

(Published in Part - III Section 4 of the Gazette of India, Extraordinary)

TARIFF AUTHORITY FOR MAJOR PORTS

G. No. : 41

New Delhi, 31 March 2005

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 of the Paradip Port Trust for continuation of the existing tariff for export of coal through its Mechanical Coal Handling Plant as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/18/2004 - PPT

The Paradip Port Trust

Applicant

ORDER

(Passed on this 15th day of March 2005)

This case relates to a proposal received from the Paradip Port Trust (PPT) for continuation of the existing tariff for export of coal through the Mechanical Coal Handling Plant (MCHP) at PPT.

2. This Authority fixed tariff for handling of coal through the newly commissioned MCHP at the PPT vide its order dated 5 November 2001. While approving the said tariff it was, *inter alia*, decided that the validity of the rates would be for a period of one year which would be reviewed thereafter in the light of actuals for the year 2001-02. The PPT was also advised to formulate within six months an Efficiency Linked Tariff (ELT) Scheme for the MCHP. However, no proposal from PPT for review of the rates and formulation of an ELT Scheme was received. When reminded in this regard the PPT vide its letter dated 24 February 2004 explained that the handicaps like non-synchronization of integrated developments such as railway signaling system, non-introduction of railway locomotives with creep control mechanism for in-motion loading of coal etc., could not be removed even after a lapse of two years despite the efforts taken by the port and Railways were continuing. The port had also pleaded that it could not formulate the ELT Scheme also due to non-achievement of desired efficiency levels by the MCHP on account of the handicaps. The PPT further requested to permit it to continue the existing tariff at MCHP for a period upto 31 March 2005 to enable it complete the synchronization of facilities and reach the desired efficiency level at MCHP.

3.1. The PPT was advised to submit a detailed proposal with justification for continuing with the existing rates till 31 March 2005.

3.2. The PPT filed a proposal for continuation of the existing rates for operation of the MCHP at PPT till 31 March 2005. The existing wharfage rates for handling coal through MCHP at PPT are as follows:

Sl. No.	Item	Rate per MT
1.	Unloading of coal wagon through coal handling system	Rs. 80
2.	Shipment of coal through coal handling plant	
	(a) Upto 7.5 million tones	Rs.120
	(b) From 7.5 million tonne – 10 million tonnes	Rs.110
	(c) Beyond 10 million tonnes	Rs.100

4.1. In accordance with the consultation procedure adopted, the proposal of the PPT was forwarded to the concerned port users / representative bodies of port users for their comments.

4.2. The comments received from the concerned user organisations were forwarded to the PPT as feed back information. In response the PPT has furnished its observations.

5. On a preliminary scrutiny of the proposal, the PPT was requested to furnish additional information / clarifications vide our letter dated 18 October 2004. The PPT, after a reminder, furnished the details vide its letter dated 13 December 2004. The important points raised by us and the PPT response are tabulated below:

Sl. No.	Our queries	Response of PPT
(i).	At the time of initial proposal of PPT in the year 2001 for fixation of tariff for Coal handling at MCHP, the rates proposed were on the basis of projections and estimates made by it	The reason for variation in traffic between the estimated and actual quantity is on account of non-availability of adequate coal for movement to TNEB Plants. While TNEB is keen to accept such coal as far as possible from Talcher Coal fields,

	<p>for the year 2001-02, 2002-03 and 2003-04. The PPT is requested to furnish an analysis of variation in traffic, income and expenditure between the actuals and projections made for the years 2001-02, 2002-03 and 2003-04 duly indicating the reasons for such variations.</p>	<p>they are unable to obtain desired linkage from the Linkage Committee. There are invariably shortfalls every month against the approved quantity.</p> <p>The PPT has furnished an analysis of variation in traffic, income & expenditure between the actuals and projections made at the time of initial proposal for the years 2001-02, 2002-03 and 2003-04.</p>
<p>(ii).</p>	<p>The PPT has projected only marginal increase in the volume of cargo to be handled at the MCHP. The cost escalation is, therefore, expected to be limited to price inflation and may not be impacted by volumes. In such a scenario, escalation in expenditure should be to the extent of WPI based inflation. In this context, the following estimates of expenditure appear to be disproportionate to the projected volume of cargo throughput:</p> <p>(a). With reference to the estimated expenditure on stores (operation of Plant), an increase of around 136% for the year 2003-04 over the actual expenditure for the year 2002-03 and an increase of around 61% for the year 2004-05 over the estimated figure for the year 2003-04 have been projected.</p> <p>(b). The mechanical coal handling plant is a newly created facility. That being so, the estimates of expenditure on stores (R&M) and the R&M expenditure included under "Sundry Expenses" do not appear to be realistic. The PPT may justify the estimates alongwith the break-up of R & M expenditure included under "Sundry Expenses".</p> <p>(c). Electric power cost for operation of MCHP is estimated at Rs.400 lakhs and Rs.600 lakhs for the year 2003-04 and 2004-05 respectively while the actual expenditure for the year 2002-03 was Rs.298.31 lakhs. The PPT may furnish the requirement of electric power (fixed and variable) in physical unit for the MCHP, the unit</p>	<p>The consumption of stores upto 2002-03 is less because most of the components of the plant were under warranty and initial spares were available in store. The consumption of stores, therefore, has been increased in 2003-04. In 2004-05 & onwards the stores consumption will further rise because of increased wear & tear & maintenance of plants. The actual increase of stores consumption during 2003-04 is 67% (app.) as compared to 2002-03. However there is no increase in 2004-05 as compared to 2003-04.</p> <p>Port trust obtains the services of L & T for supply of manpower for the operation of the MCHP. The payment made to L & T has been included under the head Sundry Expenses (R & M).</p> <p>The consumption of electricity has been taken on actual basis.</p>

	electricity cost and the calculation for arriving at the estimated expenditure towards electric power cost.	
(iii).	The items of expenditure considered under "General Administration" in the cost statement may be listed out.	The PPT has furnished the items of expenditure considered under general administration in the cost statement with full details for the years 2001-02, 2002-03, 2003-04 (actuals) and 2004-05, 2005-06 (estimates).
(iv).	The PPT has estimated the expenditure on port and dock charges on the basis of cost per tonne handled. The corresponding charges for the port and dock facilities are levied on GRT basis. Estimation of expenditure under port and dock charges should be more appropriately made based on GRT. The PPT is requested to modify cost estimates for port and dock facilities based on GRT of the anticipated vessel traffic.	The PPT has modified the income and expenditure on port & dock charges on GRT basis in place of per ton basis and furnished the details of apportionment of port & dock charges.
(v).	It may be confirmed that the general expenses and items of expenditure (other than electric power and R & M expenditure) listed under "Sundry Expenses" are not considered again in the allocation of Management and General Overheads to the MCHP facility.	The PPT has confirmed that it has not considered the general expenses and items of expenditure listed under sundry expenses again in the allocation of management and general overheads to the MCHP facility.
(v).	<p>This Authority has been allowing a maximum permissible ROCE of 17.5% for the year 2003-04 and 2004-05 in the case of major port trusts. In this context, the PPT is requested to clarify the following:</p> <p>(a). The PPT has considered interest on the loans, once in the expenditure to arrive at the net surplus and again as a part of the return on capital employed. The double counting of interest on the loans need to be eliminated as was brought out in our earlier Order of November 2001.</p> <p>(b). The PPT may furnish the details on the exact quantum of debt, the terms of loan, rate of interest, etc., and furnish workings for the interest cost shown for the years 2003-04 to 2005-06 in the cost statement.</p>	<p>The PPT has considered interest on loans as a part of return on capital employed.</p> <p>The PPT has furnished the quantum of loan received from the Government of India, investment of the Government of India and the loan received from the Asian Development Bank for financing the creation of the MCHP. The Government of India loan is for a period of ten years at 14% per annum.</p>

	<p>(c). The maximum permissible ROCE will depend on the capacity utilisation factor of the MCHP. In this context, the PPT is requested to comment on the following:</p> <p>The PPT has clarified that it had invested in facilities to create a capacity of 20 million tonnes. Citing various constraints, the PPT requested to consider the capacity of the plant at 12 million tonnes only for the first two years (2001-02 and 2002-03). This position was accepted while fixing the initial tariff. Even after three years, the same grounds are advanced for not reaching the capacity. It may not be correct to continue to burden the users indefinitely with the associated cost of idle capacity for which they are not responsible. The reasons why capacity of the MCHP should not be taken at 20 million tonnes per annum in the present tariff exercise may be explained.</p>	<p>(1). The MCHP will reach its full capacity after signaling and inter-locking work is complete and the bottom opening wagons are emptied through creep control mechanism installed in railway locomotives which haul the rakes.</p> <p>(2). In order to expedite the work and ensure that a compatible signaling and interlocking system is installed, it was jointly agreed by the port and railway to execute the work on deposit basis through East Coast Railway. Accordingly, an advance of Rs. 5 Crores was made by the port with Railway authorities during September 2002. The work has since been commenced by the railways and it is likely to take a minimum of two years time to complete the same and install the facilities at the Port. On the issue of creep control mechanism the railway authorities have urged the port to continue with the alternate arrangement of supply of air pressure through shore based compressors and the system is continuing since September 2001. No definite time table is given Railways for the switch over from shore based compressor to creep control arrangement.</p> <p>(3). The RITES report and inter-ministerial group had categorically recommended for discharge of coal from wagon through creep control mechanism for faster turn round and the technical specifications of the plant were designed accordingly.</p> <p>(4). Since both the above arrangements such as creep control and signaling interlocking mechanism have not been working, so far, at the port, the plant can not be said to be working in full capacity.</p> <p>(5). The Port is hopeful that within the next years time signaling and interlocking will be installed at the port and even if creep control mechanism is not in force, the port may perhaps up grade the capacity to 20 MTPA.</p>
<p>(vi).</p>	<p>The PPT has brought out some reasons like power failure which interrupts the operations at the MCHP. The PPT may consider to incorporate a conditionality about not levying any berth hire on the vessels at MCHP berth for the period when the operations at the MCHP cannot take place due to breakdown of the MCHP due to power failure, breakdown of the plant, etc.</p>	<p>The PPT is open to discuss the issue during the joint hearing so as to accept conditions not to levy berth hire for periods of breakdown of plant or for power failure.</p>

(vii).	The PPT had proposed 30,000 tonnes of average loading rate per day. The port has exceeded the loading rate of even 40,000 MT per day in few months of the financial year 2003-04. If the loading rate of 40,000 tonnes per day is not sustainable, the PPT may indicate the sustainable loading rate per day based on past actuals keeping in mind the expected efficiency improvement expected in future.	Average loading rate of 30,000 tonnes per day was proposed on the basis of the performance of the MCHP for the year 2003-04, during which, maximum quantity of coal was handled through MCHP. According to the port, the sustainable loading rate would be 30,000 tonnes per day or less since most of the times ground stock at the port is either NIL or significantly less so as to achieve a higher rate of loading.
(viii).	The Scale of Rates of PPT in respect of both vessel-related and cargo-related charges was last revised by this Authority vide its Order dated 10 April 2000. The PPT was required to submit the other proposals relating to the estate rentals including rentals for properties in operational area, equipment hire charges and charges for the PPL captive berth. No such comprehensive proposal is received from PPT so far even though an assurance was made in the proceedings of November 2001 to expedite formulation of such a proposal. The PPT is requested to inform the status of framing such a comprehensive tariff proposal for submission to this Authority.	The port is not able to frame up proposal for revision of Scale of Rates especially for estate rentals and equipment hire charges and PPL captive berth hire charges. In this regard, it may be informed that PPL is not agreeable to revision of captive berth hire charges. According to joint agreement dated 3.8.1985 with PPL no revision could be undertaken unless mutually agreed to. Hence no progress could be made with regard to revision of PPL charges.

6. A joint hearing in this case was held on 7 December 2004 at the PPT office in Bhubaneswar. At the joint hearing, the PPT and the concerned users have made their submissions.

7. As decided at the joint hearing, the TNEB has furnished its comments on the revised cost statements furnished by PPT.

8. On scrutiny of the revised cost statement, the PPT was requested to furnish additional information / clarifications. Our queries and the response of PPT are tabulated below:

S. No.	Our Queries	Response of PPT
(i).	Working of income from plot rent for the years 2003-04 (actuals), 2004-05 and 2005-06 (estimates) may be furnished.	The income from plot rent of MCHP during the year in reference has been estimated at Rs.1.20 crore per year. This calculation has been made at the rate of Rs.900/- per 100 sq. mtr. per month. The total area available is 1,03,800 sq. mtr. (The plot rental works out only to Rs. 1.12 crore per annum based on the information furnished by PPT).
(ii).	The salaries and wages cost for the year 2003-04 (actuals) is around 618% of the salaries and wages cost pertaining to the year 2002-03. In this connection, the PPT has stated that the salaries and wages cost includes the expenditure incurred on booking of labour gangs for day to day running of the Mechanical Coal Handling Plant (MCHP). The estimated cargo throughput for the year 2004-05 is found	The MCHP was put to use from September 2001. In the initial years the need for cleaning of conveyer belt lines was not regular as the utilization of the plant was very very low and the plant was new. Whenever there was any need of cleaning, the manpower from the other operational areas were diverted and used for the purpose. The wages of these manpower were never booked to MCHP as this was not regular in

	<p>to be at the same level as compared to the year 2003-04 with only a marginal increase for the year 2005-06. The estimated salaries and wages cost for the year 2004-05 and 2005-06 is, however, around 12% and 14% more than the actual salaries and wages cost for the year 2003-04. The PPT is requested to justify the estimated increase in salaries and wages cost for the year 2004-05 and 2005-06.</p>	<p>nature. In the course of time it was felt necessary to have a regular cleaning of these areas to increase the efficiency, reliability and to reduce breakdown. Accordingly labour gangs were booked on regular basis to MCHP. Hence, the expenditure on this head has been taken into account while preparing the cost statement for the services of the MCHP.</p>												
	<p>(a). The sundry expenses (R&M) under "sundry expenses" include hiring of manpower from L&T for the operation of the MCHP as stated by the PPT. The port has estimated the sundry expenses (R&M) for the year 2004-05 and 2005-06 at 140% and 186% of the sundry expenses (R&M) pertaining to the year 2003-04. It has been noted that the actuals for 2003-04 also include cost of hiring of manpower from L&T and hence it is not going to be a new development in the years 2004-05 and 2005-06. The cargo throughput remaining static for the years 2003-04, 2004-05 and 2005-06, the reasons for steep increase in sundry expenses (R&M) for the years 2004-05 and 2005-06 may be explained.</p>	<p>Sundry Expenses (Repair and Maintenance) for the year 2003-04 stood at Rs.6.44 crores. The projected expenditure for 2004-05 and 2005-06 already furnished to TAMP stand at Rs.9.0 crores and Rs.12.0 crores respectively. In this regard it is clarified that the MCHP is being operated and maintained by deploying manpower from L&T since the plant was commissioned in September 2001. For 2004-05 and 2005-06, the projections are based on a decision taken by the port to hand over the R&M of the critical equipments of the plant to the Original Equipment Manufacturers on Annual Maintenance Contract (AMC) basis. Accordingly, offers have been received from different original manufactures. However, the above is not likely to be finalised during the year 2004-05. Therefore, the projected R&M for 2004-05 will stand revised to the actual expenses already spent and to be spent until March 2005 towards R&M undertaken by the L&T. However, for the year 2005-06, the port would finalise the offers received for stacker-cum-reclaimer (Rs.6.5 crores) PLC (Rs.3.0 crores), Electrical Substations (Rs.0.57 crores) ship loader (Rs.4.51 crores) and conveyors which would workout much more than the projected expenditure of Rs.12 crores. The revised R&M will stand us under:</p> <table border="1" data-bbox="853 1444 1252 1541"> <thead> <tr> <th>Year</th> <th>Pre-revised</th> <th>Revised</th> </tr> </thead> <tbody> <tr> <td>04-05</td> <td>9.00</td> <td>7.68</td> </tr> <tr> <td>05-06</td> <td>12.00</td> <td>15.00</td> </tr> </tbody> </table>	Year	Pre-revised	Revised	04-05	9.00	7.68	05-06	12.00	15.00			
Year	Pre-revised	Revised												
04-05	9.00	7.68												
05-06	12.00	15.00												
	<p>(b). The estimation of entertainment expenses for the year 2004-05 and 2005-06 may be justified in the light of the actual expenditure for the year 2003-04.</p>	<p>The port is pursuing several arbitration cases relating to contracts on construction & commissioning of MCHP. The expenses incurred in this regard have been booked to entertainment head which <i>inter alia</i> includes the hotel bills transportation, and fooding of the members of the team. Ordinarily these expenses should have been included in the head "Legal and Professional charges". Taking such expenses in to account the figures for 2004-05 and 05-06 will stand revised as under:</p> <table border="1" data-bbox="853 1937 1316 2024"> <thead> <tr> <th>Year</th> <th>Entertainment</th> <th>Legal</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>04-05</td> <td>0.20</td> <td>19.80</td> <td>20.00</td> </tr> <tr> <td>05-06</td> <td>0.30</td> <td>39.70</td> <td>40.00</td> </tr> </tbody> </table>	Year	Entertainment	Legal	Total	04-05	0.20	19.80	20.00	05-06	0.30	39.70	40.00
Year	Entertainment	Legal	Total											
04-05	0.20	19.80	20.00											
05-06	0.30	39.70	40.00											

	<p>(c). While the PPT hires the services of manpower from L&T for the operation of MCHP, the PPT has estimated an additional expenditure of Rs. 125.00 Lakhs and Rs. 130.00 Lakhs for the years 2004-05 and 2005-06 respectively towards stack yard management. It is noteworthy that the PPT has not indicated any expenditure towards stack yard management for the years 2001-02 to 2003-04. The PPT is requested to justify the estimated expenditure towards stack yard management.</p>	<p>The stack-yard management at MCHP is a new area, which has come to the attention of the PPT in last two years. Stack-yard management involves congregation, segregation and water sprinkling, fire-fighting; shifting of ridges of coal to the reclaimable range etc. This requires continuous engagement of loaders, dozers, through the entire length and width of the MCHP stack yard. MCHP stack-yard has a capacity to store 6.5 lakh MT of cargo at any point of time. An efficient management of stack yard would prevent loss of cargo due to fire and optimum utilisation of the storage space available at the stack-yard.</p> <p>Paradip Port had requested TNEB to pay separately for stack yard management, which the later had declined and hence the port decided to account for these expenses separately under this head.</p>
	<p>(d). With reference to the expenditure of stores (operation) for the year 2003-04 (actuals), the PPT has clarified that the consumption of stores up to 2002-03 is less because most of the components of the plant were under warranty and sought to justify the increase in the consumption of stores for the year 2003-04. This explanation appears to be relevant in the context of expenditure under Stores (R&M). It is not clear why Operation Stores consumption should undergo a disproportionate change, merely because warranty of some of the plant and machineries expired. The estimated expenditure of Rs. 800 lakhs for the year 2005-06 in respect of Stores (Operation) may be justified with reference to the relevant expenditure of Rs. 310 lakhs estimated for the year 2004-05.</p>	<p>The PPT has furnished a list of items worth around Rs. 520 lakhs for the estimated expenditure and accordingly scaled down its earlier estimates of Rs. 800 lakhs to Rs. 530 lakhs for the year 2005-06.</p>
	<p>(e). The itemwise details of Stores (R&M) expenses to justify the estimates around 313% and 3091% for the years 2004-05 and 2005-06 respectively more than the actual expenditure for the year 2003-04 may be furnished.</p>	<p>The PPT has considered the value of itemwise stores worth Rs. 520 lakhs under Stores (Operations) in the cost statement. It has, however, scaled down its Stores (R&M) estimates to Rs. 20 lakhs each for the year 2004-05 and 2005-06 from its earlier estimates of Rs. 26.82 lakhs and Rs. 207.14 lakhs for the respective years.</p>
<p>(iv).</p>	<p>With reference to the power cost, the PPT was requested to furnish the requirement of electric power (fixed & variable) in physical unit for the MCHP and the unit electricity cost vide our letter dated 18 October 2004. The PPT has not furnished the requisite details. The PPT is again requested to furnish the requisite details with workings for the year 2003-04, 2004-05 and 2005-06.</p>	<p>The expenditure on Electricity is always variable in nature. There is no fixed component of Electricity charges. The expenditure on electricity has been taken as per actual consumption.</p>

(v).	<p>The estimated railway expenditure at 115% and 120% of the apportioned railway expenditure for the year 2003-04 for the years 2004-05 and 2005-06 may be justified.</p>	<p>The figures on railway maintenance for the year 2004-05 and 2005-06 are the projected expenditures for railway maintenance. The port had furnished a detailed report in this regard on 11 February 2004. The total railway line maintained by the port is about 75 Kms. The railway line of MCHP is about 18 Kms. The figures shown in this regard are the proportionate expenses ascertained on the basis of the length of the line under MCHP. Hence, the projected expenditure for 2004-05 justified.</p>									
(vi).	<p>With reference to the apportionment of Finance and Miscellaneous expenditure to the MCHP, the PPT is requested to clarify/ justify the following:</p> <p>(a). The PPT has stated that the Finance & Miscellaneous expenditure of PPT can be apportioned on the basis of number of employees working in different offices. But, apportionment of the Finance & Miscellaneous expenditure for the years 2001-02 to 2005-06 to MCHP has been made based on the cargo throughput. The apportionment of Finance & Miscellaneous expenditure may, therefore, be revised.</p>	<p>As per TAMP guidelines, F&M expenditure need to be apportioned on the basis of number of employees working in different offices. The PPT, however, had apportioned the expenditure under this head on the basis of the cargo throughput. TAMP order dated 5.11.2001 had observed that MCHP project at PPT is "a new project with old cargo" and the project does not immediately result in any additional cargo or reduction in operating expenditure of the port. They also observed that the project is going to compound the problem of labour redundancy already faced by the port.</p> <p>As on date the port has 1230 Cargo Handling Workers with an average employment of about 12 days a month. The port has recently obtained the approval from the Government of India, which will make these workers as regular employees of the Port Trust. These workers will continue to be with the Port till their retirement. It may, therefore, be appropriate for the port to apportion the projected F&M expenditure on the basis of the strength. For the purpose, the present strength of 1230 workers should be considered as the manpower employed for MCHP since they were handling the same cargo before. In addition, 68 employees are also engaged directly by the Port Trust for operation and maintenance of the MCHP. Thus the total strength of workers for apportionment of F&M will work out to 1298. Accordingly the F&M expenditure is recast as under:</p> <p style="text-align: right;">(in crores)</p> <table border="1" data-bbox="853 1657 1252 1758"> <thead> <tr> <th>Year</th> <th>Pre-revised</th> <th>Revised</th> </tr> </thead> <tbody> <tr> <td>04-05</td> <td>5.69</td> <td>7.60</td> </tr> <tr> <td>05-06</td> <td>6.50</td> <td>8.66</td> </tr> </tbody> </table> <p>It is requested that the basis submitted above for apportionment of F&M expenditure may kindly be accepted in place of cargo throughput.</p>	Year	Pre-revised	Revised	04-05	5.69	7.60	05-06	6.50	8.66
Year	Pre-revised	Revised									
04-05	5.69	7.60									
05-06	6.50	8.66									
	<p>(b). The PPT has estimated the total Finance & Miscellaneous expenditure for the port as a whole at around 28% and 46% for the years 2004-05 and 2005-06</p>	<p>PPT has not furnished any justification to the estimates for the year 2004-05 and 2005-06 for the port as a whole.</p>									

	more than the actual Finance & Miscellaneous expenditure for the year 2003-04 which may be justified.										
(vii).	<p>With reference to allocation of Management and General Administration overhead to MCHP, the PPT is requested to clarify the following:</p> <p>(a). The PPT has allocated the Management and General overhead on the basis of cargo handled at MCHP vis-à-vis total cargo throughput of PPT. The proforma for submission of tariff proposals circulated to all major port trusts prescribes the basis of allocation of management and general overheads to different services. Allocation of Management & General overheads to the MCHP may be revised accordingly.</p> <p>(b). Share of domestic power cost added to M & GA overhead may be justified with reference to the man power deployed in the MCHP.</p>	<p>As a normal procedure the Management and General Administration overhead should have been apportioned on the basis of employees working in different offices. In the instant case, while the port continues to bear the burden of the existing manpower of 1230 cargo handling workers, there is no additional cargo generation after commissioning of the MCHP. It may, therefore, be appropriate to apportion the expenditure under this head on the basis of the justification given at (vi) (a) above. Accordingly the revised expenditure under this head will work out as under:</p> <p style="text-align: right;">(Figures in crore)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Pre-revised</th> <th>Revised</th> </tr> </thead> <tbody> <tr> <td>04-05</td> <td>17.73</td> <td>23.68</td> </tr> <tr> <td>05-06</td> <td>18.72</td> <td>24.93</td> </tr> </tbody> </table> <p>It is ascertained that about 25% of the total power is consumed for domestic purposes. This cost is included in the Management & General Administration overhead.</p>	Year	Pre-revised	Revised	04-05	17.73	23.68	05-06	18.72	24.93
Year	Pre-revised	Revised									
04-05	17.73	23.68									
05-06	18.72	24.93									

9. Subsequent to the discussion senior officials of PPT had with Chairman (TAMP) on 9 February 2005, the PPT vide its letter dated 23 February 2005 has furnished revised cost statement and additional information/ clarifications which are summarised below:

- (i). The traffic for the year 2003-04 and 2004-05 is not likely to vary significantly and the volume of cargo for 2004-05 will be 8 million tonnes as projected in the cost statements.
- (ii).
 - (a). The capacity utilization of MCHP during the year 2003-04 and 2004-05 was to the tune of 66.67% of 12 million tonnes. The present installed capacity of the plant is 12 million tonnes and TNEB is expected to contribute atleast 10 million tonnes of cargo per annum.
 - (b). TNEB requires about 13 million tonnes of cargo per annum. About 3 million tonnes are moved from Eastern Coal Fields through Haldia Dock. The balance quantity of 10 million tonnes should have been exclusively moved from PPT to the port of Ennore and Tuticorin since the MCHP and other facilities have been specifically created both at the loading and unloading ports. The linkage of coal by rail-cum-sea was decided in the thermal coal linkage meeting held under the auspices of Ministry of Coal, New Delhi. Despite persuasion and insistence from port officials as well as TNEB, rail-cum-sea linkages to TNEB are not confined to Haldia and PPT alone. About 2 million tonnes of cargo is moved from IB valley to Vizag Port for conveyance to railways despite objections from TNEB as well as PPT. This contributed to underutilization of plant capacity created for the purpose. Though the plant is equipped to handle 12 million tonnes till interlinking/signaling is installed, sufficient TNEB cargo is not forthcoming for reasons stated. This may kindly be taken into consideration while deciding rates.
- (iii). The income under Port & Dock Charges for 2004-05 has been revised downwards as per the recent Order of TAMP for allowing 40% concession to coastal vessels / cargo and reflected in the projected revenue for the year 2004-05 (2 months) and 2005-06.
- (iv). The actual expenditure towards salaries and wages for the year 2003-04 was Rs.4.47 crores and based on this, the expenditure for the year 2004-05 has been estimated at Rs. 5.36 crores. Out of Rs. 5.36 Crores estimated expenditure a sum of Rs. 4.43 crores

has already been spent as on 31 January 2005. The increase in expenditure under this head for the year 2004-05 vis-à-vis 2003-04 works out about 20%. As stated earlier, (letter dated 7 February 2005) labour gangs are booked on regular basis to the MCHP for cleaning and to increase the efficiency, reliability and to reduce break-down. Hence, the expenditure on this head has been taken into account. However, the projected expenditure for the year 2005-06 has been pegged at 6% of the expenditure for the year 2004-05.

- (v). (a). The legal and professional charges are included in other expenses under "Stores and Other Expenses". The expenditure for 2004-05 towards legal and professional charges is estimated at Rs. 35 lakhs which is about 68% more than 2003-04. The main reason for said hike is attributable to arbitration cases going on against different contracts.
- (b). The total expenditure under the head "Stores & Other Expenses" is projected at Rs. 22.8 crores for the year 2005-06 due to the fact that the PPT is on the verge of finalizing the annual maintenance contract for different equipments.
- (vi). With reference to the "Finance & Miscellaneous Expenses", a sum of Rs. 7.30 Crores is estimated for the year 2004-05 as against actual expenditure of Rs. 4.92 Crores for the year 2003-04. This expenditure has been apportioned assuming that the present strength of 1230 cargo handling workers are part of MCHP since these workers were handling the entire quantity of cargo before.
- (vii). The apportionment of management and general administration expenses to MCHP stood at Rs. 22.77 Crores in 2004-05 as against 17.02 Crores for the year 2003-04. The apportionment assumes the existing 1230 cargo handling workers as manpower employed under MCHP.
- (viii). The following factors will affect the expenditure of the port for the year 2005-06 and in subsequent years.
 - (a). The port is planning to deepen its approach channel, entrance channel and turning circle so as to be in a position to load vessels to its full capacity at the MCHP berths to match the Ennore Port draught. The draught available near the berths at MCHP is 14 Mtrs. However, the vessels are loaded up to 13 Mtrs. (67,000 tonnes). The draught available at Ennore Port is 14 Mtrs. (75,000 tonnes). Due to absence of adequate draught at the approach / entrance channels and turning circle, a proposal for deepening the same has been moved by the port with a view to match the draughts between PPT and Ennore Port. This will neither add to any volume of traffic nor revenue of the Port. On the contrary, it is likely to reduce our earnings under the head "Port & Dock Charges" since number of vessels call at the port will reduce as the parcel size increases. The projected cost on this account is Rs. 147.00 crores.
 - (b). The Port is required to introduce stringent pollution control measures by the State Pollution Control Board despite thick cover of green vegetation around MCHP. Regional Research Laboratory under CSIR, Ministry of Science & Technology, Government of India, Bhubaneswar has been entrusted with a study to suggest remedial measures to contain dust in MCHP. Initial estimates indicate that the expenditure in this regard may work out to about Rs. 3 crores and revenue expenditure to maintain the system will be around Rs. 30 lakhs per annum. These expenses have not been shown in our "revised cost statement" enclosed with our letter.
- (ix). In view of the above, the existing tariff of Rs. 200 per tonne may kindly be allowed to be continued for the time being.

10. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the comments received and arguments made by the concerned parties at the joint hearing will be sent separately to the relevant parties. These details are also available at our website www.tariffauthority.org.

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

- (i). The MCHP project was commissioned in September 2001 and the TNEB is practically the sole user of the facility. The project envisaged creation of a capacity of 20 million tonnes for handling thermal coal and accordingly investment had been made by the PPT. At the time of initial fixation of tariff in November 2001, the request of the PPT to consider the capacity of the plant at 12 million tonnes only for the first two years 2001-02 and 2002-03 was accepted in recognition of the various constraints explained by PPT. The PPT has again advanced the same grounds for its inability to reach the capacity level of 20 million tonnes in the present tariff exercise. When asked to justify, the PPT has sought to explain that signaling and interlocking system and grid control mechanism are required for the plant to achieve full capacity and the Railways have started the work of signaling and inter linking system. With reference to the grid control mechanism, it appears that Railways and the PPT differ in this regard. The TNEB also acknowledges that PPT suffers from linkage problems. The PPT has, however, indicated that it may be able to achieve the capacity of 20 million tonnes per annum within 2005-06 even if the grid control mechanism is not in place. Till the signaling and interlinking system is in place, the request of the port is to continue with capacity of the plant at 12 million tonnes till the year 2005-06. Accordingly, capacity of MCHP at 12 million tonnes is considered in this analysis.
- (ii). An analysis of variation furnished by PPT in traffic, income and expenditure between the actuals and projections made for the years 2001-02, 2002-03 and 2003-04 reveals that there was setback in the estimated traffic and so in the operating income. It has suffered a net loss of around Rs. 22.64 crores after bearing the actual interest burden but before return on capital employed. The revised cost statement of the port for the relevant years also reflects a deficit position of around Rs. 19.57 Crores.
- (iii). Recently, in compliance of the Government directive under Section 111 of Major Port Trusts Act, 1963, this Authority has directed all the major ports and the private terminal operators to allow 40% concession to the coastal vessels on the corresponding rates for foreign going vessels in their Scale of Rates. Reckoning with the impact of this concession, which has come into force from 1 February 2005, and, considering the actuals of its income and expenditure upto January 2005, PPT has revised the income / cost statements; and such revised income / cost statements have been considered to analyse the PPT proposal.
- (iv). Considering the past trend of traffic, the traffic projections made by PPT at 8.00 and 8.50 million tonnes for the years 2004-05 and 2005-06 respectively appear to be realistic and accordingly considered in this analysis. It is noteworthy that the single largest user TNEB has no objection in this regard.
- (v). An arithmetic error noticed in computing the income arising out of cargo handling charges for the estimated traffic of 8.5 million tonnes for the year 2005-06, has been rectified.
- (vi). The PPT has reckoned with the impact of concession for coastal vessels introduced from 1 February 2005 while computing the income realization on account of "Port and Dock Charges" in its revised cost statement. The impact is around 11% reduction in Port & Dock Charges as compared to its earlier estimation for the year 2005-06. Even though the details of computation of the concession has not been made available, the estimated impact appears to be reasonable since the entire thermal coal movement is coastal.

- (vii). The port receives Railway income from terminal charges and this income is dependent on the cargo handled by the PPT. Since the port has scaled down the estimated traffic to 8.0 million tonnes for the year 2005-06 from its earlier reported figure of 9.5 million tonnes, there is reduction in Railway earnings for the year 2005-06 to the tune of Rs. 124 lakhs corresponding to the reduction in traffic.
- (viii). There appears to be an error in calculation of plot rent of MCHP as well as reflecting it in the cost statement. An amount of Rs. 1.20 Crores has been shown as Rs. 1.20 lakhs in the cost statement furnished by PPT. Based on the supporting details furnished by the PPT, the error in computation of Plot rent has been rectified and the revised estimated income is included in the modified cost statement.
- (ix). The MCHP being new and due to its low utilization in the initial years, the PPT reportedly did not feel the regular deployment of man power to MCHP for cleaning purposes. In the subsequent years 2003-04 and 2004-05, the port has started regular bookings of labour gangs to MCHP for cleaning purposes on day to day basis. This explains the increase in the salaries and wages cost for the year 2003-04 and 2004-05 as compared to the initial years. The port has updated the salaries and wages cost for the year 2004-05 based on actuals upto the end of January 2005 and applied an escalation of 6% for estimating the relevant expenditure for the year 2005-06. The TNEB pointed out an error in the salaries and wages cost for the year 2003-04 in the cost statement. The PPT has rectified the typographical error in the revised statement furnished by it. The position reported by PPT in this regard is relied upon for the purpose of this analysis.
- (x). (a). The PPT hires external manpower for operation and maintenance of the plant. In addition, the PPT has taken a decision to entrust the repairs and maintenance of critical equipments of the plant under annual maintenance contract during 2005-06. This has necessitated the port to peg the estimated repairs and maintenance cost for the year 2005-06 at a level of Rs. 16.20 Crores. However, the estimated value of Annual Maintenance Contract (AMC) for the critical equipments furnished by the port accounts for only Rs. 14.58 Crores. The difference remains unexplained. The estimates towards R&M Sundry Expenses for the year 2005-06 is, therefore, modified. If the estimates furnished by the port for anticipated AMC charges, which are relied upon in this analysis, are found to be higher than the actuals, necessary adjustment will be made in the next review of the rates.
- (b). With reference to the steep hike in the estimation of legal and professional charges, the port has sought to justify expenditure of projected level due to several arbitration cases relating to contracts of construction and commissioning of the plant. Since the updated estimate of expenditure of Rs. 35 lakhs in this regard for the year 2004-05 is based on the actuals up to end of January 2005, it can be accepted. The port has, however, revised upwards the estimated expenditure for the relevant item from the initial estimate of Rs. 39.70 lakhs to 47 lakhs for the year 2005-06 and has not furnished any reason for the revision. The initial estimate of Rs. 39.70 lakhs is, accordingly, considered for the year 2005-06 in this analysis.
- (c). The estimates of other items under the head "stores and other Expenditure" have been moderated allowing 6% escalation for the year 2005-06 wherever required.
- (xi). The PPT was repeatedly requested to furnish the consumption of electric power in physical unit at the MCHP, since the estimated increase in the power cost was found to be disproportionate to the projected increase in the cargo throughput. The PPT did not furnish the requisite details and maintained that power cost was estimated based on actual consumption. Since the power cost is variable, as maintained by the port, suitable adjustment is required in the estimate of power cost for the year 2005-06 with reference to the estimated cargo throughput. The PPT has not effected such adjustment. The adjustment made by the port is only with reference to the escalation in prices. Therefore,

the estimate of power cost for the year 2005-06 is suitably modified keeping in view the estimated cargo throughput along with an annual escalation of 6% in the expenditure.

- (xii). The PPT has computed depreciation taking average life of civil structures as 40 years and mechanical equipment / structures as 20 years. Depreciation of capital assets in tariff calculation in the case of major ports is considered on straight line method following the life norms prescribed by the Government. This practice is followed uniformly by all major ports. Accordingly, the estimated depreciation of the assets of PPT relating to MCHP is accepted.
- (xiii). With reference to the observations made on the apportionment of finance and miscellaneous expenditure to MCHP cost center the port has revised the estimates by apportioning the total relevant expenditure on the basis of number of employees deployed to the MCHP. The steep hike in the apportioned expense for the years 2004-05 and 2005-06 as compared to the year 2003-04 remains unexplained by the PPT. The actual Finance & Miscellaneous Expenditure for the port as a whole was on the decline for the year 2001-02 to 2003-04. No reason has been advanced by the port for anticipating a sudden and steep increase in such expenditure for the subsequent two years. In the absence of any justification furnished, F&M expenditure estimates are moderated based on the actuals for 2003-04 subject to 6% annual escalation.
- (xiv). The Management and General Administration overhead for the port as a whole was on the decline during the years 2002-03 and 2003-04. This trend has suddenly reversed with 15% estimated hike for the year 2004-05 and by 4% for the year 2005-06. In spite of bringing to the notice of the port the basis for allocation of different items of Management and General Administration overhead followed for tariff revision exercise at major port trusts, the PPT has considered only one of the criteria for allocation of the relevant expenditure to MCHP. In the process of allocation of this relevant item of expenditure to MCHP for the years 2004-05 and 2005-06, the port has added an additional element of domestic power cost. When pointed out, the port has merely repeated its earlier statement that about 25% of the total power cost is consumed for domestic purposes. In the absence of sufficient justification and workings, it may not be possible to include this estimated item of cost for the purpose of allocation to MCHP.
- (xv). This Authority is presently allowing ROCE of 17.5% in the case of major port trusts. It has to be recognised that ROCE of 17.5% is for assets which are utilised nearly to their capacity level. It is noteworthy that the PPT also has sought for ROCE adjusted to its capacity utilization. The capacity to be considered is 12 million tonnes against which the estimated utilisation is 8 million tonnes and 8.5 million tonnes for the years 2004-05 and 2005-06 respectively. That being so, the Return on Capital Employed is allowed only pro rata with reference to the capacity utilisation.
- (xvi). Subject to the analysis given above, the cost statement has been modified. The modified cost statement is attached as **Annex - I**. The cost statement discloses the following position at the existing tariff.

Net Surplus 2004-05			Net Surplus 2005-06		
Rs. in lakhs	Percentage of operating income	Percentage of Cargo handling & Storage income	Rs. in lakhs	Percentage of operating income	Percentage of Cargo handling & Storage income
(+) 970.32	(+) 5.18	(+) 6.08	558.82	(+) 2.84	(+) 3.31

- (xvii). It can be seen from the above table that the modified cost statement shows an average surplus of 4.70% as a percentage of cargo handling and storage income and 4.01% as a percentage of operating income for the years 2004-05 and 2005-06. Since the financial year 2004-05 is coming to a close, the adjustment in rate could be done only prospectively. In that case, the surplus already earned by the PPT for the financial year 2004-05 remains unadjusted. The MCHP project has been created with massive

investment and such a capital intensive project should bring in efficiency in operation and reduction in cost. It should be the endeavour of the port to aim at higher efficiency level and consequent cost reduction. It is, therefore, reasonable to effect a reduction of 5% in the existing rates for cargo handling at the MCHP.

- (xviii). The TNEB has pointed out the additional burden on account of overstay of the vessel in berth due to conveyer belt breakdown and loading problems at MCHP and demanded a penalty clause for such overstay of the vessels. It is not possible for this Authority to Order an arrangement for payment of penalty by the PPT unless an efficiency linked tariff scheme is in operation. But, the port can be refrained from levying berth hire charges for the vessels idling at the berth. This Authority always insisted that users should not be made to pay for the delays attributable to ports / terminals. Berth hire should not, therefore, be levied for such period when operations cannot take place due to breakdown of the facilities of the port or for reasons attributable to the port. Such a provision has already been prescribed by this Authority in the Scale of Rates of the Cochin Port Trust and South West Ports Limited. The PPT at our advice agreed to include this condition in the revised Scale of Rates of the MCHP.
- (xix). While the PPT has set an improved performance goal for unloading of wagons from current level of 24,500 MT per day to 28000 per day, it has sought to maintain the average loading rate of 30,000 tonnes per day. TNEB has, however, suggested a higher loading rate of 40,000 metric tonnes per day. It has to be recognized that at a higher level of productivity the income from berth hire charges may come down resulting in reduction in revenue to the port. Since the existing rates are not based on the Efficiency Linked Tariff Scheme, the loading rate is not very relevant at this stage for tariff fixation. Since the PPT was able to achieve average loading rate per day around 34,000 metric tonnes, the PPT may strive to improve the average output beyond 34,000 metric tonnes per day.
- (xx). One of the decisions taken by this Authority in its Order dated 5 November 2001 relates to formulation of Efficiency Linked Tariff Scheme (ELTS) for the MCHP. As already stated, the plant has not achieved the designed capacity on account of nonsynchronization of certain activities of the plant and PPT has also pleaded its inability to formulate such a scheme. Since the port expects to achieve the desired efficiency level in the year 2005-06, it should formulate ELTS for MCHP and propose such a scheme along with next review of tariff for MCHP.
- (xxi). The current rate review exercise is based on the estimates for the years 2004-05 and 2005-06. The port also anticipates to achieve the designed capacity by 2005-06. That being so, the revised rates can be valid for a period of one year
- (xxii). As stated earlier, the Scale of Rates of PPT in respect of both vessel-related and cargo-related charges was last revised by this Authority in April 2000; and, the PPT was also to submit the other proposals relating to the estate rentals including rentals for properties in operational area, equipment hire charges and charges for Paradip Phosphates Ltd., (PPL) captive berth. The PPT has not filed any such proposal so far. The PPT is advised to formulate a comprehensive proposal for review of its Scale of Rates and file its proposal by 30 September 2005 latest.

12. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the following:

- (i). The rates for handling of coal through the MCHP at the PPT shall be as under:

Sl. No.	Item	Ceiling Rate per Metric Tonne
1.	Unloading of coal wagon through the Coal Handling System	Rs. 76.00
2.	Shipment of coal through coal handling plant.	
	(a). Upto 7.5 million tonnes	Rs. 114.00

	(b).	From 7.5 million tonnes – 10 million tonnes	Rs. 104.50
	(c).	Beyond 10 million tonnes.	Rs.95.00

Note: The rates at 2 (b) & 2 (c) above will apply if traffic of a single user in a year exceeds the slab limits.

- (ii). These rates shall come into effect 15 days after notification of the Order in the Gazette of India and will remain valid till 31 March 2006 subject to review thereafter.
- (iii). The following conditionality may be suitably inserted in the schedule relating to berth hire charges in the Scale of Rates:

“No berth hire charges shall be leviable for the period when operations cannot be carried out due to stoppages at MCHP for reasons attributable to PPT”.
- (iv). The PPT is advised to formulate an efficiency linked tariff scheme for the MCHP in the next review of rates for MCHP.
- (v). The PPT is directed to formulate a comprehensive proposal for review of its Scale of Rates and file such a proposal on or before 30 September 2005 positively.

(A.L. Bongirwar)
Chairman

							Annex - I	
COST STATEMENT FOR THE MECHANICAL COAL HANDLING PLANT (MCHP) AT PARADIP PORT TRUST								
(Rs in Lakhs)								
	Description	Actuals			As per PPT (Estimates)		As per TAMP (Estimates)	
		2001-02	2002-03	2003-04	2004-05	2005-06	2004-05	2005-06
I	Installed Capacity (MT)	12.00	12.00	12.00	12.00	12.00	12.00	12.00
II	Traffic (in MT)	1.77	6.69	8.00	8.00	8.50	8.00	8.50
III	Capacity Utilisation	14.75%	55.75%	66.67%	66.67%	70.83%	66.67%	70.83%
IV	Operating Revenue							
	i) Cargo handling and storage	2735.00	13390.00	15950.00	15950.00	16821.05	15950.00	16900.00
	ii) Port and Dock charges	261.84	1281.42	1688.30	1658.30	1593.82	1658.30	1593.82
	iii) Railway Earnings	169.60	830.18	992.00	992.00	1054.00	992.00	1054.00
	iv) Plot Rent	-	-	120.00	1.20	1.20	120.00	120.00
	Total Operating Revenue	3166.44	15501.60	18750.30	18601.50	19470.07	18720.30	19667.82
V	Operating Cost							
	(i) Salaries Wages	10.65	66.80	447.27	536.72	568.92	536.72	568.92
	ii) Stores and other expenses	189.25	829.32	1044.51	1219.00	2280.01	1219.00	2062.00
	iii) Power	141.60	535.20	762.15	797.00	844.82	797.00	894.63
	iv) Port and Dock charges	219.41	739.70	916.65	970.30	1037.48	970.30	1037.48
	v) Railways	371.79	484.35	409.40	470.81	491.28	470.81	491.28
	Sub - Total	932.70	2655.37	3579.98	3993.83	5222.51	3993.83	5054.31
	vi) Depreciation	3117.96	3142.06	3144.36	3152.83	3161.06	3152.71	3161.06
	vii) Finance & Miscellaneous Exps.	193.11	507.21	491.70	730.43	833.21	605.26	641.58
	viii) Allocated M'ment & General OH	457.67	1566.59	1702.43	2277.30	2397.18	2122.79	2215.09
	Total (V)	4701.44	7871.23	8918.47	10154.39	11613.96	9874.59	11072.04
VI	Net Surplus before Interest	-1535.00	7630.37	9831.83	8447.11	7856.11	8845.71	8595.78
	Interest on Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VII	Net Surplus after Interest	-1535.00	7630.37	9831.83	8447.11	7856.11	8845.71	8595.78
VIII	Capital Employed	-	-	-	67500.00	64839.00	67500.00	64839.00
IX	Capacity Utilisation in %	-	-	-	66.67%	70.83%	66.67%	70.83%
	Return on Capital Employed @ 17.5% linked to Capacity Utilisation	-	-	-	7875.39	8036.96	7875.39	8036.96
X	Net Surplus after Interest & Return on Capital Employed	-	-	-	571.84	(180.84)	970.32	558.82
XI	Net Surplus as a % of Cargo handling & storage	-	-	-	3.59%	-1.08%	6.08%	3.31%
	Average				1.26%		4.70%	

XII	Net Surplus as a % of Operating Income	-	-	-	3.07%	-0.93%	5.18%	2.84%
	Average				1.07%		4.01%	

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/18/2004-PPT - Proposal from the Paradip Port Trust for fixation of tariff rates for export of coal through the coal handling plant.

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

Tamil Nadu Electricity Board (TNEB)

- (i). As per the past performance records, the maximum loading in a single day in February 2004 was 47,990 MT. During August 2003, November 2003 and December 2003 maximum loading in a single day was more than 40,000 MT.
- (ii). The loading rate should be at least increased to average 40,000 MT per day from the proposed 30,000 MT per day since the maximum capacity of two loaders is 8000 MT per hour and PPT is operating and maintaining the system.
- (iii). Past performance shows that interruptions in loading have taken place invariably in conveyor loading system every day causing significant delay in loading. This has resulted in overstay of vessels at the MCHP berth incurring extra expenditure to TNEB.
- (iv). A penalty clause has to be incorporated in the tariff structure for such overstay of vessels at berth due to conveyor breakdown, loader problems, etc. The penalty charges recoverable from PPT shall be pro rata charter hire, bunkering charges of the vessel and extra port charges.
- (v). Average loading rate of 40,000 MT per day may be fixed and a penalty charge may be prescribed if the average loading rate of 40,000 MT per day is not achieved and for the overstay of vessel at the berth.

The Ulkal Chamber of Commerce & Industry (UCCI)

- (i). Wharfage on coal for exports handled through coal handling plant should not be substantially higher than the wharfage levied for manual handling.
- (ii). Similarly, the shipment charge for coal handled through coal handling plant varies from Rs.100 per MT to Rs.150 per MT which is substantially higher than the shipment charges for other bulk cargo such as iron ore.
- (iii). Appropriate tariff may be fixed keeping in view the charges prevailing in neighbouring ports and the cost incurred by the PPT for providing such services.

2. A copy each of comments received from TNEB and UCCI was forwarded to the PPT as feed back information. The comments received from the PPT vide its letter dated 6 July 2004 on the comments of the users are summarised below:

On the comments of TNEB

- (i). The average loading rate per hour for the financial year 2003-04 was 1172 MT and the average berth day output stood at 28,133 MT. The Port has proposed 30,000 MT loading rate per day based on the average performance.
- (ii). The performance for February 2004 works out to 36,540 MT calculated at 1260 MT per hour for 29 days. Hence the loading rate of 47,900 MT indicated by TNEB appears to be incorrect.
- (iii). Similarly, for August, November and December 2003, the average berth day throughput works out to 42,590 MT, 43,050 MT and 40,455 MT respectively. The loading rate of 40,000 MT indicated by TNEB is based on the best performance in a few months of the year, which may be difficult to sustain for the entire year.
- (iv). Though the capacity of the plant is 4000 Tonne per hour per stream, the sustained loading rate varies between 1000-1200 MT per hour due to various factors such as stoppages on plant account, stoppage on ship's account, stoppages which are not under the control of the port such as power failure from the grid, bad weather and low ground stock of coal at the port.
The average stoppages, which interrupt loading rate, work out to 192 hours per month. About 50% of the total stoppages are attributable to the ship, the balance 50% is on account of MCHP. The suggestion of TNEB to incorporate a penalty clause for stoppages on account of conveyor breakdowns etc., is not acceptable to the port. Section 121 of the MPT Act, 1963 protects the port for actions undertaken by it in good faith and no penalty can be imposed for actions done in good faith.

The suggestion to recover penalty from the port for overstay of the vessels on the basis of pro-rata charter hire and bunkering charges is unprecedented in the history of shipping and such charges or penalties are not in vogue either in any Indian major port or in any of the foreign port.
- (v). Lower average loading rate in respect of coal vessels is mainly on account of the uptoppers which load about 8000 to 15000 MT. These

vessels call for frequent change of loading from one hatch to the other to maintain trim and even – keel.

- (vi). Average loading rate of 40,000 MT per day is not sustainable though the port aims to achieve at that target for every vessel handled through the MCHP.
 - (viii). It may be necessary to fix separate loading rates for full loaders and uptoppers.
3. A joint hearing in this case was held on 7 December 2004 at PPT office at Bhubneswar. At the joint hearing, the following submissions were made:

Paradip Port Trust (PPT)

- (i). We are unable to achieve the installed capacity due to inadequate rail linkage.
- (ii). Reclaimer systems efficiency depends on certain height of coal in the stack yard. We never get this optimum stack height due to coal shortage.
- (iii). Please continue with the capacity of 12 million tonnes due to the constraints faced which are beyond our control.
- (iv). Maintenance cost is going up because of expire of warrant period. Now we have to pay the contractors for maintenance. Please note that the coastal environment at Paradip is highly corrosive which necessitates higher maintenance cost. Anticorrosive painting itself involves Rs.7-8 crores per annum.
- (v). TNEB has saved nearly Rs.75-80 per tonne because of this project. TAMP may allow continuance of the existing rates.
- (vi). We agree with TAMP's suggestions that berth hire should not be levied if a vessel idles for reasons attributable to the port.

Tamil Nadu Electricity Board (TNEB)

- (i). We congratulate PPT for their performance of MCHP.
- (ii). We agree that PPT suffers from linkage because of problems at Thalchar.
- (iii). TAMP's original order requires tariff to be linked with performance. Performance of 30,000 tonnes / day is too low. PPT should assure at least 40,000 tonnes / day.
- (iv). Income estimation of PPT does not include plot rentals levied from us.
- (v). At least 10% reduction in tariff may be required based on the cost position given by PPT.

4. As decided at the joint hearing, the TNEB vide its letter dated 7 January 2005 has furnished its comments on the PPT letter dated 13 December 2004. The main comments made by the TNEB are as follows:

- (i). The PPT has indicated an amount of Rs.479.71 lakhs towards salary and wages for the year 2003-04 whereas the actual salary and wages cost for the year 2003-04 is shown as Rs.79.71 lakhs in the statement of analysis. Thus net surplus after return will also increase to Rs.1660.64 lakhs as against Rs.1261.64 lakhs. Therefore, the present tariff may be reduced by 10%.
- (ii). As requested by the TNEB at the joint hearing, berth hire for periods of breakdown of plant or power failure may not be levied by the PPT. The charter higher and bunkering charges of the TNEB vessel for the periods of breakdown may also be compensated by the TNEB.
- (iii). With reference to the statement made by the PPT that most of the times ground stock is either nil or significantly less so as to achieve a higher rate of loading, TNEB is of the view that the present loading rate of 30,000 tonnes per day is very low and may be increased to 40,000 tonnes.
- (iv). It is suggested that the loading rate of 40,000 tonnes may be maintained wherever the grounds stock increases above cushioning stock of 40,000 tonnes. If the stock is more than 40,000 tonnes and if PPT does not load 40,000 tonnes per day, penalty at the rate of Rs.10,00,000/- per day may be imposed on the PPT proportionately for the short loading quantity.

- - - - -