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**Tariff Authority for Major Ports**

G. No. : 162

New Delhi, 7 October 2004

**NOTIFICATION**

In exercise of the powers conferred by Section 48 of the Major Port Trusts Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby disposes of the proposal of the Mumbai Port Trust for prescription of wharfage rates for motor vehicles leviable under Section I of the Dock Scale of Rates as in the Order appended hereto.

**( A.L. Bongirwar )**  
Chairman

**Tariff Authority for Major Ports**  
**Case No. TAMP/27/2004 - MBPT**

The Mumbai Port Trust

- - -

Applicant

**ORDER**

(Passed on this 30th day of September 2004)

This case relates to a proposal received from the Mumbai Port Trust (MBPT) for prescription of wharfage rates for motor vehicles.

2. The main points made by MBPT are as follows:

- (i). TAMP revised the Schedule of Wharfage rates with effect from 14 March 2003. The unit of rates prescribed are on per tonne / volume basis and the rate prescribed for unspecified items is on *ad valorem* basis. The cost of providing service at the docks had increased to 207% in the year 2002-03 from 62% in the year 1999-2000.
- (ii). Import / export of vehicles has been taking place through MBPT on conventional ships and the wharfage prescribed in the existing Scale of Rates in respect of unspecified items is 0.22% of CIF value in case of imports and 0.12% of FOB value in case of exports.
- (iii). In the absence of separate rate for motor vehicles, recovery of charges at the rates prescribed for unspecified items of motor vehicles would be very less and must cover the cost of additional facilities proposed to be provided for handling of motor vehicles.
- (iv). About 50,000 sq. mtrs. of area has been exclusively earmarked to facilitate import and export of vehicles apart from 3,500 sq. mts for pre-dispatch inspection facilities for vehicles.
- (v). The monthly rent for 50,000 sq. mts of open area as per the Stamp Duty Ready Reckoner 2004 at Rs. 130.46 per sq. mtr per month (exclusive of taxes and cess) will be Rs. 65,22,750/- and the monthly rent for the covered area of 3500 sq. mts at Rs.534.38 per sq. mtr per month (exclusive of taxes and cess) will be Rs.18,17,330 per month. Thus, the cost of providing separate facilities may be about Rs. 84 lakhs per month. It is, therefore, essential to fix a separate wharfage rate for import / export of the vehicles. MBPT has, therefore, intends to prescribe a separate rate of wharfage charge of 0.4% CIF/FOB value in the Scale of Rates. The wharfage rate proposed will be still at lower side as compared to the wharfage rate of 0.5% of CIF/FOB value levied at JNPT.
- (vi). Since the Board of Trustees for the period 2004-06 is yet to be constituted, the proposal could not be placed before the Board. In anticipation of Board's approval, it is proposed to prescribe separate wharfage rate for motor vehicles on ad-hoc basis.
- (vii). After the audit of the annual accounts for the year 2003-04, a proposal with cost details to revise the schedule of wharfage charges for the service general cargo handled at docks will be forwarded to TAMP.

3.1. The MBPT has proposed the following wharfage rates for Motors Vehicles and Cars:

Description of goods	Basis of charge	Rates ( in Rs. )	
		Import	Export
Motor Vehicles and Cars	Ad valorem	0.4% CIF	0.4% of FOB

3.2. Amending its initial proposal for approval of the rates on ad hoc basis, the MBPT vide its letter dated 4 September 2004 has made a request to approve the rates on regular basis.

4.1 In accordance with the consultation procedure adopted, the proposal of the MBPT was forwarded to the concerned port users / representative bodies of port users for their comments.

4.2. The comments received from the concerned user organisations were forwarded to the MBPT as feed back information. In response, the MBPT vide its letter dated 16 July 2004 has furnished its comments on the submissions made by TML and SIAM.

5. Based on a preliminary scrutiny of the proposal, the MBPT was requested to furnish additional information / clarifications. The MBPT furnished the requisite additional information / clarification. Our queries and the MBPT response are tabulated below:

Sl. No.	Our queries	MBPT response
(i).	The basis of charge for levying wharfage charges on vehicles proposed by the MBPT is "ad valorem". In many earlier cases, this Authority has held that ad valorem charges should be phased out. That being so, it may not be appropriate to prescribe the new wharfage rates for vehicles on ad valorem basis. The MBPT may review and propose wharfage rate per unit of motor cars.	While fixing tariff the ability of the users to pay the port charges, types of cargo and its value have to be taken into account. The capacity of the cargo to bear the cost varies from cargo to cargo and it may not be feasible to standardize fixation of wharfage rates either on per tonne or volume basis. Since high value cargo could absorb comparatively high cost the charges need to be fixed at <i>ad valorem</i> basis.  FOB value and weight of vehicles varies from vehicle to vehicle depending on types of vehicles such as cars, jeeps, buses, etc., and the additional special luxurious accessories provided therein. Prescribing wharfage rate on ad valorem basis will also avert the situation requiring frequent revisions to the schedule of wharfage charges and stability of wharfage rates can be maintained for certain period in future. This is in the interest of users and the port.
(ii).	The proposed rate may be justified with reference to the cost of handling vehicles at the facilities of the MBPT.	MBPT has decided to grant following additional facilities to the exporters of motor vehicles on common user basis:  (a). Use of MBPT private roads without payment of permit charges. (b). Octroi procedures will be eased. (c). Motor Vehicles received for export by rail will be provided unloading ramp. (d). Motor vehicle carriers at BPX will be provided priority berthing facility. (e). Water for vehicles will be provided for cleaning purposes. (f). Entire area will be maintained with even and smooth surface and congestion free. (g). Permission for recycling plant to purify water inside docks will be given. (h). An amount of Rs. 3 Crores has been spent to develop an area of 30,000 sq. mtrs., in prime location in side the Indira Dock for storage of vehicles free of demurrage for 30 days. The earmarked area is likely to be increased to 50,000 sq. mtrs in near future. Instead of recovering charges separately for providing each of the above service, it has been decided to prescribe a marginally higher rate of wharfage. The rates proposed are comparatively reasonable and lesser than the rates prescribed at the neighbouring ports.
(iii).	The MBPT has stated that it is creating storage area to facilitate handling of vehicles and furnished the financial implications of developing the storage area. As the MBPT may levy storage charges also separately on vehicles for use of its storage space, the linkage between the cost of providing storage facilities and the wharfage rate proposed may be explained.	The earmarked area will be made available on common user basis where storage of vehicles free of demurrage will be allowed for 30 days. One of the users has requested for earmarking an area of 5000 sq. mtrs for his exclusive use for pre dispatch inspection facilities, construction of underground storage tank, recycling plant to purify water etc. MBPT intends to levy storage charges for this user as per the Scale of Rates. Recovery of storage charges for storage of motor vehicles at the area allotted on common user basis will not be feasible as the area utilized by the parties will change on daily basis.

Sl. No.	Our queries	MBPT response		
(iv).	The anticipated traffic of different categories motor vehicles and the estimated revenue (wharfage, storage charges, etc., ) therefrom in the next two years (2004-05 and 2005-06) may be furnished	The estimated traffic of vehicles and estimated revenue on account of wharfage and storage charges on 5000 sq. mtrs area are as under:		
		<b>Year</b>	<b>Traffic ( Motor Vehicles)</b>	<b>Revenue (Rs. in lakhs)</b>
		2004-05	25000	281.52
		2005-06	60000	650.80
(v).	A reference has been made about the prevailing wharfage rate at JNPT. A comparative position of the facilities provided at JNPT and MBPT may be furnished. Likewise, comparison of rates may also be made taking into account stevedoring charges.	JNPT has offered pre-dispatch inspection facility and parking area on lease. MBPT has proposed to allot parking area for 30 days free of demurrage on common user basis. MBPT also intends recovery of license fees for area provided to erect PDI setup for one of the users. The comparative position with regard to license fees, storage charges, stevedoring charges, wharfage charges and charges for unloading from rail are furnished below:-		
		<b>Activity</b>	<b>MBPT</b>	<b>JNPT</b>
		PDI and Storage area	i). License fees in terms of Section III(C) II of the DSRs. ii). Pre-shipment storage facility inside the docks proper for storage of motor vehicles free of demurrage of 30 days.	i). Lease rate for entire area including PDI as per Port Tariff Schedule VIII. ii). Storage charges are levied after 15 days free period even in the area leased or any other area inside the port.
		Stevedoring	Rs. 35/- per vehicle for RO-RO operations	Rs. 35 per vehicle for RO-RO operations.
		Wharfage (proposed)	0.4% of CIF value for imports 0.4% of FOB value for exports.	0.50% of CIF value for imports. 0.50% of FOB value for exports.
		Unloading from rail	Providing ramps for unloading of cars from rail at the Docks free of cost.	Rs.195 per vehicle upto 16.5 HP Rs.290 per vehicle above 16.5 HP

6. A joint hearing in this case was held on 19 July 2004 at the office of this Authority. As agreed at the joint hearing, the MUL and the TML have furnished the following comparative position of unit cost of handling vehicles at JNPT and MBPT:

**Comparative position of unit cost of handling vehicles at JNPT and MBPT at MBPT proposed wharfage rates**

**Maruti Udyog Limited**

( In Rs.)

Sl. No.	Cost Items	JNPT	MBPT
1.	Wharfage	1089	871
2.	Octroi	--	250
3.	Other expenses like cost of fuel, stevedoring, CHA, toll charges etc.	65	65
4.	Interest cost at 10%	114	257
	<b>Total</b>	<b>1268</b>	<b>1443</b>

Note: MUL's initial investments for creating infrastructure on 25000 sq. mtrs. land at JNPT and MBPT are Rs.40,00,000 and Rs.90,00,000 respectively.

**Tata Motors Limited**

( In Rs.)

Port	Vehicle category	Wharfage	Octroi	Other expenses like cost of fuel, stevedoring, CHA, toll charges etc.	Total
JNPT	Indica	1125	--	1308	2433
	Safari	2363	--	2761	5124
	Pick-up 1 ton	1575	--	1635	3210
	LCV Truck	2025	--	764	2789
	LCV Bus	4050	--	779	4829
	MCV Truck	4050	--	794	4844
	MCV Bus	4500	--	794	5294
MBPT (@ 0.12% wharfage)	Indica	270	100	1466	1836
	Safari	567	100	3113	3780
	Pick-up 1 ton	378	100	2385	2863
	LCV Truck	486	100	978	1564
	LCV Bus	972	100	1013	2085
	MCV Truck	972	100	1112	2184
	MCV Bus	1080	100	1112	2292
MBPT (@ 0.40% wharfage)	Indica	900	100	1466	2466
	Safari	1890	100	3113	5103
	Pick-up 1 ton	1260	100	2385	3745
	LCV Truck	1620	100	978	2698
	LCV Bus	3240	100	1013	4353
	MCV Truck	3240	100	1112	4452
	MCV Bus	3600	100	1112	4812

7. As agreed at the joint hearing, the MBPT convened a meeting with the users on 29 July 2004 on the proposed rate and furnished its report. The contents of the MBPT report dated 12 August 2004 are briefly summarised below:

- (i). M/s. Maruti Udyog Limited (MLL) did not attend the meeting nor did furnish the cost details. M/s. Tata Motors Limited (TML) and M/s. Ashok Leyland Limited (ALL) attended the meeting but did not furnish the cost details.
- (ii). TML expressed the following views in the meeting:
  - (a). Except an exclusive car park and berth at BPX for PCC, no other working conditions are changed.
  - (b). Comparison of rates of MBPT and JNPT should not be a point for consideration as car exporters will have to incur additional expenses to access MBPT.
  - (c). Proposed increase in wharfage is not justified.
- (iii). ALL expressed the following views in the meeting:
  - (a). ALL supports the arguments of TML.
  - (b). ALL is happy with the available facilities and rates at MBPT and it has assured more exports through MBPT as the unrevised rates are competitive.
  - (c). If the rates are increased and that too by such a huge margin, then their exports would suffer badly due to stiff competition.
  - (d). The proposed increase may be held back and gradual increase may be considered afterwards.

- (iv). Sharp Logistics, handling agent for ALL, also requested to defer the proposal and charges be increased gradually.
- (v). Users use MBPT only for vehicle storage and berth. MBPT workers are not used for loading operations. Hence, drivers would be deployed by car exporters / vessel owners for RORO operation. There are delays at Octroi check posts and risk on city roads. Exporters incur 25% additional handling cost as compared to the costs at JNPT.
- (vi). MBPT will streamline Octroi formalities for car exports and will allow Link Road for movement of their vehicles with no extra cost.

8. 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 at the joint hearing will be sent separately to the relevant parties. These details will also be available in our website [www.tariffauthority.org](http://www.tariffauthority.org).

9. With reference to the totality of information collected during the processing of the case, the following position is seen to emerge:

- (i). The existing Scale of Rates of MBPT does not prescribe a separate wharfage rate for handling of motor vehicles. The traffic of motor vehicles being sporadic at the MBPT, no need was felt so far to have a separate entry in the wharfage schedule for motor vehicles and this category of traffic is being subjected to wharfage rate prescribed for the omnibus residual category. The MBPT anticipates a surge in the motor vehicles traffic and, hence, proposed a separate wharfage rate therefor. It is not unreasonable for a Port to propose a separate wharfage rate when a particular commodity is expected to be handled in significant volumes on a regular basis. In such a situation, comparing the exclusive wharfage charge to be prescribed with the rates applicable for the erstwhile miscellaneous category will not be fully relevant. It has to be recognised that the miscellaneous entry in the wharfage schedule is only a contingent provision to enable levy of wharfage on commodities not specifically prescribed and when such commodities are not so significant in volume. This cannot form a basis for prescribing a separate wharfage rate for a commodity to be handled on a regular basis.
- (ii). Objections of the users to the proposed rate mainly revolve around the two comparative analyses made by them. As has been mentioned earlier, the analysis of the proposed rate with the existing rate for residual category in the wharfage schedule is not very relevant. A close examination of another comparative analysis of the cost of handling of MBPT and that at the JNPT furnished by some of the users shows that many cost elements factored in the analysis are not directly relevant to the MBPT or beyond the control of the Port. If the wharfage rate alongwith stevedoring charges are compared, the charges payable at MBPT at the proposed rate will compare more favorably with those payable at the JNPT. It is true that cost of relocating the facilities from JNPT to MBPT will be significant from the point of view of the users. But this cost is expected to be paid back over a period of time during the course of business operation and cannot be attributed as the cost of MBPT. The Society of Indian Automobile Manufacturers (SIAM) has made an interesting observation of comparing the proposed rate with the space utilised by a 40' container. The costs involved in moving motor vehicles in containers are not limited only to the storage cost of such containers in the port area. Container handling charges, THC, hire charges for containers, etc are also to be borne by the exporters. In view of this position, the argument of SIAM appears to be misplaced.
- (iii). The port has repeatedly pointed out in this proceeding that it will provide various facilities to the motor vehicle traffic on a common user basis which include 30 days of demurrage free storage inside the docks, use of MBPT private roads without any additional payment, provision of unloading ramp for motor vehicles received for export by rail, permission for recycling plant and supply of water for cleaning purposes. It has also made assurances to facilitate easing of octroi procedure, provision of priority berthing facilities on BPX berths and maintaining the entire operational area congestion free. The proposed wharfage rate is, therefore, to be

seen as a package including the facilities agreed to be provided by the MBPT for export of motor vehicles. It is noteworthy that the wharfage charges leviable under the residual category does not explicitly include provision of such facilities. Seen in this light, there is definitely a justification for prescribing a separate wharfage rate for motor vehicles at a level higher than the existing rates for residual category, even though such a comparison is not relevant.

- (iv). The issues, therefore, to be decided by this Authority are the quantum of wharfage charges for motor vehicles and the unit of levying such charges.
- (v). The proposal is for prescription of wharfage rates for motor vehicles on ad valorem. This Authority has held in many cases earlier that ad valorem may be relevant for collection of 'tax' and the ports are collecting 'fees' for services rendered. That being so, it is appropriate to have wharfage rates with reference to unit of weight/volume instead of value based pricing. The argument of MBPT that it could not be feasible to standardise fixation of wharfage on per tonne or volume basis in view of the policy adopted by it on fixing charges based on the ability of the user to pay cannot be accepted at all. The port's contention that high value cargo should absorb comparatively high cost of charges is contrary to the 'quid pro quo' principle emphasised by this Authority.

Be that as it may, wharfage on motor vehicles is prescribed on ad valorem in most of the major ports. This may possibly be due to the fact that in most of the major ports there is no exclusive rates in the wharfage schedule for motor vehicles and they are classified under residual category for calculation of wharfage, as is being the case at the MBPT presently. It is noteworthy that the issue of prescription of wharfage on ad valorem is engaging the attention of this Authority which will be addressed in the revised tariff guidelines to be notified soon with the approval of the Government.

It has to be recognized that the wharfage rate for motor vehicles prescribed by the MBPT is a single rate even though the term motor vehicles may embrace small passenger cars to heavy duty trucks. Since cost of handling may vary for different categories of motor vehicles, it is necessary to prescribe separate rates for individual categories of vehicle falling under this group. This requires details of cost of handling and, more importantly, the traffic mix. Export of motor vehicles on a large scale through MBPT is a recent phenomenon and it may be difficult to reasonably forecast the traffic mix. That being so, this Authority is inclined to allow a single wharfage rate for motor vehicles as an interim arrangement till the MBPT gains experience in handling motor vehicles which will enable them to forecast traffic with better reliability. In the meanwhile, ad valorem method of charging wharfage is allowed as proposed by the MBPT. Based on the experience gained, the MBPT should prescribe unit based wharfage rate for different categories of motor vehicles at the time of the next general review of its Scale of Rates.

- (vi). There is no cost justification given by the MBPT in support of the proposed rates. As discussed earlier, a rate higher than the existing rate for residual category may be justified in view of the package facilities to be provided by the MBPT. Since it is a new traffic to the MBPT, it should act as an incentive to the users to continue with their operations through the port besides attracting more volumes. In the instant case, the users have expressed strong reservations to the rate proposed by the MBPT. At the same time their argument of maintaining status quo cannot be fully accepted for reasons given elsewhere in this analysis. It is noteworthy that apart from JNPT, the CHPT is the only other major port which handles large volumes of motor vehicles export. The wharfage rate for motor vehicles at the JNPT is higher than the rate proposed by the MBPT. In the case of CHPT, this Authority had prescribed in the recent past a separate wharfage of export of motor vehicles at 0.3% of FOB value. In the initial period of operations at the MBPT when the ad valorem rates are to be followed, it may be reasonable to approve a similar rate of 0.3% ad valorem for motor vehicles.

The rate is mainly for export of motor vehicles. Nevertheless, the same wharfage rate can be applied in case of imports also. Such imports are not large in number and they pay wharfage of 0.22% of CIF value even now.

- (vii). As mentioned earlier, the wharfage charges levied by the MBPT is to be seen as package which includes various facilities listed out by the port. These facilities are to be listed as the conditionalities governing levy of wharfage of motor cars in the Scale of Rates so that they will be available to all the users on non-discriminatory basis.
- (viii). The need for a comprehensive general review of all the services provided by MBPT has been stressed repeatedly by this Authority in many of its earlier orders relating to MBPT. No such proposal is forthcoming. It appears that the port does not even contemplate to formulate its proposal for such a general review as is evident from its statement that it would forward a proposal only for revision of wharfage of general cargo handled at docks as and when its Annual accounts 2003-2004 are finalised. The MBPT is once again advised to formulate a comprehensive proposal for general review of all charges levied by it instead of resorting to piecemeal reviews.

12.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves insertion of the following entry as Rate No.14 in the schedule of wharfage charges of MBPT and re-number the existing Rate No.14 as the Rate No.15:

**Section –1**  
**Schedule of Docks Wharfage Charges**

Rate No.	Description of goods	Basis of charge	Ceiling Rates (in Rs.)	
			Import	Export
14	Motor vehicles and cars	Ad valorem	0.3% of CIF	0.3% of FOB

12.2. This Authority also approves insertion of the following note suitably under the wharfage schedule in Section 1 of the Dock Scale of Rates of the MBPT:

**“Note:** The port shall provide the following minimum additional facilities to the export of motor vehicles on common user basis:

- (i). Use of MBPT private road without payment of permit charges.
- (ii). Unloading ramp for motor vehicles received by rail for export free of cost.
- (iii). Pre shipment storage facilities inside the docks free of demurrage for 30 days.
- (iv). Arrangement for supply of water for vehicles for cleaning purposes including permission for recycling plants inside docks.”

**( A.L. Bongirwar )**  
Chairman

**SUMMARY OF THE COMMENTS RECEIVED FROM THE PORT USERS / DIFFERENT USER ORGANISATIONS AND ARGUMENTS MADE IN THIS CASE DURING THE JOINT HEARING BEFORE THE AUTHORITY**

**F. No. TAMP/27/2004 - MBPT** - Proposal from the Mumbai Port Trust for prescription of wharfage rates for vehicles in the Schedule of wharfage rate charges leviable under Section I of the Dock Scale of Rates.

1. The comments received from the port users / representative bodies of port users are summarised below:

**M/s. Ashok Leyland Limited (ALL)**

- (i). The MBPT has proposed a steep increase of 260% from the present level of 0.11%. The proposal is strongly objected to, whatever be the facilities being envisaged by MBPT.
- (ii). FOB cost based on 0.11% wharfage for vehicles was considered by ALL when it bagged a contract for supply of 3322 trucks to Iraq. The shipment to Iraq will be completed only by March 2005. The proposed increase in wharfage charges would jeopardise its ongoing export contracts.
- (iii). Shipment of another 2000 vehicles to the Middle East, Africa and South Asian countries in the current fiscal year has been planned considering 0.12% towards wharfage in the FOB cost.
- (iv). ALL is already facing the burden of increased ocean freight and fluctuation in foreign exchange rates. The MBPT proposal is not to be considered and status quo in wharfage rates for vehicles may please be maintained in the overall interest of trade and industry.

**M/s. Maruti Udyog Limited (MUL)**

- (i). The cost of fencing about 29000 sq.mtrs land being made available by MBPT for open parking of cars would be borne by MUL.

- (ii). MUL has facility at JNPT for handling export of cars. MBPT had invited MUL to shift export operations from JNPT and one of the major reasons for considering such a move was the lower wharfage rate at MBPT. A new facility would have to be set up at MBPT at an investment of Rs. 8 – 9 Crores. The attractive wharfage rate at MBPT would offset this huge investment and keep the cost of export competitive.
- (iii). The proposed increase in wharfage rates would discourage car exporters using MBPT and, therefore, the existing tariff for wharfage for import and export of cars may be maintained.

**M/s. TATA Motors Limited (TML)**

- (i). MBPT had promised to make available 50,000 to 60,000 sq. mtrs yard exclusively for car exporters. The MBPT confirmed the existing wharfage rate for automobile exports and at no stage did the MBPT mention about the proposed increase in wharfage rates for vehicles.
- (ii). The size of the exclusive yard has now been reduced to below 30,000 sq. mtrs. Considering the expected monthly export throughput of around 6000 cars and keeping in view that MBPT is nearly 125 years old, the return on investment will be substantial for MBPT.
- (iii). TML is considering substantial increase in commercial vehicle export at 16,000 units in 2004-05 apart from quantum jump in car exports. This volume together with Ashok Leyland Volumes will increase the earnings of MBPT, without any further investments, as no special facilities or stockyard is being allotted by MBPT for commercial vehicle exports.
- (iv). With increase in sea freight and Indian rupee appreciating against US\$, Indian automobile exporters have to absorb these costs and lower their margins. Only incentive is increased export volume.

- (v). The Chennai Port is considering the request of Hyundai Motors to levy wharfage on a unit basis instead of the present ad valorem percentage on FOB. MBPT should emulate the steps of Chennai Port.
- (vi). As no additional facilities are offered to Commercial Vehicle exports and given the projected export volumes of cars and commercial vehicles, the proposed increase in wharfage rates is not justified.

**The Society of Indian Automobile Manufacturers (SIAM)**

- (i). There is no justification in linking wharfage to the FOB / CIF prices just because it has been historically so.
- (ii). World over, wharfage is linked to the weight or volume of the Cargo handled, whichever is higher. In the case of Motor Vehicles, it would be the area occupied since the vehicles are parked in the open storage.
- (iii). Assuming average sales realization of small segment cars at about US\$ 5000, the wharfage at the proposed rate would amount to Rs. 900 per unit. This wharfage amount of Rs. 900 per unit will be more than the cost for open storage for a period of 10 days prior to shipment which works out to Rs. 434.85.
- (iv). Strengthening of EURO and US\$ against Indian rupee will result in a higher quantum of wharfage and this is also illogical as the cost to port is independent with exchange rate changes.
- (v). The covered area for pre-inspection facilities are to be given on lease to individual users as per their requirement. Therefore, the cost of covered area amounting to Rs.18.70 lakh per month, considered in arriving at the new wharfage rate, cannot be loaded on all port users under the head of wharfage.
- (vi). 3 compact segment cars can be placed in a 40 ft container. A comparative study on the space utilized by a 40 ft container and the wharfage charged thereon would also show that the current proposal is not justifiable.

- (vii). Wharfage and port dues when compared to South East Asian Ports are already very high. Comparison of rates with the neighbouring ports like JNPT to justify proposal is not correct. It should be made at global level. Therefore, SIAM is not in favour of the revision in the wharfage rates proposed by MBPT.
  
- (viii). SIAM is also in agreement with the views of TML.

**Confederation of Indian Industry (CII)**

- (i). The Indian automobile industry has to be maximum cost competitive in the extremely competitive environment in the world automobile market without compromising on the quality of product.
  
- (ii). Increase of wharfage rates would adversely affect the exports of automobiles through MBPT. The MBPT proposal indicates lack of well thought of policy.
  
- (iii). In the face of competition from JNPT, the MBPT, in spite of locational advantages, is facing difficult time. The two ports should work out an effective strategy to enable them to be competitive instead of easy option of increasing the rates.
  
- (iv). The Chennai Port Trust (CHPT) has adopted a policy to provide reduction in vessel-related charges for car carriers on the basis of volume and MBPT could take a lead out of CHPT and provide incentive to the automobile companies to make use of MBPT facilities.
  
- (v). Increase in the wharfage rate would add to the cost and would make Indian Automobile Companies uncompetitive and *status quo* on the present wharfage terms for exports should be maintained.

- 2. The MUL and TML have made the following additional submissions:

**M/s. MUL**

- (i). The current lease rent payable at JNPT is Rs.22.37 per sq. mtr. irrespective of open area or constructed building. The MBPT will be charging lease rent at Rs.90/- per sq. mtr. on the area allotted to MUL for setting up pre-Despatch Inspections (PDI) facility.
- (ii). Operating cost at MBPT will be higher if the wharfage rates are increased to the level proposed by MBPT.
- (iii). Considering the lower incidence of wharfage at MBPT, MUL had considered to move to MBPT on its invitation despite the required investment of Rs.9 crores to set up a new PDI facility.

**M/s. TML**

- (i). Given the present projected volumes for 2004-05, 30,000 sq. mtr. is grossly inadequate.
- (ii). The increased 30 days dwell time is not a tangible benefit sine the shipping lines are committed to provide 2 or more Pure Car Carriers (PCC) sailing per month.
- (iii). The additional distance to MBPT combined with the congested roads and Octroi procedures would increase the logistics costs and reduce productivity.
- (iv). The proposed increase in wharfage without additional facilities is totally unjustified.

3. In response, the MBPT vide its letter dated 16 July 2004 has furnished its comments on the submissions made by TML and SIAM. The response of MBPT is summarised below:

- (i). The MBPT intends to provide following additional facilities exclusively for the use of vehicle exporters without recovery of any additional charges:
  - (a). Use of MBPT private roads without payment of permit charges thereby improving the safe and speedy movement of cars.

- (b). Easing of octroi procedures
- (c). Unloading ramp will be provided for the motor vehicles received for export by rail.
- (d). Entire area will be maintained congestion free with smooth surface.
- (e). permission for recycling plant to purify water inside docks will be given.
- (f). Normally, storage of export cargo under pre-shipment storage facility is allowed outside the docks, which are grossly underutilised, whereas 30,000 sq. mtrs. area has been earmarked at the prime location inside the Indira Dock for quicker movement of vehicles from parking slots to ships by the exporters. This area is likely to be increased in near future. The MBPT has already spent Rs.3 crore to develop this area. The users' apprehension that the storage area has been reduced to 30,000 sq. mtrs. is not correct.
- (g). MBPT will liaise with MCGM and ensure that octroi procedures are simplified and no difficulty is faced by vehicle exporters. All efforts will be made for quicker movement of trailers and congestion at city roads may not have much effect on the movement of motor vehicles brought for exports.
- (h). The traffic projection for motor vehicles is 60,000 per annum.
- (i). The CHPT has allowed storage space free of charge for 30 days and permitted the users to install cabins, inspection room for PDI work at Rs.36 per sq. mtr. per month. It has also permitted fencing of the area. No long term agreement has been signed with Hyundai.
- (j). With reference to the submissions of SIAM comparing cost of open storage for 10 days at Rs.434.85, the storage of vehicles at MBPT will be free of demurrage for 30 days and not 10 days. As such, exporters

are at liberty to bring in more vehicles and can have advance planning. The proposed wharfage is comparatively lower considering the 30 days free period and other additional facilities.

- (k). Cost of covered area of 3500 sq. mtrs. proposed to be given to a port user has not been taken into account for determining the proposed wharfage rate.
- (l). Wharfage charges leviable on containers cannot be compared with the wharfage charges leviable on motor cars due to the following reasons:
  - 2.5 US \$ per TEU per day after allowing 15 days free period is leviable as storage charges in addition to wharfage.
  - Containers are allowed to be stored in the CFS or outlying areas whereas the motor vehicles will be allowed to be stored at the prime location inside the docks for 30 days free of demurrage.

4. A joint hearing in this case was held on 19 July 2004 at the office of the Authority. At the joint hearing, the following submissions were made:

**Mumbai Port Trust (MBPT)**

- (i). Presented the proposal.
- (ii). We have already listed in our written submission the various facilities offered by us.
- (iii). We will have further meeting with users on rate and furnish our comments within 15 days.

**M/s. Tata Motors Limited**

- (iv). If rates are not revised, it is not economical for us to use MBPT. We will continue with Jawaharlal Nehru Port Trust (JNPT).

Users

- (v). We will give a comparison of unit cost in JNPT and MBPT. We will give our reply within a week.

5. The MBPT vide its report dated 12 August 2004 mentioned that the users did not furnish the comparative cost details relating to handling of vehicles at JNPT and MBPT and hence the MBPT is not in a position to furnish specific comments on the cost of handling the vehicles at JNPT and MBPT. Therefore, a copy each of the letter dated 23 July 2004 and 26 July 2004 of MUL and TML respectively furnishing comparative cost details of handling vehicles at JNPT and MBPT was furnished to MBPT for its comments by 10 September 2004. We have not received the response from MBPT till the finalisation of this case.

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