TARIFF REGULATIONS IN MAJOR PORTS – CASE OF INDIA

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ABSTRACT

Tariffs in the Major Ports of India are set by Tariff Authority for Major Ports. The Authority however, does not have jurisdiction over the Ports under the State Governments. The government has recently decided for market based pricing. This paper reviews the reasons for arriving at this decision and is of the view that restrictive tariff guidelines and competition do not make it conducive for market based pricing as yet.
INTRODUCTION

India has a long coastline of 7,516 km and has 13 major ports and about 200 minor ports (about 69 of these are operational). In the year 2010–11, the 13 major ports handled about 64% of the maritime cargo of the country. The balance 36% was handled by the minor ports (1). Major ports are administered by the Central government and the minor ports also called non-major ports are administered by the State governments.

The Central and various State Governments of the maritime states are keen to intervene strategically in this sector to capture the potential from convergence of the global economy and our markets. The Maritime Agenda 2010 is the latest initiative of the Central Government wherein the country plans to spend about Rs 2770 billion (approximately USD 50 billion) in the maritime sector during the 10 years. The Maritime Agenda envisages the capacity to increase to 3130 million tonnes by 2019-20 from existing capacity of 963 million tonnes (2) (see table 1).

Extrapolating to 2040, the port capacity would reach 30,000 million tons (about 30 times the existing capacity). The Twelfth Five Year Plan itself envisages capacity of 1.44 billion tonnes by 2016-17 (3). This is a tall order, considering that the Indian Ports Act is of 1908 vintage and the Indian port capacity crossed 1.25 billion tonnes (2011-12 fiscal) (after more than 100 years). The envisaged capacity additions in the ports along with the associated transportation & other infrastructure on this scale, in the forecasted time horizon are a formidable challenge.

TABLE 1  Capacity Estimation in Port Sector (2)

<table>
<thead>
<tr>
<th>Ports</th>
<th>Existing level 2009-10</th>
<th>Projections</th>
<th>CAGR (%) between 2009-10 &amp;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2016-17</td>
<td>2019-20</td>
</tr>
<tr>
<td>Major ports</td>
<td>616.73</td>
<td>1328.26</td>
<td>1459.53</td>
</tr>
<tr>
<td>Maritime states</td>
<td>346.31</td>
<td>1263.86</td>
<td>1670.51</td>
</tr>
<tr>
<td>Overall</td>
<td>963.04</td>
<td>2592.12</td>
<td>3130.04</td>
</tr>
</tbody>
</table>

POLICY ENVIRONMENT

The Twelfth Five Year Plan states “Faster, Sustainable and More Inclusive Growth” as its objectives. The government has adopted centralized planning for meeting the development goals. The existing framework however seems inadequate and fails to address the divergent views of the various stakeholders.

A complex regulatory framework is a characteristic of the sector. The regulatory environment delays projects at all levels - from conception to approval and also during the operational stages. It is seen that the ports projects are increasingly becoming more complex with suitable Greenfield and Brownfield locations reaching saturation along with the associated connectivity infrastructure.

Rapid changes have occurred to the maritime industry structure over the last 50 years. This development has affected the ports sector too. The freight shipping is considerably focussed
around containerization of cargo. A modern container port necessitates large-scale infrastructure investment with expensive cargo handling mechanized equipment. There is high technology intensiveness (labour intensity has substantially reduced). Moreover, containerization of cargo has resulted in the ports serving hinterlands far into the interior, extending in most cases to thousands of miles.

There are considerable externalities in transportation projects. While positive externalities give fillip to trade and development in the area, the negative externalities are challenges most prominently in the environmental space viz. air and water pollution, waste management challenges, noise pollutions, increased risks of accidents etc. They have a bearing on the health of the residents in the vicinity and result in lower quality of life and deprivation and loss of economic efficiency in their traditional vocations.

The changing market structure of ports particularly, containerization has reduced the economic benefits to the locals. The benefit of such project is region wide and accrues to nonusers as well such as landowners and developers. The negative externalities however, are more pronounced locally- large scale displacement, loss of livelihood, homelessness, mortality, loss of common property, resettlement and rehabilitation leading even to social disintegration in view of the project (4).

There is consolidation of terminal operators at the global level. The global actors seek to extract big share of economic rent produced by the ports. This results in a decreasing pie for the locals who argue that there is imbalance between the benefits and costs to the local community. These developments are a source of breeding ground for major socio economic confrontation. There is increasing divergence of opinion relating to the development of SEZs, land acquisition, environmental issues, R&R issues, compensation, valuation etc. Significantly, there is increased resistance for such projects from the locals who question the very need for such the project in their vicinity.

Public intervention is frequently seen based on different arguments - externalities, natural monopoly, public goods, and imperfections in capital market. A school of thought is that when there are natural monopolies, the best policy is to accept monopoly as a fact of life and control its harmful effects through government regulation. Significantly, in the port sector there are complex set of regulations.

Another market challenge is this sector is information asymmetry. The projects are complex in nature and the information is incomplete, interpretive and deliberately controlled. The long term nature of such projects makes it infeasible to forecast the consequences and side effects of every possible exchange. In most cases this kind of information simply does not exist e.g. it is not possible to estimate the kind of bottom in the port after a particular depth. Encountering rock bottom as compared to sand bottom can offset the dredging costs by factor of 10. Similarly traffic projections have more often been found to be consistently wrong.

THE LEGISLATIVE AND REGULATORY ENVIRONMENT
The Indian Port Act of 1908 provides the legal framework to the central government to make policy of the sector. The Major Ports are governed under the Major Ports Act 1963. The scale of capacity augmentation is clearly beyond the capacity of the public sector. The government has taken total recourse to the private sector to finance and operate infrastructure projects in the port sector. The private sector is expected to bring in better management, technology and a market orientation to the sector.

The government has articulated that Public Private Partnership model will be the preferred method for port capacity expansion. However, using PPP to deliver Port infrastructure
has special challenges, the most significant one is the long term horizon of the concession. The socio-economic environment changes significantly during the life of the concession. There are special challenges in designing such long term contracts; they have to be flexible and dynamic. It is difficult to make the contract comprehensive even for a shorter time period. However, the lack of comprehensiveness and the changing environment leads to conflict of interests between the private and public entities. The conflict emanates from two factors: (a) the contract cannot be fully specified, or complete (b) the participants have differing objectives. The private sector participant seeks to maximize risk-adjusted profits over the contract life. Given that the contract cannot be fully specified ex ante, this implies that participants will maximize the expected NPV of the contract at the beginning and at any other time during the life of the contract. i.e. profit maximization is not a one-period phenomenon. If new profit opportunities are seen as the contract unfolds, they will seek to capture them (5).

The existing bidding process for the port/terminal itself is far from satisfactory. The existing methodology to quantify the various cost and revenues is not standardized. The frequent case of high bids of revenue share defies project fundamentals. Some operators have won the bids on large revenue share, made large capital gains on land developments, and subsequently tried to re-negotiate terms in the later part of concession period.

It is frequently reported that operators make large profits in the EPC stage of the contract and then exit or lie low, barely meeting the output specifications as required in the concession. This is a matter of concern to the government and the trade at large. While, welfare economics provides well developed normative theory on when governments might intervene in markets in the presence of market failures, it provides much less guidance on how governments, should intervene in such conditions (Vining & Weimer, 2005).

A key issue related to the ports is the existence of market power. Ports have limited capacity infrastructure, captive hinterlands where transport through a particular port has a lower generalised transport cost than any alternative give rise to this market power. A number of competition concerns relate to potential abuses of market power, these abuses can lead to various types of consumer harm, but fundamentally there is a net welfare detriment, which can arise from higher prices, reduced output, and reduced service quality, reduced innovation or other factors.

One manifestation of market power is excessive pricing. Excessive pricing is the practice of directly or indirectly imposing unfair purchasing prices on customers. The central question to be addressed in these cases is usually the relationship between the price charged and the economic value of the service/product. There are two basic approaches used to define pricing structure the ‘cost plus’ contract or cost of service regulation and the ‘price cap’ contracts. Price cap contracts are more incentive oriented than a cost plus contract. In terms of regulatory mechanism, both cost plus/rate of return and price cap regulations have been used in India and both have been partially successful. Both systems are prone to renegotiation and in most cases, very little is spelt out upfront on renegotiation. The port sector has been largely dominated by cost plus price regulations and the regime has continuously moved towards capitalizing on the best of both the systems. However, in the existing system the ‘rate of return’ regulation has been used along with ‘share of revenue’ as the bid parameter, which is conceptually inconsistent.

**TARIFF AUTHORITY FOR MAJOR PORTS (TAMP)**

The Tariff Authority for Major Ports (TAMP) was constituted in the year 1997. This Authority has jurisdiction only over major port trusts and private terminals therein. It is responsible for prescribing the rates for services provided and facilities extended by them and also rates for lease
of port trust properties. This Authority is empowered not only to notify the rates but also the conditionalities governing application of the rates. TAMP fixes the ceiling tariff for all the port services in the Major Ports. The projects bid out on PPP concessions are governed by these tariffs. It is reiterated here that TAMP jurisdiction extends only to the Major Ports which are Ports under the Jurisdiction of the Central Government (under the Major Ports Act 1963). It is interesting to note that the biggest port in the country is Sikka - a Minor Port in Gujarat (under the State Government).

Over the years there have been 3 tariff guidelines issued by TAMP and concessions governed under the 3 tariff guidelines are at considerable variance, having important economic & strategic implications. All three guidelines are in force, depending on the date of the terminal concession. The 1998 TAMP guidelines allowed a normative cost plus assured Return on Equity (RoE) of 20%. The guidelines were revised in 2005 under which the cost plus approach was continued with an assured rate of return based on a pre-tax return on capital employed (RoCE) of 15%. Capital employed has been defined as the sum of Net Fixed Assets and Normative Working Capital, with norms specified for depreciation and various working capital parameters. For projects bid before 29 July 2003, revenue share/royalty was allowed as a pass-through cost in such a manner as to avoid likely loss to the operator on account of the royalty/revenue share not being taken into account subject to maximum of the amount quoted by the next lowest bidder. This would, however be allowed for the period up to which such likely loss will arise but for projects bid after 29 July 2003, royalty was not to be considered as cost item. This treatment of royalty share effectively reduced the RoCE, to below the 15%, implying that returns are well below even moderate expectations. Tariff revision was envisaged after three years (unless a different period is explicitly prescribed in any individual case by TAMP or in the concession agreement).

One of the key problems in the 2005 guidelines is that the tariff is based on the ‘projected’ traffic of the port/terminal. In most cases the traffic projections are inaccurate and result in a large variation from the projected figure and the operator benefits or losses, depending on the actual traffic exceeding / falling short of the projections. The guidelines penalize the operator for better performance with a reduction in the tariff to adjust the gains. IPA corroborated this when it stated that the 2005 guidelines do not allow the operators to retain important efficiency gains that are derived by the terminal operators.

Further there is progressive reduction in tariffs due to depreciated assets over the years. This makes the tariffs unviable and frequently it does not recover even the operations costs. Hence, the port operator reduces the cargo handling to the Minimum Guaranteed Cargo (as required in the Concession) and could also compensate the port authority with the ‘revenue share’ due under the Minimum Guaranteed Cargo clause even without actually handling the cargo. This is a serious situation and results in loss of port capacity for trade.

Three TAMP orders last year, which received considerable visibility, had notified downward revision of tariff of terminals governed under the 2005 guidelines, best illustrated the problem in the regime. It stated at the outset that the 2005 guidelines although sound in theory were impracticable. The operators, however, had bid for the concession under the 2005 guidelines. They were aware that the Annual revenue requirement is calculated on a depreciating asset base, the increasing traffic would exacerbate the situation, resulting in steep reduction in tariff over time. Operating under a tariff which more often, did not even recover operating cost was illogical from a business perspective. Further, the bid parameter is on revenue share which cannot be passed on to the users, this further reduces the return on investment below the modest
ROCE envisaged during the award of the project. The guidelines have the effect discouraging new investments and punishing efficiency gains. Hence, it was to be expected that these guidelines would result in reduced tariffs (even below short run marginal costs) and as such provide a bleak picture of the Port sector with out-dated and poorly maintained terminals with operators making losses from around the second half of the concession period. It is therefore logical for these operators to queue up for renegotiation of the concession agreements, to prevent further reduction in tariff below operating costs, and have rationale to continue operating the terminal. Most of the terminals under the 2005 guidelines are under or potentially under litigation.

The ‘2008 guidelines’ are a considerable improvement over the 2005 guidelines and avoid the situation described above; however it too has major flaws. The 2008 guidelines envisage upfront tariff fixation and adoption of normative approach to estimation of costs and traffic and inflation indexation of tariffs. The basis for RoCE is the 'normative project cost' which is a fixed value unlike in the previous guidelines, where the relevant parameter 'capital employed' continually reduces in view of depreciation. The tariff is determined on basis of assessed capacity, which is calculated by adopting the normative values, as compared to the determination of tariff based on projected volume of tariff in 2005 guidelines. The elaborate process to calculate ARR starts with selecting a consultant on L1. This consultant makes an educated guess of the CAPEX and OPEX of the terminal. There are no inputs for the market price of land, and the need for any standard tests to be carried out before arriving at these estimates. Based on this estimate of investment, capacity and traffic which is calculated using the norms laid down in guidelines (irrespective of the size of the ship, location challenges of the port etc.) an upfront tariff is fixed. The tariff so fixed seals the fate of the terminal for the entire concession period, with provision only for inflation indexation.

A notable deviation in the guidelines is the provision that a tariff fixed for a terminal at particular port would apply to all terminals handling the same cargo at that port for the next 5 years. However, this has rarely if ever occurred, and each new terminal in the port is considered as a 'standard terminal', which again resulted in different tariffs even in 2008 guidelines. This process is further exacerbated when ports bundle unrelated developments activities with the BOT project resulting in the upfront tariff having little economic relation to the costs of cargo handling.

Hence, it is obvious that the existing tariff setting process needs improvement. The demand for port services is a double derived demand. It is the shipping industry which responds to the changing logistics strategies of the major port users. The port industry has to therefore respond to the Shipping Industry’s strategic response. Hence, port tariff is not a linear function. The regime does not consider the effect of improved/reduced draft during the concession period. It does not seem to consider the global nature of the Shipping markets – the range of its cyclicality, the speed of technological improvements in equipment handling systems, increasing vessel sizes, the inverse relationship that ship size has on turn-around times, the emerging industry structure of the global terminal and global shipping operators and completely ignores the existence of shipping derivatives markets in fixing tariff for a 30 year period.

The guidelines envisage that the BOT operators bid for project at a terminal level on revenue share basis on the tariff (on ceiling rates). Under such a regime, the operator’s flexibility to charge tariff for the users is severely constrained, so is his ability to compete in a rapidly changing global strategic environment. The guidelines must provide a level playing field to all players; this does not seem to be the case in the present regime. This is best illustrated in two
cases of successful bids but which failed to materialize for other reasons. MP SEZ had bid 1.5% (5%) revenue share for Chennai container terminal whereas JNPT fourth container terminal at the Port of Mumbai bid was won by PSA International Pte Ltd and ABG Ports Pvt. Ltd for a revenue share of 51%. The divergence of revenue shares is reflective of the anomalies the existing tariff regime. The later bid is clearly unrealistic, notwithstanding the economics of the individual projects, considering the global and cyclic nature of the Industry. The large revenue share imposes a significant handicap in pricing and makes it difficult for the port to be competitive. Hence the Major Ports are severely constrained in their ability to compete with the regional ports. It is doubtful if any BOT concession with such high revenue share will be successfully operated without the need for renegotiating tariff.

Further, the guidelines provide for transfer of equipment free of charge to the port trust at the end of concession period. This provides little incentive for the terminal operator to upgrade and maintain the structure, particularly, during last quarter of the concession period, seriously undermining efficiency. The ministry stipulation of 20 years as the minimum lifespan of the equipment, further constrains the port from upgrading to better equipment resulting from technology improvement or simply to upgrade equipment to handle bigger vessels due to improvement in port drafts and due to development in ship technology with higher discharge rates, increased rake handling capacity, new developments in storage handling technology etc.

Another major limitation of the TAMP guidelines is that projects are bid out in isolation. The operator plans only at the terminal level. The present regime does not induce the operator to view the terminal from a port perspective, transport system or a supply chain perspective. An integrated supply chain perspective would consider collaboration in advanced storage systems, stackers and reclaimers, safety systems, IT in port/terminal operations, EDI and migration to electronic documentation. The “hand back” arrangement of equipment needs to be reviewed to provide an incentive for the private operator to upgrade and maintain the infrastructure, else the operator’s incentive to invest and maintain assets will reduce when the end of concession approaches.

Recommendation for Market Based Tariffs

It is in this backdrop, that two high power committees set up the Central Government have recently recommended market driven pricing (doing away with tariff fixation for major ports), effectively rendering the Tariff Authority for Major Ports (TAMP) redundant. The Parekh panel in its interim report has suggested that “the existing method of fixing tariffs by TAMP (Tariff Authority for Major Ports) is contrary to international best practice and leads to various anomalies. This has also led to excessive tariff differentiation between berths in the same port”. The Inter-ministerial task force headed by Chaturvedi on the Draft Port Regulatory Authority Bill reported that “since the state governments do not regulate port tariffs, it appears to be an unnecessary intervention on their (non major ports) operations that are otherwise working smoothly.” It further suggested that “If the shipping ministry wants to establish a regulatory structure, it should do away with the fixation of tariffs and intervene only in the case of predatory pricing by major ports”.

An attempt is made here to make a case in support of TAMP and examine if requisite conditions exist for transition to a market based pricing mechanism. We examine the salient inputs which were considered by the committees, which resulted in the recommendation effectively disbanding the TAMP. There is a view that releasing the sector to market forces without considering all aspects would have grave consequences in the long run for the evolution of the port sector.
Both the committees were concerned that the cargo volume at major ports had grown only at a CAGR of 4% over the last five years; however, the minor ports had grown at a CAGR of 14.6%. This disparity in growth rate resulted in the share of minor ports increasing from 10% in 1995 to 39% in 2012, at the expense of the major ports.

It can be easily seen that the high growth rate of non-major ports is highly localized in a few minor ports in Gujarat. The Gujarat Minor ports alone contributed to a staggering 259 Million tons (2011-12) which is 28 per cent of total national cargo. GMB minor port traffic accounted for about 73 per cent of the non-major ports traffic in the country and had 12 per cent growth over the last fiscal. However, there are 8 maritime states in the country and the rest 7 states (minor ports) together contributed the balance 11% of the total cargo. Tamilnadu has the second largest coastline, with 22 non major ports and the state handled 1.6 million tons of cargo in the last fiscal. Hence, we can be discerned that the non-major ports growth is actually of greater concern. The fortunes of many of the new flagship minor ports are a matter of concern. They have been affected by the global recession, change in regulatory environment, iron ore ban, coal sector issues or have just failed to attract the cargo projected. With respect to major ports, it is seen that no new major ports have been commissioned in the recent times. The delays in PPP projects in major ports are predominantly due to procedures issues, due to an evolving regulatory environment which among other developments has seen 3 new tariff guidelines. Hence, too much is being read on the disparity of growth rates between minor ports and major ports.

Location factors are important consideration for Non major ports, which are mostly green field locations. They have high investment requirements, indivisibility, long gestation period and substantial traffic risks. Green field ports also have considerably more social and environment challenges and also require substantial investment in the connectivity infrastructure. All ports show characteristics of a regional monopoly. There exists significant monopoly power in the bulk segment. E.g. a major power plant just cannot shift to an alternate port. In the container segment this monopoly power is gradually eroded due to developments in inland transportation infrastructure.

The Maritime agenda envisages that investments by the non-major ports are to account for 61% of the proposed investment and 53% of the capacity addition. It is important to consider the implication of freeing major ports from regulated tariff on the minor ports. Minor ports tend to come up in the vicinity of the major ports to benefit from the connectivity infrastructure serving the major ports and to reduce the high capacity utilization in the major ports.

It is difficult to concede that the Minor ports are able to divert traffic because they are not under TAMP. TAMP only sets ceiling tariffs and the major port operators are free to charge tariffs which are lower. Some users of an existing port will always shift to a new port due to location factors, customized services, or shift to a new supply chain. The main incentive for the minor ports operator is the ability to charge what the traffic can bear due to the relative advantage provided by the new port, hence it is expected that they will charge more but with overall cargo handling costs being cheaper for the user. The major ports governed by the tariff ceiling have the effect of controlling the prices that can be charged by the minor port.

Economic regulation of ports services is justified on the grounds that ports exhibit natural monopoly characteristics. Ports require large investments, in marine and expensive assets and
have characteristics of sunk costs, indivisibilities and economies of scale and therefore show characteristics of a regional monopoly. A regulator is therefore required whose objective is to relate port charges to costs as if the markets were competitive.

The committee has recommended that "since sufficient competition already exists in this sector, port tariffs may be deregulated."

There is a clear presumption that the markets are competitive, implying that all costs will be reflected in the pricing, else users will shift and that competition will also drive down prices due to improving efficiency. It is however seen that this is not the case and most port users do not really have an alternative port.

The recommendation for market based pricing, should also raise a host of questions

- How are market prices going to be determined for a local monopoly?
- Will the market price reflect cost of externality (which is not charged now also)?
- Who is competition?
- Can it discriminate against consumers - domestic, foreign, (even with flat 30% concession, coastal shipping has not taken off).
- The port sector is a high growth sector and suffers from high capacity utilization and related issues. How do we protect the user? How do we protect the sector from the price wars of the shipping lines percolating down to the ports, given varying degree of vertical integration?

The port sector has limited players and there is at best an illusion of competition. The recent concession bids have not attracted many bidders. There is high concentration of players in this sector. Most of these players also have various degree of vertical and horizontal integration. Further mere existence of capacity in the vicinity cannot be considered as competition. JNPT is congested even though alternate capacity exists in the west coast.

Predatory pricing by major ports

The committee has recommended that 'the shipping ministry should do away with the fixation of tariffs and intervene only in the case of predatory pricing by major ports.”

This will be difficult to implement this recommendation. The port influence extends beyond the national borders and the industry is characterised by economies of scale, rapid technology changes and efficiency gains. It will be difficult to arrive at the tariff at which it can be considered predatory?

The port sector is a contestable market, as a new player can enter any time and predatory pricing therefore even if resorted too cannot be sustained beyond a short term.

JNPT, the biggest container port in India, submitted before the Chaturvedi committee that "Port tariff is only 3 to 4% of the logistics expenditure but is regulated while the balance 96 – 97% expenditure involving other charges is completely unregulated".

It is submitted here that the foreign going shipping is free from tariff distortion, but other segments have considerable regulation. The railways are a department enterprise and have their plates full. The road transportation is more costly, with more externalities but is subject to diesel subsidy. The other major costs are delays in the port which are also predominantly due to government agencies like customs, security etc. The externalities in the transport are yet to find input in the tariffs on any mode.

JNPT submission seems more as a plea to be allowed to increase tariffs. It seems the advantages of the minor ports are associated with low capacity utilization, even though they would most likely charge higher tariffs. Shipping lines frequently levy congestion charges, whereas the port could be empowered to levy this charge which in any case is being paid by the
user. This would result in reduced waiting times for the vessels and faster turnaround and the
port would have additional revenue for capacity building.

There does not seem to be any compelling reasons to believe that the port operators
would not exercise market power if freed from TAMP Jurisdiction. In this context it would be
worthwhile studying how the operators make profit even after sharing revenue share to the extent
of 50%. The repeated aggressive bidding behaviour suggests the existence of rents, most likely
outside the perimeter of the port.

Most of the operators have varying degree of vertical and horizontal integration across
cargo segments. The operator could engage in anti-competitive behaviour by leveraging market
power from non contestable markets to the other contestable markets.

DISCUSSION

What is needed is that all the operators who enter have a level playing field at any given time
irrespective of the date of entry. The tariff design process needs a major overhaul. It is submitted
that fixing tariff (base) upfront (2005 and 2008 guidelines) for a 30 year period is unrealistic. It is
futile to envisage the economic, technology and regulatory environment developments, over a 30
year horizon and that too at a terminal level. What is needed is a simple method which is
transparent, flexible and responsive to the markets. This tariff should have robust relationship,
with the tariffs of the competing terminals in the region and on the costs of cargo handling. For a
large container terminal, the tariff should be comparable to the top global terminals in the world
adjusting for local effects. It would be preferable, if tariff also captured the relationship between
port tariffs and freight rates. However, this relation is difficult to determine, but this input is also
important, as increasingly ship down times in ports will be significant factor. A “tariff index” for
the country or region can be developed and updated once a month. Each port authority would
have powers to change the tariff within a fixed band width to factor in local effects and then
promulgate the tariff for the port. This tariff would be base for calculation of all levies payable to
the port; the operator however is free to charge below this rate. The system should be simple,
transparent, and responsive to changes to reflect the technological developments and
international best practices. The revenue share should be fixed for all terminals at 10% of the
tariff charged with a license fee payable every 5 years.

In conclusion it is submitted that substantial capacity is planned over the next 10-30 years.
It is felt that sector must be monitored closely and alert to the concerns in the environment and
social arena. The efficiency gains achieved must be distributed fairly and not shared only with
the government. The principal distributional mandate for TAMP is to assess the cost reduction
achieved by the operator and share the gains with the users during the scheduled tariff revisions.
TAMP tariff regulation should made be less intrusive and more flexible to reflect market prices
before a case for a gradual shift to market based pricing is resorted to. Sudden deregulating of
tariffs could have an extremely negative effect on the sector.

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