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

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| **No. 319** | **New Delhi, the 28 November , 2001** |

## 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 Calcutta Port Trust for fixation of rates for movement of containers by barges between the Calcutta Dock System and the Haldia Dock Complex as in the Order appended hereto.

( **S. Sathyam** )

Chairman

**Tariff Authority for Major Ports**

**Case No.TAMP/61/2001-CPT**

**The Calcutta Port Trust (CPT) --- Applicant**

O R D E R

(Passed on this 5th day of November 2001)

This case relates to a proposal received from the Calcutta Port Trust for fixation of rates for movement of containers by barges between the Calcutta Dock System (CDS) and the Haldia Dock Complex (HDC).

2.1. In its proposal, the CPT has made the following points:

(i). Due to a sudden fall in the river draft of CDS, container traffic at the CDS, especially exports, started dwindling from August 2000 onward. At least three main line operators viz. Maersk, P&O and NOL (APL) have shifted their activities from the CDS. Now the containers are carried to the HDC by road transport for subsequent shipment from there. Against the estimated handling of 1,59,825 TEUs in 2000-2001, the CDS has been able to handle only 1,37,845 TEUs which is less by 9454 TEUs in comparison to that of last year and 21980 TEUs than the estimated throughput of 2000-2001. This has resulted in a loss of estimated revenue by Rs.2.87 crore.

(ii). Though all steps are being taken to improve the river draft at the CDS, the result of such action on this stretch of the river cannot be predicted with any degree of certainty. Against this background, need is felt to take steps for movement of container by barges between the CDS and the HDC in order to retain the container traffic at the CDS.

(iii). The CPT has proposed the following consolidated rate applicable at the CDS for containers handled through barges at the non-CPY berths, on an experimental basis for 6 months:

(a). For 20 ft. container - Rs.2300/- per TEU.

(b). For 40 ft. container - 1.5 times of the above rate.

(c). For container exceeding 40 ft. length – double the rate at (a) above.

(d). A rebate of Rs.150/- per TEU on the incremental traffic in excess of 20,000 TEUs per barge operator per year.

(iv). The CPT has also propose a consolidated rate of Rs.2000/- per TEU + 10% special rate, for the containers moved by barges between the CDS and the HDC, payable at the HDC (since 10% rebate will apply in the present case, the rate will effectively be Rs.1800 + 10% special rate i.e., Rs.1980/- per TEU). The proposed rate is to be inserted in the Scale of Rates under the following nomenclature:

> " Clause 18.1.11 Container landing from Barges to Quay, transportation to Stack Yard including lift-off transportation from Stack Yard including lift-on back to quay for ultimate loading in ships or vice versa, without use of any port equipment."

Insertion of the following notes in the Scale of Rates is also proposed:

"18.14. (a). Container charged under Clause No.18.1.11, will qualify for rebate at the rate of 10% on charges at Sl.No.1 under Clause 18.1.

(b). For any other services, not mentioned in the Clause 18.1.11 charges shall be levied as per relevant provisions of Scale of Rates in addition to the charge mentioned against 18.1.11.

(c). The rate under Clause 18.1.11 shall apply at the berths operated by CPT (HDC) only."

2.2. In support of the rates proposed, the CPT has given the following justifications:

(i). Scale of Rates with effect from 11 February 1993 contained an all inclusive port charge of Rs.1000/- per TEU for transfer of container from Calcutta and ultimately shipped from the HDC or vice versa. But due to some reasons such inter-dock transfer of containers by barges did not materialise and as such no specific rates have been provided in the Scale of Rates revised in 1996 and 2001.

(ii). Considering the rate of Rs.1000/- per TEU in the year 1992-93, if annual average inflationary rate of 10% is considered, the present rate works out to Rs.2358/- per TEU (moderated to Rs.2300/-) at CDS; and, the rate comes to Rs.2000/- per TEU at the HDC.

2.3. The Board of Trustees of the CPT has endorsed this proposal.

3.1. M/s. Capstan Shipping & Estates Limited (CSE) have also submitted an application for fixing a special port charge for container barge service between Kolkata–Haldia–Kolkata. This application has been registered as a separate case (Case No.TAMP/59/2001-CPT) and processed accordingly. In view of the interlinked nature of these two cases, this Authority decides to take them up together for consideration.

3.2. In its application, the CSE has made the following points:

(i). We have developed a container barge feeder service. We have extensively interacted with the Calcutta Port Trust (CPT). A detailed market survey covering the Trade and Shipping has also been conducted by us; and through, various presentations we have highlighted comparative cost chart to the Port so that it can recommend a rational container related charge for the barge service.

(ii). For retention of traffic particularly in the CDS and at the same time increase of traffic at the HDC it was appreciated by all concerned that cost and operationally efficient container barge service at both the Dock Systems with private investments on shore equipments like cranes, reach stackers, trailers, etc., will attract container operators to use the barge service in preference to alternative modes of transport.

(iii). The CPT has decided a box rate of Rs.2,300/- per TEU and not Rs.1,500/- per TEU as proposed by us and a volume discount of Rs.150/- per TEU proposed to be allowed for volume above 20,000 TEU per year.

(iv). No decision was taken regarding Haldia. Without a decision regarding Haldia port charges, the container barge service could not possibly commence operation.

(v). As operators, we were advised by the CPT to commence the service. The CPT advised that, after six months, the matter would be reviewed further to give more concession as per performance and Trade demand.

(vi). We made it clear that the service was workable only as per the cost package given by us. The project will not be workable if the service product cost is not cheaper than the road and rail mode.

(vii). Since there have not been any barge operation till now, special barge tariff was agreed to be fixed and it was mentioned during the course of our various presentation that the container barge service will benefit both the dock systems. Over 50% concession was extended earlier to similar service.

(viii). The HDC's proposal presented in the July meeting of its Board was structured by way of an irrationally high rate and from this rate the Port has projected a concession of Rs.935/- per TEU.

(ix). We understood from the Ministry of Shipping that its view was that the port charges in both dock systems should be so structured as to make the total barge service product cost package cheaper than road and rail.

(x). We have already invested substantially in creating barge hardware for the service including chartering of barges, mobilisation of four shore-cranes for loading / unloading barges, reach stackers and trailers for on-shore movements, and a fully computerised Portnet system.

(xi). A rational rate may be fixed so that this container barge feeder service can be started. We are ready with the equipment and have been interacting with the market regarding early start of the service over last few months and, therefore, fix an ad-hoc port charges not exceeding Rs.3000/- per TEU with breakup between Kolkata and Haldia, valid for a few months, pending hearing our appeal and fixing a firm rate.

4. A copy of the proposal of the CPT and a copy of the representation of the CSE Limited were forwarded to all the concerned users / representative body of port users. A copy of the representation of the CSE was sent to the CPT also for comments. The comments received are summarised below:-

**Calcutta Custom House Agents Association (CCHAA)**

(i). The cost difference between road movement and barge movement of container is just Rs.160/-per TEU.

(ii). The THC given are not yet fixed by the ASIC. After the approval, the THC may be higher.

(iii). We feel the rate shall be as under:

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| (a). | For 20' container | Rs.1000/- per TEU |
| (b). | For 40' container | 1.5 times of the above rate i.e., Rs.1500/- |
| (c). | For container exceeding 40' length | 25% more on Sl. No.(b), i.e., Rs.1875/- |

(iv). The rates proposed above will attract substantial volume of business atleast 70% of road movement and this will be helpful to the trade considering the approach road to Haldia.

(v). The draft surcharge (fixed by ASIC) of US $ 50 per TEU is not being charged now, these charges have been renamed as Calcutta Port Surcharge and a few lines are charging at US $ 30 per 20’ and US $ 60 per 40’

(vi). Rebate shall not be given to Steamer Agent who will operate barges. This is to be given to the Exporters and Importers or those offering 200 TEUS of Rs.200/- per TEUs per month or the volume targets as may be fixed by TAMP and Calcutta Port Trust.

**Eastern India Shippers Association (EISA)**

(i). Taking into account the entire chain of transportation of container from Kolkata to Haldia by barge, the endeavour shall be to make the barge option considerably cheaper than the road transportation mode; and, in this connection a cost differential of at least Rs.1500/- per TEU shall be considered to ensure that the proposed barge movement actually takes off.

(ii). A promotional tariff will be necessary to attract traffic in the initial stages until its operational efficiency is established.

(iii). Factors such as greater number of handling, transit times between Kolkata/Haldia availability / non-availability of night navigational facilities, loadability of barges have to be borne in mind and adequately compensated for barge movement to score over other modes of transport.

**Master Stevedores’ Association**

(i). The rate proposed by the CPT for movement of containers by barges to and from Kolkata is on the higher side and after taking into account the marine charges, the rate is not competitive in comparison with road and Rail movement.

(ii). Unless overall costing in movement of containers by barges is competitive than that of by Road and Rail and proposed movement of containers by barges may not be attractive, as a result of which, CPT will be the ultimate loser.

(iii). If barge movement is encouraged, then Inland Water Transport will also be encouraged, which is long over due.

## Association of Shipping Interests in Calcutta (ASIC)

(i). Although the proposed service looks to be workable for the trade at the Kolkata/Haldia, it entirely depends on the acceptability by the Trade i.e., by importers and exporters.

(ii). The efficiency of the service will be depending on adequate availability of infrastructure / equipment and other logistical support including dedicated fleet of barges.

(iii). The ASIC at this stage is not aware of the involvement of all concerned operators as far as equipments and the logistic are concerned. Therefore, the ASIC will be able to make further realistic comments once the service is introduced and run for certain period.

## The Bengal Chamber of Commerce and Industry (BCCI)

(i). The traffic has primarily been diverted to Haldia because of tariff barrier and all the major lines have decided to operate only out of the Haldia Dock Complex. While checking with the Trade it is observed that the trade cannot absorb any further cost.

(ii). Feeder operators may derive some benefit out of it as they may not be required to call at the CDS. This may bring economy in their operation. The matter is purely between the feeder operators and barge operators. If the feeder operator finds it economically viable utilising the barge service then they may try this venture.

## Calcutta Chamber of Commerce and Industry (CCCI)

(i). Container cargo handling through Haldia Dock is much cheaper than that of Calcutta Dock. So, service charges in the CDS shall be competitive with the HDC.

(ii). Service charges shall not be such that they jeopardize the interest of exporters and importers.

(iii). Charges of movement of container by barges need to be competitive with the charges of road transport system.

(iv). Charges shall be such that they become beneficial both for the port authorities as well as the exporters/importers.

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

(i). The barge service can only lead to a further diversion of vessels from Kolkata to Haldia leading to the CDS basically becoming a dock complex for barges only. It is clear that the CPT is interested in bringing back the container traffic to the CDS. If the CDS is only to cater to the barges and not to the feeder vessels, then the whole approach of the CPT is a contradiction in itself

(ii). Increase in the original container traffic will not depend on the barge service; but, it is totally dependent on the industry and commerce and the imports and exports out of this region as a whole.

(iii). The statement of the Capstan Shipping and Estate Limited that there has been no barge operation till now is not correct. The SCI itself had undertaken such operation about 10 / 12 years above but had been forced to give it up because of severe operational and infrastructural constrains.

(iv). The HDC just cannot accept all the feeder vessels with its present infrastructure. With the current diversion of container traffic from Kolkata to Haldia, even now there are occasions when the feeder vessels have to wait for berthing at the HDC and hence the barge service can only add to this problem and not mitigated it.

(v). The transportation of a container from Kolkata or Haldia to Paradip and Visakhapatnam will have a cost differential much more than Rs.1000/- per TEU and it is not understood how this can be an incentive for retention of the traffic for Haldia which traffic would have otherwise moved to some other port.

(vi). The barge service is only an alternative mode of transportation between Kolkata and Haldia and it cannot lead to generation of any additional container traffic for the port as a whole nor additional revenue for the port as indicated. In fact, if vessel calls are reduced at the CDS under the ideal conditions of a fully successful barge service, leading to the feeder vessels turning around from Haldia, then this can only affect the revenue of the port and not lead to an increase.

(vii). Since the CPT's proposal already leads to some advantage for barge transportation vis-à-vis the road transportation, it is felt that the proposal of the CPT which has been made after due deliberation be accepted.

5. On the proposal of the CPT, M/s. Capstan Shipping and Estates Limited have given the following comments:

(i). The sudden fall in river draft of CDS is a recurring phenomenon and it has been rightly mentioned by the CPT that river draft on the Kolkata stretch cannot be predicted with any degree of certainty.

(ii). The Calcutta containers are not only carried to the HDC by road transport, but are also shifted to ports like Visakhapatnam and Paradip.

(iii). Presently 12 vessels are plying between Haldia and Singapore and connecting Kolkata container cargo by using our barges service. The cost saving to feeder operators is enormous and they are waiting for adequate logistic support to start calling Haldia by totally eliminating CDS.

(iv). To retain containers traffic for CDS, a minimum differential of Rs.1000 per TEU between the existing cost package to the trade using road transport vis–a–vis our barge service cost package is essential. This is possible if the wharfage at the CDS is brought down to Rs.1500 per TEU and port charges at Haldia is brought down to Rs. 1,200 per TEU.

(v). If the entire container traffic can be retained at the CDS through our proposed IWT Container Barge Feeder Service, then there will be revenue retention at the CDS and revenue augmentation at the HDC.

(vi). If the CPT loses its entire container traffic of (say) 160000 TEU per year, then the revenue scenario for the CDS and the HDC will look as follows:

(a). We may assume conservatively 50% of the Kolkata Traffic will go to Haldia and Balance 50% to other ports.

On this basis, notionally the CDS will lose about Rs.35 Crores per year revenue. At the existing level of rate, Haldia will have a revenue augmentation through 50% additional traffic handling of Rs.18 crores per year. This way, Net Revenue loss between the CDS and the HDC will be Rs.17 crores per year.

(b). If the CDS wharfage and HDC charges on a concessional/promotional basis are fixed by the TAMP according to our recommendation, then the CDS will retain revenue to the extent of Rs. 24 crores per year and Haldia will augment its revenue by about Rs. 10 crores per year. This way between Kolkata/Haldia, there will be hardly any loss of revenue.

(vii). The 50% traffic augmentation at the HDC out of the CDS's loss may also prove difficult to sustain at the existing level of rates.

(viii). For the CDS in particular promotion of IWT Services will be of immense value by way of substantial additional traffic generation in the river service routes of Kolkata – Bangladesh – Assam through National Waterways No.2 and Kolkata-Farakka-Patna-Allahabad by National Waterway No.1. This situation provides twin benefit to the idle CDS infrastructures and almost idle IWT fleet of the CIWTC, which will get resurgent under private charters.

(ix). The HDC has gone for global tender inviting private parties to invest in an exclusive state-of-the art container terminal at berth No.11 with emphasis on high productivity and handling of larger size gearless container vessels. This will not happen without retention and augmentation of container traffic between

Kolkata-Haldia as envisaged in our proposed container barge service.

6. The CPT has given following comments on the representation of the CSE:

(i). The box rate of Rs.2,300/- at the CDS and Rs.2000/- at the HDC have been proposed by the CPT taking into consideration the box rate existing in 1993 Scale of Rates for transfer of containers between the two dock systems. This was an all inclusive rate of Rs.1000/- per box and on this amount the annual average rise in expenditure to the tune of 10% per annum computed after every year has been considered and the rate came to Rs.2358/- per TEU which has been rounded off to Rs.2300/- per TEU at the CDS. For HDC a further concessional rate of Rs.2000/- per TEU has been proposed.

(ii). The CSEL has since approached the CPT to start the operation on the basis of indicative box rate as approved by the CPT. The matter has been considered and the CPT does not have any objection to allow the party to undertake movement of containers on trial basis provided they agree to pay the box rate approved by the CPT, subject to adjustment on receipt of TAMP's final decision in the matter.

7. The CPT has given the following further comments:

(i). The CSE is furnishing different cost elements on different occasions which are confusing. The CPT has, however, considered the cost elements which were indicated by the barge operators in writing at the time of processing proposals.

(ii). We do not find sufficient reasons to review our proposal to fix all-inclusive box rate of Rs. 2300/- per TEU with a rebate of Rs.150/- for handling more than 20,000/- TEUs per annum at the CDS and Rs.1980/- per TEU at the HDC.

8. A joint hearing on both the cases was held on 7 September 2001 at the CPT. In view of the allied nature of the issues involved, both the cases were taken up together for hearing. At the joint hearing, the following points were made:

**Calcutta Port Trust (CPT)**

(i). The CPT is a riverine port. There are draught problems. Feeder vessels have started stopping at the HDC. Containers from the CDS goes to the HDC by road. Our container infrastructure at the CDS is idle, hence our concern.

(ii). The 1993 provision was deleted in 1996 because there was no barge traffic developing. This was so even in the 2001 revision. The present proposal is a post-revision development.

(iii). The composite rate indicated at the CDS includes the 'special rate' for wage-arrear-liability.

(iv). Historically the HDC has had a lower rate for container handling. We have, therefore, retained the differential.

(v). The rate proposed by us is Rs.160/- less than the cost of transportation by road. The idea is to attract the traffic that is going away. The idea is not to subsidise decongestion of roads.

(vi). We have also proposed some liberalisation of conditionalities (e.g. 'free days') which were included in the 'discount proposal'. We wish to pursue that also.

(vii). These rates are common to all and not only for the CSE. Any barge operator can avail of these rates.

(viii). The rates given are quite liberal. There is no scope for any further reduction as asked for by the CSE.

(ix). We have made some rough calculation on inflation rate. We have not gone by the annual rates published by the Ministry of Finance.

(x). We have not proposed the scheme only for six months. We have proposed a review after six months.

(xi). The CSE has given in assurance of 5000 containers per month. We have not thought of how to ensure this performance. But, we will do that through a Bank Guarantee arrangement or otherwise.

(xii). The proposal is only about 'laden' containers and not for 'empties'.

**M/s. Capstan Shipping and Estates Limited (CSE limited)**

(i). We are thankful to you for processing this case very speedily.

(ii). We have given a detailed proposal. All costing has been explained. We had detailed consultation with the CPT. Our rates are more realistic.

(iii). The proposal of the CPT is subsequent to our proposal. We endorse their logic and reasoning especially about the draught problems.

(iv). Please take into account seriously the points stressed in our letter dated 1 August 2001 (i.e., our comments on the CPT proposal.)

(v). We provide a one-window service. This will give a Rs.500/- per TEU saving to the shipper.

(vi). Our proposal is 'for container' and not 'for TEU'. The 1993 tariff was also 'for container'.

(vii). We have given justification in our letter dated 13 August 2001 for 'retrospective' fixation of rates. Please accept our request in view of the 'extraordinary circumstances'.

(viii). The whole thing started with a request from the CPT in November 2000 about barge operations. We have invested heavily. We have waited for long. It is now financially hurting us. Please let us start with a 'provisional rate'.

(ix). Please read the minutes of the Board meeting. Almost all the Trustees said that the CPT rates were not 'competitive rate'. Therefore, consider our proposal provisionally.

(x). Our proposal is based on a detailed market survey. It is reliable. Please go by that. The CPT rates are unviable.

(xi). The 'product cost' we have offered includes full extension to the trade of the concessions involved. We are not holding them back.

**The Calcutta Custom House Agents' Association (CCHAA)**

(i). There is no concession involved. This is a new arrangement proposed. Therefore, this is a new tariff.

(ii). It is not enough to talk only of the CPT rates. The THC rate to be fixed by the ASIC is equally important.

(iii). The procedure for collection of charges by Lines / Agents / Shippers is not clear. Who will pay what must be clearly delineated.

**Eastern India Shippers' Association (EISA)**

This is a new concept for Shippers. A concession of Rs.1500/- per TEU will be the minimum incentive necessary to motivate the shipper.

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

(i). Vessels are not coming to the CDS. These concessions will fully convert the CDS into a 'barge port'. How will this loss be made good?

(ii). It is not correct to say that traffic has been diverted. Isolated parcels may have gone away. Otherwise, there has been a 9% growth per annum.

**Container Shipping Lines Association (CSLA)**

The barge movement must be seen as an 'optional facility' and not as an 'alternative arrangement'.

9. At the joint hearing, the CPT wanted about ten days time to file a written submission, which was granted. A list of point raised in the joint hearing was sent to the CPT on 10 September 2001 for specific comments.

10. The CSE has also submitted a written submission after the joint hearing. The CSE Limited has given the following comments / clarification on the points raised in the joint hearing:

(i). Container traffic diversions from Calcutta is not moving to Haldia, but also to Vizag – particularly Aluminum Ingots. The barge container service is designed to have traffic and revenue retention both for the Calcutta and Haldia. Therefore, there shall be reduction in rates by both Calcutta and Haldia to attract traffic.

(ii). The rate of Rs.1000/- per container (both TEU &FEU) was the consolidated container barge rate covering Calcutta and Haldia separately. The CPT mentioned that if this rate has continued basis 1996 and 2001 Scale of Rates, then as per the increase given, it would not have exceeded Rs.1000/- per TEU at both Calcutta and Haldia. But this according to the CPT is not workable, as this kind of concession will hit their traffic volume at CPY. It is practically certain that in the long run feeder vessels will be calling Haldia only and the entire traffic of nearly 1,31,000 TEU of Calcutta traffic will require handling by barges, if this traffic is to be retained in Calcutta and for this facilities in CPY will be very much utilised.

(iii). While the CPT mentioned against query from the Trade – Clearing Agents and Shippers, that there is a difference of Rs.160/- per TEU in favour of the package barge cost, we have clearly established through comparative rate chart that barge rate is nearly Rs.400 per TEU costlier them the cost of transportation by road, if proposed CPT rates are made applicable.

(iv). It was rightly mentioned by the Trade side that uniform transportation charges of Rs.1500/- per TEU as taken by the CPT in the cost package for inland transportation of containers between Shipper's / Consignee's go-down to CDS will go up to over Rs.3000 in many cases and hence the rate is very unrealistic.

(v). Our service will be viable if there is adequate traffic support and our capacity at present is about 5000 TEUs per month. As pointed out by the EISA, the Trade will expect a cost benefit of Rs.1500/- per TEU from the barge container service and for this fixing rate of Rs.1500/- per TEU wharfage at Calcutta and Rs.1000/- per TEU at Haldia will be essential. This will ensure not only retention of container traffic but also substantial growth of the same both for Calcutta and Haldia.

(vi). The Clearing Agents' have already mentioned about difficulties experienced by the trade in moving containers to Haldia by road due to single lane traffic in some vital sectors and emphasised on barge service as preferred mode of transport.

(vii). In view of the major cost benefit to Feeder Operators if they eliminate Calcutta calls, the Trade can rightfully claim a freight benefit of minimum US $ 50 per TEU from the Shipping Lines.

11. The CPT has submitted a written submission as agreed at the joint hearing. In its written submission, the CPT again justified their proposal. In addition, the CPT has also given the following comments / clarification on the points raised in the joint hearing:

(i). To work out the proposed rate, the all-inclusive rate of Rs.1000/- per TEU of loaded containers existing in the year 1992-93 has been taken as the basis and by loading an annual average inflationary rate of 10%, the present rate works out to Rs.2358/- per TEU. So far as the CDS is concerned, it has been decided that the all-inclusive rate will be Rs.2300/- per TEU with a provision that if the incremental traffic is in excess of 20000 TEUs per annum, the barge operator will be given a rebate of Rs.150/- per TEU, the effective rate then being Rs.2150/- per TEU of the incremental traffic.

(ii). Of the total loaded container population at CDS, about 55% is import and the balance 45% is export. All import containers are levied @ Rs.5000/- per TEU at berths other than the Container Terminal or Container Parking Yard (CPY). Since the proposed operation of container barges has been decided to be undertaken in the non-CPY berths where equipment support is provided by the private operators, a rate of Rs.5000/- per TEU is presently applicable as per the existing Scale of Rates. For export containers at non-CPY berths, there are three rates viz., for high valued cargo Rs.5000/- per TEU, medium valued cargo Rs.3500/- per TEU and low valued cargo Rs.2800/- per TEU, the volume of three types of exports being 5%, 30% and 65% of the total export containers at present. Thus, the weighted average rate per container works out to around Rs.4154/-. Compared with this rate, the proposed all-inclusive rate of Rs.2300/- per TEU for barge mode is definitely a concessional rate.

(iii). So far as the HDC is concerned, the present on-board charges and wharfage per TEU comprise Rs.750/- for landing / shipment from barge to quay and vice versa, Rs.300/- for transportation from quay to stackyard or vice versa by party's equipment Rs.300/- for transportation back from stackyard to quay or vice versa by party's equipment, Rs.1500/- for shipment / landing plus 10% special rate on the aggregate, i.e., a total of Rs.3135/- per TEU. While fixing the rate for barge movement at the HDC taking the rate existing in the year 1992-93 in the same manner as done for the CDS, a further concessional rate of Rs.2000/- per TEU has been proposed and considering that there will be a rebate of 10% for use of party's equipment on board the vessel and thereafter applying the special rate of 10%, the ultimate rate decided by the Port Trust Board comes to be Rs.1980/- per TEU. This is also a concessional rate in comparison to the rate of Rs.3135/- per TEU a/c containers handled by ships.

(iv). Concession / rebate at the HDC has been proposed to make the barge mode competitive so that diversion of containers by road from the CDS can be prevented and simultaneously handling at the HDC is also not affected.

(v). The concession is proposed keeping in view such container vessel which cannot come to the CDS but will take containers from the HDC by land mode. The vessels which come to the CDS can avail the handling facilities at the container terminal which will be cheaper than the barge mode. They can also work at non-terminal berth of the CDS. Keeping in view no concession in box rate has been proposed for movement in respect of the container vessels calling at the CDS.

(vi). If the overall average percentage increase in the rates in 1996 and in 2001 is loaded on the rate of Rs.1000/- existing in 1998, the same comes to be even less than Rs.1500/- per TEU. This rate is not acceptable for both Dock Systems. In the case of the HDC, this rate will be less than the revenue generated from single loading or unloading operation.

(vii). The consolidated charge of Rs.2300/- at the CDS covers the 10% special rate levied in the context of wage revision.

(viii). The prospective barge operators have given an assurance of handling 5000 TEUs per month.

Recognising this assurance, concessional rates are proposed.

(ix). The Scheme has not been proposed to be limited for a period of six months. It will be a continuous Scheme. The CPT will, however, review the position after six months.

(x). The rates proposed are not likely to have any adverse affect on the handling of vessels at the container terminal of the CDS.

(xi). Since the empty containers are already enjoying a lower rate, the normal rate prescribed in the revised Scale of Rates notified on 4 April 2001 may continue to apply.

(xii). The CPT has proposed common user rate which has not been proposed keeping in view any particular barge operator. Whoever finds it viable, may work at the berth designated for handling of barges carrying containers.

(xiii). In view of the position explained above, it will be clear that there is no justification to reduce the consolidated rates for barge movement of containers already proposed by the CPT. Besides, it has also been submitted in our proposal that these rates will be watched for a period of six months and if it is found that due to changes in the freight by road / rail or otherwise the same is not competitive, the CPT will certainly review the matter and take appropriate steps.

12. The CSLA has also submitted its written comments after the joint hearing, which are summarised below:

(i). The proposals are not in response to the request from Lines or the Trade.

(ii). The Lines are not convinced that the Trade will wish to have to face the complications of handling cargo through two terminals.

(iii). It is not clear why this proposal is before the TAMP. It is a coastal feeder service which is a subject of bilateral discussion between the Operator and Lines.

(iv). It is not clear whether the service offered is practical and also not sure the rates quoted are full expression of the costs involved.

(v). There are direct services to both CDS and HDC which can be utilised in the first instance. If movement from one dock to another dock is required then rail movement can be considered.

13. With reference to the totality of information collected during the processing of these cases, and the arguments advanced at the joint hearing, the following position emerges:

(i). This proposal has been made by the CPT with an objective of bringing back container traffic at the CDS which is dwindling due to a draught restriction in the navigable channel. The vessels, as reported, prefer to call at the HDC due to the draught problems faced. The containers to / from the HDC move by other alternate modes of transportation to the neighbourhood of Kolkata. If barge service is introduced for inter-dock movement of containers, there will be an additional traffic at the CDS and thus additional revenue to the CPT. As has been correctly pointed out by the SCI, the barge service is only an alternate mode of transportation between the CDS and the HDC and it cannot lead to any new container traffic for the port.

(ii). A separate rate for handling containers moving between the CDS and the HDC was available in the Scale of Rates (SOR) of 1993. This rate was a concessional one when compared with the handling charges for containers for / from other destinations. That being so, there cannot be any objection from the container vessels calling at the CDS about any discrimination, if the concession / rebate is only given for the barges. The proposal of the CPT is to be seen only for a revival of the provision in the Scale of Rates of 1993 with a suitable adjustment in rates. It is noteworthy that the CPT had not proposed inclusion of the concessional rate in the subsequent amendments to its Scale of Rates, as the inter-dock movements of containers by barges did not materialise. Since the Port has now received proposals from operators showing interest in such inter-dock movements, the relevant tariff item is now proposed to be revived.

(iii). The CSLA has observed that the barge movement is a matter between the operator and the Lines and questioned the necessity of this proposal being considered by this Authority. It is relevant here to mention that the proposal is to fix container handling charges to be levied at the CDS and the HDC. Statutorily, only this Authority can approve such rates. The trading arrangement of barge operation can, however, be between the Lines and the barge operators, but not determination of Port tariffs.

(iv). The CSE has not proposed any specific rate based on cost for container handling at both the terminals. Its request for a rate is based on comparison of cost of moving containers by barges vis-à-vis road / rail movement. It has initially asked for an ad-hoc rate of Rs.3000/- per TEU; but, it has subsequently suggested a rate of Rs.1500/- per TEU at the CDS and Rs.1200/- per TEU at the HDC.

(v). The EISA has observed that a cost differential of Rs.1000/- per TEU is necessary to provide incentive for containers transported through rail / road to shift to the barge mode. This point is also stressed by the CSE. It is noteworthy that incentive for such a shift in transportation mode is not confined only to the port cost but also depends on the convenience of transportation and efficiency of the services offered by the barge operators. Further, it cannot always be possible to fix port tariff with reference to cost of transportation by alternate modes. It is relevant here to note the CPT's assurance that the Scheme will be reviewed after 6 months after assessing the economics of transportation by different modes.

(vi). This Authority has already decided against allowing any concession in cargo handling charges for coastal cargo. This decision is primarily based on the objections raised by many of the Port Trusts about the ports being made to subsidise for de-congestion of road / rail traffic. But in the instant case, the CPT has categorically mentioned that its proposal is for preventing movement of containers from Kolkata to Haldia bypassing the CDS. That being so, this proposal cannot be treated as a one for extending concession for coastal cargo movement. It is noteworthy that the proposed operation is only an inter-dock movement and not inter-port movement.

(vii). The CSE has argued that the rate in the Scale of Rates in 1993 was for handling a 'container' and not for 'TEU' and requested for similar arrangement to continue in the proposed tariff scheme. The reply given by the CPT clearly indicates that the rate prescribed in the SOR in 1993 was prescribed on TEU basis. Further, container handling charges everywhere else have been prescribed on a TEU basis only.

That being so, there is no reason for accepting the request of the CSE for fixing handling charges on 'container' basis.

(viii). For arriving at the proposed rate, the CPT has applied an assumed inflation rate of 10% per annum over the rate prescribed in the SOR of 1993. When the average inflation suffered by the economy since 1993 is around 5%-6% per annum, the logic applied by the CPT cannot be totally accepted. If the rate in the SOR in 1993 had continued, it would have also been revised / reviewed during 1996 and 2001 revisions of SOR. To our query, the CPT has indicated that the then prevailing rate was concessional and if the general increases allowed in these revisions were applied, the handling charges would be unworkable. It has also mentioned that the rate at the HDC in that case will become less than the rate for single operation (vessel to quay) when in fact the HDC under the proposed arrangement will be handling the same container twice (vessel to quay and again quay to barge). The argument advanced by the CPT in this regard is found to reasonable and, therefore, accepted.

(ix). The CSE has mentioned that the rate for inter-dock movement of containers in Scale of Rates of 1993 was fixed by allowing more than 50% discount over the normal handling charges. At the existing rates of handling containers at the non-CPY berths of the CDS, the average rate for handling containers works out to Rs.4154/- per TEU, as estimated by the CPT considering the traffic mix. By allowing a 50% concession over this average rate and adding 10% special rate for wage arrears, the rate comes to around Rs.2300/- per TEU, which is the rate proposed by the CPT for container handling through barges at the non-CPY berths of the CDS. That being so, the rate proposed by the CPT cannot be said to be unreasonable with reference to the existing tariff for other containers and the tariff available for inter-dock transfer of containers in the Scale of Rates of 1993.

(x). The existing Scale of Rates relating to the HDC prescribe a 50% discount over the normal on-board and wharfage charges leviable on cargo landing / shipped on to / from barges / flats / boats. By extending this provision to containers and taking into account the applicable charges for other services, the total port tariff comes to Rs.3135/- per TEU at the HDC for a composite service of unloading containers from barges till their shipment in the connecting vessel (or vice-versa). In fact, there is no justification for allowing any concession / rebate in the handling charges at the HDC since container vessels will in any case go to the HDC. As has already been mentioned, the special rate proposed for containers handled through barges at the HDC includes charges for landing / shipment of containers from / to the (ocean-going) vessels. In any case, the HDC would have received this shipment / landing charge from all of these containers which is Rs.1500/- per TEU as per the existing Scale of Rates. It is to be recognised that the provision of allowing 50% concession in the on-board charges is not applicable on cargo landing/loaded from/to (ocean-going) vessels.

In view of the position explained above, the rate proposed by the CPT is found to be reasonable. There is no ground for reducing the rate proposed by the CPT further, as suggested by the CSE. Such a reduction in the rate may put the HDC in a disadvantageous position even after doing a double handling operation.

(xi). As has already been mentioned there is no merit (even) in reducing the existing rates at the HDC. In fact, the CPT proposal to allow concession at the HDC is only to encourage traffic at the CDS. It is, however, to be recognised that there is no financial loss to the HDC at the rates proposed by the CPT and it will only gain marginally due to double handling of containers.

(xii). This Authority has already notified the tariffs for the CPT. While doing so, there was occasion to comment on the financial health of the CPT. Significantly, the increases ordered were necessary to cover just the operating costs; the return allowed on capital employed was 'nil' or virtually so in respect of the CDS. With any meaningful return on capital employed, the tariff hikes would have had to be very much higher. In this backdrop, any (further) concessions should ordinarily be unthinkable. But, this Authority is inclined to accept the pleadings of the CPT, based on its commercial judgement, that the concessions will revive the container traffic and that the increase in overall revenue earnings will more than offset the concessions given. When the concessions proposed by the CPT itself are thus not quite in line with the general position adopted by this Authority, it will be incongruous for us to consider further concessions contemplated by any single operator. In fact, it will be self-contradictory for us to require the CPT to offer concessions more even than what they themselves have proposed. Accordingly, the representation of the CSE is rejected.

(xiii). At the HDC, the rate of Rs.2000/- per TEU proposed by the CPT is exclusive of a 10% special charge towards wage arrears. At the CDS, the proposed rate of Rs.2300/- per TEU includes this element also. At the CDS also, this element can be segregated so that the special rate to be levied can be properly accounted for and transferred to the escrow account maintained for the specific purpose of discharging the wage arrear liability. Accordingly, the rate at the CDS is prescribed as Rs.2090/- per TEU plus 10% special rate.

(xiv). The rates proposed by the CPT are for laden containers. The CPT has clarified that the rates for handling empties will be governed by the existing rates and provisions in its SOR. Since the existing rates for empties are very low, particularly at the CDS, this approach proposed by the CPT is reasonable. Further, none of the users have also raised any objection to the rates levied on empty containers.

(xv). The CPT has proposed a volume discount of Rs.150/- per TEU on the incremental traffic in excess of 20,000 TEU per barge operator per year at the CDS. This proposal is approved. The request of the CCHAA to pass on the benefits of rebate direct to the shipper is reasonable; but, it is difficult to enforce since all container related charges are realised from the Lines. Realising charges from one agency and allowing rebates to some other agency may pose avoidable billing problems.

(xvi). The handling rates now approved for container handled through barges are definitely concessional when compared to the rates prescribed in the existing SOR for other containers.

These concessional rates are proposed by the CPT with a reasonable expectation of container volume at the CDS to pick up. In order to ensure that this objective is achieved, it will be advisable for the CPT to seek traffic guarantees from the prospective operators. The CPT is advised to pursue this advice further and evolve a suitable scheme.

(xvii). The CPT has already indicated that the scheme has not been proposed to be limited only for a period of six months but only the arrangement will be reviewed after a period of six months for making changes, if found necessary. We find this to be a reasonable approach and endorsed it accordingly. If the review to be undertaken by the CPT reveals any requirement for tariff adjustment, the CPT may come up with a suitable proposal for consideration of this Authority.

14.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the rates and conditionalities for movement of container by barges between the CDS and the HDC as mentioned in paragraph 2.1. (iii) and (iv) above subject to segregation of the special rate for wage arrears from the consolidated rate at the CDS as indicated in paragraph 13 (xiii) above.

14.2. This Order will come into force with immediate effect, i.e., with effect from 5 November 2001.

14.3. The CPT is directed to amend its Scale of Rates applicable to the CDS and the HDC appropriately by incorporating the above decisions.

( **S. Sathyam** )

Chairman

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