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**Tariff Authority for Major Ports**

G.No. 320

New Delhi,

23 August 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 Paradip Port Trust (PPT) for fixation of rate for handling Iron Ore Pellets/ Iron Ore Fines/ similar Other Dry Bulk Cargo at the Mechanized Coal Handling Plant (MCHP) of PPT, as in the Order appended hereto.

**(T.S. Balasubramanian)**

Member (Finance)

# **Tariff Authority for Major Ports**

**Case No. TAMP/23/2018-PPT**

**Paradip 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 31<sup>st</sup> day of July 2018)

This case relates to the proposal received from Paradip Port Trust (PPT) for fixation of rate for handling Iron Ore Pellets/ Iron Ore Fines/ similar Other Dry Bulk Cargo at the Mechanized Coal Handling Plant (MCHP) of PPT.

2.1. It is recalled that based on the proposal filed by PPT, this Authority vide its Order no. TAMP/55/2016-PPT dated 08 February 2017 has approved a levy of ₹ 70/- per MT towards handling of iron ore pellets at Iron Ore Handling Plant (IOHP) and vide its Order no. TAMP/31/2016-PPT dated 08 February 2017 has approved a levy of ₹ 120/- per MT towards handling of thermal coal at IOHP.

2.2. Now, the PPT vide its letter no. TD/DTM/OPN/PLOT/183/15-16/736 dated 20 March 2018 has filed a proposal for seeking approval for a rate of ₹ 77.50 per MT for handling of Iron Ore Pellets/ Iron Ore Fines/ similar Other Dry Bulk Cargo through MCHP.

3.1. The main points made by PPT in its proposal dated 20 March 2018 are summarized below:

- (i). The Ministry of Shipping (MOS) from time to time has given instructions to Major Ports to bring efficiency in performance by closely monitoring the opportunities available in the existing infrastructure and equipment as well as innovating methodologies to augment the existing capacities.
- (ii). In this backdrop, the PPT took adequate steps to improve the efficiency of working of the Thermal Coal vessels at the MCHP. This has resulted in an improvement of around 40% in vessel shipday productivity. This has helped the PPT to bring down the berth occupancy from the level of around 89% in 2014-15 to 82% in 2015-16 and 51% in 2016-17 respectively. In the current year, the berth occupancy of MCHP has come down to 50%.
- (iii). Incidentally, with 82% berth occupancy, PPT handled 23.70 MMT of Thermal Coal in the financial year 2015-16 through MCHP, the highest ever volume as against 21 MMT capacity of the berth. This prompted PPT to reassess the capacity of the MCHP.
- (iv). The MOS has set up a target for reduction of total Turnaround Time (TRT) of the ships at PPT on Port Account to 2.5 days. But, due to bunched arrival of cargo ships in both imports and exports and prolonged monsoon in the current year, the TRT of ships at the conventional berths has deteriorated which has resulted in higher Pre Berthing Detention period (PBD) and higher TRT of other cargo ships.
- (v). In order to improve the overall TRT of ships coming for conventional handling at Port and to effectively tap the unutilized capacity of MCHP, the opportunity of handling other dry bulk cargo for shipment using MCHP was examined.
- (vi). It was found that the other dry bulk cargo like Iron Ore Pellets and Iron Ore Fines are two potential dry bulk cargo so far being handled conventionally and such ships in the current year are having high PBD and TRT at conventional berths.
- (vii). After internal discussions, PPT discussed with the customers to explore handling Iron Ore Pellets and Iron Ore Fines through MCHP which would reduce the TRT and PBD of such cargo ships handled conventionally while PPT would be in a position to utilize MCHP facility whenever there is no Coal ship.
- (viii). On an experiment of such operation i.e. loading of Iron Ore Pellets / Iron Ore Fines through MCHP, it was found that such idea of utilizing the MCHP facilities including the Stacker-Cum-Reclaimer in the storage area, can be put for regular use, as it would be of mutual benefit to PPT and its users.

- (ix). On one hand, it reduces the TRT of such vessel in the conventional berths and on other hand, it would have a value proposition for the exporters/ users of such cargo whose ships are getting affected due to prolonged delay currently, resulting in saving of foreign exchange in vessel demurrage.
- (x). In this respect, PPT has examined the following 3 issues while implementing the above idea for loading of Iron Ore Pellets/ Iron Ore Fines through MCHP.
  - (a). Possible impact of regular use of MCHP system for handling Iron Ore Pellets/ Iron Ore Fines/ other Dry Bulk Cargo.
  - (b). The tariff to be levied for loading of Iron Ore Pellets / Iron Ore Fines / other Dry Bulk Cargo through MCHP in the absence of such rate in SOR.
  - (c). The possibility of multiplicity of exporters of Iron Ore Pellets/ Iron Ore Fines/ other Dry Bulk Cargo looking for such use of MCHP and accommodation of such demand may not be feasible considering that MCHP is designed primarily for handling Thermal Coal for power plants.
- (xi). As far as the issue (a) is concerned, the E&M Department of PPT has examined the same and opined that there would be no adverse effect in controlled handling of Iron Ore Pellets/ Iron Ore Fines/ other Dry Bulk Cargo using MCHP system.
- (xii). Thus, for a temporary period, to ease the congestion at the conventional berths and for effective / gainful utilization of the MCHP during no coal ship, port will allow shipment of Iron Ore Pellets / Iron Ore Fines / other Dry Bulk Cargo through MCHP in the mechanized system by berthing vessels at CB-1 only. Once the conventional berth congestion is reduced, such loading of Iron Ore Pellets / Iron Ore Fines / other Dry Bulk Cargo through MCHP would be reviewed.
- (xiii). Accordingly, a policy guidelines was drawn up by PPT to take care of the other two issues as mentioned in (b) & (c) above and the matter was placed before the Board of Trustees in its meeting held on 15 December 2017. The Board has approved the policy guidelines for handling of Iron Ore Pellets / Iron Ore Fines / other Dry Bulk Cargo through MCHP. (A copy of the Board Resolution is furnished by PPT).
- (xiv). Clause no. (viii) of the Broad Policy states that "*The port user shall pay shipment charges @ ₹ 77.50 per MT plus GST for loading of iron ore pellets/ iron ore fines/ other dry bulk cargo through MCHP, which is at par with the rate of shipment of thermal coal through MCHP as per SOR*".
- (xv). Based on the approval of the Board, a Trade Circular dated 20 January 2018, containing the policy guidelines for handling of Iron Ore Pellets / Iron Ore Fines / other Dry Bulk Cargo at the MCHP of PPT and decision of Board to charge for loading of Iron Ore Pellets / Iron Ore Fines / other Dry Bulk Cargo through MCHP was circulated among the Port users. (A copy of the Trade Circular is furnished by PPT).
- (xvi). Since the date of implementation of the aforesaid policy with effect from 12 October 2017, PPT has collected ₹. 4,33,87,059/- on account of loading charges from the users. (A statement in this regard is also furnished by PPT).

3.2. Based on the above, the proposal of PPT seeks approval for the following:

- (i). Levy of shipment charges at the rate of ₹. 77.50/- per MT plus GST for loading of Iron Ore Pellets/ Iron Ore Fines/ other Dry Bulk Cargo through MCHP which is at par with the tariff for shipment of Coal through MCHP.
- (ii). Levy of above tariff retrospectively w.e.f. 12.10.2017 i.e. from the date of 1<sup>st</sup> trial shipment of Iron Ore Pellets at CB-I.

4. In accordance with consultative procedure prescribed, a copy of the PPT proposal dated 20 March 2018 was forwarded to the concerned users/ user organizations and to those users/ user organization as suggested by PPT, seeking their comments. Only one user i.e. Paradip Port Stevedores Association (PPSA) has furnished its comments till finalization of this case. The comments received from PPSA was forwarded to PPT as feedback information. The PPT vide its email dated 28 May 2018 has responded.

5. Based on a preliminary scrutiny of the PPT proposal, additional information/ clarification was sought from PPT vide our letter dated 16 April 2018. The PPT has responded vide its letter dated 28 May 2018. The information/ clarification sought by us and reply of PPT thereon are as follows:

Sr. no.	Information / clarification sought by us	Reply of PPT																		
(a).	<p>On account of handling of Iron Ore pellets/ Iron ore fines/ other Dry Bulk cargo at Mechanized Coal Handling Plant (MCHP) of PPT, additional revenue would accrue to the PPT due to the differential rates prescribed for such cargo for handling at the conventional berth vis-à-vis the MCHP. In this regard, the PPT to estimate the additional revenue which may accrue to PPT and confirm that the additional revenue on account of proposed implementation of handling of Iron Ore pellets/ Iron ore fines/ other Dry Bulk cargo at Mechanized Coal Handling Plant (MCHP) of PPT during the remaining tariff validity period upto 31 March 2019 will be within the Annual Revenue Requirement of ₹. 731.02 cores, as assessed during the general revision of SOR of PPT in the year 2017.</p>	<p>The policy for handling Iron Ore Pellets /Iron ore fines/ other Dry Bulk cargo to be handled at CB-1 of MCHP clearly states that such vessels will be berthed after servicing any Thermal Coal vessel ready to berth. This clearly is the conclusion that Iron Ore Pellet/Iron Ore Fines/ other Dry Bulk cargo handling is only a stop-gap arrangement till improvement in supply of Thermal Coal for handling through MCHP. In such cargo handling through MCHP, there is no possibility of any revenue generation by way of unloading Coal through RRS, which is being lost due to short arrival of Thermal Coal. The only revenue generation to the Port is therefore for ship loading as revenue of Port dues, Pilotage and Berth Hire on account of such vessels in conventional handling would any case have been generated for such vessels. In view of the same, it is confirmed by the Port that handling of Iron Ore Pellets/Iron Ore fines /other Dry Bulk cargo through MCHP, the Annual revenue generation or for that matter the Annual revenue requirement will be within the amount which was assessed during the general revision of Scales of Rates during the FY-2017-18.</p>																		
(b).	<p>Performance Standard for handling cargo in reference through MCHP may have to be prescribed for the purpose of indexation. At clause 1.2 (xix) of the General Scale of Rates (SOR) of PPT approved by the Authority vide its order dated 15 September 2017, an Average Ship Berth Day output of 45000 tonnes has been prescribed as performance standard for Thermal Coal (export) handled at MCHP. The port to propose performance standard i.e Average Ship Berth Day output for each of the cargo items (i.e.) Iron ore, Iron Ore Pellets/ Iron Ore Fines/ Other Dry Bulk Cargo handled at MCHP. The basis for arriving at the performance standard (Average Ship Berth Day Output) to be prescribed by PPT may also be furnished.</p>	<p>An average ship berth day output of 45000 Tonnes was included as committed performance productivity of PPT through MCHP for Thermal Coal only during general revision of PPT SOR. Due to the constraints in handling operation as stated earlier for Iron Ore Pellets /Iron Ore Fines, the productivity for such cargo will not be average of 45000 tonnes per day. Incidentally, PPT handled 14 Iron Ore Pellets ships using MCHP in the FY-2017-18 with a throughput of 782733 MT, the average productivity being 34148 MT per day. Similarly, PPT in the FY-2017-18 handled 2 Iron Ore fines ships using MCHP with a throughput of 128136 MT having an average productivity of 32866 tonnes per day. It can be seen from the same that the productivity in case of Iron Ore Pellets and Iron Ore fines is much lower than the average ship day productivity of 45000 Tonnes for Thermal Coal as committed in the SoR. Accordingly, PPT has not included the handling of Iron Ore Pellets/Iron Ore Fines/any other Dry Bulk cargo handling through MCHP within the ambit of Berthing Policy linked incentive/penalty.</p>																		
(c).	<p>Section 2.3 of the approved General Scale of Rates (SOR) of PPT prescribes different rates for handling of different level of shipment of coal through coal handling plant as given below:</p> <table border="1" data-bbox="316 1709 828 2098"> <thead> <tr> <th data-bbox="316 1709 379 1850" rowspan="2">Sl. No.</th> <th data-bbox="387 1709 611 1850" rowspan="2">Description of goods</th> <th colspan="2" data-bbox="619 1709 828 1760">Rate per MT or part thereof</th> </tr> <tr> <th data-bbox="619 1760 715 1850">Foreign rates (₹.)</th> <th data-bbox="722 1760 828 1850">Coastal rates (₹.)</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 1850 379 1910">(a)</td> <td data-bbox="387 1850 611 1910">Unloading of coal wagons through coal handling system.</td> <td data-bbox="619 1850 715 1910">51.70</td> <td data-bbox="722 1850 828 1910">51.70</td> </tr> <tr> <td data-bbox="316 1910 379 2022">(b)</td> <td data-bbox="387 1910 611 2022">Shipment of coal through coal handling plant</td> <td data-bbox="619 1910 715 2022">77.50</td> <td data-bbox="722 1910 828 2022">77.50</td> </tr> <tr> <td data-bbox="316 2022 379 2098">(i)</td> <td data-bbox="387 2022 611 2098">Up to 7.5 million tonnes</td> <td data-bbox="619 2022 715 2098">71.05</td> <td data-bbox="722 2022 828 2098">71.05</td> </tr> </tbody> </table>	Sl. No.	Description of goods	Rate per MT or part thereof		Foreign rates (₹.)	Coastal rates (₹.)	(a)	Unloading of coal wagons through coal handling system.	51.70	51.70	(b)	Shipment of coal through coal handling plant	77.50	77.50	(i)	Up to 7.5 million tonnes	71.05	71.05	<p>The operational difficulties and lower ship day productivity of Iron Ore Pellets/ Iron Ore Fines/ other Dry Bulk cargo handling through MCHP, which is only designed to handle Thermal Coal for export has already been explained. Handling of such cargo is only a choice under compelling situation for utilizing the idle capacity of the berth though it involves higher running hour of conveyor system led wear &amp; tear / power cost as it is likely to help in mitigating the berthing delay of such vessels in conventional berths where the shipper gets the advantage of quickly servicing a vessels thereby reducing the vessel demurrage paid in USD. This is of mutual benefit to the Port and the Port Users even though they are paying at the highest rate of revenue of ₹. 77.50 per MT. As Iron Ore fines/ Iron ore Pellets/ any other Dry Bulk cargo to be handled through MCHP is only as a</p>
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	<p>The PPT in its letter dated 20 March 2018 has stated that the shipment charges @ ₹. 77.50 per MT for Loading of Iron ore pellets/ Iron ore fines/ other Dry Bulk cargo through MCHP is at par with the tariff for shipment of coal at MCHP. The PPT is seen to have prescribed highest amongst the rates available as the rate for handling of Iron ore pellets/ Iron ore fines/ other Dry Bulk cargo through MCHP. The reason for proposing the highest available rate to be furnished. The reason for not proposing graded tariff for handling the cargo in reference of the MCHP to be furnished.</p>																											
(d).	<p>The Shipment charges prescribed for handling of iron ore pellets through IOHP as prescribed in the existing Scale of Rates of PPT at Section 2.4 is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">SI No</th> <th rowspan="2">Description of Goods</th> <th colspan="2">Rate per MT or pent thereof</th> </tr> <tr> <th>Foreign (₹.)</th> <th>Coastal (₹.)</th> </tr> </thead> <tbody> <tr> <td rowspan="5">1.</td> <td rowspan="3">I. Iron ore and / or iron ore pellets shipment charges (a).(i). Shipment upto 1.0 MTPT</td> <td>(ii). Shipment between 1.0 MTPA and 1.5 MTPA</td> <td>23.45</td> <td>23.45</td> </tr> <tr> <td>(ii). Shipment between 1.5 MTPA and 1.5 MTPA</td> <td>20.05</td> <td>20.05</td> </tr> <tr> <td>(iii). Shipment above 1.5 MTPA</td> <td>16.65</td> <td>16.65</td> </tr> <tr> <td rowspan="2">(b). Tippling Charges</td> <td></td> <td>20.40</td> <td>20.40</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Considering the above mentioned rates, the PPT to clarify as to how the port expects the users to avail MCHP to export the cargo items in reference when such cargo can be handled through IOHP/ conventional berth at substantially lower rates.</p>			SI No	Description of Goods	Rate per MT or pent thereof		Foreign (₹.)	Coastal (₹.)	1.	I. Iron ore and / or iron ore pellets shipment charges (a).(i). Shipment upto 1.0 MTPT	(ii). Shipment between 1.0 MTPA and 1.5 MTPA	23.45	23.45	(ii). Shipment between 1.5 MTPA and 1.5 MTPA	20.05	20.05	(iii). Shipment above 1.5 MTPA	16.65	16.65	(b). Tippling Charges		20.40	20.40				<p>The issue has already been adequately explained in the submission of PPT above wherein payment of higher rate of charges to compensate the higher wear and tear / higher cost of electricity for operation of MCHP for handling such cargo, who otherwise would in turn save the loss of foreign exchange while waiting for more days for handling such cargo conventionally by paying lower rate of wharfage conventionally. Further, the IOHP handles the cargo of Iron Ore Pellets/ Iron Ore Fines and the cargo stored there in the designated plots may not require this facility as the lower rates of handling such cargo there would benefit to them.</p>
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(e).	<p>Further, it is seen from the proposal that the port has not proposed concessional tariff for coastal cargo. The PPT to, therefore, consider proposing separate concessional rate for eligible coastal cargo shipped through MCHP, as per clause 8.3 of the Working guidelines issued to operationalize the policy for determination of Tariff for Major Port Trusts, 2015.</p>			<p>The Authority is aware that no coastal tariff concession is available for loading of Iron Ore Pellet/Iron Ore Fines. Therefore, the coastal rate for loading Iron Ore fines/ Iron Ore Pellets of any vessel using MCHP facility would be ₹. 77.50 per MT.</p>																								

6. While furnishing additional information/ clarification, the PPT has made the following submissions:

- (i). The Mechanized Coal Handling Plant (MCHP) comprise of two berths namely CB-1 and CB-2 which were commissioned in the year 2001-02 with an installed capacity of 20.20 MMTPA for handling exclusively Thermal Coal. Since the commissioning of the plant in the year 2001-02, only Thermal Coal, as per the design of the plant is being handled and for the first time the MCHP achieved and surpassed 100% of the installed capacity in the year 2014-15 with handling 21.17

MMT of cargo with an average productivity of 32360 MT per day with berth occupancy of approx. 89.18%.

- (ii). Subsequently, with introduction of the Productivity Norms w.e.f. 01.11.2015 linked to penalty in the FY-2015-16, PPT handled 23.69 MMT of Thermal Coal in the same facility with productivity of 39,753 MT per day. Upon implementation of the same productivity norms (Berthing Policy was brought out in June 2016) with penalty for the full FY-2016-17, the average ship day productivity improved substantially to 52843 MT per day, berth occupancy came down to 51.21% due to improvement in average Pre-berthing Detention(PBD) and Turn Round Time (TRT) of Thermal Coal vessels. However, the total throughput at the berth came down to 19.70 MMT of Thermal Coal due to less receipt of cargo from the MCL.
- (iii). With the improvement in shipday productivity, PBD, TRT led by reduction of berth utilisation percentage, the berth capacity was re-rated to 28.80 MMT per annum which has been approved by the MoS. However, supply constraints of Thermal Coal and the lower berth occupancy led idling capacity of the MCHP, PPT explored the possibility of handling alternative export cargo to fill in the gap and the shortfall in cargo volume of Thermal Coal so that the optimum berth capacity could be achieved against the re-rated capacity of 28.80 MTPA.
- (iv). In the above backdrop, it is found that in the conventional handling with increase in number of ship's call, there was delay in berthing of ships leading to increase in PBD and TRT of vessels. Having conceptualizing the process of utilization of the re-rated underutilized capacity of MCHP in the FY-2017-18, PPT discussed the issue specifically with users who were handling Iron Ore Pellets/Iron Ore fines through the conventional berths and the type of ships which were having higher pre-berthing delay. Further, MCHP is designed for only handling of export cargo i.e. Thermal Coal and therefore the other commodities which are handled in bulk at Paradip being Iron ore Pellets and Iron Ore Fines, can immediately use MCHP facilities for their exports along with any similar other dry bulk cargo meant for export in future, if necessary.
- (v). The primary revenue source of MCHP is unloading of Thermal Coal using the RRS, conveying the same through this conveyer system and storing the cargo in the designated plot of the user/exporter prior to reclaiming from the storage for shipment onto the ship using the conveyer system and the mechanical Ship Loader.
- (vi). The proposed handling of Ore Pellets/ Iron Ore Fines/ other Dry Bulk cargo would require use of mobile equipment like Dumper, Pay Loader and Poclains/Excavators for stacking of the cargo in the MCHP storage area as the same cannot be handled though the RRS system. This, unlike that of Thermal Coal stacking and reclaiming in the storage yard of MCHP, creates a situation where reclaiming is not as smooth as Thermal Coal due to compaction of the cargo in the stack yard due to use of mobile cargo handling equipment. On the other hand, Iron Ore Pellets and Iron Ore fines have bulk density of around 2.3 and the Reclaimers of the plant are not specifically designed for reclaiming this type of cargo leading to slow reclaiming process, conveying the same through the conveyer system for ship loading using the mechanized Ship Loader, which involves more wear and tear of the system, higher running hours of the conveyor system resulting in consumption of more power that increases the running cost of the plant. Nevertheless, PPT seeing the increase in idle hours of MCHP and on the other side, the increase in PBD led TRT of Iron Ore Pellet and Iron Ore Fines ships in the conventional handling, considered it prudent to handle such cargo vessels to fill in the gap thus created at the MCHP due to short supply of Thermal Coal. Accordingly, this was discussed with the Port Users particularly exporters of Iron Ore Pellets/Iron Ore Fines along with the proposed rate of ₹.77.50 per MT. The users agreed to use the said facility at the rate of ₹.77.50 per MT for loading their ship through MCHP primarily to avoid detention led vessel demurrage in USD incurred by them.

7. A joint hearing in the case in reference was held on 24 April 2018 at the PPT premises. The PPT has made a brief power point presentation of its proposal. The PPT and the users have made their submissions, at the joint hearing.

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

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

- (i). The Paradip Port Trust (PPT) has a Mechanized Coal Handling Plant (MCHP) with 2 berths which is used for shipment of thermal coal. The rated capacity, as approved by the MOS, is reported at 28.80 MMT per annum. However, due to supply constraints of thermal coal and lower berth occupancy, the MCHP is reported to be underutilized. Of late, the PPT has reported to have encountered higher Pre-Berthing detention time and higher Turnaround Time (TRT) of ships at the conventional berth where iron ore pellets/ fines are handled. With a view to improve the overall TRT of Ships and to effectively tap the unutilized capacity of MCHP, the PPT, based on its internal discussions and based on discussions with user groups, has decided to allow handling of Iron Ore Pellets, Iron Ore Fines and other similar dry bulk cargo through MCHP. Thus, the proposal of the port is for prescription of shipment charges of ₹. 77.50 per MT for handling iron ore pellets, iron ore fines and other similar dry bulk cargo through MCHP. The proposal of the port has approval of its Board of Trustees.
- (ii). Clause 5.7.1 of the working guidelines issued to operationalize the Tariff Policy 2015, (Working Guidelines 2015) stipulates that, whenever a specific tariff for a service/ cargo is not available in the SOR, of that particular port, the concerned Major Port Trust can approach this Authority for notification of tariff for the said new cargo/ equipment/ service by adopting the tariff and performance standards if any fixed for comparable cargo/ equipment/ service in any other Major Port Trust or based on the optimal capacity assessed as per 2008 Guidelines or based on rated capacity / technical specification of service / facility / equipment.
- (iii). The rate of ₹. 77.50/- per MT as proposed by the Port for handling of iron ore pellets, iron ore fines and other similar dry bulk cargo through MCHP is based on the rate as prescribed for handling of coal through MCHP in the existing Scale of Rates of PPT. In this regard, it is to state that from the slab-wise rates as prescribed in the existing Scale of Rates of PPT for handling of coal through MCHP, the PPT has proposed to adopt the highest among the prescribed tariff at ₹. 77.50 per MT for handling of iron ore pellets, iron ore fines and other similar dry bulk cargo through MCHP. The PPT has reasoned that the highest tariff has been adopted keeping in view the operational difficulties and the higher power costs and the wear and tear of the conveyor system that would be involved while handling above referred commodities through MCHP. The port is also of the view that even though the rates for handling of iron ore / iron ore pellets through IOHP are lower in the range of ₹. 16.65 per MT to ₹. 23.45 per MT, the advantages accruing to the user viz. quick servicing of vessels and reduction on the vessel charges payable by the users outweigh the tariff prescribed for handling of iron ore pellets, iron ore fines and other similar dry bulk cargo through MCHP. This has been supported by PPT with detailed working. Based on the justification furnished by the port and considering that none of the users have objected to the proposed tariff and also keeping in view that handling of iron ore pellets, iron ore fines and other similar dry bulk cargo through MCHP is only a stop gap arrangement, this Authority is inclined to approve the rate as proposed by the PPT.
- (iv). As per the Tariff Policy, 2015, the port has to prescribe performance standards along with tariff for the new cargo/ equipment/ service. In the instant case, the Port has not prescribed any performance standards for handling of Iron Ore pellets/ Iron ore Fines/ Other similar Dry Bulk Cargo through MCHP. With regard to a specific query in this regard, the PPT has stated that due to the constraints in handling of Iron Ore Pellets /Iron Ore Fines, the productivity of 45000 tonnes per day as prescribed for handling of coal through MCHP in the existing Scale of Rates of PPT will not be achievable while handling of Iron Ore Pellets /Iron Ore Fines through MCHP, since during the financial year 2017-18, the average productivity achieved for iron ore pellets and Iron ore fines using MCHP has been only 34148 tonnes per day and 32866 tonnes per day respectively.
- Prescription of performance standards is a requirement as per Tariff Policy, 2015, which would serve for indexation purpose for the new cargo/ equipment/ service. Since the tariff for the coal handling through MCHP is being adopted for the Iron Ore/ Iron Ore pellets/ Iron ore Fines/ Other similar Dry Bulk Cargo by the PPT in the proposal under reference, it may be felt appropriate to adopt the performance standard of 45000 tonnes per day, as prescribed for handling of coal through MCHP for handling of above referred cargo items through MCHP also. However, considering the submissions made by PPT that productivity of 45000 tonnes per day as prescribed for handling of coal through MCHP is not achievable for handling of Iron Ore Pellets /Iron Ore Fines and other similar dry bulk cargo handled through MCHP and also keeping in view the actual Ship day productivity achieved in respect of handling of Iron ore fines and Iron ore pellets as reported by PPT during 2017-18, this Authority is inclined to prescribe a per day productivity of 34000 tonnes for handling of Iron ore fines/ Iron ore pellets and other similar dry bulk cargo through MCHP.
- (v). The PPT has not proposed concessional coastal tariff as per the stipulation of Clause 8.3 of the Working Guidelines 2015. The PPT has stated that the coastal concession tariff is not applicable

for loading of Iron Ore Pellets/ Iron Ore Fines. Though the submission made by the PPT is in line with the Coastal Concession policy issued by the Government, it is noteworthy that the proposal of PPT also seeks approval for prescription of rate for the handling of other similar Dry Bulk Cargo through MCHP. Since the port has not recommended concessional tariff for any other similar dry bulk cargo inspite of being pointed out to PPT, concessional tariff is not prescribed for the same.

- (vi). During the last general revision of tariff of PPT in September 2017, there was a revenue gap to the tune of ₹. 25.01 crores, which has been left uncovered by the Port, then. Though the Port has not quantified the additional estimated revenue on account of proposed implementation of handling of Iron Ore pellets/ Iron ore Fines/ Other similar Dry Bulk cargo, the port has confirmed that the additional revenue arising out the proposed handling of Iron Ore Pellets/ Iron ore Fines/ Other similar Dry bulk cargo through MCHP will be well within the Annual Revenue Requirement (ARR) assessed during the General Revision of Scale of Rates for the remaining tariff validity period upto 31 March 2019.
- (vii). Levy of any charges by the Port which is covered by Section 48 of the Major Port Trusts Act, 1963, requires approval of this Authority. From the submissions made by PPT, it is seen that the PPT has already been levying charges for handling of Iron ore Pellets/ Iron Ore Fines / Other similar Dry Bulk cargo through MCHP with effect from 12 October 2017 much prior to filing its proposal on 20 March 2018. Thus, the PPT has sought approval to the proposed incorporation of rates in its Scale of Rates with effect from 12 October 2017 presenting a fait accompli situation to this Authority. It is not unreasonable to expect a port to take advance action for introduction of any new rates instead of presenting fait accompli situation before this Authority. The working guidelines provide for filing of the proposal for notification of rate for use of a new facility or a new service and levy of proposed rates on adhoc manner simultaneously.
- (viii). Orders of 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. In exceptional cases, retrospective effect is given for reasons to be recorded. In the case in reference, it is the proposal of PPT for approval with effect from 12 October 2017 and there is no objection from the users with regard to retrospective effect from 12 October 2017. In view of this position, this Authority is inclined to grant approval for levy of Charges of MCHP for Shipment of Iron ore pellets / Iron ore Fines / Other similar Dry Bulk Cargo through Mechanized coal handling plant with effect from 12 October 2017.

10. In the result, and for the reasons given above, and based on a collective application of mind, the following is approved:

- “(a). Incorporation of the following provision as Sl. No. (c) in the Table given at Section 2.3 “Charges of Mechanized Coal Handling Plant” under Chapter –II in the existing Scale of Rates of PPT.

### **2.3 Charges of Mechanised Coal Handling Plant (MCHP)**

Sl. No.	Description of goods	Rate per MT or part thereof (₹)	
		Foreign rates	Coastal rates
c)	Shipment of Iron ore fines / Iron ore Pellets / other similar dry bulk cargo through coal handling plant	77.50	77.50

- (b). Incorporation of the following Performance Standards at Sl. No. (iv) in the Table given at Note (xix) under Section 1.2 of the existing Scale of Rates of PPT.

#### **(xix). Performance Standards:**

Sl. No.	Performance parameters	Proposed Performance standards
<b>(1)</b>	<b>Cargo Related Services</b>	
(a)	Average Ship Berth day Output (in tonnes) in respect of Major Cargo Groups	

	(iv)	Iron ore pellets / Iron ore fines / Other similar Dry Bulk Cargo (MCHP)	34,000
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- (c). The existing SI. Nos. (iv), (v) and (vi) in the Table given at Note (xix) under Section 1.2 of the existing Scale of Rates of PPT may be renumbered.”

10.2. The PPT is advised to suitably incorporate the above provisions in its Scale of Rates.

10.3. The said charges and performance standard shall have retrospective effect from 12 October 2017 and their validity shall remain co-terminus to the validity of the existing Scale of Rates of PPT i.e. upto 31 March 2019. The approval accorded would automatically lapse thereafter unless specifically extended by this Authority.

**(T.S. Balasubramanian)**  
Member (Finance)

**SUMMARY OF THE COMMENTS RECEIVED FROM THE PORT USERS / DIFFERENT USER ORGANISATIONS AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY.**

<b>F. No. TAMP/23/2018-PPT</b>	<b>Proposal received from Paradip Port Trust (PPT) for fixation of rate for handling Iron Ore Pellets/ Iron Ore Fines/ similar Other Dry Bulk Cargo at the Mechanized Coal Handling Plant (MCHP) of PPT.</b>
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A summary of comments received from Paradip Port Stevedores Association and reply of PPT thereon is tabulated below:

Sr. No.	Comments received from Paradip Port Stevedores Association	Reply of PPT																																				
1.	PPT introduced this system in order to reduce the congestion of waiting vessel as well as for optimum utilization MCHP.	--																																				
2.	Exporters were agreeable to handle their cargo through MCHP, only because of reducing the demurrage charges due to uncertainty in berthing of their waiting vessel.	Exporters are agreeable to the subject proposal and rate as has been discussed and operations made thereof for actual loading of ship as the same has been found to be cost effective to them in totality i.e., for handling through MCHP vis-a-vis handling through conventional methods in the Multipurpose berth.																																				
3.	For loading of the vessel at MCHP instead of Manual berth / IOHP, exporters have to shift the cargo from their exiting allotted plot to MCHP plot by sustaining additional cost for shifting of balance cargo to MCHP plot prior to berthing of vessel and evacuation / shifting of balance cargo to their plot again after shipment. Besides, exporters have to pay the wharfage at higher rates i.e at Coal Berth instead of Iron Ore / General Berth which works out to (₹. 77.50- ₹. 23.50) ₹. 54.00 per MT towards additional Wharfage charges.	<p>The extended facility of loading iron ore pellet / Iron Ore / other dry bulk cargo is generally availed by the exporters who have aggregated their export cargo in the manual plots and effected shipment at conventional berths. In order to save the vessel demurrage that may incur due to more waiting time, the exporters intend to utilize the facility. The contention of PPSA stating that the exporters are liable to pay additional cost for shifting the cargo to MCHP as well additional shipment charges is not acceptable since such exporters bound to incur charges for shifting the cargo to conventional berths for shipment. It appears that the views expressed by PPSA on their own, as the subject issue has not been supported with any genuine representation received from the exporters. From the statement of comparative saving of cost by PPT, it is seen that on an average, the exporter who has done the actual shipment through MCHP by paying the PPT proposed rate of ₹. 77.50/- per MT may have saved ₹.77.65 per Tonne.</p> <p>The statement of comparative saving of cost as furnished by PPT is as follows:</p> <p><b>COST PER TONNE OF SAVING TO THE EXPORTER FOR IRON ORE PELLET SHIP ON THE BASIS OF ACTUAL PRODUCTIVITY DURING 2017-18 FOR VESSELS WORKED AT CONVENTIONAL BERTHS VIS A VIS MCHP</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>CARGO GROUP</th> <th>NO OF VESSEL</th> <th>QTY(MT)</th> <th>PRODUCTIVITY</th> <th>AVGPBD (HR)</th> <th>AVGTRT (HR)</th> <th>AVG. PARCEL LOAD</th> <th>CP LOAD RATE Tonnes Per Day (*)</th> <th>CP Loading time (In Days)</th> <th>Charter hire of vessels per day (USD) (**)</th> <th>Despatch earned (USD)</th> <th>Demurrage paid (USD)</th> </tr> </thead> <tbody> <tr> <td>I. PELLET - CONVENTIONAL</td> <td>18</td> <td>9,49,218</td> <td>19,002.00</td> <td>37.74</td> <td>4.45</td> <td>52734.33</td> <td>15,000</td> <td>3.52</td> <td>11000</td> <td>0</td> <td>10278.16</td> </tr> <tr> <td>I PELLET(CB-1-MECH)</td> <td>14</td> <td>7,82,733</td> <td>34,147.55</td> <td>19.40</td> <td>2.53</td> <td>55909.50</td> <td>15,000</td> <td>3.73</td> <td>11000</td> <td>6592.73</td> <td>0</td> </tr> </tbody> </table>	CARGO GROUP	NO OF VESSEL	QTY(MT)	PRODUCTIVITY	AVGPBD (HR)	AVGTRT (HR)	AVG. PARCEL LOAD	CP LOAD RATE Tonnes Per Day (*)	CP Loading time (In Days)	Charter hire of vessels per day (USD) (**)	Despatch earned (USD)	Demurrage paid (USD)	I. PELLET - CONVENTIONAL	18	9,49,218	19,002.00	37.74	4.45	52734.33	15,000	3.52	11000	0	10278.16	I PELLET(CB-1-MECH)	14	7,82,733	34,147.55	19.40	2.53	55909.50	15,000	3.73	11000	6592.73	0
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		<p>1. Due to delay in berthing in conventional handling in FY 2017-18, average demurrage paid by the exporter comes to USD 10278. 15 which is equivalent to INR 6,78,358 i.e., INR 12.86 per tonne.</p> <p>2. However, taking advantage of availability of MCHP, on actual performance basis in 2017-18, average despatch earned per vessel is equal to USD 6592 that is equivalent to INR 4,35,120, i.e., INR 7.78 per tonne</p> <p>3. The above information shows had the vessel which worked in the conventional berths which diverted to MCHP, the net saving to the exporter on per tonne basis would be the amount of demurrage paid plus the despatch earned, i.e., Rs. 20.65</p> <p>4. The exporter while diverting a Iron Ore / Iron Ore Pellet ship for handling at Mechanized MCHP also saves on an average of Rs. 19 per tonne on account of stevedoring and Rs. 90 per tonne on account of HMC hire.</p> <p>5. For such decision, the exporter incidentally would gain in totality even after payment of loading charge @ Rs. 77.50 per tonne i.e., ( Rs. 90/- + Rs. 19/- + Rs. 20.65 ) - ( Rs. 77.50 - Rs. 23.50) = Rs. 75.65 per tonne</p> <p>(*) Information of charter party load rate per day collected from one of the Iron Ore Pellet Exporter at PPT</p> <p>(**) Information for average charter hire of a supramax vessel during 2017-18 collected from sources in the Industry.</p> <p>NB: Despatch considered as 50% of Demurrage (charter hire per day)</p>
4.	Considering the present market scenario of Iron Ore Fines / Pellets the additional cost proposed to be imposed by Port Authority is not desirable. On the other hand, by fixing the wharfage charges at par with Iron Ore Fines / Pellets in other berth, other exporters may prefer to handle their cargo in MCHP in future.	In view of the clarification given above, no further clarification is considered on the issue.
5.	Although wharfage of Iron Ore Fines/Pellets is equal to Coal, Iron Ore Fines / Pellets vessel cannot get berthing by superseding the Coal vessel arriving later.	Adequately clarified above as well as in the proposal in its entirety. PPT does not consider it to be prudent for considering equal priority for such cargo ships vis-a-vis for Thermal Coal vessels.

2.1. A joint hearing in the case in reference was held on 24 April 2018 at the PPT premises. The PPT has made a brief power point presentation of its proposal. The PPT and the users have made the following submissions, at the joint hearing:

#### **Paradip Port Trust**

- (i). Earlier, iron ore pellets/ fines were either handled manually or through IOHP.
- (ii). When we noticed some spare capacity in MCHP, we decided to experiment by handling iron ore pellets/ fines at MCHP.
- (iii). Even though based on the costing, considering the actual cost parameters, the rate for handling iron ore pellets/ fines at MCHP would be higher, we have decided to peg the rate at the same level as that of the rate for handling of coal through MCHP i.e. ₹ 77.50 per MT.

- (iv). Handling of iron ore pellets/ fines at MCHP is only a stop gap arrangement and will not be undertaken on a regular basis. It will be explored only when there is a spare capacity in MCHP. In view of this position, we have not proposed any performance standard for handling of iron ore pellets/ fines at MCHP.

### **PPSA**

- (i). Why can't the port increase the transit storage time from 3 days to 7 days?  
(PPT: The Trade Circular issued by PPT prescribes all the conditions for handling of iron ore pellets/ fines at MCHP.)

### **Brahmani River Pellets Ltd.**

- (i). We are grateful to PPT for having made this facility available. We have handled our cargo at MCHP. We accept the proposed rate. We have no objection.
- (ii). Please accord priority to our pellet vessels at MCHP, so that we can avoid demurrage on vessel.

(PPT: Iron ore pellets/ fines will be handled at MCHP only when there is a spare capacity in MCHP. As such, no priority can be accorded to handle Iron ore pellets/ fines at MCHP.)

2.3. After the joint hearing, one of the users viz. Brahmani River Pellets Limited (BRPL) vide its email dated 26 April 2018 has furnished its comments. These comments were forwarded to PPT for its feedback comments. The PPT has not responded till the case was taken up for finalization. The comments of BRPL are as follows:

- (i). As averred by us at this Joint Hearing, we have no objection to the rate proposed by PPT for handling Iron Ore Pellets at the Mechanical Coal Handling Berth.
- (ii). At the same time, we requested TAMP to consider according priority to our Pellet Vessels, which are otherwise ready in all respects for loading, in the overall interest of having a faster turnaround, within the ambit of the Berthing Policy adopted by the Port for berth allotment at the Mechanical Coal Handling Berth.
- (iii). Our considered suggestion is that in case such a prioritisation is not possible to be given for Pellet Vessels at the Mechanical Coal Handling Berth(which is otherwise ready in all respects for loading), at least the free transit time should be extended until our Pellet Vessel gets berthed and loaded at the Mechanical Coal Handling Plant of PPT.
- (iv). The reason being that, we would in such a case be penalised by the Vessel Owner for Demurrage (which is unavoidable) and at the same time we will also be paying transit dues to Paradip Port for extended storage beyond the free transit time allowed, which will be a double jeopardy for us on account of delayed berthing clearance by Port due to overriding priority that has to be accorded for berthing coal vessels at the Mechanical Coal Handling Plant of PPT.

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