). The total capital cost is estimated at ₹12.65 crores which comprises of ₹2.39 crores towards upfront fee (for leasing of land, winch house and pump house), ₹8.62 crores towards refurbishing and revamping existing items including dredging and ₹1.64 crores is towards cost of 2 new de-water pumps.
- (v). Port has proposed reference rate for Dry Docking charges, Docking and undocking charges and dock block preparation charges.
- (vi). Second docking is the process of refloating and reseating of vessel done when ship is to be adjusted after first docking. 35% of the first slab rate is proposed.

**M/s. Marine Care 'N' Associates**

- (i). 11 vessels per annum are estimated. This estimation is high. Occupancy is 6 to 8 vessel per year.
- (ii). At Kakinada, for dry dock which is 180 mtrs. length we are paying only ₹55,000/-. For the proposed FHDD, the rate proposed towards dry docking charges at ₹79,000/- with increasing slab wise rate is very high.
- (iii). Docking rate proposed is very high. At such high rate how can we face competition?
- (iv). Penalty clause is proposed in dry docking charges for stayal above 21 days. There is no big queue of vessel for Dry docking at FHDD. We object the proposed penal rate.
- (v). We request that the period of the project may be increased to 25 years.

**Deputy Chairman - Visakhapatnam Port Trust (VPT)**

- (i). Kakinada and Paradip Port are operating on a different model.
- (ii). If rate is reduced, operator will not be able to recover the estimated ARR.

\*\*\*\*\*