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LANDLORD PORTS CONCEPT IN INDIA: OPPORTUNITIES AND THREAT

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ABSTRACT

The globalization of world economy has brought about tremendous increase in exchange of goods across the world. To cope with the increasing world trade, ports of every country will no doubt continue to play a major role as a support system for the trade in the form of cost effective means of transportation. Ports are normally referred to as the economic multipliers of the economy since they catalyze the process of economic development directly as well as indirectly.

India currently houses 13 major and187 minor ports. These ports are currently governed by central and state governments respectively and they handle about 90% of the Foreign Trade by weight/volume and about 70% by value involves transportation by sea. At present India contributes around 2% in the world trade and is expected to increase to 5% of the global market share by 2020. Thus these ports will be the important contributor in the development of trade and commerce. Taking this into consideration the Government of India has a taken a policy decision to corporatize the major ports in a phased manner. Policy guidelines aim at moving the ports towards the landlord ports concept with the provision of services being increasingly left to the private sector.

The purpose of this paper is to highlight the current and the future roles played by ports in the development of the country and also analyse the advantages and disadvantages involved in the corporatization of ports in India.

KEYWORDS : *globalization , tremendous growth , international trade .*

INTRODUCTION :

International Trade or Foreign Trade refers to the trade between different countries of the world. The tremendous growth of international trade over the past several decades has been both a primary cause and effect of globalization. Globalization occurs when the markets of different countries become more integrated and interconnected through economic transactions. The volume of world trade increased twenty-seven fold from $ 296 billion in 1950 to $ 8 trillion in 2005 (WTO

2007). To meet the demand for increasing world trade ports are playing a very crucial role of providing an efficient transport system. In fact, Transportation has been called one of the four cornerstones of globalization, along with communications, international standardization and trade liberalization (Kumar and Hoffmann 2002). The inefficiency of the ports hampers the foreign trade prospects of a country and in turn hampers the economic growth also. Actually speaking, Infrastructure development plays a very crucial role in the economic development of the country. Logistics infrastructure covering the road, rail, waterways and air network of a country is the backbone of the economy. According to the present statistics of United Nations Conference on Trade and Development (UNCTAD), more than 90% of the world's trade in volume and about 60 to 70% of its value is carried out by sea.

INDIAN SCENARIO:

Water transport has been playing an important role in Indian economy since the time immemorial. India ranks 16th among all the maritime countries. All the major ports in India have excellent road and rail connectivity. Containerization, multi-modal transport services, advancement of marine engineering technology, specialized systems and computerization have contributed towards making sea transport as a prime mode for movement of internationally traded goods. Maritime transport which plays a vital role in the development of the country, comprises ports, shipping, ship building and ship repair, and inland water transport system. According to the Ministry of Shipping, Government of India approximately 95% of the India's trade by volume, and 70% by value is moved through maritime transport.

OBJECTIVES OF THE STUDY:

The objectives of the study are as follows:

1. To understand the role of Port Infrastructure in the economic development of the country.
2. To understand the meaning of Corporatisation of Ports.
3. To understand the advantages and disadvantages of the corporatisation of ports.

LITERATURE REVIEW:

H.E.Haralambides and R.Behren (2000) in their research paper titled, "Port Restructuring in a Global Economy: An Indian Perspective'', highlighted that India after embarking on the ambitious economic reform programme in 1991-92 was turned from a centrally planned economy into a market driven economic system based on export led growth. This had put tremendous pressure on the port sector of the country. The current port system is characterised by the existence of obsolete and poorly maintained equipment, hierarchical and bureaucratic management structures, excessive labour etc. The authors thus concluded that to overcome all these difficulties, greater participation of the private sector accompanied by institutional reform is required.

Dr B. Revathy and M.Kailash (2012) in their research paper titled, " Globalisation and India's Foreign Trade" explained liberalized economic policy adopted by the Government of India. The paper also explains the growth of foreign trade in India and analyses the export and import share of five major countries such as United States, United Kingdom, China, Germany and Japan. Finally, the paper also highlights the pro and cons of Globalization and International Trade and brings forth to light the constraints involved in it like inadequate transportation, infrastructure, electricity shortages etc.

Dr. M.Bina Celine Dorathy (2015) in the research paper titled, " Corporatization of Major Ports in India- the game changer" brings forth to light the importance of the ports in the economic development of India and also comments on the issues like over staffing, delays in documentary procedures, efficiency in handling cargos at par with international standards which has led to the inefficiency in the Indian Ports despite several policy measures of the government. The paper concludes that to overcome the operational difficulties of the, corporatization is the only option.

Port:

A Port is a location on a coast or shore containing one or more harbours where ship can dock and transfer people or cargo to or from land. Port locations are selected to optimize access to land and navigable water, for commercial demand, and for shelter from wind and waves. The United Nations Conference on Trade and Development (UNCTAD) defines seaports as - interfaces between several modes of transport and thus, they are centres for combined transport. Furthermore, they are multi-functional markets and industrial areas, where goods are not only in transit but are also sorted, manufactured and distributed. As a matter of fact, seaports are multi-dimensional systems, which must be integrated within logistic chains to properly fulfil their functions. An efficient seaport therefore, requires, besides infrastructure, superstructure and equipment, adequate connections to other transport modes, a motivated management and sufficiently qualified employees".

MODELS FOR PORT RESTRUCTURING

There are basically three types of port operating structures:

1. Service ports
2. Tool ports
3. Landlord ports

Service Port

The Port Authority provides all commercial services to ships and cargo, owns and operates every port asset, and fulfils all regulatory functions; the Service Port Authority can be either a public entity, as used to be in former socialist countries, and in Singapore, or a private one, as is the case in Felixstowe (United Kingdom), or Hong Kong. Since both Singapore and Hong Kong are Port restructuring in India 5 Sundar outstanding references as far as productivity of port services are concerned, this could suggest that to some extent, ownership could be a secondary matter. However, the Service Port experience in former centralized economies clearly demonstrated its shortcomings, and the former Port of Singapore Authority was turned in 1997 into PSA Corporation, a port operating company, while regulatory powers were vested into the newly created Maritime and Port Authority (MPA).

Tool Port

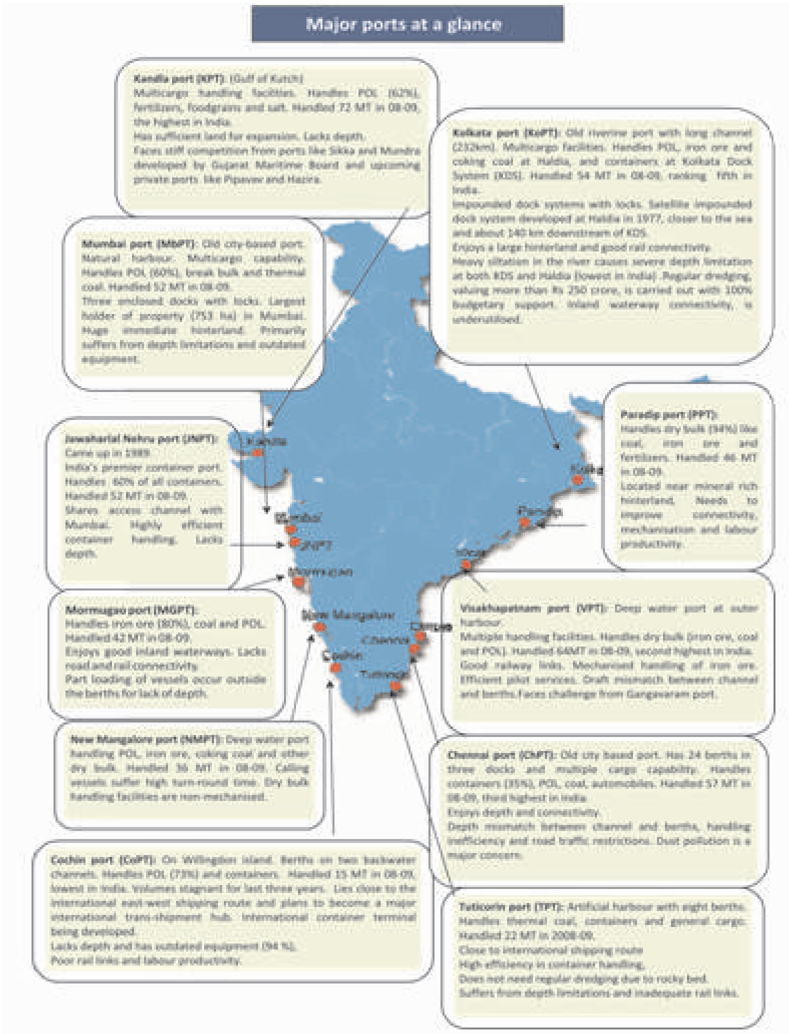
The Port Authority owns the infrastructure, the superstructure and heavy equipment, rents it to operators which carry out commercial operations, and retains all regulatory functions.

Landlord Port

The Port Authority owns the basic infrastructure only, land and access and assets, and leases them out to operators, mostly on a long-term concession basis, while retaining all regulatory functions. Some of the examples of landlord ports are Rotterdam (Netherlands), Buenos Aires (Argentina), or Laem Chabang (Thailand). The Landlord Port and Tool Port Authority are usually public bodies, owning the land and related assets on behalf of the Government, while the commercial operators leasing the facilities or renting the superstructure and equipment are private companies.

Ports in India

India has a coastline spanning 7516.6 kilometres, forming one of the biggest peninsulas in the world The nine coastal Indian states Gujarat, Maharashtra, Goa, Karnataka, Kerala, Tamil Nadu, Andhra Pradesh, Orissa and West Bengal are home to all major and minor ports of India. The long coastline of India forms one of the biggest piece of land into a body of water, these major Indian Ports handle a large volume of cargo traffic and container traffic. The major ports are located at Calcutta/ Haldia, Chennai, Cochin, Ennore, Jawaharlal Nehru Port at Nhava Sheva, Kandla, Mormugao, Mumbai, New Mangalore, Paradip, Tuticorin and Vishakhapatnam.



Regulatory framework in India

Major ports

In India, the major ports are placed under the Union list of the Indian Constitution, and are administered under the Indian Ports Act, 1908 and the Major Port Trust Act, 1963 by the Government of India. Under the Major Port Trust Act, each major port is governed by a Board of Trustees appointed by the Government of India; their composition gives dominance to public enterprises and government departments. The powers of the trustees are limited and they are bound by directions on policy matters and orders from the Government of India.

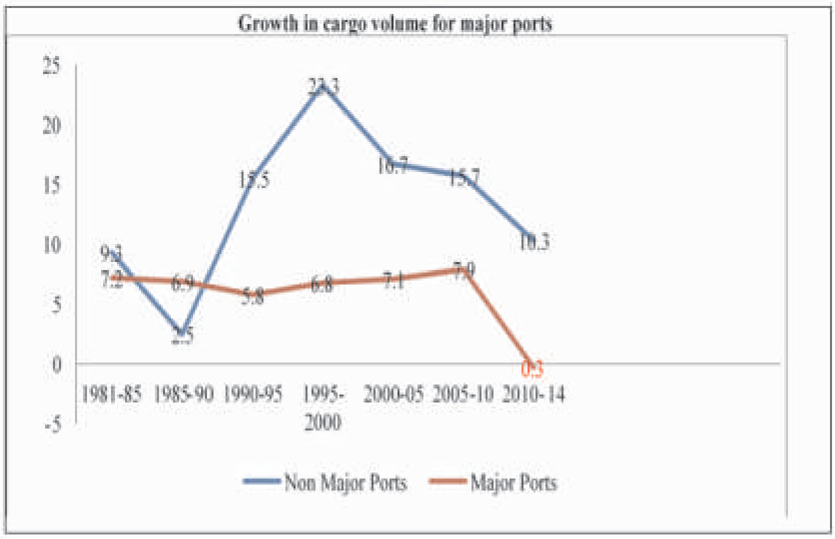
Minor Ports

Minor ports are placed in the Concurrent list of the Constitution and are administered under the Indian ports Act, 1908. The Act defines the jurisdiction of Central and State government over ports. It lays down rules for safety of shipping and conservation of ports. It regulates matters pertaining to the administration of port dues, pilot age fees and other charges. At the State level, the department incharge of ports or the State Maritime board (created through State legislation as in case of Gujarat), is responsible for formulation of water front development policies and plans, regulating and overseeing the management of state ports, attracting private investment in the development of state ports, enforcing environmental protection standards etc. Maritime boards have so far been constituted only in Gujarat, Maharashtra and Tamil Nadu.

Cargo Volumes at Major Ports:

In growth terms, cargo volume at non-major ports has increased in double digit percentage terms for each of the past five -year periods starting since 1990 while for major ports it is growing in single digits. The following figure gives the growth rate of cargo for major ports and non-major ports.

Graph No 1



Source:http://www.moneycontrol.com/news/business/how-can-india-corporatize-its-majorports_1181231.html?utm_source=ref_article

CARGO HANDLING AT MAJOR PORTS:

In cargo handling also the major ports are losing their share to non-major ports. The following table shows the year wise traffic handled at the major and minor ports. The total traffic volumes of non-major ports continued their upward trajectory with 42.89% share in traffic handled at Indian ports in 2013-14, which was only25.08% in 2001-02. The non-major ports had a share of 74.92% in 2001-02 but dropped to 57.11% in 2013-14.

Table 1
Year wise traffic handled at Major and Non-Major Ports

Year					
2001-2002	287.58	96.27	383.85	**74.92**	**25.08**
2002-2003	**313.55**	**105.17**	**418.72**	**74.88**	**25.12**
2003-2004	**344.79**	**120.84**	**465.63**	**74.05**	**25.95**
2004-2005	383.75	137.83	521.58	73.57	26.43
2005-2006	**423.56**	**145.53**	**569.09**	**74.43**	**25.57**
2006-2007	463.78	186.12	649.90	71.36	28.64
2007-2008	519.31	203.62	722.93	71.83	28.17
2008-2009	530.53	213.20	743.73	71.33	28.67
2009-2010	561.09	288.86	849.95	66.01	33.99
2010-2011	570.03	314.85	884.88	64.42	35.58
2011-2012	560.13	353.02	913.15	61.34	38.66
2012-2013	545.79	387.87	933.66	58.45	41.54
2013-2014	555.50	417.13	972.63	57.11	42.89
2014-2015	581.34	470.67	1052.01	55.26	44.74

Source: e-magazine, Nov 2014, Indian Ports Association

According to the data, Cargo traffic at India's 12 major ports during 2012-13 at 545.79 million tonnes declined by 2.6% compared with 560.19 million tonnes handled in 2011-12. ? The year 2012-13 witnessed a drop in total cargo traffic of 2.6% over the preceding year and a shortfall with respect to the target set for 2012-13 by 9.2%. But the year 2014-15 has again shown an improvement.

SWOT ANALYSIS OF INDIA'S PORT TRANSPORT SYSTEM:

1)Strength

Length of coastline of India including the coastlines of Andaman and Nicobar Islands in the Bay of Bengal and Lakshwadweep Islands in the Arabian Sea is 7517 km. Length of Coastline of Indian mainland is 6100 km. Coastline of Indian mainland is surrounded by Arabian Sea in the west, Bay of Bengal in the east, and Indian Ocean in the south. Length of total coastline of India. The long coast line of India is dotted with several major ports such as Kandla, Mumbai, Navasheva, Mangalore, Cochin, Chennai, Tuticorin, Vishakapatnam, and Paradip.

2)Weaknesses

Under Sagarmala Programme, 415 projects, at an estimated investment of approximately ₹7.98500 lakh crore (US$130 billion), have been identified across port modernization & new port development, port connectivity enhancement, port-linked coastal economic zone industrialization and coastal community development for phase wise implementation over the period 2015 to 2035. As per the approved implementation plan of Sagarmala scheme, these projects are to be taken up by the relevant Central Ministries/Agencies and State Governments preferably through private/PPP mode. There is huge Capital crunch India cannot complete Sagarmala Program since it would require 1,428,280 million (US$23 billion or €19 billion).

3)Opportunities

By adding to the number of ports India can expand its foreign trade and wipe the huge trade deficit which is currently 14 billion $. India has chronic trade deficit for last five decades. Building ports will be an economic strategy in the area of international trade.

4)Threats

India has major threat to ports and ships due to terrorist outfits operating from outside For the effective defence of Indian Coastline, a separate force known as Indian Coast Guard was formed on February 1, 1977.

CONCLUSION

Maritime Development in India is slow. For 1000 years we never crossed ocean for trade on account of Indian religious thought forbade us to cross ocean. The Vedic Religion ruled that crossing sea is a sin We are paying a heavy price for the wrong notion our sages had. The offense of crossing the sea is also known as "Samudrolanghana" or "Sagarollanghana". The Boudhayana Dharma sutra (II.1.2.2) lists sea voyages as first of the offences that cause the loss of varna. The Dharma Sutra suggests a person can wipe away this offense in three years by eating little at every fourth meal time; bathing at dawn, noon and dusk; standing during the day; and seated during the night. The reasons behind the proscription include the inability to carry out the daily rituals of traditional Hindu life and the sin of contact with the characterless, uncivilized human beings of the foreign lands to whom our scriptures described as “Mlenchha”

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