

Transforming India into a Transshipment hub- Government Initiatives and Experience

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ABSTRACT --With its long coastline and strategic location, India is supposed to be in a dominant position in maritime transportation. But due to poor infrastructure and policy framework, the country extensively depends on other maritime nations such as Singapore and Colombo for transshipment. This increases the cost of exports and imports thereby placing India at a disadvantage in the global market. In response to this alarming situation, the government has taken a major initiative to promote three transshipment ports with world class facilities in the southern part of India. It is expected that these ports would compete with other transshipment ports, particularly with Colombo, and bring the transshipped cargo back to India.

Key Words-- Transshipment hub, Government Initiatives

I. INTRODUCTION

Shipping plays a crucial role in the economic development of maritime nations. India, being a maritime nation is still struggling to be on par with international standards. Inadequate policy initiatives have crippled the country from booming into a maritime hub. Therefore to give a major thrust to this sector, the Maritime Agenda 2020 was launched by the Ministry of shipping. One of its agenda is to create new ports with world class facilities to make India an attractive destination for maritime activities.

India's ports are located either on east or on the west coast. Most of the ports on the west coast are gateway ports, therefore goods are sent directly to destinations. However, the ports on the east coast do not have adequate infrastructure and the country depends on other maritime nations for transshipment. Transshipment refers to shipment of containers to an intermediate destination for loading to other ships bound to other destination. The container transshipment terminal is like a hub where smaller vessels bring cargo from all around and then this cargo is loaded onto larger ships for final destinations or vice versa [1]. Since large ships cannot reach all smaller ports due to their weight, special transshipment deep ports are needed which unfortunately India is short of. As a result, more than 80% of India's cargo containers are sent to Colombo, Singapore, Port Klang {Malaysia} and Dubai for transshipment, out of this, Colombo alone accounts for around 43% [2].

The country annually pays Rs. 1500 crores towards transshipment [3]. This results in additional handling charges that increases the cost of exports and imports, thereby eroding the competitiveness of the country. All this could be avoided if a major thrust is given to India's port sector in line with the maritime agenda. The government therefore has taken the initiative to promote three new ports with transshipment facilities in the southern part of the country. This move is expected to transform India into a container transshipment hub for the Asia-Africa, Asia-

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US/ Europe container traffic trade. This paper makes an attempt to assess the government initiatives taken towards transforming India into a transshipment hub

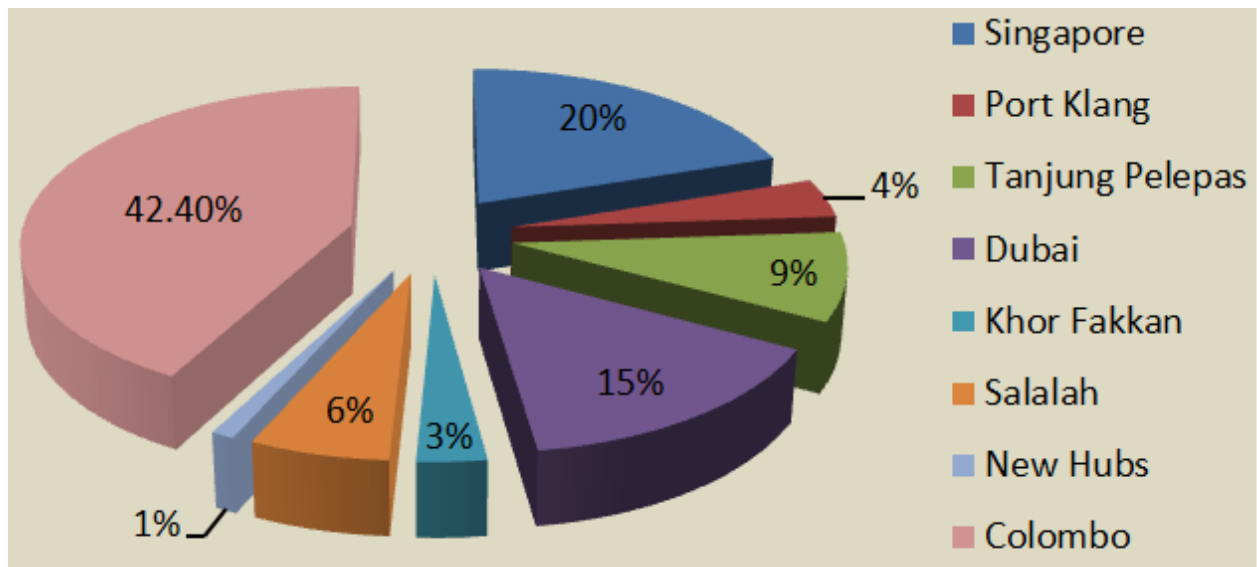


Figure 1: Indian Sub-continent Transshipment

Source : www.vizhinjamport.in/download/Vizhinjam-International-Seaport-PIM.pdf

II. GOVERNMENT INITIATIVES AND EXPERIENCE

To make India a predominant centre for maritime services and to bring transshipment business back to the country, three international ports, Vallarpadam, Vizhinjam and Enayam were promoted with state of the art facilities. Out of the three Vallarpadam has started functioning since 2011[4] while the other two ports are underway. The three ports are located in close proximity to each other. Vallarpadam is a union government owned port located in Kerala. It's International container transshipment terminal (ICTT) is India's first container transshipment terminal. It was set up under the public-private partnership mode between the Cochin port trust and Dubai government-owned D P World Ltd. It was built with an investment of Rs.2,900 crores, of which the Indian government contributed Rs.1,700 crore, while D P World spent Rs.1,200 crore[5]. The terminal enjoys special economic zone status. Another 225 kms away at Vizhinjam, the Kerala government has promoted a greenfield project to be developed by the Adani Ports under Design, Build, Finance, Operate and Transfer (DBFOT) mode. The agreement granting concession for 40 years to the Adani Group has been signed between Adani Vizhinjam Port Pvt Limited and Government of Kerala for the development of this ambitious project. The port is to be completed in four phases. Phase I is scheduled to be completed by December 2019[6]. Just 35 km away at Colachel in Tamilnadu, the union government owned Enayam port is underway. This is a major initiative of the government of India. The port is to be built in three phases from 2017 to 2030 with a huge capital investment of around Rs 28,000 crores[7]. The three ports have been set up with a common objective (ie) to take on Colombo and emerge as an alternative for transshipment services in the region. Of this Enayam is considered as India's best bet to counter Colombo.

The government has also recently relaxed the cabotage policy to allow foreign ships to operate along Indian coastline[8]. Earlier only Indian ships were allowed to operate in coastal shipping. This move is expected to bring more business to ports through more ship calls.



Figure 2: Geographical location of Vizhinjam and Colachel ports

Source :<https://indianexpress.com>

Despite the government taking appreciable efforts to push India to the forefront in maritime trade, there is no big sign of the country emerging into a transshipment hub. The major reason cited for this is high cost. India's first experiment with a transshipment hub at Vallarpadam has been floundered. The port was unable to attract enough business due to its exorbitant rates. The port was promoted on the landlord port model and DP World Ltd was given a thirty year contract to operate the container transshipment terminal[9]. But ever since it started its operations DP World was not able to make a mark. The 14.5 metre draft at Vallarpadam was insufficient to attract mainline ships with a capacity of over 10,000 TEUs. Further the port was prone to siltation and needed heavy dredging to make it navigable throughout the year[10]. The annual dredging cost which was around 110 crores[11] was built into port charges making ship calls costlier compared to Colombo. Port calling costs in Colombo are only one-tenth of what is charged in Vallarpadam[12]. It must be noted that operating larger ships provide economies of scale and that ships with a capacity of 18,000 TEUs are becoming common. These ships need deep-draft ports of depth 18-20 metres to berth and move containers. Therefore dredging is inevitable at Vallarpadam if the port has to function in its true sense. Moreover Vallarpadam is situated 76 nautical miles (nm) away from the Suez route, entailing an extra sailing time of 8 hours compared to Colombo, which is 19 nm away with just an hour's journey[13]. This seems to be another reason for mainline shipping companies hesitating to shift their transshipment to Vallarpadam. They take a long term perspective while making decision on transshipment. They prefer minimum deviation while working out costs on new trade routes. This obviously places Vallarpadam at a disadvantage. The result, the port is operating 40% below its capacity and is not able to make even a minimum impact on Colombo[14]



Figure 3: Geographical Location of Vallarpadam ICTT

Source: <http://www.igtpl.com/>

But still the other two ports, Vizhinjam and Enayam raises the hope of India's rise in transshipment field. Of these Vizhinjam is endowed with a natural depth of 18-20 m and would be providing a quay of 2000m[15]. This would enable efficient handling of mother vessels. The site also has the advantage of minimal littoral drift, resulting in minimal siltation and therefore limited maintenance dredging. The port also enjoys a location that is closest to the international shipping routes. It is just 10-12 nautical miles from the busy Persian Gulf - Malacca shipping lane which accounts for almost one third of the world shipping traffic[16]. Besides, being central to the eastern and western coast lines of India, it can also cater well to the needs of both west and east coast of India. Due to these factors Vizhinjam is more promising and is expected to attract larger vessels.

The Enayam port at Colachel in the southern tip of Tamilnaduis a massive project undertaken by the union government. With a natural draft of 16m, [17]the port would require minimal dredging for maintenance and is thus expected to offer a cost edge. Its 4 km long container terminals is expected to provide sufficient scale to handle more than 8 million TEUs[18]. The port is to be provided with rail and road connectivity where the closest railway station would be just 10km away and a six lane national highway would be only 11km away from the port[19]. The port is strategically located with just 10nm away from the international shipping route. This can save voyage time by 5-6 days for cargo bound to Africa, the European Union or East[20]. Leveraging the proximity to East-West shipping route, Enayam has the potential to become a transshipment hub not only to handle Indian containers but also cargo flows in South Asia – West bound containers to Europe, Africa and the US, from the neighbouring countries like Bangladesh, Myanmar, etc. Further the port is planning to have a multi cargo approach to act as a gateway port. This is expected to bring down its commercial risks. Currently the country is losing upto 1,500 crores every year due to lack of transshipment facilities. It is estimated that Enayam port can save upto Rs 350 crores [21] once it becomes operational. The total container cargo traffic at Enayam is expected to be 1.7 million TEUs by 2020. Of this, one million TEU will be gateway cargo and the rest, trans-shipment. The total cargo handled is projected to increase to 12.9 million TEUs by 2040. Coal berths have also been proposed at the Enayam port, with a capacity of 3.3 million tonnes in the second phase (2021-2025), which is to be increased to 6.6 million tonnes in

the third (2026-2030)[22]. The port with its high potential to make India a destination on the global east-west trade route has created much hype in the region.

III. CONCLUSION

In a major effort to establish itself as a transshipment centre, India has created a cluster of ports in an ideal location. The three ports Vallarpadam, Vizhinjam and Enayam are expected to play a dominant role in transforming India into a maritime hub. But this is going to be a big challenge since these ports are likely to face a two pronged attack. One would be interport competition within the country and the other would be interport competition from other countries. Interport competition within the country can be eliminated through appropriate measures and the same can be used as a strategy to compete with other countries. Integrating the three Ports under a common body would strengthen them and could be an effective strategy to combat competition from powerful transshipment hubs such as Colombo and Singapore.

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