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

TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 22 **New Delhi, 28 February, 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 of the Mumbai Port Trust (MBPT) for revision of wharfage charges levied under Section–I of its Dock Scale of Rates as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports

Case No. TAMP/101/2001 - MBPT

The Mumbai Port Trust (MBPT) - - - - Applicant

O R D E R

(Passed on this 4th day of February 2003)

This case relates to a proposal received from the Mumbai Port Trust (MBPT) for revision of wharfage charges levied under Section–I of its Dock Scale of Rates.

2.1. In its proposal, the MBPT has proposed to revise wharfage rates under Section-I of Dock Scale Rates by 15% except for the POL and POL products. It has not proposed any modification in the existing conditionalities except increasing the existing rates by 15%.

2.2. The MBPT has made the following main points in its proposal:

(i). The wharfage charges leviable at the Docks were last approved by the Central Government with effect from 1 October 1991.

(ii). There has been no increase in the wharfage rates for the last ten years despite the order of the Government to revise the tariffs every three years. On the other hand, the expenditure has increased manifold; and, there has also been wage revision during this period.

(iii). The cost statement of the general cargo handling activity at the docks show a deficit of 62% for the year 1999-2000. Despite the fact that rates for this activity needs to revised upwards by 62% to make the service self supporting, it is proposed to revise the wharfage rates just by 15%. The wharfage rates of POL and POL products are, however, not proposed to be revised. The proposed increase will cover the deficit only partially and bring in an additional income of about Rs. 10 crore.

(iv). The rates proposed by the MBPT for most commodities are comparatively lower than the existing rates at the other neighboring ports viz. Jawaharlal Nehru Port Trust (JNPT), Kandla Port Trust (KPT) and New Mangalore Port Trust (NMPT).

2.3. The proposal for revision of wharfage rate was re-considered by the Board of Trustees of the MBPT on 9 October 2001 when it was pointed out that even with the proposed increase the wharfage rate would be lower than the tariffs at neighboring ports; and, hence it would not have much impact on the traffic. The instant proposal for 15% upward revision in the wharfage rate was approved by the Board of Trustees of the MBPT on 9 October 2001.

3. In accordance with the consultative procedure adopted, a copy of the MBPT proposal was circulated among various port users / representative bodies of port users for their comments. The comments received from them are summarised below:

The Container Shipping Lines Association (India) (CSLA)

(i). The traffic handled by the MBPT is declining due to poor cost effectiveness, lack of infrastructure, poor industrial relations, unnecessary complicated documentary procedures and poor geographical location.

(ii). Failure by the port to address these fundamental issues has resulted in continuous loss of business and poor financial performance. The proposed increase in the wharfage rates will result in further loss of traffic as there is no commensurate value for money.

(iii). The MBPT has not indicated any steps towards improving the services, controlling the internal cost etc., to justify the increase proposed. The TAMP is supposed to introduce cost and service which are competitive as compared to the other Indian ports. This proposal does not meet these fundamental criteria; and, therefore, should be disallowed.

The Bombay Custom House Agents' Association (BCHAA)

(i). The factors which deter the trade from patronising the Mumbai Port are high handling cost of the port as compared to the facilities offered, inadequate container equipment, excess recovery of Terminal Handling Charges (THC), constant difficulties faced with the stevedores and their labourers and the constant demand for full payment of Octroi Duty even though cargo is not consumed in Mumbai.

(ii). With the proposed increase in the wharfage rates only a small percentage of trade will be left with the Mumbai port. The JNPT has constructed a shallow berth; for break-bulk cargo. As a result, ships calling at the Mumbai port may be inclined to divert to the JNPT which will result in further flight of cargo from the Mumbai Port.

(iii). The MBPT has not made investment in developing berths by installing modern equipments for the past ten years. The wharfage charges are, however, recovered based on advalorem basis for various commodities which automatically increase more than 15% every year due to increase in value of the cargo. Hence, there is no justification for seeking 15% upward revision in the wharfage rates.

(iv). The wharfage rate for item numbers 1 to 12, are basically import consignments, which are handled in large quantities and hence levied on Per Metric Ton (PMT) basis. The increase of 15% proposed for these items though not justifiable could be increased upto 10%. The wharfage rate for item numbers 13 and 14 should, however, not be revised; and, must be retained at the existing advalorem rates.

The Shipping Corporation of India (SCI)

(i). The comparative statement furnished by the MBPT shows that wharfage charges proposed by the port are lower than the existing rates at the other adjoining ports viz. JNPT, KPT and NMPT.

(ii). The Government of India has directed that the tariffs must be revised periodically once in 3 years. The MBPT has, however, not revised the rates since 1 October 1991, thereby, leading to deficit in all major services.

(iii). In view of the above, the instant proposal to revise the wharfage rates by 15% appears to be quite reasonable as compared to the higher rates existing at the other adjoining ports.

The Federation Of Indian Export Organisation (FIEO)

(i). A steep increase in wharfage rates in respect of some commodities due to regrouping from existing fourteen wharfage items to ten may be stalled at the present due to slowdown in exports.

(ii). The deficit of 62% for the general cargo handled at the docks for the year 1999-2000 is substantial; and, cannot be passed on to trade. The deficit needs to be curtailed by careful restructuring. The proposed increase of 15% in the wharfage rates may, therefore, not be implemented at this stage.

<u>All India Liquid Bulk Importer and Exporters Association (AILBIEA)</u>

(i). Although the traffic of liquid bulk cargo in all the major ports increased substantially from 81.3 MT in the year 1993-94 to 129.3 MT in the year 1999-2000, the same decreased in Mumbai from 26.1 MT to 14.4 MT for corresponding years in view of higher port dues levied by the MBPT.

(ii). There is a reasonable consistent income for the MBPT at present through liquid bulk operations, despite limited facilities and infrastructure, and high port dues (compared to other ports). Any further increase in the port dues / charges will be detrimental to the progress of the port.

(iii). In view of the above facts, the instant proposal for revision of wharfage charges should be dropped. In fact, wharfage charges should be reduced taking into consideration the competition from the nearby ports.

4. The comments received from the various port users were sent to the MBPT as feedback information. The MBPT has made the following main observations with reference to the comments of the BCHAA and AILBIEA:

(i). The reasons given by the BCHAA and the ALBIEA are not the sole reasons for overall decline in the traffic. The port related charges at Mumbai port are not very high as compared to the other ports; but, the other related charges such as Octroi, stevedoring charges, etc., are the factors responsible for high cost at the Mumbai port.

(ii). The matter about recovery of Octroi charges was taken up with the Municipal Authority and this procedure has been streamlined and simplified to the maximum extent possible. Further, various steps have been taken to reduce the cost of handling like allowing additional free days.

(iii). The stevedoring of containers is undertaken by private agencies and hence inspite of having fixed ceiling rates for stevedoring and transportation of containers the hardships faced by the trade could not be solved. It contemplates to undertake stevedoring work in near future to increase the efficiency and reduce the stevedoring cost.

(iv). The BCHAA's contention that it does not have adequate container equipment is not correct. Two numbers of Quayside Gantry Cranes and three numbers of Rubber Tyred Gantry Cranes are intended to be installed at the container terminal. Apart from this, it has already installed eight numbers of 10 Ton capacity wharf cranes at the Indira Dock during 2001-02.

(v). The general cargo handling activity at the Docks shows a deficit of 95% in the year 2000–01 (over the total income) without considering the expenditure of wage arrears and compensation under SVRS. Considering the huge deficit, the proposed increase of 15% and that too after a time gap of eleven years is minimal. This increase can be absorbed by the trade and will not have adverse impact on the traffic at the Mumbai Port. That being so, the BCHAA's recommendation to restrict the increase to 10% is not acceptable.

(vi). The wharfage charges on edible oil is proposed to be increased just by 15% from Rs.24/- to Rs.27.60 per tonne. The wharfage charges presently levied by adjoining ports on edible oil are more than the proposed wharfage rate.

5.1. On a preliminary scrutiny of the cost statements, it was observed that there are many discrepancies in the computation of the working capital, and capital employed and Return on Capital Employed (ROCE). It is noteworthy that such discrepancies were categorically pointed out in this Authority's Orders of the MBPT relating to the proposal for fixation of wharfage charges and Pier Dues and also in the case of revision of Port dues. The argument of the MBPT given in the earlier case that it cannot compute service-wise capital employed does not appear to be acceptable. The MBPT was, therefore, advised to compute ROCE on the capital employed relevant to the specific activity proposed for revision.

5.2. The MBPT was also requested to furnish additional information / clarification on the following main points:

(i). The reasons for a sudden reduction in operating income for the years 2001-02 and 2002-03 as compared to 2000-01 in the light of the fact that the traffic projections have remained more or less at the same level for the corresponding years.

(ii). Break-up of operating cost and general facilities.

(iii). The need to continue with differential wharfage rates for imports and exports.

6. The MBPT has furnished the additional information/ clarification in response to the queries raised by us which are summarised below:

(i). It has reiterated that it does not work our service-wise capital employed. The present accounting system of current assets and current liabilities does not permit capturing the data required for arriving at the service-wise working capital. It has apportioned the capital employed to the general cargo handling activity based on a rough estimation.

(ii). The traffic of containerised cargo which is high revenue earning commodity is decreasing due to diversion of container traffic to other ports. At the same time more of bulk cargo is coming at MBPT which are subject to low wharfage charges. Moreover, volume discount scheme for cargo handling have been introduced which if continued shall have an impact on revenue earnings. In view of the above, there is reduction in the income from cargo handled at the docks for the years 2002-03 and 2003-04 though the traffic projections are same as the 2001-02 traffic.

(iii). The expenses incurred towards payment of arrears of salary, wages and pension due to wage revision and compensation to the employees opted for SVRS have not been considered in the cost statement as they are one time payment.

(iv). The differential wharfage rates for imports and exports are proposed to be continued to enable the exporters of India to face competition in the international market and in light of the recommendations made by the study group for 'Export Facilitation'.

7.1. A joint hearing in this case was held on 15 May 2002 at the MBPT. At the joint hearing, the following submissions were made:

<u>The Mumbai Port Trust</u>

(i). We have proposed revision after a long gap; and, after a detailed study.

(ii). Even without taking into account the cost of SVRS and wage revision our deficit was 95%. Even with the 15% increase the rates will still be lower than the other ports.

(iii). We do not have cost centrewise Capital Employed (CE). We are not trying to avoid. Other ports may have done on an 'allocation' basis. We are at it. Before the general revision proposal we will finalise.

(iv). ROCE for this proposal is not likely to have any significant impact; and, hence please ignore.

(v). We have not done 'regrouping' and 'impact' thereof in the context of this case. Please ignore.

(vi). Prescribing differential rates for import and export is historical. We need time to examine and give a considered response.

(vii). For export cargo we do not take custody. We do not become 'bailee'. We do not give any receipts. Hence, a lower rate encourages more export cargo to come to us.

(viii). Foreign exchange fluctuation may have benefit; but, annually the wage burden also goes up.

Bombay Custom House Agents' Association (BCHAA)/Indian Merchant's Chamber (IMC)/Federation of Freight Forwarders' Association of India(FFFAI)

(i). The traffic is declining. Why should the MBPT shoot itself in its leg?

(ii). In case of POL/POL products there is lot of expenditure in new pipelines, etc; but, no increase is proposed. For break-bulk cargo there is no expenditure on facilities, still they want a 15% hike which is irrational.

(iii). In case of advalorem rates, foreign exchange fluctuation gives automatic benefit. Why increase by another 15%?

(iv). Differential rates is just a psychological satisfaction of promoting exports. The MBPT can merge the two rates.

All India Liquid Bulk Importer and Exporters Association (AILBIEA)

Liquid bulk quantity has increased everywhere. In the MBPT it has drastically declined because of high rates. If the rates are increased further, the traffic may vanish.

Mumbai and Nhava-Sheva Ship-Agents' Association (MANSA)

(i). The traffic is distressingly declining. A minor increase in wharfage is not going to matter very much.

(ii). POL is the only cargo that is increasing. The port has made heavy investments and still no increase. Why?

(iii). Let there be no across-the-board hike. Analyse commodity-wise; and, increase separately for each with respect to competition from nearby ports.

The Container Shipping Lines Association (CSLA)

The 15% hike proposed is a short-sighted and narrow view. Basic infirmities and deep-seated issues have to be addressed. We are not in favour of any increase since it will only result in further diversion of cargo.

The Shipping Corporation of India Limited (SCI)

(i). (a). The wharfage rate for 'Steel' everywhere else is prescribed on a 'per tonne' basis. Only the MBPT has it on 'ad valorm' basis. Why?

(In this context the MBPT says that prior to 1988, it was also on a 'per tonne' basis; but, based on the Directing Group's recommendation it was shifted to 'advalorem' basis)

(b). The TAMP should prescribe a uniform system of unit of levy.

(ii). (a). For other cargoes we have to move to other ports as enough facilities are not available at the MBPT. Even the existing rates cannot be justified. How can there be an increase?

(b). Forklifts and cranes are very few in number. Many are not in good condition. Adequate facilities are not available to the trade.

Federation of Indian Export Organisations (FIEO)

(i). Exports are important if concessions are available. Let them continue, why disturb?

(ii). The proposed hike will increase transaction costs. It will kill exports

7.2. At the joint hearing, the MBPT had furnished further written submissions reiterating most of the points given by it earlier. In addition, it has stated that if the one-time expenditure on account of wage arrears and compensation on SVRS is considered the deficit in this service shall be 190% for the year 2000-01 as against 95% depicted in the cost statement.

8. A second joint hearing was held in this case on 2 December 2002 at the MBPT Premises. At the joint hearing, the following submissions were made:

The Mumbai Port Trust

(i). Wharfage rates are not revised since 1991.

(ii). It was due to pay revision since 1997, the deficit has widened. The proposal is to bridge deficit to some extent.

(iii). The MBPT has no control over the State Government's policy on Octroi and Stamp duty. In respect of this we are trying to solve the problem by using our good offices.

(iv). Reducing the manning scale is beyond the jurisdiction of MBPT and this issue is pending before a National Tribunal.

Mumbai and Nhava- Sheva Ship Agents Association (MANSA)

(i). The increasing tariff would retrograde traffic. In fact tariff should be in tune with the definite services port provides. Actually, due to high tariff at the MBPT, raw fertiliser has already moved to Dharamtar Port and cargo like wheat and rice have gone to Kandla Port.

(ii). Further hiking of tariff will drive away the commodities like steel, iron ore, etc. In fact, before any proposal is prepared by MbPT, they should carry out a systematic study for attracting more cargo. Such policy initiatives should encompass reduction in tariff, giving more facilities like free time, reducing manning scale, etc.

(iii). The TAMP should ensure that the deficit in wharfage is not cross subsidised by increasing the revenue through on-board stevedoring operations.

Bombay Custom House Agents' Association (BCHAA)

(i). It is not fully true that since 1991 there is no revision. In fact 12 groups pay less and other two groups face automatic revision of wharfage due to advalorem method adopted. When this system is adopted, the rate stands revised every year on the basis of increased value of cargo. In fact, the system advalorem should go away since the cost of the goods have nothing to do with regard to the cost of service.

(ii). The MBPT should adopt such policy for levying wharfage that would attract more cargo. Actually, increase in wharfage at this juncture is not appropriate since the cargo business is going down. One of the examples in this regard is a policy that the MBPT allowed more free time which resulted in the cargo volume going up.

(iii). Any step for hiking the charge will only reduce the volume. More volume only will bring down deficit.

(iv). The MBPT should give more cost effective service to the trade to attract more cargo and thereby attempt to generate more revenue. It should not adopt the method of increasing wharfage for more revenue. It should administratively work harder and persuade the Govt. of Maharashtra to modify the policy of Octroi and Stamp duty which unnecessarily reduce the volume of cargo passing through the Mumbai Port.

(v). They must make efforts to reduce their cost by modifying the manning scale.

(vi). In a function, recently organised by MBPT, Hon'ble Minister claims that by various measures they have achieved a cost reduction of 40%. If that is true, why should they ask for wharfage increase by 15%.

(vii). It is excellent that some measures have already been taken by the MBPT which will generate some operational revenue and thereby reduce the deficit. Therefore, the proposed tariff increase should be deferred.

The Container Shipping Lines Assoctiaon (CSLA)

(i). The cost of inefficiencies and high overheads should not be recovered from customers by increasing tariff. In fact, tariff should have a relation with the quality of service being provided.

(ii). Wharfage rate for export and import should be same.

The Shipping Corporation of India)/ The Western India Shippers Association

We endorse the views expressed by MANSA and BCHAA.

9.1. As agreed at the joint hearing, the MBPT was requested to furnish commodity-wise revenue analysis for the years 2000-01 to 2003-04 indicating the additional income due to the proposed revision; analysis of wharfage income for the past three years for advalorem cargo items; reconciliation of net block and working capital figures with its Annual Accounts; and, details of wage burden (excluding arrears) on account of 1997 pay revision.

9.2. In response to the additional information sought by us, the MBPT has stated the following:

(i). The additional income at the proposed rates would have been Rs.7.87 crores for the year 2001-02. Commodity-wise revenue analysis cannot be furnished for the subsequent years since it is unable to forecast commodity-wise traffic to be handled in future.

(ii). Analysis of wharfage income for the past three years for the commodities paying advalorem rates cannot be furnished since it does not have this information. It has further clarified that despite recovery of wharfage charges on advalorem basis the general cargo handling activity at docks continues to be in deficit. The per tonne wharfage revenue earned during 2001-02 for the cargo subjected to ad-valorem basis was much less than the revenue earned during 2000-01.

(iii). The net block for this activity is Rs.61.27 crores for the year 2001-02 and reconciliation with the Annual Accounts has been furnished. The working capital figure is indicated as Rs.524.26 crores for the port as a whole.

(iv). The details of additional wage burden due to pay revision have been furnished.

(v). As against a huge deficit of 175% in the year 2001-02 (without considering one time expenditure towards wage arrears and SVRS) for the relevant service, only 15% hike is proposed which will cover the deficit only partially.

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

(i). This proposal of the MBPT seeks an across-the-board revision of 15% in the wharfage rates on commodities handled in its Docks, except for POL & POL products. The MBPT has repeatedly stressed the point that the last revision of wharfage charges was made nearly 11 years ago. It is noteworthy that mere elapse of time may not be a sufficient ground for effecting tariff increase. The two year tariff validity cycle adopted by this Authority is only for carrying out a review of the financial position of the port trust vis-à-vis the tariff in vogue. The review at the end of the tariff validity cycle need not result only in an upward revision of tariffs; the existing tariffs can also be reduced, if warranted.

(ii). Most of the users apprehend a further decline in traffic at the MBPT if the wharfage rates are increased from the present level. The MBPT has, however, made a categoric statement that its rates will still remain competitive with the neighboring ports even after the proposed revision. Since we cannot conduct a market study to find out the implications of the tariff increase on different commodities, we rely on the judgement of the MBPT in this regard. Nevertheless, the suggestion made by the MANSA for commodity wise analysis appears to be relevant and worthy on adoption by the MBPT in its future exercise.

(iii). The argument of the FIEO that the MBPT's proposal for regrouping the wharfage schedule will lead to a steep increase in rates is totally misplaced since the MBPT has not proposed any rationalisation / regrouping of wharfage schedule in the instant proposal.

(iv). The BCHAA and the MANSA have questioned the appropriateness of excluding POL from the purview of the proposed revision on the ground that the port has made substantial investment in developing POL handling facilities. It may be relevant here to point out that the proposal in hand is for revision of wharfage charges on commodities handled at the Docks of the MBPT. The major portion of the POL traffic at the MBPT is handled at Jawahar Deep where a lot of investment in modernising the facilities has been made in the recent past. The rates for POL and POL products were revised in May 2000 considering the investment made for modernising such facilities. At that time the rates for POL and POL products handled at the Docks have also been suitably adjusted. In this backdrop, the MBPT has now proposed to exclude POL & POL products from the purview of the proposed revision which is found to be reasonable.

(v). In the cost estimate furnished, the operating income from cargo handled at Docks has been shown to reduce from Rs 110.66 crores in the year 2001-02 to Rs 96.21 crores in the year 2002-03 and Rs 86.59 crores in the year 2003-04. Even though the traffic forecast is maintained at a more or less constant level, the MBPT has sought to clarify this position as a result of change in cargo mix whereby high revenue yielding container traffic is replaced by some other low value commodity. In view of this explanation offered, the income estimate as furnished by the MBPT is accepted.

(vi). The MBPT has certified that its estimates of expenditure exclude one time liabilities like VRS payments, arrears of salary, wages and pensions, etc. Based on these estimates, the operating deficit itself is around 28% for the year 2002-03 and 50% for the year 2003-04. This deficit position will obviously widen if finance and miscellaneous expenditure, allocable management and general overheads and admissible return on capital employed are added. In view of this huge operating revenue deficit position, there appears to be a case for 15% increase in the wharfage charges as proposed by the MBPT. It is noteworthy that the MBPT wants to limit the tariff increase at 15% on commercial considerations.

(vii). In view of the cost deficit position explained above, it may not be necessary for a detailed analysis of the capital employed relevant for this activity and the return admissible thereon. Nevertheless, we are constrained to make the following observations in view of the approach adopted by the MBPT in calculating capital employed. This Authority has advised the MBPT in other cases to furnish capital employed position relevant only for the specific activity. Despite this, the MBPT has not considered working capital and capital employed relevant for general cargo handled activity while submitting its original proposal in the instant case. It subsequently reported a negative working capital of Rs 24.51 lacs for the general cargo handling activity. When asked to reconcile the figures furnished with the annual accounts, the MBPT has again furnished the working capital position for the port as a whole which is not relevant only for this activity. When most of cargo related charges are collected in advance, the instance of working capital required for this activity does not appear to be fully justifiable.

Further, the return on capital employed estimate furnished appears to contain some calculation errors as the port has sought ROCE of Rs.2697.94 lakhs on an estimated capital employed of Rs.3676 lakhs. The intention here is not to point out any inadvertent arithmetical error. This is only to highlight the seriousness attached by the MBPT to present a reliable cost estimate before this Authority.

(viii). The cost statement, based on the estimates furnished by the MBPT, considered by us is attached as **Annex- I.** Though the ROCE computation of the MBPT contains errors, we have not modified it in view of the huge operating deficit position.

(ix). The huge operating deficit position emerging in this activity clearly indicates flow of cross-subsidisation between different activities of the MBPT. A complete picture of cross subsidisation for the port as a whole is not available as a part of this piecemeal revision proposal. The MBPT had earlier assured that it would submit a comprehensive proposal; but it has recently submitted a proposal only for revision of the vessel related charges. It is to be recognised that a comprehensive review of tariff provides an opportunity to examine various cost elements closely particularly in respect of overheads allocations between various activities. The MBPT is, therefore, advised not to resort to such piecemeal tariff review in future but to undertake a comprehensive review of tariffs for the port as a whole.

(x). The existing wharfage schedule includes levy of wharfage on two items on advalorem. Some of the users have demanded a uniform basis of levy of wharfage. Prima facie, it appears that advalorem may be more suited for taxation. The ports do not levy tax; they collect fee for the services provided. That being so, the cost of the services provided may appropriately form basis for charging. But, it has to be recognised that the issue of introducing uniform basis of charging wharfage is not confined only to the MBPT but is to be reviewed commonly for all the major ports. Till such review is undertaken, it is reasonable to allow the existing basis of charging at the MBPT to continue.

The MBPT has sought a 15% increase on the advalorem tariff also. This has been rightly objected by the BCHAA. The argument of BCHAA of the port gaining automatic revenue on account of wharfage rates prescribed on advalorem due to change in the value of the commodities and foreign exchange rate fluctuations deserves to be admitted. At the same time, it is also be recognised that automatic appreciation in revenue on account of advalorem wharfage rate may not necessarily be directly proportional to the escalation in the operating costs of the port. It is noteworthy that this Authority considers around 2% appreciation in revenue from the dollar denominated tariff items due to exchange rate variations. Such an additional income has not been estimated by MBPT in the instant proposal. The MBPT has also expressed its inability to furnish commodity-wise revenue analysis and also to give an estimate of revenue from the commodities for which wharfage is prescribed at advalorem. In the absence of such details, we are unable to reasonably estimate the automatic appreciation in revenue on account of commodities paying wharfage on advalorem. Irrespective of this handicap, it cannot be denied that there is an automatic appreciation in revenue for the port trust on account of tariff prescribed on advalorem. That being so, considering foreign exchange rate fluctuation at 2% p.a. and escalation in value of goods linked to average inflation level of 5% p.a., it will be reasonable to restrict the increase in wharfage rates prescribed on advalorem to 8% as against the 15% increase allowed on other commodities.

(xi). The existing wharfage schedule of the MBPT contains differential wharfage rates for imports and exports. In similar cases relating to some other major ports, this Authority had introduced a uniform wharfage rate. When this issue was raised, the MBPT expressed its reservation for a uniform rate and requested for continuance of the existing practice. It has pointed out that if such a rationalisation is made some export commodities will be affected adversely. It has also argued that it does not take custody of export cargo by giving any receipts and, hence, a lower rate for export will encourage more export traffic to the port. Viewing the request of the MBPT to maintain a differential rate as a measure to attract more export cargo, this Authority is inclined to allow the existing practice of differential wharfage rates on import and export to continue at the MBPT.

(xii). It is noteworthy that the MBPT has unveiled several measures to attract traffic and cut down its costs. The MBPT also expects that its taking over of stevedoring services will bring down the cost to users. This position explained by the MBPT has perhaps been misunderstood by the BCHAA. The reduction in cost referred by the MBPT is the total cost to the port users. There does not appear to be any cost reduction for the port on account of taking over of the stevedoring services.

11. In the result, and for the reasons given above, and based on a collective application of mind**,** this Authority approves an increase of 15% in the wharfage rates under Section-I of the Dock Scale Rates except for the POL and POL products. The increase on item Nos. 13 & 14 of the wharfage schedule which pay wharfage on advalorem is, however, limited to 8% only. The modified wharfage schedule is attached as **Annex-II.**

12. The revised rates will come into effect after expiry of 15 days from the date of Notification of this Order in the Gazette of India.

(A.L. Bongirwar)
Chairman

ANNEX - I

Cost Statement for Cargo handled at the Docks of Mumbai Port Trust

(Rs. in lakhs)

Sr. No	Particulars	1999-2000	2000-01	2001-02	Without Change 2002-03	2003-04
I	**Operating Income**					
i)	Wharfage on cargo	7085.45	6070.02	5283.03	5265.50	4738.95
ii)	Other Income	11219.13	8101.70	5782.63	4355.37	3919.83
	Total Operating Income (I)	**18304.58**	**14171.72**	**11065.66**	**9620.87**	**8658.78**
II	**Operating Cost**					
i)	Operating Cost	9375.99	10792.28	9352.08	10001.11	10695.19
ii)	General Facilities	2534.76	2847.45	1821.32	1821.32	1821.32
iii)	Depreciation	355.83	459.22	498.19	500.66	500.66
	Total Operating Cost (II)	**12266.58**	**14098.95**	**11671.59**	**12323.09**	**13017.17**
III	**Operating Surplus/Deficit(I-II)**	**6038.00**	**72.77**	**-605.93**	**-2702.22**	**-4358.39**
IV	Finance & Misc. Exp.(excluding interest on loans	4771.46	6791.63	11901.37	9237.16	9461.24
V	Allocated Management & General Overheads	4280.68	4765.21	4174.65	4464.37	4774.20
VI	**Net Surplus/Deficit (III - IV-V)**	**-3014.14**	**-11484.07**	**-16681.95**	**-16403.75**	**-18593.83**
VII	Interest on Loans	-	-		-	-
VIII	Capital Employed			3676.00	3676.00	3676.00
IX	Return on Capital employed @18.5%(12.5+3+3)			2697.94	2697.94	2697.94
X	**Net Surplus / Deficit after interest and return**			**-19379.89**	**-19101.69**	**-21291.77**
XI	**Shortfall as % on (1)(i)**			**-366.8%**	**-362.8%**	**-449.3%**

Note:
Capital Employed and ROCE figures [Sr. no (VIII) and (IX)] as given by the MBPT have been incorporated in the cost statement without any modification for the reasons explained in para 11(viii) of the Order.

ANNEX-II

AMENDMENTS TO THE MBPT SCALE OF RATES IN SECTION I SCHEDULE OF DOCKS WHARFAGE RATES

(i). **The existing Section (I) Schedule of Docks wharfage rates on goods imported from or exported to port outside and within the Union of India is deleted and substituted as follows:**

Rate No.		Description of goods	Basis of charges	Rates (in Rs.) Import	Export
1.	(i).	Animals, Birds, reptiles, etc.	Each	28.75	23.00
	(ii).	Animal products – Bone, Bonemeal, Hides and Skins.	Tonne	27.60	16.10
2		Arms, Ammunitions, Explosives and Defence Stores.	Tonne	106.95	98.90
3.	(i).	Asbestos.	Tonne	27.60	16.10
	(ii).	Construction Materials, Sand.	Tonne	27.60	16.10
	(iii).	Fruits, nuts including Raw Cashew, Tapioca, Coconut, Copra, Tamarind Seeds.	Tonne	27.60	16.10
	(iv).	Molasses.	Tonne	27.60	16.10
	(v).	Waste Paper, Newsprint.	Tonne	27.60	16.10
	(vi).	Wood, Timber, Bamboo.	Tonne	27.60	16.10
4.	(i).	Cement, Clinker	Tonne	27.60	16.10
	(ii).	Coal and Fire Wood.	Tonne	27.60	16.10
	(iii).	Fertilisers and Fertiliser raw materials.	Tonne	34.50	6.90
	(iv).	Foodgrains, Oilseeds, Cereals and Pulses.	Tonne	27.60	6.90
	(v).	Oil-Cakes and Fodder.	Tonne	27.60	6.90
	(vi).	Sugar.	Tonne	27.60	6.90
5.	(i).	Cotton including cotton waste (also includes cotton twist and yarn)	Tonne	27.60	16.10
	(ii).	Jute and jute products, Coir and coir products.	Tonne	27.60	16.10
6.	(i).	Granites and Marbles.	Tonne	27.60	16.10
	(ii).	Ores, Ore Pellets and Minerals.	Tonne	27.60	16.10
7		Metals (Ferrous, Non-ferrous) in the form of ingots billets and unmanufactured and metal scrap.	Tonne	27.60	16.10
8		Other Liquid bulk including acids and fatty acids.	Tonne	27.60	16.10
9		POL and POL Products:			
	(i).	Crude Oil.	Tonne	38.00	38.00
	(ii).	Kerosene and Light Diesel Oil.	Tonne	25.00	25.00
	(iii).	All other POL products.	Tonne	44.00	44.00
10		Salt.	Tonne	3.45	3.45
11		Synthetic Resin (including Moulding Powder) and Wood Pulp.	Tonne	64.40	58.65
12		Wines, Spirits (Potable) and Alcoholic Beverages.	Five Litres	27.60	16.10
13		Iron and Steel Materials (excluding scrap, dross and ores)	Advalorem	0.54% of CIF	0.12% of FOB
14		All items other than those specified above.	Advalorem	0.22% of CIF	0.12 %of FOB

Note: (i). 'Sulphur' regardless of end use will be classified under Fertiliser Raw Materials.

(ii). No wharfage will be charged for the ballast of the vessel and engineering materials, bunkers, stores and gears for repairs to ships in docks.

(ii). The existing items 5, 8 and 11 in the General Notes to Section-I is deleted and substituted as follows:

5. Dangerous, explosive and inflammable goods landed at the Docks contrary to the Docks Bye-Laws and / or the circulars issued by the Traffic Manger must be immediately removed by the Masters / Owners / Agents of the vessel to the Board's warehouses earmarked for such goods, failing which they shall be removed by the Traffic Manger at their risk and cost and, in addition, a charge of Rs.575/- per package will be levied.

8. Transhipment Cargo:

Wharfage at the rate of Rs.103.50 per tonne in the case of transhipment by sea and Rs.43.70 per tonne in the case of transhipment by road shall be levied and demurrage on expiry of free days as per Clause (4) of Section II 'A imports will be charged.

11. Wharfage at the rate of Rs.43.70 per tonne shall be levied on the cargo cleared from the Docks under Section 49 of the Customs Act 1962. Demurrage on expiry of free day as per Clause (4) of Section II 'A' import shall be levied.

- - - - -