

Standing Committee Report Summary

The Major Port Authorities Bill, 2016

- The Standing Committee on Transport, Tourism and Culture (Chairperson: Mr. Mukul Roy) submitted its report on the Major Port Authorities Bill, 2016 on July 18, 2017. The Bill repeals the Major Port Trusts Act, 1963. It seeks to provide greater autonomy and flexibility to major ports. Key observations and recommendations of the Committee include:
 - **Change in port governance structure:** Under the 1963 Act, all major ports are managed by the respective Board of Trustees. The Bill provides for the creation of a Board of Major Port Authority for each major port, which will succeed the existing Boards. The Committee noted that the Bill provides the government more flexibility and power to allow private players in the port sector. However, it noted that private players may, in future, take full control over the port activities. It recommended that the Ministry should address stakeholder concerns regarding privatisation of ports. Further, the Ministry must ensure that the administrative, managerial and financial control of the port remains with the Board of Major Port Authority.
 - **Composition of Board:** Other than the Chairperson and deputy Chairperson, other members of the Board of Port Authority will include (i) one member each from the respective state governments, the Defence Ministry, the Customs Department, (ii) three to four independent members, and (iii) one member representing the interests of employees of the Major Port. The Committee noted that employees of the port are important stakeholders and need better representation on the Board. It recommended appointing a minimum of two labour representatives, one of whom should be a serving employee.
 - It also noted that the independent posts can be used to perpetuate certain business interests. It recommended that independent members must be reduced to two and they must be experts in port activities.
 - **Voting powers of the Board:** The Bill provides that all questions that come up before the Board will be decided by a majority of votes of the members present and voting. In case of equal votes, the Chairperson or the person presiding will have a second or casting vote. The Committee recommended deleting this provision
- because it would impact the functional and strategic independence of the Board.
 - **Contracts regarding land:** Under the Act, contracts for the acquisition, sale or lease of immovable property can be for a maximum period of 30 years. The central government prescribes the maximum value for such contracts, and any contract extending that value needs prior approval of the government. The Bill allows the Board to use its property, assets and funds as deemed fit for the development of the major port. In this regard, contracts on sale or lease of immovable property can be for a maximum term of 40 years. Any contract exceeding this time period must get prior approval of the government. The Committee noted that this provision does not provide clarity on the extent of land ownership of the Port Authorities. It recommended retaining the provisions of the Act.
 - **Raising loans:** Under the Bill, the Board can raise loans to meet its capital and working expenditure. It can raise loans from any (i) Indian scheduled bank or financial institution, or (ii) any financial institution outside India that is compliant with all the laws. However, for loans above 50% of its capital reserves, the Board will require prior sanction of the central government. The Committee noted raising loans from private or foreign financial entities may give such entities control over the port management. It recommended that the provision should be amended to ensure that the administrative control of the Port Authority always remains with the government. It also recommended that any loans obtained from entities other than the government must be approved by the central government and RBI, and be notified.
 - **Miscellaneous:** The Committee noted that ports such as Cochin, Visakhapatnam, Mumbai, and Goa handle defence cargo. It recommended that while handing over port related activities to private operators, national security and safety should not be compromised.
 - It also noted that new ports that come up in the vicinity of major ports affect their business and profitability. It recommended that no new ports must be established in the 100 km vicinity of an existing major port, without the authority's permission.

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