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Tariff Authority for Major Ports

G.No. 60 **New Delhi, 19 April, 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 approves the proposal from the Visakhapatnam Port Trust to introduce volume discount scheme to the importers and exporters of the Visakhapatnam port as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports

Case No. TAMP/92/2002 - VPT

The Visakhapatnam Port Trust - - - - Applicant

O R D E R

(Passed on this 17th day of March 2003)

This case relates to a proposal received from the Visakhapatnam Port Trust (VPT) to introduce volume discount scheme to the importers and exporters of the Visakhapatnam port.

2. The VPT has made the following points in its proposal:

(i). The basis for volume discount scheme will be taken as previous year traffic handled by an importer/exporter.

(ii). The proposed volume discount scheme will be applicable to importer/exporter who had handled at least 50,000 tonnes of cargo during the previous year.

(iii). If the throughput of the respective importer/exporter during the current year is beyond 110% of the throughput of previous year then only the proposed volume discount scheme will be applicable.

(iv). The VPT has sought approval to the following volume discount scheme:

Description	Volume discount proposed
Upto 110 % of the previous year's throughput	No Discount
110% to 120%	10 % discount in Wharfage over and above the quantity of 110% over previous year
120% to 130%	15 % discount in Wharfage over and above the quantity of 120% over previous year
130% and above	20 % discount in Wharfage over and above the quantity of 130% over previous year

3.1. A copy of the proposal was forwarded to various concerned users/representative bodies of port users for comments. The comments received from the various users / representative bodies of port users were forwarded to the VPT as feed back information.

3.2. A joint hearing in this case was also held on 21 January 2003 at the VPT premises. At the joint hearing, the VPT and the port users have made their submissions.

3.3. As decided at the joint hearing, the VPT has subsequently furnished an analysis bringing out the financial implication of its proposal. The VPT has also revised the eligibility criteria. The VPT has made following points in its revised proposal:

(i). The proposed volume discount scheme will be applicable, only if an importer/exporter had handled at least 50,000 tonnes of dry cargoes or 10,000 tonnes of liquid cargoes during the previous year.

(ii). The average cargowise throughput achieved by an importer/exporter during the preceding two years will be the benchmark. If any importer/exporter has handled cargo only in the year 2002-03, the throughput handled during 2002-03 will be considered as benchmark for volume discount scheme.

(iii). The benchmark thus arrived will remain static for a period of two years and will be revised thereafter taking into account the average of latest two years.

(iv). New importer/exporter in 2003-04 will become eligible for volume discount scheme only in 2005-06.

(v). The scheme will be in force w.e.f 1 April 2003 and the benchmark will be the average performance of the two years i.e., 2001-02 and 2002-03.

(vi). The proposed volume discount is retained as per the earlier proposal.

3.4. The VPT has pointed out that discount will be given only on wharfage element of Rs 26.20 PMT for iron ore and there will not be any discount on the tippling and haulage charges.

3.5. The benefit likely to accrue to each importer exporter has been worked out by the VPT based on the average performance of each of importer exporter during last two year i.e., 2000-01 and 2001-02. The financial implication for the year 2002-03, if the proposed volume discount scheme had been in force, works out to Rs.1.38 crores.

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

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

(i). The proposal of the VPT is to be viewed more of a tariff incentive scheme primarily aimed at the existing users, at least in the initial period, to improve their volumes through the VPT.

(ii). The VPT has modified the scheme subsequently to accommodate some of the suggestions made by the users. It has clarified that the discount will be allowed on an importer / exporter basis, subject to fulfillment of the eligibility conditions laid down. The cut-off limit has also been slightly liberalised by taking average throughput of the last two years. The VPT has also conceded to the demand of liquid bulk cargo users by fixing a separate base of 10,000 tonnes.

(iii). The proposal is to provide some relief to the users on the additional throughput brought by them. Obviously, there cannot be any serious objection from any quarter to the proposal of the VPT. Nevertheless, there are a lot of suggestions on the eligibility limit, the cut-off limit, the extent of discounts, etc. It is to be recognised that the attempt of the VPT is an experimental one and the efficacy of the scheme can be judged only at a later stage. Based on the experience gained, the scheme can be fine tuned at a later stage. In the absence of any strong scientific basis available for the various parameters of the Scheme, it is found reasonable that the proposed scheme can be put into operation, without any modification, on an experiential basis. The VPT can, however, review the Scheme at the end of the financial year 2003-04 and come up with its proposal for modifications in the scheme, if necessary.

(iv). The VPT has indicated a notional financial implication of Rs 1.38 crores for the year 2002-03 on account of volume discounts. Subject to the existing growth trend continuing in 2003-04, there may be a similar financial implication in the year 2003-04. Strictly speaking, this cannot be called as a revenue loss to the port as the discount will be on additional throughput only. Further, if additional throughput of cargo is achieved, there can be an increased revenue generated from the other associated activities which may to a great extent, off set the reduction in revenue due to discounts allowed on wharfage.

(v). As has been mentioned earlier, this proposal primarily benefits the existing users. In order to boost up the port's traffic in future, it may be a better approach to attract new cargo also. As pointed out by the INSA, it will be worthwhile for the VPT to draw up tariff measures to induce new cargo traffic. The VPT is advised to take this aspect into consideration while reviewing the proposed scheme at the end of 2003-04.

5. In the result, and based on a collective application of mind, this Authority approves the following volume discount scheme at the VPT w.e.f. 1 April 2003:

"(A). Eligibility criteria

(i). An Importer / Exporter who had handled a minimum of 50000 Tonnes of dry cargo or 10000 Tonnes of liquid cargo in the immediate preceding financial year will qualify for volume discount scheme.

(ii). The cargowise average throughput for the preceding two years of an importer/exporter will be for the benchmark. For importers/exporters who handled cargo only in 2002-03, the benchmark will be the throughput achieved by them in the year 2002-03.

(iii). The average of throughput for 2001-02 and 2002-03 will form the benchmark for the years 2003-04 and 2004-05. Thereafter, the benchmark will be revised taking into account the average of the immediately preceding two years.

(iv). Discount on wharfage will be allowed as follows :

S.No.	Range of throughput	Discount on wharfage
(a)	Upto and inclusive of 110% of the benchmark	Nil
(b).	Above 110% and upto 120% of the benchmark	10%
(c).	Above 120% and upto 130% of the benchmark	15%
(d).	Above 130% of the benchmark	20%

Note : In respect of iron ore, the discount will be allowed only on the wharfage element of Rs 26.20 PMT."

(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/92/2002-VPT - Proposal from the Visakhapatnam Port Trust to introduce volume discount scheme to the importer and exporter of the Visakhapatnam port.

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

National Aluminium Company Limited

(i). It is not clear whether the volume discount scheme will be applicable as per the product or as per the total handling of various products by an importer/exporter.

(ii). It has suggested higher percentage of discounts ranging from the 15% to 25% for the volume slabs proposed by the VPT.

Visakhapatnam Customs Clearing Agents Association

It has also suggested higher percentage of discounts ranging from 25% to 35% for the volume slabs proposed by the VPT.

East India Petroleum Limited

The volume discount scheme may be made applicable to the liquid bulk petrochemicals importer/exporter, who have handled at least 10,000 MT of the cargo in the previous year.

Visakhapatnam Steamship Agent's Association

It has reiterated the suggestion made by the Visakhapatnam Custom Clearing Agents Association.

M/s. Coromandel Fertilisers Limited

(i). The Volume discount scheme should be applicable for volume handled above 100 % of the previous year.

(ii). The Volume discount should be given on the total handled quantity instead of allowing such discount only over and above the minimum targeted quantity.

National Mineral Development Corporation Limited

(i). The basis for volume discount scheme may be fixed as average of past three year traffic handled instead of just previous fiscal year. This is as per Railway Board's recent circular regarding quantity rebate.

(ii). The volume discount scheme should be extended to all the four components of port charges i.e. wharfage, handling, haulage, tippling and stacking. It has also suggested different volume discount scheme.

Tamil Nadu Electricity Board

The volume discount scheme should be based on the quantity handled during the current year only and not on the basis on the quantity handled during the previous year.

Federation of Indian Mineral Industries

(i). The Volume discount scheme may be applicable, if the throughput handled by the importer/exporter exceeds 100% of the previous year.

(ii). It has proposed a higher rate of discount to be applicable for the Financial Year 2002-03.

2. A joint hearing in this case was also held on 21 January 2003 at the VPT premises. At the joint hearing, the following submissions were made:

Visakhapatnam Port Trust

(i). The Scheme will take into account volume handled by single user irrespective of commodity and import or export categorization.

(ii). We have fixed 50,000 MT as datum for dry bulk. We want to reduce the limit to 10,000 MT for liquid bulk traffic.

(iii). The base can be fixed considering the preceding 2 years' average. It will, however, be a moving average.

The Metal and Minerals Trading Corporation

(i). We will have problem if iron ore and other products handled by us are clubbed together. Please exclude iron ore and treat it separately.

(ii). This Scheme benefits only the new entrants. There is no incentive for existing users.

(iii). Capacity limitations are to be recognised. We are to be incentivised to continue to be with the VPT.

(iv). Please keep 100% of the throughput achieved as the base; not 110%.

Vikram Ispat

(i). In a depressed economic scenario, the port should consider to retain the existing business.

(ii). Please take 3 years' average. Let it be fixed one. We cannot having moving average because everyone has capacity limitations.

M/s. East India Petroleum Limited

Achieving a continuous growth at 10% p.a. year after year is a difficult proposition. Please start with 100% or 105% of the base.

Tamil Nadu Electricity Board

Please freeze the base. Do not go for individual organisation wise average. Please fix global average for a commodity and allow discounts on a sliding scale.

M/s. Hindustan Petroleum Limited

We have expanded our refinery capacity by 75% in 2000. Please apply the Scheme retrospectively from 2000.

Hi Grate Pellets

(i). Wharfage constitutes is only 20-25% of port cost. Please allow discount on all port charges.

(ii). The growth of iron ore trade is 61% in the last 7 years. We cannot reasonably expect the same trend to continue forever.

M/s. Coramandal Fertilisers Limited

(i). Please make the scheme valid for (say) 3 years with fixed base.

(ii). Alternatively, the port can negotiate with major users and fix annual targets. Tonnage handled in excess of the target, should qualify for volume discount.

(iii). Organisations with captive berth should be given a preferential treatment.

National Mineral Development Corporation Limited

10% annual growth is not practical. Please moderate it to a reasonable level of, say, 5%.

Indian National Shipowners Association

We should address the new entrants problems. They would not have past average to act as benchmark.

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