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TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 168 **New Delhi,** **12 April, 2021**

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 Paradip Port Trust for fixation of tariff for Mechanized Handling of Thermal Coal by unloading at Wagon Tippler of Iron Ore Handling Plant and stacking at Stockyard of Mechanized Coal Handling Plant as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports

Case No. TAMP/20/2020-PPT

Paradip Port Trust **- - -** **Applicant**

QUORUM

(i). Shri. T.S. Balasubramanian, Member (Finance)
(ii). Shri. Sunil Kumar Singh, Member (Economic)

O R D E R

(Passed on this 16th day of March 2021)

This case relates to the proposal received from Paradip Port Trust (PPT) vide its letter No. EM/MCHP/Works-03/20/516 dated 5 October 2020 for fixation of tariff for Mechanized Handling of Thermal Coal by unloading at Wagon Tippler of Iron Ore Handling Plant and stacking at Stockyard of Mechanized Coal Handling Plant.

2.1. The highlights of the proposal of PPT are summarized below:

(i). Paradip Port is handling major chunk of thermal coal received through BOBRN wagons in Mechanised Coal Handling Plant (MCHP). Apart from BOBRN wagons, PPT is also receiving BOX-N wagons carrying thermal coal.

(ii). As per present infrastructure available with PPT, thermal coal received through BOX-N wagons are either manually unloaded in siding plots and shifted in dumpers to MCHP stockyard for ship-loading at Coal Berths or mechanically unloaded at wagon tipplers at Iron Ore Handling Plant (IOHP) and stacked in IOHP stockyard for ship-loading at IOB Berth.

(iii). On resumption of full-fledged iron ore export through IOHP, BOX-N wagons carrying thermal coal are resorted for manual unloading in siding plots. Manual unloading of thermal coal and shifting through dumpers to stockyard of MCHP involves very high handling cost as compared to handling cost of thermal coal at MCHP or in IOHP. This discourages Exporters for handling BOX- N rakes for thermal coal.

(iv). Besides, IOB berth is having draft restrictions which does not allow loading of Panamax vessel for which Exporters have to incur additional expenditure on account of vessel shifting charges and idling of vessels for loading of full quantity of thermal coal in Panamax vessels.

(v). However, Exporters have an advantage to load a Panamax vessel at MCHP directly without incurring cost towards shifting of vessels. Besides, MCHP is designed for handling thermal coal having 2 berths for handling Panamax vessels and with a rated capacity of 4000 TPH. Further, optimum utilization of MCHP could not be achieved due to non-availability of sufficient of BOBRN Rakes for MCHP.

(vi). Thus, in order to mitigate the above concerns, the project of “Connectivity of IOHP & MCHP” was conceptualized by Port for optimum utilization & versatility of IOHP & MCHP with an intent that BOXN wagons carrying thermal coal which are being unloaded at manual siding shall be tippled in the Wagon Tippler of Iron Ore Handling Plant (IOHP) and will be conveyed to the Stockyards of Mechanized Coal Handling Plant (MCHP) through connectivity conveying system.

(vii). The advantages of this project are:

(a). Spare capacity of both wagon tipplers of IOHP can be utilized.
(b). Optimization of MCHP capacity.
(c). Handling process is completely converted to mechanized process.
(d). Railway is also comfortable to provide BOX N rakes to PPT since their purpose of double operation can be achieved in a most optimal manner.
(e). Handling cost will be economical for Exporters as compared to manual unloading and shifting in dumpers to MCHP. This will attract more cargo will to Port.
(f). Generation of additional revenue of Rs.71.85 per MT to PPT.

(g). Exporters can directly load a Panamax vessel at MCHP without shifting of vessels which results in saving of shifting charges.

2.2. The Cost statement working out the tariff for the Mechanized Handling of Thermal Coal by unloading at Wagon Tippler of Iron Ore handling plant and stacking at stockyard of Mechanized Coal Handling Plant using IOHP & MCHP connectivity, following principles of 2008 Tariff Guidelines, as furnished by PPT is given below.

\	**Capital Cost**	**₹ in crores**	**Remarks**	
1	Civil Cost	**9.60**	As per Award of Contract	
2	Mechanical Cost	**56.86**		
3	Tippler Cost	**3.23**	Cost is Rs.8.075 Cr. in 2011. Considering depreciation @ 6.66% per Annum, the present cost is Rs.3.23 Cr.	
4	PMC & Pre-operative	**2.00**	As per Award of Contract	
	Total Capital Cost	**71.69**		
	Operating Cost		**Assumptions**	**Remarks**
1	Power	**1.06**	System intended for receiving operation only. Hence proportionate power expenditure for 3 MMT w.e.f power expenditure in MCHP for receiving operation in FY 2018-19.	Energy charges for the MCHP in FY 2018-19: Rs.17.8 Cr. for both shipping & receiving operation. Cargo Handled through MCHP in FY:2018-19: 25.18MMT. Energy charges for the proposed system considering it as a receiving system: [Rs.17.8Cr/(2 X 25.18MMT)] X 3MMT=1.06 Cr
2	Repair & maintenance	**3.00**	5% of Mechanical Cost	No major moving equipment available in system
3	Insurance	**0.35**	0.5% of fixed assets	Proportionate value as per present insurance of PPT asset i.e. Rs.9.11 Cr. for an asset value of Rs.1905 Cr.
4	Depreciation	**4.97**	Straight line for 15 years as per Sl.No. IV (i) (a) of part 'C' of Schedule 11 of Company Act'2013 --- Useful lives to compute depreciation (Annexxure-4)	6.66% reduction in each year of asset value.
5	Other Expenses	**0.70**	1% of fixed assets	Since the project is only part of existing terminals
	Total operating cost (O&M)	**10.08**		
	Revenue Requirement	**21.55**	Opex + ROCE i.e. 16% of Capex	Opex = 10.08 Cr.
				ROCE = 16% of Capex =16%X71.69Cr=11.47Cr.
	Traffic to be handled	**3.00 MMTA**	Traffic Projection of 3MMTPA has been considered taking into account the Qty of thermal coal unloaded manually and shifted to MCHP in FY:2018-19	
	Traffic (Rs. Per Ton) for mechanized handling of thermal coal (Unloading at Wagon Tippler and Stacking at MCHP)	**Rs.71.85**		

2.3. Based on the above, the proposal of PPT seeks approval for inclusion of following additional provision in the existing Scale of Rate of PPT:

"

2.3.1. Charges of handling through IOHP-MCHP Connectivity System.

Description of Goods	Rate per MT or part thereof (Rs.)	
	Foreign Rates	Coastal rates
Unloading of coal wagon at Wagon Tippler of Iron Ore Handling Plant and stacking at Stockyard of Mechanized Coal Handling Plant using IOHP & MCHP connectivity system	Rs.71.85	Rs.71.85

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2.4. The PPT has furnished the copy of the Board Resolution approving the proposal.

3. In accordance with the consultative procedure prescribed, the proposal of PPT dated 5 October 2020 was forwarded to the concerned users/ user organisations seeking their comments. None of the users/ user organisations have furnished their comments till the case was finalised.

4. In view of the outbreak of COVID – 19 and in pursuance of the then Ministry of Shipping (MOS) letter No. 11053/30/2020-Coord. dated 16 April 2020 to hold virtual meetings, a joint hearing on the case in reference was held on 22 December 2020 through Video Conferencing. The PPT has made a brief power point presentation of its proposal. At the joint hearing, the PPT and the users have made their submissions.

5.1. In the joint hearing, the PPT has requested to consider inclusion of other dry bulk cargo along with Thermal Coal at the proposed facility. Accordingly, the PPT was requested vide letter dated 01 January 2021 to convey the changes to be incorporated in the proposed Scale of Rates so as to enable the Port to handle other dry bulk cargo also at the proposed facility.

5.2. In this regard, the PPT vide its letter dated 18 January 2021 has proposed inclusion of the following clause in the existing Scale of Rates of PPT:

"

2.3.1. Charges of handling through IOHP-MCHP Connectivity System.

Description of Goods	Rate per MT or part thereof (Rs.)	
	Foreign Rates	Coastal rates
Unloading of dry bulk cargo at Wagon Tippler of Iron Ore Handling Plant and stacking at Stockyard of Mechanized Coal Handling Plant using IOHP & MCHP connectivity system	Rs.71.85	Rs.71.85

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6. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the arguments made during the joint hearing will be sent separately to the port and relevant parties. These details will also be made available at our website http://tariffauthority.gov.in.

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

(i). The Paradip Port Trust (PPT) handles shipment of thermal coal received at PPT through BOX-N wagons generally in the following two ways viz.

(a). Manual unloading of coal in siding plots and shifting in dumpers to the stockyard of Mechanised Coal Handling Plant (MCHP) for loading onto the ships at Coal Berths or,

(b). Mechanical unloading of coal at wagon tipplers at Iron Ore Handling Plant (IOHP) and stacking in the stockyard of IOHP for loading onto ships at IOB Berth.

Since in the recent times, iron ore exports through IOHP has improved, the BOX-N wagons carrying thermal coal are being resorted to manual unloading in siding plots. However, given that the manual unloading of thermal coal and shifting through dumpers to stockyard of MCHP involves high handling cost as compared to handling cost of thermal coal at MCHP or in IOHP, it is reported to be discouraging the Exporters to consider handling of BOX- N rakes for thermal coal. Further, since IOB berth has draft restrictions, thereby not allowing loading of Panamax vessels, the Exporters are reported to have to incur additional expenditure for shifting of vessel for loading of full quantity of thermal coal in Panamax vessels.

In this backdrop, the port has conceptualized the project of "Connectivity of IOHP & MCHP", so as to give flexibility to the users. As per this project, the BOX-N wagons carrying thermal coal and being presently unloaded at manual siding shall be, instead tippled in the Wagon Tippler of IOHP and conveyed to the Stockyards of MCHP through connectivity conveying system.

Accordingly, the proposal of the Port is to fix a consolidated rate for mechanized handling of Thermal Coal by unloading at Wagon Tippler of IOHP and stacking at Stockyard of MCHP. The proposal of the port has the approval of the Board of Trustees of PPT.

(ii). Clause 7.6.1 of the Tariff Policy, 2018 stipulates that whenever a specific tariff for a new service/ facility is not available in the SOR of that particular port, the concerned Major Port Trust can adopt the tariff and performance standards if any, fixed for comparable service in any other Major Port Trust and if such comparable rate is not available, then the Guidelines requires the Port to file a proposal for notification of tariff for the said new service/ facility with reference to optimal capacity assessed following the principles of 2008 guidelines or based on cost plus 16% return formula. Thus, the proposal of the PPT is based on the cost plus 16% return formula. Each of the cost parameters considered in the calculation of PPT is discussed in the subsequent paragraphs.

(iii). Traffic Projection of 3 MMTPA has been considered by PPT, taking into account the quantity of thermal coal unloaded manually and shifted to MCHP during the year 2018-19. Given that the actual quantity of thermal coal unloaded manually and shifted to MCHP would be relevant for the exercise, the judgment of the port in this regard is relied upon.

(iv). The capital cost of the facility comprises of Civil Cost of ₹9.60 crores, Mechanical Cost of ₹ 56.86 crores, Cost of Tippler at ₹ 3.23 crores and Pre-operative and Consultancy cost to the tune of ₹ 2 crores, thereby aggregating to ₹ 71.69 crores. The PPT has furnished documentary evidence in support of the civil cost of ₹ 9.60 crores and the Mechanical Cost of ₹ 56.86 crores and the Pre-operative and Consultancy cost to the tune of ₹ 2 crores. The same is, therefore, considered in the analysis. As regards the cost of the Tippler, it is reported to be the present depreciated cost. The depreciated cost of the Tippler is relied upon.

(v). The Operating Cost comprises of power cost, repair and maintenance cost, insurance cost, depreciation and other expenses. Each of the operating cost component is discussed below:

(a). Power cost –
The power cost pertaining to MCHP in the year 2018-19 has been taken as base by PPT and proportionately considered for the traffic of 3 MMTPA.

(b). Repairs and Maintenance cost has been considered at 5% of the mechanical cost. It is noteworthy that the 2008 Upfront Tariff Guidelines allows considering Repairs and Maintenance cost at the same level.

(c). Insurance cost has been considered at 0.5% of the cost of fixed assets. It is noteworthy that the 2008 Upfront Tariff Guidelines allows considering insurance cost at 1% of the capital cost.

(d). Depreciation has been reported to be calculated based on the rates as per the Companies Act, 2013.

(e). Other expenses have been considered at 1% of the cost of fixed assets. It is noteworthy that the 2008 Upfront Tariff Guidelines allows considering other expenses at 5% of the capital cost.

Thus, the judgment of the PPT in considering various % of capital cost to determine the various cost components is relied upon. The total operating cost has been assessed by the port at ₹ 10.08 crores.

(vi). The PPT has considered 16% return on the total capital cost of ₹ 71.69 crores, which works out to ₹ 11.47 crores.

(vii). Thus, the revenue requirement comprising of operating cost and 16% Return on capital cost has been determined by the port at ₹ 21.55 crores.

(viii). Considering the revenue requirement at ₹ 21.55 crores and the traffic of 3 MMTPA, the consolidated rate for mechanized handling of Thermal Coal by unloading at Wagon Tippler of IOHP and stacking at Stockyard of MCHP has been worked out by the Port at ₹ 71.85 per MT.

(ix). Based on the cost elements as brought out in the earlier paragraphs and given that the users have also supported the proposal of the port and also since the proposal of the port has the approval of its Board of Trustees, this Authority is inclined to approve prescription of a consolidated rate for mechanized handling of Thermal Coal by unloading at Wagon Tippler of IOHP and stacking at Stockyard of MCHP at ₹ 71.85 per MT.

(x). Initially, the proposal of the port was to prescribe the rate for unloading of coal wagon at Wagon Tippler of IOHP and stacking at Stockyard of MCHP using IOHP & MCHP connectivity system. However, during the joint hearing, the PPT was of the view that in the event there is no adequate quantity of Thermal Coal, the Port would like to handle other dry bulk cargo vide the proposed arrangement, within the overall capacity of 3 MMTPA. Thus, the port has proposed modification to the effect so as to enable it handle any other dry bulk cargo vide the proposed facility. The port has confirmed that the proposed facility would be able to handle thermal coal as well as other dry bulk cargo also and that no additional facility would be needed. The port has also confirmed that the other dry bulk cargo will have same handling rates as that of Thermal Coal. Thus, based on a specific request made by PPT and inorder to give flexibility to the port, this Authority is inclined to approve the consolidated rate of ₹ 71.85 per MT for mechanized handling of all dry bulk cargo by unloading at Wagon Tippler of IOHP and stacking at Stockyard of MCHP.

(xi). Orders of this Authority generally come into effect prospectively after expiry of 30 days from the date of Gazette Notification unless otherwise different arrangement is specifically mentioned in the respective tariff Orders. Accordingly, this Authority is inclined to grant approval for levy of the consolidated rate of ₹ 71.85 per MT for mechanized handling of all dry bulk cargo by unloading at Wagon Tippler of IOHP and stacking at Stockyard of MCHP of PPT prospectively after the expiry of 30 days from the date of notification of the Order in the Gazette of India.

8.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves incorporation of the following provision as Section 2.3.1 under Chapter II – Cargo related charges of the SOR of PPT:

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2.3.1. Charges of handling through IOHP-MCHP Connectivity System -

Activity for unloading Dry Bulk Cargo	**Rate per MT or part thereof (₹)**	
	Foreign Rate	**Coastal rate**
Unloading of dry bulk cargo from wagon at Wagon Tippler of Iron Ore Handling Plant and stacking at Stockyard of Mechanized Coal Handling Plant using IOHP & MCHP connectivity system	Rs.71.85	Rs.71.85

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8.2. The PPT is directed to suitably incorporate the above provision in its Scale of Rates.

8.3. The above prescription shall come into effect after expiry of 30 days from the date of notification of the Order in the Gazette of India and shall remain co-terminus to the validity of the existing Scale of Rates of PPT i.e. upto 30 September 2021. The approval accorded shall automatically lapse thereafter unless specifically extended by this Authority.

(T.S. Balasubramanian)
Member (Finance)

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

F.No.TAMP/20/2020 - PPT	**:**	**Proposal received from Paradip Port Trust for fixation of tariff for Mechanized Handling of Thermal Coal by unloading at Wagon Tippler of Iron Ore Handling Plant and stacking at Stockyard of Mechanized Coal Handling Plant.**

A summary of the arguments made by the PPT and the users/ user organisations during the joint hearing held on 23 December 2020 through video conferencing is given below:

Paradip Port Trust (PPT)

(i). At present, thermal coal received through BOX-N wagons are either manually unloaded in siding plots and shifted in dumpers to MCHP stockyard for ship-loading at Coal Berths or mechanically unloaded at wagon tipplers at Iron Ore Handling Plant (IOHP) and stacked in IOHP stockyard for ship-loading at IOB Berth.

(ii). Since iron ore exports through IOHP have improved, BOX-N wagons carrying thermal coal are resorted to manual unloading in siding plots. Manual unloading of thermal coal and shifting through dumpers to stockyard of MCHP involves high handling cost as compared to handling cost of thermal coal at MCHP or in IOHP which discourages Exporters for handling BOX- N rakes for thermal coal.

(iii). Also, IOB berth is having draft restrictions which does not allow loading of Panamax vessel. As such, Exporters have to incur additional expenditure for shifting of vessel and for idling of vessels for loading of full quantity of thermal coal in Panamax vessels.

(iv). Thus, inorder to give flexibility, the port has conceptualized the project of "Connectivity of IOHP & MCHP". As per the said project, BOXN wagons carrying thermal coal which are being unloaded at manual siding shall be tippled in the Wagon Tippler of Iron Ore Handling Plant (IOHP) and will be conveyed to the Stockyards of Mechanized Coal Handling Plant (MCHP) through connectivity conveying system.

(v). The said arrangement shall have the following benefits:

(a). Optimal utilisation of MCHP capacity.
(b). Complete mechanised handling process.
(c). Economic Handling cost.
(d). No shifting cost for exporters.
(e). Double operation in BOX N rakes.

(vi). Detailed workings have been furnished to determine the proposed rate of ₹ 71.85 per MT.

(vii). Our present proposal to TAMP is for Mechanized Handling of Thermal Coal only. However, in the event, if there is no adequate quantity of Thermal Coal, the Port would like to handle other dry bulk cargo vide the proposed arrangement, within the overall capacity of 3 MMTPA. It is confirmed that the proposed arrangement would be able to handle other dry bulk cargo also and that no additional facility would be needed. Also, the other dry bulk cargo will have same handling rates as that of Thermal Coal. We request TAMP to consider this additional proposal also.

TANGEDCO, NTPL

(i). We welcome the arrangement proposed by the Port as it will be useful for us.

Member (F), TAMP

(i). The PPT may convey the changes to be incorporated in the proposed Scale of Rates so as to enable the port handle other dry bulk cargo also.
