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 closes the case relating to a proposal of the Chennai Port Trust for revision of rates for handling of iron ore as in the Order appended hereto.

( S. Sathyam )
Chairman

Case No. TAMP/67/2001-CHPT

The Chennai Port Trust (CHPT) - - - Applicant

ORDER

(Passed on this 25th day of February 2002)

This case relates to a proposal received from the CHPT for revision of rates for iron handling activity.

2. The CHPT has proposed to increase the rates for iron ore handling activity by 125% to compensate the deficit in this activity. It has made the following main points in its proposal:

(i). The Authority had approved a tariff increase of 40% for the iron ore handling activity in its general revision Order dated 22 March 2000 as against the 100% increase proposed by it. The increase proposed by it was based on the cost statement for this activity which depicted a continuous deficit of more than Rs. 20/- crores from the year 1995-96 onwards.

(ii). In the said general revision Order, the Authority did not allow any increase for the POL and Container handling activities on the ground that these activities were in surplus. At the same time, the increase of 100% sought by it to absorb the deficit in the iron ore handling activity was also not allowed.

(iii). Inspite of the 40% increase approved by the Authority with effect from 10 April 2000, this activity incurred a deficit of Rs. 42.21/- crores for the year 2000-01. A further deficit of Rs. 55 crores and Rs. 71 crores is estimated in the years 2001-02 and 2002-03.

(iv). A further loss of revenue is expected due to shifting of coal handling from the CHPT to the Ennore Port.

(v). The Secretary (Shipping) at a meeting held with the Port Chairmen on 7 June 2001 in New Delhi in one of the agenda items relating to the CHPT decided that the port may take appropriate actives to revise the iron ore rates.
(vi). In this backdrop it has sought the approval of the Authority to increase the rates for iron ore handling activity by 125%.

3. In accordance with the consultation procedure prescribed, the CHPT proposal was circulated to the concerned port users / representative bodies of port users for their comments. Comments received from various port users / representative bodies of port users were forwarded to the CHPT for its information / comments. The views of the CHPT on the comments received from various users is still awaited.

4.1. The CHPT initially furnished cost statement for iron ore activity in support of its proposal. The cost statement furnished was, however, not in the proforma prescribed by this Authority. The CHPT was therefore requested to resubmit the cost statement in the format prescribed.

4.2. In the last general revision Order of the CHPT, since the rates for the surplus activities were not reduced, percentage increases in the rates for the deficit activities had been decided allowing the incidence of cross-subsidisation to continue at the level existing at that point of time. That being so, though the cost statement pertaining to iron ore activity depicted an average deficit of 146% only 40% increase was then allowed by this Authority. In order to decide on the quantum of tariff increase to be allowed in the instant case, it becomes essential to recognise and quantify the cross-subsidisation flowing from other activities to iron-ore handling activity. This analysis assumes more significance in the wake of privatisation of container handling activity at the CHPT. The CHPT was, therefore, requested to furnish cost statements for the Port as a whole and all cargo related activity in the format prescribed.

5. The CHPT was again reminded to furnish the requisite cost statements vide our letter dated 27 September 2001 and 30 October 2001. Subsequently, the CHPT submitted cost statements for all the activities for the year 1999-2000 and 2000-01 which were again not in the proforma prescribed by this Authority for submission of tariff revision proposals. Further, the information furnished by the CHPT did not contain estimates relating to the next two years. Since a tariff cycle of two years is generally allowed, the estimates for the next two years are essential to decide on the quantum of tariff increase. The CHPT was, therefore, again requested to furnish the cost statements in the format prescribed vide our letter dated 8 November 2001 followed by reminders dated 21 December 2001 and 17 January 2002.

6.1. A joint hearing in this case was held on 18 December 2001. At the joint hearing, the CHPT agreed to furnish the requisite cost statements within three to four days. Despite several reminders and its emphatic assurance made at the joint hearing, the CHPT has not yet furnished the requisite cost statements in the prescribed proforma.

6.2. At the joint hearing, the CHPT also agreed to arrange an interactive meeting with the users by 10 January 2002 to clarify different issues raised by them. The CHPT has not yet intimated the outcome of this meeting, despite a reminder issued.

7.1. In the absence of the cost statements in the prescribed proforma it is not possible to decide on the increase in tariffs to be allowed for the iron ore handling activity after assessing the reasonableness of various cost items and reckoning with the flow of cross-subsidies at the existing level. The details have been requisitioned from the CHPT since August 2001; and, even after a lapse of nearly 6 months no meaningful response has been received from the CHPT.

7.2. Since the proposal is received as a ‘tariff’ case, it is not desirable to keep it pending indefinitely. As the requisite information is not forthcoming despite our continuous efforts to obtain them, it has become unavoidable to treat this case as ‘closed’. Before closing the case, it was decided to give a final opportunity to the CHPT to furnish the requisite cost statements and intimate the outcome of the interactive meetings with the users. The CHPT was accordingly, informed that if the requisite details were not received by 22 February 2002, the case would be closed. The CHPT has not yet furnished the requisite information.
8.1. In the light of the position explained above, and based on a collective application of mind, this Authority decides to close this case for want of information required for analysing it.

8.2. It is noteworthy that the general review / revision of the CHPT tariffs falls due in April 2002 and the position relating to iron-ore handling charges can be taken up for review then.

(S. Sathyam)

Chairman

[ List of Ports  |  List of Orders]