

Tariff Authority for Major Ports

G. No. : 161

New Delhi, 20 June 2001

NOTIFICATION

In exercise of the powers conferred by Section 49 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby decides on the proposal of the Mormugao Port Trust for revision of Port Railway Charges as in the Order appended hereto.

(S. Sathyam)
Chairman

ORDER

(Passed on this 12 day of June 2001)

This case relates to a proposal from the Mormugao Port Trust (MOPT) regarding revision of the local haulage charges and other miscellaneous charges falling under the Railway Activity.

2.1. This case has progressed for consideration as follows:

- (i). This Authority had passed an Order on 2 June 2000 relating to the consolidated proposal of the MOPT for revision of the Cargo related charges and estate rentals. The said proposal included revision of charges for the Railway activity also.
- (ii). In the said order this Authority did not consider the revision of the Railway charges on the ground of lack of jurisdiction.
- (iii). Subsequently, the (then) Ministry of Surface Transport in consultation with the Ministry of Law advised that the TAMP is the only concerned Authority to decide on Port Railway Charges.
- (iv). In pursuance of this advice, the MOPT has now requested this Authority to consider its original proposal for revision of the railway charges.

2.2. The details of the proposal in brief are as follows:

- (i). The existing haulage charges of the port were last revised during October 1994 and the terminal charges were last sanctioned by the Ministry of Railways for the period from 1 April 1999 to 31 March 2000.
- (ii). It envisages an increase of 100% over the existing Haulage charges.
- (iii). It was approved by the Board of Trustees of the MOPT in its meeting held on 29 December 1999.
- (iv). The cost statements originally submitted by the MOPT were based on the revised estimates of 1999-2000 with projections for 2000-01 and 2001-02.
- (v). During the process of conversion of meter gauge to broad gauge and replacement of locomotives, the port has invested a substantial amount in providing the infra-structural facilities to the trade to boost the traffic. The operation and maintenance cost such as salary and wages, repair and maintenance, hire of locomotives, sub-contractual jobs, etc., have also increased requiring upward revision in the charges.

3.1. The MOPT has also sent another proposal relating to revision of the rates for shunting into and out of Oil installation, which is a special facility provided to the Oil companies in terms of the agreement with them. Since the shunting in / out charge is included in the Scale of Rates under the Railway Activity, it has been decided to take up this proposal alongwith the port's proposal for revision of railway charges.

3.2. The proposal of the Port in this regard is as follows:

- (i). The operation of the facility involves the placement of the empty tank wagons into oil sidings; and later, placement of loaded wagons at the South Central Yard for onward transmission to the Trunk Railway destinations.
- (ii). The proposal envisages to increase the existing rate of Rs.900/- per trip to Rs.1290/- per trip, if completed within half an hour and an additional charge of Rs.900/- and Rs.1290/- respectively for every additional half an hour or part thereof for the facility.
- (iii). The proposal was approved by the Board of Trustees of the MOPT in its meeting held on 28 June 2000.
- (iv). The proposed increase has been sought on the following considerations:
 - (a). The charges were last revised during July 1993. Over a period of seven years the expenditure on operations, maintenance of railway services, etc., have increased manifold, income remaining static.
 - (b). The port has invested huge amounts for conversion into broad gauge including modernisation of marshalling yard, replacement of locomotives etc.

3.3. At our request, the MOPT furnished a copy of the agreement with the oil companies and the notification relating to the existing rate for the facility.

3.4. A copy of the proposal relating to the shunting in/out charges was forwarded to M/s. Indian Oil Corporation (IOC) and M/s. Hindustan Petroleum Corporation Ltd. (HPCL) for their comments. The IOC did not respond with its comments. The comments received from the HPCL are summarised as below:

Hindustan Petroleum Corporation Limited (HPCL)

The IOC handles the loading of tank wagons in the POL siding for themselves and on behalf of other industry members of Goa, like HPCL and BPCL. The charges in this respect are payable by the IOC to the concerned Authority and the same are later on reimbursed by the industry members to the IOC. The IOC only executes the siding agreement in this regard with the MOPT.

4.1. Since the proposal for revision of railway charges was a part of the original consolidated proposal of the MOPT and was circulated earlier, among concerned user agencies, it was not circulated again separately.

4.2. A copy of the proposal was, however, forwarded to the South Central Railway (SCR), and M/s. Jindal Vijayanagar Steels and M/s. Kalyani Ferrous Industries, the major users of the railway facility at MOPT, as indicated by the Port, who were not consulted earlier, for their comments. The comments received from them along with the comments received from other user agencies on the original proposal are summarised below:

The Mormugao Stevedores' Association (MSA)

- (i). Income from cargo handling and storage, railway working and estate rentals do not represent a proper trend of general cargo because such cargo were limited on account of suspension of railway services for conversion of rail lines from 1994 to 1998. The present trend of general cargo has increased manifold; and, this trend will continue in the coming years.
- (ii). The increase to the extent of 100% for railway working is not warranted as it will be an additional burden on low priced light weight cargoes like coke/coal.

The Indian National Shipowners' Association (INSA)

- (i). The steep increase proposed for railway working and increase in wharfage charges on containers will certainly put a heavy burden on users.

The South Central Railway (SCR)

- (i). The local haulage and terminal charges are being notified from time-to-time by the Railway Board based on which the above charges are being notified locally and levied. The SCR has no further comments to offer in this regard.

5.1. The MOPT was requested to furnish the cost statements based on the revised estimates of 2000-01 with projections for 2001-02 and 2002-03 taking into consideration the adjustments made by this Authority with respect to the capital employed, apportionment of expenditure and escalation of expenditure in its original proposal relating to revision of CRCs.

5.2. The MOPT has submitted the revised cost statements.

6.1. On a preliminary scrutiny of the proposal and the revised cost statements, the MOPT was requested to furnish additional information / clarifications on many issues. Some of the important points on which additional information / clarification was sought, are as follows:

- (i). The basis of traffic projections and reasons for not projecting any growth in the traffic for the years 2001-02 and 2002-03.

- (ii). Quantum of income on account of handling charges and the head under which it is included.
- (iii). Quantum of income on account of shunting into and out of oil installation and shut out charges.
- (iv). Break-up of operation and maintenance cost; and, capital employed.
- (v). Quantum of retirement benefits and arrear salary/wages etc. if any, included in the FME of the cost statement.
- (vi). The assets that are additionally proposed to be capitalised during the period under consideration.
- (vii). Reasons for increase in the cost of maintenance of permanent way.
- (viii). Recasting of computation of rate for shunting into and out of oil installation activity with reference to the actuals for the year 2000-01 alongwith the justification of percentage of various overheads taken into account with reference to the actuals for the last 3 years.
- (ix). The availability and utilisation hours of locomotives for the last three years.

6.2. Some of the important points mentioned by the MOPT in addition to the submission of the requisite information called for are as follows:

- (i). The traffic projections are based on the actuals of 1999-2000 and the anticipated trend for the future years.
- (ii). The income from Shunting into and out of oil installations has not been realised since 1996-97 on account of conversion of the Broad Gauge. The income there from will accrue during 2000-01 for which provision is made in RE/BE. The terminal charges received from the Railways are included under the head terminal charges.
- (iii). The provision for depreciation in the year 2002-03 has been increased by 15% over the year 2001-02 because of the acquisition of one diesel loco and other

sundry equipments under the X Five Year Plan for which details are being finalised.

- (iv). The cost of maintenance of permanent way has increased mainly on account of Salaries & Wages, Maintenance cost of the newly laid B.G. Railway track, Annual Maintenance contract and R&M material (Ballast) charges.
- 6.3. The MOPT made the following additional points also:
- (i). The traffic projections of 18 lakhs for the year 2000-01 as against the actual traffic of 12.97 lakhs achieved during 1999-2000 is on the higher side and accordingly no increase was provided in the year 2001-02. The traffic may go up to 20 lakhs during 2002-03 depending on the trunk railway and future development. The port has sent the income figures based on the traffic of 16 lakhs for the year 2000-01, 18 lakhs for 2001-02 and 20 lakhs for 2002-03.
 - (ii). The operating costs for the year 2000-01 are higher as compared to 1999-2000 because of the expenditure on account of maintenance of the permanent way after the gauge conversion.
- 7.1. A joint hearing in this case was held on 16 January 2001 in Mormugao. At the joint hearing, the following submissions were made:

Mormugao Port Trust (MOPT)

- (i). The last revision of railway rates was done more than 6 years ago.
- (ii). We have spent Rs.15.86 crores in gauge-conversion.
- (iii). The interest on this investment alone in 6 years is about Rs.10 cores. We have been spending all along without earning any income.
- (iv). The traffic of-course is increasing.
- (v). There is no sudden increase of rates. The suddenness is because of the lack of increase for nearly 7 years.

- (vi). If the cargo is diverted, it can only go to Chennai. The distance and the freight per tonne for the CHPT will be prohibitive.
- (vii). The proposed increase will have an impact of only 4% on the haulage cost of JVSL.
- (viii). Our clear assessment is that this increase will not hurt importers / exporters.
- (ix). We agree about the efficiency improvement and we want to achieve that also. We have started implementing an incentive scheme for labours, which will require an outflow of Rs.8.50 crores per annum. For increasing the traffic, we need a third locomotive, for which we shall need Rs.4 crores. When even the existing investment is not yielding full return, how can we go in for further investments?
- (x). We agree with the TAMP that cross-subsidisation shall be avoided as far as possible.
- (xi). We will examine the entry relating to Shut Out charges to see whether any ambiguity exists.
- (xii). We will remove the irrelevant entries in the Scale of Rates relating to the Port owned wagons.
- (xiii). The wages and the pension liability have increased. We have given a detailed representation for the increase in the operation & maintenance cost and the permanent way maintenance.
- (xiv). We emphasis on the environmental quality and we have to provide for this also. We are under pressure to prevent pollution and it calls for heavy expenditure.

The Mormugao Stevedores Association (MSA)

- (i). The figures furnished in the cost estimates vary widely. There are fluctuations in the Income figure.

- (ii). The Haulage rates are very high as compared to the other ports and must be reduced.
- (iii). An increase of 100% is not justified.

Jindal Vijayanagar Steel Limited (JVSL)

- (i). The Haulage rates are very high and will require an examination.
- (ii). Our company has worked out its economics with respect to the existing rates. An increase of 100% will throw us into deep distress.
- (iii). We are expanding our capacities. The coal movement is likely to go up by 50%. The MOPT must take this into account and adjust the rates.
- (iv). When the proposal was formulated, this increase in traffic was not contemplated. In the near future, traffic will increase and the Port revenue (especially wharfage) will go up. The MOPT shall take this into account while considering further increases.
- (v). The reasons for cost escalations may please be evaluated.
- (vi). The completed (but not yet productive) assets must be removed from the capital block.
- (vii). There is a wide variance in the Haulage charges of Indian Railways and haulage charges of the MOPT. There is scope for reduction.
- (viii). There is no effort to improve the efficiency. Total reliance on cost plus basis is not acceptable. There is possibility of the Port to improve its output at least twofold.
- (ix). The haulage activity should not be loaded to bear the Paving expenses. The income from the wharfage must absorb the paving cost.

Goa Mineral Ore Exporters Association (GMOEA)

- (i). How will the deficit under railway activity in the next 2 years be met? By further increasing the charges or by cutting into the reserves or by cross-subsidising?

- (ii). Why not increase the rates more to bridge the gap?
- (iii). The iron-ore exporters cannot be required to bridge this gap.

Indian National Shipowners Association (INSA)

- (i). Joint hearings of this nature are very useful to put forth the views of all concerned across the table.
- (ii). An increase of 100% is a drastic increase and it may drive away the traffic. In the current liberalised situation, such drastic increases don't integrate well.
- (iii). Emerging competition from minor ports must also be kept in view.
- (iv). For realising the importance of efficiency, the mechanised loading / clearance of cargo must be studied.
- (v). The INSA endorses the views expressed by other users.

7.2 At the joint hearing, further written submissions were made by M/s. Jindal Vijayanagar Steel Ltd., Mormugao Stevedores Association and, the INSA.

7.3. The written submissions made by them are summarised below:-

M/s. Jindal Vijayanagar Steel Ltd. (JVSL)

- (i). The proposed increase is totally unjustified as no business can survive, if it is subjected to steep increase from service providers.
- (ii). The aspect of 'what the trade can bear' has been overlooked before embarking upon an increase of 100% in the haulage charges.
- (iii). Since the JVSL is the biggest user of this facility for handling Coal, Pellets etc., a sudden increase of 100% in the haulage charges shall have severe and adverse affect on the economic working of transportation of goods to and from MOPT.

- (iv). The increase in the haulage charges has been worked out mainly on the basis of capital employed and actual operating cost. The revision proposal based on cost plus basis for recovering the entire cost from the users is not justified. In such a case, there will not be any incentive for the Port to make its operation more efficient.
- (v). The volume of traffic through this Port and hence its earnings shall increase considerably on commissioning of their next Corex plant of the JVSL by March 31, 2001. This factor needs to be taken into account before any revision is effected.
- (vi). The reason for a sharp increase in the operating cost between the years 1998-99 and 1999-2000 has not been indicated. Even if there are valid reasons, the same shall not be fully passed on to the users for the purpose of recovery.
- (vii). A large amount of return on capital employed calculated @ 18% appears to negate surplus based on operating income and operating cost. The details of the items of the capital, which have been included for this purpose and life considered for the purpose of depreciation, has not been indicated. Further, the higher amount of allocated management and general overheads for railway facilities needs closer examination and review.
- (viii). Considering the inflation for the last 4/5 years in the region of 5 to 6% per year, an increase of 100% is not justified.
- (ix). An increase of 100% shall amounts to approximately 10% of the railway freight cost. Also, the cost of haulage for a very short mileage shall be disproportionately high which is not justified. The proposed haulage charges can be compared with the haulage charges in other major ports.
- (x). It is requested that the Authority may develop the concept of volume discount to bring relief.
- (xi). Considering the present scenario of the Steel industry which is seriously affected on account of anti-dumping duties by USA, any additions to the cost due to haulage will adversely affect the final product making the product in-competitive.

- (xii). An additional amount of approx. Rs.4/- per tonne is being spent on cleaning of the wagons and spraying water. Therefore any further increase in the cost will be detrimental to our business.
- (xiii). It is requested to continue with the existing rates and if totally unavoidable, a marginal increase of 10-15% may be considered.

Mormugao Stevedores Association (MSA)

- (i). The cost details regarding Railway working have been modified by the Port from time to time. However, the percentage increases proposed by MOPT has not been modified suitably.
- (ii). If the requirement of revision at the rate of 100% was based on an income of Rs.180 lakhs per year, the present revised income and budget estimates for the next two years covers the desired increase itself.
- (iii). Haulage charges prevailing at other ports are:
 - a). Mangalore Rs.8 per M.T.
 - b). Vizag Rs.8.6 per M.T. (inside)
Rs.10.9 per M.T. (outside)
 - c). Kandla Rs.8.6 per M.T.
 - d). Paradeep Rs.14.90 per M.T.
 - e). Haldia Rs.14.76 per M.T.
 - f). Chennai Rs.11.00 per M.T.
 - g). MOPT Rs.16.00 per M.T.

The Indian National Shipowner's Association (INSA)

- (i). A sharp increase of 100% on haulage charges will adversely affect the import of coke, coal and other goods and also the petroleum products which is giving sizable revenue. It may drive away the cargoes to other ports including minor ports.
- (ii). The policy of the port must be to handle large volumes at competitive rates and efficiency. Hence, minimum rates, which the trade can bear, shall be considered.

8. The South Central Railway has also sent a letter in supersession of its earlier letter, stating that the increase will adversely affect the export/import traffic of the port. It has also sent the details of the various schemes of rebates/concessions formulated and made applicable for the users' benefit by the Railway Board to attract traffic.

9. The MOPT has sent its views on the various points raised by the South Central Railway, INSA and Jindal Vijaynagar Steels Limited. In addition to reiterating its earlier comments on the justification of the proposed increase the Port has stated as follows:

- (i). The existing railway charges were last revised during October 1994. The TAMP has suggested to review tariff every two years.
- (ii). The principal activity "Railway Working" is in deficit over the last eight years. Similarly, cross-subsidisation is not allowed by the TAMP while revising port tariff.
- (iii). The Railway Board has formulated several schemes like volume discounts, etc., which cannot be made applicable to the Port, as Rail-borne traffic has recently taken its shape after gauge conversion.
- (iv). The volume discount scheme may be implemented at this Port if the target of an additional traffic of about 2 million tonnes of exports via Mormugao and Chennai Port, as expected by South Central Railways is achieved in the near future.
- (v). The Railway earnings have gone-up from Rs.180.70 lakhs (1998-99) to Rs.388.55 lakhs (1999-2000) and the cost statement for Railway in the proforma prescribed by TAMP has been accordingly revised based on actuals of 1999-2000 and future trend.
- (vi). Only after taking into consideration the impact of the proposed revision on both the port and the users, it has been decided that an increase of 100% is warranted to carry on the ports, operations economically.
- (vii). Any organisation has to consider its cost factors in addition to other factors like volume discounts, frequency of traffic handled, etc., for recovery of its investments and maintenance. The increased efficiency itself will not bring in

additional earnings (ELT scheme at MOPT) though additional incidence of cost cannot be totally avoided.

- (viii). The proposed additional volume anticipated by the JVSL is subject to the gestation problem and hence the reduction in the rates cannot be extended. Also this will not in any case lower the costs considered in the proposal.
 - (ix). It is not correct to relate the inflationary trend to the extent of the reduction proposed. Inflation is just one of the factors contributing to the revision.
 - (x). Even with the revised haulage rates, users will have the advantage of relative economics of transportation, judging from the distance of the production center to the MOPT and to any other sister Port. As such it is not a bottleneck to the user.
10. On examination of the information/clarifications furnished by the MOPT, a number of points were identified which required further clarifications and/or adequate and updated information. Accordingly, certain other clarifications were sought from the MOPT. Some of the additional queries raised by this are summarised below:
- (i). The break-up of operation and maintenance cost and capital employed for the financial year 2002-03.
 - (ii). Reconciliation of office establishment expenses as per the annual accounts and as per the cost statement.
 - (iii). Basis of allocation of management and general overheads in the cost statement for the Railway Activity.
 - (iv). Explanation with respect to the income on account of handling charges for deployment of port labour for loading/off loading cargo from wagons and the head under which it is included.
 - (v). Explanation with respect to estimation of the depreciation as a % increase over the previous year figures.
11. The MOPT furnished its reply to the various queries raised and the required information. The important points given by the MOPT in its reply, in addition to submission of the requisite documents, are briefly stated below:

- (i). The loading and unloading of the wagons is carried out by private parties at their cost and hence no income has accrued to and received by the Port on this account separately. It is confirmed that all the figures pertaining to the activity are considered in the rate exercises.
- (ii). No income has accrued to and received by the Port as shut out charges from 1996-97 to 1999-2000. This head of income was non-existent on account of broad gauge conversion. A provision for income of Rs.4.5 lakhs and 5 lakhs respectively has been included in the haulage charges on account of shunting into and out of oil installation activity and shut out charges for the year 2000-01 and 2001-02.
- (iii). The arrears of salary / wages and retirement benefits are excluded from the operating expenses and are met out of General Reserve Fund, as per specific guidelines of the TAMP.
- (iv). The details of the capital employed do not include the figures for 2002-03 for the reason that the X Five Year Plan (2002-07) has not been finalised. Similarly, depreciation on assets created during 2002-03 has also not been finalised.
- (v). The computation of rates for shunting into and out of oil installations on the basis of actuals for 2000-01 will be possible only after the closure of accounts for the year 2000-01. The expenditure for the period ended January 2001 does show an increasing trend over the year 1999-2000. In this backdrop, the figures upto January 2001 have been extrapolated for the rest of the year 2000-01 and rates have been worked out.

12. With reference to the totality of information collected during the processing of this case, and taking in to account the arguments advanced at the joint hearing, the issues relevant to this case are analysed as follows:

- (i). Earlier, this Authority did not consider proposals submitted by some of the major ports, including the MOPT, for revision of the Port Railway charges on the ground that Port Railway charges were not under its jurisdiction. The Ministry of Shipping in consultation with the Ministry of Law has examined the issue of the Authority's jurisdiction over Port Railway charges and has advised that the TAMP

is the only Authority to fix such rates. In view of this advice from the Govt., this Authority has started receiving proposals for revision of Port Railway charges from various major ports. The MOPT has now requested for consideration of its proposal for revision of Port Railway charges, which were initially proposed by it as a part of its proposal for general revision of cargo related charges and estate rentals.

Since the regulation of Port Railway charges is a new area for this Authority, it has requested the Railway Board to furnish the details of the procedure adopted by it earlier to fix such charges. Despite several reminders, the Railway Board has not responded. We have even requested the Ministry of Shipping to pursue the matter with the Railway Board to obtain the requisite details. We have not heard anything from the MOS also. Even as a part of the proceedings of this case, we requested the South Central Railways (SCR) to furnish its comments on the proposal of the MOPT. The SCR has made only general observations but has not commented on the pricing approach.

It is to be recognised that the Port Railway charges are also realisable by the Port Trust for services rendered by it. There is no reason why the established cost plus method adopted for fixing port tariffs cannot be extended to determination of Port Railway charges. Earlier, in the case of revision of the VPT Railway Charges, we have adopted the cost plus method. Accordingly, in this case also, the analysis has been made based on the cost plus approach.

- (ii). The charges realisable by a port are to be based on its cost, in the cost plus regime of tariff regulation. The MOPT Railway charges are, therefore, to be based on its cost of rendering the services. Viewed in this perspective, the comments given by the SCR about volume discount schemes embarked into by the Railways and its general comments that any hike in the Port Railway charges will seriously effect the export / import traffic are found to be out of context. Likewise, the arguments of JVSL about its investment and its financial viability are irrelevant as Port Tariffs cannot be fixed keeping in view financial viability of the port users' projects.
- (iii). Scrutiny of the estimates submitted by the MOPT alongwith additional information / clarification provided by it reveals the following position:

- (a). There is no consistency in the cost estimates submitted by the MOPT. The way the figures underwent revision, casts a doubt over the reliability of the estimates. The users have also been quick to point out this inconsistency. Under-estimation of the revenue and over-estimation of the costs are the known pitfalls in any cost plus method. In any case, we have to rely on the figures furnished by the Port Trust and its forecast of income and expenditure. Only at the time of the next revision, when the forecasts turn into actuals, the validity of forecasts can be judged. If any undue advantage has accrued to the port due to errors in forecasts, suitable adjustments will be made in the tariff to be determined at the time of the next review/revision of these charges.
- (b). The MOPT had not initially projected any increase in the traffic for 2001-02 and 2002-03, even though traffic was expected to increase after the gauge conversion. The MOPT has subsequently stated that traffic for the year 2000-01 assumed at 18 lakh tones is on the higher side and not likely to be attained. It may touch the level of 16 lakh tones during 2000-01 and may go up to 18 lakh tones during 2001-02 and 20 lakh tones during 2002-03. The MOPT has accordingly furnished a revised cost statement based on the traffic indicated. For the purpose of this analysis, this revised income computation has been accepted.
- (c). The operating costs for 2000-01 are about 91% higher than the cost for 1999-2000, while those for 2001-02 are marginally lower and for 2002-03 are projected at 10% higher than those for 2001-02. The Port has replied that higher expenditure on maintenance of permanent way soon after gauge conversion, is because a major portion of the new railway tracks has been laid on reclaimed land which has settled during the course of operation requiring regular maintenance / ballasting operations. While this seems plausible, such a heavy expenditure on maintenance of permanent way may not be necessary once the land settles down.
- (d). Another reason for higher operating cost is the need to hire locomotives as the port's own locos are not of the required hauling capacity. The Port has also stated that capital employed is going up substantially (from Rs. 644 lakhs in 1998-99 to Rs. 1128 lakhs in 2000-01 and further to Rs.

1587 lakhs in 2002-03) because of addition of various railway assets apart from the gauge conversion. This includes procurement of additional locomotives by the port. Significantly, the operating cost estimates given by the port include expenditure on maintenance of old locomotives and hire charges of additional locomotives. These expenses may not continue after procurement of new locomotives by the port. That being so, there appears to some extent a duplication of costs in this respect for the projected two years. The capital employed on gauge conversion and on other railway assets to be added is meant to attract additional traffic. This has not fully materialized. Till this time, the port cannot expect full return on the entire capital employed.

- (iv). In view of the position analysed at sub-para (iii) above, the capital employed projections furnished by the port for the years 2001-02 and 2002-03 need to be moderated. In view of the under-utilisation of the assets and duplication of the expenditure on hire of loco and procurement of new loco, 75% of the projected capital employed for the years 2001-02 and 2002-03 is considered as reasonable. The revised cost statement prepared accordingly is attached as **Annex – I**.

- (v). The position disclosed by the revised cost statement is summarised below:

		Without moderation of capital employed			With moderation of capital employed		
(a).	Shortfall as a % of total income	59.57	70.98	65.28	42.73	50.88	46.81
(b).	Shortfall as a % of haulage income	103.64	123.56	113.60	74.33	88.57	81.45

- (vi). The revenue under the railway activity is generated from haulage charges, terminal handling charges and miscellaneous charges (like shut out charge, shunting in and out charges, etc.). The Port has included miscellaneous charges also in the estimates for haulage charges. For this analysis, however, only the two charges – viz. haulage charge and terminal handling charges are relevant.

The terminal charges payable by the Indian Railways to the Port Railway are determined by the Railway Board. Since through freight calculated by the Indian Railways at the loading station includes cost for terminal services at the loading station and at the destination plus cost of haulage, the question of payment by the Indian Railway to Port Railway for terminal services provided by the Port at its end arises. It is doubtful whether the Railways will pay the charges determined by this Authority. One of the solutions to the problem is that the Indian Railways can fix the charges to cover the terminal cost at their end and the haulage charges leaving it to the ports to charge for terminal services at their end based on their costs. This may not, however, be possible immediately. This Authority will take up this issue with the Govt. so that the terminal charges leviable at the port-end can be determined based on the costs incurred by the port railways on terminal services. In any case, proposal of MOPT does not include any proposal for revision of terminal charges.

- (vii). From the position disclosed by the cost statement after suitable moderation of capital employed, all railway tariff including terminal handling charge need to be increased by about 47%. Since it is doubtful whether the Indian Railways will pay the terminal charges determined by the Authority, it may be possible to introduce a supplementary terminal charge equivalent to 47% of the existing terminal charge, which will be collected by the MOPT direct from the users.

It is to be recognised that all Port Railway charges are borne by the concerned user. Increasing only one charge without affecting the other charge is not going

to result in any significant cross-subsidisation. Seen in this perspective, it appears that introduction of a new “supplementary” charge may not be necessary; and, the haulage charge (including miscellaneous charges) alone can be increased by the required percentage to wipe out the cost deficit. Based on this position, the Port Railway charges excluding terminal handling charge is revised upward by 80%.

- (viii). Earlier, the users had raised a valid objection about the MOPT’s proposals for piecemeal revision of its Scale of Rates. The Authority had already revised the cargo related charges of the MOPT through its Order dated 2 June 2000. These revised rates have been given the usual validity period of two years. The revised railway charges approved now will be co-terminus with the validity of the revised cargo related charges so that a co-ordinated view will be possible in future at least of all cargo related tariff.
- (ix). As regards the charges for shunting in and out of the oil installation, the rate of Rs.1290/- per half hour was originally worked out by the Port based on the relevant expenditure during the year 1999-2000. The Port has subsequently updated the calculations with figures for the year 2000-01 which increases the proposed rate to Rs.1450/-. The calculations are given in the statement attached as **Annex – II**. The revised (proposed) rate by the Port is higher since it had considered a ROCE of only 18% for the year 1999-2000 but 19.5% for the year 2000-01.

Considering the average for the years 1999-2000 and 2000-01, the rate works out Rs.1370/- per half hour. It is noteworthy that the oil companies, which are the main users of this facility, have not objected to the proposed rate.

The rates for shunting in and out of the oil installation at Rs.1370/- per half hour or part thereof is, therefore, approved.

- (x). Notwithstanding the specific understanding in the joint hearing, the MOPT did not furnish any note on shut out charge. Since this is an existing charge and no user has raised any objection to this levy, this charge is allowed to continue unaltered except to the extent of the revision of rates approved.
- (xi). During the joint hearing, the MSA referred to the entry in Scale of Rates relating to haulage charges for Port Railway wagon and pointed out its irrelevancy in the

present context. The MOPT has also agreed to remove this irrelevant entry in the Scale of Rates. Accordingly, the relevant entries regarding haulage in Port Railway wagon have been deleted.

13. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the revised rates for railway working at the MOPT as detailed in the statement attached as **Annex – III**.

(**S. Sathyam**)
Chairman

Annex-I

Marmugao Port Trust
Form III

A. Cost Statement for Service/Facility RAILWAY (in Lakh Rs.)

Description	1998-99	1999-2000	2000-2001	Without Change		With Change	
				2001-02	2002-03	2001-02	2002-03
I) Operating Income							
i) Haulage	132.45	223.92	260.00	292.00	324.00	584.00	648.00
ii) Terminal charges	48.25	164.61	192.00	216.00	240.00	216.00	240.00
Sub total	180.70	388.53	452.00	508.00	564.00	800.00	888.00
iv) Leases and Rentals	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total (I)	180.70	388.53	452.00	508.00	564.00	800.00	888.00
II) Operating Cost							
a) Operations & Maintenance	23.97	29.42	68.62	64.31	70.74	64.31	70.74
b) Repairs & Maintenance of wagons	3.76	1.99	0.00	0.00	0.00	0.00	0.00
c) Maint. of permanent way	18.26	28.38	84.90	95.60	105.16	95.60	105.16
d) Operation & Maintenance and Administration expenses of station	55.69	59.30	88.71	80.05	88.06	80.05	88.06
e) Office establishment expenses	23.15	24.47	32.25	32.26	35.49	32.26	35.49
Subtotal	124.83	143.56	274.48	272.22	299.45	272.22	299.45
ii) Depreciation (*)	19.03	89.65	57.52	73.22	84.20	73.22	84.20
iii) FME-FMI	16.58	38.84	27.02	41.64	41.64	41.64	41.64
- Retirement benefits - Ex-gratia payment/PLB - Performance Reward.				Amounts included in item No. (iii) FME-FMI			
Total (II)	160.44	272.05	359.02	387.08	425.29	387.08	425.29
III) Surplus (I-II)	20.26	116.48	92.98	120.92	138.71	412.92	462.71
		Change in Surplus					
IV) Allocated Management & General overheads	56.09	71.21	108.38	154.43	169.87	154.43	169.87
V) Net Surplus (III-IV)	-35.83	45.27	-15.40	-33.51	-31.16	258.49	292.84
		Change in Net Surplus					
VI) Interest on Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net surplus after interest	-35.83	45.27	-15.40	-33.51	-31.16	258.49	292.84
Capital employed	642.37	1028.51	1128.59	1380.14	1893.13	1380.14	1893.13
VII) Return on Capital empd. @18%/19.5%	115.63	185.13	220.08	269.13	369.16	269.13	369.16
VIII) Net Surplus after Interest & Return	-151.46	-139.86	-235.48	-302.64	-400.32	-10.64	-76.32
Surplus/Shortfall as a % of Haulage income	-114.35	-62.46	-90.57	-103.64	-123.56	-1.82	-11.78
Average for 2001-02 and 2002-03					-113.60		-6.80
Net surplus after interest (*)				-15.21	-10.11	276.80	313.89
Capital employed (*)				1035.11	1419.85	1035.11	1419.85
VII) Return on Capital employed @18%/19.5%				201.85	276.87	201.85	276.87
VIII) Net Surplus after Interest & Return				-217.06	-286.98	74.95	37.02
Surplus/Shortfall as a % of Haulage income				-74.33	-88.57	12.83	5.71
Average for 2001-02 and 2002-03					-81.45		9.27

Notes: 100% increase is proposed by the MOPT in the Railway rates.

(*) The Capital employed is adjusted to the extent of 75% and depreciation in accordance with the same percentage of the Capital employed.

Annex-II

Computation of Rate for shunting into and out of oil installation

Capital cost of two locomotives - Rs. 410.93 lakhs

Life - 20 years

Description	2000-01		1999-2000	
	Hours	Amount (Rupees in lakhs)	Hours	Amount (Rupees in lakhs)
Fixed cost:				
Depreciation		20.55		20.55
Return on Capital employed @ 19.5%		<u>80.13</u>		<u>73.97</u>
Sub total (A)		100.68		94.51
Operating cost:				
Salaries & Wages		15.43		26.51
Add 60% Fringe benefits		<u>9.26</u>		<u>15.91</u>
		24.69		42.42
Stores		14.51		13.38
Add Stores overheads @ 17.5%		<u>2.54</u>		<u>2.34</u>
		17.05		15.72
Sundry expenses		17.88		2.65
Sub total		<u>59.62</u>		<u>60.79</u>
Add Management & General Overheads		14.91		15.20
Sub total (B)		<u>74.53</u>		<u>75.99</u>
Total cost (A+B)		175.21		170.50
Total available working hours	15117		16482	
Effective utilisation 40%				
Effective working hours	6047		6593	
Rate per hour		2898		2586
Rate per half hour or part thereof		1449		1293
Say		1450		1290
Average		1370		

Notes: The actual figures upto January 2001 are extrapolated for rest of the periods (February and March 2001) and shown for the purpose of exercise.

The figures for 1999-2000 are actuals

MORMUGAO PORT TRUST
REVISED SCALE OF RATES
PART-III
SECTION-B

RAILWAY WORKINGS

Sr. No.	Description	Rate Rs. Ps.
1.	Haulage in Trunk Railway wagons	2.88 per quintal

Explanatory Notes:

- a). Charges will be leviable on the actual weight carried or the carrying capacity of the wagons whichever is greater.
 - b). The goods should normally be loaded or off-loaded by the owners. If the loading or off-loading is performed by the board at the request of the party, handling charges at the rate of Rs.5.40/- per quintal or Rs.90/- per man shift or part thereof whichever works out higher shall be leviable in addition to the haulage charges specified as above.
 - c). The Mormugao Port Railway reserves to itself the right to unload and load goods which the owner should but fail to unload or load within six working hours of the wagons having been placed in position and to charge the party at the rates, in which the obligation of loading or unloading falls on owners of goods, the risk attending these operations must be borne by the owners whether such loading or unloading is done by them or by the railways.
- | | | |
|----|---|--|
| 2. | Terminal charges | Share of MOPT, the rates as sanctioned by the Railway Board from time to time. |
| 3. | Shut out charges | Rs.81.00 per wagon per day. |
| 4. | Shunting into and out of oil installation | Rs.1370/- per half hour or part thereof shall be levied. |

Annex-III

**MORMUGAO PORT TRUST
REVISED SCALE OF RATES
PART-III
SECTION-B**

RAILWAY WORKINGS

Sr. No.	Description	Rate Rs. Ps.
1.	Haulage in Trunk Railway wagons	2.88 per quintal
	Explanatory Notes:	
	a).	Charges will be leviable on the actual weight carried or the carrying capacity of the wagons whichever is greater.
	b).	The goods should normally be loaded or off-loaded by the owners. If the loading or off-loading is performed by the board at the request of the party, handling charges at the rate of Rs.5.40/- per quintal or Rs.90/- per man shift or part thereof whichever works out higher shall be leviable in addition to the haulage charges specified as above.
	c).	The Mormugao Port Railway reserves to itself the right to unload and load goods which the owner should but fail to unload or load within six working hours of the wagons having been placed in position and to charge the party at the rates, in which the obligation of loading or unloading falls on owners of goods, the risk attending these operations must be borne by the owners whether such loading or unloading is done by them or by the railways.
2.	Terminal charges	Share of MOPT, the rates as sanctioned by the Railway Board from time to time.
3.	Shut out charges	Rs.81.00 per wagon per day.
4.	Shunting into and out of oil installation	Rs.1370/- per half hour or part thereof shall be levied.