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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 COPT on volume discount and concession arrangement, as in the Order appended hereto.

(**S. Sathyam**)

Chairman

Case No. TAMP/105/2000-COPT

The Cochin Port Trust (COPT) … Applicant

O R D E R

(Passed on this 5th day of January 2001)

This case relates to a proposal on volume discount and concession arrangement from the Cochin Port Trust (COPT).

2. The COPT in its proposal has stated that it is the only major port in India having a narrow hinterland, which is often shared, by neighbouring ports like New Mangalore Port Trust (NMPT) and Chennai Port Trust (CHPT). So as to attract more volumes, the Port has considered to have some flexibility in its tariff and offer concessions in certain handling costs / cargo related charges.

3. Based on the views expressed by several port users during the joint hearing set up by the TAMP on 11 August 2000 in the case relating to fixation of consolidated handling charges for transhipment containers, the COPT Board in its meeting dated 30 August 2000 decided to grant certain rebate / refund on wharfage of export / import cargo in order to attract more volume of cargo to the Cochin Port. The COPT has submitted the following proposal on volume discounts:

(i). Any exporter / importer who exports / imports higher volume of containers shall be entitled for a refund of Rs.500/- per TEU on the additional throughput handled through Cochin Port over and above their highest normal throughput handled during previous 2 financial years.

For the above purpose the “financial year” means “1st April of the year to 31st March of the next year”.

(ii). Any cargo, other than containerised cargo, crude and POL products, which was not handled in the Port of Cochin during the last two financial years, and if such cargo is imported / exported through Cochin Port during any financial year, (after two financial years), that cargo shall be entitled to a 25% refund in the wharfage till the end of that financial year.

(iii). Refund application in the prescribed format with all relevant details may be submitted by the Importer / Exporter to the Traffic Manager as and when refundable or within 60 days from the end of that financial year.

4.1. A copy of the proposal was circulated to the main port users and representative bodies of port users for their comments. The Cochin Steamer Agents' Association (CSAA) and the Cochin Customs House Agents' Association (CCHAA) have fully agreed with the proposal. The Shipping Corporation of India (SCI) had no comments to offer in this regard as the concession pertains to cargo interest to offer incentive to shippers to use the Cochin Port.

4.2. While welcoming the proposal, the Indian National Shipowners' Association (INSA) requested that some rebates / discounts on similar lines should be extended on ship-related costs also.

5.1. A joint hearing in this case was held on 19 December 2000 in Cochin. During the joint hearing following submissions were made:

Cochin Port Trust (COPT)

(i). We want to introduce incentives through volume discounts as advised by the TAMP.

(ii). We want to use this incentive to attract new cargo and not to waste time on the existing cargo.

(iii). Our focus is on shippers not Lines. We want the incentive to go to consignee; Lines may or may not pass on the benefit.

(iv). In our judgment, one year concession is sufficient. This volume discount is only to attract shippers from other ports. We may not be able to offer this volume discounts for more than one year.

(v). Port does not charge notional costs like pool levy.

(vi). POL products that are 'new products' can be given the benefit but the existing POL products under the disguise of a different nomenclature should not be projected.

Kochi Refineries Limited

(i) Wharfage on crude and POL products are very high and required to be reviewed.

(ii). We must also get rebates / concessions. We will be exporting furnace oil soon and that must get concession. Therefore, include "POL products" in the list of new cargo.

(iii). POL products are few and hence, there is no scope for manipulation. We will give a complete list of POL products so that there is no scope for manipulation to claim discounts through a mere change of nomenclatures.

The Cochin Steamer Agent's Association (CSAA)

(i). New comers will benefit. Old loyal users will get nothing. This is anomalous.

(ii). Give the incentive to Lines since they will be able to influence new (and more) cargo better.

Container Shipping Lines Association (India)

(i) It will be more meaningful to go on 'slab rates'.

(ii). Notional costs like Labour pool levies increases our costs. There must be time bound action to do away with these costs.

(iii). We endorse the CSAA's suggestion of giving some benefit to the Lines as well.

The Cochin Customs House Agent's Association

(i). The scope of the proposed Scheme needs to be widened.

(ii). This is a one time 'incentive which is enough to attract the shippers for the first time. This may not be adequate to retain them. Therefore, give volume discounts for a longer period.

(iii). Give incentive to Custom House Agents also.

Indian National Shipowners Association

Volume discounts may be considered on fresh water.

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

(i). This proposal can be seen as a tariff incentive scheme to attract new cargo and not as a volume discount scheme. This position has also been accepted by the COPT. A volume discount scheme usually means discounts through slab rates (on a sliding scale) for higher levels of performance or for assured levels of throughput. In the COPT case relating to fixing consolidated tariff on transhipment containers, the Authority had suggested introduction of such a volume discount scheme and not a tariff incentive scheme as has been proposed now by the COPT. The tariff incentive scheme proposed by the COPT, however, has been endorsed by all the users; and, the Port also anticipates additional throughput of cargo as a result of this scheme. In these circumstances, the proposed scheme can be considered as an interim measure subject to review and modification at a later date. In any case, the tariff incentive scheme proposed now is very simple to operate and will not result in any loss to the Port's current revenue since rebates are proposed to be offered only on new cargo, or additional volume in the case of containers.

(ii). The proposed scheme does not provide any incentive to retain the existing cargo. As has been pointed out by the COPT, the proposal is to focus on new cargo and not on the existing cargo. This approach in the long run may not yield the desired result of boosting up the Port's traffic. The Port's endeavour, therefore, shall not only be limited to attracting new cargo but also to retain the existing level of traffic. The COPT must take this aspect into consideration while formulating a volume discount scheme.

(iii). The shipping interests have requested for extending such an incentive to vessel related charges also. The CSAA and CSLA have mentioned that the Lines will be able to influence new cargo better and hence such incentive should be given to them direct. It is noteworthy that in the NSICT tariff revision case, some of the users have alleged that the Lines do not pass on the concessions given to them by the Terminal Operator. Irrespective of the agency to which such concessions are allowed, the ultimate objective is to reduce the total cost of import / export. The COPT has proposed to pass on the benefit directly to the importer / exporter which is found to be reasonable. To encourage vessel traffic, however, in the modified scheme to be formulated, the COPT may consider discounts on vessel related charges also, if it is likely to bring more traffic to the Port.

(iv). The COPT proposal excludes crude and POL products. The COPT apprehension is that the existing POL products under the disguise of a different nomenclature may claim such discounts on tariff under the proposed scheme. The KRL has assured that it will give a complete list of POL products so that there is no scope for manipulation to claim discount through a mere change of nomenclatures.

While crude oil may be excluded from the scheme being an existing cargo, such an exclusion of POL products does not tally with the objective behind the COPT proposal. There may be POL products, which are new to the Port, and they must also get the benefit of tariff incentive like any other new cargo. It is, therefore, reasonable to include the POL products in the proposed scheme.

The apprehension of the COPT about possible manipulation in the nomenclature of the POL products deserves consideration. The COPT and the KRL shall discuss amongst themselves and jointly prepare a complete list of new POL products likely to pass through COPT in near future. Only 'new' products figuring in such a list to be prepared will qualify under the proposed scheme for tariff incentive.

(v). The wording of the scheme proposed by the COPT requires some modifications to remove ambiguity. The COPT has proposed that the refund applications are to be submitted by the importer / exporter 'as and when refundable'. What is actually meant is that applications seeking rebate shall be submitted after completion of the shipment.

(vi). The scheme proposed will allow shippers to enjoy rebates in tariffs for only one year i.e. during the first year of their operation. The COPT has maintained that the period of one year is sufficient by which time the users can reasonably stabilize their operations through the Port. This is not a reasonable proposition as volume discount will be available on a regular basis depending on the volumes handled by the shippers. The COPT scheme does not, however, recognise the volume of cargo. It only considers the new cargo passing through the Port. Since the scheme is an interim arrangement, the proposed approach is accepted, again, subject to review and modification at a later date.

(vii). A comprehensive revision of the Scale of Rates of the COPT was ordered by this Authority in Dec. 98 / Jan. 99. In the light of a two year tariff revision cycle prescribed, the COPT tariffs are already due for further review. The COPT is advised to come up with its proposal for a comprehensive review of its Scale of Rates. While formulating such a proposal, the COPT shall incorporate a more scientific volume discount scheme in place of the interim scheme proposed. It will be useful for the COPT to formulate such a volume discount proposal in consultation with its users. Till formulation of a comprehensive tariff revision proposals including volume discount scheme, the interim tariff incentive scheme proposed by the COPT is approved to operate.

7. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the proposal of the COPT on volume discount and concession arrangement and directs the COPT to insert the following provisions in its Scale of Rates appropriately:

<u>"Volume Discount and Concessions</u> :

1. Containers.

Any importer / exporter shall be entitled for a rebate of Rs. 500/- per TEU on the additional throughput handled over and above their highest throughput handled during the previous two financial years.

2. Bulk, Break Bulk and Liquid Cargo.

Any cargo, other than containerized cargo and petroleum crude, which was not handled in the Port during the last two financial years, is imported / exported through Cochin Port, that cargo shall be entitled to a 25% rebate in the wharfage till the end of the financial year in which the traffic has been handled in the Port.

Note: (i). For the above purpose, the financial year means 1 April of a year to 31 March of the next year.

(ii). Rebate applications on account of clause 1 and 2 above from the importer / exporter shall be submitted to the Traffic Manager after completion of shipment or in any case within 60 days from the closure of that financial year".

(**S. Sathyam**)

Chairman

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