

6. Proposal for Revision/Review of Scale of Rates (SOR) as per the Policy direction issued by Ministry of Shipping for determination of tariff for Major Port Trusts.

The FA&CAO has informed that MbPT Scale of Rates (SOR) based on Tariff Policy, 2015, approved by Tariff Authority for Major Ports (TAMP) is valid upto 31.3.2019. A proposal for Revision/Review of Scale of Rates (SOR) was submitted to TAMP on 29.12.2018. The proposal primarily envisaged an increase by 10% in all charges except POL, and in respect of POL by 20%.

2. The FA&CAO has also informed that post-submission of the proposal to the TAMP, the Ministry by its letter dated 26.12.2018 addressed to the Member (Finance), TAMP, has communicated a Revised Policy, i.e. Tariff Policy for Major Port Trusts, 2018 for determination of SOR in exercise of powers conferred under Section 111 of the Major Port Trusts Act, 1963. The policy will be applicable to all the Ports whose SOR revision is due from 1.4.2019. TAMP by its email dated 2.1.2019 has informed MbPT to furnish a revised proposal in compliance with Tariff Policy Guidelines, 2018 issued by MOS referred to above.

3. The FA&CAO has further stated that the issue was accordingly discussed in the HoD meeting on 9.1.2019 wherein it was decided to retain the proposed tariff increase to 10% in respect of all charges except POL and 20% in respect of POL charges. The TAMP was informed accordingly. It was also decided to rework the Annual Revenue Requirement (ARR) in terms of the new Policy Guidelines, 2018 and submit to TAMP. The working guidelines for the Tariff Policy, 2018 are yet to issued. Telephonically, it was learnt that the existing working guidelines may be followed.

4. The FA&CAO has further informed that in terms of Clause 3.1.2 of Working Guidelines of Tariff Policy, 2015 to operationalize the Policy for Determination of Tariff, the Major Port Trusts may submit a copy of approval of the Board of Trustees within one month from the date of submission of its proposal. Hence, this proposal to the Board. The present proposal is based on the Tariff Policy for Major Port Trusts, 2018.

5. The highlights of the Tariff Policy, 2018, informed by FA&CAO, are summarized below:

- (i) Each Major Port Trust will assess the Annual Revenue Requirement (ARR) which is the average of the sum of Actual expenditure as per the final Audited Accounts of the immediate preceding three years (Y1), (Y2) and (Y3) plus Return at 16% of Capital Employed comprising of Net Fixed Assets plus Working Capital plus capital work-in-progress obtaining as on 31st March Y3, duly certified by a practicing Chartered Accountant / Cost Accountant.
(Y1= 2015-16, Y2= 2016-17, Y3= 2017-18)
- (ii) Only 1/3 of one-time expenses like arrears of wages, arrears of pension/gratuity, arrears of ex-gratia payments arising out of wage revision etc. and 1/3 of the contribution to Superannuation Funds are to be included in the calculation of ARR.
- (iii) The ARR so assessed as on 31.3.2018 (Y3) will be indexed by 100% of the Wholesale Price Index (WPI) applicable for the year Y4 as communicated by TAMP to the Major Port Trusts, which is 3.45%.
- (iv) The indexed ARR determined by the Major Port Trusts is the ceiling ARR based on which the Major Port Trusts will draw the Scale of Rates (SOR).
- (v) For drawing the SOR, the traffic to be considered would be the overall actual traffic exclusively for the port for Y3.
- (vi) Based on the Annual Revenue Requirement and taking into account the Traffic, the Major Port Trusts will have the flexibility to determine the rates to respond to the market forces based on its commercial judgment and draw the SOR within the ceiling of indexed ARR, duly certified by a practicing Chartered Accountant / Cost Accountant.
- (vii) While going for a change in SOR, the Major Port Trusts have to ensure that as a result of the change in SOR there will not be loss of traffic. The responsibility of ensuring this would rest with the Chairman of the Major Port Trusts.
- (viii) The Major Port Trusts shall commit Performance Standards for cargo related and vessel related services.

- (ix) The SOR will be indexed annually to inflation to the extent of 100% of the variation in Wholesale price index (WPI) announced by the Government of India. Such adjustment of SOR will be made every year and the adjusted SOR will come into force from 1st May of the relevant year to 30th April of the following year. *(Previously the announcement was made by the TAMP)*
- (x) The indexation of SOR will be subject to achievement of Performance Standards committed by Major Port Trusts. If a particular Port does not fulfil the Performance Standard, no indexation would be allowed during the next year.

6. The FA&CAO has informed that ARR is worked out as average of the sum of Actual Expenditure as per the final audited Accounts of the immediate preceding three years 2015-16 (Y1), 2016-17 (Y2) and 2017-18 (Y3) plus Return at 16% of Capital Employed comprising of Net Fixed Assets plus Working Capital plus capital work-in-progress obtaining as on 31st March 2017-18 (Y3). Further, ₹193.33 Cr (i.e. 1/3 of ₹580 crore) one time expenditure on wage revision arrears (including pension arrears) out of ₹580 crore due for payment has been considered in the calculation of ARR.

Form-1 for Computation of Annual Revenue Requirement, Form 2, Form-3 for Revenue Estimation and Form 4 for computation of working capital have been worked out based on the Revised Policy and certified by a practicing Chartered Accountant are at ***Annexure III**.

7. The FA&CAO has stated that the suggestions were called from Operating Departments. Several meetings were held by the Finance Department with the HoDs before preparing the final proposal.

8. The FA&CAO has stated that based on the suggestions, feedback and the discussion in the HoD meeting on 9.1.2019 following broad percentage increase in the revision of SOR was proposed:

Sr No.		Proposed % increase
1	Vessel Related Charges	10 %
2	Cargo Related Charges	10 %
3	POL Wharfage Charges	20 %
4	Storage (License fee) and Warehousing charges	10 %

9. The FA&CAO has further stated that based on the Tariff Policy, 2018 and above proposed rise, following position emerges for consideration. (working of Estimation of ARR, Additional Revenue and estimated balance ARR)

	Actual Traffic for the year 2017-18	62.83 MT	
	Estimation:-	₹ in Cr.	₹ in Cr.
(i)	Ceiling indexed Annual Revenue Requirement (Annexure III)		1738.29
(ii)	Total Actual Income for 2017-18 as per Annual Accounts		1224.20
	Cargo Related ₹654.54 cr.	654.54	
	Vessel Related ₹569.66 cr.	569.66	
(iii)	ARR available for increase in SOR		514.09
(iv)	Estimated Additional Income in 2018-19		222.04
	Cargo Related	81.94	
	Vessel Related	56.97	
	Anchorage	70.21	
	Onshore Pipeline	12.92	
(v)	Estimated Balance ARR available for adjustment/increase in SOR		292.05

Note: While obtaining approval, the Dy. Conservator had previously proposed Anchorage charges for various Anchorage points at 80% (upto 30th day) /100% (for stay beyond 30th day) of Berth Hire charges which after reconsideration was reduced to 40% (upto 30th day) of Berth Hire charges. The above table is after reconsidering the Anchorage charges at 40% (upto 30th day) /100% (for stay beyond 30th day) of berth Hire charges.

It can be seen from the above workings that as per Tariff Policy directives, the ARR works out to ₹1738.29 crore. The estimated total income due to revision in SOR applicable w.e.f. 1.4.2019 is ₹1446.24 crore. Thus, the balance ARR/deficit works out to ₹292.05 crore.

Proposed increase in SOR and the revenue generation considering traffic for the year 2017-18 is within ceiling ARR which is duly certified by Chartered Accountant in the prescribed formats.

10. The FA&CAO has also informed that the various definitions / clauses of existing scale of rates are proposed to be modified/ simplified and proposed insertions, are as follows –

- (a) New definitions of “Ousting priority”, “Mafi”, “Ship stores” and “Inland vessels” are included for better clarity.
- (b) Definitions of “Day”, “Free period” and “Offshore Supply Vessels” are amended for better clarity.
- (c) The conditionality at note No. 9 under 2.1 schedule stating “Charges leviable according to GRT will be levied on a minimum of 1000 GRT” is proposed to be reintroduced in order to recover the fixed cost involved.
- (d) Present conditions prescribed under note 1 of General Notes to Sections 2.1 & 2.2 for shifting of vessel for Port convenience does not include the condition if the shifting of vessel occurs due to failure of Port mechanism i.e. Lock Gate not working, tug not working, etc. One additional condition is proposed to insert at Sr.No.(x) to that effect.
- (e) Anchorage charges (foreign/coastal/inland vessels) are prescribed in US cents and Indian Paise respectively are very meagre. Anchorage Charges for various Anchorage points are now rationalized to resolve the anomaly and proposed revised rates in US \$ and INR @ 40% (upto 30th day) /100% (for stay beyond 30th day) of Berth Hire Charges. The justification for the proposal rationalization is as under:

“The Anchorage facility is used in ports by vessels for various purposes. Currently due to locational advantages of Mumbai port waters and nearby approach, ports (minor and major) anchorages are used for lightering and carrying cargo in small vessels to nearby ports. Though facility to handle may be ideal at our ports, the port users may take a call on comparative cost advantages of handling cargo at various ports near Mumbai Port waters and also low anchorages fees in Mumbai Port to handle cargo elsewhere by paying nominal amounts.

While Anchorage fee at other major ports may be an indicator for comparison, the purpose of Anchorages may be different and other Ports may not be experiencing virtual port paradox which Mumbai port is experiencing currently. Hence, it would be in order to levy 40% of Berth Hire Charges as Anchorage Charges. Anchorage fee for various Anchorage points will thus be linked to Berth Hire Charges at 40% (upto 30th day) /100% (for stay beyond 30th day) level on the rate in force at a particular point in time."

- (f) Proposed to segregate the Speed Boats from Sr. No. 1 of Section 2.11 (II) and prescribe a separate higher rate for Speed Boats and Pleasure Yachts at Sr. No. 5. Since both are primarily utilized for the purpose of entertainment and not for the transportation of general public.
- (g) Proposed to incorporate the conditionality of minimum 10 GRT for levy of Water Conveyance charges as note 3 under clause 2.11 (II).
- (h) Examination and Licence Fees for special Pilots/Licenced Master of Coastal vessels, barges, tugs etc. at 2.11 (I) are revised as documentation and administration cost has increased.
- (i) Penal Charges at 2.11 (III) are revised upward. Since, Harbour Cruise party is for entertainment purpose charges for permission for harbor cruise party are increased.
- (j) As per 50(B) of MPT Act, 1963, Port Dues shall be levied at 50% of the rates specified at Section 2.16 for a vessel which enters the Port but does not discharge or take in any cargo or passenger (with the exception of such un-shipment and re-shipment of cargoes as may be necessary for purpose of repairs).
- (k) Under the provisions of Note 4 of section 2.17 – Composite Berth Hire Charges for vessels less than 200 GRT are very meagre and needs to be enhanced on par with other Major Ports, where the rates are per hour per GRT. Hence, charges are prescribed per hour or part thereof per GRT or part thereof in placé of per hour or part thereof to.

- (l) Heading of Chapter III – Cargo Related Charges is proposed to be amended. The change is necessitated as MbPT Dock Bye-Laws is being replaced by MbPT Regulations, which is awaiting Government approval.
- (m) Presently for the cargo handled overside, no wharfage is recovered, though the Port provides services and infrastructure. It is therefore, proposed to charge 50% of the normal wharfage on the cargo handled on overside and note (ii) prescribed under section 3.1(A).
- (n) Note No.(ix) under Section 3.1(D) is deleted in accordance with deletion of charges at Section 3.1(D) (15) for cargo handled in stream vide TAMP's order dated 8.6.2018.
- (o) The only available floating crane with MbPT has been decommissioned and the Port does not have any floating crane. Hence, charges for use of floating cranes at Sr. 4(A) of chapter IV of SOR are proposed to be deleted.
- (p) The Port has only mobile cranes (10-14 capacity), tractors and fork lifts. Other equipment's i.e. Tower type cranes, Platform truck and Forklift 16 tons are not available. Hence, charges prescribed for Tower type cranes, Platform truck and Forklift 16 tons at Sr. 4(B) of chapter IV of SOR are proposed to be deleted.
- (q) Insertion of Licence fees for water conveyance for Ro-Pax vessels under clause 2.11 (II) and Vehicle Fees with respect to Ro-Pax vessels under Clause 8.3 are introduced.
- (r) Charges for Permits for Motor Lorries, Mobile Crane, container handling equipment, etc., to ply in the Docks are revised and charges for LMV, Buses, Mini Buses, Passenger vans, Motor cycles and Taxis are introduced under Clause 9.2(C). Quarterly entry permit charges for Barge/Launch/Crew at ₹250 per person are prescribed under section 9.2(C).
- (s) Parking charges for usages of open area for parking of cargo/container handling equipment like Mobile Cranes, Forklifts, Reach Stackers, JCBs, etc., inside the Dock area are newly introduced at Section 9.7.

- (t) Charges for use of pipelines from Pir Pau Manifold to Sewree 'O' point/Hay Bunder/Indira Dock/Naval Dock Yard at Section 9.4 are reworked based financial data for the year 2017-18 and considering the actual utilization of working hours of 2017-18 (cost sheet enclosed). The proposal is with the intension to recover the total cost and become self-sufficient. Further, the work of replacement of onshore pipelines was taken up by the Board at the behest of Oil industries and Port had incurred capital expenditure. Port has been deprived of its legitimate revenue for last 13 years to meet the operational and maintenance expenditure.

11. As far as License (Storage) fees under Section 3.3 of Chapter III of SOR is concerned it is to state that is based on recommendations of the Land Allotment Committee. The same has also been approved by the Board by TR No.187 dated 13.11.2018. Accordingly, the rates under Section 3.3 are proposed to increase by 10% over and above approved rates along with the revision of other Sections of SOR.

12. The FA&CAO has stated that the Performance Standards proposed to be included along with proposed SOR are as follows:

Sl. No.	Performance Standards	Proposed Performance Standards
1	Cargo Related	
	Avg. Ship Berth day Output (in tons) in respect of Major Cargo groups	8700
2	Vessel Related	
(a)	Avg. turnaround time of Vessels (in days)	2.50
(b)	Avg. Pre-berthing time of Vessels (in days)	0.15

13. The draft Scale of Rates and proposed Performance Standards are at **Annexure I* and **Annexure II* respectively.

14. The copy of the Chairman's approval is at **Annexure IV*.

15. The Board's approval is requested.

* Not printed

Note of discussion at the Board Meeting held on 22nd January 2019.

Initiating the discussions, the FA&CAO stated that MbPT Scale of Rates which is used for charging various services is expiring on 31.3.2019. This is based on various policies issued by the Government from time to time. Initially, there was tariff policy for 2005 which was followed till 2015 which was based on cost of rendering services. After TAMP came into existence in 1998, it declared a policy in 2005 with the approval of the Government, under which tariff was fixed based on cost of rendering services plus return on capital employed. In 2015, TAMP reviewed that policy with the approval of the Government and the concept of cost based approach was changed and the concept of annual revenue requirement was introduced which is in line with Electricity Act, where annual revenue requirement is found out for each year and then factored into tariff. Earlier, TAMP approach was very specific that each service is to be justified by the cost and each activity/sub-activity is taken and tariff is fixed. In the ARR policy which came in 2015 the overall ARR is taken and absolute freedom is given to adjust it according to the demand and supply. Thereafter, in 2016, MbPT revised the tariff which is expiring in 2019. As per the Tariff Policy, MbPT has to submit new proposal prior to 3 months of expiry. Accordingly, MbPT prepared the Scale of Rates by December end and submitted.

Continuing, the FA&CAO stated that by end of December 2018 the Government declared a new Policy, i.e., Tariff Policy for Major Port Trusts, 2018 for determination of SOR and TAMP directed to revise our proposal. Accordingly, ARR calculations were revisited, but it was decided to keep the percentage increase at the same level. In between mid last year, the Government had appointed Mckenzie for studying various activities of Major Ports and benchmark with International Ports. They had suggested that MbPT can increase the tariff of POL by around 20%. MbPT considered that suggestions also and revised the tariff by 20% in respect of POL and 10% in respect of other activities.

The FA&CAO stated that earlier we had to take the expenditure from 2011-12 and 3 years down the line. However, in the present proposal it is only previous 3 years (2015-16, 2016-17, 2017-18). Further, 1/3rd of any arrears is considered as against previous booking of 1/5th. This is as per Policy of 2018. He stated that no Estate and Railway income have been included.

MbPT proposed 20% increase in respect of POL and 10% in other activities. He stated that the highlights of the Tariff Policy, 2018, have been summarised in para 5 of the note.

The FA&CAO gave a detailed presentation on the Tariff Revision proposal effective from 1.4.2019. The salient features are as under :

- the ceiling indexed ARR works out to ₹1738.29 crore.
- 1/3rd of the one time expenditure on wage revision arrears, i.e., ₹193.33 crore. has been considered in calculation of ARR.
- The revenue gap is ₹514.09 crore.
- To cover the gap, it is proposed to increase tariff by 20% in respect of POL charges and 10% in all other charges
- The estimated additional income based on 2017-18 traffic and increase in SOR rates will be ₹222.04 crore and the revenue gap will be ₹292.05 crore.
- In the Performance Standards only average ship berth day output in respect of Major Cargo groups, i.e., 8700, has been considered in the proposed revision compared to Liquid Bulk, Dry Bulk and Break Bulk in the existing tariff.
- The average turnaround time of vessels is 2.50 days against 2.85 days.
- The average pre-berthing time of vessels is fixed at 0.15 days against 0.29 days.

The FA&CAO stated that along with SOR, the performance standards are also proposed. The achievement of Performance Standards are essential to reap the benefits of WPI indexation announced from time to time.

Continuing, the FA&CAO stated that in the proposed revision, new definitions of 'Ousting priority', 'Mafi', 'Ship stores' and 'Inland vessels' are included for better clarity. The definitions of 'Day', 'Free Period' and 'Offshore Supply Vessels' have been amended for better clarity. The conditionality stating 'Charges leviable accorded to GRT will be levied on a minimum of 1000 GRT' is proposed to be reintroduced in order to recover the fixed cost involved. Further, one additional condition for shifting of vessel for Port convenience if the shifting of vessel occurs due to failure of port mechanism is proposed to be inserted to that effect.

The FA&CAO stated that anchorage charges are now rationalised and proposed revised rates in US\$ and INR @ 40% (upto 30th day)/100% (for stay beyond 30th day) of Berth Hire charges which would fetch a additional revenue of ₹70 crores. Further, a separate higher rate has been prescribed for speed boats and pleasure yachts since both are primarily utilised for the purpose of entertainment and not for the transportation of general public.

The FA&CAO stated that at Sl.No.2.11 "Examination and License Fees", Examination Fee of ₹1000 and Licence Fee/Renewal Fee/Issue of Duplicate Licence of ₹500 has been prescribed. As regards Licence Fees for water conveyance for harbour crafts, the rates per GRT per month are at Sl. No. 2.11(II). He stated that the charges leviable according to GRT will be levied on a minimum of 10 GRT.

On a query from Shri Sunil Rane, the FA&CAO informed that the licence fees for speed boats and pleasure yachts are ₹101.77 per GRT per month which is an increase from the existing ₹46.26.

Shri Sunil Rane suggested that the yacht owners, who conduct the function/party for their own, the rates now proposed appears alright. However, if they rent out the yachts for private parties, then the charges should be higher or one time charge should be levied. He recalled that earlier the Board had accorded approval to charge the yachts due to which the Port could earn revenue.

On a query from DIG KBL Bhatnagar, the Traffic Manager (I/C) clarified that due to revision of charges, there would be no diversion of traffic.

On a query from Shri Sunil Rane as regards GRT of Pleasure Yachts, the Deputy Conservator clarified that the luxury craft EMPI having approx. 22 GRT had a carrying capacity of 12 persons. As per the existing rates, the total yearly dues was ₹20,184 approx. and with the proposed increase, it would be ₹42,477 which is 110% hike. The DC stated that there are approx. 40 boats of less than 10 GRT as per immediate information available.

Shri Suresh Patil stated that the proposed rate which was about 2.5 times of the existing rate should be revised to 5 times.

DIG KBL Bhatnagar stated that GRT should be the deciding factor and not capacity.

It was decided that in respect of Pleasure Yachts upto 10 GRT and Speed Boats, the licence fees would be ₹101.77 per GRT per month and for Pleasure Yachts of more than 10 GRT, the licence fees would be ₹231.30 per GRT per month.

After further discussion, it was also decided to approve FA&CAO's proposals at para 13 of the note with the modifications brought out in the Note of Discussion.

Resolution No.233

22.1.2019

The FA&CAO's proposal at para 13 of the note with the modifications brought out in the note of discussion is approved.

c6/Pro 22 Jan 2019/SOR-2019