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TARIFF AUTHORITY FOR MAJOR PORTS

G. No. 143 **New Delhi, 16 September, 2003**

NOTIFICATION

In exercise of the powers conferred under Section 48 of the Major Port Trust Act, 1963 (38 of 1963), the Tariff Authority for Major Ports hereby approves the proposal of the Paradip Port Trust for revision of tariff for handling of crude oil through SBM and transhipment of POL inside the port as in the Order appended hereto.

(A.L. Bongirwar)
Chairman

Tariff Authority for Major Ports

Case No. TAMP/37/2003-PPT

The Paradip Port Trust - - - - Applicant

O R D E R

(Passed on this 10th day of September 2003)

This case relates to a proposal received from the Paradip Port Trust (PPT) about revision of tariff for handling of crude oil through SBM and transhipment of POL inside the Port.

2. The PPT has made the following points in its proposal:

(i). The existing tariff of Rs.15 PMT for (a) transhipment of cargo into a vessel from a tanker/bulk carrier within the port water limit (b) handling of crude oil through SBM (new facility) is proposed to be reduced to Rs.10 PMT.

(ii). The Port has commissioned a new oil jetty with 12.7 mtrs. of draft. The reduction in tariff is to attract new cargo and for new facility.

(iii). The Board of Trustees has approved the proposed rate; the proposed rate is already implemented by allowing exemption under Section – 53 of MPT Act 1963 for a period of one year i.e. from 01.04.2003 to 31.03.2004

3. In accordance with the consultative procedure prescribed, the PPT proposal was forwarded to concerned user organisations for their comments.

4. A joint hearing in this case was held on 29 July 2003 at the PPT premises. At the joint hearing, the PPT and the concerned users have made their submissions.

5. 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 will be sent separately to the relevant parties. These details are also available at our website www.tariffauthority.org.

6. At the joint hearing, the PPT agreed to examine (i) the feasibility of levying consolidated charges on the mother vessel bring crude oil for transhipment and, (ii) The rates to be levied at the proposed SBM and submit a separate proposal in consultations with the users and submit a revised proposal within three months.

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

(i). The PPT has explained that the new oil jetty created by it at a considerable capital cost is lying almost idle for want of cargo. It anticipates that reduction in wharfage would induce crude oil transshipment. Since no transshipment traffic is handled presently, the proposed reduction does not result in any dent in the port's revenue.

(ii). The PPT has proposed to club SBM also with the oil jetty. As explained by the Petroleum Federation of India, the SBM will be put up by the Indian Oil Corporation Limited (IOCL) and it may take another three years for this facility to become operational. There does not appear to be any logic for the port recovering the same rate both for the facility created by the Port and for the infrastructure to be developed by the user. The PPT has subsequently agreed to recognize this distinction and decided to fix a separate rate for the proposed SBM.

(iii). As has been mentioned earlier, there is an approved rate available in the Scale of Rates for transshipment of crude oil. It is only proposed to be reduced to attract business. This is a commercial decision of the port.

(iv). It may be relevant to mention that the Government of India has issued a policy direction to this Authority under Section 111 of the MPT Act to fix the Scale of Rates as ceiling rates so that the major ports have the flexibility to charge at reduced rates, if they so desire. In order to implement the policy of the Government, this Authority has recently passed an Order on 28 August 2003 and notified it in the Gazette of India directing all the major port trusts to include a general conditionality in its Scale of Rates stating that the rates prescribed in the Scale of Rates are ceiling levels; likewise, rebates and discounts are floor levels. The Port Trust may, if it so desires, charge lower rates and / or allow higher rebates and discounts. Since the amendment introduced in the Scale of Rates provides necessary flexibility to the port to charge reduced rates based on its commercial judgement, it is not necessary for this Authority to go into the specific reduction in the rate for crude oil and approve it.

(v). Prescription of consolidated rate for crude oil transshipment operation will be considered separately when the port forwards a suitable proposal in consultation with the users.

8. In the result, and for the reasons given above, and based on a collective application of mind, this Authority disposes of the proposal of the PPT as superfluous.

(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/37/2003-PPT - **Proposal from the Paradip Port Trust for revision of tariff for handling of crude oil through SBM and transhipment of POL inside the port.**

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

Indian Oil Corporation Limited & Petroleum Federation of India

(i). The PPT has envisaged only the transhipment charges while the tariff for other related activities is not mentioned. Hence tariff for transshipment related to port charges is not available.

(ii). It has recommended to charge based on charges recovered at various other Indian Port where the oil industry is undertaking the transhipment operations and based on the prevailing charges at Visakhapatnam for this activities, as follows:

(a). Consolidated charges for mother vessels, in the range of Rs.2 lakhs to 3.5 lakhs (based on the annual volume guarantees)

(b). Consolidated charges for daughter vessel, 50 % berth hire charges applicable as per the GRT of the daughter vessel.

(c). Transhipment charges at Rs.10/-per MT for quantity transhipped as proposed by the PPT may be further reduced in view of IOCL's proposal to install SBM at Paradip off-shore with substantial capital investment.

(d). Fenders are to be provided by the PPT and consolidated charges of Rs.9500/- per transhipment may be considered.

1.2. A copy each of the comments received from the users was sent to the PPT as feed back information.

3. A joint hearing in this case was held on 29 July 2003 at the PPT premises in Paradip. At the joint hearing the following submissions were made:

Paradip Port Trust (PPT)

(i). We have already developed a new jetty. It still awaits clearance for operation from Directorate of explosive and would be operative immediately thereafter.

(ii). If the rates are reduced, we expect more volume. SBM will also come up by 2005.

(iii). We agree to allow the concessional rate to continue for 2 years.

Indian Oil Corporation Limited (IOCL)

(i). This rate will be only for transshipment at jetty. This should not be extended to SBM.

(ii). Please allow consolidated rate for vessel related charges like in VPT.

(iii). The rate should be less than Rs.10/-. But we do not mind Rs.10/-

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