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Tariff Authority for Major Ports

G. No. 63

New Delhi, 26 March 2004

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 approves the proposal from the Tuticorin Port Trust for fixation of rates for the 20 T wharf grab as in the Order appended hereto.

(**A.L. Bongirwar**)
Chairman

Tariff Authority for Major Ports
No. TAMP/12/2003-TPT

Tuticorin Port Trust

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Applicant

ORDER

(Passed on this 15th day of March 2004)

1.1. This Authority had passed an Order on 17 March 2003 approving hire charge for the new 20T wharf grab crane with a validity till 30 September 2003. In the said Order, the following charges were approved:

- (i). Scale 5.2.2 – Charges for hire of wharf cranes and other mechanical equipments to masters, owners or agents of vessels:

“Use of 20 T (Grab) wharf crane Rs. 9,636/- per shift and Rs.4,818/- per half shift or part thereof.”

- (ii). Scale 5.3. - Charges for hire of cranes, fork lift trucks and other mechanical appliances for purposes not specified in Schedule 5.2.1. and 5.2.2.

*“Sl. No. 7 – Wharf Grab Cranes (20 Tonne) – Rs 3308/- per hour or part thereof.
Wharf Crane (10 tonnes and below) – Rs 295/- per hour or part thereof.”*

It was also specified that for those berths where the new 20T cranes are installed, the TPT should levy berth hire charges applicable for non-crane berths provided no other wharf crane is supplied thereat against the levy of berth hire charges.

1.2. It may be relevant here to mention that the hire charge for 20T wharf grab crane was not a cost based rate but derived from the (then) existing rates for 10 T grab cranes. Since the TPT did not have sufficient data relating to the sustained average output / performance achieved by the new 20T wharf grab crane, this Authority accepted the ad hoc rates proposed by the TPT for a period of six months with a direction to the TPT to submit revised proposal based on the experience gained in operation.

2. The TPT in October 2003 informed that due to technical problems, new 20T wharf grab cranes could not be deployed for effective cargo handling operation and hence it was not in a position to submit a revised proposal based on the experience gained. Since the TPT could not furnish sufficient data based on the actual performance of the new 20T wharf grab crane, this Authority accepted the request of the TPT to extend the validity of the approved rates till 31 March 2004. Based on the argument furnished by the TPT, this Authority deleted the provision about levying berth hire as applicable for non-crane berths as it was not found to be relevant.

3.1. The TPT has now submitted a proposal to retain the existing rate for the 20T grab and the subsequent amendment about deleting the condition of application of the non-crane berth hire as a regular tariff.

3.2. The TPT has made the following main points in support of its proposal:

- (i). The reach of the new crane is 32 mtr. as against 23 mtr. of the old crane. The cycle time has improved from 3.5 minutes of the old crane to 2.73 minutes in case of the new 20T wharf grab crane. Consequently, time of usage of forklift / front-end loaders has reduced resulting into savings to the users in the hire charge of these equipment.
- (ii). The Authority in its Order in paragraph 4(ii) had pointed out that it would be more appropriate to compare productivity and output delivered by the new crane vis-à-vis the old crane. With reference to this point, it has clarified that these factors are considered in the form of handling capacity of the grab and working hours per shift. The output per hour will be 264 tonnes for the new crane as against 85 tonnes for the old crane.
- (iii). All the three parameters applied to work out the rate for 20 T wharf grab crane are relevant to the service delivered to the users, therefore, the earlier computation of the rate based on the weightage assigned is logical and realistic.

3.3. In this backdrop, the TPT has requested to prescribe the existing adhoc rate for 20T wharf grab crane as a regular tariff.

4. The TPT had requested to take up this proposal for the joint hearing alongwith other cases which was scheduled to be held on 19 February 2004. In view of shortage of time to circulate the proposal, the TPT was requested forward this proposal to the concerned user organisations for their comments.

5. A joint hearing in this case was held on 19 February 2004 at the TPT premises. At the joint hearing, the TPT and the port users have made their submissions.

6. 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.

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

- (i). The interim rate approved was not a cost based rate but a derived one based on theoretical performance parameters of the new crane in comparison with those of the old crane. Since the new facility has reportedly started working regularly for the past few weeks only, sufficient operational data are not available even now. The TPT has, however, shown that the output per hour of the new crane is more than 3 times that of the old crane.
- (ii). Users have raised some issues about inclusion of crane hire charges in the berth hire. The TPT has clarified that the proposed charge is only for grab and not for the new cranes. It has also certified that the cost of the new cranes is not considered in its calculation. It has to be recognised that the berths are classified into two categories – crane berths and non-crane berths and berth hire charges are levied accordingly. The berths where 20T cranes are installed will attract berth hire charges applicable for crane berths, as already clarified by this Authority. Significantly, the TPT has not proposed any upward revision in the berth hire charges due to provision of higher capacity cranes at the relevant berths. Since the cranes are integral part of the berths concerned, the question of allowing any rebate for not using them does not arise. If such a facility is not required, a vessel always has an option to refuse berthing at the concerned berths.
- (iii). In the earlier arrangement also, hire charges for 10T grabs were prescribed separately. Since 20 T grabs are introduced, the TPT has proposed a hire charge for them. As explained by TPT, this is an optional attachment and the relevant charge is payable only when the grab is supplied, if required for cargo operation.
- (iv). The intention of prescribing adhoc rate earlier was to review the actual performance and fix final rate later accordingly. For reasons explained above, such a review is not possible at this juncture. So, this Authority allows the adhoc rates to continue as regular arrangement. The general review of tariff at TPT is due in September 2004. At that time, the rate for 20T grab fixed now can be conveniently reviewed in the backdrop of actual performance details for 7-8 months which are expected to be available by then.

8. In the result, and for the reasons given above, and, based on the collective application of mind, this Authority approves the existing adhoc rate for 20T wharf grab as the final rate subject to a review at the time of the next general revision/review of the Scale of Rates of the TPT. The rate will be the ceiling rate in line with the general policy decision already taken.

(**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/12/2003-TPT - Proposal from the Tuticorin Port Trust about fixation of rates for the new 20T wharf grab crane.

1. A joint hearing in this case was held on 19 February 2004 at the TPT premises. At the joint hearing, the following submission were made:

Tuticorin Port Trust (TPT)

- (i). The cranes are fully operational now for the last two weeks.
- (ii). We want the ad hoc rates to continue as final rates.
- (iii). The performance is very good.
- (iv). We have considered the cost of grab only. Crane is not included in the costing.
- (v). Since grab is an attachment, no additional charge will be levied if a user does not hire the grab. This practice is already in vogue and it will continue.

Tuticorin Steamer Agents' Association (TSAA)

If the crane is not used then rebate should be given. Likewise, please allow rebate for breakdown, etc.

2. At the joint hearing, the All India Chamber of Commerce and Industries (AICCI) has filed a written submission highlighting the following points:

- (i). It is implied that crane hire charges are inbuilt component of cargo related berth hire and as such grab hire charge should be separately reckoned. It is, however, not clear whether this point was considered while fixing hire charge for 20T wharf crane.
- (ii). The output of a 10 MT old crane cannot be compared with the output of a 20 MT new crane. Comparison of charges of new grab crane with the old one is logically not correct.
- (iii). The new crane is suitable only for handling bulk cargo and not for all types of cargoes.
- (iv). Many vessels pay the component of crane hire included in the berth hire even though the cranes are not utilised by them. In view of this position, cargo related berth hire charges collected for VOC III and IV berth should be reckoned either as revenue of the new crane or there should be a rebate.

- (v). Since only one crane in serviceable condition is available in VOC I and II berths, it is suggested to delete the entire component of crane hire charge from the cargo related berth hire. The charges for crane hire can be charged separately as and when port user gives a requisition for hiring the grab crane.
- (vi). The value assigned to the new wharf grab crane in terms of cycle time, number of moves per hour, tonnage per cycle and tonnage discharged is totally erroneous. The discharge rate invariably never exceeds beyond 700 MT on an average subject to density of cargo. Further, the cycle and number of moves appears to have been calculated when the vessel cargo level is full and not when the cargo level is low in the hold during which time the cycle would be lengthy.
- (vii). The reach and load of the subject wharf grab crane is restricted, hence, question of dumping at distant unloading point does not hold good.
- (viii). There is no cost advantage by reduction in the usage of Front End Loaders and other equipment as inferred by the TPT. There is a vast difference of Rs.6/- PMT by engaging the 20 ton grab crane vis-à-vis hiring a private grab. The per hour hire charge of Rs.3,308/- works out to 35% of the shift rate which is definitely very much on the higher side.
- (ix). In view of the above points, it has requested to arrive at a reasonable hire charges for the 20T wharf grab crane.

3. We have not received specific written comments from any other user organisations except their submissions made at the joint hearing.

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