

# **Issues in PPPs in Ports in India**

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# Agenda

- Literature Review
- What is the current scenario at seaports of India?
- Where does India stand in PPP with respect to world?
- What is the current PPP Status in seaports of India?
- Which are the key issues in PPP?
- What is the way forward for Indian Port sector?

# Literature Review

- Efficiency is one of the key parameter for port performance evaluation. Greater efficiency is observed with scale, increased private sector participation and with transshipment as opposed to gateway ports (Kevin Cullinane et al (2006): The technical efficiency of container ports: Comparing data envelopment analysis and stochastic frontier analysis, Transport Research Part A)
- The experience of the last decade has confirmed the need for commercialization of management (through public landlord ports with private sector operations and shared investments), timely and efficient investment, efficient allocation of risk between the public and private sector and active competition among service providers (Developing Best Practices For Promoting Private Sector Investment in Infrastructure: Ports (2000), Asian Development Bank)
- There is not a single common standard approach to port private investment/privitization. The methods used (typically concession or lease agreement) will depend on national laws, level of demand and supply and extent and nature of competition. Though private investment is common and getting popular , the public authority retains the central control in any kind of private participation. (Alfred J Baird (2002): Privitization trends at the world's top 100 container ports, Maritime Policy and Management, 29.3, 271-284)
- Seaports create an inventory of Green House Gas (GHG) emissions and it is the need of the hour to measure the carbo footprint generated by port activities. The document titled 'Carbon Footprinting for Ports: Guidance Document (June 2010)' by World Ports Climate Initiative discusses the methods to measure the footprint of various port activities. It is a dynamic guidance document prepared in collaboration with various North American and European port authorities

# Seaports of India

- A total of 935 million tons (mt) of cargo was handled in the ports of India in year 2012-13
- Handled 95% of foreign trade by volume and 77% by value
- Major Ports (under Central Ministry of Shipping)
  - 12 Major Ports
- Non-Major Ports (under State Governments)
  - ~200 ports across 9 maritime states and 2 Union Territories, and ~7,500 km coastline



Source: 'Major Ports of India A Profile : 2011-12, Indian Ports Association, e-magazine (April 2013), Indian Ports Association

# Seaports of India

Item	2012-13		2011-12	
	Volume (mt)	% of total	Volume (mt)	% of total
Major Ports	546	58	560	61
Non Major Ports	389	42	353	39
Gujarat Maritime Board	288	31	259	28
<b>Total</b>	<b>935</b>	<b>100</b>	<b>913</b>	<b>100</b>

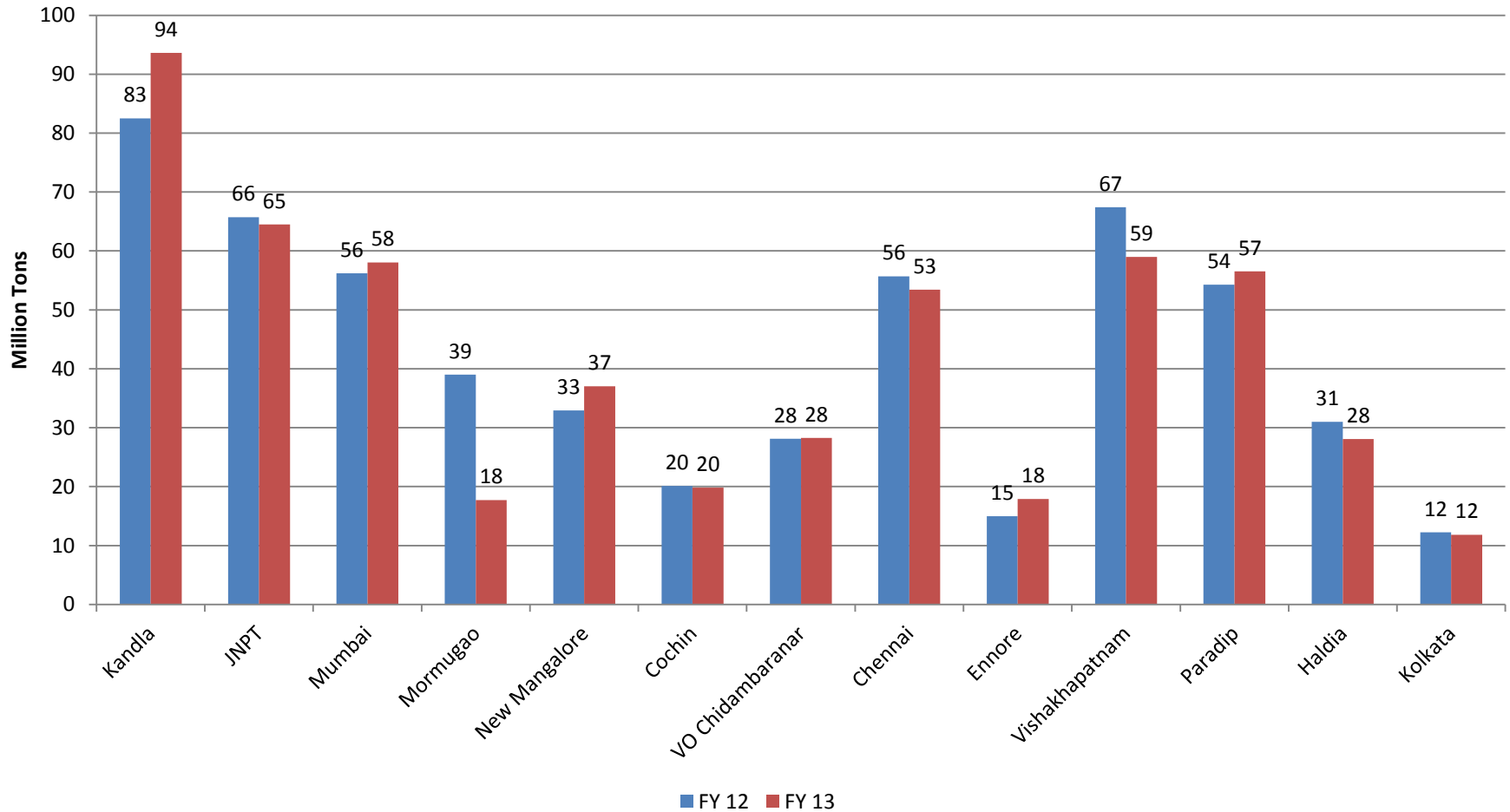


- Gujarat State - 382 mt (2012-13) – 41% of total
- Andhra Pradesh -108 mt (2012-13) – 12% of total

Source: 'Major Ports of India A Profile : 2011-12, Indian Ports Association, e-magazine (April 2013), Indian Ports Association , [www.wikipedia.org](http://www.wikipedia.org)

# Seaports of India: Major

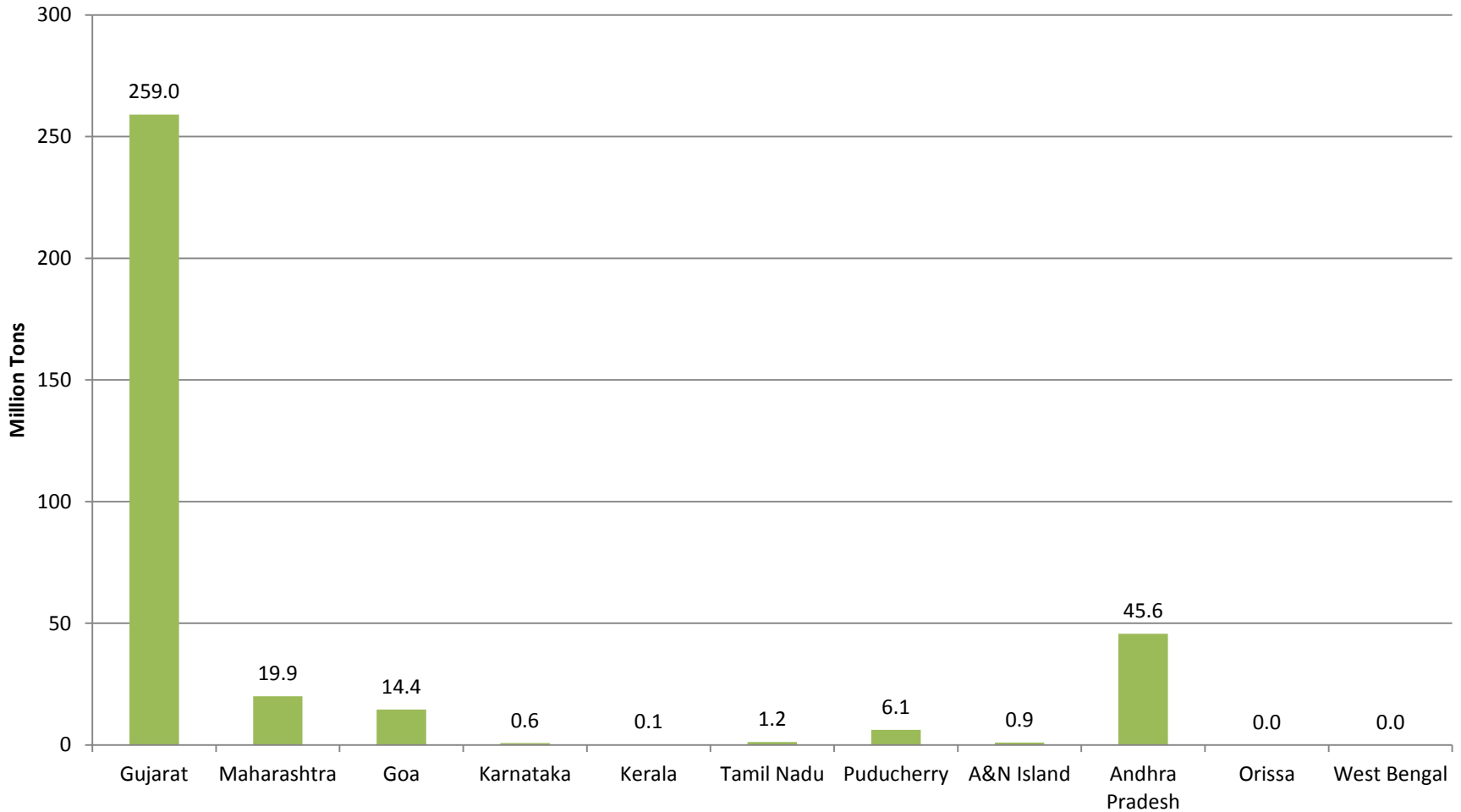
Cargo Traffic handled at Major Ports (West to East): 2012-13 and 2011-12



Source: 'Major Ports of India A Profile : 2011-12, Indian Ports Association

# Seaports of India: Non Major

Cargo Traffic handled at Non Major Ports (West to East): 2011-12



Source: 'Major Ports of India A Profile : 2011-12, Indian Ports Association

# Seaports of India

## Distribution of Size of Ports

Traffic 2012-13 (mt)	No of Ports
above 100	1
70-100	2
40-70	5
20-40	6
10-20	7
7-10	4
4-7	5
2-4	5
1-2	2
	<b>37</b>

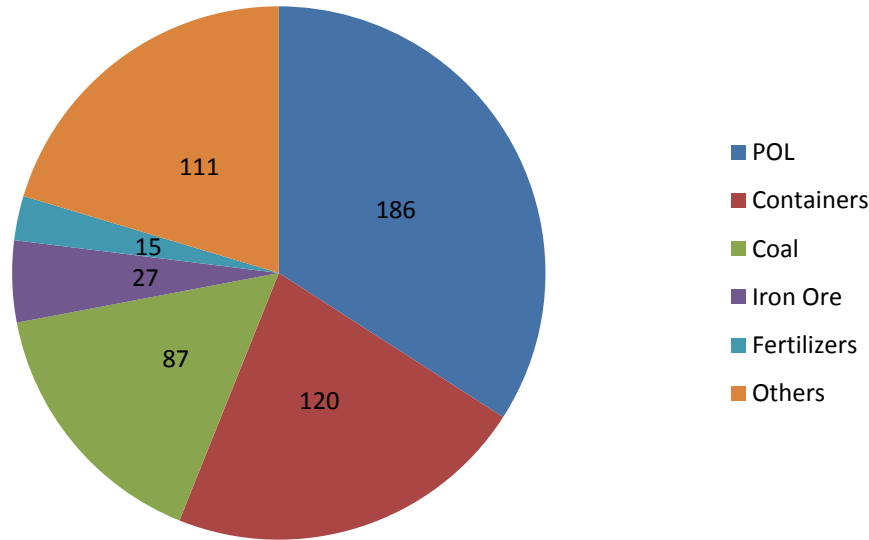
In 2011, of the top 100 ports of the world by volume of cargo handled, 35 of them handled traffic more than 100 mt.

Source: 'Basic Ports Statistics of India : 2011-12, Ministry of Shipping, [www.aapa-ports.org](http://www.aapa-ports.org)



# Seaports of India: Major

- Commodity wise traffic handled at Major Ports – 2012-13 .



Kandla (27%), Mumbai (18%) and New Mangalore (12%) were the key ports for POL. Private operations in POL handling are underway at Kandla, Cochin and Paradip

- More than 75% of containers were handled at JNPT and Chennai Port. More than 80% of the volume at these two ports were under PPP

Commodity	POL	Container	Coal	Iron Ore	Fertilizers	Others	Total
Volume (mt)	186	120	87	27	15	111	546
Share in total (%)	34	22	16	5	3	20	100
CAGR (2008-09 to 2012-13) (%)	1.4	6.5	5.5	-26.7	-5.1	8.9	0.7

# Seaports of India: Non Major

- At Non Major Ports, the share of POL was 46% and coal was 21% of total Non Major port traffic in 2011-12
- Gujarat:
  - 2012-13: Port of Sikka (43%) and Mundra (29%) were the key ports by volume of cargo
  - 2011-12: Port of Sikka (46%) and Mundra (24%) were the key ports by volume of cargo
  - Sikka has the largest liquid bulk terminal of the country. This is a captive jetty of Reliance Group (private party) under the PPP scheme of Gujarat Maritime Board (GMB)
  - The port of Mundra is a private Greenfield multi commodity port by Adani Group (private party) under the PPP initiative of GMB

Source: 'Major Ports of India A Profile : 2011-12, Indian Ports Association  
<http://www.indianexpress.com/news/minor-ports-in-state-clock-11--growth-in-cargo-volumes/1120012/>

# PPP Status – India Vs World

- Private Participation in Infrastructure (PPI) database is a joint product of the Infrastructure Policy Unit of the World Bank's Sustainable Development Network, and the Public-Private Infrastructure Advisory Facility (PPIAF).
- Between 1990-2011:
  - Brazil topped the list of total investment commitment made in PPP projects, followed by India
  - China topped the list of number of PPP projects, followed by India
  - In India, the largest contribution of PPP was in the energy sector (46%), followed by telecom (31%) and transport (22%).
  - Within transport, investment in roads was the highest at 69% and seaports was 12%.

# Current PPP Status

- As port sector is a subject of both Central and State Government, the PPP mechanism is laid out at both the levels
- Some of the salient features of PPP in port sector are:
  - Since 1996
  - 100% FDI provision under automatic route
  - 100% income tax exemption for a period of 10 years
  - Open Competitive Bidding
  - Lease period of BOT upto 30 years
  - Independent Tariff Regulatory Authority
  - Policy and PPP Framework
  - Discourage private monopoly
- Tools for PPP projects by Central and State Government are:
  - Cabinet Committee on Investment (CCI)
  - Public Private Partnership Appraisal Committee (PPPAC)
  - Model documents such as Model Concession Agreement (MCA), Model Request for Qualification (RFQ), Model Request for Proposal (RFP) etc
  - India Infrastructure Finance Company Limited (IIFCL)
  - Viability Gap Funding (VGF)
  - Advisory Services (India Infrastructure Project Development Fund)
  - Guidelines and Manuals
  - Maritime State Development Council (MSDC) for integrated development of Major and Non Major Ports
  - State Maritime Board
- The above has been targeted at bringing about greater confidence in private parties and lenders for PPP projects

# Current PPP Status

The 10<sup>th</sup> and 11<sup>th</sup> Five Year Plan's allocation of funds to Port sector (including Inland Waterways):

	10th Plan (Actual)		11th Plan (Original)		11th Plan (Revised)	
	Rs Cr	% Share	Rs Cr	% Share	Rs Cr	% Share
<b>Ports</b>	<b>22,997</b>		<b>87,995</b>		<b>40,647</b>	
Public	4,670	20.31	33,516	38.09	8,130	20.00
Private	18,327	79.69	54,479	61.91	32,517	<b>80.00</b>

Source: 'Investment in Infrastructure During the Eleventh Five Year Plan (2010), Planning Commission

# Current PPP Status

Maritime Agenda 2020:

•Ministry of Shipping had prepared a document called 'Maritime Agenda 2010-20' covering the agendas of attention in the Maritime sector of India. It discussed and detailed the traffic projects, policy initiatives and future action plan for consideration and annual assessment during the 10 year period. Some of the salient points from the document are as follows:

- A target of 3,130 mt of port capacity by the year 2020, more than 50% of which is planned at Non Major Ports
- Investment required for projects in Major Ports is Rs 1,09,449 Cr of which Rs 72, 878 Cr (~66%) is planned through private investment and remaining Rs 36.571 Cr through internal and external budgetary support mechanism.
- Private funds shall be utilized more for infrastructure creation and modernization, while public funds are planned for common infrastructure facilities like deepening of channel, hinterland connectivity etc
- Non Major Ports have an estimated investment of Rs 1,67,930 Cr, majority of which is planned through the PPP route.

# Current PPP Status

PPP projects in Port Sector of India as on March 31 2012:

Level	Completed			Under Implementation			In Pipeline		
	No of Projects	Project Cost (Rs Cr)	Project Cost (Million USD)	No of Projects	Project Cost (Rs Cr)	Project Cost (Million USD)	No of Projects	Project Cost (Rs Cr)	Project Cost (Million USD)
Centre	30	9,448	1,575	22	19,226	3,204	19	8,577	1,430
State	27	45,864	7,644	13	31,999	5,333	41	53,788	8,965
Total	57	55,312	9,219	35	51,225	8,538	60	62,365	10,394

Source: Draft Compendium on PPP Projects in Infrastructure, Planning Commission, 2012

1 USD = Rs 60 (July 3 2013)

•Projects at Major Ports are:

- About 'expansion' of infrastructure
- Commodity specific (mainly containers and liquid cargo)

•Projects at Non Major Ports are:

- About 'creation' of infrastructure
- Multi commodity Greenfield and Brownfield Projects
- Complete range of Services

# Issues in PPPs

- Clearances as per Concession Agreement
  - The essential clearances like Environment, Coastal Regulatory Zone and Pollution Control Board are the responsibility of Concession Authority (Public Authority) and is a Condition Precedent in Concession Agreement for Award of Works (Including Financial Closure for Private party). A delay of which is a major pre-construction risk of private party
  - Port of Dhamra, Orissa faced about 13 months delay in obtaining clearances
- Land Acquisition
  - Not much of an Issue for projects in Major Ports as the projects are mainly an extension of existing facilities within the port premise
  - Major issue for Greenfield Non Major Ports (Land Acquisition is the responsibility of Concession Authority)
  - Port of Rewas, Maharashtra, faced almost a decade of delay in land acquisition
- Interface of Central and State Government
  - Project facing a delay due to political differences for interfaces such as clearances, tariffs, policy



# Issues in PPPs

- Hinterland Connectivity

- Port is not just a node
- SPV formed for rail connectivity projects from ports in Gujarat – A successful model
- Road and rail connectivity was built in conjunction with the port at International Container Transshipment Terminal ICTT Cochin
- Ore exports through Murmugao Port came from the hinterland across four modes

- Lenders Engineer's Role

- The findings of the Diligence Report made by the Engineer for Lenders is not always a pre-requisite for financial closure
- The responsibility of technical monitoring and debt disbursement certificate is offloaded to the Engineer by Lenders

- Tariff Regulation

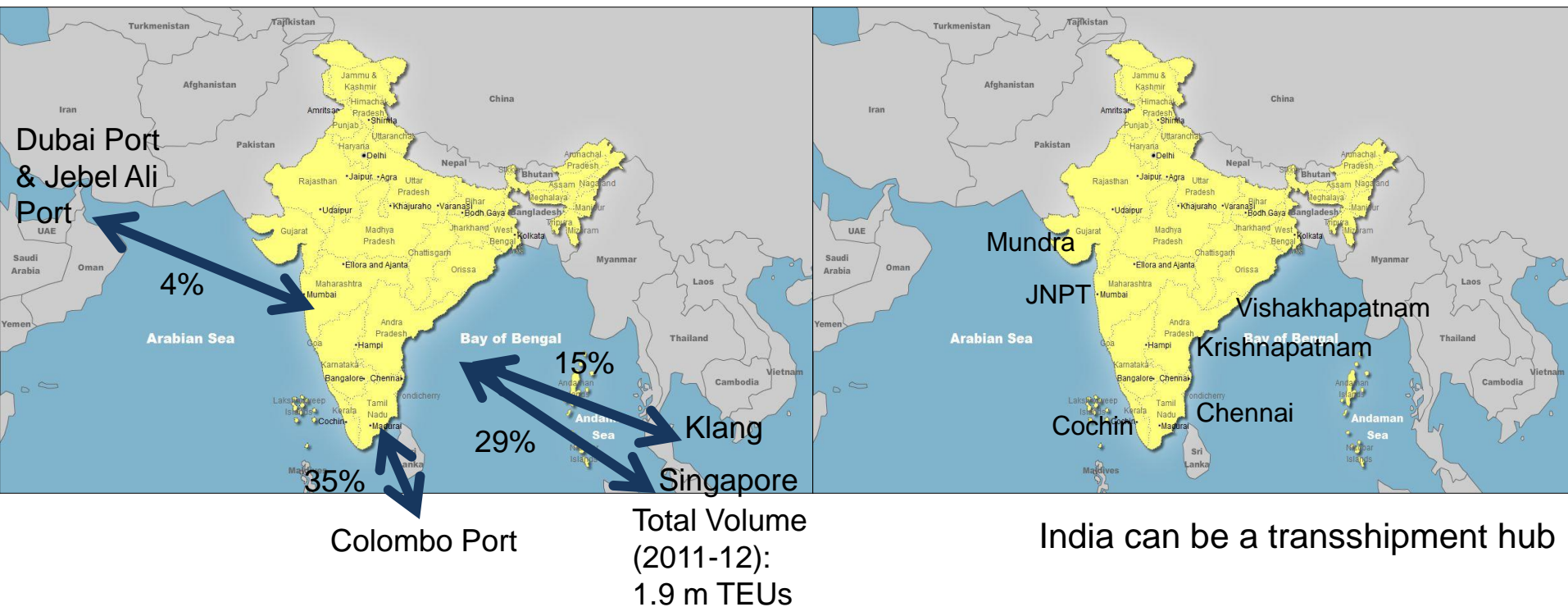
- Cost plus approach to upfront tariff caps
- Can a regulatory body justify the true idea of competition through PPP?
- NSCIT's undue gains at JNPT

# Issues in PPPs

- Private Party and Government's Evolving Policy
  - Concerns of well laid out policy and its related model documents
  - APM Terminals at JNPT for 3rd and 4th container terminal
- Disaster Management in PPP Framework – Roles and Responsibilities
  - United Nation's Global Assessment Report (GAR) has warned India for its higher impetus on PPP. Public Authorities are losing control, while private parties are more concerned with business than long term environment and safety
  - How many ports have a Disaster Management Plan in place ? Is the monitoring mechanism with stakeholder responsibilities being followed?
- Separation of Landlord and Tenant Player
  - Mechanism of PPP if private party is the landlord
  - Case against Mundra Port for giving rebates to shipping lines if they opt to berth at their terminal
- Common User Vs Captive
  - Priority berthing liberty with private party does not justify common user objective. A matter of policy decision
  - Case of South West Port Limited (Jindal Group) and Mormugao Port

# Issues in PPPs: Transshipment

- Transshipment and issue of scale
  - Indian cargo mainly goes to Singapore or Colombo for transshipment
  - ICTT Cochin is the new transshipment terminal commissioned in 2012. Cabotage rule was relaxed for ICTT in Sept 2012
  - Adani is putting up another transshipment terminal at Mundra Port in JV with Mediterranean Shipping Company SA (MSC)



Source: 'Major Ports of India A Profile : 2011-12, Indian Ports Association

# Issues in PPPs: Transshipment

## Traffic at ICTT, Cochin

Year	Import		Export		Transshipment			TEUs
	Full	Empty	Full	Empty	Import	Export	Total	Grand Total
2012	135,857	22,204	104,399	54,347	3,448	3,391	6,839	323,646
<i>Share in Grand Total</i>	42.0%	6.9%	32.3%	16.8%	1.1%	1.0%	2.1%	100.0%
2013 (till Sept)	103,935	17,379	75,483	41,884	8,622	8,340	16,962	255,643
<i>Share in Grand Total</i>	32.1%	5.4%	23.3%	12.9%	2.7%	2.6%	5.2%	79.0%

Source: ICTT

- No foreign vessel has conducted Transshipment at ICTT
- The increase in Transshipment containers in 2013 over 2012 is mainly due to Maersk's cashew carrying vessels

# Issues in PPPs

- Corporate Governance
  - For decision making and monitoring process
  - JNPT's changing decisions (by way of change in Chairman) on fourth container terminal
- Consultants
  - The selection and accountability at all three stages (pre construction, during construction and post construction)
- Other Issues
  - Adequate Draft and Dredging
  - Safety and Security
  - Manpower Shortage
  - Rake Availability
  - 'Green' Port

# Way Forward

- Clear responsibility distinction between Public Authority and Private Party.
- Public Authority retains a control on certain aspects (land acquisition and ownership, connectivity, provision of basic port infrastructure, port and its regional planning capability, policy formulation and so on)
- With many projects implemented and in pipeline, the committee at the center should plan projects holistically with respect to national production and cargo movement pattern, suiting the projected demand supply of goods
- Plan and implement port including the sea side and land side infrastructure – cargo evacuation plan
  - Leverage coastal shipping and Inland Water Transport (IWT)
  - Increase the rail share
- States should tender a Non Major Port only after preliminary clearances (especially environment) and land acquisition process
- Detailed Project risk analysis with mitigation measures and stakeholders responsible should be conducted, preferably as a Condition Precedent
- Environment and its conservation has to be a matter of utmost importance. Its permission and compliance requires much stricter vigilance and strict non-compliance mechanisms
- A Regulator not just for tariffs but for port performance level measurement and dispute resolution should be considered
- Tariff guidelines need a thorough revision

# Way Forward

- Government functioning needs to be efficient to leverage the benefits of 'speed' of project implementation and higher service levels.
- Port and port city urban sprawl – Urban and transport plans need to be built together
- Policy Initiatives
  - Draft Indian Ports Bill 2011 (Corporitisation Clause)
  - Draft Ports Regulatory Authority Bill 2011
  - Draft Captive Port Policy 2011
  - Land Policy of Major Ports 2010
  - Draft Coastal Shipping Policy (cabotage Law)
- Consultant's role in project conceptualization and tendering stage is very critical. The selection has to be based on both quality and cost considerations. Continued accountability should also be made during the implementation of the project.
- More educational institutions should be encouraged to involve maritime studies and training in their curriculum

The move towards PPP as a solution for improved infrastructure and service level to customer was early in India and has evolved significantly. However, the issues have to be addressed and is a learning opportunity for countries wanting to leverage PPP in port sector

# Thank You

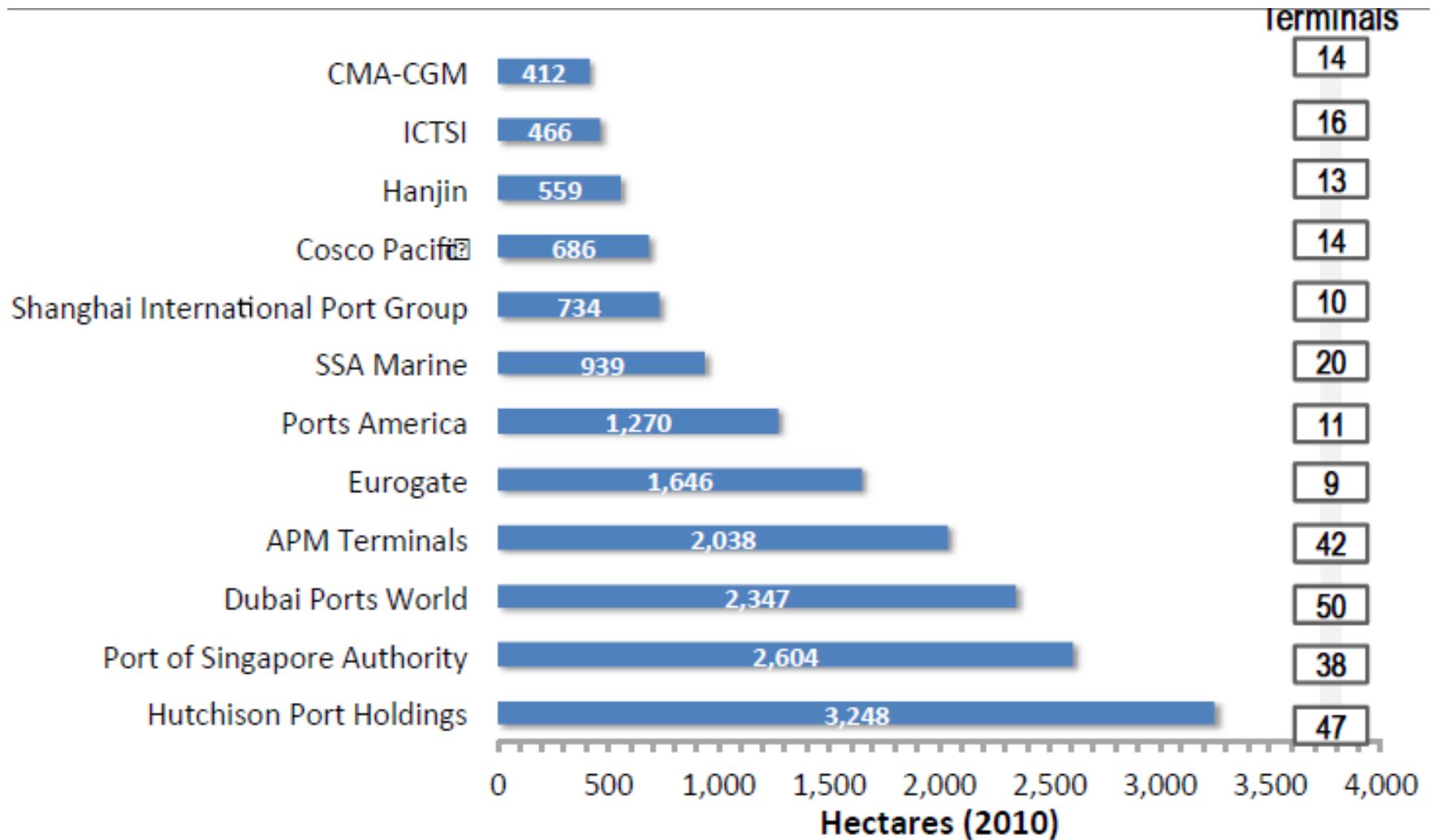


# World Container Terminal Operators

Sr No	Terminal Operator	Volume 2012 (m TEUs)	Share of world throughput
1	PSA International	50.9	8.2%
2	Hutchison Port Holdings	44.8	7.2%
3	APM Terminals	33.7	5.5%
4	DP World	33.4	5.4%
5	COSCO Group	17.0	2.8%
6	Terminal Investment Limited (TIL)	13.5	2.2%
7	China Shipping Terminal Development	8.6	1.4%
8	Hanjin	7.8	1.3%
9	Evergreen	7.5	1.2%
10	Eurogate	6.5	1.1%
	Total of above	224	36.2%
	World total	618	100.0%

Source: Drewry

# World Container Terminal Operators



# Container Terminal Operators: India

Port (No of Container Berths)	Name	Operator	No of Berths	Capacity as on May 31 2013 (000 TEUs)	Container Volume 2012-13 (000 TEUs)
Mundra (3)	Mundra International Container Terminal Private Limited	DP World	2	1100	1740
	Adani Mundra Container Terminal	Adani and MSC	1	1500	
Kandla (2)	ABG Container Terminal	ABG	2	600	118
Pipavav (2)	Gujarat Pipavav Port Limited	APM and Maersk India	2	850	580
Mumbai (1)	-	Port Trust	-	83	58
JNPT (8)	JN Port Container Terminal	JN Port Trust	4	1100	1208
	Gateway Terminals India Private Limited	APM and CONCOR	2	1800	2007
	Nhava Sheva International Container Terminal Private Limited	DP World	2	1200	1044
Cochin (3)	International Container Transshipment Terminal	DP World	3 (Phase 1A has 1 berth)	1000	326
Tuticorin (1)	Tuticorin Container Terminal	PSA	1	417	479
Chennai (7)	Chennai Container Terminal Private Limited	DP World	4	3500	1539
	Chennai International Terminal Private Limited	PSA	3		
Vishakha Patnam (1)	Visakha Container Terminal	DP World and United Liner Agencies	1	208	248
Kolkata (4)	ABG Kolkata Container Terminal	ABG and PSA	2	458	463
	-	Port Trust	2		
Haldia (2)	-	Port Trust	-	333	137

Other Major Ports with multi purpose berths - Mormugao, New Mangalore, Ennore and Paradip

Hazira 2 container berths – 33,000 TEUs (H1: 2013-14)

Other Non Major Ports with multi purpose berths – Karaikal,

# Major Ports of India: Capacity and Throughput

Sr No	Commodity	Infrastructure as on 31 May 2013	Capacity as on 31 May 2013 (mt)	Throughput 2012-13 (mt)
1	POL	43+8SBM+ 2BJ	278.90+4.80	186
2	Iron Ore	8+ 3Trans	72.00	27
3	Coal (Thermal)	11	65.95	87
4	Fertilizer	4	9.30	15
5	General Break Bulk Cargo	141+A	179.0+6.50	111 (including other cargo)
6	Containers	29	139.76	120
	In lakhs TEUs		114.19	77.1
Total (Upto 31-3-2013)		236+8SBM+3 Trans+2BJ+A	744.91 + 11.31	546
Capacity Addition during April 2013 to May 2013			7.18	
Total (Upto 31-05-2013)		236+8SBM+ 3 Trans+2BJ+A	752.09+11.31	

Source: IPA

BJ - Barge Jetties, T - Transhippers, A - Anchorages, SBM - Single Buoy Mooring

Provisional total capacities of all ports in India as on 31.05.2013 : 1235.19 mt