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## **TARIFF AUTHORITY FOR MAJOR PORTS**

**G. No. 144**

**New Delhi, 16 September 2003**

### **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 disposes of the proposal of the Visakhapatnam Port Trust for reduction in the existing wharfage charge of Styrene Monomar and other chemicals as in the Order appended hereto.

**( A.L. Bongirwar )**  
Chairman

**Tariff Authority for Major Ports**  
**Case No. TAMP/51/2003-VPT**

The Visakhapatnam Port Trust

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Applicant

**ORDER**

(Passed on this 10th day of September 2003)

This case relates to a proposal received from the Visakhapatnam Port Trust (VPT) for reduction in the existing wharfage charge of Styrene Monomar and other chemicals.

2.1. The VPT has made the following main points in its proposal.

- (i). The chemical Styrene Monomar is a raw material for production of polystyrene which is used in plastic industry.
- (ii). The manufacturing unit in the Visakhapatnam is facing stiff competition with entrance of two major manufacturers of polystyrene in the west coast. In the light of this, it is proposed to reduce wharfage rate of Styrene Monomar.
- (iii). The wharfage rate for other chemicals is based on ad valorem which increases with fluctuation in the international price. Further, the existing wharfage rate for chemical is higher in comparison to the rate existing in the neighbouring ports of Chennai and Kandla.

2.2. In view of the above, and to attract additional volume, the VPT has proposed to reduce the wharfage rate of Styrene Monomar and other Chemicals. The existing and the proposed rates are tabulated below:

Description	Existing Rate	Proposed Rate
Styrene Monamor	Rs.72/- per tonne	Rs.60/- per tonne
Methonal, IPA and other Chemicals.	Rs.0.44% ad valorem	Rs.45/- per tonne.

2.3. The VPT has also requested this Authority to accord adhoc approval to the proposed rate till final approval of the proposal.

3. With reference to the proposal received from the VPT, the following position emerges:

- (i). The proposal of the VPT is for reduction in the existing wharfage rate for Styrene Monomar and other chemicals in order to attract business. The existing wharfage rate for other chemicals is on ad valorem basis. The port has proposed to reduce the rate by changing over to a per tonne rate. This Authority always encourages prescription of per tonne rate of wharfage instead of ad valorem charges. It is noteworthy that the proposed rate is based on the commercial decision of the port and is stated to be for the mutual benefit of the port and its concerned users.
- (ii). 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 their 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 specific reduction in rates proposed for Styrene Monomar and other chemicals.

4. In the result, and for the reasons given above, and based on a collective application of mind, this Authority disposes of the proposal of the VPT as superfluous.

**( 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/16/2003-VPT - Proposal from the Visakha Container Terminal Private Limited for fixation of tariffs for its container terminal in the Visakhapatnam Port.**

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

**The Shipping Corporation of India (SCI)**

- (i). For computing the tariff, the return on capital has been taken as 20%, which is very high. The TAMP must review its guidelines on the IRR.
- (ii). The exchange rate as declared by the SBI or a Scheduled Bank must be considered for conversion of dollar denominated tariff into rupee terms.
- (iii). The rounding off should be to the nearest rupee and not to next nearest ten rupees.
- (iv). No delayed payment charges should be levied on disputed bills. The delay in payment should be counted after 15 days and not 10 days.
- (v). The proposed premium of 50% on hazardous containers is very high. This must be limited to 10%.
- (vi). In general the tariff proposed for various items are on the higher side in comparison with the tariff prevailing at the Chennai Container Terminal Limited (CCTL).
- (vii). There is no use of quay crane in case of a shut out container since the only operation involved is shifting the container within the CY. In the light of this position, the charges proposed by the VCTPL for shut out container are very high and need to be reduced.

**The Container Shipping Lines Association (CSLA)**

- (i). The current lending rate is in the region of 7.5% which will work out to a return of 13.5% after considering contribution of 3% each towards development and renewal fund. It is, therefore, not correct for the VCTPL to expect a return on equity @ 20%.
- (ii). The figure of royalty appears to be reasonable. The TAMP may have to define more concrete guidelines as to when royalty can be allowed and when it cannot be allowed as an item of expense while fixing the tariff.
- (iii). The proposal does not explain the reasons for high estimates in the repairs and maintenance cost to the extent of 40% of gross revenue nor does it specify the age of the equipment, efficiency of the equipment, warranty period, etc., to justify the estimated cost. The repairs and maintenance cost must be benchmarked with similar cost at the other ports.

- (iv). Why put in the cost of RMQGC and RTGC for this kind of volumes in the initial years since it will have implication on tariffs?
- (v). The admissibility of the management expense is not clear.
- (vi). The VPT tariff plus 10% may be reasonable for the VCTPL.
- (vii). The VPT allows stuffing/destuffing of containers within its premises. The VCTPL does not allow this facility. The cost to us is, therefore, high.
- (viii). If the VCTPL aspires to be a hub port then its transshipment rate may be pegged at a more competitive rate than the CCTL say at US\$ 30 / US\$ 45 for 20' and 40' container respectively.

**Visakhapatnam Steamship Agents' Association (VSAA)**

- (i). The proposed quay crane charges may cause financial pressure on the shippers initially leading to shifting of cargo to Chennai port where the rates are better. It is, therefore suggested that the quay crane charges of empty/laden containers may be reduced to US\$ 18/ US\$ 27 for 20'/40' container respectively.
- (ii). Transport from/ to CY and lift on lift off may be fixed at Rs.500 / 700 with respect to laden container and Rs. 300 / 450 for an empty container. Likewise, transport of ICD containers may be fixed at Rs.800 / 1200 for laden container and Rs. 300 / 450 for an empty container and the Lift on Lift off (LOLO) charges may be fixed at Rs.200 / Rs. 300 for 20'/40' laden containers
- (iii). It has reiterated the views of the CSLA as regards the rate proposed for transshipment container.
- (iv). It has also requested to reduce the proposed rate for other items like handling hatch cover by landing it on the quay may be reduced to US\$ 28, charges for shifting of containers within vessel by landing and reshipping may be fixed at US\$ 25 for a 20' container, tariff for shifting a container without landing and reshipping may be fixed at US\$ 10 / US\$15 for a 20' and 40' container, pre trip inspection charge at US\$ 12 per container, charges for a shut out container may be fixed at US\$ 12 / US\$ 27 for 20' and 40' container, etc.
- (v). Since extra movement operation will involve only transportation of container inside the port premises a tariff of Rs.175 for a 20' container and Rs.350 for a 40' container is suggested.
- (vi). All the tariffs for coastal vessels may be reduced by 33% to attract and develop coastal feeding service. This suggestion is based on the differential provided by the major ports on coastal vessel tariffs to mainly promote coastal traffic and also to avoid burdening the domestic trade
- (vii). The proposed wharfage rate for container is extremely high i.e.more than 300% as compared to the present port tariff of Rs.15/Rs.23 per 20'/40' container respectively. The wharfage rate for container at US\$ 0.32 / US\$ 0.50 appears to be well justified. The rate proposed for wharfage on containerised cargo is acceptable to the trade.

- (viii). It has reiterated the views of the CSLA to scale down the charges proposed for storage charge. Free time of 7 days may be considered instead of 5 days proposed by the VCTPL to give sufficient time for importers to process documents; also, additional free time for empty containers may be considered.

2. A joint hearing in this case was held on 8 May 2003 at the VPT premises. At the joint hearing, the following submissions were made:

**The Visakha Container Terminal Private Limited (VCTPL)**

- (i). We have proposed a tariff which the market can bear.
- (ii). Please notify tariff immediately so that we can commence operation immediately.
- (iii). The hinterland is benefited by our terminal because they will save on transportation cost to Chennai.
- (iv). To attract mainline vessels, we have to have a minimum complement of equipment. A conventional handling will not bring in any change in the condition.
- (v). Volumes are required to justify investment in equipment. But, equipment are necessary to build up volume.
- (vi). The issue raised by the INSA about return on equity may not be relevant. In the first two years we will incur loss.
- (vii). As regards rounding off of gross amount of bill we have adopted the practice obtaining at the other ports. We leave it to the TAMP to decide on this point.
- (viii). The trade should not consider individual rates with the CCTL. If the total package is taken, we are cheaper than the CCTL.
- (ix). We will give justification for the rates proposed for hazardous container, shut out and transshipment container.
- (x). We will send separately the justification for repair and maintenance cost.

**Shipping Corporation of India Limited & Indian National Shipowners Association**

- (i). Return of 20% is very high in today's market condition. The TAMP may scale it down.
- (ii). Chennai is the competing terminal. The rates at the VCTPL should, therefore, be lesser than the CCTL rates.
- (iii). Service provided at the VCTPL will be superior to the one offered by the VPT. But, rate will be higher by Rs 600/-per TEU. In the initial phase, the VPT rates can be maintained, at least for 2 years.
- (iv). Rounding off the bill to next ten rupees is unreasonable.

- (v). Shut out charge for 40' container is twice the rate for 20' container. This is very high and does not reflect the generally accepted position.
- (vi). Cargo-related charges should be in rupee terms. Even container handling rates should be denominated in rupees. Ground rent, etc., can be prescribed in dollar terms.
- (vii). Wharfage should be on cargo alone. Container should not be subjected to wharfage.
- (viii). Our proposal is to adopt rates lower than the CCTL in the initial phase of operation of the VCTPL.
- (ix). The INSA has stated that the TAMP may reconsider its Order on levy of storage charges on abandoned containers.

#### **The Container Shipping Lines Association (India) (CSLA)**

- (i). Return allowed is higher.
- (ii). Equipment proposed to be deployed is not commensurate with the volume. The basic prudence of this investment is questionable.
- (iii). The gantry charge of US\$22 per TEU is additional when compared with the existing rates of the VPT. Is it necessary to have gantry for this volume?
- (iv). We propose that the rates in the initial phase can be at best 10% above the VPT tariffs.

#### **Visakhapatnam Steamship Agents' Association (VSAA)**

- (i). Concession should be extended to containers brought by coastal vessels. This will be essential to build up volumes.
- (ii). The Trade in this region is to be familiarised with the CFS operation. Till the time the trade gets accustomed to the new system, the rates should not be very high.

#### **The Visakhapatnam Port Trust (VPT)**

- (i). It would be better if more free period and lesser demurrage are prescribed for ICD containers.
- (ii). Promotional tariff should also take care of adequate return and risk taken by private investor.
- (iii). Lease rental is being referred to an arbitrator. It may take at least 3 months to settle the arbitration.
- (iv). We will clarify the lease rentals levied vis-à-vis provision in our Scale of Rates.

3. A copy of the VCTPL proposal dated 14 July 2003 was forwarded to the VPT and the concerned users seeking their comments. We have received the following comments from the SCI:

- (i). The proposed stevedoring charge should be retained at the level of interim rate. It should not be higher than the CCTL tariff. Likewise, the rate proposed for transshipment container should also not exceed the CCTL rates
- (ii). The rates for empty container should be less than the laden container.
- (iii). The proposed rate of Rs.100 for fixing bottle seal is high in the light of the fact that the cost of seal is Rs.5-10 only. The proposal does not clarify as to who will judge whether the container had a proper seal or not. The procedure for this should be worked out between the users and terminal before the TAMP approves the tariff.
- (iv). The interim rate fixed by the TAMP based on discounted CCTL tariff may be treated as final tariff with minor modifications in the stevedoring rates.

4. A joint hearing in this case was held on 19 August 2003 at the VPT premises to discuss the revised proposal submitted by the VCTPL. At the joint hearing, the following submissions were made:

**The Visakha Container Terminal Limited (VCTPL)**

- (i). Since commissioning of our terminal on 26 June 2003, we have handled 14 vessels and 3023 TEUs.
- (ii). Our berth productivity is 17.5 moves per hour and crane productivity is 16 moves per hour. Gross ship rate is 22.83 TEUs and the average turnaround is around 10 hours.
- (iii). Our target is to reach a crane productivity of 22 moves per hour by December 2003.
- (iv). Fix the rate with CCTL at the lower end and cost based rate (with 20% return) at the upper level.
- (v). Please fix quay crane charges more than US \$ 17.50 but less than US \$ 24.20. Likewise, transportation charge of laden container may be fixed more than Rs.1050 but, less than Rs.1320; empty container in the range between Rs.520 and Rs.660 per 20' container.
- (vi). We withdraw our proposed increase for transshipment container. Let the interim rate continue.
- (vii). Please fix validity period of one year for the new rates to be fixed now.
- (viii). Please allow us to levy 25% premium on wharfage of hazardous cargo containers/ over dimensional containers.
- (ix). Additional charges are small issue. They are optional service.
- (x). We request TAMP to give us a flexibility to introduce Volume Discount Scheme on non-discriminatory basis.

- (xi). We do not want to earn full admissible return on equity; at the same time, the tariff should be fixed at a level where we recover at least our cost.

**The Visakhapatnam Port Trust (VPT)**

- (i). It may be beneficial if a promotional tariff is to continue. Let interim tariff continue.

**The Visakhapatnam Clearing and Forwarding Agents' Association (VCFAA)**

We have no comments.

**The Visakhapatnam Stevedores' Association (VSAA)**

Let the interim rates continue. We support the VPT.

**The Container Shipping Lines Association (India) (CSLA)**

- (i). We welcome the reduction proposed in transshipment charges.
- (ii). Interim rates fixed for quay crane are reasonable and let them continue.
- (iii). Transportation charges are very high and they should be moderated to Rs.500/- (loaded), Rs.300/- (empty), Rs.800/- (loaded–railway yard) and Rs.600/- (empty – railway yard)
- (iv). Storage charges proposed are very high. They should be maintained at the level of VPT rates.
- (v). Reefer checking (PTI) charges should not be more than US\$ 12.
- (vi). The proposed penalty of Rs.5000/- is very high for mis-declaration of hazardous containers. Please lower it.

**The Shipping Corporation of India Limited & Indian National Shipowners' Association**

- (i). There is no need to bench-mark VCTPL tariff against CCTL tariff . Let the VCTPL put up a proposal for justifiable tariff.
- (ii). Please ensure that overall cost to trade should be less than the CCTL. This means if stevedoring charge is fixed at the CCTL level of US \$ 17.5, transportation element should be less than CCTL.
- (iii). Please review the relevance of having wharfage charges on container.
- (iv). (a). 'Reefer Run Test' (Item 1.9) and 'PTI charge' (item 1.7) for reefer containers appear to be the same.
- (b). The VCTPL should explain the difference between 'change in status of shipment' and change in status of vessel'.
- (v). Even the NSICT levies Rs.1700/- for wrong declaration of hazardous containers, please moderate it to Rs.1000/-.



- (vi). Please clarify that the conversion rate quoted by scheduled bank should be applied for re-conversion of dollar into rupees.

**Visakhapatnam Steamer Agents' Association**

- (i). We have given our written submission today. Please consider them.
- (ii). Please let the interim rates continue for some more time.
- (iii). Please reconsider the transportation charges. It has been raised to Rs.1200/- from the initial proposal of Rs.800/-. (The VCTPL says that the rate includes lift on/off also and not just transportation).
- (iv). Please retain transportation of Rs.1200 for ICD. This will enable more traffic and encourage ICD movements.
- (v). Seal fixing charge shall be levied only when a container arrives without seal.

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