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Tariff Authority for Major Ports

G No. 226 **New Delhi, 22 November 2011**

NOTIFICATION

In exercise of the powers conferred by Sections 48 and 49 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Vizag Seaport Private Limited for revision of its Scale of Rates for its terminal at the Visakhapatnam Port Trust as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports
Case No. TAMP/5/2011-VSPL

Vizag Seaport Private Limited --- **Applicant**

O R D E R
(Passed on this 11th day of October 2011)

This case relates to the proposal dated 31 December 2010 received from the Vizag Seaport Private Limited for general revision of its Scale of Rates for the Terminal operated by it at berths EQ-8 and EQ-9 at the Visakhapatnam Port Trust.

2. The existing Scale of Rates (SOR) of the Vizag Seaport Private Limited (VSPL) was approved vide Order No.TAMP/9/2007-VSPL dated 27 March 2009. The validity of the SOR was prescribed till 31 March 2011. This Authority vide Order dated 2 May 2011 extended the validity of the SOR till 30 September 2011 subject to the condition that surplus over and above the admissible cost and permissible return for the period post 1 April 2011, if any, will be setoff fully in the tariff to be determined.

3.1. The highlights of the tariff proposal are as below:

(i). The VSPL furnished the actuals for the year 2009-10 and for first six months in 2010-11 and estimates for the years 2011-12 to 2013-14.

(ii). Traffic has been estimated based on the actual traffic handled in 2009-10 and first 6 months in 2010-11. Drop in traffic to the level of 6 lakh tonnes is estimated in 2011-12 as one of the berths will be decommissioned for repairs for 2 months. Traffic for the years 2012-13 and 2013-14 has been estimated at current level considering impact of competition from General Cargo Berth (GCB) and other berths.

The actual traffic handled in the year 2009-10 and 2010-11 (6 months) is 64,35,894 tonnes and 32,15,781 tonnes respectively. The traffic estimated to be handled in the years 2011-12 to 2013-14 is tabulated below:

2011-12	---	58,00,000 tonnes
2012-13	---	62,05,000 tonnes
2013-14	---	59,45,250 tonnes

(iii). Actual income from Cargo Handling Activity at GCB of VPT for the years 2009-10 and 2010-11 (6 months) reported in the Annual Accounts at ₹1836.26 lakhs and ₹935.98 lakhs is not considered for tariff purpose. Similarly, the actual operating expenditure towards stevedoring charges at GCB of VPT is also not considered.

(iv). VSPL has offered discounts in tariff to SAIL for handling bulk cargo at BMHS as per the short term agreement entered by it with SAIL. The revenue implication of such discount, at the existing tariff, is quantified at ₹1985.33 lakhs for the years 2009-10 and 2010-11 (6 months) based on the actual traffic handled during the corresponding period. Similarly, the revenue implication for the years 2011-12 to 2013-14 is estimated at ₹2500.09 lakhs based on the traffic estimated to be handled during the three years.

(v). Based on the actual expenditure incurred in the first half of the year 2010-11, the expenditure is estimated for the years 2011-12 to 2013-14 with 3.76% escalation.

(vi). Addition proposed to gross block is ₹1131.99 lakhs, ₹4277.93 lakhs and ₹4498.30 lakhs during the years 2010-11 to 2012-13 respectively. The details of major items of capital addition are tabulated below:

(**₹ in lakhs**)

Sl. No.	**Details of additions to Gross Block**	**2010-11**	**2011-12**	**2012-13**
1.	Purchase of Leibherr R 984 Material Handler	1104.88	--	--
2.	Strengthening of berth super structure and wharf	--	1464.10	--
3.	Purchase of Coal Grab	--	98.42	--
4.	Purchase of Harbour Mobile Crane	--	1323.76	--
5.	Development of Storage yard at Exim Park	--	--	4498.30
6.	Purchase of 2 nos. Leibherr R 954 Gantry Unloader	--	1391.65	--
	TOTAL	**1104.88**	**4277.93**	**4498.30**

3.2. The overall cost position for the years 2009-10 to 2013-14 as per the cost statement furnished by the VSPL is tabulated below:

Sl. No.	**Particulars**	**Actuals**		**Estimates at the existing tariff**		
		2009-10	**2010-11 (for 6 months)**	**2011-12**	**2012-13**	**2013-14**
(i).	**Traffic (in MT)**	64,35,894	32,15,781	58,00,000	62,05,000	59,45,250
(ii).	Total operating Income (in lakhs)	9651.53	4981.11	10747.83	11318.30	10537.06
(iii).	Total Operating Cost (including depreciation, management overheads and FMI – FME)	5557.72	2937.51	6055.53	6655.31	6723.21
(iv).	Capital Employed	24633.48	24482.54	27304.85	30085.24	28367.33
(v).	ROCE	3941.36	1958.60	4368.78	4813.64	4538.77
(vi).	**Net Surplus / (Deficit)**	**152.45**	**84.99** **169.99 ***	**323.52**	**(150.64)**	**(724.92)**
(vii).	Accumulated losses of 2007-08 plus 2008-09 spread over 2009-10 to 2011-12	(1310.42)	(1310.42)	(1310.42)	--	---
(viii).	Actual loss for 2009-10 plus 2010-11 spread over 2011-12 to 2013-14	---	----	(766.13)	(766.13)	(766.13)
(ix).	Net Surplus / (Deficit) after adjustment	----	----	(1753.03)	(916.78)	(1491.05)
(x).	Net Surplus / (Deficit) as % of operating income	---	---	-16%	-8%	-14%
(xi).	Average of three years	----	----	-13%		

(Indicates the Annualised surplus for the year 2010-11)*

3.3. The following main changes are proposed in the existing SOR:

(i). Berth hire:

As against the existing berth hire of USD 0.0020 per hour/ GRT, the VSPL has proposed berth hire of USD 0.0072 per GRT/ hour, an increase of 260%.

(ii). Wharfage:

The existing wharfage rates are proposed to continue except for manganese ore where increase of 16% is proposed.

(iii). Shore Handling charges:

A separate shore handling charges for iron ore is proposed separately at ₹100 per tonne as against the existing common rate of ₹40 per tonne. The increase works out to 150% over the existing rate.

(iv). Material Handling System for handling bulk cargo:

In order to attract more cargo 12.6% reduction is proposed in the existing consolidated handling charges for bulk cargo.

(v). Charges for fresh water supply to vessels:

The existing charge of US $ 3.241 per 1000 litres is proposed to be increased to US $ 5 per 1000 litres.

(vi). A new charge towards railway siding maintenance at ₹3.20 per tonne is proposed to be introduced.

4. In accordance with the consultation process prescribed, the proposal dated 31 December 2010 received from the VSPL was circulated to VPT and concerned users / user organisations seeking their comments. The comments received from the users / user organisations were forwarded to the VSPL as feedback information. The VSPL has furnished its remarks on comments of the users / user organisations.

5.1. Based on the preliminary scrutiny of the proposal, the VSPL was requested to furnish additional information / clarifications vide our letter dated 29 April 2011. After the joint hearing, the VSPL vide its letter dated 14 June 2011 has furnished its reply on the queries raised by us. A summary of queries raised by us and the response of the VSPL is brought out in the subsequent part of the Order.

5.2. The VPT was also requested to furnish some additional information/ clarifications vide our letter dated 29 April 2011. The VPT has also furnished its response to the queries raised by us only after the joint hearing. A tabulation of the queries raised by us and the response of the VPT is brought out in the subsequent part of the Order.

6. A joint hearing in this case was held on 11 May 2011 at the Visakhapatnam Port Trust (VPT) premises. At the joint hearing, the VSPL, VPT and the concerned users/ organisation bodies have made their submissions.

7.1. As decided at the joint hearing, the VSPL was advised vide our letter 18 May 2011 to file an updated proposal along with its response to the queries raised vide our letter dated 29 April 2011. The VSPL was also requested to furnish additional information/ clarifications on some points. The VSPL was also advised to forward a copy of the updated proposal to VPT for its verification and comments; to interact with VPT and furnish response within 31 May 2011, as agreed in the joint hearing.

7.2. The VSPL has furnished comprehensive response vide its letter dated 14 June 2011 comprising of replies to our queries as well as updated proposal. A summary of the queries raised by us vide our letter dated 29 April 2011 as well as the points made at the joint hearing and the comprehensive reply furnished by the VSPL is tabulated below:

Sl. No.	Queries raised by us	Reply furnished by VSPL
I.	**Queries raised vide our letter dated 29 April 2011**	
A.	**GENERAL**	
(1).	Since the year 2010-11 is already over, VSPL is requested to update the cost statements with the actuals for the year 2010-11 duly tallying with the figures reported in the Audited Annual Accounts. A copy of the Audited Annual Accounts for the year 2010-11 may also be forwarded. The estimates for the subsequent years may be reviewed and modified, if necessary, with reference to the actuals for the year 2010-11.	(i). The Cost Estimates have been updated with the actual figures for the year 2010-11 duly tallying with the figures reported in the Audited Annual Accounts. (ii). A copy of audited annual accounts for the year 2010-11 is furnished. (iii). The estimates for the subsequent years have been reviewed and modified.

(2).	The cost statements furnished by the VSPL do not include actual figures for the year 2008-09. In the last revision of tariff in March 2009, it was stipulated that the actual position for the year 2008-09 would be subject to review during the next tariff revision exercise since the estimated deficit position for the year 2008-09 was considered partially based on estimates (Refer para 11 (xxv) (b) of Order No.TAMP/9/2007-VSPL dated 27 March 2009). The VSPL is, therefore, requested to furnish the actual figures for the year 2008-09 also in all the cost statements. A copy of the Audited Annual Accounts for the year 2008-09 may also be forwarded.	Actual figures for the year 2008-09 were updated in the cost statements. A copy of audited annual accounts for 2008-09 is furnished.
(3).	As per note in Form 5B, the private operator need to furnish cost statements for main activities and sub-activities. The VSPL has furnished cost statement for the main activities, viz. cargo handling activity and vessel related activity. Since Bulk Material Handling System (BMHS) is a mechanised facility and major cargo handled is through BMHS, please furnish separate cost statements for cargo handled through BMHS and other cargo. While doing so, ensure the sum of the figures of these two sub activity-wise cost statements tally with the figures reflected in the cost statement of cargo handling activity.	(i). Separate cost statements for cargo handled through BMHS and other Cargoes are furnished in the updated Form 5 B. (ii). While preparing cost statements, it is ensured that the sum of the figures of these two sub-activity wise cost statements tallied with the figures reflected in the cost statement of cargo handling activity.
(4).	(i). The information furnished by VSPL in Sl.No.6 of Form 1 does not indicate the current performance and targeted productivity level as sought in the said Form 1. The VSPL is requested to furnish requisite information and file an updated form.	Form 1 was updated with the current performance and targeted productivity level.
	(ii). As per the tariff guidelines, the private operators are required to propose incentive for better performance of the terminal and disincentive for performance below the benchmark level. As agreed by VSPL during last revision of tariff in March 2009, the VSPL was advised to incorporate such a scheme based on the experience gained in the operation while formulating its next proposal for review of tariff. However, the VSPL has not come with any efficiency linked incentive / disincentive scheme in the present proposal filed by the VSPL. The VSPL is requested to take action as per the advice rendered in the last Order.	(i). As advised, incentives offered to the Customers for better performance of the Terminal/ dis-incentives for performance below bench mark level, are furnished. (ii). VSPL has been offering several incentives to the user through well defined efficiency parameters. The efficiency parameters introduced are delineated as under: (a). **Committed Discharge Rate** : From 18000 tons per day to 22000 (depending on Cargo) which translates into minimal vessel dwell time resulting in the receiver/shipper get a competitive freight rate and also earning dispatch money from the ship owner (b). **Restriction of cargo losses**. Conventional operations customers permit 2% of cargo losses for bulk cargo. In SAIL tender dated 2nd December, 2009, 2% cargo loss is permitted without any penalty. VSPL commits to all its customers to limit cargo losses to a maximum 0.5% and pay the value of cargo to the Customers if handling losses exceed 0.5%. By limiting losses during handling to less than 0.5% considerable

		advantage accrues to its customers. And in most of the cases, VSPL has delivered cargo at 0% loss to its customers. (c). **Restrictive Moisture losses**: Maintaining of moisture content of bulk cargo on as received basis is important for the importer/exporter/user of the Port. Increase or decrease in moisture level contributes to user interests getting affected. Yet another innovative and customer-friendly measure introduced by VSPL is constant monitoring of moisture level of cargo and deliver the cargo on dry to dry basis. No extra charge is levied for this exercise by VSPL. The moisture is periodically tested while in stock and at the time of dispatch. (d). **Online Sampling and Analysis:** Collecting samples of bulk cargo mechanically while discharge of cargo is in progress shall help the user in collecting the correct representative sample of dry bulk cargo for onward testing and comparing the same. (e). **Liability for Poor Performance**: VSPL pays penalty commencing from USD 30000 to as high as USD 80000 per day if committed discharge rates are not achieved. In fact, VSPL has handled 1 Million Tons of cargo for M/s. Rashtriya Ispat Nigam Limited on penalty terms and paid the penalty for under performance. RINL collected penalty on account of pre-berthing delays also from VSPL. Therefore, VSPL, based on the advice of the Tariff Authority has passed on huge incentives to the Users.
(5).	From the reconciliation statement furnished by VSPL, it is found that the income from handling activity at general cargo berth reported at ₹18.36 crores in 2009-10 and ₹10.17 crores in 2010-11 (six months) is excluded from the operating income shown in the cost statement citing that it is based on a contract with Steel Authority of India Limited (SAIL) for handling cargo at general cargo berth of VPT. Similar adjustment is done with reference to expenditure relating to stevedoring charges at general cargo berth reported in the Annual Accounts. In this regard, the following points may be clarified:	(i). **PREAMBLE:** Before clarifying the points (i) to (vi) below, it is felt appropriate to submit the following facts leading to entering into contract with SAIL and execution of GCB Operations etc for better appreciation: (ii). After nearly 3 years of negotiations starting from 30th April 2002, VSPL and SAIL entered into agreement on 31st January 2005 for providing integrated terminal services at multipurpose berth EQ 8 at Visakhapatnam Port for handling 3 million tons of coking coal and metallurgical coke on take or pay basis at the said berth with stipulated draft of 14 meters facilitating berthing of fully laden Panamax Vessels of SAIL during high tide. As per this agreement, the required depth of 14 mtrs. during the high tide should be achieved within 24 months from the date of signing the Agreement for executing the Contract. (iii). The said Agreement envisaged widening as well as deepening of the entire entrance channel, turning circle and northern arm of inner harbour including rock dredging to facilitate berthing of vessel drawing arrival draft upto -14 meters to berth along side during the high waters. The Capital Dredging, of navigable waters is the obligation of the Licensor i.e., VPT to undertake this work. However, VSPL came forward to supplement the effort of the Licensor by undertaking deepening and widening after VPT completes its Ist phase dredging

		program from -10.6 mts. to -12 meters and to this effect an MoU was also entered into between VPT and VSPL with the approval of Government of India (iv). While dredging was in progress, EQ-8 Berth was built along with Bulk Material Handling System to handle Coking Coal with a Bulk Density of 0.8 including sampling systems, weighment systems, dust suppression systems, tailor made for SAIL. While VSPL has completed the shore side project facilities and services fully, the water side activity i.e., Dredging for deepening and widening of the Channel upto-14 mtrs. could not be achieved due to failure of the Contractor within the stipulated period. Accordingly, the SAIL contract with VSPL dated 31.1.2005 became infructuous as a fully laden Panamax Vessel cannot enter into inner harbor and berth at VSPL Terminal. (v). Despite our best intentions and massive efforts at a huge expenditure, deepening and widening of navigable waters of VPT could not be completed to the desirable level primarily due to failure of the dredging Contractor M/s.Dharti Dredging Company and also due to the fact that the dredging activity was required to be carried out in a busy port with limited time available (6 hours in a day) for dredging. Within the time period stipulated by SAIL only widening of the entrance channel and turning circle could be achieved with in the given time frame which ultimately facilitated navigation and berthing of Panamax Size Vessels drawing an arrival draft of -10.6 mts (after lightening at GCB) in the Inner Harbour during the high tide by October 2007. (vi). In the circumstances, as the 30 year agreement with SAIL could not be operated, and having built the entire infrastructure at a cost of nearly ₹225 crores, VSPL appealed to SAIL to utilize the services of a Panamax compatible Berth at -10.6 mts draft till dredging is completed. After protracted negotiations, SAIL has agreed for a four year short term contract for providing services for handling coking coal/coke vessels at VSPL EQ-8 Berth with several incentives and advantages built for SAIL. The rates fixed for this was ₹167/- per ton for a committed cargo volume of 1.5 million tons per annum, out of 4.5 million tons of Coking Coal imported by SAIL annually through Visakhapatnam Port. The rest of the cargo was being handled at VPT. Copy of SAIL Short Term Agreement is furnished. (vii). The unique services envisaged under the contract are: • Berthing vessels of SAIL on ousting priority basis at EQ 8 • A committed discharge rate of 20000 TPD; • Penalty of USD 30000 per day for under performance with no incentive to VSPL for a better performance • Fully mechanized operations; • Cargo handling losses limited to 0.5%; • Online sampling;

		• Mechanical Lime spraying; • Free storage upto 60000 Tons at any point of time • Weighment of cargo • Delivery of cargo on dry to dry basis to factor moisture increase or decrease. All other terms of the Short Term Agreement (STA) with SAIL is an extension of long term 30 year agreement, which was kept in suspended animation due to VSPL's inability to berth a fully laden Panamax Vessel. SAIL chose to keep the 30 year contract in abeyance during this four year period and kept the option open only to itself to renegotiate the contract once the objective of berthing a fully laden panamax vessel is achieved within a period of four years. (viii). During negotiations it transpired that SAIL is saddled with a liability of poor discharge rate, and low penalty for under performance using two low capacity floating cranes viz., Belikeri-I and Belikeri-II through their handling contractors. VSPL suggested that it can provide better services at GCB for unloading of Gearless Panamax Vessels. In response, SAIL sought three services vide their letter dated 14.11.2007, which were not envisaged in the 30 year long term contract. These three services are: (a). Discharge of Panamax Vessels at the General Cargo Berth of VPT, using Floating Cranes chartered by VSPL thrown up against competitive bidding, as per the rates finalized by them in Year 2005 against an open tender at ₹96/-per ton. (b). Providing lighterage services through Barges as and when required by SAIL (c). Providing services for coastal movement of cargo from Visakhapatnam to Haldia/ Paradip (ix). The authority may kindly peruse Point Nos. 5,6 and 7 of the letter dated No. 14th November 2007 of SAIL to VSPL and as well as Article Nos. 5.33, 5.34 and 5.32 of STA between VSPL & SAIL. (x). It can be seen from the above articles, substantial liabilities which were not organic to BOT Terminal operators have been placed by SAIL on VSPL due to the fact that required draft is not available in the inner harbor of Visakhapatnam Port. (xi). In this connection, it is relevant to mention that a Private Port at Gangavaram under License of the State Government (Minor Port) was fast developing (on which the Tariff Authority has no jurisdiction) with facilities to handle upto cape size vessels. Without providing matching facilities to off-load or load Panamax Vessels with Floating Cranes, Barges etc. not only VSPL but also Visakhapatnam Port Trust was on the verge of losing the entire Panamax borne cargo to Port of Gangavaram.

(xii). In these circumstances, VSPL as a BOT operator and as a Licensee of Visakhapatnam Port Trust and as per Article No. 7.3 (b)(iv) had to take the daunting task upon itself to handle Gearless Panamax Vessels carrying coking coal with high efficiency parameters and huge penalties as demanded by SAIL/User to protect cargo from migrating to Gangavaram Port and retain the same in Visakhapatnam Port for the benefit of both the Licensor and the Licensee. Prior to VSPL taking up handling of gearless Panamax Vessels, SAIL was handling gearless Panamax Vessels with very low discharge rate and no penalty for under performance. VSPL had to match the efficiency parameters and penalty stipulations acceptable to SAIL however at the rates finalized by them through an open tender invited in October 2005. Further the contract did not provide for factoring minimum breakdown delays which are inevitable in mechanical equipment operation. VSPL consciously took up this challenge despite the one-sided nature of this contract.

(xiii). It may not be out of place to mention that the Tariff Authority way back in 2001-02 appreciated the innovation of discharging Cape-size and Panamax Vessels using Floating Cranes at General Cargo Berth which facilitated deployment of Floating Cranes in the Port of Visakhapatnam vide its order Nos.147, 150, and 196 vide Gazette Notifications dated 8th June 2001 and 19th July, 2001 respectively, which may be perused for kind information.

(xiv). As stated above, it is reiterated once again that the deployment of Floating Cranes and rates payable for the services provided by the Floating Crane Operators were decided by SAIL as per the rates thrown up in open tender called for by SAIL in October, 2005. Floating Cranes being Motor Vessels operating under Merchant Shipping Act do not come under the purview of Section 42 (1) of MPT Act 1963. Having realized, the Chairman, TAMP in its order bearing No. 150 has not prescribed the tariffs for Floating Crane operations.

(xv). It is further reiterated that solely due to the tenacity of VSPL of retaining the Floating Cranes in the Port of Visakhapatnam, the users have been greatly benefited by converting their cargo from Handymax vessels to Panamax Vessels and gained huge freight benefits. This alone is a substantial benefit through freight saving passed on by a BOT operator by its innovation and committed performance Parameters.

(xvi). The list of Panamax Vessels handled from 2002 to 2011 on General Cargo Berth of Visakhapatnam Port is given below:

Summary of vessels handled at GCB for the period 2002 to 2010		
No.	**Year**	**No. of vessels**
1.	2002	19
2.	2003	25
3.	2004	26

4.	2005	43
5.	2006	44
6.	2007	61
7.	2008	46
8.	2009	69
9.	2010	108
	Total Vessels	**441**

2011 55 (Upto May 11)

(xvii). From a mere 18 ships in 2002, growth of Panamax Vessels chartered upto 2007 has been very slow. However, with VSPL establishing bench marks in Gearless Panamax Vessel Handling from 2008, the growth has been phenomenal. SAIL on the strength of committed services of VSPL both at GCB and Inner Harbour converted its tonnage from Handy Max vessels to Panamax Vessels. With assumed average freight benefit of USD 6-18 per ton. The shipping arrangements for SAIL are done by Tran chart under Ministry of Shipping, Government of India. Further details, if any, can be obtained from Trans chart by the authorities.

(xviii). It is clearly evident from the above statistics that the effort of VSPL to sustain unloading operations from ship to shore both at GCB and Inner Harbour (EQ8 & EQ 9) has resulted in Importers (Mainly SAIL, Bhushan Steel, Jindal & RINL) progressively increasing Chartering of Gearless Panamax Vessels and gain huge freight savings from USD 6 to USD 18 per ton depending on the international freight market. In other words, VSPL single handily ensured and sustained the ability of Visakhapatnam Port Trust to retain the Cargo and earn several crores of Rupees during the above period by way of Vessel and Port related Charges.

(xix). It is humbly submitted that Visakhapatnam Port Trust is the beneficiary of the above financial advantage as well as cargo retention without any investment in infrastructure at GCB from 2002 till date.

(xx). It is also submitted to the Authority that Importers and Exporters are availing similar services at neighboring port at 100 % higher costs. The authorities are requested to recognize and reward the low cost service being provided by VSPL at Visakhapatnam Port.

(xxi). CONCLUSION:

The support services provided by VSPL:
(a). Prevented from migration of cargo from VPT to competing minor Ports;
(b). User benefited by low operational cost;
(c). User insulated from under performance;
(d). User could progressively shift from Handymax Vessel affreightment to Panamax Vessel afreightment and gained millions of dollars of freight advantage
(e). The activities of floating cranes are approved by TAMP in 2001 itself;
(f). VSPL has only helped VPT, its Licensor, in achieving a common goal and not contravened any provisions;

<table>
<tr><td></td><td></td><td>(g). Till GCB modernization in VPT is completed, both VPT & User (SAIL) require the services of VSPL.</td></tr>
<tr><td></td><td>(i). Whether the arrangement of handling cargo at the berth of VPT is as per the provisions in the License Agreement. If so, indicate the relevant provision in the License Agreement</td><td>License Agreement does not prohibit VSPL performing any other operation to facilitate a Vessel to come to its Berth due to infrastructural deficiencies within the Port System. The backdrop of these entire operations at GCB have been more expressly detailed above in Preamble of this para, for full appreciation of the facts and circumstances under which the onerous responsibility of operation at GCB was undertaken by VSPL in the over all interests of VPT.</td></tr>
<tr><td></td><td>(ii). Clarify the tariff arrangement followed for cargo handled by VSPL at the VPT berths and whether it has approval of this Authority.</td><td>Floating crane operations at outer harbor at Visakhapatnam are permitted by TAMP Authority by its orders dated 16th May, 2001 and28th June, 2001.</td></tr>
<tr><td></td><td>(iii). Furnish a copy of the contract entered with the SAIL as referred by the VSPL.</td><td>A copy of Agreement entered with SAIL is furnished.</td></tr>
<tr><td></td><td>(iv). Indicate the date from when the VSPL commenced to handle cargo of SAIL at the general cargo berth of the VPT and also furnish a separate statement indicating year-wise income and expenses relating to cargo handled thereof.</td><td>Agreement was entered with SAIL on 06.05.2008. The VSPL commenced to handle cargo of SAIL by handling the first vessel at GCB on 11.05.08. A statement indicating year-wise income and expenses relating to cargo handled is given below:

<table>
<tr><th colspan="4">Year-wise income and expenses relating to cargo handled at General Cargo Berth at VPT</th></tr>
<tr><th>Particulars</th><th>2008-09</th><th>2009-10</th><th>2010-11</th></tr>
<tr><td>Qty handled</td><td>973,804</td><td>2,072,025</td><td>2,058,221</td></tr>
<tr><td>Revenue earned</td><td>93,598,186</td><td>183,625,754</td><td>201,216,319</td></tr>
<tr><td>Expenditure</td><td>83,144,756</td><td>179,615,704</td><td>189,356,332</td></tr>
<tr><td></td><td>10,453,430</td><td>4,010,050</td><td>11,859,987</td></tr>
</table></td></tr>
<tr><td></td><td>(v). Indicate the assets deployed for handling the cargo of SAIL at the general berth of VPT and its treatment in the cost statement and in the Annual Accounts.</td><td>Two Floating cranes viz., Bulk Express and Ravi – B were engaged from M/s.ETA Port Operations and Rapid Transport System Limited for handling of cargo at GCB. Expenditure incurred for these operations are shown separately under head “Stevedoring charges at General Cargo Berth” (Ref Schedule 16 of Annual Accounts). In the cost statements, both the revenue and expenditure from GCB operations have been excluded.</td></tr>
<tr><td></td><td>(vi). Clarify whether the common expenses and common assets of VSPL are apportioned to the cargo handled by VSPL at VPT berth.</td><td>No common expenses and common assets are apportioned. VSPL’s contribution is only the Managerial Expertise offered for the GCB Operations.</td></tr>
<tr><td>B.</td><td>FINANCIAL / COST STATEMENTS</td><td></td></tr>
<tr><td>(1).</td><td><u>Comparison of actuals vis-à-vis estimates</u>:</td><td></td></tr>
<tr><td></td><td>(i). In the last tariff Order of March 2009 estimates for the years 2008-09 to 2010-11 were considered for determining the tariff revision. The comparison of actuals vis-à-vis estimates furnished in Form 7 only gives the comparative position for the years 2009-10 and 2010-11 (six months). Please update the Form 7 with actuals vis-à-vis estimates with reference to 2008-09 and 2010-11 (full year).</td><td>Form No. 7 was updated with actuals vis-à-vis estimates for the years 2008 -09 and 2010-11.</td></tr>
<tr><td></td><td>(ii). Reconciliation statement furnished by VSPL is only pertaining to year 2009-10 and 2010-11 (six months). Please furnish a reconciliation statement reconciling the profit before tax reported in the Annual</td><td>Reconciliation statement is updated and furnished.</td></tr>
</table>

	Accounts with the net surplus before ROCE considered in the cost statement for each of the years 2008-09 to 2010-11.	
	(iii). In the last tariff Order, the Authority had approved rationalization in berth hire, increase in wharfage, stevedoring charges, hire charges of HMC, charges for BMHS, etc. The estimates of income shown in Form 7 as per the Order may be adjusted to factor the tariff increase allowed in the said Order for a like to like comparison with the actuals.	The estimates of income shown in Form 7 have been adjusted to factor the tariff increase allowed in the said for a like to like comparison with the actuals.
	(iv). With reference to clarification furnished at Annexure to Form VII, the following points may be examined: (a). As brought out in our subsequent queries, the actual revenue at the tariff approved by this Authority is to be considered without taking into account the effect of discounts allowed. (b). Note II states that stevedoring charges are not collected from all customers using HMC. The reasons for not collecting tariff for the service offered may be explained along with revenue impact thereof for each of the years 2008-09 to 2010-11.	(a) & (b). Despite our representation, for fixation of tariff for the HMCs deployed at VPT berths at similar tariff level fixed for VSPL HMCs, tariff of HMCs cranes at VPT is fixed at about 45% lower than rate fixed for VSPL by TAMP. In order to prevent underutilization of its HMCs and motivate our customers to use our HMCs, VSPL has not collected Stevedoring charges from its HMC users. TAMP is requested to consider our submissions made in this regard to TAMP query at Sl.No. 4(ii) regarding rebate allowed. In our view, it is sliding of the SOR as per tariff guideline 4.4 which allows private terminal to adopt sliding rates to motivate greater performance for bulk operator (to ensure higher utilization of HMCs).
	(v). (a). In the Annual Accounts for the year 2009-10, liquidated damage to the tune of ₹2 crores, demurrage expense of ₹8.04 lakhs and ₹6.02 lakhs for the years 2008-09 and 2009-10 respectively are reported. The details of these two expenses and the treatment given in the cost statement may be furnished. (b). Annual Accounts for the years 2008-09 and 2009-10 show provision for doubtful debts. Details of the said provisions may be furnished. Expenditure of the nature of provision are generally not admitted as an item of cost in the tariff exercise.	(a). An amount of ₹2 crores was paid in 2008-09 to VPT towards liquidated damages for delay in completion of EQ.8 berth as per the Arbitration Award. ₹8.04 lakhs and ₹6.02 lakhs are towards wagon damages and demurrages paid to VPT Railways. These amounts are included as Expenditure under 'other expenses' in Sr. No. II (N) of Form 3 A. (b). These are unrealizable revenue arising out of non-settlement of our invoices by our customers on account of demand for rate reduction. These revenue items taken on accrual basis were reversed as advised by our Statutory auditors. Hence these items have to be considered for arriving the correct revenue in actuals of the year.
(2).	**<u>Traffic</u>:**	
	(i). The total traffic handled during the years 2009-10 and 2010-11 (if 6 months actuals is extrapolated for full year) is at the level of 6.40 Million Tonnes Per Annum (MTPA). The estimated traffic for the year 2011-12 is considered at 5.80 Million Tonnes on the ground that there will be a reduction in the traffic of 6 lakh tonnes due to the proposed strengthening of one of the berths for two months. The overall traffic for the years 2012-13 and 2013-14 is estimated at 6.20 Million Tonnes and 5.94 Million Tonnes respectively. The	Overall traffic projections for 2012-2014 have been now modified as follows based on the actual data for the past three years and proposed investments. 2011-12: 5.85 Million tonnes 2012-13: 6.75 Million tonnes 2013-14: 7.09 Million tonnes

<table>
<tr><td></td><td>reason for estimating the traffic for these two years at a lower level than the actual traffic handled in the past years 2009-10 and 2010-11 may be explained. The reasons for not projecting any increase in the overall traffic following the general trend may be explained. The estimated additional traffic on account of the investments proposed in Harbour Mobile, storage yard development and other infrastructure facilities during the years 2011-12 and 2012-13 may be indicated.</td><td></td></tr>
<tr><td></td><td>(ii). As regards the point made by the VSPL about decommissioning of one berth for 2 months due to the proposed berth strengthening works, the VSPL is requested to clarify the following points:</td><td></td></tr>
<tr><td></td><td>(a). Indicate which of the two berths is proposed for strengthening in the year 2011-12 and the exact period thereof.</td><td>Berth No.EQ 9 is proposed for strengthening in the year 2011-12 and the exact period may be 3 to 4 months.</td></tr>
<tr><td></td><td>(b). Explain the basis how VSPL has estimated the reduction in traffic at 6 lakhs tonnes for 2 months with details of such cargo and its revenue implications. Please provide the workings.</td><td>VSPL has estimated the reduction in traffic at 6 lakhs tonnes for two months based on actual and monthly average cargo volume handled at EQ 9 in 2010-11. The details of cargo and its revenue implications along with workings are furnished.</td></tr>
<tr><td></td><td>(iii). Update the cost statements with the actual traffic for the year 2010-11 and, if necessary, review the estimated traffic for the subsequent years 2011-12 to 2013-14.</td><td>The Cost Statements are updated with the actual traffic for the year 2010-11 and estimated traffic for the subsequent years 2011-12 to 2013-14 are also reviewed.</td></tr>
<tr><td></td><td>(iv). Please furnish the basis for traffic projections for the years 2011-12 to 2013-14 with detailed commodity-wise of traffic analysis.</td><td>The basis for traffic projections for the years 2011-12 to 2013-14 with detailed commodity wise of traffic analysis is furnished.</td></tr>
<tr><td></td><td>(v). Iron ore traffic handled in the year 2009-10 is 1.36 Million Tonnes. Extrapolating the six months actual traffic for full year, the traffic works out to 0.772 Million Tonnes for 2010-11 and iron ore traffic estimated for the subsequent years 2011-12 to 2013-14 is 0.9 MTPA, 0.95 MTPA and 0.99 MTPA. The reason for anticipating sudden drop in the iron ore traffic from the actual handled in the year 2009-10 may be explained.</td><td>Iron ore traffic of 1.36 Mn in 2009-10 includes Manganese Ore of 0.26 Mns. Groupings were modified in cost statements. Actual iron ore handled in terminal for last 3 years as given below:
<table><tr><th>Year</th><th>Iron Ore (MnMT)</th></tr><tr><td>2008-09</td><td>0.74</td></tr><tr><td>2009-10</td><td>1.15</td></tr><tr><td>2010-11</td><td>0.82</td></tr><tr><td>Average</td><td>0.90</td></tr></table>
Iron ore cargo is subject to volatile in export market besides restrictions in iron ore movements imposed by State Governments. Hence in line with the actual tonnage handled in the year 2010-11, projections of 2011-12 to 2013-14 were made.</td></tr>
<tr><td></td><td>(vi). (a). The traffic projections of Coking coal are estimated to reduce from 4.00 Million tonnes and 4.46 Million tonnes handled in years 2009-10 and 2010-11 (extrapolated based on six months actuals) respectively to 3.50 Million tonnes, 3.90 million tonnes and 3.52 million tonnes in the years 2011-12 to 2013-14 respectively. Explain the reasons for projecting the overall coking coal traffic lower than the traffic handled in the past years.</td><td>(i). Traffic projections of coal group in cost statements include non- coking coal also. Reduction of coal traffic projected in 2011-12 of 1.52 lakhs MT on account of non-operational of EQ 9 berth for 2 months as stated above.

(ii). Traffic projections of coal group for 2012-13 and 2013-14 have been modified in the revised cost statements.</td></tr>
</table>

(b). Furnish the actual coking coal handled through BMHS during the years 2008-09 to 2010-11. Explain the reasons for estimating reduction in the coking coal traffic through BMHS from 2.00 million tonnes projected for the year 2011-12 to 1.90 million tonnes and 1.42 million tonnes for the years 2012-13 and 2013-14 respectively.

Actual coking coal handled through BMHS for the past 3 years are furnished below:

Year	Mn MT
2008-09	1.39
2009-10	2.03
2010-11	1.93
Average	**1.78**

Based on the above subsequent year projections have been modified as under:

Year	Mn MT
2010-11	2.00
2011-12	2.10
2012-13	2.22
Average	**2.10**

(18% Increase)

(vii). The cargo volume under 'other cargo' handled during the year 2009-10 is reported at around 4000 tonnes. The actual 'other cargo' handled in the year 2010-11 may be furnished as it is shown as nil. The basis of estimating the other cargo for the years 2011-12 to 2013-14 at 2 lakh tonnes, 1 lakh tonnes and 1.05 lakhs tonnes respectively may be explained along with breakup of the cargo considered under other cargo.

Regrouping of cargoes have been done now, as per which the cargo volume under other cargo handled during past 3 year as given below:

Year	Mn MT
2008-09	0.36
2009-10	0.24
2010-11	0.48
Average	**0.36**

Based on the above, for subsequent year projections have been modified as under:

Year	Mn MT
2010-11	0.40
2011-12	0.50
2012-13	0.52
Average	**0.47**

(viii). The vessel traffic estimated by the VSPL for the years 2011-12 to 2013-14 may be reviewed based on the actual number of vessels handled during the year 2010-11.

The Vessel Traffic estimated by the VSPL for the years 2011-12 to 2013-14 has been reviewed based on the actual number of vessels handled during the year 2010-11 and is furnished.

Sl. No.	Particulars	Actual			Estimates		
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Total no. of vessels	208	293	273	245	289	304
2.	(i). Foreign going vessels	204	260	238	245	289	304
	(a). Upto 30000 GRT	114	124	111	114	147	154
	(b). 30001 to 60000 GRT	90	136	127	131	142	150
	(c). Above 60000 GRT	NIL	NIL	NIL	NIL	NIL	NIL
	(ii). Coastal vessels	4	33	35			
	(a). Upto 30000 GRT	4	33	27			
	(b). 30001 to 60000 GRT	Nil	Nil	8			
	(c). Above 60000 GRT	Nil	Nil	Nil			

(ix). The vessel traffic estimated for the years 2011-12 to 2013-14 includes a small proportion of coastal vessels. However, the cargo traffic as well as the vessel and cargo handling income estimated for the years

(a). Coastal vessels are chartered by SAIL for transport of cargo unloaded from foreign vessels to the destinies like Paradip/Haldia, instead of dispatch by Railway wagons. The same depends on their policy and plant requirements, which is not consistent.

	2011-12 to 2013-14 do not show any coastal volume / income. Please clarify the correct position.	(b). Since the same imported cargo is to be exported by coastal vessels, and there is no certainty of continuance of such operations, no volume and income is estimated for 2011-12 to 2013-14.
(3).	**<u>Capacity</u>:**	
	(i). Form 2A states that the existing capacity of the terminal is 6.70 million tones. Please furnish working of the capacity calculation with reference to the equipment deployed and the existing productivity.	(a). Our existing terminal capacity of 6.7 million tonnes has been re-examined and reworked taking into account the proposed investments. Cost statements have been modified accordingly. (b). It is submitted that the existing assessed capacity of 6.7 MnMT has to be viewed in conjunction with storage capacity, installed capacity (vertical transfer) and evacuation capacity (Horizontal transfer). The capacity calculations under the said 3 methods are furnished. (c). As may be noted, the capacity of our terminal under the 3 methods as given below are worked out after taking into account the investment on acquisition of additional land, Harbour Mobile Crane and wagon unloader. (d). **Storage capacity:** The total extent of back up area allotted to VSPL under the BOT licence agreement is 117800 sq. mtr. Out of which infrastructure facilities have been developed in an area of 62577 sq. mtr. thus balance area available for cargo stacking is 55223 sq. mtrs. only. Storage capacity is calculated on this extent which works out to 3.6 MnMT per annum. Storage capacity of additional land at exim park works out to 4.6 MnMT per annum. Thus total storage capacity works out to 8.2MnMT per annum. (i). Installed capacity: Installed capacity works out to based on the utilization of equipment deployed by VSPL works out to 9.01 MnMT per annum. (ii). Evacuation capacity: Capacity assessed based on the evacuation capacity of BHM and conventional means (Dumpers and Payloaders) works out to 7.7 MnMT per annum. Our Terminal capacity is accordingly taken at lower of the above said three capacities i.e. 7.7 Mn. Tons.
	(ii). The assessed capacity for all the years 2011-12 to 2013-14 is maintained at the existing level. The VSPL has not indicated additional capacity on account of various additions proposed to the gross block during these years. Indicate additions to the capacity with reference to each of the investment proposed on development of storage yard, purchase of mobile harbour crane, grab and other equipment during the years 2011-12 to 2013-14 and also with reference to the expected productivity improvement. Detailed workings may be furnished in this regard.	
(4).	**<u>Income estimation</u>:**	
	(i). The VSPL has mentioned about a bilateral agreement with SAIL under which discounts in tariff were allowed by VSPL and requested not to ignore the revenue discount offered by it to the SAIL in the tariff revision exercise. In this connection, it may be noted that the Authority in some other general revision cases has decided that revenue realisable at the rates approved is to be considered and reduction in revenue due to concessions granted by the port/ private operator at its discretion will not be considered in the tariff revision exercise.	(a). SAIL is the only major customer importing coking coal through Gearless Panamax vessels in Vizag Port for about 5 MnMTs. As TAMP is aware RINL's coking coal hit her to handled at Vizag Port has fully migrated to Gangavaram Port. Hence for operational viability of VSPL and protection of cargo volume in VPT it is absolutely essential for VSPL to retain SAIL Cargo. Keeping this in view, a 4 years short term agreement with SAIL was entered w.e.f., 06.05.2008. As such giving reduction in approved tariff to SAIL is purely out of the contractual necessity and compulsion to retain SAIL cargo at VPT/ VSPL. Thus, there is absolutely no discretion from our end in granting reduction in tariff to

	The revenue impact of such discounts allowed by the VSPL may be quantified for each of the past years and the cost statement may be modified to show revenue realisable at the approved SOR.	SAIL. It is again submitted that the concession in tariff to SAIL is also in accordance with TAMP guideline 2.16.1, 4.4 and as advised by TAMP vide ref. xxvii (b) of earlier tariff order. (b). It may not be out of place to mention here that after one year of commencement of contract, SAIL unilaterally insisted upon further reduction of rate and forced VSPL to reduce the rates, correspondence referred to herein can be produced to the authorities with the permission of SAIL. (c). It is submitted that but for this rebate, VSPL could not have achieved the 30% growth in throughput compared to projections in 2009-10 and 2010-11. Despite the cargo growth, the revenue earned is almost the same level of revenue as per projections in 2009-10 and 2010-11 implying that cargo growth achieved is the offshoot of the rebate given. (d). As provided in Tariff guidelines 4.4, the rebates were offered within overall ceiling rate on non-discriminatory basis with an objective of achieving projected cargo throughput and utilization of BMH facility installed. It is therefore again requested to consider our submission that discounts offered may not be considered in the cost statements. It may be noted that VSPL has proposed reduction of ₹21.00 per Ton for use of BMHS facility in the proposed SOR.
	(ii). If the actual revenue reported in the Annual Accounts of 2008-09 to 2010-11 (actuals to be furnished by VSPL) are net of discounts allowed by VSPL (as understood from its proposal) then the revenue realizable at the ceiling level of tariff prescribed by the Authority may be furnished. A detailed income calculation may be furnished for the years 2008-09 to 2010-11 based on the actual traffic handled and applying the rates approved in the Scale of Rates (SOR) of the VSPL.	As explained above, this requirement may be waived in accordance with tariff guideline 2.16.1 and 4.4. VSPL had to face competition from its customers using its services of Stevedoring with HMC after deployment of two ABG Cranes at VPT for which TAMP fixed a rate of ₹39.75/Ton. As TAMP is aware, VSPL while fixing the tariff by TAMP for the HMCs at VPT had represented to TAMP to fix the rate for the HMCs at VPT duly considering the rate of ₹72.75/Ton fixed for HMCs at VSPL to avoid unhealthy competition. Hence, VSPL had to offer 100% discount in stevedoring charges for customers using its Shore cranes so as to ensure full utilization of its Shore cranes and achieve the projected cargo throughput. The rebates/discounts to SAIL and to customers using HMC has enabled VSPL to achieve the revenue as projected to TAMP for 2009-10 and 2010-11 and has ultimately reduced the accumulated losses to be adjusted in 2011-12 to 2013-14. As TAMP is aware, VSPL, as the first BOT project of VPT has suffered huge accumulated losses till 2008-09 and still has not wiped out its accumulated losses. Though it could make a turnaround for the first time in 2009-10 and make surplus in 2010-11, it is again faced with the challenges of strengthening its berth and heavy competition from various BOT projects coming up at VPT in the Tariff cycle now considered. VSPL is contemplating several Capex programmes to cope up with these challenges as put up in this proposal. TAMP is therefore requested to take an objective view and accept our request of not considering the rebates/discounts in Tariff revision proposal.

(iii). The VSPL has estimated wharfage income from 'other cargo' at ₹25.00 per tonne. The Scale of Rates of VSPL approved by the Authority does not prescribe separate wharfage rate for 'other cargo'. Basis of estimating wharfage rate for other cargo at ₹25.00 per tonne may be explained. Similarly, the basis for estimating stevedoring income from other cargo at a rate of ₹25.00 per tonne may also be explained.

(a). Please refer our reply to point no.B (2) (viii) above. Other cargo contains 90% of Manganese ore. Since wharfage for manganese ore is ₹24.70 PMT we have updated cost statement with ₹24.70 PMT.

(b). Average rate of ₹25/- PMT is considered for Stevedoring charges for other cargo (which contains 90% of Manganese ore) as the separate charges for stevedoring charges are not specified in SOR.

(iv). The VSPL has estimated the operating income at the existing as well as proposed rates for the years 2011-12 to 2013-14 from various operations / services, viz. BMHS, Stevedoring, Harbour Mobile Crane, Shore handling, etc. based on the assumption that 100% of the estimated traffic (other than through BMHS cargo) would avail the stevedoring service, 87% of the traffic other than BMHS would avail HMC service and 55% of such other cargo would avail Shore handling service. The basis for arriving at the percentage share of cargo availing different services may be explained and justified with the share of cargo that actually availed each of these services in the last 3 years 2008-09 to 2010-11. It may be noted that during the last tariff revision, the proportion of cargo availing the above services were assumed at 100%, 80% and 20% respectively.

Details of tonnage of cargo availing services with BMH, Stevedoring with vessel gear, Stevedoring with HMC and Stevedoring with shore handling services for the years 2008 to 2011 is furnished. Based on the actual data, given below, we have projected customers availing HMC services at 87 % (32% + 55%) and Shore handling services at 55 % based on 2009-10.

Year	Total Cargo	BMH		Conventional	
		In Mt.	%	In Mt.	%
2008-09	4679446	1,399,953	29.92	3,279,493	70.08
2009-10	6435894	2,038,791	31.68	4,397,103	68.32
2010-11	6473397	1,935,180	29.89	4,538,217	70.11
%			**30.50**		**69.50**

Year	Qty	Stevedoring		Stevedoring +HMC		Stev. + HMC + Shore	
	In Mt.	In Mt.	%	In Mt.	%	In Mt.	%
2008-09	3.27	0.52	15.90	1.66	50.86	1.09	33.24
2009-10	4.39	0.60	13.67	1.43	32.57	2.36	53.76
2010-11	5.53	0.37	6.60	0.74	13.35	4.43	80.05
%			**12.6**		**32.26**		**55.68**
87							

(v). At point no.8 of notes to projections, the VSPL has stated that from the year 2012-13 onwards, the share of other cargo likely to attract storage charge would reduce in view of the development of storage area at Exim park. The point made by VSPL is not clear. The tariff arrangement proposed for storage of cargo at the storage area of Exim Park may be explained and the treatment given in the cost statement may also be indicated. The storage revenue expected to be earned from stacking cargo at the proposed storage yard at Exim park may be indicated year wise along with the computation. The queries raised on the proposed capital investment in the subsequent paragraphs may be addressed.

(a). Under point no.8, it is stated that storage charges will increase from present 55% to 100% in view of development of storage area at EXIM Park.

(b). It is further stated that storage charges are estimated at EXIM park based on average dwell time of cargo.

(vi). The VSPL has estimated storage income from the additional land proposed for development of storage area at ₹1.16 crores and ₹1.22 crores for the years 2012-13 and 2013-14 respectively which is not supported by any working. Please furnish the workings.

Storage income from the additional land is revised in cost statements based on revised projections as detailed below :

As explained above, storage charges for 55% of cargo shown under plot rent and remaining 45% cargo shown separately under storage income from additional land. At least 30 days are required to clear the cargo as per the trade requirement. Hence charges for two fortnights

<table>
<tr><td></td><td></td><td>(₹6 PMT per first fortnight and ₹9 PMT for second fort night (as per the existing scale of rates) are estimated.
<table>
<tr><th>Particulars</th><th>2011-12</th><th>2012-13</th><th>2013-14</th></tr>
<tr><td>Total projection Excluding BMH Qty (Mn Mt)</td><td>3.85</td><td>4.65</td><td>4.89</td></tr>
<tr><td>45 % estimated</td><td>NA</td><td>2.09</td><td>2.20</td></tr>
<tr><td>Storage available</td><td>NA</td><td>Half year</td><td>Full year</td></tr>
<tr><td>Rate per MT</td><td>NA</td><td>15</td><td>15</td></tr>
<tr><td>Revenue (₹ in Mn)</td><td>NA</td><td>15.6</td><td>33.1</td></tr>
</table></td></tr>
<tr><td></td><td>(vii). The VSPL has proposed a new tariff item Railway siding maintenance charges at ₹3.20 per tonne and has estimated income on this account at ₹1.31 crores, ₹1.37 crores and ₹1.25 crores for the years 2011-12 to 2013-14 respectively. The VSPL is requested to furnish workings of the income estimated from the proposed new tariff item.</td><td>Revenue requirement for this new tariff item is as given below:
<table>
<tr><td>Investment</td><td></td><td>91,420,000</td></tr>
<tr><td>Operating cost:</td><td></td><td></td></tr>
<tr><td>- Siding Maintenance</td><td></td><td>3,996,000</td></tr>
<tr><td>- Insurance & other expenditure</td><td>1% on Net Block</td><td>914,200</td></tr>
<tr><td>- Repair & Maintenance</td><td>3% on Net Block</td><td>2,742,600</td></tr>
<tr><td>Depreciation</td><td>Amortisation</td><td>3,265,000</td></tr>
<tr><td>Return on investment - 16%</td><td>16% on Net Block</td><td>14,627,200</td></tr>
<tr><td>Total Revenue requirement</td><td></td><td>25,545,000</td></tr>
<tr><td>Projected cargo to be handled through railways</td><td></td><td>4,000,000</td></tr>
<tr><td>Per MT</td><td>INR</td><td>6.3863</td></tr>
<tr><td>Less: Discount in rate</td><td></td><td>50%</td></tr>
<tr><td>Proposed rate</td><td>INR</td><td>3.2</td></tr>
</table>
As may be noted it is proposed to recover only 50 % from the users at ₹3.20 PMT.</td></tr>
<tr><td></td><td>(viii). The VSPL has not furnished detailed computation / workings for the estimated vessel related income. The VSPL is, therefore, requested to furnish a detailed computation of income estimated from berth hire for the years 2011-12 to 2013-14 at the existing tariff separately for foreign going vessels and coastal vessels.</td><td>Detailed computation / workings for the estimated vessel related income is furnished below:
<table>
<tr><td>Net Block as on 31.3.2011 as per Form 5A</td><td></td><td>618,756,505</td></tr>
<tr><td>Operating Cost:</td><td></td><td></td></tr>
<tr><td>- Maintenance Dredging</td><td></td><td>8,856,936</td></tr>
<tr><td>- Repairs & Maintenance</td><td>1% on Net Block</td><td>6,187,565</td></tr>
<tr><td>- Depreciation</td><td>As per Form 5A</td><td>34,326,446</td></tr>
<tr><td>- Insurance & Other expenditure</td><td>1% on Net Block</td><td>6,187,565</td></tr>
<tr><td>Return on investment – 16%</td><td>16% on avg. net block</td><td>88,028,159</td></tr>
<tr><td>Net block 2011-12</td><td>584,430,059</td><td></td></tr>
<tr><td>Net block 2012-13</td><td>550,175,996</td><td></td></tr>
<tr><td>Net block 2013-14</td><td>515,921,934</td><td></td></tr>
<tr><td>Average investment</td><td>550,175,996</td><td></td></tr>
<tr><td>Total revenue requirement</td><td></td><td>143,586,671</td></tr>
<tr><td>Total GRT hours</td><td></td><td>350,094,222</td></tr>
<tr><td>Per GRT/ hour (INR)</td><td>INR</td><td>0.4101</td></tr>
<tr><td>Exchange rate of USD</td><td></td><td>45.09</td></tr>
<tr><td>Per GRT/ hour</td><td>USD</td><td>0.0091</td></tr>
<tr><td>Less: Discount in rate</td><td></td><td>(0.0019)</td></tr>
<tr><td>Proposed rate per hour per GRT</td><td>USD</td><td>0.0072</td></tr>
<tr><td>Existing Rate</td><td></td><td>0.0020</td></tr>
<tr><td>% of increase in compare with previous rate</td><td></td><td>260</td></tr>
</table></td></tr>
</table>

		Further, it is submitted that impact of coastal vessel is not considered as there are no significant coastal vessels.
	(ix). The exchange rate of ₹46.00 per US$ considered by VSPL (as per Form 2B) may be revised to reflect the current market rate.	Modified with current exchange rate.
	(x). Form 2B includes ₹32.50 lakhs per year estimated uniformly for the 3 years 2011-12 to 2013-14 as other income. From the explanatory notes, it is understood that this income is towards interest on deposit made on account of DSRA with the bank. Explain the nature of this income and the term DSRA. As per Note 7 interest income on investment from specific funds, Escrow Account, General Reserve are to be excluded.	DSRA means Debt Service Reserve Account. Under our Term Loan agreement entered with bankers we need to maintain one quarter obligation loan installment and interest in fixed deposit with bank as a comfort in timely servicing of our debt installments. Accordingly we have now excluded in the cost statements as advised.
(5).	**<u>Operating cost</u>:**	
	(i). In terms of the clause 2.5.1 of the tariff guidelines for tariff fixation, expenditure projection should be in line with traffic adjusted for price fluctuation with respect to the current movement of Wholesale Price Index (WPI) for all commodities announced by the Government of India. Annual escalation in the cost estimation will be allowed as per the said provision in the tariff guidelines of March 2005.	Cost estimations have been made at 3.76% as communicated by TAMP in its Order dated 18.05.2010.
	(ii). Since the year 2010-11 is already over, the cost statements may be updated with actual expenditure and estimated for the years 2011-12 to 2013-14 may be reviewed and revised based on the 2010-11 actuals.	Estimates for years 2011-12 to 13-14 are revised based on the actual expenditure for 2010-11.
	(iii). **<u>Operating and Direct Labour</u>**:	
	(a). The actual operating and direct labour reported for six months of the year 2010-11 when extrapolated for the full year works out to ₹226.67 lakhs. The operating and direct labour estimated for the year 2011-12 shows 15% increase over the 2010-11 extrapolated figures. The basis for estimating 15% increase in the year 2011-12 may be explained.	Rate to contractor was increased from ₹2.25 PMT to ₹3.05 PMT from 0ctober 2010. However, the increase is 7% only in 2011-12 as per our revised cost estimate.
	(b). The operating & direct labour cost for onboard and shore operations is reportedly estimated with respect to traffic based on the actual amount being paid to contractors. The unit rate adopted for estimating the operating and direct labour in the workings of estimated expenditure may be substantiated with the copies of outsourcing contract.	Copies of work order issued for labour deployed on board and labour for wagon loading is furnished.
	(c). (i). Copy of outsourcing contract entered by VSPL for supply of maintenance labour as stated in Form 3B of the proposal, may be furnished.	(i). Copy of the outsourcing contract for supply of maintenance labour and maintenance and operation of BMH are furnished.

<table>
<tr><td></td><td>(ii). Justify the annual escalation of 5.4% considered for the years 2012-13 and 2013-14 over the estimates of 2011-12 and clarify whether the outsourcing contract provides for such annual escalation.</td><td>(ii). Escalation is provided at 3.76 % as explained above in revised cost statements. Contract provides for annual escalation based on the minimum wages and whole sale price index.</td></tr>
<tr><td></td><td>(d). Please confirm whether the labour supply contracts were awarded by competitive bidding and following arms length relationship. If any of the shareholders or employees of VSPL have interests in the outsourcing contracts for supply of different categories of manpower and different types of equipment, the details may be disclosed.</td><td>Contracts are awarded by competitive bidding and following arm's length relationship.</td></tr>
<tr><td></td><td>(iv). <u>Equipment Running Cost</u>:</td><td></td></tr>
<tr><td></td><td>(a). <u>Power Cost</u>:

(i). The proposal of VSPL states that power cost is estimated based on the actual expenses for the 6 months in 2010-11 with 3.76% annual escalation with reference to cargo projected to be handled through BMHS. However, the reduction estimated in the cargo traffic to be handled through BMHS is not considered while estimating the power cost.

(ii). Form 3B may be updated with actual per tonne power consumption and unit rate of power for the years 2008-09 to 2010-11.

(iii). The product of unit rate of power, power consumption and the traffic projected for BMHS does not match with the power cost estimated for the years 2011-12 to 2013-14. Please furnish correct calculation of power cost estimation.</td><td>A detailed working on power cost for the last year is furnished. Form 3 B updated with actual tonne power consumption per tonne and unit rate for the power for years 2008-09 to 2010-11. Based on the actual data, power cost is estimated and updated in cost statements.</td></tr>
<tr><td></td><td>(b). <u>Fuel Cost</u>:
(i). The per tonne fuel cost reported at ₹3.95 is increased by 18.48% i.e. to ₹4.68 per tonne in the year 2010-11. The reasons for sudden increase in the per tonne fuel cost may be explained.

(ii). Also furnish details of actual per tonne consumption of fuel and the actual unit cost of fuel for the years 2008-09 to 2010-11.

(iii). Also, justify 9.4% increase estimated in the per tonne fuel cost in the year 2011-12.</td><td>The below are the details of fuel cost incurred in respect of quantity handled by Harbour Mobile Cranes for the past 3 years.

<table>
<tr><th rowspan="2">Year</th><th rowspan="2">Fuel</th><th rowspan="2">Qty Handled</th><th colspan="2">Qty By</th><th rowspan="2">PMT</th></tr>
<tr><th>Vsl Gear</th><th>HMC</th></tr>
<tr><td>08-09</td><td>13794413</td><td>4,679,446</td><td>520,288</td><td>4,159,158</td><td>3.32</td></tr>
<tr><td>09-10</td><td>23022809</td><td>6,435,894</td><td>609,782</td><td>5,826,112</td><td>3.95</td></tr>
<tr><td>10-11</td><td>30773421</td><td>6,473,397</td><td>365,116</td><td>6,108,281</td><td>5.04</td></tr>
</table>

Fuel cost per MT is increased by 19% and 27% respectively for the years 2009-10 and 2010-11. Cost per MT is increase due to increase in price and per tonne consumption. It is submitted that % of fuel price is gone up by 3.5% and 15% respectively for 2009-10 and 2010-11 as detailed below:
<table>
<tr><th>Year</th><th>Rate per ltr.</th><th>% Increase</th></tr>
<tr><td>2008-09</td><td>33.44</td><td></td></tr>
<tr><td>2009-10</td><td>34.61</td><td>3.50</td></tr>
<tr><td>2010-11</td><td>39.77</td><td>14.91</td></tr>
</table>

Fuel escalation is estimated at 3.76% for subsequent years in line with TAMP order, irrespective of above increase. Accordingly, fuel cost estimated and updated in cost statements.</td></tr>
</table>

<table>
<tr><td></td><td>(c). <u>Repairs & Maintenance Cost</u>:

(i). Actual repairs and maintenance expenses for the year 2010-11 may be updated in the cost statement and estimates for the years 2011-12 to 2013-14 may be revised accordingly.

(ii). Confirm whether repairs and maintenance cost is estimated on the additions proposed to the gross block during the years 2011-12 to 2013-14.</td><td>

(i). Actuals for 2010-11 is updated and estimates for subsequent years are revised accordingly.

(ii). No repair & maintenance is estimated on the following additions proposed vide our remarks below:
<table>
<tr><th>Additions</th><th>Amount (mns)</th><th>Year</th><th>Remarks</th></tr>
<tr><td>Purchase of Grab</td><td>9.8</td><td>2011-12</td><td>Grab does not require any major repair during first two year</td></tr>
<tr><td>Purchase of HMC</td><td>132.3</td><td>2011-12</td><td>Under warranty for 3 years</td></tr>
<tr><td>Purchase of gantry</td><td>139.1</td><td>2011-12</td><td>Under warranty for 3 years</td></tr>
<tr><td>Repairs to berth</td><td>146.1</td><td>2011-12</td><td>Since it is a capital expenditure for repairs no maintenance is estimated. Normal repairs based on previous year actuals is already taken into account</td></tr>
<tr><td>Land development</td><td>449.82</td><td>2012-13</td><td>Expected to be completed by mid-2012-13. No immediate repairs are estimated.</td></tr>
</table></td></tr>
<tr><td></td><td>(d). <u>Maintenance dredging:</u>

(i). Copy of dredging contract, if any, entered by VSPL may be furnished to substantiate the cost.

(ii). The VSPL in the proposal has stated that VPT is charging dredging cost on per shift basis. Please furnish copies of bills raised by the VPT on VSPL for maintenance dredging for the years 2008-09 to 2010-11 to substantiate the figures considered.

(iii). The unit rate of dredging considered at ₹369039/- per shift for 24 shifts may be justified with reference to past actuals.</td><td>

(i). No dredging contract entered with VPT.

(ii). A statement showing cost incurred for the respective years along with copies of bills is furnished.

(iii). It is as per the claim raised by VPT as its dredger Sagar Durga only was used for maintenance dredging. Estimated at 1 shift per each berth in a month.</td></tr>
<tr><td></td><td>(e). <u>Revenue Share</u>:

(i). During the last tariff revision both VSPL and VPT had confirmed that as per the bid document, the definition of gross revenue represents only wharfage and berth hire income for the purpose of revenue share. Accordingly, based on the actual income from wharfage and berth hire reported at ₹15.47 crores in the Annual Accounts of the year 2009-10, the admissible revenue share to the extent of next highest bidder i.e. 12.811% works out to ₹1.98 crores. However, the VSPL in the cost statement has considered revenue share of ₹2.89 crores as pass through for</td><td>

(i). There was a dispute between VPT and VSPL in the matter of application of SOR i.e. VPT Scale of Rates or VSPL Scale of Rates for the purpose of calculation of Revenue share payable to VPT. VPT has been contending that it shall be calculated on the basis of SOR of VSPL as the same is higher than their SOR. The dispute was referred to arbitration and the award was passed in December, 2009 in which it was held that VSPL shall pay revenue share at its SOR to VPT from May 2005 onwards, the date when its SOR was first fixed by TAMP. Accordingly, the difference in Revenue share payable from May 2005 to December 2009 was provided in our books leading to revenue share increase to ₹5.64 crores in 2009-10.</td></tr>
</table>

the year 2009-10. Moreover, the revenue share payment reported in the Annual Accounts for the year 2009-10 is ₹5.64 crores as against ₹2.64 crores when computed as per the LA at 17.111% on the wharfage and berth hire income. Explain the reasons for variation in these figures for the past period.

Further, it is submitted that we have entered a short term contract with SAIL from 06.05.2008 onwards for an Integrated terminal service charges per MT which includes wharfage. Invoices that are being made on SAIL does not contain wharfage element hence wharfage charges as per annual accounts will not reveal properly in respect of tonnage handled. Revenue from SAIL earned was shown under integrated terminal service charges under income group which includes wharfage on quantity handled by VSPL.

The statements enclosed in this regard will clarify you the above position.

(ii). Furnish workings of revenue share payable as per LA giving the details of the actual income from berth hire and wharfage for the years 2008-09 to 2010-11 duly tallying the figures with the respective Annual Accounts and the revenue share admissible as pass through as per the tariff guidelines.

(ii). The required workings are given below:

Year		2008-09	2009-10	2010-11
Berth hire		17,749,644	35,618,407	35,488,133
Wharfage		138,796,053	219,101,462	223,464,680
Total		**156,545,698**	**254,719,869**	**258,952,813**
Payable to VPT	17.111	26,786,534	43,585,117	44,309,416
Allowable as per TAMP	12.811	20,055,069	32,632,162	33,174,445
Paid by VSPL to VPT		22,763,135	59,144,186	44,309,420
Differential amount (Actual payment-Allowed as per TAMP guidelines)		(2,708,066)	(26,512,024)	(11,134,975)

	As per Balance Sheet			
For the year	**Berth hire**	**Wharfage**	**Included in ITSC**	**Total**
2008-09	17,838,552	100,825,379	37,970,675	156,634,606
2009-10	35,618,411	118,693,540	100,407,922	254,719,873
2010-11	35,488,133	144,157,541	79,307,139	258,952,813
				670,307,292

Note: Wharfage charges were not separately raised for vessels handled under integrated service charges. Integrated terminal service charges invoice includes wharfage hence the same will not appear in annual accounts.

(iii). Annual Accounts for the year 2009-10 reports interest payment on royalty to the tune of ₹27.38 lakhs. Please clarify the treatment given to this item in the cost statement.

(iii). Interest paid on royalty was not considered in cost statements.

(v). **Equipment hire charge**:

(a). Equipment hire charges for the years 2011-12 to 2013-14 is estimated based on different per tonne rates for different services like BMHS handling, stevedoring, HMC, Shore handling services, etc. The unit rate adopted for estimating the equipment hire charge may be substantiated with copies of latest contract entered by VSPL in this regard. The unit rate considered in the cost estimation may be correlated with the unit rates indicated in the contract.

(a). Copy of contract is furnished.

(b). Confirm that the contract awarded by VSPL was finalised following competitive bidding process to ensure reasonableness of rates.

(b). Contract was awarded after competitive bidding process.

(c). For estimating the hire cost of Harbour Mobile Crane [HMC] (outsourced by VSPL), the unit rate of ₹42/- per tonne is applied on 33% of 80% of the estimated cargo traffic other than coal handled through BMHS. The basis of applying these percentages for estimating the hire cost of HMC may be explained.

(c). The impact of reduced hire charges has been considered in the modified cost statements.

It is submitted that the following are the details of tonnage handled by HMC outsourced by VSPL for the past 3 years.

Year	Qty Handled	Qty By		HMC (hired)	%
		Vsl Gear	*HMC*		
2008-09	4,679,446	520,288	4,159,158	1,155,132	27.77
2009-10	6,435,894	609,782	5,826,112	1,769,711	30.38
2010-11	6,473,397	365,116	6,108,281	1,846,914	30.24
	17,588,737			**4,771,757**	

Based on the actual tonnage handled by outsourced HMC and in view of inclusion of one Harbour Crane, we estimated cargo 1/3 rd of 80 %of cargo other than BMH to be handled by out sourced agency as estimated below.

(d). With the addition of one Harbour Mobile Crane proposed by VSPL in the year 2011-12, there may be a reduction in the expenses relating to hire charges of HMC outsourced by the VSPL (which is with reference to cargo handled) considering that no increase is projected in the traffic. Please clarify and confirm whether the impact thereof is considered in the cost estimation.

(d).

Year	Qty projected	Qty By		Hired HMC	%
		BMH	*Others*		
2011-12	5,950,000	2,000,000	3,950,000	1,053,333	26.67
2012-13	6,772,500	2,100,000	4,672,500	1,246,000	26.67
2013-14	7,111,125	2,205,000	4,906,125	1,308,300	26.67
	19,833,625			**3,607,633**	

It is further submitted that we have reduced quantity for outsourcing to 26% despite of 12.76% growth projected infrastructure.

(vi). **Lease Rentals**:

(a). Computation of lease rental for the years 2009-10 to 2013-14 furnished in Form 3B does not tally with reference to the unit rate and area indicated. Please examine and furnish revised workings. Confirm the lease rental adopted is as per the provision in the LA.

(a). It is submitted that we have taken 121700 Sq.mtr area from VPT as per LA. In addition to that we have taken various plots for stacking purpose from VPT during the respective years on availability. Rents paid to those plots and lease rent paid to Workers Amenity Building (WAB) were also included in lease rents. Hence Area and rate indicated in cost statements differs from actual calculation of lease rent.

Lease rents to VPT modified in cost sheet considering rent payable to VPT for additional land from 01.10.2012 (Half year)

Required workings is furnished.

It is confirmed that the lease rentals are adopted as per the LA provisions.

(b). The VSPL has estimated lease rental for building and others from the years 2011-12 onwards. Basis of estimating the lease rental may be explained with calculation and also confirm it is as per the provisions in the LA.

(b). As you are aware that we have taken one building named “Workers amenities building” from VPT, for which monthly rent of ₹62986 was estimated for 12 months.

	(vii). **Insurance**: (a). Justify the reasons for proposing steep increase in the insurance cost estimated for the years 2011-12 to 2013-14 with reference to actuals for the years 2009-10 and 2010-11 (extrapolated for full year). (b). A copy of the insurance cover taken by the VSPL for the year 2010-11 may be furnished to substantiate insurance premium cost. (c). Copy of report of the asset valuer approved by the Insurance Company to assess the replacement value of assets may be furnished and a copy of insurance cover taken for the year 2011-12 may also be furnished to justify the increase proposed in the estimate.	 (a). Due to coverage of additional cranes. (b). Copy of insurance cover for 2010-11 is furnished. (c). We have covered the HMCs and BMHS at their replacement value being our major assets. No asset valuation is done every year and coverage is based on last year value with additions made during the year for new assets and based on our internal assessment of replacement value. Copy of the insurance policy for 2011-12 is furnished.
	(viii). **Technical Service Fee**: (a). During the last tariff revision, technical service fee paid/ estimated during individual years from the year 2006-07 onwards was amortized over the remaining period of the project. The same approach may be followed for the past period as well as estimates for 2011-12 to 2013-14. (b). Furnish the calculation with reference to the amortization of Technical Service Fee. (c). This Authority in the last tariff Order notified in April 2009, had admitted technical service fee as an item of cost and amortized the same over the remaining period of project relying on the certificate issued by its Chartered Accountant establishing 'arms length' relationship of the transaction as per the Income Tax Act subject to the condition that the VSPL will produce the Income Tax (IT) Assessment Order for each of the years to show that Income Tax Authorities have allowed this expenditure. The VSPL is requested to furnish the IT Assessment Order of previous years to show that this item is admitted as expenditure by the IT authorities. In the absence of the IT Assessment certificate, it may be noted that the relevant cost allowed in the earlier tariff fixation exercise may have to be reviewed.	 (a). Cost statements are modified accordingly. (b). Amortization of ₹3.50 crores has been made over the rest of the license period of 28.3 years as made by TAMP in the last Order. (c). Copies of assessment orders for 2007-08 and 2008-09 are furnished showing the allowance of this expenditure by the Income tax authorities.
	(ix). **Depreciation**: Confirm the depreciation computed by VSPL is in line with clause 2.7.1. of the tariff guidelines of 2005.	Confirmed.

<table>
<tr><td></td><td>(x). <u>Form 6 – Analysis of Efficiency Gain Improvement:</u>

(a). The VSPL has in Form 6 stated that it has achieved cost reduction on account of efficiency improvement but the details furnished shows increase in the variable cost (per unit).

(b). The VSPL has not established that the reduction achieved in cost is due to efficiency/ productivity improvement. Further, the VSPL has not claimed the efficiency gain in the cost statement.

(c). The VSPL may compare the relevant cost items during the period 2008-09 to 2010-11 covered by the last tariff Order with the corresponding items of actual variable cost incurred during the previous tariff cycle and conclusively establish that the savings, if any achieved, in the per tonne cost is due to improvement in productivity / efficiency.

(d). Also, show that at the same level of reduced per unit cost is considered in the future estimates for the period 2011-12 to 2013-14 for claiming the benefit of efficiency improvement in this tariff cycle.

(e). If any, cost reduction in the relevant items of variable cost emerges, 50% of such cost reduction may be accounted in the estimation of corresponding relevant items of variable cost projected for the years 2011-12 to 2013-14 as per the guidelines.</td><td>

(a). As per the revised Form-6, the total costs are maintained at the same level without considering the annual escalation of 3.76%.

(b). As explained above.

(c). Furnished in Form 7.</td></tr>
<tr><td>(6).</td><td><u>Capital Employed</u>:</td><td></td></tr>
<tr><td></td><td>(i). Since the year 2010-11 is already over, the additions proposed to the gross block, depreciation and other related items may be modified with reference to the actuals.</td><td>Modified accordingly.</td></tr>
<tr><td></td><td>(ii). (a). The additions to the gross block estimated at ₹42.78 crores in 2011-12 and ₹44.98 crores in 2012-13 may be substantiated with copies of work orders issued / budgetary quotations, evidence of advance payment made, etc. The present status of each of the additions proposed to the gross block in the years 2011-12 to 2013-14 may be furnished.

(b). With reference to the proposed investment during the years 2011-12 to 2013-14, please quantify the effect of this investment in terms of addition to the</td><td>(a).
<table>
<tr><th>Additions</th><th>Amount (mns)</th><th>Year</th><th>Remarks</th></tr>
<tr><td>Purchase of Grab</td><td>9.80</td><td>2011-12</td><td>Purchase order copy furnished</td></tr>
<tr><td>Purchase of HMC</td><td>132.30</td><td>2011-12</td><td>Quotation from ETA is furnished</td></tr>
<tr><td>Purchase of gantry crane</td><td>139.10</td><td>2011-12</td><td>Liebherr offer furnished</td></tr>
<tr><td>Repairs to berth</td><td>146.10</td><td>2011-12</td><td>Estimates furnished</td></tr>
<tr><td>Land development</td><td>449.82</td><td>2012-13</td><td>Work order copy for detailed project report is furnished.</td></tr>
</table>
(b). Benefits on proposed investments are given below on item wise:</td></tr>
</table>

	capacity, additional traffic/ business, reduction in the unit operating cost or any improvement in the operational efficiency.	1. **Investment on Purchase of coal grab from M/s.SMAG:** This is for replacing the existing coal grab which has lived its life. A new grab will prevent spillage of cargo and will improve the discharge rate by biting more cargo and it will increase the operational efficiency. **2. Investments on purchase of additional Harbour Mobile Cranes to face competition from the neighbouring Ports under Minor Port Sector which are not under the control of TAMP:** As the authorities are fully aware, several new Port Terminals are set to come up in VPT and a big minor port in Visakhapatnam is already competing with VSPL for bulk cargo. In order to compete with those Port Operators, VSPL must augment its vertical transfer capability to be increased at least upto 35000 TPD. For this purpose, VSPL requires sufficient no. of cranes to ensure continuous availability and routine maintenance of the existing cranes as the existing cranes are aged sufficiently and need careful preventive maintenance. Therefore, purchase of further HMCs would be necessary for two reasons: (i). To increase the discharge rate to 35000 TPD which would pass on a direct benefit to customers by reducing the vessel turn-around time and providing for lowering of freight costs and also earn handsome discharge money. The incentives for customers in bulk cargo for high discharge rates are directly passed onto the receiver/shipper by way of lowering of freight and by way of dispatch money. (ii). To ensure continuous availability of cranes and assure proper preventive maintenance of Harbour Mobile Cranes which is an absolute necessity. It may not be out of place to mention here that VSPL suffered two major Engine blow outs in the last two years leading to huge replacement cost and phenomenal demurrages. Hence, purchase of new Harbour Mobile Crane is considered necessary to meet operational requirements. **3. Investment on Purchase of gantry cranes from Leibherr for achieving higher discharge/load rate for fully-loaded Panamax Vessels that are likely to arrive by 2013:** (a). As indicated earlier, VSPL's storage space is very limited and require specialized equipment for all its operations. Presently several cargoes are unloaded using manual labour, which is showing impact on the efficiency and the Indian Railways will not give priority to those sidings where operations are inefficient. Indian Railways are also providing freight benefit to those users who are utilizing 'engine on Load' scheme, which involves passing on rebate of 5% in freight directly to the user if a rake is unloaded/loaded strictly within 4 hours

		of placement time. VSPL EQ-9 siding is not a mechanized siding and therefore require unique mechanical systems for unloading of wagons, which will improve the efficiency of quick turn over of railway rakes and also pass on the benefit of freight to the users. Railway circular on engine on load scheme is furnished. (b). Further, Railways have banned the usage of Excavator for unloading of cargoes from railway wagons to avoid wagon damages. Deployment of full labour for unloading rakes to avoid usage of excavator takes more time and cost. Further during the rainy seasons unloading the cargo from wagon manually is found very difficult and resulting in wagon demurrage and cargo contamination. Deployment of gantry crane will largely reduce the problems currently being faced by Trade by reducing the unloading time by 40%, avoiding contamination and cargo loss by loading directly into dumpers. This equipment is being imported for the first time in country and is operationally versatile. (c). This machine has been tailor made for Vizag Seaport Terminal. Two such machines would give us required efficiencies. The same machine can also be used for discharging small vessels also. (d). This machine is passing on the benefit to the customer directly and not to the Terminal Operator. The Terminal Operators will gain the capability of quick turn over of the railway rakes, thereby Indian Railways may prefer VSPL sidings as an efficient railway siding. This would help in quick evacuation and turn over of cargo. This is yet another invention being introduced by VSPL in the country for the first time. **4. Strengthening of the EQ 9 Berth and its Backup area severally damaged due to poor sub-soil condition:** (a). VSPL was under pressure for the past two years to achieve its targeted annual through put by increasing the stock heights and staking heavy cargoes for longer duration. Further, the torrential rain causing highest rain fall in Vizag during October to December 2010, has aggravated the water logging in our terminal. (b). The devastation caused to VSPL project facilities and services due to poor subsoil condition (nearly 15 mts below the soil surface) is evident from the photographs furnished. (c). VSPL suffers from the following: (i). Flooding of its terminal due to low water level (ii). Poor drainage system (iii). Soil subsistence/caving of soil (iv). Concrete structures developed minor stresses which needs to be completely stopped. (d). The above devastation factors obviously require rectification not only for continuing the operations, but also to fulfill the obligations of the License Agreement as

		per Article3.9 (a) (ii), where Repairs and Maintenance of the Project Facilities and Services till the expiry of the License Period are cast upon the Licensee. The subsidence of soil of Back Up area of EQ.9 and the condition of EQ.9 Berth, have also been inspected and also pointed out by VPT in their various correspondence which are furnished. Various Letters addressed to VPT informing the soil condition are also furnished. (e). The above evidences are substantial enough to be placed before the authorities that repairs to the Berth and the Backup area is a fundamental necessity, leave alone as an exercise for generating additional revenues and increasing throughputs but as a matter of safety. We are also enclosing the notices received from Dock Safety Authorities, threatening action against us. (f). From the above, it is evident that the repairs being carried out internally in the Terminal are necessitated out of sub soil conditions and low water table of Visakhapatnam Port area and are not aimed at increasing the throughputs or Revenue. **5. Investment on additional land for storage of cargo and increasing the throughputs even after load on the existing terminal is removed.** (a). As per License Agreement with VPT, VSPL was originally allotted a total area of only 97900 Sq. Mts., as back up area for the two Berths EQ.8 and EQ.9. Within this area of land, the entire project facilities such as construction of Berths, Bulk Material Handling System, Weigh bridges, Railway sidings, Roads, Drains, Storage Areas, Transit Area, Dust Suppression System, Pump House etc. had to be built. (b). Thus, it can be seen that the project suffers from the following: EQ- 8 : Absolutely no back up area and cargo has to be handled only through Bulk Material Handling System. If a Customer does not want to avail the services of BMH, the entire BMH remains idle. EQ – 9 : The Berth width is 255 Mts and here also there is no transit storage area. Only one stockpile of storage area admeasuring 12,100 Sq. Mts., is available. (c). Later, the total area was increased to l,17,800 Sq. metres towards additional back up area and construction of Railway Sidings etc. Even then, after taking the transit area for two berths, the cargo storage capacity of these stockpile areas is only 45,223 Sq. meters. (d). Therefore, it is humbly submitted to the authority that VSPL is completely restricted by non-availability of storage area requiring multiple handlings to accommodate different types of cargo.

		(e). Further, VSPL Terminal and the adjoining area is located on a very poor geographical strata. The soil condition of this entire area is so poor that sudden and unexpected soil subsidence leading to upheavals as well as uprooting of existing structure is of common occurrence. Due to poor condition of the soil, the load bearing capacity is severally limited. This fact needs to be appreciated by the authorities while examining the tariff proposals in their entirety. (f). It is further added that VSPL is the only multipurpose Bulk Terminal operating as on date. As already brought out above, the project suffers from the following infrastructure deficiencies: • Non availability of full length railway track; • Non availability of adequate storage area; • Non availability of draft beyond -10.60 Mts., (g). It is also pertinent to mention that severe damages have occurred to VSPL Terminal. VSPL immensely suffers during the monsoon season with cargo stacks collapsing and cascading cargo covering the entire Bulk Material Handling System, Railway Tracks and Roads and it is common during the rainy seasons. The project suffered a severe set back due to unprecedented rains during September to October 2010 leading to phenomenal subsidence of soil not only affecting the structures including the stacker-reclaimer foundation of the Bulk Material Handling System and also the length of 120 mt of Berth developed surface stresses/ damages. Any further loading of cargo would lead to permanent structural damage to civil structure and VSPL had to spend huge expenditure to remove the cargo from back up area and shift various cargoes out to the Plots given by VPT authorities at various locations within the Port viz., EQ-10 Berth, Sandilya Weigh Bridge etc., at considerable transportation cost. (h). In the first ten years of its License Period, the draft has not been increased. It is expected to have the desired draft of -14 m only by 2013 and had to be hopelessly dependent on lighterage of cargo at the Outer Harbour before the vessels eventually arrive into Inner Harbour. In order to survive, VSPL has to take several proactive steps including chartering of Floating Cranes, chartering of Barges etc.. These costs would be appropriately defrayed. (i). Notwithstanding all those facts explained above, it is reaffirmed that, the present storage area available for cargo stacking at VSPL terminal is 55223 sq. mtrs. only including the transit area. Thus, the maximum storage capacity of this area as per TAMP guide lines is only 3.6 MnMTs. Therefore, additional land is required by VSPL to increase the throughputs up to a level of 7 Million Tons without affecting the environmental degradation. Further, the APPCB authorities have imposed severe restrictions in Stacking heights vide notice served on VSPL dated 06.4.2010 and vide CFO order dated

		5.1.2011. While granting Consent for Operations, they have put height restrictions of stock piles to 6 mts. Only as against the 10 to 13 metres stacking levels earlier allowed. Copies are furnished. This has necessitated urgent development of additional storage area to retain the existing through put and to augment additional throughput upto 7 to 8 million tons. The License Agreement (Appendix.1, Clause 3.2) of VSPL with VPT provides for granting additional land in Exim Park and the allotment of land in EXIM Park was made as early as in 2007. Copy of the allotment order is furnished. Thereafter the matter has been pending with Ministry. The requirement of additional land has become absolute after it was observed that there is a soil subsidence in the Terminal as already submitted earlier. (j). Any further storage of cargo with high stacking, is a potential hazard for the project facilities and services and the load on the existing terminal needs to be drastically reduced. Therefore the Port authorities after examining all aspects and after providing sufficient clarifications to Govt. of India had offered 30 Acres in the EXIM Park area of VPT. The nature of the land and the contour of the land allotted to VSPL, necessitated huge investments. The30 Acres plot given to VSPL is in complete marshy area coming under Zone IX of VPT. In fact M/s HPCL have developed their Petro Park in the same location with a soil improvement at the cost of ₹450/ per cu. M. The land contiguous to and appurtenant to HPCL Petro Park is given to VSPL and this needs to be developed for the usage as Storage Yard. The soil condition being very poor, marshy and low-lying, VSPL needs to strengthen the soil at a huge cost by filling of about 600000 Cu. Mts., and there are neither approach roads nor any other facility. Huge investment of about 40 Crores is required. The additional investment on Railway Lines, Compound Walls etc. works out to about ₹15 crores. This huge expenditure is necessitated once again the inherent nature of the piece of the land given by the Licensor to VSPL. This huge expenditure does not significantly contribute to improving turnover of vessels, but providing additional storage space to the cargo volumes to achieve higher throughput. (k). It is submitted that huge land development cost is being incurred due to the condition of land in EXIM Park area that has been given to VSPL. If VSPL is given land that does not require filling/ leveling and ground improvement, the cost would come down by 70%. (l). Thus the proposed investment in additional land is the need of hour not only to protect the existing business volume but also to achieve the targeted cargo growth. To sum up, in the scenario of increasing competition to be faced by VSPL from the emerging new BOT berths in VPT, it is submitted that all the above stated investments are essential to achieve the targeted cargo through put in the next tariff period as they collectively

		will strengthen our infrastructure to improve our operational efficiency. To be precise the investment in Harbour Mobile Crane and coal grab will be enhancing our installed capacity (Vertical discharge) by higher discharge rate, the investment in additional land will greatly augment our storage capacity and the investment in gantry crane will enhance the evacuation capacity and improve our operational process. Hence exact impact of additional investments on stand-alone basis is not quantifiable.
	(iii). The VSPL has stated that material handler (Liebherr) at a cost of ₹11.05 crores has been commissioned in the year 2010-11 which is expected to enhance crane capacity for loading of iron ore and other cargo. The enhancement in the capacity of the terminal due to this equipment and also due to productivity improvement may be captured in the capacity calculation. Unit cost of reduction achieved in 2009-10 on account of productivity improvement from deployment of this equipment may also be indicated.	The said material handler R 984 (Liebherr) was installed in October'10.Volume handled is 3,60,391 MTs, which reduced hired crane charges and improved the loading rate in the year 2010-11.
	(iv). During the last revision of SOR of VSPL in March 2009, the capital expenditure towards deepening of channel / berth then estimated at ₹49.95 crores for the year 2009-10 was not allowed since the same was not found to be either in line with the Licence Agreement or as per the MOU entered between VPT and VSPL. The VSPL has, however, now stated that capex incurred towards deepening of channel/ berth side has been capitalized in the year 2009-10 citing that the MOU entered with VPT for capital dredging is now null and void. The capex relating to capital dredging cost is also considered in the capital employed. In this regard following points may be clarified: (a). Explain the circumstances under which the MOU reportedly approved by the Government (as confirmed during the last tariff revision) is made null and void. Furnish a copy of the approval of Government obtained in this regard.	(a). VPT has master plans to dredge inner harbor water ways in phase I to -12 mtr., Phase II to – 13.5 mtr. and Phase III to – 16 mtrs. in order to handle deep drafted vessels. Even though dredging in the inner habour water ways is the responsibility of VPT, VSPL voluntarily proposed to supplement VPT efforts to cater to the expected competition from emerging ports in the neighborhood by entering into this MOU to do Phase II dredging. As per the MOU entered with VPT, VSPL obligation starts after completion of Phase 1 dredging by VPT. Even after 15 months of entering into the M.O.U, VPT had not announced the completion of Phase-1 dredging due to failure of the Contractor. In view of this, abnormal delay and uncertainty in completion time of dredging by VPT and VSPL could not derive the benefit of executing the SAIL – 30 year contract, VSPL found it not feasible and viable to undertake the said dredging to -13.5 Meters and opted to come out of the MOU. As the MOU did not come into effect in view of non-completion of Phase-1 dredging by VPT, VPT also approved the

		withdrawal from the MOU by VSPL with the approval of the Government. Copy of the VPT's Letter in this regard is furnished.
	(b). As per LA it is the obligation of the licensor, to undertake capital dredging at the cost and responsibility of the licensee. Elucidate how the capex relating to capital dredging complies with the said provision in the LA.	(b). As per Article 3.9 (c) (i) of License Agreement, maintenance of the dredged draft along side the berth upto - 10.70m is the obligation of the Licensor and the capital dredging involved along side the berth is only the obligation of the Licensee. Further, as per article 3.9. (c) (i) a, b, c & d, it is also the obligation of the Licensor to provide the navigable waters, maintenance of the entrance channel, water side safety and safety of navigation.
	(c). With reference to the capex incurred towards capital dredging, please clarify whether any vessels arriving at the berth of VPT have / will derive any benefit from the reported deepening of the channel carried out by the VSPL. If so, please intimate whether the VPT and VSPL have any arrangement for sharing the cost or revenue for the benefit derived by the VPT.	(c). The incurring of capex towards capital dredging by VSPL has facilitated widening of the entrance channel which paved way for the entry of panamax vessels into the inner habour through the entrance channel after lightening of cargo at GCB. As such, all Panamax vessels arriving at the berths of VPT, after lightening at GCB also benefited. However, there is no arrangement for sharing of the cost or revenue between VSPL and VPT in this regard.
	(v). Please clarify whether the capex of ₹15 crores proposed for strengthening of the berth in the year 2011-12 will add to the capacity of the terminal. If so, consider the same in the capacity calculation.	As explained in the Sl.No. 6 (ii) (b) (4) above
	(vi). The VSPL has proposed capital expenditure of ₹44.98 crores in the year 2012-13 for development of storage yard in the Exim park. In this regard, the following points may be clarified: (a). Whether the investment proposed for developing storage area of 30.5 acres of land at Exim park area falls within the port jurisdiction of VPT . (b). Whether the provision in the LA allows the VSPL to develop the storage area at Exim park. (c). Indicate the existing yard capacity with detailed calculation. Addition to the yard capacity with proposed development of storage yard may be furnished. (d). Clarify the tariff arrangement proposed for the cargo to be stacked at the storage yard at Exim park and the revenue implication thereof and the treatment given in the cost statement.	 (a). Yes. The reference to the land allotment in EXIM Park was also mentioned in License Agreement vide clause 3.2. (b). Yes, as stated above. (c). As explained in the reply to Sl.No.6 (ii) (b) (5), above. (d). Tariff will be collected as per the existing SOR for cargo storage at Exim park. Revenue implication and cost there on are factored in cost statements suitably.
	(vii). It may be confirmed that the entire proposed expenditure in each of the years will be capitalised in the books of accounts of the same year and also the assets worth the equal amount will be physically available for operation in the very same year. In this regard, it may be borne in mind that capital work in progress is not counted	Confirmed that the entire proposed expenditure in each of the years will be capitalized in the same year.

	towards capital employed for the purpose of allowing return thereon.	
(7).	Explain the basis of allocation of common expenses and common assets between the main activities (i.e. cargo handling and berth hire) and sub-activity (to be furnished) for BMHS and other cargo.	Basis of allocation for main activities is furnished. Common Assets are apportioned between vessel related and Cargo related activities in proportion to the capital employed for the respective activities. Allocation for the Sub-activities has been done in the ratio of berth capacity for EQ-8 for BMHS activity and berth capacity of EQ-9 for conventional handling.
C.	**Scale of Rates**:	
(1).	**Schedule 1.2 General Terms & Conditions:**	
	(i). The modification proposed in Note No.2 (iii) is not in line with the general prescription in the Scale of Rates of other Major Port Trusts / private terminals.	In most of the cases, loading will be done after the vessel is converted to coastal/ foreign. Here, the intention is to collect the rate as per the status of the vessel at that particular time. Ex: Vessel in foreign run berths at1000 hrs. Coastal conversion by Customs at1100 hrs. Actual loading starts at 1500 hrs. In the above scenario, coastal rates shall be applicable from 1100 hrs. instead of 1500 hrs., thus, the owner is actually benefited by reduced coastal rates.
	(ii). The modification proposed in Note 4 relating to review of exchange rate is not in line with the clause 2.19.3 of the tariff guidelines.	Clause has been amended to make the same more contemporary as no vessel has stayed in VSPL terminal for more than 10 days.
	(iii). The penal rate of interest prescribed under Note 8 (ii) may be updated with the prevailing Prime Lending Rate of State Bank of India plus 2% as per the provisions in the tariff guidelines.	The BPLR of S.B.I as on 25.4.2011 is 13.25%. Accordingly note 8(ii) is updated with 15.25% per annum.
(2).	**Schedule 2.1.1 Berth Hire Charges:**	
	(i). Justify steep hike of 260% in the Berth hire charges as well as minimum berth hire charges with reference to the cost statement reflecting overall average deficit of 13% for the years 2011-12 to 2013-14.	As instructed by TAMP in its previous tariff Order, revenue requirement is computed for vessel related activity separately, which requires 0.0102 per GRT per hour. However, we are proposing 75% of the actual revenue requirement i.e. 0.0072 USD per GRT per hour.
	(ii). Furnish additional revenue expected for each of the years in view of increase proposed in the berth hire charges with workings.	Revenue expected for each of the years in view of the increase proposed in the berth hire charges is furnished.
	(iii). The modification proposed in Note No.3 proposing not to levy berth hire when the operations cannot be carried out due to various reasons attributable to the operator subject to the condition that non-availability is continuous for more than 8 hours is not in line with the condition uniformly prescribed in the Scale of Rates of other major port trusts / private terminals.	As suggested by TAMP, existing clause has been retained.
	(iv). The reason for deleting the existing Note 4 (ii) may be explained.	The objective was to reduce the idling time of the berth. However, existing note no.4 (ii) has been retained.
	(v). The modification proposed in Note 4 (ii) (Note 4 (iii) in the existing SOR) is not found to be in line with clause 6.6.3 of the tariff guidelines.	Note 4 (iii) in the existing SOR was modified as Note 4 (ii) to prevent berth idling time and reduce the berth occupancy of the vessel as the Port Marine Department is the agency to accord berthing and sailing movement to the vessels as per the prevalent tidal and weather conditions and other restrictions of the port. It is

		observed that under the garb of existing clause, vessels and agents were delaying the readiness of the vessel even though the cargo operations have been completed.
	(vi). The reason for deleting the last sentence in the existing Note 4 (iv) [proposed note 4 (iii)] may be explained.	The last sentence was deleted in view of the reason that berthing and sailing are controlled by the Port Marine department.
(3).	**<u>Schedule 2.1.2 Penal Berth Hire Charges:</u>**	
	(i). The reason for introducing levy of penal berth hire for stay of vessels due to non-signalling of its readiness within 2 hours period of completing the cargo operations may be explained.	To reduce the idle berth occupancy, it is proposed to reduce the stayal of Vessels after completing the cargo operations from 7 hours to 2 hours there by reducing turnaround of the vessels.
	(ii). The reasons and the basis for proposing reduction in number of hours vessel is permitted to stay without levy of penal berth hire from existing 10 hours / 7 hours to 8 hours / 2 hours may be explained. The revenue impact thereof may also be indicated.	(a). Cargo operations include the time of trimming of the vessel and cleaning of holds and deck, removal of equipment deployed and closing of hatches. Thus another two hours after completion of cargo operations are perceived to be sufficient to prepare the vessel for sailing. (b). In fact we are losing the berth hire revenue that could have been earned had the vessel stayed longer at the berth. The objective is thus to increase the no of vessels that can be handled at the same time.
	(iii). Explain the reasons for the proposed deletion of existing Note (ii) (b).	As the stevedoring is done by the VSPL terminal itself and equipment, gangs and gears are kept ready and deployed immediately for commencement of cargo operations, the performance of the cargo operations in the shift of berthing of the vessel is same as any other shift. The existing clause is relevant in VPT, where the stevedoring is done by the third parties who book gangs as per their operational and revenue plan.
	(iv). The reason for proposed deletion of existing Note (ii) (d) relating to stoppage of work for reasons attributable to VSPL for deriving the over-stay of vessel for the purpose of penal berth hire may be explained.	Note (ii) (d) has been now retained.
	(v). The reason for proposing reduction in number of hours from existing 12 / 8 hours to 4 hours in Note (iii) may be explained.	Bunkers and fresh water are currently being supplied simultaneously when the cargo operations are carried out. In view of reducing turn over time of the vessel and no such extra time is required for idle berthing of vessel, clause has been modified accordingly.
	(vi). The existing SOR of VSPL prescribes Penal Berth Hire charges in four slabs beginning from 6 hours (i.e. first slab). The basis for proposing reduction in the existing 4 slabs to 2 slabs beginning from 5 hours (i.e. first slab) may be explained along with revenue implication.	(a). The performance of the terminal is directly proportional to number of vessels handled in any given month. The objective is to reduce TOT of the vessel and minimize berth idling. Thus penalty has been fixed in line with increased berth hire charges. (b). The objective is not to earn revenue arising out of levy of penal berth hire but to discourage vessels to over stay.
	(vii). As regards the proposal of VSPL to continue to levy proposed berth hire for overstayal of vessels linked to non-achievement of output norms prescribed in the SOR, the following points may be examined: (a). The provisions relating to levy of penal berth hire for under performance of vessel as well as the output norms were	 (a) and (b). As per the past experience about 13% of cargo only was handled through vessel gears. The penal berth hire are sought to be collected only in those

	prescribed in the SOR of VSPL, borrowing the then prevailing provisions in the SOR of VPT, as per the proposal of VSPL. In the last tariff revision of the VPT, the VPT proposed to do away with the provisions relating to levy of penal berth hire for non-achievement of output norms citing that it is at the request of the trade and the same was approved by the Authority. In this context, justify the proposal of VSPL to continue with the provision for levy of penal berth hire due to non-achievement of the output norms at its terminal. (b). If the VSPL still feels that the levy of penal berth hire linked to output norms must continue then it may justify the need to continue the same since in the case of the VSPL it provides composite service including stevedoring service. In that case, the cargo-wise output norms proposed by the VSPL also need to be justified with reference to average performance achieved by the VSPL in the last two years. Confirm whether the proposed output norms consider the improvement in the productivity on account of deployment of additional equipment proposed by the VSPL. (c). During the last revision of tariff in March 2009, the Authority stated that since the output norms are dynamic in nature and need to be reviewed periodically, it would be more practical that the guiding principle for fixation of the norms are prescribed in the SOR leaving the actual norms to be fixed by the respective port or operator based on the principle. In view of the above, the VSPL may consider to propose guiding principles for fixation of the output norms, as pointed out in the last tariff Order instead of proposing cargo wise output norms.	cases where the vessel over stays at berth due to non-performance of the vessel gear in accordance with 2.1.4. The objective is to discourage the trade in hiring old, incapable and inefficient vessels. We also bring to notice of the authority that penal berth hire charges were collected only in rare cases. We also wish to clarify the authority that penal berth hire charges on account of overstayal of vessel will not be applicable in case of cargo handled by the shore cranes. As we have already proposed incentive / disincentive scheme for the cargo handled by shore crane by giving committed discharge rate, penal berth hire charges will not be collected from the vessel. As explained above, penal berth hire is applicable only if stevedoring is done by vessel gears. (c). The guiding principles is already enshrined in clause 2.1.2(iii) (c). The norms have already been increased in the proposed SOR for Cargos which have been handled by vessel gears like Coal, Coke, Manganese ore based on our experience in handling of these cargos by vessel gears. Those cargos which have not been handled by us so far, we still wish to adopt the norms of VPT set for such cargos till it gains experience in handling such cargos using vessel gear.
	(viii). The existing Note No.(1) after schedule 2.1.4 says that total number of hooks worked shall be reckoned to compute the per hook per shift productivity. The reason to modify the existing note so as to reckon 4 hooks working to determine the per shift productivity level may be explained.	For calculating overstay of the vessel, performance of the vessel to be reckoned only on the basis of 4 hooks working irrespective of number of hooks actually worked in a shift. This is to prevent berthing of the vessels capable of discharging only with 2 or 3 hooks, which ultimately affects our TOT.
(4).	**Schedule 2.2 Charges for supply of water to vessels:** The proposed increase of around 54% in the existing charges for supply of water to vessels may be justified with reference to increase in the procurement cost of water along with the revenue implications.	We have not supplied water to vessels so far and there is no revenue earned so far. Hence, based on market rates and rate charged by other Ports, the said increase is proposed. Revenue implication is expected to be negligible.
(5).	**Schedule 3.1 Wharfage:** Justify the proposed increase of 16% in the wharfage rate of Manganese Ore when the cost statement for cargo handling activity	Present rate of VPT was fixed when manganese ore was mainly exported to promote exports. Now, the same is mostly imported and it is a high value intermediary in steel making. The users are benefited by VSPL's high

<table>
<tr><td></td><td>reflects an average surplus of 9% for the years 2011-12 to 2013-14 at the existing tariff.</td><td>efficiency in terms of berth cleaning, handling practices and quicker turnover.

In view of the above the said increase is proposed.</td></tr>
<tr><td>(6).</td><td><u>Schedule 3.8 Shore handling operations:</u></td><td></td></tr>
<tr><td></td><td>(i). The existing SOR of VSPL prescribes a uniform rate of ₹40.00 per tonne for all cargo availing shore handling service. The reasons and the basis for proposing differential rate for Iron ore and that too at a higher level of ₹100.00 per tonne may be explained with reference to the increase in the cost of providing service to this particular cargo.</td><td>At present iron ore is manually unloaded due to the restrictions imposed by railways to avoid any damage to the wagons, which generally takes more time in unloading. VSPL is making additional investment for purchase of a gantry (from Leibherr) to facilitate trade for faster unloading without damaging the wagons and directly loading into dumpers to avoid multiple handling. We proposed ₹100 PMT in view of huge investment and as per the revenue requirement. Cost Sheet is furnished.</td></tr>
<tr><td></td><td>(ii). Justify the increase proposed for handling Iron ore when the cargo handling activity reflects a surplus position.</td><td>The increase in handling rate of Iron Ore is proposed based on revenue requirement on stand alone basis.</td></tr>
<tr><td></td><td>(iii). Furnish revenue impact of the proposed modification along with workings.</td><td>Revenue impact of the proposed modification along with workings is as given below:

<table>
<tr><th>Particulars</th><th>2012</th><th>2013</th><th>2014</th></tr>
<tr><td>Projected iron ore</td><td>650000</td><td>900000</td><td>945000</td></tr>
<tr><td>As per the proposed rate for shore handling:</td><td></td><td></td><td></td></tr>
<tr><td>Estimated at 87% will avail these services</td><td>565,500</td><td>783,000</td><td>822,150</td></tr>
<tr><td>Proposed revenue per MT</td><td>100</td><td>100</td><td>100</td></tr>
<tr><td>Total</td><td>56,550,000</td><td>78,300,000</td><td>82,215,000</td></tr>
<tr><td>As per present expenditure for shore handling:</td><td>68</td><td>68</td><td>68</td></tr>
<tr><td>Total</td><td>38454000</td><td>53244000</td><td>55906200</td></tr>
<tr><td>Revenue implication</td><td>18,096,000</td><td>25,056,000</td><td>26,308,800</td></tr>
</table></td></tr>
<tr><td>(7).</td><td><u>Schedule 4.4 Material handling system for handling bulk cargo:</u>

The VSPL has proposed to reduce the existing charges for BMHS from ₹197.75 per tonne to ₹172.75 per tonne by reducing existing rates for Mobile hopper, Conveyor & Stacker and Reclaiming & wagon loading service forming part of the composite rate. The rate for availing integrated terminal service is proposed to be reduced from ₹188.75 per tonne to ₹167.75 per tonne. In this regard, the following points may be clarified:

(a). Explain the basis and reasons for proposing reduction in selected components of the BMHS service and justify the same with the reduction in the cost of each of the services.

(b). With reference to the point made by the VSPL that the proposed reduction in BMHS tariff is to attract cargo, indicate the additional traffic expected to be handled in view of the reduction proposed. In fact, the</td><td>(a). In the Material handling system, the components of the shore handling i.e., Mobile hoppers, conveyors, stackers cum reclaimer, and wagon loader were considered and their rates suitably reduced considering the similar cost of shore handling under conventional method in order to attract trade to use the system, already installed.

(b). Traffic to be handled through BMH 2013-13-14 have been revised in the cost statements.</td></tr>
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<table>
<tr><td></td><td>traffic to be handled through BMHS is scaled down by VSPL in the years 2012-13 and 2013-14 in the income estimation. Please clarify.

(c). Furnish revenue implications of the proposed reduction with detailed workings.</td><td>(c). Rate ₹167.75 PMT was proposed against ₹188.75 PMT for availing integrated terminal services. The following is the revenue implications for the quantity projected:

<table><tr><th>Year</th><th>Qty (Mn MTs)</th><th>Reduction PMT</th><th>Amt in Mns.</th></tr><tr><td>2011-12</td><td>2.00</td><td>21</td><td>42.00</td></tr><tr><td>2012-13</td><td>2.10</td><td>21</td><td>44.10</td></tr><tr><td>2013-14</td><td>2.22</td><td>21</td><td>46.62</td></tr><tr><td></td><td>6.32</td><td></td><td>132.72</td></tr></table></td></tr>
<tr><td>(8).</td><td><u>Railway siding administration and maintenance charges:</u>

With reference to the new tariff item proposed, the following points may be clarified:

(a). Explain the nature of service proposed under this tariff item.

(b). Clarify whether it is a new service or existing one. If it is a new service, the basis of arriving at the proposed rate may be justified with cost calculations.

(c). Furnish the revenue implication on account of the proposed new tariff item along with detailed workings.</td><td>(a). Maintenance of Railway lines for about 2.88 K.M laid by VSPL at an approximate cost of ₹10.84 crores, Establishment cost of Railway Commercial Office to the tune of about ₹3.54 lakhs per month, Setting up of office in VSPL Terminal for generation of Railway Receipts round the clock.

(b). Trade was not charged so far though this service is an existing one. The railway lines, which were laid five years back needs periodical replacement of Rails and sleepers. The Establishment Charges for the Railway Staff posted are continuously to be paid. The commercial office was recently setup in VSPL Terminal as per the directions of the Railways so that the R.Rs can be generated and issued at VSPL itself round the clock. All these expenditure are now factored in this service.

(c). Details working is furnished. The revenue implication year wise given below:

<table><tr><th>Year</th><th>Amount in ₹ (Mns)</th></tr><tr><td>2011-12</td><td>13.17</td></tr><tr><td>2012-13</td><td>14.91</td></tr><tr><td>2013-14</td><td>15.65</td></tr></table></td></tr>
<tr><td>D.</td><td>The comments received from the users/ user associations on the subject proposal have already been forwarded to the VSPL. We have not received the comments from the VSPL on their comments. The VSPL is requested to examine the comments made by the users/ user associations and furnish its views/ remarks.</td><td>Comments of VSPL on the remarks of users/user associations are furnished.</td></tr>
<tr><td>II.</td><td>Queries raised at the joint hearing held on 11 May 2011</td><td></td></tr>
<tr><td>(i).</td><td>Traffic projections may be revisited in view of the proposed capital additions in strengthening of berth, handling equipment and additional storage area.</td><td>Traffic Projections have been revised in the cost statements keeping in view the proposed capital additions of handling equipment and additional storage area.</td></tr>
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(ii).	A detailed note on the proposed induction of gantry unloader to be deployed for wagon unloading highlighting the savings of VSPL on equipment hire, damage / demurrage payable to Railways, etc. and capture such savings in the future estimates of expenditure.	Detailed position on the proposed induction of gantry unloader for wagon unloading is furnished in its reply to our queries at Sl.No.6 (ii) (b) (3) under capital employed. There are no savings in the expenditure as the benefits of using this equipment accrue directly to the Users and Railways.
(iii).	A detailed note on the operations at General Cargo Berth (GCB) along with income and expenditure as well as the tariff arrangement. VSPL is also requested to confirm whether the administrative and general overheads of the VSPL are apportioned to the GCB operation and only those relevant to the operation at EQ-8 & EQ-9 are included in the cost statements submitted / to be submitted with tariff proposal.	Detailed position on the operations at General Cargo Berth (GCB) is furnished in its reply to queries at Sl.No. 5. It is confirmed that no administrative and general overheads of the VSPL are apportioned to the GCB Operations and only those relevant to the operation at EQ.8 and EQ.9 are included in the cost statements submitted to the TAMP.
(iv).	The details of additional land to be developed as storage yard at the EXIM park indicating the capacity addition and consequent reduction in the operating cost. The capacity of the terminal is also to be reworked in view of the proposed additional storage yard. The VSPL is also requested to certify and confirm that the additional area will not be utilized for storing cargo handled by it at berths other than EQ-8 and EQ-9.	Details of additional land to be developed at the Exim Park with the particulars of capacity addition are furnished while addressing the queries raised at Sl.No.6 (ii) (b) (5) under capital employed. Since the additional land will be augmenting our Storage Capacity and contributing to the over all growth in annual through put, it would result in over all cost savings per ton to the Users. Cost savings on stand alone basis is not quantifiable as such. It is confirmed that the additional area will not be utilized for storing Cargo handled at berths other than EQ 8 and EQ 9.
(v).	A copy of the bilateral agreement with SAIL in terms of which discount in tariff was reportedly allowed may be furnished.	A copy of the bilateral Agreement with SAIL is furnished.

7.3. The main modifications made by the VSPL in the updated proposal filed by it under the cover of its letter dated 14 June 2011 are given below:

(i). The VSPL has updated the cost statements with actuals for the year 2010-11 and has also revised the estimates for the years 2011-12 to 2013-14. It has also furnished Audited Annual Report for 2010-11.

(ii). The estimated traffic for the years 2011-12 to 2013-14 has been revised. The traffic estimated as per its initial proposal of 31 December 2010 vis-à-vis updated proposal of 14 June 2011 is tabulated below:

(**traffic in tonnes**)

Year	**As per initial proposal of 31 December 2010**	**As per updated proposal of 14 June 2011**
2010-11	32,15,781 *	64,73,397 #
2011-12	58,00,000	58,50,000
2012-13	62,05,000	67,54,500
2013-14	59,45,250	70,92,225

* Actuals of first half of year 2010-11. # Actuals of full year 2010-11.

(iii). The assessed capacity of the terminal for the years 2011-12 to 2013-14 has been increased from 6.70 million tonnes to 7.70 million tonnes.

(iv). The estimated income for the years 2011-12 to 2013-14 has been revised in line with the modified traffic estimates.

(v). The operating costs and management overheads estimated for the years 2011-12 to 2013-14 have been updated based on the actual financials for the year 2010-11.

7.4. The overall cost position for the years 2011-12 to 2013-14 at the existing level of tariff as per the updated cost statements furnished by the VSPL is tabulated below:

(**₹ in lakhs**)

Sl. No.	**Particulars**	**Estimates at the existing tariff**		
		2011-12	**2012-13**	**2013-14**
(i).	**Traffic (in Million Tonnes)**	58,50,000	67,54,500	70,92,225
(ii).	Total Operating Income	10693.02	12162.82	12770.96
(iii).	Total Operating Cost (including depreciation, management overheads and FME – FMI)	6571.39	7538.87	7884.15
(iv).	Capital Employed	27313.65	30094.60	28377.25
(v).	ROCE	4370.18	4815.14	4540.36
(vi).	**Net Surplus / (Deficit)**	**(248.56)**	**(191.19)**	**346.45**
(vii).	Accumulated losses of 2007-08 and 2008-09 (adjusted in 3 years from 2009-10 to 2011-12)	(1134.99)	--	--
(viii).	Accumulated loss for 2009-10 and 2010-11 (adjusted in 3 years from 2011-12 to 2013-14)	(685.35)	(685.35)	(685.35)
(ix).	Net Surplus / (Deficit) after adjustment of past losses	(2068.90)	(876.54)	(338.90)
(x).	Net Surplus / (Deficit) as % of operating income	-19%	-7%	-3%
(xi).	Average of three years	-10%		

7.5. The VSPL has not made any major changes in the increase / decrease sought in the existing rates in its initial proposal of 31 December 2010, except the following:

(i). The shore handling rate proposed for Iron Ore has been reduced to ₹68 per MT from the earlier proposed rate of ₹100 per MT.

(ii). In the revised proposal, the separate rate of ₹100 per MT proposed for shore operation for handling iron-ore is bifurcated into two categories as follows :

(a). Iron-ore ₹68 per tonne,
(b). Iron-ore (using R954 gantry crane) ₹100 per tonne.

7.6. The VSPL, in its letter dated 14 June 2011, has also made certain additional submissions on a few points which are summarised below:

(i). Investment on purchase of Coal Grab, Gantry Loader, Additional Harbor Mobile Cranes, strengthening of EQ.9 berth and additional storage area:

In the scenario of increasing competition to be faced by VSPL from the emerging new BOT berths in VPT, all the above stated investments are essential to achieve the targeted cargo throughput in the next tariff period as they collectively will strengthen our infrastructure to improve our operational efficiency. While the investment in Harbour Mobile Crane and coal grab will be enhancing our installed capacity (Vertical discharge) by higher discharge rate, the investment in additional land and strengthening of the existing berth EQ.9 will greatly augment our storage capacity and the investment in gantry crane will enhance the evacuation capacity and improve our operational process. Hence exact impact of additional investments on stand-alone basis is not quantifiable.

(ii). SAIL Contract vis-à-vis impact on GCB Operations:

It has reiterated its earlier submissions relating to the long term agreement entered by VSPL with SAIL which could not come into force as the required depth in the Inner Harbour could not be achieved within the time frame fixed by SAIL for berthing Panamax Vessels due to failure of the Contractor, subsequently short term agreement entered with SAIL for a period of four years for discharge of Panamax Vessels at the General Cargo Berth of VPT, using Floating Cranes and other services envisaged by SAIL.

It has reiterated that the deployment of Floating Cranes and rates payable for the services provided by the Floating Crane Operators were decided by SAIL as per the rates thrown up in open tender called for by SAIL in October, 2005. Floating Cranes being Motor Vessels operating under Merchant Shipping Act do not come under the purview of Section 42 (1) of MPT Act 1963. Having realized, the Chairman, TAMP in its order bearing No.150 has not prescribed the tariffs for Floating Crane operations.

In any case, VSPL had no role either in fixing the rates or actual handling, but has undertaken huge liabilities of committed discharge rate on GCB at the rate of 22,000 TPD and penalty payable for under performance at the rate of USD 30,000 per day though that obligation is not cast upon VSPL as a BOT operator.

It has concluded stating that the Bulk Cargo BOT Terminals face several unique problems depending upon various factors such as geographical location and the railway connectivity, nature of the cargo, load conditions, storage area available and dwell time of cargo. Visakhapatnam Port located in the heart of the city is also subjected to stringent conditions (rightfully so) on account of Environmental norms. Compliance of the requirements of all the players makes the working of a BOT Operator economically in a very difficult proposition. Therefore, the Authorities are requested to constitute a Committee to examine the conditions in which Bulk Cargo Terminal Operator operates as on date, to appreciate the veracity of the above facts.

8.1. As decided at the joint hearing, the VPT was requested to furnish its response to the queries raised by us vide letter dated 29 April 2011 and also to verify the updated cost statements and proposal to be filed by VSPL and offer its specific comments on the following:

(i). Reasonableness of the traffic projections.

(ii). Need and reasonableness of the proposed capital additions.

(iii). Justification for allotment of additional land at EXIM park to VSPL for storage of cargo. It may be confirmed whether the allotment is only for storage of cargo handled by VSPL at EQ-8 and EQ-9.

(iv). Details of operations carried out by VSPL at General Cargo Berth (GCB) of VPT and the tariff arrangement followed therefor. VPT is also requested to certify whether the VSPL is permitted to undertake cargo handling operations at GCB as per the License Agreement.

(v). The proposed allocation of capital dredging expenditure.

(vi). The revised capacity of the terminal taking into account the admissible investments proposed to be made in the next three years.

8.2. The VPT was also advised to interact with VSPL and furnish its response by 31 May 2011.

8.3. After two reminders, the VPT responded vide its letter dated 13 July 2011. A summary of the queries raised by us and the comprehensive response of the VPT is tabulated below:

Sl. No.	Queries raised by us	Response of VPT
(1).	Actual traffic handled by the VSPL for the year 2010-11 may be furnished commodity-wise.	Actual traffic handled during the year 2010-11 is 63,92,652 tonnes.

(2).	(i). The VSPL has estimated the traffic at 5.80 Million tonnes, 6.20 Million Tonnes and 5.94 Million Tonnes for the years 2011-12 to 2013-14 respectively which is found to be lower than the actual traffic handled in the past years 2009-10 and 2010-11 (based on six months actual extrapolated for the full year). Please comment on the reasonableness of the traffic projected by the VSPL and also taking into consideration investment proposed by the VSPL on additional equipment like Harbour Mobile, grabs, unloaders, etc. during the years 2011-12 and 2012-13. The position considered in respect of VSPL while drawing up the Business Plan of the Port may be brought out.	The traffic projections given in this para have already been revised by VSPL in their revised proposal. Therefore, the information submitted by VSPL against this item is to be taken into consideration. The reasonableness of traffic projected by VSPL in their revised proposal appears to have been justified taking into consideration the constraints of physical movement of cargo on the road system.
	(ii). To make a special mention, the traffic of coking coal as well as iron ore projected by VSPL during the three years 2011-12 to 2013-14 are found to be lower than the actual coking coal / iron ore handled in the year 2009-10. The VPT is requested to furnish specific comment on the reasonableness of the traffic projected by the VSPL for these cargo items as well.	Revised traffic projections for coking coal and iron ore has been projected by VSPL in their revised proposal. The reasons given by VSPL for reduction of traffic for coal and iron ore are justifiable considering repairs to be carried out for EQ 9. Further, due to increase in the Railway Freight and the Customs Duty, there is a downward trend in iron ore export from Visakhapatnam Port. Iron ore exports can pick up only when international prices of iron ore also increase. Therefore, the projections given by VSPL for reduction of traffic are considered reasonable.
	(iii). The VSPL has estimated that the traffic for the year 2011-12 will reduce by 6 lakh tonnes owing to strengthening of one its berth for 2 months. Please comment on the submission made by the VSPL in this regard.	The submission made by M/s.VSPL can be accepted as they are planning to go for strengthening of their berth and hence cargo handling operations may not be sustained during repairs.
(3).	The VSPL has maintained the assessed capacity of the terminal at the existing level, i.e. 6.7 MTPA for all the years 2011-12 to 2013-14. Please furnish an assessment of the capacity of the terminal operated by the VSPL taking into consideration additions proposed by it on various equipment, storage yard, etc. during the years 2011-12 to 2013-14.	Justification given by VSPL in their revised proposal with reference to capacity of terminal is considered reasonable. Increasing assessed capacity of the terminal from 6.7 Million MT to 7.7 Million MT is due to improvement of infrastructure like HMC, Grad, Unloaders and development of storage area, which may be accepted.
(4).	Based on the actual income from wharfage and berth hire reported at ₹15.47 crores in the Annual Accounts of the VSPL for the year 2009-10, the admissible revenue share to the extent of next highest bidder i.e. 12.811% works out to ₹1.98 crores. However, the VSPL in the cost statement has considered revenue share of ₹2.89 crores as pass through for the year 2009-10. Moreover, the revenue share payment reported in the Annual Accounts for the year 2009-10 is ₹5.64 crores as against ₹2.64 crores when computed as per the LA at 17.111% on the wharfage and berth hire income reported by the VSPL. Indicate the actual revenue share earned by the VPT from the VSPL for the years 2008-09 to 2010-11 and furnish workings.	Royalty payments made by VSPL to VPT @ 17.111% on the revenue from wharfage and berth hire charges from the year 2008-09 to 2010-11 is as follows: 2008-09 : ₹2,27,72,744 2009-10 : ₹3,41,18,277 As per arbitration award : ₹2,22,47,261 TOTAL : ₹5,63,65,538 2010-11 : ₹4,43,09,421

(5).	The VSPL in its proposal has excluded the operating income and expenses relating to cargo handled by it at general cargo berth of the VPT citing that it is based on a contract entered with Steel Authority of India Limited (SAIL) to handle cargo at the berth of VPT. Similar adjustment is done with reference to expenditure relating to stevedoring charges at general cargo berth reported in the Annual Accounts. In this regard, the following points may be clarified:	
	(i). Confirm whether the VPT has allowed such an arrangement to the VSPL to handle cargo at its berth.	The Cargo Handling Operations at GCB are handled by the Stevedores and C&F Agents appointed by the Shippers/ Cargo Receivers including SAIL. Only vertical transfer of cargo from ship to shore is undertaken by the floating cranes which are under the control of VSPL which stringent penalty clauses and discharge guarantee to the account of VSPL. It is understood that as per the SAIL Contract, VSPL is liable for the committed discharge rate at GCB at 22,000 MT per day and the penalty at 30,000 USD per day for non fulfillment of discharge commitment. Further, VPT has been allowing handling of vessels at GCB for lightening by VSPL in the overall interests of VPT to protect cargo migration to Gangavaram Port.
	(ii). If so, whether it is as per the provisions in the License Agreement. Indicate the relevant provision in the License Agreement. Also, indicate the date from when the VSPL commenced to handle cargo of SAIL at the general cargo berth of the VPT.	There is no specific prohibition in the License Agreement for the services undertaken by any BOT operator in the overall interests of VPT especially to protect the cargo volume of VPT. As explained above, this initiative of mobilizing Floating Cranes for vertical transfer of cargo from ship to shore at GCB by VSPL has addressed the draft limitation constraints of VPT to handle panamax vessels at Vizag Port. Hence, same was allowed by VPT. VSPL has commenced to handle cargo of SAIL from 11 May 2008. Further, TAMP also fixed the rate for floating crane operations at GCB vide Orders No.149 and 150 and welcomed the same as an innovative measure.
	(iii). Whether the VPT and the VSPL have entered into any arrangement for sharing of any revenue with reference to the cargo handled by the VSPL at the berths of the VPT and the treatment of the same given in its Annual Accounts of the VPT and also in the cost statement filed during the last tariff revision.	There is no such arrangement for sharing of any revenue with respect to cargo handled by VSPL at the berths of VPT. However VSPL has not handled any cargo at VPT berths so far.
(6).	During the last revision of SOR of VSPL in March 2009, the capital expenditure towards deepening of channel / berth then estimated at ₹49.95 crores for the year 2009-10 was not allowed since the same was not found to be either in line with the License Agreement or as per the MOU entered between VPT and VSPL in November 2006. The VPT had categorically stated that the capital dredging cost must not be included in the tariff revision exercise as per the MOU. The VSPL has now stated that capex	

	incurred towards deepening of channel/ berth side has been capitalized in the year 2009-10 citing that the MOU entered with VPT for capital dredging is now null and void and considered the capex in the capital employed. In this regard following points may be clarified:	
	(i). Confirm the position reported by the VSPL and explain the circumstances under which the MOU is made null and void.	An MOU dated 24 November 2006 was entered into by VPT with M/s.VSPL, BOT operator. In terms of the MOU, the subject dredging is to be carried out by the BOT operator as stage-II dredging after completion of stage-I dredging which was taken up by VPT through M/s.DDIL, a contracting agency engaged by VPT in August, 2005 with schedule completion period of 10 (Ten) months. M/s.DDIL engaged by VPT has abnormally delayed the stage-I dredging. The BOT operator letter dated 25 February 2008 expressing their intention to withdraw from MOU due to abnormal delayed by M/s.DDIL. The Minutes of the meeting taken by Honorable Minister for Shipping, Road Transport & Highways “after discussions it was felt that the port may withdraw the permission granted to BOT operator and go for new expanded contract for Phase-II deepening”. During the visit of Secretary (Shipping), MSRTH on 3 April 2008 to VPT, reviewed the issues relating to VSPL, including their request to withdraw MOU. VPT obtained a legal opinion dated 22 July 2008, as per advice of VPT’s legal council a meeting was convened by Chairman and heard the case put-forth by M/s.VSPL. Pursuant to the meeting the VSPL furnished their written submissions and requested to close their MOU as the MOU itself has not comes into force. Accordingly, a letter was addressed to MSRTH duly requesting to communicate the directions of Ministry whether to withdraw the MOU entered into by VPT. MSRTH informed to place the matter before Board of Trustees of VPT to take a decision. The VPT Board resolved to withdraw the MOU dated 24 November 2006 vide resolution no.53/2009-10 and in connection with the subject stage-II dredging and to take up the same by VPT.
	(ii). During the last tariff revision it was mentioned that the MOU is with the approval of the Government. Hence, clarify whether nullifying the MOU also has an approval of the Government and if so, a copy of the Government approval may be furnished.	A letter was received from Ministry to VPT’s for seeking Ministry’ permission to withdraw from MOU, the MOU indicates that for any dispute arising out of the MOU, the decision of the Chairman shall be final and binding. The decision to withdraw from the MOU is a commercial decision pertaining to the parties to the MOU for which they may decide internally. As such a decision in this regard may be taken by VPT at their own end.

	(iii). As per LA, it is the obligation of the licensor, to undertake capital dredging at the cost and responsibility of the licensee. Please confirm whether the capex relating to capital dredging incurred by the VSPL is in line with the LA.	This MOU dated 24 November 2006 is separate and distinct and has no relation to other matters/ agreements existing between VPT and M/s.VSPL. M/s.VSPL at their cost, risk and responsibility, shall carry out the dredging. However this investment will not be considering as an expenditure under the license agreement and shall not claim any compensation or incremental tariff on this account.
	(iv). During the last tariff revision, the VPT had mentioned that as per the MOU the capex relating to the capital dredging cannot be recovered by way of tariff. In the current proposal, capex relating to capital dredging is included in the tariff revision exercise citing that the MOU itself is null and void.	VSPL requested to close the MOU and Board resolution was also taken to withdraw the MOU. The cost towards capital dredging is not required to be included in the tariff revision as the same is also not in line with the license agreement provisions.
	(v). Please clarify whether any vessels arriving at the berths of the VPT have/ will also derive benefit from the reported deepening of the channel done by the VSPL. If so, then please intimate whether the VPT and the VSPL have made any arrangement for sharing of cost/ revenue for the benefit derived by the VPT.	Had the channel deepening completed fully by VSPL to the desired depth in the areas envisaged VPT also would have been benefited, but the MOU had been withdrawn the sharing of cost/ revenue wouldn't arise and not as per either the LA of MOU dated 24 November 2006 which was made void and null. However, the capex incurred by VSPL has facilitated the widening of the entrance channel that paved the way for entry of all Panamax vessels into the inner harbour through the entrance channel after lightening at GCB. Accordingly, all Panamax vessels arriving at the VPT berths are also benefited.
(7).	The VSPL has proposed capital expenditure of ₹44.98 crores in the year 2012-13 for development of storage yard in the Exim park. In this regard, the following points may be clarified:	
	(i). Whether the investment proposed for developing storage area of 30.5 acres of land at Exim park area falls within the port jurisdiction of VPT.	Yes, the proposed development of storage area falls under VPT jurisdiction.
	(ii). Whether the proposed development of storage yard at Exim park by the VSPL fall in line with provisions in the LA.	Yes
	(iii). If the proposed storage yard falls outside the port jurisdiction then clarify the tariff arrangement for such service.	No
	(iv). The addition to the yard capacity on account of the proposed development of storage yard may be assessed and furnished.	9.00 MMTPA for the year 2012-13. As per the revised proposal of VSPL the yard capacity after development of additional land at exim park will be 8.2 MMTPA, which is in line with TAMP norms.
(8).	Please comment on the reasonableness of the additions to the gross block proposed by the VSPL on various equipment such as HMC, gantry unloaders, coal grab, etc. during the years 2011-12 and 2012-13 and confirm it is in line with the LA.	There is deviation in equipment as per agreement and equipment proposed. However, the License Agreement (Appendix 13) provides for clause stating that the equipment shown in the Appendix is only tentative and preliminary and more equipment (both fixed as well mobile) should be procured as per the cargo handling requirements.

(9).	The VSPL has estimated maintenance dredging cost at ₹3,69,039/ per shift for 24 shifts for the years 2011-12 to 2013-14 citing that the VPT is charging dredging cost on per shift basis. Furnish copies of bills raised by the VPT on VSPL for maintenance dredging for the years 2008-09 to 2010-11 and indicate the actual payments made by the VSPL to the VPT during this period. Also, comment on the reasonableness of the maintenance dredging cost estimated by the VSPL for the years 2011-12 to 2013-14.	Total maintenance dredging amount paid by VSPL is as follows: 2008-09 : ₹23,58,240 2009-10 : ₹24,44,575 2010-11 : ₹51,66,546 Copies of bills raised are furnished. The dredging cost as furnished by VSPL for the years 2011-12 to 2013-14 will depend on the quantity dredged/ number of shifts the dredger is engaged.
(10).	Confirm whether the lease rentals for the years 2008-09 to 2010-11 and estimates for 2011-12 to 2013-14 are as per the provisions in the License Agreement.	The lease rentals are as per the provisions existed in the license agreement for the years 2008-09 to 2010-11 and estimates for 2011-12 to 2013 and 2014 is ₹58,40,566 per annum and service tax at 10.30% on the above amount.

9. After scrutiny of the updated proposal of VSPL dated 14 June 2011, the VSPL was requested to furnish further clarifications on a few points. The VSPL has furnished further information / clarifications through e-mails / faxes on various dates, viz. 19 August 2011, 24 August 2011 and 30 August 2011 and 22 September 2011. A summary of the additional information/ clarifications furnished by VSPL are summarised below:

(i). Quantum of discounts/ rebates offered on the approved tariff level during the period 2008-09 to 2010-11 is given below.

Year	Discounts / Rebates offered (₹ in lakhs)
2008-09	1829.23
2009-10	1919.44
2010-11	1549.37
Total	**5298.04**

(ii). With reference to the estimation of berth hire income for the years 2011-12 to 2013-14 lower in compared to the actuals of 2010-11, the VSPL has stated that on account of increased daily productivity due to deployment of one more crane, berth occupancy hours will reduce despite increased throughput.

(iii). As regards corresponding income for the expenditure shown under head Barge operations/ wharfage to VPT in Annual accounts 2010-11 of ₹408,633, the VSPL has clarified that the corresponding income is included under head of income from handling charges. (The VSPL has not quantified and indicated such income separately).

(iv). With reference to Forex Loss of ₹27.96 Lakhs shown in the financials of 2010-11, the VSPL has stated that the company has obtained buyer credit facility from HSBC bank for purchase of Excavator which was imported by the company during the year 2010-11. Balance payable to supplier Euro 1,491,450 was paid by the bank on 30 September 2010. EURO rate as on 30 September 2010 was ₹61.47. The liability to us as on 31st March, 2011 on a/c of currency fluctuation (i.e. Euro rate of ₹63.34 on 31.3.2011 and ₹61.47 on 30.9.2010) has been accounted as Forex loss of ₹27.96 lakhs in accordance with the AS-11 of the Institute of Chartered Accountants of India.

(v). With reference to expenditure of ₹1.81 crores reported under operating expenses on account of shortfall in discharge rate for the year 2010-1, the VSPL has stated that it is with reference to a short term agreement dated 06.05.2008 entered with M/s.Steel Authority of India Limited for handling of their panamax vessels carrying coking coal at Visakhapatnam Port / VSPL. Committed discharge rate at GCB (Outer harbor) and VSPL (inner harbor) is the one of the agreement conditions and hence demurrage is payable for not achieving the same. There was a dispute with SAIL on method of calculation of committed discharge rate per day. SAIL first contended that committed discharge rate shall be separately achieved for GCB and EQ 8. We contended that short fall at GCB (Outer Harbour) in discharge rate can be made good by higher discharge rate in EQ 8 and hence combined discharge rate shall be reckoned. This was accepted by SAIL after several meetings. However, SAIL adopted a different method of lay time calculation for arriving time saved at VSPL resulting in higher recovery of penalty for discharge rate. Though we have raised arbitral dispute on this issue and arbitrators also appointed, the board of directors after considering all relevant facts and agreement provisions felt that this issue is purely an interpretation issue to be decided in arbitration which is expected to take time. Hence as decided by our board, the shortfall in committed discharge rate which is the amount already recovered by SAIL from our bills was charged in 2010-11. The expenditure is for the period from May 2008-11. It may please be noted that under a separate agreement with SAIL higher discharge commitments are granted in return of assured cargo volume and hence this demurrage shall be an incidental expenditure against the Revenue from SAIL business and accordingly may be allowed by the authorities.

(vi). The VSPL has furnished copies of work orders for providing on board supply of labour; one issued in December, 2006, the second one dated 12.1.11 with validity upto 30.9.2012 issued to same contractor on re- negotiated price and third one issued on 13.5.2011 for supply of labour for coastal vessels issued to another contractor.

The VSPL has also furnished copies of the following work orders for payment of ₹3.70 PMT for the work of wagon leveling and track cleaning. It has confirmed that the rate of ₹3.70/Ton payable towards labour Cost for Cargo loading using BMHS is valid for 2011-12 also.

(vii). With reference to maintenance labour cost estimated for the proposed wagon unloaders, the VSPL has stated that as per the offer received from M/s.Leibherr for gantry unloader, some labour is required for cleaning of bottom cargo when cargo unloaded by gantry cranes. Thus, it has estimated labour required for this operations are 60 Member in a day (20 per shift) @ ₹8500 PM + 2 Supervisors @ ₹12250 PM. (60*8500*12 + 2*12250*12 = 64,14,000/-). It has estimated this expenditure only for half year in 2011-12 in view of commencement of operations.

The VSPL has further stated that Gantry Unloader is an innovative equipment designed by the supplier as per our requirement to facilitate faster turnaround of Railway wagons without any damage to wagons. This equipment is going to be used for the first time in any port. Hence, we have decided to import one equipment in the first instance for trial operation for 3 months. This equipment will be delivered by end October'11. Hence we could place order for the second equipment after 3 months i.e. in January'11 and the same could be commissioned in end of March or first week of April'12.

(viii). The VSPL has stated fuel cost is estimated at ₹4.85 PMT for handling of cargo by HMC as well as for gantry unloader. For wagon unloader, the average fuel cost is estimated to be ₹5 PMT, however, in the cost statement it is estimated at ₹4.85 PMT at par with HMC in view of new operation. The following are the basis of estimates.

Particular		HMC	Unloader
Per Hour out put	Avg Out put	500.00	312
Fuel required per hour	As per manual	59.00	38
Rate per ltr	Avg -2010-11	39.60	39.60
Per hour expenditure		2,336.40	1,504.80
Per tonne rate		4.67	4.82
Escalated at 1.0376 %		**4.85**	**5.00**

It has further stated that escalation of 3.76% is applied on per metric tonne rate instead of per litre rate as the effect is same.

(ix). With reference to estimation of equipment hire charges in respect of hired HMC even after purchase of 4th crane by VSPL, it has stated that in the cost estimates the quantity to be handled by hired crane, may be scaled down from 33% to 25%. VSPL has furnished a copy of the work order dated 28 March 2010 in this regard.

(x). With reference to gear charges, agency CHA charges, etc. estimated by VSPL on unit rate basis under other operating expenses, the VSPL has furnished copies of the work orders issued to the private parties which pertain to years 2007 and 2009.

(xi). It has stated that ₹60 lakhs per annum was estimated for supply of two pay loaders for cargo pressing during wagon loading operations. Actual expenditure incurred on this account has been shown under handling equipment charges in the cost statement. It has furnished a copy of the work order for supply of this equipment.

(xii). The actual cost of Coal Grab is ₹90,21,795/- and the expected date of commissioning is 31.08.2011 as at present erection work is under process.

(xiii). The VSPL has stated that it had first identified an used HMC at a landed cost of ₹13.25 crores. Subsequently, it was decided to go in for purchase of a new crane instead of used crane for various reasons. Accordingly, it has now decided to place order for purchase of one new LHM 550 Crane from Leibherr and it is negotiating with the supplier for increased warranty period, performance guarantee etc. It has stated that the landed cost of new crane is ₹24.70 crores under EPCG import. It has furnished workings for the same along with a copy of the quotation. It has further stated that the delivery period is 3 months and it would place the purchase order in 2nd week of September'11 so that the Crane will be commissioned by January'2012. In view of the above, the capital cost under this item shall be increased from ₹13.25 crores to ₹24.70 crores and our total Capex and R.O.C.E is to be revised

(xiv). As regards the status of procuring gantry unloaders, the VSPL has stated that the first Gantry Unloader R 954 C will be issued will be delivered in October'11. Order for second equipment will be released after completion of trial operation of 3 months by the first equipment. Hence second equipment will be commissioned in end of March or first week of April'12. It has further confirmed that there is no change in the price of the equipment i.e., Euro 930000 but while computing capital cost in INR it had adopted conversion rate at ₹58 against the present exchange rate around ₹65.50 per euro and requested to modify the same. It has further stated that negotiating the method of settlement of payment terms and on finalisation of the same and approval by our promoter GIPL, it shall release purchase order and make the down payment. It has furnished a copy of communication received from the suppliers in this regard informing that the production of this machine is in final stage.

(xv). The expenditure of berth repairs and strengthening is a fundamental necessity and as a matter of safety besides fulfillment of our obligations as per Article 3.9 (a) (ii) of our Licence agreement. Hence this activity can be commenced only with prior approval of VPT. We have been following up with VPT for their early approval for commencement of this work. On receipt of approval from VPT, work orders could be issued and we expect that the Berth repair and strengthening works could be completed in the last quarter of this year.

(xvi). The likely date of completion of development of the storage yard at Exim Park at additional land is December, 2012. The VSPL has stated that the project involves obtaining statutory approvals and approval of Railways for construction of Railway siding. The land is a marshy land involving substantial expenditure for land filling and strengthening.

(xvii). The investment in Railway sidings for ₹9.14 crores is included in the Gross Block. In the annual accounts, it is included under Project Berths in the Fixed Assets Schedule. Activity wise cost is furnished so that this cost could be recovered from the actual users instead of recovering it from all users based on overall cost. The VSPL has re-worked the revenue requirement for this new tariff item based on the net capital cost of this investment.

(xviii). VSPL has furnished the workings for lease rent obtained from VPT, which inter-alia, indicates the area and rate considered by VPT for additional land, as per details given below:

Details	Rate/ Amount
Area in sq. m. - (a)	121405.80
Workings for rate - (b)	
Rate approved by the Authority for Zone IX-B from 2003-04 (₹ per sq. yard)	₹76.20
Converted rate per sq. m. (1.196)	₹91.14
59% increase considered by VPT for revision due from 2008-09	₹144.91
Rate escalated @ 2% for 2009-10 to 2010-11	₹150.76
Annual lease rental (a) x (b)	₹183.03 lakhs
Effective date of lease rent	1 October 2012

(xix). The VSPL has confirmed that there is no incentive for VSPL for higher performance. However, there is disincentive to VSPL for not achieving committed output rates as furnished in proposal.

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

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

(i). The existing Scale of Rates (SOR) of Vizag Seaport Private Limited (VSPL) was approved in March 2009 vide Order No.TAMP/9/2007-VSPL with the initial validity till 31 March 2011, which was subsequently extended upto 30 September 2011.

The initial proposal filed by VSPL in January 2011 contained actuals of first 6 months of 2010-11 and estimates for remaining six months along with projections for the years 2011-12 to 2013-14. Subsequently on our advice, the VSPL has vide its letter dated 14 June 2011 filed a revised proposal, updating the cost statements with 2010-11 actuals for the full year and has consequently revised the projections for the years 2011-12 to 2013-14. The revised proposal along with revised cost statements furnished by VSPL under cover of its letter dated 14 June 2011 and additional information/ clarification furnished by VSPL during the processing of this case are considered for the purpose of this analysis.

(ii). (a). Before proceeding ahead with the analysis of this case, it is relevant here to discuss the new fact disclosed by the VSPL regarding the operations carried out by them at the General Cargo Berth based on a separate agreement entered by them with the Steel Authority of India Limited (SAIL). The VSPL has stated that it had entered into a long term contract with the SAIL in the year 2001 which, however, did not materialise as the licensor VPT could not meet the required draft at the inner harbour for berthing panamax vessel. It has, therefore, entered in a separate agreement with SAIL to discharge of Panamax Vessels at the General Cargo Berth of VPT using floating cranes chartered by VSPL and also provide lighterage services through barge and service for coastal movement.

When the VPT was requested to clarify whether the arrangement of handling cargo at the berth of VPT is as per the provisions in the License Agreement, it has in a general way stated that License Agreement does not prohibit VSPL to perform any other operation to facilitate a vessel to come to its berth due to infrastructural deficiencies within the port system. The VPT has clarified that the Cargo Handling Operations at GCB are handled by the stevedores and C&F Agents appointed by the shippers/ cargo receivers including SAIL and only vertical transfer of cargo from ship to shore is undertaken by the floating cranes which are under the control of VSPL with committed discharge rate of 22,000 MT per day and the penalty at 30,000 USD per day for non fulfillment of discharge commitment. The VPT has confirmed that it has allowed the VSPL to lighten vessels at GCB in the overall interests of VPT to protect cargo migration to Gangavaram Port.

This Authority is not inclined to go into individual agreements entered by the VSPL. The License Agreement entered by the VSPL with the VPT is for construction, operation and maintenance of two berths viz. EQ8 and EQ9 of the VPT. It is seen that the operations carried out by the VSPL at GCB operations do not flow from the License Agreement entered by VSPL with VPT, but on the basis of the bilateral agreement entered by VSPL with SAIL. It is for the landlord port trust to satisfy itself on the question whether a SPV like VSPL can be permitted to undertake operations which are not covered by the Licence Agreement.

(b). In the cost position reported for this exercise, the VSPL has excluded the income and the expenses reported in the Annual Accounts with reference the operations carried out by it at the GCB. Since the proposal before this Authority is to review the tariff for the operations carried out by VSPL at berth nos.EQ8 and EQ9, income and expense reportedly pertaining to the operations at GCB need to be excluded. For this purpose, the GCB related figures furnished by the VSPL which are separately reported in their Annual Accounts is relied upon and excluded.

(c). For the floating crane services offered by at the GCB to lighten the cargo, VSPL has reportedly applied the rate of ₹96 per tonne as obtained based on the open tender floated by the SAIL. As regards barge operations offered by VSPL which also flows from the individual agreement, the tariff arrangement followed by VSPL is not made known. Even the VPT has not replied to our query on this point.

The point made by the VSPL that floating cranes being Motor Vessels operating under Merchant Shipping Act do not come under the purview of Section 42 (1) of MPT Act 1963 is not correct. The reference drawn by the VSPL to the Orders passed by this Authority dated 8 June 2001 and stating that this Authority has not prescribed the tariffs for Floating Crane operations is also not factual. In fact, this Authority vide Order No.TAMP/4/98-VPT and No.TAMP/2/97-VPT both notified on 8 June 2001 has approved consolidated charges and conditions for transhipment of dry bulk cargo for lightening operation carried out at the Visakhapatnam Port Trust by a floating crane stating that it will apply commonly for such operations. Apart from the consolidated charges prescribed for transhipment operations using floating crane, the Scale of Rates of the VPT separately prescribes charges for hire of 150 / 60 Tonne floating crane.

It is clarified that the tariff arrangement followed by the VSPL for the floating crane services offered by them at the GCB as well as for barge operations do not have approval of this Authority. During the general revision proposal, the VPT to our query relating to service provided by service provider has in a general way stated floating cranes at GCB, Barges, Bunker Barges and certain Handling Equipment are being provided by the private service providers and the charges for the services provided to the vessels by the said cranes, barges and equipment are paid by the importers/ stevedores and maintained that VPT does not intervene in such operations. It has to be recognised that these services offered by the VSPL fall under the list of services prescribed in the Section 42 of the MPT Act and hence come under the purview of this Authority. The VPT is well aware of the legal position. The VPT being the licensor should have initiated appropriate action, as mandated by Clause 7 of the tariff guidelines 2005, to ensure that charges levied for all services offered in its port which fall under Section 42 of the Major Port Trusts Act, 1963 are within the ceiling levels approved by this Authority.

The tariff arrangement relating to floating crane operations at GCB and barge services offered by the VSPL though not governed by the LA entered with the VPT for berth No.EQ8 and EQ9, need to be regulated by this Authority as these services are enlisted in Section 42 of the Major Port Trusts Act 1963. If the authorization granted by VPT to VSPL to offer services is beyond the scope of License Agreement and is other than by way of a BOT arrangement, VPT is advised separately to initiate action with reference to Chapter 7 of the tariff guidelines. The VPT is allowed time upto 31 December 2011 to file its proposal in this regard. While forwarding the proposal, the financial position relating the said services offered by the service provider i.e. VSPL may also be provided.

(iii). (a). The existing Scale of Rates of the VSPL was approved in March 2009 relying on the estimated financial / cost position for the years 2009-10 and 2010-11. The cost statement for the relevant period considered in the last tariff Order reflected aggregate deficit of ₹2133 lakhs for the two years. Tariff increase in the then berth hire, cargo handling charges, Bulk Material handling system was allowed to bridge the estimated deficit.

(b). Clause 2.13 of the tariff guidelines of March 2005 mandates review of the actual physical and financial performance of the Major Ports / Private Operators thereat, at the end of the prescribed tariff validity period with reference to the projections relied upon at the time of fixing prevailing tariff.

(c). While passing the tariff Order in March 2009, the cost position considered for the year 2008-09 was based on nine months actuals and three months estimates along with 2007-08 actuals, subject to the condition recorded in paragraph 11 (xxiv) (b) of the said Order that the actual position for the year 2008-09 will be reviewed and if any variation is found, it shall be fully adjusted in the next tariff validity cycle. Therefore, in line with the decision taken in the last Order the estimates of 2008-09 considered in the last Order is compared with the actuals to assess the variation between the estimated and the actual position for this year.

(d). Accordingly, the actual performance during the years 2008-09 to 2010-11 reported by VSPL in the cost statements are reviewed with reference to the estimates considered in the last Order. The general approach followed in the last Order to assess the estimated position is adopted to assess the actual net surplus/ deficit for the years 2008-09 to 2010-11. The modifications/ observations on the cost statement filed by the VSPL for the past period are explained below:

(i). The income estimates for the years 2009-10 to 2010-11 are adjusted by the VSPL with reference to the tariff increase allowed by the said Order for a like to like comparison with the actual income.

(ii). As stated earlier, income from operations carried out by VSPL at General Cargo Berth (GCB) of the VPT captured separately in the annual accounts i.e. ₹935.98 lakhs, ₹1836.26 lakhs and ₹2012.16 lakhs for the years 2008-09 to 2010-11 respectively are excluded from the operating income while analysing the actual position for the past period. Similarly, the VSPL has excluded operating expenditure to the tune of ₹831.45 lakhs, ₹1796.16 lakhs and ₹1893.56 lakhs for the years 2008-09 to 2010-11 respectively towards GCB operations. Further, the VSPL has stated that no common expenses and common assets are apportioned to GCB operations and its contribution is limited to offering managerial expertise. For reasons stated earlier, income and expenditure relating to GCB operations reported by the VSPL are relied upon and excluded from the cost statement in line with the approach followed by VSPL.

The annual accounts of VSPL report expenses of ₹4.75 lakhs, ₹23.72 lakhs and ₹4.09 lakhs during the years 2008-09 to 2010-11 respectively towards barge operations/ wharfage to VPT. Since, the barge operations carried out by VSPL arise from the bilateral agreement entered by them with SAIL and is beyond the scope of the LA, the same is excluded for reasons explained earlier. Whilst the expenditure relating to barge operations is furnished, the corresponding income from barge services has not been furnished despite request stating that it forms part of the income from handling charges. In the absence of the VSPL furnishing the requisite information, the operating income for the past period could not be moderated.

For the future period, the income is estimated at the existing tariff for services offered at EQ8 and EQ9.

(iii). The VSPL has claimed that it had to offer rebates/ discounts to ensure full utilisation of its shore cranes. Apart from this, discounts were also offered by VSPL to SAIL. It has stated that increase in the volumes of the traffic compared to projected traffic could be achieved in these years on account of discounts/ rebates offered and hence has requested not to disallow rebates/ discounts offered in the past. For the purpose of analysis of the past period, revenue realisable as per approved Scale of Rates can only be considered. Therefore, discounts/ rebates granted by VSPL and captured in the actual income reported in the Accounts are not considered. The VSPL has indicated the effect of incentives and discounts offered by VSPL during the years 2008-09 to 2010-11 are to the tune of ₹1829.23 lakhs, ₹1919.44 lakhs and ₹1549.37 lakhs respectively which is added to the income reported by the VSPL for the corresponding years following the approach adopted by this Authority in various other tariff cases.

(iv). The VSPL has reported other income to the tune of ₹55.65 lakhs, ₹77.13 lakhs and ₹163.55 lakhs during the years 2008-09 to 2010-11 respectively. It is seen from the audited annual accounts of VSPL that this represents non-operating income like sale of scrap, interest income etc. Interest income on investments is excluded for determination of tariff. Accordingly, the interest income of ₹16.55 lakhs, ₹39.19 lakhs and ₹97.07 lakhs reported for the years 2008-09 to 2010-11 respectively are excluded. The other miscellaneous non-operating income is considered under Finance and Miscellaneous Income (FMI) in the cost statements.

Similarly, expenses related to loss from sale of assets, considered by the VSPL as part of operating expenses is shifted and shown under Finance and Miscellaneous Expenses (FME).

Foreign exchange loss of ₹27.96 lakhs is reported during the year 2010-11. The VSPL has clarified that it arises on account of equipment imported in the year 2010-11 and the balance payment made to supplier paid on 30 September 2010. The loss on account of currency fluctuation in this transaction is treated as an expense in the year 2010-11 as per the accounting standards. Since the foreign exchange loss reported here is arising on account of purchase of equipment, for the purpose of tariff fixation exercise, it is treated as part of the capital cost of the equipment. Depreciation and return are allowed accordingly.

(v). Annual Accounts of 2008-09 show that VSPL had paid Liquidated Damages amounting to ₹2 crores. The VSPL has clarified that this payment is made to VPT as per the arbitration award for delayed completion of construction of berth. VSPL has claimed this item revenue expenditure in the year 2008-09. Since the liquidated damages paid by VSPL arising from arbitration award is related to delayed construction of berth, it is found more appropriate to treat is as a part of capital cost of the berth in the year 2008-09 and allow depreciation and return thereon. The cost statement has been suitably modified to capture this effect.

(vi). The Annual Accounts of VSPL for the year 2010-11 show an expenditure of ₹181.71 lakhs towards shortfall in the committed discharge rate. This expenditure is also on account of bilateral agreement entered by it with SAIL wherein the VSPL has to pay penalty to SAIL for shortfall in the agreed productivity levels both at the EQ berths as well as at the GCB. Since individual agreement entered by the VSPL cannot be recognised, the expenses of ₹181.71 lakhs considered by VSPL in the year 2010-11 has been excluded.

(vii). The Management & Administration overheads considered by VSPL include ₹10.55 lakhs and ₹53.96 lakhs for the years 2009-10 and 2010-11 respectively towards bad debts written off. This item was not a part of the estimates of Management & Administration overheads considered for the relevant years at the time of revision of tariff in March 2009. Further, as per the provisions contained in the existing Scale of Rates of VSPL, services are rendered on payment of the relevant charges in advance. That being so, the question of tariff fixing exercise recognising the credits extended by VSPL and writing off bad debt does not arise.

(viii). In compliance with Clause 2.8.1. of the tariff guidelines, revenue share to the extent quoted by the second highest bidder is allowable on the actuals, the approach which was followed even in the last tariff Order of VSPL.

The License Agreement stipulates that the licensee shall pay the licensor revenue share equivalent to 17.11% of the gross revenue earned by the licensee from the operation of the project facilities. The term gross revenue has not been specifically defined in the License Agreement signed in the year 2001. Both the VPT and the VSPL have confirmed that as per revised bid document, the definition of gross revenue is deemed to include only berth hire charges and cargo wharfage. Accordingly, during the last revision the revenue share to the level quoted by the next highest bidder i.e. 12.811% of the gross revenue as informed by the VPT was allowed as pass through. For this purpose, the revenue share admissible was estimated on the income estimated from wharfage / berth hire as per the SOR of VSPL. During the processing of this case, the VSPL has informed that there was a dispute between VPT and VSPL in the matter of application of SOR. The dispute was referred to arbitration and the award was passed in December 2009 in which it was held that VSPL shall pay revenue share at the rate prescribed in the SOR of VSPL from May 2005 onwards i.e. the date when its SOR was first fixed by TAMP. Accordingly, the difference in Revenue share payable from May 2005 to December 2009 is considered in its books in the year 2009-10. The VPT has also endorsed this position.

In the cost statement, however, the VSPL has furnished year-wise gross revenue from berth hire and wharfage income and claimed 12.811% being the level quoted by the second bidder. The VPT has not made any adverse comment on the revenue share computed by VSPL and claimed in the cost statement. The revenue share to the extent of second quote as furnished by VSPL is considered except rectifying minor variation observed in the revenue share calculation in the year 2008-09.

(ix). As per the License Agreement, Technical Service Fee of ₹10 millions per year is payable for a period of 3 ½ years from the date of commencement of operations at both the berths. During the last tariff revision of VSPL in March 2009, Technical Service Fee was allowed as pass through by ammortising it over the remaining period of the project relying on the certificate issued by the Chartered Accountant establishing the arm’s length relationship of the transaction, subject to the condition that VSPL would produce documentary evidence and IT assessment orders for each of the years to show that the Income Tax Authorities have allowed this expenditure. The VSPL has now furnished copies of Income Tax Assessment Orders for financial years 2006-07 and 2007-08. The Income Tax Assessment Order furnished by the VSPL does not show that the ‘Technical Service Fee’ is disallowed by the Income-tax department. That being so, the Technical Service Fee is allowed as an expense.

The amortised TSF expenditure considered in the last tariff Order at ₹12.33 lakhs per annum was based on actual TSF reported in its Annual Accounts for the years 2006-07 and 2007-08 and estimates for the years 2008-09 and 2009-10. Since actuals for the year 2008-09 and 2009-10 are available it is updated with the same. The sum of expenses reported as TSF in the Annual Accounts of the VSPL for the year 2006-07 to 2009-10 is ₹312.42 lakhs of which ₹24.67 has been allowed as amoritsation in our earlier Order till the year 2007-08. Therefore, the balance amount of ₹287.76 lakhs is spread over the remaining period of the project i.e. 24 years from the year 2008-09 onwards.

(x). Depreciation figures for the year 2010-11 indicated in the cost statement by VSPL do not match with the depreciation reported in the Annual Accounts. For the purpose of the analysis, the depreciation reported in the Annual Accounts of the year 2010-11 is considered subject to adjustment relating to capital dredging.

(xi). During the last revision the VSPL had proposed capital dredging of ₹49.95 crores in the year 2009-10 towards deepening/ widening of channel.

As per the LA, it is the obligation of the Licensor to undertake capital dredging at the cost and responsibility of the Licensee i.e. the VSPL. In the last Order it was brought out that the VPT and the VSPL have entered into a Memorandum of Understanding in November 2006 wherein the VSPL has undertaken to deepen and widen entrance channel, inner harbour turning circle and waterways of northern arm of inner harbour to – 13.5 mtrs. The MOU clearly stated that the VSPL shall not claim any compensation or incremental tariff on account of the capital dredging proposed to be undertaken as per the MOU. The VPT had also categorically stated that the capital dredging cost must not be included in the tariff revision exercise as per the MOU.

Since the capex relating to capital dredging claimed by VSPL was not found to be in line with the LA or as per the MOU entered between VSPL and VPT, the same was not allowed in the last tariff revision. The VSPL has reported that an expenditure of ₹16.08 crores has been incurred towards deepening of channel/ berth and capitalized the same during the year 2009-10 and has requested to consider the same citing that the MOU entered by it with VPT had been withdrawn. Whilst the VPT has confirmed that the MOU with VSPL has been withdrawn, it has reiterated its earlier stand that the said capital expenditure incurred by VSPL is not required to be considered for tariff revision since the same is not in line with the provisions of the License Agreement. Therefore, the capital expenditure of ₹16.08 crores reported by VSPL in the year 2009-10 on this account is excluded for the purpose of this analysis. Corresponding adjustment is done in depreciation for the years 2009-10 and 2010-11 as well as in future estimates.

(xii). The closing net block considered by the VSPL in the cost statement do not match with the net value of assets reported in the audited Annual Accounts for the years 2008-09 to 2010-11. The VSPL has not explained the reasons for the difference. The figures reported in the Annual Accounts of the respective years are relied upon for this purpose subject to adjustment done relating to capital dredging as explained in the preceding paragraph.

(iv). (a). Working capital computed as per the norms prescribed in clause 2.9.9 of the tariff guidelines of March 2005 comes to a negative figure. The VSPL has also not claimed working capital either for the past years or for the future years. Thus, capital employed comprises of only net block of assets at ₹25117.19 lakhs, ₹23944.92 lakhs and ₹23860.81 lakhs for the years 2008-09 to 2010-11 respectively.

(b). Considering the capacity of the terminal at 6.70 million tonnes per annum furnished in the last Order, the actual capacity utilization during the years 2008-09 to 2010-11 is 93.12%, 96.06% and 96.62% respectively. Accordingly, return on capital employed @ 16% as allowed in the last tariff Order is considering while analysing the actuals.

(v). A summary of comparison of the actuals vis-à-vis the estimates considered in the last tariff Order is tabulated below:

Particulars	2008-09		Estimates relied upon in the March 2009 Order			Actuals			% Variation for the years 2009-10 & 2010-11
	Estimates	Actuals	2009-10	2010-11	Total for the years 2009-10 & 2010-11	2009-10	2010-11	Total for the years 2009-10 & 2010-11	
Traffic (in lakh tonnes)	44.50	46.79	49.43	51.90	**101.32**	64.36	64.73	**129.09**	27.41%
Op. Income	6549.67	8170.76	9753.47	10241.11	**19994.58**	11493.84	11914.05	**23407.89**	17.07%
Total Exps (incl. Depn)	5042.63	4240.65	5118.81	4903.06	**10021.87**	5488.76	6148.83	**11637.59**	16.12%
Surplus before Return	1507.04	3930.11	4634.66	5338.05	**9972.71**	6005.08	5765.22	**11770.30**	18.02%
Capital Employed	24872.34	25117.19	23622.17	22378.81	**23000.49** Avg	23944.92	23860.81	**23902.87** Avg	3.92%
ROCE	3979.57	4018.75	3779.55	3580.61	**7360.16**	3831.19	3817.73	**7648.92**	3.92%
Net Surplus after ROCE	-2472.53	-88.64	855.11	1757.44	**2612.55**	2173.89	1947.49	**4121.38**	57.75%

(a). The above table shows that actual traffic handled by the VSPL during 2009-10 and 2010-11 is 27.4% higher than the estimates relied upon while fixing the tariff in the last Order.

The VSPL has stated that the increase achieved in actual traffic is due to unprecedented diversion of cargo from other ports like Paradip, due to berthing delays and bulk cargoes attracted by offering rebates in rate for Bulk Material Handling System (BMHS) mainly to SAIL.

(b). The positive variation of 17.07% in aggregate operating income for the two years is attributable to the increased traffic handled by VSPL.

(c). The aggregate of adjusted actual operating expenses for the two years 2009-10 and 2010-11 comes to ₹11637.59 lakhs as against the estimated aggregate operating expenses of ₹10021.87 lakhs for the corresponding years, which means 16.12% increase in the actual expenditure. The VSPL has attributed the variation in expense is due to the increase cargo volumes handled by it.

(d). The variation between actual and estimated of capital employed is +3.92%.

(e). The VSPL has earned an additional surplus of ₹6005.08 lakhs and ₹5765.22 lakhs before return which aggregates to average surplus of ₹5885.15 lakhs for the years 2009-10 and 2010-11. The average return earned on the capital employed thus works out to 24.62%, as shown in the following table:

Particulars	2009-10	2010-11	Average for 2009-10 & 2010-11
Actual Surplus before return earned by VSPL	6005.08	5765.22	5885.15
Actual Capital Employed	23944.92	23860.81	23902.87
Actual Return earned on capital employed	25.08%	24.16%	24.62%

As can be seen from the above tables, though the variation in the operating income and capital employed and ROCE is less than +20%, the variation in physical performance and operating expenses are more than 20%. Further, as per the above table, the VSPL has earned return of 24.62% on the capital employed as against 16% return allowed in the last tariff Order.

As per clause 2.13 of the tariff guidelines, if review of actual physical and financial performance for the previous tariff cycle shows the variation of more than + or – 20%, then 50% of such accrued benefit / loss has to be adjusted in the next tariff cycle. Therefore, there is a case to adjust the past surplus in the current tariff cycle of VSPL.

(f). Accordingly, 50% of the aggregate net surplus over and above the admissible cost and permissible return for the years 2009-10 and 2010-11, amounting to ₹2060.69 lakhs is adjusted in the tariff to be fixed now.

Accordingly, 50% of the past surplus of ₹4121.38 lakhs i.e. 2060.69 lakhs is to be set off equally during the three years 2011-12 to 2013-14 in current tariff cycle.

(g). In the last tariff review, since the VSPL had continued to operate the tariff prescribed in the year 2005 beyond the original validity of April 2007, the cost position for the year 2007-08 was assessed based on actuals and 2008-2009 based on estimates of nine months and three months estimates and the total deficit assessed at ₹3931.35. This Authority had decided to adjust this deficit in three years i.e. two instalments in 2009-10 and 2010-11 in the last tariff cycle and the last instalment in the next tariff cycle was subject to the condition that the actuals for the year 2008-09 would be reviewed in the next tariff cycle and if there is any variation, it would be fully adjusted in the next tariff cycle. In line with the earlier decision, the actuals for 2008-09 is assessed and compared with the estimates relied upon in the last tariff Order. The actual position for the year 2008-09 is assessed based on the figures reported in the Annual Accounts subject to the adjustments explained in the preceding paragraph.

The actual traffic handled for the year 2008-09 is 5% more than the estimates and the variation in the income is 25% more than the estimated income. The expenditure shows a drop of 15% despite 5% higher cargo volume handled by VSPL and the variation observed in the estimation of capital employed is found 1%. Overall review of 2008-09 based on actuals shows a deficit of ₹88.64 lakhs as against deficit of ₹2472.53 lakhs assessed in the last tariff revision. The total deficit assessed relying on the actuals for the years 2007-08 and 2008-09 would have been ₹1547.35 lakhs as against ₹3931.25 lakhs deficit assessed in the last tariff Order. Of ₹3931.25 lakhs of deficit assessed in the last Order, ₹2620.84 lakhs being two instalments were considered for adjustment in the last cycle. Thus, based on the review of the actuals for the year 2008-09, the net differential benefit accrued to VSPL relying on the estimates of 2008-09 vis-à-vis the actuals is ₹1073.49 lakhs (viz. ₹2620.84 lakhs - ₹1547.35 lakhs). As stated in the last tariff Order, the entire additional benefit of ₹1073.49 lakhs is adjusted in the year 2011-12.

(vi). As per clause 3.1.8. of the tariff guidelines of 2005, the tariff validity cycle is for a period of three years and hence the analysis in respect of VSPL is done for 3 years period i.e. 2011-12 to 2013-14. As already stated earlier, the actual traffic handled by VSPL in the year 2010-11 is 6.47 Million Metric Tonnes (MMT) (1.93 MMT traffic availing BMHS service and 4.54 MMT-conventional handling). The traffic projected by VSPL for the years 2011-12 to 2013-14 is 5.85 MMT, 6.75 MMT and 7.09 MMT respectively. Of the total traffic estimated cargo to be handled through BMHS at berth no.EQ-8 is projected at 2.0 MMT, 2.1 MMT and 2.21 MMT for the years 2011-12 to 2013-14 respectively, and the cargo handled by conventional means is projected at 3.85 MMT, 4.66 MMT and 4.89 MMT for the corresponding years. The VSPL has clarified that traffic for the year 2011-12 is estimated around 6 lakh tonnes lower than the actual traffic handled in the year 2010-11 as berth no.EQ-9 will be not in operation for two months due to the strengthening/ repairs works of the said berth proposed to be carried out in the last quarter of 2011-12.

The VPT has endorsed the position stated by the VSPL that there will be no cargo handling operations during repairs of berth no.EQ-9 proposed by the VSPL and hence has requested to accept their projections. In view of submissions made by the VSPL which has been endorsed by the port, the traffic projected by VSPL for the year 2011-12 is relied and considered in the analysis. However, if any financial advantage is accrued to VSPL due to any change in the position relied upon now, such surplus will be fully adjusted at the time of next tariff review.

For the year 2012-13, the VSPL has projected 4.35% growth in the traffic over the actuals of the year 2010-11 and 5% growth is assumed in the year 2013-14 over the estimates of the year 2012-13. The VPT has certified that the traffic estimated by VSPL is reasonable. The traffic estimated by VSPL for the years 2012-13 and 2013-14 are relied upon and considered in this analysis.

(vii). (a). The cargo related income for the years 2011-12 to 2013-14 has been estimated by the VSPL applying the existing tariff approved by this Authority in March 2009 for the traffic projected.

The VSPL has considered the share of cargo availing different services, viz. stevedoring, HMC services and shore handling at 100%, 87% and 55% respectively based on the average actual sharing pattern obtained during the last three years for estimation of cargo handling income from the estimated conventional cargo throughput. The approach adopted by VSPL in this regard is relied upon.

For estimating the storage income for storage of cargo at open space, the VSPL has assumed 55% of cargo volume estimated to be handled by conventional means and 50% of the cargo expected to be handled through BMHS is expected to stay on an average for one fortnight after the prescribed free period. The storage income estimated for the years 2011-12 to 2013-14 is found to be comparable to the actual storage income reported for the year 2010-11.

It is relevant to bring out here that the VSPL has proposed development of additional storage yard at Exim Park in the year 2012-13 which has been shifted to the year 2013-14 for reasons explained in the subsequent part of the analysis. The VSPL has stated that with the development of additional storage yard at Exim Park, the remaining 45% of the estimated conventional cargo will be stored at Exim Park on an average for 30 days. It has indicated the storage income at the existing rate to the tune of ₹156 lakhs for half year of 2012-13 and ₹331 lakhs will accrue in the year 2013-14. The effect of this additional income is, however, not captured by the VSPL in the cost statements. In our analysis, the additional storage income estimated by VSPL for the year 2013-14 is considered.

Subject to the above, the estimated cargo handling income for the year 2013-14 has been modified at ₹12769.34 lakhs as against ₹12439.46 lakhs estimated by VSPL. The cargo handling income for the years 2011-12 and 2012-13 is considered at ₹10416.89 lakhs and ₹11847.11 lakhs as estimated by VSPL.

(b). The income from the berth hire is estimated to reduce from ₹354.88 lakhs earned in the year 2010-11 to ₹276.13 lakhs, ₹315.71 lakhs and ₹331.50 lakhs in the years 2011-12, 2012-13 and 2013-14 respectively, though traffic is projected to increase. When sought clarification, the VSPL has explained that the income from berth hire shows a reduction over the previous years income, on account of increased productivity. The VSPL has furnished workings for estimation of berth hire income for the years 2011-12 to 2013-14 based on the average GRT, handling rate, average parcel size, etc., for each cargo group. The berth hire income estimated by VSPL is relied upon subject to updating it with the exchange rate.

The berth hire income from April 2011 to August 2011 in the year 2011-12 has been updated with the average actual exchange rate of ₹44.78 per US$ that prevailed during the corresponding period. The berth hire income commencing from September 2011 in the year 2011-12 and for the years 2012-13 and 2013-14 are updated by applying exchange rate of ₹45.56 per US$ prevailing at the time of analysis of this case. Thus, the berth hire income for the years 2011-12 to 2013-14 are considered at ₹277.05 lakhs, ₹319.01 lakhs and ₹334.96 lakhs.

(viii). (a). The VSPL has adopted the annual escalation factor of 3.76% p.a. for estimating the cost items for the years 2011-12 to 2013-14. This Authority has decided to allow an escalation factor of 6% p.a. for expenditure projections in all tariff cases of major ports and private terminals to be decided during the year 2011-12. Accordingly, the 6% annual escalation is considered wherever applicable and relevant.

(b). The estimate of operating and direct labour cost for the year 2011-12 to 2013-14 is reportedly done on the basis of outsourcing contracts entered by the VSPL. The VSPL has furnished copies of work orders, extension/ rate revision orders issued to contractors from time to time to support its estimates. It has confirmed that the labour contracts are awarded by competitive bidding and following arms length relationship.

The VSPL has applied an escalation factor of 3.76% in the unit cost for estimating the operating and direct labour cost for each of the years 2012-13 and 2013-14. The contract copy furnished by VSPL reveals that the validity of the existing contract for on board labour at ₹3.05 per tonne is valid upto May 2013. That being so, no escalation is considered in the year 2012-13 for estimating this cost item. For the year, 2013-14, 6% annual escalation in the unit rates is allowed.

In respect of contract for labour service for BMHS, the existing contract rate of ₹3.70 per tonne is valid for the year 2011-12 also. Annual escalation at 6% is, however, allowed in the unit rate for the years 2012-13 and 2013-14 as against 3.76% assumed by VSPL.

(c). The estimate of maintenance labour cost for the years 2011-12 to 2013-14 comprises of three components, viz. maintenance of BMHS which is outsourced, maintenance of wagon unloaders proposed to be commissioned from October 2011 for unloading iron ore and maintenance of office and other port facilities.

The VSPL has furnished documentary evidence in support of its estimate towards maintenance of BMHS. As per the documents furnished, escalation in the contracted rates is due every year from 1 January but, it does not indicate any formula or percentage of escalation. The VSPL has considered annual escalation of 3.76% from 1 April 2012. The estimate for the years 2012-13 and 2013-14 are modified applying the annual escalation of 6%.

The maintenance labour for gantry unloader is estimated by VSPL assuming manpower requirement of 20 persons per shift at an average salary of ₹8,500/- per month and two supervisors at a salary of ₹12,250/- per month. The VSPL has not furnished any documentary evidence in support of this cost item. The estimates furnished by VSPL are relied upon. The VSPL has estimated this expense for the year 2011-12 for half of year as the wagon unloader is proposed to be commissioned in October 2011. It has subsequently clarified that one of the unloader will be deployed in October 2011 and the second wagon unloader is proposed to be deployed in April 2012. That being so, the estimate furnished by

VSPL is moderated to consider the effect for only one wagon unloader in the year 2011-12. The VSPL has not estimated annual escalation in this item for the years 2012-13 and 2013-14. The approach followed by VSPL is maintained.

The other maintenance labour expenses for the years 2011-12 to 2013-14 is estimated by VSPL applying 3.76% annual escalation over the actuals/ estimates of the previous years. The estimates of VSPL are modified applying annual escalation of 6%.

(d). The estimate of equipment running cost which include power, fuel and repairs and maintenance cost are discussed hereunder:

(i). The VSPL has estimated the power cost for the operation of BMHS and power requirement for office and general use. The actual consumption of power during the year 2010-11 is reported at 0.86 unit per tonne of traffic handled through BMHS. The power consumption for office and general use is considered at 5,47,650 units per annum. Power consumption for the next three years 2011-12 to 2013-14 is estimated based on the actual per tonne power consumption reported for the year 2010-11 and adjusted for the cargo projected to avail BMHS service. Power consumption assumed by VSPL based on 2010-11 actuals is relied upon.

As per the workings furnished by VSPL, the average actual unit cost of power during the year 2010-11 is ₹6.03 per unit. For estimating the power cost for the year 2011-12, the VSPL has considered an escalation factor of 3.76% on the actual unit cost of power of 2010-11, which is modified applying 6% annual escalation. Based on the above, the unit cost of power considered is ₹6.39 for the year 2011-12. This is closer to the unit power cost of ₹6.26 considered in the case of VCTPL. The annual escalation in the unit rate for the subsequent two years considered at 6% as against 3.76% applied by VSPL.

(ii). The unit fuel cost shown in the cost statement for the year 2010-11 is ₹5.04. For the year 2011-12, the VSPL has estimated the fuel cost for operation of HMCs as well as wagon unloader proposed to be commissioned in October 2011 at ₹4.85 per tonne. The details furnished by the VSPL show that fuel consumption of 59 litres per hour and unit cost of ₹39.60 per litre is adopted by VSPL for estimating of per tonne fuel cost of ₹4.67 for HMC based on actuals of 2010-11 which is escalated by 3.76% to arrive at the rate of ₹4.85 per tonne for the year 2011-12. The fuel cost estimated by the VSPL is relied upon subject to updating the unit rate of fuel for the year 2011-12 at ₹44.83 per litre as taken in the case of upfront tariff for dry bulk cargo at Visakhapatnam Port Trust (VPT) and also in case of VCTPL. The fuel cost thus works out to ₹5.29 per tonne. For the subsequent years 2012-13 and 2013-14, 6% annual escalation is allowed. In respect of wagon unloader, though as per its working fuel cost is estimated to be ₹5.00 per tonne for the year 2011-12, a parity is maintained with HMC. The position reported by VSPL is relied upon.

(iii). The actual repairs and maintenance cost reported for the year 2010-11 is ₹660.13 lakhs which works out to 2.33% of the total gross block of assets. The VSPL has estimated the repairs and maintenance expenditure for the future three years based on the expenditure level of 2010-11 and by applying escalation factor of

3.76% per annum. The estimates of VSPL are modified by allowing annual escalation at 6% taking the actuals of 2010-11 as the base.

The VSPL has not estimated any repairs and maintenance cost on additions proposed to the gross block of assets during the years 2011-12 to 2013-14. On a specific query in this regard, VSPL has confirmed that it does envisage any repairs and maintenance on the additions proposed as some of the assets would be covered under warranty and for others no repairs are estimated in the initial period.

(e). The actual expenditure on maintenance dredging reported by VSPL for the years 2009-10 and 2010-11 is based on the bills raised by VPT on 'per shift' basis for the actual deployment of dredgers. The VSPL has furnished copy of bills raised by VPT in support of the actual expenditure incurred in the year 2010-11. The VPT has also confirmed the position reported by VSPL.

For estimating the maintenance dredging cost for future period i.e. 2011-12 to 2013-14, the VSPL has considered 24 shifts per annum as against actual 14 shifts reported in the year 2010-11. The basis for considering increase in number of shifts from 14 to 24 is not explained. The VPT has made a general statement that the cost estimate will depend based on quantum dredged and the number of shifts the dredger is deployed. In the absence of any basis furnished either by VSPL or VPT for the increase estimated in the number of shifts in the year 2011-12 to 2013-14, the actual shifts reported in 2010-11 are considered for estimating the maintenance dredging cost for the years 2011-12 to 2013-14.

The VSPL has considered the actual per shift rate paid to VPT during the year 2010-11 for the year 2011-12 and for the next two years, it has considered an annual escalation of 3.76% which is modified to 6% in line with the approach adopted for estimating other cost elements.

(f). As explained earlier, the revenue share to the extent quoted by the next highest bidder i.e. 12.811% is admissible as pass through as per the provisions of clause 2.8.1 of the tariff guidelines of March 2005. Following the approach adopted for the analysis of past period, 12.811% of the revenue i.e. modified berth hire income and income from cargo wharfage is considered as an item of cost.

(g). The VSPL has estimated the equipment hire charges for the years 2011-12 to 2013-14 for various equipment hired by it for different cargo handling services. Copies of the work orders furnished by VSPL show that the revised contract rates for on board equipment, shore handling, pay loaders, internal shifting, etc. are applicable from October 2010. The VSPL has confirmed that the contract is awarded following competitive bidding. The contract provides for escalation in the unit rate but the exact percentage of escalation is not mentioned in the contract. The VSPL has adopted annual escalation of 3.76% per annum which is modified and considered at 6% per annum from October 2011 for estimating the equipment hire charge for the years 2012-13 and 2013-14.

As regards the estimated hire charges for HMC, the VSPL has adopted unit rate of ₹42 per tonne which is supported by copy of contract valid till March 2012. The unit rate given in the contract is applied for estimating the hire charge of HMC for the year 2011-12. For the years 2012-13 and 2013-14, 6% annual escalation is allowed. The VSPL had initially estimated 33% of the conventional cargo will avail the services of hired HMC. When sought to review this item in the light of the proposed purchase of one HMC in the year 2011-12, the VSPL has scaled down the share of cargo availing hired HMC services to 25%. The revised position indicated by the VSPL is considered.

(h). The actual lease rental which is paid to VPT, reported by VSPL for the year 2010-11 is ₹73.09 lakhs. As against that, the VSPL has estimated lease rental for 2011-12 at ₹73.46 lakhs, and ₹162.56 lakhs and ₹249.29 lakhs for the years 2012-13 and 2013-14 respectively. Lease rental is estimated for the 121700 sq. m. of land allotted to it by VPT applying the unit rate of ₹90.55 per week for 100 sq. m. which works out to ₹64.42 lakhs per year. The VPT has endorsed the calculation of lease rent only for this land allotment.

In addition to that, the VSPL has estimated lease rent for additional land of 15,000 sq. m. in the year 2011-12 and 10,000 sq. m. in the year 2012-13 for storage of cargo adopting the same unit rate. The VSPL has stated that it has also taken one building named "Workers Amenities Building" from VPT for which ₹7.56 lakhs per annum is estimated for each of the three years as a part of this cost item. The VPT has not made any adverse comments on the lease rental estimated for building/ additional area considered by VSPL for stacking cargo. Clause 5.3. of the License Agreement allows licensee to take additional land or other premises on payment of rentals or other charges as mutually agreed between licensor and licensee. Moreover, the estimate of lease rental for the year 2011-12 is closer to the actual lease rental paid in the year 2010-11. Hence, the estimates furnished by VSPL for the year 2011-12 is accepted.

The VSPL has stated that additional area of 1,21,406 sq. m. is proposed to be taken on lease from VPT at Exim Park for development of new storage yard. The VSPL has explained that the maximum storage capacity of the existing stackyard is 3.6 million tonnes which is mainly availed by cargo other than BMHS. With the increase in the throughput to 7 MTPA, it has expressed the need to develop additional storage yard at Exim Park. Clause 3.2. of Appendix 1 of the LA allows licensor to allot additional land for operations at ports Exim Park. The VPT has also endorsed that the allotment of said land is in its jurisdiction and it will help to augment the yard capacity to 8.2 MTPA. In view of the above position, the lease rentals for additional land of 121406 sq. m. allotted at Exim Park is allowed in the estimates.

The VSPL has estimated lease rental for the additional land at Exim Park for half of the year of 2012-13 and for full year of 2013-14 at ₹91.51 lakhs and ₹183.03 lakhs respectively. The VSPL has furnished the working of lease rental given by VPT for this land wherein lease rate for Zone IX-B approved by this Authority in Order No.TAMP/41/2005-VPT dated 22 April 2008 for the quinquennium 2003-08 is taken as a base and escalated by 59% to arrive at the base rate for the year 2008-09. Thereafter 2% annual escalation is applied for the two years 2009-10 and 2010-11 and the unit rate thus arrived at ₹150.76 per sq. m. per annum is considered to estimate lease rental of ₹183.03 lakhs.

It is relevant to state here that the lease rental of the VPT is due for revision since 2008. The VPT has not filed proposal for revision of lease rental despite our advice rendered on several occasions while determining other upfront tariff proposals of the port. It is relevant to state here that while processing the upfront tariff proposal of VPT for WQ-7 berth, the VPT on our advice has furnished the valuations of VPT land as obtained from the District Registrar, Hyderabad for different zones of the port estate. The copy of the valuation of the VPT land furnished by the District Collector states that the land valuation is with effect from 1 December 2010. Based on the land valuation furnished by the District Registrar for

Zone IXB and applying 6% thereon, which is as per the methodology prescribed in the Government Land Policy Guidelines, the unit rate comes to ₹102.54 per sq. mtr. for the year 2010-11. Applying annual escalation of 2% thereon as per the Government guidelines on Land Policy of Major Ports, the unit rate of lease rental is arrived at ₹106.69 per sq. mtr. per annum for the year 2012-13 and ₹108.82 per sq. mtr. per annum for 2013-14. The said unit rate is considered for estimating the lease rental for land to be allotted by VPT at Exim Park. Accordingly, the lease rental for land proposed to be allotted at Exim Park is considered at ₹64.76 lakhs for the year 2012-13 (half year) and ₹132.11 lakhs for the year 2013-14.

The VPT has been advised to file a formal proposal for the revision of lease rental of port estate following the extant Government guidelines. In case the revised lease rental to be approved for the VPT lands for the quinquennium 2008-13 becomes lower than the lease rental considered in this case, the entire excess will be fully adjusted in the next review.

(i). The insurance cost for the year 2010-11 is reported at ₹48.19 lakhs. The insurance premium for the year 2011-12 is considered at ₹53.17 lakhs which is substantiated with copies of insurance policies.

The insurance premium for the next two years viz. 2012-13 and 2013-14 is estimated at ₹60.69 lakhs and ₹62.97 lakhs respectively. The VSPL has clarified that the increase estimated in this item is to cover the insurance on additions proposed to the gross block of assets. The insurance cost estimated is found to be less than 1% of the gross block of assets allowed in tariff fixation of other private terminals cases. Therefore, the insurance cost estimated by VSPL is considered without any modification.

(j). Other expenses include railway siding charges, security expenses, gear charges, survey charges, etc. The expense estimated under this head for the year 2011-12 is ₹309.31 lakhs as against the actual expense of ₹328.99 lakhs for the year 2010-11. The actuals for the year 2010-11 include demurrage on wagons to the tune of ₹42.17 lakhs which is not considered by the VSPL for future estimates. The same position is maintained in our analysis. The unit rate indicated in the documentary evidence furnished by VSPL for some of the items viz. gear charges, survey charges and agency CHA charges treated by VSPL as variable expense and adjusted for some traffic figures etc., cannot be correlated with the unit rate adopted by VSPL in the estimates. For the purpose of this analysis, the actual other expenses considered in the year 2010-11 is taken as the base and annual escalation of 6% is applied and also adjusted for traffic variation in respect of the variable items. For other expenses which are of fixed nature, 6% annual escalation is allowed for the years 2011-12 to 2013-14 over actuals/ estimates of the respective previous year. For the year 2012-13, VSPL has estimated the security expenses for the additional land to be allotted at Exim Park at the rate of ₹3 lakhs per month in the year 2012-13 starting from October 2012. For the year 2013-14, the same rate is adopted by VSPL without any escalation. The estimate furnished by VSPL in this regard is relied upon.

(k). The treatment given to technical service fee paid by VSPL to M/s.Portia Management Services (PMS) has been explained while analysing the past period. The annual amortization amount as considered for the past actuals is maintained in the estimates for future period as well.

(ix). The VSPL has confirmed that depreciation computed by it is in line with clause 2.7.1 of the tariff guidelines of 2005. As stated earlier, the depreciation on capital dredging expenses reported by VSPL in the year 2009-10 has been disallowed for the future years also.

The depreciation on additions to the gross block during the years 2011-12 to 2013-14 computed by the VSPL has been modified in this analysis in line with the modifications considered in the additions to the gross block as explained in the subsequent paragraphs.

(x). The amortization of upfront fee and preliminary expense is considered at ₹33.10 lakhs for each of the year 2011-12 to 2013-14 as has been done for the past period. The upfront fee and preliminary expenses to the extent not written off is taken as part of the capital employed for computation of return.

(xi). The VSPL has estimated the management and general overheads by considering an escalation factor of 3.76% per annum over the actual management and general overheads reported by it for the year 2010-11. The management and general overhead estimated by the VSPL for the years 2011-12 to 2013-14 has been modified applying 6% annual escalation over the actuals/ estimates of the respective previous years.

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

(xiii). (a). In the revised proposal of June 2011, the VSPL had proposed additions to the gross block to the tune of ₹4277.93 lakhs and ₹4498.30 lakhs in the years 2011-12 and 2012-13 respectively. It has not proposed any additions during the year 2013-14. While furnishing the additional information / clarification in August 2011, the VSPL has modified the estimates of additions to gross block for the year 2011-12 to ₹5415.23 lakhs mainly due to its decision to procure new HMC as against old HMC considered earlier. The updated position furnished by VSPL in August 2011 is considered in this analysis and discussed below:

<u>Year 2011-12</u>:

Sl. No.	Particulars	₹ in lakhs	Status indicated by VSPL
1.	Coal grab	90.22	Erection under progress. Expected date of commissioning 31.8.2011.
2.	Harbour Mobile Crane	2469.26	Likely date of commissioning January 2012.
3.	Wagon Unloader (2 nos.)	1391.65	Agreement dated 20.4.2011 is furnished. VSPL states first unit likely to be commissioned in October 2011 and second one in April 2012.
4.	Repairs and strengthening of berth EQ9 berth	1464.10	Work order not yet issued. Likely to be carried out in the last quarter of 2011-12.
	TOTAL	**5415.23**	

<u>Year 2012-13</u>:

Sl. No.	Particulars	₹ in lakhs	Status indicated by VSPL
1.	Development of Storage Yard at Exim Park	4498.30	LOI dated 14.6.2011 furnished for development of 5 acres (out of 30.5 acres). The LOI does not indicate the value.

			Copy of Work Order for Design and Feasibility Report (DFR) at a cost of ₹34.00 lakhs furnished. VSPL states that all works are likely to be completed in December 2012.
	TOTAL	**4498.30**	

(i). When requested to comment on the reasonableness of the investments proposed by VSPL, the VPT has stated that though the investment proposed by VSPL varies with reference to the License Agreement, Appendix-13 in the LA indicates that the equipment plan is only tentative and preliminary and more equipment can be procured as per the cargo handling requirements.

(ii). The VSPL has stated that the investment proposed on coal grab at ₹90.22 lakhs is mainly to replace the existing coal grab which is reportedly outlived its life. As regards HMC estimated at ₹24.69 cores, the VSPL has justified that the existing cranes are aged and has already suffered two major engine blow outs in the last two years. Hence, it has proposed to procure new HMC to meet the operational requirements. It has furnished a copy of the quotation received from the supplier to support the estimated cost. Relying on the documentary support furnished by VSPL and the expected date of commissioning indicated by the VSPL, the proposed investments on coal grab and HMC are considered in the year 2011-12.

(iii). The VSPL has proposed an investment of ₹1391.65 in the year 2011-12 towards purchase of 2 Nos. of wagon unloaders for unloading cargo mainly iron ore from railway wagons. The VSPL has proposed investment stating that the Railways have banned unloading of wagons with the excavators to prevent damages to wagons. The VSPL has furnished a copy of the agreement entered by it with the supplier on 20 April 2011 in support of the estimated cost. The workings furnished by VSPL in arriving at the landed cost of the equipment shows that the VSPL has considered an exchange rate of ₹58 per Euro and customs duty at 29% of the basic cost of the equipment. In the case of HMCs and coal grab, the VSPL has considered an exchange rate of ₹64 per Euro and customs duty @ 3.48% recognizing the benefit available in the EPCG Scheme. The estimated cost of wagon unloaders is modified adopting the exchange rate and customs duty considered by it for estimating the coal grab. Accordingly, the modified capital cost for two wagon unloaders at ₹1231.83 lakhs is considered.

The VSPL has stated that the first unloader is expected to be commissioned in October 2011 followed by the second unit in April 2012. Recognising this position, the capital cost of one unloader amounting to ₹615.91 lakhs is considered in the year 2011-12 and an equivalent amount is considered in the year 2012-13 towards second unit.

(iv). The VSPL has proposed an investment to the tune of ₹1464.10 lakhs towards repairs and strengthening of berth superstructure and wharf at EQ-9 in the year 2011-12. The VSPL has reported that the heavy rainfall in the year 2010 has caused severe damages to the project facilities and hence the need to revamp the berth no.EQ9. It has further stated that proposed investment is a part of project cost and incurred to meet the obligation under

Licence Agreement which requires the Licensee to maintain the project facilities till the expiry of project life. The VSPL has furnished copies of civil work estimates in support of the investment. It has reported that the proposed work would be undertaken in the last quarter of the year 2011-12. The VPT has also endorsed that the VSPL proposes to carry out strengthening of berth in the year 2011-12 which will affect their traffic. Since the completion of works is expected in fag end of the financial year 2011-12, the capital expenditure proposed by the VSPL in the year 2011-12 is shifted to the next year 2012-13, when the entire expenditure is expected to be capitalised.

It may be relevant here to recall that the VSPL has estimated a reduction of 6 lakhs in the traffic for the year 2011-12 on account of idling of berth at the time of carrying out repairs/ strengthening works, which is endorsed by VPT and hence recognised in the cost statement.

(v). The VSPL has proposed an investment to the tune of ₹4498.30 lakhs in the year 2012-13 towards development of new storage yard in the area of 30.5 acres to be allotted by VPT to VSPL in the Exim Park. The VPT has confirmed that the area to be allotted by it for development of storage yard falls under the VPT jurisdiction and is in line with the provisions of Appendix 1 Clause 3.2. of the License Agreement. In justification of the proposed investment, the VSPL has stated that existing storage capacity of the terminal is only 3.6 MMT per annum and VSPL is completely restricted by non-availability of storage area requiring multiple handlings to accommodate different types of cargo. Further, the soil condition of the existing storage area is very poor limiting the load capacity. The VSPL has stated that the port after examining all aspects has offered 30 acres of land in the Exim Park area of VPT. The VSPL has stated that the proposed investment in additional land is expected to increase the yard capacity to 8.2 MTPA to meet the targeted throughput of 6.75 to 7.09 MTPA estimated in the years 2012-13 and 2013-14 respectively.

The VPT has also endorsed that the development of additional storage yard will improve the yard capacity to 8.2 as stated by VSPL. In view of the submissions made by VSPL and recognising that it is in line with the LA provision, the investment proposed for development of storage yard is considered, subject to modifications in the capital cost estimated by VSPL.

The VSPL has furnished estimates for the proposed investment which comprises of various works like filling of land, laying of Roads and laying Railway Tracks, etc. One year lease rental of ₹183.03 lakhs towards refundable security deposit and ₹183.03 lakhs towards non-refundable premium are also included in the capital cost estimate for this time. Security Deposit being a current asset cannot considered as cost of fixed asset. It is, however, considered separately for estimation of working capital. Non-refundable premium at one year’s lease rental considered by VSPL in the capital cost is modified in line with revised lease rental considered by us in this analysis.

Subject to above modification, the revised capital cost for development of storage yard as Exim Park comes to ₹4261.77 lakhs. The documentary evidence furnished by VSPL shows that the work is in preliminary stage. Based on the present status of the work, the capital addition proposed by VSPL in the year 2012-

13 is shifted to the year 2013-14 as it will qualify for return only upon its full completion and commissioning. Inclusion of this capital cost for the purpose of return is subject to the condition that if at the time of review of actuals it is found that the proposed investment does not materialise in the year 2013-14, the advantage accrued to VSPL on that account will be assessed and fully adjusted in the next tariff cycle. In this regard, both VSPL and VPT are required to intimate this Authority immediately without waiting for the tariff validity period to expire, if any of the proposed capital additions do not materialise as envisaged in this analysis.

(b). The VSPL has considered the working capital as 'Nil' for the years 2011-12 to 2013-14. In our analysis, the current assets are assessed following the norms prescribed in the guidelines. In case of the VSPL, as per Article 5.1. of the LA entered between VSPL and VPT, the revenue share is payable on monthly basis on 7th day of the immediately subsequent month. As VSPL is not required to make any advance payment of royalty, no pre-payment is considered in the estimates of working capital. As stated earlier, security deposit payable for additional area at Exim Park is considered as part of current assets. The VSPL has considered the current liabilities at 2009-10 actuals. The current liabilities reported in 2010-11 is considered for all the years. Based on the above analysis working capital results in a negative figure and hence considered as nil.

(c). Subject to above analysis, the modified estimates of capital employed for the years 2011-12 to 2013-14 is ₹25,735.83 lakhs, ₹26,232.95 lakhs and ₹28,695.17 lakhs respectively.

(xiv). In the last tariff Order, VSPL was specifically advised to file separate cost statements for vessel related activity and cargo related activity taking into consideration the gaps observed in the Order. The VSPL has furnished cost statements for cargo related and vessel related activities and also for sub-activities BMHS handling and conventional cargo handling.

For preparing the cost statement for the sub-activities BMHS and conventional handling under the cargo handling activity, the VSPL has allocated the common operating expenses equally between the two sub-activities. It is relevant to state here that the ratio of traffic estimated to be handled through BMHS and conventional cargo is around 32 : 68. Hence, the logic of allocation of common expenses equally between the two sub-activities is not clear. The common assets are allocated by VSPL between the two sub activities based on the berth capacity of EQ8 (BMHS) and EQ9. However, it is understood that the berth no.EQ8 apart from handling BMHS cargo also handles conventional cargo. Hence, the allocation of assets between the two activities based on the berth capacities is not found to be correct. The sub-activity wise cost statements furnished by the VSPL are not useful for any meaningful analysis as they do not reflect the correct net surplus/ deficit in each of these activities and hence are not considered in this review exercise. The VSPL is advised to file the sub-activity wise cost statements under the cargo handling activity on a scientific and rational basis at the time of tariff review taking into consideration our observation

(xv). The existing capacity of the terminal was earlier reported at 6.70 MTPA. As against that, the VSPL has assessed that the capacity of the terminal at 7.7 MTPA being the lowest of the three capacities viz. yard capacity after considering the additional storage at Exim Park in the year 2012-13 (8.2 MTPA), berth capacity (9 MTPA) and evacuation capacity (7.7 MTPA). The VPT has also endorsed that the yard capacity after development of the proposed storage yard at Exim Park will be at 8.20 MMTPA. It has not commented on the other two capacities furnished by the VSPL. The capacity utilisation for the throughput projected works out to be 75.97%, 87.72% and 78.80% for the years 2011-12 to 2013-14 respectively. Since the capacity utilisation is more than 60%, full return of 16% on the estimated capital employed for all the three years is considered in accordance with the provisions of the tariff guidelines of March 2005.

(xvi). The consolidated cost statement and main activity-wise cost statements for the years 2011-12 to 2013-14 have been modified in line with the above analysis. The modified cost statements are attached as **Annex - I (a) to (c)**. The summarised position of the results disclosed in the financial / cost statements are tabulated below:

(₹ in lakhs)

Sl. No.	Particulars	Operating Income (₹ in lakhs)				Net Surplus (+) / Deficit (-) (₹ in lakhs)				Net Surplus (+) / Deficit (-) as a % of Operating Income			
		2011-12	2012-13	2013-14	**Total**	2011-12	2012-13	2013-14	**Total**	2011-12	2012-13	2013-14	**Average**
1.	VSPL as a whole	10693.94	12166.13	13104.30	**35964.37**	2025.93	1299.39	1183.00	**4508.32**	18.94%	10.68%	9.03%	**12.54%**
2.	Vessel related	277.05	319.01	334.96	**931.02**	(-) 813.48	(-) 763.83	(-) 706.79	**(-)2284.11**	(-)293.62%	(-)239.44%	(-)211.01%	**(-)245.34%**
3.	Cargo related	10416.89	11847.12	12769.34	**35033.35**	2839.41	2063.23	1889.79	**6792.43**	27.26%	17.42%	14.80%	**19.39%**

The above table reflects an average surplus of 12.54% for the period 2011-12 to 2013-14 at the prevailing rates and after adjustment of past period surplus. In absolute terms, the overall surplus is ₹4508.32 lakhs for the three years period.

The VSPL in the revised proposal has proposed 260% increase in the berth hire charges, 16% increase in the wharfage charges for manganese ore, 54% increase in charges for supply of water to vessel and 12.6% reduction in the consolidated charges for handling cargo through BMHS. Apart from these modifications, it has proposed separate shore handling charge with use of gantry unloaders for handling iron ore at ₹100 per tonne in view of new gantry unloaders proposed to be commissioned in the year 2011-12. The VSPL has also proposed to introduce separate charge for railway siding administration and maintenance at ₹3.20 per tonne.

The vessel related activity is in deficit to the tune of ₹2284.11 lakhs which is fully offset by the surplus estimated in the cargo handling activity and leaving a revenue surplus position of the ₹4508.32 lakhs for the three years period.

Since the overall position reflects a surplus position, no case emerges for granting any increase in the existing rates as proposed by the VSPL. On the contrary, there is a case to reduce the existing to the extent warranted by the cost position. But, before determining the reduction required in the existing tariff, the new tariff items proposed by the VSPL and their revenue impact thereof are discussed hereunder:

(a). Charges for hire gantry unloader:

The VSPL has proposed to install two nos. gantry unloaders for unloading of iron ore from the railway wagons. The estimated capital cost and operating expenses in respect of the Gantry unloaders are captured in the overall cost statements as explained earlier. Since this is a new facility to be provided, the VSPL has proposed a separate tariff which is payable by the cargo availing services of the gantry unloaders. Though the VSPL has assessed the annual capacity of the two gantry unloaders at 22.77 lakhs tonnes for arriving at the proposed rate, it has considered the annual throughput of 9.45 lakhs tonnes based on the supply of rake by railways. Since the rate for gantry unloader is being done for the first time, it is found appropriate to determine the rate for the said equipment based on the capacity of the equipment instead of solely relying on the traffic projected for one cycle. It is notable that for determining the hire charge for HMC at different ports has been determined hire charge for capacity of a standard HMC of 100 Tonne and linked the tariff to the performance of the crane. Since no norms are available for determining the capacity of gantry unloader, the capacity reported by the VSPL at 22.76 lakh tonnes for two unloaders is reckoned with.

For estimating operating cost, the VSPL has adopted the norms prescribed in the 2008 guidelines to the extent relevant in its case. The parameters adopted by the VSPL for estimating the insurance, repairs, other expense are based on the norms prescribed in the 2008 guidelines. For estimating fuel cost, it has considered fuel consumption of 38 litres per hour for 3650 hours. The guidelines of 2008, do not prescribe any fuel consumption norms for this kind of equipment. The parameters adopted by VSPL and the overall approach adopted by the VSPL for determining the unit rate for hire of gantry crane is relied upon and considered except for the following modifications:

(i). The tariff is determined with reference to the capacity assessed by the VSPL instead of the throughput projections.

(ii). The unit cost of fuel considered by VSPL at ₹41 per litre is updated with the current rate of ₹45.08 per litre.

(iii). In addition to the other expenses estimated at 5% of the capital cost, the VSPL has separately estimated direct & operating labour cost at ₹45.90 lakhs per annum. In the upfront tariff guidelines of 2008, the norm prescribed to estimate other expense at 5% of the capital cost covers salaries and wages cost and other miscellaneous cost items. In the instant case 5% of the capital cost estimated comes to ₹69.58 lakhs which is found to be adequate to take care of the operating and direct labour cost estimated by VSPL and hence separate estimation of labour cost by the VSPL is not reckoned with.

(iv). The VSPL has computed 16% return on the average net block of the assets for the three years period in line with the approach followed in other HMC cases and is accepted.

(v). A cost statement showing computation of unit rate for hire of gantry unloader is attached as **Annex - II**. As stated earlier, the rate for gantry unloader is calculated with reference to assessed capacity of 22.76 lakh tonnes per annum. The unit rate works out to ₹26.30 per tonne as against ₹59.97 per tonne estimated by VSPL in the cost statement. The VSPL has proposed a separate rate for shore handling for iron ore using gantry crane which is sum of the existing shore handling charge of ₹40 per tonne and the proposed hire charges of ₹60 per tonne for gantry crane. In the revised SOR of VSPL approved by this Authority, the rate for hire of gantry unloader is prescribed separately which is payable by any cargo availing the facility. The existing shore handling charges will continue to apply commonly for all cargoes including iron ore as per the existing arrangement.

(vi). Assuming 87% of the estimated iron throughput will avail services of gantry unloader as considered by VSPL, the additional revenue on account of the proposed tariff for gantry unloader is estimated to be ₹484.06 lakhs for the years 2011-12 (from November 2011) to 2013-14.

(b). Charges for maintenance of rail siding:

(i). The VSPL has proposed ₹3.20 per tonne towards maintenance of railway siding charges. It has stated that though these services are already being provided and the cost is captured in the cost statement, under the existing arrangement no tariff is prescribed to recover the cost from the relevant users. It has thus proposed separate tariff to recover the expenses incurred for maintenance of railway lines, establishment cost of railway commercial office etc., from the users availing rail borne cargo. This Authority always encourages direct recovery of cost from relevant user group instead of resorting to cross-subsidisation. The workings furnished by VSPL show that it has arrived at a rate of ₹5.02 per tonne which comprises of maintenance expenses, insurance and depreciation of railway assets and return @ 16% on the net block of railway siding as at 31 March 2011. As against that, it has proposed a rate of ₹3.20 per tonne. Considering that this rate is introduced for the first time at VSPL, the rate proposed by VSPL at ₹3.20 per tonne towards railway siding maintenance charges is approved. The revenue implication of the proposed tariff furnished by VSPL for the year 2011-12, (for five months from November 2011), 2012-13 and 2013-14 is ₹360.48 lakhs.

(ii). Considering the estimated additional revenue from the above new tariff items, the net surplus (after allowing return) for the tariff cycle under consideration is ₹5352.87 lakhs.

Ordinarily, the existing cargo related charges and charges for deployment of equipment hire should have been reduced to the extent warranted by the cost position. It may be relevant here to bring out the existing charges prescribed for hire of 104 tonne HMC which is ₹72.75 per tonne. In fact, the hire charges prescribed in the SOR of other ports based on stand alone costing is found to the almost in range of ₹33 to ₹39 per tonne for handling dry bulk cargo. While processing the proposals of other major port trust for hire of HMC there has been several observations received from various front about hire charges for 104 tonne HMC prescribed in the SOR of VSPL. It has to be recognised that the existing rate prescribed in the SOR of VSPL is not fixed on a stand alone cost of HMC but based on the cost position for the terminal as a whole. This means, any excess collection made on account of MHC goes to cross-subside other sub-activities. Based on cost based tariff fixed for hire of HMC at other Major Port Trusts, there seems to be a need to set right the existing hire charges for 104 tonnes HMC prescribed in the SOR of VSPL. Therefore, the entire estimate surplus of ₹5352.87 lakhs for the period 2011-12 to 2013-14 is considered to effect reduction in the existing rate for hire of HMC. At the existing tariff, the total estimated revenue from HMC services for the estimated throughput for the two years five months i.e. from November 2011 to March 2014 is ₹10792.65 lakhs. Thus, the existing hire charges of HMC at ₹72.75 per tonne is reduced to ₹36.70 per tonne by applying the estimated surplus of ₹5352.87 lakhs for the period 2011-12 to 2013-14. This will bring the hire rate for HMC rate comparable to the cost based rates prescribed at other ports. Consequent to reduction effected in the hire charge of HMC, the minimum charge prescribed for hire of HMC for a shift is also be reduced to the extent of 49.55% reduction effected in the hire charge for the HMC.

(iii). The existing composite rate for BMHS is ₹197.75 per MT which inter-alia includes provision of HMC, mobile hopper, conveyor stakers etc. The VSPL has proposed a total reduction of ₹25 per tonne in charges for Mobile Hoppers, Conveyors and stackers and Reclaiming and wagon loading which form part of the total rate for BMHS to make the activity competitive. The reduction in the rate for HMC, which is also one of the components of the composite BMHS tariff, from ₹72.75 per MT to ₹36.70 per MT will reduce the charge for BMHS from existing ₹197.75 to ₹161.70 per tonne i.e. a reduction of ₹36.05 per MT. The existing SOR also provides a consolidated rate of ₹188.75 if all the integrated terminal services of BMHS are availed. Maintaining the existing differential of ₹9/- per tonne the consolidated rate is thus reduced and prescribed at ₹152.70 per tonne in view of reduction effected in the BMHS rate. Since reduction is effected in the HMC component under BMHS, the other three tariff items proposed for reduction by the VSPL (which are not supported by any cost calculation) may not be considered. It is relevant to mention here that VSPL is not at any disadvantageous position due to reduction of the HMC rate as stated above, since the surplus over and above the admissible cost and permissible return only has been used to effect the said reduction and the estimated cost position duly recognises the relevant cost and return pertaining to MHCs.

While granting extension to the validity of its SOR vide Order No.TAMP/9/2007-VSPL dated 27 March 2009, it was stated that the additional surplus, if any, over and above the admissible cut and permissible return will be adjusted fully in the tariff to be determined. Recognising that the revised Scale of Rates will become effective from November 2011, the overall surplus of ₹5357.17 lakhs estimated for the three years period 2011-12 to 2013-14 is adjusted over the operating income estimated for the HMC for the period from November 2011. Thus, the decision to set off the entire surplus accrued for the year 2011-12 during the period of extension is complied with.

(xvii). The VSPL has proposed a few amendments in the existing General Terms & Conditions relating to levy of coastal rates when the vessel changes its status from foreign going to coastal, periodicity of review of exchange rate, etc. The amendments proposed by VSPL are not found to be in line with the standard provisions prescribed in the Scale of Rates of other major ports and private terminal and the provision in the tariff guidelines and hence status quo is maintained.

(xviii). The penal rate of interest for delayed payments by users and delayed refunds by VSPL is proposed at 15%. The prevailing Prime Lending Rate (PLR) of the State Bank of India is 14.25%. Accordingly, the proposed provision relating to penal rate of interest on delayed payments by users and delayed refunds by VSPL is updated with interest rate of 16.25% being 2% above the prevailing PLR of the State Bank of India.

(xix). The existing SOR prescribes terms and conditions in case of damages to crafts, equipments, tools & plants. The VSPL has proposed to amend the existing condition to include berths, fenders and bollards also under this provision. Considering that the proposed amendment does not alter the existing position but extends the scope of its application, the proposed amendment is accepted.

(xx). The VSPL has proposed a few amendments in the existing conditions setting out the time limit beyond which berth hire charges shall not apply after the vessel signals its readiness to sail. Consequently, it has also proposed modifications in the existing definition for ‘False signal’. The VSPL has submitted that the berthing and sailing movements of vessels are controlled by VPT and the vessel agents delay the readiness of the vessel after completion of cargo operations. The amendments proposed by VSPL are not found to be in line with the tariff guidelines of 2005. It is relevant to mention here that the existing provision prescribed in the SOR of VSPL in this regard on the general conditions prescribed in the Scale of Rates of other Major Ports and Private Terminals and are in line with the tariff guidelines. Hence, the amendments proposed by VSPL in the general note relating berth hire is not accepted.

(xxi). The VSPL has proposed to amend the existing provisions relating to levy of Penal Berth hire. It has proposed to reduce the time allowed for over-stayal of vessels, modified the existing provisions for computing the berth occupancy of a vessel and the shift productivity. Moreover, the existing penal berth hire prescribed in the slabs are proposed to be reduced to two slabs with reduction in the duration of the first slab from six hours to five hours. The VSPL has also proposed upward revision in output norms for a few cargo items like iron ore, coke, general cargo etc. and has retained the existing hook shift output for other cargo citing that it will modify on going experience in handling these cargo.

The contention of the VSPL that the modifications proposed in the conditions relating to penal berth hire is mainly to discourage idle occupancy of berth is well taken. It is admitted that berths being scarce resource have to be used optimally and hence there is a need to prescribe stringent provisions to discourage idling at berth. It is, however, observed that the various modifications proposed by VSPL are to be considered in the light of the actual experience in the past. The VSPL has proposed to revise output and norms for a few cargo item but the basis is not explained with reference to the actual output norms achieved in past. Even after almost ten years of past operations, the VSPL has maintained output norms for a few cargo items which was initially introduced based on the output norms earlier prescribed in the SOR of VPT. The output norms need to be rationalized and revised based on the actual handling by the VSPL. The basis of reducing the slabs for penal berth hire, revision proposed in the penal berth hire and revenue impact for various modifications proposed in the penal berth hire provisions remain unexplained. The VSPL is therefore, advised to file a well analysed separate proposal for rationalizing the existing provisions relating to penal berth hire. Till such time the existing provision is allowed to continue without any modifications.

(xxii). The VSPL has sought a 54% increase in the existing charges for supply of water to vessels at berths and through barges. It has stated that it has not supplied water to vessels so far and the proposed increase is only to update the rate based on the market rates and rates charged by the other ports. The increase in the rate proposed by VSPL for supply of water to vessel is not supported by any cost details or market rate for procurement of water. In the absence of any details furnished to justify the increase proposed in this item, and recognising the overall cost position of VSPL reflects a surplus, the existing rate is not tinkered with.

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

12.2. The revised Scale of Rates and conditionalities of the VSPL will come into effect after expiry of 30 days from the date of notification of the Order in the Gazette of India and shall be in force till 31 March 2014.

12.3. The validity of the existing Scale of Rates of VSPL may be deemed to have been extended beyond 30 September 2011 till the effective date of implementation of the Order passed by this Authority.

12.4. The VSPL should furnish to this Authority through VPT its annual accounts and performance report within 60 days of closing of the respective accounting year. If VSPL fails to provide such information within the stipulated time limit, the VPT may initiate appropriate action against VSPL.

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

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

(Rani Jadhav)
Chairperson

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES

Consolidated Income & Cost statement for the Terminal as a whole

(₹ in Lakhs)

Sr. No.	Particulars	Actuals			Estimates furnished by VSPL			Estimates moderated by TAMP		
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
	Traffic (in lakh tonnes)	46.79	64.36	64.73	58.50	67.55	70.92	58.50	67.55	70.92
I	**Total Operating Income**									
	(i) Vessel related income	178.39	356.18	354.88	276.13	315.71	331.50	277.05	319.01	334.96
	(ii) Cargo related income	7992.37	11137.66	11559.17	10416.89	11847.11	12439.46	10416.89	11847.12	12769.34
	Total - I	**8170.76**	**11493.84**	**11914.05**	**10693.02**	**12162.82**	**12770.96**	**10693.94**	**12166.13**	**13104.30**
II	**Operating Costs (excluding depreciation)**									
	(i) Operating & Direct labour	140.14	222.08	237.47	252.42	271.49	285.06	252.43	288.37	320.96
	(ii) Maintenance labour	449.85	435.39	473.37	508.25	558.21	576.79	493.87	570.65	601.04
	(iii) Equipment Running costs	546.87	815.30	1101.22	1113.11	1203.35	1270.58	1157.49	1289.81	1394.28
	(iv) Maintenance dredging	25.59	25.76	51.67	88.57	91.90	95.36	51.67	54.77	58.05
	(v) Royalty / revenue share	200.66	326.32	331.74	303.14	347.09	364.45	303.26	347.52	364.89
	(vi) Equipment hire	1006.91	1583.90	1590.59	1556.97	1872.13	1962.62	1540.17	1851.65	1951.79
	(vii) Lease Rentals payable as per concession agreement	72.96	70.17	73.09	73.46	162.58	249.29	73.46	135.83	198.38
	(viii) Insurance	48.46	37.34	48.19	53.17	60.69	62.97	53.17	60.69	62.97
	(ix) Other expenses	166.45	258.58	328.99	304.70	360.72	374.33	301.03	344.32	386.36
	(x) Technical service fee	12.16	12.16	12.16	12.34	12.34	12.34	12.16	12.16	12.16
	Total - II	**2670.05**	**3787.00**	**4248.49**	**4266.13**	**4940.50**	**5253.79**	**4238.71**	**4955.77**	**5350.88**
III	Depreciation	1157.19	1161.41	1200.28	1455.06	1717.35	1717.35	1267.27	1549.79	1766.44
IV	Overheads									
	(i) Management & Administration overheads	421.60	545.17	730.81	819.84	850.66	882.65	774.66	821.14	870.40
	(ii) Preliminary expenses & upfront payment write-off	33.10	33.10	33.10	33.11	33.10	33.10	33.10	33.10	33.10
	Total - IV	**454.70**	**578.27**	**763.91**	**852.95**	**883.76**	**915.75**	**807.76**	**854.24**	**903.50**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**3888.82**	**5967.16**	**5701.37**	**4118.88**	**4621.21**	**4884.07**	**4380.20**	**4806.33**	**5083.48**
VI	Finance & Miscellaneous Income (FMI)	41.29	40.39	69.22	2.74	2.74	2.74	3.07	3.44	3.85
	(i) Discounted terminal value receivable as per the LA	2.19	2.45	2.74	2.74	2.74	2.74	3.07	3.44	3.85
	(ii) Others	39.10	37.94	66.48	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	2.47	5.37	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	41.29	37.92	63.85	2.74	2.74	2.74	3.07	3.44	3.85
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**3,930.11**	**6,005.08**	**5,765.22**	**4,121.62**	**4,623.95**	**4,886.81**	**4,383.27**	**4,809.77**	**5,087.33**
X	Capital Employed	25,117.19	23,944.92	23,860.81	27313.65	30094.60	28377.25	25735.83	26232.95	28695.17
XI	RoCE - Maximum permissible	4,018.75	3,831.19	3,817.73	4,370.18	4,815.14	4,540.36	4,117.73	4,197.27	4,591.23
XII	Capacity Utilization	93.12%	96.06%	96.62%	75.97%	87.72%	92.11%	75.97%	87.72%	78.80%
XIII	**ROCE adjusted for capacity utilization**	**4,018.75**	**3,831.19**	**3,817.73**	**4,370.18**	**4,815.14**	**4,540.36**	**4,117.73**	**4,197.27**	**4,591.23**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(88.64)**	**2,173.89**	**1,947.49**	**(248.56)**	**(191.19)**	**346.45**	**265.54**	**612.50**	**496.10**
XV	Difference between estimated loss and actual loss for the year 2008-09 after adjusting the third instalment of estimated accumulated loss for the years 2007-08 & 2008-09	0.00	0.00	0.00	(1,134.99)	0.00	0.00	1,073.49	0.00	0.00
XVI	50% of past surplus for the years 2009-10 and 2010-11				(685.35)	(685.35)	(685.35)	686.90	686.90	686.90
XVII	**Net Surplus / (Deficit) after adjustment (XIV + XV + XVI)**	**(88.64)**	**2,173.89**	**1,947.49**	**(2,068.90)**	**(876.54)**	**(338.90)**	**2,025.93**	**1,299.39**	**1,183.00**
									4,508.32	
XVIII	**Net Surplus / (Deficit) as a % of operating income (XVII/I)**	-1.08%	18.91%	16.35%	-19.35%	-7.21%	-2.65%	18.94%	10.68%	9.03%
XIX	**Average Net Surplus/(Deficit) as a % of operating income**		17.61%			-9.22%			12.54%	

Annex-I (b)

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES

Income & Cost statement for vessel related activity

(₹ in Lakhs)

Sr. No.	Particulars	Actuals			Estimates furnished by VSPL			Estimates moderated by TAMP		
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
	Traffic (in lakh tonnes)	46.79	64.36	64.73	58.50	67.55	70.92	58.50	67.55	70.92
I	**Total Operating Income**									
	(i) Berth Hire - Foreign vessels	174.09	356.18	354.88	276.13	315.71	331.50	277.05	319.01	334.96
	(ii) Berth Hire - Coastal vessels	4.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total - I	**178.39**	**356.18**	**354.88**	**276.13**	**315.71**	**331.50**	**277.05**	**319.01**	**334.96**
II	**Operating Costs (excluding depreciation)**									
	(i) Operating & Direct labour	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Maintenance labour	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(iii) Equipment Running costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(iv) Maintenance dredging	25.59	25.76	51.67	88.57	91.90	95.36	51.67	54.77	58.05
	(v) Royalty / revenue share	22.85	45.63	45.46	35.37	40.44	42.47	35.49	40.87	42.91
	(vi) Equipment hire	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(vii) Lease Rentals payable as per concession agreement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(viii) Insurance	10.00	7.67	9.42	11.38	11.10	11.45	9.08	9.55	8.47
	(ix) Other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(x) Technical service fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total - II	**58.44**	**79.06**	**106.55**	**135.32**	**143.44**	**149.28**	**96.24**	**105.19**	**109.43**
III	Depreciation	267.30	267.72	268.42	343.26	342.54	342.54	268.77	268.77	268.77
IV	Overheads									
	(i) Management & Administration overheads	9.20	16.89	21.77	21.17	22.08	22.91	20.07	21.53	22.25
	(ii) Preliminary expenses write-off	33.10	33.10	33.10	33.11	33.10	33.10	33.10	33.10	33.10
	Total - IV	**42.30**	**49.99**	**54.87**	**54.28**	**55.18**	**56.01**	**53.17**	**54.63**	**55.35**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**-189.65**	**-40.59**	**-74.96**	**-256.73**	**-225.45**	**-216.33**	**-141.13**	**-109.58**	**-98.59**
VI	Finance & Miscellaneous Income (FMI)	41.29	40.39	69.22	2.74	2.74	2.74	3.07	3.44	3.85
	(i) Discounted terminal value receivable as per the LA	2.19	2.45	2.74	2.74	2.74	2.74	3.07	3.44	3.85
	(ii) Others	39.10	37.94	66.48	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	2.47	5.37	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	41.29	37.92	63.85	2.74	2.74	2.74	3.07	3.44	3.85
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**(148.36)**	**(2.67)**	**(11.11)**	**(253.99)**	**(222.71)**	**(213.59)**	**(138.06)**	**(106.14)**	**(94.74)**
X	Capital Employed	5,343.33	5,073.86	4,798.84	5,846.55	5,504.01	5,161.47	4,506.43	4,223.12	3,935.04
XI	RoCE - Maximum permissible	854.93	811.82	767.81	935.45	880.64	825.83	721.03	675.70	629.61
XII	Capacity Utilization	93.12%	96.06%	96.62%	75.97%	87.72%	92.11%	75.97%	87.72%	78.80%
XIII	**RoCE adjusted for capacity utilization**	**854.93**	**811.82**	**767.81**	**935.45**	**880.64**	**825.83**	**721.03**	**675.70**	**629.61**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**(1,003.29)**	**(814.49)**	**(778.92)**	**(1,189.44)**	**(1,103.35)**	**(1,039.42)**	**(859.09)**	**(781.84)**	**(724.35)**
XV	Difference between estimated loss and actual loss for the year 2008-09 after adjusting the third instalment of estimated accumulated loss for the years 2007-08 & 2008-09							27.81	0.00	0.00
XVI	50% of past surplus for the years 2009-10 and 2010-11							17.80	18.01	17.56
XVII	**Net Surplus / (Deficit) after adjustment (XIV + XV + XVI)**	**(1,003.29)**	**(814.49)**	**(778.92)**	**(1,189.44)**	**(1,103.35)**	**(1,039.42)**	**(813.48)**	**(763.83)**	**(706.79)**
XVIII	**Net Surplus / (Deficit) as a % of operating income (XVII/I)**	-562.41%	-228.67%	-219.49%	-430.75%	-349.48%	-313.55%	-293.62%	-239.44%	-211.01%
XIX	**Average Net Surplus/(Deficit) as a % of operating income**		-291.94%			-360.89%			-245.34%	

Annex-I (c)

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES

Income & Cost statement for cargo related activity

(₹ in Lakhs)

Sr. No.	Particulars	Actuals			Estimates furnished by VSPL			Estimates moderated by TAMP		
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
	Traffic (in lakh tonnes)	46.79	64.36	64.73	58.50	67.55	70.92	58.50	67.55	70.92
I	**Total Operating Income**									
	(i) Handling charges	4979.14	7645.53	8283.67	7994.19	9065.74	9519.02	7994.19	9065.74	9519.02
	(ii) Wharfage	1008.26	1191.26	1441.57	2090.15	2393.64	2513.32	2090.15	2393.64	2513.32
	(iii) Storage, demurrage & others	127.23	328.87	232.56	244.80	286.41	300.74	244.80	286.42	630.63
	(iv) Dust suppression	48.51	52.56	52.00	87.75	101.32	106.38	87.75	101.32	106.38
	(v) Incentives / volume discount	1829.23	1919.44	1549.37	0.00	0.00	0.00	0.00	0.00	0.00
	Total - I	**7992.37**	**11137.66**	**11559.17**	**10416.89**	**11847.11**	**12439.46**	**10416.89**	**11847.12**	**12769.34**
II	**Operating Costs (excluding depreciation)**									
	(i) Operating & Direct labour	140.14	222.08	237.47	252.42	271.49	285.06	252.43	288.37	320.96
	(ii) Maintenance labour	449.85	435.39	473.37	508.25	558.21	576.79	493.87	570.65	601.04
	(iii) Equipment Running costs	546.87	815.30	1101.22	1113.11	1203.35	1270.58	1157.49	1289.81	1394.28
	(iv) Maintenance dredging	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(v) Royalty / revenue share	177.81	280.69	286.28	267.77	306.65	321.98	267.77	306.65	321.98
	(vi) Equipment hire	1006.91	1583.90	1590.59	1556.97	1872.13	1962.62	1540.17	1851.65	1951.79
	(vii) Lease Rentals payable as per concession agreement	72.96	70.17	73.09	73.46	162.58	249.29	73.46	135.83	198.38
	(viii) Insurance	38.46	29.67	38.77	41.79	49.59	51.52	44.09	51.14	54.50
	(ix) Other expenses	166.45	258.58	328.99	304.70	360.72	374.33	301.03	344.32	386.36
	(x) Technical service fee	12.16	12.16	12.16	12.34	12.34	12.34	12.16	12.16	12.16
	Total - II	**2611.61**	**3707.94**	**4141.94**	**4130.81**	**4797.06**	**5104.51**	**4142.47**	**4850.58**	**5241.45**
III	Depreciation	889.89	893.69	931.86	1111.80	1374.81	1374.81	998.50	1281.02	1497.67
IV	Overheads									
	(i) Management & Administration	412.40	528.28	709.04	798.67	828.58	859.74	754.59	799.61	848.15
	(ii) Preliminary expenses write-off	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total - IV	**412.40**	**528.28**	**709.04**	**798.67**	**828.58**	**859.74**	**754.59**	**799.61**	**848.15**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**4078.47**	**6007.75**	**5776.33**	**4375.61**	**4846.66**	**5100.40**	**4521.33**	**4915.91**	**5182.07**
VI	Finance & Miscellaneous Income (FMI)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(i) Discounted terminal value receivable as per the LA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**4,078.47**	**6,007.75**	**5,776.33**	**4,375.61**	**4,846.66**	**5,100.40**	**4,521.33**	**4,915.91**	**5,182.07**
X	Capital Employed	19773.86	18871.06	19061.97	21467.10	24590.59	23215.78	21229.40	22009.83	24760.13
XI	RoCE - Maximum permissible	3163.82	3019.37	3049.92	3434.73	3934.50	3714.53	3396.70	3521.57	3961.62
XII	Capacity Utilization	69.84%	96.06%	96.62%	75.97%	87.72%	92.11%	75.97%	87.72%	78.80%
XIII	**RoCE adjusted for capacity utilization**	**3,163.82**	**3,019.37**	**3,049.92**	**3,434.73**	**3,934.50**	**3,714.53**	**3,396.70**	**3,521.57**	**3,961.62**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**914.65**	**2,988.38**	**2,726.41**	**940.88**	**912.16**	**1,385.87**	**1,124.63**	**1,394.34**	**1,220.45**
XV	Difference between estimated loss and actual loss for the year 2008-09 after adjusting the third instalment of estimated accumulated loss for the years 2007-08 & 2008-09							1,045.68	0.00	0.00
XVI	50% of past surplus for the years 2009-10 and 2010-11							669.10	668.89	669.34
XVII	**Net Surplus / (Deficit) after adjustment (XIV + XV + XVI)**	**914.65**	**2,988.38**	**2,726.41**	**940.88**	**912.16**	**1,385.87**	**2,839.41**	**2,063.23**	**1,889.79**
XVIII	**Net Surplus / (Deficit) as a % of operating income (XVII/I)**	11.44%	26.83%	23.59%	9.03%	7.70%	11.14%	27.26%	17.42%	14.80%
XIX	**Average Net Surplus/(Deficit) as a % of operating income**	21.60%			9.33%			19.39%		

ANNEX - II

Cost statement for fixation of rate for use of Gantry unloaders

₹ in Lakhs

Sr. No.	Particulars	As furnished by VSPL for two Nos. Gantry unloader			Modified Calculation for one Gantry unloader	
		Workings			Workings	
I	Cost of Mobile Harbour Crane (Rs. Lakhs)		139165200			139165200
II	(a). Capacity (in terms of shifts / hours per annum) computed by VPT					
	(b). Capacity in tonnes/ annum computed by TAMP					
	Handling rate per hour (in tonnes)	445.5 * 70%	311.85		445.5 * 70%	311.85
	Working hours per annum		3650			3650
	Annual Capacity (in tonnes)		**2276505**			**2276505**
	Annual Capacity (in Million tonnes)		2.276505			2.276505
	Maximum allotted inward rakes by railways		183			183
	Qty. per rake		3700			3700
	Total quantity		677100			677100
	Maximum qty. to be unloaded in a year based on growth in rake allotment	365 days * 1 rake per day * 70% * 3700 t/day	945350		365 days * 1 rake per day * 70% * 3700 t/day	945350
	Working hours per annum	945530/311.85	3031.43		945530/311.85	3031.425365
III	Operating cost					
	(a). Fuel cost	38 ltrs./hr * 3046 hrs. * ₹41	4745668		38 ltrs./hr * 3650 hrs. * ₹45.08 * 2	12505192
	(b). Repairs & Maintenance cost	5%	6958260	5% on cost of mechanical equipment	5%	6958260
	(c). Insurance	1%	1391652	1% on cost of mechanical equipment	1%	1391652
	(d). Depreciation	10.34%	14389682	As per norms prescribed in Companies Act	10.34%	14389682
	(e). Other Expense	5%	6958260	5% of Gross fixed Asset Value	5%	6958260
	(f). Direct labour cost unloading 15 to 20% of bottom cargo	15 members per shift for 3 shifts / day @ ₹8500 p.m.	4590000			
	Total (a) to (e)		**39033522**			**42203046**
IV	ROCE on Average Net Block for three years (₹110385836 @ 16%)		**17661734**	16% on capital employed		**17661734**
V	**Total Cost plus Return on investment**		**56695256**			**59864780**
VI	**Hire Charge per tonne (Foreign) in ₹**		**59.97**	Hire charge per Ton (prescribed separately)	Rev. Reqmt. / annual capacity	**26.30**
Add:	Existing rate for shore operations (manual)		40.00	Existing rate for shore operations (already prescribed in the SOR to continue)		40.00
	Total rate Per MT (proposed by VSPL)		**99.97**			
	Rounded to		100.00			

@ Note : Workings for capital employed

Gross value of Gantry unloader		**₹ 2585.29 lakhs**	
Rate of Depreciation as per provisions of Companies Act		**10.34%**	
	Year 1	**Year 2**	**Year 3**
Value of Gantry unloader at the beginning of the year	1391.65	1247.75	1103.86
Depreciation	143.90	143.90	143.90
Written down value at the end of the year	1247.75	1103.86	959.96
Average written down value		1103.86	

ANNEX - III

VIZAG SEAPORT PRIVATE LIMITED

SCALE OF RATES

SECTION - 1

1.1. Definitions - General

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

(1). "VPT" means Visakhapatnam Port Trust (VPT).

(2). "VSPL" means Vizag Seaport Private Limited, a Company incorporated in India, its successors and assignees.

(3). "Coastal vessel" means any vessel exclusively employed in trading between any port or place in India to any other port or place in India having a valid coastal licence issued by the competent authority.

(4). "Foreign-going vessel" means any vessel other than coastal vessel.

(5). "Day" shall mean the period starting from 6.00 A.M. of a day and ending at 6.00 A.M. on the next day.

(6). "Hirer" shall mean all users of any of the appliances provided by VSPL.

1.2. General Terms & Conditions

(1). Status of a vessel as borne out by its certification issued by the Customs or Director General of Shipping is the relevant factor for deciding whether the vessel is 'foreign-going' or 'coastal'. Foreign going vessels permitted to undertake coastal voyages and the cargo/container carried by them will also qualify for the concession in respect of such permissible voyages.

(2). (i). A foreign-going vessel of Indian Flag having a General Trading License can convert to Coastal run on the basis of a Customs Conversion Order.

(ii). A foreign-going vessel of Foreign Flag can convert to coastal run on the basis of Coastal Voyage License issued by the Director General of Shipping.

(iii). In cases of such conversion, coastal rates shall be chargeable by the load port from the time the vessel starts loading coastal goods.

(iv). In case of such conversion coastal rates shall be chargeable only till the vessel completes coastal cargo discharging operations; immediately thereafter, foreign-going rates shall be chargeable by the discharge ports.

(v). For dedicated Indian coastal vessels having a Coastal License from the Director General of Shipping, no other document will be required to be entitled to coastal rates.

(3). Berth hire charges shall be levied on ship owners / steamer agents. Wherever rates have been denominated in US dollar terms, the charges shall be recovered in Indian Rupees after conversion of US currency to its equivalent Indian Rupees at the Market Buying rate notified by the Reserve Bank of India, State Bank of India or its associates or any other Public Sector Banks as may be specified from time to time. The day of entry of the vessel into the port limit shall be reckoned as the day for such conversion.

(4). A regular review of exchange rate shall be made once in thirty days from the date of arrival of the vessels in cases of vessels staying in the VSPL for more than thirty days. In such cases the basis of billing shall change prospectively with reference to the appropriate exchange rate prevailing at the time of review.

(5). No refund shall be made if the amount refundable is less than ₹100/-. This limit shall also be applied for supplementary claims for under charges.

(6). For the purpose of calculating the dues, the unit by weight shall be 1 tonne or 1,000 kilograms, the unit by volume measurement shall be 1 cubic metre and the unit by capacity measurement for liquids in bulk shall be 1,000 litres.

(7). In calculating the gross weight or measurement by volume or capacity of any individual item, fractions upto 0.5 be taken as 0.5 unit and fractions of 0.5 and above be treated as one unit, except where otherwise specified.

(8). Interest on delayed payments / refunds

(i). The user shall pay penal interest on delayed payments of any charge under this Scale of Rates. The rate of interest will be 16.25%.

(ii). Likewise, the VSPL shall pay penal interest @ 16.25% per annum on delayed refunds.

(iii). The delay in payments by the users will be counted only 10 days after the date of raising the bills by the VSPL. This provision shall, however, not apply to the cases where payment is to be made before availing the services as stipulated in the Major Port Trusts Act and/or where payment of charges in advance is prescribed in this Scale of Rates.

(iv). The delay in refunds will be counted only 20 days from the date of completion of services or on production of all the documents required from the users, whichever is later.

(9). All charges worked out shall be rounded off to the next higher rupee on the grand total of each bill.

(10). All goods landed within the limits of the VSPL shall be assessed on import application and the fees shall be paid before the goods are removed.

(11). All goods intended for shipment shall be assessed on export application and the fees shall be paid before the goods are shipped.

(12). (i). The vessel related charges for all coastal vessels should not exceed 60% of the corresponding charges for other vessels.

(ii). The cargo related charges for all coastal cargo, other than thermal coal, POL including crude oil, Iron Ore and iron pellets, should not exceed 60% of the normal cargo related charges.

(iii). In case of cargo related charges, the concessional rates should be levied on all the relevant handling charges for ship-shore transfer and transfer from/to quay to/from storage yard including wharfage.

(iv). Cargo from a foreign port which reaches an Indian Port ‘A’ for subsequent transhipment to Indian Port ‘B’ will be levied the concession charges relevant for its coastal voyage. In other words, cargo from / to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for concession.

(13). In case of damages to crafts, berths, fenders, bollards and other shore equipments, tools and plants, the hirer shall deposit anticipated amount for all such charges for damages as assessed by the VSPL immediately on receipt of the demand, pending determination of the actual charges. In case of total loss, the hirer shall deposit the book value or market value of the crafts or appliances or properties of the VSPL whichever is higher. The VSPL shall refund the cost of damage received from the insurance company on admittance of its claim to the hirer from whom the cost of damage of the equipment was recovered, along with interest as applicable.

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

SECTION - 2

VESSEL RELATED CHARGES

2.1 BERTH HIRE

2.1.1 Schedule of Berth Hire for Vessels

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

General Notes relating to Berth hire

(1). Berth hire for the period of 1 hour in which the vessel changes its status can be charged on the basis of the status of the vessel at the beginning of the relevant block of 1 hour period.

(2). The period of berth hire shall be calculated from the time mooring in the berth is completed.

(3). No berth hire charges shall be payable for the period when loading/unloading operations cannot be carried out due to non-availability or break down of plant equipment or any other reasons including power failure attributable to VSPL.

(4). (i). There shall be a time limit beyond which berth hire shall not apply. The berth hire shall cease to apply 4 hrs after the time of vessel signalling its readiness to sail.

(ii). The time limit of 4 hrs prescribed for cessation of berth hire shall exclude the ship's waiting time for want of favourable tidal condition or on account of inclement weather or due to absence of night navigation facilities.

(iii). The Master/Agent of the vessel shall signal readiness to sail only in accordance with favourable tidal and weather condition.

(iv). There shall be a penal berth hire equal to one day's berth hire charge for a false signal.

"False signal" would be when a ship signals readiness and asks for a pilot in anticipation even when she is not ready for unberthing due to engine not being ready or cargo operation not completed or such other reasons attributable to the vessel. This excludes the signalling readiness when a ship is not able to sail due to unfavourable tide, lack of night navigation or adverse weather conditions".

(5). Ousting Priority/Priority berth Hire:

(i). For providing the "ousting priority" to any vessel, a fee equivalent to berth hire for a single day (24 units of one hour each) or 100 % of the berth hire calculated for the total period of actual stay at the berth, whichever is higher, shall be levied.

(ii). For "priority berthing" to any vessel, a fee equivalent to berth hire for a single day (24 units of one hour each) or 75% of the berth hire, calculated for the total period of actual stay at the berth whichever is higher, shall be levied.

(iii). Where a working berth is already vacant for want of a vessel and a vessel having priority / ousting priority is berthed at that vacant berth when there are no vessels waiting at roads for berthing prior to its arrival or when the vessels waiting at roads are not ready in all aspects (unreadiness of documents/lack of cargo/lack of ullage/hatch cleaning/ receivers or shippers not willing to work), it is not treated as priority berthing and in such cases no priority berthing charges will be levied.

(iv). The fee for according priority/ousting priority as indicated above shall be charged from all the vessels except the following categories:

(a). Vessels carrying cargo on account of Ministry of Defence.

(b). Defence vessels coming on goodwill visits.

(c). Vessels hired for the purpose of Antarctica expedition by Department of Ocean Development.

(d). Any other vessel for which special exemption has been granted by the Ministry of Shipping

(e). Coastal vessels which will be accorded priority berthing shall not be liable to pay priority berthing charges.

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

2.1.2. Penal Berth Hire Charges

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

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

(a).	Any vessel which requires “securing”	10 hrs
(b).	Food Grains vessels requiring fumigation and Inerting	10 hrs
(c).	In all other cases	7 hrs

(ii). The berth occupancy for each vessel for the purpose of levy of penal berth hire charges shall be subject to the following conditions:

(a). For deciding the period of stay of a vessel, number of shifts lost due to labour stoppage of work and labour holiday shall be excluded.

(b). The shift in which the vessel is berthed shall not be deciding the vessels stay at berth since normally vessels are berthed in the middle of shift resulting in engagement of less number of hooks.

(c). In case of new cargoes, average performance of three consignments shall be fixed as "NORM" tentatively which will be reviewed after six months for further refinement.

(d). Any stoppage of work for reasons attributable to VSPL shall be excluded.

(iii). (a). In case of supply of bunkers and or water through barges, the vessel shall be permitted to stay at berth without attracting penal berth hire for 8 hours.

(b). In case of supply of water, the vessel shall be permitted to stay at berth without attracting penal berth hire for 12 hours from the time of placement of barge alongside the vessel.

(c). Vessels taking water / bunker through sources other than barge will be permitted to stay for 8 hours from the time of completion of loading / unloading the cargo without attracting penal berth hire.

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

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

2.1.4. Commodity wise per vessel hook per shift output rates

For Exports

Sl. No.	**Nomenclature**	**Per hook per shift output (in tonnes)**
1.	Containers (boxes)	20
2.	Ferro Silicon	102
3.	General Cargo	82
4.	Iron & Steel	180
5.	Iron Ore & Pellets (manual loading)	598
6.	Maize	61
7.	Sugar	94
8.	Wheat (bags)	91
9.	Rice (bags)	81
10.	Rice (Bulk)	80
11.	Aluminium Billets	98
12.	Aluminium Ingots	110
13.	C.P. Coke	346

For Imports

Nomenclature	**Per hook per shift output (in tonnes)**
Containers (boxes)	22
Ferro Silicon	262
General cargo	86
Iron & Steel	108
Iron Ore (manual unloading)	560
Maize (bulk)	234
Sugar in bags	82
Wheat (in bulk)	134
Rice	62
Rock Phosphate	281
Ammonium Nitrate	347
Ammonium Sulphate	210
Bauxite Bags	233

14.	Cement	102	Bentonite	254
15.	Charge Chrome	404	Bulgar wheat bags	62
16.	Chick Peas	219	Carbon Anodes	229
17.	Chrome Ore	188	Chrome Ore	206
18.	Coal tar (Bags)	192	Coal tar pitch	77
19.	Coffee (Bags)	67	Coking Coal (a) Discharged by vessels with self discharging gear (b) All types of coal discharged by non-self discharging vessels	 622 360
20.	Dry Yeast	62	CSB in bags	74
21.	Feldspar	317	DAP Bulk	262
22.	Fenugreek	99	DBM in bags	242
23.	Ferro Chrome (Bulk)	341	DBM in Bulk	220
24.	Ferro Chrome Bags	226	Dolomite	405
25.	Ferro Manganese	99	Coal / Coke (parcel of below 20000)	234
26.	Granite Blocks	199	Coal / Coke (parcel of above 20000)	361
27.	Ilmenite Sand	333	Lime Stone	372
28.	Kenaf	40	Mono Ammonium Phosphate	210
29.	Manganese Ore	310	MOP	267
30.	Pet Coke (Bags)	83	Oil Pailes	57
31.	Pig Iron	458	Paper bundle	212
32.	Quarzite	117	Petroleum Coke	401
33.	Silicon Manganese Ore (Bags)	200	Steam coal	578
34.	Silicon Manganese Ore (Bulk)	538	Wood pulp	236
35.	Soya extracts	172	Sulphur	278
36.	Thermal Coal	665	Timber logs	114
37.	Vegetables	53	Urea	283

Notes:

(1). The total number of hooks worked shall be reckoned to compute the per hook per shift productivity.

(2). The following two cases shall be deemed as non-performance / poor performance of the vessel:

(a). If a vessel works with less number of hooks for reasons such as lack of / insufficient cargo, improper stowage, failure of ship’s gear and lack of clearance arrangements;

(b). If the actual hook output in the shifts following the shift in which the vessel is berthed does not conform to the norms prescribed for that commodity.

2.2. CHARGES FOR SUPPLY OF WATER TO VESSELS:

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

SECTION - 3

CARGO RELATED CHARGES

3.1. WHARFAGE:

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

Item No.	Nomenclature	Unit	Rate (in ₹)	
			Other than coastal cargo	Coastal cargo
27.	Steel Products (including scrap) – all varieties	Tonne	49.30	29.60
28.	Styrene Monomar	Tonne	61.65	37.00
29.	Thermal Coal	Tonne	21.30	21.30
30.	Timber Logs & Wood items	Cu. M	24.70	14.80
31.	Unenumerated goods having FOB/CIF value upto and inclusion of ₹1000/- per tonne.	Tonne	10.00	6.00
32.	Unenumerated goods having value more than ₹1000/- per tonne.	Tonne	40.00	24.00

Notes:

(1). Before classifying any cargo as 'un-enumerated goods' the relevant Customs classification shall be referred to find out whether the cargo can be classified under any of the specific categories mentioned in the Schedule given above.

(2). Wharfage charges are leviable on goods entering the docks even if they are not shipped. However, for the excess cargo brought into docks for shipment but not shipped, no wharfage will be levied if the cargo is removed within 24 hours of shipment

(3). Charges on packages containing articles of a miscellaneous character shall be levied at the rate applicable to the individual articles.

(4). Advalorem wharfage on imports shall be calculated on CIF value; on the exports on FOB value; and on coastal cargo on value specified in the bill of coastal goods. Customs bills of entry/shipping bill/bill of coastal goods shall be the main documents for assessing the value of cargo for wharfage purpose and where it is not available, the value will be determined based on Bill of Lading/invoice etc.

3.2. WHARFAGE CHARGES FOR SPECIFIED CASES

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

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

3.3. WHARFAGE CHARGES ON GOODS FROM VESSELS IN DISTRESS

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

3.4. CHARGES ON TRANSHIPMENT CARGOES

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

Notes:

(1). Cargo/container from a foreign port which reaches an Indian Port 'A' for subsequent transshipment to Indian Port 'B' will also qualify insofar as the concessional charges relevant for its coastal voyage. In other words, cargo/containers from/to Indian Ports carried by vessels permitted to undertake coastal voyage will qualify for the concession.

(2). The concessional tariff prescribed for coastal cargo does not apply to the operations of loading/unloading on arrival/departure from/to a foreign port. Concessional cargo related charges will be levied only for handling the consignment in related to its coastal voyage.

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

The demurrage charges for cargo provided transit storage shall be levied on the cargoes after the expiry of free days as under.

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

Notes:

(1). In case of goods for which wharfage charges are collected on 'advalorem' basis, demurrage shall be levied on 'per tonne' basis. In all other cases demurrage shall be levied on 'per tonne' basis or 'per cubic metre' basis as the case may be based on the wharfage charges collected.

(2). All goods shall be allowed free storage as indicated below:

(i). **Exports**

(a). 20 days (excluding Customs holidays and VSPL's non-working days) from the actual date of the receipt of the goods in the VSPL premises.

(ii). **Imports**

(a). Three days (excluding Customs holidays and VSPL's non-working days) from the day following the day of completion of final discharge and in the case of salvaged goods, from the day following the day of salvage.

(b). Where goods are landed by the vessel into lighters, barges or other floating crafts, the free days shall be calculated from the day of complete discharge of the goods from the lighters, barges or other floating craft, on the wharf or jetty.

(iii). **Transhipment Cargo**

10 days (excluding Customs holidays and VSPL's non-working days) from the last day of discharge of cargo from the VSPL premises.

(3). **Demurrage on goods detained:**

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

(i). Any period during which goods are detained by the Health Officer before being destroyed.

(ii). Periods during which the goods are detained by the Commissioner of Customs for the purpose of special examination involving analytical or technical test other than the ordinary process of appraisement and certified by the Commissioner of Customs to be not attributable to any fault or negligence on the part of the Importers/Exporters;

(iii). Where goods are detained by the Commissioner of Customs on account of Import/ Export Control formalities and the delay is certified by the Commissioner of Customs to be not attributable to any fault or negligence on the part of the Importer/Exporter,

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

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

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

The first 45 days shall be reckoned with as follows:

(a). First 45 days after expiry of free days if cargo is detained by the Customs before expiry of free days; and,

(b). First 45 days from the date of detention if cargo is detained by the Customs after accrual of demurrage charges.

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

(iv). Demurrage charge on cargo shall not accrue for the period when the VSPL is not in a position to deliver / ship the cargo when requested by the user due to reasons attributable to VSPL.

(v). If operational area is leased on rental to user, demurrage on cargo stored therein shall not be levied again.

3.6. Storage charges: (open stacking space)

3.6.1 Free Period:

(a). **Export:**

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

(b). **Import:**

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

3.6.2. Storage charges leviable beyond the free period:

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

Notes:

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

3. 7. Stevedoring charges:

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

Note:

(1). The charges mentioned above are leviable for providing any or all of the activities like Picking, Lifting, Hoisting, Maneuvering, Positioning, Lowering, Unloading and Loading of Cargo bulk or break-bulk from/or into the Vessel's holds/Hatches/Combings/Wing Spaces/Between Decks and Decks till the Cargo is safely positioned either on the Wharf or on the Vessel, as the case may be.

(2). Coal handled under Bulk material handling system will not attract separate stevedoring charges prescribed in the schedule 3.7.

3.8. Charges for shore operations:

(Rate in ₹ per tonne or part thereof)

Other than Coastal cargo	Coastal cargo
40.00	24.00

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

SECTION - 4

CHARGES FOR DEPLOYMENT OF EQUIPMENT

4.1. 104 Tonne Harbour Mobile Crane:

Rate in ₹ per tonne or part thereof (in ₹)	
Other than coastal cargo	**Coastal cargo**
₹36.70 per ton or part thereof subject to minimum of ₹1,83,512/- per shift per crane	₹22.02 per ton or part thereof subject to minimum of ₹1,10,107/- per shift per crane

Notes:

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

(2). This charge prescribed cover only the charges for working of the cranes. Slinging and unslinging and moving the loads within the reach of the crane shall be the responsibility of the hirer.

4.2. Charges for hire of Gantry unloader:

Description	Rate in ₹ per tonne or part thereof
Charges for hire of Gantry unloader	26.30

4.3. Dust suppression system charges:

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

4.4. Weighment Charges:

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

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

4.5. Material Handling System for handling bulk cargo:

Item No.	Description	Rate per tonne or part thereof (in ₹)
1.	Discharge of cargo with 104 MT Harbour Mobile Cranes	36.70
2.	1200 TPH Mobile Hoppers – 2 Nos. with belt feeders and telescopic spout for truck loading.	13.00
3	Conveyor and stackers – 2 Nos. for stacking @ 1600 TPH	57.00
4	Reclaiming and wagon loading @ 1050 TPH	38.00
5	Inmotion Electronic weighment	5.00
6	Sampling system	2.00
7	Other services – leveling, labeling and photographing	10.00
	Total:	**161.70**

Note: Integrated terminal services covering all the items of services specified in 4.5 above shall be provided at a composite rate of ₹152.70.

4.6. Railway siding administration and maintenance charges:

Description	Rate per tonne or part thereof
All cargoes handled through rakes	₹3.20

Note: Weight recorded at VSPL weighbridges shall be the final and conclusive for determining the tons of cargo dispatched and received in the terminal.

SECTION - 5

CHARGES FOR OTHER SERVICES

5.1. Visitor Entry Pass:

	Yearly	Monthly	Daily
(a) Per Application	₹200	₹50	₹20
(b) Per Replacement	₹50	₹50	₹20

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

Per Entry ₹75

5.3. Photography:

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

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

F. No.TAMP/5/2011 - VSPL - **Proposal from the Vizag Seaport Private Limited for General Revision of its Scale of Rates for the Terminal operated by it at Berths EQ-8 and EQ-9 at the Visakhapatnam Port Trust.**

A summary of comments received from the users / user organisations and comments of Vizag Seaport Private Limited (VSPL) thereon are tabulated below:

Sl. No.	Comments of users / user organisations	Comments of VSPL
1.	**Visakhapatnam Steamship Agent's Association**	
(i).	Berth Hire: The increase proposed from the present rate of US $ 0.0020 per GRT/ hour (minimum USD 40) to US $ 0.0072 per GRT/ hour (minimum USD 144) works out to 260% which is very high. So also for the coastal vessels. There is no justification for this huge increase. Even at the neighbouring Gangavaram Port the berth hire is US $ 0.006 only. VSPL is a part of VPT, hence the berth hire should be on par with rates prescribed at VPT.	Increase in berth hire rate is based on the revenue requirement arrived separately for vessel related and cargo related activities instead of on overall basis as per the instructions of TAMP in its order on present VSPL Scale of Rates. It is to be noted that only 75% of the increase required as per Revenue requirement is proposed. As such, the proposed increase is justifiable.
(ii).	Wharfage: The wharfage on manganese ore is being increased from the present rate of ₹21.30 per MT to ₹24.70 per MT, for which there is no justification. Considering the increasing trend in the import of Manganese Ore, to attract more cargo, the rate should come down or atleast maintained at the present level only.	Present rate of VPT was fixed when Manganese ore was mainly exported to promote exports. Now, Manganese ore is mostly imported and is a high value intermediary in Steel making. Users are handsomely benefited by VSPL's high efficiency in terms of both Clearing, Handling practices and quick turnover.
(iii).	Fresh Water: This is an essential commodity, hence there should not be any increase and it should be in line with VPT.	Increase in rate is to meet the increase in cost of fresh water and cost of transportation as the distance from source of fresh water has increased. However, the rate is in line with rates of USD 4.88 of VCTPL and 5 USD of GPL.
2.	**Visakhapatnam Customs House Agents' Association**	
	Wharfage: Presently, VPT is charging a wharfage of ₹9.90 per MT on Manganese Ore whereas VSPL wharfage rate for Manganese Ore is ₹21.30 per MT which is higher by 115%. Further, volume of Manganese Ore has increased tremendously, hence the wharfage charges should either come down or atleast maintained at the present level only.	Present rate of VPT was fixed when Manganese ore was mainly exported to promote exports. Now, Manganese ore is mostly imported and is a high value intermediary in Steel making. The Users are handsomely benefited by VSPL's high efficiency in terms of both Clearing, Handling practices and quick turnover.
3.	**Steel Authority of India Limited**	
(i).	To ensure the smooth function of operations, the Scale of Rates should be kept for a period of 5 years instead of 3 years.	VSPL has no objection subject to escalation clause. However, TAMP may decide.
(ii).	The berth hire charges is proposed for hike from $.0020 to $.0072 which result in increase of 360%. VPT had asked for an increase of 105% only.	Hike proposed works out to 260% and not 360%.This hike is necessitated based on the revenue requirement for vessel related activity of VSPL which has been worked out instead of on overall basis as per the TAMP's instructions

		in the previous order. It is to be noted that only 75% of the increase as per revenue requirement is proposed. Infrastructural facilities in VSPL are not comparable to VPT since latter's investments were made several decades ago. As such, comparison with VPT percentage of increase is not fair and reasonable.
(iii).	No change proposed for wharfage on coal at ₹37/- per MT. VPT's rate is ₹26/- per MT. For the terminal in the same port the wharfage charges should be same.	There is no justification for direct comparison of price between VPT and VSPL when price is determined based on the revenue requirement for the investments made and infrastructure provided as per TAMP guidelines. Even TAMP has stated that tariff for similar services/cargo may differ even in the same port based on the infrastructure facilities provided.
(iv).	The rate for penalty shore handling is proposed at ₹25000 per hour which is very high. Procedure for calculation of penalty as well as modalities and fixing of responsibilities be taken into consideration.	It was mentioned in section 2.1.5 of SOR that the proposed charge is a penalty for Non Shore clearance or slow vessel feeding and consequent idling of berth leading to loss of berth day revenue/ output. This levy is proposed against idling of berth due to non-clearance of cargo from shore or poor vessel feeding thereby hindering our achievement of prescribed loading/ unloading rate as per 2.15. Penalty of ₹25000/ per hour for one day of non clearance of cargo works out to ₹6,00,000/ only against our average berth day revenue of ₹20,00,000/ (approx.)
(v).	The charge for integrated bulk handling system is reduced to ₹172.75 per tonne. In this weighment charges of ₹5/- per tonne sampling ₹2/- per tonne and other services ₹10/- per tonne are included which are very high and further reduction in these charges be taken into consideration.	As stated, already IHSC is reduced by ₹25/- per ton. Further, reduction from ₹172.75 to ₹167.75/ ton has been proposed as a composite rate for customers availing all the items of Integrated Terminal services as specified in 4.4-Section 4 of SOR. Further, as given under notes to 3.7 of SOR, for coal handled under BMHS, stevedoring charges are not collected, despite the fact that deployment of substantial number of signal men, on board labour, hatch cleaning labour, insurance against damages, cost of repairs to damages are inalienable costs in Stevedoring, and are absorbed in I T S C, especially due to a fact that SAIL has given volume commitment with a penalty clause for non fulfillment of volume commitment. In view of the above, further reduction is not possible.
(vi).	No payment was charged for maintenance of railway siding. Now, the rate proposed is ₹3.20 per MT which is very high and needs review as siding charges are part of integrated handling service only.	Proposed charge is for usage of our investment made towards construction, Repair and maintenance of Railway lines and recurring expenditure on maintaining the siding facilities. It is to be noted that only 50% of the revenue requirement is proposed to be collected.
(vii).	At 12.811% the present royalty for other BOT operators is much higher. If this cannot be enhanced the benefit accrue to users and not to VSPL.	Royalty paid by VSPL to VPT is 17.111% whereas 12.811% is the cost allowed by TAMP being the second lowest bid rate. This observation is out of context as the rate of 17.111% by VSPL is obtained by VPT through an international competitive bidding for VSPL project in 2001. VSPL as the first BOT Project in VIzag, in 2001, has undertaken lot of risks in building up this facilities and still operating under tremendous competition and limitations. It is our privilege to submit that the higher rates

		now obtained for other BOT berths are also due to our pioneering efforts in establishing this terminal to this level.
(viii).	No dredging will be done by VSPL which will result in savings to VSPL. This savings should be factored into the integrated handling system rate and other charges so that users are benefited due to this savings of VSPL.	VSPL continues to incur sizeable expenditure towards Maintenance Dredging of its Berths. For maintenance dredging, VSPL incurred ₹23,58,240/- for 2008-09, ₹25,76,020/- for 2009-10 and ₹51,66,546/- for 2010-11. Therefore, it is not a fact that no dredging will be done by VSPL which will result in savings to VSPL. However, TAMP while approving the Tariff proposals of VSPL in 2009 has already excluded the Capital dredging cost from the Capital employed.
(ix).	Wharfage charges, stevedoring charges, HMC charges for coastal vessels are not defined in Scale of Rates. Berth hire charges for Indian vessels for coastal movement is also not defined in Scale of Rates. The same should be defined.	SOR separately furnished for Coastal vessels at concessional rates for Wharfage, Stevedoring and Deployment of HMCs. Notes furnished under Stevedoring and Deployment of crane provide further information on the conditions on which these services are performed.
(x).	Storage charges of VPT works out to ₹1.50 per tonne whereas VSPL has proposed storage charges of ₹6/- per tonne for 1st 15 days after expiry of free period and for second fortnight the proposed rate is ₹9/- per tonne which is on higher side.	Existing rate approved by TAMP is continued and no increase is proposed. It is reiterated that straight comparison with VPT is not appropriate as tariff is linked to the revenue requirement based on the investment made and facilities offered. VPT Revenue sources are several. It is a fully depreciated Port. Further, unlike VPT, VSPL has to pay Lease Rentals to VPT on the storage area also.

2. A joint hearing in this case was held on 11 May 2011 at the Visakhapatnam Port Trust (VPT) premises. At the joint hearing, the VSPL, VPT and the concerned users/ organisation bodies have made the following submissions:

Vizag Seaports Private Limited

(i). Briefly explains the proposal and submits that it will update the proposal based on the queries of TAMP.

(ii). We handled about 6.4 million tonnes in 2010-11. We proposed reduction in 2011-12 due to proposed repairs to the berth.

(iii). Additional land at Exim Park will not add to capacity. It will be used to handle / store the existing volume. Presently, we stack upto 12 meter high, which is not all permissible.

(iv). Gantry unloader will help wagon unloading of iron ore without damage. Today the unloading is done normally.

(Chairman TAMP: Give details of savings in demurrage to railways, savings in equipment hire (excavator) etc.

(v). Lists out the proposed increases in the existing scale of rates.

(vi). We have allowed discount in Material Handling System rates not only to SAIL but to all users in a non discriminatory basis.

Visakhapatnam Port Trust

(i). We are in the process of allotting 30 acres of land to SWPL which will improve capacity.

(ii). We will examine the GCB handling issue.

Visakhapatnam Steamer Agents Association

(i). The existing SOR prescribe rates for 100 tonne MHC. But VSPL provides smaller crane. They can't collect rates of 100 tonnes crane.

(ii). The existing rates of berth hire are very high. The proposed increase may be closely examined by TAMP. If necessary, the increase may be moderated.

(iii). Maintenance Dredging cost shows huge increase.

(iv). No additional services provided. Why they ask for increase.

Visakhapatnam Stevedores Association

(i). We request VSPL to introduce separate rates for smaller cranes

Steel Authority of India Limited

(i). We reiterate our written comments.

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