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TARIFF AUTHORITY FOR MAJOR PORTS

G. No. 172

New Delhi, 5 November, 2003

NOTIFICATION

In exercise of the powers conferred under Section 48 of the Major Port Trust Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby approves the proposal of the Chennai Port Trust for fixation of hire charges for its 150 tonne floating crane as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/44/2003-CHPT

The Chennai Port Trust

Applicant

ORDER

(Passed on this 22nd day of October 2003)

This case relates to a proposal received from the Chennai Port Trust (CHPT) for fixation of hire charges for its 150 tonne floating crane.

2.1. The CHPT has made the following points in its proposal:

- (i). It has acquired a new 150 tonne capacity floating crane 'Thangam' at a capital cost of Rs.23.54 crores as a replacement to the 120 tonne floating crane 'Vaigai'. F.C. Thangam was put into operation with effect from March 2003.
- (ii). As no hire charge for the 150 tonne floating crane is prescribed in the Scale of Rates, the rate applicable to the floating crane Bhima of the Visakhapatnam Port Trust was adopted as an interim measure.
- (iii). Taking into account the capital cost of 150 tonne floating crane, it has proposed to fix a separate rate for hire of F.C. Thangam to cover the actual cost of maintenance and operation.
- (iv). The hire charge has been arrived at Rs.3800 per tonne for an estimated cargo throughput of 19,000 tonnes.
- (v). Further, it has applied various percentages of 50%, 90%, 130% and 170% to the above-stated rate of Rs.3800 per tonne to arrive at the following proposed sliding rates for the various proposed slabs of <30T, 30-60T, 60-100T and >100T respectively:

Sl. No.	Slab	Rate per tonne or part thereof (Rs.)
1.	Less than 30 tonnes	1900
2.	Over 30 tonnes but less than 60 tonnes	3420
3.	Over 60 tonnes but less than 100 tonnes	4940
4.	Over 100 tonnes	6460

- (vi). It has also proposed a hire charge of Rs.29950 per period of 4 hours from the time of hire and Rs.59900 for hire beyond 4 hours per period of 8 hours or part thereof, if the F.C. Thangam is hired to non-vessel working to outside public.

2.2. The proposed sliding rates specified at 2.1(v) above was approved by the Board of Trustees of the CHPT vide resolution no. 32 dated 18 June 2003.

2.3. In this backdrop, the CHPT has requested this Authority to accord approval to its proposal.

3.1. In accordance with the consultative procedure prescribed, the CHPT proposal was forwarded to concerned user organisations for their comments.

3.2. A copy each of the comments received from the users was forwarded to the CHPT for comments/information.

4. A joint hearing in this case was held on 7 August 2003 at the CHPT premises. At the joint hearing, the CHPT and the concerned users have made their submissions.

5. 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 will be sent separately to the relevant parties. These details are also available at our website www.tariffauthority.org.

6. On a scrutiny of the proposal, the CHPT was requested to furnish additional information/clarification on certain points. In response, the CHPT has made the following points:

- (i). (a). Due to dispute of Customs duty and other charges, the actual cost of the crane was not ascertained and hence the hire charges could not be estimated in advance. Also, due to the non-availability of operational manual and the fuel lubricant consumption, it was unable to fix the hire charges of the crane. On arrival of the new crane, considering the operational requirement of the users (as the old crane was de-commissioned by that time) it allowed to operate the crane collecting the hire charges applicable to the 150T floating crane BIMA of Visakhapatnam Port Trust to tide over the situation and there was no user consultation to adopt the BIMA rate till fixation of the hire charge of the crane by the Tariff Authority.
- (b). On settlement of customs duty and receiving the operation manual, the hire charge was fixed and sent to the TAMP with the approval of the Board and after approval of the Board, the rate was adopted as an interim rate till the approval of the rate is approved by the Tariff Authority because, the rate has got the approval of the Board where the user Trustees have given their approval for endorsing the proposal to the Tariff Authority. Since there was no specific user consultation to implement the BIMA rate, it was implemented as an operational urgency and considering the BIMA rate vis-à-vis the rate arrived for the crane.
- (c). In the mean time, due to representations received from various quarters, the ad-hoc rate levied as per the proposal has been rolled back to the BIMA rate and the same will be effective upto the date of receipt of TAMP's approval for the formal proposal sent.
- (ii). (a). Tonnage of cargo estimated to be handled by new crane is 19000 tonnes as per the projections for the year 2003-04. There is no other 150 tonne floating crane with the port and hence there is no comparison.
- (b). The proposed hire charge does not include any insurance cost. The CHPT is maintaining a separate reserve called General Insurance Fund to meet out the contingent liability of the equipments.
- (c). As per the Government's guideline, the availability for cargo handling equipments shall not be less than 90% and utilisation norms shall not be less than 60%. However, the actual utilisation for the estimated throughput of 19000 tonnes will be 60%. Since there is no other floating crane of 150 tonne capacity in Chennai port, the last three year details of similar crane could not be furnished.
- (d). A single hire rate per tonne, will be too high for users handling lesser tonnage. Hence, the hire rate for the slab system for different tonnage has been worked out to absorb the cost.
- (e). The CHPT furnished details of operations and maintenance cost. But, there were discrepancies when the details were compared with the cost sheet submitted by it alongwith the proposal.

- (f). Based on the actual charges, the supervision charges and storage charges are fixed from time to time as approved by the Board and calculated accordingly.
- (iii).
 - (a). Traffic of heavy lift actually handled by F.C.Vargai and by Ship derrick for the year 2001-02 and 2002-03 has been 22612 tonnes and 5408 tonnes for the year 2001-02 and 3122 tonnes and 5773 tonnes for the year 2002-03 respectively.
 - (b). The designated maximum capacity of the floating crane is 150 Tonne under hook. The time to complete the one lifting operation and the tonnage per lift are inter-dependent and depend upon the type and nature of the cargoes handled. However, the time for completion of the one cycle operations is 30 minutes as far as the maximum tonnage load is concerned.
 - (c). The rate of hire to outside public fixed at Rs.59,900/- per 8 hours and Rs.29,950/- for 4 hours which is 50% of the per shift rate has not been placed before the Board of Trustees. However, it is now proposed to have the same rate of Rs.1,19,800/- for 8 hours shift and Rs.59,900/- per 4 hours for non-vessel working also. The rate for non-vessel working is specifically mentioned as because when such contingency arises the rate has to be recovered. However such non-vessel working is negligible.
 - (d). The availability of the crane F.C. Thangam is estimated as 600 shifts and the actual usage of the crane will be for 150 shifts. Since fuel is a variable cost, the fuel cost has been calculated for 1200 hours i.e.(150 shifts * 8 hours).
 - (e).
 - (ea). The breakup of operations and maintenance cost is furnished.
 - (eb). Sanctioned strength of F.C. Vaigai for 2 shift operation is 56 employees and of F.C. Thangam for 1 shift operation is 38 employees.
 - (f). The port has not explained the reasons for enhancing the percentages applied to the rate per tonne and, reiterated the previous explanation given for introducing the slab system to facilitate different port users at the reasonable cost and that the percentage applied for different slabs are fixed to absorb the total cost.
 - (g). The actual utilisation for the estimated throughput of 19000 tonnes is stated to be 60%.

7.1. As decided at the joint hearing, the CHPT has submitted a revised proposal in consultation with the Hindustan Chamber of Commerce, Chennai and Ennore Ports Steamer Agents' Association, Chennai Port Stevedores Association and J.M. Baxi & Co. The CHPT has stated that it has revised the calculation of hire charge reckoning with the cross subsidization at the rate of 16.5% as was given while fixing the tariff during 2002. On the other hand, the users requested to calculate the subsidy based on the average subsidy given for the period 1997-98 to 2002-03 which comes to around 26%. The CHPT accordingly, has furnished hire charge calculation considering subsidy of 16.5% and 26% and requested this Authority to pass necessary orders.

7.2. As per its revised calculation it has arrived at the rate per tonne as Rs.2800 and Rs.3160 at the subsidy levels of 26% and 16.50% respectively Accordingly, the per tonne slab-wise rates have been worked out as follow:

Sl. No.	Slab	Rate per tonne or part thereof (Rs.)	
		With 26% cross-subsidisation	With 16.5% cross-subsidisation
1.	Less than 30 tonnes	1679.91	1895.57
2.	Over 30 tonnes but less than 60 tonnes	2799.84	3159.28
3.	Over 60 tonnes but less than 100 tonnes	3919.78	44.23.00
4.	Over 100 tonnes	5459.70	6160.60

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

- (i). The CHPT has acquired a new floating crane "Thangam" of 150 tonne capacity in replacement of the 120 tonne floating crane "Vaigai". The new crane has been commissioned since March 2003. The CHPT initially adopted the hire charge applicable to a floating crane of the VPT to Thangam on an adhoc basis. Thereafter, it enhanced the charges to the proposed level. Both the steps taken by the port have been vehemently objected to by the users on the ground that they were not consulted. While the CHPT has worked out hire charges for the crane in reference based on its cost details and projected traffic to be handled by the crane, the relevance of adoption of hire charge applicable to VPT crane has not been explained properly. Even though the port's arguments about the need to have a separate rate for the new crane cannot be brushed aside, its action of unilaterally fixing the adhoc rate does not appear to be correct. The authorisation given by this Authority to ports to operate adhoc rate for new cargo / facilities, *inter alia*, requires mutual agreement between ports and concerned users besides deriving such rate from the approved rates available in the Scale of Rates. Be that as it may, the CHPT has subsequently rolled back the enhanced adhoc rate to the initial adhoc rate of Rs.1150 per tonne conceding to the demand of the users.

In spite of the advice of this Authority given on several occasions to the CHPT to prescribe hire charges with reference to the range of capacity of tugs / equipment instead of individual tug/ equipment, the CHPT has now sought approval for hire charges on individual equipment basis. The approval accorded in this case is for floating crane of 150 tonne capacity and not for "Thangam" by name.

- (ii). The reason for requesting the CHPT to furnish the details of heavy lift traffic in the preceding years is to validate the throughput estimate to which the proposed rates will be subjected to. The details furnished by the port do not give any indication to the trend of future traffic. In the absence of any other information available to the contrary, and none of the users have also questioned the estimate of the port in this regard, the traffic estimate of 19,000 tonnes per annum as furnished by the port, is relied upon in this analysis.
- (iii). The CHPT has furnished details of manning scale to operate the crane and estimated salary and wages cost accordingly with reference to the manning scale. Though the 150 tonne crane in reference is in replacement of 120 tonne crane, the manning scales for them are, not found comparable. Since the port has asserted that its estimate of wage cost is as per the sanctioned manning scale, the position estimated by the port has been considered without any modifications in this analysis.

- (iv). The CHPT has also furnished break-up for fuel and lubricant cost for operation and maintenance of the crane. The port has explained that the fuel and lubricant costs are as per the actual usage of the crane. The material cost, comprising fuel and lubricant cost, has been considered without any modification.
- (v). In October 2002, general revision of the Scale of Rates of the CHPT was made by adopting "Cost plus" model. All admissible overhead expenses have been duly accounted for in the pricing model adopted. Significantly, the floating crane in reference is in replacement of another 120 tonne crane. Overhead expenses remaining constant for the port as whole for a given period, if they are allocated to this crane in reference, then, to that extent there must be a reduction in some other activity. Since such reduction has not taken place elsewhere, inclusion of separate overheads in the case of floating crane alone will result in double counting. It is noteworthy that no incremental expenditure on supervision has been reported by the CHPT. That being so, the supervision charge considered by the CHPT @ 40% of operation and maintenance cost is excluded. It is noteworthy that a similar approach was adopted by this Authority while fixing hire charges for 20 tonne gantry crane and 45 BP capacity tug of the CHPT. However, storage charges as a percentage of material is allowed considering the higher capacity of the floating crane in comparison to the replaced FC "Vaigai" and no other crane of this capacity is available at the CHPT. A similar approach was adopted by this Authority while fixing the hire charges of 45 BP capacity tug of the CHPT recently.
- (vi). The port has considered 20 years of life for the crane in reference to arrive at the depreciation cost. However, as per the norms fixed by the Government the life of floating cranes at all major ports is 25 years. Accordingly, the depreciation cost has been modified.
- (vii). The availability / utilisation norms indicated by the CHPT for cargo handling equipments actually relate to tractor / trailer as per the Government guidelines. Such norms for floating crane are not available in the Government guidelines. The port has stated that there is no other floating crane of similar capacity to draw reference for assessment of availability of the crane in reference and estimated that the crane is available for 600 shifts in a year. In the absence of any other information, the port's estimate of 600 shifts is considered in the analysis.

Another factor relevant for consideration of the quantum of Return on Capital Employed is the capacity utilisation. In its own admission, the CHPT has stated that the actual usage of the crane to handle the estimated throughput of 19000 tonnes will be 150 shifts. Relying on this estimate of the port, the capacity utilisation works out to 25%. Since investment made is a fait accompli, this Authority has not gone into the issue of prudence of the investment decision which *prima facie* does not appear to be justified from the business volume angle.

It is to be recognised that the maximum level of return on capital employed can be sought only when the assets are utilised nearly to their capacity levels. A port cannot seek to maximise return when capacity created is not fully utilised. Recognising this fact, this Authority has already decided to link return with capacity utilisation. Incidentally, the CHPT has considered return on capital employed at 15% as against the maximum admissible limit of 17.5% for the financial year 2003-04. In line with the general approach adopted by this Authority, the return on capital employed in the instant case is allowed only to the extent of 4.37% of the maximum admissible level of 17.5%.

- (viii). At the CHPT, other than container activity (which has since been privatised), POL handling, warehousing and port conservancy, all other activities were

found to be in deficit. During the last general revision of Scale of Rates, rates were decided recognising the flow of cross-subsidisation between different activities. That being so, it is not unreasonable to fix hire charges in this case by duly considering the cross-subsidisation benefit earlier available.

The users have demanded that the average of cross-subsidisation that existed during the period from 1997-98 to 2002-03 should be considered in this case. The port has stated that the extent of cross-subsidisation available to FC Vaigai during the year 2002-03 should be considered. It is to be recognised that during the period 1997-98 to 2002-03, the port tariff has undergone revisions and the 26% subsidy, demanded by the users, had been absorbed during the last general revision of the CHPT Scale of Rates in October 2002. That being so, and reckoning with the position that FC Thangam is in replacement of FC Vaigai, it is only logical to agree with the position maintained by the CHPT that 16.5% cross-subsidisation which was available to FC Vaigai in the year 2002-03 should be extended to FC Thangam.

- (ix). Subject to the analysis given above, the calculation of hire charges of the 150 tonne floating crane is revised. The revised calculation is attached as **Annex**.
- (x). The port has proposed to levy per tonne rate on an ascending scale with reference to weight of packages. The logic applied by the port in this regard that a common rate will be too high for lesser tonnage packages appears to be reasonable. While prescribing the sliding scale, the existing differentials applied in the case of FC Vaigai have not been maintained. In any case, users have not objected to the proposed sliding system. Since the approach adopted by CHPT is to offer relief to packages of lower tonnages, the proposed slab differential is maintained.
- (xi). Another demand of the users is not to levy 50% of the charges in case the port crane is not utilised by them. It is to be recognised that the heavy investment made by the port in the procurement of crane has to be recovered. This issue has been considered earlier and this Authority has approved a clause on 11 March 1999 permitting the CHPT levy of 50% of the heavy lift charges when such packages are shipped / landed using ship's own derricks without using port's heavy lift cranes. This prescription has also been made commonly for all the ports vide Order dated 10 November 1999. This prescription has been made as a deterrent so that the facility provided by ports at a considerable cost for the benefit of users is fully utilised. No other assurance about utilisation of port's heavy lift cranes has been made by users while demanding a review of the present arrangement. There is no new development warranting a change in the existing prescription made in this regard. It is noteworthy that the CHPT has also reckoned with the estimated revenue it would generate from the levy of 50% charge, when the ship's own gear is used, for calculation of hire charges of the crane in reference. If such a levy is to be disallowed, then the unit cost to the user who actually uses the port's crane will inevitably go up.
- (xii). Another issue posed for consideration is the hire charge for non-vessel working. Initially the port proposed 50% of the per shift cost. Subsequently, it has enhanced the rate to the full cost of operating the vessel for one full shift. While the actual usage of the floating crane, as admitted by the port, is only 150 shifts, considering the maximum available 600 shifts to calculate the rate is not reasonable. Ports facilities are intended for its core area of functioning. If available, spare capacity can be utilised for other non-vessel working purposes. But, pricing for such deployment cannot be a subsidised one. The benefit of cross-subsidisation considered for arriving at the per tonne rate cannot be extended to the rates for non-vessel working use. Considering recovery of actual costs, the hire charge for non-vessels working purpose of Rs.2,53,276 per shift of 8 hours and Rs.1,26,638 for 4 hours is approved.

- (xiii). The stated position of this Authority is against cross-subsidisation. Recognising the implications of sudden elimination of cross-subsidisation at one go, this Authority has decided to contain the level of cross-subsidies till a well informed decision is taken. In this case, there is a direct cross-subsidisation benefit of Rs.62.68 lakhs per annum counted in the computation of hire charges. Further, the port earns lesser return on capital employed due to capacity under utilisation. If the maximum permissible return on capital employed is to be reckoned, then the subsidy element will go upto Rs.371.64 lakhs per annum. Ironically, the subsidy provided does not result in reduction of tariff from the user point of view when compared with the rates they were paying earlier for use of FC Vaigai. This position is a result of high investment for low volumes. As has been mentioned earlier, the investment made being fait accompli, it is for the CHPT to make serious efforts for optimally utilising the floating crane so that the subsidy burden could be progressively brought down.
- (xiv). As has been brought out earlier, the CHPT has been collecting provisional hire charges based on rates applicable to a 150 tonne floating crane of the Visakhapatnam Port Trust. The CHPT has stated that such rates will be effective till the proposed rates are approved by this Authority. The provisional rate adopted is lower than the rates approved now. The rates approved by this Authority will come into effect from the date of notification of this order in the Gazette of India.
- (xv). In line with the common decision taken based on the directions issued by the Government under Section 111 of the MPT Act, 1963, the rates approved will be ceiling level.
- (xvi). The validity period of the rates approved will be two years from the date of notification of the order. The rates approved will be taken up for review along with the general revision of its Scale of Rates, if the general revision is taken up before expiry of this validity period of two years.

9. In the result, and for the reasons given above, and based collective application of mind, this Authority approves the following amendment to the Scale of Rates of the CHPT:

- (i). The existing clause-II FC Vaigai under Scale 11 – charges against masters, owners or agents of vessels or importers or shippers for the use of 50 tonne crane at SQ 1 and Floating crane in, Chapter-III - Cargo-related charges is substituted with the following:

II. 150 tonne Floating Crane

Sl. No.	Weight of each package	Ceiling rate per tonne or part thereof (Rs.)
1.	Less than 30 tonnes	1002
2.	Over 30 tonnes but less than 60 tonnes	1670
3.	Over 60 tonnes but less than 100 tonnes	2338
4.	Over 100 tonnes	3257

- (ii). The existing heading “General note applicable for 50 tonne crane and FC Vaigai” appearing after Note (6) in Scale 11 is substituted as “General note applicable for 50 tonne crane and 150 tonne floating crane”

(iii). The existing Serial No. 12, Scale-6 Charges for floating craft, Appliances etc. under Chapter-VI – Miscellaneous charges is substituted with the following:

Sl. No. and description	Ceiling Rate of hire Rs.	Period of hire	Minimum Rs.	Remarks
12. 150 tonne Floating Crane	1,26,638	Per period of 4 hours from the time of hire	1,26,638	<p>(1). The hire rates under these items are applicable only to the contractors of the CHPT for carrying out the CHPT's work awarded to them. The minimum charges leviable for hire of these cranes under these items shall be for a period of 4 hours or part thereof from the time of hire.</p> <p>(2). Fore hire of these cranes to the Masters, Owners, Agents of Vessels, or Importers or Shippers, the charges leviable shall be under Scale 11 of Chapter III of the Scale of Rates.</p> <p>(3). However, for conditions for the hire of these cranes to the CHPT's Contractors, the conditions as provided under Scale 11 of Chapter III of the Scale of Rates that could be commonly applied for both cargo work and for contractor's work shall apply, except for the fact that the CHPT or to such other authority to whom power may be delegated by it shall be the Authority for allotting and regulating the hire of these cranes.</p> <p>(4). However if these cranes are used in carrying out the repairs by the CHPT of the Plants, machinery, floating craft, etc., of private parties, the charges leviable shall be reckoned with on hourly basis, i.e. per hour or part thereof of the actual number of hours involved at one-fourth of the rate prescribed for the first period of four hours.</p>
		For hire beyond 4 hours per block of 8 hours or part thereof	2,53,276	

(A.L. Bongirwar)
Chairman

Calculation of hire charges for 150 tonne FC Thangam of the Chennai Port Trust

Capital Cost (in Rs. Crores)	23.54	Crores
Life (in years)	25	
Available shifts per annum as estimated by CHPT	600	
Actual usage per annum (shifts)	150	
Description	Amount (in Rs.)	
Operations Cost		
- Material	9718500	
- Labour	6000000	15718500
Maintenance Cost		
- Material	25000	
- Labour	584496	609496
Storage charges		1948700
Depreciation		9416000
ROCE at 17.5% adjusted to capacity utilisation (23.54 crores*17.5%*25%)		10298750
Total Cost		37991446
Less Cross subsidisation at 16.5% on expenditure		6268589
Total cost net of Cross Subsidisation (A)		31722857
Total tonnage (B)		19000
Rate per tonne (A/B)		1669.62
Rounded off to		1670

Slabs	Cargo expected to be handled by FC Thangam	Weightage	Rate per tonne or part thereof
			(%weightage x Rate per tonne)
< 30 tonnes	11500	60%	1002
30 - 60 tonnes	5000	100%	1670
60 - 100 tonnes	1500	140%	2338
> 100 tonnes	1000	195%	3257
Total	19000		

Calculation of hire charges for 150 tonne FC Thngam to outside public

Description	Amount (in Rs.)
Total cost	37991446
No. of shifts	150
Cost per shift	253276
For non-vessel working -	253276 per 8 hours shift
	126638 per 4 hours

**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/44/2003-CHPT - Proposal received from the Chennai Port Trust for fixation of hire charges for its 150 tonne floating crane.

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

Chennai Port Stevedores Association (CPSA)

- (i). After fixing the existing rate for floating crane 'Thangam' on 3 April 2003 on provisional basis, the CHPT has informed that the Board has approved the hire charges on ad-hoc basis (to be effective retrospectively from 5 July 2003) for the floating crane. This is detrimental to the interests of the users as any rate revision should have the approval of the TAMP first, who approves the rate after calling for views of the users and holding a joint hearing and also any rate revision should be applicable prospectively.
- (ii). The CHPT be advised to suspend implementation of the revised rates on ad-hoc basis immediately.

The Chennai & Ennore Ports Steamer Agent's Assn.(CEPSAA)

- (i). The increase in the revised rates issued vide letter dated 11 July 2003 if compared to the rate notified to trade vide letter dated 3 April 2003 works out from 197.39% to 461.74%, which is exorbitant and unjustified and, will render cost of handling cargo through CHPT unviable and drive such cargo away to the neighbouring ports.
- (ii). Since shippers may need to use expensive hydraulic and flat bed trailers to move the cargo to other locations, these costs will further increase the FOB cost of Indian goods and render them un-competitive in international markets.
- (iii). Instead of a common international practice of payment of floating crane charges by the actual users, in Chennai, there is an additional charge under which those vessels that handle heavy lifts even with their own gear have to pay 50% of the floating crane charge for the same weight slab.
- (iv). Our members were compelled to pay the new rates with effect from 5 July 2003 even when their ships were discharging the export cargo. Their principals had already negotiated and collected ocean freight for heavy lift packages based on the old

rate of Rs.1150/- per tonne. Now they have to pay the differential amount due to compulsion from the CHPT.

- (v). This will result in a heavy loss to the carrier and also create bad impression in their mind about the Chennai Port which will also be circulated in the international market.
- (vi). It is, therefore, requested to kindly withdraw the new charges and charge only Rs.1150/- per tonne with the service tax applicable pending disposal of the proposal by TAMP.

Hindustan Chamber of Commerce (HCC)

- (i). The CHPT has unilaterally fixed a uniform ad-hoc hire charge for the 150 tonne F.C. Thangam at Rs.1150/- per M.T. for vessel operations or Rs.12937.50 per hour or part thereof for non-vessel operations vide their trade letter dated 3 April 2003. As per the general condition 1.2 (xii) (iii) of the notified SOR, the ad-hoc rate to be operated for the interim period must be derived based on the existing notified tariffs for comparable services/cargo; and, it must be mutually agreed upon by the port/terminal and the concerned user. The CHPT should have, therefore, in the first place sought the users' views prior to fixing an ad-hoc charge.
- (ii). The CHPT has now revised the uniform ad-hoc charge mentioned above recently to slab-structure effecting an increase ranging from 65% to 462% from the current uniform ad-hoc charge.
- (iii). Provision for fixation of an ad-hoc hire charge was provided only to help the trade/users and facilitate the port in realising the mutually accepted tariffs pending notification by the Authority. If an ad-hoc hire charge is continuously subjected to unilateral revisions, then the very purpose of this provision/general condition in the notified SOR is nullified.
- (iv). The CHPT may be desisted to implement the ad-hoc hire charges for the 150 M.T. Floating Crane till finalisation of tariff structure by the Authority and not to violate the general conditions notified in the exiting SOR.

2. A joint hearing in this case was held on 7 August 2003 at the Chennai Port Trust premises in Chennai. At the joint hearing the following submission were made:

Chennai Port Trust (CHPT)

- (i). Thangam is in operation since February 2003 and we have been levying charges on adhoc basis since then.

- (ii). We agree to maintain the percentage of cross-subsidisation available to Vaigai. We will give revised proposal in 10 days in consultation with the HCC, the TCC and the CEPSAA.

Hindustan Chamber of Commerce (HCC)

- (i). The performance of the new crane should commensurate with the increase in tariff proposed. We should be asked to pay more only if advantages accrue to users. Otherwise, old rates should continue.
- (ii). Floating crane should never be treated as profit centre.
- (iii). Utilisation of Thangam is more than Vaigai. The rate should, therefore, be less.
- (iv). We don't have choice. Even if we don't use we have to pay 50%. Please review.

3. After the joint hearing, the following written submissions were made by the HCC:

- (i). The floating crane has never been considered as a revenue earning facility by the port and has always been a facility that has been subsidized by the port.
- (ii). We have submitted to TAMP a comparative statement showing how the trade would have to pay over 700% increase if the proposed rate is accepted.
- (iii). The port has a system where any package that is loaded by the ships own crane and which weighs above 30 M.T. attracts a heavy lift charge of 50% of the notified rate of the floating crane. With the new rates coming into force the amount that would have to be paid would increase. TAMP should do away with this system of the port collecting heavy lift charges even from cargo not using the floating crane.
- (iv). Port could just earn substantial amount by just collecting 50% of the notified rates without deploying the crane.
- (v). If the port agrees to extend the same percentage of subsidy that was hitherto being extended for the floating crane it would be acceptable to the trade. However considering the high cost of acquiring the floating crane even this percentage would not be justified.
- (vi). We leave the issue of collection of the 50% charges being collected also for non usage by the port to TAMP.

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