India's coastline

Engine and wheel of economic growth

Economic resurgence through ports

There is no doubt about the economic revival ports can bring to any region. So, it is important to both understand and encourage them; to learn more about the opportunities and threats relating to this sector and to find ways to make the ports sector invigorating. Keeping this in mind, the session titled 'Economic resurgence through ports' was organised. This session had names (in alphabetic order) like RAJIV AGARWAL, CEO and MD, Essar Ports; GAUTAM DEY, Senior Deputy Traffic Manager, Mumbai Port Trust; and SANDEEP MEHTA, President, Adani Ports and SEZ discussing issues relating to ports.

(L to R) Gautam Dey, Senior Deputy Traffic Manager, MbPT; Sandeep Mehta, President, APSEZ; R N Bhaskar, Consulting Editor; Rajiv Agarwal, CEO and MD, Essar Ports; and Abhishek Karnani, Director, Free Press Journal Group

Aegis under different circumstances and different growth plans

CAPTAIN SANDEEP MEHTA, President, Adani Ports and SEZ: Today, the Adani group has built the world's largest coal import terminal; created the world's largest single location power generation facility; and have India's largest container terminal. The group is committed to its vision of building infrastructure for the nation. Our group has an ability to create a world class facility.

For India, good things are happening but slightly late and that too not adequate in scale. My personal belief is that India needs large-scale and world-class infrastructure to be able to achieve the growth which today looks possible, and would then support the improvement in lifestyle which comes from economic growth. This belief is also reflected in the ethos of the group. Indian trade for a long time was suffering intensely from operational and mind set constraint issues at ports.

When we entered the business, we had seen the chronic situation of vessels waiting for berths. Our group took a stand that berths must wait for vessels. We adopted technology, achieved mechanisation efficiency, reached scale and in all this we worked with the local community. Our engagement with the community shows in many ways. The area now resembles an industrial city. From the authorities' side, some measures like single window clearance, reduced hassles can help in emergence of multiple industrial projects.

Today, the group has presence in Mundra, Dahej, Kandla, Hazira and Goa on the west coast. On the east coast, we are at Ennore (where we commenced operations recently), Kattupalli, Vizag and Dhamra. We are building India's first transhipment hub at Vizhinjam, close to the edge of India and at the tip of the main global shipping channel. At Mundra, our 2 km airstrip can easily be doubled and we can make an international airport and create other facilities to align it to our plans on defence and airline sectors.

RAJIV AGARWAL, CEO and MD, Essar Ports: Our group, which commenced operations from Gujarat, has an industrial background. Essar was the first steel plant in the state. Alongside with our integrated facility, (given the waterfront available) the port came up. There we created a system much different from the prevalent ones. This infrastructure then helped Essar set up its integrated power plant. This was a perfect example of how Gujarat's waterfront has catalysed industrial development. Today, we have 170 million tonnes port capacities across five locations in India wherein 58 million tonnes have been given to other operators. Even in Hazira, our agreement stipulates that we can handle merchant cargo and it is not just captive operations. Beyond that, we have created 20 million tonnes capacity in the UK and 10 million tonnes in Canada. We will soon add 20 million tonnes capacity in Mozambique.

GAUTAM DEY, Senior Deputy Traffic Manager, Mumbai Port Trust: Mumbai Port Trust (MbPT) is the second oldest port in India, constituted in 1872. Being on the west coast, it has traditionally been the gateway to India for all of Europe and the Middle East. Like all port cities – Kolkata, Chennai – it can be said that Mumbai city also substantially owes its growth to the port.

Like all old ports (in the city area), today the primary challenge for MbPT is to re-invent and create a new relevance. When JNPT was developed at the nearby site of Nhava Sheva port, it was clearly chalked out that the new port would outgrow the parent. With proper planning, unlike the operations of MbPT, the new port did not suffer from legacy issues.

Today, compared to three decades ago, we handle three times the traffic and our employee strength today is around 8,000 compared to 46,000 then. So we are also improving. However, we are enveloped on all sides by the city and hence today's need is that we should contain our spread and confine our growth to benefit the city.

Ports are relevant for India's growth

MEHTA: Today, India is building world-class small cars which are cost efficient than European carmakers. Ports are essential part of this sector's global growth plan.

At our Ennore site, we are focused on improving facilities, to make Ennore a port of choice comparable to Singapore or Colombo. Increased operations would mean more ships here. Thus, would save forex and help the local industry and local community. Like Dubai, Indian ports are also in a good time zone and can handle not only more cargo but also more and better-paying passenger traffic.

At Dhamra, we see the same growth potential as Mundra has shown. The Kolkata port is a riverine one and has its own challenges. We needed a deep-water port with excellent connectivity to Kolkata and Dhamra serves that purpose. We have been able to make the Mundra port, a destination port. Earlier, 90 per cent of our cargo would see transhipment done through Dubai, Colombo or Singapore but now it is around 50 per cent.

AGARWAL: Given our GDP growth plan of USD 2.5 trillion to USD 15 trillion in the next 15-20 years, we will have to depend more on ports for higher consumption and movement of goods. Cargo in India today is four times of what it was 15-20 years ago and from here on it will be four times in the next 15-20 years. To handle this massive increment from hereon, ports will have to play a major role. It is simply not possible to build that incremental scale of road or rail infrastructure.

DEY: For MbPT, tourism is now a new focus area. The cargo operations will of course continue, but our growth now must be relevant to the city. Greater passenger traffic (of the right kind) will also help showcase Mumbai as a tourist destination in the way it should be done. For cruises, we expect our count of 40 ship calls to go up to 159 next year. We can have a dedicated terminal of 40,000 square feet for international cruises. We shall handle 3.2 million tourists over the next 25 years, and for that we would need to construct five berths from our current single berth.

System for growth

DEY: Mumbai has always been good for cruise traffic, but the earlier Superstar Libra cruises faced difficulty with the taxation and perhaps the operations too. For coastal tourism, in 2014 we got all stakeholders – customs, port authorities, immigration, CISF, tourism, the state government – and created a focus on ease of doing business. We took pains to develop standard operating procedures.

Finances-wise, we are like the old landowners with lots of land but little in the pocket. But we are working towards improving our position here. In case of tourism, the operations are largely self-sustaining. We would also have access to the public-private partnership route in this case, so land monetisation is not strictly required for that.

Quick Takes

SANDEEP MEHTA, PRESIDENT, APSEZ: We have been able to make the Mundra port, a destination port. Earlier, 90 per cent of our cargo would see transhipment done through Dubai, Colombo or Singapore but now it is around 50 per cent.

GAUTAM DEY, SENIOR DEPUTY TRAFFIC MANAGER, MBPT: We can have a dedicated terminal of 40,000 square feet for international cruises.We shall handle 3.2 million tourists over the next 25 years, and for that we would need to construct five berths from our current single berth.

RAJIV AGARWAL, CEO AND MD, ESSAR PORTS: Cargo in India today is four times of what it was 15-20 years ago and from here on it will be four times in the next 15-20 years. To handle this massive increment from hereon, ports will have to play a major role.

ANOOP K AGRAWAL, MD, IPRCL: IPRCL has already completed 8 projects, 20 projects are in progress and for another 10 projects we are preparing DPR or bidding process has started.

ANIL DEVLI, CEO, INSA: The cost of cargo movement on Indian-owned vessels is 25.9% higher in Indian conditions, which means we do not stay competitive here but outside.

ANOOP KUMAR SHARMA, CMD, SCI: With different systems, we can have quicker turnaround and improvement in efficiency. For coastal shipping, policy support is needed.

SANJAY GUPTA, SVP (SHIPPING), PETRONET LNG: Petronet selects ship owners with a credible track record and have regular inspections and periodic meetings.

Unlocking the potential of coasts

There is more to the growth story of ports. Crucial are the linkages to the hinterland, and ways to make coasts vibrant. It is these linkages that help unlock the wealth in the hinterland, and bring economic benefit to both ports and the country. In the second panel discussion 'Unlocking the potential of coasts', these linkages (like ships and railway) were discussed in-depth. Names (in alphabetic order) like ANOOP KUMAR AGRAWAL, MD, IPRCL; ANIL DEVLI, CEO, Indian National Shipowners' Association; SANJAY GUPTA, SVP (Shipping), Petronet LNG Limited; and ANOOP KUMAR SHARMA, CMD, SCI shared their views on the issues that their respective spaces were concerned about.

(L to R) R N Bhaskar, Consulting Editor; Anoop Kumar Agrawal, MD, IPRCL; Anoop Kumar Sharma, CMD, SCI; Sanjay Gupta, SVP (Shipping), Petronet LNG Limited; and Anil Devli, CEO, Indian National Shipowners' Association.

Different bodies, different purposes

ANOOP AGRAWAL, MD, Indian Port Rail Corporation: IPRCL was formed three years ago with the specific objective of catalysing internal and mainland port connectivity (most of which happens to be by rail). We have completed eight projects, with work going on in 20 projects and another 10 projects are at the DPR/ bidding stage.

Our company is right now doing modernisation of railway infrastructure inside ports at around 100 locations. The length of such railway is around 1,000 km wherein average is 70-80 km. At present, our plan is to first modernise the existing rails to minimise derailment chances, which have severe cascading effects. Second, we deeply needed to save time of locomotive changes.

Beyond the routine, we are taking up two major rail projects – Indore-Manmad railway project which will connect to JNPT and second is the Jaisalmer link to Kandla Port.

ANOOP SHARMA, CMD, Shipping Corporation of India: SCI is the nation's flagship cargo ship owner and charterer. We are well-diversified across segments like container, crude, bulk, offshore and gas (both LPG and LNG). While our mandate and well-spread presence has a strategic element, our freights are market-drive and there is no reservation of government cargo. We only have the Right Of First Refusal (ROFR) which applies to all Indian-owned ships.

SANJAY GUPTA, SVP (Shipping), Petronet LNG: We are the largest LNG importer and our strategic purpose is to facilitate the demand of LNG in India. In line with increasing LNG acceptance in the economy, we have seen operational growth. Our first two ships were chartered in 2004 and 2005, and in the third and fourth (2009 onwards), we have created an equity stake of 3 per cent and 26 per cent for ourselves.

Sourcing points are Qatar, which is seeing a declining share and Australia, which is a growing supplier. The growth of the shale gas industry in the USA makes it also an important sourcing market. Capacity-wise we stood at 5 million MTPA in 2004, which went to 10 million by 2009 and 15 million in 2016. Our ongoing expansion will make our total capacity 17.5 million by next year. For expansion site, we are looking at Bangladesh, Sri Lanka, Mauritius and Port Blair.

The benefit of this growth of LNG operations in India goes beyond the tankers and ship owners.

ANIL DEVLI, CEO, Indian National Shipowners Association (INSA): INSA is roughly 90 years old, which tells you how old is contemporary shipping in India, representing 90 per cent of India's total tonnage. The ship owners industry is not looked at favourably which is why 60 per cent of INSA member tonnage prefers to work overseas. We estimate that the cost of cargo movement on Indian-owned vessels is 25.96 per cent higher in Indian conditions, which means we do not stay competitive here but compete well outside.

Growth –requirement and constraints

AGRAWAL: India's 7,500 km coastline is nearly U-shaped which is a great advantage. It needs to be explored.

Of our total 1,000 million tonnes of cargo handled, 55-60 per cent is being handled by the 10 major ports, which means a slight imbalance. Our ports handle 80 per cent of volume and 70 per cent value of EXIM traffic, but the logistics cost for India is 14-15 per cent of GDP. This is much higher compared to the 8-9 per cent globally and this has to come down.

In ports, the share of rail has come down from 35 per cent to 25 per cent. In the Western Ghats area, we need thought-out linkage projects because connectivity is very poor and there ports are impacted. With local issues and without focused state government support, there are delays even in sanctioned projects.

On the east coast, we have six major ports and four-five non-major ports, all doing reasonably well. But our rail connectivity is only a double-line, on which 100 trains go up and 100 trains go down. Now the third line is sanctioned, but again the land acquisition would be time-consuming and getting the third line operational could take a decade.

SHARMA: Freight is just one medium-sized factor in shipping. For the person shipping the good and using the transport service, overall cost and time is the consideration. Handling at both ports and hinterland connectivity – both impact the cost and time for his overall transaction. It is absolutely non-negotiable that costs have to come down. One good operational option is to have different terminals for domestic and international traffic, just like it is done in airports. With different procedures and systems, we can have quicker turnaround and improve efficiency. For coastal shipping, SCI is quite active but we need policy support in terms of tax and cabotage laws.

GUPTA: Petronet selects ship owners with a credible track record and have regular inspections and periodic meetings. LNG is a specialised commodity – it is difficult to transport, needs proper handling and inflammation risks must be contained. For our manpower requirements, we have opened an academy at Kochi which is accessible to the general public.

DEVLI: In our case IGST (Integrated Goods and Service Tax) means that buying and bringing a ship to India under Indian flag is 5 per cent more expensive and that extra outlay is upfront from the owner's side. Indian flags pay 82 per cent higher tonnage tax and the fuel prices on fuel purchased in India are USD 20-30 higher than locations like Singapore or Colombo. Fuel incidentally is 30-40 per cent of operational cost. Gross wages again are 35-40 per cent higher for Indian companies because of the TDS stipulation when the person works under Indian flag. Our manning again is 20 per cent higher. All these combine to make business in India not so worthwhile. Then again, if you see FOB (Free On Board) cargo, where the customer actually pays freight, only 30 per cent is available to bid for Indian ships.

AGRAWAL: Manpower is a serious constraint. We need trained people with rail engineering expertise for which there is no merchant training and the Railways has little interest. Merchant institutes to train people in rail engineering, in highway engineering are needed on critical basis.