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Tariff Authority for Major Ports

G No. 5 **New Delhi** **1 January 2013**

NOTIFICATION

In exercise of the powers conferred by Sections 48, 49 and 50 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the V.O. Chidambaranar Port Trust for review of upfront berth hire charges at shallow draught berth for handling cement and related raw materials fixed vide Tariff Order No.TAMP/44/2011-VOCPT dated 18 June 2012 in pursuance of the guidelines for upfront tariff setting at Major Port Trusts vide this Authority's Notification No.TAMP/52/2007-Misc. dated 26 February 2008 as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports

Case No. TAMP/70/2012-VOCPT

V.O. Chidambaranar Port Trust … Applicant

QUORUM:

(i). Smt. Rani Jadhav, Chairperson
(ii). Shri. T.S. Balasubramanian, Member (Finance)

ORDER

(Passed on this 11th day of December 2012)

This Authority has passed an Order No.TAMP/44/2011-VOCPT dated 18 June 2012 disposing of the proposal received from the V.O. Chidambaranar Port Trust (VOCPT) for fixation of upfront tariff for handling cement and related raw materials at the shallow draught berth to be constructed on DBFOT basis. This Order was notified in the Gazette of India on 30 July 2012 vide Gazette no. 167.

2. In this connection, the VOCPT vide its letter dated 01 November 2012 has requested to consider the revision of Berth Hire charges fixed vide tariff Order of June 2012. The main points made by the VOCPT are summarized below:

(i). In the tariff Order of June 2012, the Berth hire charge has been approved anticipating traffic of 10000 DWT vessels, as proposed by the VOCPT.

(ii). The Standing Finance Committee in the Ministry of Shipping in its meeting held on 13 September 2012 has directed the VOCPT to obtain revised TAMP Notification for Draught provided to handle 20000 DWT from the Zero date of COD.

(iii). Since there is no change in the Capital Cost already considered earlier in the June 2012 Order at ₹84.06 crores, change is required only in respect of berth hire charges.

(iv). 80% of the vessels are estimated to be handled of 10000 DWT category and the remaining vessels in the 20000 DWT category. Thus, berth hire charges are proposed separately for two categories viz., ‘upto 13000 GRT’ and ‘above 13000 GRT’ in the following manner:

Sl. No.	Vessels	Rate per GRT per hour or part thereof	
		Foreign (in ₹)	Coastal (in ₹)
(i).	Vessels (upto 13000 GRT)	1.68	1.01
(ii).	Vessels (above 13000 GRT)	0.93	056

(The VOCPT has furnished calculations in this regard.)

(v). The remaining cargo handling charges, storage charges and Miscellaneous charges will remain the same as notified vide Order No.TAMP/44/2011-VOCPT dated 18 June 2012.

3. A comparative position of the Berth Hire charge approved vide tariff Order No.TAMP/44/2011-VOCPT dated 18 June 2012 and that proposed by the VOCPT now is given below:

Category of Vessels	As per upfront tariff Order No.TAMP/44/2011-VOCPT dated 18 June 2012		As per the request of VOCPT's letter dated 01 November 2012 for revision of berth hire charges	
	Rate per GRT per hour or part thereof			
	Foreign (in ₹.)	Coastal (in ₹.)	Foreign (in ₹.)	Coastal (in ₹.)
Vessels	1.68	1.01	-	-
Vessels (upto 13000 GRT)	-	-	1.68	1.01
Vessels (above 13000 GRT)	-	-	0.93	0.56

4. Since the proposal now filed by the port involves modification to the berth hire charge approved earlier in June 2012 in consultation with the relevant stakeholders, the proposal now filed by the VOCPT was taken up on consultation in accordance with the consultation process prescribed and the proposal of the port dated 01 November 2012 was circulated to the concerned users/ user organisations/ RFQ Applicants requesting them to furnish their comments directly to VOCPT. The VOCPT was requested to respond to the comments of users/ user organisations/ RFQ Applicants. We have not received response of the VOCPT till the finalisation of the case.

5. Based on a preliminary scrutiny of the proposal, the VOCPT was requested vide our letter dated 08 November 2012 to furnish additional information/ clarifications. The VOCPT has responded vide its letter dated 15 November 2012. A summary of the queries raised by us and the replies furnished by the port is tabulated below:

Sl. No.	Queries raised by us	Reply furnished by VOCPT
(i).	As directed by the Standing Finance Committee (SFC) to obtain revised TAMP notification for draught provided to handle 20000 DWT, the VOCPT has requested for revision only in the Berth hire charges. In this context, the VOCPT to furnish the following:	- - Factual - -
(a).	Reasons for not considering the vessels of 20000 DWT at 100% as advised by the SFC from the zero date of commencement of operations.	Ministry in SFC meeting advised this Port to obtain the TAMP Notification for the draught to handle 20,000 DWT. As per the current trends, in addition to 10,000 DWT vessels (80% of the vessels) balance 20% is expected to be in the range of 20,000 DWT vessels. There is no indication in the SFC meeting to consider 100% in 20,000 DWT vessels. Hence, the basis of 80% vessels in the 10,000 DWT vessels bracket and balance 20% under the 20,000 DWT bracket may please be accepted.
(b).	The basis for considering 20% of total vessels to be in the 20000 DWT category and 80% of total vessels in the 10000 DWT category.	Based on the discussions with Users/ manufactures and observing the Trade trend only, it is expected that 20% of total vessels to be in the 20,000 DWT category and 80% of total vessels in the 10,000 DWT category.
(c).	The VOCPT has proposed to prescribe the berth hire charges under two slabs i.e., upto 13000 GRT and above 13000 GRT. The reasons for two slabs and the basis for “upto 13000 GRT” and “above 13000 GRT” to be explained.	In General, the DWT of the vessels are in the range of 1.5 times of GRT of the relevant vessels. Accordingly, the GRT of the 20,000 DWT vessels is worked out by dividing the 20,000 DWT by 1.5 times which is equal to 13,333 GRT. It is rounded off to 13,000 GRT. Hence, the rates are bifurcated into two slabs viz., " upto 13,000 GRT " and " above 13,000 GRT ".
(ii).	It appears from the VOCPT's letter dated 01 November 2012, that the VOCPT has not envisaged any change in the handling equipment considered to cater to 10000 DWT vessels in the proposal submitted for fixation of upfront tariff for handling of cement and related raw material which was disposed of by this Authority vide Order dated 18 June 2012. Therefore, the VOCPT to confirm whether the equipment proposed by VOCPT earlier in its proposal which was disposed of vide Order dated 18 June 2012 will also cater to the requirement of 20000 DWT vessels. The VOCPT to also furnish the reasons for not considering any change in the handling equipment.	It is confirmed that the handling equipments already considered in the earlier proposal at the capital cost of ₹24.80 crores (Total equipment cost) which was disposed by this Authority vide Order dated 18 June 2012 is expected to cater to the requirement of 20,000 DWT vessels with a beam length of 22.80 mtrs. TAMP may, therefore, consider the position of same equipment for handling in the 20,000 DWT scenario in addition to 10,000 DWT scenario.

(iii).	Larger size of vessels (more than 10,000 DWT) call, in all likelihood, will have an effect on the optimal capacity of the terminal and, therefore, the revenue model. However, the VOCPT has not envisaged any increase in the optimal capacity of the terminal. The VOCPT to, therefore, review the optimal capacity of the terminal considered in the tariff order dated 18 June 2012.	As the equipments already considered at the capital cost of ₹24.80 crores meet the requirement for the handling 20,000 DWT vessels, there will be no change in the handling rate already furnished and there will be no change in the optimal capacity of the terminal as well as the total capital cost of the project. Also all the rates except berth hire charges remain unchanged.
(iv).	The VOCPT to furnish a copy of the SFC report for perusal.	The SFC report is furnished.
	In view of the above, there may be changes in the optimal capacity as well as the other charges subject to further scrutiny. Therefore, the VOCPT to have a re-look at its proposal in the light of above observations which may require reworking of various charges and furnish the requisite details.	Reply as furnished vide Sl.No. (iii) above

6. A joint hearing on the case in reference was held on 29 November 2012 at the VOCPT premises. The VOCPT made a power point presentation of its proposal. At the joint hearing, the VOCPT and Shipping Corporation of India (SCI) have made the following submissions:

V.O. Chidambaranar Port Trust

(i). Ministry of Shipping in the Standing Finance Committee Meeting has directed the port to obtain TAMP notification for the draught provided to handle 20,000 DWT Vessels. The Ministry has decided to go by the capital cost of ₹84.08 Crores considered by TAMP. Port is bound by Ministry's direction.

(ii). The present trend is 80% for 10,000 DWT Vessels and 20% for 20,000 DWT Vessels. Therefore, there is necessity to fix berth hire charges in two slabs. Our proposal is to review berth hire charges alone. There is no change in other charges.

Shipping Corporation of India (SCI)

Our vessels are bigger vessels. We have no other comments.

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

(i). This Authority has passed an Order No.TAMP/44/2011-VOCPT dated 18 June 2012 disposing of the proposal received from the V.O. Chidambaranar Port Trust (VOCPT) for fixation of upfront tariff for handling cement and related raw materials at the shallow draught berth to be constructed on DBFOT basis. Vide the said Order, Handling charges, Storage charges, Miscellaneous charges and Berth hire charges for handling cement and related raw materials at the shallow draught berth at VOCPT have been approved as upfront tariff cap.

In this context, it may be recalled that the VOCPT in the proceedings relating to disposal of the said Order had envisaged handling of vessels of size upto 10,000 DWT initially and vessels of upto 20000 DWT in future. As recorded in the said Order, the berth is designed to handle 20,000 DWT vessels and that the capital cost and operating cost considered in this proposal are relevant for vessel size upto 20,000 DWT. However, the berth hire calculations furnished by the VOCPT then took into account the vessel size of upto 10,000 DWT only, as the VOCPT had envisaged handling of only 10000 DWT vessels during the project period. Relying upon the position as reported by the VOCPT, the upfront berth hire charge was approved for handling 10000 DWT vessels at the Shallow Draught Berth, advising the port to review the position when the contingency, as recorded in the June 2012 Order, arises.

(ii). Based on the advice of Standing Finance Committee (SFC) to obtain revised notification from this Authority for Draught provided to handle 20000 DWT vessels, the VOCPT has now filed a proposal for revision of berth hire charges, so as to take into account the handling of 20000 DWT vessels at the Shallow Draught Berth. The VOCPT has not proposed for any modifications to the handling charges, storage charges and Miscellaneous charges approved vide Order of June 2012.

In this regard, it is noteworthy that on the ground that the equipment considered in the Order of June 2012 will also cater to the vessels of 20000 DWT, the VOCPT has stated that there will be no change in the handling rate of the equipment already considered. Since there is no change in the handling rate of the equipment, the optimal capacity of the facility is bound to remain unchanged. Since the equipment remains the same, no change is envisaged in the estimated capital cost for the facility. Thus, the estimated capital cost of ₹84.08 crores as considered in the tariff Order of June 2012 is proposed to be retained without any change, as endorsed by the SFC. As a result, the proposal of the VOCPT is to review only the upfront berth hire charge fixed vide Order of June 2012. Accordingly, this analysis proceeds further to review the upfront berth hire charges only, as requested by the VOCPT.

(iii). As brought out earlier, the advice of the SFC is to obtain approval of this Authority for charges to handle 20000 DWT vessels from the Commercial Operation Date (COD). In this regard, the VOCPT based on the interactions with Users/ manufactures and observing the trade trend has proposed that 20% of the total vessels expected to call at the facility will be in the category of 20000 DWT and the balance 80% will be in the category of 10,000 DWT. None of the users and the prospective bidders during the proceedings relating to the review case have objected to the said ratio considered by the VOCPT. In view of this position, the ratio of 20000 DWT vessels and 10,000 DWT vessels, as considered by the VOCPT at 20:80 in the calculation of the revised upfront berth hire charges, is relied upon.

(iv). As brought by the VOCPT in the factual position relating to the case in reference, generally, the DWT of a vessel is 1.5 times of GRT of the same vessel. Based on this position, the VOCPT has furnished workings to propose revised upfront berth hire charges under two slabs i.e., upto 13000 GRT and above 13000 GRT, which corresponds to vessels of 10000 DWT and 20000 DWT respectively.

The total revenue requirement from the berth hire charges to the tune of ₹723.27 lakhs, as determined in the tariff Order of June 2012, is retained by the port without any change. This estimated revenue requirement of ₹723.27 lakhs is proposed to be realized from the handling of the 10000 DWT vessels and 20000 DWT vessels in the ratio of 80:20. The methodology followed by the VOCPT for arriving at two slabs of berth hire charges is seen to be in line with the approach relied upon by this Authority earlier while prescribing the berth hire charge for the Shallow Draught Berth in June 2012 Order. Accordingly, the VOCPT has arrived at berth hire charges relevant for handling 10000 DWT vessels and 20000 DWT vessels. A copy of the berth hire calculation is attached as **Annex**.

The berth hire charges so worked out for vessels upto 13,000 GRT is ₹1.68 for foreign going vessels and ₹1.01 for the coastal vessel. Similarly, berth hire charges for vessels above 13,000 GRT is ₹0.93 for foreign going vessels and ₹0.56 for coastal vessels.

Based on the proposal received from the various Major Ports including VOCPT in the past for prescribing upfront tariff caps, a single upfront berth hire charge has been approved. Infact, Clause 6.10 of the tariff Guidelines of 2005 also stipulates prescription of a single berth hire charge. However, based on the difficulties expressed by the major port trusts to rationalize the berth hire charges in one go, this Authority has accorded approval for the slab wise berth hire charges at some of the Major Port Trusts like Visakhapatnam Port Trust (VPT), Cochin Port Trust (COPT), Mormugao Port Trust (MOPT) and also VOCPT itself. In view of this position and based on the reasons given by the VOCPT for prescription of slab wise berth hire charges, this Authority is inclined to prescribe the slab wise berth hire charges for the Shallow Draught Berth, as proposed by the port.

(v). As stated earlier, the ratio of the 10,000 DWT vessels and 20000 DWT vessels expected to call at the facility has been considered at 80:20 by the VOCPT. Keeping the optimal capacity of the facility (2665902 MTs) and estimated revenue requirement from the berth hire activity (₹723.37 lakhs) intact, our workings show that any change in the ratio of the 10,000 DWT vessels and 20000 DWT vessels expected to call at the facility, will not have an impact on the slab wise berth hire charges so determined for handling the said category of vessels. In other words, whatever be the combination of 10,000 DWT vessels and 20000 DWT vessels expected to call at the facility, the levy of berth hire charge of ₹1.68 per GRT per hour for 10000 DWT vessel and ₹0.93 per GRT per hour for 20000 DWT vessel, would enable the BOT operator to achieve only the estimated revenue requirement from the berth hire activity and nothing more.

8. In the result, and for the reasons given above and based on a collective application of mind, this Authority approves the proposal of VOCPT for revision of Berth hire charges. The Schedule of Berth hire prescribed at Section 2.1 of the Scale of Rates approved vide tariff Order no.TAMP/44/2011-VOCPT dated 18 June 2012 is replaced with the following Schedule:

"2.1 Schedule of Berth Hire:

Sl. No.	**Vessels**	**Rate per GRT per hour or part thereof**	
		Foreign (in ₹)	**Coastal (in ₹)**
(i).	Vessels (upto 13000 GRT)	1.68	1.01
(ii).	Vessels (above 13000 GRT)	0.93	0.56

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(Rani Jadhav)
Chairperson

Annex

Revised Berth Hire Calculation:

Sr. No.	Particulars	Unit	For 10000 DWT Vessels (80%)					For 20000 DWT Vessels (20%)				
			Bulk Cement Export	Bulk Cement Import	Dry Bulk cargo	Bagged Cargo	Total	Bulk Cement Export	Bulk Cement Import	Dry Bulk cargo	Bagged Cargo	Total
i	Ship day output	Tonnes/day	13388	5355	10000	4000		13388	5355	10000	4000	
ii.	Average GRT	Tonnes	7000	7000	7000	7000		13000	13000	13000	13000	
iii.	Average parcel size	Tonnes	6000	6000	6000	6000		12000	12000	12000	12000	
iv.	Tonnage expected to be handled	Tonnes	1422984	284586	408800	16352	2132722	355746	71147	102200	4088	533181
v.	Average no. of berth days (iv / i)	Days	106	53	41	4	204	27	13	10	1	51
vi.	No. of berth hours {24 x (v)}	Hours	2551	1275	981	98	4906	638	319	245	25	1226
vii	Additional hours towards waiting time {3.6 x (viii)}	Hours	854	171	245	10	1280	107	21	31	1	160
viii.	Expected number of vessels (iv / iii)	Nos.	237	47	68	3	355	30	6	9	0	44
ix.	Total GRT hours (ii * vi)	GRT hours	17856387	8928201	6867840	686784	34339212	8290465	4145236	3188640	318864	15943206
x.	Revenue Requirement	Rupees					**578.62**					**144.65**
xi.	Berth hire charges for foreign going vessels	Rs. Per GRT per hour					**1.68**					**0.93**
xii.	Berth hire charges for coastal vessels	Rs. Per GRT per hour					**1.01**					**0.56**