

Chapter - 1

Introduction

1.1. Ports in India

India has a long coastline of 7517 kilometres. Ports play a pivotal role in stimulating economic activity in their surroundings and hinterland through promotion of seaborne trade. They handle 95 per cent of the country's international trade cargo by volume and 70 per cent by value. This sector is broadly categorized into major and non major¹ ports. There are 13 major ports² out of which 12 function as autonomous bodies under the Ministry of Shipping (Ministry), Government of India (GOI) and are governed by the Major Port Trusts (MPT) Act, 1963³. One of the 12 ports, namely, Kolkata Port Trust (KoPT) has two port facilities – Kolkata Dock System (KDS) and Haldia Dock Complex (HDC). The 13th major port, Kamarajar Port Limited (KPL), (formerly Ennore Port Limited), is a Government company under the Ministry. Besides, there are 187 notified non-major ports across 13 maritime States.

1.1.1 Major port

Major port means any port which the Central Government may, by notification in the Official Gazette declare, or may, under any law for the time being in force, have declared to be a major port as per the Section 3 (8) of Indian Ports Act, 1908. The Ministry administers all major ports under the Indian Ports Act, 1908⁴ and the MPT Act, 1963 through nomination of members to the Board of Trustees. The non-major ports are under the jurisdiction of the State Governments concerned and are governed by their policies and directives. Major ports accounted for 57.11 per cent (555.50 MT) of the cargo by volume in 2013-14 in so far as cargo handled at Indian ports was concerned. This underlines the importance of sustaining the growth and development of ports and their contribution to the Indian economy. With this objective in mind and also the adverse impact of economic down turn coupled with growth of minor ports, GOI reviewed the extant policies from time to time and suggested corrections, wherever necessary, in various policies governing the major ports, to sustain and improve their efficiency.

¹ Non-major ports include minor ports, notified under the Indian Ports Act, 1908 and managed by State Maritime Boards, intermediate ports developed under public-private partnerships and private Ports

² Kolkata & Haldia port facilities under Kolkata Port Trust(KoPT-KDS/HDC) Paradip Port Trust (PPT), Visakapattinam Port Trust(VPT), Chennai Port Trust (ChPT), VO Chidambaranar Port Trust(VOCPT), Cochin Port Trust (CoPT), New Mangalore Port Trust (NMPT), Marmagao Port Trust (MPT), Jawaharlal Nehru Port Trust (JNPT), Mumbai Port Trust (MbPT), Kandla Port Trust (KPT), Port Blair Port Trust (Govt Ports)and Ennore Port Limited (PSU) now Kamarajar Port Limited(KPL)

³ Major Port Trust Act, 1963 is applicable to major ports in India

⁴ Indian Ports Act, 1908 extends to the ports mentioned in the First Schedule and such parts of navigable rivers and channels leading to such ports in India.

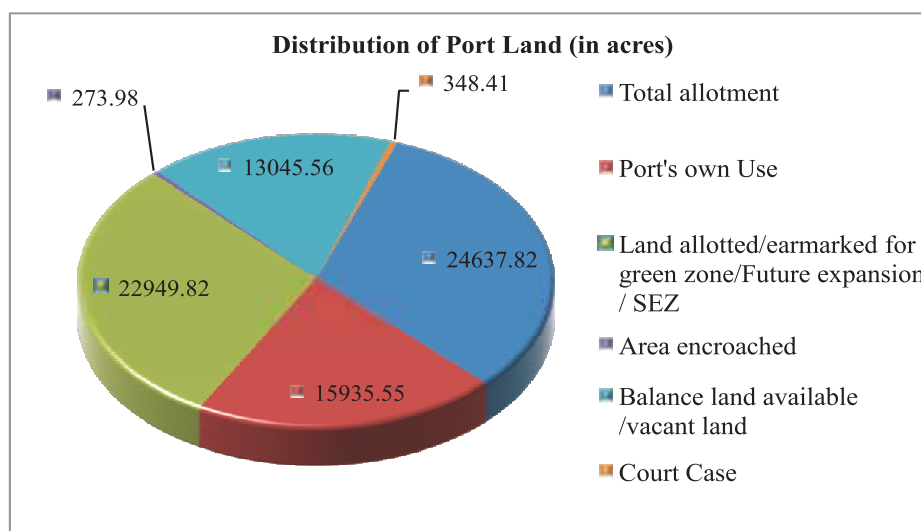
1.1.2 Port land

As per section 2(k) of MPT Act, 1963, land includes bed of the sea or river below high water mark, and also things attached to the earth or permanently fastened to anything attached to the earth. Land has been categorized into that falling ‘inside customs-bond’ and ‘outside custom bond’ area. Land inside custom-bond area is for activities directly related to port operations or for those not directly related but aids such activities and sea trade such as setting up duty free shop, communication centers, parking facilities, passenger facilities, cyber café, health clubs and security related activities. All other lands of the port are categorized as falling outside custom bond area. Land is allotted by ports either on license or lease basis as per approved land use plan/zoning.

1.2. Distribution of land by major ports

Out of land admeasuring 77191.14 acres owned/available as on 31 March 2014 with 12 major ports, 24637.82⁵ acres (31.92 per cent) of land were allotted and 15935.55 acres (20.64 per cent) were utilized for port’s own purposes. According to the needs of these ports, land admeasuring 22949.82 acres (29.73 per cent) was earmarked for future expansion and green zone. Data obtained from the 12 major ports revealed that land admeasuring 273.98 acres (0.36 per cent) was under encroachment and 348.41 acres (0.45 per cent) under litigation. A significant quantum of land admeasuring 13045.56 acres (16.90 per cent) was not put to any use. Details of distribution of land by 12 major ports are depicted in **Figure 1** below:

Figure 1



(Source: As per data furnished by Ports)

1.3. Estate revenue

Lease rent, license fee and upfront fee are the sources of revenue from estate operations to the ports. Total estate revenue earned by 12 major ports during 2008-09 to 2013-14 worked out to ₹ 4348.55 crore. The total operation income and estate income for the ports during 2008-09 to 2013-14 were as shown in the **Table 1**.

⁵ This includes area of 593.55 acres under court cases

Table 1: Estate Revenue earned during the period 2008-09 to 2013-14

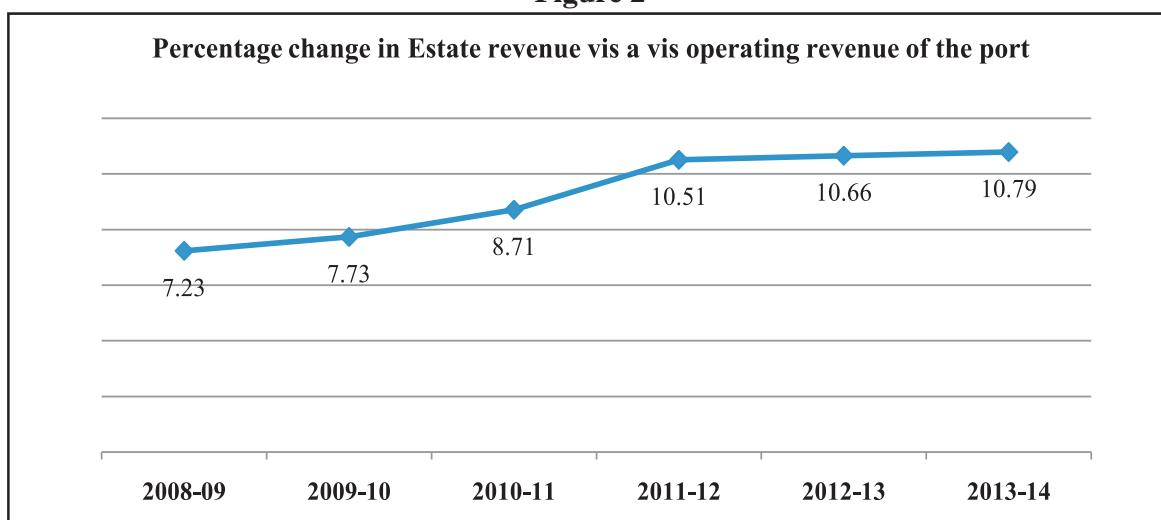
(₹ in crore)

| | Operating income | | | | | | Income from Estate | | | | | |
|--------------|------------------|----------------|----------------|----------------|----------------|----------------|--------------------|---------------|---------------|---------------|---------------|---------------|
| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Port | | | | | | | | | | | | |
| ChPT | 671.49 | 718.35 | 683.91 | 627.11 | 630.84 | 600.33 | 18.63 | 16.68 | 18.81 | 17.12 | 15.91 | 13.46 |
| VOCPT | 219.73 | 240.41 | 261.06 | 307.67 | 364.02 | 327.04 | 7.92 | 8.18 | 11.40 | 11.36 | 10.95 | 14.35 |
| CoPT | 208.40 | 232.07 | 276.08 | 307.10 | 311.61 | 362.54 | 50.35 | 53.21 | 68.59 | 63.80 | 68.18 | 80.43 |
| NMPT | 300.99 | 318.45 | 307.91 | 372.26 | 344.62 | 365.12 | 26.85 | 30.90 | 36.21 | 50.73 | 46.47 | 39.37 |
| KPL | 137.76 | 142.06 | 167.31 | 248.64 | 320.21 | 501.93 | 0.95 | 5.54 | 4.47 | 5.06 | 6.39 | 6.71 |
| MbPT | 808.75 | 895.14 | 955.07 | 1023.05 | 1154.44 | 1304.88 | 73.19 | 101.29 | 107.88 | 119.65 | 111.18 | 235.28 |
| MPT | 275.49 | 326.83 | 371.86 | 359.21 | 221.87 | 211.47 | 8.15 | 8.31 | 12.07 | 11.59 | 13.67 | 12.39 |
| JNPT | 965.06 | 1042.06 | 1122.64 | 1167.15 | 1097.87 | 1345.29 | 66.12 | 64.13 | 65.83 | 77.25 | 81.40 | 92.88 |
| KPT | 408.76 | 449.19 | 491.91 | 623.71 | 780.41 | 744.12 | 20.14 | 13.40 | 54.42 | 45.21 | 98.79 | 111.32 |
| KoPT | 1382.16 | 1424.20 | 1495.15 | 1548.65 | 1242.24 | 1574.90 | 164.60 | 198.82 | 214.28 | 353.24 | 306.07 | 274.85 |
| PPT | 696.71 | 748.87 | 705.38 | 639.39 | 683.73 | 914.60 | 10.15 | 16.80 | 18.93 | 23.92 | 24.64 | 32.40 |
| VPT | 599.73 | 660.80 | 738.64 | 726.42 | 702.88 | 800.82 | 35.82 | 39.21 | 47.07 | 56.58 | 53.55 | 63.10 |
| Total | 6675.03 | 7198.43 | 7576.91 | 7950.36 | 7854.74 | 9053.04 | 482.87 | 556.47 | 659.96 | 835.51 | 837.20 | 976.54 |

(Source: Compiled from annual accounts of Ports)

The operating income of ports including estate income increased by 135.63 per cent from ₹ 6675.03 crore in 2008-09 to ₹ 9053.04 crore in 2013-14. The estate income increased by 202.24 per cent from ₹ 482.87 crore to ₹ 976.54 crore during the same period. The operating income of three ports (MbPT, CoPT and KPL) increased steadily throughout five years, while it fluctuated for seven ports during the years 2008-14. However, operating income of ChPT has been declining from 2010-11 to 2013-14 and that of MPT increased in first three years and declined in next three years. Regarding estate income, PPT showed steady increase whereas ChPT showed steady decline in all the six years. Estate income of four ports (KPL, MbPT, JNPT and VPT) increased in five out of six years. In other six ports, this income was fluctuating.

Figure 2



It may be noted that the proportion of estate revenue in the total operating income during the six years from 2008-09 to 2013-14 ranged from 7.23 per cent (2008-09) to 10.79 per cent (2013-14).

1.4 Organizational structure

Each port trust is managed by a Board of Trustees (Board) with members representing GOI, shipping companies, labour, etc. The Board is headed by a Chairman, who looks after day to day affairs, and is assisted by Deputy Chairman and Heads of Departments of the rank of Chief Engineers/Chief Managers. KDS and HDC under KoPT is headed by a Deputy Chairman each. KPL, a Government company has a Board consisting of two full-time Directors viz., Chairman-cum Managing Director and a functional Director (Operations) and two nominees of GOI.

1.5 Allotment of land

Land is allotted either on license or lease basis as per approved land use plan/zoning. Functions of the department responsible for allotment of land in 12 ports are detailed in Table 2.

Table 2: Department responsible for allotment of land

| Sl. No. | Name of the Port | Land inside the custom bond area | Land outside the custom bond area |
|---------|----------------------------------|--|--|
| 1. | ChPT, CoPT, VOCPT, NMPT, and KPT | Traffic Department | Civil Engineering Department |
| 2. | MPT | Administrative department till January 2011. From January 2011 onwards entrusted to Traffic Department | Administrative department till January 2011. From January 2011 onwards entrusted to Civil Engineering Department |
| 3. | MbPT | Traffic Department | Estate Division under Engineering Department |
| 4. | KPL | Civil Engineering Department under Director Operations | Civil Engineering Department under Director Operations. |
| 5. | PPT | Traffic Department | Administrative Department |
| 6. | JNPT, KoPT/KDS | Estate Department | Estate Department |
| 7. | KoPT/HDC | Administrative Department | Administrative Department |
| 8. | VPT | Traffic Department | Civil Engineering Department and Traffic Department |

Further, all proposals for transfer of leases, change of purpose/use, mortgage of land and way leave permission shall be validated by a Land Committee in each port consisting of Deputy Chairman, and representatives of Finance, Estates and Traffic Departments. The Land Committee shall submit such proposals along with their recommendations to the Board.

1.6 Audit objectives

Performance audit was conducted with a view to assessing whether:

- ❖ the guidelines of 1995 and policy guidelines issued in 2004 and 2010 were clear and unambiguous, and gave clear guidance and direction to the ports to deal with all land management issues; and
- ❖ the ports had taken all necessary administrative and organizational measures to implement the policy guidelines issued by the Ministry, especially on (i) preparation of land use plan and updating relevant data that supplements preparation and maintenance of land use plan, (ii) timely detection of encroachments and action for repossession of land including necessary measures for avoiding future encroachments, (iii) allotments were made in accordance with the policy guidelines issued from time to time and all safeguards were incorporated in the lease agreements, (iv) lease rentals were revised within the stipulated time and in accordance with the policy guidelines, and (v) computerization and digitizing the land management process.

1.7 Audit scope and methodology

Audit scope included a comparative analysis of various provisions contained in the guidelines issued in 1995 and policy guidelines issued in 2004 and 2010, and how these were dealt with by the ports. It also covered land management activities that encompassed identification of land for various activities and preparation of land use plan, allotment of land, execution and management of lease agreements, and allied activities, in accordance with the policy guidelines issued from time to time. Audit covered the activities of 12⁶ major ports for a period of five years from 2008-09 to 2012-13. Audit checked all long term leases (more than 30 years) and 30 percent of medium term (11 to 30 years)/ short term leases and 10 percent of licenses (11 months) in all ports except MbPT for which 10 percent sampling was adopted in respect of all leases. The encroachment cases as per list provided by ports were selected.

Audit examination included review of documents relating to land records, lease agreements/licenses in force, creation of special economic zones, leases terminated/cancelled/resumed, MIS reports, correspondence with Tariff Authority for Major Ports (TAMP), invoices/bills raised on the lessees, etc.

The objectives, criteria and scope of audit were discussed by the offices of respective Principal Directors of Commercial Audit with port authorities concerned and audit findings were discussed in exit conferences held between 23 April and 28 July 2014. While the draft Report was issued to the Ministry on 7 April 2015, an exit conference was held with the Ministry on 29 May 2015. The Ministry communicated its response vide Office Memorandum dated 10 June 2015. Views expressed by the Ministry and port authorities concerned have been suitably considered while finalizing the Report.

1.8. Audit criteria

Audit criteria for performance audit were sourced from (i) Indian Ports Act, 1908, (ii) Major Port Trusts Act, 1963, (iii) Guidelines for Regulating of Tariff for Major Ports, (iv) Guidelines for Land Management 1995, (v) Land Policies issued in 2004, 2010, and 2014 (vi) Letter of allotment / lease/license agreements, (vii) Scale of Rates approved by TAMP, (viii) Public Premises (Eviction of Unauthorized Occupants) Act, 1971 and (ix) other relevant Government Orders/Notifications.

1.9. Acknowledgement

Audit acknowledges the cooperation and assistance extended by managements of major ports and the Ministry.

⁶ Excluding Port Blair Port Trust