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TARIFF AUTHORITY FOR MAJOR PORTS

G.No.192

New Delhi,

07 June 2019

NOTIFICATION

In exercise of the powers conferred by **Section 49** of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from New Mangalore Port Trust (NMPT) for fixation of tariff for Service Charges for the use of Electric Pump for supply of sea water, as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No.TAMP/71/2018-NMPT

New Mangalore Port Trust

- - -

Applicant

QUORUM

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

O R D E R

(Passed on this 29th day of March 2019)

This case relates to the proposal received from New Mangalore Port Trust (NMPT) under cover of its letter No.NMPT/FIN/REV/SOR/2018-19 dated 08 October 2018 seeking approval of tariff for Service Charges for the use of Electric Pump for supply of sea water.

2. This Authority had vide Order No.TAMP/22/2015-NMPT dated 27 February 2016 passed an Order relating to general revision of its Scale of Rates. This Order was notified in the Gazette of India on 13 April 2016 vide Gazette No.133. The said Order prescribes a tariff validity period till 31 March 2019.

3. The NMPT has now filed a proposal seeking approval of Service Charges for the use of Electric Pump for supply of sea water. The main points of the proposal submitted by NMPT are summarized below:

- (i). The Port is rendering new service in the form of supply of sea water through the use of 45 KW Electric Pump. For this service, the Port is not having any notified charges in the present SOR. In this regard, it is proposed to charge for the above mentioned service on hourly rate for use of 45 KW Electric Pump as stated below:

Proposed Rate:

Sl. No.6.9 Under Chapter No.VI, Clause No.VII,-Service Charges for the use of Electric Pump for supply of sea water.	Consolidated Rate / Hr.
Charges for supply of sea water for hot work activities.	₹1954/- per hour.

The above rate is being charged to the user on adhoc basis as per 2015 Guidelines, for which the proposed rate may kindly be considered for notification.

- (ii). The detailed workings for the rate proposed are as given below:

(in ₹ per hour)

Sr. No.	Particulars	Amounts
(i).	Salary of Departmental Operators [(₹81,392 + ₹67,440) per month / 30 days / 8 hours]	620
(ii).	Salary of Electrician [₹12,420 per month / 30 days / 8 hours]	52
(iii).	Salary of Operator [₹12,420 per month / 30 days / 8 hours]	52
(iv).	Salary of Assistant Operator [₹10,590 per month / 30 days / 8 hours]	44
(v).	Salary of Supervisor [₹13,680 per month / 30 days / 8 hours]	57
(vi).	Cost of Electricity [As per department : (45 units per hour * ₹8.65 per unit per hour)]	389
(vii).	Maintenance cost of pump house [₹31,50,783/12/30/24]	365
(viii).	Total cost	1,579
(ix).	Departmental charges at 23.75% on total cost (viii*23.75%) [₹1,579*23.75%]	375
(x).	Grand total (viii+ix)	1,954

4. A summary of the information/ clarification sought by us and reply furnished by NMPT is tabulated below:

Sl. No.	Information/ clarification sought by us	Reply furnished by NMPT
(i).	From the proposal it is not clear whether subject proposal seeking approval for service charge is for the use of Electric Pump or for supply of sea water as there is mismatch in the description in the 1 st and 2 nd row of the table in the first page of subject proposal. The NMPT to elaborate the services provided and also the purpose thereof.	The proposal of Service Charges is for the use of Electric Pump for supply of sea water.
(ii).	Sections 48 and 49 of Major Port Trusts Act, 1963 prescribe the list of services provided by the Major Port Trusts for which Scale of Rates (SOR) is to be notified by the Authority. The port is requested to clarify services offered fall under which category of services listed in the sections 48 and 49 of Major Port Trusts Act, 1963.	These services fall under Section 49(1) (d) – any other use of any land, building works, vessels or appliances belonging to or provided by the Board.
(iii).	Please explain the meaning of the term “Hot work” mentioned in the proposed Sl. No.6.9 Under Chapter No.VI, Clause No.VII.	Hot work means any drilling, welding, chipping etc. at oil jetty area.
(iv).	If the use of Electric Pump for supply of sea water is required to be regulated by this Authority as per MPT Act, 1963, the NMPT is requested to furnish list of major users / organisations to be consulted with contact details viz. address, telephone number, fax and email, which is required to be submitted as per the checklist of documents while filing the proposal for initiating consultation process.	At present the major user / organization is only MRPL. However, in future, there could be other port users like HPCL, BPCL, IOCL, UPCL and SICAL may use the above facility.

5. In accordance with the consultative procedure prescribed, the proposal of NMPT dated 08 October 2018 was forwarded vide our letter dated 02 November 2018 to the concerned users / user organisations seeking their comments. We have not received any comments till disposal of the subject proposal.

6. A joint hearing in this case was held on 29 January 2019 at the NMPT premises. The NMPT made a brief power point presentation of its proposal. At the joint hearing, the NMPT and the concerned users / user organizations have made their submissions.

7.1. At the Joint hearing, the main objection of the Mangalore Refinery and Petrochemicals Limited (MRPL) was that the proposed rate on per hour basis should not be charged for 24 hours. The port clarified that the proposed rate is charged only for those many hours for which Electric Pump is working to pump water when the pressure drops. The port vide our letter dated 31 January 2019 was requested to propose a suitable note in this regard.

7.2. In this regard, the NMPT has responded vide its letters dated 05 February 2019 and 19 February 2019 and the response of NMPT is summarised below:

- (i). NMPT supplies sea water to MRPL based on their requirement on actual basis. Charges are also being collected as per the actual running of the Jockey Pump. Basically, the sea water is supplied using the Jockey pump for hot works for the maintenance activities of MRPL at their Coastal terminal. So the Jockey pump is started and stopped intermittently based on their demand / requirement. Hence, Port is not insisting for 24 hrs. basis. The Jockey pump had run 210 hrs. during the period 2017-18 for supplying water to MRPL. Charges were also levied only for this 210 hrs. which is evident from the documents submitted to TAMP.
- (ii). **Proposed Rate:**

Sl. No.6.9 Under Chapter No.VI, Clause No.VII,-Service Charges for the use of Electric Pump for supply of sea water.	Consolidated Rate / Hr.
Charges for supply of sea water for hot work activities.	₹1,954/- per hour.

Note:

The charges for supply of sea water for hot work activities will be charged as per actual usage.

7.3. Subsequent to above, the NMPT has vide its email dated 15 March 2019 has proposed to delete the words "hot wok activities" as proposed in its proposal dated 08 October 2019 as given below:

(i). **Proposed Rate:**

Description	Amount in ₹
Sl. No.6.8 Under Chapter No.VI, Clause No.V - Service Charges for the use of Electric Pump for supply of sea water.	₹1,954/- per hour.

(ii). All other conditionality except above will remain.

8. Further, the NMPT vide its email dated 18 March 2019 has stated that the approval of the Chairman was obtained for Service Charges for the use of Electric Pump for supply of sea water. The NMPT has also stated that it shall place the same in the Board Meeting and forward a copy of the Board's ratification to the Authority.

9. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the 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>.

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

(i). The proposal mooted by New Mangalore Port Trust (NMPT) seeking approval of tariff for Service Charges for the use of Electric Pump for supply of sea water is mainly on two accounts i.e. the Port is rendering new service in the form of supply of sea water through the use of 45 KW Electric Pump and the Port is not having any notified rate in the present SOR. The port has newly introduced this service mainly for fire safety. The Mangalore Refinery and Petrochemicals Limited (MRPL) is having fire water network for fire safety. Water for the Fire water network is supplied by the Port by using the Electric Water Pump. The level of water pressure is to be maintained in the Fire water network. If there is a drop in pressure, then, water is pumped by the port. The proposed tariff is for supply of sea water by pumping the Electric Water Pump of the port. The port has proposed charge for use of Electric Pump for supply of sea water on hourly rate at ₹1,954/- per hour. The proposed rate is also approved by the Chairman of the NMPT.

In view of the above submissions made by the port, the proposal of NMPT for approval of tariff for Service Charges for the use of Electric Pump for supply of sea water is taken up for consideration.

(ii). (a). The proposed rate of ₹1,954/- per hour is supported with cost calculation by the port which is reproduced here for ease of reference:

(in ₹ per hour)

Sr. No.	Particulars	Amount
(i).	Salary of Departmental Operators [(₹81,392 + ₹67,440) per month / 30 days / 8 hours]	620
(ii).	Salary of Electrician [₹12,420 per month / 30 days / 8 hours]	52
(iii).	Salary of Operator [₹12,420 per month / 30 days / 8 hours]	52
(iv).	Salary of Assistant Operator [₹10,590 per month / 30 days / 8 hours]	44
(v).	Salary of Supervisor [₹13,680 per month / 30 days / 8 hours]	57
(vi).	Cost of Electricity	389

	[As per department : (45 units per hour* ₹8.65 per unit per hour)]	
(vii).	Maintenance cost of pump house [₹31,50,783/12/30/24]	365
(viii).	Total cost	1,579
(ix).	Departmental charges at 23.75% on total cost (viii * 23.75%) [₹1,579*23.75%]	375
(x).	Rate proposed per hour (viii+ix)	1,954

- (b). As per clause 7.6.1. of the Tariff Policy, 2018 issued by the Ministry of Shipping, when a tariff for service / cargo is not available in the SOR of the concerned Major Port Trust, the port shall approach the Authority for notification of tariff for the said new cargo / service / facility adopting the tariff and Performance Standards, if any, fixed for comparable cargo / equipment / service in any other Major Port Trust. If there is no tariff prescribed in any Major Port Trust or the rate prescribed is not representative for the cargo/ service/ facility envisaged, the Port Trust may file a proposal with reference to optimal capacity following the principles of Tariff Guidelines, 2008 or based on rated capacity or alternatively under cost plus 16% return formula.

Since this is a new service for which tariff is not prescribed in the existing SOR, the port has proposed the tariff broadly on cost plus model.

It is seen from the above cost calculation that the proposed rate is for recovery of cost of electricity, salary of the concerned port operators and officials, maintenance of the pump house and department overhead charges at 23.75% of the total cost.

Though the port is entitled for 16% return, the port has not considered return on capital cost of the Electric Pump on the grounds that the tariff would go very high as capital cost of electric pump is high. The port has stated that during the year 2017-18 the electric pump has run for 210 hours. In terms of percentage it is hardly 2.4% (210 hours / 8760 hours in a year). It has to be recognized that this facility is provided by the port mainly for fire safety. The proposal is mainly to enable the port to recover the cost incurred for providing the facility. The rate is proposed to be charged on per hour basis for actual usage of electric pump for supply of sea water. As stated earlier, when the required water pressure for fire network drops, the electric pump is operated to supply sea water to maintain the required water pressure. In view of the aforesaid position, this Authority goes ahead with the proposal of the port which is for recovery of cost and not earn any return on the investment from the electric pump.

None of the users including MRPL have raised any objection on the estimated operating cost. The cost calculation furnished by the NMPT is relied upon and considered. The proposed rate is already being levied by the port on provisional basis from June 2017 and being paid by the MRPL. Based on the detailed cost calculation furnished by the port and recognizing that there has been no objection on the proposed rate, this Authority approves the rate as proposed by the port.

- (iii). The main user MRPL has only one objection that the proposed rate should not be levied for 24 hours. The port has categorically stated that rate will not be charged for 24 hours. Only when pressure drops and pump is started, the port will charge the rate for actual usage in terms of hours of operation of electric pump. The rate is charged only for those many hours for which electric pump is working and port has also proposed a note. The proposed note states that the charges for supply of sea water for hot work activities will be charged as per actual usage. The note is slightly modified to delete the words "for hot work activities" in line with final proposal of port dated 15 March 2019 and add the words "by electric pump" in the end to avoid ambiguity. In view of that, modification proposed by the port in

description i.e. Service Charges for the use of Electric Pump for supply of sea water, is approved.

- (iv). During the processing of the case, the port has stated that it has been collecting the said rate provisionally from the MRPL. The port has clarified that the said service falls under the list of services prescribed in Section 49 of the Major Port Trusts Act 1963. However, it remains unexplained as to why the port did not approach this Authority earlier prior to levy of the rate. The action of the port for levy of the rate provisionally is without approval of this Authority.

The revenue from such provisional levy would have been around 4.10 lakhs (i.e. 210 hours of operation reported by the port in the year 2017-18 x ₹1954/- per hour). This will, however, not have any significant impact on the revenue estimated in the last general revision Order at the proposed SOR at ₹36,324.28 lakhs per annum.

- (v). The port has, during the processing the case, stated that the proposal for rate for use of Electric Pump for supply of sea water is with the approval of Chairman of the port. The port has stated that it shall seek approval of the Board of Trustees on the rate for use of Electric Pump for supply of sea water and forward a copy of the Board approval to this Authority. As agreed by the port, the NMPT is advised to forward the approval of its Board of Trustees on this matter.
- (vi). The rates approved by this Authority generally come into effect prospectively after expiry of 30 days from the date of Gazette Notification unless otherwise different arrangement is specifically mentioned in the respective tariff Orders. The proposed rate is already collected by the port. That being so, the lead time of 30 days for implementation may not be necessary in this case. This Authority is inclined to grant approval of the rate for use of Electric Pump for supply of sea water from the date the Order is passed by this Authority. The rate prescribed for this item shall also form part of the general revision of the SOR of the port to be approved under the Tariff Policy, 2018 and the validity of the rate shall be coterminous with the validity of the revised SOR of the port to be approved by this Authority.

11.1 In the result, and for the reasons given above, and based on a collective application of mind, following schedule for tariff for Service Charges for the use of Electric Pump for supply of sea water of NMPT is approved as Clause No.VII - Charges for the use of Electric Pump for supply of sea water of NMPT under Chapter No.VI – Other charges at Sl. No.6.9 - Miscellaneous Charges in the existing Scale of Rates of DPT:

“VII. Charges for the use of Electric Pump for supply of sea water:

Description	Amount (₹)
Charges for the use of Electric Pump for supply of sea water.	₹1,954/- per hour.

Note:

The charges prescribed above for supply of sea water will be charged as per actual usage of electric pump.”

11.2. The rate approved by this Authority shall come into effect from the date the Order is passed by this Authority, subject to Board of Trustees of NMPT approves the tariff for Service Charges for the use of Electric Pump for supply of sea water of NMPT. The rate prescribed for this item shall form part of the general revision of the SOR of the port to be approved under the Tariff Policy, 2018 and the validity of the rate shall be co-terminus with the validity of the revised SOR of the port to be approved by this Authority.

11.3. The NMPT is directed to amend the existing SOR suitably.

(T.S. Balasubramanian)
Member (Finance)

**ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE
THE AUTHORITY**

F.No. TAMP/71/2018-NMPT - Proposal received from the New Mangalore Port Trust (NMPT) seeking approval of tariff for Service Charges for the use of Electric Pump for supply of sea water.

A joint hearing in this case was held on 29 January 2019 at the NMPT premises. The NMPT made a brief power point presentation of its proposal (**page nos.48-56/c**). At the joint hearing, the NMPT and the concerned users / user organizations have made the following submissions:

New Mangalore Port Trust (NMPT),

- (i). Makes a power point presentation of its proposal. Hard copy is given.
- (ii). The Mangalore Refinery and Petrochemicals Limited (MRPL) uses sea water supplied by the Port by electric pump for their hot work activities, mock drills and SPM booster pump facilities.
- (iii). Presently, the use of electric pump for supply of sea water to MRPL is being charged by the port provisionally at the rate of ₹1,954 /- per hour.
- (iv). This is a new service. No rate is prescribed for this service in the existing SOR. Hence, we seek approval of the proposed tariff for supply of sea water by use of Electric Pump.
- (v). The rate proposed is ₹1,954/- hour. Detailed calculation is furnished by the port in support of the proposed rate.

The Mangalore Refinery and Petrochemicals Limited (MRPL)

- (i). For the last 1 year we are paying provisional rate to the NMPT.
- (ii). The Port had not given the basis of the rate then. Then Port has now furnished cost calculation and filed proposal to TAMP seeking approval of the proposed rate.
- (iii). This service is availed mainly for fire safety. We have fire water network. Water for the Fire water Network is supplied by the Port by using the Electric Water Pump. The level of water pressure is to be maintained in the Fire water Network. If there is a drop in pressure, then, water is pumped by the port.
- (iv). We only object to levy of the proposed rate for 24 hours.

[NMPT: Rate will not be charged for 24 hours. Only when pressure drops and pump is started, the port will charge the rate. The rate is charged only for those many hours for which electric pump is working.]

[MRPL: Whenever, we consume we will definitely pay.]

- (v). Pressure of water may drop on account of use by others. MRPL cannot pay for drop in pressure and use of pump on account of use by others. Since it is a safety related issue, Port should consider to maintain pressure.

[NMPT: The matter before TAMP is for approval of the proposed rate. As regards calculation of number of hours and operational issues, Port and MRPL can sort it out]

New Mangalore Port Trust (NMPT)

- (i). This facility is provided at request of MRPL.
- (ii). Based on past experience, use of pump is around 25 to 35 hours per month. Some time it may be high sometime it may be low.
- (iii). Revenue earned from the proposed rate collected by the port provisionally from the MRPL for the period June 2017 to October 2018 is ₹7.92 lakhs.
- (iv). We have calculated and proposed rate on per hour basis. If consumption is for 2 hours, MRPL will be charged for 2 hours.
- (v). We have not considered return on capital employed on the capital cost of electric pump as cost of investment on pump is high at ₹18 lakhs.
