

# **PORT POLICY**

## **1. INTRODUCTION**

### **1.1 INDIAN PORTS – TRAFFIC SCENARIO:**

India has coast line of about 6000 kms length on which are located 11 Major Ports and 130 Intermediate and Minor Ports. In 1995-96 Major Ports handled 223 million tonnes of cargo. The traffic handled by Intermediate and Minor Ports was 18 million tonnes. In the last 5 years, the average growth rate of port cargo was around 7.5%. However, in last two years, growth rate has been more than 10% per annum.

1.2 With the continuance of liberalisation and economic reforms which commenced in 1991, the Indian economy has potential to grow at an annual rate of 12% - 15%. Keeping this view, cargo traffic of 380 million tonnes has been projected by 2001 for Indian Ports. By 2001, the projected port cargo traffic is 1069 million tonnes. The existing capacity of Indian ports is around 185 million tonnes. Therefore, rapid development of ports is required so that these do not become a constraint in economic growth of the country.

## **2. PRESENT STATUS OF THE KARNATAKA PORTS**

2.1 Karnataka, situated on the Western Coast of India, is endowed with a maritime coastline of around 300 kms between Karwar (at the North) and Mangalore (at the South) flanked by Uttara Kannada and Dakshina Kannada districts, with favourable and strategic port locations. The entire coastal belt as well as the adjacent districts are rich with mineral and natural resources and hence offer very good scope for industrial investment. This belt is well connected by National Highway and the Konkan Railway broadgauge line, both running parallel to the coastline.

2.2 At present, in Karnataka there is only one Major Port viz., The New Mangalore Port. This is located at the southern end of the coastline and hence is predominantly being utilised by the southern districts of the State.

2.3 There are Nine Harbour/ Minor Ports viz., Karwar, Belekeri, Tadry, Honnavar, Bhatkal, Kundapur, Hangarakatta, Malpe and Mangalore (old). Of these, Karwar and Mangalore(old) Ports are intermediate ports and the remaining 7 are minor ports under the administrative control of Karnataka Ports Department. These Ports are broadly classified into three categories:

- (1) One all weather Intermediate Port having direct berthing facilities for vessels of 9 m. draft and declared for handling all type of commodities for export and import viz., Karwar.
- (2) One Intermediate Port (seasonal) having direct berthing facilities for coastal vessels of 4.50 m. draft/ lighterage/ mechanised fishing vessels viz., Mangalore Old Port.
- (3) Remaining seven Ports are seasonal functioning as fair weather lighterage/ fisheries Ports, capable of handling sailing/ mechanical sailing vessels. These Ports also possess lighterage wharves, transit sheds and suitable stacking areas. The Department has also identified potential green-field sites on Karnataka Coast for development depending upon the scope for import of industrial raw material and export of finished goods to the global market through Ports.

### **3. OBJECTIVES**

3.1 Based on the above scenario the following objectives are identified for new Port Policy:

- (i) To develop at least 3 minor ports at strategic locations, so that port facilities are made available to all the Districts of the State at a shortest possible distance.

- (ii) To provide efficient port facilities and services, in order to attract export oriented industries and port based industries to the state.
- (iii) To take advantage of the strategic location of Karnataka Coast, which is half way between Gujarat and Kerala on the Western Coast Line of India.
  - by encouraging Maritime related industries like ship building, ship repairing and other allied activities.
  - by providing facilities for coastal shipping services for passenger and cargo traffic along the coast line.
- (iv) To provide facilities for proposed Power projects of Karnataka.
  - (a) For Thermal power plants by providing exclusive port facilities for importing different kinds of Power Fuels.
  - (b) For Barge mounted power plants by providing required port facilities.
- (v) To attract Private Sector investment for the development of existing minor and intermediate ports as well as the green-field locations.
- (vi) To increase Karnataka's share in the export and import sector in the national and international trade and commerce in pursuance of liberalisation and globalisation policy.
- (vii) Faster growth of fishery activities integrated with development of ports.

#### **4. STRATEGY**

4.1 **PORT DEVELOPMENT THROUGH PRIVATE INVESTMENT:** For faster development of ports and its efficient and cost effective operations, the development of ports through private investment is envisaged. The

development of port dependent industries and other Infrastructure facilities will be integrated with port development.

4.2 **CREATION OF PORT FACILITIES:** In view of the fact that ships of large sizes are used in transportation for economies of scale in the international trade, port would be developed with the required drafts, berthing facilities and efficient mechanical handling facilities, so as to reduce waiting period of ships and saving in the Cargo handling expenses. In order to expedite creation of port facilities, it is proposed to adopt the following strategies.

**A. Private investment in the existing minor and intermediate ports.**

- (i) Privatisation of construction of new Wharves/Jetties/Container Terminals/LPG Terminals/LNG Terminals/Liquid bulk Terminals/Chemical terminals in selected locations.
- (ii) Private entrepreneurs will be permitted to install modern mechanical cargo handling equipments on Wharf/Jetty/Quay (i.e., Coal handling /Ore handling facilities).
- (iii) Private Entrepreneurs / industrial units will be permitted to construct captive jetties in selected locations.
- (iv) The services such as lighterage , Dredging pilotage, Cranage. Tug Towing Service, Warehousing and Cold Storage facilities, Tanks Farms, Captive Power Generation, Dry Docks / Floating Docks, Container Freight Station and other essential utility services will be considered for privatization

**B. Development of New Port sites**

Private Entrepreneurs will be permitted to bid for development of new deep water ports at State Port locations and at new locations between Karwar at the North and Mangalore at the South.

4.3 **INDUSTRIALISATION:** Major aim of port development in Karnataka is to promote regional development port based industrial estates would be

encouraged along the coast line facilitate import of raw material and export of finished goods. As more number of Mega projects are coming up in the State, industrial development shall be synchronized with the port development and the infrastructure development.

**4.4 DEVELOPMENT OF SUPPORT INFRASTRUCTURE:** The investment in the port sector would demand an equal investment in the infrastructure facilities like roads and railways for faster and efficient handling of the cargo movement. Along the coast line National Highway and Konkan railway broadgauge line are available. The Hassan-Mangalore broadgauge line would connect the ports in the southern coast to the adjacent inter land and similarly the proposed railway linkage from Hubli to Karwar / Ankola would connect all the ports on the Northern coast to the rest of the State. The State Government would endeavour to provide the required road network and railway linkage to the inter land.

**4.5 MARITIME RELATED INDUSTRIES :** Maritime related industries would be given priority to be located along Karnataka coast, in the field of ship building , ship repairing, dredging , eco friendly ship breaking and other Flotilla units like Tugs, Barges, Launches and Support crafts. The above manufacturing facilities as well as the traditional boat building activities would be allowed in Karnataka Maritime water front on lease basis to such units. The incentives and concessions to such units would be governed by the industrial incentive package announced by the Government of Karnataka.

**4.6 COASTAL SHIPPING :** Private entrepreneurs will be permitted to develop, operate and maintain terminal facilities along the Karnataka coast. These terminals will be used to transport passenger and cargo to important centers on the western coast like Mumbai, Goa, Trivendram, Kanyakumari etc., these facilities will also promote tourism:

-by linking places of historical religious and tourist interest

-by attracting Amusement Parks, Beach Resorts and Water Sports on Karnataka Coast.

4.7 PORT FACILITIES FOR POWER PROJECTS : The Barge mounted power projects would be provided with required port facilities at identified locations. Similarly, thermal power plants would be provided with exclusive port facilities for importing different kinds of power fuels at Harbours.

## 5. PRIVATISATION PROGRAMME :

The following broad outline will be followed with respect to privatization programme.

The water front and onshore land area needed would be licensed to private parties to set up the ports and operate

The development and operation of ports would be through Build-Own-Operate – Share and Transfer (BOOST) basis governed by suitable agreements to this effect.

All the government property in the port licensed for development would be transferred on lease, either fully or partially, to the company / party entrusted with the development of port. The party shall pay lease charges on such property and assets given on lease. The party shall pay to government a part of its gross income as license fee.

A license and the BOOST agreement would be for a specified period up to 30 years initially, which would be extended to a further period.

Any assignment or sub licensing or sub leasing or sub contracting shall be only with the prior approval of Government.

Party shall obtain all the clearances from concerned authorities from time to time.

Government reserves the right of inspection and monitoring during construction and operation. To facilitate this, a nominee of the Government would be appointed on the Board of the implementing Company.

The implementing company shall be declared as conservator for the Port and would thus be responsible for all the activities in the port waters as well as to safe guard the environment.

Minimum performance standards shall be guaranteed by the party. The standards are relating to waiting of ships and cargo handling rates.

Party shall follow customs, labour and other laws of the land.

Party shall have full freedom of fixing and revising of tariff within the limitations of existing statues.

The asset shall be transferred to Government free of cost at the end of license period in proper working condition.

## 6. IMPLEMENTATION :

6.1 The party Policy provides an integrated approach, covering port development, industrial development, power generation and infrastructure development.

6.2 Government of Karnataka PWD (ports department will be assisted by the Karnataka State Industrial Investment & Development Corporation where ever necessary.

6.3 Concerned Secretaries to Government would plan and formulate the proposals for consideration of Government.

Government of Karnataka in PWD would identify private agencies / investors

The Government in PWD would co-ordinate with respect of procurement of land, water, power and other facilities like rail, road etc.,

The Government in PWD would co-ordinate for obtaining clearances.

#### 6.4 ROLL OF THE GOVERNMENT :

Government through KSIIDC or any other agency may participate in the equity of such projects to the extent possible / desirable .

Government will acquire and allot lands required for such projects or entrepreneurs may purchase as per law which will be Governed by BOOT /BOOST agreement.

Government would consider on case to case basis based on merits of each case, a package of incentives and concessions for such projects to enhance the economic viability of such projects.

Such projects would be cleared expeditiously at the Government level.

6.5 The High Level Committee formed by the Government called 'Core Group' will monitor the implementation of the integrated approach and report to the cabinet on the progress of the implementation of policy, periodically.

### 7. PORT MANAGEMENT :

7.1. No single model can be applied uniformly to all ports. Its choice would depend upon the specific features of each port and the extent of involvement of private sector in port development, maintenance and operation.

7.2 The Coasts are National resources and therefore their ownership should always rest with the Government. Its use, therefore only will be licensed for specific period with ownership resting with the Government.

7.3 The Port management options likely are (1) Total Private Management (2) Management by Government as land lord (3) Total Government Management. The first option may apply to ports, which will be developed as all weather deep-water ports through private investment. For ports which are already getting developed by the Government as all weather deep water ports, the option two may be the best choice. The third option will apply to the existing ports which are not attractive to the private investment and would continue to remain with the Government. The appropriate model will be chosen for each port.

For all ports including private ports, Government will exercise regulatory powers as stipulated in Indian Ports Act 1908.