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SAROD-Ports: Dispute Resolution Mechanism

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Why in News

The Union **Ministry of Shipping** launched '**SAROD-Ports**' (**Society for Affordable Redressal of Disputes - Ports**) through virtual ceremony in New Delhi.

Key Points

- **About SAROD-Ports:**
 - It is established under **Societies Registration Act, 1860**.
 - 'SAROD-Ports' is similar to provision available in Highway Sector in the form of **SAROD-Roads** constituted by **National Highways Authority of India (NHAI)**.
 - It consists of members from **Indian Ports Association (IPA)** and **Indian Private Ports and Terminals Association (IPTTA)**.
 - **Functions:**
 - SAROD-Ports will **advise and assist** in settlement of disputes **through arbitrations** in the maritime sector, including ports and shipping sector in Major Port Trusts, Non-major Ports, including private ports, jetties, terminals and harbours.
 - It will also cover disputes between:
 - Granting authority and Licensee/Concessionaire /Contractor.
 - Also, disputes between Licensee/Concessionaire and their contractors arising out of and during the course of execution of various contracts.

- **Benefits:**
 - SAROD-Ports will become the pivotal mechanism of ***ummeed (hope)***, ***vishwas (trust)*** and ***nyaya (justice)*** in the Port sector of India. It will lead to **saving huge amounts of legal expenditure and time.**
 - Enforcement of **concession agreements** in the letter and spirit.
 - A **concession agreement** is a **contract** that gives a company the right to operate a specific business within a government's jurisdiction or on another firm's property, subject to particular terms.
 - It will promote **ease of doing business** in the maritime sector because of the **fast, timely, cost effective and robust dispute resolution mechanism.** It will inspire confidence in the private players.
 - All major Ports will shift towards the '**Landlord Model**'.
- **Model Concession Agreement**
 - Model Concession Agreement is the **core of public private partnership projects** in India. It sets regulatory framework to implement PPP (Public Private Projects) in India. There are MCAs for national highways, urban rail transit systems, state highways and ports.
 - **Amendments to the Model Concession Agreement (MCA):** In January 2018, the government approved amendments in the Model Concession Agreement (MCA) to make the Port Projects more investor-friendly.
 - **Key features:**
 - Constitution of the **Society for Affordable Redressal of Disputes – Ports (SAROD-Ports)** as dispute resolution mechanism.
 - Providing **an exit route to developers** by way of divesting their equity upto 100% after completion of 2 years from the Commercial Operation Date (COD).
 - Under provision of additional land to the Concessionaire, **land rent has been reduced** from 200% to 120% of the applicable scale of rates for the proposed additional land.
 - Introduction of **Complaint Portal** for the use of port users.

Landlord Port Model

- In the landlord port model, the **publicly governed port authority acts as a regulatory body** and as landlord **while private companies carry out port operations**—mainly cargo-handling activities.
- The port authority maintains ownership of the port while the infrastructure is leased to private firms that provide and maintain their own superstructure and install their own equipment to handle cargo.
- In return, the landlord port gets a share of the revenue from the private entity.

- **Significance:**

- Currently, most major port trusts in India carry out terminal operations as well, resulting in a hybrid model of port governance. The involvement of the port authorities in terminal operations leads to a **conflict of interest**.
- The **neutrality** of the landlord port authority is a **basic requirement** for fair competition between port service providers, particularly the terminal operators.
- The role of the landlord port authority would be to carry out all public sector services and operations such as the award of bids for cargo terminals and dredging.

Source PIB