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TARIFF AUTHORITY FOR MAJOR PORTS

G No.186 New Delhi, 07 November 2008

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 from the Chennai Container Terminal Private Limited for unbundling of the existing consolidated charges for yard operations as in the Order appended hereto.

(Brahm Dutt)
Chairman

Tariff Authority for Major Ports

Case No. TAMP/46/2007 – CCTL

The Chennai Container Terminal Pvt. Ltd - - - Applicant

ORDER

(Passed on this 30th day of September 2008)

This case relates to a proposal dated 6 August 2007 received from Chennai Container Terminal Limited (CCTL) for unbundling of the existing consolidated charges for yard operations.

2.1. This Authority had passed an Order on 28 March 2007 disposing of the proposal from the CCTL for general revision of its Scale of Rates (SOR). The CCTL general revision Order was notified in the Gazette of India on 18 April 2007.

2.2. With reference to the Order dated 28 March 2007, the CCTL communicated some errors, which crept in the Scale of Rates notified in April 2007. This Authority passed a corrigendum on 28 June 2007 to its earlier Order dated 28 March 2007 addressing some of the errors pointed out by CCTL. The following observations were made by this Authority on the other points raised by CCTL:

(i). The tariff items prescribed for levy of handling charges of containers at container yard for delivery to and from customers or transportation of containers to and from Container Freight Station (CFS) are composite rates. The lifts at container yard for storage qualify for concessional rate. The lifts at container yard for unloading the container from the customer's vehicle or loading the container to the customer's vehicle do not qualify for coastal concession. Unless the existing tariff items are split suitably to differentiate the activity qualifying for concessional tariff and the one not qualifying for concessional tariff, the notified composite tariff prescribed for the activities at the container yard with concession may have to continue.

(ii). The tariff item prescribed for levy of handling charges of containers at container rail yard includes lifts at container rail yard. The lifts at container rail yard should qualify for concessional rate. However, the services listed under this tariff item like data handling, processing and transfer between vessel, CCTL and shipping line do not qualify for coastal concession. However, this tariff item, in the present form appears to be eligible for coastal concessions.

3.1. In response, the CCTL has filed the proposal under reference. The main points made by CCTL are summarized below:

(i). The rates prescribed at Sections 3.1.3, 3.2.2. and 3.3.3. are consolidated charges covering two yard lifts – one for receipt / issue for delivery and one for delivery to trailer for movement on vessel and movement from vessel.

(ii). CCTL agrees with the views of the Authority that concession for coastal tariff is applicable on "relevant handling charges for ship-shore transfer and transfer from quay to storage yard as well as wharfage on cargo and containers.

(iii). CCTL has subdivided the existing tariff to ensure that the coastal containers are due for benefit only to the extent provided under the guidelines.

3.2. The CCTL has divided the existing Section 3.1.3, Section 3.2.2. and Section 3.1.3 into different sections, each covering activities qualifying for coastal concession and activities not qualifying for coastal concession.

4. The CCTL furnished the workings and the basis adopted for splitting the existing composite rate. Subsequently, the CCTL has proposed some amendments. A comparative position of the existing consolidated charges and the proposed unbundled charges is given below:

(i) Charges for handling FCL import and Export and empty containers:

Particulars	**Existing Scale**		**Proposed Scale**	
	S.3.1.3- Handling at Container Yard including lift on/off, delivery / receipt to and from customers.		**S.3.1.3 (a) - Handling at Container Yard Lift on / off on to / from the Internal Transfer Vehicle.**	
	Foreign-going vessel (Rs.)	***Coastal Vessel (Rs.)***	***Foreign-going vessel (Rs.)***	***Coastal Vessel (Rs.)***
Per FCL Container				
- Upto 20’	644.95	386.97	322.48	193.49
-Above 20’ & upto 40’	967.45	580.47	483.73	290.24
-Above 40’	1289.90	773.94	644.95	386.97
Per Empty Container				
- Upto 20’	319.40	191.64	159.70	95.82
-Above 20’ & upto 40’	479.10	287.46	239.55	143.73
-Above 40’	638.80	383.28	319.40	191.64
			S.3.1.3 (b) – Handling at container yard lift on / off for delivery / receipt to and from customers	
			Foreign-going vessel (Rs.)	***Coastal Vessel (Rs.)***
Per FCL Container				
- Upto 20’			322.48	322.48
-Above 20’ & upto 40’			483.73	483.73
-Above 40’			644.95	644.95
Per Empty Container				
- Upto 20’			159.70	159.70
-Above 20’ & upto 40’			239.55	239.55
-Above 40’			319.40	319.40
	Services include lifts at Container yard for storage and for landing or loading the container from or to customers vehicle		The proposed tariff structure is arrived by dividing the tariff equally between both the separate activities and applying the discounted tariff (60% of the normal tariff) to the vessel movement leg incase of coastal vessels	

(ii). Charges for handling LCL import and export containers

Particulars	Existing		Proposed	
	S.3.2.2 - Handling at Container Yard including lift on/off and transportation to and from CFS		**S.3.2.2 (a) – Transport of ocntainers from QC to Container yard and vice versa**	
	Foreign-going vessel (Rs.)	***Coastal Vessel (Rs.)***	***Foreign-going vessel (Rs.)***	***Coastal Vessel (Rs.)***
Per LCL Container				
- Upto 20’	2164.50	1298.70	554.40	332.64
-Above 20’ & upto 40’	3246.75	1948.05	831.55	498.93
-Above 40’	4329.00	2597.40	1108.75	665.25
			S.3.2.2. (b) – Handling at Container Yard lift on / off on to / from the Internal Transfer Vehicle	
			Foreign-going vessel (Rs.)	***Coastal Vessel (Rs.)***
Per LCL Container				
- Upto 20’			322.48	193.49
-Above 20’ & upto 40’			483.73	290.24
-Above 40’			644.95	386.97

		S.3.2.2. (c) – Transport of container from yard to CFS and vice versa, loading and unloading container from / to customer's vehicle and handling at CFS	
		Foreign-going vessel (Rs.)	***Coastal Vessel (Rs.)***
Per LCL Container			
- Upto 20'		1287.62	1287.62
-Above 20' & upto 40'		1931.47	1931.47
-Above 40'		2575.30	2575.30
		Services include landing or loading the container from or to customer's vehicle, stowage planning on vessel and yard, data handling, processing and transfer of data between vessel, CCTL and shipping line. Delivery of empty container will be charged a lift on/ lift off separately.	
	Services include transport to Container yard, CFS, lifts at Container yard for storage and for landing or loading the container from or to customer's vehicle, stowage planning on vessel and yard, data handling, processing and transfer of data between vessel, CCT and shipping line. Delivery of empty containers will be charged a lift on / lift off separately.	CCTL has not given any basis for arriving at the proposed tariff structure	

(iii). Charges for handling ICD import and Export container

Particulars	Existing		Proposed	
	S.3.3.3- Handling at Container Yard including lift on/off at Container Rail yard.		**S.3.3.3 (a) - Handling at Container Yard lift on / off on to / from the Internal Transfer Vehicle**	
	Foreign-going vessel (Rs.)	***Coastal Vessel (Rs.)***	***Foreign-going vessel (Rs.)***	***Coastal Vessel (Rs.)***
Per loaded Container				
- Upto 20'	644.95	386.97	322.48	193.49
-Above 20' & upto 40'	967.45	580.47	483.73	290.24
-Above 40'	1289.90	773.94	644.95	386.97
Per Empty Container				
- Upto 20'	319.40	191.64	159.70	95.82
-Above 20' & upto 40'	479.10	287.46	239.55	143.73
-Above 40'	638.80	383.28	319.40	191.64
			S.3.3.3 (b) – Handling at container rail yard lift on / off while giving delivery for rail rail.	
			Foreign-going vessel (Rs.)	***Coastal Vessel (Rs.)***
Per loaded Container				
- Upto 20'			322.48	322.48
-Above 20' & upto 40'			483.73	483.73
-Above 40'			644.95	644.95
Per Empty Container				
- Upto 20'			159.70	159.70
-Above 20' & upto 40'			239.55	239.55
-Above 40'			319.40	319.40
	Services include lift at container rail yard, data handling, processing and transfer between vessel, CCT and shipping line.		CCTL has not given any basis for the proposed tariff structure	

5.1. In accordance with the consultative procedure prescribed, a copy of the proposal from the CCTL was forwarded to CHPT and also to the concerned user organisations for their comments.

5.2. The comments of CHPT and user organisations were forwarded to CCTL as feedback information. We have not received the response of CCTL in this regard.

6. A joint hearing on the case in reference was held on 28 January 2008 at the CHPT premises. At the joint hearing, the CCTL and some of the users have made their submissions.

7. The proceedings relating to consultation in this case are available on records at the office of this Authority. An excerpt of the comments received and arguments made by the concerned parties will be sent separately to the relevant parties. These details will also be made available at our website http://tariffauthority.gov.in

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

(i). In the Scale of Rates of CCTL notified in April 2007, itemised rates are prescribed for handling of import containers by quay crane, transportation of import containers from quay crane to the container yard and handling at the container yard. The charges prescribed for import containers are applicable for export containers for handling at the container yard, transportation from the container yard to the quay crane and handling by quay crane. Different schedules are prescribed for FCL, LCL and ICD containers. The rates for containers for coastal vessels are prescribed at 60% of the applicable rate for foreign category, as per the policy decision of the Government.

(ii). The rates prescribed for handling the containers at the storage yard of CCTL are primarily for two operations – handling containers from / to quay side and handling for receipt / delivery or movement to ICD yard or CFS. While processing the case of general revision of the tariff of CCTL which culminated in the tariff Order dated 28 March 2007, it was brought to the notice of the CCTL that some services included in the container handling activity at the container storage yard did not qualify for coastal concession. The CCTL maintained that all services listed in the conditionalities governing the application of tariff for handling the containers at the storage yard qualify for coastal concession.

(iii). (a). As per the policy directions by the Government of India contained in the Order dated 7 January 2005 (TAMP/4/2004-Genl) notified by this Authority, in the case of itemized container related charges, coastal concesion is applicable on all the relevant charges for ship-shore transfer and transfer from / to quay and to / from storage yard. Accordingly, concesssional rate is not applicable for loading a container at the storage yard for delivery or unloading the containers at the yard after receipt or moving the containers between yard and CFS or ICD yards.

(b). The SCI has objected to segregate the existing rates on the ground that all movement of containers are carried out by CCTL whether the containers belong to foreign-going vessel or coastal vessel. The question here is not about provision of services but the concessions to be allowed for coastal containers for such services. Since the existing concessional rates prescribed for handling the coastal container at the storage yard of the CCTL are a composite rate for different services, of which some of the services do not qualify for concessional rate as per the Government policy, it becomes necessary to segregate relevant existing rates so that CCTL will not be required to allow concessions beyond the levels envisaged by the Government policy.

(iv). The CCTL proposal does not exclude the handling operations involved in the onward delivery of containers to the consignees, as apprehended by the SCI. It has only proposed to regroup the tariff items.

(v). The proposal of the CCTL to unbundle the existing tariff items prescribed for Full Container Load and empty containers, Less than Container Load (LCL) containers and Inland Container Depot (ICD) Containers in relation to its storage yard operations is analysed below:

A. FCL and Empty Containers :

(i). A rate of Rs.644.95 per TEU is prescribed for handling containers at the container storage yard which covers two lifts; one for storage of container at the yard and another for unloading the container from customer's vehicle or loading the container to the cutomer's vehicle.

(ii). The proposal of the CCTL is to bifurcate the existing tariff item into the following two sub-items, each consisting of one lift:

(1). Provision of lift at the yard for storage of containers

(2). Provision of lift at the storage yard for delivery / receipt of the container.

(iii). While responding to the query raised by us seeking the basis for the proposed bifurcated rates, the CCTL clarified that the proposed tariff structure has been derived by dividing existing tariff equally between the two separate activities. In this regard, it is relevant here to state that the individual tariff items prescribed in the Scale of Rates of CCTL is not with reference to the cost of providing the respective services. Since the service relating to provision of lifts at the container storage yard is proposed to be segregated equally, the existing composite rates are also divided equally and prescribed accordingly, as proposed by CCTL.

(iv). Concessional rate is applicable for provisions of lift for storage of containers. The proposed concessional rates for provision of lift for storage are at 60% of the corresponding rates applicable for foreign containers, in the first bifurcation of the tariff item, which is approved.

(v). As far as the second bifurcated tariff item is concerned, concessional rate is not applicable for loading the container at the storage yard for delivery or unloading the container at the yard after receipt.

B. LCL Containers.

The existing tariff item covers the following three main activities, namely,

(1) transportation from quay to container yard and vice versa and lift at container yard for storage;

(2) lift at container yard for landing or loading the containers from/to customer's vehicle; and

(3) transportation to and from container freight station (CFS).

The CCTL has proposed to split this tariff item into three parts, which are discussed below:

(a). The activity of transportation of containers from quay to container yard and vice versa is proposed to be segregated from the composite activity and is proposed as a separate sub-activity.

The rate for transportation of containers from quay to yard is different in respect of FCL Container and ICD Container. The approved rates are Rs.583.55 per TEU and Rs. 554.40 per TEU for FCL container and ICD container respectively. The CCTL has chosen to adopt the lower rate.

Concessional rate is applicable for transport of container from quay to storage yard.

(b). The second main item segregated from the composite tariff relates to provision of one lift at the storage yard. The provision of one lift at the storage yard is proposed either for lift off of the import container from the Internal Transfer Vehicle or for lift on of export container to the Internal Transfer Vehicle. Since the service relates to provision of only one lift, the proposal of the CCTL to prescribe 50% of the existing rates is approved. Coastal concession will apply in this case.

(c). The third element relates to transportation of container from yard to and from container freight station, loading container to customer's vehicle / unloading containers from customer's vehicle and handling at CFS. Taking into consideration the existing composite rates and adjusting the (segregated) rates proposed for transportation of containers from quay to container yard and the (segregated) rates proposed for provision of lift at the yard for storage in the composite rates, the residual amount has been proposed for this segregated tariff item. Therefore, the proposed rates for this segregated tariff item is approved.

Concessional rate is not applicable for loading the container at the storage yard for delivery or unloading the containers at the yard after receipt or moving the containers between the yard and CFS.

C. ICD Containers.

The existing rates for handling at yard is proposed to be unbundled following the same approach adopted in the case of FCL containers. The proposed unbundling of rates in respect of handling ICD containers at yard is approved.

(vi). (a). The unbundling of the existing rates due to withdrawal of concessional rates for part of the activities will result in additional income during the remaining period of the current tariff cycle. This additional income will be without any corresponding increase in operating cost. The CCTL has not furnished the details of additional income that may accrue to it during the remaining period of the current validity tariff cycle.

(b). During the review of tariff of CCTL in March 2007, the CCTL estimated coastal container traffic for all categories of containers excluding LCL containers. Accordingly, income from coastal traffic was estimated by CCTL for the years 2007 to 2009. It is to be mentioned here that no traffic of "above 40' containers" was projected and consequently, no income was estimated for this category.

The unbundling exercise will, therefore, have revenue implication only on account of handling 20' and 20' to 40' coastal FCL and ICD containers. The working for per TEU additional income that may accrue to CCTL is assessed as follows:

Particulars	Aggregate of the Proposed bifurcated coastal rate per TEU (in Rs.)	Existing coastal rate per TEU (in Rs.)	Difference (in Rs.)
FCL & ICD Loaded containers			
- Upto 20'	193.49 + 322.48 = 515.97	386.97	129.00
-Above 20' & upto 40'	290.24 + 483.73 = 773.97	580.47	193.50
FCL & ICD Empty containers			
- Upto 20'	95.82 + 159.70 = 255.52	191.64	63.88
-Above 20' & upto 40'	143.73 + 239.55 = 383.28	287.46	95.82

(c). The existing tariff of CCTL fixed in March 2007 has a three year validity cycle from the year 2007 to 2009. The year 2007 is already over. Reckoning with six months in the current year 2008 and entire period of the year 2009, the additional income that may accrue to the CCTL is estimated and the following position emerges as given in the table below:

Sr. No.	Particulars	2008 (2nd half)			2009		
		Traffic in TEUs*	Additional income per TEU (in Rs.)	Total Additional income (Rs. in Lakhs)	Traffic in TEUs	Additional income per TEU (in Rs.)	Total Additional income (Rs. in Lakhs)
1(a)	Estimated total container traffic	462761			749346		
(b)	Estimated total coastal traffic	9152			14819		
(c)	Coastal traffic as a % of total traffic	1.98%			1.98%		
2	Loaded Containers						
	(a) 20 ft containers	7641	129.00	9.86	12372	129.00	15.96
	(b) 20-40 ft containers	18	193.50	0.03	28	193.50	0.05
3	Empty Containers						
	(a) 20 ft containers	1136	63.88	0.73	1839	63.88	1.18
	(b) 20-40 ft containers	11	95.82	0.01	17	95.82	0.02
4	Total Additional income (2 + 3)			**10.63**			**17.21**

* 50% of the estimated total traffic.

As can be seen from the above table, an estimated additional income of Rs.27.84 lakhs is likely to accrue to CCTL during the remaining tariff validity period of 1 ½ years with reference to the estimated income for the relevant period considered in the last tariff revision exercise. When compared to the total revenue of the terminal, this additional income will only be a miniscule 0.09%. The actual additional income accruing to CCTL due to the unbundling of the relevant tariff items will, therefore, be accounted for in the next review of the tariff of CCTL.

8. The Scale of Rates of the CCTL notified on 18 April 2007 has been revised upwards by 10% vide Order dated 19 June 2008 passed by this Authority disposing of the review application filed by the CCTL. Therefore, the revised rates under Sections 3.1.3, 3.2.2 and 3.3.3 are considered for the purpose of unbundling.

9. In the result, and for the reasons given above, and based on a collective application of mind, the existing Sections 3.1.3., 3.2.2. and 3.3.3. in the Scale of Rates of CCTL are replaced with the respective following Sections :

"S.3.1.3 (a) - Handling at Container Yard lift on / off onto / from the Internal Transfer Vehicle:

Particulars	***Foreign-going vessel (Rs.)***	***Coastal Vessel (Rs.)***
Per FCL Container		
- Not exceeding 20' in length	354.73	212.84
- Exceeding 20' and upto 40' in length	532.10	319.26
- Over 40' in length	709.44	425.66
Per Empty Container		
- Not exceeding 20' in length	175.67	105.40
- Exceeding 20' and upto 40' in length	263.50	158.10
- Over 40' in length	351.34	210.80

Note: Services include lifts at container yard for storage.

S.3.1.3 (b) – Handling at Container Yard lift on / off for delivery / receipt to and from customers:

Particulars	***Foreign-going vessel (Rs.)***	***Coastal Vessel (Rs.)***
Per FCL Container		
- Not exceeding 20' in length	354.73	354.73
- Exceeding 20' and upto 40' in length	532.10	532.10
- Over 40' in length	709.44	709.44
Per Empty Container		
- Not exceeding 20' in length	175.67	175.67
- Exceeding 20' and upto 40' in length	263.50	263.50
- Over 40' in length	351.34	351.34

Note: Services include lifts at container yard for landing or loading the container from or to customer's vehicle.

S.3.2.2 (a) – Transportation of Container from QC to Container Yard and vice versa

Particulars	***Foreign-going vessel (Rs.)***	***Coastal Vessel (Rs.)***
Per LCL Container		
- Not exceeding 20' in length	609.84	365.90
- Exceeding 20' and upto 40' in length	914.70	548.82
- Over 40' in length	1219.62	731.77

Note: Services include transportation of container from quay to yard and vice versa.

S.3.2.2. (b) – Handling at Container Yard lift on / off onto / from the Internal Transfer Vehicle:

Particulars	***Foreign-going vessel (Rs.)***	***Coastal Vessel (Rs.)***
Per LCL Container		
- Not exceeding 20' in length	354.73	212.84
- Exceeding 20' and upto 40' in length	532.10	319.26
- Over 40' in length	709.44	425.66

Note: Services include lifts at container yard for storage.

S.3.2.2. (c) – Transport of Container from Yard to CFS and vice versa, loading and unloading container from / to customer's vehicle and handling at CFS:

Particulars	***Foreign-going vessel (Rs.)***	***Coastal Vessel (Rs.)***
Per LCL Container		
- Not exceeding 20' in length	1416.38	1416.38
- Exceeding 20' and upto 40' in length	2124.62	2124.62
- Over 40' in length	2832.83	2832.83

Note: Services include landing or loading the container from or to customer's vehicle, stowage planning on vessel and yard, data handling, processing and transfer of data between vessel, CCTL and shipping line. Delivery of empty container will be charged a lift on/ lift off separately.

S.3.3.3 (a) - Handling at Container Yard lift on / off onto / from the Internal Transfer Vehicle:

Particulars	***Foreign-going vessel (Rs.)***	***Coastal Vessel (Rs.)***
Per FCL Container		
- Not exceeding 20' in length	354.73	212.84
- Exceeding 20' and upto 40' in length	532.10	319.26
- Over 40' in length	709.44	425.66
Per Empty Container		
- Not exceeding 20' in length	175.67	105.40
- Exceeding 20' and upto 40' in length	263.50	158.10
- Over 40' in length	351.34	210.80

Note: Services include lifts at container yard for storage.

S.3.3.3 (b) – Handling at container rail yard lift on / off while giving delivery for Rail

Particulars	***Foreign-going vessel (Rs.)***	***Coastal Vessel (Rs.)***
Per FCL Container		
- Not exceeding 20' in length	354.73	354.73
- Exceeding 20' and upto 40' in length	532.10	532.10
- Over 40' in length	709.44	709.44
Per Empty Container		
- Not exceeding 20' in length	175.67	175.67
- Exceeding 20' and upto 40' in length	263.50	263.50
- Over 40' in length	351.34	351.34

Note: Services include lift at container rail yard, data handling, processing and transfer between vessel, CCT and shipping line.**"**

10. The amendment to the Scale of Rates of CCTL will take effect after expiry of 30 days from the date of notification of this Order in the Gazette of India.

(Brahm Dutt)
Chairman