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Tariff Authority for Major Ports

G No.189

New Delhi,

29 July 2010

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 fixes the wharfage charges on iron ore / pellets exported by the Kudremukh Iron Ore Company Limited from the New Mangalore Port Trust during the year 2008-09 as in the Order appended hereto.

(Rani Jadhav)
Chairperson

Tariff Authority for Major Ports
Case No. TAMP/22/2010 - NMPT

New Mangalore Port Trust (NMPT)

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Applicant

ORDER

(Passed on this 9th day of July 2010)

This case relates to the proposal dated 20 April 2010 received from the New Mangalore Port Trust (NMPT) for fixation of final wharfage rate for iron ore / pellets exported by the Kudremukh Iron Ore Company (KIOCL) through the NMPT during year 2008-09.

2. The wharfage rate for the iron ore exported by the KIOCL through the NMPT is calculated with reference to actual expenditure incurred during the year concerned. The methodology of fixation of wharfage rates in respect of the KIOCL ore is in accordance with the decision taken in the Inter-Secretarial meeting between the Secretary (MOST) and the Secretary (Steel) held on 27 May 1992. It was decided in that meeting that the wharfage rate for KIOCL should be fixed annually based on the actual expenditure towards the various components as detailed below:

- (i). Share of operating expenditure of Traffic Department.
- (ii). Dredging expenditure proportionate to the traffic handled.
- (iii). Depreciation.
- (iv). Share of Management and Administration overheads.
- (v). Interest on Capital.
- (vi). Return on Capital @6%.

3. The NMPT has stated that the methodology for fixation of the wharfage rate in respect of iron ore /pellets of the KIOCL is in accordance with the decision taken in the Inter- Secretarial meeting between the Secretary (MOST) and the Secretary, Ministry of (Steel) held on 27 May 1992. The sharing of certain elements of expenditure between the MRPL, KIOCL and NMPT is duly considered as per the agreements between them. The final rate for the year 2008-09 has been worked out based on the actuals and has been fixed at Rs.59.70 PMT.

4. The NMPT has informed that KIOCL after verification of calculation of wharfage has confirmed in writing that the wharfage rate for iron ore / pellets handled by it in the year 2008-09 is Rs.59.70 PMT subject to the decision of this Authority regarding charging of notional interest @ 5.5% on the loan of Rs.27.57 crores provided by the Government of India to NMPT for the Kudremukh facilities.

5. In accordance with the consultation process prescribed, the proposal of the NMPT was forwarded to the KIOCL. The KIOCL has while furnishing its comments submitted that the NMPT has calculated the wharfage rate considering the total traffic handled by KIOCL i.e. export of iron ore pellets and also receipt of Baila iron ore fines through vessel from the Vizag port. The KIOCL has agreed to the wharfage rate of Rs.59.70 per MT for shipment of iron ore pellets by the KIOCL during 2008-09.

6. The proposed wharfage rate is based on agreed methodology. The KIOCL has confirmed the proposed rate as well as the method of calculation of the wharfage rate. The point made by the KIOCL as regards the notional interest by the NMPT in the wharfage rate calculation has already been disposed by this Authority in its Order No. TAMP/15/2009-NMPT dated 3 March 2010 while prescribing wharfage rate for iron ore pellets handled by KIOCL in the year 2007-08. In the said Order this Authority has observed that the pre-formation loan given by the Government to the NMPT for Kudremukh facilities has not been waived by the Government. This Authority has allowed the NMPT to factor the interest element on such loan in the wharfage rate subject to the condition that in case the Government decides to waive the said loan, then the effect thereof will be captured in tariff computation accordingly.

7. Since both the parties have agreed to the proposed wharfage rate, this Authority is inclined to approve the rate proposed by the NMPT. In the instant case, since the rate has to be fixed based on sharing of certain elements of expenditure at the actuals, the rate is approved with retrospective effect for the year 2008-09.

8. Accordingly, based on a collective application of mind, this Authority approves the proposal of the NMPT for fixation of wharfage rate for iron ore / pellets exported by the KIOCL during the year 2008-09 from New Mangalore Port at Rs.59.70 PMT.

(Rani Jadhav)
Chairperson