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New Delhi, the 20 November, 2001

**Tariff Authority for Major Ports**

**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 representation made by M/s.Gupta Global Exim Pvt. Ltd., about fixation of wharfage for soft-timber logs on a 'per cubic meter' basis at the Chennai Port as in the Order appended hereto.

( **S. Sathyam** )

Chairman

**Tariff Authority for Major Ports**

**Case No.TAMP/66/2001-CHPT**

**M/s. Gupta Global Exim Pvt. Ltd.**                      - - -                      **Applicant**

**Vs**

**The Chennai Port Trust (CHPT)**                      - - -                      **Respondent**

**O R D E R**

**(Passed on this 5th day of November 2001)**

This case relates to a representation filed by M/s. Gupta Global Exim Pvt. Ltd. (GGEPL) about fixation of wharfage for import of timber logs on a per cubic meter basis at the Chennai Port.

2. In its representation, the GGEPL has made the following points:

(i). It has pioneered to introduce a specie called pine-wood from New Zealand in the Indian wood market; and, is importing these logs in good volume at the Kandla Port.

(ii). It plans to discharge its next consignment at the Chennai Port to introduce this specie in South India. It intends to import initially about 5000 M.T. every month through the Chennai Port beginning from end August /early September.

(iii). Normally in all the other ports of India, wharfage on timber logs is charged on 'per cubic meter' basis, whereas at the CHPT the wharfage is prescribed on 'per log' basis.

(iv). Each of the logs brought into India from Malaysia, Burma, etc., measures about 4 to 6 cubic meter or even more. On the contrary, pine- logs are much smaller in size and are only about 0.2 CBM. Hence, the wharfage charged on “per log basis” at the CHPT amounts to a huge cost and makes such imports of pine-wood unviable.

(v). Wharfage at the CHPT for the Malaysian logs (average 5 CBM) is Rs.9.08 per CBM, whereas the wharfage for pine-wood (average 0.2 CBM) is Rs. 227.15 per CBM, if the wharfage rate of Rs. 45.40 per log is considered.

3. The GGEPL has sent another letter reiterating the request made in its earlier representation. In addition it has assured steady volumes of pine-wood traffic presently and indicated its plans to bring entire shiploads of pine-wood to the Chennai Port later.

4. A copy of the representation was forwarded to the CHPT and all concerned port users / representative bodies of port users for comments. The comments received are summarised below:

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

(i). The representation of GGEPL to prescribe wharfage for pine-wood on CBM basis is quite logical.

(ii). Logs are not uniform in size and dimension. Log and cut-wood are always sold in units of cubic meters. Hence, it is advisable that the wharfage for the same is also fixed on a per cubic feet or cubic meter basis.

(iii). The logs are mainly imported at the Mangalore, Kandla and Tuticorin port. Hence, a comparison shall be made with the rates prevalent at these ports.

(iv). If the wharfage rates of logs are made economically viable at the CHPT the volumes of log imports shall increase bringing in more income to the Port.

(v). While this is under consideration, the Authority can also consider to fix the wharfage for Logs and Wood-Chip. With dwindling forest resources in India there is already a shortage of Hard Wood for manufacture of paper and pulp is being imported.

(vi). If wood import is made economical, Indian Paper Mills can import the same and save foreign exchange. This will ease the pressure on the forest resources in India.

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

(i). In the CHPT Scale of Rates, wharfage on import of timber is prescribed as follows:

Item No.	Nomenclature
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85	Timber (in logs) other than Match Wood logs
86	Timber, Match Wood (in logs)
87	Timber, Boards, Planks, Poles, Battens, Scantlings, Rafters, Sleepers, Planed, and manifested Dunnage.
88	Timber, other materials not otherwise specified in items 85, 86 and 87

(The TCC has indicted pre-revised rates. Since the rates have been revised by this Authority in April 2000, the information has been updated by us).

(ii). Pine-wood, which is under consideration here, can be classified under Item No. 88 of the wharfage Schedule in the CHPT Scale of Rates. Accordingly, wharfage rate of Rs. 36.30 (revised) for 1 cubic meter will be applicable.

(iii). The above classification of wharfage will be suitable for both the importer and the CHPT. There is no need for further change in the tariff.

#### **The Madras Chamber of Commerce and Industry (MCC)**

(i). The representation of the Applicant is valid.

(ii). Since pine-logs are smaller in size and have less volume than normal timber logs, there is a valid case to charge wharfage on CBM basis.

(iii). The import of this commodity into the Chennai Port shall be for the first time. The demand is generated on account of the new float glass industries whose product is crated in pine-wood.

(iv). Charging the wharfage as per the costing on per log basis shall render this business completely unviable. It shall have a cascading effect on the cost and viability of the basic products for which the logs serve as packing materials.

(v). The wharfage charge on the imports of Pine Logs on CBM basis shall be allowed.

5. The CHPT did not furnish any written comments. After a reminder, the CHPT informed (vide its letter dated 30 August 2001) that relevant details from its various divisional offices were awaited and on receipt of them its comments would be furnished.

6. A joint hearing in this case was held on 5 October 2001 at the CHPT. At the joint hearing, the following submissions were made:

#### **M/s. Gupta Global Exim. Private Limited**

Wharfage is normally on a per cubic meter basis. Here it is on 'per log' basis. This increases our cost enormously.

### **Chennai Port Trust (CHPT)**

- (i). We agree. Tariff items 85,86 and 88 can be combined into one and notified on a 'per cubic meter' basis.
- (ii). Item 88 will be expanded to say 'including pine-wood'. This will be without reference to the form in which it comes or the end use.

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

Do not alter the entry too much. Take pine-wood under the residuary item 88 (Rs. 36.30 per cubic meter).

7. With reference to the totality of information collected during the processing of this case, and bearing in mind the arguments advanced at the joint hearing, the following position emerges:

- (i). This is a case for classification of pine-wood for the purpose of levy of wharfage charges.
- (ii). The CHPT Scale of Rates classifies timber logs into four categories (items 85, 86, 87 and 88) for the purpose of prescribing separate wharfage charges. The fourth category (item 88) is a residual entry against which the rate is prescribed on a CBM basis. In fact, the representation is due to classification of pine-wood by the CHPT under item 85 i.e. as 'Timber other than Match wood logs' for which the wharfage rate has been prescribed on a 'per log' basis.
- (iii). As pointed out by the GGEPL, there is an anomaly if a timber log measuring 5 to 6 CBMs and a pine-wood log measuring 0.2 CBM are levied the same wharfage rate.
- (iv). This anomalous position has been realised by the CHPT; and, at the joint hearing, it has proposed to classify pine-wood logs under the residuary item (item no. 88) and levy wharfage on a CBM basis. It has requested to elaborate the nomenclature of this item to specifically include pine-wood under this item and also to clearly indicate that the specified rates are applicable irrespective of the form in which it comes or of its end-use. This request is perhaps to avoid any possible ambiguity in classification.
- (v). Initially at the joint hearing, the CHPT argued that all the entries relating to Timber in the wharfage schedule should be specified on a CBM basis. This will no doubt be a reasonable and rational arrangement. Nevertheless, it has to be recognised that pine-wood is a new cargo to reach the CHPT whereas normal timber logs are part of the existing traffic. If an adjustment in the unit of charge is made without a suitable adjustment in the rate, normal timber logs measuring more than 1 CBM will have to pay much more than what they pay now (on a 'per log' basis). The Scale of Rates of the CHPT is due for a review / revision in April 2002. While

formulating its proposal for general revision of the Scale of Rates, the CHPT may consider rationalisation of the wharfage leviable on timber logs. Till such time, the existing unit of charge given in items 85 and 86 of the wharfage schedule is allowed to continue.

(vi). The representatives of the HCCI, who represented the interests of pine-wood (softwood) imports, expressed their endorsement of the arrangement suggested.

(vii). The CHPT has proposed a total revamping of the tariff provisions in this regard. It has, however, accepted this Authority's advice to defer such individualised initiatives till formulation of its proposal for a general revision of the tariffs around January-February 2002.

8.1. In the result, and for the reasons given above, and based on a collective application of mind, this Authority approves the following modification of item 88 in Chapter II A-Wharfage; Scale A – General of the Scale of Rates of the CHPT:

<b>Item No.</b>	<b>Nomenclature</b>	<b>Unit</b>	<b>Rate</b>
88	Timber, other materials not otherwise specified in items 85,86 and 87, including pine-wood irrespective of the form in which it comes and of its end-use.	1 cubic meter	Rs. 36.30

8.2. With the modification in the Scale of Rates of the CHPT as mentioned above, the representation of M/s. Gupta Global Exim Private Limited stands disposed of automatically.

9. The CHPT is advised to rationalise all the items relating to wharfage on logs at the time of its next general review / revision of tariffs.

10. This Order will come into effect from the date of its notification in the Gazette of India.

( **S. Sathyam** )

Chairman