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**TARIFF AUTHORITY FOR MAJOR PORTS**

G.No. 52

New Delhi, 12 April, 2003

**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 approves the proposal from the Tuticorin Port Trust for fixation of rates for the new acquired 20 Ton grab wharf crane as in the Order appended hereto.

**( A.L. Bongirwar )**  
Chairman

**Tariff Authority for Major Ports**  
**Case No. TAMP/12/2003 - TPT**

The Tuticorin Port Trust

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Applicant

**ORDER**

(Passed on this 17th day of March 2003)

This case relates to a proposal received from the Tuticorin Port Trust (TPT) for fixation of rates for the new acquired 20 T grab wharf cranes.

2. The TPT has made the following points in its proposal:

- (i). The TPT has acquired three 20 T grab wharf crane and started operating them w.e.f. 11 January 2003. The TPT was previously operating with old wharf cranes with a capacity ranging from 3T to 10T.
- (ii). In the TPT's existing Scale of Rates under 5.3, charges for hire of wharf cranes (for use other than hire to vessels) is prescribed as Rs. 295/- per hour. Since the new cranes installed are higher capacity cranes and electrically operated, the TPT has worked out a total cost of Rs. 6611/- per hour with a direct cost of Rs 3063 per hour. It has, therefore, proposed Rs. 3063/- per hour or part thereof for hire of 20 T wharf grab crane.
- (iii). The existing hire charges under Scale of Rates 5.2.2 for hire of 10 T grab wharf crane is Rs. 1912/- per shift and Rs. 956/- per half shift. Considering the capacity of the new cranes, their hire charges can be arrived at as follows:

Particulars (1)	Old Crane (2)	New Crane (3)	Weightage (3/2)
Reaching of the crane	23 Mt	32 Mt	1.4
Handling capacity of the grab	5 Tons	12 Tons	2.4
Working hours per shift	4 hours	6 hours	1.5

It has, therefore, proposed that the new rate for 20 T crane can be fixed by applying weightage to different performance parameters which will work out to  $(1912 * 1.4 * 2.4 * 1.5)$  Rs. 9,636/- per shift and Rs. 4818 per half shift.

- (iv). The proposed rates were informed to the users, and the rates are agreed by them in the port users meeting held on 5 December 02.

3.1. A joint hearing in this case was held on 5 February 2003 at the TPT premises. At the joint hearing, the TPT and the port users have made their submissions.

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

3.3. The TPT has subsequently informed that the element of labour hour rate Rs. 245/- was inadvertently excluded in its original proposal. It has, therefore, modified the proposed charge for 20 T grab wharf crane under the Scale of Rates 5.3, Charges for hire of wharf cranes (not specified in schedule 5.2.1 and 5.2.2) as Rs.3308, consisting of Rs. 3063/- being the machine hour rate and Rs. 245/- as labour hour rate.

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

- (i). Even though this Authority has adopted a cost-plus regime of tariff setting, it always stresses on linking tariff with performance, wherever possible. The TPT has proposed to adopt a performance related tariff for its newly acquired 20 T crane instead of following the traditional cost-plus method. It has, however, proposed to fix its rate for hire of crane for purposes other than hiring to vessels based on direct cost involved.

There can be an argument against the TPT adopting two different methods for pricing the same facility (even though, the context of service may differ). The TPT has, however, sought to explain that it does not want to adopt cost based rate for shipping use of the cranes since such rate will be far too higher than the existing rate. It implies that the TPT wants to allow a concessional rate for shipping use of the new cranes which, of course, is the primary activity of the port. Even in the case of use of cranes for 'other' purposes, the port has proposed to consider the direct costs only without loading the indirect cost into the tariff computation. The different approach adopted by the TPT for pricing of the same facility in this case is allowed recognising it as the commercial judgement of the TPT.

- (ii). The proposed rate of TPT is derived from the existing rates for 10 T grab cranes. The TPT has assigned weightage based on reach of the crane, capacity and working hours and applied it over the existing rate for old crane. As has been correctly brought out by the TCHAA, the parameters considered for arriving at the weights do not appear to be very relevant for the purpose of measuring the performance from the users point of view. What the TPT has considered is only the technical and operational features of the newly acquired cranes. It may have been more appropriate if the productivity and output delivered by the old and new cranes are compared
- (iii). The main objection from the users is that the proposed rate does not commensurate with the performance of the new crane in comparison with the old crane. The 20 T crane being new, obviously the TPT does not have sufficient data relating to the sustained average output / performance achieved by these cranes. In this backdrop, the TPT has requested this Authority to approve its proposed rates on an ad hoc basis for a period of six months only. Since 20 T cranes have already been pressed into service, there has to be a rate for using them. The existing rate for 10 T crane may not be relevant for 20 T crane in view of the difference in capital and operating cost. Given this position, the request of the TPT for an ad hoc rate is found to be reasonable and, therefore, is allowed. It has to be pointed out that the rates approved now will remain valid only upto 30 September 2003 whereafter they will automatically cease to apply. In order to enable this Authority to fix the revised rates applicable beyond 1 October 2003, the TPT should submit its proposal to be framed based on the experience gained in operation, in any case not later than 15 August 2003.
- (iv). Since the rates are being prescribed on an ad hoc basis, the cost details furnished by the TPT have not been scrutinised elaborately.
- (v). M/s Sterlite Industries Limited have pointed out that no separate charge for crane is levied at some other ports. In this context, it may be relevant to mention that provision of wharf crane is generally included in the composite berth hire charges. In other words, the cost centre relating to berthing of vessels include cost of wharf cranes. In the TPT context, the cost of new wharf cranes has not been built into the costing of berth hire at the time of last general revision of Scale of Rates.

There exists a classification of 'crane berth' and 'non-crane berth' in the Scale of Rates of the TPT with reference to levying of berth hire charges. As has been correctly argued by M/s Sterlite Industries Limited, the relevant berths where these

new cranes are provided should be taken as non-crane berths for the purpose of levying berth hire charges since crane hire is proposed to be levied separately. This stipulation is, however, applicable if no other wharf crane is supplied by the TPT on these berths against the levy of berth hire charges. Incidentally, in a similar case at the CHPT decided by this Authority earlier, it was held that the CHPT should allow rebate of the crane hire element in the berth hire charges applicable to the concerned berths where the port had installed its new 20 T grab cranes for which a separate hire charges were levied.

5.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the inclusion of the following charges in the Scale of Rates of the TPT which will be valid upto 30 September 2003:

- (i). Scale 5.2.2 – Charges for hire of wharf cranes and other mechanical equipments to masters, owners or agents of vessels:

“Use of 20 T (Grab) wharf crane Rs. 9,636/- per shift and Rs.4,818/- per half shift or part thereof.”

- (ii). Scale 5.3. - Charges for hire of cranes, fork lift trucks and other mechanical appliances for purposes not specified in Schedule 5.2.1. and 5.2.2.

Sl. No. 7 – Wharf Grab Cranes (20 Tonne) – Rs 3308/- per hour or part thereof.

Wharf Crane (10 tonnes and below) – Rs 295/- per hour or part thereof.

5.2. For those berths where the new 20T cranes are installed, the TPT should levy berth hire charges applicable for non-crane berths provided no other wharf crane is supplied thereat against the levy of berth hire charges.

**( A.L. Bongirwar )**  
Chairman

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

**F. No. TAMP/12/2003-TPT - Proposal from the Tuticorin Port Trust for fixation of rates for the new acquired 20 T grab wharf crane.**

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

**The Shipping Corporation of India Limited**

It has pointed out that it is not agreeable with the method of fixation of the new tariff. The new tariff should be made applicable on the basis of real costs, which will be reviewed by the port.

2.1. A joint hearing in this case was held on 5 February 2003 at the TPT premises. At the joint hearing, the following submissions were made:

**The Tuticorin Port Trust**

- (i). It is an agreed proposal. We can't go in for recovery of full cost at the initial phase.
- (ii). These are new cranes. Our operators are being trained. We hope to achieve an output of around 5000 tonnes per day.
- (iii). Let the proposed rate work for 6 months. We will review thereafter, when the picture about productivity emerges clearly.

**Tuticorin Steamer Agents' Association (TSAA)**

The proposal to fix rates with reference to performance is reasonable. But, the productivity of the new cranes should be higher to that extent. Unfortunately, it is not. Let us fix rate with reference to productivity improvements.

**Tuticorin Custom House Agents' Association (TCHAA)**

- (i). Reach of the crane is irrelevant. There is no benefit to us.
- (ii). Working hours of 4 hours and 6 hours are again not relevant. After all, a shift is for 8 hours; and, we pay for 8 hours. Reduction in actual working hours shows inefficiency of the Port.

**The Southern Petrochemicals Industries Corporation Limited (SPIC)**

- (i). Cycle time is almost the same for the old and new crane. But with reference to old crane, the hire rate for new crane is 55% more.
- (ii). With reference to ship's derricks, the productivity of these cranes is only 55%. We will send our written submission within a week.

**Indian Chamber of Commerce and Industry (ICCI)**

Rates in other ports are lower. No real benefit to us because of these cranes.

**M/s. Sterlite Industries Limited**

- (i). At VPT and KPT, there is no separate charges for cranes.
- (ii). If this rate is levied separately, then berth hire can't be levied for these berths as applicable for crane berths. These berths should be non-crane berths for the purpose of berth hire.

2.2. At the joint hearing, the Tuticorin Stevedores' Association has submitted a written submission bringing out the following points :

- (i). It has studied the productivity of new 20 T grab wharf crane in some vessels and found that the average tonnage handled is only about 600 MT per grab per shift, whereas the same cargo with the help of ship's grab or private grab can achieve about 800 MT or more per grab per shift.
- (ii). The hire charges for private grab is only Rs. 5000/- per shift per grab. Therefore, cost per ton of discharge is only Rs. 6.25 as against Rs. 16/- per ton with port's new 20 T grab crane.
- (iii). If the rates are fixed at exorbitant levels, the crane will remain idle.

2.3. In its written submission filed after the joint hearing, the Southern Petrochemical Industries Corporation Limited has made the following points:

- (i). It has stated that the proposed rate of Rs. 9636/- per shift and Rs. 4818/- per half shift is very high.
- (ii). It has made an analysis and inferred that unloading of bulk cargo using old crane costs Rs. 5.32 per MT only as against the new crane which will cost Rs. 8.20 per MT at the proposed rates.
- (iii). Since the new crane lifts 12 MT as against 5.5 MT by the old crane in a cycle, the loading factor should be only 2.2 times of the present hire charges per shift of Rs. 1912/- i.e hire charges for new crane should be only Rs. 4206/- per shift.