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Tariff Authority for Major Ports

GNo. 115

New Delhi,

29 July 2008

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 (KIOCL) from the New Mangalore Port Trust during the year 2006-07 as in the Order appended hereto.

(Brahm Dutt)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/16/2008-NMPT

The New Mangalore Port Trust (NMPT)

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Applicant

ORDER

(Passed on this 14th day of July 2008)

This case relates to the proposal received from the New Mangalore Port Trust (NMPT) for fixation of final wharfage charges for iron ore / pellets exported by the Kudremukh Iron Ore Company (KIOCL) through the NMPT for the year 2006-07.

2. The NMPT has stated that 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 wharfage rate for 2006-07 has been worked out taking into consideration the sharing of certain elements of expenditure between the MRPL, KIOCL and NMPT as per the respective bilateral agreements. The final rate for the year 2006-07 has been worked out based on the actuals and has been fixed at Rs.129.16 PMT.

4. The NMPT has also intimated that the calculation of wharfage has been checked by the KIOCL. The 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 2006-07 is Rs.129.16 PMT.

5. The proposal of the NMPT to fix the wharfage on iron ore exported by the KIOCL through the NMPT for the year 2006-07 at Rs.129.16 PMT is a case of retrospective approval of rates. It is relevant here to mention that as per the revised tariff guidelines, the tariff to be approved by this Authority generally has a prospective effect except under special circumstances. In the instant case, since the rate has to be fixed based on sharing of certain elements of expenditure at the actuals, the wharfage rate for the year 2006-07 has to be approved with retrospective effect. Further, there is no difference of opinion between the port and the concerned user in arriving at an agreed rate. This Authority had earlier approved the wharfage rate in respect of iron ore exported by the KIOCL through the NMPT for the years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-2001, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 on the same analogy. The approved rate of wharfage on Kudremukh iron ore was Rs.28.04 PMT for the year 2005-06.

6.1. The KIOCL vide its letter no. KIOCL/FAC/MR/3376 dated 11 March 2008 has raised a point about the interest on capital considered for calculation of wharfage for iron ore / pellets exported by it through the NMPT. This issue is being examined separately in consultation with the port.

6.2. The proposed wharfage rate is based on the agreed methodology. The KIOCL has confirmed the proposed wharfage rate as well as the methodology of calculation of proposed wharfage rate notwithstanding the issue raised by it vide letter dated 11 March 2008. Since both the parties have agreed to the proposed wharfage rate and the existing method is in vogue for more than 10 years, this Authority is inclined to allow it to continue.

7. 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 2006-07 from New Mangalore Port at Rs.129.16 PMT.

(Brahm Dutt)
Chairman