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No. 54	**New Delhi, the 2nd March, 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 amends the Scale of Rates of theChennai Port Trust by inserting a provision to allow a rebate in wharfage on iron ore unloaded manually at the Royapuram Yard and intercarted to the Mechanical Ore Handling Plant for shipment at the cost of exporters, as in the Order appended hereto.

(**S. Sathyam**)

Chairman

Case No.TAMP/124/2000-CHPT

The Chennai Port Trust (CHPT) - - - Applicant

O R D E R

(Passed on this 14th day of February 2001)

The Chennai Port Trust (CHPT) has submitted a proposal for an amendment to its Scale of Rates for allowing a rebate in wharfage on iron ore shipped through mechanised ore handling system after unloading at the Royapuram Railway Yard and intercarted to the Port's stack yard.

2.1. The CHPT presently levies a charge of Rs.50.40 per MT on iron ore shipped through mechanical ore handling system. In addition, Re.0.90 per tonne is also charged for cleaning the ore handling system for receiving and shipment of iron ore fines / calibrated iron ore.

2.2. M/s. Minerals Sales Private Limited (MSPL), one of the exporters of iron ore, have approached the Port with a proposal to augment receipts of iron ore for export of by unloading their ore manually at the Royapuram Railway Yard and intercart them to the stack-yard through Trucks for shipment. The firm has requested for a rebate in the rates, as the Port will not be carrying out the operation of wagon tippling and stock piling.

2.3. The proposal of M/s. Minerals Sales Private Limited was considered by the Board of Trustees of the CHPT and proposed to grant a rebate of 40% on the existing rates of wharfage and cleaning charges for Iron Ore unloaded at Royapuram Railway Yard and intercarted to the MOHP through Trucks. In its proposal, the CHPT has given the following points:

(i). The present wharfage charge is inclusive of all operations from the time of tippling of iron ore from the wagon by wagon tipplers upto putting into the holds of the vessel and as the Port will not be carrying out the operation of wagon tippling and stock piling in this case, a rebate of 40% is considered reasonable. This is based on the fact that the receiving system constitutes about 40% of the total system.

(ii). When the ore handling plant was commissioned in 1977, the wharfage and special charge for iron ore shipped through ore handling plant was fixed at Rs.26.50 per tonne and the rate was recovered at Rs.12.60 per tonne (47.5% of the consolidated rate) at the time of receiving and unloading the ore wagons and Rs.13.90 per tonne at the time of shipment of iron ore. Later this was consolidated into a single composite rate. Though the wagon tippling and stacking are not done by Trust's mechanised ore handling plant in the case of intercarting arrangement, the stack yard of the Port will be used by the exporters for which no separate charges are collected as it is a part of the composite wharfage.

(iii). Considering the above aspects, an amount of Rs.0.36 (40% of Rs.0.90) towards cleaning charges and an amount of Rs.20.16 (40% of Rs.50.40) towards tippling and stock piling of iron ore through mechanised system constitute the proportionate cost of services not rendered. The total amount of Rs.20.52 per MT rounded of to Rs.20.00 per MT will be the reasonable rebate and this can be extended to the exporters who directly bring the Iron Ore to the stock pile area for shipment.

2.4. In this backdrop, the CHPT has proposed the following amendments to its Scale of Rates:

The existing note under Item No.2 under Scale 'F' may be numbered as Note (a) and new Note (b) may be inserted after Note (a)

"Note (b): A rebate of 40% in Item No.1 and 2 above rounded off to Rs.20/- shall be given for the quantity of Iron Ore manually unloaded from the wagons at Royapuram Railway Yard and intercarted to the Mechanical Ore handling plant through trucks at their (exporter's) cost for shipment. This rebate shall be given only when wagon tippler and stacker are not available because of being used by another party."

3. The above proposal of the CHPT was circulated to various users / representative bodies of port users. Pending receipt of written comments from the users / representative body of port users, a joint hearing in this case was held on 25 January 2001 at the CHPT premises. During the joint hearing the following submissions were made:

The Chennai Port Trust (CHPT)

Our calculation is specific. The 40% rebate is reasonable. We cannot increase the proposed rebate.

Federation of Indian Mineral Industry (FIMI)

(i). The increase in ore traffic has resulted in increasing demand on facilities.

(ii). Additional expenditure for 'road-way' is Rs.63/- PMT. We get a rebate of only Rs.20/- PMT. It should be at least Rs.25/- PMT i.e., 50% of the existing wharfage rate.

M/s. Minerals Sales Private Limited (MSPL)

(i). This will increase the traffic and shall be encouraged.

(ii). Spillage inside the port area is avoided. 10% expenditure in cleaning can be saved.

(iii). Cleaning charges should not be added.

The Metal and Minerals Trading Corporation (MMTC)

(i). 40% rebate is with reference to installation cost. The system is 25 year old. How can the Port go by the original cost?

(ii). Please calculate rates separately for receiving and tippling and shipment.

Tamil Chamber of Commerce (TCC)

Export of new cargo (eg., Manganese) is willing to shift from the Mormugao Port Trust (MOPT). This is the right time for the CHPT to announce the concessions to attract more cargo.

4. With reference to the totality of information collected during the processing of this case, and taking into account the arguments advanced at the joint hearing, the following position emerges:

(i). The CHPT Scale of Rates has a specific provision already for handling of iron ore arriving by the railway route. The present proposal is for accommodating the interests of exporters who bring in the cargo by road without requiring the facility of the wagon tippler. This can, therefore, be seen as a user-oriented proposal.

(ii). It is noteworthy that a similar entry was introduced in the Scale of Rates of the Paradip Port Trust (PPT). Only, the action taken there was at the instance of this Authority; it was not a proposal from the PPT.

(iii). The MSPL, one of the interested parties, has asked for a bigger reduction on the ground that the CHPT would be saving 10% in 'cleaning cost' alone since there will be no spillage inside the port area. This claim is untenable for the reason that the Board of Trustees of the CHPT has approved a 40% reduction consolidatedly on 'wharfage and cleaning charges'.

(iv). Likewise, the demand of the MSPL to calculate the rates separately for loading and unloading is not very relevant. What is relevant in the context of this case is the fact that the port will not be carrying out the operation of wagon tippling and stock piling; everything else will remain the same. That being so, a reduction of 40% has been considered to be reasonable. This is on the basis that the receiving system constitutes about 40% of the total system. This reasoning of the CHPT is reasonable and acceptable.

It has to be recognised in this context that, though the wagon tippling and stacking are not done by the CHPT's Mechanised Ore Handling Plant in cases of intercarting arrangement,the stack yard of the port will still be used by the exporters for which no separate charge is levied as it has been integrated with the composite wharfage charge.

(v). That the new arrangement will result in an increase of traffic in the same cargo or even emergence of new cargo like Manganese cannot be cited as grounds for a bigger reduction. The CHPT must have taken into account these and other commercial considerations while formulating its proposal.

(vi). The MMTC has raised an objection about the 40% reduction being with reference to a 25-year-old installation cost. Apparently, the MMTC wants the present value to be reckoned with for this purpose. It is relevant here to point out that we have not yet been able to introduce the principle of marginal cost pricing. All ports everywhere (including, probably, in all other countries) follow the same practice. That being so, the question of dealing with the depreciated value of the assets only for this case cannot arise.

(vii). The demand of the FIMI that the reduction should be of the order of 50% (i.e., Rs.25/-) because of the fact that there will be an additional expenditure of Rs.63/- for the 'road way' is more emotional than rational or economic. The CHPT has categorically stated that its calculation is specific; the 40% reduction is reasonable; and, it cannot be enlarged. There is no reason why this categoric statement of the CHPT cannot be accepted.

(viii). The CHPT has proposed that this rebate will be given only when wagon tippler and stacker are not available because of being used by another party. This stipulation is understandable as the Port wants to protect its investments on Tippling and stacking equipment; and, does not want idling of these facilities. The need for intercarting of ore from Railway yard may also arise when the receiving system the Port is out of commission due to breakdown or maintenance. That being so, it is reasonable to allow the rebate when the wagon tippler and stacker can not be spared by the Port for reasons like maintenance, overhaul and repairs in addition to non-availability because of being hired by another party. It is noteworthy that a similar condition has been stipulated by this Authority for cases of exemption from heavy lift charges.

5. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the proposal of the CHPT with the slight modification mentioned in paragraph 4 (viii) above. Consequently, the Scale of Rates of the CHPT is amended as described below:

> "The existing note in item 2 of Scale F, Chapter II; Book I is renumbered as note (a) and a new note (b) as given below is inserted:
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> Note (b): A rebate of 40% in Item 1 and 2 above rounded off to Rs.20/- shall be given for the quantity of Iron Ore manually unloaded from wagons at the Royapuram Railway yard and intercarted to the Mechanical Ore Handling Plant through trucks for shipment at the cost of exporters.
>
> This rebate will be allowed only when the wagon tippler and stacker can not be spared by the Port for reasons like maintenance, overhaul and repairs or non-availability of these equipment because of being hired by another party."

6. The CHPT is directed to incorporate the above provision in its Scale of Rates.

(**S. Sathyam**)

Chairman

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