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TARIFF AUTHORITY FOR MAJOR PORTS

G. No. 150 **New Delhi, 27 September, 2003**

NOTIFICATION

In exercise of the powers conferred under Section 48 of the Major Port Trust Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby approves the proposal of the Paradip Port Trust for rationalising the tariff structure for container handing and fixing tariffs for some newly introduced cargo as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/73/2002-PPT

The Paradip Port Trust **- - - -** **Applicant**

O R D E R
(Passed on this 10th day of September 2003)

This case relates to a proposal received from the Paradip Port Trust (PPT) for rationalising the tariff structure for container handing and fixing tariffs for some newly introduced cargo.

2.1. The PPT has mentioned the following points in its proposal:

(i). In order to sustain a container service at the PPT with long term prospective, the services should be made viable so that it turns out to be a win-win opportunity for everybody. It is, therefore, necessary to introduce a rationlised and competitive tariff structure for containers / container vessels / containerised cargo.

(ii). The PPT has identified some new cargoes like fertilizer, timber, pig iron and Bituman in the existing Scale of Rates. These commodities do not add to the revenue of the port unless they are actually handled. The emergence of these materials at the port will not only add to the economic activities at the port but will also generate substantial employment for its workers.

(iii). The spurt in export of iron ore has given rise to bunching of vessels adding to detentions and increase in turnaround time of vessel. To overcome the above problem, the port intends to encourage iron ore shippers to resort to manual loading of iron ore at general cargo berth for which a separate wharfage rate is to be fixed.

2.2. Since the PPT has furnished only a copy of its Board Agenda note alongwith its proposal to fix tariff, the PPT was requested to submit its proposal in the prescribed proformae with cost details and justification. Subsequently, the PPT has submitted revised proposal alongwith traffic and income projections. It has requested to approve the proposed rates as a special case without insistence for submission of financial statements relating to costs and incomes in respects of such cargoes.

3. The PPT was requested to furnish the basis of the proposed rates to justify its proposal. In its reply, the PPT has made the following points:

(i). The Port has started handling containers since February, 2002 after persistent follow-ups. The shipping lines considered Paradip Port as a detour and load extra costs on the shippers for calling at the port. The tariff presently in vogue to be rationalised for container need so as to promote regular container traffic at the Port.

(ii). The tariff proposed for rationalisation in strictly on the basis of what is prevailing in a nearby port. These rates, if approved, will attract more container traffic to Paradip Port.

(iii). In respect of the non-existent cargoes, the rates are also comparable to the nearby port.

(iv). The PPT has submitted a comparative statement of proposed tariff structure of Paradip Port vis-à-vis the existing tariff of the nearby port.

4. In accordance with the consultative procedure prescribed, the PPT proposal was forwarded to concerned user organisations for their comments.

5. A joint hearing in this case was held on 29 July 2003 at the PPT premises. At the joint hearing, the PPT and the concerned users have made their submissions.

6. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the comments received and arguments made by the concerned parties will be sent separately to the relevant parties. These details are also available at our website www.tariffauthority.org.

7. At the joint hearing it was decided that the PPT would furnish information / clarifications on the following points:

(i). With reference to the proposed container handling charges:

(a). With suitable cost analysis, the PPT will confirm that it recovers at least operating cost incurred on container handling at the reduced rates levied by it. It will further confirm that the annual traffic volume will be at least a minimum of 4000 TEUs.

(b). A consolidated box wharfage rate for all non reefer containers.

(c). Review of the proposed arrangement of levying ground rent and demurrage on containers and submit a revised proposal in this regard.

(d). Review of the proposed reduction in vessel related charges for container vessel and submit a revised proposal particularly in respect of port dues and pilotage.

(ii). With reference to the (further) reduced wharfage rate levied on Iron Ore handled by manual method:

(a). To furnish the details of capacity and cost of labour deployment for this cargo to justify the proposed rate.

(b). To indicate the net additional revenue accruing to it from vessel related charges on account of the vessels carrying Iron ore which are handled by manual method.

(iii). The PPT has indicated that it has already implemented the proposed rates with further reduction. The details of the reduced rates already implemented and the effective dates of such reduction.

8.1. The PPT has furnished additional information / clarification on the points raised by us. The additional information / clarifications are summarised below:

(i). Pilotage charges are not proposed for any further reduction. The revised tariff is likely to provide a minimum business of about 4000 TEUs per year.

(ii). The revised proposal includes box rates for reefer cargo and non-reefer cargo.

(iii). 1,300 cargo handling workers (main list) can handle upto 3 million tones of iron ore exports per annum without any extra cost since the present average engagement is about 10 days, whereas the workers are paid for 30 days in a month.

(iv). The additional revenue to be generated on account of vessel-related charges for export of iron ore in manual method are as follows:

Sl. No.	**Year**	**Expected Qty. of cargo**	**Vessel related income**
1.	2003-04	1.0 million tons	Rs.3.63 crores
2.	2004-05	1.5 million tons	Rs.5.50 crores
3.	2005-06	2.0 million tons	Rs.7.37 crores
4.	2006-07	3.0 million tons	Rs.11.00 crores

(v). The port is charging concessional rates of Rs.17.25 per tonne as wharfage for iron ore (manual) since 16 January 2003.

(vi). The PPT has not created any additional infrastructure to handle containers. With the fixed cost constant the PPT will generate additional revenue from a) Vessel related charges b) Wharfage on containers c) Wharfage on cargo d) Ground rent in containers. The PPT has earned additional revenue about Rs.75 lakhs for handing containers during the year 2002-03.

8.2 In view of the above, the port has proposed the following tariff structure for container handling and tariff for some new cargo:

(i). Vessel-related charges

Sl. No.	Particular		Proposed rate / GRT as per revised proposal	
			Foreign (US $)	Coastal (Rs.)
	a.	Port dues	0.217	7.048
	b.	Pilotage	0.420	12.876
	c.	Berth hire	0.017	0.552

(ii). Container-related charges

(In Rs.)

Sl. No.	Particular		Proposed rate as per revised proposal	
			20’	Above 20’
1.	Wharfage on containers		Rs. 20.00 / box	Rs. 30.00 / box
2.	Wharfage on reefer cargo		Rs.800.00 / box	Rs.1600.00 / box
3.	Wharfage on non-reefer cargo		Rs.650 .00 / box	Rs.850.00 / box
4.	Stuffing and destuffing containers (excluding lashing and dunnage etc.)		Rs.500.00 / box	Rs.800.00 / box
5.	Ground rent for a day or part thereof (per box)		$ 0.14 *** beyond free time**	$ 0.14
6.	Demurrage		(Box only)	
	Import Containers:		(Per day in US $)	
	a.	Upto 3 days	Import: 3 days free time	
	b.	From 4th to 30th day	Ground rent as above.	
	c.	From 31st day onwards	@ 0.30 US $ per day for 20’ @ 0.40 US $ per day for above 20’	
	Export containers			
	a.	Upto 5 days	Export: 5 days free time	
	b.	From 6th to 30th day	Ground rent as above.	
	c.	From 31st day onward	@ 0.30 US $ per day for 20’ @ 0.40 US $ per day for above 20’	

(iii). <u>Wharfage on new cargo</u>

(In Rs.)

1.	Name of the new cargo		Proposed rate as per revised proposal
	a.	Fertilizer	40.00 / MT
	b.	Timber	50.00 Cum
	c.	Bitumen	30.00 / MT
	d.	Iron ore (manual)	17.25 / MT
	e.	Pig Iron (export)	58.00 / MT

(iv). **<u>Newly introduced container-related charges</u>**

(In Rs.)

Sl. No.	Particular	Proposed rate as per revised proposal	
		20'	Above 20'
1.	Shifting from vessel side to container parking yard (CPY including loading / unloading and transportation (If undertaken by the port)	800 / box	1000 / box
2.	Shifting from CPY to vessel side including loading / unloading and transportation (If undertaken by the port)	800 / box	1000 / box

* (a). Import containers will avail three days free time from the date of landing. From 4th day to 30th day, ground rent will be charged and from 31st day onwards it will attract demurrage charges.

(b). Export containers will avail 5 days free time from the date of arrival. From 6th day to 30th day ground rent will be charged and from 31st day onwards it will attract demurrage charges.

(c). Containers discharged from the vessels for storage in the port and loaded in another vessel will have (3+5) =8 days free time. From 9th to 30th day ground rent will be charged and from 31st day onwards it will attract demurrage charges.

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

(i). The proposal is mainly for reduction in the existing rates for the identified services / commodities with an anticipation that such reduction will boost traffic and bring in additional revenue. From the financial details furnished by the port it appears that an additional direct revenue of about Rs.3 crores per annum will be generated through additional volume of traffic, if the rates are reduced. We do not have any wherewithal to independently assess the projected traffic growth and hence accept the commercial judgement of the port.

(ii). The proposal can be conveniently split into four parts. The first part seeks reduction in the existing tariffs for certain services/commodities. The second part is for rationalization of certain charges for containers like box rate for reefer and non-reefer cargo and demurrage charges on containers. The third part is for fixing rate for shifting of containers between quay and container yard. Lastly, the existing container stuffing and de-stuffing charge is proposed to be revised upwards.

(iii). With reference to the proposal for reducing the existing rates, the port has pointed out that such reduction would attract more traffic and thereby increase its direct revenue. It has also indicated in the manual handling of iron ore case, there is no incremental labour cost involved to it since its labour force is underutilized now for want of cargo volumes. Be that as it may, it may be relevant here to note that the existing Scale of Rates contains rates for all these commodities /service. Further, the port has already effected reduction in the approved tariff for these service/commodities from different dates by taking recourse to remission under section 53 of the MPT Act. It may be relevant to mention that the Government of India has issued a policy direction to this Authority under Section 111 of the MPT Act to fix the Scale of Rates as ceiling rates so that the major ports have the flexibility to charge at reduced rates, if they so desire. In order to implement the policy of the Government, this Authority has recently passed an Order on 28 August 2003 and notified it in the Gazette of India directing all the major port trusts to include a general conditionality in its Scale of Rates stating that the rates prescribed in the Scale of Rates are ceiling levels; likewise, rebates and discounts are floor levels. The Port Trust may, if it so desires, charge lower rates and / or allow higher rebates and discounts. Since the amendment introduced in the Scale of Rates provides necessary flexibility to the port to charge reduced rates based on its commercial judgement, it is not necessary for this Authority to go into the specific reduced rates proposed for individual services / commodities. The port itself can decide on the reduced level of tariff within the ceiling level prescribed in the Scale of Rates.

(iv). Under the existing Scale of Rates, wharfage on containerized cargo is levied on the basis of the rates prescribed in the wharfage schedule for individual cargo. In its revised proposal, the port has proposed to introduce box rates of wharfage for containerized cargo. Even though there is no detailed analysis available, understandably because of lack of past transactions, the proposed box rate appears to be reasonable when compared with the charges payable on individual cargo basis. The general practice followed at all container terminals is to levy handling and wharfage charges on 40' container at 1.5 times the rates prescribed for 20' container. In case of the box rate for non-reefer cargo, the PPT has proposed to levy a rate for 40' container at a level lower than 1.5 times the proposed rate for 20' container. In the case of box rate for reefer cargo, the rate differential is again not maintained at the agreed level and the rate for 40' container is proposed to be double that of the rate for 20' container. For the sake of uniformity, it will be appropriate to prescribe the rate for 40' container at 1.5 times the rate for 20' container. Since the rates fixed by this Authority is only a ceiling level, the port can reduce, if necessary, the rate for 40' container.

(v). The port has proposed to rationalize the demurrage charges and ground rent on containers (and not containerized cargo). While the ground rent is proposed to be reduced, demurrage schedule is completely rationalized to specify the different rates for export and import for transshipment containers. The structure adopted by the PPT is found to be rational and is more or less in line with the position obtaining at other container terminals. Like in the case of wharfage, it will be useful for the PPT to prescribe a consolidated dwell time charge for container and containerized cargo instead of levying demurrage separately on cargo. This aspect may be examined by PPT further and a suitable proposal may be submitted as this exercise will involve analysis of dwell time for different commodities to maintain a revenue neutral position. The proposal of the PPT specifies the charges leviable as ground rent upto a certain number of days and thereafter the levy is called demurrage. This only creates confusion. Like in other major container terminals, it can be called by a common name of dwell time charge.

Insofar as the dwell charges are concerned, generally a differential of 200% is maintained between the rates of 20' and 40' containers. The PPT has not followed this general position and proposed lower rates for 40' containers. Like the modification made in the box rate of wharfage, suitable adjustment may be made in the dwell time charges payable by 40' containers. It is fully recognized that this adjustment will make the rates for 40' containers more than the proposed rates. Since the rates fixed by this Authority are ceiling levels, the PPT has the freedom to operate at a lower level, if it considers necessary to maintain the proposed rates.

(vi). In the existing Scale of Rates, there is no rate for shifting of a container from the vessel side to a container yard (including loading/unloading and transportation). The port has proposed to levy Rs.800 for 20' container, whenever such operation is undertaken by the port. In comparison to the rates levied for similar activity at other container terminals, the proposed rates appear to be reasonable and may be approved. Here again, the differential in the rate of 150% between 20' and 40' containers should be maintained. If PPT wants to reduce the rate for 40' container it can do so because the rates fixed by this Authority are only the ceiling level.

(vii). The port has proposed to increase stuffing and de-stuffing charge from the existing level of Rs.300 per box to Rs.500 per box of 20' level. This proposal is obviously due to increase in labour cost. The existing stuffing and de-stuffing charges are in vogue for nearly 10 years now. None of the users have also objected to the proposed increase. Further it has to be recognized that this charge is leviable only if the port is asked to stuff or de-stuff a container. In this backdrop, the proposed stuffing and de-stuffing charge are approved subject again to maintaining the rate differential of 150% between 20' and 40' containers.

(viii). Oswal Chemicals and Fertilizers Limited (OCFL) has raised certain issues relating to the cargo handled at its captive berth. There is a separate bilateral agreement between PPT and OCFL governing the terms and conditions for operation of the captive berth. Re-opening of the agreement, though agitated by the OCFL, is not relevant to this proceedings before this Authority; it is, therefore, not considered in this analysis. The OCFL may take up the issue with the PPT directly and if the PPT submit a suitable proposal in this regard, it will be taken up for consideration.

10.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the inclusion of the following ceiling rates in the Scale of Rates of the PPT:

		For container upto 20'	**For container above 20'**
1.	Wharfage on reefer cargo	Rs.800	Rs.1200
2.	Wharfage on non-reefer cargo	Rs.650	Rs.975
3.	Shifting of containers between vessel side and container parking yard (including loading/unloading and transportation) (if undertaken by the port).	Rs.800	Rs.1200
4.	Stuffing / de-stuffing containers (excluding lashing and demurrage) (if undertaken by the port)	Rs.500	Rs.750
5.	Dwell time charges (box only) (Rate per day in US$)		
	A. <u>Import</u>		
	First 3 days	Free	Free
	4th to 30th day	0.14	0.28
	31st day onwards	0.30	0.60
	B. <u>Export</u>		
	First 5 days	Free	Free
	6th to 30th day	0.14	0.28
	31st day onwards	0.30	0.60
	C. <u>Transhipment</u>		
	First 8 days	Free	Free
	9th to 30th day	0.14	0.28
	31st day onwards	0.30	0.60

10.2. The PPT is directed to include the rates approved above in its Scale of Rates appropriately.

(A. L. Bongirwar)
Chairman

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/73/2002-PPT - Proposal from the Paradip Port Trust for rationalised tariff structure for container handling and tariffs for some newly introduced cargo.

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

M/s. Oswal Chemical and Fertilizers Limited (OCFL)

(i). It has mentioned that it has signed agreement with the Paradip Port trust dated 27 August 1999 on the allotment of captive berth without proper application of terms and conditions. Subsequently, it has found many issues were not covered in the agreement. It has requested to reopen its agreement and consider the following terms and conditions:

(a). Minimum Guarantee Throughput (MGT) should be waived from its existing agreement

(b). Force Majeure Clause should be included in its existing agreement.

(c). It should be given better terms and condition as far as payment terms are concerned as per contract,

(d). There should be no revision of wharfage changes from 1 April 2002 as per the existing agreement.

(e). There should be no revision of fixed berth hire charges upto 27 August 2007 as per existing norms.

(f). Any revision of wharfage or berth hire charges should be done with the mutual agreement between M/s OSFL and PPT.

Indian National Shipowners Association (INSA)

It has no objection to the proposal of Paradip Port Trust.

The Tata Iron and Steel Company Limited (TISCO)

(i). The container traffic is insignificant due to high cost of container shipment. The berth hire charges, pilotage are very high due to limited engagements of vessels at Paradip Port. Rates for pilotage and berth hire be fixed on per box basis to make handling effective. The box rates may be kept initially for a period of one year to attract higher traffic.

(ii). The demand for Iron Ore exports has exceeded the throughput capacity of the mechanized handling circuit, therefore few exporters are forced to ship out their cargo through manual route. The manual handling cost is higher at Paradip compare to adjoining port Visakhapatnam. Manual handling cost may be maintained at par with Visakhapatnam port i.e Rs. 13.50 per MT instead of 34.50 per MT.

Kalinga Steamship Agents Association (KSAA)

(i). If the Port does not perform shifting of containers between quay and CPY on stuffing / de-stuffing tariff should not be charged.

(ii). At present the Port is charging Rs.34.50 for mechanical loading by the I.O.H.P. If manual loading is done, the iron ore has to be transported from the Plot to Jetty and labour has to be used to load by sling. An exporter has to bear the additional cost of transportation and stevedoring. Wharfage on iron ore (manual) should be reduced to Rs.15 per MT to attract manual loading.

(iii). It has welcomed the Paradip port's proposal to reduce tariff on container handling. Wharfage reduction on fertilizer, timber etc. will help the Port to attract these cargoes.

National Aluminium Company Limited (NALCO)

(i). Vessel related charges and handling cost is the exorbitantly high at Paradip. The wharfage at Paradip on containerized cargo is Rs.28.75 per MT whereas the same at Vizag is only Rs.21.25 per MT.

(ii). Unless the handling cost, wharfage, vessel related charges and container related charges are brought down, it will be difficult to increase container traffic from Paradip Port.

2. A copy of the comments received from the above users was forwarded to the PPT as feedback information.

3. A joint hearing in this case was held on 29 July 2003 at the PPT premises. At the joint hearing, the following submissions were made:

Paradip Port Trust (PPT)

(i). We want to encourage container traffic. We discussed with some shipping lines and major shippers in the nearby vicinity. Our charges are to be competitive to attract this trade since calling at PPT means a de tour for ships.

(ii). We have implemented the proposal w.e.f. 1 April 2002 with some modification. We will give the details. Please approve the revised rates we have already implemented.

(iii). We will examine and certify that

- at the rates implemented w.e.f. 1 April 2003, we recover operating expenses.
- the traffic volume will be minimum 4000.

(iv). Instead of shrimp, the proposed box rate can be adopted for all reefer cargo. For non reefer containers, we will propose box rate soon.

(v). We will review the free period and ground rent and send a revised proposal.

(vi). PPT does not handle any fertilizer, Bitumen and timbers. We have decided to reduce the rates to attract cargo.

(vii). (a). We handled around 4 million tones of Iron ore in the IOHP and about 600000 tonnes by manual handling in 2002-03.

(b). In our proposed rate, we have discounted rates for tippling from the approved rate for IOHP.

(c). In manual handling the labour productivity is around 160 tonnes per shift; and, a gang of 8+1 labours costs around Rs.6000/- per shift. But, our labour is idle and under- employed. By handling iron ore (manual), there is no incremental labour cost because we have to anyway pay them whether work is there or not. The average engagement is 10 to 12 days in a month.

(d). In manual system and exporter has to engage stevedore and incur around Rs 60/- PMT for moving iron are from stack yard to vessel side.

(e). We have further reduced the rate to Rs.17.25 from 16.1.2003 and operating at this level since then. We will send the details of capacity and cost of labour deployment for this cargo.

(viii). Pig iron traffic is likely to go up. Neelanchal Ispat Nigam is nearby and they have been demanding reduction. We have, therefore, reduced rate from Rs.78 to Rs.58 from 1 May 2003. They have promised to do 3 lakh tones per annum. They have handled 2.33 lakh tones in the last year.

National Aluminium Company Limited (NALCO)

We suggest further reduction. We are in general agreement with the revised rates. Free period should be allowed.

Shipping Corporation of India Limited (SCI)

More concession should be given on demurrage for import cargo/containers.

M/s. Seaways Shipping

(i). We represent feeder vessels.

(ii). We are in general agreement with the proposed rate structure.

(iii). Even after reduction, pilotage and port dues are very high. VPT has announced 35% reduction recently. (PPT says, it will examine this aspect). PPT may review the proposed vessel related charges.

M/s. J.M. Baxi & Co.

(i). The rate (Fertiliser) may be reduced to Rs.20/- like in the neighbouring ports.

(ii). Please fix the wharfage at Rs.8-10 PMT for manual handling of iron-ore.

M/s. ISPAT Industries Limited (IIL)

(i). Manual operation is costlier about Rs.27- 30 PMT. We do not want to do manual operation out of choice. The port does not have adequate capacity at its IOHP; therefore, we are forced to resort to manual operation.

(ii). The rate should be reduced to Rs.5/- MT. This will enable us to handle around 1 million tonnes. We will give a definite proposal on business prospects.

M/s. Exin Shipping

Rs.17/- should be brought down to make this type of handling of iron ore viable.

Metal and Minerals Trading Corporation Limited (MMTC)

(i). We will enhance steel production. Still, we will make pig iron of 4 lakh tones per annum. Please fix the rate at Rs.40/- PMT like in CHPT. We will do about 3.5 lakhs per annum, if rates are reduced.