CHAPTER XIII : MINISTRY OF SHIPPING

Mormugao Port Trust

13.1 Investment for expansion of a berth without a DPR

Mormugao Port Trust invested ₹ 24.28 crore in construction of a berth without a detailed feasibility study report which resulted in creating a facility which is yet to give any commensurate returns.

Consequent to the New Exploration Licensing Policy of Government of India, Mormugao Port Trust (MPT) decided (29 January 2008) to construct a berth (Berth No.4) to handle offshore vessels, launches, etc., in the belief that this would be utilised. Construction of the berth was completed in June 2010 at a cost of ₹ 15.05 crore. Expression of Interest was invited by MPT in November 2009 wherein five firms showed interest mainly for offshore service base. MPT, however, realised that the width of the quay (10 meters) would be inadequate for handling materials with heavy duty mobile harbour crane. The Board of Trustees (Board) therefore decided (28 January 2010) to increase the width of the quay by 10 metres. The widening work was completed in January 2012 at a cost of ₹ 9.23 crore.

MPT made two attempts to license the birth for setting up offshore supply base in January 2012 and March 2012 but could not get any offers. In August 2013, MPT offered to lease out the berth and three acres of land for a period of 15 years with upfront premium of ₹ 17 crore and lease rent for the land at the Scale of Rates and percentage revenue share basis. The lease period and upfront premium was later revised (October 2013) to 20 years and ₹ 23 crore respectively. One offer was received with upfront premium of ₹ 23 crore, lease rent as per Scale of Rates and revenue share of 40 *per cent*. The offer was approved (October 2013) by the Board subject to approval by the Government.

The proposal of the port was not in line with extant Land Policy guidelines which permitted leasing for only 11 months. Ministry of

Shipping instructed (3 February 2014) MPT to reconsider its proposal in the light of the new Policy Guidelines for Land Management by Major Ports (January 2014). MPT did not send a revised proposal to the Ministry and rather decided (October 2014) to utilise the Berth for Port Crafts and other small ships and licensing of the shed, area round the shed for a period of five years through tender-cum-auction methodology as per the Land Policy Guidelines.

MPT has been operating the berth on its own and realised a revenue of ₹ 14 lakh during 2012-13 and ₹ 32 lakh during 2013-14 against the projected annual income of ₹ 12.02 crore on an investment of ₹ 24.28 crore.

This case illustrates that an investment of ₹ 24.28 crore was made without a Detailed Project Report (DPR)/Feasibility Report (FR). Nor was any assessment made of the industry demand for such a facility.

The widening work of the quay was taken up without obtaining an agreement with any of the interested parties to ensure utilisation of the facilities once created.

Management accepted (August 2014) that DPR/FR was not prepared for the project and income was estimated on the basis of rentals received at that time from the Offshore Supply Vessels. However, demand from Offshore Supply Vessel operators suddenly dropped, which was an unexpected development and not anticipated. Management further stated that the newly constructed berth was utilised for berthing of small vessels, crafts and therefore was not idle and that the financial viability of the project was justified as the tenderer had agreed to pay upfront premium of ₹ 23 crore and to pay revenue share of 40 *per cent*.

The reply of the Management establishes the need for DPR more so to ensure reasonably adequate assessment of demand for offshore supply vessel operators. The facility has given meagre returns of ₹ 46 lakhs only during 2012-14 against an investment of ₹ 24.28 crore. Further, the contention that the offer received by the port justified the financial viability of the project is not acceptable as the port received only this one offer and it was not as per the extant Land Policy Guidelines and therefore could not be accepted.

Thus, an investment of ₹ 24.28 crore is mostly lying unutilised and generating very little revenue on account of MPT's actions to rush through a project without a detailed feasibility study report.

The matter was referred to the Ministry (October 2014); their reply was awaited as of February 2015.