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Tariff Authority for Major Ports

G No. 183

New Delhi,

23 July 2010

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from the New Mangalore Port Trust for fixation of tariff for the Reach Stacker of the Port as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports
Case No. TAMP/47/2007-NMPT

New Mangalore Port Trust

- - -

Applicant

ORDER

(Passed on this 16th day of June 2010)

This case relates to a proposal dated 20 August 2007 filed by the New Mangalore Port Trust (NMPT) for fixation of tariff for the Reach Stacker procured by the port.

2.1. The NMPT has highlighted the following points in its proposal:

- (i). There has been a steady growth in container traffic over the last three years. It has handled 17290 TEUs during the year 2006-07. However, the handling facilities, specially the container handling equipment have been inadequate.
- (ii). The port has two mobile cranes of 75 metric tonnes capacity which are being utilised for the purpose of handling container traffic. Out of the two mobile cranes, one crane namely Coles Husky 680-S Crane has already outlived its useful life since it is 20 years old. It has, therefore, proposed to dispose off this crane. One mobile crane for handling containers will not be sufficient to cater to the growing need of container traffic.
- (iii). The port has, therefore, procured a Reach Stacker of 45 tonnes capacity from M/s.Indital Construction Machinery Ltd., Bangalore at a cost of Rs.160 lakhs.
- (iv). The reach stacker has been commissioned with effect from 8 May 2007. As per the terms & conditions of procurement, the equipment is being operated and maintained by M/s.Indital Construction Machinery Ltd., Bangalore.
- (v). The proposal for fixation of tariff should have been submitted immediately on commissioning of the equipment. However, there has been delay on its part due to various reasons for which it has requested for condonation.
- (vi). The port users, in the meeting held on 4 May 2007, had initially agreed for a provisional rate for handling containers by Reach Stacker during the interim period from the date of commissioning till fixation of the rate by the Authority.
- (vii). The rate was later disputed by the port users. Subsequently, in the meeting held on 1 August 2007 the users have agreed for the following provisional rate till the final rate is notified by TAMP.

Description	Rate for foreign containers (Rs.)
For 20'(both laden and empty)	300/-
For 40' (both laden and empty)	450/-

It has also furnished a copy each of the minutes of the meeting held with the port users.

2.2. The salient points of the cost statements filed by NMPT in the prescribed format are as given below:

- (i). Capacity
The capacity of the reach stacker is arrived as per the guideline on the availability and utilisation norms formulated by the Ministry vide its letter dated 21 February 2003. Accordingly capacity of reach stacker considering 10 TEUs per hour is considered at 74950 TEUs p.a.

- (ii). Traffic
Actual/estimated traffic to be handled during 2006-07 to 2009-10 by the reach stacker is tabulated below:

2006-07 (actuals)	17290 TEUs.
2007-08 (estimated)	27200 TEUs.
2008-09 (estimated)	29920 TEUs.
2009-10 (estimated)	32912 TEUs.

The traffic for 2007-08 is estimated at 80% of the double the quantity of containers handled in 2006-07. (i.e. 17000 * 2 * 80%). Further, it has estimated 10% annual growth in traffic during the years 2008-09 and 2009-10 over the previous years.

- (iii). Depreciation
The depreciation is calculated based on the life norms fixed by the Ministry of Shipping.
- (iv). Operation and maintenance cost
- (a). Fuel consumption is estimated to be around 17 to 19 litres per hour on the assumption that the reach stacker can handle around 10 TEUs per hour. The fuel cost is estimated considering the unit rate of diesel at Rs.40 per liter. Cost of lubricants is estimated at 40% of fuel cost.
- (b). Material Cost is estimated at Rs.6.10 lakhs per annum.
- (c). Labour cost is estimated as per the terms of contract for annual maintenance and operation awarded to M/s Indital Construction Machinery Ltd., Bangalore.
- (d). The cost of tyres is estimated at Rs.4 lakhs per year.
- (e). Insurance cost is estimated at 1% on the capital cost.
- (f). Overheads is estimated at 15% of the total operation and maintenance cost.
- (v). Return on capital employed
The Return on Capital employed adjusted to capacity utilization is considered at 16% as per the TAMP guidelines.

2.3. The cost statement filed by the NMPT reflects the following position:

(Rs.in lakhs)					
Sl. No.	Particulars	Ist Year	IIInd Year	IIIrd Year	Aggregate for 3 years
(i).	Estimated traffic	27200	29920	32912	90032
(ii).	Depreciation	20.00	20.00	20.00	60.00
(iii).	Operation and maintenance cost				
	(a).Fuel cost	19.58	21.54	23.70	64.82
	(b).Cost of Lubricants	7.83	8.62	9.48	25.93
	(c).Material cost	6.10	6.10	6.10	18.30
	(d).Labour cost	12.15	28.31	28.31	68.77
	(e).Cost of tyres	4.00	4.00	4.00	12.00
	(f).Insurance premium	1.60	1.40	1.20	4.20
	(g).Overheads	7.69	10.50	10.92	29.11
(iv).	Total Annual Cost	58.96	80.46	93.70	194.02
(v).	ROCE Adjusted to capacity utilization (60%)	15.48	14.90	14.05	44.44
(vi).	Total Cost (ii + iii + v)	94.44	115.37	117.75	298.46
(vii).	Rate per TEU.	347.00	386.00	358.00	332.00

2.4. The NMPT has, accordingly, proposed the following:

- (i). Approval for the following tariff for handling containers by reach stackers for a period of three years:

Description	Rate for Foreign containers (Rs.)	Rate for Coastal containers (Rs.)
Upto 20'	332.00	199.00
Above 20' and below 40'	498.00	299.00
Above 40'	664.00	398.00

- (ii). Sought, retrospective approval of the proposed rates from the date of commissioning of the reach stacker, i.e. w.e.f. 8 May 2007 subject to adjustment of provisional rate.

3. In accordance with the consultative procedure prescribed, the NMPT proposal was forwarded to the concerned user organisations seeking their comments. Some of the users have furnished their comments. The comments received from users/ user organisations were forwarded to NMPT as feedback information. The NMPT has furnished its remarks on the comments of users.

4. On scrutiny of the proposal, and the said extract of the contract, the NMPT was requested to furnish the additional information / clarifications. The NMPT has furnished the requisite information. A summary of the queries raised by us and the clarifications furnished by the NMPT are tabulated here below:

Sl. No.	Queries raised by us	Reply received from NMPT																
(i).	(a). The existing Scale of Rates (SOR) of the NMPT already prescribes the charges for container handling. It is understood from the proposal that the reach stacker procured by the port is a replacement of the existing handling equipment. The capital employed considered in the last tariff revision already included the cost of replacement of container handling equipment to the tune of Rs.200 lakhs in the year 2007-08. Therefore, it does not appear necessary to introduce a separate handling rate only on the ground that the earlier equipment was replaced.	The existing SOR of the port prescribes charges for handling container by using equipments like mobile cranes and 10T capacity forklift truck. There are no rates available for handling containers using the reach stacker. The subject reach stacker was procured by NMPT as an additional equipment, since the 1987 model Coles Husky 680-S Crane has outlived its economic life and is marked for disposal. Therefore, the investment made by the port towards the procurement of reach stacker is quite independent and is not comparable with the amount earned by the port by disposing off the 1987 model old Crane. Further, by procuring an additional reach stacker during 2007-08 for Rs.200 lakhs, its investment for providing infrastructure for container handling equipment increases without corresponding increase in container traffic. Thus, the handling charges will increase considerably compared to the one already proposed.																
	(b). Even if a revision is warranted on cost consideration, it can be made only with reference to incremental cost incurred by the port due to induction of new equipment as replacement.	As stated above, the amount earned by disposing off the 1987 model Old Crane is not comparable with the considerable investment made for procurement of reach stacker.																
(ii).	Explain the basis of considering the productivity of the reach stacker at 10 TEUs per hour.	The productivity of the reach stacker at 10TEUs per hour is considered based on the actual number of containers (TEUs) handled after put into use during the month of May, June & July 2007 with the corresponding actual hours of operation of the equipment in each month. The number of TEUs handled and the hours worked are tabulated below: <table border="1" data-bbox="799 1973 1437 2103"> <thead> <tr> <th>Month</th> <th>Actual hours worked</th> <th>TEUs handled</th> <th>TEUs handled per hour</th> </tr> </thead> <tbody> <tr> <td>May'07</td> <td>196.25</td> <td>2300</td> <td>11.70</td> </tr> <tr> <td>June'07</td> <td>308.00</td> <td>2496</td> <td>8.10</td> </tr> <tr> <td>July'07</td> <td>390.00</td> <td>3828</td> <td>9.82</td> </tr> </tbody> </table>	Month	Actual hours worked	TEUs handled	TEUs handled per hour	May'07	196.25	2300	11.70	June'07	308.00	2496	8.10	July'07	390.00	3828	9.82
Month	Actual hours worked	TEUs handled	TEUs handled per hour															
May'07	196.25	2300	11.70															
June'07	308.00	2496	8.10															
July'07	390.00	3828	9.82															

		The above data shows that the reach stacker has handled on an average of 9.82 containers per hour during the initial 3 months period of operation.
(iii).	The calculation of the depreciation does not seem to be in line with the method prescribed in clause 2.7.1. of the revised tariff guidelines. Explain the reasons for deviating from the revised tariff guidelines in this regard.	The depreciation is calculated based on the life norms fixed by the Ministry of Shipping vide letter dated 19/28 August 1998, and not as per the life norms specified in the Companies Act, since the port trusts are required to follow the life norms specified by the Government. Further, it may not be possible to have two depreciation accounts in the books of account.
(iv).	Explain the basis of assuming consumption of fuel at 18 liters per hour. Also, furnish the basis of assuming cost of lubricants at 40% of cost of fuel.	The fuel consumption at 16 to 18 liter per hour (for Volvo make Engine of Model TWD 1240 VE) is assumed based on catalogue for the reach stacker. (NMPT has furnished a copy of the said equipment catalogue.) (NMPT has also furnished the details of the quantity and type of lubricants required and their rates to substantiate the estimation of cost of lubricants at 40%.)
(v).	As per the extracts of the contract dated 16 November 2006 awarded to M/s. Indital Construction Machinery Ltd., Bangalore, it is understood that the annual operation and maintenance contract includes supply of consumables like filters, tyres, hydraulic hoses, electrical items, seals, etc. In the light of this provision available in the contract, the reasons for considering material cost and cost of tyre while arriving at the proposed tariff of reach stacker may be explained.	The material cost of Rs.6.10 lakhs taken during the each year is actual amount spent towards the critical spares already procured to meet the emergency requirement. However, the cost of tyres of Rs.4 lakhs was considered due to oversight.
(vi).	The estimate of insurance cost may be substantiated with documentary support with reference to the actual premium paid.	The premium amount paid towards the insurance of reach stacker was Rs.1,00,902/- as against Rs.1.60 lakhs estimated while arriving at the tariff. (NMPT has furnished proof of payment of premium to the United India Insurance company Ltd., Suratkal.) However, as a thumb rule 1 % of capital cost is taken as insurance premium. The same may be admitted.
(vii).	(a). Explain the basis of considering 15% of operation and maintenance cost as overheads.	As a thumb rule, overheads @ 15% are considered to cover the cost of various activities like supervision, record keeping, monitoring the contract & other indirect expenses.
	(b). The management and general overhead estimations were considered for the years 2007-08 and 2008-09 while revising the Scale of Rates of the port of the NMPT in the Order passed by the Authority on 11 May 2006. Please furnish the break-up of overheads incurred for operating the said reach stacker in addition to the management and general overheads considered in the last tariff revision Order.	No specific reply furnished.
(viii).	Furnish a copy of the guidelines dated 21 February 2003 issued by the Ministry on the basis of which the port has arrived at the rated capacity of the equipment.	It has furnished a copy of the Ministry of Shipping letter no. DE/DTO- 6/2003 dated 21 February 2003.

5. Subsequently, the NMPT admitted an inadvertent arithmetical error in the cost statement in its original proposal and has submitted the corrected cost statement. In the revised cost statement the sum of annual cost for the three years is corrected as Rs.223.13 lakhs as against Rs.194.02 lakhs shown in the original proposal. Based on the modified cost statements, the NMPT has proposed to revise the handling rates for containers. The rates proposed by the NMPT in the original proposal vis-à-vis the revised rates proposed are tabulated below:

(in Rs. per TEU)

Description	Rates proposed in original proposal		Revised rates proposed by NMPT	
	For Foreign containers	For Coastal containers	For Foreign containers	Rate for Coastal containers
Upto 20'	332.00	199.00	364.00	218.00
Above 20' and below 40'	498.00	299.00	546.00	328.00
Above 40'	664.00	398.00	728.00	437.00

6. The revised proposal filed by NMPT was forwarded to the concerned user organisations seeking their comments. Some of the users have furnished their comments. The comments received from users/ user organisations were forwarded to NMPT as feedback information. The NMPT has furnished its comments on the comments of users.

7.1. A joint hearing in this case was held on 17 December 2009 at the NMPT premises. At the joint hearing, NMPT and one of the user organisations have made their submissions:

7.2. At the joint hearing, the NMPT was advised to furnish the scheme of transfer of the Reach stackers to the BOT operator of the proposed Container Terminal to be developed under Public Private Participation along with the anticipated transfer price. The NMPT has furnished its reply which are summarised below:

- (i). No such scheme of transfer of Reach Stacker to the BOT operator was envisaged at the time of sending the proposal of tariff fixation.
- (ii). It is also to be noted that the Reach Stacker operation had commenced from May 2007. It is almost three years now. The BOT Container Terminal project is just at the nascent stage. So far only an Expression of Interest has been called for. The project would probably realise only after three years from now on if everything goes well.
- (iii). The proposal for fixing the tariff for the Reach Stacker was envisaged for the initial three years, which would be completed in this May 2010. In case if the BOT Container Terminal would have to come into operation after three years from now, then the tariff so fixed by the TAMP would be applicable for the initial six years.
- (iv). However, while preparing the Tender Document for the BOT Container Terminal project, a specific clause for the Transfer of Reach Stacker would be included. At that time (i.e. after 6 years of commencement of operation of Reach Stacker) of transfer of Reach Stacker to the BOT operator, a depreciated value of Reach Stacker would be considered.

8. The 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 will also be made available at our website <http://tariffauthority.gov.in>.

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

- (i). The NMPT has submitted a proposal in August 2007 for fixation of tariff for the Reach stacker of 45 tonnes capacity procured by it. As stated by NMPT, the procurement of Reach Stacker is in replacement to the existing crane, which has already outlived its useful life. The new Reach Stacker is reportedly commissioned with effect from 8 May 2007.

- (ii). The existing Container handling charges prescribed under Section 4.5 of Chapter IV in the Scale of Rates of NMPT is tabulated below:

4.5. Container Handling Charges:

Sl. No.	Description	Empty Container		Laden Container	
		Foreign (in Rs.)	Coastal (in Rs.)	Foreign (in Rs.)	Coastal (in Rs.)
1.	20' Container	122.00	73.20	256.00	153.60
2.	Above 20' and upto 40' container	183.00	109.80	384.00	230.40
3.	Above 40' Container	244.00	146.40	512.00	307.20

- (iii). The charges for handling containers prescribed in the Scale of Rates of NMPT was last revised in August 2001. In the relevant proceedings, the NMPT had submitted that the handling charges shall be levied irrespective of the type of equipment used. Thus, the rates prescribed in the Scale of Rates of NMPT are with reference to the services rendered while handling containers and not with reference to the equipments that are used while rendering the said service. In this backdrop, the reason for NMPT to approach this Authority for revising the handling rates only on account of change in the equipment used for handling containers is not clear.

- (iv). The port has reasoned that procurement of an additional reach stacker without corresponding increase in container traffic, will increase its handling cost considerably. An user is not concerned with the type of equipment deployed for handling his cargo/ container. Only when the quality of service rendered varies or a new technology is brought in at a huge cost, can there be a ground for prescription of a separate rate.

It is to be recognised that replacement and modernisation of the existing capital assets of a port is a continuous process and such process should not be a reason to destabilise the Scale of Rates frequently, unless an exceptional circumstance emerges warranting an immediate prescription of revised / new rates.

- (v). It is noteworthy that this Authority in the last tariff revision of NMPT in 2006 has considered an estimated cost of Rs.200 lakhs in the year 2006-07 towards addition to container handling equipment in the capital employed estimates. The rate thus available in the existing SOR for handling containers duly takes into account the replacement of equipment.

- (vi). This Authority is not favourably inclined to revise rates in piecemeal with each and every replacement of handling equipments. The last general revision of tariff at NMPT concluded in the year 2006 considers the estimated position for 3 years in future and also recognizes flow of cross subsidization between activities. A piecemeal revision can be considered before the next revision only if it is shown that a new service not envisaged in the earlier general revision is provided or a substantial change in the cost structure which was assumed in the general revision has been witnessed. Prima facie, there does not appear to be any such grounds to support the proposal of NMPT. Nonetheless, the proposal is analysed from cost point of view to see whether the existing rates are grossly inadequate.

- (vii). (a). The port in its cost statement has reported the capacity utilization of the equipment at 36.29%, 39.92% and 43.91% respectively for the given three years. As admitted by the port through the cost statement, the equipment is grossly under utilized. While fixing rates with reference to standalone equipment, it is necessary to consider the standard capacity of the equipment as base in order to not perpetuate underutilization to the detriment of users.

- (b). The capacity of the equipment is reportedly arrived at by NMPT based on Government guideline on availability and utilization norms for various types of equipments at port trusts. Availability and utilization norms of an equipment is different from the capacity of an equipment. The standard capacity of an equipment should consider the volume it can handle under

standard working conditions. For determining the capacity of the equipment, the norms as prescribed in the upfront tariff guidelines of 2008 can be relied upon. Consequently operating costs are also to be considered at a normative level for the optimal capacity. It is, however, clarified that the upfront tariff guidelines of 2008 are not applicable for tariff setting in the case of Major Port Trusts. The norms prescribed in those guidelines are relied upon in the absence of any separate norm evolved under tariff guidelines of 2005.

- (c). The upfront guidelines, however, do not prescribe the productivity of each type of handling equipments. The NMPT has stated that it has considered the productivity of the Reach Stacker at 10 TEUs per hour, based on the average containers per hour handled by the Reach Stacker during the initial 3 months period of operation. The figures furnished by NMPT show that the Reach Stacker has achieved a maximum productivity of 11.70 TEUs per hour. This indicates the capability of the equipment. Hence, the capacity of the Reach Stacker is determined taking into account the productivity of 12 TEUs per hour. By considering the utilization factor of 70%, the rated capacity of the Reach Stacker works out to (12 TEUs per hour x 24 hours x 365 days x 70% utilization) 75384 TEUs per annum.
- (viii). The capital cost of the asset considered by NMPT in its workings is Rs.160 lakhs. The cost of the Reach Stacker as shown in the Price Schedule furnished by NMPT at Rs.166.04 lakhs, is considered in the analysis.
- (ix). The Reach Stacker is reportedly in operation from May 2007 onwards. As stated by NMPT, the Reach Stacker will be handed over to the operator of the proposed container terminal. The proposed terminal is still in the bidding stage. The residual value of the reach stacker is not considered in this exercise. When the actual handing over takes place, the profit on sale of asset which will accrue to NMPT will be accounted as revenue for that year.
- (x). The analysis of the Operating Cost is given below:
 - (a). Depreciation is considered on Straight Line basis at the rate of 10.34% as prescribed in the Companies Act, in line with the Upfront Guidelines.
 - (b). NMPT has considered a consumption of 18 litres per hour. If the productivity of the Reach Stacker is 12 TEUs per hour, the fuel consumption works out to 1.5 litres per TEU. The prevailing rate of Rs.41.90 per litre is considered for determining the fuel cost.
 - (c). Repairs & Maintenance cost is considered at 2% of the cost of the asset in line with the Upfront guidelines.
 - (d). Insurance is considered at 1% of the depreciated value of the asset at the end of the respective year.
 - (e). Overheads is considered at 15% of cost of the asset in line with the Upfront guidelines.
 - (f). Return on capital employed is considered at 16% on the written down value of the asset at the end of the respective year.
 - (g). The calculation shows that the average permissible revenue to be generated from handling different mix of containers is Rs.147 per TEU. The calculation sheet is attached as **Annex - I**.
- (xi). The above calculation shows that the existing handling rates levied at the port warrants a reduction. However, as stated earlier, the handling rate at NMPT has been fixed vide the last general revision Order after recognising the flow of cross subsidization between activities. Any reduction in the container handling rate at this juncture would require a corresponding adjustment to some of the rates of

other activities, which is not possible at this point in time. The said exercise is possible only when the cost position of the port as a whole is analysed.

The general revision proposal from NMPT is already overdue. The port has been given time upto end of May 2010 to file its general revision proposal. If need arises, the container handling charges may be analysed in the general revision proposal to be filed by the port.

- (xii). If the issue of underutilization of the equipment is momentarily ignored and tariff fixation is done based on the average traffic of 30000 TEUs per annum (based on the traffic figures furnished by NMPT for a period of 3 years), the average permissible revenue to be generated from handling different mix of containers works out to Rs.269/- per TEU, which is just comparable to the existing handling rate at the port. This shows that the proposed tariff for reach stacker operation is not required.
- (xiii). From the above, it can be seen that by levying the existing container handling rates, the NMPT is neither put in a disadvantageous position nor there is a serious loss to the port resources. Thus, the new Reach Stacker procured by the port can be treated as part of the existing pool of equipments available with the port for handling containers. Since the analysis does not show any merit in the proposal of NMPT, this Authority is not inclined to approve the proposed handling rates. Accordingly, the port may levy the existing handling charges on containers handled by Reach Stacker.
- (xiv). The port has been levying the proposed rate on an adhoc basis from the time of commissioning of the Reach Stacker in May 2007, on the ground of having consent from the relevant users. The procedure prescribed in Clause 2.17.1 to 2.17.4 of the tariff guidelines can be invoked only whenever a specific tariff for a service/ cargo is not available in the notified Scale of Rates of the port. In the instant case, the concerned service is handling of containers, for which a rate is already prescribed in the Scale of Rates of NMPT. The reason for NMPT to seek approval for the proposed rate in the intervening period by invoking the provisions of the guidelines is not clear.

Since the proposal of NMPT for prescription of a separate rate for reach stacker lacks merit, the question of formalizing the adhoc handling charge levied by the port in the intervening period does not arise.

It may be noteworthy that the consent given by the users alone cannot be a reason for this Authority to approve the proposed rates, when the analysis carried out indicates otherwise. This also casts a doubt whether the users have given an informed consent.

- (xv). The request of Kanara Chamber of Commerce & Industry (KCCI) that the rates should be inclusive of service tax, is not an issue to be decided only in respect of NMPT and for Reach stacker at that. Service tax is a levy levied by the Central/ State Government on the services rendered and as such, request of KCCI with regard to service tax may not be within the purview of this Authority.

10. In the result, and for the reasons given above, and based on the collective application of mind, this Authority rejects the proposal of the NMPT. The NMPT is directed to levy the existing container handling charges prescribed in its Scale of Rates, even while handling containers with the new Reach Stacker in reference.

(Rani Jadhav)
Chairperson

Annex - I

Cost Statement for fixation of tariff for Reach stacker at New Mangalore Port Trust (NMPT).

(Rs. in Lakhs)

Sr.No.	Particulars	Explanatory Note	As furnished by NMPT	As modified by TAMP
I	Description of the equipment		Reach stacker - 45 T	Reach stacker - 45 T
II	Purpose of procurement		Container Handling	Container Handling
III	Expected date of commissioning		8-May-07	8-May-07
IV	Cost (Rs. Lakhs)		160.00	166.04
V	Rated capacity per annum (TEUs / hour)	Note 1	10 TEUs per hour 74950 TEUs per annum	12 TEUs per hour 73584 TEUs per annum
VI	Estimated number of working hours per annum.	Note 2	4497 hours per annum	6132 hours per annum

Sr. No.	Particulars	Explanatory Note	As furnished by NMPT				As modified by TAMP
			Year 1	Year 2	Year 3	Total	For a period of 1 Year
VII	TEUs proposed to be handled per annum	Based on capacity	27200	29920	32912	90032	73584
VIII	Capacity utilization		36.29%	39.92%	43.91%		Full Capacity utilisation
IX	Depreciation	(As per Companies Act)	20.00	20.00	20.00	60.00	17.17
X	Operation & Maintenance Cost						
	(a) Fuel cost (i) x (ii) x No. of Hours	Rs. In lakhs	19.58	21.54	23.70	64.82	46.25
	(i) Fuel consumed	Litres per TEU	18.00	18.00	18.00		1.50
	(ii) Average cost per litre	Actual of April 2010 considered.	40.00	40.00	40.00		41.90
	(b) Repairs & Maintenance cost	2% of capital cost of asset.	22.25	38.41	38.41	99.07	3.32
	(i) Material cost		6.10	6.10	6.10		0.00
	(ii) Labour cost		12.15	28.31	28.31		0.00
	(iii) Cost of Tyres		4.00	4.00	4.00		0.00
	(c) Cost of Lubricants		7.83	8.62	9.48	25.93	0.00
	(d) Insurance premium	1% of depreciated value of asset	1.60	1.40	1.20	4.20	0.97
	(e) Overheads	15% of capital cost of asset.	7.69	10.50	10.92	29.10	24.91
	Total (a) to (e)		58.96	80.46	83.70	223.13	75.45
XI	Return on Capital Employed @ 16%		25.60	22.40	19.20		15.58
XII	RoCE adjusted for capacity utilisation		15.48	14.90	14.05	44.43	15.58
XIII	Total Annual Cost (IX + X + XI)		94.44	115.36	117.75	327.56	108.20
XIV	Proposed rate per TEU in Rs.		347.20	385.58	357.78	363.82	147.04
	Say Rs. Per TEU					364	147

Note 1 - Capacity calculation

Handling rate per hour -	12 TEUs per hour
No. of hours -	24 hours
No. of days -	365 days
Utilisation -	70%
Capacity = 12 * 24 * 365 * 70% =	73584 TEUs per annum

Note 2 - No. of Working hours

No. of days	365 days
no. of hours	24 hours
Utilisation	70%
Total hours	6132 hours per annum

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/47/2007-NMPT - Proposal from the New Mangalore Port Trust for fixation of tariff for the Reach stacker procured by port.

The summary of comments received from users/ user organisations and the comments of New Mangalore Port Trust (NMPT) thereon are tabulated below:

Sl. No.	Comments of user / user organisation	Comments of NMPT																								
(1).	Kanara Chamber of Commerce and Industry																									
(i).	It has no comments to offer on the proposed tariff or on the veracity of the availability and utilisation norms as both these would be checked by the Authority.	No comments furnished.																								
(ii).	<p>The Authority vide order no. TAMP/14/2001 - NMPT dated 30 August 2001 (notified on 24 September 2001) has approved the following hire charges for a (TIL – GROVE RT 880) 75 MT capacity mobile crane.</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Loaded (Rs.)</th> <th>Empty (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Upto 20'</td> <td>480.00</td> <td>150.00</td> </tr> <tr> <td>Above 20' and below 40'</td> <td>630.00</td> <td>225.00</td> </tr> </tbody> </table> <p>It is seen from the above that the charges for empty container was about 1/3rd of the charges for loaded container.</p>	Description	Loaded (Rs.)	Empty (Rs.)	Upto 20'	480.00	150.00	Above 20' and below 40'	630.00	225.00	No comments furnished.															
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(iii).	<p>In view of the above and in order to give incentive to the exporters to off load empty containers at Mangalore, the NMPT is requested to charge as following rates which should be inclusive of service tax:</p> <table border="1"> <thead> <tr> <th rowspan="2">Description</th> <th colspan="2">Rate for Foreign containers (Rs.)</th> <th colspan="2">Rate for Coastal containers (Rs.)</th> </tr> <tr> <th>Loaded</th> <th>Empty</th> <th>Loaded</th> <th>Empty</th> </tr> </thead> <tbody> <tr> <td>Upto 20'</td> <td>332.00</td> <td>110.00</td> <td>199.00</td> <td>70.00</td> </tr> <tr> <td>20' to 40'</td> <td>498.00</td> <td>166.00</td> <td>299.00</td> <td>100.00</td> </tr> <tr> <td>Above 40'</td> <td>664.00</td> <td>222.00</td> <td>398.00</td> <td>133.00</td> </tr> </tbody> </table>	Description	Rate for Foreign containers (Rs.)		Rate for Coastal containers (Rs.)		Loaded	Empty	Loaded	Empty	Upto 20'	332.00	110.00	199.00	70.00	20' to 40'	498.00	166.00	299.00	100.00	Above 40'	664.00	222.00	398.00	133.00	It is not possible to compare the container handling charges of Reach Stacker with that of the Mobile Crane for the very reason that, the revenue earned by the Reach Stacker is only by means of handling containers whereas the Mobile Crane can also be utilized for general purposes. Hence the revenue is generated from various sources.
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(i).	<p>The Association and all other port user Associations of the port had a meeting on 1 August 2007 with the NMPT wherein the port was requested to fix the container handling charges for using reach stacker as detailed here below:</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Rate for Foreign containers (Rs.)</th> <th>Rate for Coastal containers (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Upto 20'</td> <td>300</td> <td>199</td> </tr> <tr> <td>20' to 40'</td> <td>450</td> <td>299</td> </tr> <tr> <td>Above 40'</td> <td>500</td> <td>350</td> </tr> </tbody> </table>	Description	Rate for Foreign containers (Rs.)	Rate for Coastal containers (Rs.)	Upto 20'	300	199	20' to 40'	450	299	Above 40'	500	350	(i). The charges proposed for handling containers by reach stacker has been accepted by its Board in its meeting held on 28.12.2007. The proposed charges are at par with rates prevailing at ICD, Bangalore. A comparative position of the existing handling charges at ICD Bangalore and the proposed container handling charges are tabulated below:												
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(ii).	The NMPT is the Gateway Port of Karnataka.	<table border="1"> <thead> <tr> <th>Size of container</th> <th>Existing handling charges at ICD</th> <th>Proposed handling charges</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Size of container	Existing handling charges at ICD	Proposed handling charges																					
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	It has seen a significant increase in the volume of containers handled during the recent years, which is due to the increase in frequency of container vessels calling at the port and also due to the movement of more containerised cargo from the hinterland. Therefore, fixation of reasonable charges for handling containerised cargo and other cargo will induce exporters and importers to route their cargo through NMPT.	<table border="1"> <tr> <td></td> <td>Bangalore</td> <td></td> </tr> <tr> <td></td> <td>For laden containers</td> <td>For laden and empty containers</td> </tr> <tr> <td>20 ft.</td> <td>340</td> <td>332</td> </tr> <tr> <td>40 ft.</td> <td>550</td> <td>498</td> </tr> </table>		Bangalore			For laden containers	For laden and empty containers	20 ft.	340	332	40 ft.	550	498
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(iii).	In view of the above, kindly fix the reach stacker charges for handling containers for the next three years at reasonable levels or the rates may be fixed in accordance with the rates indicated above. This move by TAMP will only facilitate the EXIM trade to continue their shipments through NMPT.	(ii). NMPT is also augmenting container-handling facilities by procuring one additional reach stacker during 2007-08 by investing Rs.170 lakhs. Thus, the investment of the port for providing infrastructure for container handling equipment would further increase without corresponding increase in container traffic. Hence, the handling charges would increase considerably compared to the one already proposed. TAMP is therefore requested to approve the proposed changes of NMPT and notify the rates at the earliest.												
(3).	The New Mangalore Port Clearing and Forwarding Agents Association													
(i).	<p>Alongwith all other port user associations of Mangalore port, it had a meeting on 1.8.2007 2007 with NMPT officials wherein the port was requested to fix the container handling charges by using reach stacker as below:</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Rate for Foreign containers (Rs.)</th> <th>Rate for Coastal containers (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Upto 20'</td> <td>300</td> <td>199</td> </tr> <tr> <td>Above 20' and below 40'</td> <td>450</td> <td>299</td> </tr> <tr> <td>Above 40'</td> <td>500</td> <td>350</td> </tr> </tbody> </table>	Description	Rate for Foreign containers (Rs.)	Rate for Coastal containers (Rs.)	Upto 20'	300	199	Above 20' and below 40'	450	299	Above 40'	500	350	It has furnished a common response on the comments of Association of New Mangalore Port Stevedores and the New Mangalore Port Clearing and Forwarding Agents Association.
Description	Rate for Foreign containers (Rs.)	Rate for Coastal containers (Rs.)												
Upto 20'	300	199												
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(ii).	It is requested to fix the charges for handling containers by reach stacker for the next three years at affordable levels. The rates may also be fixed in accordance with the rates indicated above. This will certainly further improve the volume of container traffic through the port.													

2. The revised proposal dated 9 June 2008 filed by the NMPT was circulated to the concerned users/user organisations for comments. A copy each of the comments received from the concerned users was forwarded to the NMPT as feedback information. The summary of comments received from the concerned users/user association on the revised proposal and the comments of the NMPT thereon are tabulated below:

Sl. No.	Comments of user / user organisation	Comments of NMPT
1.	Association of New Mangalore Port Stevedores	
	The port had discussed the fixation of the tariff for reach stacker in meetings with trade and at no time the port had pointed out the 'arithmetical error' to any of us. Also, the quantum of container cargo has increased phenomenally.	<p>(i). The summation error in the cost statement was noticed during discussion and the corrected copy of the cost statement was immediately forwarded to the Authority vide letter dated 9 June 2008.</p> <p>(ii). Since the hire charges are not yet finalized/fixed as of now, the Association of New Mangalore Port Stevedores is free to cross check the revised cost statement regarding the arithmetic error to satisfy themselves and ensure</p>

		<p>there is no manipulation.</p> <p>(iii). The container traffic projections were so considered as to arrive at realistic container handling charges, and purely based on the assumption. Further, the container traffic projection were assumed while preparing the cost statement for one Reach Stacker only, while the proposal for fixation of hire charges during August 2007. However, it has procured the second Reach Stacker only during January 2008. The increase in container traffic as compared to the investment made for the 2nd Reach Stacker is negligible.</p>
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3.1. A joint hearing in this case was held on 17 December 2009 at the NMPT premises. The NMPT made a power point presentation of its proposal. At the joint hearing, NMPT and Association of New Mangalore Port Stevedores have made the following submissions:

New Mangalore Port Trust

- (i). We have procured two Reach Stackers. Our rates are comparable with rates at other ICDS.
- (ii). We have considered only 40% utilisation and reduced return accordingly. Otherwise, the rate would have been Rs. 428/- TEU.
- (iii). These reach stackers will be transferred to container terminal to be developed under PPP.

Association of New Mangalore Port Stevedores

- (i). Let NMPT maintain the rates agreed with us & not increase them.

3.2. At the joint hearing, Association of New Mangalore Port Stevedores (ANMPS) has made written submissions on proposal of the NMPT. The main point made by ANMPS in the written submissions is given below:

- (i). The New Mangalore Port Trust is the Gateway Port of Karnataka. Our port has seen a significant increase in the volume of containers handled during the recent years. This growth is due to the increase in frequency of container vessels calling at this port and also the movement of more containerised cargo from the hinterland. Therefore, fixation of reasonable charges for handling containerised cargoes and other cargo will induce exporters and importers to route their cargoes through New Mangalore Port.
- (ii). Fix the Reach Stackers charges for handling containers for the next three years at these levels. This move by TAMP will only facilitate the EXIM trade to continue their shipments through New Mangalore Port Trust.

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