Tariff Authority for Major Ports

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 disposes of the representation of the Metal and Mineral Trading Corporation Limited (MMTC) for a reduction in the wharfage rate on wheat exported through the Tuticorin Port as in the Order appended hereto.

(S. Sathyam)
Chairman

NOTIFICATION

The Metal and Mineral Trading Corporation
Applicant

Vs.

The Tuticorin Port Trust
Respondent

ORDER
(Passed on this 12th day of August 2002)

This case relates to a representation received from the Metal and Mineral Trading Corporation Limited (MMTC) for a reduction in the wharfage rate on wheat exported through the Tuticorin Port.

2. The MMTC has made the following main points in support of its representation:

(i). It has exported more than 2.3 lakh MT of wheat from Tuticorin Port from November 2000 onwards.

(ii). In the last general revision Order, the wharfage charge on wheat exported from Tuticorin Port was increased from Rs.20/- PMT to Rs.42/- PMT for Zone ‘A’. This is quite high as compared to the rates prevalent in other ports. For example, at Kandla Port Trust (KPT) it is Rs.15/- PMT (the existing rate is Rs.7.50 PMT), Rs.25/- PMT at Visakhapatnam Port Trust (VPT) and Rs.20/- PMT at the minor port of Kakinada.

(iii). The Government has allowed private exporters also to export wheat. Most of these parties are exporting wheat from the Kandla Port where handling charges are very cheap and also the wharfage rate is
nominal. These private parities are offering wheat for export at very competitive price which is putting Public Sector Undertaking like the MMTC under disadvantage.

(iv). The increase in wharfage rate affects the quantum of traffic handled from the Tuticorin Port from where maximum export of wheat is being done.

(v). In view of the above, a reduction in the wharfage rate at the TPT may be considered in the best interest of the Port.

3.1. In accordance with the consultative procedure prescribed, a copy of the representation received from the MMTC was circulated to the TPT and the concerned representative bodies of port users for their comments. The comments received from them are summarised below:

**Tuticorin Chamber of Commerce and Industry (TCCI)**

(i). The representation of the MMTC is just a grievance which can be considered favorably.

(ii). The rates fixed by the TPT is on the higher side; and, hence the representation can be conceded other things being equal.

**The Customs Licensed Agents’ Association (CLAA)**

(i). It fully endorses the views of the MMTC.

(ii). The wharfage charges of Rs. 42/- PMT is very high. It must be revised keeping in mind the rates in other Ports and also in order to encourage the traffic through the Tuticorin Port.

**The Tuticorin Steamer Agents’ Association (TSAA)**

The request of the MMTC is genuine since the existing wharfage rate for wheat is very high at the TPT as compared to other ports in India.

**Indian Chamber of Commerce and Industry (ICCI)**

(i). The wharfage rate of wheat export in bulk through the TPT is very high as compared to the other ports. It is 5 times higher than the rate applicable at the Kandla Port, 7 times the rate applicable at Mumbai Port, 2 ½ times higher than Visakhapatnam port and 2 times higher than the Kakinada (minor) port.

(ii). In view of the high wharfage rate levied at the TPT, the export of wheat through the Tuticorin Port is less than 12% of total export. While the total export of wheat from our country is 4.3 MT, the TPT could export only 3.5 lakh tonne of wheat.
If the wharfage at the TPT is reduced to Rs. 15/- PMT i.e. the average rate of other ports, the port can achieve a minimum 35% of total wheat exports.

It has also given a comparison of labour levies at the TPT which is higher compared to the other ports.

The existing siding charges of Rs. 18.38 PMT (including service tax) for wheat is already on the higher side.

Further increase will unduly affect the trade because of cost increase and global business competition.

Hence, the siding charges for wheat and other commodities such as Rice, Sugar and Maize may not be increased.

Subsequently, it has requested that the wharfage rate for wheat export may be reduced to Rs. 7.50 PMT at the rates prevailing at the Kandla Port in the interest of the nation and in order to achieve more export through the TPT. In case of import of wheat the existing wharfage rate may be continued.

All India Chamber of Commerce and Industry (AICCI)

The Government of India in November 2000 allowed export of wheat through PSU’s to prevent unnecessary wastage of excessive stock piled up over the years. In order to implement this, Food Corporation of India (FCI) directed to offload wheat for export market at a substantially lower price. Accordingly, the PSUs have undertaken to export wheat through the Mumbai, Kandla, Vizag, Kakinada and the Tuticorin Ports.

During the initial period, the wharfage rate was at par with the other ports; and, the MMTC had exported 2.3 lakh MT of wheat from the TPT. But, recently the wharfage charges on wheat exported has been increased exorbitantly to Rs. 42/- PMT.

The volume of export, so far, handled by the TPT is just about 3 lakh tons whereas other ports put together have handled about 40 lakh tons. The reason for the poor volume is the exorbitant wharfage charged at the Tuticorin Port as compared to the other ports.

The high wharfage charges at the TPT is severely hampering the efforts of the PSUs to remain competitive at the international level. In view of this, export of wheat through the Tuticorin port may not be feasible in the near future.

The Government of India has allowed even the private parties to export wheat. Fixation of wharfage rate at a nominal level will also attract the private parties to export wheat through the Tuticorin Port apart from the MMTC.
(vi). It has reiterated the views of the ICCI that the wharfage rate for export of wheat may be reduced to Rs. 7.50 PMT as applicable at the Kandla Port.

4.1. The comments received from the various port users were forwarded to the TPT and the MMTC as feedback information.

4.2. The TPT had initially informed that a proposal to reduce the wharfage rate for export of wheat was submitted to its Board of Trustees for approval along with its proposal for general revision of the Scale of Rates.

4.3. Subsequently, the TPT has forwarded the general revision proposal in March 2002. In this proposal, the TPT has proposed revision of wharfage charges on wheat as follows:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Unit of charge</th>
<th>Proposed wharfage rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Zone A</td>
</tr>
<tr>
<td>9.</td>
<td>Food Grains and Food Products:</td>
<td></td>
<td>(in Rs.)</td>
</tr>
<tr>
<td>1</td>
<td>Import wheat</td>
<td>1 MT</td>
<td>47.00</td>
</tr>
<tr>
<td>2</td>
<td>Export wheat</td>
<td>1 MT</td>
<td>35.00</td>
</tr>
<tr>
<td></td>
<td>(i). Up to 2 Lakhs Tonnes</td>
<td></td>
<td>30.00</td>
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<tr>
<td></td>
<td>(ii). Above 2 Lakhs but less than 3 Lakhs Tonnes.</td>
<td></td>
<td>25.00</td>
</tr>
<tr>
<td></td>
<td>(iii). Above 3 Lakhs Tonnes.</td>
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</tbody>
</table>

5.1. The rates proposed by the TPT for export wheat in the general revision proposal was forwarded to the MMTC and the concerned port users / representative bodies of port users for their comments. The comments received from the various port users are summarised below:

**Indian Chamber of Commerce and Industry (ICCI)**

(i). The TPT Port dues are on the higher side resulting in cost hike of all commodities, especially, wheat exported though the Tuticorin Port as a result of which it is not in a position to compete in the global market and secure substantial quantity of orders from foreign buyers even though the Government of India have declared 5 million MT of surplus food grains for export.

(ii). The wharfage charges in the other Indian Ports are cheaper, especially in Kandla it is only Rs.7.50 PMT. As a result of competitive port charges and handling cost, over one million MT of wheat had been exported through the Kandla Port.
The volume of export of wheat through the TPT is very much less compared to the other ports. The market share of the TPT in the total wheat export is only 6.63%.

Exporters contend that the volume handled through a port is in direct proportion to the cost competitiveness of that particular port and Tuticorin is invariably considered the most expensive port.

In this backdrop, the proposed rate of Rs.36/- PMT is still much higher than the rates prevailing at other ports.

The wharfage charges for export of wheat at Tuticorin may be fixed at a comparable level with other ports in order to make Tuticorin a viable port for export of wheat.

**All India Chamber of Commerce and Industry (AICCI)**

(i). The revision in the wharfage charges proposed by the TPT at Rs. 36/- PMT is high; and, is neither of any assistance to the trade nor does it encourage to boost wheat traffic through the Tuticorin Port.

(ii). There are good opportunities to increase the traffic of wheat upto 10 lakh tons through the Tuticorin Port if the wharfage is reduce at par with Kandla Port.

(iii). It has reiterated most of the comments made by the ICCI.

(iv). The wharfage rate on export wheat may be reduced at par with the Kandla Port at Rs. 7.50 PMT.

**Metal and Mineral Trading Corporation Limited (MMTC)**

(i). There is need for substantial reduction in charges to attract increased traffic through the Tuticorin port as the charges must be in line with the other ports.

(ii). The wharfage charges proposed by the TPT for wheat export may be reduced to Rs. 20/- PMT.

5.2. The TCCI has repeated the comments given by it earlier. The CLAA and the TSAA have stated that they have already forwarded its comments earlier on the representation of the MMTC.

6.1. We have also received requests for reduction of wharfage on wheat exported through the TPT from Shri P. Soundararajan, Member of Parliament and Dr. B.P. Rajan, Special representative of the Government of Tamil Nadu.

7.1. A joint hearing in this case was held on 6 June 2002 at the TPT. At the joint hearing, the following submissions were made:

**Metal and Mineral Trading Corporation (MMTC)**
(i). We have no quota; sky is the limit. The FCI has agreed to give a lot at reduced price. So, for 5 years at least exports at substantial levels will continue.

(ii). Philippines, Indonesia and China are big importers.

(iii). The KPT rates are cheap; but, everybody can not go there since there is congestion.

(iv). In 2002-03 we are likely to do 5 lakh MT from the TPT.

(v). Draft at the TPT is low as against draft at the VPT, Kakinada, KPT, Mundra, etc. So, we have to do with small vessels with attendant higher cost.

(vi). Please see our submission on the comparative position in different ports. The TPT rates are too high.

(vii). The loss is ‘notional’. If the rate is high here, the cargo may go to some other port.

(viii). We will be happy with a flat rate of Rs. 25/- PMT.

The Customs Licensed Agents’ Association (CLAA)

(i). Wheat export by the MMTC is new cargo for the TPT. We welcome this development. It generates new employment opportunities.

(ii). Lack of storage facilities at the TPT adds to the cost. The TPT must adopt an accommodative approach.

Indian Chamber of Commerce & Industry (ICCI)

There are storage problems and loading constraints at the TPT. Consequently, freight element also aggravates. The MMTC deserves sympathetic consideration.

Tuticorin Port Trust

(i). We have reacted positively. We have given a reasonable proposal.

(ii). (a). There is an objection to giving volume discount. We do not have any spare capacity.

(b). One concession here will cause a series of such requests from other cargoes.

(c). Volume discounts will cause financial loss to us which we can ill afford.

(iii). We will like to stick to the proposal already made. If there is to be a change, let it be a flat rate without any volume discount.
(iv). We have nothing to say. Let the TAMP decide.

7.2. At the joint hearing, the MMTC has furnished further written submissions which is summarised as follows:

(i). The quantum of wheat exported was 81,728 MT in the year 2000-01 and 2,42,571 MT in the year 2001-02. In the current year it has already exported 86,185 MT.

(ii). Wheat is exported by it from almost all major ports in India, except Chennai port; and, Tuticorin is one of the major ports chosen by it for export of Indian Milling Wheat.

(iii). The total handling cost of bulk wheat including wharfage, labour levy and haulage is Rs. 39.50 at Kandla, Rs. 42.85 at Visakhapatnam and Rs. 117.50 at the Tuticorin port. The very high cost of the port operations at the TPT is a serious threat to retain Tuticorin as a viable port for wheat export.

(iv). In view of above position and the competition at the international market, there is an urgent need to reduce the wharfage rate at the TPT to levels as prevailing in other major ports.

(v). It has set a very ambitious target to double last year's exports and reach half a million tons of export of wheat during the current year. But, this may not be possible unless the cost of operations at the port is brought down.

(vi). It is, therefore, requested to reduce the wharfage rate of wheat export to Rs. 15/- PMT so that the TPT continues to remain a viable port to other major ports for export of wheat.

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

(i). The representation of the MMTC, which is admitted as a tariff case, seeks a reduction in the existing rate of wharfage levied on wheat exports at the TPT. The proposal submitted by the TPT in response to requests from the users also envisages a reduction in the existing wharfage rate. The objection of the MMTC is that the new wharfage rates proposed by the TPT is also on the higher side. Since there is no dispute between the MMTC and the Port about effecting a reduction in the wharfage rate, the only issue thus remains to be settled by this Authority is the quantum of reduction in the wharfage rate.

(ii). There is no consistency in the demand of the MMTC. While its representation requests the wharfage rate to be fixed at Rs.20/- PMT, it indicates its willingness to accept a wharfage rate of even Rs.25/- PMT. A subsequent written submission made by it makes a prayer to fix the rate at Rs.15/- PMT. This vacillating stand erodes the
creditability of a relief sought which may be genuine and deserving otherwise.

(iii). The MMTC and almost all other user organisations consulted in this proceeding have made an elaborate comparison of wharfage rates prevailing at different major ports to show that the rate at the TPT is one of the highest. There has been a suggestion to consider the minimum of the rates prevailing at the other ports; side by side, there is also a suggestion to consider the average rate.

This Authority has clarified in many of its earlier orders that norms, principles, concepts and approach to tariff setting at major ports can be and shall be uniform; but the rates need not (and, cannot) be. Without considering the position in its totality, making a comparison of isolated rates for individual commodities does not appear to lead to any meaningful conclusion.

(iv). The Scale of Rates of the TPT was last revised in December 1999. The pre-revised Scale of Rates prescribed a wharfage rate for export of wheat at Rs.20/- PMT at Zone ‘A’ and Rs.12/- PMT for Zone ‘B’. In the General Revision of 1999, the separate entry of wharfage on export of wheat was deleted as proposed by the TPT; and, wheat was left to be covered by the general entry of ‘foodgrain’. The proposal for deleting the specific entry was perhaps due to the fact that there was no traffic of wheat during the period 1992-99. Admittedly, there was not much of discussion on this item of tariff at the time of last revision of Scale of Rates. None of the users had also brought out the implications of deletion of the specific entry for wheat. Again, this may be due to the fact that the volume of wheat export was not significant then to engage the attention of the user organisations.

In view of the volume of wheat traffic that presently passes through the TPT, it may be reasonable to reinstate a separate tariff entry for wheat. It is noteworthy that the TPT has also proposed to reintroduce the separate entry. Nevertheless, the revised rates proposed by the TPT are still 84% and 33% more than the rates which existed earlier for wheat export at Zone ‘A’ and Zone ‘B’ respectively.

In the 1999 General Revision, an across the board increase of 18% in tariffs was allowed. If the separate entry for wheat had continued, it would have also been subjected to an increase of 18% only. Since it has already been agreed to reinstate the separate entry for wheat, it seems reasonable to fix the rate by extending the pre-1999 rate with the general hike in tariffs approved in 1999. This will result in fixing wharfage rate for export of wheat at Rs.23.60 PMT at Zone ‘A’ and Rs.14.20 at Zone ‘B’.

(v). By way of abundant caution, it is mentioned that the revised rate fixed now will have prospective application only. Levy of wharfage charges on all consignments handled during the period from
December 1999 till the revised rate comes into effect must be seen to be covered by the prevailing Scale of Rates.

(vi). Wheat was not a substantial traffic item at the TPT. In fact, a significant volume has started moving through the Port only since last year. From the projections given by the MMTC, the volumes are expected to go up and this trend is likely to continue for the next 4-5 years. That being so, this commodity is to be seen as a new traffic through the TPT; and, hence, alteration of the wharfage rate may not have any serious implications to the Port revenue.

(vii). In its proposal, the TPT has suggested introduction of a volume discount scheme. At the joint hearing, the Port has, however, pleaded that if the rates proposed by it are not accepted, a flat rate can be introduced without any volume discount. The MMTC have also indicated its willingness to accept a flat rate. Since the rates proposed by the TPT are not approved, the request of the Port to have a flat rate can be considered favourably. Acceptance of the request in this regard made by the Port cannot be construed to mean as conceding to the general objection of the Port about volume discount schemes. The stated position of this Authority is to encourage volume discount schemes and in this direction such schemes have been introduced at many other Port Trusts. If a need arises, such schemes can also be introduced at the TPT.

(viii). In some other cases decided recently, this Authority has decided to give up the practice of prescribing wharfage rates for import and export separately. In the case of wheat also, the rates proposed now can, therefore, be applied without differentiating between the import and export. Significantly, bringing import of wheat also under the entry applicable for export may not have any significant financial implication to the Port since import of wheat is almost non-existent nowadays.

(ix). There is a differential wharfage rate prescribed for handling wheat at Zone ‘A’ and Zone ‘B’ of the TPT. This is in line with such differentiation prescribed for other commodities in the existing Scale of Rates. The extent of disparity in rate must be justified with reference to the cost position. Since a detailed scrutiny of cost position is not made as a part of this proceeding, the position obtaining for all other cargo will apply in the case of wheat also. The issue of maintaining differential rates at Zone ‘A’ and Zone ‘B’ can be more meaningfully examined as a part of the general revision proposal when a detailed scrutiny of cost position of different activities will be made.

9.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority allows the representation of the MMTC to the extent of prescribing with prospective effect a wharfage rate for wheat at Rs.23.60 PMT at Zone ‘A’ and Rs.14.20 PMT at Zone ‘B’ in the Scale of Rates of the TPT.

9.2. The TPT is directed to amend its Scale of Rates accordingly.
9.3. This Order will come into effect on expiry of 15 days from the date of its notification in the Gazette of India.

( S. Sathyam )

Chairman

[ List of Ports | List of Orders ]