

PUBLIC-PRIVATE PARTNERSHIP CHALLENGES IN INDIAN PORTS

Ishwar Achanta, M.C.I..L.T

Managing Director,
Portman India Pvt Ltd

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AGENDA

- OVERVIEW
- KEY ISSUES
- THE NMDP
- REALITY CHECK
- PPP PROCESS
- WHAT WE NEED



INTERNATIONAL TRADE

**World Merchandise Exports
USD 18.2 Trillion**

**90 %
SEABORNE**



**Steel
1.5
Billion MT**

**Grain
2.4
Billion MT**

**Coal
7.6 Billion
MT**

**Reserves
861 Billion
MT**

**By 2030
51 % of
Global Power**

**Iron Ore
1.115 Billion MT**

**Oil
75.72
Million
BPD**

**INDIA
\$0.296
Trillion**

**Cement
4 Billion
MT**

**China
58 %**

**Rice
657
Million MT**

**Rubber
27.2
Million MT**

EFFECT

- Supply chains working at capacity, yet unable to fulfil demand.



INDIAN LOGISTICS PIE



Rail – 1053 MMT
Road - 2632 MMT

3685 Million MT

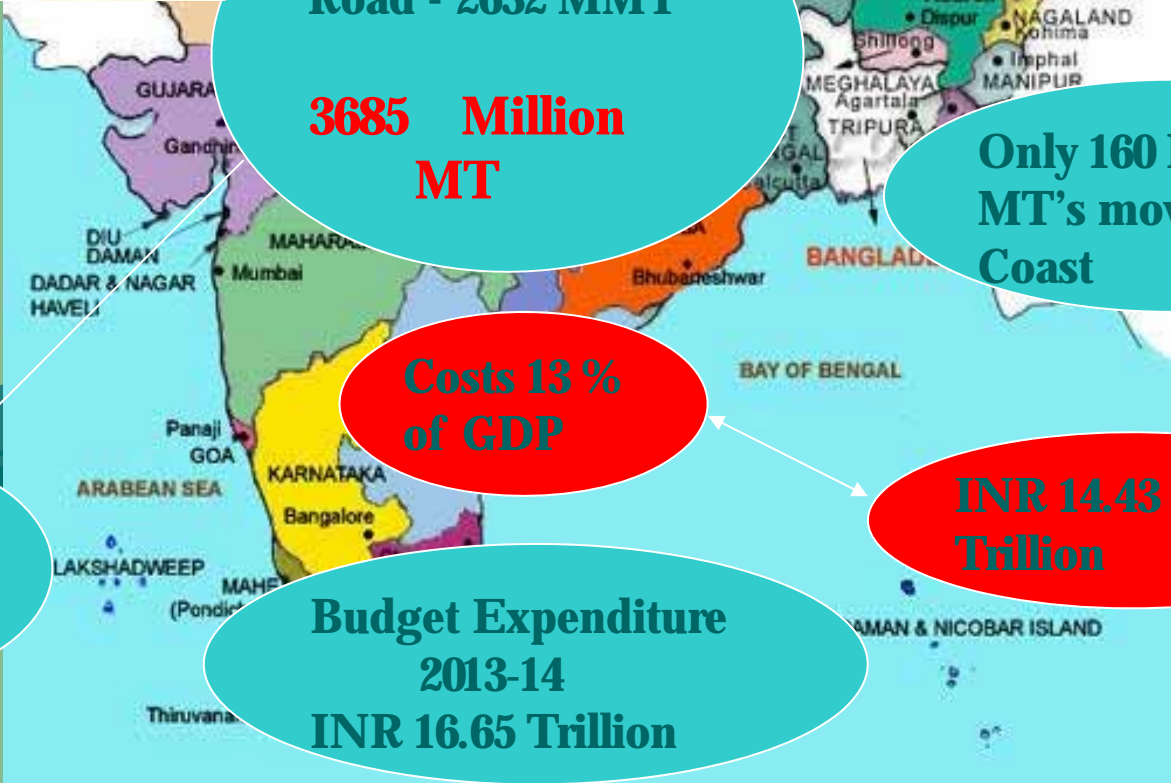
Only 160 Million MT's move by the Coast

Costs 13 % of GDP

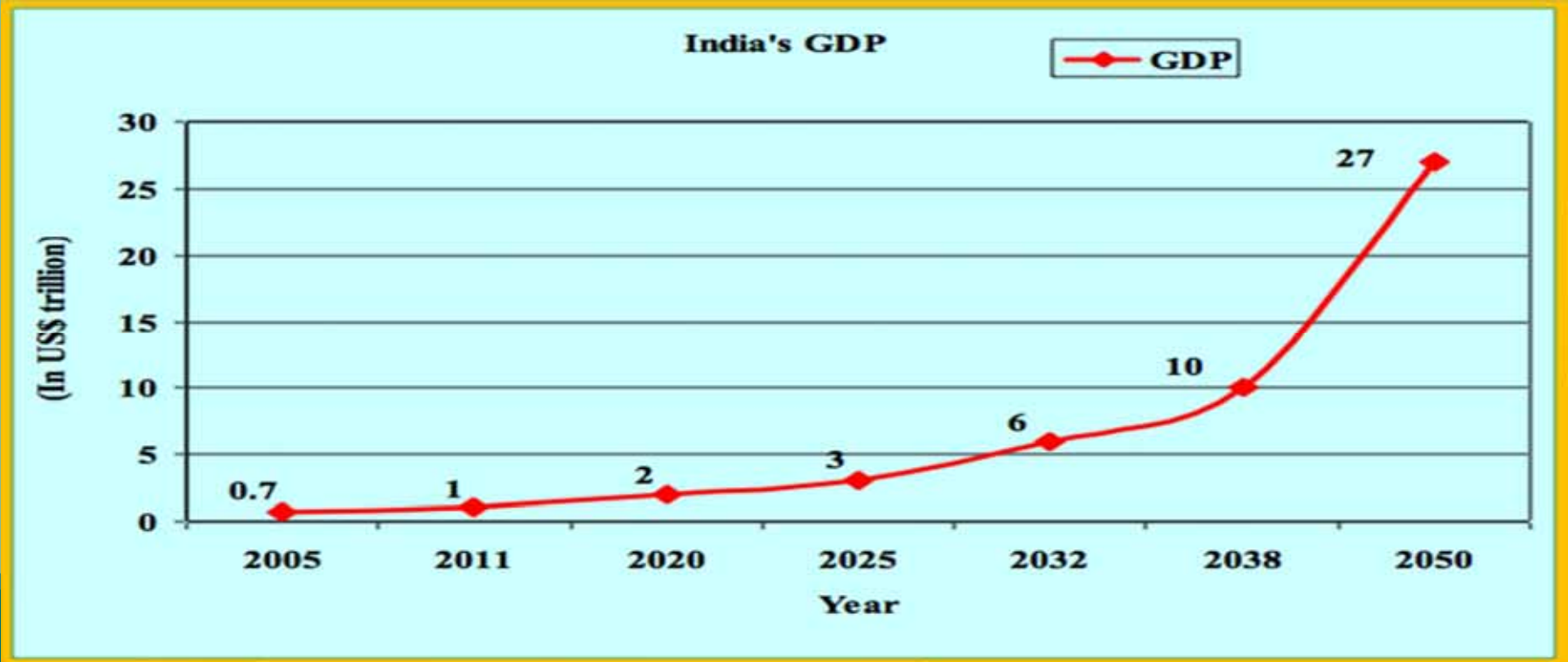
Budget Expenditure 2013-14
INR 16.65 Trillion

INR 14.43 Trillion

GDP USD 1.85 Trillion



Projected to be the 3rd Largest Economy in the World by 2032



In terms of GDP, India will overtake:

- Italy by 2016
- France by 2019
- UK by 2022
- Germany by 2023
- Japan by 2032



THE GLORIOUS CHOLAS

OVERVIEW

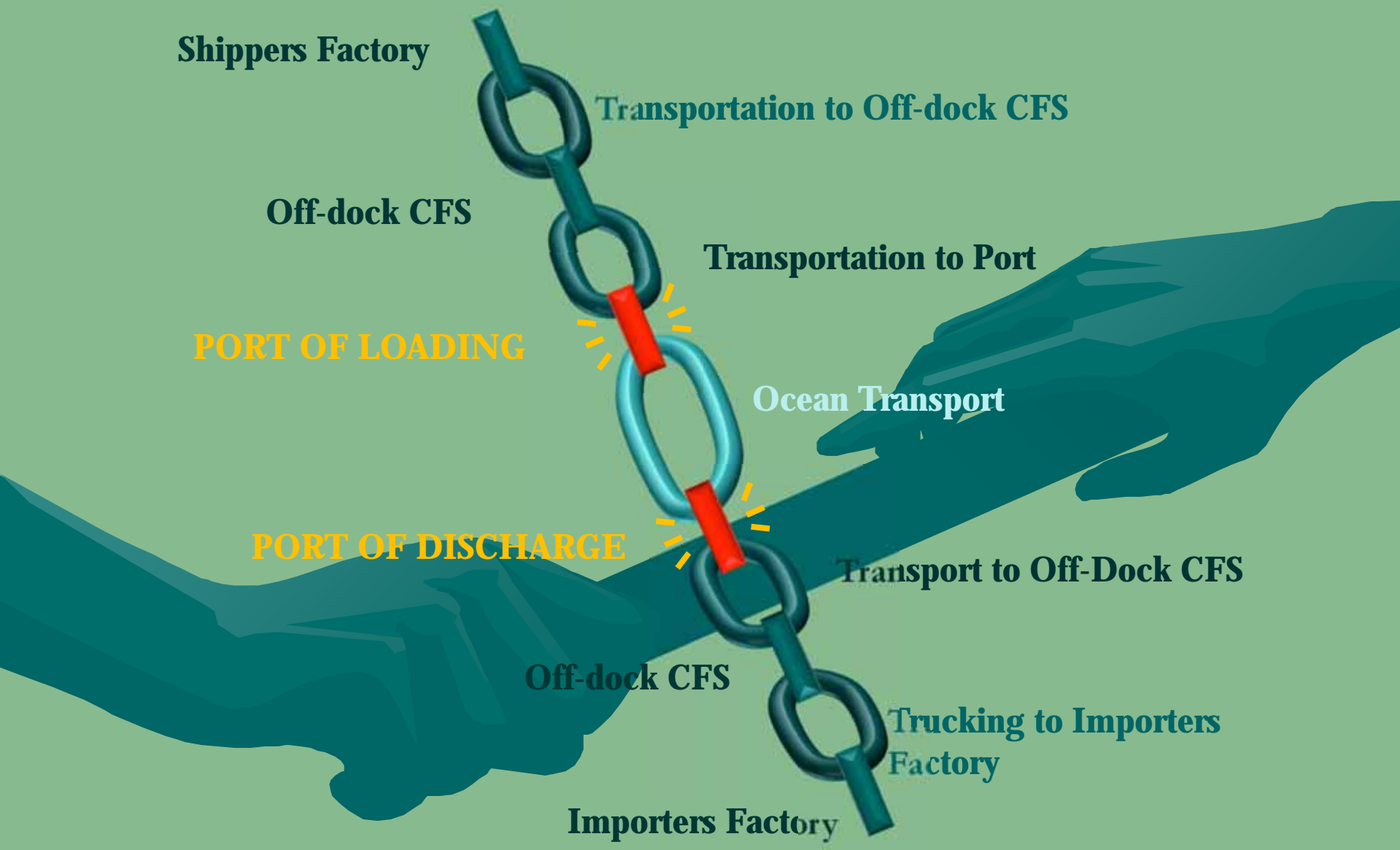
1000 YEARS ON!

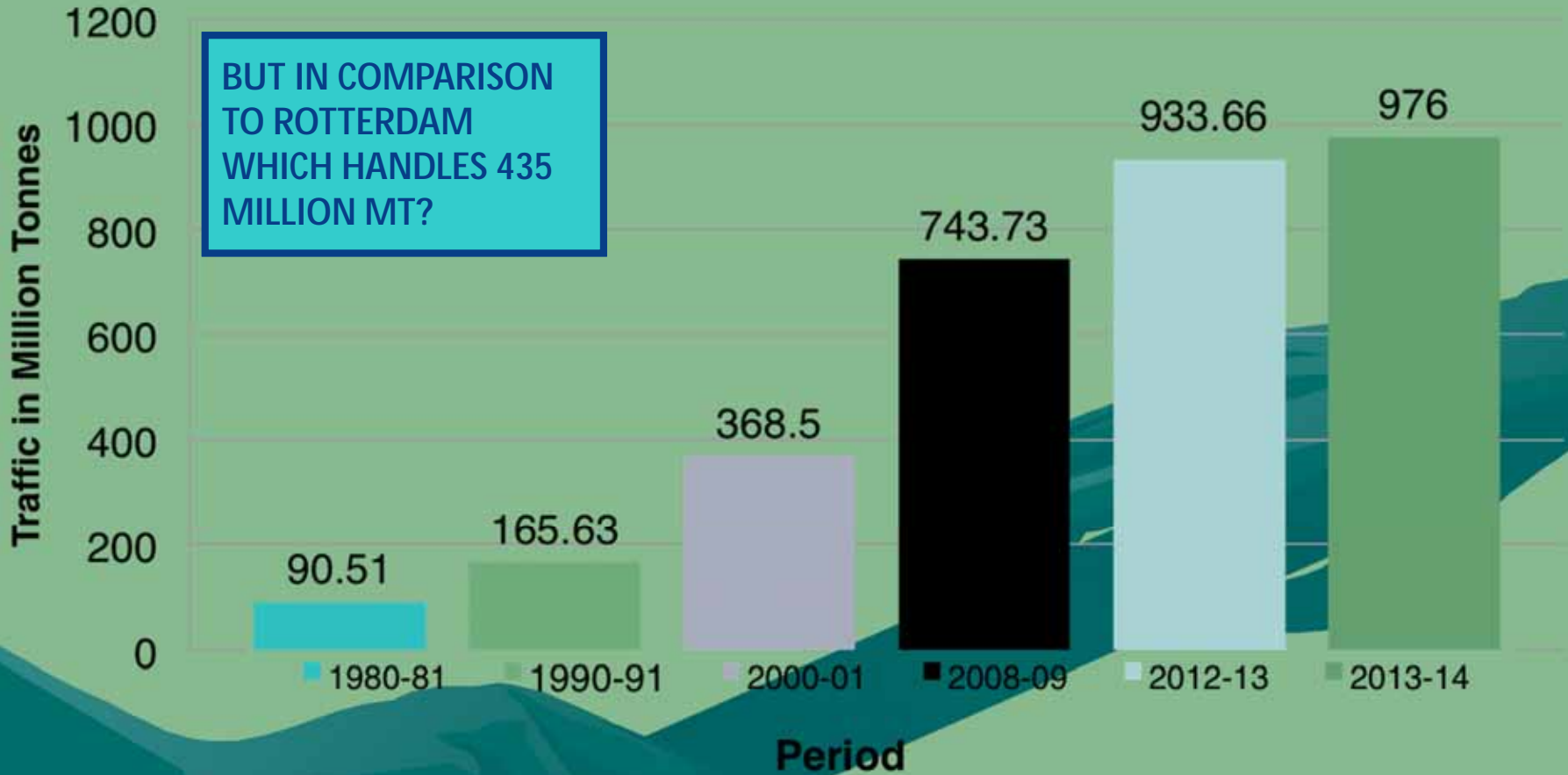


*L'Empire chola
vers 1030*



PORTS - THE CRUCIAL LINK IN GOODS TRANSPORTATION OVERVIEW





FUTURE TRAFFIC AT ALL INDIAN PORTS

Ports	Projections (in Million Metric Tons)				CAGR (in %)		
	2009-10	2011-12	2016-17	2019-20	2011-12	2016-17	2019-20
Major Ports	561.09	629.64	1031.50	1214.82	5.93%	9.09%	8.03%
Non Major Ports	288.80	402.50	987.81	1280.13	18.05%	19.21%	16.06%
Overall	849.89	1032.14	2019.31	2494.95	10.20%	13.16%	11.37%

Source: Maritime Agenda 2020

**3 BILLION
MT'S BY 2017**

**CURRENT CAPACITY
1.16 BILLION MT'S**

**CAPACITY ADDITION
1.23 BILLION MT'S**

**2013-14
1 Billion
MT's**

Ports	Traffic in Million Tonnes		
	Apr-Mar 2012-13	Apr-Mar 2011-12	% Variation
Kolkata	39.88	43.24	-7.77
Paradip	56.55	54.25	4.24
Visakhapatnam	58.96	67.42	-12.55
Ennore	17.88	14.95	19.60
Chennai	53.40	55.70	-4.13
V.O. Chidambaranar	28.26	28.10	0.57
Cochin	19.84	20.09	-1.24
New Mangalore	37.03	32.94	12.42
Mormugao	17.69	39.00	-54.64
Mumbai	58.03	56.18	3.29
JNPT	64.50	65.72	-1.86
Kandla	93.62	82.50	13.48
Major Ports TOTAL	545.64	560.09	-2.58
Non-Major ports in Gujarat (Total)	292.00	259.00	13.00
Mundra, largest non-major port in Gujarat	83.00	62.00	33.00

Source: IPA, GMR APSEZ

Traffic in Major Ports has been declining due to various reasons – primarily in Mumbai due to handling congestion, legacy issues

- This is an opportunity to develop ports which are outside major cities

MAJOR PORTS

MINOR PORTS

Administered by Central Government

Administered by State Government

BOT operators enter into Concession Agreement (CA) with Port Trust

Entire port concession awarded to private operators under Licensing and Development Agreement -LDA

TAMP - Cost + ROCE Formula

Sets Own Tariff

Operator to pay : License fee, lease rentals & revenue share to Port Trust

Operator to pay : Water front royalty + Revenue share to State Maritime Board

TARIFF : Tariff reviewed in cycles of 3 years

TARIFF : Operator is free to set and change tariffs

**LICENSE PERIOD :
30 years**

**LICENSE PERIOD :
30 +10 + 10 years**

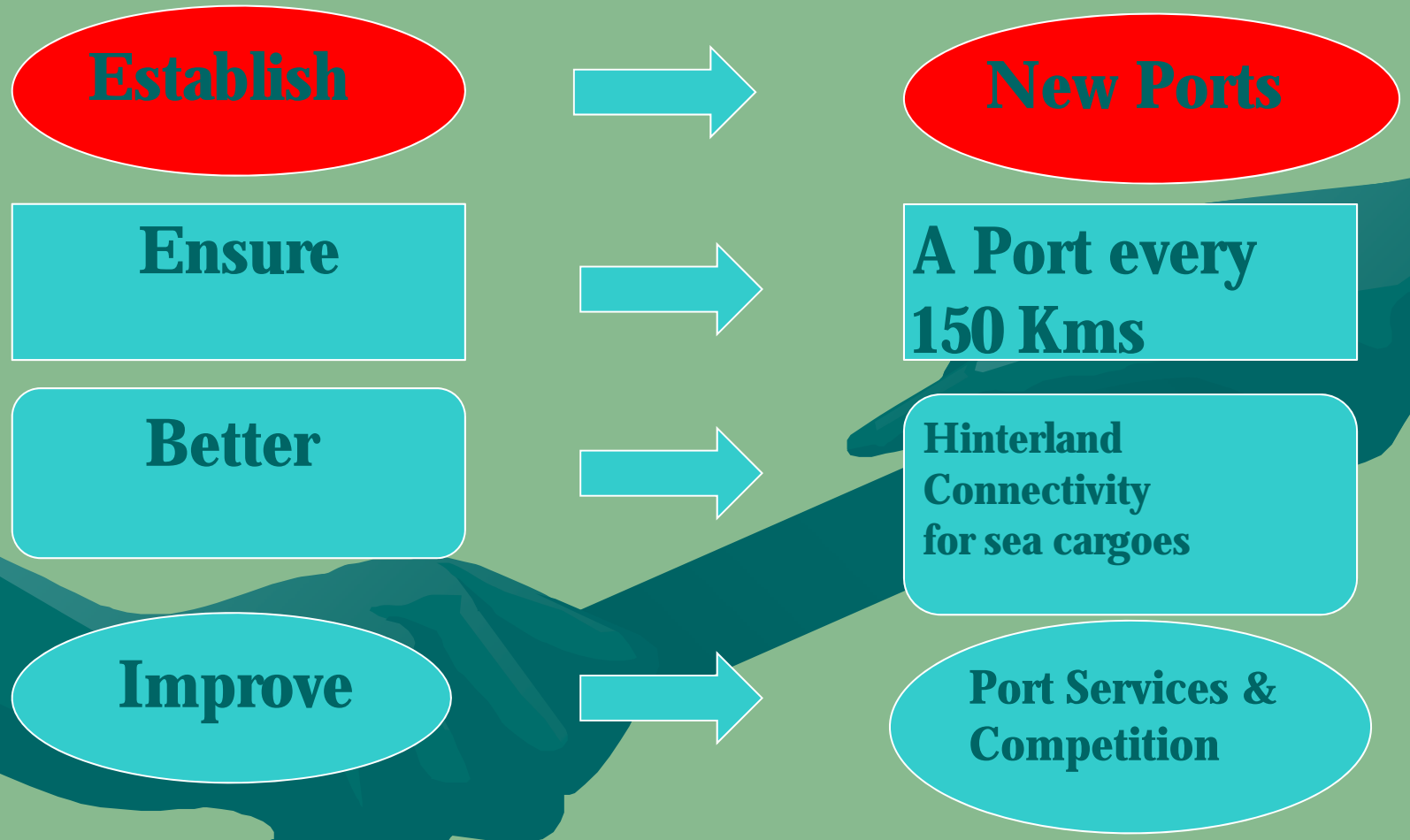
WAY FORWARD ?

- Ergo



**THE NATIONAL MARITIME
DEVELOPMENT POLICY
NOW TO BE RENAMED
SAGAR MALA**

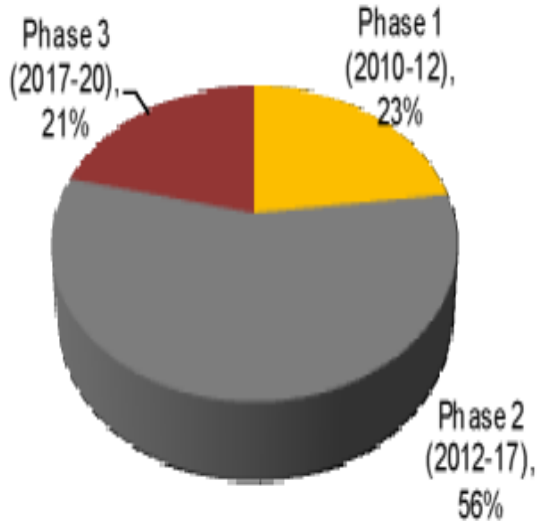
UNDERLYING PRINCIPLES



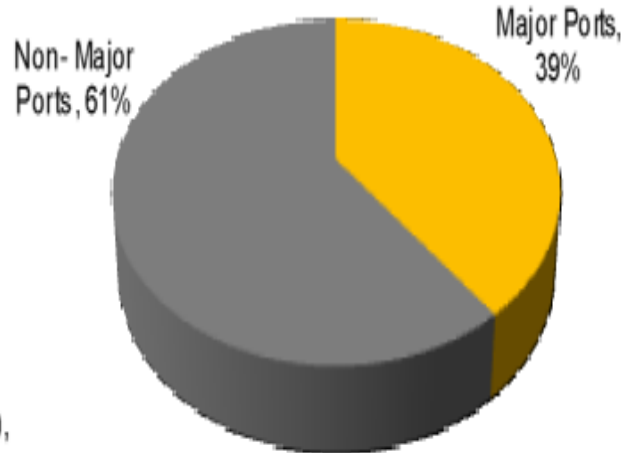
MARITIME VISION 2020

- **National Maritime Plan**
 - **Development Road Map**
 - **Identifies areas for**
 - **3.13 Billion Tonnes**
- By Min of Shipping
For Maritime & Port biz
Government intervention
Spending Rs 2,774 Billion

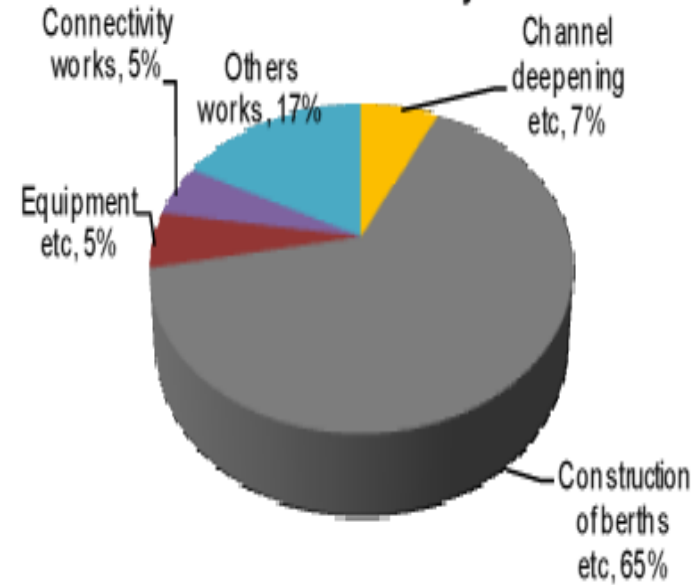
Phase-wise Outlay



Outlay by Port Category



Nature of Outlay



TOTAL OUTLAY: Rs 2,774 billion

REALITY!!!

Requires massive infusion of funds

Rs .1000000000000000

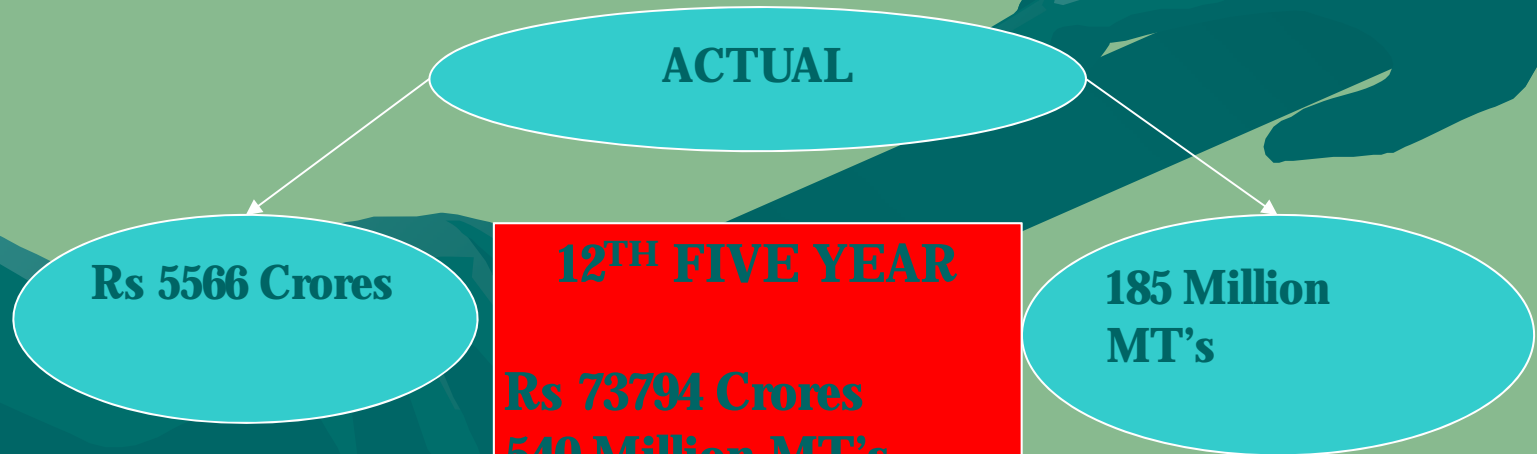
Or

USD 25 Billion



REALITY CHECK

11TH FIVE YEAR PLAN



12TH FIVE YEAR
Rs 73794 Crores
540 Million MT's

HOW MANY PPP'S IN PORTS?

TYPE	NUMBER	VALUE IN RUPEES CRORES	CAPACITY IN MILLION MT
OPERATIONAL	24	6485	140
UNDER IMPEMENTATION	16	17031	184
BIDDING/PIPELINE	28	11560	183
TOTAL	67	35076	507

IPA'S EOI

- DEVELOPMENT OF BERTHS FOR COASTAL SHIPPING ANYWHERE ALONG THE LONG COASTLINE OF INDIA

Wherever, the entrepreneur would feel confident to establish a viable project yielding revenue to them as well as to the respective 'public' partner and that the project would be able to act as a catalyst to further maritime and economic development of the region.

NEAR A MAJOR PORT – PARTNERSHIP WITH THAT PORT

NEAR A MINOR PORT – PARTNERSHIP WITH THE MARITIME BOARD/STATE GOVT



INFRASTRUCTURE



CONNECTIVITY



LEGISLATION



INVESTMENT

CLIA

**CAPTURED IN THE INDIAN PORTS
ASSOCIATION COMMISSIONED
PORT OF ROTTERDAMS
CONSOLIDATED PORT
DEVELOPMENT PLAN**

ISSUES AT MAJOR PORTS

**Insufficient
Depths**

**Poor Maintenance
Dredging**

**Connectivity
Problems**

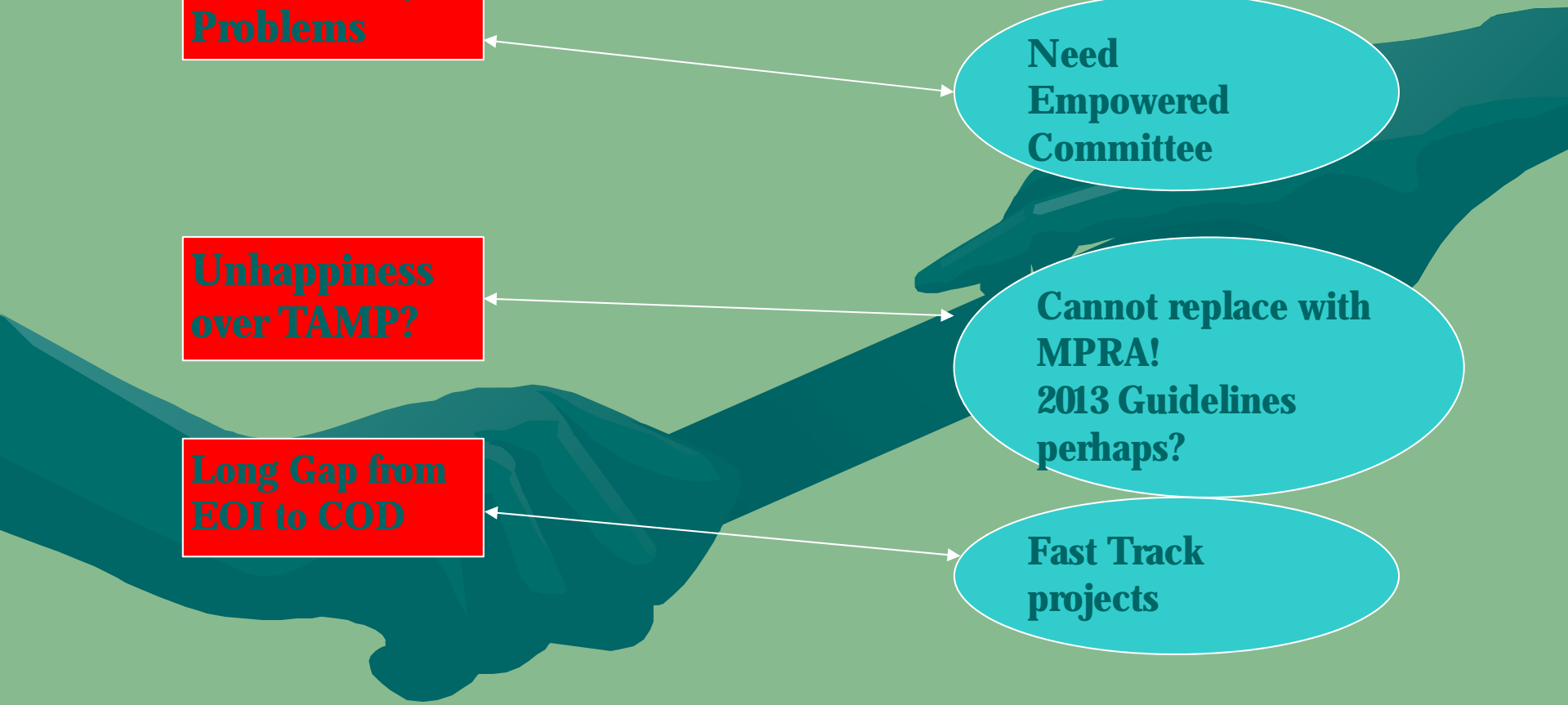
**Need
Empowered
Committee**

**Unhappiness
over TAMP?**

**Cannot replace with
MPRA!
2013 Guidelines
perhaps?**

**Long Gap from
EOI to COD**

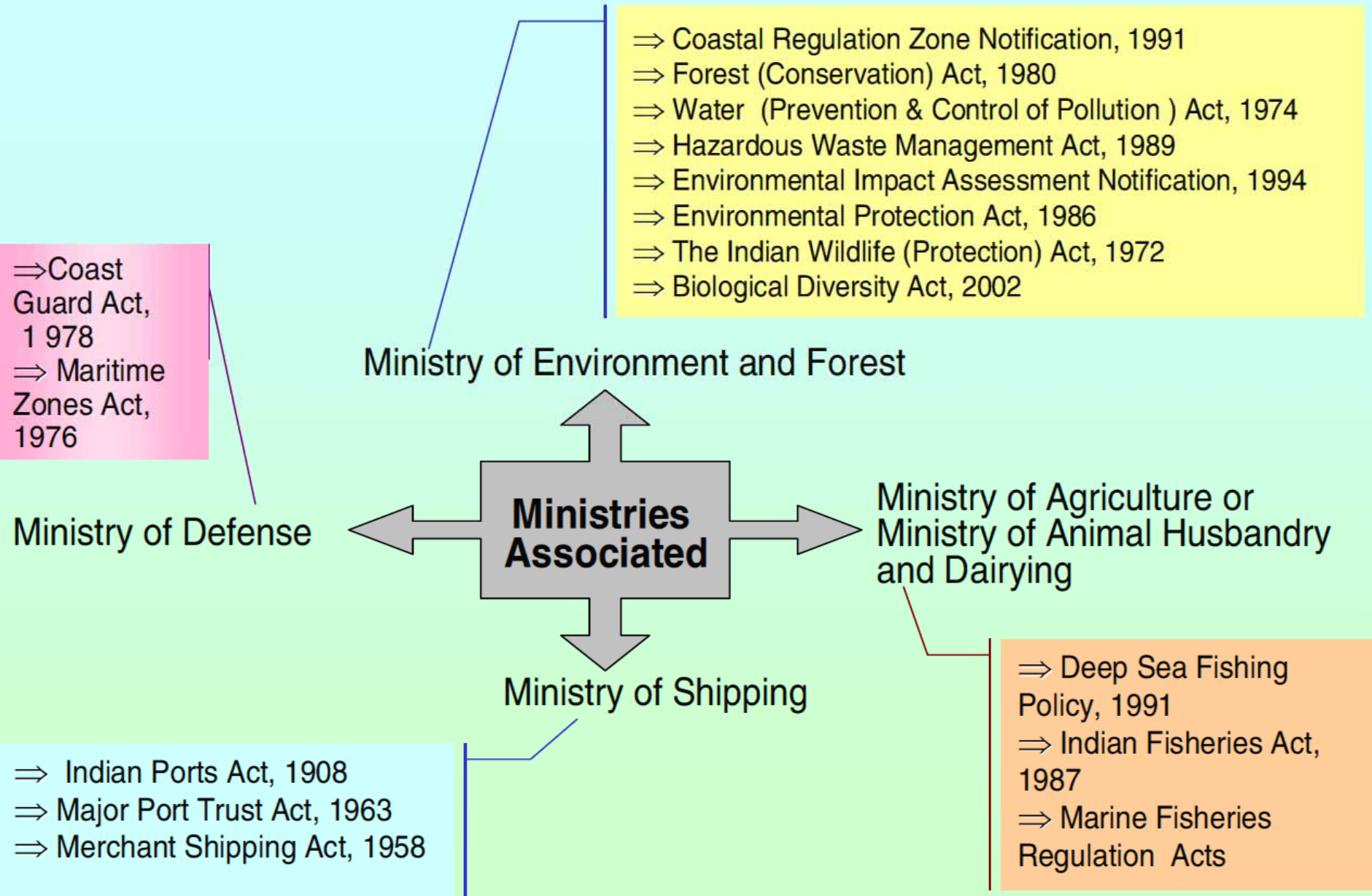
**Fast Track
projects**



LEGISLATION



Draconian Law



DARE TO SUGGEST??

Revisit Article 246 of the Constitution!!!

Union List

Agreements with foreign Bodies.
Shipping & Navigation in Inland waterways.
All other Navigation Inter state rivers.
Fisheries beyond territorial waters

CONCURRENT LIST

Navigation in Inland Waterways for mechanically Propelled vessels.

State List

Land & Fisheries.


246. Subject-matter of laws made by Parliament and by the Legislatures of States.


INVESTMENT CLIMATE




INVESTORS DILEMMA

Investment Criteria

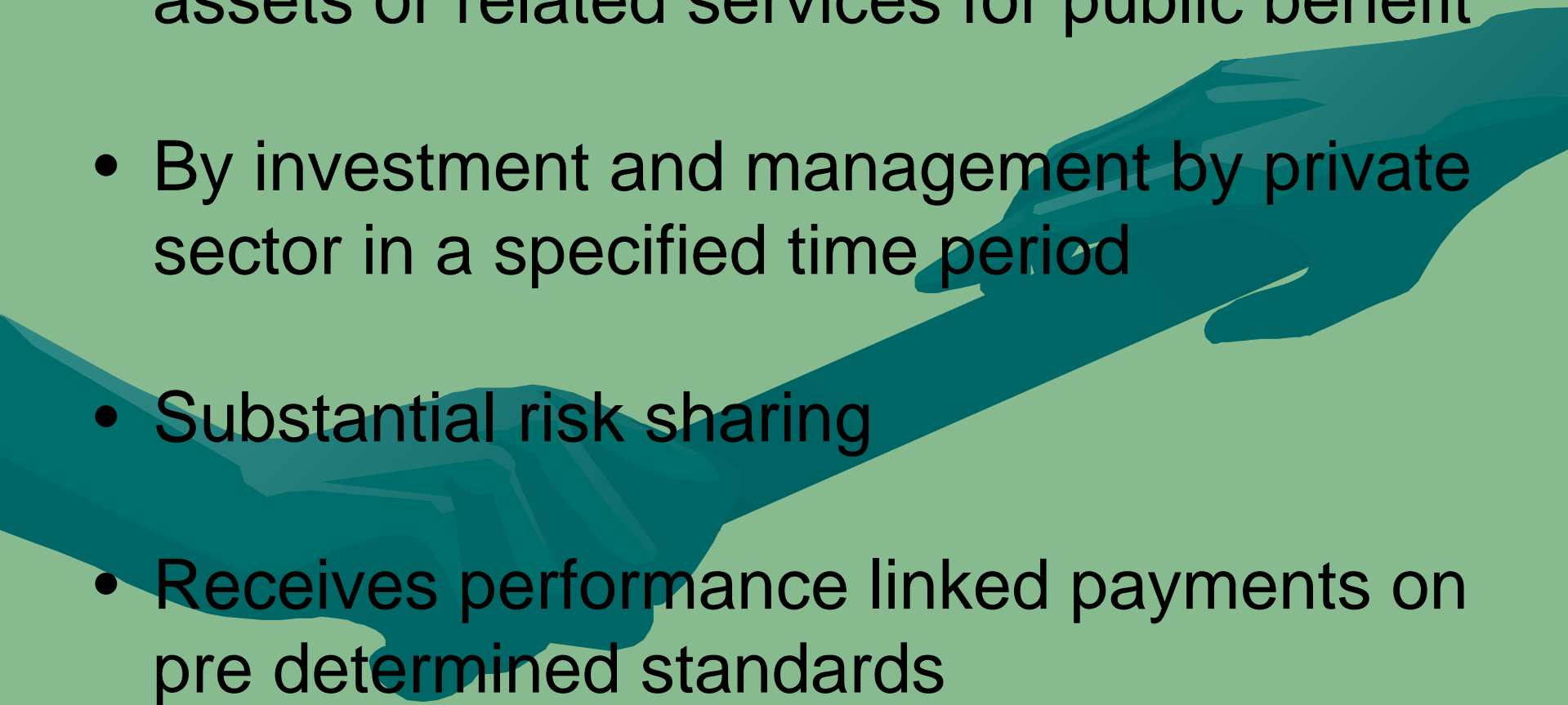
- Technical Viability
 - Planning and Design
 - Sustainability
 - Project Costs

Adequacy of project configuration, project preparation and capacity ad cost estimation
- Legal and Contractual Framework
 - Project Agreements and Contracts
 - Clearances : Environmental Clearance

Roles & responsibility, Flexibility in implementation, Protection of Lender's interest
- Return on Investment
 - Traffic Projections
 - Cargo Assurance
 - Competing Ports and Sustainability
 - User Fee

Minimum Guaranteed Throughput, Tariff Fixation, Revenue Share
Land Acquisition, Gestation Period, Approvals & Clearances

WHAT IS PPP ACCORDING TO THE DEPARTMENT OF ECONOMIC AFFAIRS (DEA)

- Government + Private entity to provide assets or related services for public benefit
 - By investment and management by private sector in a specified time period
 - Substantial risk sharing
 - Receives performance linked payments on pre determined standards
- 

4 QUESTIONS TO BE ANSWERED

- Whether PPP arrangements will result in better value for money than conventional procurement methods;
- Whether the project is affordable in the long term, given overall budgetary constraints;
- How willing is the private sector to be involved in the provision of public services; and
- What type of PPP arrangement is most appropriate for a particular project?

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EOI

- **EXPRESSION OF INTEREST**

FS

- **FEASIBILITY REPORT – FIX TARIFF**

RFQ

- **REQUEST FOR QUALIFICATION**

RFP

- **REQUEST FOR PARTICIPATION**

MCA

- **MODEL CONCESSION AGREEMENT**

DCA

- **DRAFT CONCESSION AGREEMENT**

SFC OR
PPPAC

- **STANDING FINANCE COMMITTEE**

CA

- **CONCESSION AGREEMENT**

RFP,RFQ ISSUES

- TOO MANY DISCLAIMERS
- FEASIBILITY REPORT NOT RELIABLE
- PROJECT COST NOT RELIABLE YET APPLICATION IS MADE TO TAMP TO FIX TARIFF
- SCHEDULE OF BIDDING EOI TO COD IS TOO LONG
- ELIGIBILITY CRITERIA EXCLUDES ALMOST ALL – MONOPOLIES CREATED, COMPETITION LIMITED!!

- BID SECURITY IS 2 % ON PROJECT COST, IS IT TOO HIGH??
- REVENUE SHARE EXPECTED IS 25 % OR HIGHER
- TAMP ALLOWS 16 % ROCE, HOW MUCH IS A PRIVATE ENTITY TO EARN IN ORDER TO PAY SUCH REVENUE SHARES
- TIME LAG IN PROJECT COST ESTIMATIONS

- TARIFF IS CEILING RATE, NO TRAFFIC GUARANTEES HENCE DISCOUNTS TO BE GIVEN BUT NOT RECOGNISED BY AUTHORITY AS AN EXPENSE PRIOR REVENUE SHARE

- ENVIRONMENTAL CLEARANCE NOT READY WHEN AWARDED MOB-DEMOB COSTS ADDED!!
- CHANGE IN LAW RISK ON INVESTOR

BK CHATURVEDI REPORT
ON ISSUES RELATING TO THE MODEL CONCESSION
AGREEMENT

.SHORTLISTING OF APPLICANTS
CONFLICT OF INTEREST
TAMP
CHANGE IN LAW
ENVIRONMENTAL CLEARANCES
MINIMUM GUARANTEED CARGO



WHAT WE NEED!

INFRASTRUCTURE

Urgent Upgrade & expansion

PROJECT IMPLEMENTATION

Faster and clearer decision making

REGULATORY REGIME

Better

INVESTMENT CLIMATE

GOVERNMENT & PRIVATE STAKE HOLDERS

Synergy

BON MOT!!!

*Infrastructure delayed is
development denied*



**It doesn't work to leap a
twenty-foot chasm in two
ten-foot jumps**

AMERICAN PROVERB



BEST WISHES &
THANK YOU!

