

**GOVERNMENT OF INDIA
SHIPPING
LOK SABHA**

UNSTARRED QUESTION NO:6045
ANSWERED ON:26.04.2001
PRIVATISATION OF CHENNAI PORT CONTAINER TERMINAL
SWADESH CHAKRABORTTY

Will the Minister of SHIPPING be pleased to state:

- (a) whether the Chennai Port Container Terminal is earning a net profit of about 56 crores;
- (b) if so, the reasons for privatisation of Chennai Port Container Terminal;
- (c) whether tenders were not called for privatisation and a private company namely American Present Line has been introduced by his Ministry;
- (d) if so, the reasons therefor;
- (e) whether the Government have made any assessment regarding impact of privatisation on its employees; and
- (f) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF SHIPPING (SHRI HUKUMDEO NARAYAN YADAV)

(a) The Chennai Port Container Terminal is currently earning an operating surplus (operating income minus operating expenditure) of Rs.56.00 crores.

(b) The development and management of the Chennai Container Terminal is proposed to be assigned to M/s. P&O Australia Ports Pvt. Ltd. on the following considerations:

(i) The equipment have outlived their utility and hence need replacement requiring investment to the tune of hundreds of crores of rupees from the internal resources of the port. The prospective licensee is required to invest US \$ 100 million towards provision of additional equipment and other infrastructural facilities to handle higher volume of containers.

(ii) The trade continue to demand calling on of main line vessels at Chennai Port to eliminate transshipment cost in terms of foreign exchange and reduction in transit time to meet export and import obligations. The privatisation proposal envisages bringing in of main line vessels by the licensee within a period of three years with a fixed percentage of non-transshipment traffic.

(iii) The port would earn 37.128% of the gross revenue of the prospective licensee of the terminal without incurring any operating expenditure. In addition, the port would be realizing port dues, berth hire charges and land lease charges. An upfront fee of Rs.10 crores is also payable by the licensee before taking over the facility.

(c) & (d) Under the policy of private sector participation in port sector which inter-alia provides for consideration of Innovative (Unsolicited) proposals also for private sector participation for development and operation of port facilities, Government invited proposals from top world class container terminal developers/operators for the development and management of the existing container terminal at Chennai Port. Responses were received from M/s. P&O Australia Ports Pvt. Ltd. Australia, M/s. Port of Singapore Authority, Singapore and M/s. Hutchison International Port Holdings Ltd., Hong Kong. The matter was further considered by the Government and it was decided to go ahead with the proposal as a 'Specialised Solution' in preference to the open tender route. With a view to safeguarding the interests of the Port, a set of non-negotiable terms and conditions and a package of guarantees to be provided by the bidder were finalised and issued to the bidders which included the minimum traffic to be guaranteed by the operator over the licence period of 30 years, commitment to bring in mainline vessels within three years of operation, the minimum level of investments to be made, taking over of the existing terminal along with the equipment and the labour, replacement of the existing equipment with new ones at appropriate time etc.. In response, two parties viz. M/s. P&O Australia Ports Pvt. Ltd and M/s. Hutchison International Port Holdings Ltd., submitted their revised financial bids.

The final criterion for selection of the bidder was the highest percentage of gross revenue from operation of the project that would be shared with the Port Trust. Of the final bids received from the two bidders viz., M/s. P&O Australia Ports Pvt. Ltd. and M/s. Hutchison International Port Holdings Ltd., the offer of M/s. P&O Ports was more attractive as they had offered 37.128% of the gross revenue

and, therefore, the Government accepted the offer of M/s. P&O Ports and an acceptance letter has been issued to them on 4.7.2000.

(e) Yes, Sir.

(f) Does not arise.