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TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 320 **New Delhi,** **10 August 2016**

NOTIFICATION

This Authority, in exercise of the powers conferred on it under Sections 48, 49 & 50 of the Major Port Trusts Act, 1963, had disposed of the proposal received from the Visakhapatnam Port Trust (VPT) for general revision of its Scale of Rates, in the Meeting of this Authority held on 21 June 2016. However, considering the time involved for notifying (Speaking) Order along with the Scale of Rates, approved by this Authority, this Authority decided to notify only the revised Scale of Rates immediately. Accordingly, the Scale of Rates approved on 21 June 2016 was notified in the Gazette of India on 22 July 2016 vide Gazette No.305. It was stated in the said Notification that this Authority will notify the Speaking Order, in due course of time. Accordingly, this Authority hereby notifies the reasoned Speaking Order connected with disposal of the proposal of the VPT for general revision of its Scale of Rates as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports

Case No. TAMP/9/2016-VPT

Visakhapatnam Port Trust - - - **Applicant**

QUORUM

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

O R D E R

(Passed on this 21st day of June 2016)

This case relates to the proposal dated 30 December 2015 received from Visakhapatnam Port Trust (VPT) for general revision of its Scale of Rates (SOR).

2.1. The existing Scale of Rates of the VPT was last approved by this Authority vide Order No.TAMP/13/2009-VPT dated 18 February 2011 which was notified in the Gazette of India on 31 March 2011 vide Gazette No.65. The validity of the existing Scale of Rates was till 31 March 2013. Before expiry of the validity, the VPT filed its proposal for revision of existing SOR on 22 March 2013 following Tariff Guidelines of 2005 which was registered as tariff case and taken on consultation. The initial consultation process was completed and Joint hearing was held on 20 September 2013. As agreed at the joint hearing, the VPT was requested vide our letter dated 7 October 2013 to initiate action on a few points and port responded vide its letter dated 19 November 2013.

2.2. However, subsequently, the VPT vide its letter dated 18 December 2013 stated that in view of signing of Concession Agreement with BOT operator, the traffic, income estimates and deficit estimates in its proposal may undergo a change. In view of the above position brought out by the VPT having an impact on its general revision proposal, the port was advised vide our letter dated 31 December 2013 to update its proposal and submit it by 7 January 2014. At the request of the port, the time for filing the revised proposal was extended up to 20 February 2014. However, the VPT, filed its revised proposal only in August / September 2014 vide its letters dated 14 August 2014, 2 September 2014 and 3 September 2014 after lapse of about seven months. In the said revised proposal dated 14 August 2014, the VPT had stated that a separate proposal for capital dredging levy will be filed by them. The revised proposal of the VPT was circulated to concerned users for their comments.

2.3. Subsequently, the VPT vide its letter dated 10 December 2014 submitted a separate proposal for imposing a levy to recover the cost of Capital Dredging which was processed as part of its general revision proposal and consultation with the users / user organizations seeking their comments was initiated.

3.1. In the meantime, the Ministry of Shipping (MOS), vide its letter No.8(1)/2014-TAMP dated 13 January 2015 issued the new Tariff Policy called “Policy for determination of Tariff for Major Port Trusts, 2015” which was notified in the Gazette of India vide Gazette No. 30 dated 27 January 2015 by this Authority. The new “Policy for determination of Tariff for Major Port Trusts, 2015” has come into effect from 13 January 2015.

3.2. The tariff fixation process envisaged in the new Tariff Policy of 2015 is significantly different from the tariff fixation method stipulated in the Tariff Guidelines of 2005.

3.3. That being so, this Authority vide Order No.TAMP/13/2013-VPT dated 13 February 2015 closed the proposal filed by VPT for general revision of its Scale of Rates as well as its proposal for imposition dredging levy which was processed as part of general revision proposal and advised port to file a proposal in accordance with the new Tariff Policy of 2015 and also stated that the proposal when received will be processed following the new Tariff Policy, 2015.

4.1. As stated earlier, the validity of the SOR of VPT prescribed in the February 2011 Order is till 31 March 2013. Based on the request made by the VPT, this Authority has extended the validity of existing SOR of VPT a couple of occasions; the last extension being granted vide Order No.TAMP/13/2009-VPT dated 30 March 2016 till 30 June 2016 or till the effective date of implementation of the revised Scale of Rates, whichever is earlier, subject to the condition that if any additional surplus over and above the admissible cost and permissible return emerges for the period post 1 April 2013, it will be governed by the new Tariff Policy 2015.

4.2. Since proposal from VPT for general revision of its SOR under Tariff Policy 2015 was not forthcoming, in extension Order dated 17 November 2015, while extending the validity of the existing SOR of VPT till 31 December 2015 at the request of the VPT, this Authority in the said Order specifically advised VPT to file its proposal by 31 December 2015.

5.1. In this backdrop, the VPT has, vide its letter No.FA/COST/SOR/211 dated 30 December 2015 filed its proposal for general revision of its Scale of Rates following the Tariff Policy, 2015.

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

(i). The proposal is filed under Tariff Policy, 2015 after due consideration of various factors covering trade, points in the guidelines 2015 and other relevant factors and best judgment / assessment on all the aspects including concessions by the management under the Tariff Policy, 2015.

(ii). Annual Revenue Requirement (ARR) is prepared as per the proforma given by TAMP considering the actuals of 2011-12, 2012-13 and 2013-14 and the ARR is suitably indexed to draw SOR on the indexed ARR.

(iii). The annual revenue requirement has been worked our excluding Estate Expenditure.

(iv). Royalty income of BOT operators have not been considered in the present proposal.

(v). The Return on Capital Employed has been considered at 8% instead of 16%.

(vi). The VPT has also filed a separate proposal for fixation of levy for radiological equipment facility installed at EQ-7 gate. With respect to this proposal, a joint hearing with trade was conducted on 16 October 2015 at VPT premises and the user associations requested to merge the proposed tariff of Radiological Equipment with any other relevant tariff item while sending the proposal for general revision of the SOR. The same was communicated to VPT also. In compliance of the communication, VPT now proposes in the proposed SOR to collect 0.38 paisa per ton on dry bulk and break bulk cargoes towards installation of radiological equipment for a period of 10 years. The proposed rate is in addition to the wharfage charges prescribed in schedule 4.1. of proposed SOR. Relevant calculation sheet is furnished in support of the proposed rate.

(vii). The VPT has furnished detailed computation of Annual Revenue Requirement (ARR) under Form 1 and Revenue estimation at the proposed rate in Form 3. The port has furnished prescribed Form – 1 and 3 duly certified by Chartered Accountant. A summary position of ARR computation furnished by VPT is tabulated below:

(₹ in lakhs)

Sl. No.	Description	Y1 (2011-12)	Y2 (2012-13)	Y3 (2013-14)
(1).	**Total Expenditure (As per Audited Annual Accounts)**	1,27,672.31	85,248.03	91,769.41
(2). (a)	**Less Adjustments:**			
(i).	Estate related expenses	6,492.36	5,781.09	6,876.47
(ii).	**Interest on loans**	44.06	44.06	44.06
(iii).	4/5th of One time expenses, if any like arrears of wages, arrears of pension / gratuity, arrears of exgratia payment, etc. (list out each of the items)			
	(a).Wage Arrears	-	-	2819.09
(iv).	4/5th of the Contribution to the Pension Fund	46,231.23	14,171.20	12,000.00

(v).	Management and General overheads over & above 25% of the aggregate of the operating expenditure and depreciation	1,358.36	2,754.45	2,580.78
(vi).	**Expenses relevant for tariff fixation of Captive Berth, if any governed under clause 2.10. of the Tariff Policy, 2015.**	NIL	NIL	NIL
	Total	**54126.01**	**22750.80**	**24320.40**
(3).	**Total Expenditure after Total Adjustments (5 = 1-2)**	73,546.30	62,497.23	67,449.01
(4).	**Average Expenses of Sl. No. 3 = [Y1 + Y2 + Y3] / 3**	69,710.24 *		
(5).	**Capital Employed**			
	(i). Net Fixed Assets as on 31.03.2014 (As per Audited Annual Accounts)	90,250.51		
	(ii). Add : Work in Progress as on 31.03.2014 (As per Audited Annual Accounts)	32,440.37		
	(iii). Less: Net value of Fixed assets related to Estate activity as on 31.03.2014 as per Audited Annual Accounts.	17,462.13		
	(iv). Less: Net value of fixed assets, if any, transferred to BOT operator as on 31 March 2014 as per Audited Accounts.	-		
	(v). Less: Net value of fixed assets as on 31 March 2014 as per Audited Accounts relevant to be considered for captive berths, if any, under clause 2.10. of the Tariff Policy, 2015.	-		
	(vi). Add: Working Capital as per norms prescribed in clause 2.5. of the Working Guidelines	6,081.90		
	(vii). Total Capital Employed	**1,11,301.66**		
(6).	**Return on Capital Employed 8% on Sl. No. 5(vii)**	**8,904.85**		
(7).	**Annual Revenue Requirement (ARR) as on 31 March 2014 [(4)+ (6)]**	**78,615.09**		
(8).	**Indexation in the ARR @ 100% of the WPI applicable for the year 2014-15 @6% (7*1.06)**	**83,332.00**		
(9).	**Indexation in the ARR @ 100% of the WPI applicable for the year 2015-16 @ 3.82 (8*1.0382)**	**86515.28**		
(10).	**Ceiling Indexed Annual Revenue Requirement (ARR)**	**86,515.28**		
(11).	**Revenue Estimation at the Proposed indexed SOR within the ceiling indexed ARR estimated in Sl. No.11 above**	**75,591.02**		

***** [₹73,546.30 lakhs + ₹62,497.23 lakhs + ₹67,499.01 lakhs – ₹2,819.09 lakhs] (i.e. wage arrears)/3] + ₹2819.09 lakhs = 69,710.24.

(viii). The tariff increase proposed by VPT in the existing SOR is as given below:

a.	Port Dues	40%
b.	Pilotage	30%
c.	Berth Hire	100%
d.	Road Stead Charges (anchorage)	100%
e.	Wharfage on Cargo	50%
f.	Increase in Ground Rent	300%
g.	Increase in Dry Dock Charges	200%
h.	Increase in Cranage Charges	25%
i.	Increase in Towage Charges	30%
j.	Increase in Misc. Charges	25%

(ix). The main modifications / insertion / deletion proposed by VPT are as given below:

(a). **New Insertion / Modification**:

(i). Section 2.1. – Port Dues Note (iv).

In the existing note (iv) under the said schedule, a sentence is added to state that reduced gross tonnage applicable for oil tankers with segregated ballast for levy of port dues shall not apply to tankers handled at SPM, as a separate agreement was executed between the VPT and the HPCL.

(ii). Section 2.2.2 and Note No.4 and Section 2.3.3, Note No.4 :
50% Concession in Pilotage fees and shifting charges is proposed to be extended to the vessels shifting to Roads after carrying out up topping /lighting operation.

(iii). Section 2.3.3 – Penalty for under performance:
New notes inserted as Sl. No.4 and 5.

(iv). Section 2.3.5 – Road Stead Charges:
Exemption from levy of road stead charges increased from existing 24 hours to 48 hours.

(v). Section-3.1, Note No.7:
A new Note No.7 is inserted exempting Mother and Daughter Tanker vessel carrying transhipment cargo from levy of Road Stead Charges.

(vi). Section-4.1:
Note under Section-4.1 relating to levy of 0.38 paisa per tonne on all Dry bulk and break bulk cargo in addition to the wharfage rates is proposed for a period of 10 years towards Radiological Equipment installed by the port.

(vii). Section 4.6.1 Free storage period for goods landed for transhipment (Sl. No.3):
Free period for project cargo increased from existing 10 days to 20 days. (Sl. No.1)

(viii). The port has proposed to introduce a new tariff item at Section 4.6.2 (b) i.e. Demurrage charges on import general/ import project cargo delinking from export charges.

(ix). Section 4.7.4.1 – Reduction of Levy on Time Rate Wages from 234% to 150%:
Port has proposed new Note Nos. 3, 4, 5 under this section.

(x). A new Section 8.1. wherein tariff for SPM operations is proposed to be introduced for port dues, pilotage fee, berthing charges, mooring / unmooring charges, tug charges, anchorage charges and charges for usage of VPT tug.

(b). **Deletion of tariff items / existing conditionalities proposed by VPT**.
The existing Section 4.7.4.2 relating to special levy of 31% on all cargo and also on thermal coal availing services of cargo handling worker is proposed to be deleted.

(x). The Performance Standards proposed by VPT in Form-6 are as follows:

Sl. No.	**Performance Parameters**	**Proposed Performance Standard**
(1)	**Cargo Related Services**	
(a)	Average Ship Berth day Output (in tonnes) in respect of Major Cargo groups	
	(i) Coking Coal (Conv)	7,299.97
	(ii) Steam Coal (Conv)	5,907.34

	(iii) Thermal Coal	15,617.93
	(iv) Fertilizers (raw mat)	
	(v) Fertilizers (Mech)	3,791.22
	(vi) Sulphur (Mech)	2,540.18
	(vii) Rock Phosphate (Mech)	5,284.83
	(viii) Fertilizer (Conv)	4,906.07
	(ix) Sulphur (Conv)	3,547.56
	(x) Rock Phosphate (Conv)	4,623.82
	POL	
	(i) Export POL IH	6,259.13
	(ii) IMP POL IH	4,777.17
	(iii) LPG	9,190.67
	(iv) IMP Crude Oil	59,348.69
	(v) Transhipment Crude (Mother + Daughter)	26,542.73
	(vi) Transhipment POL (Mother + Daughter)	8,617.12
	(vii) Import POL	12,011.13
(b)	**Average moves per hour (in TEUs) in respect of Containers**	--
(2)	**Vessel Related Services**	
(a)	Average Turnaround Time of Vessels (in days)	5.97
(b)	Average Pre-Berthing Time of Vessels (in days)	2.56
(3)	**Any other parameters found relevant by the Port**	---

5.3. The VPT submitted the proposal without approval of its Boards to avoid further delay and meet the due date given by this Authority i.e. 31 December 2015 to file the proposal assuming that Board approval will be obtained in the ensuing Board meeting and copy of the Board approval will be furnished in due course. Accordingly, the VPT vide its letter dated 25 February 2016 has given a copy of Board Resolution approving the general revision proposal filed by it.

6.1. As per clause 5.2 of Tariff Policy Guidelines, 2015, the Major Port Trusts shall host the draft SOR along with the proposed Performance Standards in its website giving the designated email address of Port as well as TAMP for comments of relevant users/ user organisations within 15 days' time. The VPT was, therefore, vide our letter dated 29 January 2016 requested to immediately host the draft SOR along with the proposed Performance Standards in its website and give the designated email address of Port as well as TAMP for comments of relevant stakeholder/ users with 15 days' time. The VPT was also requested to communicate about the same to all the relevant users/ user organisations/ BOT Operators as per the list enclosed in the letter dated 4 March 2016 and also intimate this Authority when action is completed.

6.2. The Vizag Seaport Private Limited (VSPL) vide email dated 21 January 2016 has stated that the full proposal has not been hosted on the web site. The VPT was vide letter dated 4 March 2016 again requested to initiate action as stated in our letter dated 29 January 2016 and also to share the complete proposal with VSPL and other users / user association as well.

6.3. In response, VPT vide its letter No.FA/Cost/SOR/2016/14 dated 6 February 2016 addressed to VSPL with a copy endorsed to TAMP has stated that the complete proposal (with Annexure-I to VI) and proposed Scale of Rates can be downloaded from VPT website. The VSPL vide email dated 13 February 2016 has also confirmed about receiving of complete proposal from VPT and has furnished their comments on the proposal of general revision of Scale of Rates, which are brought out in the subsequent paragraphs.

6.4. The VPT has confirmed vide its letter No.FA/COST/SOR/2016/37 dated 11 March 2016 about hosting of the SOR and Performance Standards on its website and has confirmed that a communication was sent to all the relevant user organisations/ Organisation bodies/ BOT Operators with details of designated address mentioning the time frame of 15 days for their comments.

7. In the meanwhile, the VPT vide its letters dated 7 January 2016 and 25 February 2016 has proposed a few amendment in its earlier proposal. The points made by the VPT in the said two letters are given below:

(i). (a). The VPT vide its letter dated 7 January 2016 has requested to consider the following amendments in Form-5 filed by the port earlier alongwith the proposal:

Section	As mentioned in Form-5 sent by VPT alongwith original proposal SOR	To be modified and read as
4.7.4.1 Levy on Time Rate Wages	4. If a vessel is completed prior to closing of a shift, the levy will be limited, to actual number of hours till completion of a shift whichever is higher	4. If a vessel is completed prior to closing of a shift, the levy will be limited, to actual number of hours till completion
-do-	6. In order to reduce idle time of gang bookings is sought, the same will be allowed subject to a minimum of ¼th shift or actual time whichever is higher	NIL
4.7.4.2 Special levy	Not incorporated	NIL

(b). The port has stated that above modification has been correctly specified in the proposed SOR and hosted in the website of VPT. Hence no correction is required in proposed SOR. Correction is done only in Form-5 in respect of the above items.

(ii). (a). The port has also stated that the Board has approved the following:

Section in SOR	Draft SOR sent to TAMP vide letter No. FA/Cost/SOR/211 dated 30 December 2015	SOR put up to Board on February 2016	Board resolved and approved
Section 4.7.4 CHD Levy	Section 4.7.4.1 for all cargo availing services of cargo handling worker from cargo handling division including Thermal coal availing services of cargo handling worker for wagon unloading – 150%	4.7.4.1 Cargo handling availing services of cargo handling worker from cargo handling division for export Steel, Granite and Bagged food grains – NIL 4.7.4.2 for all other cargoes availing services of cargo handling worker from cargo handling division, however this tariff is not applicable for designated cargoes with exclusivity to BOT operators as per concession agreements – 150% levy 4.7.4.3 for all cargoes availing services of cargo handling worker from cargo handling division for cargoes designated for BOT berths as per their concession agreement, if any handled at VPT berths – 265%	CHD levy uniformly 150% on all cargoes.
Section - 6	Item no. 2 Licence fee for open space ₹115.35 for first week or part thereof and ₹90.55 for next week or part thereof	Item no 2 Licence fee for Open Space ₹6.21 per week or part thereof (per sq metre per week)	Item no. 2 Licence fee for Open Space ₹6.21 per week or part thereof

	and onwards (unit per 100 sq. mtrs Penal rate ₹181.10)	Penal rate in ₹ Nil	(per sq. mtr per week) Penal rate in ₹ Nil.

(b). The VPT has stated that the copy of Section 4.7.4 “Levy of Charges for obtaining services of cargo handling workers from Cargo Handling division” and Section 6 i.e. Charges for Licence (Storage) fee of Draft Scale of Rates submitted for Board approval is furnished.

(c). The draft SOR alongwith Performance Standards is hosted in VPT website on 4 January 2016 and reply to comments on users/ user organisations is in process and will be sent in due course. The port has confirmed that revised storage charges (Section-6) as shown in Column 4 above will be hosted in VPT website.

8. The comments received from Vizag Seaport Private Limited (VSPL) was forwarded to VPT as feedback information. The VPT vide its letter dated 19 May 2016 has furnished its reply. It is seen from the reply of VPT that NAVSHIP Marine Services Pvt. Ltd. and Orissa Stevedores Limited have submitted their comments directly to VPT.

9. Based on the preliminary scrutiny of the proposal, the VPT was requested vide our letter dated 16 March 2016 to furnish information / clarifications on a few points by 28 March 2016. This was followed up by reminders dated 22 April 2016 and 11 May 2016. The VPT has, subsequent to the joint hearing, furnished additional information / clarification vide its letter dated 19 May 2016 which is brought out in subsequent paragraph.

10. A joint hearing in this case was held on 18 March 2016 at the VPT premises. The VPT made a brief Power Point presentation of its proposal. At the joint hearing, the VPT and the concerned users/ user organizations have made their submissions.

11.1. As agreed at the joint hearing, the VPT was, vide our letter dated 16 March 2016, requested to take action on the following points arising out of joint hearing proceedings. This was followed up by reminders dated 31 March 2016, 22 April 2016 and 11 May 2016:

(i). Furnish a copy of power point presentation made at the joint hearing.

(ii). At the joint hearing, Visakhapatnam Stevedores Association (VSA), Navship Marine Services Pvt. Ltd., Vizag Seaport Pvt. Ltd., Visakhapatnam Steamship Agents Association and Tamil Nadu Electricity Board have furnished their written submissions. A copy of the each of the written submissions is forwarded to VPT. The VPT to furnish its comments immediately.

(iii). A copy of the notes on arguments made by the users / users associations as recorded at the joint hearing is forwarded to VPT. As agreed at the joint hearing, the VPT to examine the views of the users and suitably modify the proposal. The VPT to submit modified proposal within 15 days’ time taking into consideration the points made by the users / user associations. Simultaneously, modified proposal may be forwarded to the users / users associations for their comments within 3 days. The VPT to respond to the comments of users / users associations within 3 days thereafter.

(iv). The VPT was requested to furnish additional information / clarification sought vide our letter dated 16 March 2016 by 28 March 2016. Since response of the VPT was not received, the VPT was again requested to furnish its response immediately.

11.2. As agreed at the joint hearing, the users / user associations were requested vide our letter dated 16 March 2016 to furnish comments, if any, on modified proposal filed by VPT to TAMP and to the port 3 days from receipt of the modified proposal.

12.1. With reference to action points from VPT arising out of the joint hearing proceedings, the VPT has furnished its reply vide its letters dated 19 May 2016 as below.

12.2. The VPT has furnished copy of power point presentation made at the joint hearing.

12.3. As regard point of action on 11.1 point (ii) and (iii) VPT has furnished its comments on the comments made by users / user associations.

12.4. The VPT vide its letter dated 19 May 2016 has furnished the information/ clarifications sought under cover of our letter dated 16 March 2016 after regular follow up vide our letters dated 31 March 2016, 22 April 2016 and 11 May 2016. Since the information/clarifications furnished by VPT did not contain information/clarifications on a few points, the VPT was again requested vide our letter dated 25 May 2016 and email dated 01 June 2016 to furnish information on a few points. The VPT has furnished its reply vide its letter dated 01 June 2016 and email dated 04 June 2016. A summary of additional information / clarification sought by us and reply furnished by VPT thereon is tabulated below:

Sl. No.	Information / Clarification sought by us	Reply furnished by VPT
1.	**<u>General</u>**	
(i).	The VPT was requested vide our letter dated 22 January 2016 to submit a copy of Board Resolution approving its proposal of general revision of Scale of Rates (SOR). As per Clause 3.1.2 of the Working Guidelines, the port is to submit the Board approval within one month from the date of submission of the proposal if the same is not submitted along with proposal. The VPT is, therefore, once again requested to furnish the requisite document.	VPT vide its lr. No.FA/Cost/ SOR /2016/29 dt.25.2.2016 has sent a copy of VPT Board resolution No.219/2015 for general revision of SOR to TAMP.
(ii).	The VPT is yet to furnish its comments on the comments received from Vizag Seaport Private Limited (VSPL) a copy of which was forwarded to the VPT vide our letter dated 15 February 2016. The VPT is requested to furnish its comments on comments of VSPL immediately. The VPT has stated vide its letter dated 25 February 2016 that reply to comments on users / user associations is in process. The VPT to forward a copy of the same for our records and also furnish comments of the VPT thereon.	VPT has received comments from VSPL, Navship Marine Services Pvt Ltd (NMSPL) and Orissa Stevedores limited. The comments furnished by VSPL and NMSPL and comments of VPT thereon have been furnished.
2.	**<u>Annual Revenue Requirement (ARR) (FORM NO. 1):</u>**	
(i).	<u>Average Expenses (Sl No 4):</u> The VPT has arrived at the average expenses of the years 2011-12 to 2013-14 at ₹69,710.24 lakhs. For arriving at the average expenses, it is seen that the VPT has followed Note 2(ii) of the Form 1. It is relevant to state that in the case of general revision of COPT and NMPT, the concerned port had considered simple average of three years which has been accepted by the Authority. Say in the case of VPT it will be ₹67,830.85	As per Form-1 the average expenses has been arrived at ₹69,710.24 lakhs which is in order as per TAMP note 2(ii) of the Form 1. Hence the same is in order and the ARR has not been modified.

	lakh (₹73,546.30 lakhs + ₹62,497.23 lakhs + ₹67,449.01 lakhs/3) instead of ₹69,710.24 lakhs. The VPT may consider to modify the ARR in the light of the above observation. The ARR, if modified, may please be furnished after duly certifying the same by the Chartered Accountant / Cost & Management Accountant in practice.	
(ii).	Return on Capital Employed (ROCE) (Sl No. 6)	
	As per Clause 2.6 of the Tariff Policy, 2015, ROCE including capital work-in-progress as on 31 March 2014 is to be considered @ 16%. The VPT has, however, considered ROCE @ 8% only. As per clause 2.4 of the Tariff Policy 2015, ARR is the ceiling level. As per clause 2.6 of the Tariff Policy 2015, the port can draw the SOR within the ceiling ARR. Hence the reasons for considering lower ROCE to be clarified.	VPT has considered 8% ROCE instead of 16% ROCE on account of the following: (a). Based on market situation (b). By prescribing a very high rate negative market sentiments will get attracted.
3.	**Revenue estimation (Form -3):**	
(i).	It is seen from the Annexure - A attached to Form-3 that revenue from Vessel Related Charges is estimated by the port considering increase proposed by it i.e. 40% in port dues, 30% in pilotage, 100% in berth hire etc., over the actual vessel related revenue reported for the year 2014-15. The tariff proposed by VPT for coastal vessel is in compliance with Order No.TAMP/4/2004-Genl. dated 5 October 2015 passed by the Authority in pursuance of direction of MOS vide its letter no. 8/(15) 2015 - TAMP dated 17 September 2015. The tariff increase for a coastal vessel at the proposed tariff works out to 104.7% in port dues, 89.9% in pilotage and 192% in berth hire charges. The revenue estimated by VPT based on the methodology followed by it, however, does not capture the full impact of tariff increase proposed for coastal vessel. Moreover, the revenue estimate does not reflect the prevailing exchange rate. The VPT to, therefore, modify the Form-3 and furnish information on the following:	
(a).	Modify the revenue estimate from vessel related services by separately estimating revenue from foreign going vessel and coastal vessel taking into consideration the proposed tariff and actual GRT of vessel handled in the year 2014-15. The VPT to furnish the detailed working for the same as indicated in Note - 1 under Form-3.	As suggested the revenue from foreign going vessel and coastal vessel taking into the proposed tariff and actual GRT of the traffic handled in the year 2014-15. The detailed working for the same has been furnished.
(b).	While estimating the revenue from vessel related services, the prevailing exchange rate may be considered which is at US$ = ₹67.09 instead of 1 US$ = ₹65.09 stated to have been considered by VPT. The exchange rate considered for revenue	Revenue from vessel related services the exchange rate now has been considered with US$=67.09.

	estimates may please be indicated. Consequently, the rate for coastal vessel may also undergo a change. The VPT may consider to suitably modify the revenue estimates.	
(c).	Confirm that the total GRT vessel considered in the revenue estimates matches with the actual total GRT of the vessel handled by the port for the year 2014-15.	Yes it is confirmed that the Average GRT vessel considered in the revenue estimates matches with the actual Average GRT of the vessels handled by VPT for 2014-15.
(d).	As per the format prescribed for estimating the revenue, the VPT is to estimate revenue for each tariff items viz. cargo, vessels and miscellaneous services at the proposed rate for the actual traffic handled by the port in the year 2014-15. Also, furnish detailed working in support of revenue estimates.	VPT now estimated revenue for cargo, vessels at the proposed rate for the actual traffic handled by VPT in 2014-15. Regarding miscellaneous services considered as a percentage increase on the actual revenue received for 2014-15.
(ii).	Clause 2.12. of the revised Working Guidelines issued by TAMP stipulates that if a new condition is introduced or if existing condition is modified due to operational contingency, the port may prescribe such modification with reasons therefor and capture the financial / revenue impact in the ARR. The basis adopted for the tariff proposed for new items is to be furnished and its effect to be captured in the revenue estimations in Form - 3. The VPT has proposed the following new tariff items / conditions in the proposed SOR :	
(a).	Section 2.1. – Port Dues Note (iv). In the existing note (iv) under the said schedule, a sentence is added to state that reduced gross tonnage applicable for oil tankers with segregated ballast for levy of port dues shall not apply to tankers handled at SPM, as a separate agreement was executed between the VPT and the HPCL. Non-application of reduced gross tonnage for oil tankers of HPCL handled at the SPM for collection of Port dues to be justified. Please confirm the revenue impact of the same is considered in the revenue estimates in Form 3.	Since a separate MOU exists between VPT and HPCL, reduced gross tonnage applicable for oil tankers with segregated ballast for levy of port dues shall not apply to tankers handled at SPM.
(b).	Section 2.2.2 and Note No. 4 and Section 2.3.3, Note No. 4 : 50% Concession in Pilotage fees and shifting charges is proposed to be extended to the vessels shifting to Roads after carrying out up topping /lighting operation.	The vessel shifting to roads after uptopping/lightening 50% concession was given for the first shifting for the year 2014-15 and the same was collected in full i.e. at 100% in the year 2015-16. Now, it is proposed to clearly specify the concession of 50% while first shifting to roads. The revenue impact of 50% concession for 1st shifting was already captured in 2014-15 and hence no impact is considered now. Note no.4 of Section 2.2.2 is deleted since no concession in Pilotage is proposed.
(c).	Section 2.3.3 – Penalty for under performance : New notes inserted as Sl. No. 4 and 5.	The penalty is prescribed to improve productivity. The rate of penalty is proposed to be restricted to 2 times.

(d).	Section 2.3.5 – Road Stead Charges: Exemption from levy of road stead charges increased from existing 24 hours to 48 hours.	The financial impact for exemption from levy of road stead charges increased from exiting 24 hours to 48 hours works out to ₹15,29,950/- and detailed calculation statement is enclosed as Annexure 2.
(e).	Section-3.1, Note No. 7 : A new Note No. 7 is inserted exempting Mother and Daughter Tanker vessel carrying transhipment cargo from levy of Road Stead Charges.	The exemption at note no.7 is an extension to an existing one under Section 2.3.5 notes no.2 of the existing SOR and is extended to berths also in addition to anchorage. The revenue impact is captured at item 10, Road Stead Charges of Annexure to Form 3.
(f).	Section-4.1: Note under Section-4.1 relating to levy of 0.38 paisa tonne on all Dry bulk and break bulk cargo in addition to the wharfage rates is proposed for a period of 10 years towards Radiological Equipment installed by the port.	The proposal for levy of 0.38 paisa tonne on all Dry bulk and break bulk cargo for the Radiological Equipment installed by VPT is deleted.
(g).	VPT has continued to propose wharfage rate on a advalorem basis on few items like on other chemical, electrical goods, machinery and marine products. Clause 2.10 of Working Guidelines issued by the Authority to operationalize the Tariff Policy 2015, stipulates that the while drawing up the SOR, Major Port Trusts shall as far as possible do away with advalorem wharfage rate if any, in the existing SOR of the concerned Major Port Trusts and determine specific wharfage rate in these cases taking into consideration special care to be taken for handling this cargo or a market determined tariff. It is however, seen that the VPT in the proposed SOR has continued with the existing tariff arrangement of levy of advalorem rate for the few items. Further, the MOS in its letter dated 15 July 2015 has advised TAMP that the advalorem wharfage rate should be phased out. Wharfage rate should be fixed on per unit basis. The VPT was, therefore, vide our letter dated 1 June 2016 advised to propose specific wharfage rate for the above mentioned cargo items based on weight or volume of cargo with reference to cost of handling the relevant cargo in line with the advice rendered by the MOS and in compliance with the Working Guidelines issued by the Authority.	VPT vide its email dated 4 June 2016 has stated that Specific wharfage rates for the items i.e. Other chemicals, Electrical goods, Machinery & Marine products is being worked out which may take some time and a separate proposal proposing specific wharfage rates for the said items will be filed shortly and till such time VPT may be allowed to levy the proposed advalorem rate.
(h).	Section 4.6.1 Free storage period for goods landed for transhipment (Sl. No. 3) : Free period for project cargo increased from existing 10 days to 20 days. (Sl. No. 1)	Free period for project cargo increased from existing 10 days to 20 days (Sl.No.1) as per TAMP notification G.No.183 dt.17.6.2014. Hence there is no change.
(i).	The port has proposed to introduce a new tariff item at section 4.6.2 (b) i.e. Demurrage charges on import general/ import project cargo delinking from export charges.	Section 4.6.2 (b) i.e. Demurrage charges on import general/import project cargo delinking from export charges. The port has inserted the section 4.6.2(b) as per TAMP notification G.No.183 dt.17.6.2014.
(j).	Section 4.7.4.1 – Reduction of Levy on Time Rate Wages from 234% to 150%:	The proposal is with due diligence after considering the various parameters and the

	Port has proposed new Note Nos. 3, 4, 5 under this section. The VPT to explain the reasons and basis for inclusion of the each of the above new tariff items / conditionalities in the proposed SOR. The VPT to also confirm whether the impact of each of the above tariff item / Conditionality is captured in revenue estimates in Form – 3.	need for port to improve its financial stability. The port is also considering dynamic price adjustment to face competition by exercising Section 53 of the MPT Act 1963 and hence the CHD levy has been reduced from 265% to 150%. In order to charge for the actual no. of hours engaged rather than the whole shift, new clauses 3 & 4 were introduced. It is clarified that 100% of wages will be recovered in addition to the levy of 150%. The revenue impact of the new clauses have been captured in Revenue estimations in Form-3.
(iii).	The port has proposed deletion of the following conditionalities from the existing SOR: (a). The existing Section 4.7.4.2 relating to special levy of 31% on all cargo and also on thermal coal availing services of cargo handling worker is proposed to be deleted. The VPT to explain the reasons for deletion of the each of the above items from the existing SOR and also confirm whether the impact of the deletion of these items is considered in the Revenue estimates in Form – 3.	The levy of 234% + 31% is 265% stands reduced to 150%.
(iv).	It is seen that the Form 5 given by the VPT does not cover all the tariff items / conditions where VPT has proposed amendment. Form 5 prescribed by the Authority require port to furnish comparative position of existing and proposed Scale of Rates. The VPT to, therefore, required to furnish the revised Form 5 as per the format prescribed covering the entire SOR. While doing so, the port to furnish reasons for changes for each items.	The form 5 now covers only the changes made in the conditionalities and not the entire SOR. The reasons for proposed amendments are also furnished against in form 5.
(v).	**Section 8.1 – Tariff at SPM after Section 8 – Charges for issual of licence:**	
	The VPT has proposed a new Section 8.1. wherein tariff for SPM operations is proposed to be introduced for port dues, pilotage fee, berthing charges, mooring / unmooring charges, tug charges, anchorage charges and charges for usage of VPT tug. The VPT has not furnished any basis for the tariff items proposed for SPM operations. As per clause 5.7.1 of the Working Guidelines notified by the Authority to operationalize the Tariff Policy 2015, whenever a specific tariff for a service/ cargo is not available in the SOR, of that particular port, the concerned Major Port Trust can approach TAMP for notification of tariff for the said new cargo/ equipment/ service adopting the tariff and performance standards, if any, fixed for comparable cargo/ equipment/ service in any other Major Port Trust. If there is no rate available in any other	The operations at SPM are being regulated with as per the MOU signed between VPT and M/s HPCL vide MOU dt.18.11.2010. However this tariff has been missed out in the SOR revision during 2011. It is proposed to regularize the same, being rates adopted with mutual consent. VPT vide its email dated 01 June 2016 stated that this was a mutually accepted rate between HPCL and VPT according to MOU. The same is requested to be incorporated retrospectively which was relevant at that point of time.

	Major Port Trust or if the rate available is not representative enough of the proposed new cargo/ service / facility, then the port may file the proposal for notification of tariff for the said new cargo/ equipment/ service with reference to optimal capacity assessed following the principles of 2008 guidelines or based on rated capacity or technical specification of service/ facility/ equipment. If determination of tariff based on the above prescribed options is not possible, then the Major Port Trusts after giving sufficient reasons may propose rates based on cost plus 16% return formula. In this context, the VPT to clarify / furnish the following with reference to the said Section:	
(a).	Whether the SPM operations is a new service proposed to be offered by the port and the expected date of commencing the operations?	
(b).	Under which option the rate for SPM operations is proposed amongst the options prescribed in the Working Guidelines?	
(c).	Detailed working for the proposed rates. In case the port has adopted the rate from the rate prescribed at other Major Port Trust for similar items, then please indicate the reference of such adopted rate.	
(d).	It is seen that the port in the Form – 3 – Revenue Estimates has indicated rates for SPM operations at existing tariff. In this context, it is to state that the Scale of Rates notified by this Authority vide Tariff order dated 18 February 2011 does not contain tariff for SPM operators. Hence, reference to the order passed by the Authority competent to approve the tariff for SPM operations to be furnished. Since the reply furnished by the VPT on the points (a) to (d) did not adequately address the points raised, the information sought in our letter dated 16 March 2016 on this are reiterated vide our letter dated 25 May 2016.	
(e).	The revenue estimates in Form – 3 shows NIL Revenue from SPM operations at proposed tariff. The port to estimate revenue from this tariff item proposed to be included in the SOR.	Port Dues and Pilotage for SPM operations are shown under vessel related charges and the revenue impact of other items are shown in Annexure to Form 3 at Sl.No.54.
(vi).	**Section 4.7.4. Levy of Charges for obtaining services of cargo handling workers from Cargo Handling Division**	
	The rate for Cargo Handling division was last approved by the Authority vide Order No.TAMP/26/2010-VPT dated 18 January 2011. During the proceeding relating to the said Order, the VPT had mentioned that though the Visakhapatnam Dock Labour Board is merged with the VPT, the accounts	

	are maintained separately. The rate for CHD approved in the said Order was incorporated in the last general revision Order No.TAMP/13/2009-VPT approved on 18 February 2011 at schedule 4.7.4.1. It is seen that in the current proposal the port has proposed to revise (reduce) the CHD levy from existing 234% to 150%. The port has also proposed few modification i.e. insertion of the new Note Nos. 3, 4, 5 under this section. In this regard the port is to clarify the following points:	
(a).	Confirm the figures reported in the Annual Accounts of the VPT for the years 2011-12 to 2013-14 is inclusive of the CHD.	It is confirmed that the figures reported in the Annual Accounts of VPT for the years 2011-12 to 2013-14 are inclusive of CHD.
(b).	Confirm the ARR considered by the VPT includes the ARR for the CHD also.	The ARR considered by VPT includes the ARR for CHD also.
(c).	In case the Annual Accounts of the CHD continues to be maintained separately and the ARR furnished by the port does not include ARR for CHD, the port may furnish separate working for CHD under the Tariff Policy 2015 in the prescribed format.	The ARR now submitted includes for CHD also.
4.	**Tariff for Radiological Equipment (New Item):**	
	(i). The VPT has filed a separate proposal dated 4 July 2015 for fixation of levy of charges of ₹63/- per vehicle passing through EQ-7 gate for one entry and one exist for radiological equipment facility installed at EQ-7 gate which has been processed separately. A joint hearing in this case was held on 16 October 2015. At the joint hearing, in view of the request made by the users / user associations requesting to merge the proposed tariff with general revision of SOR, the port was vide our letter dated 26 October 2015 requested to do so as the general revision proposal was due from the port. Now, the port in its general revision proposal has stated that in compliance of the TAMP letter, it has proposed a tariff of ₹0.38 paisa per tonne on dry bulk / break bulk cargoes in addition to the wharfage rate for period of 10 years towards installation of radiological equipment. It may be recalled that we had vide our letter dated 14 October 2015 sought some information from the VPT with reference to proposal dated 4 July 2015. The VPT has, however, not responded, despite reminders. Hence, the information / clarification sought in our said letter dated 14 October 2015 are mostly reiterated with few modifications in view of the revised rate and revised working furnished by the VPT. The VPT to clarify the following points: (a). The port to confirm the exact date of commencement of rendering the service of	The proposal for levy of 0.38 paise per tonne on dry bulk/break bulk cargoes is hereby withdrawn considering to objection raised by trade and operational hurdles and congestion etc. into account.

	radiological detection and confirm that the services is being rendered. (b). Clause 5.7.1. of the revised Working Guidelines notified by the Authority in compliance with Clause 1.5. of the Tariff Policy 2015, stipulates the various methods for fixation of tariff for a new service / cargo for which tariff is not available in the SOR. As per the said Clause, if the determination of tariff based on prescribed options is not possible then the Major Port Trust after giving sufficient reasons may propose rate on cost plus 16% return formula. The VPT may clarify whether the port has explored the options mentioned in the said Clause before firming up the proposal on cost plus method. (c). Since the validity of the SOR to be approved by the Authority as per Tariff Policy 2015 is for 3 years, the VPT to explain the reasons for proposing the rates for the above items for 10 years. **(d). <u>Capital Cost</u>**: (i). In our earlier letter dated 14 October 2015, it was observed that the total capital cost includes Excise duty of ₹23,72,378/- and Service Tax of ₹1,99,635/-. In this regard, VPT was requested to confirm that the cenvat credit with respect to Excise duty and Service Tax is not availed. Confirm the asset is capitalised for ₹26,164,310. If cenvat credit is available, the cost statement now furnished by VPT may be suitably modified excluding the cenvat credit. The port has not furnished its reply and hence the said query is reiterated. (ii). The capital cost of the equipment is ₹26,164,310/-. The port has considered the depreciation of ₹26,16,431 in the operating cost. However, for computation of written down value of the asset, the depreciation considered is ₹36,39,456. The mismatch in the depreciation figure to be corrected. **(e). <u>Operating Cost:</u>** (i). Furnish the basis of power consumption at 4.05 units per hour. Also, furnish a copy of latest electricity bill in support of unit rate of power considered at ₹9.49 in the estimation. [Query of 14 October 2015 is reiterated] (ii). The port has estimated annual maintenance cost at 7% of the equipment cost referring to the TAMP Guidelines plus	

	₹23,82,653 reported to have been paid by VPT to the supplier towards the actual cost incurred. In this regard, the following points to be clarified: (a). The relevance of applying 7% of equipment cost towards annual maintenance may please be explained as no such norms is prescribed in the Tariff Policy, 2015. In case, the argument of the port is that it has adopted the norms prescribed in 2008 Guidelines, then it is to clarify that the said guidelines is for normative tariff based on the optimal capacity and not with reference to traffic and hence picking up only one norm from the said guidelines need to be justified. (b). (i). The cost calculation shows that the actual amount paid to supplier towards annual maintenance is ₹23,82,653/-. The said amount may be substantiated with documentary evidence in form of work order, etc. The reasons for considering the actual cost incurred plus 7% of the equipment cost may be explained. The port to also confirm that it does not amount to duplication of the same cost element. (ii). The working to arrive at the amount of ₹59,56,645 may be furnished. (c). It is understood from the earlier proposal of the port that the port had installed the equipment at EQ-7 gate from February 2015. The port is, therefore, requested to indicate the actual operating and maintenance cost incurred for rendering service through this equipment and justify the estimate of ₹59,56,645 considered in the cost calculation. (d). Explain the term S.T mentioned in Sl. No. II(ii) may please be explained. (e). Please confirm the depreciation rate considered at 10% assuming life of asset at 10 years is as per the Companies Act, 2013. Also, give reference to the relevant depreciation rate taken from the Companies Act 2013 substantiated with the extract of the relevant page of the Companies Act, 2013. (f). Though the covering letter of the VPT dated 4 July 2015 states that the port has in consultation with the trade come to the conclusion for levy of specific charges for vehicle plying in and out of dock area through EQ-7 gate, the copy of the minutes of the meeting dated 6 April 2014 by the VPT with the trade records that the trade has viewed	

	that port should bear the cost of rendering this service and hence has requested the port to withdraw the proposal and refer to TAMP. The VPT to comment upon the objection raised by the trade on the subject proposal recorded in the said minutes of the meeting. (g). Apart from that, Some of the users during the processing of the earlier case had pointed out that the port has proposed installation of this equipment only at EQ-7 gate and not at other gates. Hence, the users may prefer to enter through other gates to avoid user charges. The port to furnish its comments on this point as it had not furnished any comments on this point earlier. (h). (i). The VPT had earlier proposed the rate only for vehicles passing through EQ-7 gate. The rate proposed was ₹63/- per vehicle. The reasons for now proposing to change the unit of levy from per vehicles passing through EQ-7 gate to per tonne basis on all dry cargo and break bulk cargo may be explained. The port may also indicate that at the proposed rate what will be the impact per vehicle. (ii). The calculation furnished by VPT shows that the proposed levy in relevant for EQ-7 gate. However, the note proposed below section 4.1 implies that the rate is applicable in all Dry Bulk and Break Bulk Cargo. Please clarify. From the proposal now filed by the port it appears that all dry bulk cargo / break bulk cargo will have to pay 0.38 per tonne irrespective of whether they pass through EQ-7. The port may suitably modify the proposed note under Schedule 4.1 to ensure that the tariff is levied only in respect of services rendered by the port with reference to the radiological equipment. (iii). The VPT, if required, may consider the impact of operating and maintenance cost incurred by the VPT and return on capital cost of the said equipment from the date, the VPT has commenced to render services from this equipment in the tariff proposed by it, so that the port is not but into any disadvantageous position on account of merging this item with general revision proposal at the request of user / user associations.	
5.	**Scale of Rates:**	
(i).	The VPT has proposed to increase the port dues by 40%, pilotage by 30 %, wharfage on cargo by 50% and crane charges by 25%. Whereas, the increased proposed in Berth Hire Charges is 100%, ground rent by 300%, charges for license and storage fees by	Proposal to increase rates of VPT was considered duly taking into consideration the rates of neighbouring Port. The rates proposed are ceiling rates and port reserves its right to go for dynamic pricing depending on the market conditions from time to time.

	300%, dry dock charge by 200%, Slip way repair hire charges by 200% etc. The VPT may consider, if there is any possibility of moderating the increase proposed in these tariff items, which are found to be higher than the general increase proposed by the VPT in the range of 25% to 50% in the other items.	
(ii).	The Authority has passed the following common adoption order for all Major Port Trusts. Apart from that, the Major Port Trusts were also requested to include suitable note in the SOR vide our letters brought out at Sl. No. (c) and (d) :	
(a).	Order No.TAMP/52/2014-Genl. dated 28 November 2014 relating to the guidelines on priority berthing of coastal vessels at Major Port.	Reply not furnished by port.
(b).	Order No.TAMP/14/2016-Misc dated 9 February 2016 relating to prescription of lower charges for cargo & vessels related services as well as special discount in port charges for the services rendered after regular hours by the Major Port Trusts and BOT Operators operating thereat in pursuance of MOS letter No.PD/14033/101/2015-PD.V dated 3 February 2016.	Port is working 24x7 and there are no regular and non-regular hours.
(c).	Letter No. TAMP/35/2013-Misc. dated 7 August 2014 directing all Major Port Trusts to prescribe a suitable note in their respective SOR regarding applicability of wharfage rates for Defence Stores in such a way that there is no ambiguity in the mind of users on the application of the prescribed rates.	As prescribed, note is inserted under Sl.No.50 in Section 4.1 for defence stores and the tariff is taken from NMPT Port Trust SOR, as reference Tariff
(d).	Letter No. PD-25021/7/2015-PD.1 dated 16 April 2015 of MOS directing to all Major Port Trusts to follow the TAMP letter No. TAMP/53/2002-Misc dated 25 March 2015 regarding wharfage charges on vessel manifested as cargo in the Import General Manifest (IGM) or Export General Manifest (EGM). It is, however, seen that the port has not included the provisions prescribed in the above common adoption Orders / communication in the proposed SOR. The port is requested to incorporate the same in the draft proposed SOR. The impact, if any, on the revenue estimates may be captured in Form-3.	VPT has incorporated the wharfage charges on vessel manifested as cargo in Import General Manifest or Export General Manifest in the draft proposed SOR at Sl.No.(ix) under Section 1.2 of General Terms & Conditions.
(iii).	Schedule 5.1.3.- Charges for use of HMC by private Operators The Authority vide Order No. TAMP/16/2012 – VPT dated 28 September 2012 had approved an amendment Order prescribing hire charge along with conditionalities relating to Charges for use of Harbour Mobile	Schedule 5.1.3 – Charges for use of HMC by private Operators Services of HMCs are provided by VPT to trade through contract with other agencies and contract ends by Jan'2017. VPT is not proposing any amendment in rate except fuel

	Cranes installed by the private operators. The validity of the rates approved in the said Order was prescribed till 3 August 2013. It is seen that the VPT has in the current proposal has mostly retained the tariff for HMC approved in the said Order. The port has proposed a note about escalation in the proposed rates towards fuel escalation w.e.f. January 2014. It has not included a few notes viz. note nos (i) and (ii) approved in the said Order. Further a new note is inserted at sr. no.(iv) relating to remission of proportionate berth hire in the event the break down of HMC is for more than 2 hours continuously. In this regard the following points may be clarified:	escalation as this is based on contract entered and rates fixed by TAMP.
(a).	The rate approved by the Authority does not prescribe fuel escalation factor. Hence the proposed note may be deleted.	
(b).	The VPT may, if necessary, consider to revise the existing rates following the normative approach followed in the last Order.	Reply not furnished by port.
(c).	Furnish reasons for proposing deletion of the existing notes no. (i) and (ii) and reasons for inserting new note no. (iv).	The notes deleted are re-inserted as notes no.(i) and (ii).
(iv).	The VPT subsequent to filing its original proposal dated 31 December 2015 has vide its letter dated 7 January 2016 and 25 January 2016 proposed a few amendments in the proposed Scale of Rates filed by it earlier. The VPT is requested to furnish its final proposed SOR incorporating all the corrections proposed by the VPT in piecemeal to have a consolidated position at one go.	All the amendments have been incorporated.
6.	**Adjustment of Additional surplus**:	
	(i). As per clause 4.1 of the Tariff Policy, 2015, (a) additional surplus assessed by TAMP in earlier tariff Orders which remain unadjusted has to be transferred by Major Port Trusts to any fund as desired by the Port Trust. (b). Additional surplus, if any, accruing to the Major Port Trusts during the period of application of existing Scale of Rates till the effective date of implementation of the new Scale of Rates fixed under this policy should be assessed and transferred to the General Reserve and use the funds for the purpose of development, creation and/ or modernization of the port infrastructure facilities. As regard (a) above, it is seen that there is no past period unadjusted surplus in the case of VPT. As regard (b) above, the VPT to assess the additional surplus, as required under clause 4.1 of the said Tariff Policy and furnish the same for information.	VPT vide its email dated 01 June 2016 has stated that the surplus/deficit for period after 31-3-2013 is being worked out.

	(ii). Since the port has not responded on this item, the VPT was vide our letter dated 25 May 2016 again requested to assess the additional surplus, as required under clause 4.1 of the said Tariff Policy, 2015 and furnish the same for information.	
7.	**Performance Standard:**	
(i)	The VPT has proposed performance standards in Form-6. The VPT to explain the basis of the proposed Performance Standards.	The Performance Standards are attached at Annexure A.
(ii).	Clause 3.2. of the Tariff Policy 2015 stipulates that the indexation of SOR as provided in Clause 2.8 will be subject to achievement of Performance Standards committed by Major Port Trusts. If a particular port does not fulfil the Performance Standard, no indexation would be allowed during the next year. The VPT to, therefore, incorporate a suitable clause in the SOR on indexation in line with the provision stipulated in clause 3.2.	VPT incorporates a clause in the SOR on indexation in line with the provision stipulated in clause 3.2.

13. The comments received from the Hindustan Petroleum Corporation Limited (HPCL) and Vizag Seaport Private Limited (VSPL) on the subject proposal were forwarded from time to time to VPT as feedback information. The VPT vide its letters dated 19 May 2016 and 01 June 2016 has furnished its reply.

14.1. It is relevant to state that Indian Private Ports & Terminals Association (IPPTA), the umbrella body of BOT operators at the Major Port Trusts, vide its letter dated 23 March 2016, has also furnished its comments on the proposal of VPT.

14.2. The comments received from IPPTA was forwarded to VPT as feedback information and to furnish its specific comments on the submissions made by IPPTA. It was seen that the IPPTA in its comments has stated that VPT, instead of adopting the wharfage rates of VSPL for Gypsum, Manganese Ore etc. which are the market determined rate, has proposed lower rates than the rates fixed by TAMP for VSPL since 2009. This will create unhealthy competition between VPT and its terminal operator which is contrary to the Tariff Policy 2015, according to the IPPTA.

While seeking comments of the VPT on the comments of IPPTA, the port was specifically requested to establish supported with calculation that at the wharfage rate proposed by the port for the 8 cargo items, listed by IPPTA in its letter dated 23 March 2016, the port will be in a position to meet the cost of handling of each of the above cargo items plus 8% return on capital employed sought by the port without flow of cross subsidisation from other tariff items. In case the port is not in a position to establish the same, in view of the comments of IPPTA and similar comments of VSPL at the joint hearing, it was brought to the notice of the VPT that this Authority may be constrained to maintain status quo in the wharfage rate for the above mentioned cargo items. This is further discussed in the later part of this Order.

15. While furnishing additional information / clarification, the VPT vide its letter dated 19 May 2016 has also slightly revised draft SOR duly taking into consideration the amendment to coastal concession policy notified by this Authority vide Order No.TAMP/4/2004-Genl. dated 5 October 2015 and revised estimation of revenue at the proposed rate. The revenue estimates in Form-3 have been modified. The VPT has, however, retained the indexed ceiling ARR at ₹86,515.28 lakhs as estimated in its original proposal dated 30 December 2015. The main modifications made by the VPT in the revised proposal and revised proposed draft SOR dated 19 May 2016 are given below:

(i). For estimating the revenue from vessel related service denominated in US$, the VPT has considered exchange rate of 1US$ = ₹67.09 as against 1US$ = ₹65.09 considered by it earlier.

(ii). The port has furnished detailed computation of revenue estimation for cargo related charges, vessel related charges at the proposed rate for the actual traffic handled in 2014-15. For miscellaneous services, the revenue is estimated considering percentage increase proposed by the port on the actual revenue earned for the year 2014-15.

(iii). Under section 2.2.2 item no. 4 vessels shifting to roads after carrying out up topping/ lightening operation at concession of 50% is deleted.

(iv). Proposal for levy of 0.38 paisa per tonne on all dry bulk and break bulk cargo for the radiological equipment install at VPT for period of 10 years is deleted.

(v). The port has proposed separate wharfage rate for defence stores equipments by adopting rates approved for NMPT.

(vi). The VPT has incorporated a condition based on TAMP letter No.TAMP/53/2002-Misc dated 25 March 2015 regarding wharfage charges on vessel manifested as cargo in the Import General Manifest (IGM) or Export General Manifest (EGM).

(vii). As regard coastal vessels, the port has, based on the Order passed by the Authority dated 5 October 2015 in pursuance of the MOS letter No.8/(15)2015-TAMP dated 17 September 2015, inserted a note that Rate for coastal container is upto 60% (of the rate juxtaposed) calculated by taking into account the exchange rate fluctuation. The port has considered its impact in the revenue estimation.

(viii). The revenue estimated at the proposed tariff is ₹76,806.49 lakhs for the year 2015-16 as against ₹75,591.02 lakhs arrived by VPT in its December 2015 proposal.

(ix). **Performance Standards:**
The Performance Standards are proposed to be retained as proposed in its earlier revised proposal dated 30 December 2015 and hence not reiterated here.

16.1. It is relevant to state here that in the meantime, Ministry of Shipping (MOS) vide its letter No.8/(15)2015-TAMP dated 11 May 2016 has decided to temporarily keep the earlier direction issued by the MOS vide its letter no.8/(15)2015-TAMP dated 17 September 2015 in abeyance till further orders and restore the policy direction issued by the (then) MSRTH vide its letter no.PR-14019/29/2001-PG dated 1st/3rd January 2005 and 9 March 2005. The MOS has directed this Authority to appropriately prescribe the coastal cargo/ container/ vessel related charges levied at all Major Port Trusts and private operators authorized under Section 42(3) of the Major Port Trusts Act, 1963 immediately.

16.2. In view of the above direction issued by the MOS, this Authority passed an Order No.TAMP/4/2004-Genl dated 19 May 2016 keeping the Order No.TAMP/4/2004-Genl. dated 5 October 2015 passed by this Authority based on the direction issued by the MOS vide its letter no.8(15)2015-TAMP dated 17 September 2015 temporarily in abeyance till further orders from the MOS. Consequently, the Order no.TAMP/4/2004-Genl. dated 7 January 2005 and the amendment to the said Order dated 15 March 2005 based on the policy direction issued by the (then) MSRTH dated 1 January 2005 are restored as directed by the MOS.

16.3. The above direction from the MOS would have impact on the coastal vessel rates proposed by the VPT and the revenue estimated at the proposed rates in the general revision proposal. The VPT was, therefore, vide our letter dated 25 May 2016 requested to propose specific rates for coastal vessel in the proposed SOR in line with the recent Order dated 19 May 2016 and also capture its effect in the revenue estimates and forward the modified proposed SOR and the modified revenue estimates latest by 28 May 2016. The VPT was also requested to also arrange to get the revised Form 3 (to be) filed duly certified by a practicing Chartered Accountant / Cost Accountant as required in the Tariff Policy 2015.

16.4. The VPT vide its letter dated 01 June 2016 has furnished revised draft SOR along with revised revenue estimates. The revenue estimated in Form 3 at the proposed SOR is ₹76,806.52 lakhs.

16.5. On perusing the proposed SOR attached to the VPT letter dated 1 June 2016, it is seen that the rates proposed for coastal vessel is applying current exchange rate of ₹67.09. This is not found to be in line with the Order dated 19 May 2016. The VPT, vide our email dated 02 June 2016, was requested to furnish correct proposed SOR, proposing the rates for coastal vessel in line with the recent Order passed on 19 May 2016 and capture its effect in the revenue estimates.

16.6. In response, the VPT vide its letter dated 04 June 2016 has submitted the following:

(i). The port has furnished final draft proposed SOR wherein the rates for coastal vessel is proposed in line with TAMP Order dated 19 May 2016.

(ii). The port has furnished revised revenue estimates in Form-3 after capturing its effect in the revenue estimates. The revised revenue estimated by VPT is ₹74,582.80 lakhs.

(iii). Note 5 under section 2.2.4 is slightly modified to state that 50% concession will be in the case of 1st shifting of vessel to Roads after lighterage/ for uptopping. (The earlier proposed note only mentioned shifting. The word 1st is now added.)

17. 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.

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

(i). The Scale of Rates (SOR) of Visakhapatnam Port Trust (VPT) was last revised by this Authority in February 2011. The validity of the SOR of VPT approved by this Authority vide its Order dated 18 February 2011 is till 31 March 2013. In the said Order, based on the estimated cost position, no increase was granted in the cargo handling charges. Reduction proposed by the VPT in wharfage rate for crude and POL products was approved. As regard vessel related charges, tariff increase of 5% was allowed on the rationalized vessel related tariff structure proposed by the VPT.

(ii). As brought out in the preceding paragraphs bringing out the factual position, the VPT had filed proposal for revision of its SOR in March 2013. However, subsequent to the joint hearing held in September 2013, the VPT sought time to modify the estimates in view of development of signing of Concession Agreement by VPT with BOT operator which was granted till 7 January 2014. The VPT sought extension of time for filing its revised proposal which was granted upto 20 February 2014. After regular follow up by us, the port filed the revised complete proposal in September 2014 and a proposal for capital dredging levy in December 2014. The case was processed and taken up for consultation with stake holders.

In the meantime, the Ministry of Shipping (MOS), vide its letter No.8(1)/2014-TAMP dated 13 January 2015 issued the new "Tariff Policy for determination of Tariff for Major Port Trusts, 2015" effective from 13 January 2015.

Since the tariff fixation process envisaged in the new Tariff Policy of 2015 for Major Port Trust, was significantly different from the tariff fixation method stipulated in the Tariff Guidelines of 2005, the port was advised to file a revised proposal in accordance with the new Tariff Policy of 2015 announced by the MOS. That being so, this Authority vide its Order dated 13 February 2015 had to close the earlier proposal of the VPT.

(iii). The VPT has filed its proposal for general revision of its SOR under the Tariff Policy, 2015 on 30 December 2015. A joint hearing in this case was held on 18 March 2016. Information / clarification was sought vide our letter dated 16 March 2016 with reference to its proposal giving time upto 28 March 2016. After regular follow up, the port has furnished the requisite information / clarification along with revised draft SOR and modified estimates of revenue vide its letter dated 19 May 2016.

It is relevant here to state that the draft proposed SOR filed by VPT vide its letter dated 19 May 2016 took into consideration the earlier direction of the MOS dated 17 September 2015 based on which this Authority had passed Order No.TAMP/4/2004-Genl dated 5 October 2015. As per the said Order, the VPT had, against the rate for coastal vessel, proposed a note stating that the rate for coastal vessel will be collected in Indian rupees upto 60% (of the rate juxtaposed) for foreign going vessel calculated by taking into account the exchange rate fluctuation. In the meanwhile, MOS vide its letter dated 11 May 2016, directed this Authority to keep its earlier direction dated 17 September 2015 in abeyance and reinstated the MOS direction of 1st/ 3rd January 2005 and 9 March 2005. Therefore, this Authority has passed an Order dated 19 May 2016 to keep its Order dated 5 October 2015 also in abeyance. Consequently, the VPT was requested to propose specific rates for coastal vessel in the proposed SOR in line with the recent Order dated 19 May 2016 and also capture its effect in the revenue estimates. The VPT has accordingly vide its letter dated 4 June 2016 furnished revised proposed SOR proposing specific rate for coastal vessel in line with the Order dated 19 May 2016 and has also captured its impact in the revenue estimates.

The information / clarification furnished by VPT vide its letter dated 19 May 2016 and the revised proposed SOR filed by VPT dated 4 June 2016 along with submissions made by the port during the processing of the case are considered in this analysis.

(iv). During the processing of the case the users / users associations requested the port to examine and modify a few conditionalities and tariff proposed by the port. It needs to be appreciated that the VPT has examined the suggestions of users/ users associations and has modified/ deleted some of the conditions proposed by it in its revised proposed SOR dated 19 May 2016 which have been brought out in the earlier paragraphs while bringing out the factual position of the case. The port has withdrawn the charges proposed by it towards radiological equipment based on submissions by users. The port has also, during the processing of the case, stated that the proposed rates are ceiling level, and that port will take decision on dynamic pricing from time to time under Section 53 of the Major Port Trusts Act, 1963.

(v). (a). Clause 2.1 of the Tariff Policy 2015 requires each Major Port Trust to assess the Annual Revenue Requirement (ARR) which is the average of the sum of Actual Expenditure as per the final Audited Accounts of the three years 2011-12 (Y1), 2012-13 (Y2) and 2013-14 (Y3) subject to certain exclusions as prescribed in Clause 2.2. of the Tariff Policy, 2015 and the Working Guidelines issued by this Authority plus Return at 16% on Capital Employed including capital work-in-progress obtaining as on 31st March 2014, duly certified by a practising Chartered Accountant/ Cost and Management Accountant.

(b). The VPT has assessed the Annual Revenue Requirement (ARR) based on Audited Annual Accounts for three years i.e. 2011-12 (Y1), 2012-13 (Y2) and 2013-14 (Y3) duly certified by a practicing Chartered Accountant. The VPT has excluded the expenses not admissible in ARR computation for arriving at the Average annual expenses for the year 2011-12, 2012-13 and 2013-14. The following adjustment done by VPT in line with provisions prescribed in Clause 2.2. of Tariff Policy 2015 and Clause 2.2. of Working Guidelines are brought out for specific mention:

(i). The VPT has excluded expenses related to estate activity and interest on loan as per Clause 2.2. (i) and (ii) of the Tariff Policy, 2015 and Working Guidelines notified by this Authority.

(ii). As per Clause 2.2(iii) of Tariff Policy, 2015 and the Working Guidelines, $1/5^{th}$ of one-time expenses like arrears of wages, pension/ gratuity, ex-gratia payments arising out of wage revision etc. are to be included in the Annual Revenue Requirement (ARR). $1/5^{th}$ of the Contribution to Pension Fund has to be included for the calculation of ARR. This means $4/5^{th}$ of the above mentioned expenses have to be excluded in the ARR computation.

VPT has excluded ₹2819.09 lakhs in the year 2013-14 towards arrears of wages, being 4/5 of the wage revision arrears of ₹3523.87 lakhs reported in the year 2013-14. This is supported with working by VPT and hence considered.

The VPT has excluded ₹46,231.23 lakhs, ₹14,171.20 lakhs and ₹12,000.00 lakhs in the years 2011-12, 2012-13 and 2013-14 respectively being $4/5^{th}$ of the contribution to the pension fund reported in the Annual Accounts of the corresponding years. The above adjustment done by VPT is in line with Tariff Policy, 2015 and is supported with working and hence considered.

(c). As per Clause 2.2. (iv) of Tariff Policy, 2015 and Clause 2.2. (iv) of the Working Guidelines, Management and General Administration Overheads subject to a cap of 25% of aggregate of the operating expenditure and depreciation is only to be considered in the ARR calculation.

The Management and General Administration Overheads (MGAO) reported in the Audited Annual Accounts is ₹11543.25 lakhs, ₹14234.70 lakhs and ₹16149.37 lakhs for years 2011-12, 2012-13 and 2013-14 respectively.

Thereafter, the VPT has assessed 25% of the Operating Expenses (including depreciation but excluding operating expenses relating to Estate) as per Audited Annual Accounts at ₹10184.89 lakhs, ₹11480.25 lakhs and ₹13568.59 lakhs. As per the working furnished by the VPT in Form-2, the VPT has identified an amount of ₹1358.36 lakhs, ₹2754.45 lakhs and ₹2580.78 lakhs of Management and General Administration Overheads as excess of 25% of aggregate of operating expenses and depreciation and hence excluded the same from ARR in the years 2011-12, 2012-13 and 2013-14 respectively complying with the provisions of Tariff Policy, 2015.

The above adjustment done by VPT is in line with Tariff Policy, 2015 and is supported with working and hence considered.

(d). As per Clause 2.2(v) of the Working Guidelines notified by this Authority, all expenses relevant for captive berths are to be excluded from the computation of ARR.

The VPT does not have expenses of captive berth. This information furnished by VPT in ARR Computation is relied upon.

(vi). As per clause 2.1. of the Tariff Policy 2015, ARR will be the average of the sum of Actual Expenditure as per the final Audited Accounts of the three years 2011-12

(Y1), 2012-13 (Y2) and 2013-14 (Y3) plus Return at 16% on Capital Employed including capital work-in-progress obtaining as on 31st March 2014.

The average of expenses estimated by the VPT works out to ₹67,830.85 lakh (₹73,546.30 lakhs + ₹62,497.23 lakhs + ₹67,449.01 lakhs/3). Whereas, the VPT has arrived at ARR of ₹69,710.24 lakhs. While doing so, the VPT has excluded the onetime expenses of wage revision arrears while computing the average of three years expenses and added it separately i.e. (₹73,546.30 lakhs + ₹62,497.23 lakhs + ₹67,449.01 lakhs - ₹2819.09 lakhs /3) + ₹2819.09 lakhs which works out to ₹69,710.24 lakhs as against simple average of ₹67,830.85 lakhs. The VPT has clarified that the adjustment done by it is in line with note (ii) of Form 1 prescribed by this Authority. The note 2(ii) of the form prescribed by this Authority states that if exclusion of 4/5th of onetime expenses is reported only for one particular year out of three years, then, this item should be considered as it is without averaging it for computing the average expenses. The approach adopted by the VPT is in line with the note prescribed in the Form 1 and hence is accepted.

(vii). (a). The VPT has arrived at capital employed in line with provision prescribed in Clause 2.4. of the Working Guidelines. The VPT has considered the net fixed assets plus capital work-in-progress as on 31 March 2014 reported in the Audited Annual Accounts. The VPT has not considered any capital expenditure relating to captive berth or BOT berths for exclusion from the capital employed.

(b). Working capital comprises of Inventory, Sundry debtors and Cash balances. The Inventory and Sundry Debtors are seen to be computed as per norms prescribed in clause 2.5. of Working Guidelines. As per the said clause, the norm for estimating cash balance for working capital is one month's cash expenses. The cash balance considered by VPT could not be co-related with the operating cash expenses as per the Audited Annual Accounts for the year 2013-14. The cash balance is reworked to consider one month cash expenses excluding the expenses related to the Estate activity from the expenses reported in the Audited Annual Accounts for the year 2013-14. Based on this modification, the cash balance in the working capital works out to ₹4,216.20 lakhs instead of ₹3,807.97 lakhs estimated by the VPT.

(c). The total capital employed including the revised working capital works out to ₹1,11,718.89 lakhs as against ₹1,11,310.66 lakhs arrived by VPT.

(viii). As per Clause 2.6 of the Tariff Policy, 2015, ROCE including capital work-in-progress as on 31 March 2014 is to be considered @ 16%. The VPT has, however, considered ROCE @ 8% only. As per clause 2.4 read with clause 2.8 of the Tariff Policy 2015, ARR is the ceiling level. The port can draw the SOR within the ceiling ARR. When sought reasons for considering ROCE lower than 16%, the VPT has cited the following reasons for considering ROCE of 8% ROCE instead of 16% ROCE entitled to the port in tariff fixation process:

(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.

Thus in short, the port has proposed lower ROCE than its entitlement of 16% so that the increase in tariff is moderated. In view of the above reasons given by the VPT and also recognising that the proposal of the VPT is with the approval of its Board, the estimation of ARR considering 8% ROCE is considered as proposed by the port. In any case, this will not have any impact of the proposal of the VPT as the revenue estimated by the VPT at the proposed Scale of Rates is lower than the estimated ARR. So, it is immaterial whether the ROCE is at 16% or 8%.

(d). Return on Capital Employed at 8% is worked out on the revised Capital Employed at ₹8937.51 lakhs (as against ₹8,904.85 lakhs estimated by the VPT) which is considered in the ARR computation.

(ix). The ARR is the average of the expenditure for the three financial years 2011-12 to 2013-14 at ₹69710.24 lakhs as estimated by VPT plus 8% ROCE at ₹8937.51 lakhs aggregating to ₹78647.75 lakhs as on 31 March 2014. Further, the VPT as per Clause 2.7. of Working Guidelines has indexed the said ARR @ 100% of the WPI applicable for the year 2014-15 and 2015-16 at 6% and 3.82% respectively and arrived at ceiling indexed ARR forwarding SOR at ₹86515.28 lakhs for the year 2015-16. The ceiling indexed ARR works out to ₹86551.22 lakhs for the year 2015-16, as against the ceiling indexed ARR worked out by VPT at ₹86515.28 lakhs. The port has confirmed that figures reported in the Annual Accounts of VPT for the years 2011-12 to 2013-14 are inclusive of CHD and the ARR considered by VPT includes the ARR for CHD also. The position reported by the VPT is relied upon.

It is relevant here to state that clause 2.1 of the Tariff Policy requires each Major Port Trust to assess the Annual Revenue Requirement (ARR) which is the average of the sum of actual expenditure for the three years, 2011-12(Y1), 2012-13(Y2) and 2013-14(Y3) plus return on 16% of Capital Employed. In this regard, we have already requested the Ministry of Shipping to amend the said clause in the policy by prescribing the (Y1), (Y2) and (Y3) instead of indicating the specific years 2011-12(Y1), 2012-13(Y2) and 2013-14(Y3) so that the ARR captures the average of the actual expenditure relating to the immediately preceding three years period. Response of the MOS is awaited in this regard. In the meantime, since the years 2014-15 and 2015-16 are already over, the approach adopted by the port to arrive at ceiling indexed ARR applying 100% of the WPI applicable for the year 2014-15 and 2015-16 at 6% and 3.82% respectively is accepted so that the port is not at a loss in arriving at the ARR to propose tariff for the next tariff cycle within the ARR.

The ARR calculation furnished by the VPT vide its letter dated 30 December 2015, which is duly certified by Chartered Accountant is relied upon by this Authority. The VPT has not made any modification in the ARR in its subsequent communication. A summary of the ceiling indexed ARR furnished by the VPT duly certified by the Chartered Accountant is given below:

Sr. No.	Particulars	Amount ₹ in lakhs
1	Average Expenses for the years 2011-12, 2012-13 and 2013-14	69,710.24
2	Capital employed as on 31.03.2014 including capital work in progress as on 31.03.2014 and working capital as per norms	1,11,718.89
3	Return on capital employed @ 8%	8,937.51
4	ARR as on 31 March 2014 (4=1+3)	78647.75
5	Indexation in the ARR @ 100% of the WPI applicable for the year 2014-15 (6%)	83366.62
6	Indexation in the ARR @ 100% of the WPI applicable for the year 2015-16 (3.82%)	86551.22
7	Ceiling Indexed Annual Revenue Requirement (ARR)	86551.22

(x). 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, duly certified by a practising Chartered Accountant. The Port has given detailed working of revenue estimation indicating each of the tariff items in the proposed SOR for corresponding traffic handled in 2014-15 as required as per Clause 2.9. of the Working Guidelines. As per Clause 2.5. of Tariff Policy 2015, for drawing the SOR, the VPT has considered the actual cargo traffic in tonnes exclusively handled by the VPT and GRT of vessels handled by the port during the year 2014-15, to draw the proposed SOR within the ceiling indexed ARR. The traffic figures of cargo and GRT of vessels considered by VPT which is duly certified by the practicing Chartered Accountant in the revenue estimation at the proposed tariff which is relied upon.

(xi). The MOS has vide its letter No.8/(15)2015-TAMP dated 17 September 2015 issued a direction to this Authority partially modifying the coastal concession policy issued by the then Ministry of Shipping, Road Transport & Highways (MSRTH) in January 2005. As per the said direction of the MOS, vessel related charges for coastal vessel should take into account the exchange rate fluctuation of the Indian Rupee vs the US$ so that vessel related charges for all coastal vessels do not exceed 60% of the corresponding charges for other vessels and these charges will be collected in Indian Rupees at the applicable exchange rate. Also, as regards container related charges denominated in US$ for foreign containers, the tariff for coastal container shall not exceed 60% of the corresponding charges applicable for other foreign containers and these charges will be collected in Indian Rupees at the applicable exchange rate. Based on the direction of the MOS for immediate prescription of rates for coastal vessel and coastal container, this Authority has passed an Order No.TAMP/4/2004-Genl. dated 5 October 2015 incorporating suitable notes in the Scale of Rates of Major Ports and private terminal operating thereat and communicated to all the Major Port Trusts including COPT and concerned BOT operators for implementation. Accordingly, the VPT had estimated the higher coastal revenue arising out of the above policy of the Government. However, the MOS vide its letter dated 11 May 2016 has directed to keep its earlier direction dated 17 September 2015 in abeyance. Therefore, this Authority has passed an Order dated 19 May 2016 to keep the Order of 5 October 2015 in abeyance. In this situation, the VPT has furnished a revised Form-3 capturing the impact on the revenue estimates by reducing it in view of the MOS letter dated 11 May 2016 and the Order of this Authority dated 19 May 2016.

(xii). (a). 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 its commercial judgment and draw the SOR within the ceiling of indexed ARR, duly certified by a practicing Chartered Accountant. The port has proposed increase of 50% in the cargo related charges, 40% increase in port dues, 100% increase in berth hire charges, 30% in pilotage fee and others vessel related charges, 200% increase in dry docking charges and slip way repair charges, 300% increase in license fee for storage and 25% increase in miscellaneous charges.

Some of users / user associations have made a request to reduce the proposed rates. The VPT was requested to consider the possibility of moderating the increase proposed in these tariff items, which are found to be higher than the general increase proposed by the VPT in the range of 25% to 50% in the other items.

The port has stated that increase proposed in Port Dues, Pilotage and Berth Hire to a tune of 40%, 30%, 100% has been done after considering the rate prevalent in the neighbouring port of VPT. It has stated that the vessel related charges in VPT are already at lower rate as compared to competitive port. The rates proposed are ceiling rates and the VPT intends to go for dynamic pricing depending on the market conditions from time to time. Hence, the VPT has stated that the request to reduce the proposed rates cannot be acceded to.

(b). Considering the position that the increase in the cargo related charges, the vessel related charges and miscellaneous charge as sought by the VPT are well within the ceiling indexed Annual Revenue Requirement and based on the judgment of the Port, this Authority is inclined to grant an increase of 50% in the cargo related charges, 40% increase in port dues, 100% increase in berth hire charges, 30% increase in pilotage fee and others vessel related charges, 200% increase in dry docking charges and slip way repair charges and 25% increase in miscellaneous charges as proposed by the VPT.

(c). As regard license (storage) fee, the port has proposed 300% increase in License fee for Transit sheds and storage sheds, warehouses and all covered spaces including warehouse behind G.C.B and License fee for 1st Floor of T-2 Shed. As regard License fee for Open Space, the port has proposed a rate of ₹6.21 per sq. metre per week and stated that it is as per separate proposal submitted to this Authority.

As regards the license fee for Open Space at ₹6.21 per sq. metre per week, it is relevant to state that this Authority has, based on a separate proposal filed by the VPT following the Land Policy Guidelines 2014, already approved license fee for Core Operational Areas for open cargo stacking purpose at 12 zones at ₹6.21 Per Sq. metre per week as proposed by the VPT in the Order dated 15 January 2016. The said rate approved is subject to 2% annual escalation as applicable in the Land Policy Guidelines 2014. Since the VPT in the said proposal had proposed to delink the then prevailing license fee for stacking of open cargo from general SOR and include in the Schedule of Rent, this Authority in the Order No.TAMP/48/2014-VPT dated 15 January 2016 as against the Sl. No.(2) at Section 6 in the existing Scale of Rates, has inserted a note to the effect that this item will be as per the Schedule of Rent approved by this Authority separately with effect from the date of implementation of Order No.TAMP/48/2014-VPT dated 15 January 2016.

The said Order also stated that Serial No. (2) pertaining to license fee for open space will automatically stand deleted from the date of implementation of license (storage) fee approved in the Order dated 15 January 2016. This position was also reiterated while extending the existing SOR of VPT vide Order dated 30 March 2016.

Now it is seen that VPT has proposed to prescribe the rate of ₹6.21/ Sq. metre/ per week in the SOR towards license for open space. While VPT has proposed the rate, it is seen that VPT has not inserted condition relating to 2% annual escalation and validity of the approved license fee for 5 years from the date the Order comes into effect. Since the license fee for open space is already approved by this Authority in the Order dated 15 January 2016 following the Land Policy Guidelines.

The note against Serial No.2 that the license for the open space will be as per the schedule of rent approved by this Authority vide Order No.TAMP/48/2014-VPT dated 15 January 2016 is restored, as already ordered in the Order dated 15 January 2016. By way of abundant caution, this Authority would like to state that insertion of this note should not be construed as according approval to any matter flowing from the individual lease agreements as this Authority does not interfere in the individual lease agreements entered by the concerned Port Trust with the individual lessees.

Whilst the VPT had filed a separate proposal for Sl. No.2 license (storage) fee under for cargo stacking following the Land Policy Guidelines 2014 which was approved by this Authority, as regards the license fee at Sl.

No.(1) and (2), the VPT has proposed 300% hike in the current general revision proposal under ARR model instead of following the Land Policy Guidelines 2014. The Ministry of Shipping in the Government of India has announced Land Policy Guidelines for Major Ports, 2014 in 2014 which has come into effect from 2 January 2014. Subsequently, the MOS has issued amended Land Policy Guidelines in July 2015. As a result, the fixation of License (Storage) Fees and Warehousing Charges the rates for which are prescribed on "area occupied" basis and not on "tonnage" basis, is to be governed by the provisions of the revised Land Policy Guidelines of 2014. Para 13(a) of the revised Land Policy Guidelines for Major Ports, 2014, provides for five factors for determination of Market value of port land. The 2014 guidelines clearly recommends consideration of the highest of the five factors for determination of the latest market valuation of land, in the normal course. Clause 13(b) of the said guidelines also stipulates that annual lease rent would be arrived, as a percentage of latest market value of land determined based on the five factors in accordance with para 13(a) and that the percentage should not be less than 6% which is to be fixed by the Port Trust Board. The VPT has not determined the License (Storage) Fees for the above two items based on the stipulation contained in the Land Policy Guidelines of 2014. For a similar tariff item at the Mumbai Port Trust (MBPT) in the General Revision proposal, the MBPT has sought 70% increase on the existing License (Storage) Fees. The MBPT proposal is being disposed of simultaneously along with this case of VPT. Following the approach adopted in the MBPT case, the proposed hike of 300% in the said two items in VPT case is approved on ad hoc basis subject to the condition that the VPT to formulate a well analysed proposal to prescribe License (Storage) Fees for the above two items in line with the stipulations contained in the Land Policy Guidelines of 2014, within three months of date of notification of the Order in the Gazette of India.

(xiii). (a). The VPT has stated that it has entered into a Memorandum of Understanding (MOU) dated 18 November 2010 with Hindustan Petroleum Corporation Limited (HPCL) for SPM operations. The VPT has, therefore, proposed a new Section 8.1. proposing tariff for Single Point Mooring (SPM) operations with reference to port dues, pilotage fee, berthing charges, mooring / unmooring charges, tug charges, anchorage charges and charges for usage of VPT tug.

As per Section 48 of the Major Port Trusts Act, the Major Port Trust is mandated to seek approval of this Authority for levy of rates for services provided by Major Port Trust. The above position in the statute applies even if there is an MOU entered between the port and the concerned users for a mutually agreed rate.

It is relevant here to state that during the last general revision, the VPT had stated that it has entered into a MOU in March 2008 and another MOU dated 18 November 2010 with the HPCL for setting up of an SPM and that it proposed to offer concessional wharfage rate at ₹17 per tonne for handling crude as against wharfage rate of ₹39 per tonne at port berths. The port had then stated that the proposed wharfage rate for SPM is based on the mutually agreed rate between the port and the HPCL and is as per the MOU entered between them. This Authority had, therefore, approved the mutually agreed wharfage rate for the crude handled at SPM at ₹17 per tonne as proposed by the port and incorporated the same in the Scale of Rates. The VPT did not propose vessel related charged for SPM operations. The MOU clearly states that vessel related charges prescribed in the MOU are subject to revision in tariff by this Authority from time to time. Since, the port did not seek approval of this Authority of vessel related charges for SPM operations in the last tariff revision exercise, it was clearly brought to the attention of the VPT that the tariff to be collected by the port trusts needs prior sanction of this Authority. The VPT was, therefore, advised to file a separate proposal to the extent the tariff items for SPM are not prescribed in its existing Scale of Rates along with the financial impact as brought out in para 20(xviii)(c) of the Order dated 18 February 2011. Since the year 2011, the VPT did not approach this Authority for separate rate for SPM operations.

Now in the current proposal, the VPT has proposed tariff for vessel related charges for SPM operations which is a new tariff item.

The VPT has clarified that vessel related services rendered for crude handling operations at SPM of HPCL are being regulated as per the MOU signed between VPT and HPCL vide MOU dated 18.11.2010. MOU prescribes charges for Port dues, Pilotage Charges, wharfage for handling, pilotage for on board Stay of 1st Pilot, Mooring / Berthing charge, unmooring / unberthing charges, Tug charges, Anchorage charges and charges for usage of VPT Tug, apart from wharfage for crude. In the current proposal, the port has proposed vessel related rates for SPM by applying 40% increase over the port dues mutually agreed in the MOU between the HPCL and the VPT. For pilotage charges, charges for on board Stay of 1st Pilot, Mooring/ Berthing charge, unmooring / unberthing charges, Tug charges, anchorage charges and usage of VPT Tug the 30% increase is proposed over the rates prescribed in the MOU entered between the HPCL and the VPT.

As stated earlier, the MOU entered by the port with the HPCL clearly states that vessel related charges prescribed in the MOU are subject to revision in tariff by TAMP from time to time. The percentage increase proposed by the VPT in vessel related charges for SPM operations is at par with the percentage increase in the vessel related charges proposed by the port for in its SOR for other vessels. The HPCL has not made any pointed observation on the proposed rate for SBM operation. That being so, this Authority approves the vessel related charges proposed by the VPT for SPM operations. It is clarified that the approved rate will have prospective effect from the date the Order comes into effect.

(b). As regard cargo related charges, the VPT has proposed to retain the existing wharfage rate of ₹17/tonne for handling crude at SPM which is as per the wharfage rate mutually agreed between the port and the HPCL in the MOU. There is no provision found in the MOU for revision in the wharfage rate agreed between VPT and HPCL in the MOU. The wharfage rate proposed by the port for crude at SPM is approved.

(c). As stated earlier, VPT has not sought approval of this Authority for vessel related rates for SBM operations during the last tariff revision. The port has stated that the port missed out while seeking revision of SOR during 2011. The port has in the current general revision proposal requested this Authority to ratify the rates as per the MOU with retrospective effect from 2011. The port has thus proposed to regularize the rates citing that rates adopted are with mutual consent.

In this context, as already stated earlier, during the last tariff revision VPT was specifically advised to file a separate proposal along with the financial impact as brought out in para 20 (xviii) (c) of the Order dated 18 February 2011. The VPT, however, did not approach this Authority since the year 2011 seeking approval of vessel related charges for SPM operations. In the current exercise, the VPT has requested to regularize tariff for this operation with retrospective effect.

Firstly, there is no proposal from VPT proposing rates for SPM operations to be regularised. Further, though the VPT has stated that the vessel related rates levied by the port as per MOU is with mutual consent with HPCL, the HPCL has raised objection on the VPT maintaining the vessel related charges for crude oil vessels of HPCL handled at SPM for the period 09.05.2015 upto 31.12.2015 (20 number of vessels) at the rates given in the MOU and not as per the tariff Order dated 18 February 2011. HPCL has also stated that retrospective revision, if carried out, would be against the commercial terms and conditions agreed between VPT and HPCL and has requested this Authority that any revision should be made applicable on a prospective basis only. Thus, there appears to be disagreement between both the VPT and the HPCL as regards the applicability of the rates for the past period. In view of the above position, this Authority is not in a position to accept the proposal of the VPT for retrospective approval of rates for SPM operations at this juncture. **The VPT is, however, advised to file a separate mutually agreed proposal seeking approval of rates for SPM for the past period after consultation with the HPCL which will be processed separately.**

As regard the point made by the HPCL that the VPT has communicated to HPCL that at the joint hearing it was in principle agreed on the issue of regularizing the rates by notifying the rates in revised tariff proposal with retrospective effect, it is to state that as per the records available, VPT had, at the joint hearing, submitted that it will file a proposal for regularising the rates for SPM operations. There is, however, nothing on record to show that such commitment was given as stated by VPT to HPCL.

(xiv). (a). This Authority vide its Order No.TAMP/16/2012-VPT dated 28 September 2012 had approved an amendment Order prescribing hire charge along with conditionalities relating to Charges for use of Harbour Mobile Cranes (HMC) installed by the private operators. The validity of the rates approved in the said Order was prescribed till 3 August 2013. The rates were approved on normative basis. In the proposed SOR, the port did not propose revision in the rate for HMC except for increase by 0.10 paise / tonne for each cargo group. The VPT was, therefore, requested to consider to revise the existing rates following the normative approach followed in the last Order.

The port has clarified that services of HMCs are provided by VPT to trade through contract entered with agencies. The contract will end by January 2017. Hence, the VPT has not proposed any amendment in rate of HMC except inserting a note on fuel escalation based on the contract entered by the VPT with the contracting agency.

As regard the proposal of VPT to maintain existing rate of HMC, VSPL has pointed out that rate of ₹55.17/Ton has been fixed by this Authority based on proposal of VPT for 100T HMC under 2008 Guidelines which is on revenue sharing basis. Whereas, the tariff proposed by VPT in its general revision proposal for hire of 100T HMC operated by service provider authorised by port is of ₹33.23/Tonne. The VSPL has stated that proposed rate for HMC at round ₹33.23 per tonne, is much lower than the tariff charged by the VSPL i.e. ₹64 per tonne. The VSPL has pointed out that VPT should increase the hire charges for HMC to avoid unhealthy competition and has suggested that tariff should be uniform for the same service as far as port user is concerned irrespective of whether the same service is rendered by crane taken on hire by VPT or by cranes under revenue sharing basis.

As regard the rate of ₹55.17/ tonne for handling dry bulk cargo by 100T HMC referred by VSPL, it is to state that the said rate approved by this

Authority vide Order No.TAMP/21/2015-VPT dated 15 May 2015 is a reference tariff fixed under a different set of guidelines i.e. Tariff Guidelines of 2013. The validity of reference tariff approved in the said is for 30 years period subject to WPI indexation and Performance Linked Tariff Increase is also available as applicable under Tariff Guidelines of 2013. As regards the tariff of ₹33.23 / tonne approved by this Authority vide Order dated 28 September 2012 is under different set of Guidelines i.e. at that time the applicable Tariff Guidelines of 2005 which is now replaced with Tariff Policy, 2015 for Major Port Trusts. The rates under the Tariff Guidelines of 2005 are subject to review at regular intervals of three years which is not the case for reference tariff. The port has clarified that the Harbour Mobile Cranes have been contracted by the port on different period of time at different rates based on the tenders. Hence, drawing comparison to rates fixed under two different time period under different tariff setting arrangement is not found to be correct.

The port has stated that contract entered by the port in the year 2008 at the rate of ₹33.23 per tonne for 2 HMCs will come to an end by January 2017 and the issue raised by VSPL will get settled by January 2017. The VPT has justified that it is not proposing any amendment at present as it is governed by the contractual obligations entered into by the port which is valid till January 2017. In view of the above clarification furnished by the port, the rate for 100T HMC installed by the Private operators authorised by the port is retained at the level approved by this Authority in the last Order. It is seen that the port has, in the proposed SOR, proposed an increase of ₹0.10 per tonne for each cargo group. As stated earlier, the rate for HMC was fixed on normative basis, in September 2012 Order. The port, in the current exercise, has not furnished cost calculation on normative basis for the proposed rate increased by 10 paise per tonne. The port, has, in fact, stated that its proposal is to retain the existing rate. That being so, the rate for HMC is retained at the tariff level approved by this Authority in September 2012 Order.

Since the port has not proposed to revise the rate for HMC, the port is advised to file a proposal for review of rate for 100T HMC at least two months before the existing contracts entered by the port comes to an end. The VPT has proposed a few modifications in the existing notes relating to the hire of HMC installed by private service provider which are discussed in the subsequent paragraphs.

(b). The VPT has proposed to insert a note that the rates prescribed are subject to fuel escalation on per tonne basis w.e.f. January 2014. The port has also proposed to insert a note that in the event of break down of Harbour Mobile Cranes of Port for more than 2 hours continuously proportionate remission of Berth Hire charges will be effected.

The VPT has clarified that the port has entered into contract with agencies to provide HMC which contain a provision for 2 hours for penalisation. The arrangement is back to back. Hence, reduction from 2 hours to one hour for remission of berth hire charges is not acceptable to VPT. The port has stated it will examine this while issuing next tender for HMCs suitably.

It is relevant to state rate for HMC approved by this Authority does not provide for any fuel escalation. Nor remission of berth hire is prescribed. Since the port has already stated that the existing Contract with service provider for HMC will end in January 2017 and considering that the VPT has to file a proposal two months prior to the date the contract end, status quo is maintained in the HMC rate and conditionalities. If VPT desires any modification in the existing conditionalities it may propose at the time of filing its proposal. While doing so, the views/ suggestion of users obtained in the current exercise may be taken into consideration.

(xv). The VSPL has stated that the proposed reduction in wharfage on cargo items for gypsum, manganese ore, iron ore which are handled by VSPL will lead to unhealthy competition and has requested this Authority to consider that at the proposed tariff, BOT operator is not impacted by such unhealthy competition. The VSPL has argued that under Tariff Policy 2015, market based rate should be proposed. Further, the IPPTA has also vide its letter dated 23 March 2016 stated that the VPT, instead of adopting the wharfage rates of VSPL for Gypsum, Manganese Ore, etc., which are the market determined rate, has proposed lower rates than the existing rates fixed by this Authority for VSPL in the year 2009. The IPPTA has argued that this will create unhealthy competition between VPT and its terminal operator which is contrary to the Tariff Policy, 2015. In view of the above point made by VSPL and IPPTA, the port was specifically requested to establish supported with calculation that at the wharfage rate proposed by the port for the 8 cargo items, listed by IPPTA in its letter dated 23 March 2016, the port will be in a position to meet the cost of handling of each of the above cargo items plus 8% return on capital employed sought by the port without flow of cross subsidisation from other tariff items.

The VPT has clarified that it has proposed 50% increase in wharfage rate for all cargoes uniformly in the proposed SOR including the wharfage for 8 cargo items mentioned by the VSPL and IPPTA. The port has given a comparative position of the wharfage rate at VSPL and the wharfage rate proposed by it which is given below for ease of reference. The comparative position furnished by the VPT is updated with the existing wharfage rate for the 8 cargo items referred by the VSPL.

₹/ tonne for (foreign cargo)

Cargo	Existing wharfage rate prescribed at VPT	% increase proposed by the VPT in its revised proposal dated 19.5.2016	Wharfage rate proposed by VPT in its original proposal dated 30.12.2015 and revised proposal dated 19.05.2016	Existing Wharfage Rate prescribed in SOR of VSPL
Coking Coal	26.00	50%	39.00	37.00
Gypsum	24.00	50%	36.00	44.85
Manganese Ore	09.90	50%	14.85	21.30
Iron Ore – conventional handling	13.50	50%	20.25	24.70
Iron Ore Pellets conventional handling	15.50	50%	23.25	25.80
Fertilizers	27.50	50%	41.25	32.50
Limestone	24.00	50%	36.00	33.65
Bauxite	23.00	50%	34.50	40.00

From the above, it can be seen that the contention of the VSPL that the VPT has reduced the wharfage rate for a few cargo items like gypsum, manganese ore, iron ore which are handled by VSPL is incorrect. As can be seen from the above, the VPT has proposed uniform increase of 50% across the board on the wharfage of all cargo items. The port has clarified that the wharfage rate proposed by the VPT is for uniform increase of 50% for all the cargo items including the cargoes handled by the VSPL. Hence, the VPT does not envisage to modify the rates for the 8 cargoes mentioned by VSPL. The tariff of VSPL is determined based on the cost and investments of the VSPL and the tariff of the VPT is based on its cost and investments of the port. Further, under the Tariff Policy, 2015, the Major Port Trust have the flexibility to draw SOR within ceiling indexed ARR. Since the proposal of the port is for uniform increase of 50% for all the cargo items, and is in line with the Tariff Policy, 2015, the wharfages are approved as proposed by VPT.

As stated earlier, the VPT has maintained status quo in respect of wharfage rate for crude handled at SPM. It is seen that apart from this cargo, the VPT has proposed to maintain status quo in the existing wharfage rates for iron ore and iron ore pellets handled mechanically. The proposal of VPT is accepted as there is no objection from the users in this regard.

(xvi). The VPT had proposed a new tariff item viz. ₹0.38 paisa to be collected on all Dry bulk and break bulk cargo per ton in addition to the rates mentioned in the wharfage schedule at 4.1 of Section 4 for the period of 10 years towards radiological equipment installed at VPT. Visakhapatnam Stevedores' Association (VSA) during the processing of the case suggested that charges for Radiological Equipment charge may be reviewed and merged with some tariff items. In view of the objection raised by trade and operational hurdles and congestion etc., pointed out by the trade, the VPT has withdrawn the separate rate earlier proposed by VPT towards radiological equipment.

(xvii). (a). The existing SOR prescribes levy of 234% on time rate wages for all cargo availing services of cargo handling workers from cargo handling division including Thermal coal availing services of cargo handling worker for wagon unloading. Apart from that special levy of 31% on Time Rate Wage is also prescribed. In the revised proposed SOR, the port has proposed to reduce the levy from 234% on time rate wages to 150% on time rate wages. When sought clarification from the port for deletion of special levy, the port has clarified that the existing levy 234% + 31% = 265% on time rate wages is proposed to be reduced to 150% on time rate wages. The port has further clarified that its proposal is with due diligence after considering the various parameters and the need for port to improve its financial stability. The port has stated that it considers dynamic price adjustment to face competition by exercising powers under Section 53 of the MPT Act, 1963 and hence the CHD levy has been reduced from 265% to 150%. The port has confirmed that revenue impact of the proposed rates has been captured in Revenue estimations. Based on the clarification furnished by the port, the rates for CHD are approved as proposed by VPT.

(b). TANGEDCO has stated that the VPT is presently collecting CHD levy at 234% on time rate wage and 234% on piece rate wages + 31% special levy. This works out to 499%. TANGEDCO has requested this Authority to direct VPT not to collect any other levy other than the rate approved by this Authority. It is relevant to state here that TANGEDCO had brought out the same matter earlier vide its letters dated 7 August 2015 and 16 September 2015 which were forwarded to VPT vide our letters dated 18 August 2015 and 24 September 2015 for necessary appropriate action. Now, in the current general proposal TANGEDCO has reiterated the matter.

The port in the current proposal has requested this Authority to regularise the levy of 499% levied by the VPT. The VPT has stated that this is in the light of the discussions held in the joint hearing and the parties have agreed to regularise past levy of 499% and to levy 150% in future. As regard the above point of VPT, it is relevant to state that as per the notes of arguments recorded at the joint hearing, when TANGEDCO at the joint hearing submitted that VPT is collecting CHD levy at 234% on time rate wage and 234% on piece rate wages + 31% special levy, 499%, the port agreed to examine and reply on the matter. There is nothing on record to show that parties agreeing to regularise the rate levied by the VPT.

It is relevant to state here that as per the existing Scale of Rates of VPT, the levy approved by this Authority is 234% on Time Rate Wages. There is no ambiguity in the SOR in this regard. The levy collected by VPT at 234% on Piece rate wages in addition to time rate wages is not in line with the tariff approved by this Authority in the existing Scale or Rates. It is not clear under what tariff arrangement the VPT has collected the additional 234%

levy on piece rate wages. Since, the levy of 234% on time rate wages approved by this Authority is based on the cost position obtained for CHD in the Order No.TAMP/26/2010-VPT dated 18 January 2011, the request of the VPT to regularise the levy collected by it at 234% on piece rate wages is not in line with the levy approved in the said Order and may involve tinkering with the CHD levy of 234% on time rate wages approved in said Order. In view of the above position, this Authority is not in a position to ratify the action of the VPT and regularise the levy collected by the VPT which is not in line with the CHD levy approved and prescribed in the existing SOR of VPT. The VPT and TANGEDCO may, if necessary, come up with a mutually agreed proposal to resolve the past matter disputed by TANGEDCO.

(c). The VPT has proposed three notes under CHD levy. The first note is that 100% of wages will be charged but not the levy. It is understood from VPT that even at present the wages are collect in full. This note is clarificatory in nature in view of the two other notes proposed by the port. The second note states that where requisition for CHD labour is less than a shift, levy will be charged for actual number of hours based on the berthing of the vessels. The third note is if a vessel is completed prior to closing of a shift, the levy is proposed to be limited, to actual number of hours till completion. The proposed notes appear to be beneficial to trade as the proposal of VPT is to levy CHD levy for actual numbers of hours. The notes proposed by the port are approved.

(d). It is relevant to state here that as per Clause 8.4. of the Tariff Policy 2015, Major Ports shall charge only for services provided for them. No notional booking of labour and other similar notional charges is permitted. The VPT to, therefore, comply with the said provision of the Tariff Policy, 2015 issued by the Government of India.

(xviii). There were minor rounding off errors observed in the proposed SOR mainly with reference to vessel related charges for coastal vessel which have been corrected. This will not have any significant impact on revenue estimates. The Port has given detailed working of revenue estimation indicating each of the tariff items in the proposed SOR for corresponding traffic handled in 2014-15 as required as per Clause 2.9. of the Working Guidelines. The total revenue estimates furnished by VPT vide its letter dated 1 June 2016 at ₹76,806.52 lakhs based on traffic of 2014-15 is duly certified by the practicing Chartered Accountant. Subsequent to that, the VPT has furnished revised proposed SOR wherein the rate for coastal vessel is proposed to be modified in line with the recent direction dated 11 May 2016 of the MOS and the Order notified on 19 May 2016 by this Authority. Consequent to that, the VPT has, on 4 June 2016, furnished revised revenue estimates at ₹74,582.80 lakhs capturing the impact of the modified coastal rate. The only modification done by VPT is capturing the impact of revised rates proposed for coastal vessel. The final revised revenue estimated by the VPT at the proposed tariff at ₹74,582.80 lakhs is well within the ceiling indexed ARR of ₹86,551.22 lakhs. The revenue estimated by the VPT at the proposed SOR is retained except for excluding revenue from license fee from open space estimated by VPT at ₹1734.40 lakhs. This exclusion is done only because, license fee for open space as stated earlier was approved under Land Policy Guidelines 2014. Since estate expenses are excluded revenue from this item is excluded. This will not have any impact on VPT as port will earn revenue from license fee which will be captured under estate revenue.

(xix). The computation of ARR as furnished by the VPT is attached as **Annex - I** and slightly modified ARR for reasons explained in the previous paragraphs is attached as **Annex - II**. Subject to above analysis, the revenue estimated by VPT is modified with reference to revenue estimated towards license fee for open space. The modified revenue estimates works out to ₹72,848.40 lakhs as against ₹74,582.80 lakhs estimated by the VPT.

(xx). As per clause 4.1. of the Tariff Policy, 2015, (i). the additional surplus assessed by TAMP in earlier tariff Orders which remains unadjusted has to be transferred by Major Port Trusts to any fund as desired by the Port Trust, and, further (ii). additional surplus, if any, accruing to the Major Port Trusts during the period of application of existing Scale of Rates till the effective date of implementation of the new Scale of Rates fixed under this policy should be assessed and transferred to the General Reserve and use the funds for the purpose of development, creation and/ or modernization of the port infrastructure facilities.

It is seen that there is no past period unadjusted surplus in the case of VPT as regard (i). As regard (ii) above, for the years, 2010-11, 2011-12 and 2012-13 the port has not assessed the actual net surplus/ deficit after admissible cost and 16% return, despite reminder. The Port has levied the existing rates based on extension of validity of its SOR granted by this Authority at the request of VPT. For this period as well past surplus / deficit needs to be assessed as per Tariff Policy, 2015. The port has stated that the past surplus is being worked out and it will be furnished shortly.

The port is advised to assess the net surplus / deficit after admissible cost and 16% return for the period 2011-12 to 2012-13 and 2014-15 as well and transfer surplus if any, as per clause 4.1. of the Tariff Policy 2015 and also report the position to this Authority within two months from the date of Order comes into effect.

After finalising the accounts for the financial year 2015-16 and for the period till the Order passed in the current exercise comes into effect, the VPT should assess the actual surplus/ deficit and in case of surplus comply with provision prescribed in Clause 4.1. of the Tariff Policy 2015 and also report the position to this Authority within two months from the date the Order comes into effect.

(xxi). The port has, in the revised proposed SOR, proposed a note no.(viii) under general terms and conditions to state that River Sea vessels and Inland Vessels will be considered as Coastal vessels subject to production of relevant certificates. The port has not explained the reasons for introduction of the proposed note. Coastal vessel" is already defined as any vessel exclusively employed in trading between any port or place in India to any other port or place in India having a valid coastal licence issued by the Director General of Shipping/Competent Authority. The definition is in line with the definition of coastal vessel prescribed in the guidelines on priority berthing of coastal vessels at Major Port issued by the Ministry of Shipping (MOS) vide letter No.PT-11033/51/2014-PT dated 4 September 2014 to this Authority which has been also notified by this Authority vide Order No.TAMP/52/2014-Genl. dated 28 November 2014. The said definition is uniformly prescribed in the SOR of all the Major Port Trusts and is in line with the definition issued by the MOS.

River sea vessel and inland vessel having coastal licence issued by the Director General of Shipping / Competent Authority may automatically become eligible for being covered under the definition of coastal vessel. Hence, a separate note proposed by the VPT is not found necessary to be prescribed.

The request made by the NAVSHIP Marine Services Pvt. Ltd (NMSPL) that Coastal Vessel” shall mean any vessel exclusively employed in trading between any port or place in India to any other port or place in India is not in line with the definition of “coastal vessel” uniformly prescribed in the SOR of all the Major Port Trusts and definition issued by the MOS and hence cannot be accepted.

(xxii). (a). It is relevant to state here that this Authority in view of the clarification sought by the V.O. Chidambaranar Port Trust regarding levy of concessional charges for coastal cargo/ container has passed an Order No.TAMP/53/2015-VOCPT dated 29 September 2015 based on the recommendations of Directorate General (DG) Shipping. The provisions approved in the said Order were further amended vide Order No.TAMP/53/2015-VOCPT dated 26 November 2015. The said Order passed is for common adoption by all the Major Port Trusts. The VPT has incorporated the provisions prescribed in the Order dated 26 November 2015. However, subsequent to the said Order, the DG Shipping vide its letter no.SD-9CHART(309)/2016 dated 20 May 2016 has issued further clarification on the provision approved in the 26 November 2015 Order. This Authority has accordingly passed a clarificatory Order slightly amending the provision prescribed in para 9A(ii) and 10(ii) of the Order dated 26 November 2015. The provisions proposed by the VPT is updated with the amended provisions approved by this Authority in the recent Order.

(b). This Authority has vide Order No.TAMP/52/2014-Genl. dated 28 November 2014 notified the Guidelines issued by the MOS on priority berthing of coastal vessel for common adoption by all Major Port Trusts and has advised the port to suitably amend their existing SOR. Since the proposed SOR did not incorporate the guidelines on priority berthing of coastal vessels at Major Port., the VPT was requested to incorporate the same. The port has not incorporated the same despite request. The guidelines issued by the MOS and notified by this Authority in the said Order are incorporated in the revised SOR.

(c). It is relevant to state that in pursuance of Ministry of Shipping (MOS) communication vide letter No.PD/14033/101/2015-PD.V dated 3 February 2016 this Authority has passed a common adoption Order No.TAMP/14/2016-Misc dated 9 February 2016 relating to prescription of lower charges for cargo & vessels related services as well as special discount in port charges for the services rendered after regular hours by the Major Port Trusts and BOT Operators operating. The VPT has not proposed lower charges for cargo & vessels related services as well as special discount in port charges for the services rendered after regular hours. The VPT was, therefore, requested to incorporate the same in the proposed SOR. The VPT has clarified that Port is working 24x7 and there are no regular and non-regular hours and hence separate lower charges rates for cargo & vessels related services for the services rendered after regular hours are not proposed by the port. Though the VPT has not proposed separate lower rate / special discount for services rendered after regular hours, it is prudent to prescribe a general conditionality in this regard as approved in the Order dated 9 February 2016, so that the option is available to VPT and complies with Government instruction.

(d). The VPT has, in the revised proposed SOR, inserted a note that Vessels which call at Ports, for which IGMs and/or EGMs are filed for the purposes of Customs Act, 1962, cannot be treated as ‘cargo’, and they are conveyance only, and, the Ports should not charge wharfage on such vessels. This prescription is based on our letter No.TAMP/53/2002-Misc dated 25 March 2015 to all the Major Port Trusts including VPT in pursuance of the MOS letter No.PD-25021/7/2015-PD.1 dated 16 April 2015 of MOS directing to all Major Port Trusts to follow regarding wharfage charges on vessel manifested as cargo in the Import General Manifest (IGM) or Export General Manifest (EGM). The proposed note is, therefore, accepted. The only modification done is it is shifted as a last note in the Wharfage Section instead of general notes at 1.2. Further, some sentences drawing reference to the letters of MOS and Chennai Port Trust are not found relevant and hence deleted

(xxiii). In the note (iv) in the Section 2.1. – Port Dues, the port has proposed to add a sentence to state that reduced gross tonnage applicable for oil tankers with segregated ballast for levy of port dues shall not apply to tankers handled at SPM, on the grounds that a separate agreement was executed between the VPT and the

HPCL. The port has clarified that since a separate MOU exists between VPT and HPCL, reduced gross tonnage applicable for oil tankers with segregated ballast for levy of port dues shall not apply to tankers handled at SPM.

In this regard, it is relevant to state that the existing note prescribed in the SOR of VPT stating that for oil tankers with segregated ballast**,** the reduced gross tonnage that is indicated in the **'**Remarks**'** column of its International Tonnage Certificate will be taken to be its gross tonnage is based on the Order No.TAMP/15/2000-PPT dated 15 March 2000 passed by this Authority for common adopted by all the Major Port Trusts based on circular issued by the DG, Shipping. It is relevant to state that SPM operations are also being done at Kandla Port Trust (KPT) and Cochin Port Trust (COPT). In these cases no such modification was given. Since the existing prescription is based on the circular issued by the DG of Shipping and is being uniformly adopted across all the Major Port Trusts, there is no extraordinary circumstances brought out by VPT, warranting deviation from the same only in respect of tankers handled by HPCL at SPM. That being so, status quo is maintained in the existing note.

(xxiv). (a). In the original draft proposed SOR, the VPT proposed to insert Sr. No. 4 under section 2.2.2. proposing to extend 50% Concession in Pilotage fees to the vessels shifting to Roads after carrying out up topping / lighting operation. Subsequently, in the revised proposal, the port has proposed to delete the item no 4 under section 2.2.2. stating that no concession in Pilotage fee is proposed to be allowed for vessels shifting to Roads after carrying out up topping / lighting operation. The revised note proposed by the VPT is approved.

(b). The existing note 5 under 2.2.4. general notes states that 50% exemption in the applicable charges shall be extended for first shifting whenever the vessel shifts after lightening or for up topping. The port has now proposed to extend this concession to vessel shifted to roads after lightening or for up topping by 50% Concession will be allowed in case of vessels shifting to Roads after carrying out up topping / lighting operation. The Vizag Steamship Agents Association (VSAA) sought clarification whether 50% exemption will be applicable for both the shifting i.e. from berth to roads and vice-versa or on Pilotage. The port has subsequently slightly modified the proposed note to say that it will be applicable for first shifting. The modified proposed note is approved.

(c). The VSAA has pointed out that at present, extra officer / additional master are being deployed whenever a Panamax vessel is shifted to inner harbor and billed separately. Since pilotage fees includes deployment of services of port pilots separate levy for deployment of extra officer / additional Master may be dispensed with. It is relevant to state that the existing SOR approved by this Authority does not prescribe any separate charges for deployment of extra officer / additional master for shifting of Panamax vessel to inner harbour. Hence, the basis of charges, if any, levied by the port is not known. The port at the joint hearing has, however, accepted that it is the responsibility of the port to bring the vessel by rendering piloting service. The port stated that the charges for deploying extra officers stands dispensed with. Thus, the issue raised by the VSAA is settled by the port.

(d). The VPT has proposed a note no.7 under schedule 2.2.4 which states that when a movement of vessel is aborted or had to be changed due to reasons like Tug failure, insufficiency of length, lack of proper fenders etc., for which the vessel is not at fault, no charge shall be levied for the unsuccessful operations involved till she occupies allotted berth/mooring. The proposed note flows from the principle that users shall not be charged for delays attributable to the port and will benefit the trade. The proposed note is approved.

(xxv). Under Schedule 2.3.3.– relating to Penalty for under performance, the port had originally proposed two notes. One note proposed to levy 2 times penalty if over stayal of the vessel exceeded the prescribed norms of productivity. The other note proposed 5 time penalty if over stayal of the vessel exceeds 4 hours beyond the prescribed norms.

The VSAA has stated that the proposed provision is very harsh and requested VPT to reconsider it. The port has examined this point and has proposed to delete the first note and reduced the penalty proposed in the second note from 5 times to 2 times. The VPT has clarified that penalty is prescribed to improve productivity. The note proposed in the revised draft SOR for levy of 2 times penalty if vessel over stays 4 hours beyond the prescribed norms is approved as proposed by the port.

(xxvi). (a). The existing provision of exempting levy of road stead charges up to first 24 hrs is proposed to be increased to first 48 hrs. The port has confirmed that the financial impact of the same is captured in the revenue estimates in Form 3. The modification proposed by the VPT in this regard is approved.

(b). The port has proposed two new notes under Section 2.3.5. – Road Stead Charges. The first note states that the road stead charges are applicable only when the vessel is waiting for want of berth/berths. In case vessel is waiting for reason other than for want of berth/berths, the charges will be 3 times the applicable charges. None of the stake holders have raised any pointed objection. The proposed note is accepted.

(xxvii). In the revised draft SOR, the port has proposed a note no.7 under Section 3.1. stating that mother tanker and daughter tanker carrying out transhipment operations at berths will be exempted from road stead charges. The port has stated that the proposed insertion is an extension of an existing note no.2 under Section 2.3.5 of the existing SOR which exempts road stead charges on mother / daughter tanker meant for transhipment of POL at anchorage. The port has also confirmed that the financial impact of the proposed modification is captured in the revenue estimates. Based on the clarification furnished by the port, the proposed note is accepted. Only thing, the proposed note is shifted from Section 3.1. to Section 2.3.5. which pertains to road stead charges and inserted there as note 4. Consequently, the note nos.4 and 5 proposed under Schedule 2.3.5. are renumbered as 5 and 6.

(xxviii). (a). Under the Wharfage Schedule, the Wharfage in respect of other Chemicals, Machinery, Electrical goods, and marine products is continued to be proposed on advalorem basis. Clause 2.10 of the Working Guidelines requires the Port Trust to do away with advalorem wharfage rate in the existing SOR and determine specific wharfage rate taking into consideration special case to be taken for handling such cargo or a market determined tariff. The VPT was, therefore, requested to prescribe wharfage on per unit basis for these cargo items. In this connection, the VPT has stated that it is in the process of formulating a proposal for 'per unit rate' and it will file a separate proposal shortly. Till such time, the VPT has requested to approve the proposed levy on advalorem basis.

In the absence of any proposal from the port to prescribe wharfage on per unit basis at present, the advalorem rates proposed by VPT is allowed to be continued. The VPT is advised to formulate and file a well analysed proposal to prescribe the Wharfage in respect of Chemicals, Machinery, Electrical goods, and marine products on per unit basis, within a period of three months from the date of notification of the Order passed in the Gazette of India.

(b). Based on a communication from the Ministry of Shipping (MOS), the all Major Port Trusts vide letter No.TAMP/35/2013-Misc. dated 7 August 2014 including VPT were requested to prescribe a suitable note in their respective SOR regarding applicability of wharfage rates for Defence Stores in such a way that there is no ambiguity in mind of users on the application of the prescribed rates. The port has proposed wharfage rate for defence stores equipment at ₹127.95/ tonne for foreign cargo and ₹76.77/ tonne for coastal cargo adopting the rate prescribed for defence stores equipment in the SOR of the New Mangalore Port Trust (NMPT). The proposed rates is, therefore, approved as it falls under one of the options prescribed in clause 5.7.1 of the Working Guidelines for new cargo / service. It is seen that though the port has proposed specific rate for defence stores equipment, it has, however, not defined Defence Stores so as to avoid ambiguity in mind of users on the application of the prescribed rates. The Mumbai Port Trust has recently proposed in its general revision proposal to the effect that “Defence stores” would include ‘Bombs, grenades, torpedoes, mines, missiles, and similar munitions of war and parts thereof: cartridges and other ammunition and projectiles and parts thereof, including shot and cartridges wads’ coming under Arms, Ammunition, parts and accessories thereof but the reference to “parts thereof does not include radio or radar apparatus as per note no. 2 of Chapter no. 93 of Customs Tariff of India. The said note is being approved by this Authority in the SOR of the MBPT. Hence, proposed said note is also incorporated in the SOR of the VPT so as to avoid ambiguity in mind of users on the application of the prescribed rates.

(xxix). As per Clause 3.1. of the Tariff Policy 2015, the Major Port Trusts shall also commit Performance Standards for cargo related services in terms of average ship berth day output, average moves per hour in case of container handling. For vessel side services, the port shall prescribe Performance Standards in terms of average turnaround time of vessels and average pre-berthing time of vessels and any other parameter which is found relevant by the Port. The VPT has committed Performance Standards for cargo related services in terms of average ship berth day output in tonnes / day including container handling and for vessel side services, port has proposed Performance Standards in terms of average turnaround time of vessels and average pre-berthing time of vessels, percentage of idle time at berth. The Tariff Policy 2015, does not prescribe any method or basis for proposing performance standards. The performance standard as proposed by the VPT is prescribed along with SOR.

(xxx). As per Clause 2.8. of the Tariff Policy, 2015, SOR will be indexed annually to the inflation to the extent of 100% variation in Wholesale Price Indexed (WPI) announced by the Government of India occurring between 1 January 2014 and 1 January of the relevant year and the adjusted indexed SOR will come into force from 1 April of the relevant year to 31 March of the following year. Further, as per clause 3.2 of the Tariff Policy 2015 to be read with clause 2.8 of the Tariff Policy 2015, annual indexation in SOR at 100% of the WPI is applicable subject to achievement of Performance Standards committed by Major Port Trusts. If a particular port does not fulfil the Performance Standard, no indexation would be allowed during the next year. It is relevant to state that in the instant case indexation for the year 2015-16 is already considered in the ARR and for drawing the SOR. The next annual indexation in SOR will be applicable from 1 April 2017 subject to achievement of Performance Standards in the year 2016-17. That being so, a note is inserted in the SOR to the effect that the SOR approved by this Authority is subject to automatic annual indexation at 100% of the WPI to be announced by this Authority. The annual indexation will be from 1 April 2017 subject to the VPT achieving the Performance Standards notified alongwith the SOR. If Performance Standards prescribed in the SOR are not achieved, there will be no indexation in SOR for that particular year. The Tariff Policy, 2015, stipulates that annual indexation in the SOR will be automatic subject to achievement of Performance Standards. It does not require the Major Port Trusts to approach this Authority for the same. In Order to have transparency, the port is advised to declare the

Performance Standards achieved for the period 1 January to 31 December vis-à-vis the Performance Standards notified by this Authority at the level committed by the port within one month of end of the calendar year to the concerned users as well as to this Authority. If the Performance Standards as notified by this Authority are achieved by the port, then the port can automatically index the rates prescribed in this SOR at 100% of WPI announced by this Authority and apply the indexed SOR VPT to be intimated by the port to the concerned users and to this Authority.

(xxxi). The validity of the existing SOR of the VPT was last extended till 30 June 2016 or till the effective date of implementation of the revised Scale of Rates, whichever is earlier. By the time the Order approved comes into effect, it will be around July 2016. That being so, the validity of the existing Scale of Rates is deemed to have been extended from the date of expiry till the revised SOR comes into effect.

(xxxii). As per Clause 3.8. of Working Guidelines, the SOR notified shall remain valid for 3 years after expiry of 30 days from the date of notification of the Order in the Gazette of India. Therefore, and since the Tariff Policy, 2015 requires computation of tariff based on ARR on the actuals reported in the Audited Accounts for three years, the validity of the revised SOR is prescribed till 31 March 2019.

(xxxiii). (a). **As per clause 8.1. of the Tariff Policy 2015, the rates prescribed in the Scale of Rates are ceiling levels; rebates and discounts are floor levels. The VPT may exercise the flexibility to charge lower rates and/or allow higher rebates and discounts.**

(b). As stated earlier, as per Clause 2.7. the Tariff Policy 2015, it is for the VPT to ensure that as a result of revision in the SOR there will not be loss of traffic to the port.

(c). The modification proposal by VPT in the conditionality governing the Scale of Rates are considered for approval based on justification / clarification furnished by VPT. For reasons stated, a few modification in conditionality proposed by VPT have not been approved. If any error apparent on the face of record or for any other justifiable reasons, the VPT, port users / user association may approach this Authority for review giving adequate justification / reasoning within 30 days of notification of the Order in the Gazette.

19.1. In the result, and for the reasons give above, and based on a collective application of mind, this Authority approves the revised SOR and the Performance Standards of the VPT which has been notified separately. **The effective date of the revised Scale of Rates and conditionalities governing the application of revised Scale of Rates will remain the same as already indicated in the separate Order dated 21 June 2016 and shall be in force till 31 March 2019.** The approval accorded will automatically lapse thereafter unless specifically extended by this Authority.

19.2. The VPT has committed Performance Standard for cargo related services in terms of average ship berth day output, average moves per hour in case of container handling. For vessel side services, the port has committed Performance Standards in terms of average turnaround time of vessels and average pre-berthing time of vessels and idle time at berth Port.

19.3. The indexation of SOR as provided in Clause 2.8 of the Tariff Policy, 2015 is to be read with Clause 3.2. of Tariff Policy, 2015. If VPT does not fulfil the Performance Standard, the VPT is not eligible for indexation during the next year.

19.4. As per Clause 7.1. of the Tariff Policy 2015, Major Port Trust shall furnish to this Authority annual reports on cargo traffic, ship berth day output, average turnaround time of ships, average pre-berthing waiting time as well as the tariff realized for each of its berth. The annual reports shall be submitted by the Ports within 60 days following the end of each of the year. Any other information which is required by this Authority shall also be furnished to them from time to time.

19.5. As per Clause 4 of the Working Guidelines, this Authority shall publish all the information received by it from Major Port Trusts under clause 7.1. of the Tariff Policy, 2015 on its website. However, this Authority shall consider a request from VPT about not publishing certain data/information furnished which is commercially sensitive. Such requests should be accompanied by detailed justification regarding the commercial sensitiveness of the data / information in question and the likely adverse impact on their revenue/ operation upon such publication. TAMP's decision in this regard would be final.

(T.S. Balasubramanian)
Member (Finance)

Annex - I

FORM -1

Computation of Annual Revenue Requirement under Policy for Determination of Tariff for Major Port Trusts, 2015

Rs. In lakhs

Sr.No.	Description		Y-1 (Actuals) 2011-12	Y-2 (Actuals) 2012-13	Y-3 (Actuals) 2013-14
1	Total Expenditure (As per Audited Annual Accounts)	Note 1			
i	Operating Expenses (including depreciation)		32,093.04	34,707.33	41,605.30
ii	Management & General Overheads		11,543.25	14,234.70	16,149.37
iii	Finance and Miscellaneous expenses(FME)		84,036.02	36,306.00	34,014.74
	Total expenditure 1=(i)+(ii)+(iii)		**1,27,672.31**	**85,248.03**	**91,769.41**
2	Less: Adjustments				
i	Estate related Expenses				
	(a) Operating Expenses(including depreciation)		2,896.72	3,021.02	3,480.31
	(b) Management & administrative Overheads		1,266.45	1,175.93	1,824.61
	(c) Allocated FME		2,329.19	1,584.14	1,571.54
	Subtotal 2(i)=(a)+(b)+(c)		**6,492.36**	**5,781.09**	**6,876.47**
(ii)	interest on loans		44.06	44.06	44.06
(iii)	4/5th of One time expenses, if any like arrears of wages, arrears of pension/gratuity, arears of exgratia payment etc(list our each of the items)	Note 2			
	(a)Wage arrears		-	-	2,819.09
	(b) pension arrears				
	(c)				
	Subtotal 2(iii)=(a)+(b)+(c)		-	-	**2,819.09**
(iv)	4/5th of the Contribution to the Pension Fund	Note 3	46,231.23	14,171.20	12,000.00
(v)	Management and General overheads over & above 25% of the agregate of the operating expenditure and depreciation	As per Form 2	1,358.36	2,754.45	2,580.78
(vi)	Expenses relevant for tariff fixation of Captive Berth, if any govened under clause 2.10 of the Tariff Policy, 2015				
	(a) Operating Income				
	(b) Depreciation				
	(c)Management & Administrative Overheads				
	(d) Allocated FME				
	Subtotal 2(vi)=(a)+(b)+(c)+(d)		**-**	**-**	**-**
	Total of 2 = 2(i) + 2(ii)+2(iii)+2(iv)+2(v)+2(vi)		**54,126.01**	**22,750.80**	**24,320.40**
(3)	Total Expenditure after Total Adjustments (3=1-2)		73,546.30	62,497.23	67,449.01
(4)	**Average Expenses of Sl No.3 = (Y1+Y2+Y3)/3**			**69,710.24**	
(5)	Capital Employed				
	(i) Net Fixed Assets as on 31.3.2014 (as per Audited Annual Accounts)				90,250.51
	(ii) Add: Work in Progress as on 31.3.2014(As per Audited Annual Accounts)				32,440.37
	(iii) Less, Net value of fixed assets, related to Estate activity as on 31.3.2014 as per Audited Annual Accounts				17,462.13
	(iv)Less: Net value of fixed assets, if any transferred to BOT operator as on 31 March 2014 as per Audited Accounts				
	(v) Less: Net value of fixed assets as on 31 March 2014 as per Audited Accounts relevant to be considered for captive berths, if any, under clause 2.10 of the Tarff Policy, 2015				

	(vi) Add: Woking Capital as per norms prescribed in clause 2.5 of the Working Guidelines	As per Form 4 & Note 4			
	(a) Inventory				313.43
	(b) Sundry Debtors				1,960.51
	(c) Cash				3,807.97
	(d) Sum of (a)+(b)+(c)				6,081.90
	(vii) Total capital Employed [(i) +(ii)-(iii)-(iv)-(v)+(vi)(d)]				**1,11,310.66**
(6)	Return on Capital Employed 8% on Sl. No.5(vii)	see note below			8,904.85
(7)	Annual Revenue Requirement(ARR) as on 31 March 2014[(4)+(6)]				78,615.09
(8)	Indexation in the ARR @ 100% of the WPI applicable for the year 2014-15 i.e. @ 6% (7*1.06)				83,332.00
(9)	Indexation in the ARR @ 100% of the WPI applicable for the year 2015-16 i.e. @ 3.82% (8*1.0382)				86,515.28
(10)	Ceiling Indexed Annual Revenue Requirement(ARR)				86,515.28
(11)	Revenue Estimation at the proposed inxeded SOR within the Ceiling indexed ARR estimae at Sl. No.10 above	As per Form 3 & Note 5			75,591.02

Annex - II

Computation of Annual Revenue Requirement under Tariff Policy 2015 furnished by VPT and modified by TAMP

Rs. in lakhs

Sr. No.	Description	Y-1 (Actuals) 2011-12	Y-2 (Actuals) 2012-13	Y-3 (Actuals) 2013-14
1	Total Expenditure (As per Audited Annual Accounts)			
(i)	Operating Expenses (including depreciation)	32,093.04	34,707.33	41,605.30
(ii)	Management & General Overheads	11,543.25	14,234.70	16,149.37
(iii)	Finance and Miscellaneous expenses(FME)	84,036.02	36,306.00	34,014.74
	Total expenditure 1=(i)+(ii)+(iii)	**1,27,672.31**	**85,248.03**	**91,769.41**
2	Less: Adjustments			
(i)	Estate related Expenses			
	(a) Operating Expenses(including depreciation)	2,896.72	3,021.02	3,480.31
	(b) Management & Administrative Overheads	1,266.45	1,175.93	1,824.61
	(c) Allocated FME	2,329.19	1,584.14	1,571.54
	Subtotal 2(i)=(a)+(b)+(c)	**6,492.36**	**5,781.09**	**6,876.47**
(ii)	Interest on loans	44.06	44.06	44.06
(iii)	4/5th of One time expenses, if any like arrears of wages, arrears of pension/gratuity, arears of exgratia payment etc(list our each of the items)			
	(a) Wage arrears	-	-	2,819.09
	(b) pension arrears			
	(c)			
	Subtotal 2(iii)=(a)+(b)+(c)	**-**	**-**	**2,819.09**
(iv)	4/5th of the Contribution to the Pension Fund	46,231.23	14,171.20	12,000.00
(v)	Management and General overheads over & above 25% of the agregate of the operating expenditure and depreciation	1,358.36	2,754.45	2,580.78
(vi)	Expenses relevant for tariff fixation of Captive Berth, if any govened under clause 2.10 of the Tariff Policy, 2015			
	(a) Operating Expenses			
	(b) Depreciation			
	(c) Management & Administrative Overheads			
	(d) Allocated FME			
	Subtotal 2(vi)=(a)+(b)+(c)+(d)	**-**	**-**	**-**
	Total of 2 = 2(i) + 2(ii)+2(iii)+2(iv)+2(v)+2(vi)	**54,126.01**	**22,750.80**	**24,320.40**
3	Total Expenditure after Total Adjustments (3=1-2)	**73,546.30**	**62,497.23**	**67,449.01**
4	**Average Expenses of Sl No.3 = (Y1+Y2+Y3)/3**		**69,710.24**	*

5	Capital Employed	
	(i) Net Fixed Assets as on 31.3.2014 (as per Audited Annual Accounts)	90,250.51
	(ii) Add: Work in Progress as on 31.3.2014 (As per Audited Annual Accounts)	32,440.37
	(iii) Less: Net value of fixed assets, related to Estate activity as on 31.3.2014 as per Audited Annual Accounts	17,462.13
	(iv) Less: Net value of fixed assets, if any transferred to BOT operator as on 31 March 2014 as per Audited Accounts	
	(v) Less: Net value of fixed assets as on 31 March 2014 as per Audited Accounts relevant to be considered for captive berths, if any, under clause 2.10 of the Tarff Policy, 2015	
	(vi) Add: Woking Capital as per norms prescribed in clause 2.5 of the Working Guidelines	
	(a) Inventory	313.43
	(b) Sundry Debtors	1,960.51
	(c) Cash	4,216.20
	(d) Sum of (a)+(b)+(c)	6,490.13
	(vii) Total capital Employed [(i) +(ii)-(iii)-(iv)-(v)+(vi)(d)]	**1,11,718.89**
6	Return on Capital Employed 8% on Sl. No.5(vii)	8,937.51
7	Annual Revenue Requirement (ARR) as on 31 March 2014 [(4)+(6)]	78,647.75
8	Indexation in the ARR @ 100% of the WPI applicable for the year 2014-15 i.e. @ 6% (7*1.06)	83,366.62
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
10	Ceiling Indexed Annual Revenue Requirement (ARR)	**86,551.22**
11	**Revenue Estimated by the VPT at the proposed SOR within the Ceiling indexed ARR estimated at Sl. No.10 above**	**74,582.80**
12	**Revenue Estimation by the Authority at the proposed SOR within the Ceiling indexed ARR estimated at Sl. No.10 above**	**72,848.40**

* [Rs.73,546.30 lakhs + Rs.62,497.23 lakhs +Rs.67,499.01 lakhs – Rs.2,819.09 lakhs] (i.e. wage arrears)/3] + Rs.2819.09 lakhs = Rs.69,710.24.

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/9/2016-VPT - Proposal received from the Visakhapatnam Port Trust for general revision of its Scale of Rates.

A summary of the comments received from the users / user organisations and reply furnished by Visakhapatnam Port Trust (VPT) thereon including on the comments of Navship Marine Services Pvt. Ltd. and Orissa Stevedores Limited who have directly furnished their comments to VPT are tabulated below:

<table>
<tr><th>Sl. No.</th><th>Comments of the users/ user organisations</th><th>Reply furnished by VPT</th></tr>
<tr><td>1.</td><td>Vizag Seaport Private Limited</td><td></td></tr>
<tr><td>(i).</td><td>Charges for using Harbour Mobile Crane has been proposed at existing rate of ₹33.23/T on which our view is not tenable as the same is conflicting with the HMC rate of ₹55.17/Ton already fixed by TAMP in its order dated 28.05.2015 for the two HMCs to be installed at EQ and WQ berths of VPT. There can not be different tariff for the same HMC service at the same port.</td><td rowspan="4">The rates are approved by TAMP vide orders dt.16.06.2010. The Harbour Mobile Cranes were contracted on different period of time at different rate based on the tenders. The 2 nos. HMCs which have contracted in the year 2008 is at the rate of ₹33.23 per tonne. The contract is getting closed by January 2017. The issue gets settled by January 2017. Further, VPT is not proposing any amendment as this is based on contract entered into and contractual obligations thereto.</td></tr>
<tr><td>(ii).</td><td>The fact that the HMC rate of ₹55.17/Ton fixed under 2008 Guidelines was under Revenue sharing basis whereas the tariff of ₹33.23/Ton pertains to hired crane will not hold good as tariff shall be uniform for the same service as far as port user is concerned irrespective of whether the same service is done by hired crane or cranes under revenue sharing basis within VPT.</td></tr>
<tr><td>(iii).</td><td>Violative of Section 48 of the MPT Act which mandates that Scale of Rate shall be framed for the services performed at the Port. In other words, Rate shall be uniform within the Port for the same service. Different scale can be there only for different class of goods and vessels.</td></tr>
<tr><td>(iv).</td><td>2015 Guidelines endeavors to fix the rate matching with market rates and hence the same shall not create unhealthy competition within the Port and shall match with the HMC rates fixed by TAMP at Vizag Port in other berths.</td></tr>
<tr><td>(v).</td><td>The tariff has been now proposed only at 8% of the ROCE though 16 % ROCE is allowed. Hence, the HMC tariff may kindly be relooked and for suitable enhancement.</td><td>HMC rates are already fixed by TAMP vide order dt.16.6.2010.</td></tr>
<tr><td>(vi).</td><td>300 % increase in Ground rent has been proposed, vide sl.no.25 of Revenue estimation in Form no.3 estimating a revenue of ₹40.39 Crores at proposed tariff. But the Scale of Rates Posted in the website continue to show no change in Licence (Storage) Fee and only current Tariff is shown. This may be checked.</td><td>The increase of 300% in Ground rent was incorporated in the SOR submitted to Board on 4.2.2016 and an Addendum dt. 26.2.2016 was issued showing the item no.2 of Section-6, Licensee fee for Open space per sq. metre per week as ₹6.21 per week or part thereof and hosted in VPT website on 26.2.2016. The same has also been intimated to TAMP vide VPT letter No.FA/Cost/SOR/2016/29 dt. 25.2.2016.</td></tr>
</table>

2.	**NAVSHIP Marine Services Pvt. Ltd.**	
(i).	Definition 1.1(1) “Coastal Vessel” shall mean any vessel exclusively employed in trading between any port or place in India to any other port or place in India.	As per the definition of “Coastal vessel”, shall mean any vessel exclusively employed in trading between any port or place in India any other port or place in India having a valid coastal license issued by the Director General of Shipping / Competent Authority. As this is a policy matter TAMP may decide.
(ii).	Amendment: Section 1 General Terms & Conditions vide 1.2 (2) (iii) If vessel arrived in ballast with a schedule to load Coastal cargo immediately after conversion of the vessel to Coastal run, coastal vessel related charges shall be chargeable by the load port from the time vessel arrived. If vessel arrived to discharge cargo in foreign run and fixed for back loading of Coastal cargo, coastal vessel related charges shall be chargeable by the load port from the time vessel converted to Coastal Run by Customs and also by submitting General Trading Licence / specified period voyage licence issued by the Director General of Shipping.	TAMP may decide as it is a policy matter.
(iii).	For dedicated Indian coastal vessels having a coastal Licence / RSV from the Director General of Shipping, no other document will be required to the entitled to Coastal rates.	TAMP may decide as it is a policy matter.
(iv).	Addition: In section 2 Vessel related charges Pilotage Fees vide 2.2.4. General relating to Pilotage/Shifting the following may be added for further clarity. No shifting charges for Vessel shifting from deep draft berth to lower draft VPT berth to accommodate deep draft vessel & shifting from BOT berth to VPT berth for further discharge / loading.	This is being addressed under Section 53 of the MPT Act and hence no charges are proposed.
	If vessel shifted from one berth to other berth on the request of Vessel agents / stevedores/ Receivers / Exporters / Receivers / Exporters etc., shifting charges shall be levied.	If vessel shifted from one berth to other berth shifting charges are being levied.
	If dredgers / barges shifting from Inner/Outer Harbour to dumping point at anchorage within the port limits and back to Inner / Outer harbour for continuing of works only shifting charges shall be levied”.	Any vessel or Barge etc. entering the port limits will be levied port dues. Pilotage will be levied when pilotage service is provided. Berth Hire will be levied if Berth is occupied. In case of vessels on contract specific terms of contract shall prevail.
(v).	Amendment: Charges for use of HMC installed by the private operators vide 5.1.3 (ii) in case of stoppages of operation of HMC on hire/controlled by VPT for more than 2 hours for in one vessel total crane operation for attributable to the HMC, appropriate allowance will be allowed to the crane while calculating the total time of crane operation in the vessel.	The existing condition holds good.
(vi).	Addition: In the event of VPT hired and controlled HMC stoppages/delays for more than 2 hours total in the vessel total crane	

	operation, penalty may be prescribed on per hour or part thereof to be paid by HMC operator through VPT to the Stevedore / Receiver / Exporter / HMC charges paying agent.	
3.	**Orissa Stevedores Limited**	
(i).	To decrease/avoid the man power (manning scale) such as delivery gang at wharf.	M/s. Orissa Stevedores Limited can make use of reduced manning scale on wharf by taking direct delivery from hook point.
(ii).	Decrease in Manning Scale for Unloading / Despatch of cargo from Transit Area / Port Area.	VPT has introduced SVRS to CHD employees. Reduction in strength can happen based on actual number of employees going on VRS. In any case the port has already reduced CHD levy from 265% to 150%. Hence the concession is already addressed.
(iii).	To decrease in manning of Mazdoors for On-Board Break Bulk cargoes.	
(iv).	To avoid Tally clerks for all cargoes.	
(v).	To avoid Additional mazdoors at the time of handling cargo with Fork lift/Hydra cranes which is also burden on the per tonne cost of cargoes.	
(vi).	For all bagged cargoes also there should not be any levy to attract the cargo to Visakhapatnam Port.	The Board under Section 53 of the MPT Act is considering such dynamic pricing decisions.

2. A joint hearing in this case was held on 18 March 2016 at the VPT premises. The VPT made a brief Power Point presentation of its proposal. At the joint hearing, the VPT and the concerned users/ user organizations have made the following submissions:

Visakhapatnam Port Trust (VPT)
(FA & CAO)

(i). The proposal is filed under Tariff Policy, 2015.

(ii). We had discussion with trade informally as well as formally.

(iii). Our Proposal is conservative. We have proposed moderate increase in tariff with dynamic pricing.

(iv). We have considered 8% ROCE, so that increase in tariff is not high.

(v). We are losing cargo to competitor ports. Hence the existing CHD levy at 234% is proposed to be reduced to 150%. The special levy of 31% is proposed to be deleted.

(vi). Though VDLB is merged with port, the practice of deployment of labour from Dock Labour Board (DLB) continues.

(vii). We have entered into a Memorandum of Understanding (MOU) with HPCL for SPM operations. Tariff for this was not included in the last revision. Audit has raised objection. In the current proposal we have proposed tariff for SBM operations. We request you to regularize tariff for this operation with retrospective effect. We will make written submission in this regard.

(viii). We have taken into consideration tariff structure at neighbouring port while proposing the tariff. We have taken a balanced approach.

(ix). We are allowing discount / rebate under Section 53 of the MPT Act with the approval of Board.

(x). The charges for hire of HMC is around ₹33 per tonne. This is with reference to HMC taken on hire by VPT. The agreement is likely to end in the year 2017. We have finalized tender for a few HMCs on upfront basis where the rate is around ₹55/- per tonne.

Tamil Nadu Electricity Board (TANGEDCO)

(i). VPT is collecting CHD levy at 234% on time rate wage and 234% on piece rate wages + 31% special levy. This works out to 499%.
[VPT : We will examine and reply to TAMP on this matter]

(ii). Examine whether the proposed CHD levy at 150% can be reduced further. At Paradip Port, it is low.
[VPT : We have compared the tariff with neighboring ports to ensure that vessel does not ship away from the port.]

(iii). VPT has proposed increase in HMC rate towards fuel escalation. Similarly, there should be a clause for reduction in the rate, if fuel price reduces.

Visakhapatnam Stevedores' Association (VSA)

(i). Please do away with penalties from the proposed Scale of Rates.
[VPT : Penal charges is not to increase revenue of the port. It is to ensure improvement in productivity. The trend now is to prescribe performance standards.]

(ii). Demurrage on project cargo is proposed at 10 times in the last slab. This may be removed.
[VPT : We will examine it]

(iii). Radiological Equipment charge may be reviewed and merged with some tariff items.
[VPT : We will examine this item.]

(iv). Remission in berth hire due to HMC failure, may be reduced from 2 hours to 1 hour
[VPT : One hour is low. In the HMC Contract, it is mentioned as 2 hours. We cannot give a different assurance. We may examine it in the next tender].

Visakhapatnam Steamship Agents Association (VSAA)

(i). Reconsider the increase proposed in VRC

(ii). Charges for extra officers, additional Master for handling panamax vessel may be dispensed with.
[VPT : It's the responsibility of the port to bring the vessel by rendering piloting service. We will examine this point.]

(iii). Port to clarify whether 50% exemption in shifting charges for shifting of vessel for lightering or up topping is applicable for both the shiftings i.e. from berth to anchorage and vice versa.
[VPT : We will examine and clarify this point.]

(iv). Retain the old note 7 instead of proposed note 7 under Schedule 2.2.3.
[VPT : We will examine this point.]

(v). Shifting of vessel within the harbor or from inner harbor to outer harbor is deemed as shifting. This is the prevailing prescription and the proposed one. But, now, vessel has to be moved to the road/ anchorage. This may be treated as shifting.

(vi). Review the proposed note nos.3 and 4 under Schedule 2.3.5.

(vii). 25% concession is proposed in wharfage rate of project cargo. There is no definition of project cargo. This may be defined.

Vizag Seaport Private Limited (VSPL)

(i). VPT has proposed reduction in wharfage on cargo items which are handled by VSPL. For example, reduction is proposed in gypsum, manganese ore, iron ore which are also handled by the VSPL. This will lead to unhealthy competition. TAMP may consider that at the proposed tariff, BOT operator is not impacted by such unhealthy competition. Under Tariff Policy 2015, market based rate should be proposed. Maintain wharfage rate at par with VPT.
[VPT : we will examine this aspect]

(ii). License fee for open stacking of cargo is proposed at ₹6.21 sq. mtr / week in a separate proposal and the rate is subject to 2% annual escalation. This cannot be included in general revision of SOR for storage of cargo. We have to pay as per the Scale of Rates.

(iii). VPT has proposed rate for HMC at ₹ around 33 tonne. At VSPL, HMC rate is prescribed at ₹64/- per tonne. VPT may, consider to increase the rate for this item.
[VPT : The hiring contract will come to an end in the year 2017. We will then examine.]

3. A summary of the comments made by user / user organizations in response to the action point taken at the joint hearing and the comments furnished by VPT thereon is tabulated below:

Sl. No.	Written submissions	Reply furnished by VPT
1.	**TANGEDCO**	
(i).	Cargo handling charges:	
(a).	Wharfage: Wharfage is proposed to be increased by 50% from 15/MT to 22.50/MT for Thermal coal. TAMP is requested to maintain the wharfage at the present rate of ₹15/MT.	The port is already extending concession in the CHD Levy from 265% to 150% for bulk cargo. In addition, a levy of 234% on wagon unloading on thermal coal has also been proposed for removal. As such, there is no justification in seeking zero increase in wharfage rate for thermal coal by M/s. TANGENCO. The increase proposed is general increase of wharfage of 50% which may be allowed.
(b)	Harbour Mobile Crane: At present a flat rate of ₹33.23/MT for loading of Thermal Coal by using HMCs. Hence if the proposal is implemented the additional burden to TANGEDCO towards loading of coal through HMC would be ₹0.10/MT (33.33-33.23) or about ₹3.7 Lakhs / annum (32 Lakh Tonnes / annum * ₹0.10 / MT with Service Tax @ 14.5%) Further the rate applicable above is subject to fuel escalation of per tonne basis w.e.f. January 2014. In this regard it is stated that fuel price has drastically come down and no need for increasing the HMC rate. TAMP is requested that coastal rate of HMC i.e.20.4 MT instead of ₹33.33/MT may be considered for TANGEDCO.	The rate for HMCs at the rate of ₹33.33 per MT uniform rate for foreign and coastal rate based on tender has been approved by TAMP by order dt 3.10.2012. In fact, the new HMCs are having a rate of ₹55.17/Ton. The representation of M/s.TANGENCO does not carry any merit. The Port has already extended substantial concession on the CHD charges as brought out earlier for the proposal may be agreed to by TAMP.
(c).	Levy on Manual unloading charges:	
	At present a levy of 499% (234% of levy on time rate wage, 234% of Piece rate levy on time rate wages	As already been clarified, the CHD levy for thermal coal of M/s.TANGENCO stands

<table>
<tr><td></td><td>and 31% of Special levy on time rate wage) being charged for obtaining of services of cargo handling workers for manual unloading of coal from wagons. The present charge for Manual unloading of coal from wagons at Vizag Port is ₹935.46/MT + Service Tax of ₹135.64/MT.

TAMP is requested to direct VPT not to collect any other levy other than approval by TAMP.</td><td>reduced to 150% from the present level of 499%. However, the levy of 499% may kindly be regularised in the light of the discussions held in the joint hearing in detail and the parties have agreed to regularise past levy of 499% and to levy 150% in future. As such, the proposal in the present tariff is only 150% for thermal coal as far as CHD levy is concerned. The settlement above may be ratified.</td></tr>
<tr><td>(d).</td><td>Rent for storage Plot:</td><td></td></tr>
<tr><td></td><td>Now the handling contractor at Vizag Port M/s.SICPL is using Plot of 76,700 Sq. Mtrs. For TANGEDCO and the plot rent applicable is ₹115.35 per 100 Sq.Mtr per week for first week and ₹90.55 per 100 sq. Mtr per week for remaining 49 weeks (or ₹0.9105/sq.m./week). TAMP is requested to maintain the above rates. From the above, it is seen that the proposed vessel related charges at Visakhapatnam is higher than the p resent vessel related charges at Paradip Port by 29%. Hence TAMP is requested to maintain the rates in respect of vessel related charges</td><td>The storage charges for storage plots have been fixed by TAMP vide order dt.15.1.2016.</td></tr>
<tr><td>(ii).</td><td>Vessel Related Charges:

The existing tariff and proposed tariff in regard to vessel related charges are given below:
<table>
<tr><th colspan="2">Vessel Related Charges</th><th>Existing rate in ₹</th><th>Value in ₹ (for GRT 27997)</th><th>Proposed rate in USD</th><th>Value in ₹ (for GRT 27997)</th><th>% Increase over existing</th></tr>
<tr><td>Port dues</td><td>Per GRT</td><td>6.82</td><td>1,90,940</td><td>0.3574</td><td>4,04,528</td><td>112</td></tr>
<tr><td>Pilotage</td><td>Per GRT</td><td>12.04</td><td>3,37,084</td><td>0.5857</td><td>6,62,935</td><td>97</td></tr>
<tr><td>Berth hire</td><td>Per GRT / Hr (60 HRS)</td><td>0.0307</td><td>51,570</td><td>0.00568</td><td>3,85,739</td><td>648</td></tr>
<tr><td colspan="3">Total</td><td>5,79,594</td><td></td><td>14,53,199</td><td>150</td></tr>
<tr><td colspan="3">Vessel related charges in ₹ / MT for a cargo of 45,000 MT</td><td>12.88</td><td></td><td>32.29</td><td></td></tr>
<tr><td colspan="3">Increase in vessel related charges in ₹ / MT. excluding ST</td><td></td><td></td><td>19.41</td><td></td></tr>
</table>
The additional burden to TANGEDCO towards vessel related charges would be ₹6.21 crores / annum excluding ST (32 lakhs tonnes / annum * ₹19.41 / MT excluding ST).

Comparison of proposed vessel related charges at VPT with respect to Paradip Port:
<table>
<tr><th colspan="2"></th><th colspan="2">VPT</th><th colspan="3">Paradip Port</th></tr>
<tr><th colspan="2">Vessel Related Charges</th><th>Proposed rate in USD</th><th>Value in ₹ (for GRT 27997)</th><th>Existing rate in USD</th><th>Value in ₹ (for GRT 27997)</th><th>% + /- Proposed VPT over Paradip</th></tr>
<tr><td>Port dues</td><td>Per GRT</td><td>0.3574</td><td>404528</td><td>0.24</td><td>273911</td><td>+32</td></tr>
<tr><td>Pilotage</td><td>Per GRT</td><td>0.5857</td><td>6,62,932</td><td>0.509</td><td>576118</td><td>+13</td></tr>
<tr><td>Berth hire</td><td>Per GRT / Hr</td><td>0.00568 (30 HR) for loading 28000 MT</td><td>192869</td><td>0.002375 (16HR) for loading 28000 MT</td><td>43011</td><td>+78</td></tr>
<tr><td colspan="2">Total</td><td></td><td>12,60,329</td><td></td><td>8,93,040</td><td>+29</td></tr>
</table></td><td>Comments not furnished by Port.</td></tr>
</table>

2.	**Visakhapatnam Stevedores Association**	
(i).	VPT is proposing to increase for all vessel and cargo related services abnormally i.e. from 25% to 500% and industry is not in a position to bear such a hike in the tariff in the present market scenario. We request you to kindly reduce the tariff to a reasonable level to make the port more competitive and attract more business to this port.	Tariff revision for VPT was due with effect from June 2014. VPT has sent a proposal for increase in tariff. However, in the meantime, there was an amendment to the tariff guidelines by notification of a new guidelines of 2015. VPT did not consider any adhoc increase in tariff during the interim period considering the brim market situation, high competition and operational restraints on account of undertaking of capital dredging etc., As far as the upward revision of tariff proposed in the current comprehensive tariff revision proposal, increase is mainly resorted to on vessel related charges wherein VPT is pitched far below its competitive port. Increase in wharfage charges are proposed considering the lower level of wharfage prevailing in VPT for various cargoes. The proposal is with due diligence after considering the various parameters and the need for port to improve its financial stability. The ROCE of approximately 8% is only considered while drafting the upwards revision. Further, the port is also considering dynamic price adjustment to face competition by invoking Section 53 of MPT Act, 1963. As such, the proposal in general is in order. Specific issues raised on specific cargo will be addressed separately. Hence, the proposal is in order.
(ii).	The demurrage charges in Cause 4.6.2 (b) are on higher side which may be removed to attract General Cargoes / Project Cargoes to this port. Further the Project Cargo and General Cargo may be treated as one category without any differentiation and without any demurrage charges beyond free time.	As per TAMP order dt.17.6.2014 the clause 4.6.2(b) pertains to Demurrage charges on import general/import project cargo. The project and General cargo cannot be treated as one category and the demurrage charges beyond free period is as per 4.6.2(b). However, the Board under Section 53 of the MPT Act is considering dynamic pricing decisions.
(iii).	In Clause 5.1.3 the category of 'other cargo' may be defined for applying proper tariff for use of Harbour Mobile Cranes. In case of stoppage / breakdown of HMC, Port is collecting penalties from HMC operators which may kindly be passed on to the user as the user is incurring huge demurrages for delay in completion due to breakdown.	Services of HMCs are provided by VPT to trade through contract with other agencies. Since contract with other agencies did have a provision for 2 hours for penalisation, the arrangement is back to back. Hence, reduction from 2 hours to one hour for remission of berth hire charges is not acceptable to VPT. However, this issue will be considered in the next tender for HMCs suitably.
(iv).	Section 6, Charges for licence / storage fee may be amended in view of the TAMP's separate order vide Notification No. TAMP/48/2014-VPT dated 2 March 2016. Further, the unauthorized occupation charges of double the rates/5 times the prescribed rate may be removed in view of the higher tariff fixed for allotment of space and delay in evacuation of cargoes is beyond the control of the user in most of the cases like non-availability of Rly. Rakes, or customer not willing to place indents due to plant shut down or poor market conditions etc.	TAMP has already issued an order notification No.TAMP/48/2014-VPT dt.15.1.2016 fixing storage charges per week etc., The order of TAMP is suitably incorporated in the SoR for the purpose of transparency and for due disclosure in the SoR being cargo related charges. Reckoning the fact that there is increase from ₹0.96 per sq metre per week to ₹6.21 per sq. Mtr per week, the Port will be taking appropriate pricing decision from time to time. However, a reduction of penal storage charges from 5 times to 2 times have been

		agreed to and Addendum issued vide VPT's letterNo.FA/COST/SOR/2016/28 dt.26.2.2016.
3.	**Navship Marine Services Pvt. Ltd.**	
(i).	Consignee's / Receiver's / Importer's / Exporter's will play a keen role for any port development by increasing the cargo output through them by nominating their cargoes carrying vessels. Vessels has to discharge the cargo / load the cargo as per the requirement of Consignee / Importer / Receiver / Exporter and whereas Vessel / Owner is nothing to do with nominating of port.	Comments not furnished by Port.
(ii).	Once upon a time Vizag port used to be No.1 port in India, now port is facing very bad situation being a Govt. port with neighboring private ports competition in various factors. For any port the revenue will be shared for a vessel by two parties i.e. (a). Vessel Agents will pay the vessel related charges on behalf of Vessel / Owner's as prescribed at that particular port. (b). Stevedores / Cargo handling agents will pay all the charges levied on cargoes on behalf of Consignee / Importer / Receivers / Exporters towards (1) Wharfage, (2) CHD labour charges, (3) Plot rentals, (4) Haulage & Terminal charges etc.	Comments not furnished by Port.
(iii).	Vizag port is acting only as port and the entire cargo handling operations will be carried out by the Stevedoring companies. In the entire cargo handling operations, stevedores are providing some service and also port is providing some services.	Comments not furnished by Port.
(iv).	(a). Vizag port is collecting charges from the Stevedores in various ways for the services provided by port with various rules / regulations in the entire cargo handling operations assigned to the Stevedore company appointed by the Consignee / Importer / Receiver / Exporter basis on rate per MT keeping in view of port charges to be paid and charges for the services provided by Stevedoring company for the entire cargo. By this you can observe that in cargo handling 2 parties are involved i.e. Stevedores & Vizag port.	Comments not furnished by Port.
	(b). Whereas at private ports, all the services is carried out by the private port itself as stevedores / cargo handling agents by charge per MT rates from the Consignee / Importer / Receiver / Exporter.	
	(c). From the above you can observe that for any vessel arrived to the private port, the vessel related charges as well as the entire stevedoring / cargo handling charges are collected by private company owned the port. Being the above, private port operators are accepting to take responsibility for the demurrage if any paid by the Consignees / Importer / Receivers / Exporter to the Vessel / Owners for handling their cargoes. Likewise there are many other ways benefits to them.	
(v).	All the private ports are also acting as Stevedores / Cargoes handling agents. All the ports nearby / neighboring to Vizag port are private ports. Private	Comments not furnished by Port.

<table>
<tr><td></td><td>ports are not under TAMP purview whereas Vizag port being Govt. Port has to follow the TAMP / Govt. guidelines.</td><td></td></tr>
<tr><td>(vi).</td><td>Hence, we would request not to increase in the cargo handling charges in various ways in order to become competitive with the neighboring ports tariff and to attract various Consignees / Importers / Receivers / Exporters and by which there can be increase the vessels / cargo throughputs. Consider all other Trade partners suggestions / recommendations proposed in overall interest of the Port & Trade.</td><td>The Port has considered various pros and cons for upward revision of tariff and has made the proposal. Hence the representation by M/s.Nav Ship Marine Services is not acceptable.</td></tr>
<tr><td>4.</td><td>Vizag Seaport Pvt. Ltd.</td><td></td></tr>
<tr><td>(i).</td><td>The VSPL has reiterated its comments as regards charges proposed for HMC at the existing level by VPT.</td><td>The VPT has reiterated its response furnished on the earlier comments of VSPL on this point.</td></tr>
<tr><td>(ii).</td><td>The wharfage rates for Manganese Ore, Gypsum, Iron ore etc. shall be fixed on par with VSPL wharfage rates to avoid unhealthy competition within the port. There is no reason to fix differential tariff for wharfage within the port under the present tariff guidelines.</td><td>Wharfage rate have been increased by 50% over the existing rate. It has been noted that for the following cargoes, differential rates are prevalent in the port as detailed below.
<table>
<tr><th>Cargo</th><th>Wharfage rate at VPT</th><th>Wharfage Rate per ton of VSPL</th></tr>
<tr><td>Coking Coal</td><td>39.00</td><td>37.00</td></tr>
<tr><td>Gypsum</td><td>36.00</td><td>44.85</td></tr>
<tr><td>Manganese Ore</td><td>14.85</td><td>21.30</td></tr>
<tr><td>Iron Ore</td><td>20.25</td><td>24.70</td></tr>
<tr><td>Iron Ore Pellets</td><td>23.25</td><td>25.80</td></tr>
<tr><td>Fertilizers</td><td>41.25</td><td>32.50</td></tr>
<tr><td>Limestone</td><td>36.00</td><td>33.65</td></tr>
<tr><td>Bauxite</td><td>34.50</td><td>40.00</td></tr>
</table>
The wharfage is only one of the component of cargo related charges.</td></tr>
<tr><td>(iii).</td><td>Comments under reference first cited regarding charging of License fee for cargo stocking at open area plots may please be considered.</td><td>Port will be considering reduction in the rate from ₹6.21 taking cognizance of the fact that the land is used for storage of cargo which is an integral activity of the core activity of the Port. Further, as far as the BOT Operators are concerned, the conditions prevalent in the Concession Agreement will prevail.</td></tr>
<tr><td>5.</td><td>Visakhapatnam Steamship Agents Association</td><td></td></tr>
<tr><td></td><td>Comments on the proposed SOR of VPT</td><td></td></tr>
<tr><td>(i).</td><td>The proposal of port to increase port dues by 40%, Pilotage and shifting charges by 30%. Berth hire by 100% is very steep in the present market conditions and port may reconsider to increase them to a moderate level. The global shipping rates are very low now due to slow down in demand. This has resulted in numerous vessels getting laid up for lack of employment. In this scenario the ship owners are not in a position to accept any increase in Tariff.</td><td>The increase proposed on Port Dues, Pilotage and Berth Hire to a tune of 40%, 30%, 100% has been done after considering the rate prevalent in the neighbouring port of VPT. The rate for vessel related charges in VPT is already at lower rate as compared to competitive port. Hence, the request cannot be acceded to.</td></tr>
<tr><td>(ii).</td><td>2.2. Pilotage Fees:
At present extra officer / additional master are being deployed whenever a Panamax vessel is shifted to inner harbor and billed separately. Since pilotage</td><td>The issue has been examined and it has been concluded that the charges for deploying extra officers stands dispensed with. The vessels are to be charged pilotage and port dues.</td></tr>
</table>

	fees includes deployment of services of port pilots separate levy for deployment of extra officer / additional Master may be dispensed with. Further, enhanced charges can absorb this cost and thus reduce the number of charges and variables.	
(iii).	**2.2.2. Concession in Pilotage Fees shall be extended to the following Vessels** Vessels shifting to roads after carrying out up topping / lightening operation: 50% Again against Note No.5 under 2.2.3 dealing with shifting charges "50% exemption in the applicable charges shall be extended for shifting whenever the vessels shifts for lightening or for up topping". It may be clarified whether 50% exemption will be applicable for both the shifting i.e. from berth to roads and vice-versa or on Pilotage.	50% concession in case of vessels shifting to roads after lighterage / uptopping is given. Note no.4 under Section 2.2.2 is deleted and the note against note no.4 under Section 2.2.4 is placed at note no.5.
(iv).	**2.2.4 – Note No.7** The word 'movement' may be substituted in the place of 'Shifting'. **Note No.9:** It is suggested to add the following category vessels. In serial no.9 and to treat both the moments as shiftings instead of pilotage. (a). Vessels which are shifted to anchorage on completion of discharge for back-loading after hatch cleaning. (b). Vessels which are shifted from anchorage to idle berth and back to anchorage for fumigation purpose. (c). Vessels which shifted from anchorage to idle berth and back for taking fresh water.	Note No.7 stands removed, in place of the same, the condition in existing SOR shall be substituted. The existing SOR prevails.
(v).	**Proposed Note No. 14** VPT earlier had berths with 10.06 Mtrs draft and 11 Mtrs draft whereas at present the available drafts at the berths vary from 10.06 Mtrs to 14.5 Mtrs. Thus it is imperative that on several occasions it is required to shift a deep drafted vessel to another berth after part discharge to accommodate another deep drafted vessel. This shifting will enable VPT to handle more deep drafted vessels with minimum delay in berthing which would thereby increase the throughput at VPT. We therefore request VPT to incorporate the following under serial no. (14) in General Notes relating to Pilotage / Shifting as follows. (14) No shifting charges shall be levied if a vessel is shifted from a deep drafted berth to a lower draft berth in order to accommodate another deep drafted vessel. The concession will also apply for shifting vessels from / to BOT berths also as the BOT berths are all having higher drafts than VPT berths.	The existing SOR prevails.
(vi).	**2.3.3 Penalty** As per clause 5 "if the overstay of the vessel exceeds 4 hours beyond described norms of productivity 5 times penalty shall be levied".	2.3.3 (1) (3) will be as follows: If over stayal of the vessel exceeds beyond prescribed norms of productivity beyond 4 hours, 2 times penalty shall be levied.

	This is a very harsh provision and needs to be reconsidered. If implemented it will amount to collection of penalty which is 10 times of the present berth hire. Port is requested to drop this proposal. The productivity that can be achieved by any vessel depends on various factors. Some of them are listed below: (a). The number of shore cranes available at the berth, the working condition of the cranes, the capacity of the cranes and grabs. Similarly the capacity / condition of ship cranes and grabs. (b). The location of the plot vis-à-vis berth, availability of adequate storage plot, number of railway crossings in between. (c). The number of Hatches offered by the vessel for discharge / loading at the port. In view of many variables which are not in the control of the ship owners / consignees / shippers it is not fair to penalize the vessel. The Port Authorities are now going about scientifically in reorganization of open plots. Further, VPT is also calling for tenders for placing HMC on the East Quay and HMC on the West Quay are awaited. Once the plot reorganization taken place and the HMC's are made available on East Quay and West Quay the number of variables will be relatively low. At which point of time VPT can bring about implementation of Norms. We therefore strongly urge the Tariff Authority to kindly defer the proposal as otherwise it will sound a death knoll for cargo traffic at VPT. To just given an idea of impact the Penal Berth Hire proposed for a Supramax vessel will be ₹25,35,000/- per day	Note No.(iv) & (v) stands deleted.
(vii).	**2.3.4 General Notes relating to Berth Hire** Note no. 2(1) to read as there shall be a time limit beyond which berth hire shall not apply, the berth hire shall stop 4 hrs after the time of vessel signaling its readiness to sail / shift. While VPT has considered to waive off the berth hire after 4 hours of vessel signaling its readiness to sail, we now request VPT to waive off the berth after 4 hours of vessel signaling its readiness to shift also.	As per the general policy of TAMP guidelines, the berth hire ceases after 4 hours of vessels readiness to sail out since the vessel occupies the berth continuously until it is shifted, berth hire is to be levied.
(viii).	**2.3.5 Roadstead charges:** Note no 3 & 4 are not very clear, the same may be clarified.	Road Stead charges:- The clarifications are as follows. The present level of road stead charges are very low. The charges are proposed to be levied with an increase of 200%. The normal charges of 100% will be applicable if any vessel is at roads, anchorage for want of berth to be vacant, else waiting for reason other than for want of berth/berths, the charges applicable are 3 times of the charges mentioned.

(ix).	**8.1 Tariff at SPM** This may be brought after 3.3 instead of keeping it against 8.1. This is only to bring all the vessel related charges together.	8.1 Tariff at SPM are fixed as per the MOU entered into between VPT and M/s.HPCL vide MOU dt.18.11.2010. However, this tariff has been missed out in the SOR revision during 2011. Further, it is proposed to ratify the rate as per the MOU with retrospective effect from 2011. Copy of the MOU is enclosed. Hence Tariff for SPM is incorporated at the end under 8.1.
(x).	**4.1 Note No.8:** What "Project consignment" is may kindly be defined.	4.1 The materials brought for 100% EOU and if any document issued by Government of India specifies that the equipment/material is utilized for project purpose, then it is treated as project consignment.
(xi).	**5.1.3 Charges for use of Harbour Mobile Cranes installed by the Private operators:** Note No.4 the time limit may be reduced to 1 hour which is at par with Note No.7 under 2.3.4 dealing with general notes relating to berth hire.	5.1.3: The HMCs are under contract with terms and conditions and hence changes proposed cannot be acceded to.
(xii).	**Section 7.1 Charges for supply of water to vessels;** Note No.1 may be removed.	7.1 Note No.1: The arrangements are continued till the Port makes alternate arrangement on licence or BOT for supply of water in the harbour. However, considering the possibility of the above, the wharfage of ₹10/- per KL is proposed for supply of water through licensed agencies.
6.	**Visakha Container Terminal Private Limited**	
	VCTPL has requested to grant sufficient time to post its comments after VPT submits its revised proposal for revision of SOR with respect to License (Storage) Fee for open space prescribed at Sl. No. 2, under section 6 with the existing SOR.	

4. A summary of the comments received from the Hindustan Petroleum Corporation Limited and Vizag Seaport Private Limited (VSPL) and reply furnished by VPT thereon is tabulated below:

<table>
<tr><th>Sl. No.</th><th>Written submissions</th><th>Reply furnished by VPT</th></tr>
<tr><td>1.</td><td>Hindustan Petroleum Corporation Limited</td><td></td></tr>
<tr><td>(i).</td><td>(a). HPCL has entered into a Memorandum of Understanding (MOU) with Visakhapatnam Port Trust (VPT) for the purpose of setting up and operation of SPM facility for crude oil receipt. The applicable vessel related charges as given in Annexure A of the above MOU dated 18 November 2010 is enclosed herewith and market as Annexure A. The relevant extract of Annexure – A of the MOU entered between VPT and HPCL dated 31 March 2008 is reproduced below:
<table>
<tr><th rowspan="2">Sr. no.</th><th rowspan="2">Description</th><th>Foreign vessel</th><th>Coastal vessel</th><th rowspan="2">Remarks</th></tr>
<tr><th>(in US $)</th><th>(in ₹)</th></tr>
<tr><td>A.</td><td colspan="4">Vessel Related Charges</td></tr>
<tr><td>1.</td><td>Port dues vessels entering outer Harbour (rate per GRT)</td><td>0.2633</td><td>7.05</td><td>One time payment based on GRT of the vessel for each entry.</td></tr>
<tr><td>2.</td><td>Pilotage:</td><td></td><td></td><td></td></tr>
<tr><td>(a).</td><td>Vessel of GRT 30001 and above (rate per GRT)</td><td>0.4455</td><td>11.00</td><td>One time payment based on GRT of the vessel for one inward and one</td></tr>
</table>
</td><td>The rates at SPM are being collected as per the MOU between HPCL and VPT. The tariff is not appearing in the SOR of 2011 of VPT approved by TAMP. Hence our submission is to regularize the issue by notifying the rates in the revised proposal with retrospective effect. As such the rates as per the MOU will prevail.</td></tr>
</table>

				outward movement.
(b)	For on board Stay 1st Plot	8.05	540.00	Per hour of part thereof stay at SPM.
3.	Mooring / Berthing charges	104.94	4675.00	One time for each operation.
4.	Unmooring / Unberthing charges	104.94	4675.00	One time for each operation.
5.	TUG charges	397.78	10632.51	Per hour or part thereof subject to minimum of two hours.
6.	Anchorage charges per GRT	0.0008	0.02	Charges based on GRT of vessel per hour of stay at SPM.
7.	For usage of VPT Tug (Allowances and refreshments for crew)	133.87	5964.00	Per shift of 8 hours
B.	**Cargo Related Charges**			
1.	Wharfage on crude oil at SPM	17.00	17.00	Per tonne of cargo
2.	Oil cess	0.50	0.50	Per tonne of cargo

However, the tariff rates for vessel related charges are subject to change as revised by TAMP from time to time. Wharfage charges will be as per MOU, dtd. 31.03.2008 and oil cess as per Central Govt. levies.

(b). As per the last para of the said Annexure A which is forming part of MOU the above tariff rates for vessel related charges are subject to change as revised by TAMP from time to time.

(ii). It is seen that the new rates that were notified by TAMP vide Notification G. No.65 dated 31 March 2011 vide Order No.TAMP/13/2009-VPT dated 18 February 2011 which was made applicable till 31.03.2013 has been extended upto 31 March 2016 vide TAMP Notification G.No. 395 dated 8 December 2015. The vessel related charges namely port dues and pilotage fees a notified by TAMP vide Notification 31 March 2011 are given below:

Port Dues:

Port Dues					
Sl. No.	**Description**	**Unit**	**Foreign -going vessel (In US$)**	**Coastal vessel (In ₹)**	**Frequency of payment in respect of the same Vessel**
1	All category of vessels	GRT	0.2553	6.82	The dues is payable for each entry into the Port.

Pilotage Fee:

Sl. No.	**Description**	**Unit**	**Rate Per GRT**	
			Foreign-going vessel (in US $)	**Coastal vessel (in ₹)**
1.	All Vessels	GRT		
	1) Upto and inclusive of 30,000 GRT		US$ 0.4505	₹12.04
	2) 30,001 to 60,000 GRT		US$ 13515+US$0.3604 per GRT over 30,000 GRT	₹361256+9.63 per GRT 30,000 GRT

		3) 60,001 and above GRT		US$24327+US$0.3153 per GRT over 60,000 GRT	₹650260 + ₹8.43 per GRT over 60,000 GRT
		4) Minimum charges payable		US$1285	34348.05
	2	In case of cold move 25% of pilotage charges shall be levied extra for each cold move.			

(iii).	It is seen that for the crude oil vessels of HPCL handled at SPM for the period 09.05.2015 upto 31.12.2015 (20 number of vessels) the tariff charged by VPT is maintained at the rates given in the MOU for SPM dated 18 November 2010 and not as per the amended TAMP tariff rates vide Notification dated 31 March 2011. This has resulted in excess collection of pilotage charges and port dues to the extent of ₹1,83,51,940/- crores and ₹92,985/- respectively. This issues has been adversely pointed out by our Audit groups. We have taken up the issue with VPT vide our letters dated FIN/KBG/VPT dated 9 February 2016 and 23 February 2016. In response to the above, we have received letter FA/RES/HPCL/2016 dated 21 April 2016 from VPT saying that the matter has been taken up with TAMP in the Joint Hearing held on 18 March 2016 at VPT premises and it has been in principle agreed that the issue held regularized by notifying the rates in revised tariff proposal with retrospective effect. We strongly object to the above proposal of retrospective revision going against any of the agreed rates. The said retrospective revision if carried out would be against the commercial terms and conditions agreed between VPT and HPCL. We also submit that the Statutory Authority like TAMP should not allow VPT to renege on the commercially agreed terms and conditions and any revision should be made applicable on a prospective basis only. Kindly impress upon VPT to do the needful in this regard and refund the amount excess collected.	
2.	**Vizag Seaports Private Limited**	
(i).	In VPT, several BOT operators with huge Capital Investment are operating the Terminals paying substantial royalties to the VPT. As per the PPP Policy, at the end of the Concession period, the VPT will be the owners of the project facilities and Services which were built, financed and operated for 30 years by the BOT operators under the PPP Scheme irrespective of whether the envisaged R.O.I was realized by the BOT investors or not. Thus Government of India and the VPT is the net gainer.	No comments to offer in the context as it is governed by the concession agreement.
(ii).	The Royalty apart the spectacular gain to Government of India is the transfer of owner ship of the assets created by Bot operators at a nominal cost at the end of the license period, which can be	This is in terms of concession agreement.

	commercially exploited by VPT for another 70 years. As berths are built for a life expectancy of 100 years. VPT is still using berths built in 1935. We have completed 16 years of License period and we have only 14 years left to realize 16% ROCE that is envisaged in the PPP policy.	
(iii).	Their Tariff are fixed as per Tariff Guidelines, 2005 and 2008 and BOT Berths pay Royalties ranging from 17% to 47% per the terms of the respective License/Concession agreements. Royalty by itself contributes revenue ranging from ₹10 per ton to ₹70/ per ton approximately to VPT.	This is in terms of concession agreement
(iv).	VSPL are nowhere near the objective of achieving the return on capital employed but stare at not only our investments being completely wiped out but also with further financial liabilities devolving in servicing the debt, with no scope left for recovering the same during the currency of license period. The TAMP is in complete knowledge of the fact that nearly 505 of our gross revenue is consumed for debt servicing and from the balance available, expenses of return on investment. It is undeniable fact existing in your knowledge borne out of record in tariff proposals examined in great detail by TAMP.	This relates to Tariff fixation policy.
(v).	This situation arose solely due to very low, unfair and unreasonable tariffs levied on majority of berths operated by private stevedores on berth owned by VPT namely EQ 2 to EQ 6 (5 berths) and WQ2 to WQ5 (4 berths) by not adopting a fair rationale that would create a level playing field to all the operators.	Port's Tariff is fixed by TAMP.
(vi).	Stevedores of VPT, Make no Capital investment and also do not pay any Royalty and utilize the port infrastructure completely i.e. (a) Port Berths (b) port Labor at concessional rates (c) Port in close proximity to Berths (d) shore Cranes at low price compared to rates payable to BOT operators as fixed by the Authorities and (e) Berth Hire rates much lower than BOT Berths.	All charges i.e. Port dues, Port labour, Port plots, shore cranes are levied at prevailing rates of existing SOR. Now all the rates are being increased with hike of 40% in Port dues, 30% in pilotage, berth hire by 100% and 50% in wharfage.
(vii).	Current situation is not only impacting the BOT operators unfairly but also denying a fair revenue to Government of India from the operation carried out own port owned berths by passing the gain to stevedores.	Port is levying tariff as fixed by TAMP and reduction in rates under Section 53 by Board.
(viii).	It may be noted and it is a fact Users of the port facilities are not averse to pay for the services to BOT operators and are paying much higher rates for port services in minor ports for similar services being availed by them. Therefore Users denied cost effective operation is not a fair situation.	This is due to tariff policy capping ROCE to 16%.
(ix).	In the above backdrop, it has to be noted hitherto tariff rates of VPT were fixed based on what Trade can bear as expressed during the consultative meeting. This we feel, is unfair Trade practice as it totally disregards ensuring level playing field between BOT berths operated by VPT through the Stevedores. It may be noted that fixation on the principle of what trade can bear would lead to erosion of revenue to the port Trust as the tariff are fixed at rates lower than the rates of the BOT berths in the port Trust.	The rates are approved by TAMP based on the policy issued by Govt. of India from time to time.

(x).	Though Ministry of Shipping has laid down stevedoring Policy with port Trusts Fixing a celling rate and offering rebates if market conditions warrant, the policy is not adopted in Visakhapatnam port and instead upfront tariffs are kept lower for VPT berths without logic or rationale.	Implementation of Stevedoring Policy is under process.
(xi).	The argument espoused that if tariffs in port berths are kept uniform there can be loss of business for the ports with cargo migrating to alternate ports is completely untrue. If such a situation truly arise the option to reduce rates is open to the Board of respective ports has been authorized by government of India. Hence the theory that major ports need to keep tariffs low to remain competitive to retain business does not hold water. The fact is, to retain business matching infrastructure facilities in terms of adequate draft in navigable waters, well organized storage area and good road/rail network are the steps that are needed. With deepening of draft and improvement made in infrastructure VPT is adequately geared to match with competing ports.	The Board is empowered for reduction in tariff U/s 53 of MPT Act for good and sufficient reasons.
(xii).	VSPL therefore requested TAMP to kindly examine this issue in fair and transparent manner and ensure parity between BOT and VPT berths as far as fixation of Tariff is concerned it may be noted that Section 48 of the M.P.T Act too provides for fixation of uniform tariff for the same class of goods and vessels at the port. Anyhow, option is available to the Board of the Port Trust to grant concessions under the 2015 Tariff Guidelines which can be leveraged whenever required to retain the cargo share under competitive or adverse market conditions.	Comments not furnished by Port.

5. A summary of the specific comments received from the Indian Private Ports & Terminals Association (IPPTA) and reply furnished by the VPT is given below:

Sl. No.	Written submissions	Reply furnished by VPT
1.	**Indian Private Ports & Terminals Association**	
(i).	Government in Gazette Notification No.3 C dated 27.1.2015 notified the Tariff Policy, 2015 for Major Ports. The Preamble to the said policy requires Major Port Trusts to frame their tariff by reacting to the market forces. In order to operationalize the Tariff Policy, 2015, Government notified the Working Guidelines in G.No.207 dated 04.06.15.	Comments not furnished by Port.
(ii).	As per clause 2.6 of the Tariff Policy, 2015, Major Port Trusts are required to determine their Annual Revenue requirement taking into account the market forces based on its commercial judgment and draw their SOR within the ceiling of 16 % Return on Capital employed. This Clause reads as below: ***<Quote>*** Return of Capital Employed including capital work in progress as on 31st march 2014 is at 16%” ***<Unquote>***	Comments not furnished by Port.

<table>
<tr><td></td><td>Clause 2.10 of the Working guidelines clearly provides that the Major Port Trust shall frame market determined tariff, which read as below:

<Quote>

While drawing up the SOR, Major Port Trust as far as possible do away with advalorem wharfage rate if any, in the existing SOR of the concerned Major Port Trusts and determine specific wharfage rate in these cases taking into consideration special care to be taken for handling this cargo or a market determined tariff
<Unquote></td><td></td></tr>
<tr><td>(iii).</td><td>Section 48 of the Major Port Trust Act also mandates that for the same class of goods and vessels uniform tariff shall be framed by TAMP within the concerned Major Port. However, it is noticed that the objective of the above said policy guidelines and regulations intended for creating level playing field by encouraging adoption of market rates and earning optimum revenue by the Major Ports are not given due consideration by some of the Major Port Trusts as observed from the Scale of Rates proposed by Visakhapatnam Port Trust to TAMP for revision of their Scale of Rates.</td><td>Comments not furnished by Port.</td></tr>
<tr><td>(iv).</td><td>The scale of rates of VPT have been proposed by working out their ARR at just 8% of their ROCE instead of 16% of ROCE. This is done by reduction of present tariff on certain items like wharfage for certain classes of goods and reduction of Dock Labour Levy by 110%.</td><td>VPT has considered 8% ROCE instead of 16% ROCE
(i). Based on market situation

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

The wharfage rates have been increased by 50% for all cargoes uniformly in the proposed SOR.

The port is considering dynamic price adjustment to face competition by exercising Section 53 of the MPT Act 1963 and hence the CHD levy has been reduced from 265% to 150%.</td></tr>
<tr><td>(v).</td><td>We observe that VPT have overlooked the fact that there is a BOT terminal, VSPL handling Multi-cargoes like Gypsum, Manganese Ore, Iron Ore, Fertilizers etc., collecting wharfage fixed by TAMP since 2005 and he Wharfage rates collected by VSPL has been accepted by market for the last ten years. VPT instead of adopting the wharfage rates of VSPL for Gypsum, Manganese Ore etc. which is the market determined rate, has proposed lower rates than the rates fixed by TAMP for VSPL since 2009. The comparative Wharfage rates of VSPL with VPT’s proposed SOR to TAMP are furnished below:</td><td>VPT has considered 50% increase in proposed wharfage rates on all cargoes uniformly and not for the 8 cargoes as mentioned by VSPL. Hence no change is considered for the 8 cargoes mentioned by VSPL.</td></tr>
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<tr><th>Cargo</th><th>Wharfage rate per ton in Rs. of VSPL</th><th>Wharfage rate of VPT now proposed in SOR (Rs/Ton)</th></tr>
<tr><td>Gypsum</td><td>44.85</td><td>36.00</td></tr>
<tr><td>Managanese Ore</td><td>21.30</td><td>14.85</td></tr>
<tr><td>Iron Ore</td><td>24.70</td><td>20.25</td></tr>
<tr><td>Iron Ore Pellets</td><td>25.80</td><td>23.25</td></tr>
<tr><td>Fertilizers</td><td>32.50</td><td>41.25</td></tr>
<tr><td>Limestone</td><td>33.65</td><td>36.00</td></tr>
<tr><td>Bauxite</td><td>40.00</td><td>34.50</td></tr>
<tr><td>Coking Coal</td><td>37.00</td><td>39.00</td></tr>
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As may be seen above, the Wharfage rates of Gypsum, Manganese Ore and Iron Ore are proposed lower than the tariff of VSPL while Wharfage rates of other Cargos stated above which are not mainly handled by VSPL have been proposed at rates higher than VSPL. Needless to say this will create unhealthy competition within VPT between VPT berths where cargos are handled by Stevedores who are not paying any revenue share to the VPT against the BOT Terminal which has made substantial investment to develop the berths, Operate for 30 years under BOT with Revenue share to the Port. Here the logic that increasing the wharfage rates for Gypsum, Manganese Ore and Iron Ore will result in diversion of cargo to neighbouring port will not hold good as entire Gypsum at VPT is now handled at VSPL only and no cargo migrated to Gangavaram Port and the wharfage rates of VSPL are already accepted and paid by customers for about seven years.
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<td>(vi).</td>
<td>In fact, it is the Fertilizer cargoes that have migrated from VPT to Gangavaram Port in the last year for which the Wharfage rate is interestingly now increased than VSPL’s wharfage rates. Similarly, the wharfage rates are increased for Limestone, Bauxite and coking coal. Thus, the reason that the Wharfage rates of Gypsum, Iron Ore and Manganese Ore are fixed based on commercial judgement is not valid and by fixing lower wharfage rates, VPT is deprived of its due revenue based on the market rate. This discriminatory action of VPT will only create unhealthy competition within VPT and its’ BOT which is contrary to the Tariff Policy, 2015 of the Government.</td>
<td>Comments not furnished by Port.</td>
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