

**GOVERNMENT OF INDIA  
SHIPPING  
LOK SABHA**

UNSTARRED QUESTION NO:2802

ANSWERED ON:07.12.2009

NHAVA SHEVA INTERNATIONAL CONTAINER TERMINAL

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**Will the Minister of SHIPPING be pleased to state:**

- (a) whether the Government has received complaints regarding irregularities in the Public Private Partnership (PPP) project for port development at Nhava Sheva International Container Terminal;
- (b) if so, whether the Government/CVC has conducted any inquiry in this regard;
- (c) if so, the details and facts thereof alongwith the action taken by the Government thereon; and
- (d) the steps taken by the Government to promote PPP mode of investment in the shipping industry and to set up a regulatory mechanism to address the problems in this regard?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF SHIPPING (SHRI G.K. VASAN)

(a) to (c): The Jawaharlal Nehru Port Trust (JNPT), Mumbai granted contract for construction, operation and maintenance of a new 600m key length container terminal for a period of 30 years on Build, Operate and Transfer (BOT) basis to Nhava Sheva International Container Terminal (NSICT). The Central Vigilance Commission took up the case for direct inquiry and submitted a report with the following key findings:-

(i) NSICT had derived surplus revenue of Rs. 473 cr. during 2000-01 to 2004-05, which was to be set off in the revision of tariff. The revision was delayed till the finalisation of revised guidelines in 2005. Clause 2.13 of the guidelines was invoked to extend undue benefit to NSICT by setting off only 50% of surplus revenue as against 100% which was required to be set off in the revision as per order dated 7/11/2009 of Tariff Authority for Major Ports (TAMP). The revision of tariff fixed in 2000 was prima-facie intentionally delayed by TAMP to extent undue favour to NSICT.

(ii) The TAMP in their Order dated 22/7/2005 allowed entire royalty paid by NSICT to JNPT during 2000-01 to 2004-05 as cost in computation of revised tariff in 2005 and reduced the tariff only by 14%. Thus the entire burden of paying the royalty was transferred to the port users and the NSICT got undue gain. Had TAMP initiated suo-moto revision prior to 2005 guidelines, the tariff would have been reduced by 30% due to setting off of entire amount of Rs. 473 cr. When the Ministry of Shipping objected to the Order of TAMP allowing entire royalty in to cost, TAMP revised its Order dated 22/7/2009 and further reduced the tariff by 12%. However, undue benefit, accrued during 2005-06 due to wrong computation of tariff, was allowed to be retained by the NSICT.

(iii) The operating cost and surplus revenue of NSICT for the period 2000-01 to 2004-05 were calculated on the basis of estimation/approximation and actual data was not taken into consideration by TAMP. Actual surplus revenue appears to be far more than Rs. 473 cr., which substantiates the allegation that NSICT had received more than 100% return on their equity.

The CVC has recommended to fix responsibility of the TAMP officials for their various acts of omissions and commissions. This Ministry had already directed TAMP to fix responsibility of the TAMP officials as per the recommendations of the CVC. Apart from that this Ministry has ordered a vigilance inquiry to fix responsibility of the Ministry's officials also.

(d): In tune with its economic liberalization policy, the Government of India has opened up its Major Ports for private sector participation in a big way to attract funds, latest technology, better managerial practices and speed up creation of capacities. Foreign direct investment upto 100% under automatic route is permitted for construction and maintenance of ports and harbours.

(i) The following areas which are indicative in nature have been identified for participation /investment by private sector:-

(a) Leasing out existing assets of the Port.

(b) Construction / Creation of additional assets, such as:

# Construction and operation of container terminals.

# Construction and operation of bulk, break bulk, multipurpose and specialised cargo berths.

# Warehousing, container freight stations, storage facilities and tank farms.

# Cranage/handling equipment.

# Setting up of captive power plants.

# Dry docking and ship repair facilities.

(c) Leasing of equipment for port handling and leasing of floating crafts from the private sector.

(d) Pilotage.

(e) Captive facilities for port based industries.

Individual ports may expand the scope of activities after prior consultation with the Central Government.

Tariff Authority for Major Ports (TAMP) has been set up under the Major Port Trusts Act, 1963 as an independent statutory authority to fix user tariffs and scale of rates for the facilities and services in the Major Ports.