TARIFF AUTHORITY FOR MAJOR PORTS

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 a composite tariff for handling transhipment containers at the Cochin Port Trust, as in the Order appended hereto.

(S. Sathyam, Chairman)

Case No. TAMP/43/2000-COPT

ORDER

The Cochin Port Trust (COPT) … Applicant

(Passed on this 27th day of November 2000)

This case relates to a proposal submitted by the Cochin Port Trust (COPT) for introduction of a composite tariff for handling transhipment containers.

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

(i). The vessels which are loading from Dubai and call at Cochin on their way to Colombo like to off load Tuticorin bound containers at Cochin instead of carrying all the way to Colombo and use those slots to carry Colombo bound boxes from Cochin.

(ii). No charges have been prescribed for handling transhipment containers in the COPT Scale of Rates. Hence, they are treated as import containers as well as export containers; handling charges for both operations; and, two wharfages are being recovered. This is much higher than the charges levied at Ports like Tuticorin, JNPT, and Colombo.

(iii). Some of the shipping lines have expressed their willingness to handle transhipment containers at Cochin provided a composite tariff is prescribed for the same on par with other Ports.

2.2. In this backdrop, the COPT had initially proposed a composite tariff for handling transhipment containers as given below:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars of the containers</th>
<th>Present Rate (Rs.)</th>
<th>Proposed Rate (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>20’ (Empty)</td>
<td>2,910/-</td>
<td>2,600/-</td>
</tr>
<tr>
<td>2.</td>
<td>40’ and above (Empty)</td>
<td>4,300/-</td>
<td>3,900/-</td>
</tr>
<tr>
<td>3.</td>
<td>20’ (Loaded)</td>
<td>4,410/-</td>
<td>3,000/-</td>
</tr>
<tr>
<td>4.</td>
<td>40’ and above (Loaded)</td>
<td>6,460/-</td>
<td>4,500/-</td>
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</table>

3. In accordance with procedure prescribed, the proposal was circulated among various users / representative bodies of port users. The comments received from them are summarised below:
M/s. Bengal Tiger-Line

(i). During February 2000, a new service was started – Dubai / Cochin / Colombo. A lot of containers were moving from UAE to Tuticorin on these vessels. The Principals were planning to transship these containers at Cochin because they can accept more cargo from Cochin to Dubai. But when we calculated the rates it was coming to almost double compared to Colombo. Therefore, the Principals decided to transship all these boxes via Colombo (i.e. Around 250 to 350 TEUs per month).

(ii). A consortium called Galax service were enquiring to bring containers from UAE destined for Tuticorin. Due to the heavy T/S charges, they were sending these containers on direct Colombo vessels from UAE and transshipping at Colombo. This will be around 300 to 500 TEUs per month.

(iii). PONL and MOSK are operating a joint service between Singapore and African ports. These vessels are calling at Cochin also. During the raw cashew season they bring a large number of containers destined for Tuticorin which they discharge at Cochin paying the high charge because these vessels do not call at Tuticorin. Sometimes they take this cargo to Tuticorin by rail (then they can avoid loading charges at the COPT) or send it via Colombo by sea if they get a better feeder freight.

(iv). Since the existing transhipment rates are exorbitant the COPT has lost the abovementioned business.

(v). In the prevailing competition between ports, the COPT must try to attract more cargo especially transhipment containers as the port is on the way to building a new Transhipment terminal at Vallarpadam.

Karmahom Conference

(i). We fully agree with the COPT proposal.

(ii). The current rate for handling an empty container is lower than that of a loaded container. This is because an empty container is not generating any revenue since it has no payload. A laden container has a ‘payload’ and, therefore, can bear a charge higher than an empty container. Therefore, we request the status quo to be maintained.

The Shipping Corporation of India

(i). We appreciate and welcome the initiative taken by the COPT in their proposal to introduce a composite transhipment container handling charge.

(ii). We suggest that the COPT maintain their rates at the level of the JNPT for both empties as well as loaded containers.

(iii). Cochin has a great potential for attracting movement of domestic Indian cargo in containers. In our estimation a volume of about 500-600 TEUs can move into the COPT from North India via Pipavav and about 200-300 TEUs from COPT to other west coast Indian ports. The COPT can cater to this additional throughput if the COPT consider a special tariff for handling of 20’ and 40’ containers containing domestic cargo from coastal ships. It is suggested that rates of Rs.2600/- / 20’ and Rs.3900/- / 40’ may be fixed for these coastal cargo in containers.

Indian National Shipowners Association (INSA)

(i). We support the views of the SCI.
(ii). We reiterate the urgent need to establish container related rates for containers moving with domestic cargo.

**Cochin Steamer Agents’ Association**

We fully endorse the Port’s proposal which will enable to attract additional transhipment containers to Cochin.

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

(i). We wholeheartedly endorse the Government’s policy of encouraging development of India’s ports as centres of transhipment, or hubs. We, therefore, applaud the COPT’s view that it should reduce rates to try and encourage business. The Port Trust may wish to make further reductions to increase the attractiveness of the port.

(ii). We are aware that reduction of one tariff element may raise concerns of “cross subsidisation”. We, however, believe that in this case such concerns, if they are raised, are unjustified, as this is a normal commercial device to enable a business enterprise to compete.

(iii). It is encouraging that a port has taken such steps but it may be appropriate to also consider a stepped rate structure to encourage more transhipment volume, i.e. more the volume, the lower the rate. Furthermore, the port may wish to give reductions on containers that move quickly through the port. This encourages operators to move boxes faster and so will make greater use of the terminal.

(iv). The port may also give consideration to productivity related tariffs. There are many variations on this scheme but in essence ports may wish to consider guaranteeing levels of performance which if not achieved, result in rebates to the Lines. Such a combination of guaranteed performance and a rebate mechanism could provide a significant incentive.

(v). It should be borne in mind though that the provision of a transhipment rate alone is not the only issue that is in need of being addressed in developing India’s ports as transhipment hubs. There are two other important issues namely –

- simplification of the transhipment procedures and in particular those imposed by customs.

- The regulations governing access to the movement of containers on the Indian Coast where such moves are part of an international move via an Indian hub port.

4. A joint hearing in this case was held at the COPT on 11 August 2000. At the time of the joint hearing, the following submissions were made:

**Cochin Port Trust (COPT)**

(i). Components of the proposed composite transhipment charges are specific which can be easily listed.

(ii). Wharfage is included in the transhipment charge. Even for a normal container, wharfage is included in the ‘box rate’.

(iii). If a full load vessel of transhipment containers comes, we can consider a rebate for stevedoring.

(iv). If gantry crane is not used because of operation in a conventional berth, there will be no charge for gantry at all.
Lashing/unlashing is not covered as the Stevedore does it and charges for it.

Ours are specially designed cranes. There are restrictions on height because of proximity to airport. Therefore, it can not be compared to the JNPT. There is quite often no smooth flow of cargo. Our cranes will be idle for two and three hours. All this has to be taken in to account.

In two months time, the COPT will consult users and bring a supplementary proposal for volume discounts.

**Patvolk**

We endorse the proposal of the COPT.

**Cochin Steamer Agents Association**

COPT must introduce volume discounts in line with the scheme operating at the JNPT.

**Indian National Shipowners Association (INSA) and Shipping Corporation of India (SCI)**

(i). We agree with the proposal. Composite rates as proposed are required.

(ii). If the COPT will do everything, will stevedoring be required to be arranged separately?

(iii). The COPT shall specify the free time allowed on transhipment containers.

(iv). The COPT can not adopt the JNPT rates because productivity at the JNPT is higher. Further, at the COPT, lines incur certain additional expenditure.

**Container Shipping Lines Association (CSLA)**

(i). The Initiative of feeder operators and the COPT is welcome.

(ii). It is the Shipping Line that pays ultimately and not the feeder operators.

(iii). Volume discounts must also be given as given by the Jawaharlal Nehru Port Trust.

(iv). There must always be a link between tariff and productivity.

(v). In case a vessel does not use the gantry crane what will be the rebate to be allowed on the composite rate?

(vi). Is lashing/unlashing covered by the composite rate? In JNPT it is covered.

**M/s. Bengal Tiger- Line and M/s. Aspinwall & Company Limited**

We endorse the proposal of the Port.

5. In the joint hearing, the following decisions were taken:

(i). The COPT would recast its proposal to provide for different rates for gantry loading/unloading and conventional loading / unloading.

(ii). The COPT would consult the users and incorporate a proposal for giving volume discounts.
6.1. The COPT has submitted its revised proposal vide its letter dated 29 September 2000. In the revised proposal, in addition to the transhipment charges proposed in the original proposal (as given in para 2.2 above), the following consolidated charges have been proposed:

A. Transhipment containers handled bothways in the conventional berths.

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<tr>
<th></th>
<th>Existing</th>
<th>Proposed</th>
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<tbody>
<tr>
<td></td>
<td>Rs.</td>
<td>Rs.</td>
</tr>
<tr>
<td>20’ empty</td>
<td>910.00</td>
<td>820.00</td>
</tr>
<tr>
<td>20’ Loaded</td>
<td>3010.00</td>
<td>2350.00</td>
</tr>
<tr>
<td>40’ empty</td>
<td>1300.00</td>
<td>1170.00</td>
</tr>
<tr>
<td>40’ Loaded</td>
<td>4560.00</td>
<td>3460.00</td>
</tr>
</tbody>
</table>

B. Composite charges for handling transhipment containers loaded at the conventional berth and discharged at the gantry and vice-versa

<table>
<thead>
<tr>
<th></th>
<th>Existing</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs.</td>
<td>Rs.</td>
</tr>
<tr>
<td>20’ empty</td>
<td>1910.00</td>
<td>1720.00</td>
</tr>
<tr>
<td>20’ Loaded</td>
<td>4010.00</td>
<td>3000.00</td>
</tr>
<tr>
<td>40’ empty</td>
<td>2800.00</td>
<td>2520.00</td>
</tr>
<tr>
<td>40’ Loaded</td>
<td>6060.00</td>
<td>4550.00</td>
</tr>
</tbody>
</table>

6.2. The COPT has also proposed a volume discount scheme separately for containers and other cargo.

7. With reference to the totality of information collected during the processing of this case, and based on a collective application of mind, the following points emerge for consideration:

(i). The existing Scale of Rates of the COPT does not contain separate handling charges for transhipment containers. Users are now being charged twice – for import operation and for export operation separately. The present proposal is to be seen as a step to rationalise the charges for handling transhipment containers in order to boost transhipment activity in the port.

(ii). All the users have welcomed the proposal.

(iii). The COPT has revised its original proposal so that composite rates for the following three situations can be prescribed:

(a). Handling transhipment containers under Gantry both ways.

(b). Handling transhipment containers in the conventional berths both ways.

(c). Handling transhipment containers in the conventional berths one way and under gantry the other way and vice versa.

(iv). The COPT has mentioned that the proposed rates are arrived at by allowing a concession in the existing charges to the tune of 10% in the case of empties and 25% in the case of loaded containers. Since the existing charges for loaded containers include wharfage on cargo also, the higher concession given to loaded containers is found to be in order.

(v). Some discrepancies have been noticed in the COPT’s computation of the existing rates for 20’ and 40’ loaded transhipment containers handled at the conventional berths. Consequently, the consolidated rates proposed for these categories of containers handled bothways in conventional berths and handled in conventional berths one
way and under Gantry the other way have been found to be higher than the aggregate of the itemised rates for individual services.

The arithmetical error in these rates proposed by the COPT have been corrected in consultation with it. Keeping in view the concession of 10% for empties and 25% for loaded containers proposed to be allowed in the existing rates, the consolidated charges for 20’ and 40’ loaded transhipment containers have accordingly been modified.

(vi). While the COPT has revised its earlier proposal to cover the three alternative situations of handling, it has not mentioned the various components of services covered under the composite rates. The composite rate covers Gantry charges (at gantry berths), transportation from quay to yard and vice versa, lift on / lift off charges at yard and wharfage on container as well as containerised cargo. This needs to be specifically mentioned in the Scale of Rates with a stipulation that when any of the services covered by the composite rate is not provided by the Port, a rebate equivalent to the notified charge for that activity is to be allowed. It is to be recognised that the existing Scale of Rates contains separate rates for the individual activities proposed to be covered by the composite charge.

(vii). The SCI raised a point at the joint hearing about free time allowed on transhipment containers. In this connection, it is noteworthy that the existing Scale of Rates of the COPT specifies a free time of 30 days for this category.

(viii). Accepting the suggestion made during the joint hearing, the COPT has proposed a volume discount scheme. However, the COPT proposal covers not only all types of container traffic but also bulk, break bulk and liquid cargo. Since the instant case is in the context of transhipment containers only, the volume discount proposal of the COPT has, therefore, to be delinked from this case and processed as separate case.

(ix). The CSLA has raised the issue of prescribing an efficiency linked tariff scheme. The stated policy of this Authority is to use the tariff leverage to effect improvements in operational efficiency. This Authority is also in favour of prescription of efficiency linked tariffs at all major ports and port terminals. The Authority has already introduced an efficiency linked container handling tariff scheme at the Nhava Sheva International Container Terminal Limited (NSICT). This scheme is further to be refined and extended to other ports.

However, prescription of an efficiency linked tariff scheme at the COPT can not be made in case of transhipment containers alone; it has to cover the entire container handling activity. The existing COPT container handling charges were fixed in December 1998; and, on expiry of a two year period, they would be due for a review. When the COPT next proposes a revision of the rates, it can incorporate its proposals for an efficiency linked tariff scheme which will reward the port for achieving performances above a cut-off limit and penalise for performances below the cut-off limit. The sustained average level of past performance can serve as a reasonable pointer for determining the cut off limit.

8. In the result, and for the reasons given above, the Authority approves the proposal of the COPT as given below:

* Composite rate for transhipment container handling*

A. Transhipment containers handled both ways under Gantry

<table>
<thead>
<tr>
<th></th>
<th>20’</th>
<th>40’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loaded</td>
<td>3000</td>
<td>4500</td>
</tr>
<tr>
<td>Empty</td>
<td>2600</td>
<td>3900</td>
</tr>
</tbody>
</table>

B. Transhipment containers handled both ways in the Conventional Berths

<table>
<thead>
<tr>
<th></th>
<th>20’</th>
<th>40’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loaded</td>
<td>1800</td>
<td>2600</td>
</tr>
<tr>
<td>Empty</td>
<td>820</td>
<td>1170</td>
</tr>
</tbody>
</table>
C. Transhipment containers handled in the conventional berths one way and under Gantry the other way

<table>
<thead>
<tr>
<th></th>
<th>20’</th>
<th>40’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loaded</td>
<td>2560</td>
<td>3720</td>
</tr>
<tr>
<td>Empty</td>
<td>1720</td>
<td>2520</td>
</tr>
</tbody>
</table>

**Note:**
1. A transhipment container is one which is discharged from one vessel, stored in the yard and transported through another vessel.

2. The composite rates given above cover Gantry charges (at gantry berths only), charges for transportation from quay to yard and vice versa, charges for grounding and lifting by transfer crane at the yard and wharfage on container as well as containerised cargo.

3. If any of the services covered by the composite rates are not provided by the port, a rebate equivalent to the notified charges for that service shall be allowed on the composite rates.”

9. The COPT is directed to amend its Scale of Rates accordingly.

( S. Sathyam, Chairman )

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[ List of Ports | List of Orders]