TARIFF AUTHORITY FOR MAJOR PORTS

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 representation from M/s. Shahi Shipping Limited for fixing Coastal tariff at the Cochin Port for import / export of motor vehicles, as in the Order appended hereto.

(S. Sathyam, Chairman)

Case No.TAMP/41/2000-COPT

ORDER

(Passed on this 31st day of August 2000)

This case relates to a representation from M/s. Shahi Shipping Limited (SSL) requesting for fixing coastal tariff at all the major ports in general and in particular at the Chennai, Cochin port for importing / exporting motor vehicles including utility vehicles by RORO carriers.

2. In its representation, the SSL has given the following points:-

(i). Presently Motors Cars / Utility Vehicles manufactured on West and East Coasts of India are being moved by road to respective market places. This has got inherent disadvantages particularly in respect of fuel consumption, congestion on the national / state highways, pollution hazards, etc.

(ii). They had made a feasibility study of transporting motor cars / utility vehicles by sea, on Indian coasts, particularly from East Coast to West Coasts. Their study reveals that with automobile manufacturing units established at Chennai and Mumbai belts, there is a substantial potential for movement by sea between ports of East and West Coasts, particularly from Chennai to JNPT, Chennai to Cochin and JNPT to Cochin.

(iii). They had entered into a Joint venture Agreement between ABLE SHIPPING SDN BHD (Member of TAJO BHD), Malaysia, and have formed and registered a Joint Venture Company called – Shahi Able
Car Carrier Limited. This Joint Venture Company had also chartered a Car Carrier with the approval of Director General of Shipping with the intention of commencing the services between Chennai and JNPT.

(iv). Chennai and Cochin, do not have a coastal Tariff for import / export of Motor Cars / Utility Vehicles by sea. Only JNPT has a provision in their Port Tariff Schedule for coastal rates for the above.

(v). Apart from other firm commercial commitments in this project already made, they are also receiving requests from car manufacturers for commencing the services.

3. M/s. Shahi Shipping Limited had also approached Chennai Port Trust (CHPT) with a proposal to commence coastal movements of cars between Chennai / JNPT / Mumbai by Pure Car Carriers (PCC). Since there is no separate tariff for coastal movement of cars, they had requested the CHPT to fix a reasonable rate as prevailing in other ports like JNPT. However, the CHPT on its own submitted a proposal for fixing wharfage rate for motor cars / jeeps / vans loaded in RORO system. After following the elaborate consultation process, the Authority has already passed an Order on 19 July 2000 approving, with some modifications, the proposal of the CHPT. In this backdrop, the representation of the SSL has been registered as a case under the Cochin Port Trust and processed further.

4.1 The COPT was requested to comment on the representation of the SSL. For the benefit of its reference, a copy of the CHPT proposal for fixation of wharfage on motor cars was also forwarded to the COPT.

4.2. In its reply, the COPT has stated that the existing rate of wharfage on motor cars is 0.20% ad valorem, which is less than the proposed wharfage at the CHPT. The COPT has also pointed out that it may consider a further reduction in the rates, in case of a committed movement of certain quantum of cargo by the party through the COPT.

5.1. In accordance with the procedure prescribed, the representation along with a copy of the comments furnished by the COPT were circulated to the concerned users / representative body of port users.

5.2. The comments received from them are summarised below:

Indian National Shipowners Association (INSA)
(i). The INSA is fully in favour of ports working proactively and recognising the call of the day in considering formulation of tariff for car carriers.

(ii). The INSA has been urging the Tariff Authority for Major Ports to initiate steps for ports to formulate tariff for coastal traffic so as to enable some more viably by coastal ships particularly for coastal containers.

(iii). Coastal tariff will have to be denominated in Rupees. The INSA would much appreciate any step towards declaring a tariff for major ports on containers moving domestic cars.

**The Cochin Custom House Agents’ Association (CCHAA)**

The CCHAA endorses the views expressed by the COPT and recommends the case of the SSL as it will give a big boost to coastal cargo movements through the Cochin Port and the overall development of the trade.

**The Shipping Corporation of India (SCI)**

(i). TAMP may favourably consider the request of the SSL to establish a Coastal Tariff for the import / export of Motor Vehicles at Cochin.

(ii). The SCI requests TAMP to also consider fixing a tariff for all Major Ports for other commodities moving along the Indian Coast in break bulk. This tariff shall be in Indian Rupees and lower than the Export / Import goods tariff.

(iii). There is a need to fix a coastal tariff for containers at all the Major Ports. The tariff shall be denominated in Indian Rupees and lower than the level of tariff for export / import of containers.

(iv). All the Major Ports shall have a tariff for coastal vessels.

(v). Coastal movement of cargo by sea will decongest the burden on Road / Rail infrastructure; will be environmentally friendly; and, cause no pollution.

6. A joint hearing in this case was held on 11 August 2000 at the COPT. During the joint hearing the following submissions were made:

**M/s. Shahi Shipping Limited (SSL)**

(i). Transportation of goods by sea is economical.
Major Port Trust Act, M.S. Act, Inland Waterways Act, etc. were framed before the full development of coastal shipping.

Presently, vessel related tariffs are on gross tonnage and not net tonnage. The SSL vessel (Pure Car Carrier) has a GRT of 8200, which carries 600 cars with each car weighing one tonne. Hence, the GRT basis is very expensive.

Wharfage for cars / trucks shall be on a unit rate and not on ad valorem basis.

Cochin Port Trust (COPT)

The COPT is willing to consider the proposition.

As advised by the TAMP, the COPT will take up this issue with the IPA to formulate a coordinated view point of all the major ports about concessions in cargo related charges for coastal traffic.

Based on the totality of information collected during the processing of the case, the following position emerges for consideration:

This case involves the following two issues:

(a). Fixing a wharfage rate for shipment of motor cars.

(b). Extending a concession in the wharfage rate for coastal movement of motor cars.

In the Scale of Rates of the COPT, there is no separate wharfage rate prescribed for motor cars. That being so, wharfage on motor cars is being levied under the category of unspecified items for which the approved wharfage rate is 0.2% ad valorem.

The COPT has pointed out that the existing rate is even less than the rate proposed by the CHPT. In the case of CHPT, the Authority has already approved a wharfage rate of 0.3% ad valorem for export of motor cars using RORO system. Viewed in this perspective, the existing wharfage rate applicable for motor cars in the Scale of Rates of the COPT appears to be reasonable. That being so, it may not be necessary to alter that rate. It is noteworthy that the COPT has also assured to consider a further reduction in the wharfage rate, in case of a committed volume of motor car traffic. The SSL, however, has not been able to give any assurance of the volume of traffic it proposes to handle in future through the COPT.
The COPT Scale of Rate does not contain a separate wharfage item for motor cars. Perhaps, the minuscule volume of this traffic at present does not warrant such a specification. However, in order to avoid confusion in the minds of users, however, the COPT may be advised to introduce a separate item of wharfage for motor cars in its Scale of Rates, when traffic picks up. While doing so, it will be worthwhile for the COPT to introduce volume discounts to encourage more throughput.

(iv). The SSL has also asked for adoption of a unit rate instead of prescribing the wharfage on an ad valorem basis. It is to be recognised that in most of the major ports, including Cochin, there is no separate rate in wharfage schedule for motor vehicles and it is classified as “other unspecified cargo” and charged on an ad valorem basis.

Presently, there is no uniformity in the basis of charging wharfage among the Major Port Trusts. The wharfage schedule is a mix of weight / unit / ad valorem based rates. The question of standardisation of the basis of wharfage has been engaging the attention of the Authority. It is to be recognised that the ad valorem concept may be relevant for collection of ‘tax’, but ports are collecting ‘fees’ for services rendered. That being so, it is appropriate to have wharfage rates with reference to unit or weight. While deciding on standardisation, the Authority may examine the possibility of doing away with ad valorem concept. This is an issue, which is not confined either to the COPT or motor cars but relevant commonly to all the Major Ports and many of the commodities. Till a final view is taken by this Authority on the ad valorem approach, the existing method of prescribing wharfage on ad valorem basis in Major Port Trusts including that in the COPT may be allowed to continue.

(v). M/s. SSL has also requested for a separate rate for coastal movement of motor cars citing the example of availability of such concession in the JNPT Scale of Rates.

In line with the policy of the Govt. of India to encourage coastal shipping, the Authority has so far been allowing concession to coastal vessels in the Vessel Related Charges. The matter of extending the concession to cargo related charges for coastal traffic is an issue of common concern to all the Port Trusts; and, as an issue on which separate decisions in respect of individual Port Trusts can give rise to avoidable conflicts of interests. Likewise, concession for coastal cargo, if allowed, shall be uniformly applicable to all commodities
without any discrimination. It may not, therefore, be prudent to consider such concession in the case of individual commodities. This Authority is also aware that some of the Port Trusts are opposed to the idea of ports subsidising coastal traffic for easing pressure on road/rail traffic.

Similar observations were made by the Authority while considering a proposal from the Mumbai Port Trust (MBPT) to allow a rebate of 20% in wharfage charges on coastal cargo and a proposal of CHPT for fixation of wharfage on export of motor cars. In its orders relating to these cases, the Authority advised the MBPT and the CHPT to get their proposals relating to extension of concession to cargo related charges discussed in the forum of the Indian Ports Association (IPA) so that a coordinated appraisal of its implications can emerge for final consideration. We have not received any feedback from the MBPT and the CHPT so far.

During the joint hearing in this case, the COPT has also agreed to take up this issue with the IPA to formulate a coordinated viewpoint about extending the concessions to the CRCs in coastal traffic. Till this happens, it may not be possible to consider the representation of M/s. SSL for a separate coastal rate for motor cars.

Even though we have requested some of the ports to approach the IPA for a discussion on this issue and to come out with a coordinated view of all major port trusts, it is possible that the ports may not respond for a length of time. In case the IPA fails to give a coordinated viewpoint within a reasonable period, this Authority shall take a suo motu initiative. In any event, it is reasonably expected that this Authority will be in a position to decide on this subject within next 4 to 5 months time.

(vi). The SSL has also raised the issue of reduction in the vessel-related charges with reference to GRT in the case of PCC vessels. It has argued that the vessel related charges based on GRT will work adversely as GRT on PCC is very high when compared to its DWT. This issue is totally different from the main issue of wharfage on motor cars, which has been agitated in the representation of the SSL. The COPT may, however, examine this demand further and come up with a proposal, if the demand is found justified. Incidentally, we may also have to take a view about going back from GRT to DWT as a basis for levy of tariffs. Internationally the practice is reported to be in favour of going by GRT (and, not DWT) for tariff purposes.
8. In the result, and for reasons given above, this Authority hereby closes this case at this stage. Notwithstanding the closure of the case, the SSL, like other agencies dealing with coastal movement of cargo, will automatically receive relief, if and when the Authority decides to extend the concession to cargo related charges in coastal traffic for common adoption by all major port trusts.

(S. Sathyam, Chairman)