

No. 55

New Delhi, 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 approves the proposal of the Mormugao Port Trust (MOPT) regarding container handling charges, as in the Order appended hereto.

(S. Sathyam)

Chairman

Case No.TAMP/93/2000 - MOPT

The Mormugao Port Trust (MOPT)

Applicant

ORDER

(Passed on this 14th day of February 2001)

This case relates to a proposal submitted by the MOPT on fixing container handling charges. Initially, the MOPT in its proposal for a general revision of cargo handling charges, estate rentals and railways charges had proposed a wharfage of Rs.100/- per container and advalorem rates for containerised cargo subject to a minimum of Rs.2500/- and maximum Rs.6000/- per TEU.

2.1. M/s. Maersk India Ltd., the main container line operating at the MOPT, strongly objected the tariff proposed by the MOPT. During the joint hearing in the general revision case, the users pointed out that the shift from weight-based rates to value-based rates would result in steep hike of charge per TEU in respect of some of the commodities.

2.2. M/s. Maersk India Ltd. insisted that the JNPT tariffs might be considered as a base for fixing container tariff at the MOPT. They pleaded that the current wharfage rates were very high at the MOPT and any further increase by way of box rate would be detrimental to the interest of trade. They suggested to fix a box rate of Rs.825/- for 20' container and Rs.1235/- for 40' container based on the JNPT tariff.

3. The MOPT in its reply stated that there could be no comparison between the JNPT and the MOPT in terms of volume of container traffic and the handling methodology.

4. Since, a consensus between the MOPT and the main container operator, M/s. Maersk India Limited could not be arrived at in respect of container tariffs, the MOPT was advised to formulate a proposal in consultation with users and to work out a box rate without resorting to advalorem approach. Further, this Authority in the general revision case did not approve any upward revision in the container handling charges at the MOPT, as general cargo handling activity was showing a revenue surplus.

5. A joint hearing was held on 21 September 2000 at the MOPT to resolve the stalemate in this case. During the joint hearing, the MOPT proposed a box rate of Rs.2000/- for a 20' container and Rs.4000/- for a 40' container and finally agreed to reduce the rates to Rs.1500 / 3000 for 20' / 40' container respectively. Submissions made during the joint hearing are as follows: _

M/s. Maersk India Ltd.

- (i). Container handling charges may be prescribed following the two principles (a). what the cargo can bear; and, (b). what are the activities involved?
- (ii). We wish the MOPT to follow the JNPT model by considering the relevant components of the JNPT rates.
- (iii). Rs.825/- for TEU and Rs.1237/- for FEU are the acceptable. The jump from Rs.600/- to Rs.825/- is a good enough jump.
- (iv). The rates for FEU shall be 1.5 times the rates of TEU. In MOPT, however, we agree to twice the rate of TEU for FEU.
- (v). Rates proposed by the Port, are very high. It will totally disturb the container trade at the MOPT.
- (vi). Let us not levy any wharfage on containerised cargo; and, let us not levy any high wharfage even on container. This will reduce the cost.

The Mormugao Port Trust (MOPT)

- (i). Potential for container trade is very good. A promotional tariff will encourage this trade here.
- (ii). We have started a special shift to help container handling.
- (iii). The JNPT has 1-1/2 time for FEU's because of their volume. The MOPT cannot afford it.
- (iv). We do not wish to have a distinction between 'loaded' and 'empty' containers.
- (v). The MOPT will lose heavily by a box rate. We want to promote container traffic; but not at a colossal loss.
- (vi). We find the rates of Rs.1500/- per TEU and Rs.3000/- per FEU is reasonable.

6. Subsequently, M/s. Maersk India Ltd. conveyed that they did not accept the MOPT proposal made during the joint hearing for the following reasons:

- (i). The rates proposed are very high compared to the JNPT rates and activities.
- (ii). The Port is not providing any additional service for container trade.
- (iii). The proposed charge is payable by shippers and consignees who unfortunately were not represented and their views were not solicited.
- (iv). A rate of Rs.825 / 1235 for a 20'/40' container is just and equitable. There is no justification in charging Rs.1500 / Rs.3000 as proposed by the MOPT during the joint hearing.

7. Subsequent to the joint hearing, the MOPT submitted a revised proposal suggesting a box rate of Rs.1000/- for 20' container and Rs.2000/- for 40' container on a trial basis. The charge for empty has been proposed to be fixed at Rs.100/- for 20' containers and Rs.200/- for 40' containers. The MOPT has reiterated that the request of M/s Maersk Sealand to keep a box rate of Rs.825/- for 20' container and Rs.1235 for 40' container on par with the JNPT rates is not applicable at the MOPT.

8. On examination of the proposal, the MOPT was requested to furnish cost details of the proposed rates. The MOPT has informed that box rate based on income and traffic for the year 1999-2000 works out to Rs.3520 per TEU and Rs.7040/- per FEU respectively. It has further informed that the box rate per TEU comes to Rs.3950/-, if the rate is worked out based on cost of operations. The Port has, however, maintained that it has proposed reduced rates with a view to promote container trade through the MOPT.

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

- (i). Presently, the MOPT levies wharfage on containers and on containerised cargo separately. Wharfage on container is levied at Rs.60 per TEU and Rs.80 per FEU. Wharfage on cargo is levied as per wharfage scheduled prescribed in the Scale of Rates. Initially, MOPT proposed an advalorem wharfage on containerised cargo subject to a minimum of Rs.2500/- and maximum of Rs.6000/- per TEU. The users objected to this proposal arguing that it would lead to a steep hike for some containers. Accordingly, this Authority advised the MOPT to formulate a proposal in consultation with the users without resorting to ad valorem wharfage rates.
- (ii). Acting on the advice of this Authority, the MOPT has done well to prescribe a box rate for container handling without resorting to advalorem wharfage prescriptions. The sincerity of the MOPT to promote container trade through the Port is quite evident from the manner in which it has reacted to the demand of the users and proposed heavy reduction in box rates. The rates proposed by the MOPT will definitely result in financial loss when compared to the income it would have generated under the present method of levying wharfage on containers.

The details submitted by the MOPT reveals that the average wharfage on containerised cargo realised by the MOPT in 1999-2000 is Rs.304/- per tonne. This is an exorbitant rate by any account and this position emerges due to levying of wharfage on cargo on advalorem basis. The loss of income, if the proposed rates are implemented, gets projected abnormally due to this exorbitant wharfage rate.

- (iii). While submitting the cost statements to this Authority at the time of general revision of tariffs, the MOPT included container handling activity in the cost statements for the general cargo handling activity. Since the general cargo handling activity showed an average surplus of 21% for the year 2000-01 and 2001-02, the Authority did not allow any increase in the rates for the various tariff items covered under this activity. At the proposed level of box rate, the income from container handling will reduce drastically when compared to the income projected by the Port at the time of general revision of tariffs. The reduction in income will be to the tune of Rs.1.0 crore per annum due to implementation of the proposed box rates. To cover this loss, the Port have to handle an additional throughput of about 7000 TEUs per annum at the proposed rates.

As has been pointed out, the financial loss is with reference to the income arrived at on the basis of high ad valorem based wharfage rates. In any case, these abnormal rates are to be adjusted. Further, the Port has also stated that the proposed rate is to attract more container traffic at the Port and it expects the volume of container traffic to go up with such a reduction in tariff. That being so, the proposed box rate deserves to be approved as a promotional tariff.

When the volume of container trade picks up, the MOPT must come up with a detailed proposal to fix tariff based on the volume and operational cost; and, the low promotional tariff prescribed now to encourage traffic growth shall not be cited to its disadvantage. Such an adjustment of tariff can be made more meaningfully alongwith the next general revision of the Port's Scale of Rates.

- (iv). When the MOPT proposal for general revision of its tariffs was considered by this Authority, the users objected to the under-utilisation of the reach stacker hired for container handling by the port and consequently expenditure passed on to the container operators. The MOPT, in reply, pointed out that the reach stacker was maintained as a stand by and it was also being used for handling other cargo like steel slab, etc. This Authority, however, required the MOPT to review the utilisation of the reach stacker with reference to the actual experience of handling containers at the time of next revision of rates. Since better utilisation of reach stacker will lead to more income and hence reduction in financial loss under this activity, this Authority likes to reiterate its earlier observation in this regard and requires the MOPT to review the hiring arrangement and deployment of Reach Stacker immediately in the context of its anticipation of increase in container traffic.
- (v). The demand of M/s. Maersk India Ltd. to prescribe container handling rates at the MOPT at par with the JNPT rates is unreasonable. Rates across different ports cannot be compared due variations in the handling methodology, volume of traffic and other local features. Rates to be prescribed at the MOPT will be with reference to the position obtaining in the MOPT and can not be based on the rates prevailing at the JNPT.
- (vi). Handling charge (box rate) for a 40' container is generally prescribed at 1.5 times the tariff of 20' container. The MOPT has, however, proposed double the rate for 40' containers. During the joint hearing M/s. Maersk India Ltd., the main line container operator in MOPT has accepted this proposal as a special arrangement in the MOPT. As has been mentioned above, the MOPT will suffer a loss in its revenue due to the promotional tariff prescribed. In this backdrop, the proposed box rate for 40' containers at double the rate of 20' container is allowed in the MOPT on special consideration. This notwithstanding, the MOPT is advised to maintain a differential of 150% between the box rates of TEU and FEU, when it formulates its proposal for the next general revision of tariffs.
- (vii). In respect of empty containers, the MOPT has proposed to increase the wharfage charges from Rs.60/- to Rs.80/- per TEU and from Rs.80/- to Rs.100/- per FEU. The MOPT has stated that the increase in wharfage on empty containers is nominal which has been proposed to augment / supplement the income. During the joint hearing, the MOPT argued that it did not want distinction between loaded and empty containers. This position can not be accepted. The efforts involved in handling empty and loaded containers are not same and hence rates must also be different. The port, however, in its proposal suggested different rates for loaded and empty containers. The wharfage on empty containers proposed by the MOPT even after the increase of Rs.20/- per container over the existing rates will not augment the income to a very great extent as the empty TEU's handled at the MOPT are small in number. Considering the benefit that will accrue to the container lines due to the promotional tariffs, the nominal increase in empty container handling is approved as proposed by the Port.

10.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the MOPT proposal on container handling charges and amends the Scale of Rates of the MOPT to substitute the following in place of existing provisions under the head Part-II; Section-B; I. Wharfage:

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| <u>I. Container Handling Charges</u> |
|---|

| <i>Consolidated charges for handling containers and containerised cargo.</i> | | |
|--|---|-------------------|
| | <i>Rate per container (in Rs.)</i> | |
| | <i>20'</i> | <i>40'</i> |
| <i>Loaded container</i> | 1000/- | 2000/- |
| <i>Empty Container</i> | 100/- | 200/- |

10.2. The MOPT is directed to incorporate the above provisions in its Scale of Rates.

10.3. The MOPT is advised to review the promotional tariffs prescribed now for suitable adjustments at the time of formulating its proposals for the next general revision of tariffs. A differential of 150% between the box rates for TEU and FEU shall also be maintained at that time.

10.4. The MOPT is required to review the hiring arrangement and deployment of the Reach Stacker.

(S. Sathyam)

Chairman

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