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Tariff Authority for Major Ports

G.No. 50

New Delhi, 12 April, 2003

NOTIFICATION

In exercise of the powers conferred by Sections 48 and 49 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby approves the proposal from the Visakhapatnam Port Trust (VPT) about (i) revision of hire charges of forklift trucks; (ii) fixation of norms for cargoes handled through pipeline/conveyor; and, (iii) fixation of tariff for transshipment of POL at anchorage as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/82/2001-VPT

The Visakhapatnam Port Trust

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Applicant

ORDER

(Passed on this 17th day of March 2003)

This case relates to a proposal received from the Visakhapatnam Port Trust (VPT) about (i) revision of hire charges of forklift trucks; (ii) fixation of norms for cargoes handled through pipeline/conveyor; and, (iii) fixation of tariff for transshipment of POL at anchorage.

2.1. The VPT has made the following points in support of its proposal:

- A. Regarding revision of hire charges of forklift trucks;
- (i). The existing hire charge for a 3 tonne capacity forklift truck is Rs.1439/- per shift of 8 hours.
- (ii). The accelerated break-down of the forklift trucks due incompatible ground conditions and handling of timber logs and other break-bulk cargo has made the cost center un-remunerative.
- (iii). It is proposed to hike the hire charge to Rs.2400/- per shift of 8 hours or part thereof (based on the cost sheet submitted) for forklift trucks of capacity 'upto and inclusive 5 tonne'.
- B. Fixation of norms for cargoes handled through pipe line / conveyer
- (i). The existing Scale of Rates prescribes the norms for hook-shift output in respect of cargoes handled by conventional means to decide the berth occupancy for each vessel. The norms for cargo handled through pipelines/conveyor system have not, however, been prescribed.
- (ii). It is, therefore, proposed to incorporate the following norms for various cargoes handled through pipelines/conveyor to decide the vessels' stay at the berth:

Commodity	Norm proposed for berth day (in tones)
Furnace oil	3800
L.D.O	2000
L.P.Gas (Inner harbour)	2600
L.P.Gas (outer harbour)	4000
All other petroleum products	5900
Import crude oil	34500
Transshipment crude oil	18400
Transshipment petroleum products (Outer harbour)	9200
Transshipment Petroleum products (Inner harbour)	4000
Phosphoric Acid	6300
Caustic soda	3900
Liquid Ammonia	4900
Edible oils	3200
Molten Sulphur	7200
Styrene Monomer	3000
Acrlan Naitrate	1800
Sulphuric Acid	4600
Other chemicals	2000
Rock phos. F.B. other than C.F.L	4000
Sulphur F.B.	2000
Fertilisers F.B.	2200
Molasses direct to trucks & pumping	500

(iii). The methodology adopted for arriving at these norms is similar to that adopted for fixation of norms in respect of cargoes handled by conventional means i.e. 80% of the average productivity of the previous 3 years.

(iv). A consensus of the trade users has been obtained for the proposed norms.

C. Tariff for transhipment of POL at anchorage

(i). Transhipment of crude oil from large crude carriers (up to 290000 DWT) was undertaken at the VPT anchorage during the fiscal year 2000-01; and the such operators are likely to continue for the next 2 to 3 years. Since the existing SOR does not prescribe tariff for this operation, it is proposed to fix the following tariff for transhipment of POL at anchorage:

S. No.	Particulars	Proposed rate
1.	Mother tanker at anchorage @ Port dues Pilotage	9 cents per GRT 5 cents per GRT
2.	Daughter tanker at anchorage @ (which sails to other ports after receiving the cargo) Port dues Pilotage	9 cents per GRT 5 cents per GRT
3.	Shifting charges	Shifting of daughter tanker from/to anchorage from/to inner/outer harbour shall be treated as shifting only and shifting charges, as applicable, shall be levied. Also, all the subsequent shifting of the daughter tanker to/from anchorage for receipt/discharge of cargo and for transhipment in port to/with other tankers (till her final departure) shall be treated as shiftings only.
4.	Daughter tanker shifted to inner harbour/outer harbour for discharge/ further transhipment operations after receiving the cargo at anchorage. Port dues / Pilotage / Berth hire & Wharfage	As per the notified rates duly deducting port dues and pilotage of 9 cents and 5 cents per GRT respectively, if collected on this tanker for anchorage operations.

“@” All services other than mentioned above, shall be charged as per the notified rates. The rate is inclusive of charges for services like transportation of hoses, all charges related to fenders i.e. fender hire charges, transportation charges, overtime charges, extra officer charges and provision of a tug as a standby for safety reasons as and when required.

2.2. In this backdrop, the VPT has requested this Authority to approve the following –

(i) a hire charge of Rs.2400/- per shift of 8 hours or part thereof in respect of the forklift trucks of capacity upto and inclusive of 5 tonnes;

- (ii) the norms proposed for cargo handled through pipeline/conveyer specified at point 2.1B (ii); and,
- (iii) the rate proposed for transhipment of POL at anchorage specified at point 2.1C (i).

3.1. A copy of the proposal was forwarded to various concerned user organisations/representative bodies of port users for their comments. The comments received from them were sent to the VPT as feed back information. In response the VPT has also furnished its comments.

3.2. Joint hearings in this case were held on 6 November 2001, 6 February 2002 and 21 January 2003 at the VPT premises in Visakhapatnam. At the joint hearings, the VPT and the various users have made their submissions.

4.1. As decided at the joint hearing, the INSA has proposed to introduce reward/penalty scheme incorporating performance standards in respect of cargo handled through pipeline/conveyor. Some of the main points made by the INSA are summarised below:

- (i). Norms, *per se*, should be subject to the discretionary powers of Port Management as reasons for non-performance or under performance can be examined before levying penalties.
- (ii). A passbook should be introduced for each importer/exporter; the excess or shortfall in the actual performance as against norms stipulated should be recorded cargo-wise and ship-wise. This figure can be summed once in a year and if the end result is negative, penalty may be charged if it is positive, an amount equivalent to 50% of the penal charges may be paid by the port.
- (iii). This proposal may straight away be considered for pipeline cargoes after discussion for fine-tuning. In the case of dry bulk cargoes, however, a more detailed scheme needs to be considered.

4.2. The suggestions received from the INSA were forwarded to the VPT for comments. We have, however, not received any response from the VPT in this regard.

5.1. On a preliminary scrutiny of the proposal, the VPT was requested to furnish additional information/clarification required for further processing of the case. Some of the main points raised by us are as follows:

- (i). Justification for revision of hire charges in such a short span of time in view of a recent 15% upward revision of the hire charges in June 2001.
- (ii). Discrepancy appearing in the proposal mentioning the electrically operated (type) forklift trucks and at the same time inclusion of the cost of fuel and other lubricants in the cost sheet.
- (iii). The original cost / depreciated value as on 31 March 2001, insurance cost, etc., of the forklift trucks.

5.2. In response to the queries raised by us the VPT has furnished the requisite information/ clarification. Some of the main points made by the VPT are summarised below:

- (i). In the recent revision of tariffs, cargo handling charges were revised upward by 15% considering the over all working of the activity concerned; and, not based on the individual cost centre.
- (ii). In addition to the increased cost of maintenance due to accelerated breakdowns additional expenditure is also incurred due to the inherent defects in the machinery of the Godrej make forklift trucks leading to frequent repair of the clutch pad. The expenditure on the maintenance of forklift trucks in the year 1999-2000 has been

more than twice the income from hire of plant and gear for cargo handling which includes hire charges of fork lift trucks and mobile cranes.

- (iii). The incompatible ground conditions make it difficult to spare the forklift trucks for a short spell and to keep track of actual utilisation hours. The tariff is, therefore, proposed for a shift of 8 hours instead of per hour basis.
- (iv). The forklift trucks are diesel operated and not electric operated as stated in its proposal.
- (v). Since the operation and maintenance cost and the overhead element are not separately available for the 3 tonne capacity forklift trucks, the cost statements are prepared by adopting reasonable percentages of such costs.
- (vi). The book value of 18 fleet of fork lift trucks existing as on the year ended 31 March 2001 has been furnished. The capacity utilisation of these fork lift trucks has also been furnished. It has also clarified vide its letter dated 21 February 2003 that its working is based on total number of hours available hours i.e. 6000 hours taking into consideration 250 days per annum for three shifts.
- (vii). The tariff rates prevalent at neighboring ports are taken as basis for proposing transshipment charges of POL anchorage.

6.1. It may be relevant to mention that the norms for the POL and POL products and tariff for transshipment of POL at anchorage were revised subsequently by the VPT based on the discussion with the concerned users. The following are the main modifications made in the recast proposal:

- (i). Concessional norms are proposed for low volume parcels of petroleum and petroleum products. Three sets of norms have been proposed for POL parcels i. e. upto 5000 tonnes, 5000 tonnes to 10,000 tonnes and above 10,000 tonnes.
- (ii). Norms for a few new items of cargo like styrene monomer is reduced from 3000 to 2500 tonnes per berth day
- (iii). It has also proposed to incorporate output norms for IP alcohol and blast furnace slag which were not existing in its (earlier) revised proposal.
- (iv). (a) . In case of tariff for transshipment of POL vessels at anchorage, the port dues have been further reduced in consultation with the IOCL. Port dues is proposed as 3 Cents per GRT for mother vessels and daughter tankers for a foreign-going vessel; Rs. 1.50 pr GRT for daughter.
(b). The proposed rates have been implemented with effect from 1 March 2003 subject to regularisation after the approval of this Authority. The VPT has also pointed out that the proposed tariff arrangement will be reviewed after three months from the date of operation.

7. To summarise, the final proposal of the VPT requiring approval of this Authority is as follows:

A. Fork Lift Charges

- (i). To revise the existing hire charges of Rs.1439 per shift of 8 hours to Rs.2,400/- per shift of 8 hours for forklift of capacity 'upto and inclusive of 5 tonne'.

B. Norms for cargo handled through pipelines/conveyor and other cargo items:

- (i). Proposed norms for cargoes handled through pipelines, other liquids and for a few other cargo items are as follows:

Sl. No.	Name of the Product	Proposed Norms per berth day (in tonnes)		
		Upto 5000 tonnes	Above 5000 and upto 10000 tonnes	Above 10000 tonnes
1.	M.S. Oil	2200	3200	5900
2.	A.T.F	1760	-	-
3.	Naptha	-	-	8000
4.	L.D.O.	2100	3300	5100
5.	F.O.	3000	4200	6100
6.	L.P. Gas (Inner Harbour)	-	2000	-
7.	L.P. Gas (Outer Harbour)	-	3000	-
8.	Navygrade Fuel Oil	-	1500	-
9.	LS HF HSD (Low sulphur High flash HSD or Navy-Grade HSD)	1500	3600	5800
10.	S.K.O.	2600	3700	5500
11.	Gas Oil/HSD	2600	3900	8800
12.	Import POL (Outer harbour)	-	9500	-

Sl. No.	Name of the Product	Proposed Norms per berth day (in tonnes)
13.	Import Crude Oil	34500
14.	Phosphoric Acid	6300
15.	Caustic Soda	3000
16.	Liquid Ammonia	4900
17.	Edible Oils	3200
18.	Molasses	4100
19.	Ethylene Alcohol	4100
20.	Molten Sulphur	7200
21.	Acrylin Nitrate	1800
22.	Sulphuric Acid	4000
23.	Rock phos. at F.B. other than CFL	3500
24.	Sulphur at F.B. other than CFL	2000
25.	Fertiliser at F.B. other than CFL	2200
26.	Molasses direct to trucks and pumping	300
27.	Styrene Monomer	2500
28.	IP Alcohol	2300
29.	Other Chemical (i). Upto 5000 tonnes (ii). Above 5000 tonnes	2000 3000
30.	Alumina Below 25000 tonnes parcel Above 25000 tonnes parcel	11500 16000

Sl. No.	Name of the Product	Proposed Norms per hook per shift (in tonnes)
31.	Wheat (export) (Bulk)	325
32.	Bagged Cargo (above 105 Kgs.)	233
33.	Bagged Cargo (upto 105 Kgs.)	100
34.	Bentonite (Export)	317
35.	Peas	250
36.	Blast furnace slag	330

- (ii). The norms fixed for coking coal under imports to be modified as follows:

Coal discharged by vessels with self discharging gear.	622 tonnes
All types of coal discharging by non-self discharging vessels.	360 tonnes

- (iii). The nomenclature at Sl. No. 23 of Section 2.3.8 i.e. DBM bulk to be renamed as refractory raw materials.
- (iv). Norm of 12000 tonnes per day proposed in case of bulk cargo discharged on to the shore from the gearless vessel by using floating crane.

C. Tariffs for transshipment of POL at anchorage:

Port dues on mother tanker	3 cents per GRT
Port dues on daughter tanker	3 cents per GRT for foreign-going vessel and Rs.1.5 per GRT for coastal vessel.
STS charges	Rs.20.00 per tonne on cargo transhiped from mother tanker.

Terms and Conditions

- (i). No further discount which is applicable to coastal vessel shall be extended.
- (ii). Mother tanker and daughter tankers are completely exempt from payment of road stead charges.
- (iii). If the daughter tanker after receiving cargo from the mother vessel at anchorage shifts to outer harbour for discharge and / or transshipment operations, then the tanker shall pay port charges as per the notified rates applicable for discharge and / or transshipment operations in outer harbour. In such case the amount already collected for the operations at anchorage from the daughter tanker towards port dues as indicated above shall be treated as payment and adjusted against the notified rates for port dues payable at outer harbour.
- (iv). For the tankers with segregated ballast, the reduced gross tonnage indicated in the remarks column of its international tonnage certificate will be taken to be the gross tonnage for collection of port dues.
- (v). The above rates are inclusive of charges for services like provision of one tug as stand-by by VPT, provision of 2nd tug to undertake towage of fender string to lighterage site from port, inter ship and back to port after completion of mother vessel, routine on-site fender maintenance between STS operation as per loading master's instructions and handling of flexible houses for the STS operation. All other services other than mentioned above shall be charged as per notified rates. Port fenders, subject to availability and suitability, shall be supplied at notified rates.
- (vi). In case a daughter tanker after completion of transshipment at anchorage shifts to outer harbour for transshipment and / or discharge and again shifts to anchorage for receiving the cargo from the mother tanker, all such movements shall be treated as shifting only and no pilotage fee will be levied. In other words, shuttling of daughter from / to anchorage and outer harbour till her final departure from the port shall be treated as shifting only to / from outer harbour for transshipments and / or for discharge and / or for onward movement to Haldia.

- (vii). The above rates is applicable for all crude transshipments taking place in anchorage within the port limits.

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

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

- (i). The VPT has proposed to hike the existing hire charges mainly on the ground that the activity has become un-remunerative due to high maintenance cost. In fact, revision of rate could be considered alongwith the next general revision which will fall due in May 2003 based on the financial position reflected by the cost statement for the concerned activity. Nevertheless, since the VPT has pleaded for this hike in view of high operating cost of forklifts, this tariff item is decided to be considered for revision ahead of schedule.

The VPT has stated that at the time of the last general revision, the individual cost centres were not considered but the total activity was analysed. In this context, it needs to be clarified that the VPT had expressed its inability to prepare cost statements for the various cargo and vessel sub-activities and hence this Authority could not analyse the financial position of the individual cost centres but had to take a decision based on the position obtaining for major activities.

- (ii). The VPT has considered the present day cost of the forklift truck at Rs. 8.5 lakhs for arriving at the proposed wharfage rate. The depreciation and return on capital employed have been computed on the present day cost by the VPT.

As per the general practice adopted by this Authority at all the major ports, the return on capital employed is allowed on the net block of asset plus working capital and not on the replacement cost; likewise depreciation is considered on the original cost of the asset. The return on capital employed is, therefore, revised based on the average book value of these fork lift trucks as indicated by the VPT.

The port has also indicated the depreciation of these forklift trucks on the original cost of the asset taking into consideration the life norms as prescribed by the Government for all the major ports of India. In line with the general policy adopted by this Authority at all the other major ports, the depreciation is allowed on the original cost of the equipment.

- (iii). The VPT has not indicated the overhead cost relevant for this activity but has prescribed a percentage of 21% over the repairs and staff cost. It may be relevant to mention that in the last general revision Order passed by this Authority adopting 'cost plus' model, all the overheads have been duly accounted for in the tariff analysis. Overhead expenses remaining constant for the activity/port as whole for a given period, if they are allocated to the forklifts 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 overheads will be an excess allocation. That being so, overhead elements considered by the VPT in its calculation are excluded.
- (iv). The VPT has estimated an expenditure of 10% of the present day cost towards repairs and maintenance. Despite our request to indicate the overhead and maintenance cost based on actuals for this cost centre, the information in this regard was not made available. It may be relevant to mention that a few other major ports have estimated repairs and maintenance expenditure at 3.33% of the original cost of the asset. The VPT has furnished the expenditure on maintenance of the fork lift trucks in the year 1999-2000 which is more than twice the income from hire of plant & gear for cargo handling. It is observed that life of most of these forklift trucks is more than 3-5 years; and hence, the repairs and maintenance cost will

undoubtedly be relatively higher. Therefore, 10% of the original cost is allowed towards repairs and maintenance in this case recognising the life of the forklifts and the fact that no separate overhead element is allowed in the costing.

- (v). The VPT has not specifically included the insurance cost in its calculation for arriving at the hire charges. To a query raised, the VPT has clarified that the forklift trucks are not insured since they are being used by the traders on hire basis, however, the damage to the forklift is liable to be claimed from the hirer in case of any damage on the forklift as per the clause prescribed in the SOR. It may be advisable for the VPT to insure the equipment and claim damage from the insurance company and not from the users. In such an event, the insurance cost will be an admissible cost item for arriving at the tariff.
- (vi). Based on the guideline issued by the Government stipulating an availability norm of 75% for fork lift truck assuming 352 days per annum the capacity available per annum comes to around 6336 hours. The VPT in its working has considered availability hours of these forklift as 6000 hours based on 250 working days with three shifts working. It has indicated capacity utilisation of 34.5% for the year 2000-01 which if applied for arriving at the fuel cost and the cost per shift, the hire charges would be very high as compared to the rate proposed by the VPT. This may not benefit the users. That being so, the assessed capacity of 6000 hours as indicated by the VPT is considered in the instant case which will work out to 94.7% of the availability norms prescribed by the Government. In line with the general principle adopted by this Authority, the return on capital employed in the instant case is allowed only to the extent of 94.7% of the maximum admissible level of 18.5% Incidentally, the VPT has considered only 18% ROCE in its calculations as against maximum admissible level of 18.5% which is corrected in the revised calculations.
- (vii). The VPT has stated that the unit of levy of hire charge is proposed to be shifted from per hour basis to per shift of eight hour basis since it becomes difficult for the port to hire the fork lift truck for such a short spell of time and also to keep track of the actual utilisation hours. The justification given by the VPT is found reasonable and hence this Authority is inclined to accept the same.
- (viii). Subject to the above, the calculation of hire charges of forklift truck has been revised. The revised calculation is attached as **Annex-I**. The revised working indicates a hire charge of Rs. 2172 per shift of eight hours or part thereof which is approved.
- (ix). As admitted by the VPT, the intention of the port is to gradually withdraw from the supply of forklifts for operations. Towards this end, the fleet is reportedly being phased out. Paradoxically, the port even now, however, insists on the trade to use its forklifts only. This stand coupled with the reduced availability of equipment due to phasing out of the fleet may cause problems for the users. The users have, therefore, demanded that they should be allowed to bring in their own forklifts for operation. This does not appear to be an unreasonable demand given the poor availability of the port's forklifts. The VPT may, therefore, consider allowing private forklifts for operations, if a user wishes not to hire the port's forklifts. The VPT would not face under utilisation of its fleet since the hire charges of Rs.2172/- per shift fixed now is competitive when compared to the prevailing rate of Rs.2,500/- per shift stated to have been levied by private operators.
- (x). In the last general revision Order, this Authority had approved the norms of hook (shift) output for various commodities handled by conventional means in order to determine the berth occupancy of vessels for levy of penal berth hire charges. The VPT has now proposed to add norms for cargo handled through pipelines/conveyor system and output norms for a few more cargo items since they do not exist in the present Scale of Rates. The methodology adopted for arriving at these norms is reportedly the same as was followed in the general revision proposal. The VPUA and few other user organisations have pointed out that the norms proposed for

Rock Phosphate, Sulphuric Acid, Caustic Soda, etc., need to be reduced taking into consideration the average discharge capacity of these cargo. In line with the suggestion of the users the VPT in its revised proposal has scaled down the output norms for cargo items cited in reference.

In pursuance of a decision taken at the joint hearing, norms for various categories of POL products as identified by the HPCL have been proposed. At the joint hearing held on 21 January 2003 the EIPL and some of the oil companies have requested to prescribe concessional norms for low volume parcels of petroleum and petroleum products. In this backdrop, the VPT has proposed three sets of norms for POL parcels upto 5000 tonnes, 5000 tonnes to 10,000 tonnes and above 10,000 tonnes.

Further norms for other cargo viz. Alumina, bagged cargo, etc., have been proposed as mutually agreed with the representatives of the Stevedores Association and Clearing and Forwarding Association. In the recast proposal the port has also proposed to incorporate norms for a few more cargo items as decided in the joint hearing.

Since the revised norms proposed by the VPT have been arrived at in agreement with the users and by adopting the methodology already approved while fixing the hook shift output in respect of the cargo handled by conventional means, this Authority is inclined to approve the norms proposed in para 7(B) (i) above.

- (xi). In view of a uniform norm prescribed for bagged cargo, the VPT has requested to delete the norms prescribed in the existing Scale of Rates for wheat, rice, and other cargo handled in bags since it will be redundant. This suggestion of the VPT appears to be reasonable and hence is accepted.
- (xii). The VPT has also modified the norms fixed for coking coal (import) by segregating it in two parts – coal discharged by vessels with self discharging gear and coal discharged by non-self discharging vessels. Since the proposed modification may benefit the users and none of the users have objected to the same, this Authority is inclined to approve the proposed modification.

The proposal to rename the nomenclature of item 'DBM in bulk' as 'Refractory raw material' in the existing schedule prescribing commodity wise output norms for import cargo is just a correction and hence is approved.

- (xiii). An output norm of 12000 tonnes per day is proposed for discharge of bulk cargo on to the shore from gearless vessels by using floating crane in view of commencement of a new operation of discharging limestone at the VPT. None of the users have raised any objection to the proposed norms and hence this Authority has no reservation to approve this proposal.
- (xiv). The INSA has made a suggestion of considering the performance achieved above the cut-off limit by the vessel agent and adjust such credits with the penalty for under-performance, if any. The VPT has responded to this suggestion of the INSA. The issue at consideration is not an efficiency-linked tariff scheme but fixing norms of berth occupancy for imposing a penalty. This is necessary to mainly discourage vessels from overstaying or idling at berth recognising that a berth, which is a scarce resource, should be optimally utilised. The suggestion made by the INSA is to may be kept in mind when the VPT formulates its proposal for an efficiency linked tariff scheme.
- (xv). The VPT has proposed consolidated charges for transshipment of POL at its anchorage. The rates proposed are less than the notified tariff. Recognising the commercial judgement of the VPT and also the fact that the proposal has been formulated after discussion with the main users of the facility, this Authority approves the proposed tariff arrangement for transshipment of POL.

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

- (i). The hire charges for forklift trucks upto 5 tonne capacity is fixed at Rs.2172/- per shift of eight hours or part thereof.
- (ii). The output norms for cargo handled through pipelines/ conveyor and output norms for other cargo items as proposed in paragraph 7 (B) above.
- (iii). Then rates and conditionalities governing transshipment of POL at anchorages as proposed in paragraph 7 (C) above.

(A.L. Bongirwar)
Chairman

Annex- I

Statement showing revision of hire charges of 3 tonne capacity forklift truck

Sr. No.	Particulars	Amount Rs.in lakhs
	Available capacity as per the norms prescribed by the Govt. (352*24*75%)	6336
	Capacity considered by the VPT in its working	6000
	Capacity Utilisation in % as indicated by the VPT	94.7%
A.	<u>Annual Capital Cost</u>	
(i).	Return on Capital linked to capacity utilisation (Rs. 2.96 croresx18.5%x94.7%)	0.52
(ii).	Depreciation	0.85
	Sub total (A)	1.37
B.	<u>Annual Operation and Maintenance Cost</u>	
(I).	<u>Operation cost</u>	
(i).	Repair & maintenance	0.68
(ii).	Staff charges	8.23
(iii).	Fuel cost (6000 hrs *Rs. 18*3 ltrs)	3.24
(iv).	Lubricants and stores	0.87
	Management & general overheads	1.90
	Sub total (B)	14.92
	Total Annual Cost (A) + (B)	16.29
	Cost per day (in Rs.)	6515
	Cost per shift of 8 hours (in Rs.)	2172

**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/82/2001-VPT - Proposal from the Visakhapatnam Port Trust for
(i) revision of hire charges for forklift trucks; (ii)
fixation of norms for cargoes handled through
pipeline/conveyor; and, (iii) fixation of tariff for
transshipment of POL at anchorage.

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

**Visakhapatnam Port Users Association, Vizagapatnam Chamber of
Commerce & Industry, Visakhapatnam Clearing & Forwarding Agents
Association, Visakhapatnam Steamship Agents Association and
Visakhapatnam Stevedores Association**

A. Regarding revision of hire charges for forklift trucks

- (i). The two abnormal successive increases in the hire charges of forklift trucks within a short gap viz. an increase of 75% w.e.f. 4 June 2001 and the current proposal for an increase of 67% again is not justified.
- (ii). Most of the forklift trucks are not in a working condition; and, at any given point of time only 6 to 8 forklift trucks are available for hiring to trade. The basis of taking capital cost of a new forklift truck at Rs.8.5 lakhs for the already existing fleet of forklift trucks is, therefore, not understandable.

B. Regarding fixation of norms for cargo handled through pipeline/conveyor.

- (i). The norm for Rock Phosphate may be reduced from 4000 MT to 3500 MT PWWD in the light of the fact that discharge of this cargo is controlled to keep the dust levels emanated by this cargo within the prescribed limits.
- (ii). The norm for Sulphuric acid should be fixed at 3600 MT PWWD, as the average discharge rate of Sulphuric acid is 250 MT per hour.

- (iii). The norm for the Caustic soda should be fixed at 3000 MT PWWD keeping in mind the various factors like size of shipment of caustic soda, pumping capacity of the tankers, etc.

C. Tariff for transshipment of POL at anchorage

The rates proposed appear to be on a higher side as compared to the rates offered by the neighboring private ports. The rates should be fixed in comparison to the prevailing rates in the neighboring private ports.

- 1.2. The comments of the VPT on the observations made by the representative bodies of port users are summarised below:

- (i). The contention that the forklift trucks are not in working condition is not correct. The availability of forklift trucks during 2000-01 is 67.30% as against the norms of 75%.
- (ii). The norm proposed for Rock Phosphate, Sulphuric Acid and Caustic Soda are reasonable in view of the average output per berth day during the year 2000-01 and further reduction cannot be considered.

2. A joint hearing in this case was held on 6 November 2001 at the VPT premises in Visakhapatnam. At the joint hearing, the following submissions were made:

A. Regarding revision of hire charges of forklift trucks

Visakhapatnam Port Trust (VPT)

- (i). The proposal is also necessitated by the TAMP Order against cross-subsidisation.

- (ii). Since there are not enough forklift trucks in the private sector, our forklift trucks are over-worked, and hence, the maintenance expenditure has enormously increased.
- (iii). One reason for increasing the rate is to force the private sector to buy their forklift trucks.
- (iv). The life of the forklift trucks in other ports is 10 years; in VPT it is only 3 months. Government guidelines gives the life as 7 years, but, the reality is that our equipment last only for 3 months.
- (v).
 - (a). VPT withdrew from giving forklift trucks on board; one year notice was given, even then the trade was not ready.
 - (b). Not giving forklift trucks on-shore is a more tricky issue; the unions oppose; the trade is also not of one view on this.
- (vi). Forklift tariff was fixed 20 years ago. We do not know why it was not revised for so long. We want to do it now.

Indian National Ship owners Association (INSA)

- (i). Motives may be correct but, the proposal *per se* is irrational; there is no basis.
- (ii). Elaborate exercise has been done in the last 2 years for revision of the SOR. At this stage there is no justification for a revision of rates for the forklift trucks.
- (iii). We are willing to invest in the forklift trucks, let the VPT assure us of freedom to use our own forklift trucks.
- (iv). If the VPT has serious problems in maintaining its forklift trucks, let them auction all their 3 tonne forklift trucks straight away.

- (v). Give a 90 days lead time to us; and, give us freedom to use our own equipment, we will invest.
- (vi). Why allow giving fork lift only on-board; give on-shore also, we will have sufficient motivation for investment in the forklifts. (The VPT accepted this request and assured to give a revised norm.)

Visakhapatnam Clearing & Forwarding Agents Association (VC&FAA)

- (i). Dirty cargo like cement is not there now; forklifts need not be damaged so much now.
 - (ii). VPT's forklift trucks are old; how can the cost of a new forklift be applied to them?
- B. Fixation of norms for cargoes handled through pipe lines / conveyers

The Visakhapatnam Port Trust

- (i). Due to restrictive labour practices, even supervisors are not interested in productivity increase. To tackle this there is a need for cargo handling norms.
- (ii). We have taken 80% of 3 years average productivity; operational hurdles are all therefore built into the norm.

Visakhapatnam Steamship Agents' Association (VSAA)

- (i). We have no objection to the norms, we object to the rigid attitude of the port.
- (ii). Please do not average apples and Oranges; Caustic soda (imported and domestic) imported is in small parcels; operational capacity is less. We cannot conform to the norm.

Hindustan Petroleum Corporation Limited (HPCL)

"All other petroleum products" is too wide a grouping. Not all products can conform to the common norms. Let the group be split into groups of more

comparable item. (The VPT accepted this request and assured to give a revised norm.)

Indian National Ship owners Association (INSA)

Give a reward for better performance just as a penalty for poor performance or introduce a pass book wherein credits can be entered so that we can set it off against penalties. (The VPT agreed that the suggestion about introducing a reward scheme will be examined further.)

C. Tariff for transshipment of POL at anchorage

The Visakhapatnam Port Trust (VPT)

- (i). Discount on port dues is proposed to attract larger vessels.
- (ii). We are adopting the HDC rates on an experimental basis.
- (iii). On daughter tankers, port dues are charged only for 'entry' and not for 'exit'. We will remove this ambiguity in the description.

Shipping Corporation of India (SCI)

- (i). The HDC rates are not the same, the CPT has reduced the rates. Daughter tankers are not charged for every trip; they are charged only once.
- (ii). No pilotage is charged on mother tankers because no service is provided. (The VPT accepted that it was earlier wrongly charging pilotage on mother tanker; they have now discontinued)

3.1. The VPT has vide its letter dated 3 December 2001 submitted a revised proposal completely modifying the third component of the original proposal i.e., fixation of tariff for transshipment of POL at anchorage.

3.2. A copy of the revised proposal (on transshipment of POL at anchorage) was forwarded to various concerned port users, and representative

bodies of port users for their comments. The comments received from the OCC are summarised below:

- (i). Deletion of pilotage fee on mother tankers which was earlier proposed at 5 cents per GRT is in line with the discussions held with the VPT on 6 November 2001; however, the introduction of anchorage fee at 5.5 cents per GRT is actually an increase rather than a concession.
- (ii). No shifting charges should be levied on movement of tankers after transshipment at anchorage to outer harbour since no such shifting charges are levied at present.
- (iii). Roadstead charges should not be levied on tankers anchored at roads even in cases where tankers are to reanchor and await transshipment of crude/POL from tankers already in port or expected to arrive at a later date.

4.1. A joint hearing was held on 6 February 2002 in Visakhapatnam in respect of the revised proposal from the VPT for fixation of tariff for transshipment of POL at anchorage. At the joint hearing, the following submissions were made:

Visakhapatnam Port Trust (VPT)

- (i). We have recast the proposals regarding pipeline traffic and transshipment operations. All are agreed. Please approve.
- (ii). We will revise the transshipment tariffs as requested in consultation with IOC / HPCL.

Indian Oil Company (IOC)

- (i). We agree with the revised proposal formulated in consultation with the HPCL. Only recast the rates for the M.S. and LS HSD with respect to recent actuals.
- (ii). We have asked for waiver of pilotage on mother vessel in case of transshipment. This has been accepted, but, a higher anchorage rate has been proposed!

4.2. At the joint hearing it was decided that the VPT would (further) recast its proposal in consultation with HPCL and IOCL.

5.1. Another joint hearing in this case was held on 21 January 2003 at the VPT premises. At the joint hearing, the following submissions were made:

Component A : Fork Lift Charges

Visakhapatnam Port Trust

- (i). We want to rationalise our services.
- (ii). We are spending more than what we realise from forklifts. The market rate now for hire of forklift is around Rs.2500/-.
- (iii). Now, there is a restricting on users. They cannot bring their forklift when port's equipment are available. I concede that this is unfair to Trade.

Indian National Shipowners' Association

- (i). Comparing only one tariff item with private sector is not correct. We should take a holistic view.
- (ii). Rates charges by private operator are volatile. It has fallen from Rs. 4000/- a few years ago to Rs. 2500/- now.
- (iii). We request not to revise the rate till next general revision.

Component B : Norms for cargo handled through pipelines /conveyor and other cargo items:

Visakhapatnam Port Trust

- (i). The norms proposed are agreed formulations.
- (ii). Norms are fixed taking 80% of last 3 years' figure. It will take care of all eventualities.
- (iii). We will give a further list of items to be included in the Scale of Rates in 15 days' time.

M/s. East India Petroleum Limited

We handle small parcel sizes. Our share is only 2%. The norms should be different for smaller parcel size.

Indian National Shipowners' Association

We welcome transparency. But, there should be a discretion to port management. Before imposing a penalty, a case-to-case analysis is required. Sticking blindly to predetermined norms is not useful.

Component C : Tariff for Transhipment of POL vessels at anchorage:

Visakhapatnam Port Trust

We want to revise the proposal. On mother vessel, the consolidated rate will be 3 cents. On daughter vessel, again 3 cents. We will give an agreed proposal in 15 days in consultation with relevant users.

5.2. At the joint hearing the EIPL have further furnished written submission in support of its claim to give concession in the norms for small size parcels. It has stated that since its parcels are in the range of 2000 MT to 4000 MT, the impact of unproductive hours is substantial to the extent of 5-8 hours as compared to the oil companies which bring large parcels. Since it has a single line, the vessels have to wait at the berth while preparation activity is carried out between the parcels thereby drastically reducing the overall performance of the vessel. In view of the above, it has requested that the norms for vessels calling at the inner harbour may be fixed at 1500 MT per berth day for petrochemicals and 3000 MT per berth day for naphtha/SKO and furnace oil.

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