

GOVERNMENT OF KARNATAKA MINOR PORTS DEVELOPMENT POLICY

1. SHORT TITLE

This policy is called the “**Karnataka Minor Ports Development Policy of 2014**”

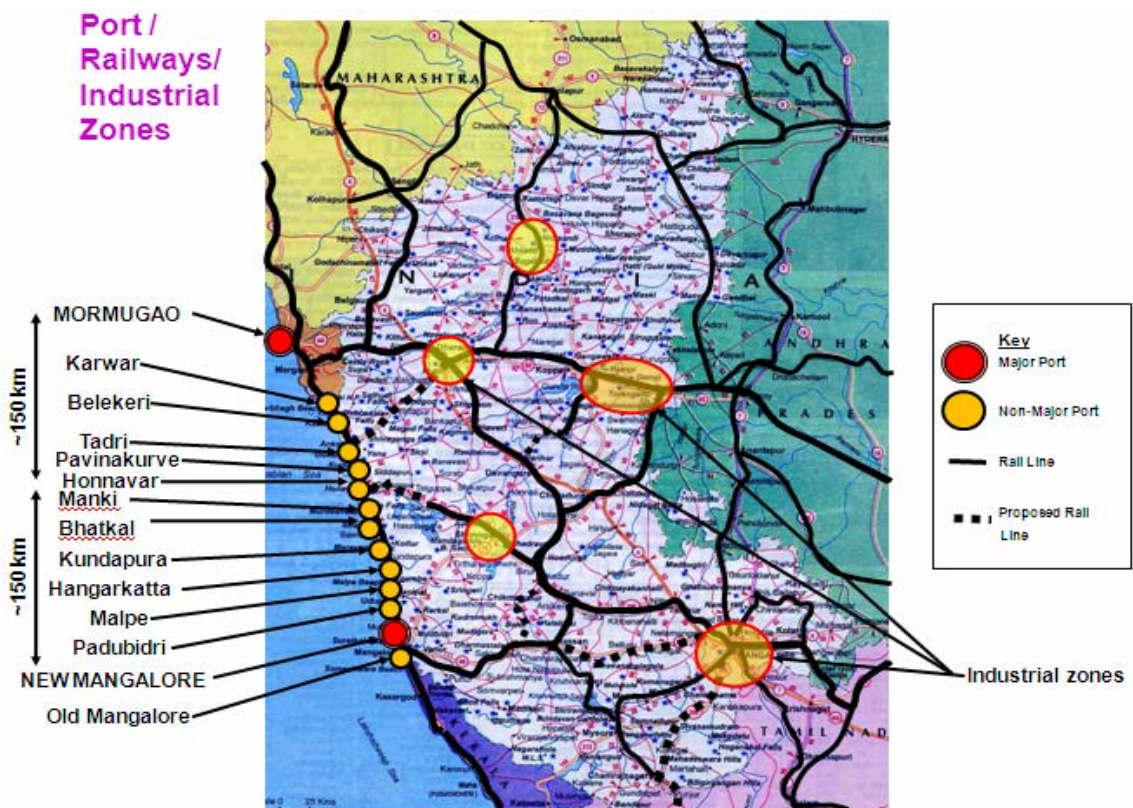
2. INTRODUCTION. -

2.1. Karnataka State

Karnataka has been a pioneer state in industry and has a distinction of building a strong and vibrant Industrial base, which combines the strengths of the large public sector, large and medium privately owned industries and a very wide and dispersed small scale sector. In more recent times Karnataka has emerged as the knowledge and technical capital of the country.

Karnataka is targeting an impressive industrial growth and there has been an increased emphasis on the expansion and growth in infrastructure sectors. The prospects of rapid growth in infrastructure sectors is driven by two factors – (1) sustainable economic growth is contingent upon the support of strong infrastructure development and (2) the Government’s thrust on private sector participation in development of these sectors. Since ports are the trade gateways for a state, their ability to meet the increasing demands of a rapidly growing economy is crucial for addressing the rising import and export traffic. Several Industries are importing large quantities of raw materials and exporting finished products, to carry out these activities several major industries presently depend on the ports of adjoining states.

The Karnataka State has a maritime coastline of 155 nautical miles (300 Kilometers), studded with twelve Minor Ports from Karwar in the North to Mangalore in the south, situated in the three Coastal Districts of Uttara Kannada, Udupi and Dakshina Kannada. The twelve minor ports of the State from the North to the South are Karwar, Belekeri, Tadri, Pavinakurve, Honnavar, Manki, Bhatkal, Kundapur, Hangarkatta, Malpe, Padubidri & Old Mangalore Port. [A map showing the locations of above mentioned ports is indicated below]. Out of these twelve ports, Karwar is the only All Weather Port while the other eleven minor ports are the reverine lighterage ports. Some of the Salient features of these ports are mentioned below.



2.2. Maritime History.

The Karnataka Coast is also known as the Malabar Coast. It is endowed with a coastline of about 300 km, by the Arabian Sea, along the Western Ghats. Throughout recorded history, right from 3000 BC, had been a major trading center in commercial intercourse with Mesopotamia, Egypt, Greece, Rome, Jerusalem and the Arabs. Shivappa Nayaka (1645-60), a great soldier and statesman ousted the Portuguese, of their possessions on the West Coast, namely Mangalore, Honnavar and Basrur. He reformed the land revenue system, and it is renowned as 'Sisthu'. He helped reclamation of land on a large scale. Keladi enjoyed a rich overseas trade, especially in spices, textiles and rice. In the later stages Tippu Sultan used Mangalore port extensively for his foreign trade activities.

2.3. Location.

The Karnataka State is situated between Latitude 12°45'25' to 14° 54'00" N. It is situated in the south west of India on the Deccan plateau and ensures a salubrious climate in most part of the state. It is the eighth largest state in the country, covering an area of 1,91,791 sq. km. which is 6.3% of total area of the country. The state is divided into four revenue divisions with 30 districts comprising 176 taluks. The state has an average rainfall about 1100 mm annually, mostly through the south – west monsoon.

2.4. Karnataka as an emerging industrial giant.

Today, Karnataka has emerged as one of the leading industrialized state in India. In line with economic, trade and industrial reforms,

initiated by the Government of India, Karnataka has taken several steps to attract and activate global investment in economic activities including that in infrastructure apart from IT sector. The Karnataka Vision 2020 document envisages Industrial growth of 9% per annum and is today experiencing substantial interest by local, national, international and multinational investments in various sectors, more particularly in IT sector, automobiles, heavy engineering, electronics hardware, iron & steel, power and other mineral processing etc.

2.5 Strategic Advantages

Apart from the location advantage, Karnataka has mineral reserves which have given birth to many metal based industries and power sector. Apart from that, there is potential to access to the import of raw materials through its ports which has largely been ignored so far. To support the industrial activity state has vast pool of educated, skilled and unskilled manpower. Also policy environment of the state has many attractive propositions for various sectors and industries

2.6. Logic of Location.

Karnataka has a matured industrial climate and culture. It has easy access to the import of raw materials through its ports and sea routes, which is economical for the industries in its vast hinterland, which is a huge reservoir of skilled and unskilled manpower, with a relatively cheaper labour and stable Government, committed to progress and development.

2.7. Karnataka Ports and need to improve / develop port facilities.

The Indian Ports handled about 934 million tonnes of cargo in FY 2012-13. About 38 Million tonnes of this cargo was handled by ports in Karnataka and the Lion share of this cargo (37 Million tons) was handled by the only major port at Mangalore.

Indian Non Major Ports handled about 388 Million tons of Cargo in FY 2012-13, Gujarat's Non Major ports handled about 288 Million tons (74%) and Karnataka's Non Major Ports handled about 1 Million ton (0.1%) There are twelve non-major ports at Karwar, Belikeri, Tadri, Pavinakurve, Honnavar, Manki, Bhatkal, Kundapura, Hangarakata, Malpe, padubidri and Old Mangalore. The state of the non-major ports with the exception of Karwar is not very encouraging as they lack adequate infrastructure facilities and connectivity. **Therefore majority of the Karnataka's cargo is being exported / imported by the ports of neighboring states.**

This lack of development in ports has caused limited development of agro based and other industries. This in turn has caused the socio-economic development to be dependent on services sector (largely IT) and the broad based development did not happen.

3 PRESENT STATUS OF KARNATAKA PORTS. –

Along the approximate 300 Kms length of Coast line in Karnataka, there are 13 ports – 12 Minor and 1 Major port.

(i) KARWAR PORT:-

Karwar Port is situated at the northern extremity of the Karnataka coast is about 100 Kilometers south of Mormugoa Port on the southern side of the Kali River and caters to the requirement of about 2.00 lakh sq. Kms. of hinterland. At present, this port has been

developed as an all weather port in the Karwar bay with 355 mtr. quay length which can accommodate two ships. The port has other matching infrastructure facilities.

Salient Features:-

- Location : Latitude 14° 48` N, Longitude 74° 07` E.
- Konkan Railway Line, NH 17 pass very close and linkage of Hubli – Ankola Railway line is under progress.
- One of the best all weather natural minor port.
- Catering to the requirement of about 2 lakh Sq. Km. Hinterland covering 3 states.

(ii) BELEKERI PORT:-

This port is located 26 Kms south of Karwar on the bank of Hattikeri River and is a fair weather lighterage port and is open to traffic for about 8 fair weather months. This port has got a vast stacking area, good network of roads. A number of Shipping agencies have taken interest to upgrade the port by developing their own Infrastructure to handle export of mineral ore through the Port and Government has allotted lands on lease basis.

Salient Features:-

- Location : Latitude 14° 42-50` N, Longitude 74° 16` E.
- Vast stacking area and good network of roads.
- Konkan Railway, Broad Guage Line, NH - 17, NH - 63 passing very close and linkage of Hubli – Ankola Railway line is under progress.

(iii) TADRI PORT:-

This port is situated in the estuary of the Aghanashini River and is about 25 kms. south of Belekeri Port. The backwater of the river Aghanashini has got vast water front at this port. Konkan Railway line and NH – 17 pass very close to the port area. Also NH – 63 and

proposed Hubli – Ankola Railway line Honnavar Tumkur NH – 206 are added infrastructural facilities for all-round development of Tadri port. Vast area of about 1850 acres has already been acquired by the State Government and is available for development of this port. Tadri port has got an effective hinterland of about 2,000 Sq.Kms comprising of Central and Northern parts of Karnataka and some parts of Andhra Pradesh, which are rich in large deposits of Minerals, Forests, Agricultural and Marine wealth.

Salient Features:-

- Location : Latitude 14° 31.5` N, Longitude 74° 21.50` E.
- Vast stacking area and scope to develop with modern infrastructural facilities.
- Konkan Railway Line, NH - 17 pass very close and linkage of Hubli – Ankola Railway line is under progress.

(iv) PAVINAKURVE

This is newly declared port and is located near Pavinakurve village of Honnavar taluk. The shore line are sandy and erosions move southwards towards the Sharavathi river inlet. An Island called ‘Basavarajadurga’ is also located near the shoreline which helps in trapping of sand. This island provides protection to the shoreline intending to be used for the port.

Salient Features:-

- Location : Latitude 14° 22’30” North, Longitude 74° 24.30’ East.

(v) HONNAVAR PORT:-

This port is located on the Right Bank of the Sharavathi river and at present is functioning as a fair weather lighterage port situated at about 25 Kms South of Tadri Port. This port has a good highway

connection to the hinterland as well as the Konkan Railway connection.

Salient Features:-

- Location : Latitude $14^{\circ} 16.30' N$, Longitude $74^{\circ} 27.10' E$.
- Bordered by Hills and Forests on landside.
- Konkan Railway Line, NH 17 pass very close to the port.

(vi) MANKI PORT :-

This port is a captive port located between Honnavar and Bhatkal, presently this port is given on lease basis to Renuka sugars.

- Location : Latitude $14^{\circ} 13' North$ Longitude $74^{\circ} 27'$.

(vii) BHATKAL PORT:-

This is a well – protected port on the bank of Bhatkal River. Presently fishing vessels are utilizing the facilities of this port. This port is located at a distance of about 35 Kms South of Honnavar Port.

Salient Features:-

- Location : Latitude $13^{\circ} 58' N$, Longitude $74^{\circ} 32' E$.
- Bordered on the land side by hills.
- Konkan Railway Line, NH 17 pass very close to the port.

(viii) KUNDAPUR PORT:-

This port is located on the Right Bank of the Pancha Gangoli Rivers. The estuary formed by these groups of rivers has got a vast water spread.

Salient Features:-

- Location : Latitude $13^{\circ} 38' N$, Longitude $74^{\circ} 40.50' E$.
- Konkan Railway Line, NH 17 pass very close to the port.

(ix) HUNGARKATTA PORT:-

This port is located on the Right Bank of Sita and Swarna Rivers situated at the distance of about 18 Kms South of Gangolli.

Salient Features:-

- Location : Latitude 13° 27` N, Longitude 74° 42` E.
- Konkan Railway Line and NH 17 pass very close to the port.

(x) MALPE PORT:-

This port of Malpe is located at the estuary of Udhyavar river in Udupi District and situated at a distance of about 10 Kms south of Hungarkatta Port. Malpe is a major fishing harbour, which has been provided with breakwaters for making it a safe harbour.

Salient Features:-

- Location : Latitude 13° 21` N and Longitude 74° 42.5` E.
- Konkan Railway Line and NH 17 pass very close to the port.

(xi) PADUBIDRI PORT:-

This port is located in the North of Mulki River situated at distance of 20 Kms South of Malpe Port.

Salient Features:-

- Location : Latitude 13° 06` N, Longitude 74° 46` E.
- Konkan Railway Line and NH 17 pass very close to the port.

(xii) OLD MANGALORE PORT:-

This port is situated on the confluence of Netravati and Gurupur rivers and is approximately 30 Km south of the Padubidri Port and Kms South of New Mangalore Port. The port at present is a lighterage port with along side berthing facilities for coastal vessels drawing a draft not exceeding 4.5 m and functional only during the fair weather season from September to May.

Salient Features:-

- Location : Latitude 12° 52` N, Longitude 70° 51` E.
- Konkan Railway Line and NH 17 pass very close to the port.
- Linked by Air also.

In addition to the above, the New Mangalore Port is also situated in the State of Karnataka which is the Gateway for the import and export of the state's various commodities. The New Mangalore Port is located at Panambur on the West Coast of India, about 170 nautical miles south of Mormugoa Port and 190 nautical miles north of Cochin Port. The New Mangalore Port was declared the ninth Major Port of India, on 4th May 1974 and was formally inaugurated on 11th January 1975. A Port Trust Board was formed under the Major Port Trust Act on 1st April 1980. Since then, the port has been functioning as one of the Major Ports in India.

3.1 The Karnataka Maritime Board.

The Government of Karnataka has already initiated process to formulate "Karnataka Maritime Board" (KMB) as an overarching institution to cater to the long term development of ports in state. The Karnataka Maritime Bill, 2011 which was passed by the both houses of the Legislature and submitted for assent of the President of India. The main objective of the Bill is for rapid Development and Management of Ports, Inland Water Ways and the Coastal region in the State. It would act as the nodal agency to co-ordinate and implement the Minor Port Development Policy of the Government once the bill becomes an Act.

Till such time the Board becomes operational, the Department of Public Works, Ports and I.W.T, Government of Karnataka, will act as a Nodal Agency for implementation of this Policy.

3.2 Emerging economic Potential of Ports.

The Government of Karnataka are convinced that there is vast scope to improve the productivity of these ports by which the ever growing volumes at the minor ports and dedicated captive jetties / ports could be handled and

revenue improved. Apart from handling cargo, coastal passenger traffic could also be effectively and economically handled which could decongest the highways. In view of long coastal line, leisure and water sport activities could also be introduced which can attract tourists both from within and outside the country.

3.3 Development of Ports.

Due to increasing growth of industries and their need, it is essential that the developments of infrastructures to meet such industrial needs are put in place at the appropriate time. India, being a peninsular country, has a lot to gain out of Maritime trade and hence it needs to develop the ports to meet these requirements. The policy hitherto followed for such development is inadequate and is inconsistent with the industrial growth in the State. Few ports are fair weather ports, open to traffic for most part of the year. The draft in these ports, adjacent bay and channel though not uniformly of 8 - 9 metres can be made so with dredging. Construction of breakwater and dredging would be necessary to turn these ports into all weather ports.

3.4 Funding Pattern.

The Government of Karnataka have, under the above mentioned circumstances and in order to meet the growing demands of Industry, trade and commerce, realised the need to involve private investments in development of these minor ports. Techno-economic feasibility studies have to be initiated to properly assess the potential of these minor ports. The Government of Karnataka is of the view that the potential of these ports should be jointly developed through Private Participation.

4. DEFINITIONS: -In this policy, unless the context otherwise requires, -

- 'all weather port' means port which can function during all seasons;
- 'anchor user industry' means the prime industry, which uses the port for its import and export,;
- 'berth' means alongside facility such as wharf, quay, jetty etc., for berthing the vessel;
- 'berthing dues' means charges levied for using the berth;
- 'breakwater' means strong structural material construction intended to break the force of the sea waves;
- 'captive cargo' means cargo, which are meant for the exclusive use of the port promoter;
- 'captive jetty' means artificial structure into the sea constructed by the promoter for handling exclusively his own cargo;
- 'captive port' means port created by a promoter for handling captive cargo;
- 'coastal shipping' means movement of cargoes by ship between ports of the same country;
- 'commercial port' means a port where all the cargoes including captive and commercial are handled;
- 'dock ' means an enclosed place near a harbour or river where ships can berth to load and unload;
- 'government' means the State of Government of Karnataka.
- 'hinterland' means part of the industrial area behind or in the environs of a seaport;
- 'jetty' means artificial structure into the sea enabling passage of passengers and cargoes to and from the vessel;
- 'landing dues' means dues levied on the landed cargo;

- 'lighterage' means the provision of barge service for the transport of goods from ship to the shore and vice-versa;
- 'navigational equipment' means the guiding aids for navigation such as lights, buoys etc provided in accordance with international rules;
- 'nodal agency' means the Department of Public Works, Ports & I.W.T, GoK.
- 'piloting' means the act carried out by a qualified pilot to navigate the vessel when entering or leaving a port;
- 'ports' under this policy means such minor ports declared by Government of Karnataka under clause (a) of sub-section (1) of section 4 of the Indian Ports Act, 1908 (Central Act XV of 1908);
- 'port dues' means dues levied on the Gross Registered Tonnage of the vessels entering into port limit;
- 'port operator' means the individual or group or the company or their authorised agency that develops or promotes and / or operates the port;
- 'port user' means the individual or group or the company or their authorised agency who uses the services of the port;
- 'quay' means a dock within a port where cargo is imported or exported;
- 'Ro-Ro service' means conveying of wheeled cargo being driven on or off ship via a ramp. Explanation.- "Ro-Ro" is an abbreviation of roll-on / roll-off;
- 'schedule of rates' means schedule detailing the various dues such as port dues, landing and shipping dues, license fee, ground rent, shed rent, waterfront charges, vehicle entry fee, weigh bridge charges, hire charges, bunkering charges, bar channel fee, harbor craft fee, pilotage dues, berthing dues etc., and the rate at which they are levied;
- 'ship waiting time' means the time spent for a berth;
- 'shipping dues' means dues levied on the shipped cargo;

- 'transshipment port' means the port meant for transfer of goods from one ship to another;
- 'tug boats' means craft to give assistance to ship;
- 'turn around time' means the time spent by a ship between arrival and departure from port;
- 'turning circle' means that portion of navigational channel of a port where a ship is permitted to turn as part of berthing or unberthing operations;
- 'waterfront' means coastline;
- 'wharf' means a construction in a harbor or on the banks of inland water for berthing of a ship.

5. OBJECTIVES. -

1 Objectives of minor port policy.

- (i) To increase the share of Karnataka State in the Export and Import sector, in National and International Trade and Commerce, in the post-liberalisation and globalization era;
- (ii) To cater to the needs of increasing traffic of Karnataka and its neighboring States by providing efficient facilities and services and to support the country's domestic and international trade;
- (iii) To create sufficient infrastructure facilities by both Government and Private efforts to handle 5 - 10% of India's total cargo in Karnataka Maritime waters in the days to come.
- (iv) To provide port facilities to promote export oriented industries and port based industries in the coastal districts of Karnataka and its hinterland.
- (v) To promote port based thermal power plants by providing exclusive port facilities to import different kinds of fuels.

- (vi) To decongest highways by providing facilities for coastal shipping of passengers and cargo traffic along the West Coast of nearly 300 Kms;
- (vii) To promote tourism by providing facilities for leisure and water sports activities along the coast line;
- (viii) To provide facilities to encourage ship building, repairing, breaking and manufacture of cranes and floating crafts;
- (ix) To facilitate optimum utilization of the port infrastructure developed in the State.
- (x) To enhance the potential of ports, with Public and Private Participation.

6. POLICY AND OPERATIONAL STRATEGY. –

6.1 Private participation.

With a view to create multi user facilities capable of handling all types of cargo like bulk, break bulk, containers, petroleum products, chemicals etc., the Government of Karnataka have decided to develop all the minor ports in the State through Public-Private Participation / captive route.

6.2 Flexible approach.

The private participation in the construction / development of ports/ jetties and improvement of the existing minor ports or the facilities of the existing minor ports will be encouraged, and each proposal will be considered on its own merits as per the new port policy. The thrust of the policy will be to encourage effective private participation and speedy implementation of the projects.

6.3 Institutional Co-ordination.

The Government of Karnataka have already established a separate Ports and I.W.T Department which will be the nodal agency to co-ordinate and

implement the port development policy till Karnataka Maritime Board is established. The Department will have the benefit of the experts from the fields of shipping, port construction etc. The Department is responsible for operational and functioning of Minor ports in Karnataka and has the responsibility of developing the ports.

7. CAPTIVE PORTS

Licensing of Captive Ports.

- 7.1 In order to satisfy the requirements of port based industries for allocation of sites for construction of captive ports and to create the port facilities, the Government of Karnataka have decided to allow private participation. The Nodal Agency will identify and make brief pre-feasibility study of the ports that can be offered for captive purpose.
- 7.2 The Private / Public Limited Companies intended to invest in the state requiring port based facilities will be allotted sites for construction of Ports / jetties, both for captive and captive cum commercial purposes through competitive bidding.
- 7.3 To take care of the increasing cargo traffic, and to facilitate optimum usage of port facilities, captive ports coming up in the future will be permitted to handle other commercial cargo as well, with the prior approval of Government of Karnataka.
- 7.4 A captive port handling only the captive cargo will be permitted on the principles of Build, Own and Operate and transfer, (hereinafter referred to as “BOOT”);

- 7.5 If the captive port handles third party commercial cargo, it will be permitted on priority basis on the principles of Build, Own, Operate, Share and transfer (hereinafter referred to as “BOOST”);
- 7.6 A captive port, which handles third party commercial cargo, but ceases to handle the captive cargo after some time, the operation of the port will be on the principles of Build, Own, Operate, Share and transfer (hereinafter referred to as “BOOST”) for the remainder of the period (Commercial Operation period) within the maximum period of 30 years;
- 7.7 The land and site for port and facilities will be leased out for a period of 30 years with a provision of further renewal for the appropriate period at the discretion of Government of Karnataka at a mutually acceptable terms and conditions
- 7.8 The entire construction of the captive port and the port facilities will be permitted on the principle of “BOOT” in which the dues on the captive cargo shall be on the basis of schedule of rates fixed by the Government from time to time.
- 7.9 If a captive port is permitted to handle multi user specific and multi-commercial cargoes along with captive cargo, it will be on the Principle of “BOOST” basis; in which case the dues on the captive cargo shall be on the basis of schedule of rates fixed by the Government from time to time and the dues on the multi user-specific and multi-commercial cargoes shall be on the basis of revenue share under the “BOOST”. However, Government of Karnataka shall have the option, either to collect the dues as per schedule of rates or to receive the share of revenue under “BOOST”, whichever is beneficial to the Government of Karnataka.

7.10 The construction, repair, maintenance, management of the facilities etc., will be the sole responsibility of the developer / promoter;

8 Procedure for Licensing

The Procedure for allotment of captive ports would be as under;

8.1 The Nodal Agency will invite the competitive bids for development of captive ports and the Private Parties who require captive port facilities, need to participate in the bidding process.

8.2 **The criteria to select the parties:**

- Profile of the company
- Justification for the captive use of the port,
- Related experience of the company in the captive industry,
- Financial performance of the company for the last three years,
- The proposed activity using the port and the proposed investment.
- Maximum handling capacity.
- Minimum guaranteed through put (MGT) in terms of Metric tons.
- Weightage will be given to the private parties having manufacturing industries located in Karnataka.

The bid document shall be developed by the Nodal Agency indicating the above criteria and other standard guidelines.

8.3 The Nodal Agency will process the bids and select the party as per the criteria indicated in the bid document and issue in principle approval to setup the port.

8.4 On Obtaining the In-principle approval the company will be expected to prepare the Techno Economic Feasibility Report (TEFR) within 120 days, which should contain the Bathymetry Survey report, Environment aspects as per MOEF guidelines, covering nearby water

bodies, estuaries, heritage or Archeological sites, eco sensitive areas, lighthouse etc., identifying port limits, identifying the coastal habitation lying within the port limits, identifying the layout of the proposed port facilities, water front requirement with proper justification.

- 8.5 On receipt of the TEFRR, the Government would analyze the details and if satisfied, it will notify/modify the port limits.
- 8.6 Upon notification of the port limits, the Government will issue the final approval and Government Coastal land within the port limits will be allotted to the company on a 30 years lease and the company thereafter will be permitted to undertake necessary site investigations required for preparing the Detailed Project Report (DPR) containing Topographic Survey, Soil investigation, Shallow Seismic survey, Seabed investigations by side scan survey, Feasibility Study on Lighterage / Deep Sea operation (if required), Wave Transformation Study, Wave Tranquility Study, Shoreline Evaluation, Dredging and disposal of dredged materials, Studies on sea water intake and outfall (if required), EIA and EMP, along with the consent from State Pollution Control Board, approval from MOEF, New Delhi, and approval of CRZ etc.
- 8.7 In case the company requires additional adjoining private land for port development purpose, the company may purchase the same at their cost and as per the provisions of the Prevailing Land Policy, Karnataka Land Revenue Act 1964 and Karnataka Land Reforms Act 1974. However the Government will facilitate in the proposes of land acquisition if any.
- 8.8 The company is expected to submit the Detailed Project Report for the project within six months of signing of the agreement. The Nodal

Agency shall approve the DPR within a period of two months. However, the financial closure shall be achieved within one year from the date of the agreement and commence port construction activities within three months from the date of the financial closure and commission the project within 3 years from the date of commencement of port construction activities. If the project is not completed within the specified time by the developer, the allotted land will be withdrawn by the nodal agency with the prior approval of the Government.

- 8.9 The mode of transfer of project assets at the end of the agreement period will be detailed in the respective concession agreement / lease agreement.

9. COMMERCIAL PORTS:

Licensing of Commercial Ports.

The minor ports (both existing and upcoming) will be offered for development through private sector participation.

- 9.1 For the selection of promoters for the ports identified for commercial developments, bids would be initially invited for the selection of suitable promoters on a competitive basis and they will be selected **as per technical and financial evaluation keeping in view** the guidelines issued or to be issued by the DEA/Planning Commission, GOI for selection of concessionaire under PPP. In case of development of new ports, the bids will be invited after notifying the port limits.

Procedure for selection:

- The main criteria considered for technical evaluation are company's profile, annual turnover, land requirement, project cost, funding capacity, asset / infrastructure creation, port modernization, maximum handling capacity and minimum guaranteed throughput (MGT) in terms of Metric Tons.
- The main criteria for financial evaluation is 'maximum revenue share' to be offered to Government or any other criteria to be indicated in notification.
- Only such companies who qualify in technical bids will be considered for financial evaluation.
- Bid document will be developed by the nodal agency for inviting the bids.

9.2 In cases where suitable offers are not forthcoming as under para 9.1 above, development of such ports will be done through joint venture with Government agencies including Public Sector Undertakings of Government of Karnataka. The JV partner shall be selected on competitive bidding basis keeping in view the guidelines on establishing JV in infrastructure sectors of Planning Commission / GOI.

Minimum requirements to be fulfilled.

- I. A Minimum investment of Rs.1000 crores is made in Port infrastructure over a period of five years. Such investment will be for the following items:-
 - Construction of breakwaters.
 - Capital dredging of approach channel.

- Capital dredging of Water basin inside breakwaters; turning circle and dock arms/ channels.
 - Construction of Berths and Jetties.
 - Reclamation of land
 - Construction of stockyards, roads, buildings and other port related facilities.
 - Navigational equipments including tug boats and service vessels.
 - Port handling equipments including topside facilities of berths/ jetties, pipelines and tank farms.
 - Rail / road connectivity inside the port area or upto the nearby location shall always be the part of the project.
 - Utilities including distribution networks, sewerage/ waste handling equipments / facilities, storage and ware housing and amenities;
- II. A Special Purpose Company (hereinafter referred to as “the Port Company”) that may be formed to implement and operate the minor port can be a Joint Venture between the Promoters or a consortium of promoters and Government Agencies including Corporations / Boards of Government of Karnataka and other Government of Karnataka Enterprises;
- III. The aggregate investment by such Government Agencies including Public sector Corporations / Boards of Government of Karnataka and other Government of Karnataka Enterprises in the equity of the Port Company will be up to 11% of the total equity;
- IV. The port company may also include the anchor user industries / projects as its stakeholders. Such Anchor Industrial projects

- should have achieved financial closures for the respective projects prior to the Port Company's financial closure;
- V. Aggregate investments of anchor Industries / projects should be at least Rs.2000 Crores over a period of five years;
 - VI. The total investment in the port infrastructure and the Anchor user industries / projects should thus be at least Rs.3000 Crores over a period of five years;
 - VII. Port company will obtain commitments from the Anchor user industries / Projects for handling minimum of 50% of the total cargo that may be required by such Anchor user Industries / projects through the proposed port;
 - VIII. The lands for the Port backup area will be procured / reclaimed by the Port Company and by its nominated agencies. As per the provisions of prevailing land policy. Such lands may also include those transferred by Government and or its agencies to the port company on lease basis;
 - IX. The right to construct and operate the Port will be on nonexclusive basis;
- 9.3 The entire project will be on the principle of Build, Own, Operate, Share and Transfer (BOOST);
- 9.4 The period of lease will be initially for 30 years with a provision for further renewal as decided by the Government at mutually acceptable terms and conditions;
- 9.5 The lease period for more than 30 years could be considered unless otherwise required as per financial analysis of the project or for projects which entail sizable capital investment on account of site specific marine conditions and backup infrastructure such as road, rail linkages and which are either part of special economic zones

(SEZs) / Petroleum, Chemicals and Petro-chemicals Investment Regions (PCPIRs) and or included as anchor entities of such SEZs and PCPIRs developed as per the Acts / Rules of Government of India and Government of Karnataka;

- 9.6 Government shall have the option, either to collect the dues as per the schedule of rates or to receive the share of revenue under BOOST, whichever is beneficial to Government;
- 9.7 If the project is not completed within the stipulated time as enunciated in the Concession / lease Agreement / TOR, the allotted land will be withdrawn by the nodal agency with the prior approval of the Government. The mode of transfer of project assets at the end of the agreement period will be detailed in the respective concession / lease agreement / TOR.
- 9.8 The company entrusted with the development of port will raise the required capital for the development of the port, create all facilities in the port, maintain and operate the port;
- 9.9 Where the Government do not participate in the equity, they will nominate one Director on the Board of Directors and in other cases two or more as may be decided by the government in respect of each such project;
- 9.10 The expenditure for the construction of one primary road leading to the port will be shared equally between the developer / promoter and the Government. However, any construction / development cost within the port area shall be borne by the developer / promoter;

9.11 The port developer is responsible for establishing the facilities and running the port under the International Ships and Port facility Security Code (ISPS) and would therefore be responsible for all the activities relating to the port waters;

9.12 Apart from handling cargo, the port may construct and provide facilities for passenger water transport and leisure cum water sports activities. In such cases, the Government of Karnataka shall have a right to fix tariff and recover dues as applicable and as approved by Government.

9.13 **COLLECTION OF LEVIES, DUES, ETC.** The following table indicates the Parties who shall levy, collect, pay and appropriate the dues / charges in connection with the Port services.

Sl. No	Nature of Activity	Levied and Collected by	Payable by	Appropriated by
1	Captive Port handling only Captive Cargo Dues Collectable : Dues at the rates to be fixed by the Government from time to time on various items.	Government of Karnataka	Port User / Operator	Government of Karnataka:
2	Captive Port handling both Captive & Commercial Cargo also			
2(a)	For the Captive Cargo only Dues Collectable : Dues at the rates to be fixed by the Government from time to time on various items.	Government of Karnataka	Port User / Operator	Government of Karnataka
2(b)	For the Commercial Cargo : Dues Collectable : Tariff as fixed by the Port Operator on various items.	Port Operator	Port User	Government of Karnataka: Dues at the rates to be fixed by the Government from time to time on various items or share of revenue whichever is beneficial to Government B. Port Operator: Balance Revenue
3	Commercial Port : Dues Collectable : Tariff as fixed by the Port Operator on various items.	Port Operator	Port User	Government of Karnataka: Dues at the rates to be fixed by the Government from time to time on various items or share of revenue whichever is beneficial to Government

10. Explanation. -

A. Captive Ports

(i) Captive Ports handling only the captive cargo.

Levy and payment shall be as per the schedule of rates as approved by the Government of Karnataka from time to time.

(ii) Captive Ports handling both captive and commercial cargo.

(a) In respect of the captive cargo alone, levy and payment shall be as per the schedule of rates as approved by the Government of Karnataka.

(b) In respect of other commercial cargo, levy and payment shall be as per the schedule of rates as approved by the Government of Karnataka or the share of revenue in accordance with the concession Agreement under BOOST, whichever is beneficial to the Government.

B. Commercial Ports

Levy and payment shall be as per the schedule of rates as approved by the Government of Karnataka or the share of revenue in accordance with the concession Agreement under BOOST whichever is beneficial to the Government.

C. Assessment of Cargo quantity

All landing and shipping dues shall be payable based on the quantity as stated in the customs cargo manifest.

11. Corporate Social Responsibility and Security to Ports:-

- The Developer has to provide one job per family to the land looser if private land is acquired for development.
- Passenger jetties to be provided wherever required.
- Encourage fishing activities.

- The security to the port is the responsibility of the developer. Also the developer has to make provision to berth patrol crafts of the security agencies viz., coast guard, coastal security, navy and customs.

12. DEVELOPMENT OF NEW PORTS: –

The State level committee headed by the Chief Secretary to Government of Karnataka along with other concerned officers as members will be formed for the overall development of all existing minor ports in the State on priority basis and also new ports. Development of commercial ports will be given preference over captive ports.

12.1 General guidelines for modernisation of Services.

In order to attract private sector participation in modernisation of port services, the Government encourages for the following. –

- (a) To privatise the incomplete works of wharf / jetty / quay of K.P.W, P & I.W.T;
- (b) To permit private companies to install modern mechanical handling equipment on the existing wharf/jetty/quay; and
- (c) To encourage the parties making investments in these locations with suitable concessions.

12.2 Services for private participation.

1. With a view to increase the efficiency of cargo handling, the Government also decide to open up the following port services for private participation. –
 - (a) Lighterage or cargo handling services.

- (b) Dredging.
 - (c) Piloting.
 - (d) Tug towing service.
 - (e) Other essential utility service in selected existing minor ports and in all new Ports. However, for use of private barges, the operators will pay the service charges as per existing rate.
2. Government will consider joint ventures in modernization / privatization.

13. INDUSTRIALISATION: -

The major aim of port development in Karnataka is to promote regional development along the coastal line of about 300 Kms. The Government will therefore promote and establish port based industrial estates to facilitate import of raw materials and export of finished products at competitive prices. The Government will encourage setting up of major industries by private sector and offer all necessary infrastructure facilities. The industrial development and port development should go hand in hand and should produce synergic impact on the socioeconomic structure of coastal area in the state.

14. INFRASTRUCTURE DEVELOPMENT. -

The Government being aware of the need for huge investments for development of port sector is committed to establish the complementary infrastructure facilities like roads and railways, open land sites, water and drainage, power and technical training institutes

to back up full fledged development of these ports and hinterland areas.

15. COASTAL SHIPPING :-


15.1 Transshipment Ports.

With the development of new ports with modern handling facilities many of these minor ports are expected to emerge as Transshipment ports for Karnataka and adjoining states and the rest of the country, especially in building up international trade with neighboring and other countries.

15.2 Passenger Services.

Introduction of Ro-Ro Service, and hover craft / catamaran service linking different terminals on the West Coast over 300 Kms. is bound to be not only popular in passenger and cargo transport but also cheaper, safer and quicker. This is bound further to decongest the highways and reduce the pressure on rail and road haulage. It is sure to promote leisure and water sport activities, which will attract both foreign and local tourists. The terminal facilities will be created by Government and such coastal shipping will of course follow the development of these ports and at the ripe time these will also be offered for private participation.

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(T.N. Chikkarayappa) 1/2/14.
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