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TARIFF AUTHORITY FOR MAJOR PORTS

NOTIFICATION

In exercise of the powers conferred by Section 48, 49 and 50 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby approves the proposal of the Visakhapatnam Port Trust for a general revision of its Scale of Rates (excluding Estate charges), as in the Order appended hereto.

(S. Sathyam)

Chairman

Tariff Authority for Major Ports

Case No.TAMP/103/1999-VPT

Visakhapatnam Port Trust ……… Applicant

O R D E R

(Passed on this 16th day of May 2001)

This case relates to a proposal received from the Visakhapatnam Port Trust (VPT) regarding general revision of its Scale of Rates in respect of cargo, vessel and railway related charges.

2.1. The last general revision of the VPT Scale of Rates was made in the year 1995. The VPT has stated that the operating cost since 1995 has increased to the extent of Rs.42 crores on account of increase in D.A. points apart from increases in power tariff, water charges, POL rates, and other establishment expenses; and, these increases in expenditure have necessitated a revision of the rates and charges.

2.2. The VPT has stated that the proposed hike was discussed with the Trade; and, the Trade has also agreed with the proposed increase. The increases in tariffs (originally) proposed by the VPT are as given below:

(i).	Port Dues, Berth hire and Pilotage fees		10%
(ii).	(a).	Wharfage and overside charges	15%
	(b).	Wharfage on iron ore / CLO/Pellets etc., at Inner harbour for cargo loaded manually	50%
	(c).	Charges for use of transit space	15%

	(d). Labour charges for handling cargo		15%
(iii).	Shifting charges		12%
(iv).	Hire charges for crafts / equipment		15%
(v).	Charges for licence (storage) fees		15%
(vi).	Consolidated charges for transhipment operations at outer harbour		Nil
(vii).	Port Railway charges		15%

3.1. The proposal of the VPT was circulated among various port users/representative bodies of port users. The comments received from them are summarised below:

<u>The National Aluminium Company Limited (NALCO)</u>

Exports are our national policy. The proposed increase in wharfage for Aluminium and Alumina appears to be abnormal and against the spirit of our national policy.

<u>Tamil Nadu Electricity Board (TNEB)</u>

We have to face double end tariff hikes one by the VPT and the other by discharge ports which will have very serious financial impact. Therefore, the TNEB may be given a special status and exempted from this increase in tariffs.

<u>Hindustan Petroleum Corporation Limited (HPCL)</u>

(i). The wharfage charges paid by the Visakhapatnam Refinery to the VPT are the highest on crude oil / bulk petroleum products when compared with other major bulk products / cargoes like Potassium, Aluminium, Cement, Coal, Iron Ore, etc.

(ii). With the deregulation of the Oil Industry, Refineries have been taken out of the Administered Pricing Mechanism. Refineries now operate in a competitive market; and,competition has further increased with the entry of Private Sector into oil refining.

(iii). Since we have been the single largest contributor to the revenue of the Port Trust, the VPT should now reciprocate positively to our earnest request to reconsider the wharfage charges and scale down the rates. Consequent to commissioning of the increased refining capacity and additional facilities, revenue to the Port will definitely increase even if the wharfage charges are revised downwards.

(iv). TAMP may consider to allow a 50% discount in lease rentals for way leave cases for underground cross-country pipelines.

<u>The Container Shipping Lines Association (CSLA)</u>

(i). There is no mention of any efforts on the part of the port to find productivity savings or initiatives to reduce the operating costs.

(ii). The increases in operating costs cited by the Port will only represent a very small percentage of its overall costs.

(iii). There have been no major events, or commencement of large projects to justify an increase.

(iv). There has been no consultation with local agents.

(v). Ports must demonstrate that they are attempting to reduce their costs themselves rather than simply passing them on to the customer.

3.2. The Visakhapatnam Chamber of Commerce and Industry (VCCI), the Visakhapatnam Port Users Association (VPUA), the Visakhapatnam Steamship Agents' Association (VSAA) and the INSA have submitted a joint memorandum, the salient points of which are summarised below:

(i). When a vessel after completion of unloading loads at the same berth or shifts to another berth / jetty or shifts to moorings / anchorage and comes back to a berth / jetty / moorings for loading the same should not be treated as a fresh entry and port dues should not be collected if the vessel re-berths within six days.

(ii). Change of steamer agents has no bearing on collection of port dues. Hence, collection of port dues shall always be based on vessel's call only and change of agent at any stage shall not warrant collection of port dues once again.

(iii). When a vessel shifts to outer harbour after having paid the port dues at the inner harbour, the differential port dues and pilotage between outer and inner harbour shall not be levied when such shifting takes place for port convenience or other wise. This, however, may not be applicable when the vessel is shifted due to restriction on account of permissible draft, LOA, beam of inner harbour.

(iv). Vessels coming to anchorage within port limits other than for loading or unloading of cargo shall be charged only 25% of the port dues. However, Port Dues shall not be collected on vessel, which arrives at the anchorage and sails without any service.

(v). When a vessel, after completion of unloading, loads at the same berth or shifts to another berth / jetty or shifts to moorings / anchorage and comes back to a berth / jetty / moorings for loading, only shifting charges shall be collected whenever applicable and pilotage shall not be levied by treating this as a fresh entry.

(vi). The steep increase of 50% proposed for loading iron ore / CLO / Pellets in the inner harbour by manual loading is unjustified since the process of loading this cargo is similar to other bulk cargo loading.

(vii). Transit Dues shall be calculated on vessel basis and not berth-wise. Hence free time of 48 hours from the day following the date of completion of discharge of the vessel shall be taken into consideration for calculation of transit dues irrespective of the fact that the vessel had been shifted on the request of the agent or for ports convenience or otherwise.

(viii). Handling charges on Manganese ore and other ores may be deleted as port is not involved in its handling operations. Handling charges on bulk fertilizers / food grains may be deleted as there is no involvement of port labour for handling this cargo.

(ix). In case a vessel is shifted to anchorage for back loading, it shall not be treated as fresh entry, and port dues and pilotage shall not be collected instead roadstead charges may be collected.

(x). Pilotage charge shall incorporate charges for shifting of vessels within Outer Harbour and Outer Harbour to Roads or vice versa and mooring / un-mooring operations with the use of required number of tugs.

(xi). Any increase in hire charges of craft / equipment is not warranted as most of these equipments are very old and performing with low efficiency levels.`

4. Subsequently, the VPT furnished further details on traffic projections and financial statements.

5.1. A joint hearing in this case was held on 3 April 2000 at the VPT. At the joint hearing following submissions were made:

<u>Visakhapatnam Steamship Agents' Association (VSAA)</u>

(i). The VPT has had the benefit of exchange rate fluctuations. This built in cushion shall be reckoned with. There is no justification for increase; and, if at all, the increase should be minimum.

(ii). It is very difficult to implement a retrospective revision.

<u>The Shipping Corporation of India (SCI) / Indian National Shipowners' Association (INSA)</u>

(i). Cost increase has of course been there. But, there has also been a good increase in the Port revenues.

(ii). The year 1998-99 was very bad for shipping. We incur our expenditure also in dollars. So, we have no cushion available at all. If we are asked to pay more, we will have to pass it on to the trade.

(iii). Cost reduction is need of the hour. Many assets have been amortised. Why not take that into account and reduce cost?

(iv). We must start analysing 'per tonne' cost. Manning scales have to be rationalised which is one way of reducing labour cost.

(v). We are glad that the VPT is keen to introduce volume discounts.

<u>The Container Shipping Lines Association of India (CSLA)</u>

(i). Please do not just compare the tariff with other major ports in India. Compare the tariff with the adjacent 'hubs' in the Indian Ocean rim.

(ii). If ports do not recognise the problems of shipping, the ships may be forced to go elsewhere.

Visakhapatnam Port Users Association

(i). Modernisation is unavoidable. Do not let that increase the tariff. Instead increase in traffic shall take care of the modernisation cost.

(ii). Look at the overall cost to the port user. Do not load every thing on to the port user.

Tamil Nadu Electricity Board (TNEB)

(i). We handle 4 MT of thermal coal. The VPT is costlier than the Tuticorin Port, the Chennai Port and the Haldia Dock Complex. Only the Paradip Port is costlier than the VPT.

(ii). The proposed increases in vessel-related charges are high. We are grateful for exempting thermal coal from the proposed increase in cargo handling charges.

Hindustan Petroleum Corporation Limited (HPCL)

(i). No new investments have been made by the VPT since 1960 except in the dedicated jetties.

(ii). The Administered Pricing Mechanism is being progressively dismantled. Thereby, scope for cross-subsidisation is limited. Refineries cannot bear cross-subsidisation any more and will perish.

(iii). Refinery capacity has gone up by twelve times and the VPT has benefited a lot by that. They shall, therefore, reduce the wharfage or at least freeze it. The VPT must also give volume discounts.

(iv). With regard to oil facilities, economics between west cost (nearer to middle east) and east cost shall be recognised.

MMTC Limited

(i). Please take into account the CHPT rates as their rates are more reasonable.

(ii). Pattern of increase at the VPT itself over a period of time may be kept in view.

(iii). The VPT itself has been claiming the IOHP to be a 'surplus' activity year after year.

M/s. ISPAT Industries Ltd.

(i). Distinction between inner harbour / outer harbour is acceptable. But, distinction with respect to DWT does not seem correct. Its better to have one rate for all the vessels.

(ii). Inner harbour rates are high. Labour handling charge of Rs.30/- PMT just for slinging is high. However, this need not be linked to the case in the High Court.

Visakhapatnam Chamber of Commerce and Industry (VCCI)

(i). We reiterate the points given in the Joint Memorandum in this regard.

(ii). There are anomalies in the tariffs relating to coastal traffic and we will give a specific application.

5.2. Apart from the above arguments, the concerned users associations reiterated their views expressed in the joint memorandum.

5.3. In response, the VPT has made the following comments:

(i). Last revision was in 1995. Since then power cost has gone up by 45%, cost of spares has gone up by 35%. Trade feels, increase in traffic will compensate for this. But,the increase in traffic has only given a cushion of 10% to 12%.

(ii). We have invested heavily to the extent of Rs.200 crores in modernisation. How to recover this cost? Further, state of-the-art facilities are being introduced by the VPT.

(iii). Ability to stand up to competition from other ports mainly Gangavaram and Dhamra has to be recognised as an urgent need.

(iv). In the last two years, there has been a steep decline in running expenditure. It is not as though we are not cost conscious.

(v). Principle of 'what trade can bear' has to be continued. Cross-subsidisation by POL is an international practice and cannot be done away with suddenly.

(vi). We are ready to simplify if trade brings in some specific proposals. Simplification by way of merger of several items especially warehousing facilities has caused reduction in tariffs.

(vii). Productivity in handling iron ore has increased by 60% and productivity of tippling has also gone up by 60%. Average pre-berth detention has reduced by 18% and average turn around time has reduced by 18% to 20%.

(viii). Cost of labour is increasing and another 30% increase is expected to come due to wage revision. A more attractive VRS is being introduced.

(ix). We have no financial support and have to pay for all developments from internal resources available. Therefore, we have to increase tariffs.

(x). The HPCL says that the VPT has incurred no expenditure for outer oil terminal. For better tranquility we have spent Rs.8 crores on break water repairs.

(xi). Pilotage will continue to be levied with reference to GRT. There will be no slabs. Only the rate is being slightly increased and there will be no separate charge for tugs.

(xii). Iron ore handling cost is very high but the revenue realisation is very low. There are heavy losses as the trend indicates; therefore, the representation in this regard is not correct.

(xiii). The CHPT is not comparable as we have a dedicated system of 18 Kms. of conveyor belt. Also the railway network is totally incomparable.

(xiv). Cargo planned by MMTC was 8 MT, but the best achieved is only 3.5 MT. That is why their cost per tonne is high.

(xv). Oil berth in outer harbour is designed for larger vessels, we want to discourage smaller vessels in outer harbour.

(xvi). If TNEB can give assurance of traffic, labour charges can be reduced.

5.4. During the joint hearing, the Visakhapatnam Port Users Association and the INSA agreed to consult all concerned and give specific proposals relating to (i) simplification of Scale of Rates; (ii) efficiency improvement / productivity increase; and, (iii) introduction of volume discounts.

5.5. The MMTC Limited gave a written submission during the joint hearing as summarised below:

(i). Vessels of 1.40 lakh DWT are handled even at Chennai at much lower charges as compared to the VPT.

(ii). Incidence of demurrage is passed on to NMDC, but it forms part of the cost component.

(iii). Railways have increased the freight only by 4% and 1.26% for the year 1998-99 and 1999-2000.

(iv). The System designed for loading iron ore at outer harbour is also used for transhipment of oil tankers generating considerable revenue for the Port.

6.1. On the basis of the discussion held in the joint hearing, the VPT has <u>revised</u> its <u>proposal</u> and proposed in August 2000 a <u>revised Scale of Rates</u>. The VPT has also furnished information/clarification sought by us on the earlier proposal. The Port has also pointed out that Manganese Ore wharfage rates and labour charges shall not be altered, as the matter is subjudice.

6.2. The VPT has argued the following points in favour of its revised proposal:

(i). The compelling factor for revision is not only to earn a reasonable return on investment but the imminent need to upgrade and modernise its infrastructure to improve its service and quality. The other objectives for revision are to raise the productivity level by inducting sophisticated equipment, to meet the periodic increase in the operating cost, to generate adequate surplus for creation of modern infrastructure, to remain globally competitive and to provide efficient and cost effective service.

(ii). Since the last revision of Port charges, an investment of Rs.350 crores has been made on infrastructure augmentation. Further, there is an ambitious plan to modernise its infrastructure by investing Rs.500 crores during next three years for procurement of sophisticated and higher capacity tugs, cranes and grab holders and for maintenance of deep draft berths.

(iii). In spite of the efforts to reduce expenditure and increased productivity, the operational cost have increased due to factors beyond its control. Since the last revision, the expenditure on

power has gone up by 47%, stores expenditure has increased by 118%, repairs and maintenance is up by 41%. Operating cost has further increased due to increased liability on account of imposition of sales tax, increase in Municipal tax, 30% wage revision for officers, implementation of VRS, increase in number of pensioners,inflation and increase in depreciation.

(iv). While the benefit of improvement and efficiency is availed by port users, the revenue earned is proportionately lower than the operating and maintenance expenditure incurred on wharf cranes, fork lift trucks, mobile crane etc. In spite of this, the port is compelled to invest in infrastructure to attract cargo traffic.

(v). The rate of return realised is not adequate. It is not commensurate with the 18% return prescribed by the TAMP.

In the revised proposal an attempt has been made to estimate the percentage hike required to be made in the tariff in order to get 18% return on the capital employed;which justifies an overall increase of 30% in the tariff.

6.3. In the revised proposal also, the hike proposed remained at 10% for vessel related activities, 15% for cargo related activity and 15% for Railway workings. Some of the major changes proposed in the revised proposal as compared to the original proposal are as follows:

(i). Various Scales have been simplified.

(ii). Superfluous and irrelevant conditionalities have been omitted.

(iii). No separate tariff rates for coastal vessel is proposed; but a concession of 50% on foreign-going vessel rates has been made applicable for coastal vessel.

(iv). Wharfage schedule has been rationalised.

(v). 10% special concession on all vessel related charges for container vessel is proposed.

(vi). An Efficiency Linked Tariff Scheme (berth hire) for iron ore handling has been suggested.

6.4. The VPT has also replied to the comments of various port users. The VPT agreed that the differential dues might not be payable when shifting is for port convenience. The proposed increase in wharfage and overside charges on iron ore / CLO / Pellets have been proposed to be reduced from 50% to 25%. Proposed handling charges on bulk fertilizers and food grain will be levied till the merger of DLB with Port.

7.1. A copy of the revised proposal was circulated among the main users of the Port. The comments received from them are summarised below:

<u>Hindustan Petroleum Corporation Limited (HPCL)</u>

(i). The revised rates are same as proposed earlier and no rationalisation has been done based on various arguments put forth by them in the joint hearing.

(ii). The proposed increase of 10% to 20% is bound to have adverse effect on their refinery which is struggling due to ever rising crude prices.

(iii). With the expansion project commissioned recently, there will be 66.67% increase in crude oil procurement and a substantial increase in loading of petroleum products using existing port facilities. On both this account VPT's revenue will receive a tremendous boost even at the existing rates and existing facilities. In this context, the VPT charges need to be reduced.

National Aluminium Company Limited (NALCO)

(i). In view of the increased volume of Alumina the wharfage charges may be kept at Rs.25/- PMT.

(ii). It will be unviable to export Aluminium metal from Vizag port with the enormous increase proposed from Rs.24/- PMT to Rs.30/- PMT and 0.06% ad valorem which works out to Rs.80/- PMT. Wharfage on Aluminium Metal may be kept at Rs.26/- PMT and no ad valorem charge may be levied.

(iii). The wharfage on Caustic Soda must be restricted to Rs.30/- per KL against the proposed wharfage of Rs.32/- per KL.

(iv). In view of the increased volume of cargo going to be handled through the VPT, the haulage charges may be restricted to Rs.550/- per wagon, if it is not possible to retain the present haulage charges.

Tamil Nadu Electricity Board (TNEB)

(i). The increase proposed in the revised proposal on vessel related charges is enormous without assigning any reason therefor as against 10% increase proposed earlier. Based on the GRT of TNEB vessel, and, after availing the 50% concession for coastal vessel and concession for ballast condition, the increase works out to 46.5% in case of port dues, 178% in case of pilotage and 437% in case of berth hire.

(ii). The tariff for vessel related charges has been prescribed in US Dollars with 50% concession envisaged for coastal vessels. In view of fast depreciation in Indian Rupee over US Dollar, the percentage increase proposed by the VPT, will further increase even for the coastal vessels.

(iii). The proposed exorbitant increase in the port charges will increase the landed cost of coal substantially affecting the general public of Tamil Nadu. Even 10% upward revision will result in a heavy financial commitment. Hence, being a main port user they may be accorded a special status and exempted from any such increase in port charges.

Indian National Shipowners' Association (INSA)

(i). Inadmissibility of refund of wharfage on cargo lost over board is not fair and equitable. Port must ask for adequate proof of cargo lost over board by way of log entries etc.

(ii). A coastal vessel having completed discharge of coastal cargo can sail in ballast to another coastal port or may wait a while and then load coastal cargo. Her status shall change only if she loads foreign cargo or is converted by Customs to be foreign-going vessel or her coastal licence expires or is withdrawn or she loads foreign cargo and clears out for a foreign port. The proposed

note prescribing criteria for distinguishing vessels as coastal vessel and foreign going vessel must be amended to cover this aspect.

MMTC Limited

(i). From 1989-90 onwards, the MMTC and the VPT have entered into an annual agreement in respect of specific port charges to be levied based on mutual discussion and prevailing domestic and international scenario in respect of Iron Ore trade. The last increase was mutually agreed in 1996-97.

(ii). The iron ore market is not lucrative enough to bear the proposed increase of 15% in cargo-related charges and 10% to 38% in vessel-related charges.

(iii). A comparative analysis of cargo-related charges on Iron ore indicates that the charges levied at the VPT on Iron Ore are the highest among Indian Ports, and also about 5 to 6 times more than the charges levied by Australian and Brazilian ports.

7.2. The Visakhapatnam Chamber of Commerce and Industry, Visakhapatnam Port Users Association, Visakhapatnam Steamship Agents Association, the Customs Clearing Agents Association and the Visakhapatnam Stevedores Association have again jointly submitted their comments on the revised proposal of the VPT. They have reiterated most of the points as given in their earlier joint representation on the VPT's original proposal. In addition, the following main points are raised in this joint representation:

(i). Tariff for coastal vessels has no bearing on exchange rate and hence separate tariff shall be prescribed in rupees for coastal vessels in case of vessel-related charges.

(ii). As per TAMP Notification No.35 dated 1 July 1998, coastal vessel rates are chargeable from the time vessel starts loading coastal goods. However, the VPT Scale of Rates prescribes port dues from the time of entry of vessel. Since there is a variation, the tariff for coastal vessel and foreign-going vessel may be charged in the same manner i.e., from the time of entry to the inner harbour.

(iii). If a working vessel is shifted from berth to anchorage / moorings / jetty / another berth to accommodate an ousting priority vessel, then shifting charges presently being levied should not be collected. It should be treated as free shifting inbuilt in the tariff.

(iv). The pilotage fee indicated in the revised proposal is higher than the earlier proposal hence the rate proposed earlier may be considered.

(v). The provision on Pilot detention charge may be amended and levied half-an-hour from the boarding of the Pilot since detention of pilot can be considered only from the time the Pilot boards the vessel and not from hoisting of the Flag.

(vi). When a vessel shifts from one berth to anchorage, the time of mooring at each place is being considered for collection of berth hire charges. The time should commence only from the time of mooring at the first berth as otherwise it results in collection of berth hire charges twice on the same vessel.

(vii).   Fresh water charges proposed by the port is very high and needs to be re-fixed at nominal level. The port shall allow private parties to supply fresh water.

(viii).   The wharfage charges have been increased by a minimum of 15% and maximum of 100% on various items irrespective of the quantum routed through the Port. Some of the main changes proposed in wharfage schedule are as follows:

(a). 50% increase is proposed on LPG.

(b). Increase proposed on pet coke is 100% from Rs.18/- PMT to Rs.40/- PMT. It is suggested to fix the wharfage for pet coke at Rs.22/- PMT.

(c). Presently wharfage levied on Machinery and Electrical goods is 0.22% and 0.05% (ad valorem) respectively which is proposed to be increased to 0.25%. In order to encourage general cargo / project cargo the proposed wharfage may be reduced to 0.15% on Machinery and 0.05% on Electrical goods.

(d). Wharfage on low value cargoes like Gypsum, Ferro Manganese slag, Furnace Slag, Copper slag and Blast furnace slag may be fixed at Rs.5/- PMT.

(e). Wharfage on Asphalt may be re-fixed at Rs.16/- PMT.

(f). Rebate of 20% allowed on CARE cargo may be extended on all cargoes imported by any voluntary organisation like ALIMCO, CRS, WFP etc., subject to certification by appropriate Government Authority.

(ix).   Existing Demurrage rates may be retained as against the proposed increase of 22%.

(x).   Deletion of 'upto 1 tonne' slab in handling charges will have cost impact on imports of sugar, Carbon paste, DBM, etc. The increase may be limited to Rs.35/- PMT only instead of proposed increase of Rs.40/- PMT. Further, a maximum of Rs.45/- PMT may be fixed in the new consolidated slab of "3 ton and above" instead of Rs.52/- PMT proposed by the VPT.

(xi).   The floating crane hire charges is to be calculated from the time of reporting to the work spot till completion of operation at the work spot.

(xii).   Uniform equipment hire rate may be charged on coastal vessel / foreign-going vessel. The port must allow private equipment without insisting to book the port equipment.

(xiii).   The proposed box rate for container includes labour and equipment charges. Therefore, the rate prescribed for hire of top lift carrier for containers should not include this charges again.

(xiv).   Hire charges on barges should be fixed on the basis of actual carrying capacity and not on declared capacity.

8.1.   Since the VPT proposal included a proposal for revision of Railway siding charges, Demurrage, etc., the South Eastern Railway (SER) was requested to offer its comments on the relevant section of the VPT proposal. Despite reminders, there has been no response from the SER.

8.2. Since the proposal contained revision of charges relating to trawlers using Fish Harbours, the Indian Association of Fishing Industry was requested to offer its views on the VPT proposal.

8.3. After several reminders, the INSA (represented by Shri. K.V. Krishna Kumar) has forwarded a proposal for volume discounts on wharfage to the tune of 10% on all new cargoes; and 25% on additional cargo brought in over the previous year tonnage. He has suggested that incentives for efficiency improvement and productivity increase must be introduced after a year as by then the Ports berths will be more uniformly equipped with shore cranes.

9.1. On a preliminary scrutiny of the earlier proposal, information furnished by the VPT relating to its earlier proposal and, on scrutiny of the revised proposal, various points for additional information / comments were referred to the VPT. Some of the important points are given below:

(i). The basis of traffic projections.

(ii). Separate cost statements for the vessel related, cargo related, estate related and railway related activities; and, separate cost statements for sub-activities within the cargo handling activity and Port and Dock activity.

(iii). The background of revision of port railway charges, basis on which these were last revised and projections of railway traffic.

(iv). Reasons for categorising port dues and pilotage for iron ore vessel on the basis of DWT when the rates are levied on GRT basis.

(v). Reasons for not prescribing a separate rupee tariff for coastal vessel in case of vessel related charges.

(vi). Purpose of levy of special quay dues on the iron ore vessel based on tonnage of cargo loaded.

(vii). The justifications on various changes proposed in different conditionalities.

(viii). The reasons for delegating the powers of remission of charges to lower functionaries when the Act empowers the Board to do so.

(ix). The effect of rationalisation in the wharfage schedule coupled with proposed increase in the charges for major items.

(x). Circumstances warranting a steep hike of 100% on the activities of fish harbour.

9.2. In response, the VPT has submitted activity-wise cost statements and furnished, *inter alia*, the following information / clarifications:

(i). Traffic projection submitted in the proposal is as per the working group of 9th five year plan and the same have been considered in the financial / cost statements of the port as a whole.

(ii). Railway rates were last revised in 1994-95 based on the railway budget. Since the rates are to be hiked every 2/3 years as per Government instruction, 15% hike in railway rates have been proposed due to increase in railway freight.

(iii). The port system at the Outer Harbour is kept under heavy strain in loading small ships than envisaged resulting in incurrence of additional operational and maintenance cost. As such, in order to encourage deployment of bigger size vessels, two different rates of port dues and pilotage based on DWT, are applied in Outer Harbour.

(iv). Deck space does not form a part of GRT. Therefore, Deck cargo tonnage is required to be added to the GRT for collection of port dues.

(v). The provisions delegating powers to lower functionaries for remission of charges are deleted.

(vi). Since the activities at fish harbour are being subsidised heavily, it is proposed to hike all the charges applicable to fishing vessels by 100%.

10. The VPT in its reply dated 22 October 2000 on the comments raised by the HPCL has stated that the HPCL contention that the Port will be generating additional revenue at existing facilities consequent to increase in the refining capacity is not correct since they have spent huge amounts on projects intended to maintain adequate tranquility for the tankers besides recurring expenditure on maintenance dredging at OSTT.

11.1. A second joint hearing was held on 8 December 2000 at the VPT to hear objections / views on the revised proposal. At the joint hearing, the following submissions were made:

<u>Visakhapatnam Chamber of Commerce and Industry (VCCI)</u>

(i). Cross-subsidisation is unavoidable. But, the inefficient handling of the iron ore must be met out of reserves by the VPT.

(ii). Wage arrears must also be met from reserves.

(iii). We welcome Efficiency Linked Tariff (ELT). Details can be worked out jointly by the VPT and users under TAMP guidance.

(iv). Charges for water supply are very high. Why not allow private supply at least on 50 : 50 basis?

(v). The issues relating to the proposed vessel-related charges were discussed between the VPT and the users and agreed upon except for the levy of additional Port Due for change of Agents.

(vi). We agree to pay additional port due and additional pilotage for shifting of vessel taking longer than six days.

(vii). We have no complaint if priorities for berthing are decided objectively and transparently. The VPT must continue to decide priorities to avoid adhoc priorities. Ministry of Shipping must also consult the Port before deciding on priorities.

(viii). Basis of rationalisation of wharfage should be as proposed by TAMP.

(ix). We do not ask for any concession for coastal vessel. We only object to the coastal vessel tariff prescribed in dollar denomination.

<u>Hindustan Petroleum Corporation Limited (HPCL)</u>

(i). With growth of the HPCL, the crude oil traffic has enormously increased; and, the VPT has earned huge revenues.

(ii). There is no justification for any increase in crude oil. The port earns but there is no expenditure. The additional investment by the VPT will get additional revenue even with the existing facilities.

(iii). Administered Pricing Machanism is being dismantled. The ability of POL to bear it all is fast diminishing.

<u>Bharat Petroleum Corporation Limited (BPCL)</u>

We endorse the views of the HPCL.

<u>National Mineral Development Corporation (NMDC)</u>

The condition of iron ore and steel production are very adverse. There is no scope for any increase at all.

<u>MMTC Limited</u>

(i). 15% increase in cargo related charges will kill us.

(ii). Please concretise your observations about ELT.

<u>Steel Authority of India Limited (SAIL)</u>

Remove the anomaly in prescribing the Wagon haulage charges per wagon outside / inside on per MT.

<u>Tamil Nadu Electricity Board (TNEB)</u>

We want special concession for being a big customer of the VPT.

<u>Container Shipping Lines Association (CSLA)</u>

(i). Increase in the rates are proposed but there are no commensurate improvement of facilities.

(ii). Rate for FEU cannot be double of TEU. It is 1.5 times and that is good.

(iii). The 10% rebate is most welcome.

(iv). The extra top lifter coming from the TPT will also help a lot.

<u>Indian Oil Corporation Limited (IOCL)</u>

(i). Cross-subsidisation must be contained. The wharfage on POL is already exorbitant.

(ii). Bunker charges are very high. There is no scope for further increase.

(iii). We endorse the views expressed by others.

<u>The Shipping Corporation of India (SCI) / Indian National Shipowners Association (INSA)</u>

(i). There was no increase for the last five years. We do not mind a reasonable increase.

(ii). We are happy that the TAMP will look into the Port Railways also.

(iii). We reiterate some of the views of CCI relating to coastal vessel rates, wage arrears and additional port dues for change of agencies.

(iv). The Port must have the discretion to delegate power.

(v). We welcome TAMP's suggestion about incentives.

(vi). In Estate rentals take into account the impact on lessees.

(vii). The VPT has great transparency in deciding priority berthing. We are not against this delegation.

(viii). The VPT may adopt the acceptable definition of pilotage.

<u>National Aluminium Company Limited (NALCO)</u>

An advalorem concept has been introduced. Further, the wharfage dues are up by five to six times. Therefore, there will be no motivation for us to come to the VPT in preference to HDC or PPT.

<u>The South Eastern Railways (SER)</u>

(i). The zonal railways follow the tariffs decided by the Railway Board.

(ii). Engine hire charges and per hour cost of locomotives are the two special rates notified by the Railway Board. We use these to work out trip rates etc.

(iii). Statistics of six months are analysed to work out the rates for siding. Siding charges are always calculated by the Port.

<u>Association of Indian Fishery Industries (AIFI)</u>

The 100% increase proposed in the fishing industry may be reduced to 10% or 15%.

<u>The Visakhapatnam Port Trust (VPT)</u>

(i). Sudden changes in the accounting systems are not possible.

(ii). Cross-subsidisation is unavoidable.

(iii). Please remove all discretion to the extent possible.

(iv). We do not want to encourage small parcels. We do not wish to subsidise it.

(v). We do not want to give any priorities for berthing. It should be 'first come first serve' basis.

(vi). Wage arrears if it cannot be met out of reserves then go in for a 'surcharge' / 'special arrears'.

11.2. The CSLA and the VCCI have given written submission during the joint hearing as summarised below:

<u>The Container Shipping Lines Association (CSLA)</u>

(i). No apparent good reasons has been given for the increase in vessel related charges.

(ii). The poor productivity makes the per call charge more at the VPT compared to other ports in India.

(iii). Nothing has been done to improve the container handling facility. Facility for handling containers during breakdown is inadequate.

(iv). The container yard size is inadequate. There is no segregation for import and export, no stack management thereby, leading to unproductive moves.

<u>The Visakhapatnam Chamber of Commerce and Industry (VCCI)</u>

(i). As per the Press Report the VPT would be handling 45 MT and 48 MT in the year 2000-01 and 2001-02 respectively.

(ii). Implementation of VR Schemes and reduction in the retirement age would result in savings.

12.1. At the joint hearing, the SE Railways undertook to give a note within two weeks on the methodology followed by the Railways for fixing different (port) railway rates. Despite a reminder, the SER has not sent any details in this regard.

12.2. As discussed at the joint hearing, the Association of Indian Fishery Industries have expressed their willingness to take over management of the Fishing Harbour Slipway Complex. They have stated that the proposed increase of 100% in the charges of slipway complex and dry dock in fishing industry is not reasonable. The increase must be restricted to 15% only at par with the increase proposed in other charges.

12.3. In the light of the discussions at the joint hearing, the VPT has withdrawn its ELT proposal. It has undertaken to reformulate the proposal by incorporating volume discounts and special rates for assured levels of performance. It was decided that the VPT would formulate the ELT Scheme accordingly in consultation with the VCCI, MMTC, NMDC, HPCL, IOCL, TNEB and INSA. It was also decided that such a proposal would be formulated within three months; but, consideration of the general revision of tariffs need not be held up for this exercise.

12.4. The VPT also undertook to furnish revised cost statements and replies to the queries raised by the Office of the Authority.

13.1. Based on the discussions at the joint hearing, and the various issues raised by the Authority, the VPT has submitted <u>another revised proposal</u> along with the revised cost statements on 23 December 2000.

13.2. The main changes proposed by the VPT in the revised proposal are as follows:

(i). Separate rupee tariff has been prescribed for coastal vessels under vessel related charges.

(ii). The port dues and pilotage earlier prescribed in two slabs (based on their DWT) have been merged based on weighted average.

(iii). Special quay dues levied on iron ore vessels are merged with berth hire charges.

(iv). Shifting charges has been proposed on GRT of vessels on a sliding scale.

(v). Wharfage charges on coking coal, chemicals, limestone are hiked to compensate a portion of deficit for not considering any hike in the POL wharfage.

(vi). Tariff for Railway related activities has been restructured and uniform rate has been proposed for Eastern and Western Sector.

(vii). Levy of port dues in case of change in Steamer Agents has been deleted.

(viii). Penal berth hire charges are proposed for occupancy of berth beyond the time specified.

(ix). Additional charge of Rs.2/- per tonne for iron ore pellets earlier levied on Essar is now proposed to be applicable to all users.

(x). No hike is proposed in Demurrage charges.

(xi). 20% rebate in wharfage presently allowed to CARE has been proposed to be extended to other voluntary organisation.

(xii). Uniform tariff has been proposed for foreign-going vessel / coastal vessel for hire of equipment.

(xiii). Concession in wharfage extended to small parcels have been withdrawn.

(xiv). Berth hire charges have been proposed to be increased in the range of 28% to 90% to cover a portion of deficit in the wharf crane operation. 10% return on investment of Rs. 56 crores on electric wharf cranes has also been considered to arrive at the proposed berth hire charges.

13.3. The VPT also submitted a background note on iron ore activity. They have proposed to revise the tariff on iron ore from the present realisation of Rs.106/- PMT to Rs.201.40 PMT (for both cargo related and vessel related charges together). The VPT has given the following main points in favour of the proposed tariff:

(i). **The project of Outer Harbour was conceived in 1970's in the national interest to earn the valuable foreign exchange by handling vessels of more than 1 lakh DWT. Therefore, the entire investment of Rs.104 crores shall be treated as national project and should be funded by the Central Government.**

(ii). **The traffic projections have not materialised. As against the projected traffic of 6.0 MT initially and 10.0 MT by 1976, the actual average throughput achieved during the last seventeen years has been only 5.7 MT.**

(iii). **The rate for iron ore was not revised from 1976 to 1986 for a period of ten years inspite of steep escalation in costs. Further, rates based on costs was never allowed to be fixed.**

(iv). **Fixation of rates by the Committee of Secretaries was delayed and payment of arrears by MMTC was evaded.**

(v). **The standard throughput based on which the rates have been fixed have never materialised.**

(vi). **Loss of Rs.249.18 crores has been suffered by the VPT eversince the commissioning of outer harbour.**

(vii). **The VPT has furnished a statement on income, expenditure and traffic handled in respect of iron ore facility at the outer harbour which indicates that the estimated income for the financial year 2000-01 is Rs.74.34 crores as against expenditure of Rs. 120.81 crores. The VPT has proposed tariff of Rs.201.40 PMT (both cargo and vessel related charges) for iron ore at outer harbour so as to meet this expenditure at an estimated traffic of 60 MT.**

14. **Our Consultant was specifically deputed to guide the VPT in making the financial / cost statement during September 2000. Subsequently, our Director and the Consultant again discussed the proposal with the VPT on 9 December 2000 after the second joint hearing. Inspite of all the required guidance given to the VPT, it was found that there were still some gaps in the financial statements, and justifications for a few conditionalities had not been furnished. Accordingly, a list of various points was forwarded to the VPT for further information / clarification.**

15.1. **The VPT deputed its Officials to New Delhi from 26 February 2001 to 28 February 2001 to discuss the various points relevant to their revised proposal. Based on a detailed discussion, the VPT has again submitted revised financial / cost statements.**

15.2. **The main changes made by the VPT in the cost statement are as follows:**

(i). Individual Cost statements have been reconciled with the consolidated cost statement.

(ii). Traffic projections and the income projections for the year 2001-02 have been revised.

(iii). Capital employed was apportioned to different activities based on the asset value as against apportionment done earlier on the basis of traffic.

(iv). Similarly the depreciation and interest on loan which was earlier apportioned by the VPT on the basis of traffic was corrected and apportioned on the asset value deployed for different activities.

(v). Double counting of interest on loan has been eliminated. But this was not corrected in the consolidated cost statement.

(vi). The income projections at the proposed tariff for the financial years 2001-02 was furnished and the consolidated cost statement was revised.

(vii). Separate cost statement of fish harbour activity was furnished.

15.3. The VPT has given clarifications to the various points raised by us with reference to the conditionalities proposed by them. They have also submitted a detailed working of berth hire charges for iron ore vessels, for crane berths, bunker barge and other vessels. They have proposed to prescribe separate tariff for crane berths and non-crane berths. Further, the VPT has revised the berth hire charges for crane berths and restricted the increase to 30% as against increase of 28% to 90% proposed earlier. The VPT has not, however, modified the proposed Scale of Rates based on its reply, but, has resubmitted the earlier proposed Scale of Rates.

15.4. The percentage increase in the tariff proposed by the VPT in the revised proposal are summarised below:

(I).	**Iron Ore**	
(a).	**Port Dues**	**27.5%**
(b).	**Pilotage**	**11.21%**
(c).	**Berth Hire (special quay dues merged)**	**100%**
(d).	**Wharfage (Average)**	**15%**
(II).	**POL**	
(a).	**Port Dues**	**10%**
(b).	**Pilotage**	**10%**
(c).	**Berth hire**	**10%**
(d).	**Wharfage**	**15%**
(III).	**Vessel-related charges (Other than Iron Ore & POL)**	
(a).	**Port Dues**	**10.14%**
(b).	**Pilotage**	**10%**

(c).	**Berth Hire** **(i). For crane berths** **(ii). For non crane berths** **(iii). Scrapping vessels, dredgers,vessels under construction.**	**30%** **10%** **21%**
(IV).	**Cargo Related Charges (Other than Iron Ore & POL)**	
(a).	**Wharfage and overside discharges (average increase)**	**15%**
(b).	**Demurrage**	**NIL**
(V).	**Other Charges**	
(a).	**Labour handling charges**	**15%**
(b).	**Equipment charges**	**15%**
(c).	**Water supply to shipping**	**10%**
(d).	**Dry docking charges**	**15%**
(e).	**Other Services (average increase)**	**15%**
(VI).	**Railways**	
(a).	**Iron Ore**	**10%**
(b).	**POL**	**10%**
(c).	**Residual cargo**	**15%**

16. The VPT vide its letter dated 15 March 2001 has also furnished the norms in respect of various commodities to decide the period of vessel's stay at berth in the context of its proposal to levy a penal berth hire for over stayal. The VPT has mentioned that these norms have been finalised after detailed discussions held with the port users. The consensus has been to adopt 80% of the average hook productivity achieved during the past 3 years as the norm for all cargo other than general cargo and in respect of general cargo, it is proposed to be 60% of the average hook productivity achieved during the past 3 years.

17.1. Subsequently, the VPT vide its fax message dated 22 March 2001 requested the Authority to restrict the hike on vessel related charges (other than POL) only upto 25% even if the

deficit projected by the cost statements was more than 25%. The VPT has proposed to absorb the deficit through increased throughput and reduction in operating expenditure by taking suitable austerity measures. The request of the Port is based on an apprehension about of diversion of cargo to some other ports if the rates are increased steeply.

17.2. They have also clarified that the Port Dues presently levied on the fishing vessels is the same as for any other vessel other than for iron ore. They have proposed to continue this practice, which means that the increase in Port Dues proposed by the VPT for fishing vessels is 10.14%. The VPT has further stated that generally pilotage is not charged on fishing vessel. However, when the Port provides pilotage, a minimum charge is being levied. The VPT has proposed to increase the minimum Pilotage charges by 100% on fishing vessels.

18.1. In the meanwhile, there was a representation from the Visakhapatnam Steamship Agents Association (VSAA) regarding fixation of port tariff for iron ore vessels, which has been taken up as a part of general revision case. The tariff for iron ore was being fixed by the VPT in consultation with the MMTC and was applied retrospectively till now. The VSAA has challenged this practice and stated that the tariff should be on prospective basis and should be approved by the TAMP and properly Gazetted.

18.2. In the joint hearing held on 3 April 2000, the VPT accepted the request for prospective application of tariff for iron ore. They also admitted that the old practice of getting the tariff fixed in consultation only with the MMTC was not appropriate. Henceforth, the tariff for iron ore handling activity will be with the approval of the TAMP.

19.1. M/s. Coromandel Roller Flour Mills Limited and other Flour Mill Operators have sent representations stating that Rs.31.50 PMT is being charged by the VPT towards special handling charges for their wheat consignment landed in bulk though no port labour was involved in handling this cargo.

19.2. The VPT in its reply has clarified that shore workers are not provided for discharge of cargo through grabs; but, handling charges at the rate of Rs.31.50 are collected from the parties as there is no separate handling charges prescribed in VPT Scale of Rates for such type of operation as the handling of food grains was in different method earlier. In view of various representations received in this regard, the VPT has proposed to fix the rate of Rs.10/- PMT in the proposed general revision in respect of food grains discharged and cleared in bulk as the operation is similar to that of D.A.P. and Urea wherein Rs.7/- PMT is being collected.

20. The Visakhapatnam Steamship Agents Association (VSAA) has sent another representation regarding levy of a second set of Port Dues by the VPT in case of change in Steamer Agents. It has further stated that the Port levies full Port Dues and pilotage in addition to the consolidated charges, which includes port dues, pilotage, and berth hire on the vessels,which are fixed for loading within 6 days after completion of transhipment operation. This case has also been taken up along with the general revision proposal of the VPT. The VPT has deleted the provision for levy of Port Dues in case of change in steamer agent in the revised proposal.

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

(i). **The VPT deserves to be complimented for making a comprehensive proposal with an objective of rationalising various existing conditionalities and thereby accommodating various demands of port users. The willingness of the VPT to rationalise its Scale of Rates and to make it user-oriented is quite evident from the fact that the port has revised its initial proposals twice to accommodate various issues that emerged during the joint hearings. The VPT has also been very responsive to our suggestions for rationalisation and simplification.**

(ii). **The original proposal for revision of Scale of Rates was submitted by the VPT during Nov. 1999. Subsequently, based on the various issues emerging at the time of joint hearing held during April 2000 and the queries raised by us on a preliminary scrutiny, the VPT modified its proposal completely and submitted a revised proposal in August 2000. Even this revised proposal was once again modified by the VPT during Dec. 2000 based on the discussions during the second joint hearing and the various issues raised by this Authority on the revised proposal. The frequent revisions of proposals made by the VPT, coupled with the port's inability to provide in time the various cost data in support of its proposals, have resulted in a delay of nearly 1 ½ years before this case has matured for final consideration by this Authority.**

(iii). **There have been a lot of gaps in the presentation of cost details by the VPT. Incidentally, the VPT did not furnish any cost statement at all alongwith its original proposal (Nov.1999). After the first joint hearing in April 2000, the VPT submitted a revised proposal alongwith a consolidated cost statement for the Port as a whole; but, activity-wise cost statements were not furnished. The Port could submit separate cost statements for various activities only in Oct. 2000, after several reminders from our end.**

Since the Port was finding it difficult to prepare the cost statements, at the request of the Port, our Consultant was deputed to Visakhapatnam in September 2000 to provide necessary guidance to the Port to enable them to make individual activity-wise cost statements. The cost statement submitted by the Port in October 2000 contained many discrepancies. Later, the Consultant and Director (V) held discussions with the VPT officials in December 2000 and advised the VPT to prepare the cost statements. Even after this, the VPT could not prepare a reasonably acceptable cost statement. Another round of discussions were held with VPT officials during Feb. 2001. The VPT after these discussions could manage to reconcile the various discrepancies and submit revised cost statements in March 2001.

At the joint hearing, the VPT pleaded that sudden changes in the accounting system were not possible. Activity-wise statements are necessary to analyse the reasonableness of the allocation of costs and to decide on the quantum of increase under various activities. The cost statements required to be submitted by the ports alongwith tariff revision proposals have been prescribed by this Authority only after taking into consideration the existing accounting system at the major ports. Preparation of these cost statements does not require any major change in the existing accounting system. What is required is to rationalise the cost centres followed by the Port to book the expenditure. With efflux of time, many of the cost centres originally adopted by the port may have lost its relevance and the cost centres developed subsequently are not perhaps separately itemised. This appears to be the fundamental issue, which came in the VPT's way of preparing reasonable activity-wise cost estimates. It is noteworthy that none of the other major ports have faced much of difficulties in submitting cost details required by this Authority. The VPT

must develop a sound costing system not only for submitting its tariff proposals to this Authority but also in its interest to periodically review the financial feasibility of rendering different services.

(iv). As has been mentioned earlier, the Port has expressed its inability to prepare cost statements for various cargo and vessel sub-activities. It has furnished cost statements in respect of the following:

(a). Handling of iron ore, (cargo, vessel and railway).

(b). Handling of POL (cargo, vessel and railway).

(c). Fish harbour.

(d). Cargo handling and storage (residual).

(e). Port and dock vessels (residual).

(f). Estates.

The Port has rectified many of the discrepancies found in its cost statements and submitted revised cost statements. There were still minor discrepancies in the revised cost statements submitted by the Port. For example, double counting of interest in the consolidated statements was not eliminated though the same was eliminated in the individual cost statements.

Expenditure on arrears of salary, wages and pension and ex-gratia payment under Voluntary Retirement Scheme (VRS) has been deleted from the cost statement, as these elements cannot be allowed to be reckoned with for the purpose of tariff fixation. The VPT expenditure figures shown under the head 'Items relating to the previous year' for the financial year 2001-02 pertains to arrear payment of pension; and, hence, it has also been excluded. Provision for arrears of wages and pension under the head FME has been disallowed, as was done in the case of some other major ports on the ground that a permanent liability in tariff cannot be built in by perpetuating such a one time liability. It is relevant here to mention that the projection of salary and wages in the operating cost has been made in the normal course without considering the estimated attrition due to VRS.

(v). This Authority has prescribed a 2 year cycle for tariff revision. Accordingly, in the tariff revision proposals, the net revenue position for the 2 years during which the revised tariffs will remain in force are considered. In this case, the Port has furnished cost statements for the years 2000-01 and 2001-02. Since this case has been delayed, the year 2000-01 has already been drawn to a close and we are left only with the cost position for the year 2001-02. As our experience in this case shows, referring the matter again to the VPT to update its cost statements for the year 2002-03 will involve further delay and may be further revision of the proposals by the Port. That being so, we assume the position emerging for the year 2001-02 to continue during the year 2002-03. Notwithstanding this, the VPT may work out the cost position for the year 2002-03 and seek adjustment of the tariffs if any major variation in the cost position for that year is noticed.

(vi). The percentage surplus / deficit disclosed by the cost statement and the percentage revision of revenue proposed by the VPT are summarised below:

Sr.No.	Activity	Average Surplus/deficit reflected by the cost statements	% increase in revenue proposed by the VPT for the year 2001-02
1.	POL	30.42%	8.40%
2.	Iron Ore	-72.51%	18.43%
3.	Fish Harbour	-239.28%	100.00%
4.	For Items other than 1, 2, & 3		
	a. Port and Dock facility	-39.66%	17.03%
	b. Cargo handling and storage charges	-48.73%	14.90%
5.	Railways excluding item 1 & 2	-39.35%	15.00%
6.	Estate	-189.10%	NIL

It is evident from the table given above that the upward revision proposed by the VPT is well below the deficit indicated by the cost statement except in the case of POL handling activity. A further analysis of the deficit under various activities reveals that the chief contributor to the deficit is the ROCE factor calculated at 19.5% of the capital employed. It is to be recognised that the return of 19.5% on capital employed is to be seen as the upper limit in tariff fixing exercise and need not always be sought to be recovered at the maximum permissible level. The Port for various commercial considerations may propose increase in tariffs, which may yield a lower ROCE. In this case, the VPT has made an elaborate commercial exercise to determine commodity-wise details involving many tariff adjustments. Even a slight change from that will upset the balance causing extensive revision of the proposal once again.

As has already been mentioned, it may be essential for the Port to forego its claim on a part of its return on capital employed in order to smoothen the blow of steep increase in tariff.

(vii). A statement showing the ROCE under different activities, if the VPT proposal is accepted in toto, is attached as Annex-I. If the VPT proposals are accepted, the Port as a whole will get a return of 7.19%. ROCE for all activities other than estate works out to 10.03%. It is noteworthy that in the case of CPT, this Authority has recently approved the general revision of tariffs, which would yield to the Port as a whole a return of 3.58% and a return of 10.08% for those activities considered for revision. Estate is a profitable activity; and, in fact it shall contribute substantially to the revenue of an organisation. Contrary to this common position, the VPT is losing heavily in this activity. Since the VPT has not proposed any increase in estate rentals, this revision under consideration does not cover the estate activity. In view of the huge deficit disclosed by this activity, the VPT is advised to come up soon with a separate proposal for revision of estate rentals.

(viii). In case of iron ore handling activity and fish harbour, the Port will continue to incur operational losses, even after the revised rates proposed by the Port are implemented.

The Port has never got remunerative rates for handling iron ore ever since the inception of outer harbour. According to the VPT, though the inner harbour was capable of handling iron ore exports, the outer harbour facility was created to handle larger vessels to make export competitive. For various considerations, the Port was not allowed in the past to increase the rates based on its cost. Further, the anticipated traffic also did not materialise. The deficit position emerging now is, therefore, mainly due to accumulation of (appropriate) actions (not) taken in the past. Tariff reforms cannot be made at one go. Besides, in this case, the VPT is also apprehensive of traffic diversion, if rates go up steeply, which will only aggravate the problem for the Port. That being so, the increase in rates to the level proposed by the Port is approved, leaving the uncovered operational expenditure under this activity to be met out of surplus from other activities.

Likewise, the existing rates for fish harbour will also increase by 100% eventhough it may not be sufficient to meet entire operational expenditure. Since any increase beyond this level will put an undue burden on users, the increase has been limited to 100%. Here again, the operational loss is to be met out of surplus from other activities. The offer made by Association of Indian Fishery Industries (AIFI) to take over the management of fishing harbour is totally out of context. The Scale of Rates being revised now is with reference to the cost incurred by the VPT. If there is any change in management (other than the VPT), it is needless to mention that the tariffs for fishing harbour will stand deleted from the Scale of Rates of the VPT. Anyway, the issue of change in management is not an issue to be considered by this Authority. The AIFI may move the appropriate forum with its proposal for taking over the fishing harbour.

(ix). In general revision of tariffs of some of the Major Port Trusts, which have been decided so far, this Authority has allowed increases in those sub-activities, which showed a deficit. Percentage increase allowed was to make good the revenue deficit in that sub-activity. The sub-activities, which showed surplus (e.g. POL handling, container handling etc.) were not allowed any increase. This Authority has, however, not taken a view on complete elimination of cross-subsidisation between various activities / sub-activities. Pending a final view on this issue, increase in those activities, which showed surplus were not allowed to contain the extent of cross-subsidisation at the present level. POL handling (cargo, vessel and railway activities) at the VPT shows a revenue surplus of 30.42%. If cost statement is bifurcated as POL (cargo related) and POL (vessel related) considering 50% of the capital block, on an ad-hoc basis, POL (vessel related) will show a substantial deficit and POL (cargo related) will show a substantial surplus. If POL (vessel related) is merged with residual (other than iron ore and POL) vessel related activity, the deficit of the combined activity will be considerably higher than the deficit shown by the residual vessel related activity. It will be unfair for vessels carrying other than iron ore and POL to bear the burden of increased rates on the basis of this higher percentage as it will mean that other traffic will be made to subsidise POL vessel handling deficit. It may not be proper to increase vessel related rates of POL on the basis of substantially higher deficit when POL (cargo related) shows substantial surplus and overall POL handling is also in surplus. It is, therefore, necessary to consider POL handling in a composite manner; and, if it is so considered, no increase in rates can be allowed since the activity is in revenue surplus. But, the

VPT has pleaded for a 15% hike in POL railway rates. While on a surface consideration this appears to be a proposal for a substantive increase, on a closer analysis which can be seen to be a case actually of a reduction in the rate. This is because POL is handled only in the western sector of the port railway whereas other cargoes are handled in the eastern sector also. As a part of its effort for rationalisation, the proposal of the VPT is for a uniform tariff for siding and haulage on the basis of a weighted average of the rates applicable to the eastern and the western sectors. On this logic, even after the proposed 15% increase, the tariff for siding and haulage for the western sector will actually decrease. As has been illustrated by the example given by the VPT, after a 15% hike with reference to the weighted average of one between the two sectors, the siding charges for the western sector will actually decline from Rs.456/- to Rs.360/- thereby resulting in a reduction or Rs.96/- per wagon. In other words, even with the proposed increase, the POL income from port railways will neither increase nor cross subsidise any other activity even within the POL cost centre. That being so, we have no hesitation in approving the proposed 15% increase in the railway activities relating to POL cargo.

(x). In the light of the discussions made above, the item-wise tariff increase proposed by the VPT except in the case of POL (vessel related) activity is approved. The item-wise tariff increase approved by this Authority are given below:

Sl. No.	Item		Percentage increase in tariffs approved
(A).	Vessel Related Charges		
(i).	Port Dues		
	(a).	Iron Ore vessels	27.5%
	(b).	POL	NIL
	(c).	Fishing vessels	100%
	(d).	Vessels other than Iron Ore, POL & Fishing vessels.	10.14%
(ii).	Pilotage		
	(a).	Iron Ore	11.21%
	(b).	POL	NIL
	(c).	Fishing vessels (minimum charges)	100%
	(d).	Other than Iron Ore, POL & Fishing vessels.	10%
(iii).	Berth Hire charges		

	(a).	Iron Ore (Special quay dues merged)	100%
	(b).	POL	NIL
	(c)..	Fishing vessels	100%
	(d).	Other than Iron Ore, POL & Fishing vessels.	
	(i).	For crane berths	30%
	(ii).	Other than Crane berth	10%
	(iii).	Scrapping vessels, dredgers, vessels under construction.	21%
(B).	Cargo Related Charges		
	Wharfage and overside discharge charges		
	(a).	For Iron Ore	15%
	(b).	For POL	NIL
	(c).	For Fish	100%
	(d).	For Residual cargo (average increase)	15%
(C).	Demurrage		Nil
(D).	Other Charges		
(i).	Labour Handling Charges other than Manganese ore (average increase)		15%
(ii).	Equipment hire charges		15%
(iii).	Water supply to shipping (including POL vessels)		10%
(iv).	Dry docking charges		15%
(v).	Other services		15%
(E).	Railways		
	(a).	For Iron Ore	10%
	(b).	For POL	15%
	(c).	For Residual cargo (weighted average	15%

		increase for Eastern and Western Sector)		

(xi). As per the policy decision of the Government, coastal vessels tariffs are prescribed at 70% of the foreign-going vessels tariffs. Further, coastal vessel rates are prescribed in rupees and foreign going vessel rates are denominated in US $ terms. This Authority has already decided cases relating to other major ports that the disparity is to be restored to the level of 30% at the time of revision, which has widened due to depreciation of Indian Rupee vis-à-vis US $ since the last revision. Initially, the VPT had not followed this accepted position. On being pointed out, the VPT had re-cast the proposed rates by maintaining a disparity of 30% between the foreign-going vessels and coastal vessel tariffs. Since the coastal vessel tariffs were not adjusted in past revision of tariffs to maintain a disparity of 30%, the increase for coastal vessels will be steeper after this revision, which is inevitable.

(xii). The POL handling activity has not been proposed for revision of the existing tariffs. The existing rates for coastal vessels, however, need to be adjusted to restore the disparity with the foreign-going vessels to the level of 30%. This may result in accrual of an additional income to the VPT. Considering the huge cost deficits under various activities with which the Port has been operating and will be operating even after the revision of rates, it is reasonable to allow the small increase in income under the POL activities, which becomes necessary to uniformly apply the accepted principle.

It is noteworthy that in the case of CPT general revision this Authority decided not to restore the disparity in the foreign-going vessels and coastal vessel rates in case of pilotage and berth hire at the HDC since these sub-activities were showing revenue surplus. It is noteworthy that in the HDC case, the commodity-wise classification did not exist. In other words, all coastal vessels irrespective of the commodity carried by them were allowed to have this benefit to continue. In the VPT case, the situation is different because the benefit will only be enjoyed by the POL vessels if the disparity is not restored to the level of 30%. That being so, in order to ensure uniform adoption of the accepted principle, the coastal vessel rates of POL vessels is to be adjusted.

(xiii). Like the coastal vessel rates for POL vessels to be adjusted, the charges for water supply to POL vessels also need to be increased to the level proposed for other vessels otherwise an anomalous position will emerge whereby for the same service different vessels carrying different commodities have to pay different rates. It is noteworthy that water supply is a separate activity and does not depend on the commodity carried by a vessel. The VPT has included this income from POL vessels because of its inability to separate expenditure.

(xiv). Earlier this Authority did not consider the proposals submitted by some of the major ports for revision of the port railway charges on the ground that railway related charges were not under its jurisdiction. The Ministry of Shipping in consultation with the Ministry of Law, has examined the issue of this Authority's jurisdiction over port railway charges and has now advised all major ports that the TAMP is the only Authority to fix such rates. In view of the advice from the Govt., this Authority has also started receiving proposals for revision of port railway charges from various major ports. As a part of its general revision proposal, the VPT has also proposed revision of port railway charges. Since regulation of port railway charges is a new area, this Authority has also requested the Railway Board to furnish the details of the procedure adopted by the Board

earlier to fix such charges. Despite several reminders, the Railway Board did not respond. Even as a part of the proceedings of this case, this Authority requested the South Eastern Railways to give a note on the methodology followed by the railways for fixing port Railway charges. The South Eastern Railways also did not respond.

Even though the Railways have not responded to the request made by this Authority, the approach adopted by this Authority for fixing various other port charges can reasonably be extended to the railway activity also.

The terminal charges payable by the Indian Railways to the Port Railways is, however, determined by the Railway Board. Since through freight calculated by the Indian Railway at the loading station includes cost for terminal services at the loading station and at the destination plus cost of haulage, the question arises of payment by Indian Railways to Port Railways for terminal services provided by the Port at its end. It is doubtful whether the Railways will pay the charges determined by this Authority. One of the solutions to the problem is that the Indian Railways can fix the charges to cover their end terminal cost and haulage charges leaving it to the ports to charge for terminal services at their end based on their costs. This may not, however, be possible immediately. This Authority proposes to take up this issue with the Govt. so that the terminal charges leviable at the port end can be determined based on the costs incurred by the port railways on terminal services. In any case, the general revision proposal of the VPT does not include any proposal for revision of terminal charges.

In its revised proposal, the VPT has proposed to adopt uniform siding charges and open terminal charges for the Eastern and Western Sectors. The VPT has arrived at these charges based on weighted average of wagons handled and distances of various sidings. The rationalisation proposed by the Port appears to be reasonable and hence is approved.

(xv). The VPT has not proposed any change in the wharfage and labour handling charges for Manganese Ore as the matter is subjudice. It is noteworthy that this Authority passed an Order on 8 December 1999 relating to charges for handling of Manganese ore at the VPT. The case traversed from the High Court of Andhra Pradesh through the Supreme Court and the (then) Ministry of Surface Transport to this Authority to settle the charges leviable for the period 1986-92. While disposing of the case, this Authority observed that the model prescribed by it for determining the charges for the period under reference could be followed for the post-1992 period also. Aggrieved by this order, the VPT moved the High Court of Andhra Pradesh and obtained an interim stay. The case is yet to be finally decided by the Court.

Eventhough the High Court has granted stay of the Order of this Authority fixing charges for the period 1986-92, the Court has not restrained this Authority from taking up these charges for prospective consideration. While the legal issue can be argued both ways, the balance of convenience will seem to lie in favour of non-interference. It is to be recognised, in this context, that what is reference, in fact, is an Order of the High Court. Any analysis by and any Order of this Authority even on a prospective perspective can be seen to amount to expression of opinion about the impugned Order. And, it will not at all be appropriate for this Authority to be seen in that position.

Notwithstanding this position, the relevant users may find that they have to continue to bear the burden till the case is finally decided by the Court. If there is to be any parallel proceedings in the forum of this Authority for prospective consideration of rates, without prejudice to the merits of the writ filed by the VPT, it can best be so only in pursuance of a directive to that effect from the High Court of Andhra Pradesh. Since such a directive is not received so far, this Authority decides to leave the wharfage and handling charges of manganese ores as at present.

(xvi). The VPT initially proposed an ELT Scheme, which subsequently it has withdrawn. It was agreed by the VPT in Dec. 2000 that the ELT Scheme with provisions of 'volume discounts' on a sliding scale would be reformulated in consultation with various major users and representative bodies of users within 3 months. This has not yet happened. Nevertheless, as already decided, consideration of the general tariff revision proposal need not be held up for this exercise. This Authority allows 4 more months' time to the Port to complete this exercise and forward its proposal for further consideration. The proposal submitted by the INSA about volume discounts may also be considered by the VPT while formulating its proposal for an ELT Scheme.

(xvii). Like other major ports, the VPT also has a system of priority / ousting priority berthing for an additional charge. This arrangement is in vogue with reference to a Govt.instruction on the subject. In the case of CHPT, PPT and CPT general revision of tariffs, this Authority observed that in the context of limited availability of berthing facilities at present, there would always be any number of vessels ready to pay such additional charges; and, this would give scope for exploitation of (discretionary) powers. Since a final view on this issue has not yet been taken by this Authority, as has been done in the cases of CHPT, PPT and CPT, it does not like to approve or disapprove the priority berth arrangement at the VPT. The VPT can continue to levy the charge as hithertofore until this Authority takes a final view for common adoption by all the major ports. That being so, the existing provisions in this regard in the Scale of Rates are allowed to remain unaltered for the time being.

(xviii). The VPT levies a special quay due from iron ore vessels. This charge is payable on the basis of quantity of iron ore shipped; but, is payable by the vessel. This charge is,therefore, of the nature of both a cargo related and a vessel related charge. Acting on our advice, the VPT in its revised proposal has proposed to merge the special quay due with berth hire charges. The VPT has worked out the proposed composite berth hire charge by considering the average output per berth day achieved by iron ore vessels and average GRT of such vessels. The Port has also produced calculations to show that merger of these charges, at the pre-revised rates, does not result in any further unintended increase in the (notional) composite charge (at pre-revised level) due to conversion of the tonnage based special quay dues into a GRT based berth hire charge. The approach adopted by the VPT appears to be reasonable and hence is approved.

The VPT has also proposed a single rate for each of Port Dues and Pilotage for iron ore vessels instead of a differential slab rate based on DWT of vessels being levied now. This rationalisation is approved.

(xix). Port dues levied must be seen as an entry fee payable by vessels for entering into the Port limits. Contrary to this position, the VPT has proposed to levy a second set of Port Dues if the vessel stays beyond six days after completion of unloading / loading of cargo. Likewise, the Port

has proposed to levy port dues once in 30 days, if the vessel stays beyond 30 days for repair, litigation and under distraint. The VPT has also proposed to treat a vessel, which after completing unloading moves to anchorage and returns to berth to load cargo as fresh entry and levy Port Dues.

The proposals mentioned above are not in line with the accepted position for levy of port dues and hence is rejected.

The VPT has also proposed to include Deck Cargo in case of foreign-going vessels for the purpose of assessing GRT based on which Port dues and Pilotage are levied. In the case relating to general revision of Scale of Rates of the TPT, after verification to ascertain the position that GRT included 'deck cargo', it was decided that there would be no additional levy on deck cargo. That being so, the similar prescription is made applicable in the VPT case also and on the same logic.

(xx). (a). The VPT levies shifting charges on a 'per act' basis. In its revised proposal, the Port has proposed to levy shifting charges based on GRT of vessels. This appears to be reasonable and hence is approved.

(b). The users have demanded that second set pilotage shall not be levied on vessels moving from "Roads" to working berth; and, instead only shifting charges shall only be levied. It is to be recognised that 'shifting' is an operation carried out within the dock basin (in case of the VPT, the area impounded by the break water). Movement from / to anchorages outside the breakwater limits cannot be classified as shifting; and, such movements are to be taken as qualifying for a second set of pilotage.

(c). The Port had proposed to treat vessels which complete loading or unloading operation if shifted to another berth / jetty for commencing second operation (of loading or unloading) as fresh entry for collection of pilotage fee. Since shifting relates to movement of vessels irrespective of cargo handling operation, in the instant case the VPT can only levy shifting charges for movement within the dock basin. On being pointed out, the VPT has amended the proposed provision accordingly. The Port has,however, proposed to exempt those vessels from the levy of second pilotage which are shifted to anchorage after lightening at outer harbour berths for want of suitable berth for continuation of loading / unloading. Since this additional movement arises not due to the fault of vessels, the exemption proposed by the VPT appears to be reasonable and deserves to be approved.

(xxi). (a). The VPT has proposed to levy berth hire on a 8-hour basis; and, the period 8-hours will be calculated from the time when the vessel occupies the berth. Similar proposal was made by the CPT and it was approved by this Authority. In the CPT case, this Authority observed that such a system would be introduced in other Ports also alongwith general revision of their Scales of Rates. Since it is being proposed by the VPT alongwith its general revision of rates, the proposal is approved.

(b). The VPT allows a rebate of 40% on the berth hire charges for the vessels occupying non-crane berths. In the revised proposal, the VPT has proposed two sets of berth hire charges – one for crane berths and other for non-crane berths. The Port has explained that it has invested about Rs. 55 crores for procurement of 10 nos. of 15 tonne cranes and it should get at least 10% return

on such investment. If this quantum of return on investment is loaded to berth hire charges, the rates for crane berth will go up on an average by 50%. The VPT has proposed to restrict the increase to 30%. The proposed berth hire charges for crane and non-crane berths appear to be reasonable and hence is approved.

(c). The VPT has proposed to introduce anchorage fee / roadstead charges as a percentage of berth hire charges. Levy of anchorage fee is in vogue in most of the major ports but a separate charge is prescribed without linking it to the berth hire. The VPT must classify its anchorages according to the depth available proximity to the harbour, etc.and prescribe separate rates. This Authority approves the proposed rate and requires the VPT to propose a more rationalised roadstead charges within 6 months.

(d). The VPT has worked out the norms of hook (shift) output for various commodities in order to determine the berth occupancy of vessels for the purpose of levy of penal berth hire charges. The VPT has stated that the norms of output per hook per shift have been fixed considering the average hook productivity for the past three years. Since the same has also been discussed with and accepted by the trade the norms of output per hook per shift is approved.

(xxii). In order to promote container traffic, the VPT has proposed to allow a 10% rebate on vessel related charges for container vessels. Viewed as a promotional measure, the concession proposed is approved. This concession should be allowed only for vessels carrying containers exclusively and not for those vessels, which carry a few containers on deck alongwith other cargo.

(xxiii). The Wharfage Schedule has been rationalised and simplified. Though the VPT has proposed to increase the wharfage by 15%, the increase is not consistently 15% for all the items. For some items of cargo, no increase has been proposed (like thermal coal and edible oil). For LPG the increase proposed is 50%. The increase proposed is less than 15% for many other cargo. On an average, however, the increase in wharfage is 15%. The proposed rationalisation of wharfage schedule is accepted, except for crude oil and POL Products.

(xxiv). No change in the demurrage rates has been proposed. The conditionalities governing demurrage have been rationalised to bring in uniformity with other ports, which seems reasonable and hence is accepted As per the existing provision the Shippers get the benefit of free days in case of shut out cargo if definite attempt of shipment has been made and the cargo has been shut out for no fault of the Shipper. The VPT has now proposed not to allow any free days on goods brought into the Port premises and removed therefrom without shipment. The proposed provision seems reasonable and leaves no scope for misuse of the facility. The proposed amendment is, therefore, accepted.

(xxv). Electrical crane charges, Mobile crane charges, Fork lift charges and other equipment charges are proposed to be increased by 15%. These scales have been rationalised and simplified by reducing the slabs, which seems reasonable and hence is accepted.

(xxvi). Handling charges (except labour charges for Manganese ore) have been proposed to be increased by 15%. Presently, the handling charges for packages include the equipment hire charges. In the proposed Scale of Rates this provision has been deleted to mean that handling charges do not include equipment hire charges without any corresponding adjustment in

tariffs. But, at the same time the VPT has proposed to give a rebate of 20% in handling charges of packages, if the port does not provide trailors or handling equipment; and, a 50% rebate is proposed if the port does not provide trailors as well as handling equipment. These proposals of the VPT clearly imply that the charges proposed include the equipment hire charges. The existing provision stating that the handling charges are inclusive of equipment hire charges is, therefore, retained.

Many of the port users have objected to the levy of handling (labour) charges for bulk fertilisers and foodgrains, which are discharged using vessel grabs or shore cranes where no shore labour is involved. In this context, the VPT had initially proposed to continue to levy the labour charges till the merger of Dock Labour Board with the Port and review it after the merger. Subsequently, the Port has agreed not to levy handling charges for bulk fertilisers and food grains. Since the revised proposal appears logical and in line with the demand of the users, it is approved.

(xxvii). The liability on account of VRS payment and wage/ pension arrears being a one time financial burden, it has not been reckoned with for the purpose of tariff fixation as discussed at para 21(iv) above. Following the model approved in the case of the CPT it would have been possible to recover this one time liability by imposing a special rate till this wage arrears/ VRS liability is fully discharged. In this context, the VPT vide its fax dated 9 May 2001 has proposed against any special rate to meet the expenditure on the VRS (which is a one time payment).The VPT has expressed its confidence that with the proposed increase in the tariff and additional revenue likely to accrue on account of fluctuations in foreign exchange, the port will be able to generate sufficient funds required to meet the special ex-gratia payment under the VRS. The VPT has agreed to review the financial position after one year i.e. by April 2002 and revert back, if necessary, to levy a special rate for a temporary period. The judgment of the VPT is accepted.

(xxviii).The VPT had originally proposed to introduce many new provisions, some of which were strongly objected by the various port users in the joint representation and during the joint hearing. Accordingly, the VPT deleted or amended some of the earlier proposed provisions. The major modifications done by the VPT in this regard are as follows:

(a). The provision to levy port dues in case of change in steamer agent has been deleted as change in agent has no bearing for collection of port dues.

(b). 50% increase proposed in the wharfage on iron ore / CLO / pellets for manual loading has been reduced to 25%.

(c). Powers given to lower functionaries for remission of charges has been deleted based on the objection raised by this Authority.

(d). Rebate of 20% in the wharfage presently allowed on CARE cargo has been extended to other voluntary organisations subject to certification by an appropriate Government Authority.

(e). Uniform equipment hire charges has been proposed for coastal vessel / foreign-going vessel.

The above modifications proposed by the VPT appear to be quite reasonable and, are, therefore, accepted.

(xxix). Apart from the modification as discussed above, there are some more conditionalities which are required to be amended as the VPT has not given satisfactory explanation. In this context, the following amendments have been made in the revised Scale of Rates:

(a). The VPT has stated that no refund shall be made if the refund amount is less than Rs. 1000/-. Even at the present inflation level, Rs. 1000/- is not a small amount that can be foregone by the users. Accordingly the minimum amount that shall be considered for refund is reduced to Rs. 100/-.

(b). The VPT has proposed that the Market Selling exchange rate shall be considered for converting the tariff prescribed in the US dollars into equivalent Indian Rupees. The financial institution whose exchange rate shall be considered has also not been specified. This gives way to lot of ambiguity. At most of the major ports the Market Buying exchange rate as notified by the Reserve Bank of India or any other Public Sector Bank is considered and not the Market selling Exchange rate. This Authority has also passed an Order in this regard for common adoption by Major Ports. The prescription already approved by this Authority has been included in the revised Scale of Rates.

(c). Discretionary powers to apply the Scale of rates to lower functionaries have been proposed by the VPT. The VPT has subsequently deleted such provisions; but, still such provisions exist at some places in the proposed Scale of Rates. These have been accordingly deleted.

(xxx). Commonly accepted definitions of various terminology used in the Scale of Rates and various common adoption Orders passed by this Authority have been incorporated in the Revised Scale of Rates.

(xxxi). Some other major issues relevant to this general revision case, are as follows:

(a). There is another separate proposal under consideration of the Authority with reference to the representation of the VPT for fixation of the consolidated charges for transhipment of Dry bulk cargoes in the Outer harbour for the transhipment operation handling done for M/s ETA Dubai. In revised Scale of Rates, the VPT has retained the proposed tariff for transhipment of dry bulk cargo. In a separate case today this Authority has approved the consolidated charges proposed by the VPT for transhipment of Dry Bulk Cargoes in outer harbour. The same rates would be applicable commonly to all henceforth; and, it has accordingly been reckoned with for all computations in this case.

(b). The Port has proposed a consolidated charge of Rs. 3.58 lakh on the LASH vessels. The working given by the VPT indicates that the actual consolidated cost including port dues,pilotage and berth hire comes to around Rs. 8.0 lakhs against which the VPT has proposed consolidated charge of Rs.3.58 lakhs. The lower tariff is proposed to encourage LASH vessels at the VPT. This tariff is approved as an interim promotional tariff subject to review after this Authority takes final decision on the recommendations of the Working Group set up in this regard. During the next general revision, however, the VPT is advised to come up with the tariff on LASH vessel based on costs.

(c). The Port has not proposed any increase in the consolidated charges for transhipment of crude oil which is presently at Rs. 4.25 lakhs per vessel call. Even the wharfage for second and

subsequent transhipment operations has been maintained at Rs. 2/- per tonne. This seems acceptable since the POL activity as a whole shows a surplus. However, the VPT has now proposed a separate consolidated tariff for transhipment of POL products in the sliding scale starting from Rs. 3.5 lakhs for vessels handling upto 5 lakh tonnes. The tariff proposed is accepted as an interim measure till this Authority takes final view on the recommendations of the Working Group.

(d). Till now additional wharfage of Rs. 2/- MT was levied on the vessels of Essar Ltd. handling iron ore pellets based on agreement entered into with them. In the revised Scale of rates the VPT has proposed to make it applicable to all users handling iron pellets. This has been done to levy this charge uniformly on all the users using the facility instead of differentiating between the users and hence is accepted.

22.1. Subject to the observations and modifications detailed above, and based on a collective application of mind, the revised Scale of Rates of the VPT is approved. Since changes not only of the rates but even of several conditionalities are involved, following the practice adopted in the cases of the CHPT and the CPT, the Chairman is authorised to forward a copy of the draft Scale of Rates to the VPT and finalise it for notification in consultation with the VPT. If any major changes are necessitated requiring further consideration by the Authority, the matter can be brought up for such consideration in the next meeting; otherwise, the Order and the Scale of Rates can be issued by the Chairman.

22.2. A copy of the Scale of Rates of the VPT so revised and finalised is attached as Annex-II. The validity of this revision shall be for a period of two year from the date of the notification of this Order. In other words, the next revision will be due in June 2003.

23. The revised cargo related charges and conditionalities will come into effect immediately after notification of the decisions of the Authority in the Gazette of India. The revised vessel related charges and conditionalities will come into effect 30 days after notification of the decision of this Authority.

(S. Sathyam)

Chairman

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