

GOVERNMENT OF ORISSA

COMMERCE AND TRANSPORT (COMMERCE) DEPARTMENT

PORT POLICY

1. INDIAN SCENARIO:

The major ports are under the control of Govt. of India. The intermediate and minor ports are under the control of respective maritime State governments, which look after their development and management.

Traffic & Capacity: (Million Tonnes)

Year	Traffic Handled	Net Capacity Of Port	Traffic To Capacity Gap In Percentage Terms
1998-99	272	245	11%
1999-2000	334	285	17%
2000-2001	347	305	14%
2001-2002	386	340	14%
2002-2003	429 (Apprx.)	358(Apprx.)	20%
2006	650	540	20%

(Source-Annual Report – 2002-2003, Government of India, Ministry of Shipping)

2. The net capacity of Indian Ports increased from 245 MT in 1998-1999 to 358 MT in 2002-03. The net capacity is expected to further increase to 540 MT by 2006-07. The Indian Ports are expected to handle cargo to the tune of 650 MT by 2006-07. The traffic to capacity gap percentage has

increased from 11% in the year 1998-99 to 20% for 2002-03. Even in to the year 2006, it is projected that this 20% gap would persist. This gap between traffic handled and the net capacity of ports needs to be bridged. There is a need to develop and upgrade the minor ports.

Investment:

3. Augmentation of cargo handling capacity to 540 MT by 2006 would involve substantial investments. In order to achieve this target, private sector investment would have to be leveraged. This would facilitate not only the development of the port infrastructure but would also yield efficiency and technology gains, in the management of ports.

PORT PROFILE OF ORISSA:

4. The port profile of the State of Orissa is indicated below: -

Sl. No.	Name Of The Port	District	Year	Traffic Handled
	Major Port-Paradeep	Jagatsinghpur	1999-2000 2000-2001 2001-2002 2002-2003	13.63 MT 19.90 MT 21.13 MT 23.90 MT
	Minor Ports:			
1.	Gopalpur Port (Fair-weather Anchorage Port operating from Mid. October to Mid. March)	Ganjam	1999-2000 2000-2001 2001-2002	1.34 lakhs 1.04 lakhs 0.14 lakhs
2.	Dhamra	Bhadrak		Preliminary development works are in progress.
3.	Palur	Ganjam		Yet to be Developed
4.	Bali-harichandi	Puri		-do-
5.	Astarang	Puri		-do-
6.	Bahuda Muhan (Sonapur)	Ganjam		-do-
7.	Chudamani	-do-		-do-

8.	Inchuri	Balasore		-do-
9.	Chandipur	-do-		-do-
10.	Subarnarekha Mouth(Kirtania)	-do-		-do-
11.	Bahabalpur	-do-		-do-
12.	Jatadhar Muhano	Jagatsinghpur		-do-

Future Vision of the Port Sector:

5. Orissa, a principal maritime state has a coastline of 480 KMs extending from Bahuda Mouth in Ganjam district to Subarnarekha Mouth in Balasore district. It is endowed with conducive, unique, natural and strategic port locations. Maritime States in India have already advanced in the development of minor ports whereas development of minor ports in Orissa is in its infant stage. Though potential sites have already been identified for the phased future development of minor ports, Government's own budgetary constraints, coupled with lack of an integrated, investor friendly port policy has inhibited development.

6. Orissa will have to play a vital role in the overall development of Eastern region of the country, if its natural maritime endowments are to be optimally utilised.

7. Sea-bound transport is the most cost-efficient as well as economical means of transport for the conveyance of raw materials, as well as finished products, in bulk. Such an infrastructure could be the necessary backbone, for attracting large-scale industries.

8. An integrated port policy for the State would encourage and lay down the pathway for the development of ports and other associated infrastructure, for promoting industry, trade and commerce.

Firstly, the logic of locating major industries near ports is clear, since the large business establishments want to import industrial raw materials and export their finished products and require easy access to the international markets, through viable and economic sea routes.

The second major advantage is that Orissa has a vast hinterland generating cargo, comprising of the developing Eastern and Central Indian States. Exports and imports of food grains, mineral sands, raw materials, finished goods, fertilizers and edible oils and petroleum products, by the large industrial houses located in the hinterland offer long term potential for cargo. Any economic development taking place in the hinterland States would have a direct bearing on the ports in Orissa.

In the recent past, new and improved technological developments have occurred in the global shipping scenario, especially in the field of container handling equipment and in the new port layout to accommodate container traffic. These technological developments demand new institutional set-up to capture the flow of major investments in the State's port sector.

The port locations and the perennial riverine systems of Orissa are ideally situated to adapt to the current developments in technology, in the areas of communication, automation, cargo handling and ship technology. It is in this perspective that the Government of Orissa, by evolving an integrated strategy, intends to implement its vision.

Dhamra port, a green field project has already been handed over to a private developer, International Seaports Company (ISP), Singapore, for the establishment of a major port of international standards and the preliminary works are in progress.

The Government of Orissa intends to develop Gopalpur port, with private participation, from a seasonal lighterage port, into an all weather port of international standards. The process of identifying a strategic partner is in progress.

The proposed Orissa Maritime Board (OMB) will act as a single window agency for development of ports and inland waterways. The OMB would interact and facilitate the development and implementation of an integrated maritime development plan for the State. A Directorate of Ports and Inland Waterways, to be created, by merging the offices of Chief Construction Engineer, and the Directorate of Inland Waterways, would function, as the Secretariat for the OMB.

Objectives:

The following objectives are identified for the new port policy: -

1. To increase Orissa's share in the export and import sector, in national and international trade and commerce, by taking advantage of the liberalisation and globalisation process.
2. To decongest the existing major ports, by developing minor ports, on the Eastern coastal region, so as to cater to the needs of increasing volumes of international and domestic traffic.
3. To handle 70-80 MT of Cargo by 2006 in the port sector, in Orissa, as envisaged by the Government of India, Ministry of Shipping,
4. To provide port facilities to promote export-oriented and port-based industries, which constitute the major chunk of industrial investment.
5. To encourage shipbuilding, ship repairing, and ship breaking and to establish manufacturing facilities for heavy industries, in and around ports.

6. To provide facilities for coastal shipping of passengers and inter-State cargo traffic and further extension of these services to West Bengal, Andhra Pradesh, Tamil Nadu etc.
7. To take up suitable facilitating measures as well as policy initiatives for attracting private sector investments in the development and operation of existing and new minor ports.
8. To establish connectivity of the ports with the riverine systems so as to increase the transportation of cargo through inland waterways.

STRATEGY

All this envisages an integrated port development strategy, consisting of creation of port facilities and development of infrastructure facilities, like roads, railways and inland waterways, in the hinterland. Large-scale financial outlays would be required to create these new facilities, along with matching infrastructure. In view of the fact that cape size ships are used in the transportation, to capture the economies of scale, ports would be developed, with direct berthing and speedy mechanical handling facilities, so as to improve turn around of ships.

ORISSA MARITIME MASTER PLAN: -

With the liberalisation of trade and Industrial policies, sufficient cargo is likely to be generated, by 2006 A.D., in the hinterland states of North, East and Central India. The establishment of Special Economic Zone (S.E.Z) for facilitating export led growth, near Paradeep and Gopalpur ports is a good augury. Further industrialisation of Orissa will coincide with port development and both these activities would be synchronised, so that the ports have the assured cargo, right from the beginning. As indicated earlier, Orissa ought to be in a position to handle 70-80 MT of Cargo, by 2006. A major chunk of the cargo will be imports of crude oil, finished petroleum

products, L.P.G., L.N.G., coking coal, edible oil, fertilisers, and raw materials for the proposed mega steel plants. Exports of mineral sands, granite, processed fish, and finished goods of proposed port based steel plants, allied manufacturing units are also potential sources.

In order to evolve an integrated and sustainable maritime master plan, it is necessary to have an institutional mechanism that has the authority, resources and the mandate to draw upon the expertise, whenever necessary. It is seen that Gujarat and Tamil Nadu have developed such an institutional mechanism, in the shape of a Maritime Board.

ORISSA MARITIME BOARD:

It is proposed to establish an Orissa Maritime Board (O.M.B.) through a State legislation. It is proposed that the O.M.B. be vested with the authority and powers to plan, direct and implement the maritime development in the State, with private sector participation.

- (a) O.M.B., in consultation with experts, will evolve an integrated ‘Maritime Master Plan’.
- (b) It will have a technical wing, to assess the likely new cargo generation from time to time and to look for new investment avenues in the ports and inland waterways.
- (c) The O.M.B will evolve an integrated approach covering port and infrastructural development.
- (d) The O.M.B. will be empowered to receive funds from Govt. of India. It will be authorised to enter into contracts with consultants, developers and financial institutions. It will enter into MOUs and Concession Agreements, with the approval of Government of Orissa.

- (e) The O.M.B. will be vested with powers to impose, review and modify the existing port charges in the minor ports, subject to approval of the Government.
- (f) OMB will be authorised to enter into agreements for capital participation with Government of India ministries and other major ports, subject to the approval of Government of Orissa.
- (g) O.M.B. would undertake 'traffic studies' to identify the likely cargo from the hinterland States, in co-ordination with the ministries of Government of India, such as, Shipping, Agriculture, Fertilisers, Petroleum, Mines, Steel, Coal and the Director General of Foreign Trade.
- (h) O.M.B. would plan and implement the process of attracting private sector investments, in inland waterways, in tune with the policies of the Ministry of Shipping, Government of India.

IDENTIFIED AREAS FOR INVESTMENT

To encourage private investment in the existing and proposed minor ports and in the inland waterways, the following guidelines are indicated: -

- (a) Incomplete wharf/jetty/quay projects would be privatised.
- (b) Entrepreneurs/investors will be given 'ousting priority' for a period of five years, from the date on which the contract is awarded, with the approval of Government.
- (c) For projects with an investments of Rs.25 crores ,OMB will be authorised to increase the period of concession,
- (d) Government of India had introduced a policy of parallel marketing of petroleum products. With this, the demand for port facilities for handling L.P.G., L.N.G. kerosene, HSD and other petroleum products, including liquefied chemicals had increased. Specific new port

locations would be identified and developed, by OMB, for this purpose.

- (e) OMB will also coordinate with the Ministry of Defence, Indian Navy and the Coast Guard to evolve a mutually agreed maritime safety and security plan for the entire coast of Orissa.

DEVELOPMENT OF NEW PORT SITES:

The Government in Commerce & Transport (Commerce) Department had identified twelve Green Field sites for the development as minor ports. Preliminary feasibility, hydrographic and Bathymetric surveys are to be conducted to identify and specify the contours of the port, to be developed, in these locations. Various factors like availability of draft, general marine conditions, optimum utilisation of the existing or the new infrastructure and proximity to the hinterland cargo will be taken into consideration, in finalising the development. Basing on location and the likely generation of cargo, each port would be earmarked for specific commodities, for the easy movement of cargo and also to ensure financial viability.

Looking to the strategic maritime location of Orissa coast, one of the new port locations will be developed as a 'Free Port'.

PRIVATE PARTICIPATION IN PORT DEVELOPMENT.

The private participation in the ports will be facilitated; either through I.C.B. (International Competitive Bidding) or M.O.U. O.M.B. will commission preliminary techno-economic feasibility reports, of identified locations, to facilitate private investment. Arrangement for private investment shall be on the basis of the following guidelines:

1. Port locations are to be given on Build, Own, Operate, Share and Transfer (BOOST), or on Build, Own, Operate and Transfer (BOOT) or on Build Own and Operate (BOO) basis.
2. OMB will facilitate private investment in projects that are profitable since these projects are capital intensive with long gestation period.
3. After the BOOST/BOOT/BOO concession period is over, the ownership of the port and its assets would get transferred to O.M.B.

CAPTIVE JETTIES FOR INDUSTRIES:

To ensure that the new port projects are economically viable, permission for captive jetties would be given only in viable projects, looking to the quantum of investment and the need for specialised facilities.

PRIVATISATION OF SERVICES:

Privatisation of services would be done in the following areas:

- Lighterage
- Dredging
- Piloting
- Tug Towing Service
- Other essential utility services.

COASTAL SHIPPING:

With the development of new ports with modern handling facilities, some minor ports of Orissa can function as 'Transshipment Ports'. It is assumed that in future, 30 to 35% of the total cargo would be transported through coastal shipping. Proposals will also be mooted for the provision of 'Terminal Facilities' within the State.

In consultation with the Government of India, ministries of Defense and Shipping, the OMB, would make sufficient investment in the

development and management of ‘navigational aids’ in the coast so as to facilitate maritime safety and national security.

IMPLEMENTATION:

The port policy envisages an integrated approach, covering ports, industrial and infrastructure development, including inland waterways. O.M.B. will act as the single window agency, in facilitating and developing the availability of land, water, power and the associated infrastructure. It would facilitate the clearances to be obtained from the Government of Orissa and Government of India, in close collaboration with the private investors.

CONCESSIONS AND INCENTIVES.

The Government of Orissa in the Industries Department, vide the Resolution No.XIV-III-12/2000(Pt)/2020 dated 28.01.03 and XIV-HI.12/02 (Pt.) 10027/I., dated 03.06.03, had initiated a policy of ‘leasing government land for execution of infrastructure projects on BOT mode’. This resolution shall be applicable in respect of lease of Government land to port projects also. The above-cited resolution is placed at Annexure-I and II.

2. The existing infrastructure in the Gopalpur lightering port shall be valued by a mutually agreed valuer and this value would form the government’s equity, in the Special Purpose Vehicle (SPV) to be formed, for the development of an all weather port.

3. For green field projects, the cost of private land acquisition shall be borne by the developer. However, this cost shall be compensated during the concession period, by adjusting the same, against the future revenue streams that would accrue to the Government/OMB.

4. Orissa Maritime Board will have the authority to permit the developer for fixation of port tariffs.

5. Government of Orissa / Orissa Maritime Board's equity participation will be restricted to 11%, in order to insulate port management from interference.
6. OMB will endeavour at all times to ensure that the concerns of financing institutions are addressed, in order to make these projects credit worthy and bankable.
7. OMB will ensure that the concessions, levies and charges are uniformly applicable to all port projects.
8. The OMB would ensure that in evolving revenue sharing mechanisms with the developer, it would safeguard the project's viability and profitability.

Annexure-I

No. _____ 2020 _____ /I
XIV.III-12/2002(pt)

RESOLUTION

Bhubaneswar, dated the 28th January, 2003.

Sub:- Amendment of Paragraph 18.02 & 18.03 of I.P.R. 2001 Industries Department Resolution No. SIV-HI-26/2001-26115/I.dt. 3.12.2001

In order to facilitate rapid establishment and growth of Industries and Industrial Infrastructure projects in the State and to bring clarity into prevailing situation regarding price of Government land rates, Government after careful consideration have been pleased to amend the provisions of the Industrial policy Resolution, 2001 in the manner indicated below:

- 1) Paragraph 18.2 is substituted as follows:-

“For the purpose of rates of Government land, different areas of the State have been divided into following zones:

Zone-A Revenue-Sub-divisions of Angul, Balasore, Baragarh, Berhampur, Bhubaneswar, Champua, Cuttack, Jajpur, Jharsuguda, Panposh, Rayagada, Sambalpur, Talcher and Paradeep NAC Area.

Zone-B All, Revenue Sub-divisions of the State except those covered under Zone-A”.

- 2) Paragraph 18.3 is substituted in the following manner: “Government land earmarked for the Land Bank Scheme and other Government land wherever available will be allotted for new industrial projects at pre-determined rates as notified from time to time. The following rates for Government land shall apply until further orders:-

Category	Rate for land located within Municipal/NAC Area (Per acre) (Rs)	Rate for land located outside Municipal/NAC area (Per acre) (Rs)	Ground Rent
Zone-A	3,00,000	1,00,000	1% of the Land Value.
Zone-B	1,00,000	25,000	1% of the Land Value.

ORDER: Ordered that the resolution be published in next issue of the Official Gazette and copy thereof be forwarded to all Departments of Govt., all Heads of Departments and Accountant General, Orissa.

By Order of Governor
S.P. NANDA
PRINCIPAL SECRETARY TO GOVERNMENT.

Annexure-II

No.XIV-HI12/02 (Pt.), 10027/I.,

**GOVERNMENT OF ORISSA,
INDUSTRIES DEPARTMENT**

RESOLUTION

Bhubaneswar, dated 3.6.2003

Sub: Amendment of IPR-2001- Policy of leasing Government land for execution of Infrastructure Projects on BOT mode.

In the liberalized regime, private investment opportunities have been created for establishment of large scale infrastructure projects like ports, power, Highways, Water Supply etc. Typically, Private Sector participation is structured in such projects through Build-Operate-Transfer (BOT) mode or its variants such as BOOT /BOOST/BOLT. The private developer is granted the exclusive rights to develop the project, operate and maintain it and collect fees/ tariffs or charges for cost recovery for a finite period of 25-30 years. The rights and obligations of the developer, the Government and other Stake holders are precisely laid down in the form of a concession agreement. The State Government provides land required for such infrastructure projects to the private developers which reverts back to the Government at the end of the concession period. The land lease policy for such projects, contemplated for development under the BOT mode or its variants has, therefore, to be necessarily different from the policy envisaged for other industrial projects where land is required to be leased out to entrepreneurs / project promoters for a period of 99 years. It would be inequitable to lease out land for infrastructure projects being developed through the BOT mode (or its variants) by charging premium prescribed for other industrial projects in the IPR-2001.

In view of reasons mentioned above, Government after careful consideration have been pleased to decide that the following provisions be incorporated as paragraph-18.3A in between paragraph-18.3 & 18.4 (Part-

C) of the IPR-2001 issued in Industries Department Resolution No. XIV-HI-26/01-26115/I. Dated 03.12.2001.

18.3A: "Government land required for Infrastructure Projects identified for development through the BOT mode or its variants (where the land reverts back to the State Government on expiry of the concession period) would be leased out on payment of annual lease rental of 6% (including 1% ground rent) during the concession period. The annual lease rental may be subjected to revision every 3 years with reference to the cost inflation index used by the Income Tax Authorities (for assessment of capital gains) Lease premium for Government land for the relevant zone laid down in the IPR would be the reference price for fixing annual lease rental in these cases."

Order: Ordered that the Resolution be published in next issue of the Official Gazette and copy thereof be forwarded to all Department of Government all Heads of Departments and Accountant Genera, Orissa, Bhubaneswar.

By Orders of Governor,

Principal Secretary to Government

Memo No. 10028/I, Bhubaneswar, dated 3.6.2003

Copy forward to the Director, Printing, Stationary & Publication, Orissa, Cuttack with a request to kindly publish the Resolution in the next issue of the Orissa Gazette and supply 200 copies to this Department immediately.

Deputy Secretary to Government

Memo No. 10029/I, Bhubaneswar, dated. 3.6.2003

Copy forwarded to All Departments/ All Head of Departments/ All R.D.C.s/ All Collectors/ All D.I.C.s/ All P.S.U.s/ A.G., Orissa, Bhubaneswar for information with reference to this Department Memo No. 26117/I. Dated.3.12.2001.

Deputy Secretary to Government

Memo No. 10030/I, Bhubaneswar, dated. 3.6.2003

Copy forwarded to Commissioner-cum-Secretary to Hon'ble Chief Minister, Orissa/ Private Secretary to all Ministers / Private Secretary to Chief Secretary, Orissa/ Private Secretary to Development Commissioner, Orissa for kind information of Hon'ble Chief Minister, Orissa/All Ministers/Chief Secretary, Orissa/ D.C., Orissa.

Deputy Secretary to Government

Memo No. 10031/I, Bhubaneswar, dated 3.6.2003

Copy forwarded to All Sections of Industries Department/ Guard File (10 copies) for information.

Deputy Secretary to Government