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Tariff Authority for Major Ports

G.No.196 **New Delhi,** **28 May 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 Visakhapatnam Port Trust (VPT) for fixation of charges for use of 100 tonne Harbour Mobile Cranes to be installed at the East Quay and West Quay berths of VPT as in the Order appended hereto.

(T. S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/21/2015 - VPT

Visakhapatnam Port Trust - - - **Applicant**

QUORUM:

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

ORDER
(Passed on this 15th day of May 2015)

This case relates to the proposal received from Visakhapatnam Port Trust (VPT) for fixation of charges for use of 100 tonne Harbour Mobile Cranes (HMC) to be installed at the East Quay and West Quay berths of VPT.

2.1. The main points made by the VPT in its proposal dated 24 March 2015 are summarised below:

(i). The port proposes to install two Harbour Mobile Cranes of 100 Tonne capacity each at the East Quay and West Quay berths on license basis for cargo handling operations.

(ii). TAMP vide its notification G.No.7 dated 5 January 2015 has notified charges for use of 100 tonne Harbour Mobile Crane installed by the private operators at the Paradip Port Trust (PPT). The rates notified in case of PPT as Reference Tariff may be considered and notified.

(iii). However, cost calculation for 100 T HMC are carried out and are furnished alongwith draft Scale of Rates.

2.2. The calculation furnished by the VPT to arrive at the per tonne handling rate for the 100 tonne Harbour Mobile Crane is as under:

Sl. No.	**Description**	**₹ in lakhs**		
		Dry Bulk	**Break Bulk**	**Other**
I	**Optimal Capacity**			
(i).	Cargo Share	100%	100%	100%
(ii).	Cargo handling rate in tonnes per day	12500	6000	3750
(iii).	Cargo handling rate in tonnes per hour	744	357	223
(iv).	Total working hours in a year	4000	4000	4000
(v).	No. of HMCs considered	2	2	2
(vi).	Individual cargo capacity (i*iii*iv*v)	5,952,381	2,857,143	1,785,714
(vii).	Annual handling capacity (in lakh tonnes)	59.52	28.57	17.86
(viii).	Annual handling capacity (in million tonnes)	5.95	2.86	1.79
II	**Capital cost**			
(i).	Cost of 100 T capacity Harbour Mobile Crane (€ 2,890,000*68.74)	1986.59		
(ii).	Cost of two grabs (€ 320,000 * ₹68.74)	219.97		
(iii).	Cost of additional two grabs (€ 320,000 * ₹68.74)	219.97		
(iv).	Sea freight cost (€ 330,000 * ₹68.74)	226.84		
(v).	Cost for one crane	2653.36		
(vi).	Total cost for two cranes	5306.73		
(vii).	Custom Duty @ 25% of cost of HMCs	1326.68		
(viii).	Miscellaneous capital cost – 5% of capital cost	265.34		
(ix).	**Total capital cost (vi to viii)**	**6898.75**		

Sl. No.	Description	₹ in lakhs		
		Dry Bulk	Break Bulk	Other
III	**Operating cost per annum**			
(i).	Fuel cost (Diesel – 4000 hrs. @ 70 litres per hour, ₹55.95 per liter*2)	313.32		
(ii).	Maintenance and repair @ 5% on equipment cost	344.94		
(iii).	Insurance @ 1% on capital cost	68.99		
(iv).	Depreciation – 10% of capital cost	689.87		
(v).	License fee (₹249.37 per sq. mtr. for 500 sq. mtrs. per annum at WQ)	1.25		
(vi).	License fee (₹213.74 per sq. mtr. for 500 sq. mtrs. per annum at EQ)	1.07		
(vii).	Other expenses @ 5% of capital cost	344.94		
	Total operating cost (i to vi)	**1764.37**		
IV	**Return on Capital Employed @ 16%**	**1103.80**		
V	**Estimated Annual Revenue Requirement**			
(i).	Total operating cost	1764.37		
(ii).	Return on Capital Employed	1103.80		
(iii).	**Total revenue requirement**	**2868.17**		
VI	**Cost per tonne**	**Dry Bulk**	**Break Bulk**	**Other**
(i).	Total annual revenue requirement (₹ in lakhs)	2868.17	2868.17	2868.17
(ii).	Capacity (Lakh tonnes)	59.52	28.57	17.86
(iii).	Ratio of foreign cargo to coastal cargo – last 5 years			
	Foreign	68.35%	95.65%	--
	Coastal	31.65%	4.55%	**--**
(iv).	**Cost per tonne in ₹**			
	(a). Foreign	**55.17**	**102.04**	**160.62**
	(b). Coastal	**33.10**	**61.22**	**96.37**

3. The proposal of the VPT seeks approval for hire charge for 100T HMC to be installed on license basis. In this context, it is relevant to draw reference to Clauses 9.1 and 9.2. of the Tariff Policy for Major Port Trusts, 2015 which governs regulation of charges levied by authorised service providers by the port. Clause 9.1. stipulates that in cases where authorisation arrangement u/s 42(3) is other than by way of a BOT concession agreement, ceiling rates will be prescribed for such services based on the proposal to be filed by the concerned Major Port Trust. Clause 9.2. of the said guidelines stipulates that in case there is no ceiling tariff prescribed in the concerned Major Port for a particular service/ facility under such arrangement, the port shall adopt the tariff prescribed for the similar service/ facility prescribed in any other Major Port Trust. If there is no tariff prescribed in any Major Port Trust or the rate prescribed is not representative for the cargo/ service/ facility envisaged, the Port Trust may file a proposal with reference to optimal capacity following the principles of 2008 guidelines or based on rated capacity [With reference to the technical specification of the service/ facility/ equipment]. The proposal of Port Trust shall contain the Performance Standards to be achieved by the service provider and tariff linked to Performance Standards should be proposed.

4.1. On perusing the proposal dated 24 March 2015 filed by the VPT and in light of the provisions in Tariff Policy 2015, information gaps observed were communicated to VPT vide our letter dated 7 April 2015. The VPT vide its letter dated 16 April 2015 has furnished its reply on the information gaps observed by us on the subject proposal. A summary of the gaps observed by us and reply furnished by VPT thereon is tabulated below:

Sl. No.	Gaps observed by us	Reply furnished by VPT
(i).	The VPT on one hand has requested to notify the tariff approved by the Authority for 100T HMC (Tariff Order No.TAMP/30/2014-PPT dated	VPT hereby requests to notify the tariff approved by the Authority for 100 Tons HMC (Tariff Order No.TAMP/30/2014-

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<td>28 November 2014, notified vide G.No.7 dated 5 January 2015) at the Paradip Port Trust for use of 100 tonne Harbour Mobile Crane. On the other hand, the VPT has furnished its own computation for 100T HMC for different cargo groups and has proposed rates in the SOR as per the cost computation done by the port. It is seen that the rates proposed by the port based on its computation are different from the rates notified by the Authority in the PPT case which the port has requested to notify. For example, the rate proposed by the VPT for using 100T HMC for handling foreign break bulk and other cargo are ₹102.04 per tonne and ₹160.62 per tonne respectively. Whereas, hire charge notified for 100T HMC at PPT in the Order dated 28 November 2014 is ₹114.97 per tonne and ₹183.95 per tonne for the corresponding cargo.

If the VPT proposes to notify the rate determined for 100T HMC at PPT, then the computation of hire charge for 100T HMC and proposing that rate in the draft SOR is also not in line with its proposal requesting the Authority to notify the rate notified in the PPT case. The VPT, therefore, to file an explicit proposal following the relevant clause of the Tariff Policy, 2015.</td>
<td>PPT dated 28 November 2014, notified vide G.No.7 dated 5 January 2015) at Paradip Port Trust (PPT) for use of 100 Tons Harbour Mobile Crane, as the modalities for deployment are the same.

The proposal sent by VPT vide letter dated 24 March 2015 with rates proposed by the port based on its computation is hereby withdrawn.

Accordingly, VPT is filing an explicit proposal following the relevant Clause of Tariff Policy 2015. There is no ceiling tariff prescribed at VPT for installation of 100 Tonne HMC on license basis. Therefore, VPT proposes to adopt the ceiling tariff notified for similar facility at the PPT following clause 9.2 of Tariff Policy, 2015.</td>
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<td>(ii).</td>
<td>The Authority had earlier vide Order No.TAMP/16/2012-VPT dated 16 June 2010 approved hire charge for 100 tonne HMC at the VPT to be given by the port to the authorised service provider. Subsequently, vide Order dated 28 September 2012, the tariff approved in the June 2010 Order was modified in view of the request made by the VPT. Since the hire charge for 100T HMC is already approved for its own port, the VPT to justify as to how its current proposal to adopt the rate for 100T HMC notified at the PPT fits into the clause 9.2. of the Tariff Policy, 2015.</td>
<td>The present proposal dated 24 March 2015 and the TAMP Order No.TAMP/16/2012-VPT dated 16 June 2010 are different in the following aspects:

<table>
<tr><th>Sl. No.</th><th>TAMP Order dated 16.06.2010</th><th>Proposal dated 24.03.2015</th></tr>
<tr><td>1.</td><td>Hire basis</td><td>Revenue sharing</td></tr>
<tr><td>2.</td><td>MGT of 1 MMT</td><td>No MGT</td></tr>
<tr><td>3.</td><td>No performance standards</td><td>Performance standards incorporated as per the PPT.</td></tr>
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<td>(iii).</td>
<td>The proposal of VPT does not contain the Performance Standards to be achieved by the service provider in order to get indexation in tariff as per clause 9.3. of Tariff Policy 2015.</td>
<td>VPT is proposing to follow the Tariff Order No.TAMP/30/2014-PPT dated 28 November 2014, notified vide G.No.7 dated 5 January 2015 at the PPT for use of 100 Tons Harbour Mobile Crane in toto including the performance standards.</td>
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<td>(iv).</td>
<td>The names of the prospective licensee/ prospective authorised service providers along with the contact details viz., postal address, name of the contact person, telephone nos., fax nos., e-mail id, etc. to be consulted on the subject proposal are not provided.</td>
<td>The list of prospective licensee/ prospective authorised service providers are furnished.</td>
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4.2. Further, the VPT has submitted the following:

(i). VPT proposes to install two HMC's of 100T capacity on license basis for cargo handling operations on revenue sharing model.

(ii). As there is no ceiling tariff prescribed at VPT for such arrangement, it is proposed vide clause 9.2 of "Policy for Determination of Tariff for Major Port Trust's 2015" to adopt the ceiling tariff notified for similar facility at PPT by TAMP.

(iii). The proposal of VPT is, therefore, to adopt the tariff notified in respect of PPT vide TAMP G.No.7 dated 5 January 2015 for use of 100T Harbour Mobile Crane installed by the private operators.

(iv). The draft Scale of Rates (SOR) along with the base performance levels and tariff linked to performance standards are furnished.

(v). The base rates proposed by the VPT in its proposal are as follows:

Cargo type	**Average tonnage**	**Rate per tonne in ₹ (Foreign)**
Dry Bulk	12500	55.18
Break Bulk	6000	114.97
Other	3750	183.95

4.3. In view of the above, the VPT has requested to consider the above replies and notify the rates as per the Tariff Order No.TAMP/30/2014-PPT dated 28 November 2014, notified vide G.No.7 dated 5 January 2015 at the PPT for use of 100 tonne Harbour Mobile Crane.

5. In accordance with the consultative procedure prescribed, the proposal of VPT dated 16 April 2015 was forwarded to the concerned users/ user organisations/ service providers (as suggested by the VPT) seeking their comments latest by 28 April 2015 simultaneously to this Authority and to the VPT. The comments received from the users/ user organisations/ service providers were forwarded to the VPT as feedback information. The VPT vide its letter dated 5 May 2015 and letter dated 12 May 2015 has furnished its remarks on comments of the users/ user organisations/ service providers.

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

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

(i). The proposal filed by Visakhapatnam Port Trust (VPT) is for fixation of charges for use of two 100 tonne Harbour Mobile Cranes to be installed at the East Quay and West Quay berths on license basis for cargo handling operations. The VPT has proposed to adopt the rates notified by this Authority vide its Order dated 5 January 2015 in case of Paradip Port Trust (PPT) as "Reference Tariff".

This Authority has passed an Order bearing No.TAMP/30/2014-PPT dated 28 November 2014 fixing ceiling tariff for the Harbour Mobile Crane (HMC), which the VPT has proposed to adopt it as it is without any modification.

(ii). 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. Clause 9.1 of the Tariff Policy 2015 states that "In cases where authorisation arrangement u/s 42(3) is other than by way of a BOT concession agreement, ceiling rates will be prescribed for such services. For this purpose, proposals for these charges should be initiated by the concerned Major Port Trust after identifying such authorised services coming under the ambit of tariff regulation and forward to this Authority. The proposal shall contain the Performance Standards to be achieved by the service provider and tariff linked to Performance Standard should be proposed and Clause 9.2 of the same policy states that "In case there is no ceiling tariff prescribed in the concerned Major Port for a particular service / facility under such arrangement, the port shall adopt the tariff prescribed for the similar service/ facility prescribed in any other Major Port Trust. If there is no tariff prescribed in any Major Port Trust or the rate prescribed is not representative for the cargo/ service/ facility envisaged, the Port Trust may file a proposal with reference to optimal capacity following the principles of 2008 guidelines or based on rated capacity [with reference to the technical specification of the service/ facility/ equipment].The proposal of Port Trust shall contain the Performance Standards to be achieved by the service provider and tariff linked to Performance Standards should be proposed." The case is analysed following the provisions prescribed in clause 9.1., 9.2. and 9.3. of the said Tariff Policy, 2015 and the present proposal needs to be governed by clause 9.1 to 9.3 of the 2015 guidelines. Further, VPT has also stated that as there is no ceiling tariff prescribed at VPT for such arrangement, it is proposed vide clause 9.2 of Policy for Determination of Tariff for Major Port Trust's 2015 to adopt the ceiling tariff notified for similar facility at PPT by this Authority.

(iii). It is relevant here to mention that this Authority had earlier vide Order No.TAMP/16/2012-VPT dated 16 June 2010 approved hire charge for 100 tonne HMC at the VPT to be given by the port to the authorised service provider. Subsequently, vide Order dated 28 September 2012, the tariff approved in the June 2010 Order was modified at the request of VPT. Since the hire charge for 100T HMC is already approved for its own port, the VPT was asked to justify as to how its current proposal to adopt the rate for 100T HMC notified at the PPT fits into clause 9.2. of the Tariff Policy, 2015. In response, the VPT has sought to justify that the proposal dated 24 March 2015 is on revenue sharing basis as compared with Order dated 16 June 2010 which is based on Hire basis. The Order dated 16 June 2010 has MGT of 1 MMT with no performance standard, whereas current proposal is with no MGT requirement but it contains performance standard. The Justification given by VPT for adoption PPT rate rather adopting own rate is found to be satisfactory.

(iv). As rightly pointed out by the TANGEDCO, the slabwise rates initially approved in the year 2010 based on the proposal of VPT was modified and flat rate was prescribed again based on the concurrence of VPT in October 2012. Now, the VPT has proposed to adopt the slabwise rates prescribed for HMC at PPT. Though comments of the VPT were sought in this regard by forwarding a copy of TANGEDCO comments, the reason for reverting back to slabwise rates remains unexplained. Since the proposal of VPT to adopt the rates approved for PPT, which is slabwise, is in line with the Tariff Policy, 2015, the proposal is taken up for consideration.

(v). With reference to the reported additional burden per metric tonne in handing dry bulk cargo reported by the TANGEDCO, the proposal of VPT to engage two HMCs is with the aim of achieving better performance standards and turnaround time of vessels. The VPT expects that this will result in savings in terms of vessel related charges to the users like TANGEDCO.

(vi). As stated earlier, the VPT has proposed to adopt the tariff fixed for HMC at the PPT vide Order dated 28 November 2014, which was notified in the Gazette of India on 5 January 2015. The tariff policy of 2015 subsequently announced by the Government of India, which has come into force with effect from 13 January 2015, calls for automatic indexation of tariff to inflation from 2^{nd} year onwards subject to achievement of performance standards as per Clause 3.2. Though the VPT has filed the proposal in March 2015, after the implementation of Tariff Policy 2015 w.e.f. 13 January 2015, the VPT has not proposed automatic indexation of tariff to inflation subject to achievement of performance standard. It is relevant to mention here that the Order dated 13 February 2015 passed by this Authority fixing tariff for HMC provided by the service providers at the New Mangalore Port Trust stipulates at paragraph 10 (xviii) that:

> *"As per Clause 9.3. of the said Tariff Policy where authorization arrangements under section 42(3) is other than by way of a BOT concession agreement that tariff approved by the Authority for those services shall be subject to automatic indexation as prescribed in clause 2.8 of these guidelines from the second year onwards subject to achievement of Performance Standards committed by the Major port Trusts as per Clause 3.2. If the Performance Standard is not fulfilled, no indexation would be allowed during the next year.*
> *The NMPT has filed the subject proposal for fixation of tariff for the MHC to be deployed by the service providers authorized by the NMPT. Further, NMPT has adopted the norms prescribed in the tariff guidelines of 2008 for the proposed tariff for the MHC deployed by the service providers authorized by the port. As brought out in the first part of the order, the NMPT in its subject proposal has proposed tariff for 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. Accordingly, a suitable note for the 100 T MHC deployed by the service providers authorized 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."*

In the Order dated 21 March 2015, passed for fixation of tariff for port-owned 63 Tonne capacity HMC at NMPT, a suitable note is prescribed in the SOR of the NMPT to enable the port to effect indexation on the approved tariff from the effective date of commencement of the 2nd year, subject to achievement of the base performance standard levels. Following the approach adopted in the similar cases of NMPT as per the relevant clauses of the Tariff Policy 2015, a suitable note, as given below, is prescribed in the SOR of the VPT:

> *"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 12500 Metric Tonne for Dry Bulk Cargo, 6000 Metric Tonne for Break Bulk cargo and 3750 tonnes for Other cargo, 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 benchmark 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 (cargowise) 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 31 March of the following year".*

8. The Reference Tariff Schedule along with performance standard is attached as **Annex** for two 100 tonne Harbour Mobile Cranes to be installed at the East Quay and West Quay berths on license basis for cargo handling operations at VPT as proposed by the VPT.

9. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the Reference Tariff Schedule and the Performance Standards for Two 100 tonne Harbour Mobile Cranes to be installed at the East Quay and West Quay berths on license basis for cargo handling operations at VPT.

10. Clause 2.9. of the Tariff Policy, 2015, prescribes the validity of the SOR of the Port for 3 years, subject to indexation as mentioned in Clause 2.8 and 3.2. That being so, the validity of the tariff approved is prescribed for 3 years from the date of implementation of the Order. The tariff for the subject HMCs will come into force after expiry of 30 days from the date of notification of the Order in the Gazette of India and will remain in force for a period of 3 years. The approval accorded will automatically lapse unless specifically extended by this Authority.

11. The tariff approved by this Authority for HMC is at ceiling level. The VPT is advised to ensure by suitably including a necessary condition in the authorization arrangement that the authorized service providers do not charge more than the prescribed ceiling tariff for the respective cargo group.

(T.S Balasubramanian)
Member (Finance)

Annex

Visakhapatnam Port Trust
Scale of Rates

Charges for use of 100 Tonne Harbour Mobile Crane installed by the private operators:

(i). For Dry Bulk Cargo

Average daily crane performance (in Metric Tonne)	**Ceiling rate per tonne (in ₹)**	
	Foreign	**Coastal**
12500	55.18	33.11
12501-13500	57.94	34.77
13501-14500	60.70	36.42

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 14500 tonnes.

(ii). For Break Bulk Cargo

Average daily crane performance (in Metric Tonne)	**Ceiling rate per tonne (in ₹)**	
	Foreign	**Coastal**
6000	114.97	68.98
6001-7000	120.72	72.43

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes. The same methodology shall also be adopted to calculate the rate beyond 7000 tonnes.

(iii). For Other cargo

Average daily crane performance (in Metric Tonne)	**Ceiling rate per tonne (in ₹)**	
	Foreign	**Coastal**
3750	183.95	110.37
3751-4750	193.14	115.89

Note: To calculate the incremental ceiling rates as shown above, the base rate was enhanced to 105% for first thousand tonnes. The same methodology shall also be adopted to calculate the rate beyond 4750 tonnes.

Notes:

(i). The formula for calculation of average berth-day output is as follows:-

$$\frac{\text{Total Quantity loaded / unloaded by HMC}}{\text{Total time taken from vessel commencement to completion}} \times 24 \text{ hrs.}$$

(ii). According to the average berth-day output for the vessel from commencement to completion of loading / discharge of cargo, the appropriate rate of crane hire charge will be chosen for recovery from Port users for the full quantity of cargo loaded / discharged.

(iii). If one HMC works with another HMC or ELL crane/s, the Berth-day output for the crane will be ascertained on the basis of the quantity as recorded by the HMC's load meter.

(iv). In case of breakdown of the crane for more than one hour till the vessel leaves the berth, the quantity handled by HMC will be determined taking into account cargo loaded/ discharged prior to break-down divided by crane working hours and multiplied by 24.

(v). In case of stoppages of operation of HMC for more than two hours at a stretch for reasons not attributable to the HMC, appropriate allowance will be allowed to the crane while calculating the total time of crane operation in the vessel. Stoppages of HMC for less than 2 hours will not be taken into consideration for the above purpose. No allowance will be allowed for stoppages attributable to the HMC. All stoppages in loading / unloading operations during working of HMC are required to be certified by the Stevedore of the vessel in the daily vessel performance report.

(vi). In case shifting of a vessel becomes necessary due to breakdown / non-performance of HMC, the shifting charges of the vessel from berth to anchorage will be recovered from the crane operator in addition to a penalty of ₹1,00,000/- (Rupees one lakh) only . The shifting charges so recovered will be refunded to the vessel's agent while the penalty will be retained by the Port.

(vii). In case of dispute on the average output, the decision of the Port Trust will be final and binding.

(viii). 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 12500 Metric Tonne for Dry Bulk Cargo, 6000 Metric Tonne for Break Bulk cargo and 3750 tonnes for Other cargo, 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 benchmark 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 (cargowise) 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 31 March of the following year.

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SUMMARY OF THE COMMENTS RECEIVED FROM THE PORT USERS / DIFFERENT USER ORGANISATIONS / SERVICE PROVIDERS

F. No.TAMP/21/2015 - VPT - Proposal from the Visakhapatnam Port Trust (VPT) for fixation of charges for use of 100 tonne Harbour Mobile Cranes to be installed at the East Quay and West Quay berths of VPT.

A summary of the comments received from users/ user organisations/ service providers and response of Visakhapatnam Port Trust (VPT) thereon are tabulated below:

Sl. No.	Comments received from users/ user organisations/ service providers	Response of VPT
1.	**M/s.Seapol Port Pvt. Ltd.**	
(i).	The rates fixed based on Paradip Port Trust (PPT) may be considered.	VPT has already requested TAMP to notify the tariff approved by the Authority for 100 Tons HMC (Tariff Order No.TAMP/30/2014-PPT dated 28 November 2014, notified vide G.No.7 dated 5 January 2015) at Paradip Port Trust for use of 100 Tons Harbour Mobile Crane, as the modalities for deployment are the same.
(ii).	Also consider the rates for mobilization and de-mobilization of our crane, which is approximately USD 500,000/-.	The cost factor involved towards mobilization and de-mobilization of cranes has been considered under the Miscellaneous capital cost @ 5% of capital cost.
2.	**ALBA Asia Pvt. Ltd.**	
(i).	The applicable tariff for the 100 tons HMC as approved earlier by the Authority in their Order No.TAMP/30/2014-PPT dated 28 November 2014 for the use of Harbour Mobile Crane at PPT may be granted, since the scope of work and deployment of the said equipment remains the same at VPT.	VPT has already requested TAMP to notify the tariff approved by the Authority for 100 Tons HMC (Tariff Order No.TAMP/30/2014-PPT dated 28 November 2014, notified vide G.No.7 dated 5 January 2015) at Paradip Port Trust for use of 100 Tons Harbour Mobile Crane, as the modalities for deployment are the same.
(ii).	We are in agreement to the proposal dated 24 March 2015, given by VPT, which are currently being adopted by PPT for installed HMC's of 100 tons.	Noted.
(iii).	The performance standards for the 100 tons HMC at VPT as mentioned in the tariff Order No.TAMP/30/2014-PPT dated 28 November 2014, notified vide G.No.7 dated 05.01.2015 for the use of 100 tons HMC at PPT may be considered.	VPT has submitted the revised TAMP proposal vide Letter dated 16 April 2015 duly incorporating the performance standards as per the Tariff Order No.TAMP/30/2014-PPT dated 28 November 2014, notified vide G.No.7 dated 5 January 2015.
3.	**Tamilnadu Generation and Distribution Corporation Ltd. (TANGEDCO)**	
(i).	Mobile crane was introduced by VPT in January 2009 with the flat rate of ₹39.75/ MT for loading of Thermal Coal in to vessels. In August 2010 slab rate was implemented for loading of coal. The slab rate was ₹33.23/ MT, for a base rate of 12,500 MT of coal/ day loaded into vessel. Above 12,500 MT/ day, there is 5%	VPT has informed that for achieving better performance standards, turn round time of the vessel, which result in savings in terms of berth hire/ vessel charter charges etc., to the users, VPT proposed for installation of 2 HMCs at West Quay and East Quay berths on revenue sharing model. Accordingly, as per the TAMP guidelines

	increase in the rate, for loading every 1,000 MT/ day additionally. This resulted in paying additional amount for using mobile crane, depending on the rate of loading.	2013, under reference tariff, the tariff notified for Paradip Port for similar arrangement/ service has been taken and sent to TAMP for consideration.
(ii).	TANGEDCO vide letter dated 22 September 2010 requested TAMP to fix hire charge for mobile crane in such a way that the rates reduce with the increase in quantity handled so that, it encourages the port users to utilise the mobile crane more.	
(iii).	Visakhapatnam Stevedores' Association vide letter dated 22 December 2010, pointed out to TAMP that the gradation of the rates is proving to be disincentive for productivity as the rates are going up at higher outputs and requested to offer lower rates for higher outputs. Further, this issue was taken up by TANGEDCO's handling contractor at Visakhapatnam port to VPT.	
(iv).	Considering the above, TAMP vide notification no.TAMP/16/2012-VPT dated 3 October 2012, citing the following remarks on slab rate system once again changed over to flat rate system at ₹33.23/ MT w.e.f. 5 October 2012. (a). The tariff is fixed in a manner where a better performer is burdened with higher tariff and low performer is enjoying lesser rate which results in achieving lower outputs. (b). There is penalty for achieving higher productivity instead of incentive. (c). After implementation of slab tariff the average daily output reduced from 18,000 MT/ day to 12,500 MT/ day.	
(v).	Now, Visakhapatnam Port, vide TAMP notification No.TAMP/21/2015-VPT dated 22 April 2015 has proposed slab rate system for mobile crane which was implemented earlier in August 2010 and withdrawn in October 2012 as stated earlier due to representation. If implemented, it may once again lead to lesser output level, under utilization of mobile crane, overstayal of vessels at berths and congestion at the berth. For TANGEDCO, the availability of vessel will be less due to increase in turnaround time at port besides additional financial burden due to increase in mobile crane charges.	
(vi).	The average performances of mobile cranes was 20,000 MT/ day (January 2015 to March 2015). The charge for loading through Harbour mobile crane for a loading rate of 20,000 MT/ day at the	

	present rate of 33.23/ MT is ₹7.47 lakhs/ day including Service Tax @ 12.36%. Whereas as per the proposed rate by VPT (i.e. @ ₹77.25 per MT) the rate will be ₹17.36 lakhs/ day for a loading rate of 20,000 MT/ day including Service Tax @ 12.36% which is very high.	
(vii).	Hence, if the proposal is implemented the additional burden to TANGEDCO towards loading of coal through mobile crane would be ₹21.95/MT (₹55.18 – ₹33.23) or about ₹7.4 crores/ annum (30 lakhs tonnes/ annum * ₹21.95/MT with ST 12.36%) @ loading rate of 12,500 MT/ day and ₹44.02/ MT (₹77.25 – ₹33.23) @ loading rate of 20,000 MT/ day resulting in additional financial burden of ₹14.84 crores/ annum (30 lakh tonnes/ annum * ₹44.02/ MT with ST 12.36%).	
(viii).	Moreover, coal is handled through Visakhapatnam port for more than 25 years, but the coal handling system is yet to be mechanised. Whereas the other ports of Haldia and Paradip are already mechanised. The unloading charge at other ports of Haldia and Paradip are significantly lower due to mechanisation. Whereas it is already very high in Visakhapatnam port and TANGEDCO is already burdened with high handling cost for moving coal through Visakhapatnam port. The charges for handling of coal through Visakhapatnam is already very high compared to other ports due to manual handling of coal. If the present proposal of VPT for increase in the HMC charges on slab rate system proposal is accepted it will place huge additional financial burden on TANGEDCO, which is one of the major user of Visakhapatnam port.	
(ix).	In view of the above, it has requested to maintain the existing flat rate of ₹33.23/ MT for loading of thermal coal using Harbour mobile crane.	

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