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TARIFF AUTHORITY FOR MAJOR PORTS

G.No. 385

New Delhi,

30 October 2019

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 received from Paradip Port Trust (PPT) for fixation of wharfage for Transshipment/ Ship to Ship Transfer of LPG/ LNG at PPT Anchorage and berth on common user basis, as in the Order appended hereto.

(T.S. Balasubramanian)
Member (Finance)

Tariff Authority for Major Ports
Case No. TAMP/50/2019-PPT

Paradip Port Trust

QUORUM

Applicant

- (i). Shri. T.S. Balasubramanian, Member (Finance)
- (ii). Shri. Rajat Sachar, Member (Economic)

ORDER

(Passed on this 10th day of October 2019)

This case relates to the proposal received from Paradip Port Trust (PPT) for fixation of wharfage for Transshipment/ Ship to Ship Transfer of LPG/ LNG at PPT Anchorage and berth on common user basis.

2.1. This Authority vide its Order no. TAMP/90/2016-PPT dated 15 September 2017 had approved general revision of Scale of Rates (SOR) of PPT. The said Order was notified in the Gazette of India on 1 November 2017 vide Gazette No. 422. The Order had prescribed the validity of the SOR till 31 March 2019. Subsequently, the validity of the Scale of Rates of PPT was extended till 30 September 2019 or till the effective date of implementation of the revised SOR to be notified by this Authority, whichever is earlier.

2.2. Vide the said Order dated 15 September 2017, this Authority has *interalia*, approved the wharfage for Transshipment [crude and POL] from mother to daughter vessel.

3.1. On the ground that its existing Scale of Rates does not prescribe wharfage charges for Transshipment of LPG / LNG, the PPT vide its letter No. TD/TM/GEN-241/2282 dated 5 September 2019 has filed the proposal for fixation of wharfage for Transshipment / Ship to Ship Transfer of LPG / LNG at PPT Anchorage and berth on common user basis. The main submissions made by PPT vide its letter dated 5 September 2019 are as follows:

- (i). Under the aegis of Pradhan Mantri Ujjwala Yojana, the consumption of LPG in India has increased over the past few years mainly due to increased LPG penetration. According to Oil Ministry, LPG penetration in the country has gone up to 88.5 per cent in 2018 as compared to 56.2 per cent in 2015.
- (ii). Owing to the surge in demand for LPG from household on the government efforts to shift to clean fuel, the LPG import reached around 13.20 million tonnes in the F.Y. 2018-19. Part of LPG requirement of east coast of India, including Odisha, is met by the LPG imported through Haldia Dock Complex, Vizag Port and Kamaraj Port, apart from movement by road tankers.
- (iii). The quantum of LPG handling and average parcel size of vessels handled in the neighboring ports are on the rise. The draft limitation at Haldia has been major bottleneck for the trade to reap the benefit of economy of scale by handling larger parcel size. Further, Indian Oil Corporation Ltd (IOCL) has chalked out a plan to supply LPG to north-east states of India through Chittagong Port, Bangladesh which has also draft limitation to handle fully laden LPG vessels.
- (iv). The PPT, leveraging on its higher draft alongside berth and at anchorage, needs to take the advantage to attract the potential private and public sector oil companies to use the Port's infrastructure for LPG handling.
- (v). In this regard, the IOCL have expressed its interest to handle fully laden large size LPG vessels at PPT for lighterage operation through Ship to Ship transfer (STS) operation for discharge of LPG from mother vessel to daughter vessel. The mother vessels so lightened by transshipment in addition to daughter vessels can be handled at Haldia, Chittagong and other Ports. The copy of the letter of IOCL is furnished by PPT.

- (vi). The matter was discussed with the IOCL on 29.11.2018 to chalk out modalities of proposed transshipment / STS operation at PPT. The Chief Commissioner of Customs, Bhubaneswar has issued notification / guidelines for transshipment / STS at anchorage as well as North Oil Jetty of PPT. The copy of the said notification is furnished by PPT.
- (vii). The existing SOR of 2017 of PPT prescribes wharfage charges for transshipment of Crude and POL from mother vessel to Daughter Vessel of ₹. 7.33 per MT for foreign vessel and ₹. 4.42 per MT for coastal vessel after indexation. However, it does not specify wharfage charges for transshipment /STS of LPG/LNG.
- (viii). In order to attract / encourage cargo operation by PPT, it is proposed to charge the same rate of wharfage for transshipment /STS of LPG /LNG from mother to daughter vessels at anchorage and at berth as applicable for transshipment of Crude/ POL, and to charge vessel related charges as per extant SOR.
- (ix). Accordingly, trade circular was issued on 24.12.2018 with the approval of Chairman, PPT, allowing such transshipment operation of LPG/LNG at anchorage / North Oil Jetty. The copy of the Trade circular is furnished by PPT.

3.2. Accordingly, the PPT has sought the approval to adopt the same wharfage rate as applicable for Transshipment of Crude and POL as available in its existing SOR for Transshipment / STS operation of LPG and LNG from Mother to Daughter vessel at North Oil Jetty / Anchorage also, i.e. ₹. 7.33 per tonne for Foreign vessels and ₹. 4.42 per tonne for Coastal Vessel.

3.3. The PPT has furnished the Board Resolution no. 28/2019-20 dated 27.05.2019 approving the said wharfage rate for Transshipment / STS operation of LPG and LNG from mother to daughter vessel.

3.4. The PPT has also informed that the Port has been discussing with the potential Port users to commence the proposed Transshipment / STS operation of LPG and LNG from Mother to Daughter vessel at North Oil Jetty / Anchorage. However, such operation is yet to commence.

4. With reference to the proposal of the Port, the following position emerges:

- (i). Owing to the increase in the consumption of LPG from households on account of the Government's initiatives to shift to clean fuel, there is reported to be an increase in the import of LPG in India. The Paradip Port Trust (PPT) having a higher draft alongside berth and at anchorage wishes to attract the potential private and public sector oil companies to use the PPT's infrastructure for handling of LPG. This LPG handling is envisaged to be carried out in a manner, where fully laden large size LPG vessels will undertake lighterage operation through Ship to Ship transfer (STS) operation and discharge LPG from mother vessel to daughter vessel at PPT and thereafter, the lightened vessels will proceed to other Ports, where draft is a constraint. Since the existing Scale of Rates of PPT do not prescribe wharfage charges for Transshipment/ STS operation of LPG/ LNG from mother vessel to daughter vessel, the PPT has come up with a proposal for fixing the wharfage charges for the same.
- (ii). In this connection, the port has proposed to adopt the Wharfage charges as prescribed in its Scale of Rates for transshipment of Crude and POL from Mother Vessel to Daughter Vessel, as the wharfage charges for Transshipment/ STS operation of LPG/ LNG from mother vessel to daughter vessel.

The Scale of Rates of PPT, as approved in the year 2017, at Section 2.1 sl. No. 5, prescribes Wharfage charges for transshipment of Crude and POL from Mother Vessel to Daughter Vessel at ₹ 6.80 per MT as foreign rate and ₹ 4.10 per MT as coastal rate. Based on the enabling provisions in the Tariff Policy, 2015, (which was applicable in respect of PPT when its SOR was last fixed in the year 2017) regarding annual indexation, the prevailing Wharfage charges for transshipment of Crude and POL from Mother Vessel to Daughter Vessel is reported to be at ₹ 7.33 per MT for foreign cargo

and ₹ 4.42 per MT for coastal cargo, after applying the indexation factor of 3.45% for the year 2017-18 and 4.26% for the year 2018-19, as announced by this Authority.

The said prevailing rates of ₹ 7.33 per MT for foreign cargo and ₹ 4.42 per MT for coastal cargo, are proposed to be adopted by the PPT as the wharfage charges for Transshipment/ STS operation of LPG/ LNG from mother vessel to daughter vessel. The proposal of PPT has the approval of its Board of Trustees.

- (iii). Clause 7.6.1 to 7.6.3 of the Tariff Policy, 2018, inter alia, provides that whenever a specific tariff for a new service/ cargo/ equipment/ facility is not available in the SOR of that particular port, the concerned Major Port Trust can approach this Authority for notification of tariff for the said new cargo/ equipment/ service by adopting the tariff and performance standards if any, fixed for comparable cargo/ equipment/ service in any Major Port Trust, in consultation with the concerned users.

In the case in reference, as a marketing strategy to immediately attract/ encourage STS discharging of LPG from mother vessel to daughter vessel, the PPT has proposed to adopt the rates as prevailing in its own Scale of Rates for the transshipment of Crude and POL from Mother Vessel to Daughter Vessel.

- (iv). The PPT has reported to have issued a Trade Circular to this effect on 24 December 2018. Till date, we have not received any objection from any of the users/ user organisations on the Trade Circular issued by the PPT for levy of the charges by PPT for STS discharging of LPG from mother vessel to daughter vessel. Clause 4.4 of the Tariff Policy, 2018, provides that in case there are no objections from users for a proposal or a case, this Authority need not organize any joint hearing. In the case in reference, since there are no objections from the users/ user organizations till date, after issue of the Trade Circular by PPT, no joint hearing was set up on the matter in reference.
- (v). Considering that the proposed wharfage charges for Transshipment/ STS operation of LPG/ LNG of ₹ 7.33 per MT for foreign cargo and ₹ 4.42 per MT for coastal cargo, as proposed by PPT is an adoption of the existing wharfage charges prescribed for Transshipment of crude and POL at PPT and since the proposed charges has the approval of the Board of Trustees of PPT and also since we have not received any objections from any of the users/ user organization regarding levy of the charges by PPT, this Authority is inclined to approve the rate of ₹ 7.33 per MT as foreign rate and ₹ 4.42 per MT as coastal rate, as the wharfage charges for Transshipment/ STS operation of LPG/ LNG, as proposed by the PPT.
- (vi). The port has not quantified the revenue impact due to implementation of proposed wharfage rate for Transshipment / STS operation of LPG/LNG. However, during the last general revision of tariff of PPT in September 2017, there was a revenue gap to the tune of ₹ 25.01 crores, which has been left uncovered by the Port, then. The additional revenue if any, arising out of the levy of wharfage rate for Transshipment / STS operation of LPG/ LNG approved, is anticipated to get subsumed in the revenue gap.
- (vii). The validity of the existing Scale of Rates of PPT has been extended upto 30 September 2020 vide a separate Order no. TAMP/90/2016-PPT dated 10 October 2019. During the next review of the tariff of PPT, the PPT is advised to work out wharfage rate for Transshipment/ STS operation of LPG/ LNG, based on the stipulation contained in clause 7.6.1 of the Guidelines. Till the review of the existing Scale of Rates of PPT, the rate approved now, will continue to be levied by PPT and its validity shall remain co-terminus with the extended validity of the General SOR of PPT.
- (viii). Orders of this Authority generally come into effect prospectively after expiry of 30 days from the date of Gazette Notification unless otherwise different arrangement is specifically mentioned in the respective tariff Orders. Accordingly, this Authority grants approval for levy of wharfage rate for Transshipment / STS operation of LPG/ LNG

prospectively after the expiry of 30 days from the date of notification of the Order passed in the Gazette of India.

5.1. In the result, and for the reasons given above, and based on collective application of mind, the introduction of the following new sl. No. 5(a) in the Wharfage schedule at Chapter-II under 2.1 - Wharfage charges, in the existing Scale of Rates of PPT is approved:

“2.1 Wharfage charges:

Sl. No.	Description of goods	Rate per MT or part thereof (₹)	
		Foreign rate	Coastal rate
5(a)	Transshipment/ STS operation of LPG/LNG from mother vessel to daughter vessel at North Oil Jetty / Anchorage	7.33	4.42

”

5.2 The PPT is advised to suitably incorporate the above provision in its Scale of Rates.

5.3. The said charges shall come into effect after the expiry of 30 days from the date of Notification of the Order passed in the Gazette of India and its validity shall remain co-terminus with the validity of the existing Scale of Rates of PPT i.e. upto 30 September 2020.

(T.S. Balasubramanian)
Member (Finance)