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Tariff Authority for Major Ports

G.No.129 **New Delhi,** **13 April 2015**

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the New Mangalore Port Trust for fixation of tariff for use of 63 tonne capacity Mobile Harbour Crane owned by the port for handling dry bulk, break bulk cargo and containers at New Mangalore Port Trust, as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports

Case No. TAMP/41/2014-NMPT

New Mangalore Port Trust - - - Applicant

QUORUM:

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

O R D E R

(Passed on this 21st day of March 2015)

This case relates to the proposal dated 12 August 2014 received from the New Mangalore Port Trust (NMPT) for fixation of tariff for use of 63 tonne capacity Mobile Harbour Crane (MHC) for handling dry bulk, break bulk cargo and containers at the NMPT.

2. It is relevant here to mention that this Authority in July 2010 had fixed ceiling rate under clause 7.2. of the 2005 guidelines for deployment of 100 tonne MHC operated by the service providers authorized by the NMPT. The present proposal is for fixing tariff for 63T MHC procured by the port itself for handling dry bulk cargo, break bulk cargo and containers. It is relevant to mention that no tariff is fixed for the MHC owned by the port in the existing SOR of the NMPT.

3.1. The main points made by NMPT in its proposal now filed for fixation of the tariff for the MHC owned by the port for handling dry bulk, break bulk cargo and containers are summarized below:

(i). The port handled 8.47 million tons of dry bulk cargo, 0.5 million tons of break bulk cargo and 45000 TEUs during the year 2011-12.

(ii). Its 3 nos. of 10 T capacities ELL wharf cranes commissioned in 1979 were disposed of in July 2011. As a result, the dry bulk, break bulk and containers are handled using ships' gears only. Thus, the port is not having its own handling facilities/ cranes on the berths.

(iii). A port needs to provide minimum port owned handling infrastructure, as a basic need.

(iv). In view of the above, the NMPT, with the approval of its Board, placed order for supply of 2 nos. 63T capacity Mobile Harbour Cranes (MHC) alongwith 3 nos. 16 cu. m grabs and 3 nos. automatic telescopic spreaders at a total cost of Euro 58,25,000.

(v). As per terms and conditions of procurement the equipment shall be operated and maintained by the supplier.

3.2. The workings furnished by the NMPT for the proposed tariff for use of the MHC are as under:

Sr. No.	Particulars		Dry Bulk-	Break Bulk Cargo	Containers
(i).	**Cost of the MHC**		**₹ 2,172 lakhs (with one grab)**	**₹ 2,120 lakhs**	**₹ 2,208 lakhs (with one spreader)**
(ii).	**Capacity:**				
	Handling rate per hour	Average of single movement & combined movement	461 tonnes	230 tonnes	15 Cycles
	Working hours p.a.	A norm of 4000 hours of working in a year is prescribed for estimating power/ fuel cost	4000 hours	4000 hours	4000 hours
(iii).	**Annual Capacity**		**18,44,000 Tonnes**	**9,20,000 Tonnes**	**60000 TEUs**
(iv).	**Operating Cost:**				
(a).	Fuel	(Prevailing Diesel price for Bulk users considered for calculation)	₹105.98 lakhs (38.4 liters per hour x ₹ 69 per litre x 4000 hours)	₹105.98 lakhs (38.4 liters per hour x ₹ 69 per litre x 4000 hours)	₹90.25 lakhs (32.7 liters per hour x ₹ 69 per litre x 4000 hours)
(b).	Repairs & Maintenance	As per CMC order the total cost of Maintenance including spare per Crane is ₹1,50,00,000/-	₹ 150 lakhs	₹ 150 lakhs	₹ 150 lakhs
(c).	Insurance (1% of capital cost)	1% on capital cost of Equipment	₹ 21.72 lakhs (1% * ₹ 2172 lakhs)	₹ 21.20 lakhs (1% * ₹ 2120 lakhs)	₹ 22.08 lakhs (1% * ₹ 2208 lakhs)
(d).	Depreciation	As per norms prescribed in Companies Act	₹ 224.58 lakhs (10.34% * ₹2172 lakhs)	₹ 219.21 lakhs (10.34% * ₹2120 lakhs)	₹ 228.31 lakhs (10.34% * ₹2208 lakhs)
(e).	Other expenses (5% of capital cost)	2% on Gross fixed asset value	₹ 43.44 lakhs (2%* ₹2172 lakhs)	₹ 42.40 lakhs (2%* ₹2120 lakhs)	₹ 44.16 lakhs (2%* ₹2208 lakhs)
	Total Cost		**₹ 545.73 lakhs**	**₹ 538.79 lakhs**	**₹ 534.80 lakhs**
(v).	**ROCE (16%) on average WDV of 3 years**		**₹ 275.65 lakhs (16% *1722.83)**	**₹ 269.05 lakhs (16% *1681.58)**	**₹ 280.22 lakhs (16% *1751.38)**
(vi).	**Revenue Requirement (iv) + (v)**		**₹ 821.38 lakhs**	**₹ 807.84 lakhs**	**₹ 815.02 lakhs**
(vii).	**Hire Charge (Foreign) (in ₹)**		**₹ 44.54 per ton**	**₹ 87.81 per ton**	**₹ 1358.37 per TEU**
(viii).	**Hire Charge per Ton (Coastal) (in ₹)**		**₹ 26.72 per ton (60% of ₹44.54)**	**₹ 52.69 per ton (60% of ₹87.81)**	**₹ 815.02 per TEU (60% of ₹1358.37)**

3.3. Accordingly, the NMPT has proposed the following rates for approval:

(i). For Dry Bulk Cargo:

Description	**Rate per tonne (in ₹)**	
	Foreign	**Coastal**
For Dry Bulk cargoes such as Food Grains, Fertilisers, Coal, Lime Stone, Minerals, etc.	₹ 44.54	₹ 26.72

(ii). For Break Bulk Cargo:

Description	**Rate per tonne (in ₹)**	
	Foreign	**Coastal**
For Break Bulk cargoes such as Steel, timber, bagged materials, etc.	₹ 87.81	₹ 52.69

(iii). Containers:

Description	**Rate per TEU (In ₹)**	
	Foreign	**Coastal**
Loading & Unloading from vessel upto 20'	₹ 1358.00	₹ 815.00
Above 20' and below 40'	₹ 2038.00	₹ 1223.00
Above 40'	₹ 2717.00	₹ 1630.00

3.4. In the meantime, based on the tariff approved for MHC installed by the private operators at its port, the NMPT has proposed the following rates for levy on provisional basis:

(i). For Dry Bulk Cargo:

Description	Rate per tonne (in ₹)	
	Foreign	Coastal
For Dry Bulk cargoes such as Food Grains, Fertilisers, Coal, Lime Stone, Minerals, etc.	₹ 38.34	₹ 23.00

(ii). For Break Bulk Cargo:

Description	Rate per tonne (in ₹)	
	Foreign	Coastal
For Break Bulk cargoes such as Steel, timber, bagged materials, etc.	₹ 72.90	₹ 43.74

4. Subsequently, the NMPT vide its letter dated 15 September 2014 has informed the following:

(i). It is in the process of calling meeting with users to reach consensus on the handling rates proposed by the NMPT.

(ii). The main reason for delay in forwarding the proposal to TAMP was due to the reason that the exact acquisition cost could be known only on making payment to the supplier as the cost of procurement was in Euro and variation in Euro rate would change the acquisition cost.

(iii). The cranes are already commissioned and are to be utilized for Cargo Handling purpose without further delay. TAMP is requested to expedite to notify the rates proposed in NMPT vide its letter dated 12 August 2014.

5. In accordance with the consultative procedure prescribed, the proposal of the NMPT was forwarded to the concerned user organisations seeking their comments. The comments received from users/ user organisations were forwarded to NMPT as feedback information. The NMPT, vide its letters dated 6 October 2014, 13 October 2014, 17 October 2014 and dated 29 October 2014, has furnished its comments on the comments of the users.

6.1. Based on a preliminary scrutiny of the proposal, the NMPT was requested to furnish information / clarifications on various point vide our letter dated 13 October 2014. The NMPT vide its letter dated 29 October 2014 furnished reply to the queries along with the revised cost statement. The queries raised by us and reply of the NMPT thereon are tabulated below:

Sl. No.	Our queries	Reply of NMPT
I.	**General**:	
(i).	The port has requested for approval of the provisional rate for the port owned MHCs likely to be commissioned with effect from 7 August 2014. It may be noted that as per clauses 2.17.1 to 2.17.3 of the tariff guidelines of 2005, whenever a specific tariff for a service/cargo is not available in the notified Scale of Rates, the port can submit a suitable proposal. Simultaneously with the submission of proposal, the proposed rate can be levied on an ad hoc basis till the rate is finally notified. The ad hoc rate to be operated in the interim period must be derived based on existing notified tariffs for comparable services/cargo;	

	and, it must be mutually agreed upon by the Port/Terminal and the concerned user(s). In view of that the port is requested to clarify / furnish the following:	
(a).	Whether the existing Scale of Rates (SOR) does not prescribe the tariff for the similar capacity MHCs; and	No. The existing TAMP notified SOR is for 100T capacity MHC and not for 63T capacity MHC.
(b).	Whether rates are being levied on provisional basis by the NMPT. If so, indicate the date from when the rates are being levied by the NMPT on provisional basis.	From the date of commissioning of the cranes i.e. from 5.9.2014 rates are being levied on provisional basis subject to final notification by TAMP.
(c).	The reason for not proposing to levy the proposed rates on provisional basis as stipulated in clause 2.17.2 of 2005 guidelines and proposing to levy the common rates approved by TAMP.	The port is charging approved rate of TAMP for 100T crane as provisional rate.
(d).	A copy of the consent of users for levy of rates on provisional basis, if the NMPT has already started to levy, as required by clause 2.17.3 of 2005 guidelines.	Meeting with port users held on 20.09.2014 to have a consensus on the provision rate but the same has not materialized.
II.	**Capital Cost**:	
(i).	It is seen from the Annex–I (dry bulk cargo), Annex–II (break bulk cargo) and Annex–III (containers) attached to the proposal that the port has considered different capital cost for the same MHC. It appears that cost of one grab for one MHC and cost of one spreader for another MHC has been considered along with the cost of MHC. The breakup of the capital cost of MHC and the associated handling equipment cost may be furnished supported with documentary evidence.	Copy of BOQ attached to the proposal contains cost of cranes, spreaders and grabs separately. Grabs are used only for handling dry bulk cargoes and not for containers. Accordingly, spreaders are used only for containers and not for dry bulk cargoes. Therefore, instead of taking the total cost, only crane cost plus cost of grab or spreader depending upon usage is considered.
(ii).	If MHC(s) are imported, clarify whether the port has availed or is likely to avail Customs Duty exemption on the capex on MHC. If so, furnish the details of the original cost of the MHC and the custom duty exemption availed/ likely to be availed. Also, confirm that the capital cost of the MHC considered in the cost statement is as per the capitalised value captured in the Annual Accounts of the port.	Port has procured MHCs under EPCG scheme and availed exemption of customs duty. The Capital cost considered for cost statement is exclusive of customs duty. The 2 nos. MHCs are capitalized in the year 2014-15. The capital cost considered for cost statement was BOQ rate in Euro (assumed 1 Euro as ₹80/-)
III.	**Capacity**:	
(i).	This Authority while fixing the tariff following normative approach for use of the MHC deployed by the authorized service providers at PPT, VOCPT and NMPT has considered handling rate of 12500 tonnes per day for dry bulk cargo, 6000 tonnes per day for steel & bagged cargo and 3750 tonnes per day for other break bulk cargo for 100T MHC for reasons elaborated in these Orders. In the case of port owned 60 tonne MHC deployed by the KPT, this Authority in its Order no. TAMP/23/2011-KPT dated 29 June 2011 has considered the handling rate of 10,000 tonnes/ day [595 tonnes/ hour] (i.e. 10000/24 hrs * 70%= 595 tonnes per hour) for dry bulk cargo and 2500 per day [149 tonnes/ hour] (i.e. 2500/ 24 hrs * 70% = 149 tonnes per hour) for other break bulk cargo. Even the COPT in its recent	The dry bulk/break bulk cargoes are handled in tons and the container cargoes are handled in TEUs (i.e. in Nos.) The handling capacity of the crane in tonnes depends upon the following factors: (a). Discharge rate per hour, depending upon the density of the cargo. (b).The number of cycles performed by the crane during each hour, depending upon the different operators, based on their expertise. (c).The size of grab: The grabs used at Kandla port was 18 cum. (d). The handling rate of 461 tons per hour adopted for the crane was based on the data given by the OEM M/s. Itlagru.

<table>
<tr><td></td><td>proposal for fixation of tariff for a 40 tonne MHC has considered the handling rate at the level considered for 60T MHC at KPT which has been accepted by this Authority. In view of the above, justify the reasons for considering handling rate lower than the handling rate adopted for similar capacity of MHC at KPT.</td><td></td></tr>
<tr><td>(ii).</td><td>Explain the basis of considering the handling rates for container at 15 moves per hour.</td><td>The handling/discharging of dry bulk cargo does not requires any positioning, locking/unlocking unlike container handling. Therefore, the number of moves considered for container handling operation assumed as half of the dry bulk handling/discharging.</td></tr>
<tr><td>IV.</td><td>Fuel</td><td></td></tr>
<tr><td>(i).</td><td>The fuel consumption for handling dry cargo and break bulk cargo is considered at 38.4 litres per hour whereas the fuel consumption for handling container is considered at 32.7 litres per hour. The port is requested to explain the reasons as to how the fuel consumption is estimated to differ for handling different categories of cargo. Also, explain the basis of assuming the above level of fuel consumption.</td><td>Fuel consumption depends upon the number of cycles performed during an hour. The number of cycles performed by the MHC while handling the dry bulk cargo was much more (say double) compared to the number of cycles performed while handling containers.
The fuel consumption and number cycles per hour (discharge) also depends upon whether the operator is performing single movement or combination of movement at a time.
Number of cycles for dry bulk assumed as 32 cycles and for container assumed as 15 cycles.</td></tr>
<tr><td>(ii).</td><td>This Authority while fixing for tariff for 60 tonne MHC at KPT has considered fuel consumption of 33.33 litres per hour (Refer Order No. TAMP/23/2011-KPT dated 29 June 2011) for handling dry bulk, steel and bagged and other cargo. The NMPT has, however, considered fuel consumption of 38.4 litres per hour for handling dry bulk and break bulk cargo. In view of that, justify the reason for considering higher rate of fuel consumption for handling dry bulk and break bulk than the fuel consumption rate considered for a similar capacity MHC at KPT.</td><td>As per the data furnished by the OEM M/s. Italgru S.r.l. Italy:
<table>
<tr><th colspan="2">No. of Cycles/hr.</th><th colspan="2">Fuel cons/hr.</th></tr>
<tr><th>In single movement</th><th>For combined movement</th><th>In single movement</th><th>For combined movement</th></tr>
<tr><td>24.45 cycles</td><td>39.52 cycles</td><td>31.21/hr.</td><td>45.61/hr.</td></tr>
<tr><th colspan="2">Average</th><th colspan="2">Average</th></tr>
<tr><td colspan="2">32 cycles per hour</td><td colspan="2">38.41 fuel per hour</td></tr>
</table></td></tr>
<tr><td>(iii).</td><td>If the MHC is already in operation from August 2014 the average actual fuel consumption per hour may be furnished to substantiate the level of fuel consumption assumed in the cost statement.</td><td>The average actual fuel consumption is around 39 litres/hr.</td></tr>
<tr><td>V.</td><td>Repair & Maintenance (R&M) Cost:</td><td></td></tr>
<tr><td></td><td>The Repair & Maintenance (R&M) at 5% of the capital cost was considered by this Authority for fixing the tariff for the use of the MHC deployed by the authorized service provider at the PPT, VOCPT and NMPT and also for port owned MHCs at the VPT and KPT. As per the capital cost considered by the NMPT in the three Annexes the R&M cost comes to ₹108.60 lakhs for dry bulk cargo, ₹106 lakhs for break bulk cargo and ₹110.40 lakhs for containers. The NMPT has, however, considered R&M cost uniformly at ₹150 lakhs in all the three calculations. The port is, therefore, requested to explain the reason for considering the R&M</td><td>The observation made by TAMP is noted. The maintenance cost of 150 lakh also includes cost of skilled operator for operating all the 3 shifts, including reliever, which is not taken into consideration anywhere else in the computation. Hence, the R&M cost is going approx. 6.6% of capital cost of asset. As per Order dated 11.10.2014 of the port placed on M/s. Italgru S.r.l., Italy the repair & maintenance cost per Crane per year after the free guarantee period of 2 years works out to ₹150 lakhs (which is the actual ordered value).

Further, as per the TAMP guidelines 2008,</td></tr>
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	uniformly at ₹150 lakhs. It may not be possible for this Authority to consider the R&M cost other than the level considered at other Major Ports in fixation of tariff following normative approach.	other expenses @5% of the gross fixed asset value allowed which includes: (a). Salaries and wages of operating and maintenance staff including welfare and other expenses towards them. (b).Management and general overheads comprising: (i).Salaries of management and administration staff including welfare and other expenses towards them. (ii).Maintenance of computers and other office equipment (iii).Any other miscellaneous cost. But, the port has considered only 2% instead of 5% due to the reason that, the salaries & wages of O & M staff including other expenses were already included in the Comprehensive Maintenance order of ₹150 lakhs,
VI.	**Depreciation**: As per clause 2.7.1. of the 2005 tariff guidelines, depreciation is to be calculated as per the straight line method following the life norms adopted as per the Companies Act. As the Companies Act, 2013 has been notified by the Government, the port may update the depreciation rate as per relevant the provisions of the Companies Act, 2013.	 Considering life of the equipment as 15 years, the depreciation for each years as per straight line method works out to 6.33%. Calculation has been revised taking into consideration observations made by TAMP.
VII.	Tariff Guidelines of 2005 recommends to prescribed tariff linked to benchmark level of productivity. In this regard, this Authority while determining hire charges for MHC at PPT, VOCPT, KPT and even at the NMPT (respective Orders available on TAMP's website) has prescribed performance linked tariff by way of increment in the base rate if the performance achieved is more than the bench mark level and a disincentive by way of reduction in the base rate if performance achieved is lower than the benchmark. It is noteworthy that, the NMPT in another of its proposal for revision of the tariff for the MHC deployed by the service provider, which is being processed separately, has proposed such Performance Linked Tariff. Following the approach in other Major Port Trusts and in its own port, the NMPT may consider to prescribe Performance Linked Tariff for its owned MHC as well.	During the period, contractor has to give assured availability of crane, not be less than 90% of total hours per quarter. However, if requisite availability of 90% is not achieved, the contractor shall pay penalty of ₹2000/- per hour (short fall hours) per crane for that quarter and if the crane is available and the operator is not available for operation of the crane, then the penalty of ₹2000/- per hour shall be levied. As regard to the volume concession, as this is the 1st year of operation, trend of usage of the crane shall be assessed and progressively if Crane achieves peak efficiency, NMPT shall approach TAMP for concrete volume concession.
VIII.	The port is requested to furnish a copy of the minutes of the Board meeting approving the proposed rates.	Approval of the Chairman was accorded for the proposal. Further, the proposal will be placed in the ensuing Board meeting in November 2014. (The NMPT has not furnished the approval to finalisation of the case)

6.2. In view of the revision in the rate of depreciation the NMPT has furnished revised cost statement. As per the revised cost statement the revenue requirement and the hire charge for handling of the dry bulk, break bulk and containers are given below:

Sr. No.	Particulars	Dry Bulk	Break Bulk	Containers
(i).	Revenue Requirement	₹ 762.15 lakhs	₹ 750.04 lakhs	₹ 754.81
(ii).	Hire Charge			
	(a) Foreign	₹ 41.33 per mt.	₹ 81.55 per mt.	₹ 1258.02 per TEU
	(b) Coastal	₹ 24.80 per mt.	₹ 48.92 per mt.	₹ 754.81 per TEU

6.3. Accordingly, the rates initially proposed in the proposal dated 12 August 2014 and the rates in the revised proposal dated 29 October 2014 is tabulated below for ease of reference:

Sr. No.	Particulars	Initial Rates		Revised Rates	
		Foreign	Coastal	Foreign	Coastal
(i).	Dry Bulk	₹44.54/MT	₹26.72/MT	₹41.33/MT	₹24.80/MT
(ii).	Break Bulk	₹87.81/MT	₹52.69/MT	₹81.53/MT	₹48.92/MT
(iii).	Containers				
	(a) upto 20’ TEU	₹1358/TEU	₹815/TEU	₹1258/TEU	₹754/TEU
	(b) Above 20’ TEU and below 40’ TEU	₹2038/TEU	₹1223/TEU	₹1887/TEU	₹1131/TEU
	(c) Above 40’ TEU	₹2717/TEU	₹1630/TEU	₹2516/TEU	₹1508/TEU

7.1. A joint hearing in this case was held on 31 October 2014 at the NMPT premises. The NMPT has made power point presentation on the proposal. At the joint hearing, NMPT and Association of New Mangalore Port Stevedores Limited have made their submissions.

7.2. At the joint hearing, the Association of New Mangalore Port Stevedores (ANMPS) agreed to furnish its further comments within 3 days i.e. by 3 November 2014 to us and simultaneously forward a copy to the New Mangalore Port Trust (NMPT) to enable the port to furnish its comments thereon within three days.

7.3. After a reminder, the ANMPS furnished its comments vide letter dated 31 October 2014 alongwith copy of the KCCL comments dated 24 September 2014. These comments were forwarded to the NMPT vide our letter dated 18 November 2014 with the request to furnish its comments latest by 21 November 2014 to enable us to proceed further, as decided at the joint hearing. The NMPT furnished its comments on the comments of the ANMPS vide its letter dated 2 December 2014.

8.1. Subsequently, the NMPT, vide its letter dated 16 December 2014, informed the quantity of liquid, dry, break bulk and container cargo handled during the year 2013-14 and also furnished the break-up of foreign and coastal cargo handled during the year 2013-14 as below:

	Foreign vessel / cargo	Coastal cargo
Bulk cargo	98%	2%
Break bulk cargo	99%	1%
Container cargo	99.5%	0.5%

8.2. As mentioned in para 6.3., the NMPT has proposed rate for loading and unloading of 20’, 20’ to 40’ and above 40’ containers. The NMPT had not proposed rate for different container mix like laden, empty, reefer, hazardous containers, etc. In view of that the NMPT was requested, vide our letter dated 31 December 2014 to furnish a revenue estimation considering the container traffic for different container mix so as to match the Annual Revenue Requirement (ARR) estimated by the port in its revised proposal. Based on clause 5.3 of the 2005 tariff guidelines, the NMPT, vide its letter dated letter dated 31 December 2014 furnished proposed charges for hazardous and reefer charges. Subsequently, vide its email dated 15 January 2015 the port furnished proposed rates for loading and unloading of normal, reefer containers and hazardous containers, both loaded and empty, of upto 20', 20' to 40' and above 40' containers. Accordingly, the rates proposed for normal, reefer and hazardous containers are as below:

	Foreign		Coastal	
	Loaded	**Empty**	**Loaded**	**Empty**
Normal Containers				
Upto 20'	1258.02	599.52	754.81	359.71
20' to 40'	1887.03	899.28	1132.22	539.57
Above 40'	2516.04	1199.04	1509.63	719.43
Reefer Containers				
Upto 20'	1446.72	689.45	868.08	413.69
20' to 40'	2170.08	1034.17	1302.05	620.50
Above 40'	2893.40	1378.88	1736.04	827.33
Hazardous Containers				
Upto 20'	1509.62	719.42	905.77	431.65
20' to 40'	2264.44	1079.14	1358.66	647.48
Above 40'	3019.25	1438.85	1811.55	863.31

8.3. Later, the NMPT, vide its email dated 15 January 2015, furnished a working sheet showing the different category and type of containers likely to be handled by the newly procured 63T capacity MHC and also the estimated revenue earnings by these cranes due to handling of containers based on the actual traffic figures of 2013-14. The gist of the working is given below:

Sr. No.	**Particulars**	**Revenue Estimation (in ₹)**				**Total**
		Foreign		**Coastal**		
		20'	**40'**	**20'**	**40'**	
(i).	Normal container (loaded)	2,96,22,597	86,35,049	12,08,451	1,63,040	₹3,96,29,137
(ii).	Normal container (empty)	52,04,433	51,58,270	3,29,494	82,015	₹1,07,74,212
(iii).	Hazardous container (loaded)	1,50,962	--	--	---	₹1,50,962
(iv).	Hazardous container (empty)	--	--	--	---	--
(v).	Reefer container (loaded)	62,209	82,46,304,	---	---	₹83,08,513
(vi).	Reefer container (empty)	--	--	--	--	--
(vii).	Total estimated revenue	3,50,40,201	2,20,39,623	15,37,945	2,45,055	₹5,88,62,824
(viii).	Total number of containers in TEUs matching the optimal capacity	32,371	14,112	2517	296	49296 TEUs

(*It is relevant to mention here that the port in its proposal has assessed the normative capacity of the MHC at 60000 TEUs. The revenue estimation furnished by the port indicates the revenue for 20' TEUs and 20' to 40' feet boxes. Since the normative capacity is assessed in TEUs, the revenue estimation furnished by the port is suitably modified for indicating the estimated revenue in TEUs. Accordingly, the revenue estimation of ₹588.63 lakhs is arrived for 49,296 TEUs.)*

Note:

(i). Data of containers in numbers and TEUs are adopted from the audited figures for the year 2013-14.

(ii). It is assumed that the entire 49296 TEUs / 42092 boxes will be handled by the new MHCs. However, practically when two MHCs are handling break bulk and dry bulk cargo they may not be available for handling containers. Therefore, only 50% of the above containers handled may be from our own cranes. The estimated revenue from the two crane as computed in the above table shall be reduced accordingly to ₹2,38,60,243/-.

9. 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

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

(i). (a). The New Mangalore Port Trust (NMPT) has filed its proposal dated 12 August 2014 following the 2005 guidelines which was circulated to the concerned user / user association. Subsequent to the joint hearing the NMPT revised its proposed rates due to change in the rates of depreciation while furnishing its replies vide its letter dated 29 October 2014 to the queries raised by us. Accordingly the revised proposal dated 29 October 2014 along with the information furnished by the Port during the processing of this case is considered for analysis herein below.

(b). As per clause 3.1.4. of the 2005 guidelines, a Major Port Trust may send its proposal with the approval of its Board of Trustees. The views of the Trustees are to be considered if received within two months of submission of the proposal. As mentioned in the earlier part of the Order the NMPT has not furnished approval of its Board till finalization of this case. However, the proposal has the approval of the port's Chairman.

(ii). With regard to the proposal for fixation of tariff of MHC owned by the NMPT, the following points are noteworthy:

(a). Provision of cranage facility is one of the services listed under Section 48 of the Major Port Trusts Act, 1963 and, therefore, the tariff for providing cranage facility needs to be regulated by this Authority. The NMPT has filed this proposal for fixation of tariff for the two 63T capacity Mobile Harbour Crane (MHC) purchased and deployed by the NMPT.

(b). The NMPT has filed its proposal under the 2005 guidelines. The proposal was processed following the 2005 tariff guidelines. When the case was in advance stage of finalisation, the Government of India in the Ministry of Shipping (MOS) has issued Policy for Determination of Tariff for Major Port Trusts, 2015 which was notified by this Authority in the Gazette of India on 27 January 2015 vide G. No. 30 and made effective from 13 January 2015.

(c). In the context of Regulation of charges levied by other authorised service providers, Clause 9.1, 9.2 and 9.3. of the said Tariff Policy, 2015 prescribe the tariff setting method. One of the methodologies prescribed in the above clauses of the 2015 tariff guidelines to fix the tariff based on optimal capacity following the principles of 2008 Tariff Guidelines was being followed by this Authority in fixing the tariff for the MHC deployed by the authorised service providers as well as MHC owned and deployed by the Port Trusts even prior to the issue of the 2015 tariff guidelines. Even the NMPT has followed the same methodology in the subject proposal as can be seen in the subsequent paragraphs.

(d). As mentioned above, this Authority has been consistently following the same methodology for fixing the tariff of the MHC either deployed by the port itself or by the service providers authorized by the port. Further, the methodology followed in the subject proposal is similar to the methodology prescribed in clause 9.1. to 9.3. of the Tariff Policy guidelines, 2015. Even the NMPT, as prescribed under clause 9.1. to 9.3.

of the Tariff Policy, 2015 has in its revised proposal proposed performance standards for the MHC.

(iii). The NMPT has proposed hire charges for handling dry bulk cargo, break bulk cargo and containers. For the purpose of arriving at the proposed hire charge for each of the cargo type the NMPT has considered capital cost of MHC alongwith cost of one grab and spreader depending upon the usage of grab or spreader in handling of the envisaged cargo or container as the case may be. Thus, for the purpose of arriving at the proposed charges for dry bulk cargo the NMPT has considered the capital cost of the MHC and grab and for arriving at the proposed charges for handling containers the port has considered capital cost of MHC and spreader. For arriving at the proposed charges for handling break bulk cargo, the port has considered the capital cost of only the MHC. The operating cost is estimated by NMPT for handling each cargo type in line with the norms and approach adopted by this Authority while determining the hire charge for MHC at the ports and has also considered 16% return on the capital cost of MHC. Based on the Annual Revenue Requirement and the capacity of the MHC the hire charges for handling each type of cargo is proposed by the NMPT.

(iv). (a). Clause 2.4.1 of the tariff guidelines of 2005, *inter alia,* called for making attempts to evolve normative cost of each component of port operations. No specific guidelines have been laid down to fix tariff for the use of MHCs, either under 2005 tariff guidelines nor under 2008 tariff guidelines. Since, separate set of norms under clause 2.4.1 were not evolved, the norms prescribed in the tariff guidelines of 2008 are relied upon to test the reasonableness of the norms adopted by the NMPT. It is to mention that this Authority while fixing the tariff, under clause 7.2. of the 2005 guidelines for the MHC deployed by the service providers authorized by the Major Port Trusts like V. O. Chidambarnar Port Trust (VOCPT), Visakhapatnam Port Trust (VPT), New Mangalore Port Trust (NMPT), etc. and also at the Kandla Port Trust (KPT) and Mormugao Port Trust (MOPT) for the MHC deployed by the port itself, has adopted the approach of testing the reasonableness of the norms adopted by the port against the norms prescribed in the 2008 guidelines. Following the same approach the proposal of NMPT is discussed elaborately in the subsequent paragraphs.

(b). It is the prerogative of the NMPT to entrust the work of operations and maintenance of port owned cranes to the crane supplier. But, the NMPT proposal is finalised without getting influenced by the terms and conditions of the contract entered between the NMPT and the Crane supplier, but by the normative approach and general approach uniformly followed by this Authority in all other case of fixation of tariff for MHC.

(v). Capacity of the crane:

(a). The port has considered the handling rate of 461 tonnes per hour for handling dry bulk cargo, 50 % of the handling rate of dry bulk cargo as handling rate for break bulk cargo and 15 moves per hour for handling containers by the proposed MHC.

(b). The handling rate of 461 tonnes per hour is considered by the port based on the data given by the equipment manufacturer. In response to a point regarding annual capacity raised by the Kanara Chamber of Commerce and Industry (KCCI), the port has stated that the handling rate for break bulk cargo is considered as half of the dry bulk. The port has, however, not substantiated the handling rate for dry bulk cargo. Similarly, the port has not furnished the basis for considering the handling rate for containers at 15 moves per hour. The number of moves considered by NMPT is an assumption.

(c). The handling rate of 10000 tonnes per day for handling dry bulk cargo and 4000 tonnes per day for break bulk cargo (consisting of steel and bagged cargo) is a norm prescribed for fixation of the tariff for multipurpose cargo berth in the 2008 tariff guidelines by considering 3 numbers of Level Luffing Wharf Crane of 20T capacity each. Thus, on suitable adjustment the handling rate for dry bulk cargo comes to 595 tonnes per hour (being 10,000 tonnes per day divided by 70% of 24 hours) and for break bulk cargo 238 tonnes per hour (being 4000 tonnes per day divided by 70% of 24 hours). In the Order No. TAMP/23/2011-KPT dated 29 June 2011 relating to fixation of tariff for MHC of 60 tonnes deployed by the KPT, this Authority has considered handling rate of 595 tonnes per hour for dry bulk cargo and 238 tonnes per hour for break bulk cargo.

As the NMPT proposes to deploy 63T MHC, the handling rate of 595 tonnes per day for handling dry bulk cargo as considered by this Authority in fixing the charges for the 60T MHC at KPT is considered. In that case, the capacity of 63T Crane works out to 23,80,000 Tonnes per annum. With regard to the break bulk cargo, the port has not furnished the basis for considering the handling rate by its MHC at 50% of the handling rate of dry bulk cargo. This Authority has considered, vide Order No. TAMP/23/2011-KPT dated 29 June 2011, the handling rate for the break bulk cargo at 238 tonnes per hour while fixing the tariff for the 60T MHC deployed by the KPT (4000 x 24 x 0.7). The NMPT has not furnished any justification for deviation from the norm already considered by this Authority earlier. In view of that case the handling rate of 238 tonnes per hour is considered for handling break bulk cargo by the 63T MHC deployed by the NMPT. In that case, the capacity of the 63 Tonne crane to handle break bulk cargo works out to 9,52,000 tonnes per annum. Incidentally, none of the users consulted in the case have raised pointed objection to the handling of the MHC to handle rate of any of the cargo.

(d). As regards handling rate for containers, the 2008 guidelines prescribe a norm of 25 moves per hour by quay crane in the norms for fixation of upfront tariff for a dedicated container terminal. The norms for multipurpose cargo terminal does not prescribe handling rate for containers. Thus, no norms are found to be prescribed in the 2008 guidelines for handling containers by MHC. This Authority while fixing the tariff for the 100 tonne MHC deployed by the MOPT vide Order No. TAMP/25/2013-MOPT dated 4 August 2014 has considered the 20 moves per hour for assessing the capacity of the crane at 80000 TEUs. The subject crane at the NMPT is 63 T MHC. On suitable adjustment the rate of 15 moves per hour by a 63 tonne MHC considered by the NMPT appears to be reasonable.

Recognizing that no specific norms are prescribed for handling containers by 63 tonne MHC and as the handling rate of 15 moves per hour considered by the NMPT appears to be reasonable for the reasons mentioned above, this Authority relies upon the judgment of the NMPT for assessing the capacity of the MHC for containers.

(e). The NMPT has considered 4000 hours for assessing the capacity of the cranes proposed to be deployed. This Authority while fixing the hire charge for MHC at other Major Port Trusts including NMPT has considered 4000 hours based on the working hours norm prescribed in the 2008 guidelines for multipurpose cargo berth. Hence, the hours of working at 4000 hours considered by NMPT is in line with the norms prescribed in the Tariff Guidelines of 2008.

(f). As stated earlier, the NMPT has arrived at the proposed hire charges for handling dry bulk cargo, break bulk cargo and containers by considering the capital cost of MHC alongwith cost of grab and spreader depending upon the usage of grab or spreader in handling of the envisaged cargo/ container.

Thus, depending upon the handling rate and the number of working hours, the standard capacity of the MHC is arrived separately for each type of cargo groups (i.e.) dry bulk cargo, break bulk cargo and container with reference to the handling rate as mentioned above. Accordingly, the normative capacity of the 63 T MHC works out to 23,80,000 tonnes for dry bulk cargo, 9,52,000 tonnes for break bulk cargo and 60,000 TEUs for container handling, which are considered in this analysis.

(vi). Capital Cost:

(a). As stated earlier, the NMPT has considered capital cost of the MHC for each of the type of cargo proposed to be handled. The NMPT has stated that grabs are used only for handling dry bulk cargo and not for break bulk or containers. Similarly, spreaders are used only for containers and not for dry bulk or break bulk cargo. In view of that capital cost for arriving at the proposed rate for handling dry bulk and container consists of capital cost of MHC plus the cost of grab or spreader, as the case may be.

(b). The capital cost of the MHC for handling dry bulk is considered by the port at Euros 27,15,000 which consists of the Euro 26,50,000 for one MHC and Euro 65,000 for one grab. Similarly, the capital cost of the MHC for handling containers is considered by the port at Euro 27,60,000 which consist of the Euro 26,50,000 for one MHC and Euro 1,10,000 for one spreader. The capital cost of only MHC i.e. Euro 26,50,000 is considered for arriving at the handling cost of break bulk cargo. Considering the exchange rate of ₹80 per Euro the port has quantified the capital cost of ₹2172 lakhs, ₹2120 lakhs and ₹2208 lakhs respectively for computation of tariff for dry bulk, break bulk and containers.

(c). This Authority while fixing the tariff for MHC has been updating the capital cost of the MHC with the exchange rate prevailing at the time of finalizing the case. The exchange rate prevailing at the time of finalizing this case is around ₹68 per Euro. As mentioned by the NMPT the capital cost of the said cranes has already been capitalized in the year 2014-15. Since the cost of cranes were already capitalized, the capital cost as considered by NMPT is considered in this analysis.

(vii). Operating cost:

(a). Fuel:

(i). The NMPT has considered fuel consumption of 38.4 liters for handling dry bulk and break bulk cargo and 32.7 liters for handling containers. Infact, in response to our query the NMPT has stated that the average actual fuel consumption per hour is around 39 liters per hour.

(ii). From the above it can be seen that there is variation in the actual fuel consumption and fuel consumption as assessed by the NMPT. The port has not furnished any evidence for relying on the fuel consumption as assessed by them. The fixation for hire charge for MHC is being done on normative basis by testing the reasonableness of the norms considered by the port against the norms prescribed in the 2008 guidelines. Since the hire charges are fixed based on normative basis it may not be appropriate to rely on the rate of actual fuel consumption indicated by the port.

(iii). In any case, no exclusive fuel consumption norm for a MHC is prescribed in the tariff guidelines of 2008. While prescribing the hire charge for a 100 tonne MHC at other Major Port Trusts, the fuel consumption of 70 liters per hour per MHC for 4000 hours per annum is being being considered. This Authority, while fixing the hire charge for 60 T MHC at the KPT, has considered the fuel consumption of 33.33 liters per hour per crane based on the manufacturer's manual. When asked in this regard, the NMPT has not furnished reason for considering higher rate of fuel consumption for handling dry bulk and break bulk cargo than the rate of fuel consumption considered for more or less similar capacity MHC at KPT.

(iv). In view of the above and recognizing that fuel consumption for 60 T MHC at the KPT at 33.33 liters per hour has already been accepted in KPT case earlier, the fuel consumption of 33.33 liters for the subject MHC of the NMPT is considered in this case also.

(v). This Authority while fixing the tariff has been considering the price of the fuel prevailing at the time of the finalizing the proposal by considering the norms prescribed in the 2008 tariff guidelines as done in other ports. While disposing of the proposal received from the Paradip Port Trust (PPT) for fixing the tariff for the MHC, this Authority, vide its Order no. TAMP/34/2014 -PPT dated 28 November 2014, has considered the price of the premium diesel which is costlier than the normal high speed diesel for estimating the operating cost. In line with the approach so followed the fuel cost is considered at the prevailing rate of premium diesel at ₹56.34 per litre for the fuel consumption for 4000 hours considered by the NMPT.

(b). Repairs and Maintenance cost:

(i). The NMPT has considered the repairs and maintenance cost at ₹150 lakhs per annum for each of the cargo type envisaged to be handled reportedly based on the order placed on the crane supplier. The port has stated that the amount of ₹150 lakhs includes cost of skilled operator for operating all the 3 shifts, including reliever, which is not taken into consideration anywhere else in the computation. Hence, the R&M cost is approx. 6.6% of capital cost of asset.

(ii). The hire charges for MHC is being fixed on the normative basis. As per the norms prescribed for multipurpose cargo berth in the 2008 guidelines, this Authority has considered 5% of the capital cost as repairs and maintenance cost for fixing the hire charge for MHC operated by the service providers authorized by the port or the MHC deployed by the port itself at the VPT or KPT.

(iii). In view of the above the assessed repairs and maintenance cost is modified in line with the prevailing approach followed by this Authority for fixing the hire charges for MHC at other major ports.

(iv). User association like Kanara Chamber of Commerce and Industry (KCCI) have requested to reduce this cost by 1/3rd for first three years and since the cost of the crane is inclusive of repairs and maintenance cost for first two years this cost needs to be eliminated for first two years. The port has argued that as against the repairs and maintenance cost of ₹1.69 crores it has considered only ₹1.50 crores. As per the reply furnished by the NMPT to the query raised by us, the guarantee period for the MHC covers the repairs and maintenance of the crane for first two years. However, as stated earlier, this proposal is processed based on normative approach without getting influenced by the contract entered by the port and the actual expenditure incurred or to be incurred by the NMPT. Accordingly, the estimate of repairs and maintenance is moderated at @ 5% of the capital cost as per norm.

(c). (i). Insurance and other expenses is considered by the NMPT at 1% and 5% of the capital cost respectively. This is found to be in line with the norms prescribed in 2008 guidelines and the percentages considered for estimating the insurance and other expenses at other Major Ports Trusts while fixing tariff for the use of MHC. That being so, the estimates considered by the NMPT is accepted.

(ii). KCCI has submitted that the insurance cost should be re-negotiated and that depreciation should be considered at 6.66%. As rightly stated by the NMPT, insurance is considered as per the norms prescribed in the 2008 guidelines and that the depreciation rate considered by it is as per the Companies Act.

(d). The NMPT had considered depreciation at 10.34% in its initial proposal. When specifically asked to update the depreciation rate as per the relevant provisions of the Companies Act, 2013, the port has revised the depreciation considering the life of the equipment as 15 years and calculated the depreciation at 6.33% on the average written down value of the MHC.

It is relevant to mention in this regard that during the disposal of the proposal received from the Chennai Port Trust (CHPT) for fixation of Reference tariff for the use of MHC, the CHPT had then submitted that the provisions as per the Companies Act 2013 (Schedule II of section 123 Part C(K) (2) and notes under Serial No. 6 of the Companies Act 2013) suggest that the useful life of heavy lift equipment be considered as 20 years. This translates to a depreciation rate of 5% per annum. However, the Act also suggests that the depreciation rate be increased by 100% of existing rate in case of a three shift operation. This would mean that the depreciation rate of 5% gets doubled to 10%. Accordingly, the depreciation in the case of MHC was considered at 10% of capital cost of the MHC. In the recent proposal filed by the PPT the same rate of depreciation i.e. 10% is considered for fixing the tariff for the MHC.

In line with the above decision the rate of depreciation on the MHC is considered at 10%.

(viii). The NMPT has considered 16% Return on Capital Employed (ROCE) on the average of the Written Down Value (WDV) of the MHC for three years. The KCCI has objected to considering 16% return on the ground that the port has not borrowed funds at 16% for acquiring the asset but is acquired out of internal funds. The user is not concerned with source of funds but concerned with the asset put to use. The port is entitled return on the investment made by it to acquire the MHC which is put to use. As rightly argued by NMPT, as per clause 2.4. of the 2008 guidelines return is to be allowed on the capital employed. As regards the ROCE on the WDV considered by the NMPT, it has to be recognized that the tariff for MHC is being fixed following normative approach whereas WDV is considered under cost plus approach. It is not appropriate to follow a mixed approach.

As per clause 3.7. of the 2008 guidelines the return is to be allowed on the capital cost. This Authority while fixing the hire charge for MHC at other ports has allowed return on the capital employed. This Authority has decided to allow Return on Capital Employed in the cases decided during the year 2014-15 at 16%. Accordingly, the return at 16% on the capital employed i.e. capital cost of the MHC for each type of cargo is allowed.

(ix). (a). Based on the above discussion, Annual Revenue Requirement (ARR) from cargo envisaged to be handled, which is the sum total of the annual operating cost and return on the capital employed is calculated. The ARR for the dry bulk, break bulk cargo and container is calculated. Accordingly, the assessed ARR is tabulated below:

Sr. No.	Type of cargo	ARR assessed by the NMPT	ARR assessed by us with Repairs & Maintenance cost
(i).	Dry bulk Cargo	₹762.15 lakhs	₹878.75 lakhs
(ii).	Break Bulk Cargo	₹750.04 lakhs	₹859.51 lakhs
(iii).	Containers	₹ 754.82 lakhs	₹892.07 lakhs

(b). Thus, considering the ARR as assessed by us and the normative capacity of the MHC at 23,80,000 tones for handling dry bulk cargo, 9,52,000 tonnes for handling break bulk cargo and 60000 TEUs for handling containers, as mentioned above, the rate approved by this Authority is worked out.

(x). Clause 4.3. of the 2005 guidelines, as well as Clause 8.5 of the Tariff Policy, 2015 which is issued as policy direction by the Government, stipulates prescription of concessional tariff for coastal cargo. As per the said clause, concessional tariff is to be prescribed for coastal cargo (other than thermal coal and POL including crude oil, iron ore and iron ore pellets) not exceeding 60% of the normal cargo/ vessel related charges. The Government policy of allowing concessional rate for coastal cargo is binding on NMPT as well as this Authority. From the details furnished by the NMPT, it is seen that during the year 2013-14 the ratio of foreign and coastal dry cargo handled by the MHC is 98% and 2%. Similarly, the ratio of the foreign and coastal break bulk cargo handled during the year 2013-14 is 99% and 1 % whereas the ratio for handling container cargo is 99.5% and 0.5%. The ratio furnished by the port for 2013-14 is relied upon.

(xi). Considering the assessed capacity and ARR and also considering the share of the foreign and coastal traffic position reported by the port as well as the impact of the concession, the rates for dry bulk and break bulk cargo are worked out. The rates proposed by the port and the rates approved for dry bulk and break bulk cargo are tabulated below:

Sr. No.	Type of cargo	Rate proposed for the Foreign cargo by the NMPT	Rate approved for the Foreign cargo
(i).	Dry bulk Cargo	₹41.33 per tonne	₹37.22 per tonne
(ii).	Break Bulk Cargo	₹81.53 per tonne	₹90.65 per tonne

(xii). The difference in rates proposed by the NMPT and the rates approved by this Authority is mainly attributable to difference in the handling rate and in turn the normative capacity of the MHC, updation of the fuel cost, reassessing the repair and maintenance cost and considering the ROCE on the capital cost. Apart from that the rates approved are arrived considering the impact of coastal concession on the foreign cargo.

(xiii). (a). It is relevant here to mention that the NMPT, in addition to proposing of rates for handling dry bulk cargo and break bulk cargo, has also proposed the rate for handling different categories and sizes of containers vide its letter dated 29 October 2014, 31 December 2014 and 15 January 2015. Based on handling rate of 15 moves per hour by the MHC for 4000 hours per year the optimal capacity of the MHC with spreader was assessed at 60000 TEUs. As discussed in the earlier paragraph, based on the assessed capacity of the MHC the ARR for the container handling is worked out at ₹892.07 lakhs per annum.

(b). As mentioned in the first part of the Order, the NMPT had initially proposed rates for containers based on its size. Subsequently, after the joint hearing, the port has proposed rates for normal, reefer and hazardous containers for different categories and sizes of containers i.e. laden and empty, 20'/ 40' and above 40' containers in TEUs handled based on audited figures for 2013-14. However, as against the normative capacity of 60000 TEUs assessed by the NMPT the port has furnished revenue estimation ₹588.63 lakhs for 49,296 TEUs, based on rates for various categories and sizes of containers. The revenue estimation of ₹588.63 lakhs furnished by the port from handling different categories and sizes of containers does not match with the Annual Revenue Requirement (ARR) of ₹754.82 lakhs estimated by the NMPT in its proposal from handling containers by the MHC. The port has, however, not explained how the revenue gap would be bridged. The data of various categories and sizes of containers handled by the NMPT during the year 2013-14 is extrapolated in the same proportion to match with the normative capacity of 60000 TEUs and arrived at the revenue estimation based on the rates proposed by the NMPT. The revenue so estimated at ₹716.44 lakhs for 60,000 TEUs does not match with the revenue estimated by us at ₹892.07 for the same capacity of 60,000 TEUs. In this connection, it is noteworthy that based on the normative capacity of 60000 TEUs the revenue estimated at the proposed rates is ₹716.44 lakhs as against the revenue estimated by us at ₹892.07 lakhs. In view of that and in order to enable the port meet the revenue estimation of ₹892.07 lakhs a suitable adjustment in proportion to the revenue estimation vis-a-viz the normative capacity of 60000 TEUs is made to the extent of 24.51% in the rates proposed by the NMPT for various categories and sizes of containers.

(c). It is relevant here to state the share of foreign and coastal container traffic furnished by the port vide its letter dated 16 December 2014 is different from the share of foreign and coastal containers as seen in the revenue estimation furnished by the port vide its email dated 15 January 2015. As the revenue estimation is based on the audited figures of 2013-14, the proportion of foreign and coastal containers maintained by the NMPT in its revenue estimation is maintained in our calculations.

(xiv). The cost statements submitted by the NMPT are modified in line with the above discussion. The modified cost statements are attached as **Annex-I, II** and **III (a)** to **(c).**

(xv). (a). Clause 5.9 of the 2005 Guidelines called for linking tariff to the benchmark levels of productivity, providing incentive for better performance and disincentive for performance below the benchmark levels. Accordingly, performance linked tariff for the MHC was prescribed at various Major Port Trusts, including the NMPT, where the MHC is deployed by the service providers authorized by it. The performance linked tariff is also fixed for the MHC owned and operated by the KPT. The tariff at the KPT has been prescribed for dry bulk cargo and break bulk cargo by taking into account the base performance level at 10,000 tonnes per day and 4000 tonnes per day respectively based on the handling rates considered while determining the normative capacity vide Order No. TAMP/23/2011-KPT dated 29 June 2011.

(b). The NMPT had not proposed performance linked charges for any of the cargo type in its initial proposal. While seeking additional information / clarification on the proposal the NMPT was advised to propose performance linked tariff for its own MHC, in line with the performance linked tariff prescribed in other Major Port Trusts including at the NMPT, by way of increment in the base rate if the performance achieved is more than the bench mark level. The port has proposed for prescribing penalty of ₹2000/- per shortfall hours per crane if the requisite availability of crane for 90% of the total hours per quarter is not achieved by the contractor. Further, if the crane is available and the operator is not available for operation of the crane, then the penalty of ₹2000/- per hour shall be levied on the contactor. The NMPT has agreed at the joint hearing to pass on the penalty levied on the contractor for non-achievement of performance to the users.

It is appears from the NMPT reply to the queries that the port has entered in to contract for operation of the MHC at the port. The levy of penalty appears to be an arrangement between the port and the contractor appointed for operation of the MHC. Prescription of the penalty clause as Performance Standard will not enable the port to link the achievement or non-achievement of benchmark level of productivity for the purpose of indexation of the tariff.

(c). This Authority has prescribed by way of reward of 5% by way of increment in the base rate if the performance achieved is 1000 tonnes higher than the bench mark level performance. The tariff linked to bench mark performance is prescribed for the MHC operated by the authorized service providers at VPT, PPT, VOCPT and even at NMPT. Even performance linked tariff is prescribed for the MHC operated by the KPT. That being so, it is necessary to prescribe performance linked tariff. In this connection the port has stated after observing the trend of usage it shall approach this Authority with concrete volume concession. Volume concession would perhaps be different from performance linked tariff. The port may offer volume concession to attract more volume for use of the MHC. The issue regarding volume concession can be dealt with as when the port approaches this Authority with a concrete proposal as stated by the NMPT.

(d). As prescribed in clause 2.8 of the 2015 tariff guidelines the port can index its tariff automatically to inflation from second year onwards subject to achievement of Performance Standards as per clause 3.2.. In order to enable the port to index its tariff it is necessary to prescribe the performance linked tariff for use of the MHC operated by the NMPT for handling dry bulk and break bulk in line with the performance linked tariff prescribed for the MHC operated by the authorized service providers or the port itself If the Performance Standard is not fulfilled, no indexation would be allowed during the next year.

(xvi). As stated earlier, when the case was in advanced stage of finalization the Government of India in the Ministry of Shipping issued Policy for Determination of Tariff for Major Port Trusts, 2015 which was notified by this Authority in the Gazette of India on 27 January 2015 vide G. No. 30. The said Tariff Policy has come into effect from 13 January 2015.

This Authority has recently passed an Order No. TAMP/24/2013-NMPT dated 13 February 2015 approving the tariff for the 100 tonne MHC deployed by the service providers authorised by the NMPT. The tariff so approved is subject to indexation of the approved tariff from the effective date of commencement of the second year in line with clause 2.9. read with clause 2.8. and 3.2. of the Tariff Policy, 2015.

As mentioned earlier, the NMPT in the subject proposal has proposed tariff following the methodology prescribed in the 2005 guidelines. Further, the tariff fixed is linked to bench mark level of performance and performance linked tariff by way of reward of 5% increase in the base rent if the performance achieved is 1000 tonnes higher than the bench mark level is fixed. Clause 3.2. of the Tariff Policy, 2015 allows indexation of SOR as provided in Clause 2.8 subject to achievement of Performance Standards and if performance standard is not achieved no indexation would be allowed during the next year. Even the tariff for the MHC provided by the authorised service provider fixed vide Order dated 13 February 2015, above cited, prescribes an indexation clause. The tariff is fixed with reference to the bench mark level of performance. In view of that and recognising that the tariff is fixed following the parameters prescribed in the 2008 guidelines, suitable note for the 63T MHC owned and deployed by the NMPT is prescribed in the Scale of Rates of the NMPT to enable the port to effect indexation on the approved tariff from the effective date of commencement of the second year, subject to achievement of the base performance standard levels.

(xvii). As per section 48 of the Major Port Trusts Act, 1963 this Authority is mandated to frame Scale of Rates and statement of conditionalities under which any of the services mentioned in the said section shall be performed. The NMPT has not proposed conditionalities governing the proposed rate. This Authority has prescribed conditionalities / notes for the tariff for the MHC deployed by the authorized service providers as well as for the tariff for the MHC owned and deployed by the KPT. Therefore, the NMPT is advised to file a suitable proposal for prescription of conditions governing the application of rates within two months of date of notification of this order.

(xviii). As stated in the earlier part of the Order, the existing SOR of the NMPT does not prescribe any rate for handling by 63 T MHC. The port has reported that it is charging the rate approved by this Authority for 100T crane as provisional rate from the date of commissioning of the crane i.e. from 5 September 2014. The port has also stated that consensus on levy of a provisional rate did not materialize in its meeting with the port users held on 20 September 2014.

Generally, the rates approved by this Authority have prospective effect. Though the NMPT has expressed inability to arrive at the consensus for levy of the provisional rates, it is noteworthy that none of the users have objected to the rates levied by the NMPT on provisional basis. The rates proposed for levy on provisional basis is ₹38.34 per tonne for dry bulk and ₹72.90 per tonne for break bulk cargo.

Recognizing that none of the users consulted in the subject proposal have raised any pointed objection on the provisional rates levied, the action of NMPT of levying the provisional rate on adhoc basis is recognised as such.

(xix). Clause 2.9. of the Tariff Policy, 2015 prescribes the validity of the SOR of the port for three years subject to indexation as mentioned in clause 2.8. and 3.2. That being so, the validity of the approved hire charge for 63 T MHC owned and deployed by the NMPT is prescribed for three years from the date of implementation of this Order. Since the cranes are already under operation, the tariff for the subject MHC shall come into force after expiry of 15 days from the date of notification of the Order in the Gazette of India and shall remain in force for a period of three years. The approval accorded shall automatically lapse unless specifically approved by this Authority.

(xx). The hire charge for 63 T MHC is incorporated in the existing Scale of Rates of the NMPT under Chapter VI-Other Charges under Clause 6.9.-Charges for use of Harbour Mobile Cranes deployed by the NMPT.

11.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the following:

"6.9. **Charges for use of the 60-64 Tonne Mobile Harbour Crane deployed by the New Mangalore Port Trust**:

(I). For Dry Bulk Cargo:

Average daily crane performance (in Metric Tonne)	**Ceiling rate per tonne (in ₹) from the effective date for third year in operation**	
	Foreign	**Coastal**
10000	37.22	22.33
10001-11000	39.08	23.45
11001-12000	40.94	24.56

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes and for the 2nd thousand tonnes the rate was enhanced to 110% of the base rate. The same methodology shall also be adopted to calculate the rate beyond 12000 tonnes.

(ii). For Break Bulk Cargo

Average daily crane performance (in Metric Tonne)	**Ceiling rate per tonne (in ₹) from the effective date for third year in operation**	
	Foreign	**Coastal**
4000	90.65	54.39
4001-5000	95.18	57.10
5001-6000	99.71	59.83

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes and for the 2nd thousand tonnes the rate was enhanced to 110% of the base rate. The same methodology shall also be adopted to calculate the rate beyond 6000 tonnes.

(iii). For containers:

	Foreign		**Coastal**	
	Loaded	**Empty**	**Loaded**	**Empty**
Normal Containers				
Upto 20'	1566	746	940	448
20' to 40'	2350	1120	1410	672
Reefer Containers				
Upto 20'	1801	858	1081	515
20' to 40'	2702	1288	1621	773
Hazardous Containers				
Upto 20'	1880	896	1128	537
20' to 40'	2820	1344	1692	806

(iv). After completion of one year from the effective date of implementation of this Order, the rate for the benchmark level of the average daily crane performance at 10000 Metric Tonne for Dry Bulk Cargo, 4000 Metric Tonne for Break Bulk cargo and 60000 TEUs, shall be indexed annually to meet the cost of inflation to the extent of 100% of the variation in Wholesale Price Index (WPI) announced by the Government of India occurring between 1st January 2015 and 1st January of the relevant year as per clause 2.8. of the Tariff Policy, 2015 subject to achievement of the bench mark level of the average daily crane performance. The benchmark level of the average daily crane performance is to be calculated taking into account the total tonnage (cargo wise) handled in a year divided by the total time taken for the respective cargo group. Such automatic adjustment of SOR will be made every year and the adjusted SOR will come into force from 1st April of the relevant year to 31st March of the following year.

11.2. The rates approved shall come into effect after expiry of 15 days from the date of notification of the Order in the Gazette of India and shall remain in force for a period of three years. The approval accorded shall automatically lapse unless specifically extended by this Authority.

(T.S. Balasubramanian)
Member (Finance)

Annex - I

Fixation of hire charge for a 63 tonne MHC owned by the NMPT for cargo handling operation (Dry Bulk) at New Mangalore Port Trust

Sl. No	Particulars	As furnished by the NMPT		As considered by the Authority	
		Workings	Estimates	Workings	Estimates
I	**Optimal Capacity (Dry Bulk Cargo)**				
	Handling rate per hour (In tonnes per hour)	Average of single movement & Combined movement	461	Handling rate as considered in the proposal of KPT as per norms for dry bulk cargo like food grains, coal, etc.is 10000 tonnes per day. [Handling rate per hour: 10000/ (24 * 70% utilisation factor)]	595
	Working hours per annum	A norm of 4000 hours of working in a year is prescribed for estimating power/fuel cost	4000	A norm of 4000 hours of working in a year is prescribed for estimating power / fuel cost	4000
	Annual Capacity (in tonnes)	461 * 4000	**1,844,000**	595 * 4000	**2,380,000**
II	**Capital Cost of 1 HMC with grab**	Euro 27,15000. 1 Euro is considered at Rs.80/- as considered by NMPT.	₹ 2,172	As considered by the port	₹ 2,172
III	**Operating Cost**	**Rs. In Lakhs**			
	(a) Fuel Cost	Fuel consumption considered as average of single movement & combined movement i.e.38.4 liters * 4000 hours * Rs. 69 per	₹ 105.98	33.33 liters*4000 hours*Rs. 56.34 per liter	₹ 75.11
	(b) Repair & Maintenance	As per CMC order the total cost of Maintenance including spares per Cranes is Rs.150 lakhs	₹ 150.00	5% of the Capital Cost i.e. 5% * Rs.2172 lakhs from third year onwards	₹ 108.60
	(c) Insurance	1% on Capital cost i.e.1%*Rs.2172 lakhs	₹ 21.72	1% on Capital cost i.e. 1% * Rs.2172 lakhs	₹ 21.72
	(d) Depreciation	As per Companies Act, 2013 i.e. 6.33% * Rs. 2172 lakhs	₹ 137.49	As per Companies Act, 2013 i.e. 10% * Rs. 2172 lakhs	₹ 217.20
	(e) Other Expenses	2% of Gross fixed Asset Value i.e. 2% * Rs. 2172 lakhs	₹ 43.44	5% of Gross fixed Asset Value i.e.5%*Rs.2172 lakhs	₹ 108.60
	Total (a) to (e)		**₹ 458.63**		**₹ 531.23**
IV	**ROCE**	On average of Written down value of the MHC for three years i.e. 16%*1897.02	**₹ 303.52**	On the Gross Fixed Asset Value (i.e.16%*2172 lakhs)	**₹ 347.52**
V	**Annual Revenue Requirement**	**(III) + (IV)**	**₹ 762.15**	**(III) + (IV)**	**₹ 878.75**
VI	Hire Charge per tonne (Foreign) in Rs.	Rs.762.15 lakhs i.e. Annual Revenue Requirement divided by optimal capacity i.e. 1.844 Million Tonnes	**₹ 41.33**	Rs.875.71 lakhs i.e. Annual Revenue Requirement divided by (2380000*98%+2380000*2%*60%)	**₹ 37.22**
VII	Hire charge per tonne (Coastal) in Rs.	60% of hire charge for foreign cargo i.e. Rs. 41.33	**₹ 24.80**	60% of hire charge for foreign cargo i.e. Rs.37.22.	**₹ 22.33**

Annex - II

Fixation of hire charge for a 63 tonne MHC owned by the NMPT for cargo handling operation (Break Bulk Cargo) at New Mangalore Port Trust

Sl. No	Particulars	As furnished by the NMPT		As considered by the Authority	
		Workings	**Estimates**	**Workings**	**Estimates**
I	**Optimal Capacity (Break Bulk Cargo)**				
	Handling rate per hour (In tonnes per hour)	50% of the handling rate of dry bulk cargo (461*50%)	230	Handling rate as considered in the proposal of KPT as per norms for dry bulk cargo like food grains, coal, etc.is 4000 tonnes per day. [Handling rate per hour: 4000/ (24 * 70% utilisation factor)]	238
	Working hours per annum	A norm of 4000 hours of working in a year is prescribed for estimating power/fuel cost	4000	A norm of 4000 hours of working in a year is prescribed for estimating power / fuel cost	4000
	Annual Capacity (in tonnes)	**230 * 4000**	**920000**	**238 * 4000**	**952000**
II	Cost of HMC (Rs. In Lakhs)	Euro 26,50000. 1 Euro is considered at Rs.80/-	₹ 2,120	As considered by the port	₹ 2,120
III	Operating Cost	**Rs. In Lakhs**			
	(a) Fuel Cost	Fuel consumption considered as average of single movement & combined movement -- 38.4 liters * 4000 hours * Rs. 69 per liter	₹ 105.98	33.33 * 4000 * 56.34	₹ 75.11
	(b) Repair & Maintenance	As per CMC order the total cost of Maintenance including spares per Cranes is Rs.150 lakhs	₹ 150.00	5% of the capital cost from third year onwards	₹ 106.00
	(c) Insurance	1% on Capital cost of Equipments --1% & Rs. 2120 lakhs	21.20	1% on Capital cost i.e. 1%*Rs.2120 lakhs	₹ 21.20
	(d) Depreciation	As per Companies Act, 2013--i.e. 6.33% of Rs. 2120 lakhs	₹ 134.20	As per Companies Act, 2013 i.e. 10% * Rs. 2120 lakhs	₹ 212.00
	(e) Other Expenses	2% of Gross fixed Asset Value--i.e.2% * Rs. 2120 lakhs	₹ 42.40	5% of Gross fixed Asset Value i.e. 5% * Rs.2120 lakhs	₹ 106.00
	Total (a) to (e)		**₹ 453.78**		**₹ 520.31**
IV	**ROCE**	On average of the WDV of the MHC for three years	**₹ 296.26**	On the Gross Fixed Asset Value (16%*1802 lakhs)	**₹ 339.20**
V	**Annual Revenue Requirement**	**(III) + (IV)**	**₹ 750.04**	**(III) + (IV)**	**₹ 859.51**
VI	**Hire Charge per tonne (Foreign) in Rs.**	Rs.750.04 lakhs/9.20 Million Tonnes	**₹ 81.53**	Rs.856.47 lakhs i.e. Annual Revenue Requirement divided by (952000*99%+952000*1%*60%)	**₹ 90.65**
VII	**Hire charge per tonne (Coastal) in Rs.**	60% * 81.53	**₹ 48.92**	60% of hire charge for foreign cargo i.e. Rs.90.65.	**₹ 54.39**

Annex - III (a)

Fixation of hire charge for a 63 tonne MHC owned by the NMPT for Container operation at New Mangalore Port Trust

Sl. No.	Particulars	As furnished by the port		As considered by the Authority	
		Workings	**Estimates**	**Workings**	**Estimates**
I	**Optimal Capacity (Container operations)**				
	Handling rate per hour (In tonnes)	Average of single movement & Combined movement	15	As considered by the port	**15**
	Working hours per annum	A norm of 4000 hours of working in a year is prescribed for estimating power/fuel cost	4000	A norm of 4000 hours of working in a year is prescribed for estimating power/fuel cost	**4000**
	Annual Capacity (in TEUs)	15 * 4000	**60000**	15 * 4000	**60000**
II	**Cost of HMC (Rs. In Lakhs)**	Euro 27,60000. 1 Euro is considered at Rs.80/-	**₹ 2,208.00**	As considered by the port	**₹ 2,208.00**
III	**Operating Cost**	**-**	**Rs. In Lakhs**	**-**	**Rs. In Lakhs**
	(a) Fuel Cost	Fuel consumption considered as average of single movement & combined movement - 32.7 liters * 4000 hours * Rs. 69 per liter	₹ 90.25	33.33*4000*56.34	₹ 75.11
	(b) Repair & Maintenance	As per CMC order the total cost of Maintenance including spares per Cranes is Rs.150 lakhs	₹ 150.00	5% of the Capital Cost i.e. 5% * Rs.2208 lakhs	₹ 110.40
	(c) Insurance	1% on Capital cost --i.e.1% & Rs. 2208 lakhs	₹ 22.08	1% on Capital cost i.e. 1% * Rs.2208 lakhs	₹ 22.08
	(d) Depreciation	As per Companies Act, 2013 - 6.33% * Rs. 2208 lakhs	₹ 139.77	As per Companies Act, 2013 i.e. 10% * Rs.2208 lakhs	₹ 220.80
	(e) Other Expenses	2% of Gross fixed Asset Value-- 2% * Rs. 2208 lakhs	₹ 44.16	5% of Gross fixed Asset Value i.e. 5% * Rs.2208 lakhs	₹ 110.40
	Total (a) to (e)		**₹ 446.26**		**₹ 538.79**
IV	**ROCE**	On average WDV of the MHC for three years--16%*1928.47	**₹ 308.56**	16%*2208 lakhs	**₹ 353.28**
V	**Annual Revenue Requirement**	(III) + (IV)	**₹ 754.82**	**(III) + (IV)**	**₹ 892.07**

Income estimation furnished by NMPT

ANNEX - III (b)

	CONTAINER IN TEUs				RATES PROPOSED BY NMPT				REVENUE ESTIMATION in Rs				
	Foreign		Coastal		Foreign		Coastal		Foreign		Coastal		Total
	20ft	40ft	20ft	40ft	20ft	40ft	20ft	40ft	20ft	40ft	20ft	40ft	
Normal Container (Loaded)	23,547	4,576	1,601	144	1,258.02	1,887.03	754.81	1,132.22	29,622,597	8,635,049	1,208,451	163,040	39,629,137
Normal Container (Empty)	8,681	5,736	916	152	599.52	899.28	359.71	539.57	5,204,433	5,158,270	329,494	82,015	10,774,212
Hazardous Container (Loaded)	100	-	-	-	1,509.62	2,264.44	905.71	1,358.66	150,962	-	-	-	150,962
Hazardous Container (Empty)	-	-	-		719.42	1,079.14	431.65	647.48	-	-	-	-	-
Reefer Container (Loaded)	43	3,800	-	-	1,446.72	2,170.08	868.08	1,302.05	62,209	8,246,304	-		8,308,513
Reefer Container (Empty)	-	-	-	-	689.45	1,034.17	413.69	620.50	-	-	-	-	-
TOTAL Estimated Revenue Requirement	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**35,040,201**	**22,039,623**	**1,537,945**	**245,054**	**58,862,824**
Container Handled by NMPT as per the audited figures for the year 2013-14	**32,371**	**14,112**	**2,517**	**296**	**0**	**0**	**0**	**0**	**-**	**-**	**-**	**-**	**49,296**

If the revenue estimation for the containers handled as furnished by the NMPT is extrapolated to the normative capacity of the MHC for handling containers the revenue estimation at the rates proposed by the NMPT is given hereunder

	CONTAINERs IN TEUs				RATES PROPOSED BY NMPT				REVENUE ESTIMATION in Rs				
	Foreign		Coastal		foreign		coastal		foreign		coastal		TOTAL
	20ft	40ft	20ft	40ft	20ft	40 ft	20ft	40ft	20ft	40 ft	20ft	40ft	
Normal Container (Loaded)	28,660	5,570	1,949	175	1,258.02	1,887.03	754.81	1,132.22	36054767.45	10510040.51	1470850.548	198,442	48,234,100
Normal Container (Empty)	10,566	6,981	1,115	185	599.52	899.28	359.71	539.57	6334509.64	6278322.882	401039.8734	99,823	13,113,695
Hazardous Container (Loaded)	122	-		-	1,509.62	2,264.44	905.71	1,358.66	183741.48	0	0	-	183,741
Hazardous Container (Empty)	-	-		-	719.42	1,079.14	431.65	647.48	0	0	0	-	-
Reefer Container (Loaded)	52	4,625		-	1,446.72	2,170.08	868.08	1,302.05	75716.84518	10036884.13	0	-	10,112,601
Reefer Container (Empty)	-	-		-	689.45	1,034.17	413.69	620.50	0	0	0	-	-
TOTAL Estimated Revenue Requirement									**42,648,735**	**26,825,248**	**1,871,890**	**298,265**	**71,644,138**
Number of Containers extrapolated to match the optimal capacity of the MHC	**39,400**	**17,176**	**3,064**	**360**	**-**	**-**	**0**	**0**					

Income estimation at the rates approved by TAMP for the extrapolated traffic

	CONTAINERs IN TEUs				RATES APPROVED				REVENUE ESTIMATION in Rs				
	Foreign		Coastal		foreign		coastal		foreign		coastal		TOTAL
	20ft	40ft	20ft	40ft	20ft	40 ft	20ft	40ft	20ft	40 ft	20ft	40ft	
Normal Container (Loaded)	28,660	5,570	1,949	175	1,566	2,350	940	1,410	44893242	13086474	1831415	247088	60,058,220
Normal Container (Empty)	10,566	6,981	1,115	185	746	1,120	448	672	7887353	7817393	499351	124294	16,328,390
Hazardous Container (Loaded)	122	-	-	-	1,880	2,820	1,128	1,692	228784	0	0	0	228,784
Hazardous Container (Empty)	-	-	-	-	896	1,344	537	806	0	0	0	0	-
Reefer Container (Loaded)	52	4,625	-	-	1,801	2,702	1,081	1,621	94278	12497328	0	0	12,591,606
Reefer Container (Empty)	-	-	-	-	858	1,288	515	773	0	0	0	0	-
TOTAL Estimated Revenue Requirement	-	-	-	-	-	-	-	-	**53,103,657**	**33,401,195**	**2,330,766**	**371,381**	**89,207,000**
Number of Containers in TEUs matching the optimal capacity	**39,400**	**17,176**	**3,064**	**360**	-	-	-	-	-	-	-	-	-

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

F. No.TAMP/41/2014-NMPT	**-**	**Proposal received from the New Mangalore Port Trust for fixation of tariff for use of 60-64 tonne capacity Harbour Mobile Crane owned by the port for handling dry bulk, break bulk cargo and containers at New Mangalore Port Trust**

A summary of comments of concerned users / prospective bidders and the response of New Mangalore Port Trust (NMPT) thereon is tabulated below:

<table>
<tr><th>Sl. No.</th><th>Comments of users / user organizations</th><th>Comments of NMPT</th></tr>
<tr><td>1.</td><td>Association of New Mangalore Port Stevedores</td><td></td></tr>
<tr><td></td><td>Comments dated 3 September 2014</td><td></td></tr>
<tr><td>(i).</td><td>NMPT has no infrastructure facility of shore cranes or mobile cranes of its own unlike other major ports hence they brought two cranes each of 63 ton with 16CBM grabs.</td><td rowspan="6">Comparison of handling rate fixed for 104 T Capacity MHC which were in operation at NMPT from 2007 with proposed rate for newly acquired 63T Capacity MHC is as under:

(i). Earlier NMPT had forwarded tariff proposal during May 2007 and January 2010 by considering the capital cost of the 104T capacity MHC as ₹1804.64 lakhs, which was furnished by ABGHIL (private operator). The rate proposed by the Port for handling dry bulk cargoes were ₹ 66.6. per tonne during the year 2007 and ₹ 49.81 during the year 2010.

(ii). Subsequently, the proposal was modified and reworked considering the capital cost of the crane as ₹2585.28 lakhs, in line with PPT cranes. The exchange rate prevailing at the time of analysis of this was for 1 Euro equivalent to ₹58.26.

(iii). The cost of the fuel (Diesel) while reworking the proposal of 104T capacity crane during the year 2010 was ₹39.87 per litre.

(iv).TAMP had passed the order on 16 June 2010 and rates notified by the TAMP for handling was ₹38.34 per tonne.

(v). The tariff guidelines of 2005 stipulates a tariff validity cycle of 3 years.

(vi). Accordingly, the hire charge of ₹38.34 per tonne fixed by the TAMP for 104T capacity MHC during June 2010 was due for revision from June 2013.

(vii).Now, the capital cost of the newly procured</td></tr>
<tr><td>(ii).</td><td>The NMPT has recommended a rate of ₹44/- per metric ton + service tax for usage of these cranes for import/export cargo. The rate recommended by the NMPT is much on the higher side.</td></tr>
<tr><td>(iii).</td><td>NMPT has at present 2 harbour mobile cranes of 104 ton capacity with 30 CBM grabs with double lifting capacity for which TAMP has fixed a rate of ₹38/- per MT.</td></tr>
<tr><td>(iv).</td><td>It is also understood that similar charges are fixed by TAMP for Goa port for 120 ton. Also TAMP has fixed ₹ 33.35 for Visakhapatanam Port Trust for 140 Ton crane. Charges fixed for Tuticorin Port Trust for 120 Ton crane are much lesser where the crane capacity is also more.</td></tr>
<tr><td>(v).</td><td>In this background, rate recommended by the NMPT should have been close to half the rate fixed for 100 MT crane of a double grab capacity.</td></tr>
<tr><td>(vi).</td><td>Hence, TAMP is requested to fix appropriate lesser charges for NMPT two 63 MT cranes with 16 CBM grabs and to help import/export trade to maintain cargo handling costs.</td></tr>
</table>

		crane considered for the proposed tariff of ₹44.54 per tonne is ₹2172 lakhs. (viii). Even though the capacity of the crane (63 T) is less compared to the one already in operation (i.e.104T), the capital cost of the 63T capacity MHC acquired by the port (₹2172 lakhs) is much more compared to ₹1804.64 lakhs which was procured by the private operator M/s. ABGHIL during the year 2007. This may due to the prevailing forex. (ix). The fuel rate of ₹39.87 per litre which was considered while notifying the rate of ₹38.34 tonne during the year 2010 was also much less compared the present rate of ₹63 per litre. Further, it is not possible to compare the hire rate of 104T capacity and 63T capacity MHC only by its capacity/handling rate. Therefore, it is necessary to take into account the initial investment cost made by the Port as well as the operation cost in force. The rate proposed for 63T capacity MHC was worked out as per 2008 guidelines, which will be in force for the next 3 years. In view of reasons, it is requested to notify the proposed rate as applicable from the date of commissioning of the cranes.
	Additional Comments dated 15 September 2014	
	The ANMPS while furnishing additional comments reiterated its earlier comments furnished in its letter dated 3 September 2014. The NMPT also responded reiterating its earlier comments. Therefore, they are not reproduced here. The additional comments of ANMPS are summarised below upon which NMPT has not responded.	
(a).	The stevedores/ users have experienced that double the handling time is taken for handling cargoes using the present port MHC of 63 ton as against the cranes of 104 ton capacity already being utilized at this port.	
(b).	The port norms for handling cargoes using MHCs approved by TAMP is not achievable using these 63 ton cranes as is the practical experience at this port. Only about 50% of the norms are achievable for 63 ton as against those fixed for 104 ton MHCs.	
(ii).	In view of above, it is proposed that the proper rate for the use of 63 ton MHC would fairly be fixed at ₹25/- (around 50% approved TAMP rate for 104 ton MHC) for all items of handling including for foreign vessels for bulk, break bulk and Container.	
(iii).	The following rates are proposed for using 63 tonne MHC at NMPT:	

<table>
<tr><td>(a).</td><td>For Dry Bulk Cargo:
<table>
<tr><th>Description</th><th>Rate per ton for Foreign vessel (₹)</th><th>Rate per ton for Coastal vessel (₹)</th></tr>
<tr><td>For Dry Bulk cargoes such as Food Grains, Fertilisers, Coal, Lime Stone, Minerals, etc.</td><td>₹ 25.00</td><td>₹ 20.00</td></tr>
</table></td><td></td></tr>
<tr><td>(b).</td><td>For Break Bulk Cargo:
<table>
<tr><th>Description</th><th>Rate per ton Foreign vessel (₹)</th><th>Rate per ton Coastal vessel (₹)</th></tr>
<tr><td>For Break Bulk cargoes such as Steel, timber, bagged materials, etc.</td><td>₹ 50.00</td><td>₹ 35.00</td></tr>
</table></td><td></td></tr>
<tr><td>(c).</td><td>Containers:
<table>
<tr><th>Description</th><th>Rate per ton Foreign vessel (₹)</th><th>Rate per ton Coastal vessel (₹)</th></tr>
<tr><td>Loading & Unloading from vessel upto 20’</td><td>₹ 700.00</td><td>₹ 400.00</td></tr>
<tr><td>Above 20’ and below 40’</td><td>₹ 1000.00</td><td>₹ 700.00</td></tr>
<tr><td>Above 40’</td><td>₹ 1200.00</td><td>₹ 900.00</td></tr>
</table></td><td></td></tr>
<tr><td>2.</td><td>Kanara Chamber of Commerce & Industry</td><td></td></tr>
<tr><td></td><td>The trade has always been demanding for deployment of Mobile Harbour Cranes (MHC) at NMPT. As the validity of agreement for the existing MHC's has expired and the operators have been demanding rate over and above the prevailing TAMP rate, we welcome the initiative taken by the port management to increase the infrastructure facility. However, in order to be competitive, NMPT has to embrace the larger picture i.e. to be a facilitator at the interphase level to generate revenue and growth in the region and at the State/National level.</td><td></td></tr>
<tr><td>(i).</td><td><u>Annual Capacity: 18,44,000 in tonnes:</u>
No clarity on how this figure was arrived at. A statement showing cargo handled by existing MHC's during Aug 13 to Aug 14 shows a quantity of 35,31,147 mt was handled.

(the statement mentioned above is not found attached)</td><td><u>Annual Capacity (in tonnes):</u>
The annual capacity of 18,44,000 in tonnes (1.844 million tons) was arrived considering the discharge rate as 461 tonne per hour as furnished by the OEM M/s. Italgru S.r.l., Italy, copy of the same is enclosed. Working hours considered in a year as 4000 hrs are in line with the upfront tariff guidelines 2008. Therefore, the Annual Capacity as per norms works out to 40000 X 461= 18,44,000 tonnes

The handling rate for Break Bulk is considered as half of the Dry bulk. For Containers handling rate is considered as 15 moves per hour.

Further, the Annual handling capacity of the Crane in tonnes also depends upon the following factors:
a. Discharge rate per hour, depending upon the density of the cargo.
b. The number of cycles performed by the Crane during each hour, depending upon the different operators, based on their expertise. The above two points are very</td></tr>
</table>

		crucial to arrive at the output of the cranes. Tariff Guidelines, 2005 stipulates a tariff validity of 3 years.
(ii).	Repair & Maintenance(₹ 150 lakhs): Economic life of the asset is estimated at around 10 years. This rate proposal is for first 3 years. Hence, reduce repair cost for first 3 years to 1/3rd. Further, the cost of the crane is inclusive of repair and maintenance for the first 2 years and hence, this cost to be eleminated for first 2 years.	Repair & Maintenance Charges: As per the Order, the comprehensive operation and maintenance charges for a period of 3 years after the guarantee period of two years is ₹10,12,50,000/-. Per year rate per crane works out to= (₹10,12,50,000/3 years)/2 cranes = ₹1,68,75,000/- per crane from 3rd year onwards. Though the repair & maintenance rate per crane per year works out to ₹16875000/, we have considered ₹1,50,00,000/- and it is not for 3 years.
(iii).	Insurance(₹ 21.72 lakhs): Insurance cost to be re-negotiated to 50% of proposed rates and to be averaged out for ten years tariff changes. Insurance reduces as the years progress based on reduced written down values.	Insurance: As per upfront tariff guidelines 2008, norms for insurance is 1% of the gross fixed asset value.
(iv).	Depreciation: ₹224.58 lakhs: As per new Companies Act Schedule II – Part C, the new rates are for 15 years life(IV-(i)(a) and (ii)(k)(2). Hence, correct straight line method depreciation rate is 100/15 i.e. 6.66%.	Depreciation: An extract of the depreciation rate as per Companies Act for plant & machinery is furnished indicating the depreciation rate at 10.34%. [The extract does not show as to which year of the Companies Act it pertains to]
(v).	Other expenses: ₹ 43.44 lakhs: Detailed explanation not provided for this expenditure. For Bulk Cargo 2% of asset value is taken as ₹43.44 and whereas it should have been ₹42.40.	Other Expenses: The upfront tariff guidelines 2008 permits to consider other expenses as 5% of the gross fixed assets value, whereas port has considered only 2%. Other expenses comprises of Management and general overheads like: (i). Salaries of management and administration staff including welfare and other expenses towards them. (ii).Maintenance of computer and other office equipment's. (iii).Any other miscellaneous cost.
(vi).	ROCE: ₹275.65 lakhs: NMPT has not borrowed loans at 16% rate to fund the asset. It is acquired out of internal accruals. NMPT has provided for pre-acquisition of such asset after 10 years by factoring the depreciation. It is incorrect to earn additional profit on the asset at exorbitant rate of 16% when international borrowal rates are as low as 2-3%, Bank lending rate is around 11% and Bank deposit rate is around 9%. NMPT is a cash surplus trust and has parked its funds in Bank deposits. NMPT exists for support of trade promotion and use its accruals	ROCE: As per Para 2.4 of upfront guidelines 2008, for the purpose of fixing upfront tariff, TAMP allows a reasonable return on capital employed which is 16% as of now. The rate proposed for 63 ton capacity MHC are worked out solely as per upfront tariff guidelines, 2008.

	from earlier operational surplus for reinvesting in basic required facilities and employ it at competitive and viable rates for use of facility.	
(vii).	Statements are furnished for comparing the rate for break bulk, dry bulk and containers proposed by NMPT and by KCCI as under	No comments are furnished by the NMPT on these statements.

(a). Dry Bulk:

Sl. No.	Particulars	As per NMPT Proposal	Revised KCCI Proposal
I	Cost of MHC and grab	2172.000	
II	Handling rate per hour	461	
II	Working hours per annum	4000	
II	Annual capacity – MT*	1.844	
III(a)	Fuel Cost @ Rs.69/- per litre	105.984	105.984
III(b)	Repair and Maintenance as per CMC order*	150.000	50
III(c)	Insurance @ 1% of capital cost	21.720	10.86
III(d)	Depreciation @ company act norms	224.580	144.87
III(e)	Other Expenses 2% of asset value*	43.440	43.44
	Total (a) to (e)	545.730	355.16
IV	Return on capital employed	275.650	0
V	Total cost plus return on capital employed	821.380	355.16
VI	Hire Charges per ton – Foreign in Rs.	44.540	19.26
VII	Hire Charges per ton – Coastal in Rs.	26.730	11.56

Note :

1).Basis for calculation of annual capacity to be declared.

2).Repair and maintenance cost of ₹50,00,000/- to be eliminated for the first 2 years.

3).Details of other expenses to be disclosed

(b). Bulk Cargo:

Sl. No.	Particulars	As per NMPT Proposal	Revised KCCI Proposal
I	Cost of MHC and grab	2120.000	
II	Handling rate per hour	230	
II	Working hours per annum	4000	
II	Annual capacity – MT*	920	
III(a)	Fuel Cost @ Rs.69/- per litre	105.984	105.984
III(b)	Repair and Maintenance as per CMC order*	150.000	50
III(c)	Insurance @ 1% of capital cost	21.720	10.86
III(d)	Depreciation @ company act norms	224.580	141.40
III(e)	Other Expenses 2% of asset value*	43.440	42.40
	Total (a) to (e)	545.730	350.39
IV	Return on capital employed	275.650	0
V	Total cost plus return on capital employed	821.380	350.39
VI	Hire Charges per ton – Foreign in Rs.	89.280	38.09
VII	Hire Charges per ton – Coastal in Rs.	53.570	22.85

Note :

1).Basis for calculation of annual capacity to be declared.

2).Repair and maintenance cost of ₹50,00,000/- to be eliminated for the first 2 years.

3).Details of other expenses to be disclosed.

(c). Containers:

Sl. No.	Particulars	As per NMPT Proposal	Revised KCCI Proposal
I	Cost of MHC and grab	2208.000	
II	Handling rate per hour	15	
II	Working hours per annum	4000	
II	Annual capacity – TEU's*	60000	
III(a)	Fuel Cost @ Rs.69/- per litre	90.252	90.252
III(b)	Repair and Maintenance as per CMC order*	150.000	50
III(c)	Insurance @ 1% of capital cost	22.080	11.04
III(d)	Depreciation @ company act norms	228.310	147.27
III(e)	Other Expenses 2% of asset value*	44.160	44.16
	Total (a) to (e)	534.800	342.73
IV	Return on capital employed	280.220	0
V	Total cost plus return on capital employed	815.020	342.73
VI	Hire Charges per ton – Foreign in Rs.	1358.370	571.21
VII	Hire Charges per ton – Coastal in Rs.	815.020	342.73

Note :

1).Basis for calculation of annual capacity to be declared.

<table>
<tr><td></td><td>2). Repair and maintenance cost of Rs.50,00,000/- to be eliminated for the first 2 years.

3).Details of other expenses to be disclosed.</td><td></td></tr>
<tr><td>(d).</td><td>Note on ROCE calculation:
<table>
<tr><th>Particulars</th><th>As per NMPT Proposal</th><th>Revised KCCI Proposal</th><th>Our Comments</th></tr>
<tr><td>MHC written down value for Year 1</td><td>1979.69</td><td>2060.73</td><td>WDV changes on account of correct depreciation estimates</td></tr>
<tr><td>MHC written down value for Year 2</td><td>1751.39</td><td>1913.45</td><td>WDV changes on account of correct depreciation estimates</td></tr>
<tr><td>MHC written down value for Year 3</td><td>1523.08</td><td>1766.18</td><td>WDV changes on account of correct depreciation estimates</td></tr>
<tr><td>Average cost taken at WDV of 2nd year taking term as 3 years</td><td>1751.39</td><td>1471.63</td><td>Average cost should be taken at WDV of 5th year taking full 10 year term of asset</td></tr>
<tr><td>Rate of Return on capital employed %</td><td>16</td><td>0</td><td>Already explained in our comments sl. No. vi above.</td></tr>
</table></td><td></td></tr>
<tr><td>(viii).</td><td>KCCI prays that NMPT reworks its tariff taking into consideration what is cited above so that it is a healthy win win situation to all in the best interests of all parties concerned. NMPT has to be competitive with neighboring Private Ports and as such should look at attracting maximum traffic/berth occupancy. Unless bold strategic sacrifices are made by NMPT, the scenario will not change.</td><td></td></tr>
<tr><td>3.</td><td>Bengal Tiger Line India Pvt. Ltd.</td><td></td></tr>
<tr><td>(i).</td><td>Currently, container vessels other than gearless container ships calling NMPT have to self-sustain with ship's cranes which is free of cost to the shipping lines. Hence, if NMPT levies separate tariffs for Harbour Mobile Cranes, the shipping lines will have to increase their THC to include the additional cost, which will subsequently hamper the marketing efforts of NMPT to attract more containerized cargoes through NMPT.</td><td rowspan="2">(i). The MHCs requisitioned by the respective vessel or Stevedore have to pay the applicable hire charges. However, with regard to deployment of the gang or cargo handling workers, it is as per the settlement entered between the management and Unions representing the workmen in the presence of the Asstt. Labour Commissioner and concluded as per I.D. settlement. This settlement is guiding factor for deployment of cargo handling workers for all cargo handling operations, wherein the manning scale is decided and deployed. This is in vogue till the expiry of the settlement and cannot be altered unless it is mutually agreed between the Union and the Management in the presence of Asstt. Labour Commissioner (C).

(ii). The rate proposed for 60T capacity MHC for handling containers was worked out as per 2008 guidelines, which will be in force for the next 3 years. The levy of handling charges is subject to approval and notification of the rates by TAMP.</td></tr>
<tr><td>(ii).</td><td>In view of the above, it is requested to kindly reduce the MHC hire charges or permit the stevedores to work with private labour while using the MHC crane for ship operations.</td></tr>
<tr><td>4.</td><td colspan="2">The Ultra Tech Cement Limited has stated that they are not utilizing the 60-64 tones capacity MHC at NMPT, hence not in a position to offer any comments on the matter.</td></tr>
<tr><td>5.</td><td colspan="2">The KIOCL has stated that since they are chartering gear vessels for own traffic, we may not requiring the harbor crane and hence have no comments on the issue.</td></tr>
<tr><td>6.</td><td colspan="2">The ANMPS by its letters dated 3 September 2014 addressed to NMPT and copy endorsed to the Authority furnished its comments (page no.27/c). We have, however, not received the response of NMPT. The comments of the ANMPS are summarised below:</td></tr>
<tr><td>(i).</td><td colspan="2">Kindly issue instructions to the concerned department to give service of the new MHCs at berth nos.1,2,3,4,5,6,7 & 14.</td></tr>
<tr><td>(ii).</td><td colspan="2">It is understood from crane suppliers that these tyre mounted cranes can move to all the above</td></tr>
</table>

	berths. If required, make suitable surface for free movement of cranes to above berths immediately.
(iii).	Kindly fix reasonable tariff, so that it can attract more gear less ships and ships with defect cranes. It may be noted that the present cranes available at port of 104MT capacity with 30CBM Grabs can handle double the cargo than these new cranes, for which TAMP has fixed crane hire ₹ 38/-PMT.
(iv).	Cranes of high capacity of 104MT & above are available at Goa, Visakhapatnam, Tuticorin ports at the TAMP approved rates of ₹38/- PMT or less. Hence, these cranes may please be made available at 50% lesser than the above higher end cranes.
(v).	Moreover, if the rates are lower and reasonable more shipping companies will utilize these cranes if it is economical and port cargo traffic will increase considerably. It is requested that reasonable rate be fixed for these new cranes so that the utilization will be more.

2. A joint hearing in this case was held on 31 October 2014 at the NMPT premises. The NMPT has made power point presentation on the proposal. At the joint hearing, NMPT and Association of New Mangalore Port Stevedores Limited have made following submissions:

NMPT

(i). Chairman NMPT welcomed the participants. FA & CAO makd a brief power point presentation.

(ii). The presentation indicated the queries raised us and the reply of the port to the queries.

Association of New Mangalore Port Stevedores

(i). TAMP has allowed ₹.38/- per tonne for 104 Tonne MHC. For 63 Tonne MHC, the rate should be ₹19/- per tonne. We have recommended ₹25/- per tonne, ₹6/- more than what we have calculated to cover the overheads of the Port. We will furnish our further comments within three days to TAMP and simultaneously to NMPT.

(ii). The Authority should make provision in the rate for breakdown, stoppage of work due to bad weather, act of God, etc.

(iii). Whether the penalty levied by NMPT for non-achievement of performance by the crane operator will be passed on to the users? (Chairman, NMPT: Yes)

(iv). The benchmark of 5400 tonnes per hour for MOP is an error. It may be looked into.

3. The NMPT furnished its comments on the comments of the ANMPS vide its letter dated 2 December 2014. The summary of the comments of the ANMPS and the comments of NMPT there on is tabulated below:

Sr. No.	Comments of the ANMPS	Comments of the NMPT
1.	NMPT does not have the basic requirement of infrastructure facility of shore cranes or H M	(i). Comments to all the points raised in the above referred letter, were already

<table>
<tr><td></td><td>Cranes for handling cargo/shipments.</td><td rowspan="7">addressed in our previous letter dated 06.10.2014.

(ii). It is once again to clarify that, it is not possible to compare the hire rate of 104T capacity with that of 63T capacity MHC, only by considering it's capacity/handling rate, but it is necessary to take into account the initial investment cost as well as the operational cost in force.

(iii). We do agree that, the handling time taken by 63T crane is more compared to that of 104T capacity, due to its capacity constraints.

(iv). The Port norms for handling Cargo for 63T Harbour Mobile cranes are different compared to the norm fixed for 104T capacity cranes. Therefore, it is not possible to compare the handling norms of higher Capacity cranes with the lesser Capacity cranes.

(v). As stated in our previous letter dated 06.10.2014, the handling rates notified by TAMP for MHC, then in June 2010 was due for revision from June 2013 and hence it is not possible to compare the proposed handling rates of 63T Capacity Cranes with the old rates of 104T Capacity MHC, which was notified during June 2010.

(vi). The Port had also furnished the replies / comments vide letter dated 13.10.2014 to the KCCL letter dated 24/09/2014 (which is enclosed to the with the ANMPS letter dated 31/10/2014).

(vii). The rate proposed for 63T capacity MHC for handling containers was worked out as per 2008 guidelines, which will be in force for the next 3 years.</td></tr>
<tr><td>2.</td><td>Cost analysis report duly prepared & submitted to TAMP by M/s. Kanara Chamber of Commerce & Industry (KCCI, vide its letter dated 24/09/2014) states that as per the cost sheet hire charges (foreign) is ₹19.2 PMT.</td></tr>
<tr><td>3.</td><td>NMPT's two Harbour Mobile Cranes are of 63Tn capacity with 16CBM grab as against the existing private cranes at this Port of 104T capacity with grab at 30CBM (capacity double) is a basic infrastructure requirement for NMPT cargo handling.

TAMP has already fixed rates for the existing private 104 Ton MHC at ₹38.34/Ton for bulk cargo for foreign vessel and ₹23/Ton for Coastal vessel. It is clear that the present MHC are almost 50% less capacity in lift as vessel as sucked capacity. Therefore the reasonable rate should also be around 50% of the TAMP rage fixed for 104T capacity cranes.</td></tr>
<tr><td>4.</td><td>The Stevedores / Users have experienced that double the handling time is taken for handling cargoes using the present Port MHC, of 63T as against the cranes of 104T capacity already being utilized at this Port.</td></tr>
<tr><td>5.</td><td>The Port norms for Handling cargoes using MHC approved by TAMP is not achievable using these 63T cranes as it the practical experience at this Port. Only about 50% of the norms are achievable for 63Tn as against those fixed 104T MHC.</td></tr>
<tr><td>6.</td><td>The NMPT itself has recommended ₹38/- PMT for the private working MHC which has the double capacity of grab & handle double quantity of cargo than the Port's MHC Cranes. Hence it is clear that Port's own MHC should be 50% of this rate proposed by Port (viz ₹19/- PMT)</td></tr>
<tr><td>7.</td><td>In view of the above facts we propose that the proper rate for the use of 63T MHC would fairly be fixed at ₹25/- (around 50% approved TAMP rate for 104T MHC) for all items of handling including for foreign vessels for Bulk, Break Bulk and Containers.

<u>A). Dry Bulk cargo</u>

<table><tr><th>Description</th><th>Rate per ton for Foreign vessel (₹)</th><th>Rate per ton for Coastal vessel (₹)</th></tr><tr><td>For Dry Bulk Cargoes such as Food Grains, Fertilizers, Coal, Lime Stone, Minerals etc.</td><td>25.00</td><td>20.00</td></tr></table></td></tr>
</table>

B). Break Bulk Cargo

Description	Rate per ton for Foreign vessel (₹)	Rate per ton for Coastal vessel (₹)
Break Bulk Cargo such as steel, timber Bagged materials.	50.00	35.00

C). Containers

Description	Rate per ton for Foreign vessel (₹)	Rate per ton for Coastal vessel (₹)
Loading & Unloading from the vessel upto 20’	700.00	400.00
Above 20’ and below 40	1000.00	700.00
Above 40	1200.00	900.00

Even though the cost analysis attached arrives at ₹19.26/PMT we still recommended a higher rate of ₹25/- PMT. Since it is our Port’s new cranes.