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Tariff Authority for Major Ports

G No. 138

New Delhi,

30 April 2010

NOTIFICATION

In exercise of the powers conferred by Sections 48, 49 and 50 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the application filed by the Visakhapatnam Port Trust seeking approval of supplementary tariff and review of storage charge with reference to the Order No.TAMP/26/2009-VPT dated 27 November 2009 passed by this Authority fixing upfront tariff for mechanised fertilizer handling facilities as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports
Case No. TAMP/26/2009-VPT

The Visakhapatnam Port Trust

- - -

Applicant

ORDER

(Passed on this the 31st day of March 2010)

This case relates to an application dated 12 March 2010 received from the Visakhapatnam Port Trust (VPT) seeking approval of supplementary tariff and review of storage charge with reference to the Order No.TAMP/26/2009-VPT dated 27 November 2009 relating to upfront tariff set for mechanised fertilisers handling facilities at the Visakhapatnam Port Trust, which was notified in the Gazette of India on 18 December 2009 vide Gazette No.251.

2.1. The Visakhapatnam Port Trust (VPT) has filed a representation vide its letter dated 12 March 2010 seeking review of upfront storage charge fixed by this Authority vide Order dated 27 November 2009. In this regard, the VPT was also given a hearing on 17 March 2010 at the VPT premises.

2.2. At the hearing, the VPT could not point out any apparent error in the tariff Order with reference to the storage charge prescribed. The request for review of storage charge was only to act as a deterrent from long storage of the fertiliser in the terminal. In view of the submissions made, the port was allowed to come up with the suitable proposal for revision in storage charge provided it does not breach the Annual Revenue Requirement already determined in the tariff Order of 27 November 2009.

2.3. The VPT had also pointed that labour cost for manual loading of bags from cargo bagging plant to wagons was missed out in its earlier proposal and hence wanted upfront tariff to be approved for this item also. The VPT was advised to come up with a well analysed proposal with necessary justification for this item.

3. In this backdrop, the VPT vide letter No.IRNP/STDS/EQ-7-Mech/Tariff/2010 dated 25 March 2010 has filed a proposal for review of the storage charge prescribed in the said Order and has sought approval of supplementary tariff for manual labour component involved for carrying bagged cargo. The main submissions made by the VPT are summarised below:

- (i). Storage Charges:
 - (a). The prospective bidders request for either increase in the storage charges or reducing free period from 5 days to 2 days. After examining the proposal, it is felt that instead of reducing the free period the storage charges may be increased by increasing the percentage of revenue share apportionment to 2% as proposed by VPT in its earlier revised proposal dated 11 November 2009.
 - (b). It has requested to consider apportionment of estimated revenue requirement at 96% towards handling activity, 2% for storage charges and 2% for Miscellaneous instead of 98%, 1% and 1% considered by TAMP while fixing the upfront tariff.
 - (c). The storage charges for second slab may be kept on higher side so that it acts as a deterrent for the receivers to use the storage beyond free period.
- (ii). New tariff item proposed for manual handling of bagged fertiliser:
 - (a). In the fertilizer handling, there is a component of manual handling of bags after bagging and stitching. The stitched bags are required to be manually stacked in the warehouse/rail platform and again restacked and loaded into railway wagons or into trucks. This is a major manual labour component after bagging and stitching which has not been recognised in

the upfront tariff prescribed by this Authority vide Order dated 27 November 2009.

- (b). The provision of 5% which is about Rs.2.36 crores made in the tariff for bagging and stitching will be cover only the salary component, management and general administration, maintenance of computer, Miscellaneous cost etc., for bagging and stitching services and it may not be sufficient to recover the expenditure incurred on manual handling charges.
- (c). Normally, the tariff for manual handling operations for fertilizers is charged by the service providers on the basis of 'bags'. Moreover, it depends on the bargaining power of the respective handling agents and varies between Rs.59/- to Rs.90/- per tonne. Based on analysis of the labour deployment for such services and the unit cost of labour as per the Minimum Wages Act payable at the port for deployment of labour for similar services, the labour cost is estimated at Rs.34.07 per tonne. The breakup of the labour cost proposed by the VPT is follows:

Sl. No.	Manual Operation	Rate (Rs./tonne)
1.	Carrying of bags from conveyor/ chute to stacking area	14.52
2.	Destacking from platform, carrying to wagons and loading the assigned number of bags into wagons and sealing of wagons	12.72
3.	Cleaning of wagons, lining the wagon floor with dummage plus other services	4.60
4.	Administrative cost	2.23
	TOTAL	34.07

- (iii). Accordingly, supplementary tariff of Rs.34.07 per tonne is proposed by the port toward labour services at the bagging plant for carrying of cargo from bagging plant to wagon, cleaning of wagons, etc.

4. As stated earlier, no error is pointed out by the port in the tariff Order of November 2009 which warrants review of the said Order. The proposal of the VPT seeking upward revision in storage charge is only by way of redistribution of the annual revenue requirement determined in the said Order amongst different activities. It does not result in any modification in the annual revenue requirement determined in the tariff Order of November 2009. As regards the labour charges now proposed for carrying bags from bagging plant to wagons, it is an additional item which was not included in its earlier proposal.

5.1. It is relevant to mention that the number of free days and the storage slabs prescribed by this Authority in the said Order were based on the revised proposal filed by the port dated 11 November 2009. The only modification done was apportioning 1% of the total estimated revenue requirement towards storage charge based on the model prescribed for coal terminal in the absence of any norms prescribed in the guidelines for fertiliser terminal instead of 2% allocated by the port.

5.2. The port has requested to review and increase the storage charge so that it acts as a deterrent from stacking of cargo for long period. For this purpose, without modifying the total Annual Revenue Requirement of Rs.6797.17 lakhs estimated in the tariff Order of 27 November 2009, it has suggested to apportion the determined annual revenue requirement between the activities at 96% for cargo handling, and 2% each for storage and miscellaneous charge as against 98% towards cargo handling charges and 1% each towards storage and miscellaneous charge allocated by this Authority in the said Order.

5.3. Since the proposal of the port is mainly to deter longer storage of fertiliser in the terminal which may adversely affect the optimal capacity assessed for the terminal and also recognising that the total revenue requirement determined and free period prescribed in the earlier Order are not altered by the proposal of the port, the proposed revision in the upfront storage charges can be considered. The total annual revenue requirement of Rs.6797.17 lakhs from cargo

handling charges (excluding baggage) determined in the said Order is reallocated at 97% to composite cargo handling charge and 2% towards the storage charge. The allocation to miscellaneous charge at 1% is not altered.

5.4. The revised storage charge per ton per day (after 5 days free period) for the first slab (i.e. first five days) is determined following the methodology adopted in the tariff Order of 27 November 2009 at Rs.1.30 per tonne. The rate for the subsequent two slabs is prescribed at three times and five times the rate for the first slab to address the concern of the port to discourage stacking of cargo at the terminal for long period which will also help to ensure better utilisation of stack yard. While doing so, this Authority expects the port to ensure availability of necessary evacuation facilities to clear cargo from the terminal.

Consequent upon the revised allocation of the estimated revenue, the composite handling charge stands revised to Rs.126.55 per tonne as against Rs.127.85 per tonne prescribed in the said Order. A revised statement of upfront tariff is attached as **Annex - I**.

6. It is relevant here to mention that no labour cost for manual handling of stitched bags from bagging plant to wagons was proposed by the port in the earlier proposal considered by this Authority for fixation of upfront tariff. No norm is prescribed in the guidelines for estimating the manual labour for the services envisaged by the port. In the absence of any specific norms prescribed in the guidelines, the port has determined the labour cost at Rs.34.07 per tonne based on the labour deployment pattern assessed by the port. Since the element is explained as an indispensable operational requirement, it is necessary to prescribe a charge for such operation to cover the cost thereof. The labour cost per hour considered in the calculation is based on rate stipulated in the Minimum Wages Act of the State Government of Andhra Pradesh. The port has reported that the rates paid by the private operators for providing similar labour service are much higher than the unit rate considered by the port. Based on the justification and the workings furnished by the port, the proposed rate is approved.

The labour cost approved is applicable only for bagged cargo availing the service of bagging plant and in order to ensure that even inadvertently the rate approved is not applied for other cargo which are not availing the services at bagging plant, it is found appropriate to merge the labour component of Rs.34.07 per tonne with the rate already prescribed for bagging and stitching service at Rs.76.46 per tonne. Accordingly, the charges for bagging and stitching service is modified and prescribed at Rs.110.53 per tonne. A note is also prescribed stating that the upfront tariff prescribed is applicable only for cargo availing bagging plant and shall cover bagging and stitching service, labour cost for carrying of bags from conveyor/ chute to stacking area, destacking from platform, carrying to wagons and loading the assigned number of bags into wagons and sealing of wagons, cleaning of wagons, lining the wagon floor with dunnage plus other allied services.

7. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves amendment of the relevant schedules of tariff approved in Order No.TAMP/26/2009-VPT dated 27 November 2009 as given in **Annex - II**.

(Rani Jadhav)
Chairperson

ANNEX - I

REVISED UPFRONT TARIFF CALCULATION FOR MECHANISED FERTILIZER HANDLING FACILITIES AT VISAKHAPATNAM PORT TRUST PASSED BY THIS AUTHORITY VIDE ORDER NO.TAMP/26/2009-VPT DATED 27 NOVEMBER 2009

(Rs. in lakhs)

Sr. No.	Particulars	Estimates considered in tariff Order of 27 November 2009	REVISED POSITION
I	Estimated Revenue Requirement & upfront tariff for Cargo Handling Activity (Excluding bagging plant)		
	Revenue Requirement for Cargo Handling service (excluding bagging plant) as determined in the tariff Order of 27 November 2009, Sr. No. IV, (i)(c)	6797.17	6797.17
II	Apportionment of Revenue Requirement (ARR)		
	(a). Cargo Handling Charges (98% considered in tariff Order of 27 November 2009) [in modified calculation it is considered at 97% of ARR]	6661.23	6593.26
	(b). Storage Charges (1% considered in tariff Order of 27 November 2009) [in modified calculation it is considered at 2% of ARR]	67.97	135.94
	(c). Miscellaneous Charge (1% of ARR)	67.97	67.97
	(d). Total Revenue requirement from cargo handling activity	6797.17	6797.17
III	Cargo Handling charge (excluding bagging plant)		
	(a). Cargo Handling Charge		
	- Revenue Requirement (Rs. in lakhs)	6661.23	6593.26
	- Capacity (Million Tonnes per annum)	5.21	5.21
	- Composite Handling Charge Rs.per tonne (foreign) (excluding bagging and stitching service)	127.85	126.55
	(b). Storage Charge		
	- Revenue Requirement (Rs. in lakhs)	67.97	135.94
	- % of Cargo to attract storage charge	40%	40%
	- Capacity of cargo to attract storage charge (lakh tonnes)	20.84	20.84
	(i). Free period (Import)	5 days	5 days
	(ii). Storage Charge (beyond the free period)		
		Rate Per tonne per day or part thereof	Rate Per tonne per day or part thereof
	-First five days	0.65	1.30
	-6th day to 10th day	0.98	3.90
	-11th day onwards	1.30	6.50
	(c). Miscellaneous Charge		
	- Revenue Requirement (Rs. in lakhs)	67.97	67.97
	- Capacity (Million Tonnes per annum)	5.21	5.21
	- Miscellaneous Charge per tonne	1.30	1.30

The existing Schedule 2 and 3 prescribed in the tariff Order No.TAMP/26/2009-VPT dated 27 November 2009 are replaced by the following:

2. CARGO HANDLING CHARGES:

(A). Composite handling charge (excluding bagging and stitching service):

Sl. No.	Commodity	Unit	Rate in Rupees	
			Foreign	Coastal
(a).	Finished Fertilisers including muriate of potash	Per Metric Tonne	126.55	75.93

Note:

The handling charges prescribed above is a composite charge for unloading of the cargo from the vessel including stevedoring and transfer of the same up to the point of storage, storage at the stackyard / silos up to a free period of 5 days, and loading on to trucks / railway wagons. This composite charge includes wharfage and supply of labour, wherever necessary and all other miscellaneous charges not specifically prescribed in the Scale of Rates. This does not cover the services of bagging and stitching related services for which separate tariff is prescribed in Schedule (B).

(B). Charges for Bagging and Stitching Service:

Sl. No.	Commodity	Unit	Rate in Rupees
			Foreign and Coastal
(a).	Finished Fertilisers including muriate of potash	Per Metric Tonne	110.53

Note:

The charges prescribed above are applicable only for cargo handed at the bagging plant and cover bagging and stitching service, labour cost for carrying of bags from conveyor/ chute to stacking area, Destacking from platform, carrying to wagons and loading the assigned number of bags into wagons and sealing of wagons, cleaning of wagons, lining the wagon floor with dunnage plus other allied services.

3. STORAGE CHARGES:

The Storage charges for the cargo stored in the stack yard beyond the free period shall be as below:

(A). Free period:

Import cargo 5 days free.

(B). Storage charges after free period (per ton / per day)

Description	Rate in Rs. per tonne per day
First five days after expiry of free period	1.30
6 th day to 10 th day after expiry of free period	3.90
Beyond 10 th day	6.50

Notes:

- (i). For the purpose of calculation of free period Customs notified holidays and Terminal's non-working days shall be excluded.

- (ii). Free period for import cargo shall be reckoned from the day following the day of completion of final discharge from the vessel.
- (iii). Storage charge on cargo shall not accrue for the period when the terminal operator is not in a position to deliver / ship the cargo when requested by the user due to reasons attributable to the terminal operator.
