

No. 12012/25/2013-FPP  
Government of India  
Ministry of Chemicals & Fertilizers  
(Department of Fertilizers)

Shastri Bhavan, New Delhi  
Dated the March, 2014

OFFICE MEMORANDUM

**Subject: Minutes of the meeting held on 19<sup>th</sup> December, 2013 to discuss the issues regarding revision of Road Freight Subsidy under Uniform Freight Policy – 2008 with regard to direct movement of urea by road from plant/port to block upto 500 km and other related issue.**

The undersigned is directed to enclose herewith minutes of the meeting held under the Chairmanship of JS (SC) on 19<sup>th</sup> December, 2013 at 3.30 P.M. in the Conference Room (Room No. 220, A-Wing) Shastri Bhawan, New Delhi on the issues relating to revision of road freight subsidy under Uniform Freight Policy - 2008 for perusal and necessary action.

  
(Vijay Ranjan Singh)  
Director (F)  
Tel. 23386398

Encl: As above

1. Y.V. Telang, Chief Adviser (S&T), Tarriff Commission, D/o Industrial Policy & Promotion, M/o Commerce & Industry, New Delhi – 110003.
2. PS to Joint Secretary (SLG)
3. PS to Joint Secretary (SC)
4. PS to Joint Secretary (SG)
5. Director (FA)
6. Joint Director (Movement)
7. Deputy Secretary (Finance)
8. Director (NIC)/ DoF for website
9. Joint Director (A&I), FICC, 8<sup>th</sup> Floor, Sewa Bhawan, R.K. Puram, New Delhi

**Subject: Minutes of the meeting held under the Chairmanship of JS(SC) on 19<sup>th</sup> December, 2013 at 3.30 P.M regarding Road Freight rates for Urea manufacturing/importing units under the Uniform Freight Subsidy Scheme.**

List of participants is annexed.

At the outset, JS (SC) welcomed the participants and briefed about the purpose of the meeting.

**Issue No. 1- Direct movement of fertilizers by road from plant/port to block up to 500 Km** - Firstly, the issue relating to the determining the rates under uniform Freight policy-2008 with regard to direct movement of urea by road from plant/port to block up to 500 Km was taken up. It was observed that while notifying the Per Tonne per Kilometre (PTPK) rates vide this department's notification dated 01<sup>st</sup> September, 2011, the slab wise rates, as recommended by the Tariff Commission, was not accepted by this Department. DoF decided to request Tariff Commission to provide district wise rates. However, Tariff Commission had earlier informed this department that it is not feasible to give district wise rates and reiterated their earlier recommendations of slab wise rate given by them. Chief Adviser (S & T), Tariff Commission also confirmed this fact during the meeting.

Decision- In view of the above, it was decided to adopt slab wise rates as recommended by the Tariff Commission. (Action:DoF)

**Issue No. 2 - Computation of financial implication-** Based on the recommendations of Tariff Commission, FPP Division had mooted a proposal for notifying the slab rates for direct movement of fertilizers by road from plant/port to block upto 500 kms and referred it to IFD for concurrence. However, IFD advised FPP division to work out financial implications on this account. Therefore, the file was referred to FICC and FA Division for computation of financial implication in respect of Indigenous urea and P&K/ Imported urea respectively. FA Division had given the details of financial implications in respect of P&K fertilizers as Rs. 5.50 crores.

However, FICC opined that it was not able to compute the financial implications since it is stated to be an extremely tedious and herculean task to work out the implications exactly.

The issue of computation of financial implications in this context was raised by DS (Budget). All the officers, present in meeting, unanimously opined that the calculation of financial implication is cumbersome and a difficult task. Further, the calculation/computation of financial implementation is not necessary, since it is the policy matter and the rates have been fixed as per the recommendation of Tariff Commission and escalated/de-escalated as per approved policy. (No Action)



**Issue No. 3: Movement of urea in more than one district -** At present, in case of movement of urea in more than one district, the simple average of rate is being reimbursed to the Urea Unit. For instance: at present Primary freight i.e. Urea supplies by road from NFL-Nangal Unit to the state of Himachal Pradesh are being reimbursed at Rs.3.34 PTPK, which is the simple average of normative freight reimbursement rate of Punjab (Rs.2.55 PTPK) and Himachal Pradesh (Rs.4.13 PTPK) vide Notification No. 12012/2/2008-FPP dated 04-02-2009.

As Himachal Pradesh possesses different terrain, there are difficulties in transportation of Urea to the far flung hilly areas. As a special compensation, DoF has increased the compensation for secondary freight i.e. from rake point to block head quarters in the districts by road to Rs.7.25 PTPK vide Notification No.15-05/2009-Ship-I dated 25-10-2012 from Rs.4.13 PTPK.

National Fertilizers Limited, the lead fertilizer supplier in the state of Himachal Pradesh has stated that in case of road supplies to HP from Nangal unit, the ratio of leads travelled in the state of Punjab and Himachal Pradesh is 20:80. NFL is losing heavily on account of freight of Urea from Nangal unit to the state of Himachal Pradesh as for inter-state movement, simple average freight rate for two states (Punjab & HP) i.e. Rs.3.34 PTPK is given which is very much lower than the actual freight expenditure.

In the event weighted average rate based on the actual ratio of leads travelled in the State of Punjab & Himachal Pradesh is given, the existing applicable rate of **Rs.3.34 PTPK** (based on simple average) gets increased to **Rs.3.81 PTPK**. This rate shall get further increased to **Rs.6.31 PTPK** on revision of the primary freight (road supplies from Nangal unit) to the level of existing normative rate for secondary movement of urea to Himachal Pradesh i.e. **Rs.7.25 PTPK**.

The issue was discussed and it was decided that the weighted average may be taken while calculating Freight Subsidy rate for movement of urea and, therefore, a policy note is required to be moved in the Department of Fertilizers, for approval of competent authority.

(Action: DoF)

**Issue No. 4: Freight rates for North Eastern Region(NER) and hilly areas -** As regard freight rates for NER and hilly areas, Director(F) pointed out that the rates recommended by Tariff Commission are much lower than the adhoc rates approved by DOF vide Notification dated 25<sup>th</sup> October, 2012. Moreover, the states like Manipur has been representing for higher freight rates by road. In this regard, TC reiterated that they have recommended the rates based on the data provided by the fertilizer companies and it is for DOF to take a decision in consultation with the respective states. Therefore, it was decided that a committee may be constituted in the following manner:

- (i) Two members shall be nominated from Department of Fertilizers.



(ii) One representative shall be nominated from Companies.

(iii) Two members from the concerned States.

(iv) One representative shall be nominated from Tariff Commission.\*

(\*However, Advisor, TC showed their unwillingness to be included in the Committee stating that TC has already recommended rates based on the study conducted by them and felt that representation of TC in the said Committee is not required.)

The aforesaid Committee would look into all the aspects related to Road Freight rates, North-Eastern States and hilly areas.

Since the freight rates for the state of Uttarakhand is not available, JS (SC) opined that the Freight rate for the districts of Uttarakhand can be referred to Tariff Commission. Similarly, the rates for missing districts like (i) Kurnool(Andhra Pradesh); (ii) East Delhi; (iii) North Delhi; (iv) North-West Delhi; (v) South-West Delhi; (vi) Palwal (Haryana); (vii) The Dangs (Gujarat); (viii) Yadgir (Karnataka); (ix) Goa; (x) Singroli (Madhya Pradesh); (xi) Koraput(Odisha), (xii) Baleswar(Odisha); (xiii) Mahe(Puducherry); (xiv) Ganga Nagar(Rajasthan); (xv) Budaun (U.P); (xvi) Chatrapati Sahuji Maharaj Nagar (U.P); (xvii) Kashi Ram Nagar (U.P); and (xviii) Daman may also be referred to Tariff Commission for their recommendation to finalise the Freight rates. (Action : DoF)

**Issue No.5 :** It is pertinent to mention here that during a meeting held on 20<sup>th</sup> June, 2013 under the Chairmanship of AS&FA, the fertilizer companies represented for reviewing this Department's letter dated 21<sup>st</sup> May, 2012 stipulating that lower of actual secondary freight cost (or) normative subsidy as per notified rates will be allowed.

During the meeting, JS (SLG) clarified that the comparison will be done for the company as a whole for one complete financial year. Since the manufacturers/importers are maintaining that their actual cost is very high as compared to subsidy, they need not, therefore, worry on this account. JS (SLG) clarified that since it came to the notice of DoF that some companies have been passing to the dealers transportation rebate lesser than what they get from the Govt. as freight subsidy, allowing lower of normative subsidy or actual cost is, therefore, required.

Fertilizer companies are representing regularly and requesting DoF to review this department's notification dated 21<sup>st</sup> May, 2012 since it is not feasible to account for each movement of fertilizer from rake point to block headquarters for the previous years. Therefore, the companies have requested to pay the normative or actual expenditure of a company for the entire fertilizer movement on annual basis. The matter was discussed in the detail and it was decided that a view is to be taken as to whether a comparison of actual cost with normative freight rate for a particular company/organisation be made on monthly basis or annual basis.

**Issue No.6 : Reimbursement of Service Tax on transportation of Urea by road to Urea Units** - Finally, the matter of reimbursement of Service Tax on transportation of Urea by road to Urea Units was discussed during meeting. It was transpired during the discussion that the Service tax paid by companies may be considered for reimbursement subject to condition that the CENVAT facility on Service Tax has not been availed by the concerned companies. A certificate to this effect may be obtained from the concerned companies.

The meeting ended with a vote of thanks to the chair.

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### List of Participants

1. Joint Secretary (SLG)
2. Joint Secretary (SC)
3. Chief Adviser (S&T), Tarriff Commission
4. Director (F)
5. Director (FA)
6. Director (Movement)
7. Deputy Secretary (Finance)
8. AD (Accounts)
9. Joint Director (A&I), FICC
10. DD, Tarriff Commission
11. AO, FICC.
12. Shri Nikhil Kumar, FMS