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TARIFF AUTHORITY FOR MAJOR PORTS

G.No.514

New Delhi,

18 December 2018

NOTIFICATION

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from New Mangalore Port Trust (NMPT) for revision of rates for Use of Weigh Bridges inside the Port Area, as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/55/2018-NMPT

New Mangalore Port Trust

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Applicant

QUORUM

- (i). Shri. T.S. Balasubramanian, Member (Finance)
- (ii). Shri. Rajat Sachar, Member (Economic)

ORDER

(Passed on this 27th day of November 2018)

This case relates to the proposal received from New Mangalore Port Trust (NMPT) seeking approval for revision of rates for use of Weigh Bridges inside the Port Area.

2.1. This Authority had vide Order No.TAMP/22/2015-NMPT dated 27 February 2016 passed an Order relating to general revision proposal of NMPT along with the revised Scale of Rates (SOR). The said Order was notified vide Gazette No.133 dated 13 April 2016. The SOR came into force after expiry of 30 days from the date of notification of Order in the Gazette of India i.e.13 May 2016. The validity of SOR is prescribed till 31 March 2019.

2.2. In the said approved SOR, tariff for use of weigh bridges is given below:

Chapter – VI, Schedule 6.9 (Miscellaneous Charges)

IV - Charges for the use of weigh bridges

(1).	Weighment of cargo on the Port Lorry weigh bridge	₹20.00 per truck both ways
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2.3. The NMPT has now vide its letter dated 10 July 2018 filed a proposal seeking approval for revision of the existing rates for use of Weigh Bridges inside the Port Area. The main points made by NMPT are summarized below:

- (i). NMPT was operating 2 nos. of Weigh Bridge inside the port area for Weighment of trucks / lorries handling import / export cargoes.
- (ii). NMPT has newly installed 100 MT fully electronic weigh bridge with effect from 24 March 2017.
- (iii). Considering the heavy set up cost and increased cost of operation and maintenance of the weigh bridge, the present notified rate of ₹20 per truck, is not found to be financially viable.
- (iv). Hence, NMPT has submitted the proposal to refix the weighment charges of all the weigh bridges operating within the port area.
- (v). A detailed cost statement is prepared indicating the Weighment charge per truck, which NMPT proposes to charge per truck considering the hike in operation and maintenance of weigh bridges. The revised rate works out to ₹38/- per Truck both ways. The detailed cost statement is as follows:

Sr. No.	Particulars	Amount
A.	Cost of Project	
(i).	Mechanical works (Supply, Installation, Commissioning and Testing)	14,78,500
(ii).	Electrification charges	2,76,576
(iii).	Civil- Approach Road works	25,62,234
(iv).	Building + Renovation	13,41,364
	Total cost of Project	56,58,674

B.	Fixed cost	
(i).	Insurance charges [1% of equipment cost i.e. ₹14,78,500 + ₹2,76,576]	17,551
(ii).	Depreciation:	
	(a). Weigh bridge [₹14,78,500/10]	1,47,850
	(b). Approach road [₹25,62,234/40]	64,056
	(c). Electrification of weigh bridge [₹2,76,576/25]	11,063
	(d). Civil structure of housing weigh bridge [₹13,41,364/50]	26,827
(iii).	Salary of supervision and operators [₹9,98,456 X 1 year]	9,98,456
C.	Operating cost (Variable)	
(i).	Maintenance of civil asset [₹25,62,234*1%]	25,622
(ii).	Cost of electricity [₹15,094 p.m. *12 months]	1,81,128
(iii).	Housekeeping, cleaning and maintenance [₹342 / day *365 days]	1,24,830
(iv).	Water consumption charges [₹495 p.m. * 12 months]	5,940
(v).	Maintenance cost of weighbridge [₹14,78,500 * 12.5% *1/10 year]	18,481
D.	Total cost [B+C]	16,21,804
E.	ROCE @ 16% on average of net block of 3 years [₹51,59,082*16%]	8,25,453
F.	Total cost [D+E]	24,47,257
G.	No. of trucks to be handled in 1 year	64,320
H.	Rate per truck [F/G]	38.05
I.	Rounded off	38.00

- (vi). The Ceiling Indexed Annual Revenue Requirement (ARR) of NMPT in Form-I as per the proposal filed by NMPT under the Tariff Policy 2015 was ₹35,313 lakhs and the additional Revenue Estimation at the proposed SOR in the general SOR is well within the ceiling indexed ARR of ₹35,091.99 lakhs as per Tariff Guidelines 2015.

[As per Order No.TAMP/22/2015-NMPT dated 27 February 2016, the estimated ARR is ₹35,313.00 lakhs and revenue estimated from proposed SOR at ₹36,324.28 lakhs was allowed for the reasons explained in para 18 (xv) of the said Order.]

- (vii). The increase in additional revenue estimation within the proposed increase in weightment charges from ₹20 per truck to ₹38/- per truck amounts to ₹34,73,280/- which is within the ceiling indexed ARR of NMPT.

[Additional revenue works out to ₹11,57,760 per annum (i.e. ₹38 per truck - ₹20 per truck = ₹18 per truck * 64,320 trucks).

- (viii). In view of the facts stated above, approval of TAMP is requested to revise the rate in the existing SOR from ₹20/- per Truck to ₹38/- per Truck in schedule 6.9(IV) under Chapter VI.

- (ix). Therefore, NMPT requests TAMP to revise the Sl. No.6.9 (IV) under Chapter VI of General SOR as follows:

Schedule 6.9 (IV) Other Charges under Chapter VI of the existing SOR to be replaced as follows:	
As approved in SOR notified vide Order No.TAMP/22/2015-NMPT dated 27 February 2016	Replace with the following
IV (1) Weightment of cargo on the Port lorry weigh bridge: ₹20.00 per truck both ways.	IV (1) Weightment of cargo on the Port lorry weigh bridge: ₹38.00 per truck both ways.

3. The proposal for revision of rates for use of Weigh Bridges inside the Port Area has been approved by the NMPT Board in its Board meeting held on 20 June 2018 vide resolution No.46/2018-19. A relevant extract of the Board's approval is also forwarded by the NMPT.

4. In accordance with the consultative procedure prescribed, a copy of the proposal of NMPT dated 10 July 2018 was forwarded vide our letter dated 30 July 2018 to the concerned users/ user organisations seeking their comments. The comments received from the users/ user organisations were forwarded to the NMPT as feedback information. The NMPT vide its email dated 21 August 2018 has furnished its reply.

5. A joint hearing in this case was held on 29 August 2018 at the NMPT premises. The NMPT made a brief power point presentation of its proposal. At the joint hearing, the NMPT and the concerned users/ user organizations have made their submissions.

6. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the arguments made by the concerned parties will be sent separately to the relevant parties. These details will also be made available at our website <http://tariffauthority.gov.in>.

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

- (i). The proposal mooted by New Mangalore Port Trust (NMPT) seeking revision of existing rates for use of Weigh Bridges inside the Port Area is mainly on two accounts i.e. newly installed fully electronic bridge in March 2017 and increase in the operating and maintenance cost which is not getting covered at the existing rate of ₹20/- per truck both ways.

As brought out in the preceding paragraphs, the NMPT was earlier operating 2 nos. of Weigh Bridge inside the port area for Weighment of trucks / lorries handling import / export cargoes. The port has newly installed additional 100 MT fully electronic weigh bridge with effect from 24 March 2017 to control the delay in movement of Trucks for Weighment. Since the existing approved rate of ₹20 per truck, is not found to be financially viable due to the increased cost of operating and maintenance cost like Electricity charges by 15%, increase in labour charges by 42% and increase in the salary of Management & Administration and operational staff, the port has sought to revise the existing rate of ₹20 per truck both ways to ₹38/- per truck both ways.

The proposed revision in rate is also approved by the Board of Trustees of the NMPT.

In view of the above submissions made by the port, the proposal of NMPT for revision of rates for use of Weigh Bridges inside the Port Area is taken up for consideration.

- (ii). (a). The NMPT has proposed a rate of ₹38/- per truck. The cost calculation for the proposed rate furnished by the port is reproduced here under for ease of reference:

Sr. No.	Particulars	Amount
A.	Cost of Project	
(i).	Mechanical works (Supply, Installation, Commissioning and Testing)	14,78,500
(ii).	Electrification charges	2,76,576
(iii).	Civil- Approach Road works	25,62,234
(iv).	Building + Renovation	13,41,364
	Total cost of Project	56,58,674
B.	Fixed cost	
(i).	Insurance charges [1% of equipment cost i.e. ₹14,78,500 + ₹2,76,576]	17,551
(ii).	Depreciation:	
	(a). Weigh bridge [₹14,78,500/10]	1,47,850
	(b). Approach road [₹25,62,234/40]	64,056
	(c). Electrification of weigh bridge [₹2,76,576/25]	11,063
	(d). Civil structure of housing weigh bridge [₹13,41,364/50]	26,827
(iii).	Salary of supervision and operators [₹9,98,456 X 1 year]	9,98,456

C.	Operating cost (Variable)	
(i).	Maintenance of civil asset [₹25,62,234*1%]	25,622
(ii).	Cost of electricity [₹15,094 p.m. *12 months]	1,81,128
(iii).	Housekeeping, cleaning and maintenance [₹342 / day *365 days]	1,24,830
(iv).	Water consumption charges [₹495 p.m. * 12 months]	5,940
(v).	Maintenance cost of weighbridge [₹14,78,500 * 12.5% *1/10 year]	18,481
D.	Total cost [B+C]	16,21,804
E.	ROCE @ 16% on average of net block of 3 years [₹51,59,082*16%]	8,25,453
F.	Total Annual Revenue Requirement [D+E]	24,47,257
G.	No. of trucks to be handled in 1 year	64,320
H.	Rate per truck [F/G]	38.05
I.	Rounded off [i.e. proposed rate]	₹38.00 / truck both ways

(b). **Capital Cost**

The port has reported to have invested ₹56.59 lakhs for the new weigh bridge. The Capital cost comprises of weigh bridge cost which includes Supply, Installation, Commissioning and Testing at ₹14.79 lakhs, Electrification charges at ₹2.77 lakhs, Civil- Approach Road works at ₹25.62 lakhs and Building & Renovation at ₹13.41 lakhs. The Capital cost already reported to have been incurred by the port is relied upon.

(c). **Operating Cost**

It is seen from the working furnished by the port that insurance is estimated at 1% of the capital cost of equipment and electrification cost. The port has considered depreciation based on the life of each type of capital asset. The maintenance cost of civil asset is estimated at 1% of the relevant capital cost.

Apart from that the port has estimated electricity cost, water consumption cost, maintenance cost of weigh bridge. The port has explained that the cost estimate considered is based on increased operational cost and over burden of maintenance cost which does not get covered at the existing notified rate of ₹20/- per tonne and the port is not able to break even at the said existing rate. The total operating cost estimated by NMPT for operating the weigh bridge is estimated at ₹24.47 lakhs. None of the users have raised any objection on the estimated operating cost.

(d). **Return of Investment**

16% of the Return of Capital Employed is considered as per the stipulation contained at clause 2.6 of the Working guidelines, 2015.

- (iii). Considering the various cost components essential for rendering the service of weigh bridge and 16% Return On Capital Employed, the Annual Revenue Requirement (ARR) for the facility estimated by the NMPT is ₹34,73,280/- per annum. The said ARR is spread over the actual number of trucks to be handled in a year estimated at 64,320 and accordingly the proposed rate is worked out at ₹38.05/- per truck (both ways) which has been rounded off by NMPT to ₹38/- per truck (both ways). None of the users / user organization have raised any objection on the cost calculation furnished by the NMPT. The cost calculation furnished by the NMPT is relied upon and considered.
- (iv). None of the Users/ User Organizations consulted in the proposal have objected the proposed rate except Sical Logistics Limited (SLL) and Association of New Mangalore Port Stevedores (ANMPS). As regards the point made by these users that the proposed rate is almost double the existing rate prescribed in the SOR of NMPT, and it will be a big burden to its valued clients in this competitive market,

the NMPT has clarified that the weigh bridge charges in the vicinity of the port ranges from ₹60 to ₹100 per truck, depending on the wheel / load capacity. The port has categorically stated that the existing rate fixed by TAMP is not financially viable. The increase proposed by the port is on account of steep increase in operation and maintenance cost like electricity charges, labour charges from the date of earlier proposal and also due to heavy setup costs and port not in a position to achieve break even point. There is 83% increase in trucks handled in comparison to earlier proposal and this overburden has led to increase in maintenance cost of weigh bridges. Further, salaries of management and administration and operational staff increase and is expected to increase further due to pay revision. The port has stated that their costing comes to ₹54 per truck. The port has not given any working for ₹54 per truck. The cost calculation furnished by NMPT is for the rate of ₹38.00 per truck and the port has stated that the proposed rate is reasonable.

In view of the above position and recognizing that proposed rate of ₹38/- per truck is based on the cost involved in the use of the said facility and since the proposed rate has the approval of the Board of Trustees of NMPT, this Authority is inclined to approve the proposed rate of ₹38/- per truck for use of Weigh Bridges inside the Port Area at the NMPT.

- (v). The port has estimated to generate an additional revenue to the tune of ₹34,73,280/- per annum to the port during the remaining tariff validity period upto 31 March 2019 on account of the proposed increase in the use of weigh bridge charges for weighment of cargo.

The port has not given the working for ₹34.73 lakhs per annum. Based on the proposal of NMPT, the additional differential revenue works out to ₹11.58 lakhs per annum (i.e. ₹38-₹20=₹18*64,320 trucks). By the time the revised rate comes into effect, it will be around January 2019. Considering that the balance period of three months (January 2019 to March 2019) of the tariff validity cycle, the additional revenue at the proposed tariff will be approximately ₹2.89 lakhs. This will not have any significant impact on the revenue estimated in the last general revision Order at the proposed SOR at ₹36,324.28 lakhs.

- (vi). The rates approved by this Authority generally come into effect prospectively after expiry of 30 days from the date of Gazette Notification unless otherwise different arrangement is specifically mentioned in the respective tariff Orders. Accordingly, this Authority grants approval for revised rate for weigh bridge after the expiry of 30 days from the date of Gazette Notification of the Order passed in the Gazette of India.

8.1 In the result, and for the reasons given above, and based on a collective application of mind, the existing charge prescribed towards the use of Weigh Bridges at Schedule 6.9 (IV) under Other charges under Chapter VI in the existing NMPT Scale of Rates (SOR) is revised and replaced as given below:

“IV. Charges for the use of weigh bridges:

(1)	Weighment of cargo on the Port Lorry weigh bridge	₹38.00 per truck both ways
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8.2 The NMPT is advised to suitably incorporate the above provision in its SOR.

8.3. The revised rate shall come into effect after expiry of 30 days from the date of notification of the Order in the Gazette of India and its validity will remain co-terminus to the validity of the existing SOR of NMPT i.e. upto 31 March 2019. The approval accorded shall automatically lapse thereafter unless, specifically extended by this Authority.

(T.S. Balasubramanian)
Member (Finance)

**ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE
THE AUTHORITY**

F.No. TAMP/55/2018-NMPT - Proposal received from New Mangalore Port Trust (NMPT) for revision of rate for use of Weigh Bridges inside the Port Area.

A summary of the comments received from the users/ user organizations and reply furnished by the NMPT thereon is tabulated below:

Sr. No.	Comments of the user organizations	Reply of NMPT
1.	Sical Logistic Limited (SLL)	
(i).	The cargoes handled at the NMPT is very low compared to the full potential of the port due to present shipping industry scenario.	There are three weigh bridges in operation in the port including one weigh bridge recently installed to control the delay in movement of trucks for weighment.
(ii).	The weighment charges have been fixed as per TAMP circular dated 27.02.2016 at ₹20 per truck both ways.	The weigh bridge charges in the vicinity of the port ranges from ₹60 to ₹100 per truck, depending on the wheel / load capacity.
(iii).	As of now proposed increase of ₹38 per truck is all most to the double of present rate which will be a big burden to the valued clients in this competitive market.	<p>The existing rate fixed by TAMP is not financially viable due to steep increase in operation and maintenance charges like electricity charges (15% increase), labour charges (42% increase) from the date of earlier proposal. Present notified rate is not financially viable due to heavy setup costs and the said increased cost of operational maintenance. Due to increase in above cost NMPT is unable to even reach the Break Even Point (BEP).</p> <p>There is 83% increase in trucks handled in comparison to earlier proposal and for the overburden, the maintenance cost of weigh bridges increasing day by day.</p> <p>Further, the salaries of management and administration and operational staff has increased and is further going to increase shortly due to pay revision.</p>
(iv).	Therefore, it is requested that TAMP can withhold the increase for the time being and may be implemented as and when the shipping scenario improves.	In view of the above facts, TAMP is requested to notify the proposed rate at ₹38 per truck both ways.

2. A joint hearing in this case was held on 29 August 2018 at the NMPT premises. At the joint hearing, the NMPT and the concerned users/ user organizations have made the following submissions:

New Mangalore Port Trust (NMPT)

(FA & CAO) (CME)

- (i). Makes power point presentation of the proposal. Hard copy is given.
- (ii). NMPT was operating two nos. of Weigh Bridges inside the port area for Weighment of trucks/ lorries.
- (iii). NMPT has newly installed 100 MT fully electronic weigh bridge w.e.f. 24 March 2017 to control the delay in movement of Trucks for Weighment.
- (iv). Present notified rate is not financially viable due to heavy setup costs and the increased cost of operational and maintenance cost. There has been steep increase in Operation & Maintenance charges like Electricity charges (15% increase), labour charges (42% increase). The salary of Management & Administration and operational staff has increased and is further going to increase shortly due to pay revision.
- (v). Port has invested on one additional weigh bridge. NMPT has incurred expenditure on civil works. The capex for new weigh bridge is ₹56.58 lakhs.
- (vi). There is 83% increase in Trucks handled in comparison to earlier position. This leads to increase in the maintenance cost of weigh bridges day by day.
- (vii). The weigh bridge charges in the vicinity of the port ranges from ₹60 to ₹100 per truck, depending on the wheel/ load capacity. We were charging only ₹20/ truck. Our rate is reasonable. Our costing comes to ₹54 per truck.
- (viii). Present rate, we are not able to break even. We have given detailed cost calculation of the proposed rate to TAMP.
- (ix). Hence, NMPT seeks to revise the weigh bridge charges from existing ₹20 to ₹38/ truck.
- (x). No cash payment are done by users. Payment is done on quarterly basis.

Association of New Mangalore Port Stevedores (ANMPS)

- (i). The weigh bridge service is part of cargo handling services.
- (ii). We are charging ₹30/ truck. ₹60 is for commercial use outside port area.
[NMPT FA & CAO: Outside the weigh bridge charges is ₹60 to ₹100/ truck.]

- (iii). Port is seeking 16% ROCE. Bank will not give 16% return on investment.
[NMPT: 16% ROCE sought is as per guidelines.]
