

No. 188

New Delhi, the 13 July, 2001

Tariff Authority for Major Ports

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 of the Mormugao Port Trust about the realisation of levies of the erstwhile Mormugao Dock Labour Board into per-tonne commodity-wise rate for inclusion in its Scale of Rates as in the Order appended hereto.

(S. Sathyam)

Chairman

Tariff Authority for Major Ports

Case No.TAMP/36/2001-MOPT

The Mormugao Port Trust

- - -

Applicant

ORDER

(Passed on this 28 the day of June 2001)

This case relates to a proposal received from the Mormugao Port Trust (MOPT) about the rationalisation of levies of the erstwhile Mormugao Dock Labour Board (MDLB) into per tonne commodity-wise rates for inclusion in its Scale of Rates.

2. This Authority had passed an Order on 2 June 2000 relating to revision of cargo handling charges, warehousing and estate rentals. In the said Order, it was observed that with the merger of the Dock Labour Board with the Port Trust, the levy and other charges collected by Cargo Handling Labour Department (CHLD) (erstwhile Mormugao Dock Labour Board) appeared to have come under the purview of this Authority. Since the MOPT had not proposed any increase in or rationalisation of the levy, it was left to be enquired into at a later stage.

3.1. In this backdrop, the MOPT has now proposed to rationalise the existing levy of the erstwhile Dock Labour Board into a commodity-wise rate per tonne at various levels of output. The proposal has been endorsed by the Board of Trustees of the MOPT in its meeting held on 28 March 2001.

3.2. In its proposal, the MOPT has made the following main points:

- (i). The proposal has been discussed with the port users who were availing the services of cargo handling labour and it has unanimously been agreed to rationalise the existing levies on percentage of wages into a commodity-wise rate per tonne, at various levels of output.
- (ii). The rate per tonne at various levels of output will take care of the performance levels of all stevedores.
- (iii). The average output per-hook per-shift of a vessel for charging the commodity-wise rate has been worked out by including even factors like failure of equipment, unfavourable climatic conditions, insufficient cargo, etc.
- (iv). The proposed rate structure will make the accounting procedure simpler. Further, there will be no cross-subsidisation of handling cost of one commodity by that of another commodity.
- (v). The estimated income on implementation of the proposed rates will be Rs.15.27 crores as against an estimated expenditure of Rs.15 crores. The net surplus will only be marginal. An expenditure of Rs.5.32 crores has also been provided for social security benefits in addition to actual operating expenditure on cargo handling labour.

4.1. The proposal of the MOPT was circulated among all concerned representative bodies of port users for their comments.

4.2. We have received comments only from the Mormugao Stevedores Association (MSA). A summary of the comments furnished by the MSA is as follows:

The Mormugao Stevedores Association (MSA)

- (i). Rationalisation of levies charged by the CHLD has been a long pending issue and was one of the conditions of the merger of the erstwhile MDLB with the MOPT in the year 1998.
- (ii). The port had detailed discussions with the MSA and arrived at a proposal agreed by all concerned.
- (iii). Since the proposal has been arrived at by the consensus of both parties i.e. the port and port users, the Board of Trustees of the MOPT has also approved it and forwarded to the Authority for perusal and approval.
- (iv). It is requested to explore the possibility to fix the validity of the commodity-wise rates for 3 years instead of 2 years as suggested by the port as it will help to adjust and adopt the new system in a better way and to take an early decision in this regard.

5.1. On a preliminary scrutiny of the proposal, the MOPT was requested to furnish additional information / clarifications on the following points:

- (i). The existing schedule of the charges applicable to the CHLD.
- (ii). The methodology adopted to convert the existing labour based rates into proposed per tonne rates and the working sheet explaining the calculations.
- (iii). The basis of arriving at the productivity slabs for prescribing rates and the commodity wise productivity (Average hook shift output) for the last three years.
- (iv). A comparative statement of the commodity-wise cargo handled by the CHLD during 1999-2000 and 2000-01 and the revenue realised at the existing rates vis-à-vis the revenue realisable at the proposed rates to assess the financial implications of the proposal.

5.2. The clarifications given by the MOPT, in addition to submission of the requisite information called for, are as follows:

- (i). The methodology adopted to convert the existing commodity-wise cost per tonne consisting of wages and levies as applicable for labour drawn, as per the prescribed manning scales, into per tonne rate. The working sheet giving details of the calculation have been furnished.
- (ii). The productivity slabs for prescribing the rates are based on the performance of the vessel output. The higher the rate of output per hook per shift, the lower is the employment of labour. The rates are structured in such a way that when the productivity per-hook per-shift output goes up per tonne, the rates are brought down based on the average cost of labour. In case of operations by vessels fitted with grabs, the lifting capacity of the grab and other factors like failure of grab, Crane failure, etc., are also considered.

6. A joint hearing in this case was held on 14 May 2001 at the MOPT. At the joint hearing, the MOPT explained the proposal. It pointed out that the proposal was for rationalisation of rates which the TAMP itself had advised. All users, especially the Stevedores, agreed with the proposal. The Mormugao Stevedores Association conveyed that it fully endorsed the proposal.

7. Since it was gathered that the Calcutta Dock Labour Board (CDLB) had already adopted a unit rate for supply of on-board labour, relevant details were obtained from it. Some of the relevant points mentioned by the CDLB are as follows:

- (i). The CDLB had already changed over from gang-based cost to unit-based cost of telescopic productivity oriented slabs.

- (ii). This change over was primarily to bring in transparency in cost and to make the system of recovery simple apart from achieving a parity between the Port and the DLB charges.
- (iii). The new system of charging was questioned by the Stevedores in the court of law.
- (iv). After deliberations at the government level, the CDLB had already implemented unit rate on containers and break bulk cargo w.e.f. 5 March 1999 and 1 January 2000 respectively with due concurrence of the Ministry of Shipping. The Court had also ruled in favour of the CDLB by dismissing the cases questioning the change of methodology.

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

- (i). The erstwhile Mormugao Dock Labour Board (MDLB) merged with the MOPT with effect from 1 April 1998. Consequent upon this merger, all employees of the MDLB have become employees of the MOPT. That being so, deployment of cargo handling workers for stevedoring and other shore based operations has been done by the MOPT with effect from 1 April 1998 and the relevant charges are being collected by the MOPT. Since the functions carried out by these cargo handling workers encompass some of the listed services under Section 48 of the MPT Act, a Port Trust supplying services of such workers cannot levy a charge without the approval of this Authority. Immediately on merger of the MDLB with it, the MOPT should have approached this Authority for inclusion of the charges earlier levied by the MDLB in the Scale of Rates of the Port so that it can legally continue to levy them. This has, however, not happened earlier. The instant proposal has also been submitted by the MOPT based on the advice given by this Authority.
- (ii). The current policy of the Government is to merge the DLBs with the concerned Port Trusts. With such mergers, the charges for deployment of cargo handling workers will come under the regulatory ambit of this Authority. It is, therefore, useful to examine the pricing principles to be adopted in such cases, in the context of the MOPT proposal, which, incidentally, is the first formal proposal received by us to regulate cargo handling workers charges.

In the conventional Dock Labour Board's levy system, the actual wages of worker along with different percentages of overhead recovery for different purposes and the actual piece rate earning rate of the workers are recovered from the stevedores who book the Dock labours for on-board stevedoring works. The instant proposal of the MOPT is to change over from this levy system to a per-tonne rate. As has been pointed out by the MOPT, a per-tonne rate brings in transparency in recovery of cost and also makes accounting easier. As far as shippers are concerned, it becomes easier for them to assess the overall costing of moving their cargo.

There can be an argument that if unit rates are introduced, it may encourage the stevedores to demand more number of labour gangs than actually required. This argument, prima facie, does not appear valid since the Port Trusts / Dock Labour Boards have laid down manning scales for different operations and the labour deployment is based on such scales. There can still be a doubt in some quarters whether a 'per-tonne' rate will encourage productivity. It is to be admitted that a simple prescription of a 'per-tonne' rate may not motivate the Stevedores to effect proper planning and supervision to achieve higher productivity. After all, they will pay a unit rate, which is not linked to time and workforce. This may lead to Port Trusts deploying more 'gang-shifts' incurring more labour cost, which will not fully be recovered. If the 'per-tonne' (unit) rate is linked to productivity levels, as has been proposed by the MOPT, this problem can effectively be addressed. The productivity linkage will act as an incentive to the Stevedores to achieve better productivity to reduce the overall cost of operation.

Prescription of a unit rate for on-board services will undoubtedly bring in transparency; and, incidentally, such a system of charging will enable a more objective monitoring of identified service-components of the Terminal Handling Charges levied by the Lines.

It is to be recognised that the Lines or their agents in any case pay the stevedores engaged by them for 'on board' work on unit rate basis depending on the tonnage of cargo loaded / unloaded. A unit rate system also forecloses the scope for multiple counting of cost of the same labour gang while billing against different Lines / consignees.

- (iii). Significantly, in modern ports / terminals like the JNPT, the NSICT and HDC, where the Dock Labour Board Scheme was never introduced, the recovery of stevedoring / on-board charges are unit-based rates. In case of the Port Trust, the charges levied for supply of shore labour (who complement on-board labour) are included in wharfage or levied separately as handling charge. In either case, the charges realised are based on a unit-rate and not on a levy system. The merits of the unit rate has also been recognised even by an existing Dock Labour Board (CDLB). In case of the CDLB, the method adopted to levy unit-based rates has been endorsed by the Ministry of Shipping (MOS) and has the incidental approval of the Calcutta High Court.
- (iv). As has been mentioned earlier, this is a new category of tariff which is now to be regulated by this Authority. A definite view on the common approach to regulate this tariff item in all the major ports will be taken in due course. To enable appreciation of all relevant issues and implications, a Working Group comprising members drawn from Port Trusts, Stevedores, C.C.I., and the Trade will be constituted soon.

The MOPT proposal need not, however, be held up for a further Study of the issues. In this context it is relevant here to mention that the National Institute of Port Management (NIPM), Chennai, had carried out a Study on 'Rationalisation of levy of cargo handling labour operation for equitable handling cost for Mormugao Port Trust' under the directives of the Ministry of Shipping. In its Report submitted recently, the NIPM has also suggested conversion of the existing system of labour levy into per-tonne rates with productivity linkages.

- (v). In view of what has been explained in sub-paras (ii), (iii) and (iv) above, and the obvious superiority of a unit-rate over the conventional levy system, the proposal of the MOPT to introduce a per-tonne rate linked to productivity for supply of on-board cargo handling workers deserves to be approved. It is noteworthy that the users have fully endorsed the proposal. As has been pointed by the MSA, introduction of a consolidated per-tonne rate in place of the existing system of levy is one of the conditions listed in the scheme for merger of MDLB with the MOPT.
- (vi). While the methodology adopted by the MOPT is acceptable, the working of rates in some cases contains minor mistakes. These mistakes are mainly due to rounding off of the total cost. Since the rates are linked to productivity levels and the proposal is made by the MOPT after due consultation with the stevedores, we have not made any adjustment of the individual rates.

The impact statement submitted by the MOPT reveals that the impact of the new system of charge is marginal for the year 2000-01. In the statement, the amount realisable on account of scrap handled by grab shows an abnormal increase of more than 100% for the year 2000-01, which appears to be due to some arithmetical error in the estimation of volume handled and revenue realisable.

The financial estimates provided by the MOPT show that the surplus generation for the years 2001-02 and 2002-03 is marginal even after introduction of the proposed system of 'per tonne' charge. That being so, the proposed rates may not have any adverse impact on both the users and the Port.

- (vii). This Authority has already prescribed a validity cycle of 2 years for tariffs. The MOPT in the instant case has also proposed to allow the proposed rates to be valid for a period of 2 years. The MSA has, however, pleaded for keeping the proposed rates valid for 3 year period. Since there are no special circumstances governing this case, we do not find any justification for accepting the request of the MSA.

The general revision of cargo related charges of the MOPT was approved in June 2000 with the usual validity period of 2 years. The revised railway charges at the MOPT approved by this Authority recently were also ordered to be co-terminus with the validity of the

revised cargo related charges. That being so, it is logical to prescribe the validity of the cargo handling workers charges to be approved now to be co-terminus with the validity of the revised cargo related charges so that a coordinated view will be possible in future at least of all cargo related tariff at the MOPT.

9. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the proposal of the MOPT and amends the Scale of Rates of the MOPT to include charges for deployment of cargo handling workers as given in the statement annexed.

(**S. Sathyam**)

Chairman

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ANNEX

Mormugao Port Trust

Scale of Rates

Charges for deployment of Cargo Handling Workers

S. No.	Cargo	Average output per hook per vessel	Rate per tonne(in Rs.)
I. STEVEDORING			
1.	Pellets / Ores / Lumpy / Fines / Manganese / Lime Stone / Pig Iron by grabs	Upto 250 tonnes	80/-
		251 to 500 tonnes	65/-
		501 to 750 tonnes	45/-
		751 to 1000 tonnes	36/-
		1001 to 1250 tonnes	32/-
		1251 and above	28/-
2.	Lumpy / Ore / Fines / Pellets by net slings	Upto 200 tonnes	110/-
		201 to 250 tonnes	92/-
		251 and above	78/-
3.	Coal / Coke by net slings	Upto 150 tonnes	140/-
		151 to 200 tonnes	110/-
		201 and above	92/-

4.	Coal / Coke / Met / R.P. Coke by grabs	Upto 250 tonnes	88/-
		251 to 500 tonnes	60/-
		501 to 750 tonnes	40/-
		751 to 1000 tonnes	30/-
		1001 and above	25/-
5.	Fertilisers / Foodgrains by grabs	Upto 350 tonnes	107/-
		351 to 450 tonnes	90/-
		451 to 550 tonnes	72/-
		551 and above	65/-
6.	Fertilisers / Foodgrains with slings and pay loader / JCB	Upto 200 tonnes	130/-
		201 to 300 tonnes	110/-
		301 to 400 tonnes	90/-
		401 and above	75/-
7.	Fertiliser / foodgrains by net slings	Upto 120 tonnes	200/-
		121 to 150 tonnes	175/-
		151 and above	140/-
8.	Bagged cargo fertiliser / sugar / foodgrains (including stacking in the hatch)	Upto 120 tonnes	190/-
		121 to 150 tonnes	160/-
		151 and above	125/-
9.	Scrap by grabs	Upto 150 tonnes	150/-
		151 to 250 tonnes	120/-
		251 to 350 tonnes	90/-
		351 and above	80/-
10.	Bauxite	Upto 500 tonnes	60/-
		501 to 750 tonnes	43/-
		751 to 1000 tonnes	35/-
		1001 and above	32/-
11.	Alumina / C.P. Coke in Jumbo bags to sling and open the bags in the hold	Upto 150 tonnes	130/-

		151 to 200 tonnes	115/-
		201 to 250 tonnes	105/-
		251 to 300 tonnes	95/-
		301 and above	85/-
12.	Alumina / C.P. Coke in Jumbo bags	Upto 150 tonnes	118/-
		151 to 200 tonnes	115/-
		201 to 250 tonnes	100/-
		251 to 300 tonnes	85/-
		301 and above	75/-
13.	H.R. Coils / Steel Slabs by slings	Upto 350 tonnes	70/-
		351 to 500 tonnes	60/-
		501 to 750 tonnes	50/-
		751 to 1000 tonnes	45/-
II. SHORE OPERATIONS			
14.	Loading / Unloading of Steel Slabs and coils at R &D Yard / Open Plot	Upto 350 tonnes	15/-
		351 to 500 tonnes	14/-
		501 to 750 tonnes	13/-
		751 to 1000 tonnes	12/-
15.	Loading / unloading of Alumina / C.P. Coke Jumbo bags in sheds / open plot	Upto 120 tonnes	30/-
		121 to 150 tonnes	26/-
		151 to 180 tonnes	24/-
		181 and above	22/-
16.	Bagged Cargo Loading/ Unloading of Fertiliser / Sugar / Foodgrains etc., into / from trucks / wagons in the shed (one operation)	Upto 120 tonnes	70/-
		121 to 150 tonnes	60/-
		151 and above	50/-
17.	Bagged Cargo (loading in trucks in the shed and for placing on net slings at berths) (two shore operations)	Upto 120 tonnes	140/-
		121 to 150 tonnes	120/-

		151 and above	100/-
S. No.	Cargo	Average output per hook per vessel	Rate per TEU (in Rs.)
III. CONTAINER HANDLING			
18.	Stuffing / de-stuffing from Fishing Trawler	(Average output per hook per trawler) Upto 3 TEUs 4 to 6 TEUs 7 TEUs and above	11000/- 3000/- per TEU 2000/- per TEU
19.	Containers loading / unloading from / into vessels	Upto 30 boxes 31 boxes and above	500/- per box subject to a minimum of Rs.12000/- 400/- per box
S. No.	Cargo	Average output per hook per vessel	Rate per TEU (in Rs.)
20.	Containers Stuffing / de-stuffing (manual)	Upto 3 TEUs 4 to 6 TEUs 7 TEUs and above	6400/- 1600/- per TEU 1200/- per TEU
21.	Container Stuffing / de-stuffing (with forklift)	Upto 3 TEUs 4 to 6 TEUs 7 TEUs and above	3200/- 800/- per TEU 500/- per TEU
22.	Containers Stuffing / de-stuffing (Personal effects)	Upto 3 TEUs 4 to 6 TEUs 7 TEUs and above	4000/- 1000/- per TEU 800/- per TEU

Note:

The average output per hook / shift per vessel shall be arrived as follows:

- (a). The tonnage as per Bill of Lading shall be divided by the number of hooks employed for the vessel to determine the tonnage per hook for the vessel.

- (b). In the case of shore operations the shift-wise tonnage as per tally sheet based on the lorry / railway receipt / packing list will be the basis for billing.
- (c). The fraction of output below 0.5 shall be ignored and 0.5 and above shall be rounded off to the next higher tonne.

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