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Tariff Authority for Major Ports

G.No. 75

New Delhi, 10 May 2005

NOTIFICATION

In exercise of the powers conferred by Sections 48, 49 and 50 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby approves the proposal received from the New Mangalore Port Trust for extension of the validity of its existing Scale of Rates as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/11/2005 - NMPT

New Mangalore Port Trust (NMPT) - - - -

Applicant

ORDER

(Passed on this 25th day of April 2005)

This Authority had passed an Order on 9 August 2001 approving the general revision of Scale of Rates (SOR) of the New Mangalore Port Trust (NMPT). The Order along with the revised SOR was notified in the Gazette of India on 19 September 2001 vide Gazette No. 250.

2. The SOR approved by this Authority in the said Order was based on the cost position reflected by the cost statement for the two years i.e. 2001-02 and 2002-03. Following the two year tariff validity cycle prescribed then, the existing SOR of the NMPT fell due for revision in August 2003.

3.1. The NMPT after expiry of almost one year of the validity of its SOR has proposed for extension of its SOR till 31 August 2005. The NMPT on our request has subsequently filed the relevant cost statements for the principal activities, consolidated cost statement and cost statement for the port as a whole excluding Mangalore Refinery Petrochemicals Limited (MRPL) and the Kudremukh Iron Ore Company Limited (KIOCL).

3.2. The NMPT has stated that the cost statements do not take into consideration reduction in the operating income on account of 60% concession offered to coastal vessels/ coastal cargo / containers in view of the recent order passed by this Authority. Like-wise the capital expenditure on projects like creation of deep draught berth, capital dredging, railway facilities and roads, likely to be capitalised during the years 2004-05 and 2005-06 have also not been considered in the cost statement.

3.3. The cost statement furnished by the NMPT reflects an average deficit of 6.79% of the operating income for the years 2004-05 and 2005-06. It has stated that the port has not achieved the Return on Capital Employed (ROCE) prescribed by this Authority as per the revised guidelines. Nevertheless, it has requested this Authority to permit levy of prevailing SOR for two years from the expiry of its validity in August 2003 till August 2005. It has agreed to submit its proposal for revision of its SOR well before time.

4.1. Based on a preliminary scrutiny of the cost statements, the NMPT was requested to furnish additional information / clarification on various points. In response, the NMPT has furnished the requisite information and has also filed revised cost statement.

4.2. The revised cost statement indicates a deficit position of 7.57% for the port as a whole for the year 2005-06 and a deficit of 11.3% for the port excluding MRPL and KIOCL activities. The NMPT has thus reiterated its request for extension of its SOR.

5.1. It is observed that VRS payments and contribution towards pension fund to meet the past liability is included in its projections for the year 2005-06. The revised tariff guidelines specifically prescribes that the arrears of wages/ pension, VRS

compensation, contribution of Pension Fund for past liability, etc., will not be allowed as admissible cost while determining the tariff. The port has to meet this liability from the accumulated surpluses/ reserves other than specifically earmarked funds or provisions and to the extent it cannot be so met, a suitable special rate for a limited period may be prescribed to meet such liabilities. This approach has been adopted by this Authority even earlier at Kolkata Port Trust for recovery of arrears of salary and pension and at Mumbai Port Trust to meet the liability of wage arrears relating to supervisory staff, etc. Even at the Tuticorin Port Trust a special rate was prescribed for servicing the foreign currency loan availed for capital dredging.

5.2. Since the MRPL and the KIOCL are the two dedicated jetties created specifically for these two users and are governed by separate Memorandum of Understanding (MOU) as regards collection of tariff from these two users, it is not found appropriate to burden the other users for deficit in these two respective activities. In other words, if NMPT does not achieve the maximum permissible ROCE in these two activities because of the specific methodology agreed in the respective MOUs, the port cannot seek the other activities to top up the ROCE deficit of these two activities by claiming full ROCE for the port as a whole. The maximum permissible ROCE for the port as whole should, therefore, be restricted to the aggregate of permissible ROCE under individual major activities. The NMPT is advised to take the note of this observation while formulating its proposal for comprehensive review.

5.3. The capital employed projections for the year 2005-06 is found to include the capital expenditure towards deep draft multipurpose berth anticipated to be completed in this year. While doing so, the additional traffic on account of commissioning of this berth is, however, not found to have been considered in the traffic projections for the year 2005-06.

6.1. The NMPT has filed this proposal for extension of rates for period of two years i.e. August 2003 to August 2005 after lapse of more than a year. It should, in fact, have approached this Authority with its proposal well before the expiry of the validity of its SOR in August 2003. It is relevant to mention that none of the users have raised any pointed objection to the existing Scale of Rates of the NMPT. The extension sought by the NMPT is effectively only for four months from now till August 2005. In view of this position, and also recognising time required to formulate a general revision proposal by the port keeping in view the recently announced revised guidelines for tariff fixation, this Authority extends the validity of the rates approved earlier till September 2005.

6.2. The NMPT is advised to file its comprehensive proposal for revision of its Scale of Rates along with the relevant cost statement for the main activities/ sub-activities in the prescribed proforma giving projections for three years in line with the revised tariff guidelines by 30 June 2005 to enable this Authority to review / revise its SOR by September 2005.

7. In the result, and for the reasons given above, and based on a collective application of mind, this Authority extends the validity of the existing Scale of Rates approved vide its earlier Order number TAMP/18/2001 dated 9 August 2001, as amended from time to time, till 30 September 2005. The NMPT is directed to file its comprehensive proposal for next review by 30 June 2005 latest.

(A.L. Bongirwar)
Chairman