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New Delhi, the 27th April, 2000

**TARIFF AUTHORITY FOR MAJOR PORTS**

**NOTIFICATION**

No.TAMP/8/99-PPT - 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 amends the Scale of Rates for vessel related charges and cargo related charges of the Paradip Port Trust as in the Order appended hereto.

**SCHEDULE**  
**Case No. TAMP/8/99- PPT**  
**The Paradip Port Trust ... Applicant**  
**O R D E R**

( Passed on this 10th day of April 2000 )

This case relates to a proposal received from the Paradip Port Trust (PPT) about general revision of its Scale of Rates, both in respect of vessel related and cargo related charges.

2. The PPT had revised its Scale of Rates in 1993. The present proposal to revise the rates is being made after a gap of 5 years. The PPT has justified its proposal by stating that during this period, the cost of various services provided by the port has gone up considerably. The PPT is availing a loan from the ADB for creation of mechanised coal handling facilities. Part of this project and other developmental projects will have to be financed by the Port' s own internal resources.

3. A committee of Port officers was constituted to work out the details of costing. It suggested the revised rates for various services rendered by the Port. The proposed rates were discussed by the PPT with the trade representatives for their views; and, these have reportedly been taken into consideration.

4. The port has stated that the following important factors have been taken into consideration while finalising the proposal:

- (i). Rationalisation of (a) cargo categories; and, (b) vessel related charges.
- (ii). Introduction of wharfage for ADB assisted coal handling plant.
- (iii). Dispensing with the hire charge for wharf crane when not used.
- (iv). No revision in hire charges for cargo handling equipment.
- (v). Simplification of some of the existing terms and conditions and procedure for renewal of plot rentals.
- (vi). Downward revision of wharfage for some cargoes to attract more traffic.

5. The proposal was subjected to preliminary scrutiny based on which the PPT was required to submit clarifications and provide additional information.

6. In accordance with the procedure followed by the TAMP the proposal of the PPT was circulated among the main users of the Port. Comments were received from the TISCO, SAIL, M/s. Usha Martin industries, FACOR, Paradip Phosphates Limited, MMTC, Indian Charge Chrome Limited and TNEB. These comments are summarised below:

**The Tata Iron and Steel Company Limited (TISCO)**

- (i). The proposal is for a 25% increase in wharfage charges for almost all the items.
- (ii). The existing wharfage charges at the PPT are much higher when compared to other major ports.
- (iii). The wharfage for imported coal, coke and limestone at the PPT are higher by almost 300% compared to the CHPT and the VPT.
- (iv). Similarly, for export of Ferro alloys, the charges at the PPT are more than 400% higher compared to the VPT and 200% higher compared to the CHPT.
- (v). For export of minerals, the charges at the PPT are more than 500% higher compared to the VPT and the CHPT.
- (vi). The wharfage charges for raw material, minerals and alloys at the PPT shall be rationalised at par with the VPT and the CHPT as they have a direct impact on the Iron and Steel industry which is going through the worst recession.
- (vii). Any increase in port charges will hit the iron and steel and related industries.

**Steel Authority of India (SAIL)**

- (i). There is no reasonable explanation for the steep rise in the proposed rates.

**M/s. Usha Martin Industries (UMI)**

- (i). While the reduction in wharfage charges for scrap from Rs.55/- PMT to Rs.50/- PMT is welcome, it is still inadequate for the steel industry.
- (ii). The proposed increase in the wharfage for coke and lime stone, will further add to cost which will not be competitive.

**Ferro Alloys Corporation Limited (FACOR)**

- (i). Although no proposal has been made to increase the wharfage of Rs.150/- PMT on charge Chrome / High Carbon Ferro Chrome, there is a case for reduction of the same in view of the sluggish international market for Ferro alloys.
- (ii). The proposed increase wharfage for coal / coke from Rs.55/- PMT to Rs.65/- PMT will add to the production cost.
- (iii). Advance rental charges for the area leased / to be leased for storage of the cargo of the EOUs should not be insisted upon.
- (iv). The EOUs should also have the flexibility of paying the vessel related charges on the date of the initial berthing or during the course of the loading / discharging operation or immediately after sailing of the vessel.
- (v). The proposal of the PPT for doubling the plot rent / cost of the export cargo from the present Rs.1000/- per month to Rs.2000/- per month will be an additional burden on exporters.
- (vi). Action may be taken for setting up an Inland Container Depot (ICD) at the PPT as this will boost exports from Orissa.
- (vii). The existing charges are higher compared to other Ports. There is a case to streamline these charges at par with other ports.
- (viii). A separate concessional tariff must be extended to the 100% EOUs for boosting exports from the State.

**M/s. Paradip Phosphates Limited (PPL)**

- (i). The Port has not submitted any detailed calculations while proposing revision in the Scale of Rates. The proposal for an increase of rate of fertilizer raw material from the present Rs.60/- PMT to Rs.75/- PMT is not justified, fertilizer being an essential commodity.
- (ii). The proposed increase for liquid bulk including acid, fatty acid and ammonia from the present Rs.65/- PMT to Rs.75/- PMT is not justified as it is the major raw material for manufacture of chemical fertilizers.
- (iii). The proposal for deposit of one month' s additional rental is not justifiable. Status quo should be maintained in regard to berthing ship at the jetty instead of curtailing the existing facility.
- (iv). The port is collecting wharfage charges as per schedule rate applicable to general cargo berth instead of charging at the rate applicable for captive berth whenever the general berth is used by the PPL. This is not fair.
- (v). The PPL being a major customer of PPT, the liquid cargo of PPL handled at the multipurpose berth must be added with the total quantity handled by PPL per annum so as to enable PPL to get some marginal relief on the basis of sliding system of rates.

**MMTC Limited**

- (i). There is no case for any increase in the cargo related port charges on export of iron ore through the ore handling complex. The present charges at the PPT are already higher than those at the ports of CHPT & MOPT.
- (ii). Cost of export from the PPT is very high due to circuitous and lengthy railway route. The MMTC have to pay heavy demurrages due to inefficiencies in the handling system. As such, any increase in port charges will affect export from the PPT.

- (iii). In view of recession in the international steel industry, there shall be no further increase in the cost of export.
- (iv). The vessel related charges at the PPT are very high and, as such, need not be increased.

**M/s. Indian Charge Chrome Limited (ICCL)**

- (i). There is no justification for any increase of wharfage for Ferro alloys and other processed ores.
- (ii). There is no justification for increase of wharfage on any type of imported coal / coke.

**Tamil Nadu Electricity Board (TNEB)**

- (i). Any tariff revision in the Scale of Rates will have very serious financial impact on TNEB.

7. A joint hearing in the case was held at the PPT. During the course of the joint hearing the following submissions were made:

**Mahanadi Coalfields Limited (MCL)**

- (i). Coal traffic in the PPT may go down if direct import is resorted to by users in VPT or CHPT. PPT must introduce competitive rates to retain ( and attract) coal traffic. Instead they want to raise the tariff which needs to be reconsidered.
- (ii). There are only two slabs in sliding scale; there must be more slabs at the have more slaps in higher level.

**Tamil Nadu Electricity Board (TNEB)**

- (i). The average tariff increase may be 25%. But, the distribution is not uniform; it spreads from 10% to 100%. Most of their items are above 50%. It will mean Rs.13 crores more expenditure for TNEB. If their requirements (after Ennore develops) are taken into account, their expenditure may be Rs.15 or 16 crores. In that case they have to think of direct import of coal as that will be cheaper and the quality of coal will be better.

### Paradip Phosphate Limited (PPL)

- (i). TAMP may please go into costing details to check on justification.
- (ii). The proposal for steep increase in Fertilizer raw material will affect farmers.
- (iii). Different rates are adopted by the different ports. Is it not possible to have a common rationalised fertilizer handling rate?
- (iv). In fertilizers raw materials, do not distinguish between ' dry' and ' wet' raw materials. Treat all as one category of ' raw materials' . (Chairman PPT has stated that they will leave out ' fertilizers' . There will be no increase. PPT will increase the rates only for ' fertilizer raw materials' )
- (v). In view of their special position, give the same rate structure as in the captive berth to the cargo handled in general berth also.
- (vi). As regards rentals, the port asks for one month rent extra. The PPT must stop this practice and stick to status quo.

### The Tata Iron and Steel Company Limited (TISCO)

- (i). Exports Items
  - (a). In steel industries there are extraordinary price falls and they are in distress.
  - (b). PPT has comfortable margins.
  - (c). VPT rates are much lower.
  - (d). PPT rate is already higher and therefore must reconsider and not raise further.

#### Import Items

- (a). Everywhere wharfage for limestone and coal is same and only in PPT they are different.
- (b). Rates are already high. They want to increase further.

#### Coal

- (a). PPT earns 4.52 crores in coal handling and gives a 25% concession.

- (b). Coal and limestone - PPT handles at the tune of 5,00,000 plus 5,00,000 tonnes and earns 6.25 crores. But, no concession in the slab rate.
- (ii). Give concessions not on cargo specific basis or, on berth specific basis only but give on user specific basis also.
- (iii). Do not talk only of accommodating inflation but to consider improvement in efficiency.

#### **Steel Authority of India Limited (SAIL)**

- (i). The locational advantage is for VPT and Haldia. In PPT they pay very high cost and railway transportation. Any increase in tariff will make it totally uneconomic.
- (ii). Chrome is also a Ferro alloy. No need to list it as a separate cargo.
- (iii). We endorse all the points made by the TISCO.
- (iv). As regards rent of plots, ' month' is the smallest unit. It may be ' fortnight' if not ' week' .
- (v). There shall be a separate tariff extra for 100% EOUs.

#### **MMTC Limited**

- (i). Loading time is more in PPT, what is 1 day in CHPT / VPT is 3 days in PPT. They can not afford to increase the rates.
- (ii). The economy is in recession. Exports are down. This is not the opportune moment to raise rates.
- (iii). Our realisation is Rs.750/- PMT. Out of this, about Rs.500/- has to go to Railways and Port. We have only Rs.250/- to take care of other expenses.
- (iv). In the last 5 years, Railways has increased rates by 280%. Port has increased rates by 25%. Nevertheless, total burden on SAIL is heavy.
- (v). Ask SAIL for more traffic; do not raise the rates.
- (vi). If the Port reckons with the cost of mining, then, the bottom line may be minus.

(Chairman PPT has stated that they are not raising port dues for iron ore it is the same as for others. Only, PPT is withdrawing some concessions earlier given to iron ore.

**M/s. United Liner Agencies of India**

- (i). COPT does not levy port dues for anchorage operation. They charge only an entry fee. Please give the same facility.
- (ii). On anchorage operations no port facility used, and, therefore, either waive port due or charge concessional rate.
- (iii). Free days for aid cargo in PPT is 45 days which is too long.
- (iv). Exchange rate fluctuations have given unanticipated benefit to PPT since 1993. Reckon with that; do not increase vessel related charges.

8. In response, the PPT has made the following observations:

- (i). Paradip is not an established old town. PPT is still developing the infrastructure. Their estate is both an asset and a liability. This peculiarity must be noted.
- (ii). Cost escalation was projected on an itemised basis and not as a general projection.
- (iii). There is no profit margin.
- (iv). As regards ADB project, normally ' new project' is meant to handle ' new cargo' . However, here it is ' new project' and cargo is ' old' . The PPT will lose the revenue earnings in the old berth but will have to pay interest and the loan instalment for the ADB project. This peculiarity must be recognised.
- (v). TNEB pays many non-statutory charges for Thermal Coal handling. Once MOHP comes up they will save a lot.
- (vi). Only wharfage is changed for coal handling. Plot rental are not changed.
- (vii). TNEB spends now Rs.262/- PT. After the ADB project they will spend only Rs.178/- PT.

- (viii). If they bring coal by rail to PPT instead of VPT, they will save Rs.90/- per MT.
- (ix). Today iron ore plant handles coal also. There are separate rates for iron ore and coal. It will be more rational to have one rate for mechanical handling and one for conventional handling.

9. After the joint hearing, the proposal was circulated to some more users who could not be consulted earlier. Comments were received from M/s. J.M. Baxi & Co., the Kalinga Steamship Agents' Association and BPCL. These comments are summarised below :

M/s. J. M. Baxi & Co.

- (i). If there is a " genuine reason" for non-payment in advance then there shall be no interest charged.
- (ii). Since rental is being collected in advance there shall not be any levy of " One month additional rental" .
- (iii). Minimum charges for 2 hours are payable for hire of any of the Harbour crafts. This clause may be deleted from the foot note.
- (iv). Since berth hire is paid for 24 hrs or part thereof; it shall be clarified as to the berth hire charges to be paid by the vessel on the day of change of status.
- (v). Port dues shall not also be charged to vessels which get diverted from anchorage, due to Port congestion / Non-availability of berths.
- (vi). It may be clarified whether the first shifting of berth wil attract 10% or 50% of the Pilotage charges.
- (vii). The total number of hours of non-availability of the equipment shall be deducted form 8 hours and the proportionate charges be payable for the balance period of the shift.

The Kalinga Steamship Agents' Association

- (i). Consider for levy of shifting charges not more than 10% and if a vessel is shifted on Port' s Operational requirement no shifting charges to be charged.

- (ii). Genuine reason for charging 18% interest may please be specifically mentioned with grace period for purpose of charging interest in event.
- (iii). Initial advance for leased period shall not be charged.
- (iv). Three hours time, instead of 2 hours, is requested for readiness as prevalent in other Major Ports.
- (v). Berth hire charges on the day of change of status does not appear to be clear, which needs to be further clarified precisely.
- (vi). If a vessel is warped for port convenience, no charges shall be levied as mentioned.
- (vii). When the provision exists for vessel' s readiness to sail within 2 hours on completion of cargo including lashing, vessel shall not be penalised for such an estimated shipping movement planned by the Port.

**M/s. Bharath Petroleum Corporation Limited (BPCL)**

- (i). It is desirable that a meeting is called with the other industry members like IOC and HPC so that the matter can be discussed in detail and understood by all.

10. On the basis of the discussion held in the joint hearing the PPT has modified its proposal. The modification proposed by the PPT is summarised below:

(i). **Cargo Related Charges**

**Wharfage**

- (a). Sl. No.15 POL and products.

There shall be a concession of Rs.5/- per metric tonne above the 2.0 million tonnes per annum.

- (b). Sl. No.16 POL THROUGH SBM.

Rs.15/- instead of Rs.10/- earlier proposed.

(ii). Vessel Related charges

Berth Hire

(a). For berth hire the rates indicated are for the first 24 hours period and thereafter, the same is to be levied on each commenced 12 hours period.

(b). In case, the vessel hoists false signal of readiness to sail or informs the port signal station to that effect but is not actually ready to sail, a penalty of one day' s berth hire, in addition, will be levied for such false signal.

(iii). Terms and Conditions

(a). The night navigation period will be from 6 PM to 6 AM or such periods as may be notified by Deputy Conservator from time to time.

(b). In case of any dispute about the scope or meaning of any term, the decision of the Chairman, PPT shall be accepted as final. However, in all such cases, the same shall be subject to adjudication by TAMP if a dispute is referred to them.

(c). All dues in respect of services required will have to be paid in advance as per demand. All demands not paid in time for genuine reasons shall bear simple interest at the rate of 20%.

Interest at the same rate will be payable for delays in refunds to the port users after the expiry of 7 days from submission of all relevant documents to the port as per the check list in vogue for such refund cases.

(d). Penal berth hire dues @ \$ 100/- USD per hour for foreign vessels and Rs.3000/- per hour for coastal vessels will be levied if the vessel fails to be ready for sailing after 2 hours of completion of cargo work including lashing wherever necessary thereby resulting in delay in berthing of another waiting vessel for the berth.

(iv). Pilotage and Towage

Pilotage and towage is inclusive of one inward and one outward movement using two tugs. In case where more than two tugs are required, hire charges for additional tugs will be paid as per clause 5.0 " Hire charges for floating crafts" .

11. (i). The port has also intimated that the ' volume discount' available for import of coking coal and export of Thermal coal is proposed to be extended for liquid bulk also.
- (ii). The percentage rise in the proposed revision in tariff vary from item to item and from cargo to vessel related charges. It is difficult to maintain uniformity in this regard at the present stage.

12. The TNEB has sent a separate proposal for reduction of port related charges for movement of coal at the PPT. This was taken up as part of the joint hearing at the PPT. It was stated that the PPT would give specific details of costing relating to wagon – unloading and intraport transportation and also give information about the non-statutory charges cited. However, a statement showing a commodity wise wharfage cost per tonne including Thermal coal was submitted along with the modified proposal. The PPT has given the costing relating to wagon-unloading and intraport transportation only at the very last moment during the final discussions.

13. It was decided to settle the proposal of the TNEB as a part of the general revision of the Scale of Rates. Another proposal was also received from the PPT to amend the revision of charges for handling iron ore in view of TAMP' s order No.TAMP/1/97-PPT dated 13 April 99 relating to a case filed by M/s. Ispat Industries Limited. The port bifurcated the consolidated charges of Rs.58/- as given below:

- (i). Shipment charges for iron ore : Rs.30/- PMT
- (ii). Tippling charges for iron ore : Rs.28/- PMT

14. The PPT proposed to revise the Scale of Rates in respect of iron ore to Rs.70/- and proposed to bifurcate with reference to our order as given below:

(i). Shipment charges of iron ore : Rs.40/- PMT

(ii). Tippling charges of iron ore : Rs.30/- PMT

(There shall be concessions in shipment charges @ Rs.5/- per tonne for shipment above 1 million tonne and Rs.15/- for shipment above 2 million tonne per annum)

15. It was decided to take up the above proposal along with the general revision of Scale of Rates of the PPT i.e., this case.

16. With reference to the totality of information collected during the proceedings of this case, and based on a collective application of the mind the relevant issues are analysed as follows:

(i). The PPT has made a good attempt for a comprehensive tariff revision proposal. Although we have not been insisting upon such comprehensive proposals, port-users have been speaking in favour of such proposals so as to be able to assess the total impact of the revision at one go. Notwithstanding our readiness to entertain piecemeal proposals for revision of tariffs, Port Trusts have lately begun to opt for such comprehensive proposals. Recently two very good comprehensive proposals for tariff revision, received from the TPT and CHPT have been decided. The VPT has submitted their comprehensive proposal. A comprehensive proposal for revision of cargo-related charges from the MOPT has also been received. In this backdrop, the present proposal of the PPT, which is perhaps the first to be received, can therefore be said to have blazed a new trail.

While comprehensive proposals do give an opportunity to assess the total impact of the revision at one go, and also foreclose opportunities for overlap of allocation of costs, it cannot be said to

promote true adherence to the principle of *quid pro quo*. Also, in the absence of an activitywise revision of tariffs, cost-centrewise data do not emerge thereby inhibiting scrutiny of the cross-subsidisation element. It is, of course, possible for a comprehensive proposal also to be backed up by cost-centrewise calculations. Only, we do not at present have the (professional) staff support to cope with that kind of detailed examination of proposals. Also, many Port Trusts do not have the data back-up for such cost-centrewise proposals.

(ii). In this case, the PPT has attempted to provide activitywise data. But, there are gaps in the presentation of information. Because of these gaps, and because of some basic changes made in the calculations, it has not been possible for us to pursue the activitywise consideration; that will involve a massive revisional exercise for which, as earlier stated, we do not have the resources. The port will also need quite some time to do the recalculations. Hence, it is proposed to decide on the revision on overall considerations with break-down only between the two major groups of tariffs viz., cargo-related charges and vessel-related charges.

(iii). (a). The proposal has been prompted by a Rs.900 crore ADB-funded Project for introduction of mechanical handling of coal. In our opinion, it may not be appropriate for the PPT to link the general revision of tariffs to such a massive project relating to one cargo. Inclusion of this (massive) investment will unnecessarily add the costing for other cargoes as well.

It will be desirable to treat the ADB-funded Project as a separate self-contained item for coal. Costing details can be worked out exclusively for coal so as to be able to prescribe a

separate tariff for coal. The project is not yet completed; it is expected to be commissioned only by April 2001. That being so, there is still time for the PPT to work out the details and give the separate costing.

(b). Coal is now handled partly at the Iron Ore Handling Plant (IOHP) set up for iron ore and partly manually. Taking coal away for a separate consideration will, therefore, have implications for the IOHP; the cost per tonne there may go up. This implication has not been explained by the PPT which is another reason why we cannot accept it as it is.

(c). At the joint hearing, the PPT agreed to discuss with the Mahanadi Coalfields Limited (MCL) and the Tamil Nadu Electricity Board (TNEB) and come up with a supplementary proposal. This has not yet been done.

(d). In the details relating to the ADB-funded project, the provisions for 'repairs and maintenance' plus 'depreciation' add up to a double of the capital invested in the project. This position is somewhat unusual and will need to be explained.

(e). In the details relating to the ADB-funded project, the expenditure on 'wages' has been shown to increase by 25%. It is extraordinary that, in a project focussing attention on 'mechanisation', there is such an increase in wages. This, again, will need to be explained.

(f). At the time of the joint hearing, the following extraordinary statement was made by the PPT about the ADB-funded project: "This is not a case of 'new project – new cargo'; this is a case of 'new project – old cargo' ". This statement introduces

doubts about the viability of the project. It will, therefore, be useful to require the PPT to state what was the IRR of the project at the time of its sanction; and, what is it now.

(g). In line with the proposal to keep aside the ADB-funded project, we have also to exclude the ' Depreciation' figures relating to the project.

(h). At the time of the joint hearing, a reference was made to payment by the TNEB of many non-statutory charges. It was contended on behalf of the PPT that, the new system would eliminate all that and, the TNEB would make overall savings. The PPT can incorporate them while proposing a separate tariff for coal.

(i). At the time of the joint hearing, the PPT was inclined to talk in terms of separate tariffs for ' mechanical handling' and ' conventional handling' and *not* for ' iron ore' and ' coal' . In the subsequent discussions, the PPT explained that there had been confusion on this point because of there being three different rates for handling of coal – for conventional handling of coal; for mechanical handling of coal at the IOHP; and, for mechanical handling of coal in the new ADB Project to be commissioned. In other words, at the IOHP, there will be one rate for handling of iron ore and another rate for handling of coal! This arrangement at the IOHP will indeed be untenable in the sense that, at the same Plant, different rates will be applied for (mechanical) handling of different cargoes. But, this has been allowed to be continued on the following considerations:

(a). This is the existing practice. There are different rates in force.

(b). The (only) user concerned (viz., the TNEB) is agreeable to continuance of this practice.

(c). The PPT assures to do away with this anomaly as soon as the Coal Handling Plant is commissioned. In other words, the practice of applying different rates for handling different cargoes at the IOHP will, thereafter, be discontinued. Mechanical handling of coal will then be done only at the Coal Handling Plant. If, for any reason, coal is required to be handled (mechanically) at the IOHP, then, the rate prescribed for handling iron ore will apply.

As agreed to at the discussions, the PPT will submit a separate proposal for fixing the rate for handling of coal in the Mechanical Coal Handling Plant under construction.

(iv). Even as we require the PPT to do separate costing for coal and come up with a separate tariff proposal relating to the ADB-funded project, therefore, we have to advise them to address in particular the points discussed above. These factors reinforce our reluctance to link the ADB-funded project with a proposal for general revision of tariffs.

(v). The traffic projections given have been scaled down from the Ninth Plan figures. The Ninth Plan, according to the PPT, was optimistic and did not fully reckon with the extent of recession. Nevertheless, at the discussions, the PPT was required to indicate more realistic figures. Since, by then, the year 1999-2000 had virtually ended, the PPT was advised to base its (revised) projections with reference to the 1999-2000 'actuals', and, with

reference to the firm indications available from the TNEB, OCFL (Phase-II) and POL. This was accepted by the PPT; the calculations were recast on this basis.

(vi). The projection of revenue increase is based on the revised projection of traffic increase. As such, it is acceptable.

(vii). (a). In the income projection, especially in respect of vessel-related charges, exchange rate fluctuations had not been reckoned with. This was pointed out at the time of the joint hearing. This was particularly stressed at the (subsequent) discussions also.

(b). The exchange rate fluctuation for the period can be said to have been of the order of 3% per annum. The PPT was accordingly advised to reckon with this figure in the income projections. As earlier stated, this would be relevant only for vessel-related charges. Since in the PPT, 50% of the vessels calling belong to the 'coastal' category, the incremental income due to exchange rate fluctuation will be relevant only to the income from the 50% of 'foreign-going' vessels. In view of the fact that the year 1999-2000 had virtually ended, the PPT was advised to apply this figure accordingly at the rate of 3% for 2000-01, and at the rate of 6% (3+3) for 2001-02. This was accepted by the PPT; the calculations were recast on this basis.

(c). With reference to the Government policy of encouraging coastal trade, this Authority allows continuance of the concessions on vessel-related charges in respect of 'coastal' vessels. This concession will remain pegged at 30% of the rates applicable to 'foreign-going' vessels. But, in order to eliminate the unintended escalation in the extent of this concession, the system of computing the 'coastal rates' is revised. At the time of amending

the Scale of Rates after a regulatory revision, the coastal tariff shall be fixed by allowing a 30% concession on the revised rates for 'foreign-going' vessels. The 'coastal rates' will continue to be denominated in rupee terms. This denomination will be based on 'conversion' to be made with reference to the 'Customs Rate of exchange' prevailing on the date of this order (i.e., US \$ 1 = Rs.43.80).

(viii). In the income projection, the PPT had not included 'Financial and Miscellaneous Income (excluding Interest)'. Although this item involves only an entry of the order of Rs.4 crores per annum, it is still substantial enough not to be ignored. It is, therefore, added accordingly. It will be relevant here to clarify that, in this context, all interest (including 'other than ADB items') is omitted.

(ix). We had recently passed a general Order reducing the unit of Berth Hire Charge from 24 hours to 8 hours. This Order was made commonly applicable to all the Major Port Trusts. The implication of this order for purposes of estimation of income from 'berth hire' has also been duly built into the (revised) income projections.

(x). The PPT had earlier envisaged an increase in the cargo-related charges for handling of cargo at the captive berth of the PPL. But, based on the subsequent discussions, the PPT has withdrawn this item to be presented along with the proposals for revision of Estate Rentals and Equipment Hire Charges.

(xi). The PPT has a provision for offering volume discounts on coking coal. The system of offering 'volume discounts' is proposed to be extended to thermal coal (handled at the IOHP), iron ore, and POL. We approve the proposals for 'volume discounts' relating to coal handled at the IOHP and iron ore. In the light of our decision

of not allowing any increase in POL rates, we approve a volume discount of Rs.3/- per tonne on wharfage beyond the volume handled above the existing traffic of two million tonnes per annum.

(xii). In the PPT' s proposal, ' expenditure escalation' has been assessed at different levels (i.e., different percentages) for different items. It has been the approach of the Authority to adopt an average figure uniformly for all items in this regard. The Authority had earlier been reckoning with an annual escalation factor of 6%. But, consequent upon the representations made by the TPT, this was increased to 10%. A similar approach was adopted in the case of CHPT also. We have adopted a similar approach in this case too.

(xiii). (a). The expenditure projection does not incorporate implications of the wage revision that are on the anvil. The PPT will, in all likelihood, come up with a supplementary proposal after the wage revision takes place.

(b). It has been the approach of this Authority to built the (prospective) wage-increase implication into the annual escalation factor. Separate provisions have not been allowed for such estimates. In fact, the Authority had earlier been reckoning with an annual escalation factor of 6%. But, consequent upon the representations made by the TPT, this was, as earlier stated, increased to 10%, especially because of the heavy wage burdens to accrue from wage revisions. The Authority, as earlier stated, will adopt the same approach in this case too.

(c). The 10% escalation factor will be sufficient to absorb fully the burden prospectively. It has to be recognised in this context that wage revisions also will have an ' efficiency increase'

aspect. As is known, the Government does stipulate an annual figure in this regard in their MOUs with the Port Trusts. (The Authority has also been thinking of adopting this figure when it is decided to introduce the 'CPI minus X' formula for tariff fixation.) This apart, in the wage negotiations, the Port Trusts have been insisting upon an agreement about effecting improvements in the levels of performance. If such efficiency increases also taken into account, the effective wage burden will decrease making it possible for the 10% annual escalation factor to more than bridge the gap in the provision.

(d). As regards provision for 'arrears', it has been the stated position of the Authority not to allow such entries in the tariff revision estimates. The logic has been that, just for the sake of clearing a one-time debit, such an entry will create a permanent burden on tariff estimates. That being so, the PPT will be required to meet this liability from out of its 'reserves'. This has been the approach adopted on this issue so far. We see no reason to depart from this approach in this case.

(xiv). The figures relating to 'capital employed' are found to be unrealistically high. Notwithstanding the extraordinarily alarming 'surplus labour' position, the PPT has been spending huge amounts on additional berths with reference only to vague guarantees of POL and other traffic. The figures of 'capital employed' will, therefore, require to be rigorously scrutinised at the time of the next revision. In the meanwhile, for purposes of the current exercise, the PPT itself was required to reverify the figures with reference to works completed and likely to be completed. This has been done by the PPT. The reverified figures have been incorporated in the revised Financial Statement.

(xv). While considering such proposals, the Authority has been admitting an 18% return on capital employed. This was on the basis of 12% towards interest, 3% towards contribution to a Renewal Fund, and 3% towards contribution to a Development Fund. But, in the context of another case recently, the Government has clarified that it has lowered its rate of interest (on loans to Port Trusts) from 14% to 13.5% for the year 2000. Accordingly, the Authority has allowed a rate of return in this case of only 19.50% (13.50 +3 +3).

(xvi). As will be evident from the foregoing analysis, several fundamental changes have been introduced in the calculations:

- (a). Exclusion of all elements relating to the ADB-funded project for mechanical handling of coal.
- (b). Incorporation of the implications of exchange rate fluctuations in income projections.
- (c). Elimination of varying expenditure escalation figures of different items and provision of a 10% uniform annual escalation factor which will absorb also all wage liabilities prospectively.
- (d). Adding the ' Financial and Miscellaneous Income (excluding Interest)' to the income estimation.
- (e). Revision of the traffic projections on the basis of the 1999-2000 ' actuals' and with reference to firm indications; and, revision of income projections accordingly.
- (f). Revision of figures relating to ' capital employed' on a realistic basis.
- (g). Reduction of ' return on capital employed' from 20% to 19.5%.

17. With reference to the changes discussed above, the PPT has recast its Financial Statement. A copy of this recast Financial Statement is attached as **Annex**. As can be seen therefrom, the average deficit for the years 2000-01 and 2001-02 works out to around 15%. Accordingly, an overall increase of 15% is approved.

18. (i). This Authority has no jurisdiction to examine the rates for ' railway operations' . That being so, the figures indicated in this regard by the PPT are accepted at face value.

(ii). As earlier stated, the PPT has agreed to come up soon with a supplementary proposal for revision of Estate Rentals including rentals for properties in operational area, Equipment Hire Charges, and charges relating to the captive berth of the PPL.

(iii). In this backdrop, within the overall ceiling of 15% approved for the revision, we allow a uniform increase of 5% in vessel-related charges and 15% in cargo-related charges. However, the PPT has proposed a reduction in wharfage on some commodities and less than 15% increase in wharfage on some other commodities. In such cases, the proposal of the PPT is approved. There will be no change in the percentage of levy of wharfage based on advalorem, consequent on this revision. We realise, the deficit position will not be wiped out even with these revisions. The deficit even after revision is likely to be around 5%. However, since the PPT will soon be coming up with a separate proposal for revision of Estate Rentals (which is the major activity contributing to the overall deficit), we feel that the deficit can be taken care of while considering the proposal for revision for Estate Rentals. In their interactions with us, the PPT had accepted this position.

- (iv). Within the cargo-related charges, ' POL handling' has been seen to indicate a surplus position. If a uniform percentage of increase is applied, it will mean cross-subsidisation from POL to other cargo. Even though it may not be possible to eliminate the cross-subsidisation at one go, we do feel that such subsidies shall be reduced gradually. And, as a first step, in some other cases, at least further increases have not been allowed. Accordingly, we do not approve any increase in POL handling charges at the PPT also.
- (v). The PPT has accepted our suggestion to specify the following conditions in its Scale of Rates:
  - (a). ' Pilotage' will be defined to mean one inward movement, one outward movement, and one shifting. That being so, there will be no need to refer to the number of tugs and the varying charges therefor.
  - (b). The PPT agreed to withdraw its proposal for levy of separate, higher charges relating to night navigation. That being so, no further consideration is necessary in this regard including specification of night navigation timings separately for Winter and Summer seasons.
  - (c). The unit for berth hire charge will be reduced from 24 hours to 8 hours.
- (vi). Since infrastructure for water supply is installed for all vessels in general, it will be more logical to include the infrastructure cost for supply of water in the computation of berth hire charge. The PPT has accepted this contention and has agreed to initiate action accordingly before the next revision.

- (vii). The PPT had some time ago introduced some concessions to iron ore vessels for vessel-related charges. It has now proposed to discontinue the concessions. This will not be a case of revision of a tariff. This is simply a commercial decision of the PPT to withdraw certain concessions earlier given for whatever reason. We have, therefore, no objection to the proposed withdrawal of the concessions to iron ore vessels.
- (viii). The PPT also has a system of allowing ' priority berthing' for an additional charge. This Authority does not view this concept with favour at least at this stage. In the context of limited availability of berthing facilities at present, there will always be any number of vessels ready to pay additional charges for priority berthing. This will give scope for exploitation of (discretionary) powers. But, the PPT has defended this arrangement with reference to a Government circular on the subject. Until we have had an opportunity to go into details of the pros and cons of this concept, it will not be possible for us to take a final stand on this issue. In the event, even as we cannot ' approve' the priority berthing arrangement at the PPT, we do not wish to ' disapprove' it hastily. The PPT can continue to levy the charge as hitherto until this Authority has had the opportunity to examine the issue in detail and take a final view for common adoption by all the ports. However, the 5% increase approved in this case will apply only to the berth hire charges and not to the priority berthing rates. It will continue to be @ 25% of the applicable berth hire or berth hire for 24 hours, whichever is higher.
- (ix). As earlier stated, the proposal of the TNEB for reduction of port-related charges for movement of coal at the PPT was reserved to be settled as a part of this case. In fact, the PPT was even

required to give various details about non-statutory expenses, etc. Although these details were not earlier received, at the time of the final discussions, these have been produced. But, in view of the decision to delink ' coal-handling' from the generality of provisions and to single it out for separate consideration with reference to the ADB Project, the issue arising out of the TNEB proposal is also left undecided to be taken up along with consideration of the PPT proposal relating to the ADB Project.

- (x). While scrutinising the proposal, it has come to notice that the port is having 1,426 cargo-handling workers whose present average engagement is 8 days per month; and, this will be further reduced to 2-3 days per month after commissioning of the Mechanical Coal Handling Plant. Possibly, the port will have to continue to live with this redundancy till the labour policy is changed. Nevertheless, this alarming fact must be singled out for specific attention by all concerned. It will not be reasonable for this Authority to interminably load this burden on to tariffs.

19. In the last few months, there have been some cases of the PPT wherein the Authority had passed orders prescribing certain changes in the existing Scale of Rates. Since what is proposed now is a comprehensive revision of the Scale of Rates, those changes are also incorporated in this Order for ready reference. These are listed below:

- (i). On a proposal received from the PPT, vide its Order No.PR-14012/22/96-PG/TAMP dated 16 June 97, the Authority had revised the wharfage charge and the free storage period for export of rice as follows:

- (a). Wharfage ... Rs.50/- PMT.
- (b). Free storage for ... 30 days from the actual date of receipt of the goods in the port premises.

(ii). On a proposal received from the PPT, vide its Order No.PR-14011/3/97-PG/TAMP dated 24 June 97, the Authority notified rates for shooting of films as follows:

Sl.N o.	Classifications for purpose of these rates	Charges
1.	For shooting of films by a Film Producing company.	Rs.3,000/- per day or part thereof.
2.	For video filming of export/ import cargoes, functions and vessels anchored at berth/sea.	Rs.1,000/- per day or part thereof.
3.	For still photographs of export/ import cargoes and loading operations.	Rs.100/- per day or part thereof.
4.	For taking photographs by the crew on board ships.	Free of charge
5.	For taking photographs of film of the work of loading/unloading of gift cargoes despatched/received by Government Agencies, benevolent institutions and Consulates of foreign countries.	Free of charge

(iii). On a proposal received from the PPT, vide its Order No.PR-14011/4/97-PG(TAMP) dated 24 June 97, the Authority had notified the landing charges for helicopters at the Paradip Port as follows:

Landing charges for helicopters ... Rs.4,000/- for one landing

Including take off.

*The rate is leviable in respect of use of helipad for landing of helicopters belonging to State Governments, Public Sector Undertakings, and private users. However, helicopters carrying passengers, declared as Port Guests, may be exempted from such charges with the approval of the Chairman of the Paradip Port Trust.*

- (iv). On a proposal received from the PPT, vide its Order No.TAMP/67/99-PPT dated 15 September 99, the Authority revised the weighment charge for installer' s own cargo from Rs.0/25 PMT to Rs.0.30 PMT.
- (v). In a case filed by M/s. Marco Shipping Co. (Private) Limited, vide its Order No.TAMP/2/98-PPT dated 30 September 99, the Authority decided that the ' free day period for gift cargoes will be reduced from 45 days to 30 days' .
- (vi). In a case filed by M/s. United Liner Agencies of India (P) Limited, vide its Order No.TAMP/1/98-PPT dated 29 October 99, the Authority had decided that port dues shall be waived whenever LASH vessels make a second call within a space of 30 days to pick up empty LASH Barges.
- (vii). In a case relating to M/s. Oswal Chemicals & Fertilizers Limited (OCFL), on a proposal from the PPT, vide its Order No.TAMP/4/98-PPT dated 5 December 99 (as modified vide its Order of even number dated 19 August 99), the Authority had fixed the tariff for the berth taken on lease by OCFL. (The details of this order along with the authenticated agreement will need to be incorporated in the new Scale of Rates.)

- (viii). (a). In a case relating to M/s. Ispat Industries Limited, vide its Order No.TAMP/1/97-PPT dated 13 April 99, the Authority decided to bifurcate the Consolidated Charge of Rs.58/- PMT for handling iron ore as follows:
- (aa). Shipment charges for iron ore ... Rs.30/- PMT.
  - (bb). Tippling charges for iron ore ... Rs.28/- PMT.
- (b). As part of its comprehensive proposals, the PPT has recommended a revision of these rates to Rs.40/- PMT and Rs.30/- PMT, respectively. This cannot be accepted. In line with our proposal for a 15% increase, the rates revised to Rs.33/- PMT and Rs.31/- PMT, respectively.
- (c). The PPT has proposed some volume discounts for handling iron ore. Introduction of the concept of volume discounts even for handling of dry bulk cargo is accepted.

20. The Authority had passed an order on levy of charges for ' cold moves' of vessels some time ago in the context of the Mormugao Port Trust (MOPT). The relevant portions of that order are extracted below for ready reference:

*" (a) For shifting a vessel from stream to berth or from berth to stream or change of berths or anchorages, separate charges are leviable. The shifting charges shall be levied on all acts of shiftings which exclude the inward and outward movements connected with the pilotage and additional two acts of shiftings."*

*" (b) Any operation as above performed for the convenience of port shall not be charged."*

*Port convenience is defined to mean of the following:*

- (\*) If a working cargo vessel at berth or any vessel including transhippers at anchorage / mooring buoys is shifted / inberthed for undertaking work / hydrographic survey work or for allotting a berth for the dredger or for attending to repairs to berths, maintenance and such other similar works whereby shifting is necessitated, such shifting shall be considered as " SHIFTING FOR PORT CONVENIENCE" . The shifting made to reposition such shifted vessel is also considered as " SHIFTING FOR PORT CONVENIENCE" .*
  - (\*\*). If a working cargo vessel is shifted from berth to accommodate, on ousting priority, vessels which are exempted from bearing shifting charges, such shifting shall be treated as PORT CONVENIENCE.*
  - (\*\*\*). Any other shifting as decided by the Chairman/ MPT may be treated as PORT CONVENIENCE."*
- " (c) In case of transhippers, however, all acts of shifting are chargeable."*
- " (d) Whenever a vessel is shifted form berth to accommodate another vessel on ousting priority, the vessel shifted is exempted from the payment of shifting charges since the same is paid by the vessel enjoying the ousting priority or the shifting is treated as for PORT CONVENIENCE when the priority vessel is exempted from payment of such charges. However, this benefit will not be applicable in the following cases:*

- (\*). *Non-cargo vessels which in any case have to vacate the berth when cargo vessels arrive.*
- (\*\*). *Vessels using the berth exclusively for overside loading / discharge.*
- (\*\*\*). *Vessels which are idling at berth without doing any cargo handling operations."*

We prescribe this MOPT formulation for adoption at the PPT also.

21. In the context of tariff revisions in other ports, we have been passing orders to introduce a number of other changes as listed below:

- (a). There will be no separate wharfage on shut out cargo.
- (b). There will be no additional levy on deck cargo.
- (c). For purposes of billing, rounding off will be to the nearest rupee on the grand total of each bill.
- (d). There shall be no shifting charge for shifting of containers due to reasons not attributable to users.
- (e). For purposes of calculation of free time, Sundays, Customs notified holidays, and port non-operating days shall be excluded.
- (f). Categorisation of unclassified cargo as hazardous will be done strictly in accordance with the IMDG Code.

We prescribe these principles – which we wish to describe as ‘ good practices’ – for adoption at the PPT also.

22. This Authority has separately issued Orders for uniform adoption by all the Major Port Trusts on the following subject:

- (i). Definition of ' coastal' and ' foreign going vessels' for the purposes of levy of vessel related charges by the Port Trusts.
- (ii). Prescribing a maximum time limit of two months for levy of storage charges for abandoned FCL containers / shipper owned containers and ' other than shipper owned containers' .
- (iii). Derrick charges on packages weighing more than 20 tonnes.
- (iv). Levy of penal interest on delayed payment by the users as well as on delayed refund by the Port Trusts.
- (v). Time limits beyond which berth hire will not apply.
- (vi). Prescribing the port dues to be levied under Section 50A and Section 50B of the MPT Act 1963.
- (vii). Levy of port dues on Oil tankers with segregated ballast tank.

For the purposes of ready reference, we reiterate these Orders here to ensure their incorporation in the revised Scale of Rates of the PPT.

23. (i). The matter arising out of the PPT proposal for a general revision of tariffs is disposed of accordingly. Although we have dealt with some of the more important conditionalities governing application of the rates prescribed, it has to be admitted that we have not really made a thoroughgoing scrutiny of all the conditionalities, in the PPT Scale of Rates, to examine their relevance, justification, internal consistency, simplicity etc. This is being done separately in consultation with the PPT. The revised Scale of Rates,

incorporating all the changes made will be notified separately soon. In the meanwhile, the PPT can apply the new tariffs with reference to the existing Scale of Rates and with reference to the amendments already decided upon in this and in the earlier orders.

- (ii). The new cargo-related charges will come into effect immediately after notification of this Order in the Gazette of India. The vessel-related charges will come into effect thirty days after notification of this Order in the Gazette of India.

24. The PPT Scale of Rates will be reviewed after one year considering the financial position of the port as a whole. In the meanwhile, hopefully, the other proposal relating to Estate Rentals including rentals for properties in operational area, Equipment Hire, charges for the PPL captive berth, and mechanical handling of coal would have also been received for consideration.

**S.SATHYAM, Chairman**

[Advt./III/IV/Exty./143/2000]

ANNEX

**PARADIP PORT TRUST**  
**FINANCIAL STATEMENTS SHOWING SURPLUS/DEFICIT**  
**ACTUALS FOR 97-98 & 98-99 AND PROVISIONAL FOR 99-00 & ESTIMATES FOR 2000-01 & 2001-02**

(Rs. in Cr.)

PARTICULARS	1997-98	1998-99	1999-00	2000-01	2001-02
Traffic in Million Tonnes	13.30	13.10	13.63	14.50	17.00
1. OPERATING INCOME					
Cargo Handling & Storage	104.61	101.11	105.20	111.92	131.21
Port & Dock Charges	41.59	40.97	42.63	45.11	52.86
Railway Earnings	23.14	20.85	21.69	23.08	27.06
Estate Rentals	7.39	9.86	6.50	6.50	6.50
Increase due to F.E Rate variatio	0.00	0.00	0.00	0.56	1.35
<b>TOTAL – I</b>	<b>176.73</b>	<b>172.79</b>	<b>176.02</b>	<b>187.16</b>	<b>218.97</b>
2. OPERATING EXPENDITURE--					
Cargo Handling & Storage	32.84	34.33	37.76	41.54	45.69
Port & Dock facilities	19.35	19.86	21.85	24.03	26.43
Railway workings	8.21	7.42	8.16	8.98	9.88
Estate Rentals	16.00	18.24	20.06	22.07	24.28
Management & Gen. Admn.	26.91	33.56	36.92	40.61	44.67
<b>TOTAL – II</b>	<b>103.31</b>	<b>113.41</b>	<b>124.75</b>	<b>137.23</b>	<b>150.95</b>
3. OPERATING SURPLUS (I – II)	73.42	59.38	51.27	49.93	68.02
4. FINANCE & MISC. INCOME (EXCL. INT)	-5.99	3.28	4.00	4.00	4.0
5. FIN & MISC. EXPR (EXCL. INT. ON LOAN	13.80	8.95	10.00	11.00	12.10
6. NET SURPLUS (3+4-5)	53.63	53.71	45.27	42.93	59.92
7. CAPITAL EMPLOYED (EXCL. CASH BAL)	366.52	364.10	386.10	409.10	427.10
8. RETURN @ 18/19.50% ON (7)	65.97	65.54	75.29	79.77	83.28
9. SURPLUS (+) / SHORTFALL (-) (6-8)	-12.34	-11.83	-30.02	-36.84	-23.36
10. SURPLUS (+) / SHORTFALL (-) AS % ON 1	-6.98	-6.85	-17.05	-19.68	-10.67
AVERAGE (%) 1999-00 TO 2001-02				-15.80	
AVERAGE (%) 2000-01 TO 2001-02				-15.18	

