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Tariff Authority for Major Ports

G.No. 55

New Delhi, 12 April, 2003

NOTIFICATION

In exercise of the powers conferred by Section 49 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby notifies the unit for berth hire charges from 8-hour to hourly basis for common adoption by all the major ports as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/70/2002 – Genl.

ORDER

(Passed on this 17th day of March 2003)

The national level Workshop on tariff regulations held in Chennai during February 1998, *inter alia*, adopted the following guideline:

“There have been problems relating to delays both in berthing and at berths. The TAMP must find a way of dealing with both these problems. Even in respect only of delays at berths, there are two types of problems-damages caused by loss of ship time and irrational application of berth hire charges. Even if it is not possible for the TAMP to go into issues like damages caused by loss of ship time, it must definitely go into the other issue and rationalise berth hire charges. Instead of the current practice of denoting berth hire charges on a 24-hour basis, it will be more realistic to adopt a ‘8-hourly’ charge.”

2. It is noteworthy that the ultimate aim was to prescribe a hourly charge for berth hire; but, it was found reasonable to proceed in that direction in a phased manner recognising the implications of such a sudden change in the unit of charging.

3. In this backdrop, this Authority passed an Order on 11 January 2000 to reduce the unit of berth hire charges from the then existing 24-hours to 8-hours commonly for all the Major Port Trusts.

4. The reduced unit of charging berth hire is already in operation at all the major ports for more than two years now. There have been demand from the user side that the existing unit of charging berth hire must be reduced further to a hourly rate.

5.1. The matter regarding further reduction of unit of charging has been taken up for processing. A communication has been sent to all the major ports and related user organisations inviting their comments on the following proposed action:

- (i). It is contemplated to introduce hourly rates with effect from 1 April 2003.
- (ii). In the event of change in unit of charging, the rates existing on 31 March 2003 will be converted into a hourly rate.
- (iii). Reduction in unit of charging will equally apply in cases of charges like anchorage fees, mooring fees, roadstead charges, etc., which are linked with the duration of stay of a vessel.

5.2. The change over is proposed to be introduced from the commencement of the next financial year (2003-04) so as to enable the Port Trusts to adjust their revenue projections accordingly in the Budget Estimates for that year.

6.1. The comments received from major port trusts and representative bodies of port users are summarised below:

Jawaharlal Nehru Port Trust (JNPT)

- (i). There was a revenue loss of approximately Rs.5 crores when the unit of berth hire charges was reduced earlier from 24 hours to 8 hours basis.
- (ii). If there is a further reduction of unit of charging berth hire charges from 8 hours to per hour basis, the port revenue will fall further by approximately 5.75 crores per annum.

Paradip Port Trust (PPT)

If it is decided by the Authority to introduce an hourly rate uniformly at all major ports, the same can be implemented by the PPT forthwith.

Chennai Port Trust (CHPT)

- (i). As the Authority fixes the rates and limit the generation of surplus to the percentage fixed by the Government, the existing rates and their unit may not be considered as unreasonable.
- (ii). Since tariff is fixed on cost plus basis, the loss on account of change of the unit will have adverse impact on the surplus and the port may not able to generate the minimum required surplus.
- (iv). The loss of revenue due to reduction of unit of berth hire charges from 8 hour to hourly basis may be examined on a Port to Port basis and necessary adjustment in the hourly rate may be made to maintain the correct financial position.

New Mangalore Port Trust (NMPT)

- (i). There will be definitely a decrease in the port revenue due to the proposed change. There revenue loss would be approximately Rs. 50 lacs p.a.
- (ii). No change in ports tariff has be allowed for the last five years whereas operating expenditure is going up due to increase in expenditure on manpower, repairs & maintenance, stores, etc.
- (iii). The activity Port and Dock facilities continues to report loss for the last five years.
- (iii). The port cannot agree for reduction in the unit of charging berth hire. The Authority may reconsider its decision on the proposed arrangement.

Mormugao Port Trust (MOPT)

- (i). Berth occupancy ranges between 65% to 80% for general cargo berths, 75% for MOHP and 74% in oil berth. Since shift rate is in vogue, the time lost on account of shifting / berthing of vessels are absorbed in shift rate. For costing purpose also, the statistics are maintained on the basis of shift only.
- (ii). The existing rate has been calculated after taking into account the stay of the vessel converted into shifts and not on the basis of number of hours each vessel occupies a berth. If the proposed per hour unit rate is introduced, the port should be permitted to re-work its cost and rationalise the rates accordingly. Merely converting shift rate into hourly rate will result in substantial loss to the Port.
- (ii). As the berth occupancy can never be 100 %, the fixed overheads attributable to the idle facilities have to be recovered by absorbing the same in the unit rate.
- (iii). The existing rate in respect of berth No.9 was worked out by absorbing lump sum charge levied earlier considering an average stay of vessels for 1.1 days i.e. 4 Shifts; but, due to the proposed change in unit rate the same works out as only 26.4 hours instead of 32 hours previously (4 shift * 8hr). It has,

therefore, submitted that new rate in respect of berth No.9 should be allowed to be adopted before effecting change in the unit.

Kandla Port Trust (KPT)

It has stated that being a tidal port, it cannot remove a vessel from the berth as soon as the vessel is ready. It is doing partial Night Navigation and the distance from Jetty to Outer Sea is very far. It is, therefore, present practice of charging berth hire on 8 hour basis is in order.

Visakhapatnam Port Trust (VPT)

It has shown its willingness to adopt this Authority's decision w.e.f. 1 April 2003.

Tuticorin Port Trust (TPT)

- (i). It has shown its intention to adopt the proposed change even before cut-off date of 1 April 2003 and has submitted a separate proposal for approval.
- (ii). Due to the change over, vessels will be induced to vacate the berths as early as possible to save berth hire charges, which will pave for accommodation of the waiting vessels quickly. This may have the indirect benefit to the Port by means of handling more vessels.

Mumbai Port Trust (MBPT)

- (i). It has stated that this will adversely affect the revenue earning of the port. As at present berthing service in the MBPT is running in a deficit of 168 %.
- (ii). For the last 6 years, the facility of mooring at anchorage has not been utilised by any of the vessel. The anchorage points are located at different location, and at present anchorage fees are levied depending upon the commercial utility of the anchorage point. It will be very difficult to monitor precise time of occupation of anchorages by vessel and charge anchorage fees on hourly basis which may result in dispute between port and port users.
- (iii). It has to deploy more manpower to monitor vessel for charging per hour vessel charges at anchorage point, which will increase its cost of service. As at present this service is running in deficit.

Indian Merchants Chamber (IMC)

It is in total agreement with this Authority's decision. According to them, transaction cost will reduced, as well as the Port will ensure that vessel should de-berthed within an hour, of ready to sail intimation being conveyed by the Shipping Lines.

The Gandhidham Chamber of Commerce & Industry (GCCl)

It has appreciated the decision taken by this Authority and stated that this will reduce the unnecessary cost incurred by the Port users. It has also suggested that tidal port has no direct connection with the unit of charging of berth hire charges. It is, therefore, per hour unit of charging can be applied at such port also

The Container Shipping Lines Association (CSLA)

It has supported the proposed decision.

6.2. The Kolkata Port Trust and Cochin Port Trust have not furnished any comments so far.

6.3. The MBPT requested for an opportunity of personal hearing to explain its views which was allowed on 4 March 2003. The MBPT has reiterated the points made by it in its written submission.

7. With reference to the totality of the information collected during the processing of this case, the following position emerges:

- (i). One of the stated positions of this Authority is rationalisation and simplification of the tariff structure at the major ports. Towards this end, this Authority has effected many changes in the Scale of Rates of the port trusts. One such change relates to reduction in the unit of levy of berth hire charges. In the year 2000, this Authority has reduced the unit of berth hire charges from the then existing 24 hours to 8 hours at all the major ports. Further rationalisation of the unit of berth hire charges has been taken up recently and all the major ports and users have been consulted in this regard.
- (ii). The arrangement of hourly berth hire charges has already been introduced at the CHPT since October 2002. Recently, the TPT has also proposed to adopt hourly berth hire which is being approved by this Authority for implementation w.e.f. 1 April 2003. Out of the remaining port trusts, the VPT and PPT have indicated their willingness to introduce hourly berth hire charges. The MOPT, NMPT, KPT and MOPT have, however, objected to further reduction in the unit of berth hire charges primarily on the ground of loss of income or reduction in surplus.
- (iii). The JNPT, though not explicitly objected to the proposed arrangement, have, however, sought readjustment in the tariff. At the time of the last general revision of tariff, the marine activity at the JNPT was found to be in surplus. The JNPT was, therefore, required to propose suitable reduction in the existing vessel related charges. No such proposal has come from the JNPT so far. Any proposal from the JNPT would be examined and viewed in the background of surplus in marine activity of the JNPT.
- (iv). One of the reasons cited by the NMPT is about not revising its rates for the last 5 years. It is needless to mention that tariff increase depends on, among other things, the financial position of the port trust. A review of the financial / cost position of the NMPT carried out in 2001 did not indicate any need for upward revision of the existing tariffs. In any case, introduction of certain rationalised tariff approach cannot be made conditional upon this Authority allowing increase in the existing tariffs.
- (v). The KPT has opposed to the proposed arrangement mainly on the ground that it is a tidal port. As has been correctly pointed out by the GCCI, tide factors may not be relevant for fixing unit of berth hire charges. This Authority has already ordered that no berth hire should be levied after expiry of 4 hours from the time a vessel signals its readiness to sail. Considering the problems of a tidal port, a special arrangement has also been ordered at the KPT that the time limit of 4 hours prescribed for cessation of berth hire will exclude the ships waiting time at a berth for want of favourable tidal condition. The special provision already introduced at the KPT takes care of the issue raised by the KPT now. That being so, the proposed arrangement does not appear to put the KPT in a disadvantageous position vis-à-vis its position under the existing arrangement of levying berth hire of a unit of 8 hours.
- (vi). The MBPT has raised an objection to extend the hourly unit of charging to anchorage fees, mooring charges, etc., in view of the problems associated with regular monitoring of vessel movements. In this case again, the existing position does not appear to change appreciably with the introduction of hourly berth hire charges. Further with the available technology like VTMS, it does not appear to be a difficult task to monitor movement of vessels within the port limits.

- (vii). Port users have, however, unanimously welcome the proposed arrangement.
- (viii). The common reason cited by all the ports which have objected to the proposed arrangement is the possible revenue loss to them as a result of the proposed arrangement. It has to be recognized that the loss cited by the ports are, in fact, a possible reduction in their revenue. It is to be admitted that the relevant revenue accrual is due to a not so reasonable arrangement. Berth hire is a fee for occupation of a berth and vessels should pay such a fee only for the time it occupies the facility. There does not appear to be any logic in requiring the vessel to pay even for the period after it has left the berth only on account of system of charging.

It is understood that the issue of high marine charges at the major ports in the country has also engaged the attention of the Government. The proposed adjustment in the unit of charging will definitely help to some extent in reducing the existing marine cost besides rationalising the tariff arrangement. Besides it would mean payment as per actual services rendered.

- (ix). The issue raised by some of the ports about the requirement of adjustment of rates in view of the cost plus method adopted deserves consideration. The reduction in revenue on account of the proposed arrangement, if any, will only be a temporary phase. The actual financial position of a port will be reviewed at the time of the next general revision of tariffs at the respective port. If an internal review carried out by the port reveals any major financial loss due to the proposed arrangement, such ports can come up with a proposal for revision of the existing vessel related charges ahead of schedule.
- (x). In our earlier communication addressed to the port trusts, it was indicated that the proposed arrangement might be introduced w.e.f. 1 April 2003. Since we are only a few weeks away from the cut off date proposed and in view of the fact that port trusts may require a longer lead period to implement the proposed arrangement, this Authority hereby decides to introduce the proposed arrangement of charging berth hire on hourly basis w.e.f 1 June 2003 at all the Major Port Trusts except CHPT and TPT. For the purpose of conversion of the existing rate, the existing berth hire charges will be divided by a factor of 8.

8.1. In the result, and based on a collective application of mind, this Authority hereby decides to introduce hourly berth hire charges at all the major port trusts (except CHPT and TPT) with effect from 1 June 2003.

8.2. A similar hourly unit will be followed for levying anchorage fee, mooring fee, roadstead charges, etc., which are linked with the duration of stay of a vessel at such facilities.

8.3. All the major port trust (except CHPT and TPT) are directed to amend their Scale of Rates accordingly.

(A.L. Bongirwar)
Chairman