

RECENT TRENDS IN DEVELOPMENT OF SHIPPING INFRASTRUCTURE IN INDIAN SUBCONTINENT: OPPORTUNITIES AND OBSTACLES

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Abstract: The aim of the paper would be to study the major developments that have been taking place and are continuing to shape the country's shipping infrastructure landscape. In the paper, four issues representing the crux of the aforementioned matter would be dealt with. The said issues are:

1. Development of Shipping Logistics in the Country
2. Port and Hinterland Issues
3. Shipbuilding and Related Activities
4. Prevalent Obstacles

These issues would be placed in context within the wider industry framework that is prevalent in other parts of the world and is yielding more beneficial results to the countries employing them.

Keywords: Shipping, Indian, Logistics, Hinterland, Shipbuilding

Main Text:

If viewed independently, Indian shipping has had quite a richly colored history as compared to the country's other fields. More light is being continuously shed on India's varied involvement in the world sea trade since the dawn of urban civilization in the pre-Christian ages until the Renaissance period of the middle 16th century.

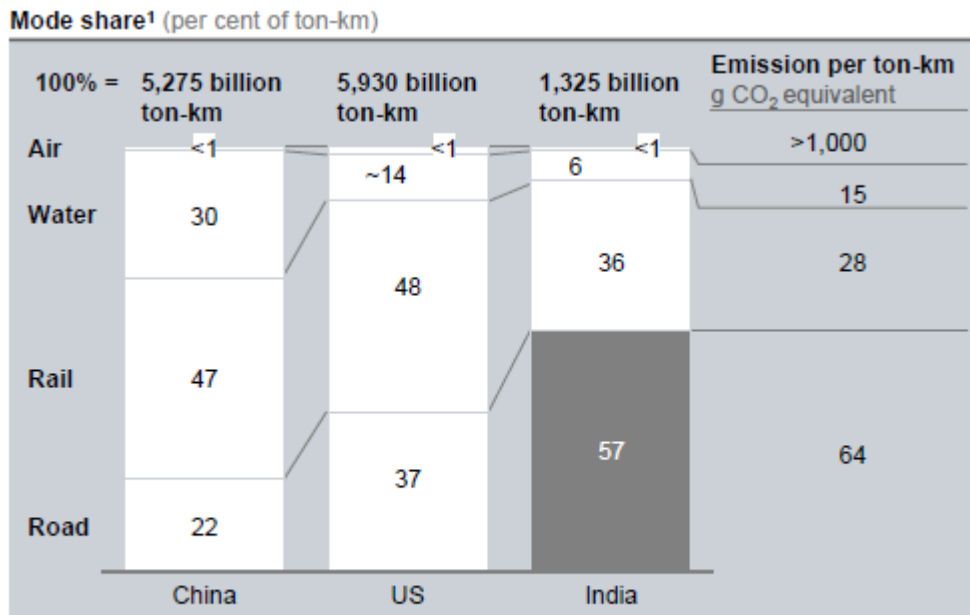
This point precisely begets the question as to how, our country which had been the apple of the eye of the trade world for so long lost its position in the field. Furthermore, and perhaps the more pertinent question is, that whether we shall ever be able to regain that prominence.

As happened in other sectors, our country lost out due to the lack of initiative it had (or took) in the industrial revolution. Other countries/ port states in the Asia Pacific went ahead at a much faster pace and, to compound troubles at home, the domestic and coastal shipping of the country has moved at a snail's pace as compared with the roadways and the railways. The domestic problem being a consequence of little or no direct focus on the development of the coasts by successive governments of the nation

The above points merely emphasize the fact that the shipping sector needs a major revamp and the paper shall look at the points mentioned in the above abstract as a possible 'all-inclusive' solution to the hurdles faced by this sector.

The points shall be dealt with individually with the last part of the paper putting together their individual quirks and analyzing the complete picture thus put forward.

1. Development of Shipping Logistics in the Country: The logistics, in addition to requiring an increase in magnitude also require a marked increase in efficiency if anything of substantial quality is to mark the domestic shipping circuit of India. The graph shown below shows the respective shares of various transport sectors in different countries.



¹ Share estimated for 2007, excluding pipelines

SOURCE: World Economic Forum; McKinsey; China Statistic Yearbook; Planning Commission India; NHAI; Indian Railways; DG Shipping; Bureau of Transportation Statistics US; McKinsey

Clearly, Indian shipping is the worst off, if we especially take into account of the fact that India has the highest ratio of coastline length by total area of the three countries depicted.

The direct reply to this would be the building of waterways. Right now, India has three major inland waterways. In addition to these, if special emphasis were laid on the East and West coastal corridors, Kolkata to Chennai and Kandla to Kochi respectively, the reduction in transit costs would be huge and so would be the impact on environment by the transport sector. To be more comprehensive, the last mile connectivity of these corridors with nodal points in the hub and spoke model has to be looked at.

At \$120/TEU, the container handling costs in India are more than twice of those in China and this is almost wholly responsible for the lack of penetration that container traffic has in the domestic shipping sector. If we were to compare this with other consumerist economies of the world having access to seas, the results would show that the general fiscal health of the country suffers a lot on the account of bulk traffic being carried by road, which, is a transport efficient only for distances of up to 400km.

A very important push that India needs in this direction is from the trained manpower that the country has at its hands. As has been noticed in other countries, once the

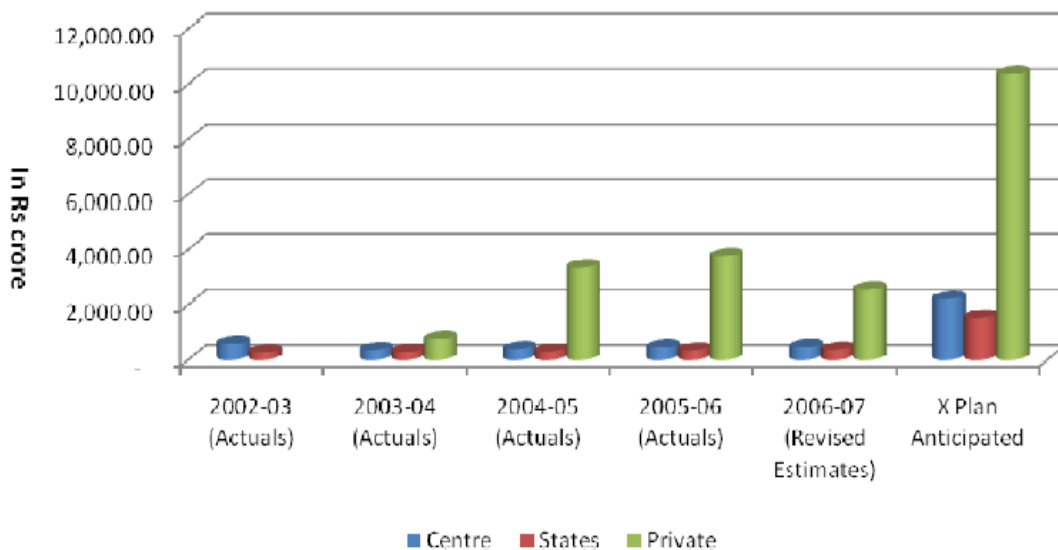
infrastructure is up, the ulterior logistic part of the sector can be looked after by people who have, till now, been absorbed by the so called ‘soft sector’. With some emphasis on specialized training the manpower could be easily made to run this newly established logistics functionary.

2. Port and Hinterland Issues: The governing acts of Port functioning in India are the Indian Ports Act, 1908 and the Major Port Trusts Act, 1963. The acts, if viewed per se, are flexible enough. But keeping in mind, India’s socialist past and the large scale prevalent mindset abhorring privately run ‘public’ entities, it shouldn’t come as a surprise that it has taken such a long time for the country to come to terms with the public private partnership in the port sector, which is easily the single most important topic in the minds of today’s capitalistic oriented thinkers.

Most of the problems associated with the Indian ports viz. berthing time, turnaround time and others have been directly attributed to the bureaucratic setup in the port running.

One important point that needs focus is the development by companies of individual port operations. Globally, this has already been taken up by P&O, Maersk and APL. If this were looked into, and the companies allowed entry into the Greenfield projects, there would be job opportunities growing in the auxiliary logistics sector too as such companies would have vested interests in capturing those connecting markets as well.

The graph below shows the exponential increase that is anticipated (and to a certain extent ongoing) in the amount of capital invested by the private sector in direct port infrastructure.



Hinterland issues have to be looked at seriously as it is a relatively new phenomenon in India, although it has been going on other parts of the world for the better half of the last century. The economic, human and logistical issues involved have to be looked into as the exposure of these, what some people might term ‘rural’ areas to the globalised face of the world puts a marked responsibility in the hands of the administrators. This

development could serve a dual purpose of achieving both economic and humanitarian targets in the said regions.

The table shows a lucid (albeit slightly outdated) picture of the governmental approach towards last mile hinterland connectivity and when compared with the level of sophistication with which the issue has been dealt with in some other competitive countries, it wouldn't be an overstatement to say that half of the logistical problems lie here.

Port Connectivity Project – The length of road for this project is going to be around 363 km of which 18 km has been four laned; 137 km has been approved for award and 215 km is scheduled for award of contracts. The cost of the project is estimated to be around Rs. 1,722 crores.

	Stretches for development	Length (in kms)	Cost (Rs. in crores)	Target for completion
Paradip	NH - 5A	74	350	Sep-05
Haldia	NH - 41	53	220	Apr-05
Vizag	State road	12	80	Dec-05
Chennai & Ennore	Chennai-Ennore Expressway	6	140	Dec-05
Tuticorin	NH - 7A	51	175	Sep-05
Cochin	NH - 47	10	100	Jun-05
New Mangalore	NH - 17	37	140	Sep-05
Mormugao	NH - 17B	18	53	Sep-03
JNPT	Package I NH - 4B + NH4	30	143	Apr-04
	Package II + Amra Marg NH - 54+ Panvel creek bridge	16	130	Apr-05
Kandla	NH - 8A	56	191	Completed
	Total	363	1722	

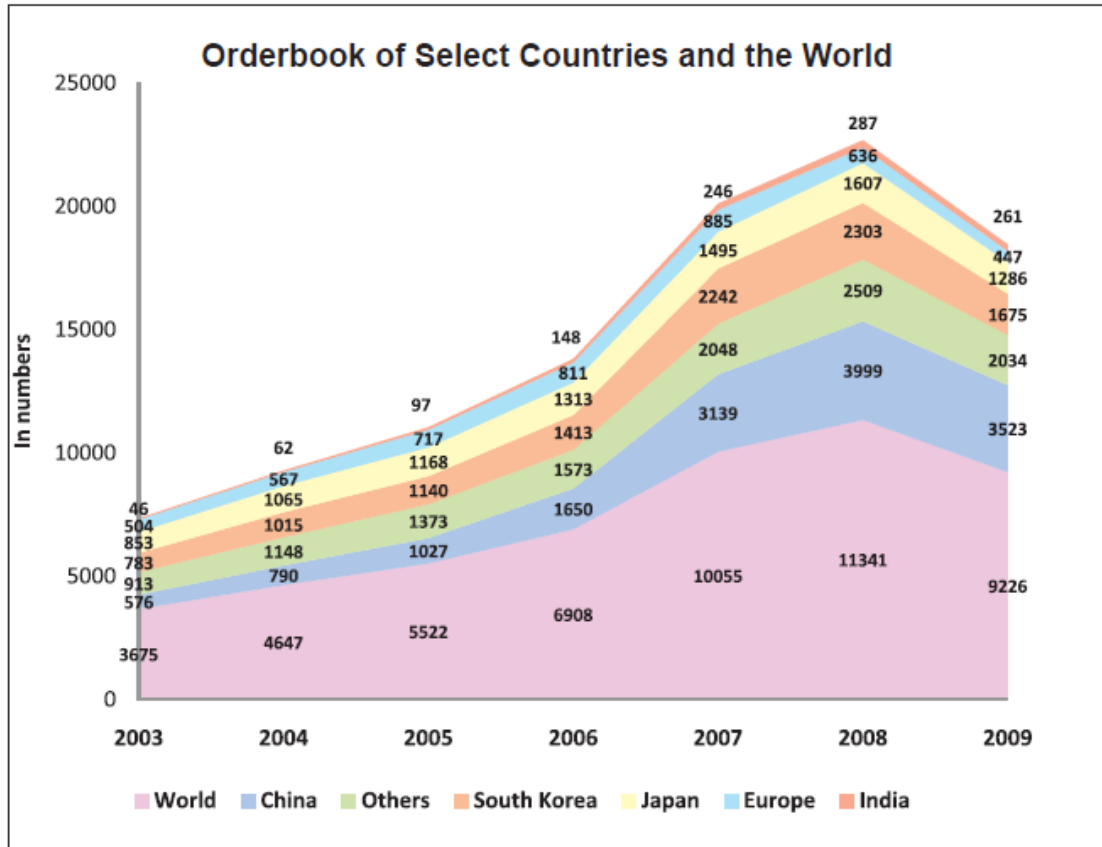
The sum total that is represented here is surely too low an amount for the scale of development that India hopes to achieve in the foreseeable future. And this, combined with the holistic points mentioned earlier reflects the gamut of hurdles that face the administration in this particular scope.

The port also needs a dedicated logistical centre (or two of them if the cargoes handles are of different categories) for business clusters, adjacent or within the port administrative boundaries. This further accentuates the need for the development of the hinterland as a means of furthering the prospects of a port in the current business climate.

3. Shipbuilding and Related Activities: That countries leading in navigation led the shipbuilding industry, is a thing of the past now. Many nations of the developing bloc have now overtaken the traditional powerhouses as they have realized that investment in this heavy (albeit risky nonetheless) sector is one of the sure shot ways of quickly raising profits back.

Fortunately for the country, ship building, as an avenue, doesn't seem to be too encumbered by red-tapism that seems to be pervasive in the nation. In fact, majority of the shipyards are privately owned with a couple of them even floating themselves publicly.

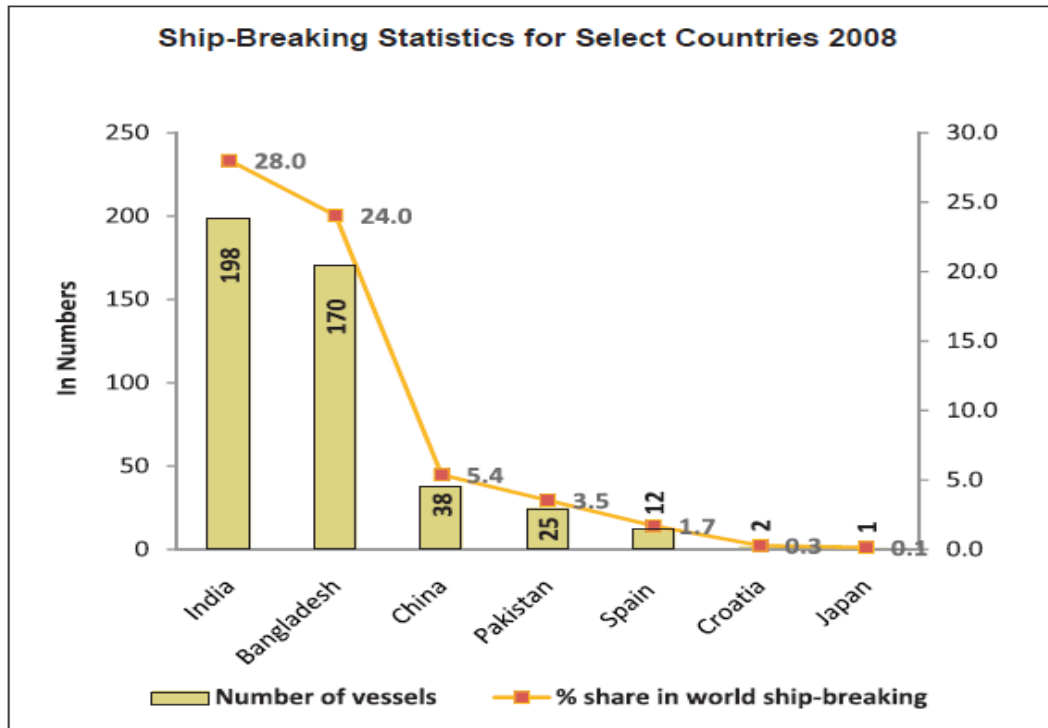
Having said that, India occupies a meager 0.3% of the global shipbuilding market and even to take that figure to still modest 3% will require an investment of INR 100 billion. To compound troubles, the levels of mechanization in the sector are amongst the poorest in the world and the inefficiencies resulting are, frankly, unforgivable in the global shipping industry.



Source: World Shipbuilding Statistics-Lloyd's register, Shipbuilding Statistics, March 2010, Shipbuilders Association of Japan

Although the share at present is very little (as depicted above), the indirect potential that the shipbuilding industry has towards contributing to the GDP is enormous. The continuous burgeoning of the domestic as well as global ship orders suggest that it wouldn't be a lost cause at all to invest heavily in this sector.

India however remains the unarguable leader in the ship-breaking industry which in a dynamic industry like this is really an ace up the sleeve.



Note: Total world disposals: 707 vessels
Source: World Shipbuilding Statistics-Lloyd's register, Shipbuilding Statistics, March 2010, Shipbuilders Association of Japan

The global ship repair market is another factor that India could pay its attention to. The global estimate for the repair sector put its estimate at approx. US\$ 11 billion and its Singapore here which holds edge occupying 20% of the world share. Even if India were to develop the repair industry to the extent of being able to serve its own catchment area, things would jump by a huge quantum, the reason being that more than 50% of the registered Indian fleet is more than 20 years old. India clearly needs to bring its domestic business back home from the dry docks of Dubai, Singapore, Bahrain and Colombo.

4. Prevalent Obstacles: India's troubles in the industry in the post industrial world began with its removal from the shipping trunk route. Alternatives like Colombo, Trincomalee, Singapore and various other ports in the South East Asian region emerged which allowed ships to bypass the Indian waters and thus save on time and money. Beyond that however, lie a lot of problems which can easily be termed as self made and self propagated.

The first and foremost problem that is gripping the Indian shipping industry is the ominous tax burden imposed on the vessels and their owners by the still, predominantly traditional outlook of the Ministries. The wide range of taxes imposed including the VAT's, lease taxes; customs etc. have forced the Indian ship owners to register their vessels outside India. To be fair, this problem has plagued more or less every country ever since the Flags of Convenience made the shipping world their own private party but the extent to which India particularly has been hit is staggering. The situation becomes even more glaring considering the fact that IRS has become the latest member of the elite IACS.

Development of Indian Shipping Tonnage								
Period	Coastal Trade			Overseas Trade			Total	
	Ships	Gross Tonnage	% share of no of ships in total	Ships	Gross Tonnage	% share of no of ships in total	Ships	Gross Tonnage
01.04.1999	250	656,174	51.0	240	6,212,021	49.0	490	6,868,195
01.04.2000	273	681,605	53.2	240	6,231,361	46.8	513	6,912,966
01.04.2001	316	697,242	57.9	230	6,119,357	42.1	546	6,816,599
01.04.2002	336	733,658	60.0	224	6,087,279	40.0	560	6,820,937
01.04.2003	425	805,262	69.0	191	5,372,297	31.0	616	6,177,559
01.04.2004	436	807,808	68.2	203	6,136,398	31.8	639	6,944,206
01.04.2005	458	810,591	66.8	228	7,202,364	33.2	686	8,012,955
01.04.2006	496	817,449	67.1	243	7,646,971	32.9	739	8,464,420
01.04.2007	530	842,032	67.3	257	7,753,153	32.7	787	8,595,185
01.04.2008	585	904,484	67.5	282	8,086,107	32.5	867	8,990,591
01.04.2009	627	962,922	67.8	298	8,320,217	32.2	925	9,283,139
01.09.2009	644	985,009	67.6	308	8,501,516	32.4	952	9,486,525
01.09.2010	693	1,008,571	67.3	336	9,099,495	32.7	1029	10,108,066

Source: Ministry of Shipping, Government of India

The continuous decrease of the share of overseas trade vessels in the Indian registered fleet is a cause for alarm. Had there been an increase in both the coastal as well as the overseas trade vessels, the ratio wouldn't have looked so dire. But the statistics clearly prove that the administration has put a highly unbalanced position in front of the global shipping industry, due to which, it is simply taking its business elsewhere.

High port calling costs are a major deterrent towards a larger and smoother flow of traffic through the Indian ports. The rates at even the major ports of the country are up to six times higher than the other ports in the vicinity in the continent. These are a major factor in reducing the demand for port services.

The physical aspect of the ports also contributes towards the abysmal status of the ports of India in today's world. The sheer lack of modern amenities in the ports forces the ships to look for other destinations and thus renders the Indian ports highly unsuitable. Coupling to that fact is the congestion rampant in the Indian ports with most of them working at greater than 90% of the capacity for most of them. Though, that actually tells more about their shortage of capacity than being a positive indicator of the amount of traffic being handled.

As far as the employment goes, India is actually the foremost in producing qualified seafarers in all the areas of the field and even the training institutes of the country are treated with a lot of respect. However, when it comes to keeping that talent at home, Indian shipping industry has failed. Most of the seafarers dedicate the majority of their serving lives aboard foreign owned and foreign flagged vessels due to the tax and other policies of the government. Of course, it would be very naïve to put all the blame on the government as a lot of it has to do with the inherent inferiority complex that Indians suffer from anything western.

Conclusion: In looking at the aforementioned highlights of the aspects of the Indian Shipping Infrastructure, we have tried to point out the key areas that require immediate

attention if India is to assume a position of importance in the global shipping world. That, it would benefit India domestically as well is a further incentive. Though all the steps have been taken in the right direction to incorporate the major challenges and develop Indian shipping in an all inclusive manner, the position of the Indian economy at the crossroads of socialism and capitalism with capitalism taking a hit all the time for not being the Shangri-La it had once promised to be, really marks it out in the world. And it wouldn't be an overstatement to say that the whole world is looking at the country with keen eyes as to where it pushes its shipping. The Indian administration has to tackle the said issues with deft hands and open them accordingly (and if necessary, unequally) to the private and foreign investors. The combination, if pursued successfully, of good port infrastructure combine with the equally important auxiliaries of domestic transport logistics and ship building/repair activities, will surely make India a powerhouse in the years to come.

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Appendix:

IRS- Indian Register of Shipping

IACS- International Association of Classification Societies

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