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Tariff Authority for Major Ports

G.No. 94

New Delhi,

03 March 2020

NOTIFICATION

In exercise of the powers conferred under Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal received from Mumbai Port Trust (MBPT) for an amendment to its SOR, as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/5/2019-MBPT

Mumbai Port Trust

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Applicant

QUORUM:

- (i). Shri. T.S. Balasubramanian, Member (Finance)
- (ii). Shri. Rajat Sachar, Member (Economic)

ORDER

(Passed on this 20th day of February 2020)

Based on the proposal filed by Mumbai Port Trust (MBPT), this Authority vide its Order No. TAMP/5/2019-MBPT dated 24 July 2019 had revised the Scale of Rates (SOR) of MBPT. The said revised SOR was notified in the Gazette of India on 3 September 2019 vide Gazette no. 308.

2.1. In this context, the MBPT vide its letter No. FA/ACC/191(B)/3791 dated 16 October 2019 has requested for review/ amendment in its notified Scale of Rates. The submissions made by MBPT are as follows:

- (i) In para 11 (xxiv) of the Order dated 24 July 2019, it is stated that the MBPT has not established how fixing the minimum level of 1000 GRT will enable the port to recover the fixed cost on the note proposed below Section 2.1 (B) of the SOR for Composite Towage and Pilotage charges for Miscellaneous vessels. The said para also states that the additional income arising to the port on account of fixing a minimum level of composite pilotage and towage is not captured by the port.
- (ii). In this regard, it is submitted that the proposed note 'Charges leviable according to GRT will be levied on a minimum of 1000 GRT' existed in MBPT SOR (2004) which was deleted by TAMP in 2006 revision (para 9 (xxix) of TAMP order 2006). Hence, this is not a new conditionality and was being levied by the port in the past.
- (iii). Users have not objected to the proposed conditionality of minimum 1000 GRT in the SOR of MBPT in 2019.
- (iv). The port provides pilotage service, navigational aids and other facilities to all port users. Hence, as per the request of port users, similar services are provided to vessels of less than 1000 GRT and more than 1000 GRT.
- (v). The vessels having less than 1000 GRT are small vessels of which Pilotage and Towages charges prescribed at schedule 2.1 (B) are much lower. Hence, income generated from pilotage and towage from vessels of less than 1000 GRT is disproportionate to the expenditure incurred.
- (vi). A Cost statement of working of the expenditure incurred and additional revenue for Pilotage and Towage services for vessels having less than 1000 GRT during 2018-19 is furnished by MBPT.

(From the workings furnished by MBPT, it is seen that as against the expenditure incurred on the Pilotage service without tug in respect of less than 1000 GRT vessels to the tune of ₹ 26.28 crores, the revenue that is estimated to be generated by considering a minimum of 1000 GRT of vessel is about ₹ 1.35 crores only. Thus, even after considering levy of pilotage charges on minimum 1000 GRT, there is a gap of ₹ 24.93 crores.)

- (vii). Additional income likely to be generated by the said modification is not substantial and is only to the tune of ₹ 91.16 lakhs.

2.2. Based on the above, MBPT has requested this Authority to grant approval for the proposed conditionality (note) to be incorporated at Sr. 9 of notes below Section 2.1 applicable to both the sections (A) & (B) so as to enable the port recover the fixed costs incurred for this service, at least partially. The MBPT has also stated that this would also help MBPT to avoid loading such cost on other servicers of the port.

3. With regard to the submissions made by MBPT vide its letter dated 16 October 2019, the following points are relevant:

- (i). Reference is drawn to para no. 11(xxiv) of the Order dated 24 July 2019 passed by this Authority disposing of the general revision proposal filed by MBPT, which is reproduced below:

“Section 2.1 (B) of the SOR of MBPT prescribes composite pilotage and towage charges for Miscellaneous vessels viz., Off Shore Supply Vessels, Survey vessels and specific support vessels, floating cranes, rig vessels, dredgers, vessels under construction, telegraph vessels, Tugs boats, Passenger boats, Fishing trawlers, Self-propelled Barges, dumb barges, lash barges, pleasure yacht, country crafts, crew boats, etc. The MBPT has proposed a note to the effect that composite pilotage and towage charges for the above referred vessels shall be levied at minimum of 1000 GRT in order to recover the fixed cost involved in the activity. The MBPT has not established how fixing the minimum level of 1000 GRT will enable the port to recover its fixed costs. The additional income arising to the port on account of fixing a minimum level for levy of composite pilotage and towage is not seen to have been captured by the port. Hence, the introduction of the proposed note is not acceded to.”

- (ii). As brought out above, the reason for not prescribing the said note was that the MBPT had not established how fixing the minimum level of 1000 GRT will enable the port to recover its fixed costs and had not captured the additional income arising to the port on account of fixing a minimum level for levy of composite pilotage and towage.
- (iii). Now, the port has established with workings that considering the expenditure incurred on the Pilotage service without tug in respect of less than 1000 GRT vessels and the revenue that is estimated to be generated by considering a minimum of 1000 GRT of vessel, a gap of ₹ 24.93 crores will be left uncovered. The Additional income likely to be generated by the said modification has been quantified by the port at ₹91.16 lakhs per annum.
- (iv). It may be recalled that in the general revision Order of MBPT, a gap of ₹ 39.02 crores, has been left uncovered by the Port. Thus, the additional revenue of ₹91.16 lakhs arising out of introduction of proposed note (to be) approved, would get subsumed in the revenue gap.
- (v). In view of the above submissions and considering that the proposed prescription formed part of the general revision proposal filed by MBPT which was consulted with the stakeholders and since no user had objected to the proposed modification in the proceedings relating to the general revision proposal of MBPT at that point in time, this Authority is inclined to approve insertion of the note, as proposed by the MBPT, in its general revision proposal.
- (vi). Orders passed of this Authority generally comes into effect prospectively after expiry of 30 days from the date of Gazette Notification unless otherwise different

arrangement is specifically mentioned in the respective tariff Orders. Accordingly, the proposed modification shall come into effect prospectively after expiry of 30 days from the date of Notification of this Order in the Gazette of India.

4.1. In the result, and for the reasons give above, and based on the collective application of mind, this Authority approves insertion of the following note as common note no. (9) under Section 2.1 - Composite Pilotage and Towage charges, in its existing SOR:

“(9). *Charges leviable according to GRT will be levied on a minimum of 1000 GRT.*”

4.2 The MBPT is advised to suitably incorporate the above provision in its Scale of Rates.

4.3. The said insertion shall come into effect after expiry of 30 days from the date of Notification of this Order in the Gazette of India and its validity shall remain co-terminus with the validity of the existing Scale of Rates of MBPT.

(T.S. Balasubramanian)
Member (Finance)