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 prescribes a revised Efficiency Linked increase in the Vessel Related Charges of the Mormugao Port Trust in super session of its earlier Order dated 24 November 1998, as contained in the Order appended hereto.

( S. Sathyam )

Chairman
Case No. TAMP/18/99-MOPT

The Mormugao Port Trust ... Applicant

ORDER

(Passed on this 31st day of August 2000)

This Authority passed an Order on 24 November 98 prescribing an efficiency linked increase in the Vessel Related Charges at the Mormugao Port Trust (MOPT). The Scheme was made effective from 30 Nov. 98. Based on the experience gained from operationalisation of the formulation give by this Authority, the Scheme was to be improved to reduce subjectivity of assessments and remove practical difficulties.

2. The Goa Mineral Ore Exporters’ Association (GMOEA) proposed an Efficiency Linked Tariff (ELT) Scheme based on the suggestions made by M/s. Billimoria & Co., Consultants, engaged by it. The GMOEA had also reportedly discussed the Billimoria Report with the MOPT. While many of the suggestions given in the Billimoria Report were acceptable to the MOPT in principle, the Port felt that the model could not be accepted in toto on revenue considerations. Accordingly, the MOPT suggested a new formulation of ELT based on loading rates of different parcel sizes, which would protect its revenue at the existing level.

3. A delegation of the GMOEA met the Chairman of this Authority on 31 August 99 to make its representations in person. A Joint Hearing was held on 27 Sept. 99 at the MOPT. The Joint Hearing was set up to review all aspects of the ELT Scheme in operation in the light of the experience gained and not merely to discuss the Billimoria Report.

4.1. The Authority in its Meeting held on 10 April 2000 reviewed the ELT Scheme taking into consideration the views of GMOEA, MOPT, INSA, etc. Based on a collective application of mind, the following decisions were taken by the Authority relating to a revised ELT Scheme for Vessel Related Charges at the MOPT:

   (i). The revenue earning from the existing (experimental) ELT scheme is not to be taken as a base for protection under all circumstances.

   (ii). The cut off limits shall be set bearing in mind the optimum achievable performance of the MOHP. The cut off limits shall be based on past performance.

   (iii). Average performance for the past five years shall form the base to decide cut off limits. Further, the cut off limits shall also be based on the data relating to the fair season performance (i.e. for vessels sailing between 1 October and 31 May) during the last five years.

   (iv). The cut off limit shall be based on the average daily loading / unloading rate based on the past five years’ performance. The cut off
limit shall be reviewed each year by including the latest year’s data and dropping the oldest year’s data.

(v). The cut off limit shall be reviewed, if necessary, at the time of revision of the vessel-related charges.

(vi). The non-working periods due to any account need not be excluded either for fixing the cut off limits or for measuring actual performance.

(vii). The total time taken for loading / unloading of the entire parcel shall, be the criterion to compute the base and to measure actual performance levels.

(viii). The time taken for transhipment (i.e. topping up in stream) need not be considered while computing cut off limits and actual time for incentive / penalty payments. In fact, it will not be a relevant factor at all in view of the fact that the span of the scheme encompasses only the period from entry of the vessel into the port to its exit from the berth.

(ix). Ideally, the incentive or penalty under the ELT scheme need be related to the savings or addition to the standing cost of ships. It is, however, difficult to implement it in practice, as the standing cost of ship varies depending on various factors. Therefore, the rate of incentive / penalty shall continue to be expressed as a percentage of charges for total berth days.

(x). The scheme shall reckon with pre-berthing delays (and, therefore, anchorage charge) also. The turn around time, accordingly, shall encompass the period from entry of the vessel into the Port to its exit from berth on completion of cargo operation.

(xi). The incentive / penalty on berth hire charges shall be prescribed with reference to cut off limits on turnaround time, as defined at (x) above.

(xii). The rates of incentive and penalty shall be the same percentage of berth hire charges and anchorage charges.

4.2. The above mentioned decisions of the Authority were communicated to the MOPT with a request to furnish the requisite data for the past five years to enable formulation of a revised ELT Scheme. The decisions of the Authority were also communicated to the GMOEA, INSA and Goa Chamber of Commerce and Industry.

5.1. In response, the INSA suggested that non-working period on port's account should be excluded for fixing cut off limits.

5.2. Based on the following reasoning, this Authority has already decided not to exclude non-working periods while deciding the cut off limit for turn around time:
“When cut-off limits are fixed on the average past performance of 5 years the effect of high or low abnormal non-working periods is evened out. Besides, so long as the abnormal non-working periods are considered both, while deciding the cut-off limits on the basis of average past performance and the actual performance, there should be no objection. Since abnormal non-working periods due to external reasons such as power cuts, etc., were also being held, in the past, against the Port it stands to reason that any improvement therein due to the efforts and additional expenses by the Port for improving power supply should also go to their credit. The non-working periods due to any account need not, therefore, be excluded while fixing the cut off limits as also actual performance.”

5.3. Since the point raised by the INSA has already been considered, no further action on the suggestions of the INSA is necessary.

6.1. While conveying its agreement with the decisions taken by the Authority, the MOPT has expressed its reservations on some of the issues and suggested as follows:

(i). The revenue earning from the existing ELT Scheme is to be taken as a protective base.

(ii). To start with, the data for five years for working out average performance can be for the period from 1994-95 to 1998-99 (Oct. to May).

(iii). The time taken for loading / unloading by two different parcels is to be compared with the norms separately, since the number of vessels loaded into different parcels undergoes a change every year.

(iv). The turn around time shall be based on berthing to unberthing time rather than berthing delays, since the pre-berthing delays for vessels are due to various reasons such as cargo not ready, bunching of vessels, absence of night navigation, etc., on which the Port has no control. Likewise, the factors which affect the performance at the berth but not controlled by the Port like unseasonal rains, power problems, deballasting, custom clearance if any, poor hatch loading plan, issuance of completion certificate, etc., shall be excluded while working out the turn around time.

6.2. There appears little justification in the MOPT argument for protection of the incentive earned under the existing scheme. If that was to be protected, this Authority would have sanctioned a straight increase higher than 11% in the Vessel Related Charges approved in July 1998.

6.3. It has already been agreed to by both the MOPT and users that the ELT will operate in fair season and the cut off limits will be based on the data relating to the fair season performance during the last five years. Since the revised scheme will come into operation during the fair season of 2000-01, the preceding five years’ average is to be taken into account for arriving at the norms. Accordingly, the
The objection of the MOPT about vessels loading two different parcel sizes is misplaced. So long as the cut off limit and actual performance is measured in like manner, the improvement / deterioration will not get distorted and will reflect the result of efficiency. The change in the number of vessels loading two different parcel sizes may not materially affect the scheme as such changes get evened out in the average of five year figures. Accordingly, the total time will be the criterion for the measurement of both cut off and actual performance.

For the reasons mentioned above relating to vessels loading two different parcel sizes, the various reasons for pre-berthing delay as well as delay at berth get evened out by considering the average of such delay in a five year period. In any case, such delays will also be included in measuring the actual performance. Therefore, such a prescription will not put the MOPT in a disadvantageous position.

The MOPT has furnished the requisite details for the past five years, which have been analysed. Even though the intention of this Authority is to prescribe a general formula for determination of an ELT, the data has been analysed for the specific Scheme to be formulated for the year 2000-01 to understand the results.

In the light of the decisions already taken by the Authority on the various issues that arose on a review of the ELT Scheme and the data furnished by the MOPT, and based on a collective application of mind, the revised Scheme is prescribed as follows:

(i). The scheme will be applicable to iron ore vessels handled at Berth No. 9 (MOHP) during the fair season only, i.e. vessels sailing between 1 October and 31 May.

(ii). The turnaround time for the purpose of this scheme will commence from the time of entry of the vessel in the Port (i.e. the time a vessel anchors on arrival at the reporting station in the Port) and close at the time of departure from berth on completion of cargo operations.

(iii). The cut off limit, i.e. the norm for any vessel will be determined using the formula given below:

\[
\text{Cut off limit} = \frac{A}{B} + C
\]

Where

\[
A = \text{Tonnage loaded (into ship X) at berth No. 9}
B = \text{Average daily loading rate (based on the past 5 years data) calculated as}
\]
Total tonnage handled at berth No.9 -
------------------------------------------------------------
--- Total time (gross) spent by vessels at berth No. 9

\[ C = \text{Average Pre-berthing detention (based on the past 5 years data).} \]

(iv). For determining the ‘norm / cut off time’ as well as the actual performance, the total time taken for loading shall be considered when any vessel loads two different parcels by the same or different exporters.

(v). The cut-off limit will be reviewed, if necessary, at the time of the next revision of vessel – related charges.

(vi). The aggregate of actual pre-berthing detention time suffered by a vessel and the total time actually spent by the vessel at Berth No. 9 will be compared with the ‘norm / cut off time’ computed in the manner set out at (iii) above for that vessel to determine whether the vessel is entitled to a rebate in berth hire charges / anchorage charges or has to pay supplementary berth hire charges / anchorage charges.

(vii). Supplementary berth hire charges / anchorage charges @ 40% of the normal berth hire charges / anchorage charges for the pre-berthing detention period, payable at the prescribed rates shall be levied, in addition, on the vessels which turnaround in a lesser time than the ‘norm / cut off time’ so determined.

(viii). A rebate @ 40% of the normal berth hire charges / anchorage charges for the pre-berthing detention period, payable at the prescribed rates, shall be granted if the turnaround time of the vessel exceeds the ‘norm / cut off time’ so determined.

(ix). Supplementary berth hire / anchorage charges shall be payable in advance along with the normal berth hire / anchorage charges on an estimated basis and will be refunded if the vessels does not achieve the stipulated turn around time.

9. On the basis of the data furnished by the Port, the cut off limit for the year 2000-01 will be as follows:

\[
\begin{align*}
\text{Norm / Cut off limit for 2000-01 (in days)} & \quad \text{Tonnage Loaded at Berth No. 9} = \frac{\text{Average daily loading rate during 1995-96 to 1999-2000}}{\text{Tonnage Loaded at Berth No. 9}} \\times 1960 \times 24 + 2.83
\end{align*}
\]
10. It has been noted that the average loading rate has improved considerably during 1994-95 --- 1999-2000. There has also been a corresponding reduction in the total time spent at berth by vessels, non-working time at berth and net working time. However, it has been observed that the percentage of non-working time to total time spent at berth remains almost constant at around 40%. We feel, it will be useful for the MOPT if the reasons for this are analysed and remedial action is taken by all concerned.

11.1. The issue of an incentive scheme relating to labour productivity in operation at the MOHP was agitated by the GMOEA, when the proposal for general revision of charges for cargo handling, warehousing and estate rentals was considered by the Authority. The GMOEA objected to the practice of charging the expenditure on labour incentive scheme under the cargo related activity since the scheme was to ensure maximum benefit under the ELT scheme (which is on berth hire). Our scrutiny of the scheme based on the clarifications provided by the MOPT revealed that the labour incentive scheme had been in vogue since 1988 whereas the ELT scheme was introduced only in November 1998. That being so, the existing system of allocation of expenditure in this regard was accepted as proposed by the MOPT.

11.2. Notwithstanding this decision, it will be a better practice if income earned from the ELT scheme is kept aside in a separate account altogether. All incremental expenditure incurred by the Port to improve productivity at the MOHP may be debited to this account so that a clear picture of the net impact on the port as a result of productivity improvements can emerge. The MOPT is, therefore, required to adopt this suggestion along with introduction of the revised ELT scheme.

12.1. The revised ELT Scheme as given in para (8) above is approved for inclusion in the Scale of Rates of the MOPT in supersession of the Scheme approved by this Authority's Order dated 24 Nov.98.

12.2. The revised Scheme shall come into effect from 1 October 2000.

12.3. The MOPT shall revise the Scheme every year based on the preceding five years' average data by applying the general formula prescribed in the revised Scheme. While doing so, the MOPT may furnish the relevant figures to the GMOEA.

(S. Sathyam)
Chairman