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Tariff Authority for Major Ports

G.No.218 **New Delhi,** **9 June 2015**

NOTIFICATION

In exercise of the powers conferred by Sections 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the Vizag Seaport Private Limited for general revision of its Scale of Rates for operation of berths EQ-8 and EQ-9 at the Visakhapatnam Port Trust as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/18/2014-VSPL

Vizag Seaport Private Limited - - - Applicant

QUORUM:

(i). Shri. T.S. Balasubramanian, Member (Finance)
(ii). Shri. C.B. Singh, Member (Economic)

O R D E R
(Passed on this 15th day of May 2015)

This case relates to a proposal dated 10 March 2014 received from the Vizag Seaport Private Limited (VSPL) for general revision of its Scale of Rates (SOR) for the vessels handled by it at berth nos.EQ-8 and EQ-9 at the Visakhapatnam Port Trust (VPT).

2.1. The existing SOR of the VSPL was approved vide Order No.TAMP/5/2011-VSPL dated 11 October 2011. The validity of the SOR was prescribed till 31 March 2014.

2.2. This Authority has extended the validity of the existing SOR of VSPL a couple of times and the last extension of validity of the SOR was granted vide Order dated 2 January 2015 till 31 March 2015 subject to the condition that surplus over and above the admissible cost and permissible return for the period post 1 April 2014, if any, will be setoff fully in the tariff to be determined.

2.3. In the last tariff Order, this Authority has approved the following for the reasons stated therein:

(i). New tariff for gantry unloader at ₹26.30 per tonne.

(ii). New tariff of ₹3.20 per tonne as charges for maintenance of railway siding.

(iii). Effected reduction in tariff of 104 T HMC from the then prevailing rate of ₹72.75 per tonne to ₹36.70 per tonne.

(iv). Reduction in tariff for Bulk Material Handling System (BMHS) from ₹197.75 per tonne to ₹161.70 per tonne. Reduction in consolidated rate, if all integrated terminal service of BMHS is availed, from then prevailing ₹188.75 per tonne to ₹152.70 per tonne.

2.4. It is relevant here to state that the VSPL vide its Writ petition no.33402 of 2011, has challenged before the Andhra Pradesh High Court the tariff Order No.TAMP/5/2011-VSPL dated 11 October 2011 passed by this Authority to the extent of reduction effected in the tariff of Harbour Mobile Crane (HMC) from ₹72.75 per tonne to ₹36.70 per tonne. The Hon'ble High Court has passed an interim Order on 19 December 2011 permitting the VSPL to charge and collect at ₹72.75 per ton until further orders. The Hon'ble Court has also directed that for all such tariffs, levied and collected on HMC after 22.12.2011, the Petitioner shall keep an account of every such transaction and in the event of the Petitioner not succeeding in its W.P., any amount collected by VSPL over and above the tariff of ₹36.70 per tonne fixed under the impugned order shall be subject to further orders of the Hon'ble Court.

2.5. As per the Order No.TAMP/23/2003-WS dated 30 September 2008 passed by this Authority for clarifying certain areas of the existing approach/practice followed in tariff setting exercise, the major port trusts and private terminals operators have to file their tariff revision proposal by 30 June of the financial year in which the tariff revision falls due. Accordingly, VSPL had to file its proposal by 30 June 2013.

2.6. It is, however, relevant to state that as per clause 3.1.3 of Tariff guidelines of 2005 the port trusts/private terminal operator can file their proposal with this Authority at least three months before they are due for revision i.e. in the case of VSPL by 31 December 2013.

2.7. The VSPL, vide its letter dated 31 December 2013, sought time till 31 January 2014 to file its proposal.

3.1. The VSPL has subsequently vide its letter dated 10 March 2014 filed its proposal for general revision of its SOR without prejudice to the contentions and prayers in the Writ Petition filed by it challenging October 2011 tariff Order.

3.2. As per Sections 48, 49 and 50 of the Major Port Trusts (MPT) Act, 1963 this Authority is mandated to frame the Scale of Rates and the statement of conditions for the major port trusts and the private terminals operating thereat. Considering the mandate given to this Authority by the MPT Act and the tariff guidelines of 2005, which are issued as policy direction to this Authority by the Government and also recognizing that the VSPL itself has filed its proposal though the earlier tariff Order was challenged by it on the tariff item of HMC, the proposal filed by VSPL was taken up for processing and consultation.

3.3. The main submissions made by VSPL in its proposal are summarised below:

(i). Being aggrieved by the TAMP Order No.TAMP/5/2011-VSPL dated 11 October 2011 approving the existing SOR to the extent of reduction in the tariff for Harbour Mobile Crane (HMC) from ₹72.75 per tonne to ₹36.70 per tonne, the VSPL has filed a writ petition no.33402 of 2011 before the Andhra Pradesh High Court. The Hon'ble High Court has passed an interim order on 19 December 2011 permitting the VSPL to charge and collect at ₹72.75 per ton until further orders.

(ii). Accordingly, without prejudice to the claims, contentions and prayers in the said writ petition, the VSPL has submitted its proposal for revision of SOR w.e.f. 1 April 2014.

<u>The approved rate of ₹36.70 per tonne for the HMC is considered in the Consolidated Income and Cost Statement for the terminal as a whole purely for the purpose of comparing and calculating the surplus at the rates approved in TAMP order dated 11 October 2011 and at the rates now proposed for the next three years i.e. from 2014-15 to 2016-17. Hence, the adoption of HMC rate of ₹36.70 per ton in the instant proposal under the head, 'Operating Income at Existing Tariff' shall not be construed as acceptance by VSPL for adoption of the reduced HMC rate as per current Tariff order. As the tariff order dated 11 October 2011 challenged by VSPL is pending for disposal, no treatment for adjustment of the past surplus has been given in the consolidated income and cost statement.</u>

(Note: *The income reported in Annual Accounts of VSPL for HMC is based on the interim judgment of the Hon'ble High Court which permits VSPL to collect ₹72.75 per tonne.)*

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

(i). Actuals for the years 2011-12 and 2012-13 and for first six months in 2013-14 and estimates for the years 2014-15 to 2016-17 are furnished.

(ii). (a). Actual traffic handled in the years 2011-12, 2012-13 and 2013-14 (6 months) is reported at 55,73,572 Million Tonnes (MT), 57,46,761 MT and 27,22,011 MT (for six months) respectively.

(b). Traffic for the years 2014-15 to 2016-17 has been estimated based on the actual traffic handled during the years 2011-12, 2012-13 and first 6 months in 2013-14. Traffic for the years 2014-15 to 2016-17 has also been estimated at current level considering impact of competition from General Cargo Berth (GCB) of VPT and other berths.

(c). The traffic estimated for the years 2014-15 to 2016-17 is given below:

2014-15	---	57,50,000 MT
2015-16	---	59,52,500 MT
2016-17	---	62,50,125 MT

(iii). The actual income for the years 2012-13 and 2013-14 (6 months) is reported at ₹10,559.07 lakhs and ₹5054.12 lakhs respectively. Income for the years 2014-15 to 2016-17 is estimated for the traffic projections at the existing tariff. The income estimated for the years 2014-15 to 2016-17 is as below:

		₹ in lakhs
2014-15	---	9,455.97
2015-16	---	9,683.08
2016-17	---	10,274.49

(iv). Operating Income from Cargo Handling Activity and expenditure towards stevedoring charges at General Cargo Berth (GCB) of VPT for the years 2011-12, 2012-13 and 2013-14 (6 months) reported in the Annual Accounts is not considered for tariff fixation purpose.

(v). (a). As per the Short Term Agreement (STA) with Steel Authority of India (SAIL) for handling cargo, VSPL had agreed to provide integrated terminal services for an average rate of ₹175 per MT which is ₹34 less than the rate approved by the Authority in October 2011 tariff Order. Discounts/Rebates offered are detailed below:

Period from	To	Qty handled	Rate Collected	TAMP Rate	Discount	Amount
1st April 2011	Upto 5th May 2011	2,52,906	171.85	209.40	37.55	94,96,620
6th May 2011	Dec 2011	12,50,000	180.73	209.40	28.67	3,58,37,500
Jan 2011	March 12	4,21,924	175.73	209.40	33.67	1,42,06,181
1st April 2012	Upto 5th May 2012	1,59,805	175.73	209.40	33.67	53,80,634
6th May 2012	March 2013	16,77,998	180.73	209.40	28.67	4,81,08,203
1st April 2013	11th May 2013	2,55,512	180.73	209.40	28.67	73,25,529
12th May 2013	30th Sep 2013	6,45,085	162.00	209.40	47.40	3,05,77,029
		46,63,230	**175.36**	**209.40**	**34.04**	**15,09,31,696**

(b). Consequent effect on revenue on account of lower rates charged and/ or allowing of higher rebates and discounts estimated for the period 2014-17 is detailed below:

Period from	To	Qty to be handled	Rate to be Collected	TAMP Rate	Discount	Amount
1st April 2014	31st March 2015	2,000,000	166.50	206.70	40.20	80,400,000
1st April 2015	31st March 2016	2,000,000	174.83	206.70	31.88	63,750,000
1st April 2016	31st March 2017	2,100,000	183.57	206.70	23.13	48,580,875
		6,100,000	**174.96**	**206.70**	**31.74**	**192,730,875**

An amount of ₹19.27 crores has been estimated as the notional income in the projections. Since VSPL has an agreement with SAIL for charging an all-inclusive rate of ₹166.50, it is requested to consider the above notional income.

(vi). The ratio (in percentage) adopted for estimation of income and expenditure for different type of operations is as detailed below:

Type of operation	Stevedoring	Stevedoring with vessel gear	Deployment of crane	Stevedoring+ Gear + Shore handling	BMHS
BMHS	NA		NA	NA	100%
Stevedoring	16.5 %	5%	NA	11.5%	NA
Deployment of crane	28.0 %	NA	28 %	NA	NA
Stevedoring+ Gear + Shore handling	55.5%	NA	55.5%	55.5%	NA
Total	100%		83.5%	67%	

For expenditure projections other than BMHS, quantum of traffic considered is 100% for stevedoring services, 83.5% for cranage and 67% for shore handling.

(vii). Plot rent is estimated for 67% of the traffic projections in respect of cargo other than BHMS cargo. From the year 2015-16 onwards, plot rent is estimated for remaining 33% of traffic in view of development of 30.5 acres of stock pile area at Exim Park.

(viii). Escalation in cost is estimated at 7% per annum.

(ix). Royalty to port is considered to the extent of second highest bidder i.e. 12.811% as per the stipulations in Tariff guidelines.

(x). Lease rents are estimated at the level to be paid to VPT.

(xi). (a). Additions proposed to gross block is ₹820.80 lakhs, ₹2380.77 lakhs and ₹4747.69 lakhs during the years 2014-15 to 2016-17 respectively. The details of major items of additions to the gross block estimated by VSPL are tabulated below:

(**₹ in lakhs**)

Sl. No.	**Details of additions to Gross Block**	**2014-15**	**2015-16**	**2016-17**
1.	Dredging	820.80	--	--
2.	Strengthening of berth super structure and wharf	--	2380.77	--
3.	Development of Storage yard at Exim Park	--	--	4747.69
	TOTAL	**820.80**	**2380.77**	**4747.69**

(b). Rationale for the proposed investments as given by VSPL is as below:

(i). Dredging in front of berth:
As per license agreement, it is the obligation of the VSPL to dredge the water front in front upto 50 mtrs. from the berth front. The VPT has been deepening the inner harbor channels in the Northern arm upto -16.10 mtrs. of dredged draft to enable berthing of fully laden Panamax vessels. The present draft at EQ8 and EQ9 berths upto 50 mtrs. of the berth front is to be deepened by VSPL to 16.10 mtrs.

(ii). Strengthening of berth super structure and wharf:
On account of handling of higher volume of cargo, a study on stability and load bearing especially under the situation of heavy rains was made by an expert team on marine structure. As per the expert team's report it is proposed to strengthen the super structure of berth and wharf.

(iii). Investment in additional land at Exim park:
Inadequate storage area commensurate with the volume growth is a major constraint. Present back up area is unstable, necessitating reduction in load. Hence, it is proposed to invest in developing additional land of 30.5 acres at Exim park area. The VPT has allotted the necessary land on 27 January 2014. ₹4747.69 lakhs is estimated to be spent in the year 2016-17.

4.1. To summarize, the overall cost position for the years 2011-12 to 2013-14 (6 months) based on actuals and the estimates for the years 2014-15 to 2016-17 at the existing tariff as per the cost statement furnished by the VSPL is tabulated below:

(**₹ in lakhs**)

Sl. No.	Particulars	Actuals			Estimates		
		2011-12	**2012-13**	**2013-14 (for 6 months)**	**2014-15**	**2015-16**	**2016-17**
(i).	**Traffic (in MMT)**	5.57	5.75	2.72	5.75	5.95	6.25
(ii).	Total operating Income	9664.86	10559.07	5054.13	9455.97	9683.08	10274.49
(iii).	Total Operating Cost (including depreciation, management overheads and FMI – FME)	6229.58	6797.19	3813.83	7553.04	8069.44	8770.93
(iv).	Capital Employed	23554.64	22603.97	21964.19	21461.10	22404.71	25496.58
(v).	ROCE	3768.74	3616.63	1757.13	3433.77	3584.75	4079.43
(vi).	**Net Surplus / (Deficit)**	**(333.46)**	**145.25**	**(516.83)**	**(1530.84)**	**(1971.11)**	**(2575.87)**
(vii).	Net Surplus / (Deficit) as % of operating income	(-)3.45%	1.38%	(-)10.23%	(-)16.19%	(-)20.36%	(-)25.07%
(viii).	Average net surplus /deficit in % for three years	(-)4.10%			(-)20.54%		

4.2. The VSPL has sought revision of rates in the following tariff items in the existing SOR in its proposal:

(i). Berth hire:
As against the existing berth hire of USD 0.0020 per hour, the VSPL has proposed berth hire of USD 0.0072 per hour. The increase proposed in berth hire is 260% over the existing berth hire.

(ii). Wharfage, stevedoring charges, demurrage charge and storage charges:
No change is proposed in these tariff items. Status quo maintained.

(iii). Shore Handling charges:
The shore handling charges for iron ore is proposed at ₹45/- per tonne as against the existing rate of ₹40/-. The increase works out to increase of 12.5% over the existing rate.

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

(a). Presently, tariff for Bulk Material Handling Services (BMHS) comprising of 104 MT Harbour Mobile Crane, mobile hoppers, conveyor and stackers, wagon loading sampling system and leveling, labelling and photographing is prescribed at ₹161.70 per tonne. In order to attract more cargo, 13.60% reduction is proposed in this tariff item i.e. at ₹159.50 per tonne.

(b). Integrated terminal service charges covering all items under BMHS is proposed to be reduced from ₹152.70 per tonne to ₹150 per Tonne.

(v). Discharge of cargo with 104 MT Harbour Mobile Crane (HMC):
As against the existing per tonne rate of ₹36.70 approved by the Authority in the last Order the VSPL has proposed rate of ₹64 per tonne for 104 T HMC.
(Note: The tariff reduction effected in the last Order of October of 2011 has been challenged by VSPL and the operator is levying pre-revised rate of ₹72.75 per tonne based on interim relief granted by the Honourable High Court.)

(vi). The charges for hire of gantry unloader, dust suppression system charge, weighment charges are proposed to continue at the existing tariff level.

(vii). Charges for other services.

5. In accordance with the consultation process prescribed, the proposal dated 10 March 2014 received from the VSPL was circulated to the VPT and the concerned users/ user organisations on 3 April 2014 for seeking their comments. No comments have been received from any user/ organisation except VPT. The comments received from the VPT was forwarded to the

VSPL as feedback information. The VSPL vide its letter dated 29 September 2014 has furnished its comments on the comments of the VPT.

6.1. Based on the preliminary scrutiny of the proposal, the VSPL was requested to furnish information / clarifications vide our letter dated 29 September 2014. The VSPL vide its letter dated 20 November 2014 has furnished its reply on the queries raised by us subsequent to the joint hearing, which are brought out in the subsequent paragraphs along with the revised cost statement filed by VSPL for the years 2014-15 to 2016-17.

6.2. The VPT was also requested to furnish its specific comments on some of the points with reference to the proposal of the VSPL vide our letter dated 29 September 2014. The VPT vide its letters dated 17 December 2014 and dated 06 March 2015 has furnished its reply subsequent to the joint hearing, which are brought out in the subsequent paragraphs.

7. A joint hearing in this case was held on 7 October 2014 at the VPT premises. The VSPL made a brief presentation of its proposal. At the joint hearing, the VSPL, VPT and the concerned users/ organisation bodies have made their submissions.

8.1. As decided at the joint hearing, both the VSPL and VPT were requested vide our letters dated 16 October 2014 to furnish their response to the queries raised by us vide our letters dated 29 September 2014.

8.2. At the joint hearing, the Visakhapatnam Steamship Agent Association (VSAA) has filed its written submissions dated 6 October 2014 on the subject proposal. As decided at the joint hearing, a copy of the written submissions made by VSAA was forwarded to VSPL vide its letter dated 20 November 2014.

8.3. Subsequent to joint hearing, Visakhapatnam Stevedores Association jointly with Visakhapatnam Customs Clearing Agents Association, Visakhapatnam Customs House Agents Association and Visakhapatnam Steam Ship Agents Association vide their letter dated 22 December 2014 have furnished their comments on the subject proposal. A copy of the said comments was forwarded to VSPL as feedback information. The VSPL has furnished its reply vide its letter dated 20 January 2015.

9.1. In response to point of action brought out at para 8.1. above, the VSPL has furnished its response to our queries as well as furnished updated proposal vide its letter dated 20 November 2014 and subsequent letter dated 7 January 2015, e-mails dated 25 February 2015, 18 March 2015, 1 April 2015, 6 April 2015, 6 April 2015 and 28 April 2015. A summary of the queries raised by us and the corresponding replies furnished by the VSPL is tabulated below:

Sl. No.	Queries raised by us	Reply furnished by VSPL
A.	**GENERAL:**	
(1).	VSPL has furnished actual figures of traffic, income and expenditure only for the first six months of the year 2013-14 in the cost statements forwarded along with its proposal. Since the year 2013-14 is over, VSPL to update the figures with actuals for the year 2013-14 duly reconciling the figures with those reported in the audited Annual Accounts. A copy of the Audited Annual Accounts for the year 2013-14 also to be forwarded. Consequent to updating the figures of 2013-14 with actuals for the full year, the estimates for the subsequent years viz. 2014-15 to 2016-17 may also be reviewed and modified, if necessary, with reference to the actuals for the year 2013-14.	Figures have been updated based on actuals for 2013-14. Copy of the audited Annual Accounts for 2013-14 reconciling the figures with Actuals for 2013-14 is furnished. Based on actuals for 2013-14, estimates for 2014-15 to 2016-17 have been reviewed and suitably modified.
(2).	As stipulated under clause 6.8. of the 2005	The said clause also provides that while fixing

	tariff guidelines, benchmark levels of productivity may be indicated and incentives may be proposed for better performance of the terminal and disincentive for performance below the benchmark level.	bench mark levels, local factors relevant to the port and seasonal variations will also be borne in mind. As pointed out in our last tariff proposal, VSPL as the first Bulk cargo Terminal faces several unique problems such as geographical location, inadequate draft, nature of cargo, load condition, Restricted storage area, Non-availability of adequate Railway rakes for timely cargo evacuation, dwell time of cargo, stringent Environmental norms etc. Targeted productivity level has been indicated in Form 1. Despite this, VSPL offers following incentives to customers: (a). Committed discharge rate of 18000 to 22000 (depending on cargo) resulting in receiver earning dispatch money with minimum dwell time of vessel. (b). Limiting cargo losses to a maximum of 0.5% against the 2% cargo losses allowed under conventional operations. (c). Constant monitoring of moisture level of cargos and deliver on dry to dry basis without additional cost. (d). Online sampling and Analysis during discharge and dispatch of cargo. VSPL undertakes penalty commitment ranging from USD 8000 to 30000 if committed discharge rate is not achieved (Disincentive). In this regard, it may be noted that the expenditure of ₹3.7 crores from 2011-14 towards penalty for not achieving committed discharge rate has been excluded and as such absorbed by VSPL as dis-incentive.
B.	**FINANCIAL/ COST STATEMENTS:**	
(1).	**Analysis of actuals vis-à-vis estimates for the past period (Form-7):**	
(i).	In the last tariff Order approved by the Authority on 11 October 2011, the estimates for the year 2011-12 considered adjustments of ₹1,073.49 lakhs at Sr. No.(xv) of Annex - I(a). The above adjustment needs to be shown in the estimates for the year 2011-12 in Form 7.	The adjustment of ₹1073.49 lakhs and past surplus as mentioned in the last tariff Order has been shown in Form 7 for the year 2011-12 to 14 without prejudice to our contentions in our W.P filed against the last tariff Order.
(ii).	The estimates for the year 2013-14 considered by VSPL in Form 7 is for nine months only. This may be replaced with the estimates for the full year as considered in the tariff Order since the year 2013-14 is already over. Consequently, the actuals for the year 2013-14 may also be updated with actuals for the full year reported in the Audited Accounts as stated in our earlier query.	Updated with Actuals as suggested.
(iii).	The preliminary and upfront fee write off furnished in the cost statement at ₹30.74	Total preliminary and upfront fee write off for the year is ₹33.10 lakhs, which includes upfront fee

	lakhs for the years 2011-12 and 2012-13 do not match with the figure of ₹33.10 lakhs considered in the last tariff revision by VSPL as well as by the Authority. Reconcile the difference.	write off of ₹30.78 lakhs and preliminary expenditure written off of ₹2.32 lakhs. A statement on amortization of preliminary and upfront fee is furnished as Appendix 2. Accordingly cost statements are updated.
(iv).	With reference to Note 4 of Annex - VI wherein the VSPL has furnished the details of discount offered by VSPL to SAIL for the period 1 April 2011 to May 2013, the following points need to be clarified:	
(a).	The VSPL has stated that average rate collected from SAIL as per the Short Term Agreement (STA) entered by it with SAIL to provide Integrated Terminal Service Charges (ITSC) is ₹175 per tonne. Whereas the STA forwarded by SAIL on one of the references made by them about lease rental show that the ITSC rate agreed between both the parties in STA is ₹167/ tonne. This was also the figure referred by VSPL in its letter dated 13 September 2013. It is not clear as to how the ITSC rate now given by the VSPL differs.	During the previous Tariff Cycle, M/s.Steel Authority IL has revised rates as detailed in Appendix 3A. Revised letters from SAIL are enclosed as Appendix 3B. In other words, the initial ITSC rate was ₹167/ tonne which is subject to applicable escalation as per agreement. The average ITSC rate for the STA period is ₹175 per tonne.
(b).	Notwithstanding the above position, as the tariff approved by the Authority for VSPL in the Order dated 11 October 2011 is for operation and maintenance of EQ-8 and EQ-9 berth of VPT as per the License Agreement (LA) entered between VSPL and VPT, and on perusing the STA entered between VSPL and SAIL, it is seen from clauses 5.33 and 5.34 that it covers stevedoring operation by VSPL at GCB, barge operating at NOM or other places nominated by VPT. Further, the concluding para of our letter no.TAMP/34/2003-Misc. dated 18 March 2004 to SAIL on one of their references with a copy endorsed to the VSPL is reiterated that components of Integrated Terminal Service Charge (ITSC) of ₹167 per tonne which is reportedly based on Short Term Agreement of March 2008 mutually agreed between both VSPL and SAIL do not match with the components prescribed in the Schedule 4.4. of the Order of March 2009 and Schedule 4.5. of the Order dated October 2011 prescribing the rate for material handling system. Therefore, as stated in our said letter of March 2004 the agreed rate of ₹167/- does not fall under the scope of Scale of Rates of VSPL approved by the Authority. That being so, relevance of drawing comparison of the rate in the STA wherein services fall beyond the scope of service of the license given by the VPT to VSPL with the rate approved by the Authority is not clear.	Services performed for SAIL at EQ-8 berth of VSPL for which the rate of ₹167/ tonne was fixed under the STA falls under the scope of Scale of Rates fixed by TAMP under charges for Material Handling system. As submitted to the authorities in response to their letter dated 18 March 2014, the rate of ₹167/ tonne is the discounted rate to the charges for BMHS prescribed in our SOR.
(v).	Annex-VIII i.e. Annex to Form VII:	
(a).	Note II (2011-12) and Note VI (2012-13): Expenditure reported towards shortfall in discharge rates for handling panamax vessel	Excluded as suggested. No estimates are made on this account in the

	of SAIL arising out of bilateral agreement between SAIL and VSPL was not allowed in the past period analysis and also in the estimates of 2011-12 to 2013-14 in the last tariff Order. That being so, expenditure reported in the Annual Accounts on the same account at ₹126 lakhs in the year 2011-12 and ₹112 lakhs in the year 2012-13 and the expenditure, if any, reported in 2013-14 Annual Accounts on the same account should be excluded for a like to like comparison with the estimates. Also confirm estimates for the years 2014-15 to 2015-16 do not capture this item of expense.	next tariff cycle. (Expenditure on this account is ₹126, ₹112.95 and ₹87.74 lakhs for the year 2011-12, 2012-13 and 2013-14 respectively.)
(b).	One of the points made by VSPL at Note-VI (2012-13) is that ₹59 lakhs has been included in the actual expenditure in the year 2012-13 towards wagon damage collected by VPT in an arbitrary manner. The VSPL to justify how the charge towards damage incurred by VSPL can form as an item of expenditure in tariff review/ fixation exercise with a brief note about circumstances requiring the VSPL to pay VPT the wagon damages.	VPT has been arbitrarily charging the wagon damages without any basis or evidence that the wagons were damaged while loading in our terminal. Most of the wagon damages claimed pertained to cargo loaded from BMHS mechanically for which wagon damage does not arise. Though TAMP initially ordered for refund of the wagon damages to VPT, subsequently after review in its Order dated 28 September 2012, held that wagon damage charges are not fixed by Tariff Authority as it is collected as per tariff fixed by Railways. Our objections and contentions to VPT in this regard are furnished as Appendix 4. As this expenditure has been incurred in the course of our normal operations and become incidental to our operations, it is requested to allow the same as an item of expenditure.
(vi).	The Authority in the last tariff Order based on the estimated surplus position reflected in the cost statement had effected reduction in the then existing hire charge of 100T HMC from ₹72.75/ tonne to ₹36.70/ tonne. The VSPL has filed Writ Petition No.33402 of 2011 challenging the reduction effected in the hire charge of HMC in the High Court of Andhra Pradesh. The Hon'ble High Court vide its Order dated 22 December 2011 has given interim relief allowing VSPL to charge the pre-revised rate of ₹72.75 per tonne pending disposal of the Writ Petition. In this regard, the VSPL to furnish the following information:	
(a).	Indicate the rate of hire charge applied by the VSPL for 100T HMC in the actual revenue reported for the years 2011-12 to 2013-14.	We are not able to collect the rate of ₹72.75/ tonne despite the interim relief from the customers due to competition and lower rate fixed by TAMP at VPT for the two HMCs.
(b).	The unit rate approved by the Authority for BMHS at schedule 4.5 is ₹161.70 per tonne which also includes HMC rate of ₹36.70 per tonne. The consolidated rate approved by the Authority for availing integrated terminal service at BMHS is ₹152.70 per tonne. Indicate the unit rate levied by VSPL for handling cargo at BMHS for the years 2011-12 to 2013-14.	Unit rate levied for handling cargo through BMHS for the years 2011-12 to 2013-14 is ₹36.70/ tonne only.
(c).	Furnish detailed computation of revenue	(a). A statement showing revenue collected for

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<td>collected from HMC for the traffic handled by it for the years 2011-12 to 2013-14 at the rate collected by VSPL based on interim relief granted by the Hon'ble High Court. Also, furnish similar working at the rate of ₹36.70/ tonne as approved by the Authority in the last tariff Order.</td>
<td>deployment of HMC and collectable as per TAMP from 15.12.2011 to 31.03.2014 is furnished in Annexure 5 vide its letter dated 7 January 2015 which is tabulated below:
<table>
<tr><th>Year</th><th>Revenue Collected</th><th>Revenue Collectable</th><th>Excess collected with respect to TAMP rate</th></tr>
<tr><td>2011-12</td><td>34,086,690</td><td>29,650,946</td><td>4,435,744</td></tr>
<tr><td>(from 15.11.2011)</td><td></td><td></td><td></td></tr>
<tr><td>2012-13</td><td>127,779,904</td><td>110,812,873</td><td>16,967,031</td></tr>
<tr><td>2013-14</td><td>138,256,882</td><td>118,400,872</td><td>19,856,011</td></tr>
<tr><td>Total</td><td>300,123,476</td><td>258,864,691</td><td>41,258,786</td></tr>
</table>
(b). The VSPL vide its email dated 18 March 2015 has furnished revised working of revenue collected from HMC deployment and collectable as per TAMP which is tabulated below:
<table>
<tr><th>Year</th><th>Revenue Collected</th><th>Revenue Collectable</th><th>Excess collected with respect to TAMP rate</th></tr>
<tr><td>2011-12</td><td>22,018,254</td><td>17,582,510</td><td>4,435,744</td></tr>
<tr><td>(from 15.11.2011)</td><td></td><td></td><td></td></tr>
<tr><td>2012-13</td><td>82,924,841</td><td>65,957,810</td><td>16,967,031</td></tr>
<tr><td>2013-14</td><td>90,609,219</td><td>70,753,209</td><td>19,856,011</td></tr>
<tr><td>Total</td><td>195,552,314</td><td>154,293,529</td><td>41,258,786</td></tr>
</table>
</td>
</tr>
<tr>
<td>(d).</td>
<td>The interim relief granted by the Hon'ble High Court also requires the VSPL to maintain an account of every transaction of the amount allocated by VSPL over and above the tariff of ₹36.70 per tonne. The VSPL to confirm that the differential in the revenue figures sought in query (b) above matches with the separate account to be maintained by VSPL as per the directions of the Hon'ble High Court.</td>
<td>As per the directions of the Hon'ble High Court, we are maintaining a separate invoice wise account from 15 November 2011 onwards.</td>
</tr>
<tr>
<td>(vii).</td>
<td>If the actual income reported in the Annual Accounts of 2011-12 to 2013-14 are net of discounts allowed, then furnish the revenue realisable at the ceiling level of tariff prescribed by this Authority. A detailed working of the income for the years 2011-12 to 2013-14 based on the actual traffic handled and applying the rates approved in Scale of Rates of VSPL may be furnished.</td>
<td>The required details have been furnished in Appendix 6 without prejudice to our contentions in our writ petition pending before the AP High Court. The issue is as such under dispute. The VSPL vide its letter dated 7 January 2015 has furnished details of discount offered to customer during the period 2011-2014, which is tabulated below:
<table>
<tr><th>Particulars</th><th>2011-12</th><th>2012-13</th><th>2013-14</th><th>Total</th></tr>
<tr><td>Discount offered to SAIL</td><td>59,540,301</td><td>53,488,837</td><td>69,446,878</td><td>182,476,017</td></tr>
<tr><td>Discounts offered to customers (other than M/s.SAIL)</td><td>6,749,261</td><td>6,904,061</td><td>6,185,413</td><td>19,838,734</td></tr>
<tr><td></td><td>66,289,562</td><td>60,392,898</td><td>75,632,291</td><td>202,314,751</td></tr>
</table>
</td>
</tr>
<tr>
<td>(viii).</td>
<td>The income considered by the VSPL for the past period 2011-12 and 2012-13 include miscellaneous income of ₹75.70 lakhs in the year 2011-12 and ₹78.28 lakhs in the year 2012-13 reported in the Annual Accounts in Schedule 2.16 "Other Operating Revenue". Clarify the nature of this miscellaneous revenue income and confirm whether it relates to the operations rendered by VSPL at EQ-8 and EQ-9 berths. Clarify whether the estimates for the years 2014-15 to 2016-</td>
<td>₹75.50 lakhs in the FY 2011-12 is inclusive of ₹60 lakhs towards supervision charges for floating crane at outer harbor, ₹5,50,874 towards dispatch earnings and ₹10,18,955 on account of fresh water supply charges.

₹78.28 lakhs in the FY 2012-13 is inclusive of ₹60 lakhs towards supervision charges for floating crane at outer harbor and ₹14,29,073/- towards dispatch earnings and remaining for other miscellaneous income.</td>
</tr>
</table>

	17 also capture this item in the income estimates.	Since the revenue of ₹60 lakhs earned from outer harbor operations the same has been excluded. Similarly dispatch earning as per the individual agreement with customers are excluded in line with exclusion of corresponding penalty for short fall in discharge commitment for FY 2011-12 and FY 2012-13. It is clarified that we have not estimated any of the above for FY 2014 to 17.
(ix).	During the last tariff revision, the Authority in para 11(iii)(d)(xi) has held that the expenditure of ₹16.08 crores incurred towards deepening of channel/ berth and capitalized in the year 2009-10 is not in line with the provision of the License Agreement and hence excluded the same. Corresponding adjustment was also done in the depreciation for the years 2009-10 to 2013-14. VSPL to exclude the net fixed assets relating to capital dredging in the years 2011-12 to 2013-14 as well as in the estimates for the years 2014-15 to 2016-17 with corresponding adjustment in the depreciation in line with the decision taken in the last tariff Order.	This issue has been challenged in our Writ appeal pending before the High Court on the following grounds: 1. The capex of ₹16.08 crores is in line with Article 7.3(iv) of our Licence Agreement with VPT which stipulates that VPT and VSPL shall mutually cooperate to achieve the objective of the License Agreement so as to achieve high throughput performance by optimum utilization of Project facilities of VSPL. 2. The said Capex has facilitated widening of entrance channel that paved the way for entry of Panamax vessels to the inner harbour berths of not only VSPL but also the berths of VPT. This has been affirmed by VPT also to TAMP as recorded in Para 8.3(6) of the Tariff Order dated 11 October 2011. 3. This Capex has helped in reduction of operating cost to the users by direct entry of Panamax vessels to Inner Harbour berths and generated additional traffic for both VPT and VSPL. 4. Quoting the MOU withdrawal as reason for disallowing this capex is not relevant and the Authorities may appreciate that this expenditure is allowable under clauses 2.9.5 and 2.9.6 of the Tariff guidelines which prescribe the eligibility conditions for allowing any Capital expenditure. We therefore submit that the same shall be allowed taking an objective view of the issue. Hence we have not made any adjustment in Gross Block as suggested by the Authority.
(x).	The Guidelines provide flexibility to all the Major Port Trusts to reduce the rates at their discretion on commercial consideration, if they so desire. Such reduction, if any, granted by VSPL other than that given at Annex-VI relating to SAIL may be quantified and listed out for each of the years 2011-12 to 2013-14. Consequential effect of such concession granted on growth of traffic may also be analysed item wise.	Refer Appendix 6. [The details furnished by VSPL vide its letter dated 7 January 2015 is tabulated at Sl.No.B(1)(vii) above.]
(xi).	From the reconciliation statement furnished by VSPL, it is found that the income from	

<table>
<tr><td></td><td>handling activity at general cargo berth to the tune of ₹26.81 crores in 2011-12, ₹30.17 crores in 2012-12 and ₹9.91 crores in 2013-14 (six months) is excluded from the operating income shown in the cost statement citing that it is based on a contract with Steel Authority of India Limited (SAIL) for handling cargo at general cargo berth of VPT. Similar adjustment is done with reference to expenditure relating to stevedoring charges at general cargo berth reported in the Annual Accounts. In this regard, the following points may be clarified:</td><td></td></tr>
<tr><td>(a).</td><td>The cargo handling income considered in the reconciliation statement at ₹26.81crores in the year 2011-12 does not match with the figures reported in the Annual Accounts in Schedule 2.15 at ₹28.18 crores as cargo handling income outside the terminal. Reconcile the difference.</td><td>As per the financials it is ₹26.81 crores only. (Please see the financial of FY 2011-12). But as per the financial of FY 2012-13, by mistake previous year numbers are interchanged with cargo handling expenditure at VSPL.</td></tr>
<tr><td>(b).</td><td>Furnish a separate statement indicating year-wise income and expenses relating to cargo handled thereof at the general cargo berth.</td><td>Statement indicating income and expenses for cargo handled at outer harbor berth of VPT is furnished in Appendix 7. A summary of the same is given below:
<table>
<tr><th>Year</th><th>Tonnage Handled</th><th>Revenue</th><th>Expenditure</th><th>Surplus</th></tr>
<tr><td>2011-12</td><td>2,389,988</td><td>268,119,899</td><td>261,979,285</td><td>6,140,614</td></tr>
<tr><td>2012-13</td><td>2,197,676</td><td>301,698,908</td><td>291,591,960</td><td>10,106,948</td></tr>
<tr><td>2013-14</td><td>519,176</td><td>128,771,906</td><td>100,448,214</td><td>28,323,692</td></tr>
</table></td></tr>
<tr><td>(c).</td><td>Indicate the assets deployed for handling the cargo of SAIL at the general cargo berth of VPT and its treatment in the cost statement and in the Annual Accounts for the year 2011-12 to 2013-14 and for the future estimates 2014-15 to 2016-17.</td><td>No assets of VSPL were deployed at GCB and hence no treatment made in the cost statements. From 1.4.2013, VGCB started commercial operations under BOT scheme. Hence, charges for lighterage of SAIL vessels was directly paid by SAIL to VGCB.</td></tr>
<tr><td>(d).</td><td>Clarify whether the common expenses and common assets of VSPL are apportioned to the cargo handled by VSPL at VPT berth and furnish the details thereof, if any.</td><td>It is clarified that no common expenses and common assets of VSPL are apportioned to the cargo handled at GCB by VSPL.</td></tr>
<tr><td>(xii).</td><td>Furnish a copy each of IT assessment orders for the period beyond 2007-08 i.e. from 2008-09 to 2013-14 to show that technical service fee was admitted as expenditure by the IT authorities. In the absence of the IT assessment certificate, a certificate from its Chartered Accountant establishing ‘arm’s length’ relationship of the transaction as per the Income Tax Act may be furnished.</td><td>Assessment order for AY 2009-10 is furnished as Appendix 8.</td></tr>
<tr><td>(2).</td><td>Traffic:</td><td></td></tr>
<tr><td>(i).</td><td>As stated earlier, update the cost statements with the actual traffic for the year 2013-14. Consequently, the cargo and vessel traffic for subsequent years 2014-15 to 2016-17 may be reviewed based on 2013-14 actual traffic.</td><td>Updated cost statements and traffic projections for 2014-15 to 2016-17 based on actual traffic for 2013-14 have been furnished.</td></tr>
<tr><td>(ii).</td><td>Furnish the basis for traffic projections for the years 2014-15 to 2016-17 with detailed commodity wise traffic analysis and indicating reasons for increase/ decrease as</td><td>Appendix 9 provides commodity wise traffic projections.</td></tr>
</table>

	compared to 2013-14.	
(iii). (a).	Since the traffic for the year 2013-14 does not reflect the figures for the full year a comparison with 2012-13 traffic is drawn here. The traffic projected for the year 2014-15 in comparison to 2012-13 actuals traffic furnished in Form 2A shows reduction in the traffic of steam coal from 10.75 lakh tonnes to 10.00 lakh tonnes, Fertiliser from 1.68 lakh tonne to 0.50 lakh tonnes, gypsum from 12.44 lakh tonnes to 12.00 lakh tonnes, Manganese ore from 8.89 lakh tonnes to 8.00 lakh tonnes and other from 2.19 lakh tonnes to 2 lakh tonnes. Thus except for two cargo items viz. iron ore and coal, the VSPL has projected reduction in the cargo traffic of all the other cargo items. The VSPL to justify reduction in the traffic of these cargo items over the actual traffic handled in 2012-13.	The traffic projections for year 2014-15 to 2016-17 have been revised now based on the actuals as on 31.10.2014 which may please be perused by the authorities.
(b).	The VSPL to justify projecting reduction in the traffic of Gypsum/ Limestone to 11 lakh tonnes and 11.55 lakh tonnes as against 12 lakh tonnes projected in the year 2014-15.	The traffic projections for year 2014-15 to 2016-17 have been revised now based on the actuals as on 31.10.2014 which may please be perused by the authorities.
(c).	The VSPL to indicate additional traffic likely to be handled in view of addition proposed to the gross block of assets in the years 2014-15 to 2016-17 towards capital dredging in the berth front (₹8.20 crores), strengthening of berth (₹23.81 crores) and development of additional storage at Exim land (₹47.48 crores) proposed by VSPL. Confirm and show that the traffic estimates for these period captures the effect of the additional traffic volume, if any, assessed by VSPL on this account.	Additional traffic has been factored in our revised proposal duly considering the additions proposed to the gross block of assets in the years 2014-15 to 2016-17. Accordingly, it is confirmed that the traffic estimates for the above said periods captures the effect of the additional traffic volume.
(3).	**Capacity:**	
	The assessed capacity for all the years 2014-15 to 2016-17 is maintained at the existing level of 7.70 million tonnes per annum. The VSPL to assess addition expected in the existing capacity in view of additions to the gross block estimated at ₹8.20 crores, ₹23.81 crores and ₹47.48 crores during the years 2014-15 to 2016-17 respectively.	1) Our existing terminal capacity of 6.7 Million Tonnes (MT) has been reexamined and reworked taking into account the proposed investments. Cost statements have been modified accordingly. 2) It is submitted that the existing assessed capacity of 6.7 MT has to be viewed in conjunction with storage capacity, installed capacity (vertical transfer) and evacuation capacity (Horizontal transfer). The capacity calculations under the said 3 methods are furnished vide **Appendix-10**. 3) As may be noted, the capacity of our terminal under the 3 methods as given below are worked out after taking into account the investment on acquisition of additional land, Harbour Mobile Crane and wagon unloader. 4) **Storage capacity:** The total extent of back up area allotted to VSPL under the BOT licence agreement is 117800 sq. mtr. Out of

<table>
<tr><td></td><td></td><td>which infrastructure facilities have been developed in an area of 62577 sq. mtr. thus balance area available for cargo stacking is 55223 sq. mtrs. only. Storage capacity is calculated on this extent which works out to 3.6 MnMT per annum. Storage capacity of additional land at Exim Park works out to 4.6 MnMT per annum.

Thus total storage capacity works out to 8.2 MnMT per annum.

a) Installed capacity: Installed capacity based on the utilization of equipment deployed by VSPL works out to 9.01 MnMT per annum.

b) Evacuation capacity: Capacity assessed based on the evacuation capacity of BHM and conventional means (Dumpers and Payloaders) works out to 7.7 MnMT per annum.

Our Terminal capacity is accordingly taken at lower of the above said three capacities i.e. 7.7 Mn. Tons.</td></tr>
<tr><td>(4).</td><td>Income Estimation:</td><td></td></tr>
<tr><td>(i).</td><td>For reasons stated earlier, update all the income estimates for the year 2013-14 with actuals. Consequently, also modify estimates for the years 2014-15 and 2016-17, if necessary, based on 2013-14 actuals.</td><td>Income estimates of 2013-14 has been updated with actuals for 2013-14 and estimates for subsequent three years are also modified as required based on 2013-14 actuals.</td></tr>
<tr><td>(ii).</td><td>The income estimation to be reviewed and modified in view of our observation to review the traffic estimation.</td><td>Reviewed and modified income estimates furnished.</td></tr>
<tr><td>(iii).</td><td>In Annex-III attached to the proposal, it is seen that for estimating the operating income for the years 2014-15 to 2016-17 for cargo other than BMHS cargo, the VSPL has assumed that 100% of estimated traffic would avail the stevedoring service, 84% of the traffic would avail HMC service and 67% of cargo would avail shore handling service and storage facility, 50% of cargo will avail weighment service and 67% of cargo will pay for Railway siding maintenance. The basis of arriving at the above mentioned percentages for availing different services by cargo other than BMHS cargo to be explained and justified with the percentage share of cargo that actually availed each of these services in the previous three years from 2011-12 to 2013-14.</td><td>(i). Details of tonnage of cargo availing services with BMH, Stevedoring with vessel gear, Stevedoring with HMC and Stevedoring with shore handling services for the years 2011 to 2014 are furnished.
<table>
<tr><th rowspan="3">FY</th><th rowspan="3">Total Qty handled (Excl BMHS)</th><th colspan="4">Cargo Handled with</th></tr>
<tr><th>HMC</th><th>HMC + Shore</th><th>Vessel Gear</th><th>Vessel Gear + Shore</th></tr>
<tr><th>(A)</th><th>(B)</th><th>(C)</th><th>(D)</th></tr>
<tr><td>2011-2012</td><td>3,004,611</td><td>1,028,621</td><td>1,679,519</td><td>136,698</td><td>159,773</td></tr>
<tr><td>2012-2013</td><td>3,544,344</td><td>932,080</td><td>1,882,936</td><td>287,045</td><td>442,283</td></tr>
<tr><td>2013-2014</td><td>3,446,135</td><td>1,096,862</td><td>1,503,534</td><td>326,978</td><td>518,761</td></tr>
<tr><td></td><td>9,995,090</td><td>3,057,564</td><td>5,065,988</td><td>750,721</td><td>1,120,817</td></tr>
<tr><td colspan="2">% Cargo</td><td>30.59</td><td>50.68</td><td>7.51</td><td>11.21</td></tr>
<tr><td colspan="2">% HMC – A+B</td><td></td><td>81</td><td></td><td></td></tr>
<tr><td colspan="2">% of Shore Handling: B+D</td><td></td><td>62</td><td></td><td></td></tr>
</table>

The hired crane from M/s.West Asia Maritime Limited was burnt in fire accident during August 2012. Hence from August 2012 to January 2013 only two HMCs were available. From January 2013 onwards two cranes from M/s.ETA Ports Limited were taken on hire. Again one of these ETA Cranes was damaged in a fire accident in October 2013 and the same was not available</td></tr>
</table>

		till October 2014. Hence the actual traffic volume availing HMC services was less at 81% during the period 2011-14. Hence we projected the traffic volume availing HMC services at 84% for the future years. Based on actual shore handling services availed by customers and in view of projected traffic growth, it is estimated that 67% of cargo will avail shore handling and railway siding and maintenance. Since weightment services are optional it is estimated that 50% of customers will avail this service. VSPL vide its e-mail dated 1 April 2015 has furnished a copy of the agreement dated 17 January 2013 entered into M/s.ETA Port Operations for hiring of mobile cranes. (ii). The VSPL vide its e-mail dated 28 April 2015 has clarified that % deployment of HMC is as follows: (a). HMC deployment other than BMH is 84% (b). Overall deployment including BMH is 89% Expenditure for fuel may be corrected with 84% instead of 89% as we have already projected fuel 100% for HMC deployment for BMH operations. Regarding % hired crane, 89% on overall quantity is correct. So reversal of hired crane fuel 89% on overall quantity is justified. In view of above, VSPL has requested to modify cost statements accordingly.
(iv).	For the year 2016-17, VSPL has estimated plot rent for cargo other than BMHS cargo for the additional land assuming 33% of the said cargo will avail storage facility at EXIM park. In this regard, the following points to be clarified:	
(a).	The basis of arriving at the said percentage for estimating the revenue may be explained.	67% shore handling is estimated for which plot rentals have already estimated. Hence, it is estimated that the remaining 33% of cargo will avail storage at Exim Park.
(b).	From the revenue estimation of plot rent, it appears that from the year 2016-17 onwards 100% of cargo other than BMHS cargo will avail storage facility beyond the prescribed free period i.e. 67% of cargo will avail existing storage facility and 33% of cargo will avail storage at the additional land. Confirm whether the above understanding is correct.	Yes, correct.
(c).	The existing Scale of Rates of VSPL does not prescribe storage rent for additional land to be developed at Exim Park. Explain the basis of estimating revenue at ₹15/ tonne per month uniformly for all cargo and also explain as to how the revenue estimated from additional land is as per the existing	Dwell time of most of cargoes is 30 days and hence one month rental (i.e., ₹6 PMT for first fortnight and ₹9 PMT for second fort night is estimated for cargo stacked at Exim Park as per the existing Scale of Rates for storage charges.

	Scale of Rates approved for VSPL.	
(d).	Clarify the tariff arrangement proposed for storage of cargo at the storage area of Exim park in the proposed Scale of Rates.	Exim Park development is to be completed by the second half year of 2016-17. As such, the plot rental income is not significant in this tariff cycle. Hence we proposed to collect the existing Scale of Rates of VSPL for EXIM Park also. Based on the plot rentals to be fixed by VPT under e auction as per the Land Policy, we shall consider revising our storage charges in the next tariff cycle for storage at EXIM Park.
(e).	From the soft copy of proposal (Annex III), it is seen that for estimating plot rent income from additional land, a divisible factor of 2 is considered while estimating the revenue at the existing rates. The reasons and logic for applying divisible factor of 2 may be explained.	This has been corrected in the revised proposal.
(v).	In Annex-III, the income from plot rent (other than additional land) at the existing tariff is estimated at ₹5.83 crores, ₹5.89 crores and ₹7.27 crores at existing rates for the years 2014-15, 2015-16 and 2016-17 respectively. However, income from plot rent at the proposed rate is reduced to ₹4.51 crores, ₹4.59 crores and ₹4.58 crores though no reduction in storage charge is proposed by VSPL and status quo in the existing rates is proposed. Examine and make necessary correction in view of inconsistency observed.	Necessary correction is made as advised.
(vi).	The VSPL in Note 5 to Annex-VI has requested that ₹19.27 crores notional income being the estimated discount offered by it to SAIL in terms of bilateral agreement with SAIL should not be considered in the income estimations. In this connection, the VSPL to clarify how the commercial decision of the terminal to offer discount can be considered in cost plus method of tariff fixation exercise.	(a). As submitted in our last tariff proposal, SAIL is the only major customer importing coking coal through Panamax vessels in Vizag Port for about 5 million Tons per annum. Our EQ-8 berth with mechanized handling system is customized to the requirement of SAIL in view of the 30 years Long-term agreement entered on 31 January 2005 itself. However, the said contract has been put under abeyance due to non-completion of deepening of navigation channels by VPT and presently VSPL is able to retain SAIL by agreeing to enter into various short-term agreements with SAIL on conditions acceptable to SAIL. Otherwise, the Project facilities of EQ-8 will be grossly underutilized. Accordingly, it is neither the discretion nor commercial decision of VSPL to grant discount or higher rebates to SAIL. Such differential tariff scheme is allowed under clause 2.10 of the Tariff guidelines in view of preventing underutilization of the Project facilities. (b). It is our considered submission that Tariff guidelines clauses 2.16.1 which provides that rates prescribed in SOR are ceiling rates and Rebates/ discounts are floor levels do not prohibit that such discounts/ Rebates shall not be recognized for calculation of actual income during tariff fixation. (c). Clause 4.4 permits granting of discounts

		and rebates adopting sliding Scale of Rates to motivate greater performance with a view to attract additional cargo. As said above, SAIL is the bulk cargo customer who has to be attracted with discounts and this scheme of rebate to SAIL will also be extended by VSPL to on non-discriminatory basis to all bulk volume customers willing to handle one million Tons per annum at VSPL. (d). However, the authorities during the last tariff order have maintained that as per the approach adopted in various tariff cases, revenue realizable as per approved Scale of Rates only can be considered and rebates/ discounts captured in the actual income reported in the Accounts are not considered. (e). It is submitted that in terms of clause 2.13, the actual physical and financial performance are to be reviewed at the end of the tariff cycle with reference to the Projections relied upon and performance variation of more than + or- 20%, shall be adjusted. While doing so, 50% of the benefit/ loss already accrued shall be set off while revising the tariff. Computation of actual income based on approved tariff for the actual quantity handled instead of actual tariff collected will only result in notional benefit and not any accrued benefit. In other words, this clause envisages adjustment only if there is real benefit accrued to the Port operator and benefit can accrue only on actual income collected. (f). To the specific query of the authorities that how discount can be considered in cost plus method of tariff fixation exercise, it is submitted that there will not be any issue if authorities consider Cost of operations as furnished in our cost statements in Form 3A plus allowable 16% ROCE and arrive the surplus comparing with the actual revenue earned in the past tariff cycle for arriving at the past surplus. But past surplus is calculated by comparing cost Plus allowable return with income earned at SOR which includes notional income to the extent of rebates and discounts captured. Hence, Cost Plus Return is strictly not followed unlike 2008 Guidelines here. We submit that the tariff authorities to view our case objectively with special reference to clause 1.7 of the Tariff guidelines which provide for relaxation of the application of any of the provisions of the Tariff regulations Considering our genuine difficulties as enumerated above as a special case.
(vii). (a).	The rates set by the Authority are ceiling levels only. Indicate any other discount, if	Furnished in Appendix 6 as stated earlier.

<table>
<tr><td></td><td>any, allowed by VSPL over the ceiling rates during the years 2011-12 to 2013-14. The revenue impact of such discounts allowed should also be quantified.</td><td></td></tr>
<tr><td>(b).</td><td>Confirm the income estimated for the years 2014-15 to 2016-17 is based on the rates prescribed in the existing Scale of Rates of VSPL. Confirm the income estimates do not capture tariff reduction/ concession, if any, granted by VSPL in the years 2011-12 to 2013-14 on account of flexibility available to Port Trusts/ BOT operators.</td><td>It is confirmed that income for 2014-15 to 2016-17 are estimated based on the rates prescribed in the existing Scale of Rates. It is also confirmed the income estimates do not capture tariff reduction/ concessions for the years 2014-15 to 2016-17.</td></tr>
<tr><td>(viii). (a).</td><td>Explain the basis for computation of berth hire income (as seen from the soft copy of the proposal) at 18000 tonnes/ day for coal at BMHS, 12000 tonnes/ day for steam and other coal, 7500 tonnes/ day for fertilizer, 16000 tonnes/ day for gypsum, 11000 tonnes/ day for manganese ore and 8000 tonnes/ day for other cargo. Confirm that the handling rate assumed for estimation of berth hire income is in line with the actual handling rate achieved in the past period 2011-12 to 2013-14.</td><td>The following are the details of average discharge rates achieved for the last tariff cycle:
<table>
<tr><th>Cargo</th><th colspan="4">Discharge Rate</th></tr>
<tr><th></th><th>2011-12</th><th>2012-13</th><th>2013-14</th><th>AVG</th></tr>
<tr><td>Coking Coal</td><td>20,768</td><td>20,111</td><td>20,889</td><td>20,589</td></tr>
<tr><td>Steam Coal</td><td>12,744</td><td>11,256</td><td>12,090</td><td>12,030</td></tr>
<tr><td>Gypsum</td><td>17,603</td><td>15,040</td><td>13,651</td><td>15,431</td></tr>
<tr><td>Manganese Ore</td><td>12,008</td><td>12,932</td><td>14,313</td><td>13,085</td></tr>
<tr><td>Iron Ore Fines</td><td>12,233</td><td>14,665</td><td>15,399</td><td>14,099</td></tr>
<tr><td>Fertilizers</td><td>10,177</td><td>7,817</td><td>-</td><td>5,998</td></tr>
<tr><td>Others</td><td>5,866</td><td>8,367</td><td>11,235</td><td>8,489</td></tr>
</table>
Accordingly, average discharges rates considered for the computation of berth hire income.</td></tr>
<tr><td>(b).</td><td>The exchange rate adopted for arriving at the income from berth hire for the years 2014-15 to 2016-17 is seen to be 1 US $ = ₹62.50. The VSPL may update it with the prevailing exchange rate.</td><td>Updated with prevailing exchange rate of ₹61.66. Estimated sheet for berth hire increase is revised and furnished as Appendix 12.</td></tr>
<tr><td>(5).</td><td>Operating Cost:</td><td></td></tr>
<tr><td>(i).</td><td>In terms of clause 2.5.1. of the 2005 tariff guidelines, expenditure projection should be in line with traffic adjusted for price fluctuation with respect to the current movement of Wholesale Price Index (WPI) for all the commodities announced by the Government of India. The WPI for all the commodities for the tariff cases to be decided in the year 2014-15 decided by the Authority is 6% which has been communicated to all Major Port Trusts and BOT operators including VSPL vide our letter No.TAMP/27/2005-Misc dated 23 July 2014. Hence, the annual escalation in the estimation of cost for the years 2014-15 to 2016-17 should be modified accordingly.</td><td>The cost estimates for the years 2014 to 2017 have been modified taking cost escalation at 6%.</td></tr>
<tr><td>(ii).</td><td>As stated earlier, the estimates of all expenses for the years 2014-15 to 2016-17 to be reviewed and revised based on 2013-14 actuals.</td><td>Reviewed and revised estimates furnished.</td></tr>
<tr><td>(iii).</td><td><u>Operating and Direct Labour</u>:</td><td></td></tr>
<tr><td>(a).</td><td>The proposal states that the operating and direct labour cost for onboard and shore operations is estimated with respect to traffic based on the actual amount being paid to contractors. As seen from the soft copy of the proposal the base unit rate of ₹6.75 per</td><td>Enclosed herewith the work orders issued to M/s.Gita Enterprisers for supply of on board labour and M/s.Eversun Marine Trade Pvt. Ltd. for labour for wagon loading.

Estimates are modified with escalated factor of</td></tr>
</table>

	tonne for coking coal at BMHS and ₹3.05 per tonne for other cargo is considered for estimating the operating and direct labour cost for the year 2014-15 and escalated by 7% per annum for the years 2015-16 and 2016-17. Furnish copies of contract entered with the outsourcing agency/ agencies and linking the unit rate adopted with the rate in the outsourcing contract to justify estimation of operating and direct labour cost. Indicate the validity period of the contract.	6% per annum in line with increase in WPI as stated above by TAMP. Appendix 13.
(b).	Confirm whether the relevant service provider(s)/ contractor is engaged following a competitive bidding and arm's length relationship is maintained for such transaction which should be supported with necessary documents, if necessary.	Confirmed that contracts are awarded by competitive bidding and arm's length relationship is followed.
(c).	Annual escalation of 7% adopted by the VSPL for the years 2014-15 to 2016-17 over the estimates of previous years may be justified with reference to the relevant provision in the outsourcing contract.	Annual escalation now revised to 6%.
(d).	It is seen that the annual escalation factor is not considering for estimating this expense in the year 2016-17. Confirm the position.	Estimates revised.
(iv).	Maintenance labour:	
(a).	The estimates of maintenance labour cost relates to maintenance of BMH system which has also been outsourced. Justify the basis for adopting 7% annual escalation for estimating this cost item in the year 2014-15 over 2012-13 actuals and further 7% annual escalation adopted for the subsequent two years viz. 2015-16 and 2016-17 with copy of the outsourcing contract entered by VSPL quoting the relevant clause in the contract in this regard.	Estimates are modified with escalation of 6%. Contract provides for annual escalation based on the minimum wages and whole sale price index.
(b).	Confirm the validity period of such contract.	Contract is valid till 2016. (Appendix 13C)
(c).	Confirm whether the relevant service provider/ contractor is engaged following a competitive bidding and arm's length relationship is maintained for such transaction which should be supported with necessary documents.	Confirmed that contracts are awarded by competitive bidding and arm's length relationship is followed.
(v).	Equipment Running Cost:	
(a).	**Power Cost**	
(i).	The unit rate of electricity considered in the estimation of power cost as seen in the soft copy of the proposal [the file name "Expenditure Actual and Estimates"] is ₹9.06 per tonne in the year 2014-15 including the unit load rate. Whereas, the unit rate indicated in Form 3B is ₹6.71 per tonne. Such discrepancy is seen in the unit rates for all the years. The correct position may be indicated and reflected in Form 3B.	Form B has been revised with per unit cost, which includes load road and fuel surcharge for all the years.
(ii).	The per tonne power consumption and unit rate of power may be updated with 2013-14 actuals. The unit rate of power should be	Actuals updated. Last 3 months bills are furnished as Appendix 14.

<table>
<tr><td></td><td>substantiated with copies of recent bills of immediate last three months.</td><td></td></tr>
<tr><td>(b).</td><td>Fuel Cost</td><td></td></tr>
<tr><td></td><td>Justify steep increase of 23.3% in the fuel cost from ₹6.87 per tonne in 2012-13 actuals to ₹8.47 per tonne in 2013-14 estimates. Also, furnish copies of fuel bill of the relevant period i.e. 2012-13 and the recent bill of 2014-15 to justify the increase in the unit rate.</td><td>Actual expenditure incurred for FY 2013-14 is updated in the cost statements. Now it is increased to ₹7.72 per tonne. Diesel price has increased from ₹59 per ltr to ₹67 per ltr during the FY 2013-14.

<table>
<tr><th>Month</th><th>Per Ltr</th></tr>
<tr><td>April 13</td><td>59</td></tr>
<tr><td>March 14</td><td>67</td></tr>
<tr><td>Increase</td><td>8</td></tr>
<tr><td>% of increase</td><td>13.19%</td></tr>
</table>

Bills enclosed as Appendix 15.</td></tr>
<tr><td>(c).</td><td><u>Repairs and Maintenance Cost</u>:</td><td></td></tr>
<tr><td>(i).</td><td>Note 15 of Annex-VI states that estimation of repair and maintenance cost includes an element of annual maintenance with Leibherr for maintenance of HMC reportedly stated to be as per new agreement entered by VSPL with them. Furnish a copy of the contract agreement entered by VSPL with Leibherr for maintenance of HMC to justify the estimate of ₹4.06 crores per annum estimated for each of the years 2014-15 to 2016-17. Also, confirm the said agreement is entered following a competitive bidding process.</td><td>Copy of the contract agreement entered by VSPL with Leibherr is furnished as Appendix 16A &B.

We need to enter this agreement only with Leibherr who are the OEM of this imported cranes and spare parts for maintenance of this cranes are supplied only by them in India.

<table>
<tr><td>Rate per Engine Hour as per New contract dated 01.11.2013</td><td>7,103</td></tr>
<tr><td>Add: Sales tax @ 12.5% on 60%</td><td>533</td></tr>
<tr><td>Rate per hour:</td><td>7,636</td></tr>
<tr><td>Average Output per Engine Hour</td><td>450</td></tr>
<tr><td>Per MT works out to</td><td>16.97</td></tr>
<tr><td>Qty for 14-15 - in lakh</td><td>23.78</td></tr>
<tr><td>Expenditure in Lakhs</td><td>403</td></tr>
</table></td></tr>
<tr><td>(ii).</td><td>Explain the reasons for adopting 30 months actual average [i.e. 2011-12 to 2013-14 (for six months)] for estimating the repairs and maintenance cost of 2014-15.</td><td>Cost statements are revised and estimated the repairs and maintenance cost at 6% escalation on actuals of 2013-14.</td></tr>
<tr><td>(vi).</td><td><u>Maintenance Dredging</u>:</td><td></td></tr>
<tr><td>(a).</td><td>VSPL in the proposal has stated that VPT is charging dredging cost on per shift basis. Furnish copies of bills raised by the VPT for the maintenance dredging for the years 2011-12 to 2013-14 to substantiate the figures considered.</td><td>Bills raised by VPT are furnished as required (Appendix 17).</td></tr>
<tr><td>(b).</td><td>The unit rate of dredging at ₹425999 per shift for 10 shifts for 2014-15 may be justified with reference to past actuals.</td><td>Maintenance dredging is incurred as per the instructions of VPT based on their periodical hydrographic surveys and depend on the siltation of soil. Hence, this expenditure will not be uniform for all the years. However, we have estimated in line with the last year.</td></tr>
<tr><td>(vii).</td><td><u>Revenue Share</u>:</td><td></td></tr>
<tr><td>(a).</td><td>The sum of actual income from wharfage and berth hire reported in the Annual Accounts for the years 2011-12 and 2012-13 is ₹1311.47 lakhs and ₹1494.78 lakhs respectively. The revenue share when computed as per the LA at 17.111% on the wharfage and berth hire income reported by</td><td>Reconciliation statement furnished as Appendix 18. Reasons for variance is due to inclusion of wharfage charges under Integrated terminal service charges i.e., Integrated terminal service charges invoice includes wharfage that results in the difference.</td></tr>
</table>

	the VSPL in the Annual Accounts for the years works out to ₹244.41 lakhs and ₹255.77 lakhs for the years 2011-12 and 2012-13 respectively as against ₹255.32 lakhs and ₹299.88 lakhs reported in its Annual Accounts. Explain the reasons for the difference.	
(b).	Further, as per clause 2.8.1. of the 2005 guidelines, admissible revenue share to the extent of next highest bidder i.e. 12.811% works out to ₹168.01 lakhs and ₹191.50 lakhs respectively based on the income from wharfage and berth hire reported in the Annual Accounts. As against that the VSPL in the cost statement has considered revenue share pass through of ₹293.20 lakhs and ₹312.69 lakhs for the years 2011-12 and 2012-13 respectively. It is not clear as to how the admissible revenue share considered by the VSPL in the cost statement is higher than the revenue share payment made to the VPT as per its Annual Accounts. Clarify the variations in the revenue share figures.	Same as above.
(c).	Furnish workings of revenue share payable as per LA giving details of the actual income from berth hire and wharfage for the years 2011-12 to 2013-14 duly tallying the figures with the respective audited Annual Accounts and separate workings for revenue share admissible as pass through as per tariff guidelines of 2005. Similar working should also be furnished for the years 2014-15 to 2016-17 estimates in support of the revenue share expenses estimated as pass through in the cost statement.	Required statement is furnished – Appendix 19.
(viii).	<u>Equipment Hire Charges</u>:	
(a).	Equipment hire charges for the years 2014-15 to 2016-17 is estimated based on different per tonne rates for different services. The unit rate adopted for estimating the equipment hire charges for handling coal and onboard equipment is ₹4.60 per tonne for each service, shore handling at ₹34.30 per tonne, ₹23.00 per tonne for internal shifting and ₹47.52 per tonne for hire of HMC. Each unit rate adopted in the estimation of expenses should be substantiated with copies of latest valid contract(s) entered by VSPL correlating it with the unit rates indicated in the contract(s) giving reference to the relevant clause in the hiring contract(s) entered by VSPL.	Work order copies attached. Cost revised as per the applicable escalation. (Appendix – 20A & 20B).
(b).	Confirm that the contract awarded by VSPL was finalised following competitive bidding process to ensure competitive and reasonableness of rates.	It is confirmed that the contract awarded by VSPL was finalized following competitive bidding process.
(c).	For estimating the hire cost of Harbour Mobile Crane (HMC), the VSPL has assumed that out of 84% of the cargo traffic other than BMHS cargo, 50% will avail the	Cost statements are revised with actuals for the year 2013-14. As per which 88% of cargo traffic will avail HMC services.

	facility of hired HMC. The basis of applying these percentages for estimating the hire cost of HMC may be explained. During the last general revision, the VSPL had submitted that with addition of 1 HMC proposed by VSPL in the year 2011-12, the quantum of cargo availing the facility of outsourced HMC will reduce to 26% of 80% of cargo other than BMHS cargo. In the light of the above position, explain the reasons as to why in the current proposal, percentage share cargo availing the facility of hired HMC is envisaged to increase though the traffic projected for 2014-15 does not show any significant growth over the cargo traffic handled in the year 2012-13.	VSPL had proposed purchase one new HMC in the year 2011-12 in addition to exiting 2 HMC and one hired crane from M/s.WAM Limited, Chennai. But the hired crane was destroyed in the fire accident in August 12. At that time ETA Ports, Dubai an associate of M/s.WAM approached us with an offer of taking both their cranes at Jabalali Port on hire which are about 5 years old. The Management considering stringent financial position at that time, decided to take both cranes on hire instead of investing in New Crane which was costing of about ₹25 crores and take one more crane on hire.
(ix).	Lease Rentals:	
(a).	Confirm that the unit rate of ₹90.55 per week for 100 sq. mtrs. adopted for estimating lease rental for area of 121,700 sq. mtrs. allotted by VPT and ₹62,986 per month for the building allotted to VSPL is in line with the provision of the License Agreement.	Confirmed that the unit rate of lease rental adopted is in line with provision of concession agreement. Bills copies are furnished as Appendix 27.
(b).	The current proposal also estimates lease rental for additional land of 30.5 acre at EXIM Park which is stated to have been allotted by VPT on 27 January 2014. In this regard, the following points may be clarified:	
(i).	Even during the last revision, the VSPL had estimated lease rent for additional land at EXIM Park for the years 2012-13 and 2013-14 which was allowed by the Authority subject to certain modification in the unit rate. The Authority in para 11(viii)(h) of the Order dated 11 October 2011 has decided that in the event the revised lease rental (to be) approved for the VPT lands for the quinquennium 2008-13 was lower than the lease rental considered in the VSPL case, the entire excess would be fully adjusted in the next review. From the current tariff revision proposal, it is understood that the said land was allotted only in January 2014 which is far end of the last tariff cycle. The benefit accrued to VSPL on account of allowing lease rental on additional land based on the submission made by VSPL during the last revision may be assessed and quantified for adjustment in the current tariff cycle.	As observed by the Authorities the land at Exim park was allotted to us in only on January 2014 and hence no actual expenditure was incurred in the previous tariff cycle. In the previous tariff cycle we have projected not only the expenditure towards lease rentals but also rental income and incremental traffic based on the availability of additional storage space. Accordingly we could not achieve the projected increased through put in 2012-13 to till date. Hence no benefit could be said to be accrued to VSPL on account of the lease rental expenditure shown in the cost statements of the previous tariff cycles.
(ii).	Clause 5.3. of the License Agreement allows Licensor to make available additional land or other premises at lease rent or other charges payable as mutually agreed between the Licensor and Licensee. Indicate the basis of the unit rate adopted for estimating lease rental for the additional land at EXIM Park and confirm it is in line with the provisions in the License Agreement. If the lease rent approved by the Authority for VPT lands is	It is confirmed that the unit rate adopted for estimating lease rentals for the additional land at EXIM Park is in line with provisions in the License Agreement and as per the tariff approved by the TAMP for VPT lands.

	considered then give reference of the rate adopted from the Order approved by the Authority.	
(x).	Insurance:	
(a).	Copy of the report of Asset Valuer approved by the Insurance company to assess the replacement value of assets and copy of insurance cover taken by VSPL for the years 2013-14 and 2014-15 may be furnished to us to substantiate insurance premium cost.	Copy of Insurance is furnished as Appendix 21. VSPL vide its e-mails dated 6 April 2015 have furnished copy of the insurance cover and copy of the premium paid for the financial years 2013-14 and 2014-15.
(b).	Justify the basis of applying 7% escalation in the insurance cost estimates for the years 2015-16 and 2016-17. Clarify how WPI escalation is relevant for the purpose of estimating insurance premium.	We are estimating 5% nominal increase on the Insurance cost of 2014-15.
(xi).	Technical Service Fee:	
	In the last tariff revision Order as brought out in para 11(iii)(d)(ix), technical service fee paid by VSPL from 2006-07 onwards to 2009-10 to the extent remaining unamortised i.e. ₹287.76 lakhs was decided to be spread over the remaining period of the project i.e. 24 years from the year 2008 onwards i.e. 12.16 lakhs per annum. It is seen that the VSPL has not considered this element in the cost statement for the period 2011-12 to 2013-14 actuals and estimates for 2014-15 to 2016-17. The VSPL to include this adjustment in the cost statement in line with the decision taken in the last tariff Order.	Adjustment has been made in the revised cost statements.
(xii).	Depreciation:	
(a).	As per clause 2.7.1. of the tariff guidelines, depreciation has to be computed on straight line method with life norms as per Companies Act or based on life norms prescribed in the License Agreement whichever is higher. Confirm that depreciation computed is in line with clause 2.7.1 of the Tariff Guidelines of 2005.	It is confirmed that depreciation is computed as per the clause 2.7.1 of the Tariff Guidelines of 2005.
(b).	The depreciation figures considered in the cost statement do not match with the figures reported in the Annual Account for the years 2011-12 to 2013-14. Reconcile the difference.	Reconciliation statement is furnished as Appendix 22.
(c).	The Companies Act, 2013 has been announced by the Ministry of Corporate Affairs. Confirm the depreciation rate considered by VSPL is based on the provisions of Companies Act 2013. Indicate the depreciation rate adopted by the VSPL based on the useful life of assets prescribed in the Companies Act 2013 giving reference to the relevant items in the said Depreciation Schedule of the Companies Act 2013.	We have provided depreciation as per the Companies Act 1956 since our company has changed the financial year to calendar year from 01.01.2014 onwards to align with the accounting year of our holding company. Accordingly, schedule 2 of the Companies' Act of 2013 will be applicable from the next financial year onwards. Hence in the projections we have estimated depreciation as per the companies' act 1956 for 2014 to 2017.
(xiii).	Financial and Miscellaneous Income (FMI):	
(a).	The VSPL under this head has considered ₹28.41 lakhs and ₹0.62 lakhs as other income in the years 2011-12 and 2012-13 respectively based on its Audited Annual Accounts for the year 2013-14. Whereas for	Out of ₹28.41 lakhs, ₹25 lakhs is forfeited security deposit from M/s.Nirnidhi Marketing Private Limited on account of non-fulfillment of committed cargo and remaining ₹340,796/- on account of arbitration award received from

<table>
<tr><td></td><td>the year 2013-14, the VSPL has estimated ₹55.60 lakhs under this item for 6 months period. Explain the reasons for wide variation in the other income under FMI and also clarify the nature of this income.</td><td>M/s.Rashtriya Ispat Nigam Limited.
₹0.62 lakh is collected towards sale of tender forms during FY 2012-13.
Cost statements are revised with actual income for 2013-14.</td></tr>
<tr><td>(b).</td><td>Explain the reasons for not estimating this income for the years 2014-15 to 2016-17.</td><td>No such income is estimated for the next 3 years as the above income are casual and non-recurring nature.</td></tr>
<tr><td>(6).</td><td>Capital Employed:</td><td></td></tr>
<tr><td>(i).</td><td>As against additions to the gross block aggregating to ₹9517.18 lakhs for the years 2011-12 to 2013-14 allowed in the last tariff cycle, the aggregate of actual additions reported to the gross block for the years 2011-12 and 2012-13 and estimates for 2013-14 is ₹759.50 lakhs. The actual addition to the gross block of assets widely varies from the additions to gross block considered in the last Order which was based on the submission made by VSPL. Explain the reasons for significant variations from the proposed plan of additions to the Gross block vis-à-vis the actual deployment. Also furnish details of actual additions to the gross block vis-à-vis the additions to gross block estimated by the VSPL in the last tariff Order item wise as tabulated in the para 11(xiii) of the Order.</td><td>
<table>
<tr><th rowspan="2">Sl. No.</th><th rowspan="2">Name of the Asset</th><th colspan="2">Additions to Gross Block</th><th rowspan="2">Remarks</th></tr>
<tr><th>Proposed by VSPL</th><th>Actual investment</th></tr>
<tr><td></td><td>FY 2011-12</td><td colspan="2">Amt. in Lakhs</td><td></td></tr>
<tr><td>1</td><td>Coal Grab</td><td>90.22</td><td>81.82</td><td></td></tr>
<tr><td>2</td><td>Harbour Mobile Crane</td><td>2,469.26</td><td>Taken on lease</td><td>(a)</td></tr>
<tr><td>3</td><td>Wagon Unloader</td><td>1,391.65</td><td>-</td><td>(b)</td></tr>
<tr><td>4</td><td>Repairs and Strengthening of Berth No.EQ 9</td><td>1,464.10</td><td>183.15</td><td>(c)</td></tr>
<tr><td>5</td><td>Additions to Gross Block</td><td>-</td><td>283.07</td><td></td></tr>
<tr><td></td><td>FY 2012-13</td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>Development of Storage Yard at Exim Park</td><td>4,498.30</td><td>-</td><td>(d)</td></tr>
<tr><td>2</td><td>Additions to Gross Block</td><td></td><td>188.75</td><td></td></tr>
<tr><td></td><td>FY 2013-14</td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>Purchase of 10 Tippers</td><td></td><td>255.64</td><td></td></tr>
<tr><td>2</td><td>Additions to Gross Block</td><td></td><td>38.51</td><td></td></tr>
<tr><td></td><td>Total</td><td>9,913.53</td><td>1,030.95</td><td></td></tr>
</table>

Reasons for significant variation is submitted item wise below:

(a). Harbour Mobile Crane:
VSPL had proposed purchase of one new HMC in the year 2011-12 in addition to exiting 2 HMC and one hired crane from M/s.WAM Limited, Chennai. We were negotiating with Liebherr, OEM for purpose of the proposed crane for concluding the commercial terms regarding warranty for 3 years and payment terms. M/s.Liebherr was stringent in their commercials terms and offered warranty for one year only. Hence, the negotiations were prolonging for some time.

In the meantime, the hired crane from M/s.WAM was destroyed in the fire accident in August 2012. At that time M/s.ETA Ports, Dubai an associate of M/s.WAM approached us with an offer of taking both of their cranes available at Jabalali Port on hire which are about 3 years old. The Management considering stringent financial position at that time and the urgent need of cranes, decided to take both cranes on hire instead of investing in New Crane which was costing of about ₹25 crores and take one more crane on hire. It is pertinent to note that ETA Ports, Dubai was also negotiating with Haldia Port for deployment of above said two cranes on hire basis and ETA Ports was infavour of giving both their cranes only to the prospective lessee to save the transportation and installation cost. Further these two cranes</td></tr>
</table>

		were found to achieve our objective of purchasing a new HMC as stated in our last tariff proposal i.e., a) increase discharge rate b) to ensure availability by assuring proper preventive maintenance. Hence, leasing of two cranes instead of investing in a new crane and taking one crane on lease was found to be prudent. Accordingly, new HMC was not purchased. (b). Purchase of two Gantry Unloaders: The main utility and advantage of this equipment is for unloading cargos from Railway wagons so as to avoid wagon damages caused by Excavators and avoiding full manual labour for wagon unloading to achieve a saving in unloading time by 40%. Iron ore is the only cargo unloaded from wagons for export from our terminal. The Iron ore market which was at peak in 2009-10 and 2010-11 started declining from 2011-12 onwards owing to hike in export duty and Railway freight besides fall in price of iron ore in the International market. Added to this, the ban of iron ore mining by Odisha state led to complete fall or iron ore market for the past three years. Literally, the iron ore volume handled at VSPL from second half of 2011-12 is almost NIL. Hence, it was considered prudent not to invest in these two Gantry wagon unloaders till iron ore market is revived and sufficient demand regained for export from our terminal. Accordingly, this investment was deferred for better times. (c). Repairs and Strengthening of EQ-9 berth: As informed in the last tariff proposal, during August 2010, soil subsidence at EQ-9 berth was noticed with apparent lateral movement of the berthing structure. An Expert committee led by the designer of our berth made an initial study which revealed that the Marine structures are in tact and the said Committee based on detailed investigations and tests recommended ground improvement by band drains and injecting Lime slurry upto a depth of 6 metres on the soil surrounding the piles supporting the Stacker reclaimer foundation. Same was informed to VPT in our letter No.01:01:001/1708/2010-11 dated 26 March 2011 and on that basis, a capex of ₹1464.10 lakhs was projected in the last tariff cycle. VPT in its letter IENG/EE(Proj)/EQ8%/EQ9/158 dated 2 June 2011 informed to furnish a specific study/ recommendations from an Institution like I.I.T instead of limiting to recommendations by a team of experts keeping in view the safety of the diaphragm wall and relieving the structure

		for earth pressure due to surcharge. Accordingly, a study report dated 7 July 2011 on the soil condition at EQ-9 made by a retired I.I.T Professor was submitted to VPT. During the follow-up meeting with C.E, VPT on 4 August 2011, VPT informed to carry out physical testing of the diaphragm wall (NDT Test) by a reputed Government agency like I.I.T. VPT was requested in our letter No.01:01:001/753/2011-12 dated 12 August 2011 to permit soil strengthening activity by installing band drains and Lime grouting pending completion of further core testing by I.I.T. The NDT Testing by I.I.T, Chennai was completed by 26 June 2012 after various preliminary tests like underwater videography, ultrasound testing of the Marine structures etc. During the next meeting with VPT on 20 October 2012, VPT insisted to obtain structural stability analysis study done by the Department of Ocean Engineering, I.I.T, Chennai and submit the same. The said study report was accordingly got done and the report submitted to VPT on 5 February 2013. In the meantime, VPT took up the work of deepening of channels of -16.10 meters and during our meeting with the Chairman, VPT on 20 June 2013, the VPT officials expressed their concern regarding stability of our berths at the dredged level of -16.10 meters. We addressed their concern submitting the original berth design and the recent study report of I.I.T, Chennai made for structural stability analysis which confirmed that our berths were designed and constructed for a depth of -14.5 meters and they are stable for dredging upto -16.10 meters. VPT in its letter dated 30 January 2014 informed that a thorough study shall be made to remove their apprehension whether our berths will cater to -16.10 meters dredged draft. VPT itself entrusted this study to the Department of Ocean Engineering, I.I.T, Chennai for an indepth study/ checking our original and latest design reports vis-à-vis present condition of berth structures. VSPL was also asked by VPT in their letter dated 11 April 2014 to sponsor this study at a cost of ₹20.00 lakhs. The study by the I.I.T team done for a week from 20 May 2014 furnished the draft report to VPT on 24 July 2014 which revealed that our berths are capable to withstand a dredged depth of -16.10 meters.

		However, VPT in its letter dated 12 August 2014 informed that the report of I.I.T is under examination and upon finalization further course of action with the approval of the board will be intimated. Thus, the capital work of berth strengthening as proposed by us could not be taken up solely for want of approval of VPT being the Licensor despite our continuous efforts and follow ups as narrated above. Hence, the same is proposed to be taken up in the current tariff cycle. (d). Development of storage yard at EXIM Park: The reason for not taking up this Capex is till date VPT has not handed over this land to us despite pending of this issue since 2007 when the Board of VPT approved this allotment on 23 July 2007 for 40.05 acres. The sequence of events culminating in this abnormal delay is narrated briefly below: (i). VPT after reviewing the allotment reduced the extent to 30.5 acres and after board approval for revised allotment on 23 December 2010, sent to Government for approval though our License Agreement provide for allotment of land at EXIM park. (ii). The Ministry in their letter dated 17 June 2011 clarified that in view of the allotment under the already approved concession agreement, further approval is not required. (iii). Based on the instructions of the Cabinet dated 18 August 2011 regarding ban on allotment of Government lands, our land allotment was kept pending. Subsequently, these cabinet instructions were relaxed on 30 July 2012 in the case of PPP concessionaires. (iv). VPT again put up our allotment proposal to their Board on 16 March 2013 with the cabinet instructions and communicated its approval to VSPL the allotment of the 30.5 acres of land on 16 April 2013 on annual lease mode. VSPL communicated its concurrence for the said allotment. (v). Despite lapse of six months from the date of communication of allotment, the land was not handed over to us and we understood that this matter has been submitted to VPT Board for taking a decision as to applicability of Land Policy 2010 for this allotment as the initial allotment was made in 2007 when Land Policy, 2004 was in vogue. (vi). It is pertinent to note that VPT itself had confirmed to TAMP in their tariff proposal for fixation of land lease rentals for the quinquennium 2008 to 2013 is in line with the Land Policy Guidelines, 2010 and as such there is no ambiguity regarding allotment of land to VSPL which too needs to pay lease rentals as per the tariff fixed by TAMP under 2010 Land

		Policy Guidelines. (vii). Finally, the allotment letter with terms and conditions for allotment of 30.5 acres at EXIM Park was issued to us on 27 January 2014 and VSPL has also paid the one year advance rent and one year annual lease rental as security deposit. (viii). Still the execution of lease deed and other handing over formalities are yet to be completed. (ix). As the authorities are aware, without the lease agreement, it is not possible to start the development works as even power connection cannot be applied without lease agreement. Hence this capex proposal too has been shifted to the current tariff cycle. (Appendix-23.)
(ii).	Since the year 2013-14 is already over, the estimates furnished in Form 4A may be updated with reference to the actuals as per Audited Accounts with consequent modification, if necessary, in the estimates for the years 2014-15 to 2016-17.	Form 4A has been updated with required modifications in the estimates for 2014-15 to 2016-17.
(iii).	The net block of assets considered in the cost statement in Form 4A do not match with net value of fixed assets reported in the Annual Accounts for the years 2011-12 and 2012-13. Reconcile the difference for the said two years and 2013-14 actuals as well.	Reconciliation is furnished in the Appendix-22.
(iv).	The actual additions to the gross block estimated in the year 2013-14 as well as estimated additions proposed to the Gross Block of assets in the years 2014-15 to 2016-17 may be substantiated with copies of Bills settled/ work orders issued / budgetary quotations, as the case may be. Also, furnish the present status of the additions proposed to the gross block in the years 2014-15 to 2016-17 for each of the assets.	Work orders for commencement of Strengthening of berths and development of EXIM Park have not yet been issued awaiting the formal approval/ handling over of the land by VPT as explained in detail above. However, these formalities are expected to be completed in the next two months basis which formal work orders will be issued. In view of the criticality of these capex which are essential and need to be carried out in this tariff cycle at any cost, the authorities are requested to approve our Capex estimates (Appendix 24) which were prepared in consultation with our expert team for berth strengthening and EXIM Park development. We confirm that there will not be much variation between our estimates and the work orders to be issued.
(v). (a).	Form 4A shows additions of ₹820.80 lakhs in the year 2014-15 towards dredging waterfront area upto 50 mtrs. from the berth front to enable berthing of fully laden panamax vessel. As per Article 3.9(c)(i) of the LA, it is the obligation of the Licensor to maintain entrance channel draft and dredged draft alongside the berth at 10.70 mtrs. Further as per the LA, it is the obligation of Licensor to undertake capital dredging at the cost and responsibility of the Licensee i.e. the VSPL. In this context, give the reference to the provision in the LA to show that the proposed capex relating to dredging water	Clause 3.9 provides for obligations of the Licensor and Licensee during the Operations & Maintenance Phase of our Project. The specific clause 3.9(c)(i)(e) is the relevant clause which provides that capital dredging has to be carried out by VPT at the cost and responsibility of the Licensee. As known, capital dredging during operation phase means capital dredging alongside the berth (Berthfront) only.

	front area complies with the provision in the License Agreement.	
(b).	With reference to the said capex also please clarify whether any vessels arriving at the berth of VPT have / will derive any benefit from the reported deepening of the channel carried out by the VSPL. If so, intimate whether the VPT and VSPL have any arrangement for sharing the cost or revenue for the benefit derived by the VPT. If there is no such arrangement, the estimated expenditure may be adjusted suitably with the benefit accruing to the vessels visiting VPT berth.	VPT is deepening the entrance channel and Inner Harbour channels in the Northern arm beyond 50 meters from the berth front. Hence, VSPL has to do the deepening to -16.10 meters upto 50 meters alongside its berths. Once this is done, VSPL's berths only will be capable of handling Multicargo Panamax vessels in the Northern arm of Inner Harbour as the other berths of VPT EQ-2 to EQ-7 and WQ-2 to WQ-5 are yet to be strengthened to withstand deepening of channels to -16.10 meters. Hence, vessels arriving at VPT berths also will derive benefit as they can be lightened at VSPL berths to the draft of VPT berths. However, there is no arrangement as of now for sharing of cost or revenue with VPT in this regard.
(c).	Assess the additions to the capacity, if any, on account of the proposed additions to the gross block.	The capacity has been assessed duly taking into account the proposed additions to the gross block in our revised projections.
(vi).	The VSPL has proposed capital expenditure of ₹47.48 crores in the year 2016-17 for development of storage yard in the EXIM park. The VSPL had envisaged a capital expenditure of ₹44.98 crores for the same item in the last tariff revision proposal and the Authority had moderated it to ₹42.62 crores for the reasons stated in para 11(xiii)(a)(v) of the Order. This was considered subject to the condition that if at the time of review of actuals it is found that the proposed investment does not materialize in the year 2013-14 the advantage accrued to VSPL on this account will be assessed and fully adjusted in the next tariff cycle. In this regard, VSPL as well as VPT were required to intimate the Authority immediately without waiting for the tariff validity period to expire. Neither the VSPL nor the VPT have intimated that the capex relating to EXIM Park has not materialised in the last cycle. Explain the reasons for not bringing out this position to the Authority. It appears that the capital expenditure proposed for development of land at EXIM Park has not materialised in the year 2013-14. The VSPL to quantify the additional surplus accrued to VSPL for the years 2011-12 to 2013-14 and for 2014-15 (till September 2014). Furnish detailed working in this regard for adjustment in tariff to be determined in this cycle. The additions to the capacity on account of the proposed additions to the gross block should be assessed and furnished.	Our position regarding why this capital expenditure was not materialised in the last tariff cycle was explained in detail above under our reply to query 6(i)-Capital employed. The delay is beyond our control despite our regular follow up and efforts with VPT and we earnestly hoped that approval will be received within the duration of the tariff cycle. However, we submit to the authorities that our traffic volume for 2012-13 and 2013-14 in our last tariff cycle was projected at a higher level of 6.75 Million Tons for 2012-13 and 7.09 Mn.Mts for 2013-14 against our earlier projections for 2012-13 and 2013-14 due to factoring of this capex of ₹47.48 crores. Without this proposed capex, the said enhanced throughputs of 2012-13 and 2013-14 could not be projected to be achieved. Hence, no advantage could be said to have accrued as the projected revenue surplus too would come down due to reduced annual throughput for 2012-13 and 2013-14 which is necessitated to be recomputed in the absence of this capex. Such unforeseen events happen practically and beyond our control. Hence, the authorities are requested not to view this as an accrued benefit to us in the last tariff cycle calling for adjustment in the current tariff cycle.
(vii).	It may be confirmed that the entire proposed	Confirmed that the entire proposed expenditure

<table>
<tr><td></td><td>expenditure in each of the years will be capitalized in the books of accounts of the same year and also the assets worth the equal amount will be physically available for operation in the very same year. In this regard, it may be borne in mind that capital work-in-progress is not counted towards capital employed for the purpose of allowing return thereon.</td><td>in each of the years will be capitalized in the books of account of the same year and will be physically available for operation in the very same year.</td></tr>
<tr><td>(viii).</td><td>Confirm as to whether the proposed investment/ addition to gross block is as per License Agreement.</td><td>It is confirmed that the proposed investment/ addition to gross block are in accordance with our License Agreement.</td></tr>
<tr><td>(ix).</td><td>Form 4B of the prescribed format requires to provide details relating to each of the assets proposed to be added to the gross block in terms of the particulars given therein. The VSPL has not furnished the requisite Form 4B. The VSPL to furnish Form 4B duly filled quantifying the effect of the proposed investment in terms of addition to the capacity, additional traffic/ business, reduction in the unit operating cost or any improvement in the operational efficiency. As the FY 2013-14 is over, the requisite details with reference to additions to the gross block in the year 2013-14 also need to be furnished.</td><td>Form 4B duly quantifying the effect of proposed investment in terms of additions to the capacity/ additional traffic has been now furnished with actuals for 2013-14.</td></tr>
<tr><td>(7).</td><td>Working Capital:</td><td></td></tr>
<tr><td>(i).</td><td>Clause 2.9.9 of the tariff guidelines stipulates norms for estimating sundry debtors at two months' Estate income & Railway Terminal charges for estimating the working capital. The estimation of Sundry debtors at half month's cargo handling revenue is not in accordance with the norms prescribed in the guidelines.</td><td>Sundry debtors has been now estimated at two months of our operational income as per clause 2.9.9. In our case, the income from Estate and Railway Terminal charges are not applicable as in the case of Major Ports.</td></tr>
<tr><td>(ii).</td><td>Form 4A shows that the annual actual inventory consumption is treated as part of current assets. This is not found to be in line with the norms prescribed in clause 2.9.9. of the 2005 tariff guidelines. The inventory allowable in the working capital may be modified as per the norms prescribed in the guidelines for the past period 2011-12 to 2013-14 and for future estimates 2014-15 to 2016-17 as well.</td><td>As per the norms of clause 2.9.9., inventory has been taken at six months of our spares consumption excluding fuel – Appendix 25.
<table>
<tr><th>Year</th><th>Stores consumption (in lakhs)</th><th>6 Months</th></tr>
<tr><td>2011-12</td><td>461</td><td>230</td></tr>
<tr><td>2012-13</td><td>224</td><td>112</td></tr>
<tr><td>2013-14</td><td>248</td><td>124</td></tr>
</table></td></tr>
<tr><td>(8).</td><td>Allocation of expenses and capital employed between cargo and vessel related activity:</td><td></td></tr>
<tr><td></td><td>The VSPL to furnish the following information/ clarification with reference to allocation done by VSPL for drawing the activity-wise cost statement for cargo handling activity and vessel related activity:</td><td></td></tr>
<tr><td>(i).</td><td>Confirm whether the cost statement for cargo and vessel related activities are prepared in line with the general instruction given in the Form 5 of the cost format.</td><td>Confirmed that the cost statement for cargo and vessel related activities are prepared in line with the general instructions given in Form 5.</td></tr>
<tr><td>(ii).</td><td>As per note in Form 5B of the tariff filing proposals for private terminal operators, cost statements for main activities as well as sub-</td><td>Cost statements for main activities as well as for sub-activities under cargo handling activity have been now furnished.</td></tr>
</table>

	activities need to be furnished. Whilst the VSPL has furnished cost statements for the main activities viz. cargo handling activity and vessel related activity, it has not furnished sub-activity-wise cost statements under cargo handling activity for cargo handled by conventional means and Bulk Material Handling System (BMHS) which is a mechanised facility in spite of a specific advice rendered by the Authority in the last tariff Order of October 2011 to file sub-activity-wise cost statements under the cargo handling activity on a scientific and rational basis, as brought out below. The VSPL to furnish sub-activity-wise cost statements for cargo handled through BMHS and by conventional means. Keeping in view the observation made by the Authority with regard to allocation of assets between the two sub-activities as brought out below. While doing so, ensure that the sum of the figures of these two sub activity-wise cost statements tally with the figures in the cost statement of cargo handling activity.	
(iii).	During the last revision, the Authority in para 11(xiv) had made some observations relating to allocation of common expenses done by the VSPL equally between BMHS and conventional cargo handling. The VSPL was advised to file sub-activity cost statements under cargo handling activity on a scientific and rational basis taking into consideration the observation made in the Order in the next tariff revision. The VSPL while drawing the sub-activity wise cost statements under cargo handling activity is advised to adhere to the advice rendered in the last tariff Order.	Common expenses between BMHS and conventional handling have been allocated on rational basis duly considering the observation of the authorities last time – Appendix 26A.
(iv).	The basis of allocation of the expenses and capital employed between these two sub-activity may be explained.	Common expenses are allocated in the ratio of cargo handled under BMHS and conventional handling. Capital employed has been allocated between the two sub-activities on the basis of (a). Direct allocation of majority of assets to the said two sub-activities. (b). Apportionment of some of assets done equally among the sub-activities and (c). In the ratio of berth capacity for remaining assets. The detailed statement showing allocation of assets between the said two sub-activities has been attached (Appendix 26B).
C.	**SCALE OF RATES**	
(1).	**Schedule 1.2 of General Terms & Conditions**	
	The penal rate of interest in note 8(ii) is proposed at 16.25%. This needs to be updated at 2% above the prevailing Prime Lending Rate of State Bank of India (which is presently 14.75%) as per clause 2.18.2. of	Updated at 16.75%.

	the tariff guidelines.	
(2).	**Schedule 2.1.1. Berth Hire Charges**	
	The proposal seeks 260% upward revision in berth hire charges. It is, however, seen that the increase proposed in berth hire for coastal vessel comes to 412%. This apparently is on account of restatement of coastal vessel rates applying the prevailing exchange rate. Clause 6.1.2. of the 2005 tariff guidelines do not permit restatement of coastal vessel rates with reference to exchange rate at the time of each general revision of Scale of Rates. The VSPL to modify the proposed berth hire charges for coastal vessel applying the proposed percentage increase without resorting to restatement of rates for coastal vessel to the prevailing exchange rate.	Modified in the revised proposal.
(3).	**Schedule 2.1.2. Penal Berth Hire Charges**	
(i).	It appears that the rate of ₹0.042 indicated for the first slab of up to 6 hrs. for coastal vessel should be Re.0.42. Examine and correct it, if necessary, in the proposed draft Scale of Rates.	The typing error has been corrected in the proposed Scale of Rates.
(ii).	In the last tariff revision Order dated 11 October 2011 in para no.11(xxi), the VSPL was advised to file a well analysed separate proposal for rationalising the existing provisions/ output norms for the purpose of levying penal berth hire. The VSPL has, however, not adhered to our suggestion in the current tariff revision exercise and hence the advice rendered in the last tariff Order is reiterated.	Majority of our Traffic volume are handled with shore crane and vessel crane volume is only 11%. Hence, the output norms of VPT for cargo handled with ship cranes have been adopted for levying penal berth hire in our present SOR proposal filed with our Revised Tariff proposal now submitted.
(4).	**Schedule 2.2. Charges for supply of water to vessels**	
	No increase is proposed in the charges for supply of water to vessels for foreign-going vessel. However, the tariff for coastal vessel is proposed to be increased which apparently is on account of restatement of coastal vessel rates with reference to the prevailing exchange rate. The VSPL to adhere to the provision stipulated at clause 6.1.2. of the 2005 tariff guidelines as stated in our earlier query on berth hire charges.	Corrected in the revised proposal.
(5).	**Schedule 3.8. Shore handling operations**	
	Justify the increase proposed in shore handling operations by 12.5% i.e. from ₹40 per tonne to ₹45 per tonne as against only 7% deficit reflected in the cost statement of cargo handling activity.	The tariff of ₹40/ tonne was fixed based on actual cost paid to the contractor for single cargo shifting to stockpile, high stocking and cargo loading. Due to the space constraint and the increased dwell time of cargos on a/c of constraint in availability of Railway rakes and delays in cargo evacuation by customers, multiple shifting is necessitated within our terminal as well as while loading cargos into wagons. Hence the increase proposed is only nominal compared to the various additional works which were not factored earlier like collection of spillage cargos from railway tracks

		for putting back to stockpile. Additional deployment of equipment for cargo pressing on wagons and necessity to achieve faster loading rate into wagons to get preference from railways in rake allotment.
(6).	**Schedule 4.1. 104 Tonne Harbour Mobile Crane**	
(i).	The hire charge for 100 tonne HMC approved by the Authority in the last tariff Order is ₹36.70 per tonne. The VSPL has challenged the hire charge for 104 tonne HMC last approved by the Authority and the matter is subjudice pending disposal of the case. The Hon'ble High Court vide its Order dated 22 December 2011 has given interim relief allowing VSPL to charge the pre-revised rate of ₹72.75 per tonne pending disposal of the Writ Petition. For estimating income from HMC, the VSPL has considered unit rate of ₹36.70 per tonne at the level approved by the Authority in the last Order though in actual terms the VSPL collects ₹72.75 per tonne for hire of 100 tonne HMC as per the interim relief granted by the Hon'ble Court. Since the matter is subjudice, give reasons for seeking revision in the rate for this item i.e. from ₹36.70 approved by the Authority (₹72.75 per tonne being collected by the VSPL) to ₹64 per tonne.	At the outset, we submit that we have actually proposed a reduction in our HMC rate from ₹72.75/ tonne to ₹64/ tonne which was the rate fixed by TAMP in our first Tariff Order dated 15.4.2007. This rate of ₹64.00/ tonne was increased by 12.5% to ₹72.75/ tonne by TAMP considering our past losses while passing the second tariff Order dated 27.3.2009. Again, TAMP while passing the third Order dated 15.11.2011, reduced the tariff by 12.5% mainly due to disallowances of rebates and discounts granted to SAIL and other customers but instead of reducing by 12.5% across the tariff items effected the entire reduction of alleged surplus by reducing only our HMC rate by 50%. Now, this matter is sub-judice and we have filed our present tariff proposal without prejudice to our contentions in the pending writ petition so as to enable fixation of tariff by the authorities from 1.4.2014, we have prepared our tariff proposal and cost statements as per the guidelines. Accordingly, income from HMC has been projected under "Existing Tariff column" for 2014-15 to 2016-17 at ₹36.70/ tonne, being the approved rate of TAMP. In other words, irrespective of the outcome of our Writ Petition, we intend to collect ₹64/ tonne only from 1.4.2014 subject to approval of the authorities. The authorities in the last tariff Order fixed the rate of ₹36.70/ tonne by comparing the HMC rates of other ports which were fixed on standalone basis where the HMC rate was sourced through tenders. It is submitted that this approach is fundamentally not proper as it is comparison of non-comparable. The cranes in the other Ports are provided by Non-BOT operators with limited investment and assured minimum volume whose risks cannot be compared with that of a BOT operator with huge long-term investment always subjecting himself to constant inter-port and intra-port competition, Regulatory changes, volatile economic conditions and uncertain business environment. However, the prevailing HMC rates on

		standalone basis in some of the ports as given below may also be noted. (a). Kolkatta Port Trust – ₹62.40 PMT from February 2014. (b). Paradeep (OSL) – ₹37 PMT for 12000 MTs and thereafter 5% escalated rate for every 1000 tonnes higher output. (c). Chennai Radha – ₹73 PMT (Royalty share to port ₹33 PMT) from 2012. We submit that services of a BOT operator should be seen in the context of checking whether his ROCE is 16% or more and in this context reducing the HMC rate being most important revenue source (Vertical transfer of cargo) may not be equitable and fair especially, the same would not meet the tariff fixation objective of ensuring just and fair return to ports as provided under 2.2(ii) of the Tariff guidelines. TAMP has also rightly stated in some cases that tariff for similar services/ cargo may differ even in the same port based on the infrastructure facilities provided. Customers of our terminal are offered Integrated services from Stevedoring with HMC to Shore handling, Stocking and dispatching of cargos. Some customers choose to avail only Stevedoring with HMC services and if this volume of service increases there will be a serious impact on our revenue and there will be under recovery of our investment and this risk is not there in other BOTs under the 2008 guidelines or the cranes provided in Major Ports under standalone basis. Thus our HMC rates are not at all comparable with other ports.
(ii).	The increase sought in the hire charge of HMC is 74% which to be justified with reference to 7% average estimated deficit in the cost statement for cargo handling activity.	Explained above in detail.
(7).	**Schedule 4.5. Material handling system for handling bulk cargo**	
	The VSPL has proposed to reduce the existing charges for BMHS from ₹161.70 per tonne to ₹159.50 per tonne by reducing existing rates for mobile hopper, conveyor and stacker and reclaiming and wagon loading service but the rate for discharge of cargo with 104 MT harbor Mobile crane is proposed to be increased from ₹36.70 to ₹64.00 per tonne. The rate for availing integrated terminal services is proposed to be reduced from ₹152.70 to ₹150. In this regard the following points may be clarified.	
(i).	Explain the basis and reasons for proposing reduction in selected components of BMHS and proposing increase in rate for only one item viz. use of mobile harbour crane. Justify	HMC is our critical asset which is used for handling cargos handled both under Mechanical and conventional system. The necessity of maintaining the HMC rate is already explained

<table>
<tr><td></td><td>the reduction/ increase proposed with reference to the cost statement of BMHS to be furnished by VSPL.</td><td>above. Given the fact that we have already completed more than one third of our concession period, it is found essential to attract the trade to use this system already installed at a huge cost. Accordingly, components of material handling system comprising Mobile Hoppers, Conveyors, Stackers cum Reclaimers and wagon loader were considered and their rates suitably reduced considering the similar cost of shore handling under conventional method.</td></tr>
<tr><td>(ii).</td><td>With reference to the point made by the VSPL that proposed reduction in tariff is to attract cargo indicate the additional traffic expected to be handled in view of reduction proposed quantifying additional revenue year wise.</td><td></td></tr>
<tr><td>(8).</td><td>Explain the reasons for seeking increase in selected tariff i.e. shore handling charge, and HMC charge but not seeking increase in other cargo related charges viz. wharfage, demurrage, stevedoring, etc. though the cost statement for cargo handling activity reflect an average deficit of 7% for the years 2014-15 to 2016-17.</td><td>Reasons for seeking increase in shore handling charges are already explained above. Wharfage is collected to recover periodically the usage of the wharf which is a fixed investment. HMCs are our critical asset essential to perform our fundamental operation of vertical discharge of cargo. At the same time, the revenue from the HMCs are volatile and uncertain with unprecedented breakdown of the cranes resulting in demurrages for not achieving committed discharge besides loss of revenue from loosing of further vessels. Further, several customers are not availing our full services and avail only stevedoring with HMC services. HMC costs are subject to sudden escalation in costs during the tariff cycle in view of sudden breakdown and replacement of their major parts. Hence, the HMC rate shall be fair to cover not only these risks but also in ensuring a fair return on our investment.

Even on standalone basis, the HMC rate of ₹64/ tonne is justifiable as two of our HMCs are on operational lease on which our contracted hire rate is ₹39.8/ tonne. The cost statement in respect of our two own cranes are shown below:
<table>
<tr><th>Cost Element</th><th>Cost per hour</th><th>Cost per tonne (₹)</th></tr>
<tr><td>Fuel</td><td>4410</td><td>9.80</td></tr>
<tr><td>Man power</td><td>3360</td><td>7.47</td></tr>
<tr><td>AMC</td><td>7636</td><td>16.97</td></tr>
<tr><td>Consumables</td><td>1680</td><td>3.73</td></tr>
<tr><td>Insurance</td><td>600</td><td>1.33</td></tr>
<tr><td>Vessel damages</td><td></td><td>0.50</td></tr>
<tr><td colspan="2">Operating cost before office overhead, depreciation and interest</td><td>39.8</td></tr>
</table></td></tr>
<tr><td>(9).</td><td>The VSPL to establish with workings that the increase sought in berth hire, shore handling charges, hire charge of HMC, etc., if approved, the VSPL will be able to cover the estimated deficit position and the approval to</td><td>The VSPL has not replied to this point.</td></tr>
</table>

	the various percentages of increase will not exceed the estimated deficit position.	
(10).	Clause 4.2.2. of the tariff guidelines of 2005 calls for phasing out of ad-valorem rates over a maximum period of five years. In this context, the VSPL to:	
(i).	Propose rates for electrical goods and machinery on the basis of cost of handling and special case, if any, required to be taken while handling the said cargo.	Presently we do not handle electrical goods. Hence existing rate may be continued.
(ii).	Explain the reason for proposing lower rate at 0.003% as against the existing rate of 0.30% for electrical goods and 0.0016% as against 0.16% for machinery.	No change is found to have been made in the existing rates for electrical goods and machinery.

9.2. The VSPL under the cover of its letter dated 20 November 2014 has reviewed and modified its proposal and submitted the updated cost statements for the years 2014-15 to 2016-17 based on the actuals for 2013-14 along with the Audited Financial Statement for 2013-14.

9.3. The main modifications made by the VSPL in the revised cost statements filed vide its letter dated 20 November 2014 are given below:

(i). The VSPL has updated the cost statements with actuals for the year 2013-14 and has also revised the estimates for the years 2014-15 to 2016-17. It has also furnished Audited Annual Report for the year 2013-14.

(ii). The estimated traffic for the years 2014-15 to 2016-17 has been revised. The traffic estimated as per its initial proposal of 10 March 2014 vis-à-vis updated proposal of 20 November 2014 is tabulated below:

(**in tonnes**)

Year	As per initial proposal of 10 March 2014	As per updated proposal of 20 November 2014
2014-15	5750000	5350000
2015-16	5952500	6425000
2016-17	62,50125	7023250

(iii). The assessed capacity of the terminal for the years 2014-15 to 2016-17 has been maintained at the same level of 7.70 million tonnes as previous tariff cycle.

(iv). The estimated income for the years 2014-15 to 2016-17 has been revised in line with the modified traffic.

(v). The operating costs and management overheads estimated for the years 2014-15 to 2016-17 has been updated based on the actual for the year 2013-14 and considering 6% escalation as against 7% considered earlier.

(vi). Additions to the gross block is maintained as per its original proposal without any change.

9.4. A summary of the overall cost position for the years 2014-15 to 2016-17 at the existing level of tariff as per the updated cost statements furnished by the VSPL is tabulated below:

(**₹ in lakhs**)

Sl. No.	Particulars	Estimates at the existing tariff		
		2014-15	**2015-16**	**2016-17**
(i).	**Traffic (in tonnes)**	53,50,000	64,25,000	70 ,23,250
(ii).	Total Operating Income	8762.76	10590.87	11854.34
(iii).	Total Operating Cost (including depreciation, management overheads and FME – FMI)	7826.37	9011.38	10079.55

(iv).	Capital Employed	21563.32	22731.22	25872.41
(v).	ROCE	3450.13	3636.99	4139.59
(vi).	**Net Surplus / (Deficit)**	**(2513.74)**	**(2057.51)**	**(2364.80)**
(vii).	Accumulated losses of 2007-08 and 2008-09 (adjusted in 3 years from 2009-10 to 2011-12)	-	--	--
(viii).	Accumulated loss for 2009-10 and 2010-11 (adjusted in 3 years from 2011-12 to 2013-14)	-	-	-
(ix).	Net Surplus / (Deficit) after adjustment of past losses	(2513.74)	(2057.51)	(2364.80)
(x).	Net Surplus / (Deficit) as % of operating income	-29%	-19%	-20%
(xi).	Average of three years	-22.69%		

9.5. A summary of the estimated cost position as per the consolidated and activity-wise cost statements and sub activity-wise cost statements filed under cargo handling activity by the VSPL at the existing tariff is tabulated below:

Sl. No.	Particulars	Operating Income				Net Surplus/ Deficit				Net Surplus/ Deficit in percentage			Average
		2014-15	2015-16	2016-17	Total	2014-15	2015-16	2016-17	Total	2014-15	2015-16	2016-17	
(i).	Consolidated	8762.76	10590.87	11854.34	31207.97	-2513.74	-2057.51	-2364.80	-6936.05	-29%	-19%	-20%	-22.69%
(ii).	Vessel Related – Berth hire	308.22	368.31	412.56	1089.09	-1,130.50	-1,523.60	-1,471.12	-4,125.18	-367%	-414%	-357%	-379%
(iii).	Cargo Related –	8454.55	10222.56	11441.78	30118.88	-1,383.24	-533.91	-893.68	-2,810.83	-16%	-5%	-8%	-10%
(a).	Bulk Material Handling	2901.30	3664.80	4122.90	10689.00	-1433.44	-953.58	-1121.44	3508.46	-49%	-26%	-27%	-34%
(b).	Conventional handling	5553.25	6557.76	7318.88	19429.89	50.20	419.67	227.76	-697.63	1%	6%	3%	3%

9.6. The VSPL in the covering letter dated 20 November 2014 while furnishing reply to our queries has brought out the following grievances reportedly arising on several unique issues faced by VSPL as the only BOT Bulk cargo Terminal handling Multi-cargos at Vizag Port for proper appreciation and suitable redressal while passing the tariff Order:

(i). Commercial operation of VSPL berths EQ-8 and EQ-9 was started from the year 2004 and first Tariff Order of TAMP dated 31.3.2005 with validity upto 15.4.2007 was just adoption of the Scale of Rates of VPT as per which VSPL HMC rate was ₹64/Ton. The second Order dated 27.3.2009 with validity upto 31.3.2011 enhanced VSPL Scale of Rates of all the Services by 12.5% considering part of past losses in the first Tariff cycle that enhanced HMC rate to ₹72.75/Ton. While uniform enhancement of 12.5% was approved across all items of services in VSPL SOR in the second tariff Order, in the third Tariff Order dated 15.11.2011, the increase of 12.5% made in the second Order was reversed but to the extent of 50% only on HMC rate without giving any further opportunity to explain the impact of such reduction on a single service.

(ii). The Services of a BOT operator shall be seen in the context of whether the tariff proposal ensures the operator to make a just and fair return (Currently 16% on Capital Employed) especially when the tariff is fixed under 2005 Guidelines.

(iii). Despite VSPL operations for more than 10 years, its Project has not earned the required Return of 16% on Investment as permitted under the Tariff Guidelines. The financial performance shown below would reveal the huge shortfall between actual Return as per Audited Financials and the allowable Return of 16% on Capital Employed as per the Tariff Guidelines, 2005.

(**₹ in crores**)

Financial Year	Quantity (In Lakh Tons)	Revenue (₹ in Crores)	Royalty (₹ in Crores)	Profit/ Loss	Allowable return on Investment at 16% p.a.	Shortfall against 16% ROI
2004-05	8.27	4.31	0.24	(6.42)	13.95	20.37
2005-06	15.94	14.49	0.79	(11.29)	13.95	25.24
2006-07	23.72	30.45	1.10	(7.03)	13.95	20.98

2007-08	38.85	56.30	1.74	(12.29)	13.95	26.24
2008-09	46.79	64.87	2.28	(5.08)	13.95	19.03
2009-10	64.36	97.92	5.64	14.17	13.95	(0.22)
2010-11	64.91	106.47	4.43	16.04	13.95	(2.09)
2011-12	55.56	98.31	3.92	8.51	13.95	5.45
2012-13	57.69	109.45	4.18	12.44	13.95	1.51
2013-14	55.29	105.68	3.99	5.46	13.95	8.50
TOTAL	431.38	687.24	28.30	14.50	139.50	125.00
Average	43.14	68.73	2.83	1.45	13.95	12.50

Thus, VSPL could not earn the 16% Return on Capital employed as per the Tariff Guidelines and the cumulative Shortfall in not earning this Return is ₹125.00 crores. This has to be recovered over the remaining period of 17 years Concession period in addition to the allowable return of ₹13.95 crores p.a.

(iv). The above anomaly was created due to calculation of the Revenue of a tariff cycle at the Scale of Rates approved instead of the actual lower rate collected on account of severe competition for survival and to achieve more cargo throughput. This has resulted in reckoning notional income and calculation of surplus thereon. Unfortunately, clause 2.16.1 mentions that the Tariff Guidelines, 2005 that the rates prescribed in the SOR are ceiling rates and Ports can charge lower rates, if they so desire. All customers taking full advantage of this clause insist discounts and rebates which were hard to resist given the severe competition scenario in Vizag Port among the Stevedores of VPT who are not regulated by TAMP and other BOTs whose tariff are fixed under 2008 Guidelines.

(v). The VSPL have to choose between the only two options of either granting discounts or lose the business at the risk of gross underutilization of investment already made and Discounts are not given based on commercial decisions nor they are volume discounts. A detailed note on the background of the Long-term contract entered with SAIL, a PSU and the compulsion to offer the rate fixed by SAIL which is a discounted rate to our SOR without which the utilization of EQ-8 berth would be grossly underutilized has been already informed in the replies to the Authority. The Authority is aware that SAIL which is the largest importer of coal at Vizag Port has several options now to handle their coal imports and there is always a threat of migration to neighbouring ports from VSPL terminal in the event of VSPL tariff is not competitive with neighboring Ports.

(vi). The Authority in their last tariff Order has added the discounts of ₹5298.04 lakhs maintaining that following the approach adopted by the Authority in various tariff cases, the discounts/ rebates are not considered and added to the income reported. It has been submitted to the Authority that the discounts/rebates may be considered under clauses 2.10, 2.16.1 and 4.1 of the Tariff guidelines but the same has not been accepted by the Authorities.

(vii). VSPL operational conditions as a Bulk cargo BOT Terminal handling Multi-cargos as already appraised in Tariff proposal are unique and continued disallowance of discounts/ rebates to SAIL and others will result in further accumulation of shortfall in achieving the fair return of 16% ROCE as allowed in the Tariff guidelines and the tariff objective of ensuring fair returns as prescribed under 2.2(ii) of the Tariff guidelines would never be achieved.

(viii). VSPL has requested the Authority to consider the discounts/ rebates granted as a special case under clause 1.7 of the Tariff guidelines, 2005.

(ix). With regard to the proposed investments on Capital Works, the following further submissions are made to the Authority, in addition to the explanation furnished in the Tariff proposal.

(a). Strengthening of Berth Structure and Wharf:

The justifications and the need to undertake this investment was elaborated in detail in our last Tariff proposal. The circumstances under which this work has to be taken up in the current tariff cycle has been explained in detail which is brought out in earlier paragraphs.

(b). Development of Additional land of 30.00 Acres at EXIM Park:
The justification and the need to develop this additional land has been already explained in detail in our last Tariff Proposal and the circumstances that led to the delay necessitating to complete this work in the current tariff cycle have also been explained in detail in the earlier paragraphs. As stated therein, the Land Lease agreement after payment of one year advance rent and Security deposit has been received from VPT on 20.11.14 only and accordingly this work, needs to be taken up and completed in the current tariff cycle which is essential to achieve our Projected throughput of the current tariff cycle.

(c). Capital Dredging at Berthfront of EQ-8 and EQ-9 Berths:
We wish to submit that the Project of deepening of Channels in the Northern arm of Inner Harbour berths to -16.10 meters by VPT is nearing completion by December 2014 and only our berths will be capable of handling Panamax vessels of Multicargos. Hence, it is essential to dredge our Berth fronts upto 50 Meters for a dredged depth of -16.10 Meters and this capital dredging needs to be completed in the next two months so that VSPL will be able to handle Panamax vessels of not only VSPL but also lighten the Panamax vessels of VPT on completion of channel dredging by VPT. As per clause 3.9(i) of our Concession Agreement, the Capital dredging is proposed to be done through VPT who are now executing the Northern Arm channel dredging by M/s.Dredging Corporation of India Limited.

(x). The General Cargo Berth (GCB) was the only deep draft berth at the Outer harbour of Visakhapatnam Port, wherein the vessels arriving beyond the Inner Harbour’s draft are lightened to enter into the Inner Harbour. After awarding the modernization of General Cargo Berth to M/s.Sterilite Industries Limited, there is no proper and reasonable alternate facility for lighterage of cargos. The alternate facility provided by VPT at OB-1 for non-coal streams is not a berth but a make shift conveyor that can hardly give an output of 6000 tons per day for geared vessels and cannot handle gearless vessels at all and did not work well due to its inherent limitation of absence of wharf for cargo discharge. Further, due to deepening of channels, VPT implemented window period as every alternate day for Capital dredging. As this was not envisaged in the Business Plan of any Port user of this Port, the same has seriously impacted our business volume from July'13. Further, till completion of the deepening, there is no alternative other than GCB for all vessels arriving with deeper draft than 11 Meters and this led to the operations at the BOT berth a monopolistic situation by default besides leading to huge congestion translating into vessels bound for VSPL waiting for lighterage operations despite idling of our berths. As these events could not be foreseen, we only request the Authorities to consider these situations fairly while reviewing our actual performance from 2012-13.

(xi). We also request the authorities to take note of the fact that in Vizag, we are always at the receiving end of the customers who have high bargaining strength in view of availability of competing facilities at Vizag and no customer is paying any charges for overstay of their cargos and not even willing to pay plot rentals which make the BOT operators with limited space like us completely helpless. Further, no user is willing to take the responsibility to ensure compliance with Environmental protection and pollution measures envisaged by the competent Authorities regarding covering of their cargos. Since these are mandatory, the obligation is passed on to us involving substantial cost. This needs to be recovered from the users as they as cargo owners are required to protect emission of dust.

10. After protracted follow up, the VPT vide its letter dated 17 December 2014 has partially furnished its response. The VPT was, therefore, reminded vide our letter dated 16 January 2015 to furnish its comments on the remaining queries. Accordingly, The VPT has responded vide its letter dated 6 March 2015. A summary of the queries raised by us and the replies furnished by the VPT is tabulated below:

<table>
<tr><th>Sl. No.</th><th>Queries raised by us</th><th>Reply furnished by VPT</th></tr>
<tr><td>1.</td><td>Actual traffic handled by VSPL for the year 2013-14 may be furnished commodity wise.</td><td>The actual traffic handled by VSPL for the year 2013-14 is furnished below:
<table>
<tr><th>Sl. No.</th><th>Commodity</th><th>Tonnage handled (in lakh tonnes)</th></tr>
<tr><td colspan="3">Exports</td></tr>
<tr><td>1</td><td>Iron ore</td><td>0.26</td></tr>
<tr><td>2</td><td>Manganese ore</td><td>0.07</td></tr>
<tr><td>3</td><td>Silicon manganese ore</td><td>0.07</td></tr>
<tr><td>4</td><td>Steel</td><td>0.15</td></tr>
<tr><td>5</td><td>Granite</td><td>0.02</td></tr>
<tr><td>6</td><td>Pig iron</td><td>0.33</td></tr>
<tr><td colspan="3">Imports</td></tr>
<tr><td>7</td><td>Bauxite</td><td>3.43</td></tr>
<tr><td>8</td><td>Coal tar pitch</td><td>0.09</td></tr>
<tr><td>9</td><td>Coking coal</td><td>21.31</td></tr>
<tr><td>10</td><td>Dolomite</td><td>1.28</td></tr>
<tr><td>11</td><td>Ferro manganese ore</td><td>0.17</td></tr>
<tr><td>12</td><td>Gypsum</td><td>8.78</td></tr>
<tr><td>13</td><td>Limestone</td><td>2.28</td></tr>
<tr><td>14</td><td>Manganese ore</td><td>8.02</td></tr>
<tr><td>15</td><td>Petroleum coke</td><td>1.79</td></tr>
<tr><td>16</td><td>Steam coal</td><td>6.28</td></tr>
<tr><td>17</td><td>Finished fertilizers</td><td>0.43</td></tr>
<tr><td>18</td><td>Fertilizer raw materials</td><td>0.20</td></tr>
<tr><td></td><td>Total</td><td>54.96</td></tr>
</table></td></tr>
<tr><td>2.</td><td>VSPL has estimated the traffic at 5.75 MT, 5.95 MT and 6.25 MT for the years 2014-15 to 2016-17. Comment on the reasonableness of the traffic projected by the VSPL and also taking in to consideration investment proposed by VSPL on Capital dredging, repairs and strengthening of berth and development of additional plot at EXIM park.</td><td>The traffic handled in Lakh Tonnes (LT) by VSPL during the last five years i.e. from 2009-10 to 2013-14 is 64.26 LT, 64.27 LT, 54.79 LT, 57.16 LT and 54.96 LT respectively. During the first six months of the current financial year i.e. upto September 2014, 26.26 LT was handled by VSPL. Basing on the above traffic handled and keeping in view of the PPP projects taken up, the traffic projected by VSPL is considered to be reasonable.</td></tr>
<tr><td>3.</td><td>VSPL has maintained the assessed capacity of the terminal at the existing level, i.e. 7.7 MT for all the years 2014-15 to 2016-17. Furnish an assessment of the capacity of the terminal operated by VSPL taking into consideration capital investment proposed by VSPL during 2014-15 to 2016-17.</td><td>The assessed capacity of E-8 and E-9 berths communicated vide Ministry's letter No.DW/DTO-02/2009 dated 22.5.2013 is 3.68 MTPA and 2.75 MTPA respectively. The capacity of the two berths has been assessed basing on the methodology communicated by Ministry of Shipping i.e. no. of working days at general cargo berths (75% of available no. of days i.e. 330 days), multiplied by achieved ship berth day output (considering maximum berth day output achieved at a berth during last three years).</td></tr>
<tr><td>4.</td><td>The sum of actual income from wharfage and berth hire reported in the Annual Accounts for the years 2011-12 and 2012-13 is ₹1311.47 lakhs and ₹1494.78 lakhs</td><td>Difference for admissible revenue share considered in cost statements of VSPL and revenue payments made to VPT by VSPL may be obtained from VSPL.</td></tr>
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<td>respectively. The revenue share when computed as per the LA at 17.111% on the wharfage and berth hire income reported by the VSPL in the Annual Accounts for the years works out to ₹244.41 lakhs and ₹255.77 lakhs for the years 2011-12 and 2012-13 respectively as against ₹255.32 lakhs and ₹299.88 lakhs reported in its Annual Accounts.
Further, as per clause 2.8.1. of the 2005 guidelines, admissible revenue share to the extent of next highest bidder i.e. 12.811% works out to ₹168.01 lakhs and ₹191.50 lakhs respectively. As against that the VSPL in the cost statement has considered revenue share pass through of ₹293.20 lakhs and ₹312.69 lakhs for the years 2011-12 and 2012-13 respectively. It is not clear as to how the admissible revenue share considered by the VSPL in the cost statement is higher than the revenue share payment made to the VPT as per its Annual Accounts. The reasons for this differences and mismatch is being sought from the VSPL.

In the meantime, the VPT to furnish details regarding the actual revenue share earned by the VPT from the VSPL for the years 2011-12 to 2012-13 and 2013-14 as per the provisions in the LA along with detailed working. Confirm that it does not include revenue share payment, if any, arising out of operations carried out by VSPL at GCB which does not flow from the LA entered with the VSPL.</td>
<td>The details regarding the actual revenue share earned by VPT from VSPL for the years 2011-12, 2012-13 and 2013-14 are tabulated below:

<table><tr><th></th><th>2011-12</th><th>2012-13</th><th>2013-14</th></tr><tr><td>Gross Revenue</td><td>2292.02</td><td>2440.81</td><td>2333.36</td></tr><tr><td>Royalty paid</td><td>392.19</td><td>417.65</td><td>399.26</td></tr></table>
The revenue does not include the share of payment arising out of operations carried out at GCB by VSPL.</td>
</tr>
<tr>
<td>5.(i).</td>
<td>The Authority in the last tariff revision Order No.TAMP/5/2011-VSPL dated 11 October 2011 of the VSPL, had in paragraph 11 (ii) (c) of Order held that the tariff arrangement relating to floating crane operations at GCB and barge services offered by the VSPL do not have the approval of the Authority. It was made clear that though these services are not governed by the LA entered with the VPT for berth No.EQ8 and EQ9, it need to be regulated by the Authority as these services are listed in Section 42 of the Major Port Trusts Act 1963. If the authorization granted by VPT to VSPL to offer services is beyond the scope of License Agreement and is other than by way of a BOT arrangement, VPT had to initiate action with reference to Chapter 7 of the tariff guidelines and was allowed time upto 31 December 2011 to file its proposal in this regard. Subsequently,</td>
<td>With regard to the proposal relating to floating crane operations at GCB, the floating crane operations in Visakhapatnam Port have ceased long back and at present there is no floating cranes being operated.</td>
</tr>
</table>

	based on a reference made by SAIL the Authority vide its letter No.TAMP/34/2003-Misc. dated 2 September 2013 had reiterated the same point requesting the VPT to adhere to the advice rendered in the last tariff Order and immediately initiate action as per Chapter 7 of the tariff guidelines of 2005 and file a proposal in this regard latest by 16 September 2013. Though the VPT vide its letter No.ITRA/SBE/FTAMP/MISC dated 28 January 2014 had agreed to file suitable proposal in this regard no proposal has been received from the VPT so far in the matter. It is, therefore, reiterated here that the the tariff arrangement followed for operations authorised by the VPT to VSPT at GCB and barge services offered by the VSPL do not have the approval of the Authority. The VPT to expedite filing its proposal in line with the advice rendered earlier.	
(ii).	Clarify whether the VPT and the VSPL have entered into any arrangement for sharing of any revenue with reference to the cargo handled by the VSPL at the berths of the VPT. If so, indicate the revenue share so earned and the treatment of the same given in its Annual Accounts of the VPT and also in the cost statement filed during the last tariff revision.	As regards the sharing of revenue with reference to the cargo handled by VSPL at berths of VPT, it is to inform that whenever any cargo is handled by any port users including VSPL at VPT berths, charges as applicable in the VPT Scale of Rates are levied and collected in full from the concerned port user. As such there is no express provision or arrangement entered into between VPT and VSPL for sharing of any revenue with reference to the cargo handled by the VSPL at the berths of VPT.
6.	One of the points made by VSPL at Note-VI (2012-13) is that ₹59 lakhs has been included in the actual expenditure in the year 2012-13 towards wagon damage collected by VPT in an arbitrary manner. Give a brief note on the collection of amount for wagon damage from VSPL.	As per the procedure in vogue, whenever the wagons are handed over to the Indian Railways, the Train Examiners working for the Indian Railways examine the wagons for any damages and they send a wagon damage report rake wise to the port. Based on the rake number the port officials examine which siding the rake has been placed and the damage bill is raised on the port user who is responsible for the damage of wagons in the rake on that particular date and time. Similarly, the wagon damages raised by the Indian Railways on the wagons handled at M/s.VSPL have been billed against M/s.VSPL as per the damage cost mentioned by the railways.
7.(i).	The VSPL has estimated maintenance dredging cost at ₹4.25,999 per shift for 10 shifts for the year 2014-15 and escalated by 7% per annum. Comment on the reasonableness of the maintenance dredging cost estimated by the VSPL for the years 2014-15 to 2016-17.	VPT has not commented.
(ii).	Confirm the maintenance dredging cost of ₹27.39 lakhs and ₹44.20 lakhs in the year 2011-12 and 2012-13 respectively reported	The actual payments made by M/s.VSPL to VPT are furnished hereunder:

<table>
<tr>
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<td>by the VSPL. Furnish copies of bills raised by the VPT on VSPL for maintenance dredging for the years 2011-12 to 2013-14 and indicate the actual payments made by the VSPL to the VPT during this period.</td>
<td>
<table>
<tr><th>Year</th><th>Deposit dredging rate per shift excluding service tax in ₹</th><th>No. of shifts</th><th>Total amount paid to VPT</th></tr>
<tr><td>2011-12</td><td>3,80,519/-</td><td>7</td><td>27,39,905/-</td></tr>
<tr><td>2012-13</td><td>3,98,130/-</td><td>11</td><td>43,79,430/-</td></tr>
</table>
The bills stated to have been attached by VPT are not attached. [In any case, VSPL has furnished copies of bills raised by VPT on maintenance dredging for the two month February 2014 and March 2014.]
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<td>8.(i).</td>
<td>Confirm the lease rentals of ₹65.52 lakhs and ₹100.29 lakhs reported by VSPL for the years 2011-12 and 2012-13 is as per the provisions of the LA entered with VSPL and the Schedule of Rent approved by the Authority for VPT. The lease rent paid by the VSPL for the year 2013-14 may also be indicated.</td>
<td>VSPL has made the lease rentals of ₹64.42 lakhs for the year 2011-12, ₹65.62 lakhs for the year 2012-13 and ₹65.62 lakhs for the year 2013-14 which includes service tax.</td>
</tr>
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<td>(ii).</td>
<td>Also confirm, the lease rent estimated for the years 2014-15 to 2016-17 for 121700 sq mtrs of land and for the building is as per the provisions of the License Agreement.</td>
<td>The lease rents estimated for
2014-15 ₹65.62 lakhs
2015-16 ₹65.62 lakhs
2016-17 ₹65.62 lakhs
for the 121700 sq. mtrs of land as per the provision of the lease agreement.</td>
</tr>
<tr>
<td>(iii).</td>
<td>In the current proposal, the VPSL has also estimated lease rental for additional land of 30.5 acre at EXIM Park which is stated to have been allotted by VPT on 27 January 2014. In this regard, the following points may be clarified:</td>
<td></td>
</tr>
<tr>
<td>(a).</td>
<td>Even during the last revision, the VSPL had estimated lease rent for additional land at EXIM Park for the years 2012-13 and 2013-14. During the last tariff revision the VPT had endorsed that the allotment of said land is in its jurisdiction and hence the estimate of lease rent for additional land was allowed by the Authority in the last revision. In the current tariff revision proposal, the VSPL has stated that the land was allotted only in January 2014. Explain the reason for delay in the allotment of the land to the VSPL.</td>
<td rowspan="2">The VPT Board has resolved on 23-12-2010 to approve the allotted VPT land measuring Acs. 30.00 as additional land in Exim park area on annual lease basis terms of BOT license agreement for storage and handling of cargo for the period up to 27-11-2013 i.e. co-terminus with main lease of 97.900 sq. mtrs. Subject to payment of lease amounts comprising of one year's rent as advance, 5 year's rent as refundable Security Deposit and one year rent as non-refundable Premium along with service tax as per SOR (Basic values) as per the land policy guidelines 2004 and subject to approval of Govt. and accordingly approval of the Govt. has been requested for the above. At this stage Land Policy for Major Ports 2010 has been circulated and as per which the lease amounts on annual mode payable are one year's rent as refundable security deposit along with Service tax. Further Govt. has issued direction vide letter dated 8.8.2012 to keep normal lease of port land in abeyance and however it is clarified vide letter dated 30-7-2012 that the PPP cases which are processed through the appraisal and approval mechanism prescribed by the Department of Economic Affairs and further</td>
</tr>
<tr>
<td>(b).</td>
<td>The VSPL has proposed capital expenditure of ₹47.48 crores in the year 2016-17 for development of storage yard in the EXIM park. The VSPL had envisaged a capital expenditure of ₹44.98 crores for the same item in the last tariff revision proposal and the Authority had moderated it to ₹42.62 crores for the reasons stated in para 11(xiii)(a)(v) of the Order. This was considered subject to the condition that if at the time of review of actuals it is found that the proposed investment does not materialize in the year 2013-14 the advantage accrued to VSPL on this account will be assessed and fully adjusted</td>
</tr>
</table>

	in the next tariff cycle. In this regard, VSPL as well as VPT were required to intimate the Authority immediately without waiting for the tariff validity period to expire. Neither the VSPL nor the VPT have intimated that the capex relating to EXIM Park has not materialised in the last cycle. Explain the reasons for not bringing out this position to the Authority.	approved by cabinet need not be processed for another approval of cabinet. In view of the ambiguity in charging of lease rentals is as per 2004 or 2010 Policy Guidelines for which the Port Trust Board has resolved vide resolution No.76/2013-14 dated 5.9.2013 to refer the matter to the ministry. Further VPT Board vide its resolution No.129/2013-14 dated 14.11.2013 has resolved to follow the provision of Land Policy Guidelines 2010 subject to the directions stipulated in the O.M. No.F-511/21/2010-cabIII dated 30.7.2012 issued for the cabinet secretariat and also in request of M/s.Vizag Sea Port Pvt. Limited. Accordingly Allotment Order has been issued in favour of M/s.VSPL vide this office letter dated 28.1.2014. M/s.VSPL have arranged part payment of ₹1,33,49,236/- towards advance rent and ₹1,32,00,858/- towards refundable security deposit. The above said plot will be handed over to M/s.VSPL on the date of registration of the lease deed which is to be registered on the lessee at their own cost.
(c).	The VPT to once again confirm the date of allotment of land to the VSPL and the exact area.	The VPT has issued allotment order to M/s.VSPL vide letter dated 28.10.2014 (in reply to previous query VPT has given the date as 28.1.2014) for the land measuring Acs. 30.00 situated in zone-VII & VIII at Exim Park area.
(d).	Clause 5.3. of the License Agreement allows Licensor to make available additional land or other premises at lease rent or other charges payable as mutually agreed between the Licensor and Licensee. Confirm that the lease rent estimated for additional land at ₹132.00 lakhs in the year 2014-15 and 2% annual escalation in the subsequent two year is in line with the provisions in the License Agreement. Indicate the unit lease rent applicable for the additional land at EXIM Park. If the lease rent approved by the Authority for VPT lands is adopted then give reference of the same in the Order approved by the Authority.	The VPT has calculated the lease rentals provisionally for the additional land basing on the TAMP approved rates for the quinquennium 2008-13, vide Order dated 10.7.2012 duly giving 2% escalation up to 2013-14 which worked out to ₹132.00 lakhs (108.73 per sq. mtr. per annum) PRESENT STATUS 1. VPT issued allotment order along with terms conditions letter dated 28.11.2014 for the land measuring Acs. 30.00 situated at Exim Park area to M/s.VSPL 2. M/s.VSPL have arranged rent and security deposit.
(9). (i).	Comment on the reasonableness of the additions to the gross block proposed by VSPL on dredging in front of berth (₹8.20 crores), strengthening of berth (₹23.81 crores) and development of additional storage at Exim land (₹47.48 crores) proposed by VSPL during the years 2014-15 to 2016-17 respectively.	M/s.VSPL is being permitted by VPT for dredging for further deepening in front of EQ-8 berth and dredging in front of EQ-9 berth subject to strengthening as required for EQ-9 berth as recommended by IIT, Madras duly entering into supplementary agreement and at the cost, risk and responsibility as per approval of the Board. However, so far the dredging wok for deepening and strengthening work in respect of EQ-8 & EQ-9 berths by

		M/s.VSPL not yet started. As regards development of additional storage at Exim land in an extent of 30 acres allotted by VPT to M/s.VSPL development work yet to be started by them. The present status of the land allotment is mentioned above under item no.8. No comments can be given as regards the costs for the above works as M/s.VSPL have not submitted details for the above works to VPT so far in this regard.
(ii).	Form 4A shows additions of ₹820.80 lakhs in the year 2014-15 towards dredging waterfront area upto 50 mtrs. from the berth front to enable berthing of fully laden panamax vessel. As per Article 3.9(c)(i) of the LA, it is the obligation of the Licensor to maintain entrance channel draft and dredged draft alongside the berth at 10.70 mtrs. Further as per the LA, it is the obligation of Licensor to undertake capital dredging at the cost and responsibility of the Licensee i.e. the VSPL. In this context, the VPT to confirm whether the proposed capex relating to dredging in water front area of the berth complies with the provision in the License Agreement giving the reference to the relevant provision in the LA. The VPT to also confirm whether this item of capex is to be included in the tariff fixation of VSPL.	As per the provision of Clause 7.3 and Clause 17.9 of License Agreement. VPT is proposing to enter into a Supplementary Agreement to facilitate carrying out dredging in front of EQ-8 & EQ 9 berths through M/s.DCI.
(iii).	With reference to the said capex also clarify whether any vessels arriving at the berth of VPT have / will derive any benefit from the reported deepening of the channel carried out by the VSPL. If so, intimate whether the VPT and VSPL have any arrangement for sharing the cost or revenue for the benefit derived by the VPT.	It is to clarify that the dredging being proposed by M/s.VSPL is not in the channel of VPT. It is in front of EQ-8 & EQ-9 berths up to 50m in front of these berths only developed by them on BOT basis for handling higher draft vessels is beyond depths envisaged in License agreement but not related to other VPT berths, hence deriving benefit at VPT berths do not arise on account of dredging by M/s.VSPL at EQ-8 and EQ-9 berths.

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

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

(i). The existing Scale of Rates (SOR) of Vizag Seaport Private Limited (VSPL) was approved in October 2011 vide Order No.TAMP/5/2011-VSPL dated 11 October 2011 with the initial validity till 31 March 2014.

This Authority during the last tariff revision had approved new tariff items for hire of gantry unloader, charges for maintenance of railway siding. Apart from this, based on the cost position reflected by the cost statement, this Authority had effected reduction in the hire charge for 104 T Harbour Mobile Crane (HMC) from the then prevailing tariff of ₹72.75 per tonne to ₹36.70 per tonne and tariff for Bulk Material Handling System (BMHS) was reduced from ₹197.75 per tonne to

₹161.70 per tonne and the consolidated rate (if all integrated terminal service of BMHS is availed) was reduced from then prevailing rate of ₹188.75 per tonne to ₹152.70 per tonne.

As brought out earlier in the factual position relating to the case, the VSPL has filed Writ Petition No.33402 of 2011 challenging the tariff Order of October 2011 in the Hon'ble High Court of Andhra Pradesh to the extent of reduction effected by this Authority in the tariff of Harbour Mobile Crane (HMC) from ₹72.75 per tonne to ₹36.70 per tonne. The Hon'ble High Court has passed an interim Order on 19 December 2011 permitting the VSPL to charge and collect at ₹72.75 per tonne until further orders. The Hon'ble Court has also directed VSPL that for all such tariffs, levied and collected on HMC after 22.12.2011, the VSPL shall keep an account of every such transactions and in the event of the VSPL not succeeding in its Writ Petition, amount collected by VSPL over and above the tariff of ₹36.70 per tonne fixed under the impugned order shall be subject to further orders of the Hon'ble Court. The Writ Petition is yet to be disposed of by the Hon'ble Court.

In the meanwhile, the VSPL has in March 2014 filed the proposal for revision of its existing Scale of Rates including revision in the rate of HMC from ₹36.70 PMT approved by this Authority to ₹64.00 per tonne. The VSPL has stated that its proposal for revision in existing Scale of Rates is without prejudice to the contentions and prayers in the Writ Petition filed by it challenging October 2011 tariff Order of this Authority.

With reference to this case it will not be out of place to draw reference to the general revision proposal filed by another BOT operator viz. TM International Logistics Limited (TMILL) a bulk terminal operator operating in Kolkata Port Trust (KOPT).

In the case of TMILL, this Authority had passed an Order in March 2011 effecting a reduction of 32.29% in the then existing tariff of TMILL. Subsequently, based on a review application filed by TMILL to review the tariff Order of March 2011, this Authority vide its Order dated 11 October 2011 while disposing the review application filed by TMILL effected an across the board reduction of 17.87% in the tariff of TMILL fixed in March 2008, as compared to the earlier reduction ordered at 32.29% in the tariff Order of March 2011 and also revised the charges for hire of mobile harbour crane to ₹35.30 per MT from the earlier approved rate of ₹24/- per MT. The TMILL challenged the tariff Orders of March and October 2011 in the Hon'ble High Court of Calcutta. The Hon'ble High Court has stayed the operation of the Orders and has directed the Petitioners to charge at the old rates and to deposit the difference between the old rates and the new rates month by month in short term fixed deposits in a Nationalised Bank with regular intimation to this Authority. The matter is yet to be disposed of by the Hon'ble High Court. In the meanwhile, the TMILL filed another Writ Petition in the Hon'ble Court in October 2013, *inter alia*, praying for fixing a new SOR for TMILL to be applicable with effect from 1 April 2013 to 31 March 2016 based on the proposal filed by it to this Authority in June 2012. In this regard, the Hon'ble Court on 20 November 2013 disposed of the said writ petition directing this Authority to fix the new scale of rates for TMILL for the period April 2013 to March 2016 on its best judgment and without getting influenced by the previous petitions. Accordingly, in pursuance of the direction from the Hon'ble High Court of Calcutta, this Authority vide Order No.TAMP/44/2012-TMILL dated 20 May 2014 has revised the tariff of TMILL in its best judgment and without getting influenced by the pendency of the previous writ petitions filed by the TMILL in the Hon'ble High Court of Calcutta.

It is relevant here to mention that this Authority under Sections 48, 49 and 50 of the Major Port Trusts (MPT) Act, 1963 is mandated to frame Scale of Rates and statement of conditionalities for Major Port Trusts and private terminal operators operating thereat. The Writ Petition filed by the VSPL challenging the reduction in the HMC rate effected by this Authority pertains to the Order of October 2011. The said Order prescribed the validity of the Scale of Rates of VSPL till 31 March 2014, as stated earlier. The current proposal filed by the VSPL is for revision of the rates including the rate for HMC for the period beyond the expiry of its validity of the SOR based on the estimates for the years 2014-15 to 2016-17. There is no direction as such from the Hon'ble High Court of Andhra Pradesh restraining this Authority to perform the mandatory role bestowed on this Authority by the statute to revise the Scale of Rates of the VSPL, from time to time.

In view of the above position and considering the decision available in the case of one another BOT operator i.e. TMILL and considering the mandate given to this Authority to frame the Scale of Rates and the statement of conditions for the major port trusts and the private terminals operating thereat and the provisions of clause 3.1.8 of the 2005 tariff guidelines (which deals with validity of tariff fixed) and also recognising that the VSPL itself has filed its proposal for revision of the existing SOR which expired on 31 March 2014, this Authority decides to go ahead with the proposal filed by the VSPL for general revision of its Scale of Rates. This is, however, without prejudice to all the contentions made by this Authority in the Counter Affidavit filed by this Authority on the Writ Petition No.33402 of 2011 filed by the VSPL on the October 2011 Order in the Hon'ble High Court of Andhra Pradesh which is pending for disposal.

(ii). The original proposal filed by the VSPL in March 2014 was for three years period covering 2014-15 to 2016-17. The figures furnished in the cost statements for the year 2013-14 were actuals only for the first six months of the year 2013-14. Subsequently, the VSPL on our advice, has filed revised cost statements under cover of its letter dated 20 November 2014 updating the estimates of 2013-14 with actuals for the full year and has also modified the estimates for the years 2014-15 to 2016-17 based on 2013-14 actuals. The revised proposal filed by the VSPL vide its letter dated 20 November 2014 and additional information/ clarification furnished by VSPL during the processing of this case along with the input given by the VPT are considered for the purpose of this analysis.

(iii). (a). As brought out in para 11 (ii)(a) of the October 2011 Order, the VSPL during the last revision had disclosed that it carried out operations at the General Cargo Berth (GCB) of the VPT based on a separate agreement entered by them with the Steel Authority of India Limited (SAIL). The VSPL had entered into long term contract with the SAIL in the year 2001 which, however, did not materialise as the licensor VPT could not meet the required draft at the inner harbour for berthing panamax vessel. It has, therefore, entered into a separate agreement with SAIL for discharge of Panamax Vessels at the GCB of VPT using floating cranes chartered by VSPL and also provide lighterage services through barge and service for coastal movement.

This Authority would like to reiterate the position adopted in October 2011 that it is not inclined to go into individual agreements entered by the VSPL. This Authority had observed that the operations carried out by the VSPL at GCB operations do not flow from the License Agreement entered by VSPL with VPT, for construction, operation and maintenance of two berths viz. EQ8 and EQ9 at the VPT, but on the basis of the bilateral agreement entered by VSPL with SAIL. It is for the landlord port trust to satisfy itself on the question whether a SPV like VSPL can be permitted to undertake operations which are not covered by the Licence Agreement.

(b). In the last tariff revision Order of VSPL dated 11 October 2011, this Authority had in paragraph 11(ii)(c) categorically held that the tariff arrangement relating to floating crane operations at GCB and barge services offered by the VSPL did not have the approval of this Authority. It was also made explicit that though these services are not governed by the LA entered with the VPT for berth No.EQ8 and EQ9, they need to be regulated by this Authority as these services are listed in Section 42 of the Major Port Trusts Act 1963. If the authorization granted by VPT to VSPL to offer services is beyond the scope of License Agreement and is other than by way of a BOT arrangement, the said Order required VPT to initiate action with reference to Chapter 7 of the tariff guidelines of 2005 and was allowed time upto 31 December 2011 to file its proposal in this regard. The VPT has not filed any proposal in this matter.

Subsequently, based on a reference made by SAIL, VPT was again requested vide letter No.TAMP/34/2003-Misc. dated 2 September 2013 to adhere to the advice rendered in the last tariff Order and immediately initiate action as per Chapter 7 of the tariff guidelines of 2005 and file a proposal in this regard latest by 16 September 2013. Though the VPT vide its letter No.ITRA/SBE/FTAMP/MISC dated 28 January 2014 had agreed to file suitable proposal in this regard no proposal has been received from the VPT so far in the matter. Even during the current proceeding, it was reiterated that the tariff arrangement for operations authorised by VPT to VSPL at GCB does not have the approval of this Authority and that the VPT should expedite filing its proposal in line with the advice rendered earlier. The VPT has so far not filed the proposal in this matter, despite reminders. The VPT has remained silent on the tariff arrangement followed for operations authorised by the VPT to VSPL at GCB and barge services despite specific request. It has, however, clarified that the floating crane operations at GCB has ceased long back and at present no floating cranes are being operated. The matter relating to floating crane operations is being dealt in the subsequent paragraph.

The VSPL has, however, during the processing of this case clarified that the BOT operator of the VPT viz. Vizag General Cargo Berth Private Limited (VGCBPL) who was awarded the project under 2008 guidelines has commenced commercial operations at GCB of the VPT from 1 April 2013 under BOT scheme. Hence, the VSPL has reported that charges for lighterage of SAIL vessels are directly paid by SAIL to VGCBPL. In the absence of the VPT furnishing any response in this matter the submissions made by the VSPL is relied upon for the purpose of this analysis. Notwithstanding the above position clarified by the VSPL, this Authority makes its position abundantly clear reiterating the earlier position that the tariff arrangement followed for operations authorised by the VPT to VSPL at GCB and barge services offered by the VSPL for the period of such operations was allowed by VPT to VSPL till the VGCBPL commenced the operations at GCB does not have the approval of this Authority. The tariff, if any, levied for this period is solely at the risk and responsibility of the concerned parties.

(c). During the last tariff Order, as recorded in para 11(ii)(c), VSPL had reportedly applied the rate of ₹96 per tonne obtained based on the open tender floated by the SAIL for floating crane operation offered by it at the GCB to lighten the cargo.

The VPT during the processing of this case has vide its letter dated 17 December 2014 clarified that the floating crane operations in Visakhapatnam Port have ceased long back and at present there is no floating cranes being operated. The reply furnished by the VPT is vague and does not specify the exact date when the floating crane operations for operations at GCB ceased. It is seen that the VSPL has reported income from floating crane operations for the years 2011-12 to 2013-14 which has been excluded by it from the cost statement as it is beyond the scope of the LA. The VPT has remained silent on the authorization of the tariff arrangement followed by the VSPL for floating crane operations at GCB nor has it filed the proposal under Chapter 7 as advised in the last tariff Order if the authorization granted to VSPL to offer floating crane operations is beyond the scope of the License Agreement. The existing Scale of Rates of the VPT already prescribe consolidated charges prescribed for transhipment operations using floating crane as well as separate charges are prescribed for hire of 150 / 60 Tonne floating crane. Hence, as already brought out in para 11(ii)(c) of the October 2011 Order, this Authority makes the position abundantly clear that tariff levied for floating crane operations other than the tariff prescribed in the Scale of Rates of the VPT for the period when such operations were carried out by VSPL do not have the approval of this Authority and is solely at the risk and responsibility of the concerned parties.

(d). In the cost statement furnished for this exercise, the VSPL has rightly excluded the income and the expenses reported in the Annual Accounts for the years 2011-12 to 2013-14 with reference the operations carried out by it at the GCB. Since the proposal before this Authority is to review the tariff for the operations carried out by VSPL at berth nos.EQ8 and EQ9, income and expense reportedly pertaining to the operations at GCB need to be excluded. This is in line with the approach followed in the last tariff Order. For this purpose, the GCB related figures furnished by the VSPL which are separately reported in their Annual Accounts is relied upon.

(iv). The VSPL has stated that services performed by VSPL for SAIL at EQ-8 berth of VSPL for which the rate of ₹167/ tonne is fixed under the Short Term Agreement (STA) falls under the scope of Scale of Rates fixed by this Authority under charges for Material Handling system. As recorded in para 11(ii)(a) of the Order dated 11 October 2011, this Authority had already declined to go into individual agreements entered by the VSPL and individual user SAIL. This position has been reiterated in our letter No.TAMP/34/2003-Misc dated 18 March 2014 addressed to SAIL and a copy endorsed to VSPL on one of the matters referred by SAIL on applicability of scale of rates for lease plot at VSPL after taking into account the views of the VSPL as well.

The tariff is to be determined by this Authority following the applicable tariff guidelines issued by the Government. The tariff fixation of VSPL is governed under the tariff guidelines of 2005 which require determination of tariff based on admissible cost and permissible return.

The Scale of Rates approved by this Authority vide its Order dated 11 October 2011 under the tariff guidelines of 2005 is following the admissible cost plus return model. The rate approved by this Authority in the said Order for Material Handling System for handling bulk cargo under Schedule 4.5 is ₹161.70 per tonne for the seven items listed in the SOR. A composite rate of ₹152.70 per tonne was prescribed, if integrated terminal services covering all the items specified in the schedule is provided. The rates approved by this Authority are the ceiling rates and the VSPL has the flexibility to offer rebate/ discount within the ceiling rates.

As already pointed out in the letter dated 18 March 2014, the components of Integrated Terminal Service Charge (ITSC) of ₹167 per tonne which is reportedly based on Short Term Agreement of March 2008 mutually agreed between both VSPL and SAIL do not match with the components prescribed in the Schedule 4.4. of the Order of March 2009 and Schedule 4.5. of the Order of October 2011 prescribing the rate for material handling system. Therefore, the point made by VSPL that the rate of ₹167/ tonne fixed under the STA falls under the scope of Scale of Rates fixed by this Authority under charges for Material Handling system is not the correct position.

(v). Clause 2.13 of the tariff guidelines of 2005 mandates review of the actual physical and financial performance of the Major Port Trusts and private terminals at the end of the prescribed tariff validity period with reference to the projections relied upon at the time of fixing the prevailing tariff.

During the last review of tariff of VSPL, this Authority had determined tariff for the years 2011-12 to 2013-14, by relying upon the estimates for the said years. As such, it is necessary to make a comparison of the estimates for the years 2011-12 to 2013-14 with the actuals for the said years.

(vi). The approach followed in the last Order to arrive at the estimated position is adopted to assess the actual net surplus/ deficit for the years 2011-12 to 2013-14. The actual performance of VSPL during the years 2011-12 to 2013-14 as against the estimates along with modifications done in the cost statement filed by the VSPL is analysed below:

(a). The actual traffic handled by VSPL is 55.74 lakh tonnes, 57.47 lakh tonnes and 55.15 lakh tonnes during the years 2011-12 to 2013-14 respectively aggregating to 168.36 lakh tonnes, as against the estimated traffic of 58.50 lakh tonnes, 67.55 lakh tonnes and 70.92 lakh tonnes aggregating to 196.97 lakh tonnes in the tariff Order of October 2011 for the corresponding period. The landlord port VPT has indicated the actual traffic handled by the VSPL at 54.79 lakh tonnes, 57.16 lakh tonnes and 54.96 lakh tonnes for the years 2011-12 to 2013-14 respectively which is found to be marginally lower than the actual traffic reported by the VSPL. The actual traffic as reported by the VSPL is considered for the purpose of this analysis. The variation in the physical performance is 15% negative i.e. actual traffic is lower than the estimated traffic for the period 2011-12 to 2013-14.

(b). As stated earlier, this Authority had approved new tariff items for hire of gantry unloader and charges for maintenance of railway siding. Apart from this, based on the cost position reflected by the cost statement, this Authority had effected reduction in the hire charge for 104 T Harbour Mobile Crane (HMC) from the then prevailing tariff of ₹72.75 per tonne to ₹36.70 per tonne and tariff for Bulk Material Handling System (BMHS) was reduced from ₹197.75 per tonne to ₹161.70 per tonne and consolidated rate if all integrated terminal service of BMHS is availed was reduced from then prevailing ₹188.75 per tonne to ₹152.70 per tonne. Hence, the income estimates considered in the last tariff Order are adjusted for the year 2011-12 (for five months from November 2011) and for the years 2012-13 and 2013-14 to give effect of the tariff approved in the last tariff order. As stated earlier, the VSPL has in the High Court of Andhra Pradesh challenged the reduction in the tariff of the HMC effected by this Authority in the said Order from ₹72.75/ tonne to ₹36.70/ tonne. The Hon’ble High Court vide its Order dated 22 December 2011 has given interim relief allowing VSPL to charge the pre-revised rate of ₹72.75 per tonne pending disposal of the Writ Petition and has also directed that for all such tariffs, levied and collected on HMC after 22.12.2011, the Petitioner shall keep an account of every such transactions and in the event of the Petitioner not succeeding in its Writ Petition, any amount collected by VSPL over and above the tariff of ₹36.70 per tonne fixed under the impugned order shall be subject to further orders of the Hon’ble Court. The Annual Accounts of the VSPL reports the income from HMC collected at the rate higher than ₹36.70 per tonne approved by this Authority. The VSPL has considered the actual income from HMC reported in the Annual Accounts for the years 2011-12 to 2013-14 in the cost statement. In view of the specific interim Order of the Hon’ble High Court permitting VSPL to collect the pre-revised rate of ₹72.75 per tonne and also the direction of the Hon’ble High Court to VSPL to keep the separate accounts for the differential revenue collected which is subject to the decision of the Court, the actual revenue from HMC reported in the

Annual Accounts for the years 2011-12 to 2013-14 is considered for the purpose of past period analysis as done by VSPL. The VSPL has vide its e-mail dated 18 March 2015 furnished a statement showing the actual revenue collected from HMC and the revenue collectable as per the rate of ₹36.70 per tonne approved by this Authority and has also assessed the excess revenue collected from HMC over and above the approved tariff for the period from 19 December 2011 (i.e. the date of the Order of the Hon'ble High Court) to 31 March 2014 which is summarised below as given by VSPL:

(in ₹)

Year	Revenue collected by VSPL from hire of HMC in pursuance of the interim Order of the Hon'ble High Court dated 19.12.2011	Revenue collectable for hire of HMC at the rate ₹36.70 per tonne as approved by this Authority in the October 2011 Order	Excess revenue collected by VSPL over and above the rate for HMC approved by this Authority based on the interim Order of the Hon'ble High Court
2011-12 (from 19.12.2011) (Refer Note A)	22,018,254	17,582,150	4,435,744
2012-13	82,924,841	65,957,810	16,967,031
2013-14	90,609,219	70,753,209	19,856,011
Total	**195,552,314 (Refer Note B)**	**154,293,529**	**41,258,786**

(A). The interim Order of the Hon'ble High Court directed VSPL to keep separate account of differential levy collected after 22.12.2011. VSPL has, however, furnished the details from 19.12.2011 i.e. from the date of the interim Order of the Hon'ble High Court.

(B). The VSPL has reported that they are not able to collect ₹72.75 permitted by the Hon'ble High Court. The statement furnished by the VSPL shows that VSPL has collected different rates for hire of HMC in the range of ₹36.95 per tonne to ₹49.50 per tonne.

Thus, from the above table as furnished by the VSPL, it can be seen that the VSPL has assessed the total excess revenue collected by it over and above the tariff approved by this Authority at ₹412.58 lakhs for the period 2011-12 i.e. from 19 December 2011 being the date of the interim Order of the Hon'ble High Court to 31 March 2014. Apart for this amount, the VSPL would have continued to levy the rate for HMC higher than the rate approved by this Authority till the revised rates approved by this Authority in the current tariff proceedings comes into effect. That being so, the excess amount collected by the VSPL for the period from the period 2014-15 and 2015-16 till the revised rates Order approved by this Authority in the current tariff proceedings comes into effect would also have to be assessed by VSPL and kept in a separate account for every such transactions in compliance with the directions of the Hon'ble High Court. The total excess collection by VSPL is subject to the final decision of the Hon'ble High Court in the Writ Petition filed by VSPL.

(c). The Annual Accounts of VSPL for the years 2011-12 to 2013-14 capture income earned from operations carried out by VSPL at General Cargo Berth (GCB) of the VPT separately. The income reported is ₹2681.20 lakhs, ₹3016.99 lakhs and ₹1287.72 lakhs for the years 2011-12 to 2013-

14 respectively. The VSPL has excluded these income while analysing the actual position for the past period. It is seen from the reconciliation statement furnished by the VSPL, that it has also excluded income for floating crane operations at ₹60 lakhs, ₹60 lakhs and ₹54.63 lakhs for the years 2011-12 to 2013-14 respectively. Since this income is not separately reported in the Audited Annual Accounts it could not be verified. The VPT has not made any adverse remark on these figures. The income from floating crane operations reported by the VSPL is relied upon. For reasons stated earlier, income relating to GCB operations reported by the VSPL in the Audited Annual Accounts and income from floating crane operations both which are beyond the scope of the LA are excluded in line with the approach followed by the VSPL.

(d). The VSPL has reported to have offered rebates/ discounts to the tune of ₹595.41 lakhs, ₹534.89 lakhs and ₹694.47 lakhs to SAIL and ₹67.49 lakhs. ₹69.04 lakhs and ₹61.85 lakhs to other customers during the years 2011-12 to 2013-14 respectively. The aggregate of rebates/ discounts offered by the VSPL is ₹662.90 lakhs, ₹603.93 lakhs and ₹756.32 lakhs for the years 2011-12 to 2013-14 respectively.

The VSPL has argued that even during the last tariff revision, it had requested that the discounts/ rebates allowed by the operator should be considered under clauses 2.10, 2.16.1, and 4.4 of the Tariff guidelines but the same has not been accepted by this Authority. It has argued that disallowance of discounts/ rebates will result in shortfall in achieving the fair return of 16% ROCE admissible in the tariff guidelines of 2005 and the tariff objective of ensuring fair returns as prescribed under 2.2(ii) of the Tariff guidelines would never be achieved. It has submitted that VSPL has to choose between the only two options of either granting discounts or lose the business at the risk of gross underutilization of investment already made. Discounts are not given based on commercial decisions nor they are volume discounts. It has stated that increase in the volumes of the traffic compared to projected traffic could be achieved in these years on account of discounts/ rebates offered and hence has requested not to disallow rebates/ discounts offered in the past.

With reference to clause 2.10 of tariff guidelines referred by VSPL, it is relevant to state that the said clause states that differential tariff scheme if proposed by the port/ private operator will be entertained after analysing the factors leading to congestion or under utilisation. No such proposal for differential tariff scheme to avoid underutilization was filed by VSPL. Clause 4.4 of the tariff guidelines of 2005 encourages to adopt sliding rates to motivate greater performance by captive/ bulk facility to attract additional cargo to be applied on a non-discriminatory basis. Further, as per this clause tariff increase shall not be allowed elsewhere to offset reduction in revenue, if any, arising due to volume discount scheme. No proposal for volume discount scheme was filed by VSPL.

Clause 2.16.1. of the tariff guidelines of March 2005 only gives liberty to the Major Port Trusts and BOT operators thereat to charge lower than the rates fixed by this Authority, if they so desire. But, nowhere the said guideline mentions that discounts allowed by the ports/ terminal operators have to be recognised in the tariff fixing exercise by considering reduced revenue.

For the purpose of analysis of the past period, revenue realisable as per approved Scale of Rates can only be considered. This is in line with the approach followed in the tariff fixation of other Major Port Trusts and Private Terminal operators governed under 2005 tariff guidelines. Decisions of the Regulator cannot be influenced by the management decisions of the operators to allow discounts/ rebates to their customers. For the purpose of review of the past performance, income for the previous tariff cycle should be strictly considered as per the approved Scale of Rates of the respective port/ private terminal. This Authority has uniformly followed this approach in fixation of tariff not only in the case of VSPL, but also in various other cases, as recorded in paragraph No.11(ii)(d)(iii) of the tariff Order of October 2011. Though the VSPL has agitated on the issue of discounts/ rebates before the Hon'ble High Court, there is no direction from the Hon'ble High Court in this regard to this Authority. Therefore, discounts granted by VSPL at its discretion in the actual income are not considered and added to the actual income reported in the Audited Annual Accounts. The effect of rebates and discounts offered by VSPL during the years 2011-12 to 2013-14 to the tune of ₹662.90 lakhs, ₹603.93 lakhs and ₹756.32 lakhs for the years 2011-12 to 2013-14 reported by the VSPL is added to the income.

(e). On the expenditure side, the VSPL has excluded operating expenditure to the tune of ₹2619.79 lakhs, ₹2915.92 lakhs and ₹1004.48 lakhs for the years 2011-12 to 2013-14 respectively towards GCB operations. The VSPL during the last tariff revision had stated that no common expenses and common assets are apportioned to GCB operations and its contribution is limited to offering managerial expertise. Even during the current proceedings, the VSPL has maintained its stand that no assets of VSPL are deployed at GCB and hence no other adjustment is done in the cost statements. For reasons stated earlier, expenditure relating to GCB operations reported by the VSPL in the Audited Annual Accounts are relied upon and excluded from the cost statement in line with the approach followed by VSPL.

(f). The Annual Accounts of VSPL shows an expenditure of ₹126.00 lakhs, ₹112.95 lakhs and ₹87.74 lakhs for the years 2011-12, 2012-13 and 2013-14 towards penalty for shortfall in the committed discharge rate. This expenditure is on account of bilateral agreement entered by it with SAIL wherein the VSPL has to pay penalty to SAIL for shortfall in the agreed productivity levels both at the EQ berths as well as at the GCB. Expenditure reported towards shortfall in discharge rates for handling panamax vessel of SAIL arising out of bilateral agreement between SAIL and VSPL was not allowed during the last tariff revision Order. On being pointed out, the VSPL has, in the revised cost statement filed in November 2014, excluded expenditure on this account to the tune of ₹126.00 lakhs, ₹112.95 lakhs and ₹87.74 lakhs for the years 2011-12, 2012-13 and 2013-14 respectively. The above adjustment is in line with the approach followed in the last tariff Order and hence is accepted. On the revenue side, the VSPL has also excluded dispatch earnings of ₹5.51 lakhs, ₹14.29 lakhs and ₹1.20 lakhs for the years 2011-12, 2012-13 and 2013-14 respectively reportedly as per the individual agreement with customers citing that it is in line with exclusion of penalty for short fall in discharge commitment. In view of the clarification furnished by the VSPL, the dispatch earnings reported by the VSPL arising out of individual agreement is allowed to be excluded in line with the approach followed by the VSPL.

(g). The interest income on deposits to the tune of ₹72.26 lakhs, ₹139.68 lakhs and ₹161.61 lakhs reported in the Audited Annual Accounts for the years 2011-12 to 2013-14 respectively are excluded in line with the approach followed by the VSPL and approach followed by this Authority in the cases of other BOT operators and Major Port Trusts.

(h). During the last tariff revision, Liquidated Damages amounting to ₹2 crores paid by VSPL to VPT in the year 2008-09 arising from the arbitration award for delayed completion of construction of berth was added to the capital cost of the berth cost and depreciation and return thereon was allowed for reasons stated in para 11(iii)(d)(v) of the October 2011 Order. The same treatment is continued to be given in line with the approach followed in the last tariff Order. The cost statement has been suitably modified to capture this effect.

(i). The Management & Administration overheads considered by VSPL include ₹0.55 lakhs and ₹28.25 lakhs for the years 2011-12 and 2012-13 respectively towards bad debts written off and ₹23.82 lakhs, ₹14.54 lakhs and ₹15.26 lakhs for the years 2011-12 to 2013-14 respectively towards provision for doubtful debts. This item was not a part of the estimates of Management & Administration overheads considered for the relevant years at the time of revision of tariff in October 2011. Further, as per the provisions contained in the existing Scale of Rates of VSPL, services are rendered on payment of the relevant charges in advance. That being so, the question of tariff fixing exercise recognising the credits extended by VSPL and writing off bad debt and making provision for doubtful debts does not arise. Hence, the bad debts written off and provision for doubtful debts are excluded for the purpose of analysis of the performance of VSPL.

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

The Audited Annual Accounts of the VSPL report revenue share payment of ₹391.61 lakhs, ₹417.65 lakhs and ₹399.26 lakhs for the years 2011-12 to 2013-14 respectively. The VPT has also indicated the total revenue share payment which matches with the figures reported in the Audited Annual Accounts of the VSPL for the years 2011-12, 2012-13 and 2013-14.

The License Agreement stipulates that the licensee shall pay the licensor revenue share equivalent to 17.111% of the gross revenue earned by the licensee from the operation of the project facilities. The term gross revenue has not been specifically defined in the License Agreement signed in the year 2001. Both the VPT and the VSPL have earlier confirmed that as per revised bid document, the definition of “gross revenue” is deemed to include only “berth hire charges” and “cargo wharfage”. Accordingly, during the last revision the revenue share to the level quoted by the next highest bidder i.e. 12.811% of the gross revenue from berth hire and cargo wharfage as informed by the VPT was allowed as pass through. In the current revision also, the VSPL has furnished year-wise gross revenue from berth hire and wharfage income and claimed 12.811% being the level quoted by the second bidder. The VPT has not made any adverse comment on the revenue share computed by VSPL and claimed in the cost statement. The revenue share to the extent of second quote as furnished by VSPL is considered.

(k). As per the Agreement, Technical Service Fee of ₹10 millions per year is payable for a period of $3^{1/2}$ years from the date of commencement of operations at both the berths.

In the last tariff revision Order as brought out in para 11(iii)(d)(ix), the VSPL had furnished copies of Income Tax Assessment Orders for the financial years 2006-07 and 2007-08. The Income Tax Assessment Order furnished by the VSPL did not show that the ‘Technical Service Fee’ is disallowed by the Income-tax department. That being so, the Technical

Service Fee was allowed as an expense. In the last tariff revision, technical service fee paid by VSPL from 2006-07 onwards to 2009-10 to the extent remaining unamortised i.e. ₹287.76 lakhs was decided to be spread over the remaining period of the project i.e. 24 years from the year 2008 onwards i.e. 12.16 lakhs per annum. The VSPL has, during the current tariff proceedings, furnished Income Tax Assessment Order for the year 2009-10. The only year for which IT Assessment Order is not furnished by the VSPL is the year 2008-09. However, recognising that the Income Tax Assessment Orders furnished by the VSPL during the last tariff revision for the years 2006-07 and 2007-08 and the Income Tax Assessment Order now furnished for the year 2009-10 do not show that the 'Technical Service Fee' is disallowed by the Income-tax department, the technical service fee is admitted as an expense in line with the approach followed in the last tariff Order. Accordingly, technical service fee of ₹12.16 lakhs is considered for each of the years 2011-12 to 2013-14 as considered by the VSPL in line with the approach followed in the last tariff Order.

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

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

Since the capex relating to capital dredging claimed by VSPL was not found to be in line with the LA or as per the MOU entered between VSPL and VPT, the proposed capex was not allowed in the tariff revision of March 2009. Subsequently, during the last tariff revision in October 2011, the VSPL reported that an expenditure of ₹16.08 crores has been incurred towards deepening of channel / berth and capitalized the same during the year 2009-10 and had requested to consider the same citing that the MOU entered by it with VPT had been withdrawn. Whilst the VPT had confirmed that the MOU with VSPL has been withdrawn, it had reiterated its earlier stand that the said capital expenditure incurred by VSPL is not required to be considered for tariff revision since the same is not in line with the provisions of the License Agreement. Therefore, the capital expenditure of ₹16.08 crores reported by VSPL in the year 2009-10 on this account was excluded in past period analysis carried out in the October 2011 Order. Corresponding adjustment was also done in actual depreciation for the years 2009-10 and 2010-11 and in the estimates of 2011-12 to 2013-14. In line with the decision of this Authority in the last tariff Order, necessary adjustment is done in this regard while analysing the past period for the years 2011-12 to 2013-14.

(m). The VSPL has made suitable adjustment in the depreciation figure reported in the Audited Annual Accounts by excluding the depreciation component on the capitalized part of upfront fee in line with the approach followed in the last tariff Order. The depreciation figures for the years 2011-12 to 2013-14 as furnished by the VSPL is considered subject to adjustment relating to depreciation on capital dredging incurred in 2009-10 and liquidated damaged added to the capital cost of the berth as explained in earlier paragraphs in line with the decision in the last tariff Order.

(n). In the last tariff Order of October 2011, the write-off of preliminary expenses was considered at ₹33.10 lakhs for the year 2011-12 to 2013-14. While analysing the actual position, the write-off of preliminary expense is maintained at ₹33.10 lakhs as considered at the estimate stage for the years 2011-12 to 2013-14.

(o). The VSPL has reconciled the net fixed assets reported in the Annual Accounts for the years 2011-12 to 2013-14 and the net fixed assets considered in the cost statement. The adjustment is with reference to the upfront fee (net block) excluded on account of write off of this during the project period. Whilst VSPL has excluded the entire net block of upfront fee, in our analysis the unamortised part of upfront fee is added to the net fixed assets and considered for the purpose of allowing return in line with the approach followed in the last tariff Order and also followed in the other tariff cases of the Private Terminal operators. Apart from this, the net fixed assets furnished by VSPL is adjusted with reference to the capital dredging in the year 2009-10, as explained earlier. Further, the net block with reference to the liquidated damages paid by VSPL which is added to the berth cost is added to the capital employed and considered for the purpose of allowing return.

(vii). The working capital is analysed below:

(a). The VSPL has considered two month's operating income as Sundry Debtors for the years 2011-12 to 2013-14. This is not in line with the provisions contained in the tariff guidelines of 2005, as such Sundry Debtors is considered as NIL.

(b). The VSPL has furnished annual consumption of stores excluding fuels for the years 2011-12 to 2013-14 and has considered 50% i.e. six months of its actual spares consumption excluding fuel. The computation of inventory in the computation of current asset is in line with the provisions prescribed in the tariff guidelines. The figures furnished by the VSPL are considered.

(c). As per the Order passed by this Authority dated 30 September 2008 refining certain areas of approach followed in tariff fixation under 2005 guidelines, prepayments of certain expenses which flow from the provisions of the Licence Agreement can be considered as Sundry Debtors.

The License Agreement entered by the VSPL with the VPT, does not prescribe any advance payment of lease rentals.

As per Article 5.1 of the LA entered between VSPL and VPT, the revenue share is payable on or before 7th day of the immediately subsequent month. It is thus clear that as per LA, the VSPL is not required to make any advance payment of royalty also. In the case of the VSPL, it is found that none of the items flowing from the License Agreement qualify for consideration.

(d). Cash balance has been calculated at one month's cash operating expenses including overheads as done during the last tariff revision of VSPL.

(e). The VSPL has considered current liabilities as per the Annual Accounts for the year 2011-12 subject to exclusion of current maturity of long term debt, trade payables, provision for gratuity, provision for compensated absences etc. The current liabilities like trade payables and provision for compensated absences are considered as part of current liabilities and interest accrued and due on borrowings are excluded in our analysis in line with the approach followed in the last tariff Order. For the years 2012-13 and 2013-14, the VSPL has considered current liabilities as per the Annual Accounts subject to exclusion of current maturity of long term debt. The current liability estimated by VSPL for these two years is considered in our analysis except for excluding the interest accrued and due on borrowings.

(f). Subject to the above adjustments, Working Capital works out to be negative. Hence, it is considered as NIL. Thus, the Capital Employed comprises of only Net Block of Assets at ₹22832.84 lakhs, ₹21921.05 lakhs and ₹20916.47 lakhs for the years 2011-12 to 2013-14 respectively.

(g). Considering the capacity of the terminal at 7.70 million tonnes per annum considered in the last Order, the actual capacity utilization during the years 2011-12 to 2012-13 works out to 72%, 75% and 72% respectively which is also considered by VSPL. In the last tariff Order of October 2011, Return on capital employed was allowed at 16% for the years 2011-12 to 2013-14. The same position is maintained while analyzing the actuals for the said three years.

(viii). A copy of the cost statement analysing the actuals vis-à-vis estimates for the past period 2011-12 to 2013-14 is attached as **Annex - I**. A summary of the comparison of the actuals vis-à-vis the estimates considered in the last tariff Order is tabulated below:

(**₹ in lakhs**)

Particulars	**Aggregate for the years 2011-12 to 2012-13 in absolute terms (₹ in lakhs)**		**Variation in %**
	Estimates as per tariff Order	**Actuals**	
Traffic (in tonnes)	196.97	168.36	-15%
Operating Income	31368.82 *	32039.51 #	2%
Total Expenses	**21684.00**	**19947.02**	8%
Surplus/ deficit before Return	**9684.82**	**12092.48**	25%
Capital Employed (Average)	26887.98	21890.12	-19%
16% Return on Capital Employed for the three years 2011-12 to 2013-14	12906.23	10507.26	-19%
Net Surplus after ROCE (before adjustment of past surplus)	(-)3221.41	1585.22	
Adjustment of Past period surplus considered in October 2011 Order (₹1073.49 lakhs + ₹2060.69 lakhs)	3134.20	-	
Net Surplus after ROCE (after adjustment of past surplus)	(-)87.21	1585.22	

***** *The operating income estimates are updated to reflect the effect of new tariff items approved in the Tariff Order of October 2011 as well reduction in the tariff of HMC effected in the last tariff Order from ₹72.75 per tonne to ₹36.70 per tonne.*

 # As stated earlier, the actual income from hire of HMC reported in the Annual Accounts is higher than the rate approved by this Authority in the October 2011 Order in view of the interim Order of the Hon'ble High Court vide its Order dated

22 December 2011 permitting VSPL to charge the pre-revised rate of ₹72.75 per tonne pending disposal of the Writ Petition.

(ix). The findings of the analysis with reference to the past period relating to the years 2011-12 to 2013-14 are given below:

(a). The actual aggregate traffic handled by the VSPL is 168.36 lakh tonnes as against the estimated traffic of 196.97 lakh tonnes during the years 2011-12 to 2013-14. The variation in the physical parameters i.e. actual traffic handled is 15% negative in comparison to the estimates.

(b). The operating income earned by the VSPL is ₹320.40 crores as against estimation of ₹313.69 crores for the corresponding period resulting in positive variance of 2%.

(c). On the expenditure side, the actual aggregate expenditure for the three years is ₹199.47 crores as against the estimated expenditure of ₹216.84 crores in the last Order for the corresponding period. The total actual expenditure thus shows negative variance of 8% in comparison to the expenditure estimated in the last tariff Order.

(d). The average capital employed for the years 2011-12 to 2013-14 is ₹218.90 crores as against average estimated capital employed of ₹268.88 crores. The variation in the average capital employed comes to 19% negative.

(e). As per the cost statement prepared by us, the VSPL has earned surplus of ₹4237.04 lakhs, ₹4501.16 lakhs and ₹3354.28 lakhs before return which aggregates to average surplus of ₹12092.48 lakhs for the years 2011-12 to 2013-14. The average return earned on the average capital employed thus works out to 18.29%, as shown in the following table:

(**₹ in lakhs**)

Particulars	2011-12	2012-13	2013-14	Average
Actual Surplus before return earned by VSPL	4237.04	4501.16	3354.28	4030.83
Actual Capital Employed	22832.84	21921.05	20916.47	21890.12
Actual Return earned on capital employed	18.6%	20.5%	16.0%	18.4%

(f). It can be seen from the above analysis that the variation in the physical parameter i.e. actual traffic handled and financial performance in terms of operating income, expenses, capital employed and return on capital employed is less than +20%. As per the above table, the VSPL has earned average return of 18.4% on the capital employed as against 16% return allowed in the last tariff Order and the variation in the return on capital employed is 15% which is less than +/(-) 20% variation.

As per clause 2.13 of the tariff guidelines, if review of actual physical and financial performance for the previous tariff cycle shows the variation of more than + or – 20%, then 50% of such accrued benefit / loss has to be adjusted in the next tariff cycle. Since the variation in both the physical and financial parameters are found to be less +/(-) 20%, there is no case for any adjustment in the current tariff cycle of VSPL, as per the tariff guidelines of 2005.

(g). During the last tariff revision, the VSPL had estimated traffic for the year 2011-12 at 58.5 lakh tonnes lower than the actual traffic handled in the year 2010-11 at 64.73 lakh tonnes citing that berth no.EQ-9 will not be in operation for two months due to the strengthening/ repairs works of the said berth proposed to be carried out in the last quarter of 2011-12. The VPT had also endorsed the position stated by the VSPL and had requested to accept their projections. In view of submissions made by the VSPL which was endorsed by the port, the traffic projected by VSPL for the year 2011-12 was relied upon and considered in the last tariff Order subject to the condition that, if any, financial advantage is accrued to VSPL due to any change in the position relied upon in the Order, such surplus will be fully adjusted at the time of next tariff review.

In the proceedings relating to the current proposal, the VSPL has reported that the strengthening/ repairs works of the berth no.9 could not be taken up solely for want of approval of VPT despite continuous efforts and follow ups by VSPL as brought out in the earlier paragraphs bringing out the factual position. Be that as it may. The actual traffic handled by the VSPL in the year 2011-12 is 55.74 lakh tonnes which is lower than the estimated traffic of 58.50 lakhs tonnes considered in the last tariff Order. Since the actual traffic handled in the year 2011-12 itself is lower than the estimates, the question of any adjustment in this regard in the current tariff cycle does not arise.

(h). During the last revision, the VSPL had stated that additional area of 1,21,406 sq. m. is proposed to be taken on lease from VPT at Exim Park for development of new storage yard and had estimated lease rental for the said additional area of land. The VSPL had estimated lease rental applying the lease rent of ₹150.76 per sq. mtr. per annum and had estimated lease rent for the additional land at Exim Park for half of the year of 2012-13 and for full year of 2013-14 at ₹91.51 lakhs and ₹183.03 lakhs respectively. For reasons stated in para 11(viii)(h) of the Order dated 11 October 2011, the estimated lease rent for additional land at EXIM Park for the years 2012-13 and 2013-14 was allowed by this Authority subject to certain modification in the unit rate. This Authority had in the said tariff Order observed that the lease rental of the VPT is due for revision since 2008 but the VPT had not filed proposal for revision of lease rental despite our advice rendered on several occasions while determining other upfront tariff proposals of the port. Considering the unit rate of lease rental at ₹106.69 per sq. mtr. per annum for the year 2012-13 and ₹108.82 per sq. mtr. per annum for 2013-14 as explained in the October 2011 Order, lease rent for the additional land at Exim Park area proposed to be taken over from the VPT was considered at ₹64.76 lakhs for the year 2012-13 (half year) and ₹132.11 lakhs for the year 2013-14 in the tariff Order of October 2011. This Authority in para 11(viii)(h) of the Order dated 11 October 2011 has stated that in the event the revised lease rental (to be) approved for the VPT lands for the quinquennium 2008-13 based on the proposal to be filed by the VPT was lower than the lease rental considered in the VSPL case, the entire excess would be fully adjusted in the next review.

However, while analysing the performance of VSPL in the past period, it is observed that the said land at Exim Park area was allotted by VPT to VSPL only on 28 January 2014 as per the allotment Order dated 28 January 2014. This means the allotment of the said land was done at fag end of the last tariff cycle. The VPT has brought out the sequence of events leading to delay in allotment of land by the port to VSPL which is brought out in the earlier paragraph bringing out the factual position of this case. Both the VPT and VSPL confirm that final allotment Order allotting additional land at Exim park to VSPL for development of storage yard was only on 28 January 2014. Since additional land at Exim park itself was not allotted to VSPL until 28 January 2014 which is fag end of the last tariff cycle and also recognising that this delay in allotment is not attributable to the VSPL as per the sequence of events listed out by VPT, the question of adjustment with reference to the revised lease rent finally approved for VPT vide Order No.TAMP/63/2011-VPT dated 18 June 2012 and that considered in the last tariff Order does not arise. It is seen that even the actual lease rent reported by the VSPL for the year 2013-14 does not include any lease rent for the additional land at Exim park.

(x). During the last tariff revision, the VSPL had envisaged a capital expenditure of ₹44.98 crores for development of land to be provided by the VPT at Exim Park for additional storage area. In the last tariff revision proposal, this Authority had moderated the proposed capex to ₹42.62 crores for the reasons stated in para 11(xiii)(a)(v) of the Order. This was considered subject to the condition that if at the time of review of estimates with reference to actuals it is found that the proposed investment does not materialize in the year 2013-14 the advantage accrued to VSPL on this account will be assessed and fully adjusted in the next tariff cycle. That being so, in the current tariff cycle the VSPL was requested to quantify the additional surplus accrued to VSPL for adjustment in tariff to be determined in this cycle. The VSPL has stated that the proposed investment did not materialise for reasons beyond its control and hence has requested not to view it as accrued benefit and hence not to call for adjustment in the current tariff cycle. It is relevant here to mention that the proposed investment was linked to the allotment of land at Exim Park area by VPT to VSPL. When the allotment of land itself was not done by the VPT for the various reasons cited by the port which show that delay was not attributable to VSPL and as rightly stated by VSPL it was beyond its control, adjustment with reference to the proposed investment allowed in the last tariff Order in the current tariff cycle cannot be considered. In any case, it can be seen from the analysis in the subsequent paragraphs that even at the proposed tariff approved by this Authority, the VSPL is in deficit to the tune of ₹21.63 crores in the current tariff cycle.

(xi). As per clause 3.1.8. of the tariff guidelines of 2005, the tariff validity cycle is for a period of three years and hence the analysis of financial/ cost position in respect of VSPL is done for 3 years period i.e. 2014-15 to 2016-17. As already stated earlier, the actual traffic handled by VSPL in the year 2013-14 is 55.15 lakhs tonnes. Of the actual traffic of 55.15 lakh tonnes reported in the year 2013-14, traffic of Bulk Material Handling Service (BMHS) is 16.06 lakhs tonnes and conventional cargo traffic is 39.09 lakh tonnes. As against the actual traffic handled in 2013-14, the traffic projected by VSPL for the years 2014-15 to 2016-17 is 53.50 lakhs tonnes, 64.25 lakhs tonnes and 70.23 lakhs tonnes respectively. Of the total traffic estimated, cargo to be handled through BMHS at berth no.EQ-8 is projected at 19.00 lakhs tonnes, 24.00 lakhs tonnes and 27.00 lakh tonnes for the years 2014-15 to 2016-17 respectively, and the cargo handled by conventional means is projected at 34.50 lakhs tonnes, 40.25 lakhs tonnes and 43.23 lakhs tonnes for the corresponding years. The VSPL has confirmed that the traffic projections are based on the actual traffic handled in the year 2013-14 and also considering the actuals traffic handled upto 31 October 2014. It is seen that the traffic projected by the VSPL for the year 2014-15 shows a reduction of 3% over the actual traffic handled in the year 2013-14.

It may not be out of place to state here that the another BOT operator i.e. Visakha Container Terminal Private Limited handling container terminal at the VPT in their tariff revision proposal which was decided by this Authority recently vide Order No.TAMP/65/2013-VCTPL dated 21 March 2015 had also projected 4.1% reduction in the traffic estimates for the year 2014-15 over the actual container traffic handled in the year 2013-14 citing the Hud Hud cyclone in Visakhapatnam as one of the reasons. Since the actual traffic was reportedly based on the actual traffic handled by the VCTPL till December 2014, this Authority had accepted the reduction in traffic projections by the VCTPL for the year 2014-15. The percentage reduction in the traffic projected by VSPL in the year 2014-15 is found to be closer to the percentage reduction in the traffic estimated by the VCTPL which was approved by this Authority.

When the VPT was requested to express its views on the reasonableness of the traffic projection made by the VSPL, the port has stated that during the first six months of the current financial year i.e. 2014-15 (upto September 2014), the VSPL has handled 26.26 lakh tonnes and has opined that based on the actual traffic handled, the traffic projections made by the VSPL are reasonable. Based on the above position, the traffic projected by the VSPL in the year 2014-15 is relied upon and considered in this analysis.

For the years 2015-16 and 2016-17, however, the VSPL has projected traffic growth of 20.1% and 9.3% respectively. The VSPL has confirmed that the traffic projections capture the impact of additional traffic in view of additions proposed to the gross block of assets in the current tariff cycle. The VPT has also found the traffic projections of VSPL to be reasonable. That being so, the traffic projected by VSPL for the years 2015-16 and 2016-17 is relied upon and considered.

(xii). (a). The cargo related income for the years 2014-15 to 2016-17 has been estimated by the VSPL applying the existing tariff approved by this Authority in October 2011 Order for the traffic projected. The VSPL has confirmed that even the income for hire of HMC (rate challenged by the VSPL) has been estimated at ₹36.75 per tonne as per the rates approved by this Authority in the last tariff Order. The income from the cargo traffic availing BMHS is estimated based on the existing consolidated rate approved by this Authority for BHMS for the traffic projected from BMHS cargo.

For cargo other than BMHS cargo i.e. by conventional means, the VSPL has estimated the cargo handling income at the rates approved by this Authority. The percentage share of cargo availing different services, viz. stevedoring, HMC services and shore handling is considered at 100%, 84% and 67% respectively reportedly based on the average actual sharing pattern obtained during the last three years for estimation of cargo handling income from the conventional cargo. The VSPL has reported that the percentage share of conventional cargo availing services of HMC services and shore handling (including HMC) was on an average 81% and 62% respectively based on the last three years i.e. 2011-12 to 2013-14. For the current tariff cycle, 84% and 67% of the conventional traffic is projected to avail the services of HMC and shore handling respectively. Citing that weightment services are optional, VSPL has estimated that 50% of traffic projections other than BMHS cargo will avail the service. The VPT has not made any adverse remark on the percentage share of cargo volume considered by VSPL for estimation of cargo handling income from difference service. The percentage share of conventional cargo availing the different services considered by the VSPL is relied upon and considered in this analysis.

The VSPL has furnished detailed computation of income from plot rent for the years 2014-15 to 2016-17. For estimating the income from plot rent, the VSPL has assumed that 67% of conventional cargo traffic projection and 100% of the BMHS cargo projections will avail storage facility. For coal handled at BMHS and for conventional cargo viz. steam coal and gypsum, average storage period of two fortnights after the prescribed free period is considered and for other cargo items, storage for one fortnight beyond the prescribed free period is considered for estimating the storage charge. The income from plot rent as estimated by the VSPL is relied upon and considered in this analysis.

It is relevant here to mention that the VSPL has proposed development of additional storage yard at Exim Park in the year 2016-17. As stated earlier, the VPT has already allotted land to VSPL for development of additional storage yard in January 2014. The investment proposed by the VSPL for development of additional storage yard in the year 2016-17 at Exim Park in the current tariff cycle is allowed for reasons explained in the subsequent paragraphs. The VSPL has stated that with the development of additional storage yard at Exim Park, the remaining 33% of the estimated conventional cargo will also avail storage facility at Exim Park and has estimated income therefrom in the year 2016-17.

The VSPL has estimated plot rent income in the year 2016-17 for the additional yard to be developed at Exim area applying the plot rent prescribed in the existing Scale of Rates for the existing yard i.e., ₹6 PMT for first fortnight and ₹9 PMT for second fortnight for the average dwell time of one/ two fortnight as explained earlier. Even in the draft SOR, the VSPL has not proposed any separate plot rent for stack yard to be developed at Exim area. For the purpose of this analysis, the additional storage income of ₹214 lakhs estimated by VSPL for the additional stack yard to be developed at Exim Park area applying the existing rate for the year 2016-17 is considered. Even during the last tariff revision, when the VSPL had envisaged the development of additional yard at the Exim Park area, the additional income from plot rent was captured based on the plot rent prescribed in the then existing SOR of the VSPL. The VSPL has confirmed that income for the years 2014-15 to 2016-17 are estimated based on the rates prescribed in the existing Scale of Rates. The VSPL has requested to not to capture the total estimated discount of ₹19.27 crores likely (to be) offered to SAIL for the years 2014-15 to 2016-17 in view of bilateral agreement entered by it with SAIL. The points raised by VSPL drawing reference to clauses 2.10 and 2.16.1 has been addressed in earlier paragraphs and hence not reiterated here. It is relevant to mention that the tariff has to be determined by this Authority with reference to the existing rates approved by this Authority in the last general revision Order to assess the cost position at the existing tariff to determine the tariff for the current tariff cycle. The tariff cannot be determined based on individual bilateral agreement entered by VSPL with any individual user. The Scale of Rates approved by this Authority vide its Order dated 11 October 2011 prescribes the rate for Material Handling System for handling bulk cargo under Schedule 4.5 at ₹161.70 per tonne for the seven services listed therein and a composite rate of ₹152.70 per tonne is prescribed, if integrated terminal services covering all the items specified in the schedule is provided earlier. The impact of estimated rebate/ discount to be allowed cannot be considered in the tariff determination process as the current exercise is to determine the tariff at the Scale of rates approved by this Authority. This approach is followed while determining the tariff of all the Major Port Trusts and Private Terminal Operators. Though the VSPL has requested that the impact of rebate/ discount of ₹19.21 crores estimated by it for the years 2014-15 to 2016-17 should not be considered in income, it is seen that the income estimates considered by VSPL in the cost statement is as per the tariff approved by this Authority in 2011 tariff Order and does not capture the effect of estimated rebate/ discount.

The cargo related income estimated by VSPL for the year 2016-17 at ₹11,441.78 lakhs is found to contain some error. In the detailed revenue computation furnished by VSPL, error is observed in revenue estimation of fertilizer cargo due to some wrong linkage. This has been corrected and the corrected cargo handling income of ₹11,441.86 lakhs is considered in the cost statement prepared by us.

Thus, the cargo handling income is considered at ₹8454.55 lakhs, ₹10222.56 lakhs and ₹11446.86 lakhs.

(b). The income from the berth hire is estimated to reduce from ₹433.96 lakhs actually earned in the year 2013-14 to the estimate of ₹308.22 lakhs in the year 2014-15. The reasons for this reduction remain unexplained. The income from berth hire is estimated at ₹368.31 lakhs and ₹412.56 lakhs for the years 2015-16 and 2016-17 respectively.

The VSPL has confirmed that income estimation for the years 2014-15 to 2016-17 are estimated based on the rates prescribed in the existing Scale of Rates. The VSPL has furnished detailed workings for estimation of berth hire income for the years 2014-15 to 2015-16 based on the average GRT, average handling rate reportedly based on the average berth productivity achieved in the years 2011-12 to 2013-14, average parcel size, etc., for each cargo groups which is relied upon. Some error is observed in the excel file computation with reference to linkage of rates for two cargo items viz. manganese ore and steam coal which is corrected in the cost statement prepared by us.

The berth hire income for the year 2014-15 is updated with the average actual exchange rate of 1 US$ = ₹61.15 based on the average exchange rate that prevailed during the corresponding period as against 1 US$ = 61.66 considered by VSPL. The berth hire income for the years 2015-16 to 2016-17 are updated by applying exchange rate of 1 US$ = ₹63.19 prevailing at the time of analysis of this case as against exchange rate of 1 US$ = ₹61.66 considered by VSPL. Thus, the berth hire income for the years 2014-15 and 2015-16 are considered at ₹307.60 lakhs, ₹376.85 lakhs and ₹422.39 lakhs respectively.

(c). Thus, to summarize, the income estimated by the VSPL is relied upon and considered except for modification in the berth hire income as explained above. The total revised income for the years 2014-15 to 2016-17 comes to ₹8762.15 lakhs, ₹10599.41 lakhs and ₹11869.26 lakhs respectively as against ₹8762.76 lakhs, ₹10590.87 lakhs and ₹11854.34 lakhs estimated by the VSPL for the corresponding period.

(xiii). Clause 2.5.1. of the revised tariff guidelines requires that the expenditure projections of the major ports / terminal operators should be in line with traffic adjusted for price fluctuations with reference to current movement of Wholesale Price Index (WPI) for all commodities as announced by the Government of India. The annual escalation factor adopted in respect of tariff cases to be disposed during the year 2014-15 is announced at 6%.

The annual escalation factor to be adopted in respect of tariff cases to be disposed of for the BOT operators governed under the tariff guidelines of 2005 for the year 2015-16 is yet to be firmed up. It is relevant to state here that though this case is being decided in the early period of the year 2015-16, the entire proceedings of this case were completed in the financial year 2014-15. Only the decision part has spilled over to May 2015. A case in reference accepted by this Authority in the general revision proposal of COPT which was decided in April 2013. Hence, for the purpose of the analysis of this case it is not found unreasonable to consider the annual escalation factor presently available for the year 2014-15 i.e. 6% for estimating the operating expenditure for the years 2015-16 and 2016-17.

Annual escalation applied by the VSPL for estimating some of cost items like fuel cost, agency cost under other expenses, etc., is at 7% which is found to be higher than the permissible level. In our analysis, the estimate of expenses for the years 2014-15, 2015-16 and 2016-17 are modified applying the annual escalation factor of 6% over the actuals / estimate of respective previous years wherever the annual escalation applied by the VSPL is found higher than the stated level.

(xiv). The estimate of operating and direct labour cost for the year 2014-15 to 2015-16 is reportedly done on the basis of outsourcing contracts entered by the VSPL. The VSPL has furnished copies of work orders, extension/ rate revision orders issued to contractors from time to time to support its estimates. It has confirmed that the labour contracts are awarded by competitive bidding and following arm's length relationship.

The VSPL has applied an escalation factor of 6% in the unit cost for estimating the operating and direct labour cost for each of the years 2014-15 to 2016-17. The contract copy furnished by VSPL reveals that the existing contract for on board labour at ₹3.05 per tonne is valid upto 31 March 2015 and in respect of contract for labour service for BMHS, the existing contract rate of ₹3.70 per tonne is valid till 10 May 2015 also. That being so, no escalation is considered in the year 2014-15 for estimating this cost item. For the year, 2015-16 and 2016-17, 6% annual escalation in the unit rates is allowed as considered by VSPL.

(xv). The VSPL has stated that maintenance labour is outsourced and the contract is valid till July 2016 and has also confirmed that the contract is awarded by competitive bidding and following arm's length relationship. The VSPL has also stated that contract provides for annual escalation based on the minimum wages and whole sale price index. That being so, the VSPL has estimated maintenance labour cost for the years 2014-15 to 2016-17 applying 6% annual escalation considering the actual maintenance labour cost for the year 2013-14 as the base. The maintenance labour cost as estimated by the VSPL is considered.

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

(a). The VSPL has estimated the power cost for the operation of BMHS and power requirement for office and general use. The actual consumption of power during the year 2013-14 is reported at 0.86 unit per tonne for BMHS traffic. Power consumption for the next three years 2014-15 to 2016-17 is estimated based on the actual per tonne power consumption reported for the year 2013-14 and adjusted for the cargo projected to avail BMHS service. The power consumption for office and general use is fixed at 5,47,560 units per annum for each of the years 2014-15 to 2016-17 based on the actual power consumption for the past period. Power consumption assumed by VSPL based on 2013-14 actuals is relied upon.

As against actual per unit power cost of ₹9.84 in the year 2013-14, the VSPL has considered the per unit power cost at ₹9.15 for the year 2014-15 and has applied 6% annual escalation for the subsequent two years i.e. 2015-16 and 2016-17. The VSPL has furnished copies of electricity bills of Easter Power Distribution Company, Visakhapatnam for the months of January 2014 to March 2014. The average electricity cost for the said three months as per copies of the bills furnished by VSPL comes to ₹9.28 per unit. That being so, unit cost of power for the year 2014-15 is considered at ₹9.28 per tonne. For the subsequent two years 2015-16 and 2016-17, the unit rate of power is escalated by the admissible escalation level of 6% per annum as considered by VSPL.

(b). The VSPL has estimated fuel for HMC. The unit cost of fuel for the year 2013-14 is ₹7.72 per tonne. For the year 2014-15, the VSPL has considered the unit rate of the fuel at ₹8.18 per tonne which is found to be 6% over the 2013-14 average per unit fuel cost. The details furnished by the VSPL show that fuel consumption of 59 litres per hour and unit cost of ₹69.35 per litre is adopted by VSPL for estimating per tonne fuel cost of

₹8.18 per tonne for the year 2014-15. Since the escalation in unit cost of fuel is 6% which is within the admissible level the same is considered.

For the subsequent years 2015-16 and 2016-17, the VSPL has considered the unit rate of fuel at ₹8.76 per tonne and ₹9.37 per tonne applying 7% annual escalation considering the base unit rate of ₹8.18 per tonne arrived for the year 2014-15. The unit rate of fuel considered by the VSPL does not reflect the prevailing price of diesel. For the purpose of our analysis, unit rate of fuel per litre for the year 2015-16 is updated based on the prevailing (premium) diesel cost of ₹64.62 and following all other parameters considered by the VSPL. Premium grade of diesel is being considered in determination of tariff for HMC in other Major Port Trusts. Accordingly, fuel cost comes to ₹7.63 per tonne which is considered for the year 2015-16. The reduction in the fuel cost per tonne is on account of reduction in the diesel prices. For the year 2016-17, 6% annual escalation in the per tonne fuel cost of 2015-16 is considered.

On perusing the detailed computation it is seen that the VSPL has estimated fuel cost for the entire traffic projected for BMHS and at 88.9% of the conventional cargo expected to avail the services of HMC. The VSPL has clarified that 84% of conventional cargo is expected to deploy HMC. However, with reference to the total traffic projection i.e. including both BMHS cargo and the conventional cargo, the percentage share of deployment of cargo by HMC comes to 88.9% (rounded off to 89%) of the total traffic projections. The VSPL has requested to modify the estimate of fuel cost for conventional cargo availing HMC at 84% instead of 89% considered by it in the cost statement. The expenditure of fuel cost is modified considering that 84% of the conventional cargo traffic will avail HMC service as pointed by VSPL. For BMHS cargo, as stated earlier, fuel cost is estimated separately considering the entire traffic projections of BMHS cargo.

From the proposal, it is understood that the VSPL has two of its own HMC and two are taken on hire. The VSPL has first estimated fuel cost for the total cargo projected to avail the services of the HMC. Because the equipment hire charge for (two) hired HMCs is estimated separately by VSPL which covers the cost of diesel, the VSPL has reduced fuel cost to the extent of 50% of the total percentage share of cargo projection expected to avail services of hire HMC. The approach adopted by the VSPL appears to be rationale and hence considered.

(c). The actual repairs and maintenance cost reported for the year 2013-14 is ₹886.62 lakhs which works out to 2.79% of the total gross block of assets.

The repair and maintenance cost includes an element of annual maintenance with Leibherr for maintenance of two HMCs of VSPL. The VSPL has furnished copy of the contract entered with Leibherr for maintenance of this cranes which are reportedly supplied only by Leibherr in India. The contract for annual maintenance of HMC entered with Leibherr is valid from 16.10.2013 to 15.10.2015. The VSPL has furnished detailed working for arriving at the repairs and maintenance cost of HMC at ₹403 lakhs for the year 2014-15 based on the unit rate indicated in the contract copy and considering 23.78 lakhs tonnes (i.e. 53.50 lakh tonnes x 88.9% availing HMC services x 50% thereof availing the services of VSPL's owned HMC) of the total traffic projections of 53.50 lakhs tonnes estimated to avail the services of the HMCs owned by VSPL traffic availing HMC to be maintained by the contractor. The assumptions made by VSPL in this regard is relied upon. The contract does not provide for any annual escalation and the VSPL has also not considered annual escalation for this component in any of the years 2014-15 to 2016-17.

The estimate as furnished by VSPL is considered without any modification.

Apart from this, repairs and maintenance expenditure for the other items is estimated based on the expenditure level of 2013-14 and by applying escalation factor of 6% per annum. The estimates of VSPL are considered as estimated by VSPL.

The VSPL has not estimated any repairs and maintenance cost on additions proposed to the gross block of assets during the years 2014-15 to 2016-17. The additions to the gross block proposed in the current cycle viz. strengthening of the berth no.9 and development of additional storage yard at Exim Park were also included in the last tariff revision as well except the dredging in the front of berth no.9 upto 50 mtrs. Even during the last tariff revision, the VSPL had not estimated any repairs and maintenance cost on additions proposed to the gross block of assets proposed for the years 2011-12 to 2013-14. On a specific query in this regard in the last tariff revision, VSPL has stated that it does not envisage any repairs and maintenance on the additions proposed as assets would be covered under warranty and for others no repairs are estimated in the initial period. The position furnished by the VSPL during the last tariff revision was relied upon and continued for this cycle also.

(d). The maintenance dredging cost is estimated by VSPL for the years 2014-15 to 2016-17 based on 'per shift' rate applied by the VPT for the year 2013-14 and on the basis of number of shifts dredgers are expected to be deployed for maintenance dredging. Despite request, the VPT has not commented upon the reasonableness of the estimate of maintenance dredging cost estimated by the VSPL for the years 2014-15 to 2016-17.

The VSPL has furnished a copy each of bills raised by VPT in February 2014 and March 2014 in support of the of the unit rate of dredging of ₹413484 per shift claimed by VPT for the year 2013-14. Taking the per shift unit rate of 2013-14 based on the bills raised by the VPT, the VSPL has applied 6% annual escalation for arriving at the unit rate of maintenance dredging for the years 2014-15 to 2016-17 which is considered as estimated by VSPL.

The actual number of shifts for maintenance dredging reported by the VSPL for the years 2012-13 and 2013-14 is 10 and 11 respectively. The VPT has reported the actual number of shifts for maintenance dredging work undertaken at the VSPL berths as 11 shifts for the year 2012-13. There is minor mismatch in the number of shifts for maintenance dredging reported by VSPL and VPT for the year 2012-13 which remains unexplained. The VPT has not furnished the details of number of shifts for the year 2013-14.

For estimating the maintenance dredging cost for future period i.e. 2014-15 to 2016-17, the VSPL has considered 10 shifts per annum.

In the absence of any adverse remarks of the VPT and recognising that the number of shifts considered by VSPL is found to be comparable to the actual number of shifts in the years 2012-13 and 2013-14, the estimated number of 10 shifts is considered as estimated by VSPL for the years 2014-15 to 2016-17.

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

(xviii). The VSPL has estimated the equipment hire charges for the years 2014-15 to 2016-17 for various equipment taken on hire by it for different cargo handling services and for two HMCs taken on hire.

The unit rate considered by the VSPL for various equipment taken on hire by it for different cargo handling services like, on board equipment, shore clearance, inter carting, etc. is substantiated with copy of the work orders furnished by VSPL and the revised contract rates which are valid from 1 November 2011 to 31 October 2015. The VSPL has confirmed that the contract is awarded following competitive bidding. Based on the contract copy furnished by the VPSL, the unit rate adopted by VSPL for the year 2014-15 is accepted at the level estimated by the VSPL. Annual escalation of 6% per annum is adopted by the VSPL for estimating these items for the years 2015-16 and 2016-17 which is also accepted.

As regards the hire charges for HMC, the VSPL has entered into a contract with M/s.ETA Ports Operations and Rapid System Ltd. for hire of 2 HMCs. The VSPL has furnished a copy each of the said contract dated 17 January 2013 and Addendum to the said contract dated 25 September 2014. The contract is valid till January 2020. Though the unit rate given in the contract is ₹47.52 the contract allows increase in the escalation rate for increase in diesel prices and annual maintenance component. The contract allows escalation for diesel price variation as reported by VSPL. The VSPL has estimated equipment hire charge for HMC considering unit rate of ₹49.63 per tonne for the year 2014-15 and the escalation applied is found to be within admissible escalation factor of 6% and hence the unit rate considered by VSPL for estimating hire charge of HMC is accepted as estimated by VSPL. For the subsequent two years, the VSPL has applied 6% annual escalation for hire of HMC. Hence, the unit rate adopted by VSPL for the years 2015-16 and 2016-17 applying the admissible annual escalation of 6% for estimation of hire charge for HMC is accepted as estimated by the VSPL.

The VSPL had initially estimated that 50% of 89% of the conventional cargo will avail the services of hired HMC which is accepted as stated earlier. This is in line with the approach followed for estimation of fuel cost.

(xix). The actual lease rental which is paid to VPT, reported by VSPL for the year 2013-14, is ₹69.62 lakhs. The VSPL has estimated lease rental at ₹197.97 lakhs, ₹200.61 lakhs and ₹203.30 lakhs for the years 2014-15 to 2016-17 respectively.

Lease rental is estimated for 121700 sq.m. of land earlier allotted to VSPL applying the unit rate of ₹90.55 per week for 100 sq. m. as per the terms of the LA and for one building at ₹7.56 lakhs working out to ₹65.96 lakhs per year for each of the years 2014-15 to 2016-17. The VPT has indicated the lease rent figures for the years 2014-15 to 2016-17 as ₹65.62 lakhs. There is minor variation in the lease rent for this land which remains unexplained. As the VSPL has furnished detailed calculation to support its estimates and the lease rent estimated by the VSPL is closer to the lease rent estimate furnished by VPT, the lease rent for land area of 1,21,700 sq. mtrs. and building is considered as estimated by the VSPL.

Clause 3.2. of Appendix 1 of the LA allows licensor to allot additional land for operations at ports Exim Park. Apart from the lease rent for 1,21,700 sq. mtrs. of land, the VSPL has estimated lease rent for additional land of 30.50 acres at Exim Park area for the years 2014-15 to 2016-17. The VPT has confirmed that 30 acres land was allotted to VSPL at Exim Park area in Zone VII and VIII on 28 January 2014. The VPT has also endorsed that the allotment of said land is in its jurisdiction and it will help to augment the yard capacity to 8.2 MTPA. The land allotment Order of VPT dated 28 January 2014 indicates that 30 acres of land is allotted to VSPL. Hence, for the purpose of this analysis, 30 acres of land is considered as reported by VPT and as per the allotment Order instead of 30.5 acres land considered by VSPL.

Though this land is reportedly allotted in January 2014, the VSPL has estimated lease rent on this land only from the year 2014-15. The lease rent estimated by the VSPL is ₹132.00 lakhs for the years 2014-15 which is in line with the lease rent indicated in the allotment Order of VPT dated 28 January 2014 for the said land. The VSPL has confirmed that the unit rate adopted for estimating lease rentals for the additional land at EXIM Park is in line with provisions in the License Agreement and as per the tariff approved by this Authority for VPT lands. The VPT has not furnished any comment on the reasonableness of the lease rent estimated for this land by VSPL. It has, however, confirmed that the VSPL has made payment of ₹133.49 lakhs as advance lease rent for this land. There is difference in the lease rent estimated by the VSPL and advance rent indicated by the VPT. Since the estimate of the lease rent for 30 acres land for the year 2014-15 at ₹132.00 lakhs by the VSPL is found to be in line with the lease rent mentioned in the land allotment Order by VPT to VSPL, the lease rentals for additional land of 30 acres at Exim Park is considered as estimated by the VSPL at ₹132.00 lakhs for the year 2014-15. The annual escalation of 2% considered in the lease rent for the subsequent two years 2015-16 and 2016-17 on this land is found to as per the lease rent approved by this Authority and in line with the land allotment letter of VPT and hence is considered as estimated by VPT.

(xx). The insurance cost for the year 2013-14 is reported at ₹46.13 lakhs. The insurance premium for the year 2014-15 is estimated at ₹47.46 lakhs which is substantiated with copies of insurance policies. The insurance premium for the next two years viz. 2015-16 and 2016-17 is estimated at ₹50.13 lakhs and ₹53.32 lakhs respectively applying 6% annual escalation. During the last tariff revision also, the VSPL had followed the same approach and clarified that the increase estimated in this item is to cover the insurance on additions proposed to the gross block of assets. The insurance cost estimated is found to be less than 1% of the gross block of assets allowed in tariff fixation of other private terminals cases. Therefore, the insurance cost estimated by VSPL is considered without any modification.

(xxi). Other expenses include survey charges, stevedoring charges, security expenses, railway siding &haulage charges, Charges for wagons damage, etc. Survey charges and Stevedoring charges are estimated to vary with the traffic projections and other items under this head are not projected to vary with traffic. The other expenses estimated for the year 2014-15 is ₹420.52 lakhs as against actual other expenses for the year 2013-14 at ₹433.28 lakhs. Whilst the VSPL has considered 6% annual escalation for estimating all the cost items under this head for the years 2014-15 to 2016-17, for one of the items under Stevedoring charges i.e. agency charges the VSPL has considered 7% annual escalation which is restricted to 6% in the cost statement prepared by us.

As regards one another cost item under other expenses i.e. customs manning charges, the VSPL has estimated ₹93.71 lakhs in the year 2014-15. It is relevant to state that this expense is reported to be nil in the year 2013-14 as per the break up of expenses furnished by the VSPL. However, the average of this expense reported for the years 2011-12 and 2012-13 works out to ₹84.04 lakhs and applying admissible annual escalation of 7% for the year 2013-14 and 6% for the year 2014-15 it comes to 95.30 lakhs. Based on the above analysis, the estimate of 93.71 lakhs for this cost item in the year 2014-15 is considered as estimated by the VSPL. Subject to this modification, the estimate of 'other expenses' works out to ₹420.33 lakhs, ₹463.40 lakhs and ₹502.65 lakhs as against ₹420.52 lakhs, ₹463.84 lakhs and ₹503.42 lakhs estimated by VSPL.

(xxii). The VSPL has estimated Management & Administrative Overheads (MGO) for the year 2014-15 at ₹878.22 lakhs which is found to be lower than the actual MGO of

₹899.64 lakhs for the year 2013-14. The MGO for the year 2014-15 is considered as estimated by the VSPL. For the subsequent two years, the annual escalation considered by the VSPL is within 6% annual escalation and hence considered as estimated by the VSPL.

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

(xxiv). Clause 2.7.1 of the tariff guidelines of 2005 stipulates that incase of private terminals, depreciation has to be allowed on straight line method with life norms adopted as per the Companies Act, 1956 or based on the life norms prescribed in the Concession Agreement whichever is higher. The VSPL has confirmed that depreciation computed by it is in line with clause 2.7.1 of the tariff guidelines of 2005. It has further stated that it has provided depreciation as per the Companies Act, 1956 since its Company has changed the financial year to calendar year from 01.01.2014 onwards to align with the accounting year of the holding company. It has stated that depreciation as per the Companies Act, 2013 will be applicable from the next financial year onwards and has requested to consider the projections of deprecation as per the Companies Act, 1956 in the current exercise. This Authority has allowed depreciation on Companies Act, 1956 in the recent case of VCTPL for reasons cited by VCTPL. Hence in the instant case also, the depreciation based on Companies Act, 1956 considered by VSPL is allowed.

For the purpose of tariff fixation, the VSPL has made suitable adjustments in the depreciation figures in view of amortisation of the upfront fee over the project period in line with the approach followed in the earlier general revisions Orders passed by this Authority. As stated earlier, the depreciation on capital dredging expenses reported by VSPL in the year 2009-10 has been disallowed for the future years also and the impact of depreciation on liquidated damage cost added to the capital cost of berth is considered in line with the approach followed for the past period.

The VPT has objected depreciation of ₹156.91 lakhs claimed by VSPL on the development of land in the year 2016-17 and has stated that if at all the same is to be considered it should be considered in the storage charges. The VSPL has clarified that the depreciation is not provided on the land. It is seen that the deprecation is estimated on the proposed investment for development of additional storage yard on the additional land and hence is considered as estimated by the VSPL. As regards the point made by the VPT to capture it in storage activity, the VSPL has not proposed any separate cost based tariff for the additional storage yard to be developed. It has proposed to continue to apply the plot rent applicable for the existing yard for the additional storage yard as well.

(xxv). The amortization of upfront fee and preliminary expense is considered at ₹33.20 lakhs for each of the years 2014-15 to 2016-17 as has been done for the past period. Though VSPL has excluded the net block of upfront fee and preliminary expense from the capital employed for computation of return, for the purpose of our analysis, the upfront fee and preliminary expenses to the extent not written off is taken as part of the capital employed for allowing return.

(xxvi). The License Agreement stipulates that on expiry of the license period, the VSPL shall be liable to transfer the entire facility and services to the VPT on payment of ₹40 millions per berth of the estimated project cost which means ₹80 millions for two berths. The VSPL has considered the credit back of annualised terminal value receivable at the end of the project at ₹2.74 lakhs per annum which is modified in line with the approach followed in the last tariff Order. The terminal value receivable at the end of the project is annualized over the project life applying discounting rate of 12% in line with the approach followed in the last tariff revision exercise and in the cases of other private terminals.

(xxvii). The VSPL has estimated additions to the gross block of assets to the tune of ₹1561.40 lakhs, ₹2380.77 lakhs and ₹4747.69 lakhs during the years 2014-15 to 2016-17. The Capital Employed comprising of Net Fixed Assets and Working Capital are analysed in the following paragraphs:

(a). Fixed Assets:

(i). The details of additions to the gross block estimated by VSPL are tabulated below:

(**₹ in lakhs**)

Sl. No.	**Details of additions to Gross Block**	**2014-15**	**2015-16**	**2016-17**
1.	Dredging in front of the berth	820.80	--	--
2.	Strengthening of berth super structure and wharf	--	2380.77	--
3.	Development of Storage yard at Exim Park	--	--	4747.69
	TOTAL	**820.80**	**2380.77**	**4747.69**

(ii). The VSPL has given the rationale for the proposed investments as summarised below:

(a). Dredging in front of berth (2014-15):

As per Article 3.9(c)(i) of the License Agreement (LA), it is the obligation of the Licensor to maintain entrance channel draft and dredged draft alongside the berth at 10.70 mtrs. Further as per the LA, it is the obligation of Licensor to undertake capital dredging at the cost and responsibility of the Licensee i.e. the VSPL. Referring to the said clause, the VSPL was requested to confirm that the proposed investment is as per the provisions in the LA.

The VSPL has stated that the VPT has been deepening the inner harbor channels in the Northern arm upto -16.10 mtrs. of dredged draft to enable berthing of fully laden Panamax vessels and the present draft at EQ8 and EQ9 berths upto 50 mtrs. of the berth front is to be deepened by VSPL to 16.10 mtrs. It has confirmed that the proposed investment to dredge the water front upto 50 mtrs. from the berth front is as per license agreement, as it is the obligation of the VSPL to undertake this work. The VPT has confirmed that it has permitted the VSPL to undertake further deepening in front of EQ-8 and EQ-9 berths subject to VSPL undertaking strengthening of EQ-9 berth as recommended by the Consultant with the approval of its Board. The port also proposes to enter into a Supplementary Agreement with VSPL to facilitate carrying out dredging in front of EQ-8 & EQ 9 berths through M/s.Dredging Corporation of India (DCI). In view of the above position clarified by both the VSPL and the VPT, the proposed investment is considered as estimated by the VSPL. The VSPL has not indicated the present status of the proposed investment despite request. It has, however, clarified that the traffic projections capture the effect of investments proposed in this tariff cycle. The VPT vide its letter of January 2015 has stated that the work of dredging is not yet started. Based on the present status reported by the VPT, the capital addition proposed by VSPL for this item in the year 2014-15 is shifted to the year 2015-16.

(b). Strengthening of berth super structure and wharf (2015-16):
The VSPL has justified that the need for the proposed investment is based on the study conducted on stability and load bearing of the berth done by an expert team on marine structure. Dredging in front of the berths is subject to strengthening of the berth no.9 as per the report of the Marine experts. The VSPL has confirmed that there will not be much variation between its estimates and the work orders to be issued. In view of the above position, the investment proposed by the VSPL is allowed.

(c). Investment on development of storage yard on additional land allotted by VPT at Exim park (2016-17):
In view of inadequate storage area, the VSPL has proposed investment for developing additional land of 30 acres at Exim park area. As stated earlier, the VPT has already allotted the 30 acres of land to VSPL in January 2014. The VSPL has assessed the capacity of the additional storage yard at 4.62 MTPA in the year 2016-17 and has confirmed that the traffic projections capture the effect of investment proposed in the gross block in this tariff cycle. The VSPL has confirmed that there will not be much variation between its estimates and the work orders to be issued. In view of the above position, and recognising that the port has also allotted the land to VSPL in January 2014, the proposed investment is considered as estimated by the VSPL. Inclusion of this capital cost for the purpose of return may be subject to the condition that if at the time of review of actuals it is found that the proposed investment does not materialise in the year 2016-17, the advantage accrued to VSPL on that account will be assessed and fully adjusted in the next tariff cycle.

(b). The working capital is analysed below:

(i). The VSPL has considered two month's estimated operating income as Sundry Debtors for the years 2014-15 to 2016-17. This is not in line with the provisions contained in the tariff guidelines of 2005, as such Sundry Debtors is considered as NIL.

(ii). The VSPL has considered annual consumption of stores excluding fuels for the years 2014-15 to 2015-16 based on six months actual consumption considered for the year 2013-14. The figures furnished by the VSPL are considered without any modification.

(iii). Cash balance has been calculated at one month's cash operating expenses including overheads as done during the last tariff revision of VSPL.

(iv). As per the Order passed by this Authority on 30 September 2008 refining 2005 guidelines, prepayments of certain expenses which flow from the provisions of the Licence Agreement can be considered as Sundry Debtors. As analysed in the past period analysis, in the case of the VSPL, it is found that none of the items flowing from the License Agreement qualify for consideration as sundry debtors.

(v). The VSPL has considered current liabilities for the years 2014-15 to 2016-17 as per the Annual Accounts for the years 2013-14 subject to exclusion of current maturity of long term debt. The current liability for the years 2014-15 to 2016-17 is considered at the level considered for the past period analysis for the year 2013-14 in line with the approach followed by the VSPL.

(vi). Based on the above analysis, the Working Capital results in a negative figure. Since the Working Capital is negative, it has been taken as nil.

(c). The unamortized portion of preliminary expense and upfront fee forms part of the capital employed and on which return is allowed as stated earlier.

(d). Subject to above modification, the Capital Employed for the years 2014-15 to 2016-17 which consists of only the Net Block of assets at ₹19,621.95 lakhs, ₹21,403.85 lakhs and ₹24,554.60 lakhs respectively as against ₹21,563.32 lakhs, ₹22,731.22 lakhs and ₹25,872.41 lakhs considered by the VSPL

(xxviii). The existing capacity of the terminal is reported at 7.7 MTPA. The VSPL has assessed the capacity of the two berths to continue at 7.7 MTPA for all the three years being the lowest of the three capacities viz. quay capacity (9.0 MTPA), yard capacity (8.28 MTPA) and evacuation capacity (7.7 MTPA).

The VPT has stated that the assessed capacity of E-8 and E-9 berths communicated vide Ministry's letter No.DW/DTO-02/2009 dated 22.5.2013 is 3.68 MTPA and 2.75 MTPA respectively aggregating to 6.43 MTPA. It has not made any adverse remarks on the other two capacities furnished by the VSPL and the total optimal capacity of 7.7 MTPA assessed by the VSPL. Based on the optimal capacity as furnished by the VSPL, the capacity utilisation for the throughput projected works out to be 69%, 83% and 91% for the years 2014-15 to 2016-17 respectively. Since the capacity utilisation is more than 60%, full return of 16% on the estimated capital employed for all the three years is considered in accordance with the provisions of the tariff guidelines of March 2005.

(xxix). The VSPL has furnished cost statements for two activities viz. cargo related and vessel related. The basis of allocation of expenses between these two activities is found to be in line with the approach followed in the last tariff revision which was accepted by this Authority. The same is relied upon in the current exercise.

As regards sub-activity cost statements under cargo handling activity, during the last revision, this Authority in para 11(xiv) had made some observations relating to allocation of common expenses done by the VSPL equally between BMHS and conventional cargo handling and had advised VSPL to file sub-activity-wise cost statements under cargo handling activity on a scientific and rational basis taking into consideration the observation made in the Order in the next tariff revision.

The VSPL has furnished cost statements for sub-activities BMHS handling and conventional cargo handling under the cargo handling activity. The VSPL has clarified that majority of assets directly relate to the said two sub-activities and hence direct assets, direct expenses have been allocated to the relevant sub activities. The VSPL has confirmed that common expenses between BMHS and conventional handling have been allocated on rational basis duly considering the observation of this Authority in the last tariff revision. The basis of allocation of the expenses and the capital employed done by the VSPL to the above mentioned two sub-activities are relied upon. In the cost statement prepared by us, the modified expenses and capital employed are allocated between the two sub activities maintaining the ratio followed by the VSPL.

(xxx). The consolidated cost statement and main activity-wise cost statements and sub-activity wise cost statement for the years 2014-15 to 2016-17 at the existing tariff i.e. as per the rates approved by this Authority in the 2011 Order have been modified in line with the above analysis. The modified cost statements are attached as **Annex - II (a) to (e)**. The summarised position of the results disclosed in the financial / cost statements at the existing level of tariff i.e. as per the rates approved by this Authority in the 2011 Order are tabulated below:

(**₹ in lakhs**)

Sl. No.	**Particulars**	**Operating Income (₹ in lakhs)**				**Net Surplus (+) / Deficit (-) (₹ in lakhs)**				**Net Surplus (+) / Deficit (-) as a % of Operating Income**			
		2014-15	**2015-16**	**2016-17**	**Total**	**2014-15**	**2015-16**	**2016-17**	**Total**	**2014-15**	**2015-16**	**2016-17**	**Average**
1.	VSPL as a whole	**8762.15**	**10599.41**	**11869.26**	**31230.81**	**-2098.52**	**-1707.48**	**-2000.66**	**-5806.66**	**-23.95%**	**-16.11%**	**-16.86%**	**-18.59%**
2.	Vessel related	307.60	376.85	422.39	1106.84	-799.67	-1314.25	-1277.40	-3391.31	-259.97%	-348.74%	-302.42%	-306.40%
3.	Cargo related	8454.55	10222.56	11446.86	30123.97	-1298.85	-393.23	-723.26	-2415.34	-15.36%	-3.85%	-6.32%	-8.02%
	(a) BMHS	2901.30	3664.80	4127.99	10694.09	-1382.73	-867.86	-1016.85	-3267.44	-47.66%	-23.68%	-24.63%	-30.55%
	(b) Conventional handling of cargo	5553.25	6557.76	7318.88	19429.88	83.87	474.63	293.59	852.10	1.51%	7.24%	4.01%	4.39%

The above table reflects an average deficit of 18.59% for the period 2014-15 to 2016-17 at the rates approved by this Authority in October 2011 Order.

The cargo handling activity reflects an average deficit of 8.02% for the period 2014-15 to 2016-17 and the vessel related activity reflects an average deficit of 306.40% for the period 2014-15 to 2016-17. This Authority while granting extension of the validity of the Scale of Rates of VSPL except the HMC has held that if there is surplus over and above the admissible cost and permissible return for the period post 1 April 2014 it will be setoff fully in the tariff to be determined. It can be seen from the summarised position that, 2014-15 reflects an overall deficit of ₹2098.52 lakhs and hence the question of adjustment of surplus during the period of extension of the SOR does not arise.

In view of the deficit position reflected in the cost statement there is a case for granting increase in the tariff. The increase/ decrease proposed in various items by the VSPL is discussed below:

(a). Berth hire charge:
The VSPL has proposed 260% increase in the existing berth hire charges. The VPT and Visakhapatnam Steamship Agent Association have pointed out that 260% hike proposed in berth hire is steep and need to be examined from the angle as to whether the market can bear. As rightly stated by VPT, drawing reference to the rate applicable for other BOT operators on upfront model may not be relevant as the tariff of VSPL is fixed under 2005 guidelines.

The justification of the VSPL for the increase proposed in the berth hire is based on the Revenue requirement to cover the deficit reflected in Vessel Related activity and has stated that even at proposed tariff, the berth hire activity will continue to remain in deficit by 42%. It is seen that from the table above that the vessel related activity reflects an average deficit of 306.42% and in absolute terms the deficit would be ₹33.91 crores for the three years 2014-15 to 2016-17. The year 2014-15 is already over. If the total deficit of ₹33.91 crores is spread over the remaining period of nine months from July 2015 (i.e. by the time the revised tariff is expected to come into effect) in the year 2015-16 and whole of the year 2016-17 it is seen that the average deficit will be 481%. In view of the huge deficit in the berth hire activity the tariff increase proposed by the VSPL based on the cost position reflected in the cost statement is seen to be justified and hence is allowed as proposed by VSPL. At 260% increase proposed in the berth hire, the additional revenue likely to be earned for the said period i.e. July 2015 till 31 March 2017 will be ₹18.46 crores which will still leave a deficit of ₹15.45 crores in the berth hire activity unrecovered.

It is relevant here to mention that even during the last tariff revision, the berth hire activity reflected average deficit of 245.34%. Since the deficit in berth hire was fully cross subsidized by the surplus in the cargo handling activity and the overall position reflected surplus position, no tariff increase was allowed in the berth hire charge.

(b). The cargo handling activity reflects a total deficit of ₹24.15 crores for the three years 2014-15 to 2016-17. Since the year 2014-15 is already over, the total deficit of ₹24.15 crores if spread over the remaining period of 9 months from July 2015 in the years 2015-16 and 2016-17, the average deficit will be 12.6%. The tariff increase/ decrease proposed in cargo handling activity is analysed below:

(i). Shore Handling Charge:
The VSPL has proposed 12.5% increase in the shore handling charge. It has submitted that due to space constraint and the increased dwell time of cargo on account of constraint in availability of Railway rakes and delays in cargo evacuation by customers, multiple shifting is necessitated within its terminal as well as while loading cargos into wagon. Hence, nominal increase is proposed in shore handling charges from ₹40 per tonne to ₹45 per tonne. In view of the deficit in the cargo handling activity and overall deficit for the terminal as the whole, the increase proposed in shore handling charges is approved as proposed by the VSPL.

(ii). Bulk Material Handling Services (BMHS):
The existing rate for BMHS covering rates for seven components viz. HMC, mobile hopper, conveyor and stackers, reclaiming and wagon loading, inmotion electronic weighment, sampling system and other service is ₹161.70 per MT. The VSPL has proposed to reduce the rate for BMHS from ₹161.70 per MT to ₹159.50 per tonne. The existing SOR also provides a consolidated rate of ₹152.70 per tonne if all the integrated terminal services of BMHS are availed which is proposed to be reduced to ₹150 per tonne. The VSPL has stated that the reduction proposed in BMHS is found essential to attract the trade to enable it to utilise the system already installed at a huge cost.

It is relevant to state here that the cost statement for the BMHS activity shows an average deficit of 30.55% for the years 2014-15 to 2016-17 and in absolute terms the deficit is ₹32.67 crores. So, in normal circumstances tariff should have been increased. But, since the VSPL has sought to justify that reduction proposed in the BMHS is mainly to attract trade, the reduction in tariff for BMHS proposed by the VSPL is approved. This will lead to flow of cross subsidy within the cargo handling activity from conventional cargo to BMHS cargo.

(iii). 104 T Harbour Mobile Crane:

As stated earlier, the hire charge for 104T HMC prescribed in the existing SOR is ₹36.70 per tonne in the last tariff Order of October 2011. The VSPL has proposed to increase the tariff for HMC to ₹64 per tonne. The increase in terms of percentage works out to 74.38%. The VSPL has argued that the hire charge for 104T HMC initially approved by TAMP was at ₹64 per tonne. Then, this Authority had increased it to ₹72.75 per tonne in the tariff Order of 2009. Subsequently, the tariff for HMC has been reduced by 50% from ₹72.75 per tonne to ₹36.70 per tonne in the tariff Order of October 2011 which is now proposed to be restated at ₹64 per tonne.

The point made by the VSPL that this Authority has erred in comparing the rate of HMC of VSPL with the stand alone rate of HMC of ABG at Haldia while effecting reduction in the October 2011 Order is denied. This Authority has passed a speaking Order and the reasons for reduction in the tariff for HMC is elaborately explained in para 11(xvi)(b)(ii) of the said Order and hence not reiterated here.

The matter before this Authority is limited to decide the tariff for the current tariff cycle. The Visakhapatnam Container Lines Association (VCLA) has stated that the increased tariff proposed by VSPL for HMC is ₹64 per tonne and adding stevedoring charges, the total rate will work out to almost ₹100 per tonne which is very high. Except VCLA none of the users have objected the proposed rate. The VSPL has itself admitted that it is not in a position to collect the pre-revised rate of ₹72.75 per tonne permitted by the Hon'ble High Court in the interim Order. The statement furnished by the VSPL giving the actual income collected from the hire of HMC for the years 2011-12 from 19 December 2011 to 31.3.2014 show that VSPL has collected different rates for hire of HMC in the range of ₹36.95 per tonne to ₹49.50 per tonne. However, the VSPL has proposed to increase the rate for HMC to ₹64 per tonne stating the total cost for operating HMC itself comes to ₹41.06 per tonne. It has to be recognised that the rate prescribed in the SOR of VSPL for HMC is not fixed on a stand alone cost of HMC but based on the cost position for the terminal as a whole. The cargo handling activity reflects a huge deficit which in absolute terms is ₹24.15 crores for the three years period 2014-15 to 2016-17. Even the terminal as a whole reflects substantial deficit. Only on these grounds and recognising that even after allowing the increase proposed in all the tariff items, the cost position reflects a deficit the increase proposed by the VSPL in the hire charge for HMC from ₹36.70 per tonne to ₹64 per tonne is accepted. The increase granted in the HMC rate now is based on the proposal of VSPL and based on the cost position reflected in the current tariff cycle and is without prejudice to the contentions of this Authority in the October 2011 Order and also in the counter affidavit filed on the Writ petition filed by the VSPL on October 2011 Order challenging the reduction effected in the HMC rate in the said Order. By way of abundant caution, this Authority would like to make clear that the increase in the HMC rate granted in this tariff cycle cannot be used as reference in the ongoing litigation as they are for two different tariff cycles altogether. This Authority makes It clear that since the approval to the rate of ₹64 per tonne is based on the proposal of VSPL and deficit cost position, the approval may not be construed as interference to the interim order passed by the Hon'ble High Court permitting the VSPL to levy the rate of ₹72.75 per tonne.

The VSPL has made a mention that it intends to collect ₹64/ tonne only from 1.4.2014 subject to approval of this Authority. In this regard, it is clarified that the revised rate for HMC will come into effect only from the date the Order approved comes into effect. The additional revenue likely to be earned for the period i.e. July 2015 till 31 March 2017 at the revised tariff approved for this item will be ₹16.73 crores which will still leave uncovered deficit in the cargo handling activity.

(iv). For all the other tariff items the VSPL has proposed to continue with the existing Scale of Rates item which is allowed as proposed by the VSPL.

(c). The additional income estimated to be earned by VSPL at the increase/ decrease approved by this Authority in the above mentioned tariff items as proposed by the VSPL for the period of 2015-16 from July 2015 and 2016-17 is given below:

(₹ in lakhs)

Particulars	Increase/ decrease proposed by VSPL and approved by this Authority	Additional income
Hire charges for harbour mobile crane	Increase from ₹36.70 per tonne to ₹64 per tonne (74.38% increase)	1673.63
Shore handling	Increase from ₹40 per tonne to ₹45 per tonne (12.5% increase)	245.96
BMHS	Reduction in BMHS rate from ₹161.70 to ₹159.50 and reduction if integrated services are availed from ₹152.70 to ₹150.00 per tonne	-121.50
Total additional income from cargo handling activity for the above items		**1798.10**
Berth Hire	260% increase	1846.32
Total		**3644.42**

Thus, from the above table, it can be seen that as against total deficit of ₹58.07 crores for the three years period 2014-15 to 2016-17, the additional income from the above tariff items will be ₹36.44 crores. Thus, even after allowing the tariff increase proposed by the VSPL, deficit of ₹21.63 crores will still remain uncovered.

It is relevant here to mention that this uncovered deficit of ₹21.63 crores is at the HMC rate of ₹36.70 per tonne approved by this Authority. Even as per the cost statement filed by the VSPL, there is deficit to the tune of ₹15.31 crores which is proposed by VSPL to remain uncovered for the years 2014-15 to 2016-17 at the tariff proposed by VSPL.

This uncovered deficit may marginally reduce as the rate of HMC collected by VSPL is higher than the rate of ₹36.70 per tonne considered in the income computation. As stated earlier the excess amount collected by the VSPL from HMC in view of the interim Order of the Hon'ble High Court as assessed by it at ₹412.58 lakhs from the period 19 December 2011 to 2013-14 and the excess amount collected by VSPL for the period 2014-15 and till the revised Scale of Rates approved by this Authority comes into effect in the year 2015-16 would also have to be assessed by the VSPL and the total excess collection by VSPL is subject to the final decision of the Hon'ble High Court in the Writ Petition filed by VSPL.

(xxxi). The Visakhapatnam Steamship Agent Association has requested to change the terminology of "Berth hire" to "Berth facility charge" in view of some confusion with regard to Tax Deducted at Source (TDS). At all the other Major Ports and the Private terminal operators, the terminology Berth hire is prescribed. Hence there is no extra-ordinary circumstances warranted only in the case of VSPL to change the terminology of the berth hire.

(xxxii). The general note no 4(i) under the berth hire charge prescribing time limit of 4 hours beyond which berth hire shall cease to apply after readiness to sail is proposed to be modified by the VSPL by adding the words "and shifting" in the end. The modification proposed is not found to be in line with the prescription in the 2005 guidelines which is uniformly prescribed in the Scale of Rates of all the Major Port Trusts and Private Terminals. The existing note is, therefore, continued to be prescribed.

(xxxiii). In line with clause 2.18.2 of the tariff guidelines, the proposed note 2(iii)(b) has been modified to reflect the prevailing Prime Lending Rate of State Bank of India at 14.60% plus 2%.

(xxxiv). The tariff guidelines stipulate that tariff should be linked to benchmark of the levels of productivity. Merely stating that average turnaround time of the vessel has reduced from 26.2 hours to 20.2 hours due to improvement in productivity to 52 moves / hour may not serve any useful purpose unless a suitable incentive/ disincentive linked to the performance achieved below/ above the benchmark level of productivity is prescribed in the SOR. The VSPL is, therefore, advised to propose a well analyzed proposal linking the tariff with the productivity level at the time of the next tariff review.

(xxxv). The tariff guidelines of 2005 applicable for the BOT operators prescribe tariff validity cycle of three years. Since the financial position considered for the purpose of this analysis is only till 31 March 2017, the validity of the revised Scale of Rates of the VSPL is prescribed till on 31 March 2017.

(xxxvi). The validity of the existing SOR of the VSPL has been extended from time to time and the last extension of validity of the existing SOR of VSPL is granted till 30 September 2015 or the date the revised SOR comes into effect, whichever is earlier. The revised Scale of Rates approved will come into effect after expiry of 30 days from the date of notification of the Order in the Gazette of India.

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

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

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

(T.S. Balasubramanian)
Member (Finance)

Annex - I

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES

(₹ in Lakhs)

Consolidated Income & Cost statement for the Terminal as a whole comparing actuals and estimates

Sr. No.	Particulars	Estimates moderated by TAMP			Total	Actual			Total	% Variation
		2011-12	2012-13	2013-14		2011-12	2012-13	2013-14		
	Traffic (in lakh tonnes)	58.50	67.55	70.92	196.97	55.74	57.47	55.15	168.36	-15%
	Capacity	77.00	77.00	77.00	231.00	77.00	77.00	77.00	231.00	
I	**Total Operating Income**									
	(i) Vessel related income	277.05	319.01	334.96	931.01	311.46	389.73	433.96	1135.15	22%
	(ii) Cargo related income (See Note-1 as regards the Actual income on HMC included in the Cargo handling income)	9716.37	9947.13	10774.30	30437.81	9950.79	10698.99	10254.58	30904.37	2%
	Total - I	**9993.42**	**10266.14**	**11109.26**	**31368.82**	**10262.25**	**11088.72**	**10688.54**	**32039.51**	**2%**
II	**Operating Costs (excluding depreciation)**									
	(i) Operating & Direct labour	252.43	288.37	320.96	861.76	225.46	259.44	240.76	725.65	
	(ii) Maintenance labour	493.87	570.65	601.04	1665.56	398.87	439.44	428.26	1266.57	
	(iii) Equipment Running costs	1157.49	1289.81	1394.28	3841.58	1226.56	1244.41	1380.15	3851.12	
	(iv) Maintenance dredging	51.67	54.77	58.05	164.49	27.40	44.20	37.21	108.82	
	(v) Royalty / revenue share	303.26	347.52	364.89	1015.67	293.20	312.69	298.94	904.83	
	(vi) Equipment hire	1540.17	1851.65	1951.79	5343.61	1380.79	1794.96	2193.24	5369.00	
	(vii) Lease Rentals payable as per concession agreement	73.46	135.83	198.38	407.67	65.52	100.29	69.62	235.44	
	(viii) Insurance	53.17	60.69	62.97	176.83	52.26	47.77	46.13	146.16	
	(ix) Other expenses	301.03	344.32	386.36	1031.71	353.79	301.73	433.28	1088.80	
	(x) Technical service fee	12.16	12.16	12.16	36.48	12.16	12.16	12.16	36.48	
	Total - II	**4238.71**	**4955.77**	**5350.88**	**14545.36**	**4036.00**	**4557.10**	**5139.75**	**13732.86**	**-6%**
III	Depreciation	1267.27	1549.79	1766.44	4583.50	1230.11	1243.71	1265.63	3739.44	-18%
IV	Overheads									
	(i) Management & Administration overheads	774.66	821.14	870.40	2466.20	757.48	757.71	899.64	2414.83	
	(ii) Preliminary expenses & upfront payment write-off	33.10	33.10	33.10	99.30	33.10	33.10	33.10	99.30	
	Total - IV	**807.76**	**854.24**	**903.50**	**2565.50**	**790.58**	**790.81**	**932.74**	**2514.13**	**-2%**
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**3679.68**	**2906.34**	**3088.43**	**9674.46**	**4205.56**	**4497.10**	**3350.43**	**12053.09**	**25%**
VI	Finance & Miscellaneous Income (FMI)									
	(i) Discounted terminal value receivable as per the LA	3.07	3.44	3.85	10.36	3.07	3.44	3.85	10.36	
	(ii) Others	0.00	0.00	0.00	0.00	28.41	0.63	0.00	29.03	
	Total FMI	3.07	3.44	3.85	10.36	31.48	4.07	3.85	39.39	
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
VIII	FMI Less FME (VI) - (VII)	3.07	3.44	3.85	10.36	31.48	4.07	3.85	39.39	280%
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**3,682.75**	**2,909.78**	**3,092.28**	**9,684.82**	**4,237.04**	**4,501.16**	**3,354.28**	**12,092.48**	**25%**
X	Capital Employed	25735.83	26232.95	28695.17	26887.98	22832.84	21921.05	20916.47	21890.12	-19%
XI	RoCE - Maximum permissible	4,117.73	4,197.27	4,591.23	12,906.23	3,653.25	3,507.37	3,346.63	10,507.26	
XII	Capacity Utilization	75.97%	87.72%	78.80%		72.38%	74.63%	71.62%		
XIII	**RoCE adjusted for capacity utilization**	**4,117.73**	**4,197.27**	**4,591.23**	**12,906.23**	**3,653.25**	**3,507.37**	**3,346.63**	**10,507.26**	**-19%**
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**-434.98**	**-1,287.49**	**-1,498.95**	**-3,221.41**	**583.79**	**993.80**	**7.64**	**1,585.22**	**-149%**
XV	Difference between estimated loss and actual loss for the year 2008-09 after adjusting the third instalment of estimated accumulated loss for the years 2007-08 & 2008-09 considered in 2011 Order.	1,073.49	0.00	0.00	1,073.49	0.00	0.00	0.00	0.00	
XVI	50% of past surplus for the years 2009-10 and 2010-11 considered in 2011 Order	686.90	686.90	686.90	2,060.70	0.00	0.00	0.00	0.00	
XVII	**Net Surplus / (Deficit) after adjustment (XIV + XV + XVI)**	**1,325.42**	**-600.59**	**-812.05**	**-87.21**	**583.79**	**993.80**	**7.64**	**1,585.22**	
XVIII	**Net Surplus / (Deficit) as a % of operating income (XVII/I)**	13.26%	-5.85%	-7.31%		5.69%	8.96%	0.07%		
XIX	**Average Net Surplus/(Deficit) as a % of operating income**	0.03%				4.91%				

Note - 1:The Authority in the last tariff Order of 11.10.2011 had effected reduction in the then existing hire charge of 100T HMC from ₹72.75/ tonne to ₹36.70/ tonne. The VSPL has filed Writ Petition No.33402 of 2011 challenging the reduction effected in the hire charge of HMC in the High Court of Andhra Pradesh. The Hon'ble High Court vide its Order dated 22 December 2011 has given interim relief allowing VSPL to charge the pre-revised rate of ₹72.75 per tonne pending disposal of the Writ Petition and has also directed that for all such tariffs, levied and collected on HMC after 22.12.2011, the Petitioner shall keep an account of every such transactions and in the event of the Petitioner not succeeding in its W.P., any amount collected by VSPL over and above the tariff of ₹36.70 per tonne fixed under the impugned order shall be subject to further orders of the Hon'ble Court. The VSPL has reported that they are not able to collect ₹72.75 permitted by the Hon'ble High Court. The income reported in the Annual Accounts of the VSPL reports the income from HMC at the rate higher than ₹36.70 per tonne approved by TAMP. The actual income from HMC has been considered as given in the Annual Accounts of the VSPL for the years 2011-12 to 2013-14. The VSPL has vide its email dated 18 March 2015, however, furnished working of revenue collected from HMC deployment and collectable as per TAMP and has assessed the excess revenue from HMC collected over and above the TAMP approved tariff for the period from 15 November 2014 till 31 March 2015 as summarised below:

(In ₹)

Year	Revenue collected by VSPL from hire of HMC	Revenue collectable as per the TAMP approved rate for hire of HMC at Rs. 36.70 per tonne	Excess revenue collected by VSPL over and above the rate for HMC approved by TAMP based on the interim Order of the Hon'ble High Court
2011-12 (from 15.11.2011)	2,20,18,254	1,75,82,150	44,35,744
2012-13	8,29,24,841	6,59,57,810	1,69,67,031
2013-14	9,06,09,219	7,07,53,209	1,98,56,011
Total	**19,55,52,314**	**15,42,93,529**	**4,12,58,786**

The above excess collection of ₹41258786 does not cover the excess collection for the period from 01 April 2014 to the date prior to the effective date of implementation of the revised rate for HMC, which may have to be assessed by VSPL.

Annex - II (a)

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES

(₹ in Lakhs)

Consolidated Income & Cost statement for the Terminal as a whole

Sr. No.	Particulars	Actual			Estimates at the existing level of tariff as given by VSPL				Estimates at the existing level of tariff as modified by TAMP			
		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total	2014-15	2015-16	2016-17	Total
	Traffic (in tonnes)	5573572	5746761	5514853	5350000	6425000	7023250	18798250	5350000	6425000	7023250	18798250
	Capacity (in tonnes)	7700000	7700000	7700000	7700000	7700000	7700000	23100000	7700000	7700000	7700000	23100000
I	**Total Operating Income**											
	(i) Vessel related income	311.46	389.73	433.96	308.22	368.31	412.56	1089.09	307.60	376.85	422.39	1106.84
	(ii) Cargo related income	9950.79	10698.99	10254.58	8454.55	10222.56	11441.78	30118.88	8454.55	10222.56	11446.86	30123.97
	Total - I	**10262.25**	**11088.72**	**10688.54**	**8762.76**	**10590.87**	**11854.34**	**31207.97**	**8762.15**	**10599.41**	**11869.26**	**31230.81**
II	**Operating Costs (excluding depreciation)**											
	(i) Operating & Direct labour	225.46	259.44	240.76	247.48	319.96	374.11	941.55	233.48	301.85	352.93	888.26
	(ii) Maintenance labour	398.87	439.44	428.26	453.95	481.19	510.06	1445.21	453.95	481.19	510.06	1445.21
	(iii) Equipment Running costs	1226.56	1244.41	1380.15	1416.56	1645.34	1812.94	4874.84	1404.21	1600.95	1762.99	4768.15
	(iv) Maintenance dredging	27.40	44.20	37.21	43.83	46.46	49.25	139.53	43.83	46.46	49.25	139.53
	(v) Royalty / revenue share	293.20	312.69	298.94	278.14	331.93	363.99	974.06	278.06	333.02	365.25	976.33
	(vi) Equipment hire	1380.79	1794.96	2193.24	2461.26	3046.56	3502.30	9010.13	2461.26	3046.56	3502.30	9010.13
	(vii) Lease Rentals payable as per concession agreement	65.52	100.29	69.62	197.97	200.61	203.30	601.87	197.97	200.61	203.31	601.89
	(viii) Insurance	52.26	47.77	46.13	47.46	50.31	53.33	151.10	47.46	50.31	53.33	151.10
	(ix) Other expenses	353.79	301.73	433.28	420.52	463.86	503.42	1387.80	420.33	463.40	502.65	1386.39
	(x) Technical service fee	12.16	12.16	12.16	12.16	12.16	12.16	36.48	12.16	12.16	12.16	36.48
	Total - II	**4036.00**	**4557.10**	**5139.75**	**5579.34**	**6598.37**	**7384.86**	**19562.57**	**5552.72**	**6536.52**	**7314.23**	**19403.47**
III	Depreciation	1230.11	1243.71	1265.63	1338.45	1451.64	1677.56	4467.66	1261.42	1386.57	1612.49	4260.48
IV	Overheads											
	(i) Management & Administration overheads	757.48	757.71	899.64	878.22	930.91	986.77	2795.90	878.22	930.91	986.77	2795.90
	(ii) Preliminary expenses & upfront payment write-off	33.10	33.10	33.10	33.10	33.20	33.10	99.41	33.10	33.10	33.10	99.31
	Total - IV	790.58	790.81	932.74	911.32	964.11	1019.87	2895.30	911.32	964.02	1019.87	2895.21
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**4,206**	**4,497**	**3,350**	**933.65**	**1576.75**	**1772.04**	**4282.44**	**1036.68**	**1712.30**	**1922.67**	**4671.64**
VI	Finance & Miscellaneous Income (FMI)											
	(i) Discounted terminal value receivable as per the LA	3.07	3.44	3.85	2.74	2.74	2.74	8.23	4.32	4.83	5.41	14.56
	(ii) Others	28.41	0.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total FMI	31.48	4.07	3.85	2.74	2.74	2.74	8.23	4.32	4.83	5.41	14.56
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	31.48	4.07	3.85	2.74	2.74	2.74	8.23	4.32	4.83	5.41	14.56
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**4,237.04**	**4,501.16**	**3,354.28**	**936.39**	**1579.49**	**1774.78**	**4290.67**	**1041.00**	**1717.13**	**1928.08**	**4686.21**
X	Capital Employed	22832.84	21921.05	20916.47	21563.32	22731.22	25872.41	23388.99	19621.95	21403.85	24554.60	21860.13
XI	RoCE - Maximum permissible	3653.25	3507.37	3346.63	3450.13	3637.00	4139.59	11226.71	3139.51	3424.62	3928.74	10492.86
XII	Capacity Utilization	72%	75%	72%	69%	83%	91%		69%	83%	91%	
XIII	**RoCE adjusted for capacity utilization**	3653.25	3507.37	3346.63	3450.13	3637.00	4139.59	11226.71	3139.51	3424.62	3928.74	10492.86
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**583.79**	**993.80**	**7.64**	**-2513.74**	**-2057.51**	**-2364.80**	**-6936.05**	**-2098.52**	**-1707.48**	**-2000.66**	**-5806.66**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	5.69%	8.96%	0.07%	-29%	-19%	-20%		-23.95%	-16.11%	-16.86%	
XVI	**Average Net Surplus/(Deficit) as a % of operating income**	4.91%			-22.69%				-18.59%			

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES Annex - II (b)

Cost statement of Cargo Handling Activity (₹ in Lakhs)

Sr. No.	Particulars	Actual			Estimates at the existing level of tariff as given by VSPL				Estimates at the existing level of tariff as modified by TAMP			
		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total	2014-15	2015-16	2016-17	Total
	Traffic (in tonnes)	5573572	5746761	5514853	5350000	6425000	7023250	18798250	5350000	6425000	7023250	18798250
I	**Total Operating Income**											
	(i) Cargo related income	9950.79	10698.99	10254.58	8454.55	10222.56	11441.78	30118.88	8454.55	10222.56	11446.86	30123.97
	Total - I	**9950.79**	**10698.99**	**10254.58**	**8454.55**	**10222.56**	**11441.78**	30118.88	**8454.55**	**10222.56**	**11446.86**	**30123.97**
II	**Operating Costs (excluding depreciation)**											
	(i) Operating & Direct labour	225.46	259.44	240.76	247.48	319.96	374.11	941.55	233.48	301.85	352.93	888.26
	(ii) Maintenance labour	398.87	439.44	428.26	453.95	481.19	510.06	1445.21	453.95	481.19	510.06	1445.21
	(iii) Equipment Running costs	1226.56	1244.41	1380.15	1416.56	1645.34	1812.94	4874.84	1404.21	1600.95	1762.99	4768.15
	(iv) Maintenance dredging	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(v) Royalty / revenue share	253.30	262.77	243.34	238.66	284.74	311.14	834.54	238.66	284.74	311.14	834.54
	(vi) Equipment hire	1380.79	1794.96	2193.24	2461.26	3046.56	3502.30	9010.13	2461.26	3046.56	3502.30	9010.13
	(vii) Lease Rentals payable as per concession agreement	65.52	100.29	69.62	197.97	200.61	203.30	601.87	197.97	200.61	203.31	601.89
	(viii) Insurance	39.29	39.29	39.29	34.74	33.02	38.40	106.17	34.74	33.02	38.40	106.17
	(ix) Other expenses	353.79	301.73	433.28	420.52	463.86	503.42	1387.80	420.33	463.40	502.65	1386.39
	(x) Technical service fee	12.16	12.16	12.16	12.16	12.16	12.16	36.48	12.16	12.16	12.16	36.48
	Total - II	**3955.73**	**4454.49**	**5040.10**	**5483.30**	**6487.44**	**7267.83**	**19238.57**	**5456.76**	**6424.50**	**7195.94**	**19077.20**
III	Depreciation	952.35	966.24	987.25	981.74	983.31	1134.19	3099.23	981.74	983.30	1134.19	3099.23
IV	Overheads											
	(i) Management & Administration overheads	734.49	731.08	863.11	847.33	898.54	952.43	2698.29	847.39	897.81	951.65	2696.85
	(ii) Preliminary expenses & upfront payment write-off	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total - IV	734.49	731.08	863.11	847.33	898.54	952.43	2698.29	847.39	897.81	951.65	2696.85
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	**4,308.22**	**4,547.19**	**3,364.13**	**1,142.18**	**1,853.27**	**2,087.33**	**5,082.78**	**1,168.65**	**1,916.94**	**2,165.08**	**5,250.68**
VI	Finance & Miscellaneous Income (FMI)											
	(i) Discounted terminal value receivable as per the LA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Others	28.41	0.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total FMI	28.41	0.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	28.41	0.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**4,336.63**	**4,547.81**	**3,364.13**	**1,142.18**	**1,853.27**	**2,087.33**	**5,082.78**	**1,168.65**	**1,916.94**	**2,165.08**	**5,250.68**
X	Capital Employed	17717.26	17103.96	16403.66	15783.86	14919.88	18631.32	16445.02	15421.91	14438.60	18052.11	15970.88
XI	RoCE - Maximum permissible	2834.76	2736.63	2624.59	2525.42	2387.18	2981.01	7893.61	2467.51	2310.18	2888.34	7666.02
XII	Capacity Utilization	72%	75%	72%	69%	83%	91%	81%	69%	83%	91%	81%
XIII	**RoCE adjusted for capacity utilization**	2834.76	2736.63	2624.59	2525.42	2387.18	2981.01	7893.61	2467.51	2310.18	2888.34	7666.02
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**1,501.86**	**1,811.18**	**739.54**	**-1,383.24**	**-533.91**	**-893.68**	**-2,810.83**	**-1298.85**	**-393.23**	**-723.26**	**-2415.34**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	15.09%	16.93%	7.21%	-16%	-5%	-8%		-15.36%	-3.85%	-6.32%	
XVI	**Average Net Surplus/(Deficit) as a % of operating income**		13.08%			-10%				-8.02%		

Annex - II (c)
(₹ in Lakhs)

Vessel related Income & Cost statement

Cost statement for vessel related activity

Sr. No.	Particulars	Actual			Estimates at the existing level of tariff as given by VSPL				Estimates at the existing level of tariff as modified by TAMP			
		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total	2014-15	2015-16	2016-17	Total
I	**Total Operating Income**											
	(i) Vessel related income	311.46	389.73	433.96	308.22	368.31	412.56	1089.09	307.60	376.85	422.39	1106.84
	Total - I	**311.46**	**389.73**	**433.96**	**308.22**	**368.31**	**412.56**	**1089.09**	**307.60**	**376.85**	**422.39**	**1106.84**
II	**Operating Costs (excluding depreciation)**											
	(i) Operating & Direct labour	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Maintenance labour	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(iii) Equipment Running costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(iv) Maintenance dredging	27.40	44.20	37.21	43.83	46.46	49.25	139.53	43.83	46.46	49.25	139.53
	(v) Royalty / revenue share	39.90	49.93	55.59	39.49	47.18	52.85	139.52	39.41	48.28	54.11	141.80
	(vi) Equipment hire	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(vii) Lease Rentals payable as per concession agreement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(viii) Insurance	12.97	8.48	6.85	12.72	17.29	14.93	44.94	12.72	17.29	14.93	44.94
	(ix) Other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(x) Technical service fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total - II	**80.27**	**102.61**	**99.65**	**96.04**	**110.93**	**117.03**	**323.99**	**95.96**	**112.03**	**118.29**	**326.27**
III	Depreciation	277.76	277.47	278.38	356.71	468.33	543.38	1368.42	279.68	403.27	478.31	1161.26
IV	Overheads											
	(i) Management & Administration overheads	22.99	26.63	36.53	30.89	32.37	34.34	97.57	30.83	33.10	35.12	99.04
	(ii) Preliminary expenses & upfront payment write-off	33.10	33.10	33.10	33.10	33.20	33.10	99.41	33.10	33.10	33.10	99.31
	Total - IV	56.09	59.73	69.63	63.99	65.57	67.45	196.98	63.93	66.20	68.22	198.36
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	(103)	(50)	(14)	(209)	(277)	(315)	(800.31)	(132)	(205)	(242)	(579)
VI	Finance & Miscellaneous Income (FMI)											
	(i) Discounted terminal value receivable as per the LA	3.07	3.44	3.85	2.74	2.74	2.74	8.23	4.32	4.83	5.41	14.56
	(ii) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total FMI	**3.07**	**3.44**	**3.85**	**2.74**	**2.74**	**2.74**	**8.23**	**4.32**	**4.83**	**5.41**	**14.56**
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	**FMI Less FME (VI) - (VII)**	**3.07**	**3.44**	**3.85**	**2.74**	**2.74**	**2.74**	**8.23**	**4.32**	**4.83**	**5.41**	**14.56**
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**-99.59**	**-46.65**	**(9.85)**	**(205.78)**	**(273.78)**	**(312.55)**	**(792.08)**	**(127.66)**	**(199.81)**	**(237.01)**	**(564.48)**
X	Capital Employed	5115.58	4817.09	4512.81	5779.46	7811.34	7241.10	6943.97	4200.04	6965.24	6502.49	5889.26
XI	RoCE - Maximum permissible	818.49	770.73	722.05	924.71	1249.81	1158.58	3333.10	672.01	1114.44	1040.40	2826.84
XII	Capacity Utilization	72%	75%	72%	69%	83%	91%	81%	69%	83%	91%	81%
XIII	**RoCE adjusted for capacity utilization**	818.49	770.73	722.05	924.71	1249.81	1158.58	3333.10	672.01	1114.44	1040.40	2826.84
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**-918.08**	**-817.38**	**-731.90**	**-1,130.50**	**-1,523.60**	**-1,471.12**	**-4,125.18**	**-799.67**	**-1,314.25**	**-1,277.40**	**-3,391.32**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	-294.77%	-209.73%	-168.66%	-367%	-414%	-357%		-259.97%	-348.74%	-302.42%	
XVI	**Average Net Surplus/(Deficit) as a % of operating income**	-224.39%			-379%				-306.40%			

Annex - II (d)

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES

(₹ in Lakhs)

Cost statement for the sub-activity -BMHS

Sr. No.	Particulars	Actual			Estimates at the existing level of tariff as given by VSPL				Estimates at the existing level of tariff as modified by TAMP			
		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total	2014-15	2015-16	2016-17	Total
I	**Total Operating Income**											
	(a) Handling Charges											
	(b) Wharfage											
	(c) Storage including demurrage & Others	**4,103.48**	**3,843.15**	**3,423.66**	**2,901.30**	**3,664.80**	**4,122.90**	**10,689.00**	**2,901.30**	**3,664.80**	**4,127.99**	**10,694.09**
	(d) Dust Suppression											
	(e) Weighment Charges											
	Others											
	Total - I	4103.48	3843.15	3423.66	2901.30	3664.80	4122.90	10689.00	2901.30	3664.80	4127.99	10694.09
II	**Operating Costs (excluding depreciation)**											
	(i) Operating & Direct labour	137.47	124.05	108.39	135.95	182.02	217.06	535.03	128.25	171.72	204.78	504.75
	(ii) Maintenance labour	383.94	419.22	413.63	438.45	464.75	492.64	1395.84	438.45	464.75	492.64	1395.84
	(iii) Equipment Running costs	632.08	653.73	793.92	811.44	990.73	1,120.17	2922.34	804.37	964.00	1089.31	2857.67
	(iv) Maintenance dredging	-	-	-	-	-	-	0.00				0.00
	(v) Royalty / revenue share	96.54	87.11	76.11	90.06	113.76	127.98	331.81	90.06	113.76	127.98	331.81
	(vi) Equipment hire	93.68	84.54	73.86	92.91	124.40	148.35	365.66	92.91	124.40	148.35	365.66
	(vii) Lease Rentals payable as per concession agreement	32.76	50.15	34.81	98.98	100.30	101.65	300.94	98.99	100.31	101.65	300.95
	(viii) Insurance	24.03	25.31	25.47	22.05	22.79	22.52	67.36	22.05	22.79	22.52	67.36
	(ix) Other expenses	125.54	112.52	166.16	149.34	173.27	193.53	516.15	149.28	173.10	193.24	515.61
	(x) Technical service fee	6.08	6.08	6.08	6.08	6.08	6.08	18.24	6.08	6.08	6.08	18.24
	Total - II	1532.11	1562.72	1698.43	1845.26	2178.11	2429.99	6453.36	1830.43	2140.91	2386.55	6357.89
III	Depreciation	595.59	602.50	612.56	610.06	610.90	656.25	1877.22	610.06	610.90	656.25	1877.22
IV	Overheads											
	(i) Management & Administration overheads	264.60	225.84	247.32	311.89	347.73	379.35	1038.97	311.95	347.01	378.58	1037.54
	(ii) Preliminary expenses & upfront payment write-off											
	Total - IV	264.60	225.84	247.32	311.89	347.73	379.35	1038.97	311.95	347.01	378.58	1037.54
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	1,711	1,452	865	134	528	657	1,319	149	566	707	1,421
VI	Finance & Miscellaneous Income (FMI)											
	(i) Discounted terminal value receivable as per the LA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Others	14.20	0.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total FMI	14.20	0.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	14.20	0.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	**1,725.39**	**1,452.41**	**865.35**	**134.09**	**528.05**	**657.31**	**1,319.45**	**148.86**	**565.97**	**706.61**	**1,421.44**
X	Capital Employed	11059.42	10523.74	10182.48	9797.08	9260.23	11117.20	10058.17	9572.42	8961.52	10771.60	9768.51
XI	RoCE - Maximum permissible	1769.51	1683.80	1629.20	1567.53	1481.64	1778.75	4827.92	1531.59	1433.84	1723.46	4688.89
XII	Capacity Utilization											
XIII	**RoCE adjusted for capacity utilization**	1769.51	1683.80	1629.20	1567.53	1481.64	1778.75	4827.92	1531.59	1433.84	1723.46	4688.89
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	**-44.12**	**-231.39**	**-763.84**	**-1,433.44**	**-953.58**	**-1,121.45**	**-3,508.47**	**-1382.73**	**-867.86**	**-1016.85**	**-3267.44**
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	-1.08%	-6.02%	-22.31%	-49.41%	-26.02%	-27.20%		-47.66%	-23.68%	-24.63%	
XVI	**Average Net Surplus/(Deficit) as a % of operating income**		-9.80%			-34%				-30.55%		

Annex - II (e)

VIZAG SEAPORT PRIVATE LIMITED - GENERAL REVISION OF SCALE OF RATES

(₹ in Lakhs)

Cost statement for the sub-activity-Conventional Cargo Handling

Sr. No.	Particulars	Actual			Estimates at the existing level of tariff as given by VSPL				Estimates at the existing level of tariff as modified by TAMP			
		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total	2014-15	2015-16	2016-17	Total
I	**Total Operating Income**											
	(a) Handling Charges	5,847.31	6,855.84	6,830.92	5,553.25	6,557.76	7,318.88	19,429.88	5,553.25	6,557.76	7,318.88	19,429.88
	(b) Wharfage											
	(c) Storage including demurrage & Others											
	(d) Dust Suppression											
	(e) Weighment Charges											
	Others											
	Total - I	5847.31	6855.84	6830.92	5553.25	6557.76	7318.88	19429.88	5553.25	6557.76	7318.88	19429.88
II	**Operating Costs (excluding depreciation)**											
	(i) Operating & Direct labour	87.99	135.39	132.37	111.54	137.94	157.05	406.52	105.23	130.13	148.16	383.51
	(ii) Maintenance labour	14.94	20.22	14.63	15.51	16.44	17.42	49.37	15.51	16.44	17.42	49.37
	(iii) Equipment Running costs	594.48	590.68	586.23	605.12	654.61	692.77	1952.50	599.85	636.95	673.68	1910.48
	(iv) Maintenance dredging	-	-	-	-	-	-	0.00				0.00
	(v) Royalty / revenue share	156.76	175.65	167.23	148.59	170.98	183.15	502.73	148.59	170.98	183.15	502.73
	(vi) Equipment hire	1,287.11	1,710.42	2,119.38	2,368.35	2,922.16	3,353.95	8644.47	2368.35	2922.16	3353.95	8644.47
	(vii) Lease Rentals payable as per concession agreement	32.76	50.15	34.81	98.98	100.30	101.65	300.94	98.99	100.31	101.65	300.95
	(viii) Insurance	15.25	13.98	13.82	12.69	10.23	15.88	38.80	12.69	10.23	15.88	38.80
	(ix) Other expenses	228.25	189.20	267.12	271.18	290.59	309.89	871.65	271.05	290.30	309.41	870.77
	(x) Technical service fee	6.08	6.08	6.08	6.08	6.08	6.08	18.24	6.08	6.08	6.08	18.24
	Total - II	2423.62	2891.77	3341.66	3638.04	4309.33	4837.84	12785.21	3626.34	4283.58	4809.40	12719.31
III	Depreciation	356.76	363.73	374.69	371.68	372.41	477.93	1222.02	371.68	372.41	477.93	1222.02
IV	Overheads											
	(i) Management & Administration overheads	469.89	505.24	615.80	535.44	550.80	573.08	1659.32	535.44	550.80	573.08	1659.32
	(ii) Preliminary expenses & upfront payment write-off											
	Total - IV	469.89	505.24	615.80	535.44	550.80	573.08	1659.32	535.44	550.80	573.08	1659.32
V	**Operating Surplus / (Deficit) (I) – (II) – (III) - (IV)**	2,597	3,095	2,499	1,008	1,325	1,430	3,763	1,020	1,351	1,458	3,829
VI	Finance & Miscellaneous Income (FMI)											
	(i) Discounted terminal value receivable as per the LA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(ii) Others	14.20	0.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total FMI	14.20	0.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Finance & Miscellaneous Expenses (FME)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VIII	FMI Less FME (VI) - (VII)	14.20	0.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IX	**Surplus Before Interest and Tax (V) + (VIII)**	2,611.24	3,095.41	2,498.77	1,008.09	1,325.22	1,430.03	3,763.33	1,019.79	1,350.96	1,458.47	3,829.23
X	Capital Employed	6657.84	6580.21	6221.18	5986.78	5659.66	7514.11	6386.85	5849.50	5477.09	7280.52	6202.37
XI	RoCE - Maximum permissible	1065.25	1052.83	995.39	957.89	905.55	1202.26	3065.69	935.92	876.34	1164.88	2977.14
XII	Capacity Utilization											
XIII	**RoCE adjusted for capacity utilization**	1065.25	1052.83	995.39	957.89	905.55	1202.26	3065.69	935.92	876.34	1164.88	2977.14
XIV	**Net Surplus / (Deficit) (IX) - (XIII)**	1,545.99	2,042.57	1,503.39	50.20	419.67	227.77	697.64	83.87	474.63	293.59	852.09
XV	**Net Surplus / (Deficit) as a % of operating income (XIV/I)**	26.44%	29.79%	22.01%	0.90%	6.40%	3.11%		1.51%	7.24%	4.01%	
XVI	**Average Net Surplus/(Deficit) as a % of operating income**		26.08%			3%				4.39%		

ANNEX - III

VIZAG SEAPORT PRIVATE LIMITED

SCALE OF RATES

SECTION - 1

1.1. Definitions - General

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

(1). “VPT” means Visakhapatnam Port Trust (VPT).

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

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

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

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

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

1.2. General Terms & Conditions

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

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

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

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

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

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

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

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

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

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

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

(8). Interest on delayed payments / refunds

(i). The user shall pay penal interest on delayed payments of any charge under this Scale of Rates. The rate of interest will be 16.60%.

(ii). Likewise, the VSPL shall pay penal interest @ 16.60% per annum on delayed refunds.

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

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

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

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

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

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

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

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

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

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

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

SECTION - 2

VESSEL RELATED CHARGES

2.1 BERTH HIRE

2.1.1 Schedule of Berth Hire for Vessels

DESCRIPTION	**Rate per GRT per hour or part thereof**	
	Foreign-going vessel (in US $)	**Coastal vessel (in ₹)**
Berth EQ 8 & EQ 9	0.0072 subject to a minimum of US$ 144	0.1897 subject to a minimum of ₹3794/-

General Notes relating to Berth hire

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

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

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

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

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

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

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

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

(5). Ousting Priority/Priority berth Hire:

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

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

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

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

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

(b). Defence vessels coming on goodwill visits.

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

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

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

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

2.1.2. Penal Berth Hire Charges

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

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

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

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

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

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

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

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

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

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

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

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

Sl. No.	Particulars	Unit	Foreign-going vessel (in US $)	Coastal vessel (in ₹)
1.	Up to 6 hours	Per GRT	0.016	0.42
2.	Above 6 hrs. and upto 12 hours	- do -	0.032	0.84
3.	Above 12 hrs. but upto 18 hours.	- do -	0.064	1.67
4.	Above 18 hrs. per day or part there of	- do -	0.080	2.09

2.1.4. Commodity wise per vessel hook per shift output rates

	For Exports		For Imports	
Sl. No.	**Nomenclature**	**Per hook per shift output (in tonnes)**	**Nomenclature**	**Per hook per shift output (in tonnes)**
1.	Containers (boxes)	20	Containers (boxes)	22
2.	Ferro Silicon	102	Ferro Silicon	262
3.	General Cargo	82	General cargo	86
4.	Iron & Steel	180	Iron & Steel	108
5.	Iron Ore & Pellets (manual loading)	598	Iron Ore (manual unloading)	560
6.	Maize	61	Maize (bulk)	234
7.	Sugar	94	Sugar in bags	82
8.	Wheat (bags)	91	Wheat (in bulk)	134
9.	Rice (bags)	81	Rice	62
10.	Rice (Bulk)	80	Rock Phosphate	281
11.	Aluminium Billets	98	Ammonium Nitrate	347
12.	Aluminium Ingots	110	Ammonium Sulphate	210
13.	C.P. Coke	346	Bauxite Bags	233
14.	Cement	102	Bentonite	254
15.	Charge Chrome	404	Bulgar wheat bags	62
16.	Chick Peas	219	Carbon Anodes	229

Sl. No.	Nomenclature	Per hook per shift output (in tonnes)	Nomenclature	Per hook per shift output (in tonnes)
17.	Chrome Ore	188	Chrome Ore	206
18.	Coal tar (Bags)	192	Coal tar pitch	77
19.	Coffee (Bags)	67	Coking Coal (a) Discharged by vessels with self discharging gear (b) All types of coal discharged by non-self discharging vessels	 622 360
20.	Dry Yeast	62	CSB in bags	74
21.	Feldspar	317	DAP Bulk	262
22.	Fenugreek	99	DBM in bags	242
23.	Ferro Chrome (Bulk)	341	DBM in Bulk	220
24.	Ferro Chrome Bags	226	Dolomite	405
25.	Ferro Manganese	99	Coal / Coke (parcel of below 20000)	234
26.	Granite Blocks	199	Coal / Coke (parcel of above 20000)	361
27.	Ilmenite Sand	333	Lime Stone	372
28.	Kenaf	40	Mono Ammonium Phosphate	210
29.	Manganese Ore	310	MOP	267
30.	Pet Coke (Bags)	83	Oil Pailes	57
31.	Pig Iron	458	Paper bundle	212
32.	Quarzite	117	Petroleum Coke	401
33.	Silicon Manganese Ore (Bags)	200	Steam coal	578
34.	Silicon Manganese Ore (Bulk)	538	Wood pulp	236
35.	Soya extracts	172	Sulphur	278
36.	Thermal Coal	665	Timber logs	114
37.	Vegetables	53	Urea	283

Notes:

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

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

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

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

2.2. CHARGES FOR SUPPLY OF WATER TO VESSELS:

Item No.	Description	Unit	Foreign-going vessel (in US $)	Coastal vessel (in ₹)
1.	Supply of fresh water to vessels at Shore.	Per 1000 Ltrs. or part thereof	3.241 subject to a minimum charge of $ 16.205	₹84.65 subject to a minimum charge of ₹423.25

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

SECTION - 3

CARGO RELATED CHARGES

3.1. WHARFAGE:

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

Item No.	Nomenclature	Unit	Rate (in ₹)	
			Other than coastal cargo	Coastal cargo
31.	Unenumerated goods having FOB/CIF value upto and inclusion of ₹1000/- per tonne.	Tonne	10.00	6.00
32.	Unenumerated goods having value more than ₹1000/- per tonne.	Tonne	40.00	24.00

Notes:

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

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

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

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

3.2. WHARFAGE CHARGES FOR SPECIFIED CASES

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

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

3.3. WHARFAGE CHARGES ON GOODS FROM VESSELS IN DISTRESS

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

3.4. CHARGES ON TRANSHIPMENT CARGOES

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

Notes:

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

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

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

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

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

Notes:

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

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

(i). **Exports**

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

(ii). **Imports**

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

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

(iii). **Transhipment Cargo**

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

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

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

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

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

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

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

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

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

The first 45 days shall be reckoned with as follows:

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

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

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

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

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

3.6. Storage charges: (open stacking space)

3.6.1 Free Period:

(a). **Export:**

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

(b). **Import:**

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

3.6.2. Storage charges leviable beyond the free period:

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

Notes:

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

3. 7. Stevedoring charges:

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

Note:

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

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

3.8. Charges for shore operations:

(Rate in ₹ per tonne or part thereof)

Other than Coastal cargo	Coastal cargo
45.00	27.00

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

SECTION - 4

CHARGES FOR DEPLOYMENT OF EQUIPMENT

4.1. 104 Tonne Harbour Mobile Crane:

Rate in ₹ per tonne or part thereof (in ₹)	
Other than coastal cargo	**Coastal cargo**
₹64.00 per ton or part thereof subject to minimum of ₹3,20,000/- per shift per crane	₹38.40 per ton or part thereof subject to minimum of ₹1,92,000/- per shift per crane

Notes:

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

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

4.2. Charges for hire of Gantry unloader:

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

4.3. Dust suppression system charges:

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

4.4. Weighment Charges:

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

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

4.5. Material Handling System for handling bulk cargo:

Item No.	Description	Rate per tonne or part thereof (in ₹)
1.	Discharge of cargo with 104 MT Harbour Mobile Cranes	64.00
2.	1200 TPH Mobile Hoppers – 2 Nos. with belt feeders and telescopic spout for truck loading.	9.75
3	Conveyor and stackers – 2 Nos. for stacking @ 1600 TPH	42.75
4	Reclaiming and wagon loading @ 1050 TPH	28.50
5	Inmotion Electronic weighment	5.00
6	Sampling system	2.00
7	Other services – leveling, labeling and photographing	7.50
	Total:	**159.50**

Note: Integrated terminal services covering all the items of services specified in 4.5 above shall be provided at a composite rate of ₹150.00.

4.6. Railway siding administration and maintenance charges:

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

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

SECTION - 5

CHARGES FOR OTHER SERVICES

5.1. Visitor Entry Pass:

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

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

Per Entry ₹75

5.3. Photography:

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

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

F. No.TAMP/18/2014 - VSPL - **Proposal from the Vizag Seaport Private Limited (VSPL) for general revision of its Scale of Rates (SOR) for the vessels handled by it at berth EQ-8 and EQ-9 at the Visakhapatnam Port Trust.**

A summary of comments received from the Visakhapatnam Port Trust (VPT) and the response of Vizag Seaport Private Limited (VSPL) on the comments of VPT is tabulated below:

Sl. No.	Comments of VPT	Reply furnished by VSPL
1.	**Visakhapatnam Port Trust (VPT)**	
(i).	It is seen from the Cost Statements submitted by VSPL that the operational-data/ Financial data was shown only for 6 months in 2013-14. Hence, the projections need to be updated with Actuals of 2013-14 as the Financial Year has already been completed.	The proposal was submitted on 10.3.14. Hence cost statements were based on six months financials in 2013-14. Will be updated with 2013-14 (Actuals). [VPT has subsequently updated the estimates of 2013-14 with actuals.]
(ii).	The Berth Hire Charges under Annexure to Form 1, Section 2.1.1, the current rate of foreign going vessels per hour or part thereof is 0.0020 US $, whereas the proposed rate is 0.0072 US$ and this tariff is fixed based on the revenue requirement for vessel related activity as against overall basis. Thus, berth hire is increased by 260% when compared to the current tariff. No justification for the same has been provided by the operator.	Berth Hire increase is based on the Revenue requirement to cover the deficit as shown in the Cost Statement for Vessel Related activity. This proposed tariff is still much lower compared to other BOT berths of VPT. Even after this proposed increase, deficit of 42% remains under the said activity.
(iii).	While sending the proposal for revision of SOR, VSPL has mentioned in para 5 & 6 of its covering letter dated 10.3.2014 that in the consolidated statement, they have considered the income as per the notified rates for Harbour Mobile Cranes by TAMP of ₹36.70 as against the actual amount charged by M/s.VSPL @ ₹72.75 per tonne. Since the subject issue will have an impact on the tariff/scale of rates, the issue needs to be examined.	TAMP has already held in several tariff orders including ours that for the purpose of analysis of the past period, revenue realizable as per approved Scale of rates can only be considered.
(iv).	The VSPL proposed for an increase in Shore Handling Operations per ton from ₹40/- per tonne to ₹45/- per ton stating that the basis for increase is on account of escalation in expenditure. Since, the revision will be given on overall performance the issue needs to be examined.	Cost of shore handling operation involves actual cost paid to contractor for internal shifting and wagon loading. Besides, additional shifting for loading into wagons is also incurred in addition to annual escalation. Hence, the rate is fair enough.
(v).	In Form 4A, the VSPL proposed an amount of ₹47,47,69,055 towards additional land during 2016-17 and claimed depreciation for the year 2016-17 of ₹1,56,91,302. Claiming depreciation on land needs to be examined. If it is only development	Depreciation on the Capital cost of cargo handling facility including full length Railway siding created on the leased land has been provided by amortization for the remaining License period and not on the Land.

	charges on land, the said charges if at all considered the same is to be considered in the storage charges and which needs to be examined. The VSPL has not justified for providing depreciation on land.	
(vi).	The VSPL in its proposal has excluded the operating income and expenses relating to cargo handled by it at general cargo berth of VPT citing that it is based on a contract entered with SAIL to handle cargo at VPT berth. Also, a similar adjustment was done with reference to expenditure relating to stevedoring charges at General Cargo berth. As the subject issue is having overall impact on cost financial performance of the operator the same may be reviewed by TAMP.	This issue has already been settled by TAMP in the last tariff order dated 11.10.2011, vide para 11(ii).

2. A joint hearing in this case was held on 7 October 2014 at the VPT premises. The VSPL made a brief presentation of its proposal. At the joint hearing, the VSPL, VPT and the concerned users/ organisation bodies have made the following submissions:

Vizag Seaport Private Limited (VSPL)

(i). Makes a brief power point presentation of its proposal. Hard copy is given.

(ii). Our project cost is ₹350 crores. The BOT was signed in November 2001 and we started the commercial operation in July 2004. We have 17 years of the project remaining.

(iii). Total traffic handled from the years 2004-05 to 2013-14 is 431.38 lakh tonnes i.e. average comes to 43.14 lakh tonnes. Total royalty paid to VPT during this period is ₹28.30 crores. The total profit earned during this period is ₹14.50 crores as against allowable ROCE @ 16% coming to ₹139.50 crores. Thus, the shortfall against 16% allowable ROCE is ₹125.00 crores.

(iv). We have filed the proposal under 2005 guidelines without adjustment of past losses. However, there is no way we can survive under the present 2005 guidelines.

(v). None of users are ready to pay the TAMP approved rates. They want further discounts as TAMP approved rates are ceiling rates. We could not augment revenue applying TAMP rates. At Gangavaram port, the same users are ready to pay two times of our charges as there is no mechanism available there to get such discounts.

(vi). We have been hit as discounts allowed by us to SAIL has been treated as revenue by TAMP while fixing the rates. Guidelines allow TAMP to relax any provisions in 2005 guidelines to any Major Ports / Operators. It is again requested that discount allowed to users should not be considered as notional revenue for tariff fixation.

(vii). For the years 2014-15 to 2016-17, per tonne rate required by VSPL to meet the estimated operating costs, overheads and 16% ROCE is computed at ₹193 per tonne, ₹198 per tonne and ₹208 per tonne respectively, i.e. average ₹200 per tonne. But, users are not ready to pay this level of tariff.

(viii). We propose investment of around ₹80 crores in the current tariff cycle.

(ix). We do not have sufficient storage area. The License Agreement provides for allotment of additional land to VSPL by VPT. We made a request to VPT in the year 2004 in this regard. However, after follow up we have been allotted additional 40.04 acres land by the VPT only recently in the year 2014.

(x). The additional land allotted is water logged. It will take two years to strengthen the land. Capex of ₹47.47 crores is proposed to augment storage capacity and railway evacuation.

(xi). Our berth needs to be resurfaced and strengthened for which capex of ₹23.80 crores is envisaged. Capex of ₹8.20 crores is proposed to dredge alongside the berth upto 50 mtrs a depth of 16.10 mtrs to enable us to berth fully laden Panamax vessels.

(xii). We have proposed increase in berth hire from US$ 0.002 per hour per GRT to US$ 0.0072 per hour per GRT hire. Berth hire is paid by ship owners. It is only a fraction of the total logistic cost. Tariff increase sought in berth hire is based on the cost statement filed under 2005 guidelines. If this is not done, cargo users will cross subsidise vessel side berth hire services.

(xiii). We have kept other charges intact. We have only increased hire charge for HMC charge and shore handling charge.

(xiv). The hire charge for 104T HMC initially approved by TAMP was at ₹64 per tonne. Then, TAMP had increased it to ₹72.75 per tonne in the tariff Order of 2009. Subsequently, the tariff for HMC has been reduced by 50% from ₹72.75 per tonne to ₹36.70 per tonne in the tariff Order of October 2011. In the said Order of 2011, TAMP has erred by comparing the stand alone rate of HMC of VSPL with the HMC of ABG at Haldia.

(xv). We have not charged ₹72.75 per tonne for the HMC though the interim Order of the Hon'ble High Court of Andhra Pradesh allowed us to levy ₹72.75 per tonne. We have charged only ₹64 per tonne for hire of HMC. We want to restore ₹64 per tonne in the current proposal.

(xvi). We have to enter into Annual Maintenance Contract (AMC) with Liebherr as per the License Agreement which costs ₹18.22 per tonne. After adding the AMC and all other cost elements, the total cost for operating HMC comes to ₹41.06 per tonne. Considering return on investment we want to revise the HMC rate to ₹64 per tonne.

(xvii). Our major revenue is from Bulk Material Handling System (BMHS). We have reduced the rates for various services in the BMHS except the rate for HMC rate. The final rate for BMHS is proposed to be reduced from ₹161.70 per tonne to ₹159.50 per tonne.

(xviii). We achieve productivity of 30,000 tonne per day. However, evacuation is a constraint. No users want to pay storage charges. We have been given additional land by the VPT but it will take time to develop the said land.

Visakhapatnam Port Trust (VPT)

(i). Proposal seeks steep increase in berth hire charges. Drawing reference to the rate applicable for other BOT operators on upfront model may not be relevant as VSPL is under 2005 guidelines.

(ii). Steep hike proposed in berth hire need to be examined from the angle as to whether the market can bear.

[VSPL- CEO: The VSPL always has the option to reduce the rate approved by the TAMP. Users have plenty of choice. There is going to be enough competition between Adani and Vedanta. Users will have flexibility to move to any terminal if our charges are high.]

M/s. Steel Authority of India Limited (SAIL)

(i). The tariff fixed for new service at Vedanta is ₹165 per tonne. For VSPL terminal operating with depreciated assets, the rate should in fact be lower.

[VSPL (CEO): Upfront tariff is fixed on capacity. There is a provision for annual indexation in the upfront tariff. Further, if storage charge is added to the upfront handling rate, the total upfront tariff would be much higher.]

Visakhapatnam Steamship Agent Association

(i). Increase of 260% in berth hire is not feasible.

(ii). There is no berth other than VSPL on EQ1 to handle panamax vessel. VSPL has not captured panamax vessel in the computation of berth hire.

(iii). We request the VSPL to segregate berth hire into two slabs upto 30,000 GRT and more than 30,000 GRT.

(iv). The terminology of "Berth hire" may be changed to "Berth facility charge" in view of some confusion with regard to Tax Deducted at Source (TDS).

Visakhapatnam Container Lines Association

(i). At VPT we pay ₹33.28 to the port for hire of HMC. No stevedoring charge is paid.

(ii). The increase proposed in HMC to ₹64 per tonne. Adding stevedoring charges, the total rate works out to almost ₹100 per tonne which is very high.

[VSPL- The HMC rate at VPT and at other port it is for supply of HMC. It is not for comprehensive service as in VSPL. Hence the comparison is not relevant.]

3. A summary of the written submission made by Visakhapatnam Steamship Agent Association (VSAA) at the joint hearing and reply furnished by VSPL thereon is tabulated below:

<table>
<tr><th>Sl. No.</th><th>Written submission made by VSAA</th><th>Reply furnished by VSPL</th></tr>
<tr><td>(i).</td><td>Vessel related charges - Berth hire:</td><td></td></tr>
<tr><td></td><td>(a). From the present rate of USD 0.0020 (min USD 40) per hour to 0.0072 (min USD 144) per hour, the proposed increase of 260% is very high. In fact VSPL requested same increase in their last general revision of tariff which was turned down by TAMP.</td><td>Berth hire is paid by Ship Owners. This cost to the user is a part of fraction of ocean freight. Across the board in the last five years, the ocean freights fluctuated from a high of USD 100 PMT to a low of USD 12 PMT for Panamax tonnage. Ocean freights are not controlled by TAMP and freights are not influenced by berth hire. In fact, owners are paying much berth hire at various other berths and also in the neighbouring ports where same users are taking their respective cargos as given below: (Tariff rate per GRT per hour)
<table>
<tr><th></th><th>VSPL</th><th>VGCB</th><th>Adani</th><th>Gangavaram</th></tr>
<tr><td>USD</td><td>0.0072</td><td>0.0134</td><td>0.0136</td><td>0.0130</td></tr>
<tr><td>INR</td><td>0.44</td><td>0.82</td><td>0.83</td><td>0.79</td></tr>
</table>

Our initial berth hire tariff was fixed in the first tariff Order based on VPT's berth hire unlike the other BOT berths and also not based on revenue requirement of this activity under cost plus pricing. Hence, there is huge deficit of about 260% in revenue requirement for this activity since last tariff cycle and this anomaly is proposed to be addressed with the proposed increase in tariff now. So far, this activity has been subsidized by cargo handling activity which is not justified even as per the tariff guidelines which provide for eventual</td></tr>
</table>

		phasing out of cross-subsidies. Recovering lower berth hire tariff from foreign ship owners at the cost of Indian cargo importers/ receivers availing cargo handling services is also not fair.
	(b). The projected volumes for the coming 3 years in the proposal are as follows: Year — Projected volume (Million Tonnes) 2014-15 — 5.75 2015-16 — 5.95 2016-17 — 6.25 As it can be seen only about 5% increase in volume is projected for the next 3 years. The present dredging of turning basin and entrance channel of inner harbour of VPT which are expected to complete in about a month time would facilitate handling of fully loaded supra maxes and fully loaded pana-maxes only at EQ8 and EQ9 berths of VSPL and EQ1 of AVCTPL. In view of the same it is expected that there will be considerable increase in volume of traffic for VSPL berths and hence volumes projected may be reconsidered accordingly. Taking the above factors into consideration, TAMP may kindly consider reasonable increase in berth hire instead of 260% as proposed. At present the SOR of VSPL has only one rate of berth hire irrespective of GRT category of vessel. Since supra max and pana max vessels whose GRT is more than 30,000 are going to be main beneficiaries of increased drafts, two separate rates may be fixed for berth hire i.e. for vessels upto 30000 GRT and for vessels of GRT 30000 and above.	The volume projections have been revised. It may however be noted that post completion of dredging, VSPL too has to share its main cargos of coking coal and steam coal volume with other BOT berths VGCBL, new BOT berths, EQ-1, EQ-1-A and other cargos with WQ-6 which will be commencing operations from this financial year end. Regarding prescription of two separate rates for vessels of GRT 30,000 and more than 30,000, it is submitted that clause 6.10 of the tariff guidelines prescribes that there will be a single slab of GRT for port dues and berth hire. Accordingly, single slab berth hire has been prescribed.
	(c). In general notes to berth hire [(2.1.1 Sl. No.(4) Clause (i)], levy of berth hire cease to apply 4 hours after the vessel signals her readiness to sail. The same may also be extended to shifting also.	Will be considered in our revised proposal.
	(d). The nomenclature of 'Berth Hire' is creating some confusion with regard to TDS matters. Hence it may be renamed as 'Berthing Facility Charges'.	The term, 'Berth hire is uniformly used by all the ports'. Hence the authorities may take a common decision.
(ii).	**Cargo related charges –** **104 tonne Harbour Mobile Crane Hire Charges:**	
	It is proposed to increase the hire charges from the present ₹36.70 per MT to ₹64.00 per MT, which amounts to an increase of 75% which is very high and	Our tariff is fixed under cost plus pricing under the 2005 guidelines and simple comparison of rates of other HMC is not

	not justified. In fact the present hire charges for HMC operating on West Quay of VPT is ₹33.23 per MT only.	proper where the HMCs are used as standalones. The justification of this increase has been explained already in great detail under our replies to TAMP seeking further clarifications, vide their letter dated 29 September 2014.

4. The summary of the comments received from Visakhapatnam Stevedores Association jointly with Visakhapatnam Customs Clearing Agents Association, Visakhapatnam Customs House Agents Association and Visakhapatnam Steam Ship Agents Association subsequent to joint hearing and reply furnished by the VSPL is tabulated below:

Sl. No.	Comments received	Reply furnished by VSPL
(i).	In VPT Scale of Rates, the berth hire charges include crane hire charges and wharfage include the charges for mechanical handling facility. VPT and port users earlier requested TAMP to consider wharfage charges collected by VSPL include crane hire charges. However, TAMP treated HMC charges separately as a special purpose crane charges and fixed separate tariff for HMC as HMC cranes are not conventional wharf cranes installed at VPT berths and TAMP is also fixing separate suitable tariff for the HMC crane which were installed at West Quay side by VPT. Subsequently, TAMP has notified the HMC charges at VPT berths as ₹33.23 per MT for the Harbour Mobile Cranes installed at West Quay side by VPT. It is relevant here to bring to notice that TAMP has notified a rate of ₹33.23 per MT at VPT for HMC and VSPL is charging abnormally for the same HMC at EQ-8 and EQ-9 which needs rationalisation/ correction.	The approach of comparing the HMC rates of VPT which were fixed on standalone basis is fundamentally not proper as it is comparison of non-comparables. The Cranes in Major Ports are provided by Non-BOT Operators at the berths of Major Ports with limited investment and assured minimum volume and their risks cannot be compared with that of a BOT Operator like VSPL who with huge long-term investment always is subjecting himself to constant inter-port and intra-port competition, Regulatory changes and uncertain business environment. Our Tariff is fixed under Cost plus pricing method under 2005 Guidelines and this cannot be compared with tariff fixed under standalone basis for HMCs. As explained in our replies furnished to the queries of TAMP, vide ref. first cited, the rate of HMC at Kolkata Port Trust is ₹62.40/Ton. TAMP has also stated in some cases that tariff for similar services may differ even in the same port based on the infrastructure facilities provided. Majority of our Customers are offered integrated Services and we have already proposed reduction of our HMC rate to ₹64/Ton from ₹72.75/Ton. Any further reduction will result in under recovery of our investment as HMC is a major source of our revenue activity.
(ii).	It is observed that M/s.VSPL is charging stevedoring charges separately in addition to HMC charges which is not at all justified, since no other cost element is involved in stevedoring activity other than crane charges. In case of any other minor miscellaneous charges like hatch cleaning, labour cost, etc., the same may be justified upon receipt of proper justification from VSPL.	It is in correct to state that there is no cost elements involved in Stevedoring activity except minor miscellaneous charges. HMC charges are meant to recover the cost of operation and Maintenance with associated investment, depreciation and Insurance of the HMC and during the hearing held on 7 October 2014, we have made a presentation on the actual cost of operation of the HMC. In other words, it is the charge for deployment of HMC.

		Activities performed under Stevedoring are furnished already in our SOR under notes. For performing the various activities stated therein, equipments have to be deployed in Hatches besides man power for Hatch cleaning both at the time of commencement of discharge for lightened vessels and at the time of completion for complete discharge vessels. This activity also involves deploying special gears depending on nature of cargo. Accordingly, it is not just a miscellaneous charge and a direct charge involving deployment of several on board equipment and sizeable man power.
	It is also observed that VSPL is insisting the users that unless HMC is to be engaged, the vessel cannot be accepted for berthing and the users are forced to engage floating crane by paying higher charges even though the vessel is a geared vessel fitted with cranes and grabs.	It is always open to the Users to reject our offer and not to handle at VSPL if any insistence of using HMC at VSPL is made. However, it is noticed that in some cases, overaged vessels are chartered by Users fitted with very poor cranes and grabs yielding very poor output and stoppage of operations seriously affecting the line up of further vessels committed to be berthed. Only in such cases, option is given to the users either to vacate the berth or use HMCs to cover the loss of output as per planned turnaround time. It is to be noted that as BOT operator, performance of VSPL is regularly monitored by VPT and lower outputs and reduction in throughput is always questioned. There is no question of using HMCs in any case unless users accept the same especially in Vizag Port where the users have multiple options.
(iii).	In view of the above, the VSPL has requested to fix the tariff for HMC reasonably on par with VPT tariff to protect the interest of the users and advise VSPL to charge HMC charges only in case of necessity and when demanded by the users as per user's requirement and not to insist on engaging HMC for geared vessels without the consent of the user.	--

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