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**TARIFF AUTHORITY FOR MAJOR PORTS**

**No. 81**

**New Delhi 17 April 2002**

**NOTIFICATION**

In exercise of the powers conferred by Sections 48, 49 and 50 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby approves the proposal of the Kandla Port Trust for a general revision of its Scale of Rates as in the Order appended hereto.

**( S. Sathyam )**  
Chairman

**Tariff Authority for Major Ports**  
**Case No. TAMP/114/2001-KPT**

The Kandla Port Trust (KPT)

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Applicant

**ORDER**

(Passed on this 8<sup>th</sup> day of April 2002)

This case relates to a proposal received from the Kandla Port Trust (KPT) for general revision of its Scale of Rates (SOR).

2.1. The KPT has stated the following main reasons for proposing a general revision of its Scale of Rates:

- (i). A comprehensive revision of its SOR was last done in November, 1993; and, thereafter no general revision of the tariff structure was undertaken due to the strong financial position of the KPT and emergence of various private ports in the nearby vicinity of the Kandla port.

The tariff was, however, revised subsequently on several occasions on piece-meal basis in respect of hire charges of floating crafts, storage charges, etc.

- (ii). Both the TAMP and the Ministry of Shipping have directed the KPT to go in for general revision of tariffs; and, also stressed that the Port Trust has to ensure a rate of Return on Investments (ROI) as per the prescribed guidelines.
- (iii). Due to cross-subsidisation of general cargo by the oil traffic, the upward revision of tariff had been avoided; however, with the commissioning of Reliance Refinery and the PVKL Pipeline, the oil traffic has registered a steep decline of about 7.7 MTPA during the financial year 2000-01 as compared to the financial year 1999-2000. The year 2001-02 has also indicated a downward trend in the POL traffic making the cross-subsidisation impossible.
- (iv). The financial position of the Kandla division of the KPT indicates an operating deficit of Rs. 2.89 crores in the year 2000-01, which if combined with the return on the investment (@ 18% on assets worth Rs. 400 crores) will necessitate a hike in tariffs by approximately 71% of the operating income.
- (v). The financial position of the Vadinar Division being in surplus, no revision in the SOR for the activities at the Vadinar Division is proposed.
- (vi). The operating costs and other expenditure have increased manifold, since last revision in 1993. There has been 125% increase in the operating cost, 160% increase in the salaries & wages, 565% increase in the pension cost; 543% increase in the power cost; and, fuel cost has increased by 30% during the year 2000-01 resulting in increase in the cost of water supply and overall increase in the cost of materials required by the port trust. Apart from these costs there has been on-going expenditure on dredging for deepening and maintenance of channel draft of 13.5 meters.
- (vii). The heavy investments of around Rs. 333.84 crores made during the last eight years for providing the infrastructural facilities have resulted increased operating and maintenance cost and depreciation. The ambitious expansion plans for development of the port infrastructure shall also entail heavy capital expenditure to the tune of Rs. 497.70 crores in the next five years

2.2. The KPT has reportedly considered the following main points while proposing general revision of its Scale of Rates:

- (i). Overall scenario of the Industry with reference to market, economy, competition, and, impact of two successive natural calamities viz. cyclone in June 1998 and earthquake in January 2001, which have badly affected the trade of the Kutch region in particular.
- (ii). Standardisation and simplification in the tariff structure to ensure more transparency and simplicity.
- (iii). Tariff leverage for deciding about the promotional pricing for oil jetties to ensure better utilisation of spare / idle capacity.
- (iv). Tariff prevailing in the neighboring ports.

2.3. The highlights of the tariffs proposed by the KPT are as follows:

- (i). Vessel related charges (at Kandla Division) are proposed to be increased in the range of 43% to 57%. It is proposed to prescribe wharfage on bulk cargo; and, to levy an additional charge of Rs.15/- PMT for break-bulk cargo requiring port labour.
- (ii). Wharfage of POL and LPG is proposed to be increased by 60% wharfage on edible oil and non-hazardous chemicals is proposed to be increased by 14%.
- (iii). Separate charges for supply of additional tugs are proposed instead of including them in the pilotage fee.
- (iv). Stream dues at inner anchorage is proposed as 20% of Berth hire charges.
- (v). Schedule of Warehousing charges is proposed to be deleted.
- (vi). The hire charges for floating crafts is proposed to be rationalised based on the capacity of the crafts. Similarly it is proposed to rationalise the dry dock charges based on the size of the crafts.

2.4. The proposal was approved by the Board of Trustees of the KPT unanimously in their meeting held on 7 November 2001.

2.5. The KPT has requested to grant approval to its proposal of general revision in its Scale of Rates by 50%. The KPT has added that it requires additional revenue of around Rs. 75 crores to bridge the cost deficit. Taking into consideration market economy, competition and impact of two natural calamities, it has decided to moderate the hike in tariffs required. A moderate hike of 50% in rates proposed is expected to yield additional revenue of Rs. 33 crores per annum.

3.1. The cost statements initially furnished by the KPT contained figures for the past 3 years only; however, since tariff validity cycle of two years is adopted, the cost position in respect of next two years i.e. 2002-03 and 2003-04 will be relevant for determining the extent of tariff adjustments required. The KPT was, therefore, advised to submit the revised cost statements accordingly.

3.2. The KPT has subsequently in January 2002 furnished the revised cost statements for the year 2001-02, 2002-03 and 2003-04.

4. In accordance with the consultation procedure prescribed, the proposal of the KPT was circulated to various concerned port users/ representative bodies of port users for their comments. At the request of the users, the last date for furnishing their comments has been

extended twice upto 20 February 2002. The comments received from them are summarised below:

**All India Rice Exporters' Association (AIREA)**

- (i). As against the present wharfage rate of Rs.15/- per tonne (after giving a rebate of 50% for export cargo) on food grains, the proposed rate is Rs.26.25 per tonne (Basic rate - Rs.11.25 +Shore Labour levy - Rs.15/-). The proposed increase of 77% will shoot up the cost thereby making the exports of food grains more expensive and compel buyers to move to other rice exporting countries.
- (ii). The handling charges shall not be increased in the present competitive environment as exporters are already working on wafer thin profits.

**Federation of Port Users & Customs House Agents'(FPU&CHA)**

- (i). While all the Major Ports are re-organising themselves to provide best of the services at reasonable charges, keeping in view the international competitive scenario prevailing in Shipping Industry, it is not an appropriate time to go in for any escalation. More so, in view of the two recent natural disastrous calamities, which has completely destroyed the economy of Kutch District.
- (ii). The justification given for the proposed hike as regards the timing of last general revision, the operating deficit and the resultant short recovery inclusive of ROI @ 18% on assets must be viewed with reference to the piecemeal revisions undertaken by the KPT wherever necessary.
- (iii). While computing the deficit for Rs. 2.89 crores, an investment of Rs. 47.89 crores is said to have been made for construction of Berth No. 9, during the period of last 8 years, (1993-2001). This is not correct as the expenditure on construction of Berth No. 9 is also projected in the capital expenditure of Rs. 497.70 crores planned for the next five years. The necessary adjustments on this account shall convert the deficit of Rs. 2.89 crore into a surplus of Rs. 45.00 crores.
- (iv). The ROI @ 18% on the assets worth Rs. 400 crores is nothing but a hypothetical deficit. The KPT has correctly submitted that either wing's losses need not be compensated from the other wing i.e. Kandla unit with the Vadinar unit. Likewise, the loss on account of reduction of oil traffic need not be compensated from the increase in income of the dry cargo services / handlings.
- (v). The reasons for increase in employees cost, dredging cost, fuel, water, etc., taking 1993 as the base year are not correct, as upto the year 1999 the ratio of income and / or surplus was more as compared to year 1993.
- (vi). The Central Government and the State Government have provided relief in Excise duty and Sales Tax in addition to allowing various other incentives for a period of five years in view of the colossal losses suffered by the Kutch district. The KPT is also expected to maintain parity with the Government and keep the general tariff revision in abeyance for a period of five years.
- (vii). The issue of CISF and its expenditure is irrelevant which has arisen because of the failure of the KPT to safeguard the valuable properties of the KPT and the users, as custodian. The CISF expenditure is an additional burden on the users.
- (viii). Under the plea of general revision, the facility of warehousing which is normally provided by the Ports, as stipulated under the Major Port Trust Act has been withdrawn. The existing warehousing facilities need to be continued for expansion of containerised traffic at the Kandla Port.

- (ix). The competition which the Port is facing has to be viewed seriously from the commercial and cost point of view. The increase in expenditure in the year 2000 is mainly due to wage-revision of the employees, which will not be a permanent feature, and for which allocation of funds shall be made every year. Showing employees expenses as one of the element contributing to increase in the total expenses is not a reasonable justification.
- (x). The KPT has avoided the element of existence of Dock Labour Board (DLB) at Kandla, whereas, nearby ports are free from the same. The DLB workers' sundry alone works out to Rs. 35 to 40 PMT at the Kandla Port towards stevedoring job, in addition to the actual cost of labour wages from Rs. 15 to 20 PMT, whereas at a nearby port, the cost of stevedoring is around Rs.18 to 20 PMT only.
- (xi). The other incentives and facilities extended by nearby ports such as allowing credit facility for port dues payment are not considered by the Kandla Port merely because its location is ideal to serve the Northern part of India. The nearby ports are developing the container terminal / conveyor belt system equipped with latest and modern operational equipments of international standard; and hence, economically, are in tough competition with the Kandla Port.
- (xii). The Port administration is expected to consult the users at a different forum, which has been avoided and the burden is completely shifted on to the TAMP. The claim that the Board of Trustees have unanimously approved the proposal is, therefore, not correct.
- (xiii). Proposed hike of 50% in the Scale of Rates to collect Rs.33 crores is not just and fair. The KPT's claim that an investment of Rs. 333.87 crores has been made for providing infrastructure for cargo handling during last 8 years needs to be factually and pragmatically understood. The Port on one hand claims to have made investment for construction of Berth No. 9 whereas at the same time Rs.47.89 crores has been envisaged in the projected capital expenditure for this purpose.
- (xiv). Development of Bunder-basin is a routine expenditure, which has been avoided by the port till date. Otherwise, the small crafts traffic could have started long back at the KPT.
- (xv). If the non-insurance charges collected by the KPT for more than 40 years @ 50% of hire cost was kept exclusively for future risk/damages, it would have covered and compensated the losses suffered in the calamities.
- (xvi). The KPT has a reserve of Rs.1100 crores, which has been invested in securities / loans / FDRs, etc. The annual income of around Rs. 100 crores does not seem to have been considered in the proposed revision of Scale of Rates.
- (xvii). The KPT is constructing berths and allowing the same on lease to private organisations. That being so the projected expenditure for construction of additional berth shall not be included in the capital block.
- (xviii). The feasibility of handling general cargo at the oil jetty by constructing conveyor belt system and developing the nearby area may be worked out to utilise the idle/under-utilised facilities.
- (xix). In the nearby ports, vessel-related expenses constitute only Berth Hire and Pilotage, whereas at the Kandla Port it includes levy of Port Dues, Pilotage, Berth hire and Stream Dues plus 5% service tax. As a result the nearby ports are found to be more favourable to the users so far as handing cost is concerned.
- (xx). An unbearable increase to the tune of 40% to 1887% has been proposed in the entire general revision proposal under the plea that an additional revenue of Rs.

33 crores per annum will be generated though the overall hike proposed of 50% of the existing tariffs.

- (xxi). Heavy burden have been imposed on containerised cargo availing services of fire fighting equipment and other services provided by the Port. Instead of developing hazardous cargo depot, import of hazardous cargo has been discouraged, which gives an impression that the KPT is avoiding responsibilities and traffic as well.

#### **Kandla Timber Association**

- (i). Our country has to depend on the import of Timber logs for own consumption because the Government of India has banned cutting of forests for timber. The proposed increase in the charges will defeat the very purpose of protecting our forests.
- (ii). The Timber Industry being a labour oriented industry, it must be provided with a growth oriented environment.
- (iii). The import of Timber Logs entails dealing in the international market in competition with the developed countries, whose currency is very strong as compared to ours.
- (iv). The present hike will have an adverse effect on the growth of timber industry and also on the income of the KPT from this commodity. An increase of 10% to 15% is, however, acceptable.

#### **Indian Farmers Fertiliser Cooperative Ltd. (IFFCO)**

Since the jetty in the O.J. region of the KPT has been built and maintained by it, the KPT must not levy wharfage on its cargo handled at the IFFCO jetty. In case, it is proposed to levy the wharfage charges, the proposed upward revision will not be reasonable and will need to be reviewed.

#### **Kandla Port Stevedores' Association (KPSA)**

Its views has been incorporated by the FPU&CHA. In addition to that, it has stated that the port has not furnished any item-wise justification of the proposed increase in the tariffs.

#### **Kandla Port Steamship Agent's Association (KPSAA)**

- (i). The reasons given for proposing steep hike in the SOR to the extent of 50% are not adequate to justify the proposal. The proposed increase will make the Kandla port more expensive forcing the users to severe their consistent support to the Kandla Port.
- (ii). The services and facilities provide must commensurate with the increased cost to the Port users. The KPT has, however, not given any details to improve the general working conditions at the Port, which may directly or indirectly reduce its costs. Increasing the revenue by imposing a hike in tariff is considered to be the only solution by the Port. No efforts are contemplated to reduce the operating expenses with a view to generate surplus.
- (iii). The Kandla Port is expensive because of numerous extra unofficial costs, which keeps on increasing without any corresponding improvement in the service and facilities. The port users have to bear the speed money of Rs.35/- to 40/- PMT to be paid to the DLB workers in addition the amounts payable officially as per the DLB bill. No attempts have been made to curb or eliminate these costs.

- (iv). The services of the KPT watch and ward staff is continued to be retained along with the CISF for security of cargo and properties. The KPT staff is being deployed for providing security at the residences of the KPT officers, which appears to be a new perquisite provided by the KPT.

The KPT has absolved itself from the duty of providing security to the containers and cargo therein in the port; and, the users have been asked to provide their own security.

- (v). The KPT is the bailee of the cargo in the port, which belongs to the importers and exporters; and, the port has both moral and legal obligation to protect their interest. By deploying the CISF, if pilferage has become lower, the KPT has merely fulfilled its obligation. The justification in this regard for increasing the port tariff cannot be accepted.
- (vi). Kandla is not an exception to the dredging cost. The port must explain the effectiveness of dredging done in the port. If such huge amounts are spent, the benefit must go to the port and port users. So far, the expenditure incurred on this account did not contribute towards improving the draft of the Kandla Port.
- (vii). The Adani port at Mundra poses a biggest threat to Kandla port for its deep draft and mechanical handling. In addition, minor ports in Gujarat are developing fast and expanding.
- (viii). The Kandla Port enjoys an inherent advantage of the North Indian traffic from the distance point of view. The fast developing minor ports will no doubt wean away the Kandla's traffic if in one stroke an increase as steep as 50% is imposed.
- (ix). The capital expenditure of Rs. 333 crores for infrastructure development in the last eight years had become necessary because in the past the KPT did not make adequate investments although it made profits. For example instead of having a Container Terminal at the port, the KPT gave loans to other ports ignoring the present and future infrastructural development needs of the KPT.
- (x). The KPT has not enlightened the latest financial position of its Vadinar unit in its proposal. Since the Accounts of the two units are merged, it is important to disclose the combined profit or loss position.
- (xi). It has reiterated the views of the FPU & CHA as regards relief granted by the Central and the State Government in the Excise duty and Sales tax to the trade and industry due to the earthquake in January 2001. The proposal of the KPT will negate this very purpose.
- (xii). The KPT would have handled higher traffic and avoided detention of vessels to a large extent if the bund area had been developed earlier to handle barges.
- (xiii). Apart from the cargo and marine related income, the KPT has income on its fixed deposits and other investments, the details of which must be reckoned with to get a clear picture of its financial position.

#### **The Container Shipping Lines Association (CSLA)**

- (i). The impact of inflation is inarguable. The KPT is contemplating to improve its financial position by increasing the tariffs without any concerted efforts to reduce the internal costs, improve the customer service and consider value additions.
- (ii). If the fall in POL traffic has warranted the proposed tariff, then the cross-subsidisation of POL with the other activities shall have to be addressed. Also, cost of unprofitable operations also need to be reviewed.

- (iii). The tariffs prescribed for the POL handling activities are at par with the tariffs of the same activities at other ports and are not subsidised at the Kandla port barring the local cost variations. If loss of the POL traffic has caused such a problem, and if other activities are being charged for at a rate that other ports can accept, then the costs of other activities need to be reviewed before the port is allowed to cover its revenue shortfall simply by passing its cost inefficiencies to its customers.
- (iv). If the POL traffic is lost, the port must explain its proposal to attract replacement revenue, deployment or shedding of the surplus labour, utilisation of surplus or under-utilised handling facilities etc. The Port cannot increase its revenue to secure a 'guaranteed' rate of return on capital investment in assets which are now unutilised or at least under-utilised.
- (v). It is fundamentally wrong to expect the trade to pay for the failure of the port to retain the existing business or to attract new business
- (vi). It seems unwise for a port to contemplate a substantial increase in tariffs which, by dint of its relatively limited infrastructure cannot handle mainline vessels, and depends upon the feeder connections with their additional cost disadvantages. Such an increase will reduce the advantages the port has as a result of its proximity to the industries of North West India.
- (vii). It is questionable whether the current revenue shortfall can be attributable to the earthquake of 2001 in this region to the extent suggested. It is also not clear whether the financial and material assistance allocated to the region to mitigate the consequences of the earthquake has been taken into account. The fact that the port had resumed most of operations quite quickly and handled additional volumes of aid cargo must also be taken into account.
- (viii). The increase proposed in ground rent is 107% for empty containers and 140% for laden containers which appears to be inequitable as compared to a general increase of 50% claimed by the KPT.
- (ix). The increase in storage charges is unwarranted in view of poor infrastructure and improper storage facility. The cost of inflation cannot be the only reason for recovery of cost by the Port Trust. The Port must generate more revenue by way of bringing in efficiency in process, more modern yard stacking systems, less cumbersome shuffling requirements of stacks, etc.
- (x). It will be difficult for the Lines to justify the increase proposed in storage charges of empty containers as these are not directly recovered from the trade.
- (xi). The charges for reefer points for first 15 days shall not exceed US\$ 17 per day. The proposal to increase these charges after the first slab of 15 days is illogical as the service rendered by the port remains the same.
- (xii). It appears that the KPT has not considered the benefit derived due to fluctuation in exchange on dollar denominated tariffs items.
- (xiii). There is no justification for proposing tariff for the reefer containers double the tariff for 40' container since it is technically proved that 40' container does not consume double the amount of electricity. The charges for a 40' container should be 1.25 to 1.5 times the 20' container rate.
- (xiv). The port is duty bound to supply power to reefer containers except under force majeure conditions. There can be no discretionary power left to the Traffic Manger not to do so. If adequate grid power is not available then the port must provide back up generator capacity as provided by the JNPT and the NSICT.

- (xv). The Pilotage charges proposed by the KPT are higher than the tariff applicable at the NSICT.
- (xvi). The increase proposed in Berth Hire and Port Dues are completely unjustified and does not follow the value for money concept.
- (xvii). The aspect of cross-subsidy again arises not only due to the differential between coastal vessel and foreign going vessels; but, also due to the increase in dollar differential as a result of the proposed increase in tariff.
- (xviii). The marine activity is earning a return over 18.61% even at the existing level of tariff which is more than the guidelines prescribed by the TAMP. There is, therefore, scope for downward revision in marine dues.
- (xix). The proposed increases will act as a disincentive for private operator to bring in the efficiency required to enable royalty commitment to be honoured.
- (xx). There is no real analysis of the profitability of various components.
- (xxi). Container vessels continue to lose priority to coastal feeders, which is not conducive to developing the trade. It seems inappropriate for the operators of such vessels to be asked to pay more when the service package offered does not measure up to basic standards or improved standards, which might warrant an increase.
- (xxii). As regards the privatisation in Kandla, the suggestion that the successful bidder be granted exclusivity is quite wrong. It is fundamental that the privatisation process should bring about improvements in the service and cost effectiveness through competition.

#### **Indian Oil Corporation Limited (IOCL)**

- (i). No increase is proposed for Vadinar division for Pilotage and Port Dues; however, for Mooring Charges proposed at SBM, there seems to be a typographical error.
- (ii). The anchorage fees for 30 days in the Vadinar division is proposed to be increased by approximately 50% which is not clear.
- (iii). The KPT has proposed to increase almost all the tariffs at the Kandla division; and, the increase proposed for some of tariff items are quite steep. If the intention of the KPT is to reduce the cross-subsidisation of expenditure on other cargoes by POL, there is no justification in increasing the tariffs of POL including pipeline transfer charges between oil companies using the Kandla Port facilities.

#### **The Shipping Corporation of India Limited (SCI)**

- (i). The interest of Port Users need to be protected and not to be side tracked. A sudden increase to the tune of 50% on an average does not carry any conviction.
- (ii). Revision of Scale of Rates must commensurate with the services and facilities provided by the port. The existing facilities are inadequate.

4.3. The comments received from the users were sent to the KPT as feed back information.

5.1. A joint hearing in this case was held on 8 March 2002 at the KPT premises. At the joint hearing, the KPT had made a detailed presentation highlighting its financial position in context of the revision proposed in the Scale of Rates.

5.2. At the joint hearing, the following submissions were made:

**Kandla Port Trust (KPT)**

- (i). Since the year 1995 there is a drastic change in the situation because of emergence of acute competition.
- (ii). Export incentives are given at the instance of Ministry of Commerce. It is a long standing facility.
- (iii). New initiatives from the CONCOR will cut into coastal vessel traffic. The CONCOR threatens to set up an ICD here that will take our containers away to the JNPT.
- (iv). We have categorised berths as 'crane berth' and 'non-crane berth'. A 10% concession is proposed for non-crane berths.
- (v). Rates recently fixed for floating crafts have not been altered. The proposed increase of 50% will not apply to them.
- (vi). Pension and wage arrears, cyclone / earthquake expenditure are met out of 'reserves'. We are not loading it on to the tariff revision.
- (vii). As regards Pilotage to cover one shifting we permit any number of shifts (not just one) free. We reckon with only one tug in Pilotage fees; but, we will accept your decision in this regard.

**The Container Shipping Lines Association (CSLA)**

- (i). We endorse all the points highlighted by the TAMP.
- (ii). There is no reference to improvement of efficiency or cost reduction. Please do something about it.
- (iii). There is drop in the POL traffic. Why should other cargo be required to fill up this drop?
- (iv). The KPT claims to become a feeder port. Why go for deeper draft then? There are no feeder vessels today that require a draft of 13.5 metres.
- (v). Why distinguish between 'coastal feeder' and 'straight MLO feeder' for according priority in berthing?
- (vi). Dredging cost of Rs. 100 crores has been envisaged by the KPT. We do not require 13.50 metres draft. Why then have dredging?
- (vii). For cyclone / earthquake relief everyone has contributed. There is no evidence of expenditure of that collection. Why load more expenditure from 'reserves'? The Government of India must bear such expenditure; and, it shall not be passed on to users.
- (viii). Foreign - going vessels are already overburdened. Coastal vessels need not get further concessions. Keep the concession on coastal vessel at 30% as at present directed by the Government of India. Do not increase the concession to coastal vessels.
- (ix). The proposal does not contain any 'profitability analysis'. There is only cost based approach. This is not correct.

**Kandla Port Steamship Agents' Association (KPSAA)**

- (i). The proposal is adhoc.
- (ii). There is no reference to quality of performance or cost reduction.
- (iii). Introduction of CISF helps the port to discharge its liability as a bailee. That cost shall not be shifted to the users.
- (iv). Vadinar must be included in the cost estimates. The position must be considered in totality.
- (v). There is a condition in the existing Scale of Rates about additional charge not being levied in special circumstances where two pilots are posted in any shipping operation or two tugs are required for berthing. The KPT has been ignoring this provision.
- (vi). Bills are given long after vessels are gone. How can the Agent pay?
- (vii). Lines have to carry a number of empties which is an additional burden.
- (viii). Charges for reefer containers are very high, therefore, traffic is going to the GPPL.
- (ix). The port does not accept any responsibility for disruptions in supply of electricity.
- (x). The totality of increase in vessel related charges works out to 68%; and, not 50%.
- (xi). In Pilotage charges various increases are proposed which are unjustified. The problems caused by tidal requirements have not been reckoned with.
- (xii). As regards provision of a safe anchorage, the KPT is duty bound to provide it. If it does not provide this service, it cannot charge for tugs required to pull back the vessel.

**The Kandla Port Stevedores Association (KPSA)**

- (i). Everything is based on 1993 position. That was a monopoly period. Now there are strident competitions, therefore, a totally different approach is required.
- (ii). Capital block needs a close scrutiny.
- (iii). The KPT says that four oil jetties have been constructed in the last eight years. This is factually wrong. These jetties were there even before 1993.
- (iv). Dredging cost is shown as Rs.41 crores for the year 2000-01; but, in the Balance Sheet it is only Rs.28 crores.
- (v). As per the Balance Sheet, the operating expenditure (including Vadinar) is only Rs. 84 crores whereas the KPT has shown it as Rs. 105 crores for Kandla only which is totally wrong.
- (vi). In the existing Scale of Rates, the wharfage is prescribed for packed items and for bulk items it is Rs. 15 less. The extra wharfage for bagged items is now proposed for meeting the cost of shore-based labour. The KPT's attention is now shifted from bag to bulk still they charge Rs.15 more.
- (vii). See the dictionary definition of wharfage. How can the KPT charge wharfage even when the wharf is not used at all?
- (viii). Why is the warehousing facility denied to some cargoes? It is irrational.

- (ix). For storage charges and ground rent, different rates are proposed for bulk, bagged and container cargo. Incredibly, it is the highest for bulk.
- (x). Reefers are not seriously considered. User is required to bring cable, generator, etc. What attitude is this? The KPT must provide acceptable facilities.
- (xi). For coastal vessel traffic, 30% concession must be maintained.
- (xii). Entry fee is not a revenue earning item. It should be only a token charge; and, cannot be increased from Rs. 7/- to Rs. 50/-.
- (xiii). Fire fighting must be a contribution from the port. Why charge heavily the users?
- (xiv). Weighing charge shall be 'per tonne'; not 'per truck'.

**The Kandla Stevedores Association Limited (KSA)**

- (i). The KPT must emphasise improvement in efficiency, cost reduction, and increase in productivity.
- (ii). Manning scales must be altered.
- (iii). The KPT disclaims responsibility for power failures. Lines are required to bring their cables, etc. Why not permit them to bring in their generator sets?
- (iv). In the KPT there is no DLB involvement at all with stuffing/destuffing of containers.
- (v). Even the Finance Minister consults the Trade before budget formulation. But, the KPT did not think it necessary to consult the users.
- (vi). Pile foundation of berths are disintegrating. Some action with the help of I.I.T. Chennai must be taken. What is there in this proposal for this?
- (vii). There is inadequate covered storage place. Please provide that.

**All India Rice Exporters Association (AIREA)**

- (i). We have hefty stocks. The KPT must charge less and encourage us. The quantum of traffic will make up for much more than the concession offered.
- (ii). Weigh bridge is not giving correct weight. We lose on every shipment. The KPT must properly maintain the weighing machines.
- (iii). Berths must be clean. Chemical berths are also allotted. How can edible items be handled there?

**Kandla Timber Association (KTA)**

- (i). We oppose the 50% hike proposed. We cannot absorb this burden.
- (ii). Other ports are offering more attractive terms.

**Kandla Custom House Agents' Association (KCHAA)**

- (i). The KPT did not discuss the proposals with the trade. We object to this utter disregard of users.
- (ii). Miscellaneous charge for crane is proposed to be increased from Rs. 530/- to Rs. 10,000/-per shift per crane. This is more than the berth hire itself. And, berth hire is supposed to include crane charges. Please remove this anomaly.

**The Gandhidham Chamber of Commerce and Industry (GCCI)**

- (i). We support all the points made by the users.
- (ii). Comprehensive revision of proposal is a good initiative or effort. But, it takes into account only internal (cost) factors. It does not take into account the market conditions.
- (iii). The recession in grain market has eroded the viability of this trade. We should not be governed by global considerations. Separate attention must be given to each commodity.
- (iv). There is no reference to improve service, improve efficiency, cut costs and thereby increase returns.
- (v). Coastal vessel traffic is to be encouraged hence give more concession. Give concessions in cargo related charges also.

**Indian Oil Corporation Ltd (IOC)**

- (i). The KPT says, Vadinar has been delinked. Why then have they proposed increase in some vessel related charges at Vadinar?
- (ii). POL cross-subsidisation is pegged at the existing level by the TAMP. Why is the KPT increasing rates for POL products at the KPT.
- (iii). Why increase rates for Inter Terminal Transfer? There is no justification for the increase proposed.
- (iv). The KPT says that coastal vessel movement of Vadinar transactions is part` of the KPT. There is no movement from one port to another port. This is a specious argument.

5.3. At the joint hearing, some of the port users / representative bodies of port users have furnished written submission which are summarised as follows:

**The Gandhidham Chamber of Commerce and Industry (GCCI)**

- (i). The series of natural calamities like cyclone in the year 1998 and 1999 and the devastating earthquake in the year 2001 have broken the backbone of the economy of this entire area. In view of this it is not appropriate to propose even a slightest hike in the Scale of Rates.
- (ii). The KPT did not invite the port users to discuss its proposal for revision of the Scale of Rates. Such unilateral proposition for increase in the rates cannot be accepted.
- (iii). The KPT has not considered the earnings of Vadinar which is actually one of the eight departments of the KPT.
- (iv). The KPT has not been proposed to reduce costs in order to generate revenue. Nothing has been proposed to reduce manning scales for both KPT and KDLB workers despite the fact that there has been 35% increase in wages payable to these workers with effect from 1 January 1998.
- (v). The comparisons given by the KPT about the rates prevailing at the neighboring ports are very selective in terms of totality of the handling components concerned. It does not give a fair view of the ground realities. A comparison of total transaction cost may be done to justify the proposal.

**Kandla Custom House Agents' Association (KCHAA)**

- (i). The KPT in order to justify the need for an across the board increase in its Scale of Rates have played with their accounting systems. It has conveniently excluded the profits of its off shore oil terminal department (Vadinar) so as to enable it to show a deficit of Rs. 2.89 crores for Kandla operations. The Vadinar cannot be treated separately as it is one of the total eight departments of the KPT.
- (ii). A sum of approximately Rs. 950 to Rs. 1000 crores has been invested by the KPT on which the interest earned is approximately Rs. 136 crores. If this interest income is considered to be of the KPT, then the deficit of Rs. 2.89 crores reflected by the port will be wiped out.
- (iii). There is no justification for proposing any hike in the wharfage charges on any of the cargoes in view of the fact that the KPT has not invested any funds in procurement of any cargo handling, infrastructure / equipment since the last many years except for the four shore cranes. It has not utilised more than 30% to 40% of its yearly budgetary provisions for infrastructure development.
- (iv). Wharfage of Rs. 15/- PMT proposed for bagged cargo towards the cost of shore labour is unwarranted since the shore labour do not even physically touch a bag while handling the cargo.
- (v). Proposed increase in storage and rental charges is unwarranted and unjustified since these rates were already revised in the year 2001. The contention of the KPT that the hike is proposed because damage cost on plots were not recovered from users is absolutely incorrect as almost three years back the KPT had decided not to claim damage charges on open kachha plots and also on pucca plots as the same were on reclaimed land.
- (vi). The hike proposed in storage charges on containers, vessel related charges etc., are absolutely unwarranted as it will consequently increase the transaction cost of an importer / exporter substantially resulting in diversion of traffic from the Kandla Port.
- (vii). The KPT must continue to provide warehousing facilities as being done in the past since it is a means of attracting cargo, especially import cargoes.
- (viii). The piece meal comparison shown by the KPT does not reflect the factual picture of a complete transaction costs for an exporter / importer.
- (ix). The service provided by the KPT does not provide value for money. The KPT has made no attempt whatsoever in this direction.

**Federation of Port Users and Customs House Agents' (FPUCHA)**

- (i). When new ports come-up in the nearby vicinity, decline in traffic is a natural phenomena. It, occurs, only if the port does not keep itself abreast with the latest development and modernisation effected in the upcoming nearby ports.
- (ii). The Balance Sheet of the KPT for the year 2000-01, reflects the strong financial position of the port with reserves of Rs. 1000 crores and net surplus after appropriation to various funds at Rs. 68.73 crores.
- (iii). The ROI has been computed on historical cost of assets. It is, therefore, not appropriate to propose hike in the tariff in view of short recovery of ROI to the tune of Rs. 72 crores.
- (iv). There may be decline in POL traffic in last few months; but, the overall graph shows a positive and upward trend.

- (v). Jetty no. 9 is not constructed. The KPT's claims to have built the 9<sup>th</sup> jetty at the cost of Rs. 47.89 crores is factually incorrect.
- (vi). Four Oil jetties stated to have been constructed by the KPT during the last 8 years were in existence even prior to 1993.
- (vii). Expenditure on dredging cost has been shown at Rs. 41.21 crores in the year 2000-2001 whereas the real expense incurred on this account is only Rs. 23 crores.
- (viii). The KPT has made a tall claim that by spending Rs.40 crores upto the year 2003-2004 the channel shall be deepened to 13.5 mtrs. whereas in the year 1999-2000 and 2000-2001 the KPT has spent approximately Rs.71 crores on dredging; but, the maximum depth of the channel available is 10.5 mtrs.
- (ix). Natural calamities cannot be a basis for proposing hike in the Scale of Rates. Two reserves of 3% each are maintained to meet these contingencies. Further, the KPT also has a sizable reserve on account of its levy of Non-Insurance premium. Similarly, separate reserves are maintained for salaries, pension, etc., and same cannot be taken as justification for proposing hike in tariff.
- (x). There is no justification for escalating the operating expenditure from Rs. 47 crores in the year 1993 to Rs. 105 crores in the year 2000-2001.
- (xi). The heavy capital expenditure to the tune of Rs. 497.70 crores planned in the next five years is not expected bring much relief to the trade.
- (xii). The KPT has neither provided nor made arrangement for even one gantry crane for handling container traffic despite having handled containers for last 22 years.
- (xiii). In view of the two natural calamities in this region resulting into heavy losses to the trade and due to stiff competition from the other nearby ports which are offering various discount / incentives to attract the traffic, any hike in the Scale of Rates of the KPT may be kept in abeyance for at least next five years.
- (xiv). The base of levy of wharfage rate has been proposed to be changed from bagged cargo to bulk cargo; and, additional charge of Rs.15/-PMT has been proposed in case of bagged cargo. This will discourage traffic at Kandla port.
- (xv). The wharfage is payable only if users have used wharf services and not otherwise. Hence recovery of wharfage on cargo sent back to town is not justified.
- (xvi). There is no justification for proposing 20% additional wharfage charges for liquid tankers handled at cargo jetty berths.
- (xvii). Denial of warehousing facility at Major Ports is not just and fair. It will defeat the aim of the Major Port Trust Act to extend the facilities of warehouses at ports.
- (xviii). The proposed provision to levy storage fees on import containers removed from the port area for destuffing / stuffing from the day following the GLD of the vessel is incorrect.
- (xix). The tariffs for reefer containers may be accepted only if the KPT provides sufficient reefer points. At present the port levies tariff for full day though it offers service maximum though for three to four hours.
- (xx). The port trust must grant atleast 7 days as grace period for payment of storage / rental charges or should accept deposits towards to avoid harassment to the users.

- (xxi). The proposed provision that the port shall not be a bailee in case the rented warehouse is locked violates the provisions of the MPT Act.
- (xxii). The rebate of 30% on coastal vessel as per the guidelines of the Government of India may not be reduced.
- (xxiii). The increase proposed in entry fee from Rs. 7/- to Rs. 50/- is not justified.
- (xxiv). The fire fighting service extended by the port is one of the social responsibilities of the port; and, is essential even for safety of port own properties. Hence, there are no expenses exclusively for port users.
- (xxv). Rebate for non-crane berths may be considered.

5.4. The CSLA has re-submitted its earlier comments.

6. Based on a preliminary scrutiny of the proposal, the KPT was requested to furnish additional information / clarification on various issues. Some of the main points raised are as given below:

- (i). The cost statements to be submitted separately for Kandla Division, Vadinar Division, Port as a whole and for different activities / sub-activities duly reconciling the totals with the Annual accounts / Revised estimates.
- (ii). Additional income due to variation in foreign exchange rate in the estimates of vessel-related income; and, additional income due to restoration of disparity at the accepted level between the tariffs of foreign-going and coastal vessels.
- (iii). Reasons for including expenditure on repairs and maintenance of jetties and dry dock expenses under cargo handling activity.
- (iv). The basis of apportionment of dredging expenses and common expenditure between the various activities including Management and General Administration expenditure.
- (v). Double counting of interest on loan - once as an item of expenditure and again as a part of ROCE - to be eliminated.
- (vi). Exclusion of the assets relating to Vadinar Division, assets unserviceable but not disposed of and assets damaged in cyclone / earthquake but still carried in the books from the capital block while calculating the ROCE.
- (vii). Confirmation whether additional traffic in the light of investments made in the additional berths and wharf cranes, are considered in the traffic projections.
- (viii). The Finance and Miscellaneous Expenditure (FME) to be included in the cost statements shall be as per the guidelines on the subject. As regard Finance and Miscellaneous Income (FMI), its effect (other than interest on government securities, FDR's, P.F. and other specific funds) must be considered in the cost statements.
- (ix). The reasons for not transferring the completed assets worth Rs.147 crores to assets account. A list to be submitted showing all the assets likely to be completed and capitalised during the years 2001-02, 2002-03 and 2003-04 respectively. The capital employed needs to be calculated as per the guidelines prescribed by this Authority.
- (x). Details about the installed capacity vis-à-vis the utilisation of berths handling Oil, general Cargo and for Vadinar Division.

- (xi). The reasons for proposing increase in Miscellaneous pilotage fees in the range of 110% to 368% as against overall increase of 50%. The reasons for provision for payment of Pilotage fee in addition to penalties for entering or leaving the port without a pilot.
- (xii). The definition of Pilotage fee needs to be modified to include the composite service of one inward movement, one outward movement and one shifting within the harbour. Separate shifting charges may be prescribed for second and subsequent shifting other than for port convenience.
- (xiii). Justification for the rebate of 10% proposed for non-crane berths with reference to cost of operating wharf cranes. Berth hire charges need to be proposed with reference to the facilities provided at different berths.
- (xiv). The basis of proposing Stream Dues at the inner anchorages at 20% of the Berth Hire charges.
- (xv). The reasons for proposing 60% increase in wharfage for POL and LPG when the cost statement for POL activity indicates a revenue surplus.
- (xvi). Reasons for proposing separate wharfage rates for import and export.
- (xvii). Reasons for deleting the provision regarding stuffing and destuffing of containers under the Wharfage schedule.
- (xviii). The Wharfage rates are proposed for bulk cargo and an additional wharfage of Rs. 15/- PMT is proposed to recover cost of shore labour. Justification for the proposed labour charge with reference to cost of supplying labour to operations.
- (xix). The reasons for deleting the Schedule of Warehousing charges.
- (xx). The reasons for incorporating a provision that locking of the rented warehouse shall not make the port bailee of the goods.
- (xxi). The reasons for proposing 100% increase in weighment charges and 900% increase for issue of certificate.
- (xxii). The effect of rationalisation of the dry dock hire charges to be worked out by comparing the revenue at old rates and at the proposed rates Also justify the dry dock charges proposed for private use.
- (xxiii). The reasons for substantially increasing the charges for wharf cranes hired for the purposes other than cargo handling.

7.1. In response to various queries raised by this Authority the KPT has furnished requisite information / clarification vide its letter dated 16 March 2002. It has also furnished modified cost statements and (draft) Scale of Rates.

7.2. An official level meeting was held during 18 March 2002 to 20 March 2002 to discuss the various points relevant to the proposal. Based on the discussion, the KPT has submitted supplementary information on 20 March 2002 and on 22 March 2002. Taking into consideration all the responses received from the KPT, the additional information/clarification furnished by the KPT are summarised as follows:

- (i). The KPT has furnished the separate cost statements for Kandla Division, Vadinar Division, Port as a whole and for various activities/ sub-activities duly reconciling the figures with the Annual Accounts / Revised estimates.

- (ii). Additional income due to variation in foreign exchange rate; and, also the additional income due to disparity in coastal vessel tariff has been indicated.
- (iii). As per the accounting procedure and policy followed, the expenditure on repairs and maintenance of jetties and bunders has been allocated to cargo handling operations instead of Berth Hire activity. Likewise, dry dock expense of fire float have been apportioned to cargo handling because mainly liquid cargo and general cargo avail of these services. This matter will be reviewed in future and, if necessary, rectification with prospective effect may be implemented.
- (iv). The dredging expenses have been apportioned to Berth hire and Port Dues based on the quantity dredged in the Channel and alongside the jetties. Bases of apportionment of various Management and General Administration expenditure have also been explained.
- (v). Double counting of interest on loan has been eliminated.
- (vi). The assets relating to the Vadinar Division has been excluded from the capital block for calculation of ROCE for other activities. Further, assets unserviceable but not disposed of and assets damaged in cyclone and earthquake are excluded while calculating the capital employed. Similarly, the revenue expenditure incurred due cyclone and earthquake have not been included for fixation of tariff revision.
- (vii). Additional traffic in the light of investments in additional berths and wharf cranes has been included in the traffic projections.
- (viii). Income estimates of major items at the proposed rates have been furnished.
- (ix). The FME has been considered in the cost statements as per the guidelines prescribed.
- (x).
  - (a). The assets completed were not transferred to asset account due to non-settlement of bills, etc.
  - (b). List of all assets to be completed and capitalised during the year 2001-2002, 2002-03 and 2003-04 has been furnished. A detailed working of capital employed, return on capital employed for the port a whole has been furnished.
  - (c). The KPT has proposed a lower rate of return of 13% for the year 2002-2003 and 15% for the year 2003-2004 taking into consideration market conditions and reduced interest rates on investment.
  - (d). The working capital considered in this working was Rs. 119.25 crores which appeared to be high. To a query raised to justify the working capital, the KPT has confirmed that capital employed has been computed based on the standard formula given by the TAMP. Working capital of Rs. 119.25 crores has been considered as per the Annual accounts of 2000-01 and is assumed to be of same level for next three years. Since cash and bank balance cannot be considered in the computation of working capital as per the TAMP's directions, it has submitted that accrued interest of Rs. 96 crores may be allowed as current assets.
- (xi). The dredging and marine survey cost included in the cost statement includes contract dredging, portion of expenditure on dry docking assigned to dredging crafts, etc. Capital dredging has reduced the cost of maintenance dredging and hence it is justifiable to apportion the dredging cost on all the vessels calling at the port.

- (xii). The total capacity of the port is assessed to be 36.67 million tonnes of which the capacity of Vadinar SBM is 21 million tonnes, Oil jetties is 9.17 million tonnes and general cargo jetties is 6.50 million tonnes.
- (xiii). The present ratio of foreign-going vessel tariff to coastal vessel tariff is 100:30. The ratio proposed in the instant proposal is 100:35. If the coastal vessel rates are hiked to 70% of the foreign-going vessel tariffs as per the Government guidelines the hike will be to the tune of 256%. Vessel profile has undergone a drastic change since 1999-2000 onwards. The coastal vessel visiting the KPT are mainly container feeder vessel of lower GRT which ply between the KPT and the JNPT. A substantial hike of 256% shall affect the container traffic itself. Hence it is proposed that the present rates for coastal vessel may be increased by 100% from the existing level.
- (xiv). The condition relating to rebate of 20% in vessel related charges on coastal vessel has been removed in the revised Scale of Rates.
- (xv). The tariff proposed for Miscellaneous Pilotage fees has been corrected in the revised Scale of Rates. In the event of vessel entering or leaving port without a pilot in addition to penalties prescribed, the Pilotage fee will also be applicable as per the provisions of the Indian Ports Act.
- (xvi). The Kandla Port being a tidal port is able to undertake safe berthing by use of one tug taking advantage of tidal flow. Since berths are constructed in a straight line of 2 Kms long, shifting of vessel may be required to accommodate any incoming / outgoing vessel. Hence, it is proposed that pilotage and shifting shall include cost of one tug and in the event Master of vessel indents for additional tug the same shall be on chargeable basis. It is proposed that number of shifting between Berth to Berth and Berth to Mooring shall be on port account.
- (xvii). All the cranes installed at the berths, except four cranes, are older ones. It is in the process of acquiring new cranes of adequate and higher capacity for ensuring proper and adequate handling facility even for gearless vessels. It is, therefore, submitted that the rebate of 10% for non-crane berths may be agreed to, and a review can be done after installation of new cranes.
- (xviii). The vessels are having the option of loading of cargo through Barges at inner anchorage. Since cargo loading takes place at inner anchorage through barges, 20% of the Berth hire charges prescribed is in order and justifiable.
- (xix). A sharp decline of about a million tonnes in POL traffic has rendered the facilities under-utilised. Hence wharfage on POL and LPG is proposed to be increased. The increase in rate is not going to be market sensitive and hence the proposal may be retained.
- (xx). The existing export cargo is levied a wharfage rate of 50% of the import wharfage. The financial implication of export wharfage of tariff at the level of import wharfage is maintained, which works out to Rs. 5 crores per annum. This facility has been extended to the exporters operating through the Kandla Port since inception of the Port and hence shall not be withdrawn in the present highly competitive market situation. The KPT has, however, furnished the details of cargo which are predominantly import or export.
- (xxi). The provision regarding stuffing and de-stuffing of containers under the Wharfage schedule has been deleted, as the Port does not carry out the said activity.
- (xxii). In the existing SOR Wharfage rate are prescribed for handling break bulk cargo; and, rebate of Rs.15/- PMT is granted to bulk cargo since no port labour is supplied. In the instant proposal, Wharfage rates are proposed on bulk cargo; and, an additional charge of Rs.15/- PMT is levied on break bulk cargo. It has

further clarified that revenue recovery on account of shore labour is Rs. 6 crores as against actual cost of Rs.10 crores. The existing levy of Rs.15/- PMT may be retained due to operational reasons.

- (xxiii). Out of the four warehouses, two of them were completely damaged due to earth quake. The first floor of the remaining two warehouses were also damaged. Hence, it is proposed to delete the schedule pertaining to Warehousing facility.
- (xxiv). The Port does not take custody of the cargo on rental terms; and, the liability of the Port as a bailee for the Customs will still be there. The Port will, however, not be considered as bailee of the cargo for the importers/exporters, as the Port does not taken charge of the cargo.
- (xxv). The existing weighment charges and also the charges for issuing certificate are abysmally low; and, hence revision has been proposed taking into consideration the market conditions.
- (xxvi). As already advised by the TAMP, the revised rate structure for hire of floating crafts has been proposed based on the capacity of the floating crafts for simplification and standardisation. No increase is proposed in the hire charges of floating crafts. It has furnished a detailed working of rationalisation based on capacity of the floating crafts vide its letter dated 20 March 2000 and 4 April 2002. It has stated that the average of the existing rates of the floating crafts have been considered while proposing the tariff for the crafts based on its capacity of the floating crafts.
- (xxvii). Dry docking is maintained mainly for the port's crafts and only in the event of spare time available, private crafts are entertained and hence comparison of revenue may not be insisted. The revision proposed for private use is approximately 50% which will take care of the deficiency in the rates.
- (xxviii). The charges for hire of electric wharf crane is proposed at a very high level, as a deterrent for preventing utilisation of wharf crane for activities other than loading/unloading of cargo.
- (xxix). It has justified its proposal for levy of five times penal berth hire charges. It has stated that pre berthing detention time of the vessel is high. Hence if a vessel stays in a berth without carrying out any cargo handling operations, it adversely affects the Port's revenue.
- (xxx). The procedure for assessment and claiming of damage caused to the port properties has been streamlined; and, a circular in this regard has already been issued on 5 February 2002.
- (xxxi). The capacity utilisation at Vadinar Division and Dry cargo berths of Kandla Division is above 100% whereas for liquid bulk handled at Kandla it is 50%. Further the average turn around time is 5.09 days, 2 days and 2.21 days for dry cargo, liquid bulk at Kandla and for Vadinar Division respectively. Additional capital investments and commissioning of equipment envisages an increase of 25% in the performance.

7.3. The KPT has furnished additional information/clarification in response to the various points arising in the joint hearing:

- (i). Dry cargo operation was cross-subsidised from the surplus generated by handling POL in the past. In the present scenario due to drastic fall in POL traffic such a cross-subsidisation is not feasible. Efforts have been made in the proposal to minimise the cross-subsidies. An abnormal expenditure of Rs. 90 crores has also been incurred from its reserve funds to withstand the two natural calamities in this region. This expenditure has not been treated as cost for purpose of revision. It

also envisages ambitious plan of Rs.497 crores on Railway infrastructure, etc. In view of this, it is not prudent to cross-subsidise the operations from the reserves. Instead the operations shall have to pay of its own atleast to some extent.

- (ii). Treatment of a vessel as foreign-going or coastal is in accordance with the directives issued by the (than) Ministry of Surface Transport. The TAMP guidelines also clarifies that a vessel in order to be a coastal vessel has to move from one Indian Port to another Indian Port.
- (iii). The cost of maintenance dredging has been kept under control. The total operating expenditure is kept under control by way of introduction of Voluntary Retirement Scheme (VRS), overtime cost kept under control despite reduction in number of employees etc.; and, due to this only the Port was in a position to control the hike in tariff to the present level.
- (iv). The services offered to the customers has been improved and value addition has been offered in the recent past by way of improvement in channel draft, deployment of CISF, new railway lines, new fendering systems, etc.
- (v). The existing provision to renew the plots rented is deleted to withdraw the discretionary powers given to the port officers in this regard and to avoid loss of revenue to the port on this account. It is proposed that the licence for plot must be renewed by the user before the due date.
- (vi). The existing provisions as regards demurrage charges, free period for shut out cargo are very complicated. In order to simplify this, it is proposed to grant 15 days free period for any cargo brought inside the port for export; and, wharfage is proposed to be levied even if the same has not been exported or taken out from the port for whatsoever reasons.

7.4. In line with the various information / clarification given above, the KPT has submitted revised cost statements on 20 March 2002.

8. On detailed scrutiny of the revised cost statements furnished by the KPT on 20 March 2002 it was found that the individual cost statements for various activities do not match with the consolidated cost statement. In this regard, the KPT has clarified that for financial accounting the amounts booked in budget center (type wise) are considered whereas for costing purposes the amounts booked cost center type-wise are reckoned with. It has indicated that the cargo handling expenditure on mooring berth, cargo berths, passenger jetties electric wharf cranes to the extent of Rs. 7.57 crores and depreciation of Rs. 8.39 crores have been considered in the Port and Dock facilities as per the cost accounting system followed by it. In view of this the item-wise expenditure of the Financial Accounts may not match with the individual cost statements. The total expenditure of the port as a whole has, however, been found to be tallying between the cost statement and the total expenditure of the Financial Accounts.

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

- (i). The KPT has at last filed its long overdue proposal for a comprehensive review of its Scale of Rates. It is to be recognised that the KPT has undertaken the exercise to review comprehensively its Scale of Rates after a gap of nearly a decade as against a tariff review cycle of three years prescribed earlier by the Government and a tariff validity period of two years adopted by this Authority.

It may be relevant here to recall that this Authority had to caution the KPT about not taking up its piecemeal revision proposals for consideration unless an organised effort was made to review comprehensively its Scale of Rates. From the background to its proposal given by the KPT, it appears that even the Ministry of Shipping had directed the Port to take up general revision of tariffs.

While the KPT is to be complimented for coming up with a seriously analysed proposal and for its prompt response in furnishing additional information / clarifications on various points raised by us, we are constrained to comment on the approach adopted by the KPT in delaying submission of its proposal despite a clear deadline being prescribed. The KPT did not even care to send an interim reply that its proposal was under formulation or it would require more time.

It is to be borne in mind that a revision of Scale of Rates need not necessarily be perceived as an exercise for upward revision of tariffs. A periodic review is necessary to adjust tariffs with reference to changing patterns of traffic, market conditions, and cost as also to remove irrelevancies. That being so, the KPT's argument for not opting for general revision of tariffs for a long period due to its strong financial position does not appear to be convincing. Irrespective of what has happened in the past, we hope, the KPT will henceforth fall in line and undertake periodic reviews of its Scale of Rates in its own interest and in the interest of its users.

- (ii). Users have complained that the port did not discuss the proposal with the Trade before formally submitting it to the Board of Trustees for its consideration. They have stated that even the Finance Minister consults the Trade before budget formulation! This Authority strongly believes in the consultative process so as to regulate tariffs, to some extent, in such a way as market forces would have in a competitive environment. Even though this Authority provides an opportunity of hearing to all concerned, it will be useful for the Port Trusts to consult their users at the proposal-formulation stage itself so that the market response can also be built into the proposed tariffs. In any case, it will not be possible for this Authority to hold consultations on every detail. It also avoids any time delay at the approval stage, if many of the issues / objections resolved later can be sorted out at the initial stage itself.
- (iii). The KPT has stated that with the commissioning of the Reliance Refinery and Petronet Vadinar Kandla Limited (PVKL) pipeline, the POL traffic registered a steep decline during 2000-01. The trend has continued in 2001-02 making cross-subsidisation of general cargo operations by the surplus from the POL traffic at the Kandla division impossible. The operating cost and other expenditure have increased manifold since the last general revision of Scale of Rates. Heavy capital expenditure incurred since the last general revision as well as that planned for future has necessitated the general revision of tariffs. Though, according to the Port, additional revenue of around Rs.75 crore was required to bridge the cost deficit in operations of the Kandla division in 2000-01, it has proposed a general revision of rates to cover only about 50% of the deficit considering the market conditions, competition from neighbouring ports, etc. The port has claimed that it has brought about simplification of the Scale of Rates and rationalisation of its conditionalities.
- (iv). The KPSAA have chosen to call the proposal as *ad hoc*. The port has, however, based it on proper activity-wise and sub-activity-wise cost statements. Initially, the KPT had forwarded cost statements relating only to the Kandla division operations. It has subsequently forwarded the cost statements for the port as a whole - Vadinar division and Kandla division – so that the extent of cross-subsidisation can be assessed. Cost statements for sub-activities for the Kandla division – (i) vessel-related - Port dues, pilotage, berth hire, water supply; (ii) cargo-related - handling of general cargo, storage/ warehousing, handling of POL; and, (iii) township and rentable lands – have also been furnished. The efforts put in by the KPT to furnish systematic cost details are worthy of special mention despite the fact that some discrepancies have crept in while tallying individual statements with the overall cost position.

Users have observed that the tariff revision exercise is based on costing and there is no reference to profitability analysis or market conditions. The proposal also

does not mention anything about steps taken to improve efficiency/productivity or reduce cost. The approach earlier has been to cover all costs and including a rate of return consisting of interest on capital + contributions to Replacement Reserve and Development Reserve at 3% each of capital employed. This Authority is also of the view that the tariff fixation must move away from a cost-based approach through a performance-based approach to (ultimately) a value-based approach. Recognising the difficulties expressed by the Port Trusts, this Authority has adopted the cost plus regime of tariff regulation. Even under the cost plus model, only those items of cost which are considered admissible and reasonable are reckoned with. This approach has been adopted in the case of all major port trusts and private terminals; and, it will, therefore, apply in the case of the KPT also till any alternative approach is evolved commonly for all port trusts / private terminals.

The port has stated that it has introduced a Voluntary Retirement Scheme (VRS) and rolled back the retirement age from 60 years to 58 years to enable reduction in manpower cost. Strict control is being exercised to contain payment of overtime allowance even after reduction in number of employees and introduction of night navigation leading to 24-hour operations. By undertaking capital dredging, the cost of maintenance dredging has come down drastically. Induction of the Central Industrial Security Force (CISF) at an annual cost of Rs.5 crores has indirectly benefited the port users to minimise pilferage of cargo. The Railways have discontinued the haulage charges @ Rs.6/- per tonne after a settlement was arrived at on this long-standing issue. This has also reduced the cost to users.

The port has stated that it is working beyond its capacity and the average pre-berthing detention time is minimal at 0.39 days. The average ship output per berth-day is 3180 tonnes for dry cargo and 5439 tonnes for liquid bulk at Kandla. The Port is expecting 25% improvement in the overall performance / productivity after the additional capital projects planned like deepening the draft to 13.5 metres, acquisition of wharf cranes, and additional storage facility with supportive road network becomes operational.

- (v). While estimating revenue from vessel-related activities the port had not considered additional income expected to be received during 2002-03 and 2003-04 from dollar-denominated tariff items on account of exchange rate fluctuations. The port furnished this information later for incorporation in the cost statements.
- (vi). As per the policy decision of the Government, coastal vessel tariffs are prescribed at 70% of the foreign-going vessel tariffs. Further, coastal vessel rates are prescribed in rupee terms whereas foreign-going vessel rates are denominated in US dollar terms. This Authority has already decided in cases relating to other major ports that the disparity (which may have widened due to depreciation of the Indian rupee vis-à-vis the US dollar since the last revision) has to be restored to the level of 30% at the time of tariff revision. Even if there is no revision of rates for foreign-going vessels, the rates for coastal vessels need to be re-stated to restore the disparity to the accepted level. This means an additional income to the port even without revision of the existing vessel-related charges on foreign-going vessels. The KPT had not considered this additional income in the cost statement. On being pointed out, the KPT furnished an estimation of additional income for incorporation in the cost statements.
- (vii). Interestingly, almost all the users have opposed to the proposal arguing that it is an ill-timed one in view of the natural calamities that have lately affected the Kutch region. They have also pointed out the exemptions granted by the respective Governments on Excise duty and Sales Tax. It is to be recognised that these exemptions are only for the Kutch region and not for the nation as a whole. In the port context, it is true that the facilities are situated in the calamity hit area; but, its cargo hinterland – North and Northwest India – cannot be said to have suffered the same fate. That being so, it is difficult to comprehend how factors like cyclone

and earth quake can be relevant for not considering the KPT's request for a tariff increase.

In reply to a query the port has confirmed that the estimates of expenditure for 2002-03 and 2003-04 do not include any expenditure required for repairs or rehabilitation due to damage caused by cyclone or earthquake and that such expenditure has been met by the port directly from its reserves. Similarly, expenditure on account of payment of arrears of wages and pension consequent upon revision of pay scales has also not been included in the present exercise of tariff revision.

- (viii). The port has included interest on loans twice – once as a specific item and again as a part of return on capital employed. Though the amount involved is small the effect of double counting has been eliminated in the cost statements.
- (ix). Initially, the port had considered Gross Block (including about Rs.147 crore from works-in-progress being the cost of assets completed and commissioned but not transferred to Gross Block) as capital employed and a return of 18% thereon. When depreciation is allowed as a separate cost element, Capital employed can only include Net Block and Working Capital; the Net Block will be the written down value of only those assets actually completed and commissioned. Assets which have been damaged / disposed of / decommissioned and awaiting disposal, even though not formally removed from the Net Block, are to be excluded. The port has subsequently furnished a list of assets which were completed earlier but were not added to the Gross Block. The port has also excluded the assets damaged / disposed off / de-commissioned but yet to be removed from the Gross Block and has furnished a list thereof. The port has furnished details of major capital projects likely to be completed / commissioned in 2002-03 and 2003-04 included in the projections of Net Block for those years.

Improvements to the Bunder Basin and additional two berths which are likely to be completed during 2003-04 have been included in the Net Block for that year. Since these are likely to be completed and commissioned in the second half of the year, only half the cost thereof has been considered by the port which appears to be reasonable.

- (x). The port has considered working capital at a higher figure of Rs.119 crore. From the current assets, investments and cash balances of funds have to be excluded; interest earned on these investments of funds is also not counted as income. In the port's accounts, a large amount of Rs.311.84 crore is shown to have been held as investments in bank term deposits / CODs and PSUs and Rs.35.79 crore under the heading cash in hand and at bank in Current / Savings Accounts. The current assets also include a large amount of Rs.96.85 crore as accrued interest. The port has excluded the investments and cash balances while computing the figure of working capital. Against the balance of revenue reserves of Rs.1,187.01 crore, specific investments thereof as shown in the Balance Sheet aggregate only to Rs.751.63 crore. Similarly, against the Provident Fund and Pension Fund balances taken together at Rs.79.13 crore, the investments thereof, as shown in the Balance Sheet, are only Rs.77.69 crore. Thus, the balance amount of these two types of funds aggregating to Rs.436.82 crore stands included in the current assets. After excluding this amount from the current assets of Rs.530.70 crore, current assets will work out to Rs.93.88 crore. The working capital, therefore, will work out to [Rs.93.88 crore (current assets) Rs.63.82 crore less (current liabilities)] Rs.30.06 crore for the year 2000-01.

The balance of Stores Inventory of Rs. 2.18 crores shown in the Balance Sheet represents over two years' consumption. This Authority has decided in the case of another major port that six months' normal consumption will be admitted for tariff fixation. Considering the position that Kandla is in a remote place and recognising the need for the KPT to maintain a larger fleet of floating craft owing to

navigational requirement in the tidal creek, one year's consumption of stores may be considered admissible to begin with. Out of the cash balances, the amount representing one month's cash expenses can be considered reasonable for tariff computation though the port has requested to consider equivalent of two months' cash expenditure. It is noteworthy that the Karnataka Electricity Regulatory Commission also allows only one month's cash expenses as reasonable cash balance to be allowed in Working Capital. On this basis, cash balance to be considered as part of current assets works out to about Rs.8.45 crore. Sundry debtors (including dues from MOA), which is another main item of current assets, shows a balance of Rs.12.88 crore, which is less than 10% of their revenue, can, therefore, be considered reasonable. The admissible amount of these three items added together represents Rs.22 crore. It is, therefore, considered reasonable to restrict the working capital to Rs.25 crore allowing a small balance for miscellaneous items.

- (xi). The port has undertaken a project of capital dredging to increase the drafts available in the channel and at the two new berths under construction, for bringing in vessels with a draft of 13.5 metres. Some of the users like the CSLA and the KPSAA have objected to the inclusion of the dredging cost in tariff computation. It is argued that since the heavy capital dredging is being undertaken to accommodate larger vessels, the additional burden on that account need not be passed on to all the vessels entering the port; but, must be shared by only those vessels which would benefit by such deeper draft. The port has stated that the capital dredging project is being executed in stages (in the first stage, draft has been improved from 9.14 metres to 10.7 metres); and, as a result, expenditure on maintenance dredging is expected to come down substantially from Rs.26 lakhs in 2000-01 to Rs.17 lakhs in 2003-04; the benefit of this reduction in the maintenance dredging expenditure will be shared by all the vessels entering the port. In its opinion, the cost of capital dredging to deepen the draft further to accommodate vessels requiring a draft of 13.5 metres need not be burdened only on such vessels.

Expenditure on capital dredging already incurred and that to be incurred as considered in the Net Block, depreciation and Return on Capital Employed on the capital dredging amount, savings in the maintenance dredging expenses, and net effect on the deficit for the port as a whole have been worked considering the heavy capital dredging programme as shown in the following table:

(Rs. in crores)

Sl. No.	Item	2000-01	2001-02	2002-03	2003-04
1.	Capital Dredging Cost	18.20	32.00	31.00	10.00
2.	Depreciation @ 1% and Return on Capital Employed @ 14%	0.18 2.25	0.50 6.93	0.81 11.16	0.90 12.43
3.	Saving in maintenance dredging as compared to 2000-01	-----	11.30	10.50	9.38
4.	Net (Sl no. 3 - 2) excess (+)/savings (-)	-----	(-) 3.87	(+) 1.47	(+) 3.95

It can be seen from the above table that there is no net savings to the users due to the capital dredging as claimed by the KPT. The entire burden of the capital dredging need not, therefore, be spread over all the vessels which do not need the additional draft; it can reasonably be restricted only to the extent of savings accruing to them. It will be appropriate and reasonable to require the vessels fully benefited by the dredging to bear the extra burden of cost.

- (xii). Because of diversion of POL traffic, utilisation of liquid cargo berths has gone below 50% in 2000-01. The users have observed that this cannot be a justification for general revision of tariffs and have argued that the port should consider the interest on the reserve funds accumulated in the past mainly due to POL traffic and consider at least a part of that to tide over the present situation till new traffic is attracted.

The interest on investment on general reserve and other specific funds is not ordinarily considered as an income in tariff revision exercise. Likewise, investments of these funds also do not form part of capital employed. If interest is considered as an item of income, then, the investments will also have to be considered as capital employed. Hence, the position of deficit from operations will not improve. In fact, it will worsen if a return of 19.5% is allowed on the enhanced capital employed. There is, therefore, no reason to depart from the normal practice adopted so far of excluding interest on investments for the purpose of tariff computation.

- (xiii). In the case of major port trusts, the return on capital employed allowed consists of interest on capital (equivalent to the lending rate at which Government loans are available to the Port Trusts) and a 3% contribution to each of the two mandatory reserves to be maintained. It currently adds up to 19.5% p.a. It is to be recognised that this is only a ceiling; and, it is not compulsory for a Port Trust to always seek return at the maximum permissible limit. Recently, for stated reasons, tariff revision at some other major ports have been settled by allowing returns on capital employed as chosen by them at a level well below the maximum permissible limit.

The KPT has, in the instant case, chosen an ROCE of 13% for 2002-03 and 15% for 2003-04. Thus, the average ROCE sought to be claimed through tariff revision is 14% which is well within the permissible limit. The KPT has proposed this level of ROCE considering market conditions and reduction in interest rates on investments. This Authority has no reason to disagree with this commercial judgment of the KPT.

It is to be recognised that the maximum permissible ROCE to be considered for tariff purposes is a function of the utilisation of capital assets. In many cases, this Authority has reduced the ROCE with reference to capacity utilisation. As has been mentioned above, the utilisation of the oil jetty (liquid cargo berths) is less than 50% which may warrant a reduction in return on the capital employed relating to liquid cargo berths. The port has, however, pointed out that the capacity of the port as a whole is not under-utilised. Against an assessed capacity of 36.67 MT, the port is expected to handle 38 MT in 2002-03 and 40.66 MT in 2003-04. Hence, it has argued that no reduction should be made in the return on capital employed on account of under-utilisation of liquid cargo berths. In all the cases where return has been reduced with reference to the utilisation factor, it has so far been with reference to the total port / terminal capacity. In view of this, there does not appear to be a need to effect any reduction in the ROCE considering under-utilisation of the oil jetties in isolation.

- (xiv). In the light of the discussions above, the cost statements have been modified. The modified cost statements for the port as a whole is attached as **Annex - I**. The summarised position of the results disclosed by the cost statement is given in the table below:

<u>Particulars</u>		<u>Surplus (+) / Deficit(-) as per cost statements</u>		<u>Surplus(+)/Deficit(-) without change as per cost statements (as percentage of operating income)</u>		<u>Average 2002-03 2003-04</u>
		<u>(Rs. in crores)</u>				
		2002-03	2003-04	2002-03	2003-04	
<b><u>I. KANDLA DIVISION</u></b>						
(i).	Cargo handling activity including general cargo, storage and estate	-7.66	-6.95	-16.3%	-13.4%	-14.9%
(ii).	POL	5.50	5.87	29.0%	28.1%	28.6%
(iii).	Port and Dock facilities	-71.52	-75.56	-148.9%	-138.0%	-143.5%
	Total for Kandla Division	-73.68	-76.64	-72.8%	-67.6%	-70.2%
<b><u>II. VADINAR DIVISION</u></b>						
		60.87	68.83	81.4%	82.1%	81.7%
<b><u>III. PORT AS A WHOLE</u></b>						
		-12.81	-7.81	-7.3%	-4.0%	-5.6%

It will be seen that the port as a whole shows a deficit of Rs.20.62 crore for the years 2002-03 and 2003-04 taken together which are relevant to this tariff revision exercise. The Kandla Division shows a larger deficit (Rs.150.32 crore) which is cross-subsidised by the surplus from the Vadinar Division.

The stated position of this Authority (and, indeed of the Government) is against cross-subsidisation. At the same time, this Authority also recognises the fact that complete elimination of cross-subsidisation at one go may not be possible. This Authority has not yet taken a final view on complete elimination of cross-subsidisation between various activities / sub-activities. Pending a final view on this issue, it has been decided not to allow any increase in tariffs for those activities which show a surplus. In view of this decision commonly taken for all the major ports, there is no case for revision of tariffs relating to the Vadinar Division (the KPT has also not sought any revision) and POL/ liquid cargo handling at the Kandla Division.

In view of the fact that cross-subsidisation between activities is allowed to continue at the existing level, the deficit position for the port as a whole is relevant for deciding increases in tariffs for cargo and vessel related services at the Kandla Division.

The sub-activity relating to handling of general cargo shows a deficit while the sub-activity relating to storage / warehousing (mainly of general cargo / containers) shows a surplus. The estate activity (rentable land and buildings and Township taken together) also shows a surplus. Considering the sub-activity general cargo handling, storage/warehousing, and estates together, there is a net deficit of Rs.14.61 crore for the years 2002-03 and 2003-04 taken together. The vessel-related services [Port Dues, Pilotage, Berth Hire (including water supply) together] show a substantial deficit of Rs.147.08 crore; and, going by that deficit, the vessel-related charges need to be revised by 150%. While it may be reasonable to bring tariffs closer more rapidly to the cost of rendering services, it is to be recognised that total reforms in vessel-related charges at one go may not

be feasible since it will cast a heavy burden on users. Nevertheless, the process of reform in vessel-related charges has to commence at least in phases from now onwards. Since the deficit disclosed by cargo-related and miscellaneous services is relatively small, it is found not necessary to revise the rates for these services except for rationalisation of the wharfage and demurrage schedules. It is to be admitted that the effect of this rationalisation cannot be quantified easily in the absence of data; but, it will definitely have an impact on the existing revenue of the Port Trust.

If the incidence of excess depreciation and return on capital employed on capital dredging, as discussed in sub paragraph (xi) above, is excluded, the overall deficit for 2002-2003 and 2003-2004 will be Rs. 20.62 crores. For the reasons given above, it is reasonable to cover this deficit by revising the vessel-related charges of Kandla Division, which shows the highest deficit. To achieve this, it will suffice if the vessel-related charges are increased by 25% after providing for some cushion for a possible drop in revenue on account of rationalisation of wharfage and demurrage schedules. The financial position can be reviewed after the capital dredging programme is completed. The KPT can then propose a suitable higher rate or supplementary charge on vessels benefiting fully by the increased draft available.

- (xv). As has already been mentioned, coastal vessels can enjoy a 30% concession over the corresponding rates for foreign-going vessels. The proposal of the KPT is not in line with this accepted position. The port has proposed to continue with the higher level of disparity between the rates for these two categories of vessels, apprehending traffic diversion, if a steep increase in rates for coastal vessels is effected by restoring the disparity to the accepted level.

It is to be recognised that the level of concession to be allowed to coastal vessels has already been settled by a Government policy which has been adopted by this Authority in prescribing such rates at major ports. This as an issue is commonly applicable to all the major ports; and, deviation from the approach adopted so far only in case of one of the major ports may give rise to (avoidable) complications at other ports.

It is also relevant here to consider the objection raised by the CSLA in this regard. As correctly brought out by it, the suggestion of the KPT will make the foreign-going vessels to cross-subsidise (beyond the accepted level) the coastal vessel operations.

It is, therefore, considered reasonable to continue with the approach adopted in this regard so far and fix rates (in rupee terms) for coastal vessels at 70% of the rates for foreign-going vessels. If the KPT desires to offer further concession over the notified rates for coastal vessels on commercial consideration, it can come up with a suitable proposal for allowing discounts in the coastal vessel rates. Needless to mention that the revenue loss on account of such discounts is to be borne by the port out of the return on capital employed allowed to it through tariffs.

- (xvi). The port has proposed a new charge called stream dues for use of its inner anchorages at Kandla and has indicated 20% of the berth hire charges as the rate therefor. This is much higher than the rates prescribed for outer anchorages and Vadinar anchorages. The port has justified such a higher rate for the inner anchorages since loading and unloading operations by using barges are carried out at these anchorages though it involves frequent movement of barges from berth to vessel. It is noteworthy that users have not specifically objected to this linkage of anchorage charges to berth hire charges. Levy of anchorage fee is in vogue in most of the major ports but a separate charge is prescribed without linking it to the berth hire. The KPT must classify its anchorages according to the depth available, proximity to the main operational area, etc., and prescribe

separate rates. Notwithstanding this position, this Authority is inclined to approve the proposed rate as an interim measure. The KPT is, however, advised to propose more rational anchorage fees within six months.

- (xvii). The port has proposed that if additional tug is required for pilotage operations additional charge will be leviable. It is an accepted position that the composite pilotage fee includes services of one inward movement, one outward movement, and one shifting within the dock area with adequate number of tugs as may be required to handle the vessel; and, this has been prescribed in many of the major ports. The port has stated that it being a tidal port it is possible to undertake safe berthing by using one tug taking advantage of tidal flow. Hence, pilotage fees at Kandla cover the cost of using only one tug. In the event of a Master of vessel indenting for additional tugs, it shall be at extra charge. Users have complained that on occasions the pilot on-board insists that the vessel requisitions additional tug(s) entailing additional expenses for them and they have no say in the number of tugs to be utilised. At the other ports, such a provision for charging extra for using additional tugs, wherever it existed in the tariff, has been deleted. There is no reason to retain it in the case of the KPT. The port's argument that every vessel will indent additional tugs does not appear to be quite relevant. It is for the port to decide the number of tugs required for any ship movement and provide them accordingly. It is noteworthy that no other port has expressed any difficulties faced by them in this regard. This Authority, therefore, deletes the existing provision for levy of separate charges for providing additional tugs for pilotage.

The existing SOR provides that normal rates of pilotage will apply if the pilot boards the vessel at any point upto a distance of 3.22 kms (2miles) seawards from OTB the pilotage station and that if the pilot is required to board at any point between 3.22 to 9.66 Kms (6 miles) from the pilotage station, pilotage fees at double the normal rates shall apply. The Pilot will not go beyond 6 miles for boarding a vessel for pilotage. In order to remove the element of discretion, the present provision is modified to provide that double the charges shall apply if the vessel requires the pilot to board the vessel beyond a point 3.22 kms seawards from the pilot station.

- (xviii). In regard to charges for shifting, the port has stated that all of its 10 general cargo berths are in a continuous straight line for a stretch of 2 kms. and shifting of vessels may become necessary to accommodate any incoming vessel depending upon its characteristics. In view of this, the port is not in favour of charging for additional shifting from one berth to another or from berth to mooring and *vice versa* as these will be on port account. This Authority has already clarified that no charge shall be levied for shifting a vessel on port's convenience; and, it will hold good in the KPT case also. Notwithstanding this, it is reasonable for the port to levy shifting charges from the second 'shift' onwards made at the request of users.

In a case relating to the Chennai Port Trust it has been decided recently to fix the shifting charge at 25% of Pilotage fees. This had to be done in the absence of specific cost details available with reference to the service provided. Since the position is same in the KPT also, this Authority finds it reasonable to prescribe 25% of the Pilotage fee as the shifting charge. The KPT is, however, required to propose a suitable shifting charge with reference to the cost of providing the service without linking the charge to Pilotage fee.

The KPT has proposed to levy additional pilotage fee for vessels shifting to OTB. It is to be recognised that shifting charges can be applied only in cases of shifting within the berths or dock basin. Since movement to the OTB is actually a complete pilotage activity, it will definitely attract payment of pilotage fee. That being so, the proposed provision is approved for inclusion in the revised Scale of Rates.

The existing Scale of Rates prescribes a Pilotage fee of US\$ 314.16 for foreign-going vessel and Rs.6600/- for coastal vessel for services rendered by a Pilot to a vessel at OTB, double banking, etc. The KPT has now proposed to levy 50% of the Pilotage fee for these services. To a query raised by us, the KPT has made a general statement that most of the existing tariff for attendance of pilot for certain activities are very low thereby the tendency of availing these services has increased. Considering the pilotage fee in the middle slab of 30,000 GRT, the tariff applicable for this service will be Rs.1,92,750 for coastal vessel at the rates proposed by the KPT as against the existing tariff of Rs.6600/- for the coastal vessel. This appears to be exorbitant notwithstanding the argument of the KPT that the increase proposed is to act as a deterrent factor. In view of this, it seems reasonable to levy 25% of the Pilotage fee for the service rendered by a Pilot to a vessel at OTB of for double banking, etc.

- (xix). The KPSAA has contended that various increases proposed in the pilotage charges are not justified; apparently, the problems caused by tidal requirements have not been reckoned with. The port has replied that existing charges for various instances like cancellation of pilotage or attendance charges are very low. There is a tendency of utilising the services very often. In view of the tidal conditions at the Kandla port, maximum numbers of movements have to be performed within the limited time available. Any last minute cancellation of the pilotage movement upsets the plan of movements and may even result in avoidable detention of other vessels which would otherwise have moved out or in. This appears to be a valid argument. Hence, this Authority has no hesitation in allowing an adequate increase in such charges to act as a deterrent factor.
- (xx). The IOCL has stated that in view of the draft restrictions at Kandla, crude oil brought in Very Large Crude Carriers (VLCC) is transferred to small tankers for transport to Kandla. The port treats these vessels as foreign-going vessels for levy of vessel-related charges even though these tankers have coastal certificates.

In response, the port has stated that the Government had issued directives to all the ports in 1996 regarding treatment of vessels as 'coastal' or 'foreign-going'; and, accordingly, in case a mother-vessel discharges foreign cargo to a daughter-vessel, and when that daughter-vessel visits the port it is deemed to be a foreign-going vessel. The port has added that according to the guidelines issued by this Authority, viz., when a vessel moves from an Indian port to another Indian port, it is to be considered as a 'coastal' vessel. In the case cited, the daughter-vessels of the IOC move within one port and not from one Indian port to another; and, therefore, the port is treating those vessels as 'foreign-going' vessels for the purpose of levying vessel-related charges. This is a specious argument.

According to the decision already taken by this Authority, the nature of cargo or its origin will be of no relevance; and, the vessel will remain 'coastal' subject to the vessel having a Coastal License from the Director General of Shipping or a Conversion Order issued by the Customs.

Accordingly, the dedicated daughter-vessels employed by the IOCL will have to be considered as 'coastal' if they carry a Coastal Licence from the Director General of Shipping even though they carry cargo of foreign origin. It is true that the movement may not from one Indian port to another Indian port; but, it is a movement within the port. Since both Vadinar and Kandla fall within the Kandla Port limits, no question of payment of Port dues at Kandla can arise if Port dues had been paid at Vadinar. For other charges the movement from Vadinar to Kandla need to be considered at the rates applicable to coastal vessels, if the vessels carry appropriate coastal licences.

In this context, it becomes necessary to introduce a conditionality in the Scale of Rates, as has been done in the cases of KOPT and MBPT, to specify that the

status of a vessel, as borne out by its certification will be the deciding factor for its classification into 'coastal' or 'foreign-going' category for levying vessel-related charges. The nature of cargo or its origin will not be of any relevance for this purpose. It is noteworthy that a similar prescription is being made separately for common adoption by other major ports.

- (xxi). There is a provision in the Scale of Rates that in case a vessel leaves the port without taking a pilot even though it is compulsory, in addition to all penalties provided under the Indian Ports Act, 1908, the vessel will be liable to payment of pilotage fees as specified in the Scale of Rates. It does not appear appropriate to recover pilotage fees when no pilotage service has actually been provided. In such cases, the law provides for appropriate actions; and, the Port can impose such penalties. The provision is, accordingly, deleted from the Scale of Rates.
- (xxii). Like other major ports, the KPT has also a system of priority/ousting priority berthing for an additional charge. This system has been in vogue with reference to a Govt. instruction on the subject. In the cases of general revision of Scales of Rates of some other major ports, this Authority had observed that, in the context of limited availability of berthing facilities at present, there would always be any number of vessels ready to pay additional charges; and, it would give scope for exploitation of (discretionary) powers. Since a final view on this issue has not yet been taken by this Authority, as was done in the case of other major ports, it does not like to approve or disapprove the priority berthing arrangement at the KPT. The KPT can continue to levy the charge as hithertofore until a final view is taken for common adoption by all the ports.
- (xxiii). Several years ago, the concept of 'composite berth hire' was introduced based on a recommendation made by the Directing Group. In order to remove some anomalies that have crept into the system in this context, this Authority had requested the port trusts to categorise their berths with reference to comparable facilities available and prescribe a uniform 'composite berth hire' rate for berths having comparable facilities.

The port has clarified that all the 10 general cargo berths are situated in a straight line stretching over 2 kms. and all berths are being used to handle all types of cargo. Therefore, a uniform berth hire has been proposed for all the 10 general cargo berths. At certain berths, wharf cranes have not been provided and, accordingly, it has proposed to give a rebate of 10% for non-crane berths. Rates for non-crane berths at other major ports are less by about 30% except in the case of the New Mangalore Port where the difference is 20%.

When asked to justify the low rate of rebate proposed, the port has stated that the cranes installed, except four, are older ones and that the port is in the process of acquiring 10 new cranes of adequate higher capacity for ensuring proper and adequate handling facility even for gearless vessels. A review of the rate of rebate to be allowed for non-crane berths can be considered after installation and commissioning of the new cranes. The proposed rebate of 10% appears to be too low and cannot be allowed to continue at this level for too long. This Authority, therefore, decides to raise the rebate for non-crane berths to 20% till a proper review is conducted after the new cranes are installed and the cost of operations of those cranes can be assessed.

- (xxiv). There is a provision in the SOR that when a vessel shifts from mooring point to a berth or vice versa both mooring charges and berth hire charges shall not be levied for the same shift of 8 hour duration in which shifting of vessel takes place. In such cases, it is logical that the rate applicable at the commencement of the shift of 8 hours will be charged for the whole of that shift; and, thereafter, the rate applicable at the new place – berth or mooring point – can be levied.

- (xxv). The KPT has proposed to levy the Berth hire charges applicable at the Oil jetties in case a vessel is double banked with another vessel occupying General cargo berth or Oil jetties. The proposed provision does not seem to be reasonable since the Berth hire rates applicable at the General Cargo berths and the Oil Jetty berths are different. It needs to be pointed out that in the cases relating to some other major ports, it has already been prescribed that the vessel double banked is to be levied with 50% the Berth hire Charges. The provision proposed by the KPT is, therefore, modified in line with the decision already taken in the cases of other major ports.
- (xxvi). The existing Scale of Rates provides that any vessel which continues to occupy any berth without carrying out cargo-handling operations for any reason, and after the expiry of the period of notice given by the concerned officials of the Port to vacate the berth, shall pay berth hire charges at 5 times the normal rate. The port has justified continuance of this provision since it acts as a deterrent factor. Given the berth occupancy at the general cargo berths of about 90%, if a vessel idles at the berth without carrying out any cargo operations, it wastes a scarce resource for which there is a demand from other waiting ships. While it may be reasonable to retain this provision, it appears more transparent if the notice period is spelt out clearly instead of leaving it to be decided on a case-to-case basis by the Port officials. The KPT is advised to propose this for subsequent incorporation in the Scale of Rates.
- (xxvii). The KPSAA has argued that the KPT is duty bound to provide a safe anchorage; and, if it does not, it cannot charge for tugs required to pull back the vessel. The port has replied that pull back operations at Vadinar is a unique type of service provided to VLCCs when moored at the Single Buoy Mooring (SBM). When a VLCC is moored to the SBM, a tug is employed to pull back the vessel so as to maintain a sufficient distance between the vessel and the SBM to avoid any damage to the SBM. This operation is undertaken throughout the vessel's stay and hence a separate charge for the pull back operation exists. This appears to be a valid argument. It is noteworthy that if this charge is discontinued, the mooring charges at Vadinar will have to be suitably increased.
- (xxviii). The port has revised the wharfage schedule and has proposed rates for bulk cargo and an additional charge of Rs.15/- PMT proposed for cargoes other than bulk for supply of labour. In the existing schedule, it is specified that wharfage charge are for packed/bagged cargoes and shall be reduced by Rs.15/- PMT if the rates are applied for bulk cargo if the relevant cargo is handled in bulk form. The KPSA has observed that this amounts to indirect increase of rates. The port has clarified that its shore labour is not engaged in handling bulk cargo. The existing rate of wharfage is for break-bulk cargo and hence a rebate was provided for handling bulk cargo. The proposed rates are for bulk cargo and in case cargo brought is in packed/bagged form, an additional charge of Rs.15/- PMT for supply of labour is proposed. In reply to a query, the port has clarified that the additional charge will apply to any of the items of general cargo specified in the wharfage schedule if it comes in break-bulk form.

The approximate revenue recovery for supply of shore labour is around Rs.6 crore against the total cost of Rs.10 crore per annum. The port has requested that the existing rate for supply of labour may be retained as age-old productivity norms are still to be revised. The uncovered cost which may represent or include cost of surplus labour as in the case of other ports will get spread over the entire cargo. The proposed additional charge for supply of labour is allowed, subject to suitable adjustment in the base wharfage rate.

- (xxix). In the wharfage schedule, rates for export have been proposed at 50% of the rates for import of the same commodity. The existing wharfage schedule also provides for a rebate of 50% for export cargo. When asked to justify the continuance of a rebate for export cargo, the port has stated that the concessional rate for export

cargo was introduced at the instance of the Ministry of Commerce and has been in vogue for several years. Kandla serves as the main bulk – cargo – export – port for the vast hinterland of Jammu & Kashmir, Punjab, Haryana, western Uttar Pradesh, Rajasthan, and Madhya Pradesh. New private ports have come up on the coastline of Gujarat and these ports also depend on the same hinterland and the same cargo. The port feels that the facility available to exporters since inception of the port should not be withdrawn in the present highly competitive market situation. The financial implication of concession is about Rs.5 crore per annum.

Giving such incentives / subsidies for promoting exports has to be the responsibility of the Government and a port trust shall not shoulder this burden. Export cargo already enjoys extra free days as compared to import cargo. The additional financial incentives proposed are not in line with the stand recently communicated on behalf of the major ports by the Indian Ports Association (IPA) that port trusts shall not be required to give concessions in cargo-related charges to coastal traffic for the purpose of easing congestion in rail/road traffic. Based on this view of the IPA, this Authority has refused to concede representations for concessions in cargo-related charges for coastal traffic in certain cases.

While accepting the fact that concessional wharfage enjoyed by export cargo at Kandla is long-standing, it cannot be allowed to be continued indefinitely thereby making the import cargo to perennially cross-subsidise export operation. A step towards reducing the disparity has to commence in a phased manner. Towards this end, a 'rate of wharfage' has been prescribed for each cargo without distinguishing between imports and exports. While arriving at the revised rate either lower or the higher of the existing rate has been considered depending upon whether it is a predominantly export or import item; a mid-way rate is prescribed for such cargo which are significant in both imports and exports.

The GCCI has suggested that the port shall give more concessions for coastal traffic not only in vessel-related charges but also in cargo-related charges to encourage coastal traffic. The coastal vessels already enjoy a concession in vessel-related charges as stated earlier. This Authority has already decided that no concessions be offered in cargo-related charges for coastal traffic. There does not appear to be any need to review the decision already taken in this regard.

Even though it has been decided to maintain status quo in cargo-related charges, this Authority has no reservation to approve certain rationalisation in the wharfage schedule proposed by the KPT. The KPT's proposal to adjust wharfage charges for hazardous chemicals, edible oil and metal scraps is approved. The KPT has proposed to introduce a wharfage rate for 'unspecified cargo'. The proposal appears to be reasonable; and, accordingly, the proposed entry is included in the revised Scale of Rates.

- (xxx). The AIREA mentioned that it has large stocks of rice to be exported and the port must offer encouragement to export more. The increase in quantum of traffic will make up for much more than the concession offered. This Authority is always in favour of encouraging the concept of volume discounts. It will be easier to introduce volume discounts straightaway on the basis of total exports in a year if the exporter is a single party but not so when more parties are involved. The KPT can come up with a suitable proposal for offering volume discounts in wharfage after analysing the quantum of exports by various parties in a year.
- (xxxi). The AIREA has further pointed out that berths / storage space where chemicals have been handled earlier are sometimes allotted to vessels carrying foodgrains / edible items. This contaminates the foodgrains and may even result in cancellation of the exports from India permanently. It has requested the port either the berths must be cleaned properly or a covered storage space be provided exclusively for storage of foodgrains / edible items. The port has replied

that it will ensure in future that no vessel carrying dirty cargo like sulphur, coal, etc., will be handled at cargo berths where agricultural products are being handled. Till a separate storage space of 67 hectares will be ready for use, additional care will be taken that no storage of polluting/contaminating cargo will be allowed near agricultural/ edible cargo.

- (xxxii). In the schedule of wharfage charges, it is mentioned that in case of any doubt regarding classification of any cargo for the purpose of levying wharfage charges, the decision of the Chairman (KPT) will be final. This provision is not consistent with the tariff setting arrangement envisaged in the MPT Act. As has already been introduced in the Scale of Rates of many other ports a suitable provision is incorporated in the Scale of Rates of the KPT stipulating that before classifying any cargo under 'unspecified items', the Customs classification of item must be referred to see whether the item can be classified under any of the specified items of the port's wharfage schedule.
- (xxxiii). The port has proposed 20% extra wharfage if vessels carrying oil cargo are berthed at cargo jetty. Users have objected to this saying that the port does not give any additional facility at the cargo berths for handling oil cargo; and, therefore, levy of an additional charge is unjustified. The port has clarified that the cargo berths are being used beyond their capacity and liquid cargo berths are under-utilised. Some users have tankage facility both near general cargo berths and liquid cargo berths. Depending upon the position of availability of tankage capacity, they prefer to berth the vessel at a general cargo berth to suit their convenience. The additional charge is prescribed to discourage such use of general cargo berths. The argument of the Port carries force; and, therefore, this Authority is inclined to approve the proposed extra charge.
- (xxxiv). The port has proposed demurrage charges separately for imports and exports. The slabs of duration have been increased and the rates for individual slabs have been reduced. The result is that incidence of telescopic increase is reduced. The port has clarified that separate rates for import and export have been proposed to remove problems arising out of interpretation of the existing provisions. In regard to incidence of telescopic rates, the port has clarified that as per the existing provisions, demurrage after the fourth week is as high as Rs.27/- PMT per day for open storage and Rs.54/- PMT per day for covered space. This high incidence resulted in the users abandoning the cargo or requests for remission. Hence weekly slabs have been provided upto 7 weeks and higher rates prescribed from the seventh week onwards. While the rationalisation proposed in the demurrage charges appears to be reasonable and deserves to be approved, there is no reason to introduce a distinction between import and export cargo for the same reasons given for doing away with such distinction in the wharfage Schedule. That being so, the demurrage rates as proposed by the KPT for import are approved for export cargo also.

A higher free time of fifteen days is being allowed for excess landed cargo. Normally, in view of the faster communication facilities available at present, information about cargo manifested should be available to the port and users quickly, and even on-line. In this backdrop, excess landed cargo is expected to pay demurrage at a higher rate as a penalty. In any case, there is no need to treat such cargo more favorably by giving extra free time. The proposed provision is, therefore, deleted notwithstanding the fact that storage space is not a problem factor at the KPT.

- (xxxv). The port has proposed additional charges for 40' reefer containers on a telescopic basis, in addition to a uniform charge of \$ 25/- for allotment of reefer point, and has proposed that 40' containers will pay at double the rate per TEU.

Users have observed that additional charges for reefer containers are very high and this may result in diversion of traffic to the neighboring private port.

The CSLA has objected to both –the doubling of rate for 40' reefer container and the escalated rates per TEU for prolonged storage. It has added that it has been substantiated on technical considerations that 40' containers consumed electricity at 1½ times (and not double) of the 20' containers and the rate of consumption does not go up for prolonged storage period. The additional charges for supply of electricity to reefer containers at other major ports and private terminals remain constant for the entire period of storage and the rate for 40' container is 1½ times of the rate for 20' container. The provision in the KPT Scale of Rates is, therefore, required to be modified in line with the provisions in the Scale of Rates of other major ports/terminals. It is noteworthy that the uniform charge of \$ 25/- for allotment of reefer point has been deleted by the port subsequently.

The port has proposed to introduce a conditionality requiring the users to bring their own cables, power generators, and manpower. It has also proposed not to accept any responsibility in case of disruption in power supply and any consequential damages caused on account of such disruption. Users have objected to these proposals and pointed out that permission to bring in power generators is also not quickly granted. The port has subsequently agreed to permit users to have their own stand-by generators for use in case of disruption in power supply so that damage to the cargo can be avoided. In addition, it is not reasonable for the port to levy electricity charges for the period when power supply is disrupted. A necessary provision in this regard is, therefore, included in the revised Scale of Rates prescribing that the users will be permitted to make their own arrangements for alternative power supply by bringing generating sets or otherwise at their own cost when power supply is disrupted / disconnected.

Charges for supply of electricity to reefer containers have been proposed to be levied on a unit of 'per day'. In case of the Chennai Container Terminal Limited, this Authority has already reduced the unit to 8 hours. It is reasonable to introduce such a change in unit of levying this charge at the KPT also.

Further, the rates proposed are a mix of charges for supply of electricity and storage charges. While dwell time charges on reefer containers will be governed by the common dwell time charges for all containers, it is necessary to prescribe only the electricity charges separately. For this we have considered the rates prevailing at the other container terminals like the JNPT, the NSICT and the CCTL.

- (xxxvi). The port has deleted the schedule of warehouse rental charges while revising the Scale of Rates. In reply to a query, the port has stated that the existing four warehouses were damaged during the recent earthquake; the first floors of the other two warehouses were also damaged. All the damaged warehouses are being dismantled. Out of four transit sheds, only one transit shed is left for storing cargo on transit terms. The remaining two warehouses are also to be utilised on transit terms. It has been decided as a policy to allot all new godowns under construction (or, proposed to be constructed) on transit terms only. The KPSA has questioned denial of warehousing facility. Provision of a service or a facility is a port management decision. In this case, the KPT has decided not to provide warehousing facility. Since the facility is not to be provided there is no relevance to retain a tariff therefor. In view of this, the schedule of warehousing charges is deleted, as proposed by the KPT.
- (xxxvii). The port has proposed that the provision relating to stuffing/de-stuffing of containers under the wharfage schedule be deleted because the port does not carry out the said activity. The users are, however, permitted to stuff/destuff containers within the port area. Here again, for reasons given above, the provision is deleted, as proposed by the KPT.

- (xxxviii). The existing Scale of Rates prescribes container storage charges separately for empty and loaded containers whereas it has now been proposed to charge container storage charges for both empty and loaded containers at the same rate; and, 40' containers being charged double the rate of the 20' containers. The port has stated that stuffing/de-stuffing operations are allowed to be carried out by the users themselves inside the port area and it is difficult and more expensive to keep track of stuffing/de-stuffing operations and, therefore, the same rate has been proposed for both loaded and empty containers. Besides, whether a container is empty or loaded, it occupies the same space; and, a 40' container occupies double the space as that of a 20' container. The rate prescribed for a 40' container at double the rate of 20' container is according to the practice adopted at some other major ports and can be allowed. Same rates of storage charges for empty and loaded containers have recently been approved in the case of the CCTL and a similar approach can be adopted at the KPT also.

The duration slabs and the rates for storage for each slab have been proposed to be steeply increased. These have been moderated by increasing the slabs and adjusting the rates for each slab bearing in mind that prolonged storage of containers in port area must be discouraged.

- (xxxix). Free time for the containers has been proposed to commence from the GLD of the vessel while in the case of general cargo it is to commence after the completion of the discharge of cargo from the vessel. The KPT has defined the GLD. Eventhough the concept of GLD is more relevant to general cargo, the port has expressed difficulty to follow the concept of GLD in the case of general cargo vessels. In the event, it is not clear why the GLD concept must be introduced for containers. In order to have uniformity in the case of containers as well as general cargo, the free period for containers shall also commence from the complete discharge of containers from the vessel.
- (XL). There is a provision in the Scale of Rates that if cargo meant for export is taken back for any reason, wharfage will be recovered in addition to demurrage charges if it remains there for more than 15 days. The KPSA has questioned the recovery of wharfage in such cases. Recovery of wharfage is not appropriate if the goods are not exported. In such cases, the port could recover storage charges even from the day the cargo was brought in to discourage indiscriminate use of port's storage yard. The port has subsequently modified the provision to state that storage charges equivalent to wharfage charges as applicable will be levied in lieu of free period as applicable to export cargo and the cargo will be treated as export cargo for all purposes. The revised proposal appears to be reasonable and it is approved. The nomenclature of this charge may be stated as 'charges for shut-out cargo' as in the case of other ports instead of 'charges for cargo back to town'.
- (XLi). The KPSA has pointed out that separate storage charges / ground rent rates have been prescribed for bulk / bagged / container cargo and rates for bulk cargo are the highest. The port has stated that the proposed rates for storage of bulk cargo for the first slab of 60 days is Rs.38.50 per 10 sq. mtrs. or part thereof per month at *kachcha* plots and at Rs.69/- for *pakka* plots whereas at the rate of Rs.150/- for covered space where break bulk cargo is stored. The storage charges for containers are the highest. There does not appear to be any anomaly in this regard and hence no change is called for. In any case, the existing licence (storage) fee on general cargo will remain unaltered in view of the decision of not revising cargo handling charges at Kandla.
- (XLii). There is a provision in the existing Scale of Rates that locking of rented warehouse by the user shall not make the port bailee of the goods stored therein. If the cargo is not yet passed out of Customs' charge, the liability of the port as a bailee will have to be deemed to continue. The port has, however, pointed out that it does not take custody of the cargo stored in warehouses taken on rental

terms. This position is to be governed by the applicable law. There is no need to specify this as a conditionality in the Scale of Rates.

- (xLiii). The port has prescribed the fees for fire-fighting equipment and services in dollar terms. Since the fee for fire-fighting services is a charge of miscellaneous nature and not a vessel-related charge, dollar-denomination of the charge is not in line with the approach adopted by this Authority. The port has replied that most of the fire-fighting services are being provided to vessels while discharging POL products and chemicals which are highly inflammable, the rate prescribed in dollar terms is applied only to vessels availing the fire-fighting services. The port has, however, allocated the fire-fighting expenses to cargo activity instead of to vessel-related activity. Since vessel-related activity is in heavy deficit and the vessel-related charges are not proposed to be revised, to cover the entire deficit, no change is being made in the allocation of the expenditure.

There is a provision in the Scale of Rates that if the port craft is used to put off fire on a vessel in Kandla port premises or if it is kept in attendance for protection in the event of fire having started in the vicinity even though there was no specific requisition for the craft, the charges stipulated are payable by the vessel. Users have stated that providing fire-fighting services in the port and harbour area is the responsibility of the port and charging heavy specific fee for use of fire-fighting equipment and services is not appropriate. This argument deserves to be admitted.

The cost of providing this fire-fighting services forms part of operating cost allocated to various sub-activities and will get recovered through normal cargo-related charges / vessel-related charges. That being so, there is no need to levy a separate charge for fire fighting services.

The fees for fire-fighting will, however, be applicable if the designated craft or the fire engines are used for any purpose other than fire-fighting. The Scale of Rates has been amended accordingly.

- (xLiv). The KPT has proposed around 15% increase in dry dock hire charges which is less than the general increase considered under the vessel related activity. Further, the port has proposed to levy dry dock hire charges based on the length of the craft. The proposed tariff appears to be reasonable and hence it is accepted. The charges for cleaning of dry dock on the first day is proposed to be levied separately. Instead of showing this as a separate item, it will be logical to merge it with hire charges of dry dock for the first day.

The user is expected to clean the dry dock from the second day onwards and if they fail to remove, the port will carry out the job by giving the user notice in writing. This provision is to be deleted considering that dry dock hire charges or port dues prescribed for conservancy of the harbour cover these expenses which are included in the cost statement for vessel related activities.

There is a provision that 50% of the charges prescribed for docking / un-docking of a vessel will be payable by the hirer in case the docking / un-docking of the vessel already fixed has to be cancelled due to delay caused either by the hirer or due to any reasons not attributable to dock convenience. These charges are not leviable if prior notice in writing is given to the port not later than 1400 Hrs. on the previous day. The proposed provision is modified to state that the charges will become payable only if the hirer cancels the requisition for an operation.

- (xLV). The KPT has furnished detailed cost sheets for the hire charges proposed for mobile cranes, forklifts etc. for cargo handling purpose. The management and general overhead expenditure has not been considered by us in the calculations since these are indirect expenditure already considered by the KPT in its financial estimates. The arithmetical error in computation of incidental cost related to wage

cost has also been corrected. Subject to these modifications, the hire charges of equipment in this schedule is approved.

The KPT has considered the cost of insurance of equipment in its working of hire charges. In the light of this, as held by this Authority even in its earlier Order relating to fixation of hire charges of the floating craft, the existing provision of recovering charges for damages/ replacement cost from the users in case of accidents, breakdown, etc., is irrelevant. That being so, the provision relating to recovery of damages from the users is deleted from the schedule relating to charges for mobile cranes, forklifts, etc. The KPT is advised to consider insurance cost while working out tariffs even in case of the other equipment at the time of the next general revision.

- (XLvi). The charges for use of dirty ballast tank, inter-transfer of POL products from IOC for shore terminal to Oil Companies at Kharirohar and vice versa are retained at the existing level as against a 50% increased proposed by the KPT. This has been done in line with the decision of not allowing any increase in any activity other than vessel-related activity.
- (XLvii). The hire charges for floating crafts has been rationalised and is proposed to be prescribed based on the capacity of the crafts as against the existing tariffs prescribed for the individual tugs/launches. The KPT has furnished the detailed basis of rationalising the rates based on the capacity of the floating crafts. The KPT has clarified that it has not proposed any increase in the hire charges of floating crafts. For the purpose of computation it has taken the average of the existing rates applicable for respective grouping of crafts. Hire charges for some of the tugs/launches considered by the KPT in its working do not appear in the existing Scale of Rates nor approved by this Authority subsequently. In this regard the KPT has clarified that the rates for these tugs/launches were approved earlier by the Government. The rates proposed by the KPT are not exact average of the existing rates. They are slightly less for some of the tugs/launches and slightly more for few other except for the major difference observed in the tariff proposed for the launch of above 600 BHP. In case of launch above 600 BHP the KPT has proposed a tariff of US\$ 183.00 for foreign going vessel and Rs. 6264/- for coastal vessel whereas the average tariff for this group comes to US\$ 90.80 and Rs. 2387.65. Since the difference here is exorbitant, the rate has been retained at the average level for that group even though the revised rate is less than the rate arrived at for a lower capacity group. In case of other tugs/launches the tariff proposed by the KPT is accepted since the difference in the average and the rate proposed by the KPT is negligible.

It is to be noted that the KPT has proposed a tariff for the launch of 401-600 BHP; but, has not furnished the details of the existing launch of this capacity. That being so, hire charges for launch 401-600BHP is not included assuming that the KPT does not have any launch of this capacity.

- (XLviii). The charges for electric wharf cranes hired for handling cargo other than to and from ships were proposed to be revised upwards from Rs.530/- to Rs.10,000/- per shift. The users have complained that the wharf cranes are used for handling cargo to and from barges also and this would amount to be a heavy burden on them. The port has now agreed not to apply these charges in the case of use of these cranes for loading/unloading to/from barges. This has been incorporated in the Scale of Rates. It will be more logical that the rate for hire of wharf cranes for use other than cargo loading / unloading operations is prescribed in relation to the rebate to be allowed in berth hire charges for the non-crane berths. Accordingly, the rate for this item is prescribed in the revised Scale of Rates.
- (XLix). The KPSA has objected to the hike in the fee for port entry permit from Rs.7/- to Rs.50/- and has suggested that it should be only a token charge. The port has clarified that it is a one-time charge for giving a permanent entry permit. This is

not a major item having greater financial implications even for users. That being so, this Authority approves the entry fee as proposed by the port.

- (L). Users have complained that weighing machines / weighbridges are not showing correct weights and as a result they lose significantly on every shipment. They have also suggested that the weightage charge should be on a 'per tonne' basis and not on a 'per truck' basis. The port has stated that the weighing machines / weighbridges are periodically inspected by the officials of the Weights and Measures Department of the State Government and recalibrated regularly. The port agreed to do inspection more frequently to minimise such errors. Since weightage charge is payable on an empty truck also, the port has proposed to levy this charge on a 'per truck' basis. The proposed provision is accepted.
- (Li). The existing Scale of Rates of the KPT is a mix of tariff and non-tariff matters. The conditionalities that relate to operational issues are deleted from the Scale of Rates. Similarly, the conditionalities prescribing discretionary powers in tariff matters to various functionaries in the KPT are also deleted. Various tariff orders passed by this Authority for common adoption by all the major ports are included in the Scale of Rates at appropriate places.

10.1. In the result, and for the reasons given above, and based on a collective application of mind this Authority approves the revised Scale of Rates of the KPT attached as **Annex-II**.

10.2. The revised rates and conditionalities relating to vessel-related charges will become effective after expiry of 30 days from the date of its notification in the Gazette of India.

10.3. The revised rates and conditionalities relating to cargo-related charges and other miscellaneous charges will become effective after expiry of 15 days from the date of its notification in the Gazette of India.

( **S. Sathyam** )  
Chairman