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**Tariff Authority for Major Ports**

G.No. 25

New Delhi, 5 March, 2003

**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 from the Chennai Port Trust (CHPT) about introduction of a new levy structure for handling agricultural produce as in the Order appended hereto.

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

**Tariff Authority for Major Ports**  
**Case No. TAMP/82/2002 - CHPT**

**The Chennai Port Trust**

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**Applicant**

**ORDER**

(Passed on this 4th day of February 2003)

This case relates to a proposal received from the Chennai Port Trust (CHPT) for introduction of a new levy structure for handling agricultural produce.

1.2. The CHPT has given the following main reasons for introduction of new levy structure for handling agricultural produce:

- (i). Agricultural products have not been handled at the Chennai Port for the last ten years.
- (ii). The proposed levy of Rs.7.50 PMT for bagged cargo and food grains as against the existing levy of 235% as per the merger agreement approved by the Government of India will attract more agricultural produce to this port.
- (iii). If the new rate structure attracts more cargo, then work force rendered idle due to privatisation of container terminal and shifting of coal to Ennore Port can be effectively redeployed.

1.3. The CHPT has proposed the following modifications in the existing levy structure:

- (i). A new levy structure at Rs.7.50 PMT (as applicable for Ores and Minerals) is proposed for agricultural produce such as wheat, rice, maize, pulses, etc., including sugar in bags or jumbo bags or palletised.
- (ii). The existing Line No.2 specifying a levy of 235% for bagged cargo and food grains will be reworded as 'Bagged Cargo other than Agricultural Produce'.
- (iii). If agricultural produce are directly shipped or taken delivery without stacking in the shed it is proposed to levy Rs.4/- PMT i.e., 10% of the existing C & F levy of Rs 40/- PMT. The existing C& F levy of Rs.40/- PMT will, however, be collected when stacking is done in the shed and delivery is taken subsequently.
- (iv). The present system of charging 230% levy for 'On-Board Supervisors' for handling agricultural produce is proposed to be eliminated; and, only time rate wages, piece rate wages and night weightage allowance are proposed to be collected.

1.4. The CHPT has sought approval to these modifications pending a review of stevedoring levy for all commodities.

2. The CHPT has further furnished a detailed working of the additional revenue estimates to the port with the proposed modifications. The main points highlighted by the CHPT are given below:

- (i). With the proposed rate structure, two vessels per month carrying 40,000 to 50,000 tonnes of agricultural cargo are expected to be handled. This will

generate an additional revenue of Rs.56.05 lakhs per month (from the proposed on-board levy, C&F levy, wharfage and cranaage charges) excluding the vessel-related charges.

- (ii). The total labour requirement will be around 7500 man-shifts per month to handle this 50,000 tonnes of cargo thereby offering more employment opportunities to both on-board and shore workers.
- (iii). The handling cost (for labour supply) will work out to Rs.98.83 PMT with the proposed levy structure as against Rs.180.66 PMT applicable as per the existing system of levy.

3.1. In accordance with the consultation procedure adopted, a copy of the CHPT proposal was forwarded to the concerned port users / representative bodies of port users for their comments. The comments received from them are summarised below:

**M/s. Chakit Shipping Services (P) Limited**

- (i). The CHPT proposal is a step in the right direction which will make the port competitive in terms of price with the neighbouring ports viz., Kakinada and Tuticorin.
- (ii). The port must consider reduction of C&F levy charges for the shipments handled in the transit shed as well.

**Chennai Port Stevedores Association (CPSA)**

- (i). The port has yet to submit its proposal for a review of the entire levy structure for the existing commodities handled.
- (ii). The agricultural commodities were being handled at the Chennai port till the early nineties; and, the port lost these cargoes mainly due to increase in pollution levels. The instant proposal fails to consider whether the proposed reduction in levy will curb or control the pollution level.
- (iii). The reduced levy will not guarantee the port additional traffic of agricultural products. The port should negotiate with the interested organisations in arriving at a tonnage of agricultural product shipments that would be handled at the Chennai Port consistently every year, before reducing the levies.
- (iv). The cranaage component currently being charged for direct shipments of the agricultural cargoes (in bags) may be waived.
- (v). A notional C&F levy of Rs.40/- PMT is charged for handling direct shipments of general cargo, bagged cargo, granite blocks and iron and steel cargoes, without supply of any additional shore labour. The port levies multiple levy structure on shipments of Ores and Minerals in bulk.
- (vi). The instant proposal for introduction of a new levy structure for agricultural products must not be taken up independently but, holistically alongwith the review of the levy structure for all the other cargoes being handled at the port.

**M/s. Indian Sugar Exim Corporation Limited**

- (i). The recommendation of the CHPT to reduce the stevedoring levy is welcomed and may be agreed.
- (ii). A separate amount of Rs.38.60 PMT towards cranaage is charged in addition to C&F levy, irrespective of the fact whether shore crane is used or not. Concession suggested for C&F levy may be extended to cranaage charges also

which will go a long way in bringing down the handling cost and increase the productivity.

- (iii). The CHPT insists on availing the services of relievers in the categories of drivers / signallers / tally clerks (i.e., one reliever upto 3 hooks and 2 relievers for 3 and more hooks) without any benefit or additional productivity. Posting of relievers for the above categories may be dispensed with which will definitely bring down the cost of handling operation and increase the productivity per worker employed.

#### **M/s. B.L. Transport**

The proposal of the CHPT about introducing a new levy structure for agricultural produce is quite encouraging.

#### **Tamil Chamber of Commerce (TCC)**

- (i). It has endorsed the proposal made by the CHPT for introduction of a new levy structure for handling of agriculture produce which in particular will also boost exports to earn foreign exchange.
- (ii). There should not be any port labour involvement if the cargo is handled by mechanical equipment or when the cargo is handled in any new godown /leased godown.
- (iii). The MMTC and other exporters are interested to use the Chennai Port for exporting wheat in bulk. The Authority may consider to extend the concessional levy of Rs. 7.50 PMT as proposed by the CHPT for agricultural produce handled in bagged form even for grain handled in bulk to attract export of food grain through the Chennai Port.

#### **The Hindustan Chamber of Commerce (HCC)**

- (i). The Port has submitted a selective proposal to reduce levies for handling of agricultural products based on requests from two users.
- (ii). Granite is a cargo that has been exported from the Chennai Port for long and is being diverted to other ports in the last couple of years due to the high cost of handling prevailing at Chennai Port in comparison to the neighbouring ports. The port should not neglect the cargoes that are being handled for decades.
- (iii). The port has not considered its earlier representation about unauthorised collection of C&F levy of Rs.40/- PMT. The Authority is requested to include its earlier representation about C&F levy charged on export of granite black in the agenda and clarify whether the levy is justified.
- (iv). The port must submit a comprehensive proposal to the Authority for review of its existing levies for all the cargoes handled to eliminate certain grave anomalies in the existing structure.

#### **M/s. Sattva Logistic Private Limited**

It has reiterated the comments of the TCC.

**Chennai Custom House Agents' Association (CCHAA)**

- (i). With shifting of coal traffic to the Ennore port, the pollution level is definitely going to be reduced; and, therefore, the proposed reduction in the levy will be helpful to the Trade as well as to the Chennai Port.
- (ii). The port should discuss with the interested organisations and find out the tonnage that will be handled at the Chennai Port, and offer a special rate to increase the business.
- (iii). It has reiterated the views of the Chennai Port Stevedores Association that the crantage charges on direct shipment of agricultural cargo in bags should be waived. Also, the notional C&F levy of Rs.40/- PMT should be totally eliminated as no service is rendered.
- (iv). The proposal to reduce levy for agricultural produce is a step in the positive direction. It would have been more appropriate if the reduction in levy had been proposed for all commodities to improve the overall business at the Chennai Port, since the major volume of cargo, namely coal has been shifted to Ennore Port.

3.2. The comments received from the users were forwarded to the CHPT as feed back information.

4.1. A joint hearing in this case was held on 4 December 2002 at the CHPT premises. At the joint hearing, the following submissions were made:

**The Chennai Port Trust**

- (i). We could not handle food grains for the last 10 years due to the pollution caused by coal traffic. With the shifting of coal to Ennore, we are now in a position to handle agro-products.
- (ii). (a). We admit, we do not provide any direct services for direct shipment/delivery corresponding to the C&F charges levied.  
(b). At the transit shed, however, we provide C&F labour to load/unload cargo to/from trucks. That is why, we levy a C&F charge of Rs 40/- PMT which includes wages for the C&F workers.
- (iii). If we deploy equipment for receipt/delivery operation we levy hire charges of equipment separately. In such cases, no discount on the C&F levy is allowed.
- (iv). We will examine further the possibility of allowing discount on C&F levy when equipment are used for loading/unloading at the transit shed.
- (v). We are in the process of formulating a comprehensive proposal for review of the levy structure. We will place the proposal before our Board which is scheduled to meet on 27 Dec 02. We request the TAMP to allow us time up to 13.1.03 to submit this proposal for its approval.

**Tamil Chamber of Commerce (TCC)**

- (i). We welcome the proposal.
- (ii). The CHPT should ensure pollution free environment for handling agro-products. This basic requirement cannot be substituted by a tariff reduction.
- (iii). The proposal is only for bagged cargo. The CHPT has lot of potential to attract bulk agro commodities also. The CHPT should consider extending concession in tariffs to bulk commodities also.

**Madras Chamber of Commerce and Industry (MCCI)**

- (i). The proposal of the CHPT is acceptable. But, the larger issue involved is about a comprehensive review of the existing levy structure in its totality.
- (ii). A fee levied should have nexus with the services provided by the Port.

**The Chennai Custom House Agents Association (CCHAA)**

- (i). We welcome the proposal.
- (ii). The anomalies in the existing levy structure should also be removed simultaneously.
- (iii). The C&F levy of Rs 4 PMT on direct shipment/delivery is not at all justified.
- (iv). The TAMP may go into the cost details. There are instances of double charging by the Port in the past.

**Hindustan Chamber of Commerce (HCC)**

- (i). The main objective of the merger of DLB with the port trust is rationalisation of operation and cost reduction. Why should the CHPT continue with the old system of levy even after merger?
- (ii). Levy of 235% has not been revised downward even after the pay revision which escalated wages by about 35%.
- (iii). The existing rate structure is not notified by the TAMP. It is therefore, illegal.
- (iv). Some of the charges levied at present by the CHPT are not in the merger settlement. Another illegality.
- (v). The TAMP may entertain only a comprehensive proposal for review of the levy structure. Till such a review is undertaken, no piecemeal proposal for selected items should be entertained.

**Chennai Port Stevedores Association (CPSA)**

- (i). While we welcome the step taken by the CHPT, we urge the port to do away with levy of charges for notional services.
- (ii). At the time of general revision of tariffs, the CHPT agreed to submit a proposal for comprehensive review of levy structure. Nothing has happened so far.

**Chennai Steamer Agents Association (CSAA)**

- (i). We welcome the proposal. The port must, however, ensure that the level of pollution is within the permissible limits. There does not appear to be any concrete action taken by the port in this direction.
- (ii). We request a review of the entire levy structure to eliminate double charges and redundancies.

**M/s. Indian Sugar Exim Corporation Limited(ISECL)**

- (i). The proposal is welcome. It will attract new cargo to the port.

- (ii). Even with the reduction in levy, CHPT will be costlier. The labour cost at the CHPT is prohibitive. The C&F levy for notional services is definitely a deterrent.

**M/s. B.L. Transport & Company**

- (i). We welcome the proposal.
- (ii). Concession in tariffs should be given to the agro commodities irrespective of whether they are bagged or in bulk. This will attract new traffic.
- (iii). The port must ensure a pollution free environment for handling food grains.

**M/s. Seaport Logistics Private Limited**

- (i). The CHPT can attract bulk wheat traffic. This traffic, however, requires large work force. The port should allow private labours to function in port area. We can even pay a charge to the port for allowing private labours.
- (ii). The CHPT must earmark a specified area, free from pollution, for handling agro products.
- (iii). The Chennai Port is costlier mainly because of different labour levies. Redundant category of workers should be identified and eliminated. This will lessen the burden of levy.

4.2. At the joint hearing, it was decided that the CHPT would give a written submission assuring to provide a pollution free environment for handling agriculture produce, the basis of arriving at the proposed rate and the details of the services provided in relation to the C&F levy on direct delivery / shipment. The CHPT was also advised to submit a comprehensive proposal for review of the existing rates for supply of Cargo Handling Workers by 13 January 2003.

5.1. The CHPT has furnished a written submission stating the following main points:

- (i). Action has been taken to reduce the pollution level and the exporters after verifying the site conditions have shown their interest to export food grains through its port. It is committed to provide the best possible pollution free environment to the exporters for food grains; but, cannot stand as a guarantor to ensure that there will not be any pollution or for non-acceptance of the cargo by the receiver due to pollution.
- (ii). The instant proposal has been made based on cost comparison with other ports handling similar cargo and as a measure to increase the employment potential for its shore workers. Taking into consideration the handling cost of agricultural produce at Visakhapatnam port and the Tuticorin Port, the rate of Rs 7.50 PMT which is the lowest rate of levy available at present has been proposed.
- (iii). Even though the cargo is taken directly to the hook point for shipment, as a contingency measure to take care of the breakdown of the vehicles, ship gear, etc., port workers (C&F workers) are deployed in the shed to meet such eventualities. In view of this, C&F levy of Rs 4/- PMT for the direct shipment of food grains is proposed.
- (iv). Since the Authority is of the opinion that there shall not be any tariff when no service is extended to the user, the C&F levy of Rs 4/-PMT may be added to the proposed levy of Rs 7.50 PMT and making it as Rs 11.50 PMT in lieu of Rs 235% overhead charged on wages for indirect expenditure of cargo handling workers.

5.2. In addition to the above points, the CHPT has offered the following comments in response to the arguments advanced by various port users at the joint hearing:

- (i). The request of M/s. B L Transport to extend the proposed levy to agricultural produce handled in bulk will be considered while formulating a comprehensive proposal.
- (ii). The request of M/s Seaport Logistics to allow private labour in the areas, where port workers are deployed will lead to labour unrest and law and order problem. The port is planning to introduce private labour in miscellaneous work such as bleeding, cutting, sorting, etc., in a phased manner when the strength of cargo handling workers comes down. At present the transit sheds are adequate to meet the requirement of the export cargo. In case of necessity, it may consider to declare the warehouse as transit shed to increase its export.
- (iii). It is the first port to have introduced need based manning scale; abolished the notional booking and other unfair labour practices such as dummy booking, double booking etc. The manning scale has also been reduced at the time of merger and the datum has been increased taking into consideration the method of handling, mechanization, etc.

5.3. The CHPT has further requested this Authority to approve the proposed rate as an interim measure to carry out the operation of handling agricultural produce with effect from 16 December 2002.

6.1. It may be relevant here to mention that the CHPT in the proceedings relating to the last general revision of tariffs had assured that a separate levy structure for all commodities would be proposed on the basis of income and expenditure of the cargo handling division; and, pending formulation of a separate proposal for on-board services rendered by the CHD, the CHPT requested that the existing levy might be allowed to continue.

6.2. This Authority in its Order passed on 5 October 2002 in the general revision case of the CHPT turned down the request of the CHPT as it was not possible to consider the proposition without full details relating to cargo handling division of the CHPT. The CHPT was directed to submit a proposal for a comprehensive review of the existing rate structure within three months from the date of the Order. The CHPT has recently (13 January 2003) submitted a proposal in this regard which is being processed as a separate tariff case following the usual consultation procedure adopted

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

- (i). The proposal of the CHPT is for reducing cargo handling labour related charges levied on agricultural products so that it can attract this new traffic. The efforts of the CHPT to attract new traffic is understandable in view of shift of thermal coal traffic to Ennore port. The port has also pointed out that the proposed levy rate of Rs 7.50 PMT is the lowest rate available in its present levy structure and the rate is proposed after comparing with the costs of handling at neighboring ports. Since the proposal aims at reducing the handling cost from users point of view, this Authority, prima facie, does not have any reservation in according its approval.
- (ii). The HCC and CPSA have pleaded not to consider this proposal till a comprehensive review of the entire rate structure is carried out. The CPSA has even pointed out that reduction in levy may not necessarily guarantee any additional traffic of agro-products. This point does not appear to be very relevant since agro products, even if they come in small quantities, will still help the port to generate additional revenue and improve deployment of cargo handling workers. In any case, there may not be any revenue loss to the Port

due to the proposed reduction in tariff since agro-products traffic is not existing at the CHPT now.

The issue relating to comprehensive review of the levy structure has come into foreground in the proceedings relating to the last general revision of tariffs at the CHPT. Complying with the time limit set by this Authority, the CHPT has recently (13 Jan 03) submitted a proposal for comprehensive revision of the levy structure. Since this proposal is being processed separately following the usual consultation procedure adopted, it will take some more time for it to mature for final consideration. If the instant proposal is to be deferred till then, it may only put the CHPT in a disadvantageous position with respect to its efforts to attract agro-products traffic. In any case, the rates now to be approved for agro-products can also be reviewed, if necessary, along with the levy structure for other commodities as a part of the comprehensive review.

- (iii). With reference to the demand from users for providing pollution-free environment, the port has indicated that the concerned exporters have inspected the site condition before showing their interest to use the port. Further, the port has also assured that it is committed to provide best possible pollution free environment. The TCC has also pointed out that the CHPT is modifying transit sheds and goods terminals to suit handling of food grains without pollution. It is a step in the right direction by the CHPT. It is expected that the CHPT will provide an environment which will suit handling of agro-products at its docks.
- (iv). The proposed reduction of levy from 235% to Rs 7.50 PMT and doing away with the collection of 230% overheads on on-board supervisors are shown to reduce the cargo handling worker cost on agro-products from the existing level of Rs 180.66 PMT to Rs 98.83 PMT. This Authority is, therefore, inclined to approve these proposals of the CHPT.
- (v). Another component of the proposal is about C&F levy. This levy is vehemently objected by most of the users. The HCC has also argued for examining the appropriateness of this levy being currently charged on Granite, etc. Since this proceeding is limited to fixing levy structure for agro-products, the issues relating to other commodities can be conveniently analysed when the CHPT proposal for a comprehensive review of the entire rate structure is taken up for consideration. As far as operations at the transit shed is concerned, the CHPT has clarified that it provides C&F labours for which C&F levy of Rs 40/- PMT is collected. The port has not furnished any further justification from the cost point of view to show that the rate is reasonable. Nevertheless, it is to be recognised that this is an existing charge and any alteration in that should be considered with reference to the total cost position for the entire activity and all relevant commodity traffic. That being so, the existing practice of levying C&F levy of Rs 40/- PMT is allowed to continue in the case of agro-products handled at the transit sheds of the CHPT. By way of abundant caution, it is to be mentioned that allowing the existing rate of C&F levy in the case of agro-products should not be seen as an incidental approval accorded by this Authority to such levy. The relevance and reasonableness of C&F levy will be examined as a part of the proceeding relating to comprehensive review of the levy structure.

The CHPT has proposed to levy Rs 4/- PMT as C&F levy on agro-products directly shipped or delivered. As admitted by the CHPT, there is no direct services provided to justify this levy. Provision of contingency labour to take care of vehicle or equipment break down and that too at sheds, appears to be too feeble a ground to merit collection of Rs 4/- PMT on the entire quantity of cargo shipped or delivered directly. That being so, this Authority rejects the proposal of the CHPT in this regard. It may be true that a similar position may

be obtaining in respect of other commodities which will, again, be examined as a part of the comprehensive review.

- (vi). The users have demanded a similar concessional rate for food grains handled in bulk. As assured, the CHPT has introduced a separate classification for food grain handled in bulk and proposed a lower rate of handling charges for it in the proposal for 'comprehensive review'. Since the rate proposed is an all inclusive per tonne rate, it cannot be immediately adopted without going into the details as a part of the proceedings being initiated in the relevant case.
- (vii). Some of the users have requested for allowing private labour for operation. This as an issue concerns the Port management. This Authority may not like to go into such operational matters. Likewise, the Indian Sugar Exim Corporation has raised a point about manning scale for relievers. It is understood that the issue of manning scale is seized in adjudication at national level. That being so, this Authority would not like to go into that issue at this juncture even though manning scale adopted does have definite tariff implication in view of the associated labour costs.
- (viii). As has already been mentioned, the objective behind this proposal of the CHPT is to attract the traffic of agro-products. To achieve this objective, the CHPT requested for a fast-track clearance of its proposal. Considering the urgency projected by the CHPT, an interim approval to the proposal of the CHPT, except levy of C&F charges of Rs 4/- PMT on direct consignment, was accorded for a period of 3 months with effect from 18 December 2002. The interim approval accorded earlier is hereby ratified and accordingly the tariff arrangement approved now is given retrospective effect from 18 December 2002.

8. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the following levy structure for handling agricultural produce with retrospective effect from 18 December 2002:

- (i). Revision of the existing stevedoring levy of 235% on agricultural produce such as wheat, rice, maize, pulses, etc., including sugar in bags or jumbo bags or palletized to Rs 7.50 per M.T.
- (ii). C&F levy of Rs 40/- per M.T. is chargeable only on these cargo routed through the transit shed depending on the quantity stacked in the shed. No C&F charge shall be levied on the said agricultural produce when they are directly shipped or taken delivery without stacking in the shed.
- (iii). The existing levy of 230% for on-board supervisors shall not be levied in the case of the said agricultural produce.
- (iv). The existing levy of 235% applicable on bagged cargo (Line No 2) shall henceforth be limited to bagged cargo other than the agricultural produce covered by this approval.

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