

In the current plan period (2007-12), the government projects general cargo handling to grow 7.7 per cent per year and container traffic 17 per cent per year. Total traffic is projected at 1,009 million tonnes by 2012, compared with an estimated 725 million tonnes in FY08. The government projects overall port capacity at 1,500 million tonnes by 2012.

Total investment in ports in the plan period is projected at Rs739.4 billion (US\$18.1 billion), 62 per cent in major ports and 38 per cent in minor ports. Private investment is expected to account for over 70 per cent of the total, an estimated 66 per cent in major ports and 86 per cent in minor ports.

The development of ports and harbours offers attractive opportunities, particularly for private operators and specialised construction firms. The development of port infrastructure is essential to meeting the government's ambitious but lagging development plans for electric power, as well as facilitating a rapidly growing trade in manufactured goods.

The drivers of these opportunities include:

The combination of severe deficiencies in port productivity and a rising demand for seaborne freight services that promises to sustain investment growth in the sector.

An agreed MCA is now in place that fixes the general parameters for future PPP projects, thus reducing uncertainties surrounding contract negotiations and political interference. Both federal and state governments also realise that specialised private operators should be given responsibility for port operations under lease arrangements.

The development of minor ports is encouraging competition among the maritime states, thus ensuring enhanced bargaining power on the part of potential investors. In some cases greenfield projects managed by private developers are feasible.

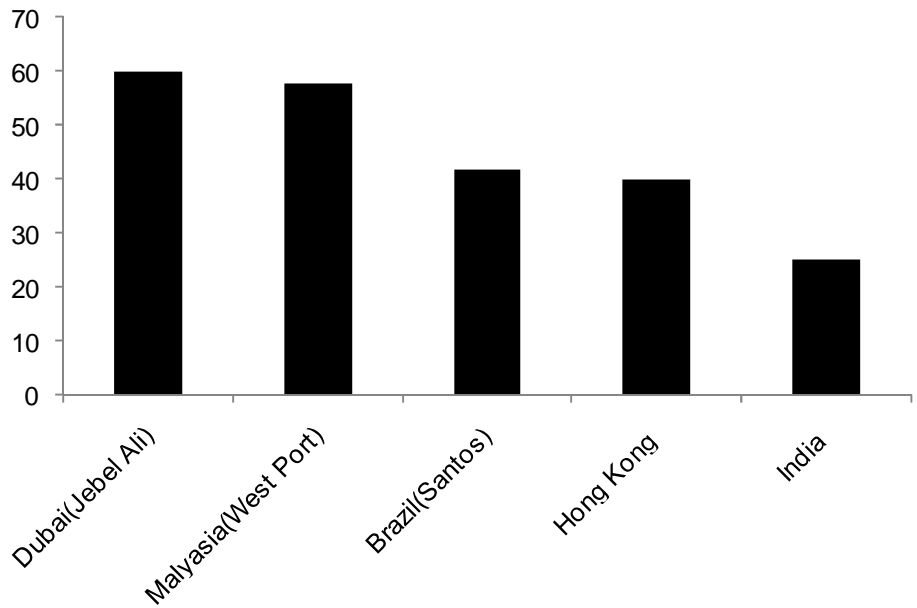
India's perennial land acquisition bottlenecks are less relevant for most direct investments in port upgrading and expansion. In the case of major ports, the land is already in

the possession of port trusts and land required for construction of new berths can be reclaimed from the sea.

Indian ports' performance

By any measure of performance, India's ports fall far behind other ports in Asia. The average turnaround time is 3.6 days, compared with less than 12 hours in Singapore. India ranks low in comparison with other countries in terms of container movements per hour, an important measure of efficiency.

Exhibit 4.2 International comparison of container movements, per crane per hour



Source: UNCTAD.

There is an acute shortage of deep-water berths able to handle large bulk carriers and container ships. This adds to costs, due both to dependence on smaller ships and lower tonnage through-put rates for bulk and container cargo.