

No. 162

New Delhi, the 20 June, 2001

Tariff Authority for Major Ports

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 approves the proposal of the Jawaharlal Nehru Port Trust (JNPT) for an increase in the wharfage charges for finished fertilizer and fertilizer raw materials as in the Order appended hereto.

(S. Sathyam)

Chairman

Case No. TAMP/17/2001-JNPT

The Jawaharlal Nehru Port Trust (JNPT)

...

Applicant

ORDER

(Passed on this 12th day of June 2001)

The Jawaharlal Nehru Port Trust (JNPT) has submitted a proposal for increase of the wharfage for finished fertilizer and fertilizer raw materials in case of manually discharged vessels on an experimental basis for a period of six months.

2. In its proposal, the JNPT has given the following points:

- (i). The bulk terminal in the JNPT was designed and envisaged for handling imported fertilizer and fertilizer raw materials through a mechanised system. The berth was also designed for large size vessels upto 70,000 DWT and substantial investment have been made in this system.
- (ii). With the decanalisation of fertilizer import, the importers bring the cargo in small parcel size vessels. Such vessels are not suitable for handling by the port's mechanical handling system resulting in idling of these facilities. The drop in fertilizer and fertilizer raw materials traffic over the last four years, is given below:

(a). 1997 – 1998 - 8,81,287 MT

(b). 1998 – 1999 - 8,88,788 MT

(c). 1999 – 2000 - 7,90,617 MT

(d). 2000 – 2001 - 3,68,627 MT

(upto Dec. 2000)

- (iii). In order to encourage usage of the mechanised system the JNPT has offered special rebates based on volumes. At the same time, it is necessary to discourage imports which do not use the port's systems where the investment is substantial. Such smaller vessels remain longer at the berth as they are either handling manually or only partially using the mechanical system. As a result, revenue earnings are far below the costs where the present wharfage is only Rs.35/- and Rs.25/- per MT for fertilizer and fertilizer raw materials respectively.
- (iv). While seeking to encourage the use of mechanical handling facilities by discouraging manual handling, the Port likes to simultaneously increase its revenue from the manually handled vessels. Hence, it is felt essential that the existing wharfage for fertilizer and fertilizer raw material be raised from Rs.35/- per MT to Rs.70/- per MT and Rs.25/- PMT to Rs.50/- PMT respectively. However, for vessels using mechanical system, 50% discount will be given i.e., in effect maintaining the existing rates.
- (v). The Board of Trustees of the JNPT has approved the proposal to increase the existing wharfage for fertilizer from Rs.35/- PMT to Rs.70/- PMT and fertilizer raw material from Rs.25/- PMT to Rs.50/- PMT with 50% discount on these rates when mechanical handling system is used for a period of six months.

3. The above proposal of the JNPT was circulated to BCCI, BCHAA, IMC, WISA, M/s. Gujarat Narmada Valley Fertilizers Co. Ltd., M/s. Dharmasi Morarji Chemicals Co. Ltd., M/s. Majestik Impex Pvt. Ltd., M/s. Nath Industrials Chemicals Ltd., M/s. D.B.Chemicals for comments. (A list of main users of the facilities was obtained from the JNPT). The comments received from them are summarised below: _

Majestik Impex Private Limited

- (i). With the liberalisation of economy and decanalisation of imports, competition also has increased. Everybody from a small trader to a large importer would like to ensure that the input costs are trimmed to the bare minimum to withstand the competition along with quality products.
- (ii). We are doing a service to the port by bringing in small vessels and utilising the berths when they are empty generating income to the Port which was not there earlier. The JNPT shall give further reduction to the trade for the usage of berths, which are idling if it wants the traffic to be diverted to them.

- (iii). We have a track record of unloading cargo either in midstream or at berth, and keeping the berths occupied for the least possible time and ensuring that other port operations are not hampered.
- (iv). In late 1999, the JNPT had been canvassing to bring cargo and even asked us to give them the projected cargo tonnage to consider a reduction in the rates also for manual clearing. Keeping this request of the port in mind we have been bringing all our vessel to the JNPT.
- (v). If the port wishes to have its way, we will be constraint to look for alternative arrangement to our advantage.

The Dharamsi Morarji Chemical Company Limited

- (i). We very much object to increasing tariff for manually discharged vessels.
- (ii). We brought vessel by manual discharge to the JNPT with a view that the jetties were idling and giving no income to the JNPT.
- (iii). It is unfair to put different charges when some body is ready to give revenue when it was receiving nothing. With the increase in tariff, the jetties will continue to idle making revenue loss to the port.
- (iv). The endeavour must be from JNPT as well as Tariff Authority, to make maximum utilisation of the jetties, whereby return of capital investment will be possible and not to discourage utilisation of idle jetties.

4.1. A joint hearing in this case was held on 20 April 2001 at the JNPT Office in Mumbai. The JNPT, BCHAA and IMC attended the hearing. Representatives of the fertilizer sector were not present in spite of advance notice. At the joint hearing, the following submissions were made: _

Jawaharlal Nehru Port Trust (JNPT)

- (i). Traffic of fertilizers has come down from 20 lakhs tonnes to 4 lakhs. 25% of that is for manual handling.
- (ii). We want to discourage manual handling; and, to encourage mechanical handling.
- (iii). If smaller vessels come and if berth is available, we will admit. But, we must earn something through wharfage.

4.2. In the joint hearing, there was a discussion about wharfage being the same irrespective of the handling system adopted. The JNPT agreed to recast the proposal accordingly and re-submit the proposal within 3 weeks.

5.1. The JNPT has submitted a revised proposal vide its letter dated 8 May 2001.

5.2. In its revised proposal, the JNPT has given the following points:

- (i). The intention of the proposal to double the wharfage for fertilizer and fertilizer raw materials was to discourage manual vessels and to encourage mechanised vessels.
- (ii). During the discussion in the joint hearing, the Chairman (TAMP) had expressed the view that there should not be any discrimination between manual and mechanically handled vessels. Therefore, while increasing the wharfage for all fertilizer vessels, the port could consider correspondingly reducing the handling charges for mechanised vessels, thereby having no impact on the total (wharfage and handling) charges for such vessels.
- (iii). The JNPT is of the opinion that the suggestion is logical and has merit and, therefore, proposes as follows:
 - (a). The wharfage for fertilizer and fertilizer raw materials may be increased to double from the present rate of wharfage of Rs.35/MT and Rs.25/MT respectively.
 - (b). To keep total (handling and wharfage) charges for the mechanically handled vessels unaffected it is proposed to reduce the handling charges for fertilizer to Rs.185/MT from Rs.220/MT and for fertilizer raw materials to Rs.155/MT from Rs.180/MT.
- (iv). The JNPT has now proposed to increase the wharfage of fertilizer and fertilizer raw materials with corresponding reduction in handling charges as given below:

	<u>Wharfage</u>	<u>Handling charges</u>	<u>Total charges</u>
Fertilizer	Rs.70/MT	Rs.185/MT	Rs.255/MT
Fertilizer raw materials	Rs.50/MT	Rs.155/MT	Rs.205/MT

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

- (i). The proposal of the JNPT is to be seen as a measure to seek compensation for idling of the fertilizer handling system due to the vessels bringing small parcel size, which cannot be handled mechanically. From the proposal, it is understood that the cargo is the same as before but the carrier is smaller. In totality, the fertilizer cargo earlier paid wharfage and handling charges, which will be reduced to

only wharfage in case of smaller vessels, which do not use the handling system. It is noteworthy that the bulk terminal of the JNPT is designed to serve mechanised handling. Since individual cargo related charges are fixed with reference to the total income and cost, the rates of wharfage and handling charges for fertilizer fixed earlier are interdependent on each other.

(ii). The original proposal of the JNPT cannot be said to be logical since it mixes up handling charges with the wharfage. Larger vessels use the installed handling system; and, therefore, they pay handling charges. Smaller vessels, however, do not use the handling system.

(iii). When handling charges are levied separately, there is no reason to prescribe differential wharfage rate for manual and mechanical handling. Wharfage rate must be the same for the commodity. When pointed out, the JNPT has appreciated this position and revised its proposal.

(iv). It is to be recognised that this is not a tariff increase proposal for the fertilizer vessels using mechanised handling system. It is only to realise additional income from the smaller vessels for idling of installed handling capacity. This has been done by the JNPT by proposing a uniform increase in the wharfage rate for fertilizer and fertilizer raw materials irrespective of the method of handling. To maintain status quo in respect of the vessels using mechanised handling system insofar as the total cargo related charges are concerned, the proposal is to reduce the handling cost to the extent of increase in the wharfage.

(v). The bulk terminal of the JNPT is losing heavily. The change in the traffic pattern and the resultant change in handling methodology cannot be allowed to increase the loss. To minimize such loss, the tariff adjustment proposed by the JNPT is necessary. We sincerely hope that the proposal has been made by the JNPT after weighing the market and also the possibility of diversion of traffic, as has been threatened by some of the users who participated in this proceeding. Subject to this, the proposal of the JNPT is approved.

(vi). The JNPT wants to implement this tariff arrangement on an experimental basis for a period of six months. It appears that six months' period is very short and may not accommodate seasonal fluctuations of traffic. It is, therefore, reasonable to operate this tariff arrangement for a period of one year and then review, if necessary.

(vii). Since the entire proposal revolves around the concern to maximize the utilisation of installed mechanised handling capacity, it may not be irrelevant for the JNPT to consider the possibility of giving over-riding priority in berthing at the concerned terminal to vessels using the mechanised handling facility and allow those vessels which do not need such facility only when the berth is vacant.

7.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the rates of wharfage and handling charges for fertilizer and fertilizer raw materials as given below:

Wharfage

Fertilizer : Rs.70/- per tonne.

Fertilizer Raw Materials : Rs.50/- per tonne.

Handling Charge

Fertilizer : Rs.185/- per tonne.

Fertilizer Raw Materials : Rs.155/- per tonne.

7.2. The JNPT is directed to include these revised rates accordingly in its Scale of Rates. These revised rates are subject to review after one year from the date of Notification of this Order in the Gazette.

(**S. Sathyam**)

Chairman

[[List of Ports](#) | [List of Orders](#)]