

## MINISTRY OF SHIPPING

### INDIAN PORTS – INFRASTRUCTURE DEVELOPMENT & CAPACITY ENHANCEMENT

[ACTION TAKEN BY THE GOVERNMENT ON THE  
RECOMMENDATIONS CONTAINED IN THE NINTH REPORT  
(FIFTEENTH LOK SABHA) OF THE COMMITTEE ON ESTIMATES]

## COMMITTEE ON ESTIMATES (2011-2012)

### SEVENTEENTH REPORT

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#### FIFTEENTH LOK SABHA



LOK SABHA SECRETARIAT  
NEW DELHI

**SEVENTEENTH REPORT**

**COMMITTEE ON ESTIMATES  
(2011-2012)**

**(FIFTEENTH LOK SABHA)**

**MINISTRY OF SHIPPING**

**INDIAN PORTS – INFRASTRUCTURE DEVELOPMENT &  
CAPACITY ENHANCEMENT**

**[Action taken by the Government on the recommendations contained in the Ninth Report (Fifteenth Lok Sabha) pertaining to the Ministry of Shipping on the subject 'Indian Ports – Infrastructure Development & Capacity Enhancement']**

***Presented to Lok Sabha on 26<sup>th</sup> April, 2012***



**LOK SABHA SECRETARIAT  
NEW DELHI**

***April, 2012 / Vaisakha, 1934 (Saka)***

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## **COMPOSITION OF THE COMMITTEE ON ESTIMATES (2011-12)**

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- 4 Shri E. T. Mohammed Basheer
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- 27 Shri Radha Mohan Singh
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- 29 Smt. Annu Tandon
- 30 Shri Hukamdeo Narayan Yadav

### **SECRETARIAT**

- |    |                       |   |                      |
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| 2. | Shri S.C. Chaudhary   | - | Director             |
| 3. | Smt. Anita B. Panda   | - | Additional Director  |
| 4. | Dr. Yumnam Arun Kumar | - | Deputy Secretary     |

## **INTRODUCTION**

I, the Chairman of Committee on Estimates (2011-12) having been authorized by the Committee to submit the Report on their behalf, present this Seventeenth Report on action taken by the Government on the Recommendations contained in the Ninth Report (Fifteenth Lok Sabha) of the Committee on Estimates on the subject 'Indian Ports – Infrastructure Development & Capacity Enhancement' pertaining to the Ministry of Shipping.

2. The Ninth Report was presented to Lok Sabha on 22 November, 2010. The Government furnished their replies indicating action taken on the recommendations contained in that Report on 20 October, 2011. The Report was considered and adopted by the Committee at their sitting held on 19 April, 2012.

3. An analysis of action taken by the Government on the Observations/ Recommendations contained in the Ninth Report (Fifteenth Lok Sabha) of Committee on Estimates is given in **Appendix-II**.

**NEW DELHI;**  
**24<sup>th</sup> April, 2012**  
**Vaisakha 4,1934 (Saka)**

**FRANCISCO SARDINHA,**  
**CHAIRMAN,**  
**COMMITTEE ON ESTIMATES.**

## CHAPTER – I

### REPORT

This Report of the Committee on Estimates deals with the action taken by Government on the Recommendations/Observations contained in the Ninth Report (Fifteenth Lok Sabha) on the subject 'Indian Ports – Infrastructure Development & Capacity Enhancement' pertaining to the Ministry of Shipping.

1.2 In their Ninth Report (Fifteenth Lok Sabha) which was presented to Lok Sabha on 22<sup>nd</sup> November 2010, the Committee had examined in detail various issues concerning specific programmes and schemes for the capacity enhancement and infrastructure development of port sector, for instance, operating cost ratio, private sector participation, productivity, higher turnaround time & international standards, transshipment facility, dredging capacity, hinterland connectivity, security, environmental clearance, coastal shipping development, corporatization of ports etc.

1.3 Action Taken Notes in respect of the 16 Recommendations/Observations contained in the Report have been received from the Ministry of Shipping and categorized as under:

- |       |  |              |
|-------|--|--------------|
| (i)   | Recommendations/Observations which have been accepted by the Government:                                       |              |
|       | Sl. Nos. 5.1, 5.4, 5.6, 5.8, 5.10, 5.12 and 5.13   | Total: 07    |
|       |  | Chapter: II  |
| (ii)  | Recommendations/Observations which the Committee do not desire to pursue in view of Government's reply:        |              |
|       | Sl. Nos. 5.16  | Total: 01    |
|       |  | Chapter: III |
| (iii) | Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee: |              |
|       | Sl. Nos. 5.2, 5.3, 5.5, 5.7, & 5.11  | Total: 05    |
|       |  | Chapter: IV  |
| (iv)  | Recommendations/Observations in respect of which final replies of Government are still awaited:                |              |
|       | Sl. Nos. 5.9, 5.14 & 5.15  | Total: 03    |
|       |  | Chapter: V   |

**1.4 The Committee trust that utmost importance would be given to the implementation of the Recommendations/Observations accepted by the Government. In cases, where it is not possible for the Ministry to implement the Recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee further desire that Action Taken Notes on the Recommendations/Observations contained in Chapter-I and Final Action Taken Replies to the Recommendations contained in Chapter-V of this Report should be furnished to them at an early date.**

**1.5 Action Taken Notes furnished by the Ministry of Shipping have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the action taken by the Government on some of their Recommendations/Observations which need reiteration or merit comments.**

**A. Implementation of various Projects under National Maritime Development Programme (NMDP)**

**Observation/Recommendation (Para No. 5.2)**

**1.6 The Committee had recommended as follows:-**

“The Committee note the initiative of the Ministry to formulate the National Maritime Development Programme (NMDP) as a flagship programme which aims for large-scale infrastructure development in all the major ports and their capacity enhancement during the period 2009-2012 in two phases. It is a large scale programme spread over all the major ports with participation of the private sector as well. However, the Committee find that the progress in the implementation of the projects under the NMDP is far from satisfactory. Out of a total of 276 projects with an investment of ₹ 55.804 crore, which are scheduled to be completed by the year 2011-12, only 53 projects of 64.88 million metric tonne capacity are complete and 77 projects are under implementation. 25 projects have been dropped and the rest 127 projects are yet to start as those are in various stages of planning, approval and awarding. The Committee also note that the port capacity as on 31.03.2009 was 574.77 million metric tonnes & the utilization was 530.39 million metric tonnes which was above 90 percent of capacity utilization. The Committee note that the traffic forecast for major ports as per the Ministry's Perspective Plan, is projected to be 739.14 million metric tonnes in 2011-12 reaching up to 1595.07 million metric tonnes in 2025-26. Thus, the Committee note with dismay that the Ministry has not been able to create adequate capacity of major ports to accommodate further rapid increase in traffic. Since the Ministry had formulated the NMDP after extensive assessment and feedback from major port authorities, users and trade requirements, the Committee fail to understand as to why not even 25 percent of the targeted projects could be achieved under NMDP. The tardy progress makes it evident that all 276 projects will not be completed by the end of 11<sup>th</sup> Five Year Plan and would be carried forward thus resulting in massive cost overruns. The Committee further note that perhaps realizing this, the Ministry has decided to create a new Perspective Plan for the Maritime sector for Twelfth and Thirteenth Five Year Plan upto the year 2020. The Committee hope that the said Plan would be prepared urgently and realistic year-wise targets would be set alongwith appropriate mechanism to ensure its implementation. The Committee would like to be apprised of the progress on the matter. At the same time, the Committee, deplore the prevailing situation and would like to be apprised of the reason attributed to the delay as well as dropping of projects. The Committee expect the Government to understand the significance and impact of timely completion of projects under NMDP on the business carried by the major ports, as these ports are already facing stiff competition from a number of minor ports functioning in States like Gujarat, Karnataka and Andhra Pradesh.

As regards specific projects, the Committee are constrained to note that infrastructure projects at Mumbai and Paradip ports have missed their completion dates and the same has been revised. For instance, the project of construction of the 2<sup>nd</sup> Chemical berth of Pir Pau, that was scheduled to be completed by March 2010 at Mumbai Port was later assigned a new date in July 2012. Similarly the channel deepening project at Paradip Port missed its

completion date of January, 2009 and was anticipated to be completed by June, 2010. As missing timelines would result in huge cost overruns, the Committee exhort the Ministry to make realistic claims and timelines based on better planning and execution.

The Committee also note with concern that against the international standard of a gap of about 30 percent between the installed capacity and the traffic, the gap in major ports is just 8 percent which, in turn has led to a substantial increase in waiting time for the ships. Due to heavy traffic and over utilization of capacity, the maintenance work of machines at the ports also suffers as there is hardly any idle capacity to relay the work for maintenance. Consequently, this can be hazardous to life and limb of port workers as well as detrimental to the functioning of the port. The Committee observe that with the country growing at the rate of 9 percent and the manufacturing sector at 12 percent, it is imperative that the ports sector matches with the pace as facilitator of the international trade which enables the country's economy to grow at a faster rate.

In this backdrop, the Committee desire that the Ministry should monitor all the ongoing projects under NMDP on regular basis and ensure timely completion of all projects. The Committee hope that 77 projects under implementation will be completed within the set timelines. The Committee feel that all other projects which are in various stages of finalization and awarding should be executed with due promptitude. The Committee desire that the Ministry should furnish a statement enlisting all completed projects, as on date, under NMDP and status of hitherto incomplete projects alongwith reasons for delay to them. The Committee exhort the Ministry to be proactive about traffic forecasting and capacity addition. It is of paramount importance to focus on adequate capacity and high productivity in order to render services of an international standard by all major ports."

1.7 The Ministry of Shipping, in their action taken reply, *inter-alia* stated as under:-

"

1. Under the National Maritime Development Programme (NMDP) formulated by the Ministry of Shipping, 276 projects to be taken up for implementation over the period from 01.04.2005 to 31.03.2012. Total investment involved under the Programme is ₹ 1,00,339 crores at 2004-05 prices. Out of this, ₹ 55,804 crores is for the Port Sector and the balance is for the Shipping and Inland Water Transport Sectors.
2. In the major ports, projects undertaken under National Maritime Development Programme cover the entire gamut of activities, namely construction/upgradation of berths, deepening of channels, rail/road connectivity projects, equipment upgradation/modernization schemes and other related schemes for creation of backup facilities.
3. The scheme-wise distribution of projects and the estimated cost along with the pattern of funding is shown below:

(₹ in Crore)

Project Head	No. of Projects	Budgetary Support	Internal Resources	Private Investment	Others	Total
Deepening of channels/ berths, etc.	25	2731.00	3340.00	185.00	48.00	6304.00
Construction/ reconstruction of berths/ jetties, etc.	76	563.00	3867.33	28083.24	50.00	32563.57
Procurement of Equipments, etc.	52	0.00	1427.87	1075.00	130.00	2632.87
Rail and Road connectivity works	45	90.00	2232.24	0.00	3634.25	5956.49
Others	78	225.00	2904.10	5162.10	55.60	8346.80
Total	276	3609.00	13771.54	34505.34	3917.85	55803.73

4. As on 30.07.2011 total 67 projects involving an investment of ₹ 7187.85 crores have been completed and 70 projects are under progress envisaging an investment of ₹ 18583.04(Annexure-I)
5. The newly formulated Maritime Agenda 2010-2020 has projected the traffic vis-à-vis capacity projection for the 12<sup>th</sup> FYP and by the year 2020 with specific port capacity augmenting projects for all the major ports as well minor ports in the States.(Annexure-II)
6. A total of 29 projects under PPP mode have been completed & made operational creating an additional capacity of 198.46 MMT with investment of about ₹ 8367.04 crores. After standardization of model Concession agreement (MCA) documents in 2008, the award of PPP projects in port sector has taken off at a faster pace. In the year 2009-10, 13 PPP port projects were awarded in major ports for Capacity of 75.24 MMT with proposed investment of ₹ 4120.39 crore. In the year 2010-11, a total of 9 PPP port projects were awarded for a capacity of 51.76 MMT with proposed investment of ₹ 3194.80 crore. During the current financial year 2011-12, a total of 23 nos. of PPP projects in port sector have been identified and targeted to be awarded for capacity of 230.37 MMT & proposed investment of ₹ 16672.62 crores.
7. To monitor the timely award of PPP Projects in port sector, milestones for award of projects have been specified and regular monitoring and follow up is taken up with major ports and the concerned Ministries/Departments.

The reasons for delay in respect of projects are given in statement placed at Annexure-1”.

## **Comments of the Committee**

**1.8 Observing that the progress made in the implementation of various projects under National Maritime Development Programme (NMDP) is far from satisfactory, the Committee, in their original Report, had desired the Ministry of Shipping to monitor all the on-going projects on regular basis for their timely completion. It was in this context, the Committee had urged that the Ministry should furnish a statement delineating the projects, which have been completed under NMDP and status hitherto of the incomplete projects alongwith the reasons for their delay. Further, it was recommended that the Ministry ought to be proactive about traffic forecasting and capacity addition to ensure that services rendered by all major ports in India are of international standard. However, the Committee are concerned to note from the action taken reply, that the matter has not been accorded the urgency and importance it deserves, especially when the Committee in their earlier Report had pointed out that not even 25 percent of the targeted projects could be achieved inspite of the deadline for their completion by the year 2011-12.**

**In the action taken reply, the Committee have been informed by the Ministry that as on 30 July, 2011, 67 projects could be completed with an investment of ₹ 7187.85 crore and 70 projects are under progress with a projected investment of ₹ 18583.04 crores. This clearly indicates that so far the Ministry has been able to spend only 12.88 percent out of the total projected outlay of ₹ 100,399 crore provided for the port sector during the entire Eleventh Plan. Even if the envisaged expenditure for the ongoing projects is taken into account, the percentage of utilisation of outlays comes out to be only 46.18 percent. The situation is alarming as the Ministry has miserably failed to perform both financially and physically in implementing the various projects under NMDP.**

The Committee while taking a serious view of the current state of affairs, would, once again, like to emphasize the need to ensure optimum utilisation of outlays provided for the projects. They would also like the Ministry to step up monitoring efforts for ensuring that the projects are completed by the stipulated timeline.

Another disturbing revelation is that the financial projections for investment in the port sector of ₹ 100,339 crores, which has been quoted by the Ministry in their reply is at 2004-05 prices. The Committee cannot understand as to why the costing was not revised as per the prices which were prevailing during the beginning year of the Eleventh Plan i.e. 2007-08. The Committee would like to know the factual position in this regard. In case, no revision has been done, the Committee are inclined to conclude that the planning process of the Ministry has been completely outdated due to which the actual investment requirement might be far more than the projected one. The Committee strongly feel that the Ministry should take stock of the situation and take suitable remedial action to ensure realistic assessment of the investment required for the port projects during Twelfth Five Year Plan as per the current prices so that a clearer picture could emerge.

Further, from analysis of a statement furnished by the Ministry regarding port-wise status of NMDP as on 31 July 2011, the Committee find that in the Chennai Port, out of the total of 14 projects under NMDP, 7 projects have been dropped i.e. in terms of percentage, the projects have been dropped by 50 percent. The Committee fail to comprehend the reasons for such a huge drop in a major port which contributes significantly in the import-export activity in the country. In this backdrop, the Committee would like the Ministry to specifically examine the reasons for the huge drop in the projects for Chennai port and its impact on the projected capacity of the port and inform them accordingly.

Overall, the Committee are inclined to conclude that the Ministry has neither seriously planned their projects nor monitored all the ongoing projects to ensure their timely completion. Besides, the Ministry has avoided providing complete information sought by the Committee on the steps taken to increase the installed capacity in relation to the traffic or any systematic and realistic analysis for traffic forecasting and the capacity addition in the various ports of the country. The Committee, therefore, reiterate their earlier recommendation and once again emphasize the Ministry to ensure that projects under NMDP are reviewed regularly and the remedial action taken on the identified grey areas for their timely completion. This would prevent adhocism in planning of the various projects which would ultimately percolate in achieving the desired gap between installed capacity and traffic as per the international standards. Further, it would also provide better traffic forecasting and capacity addition to avoid over-utilization of port capacity. The Committee expect the Ministry to meticulously carry out action on the desired lines so that the port sector can grow at a faster rate and match the pace of economic growth of the country. At the same time, the Committee wish to point out that ports use many of the natural resources such as water and land which also affect the socio-economic fabric of the area around. Therefore, it should be made obligatory on the part of the port authorities to ensure that, as stipulated, they must spent one per cent of their net profit of the preceding year towards Corporate Social Responsibility (CSR) for activities such as setting up schools, hospitals, creches, recreational centres and make available sanitation facilities, drinking water etc. for the welfare of the local populace residing the vicinity of the Ports. In this regard, the Committee would like to be apprised about the details of various activities carried out under CSR by each of the major ports in the country.

## **B. Utilization of funds by major ports**

### **OBSERVATION/RECOMMENDATION (Para No. 5.3)**

#### **1.9 The Committee had recommended as under:-**

“The Committee note that the major ports like Paradip Port, Kandla Port, Jawaharlal Nehru Port and Mumbai Port have not been able to utilize the funds allocated to them for development/maintenance work during the last 3 years. For example for Paradip port, out of total budgetary allocation of ₹ 83.40 crore in 2006-07, expenditure was only ₹ 23.15 crore. During the year 2007-08 out of ₹ 100.00 crore, ₹ 42.05 crore were spent and in 2008-09 out of ₹ 288.00 crore, ₹ 101.47 crore were spent. The Committee find it strange that on the one hand inadequate capacity and outdated machinery/infrastructure lead to inordinate delays, higher turnaround time and deficiency of service in the ports, yet, on the other hand the Port Authorities have not been able to utilize funds available to them for the purpose. The Ministry’s stand that long procedures of non-standard contract and infirmities in tender documents have adversely affected the utilization of funds point towards a lack of perspective as well as sound planning of projects to be executed. The Committee note that now a Committee has been constituted by the Ministry for standardization of procedures and documents for award of contracts. The Committee are unable to understand as to why such ground work was not done before handing out contracts for execution of work. The Committee feel that to undertake such critical projects, it is essential that a professional approach is followed by the major ports/Ministry to streamline procedures. The Committee are further distressed to note that inaccurate estimate of the amount of dredging/quantity to be dredged in the channel and basin deepening projects have also been the reasons for non-utilization of allocated funds. The Committee feel that half-hearted measures have seriously dented the professional standing of the major ports with the result that these ports are fast losing out to many non- major/private ports. The Committee, therefore, urge the Ministry to monitor the utilization of funds allocated to major ports on a monthly basis and advise the Port Chairmen accordingly from time to time to adhere to project schedules. The Committee also exhort the Ministry /major ports to be proactive in their planning and utilize the funds effectively. The Committee desire that all the schemes/projects awaiting completion should be dealt with due promptitude and the future projections for funds requirement be done more realistically in the New Perspective Plan”.

#### **1.10 The Ministry of Shipping, in their action taken reply, *inter-alia* stated as follows:-**

“It is stated that in the year 2006-07, there was an allocation of ₹ 83.40 crore comprising of ₹ 40.00 crore as GBS and 43.84 crore as IEBR in respect of Paradip Port. The amount allocated as GBS could not be released/spent as the RCE of the project was under consideration. The expenditure was only ₹ 23.15 crore out of IEBR. Similarly, in the year 2007-08, an allocation of ₹ 100.00 crore comprising of ₹ 45.00 crore as GBS and ₹ 55.00 crore as IEBR was made in respect of Paradip Port. An amount of ₹ 42.05 crore was spent out of the allocation of IEBR. ₹ 45.00 crore allocated as GBS for the ‘Deepening of Channel’

project at Paradip Port was approved by the CCEA on 17.11.2005 at original estimate cost of ₹ 154.842 crore with 1/3 of its estimated cost as grant-in-aid from Government of India. Sanction of the Government was conveyed on 2.12.2005. PPT had floated a tender on 16.12.2005 and this tender had to be discharged on 3.6.2006 as the quoted price of L1 tenderer was 73.74% higher than the value of work put to tenderer. The tender was re-invited on 3.2.2006 and price bid was opened on 8.9.2006. The quoted price of lowest tenderer i.e. Dredging Corporation of India (DCI) was 72.66 percent higher than the value put to tender. Accordingly the revised cost estimate of the project from ₹ 154.84 crore to ₹ 253.359 crore was approved by the CCEA in its meeting held on 29.11.2007. Budgetary support was limited to ₹ 45 crore only. Sanction of the Government to PPT was issued on 13.12.2007. In the year 2008-09, no GBS was allocated to the Paradip Port. An amount of ₹ 287.99 crore was allocated as IEBR and an amount of ₹ 101.47 crore only was spent.

As regards Kandla Port, Jawaharlal Nehru Port and Mumbai Port are concerned, only IEBR (Internal resources of Port) component was allocated to these ports in the last three years. No Government support was given to these ports in these years.

The Ministry of Shipping is reviewing the progress on the expenditure of Port Sector at the level of Secretary (Shipping) in its meetings with senior officers regularly. As and when required, directions are being issued to all concerned on utilization of funds allocated to the major ports as well as other Organizations under control of Ministry of Shipping.

Further, monthly review and monitoring meetings are taken on the progress of release and expenditure of GBS at the level of Joint Secretary (Ports) to ensure timely action for approval of projects and consequent release & expenditure of budgetary funds allocated. The details of allocation and expenditure of budgetary funds for the year 2009-10 and 2010-11 are given below:

(₹ in crore)					
<u>Year</u>	<u>BE</u>	<u>RE</u>	<u>Expenditure</u>	<u>%age w.r. to BE</u>	<u>%age w. r. to RE</u>
2009-10	385.50	369.93	276.11	71.62	74.63
2010-11	388.48	394.28	369.82	95.19	93.80

As far as projects are concerned, milestones as per time lines have been fixed for all PPP port projects for creation of additional capacity through construction of berths and jetties and mechanization of berths which is being reviewed every quarterly. These timelines are also being monitored and reviewed by Planning Commission and Cabinet Secretariat regularly.

On the planning front, the Ministry has taken timely initiatives in 2010 itself to prepare a realistic long-term perspective plan namely the "Maritime Agenda 2010-20" for the decade. This is a very comprehensive strategic plan document of the Ministry which also covers in details the plans for development of non-major ports by Maritime States".

## **Comments of the Committee**

**1.11 The Committee in their earlier Report had expressed their displeasure that on the one hand, the inadequate capacity and outdated machinery/infrastructure have led to inordinate delays, higher turnaround time and deficiency of services in the ports, on the other, certain Port Authorities viz. Paradip Port, Kandla Port, Jawaharlal Nehru Port and Mumbai Port have not been able to utilize the funds allocated to them. In this backdrop, the Committee had emphasized that the Ministry/major ports should adopt proactive planning for effective utilisation of the allocated outlays which, in turn, would ensure timely completion of the projects. For the critical projects, the Committee had suggested adoption of professional approach to streamline the procedures, followed by the monthly monitoring of the utilisation of funds by the ports. However, the Committee regret to note that the action taken reply has nothing concrete to establish that the issue raised by the Committee has actually been taken seriously by the Ministry, since the reply merely states that as and when required, directions are being issued to all concerned authorities of ports for utilisation of the allocated funds.**

**The Committee are also not convinced with the submission of the Ministry that monthly review and monitoring meetings are being done regularly to assess the progress of expenditure of Gross Budgetary Support (GBS) and Internal and Extra Budgetary Resource (IEBR) allocated to various ports. Analysis of the action taken reply reflects a contrary state of affairs. The same has been analyzed in the following paragraphs:**

- (i) For Paradip Port, the Gross Budgetary Support (GBS) provided for 2006-07 could not be released/spent as the Revised Cost Estimates (RCE) of the project was under consideration. The percentage of expenditure under Internal and Extra Budgetary Resources for the said year was only 52.81**

percent. For the year 2007-08, no information for utilisation of GBS has been provided by the Ministry. The percentage of utilisation of IEBR for the said period was 76.45 percent. As far as 2008-09, no GBS was provided and the percentage of utilisation of outlays under IEBR was only 35.23 percent. This clearly indicates lack of monitoring of utilisation of outlays by the Port Authority/Ministry with regard to Pradip Port.

- (ii) For Kandla Port, Jawaharlal Nehru Port and Mumbai Port only Internal and Extra Budgetary Resource (IEBR) is stated to be provided for 2006-07, 2007-08 and 2008-09. No outlays under Gross Budgetary Support (GBS) were provided for these ports. However, the Ministry has not provided the outlay and the utilisation status of Internal and Extra Budgetary Resource by the aforementioned ports. The Committee expect a precise reply from the Ministry in this regard.
- (iii) The Committee also note that the Ministry has not provided any information about the standardization of award of contracts for the various projects inspite of the fact that a Committee has already been stated to be constituted by the Ministry to look into the matter. The Committee, in their original Report had opined that the Ministry's long procedures of non-standard contract and infirmities in tender documents have adversely affected the utilisation of funds. They once again emphasize that the Ministry should expeditiously streamline and standardize the process of awarding contracts for the various projects and would like to know the progress made by the Committee constituted by the Ministry on the issue.

The Committee, in their earlier recommendation had opined that the inaccurate estimate of the amount of dredging/quantity to be dredged in the channel and basin deepening is one of the reasons for poor utilisation of funds.

However, the Ministry has neither commented upon the Committee's viewpoint nor any initiative is reported to have been taken to have a realistic assessment of dredging. The Committee would like the Ministry to ensure that necessary action in this regard is actually taken and also like to be apprised of the details thereof.

### **C. Implementation of Port Capacity Enhancing Projects**

#### **OBSERVATION/RECOMMENDATION (Para No. 5.5)**

##### **1.12 The Committee had recommended as follows:-**

"The Committee note with dissatisfaction that productivity and turnaround time of all major ports is below international standards, as admitted by the Secretary, Shipping during oral evidence. Though there has been a marked improvement in average turnaround time from 10.10 days in 1990-91 to 3.85 days in 2008-09, the average pre-berthing detention time and average output per ship berth day is still not up to the international standards despite some improvement. The variations between the major ports in the productivity and turnaround time in the country itself is quite substantial irrespective of the type of cargo being handled. The Committee also note that due to 93 percent capacity utilization in ports as stated by Secretary (Shipping), delays are bound to occur with increased waiting time. As the Ministry is hopeful of improvement in the current scenario after the completion of various Port capacity enhancing projects, the Committee suggest that the Ministry should expedite the implementation of these projects to reduce higher turnaround time and waiting periods. Level of mechanization with technologies of international standard should also be increased substantially to increase average output per ship berth day. The Ministry should ask Port Authorities to conduct periodic reviews of the factors critical to their functioning and initiate corrective action accordingly".

##### **1.13 The Ministry of Shipping in their action taken reply has stated as under:-**

"Overall capacity available at major ports as on 31.3.2011 is 670.13 million tones whereas the traffic handled was only 569.91 million tones. Although it is ideal to maintain a gap of 30 percent between the installed capacity and the traffic according to the conventional international norms, it may not be possible to maintain the exact gap all the time. The gap of 30 percent is generally required to be maintained in order to take care of maintenance works at the berths, approaches to the berths, equipments etc. Efforts are continuously being made to enhance the capacity of the major ports to reach the level of International Standards.

Similarly, in regard with the connectivity, all the major ports are well connected with rail and road and a number of projects by NHAI, Railways etc., are being taken up for smooth movement and faster evacuation of cargo Processes at major ports are being simplified with the implementation of automation and Port Community Systems in all the major ports, which enables

all the users in Port Operation to lodge their paper electronically for faster clearance.

The average output per ship berthing in 2006-07 was 9745 tones which reached 10482 tons in the year 2009-10. The performance indicators are being monitored regularly by the Ministry port wise for enhancing productively and efficiency levels”.

### **Comments of the Committee**

**1.14** In their earlier Report, the Committee had noted that even though there has been a marked improvement in the average turn around time from 10.10 days in 1990-91 to 3.85 days in 2008-09, the average pre-berthing detention time and average output per ship berth day are still not upto the international standard. In the light of the above, the Committee had urged the Ministry to expedite the implementation of various Port capacity enhancement projects. However, the Committee regret to note that instead of taking the desired steps to widen the gap between the installed capacity and the traffic to match with the conventional International Standard, the Ministry has endorsed that although it is ideal to maintain a gap of 30 percent between the two, it may not be possible to maintain the exact gap all the time. The Committee note that as on 31 March 2011, the gap between the overall capacity and the traffic handled at major ports was 14.95 percent, which is just about 50 percent compared with the conventional International Standard. The Ministry while arguing that it may not always be possible to maintain the desired gap of 30 percent have not explained as to how maintenance works at berths, approaches to Berth, equipments etc. are carried out satisfactorily in ports despite the requisite gap not being available. The Committee strongly feel that the Ministry should endeavour to ensure that the existing gap is enhanced, by taking suitable measures to avoid overuse of the ports. They, therefore, reiterate their earlier recommendation and urge the Ministry to expedite the implementation of the Port capacity enhancing projects.

Besides, the Committee would also like to be informed about the various constraints, which are being faced by the Ministry in the implementation of these projects followed by objective analysis of the same to ensure that the desired gap of 30 percent is achieved.

The Committee also note that in response to the issue of increasing the level of mechanization with technologies of international standard, the Ministry in their action taken reply has informed the Committee that the processes are being simplified with the implementation of automation and Port Connectivity Systems in major ports. However, the Ministry has only furnished the information regarding the increase in average output per ship berthing from 9745 tons in 2006-07 to 10482 tons in the year 2009-10. Since, the latest information has not been provided, the Committee cannot but conclude that the Ministry/Port Authorities have not been regularly conducting the reviews of the factors critical to the functioning of ports. Therefore, the Committee are of the opinion that the issue needs to be addressed again as a part of the preparatory exercise before launching of projects in full scale for their implementation. The Committee would like the Ministry to take the desired action and inform them accordingly.

#### **D. Enhancement of dredging capacity in the ports**

##### **Observation/recommendation (Para No. 5.7)**

1.15 The Committee had recommended as follows:-

“The Dredging Corporation of India (DCI) is the entity providing dredging services for maintenance and is responsible for creation and maintenance of draft at all major ports. Several Indian ports face the problem of inadequate draft which translates into their inability to service bigger vessels. However, the Committee are shocked to learn that DCI has not been able to procure any new dredging machinery in the past nine years and that chartered dredgers like the Dariyamanthan developed snags thus compelling the ports to give dredging contracts to foreign companies inspite of the presence of a GOI-owned entity in the field. The Committee fail to comprehend as to why the Government has not

taken any measures in this regard during the past years despite infrastructure projects being delayed badly due to non-availability of dredgers. Further, the Committee fail to see any justification as to why no capacity enhancement was envisaged for the dredging capability of major ports, when the Ministry was formulating its flagship program – the National Maritime Development Programme (NMDP). It shows a complete lack of foresight on their part. Nonetheless the Committee desire to be apprised of the reasons for the lack of dredgers in DCI and the steps taken, if any, to fulfill the requirements. The Committee, therefore, desire that the Ministry conduct a detailed study of the dredging capacity and requirements of all major ports and take necessary action to enhance the same. The committee are of the opinion that ideally the DCI should have 1.5 times more capacity than the actual requirements so as to accommodate breakdown & maintenance of dredgers and any other unforeseen incidents. Till then, in order to tide over the present deficiency of dredgers, the Ministry should get into agreements with efficient dredging companies worldwide as a short term measure because adequate draft in the country's ports would contribute substantially in attracting better business for them. The Committee would also desire to be apprised of the progress on the procurement of the dredgers by the DCI, in due course”.

1.16 The Ministry of Shipping in their action taken reply stated as follows:-

“Dredging Corporation of India has placed orders for acquisition of three IHC built TSHD dredgers of 5500 Cu.M capacity each which will be delivered and put to commercial operation between October, 2012 and December, 2013. Further DCI has added to its capacity with the induction of one new Cutter Suction Dredger and a Back-hoe dredger is expected to join the fleet very shortly. With the addition of these vessels, DCI has projected a capacity enhancement from the existing about 80 Mln CuM to 110 Mln CuM.

The Dredger Manufacturing Companies in the world are very few. DCI had earlier gone for tendering for capacity enhancement but could not go ahead with the same as due to the business restructuring of the identified party led to some legal complications and the order could not be placed. There are no full fledged dredgers manufacturing yards within India. The cutter suction dredger that joined the fleet recently was manufactured in India (by MDL, a PSU Yard under MoD) with foreign collaboration.

Further the dredging market in the world is very closely held with a few international companies ruling the same. DCI has earlier tried to supplement its available capacity by chartering of dredgers but that has proved to be not cost effective.

Some private dredging companies have recently come into foray and with the inherent flexibility they enjoy they have procured Chinese built dredgers which are less costly. But experts in the field have cautioned that some of these dredgers do not meet the quality parameters and may not be reliable and are prone to break downs.

It is not economically viable to maintain 1.5 times of the required capacity as the maintenance cost of dredgers is very high and will deplete the bottom lines

when a dredger is idle as it will have no revenue but will continue to incur the running costs for minimum manning etc.

In terms of the Maritime Agenda for 2010-20 the capacities of all the major ports are projected to rise from the existing level of about 600 Mln T to about 1400 Mln T in 2019-20. Major ports in India have drawn up ambitious expansion plans during the next decade to create substantial additional capacity. Apart from the ongoing projects for deepening of channels/Berths etc., valued at around ₹ 1500 Crore, the major ports are planning for projects requiring dredging for ₹ 8500 Crore ₹ during 2010-20.

As stated above DCI has already placed order for three dredgers which will join fleet between Oct 2012 to December 2013. Further, the Company has projected for procurement of two 9000 Cu.M capacity dredgers and other ancillary crafts in 12<sup>th</sup> Plan involving an outlay of about ₹ 1792 Crore”.

### **Comments of the Committee**

**1.17 In response to Committee’s recommendation regarding conducting a detailed study to assess the dredging capacity and take suitable steps for enhancement in all the major ports, the Dredging Corporation of India (DCI) has now placed orders for acquisition of three IHC built TSHD dredgers of 5500 CuM capacity each, which would be put for their commercial operation between October, 2012 and December, 2013. The Ministry has apprised the Committee that the capacity would further be enhanced with the induction of one new Cutter Section Dredger and a Back-hoc dredger which is expected to join the fleet very shortly. However, the Committee note that the Ministry has not been specific in giving the timeline for induction of Back-hoc dredger. Moreover, the Committee are of the opinion that the Ministry has not been categorical enough to establish, whether the enhancement in the capacity from existing 80 Mln CuM to 110 Mln CuM would be sufficient enough to cater all major ports in India. The Committee expects a specific response from the Ministry going by the logic that the need of the hour is for enhancement of dredging capability of major ports in India.**

**The Committee also note from the action taken reply that the Dredging Corporation of India (DCI) could not procure more dredgers as the ‘Identified**

Party' had some legal issues with regard to their business restructuring. Further, the Committee are not convinced with the reason forwarded by the Ministry that the overseas dredging market is cartelized by few international companies. Even if it is so, as one cutter suction dredger was produced domestically by a PSU under Ministry of Defence, the Committee feel that the DCI should approach them for further orders too. The Committee are of the opinion that more avenues need to be explored with other potential partners for procuring more dredgers.

The Committee in their earlier Report had also opined that ideally the DCI should have 1.5 times more capacity than the actual requirements so as to address the issues relating to the breakdown and maintenance of dredgers or any other unforeseen circumstances. However, the Ministry has stated that it is economically not viable to maintain 1.5 times of the required capacity as the maintenance cost of dredger is very high and will deplete the bottom lines. Moreover, DCI is of the opinion that when a dredger remains idle, it will earn no revenue, but will incur the running costs for minimum manning. The Committee do not agree with the above views as the reply itself is contradictory. When the deficiency of dredger has badly impacted most of the major ports, the question of loss of revenue due to dredgers remaining idle, simply does not arise. The Committee, therefore, reiterate their earlier recommendation and urge the Ministry to clarify the issue and take action as per their recommendation. The Committee should be apprised of the precise action taken in this regard.

#### **E. Ports Security Concerns**

#### **OBSERVATION/RECOMMENDATION (Para No. 5.11)**

1.18 The Committee had recommended as follows:-

"The 26/11 terrorist attack on Mumbai was an eye-opener bringing forth the issue of maintaining adequate and foolproof security at all Indian ports. The Committee observe that the Ministry is taking measures to tighten the security at Indian ports. Since a lot of infrastructure development is taking place through the PPP model in the several ports, the Committee feel that security scenario at privately managed ports/terminals should be properly standardized and the concessionaire be urged to adhere to all the prescribed safety measures. The committee desire that security at all major ports be upgraded and adequate container scanners be installed wherever required. The Committee strongly urge the Ministry initiate measures to have proper co-ordination between port security, the customs Department, the Indian Navy and the coast guard, so as to have a thorough vigil on the entire coast. Quick reaction teams should be deployed at all major ports comprising of CISF, port security, Coast Guards and Navy. The Committee also desire that the automatic identification system through radar be installed all along the coast-line in collaboration with Coast Guard at the earliest. Separate routes should be specified for small vessels/fishing boats of less than 20 meters length and those not equipped with the Automatic Identification System Class 'B'. The Committee urge the Ministry to ensure that all Port Authorities remain vigilant and pro active in this regard as it is a matter of national security and cannot be compromised under any circumstances. The Committee note that though the Ministry has undertaken some action regarding the latest measures/equipment to enhance port security, it is taking lot of time to complete. As any slip-up in future would be catastrophic in light of the 26/11 terrorist attack on Mumbai, the Committee, strongly recommend that all security measures be strictly implemented at the earliest at the ports so that all emergencies such as terror attacks, collision of containers, accidental oil spills, poisonous gas leakages, dumping of harmful e-waste etc. could be handled effectively.

Another matter posing danger to the lives of people residing near ports is the presence of a large amount of hazardous goods in ports like the Mumbai Port and Jawaharlal Nehru Port. In this regard, the Committee are alarmed at certain press reports which indicate that around 409 MT of hazardous and toxic material like brass ash, old nickel-cadmium batteries etc. is lying unattended on these ports and needs to be neutralized urgently. Reportedly the matter is stuck due to inaction by certain Government departments, which are required to give no-objection-certificates on the matter. The Government of India, by virtue of being a signatory to the Basel Convention, 1992 that addresses issues like transboundary movement and shipment of hazardous waste and its disposal, is expected to take prompt measures for timely and appropriate disposal of toxic wastes lying in its ports. The Committee, are appalled at the gross negligence on the part of Government to attend to such critical issues which poses a direct and serious threat to public health. The Committee, therefore, deplore the insensitivity of the departments involved and recommend the Ministry to urgently approach the concerned departments for appropriate disposal and clearance of hazardous goods from all Indian ports. The Committee hope that the matter would be given critical importance. The Committee also desire that the Ministry should immediately seek reports from all major and minor port authorities on any hazardous cargo including e-waste lying in their premises and urge them to take urgent action for its evacuation. The Committee desire to be apprised of the progress on the matter through a detailed note from the Ministry. Besides, they

would also like to know the progress on the Government proposal to install advanced radioactive material detectors in all major ports”.

**1.19 The Ministry of Shipping in their action taken reply stated as follows:-**

“After the attack in Mumbai the Ministry had constituted a High Powered Committee to look into the existing security arrangements in the major ports and recommend improvements. Based on the recommendations of the Committee all the ports have been directed to deploy CISF and introduce CC TVs, RFID technology and access control systems. Bomb Disposal Squads are also being raised. A minimum of 2 speed boats are engaged for patrolling purposes. Further all the ports except VPT, VOCPT, PPT and EPL are having the vessel traffic monitoring system (VTMS) for identifying the vessels and guide them for safe navigation into the ports. VPT, VOCPT, PPT and EPL are tracking the vessels through GPS, Radar and Automatic Identification System. All major ports under Ministry of Shipping are ISPS compliant.

All the ports are applying IMDG code approved by International Maritime Organization for handling storage and transportation of Dangerous and hazardous goods.

All the ports have regulations made on this subject. The hazardous cargo lying uncleared in the Port is being disposed as per the provisions of Section 61 & 62 of the Major Port Trust Act, 1963. Ministry is also monitoring the presence of hazardous goods in the ports. Ministry had issued directions to ports subsequent to the chlorine gas leak incident which happened in Mumbai, on the methodology of handling hazardous goods (copies enclosed). The ports do not have any e-waste lying in their premises. Ministry of Shipping has been asked by Ministry of Home Affairs to install Radioactive Material Detectors at the entry/exit points of all the ports by 2012 as a part of Megaport initiative. The Detectors are being manufactured by M/s. ECIL, Hyderabad. The survey of Entry/Exit points have been completed in all the ports by DG (Shipping) involving ECIL, BARC. All the ports have been asked to place the order of the equipments as per the terms and conditions finalized by the Ministry on 20.07.2011 and requested all the Maritime States/Boards to direct the ports to install the equipments by 2012”.

**Comments of the Committee**

**1.20 The Committee while taking note of the significance of maintaining adequate and foolproof security at all the ports in aftermath of 26/11 terrorist attack on Mumbai, had opined that the security scenario at privately managed ports/terminals should be properly standardized and concerned concessionaires be urged to adhere to all the prescribed safety measures, besides upgrading the**

security infrastructure. The action taken reply reflects that some measures have been taken by the Ministry. Nevertheless, some of the important issues raised by the Committee have remained unaddressed. The above view point of the Committee would be amply corroborated in the succeeding paragraphs:

With regard to coastal security, the Committee had strongly recommended that the Ministry should initiate measures to have proper coordination between port security, the Customs Department, the Indian Navy and the Coast Guard. However, the Committee note with disappointment that nowhere in the reply the Ministry has indicated about the much desired coordination with the above authorities for ensuring vigilance in the coastal areas of the country which are quite vulnerable to smuggling, terrorist and other anti-social activities. The Committee express their anguish over the way in which a crucial matter raised by them has been dealt with. Thus, while reiterating their earlier recommendation, the Committee desire the Ministry to take urgent and concrete action especially, as pointed out in their earlier Report, when it comes to the matter of national security nothing can be compromised under any circumstances.

Another issue which the Committee had raised in their earlier Report was regarding dumping of about 409 MT toxic material like brass ash, old metal – cadmium batteries etc. in Mumbai and JLN ports. In this regard, the Committee had emphasized that the Government of India, by virtue of being a signatory to the Basel Convention, 1992, should address the issue like transboundary movement and shipment of hazardous waste and its disposal and take expeditious action for disposal of toxic waste lying in the ports. It was also suggested that the Ministry should immediately seek reports from all major and minor ports of the country on any hazardous cargo including e-waste lying in their premises and urged to take action for their evacuation. However, the

Committee are surprised to note that the Ministry in their action taken reply has vaguely suggested that hazardous cargo lying uncleared in the ports was being disposed as per provisions of Major Port Trust Act, 1963, while categorically denying stockpiling of any e-waste in the premises of the ports. Nevertheless, the Committee are of the strong opinion that the Ministry need to revisit the Committee's recommendation and report back about the hazardous materials lying in the various ports taking into cognizance frequent media reports about dumping of e-waste especially in Chennai and Kochi ports.

The Ministry has also not responded to the information sought by the Committee regarding the progress made by the Government for installation of advanced radio active material detectors in all major ports by this year, as their reply has merely stated that the said detectors were being manufactured by M/s. ECIL, Hyderabad. The Committee would like to be apprised about their installation position.

The Committee, while reiterating their earlier recommendation, also desire that the entire issue of coastal security, collision of containers, accidental oil spills, poisonous gas leakages and dumping of harm ful e-waste be addressed in a stipulated time frame by the Government.

## **CHAPTER – II**

### **RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **OBSERVATION/RECOMMENDATION (Para No. 5.1)**

Ports are vital to the country as these enable the nation to trade with rest of the world. The major ports in India act as conservancy and pilotage authorities besides operating terminal facilities for maritime trade. However, with passage of time, most of these ports have become deficient in modernization and productivity, despite an overall increase in port trade. As the projected capacity of major ports in the 11<sup>th</sup> Plan period is likely to go beyond one billion tonne, the Government of India has initiated certain efforts like the NMDP scheme to invest in restructuring these ports and increase their efficiency and capacity. Also, during the course of the examination of the subject by the Committee, the Government of India added another port i.e. the Port Blair Port as 13<sup>th</sup> Major Port in the list of other 12 major ports, in June, 2010. The Committee Welcome these steps since minor ports are proving to be a major challenge to the major ports due to the traffic diversion and attractive tariffs as well as exhaustion of capacity utilization at the major ports. This underlines the need to improve and increase the cargo handling capacity of major ports further. The following paragraphs would touch upon various aspects of the subject and the Committee's views and recommendations on the same".

#### **Action Taken by the Government**

No Comments.

#### **OBSERVATION/RECOMMENDATION (Para No. 5.4)**

The Committee are glad to note that the operating cost-ratio of Ports has been reducing over the last decade. However, it is around 60% which is still on the higher side. The Committee observe that although all the major ports function on a cost plus model, thereby make profits, yet higher expenditure on salaries, pension liabilities and day to day operation cost, eats into the profit margins. Thus, the Committee suggest that the ports should not only minimize the operating cost ration through capacity expansion i.e. through higher volumes, but also through reducing cost of operation through mechanization, long-term planning and efficient management. The Committee also desire that all major ports should try to maximize productivity through efficient human resource utilization and a critical analysis of the functions performed by Port workers to remove redundancy at all levels.

#### **Action Taken by the Government**

All the Ports have taken up mechanization of cargo loading unloading operation by installing new handling systems like conveyors, wagon trippers, reclaimers etc. The existing old and obsolete equipment are being replaced by new ones to improve the efficiencies in port operations and management. Ports are encouraged to take up the

new expansion projects through PPP mode only to bring in new technologies and efficient management practices from the private partners.

The infusion of latest technologies in mechanized handling of cargo through commissioning of PPP projects with the experience and management of International Port operators has brought in increased level of efficiencies and productivity through efficient human resource utilization.

### **OBSERVATION/RECOMMENDATION (Para No. 5.6)**

It is a matter of concern that India does not have a transshipment facility till date. The proposed International Container Transshipment Terminal (ICTT) at Cochin Port is thus critical to Indian Port Business. However, the Committee note with dismay that the ICTT at Cochin Port, which was supposed to be commissioned in second half of 2009, is not ready yet. The second revised date for its completion was given by the Ministry as October 2010. During the course of examination of the subject, the Ministry projected three different time-lines for the project namely November, 2009, May, 2010 and October, 2010, which indicates total lack of respect for timelines and projects schedules. The Committee would like to know whether the ICTT has finally commissioner now. The non-availability of transshipment facility in our country leads to longer delivery time for goods being exported and loss of competitive advantage for the Ports. The Committee feel that the Ports at Singapore, Hong Kong and Sri Lanka have such facilities and thus have a professional edge over the Indian Ports. The Committee, therefore, impress upon the Ministry to expedite the commissioning of the ICTT at Cochin , if not done till now. The Committee also hope that the progress of Mega Container Terminal at Chennai is satisfactory. Besides, as Port Blair has been declared a Major Port now, the Committee recommend that the feasibility study of an ICTT at South Andamans should be completed soon”.

### **Action Taken by the Government**

International Container Transshipment Terminal (ICTT) at Vallarpadam envisages development of facilities for handling mother container ships of 8000+TEU capacities. The facilities include 1800 metres berth and supporting handling equipments for annual throughput of 3 million Twenty feet Equivalent Units (TEUs) along with supporting infrastructure. In terms of the Licence Agreement between Cochin Port Trust and M/s India Gateway Terminal Private Ltd (IGTPL), the terminal is to be developed in phases. Phase-I of ICTT comprises of construction of 600 metres berth and development of stacking area and other allied facilities including supporting infrastructure of 17.2 Km four lane National Highway (NH) connectivity from Kalamassery to Vallarpadam, Rail connectivity and Capital Dredging, with a handling capacity of 1 million TEUs has been commissioned on 11<sup>th</sup> February, 2011. Phase II of the project for extension of berth by 1200 meters and providing related facilities, with a handling capacity of additional 2 million TEUs, is expected be completed by 2017.

### **Development of Mega Container Terminal at Chennai Port**

The Cabinet Committee on Infrastructure (CCI) has considered and approved the project of Chennai Port Trust in its meeting held on 12<sup>th</sup> October, 2010 for “Development of Mega Container Terminal at Chennai Port on Design, Build, Finance,

Operate and Transfer (DBFOT) basis under Public Private Partnership (PPP) mode with a concession period of 30 years at a total estimated cost of Rs. 3686.00 crores”

The bid due date for the RFQ applicants in respect of project “Development of Mega Container Terminal” was initially fixed as 9.12.2010. Subsequently, on the request by applicants bid due date was extended up to 19.1.2011. Due to non-receipt of environmental clearance for the project and apprehending that environmental clearance may contain stipulations which may have financial implications on the project. The bidders sought further extension of the due date which was agreed to and extended initially up to 14.2.2011 and thereafter up to 18.4.2011.

Two of the pre-qualified applicants had sought further extension of bid due date by two months. In the case of one of the applicants, extension was being sought to enable their new consortium partner to conduct detailed technical study and analyse the traffic data provided by the consultant and to prepare and submit a competitive bid. In the case of second applicant, extension was sought on grounds that the project is sensitive to upfront capital cost and stretching of the cost on account of environmental clearance will hurt the viability of the project. Considering the non-receipt of the environmental clearance and the requests of the bidders for extensions, the bid due date had been extended by Chennai Port Trust initially up to 15.6.2011 and thereafter up to 30.8.2011 due to non-receipt of security clearance in respect of the new consortium partner. After receipt of Security Clearance, only single RFP bid has been received by the Port and the bid is presently under evaluation by Chennai Port.

The decision relating to Port Blair Port Trust, to be developed as the 13<sup>th</sup> Major Port of India, has been presently kept in abeyance due to organizational and operational reasons. A study for development of a transshipment port at Campbell Bay at Great Nicobar Island has been undertaken by the Ministry of Andaman & Nicobar Administration.

#### **OBSERVATION/RECOMMENDATION (Para No. 5.8)**

The Committee observes with regret that at Kolkata and Haldia Ports the parcel load has been reduced due to inadequate draft. Kolkata Port, being an estuarine port, has limitation of draft apart from siltation, which is a chronic problem. The situation at Haldia Dock has also deteriorated due to non-implementation of River Regulatory Measures for the last seven years and no dredging could be undertaken due to non-availability of dredgers in 2007-08 and 2008-09. The Committee are surprised to note that though siltation is a permanent feature of the morphology of Kolkata Port and Haldia Port, hardly any pro-active measures was taken to tackle it, rather, the situation was allowed to deteriorate for want of dredgers. The Committee are not convinced with the reasons given by the Ministry in this regard, for instance, financial resources of Ports being inadequate for dredging or non-availability of private investment for it. The committee feel that the Government should have stepped in at the appropriate time for dredging, as has been the international practice, and pursued for better budgetary support to undertake the same. The Committee thus strongly urge the Ministry to ensure implementation of River Regulatory Measures and deploy as many dredgers as required to improve draft at both the locations. The Committee also suggest the Ministry to study the matter on priority and take long term measures like river training works-rebuilding of spurs, river bank protection, river regulatory measures including capital dredging, engage expert institutions of world repute to study the channel and

operationalize the alternate locations with good draft and low siltation for instance, the Sagar Island near Kolkata Port. The Committee are aware that Kolkata and Haldia cater to the entire North-East of India, as well as Nepal and Bhutan, for export and import, hence the Ministry should take all necessary action to improve the situation in these ports.

### **Action Taken by the Government**

Government of India is reimbursing the total maintenance dredging expenditure incurred in Kolkata/Haldia river channel. DCI is engaged to dredge and maintain the channel and six dredgers are continuously working in the channel to maintain the depth. As the size of the vessels is increasing in the Shipping business, more drafts are required in the Ports. In order to overcome the problem, Kolkata Port Trust is developing Haldia-II and Diamond Harbour to reduce dependency on the existing channel. The feasibility reports in respect of both the proposed projects are under Finalization by the port.

### **OBSERVATION/RECOMMENDATION (Para No. 5.10)**

The Committee further learn with regret that many projects of infrastructure development and capacity enhancement at the major ports are not only getting delayed/deferred due to problems in land acquisition but in some cases, it is turning out to be a very cumbersome process ending in litigation too. The Committee, therefore, advise that the Ministry should constitute a local Committee consisting of DM/elected representative/State Government official/Ministry before commencement of land acquisition, which can look into grievances arising out of displacement/rehabilitation/compensation issues and try to settle the matter within the ambit of the law of the land. The Committee also recommend that local people from whom land is acquired for projects should be preferred for jobs in the project itself, provided they are found suitable for it. The Committee strongly feel that all commitments made to the land owners should be strictly adhered to so as to ensure landholders co-operation in the implementation of such projects. The Committee also desire that the Ministry should desist from getting involved into unnecessary litigation which ends up delaying the project for an indefinite period or deferring it altogether.

### **Action Taken by the Government**

As far as infrastructure projects in major Ports is concerned, generally the projects are taken up in the land already available with the ports and hence the requirement for land Acquisition by Ports and Ministry of Shipping does not arise. However, the suggestions are noted for guidance where land acquisition has to be done.

### **OBSERVATION/RECOMMENDATION (Para No. 5.12)**

The Committee note that a common interface, a port Community System (PCS) to bring all Major Ports and various stakeholders at one platform, is not fully functional at present. A fully functional port Community System is a must speed up various processes, usher in greater deal of transparency and streamline services rendered by Indian Ports. The Committee feel that since India has emerged as a major player in the information technology domain, the Ministry of Shipping should leverage that expertise

and implement the Port Community System at the earliest. From the security point of view too, establishing port Community System is absolutely critical since the entire security infrastructure is based upon electronic data and tracking systems. The Committee also observe that an electronic data exchange will enable port customers and users to make quick decisions about logistics. The Committee feel that all port users, for instance shipping lines/agents, surveyors/stevedores, Banks, container freight stations, regulatory agencies, customs house agents, importers, exporters etc. should be able to utilize the available resources at the ports in a secure manner, once Port Community System is established as a central hub. It will also enhance the ability of the decision makers to make a more informed decision about capacity utilization, costs and all parameters pertaining to logistics of ports business. The Committee, therefore, recommend that Port Community System network must be established and operationalised at the earliest, in all ports”.

### **Action Taken by the Government**

Port Community System (PCS) is intended to integrate the economic flow of trade related documents/information and function as centralized hub all the Major Ports of India and other stakeholders like shipping lines/Agents, container Agents, Surveyors, Stevedores, Banks, Container Freight Stations, Custom House Agents, Importers, Exporters, Railways/CONCOR, Government Regulatory Agencies etc. for exchanging electronic messages in a secure manner through a common interface.

Initially, all 12 Major Ports had been identified for connecting electronically with PCS.

STATUS: By the Major Port, the vessel and container related messages system was implemented on 31/12/2007, Cargo and Transport related messages implemented on 31/3/2008. Finance messages (Assessment) implemented during March, 2009 and e-payment module (for few ports) implemented during September, 2009. Subsequently, MMD related messages was also made ONLINE. Around 5-6 lakhs messages are being exchanged every month.

Implementation EDI/PCS in the Non-Major Ports: As decided in the MSDC meeting held on 31.8.2010, to generate awareness in all the Maritime State the workshop/seminar has been conducted at the following states for non-major ports jointly with Customs under the control of:

Tamil Nadu Maritime Board on 23/10/2010 at Chennai

Gujarat Maritime Board on 11/11/2011 at Ahmadabad

Government of Andhra Pradesh on 24/11/2010 at Hyderabad

Government of Karnataka on 1/12/2010 at Karwar.

### **OBSERVATION/RECOMMENDATION (Para No. 5.13)**

The Committee are sad to note that environmental clearance has also become another key factor for delay of Port projects in Mormugao, Visakhapatnam, Kandla and Paradip ports. A moratorium has been imposed on environment clearance for new ports and harbours till a study on the cumulative impact of ports along the coast on environment is conducted in view of the Prof. Swaminathan Report, which had stated that the mushrooming of Ports and Harbours had an adverse impact on the country's marine and coastal environment. The Committee is convinced about the importance of

maintaining a healthy balance between development and environment and is of the view that the eco system has to be preserved along with infrastructure development. At the same time, the Ports need capacity enhancement to support the country's economy. Therefore, the Committee is of the view that the Ministry should ensure that all their projects are prepared with due regard to the protection of coastal and marine environment in the first instance. They should have a dedicated team of professionals working on environmental clearance in tandem with the Ministry of Environment & Forests before commencement of projects because collaboration and co-operation between the two Ministries is the only way to move ahead for fast paced sustainable development of all sectors”.

### **Action Taken by the Government**

As per existing guidelines/ procedures, the construction of all the development projects is being taken up in the Ports after receipt of environmental clearance. All the new projects of development are cleared by Ministry of Environment & Forests as per provision of CRZ, 2010. The proposals are cleared by State/UT Coastal Zone Management Authorities (SCZMA) in the respective States after holding stipulated public hearings. Actual construction starts after obtaining necessary environment/ Forest clearances. Further, Ports formulate Environment Management Plans (EMPs) for keeping a watch over the environment issues during construction phase. Ports also take up afforestation and plantation in the port land.

## **CHAPTER – III**

### **RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY**

#### **OBSERVATION/RECOMMENDATION (Para No. 5.16)**

The Committee note that non-major ports are beyond the purview of Tariff Authority for Major Ports (TAMP), whereas only major ports are regulated by it. The Committee also note that since its constitution in April, 1997, a review of the benefits of such a regulatory body has not been undertaken. The Committee desire that such a review should be conducted without any further delay and critically analyzed. The Committee also suggest that a level playing field should be there for all ports in the country, under a single regulator with a quasi-judicial mandate for setting disputes. The committee observe that some of the non-major ports are even bigger than major ports in terms of their business and clientele, hence it make all the more sense to do away with such a demarcation between major and non-major ports. The Committee, therefore, suggest that necessary amendments be considered to the Major Ports Trust Act, 1963 to cater to the changed scenario.

In this connection, the Planning Commission is understood to have recommended that Major Port Trusts be allowed to decide their own tariffs once they reach optimum capacity, so that these are able to thwart price-related competition from minor ports. The committee would like to know whether the same has been accepted. The Committee also note that the States controlling non-major ports are against a single regulatory authority. They suggest that the Ministry should push for a single regulatory regime and advise the State Governments that they can always have the controlling stake in the functioning of non-major ports, but they would be subjected to an impartial regulatory institution for developing a level playing field, as eventually the market condition and service would determine the tariffs. The Committee also desire the Ministry to incorporate the suggestion in the draft Major Ports Regulatory Authority Bill 2009 and develop a long term vision keeping in mind that in the future the nomenclature of major and non-major ports will only remain by definition, as 100% FDI and private sector participation in Ports business can change the entire industry in the years to come.

#### **Action Taken by the Government**

The Ministry of Shipping had prepared the Ports Regulatory Authorities Bill and held consultations with the stake holders including the State Governments. The objectives are to liberalise the current regulatory regime and to bring about level playing field between the Central Government Ports and the State Govt. Ports which are not under the TAMP.

As regards the suggestions of the Committee to bring the non-major ports under the regulatory regime with a mandate for setting disputes, it is stated that the regulatory framework in the draft Ports Regulatory Authority Bill is proposed to be extended to cover the entire port sector including the non-major ports. The draft Bill envisages to set up a separate State Ports Regulatory Authority in each of the Maritime States with jurisdiction over the non-Major Ports situated in the respective States. The Draft Bill

also envisages establishment of an Appellate Tribunal to adjudicate any dispute between two or more service providers or between a service provider and a group of consumers.

The recommendations of the Planning Commission that the Major Port Trusts be allowed to decide their own tariff once they reach optimum capacity to face tariff related competition from non-major ports, have been noted.

## **CHAPTER – IV**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT'S REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

#### **Observation/Recommendation (Para No. 5.2)**

The Committee note the initiative of the Ministry to formulate the National Maritime Development Programme (NMDP) as a flagship programme which aims for large-scale infrastructure development in all the major ports and their capacity enhancement during the period 2009-2012 in two phases. It is a large scale programme spread over all the major ports with participation of the private sector as well. However, the Committee find that the progress in the implementation of the projects under the NMPT is far from satisfactory. Out of a total of 276 projects with an investment of Rs. 55.804 crore, which are scheduled to be completed by the year 2011-12, only 53 projects of 64.88 million metric tonne capacity are complete and 77 projects are under are implementation. 25 projects have been dropped and the rest 127 projects are yet to start as those are in various stages of planning, approval & awarding. The Committee also note that the port capacity as on 31.03.2009 was 574.77 million metric tonnes & the utilization was 530.39 million metric tonnes which was above 90% of capacity utilization. The committee note that the traffic forecast for major ports as per the Ministries' Perspective Plan, is projected to be 739.14 million metric tonnes in 2011-12 reaching up to 1595.07 million metric tonnes in 2025-26. Thus the committee note with dismay the Ministry has not been able to create adequate capacity of Major Ports to accommodate further rapid increase in traffic. Since the Ministry had formulated the NMDP after extensive assessment and feedback from Major Port, authorities, users and trade requirements, the Committee fail to understand as to why not even 25% of the targeted projects could be achieved under NMDP. The tardy progress makes it evident that all 276 projects will not be completed by the end of 11<sup>th</sup> Five Year Plan and would be carried forward thus resulting in massive cost overruns. The Committee further note that perhaps realizing this, the Ministry has decided to create a new perspective plan for the Maritime sector for 12<sup>th</sup> & 13<sup>th</sup> five year plan upto the year 2020. The Committee hope that the said plan would be prepared urgently and realistic year-wise targets would be set alongwith appropriate mechanism to ensure its implementation. The committee would like to be apprised of the progress on the matter. At the same time, the committee, deplore the prevailing situation and would like to be apprised of the reasons attributed to the delay as well as dropping of projects. The Committee expect the government to understand the significance and impact of timely completion of projects under NMDP on the business carried by the Major Ports, as these ports are already facing stiff competition from a number of minor ports functioning in States like Gujarat, Karnataka, and Andhra Pradesh.

As regards specific projects, the Committee are constrained to note that infrastructure projects at Mumbai and Paradip Ports have missed their completion dates and the same has been revised. For instance, the project of construction of 2<sup>nd</sup> Chemical berth of Pir Pau, that was scheduled to be completed by March 2010 at Mumbai Port was later assigned a new date in July 2012. Similarly the channel deepening project at Paradip Port missed its completion date of January, 2009 and was anticipated to be completed by June, 2010. As missing timelines would result in hug cost overruns, the Committee exhort the Ministry of make realistic claims and timelines based on better planning and execution.

The committee also notes with concern that against the international standard of a gap of about 30% between the installed capacity the traffic, the gap in major ports is just 8% which, in turn has led to a substantial increase in waiting time for the ships. Due to heavy traffic and over utilization of capacity, the maintenance work of machines at the ports also suffers as there is hardly any idle capacity to relay the work for maintenance. Consequently, this can be hazardous to life and limb of port workers as well as detrimental to the functioning of the port. The Committee observe that with the country growing at the rate of 9% and the manufacturing sector at 12% it is imperative that the ports sector matches with the pace as facilitator of the international trade which enables the country's economy to grow at a faster rate.

In this backdrop, the Committee desire that the Ministry should monitor all the ongoing projects under NMDP on regular basis and ensure timely completion of all projects. The Committee hope that 77 projects under implementation will be completed within the set timelines. The Committee feel that all other projects which are in various states of finalization and awarding should be executed with due promptitude. The Committee desire that the Ministry should furnish a statement enlisting all completed projects, as on date, under NMDP and status of hitherto incomplete projects alongwith reasons for delay to them. The Committee exhort the Ministry to be proactive about traffic forecasting and capacity addition. It is of paramount importance to focus on adequate capacity and high productivity in order to render services of an international standard by all major ports.

### **Action Taken by the Government**

- “1. Under the National Maritime Development Programme (NMDP) formulated by the Ministry of Shipping, 276 projects to be taken up for implementation over the period from 01.04.2005 to 31.03.2012. Total investment involved under the Programme is Rs. 1,00,339 crores at 2004-05 prices. Out of this, Rs. 55,804 crores is for the Port Sector and the balance is for the Shipping and Inland Water Transport Sectors.
2. In the Major Ports, projects undertaken under National Maritime Development Programme cover the entire gamut of activities, namely construction/upgradation of berths, deepening of channels, rail/road connectivity projects, equipment upgradation/modernization schemes and other related schemes for creation of backup facilities.
3. The scheme-wise distribution of projects and the estimated cost along with the pattern of funding is shown below:

(Amount in ₹ Crores)						
<b>Project Head</b>	<b>No. of Projects</b>	<b>Budgetary Support</b>	<b>Internal Resources</b>	<b>Private Investment</b>	<b>Others</b>	<b>Total</b>
Deepening of channels/ berths, etc.	25	2731.00	3340.00	185.00	48.00	6304.00

Construction/ reconstruction of berths/jetties, etc.	76	563.00	3867.33	28083.24	50.00	32563.57
Procurement of Equipments, etc.	52	0.00	1427.87	1075.00	130.00	2632.87
Rail and Road connectivity works	45	90.00	2232.24	0.00	3634.25	5956.49
Others	78	225.00	2904.10	5162.10	55.60	8346.80
Total	276	3609.00	13771.54	34505.34	3917.85	55803.73

4. As on 30.07.2011 total 67 projects involving an investment of Rs. 7187.85 crores have been completed and 70 projects are under progress envisaging an investment of Rs. 18583.04(Annexure-I)
5. The newly formulated Maritime Agenda 2010-2020 has projected the traffic vis-à-vis capacity projection for the 12<sup>th</sup> FYP and by the year 2020 with specific port capacity augmenting projects for all the major ports as well minor ports in the States.(Annexure-II)
6. A total of 29 projects under PPP mode have been completed & made operational creating an additional capacity of 198.46 MMT with investment of about Rs. 8367.04 crores. After standardization of model Concession agreement (MCA) documents in 2008, the award of PPP projects in port sector has taken off at a faster pace. In the year 2009-10, 13 PPP port projects were awarded in Major Ports for Capacity of 75.24 MMT with proposed investment of Rs. 4120.39 crore. In the year 2010-11, a total of 9 PPP port projects were awarded for a capacity of 51.76 MMT with proposed investment of Rs. 3194.80 crore. During the current financial year 2011-12, a total of 23 nos. of PPP projects in port sector have been identified and targeted to be awarded for capacity of 230.37 MMT & proposed investment of RS. 16672.62 crores.
7. To monitor the timely award of PPP Projects in port sector, milestones for award of projects have been specified and regular monitoring and follow up is taken up with major ports and the concerned Ministries/Departments.

The reasons for delay in respect of projects are given in statement placed at Annexure-1.

**Comments of the Committee**  
**(Please see Para No. 1.8 of Chapter – I)**

### **OBSERVATION/RECOMMENDATION (Para No. 5.3)**

The Committee notes that the major ports like Paradip Port, Kandla Port, Jawaharlal Nehru Port and Mumbai Port have not been able to utilize the funds allocated to them for development/maintenance work during the last 3 years. For example, for Paradip Port, out of total budgetary allocation of Rs. 83.40 crore in 2006-07 expenditure was only 23.15 crore, during the year 2007-08 out of Rs. 100.00 crore, 42.05 cr. Were spent and in 2008-09 out of 288.00 crore, 101.47 crore were spent. The Committee find it strange that on the one hand inadequate capacity and outdated machinery/infrastructure lead to inordinate delays, higher turnaround time and deficiency of service in the ports, yet, on the other hand the Port Authorities have not been able to utilize funds available to them for the purpose. The Ministry's stand that long procedures of non-Standard contract and infirmities in tender documents have adversely affected the utilization of funds point towards a lack of perspective as well as sound planning of projects to be executed. The Committee note that now a Committee has been constituted by the Ministry for standardization of procedures and documents for award of contracts. The Committee is unable to understand as to why such ground work was not done before handing out contracts for execution of work. The Committee feel that to undertake such critical projects, it is essential that a professional approach is followed by the Major Ports/Ministry to streamline procedures. The Committee are further distressed to note that inaccurate estimate of the amount of dredging/quantity to be dredged in the channel and basis deepening projects have also been the reasons for non-utilization of allocated funds. The Committee feel that half-hearted measures have seriously dented the professional standing of the Major Ports with the result that these ports are fast losing out to many non- Major/private ports. The Committee, therefore, urge the Ministry to monitor the utilization of funds allocated to Major Ports on a monthly basis and advise the Port Chairmen accordingly from time to time to adhere to project schedules. The Committee also exhort the Ministry /Major ports to be proactive in their planning and utilize the funds effectively. The Committee desire that all the schemes/projects awaiting completion should be dealt with due promptitude and the future projections for funds requirement be done more realistically in the New Perspective Plan.

#### **Action Taken by the Government**

It is stated that in the year 2006-07, there was an allocation of Rs. 83.40 crore comprising of Rs. 40.00 crore as GBS and 43.84 crore as IEBR in respect of Paradip Port. The amount allocated as GBS could not be released/spent as the RCE of the project was under consideration. The expenditure was only Rs. 23.15 crore out of IEBR. Similarly, in the year 2007-08, an allocation of Rs. 100.00 crore comprising of Rs. 45.00 crore as GBS and Rs. 55.00 crore as IEBR was made in respect of Paradip Port. An amount of Rs. 42.05 crore was spent out of the allocation of IEBR. Rs. 45.00 crore allocated as GBS was for the "Deepening of Channel" project at Paradip Port was approved by the CCEA on 17.11.2005 at original estimate cost of Rs. 154.842 crore with 1/3 of its estimated cost as grant-in-aid from Government of India. Sanction of the Government was conveyed on 2.12.2005. PPT had floated a tender on 16.12.2005 and this tender had to be discharged on 3.6.2006 as the quoted price of L1 tenderer was 73.74% higher than the value of work put to tenderer. The tender was re-invited on 3.2.2006 and price bid was opened on 8.9.2006. The quoted price of lowest tenderer i.e. Dredging Corporation of India (DCI) was 72.66% higher than the value put to tender. Accordingly the revised cost estimate of the project from Rs. 154.84 crore to Rs. 253.359 crore was approved by the CCEA in its meeting held on 29.11.2007. Budgetary support was limited to Rs. 45 crore only. Sanction of the Government to PPT was issued on 13.12.2007. In the year 2008-09, no GBS was allocated to the

Paradip Port. An amount of Rs. 287.99 crore was allocated as IEBR and an amount of Rs. 101.47 crore only was spent.

As regards Kandla Port, Jawaharlal Nehru Port and Mumbai Port are concerned, only IEBR (Internal resources of Port) component was allocated to these ports in the last three years. No Government support was given to these ports in these years.

The Ministry of Shipping is reviewing the progress on the expenditure of Port Sector at the level of Secretary (Shipping) in its meetings with senior officers regularly. As and when required, directions are being issued to all concerned on utilization of funds allocated to the Major Ports as well as other Organizations under control of Ministry of Shipping.

Further, monthly review and monitoring meetings are taken on the progress of release and expenditure of GBS at the level of Joint Secretary (Ports) to ensure timely action for approval of projects and consequent release & expenditure of budgetary funds allocated. The details of allocation and expenditure of budgetary funds for the year 2009-10 and 2010-11 are given below:

( ₹ in crore)

Year	BE	RE	Expenditure	%age w.r. to BE	%age w. r. to RE
2009-10	385.50	369.93	276.11	71.62	74.63
2010-11	388.48	394.28	369.82	95.19	93.80

As far as projects are concerned, milestones as per time lines have been fixed for all PPP port projects for creation of additional capacity through construction of berths and jetties and mechanization of berths which is being reviewed every quarterly. These timelines are also being monitored and reviewed by Planning Commission and Cabinet Secretariat regularly.

On the planning front, the Ministry has taken timely initiatives in 2010 itself to prepare a realistic long-term perspective plan namely the “Maritime Agenda 2010-20” for the decade. This is a very comprehensive strategic plan document of the Ministry which also covers in details the plans for development of non-major ports by Maritime States.

### **Comments of the Committee**

**(Please see Para No. 1.11 of Chapter – I)**

### **OBSERVATION/RECOMMENDATION (Para No. 5.5)**

The Committee note with dissatisfaction that productivity and turnaround time of all major ports is below international standards, as admitted by the Secretary, Shipping during oral evidence. Though there has been a marked improvement in average turnaround time from 10.10 days in 1990-91 to 3.85 days in 2008-09, the average pre-berthing detention time and average output per ship berth day is still not up to the international standards despite some improvement. The variation between the major ports in the productivity and turnaround time in the country itself is quite substantial irrespective of the type of cargo being handled. The Committee also note that due to

93% capacity utilization in ports as stated by Secretary (Shipping), delays are bound to occur with increased waiting time. As the Ministry is hopeful of improvement in the current scenario after the completion of various Port capacity enhancing projects, the Committee suggest that the Ministry should expedite the implementation of these projects to reduce higher turnaround time and waiting periods. Level of mechanization with technologies of international standard should also be increased substantially to increase average output per ship berth day. The Ministry should ask Port Authorities to conduct periodic reviews of the factors critical to their functioning and initiate corrective action accordingly.

### **Action Taken by the Government**

Overall capacity available at Major Ports as on 31.3.2011 is 670.13 million tones whereas the traffic handled was only 569.91 million tones. Although it is ideal to maintain a gap of 30% between the installed capacity and the traffic according to the conventional international norms, it may not be possible to maintain the exact gap all the time. The gap of 30% is generally required to be maintained in order to take care of maintenance works at the berths, approaches to the berths, equipments etc. Efforts are continuously being made to enhance the capacity of the Major Ports to reach the level of International Standards.

Similarly, in regard with the connectivity, all the Major Ports are well connected with rail and road and a number of projects by NHAI, Railways etc., are being taken up for smooth movement and faster evacuation of cargo.

Processes at Major Ports are being simplified with the implementation of automation and Port Community Systems in all the Major Ports, which enables all the users in Port Operation to lodge their paper electronically for faster clearance.

The average output per ship berthing in 2006-07 was 9745 tones which reached 10482 tons in the year 2009-10. The performance indicators are being monitored regularly by the Ministry port wise for enhancing productively and efficiency levels”.

### **Comments of the Committee**

**(Please see Para No. 1.14 of Chapter – I)**

### **Observation/recommendation (Para No. 5.7)**

The Dredging Corporation of India (DCI) is the entity providing dredging services for maintenance and is responsible for creation and maintenance of draft at all major ports. Several Indian ports face the problem of inadequate draft which translates into their inability to service bigger vessels. However, the Committee are shocked to learn that DCI has not been able to procure any new dredging machinery in the past nine years and that chartered dredgers like the Dariyamanthan developed snags thus compelling the ports to give dredging contracts to foreign companies inspite of the presence of a GOI-owned entity in the field. The Committee fail to comprehend as to why the Government has not taken any measures in this regard during the past years despite infrastructure projects being delayed badly due to non-availability of dredgers. Further, the Committee fail to see any justification as to why no capacity enhancement

was envisaged for the dredging capability of Major Ports, when the Ministry was formulating its flagship program – the National Maritime Development Programme (NMDP). It shows a complete lack of foresight on their part. Nonetheless the Committee desire to be apprised of the reasons for the lack of dredgers in DCI and the steps taken, if any, to fulfill the requirements. The Committee, therefore, desire that the Ministry conduct a detailed study of the dredging capacity and requirements of all major ports and take necessary to enhance the same. The Committee are of the opinion that ideally the DCI should have 1.5 times more capacity than the actual requirements so as to accommodate breakdown & maintenance of dredgers and any other unforeseen incidents. Till then, in order to tide over the present deficiency of dredgers, the Ministry should get into agreements with efficient dredging companies worldwide as a short term measure because adequate draft in the country's ports would contribute substantially in attracting better business for them. The Committee would also desire to be apprised of the progress on the procurement of the dredgers by the DCI, in due course.

### **Action Taken by the Government**

Dredging Corporation of India has placed orders for acquisition of three IHC built TSHD dredgers of 5500 Cu.M capacity each which will be delivered and put to commercial operation between October, 2012 and December, 2013. Further DCI has added to its capacity with the induction of one new Cutter Suction Dredger and a Back-hoe dredger is expected to join the fleet very shortly. With the addition of these vessels, DCI has projected a capacity enhancement from the existing about 80 Mln CuM to 110 Mln CuM.

The Dredger Manufacturing Companies in the world are very few. DCI had earlier gone for tendering for capacity enhancement but could not go ahead with the same as due to the business restructuring of the identified party led to some legal complications and the order could not be placed. There are no full fledged dredgers manufacturing yards within India. The cutter suction dredger that joined the fleet recently was manufactured in India (by MDL, a PSU Yard under MoD) with foreign collaboration.

Further the dredging market in the world is very closely held with a few international companies ruling the same. DCI has earlier tried to supplement its available capacity by chartering of dredgers but that has proved to be not cost effective.

Some private dredging companies have recently come into foray and with the inherent flexibility they enjoy they have procured Chinese built dredgers which are less costly. But experts in the field have cautioned that some of these dredgers do not meet the quality parameters and may not be reliable and are prone to break downs.

It is not economically viable to maintain 1.5 times of the required capacity as the maintenance cost of dredgers is very high and will deplete the bottom lines when a dredger is idle as it will have no revenue but will continue to incur the running costs for minimum manning etc.

In terms of the Maritime Agenda for 2010-20 the capacities of all the Major Ports are projected to rise from the existing level of about 600 Mln T to about 1400 Mln T in 2019-20. Major Ports in India have drawn up ambitious expansion plans during the next decade to create substantial additional capacity. Apart from the ongoing projects

for deepening of channels/Berths etc., valued at around `1500 Cr., the major ports are planning for projects requiring dredging for `8500 Cr. during 2010-20.

As stated above DCI has already placed order for three dredgers which will join fleet between Oct 2012 to December 2013. Further, the Company has projected for procurement of two 9000 Cu.M capacity dredgers and other ancillary crafts in 12<sup>th</sup> Plan involving an outlay of about Rs.1792 Crore.

### **Comments of the Committee**

**(Please see Para No. 1.17 of Chapter – I)**

### **OBSERVATION/RECOMMENDATION (Para No. 5.11)**

The 26/11 terrorist attack on Mumbai was an eye-opener bringing forth the issue of maintaining adequate and foolproof security at all Indian Ports. The Committee observe that the Ministry is taking measures to tighten the security at Indian Ports. Since a lot of infrastructure development is taking place through the PPP model in the several ports, the Committee feel that security scenario at privately managed ports/terminals should be properly standardized and the concessionaire be urged to adhere to all the prescribed safety measures. The committee desire that security at all major ports be upgraded and adequate container scanners be installed wherever required. The Committee strongly urge the Ministry initiate measures to have proper co-ordination between port security, the customs Department, the Indian Navy and the coast guard, so as to have a thorough vigil on the entire coast. Quick reaction teams should be deployed at all major ports comprising of CISF, port security, Coast Guards and Navy. The Committee also desire that the automatic identification system through radar be installed all along the coast-line in collaboration with Coast Guard at the earliest. Separate routes should be specified for small vessels/fishing boats of less than 20 meters length and those not equipped with the Automatic Identification System Class 'B'. The Committee urge the Ministry to ensure that all Port Authorities remain vigilant and pro active in this regard as it is a matter of national security and cannot be compromised under any circumstances. The Committee note that though the Ministry has undertaken some action regarding the latest measures/equipment to enhance port security, it taking lot of time to complete. As any slip-up in future would be catastrophic in light of the 26/11 terrorist attack on Mumbai, the Committee, strongly recommend that all security measures be strictly implemented at the earliest at the ports so that all emergencies such as terror attacks, collision of containers, accidental oil spills, poisonous gas leakages, dumping of harmful e-waste etc. could be handled effectively.

Another matter posing danger to the lives of people residing near ports is the presence of a large amount of hazardous goods in ports like the Mumbai Port and Jawaharlal Nehru Port. In this regard, the Committee are alarmed at certain press reports which indicate that around 409 MT of hazardous and toxic material like brass ash, old nickel-cadmium batteries etc. is lying unattended on these ports and needs to be neutralized urgently. Reportedly the matter is stuck due to inaction by certain Government departments, which are required to give no-objection-certificates on the matter. The government of India, by virtue of being a signatory to the Basel Convention, 1992 that addresses issues like transboundary movement and shipment of hazardous

waste and its disposal, is expected to take prompt measures for timely and appropriate disposal of toxic wastes lying in its ports. The Committee, are appalled at the gross negligence on the part of government to attend to such critical issues which poses a direct and serious threat to public health. The Committee, therefore, deplore the insensitivity of the departments involved and recommend the Ministry to urgently approach the concerned departments for appropriate disposal and clearance of hazardous goods from all Indian Ports. The Committee hope that the matter would be given critical importance. The committee also desire that the Ministry should immediately seek reports from all major and minor port authorities on any hazardous cargo including e-waste lying in their premises and urge them to take urgent action for its evacuation. The committee desire to be apprised of the progress on the matter through a detailed note from the Ministry. Besides, they would also like to know the progress on the Govt's proposal to install advanced radioactive material detectors in all major ports.

### **Action Taken by the Government**

After the attack in Mumbai the Ministry had constituted a High Powered Committee to look into the existing security arrangements in the Major Ports and recommend improvements. Based on the recommendations of the Committee all the Ports have been directed to deploy CISF and introduce CC TVs, RFID technology and access control systems. Bomb Disposal Squads are also being raised. A minimum of 2 speed boats are engaged for patrolling purposes. Further, all the ports except VPT, VOCPT, PPT and EPL are having the vessel traffic monitoring system (VTMS) for identifying the vessels and guide them for safe navigation into the ports. VPT, VOCPT, PPT and EPL are tracking the vessels through GPS, Radar and Automatic Identification System. All Major Ports under Ministry of Shipping are ISPS compliant.

All the ports are applying IMDG code approved by International Maritime Organization for handling storage and transportation of Dangerous and hazardous goods.

All the ports have regulations made on this subject. The hazardous cargo lying uncleared in the Port is being disposed as per the provisions of Section 61 & 62 of the Major Port Trust Act, 1963. Ministry is also monitoring the presence of hazardous goods in the Ports. Ministry had issued directions to Ports subsequent to the chlorine gas leak incident happened in Mumbai on the methodology of handling hazardous goods (copies enclosed). The Ports do not have any e-waste lying in their premises. Ministry of Shipping has been asked by Ministry of Home Affairs to install Radioactive Material Detectors at the entry/exit points of all the Ports by 2012 as a part of Megaport initiative. The Detectors are being manufactured by M/s. ECIL, Hyderabad. The survey of Entry/Exit points have been completed in all the Ports by DG (Shipping) involving ECIL, BARC. All the Ports have been asked to place the order of the equipments as per the terms and conditions finalized by the Ministry on 20.07.2011 and requested all the Maritime States/Boards to direct the Ports to install the equipments by 2012.

### **Comments of the Committee**

**(Please see Para No. 1.20 of Chapter – I)**

## **CHAPTER – V**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED**

#### **OBSERVATION/RECOMMENDATION (Para No. 5.9)**

The Committee note that the road and rail connectivity to all major ports is not satisfactory and leaves a lot to be desired, though some work has been undertaken to develop hinterland for speedy evacuation of cargo from ports. The Committee also observe that two other Central Ministries namely the Ministry of Railways and the Ministry of Road Transport are the implementing authorities responsible for rail and road connectivity of ports, respectively. The Committee also note that most of such projects are delayed thus adding to the existing evacuation deficiencies and bottlenecks in the movement of cargo. The Committee further observe that the process of land acquisition and agitation by local people on account of acquisition of their land is extremely complex and time taking which is also holding up the completion of such projects. For instance, the Committee are constrained to note that construction of 4 lane port connectivity road for Mormugao Port Trust at Goa is held up, due to certain issues between MPT and Government of Goa, particularly the acquisition of Government land for 5.2 Kilometers stretch of road, due to encroachment problems. The Committee during their visit to Goa were pained to note that several areas of disagreement exist between the MPT and State Government on the matter. As the work has been stalled for the last 6 years, the Committee advise MPT and Government of Goa to co-operate with each other and resolve the impasse at the earliest. The Committee also desire that MPT should not go on a confrontation course with Government of Goa and should consider a suitable alternate alignment for the disputed 5.2 Kilometers of road stretch, as a last resort to break the impasse. The Committee exhort the Ministry to resolve similar issues concerning the connectivity between Chennai and Ennore Ports, Kokata and Haldia Ports etc. too.

In this backdrop, the Committee also feel that projects involving land acquisition, displacement/rehabilitation of people need a very careful approach. Before commencement of the project, the local administration/representatives and the concerned State Government should be consulted and taken into confidence to ensure smooth acquisition of land or rehabilitation of displaced people. All rehabilitation processes should be in place before undertaking any such project. The benefits accruing from such projects should be well publicized and advertised to send a positive message to the local people so as to convince them that such projects not only benefit the port industry but add to the infrastructure development of the region as well as the economy of that particular area.

#### **Action Taken by the Government**

The observations of the Committee have been noted.

### **OBSERVATION/RECOMMENDATION (Para No. 5.14)**

The Committee note with dissatisfaction that despite having a 7500 KM coast line, coastal shipping has not made much progress in the country due to reasons ranging from lack of policy initiatives and financial incentives in areas such as customs and procedures for seamless movement of coastal cargo, to inadequate repair facilities for coastal vessels and need to incentivize partnership between coastal shipping and minor ports. The Committee also observe that there are certain legal hurdles in the development of coastal shipping, as stated by the Ministry in terms of licensing and taxation on fuel for coastal and riverine traffic. The Committee suggest that a uniform licensing policy should be put into place to incentivize coastal shipping and thus provide an alternative to rail/road/air cargo movement within and along the country's coastline. The Committee also suggest that the Ministry should revisit its fifty-year old coastal shipping laws so as to enable Indian cargo to be moved by India-registered vessels only along the coastline as in the case of countries like Indonesia. The Committee are convinced that such a move will promote coastal shipping as well as create ample employment opportunities for the Indian entities. As the Ministry is stated to be working to develop a coastal policy, the Committee would like to be apprised of the progress on the matter.

### **Action Taken by the Government**

A draft Cabinet Note on Coastal Shipping Policy is under process in which these issues are being covered and considered.

### **OBSERVATION/RECOMMENDATION (Para No. 5.15)**

The Committee note that out of all the major ports of the country, Ennore Port is the only corporate entity at present. It has been functioning as a corporate entity managed by a professional Board since 2001. The Committee note with pleasure that Ennore Port has wiped out all its accumulated losses and has steadily been earning profits. It has already been conferred a Mini Ratna Category-I status since its corporatization. The Committee observes that decision regarding corporatization of Major Ports was to be taken by the Government after evaluating the performance of Ennore Port. To this end a Committee of Experts was set up which had submitted its Report in 2006. The Committee are, however, distressed to note that four years have already lapsed since its submission and it is still 'under examination of the Ministry'. The Committee impress upon the Ministry to review the report at the earliest. As the Ministry has been asked to initiate steps for corporatization of at least 3 major ports including JNPT in February, 2010, the Committee would like to know the status of the same.

The Committee also note that major ports are governed by the Major Ports Trusts Act, 1963 (MPTA) which has many restrictive provisions. Corporatization of Ports is necessary as it will not only give complete autonomy to the port to quickly respond to commercial situations but will also lead to a much faster decision making process. Ports will become less dependent on budgetary support and it will certainly increase their capacity to raise resources from the market. The Committee observe that faster decision making can help the Indian Ports in taking quicker value decisions and increase efficiency and productivity for all stakeholders. Keeping the same in view, the

Committee support the recommendation of the Expert Committee that major ports be corporatized at the earliest.

### **Action Taken by the Government**

This Ministry has already initiated action for corporatization of Jawaharlal Nehru Port. In this connection, a 'Note for the Cabinet' has been prepared and put up to the Hon'ble Minister of Shipping for his approval. Thereafter, it will be circulated to all the concerned Ministries/Departments for their comments. It will be finalized in the light of the comments of these organizations and put up for the approval of the Cabinet.

**NEW DELHI;**  
**24<sup>th</sup> April, 2012**  
**Vaisakha 4,1934 (Saka)**

**FRANCISCO SARDINHA,**  
**CHAIRMAN,**  
**COMMITTEE ON ESTIMATES.**

## PRESENT

## MEMBERS

- SECRETARIAT**

- (i) \*\*\*

(ii) Action Taken by the Government on the Recommendations contained in the Ninth Report (15<sup>th</sup> Lok Sabha) of the Committee on the subject 'Indian Ports – Infrastructure Development and Capacity Enhancement' pertaining to Ministry of Shipping.

4. The Committee adopted the draft Report at \*\*\* and (ii) above with some modifications suggested by the Members of the Committee as per **Annexure**.

5. The Committee, then, authorized the Chairman to finalise the above Reports in the light of modifications suggested \*\*\* \*\*\* \*\*\* \*\*\* \*\*\* \*\*\* and present the same to the Parliament on a date convenient to him.

**The Committee then adjourned.**

**Annexure**

**Modifications carried out in the Comments of the Committee of the Draft Action Taken Report on the subject 'Indian Ports – Infrastructure Development and Capacity Enhancement' pertaining to the Ministry of Shipping**

1. On page No. 9, Para No. 1.8, in the second line (from the top) the following lines may be added:

**“... At the same time, the Committee wish to point out that ports use many of the natural resources such as water and land which also affect the socio-economic fabric of the area around. Therefore, it should be made obligatory on the part of the port authorities to ensure that, as stipulated, they must spent one per cent of their net profit of the preceding year towards Corporate Social Responsibility (CSR) for activities such as setting up schools, hospitals, creches, recreational centres and make available sanitation facilities, drinking water etc. for the welfare of the local populace residing in the vicinity of the Ports. In this regard, the Committee would like to be apprised about the details of various activities carried out under CSR by each of the major ports in the country.”**

**ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE  
RECOMMENDATIONS CONTAINED IN THE NINTH REPORT (FIFTEENTH LOK  
SABHA) OF THE COMMITTEE ON ESTIMATES (2011-12)**

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(i)	Total number of Recommendations/observations:	<b>16</b>
(ii)	Recommendations/observations which have been accepted by the Government:  (Nos. 5.1, 5.4, 5.6, 5.8, 5.10, 5.12, 5.13 - <b>Total 07</b> )	
	Percentage	<b>43.75%</b>
(iii)	Recommendations/observations which the Committee do not desire to pursue in view of Government's reply: (Nos. 5.16 - <b>Total 01</b> )	
	Percentage	<b>6.25%</b>
(iv)	Recommendations/observations in respect of which Government's replies have not been accepted by the Committee: (Nos. 5.2, 5.3, 5.5, 5.7, 5.11 - <b>Total 05</b> )	
	Percentage	<b>31.25%</b>
(v)	Recommendations/observations in respect of which final replies of Government are still awaited: (Nos. 5.9, 5.14, 5.15 - <b>Total 03</b> )	
	Percentage	<b>18.75%</b>