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TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 42

New Delhi, 31 March, 2003

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 disposes of the proposal from the Visakhapatnam Port Trust about amendment of Licence (Storage) fee for open and covered space as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/15/2002 - VPT

The Visakhapatnam Port Trust

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Applicant

ORDER

(Passed on this 17th day of March 2003)

This case relates to a proposal received from the Visakhapatnam Port Trust (VPT) for revision of Licence (Storage) fees for open and covered space.

2.1. The VPT has made the following points in its proposal:

- (i). At present, the rate of licence fee for allotment of storage space for 'a year or more than a year' is less than the rate for 'Less than an year'. In view of this position, port users always demand allotment of area for more than a year.
- (ii). Normally, allotments/requirements of the port users are of temporary nature for storage of import / export cargoes. Therefore, it is proposed to consider only one rate i.e. "Less than a year" and delete the entry of "a year or more than a year".
- (iii). The open areas and covered spaces are further classified into area inside the custom barrier and outside the custom barrier. Such classification, in fact, will have only some marginal difference. It is, therefore, proposed to prescribe a uniform rate separately for open spaces and covered spaces.

2.2. In this backdrop, the VPT has sought approval to the following modifications in Section 6 of its Scale of rate:

CHARGES FOR LICENCE (STORAGE) FEE

| Item No. | Description | Unit | Rate (in Rs.) | Penal Rate (in Rs.) |
|-----------------|---|-------------------|---|----------------------------|
| 6.1 | LICENCE FEE FOR SHEDS: Transit Sheds and Storage Sheds, warehouses and all covered spaces including warehouse behind G.C.B. | Per 100 Sq. Mtrs. | 2,975.60 Per fortnight or part thereof. | 5,951.20 |
| 6.2 | LICENCE FEE FOR OPEN SPACE: Open stacking Space | Per 100 Sq. Mtrs. | 345.00 for first fortnight or part thereof and Rs. 232.90 for next fortnight or part thereof and onwards. | 465.75 |

3.1. A copy of the proposal was forwarded to various concerned users/representative bodies of port users for comments. The comments received from the various users / representative bodies of port users were forwarded to the VPT as feed back information.

3.2. A joint hearing in this case was also held on 22 January 2003 at the VPT premises. At the joint hearing, the VPT and the port users have made their submissions.

3.3. In view of the objections raised by the users about the rates adopted, the VPT agreed to re-examine the matter in consultation with users. Subsequently, the VPT has sent a communication highlighting the following points:

- (i). The proposal is made only to simplify and rationalise the tariff structure.
- (ii). The proposal to do away with the distinction of lands located within or outside customs barrier is only to have transparency in allotment of land.
- (iii). There is no change in the stand of the port.

3.4. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpts of the comments received and arguments made by the concerned parties will be sent separately to the relevant parties. These details will also be available in our website (www.tamp.nic.in).

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

- (i). The proposal of the VPT is to be seen as an attempt to rationalise its Scale of Rates. The reasons given by the port for doing away with the existing categorization in tariff are found to be genuine and are deserved to be admitted.
- (ii). The users have objected to the proposal mainly on the ground that it seeks upward revision of rates within a short span of time since the last general revision of tariff. This position is as a result of the VPT's stand to adopt the higher of the existing rates as the common rate after doing away the existing categorisation. It is to be admitted that this approach adopted will cause increase in rates for sheds allotted for more than one year and open space outside the customs barrier.
- (iii). It is to be borne in mind that the objective behind this proposal is rationalisation and not revenue enhancement. This aspect has been explicitly admitted by the VPT also. It is needless to point out that care should be taken while rationalising tariff to keep the resultant revenue implication, both on the port and users, at the minimum.

The VPT has claimed that requirement of storage space for users is of temporary nature. The SCI and SAIL have, however, brought out that many bulk cargo users are using the storage area of the VPT for decades. If the proposed rate is adopted, no doubt, such users will face a steep hike which this Authority does not find reasonable to allow for rationalising the tariff. At the same time, adopting the lower of the existing rates will definitely put the VPT in a disadvantageous position which is not desirable.

- (iv). As has been mentioned earlier, this Authority likes to support the initiative of the VPT to rationalise tariff to bring in simplicity in the structure and transparency in the system. The suggestion of the INSA to carry out rationalisation by maintaining a revenue neutral position is relevant. Even though a weighted average rate will be more scientific to reach closer to a revenue neutral position, in the absence of available data for arriving at weights, it may be reasonable to prescribe the common rate as the simple average of the existing rates. It is to be conceded that even this approach will have some implication on the existing long term users but the impact will be moderate when compared with the adoption of higher of the existing rates.

5. In the result, and for the reasons given above, and based on a collective application of mind, this Authority amends Sections 6.1 and 6.2 of the Scale of Rates of the VPT as follows:

| Item No. | Description | Unit | Rate (in Rs.) | Penal Rate (in Rs.) |
|----------|--|-------------------|---|---------------------|
| 6.1 | LICENCE FEE FOR SHEDS: Transit Sheds and Storage Sheds, warehouses and all covered spaces including warehouse behind G.C.B. | Per 100 Sq. Mtrs. | 2231.70 Per fortnight or part thereof. | 4463.40 |
| 6.2 | LICENCE FEE FOR OPEN SPACE: Open stacking Space | Per 100 Sq. Mtrs. | 230.70 for first fortnight or part thereof and Rs. 181.10 for next fortnight or part thereof and onwards. | 362.20 |

(A.L. Bongirwar)
Chairman

A SUMMARY OF THE COMMENTS RECEIVED FROM THE PORT USERS / DIFFERENT USER ORGANISATIONS AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY

F. No. TAMP/15/2002-VPT - Proposal from the Visakhapatnam Port Trust for amendment of licence (storage) fee for open and covered space.

1. The comments received from the port users / representative bodies of port users are summarised below:

Visakhapatnam Customs Clearing Agent's Association

The proposal to levy licence fee for storage area for "Less than a year" instead of "a year or more than a year" for storage of Import/Export cargo is appreciated. But, the same rate should not be applicable for the area provided to trade on lease for construction of sheds for storage purpose and industry purpose.

Container Shipping Lines Association

We have no objection to the proposed amendments if the change is proposed to reflect the different levels of service and if this will not result in any substantive increase for the trade.

Steel Authority of India Limited

- (i). The increase in Plot rent by 15% during the last revision of Scale of Rates in June '01 and again the steep increase proposed now in rent only for the sake of simplification will be additional financial burden on port users.
- (ii). Storage spaces are in plots which are already developed. There may be negligible further investment in these existing plots.
- (iii). Increase in storage charges will make imported coking coal costly.

Shipping Corporation of India

- (i). There are many long term exporter, who have been using the VPT storage areas from last so many years as against the VPT's claim that the demand is temporary in nature.
- (ii). The steep increase in licence fees by charging the higher tariff would severely affect port users. If the VPT wants to make the rate uniform they may take the rate presently prescribed for more than a year as the standard.
- (iii). The VPT should not increase the rates any further for the open area and covered spaces whether they are inside custom barrier or outside the custom barrier, as the increase was already effected in June 01. If the VPT wants to make uniform rate, then the existing rates applicable for outside the custom barriers must be applicable.

- (iv). Since the VPT does not incur any expenditure towards these open spaces, the increase appears to be not justified.

2. A joint hearing in this case was also held on 22 January 2003 at the VPT premises. At the joint hearing, the following submissions were made:

Visakhapatnam Port Trust

- (i). To simplify, we have proposed a single rate instead of going by the duration of leases.
- (ii). Likewise, we want to do away with the distinction in rates for lands within and outside customs area.

Indian National Shipowners Association

- (i). These rates were revised during the last general revision. Another revision now is premature.
- (ii). When we rationalise there should be a revenue neutral position. Here, VPT wants the maximum rate to be applied in all cases.
- (iii). These rates should be conditional upon the VPT providing developed lands. If undeveloped plots are given, different set of rates needs to be applied.

Container Shipping Lines Associations

We endorse the views of INSA for a revenue neutral rate.

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