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Tariff Authority for Major Ports

G. No: 70

New Delhi, 6 May 2005

NOTIFICATION

In exercise of the powers conferred by Sections 48 and 49 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby approves the proposal of the Mumbai Port Trust for revision of Dry Docking charges as in Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No: TAMP/52/2004-MBPT

The Mumbai Port Trust

Applicant

ORDER

(Passed on this 25th day of April 2005)

This case relates to a proposal received from Mumbai Port Trust (MBPT) for revision of Dry Docking charges.

- 2.1 The MBPT has highlighted the following points in its proposal:
- (i). Dry docking charges were last revised upward by 90% in the year 1998 with the approval of TAMP.
 - (ii). The ship repair facilities at the two dry docks were upgraded at a cost of Rs.25.50 crores with the assistance of the Asian Development Bank.
 - (iii). The cost statement for 2003-04 shows a deficit of 156% in the dry docking service.
 - (iv). Most of the vessels which use dry dock are coastal vessels. The Government's thrust is on developing the coastal trade. To make dry docking service self supporting the existing charges need to be revised upward by 156% which will be too steep for coastal vessels.
 - (v). Considering the huge deficit in the service, it is proposed to increase the existing charges by 25%. This will bring in an additional income of Rs.1.14 crores per annum.
- 2.2. The proposal was approved by the Board of Trustees of the MBPT in its meeting held on 27 July 2004.
- 3.1. In accordance with the consultative procedure prescribed, the proposal was forwarded to users / representative bodies of port users for their comments.
- 3.2. A copy each of the comments received from the users was forwarded to MBPT as feed back information.
4. On a preliminary scrutiny of the proposal, the MBPT was requested to furnish additional information / clarifications. The main queries raised by us and the response of the MBPT are tabulated below:

| Sl. No. | Our queries | Response of MBPT |
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| (i). | This Authority had advised the port on several occasions to formulate its proposal for comprehensive review of its Scale of Rates for all activities. The proposal in reference is another piecemeal revision proposal filed by MBPT. The MBPT is requested to intimate the present status of formulation of a proposal for a comprehensive review / revision of its Scale of Rates. | MBPT is rendering 15 services to the Port users and it will be complicated and confusing and time consuming job to propose revision of all the Scale of Rates in respect of these services at a time. Reasons for formulating the proposals in piecemeal have already been explained to TAMP on several occasions earlier. MBPT revises charges periodically in such a manner to attract more traffic and utilize its facilities which remain idle. In such a situation, effecting comprehensive revision of the Scale of Rates at a time may not be feasible. MBPT reviews the performance of |

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| | | its facilities every year after the close of accounts and action is initiated to revise the charges wherever necessary. Projects like modernization and upgradation of facilities at jetties J-I to J-III at Marine Oil Terminals and replacement of Sub-Marine as well as on shore pipeline have already been completed recently. As such, MBPT will have to review the Scale of Rates only after the infrastructure facilities are made available to the Port users. |
| (ii). | The MBPT may furnish the traffic forecast alongwith income/cost estimates for the year 2006-07. | Budget estimates are framed only one year in advance. The Budget Estimates for the year 2005-06 are framed during the year 2004-05. The MBPT is, therefore, not in a position to furnish Budget Estimates for the year 2006-07. |
| (iii). | <p>The MBPT, during the last revision of dry docking charges in July 1998, had stated that it was incurring a capital expenditure of Rs. 25.50 Crores to improve the ship repairing facilities at the dry docks with the ADB assistance. This Authority while approving the MBPT proposal for revision of dry-docking charges in its Order dated 27 July 1998, made certain observations about modernization of facilities and prescription of productivity norms for dry docking operations.</p> <p>The MBPT is requested to furnish the position of the assistance availed from the ADB for the upgradation of dry docks and the status of modernization of the facilities. Further, MBPT is requested to inform whether any productivity norms have been prescribed for adherence by its licenced repairers.</p> | <p>The MBPT has availed total loan amount of Rs.16.70 Crores against the capital expenditure of Rs.25.50 crores to improve the ship repairing facilities at the dry-docks. The MBPT has also furnished the facilities provided at the dry-docks. Productivity norms have not been prescribed since MBPT is concerned only with the allotment of the dry-docks to the desirous applicants. The MBPT is not carrying-out any repairs to the vessels dry-docked except for its own vessels. The dry dock allottee has the freedom to choose from amongst the licensed contractors.</p> |
| (iv). | The basis for estimating the vessel traffic for the years 2004-05 to 2006-07. | Dry-docking facility is not a regular activity of the Port. This facility is provided to users whenever required by them. Estimation of traffic of cargo vessels or cargo traffic will be very difficult to forecast. Normally, small boats, barges and crafts utilize the dry-dock at present. The interim projections were based on the total GRT of vessels dry-docked and income earned during the first 4 months of 2004-05. Traffic as well as income for the subsequent years were projected at the same level assuming that the same trend would continue. While framing BE (2005-06) the traffic and income projections were based on performance of preceding 6 months. The MBPT has furnished revised cost statement as per BE (2005-06). |

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| (v). | The number of MBPT owned vessels and the number of other than MBPT owned vessels dry docked in the years 2002-03 and 2003-04 and estimated to be dry docked in the years 2004-05, 2005-06 and 2006-07 along with GRT of vessels for the above said category of vessels may be furnished. | The MBPT has furnished details of number of vessels and GRT of vessels for the year 2002-03 and 2003-04. The MBPT owned vessels dry-docked constitute around 12.5% of the total vessels dry-docked during the year 2002-03 and 8% during the year 2003-04. The MBPT has not furnished the estimates for the year 2004-05, 2005-06 and 2006-07. |
| (vi). | MBPT may indicate the operating income relating to rental charges for occupation of dry-dock for the years 2002-03 to 2006-07. | No separate details of docking & undocking and rental charges are presently maintained. Receipts from dry-docking services by way of docking, undocking and rental charges are shown under the head "Dry-docking charges". |
| (vii). | The MBPT may explain the costing approach adopted relating to repairs to its own crafts bringing out the treatment of notional income, direct expenses and overheads incurred on account of its own vessels docked in the dry docks in its books of accounts. | Whenever MBPT vessels occupy dry docks, bills are raised against the user department and income is accounted for against the service dry-docking. Similarly, cost thereof is also accounted for against this income as well as against the respective vessel utilizing the service. Therefore, question of notional income does not arise. Further, MBPT is providing only dry-docking and ancillary facilities. The repairs required by the vessels are carried out by authorized contractors. |
| (viii) | MBPT may clarify whether the operating income relating to dry-docking charges furnished includes such notional income for the respective years. | Income indicated in the cost statements includes the income on account of dry-docking of MBPT owned vessels. |
| (ix). | Workings for the estimated operating income for the years 2004-05, 2005-06 and 2006-07 in respect of dry-docking charges may be furnished. | The cost statements for the years 2004-05 and 2005-06 have been recast on the basis of RE (2004-05) and BE (2005-06). There are, therefore, no separate working sheets. |
| (x). | The MBPT has projected the operating cost, Finance & Miscellaneous Expenditure and Management & General Overheads uniformly at around 6% for the year 2004-05 and 2005-06 on the basis of respective cost figures relating to the year 2003-04. The respective cost figures relating to the year 2003-04, when compared with the cost figures for the year 2002-03, show an increase of around 30%, 64% and 21% respectively. The MBPT is, therefore, requested to justify the cost figures under reference relating to the year 2003-04. | <p>In terms of TAMP guidelines every major port is expected to estimate expenditure for the next two years based on the average cost of inflation index published by Ministry of Finance for the preceding 5 years. Cost inflation index indicated rise of 6% over the previous year and as per the TAMPs guidelines operating cost and management expenses were uniformly increased for 2004-05 and 2005-06 by 6% each year. Considering the inflation index up to 2003-04 the average inflation index is 4.30%.</p> <p>With reference to the increase in operating cost by 30% over the operating cost for the year 2002-03, an amount of Rs. 72.83 lakh has been booked as charges for utilizing the services of chipping and painting employees by tugs and boats of MBPT. Normally, this expenditure should have been booked against respective tugs and boats which have utilized the services of these employees.</p> <p>With reference to expenditure on account of finance and miscellaneous expenditure an amount of Rs. 210 crore was contributed in the year 2003-04 for building pension fund</p> |

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| | | and this contribution to pension fund was also apportioned to the finance and miscellaneous expenditure relating to dry-dock. Management and general overheads are apportioned to various services based on a pre-determined rate. In the case under reference there is increase in allocation of residual management and general overheads due to its allocation based on the direct cost of service. |
| (xi). | The reasons for reduction in depreciation for the year 2003-04 as compared to the year 2002-03 may be explained. | Some of the capital assets have fully depreciated in the year 2003-04 and hence depreciation to the tune of Rs. 4.27 lakhs has not been accounted for in the year 2003-04. Further, the excess provision of Rs. 2.40 Crore in capital expenditure was made in March 2002 and this was adjusted in the year 2003-04. Hence, there is decrease in depreciation in the year 2003-04. |
| (xii). | Confirmation regarding the fixed assets considered are directly relevant to dry-docking activity and assets which are rendered surplus / commissioned / disposed off are excluded from the capital employed. | The MBPT has confirmed that all the fixed assets considered are directly relevant to dry-docking activity and the assets which are decommissioned / fully depreciated / disposed off are excluded from the capital assets. |
| (xiii). | The increase of around 19% in the value of Sundry Debtors for the year 2003-04 as compared to the year 2002-03 may be justified. | There is a rise of around 20% in Sundry Debtors for wet dry-docking charges, other charges and vessel related charges. This rise is mainly due to non-payment of rental bills by customs authorities and dispute raised by Shipping Corporation of India regarding quantum of dues payable in respect of vessel related charges. |
| (xiv). | Please confirm that working capital relevant for dry-docking activity alone is considered in the cost statement. | Working capital to various services are apportioned based on the ratios of various factors and also as per rough estimation. It cannot be said with accuracy that working capital relevant to dry-docking alone has been considered in the cost statement. Variance in the figures cannot be ruled out. However, efforts have been made to arrive at the appropriate figures of working capital by apportioning various elements covered therein based on the overall performances of the Port while furnishing the cost statement. |
| (xv). | The MBPT has included the balances of each sub item of "others" under the current assets while computing working capital. Deposits, accrued interest, House Building Advance, advances to BDLB and MCGB, advance tax and other advances are not considered in the tariff revision exercise. | It has no comments to furnish. |
| (xvi). | Assessed capacity vis-à-vis the traffic estimated to be handled by Port during 2004-05, 2005-06 and 2006-07 in respect of dry-docking facility may be furnished. | Capacity of the dry-docks have not been assessed as it is very difficult to carry out this exercise. The dry-dock accommodates vessels within its defined permissible dimension which has no relevance to the GRT of the vessel. Being repair work, traffic is unpredictable. |

| (xvii). | Cost statement (for port as a whole): With reference to finance & miscellaneous expenditure the reasons for increase of 48% for the year 2003-04 over the year 2002-03 may be explained. | In 2002-03, an outgo of Rs. 148 Crore towards pension and PLR was considered, whereas in 2003-04, an outgo of Rs. 219 Crores was taken into consideration inclusive of contribution to pension fund of Rs. 210 Crores. This is the reason for increase in F&M expenditure. | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------|--|---|------------------|--|---------|------------------------|------------------------|------------------|------------------------------|---------|---------|---------|----------------------------|----------|----------|-------|---------|------------------|------------------|------------------|------------------------------|----------------------------|--|--|----------------------------|-------------|-------------|--|
| (xviii). | The assessed capacity vis-à-vis the traffic estimated to be handled by the Port during 2004-05, 2005-06 and 2006-07 may be furnished. | <table border="1"> <thead> <tr> <th>Year</th> <th>Assessed Capacity (MT)</th> <th>Estimated traffic (MT)</th> </tr> </thead> <tbody> <tr> <td>2004-05</td> <td>42.25</td> <td>29.50</td> </tr> <tr> <td>2005-06</td> <td>-</td> <td>30.40</td> </tr> <tr> <td>2006-07</td> <td>-</td> <td>30.40</td> </tr> </tbody> </table> | | | Year | Assessed Capacity (MT) | Estimated traffic (MT) | 2004-05 | 42.25 | 29.50 | 2005-06 | - | 30.40 | 2006-07 | - | 30.40 | | | | | | | | | | | | |
| Year | Assessed Capacity (MT) | Estimated traffic (MT) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2004-05 | 42.25 | 29.50 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2005-06 | - | 30.40 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2006-07 | - | 30.40 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (xix). | Breakup of F&M expenditure apportioned to dry-docking activity for the years 2003-04 to 2005-06. Similar breakup of F&M expenditure considered in the cost statement for the port as a whole for the years 2003-04 to 2005-06 may also be furnished. | <p>For the port as a whole:</p> <table border="1"> <thead> <tr> <th>Details</th> <th>2003-04 (in Rs.)</th> <th>2004-05 (in Rs.)</th> <th>2005-06 (in Rs.)</th> </tr> </thead> <tbody> <tr> <td>Contribution to Pension Fund</td> <td>210 Cr.</td> <td>210 Cr.</td> <td>210 Cr.</td> </tr> <tr> <td>Productivity linked reward</td> <td>9.68 Cr.</td> <td colspan="2">9.41 cr.</td> </tr> </tbody> </table> <p>For Dry Docking</p> <table border="1"> <thead> <tr> <th>Details</th> <th>2003-04 (in Rs.)</th> <th>2004-05 (in Rs.)</th> <th>2005-06 (in Rs.)</th> </tr> </thead> <tbody> <tr> <td>Contribution to Pension Fund</td> <td colspan="3">276.91 lakhs for each year</td> </tr> <tr> <td>Productivity linked reward</td> <td>12.77 lakhs</td> <td colspan="2">12.27 Lakhs</td> </tr> </tbody> </table> | | | Details | 2003-04 (in Rs.) | 2004-05 (in Rs.) | 2005-06 (in Rs.) | Contribution to Pension Fund | 210 Cr. | 210 Cr. | 210 Cr. | Productivity linked reward | 9.68 Cr. | 9.41 cr. | | Details | 2003-04 (in Rs.) | 2004-05 (in Rs.) | 2005-06 (in Rs.) | Contribution to Pension Fund | 276.91 lakhs for each year | | | Productivity linked reward | 12.77 lakhs | 12.27 Lakhs | |
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| Productivity linked reward | 12.77 lakhs | 12.27 Lakhs | | | | | | | | | | | | | | | | | | | | | | | | | | |

5. A joint hearing in this case was held on 27 January 2005 at the Office of this Authority. No user was present in the joint hearing. The issue of comprehensive review of tariff items levyable at the MBPT remains unresolved although this Authority had on numerous occasions in the past had advised the port to initiate action in this regard. A firm commitment was sought in the joint hearing from the MBPT on a possible deadline for it to file a proposal for comprehensive review of its Scale of Rates before any piece-meal proposal was taken up for consideration. The MBPT vide its letter dated 3 March 2005 committed to file a proposal for comprehensive review of its Scale of Rates latest by 15 August 2005.

6. As decided at the joint hearing, the MBPT was given an opportunity of presenting its proposal on 1 March 2005. The MBPT while explaining its proposal stated that estimated expenditure on pension liability included the current level of pension expenditure as well as provision for the past liability of pension.

7. Proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the comments received will be sent separately to the relevant parties. These details are also available at our website <http://tariffauthority.gov.in>

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

- (i). At the MBPT dry docks, the port licensed contractors carryout the repairs to the vessels docked in the dry docks and a vessel has the freedom to choose the repair contractor. The MBPT is concerned with the allotment of dry docks.

Besides outside-vessels, port's own fleet of crafts also use these dry docks, whenever necessary. In a year it handles about 75 vessels in the dry docks out of which on average of 10% accounts for its own vessels. With a part assistance from the Asian Development Bank through Government of India, the MBPT has upgraded the ship repair facilities at a total cost of Rs. 25.50 Crores at both the dry docks. The port has provided permanent infrastructure facilities in the dry docks apart from provision of equipments to meet the requirement of the contractors. The proposal is for increasing the existing dry dock charges by 25% against the reported deficit of 156% for the year 2003-04 under the relevant cost centre.

- (ii). It is yet another piecemeal revision proposal filed by the MBPT. In the absence of a comprehensive proposal for revision of its Scale of Rates, it becomes very difficult to consider allocation of costs to various activities in a piecemeal revision proposals. After much persuasion, the MBPT has agreed to file a comprehensive proposal for review / revision of its Scale of Rates before the Authority by 15 August 2005. The present proposal in reference is, therefore, taken up for consideration in the backdrop of the firm commitment given by the port.
- (iii). The revised guidelines for tariff fixation have been notified recently in the Gazette of India in compliance of the policy directions issued by the Government of India under Section 111 of the Major Port Trusts Act, 1963. The revised guidelines for tariff fixation have come into force with effect from 31 March 2005. The proposal in hand has been taken up for consultation and processed further as per the (then) existing guidelines for tariff fixation. The case was also closed for Orders before the revised guidelines were announced. This analysis is, therefore, not made based on the revised guidelines.
- (iv). While approving the earlier proposal of the MBPT for revision of Dry Docking charges in July 1998, the port was directed to expedite the installation of modern facilities, attach two repair berths to each dock and prescribe productivity norms for the Dry Dock. To a query in this regard, the MBPT has furnished a list of facilities provided in the dry docks and stated that it has not prescribed the productivity norms for the dry docks since it is concerned only with the allotment of the dry docks to the desirous applicants.
- (v). Subsequent to its initial proposal of September 2004, the MBPT had a relook at the traffic, income and cost projections of the Dry Docking and revised its estimates based on its Revised Estimates (2004-05) and Budget Estimates (2005-06) and furnished the revised cost statement for the years 2004-05 and 2005-06. Since the usual tariff validity cycle of two years is relevant in this case, the MBPT was requested to furnish the estimates for the year 2006-07 also. It is noteworthy that all major ports and private terminals including the MBPT itself in the past cases, furnish cost estimates for the succeeding two years. The MBPT in this case has, however, pleaded its inability to furnish the estimates for the year 2006-07. The revised cost statements for the year 2004-05 and 2005-06 are, therefore, considered in this analysis, subject to a truncated tariff validity period in this case.
- (vi). The main reason advanced for proposing upward revision in the rates is the revenue deficit suffered by port. The cost statement for Dry Docking furnished by the MBPT brings out this position clearly. The port has estimated the operating cost at around Rs. 861 lakhs as against the operating income of Rs.542 lakhs for the year 2005-06. It is thus evident that even the operating cost is not recovered fully at the existing level of tariff.

Additional income on account of the proposed upward revision estimated by MBPT is Rs. 119.64 lakhs for the year 2005-06 which may not still be sufficient

to cover even the entire operating cost. In view of the operating deficit position, there is a prima facie case for accepting the upward revision of rates proposed by MBPT.

- (vii). (a). The MBPT has projected the operating income for the year 2004-05 and 2005-06 at the same level of 2003-04. To a query in this regard, the port clarified that it would be difficult to estimate the traffic at the dry dock.
- (b). The existing Scale of Rates for levy of Dry Docking charges prescribed two types of charges, charges for docking and undocking and rental charges for occupation of the dry dock. The port did not furnish the estimates of income arising out of rental charges for occupation of dry dock and furnished income estimates only in respect of docking and undocking charges. The port has sought to clarify that receipts from "docking and undocking" and rental charges are accounted for under a single head "Dry Docking Charges" and no separate details are maintained. The operating income estimates furnished by the port are, therefore, relied upon.
- (viii). The operating cost for the years 2004-05 and 2005-06 is estimated on the actuals for the year 2003-04, after applying an average escalation factor of 4.30% towards inflation. It is, however, noticed that the reported actual operating cost for the year 2003-04 is about 30% more when it is compared with the operating cost for the year 2002-03. When asked to clarify, the MBPT admitted that it had wrongly booked the charges for utilizing the services of chipping and painting labour by tugs and boats of the port to the tune of Rs. 72.83 lakh to the operating cost of Dry Docks. The actual operating cost for the year 2003-04 reported by the port is, therefore, modified and estimates for the subsequent years 2004-05 and 2005-06 are revised applying an escalation factor of 6%.
- (ix). The MBPT has computed depreciation taking average life of civil structures as 50 years and mechanical equipment / structures as 20 years. Depreciation of capital assets in tariff calculation in the case of major ports is considered in straight line method following the life norms prescribed by the Government. This practice is followed uniformly by all major ports. With reference to the sudden decrease in the depreciation cost of the assets deployed in the dry docks during the year 2003-04 as compared to the depreciation cost for the year 2002-03, the MBPT has explained about an adjustment made on account of excess provision of capital expenditure made in the year 2003-04 and some of the assets exhausting their economic life in the year 2003-04. The MBPT has confirmed that all the fixed assets considered are directly relevant to Dry Docking activity and the assets which are decommissioned / fully depreciated, disposed off are excluded from the capital assets. Accordingly, the estimated depreciation of the assets of MBPT deployed at the Dry Docks is accepted.
- (x). With reference to the observation made on the projections of finance and miscellaneous expenditure in the cost statement, the port has furnished breakup of Finance and Miscellaneous Expenditure. As stated by the Port, the Finance & Miscellaneous Expenditure apportioned to Dry Docking includes contribution to its pension fund to build the fund to the desired level.

In an earlier Order dated 22 June 2004 on the MBPT proposal for revision of berth hire charges and pier dues, this Authority, while endorsing the approach of the port to build up its pension fund, was not inclined to admit one time liabilities such as contributions to the pension fund for past liability as admissible cost while determining the basic tariff. The contribution to the pension fund is, therefore, excluded from the expenditure projections given by

the MBPT for Finance & Miscellaneous Expenditure and the cost statement is modified accordingly.

- (xi). The MBPT had initially projected the allocated Management & General Overheads uniformly at around 6% for the year 2004-05 and 2005-06 on the basis of the relevant expenditure for the year 2003-04. The relevant expenditure relating to the year 2003-04 when compared with the actuals for the year 2002-03 showed an increase of around 21%. Subsequently, the MBPT has scaled down the projections applying an escalation of 4.30%. The port has allocated different items of Management & General Administration Overhead to Dry Docking activity on the basis followed for tariff revision exercise at major port trusts. The estimates of the port on the allocated Management & General Overheads for the year 2004-05 and 2005-06 are accepted without any modification.
- (xii). (a). With reference to the capital employed at the Dry Docks, the MBPT has confirmed that all the fixed assets considered are directly relevant to Dry Docking activity and it has also confirmed that the assets which are decommissioned / fully depreciated / disposed off are excluded from the capital assets.
- (b). With regard to the working capital, the port has included Deposits, House Building Advance, advance to MCGB and Advance Taxes and other advances as part of current assets while estimating working capital. These items are not considered as a part of Working Capital for allowing return in the tariff revision exercise. If these items are excluded, working capital estimates will be a negative figure. It has, however, been taken as "Nil" for the purpose of this analysis.
- (xiii). (a). The maximum permissible return on capital employed allowed in the case of major port trusts so far depended on the interest rate at which Government of India loans were available to the port trusts plus 3% to each of the two mandatory funds, prior to the implementation of revised guidelines relating to ROCE. Accordingly, this Authority was allowing a Return on Capital Employed (ROCE) of 17.5% in the cases of major port trusts for the year 2004-05. Since this case is processed based on the pre-revised guidelines, the maximum permissible return on capital employed of 17.5% is allowed as against 18.5% considered by the port in the cost statement. Necessary corrections have been made in the cost statement accordingly.
- (b). This Authority allows return on capital employed pro-rata with reference to the capacity utilization. To a query regarding the assted capacity of the Dry Docks, the MBPT has sought to explain that the Dry Docks accommodate vessels within its defined permissible dimension which has no relevance to the GRT of the vessels and pleaded its inability to predict the traffic since the Dry Docking undertakes only repair work.
- The cost statement for the Dry Docking reflects average revenue deficit of around 90% for the years 2004-05 and 2005-06. Adjusting the ROCE is not going to substantially alter the deficit position relating to the Dry Docking. Therefore, ROCE at 17.5% on capital employed is considered in this analysis without linking it to the capacity utilization of the Dry Docks, in the absence of relevant details.
- (xiv). The MBPT has furnished the cost statement for the port as a whole reflecting net deficit of around 374 Crores for the year 2005-06 after considering the proposed revision of Dry Docking charges. As has been mentioned earlier, it is a piecemeal revision proposal. Such proposals always cause problems in

analyzing the reasonableness and eliminating overlapping of cost allocation across different activities. However, the proposal of the MBPT does not seek increase in the rates as warranted by the cost deficit of the Dry Docking activity. That being so, an indepth analysis of the cost position for the port as a whole has not been made.

- (xv). Subject to the analysis given above, the financial / cost statement has been amended. The modified cost statement is attached as **Annex**. The summarized position of the results disclosed by the financial and cost statement for the year 2005-06 is presented in the table given below:

| Sl. No. | Activity | Deficit after ROCE (2005-06) | Deficit as a percentage of Operating income (2005-06) |
|---------|-------------|------------------------------|---|
| 1. | Dry Docking | Rs. 491.25 lakhs | 90.58% |

In view of the deficit position, the proposal of MBPT for an upward revision of the existing rates by 25% is approved.

- (xvi). The Government of India in the Ministry of Shipping has recently issued a policy direction that the vessel related charges for coastal vessels should not exceed 60% of the charges of foreign going vessels. The policy direction issued by the Government specifically states that the tariff for coastal vessels need not be adjusted as per exchange rate fluctuation at the time of each general revision of Scale of Rates.

In compliance of this direction, this Authority has also passed an order on 7 January 2005 amending the Scale of Rates of all the major ports and private terminal operators accordingly. The MBPT in the revised Scale of Rates for the Dry Docking has proposed concessional tariff for coastal vessels in respect of Dry Docking charges and rental charges for occupation of dry dock. As per the Government directions the vessel related charges for coastal vessels should not exceed 60% of the charges for foreign going vessels. In other words, the concession for coastal vessels should not be less than 40% of the charges for foreign going vessels. The MBPT has proposed charges for coastal vessels in respect of docking and undocking and rental charges for occupation of dry docks at a concessional level more than 40% of the applicable charges of foreign going vessels. Since the concessional tariff for coastal vessels proposed by the MBPT in respect of charges for docking and undocking and rental charges for occupation of dry dock is in conformity to the Government guidelines, the proposed rates by the MBPT for coastal vessels are approved.

- (xvii). As stated earlier, the MBPT has not furnished the income / cost estimates for the year 2006-07. Since the cost analysis is based on the projections furnished by the MBPT only for one year 2005-06, the revised rates for Dry Docking shall remain valid till 31 March 2006 only. The review of the cost position under the Dry Docking activity will be considered alongwith next review / revision of Scale of Rates of the MBPT for which the port has assured to file its proposal by 15 August 2005.
- (xviii). As has been stated earlier, the MBPT has committed to file a comprehensive proposal for revision of Scale of Rates by 15 August 2005. The Government of India has issued a policy direction on the revised guidelines for tariff fixation and the revised guidelines have already been notified in the Gazette of India on 31 March 2005 and accordingly the revised guidelines have come into effect from 31 March 2005. The revised guidelines prescribed specific guidelines to be followed while filing the cost statement for tariff revision / fixation. Further, the revised Scale of Rates will remain in force for a longer period of 3 years as per revised policy guidelines. The MBPT is, therefore,

directed to file the comprehensive proposal for review / revision of its Scale of Rates along with relevant cost statements by 15 August 2005 updating the cost statements indicating (draft) actuals for the year 2004-05 and projections for 3 years i.e., 2005-06, 2006-07, 2007-08 in line with the revised guidelines for tariff fixation.

- (xix). The rates approved by this Authority will be at ceiling level and the rebate / discount will be at floor level in line with the stated policy of this Authority. The MBPT will have flexibility to charge at lower rate, if it so desires, based on the commercial judgment of the port.

10.1. In the result, and for the reasons given above, this Authority approves the following:

1. "To delete the existing Schedule I and II of Section XI of the Scale of Rates Charged at the Docks and substitute therefor the following:

I. Charges for Docking and Undocking:

| | Foreign-going vessels (Ceiling Rates) | Coastal vessels (Ceiling Rates) |
|----------------|---|--|
| Up to 1000 GRT | US \$ 3950 | Rs.83,125/- |
| Above 1000 GRT | US \$ 3950 + US \$ 902.50 for every additional 1000 GRT or part thereof | Rs.83,125/- + Rs.19,000/- for every additional 1000 GRT or part thereof. |

II. Rental charges for occupation of the Dry Dock:

- (i). During first 10 days of occupation for vessels –

| | Foreign-going vessels (in US \$) (Ceiling Rates) | Coastal Vessels (in Rs.) (Ceiling Rates) | |
|--------------------|---|---|-------------------------|
| Upto 1000 GRT | 1353.75 | 28,500 | Per day or part thereof |
| 1001 to 2000 GRT | 1468.75 | 30,875 | - do - |
| 2001 to 3000 GRT | 1580.00 | 33,250 | - do - |
| 3001 to 4000 GRT | 1805.00 | 38,000 | - do - |
| 4001 to 5000 GRT | 2031.25 | 42,750 | - do - |
| 5001 to 10000 GRT | 2256.25 | 47,500 | - do - |
| 10001 to 20000 GRT | 2482.50 | 52,250 | - do - |
| 20001 GRT & above | 2821.25 | 59,375 | - do - |

- (ii). From 11th day to 20th day of occupation – 150 percent of rates as at (i) above per day or part thereof.
- (iii). From 21st day to 30th day occupation – 200 percent of rates as at (i) above per day or part thereof.
- (iv). Beyond 30 days of occupation – 250 percent of the rates as at (i) above per day or part thereof.
- (v). In case the vessel occupies the dry dock beyond the period for which the dry dock has been allotted, the rental charges for the

period of overstayal shall be charged at double the rate prescribed above.

2. To delete the existing "Note (4)" of Section XI and substitute the following Note (4):

"(4). If the vessel has requisitioned for a dry dock but it is not ready to dock at the time specified according to the docking programme, no charges shall be leviable provided an intimation of cancellation / postponement of dry docking is given 2 days (excluding the day of docking) in advance of the specified time of docking. A cancellation fee of Rs.1250/- US \$ 57.50 will be recovered in such cases in respect of coastal vessels and foreign-going vessels respectively."

10.2. The revised rates and conditionalities relating to the Dry Docking charges will come into effect after expiry of 30 days from the date of notification of this Order in the Gazette of India and will remain valid till 31 March 2006 or the next general comprehensive review of tariff at MBPT, whichever is earlier.

10.3. The MBPT is directed to file its comprehensive proposal for general review of all tariff items by 15 August 2005, as agreed by it.

(A.L. Bongirwar)
Chairman

| | | | | | | | | |
|---------------------------------------|--|----------------|----------------|----------------|--------------------------|-----------------|--|----------------|
| | | | | | | | | Annex |
| COST STATEMENT FOR DRY DOCKING | | | | | | | | |
| (Rs. in Lakhs) | | | | | | | | |
| | Description | Actuals | | | Without change | | | |
| | - | - | | | Estimates of MBPT | | Estimates of MBPT Moderated by TAMP | |
| | | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2004-05 | 2005-06 |
| I | Operating Income | | | | | | | |
| | Dry Docking Charges | 490.83 | 651.34 | 542.36 | 542.36 | 542.36 | 542.36 | 542.36 |
| | Total (I) | 490.83 | 651.34 | 542.36 | 542.36 | 542.36 | 542.36 | 542.36 |
| II | Operating Cost | | | | | | | |
| | Operating Cost | 436.74 | 311.57 | * 327.47 | 417.51 | 435.46 | 347.11 | 367.93 |
| | General facilities | - | 0.69 | 0.34 | 0.35 | 0.37 | 0.35 | 0.37 |
| | Depreciation | 158.10 | 142.08 | 135.96 | 135.96 | 135.96 | 135.96 | 135.96 |
| | Finance & Miscellaneous Expenditure | 296.70 | 176.60 | 12.77 | 289.18 | 289.18 | 12.27 | 12.27 |
| | Total (II) | 891.54 | 630.94 | 476.54 | 843.00 | 860.97 | 495.69 | 516.53 |
| III | Surplus (I - II) | -400.71 | 20.40 | 65.82 | -300.64 | -318.61 | 46.67 | 25.83 |
| IV | Allocated Management & General Overheads | 176.24 | 150.83 | 182.22 | 190.06 | 198.23 | 190.06 | 198.23 |
| V | Net Surplus (III - IV) | -576.95 | -130.43 | -116.40 | -490.70 | -516.84 | -143.39 | -172.40 |
| VI | Capital Employed | 2408.00 | 2241.00 | 2094.00 | 1958.00 | 1822.00 | 1958.00 | 1822.00 |
| VII | Return @ 17.5% on Capital Employed | - | - | - | # 530.96 | # 530.96 | 342.65 | 318.85 |
| VIII | Net Surplus/ Deficit after Return | - | - | - | -1021.66 | -1047.80 | -486.04 | -491.25 |
| IX | Net Surplus/ Deficit as a % of Operating Income | - | - | - | - | - | -89.62% | -90.58% |
| X | Average Surplus/ Deficit | - | - | - | - | - | -90.10% | - |
| | | | | | 190.78% | | | |
| | <i>* Moderated by TAMP</i> | | | | | | | |
| | <i># Return at 18.5% on capital employed</i> | | | | | | | |

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

F. No. TAMP/52/2004-MBPT - Proposal from Mumbai Port Trust for revision of dry docking charges.

1. The comments received from the port users / representative bodies of port users are summarised below:

Indian Bargeowners Association (IBA)

- (i). Increase in the Dry Docking charges for coastal vessels should not be considered.
- (ii). There is no justification in MBPT's demand which does not correspond with the increase in facilities. There is no improvement in the facilities extended to the port users, which infact has deteriorated.
- (iii). We strongly oppose any increase in dry dock charges to coastal vessels at least for the time being.

Mumbai and Nhava-Sheve Ship Agents' Association

It is not in a position to furnish any comments on the MBPT proposal as none of its members uses the Dry Docking facility at the MBPT.

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