

(Published in Part - III Section 4 of the Gazette of India, Extraordinary)

TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 19

New Delhi, 25 February, 2003

NOTIFICATION

In exercise of the powers conferred by Section 49 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby approves the proposal of the Kolkata Port Trust for extension of the validity of the existing schedule of rates for the lands and buildings of the Kolkata Port Trust at Haldia as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports
Case No. TAMP/103/2001 - CPT

The Kolkata Port Trust

Applicant

ORDER

(Passed on this 4th day of February 2003)

This case relates to a proposal received from the Kolkata Port Trust (KOPT) to extend the validity of the existing rent schedule for lands and buildings at Haldia for a period of one year with effect from 2 December 2002.

2.1. In the year 1999, the KOPT had proposed upward revision of rentals for building and lands at Haldia by 15% and 12.5% respectively. It had also proposed an increase in rent of land in Dock Interior Zone by 15% and for the buildings situated in the same zone by 25%.

2.2. In absence of the requisite information made available by the KOPT about the investment made for acquisition of land, unabsorbed development cost, etc., this Authority passed an Order on 29 October 1999 allowing an increase of 7% in respect of residential and commercial lands away from dock zone, 8% increase in respect of industrial lands away from zone and a uniform increase of 10% in case where cost of land was not indicated. These rates were approved as an interim arrangement valid for two years subject to reconsideration after receipt of requisite details from the KOPT.

2.3. In December 2001, just before expiry of the validity of the approved interim arrangement, the KOPT had requested for an extension of the validity by one more year praying that cost-based pricing would push up the rates for its lands and buildings which it did not like to do for fear of losing its user base since Haldia Development Authority and Haldia Municipality were allotting lands for industrial and storage purpose at a lower rate of rent. Considering the commercial judgement of the KOPT, this Authority passed an Order on 22 November 2001 extending the validity of the (then) existing rates upto 1 December 2002.

3.1. The KOPT has now requested for an extension of the validity period of the existing rent schedule for a further period of one year with effect from 2 December 2002.

3.2. The KOPT has made the following points in support of its proposal:

- (i). The existing rent schedule applicable for Haldia Dock Complex has been working well in attracting port based investment, creation of storage facilities, etc., leading to growth in cargo as well as enhancing capacity utilisation.
- (ii). Any upward revision of the lease rents may not help the port to exploit its land infrastructure for generating additional traffic in view of the stiff competition from other neighbouring ports.
- (iii). It has agreed to furnish separately the financial details sought by the TAMP.

3.3. The instant proposal was approved by the Board of Trustees of the KOPT in its meeting held on 4 October 2002.

4.1. The KOPT was requested to furnish requisite financial data as sought by this Authority in its Order dated 29 October 1999. In response, the KOPT vide its letter dated 3 December 2002 has furnished cost statement pertaining to Estate Rentals for the HDC and also the cost statements for various main activities relating to the HDC. The KOPT has reiterated its request for extending the validity of the rent schedule for its lands at Haldia.

4.2. The financial data forwarded by the KOPT is not relevant for the purpose of determining the reasonableness of the existing rentals for lands and buildings. The cost statement furnished by the KOPT is relevant only for understanding the financial position of the estate-related activity as a whole.

5.1. The KOPT has not furnished the requisite financial data even though three years have elapsed since requisitioning the same. Since compilation of the requisite information will take more time for the port, it may be inevitable to extend the validity of the existing rates. It is noteworthy that this Authority had in the year 1999 approved an increase in rates at a lower level than those proposed by the Port. The KOPT has now accepted that the rates approved by this Authority work well and have yielded the desired results. The port also apprehends that any increase in the existing rates at this juncture may jeopardise the growth in traffic. To bolster its arguments in this regard, the KOPT has also furnished the details of additional leases / licences granted for the last six years. The trend of growth in utilisation of the land and storage facilities for 2001-02 and 2002-03 is encouraging. The KOPT has also explained that its proposal for long-term land use policy is pending with the Government; and, on implementation of the proposed policy, its land utilisation level will further improve.

5.2. While a Port may suggest lease rentals based on its commercial judgement, it is necessary to assess the position of such rates vis-à-vis the rates derived following the guidelines issued by the Government. Such a review assumes significance since the KOPT itself concedes that lease rentals for the adjacent lands owned by the Haldia Development Authority are lower. That being so, this Authority is inclined to extend the existing rates of rent for a further period from 2 December 2002 to 30 June 2003 subject to the condition that no further extension will be granted without a comprehensive review of the rate structure. The KOPT is advised to submit by 30 April 2003 its proposal for revision of the existing lease rents for the land and buildings at Haldia (to be) formulated in line with the Government guidelines and taking into account the long term land utilisation policy framed so that this Authority can review the existing rates and pass necessary Order before 30 June 2003.

6. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves extension of the validity of the existing rates of lands and buildings of the KOPT at Haldia for a further period from 2 December 2002 to 30 June 2003 subject to the condition that no further extension of the validity period will be allowed without undertaking a comprehensive review of the existing rate structure.

(A.L. Bongirwar)
Chairman