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TARIFF AUTHORITY FOR MAJOR PORTS

G. No. 158

New Delhi, 8 October, 2003

NOTIFICATION

In exercise of the powers conferred under Section 48 of the Major Port Trust Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby approves the proposal of the Chennai Port Trust for fixation of hire charges for Tanker Trailer as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/25/2003-CHPT

The Chennai Port Trust

Applicant

ORDER

(Passed on this 10th day of September 2003)

This case relates to a proposal received from the Chennai Port Trust (CHPT) for fixation of hire charges for Tanker Trailer.

2.1. The CHPT has stated the following in its proposal:

- (i). It has acquired one Tanker Trailer to serve as reception facility for the collection of oil waste / slop / sludge from the ships as per MARPOL regulations at a cost of Rs.4.41 lakhs.
- (ii). It has proposed to fix a separate hire rate of Rs.11000/- per shift or part thereof arrived at based on the capital cost, operation & maintenance cost and the average number of shifts to be utilised.

2.2. In this backdrop, the CHPT initially requested this Authority to approve a rate of Rs.11,000 per shift or part thereof.

3. In accordance with the consultative procedure prescribed, the CHPT proposal was forwarded to concerned user organisations for their comments.

4. A joint hearing in this case was held on 7 August 2003 at the CHPT premises. At the joint hearing, the CHPT and the concerned users have made their submissions.

5. On a preliminary scrutiny of a proposal, the CHPT was requested to furnish additional information/clarification on certain points. Some of the important queries raised are summarised below:

- (i). Need to acquire the Tanker trailer in addition to the slop tanks available at the CHPT. If functions being the same, to state the reasons for maintaining differential rates based on individual equipment. In this connection, the Authority has already advised the CHPT to fix hire charges based on capacity range of equipment.
- (ii). Availability and utilization norms of the Tanker trailer (as prescribed by the Government, if any) and also, of the similar type of Tanker trailers in the last three years.
- (iii). Detailed breakup/basis of the cost of fuel, lubricant, stores, spares etc. considered in the material cost under the O&M cost and also, the breakup/basis of cost of labour eg. salary, wages etc. under the O&M cost. To justify the estimated operations cost, which works out to almost 3 times the capital cost of the Tanker trailer.
- (iv). Reasons for considering supervision charges and storage charges as percentages of O&M cost (comprising of material and labour cost). To justify the percentage adopted with reference to actuals for other Tanker trailers, if any. To confirm that the cost considered is incremental in the context of newly acquired Tanker trailer.

- (v). Revision of ROCE @ 17.5% prescribed for the current financial year instead of 20% considered in the proposal. ROCE allowed should be subject to capacity utilization of the concerned facility.

6. The CHPT has responded to the comments furnished by the port users. The points made by the CHPT are summarised below:

- (i). ROCE has been revised to 18.5% as per TAMP guidelines and based on the revised cost, the hire charges comes to Rs.10631/- instead of Rs.10,664/-. Since after rounding off, the per shift charges comes to 11000/-, there is no change in the proposed hire charge due to revision of the ROCE from 20% to 18.5%.
- (ii). The labour cost of Rs.11,14,812 was wrongly included in the material cost . The same is now removed from the material cost and included in the labour cost. There is, hence, no change in the operations cost and the supervision cost. The contention about the high material cost is not correct if the material component is adjusted after excluding the labour cost. The material cost is only 42% of the capital cost and mainly constitute fuel and lubricants without having relation with the equipment cost.
- (iii). ROCE has been revised to 18.5% as per the TAMP guidelines.
- (iv). Number of shifts has been taken as 200 based on last years actual number of hours of operation during the general shift and hence is a realistic one.

7. As decided at the joint hearing, the CHPT submitted its revised proposal to specify a per trip rate with minimum time stipulation in consultation with the CEPSSAA. The revised proposal is summarised below:

- (i). The port and the Steamer Agents' Association unanimously agreed to fix the per trip rate of Rs.8250 for 4 hours time to the users to load the sludge.
- (ii). They also agreed for a rate of Rs.1375/- per hour or part thereof towards detention time over and above the 4 hours free time.
- (iii). The capacity of the Tanker Trailer is 8 KL which shall be clearly indicated in the order.
- (iv). The timing for taking the material from the along side of the ship to places shall not be considered as time detained by the users.

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 are also available at our website www.tariffauthority.org.

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

- (i). The CHPT has explained that it has acquired one Tanker Trailer to serve as reception facility for the collection of oil waste, slop and sludge from the ships as per MARPOL Regulations. The users also have stated that the facility will be useful for them. In this regard, the CHPT may consider in future the suggestion made by the CEPSSAA about allowing private parties to put up such facilities instead of the port creating / investing in such assets.
- (ii). Though the port initially proposed the hire charges per shift basis, it has subsequently, come up with a revised formulation on "per trip" rate, in deference to the demand made by the users.

- (iii). As has been mentioned earlier, the CHPT was requested to furnish additional information / clarification on the cost and other details arising out of its proposal. The CHPT has not furnished the requisite information. Nevertheless, it has come up with a revised formulation on a mutual agreed basis with the users. It has revised the basis of charging from “per shift” to “per trip” with minimum time stipulation of 4 hours. In fact, the revised formulation is a joint proposal of the port and the CEPSAA. Since the rates are mutually agreed upon, no detailed scrutiny of the cost position is done by us. Approval accorded to the mutually agreed rate should not be taken as an incidental approval to the costing methodology adopted by the CHPT.
- (iv). The per trip rate proposed is for an operation time of 4 hours for loading sludge. Time taken for removal of sludge to dumping sites is not chargeable. Only when the tanker trailer is detained beyond 4 hours for loading sludge, additional hourly rates are proposed to be levied.
- (v). In the past, this Authority had advised the CHPT against prescription of hire charges for individual equipment / floating craft. This will unnecessary involve destabilisation of the tariff structure frequently whenever a new equipment / floating craft is added to the fleet. Such replacements / additions are frequent occurrences in a large fleet size like the one maintained by the CHPT. It will, therefore, be rational to fix the rates based on the capacity range of equipment / floating craft which will continue to apply till next general revision irrespective the additions or deletions in that capacity range. This Authority likes to reiterate this position and require the CHPT to adopt this method in future.
- (vi). In line with the general decision already taken, the rate approved in this case will only be the ceiling level.

9. In the result, and for the reason given above, and based on a collective application of mind, this Authority approves the insertion of the following item at Sl. No.19, Scale-18, Chapter-VI – Miscellaneous charges in the Scale of Rates of the Chennai Port Trust:

Sl. No.	Description	Ceiling Rate of hire	Period of hire / unit	Minimum	Remarks
19	Tanker Trailer of 8 KL capacity	Rs.8,250/-	Per trip – 4 hours shall be given to load the sludge. Detention charge of Rs.1,375/- shall be levied per hour or part thereof, if the users detain the trailer beyond four hours.	---	The time of 4 hours shall commence, on reporting of the trailer at the vessel. The timing of taking the sludge from alongside the ship to the dumping ground or storage places shall not be considered as time detained by the user.

(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/25/2003-CHPT - Proposal from the Chennai Port Trust for fixation of hire charges for Tanker Trailer.

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

The Chennai Petroleum Corporation Limited (CPCL)

The CHPT already has slop tanks to store the slops generated (if any). Since they will not utilize the tanker trailer for disposal of the slops, the proposal is not applicable to them.

The Tamil Chamber of Commerce (TCC)

- (i). Operation cost calculated as about 300 times of the cost of the machine is very high. Generally, it may not exceed 30% of the value of machine and there will be warranty for replacement of damaged parts for atleast one year.
- (ii). Based on the operation cost, the supervision charges will also be reduced. On the above basis the cost of operation is worked out to approximately Rs.4500/- per shift. The rate can also be fixed for half shift whenever it is being used for less than 4 hours.

The Southern India Chamber of Commerce and Industry (SICCI)

- (i). The facility of providing tanker trailer for collection of oily waste, slop and sludge from ships is a regular requirement of the ships, either berthing or anchoring at Chennai and hence will be useful for the ship's owners and their agents at Chennai.
- (ii). Rate of interest charged by Port Trust is high as compared to the prevailing rate.
- (iii). Indicated utilisation percentage is very low as compared to the total number of shifts of 900 per annum of the Port.

The Hindustan Chamber of Commerce (HCC)

- (i). Such a facility has to be maintained as per MARPOL regulations and it is opined that the proposed rate is fair except for the rate of ROCE applied, which is not as per TAMP / Govt. guidelines. It is,

therefore, requested to approve the proposed after necessary corrections as mentioned above.

The Shipping Corporation of India Limited (SCI)

- (i). The proposed hire rate of Rs.11000/- shift is very high. This facility should either be provided at a nominal cost or alternatively the Port should allow the users to engage a private Tanker Trailer for discharge into Port reception facility at a nominal cost.
- (ii). Items 4 & 5 relating to Supervision charges and storage charges in the calculation of hire charges may be reviewed. Supervision charges at 40% of operation and maintenance cost is unwarranted.
- (iii). Since the facility is provided as per MARPOL requirements, charging of interest and return on capital is unwarranted.
- (iv). System of charging on the basis of shifts is incorrect. The port may consider Trailer on hire, from the time it is ordered till the tanker empties the slop / sludge into their reception facility. Delay if any due to the trailer's inability to discharge slops / sludge into Port reception facility over which user has no control should not be on users account. Therefore the hire charge should be on 'per use' basis since trailer time at the Vessel's manifold will not exceed a few hours.

2. A copy each of the comments received from the above users was forwarded to the CHPT for comments/information.

3. A joint hearing in this case was held on 7 August 2003 at the CHPT premises in Chennai. At the joint hearing, the following submissions were made:

The Chennai Port Trust (CHPT)

- (i). We have purchased a new tanker at a cost of Rs.4.11 lakhs.
- (ii). Hire charges are proposed based on cost.
- (iii). We agree to per trip rate with a minimum time stipulation. We will send a revised proposal within 10 days after consulting Chennai Ennore Port Steamer Agents' Association.

The Chennai and Ennore Ports Steamer Agents' Association (CEPSAA)

- (i). This service could have been outsourced. We could have avoided paying for the high overheads of the port.
- (ii). Let the unit be cost/cubic meter of slop or on a trip basis.