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TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 402 **New Delhi,** **30 October 2018**

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from Visakhapatnam Port Trust (VPT) for revisiting the Annual Revenue Requirement (ARR) ceiling and for revision of rates for specific cargo viz. (a). Wharfage on certain cargo and (b). Vessel Related Charges for SPM berth as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/51/2018-VPT

Visakhapatnam Port Trust **- - -** **Applicant**

QUORUM

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

ORDER
(Passed on this 3rd day of October 2018)

This case relates to a proposal dated 6 June 2018 received from Visakhapatnam Port Trust (VPT) for revisiting the ARR ceiling and for revision of rates for specific cargo viz. (a). Wharfage on certain cargo and (b). Vessel Related Charges for SPM berth.

2.1. This Authority has passed an Order No.TAMP/9/2016-VPT dated 21 June 2016 revising the general Scale of Rates (SOR) of VPT under the Tariff Policy, 2015. The said SOR was notified in Gazette on 22 July 2016 vide Gazette No.305 and detailed Speaking Order was notified in the Gazette on 10 August 2016 vide Gazette No.320. The revised SOR of VPT came into effect from 21 August 2016. The validity of the SOR of VPT is prescribed till 31 March 2019.

2.2. The VPT has filed the current proposal dated 6 June 2018, for revisiting the ARR by proposing to consider 16% Return on Capital Employed (ROCE) as against 8% ROCE proposed by VPT and considered by this Authority in the last tariff revision Order dated 21 June 2016.

3. The summary of the proposal dated 6 June 2018 filed by the VPT is as follows:

(A). **Revisiting the ARR ceiling**:

(i). As per the working submitted to the TAMP, the port had adopted a conservative approach under the (then) prevalent market conditions and considered expected Return on Capital Employed (ROCE) at 8%, instead of 16% as entitled as per Tariff Policy, 2015.

(ii). In view of the boost in economy, port has now identified opportunity to able to recover return on its capital employed, up to the extent of 16%.

(iii). Computation of ARR considering ROCE @ 16% would increase the ceiling ARR estimated in the Order dated 21 June 2016 at ₹87,585.26 as on 31 March 2014 to ₹96,386.88 lakhs (this indexed upto the year 2018-19) as shown below, with reference to aforementioned Order:

Sr. No.	Particulars	₹ in lakhs
4	Average expenses of Sl.No.3 = (Y1+Y2+Y3)/3 as in Annex-II of the Order dated 21 June 2016.	69,710.24
5 (i).	(i). Total capital employed as in Annex-II of the Order dated 21 June 2016.	1,11,718.89
5 (ii).	Return on capital employed 8% on Sl. No.5(vii) as in Annex-II of the Order dated 21 June 2016.	8,937.51
6	Revised return on capital employed 16% on Sl. No.5	17,875.02
7	Revised Annual Revenue Requirement (ARR) as on 31 March 2014 [(4)+(6)]	87,585.26
8	Revised Indexation in the ARR @ 100% of the WPI applicable for the year 2014-15 i.e. @ 6% (7*1.06)	92,840.38
9	Revised Indexation in the ARR @ 100% of the WPI applicable for the year 2015-16 i.e. @ 3.82%	96,386.88

	(8*1.0382)	
10	Revised Indexation in the ARR @ 100% of the WPI applicable for the year 2016-17 i.e. @ 0% (9*1.0)	96,386.88
11	Revised Indexation in the ARR @ 100% of the WPI applicable for the year 2017-18 i.e. @ 2% (10*1.02)	98,314.62
12	Revised Indexation in the ARR @ 100% of the WPI applicable for the year 2018-19 i.e. @ 0% (11*1.0)	98,314.62
13	Revised Ceiling Indexed Annual Revenue Requirement (ARR) arrived for the year 2018-19.	**98,314.62**

(B). **<u>Revision of rates sought for specific cargo viz. (a) Wharfage on certain cargo and (b) VRCs for SPM berth</u>**:

(i). <u>Proposal</u>:

(a). Alumina (bulk), ammonium nitrate, petroleum products and LPG have been identified as captive cargo whose rates can be increased without affecting the throughput. Therefore, it is proposed to increase the wharfage rate of these items by ₹11.25, ₹210, ₹7.35 and ₹102 per tonne respectively. The approximate volume of these cargoes handled are 1.29 MMT, 0.16 MMT, 3.27 MMT and 1.86 MMT respectively. The proposed increase would yield an increase in revenue by ₹2,628.04 lakhs.

(b). Similarly, vessel related charges for vessels carrying oil and petroleum products, including LPG are proposed to be increased. Handling of these classes of vessels require more effort and cautiousness due to the nature of the cargo. Consequently, 5.44 MMT handled at berths other than SPM and 9.7 MMT at SPM are proposed to be charged the revised vessel related charges of 20% increase in the existing rate. This would yield an increase in revenue by ₹962.70 lakhs.

(c). The above proposed increase in rates would yield a combined revenue of ₹3,590.74 lakhs, still falling short of covering the complete revenue deficit.

(ii). <u>Explanation</u>:

(a). Revenue actually earned by the port for the year 2015-16 was ₹76,931.28 lakhs, excluding adjustment of extraordinary items as detailed below:

Sl. No.	Particulars	₹ in lakhs
1	ARR ceiling limit calculated for 2015-16 (as estimated by VPT and considered by the Authority in the Order dated 21 June 2016)	86,551.22
	Actual Operating income for the year 2015-16	
2	Total operating income as per annual accounts	90,753.39
3	Less: Estate rentals	(9,846.11)
4	Total operating income from port operations (2-3)	80,907.28
5	Less: Abnormal one-time demurrage charges received	(3,976.00)
6	Total actual operating income for 2015-16 after adjustment of Sl.No.5 above (4-5)	76,931.28
7	**Deficit in ARR over the actual operating income (1-6)**	**9,619.94**

The above computation shows an increase by ₹4,082.88 lakhs [76,931.28 - 72,848.40] as against the revenue estimated by the Authority at ₹72,848.40 lakhs in the last tariff Order on the basis of which SOR was drawn. At the same time, there is a deficit against the ARR ceiling considered at 8% for ROCE.

(b). As the proposed SOR came into effect from 18 August 2016, the effect of SOR for full year is seen in 2017-18 only. The VPT has calculated the deficit as compared to the ARR as follows:

Sr. No.	Particulars	₹ in lakhs
1	ARR ceiling limit calculated for 2015-16	86,551.22
2	Indexed ARR ceiling limit for 2016-17 (Indexation factor considered NIL as per TAMP Order No.TAMP/12/2009-Misc. dated 11 April 2016) [1*(1.0)]	86,551.22
3	Indexed ARR ceiling limit for 2017-18 (Indexation factor considered 2% as per TAMP Order for annual escalation factor 2017-18) [2*(1.02)]	88,282.24
4	**Operating income for 2017-18**	
5	Total operating income as per annual accounts	1,06,499.96
6	Less: Estate rentals	(16,255.18)
7	Total operating income from port operations (5-6)	90,244.78
8	Less: Abnormal one-time demurrage charges received	(4,571.00)
9	Total actual operating income for 2017-18 after adjustment of Sl. No.8 above (7-8)	85,673.78
10	**Deficit in ARR vs actual operating income (2-9)**	**877.44**

(iii). In order to bridge the gap in the revenue deficit, as explained above, the VPT proposes the following changes in the SOR:

(a). Wharfage rates:(in ₹)

Item No.	Nomenclature	Unit	Existing Rates Approved by TAMP in the Order dated 21 June 2016		Revised Proposed Rate by VPT		% increase
			Foreign Rate (in ₹)	Coastal Rate (in ₹)	Foreign Rate (in ₹)	Coastal Rate (in ₹)	
4.	Alumina (bulk)	Per Tonne	45.00	27.00	56.25	33.75	25%
9.	Ammonium Nitrate	Per Tonne	52.50	31.50	262.50	157.50	400%
16.	Petroleum Products (Except LPG)	KL	73.50	73.50	88.20	88.20	20%
29.	LPG	Per Tonne	204.00	122.40	244.80	146.88	20%

(b). VRCs for all oil vessels:

2.1. Port dues

[Sl. No.2 new insertion proposed. Existing SOR prescribes common rate for all vessels.]

Sl. No.	Description	Unit	Existing Rates Approved by TAMP in the Order dated 21 June 2016		Revised Proposed Rate by VPT		% increase
			Foreign-going vessel [in US$]	Coastal vessel [in ₹]	Foreign-going vessel [in US$]	Coastal vessel [in ₹]	
2.	Vessels carrying crude oil or petroleum products, including LPG	GRT per entry into the port	0.3574	9.55	0.4289	11.46	20%

2.2.1. Pilotage fees

[Sl. No.3 new insertion proposed. Existing SOR prescribes common rate for all vessels.]

Sl. No.	Description	Unit	Rate per GRT		% increase
			Existing Rates Approved by TAMP in the Order dated	Revised Proposed Rate by VPT	

			21 June 2016				
			Foreign-going vessel [in US$]	Coastal vessel [in ₹]	Foreign-going vessel [in US$]	Coastal vessel [in ₹]	
3.	Vessels carrying crude oil or petroleum products, including LPG						
	1] Upto and inclusive of 30,000 GRT	GRT	US $ 0.58565	15.65	US $ 0.7028	18.78	20%
	2] 30,001 to 60,000 GRT		US $17570 + US $ 0.4685 per GRT over 30,000 GRT	₹4,69,500 + ₹12.52 per GRT over 30,000 GRT	US $ 21,084 + US $ 0.5622 per GRT over 30,000 GRT	₹5,63,400 + ₹15.02 per GRT over 30,000 GRT	
	3] 60,001 and above GRT		US $ 31625 + US $ 0.4099 per GRT over 60,000 GRT	₹8,45,100 + ₹10.96 per GRT over 60,000 GRT	US $ 37,950 + US $ 0.4919 per GRT over 60,000 GRT	10,14,000 + ₹13.15 per GRT over 60,000 GRT	
	4] Minimum charges payable		US $ 1671.00	44,666.00	$2,005.20	53,599.20	

2.3. Berth Hire

2.3.1. Tariff

Sl. No.	Description	Unit	Existing Rates Approved by TAMP in the Order dated 21 June 2016		Revised Proposed Rate by VPT		% increase
			Foreign-going vessel [in US$]	Coastal vessel [in ₹]	Foreign-going vessel [in US$]	Coastal vessel [in ₹]	
2.	Vessels carrying crude oil or petroleum products, including LPG *	per GRT per hour or part there of					
	1] Upto 30,000 GRT		0.00230	0.0614	0.00276	0.0737	20%
	2] Above 30,000 GRT		0.00306	0.0818	0.00367	0.0982	

[* In existing SOR, the description of Sl. No.2 is POL vessels which is proposed to be modified along with revision in rate proposed.]

(c). Vessel related charges for SPM Berth

2.3.6. Tariff at SPM

Sl. No.	Vessel related charges	Existing Rates Approved by TAMP in the Order dated 21 June 2016		Revised Proposed Rate by VPT		Remarks as prescribed in existing SOR of VPT	% Increase Proposed
		Foreign-going vessel [in US$]	Coastal vessel [in ₹]	Foreign in US $	Coastal vessel [in ₹]		
1)	Port dues vessels entering outer harbour (Rate per GRT)	0.3686	9.87	0.4423	11.84	One time payment based on GRT of the vessel for each entry	20%
2)	Pilotage						
	a) Vessel of GRT 30001 and above (Rate per GRT)	0.58	15.47	0.70	18.56	One time payment based on GRT of the vessel for one inward and one outward movement	
	b) For on	10.47	702.00	12.56	842.40	Per hour or	

	Board stay 1st pilot					part thereof stay at SPM	
3)	Mooring/ Berthing charges	136.42	6078.00	163.70	7,293.60	One time for each operation	
4)	Unmooring/ unberthing charges	136.42	6078.00	163.70	7,293.60	One time for each operation	
5)	Tug charges	517.114	13822.26	620.537	16,586.71	Per hour or part thereof subject to minimum of 2 hours	
6)	Anchorage charges per GRT	0.0016	0.04	0.0019	0.048	Charges per GRT of the vessel per hour of stay at SPM	
7)	For usage of VPT tug (Allowances & refreshments for crew)	174.031	7753.00	208.837	9,303.60	Per shift of 8 hours	

4. The VPT has also furnished computation of increase in revenue at the above revised tariff proposed by VPT. A summary of additional revenue estimated by VPT on the traffic of 2017-18 consequent to revisiting the ARR by considering 16% ROCE instead of 8% ROCE considered earlier is tabulated hereunder:

Sr. No.	Items	Incremental Revenue		Total
1.	From increase proposed for 4 cargo items in Wharfage rate.	17.28 Crores		17.28 Crores
2.	From increase proposed in Vessel related Charges for Oil vessels.	**Coastal Vessels**	**Foreign Vessels**	
		2.66 Crores	6.25 Crores	8.91 Crores
3.	From increase proposed in Vessel related Charges at SPM.	**Coastal Vessels**	**Foreign Vessels**	
		0.33 Crores	10.01 Crores	10.34 Crores
4.	**Total**			**36.53 Crores**

5.1. A comparative position of the summary of the ARR as furnished by VPT in the last tariff revision Order dated 21 June 2016 and the same considered by this Authority and the revised ARR now furnished by VPT considering 16% ROCE as against 8% ROCE considered by VPT earlier is given below for ease of understanding.

Sr. No.	Particulars	ARR estimation by VPT considering 8% ROCE and approved by this Authority vide Order dt. 21 June 2016 (₹ in lakhs)	Revised ARR now proposed by VPT considering 16% ROCE instead of 8% considered earlier (₹ in lakhs)
4	Average expenses of Sl.No.3 = (Y1+Y2+Y3)/3. [as estimated in Order dated 21 June 2016 in Annex II].	69,710.24	69,710.24
5 (i).	(i). Total capital employed as in Annex-II of the Order dated 21 June 2016.	1,11,718.89	1,11,718.89
5 (ii).	Return on capital employed @ 8% as per Order dated 21 June 2016 [16% Return in current Proposal by VPT]	8,937.51	17,875.02
7	Revised Annual Revenue Requirement (ARR) as on 31 March 2014 [(4)+(5)(ii)]	78,647.75	87,585.26
8	Indexation in the ARR @ 100% of the WPI applicable for the year 2014-15 i.e. @ 6% (7*1.06)	83,366.62	92,840.38
9	Indexation in the ARR @ 100% of the WPI applicable for the year 2015-16 i.e. @ 3.82% (8*1.0382)	86,551.22	96,386.88
10	Revised Indexation in the ARR @ 100% of the WPI applicable for the year 2016-17 i.e. @ 0% (9*1.0)	-	96,386.88
11	Revised Indexation in the ARR @ 100% of the WPI applicable for the year 2017-18 i.e. @ 2% (10*1.02)	-	98,314.62
12	Revised Indexation in the ARR @ 100% of the WPI	-	98,314.62

	applicable for the year 2018-19 i.e. @ 0% (11*1.0)		
13	Ceiling Indexed Annual Revenue Requirement (ARR)	**86,551.22 for the year 2015-16**	**98,314.62 for the year 2018-19**

5.2. On perusing the revised ARR estimated by the VPT, it is seen that the port has arrived at the revised indexed ARR for the year 2018-19. In this context, it is to state that the indexed ARR considered by Authority in the Order No.TAMP/9/2016-VPT dated 21 June 2016 is for the year 2015-16 while approving the general Scale of Rates (SOR) of VPT. Since the current proposal of the VPT is limited to modification of ROCE i.e. to consider 16% instead of 8% considered earlier, the ARR considered in the said Order needs to be revised only on that account i.e. 16% ROCE and ceiling ARR as of 2015-16 need to be arrived by VPT. Hence, while acknowledging the proposal, the VPT, vide our letter dated 22 June 2018, was requested to recalculate the revised ARR for the year 2015-16 based on ROCE at 16%.

5.3. The VPT vide its letter dated 11 July 2018 has furnished the revised ARR duly considering 16% ROCE arrived for the year 2015-16 and details are tabulated below:

Sl. No.	Particulars	₹ in Lakhs
4	Average expenses of Sl. No.3 – (Y1+Y2+Y3)/3 as per Annex II of Order dated 21 June 2016	69,710.24
5 (vii)	Total capital employed as per Annex II of Order dated 21 June 2016	1,11,718.89
C	Return on Capital Employed 16% on Sl. No.5(vii) now proposed	17,875.02
7	Revised Annual Revenue Requirement (ARR) as on 31 March 2014 [(4) + (6)]	87,585.26
8	Revised Indexation in the ARR @ 100% of the WPI applicable for the year 2014-15 i.e. @ 6% (7*1.06)	92,840.38
9	Revised Indexation in the ARR @ 100% of the WPI applicable for the year 2015-16 i.e. @ 3.82% (8*1.0382)	96,386.88
10	Revised Indexed Annual Revenue Requirement (ARR) for the year 2015-16	**96,386.88**

6. In accordance with the consultation process prescribed, a copy of the VPT proposal dated 6 June 2018 was circulated to the concerned users/ user organisations. We have received comments only from Hindustan Petroleum Corporation Limited (HPCL) and Indian National Ship owners Association (INSA) which were forwarded to VPT for feedback information. The VPT vide its letter dated 30 July 2018 and 2 August 2018 has furnished its reply on the comments of the users/ user associations.

7.1. A joint hearing in this case was held on 18 July 2018 at VPT premises. At the joint hearing, the VPT and the concerned users/ user associations have made their submissions.

7.2. As agreed at the joint hearing, the VPT vide its letter dated 2 August 2018 has furnished a comparison of charges across other ports in this regard. The proposed rates in comparison with other Major Port Trusts as well as the neighboring port of Gangavaram as furnished by VPT are tabulated below:

Port	Port Dues	Pilotage	Berth Hire	Total VRCs converted into ₹ / MT *	Wharfage	Total VRC + Wharfage	Wharfage	Total VRC + Wharfage	Wharfage	Total VRC + Wharfage
					Crude Oil		POL Products		LPG	
	$ per GRT	$ per GRT	$ per GRT per hour		₹ Per MT	₹ Per MT	₹ Per MT	₹ Per MT	₹ Per MT	₹ Per MT
Revised proposed rate Vizag – Other berths	0.4289	0.70	0.00	106.10	39.00	145.10	88.20	194.30	244.80	350.90
Vizag-SPM	0.4423	0.70	$327.41 flat	106.71	17.00 #	123.71	NA	NA	NA	NA
Paradip	0.24	0.44	0.0024	64.66	30.60	95.26	68.00	132.66	68.00	132.66
Mumbai	0.29	0.74	0.0183	95.95	72.41	168.36	83.81	179.76	83.81	179.76
Kolkata	0.48	0.74	0.0040	114.58	100.24	214.82	141.75	256.33	107.73	222.31
Kochi (at port berth	0.40	0.74	0.0049	106.04	103.00	209.04	103.00	209.04	103.00	209.04
Mormugao	0.27	0.40	0.0096	63.39	193.00	256.39	193.00	256.39	350.00	413.39
JNPT	0.19	0.29	0.0050	45.02	73.58	118.60	88.31	133.33	NA	NA
Chennai	0.31	0.88	0.0043	110.58	57.00	167.58	81.00	191.58	NA	NA
Ennore	0.42	0.62	0.0100	98.23	80.00	178.23	80.00	178.23	NA	NA

Tuticorin	0.26	0.41	0.0064	63.22	35.25	98.47	58.74	121.96	150.69	213.91
Kandla	0.43	0.75	0.0064	110.47	18.00	128.47	50.00	160.47	125.00	235.47
Gangavaram	1.40	0.45	0.0120	172.80	78.85	251.64	NA	NA	NA	NA

Note: 1. # Wharfage rates for Crude Oil are fixed under MOU.
2. * Assumptions: 48 hours berthing.
3. * 1 USD = INR 65 and 0.7 GRT = 1 MT.

7.3. On perusing the above table furnished by VPT, it is seen that the VRC converted from GRT based unit rate into total per tonne rate based on above presumptions does not match with the figures given by VPT in the said table. Further, the unit rates considered by the VPT also do not match with the rates approved by this Authority in the SOR of few Major Port Trusts. Hence, the comparative statement furnished by VPT is re-drawn considering the rates as approved by this Authority in SOR of Major Port Trusts and applying the same presumptions as given by VPT for arriving at per tonne rate from the GRT based vessel related charges for like to like comparison. The re-drawn statement is tabulated below:

Sr. No.	Port	Port Dues	Pilotage	Berth Hire	Total VRCs per MT	Wharfage	Total Wharfage+ VRC	Wharfage	Total Wharfage+ VRC	Wharfage	Total Wharfage + VRC
						Crude Oil		POL Products		LPG	
		$ per GRT	$ per GRT	$ per GRT per hour		Rs. Per MT	Rs. Per MT	Rs. Per MT	Rs. Per MT	Rs. Per MT	Rs. Per MT
1A.	**VPT Existing Tariff**										
i	**Vizag- Other berths**	0.3574	0.58565	0.00230	* 97.82	58.50	156.32	73.50	171.32	204.00	301.82
ii	**Vizag-SPM**	0.3686	0.58	136.42 each operation	Rs.88.09/ MT+ US $ 136.42 for each operation	17.00	Rs.105.09/ MT+ US $ 136.42 each operation	-	-	-	-
1B	**VPT Proposed Tariff**										
i	**Vizag- Other berths**	0.4289	0.7028	0.00276	117.39	58.50	175.89	88.20	205.59	244.80	362.19
ii	**Vizag-SPM**	0.4423	0.70	163.7 each operation	Rs.106.07/ MT+ US $ 163.7 for each operation	17.00	Rs.123.07/ MT+ US $ 163.7 each operation	-	-	-	-
2	**PPT**										
i	**PPT-Other berth**	0.242	0.509	0.002375	80.32	30.60	110.92	68.00	148.32	68.00	148.32
ii	**PPT-SPM**	0.242	0.260	0.00060	49.29	5.45	54.74	5.45	54.74	-	-
3	**MBPT**	0.2856	0.8455	0.0101	150.05	72.41	222.46	83.81	233.86	83.81	233.86
4	**KOPT**	0.47817	0.85473	0.00398	141.51	100.24	241.75	141.75	283.26	107.73	249.24
5	**COPT**	0.396	0.8435	0.00485	136.71	103 (SPM= 25)	239.71	103.00	239.71	-	-
6	**MOPT**	0.2696	0.4021	0.0096	105.16	500.00	605.16	500.00	605.16	350.00	455.16
7	**JNPT**	0.1876	0.3222	0.0050	69.62	-	-	70.08	139.70	-	-
8	**CHPT**	0.305	0.875	0.0043	128.74	57.00	185.74	81.00	209.74	-	-
9	**VOCPT**	0.2572	0.4127	0.0064	90.73	58.74	149.47	58.74	149.47	150.69	241.42
10	**KPT**										
i	**Kandla**	0.4255	0.8650	0.00644	148.54	18.00	166.54	50.00	198.54	125.00	273.54
ii	**Vadinar**	0.0875	0.5033	0.00644	83.56	18.00	101.56	-	-	-	-
11	**NMPT**										
i	**NMPT-Other berth**	0.3320	0.4260	0.00330	85.09	68.89	153.98	68.89	153.98	177.16	262.25
ii	**NMPT-SPM**	0.3320	0.2515	-	36.63	25.00	61.63	-	-	-	-

* **Total VRCs per MT**

0.3574x65/0.7= 33.187
0.58565x65/0.7=54.381
0.0023x65x48/0.7=10.251
Total 97.82/Tonnes

8. Subsequent to joint hearing, the ICC Shipping Association vide its e-mail dated 31 July 2018 has stated that their members have not responded with any comments/ observation on the subject proposal.

9. The HPCL has furnished written submissions dated 23 July 2018. The VPT vide its letter dated 2 August 2018 has furnished its comments on the comments furnished by HPCL vide its letter dated 23 July 2018.

10. The VPT vide its letter dated 21 July 2018 has submitted a copy of Board Resolution No.42/2018-19. The VPT Board has approved the following:

(i). To increase the Vessel Related Charges for POL vessels by 20% from the existing tariff and 20% increase in Vessel Related Charges for the vessels handled at SPM from the existing tariff notified by TAMP vide Order No.TAMP/9/2016-VPT dated 21 June 2016.

(ii). To increase wharfage for Ammonium Nitrate by 400%, Alumina by 25%, LPG and POL products by 20% except the wharfage on crude oil handled at SPM from the existing tariff notified by TAMP vide Order No.TAMP/9/2016-VPT dated 21 June 2016.

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

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

(i). The existing Scale of Rates (SOR) of the Visakhapatnam Port Trust (VPT) was last approved by this Authority vide Order No.TAMP/9/2016-VPT dated 21 June 2016 following the Tariff Policy, 2015. The validity of the SOR approved is till 31 March 2019. The current proposal of the VPT is for upward revision in the wharfage rate for Alumina (bulk), ammonium nitrate, petroleum products and LPG and increase in Vessel related charges for vessels carrying oil and petroleum products, including LPG and Vessel related charges for vessels handled at Single Point Mooring (SPM).

(ii). As stated in the earlier paragraphs, the Annual Revenue Requirement (ARR) estimated by the VPT during the last tariff revision Order of June 2016 was to the tune of ₹86,551.22 lakhs. In the said estimated ARR, the Return on Capital Employed (ROCE) considered by VPT was @ 8% of the capital employed. The same was considered by this Authority for reasons brought out in para 18(viii) of the detailed speaking Order dated 21 June 2016, as given below:

(a). It is based on market situation.

(b). By prescribing a very high rate negative market sentiments will get attracted.

(c). The VPT is losing cargo to competitor. Lower ROCE is considered so that increase in tariff is not high.

The revenue estimated by the VPT at the rates then proposed in the SOR by the VPT was to the tune of ₹72848.40 lakhs. An estimated ARR of ₹13702.82 lakhs was left uncovered in the tariff Order of June 2016 as proposed by the port.

(iii). In the current proposal of VPT dated 6 June 2018, the Port has revisited the ARR estimated in the Order dated 21 June 2016 as regards ROCE. The VPT has now proposed to consider 16% ROCE as against 8% ROCE on the ground that the conditions that existed during 2016 do not exist now.

(iv). A comparative position of the summary of the ARR as furnished by VPT in the last tariff revision Order dated 21 June 2016 and the same considered by this Authority and the revised ARR now furnished by VPT considering 16% ROCE as against 8% ROCE considered by VPT earlier is given below for ease of reference:

Sr. No.	Particulars	ARR estimation by VPT considering 8% ROCE and approved by this Authority vide Order dt. 21 June 2016 (₹ in lakhs)	Revised ARR now proposed by VPT considering 16% ROCE instead of 8% considered earlier (₹ in lakhs)
4	Average expenses of Sl. No.3 = (Y1+Y2+Y3)/3. [as estimated in Order dated 21 June 2016 in Annex II].	69,710.24	69,710.24
5 (i).	Total capital employed as in Annex-II of the Order dated 21 June 2016.	1,11,718.89	1,11,718.89
5 (ii).	Return on capital employed @ 8% as per Order dated 21 June 2016 [16% Return in current Proposal by VPT]	8,937.51	17,875.02
7	Revised Annual Revenue Requirement (ARR) as on 31 March 2014 [(4)+(5)(ii)]	78,647.75	87,585.26
8	Indexation in the ARR @ 100% of the WPI applicable for the year 2014-15 i.e. @ 6% (7*1.06)	83,366.62	92,840.38
9	Indexation in the ARR @ 100% of the WPI applicable for the year 2015-16 i.e. @ 3.82% (8*1.0382)	**86,551.22**	96,386.88

(v). Based on actual income earned at the existing SOR, the Port is in deficit to the tune of ₹877.44 lakhs in the year 2017-18. This Authority does not like to go into the actual income of 2017-18 furnished by VPT as that does not form the basis for fixation of tariff under Tariff Policy, 2015. It needs to be admitted that as per Tariff Policy, the VPT is well within its entitlement to claim 16% ROCE in ARR computation. All Major Port Trusts have considered 16% ROCE under Tariff Policy, 2015 except VPT. That being so, this Authority is inclined to consider the proposal of VPT to revisit the ARR estimated in 2016 Order by seeking 16% ROCE and consequently seeking revision in a few tariff items based on the revised estimated ARR.

(vi). As regards the submission made by INSA that existing Tariff Policy, 2015 does not allow upward revision purely due to change in market scenario, it is to state that the Tariff Policy, 2015 issued by the MOS entitles Major Port Trust to consider 16% ROCE in ARR computation. It needs to be appreciated that the Port had, based on the then market scenario, considered a ROCE of 8% and the benefit of the moderated tariff increase sought in the last tariff Order has been enjoyed by the trade since its implementation. The Tariff Policy, 2015 gives flexibility to the Port to propose rates within the ARR. Additional revenue estimated at the revised proposed rate in the current proposal is found to be lower than the revised ARR estimated by the VPT. The Tariff Policy, 2015 issued by the MOS which entitles Major Port Trusts for 16% ROCE is binding on this Authority. Hence, this Authority decides to go with the proposal of VPT. Incidentally, recently the Mormugao Port Trust (MOPT) had approached this Authority for revision of Wharfage rate for one tariff item i.e. POL products before the validity of its SOR. This Authority has considered the said proposal of the MOPT for revision of the wharfage rate of POL products based on the justification furnished by MOPT.

(vii). The revised ARR estimated by VPT is ₹96,386.88 lakhs for the year 2015-16 as against estimated ARR of ₹86,551.22 lakhs considered by this Authority in 21 June 2016 Order which was at 8% ROCE. Based on the revised ARR, the Port has sought increase of 25% in the wharfage rate of Alumina (bulk), 20% increase in wharfage rate of Petroleum Products and LPG and 400% enhancement in the existing wharfage rate of Ammonium Nitrate in cargo related charges.

(viii). The existing SOR prescribes uniform port dues and pilotage fee for all class of vessels. As regards Berth hire charges, separate berth hire charges are prescribed for POL vessels. The Port has sought 20% increase in port dues and pilotage fee for vessels carrying crude oil or petroleum products including LPG and sought separate entry in existing SOR. As regards Berth hire charges, Port has sought 20% increase for the above said category of vessel.

(ix). The existing SOR prescribes separate vessel related tariff for vessels handled at SPM under Schedule 2.3.6. The VPT has sought 20% revision in the existing rate prescribed in the said schedule. No other modification is proposed in this Schedule. There is a note in the existing SOR under Schedule 2.3.6. which states that shifting charges will be for SPM and also at Anchorage and other Operational areas other than berths. Hence, the existing note under this Schedule will continue as prescribed.

(x). As regards the objection raised by INSA on the proposed increase, the VPT has stated that the Revenue requirement criteria for tariff fixation is a pragmatic way of tariff fixation, which do not load the users with excessive tariff. The Port Trust has assured that it will not try to earn more and that the Port will attempt to keep the rates competitive. These factors were considered by VPT during June 2016 revision under Tariff Policy, 2015 when Port sough tariff based on 8% ROCE. In fact even at 8% ROCE, the Port had left ₹13702.82 lakhs of ARR uncovered. Now, VPT feels a need to revisit the earlier fixed rate and hence the tariff have been proposed for revision duly considering the market conditions, what trade can bear and the revenue requirement of VPT.

(xi). As regards the point made by INSA that captive cargo which comes to the Port under compulsion makes VPT in a dominant position and seeking increase for the reason that cargo is captive is not fair. The VPT has clarified that captive cargo is the monopoly cargo which is a crucial factor for the port's dynamics when the traffic and tariff are considered which depend on each other. The market condition, revenue position of the port to that activity/ cargo are important consideration amongst others to fix the tariff. Had it not been the case, the benefit of 8% ROCE would not have been passed on to these cargoes earlier. While fixing the tariff earlier at 8%, increase in the tariff was moderated which is now proposed to be done away with. In any case Tariff Policy, 2015 gives flexibility to the ports to propose rates within the ARR. The proposed tariff are still at lower side when compared with the existing rates at few other Ports.

(xii). As regards 400% increase proposed by VPT in wharfage rate of Ammonium nitrate from existing ₹52.50 per tonne for foreign and ₹31.50 per tonne for coastal to ₹262.50 per tonne for foreign and ₹157.50 per tonne for coastal, the Port has justified that this cargo is allowed to be handled only at 2 ports in India due to its highly dangerous and hazardous nature. In view of the nature of cargo and its handling, the Port has sought increase of 400% for this cargo. As stated earlier, Tariff Policy, 2015 gives flexibility to ports to propose rates within the ARR.

(xiii). The proposed increase in the various rates relating to Oil and Petroleum products was objected by the oil companies.

The Tariff Policy, 2015 gives flexibility to Major Ports to propose tariff to react to the market forces within the estimated ARR.

In any case, as brought out in the subsequent paragraphs, the Tariff Policy, 2015 also requires Major Port Trusts to ensure that there is no loss of traffic on this account. In this circumstance, this Authority is inclined to approve the proposed increase in rates.

(xiv). The Port has estimated additional revenue from the increase proposed in vessel related charge and wharfage charge of few items to the tune of ₹3,653 lakhs per annum. The Port has furnished detailed working in support of the additional revenue based on the traffic of the year 2017-18. The Port has clarified that since the effect of the revised SOR is seen in the year 2017-18, the 2017-18 traffic is considered for estimating the additional revenue likely to be earned in the year 2018-19. It is relevant to state that by the time this Order comes into effect it will be around November 2018. So effectively, the additional revenue that is estimated to accrue will only be for around five months of the year 2018-19 from November 2018 onwards. So, if the additional revenue estimated is pro-rata adjusted for five months it comes to ₹1,522.08 lakhs (3653/12*5) for the year 2018-19.

(xv). The revised indexed ARR estimated by VPT considering 16% ROCE is ₹98,386.88 lakhs for the year 2015-16. The revenue estimated in the proposed SOR in June 2016 Order is to the tune of ₹72,848.40 lakhs. The additional revenue from the proposed increase is to the tune of ₹1,522.08 lakhs for five months of 2018-19 from November 2018 onwards. Even after considering the said additional revenue from increase proposed in few tariff items, the total annual estimated revenue works out to ₹74,370.48 lakhs which is well within the then estimated ARR of ₹86,551.22 lakhs in June 2016 Order. Even if we go by the actual income from Port operation as furnished by VPT for the year 2017-18 to the tune of ₹90,244.78 lakhs excluding income from estate operation, additional income of ₹1,522.08 lakhs estimated from the proposed increase will still be within the revised estimated ARR of ₹96,386.88 lakhs.

(xvi). In view of the above position and based on the justification furnished by the port and recognising that the revenue from the increase proposed is well within the estimated ARR, there is merit to approve the proposal of the VPT and hence the proposal of the VPT for increase existing the wharfage rate of Alumina (bulk), ammonium nitrate, petroleum products and LPG and increase in port dues, pilotage and berth hire of vessels carrying oil and petroleum products, including LPG and vessel related charges for vessels handled at SPM is approved as proposed by the Port.

(xvii). It is to state here that the rates approved by this Authority are at ceiling level and the port has the flexibility to charge lower rates.

(xviii). As per Clause 2.6 of Tariff Policy 2015, the Major Port Trusts have the flexibility to determine the rates to respond to the market forces based on commercial judgment and draw the Scale of Rates within the ceiling of indexed ARR.

The VPT has, however, justified the proposed increase in vessel related charges for oil vessels and SPM berth and wharfage rate for POL products and LPG by furnishing a comparative statement of rates proposed by VPT with the rates prevailing at other major port trusts which has been brought out earlier and hence not reiterated for sake of brevity. In the comparison statement, the Port has arrived at total per tonne rate for both vessel related charges and cargo related charges. The comparative statement furnished by the VPT is redrawn and brought out in the earlier paragraphs slightly modifying wherever the rates do not match with the rates approved by this Authority and to the extent of arithmetical error. On perusing the statement drawn by us following the methodology of the VPT, it is seen that at the existing rates, the total per tonne rate of VPT is lower in comparison to rates prescribed in seven Major Ports viz. Mumbai Port Trust (MBPT), Kolkata Port Trust (KOPT), Cochin Port Trust (COPT), Mormugao Port Trust (MOPT), Chennai Port Trust (CHPT), Deendayal Port Trust (DPT), New Mangalore Port Trust (NMPT) in respect of crude oil, six Major Ports as given above except DPT for POL products. For LPG, the existing rates of VPT are second highest after MOPT. Even at the revised rates proposed by VPT, the rates are lower in comparison to few ports in respect of crude oil and POL products.

(xix). As regards the point made by Indian Oil Corporation (IOC) that the present rates for bunkering done by it at VPT are competitive whereas, with proposed increase, bunkering may have to be shifted, the VPT has clarified that even after the proposed increase, the rates of VPT are not the highest. At Cochin Port Trust (COPT), which does good quantum of bunkering the wharfage rate for POL products is ₹103 per tonne whereas the revised wharfage rate proposed by VPT is ₹88.20 per tonne which is still lower than the COPT wharfage rate. Thus, the VPT has addressed the point raised by IOCL on this matter.

(xx). As per clause 2.7 of the Tariff Policy 2015, it is for the Major Port Trust to ensure that as a result of any change in SOR, there will not be loss of traffic to the Port.

(xxi). The rates approved by this Authority will come into force after expiry of 30 days from the date of notification of the revised rates in the Gazette of India. Since the revised rates approved will form part of the existing SOR of VPT, the validity of the revised rates is as per the validity of the existing SOR of VPT which is till 31 March 2019.

13.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the revised rates proposed by the VPT with insertion/ replacement in existing SOR of VPT as following:

(i). Insert the following as Sl. No.2 under Schedule 2.1 - Port Dues under Section 2 - Vessel related charges in the existing Scale of Rates of VPT:

2.1. Port dues

Sl. No.	Description	Rate per GRT		Frequency of payment in respect of the same vessel
		Foreign-going vessel [in US$]	Coastal vessel [in ₹]	
2.	Vessels carrying crude oil or petroleum products, including LPG	0.4289	11.46	The due is payable for each entry into the Port.

(ii). Insert the following as Sl. No.3 under Schedule 2.2.1 - Pilotage Fees for vessels under Section 2.2. under Section 2 - Vessel related charges in the existing Scale of Rates of VPT:

2.2.1. Schedule of Pilotage fees for Vessels:

SL. NO.	DESCRIPTION	UNIT	RATE PER GRT	
			Foreign-going vessel [in US $]	Coastal vessel [in ₹]
3.	Vessels carrying crude oil or petroleum products, including LPG			
	1] Upto and inclusive of 30,000 GRT	GRT	US $ 0.7028	18.78
	2] 30,001 to 60,000 GRT	GRT	US $ 21,084 + US $ 0.5622 per GRT over 30,000 GRT	₹5,63,400 + ₹15.02 per GRT over 30,000 GRT
	3] 60,001 and above GRT	GRT	US $ 37,950 + US $ 0.4919 per GRT over 60,000 GRT	₹10,14,000 + ₹13.15 per GRT over 60,000 GRT
	4] Minimum charges payable		$2,005.20	53,599.20

(iii). Replace existing Sl. No.2 under 2.3. Berth Hire under Schedule 2.3.1. Tariff under Section 2 - Vessel related charges in the existing Scale of Rates of VPT with the following:

2.3. Berth Hire:

2.3.1. Tariff			
SL. NO.	DESCRIPTION	RATE PER GRT PER HOUR PART THEREOF	
		Foreign-going vessel [in US$]	Coastal vessel [in ₹]
2.	Vessels carrying crude oil or petroleum products, including LPG		
	(i). Upto 30,000 GRT	0.00276	0.0737
	(ii). Above 30,000 GRT	0.00367	0.0982

(iv). Replace Item Nos.4,9,16 and 29 under Schedule 4.1. Wharfage under Section 4 - Cargo related charges in the existing Scale of Rates of VPT with the following:

4.1. Wharfage:

Item No.	Nomenclature	Unit	Foreign Rate (in ₹)	Coastal Rate (in ₹)
4.	Alumina (bulk)	Per Tonne	56.25	33.75
9.	Ammonium Nitrate	Per Tonne	262.50	157.50
16.	Petroleum Products (Except LPG)	KL	88.20	88.20
29.	LPG	Per Tonne	244.80	146.88

(v). Replace the existing Schedule 2.3.6 Tariff at SPM prescribed under Section 2 - Vessel related charges in the existing Scale of Rates of VPT with the following:

2.3.6. Tariff at SPM

Sl. No.	Vessel related charges	Foreign (in US$)	Coastal (in ₹)	Remarks
1.	Port dues vessels entering outer harbour (Rate per GRT)	0.4423	11.84	One time payment based on GRT of the vessel for each entry
2.	Pilotage			
	a) Vessel of GRT 30001 and above (Rate per GRT)	0.70	18.56	One time payment based on GRT of the vessel for one inward and one outward movement
	b) For on Board stay 1st pilot	12.56	842.40	Per hour or part thereof stay at SPM
3.	Mooring/ Berthing charges	163.70	7,293.60	One time for each operation
4.	Unmooring/ unberthing charges	163.70	7,293.60	One time for each operation
5.	Tug charges	620.537	16,586.71	Per hour or part thereof subject to minimum of 2 hours
6.	Anchorage charges per GRT	0.0019	0.048	Charges per GRT of the vessel per hour of stay at SPM
7.	For usage of VPT tug (Allowances & refreshments for crew)	208.837	9,303.60	Per shift of 8 hours

13.2. The revised rates approved by this Authority will come into effect after expiry of 30 days from the date of notification of the Order in the Gazette of India. The revised approved rate will remain valid till the validity of the existing SOR of the VPT i.e. till 31 March 2019.

13.3. The VPT is directed to amend the existing Scale of Rates accordingly.

(T.S. Balasubramanian)
Member (Finance)

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

F.No. TAMP/51/2018-VPT - Proposal from the Visakhapatnam Port Trust for revisiting the ARR ceiling and for revision of rates for specific cargo viz. (a). Wharfage on certain cargo and (b). Vessel Related Charges for SPM berth.

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

Sl. No.	Comments of the users/ user organisations	Reply of VPT
1.	**M/s. Hindustan Petroleum Corporation Ltd. (HPCL)**	
(i).	Wharfage on cargo and vessel related charges for SPM berth have been proposed with 20% hike which is not reasonable.	Vessels carrying Oils, Oil products and LPG generally take place at LPG berth, OSTT, OR I & II which are located at outer harbor. Therefore, these vessels require extra efforts when compared to berthing of other cargo vessels at Inner Harbour. Regarding SPM, which is situated at deep sea waters and far away from outer harbor, requires deployment of more Tugs. Two tugs are deployed for securing and casting of vessels. The vessels reporting at SPM are of above 1,50,000 GRT with cargo more than 1,00,000 Tonnes, which require continuous operation of handling for 2 to 2.5 days. An additional pull back tug is deployed for the entire handling period. Further, SPM operations require special skill for securing and casting off and is to be continuously monitored during stay of vessel. Considering all these additional efforts revision of specific cargo rates proposed. Hence the wharfage on cargo and vessel related charges for SPM berth have been proposed with 20% hike.
2.	**Indian National Shipowners' Association (INSA)**	
(i).	Port justification: The approved initial proposal had considered a conservative ROCE of 8% and now in VPT's reading the market conditions are improved so they wish to have their returns calculated at 16 % instead of 8 %. INSA comment: Has there been any such adjustment of tariff sought for change in Market condition in past by VPT? In our knowledge the answer is in negative. The existing guidelines do not allow adjustment of tariff once approved for upward revision purely because of change in Market condition as perceived by the port. Tariff authority will suo-motto have to relook in SOR for all ports if this reasoning is allowed for one port. Secondly, if port has tangible information on improved Market condition then the proposal would have been based on the amended traffic projection which could be used for arriving at the SOR. Instead, port is presuming a 16% guaranteed return and then asking users to	Revenue requirement criteria for tariff fixation is a pragmatic way of tariff fixation, which do not load the users with excessive tariff. Port Trust also will not try to earn more. It will attempt to keep the rates competitive. When earlier tariff was fixed at 8% ROCE these factors were considered. Now, VPT feels a need to revisit the earlier fixed rate and hence the tariff have been proposed for revision duly considering the market conditions, what trade can bear and the revenue requirement of VPT. It is stated that by proposing the 20% hike in the wharfage and Vessel Related Charges, the revenue requirement of VPT will still be within the Ceiling Indexed Annual Revenue Requirement even 8% ROCE. The present SOR of VPT came into effect w.e.f. 18 August 2016. (Factually not correct, the correct date of SOR coming into effect as per the Order notified on 22 July 2016 comes to 21 August 2016.) The effect of the SOR is

	contribute to reach that figure, irrespective of the circumstances.	seen in the year 2017-18 only, hence the traffic has been considered for the year 2017-18 for the services i.e. wharfage on specific cargoes, VRC for oil vessels and Tariff at SPM.
(ii).	Port Justification: There are cargoes like Alumina, Ammonium Nitrate, Petroleum products and LPG which can be considered as Captive cargo whose throughput will not be affected even if tariff is increased. INSA Comment: We find the fact that a particular cargo coming to a port under compulsion, makes the Vizag port as dominant service provider and the port seeking an increase for only reason of users being helpless is not just unfair but may be against the provision of Competition commission. Trust the Authority will evaluate proposal after giving due consideration to this aspect.	Contention behind this statement that captive cargo is the monopoly cargo which is a crucial factor for the port's dynamics when the traffic and tariff are considered which depend on each other. As mentioned in reply to point no.1 above market condition and revenue position of the port to that activity/ cargo are important consideration amongst others to fix, the tariff. Had it not been the case, the benefit of 8% ROCE would not have been passed on to these cargoes earlier. While fixing the tariff earlier at 8%, increase in the tariff was moderated which is now proposed to do away. The proposed tariff are still at lower side when compared with the other Indian Port. Ammonium nitrate is allowed to be dealt with at 2 ports in India due to its highly dangerous and hazardous nature and hence the increase considered at 400%. For Aluminia, POL products and LPG the increase proposed is meagre between 20% & 25%.
(iii).	Port justification: Vessels carrying Petroleum Products LPG etc. require more efforts and cautiousness and should therefore pay higher Vessel related charges. INSA Comment: Tariff is based on the expenses a port estimates to incur. Therefore, the efforts and cautiousness should get reflected in cost calculation. How else, such differentiation can be accommodated in different SOR. We observe, generally Port dues, Pilotages are independent of nature of cargo. Generally the size of ship i.e. GRT based SOR allow and take care of increased revenue requirement from such ships.	Vessels carrying Oils, Oil products and LPG generally take place at LPG berth, OSTTM, OR I & II which are located at outer harbour. Therefore, these vessels require extra efforts when compared to berthing of other cargo vessels at Inner Harbour. Regarding SPM, which is situated at deep sea waters and far away from outer harbour requires deployment of more Tugs. Two tugs are deployed for securing and casting of vessels. The vessels reporting at SPM are of above 1,50,000 GRT with cargo more than 1,00,000 Tonnes, which requires continuous operation of handling for 2 to 2.5 days. An additional pull back tug is deployed for the entire handling period. Further, SPM operations require special skill for securing and casting off and is to be continuously monitored during stay of vessel. Considering all these additional efforts, revision of specific cargoes rates are proposed.
(iv).	In view of above fact that Indian Ports are already said to have very high tariff the reasons submitted by port in its proposal do not substantiate upward change in its SOR.	----

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

Visakhapatnam Port Trust (VPT)

(i) During the last tariff revision of VPT SOR in the estimation of ARR, we sought 8% ROCE instead of 16% ROCE entitled to the port. Port is getting less ROCE compared to what we are entitled.

(ii). We have compared charges across other ports given by reputed Consultant. Our charges are lower in a few cargo items. Hence, we have sought revision in a few cargo where our rates are lower compared to other ports.

(iii). Wherever possibility is there and where we will not vary from tariff at other Major Ports we have sought upward revision.

(iv). Briefly explains the proposal.

(v). We are entitled for 16% ROCE. We considered only 8% ROCE in last revision considering market scenario and competition.

(vi). At 8% ROCE, port is in deficit when we compare the actual operating income for the year 2017-18. In view of that we seek, 16% ROCE in the ARR which port is entitled. Consequent to increased ARR, port seeks revision in rate for a few cargo items.

(vii). Under wharfage schedule, 25% increase in Alumina bulk, 20% increase in POL products and LPG and 400% enhancement in Ammonium Nitrate is proposed.

(viii). As regards vessel related charges, for vessels carrying crude oil, POL products and vessels at SPM, 20% increase in the existing tariff is proposed.

(ix). We have compared the rates for these cargo at other Major Ports. Even after enhancement, we are not at the highest. We are lower compared to other ports.

(x). In order not to burden cargo at one go, we have proposed only 20% increase in vessel related charges for crude oil, POL and LPG vessels and 20% to 25% increase in wharfage rate of few cargo items.

(xi). Wharfage rate for SPM is not proposed for any increase.

<u>M/s. Hindustan Petroleum Corporation Limited (HPCL)</u>

(i). Existing VPT rate may be lower. We accept it. But, it has to be recognised that we have to bear GST impact.

[VPT, Chairman: GST increase is uniform across all refineries. Agencies like port which is providing service should get the reasonable return. 8% return is very low.]

(ii). Proposed increase of 20% is high.

(iii). We are incurring expenditure of ₹3 crores/ month for maintenance of SPM.

[VPT, Chairman: SPM across all ports, maintenance is done by Oil companies. We have restricted increase to 20%. The increase is not abnormal.]

<u>M/s. Indian Oil Corporation Limited (IOCL)</u>

(i). Whatever hike, we are not going to absorb. We will pass it on to customers.

(ii). We mainly do bunkering at VPT. Presently, we have competitive rate. With proposed increase, bunkering may have to be shifted.

[VPT, Chairman: Even after the proposed increase, we are not the highest. At Cochin port, the Wharfage rate is ₹103/ tonne. Revised rate proposed at ₹88/ tonne is still lower that Cochin port which does good quantum of bunkering.]

3. A summary of the written submissions made by M/s.Hindustan Petroleum Corporation Limited (HPCL) and the reply furnished by VPT thereon is tabulated below:

<table>
<tr><th>Sl. No.</th><th>Written submissions made by HPCL</th><th>Reply furnished by VPT</th></tr>
<tr><td>(i).</td><td>Due to non-inclusion of major Petroleum products under GST, Oil industry is incurring huge under recovery on account of denial of full input Tax credit.</td><td>No comments.</td></tr>
<tr><td>(ii).</td><td>The existing wharfage rates levied by VPT itself is much higher as compared to neighbouring port of Paradeep. Following table may be perused:
<table>
<tr><th>Product</th><th>VPT rate (₹ / MT)</th><th>Paradeep Port Rate (₹ / Mt)</th><th>Higher by %</th></tr>
<tr><td>Crude Oil</td><td>17</td><td>5.45</td><td>212</td></tr>
<tr><td>Diesel (HSD)</td><td>73.5</td><td>30.6</td><td>140</td></tr>
<tr><td>Kerosene (SKO)</td><td>73.5</td><td>30.6</td><td>140</td></tr>
<tr><td>Petrol (MS)</td><td>73.5</td><td>30.6</td><td>140</td></tr>
<tr><td>LDO</td><td>73.5</td><td>30.6</td><td>140</td></tr>
<tr><td>Fuel Oil</td><td>73.5</td><td>30.6</td><td>140</td></tr>
<tr><td>Naphtha</td><td>73.5</td><td>30.6</td><td>140</td></tr>
</table></td><td>Pertaining to the existing wharfage of VPT it is to state that for crude oil rate of ₹17/- per MT, HPCL has entered into an MOU with VPT on 31.03.2008. The applicable wharfage rate on crude oil at SPM is fixed at ₹17/- per MT for 30 years from 01.04.2007 and valid upto 31.03.2037 and hence no increase in wharfage for crude handling at SPM is proposed.</td></tr>
<tr><td>(iii).</td><td>Further the wharfage rates for LPG charged by VPT is second highest in India. The following table may be perused.
<table>
<tr><th>Ports</th><th>₹ / MT</th></tr>
<tr><td>Kandla</td><td>222</td></tr>
<tr><td>Vizag</td><td>204</td></tr>
<tr><td>Mangalore</td><td>177</td></tr>
<tr><td>Kochi</td><td>177</td></tr>
<tr><td>Jamnagar</td><td>120</td></tr>
<tr><td>Hazira</td><td>120</td></tr>
<tr><td>Haldia</td><td>108</td></tr>
<tr><td>Mumbai</td><td>76</td></tr>
<tr><td>Chennai</td><td>74</td></tr>
<tr><td>Ratnagiri</td><td>70</td></tr>
</table></td><td>It is not out of place to mention that rates in different ports are fixed based on the Capital investment made, logistics provided and other infrastructures maintained and hence considering the VPT infrastructure and other efforts revision of rate is proposed which is within the permissible ROCE i.e. 16%.</td></tr>
<tr><td>(iv).</td><td>Apart from wharfage and port charges, HPCL – Visakha Refinery is paying huge amounts in the form of rentals to VPT.</td><td>Payment of lease rentals is totally a separate issue.</td></tr>
<tr><td>(v).</td><td>The past revisions having been implemented periodically 5 years (recent revision in 2016, earlier revision in 2011 and prior to that in 2006). Proposed revision within 2 years from recent revision is unjustified.</td><td>The General Revision of SOR is due on 01.04.2019. The port had adopted a conservative approach under the prevalent market conditions and considered expected Return on Capital Employed (ROCE) at 8%, instead of 16% as entitled as per TAMP guidelines have been proposed for revision duly considering the market conditions.</td></tr>
<tr><td>(vi).</td><td>Without prejudice to above, HPCL also submits that if at all revision as authorized by TAMP is necessary, it may please be restricted to the extent of 8% i.e. difference between recent upward revision of 8% and reasonable rate of 16%.

HPCL has requested to avoid the proposed increase of 20% on port related charges.</td><td>VPT felt that there is a need to revisit the rates fixed earlier and hence the tariff has been proposed for revision duly considering the market conditions and the revenue requirement of VPT. It is further to state that as per TAMP norms 16% ROCE is allowed. Even after the proposed hike, VPT is not getting the ARR as envisaged and there is a huge gap.</td></tr>
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