

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

TARIFF AUTHORITY FOR MAJOR PORTS

G. No. 142

New Delhi, 16 September, 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 Mumbai Port Trust for fixation of rate for providing stevedoring services for container brought by barges, cargo brought by coastal barges and cargo handled in mid-stream as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/11/2003-MBPT

The Mumbai Port Trust

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Applicant

ORDER

(Passed on this 10th day of September 2003)

This case relates to a proposal received from the Mumbai Port Trust (MBPT) for fixation of rate for providing stevedoring services for container brought by barges, cargo brought by coastal barges and cargo handled in mid-stream.

2.1. The MBPT has submitted a proposal for fixation of rates for the stevedoring services taken over by it which is being considered as a separate case.

2.2. Subsequent to its original proposal for fixing stevedoring rates, the MBPT vide letter dated 27 December 2002 has requested to include the stevedoring rates for three activities in its original proposal. Since the usual consultation process was already initiated and also a joint hearing was held on the earlier proposal, it was decided to consider the subsequent reference made as a separate case.

3.1. The MBPT has pointed out that the operation involved in carrying container by barge differs from the container carried out by ship's crane hence the rate of Rs.700 per box as per its original proposal cannot be levied in this case. Accordingly, on review, the MBPT has proposed stevedoring rates for the three components as stated below:

Sr. No.	Particulars	Rate (in Rs.)
(i).	Containers brought by barges	425/- per box.
(ii).	Cargo brought by coastal barges	37/- per tonne
(iii).	Cargo handled in stream	Rates prescribed for similar cargo handled at docks plus 20% additional charges

3.2. The MBPT has pointed out that since the transaction of these three components are not frequent the financial implication will be very negligible; and thereby revised cost data in the prescribed format has not been furnished.

3.3. This proposal was approved by the Board of Trustees of the MBPT on 26 November 2002.

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

5. The comments received from the above users were forwarded to the MBPT as feed back information. In response to it, the MBPT has furnished its comments which are summarised below:

On the comments of the MANSA

The operations in stream are sporadic and isolated mainly for special consignments, heavy lifts, etc. Since the risk involved in carrying out these operations are slightly higher than the enclosed dock system, rates have been fixed at 20% higher than the rates prescribed for similar service at the docks.

On the comments of the INSA and SSL

(i). The port has to deploy two different separate gangs for two different barges resulting in double expenditure. In fact on an average each barge carries 60 boxes, and, therefore, it would be incorrect to spread the cost on 90 boxes throughout as presumed by the SSL.

- (ii). In addition to payment of salaries and wages it has to incur expenditure towards payment of terminal dues and pension payments which if included, the per TEU cost of handling the container would increase considerably. In fact even the operating expenditure incurred by the port for handling containers is not covered at the proposed rate.
- (iii). The rebate to the extent permissible is granted whenever the agents/container operators bring their own gear or prefer to use their spreader.
- (iv). With a view to encourage coastal traffic it is proposed to fix the stevedoring rate for coastal cargo brought by barges at Rs. 37/- per tonne as against the present charge of Rs.55/- per tonne for providing on board stevedoring services for steel coil.
- (v). Based on the earlier records it is observed that a single barge brings approximately 1800 to 2000 MT of cargo. The proposed rate of 37/- per tonne does not cover even the operating expenditure incurred by the port for handling the steel coil.

6. A joint hearing in this case was held on 24 April 2003 at the office of this Authority. At the joint hearing, the MBPT and the concerned users have made their submissions.

7.1. As decided in the joint hearing, the MBPT was requested to furnish details of cost to user prior to and after it taking over the stevedoring operation; forward the same to the concerned users for their comments and also give its observations on the comments thereon.

7.2. Since the case had not matured for a final decision in view of the action pending on the part of the MBPT and the port users, adhoc approval was accorded to the proposed rates till 31 July 2003. The adhoc rate approved were further extended till 31 August 2003 or notification of the final rates whichever is earlier.

8.1. As decided in the joint hearing, the MBPT has furnished a detailed analysis of cost to user prior to and after its taking over the stevedoring operation. The main points made by the MBPT are as follows:

- (i). Cost of service has been worked out based on actual deployment of labour and supervisory services; and, the performance of boat, barges and vessels for the period 1 November 2002 to 31 March 2003 has been taken into consideration.
- (ii). The rate proposed now is without the supply of gear as requested by the MANSA and the other users.
- (iii). Comparison of the stevedoring rates prior and after it taking over the stevedoring operation and the cost of providing the service is tabulated below:

Sr. No.	Particulars	Basis of charge	Rate at which service is provided (without gear)	Cost incurred for providing the service	Per Tonne charges payable by Agent as per earlier system
(i).	Containers brought by barges	Per box	370.00	214.64	207.47
(ii).	Cargo brought by coastal barges	Per tonne	24.00	14.18	12.43
(iii).	Cargo handled in stream	Per tonne	140.40	306.61	268.70

- (iv). In case of stevedoring, even the operating wages of the on board labour, supervisory staff and allied staff could not be recovered. It has substantiated its proposal by stating that an expenditure of Rs.5.76 crore has been incurred more than its income for the period 1.11.2002 to 31.3.2003.

8.2. The comments of the users on this working has been considered in the original proposal of the MBPT which is being processed as a separate case.

8.3. Another joint hearing in this case was held on 30 June 2003. At the joint hearing, the MBPT explained the cost calculation furnished by it with reference to cargo handled from coastal barge and containers brought by barges. With reference to the proposed rate being higher than the actual cost of providing the services, the MBPT pleaded that item wise approach should not be adopted and a holistic view of the total stevedoring activity should be taken.

9. As decided in the joint hearing held on 14 July 2003 in the main stevedoring case, the MBPT has reviewed the items whose stevedoring rate are higher than the cost of providing service. Accordingly, it has submitted that stevedoring rate for container brought by barges and cargo brought by coastal barges may be reduced upto a maximum of 10% of the rates at which recovery is presently being made.

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 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 the information collected during the processing of this case, the following position emerges:

- (i). The proposal of the MBPT relating to fixation of rates for providing stevedoring services by the port is considered as a separate case and all the relevant issues are examined in detail in that case and hence those points are not repeated here. This proposal is, therefore, limited only to the extent of fixing of stevedoring rates for the three operations which was received subsequent to initiating the consultation process in the original proposal.
- (ii). This Authority has approved the modified rates finally suggested by the MBPT in its main proposal. In the main proposal, the port has proposed the rates after analysing the market rates for the respective commodities. In this (supplementary) proposal, no such analysis is apparently made by the port.
- (iii). M/s. Shahi Shipping Limited (SSL) have pointed out that the proposed rate of Rs.425/- for a container brought by barge (including the cost of gear) is very high as against an approximate cost of Rs.148 per container incurred by it prior to the MBPT taking over the stevedoring operations. It has recommended a rate of Rs.225 for a container. The MBPT does not agree to the working of the SSL. The port states than on an average 60 containers are discharged by a barge as against 90 barges considered by the SSL. It may be relevant to mention that even if the productivity as stated by the MBPT is considered, the rate works out to Rs.225 per container which incidentally tallies with the suggestion of the SSL.

The MBPT in its revised proposal has proposed Rs.370 per box (without the cost of gear) for this operation and after a further review has agreed to reduce the proposed rate by a maximum of 10% which will work out to Rs.333 per container. Even this rate is found to be on the higher side as compared to the cost of providing the service of Rs.214.64 per container, as admitted by the port. Incidentally, the cost to vessel agents for this operation prior to the MBPT taking over stevedoring was reported to be Rs 207.47 per box. It is admitted that the rates for some commodities approved in the main proposal are more than the cost of providing services in recognition of the need to maintain a reasonable overall revenue target so that revenue deficit will not widen too much. But, in this case, the proposed rate is far in excess of the cost of rendering the service. Further, unlike the rates proposed in the main proposal, the rates proposed in the supplementary proposal are not shown to have any linkage with the market rates. In view of this, this Authority decides to prescribe a rate of Rs.250/- per box for containers brought by barge.

- (iv). As regards the cargo brought by coastal barges, the SSL's objection is that the proposed rate is exorbitant and should be restricted to Rs.15 per tonne for cargo discharged from coastal barges.

On the request of the users, the MBPT has agreed to reduce the rate for cargo brought by barges to Rs.21.60 per tonne (without supply of gear). This rate is again in excess of cost of providing the service (Rs.14.18) and the cost payable by vessel agents as per the earlier system (Rs.12.43). Like the moderation made in the case of container brought by barges, the proposed rate for cargo brought by coastal barges also needs to be modified. A stevedoring rate of Rs.15/- per tonne for cargo brought by coastal barges is, therefore, approved.

- (v). The justification furnished by MBPT for levying 20% extra for cargo handled midstream appears to be reasonable. In this regard, MANSA has made a valid point that this additional charge should not be levied for overside handling from a vessel berthed. While approving the proposed rate, it is clarified that this charge is leviable only for the stevedoring work carried out on a vessel working at midstream.
- (vi). The reason for taking up this proposal separately has already been explained. For all practical purposes, the three operations covered in the supplementary proposal are also to be subjected to the same conditionalities governing the stevedoring rates approved in the main proposal. It is, therefore, appropriate to include the rates for these three operations as serial number 22, 23 and 24 in the schedule of rates approved in the original case. In line with the decision taken in the original stevedoring rate, the stevedoring rates approved in this proposal shall only be ceiling rates and will be valid for one year w.e.f. 1 October 2003 to 30 September 2004. An escalation factor of 5% will apply on these rates w.e.f. 1 October 2004.

12.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves incorporation of the following ceiling rates for the stevedoring operations in the Schedule in Sub-section (C) below Sub-section (B) of Section-IV, Composite Berth Hire Charges in the Scale of Rates charged at the Docks of the Mumbai as serial number 22, 23 and 24:

Sr. No.	Commodity / Activity	Basis of Charge	Stevedoring rate (with out gear) (in Rs.)	Ceiling Rate for supply of gear by the port (in Rs.)
22.	Containers brought by barges	Per box	250.00	55
23.	Cargo brought by coastal barges	Per tonne	15.00	13
24.	Cargo handled in stream		20% more than the applicable rates for cargo handled at docks	-

12.2. The rates approved will come into effect from 1 October 2003.

12.3. The interim rates approved earlier will continue to be in force till 30 September 2003.

(A.L. Bongirwar)
Chairman

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/11/2003-MBPT Proposal from the Mumbai Port Trust (MBPT) for fixation of rate for providing stevedoring services for container brought by barges, cargo brought by coastal barges and cargo handled in mid-stream.

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

M/s.Shahi Shipping Limited (SSL)

Container brought by barges

- (i). Two barges having capacity of 84 and 36 containers respectively are operated; and, in day shift 90 containers are discharged. For this purpose, the MBPT supplies one gang for discharging the containers. Apart from this, crane and a top lifter are hired from private vendors on payment of separate charges to expedite discharge of the containers.
- (ii). The cost incurred to indent a gang from the MBPT prior to 1 November 2002 worked out to approximately Rs. 148 per container after taking into consideration cost of deploying 10 on board labour and 5 MBPT shore labour.
- (iii). Subsequent to the MBPT taking over the stevedoring operation, only one gang and a spreader are supplied for which Rs.425 per container is charged. Thus, for 90 containers it works out to Rs.38,250 and the effective increase is 294% which is considerably high.
- (iv). Apart from paying Rs.425/- per container, additional expenses have to be incurred for hiring a mobile crane and a top lifter to discharge the container, and lift it on to the trailers.
- (v). In view of the above, no increase must be approved otherwise the barge service would become expensive compared to road transportation. It is suggested to levy Rs.225/- per container brought by barges so as to sustain the operational costs and make this service viable.

Cargo brought by coastal barges

- (vi). The proposed rate is only for labour provided by the MBPT. The average discharge per shift from the barge to the shore is 2500 tonnes, the cost for which works out to Rs.92,500/- per shift. This is very exorbitant considering the fact that in addition to this a crane is to be hired and additional labour is to be deployed for removing the bulk cargo from the corners of the barges.

- (vii). In this backdrop, it is suggested to levy Rs.15/- per tonne for cargo discharged from barges so as to off set the costs of other handling equipment.

Indian National Shipowners Association (INSA)

- (i). The charges proposed for containers brought by barges are very much high compared to the charges levied earlier. It is contrary to the spirit of earlier Order of TAMP which states that the main purpose of taking over the stevedoring operations by the port being reduction in cost of handling with integration in cargo handling operations, the rates cannot be higher than those being presently charged.
- (ii). It has reiterated the point made by the SSL that the rate for container brought by the barges were Rs.148/- per container prior to the MBPT taking over the stevedoring operators as against Rs.425/- per container proposed by the MBPT.
- (iii). The clause about allowing a rebate in case the vessel agent brings his own gear is not specified in the instant proposal despite the fact that the TAMP in its Order approving the interim rate has specified this provision.
- (iv). The coastal trade will not be able to compete with road transport with the steep increase proposed in the stevedoring charges. In the light of Government's policy to encourage coastal trade, the rate for container brought by barges should not exceed Rs.200/- per tonne.

The Container Shipping Lines Association (CSLA)

- (i). The services rendered by the MBPT for the proposed rate of the 425 per box is not explained. Except for fixing and removing the spreaders from the containers the MBPT labour do not provide any other service.
- (ii). It has reiterated the views of the SSL that the barge operator themselves arrange for the shore mobile shore, spreaders, top lifters on shore to speed up operations and also undertakes the entire supervision of operation.
- (iii). The number of people employed in a gang is in far excess than the number of people required for the job. The proposed rate of Rs.425/- per box is definitely not commensurate to the services provided. In fact the cost should not be more than Rs.150/- per box.
- (iv). The proposal does not explain how the rates have been arrived at for cargo handled in coastal barges and cargo handled in stream nor does it specify the commitment on the productivity and service levels.

Mumbai and Nhava-Sheva Ship-Agents' Association

- (i). The proposed rate for discharge of cargo in the mid-stream at 20% above the rates applicable for discharge of cargo alongside the berth may be reasonable only when a vessel is actually anchored in stream doing cargo operations (which requires the hiring of launches and productivity drops due to late arrival of labour on board). But, the same cannot be applied when a vessel is alongside berth and loading or discharging cargo into a barge offside the vessel/berth.
- (ii). A specific exemption in the rate need to be granted for cargo discharged in the midstream.

2.1. A joint hearing in this case was held on 24 April 2003 and 30 June at the office of this Authority. At the joint hearing, the following submissions were made:

Mumbai Port Trust (MBPT)

- (i). The calculation of Shahi Shipping is not correct. Our rate is based on average load of around 60 containers / barge.
- (ii). Our rate includes supply of forklift and trailers on ground. It is reasonable.
- (iii). The cost details are worked out and given in our written submission. We agree, the cost was around Rs 250/- per TEU earlier. We will furnish justification for the proposed rate.

The Container Shipping Lines Association (India) [CSLA]

- (i). On barges carrying containers, the MBPT provides no service except fixing and removing of spreaders.

M/s. Shahi Shipping Limited (SSL)

- (i). The rates proposed are much higher than the cost incurred by us prior to the MBPT taking over the stevedoring service.

Mumbai and Nhava- Sheva Ship Agents' Association (MANSA)

- (i). There is no justification for levying 20% extra on overside discharging (The MBPT says we will refund if any extra amount is collected).

2.2. At the joint hearing held on 30 June 2003, M/s. Shahi Shipping and the INSA reiterated their comments given in respective written submission.