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Sagarmala project: Poor planning on container traffic haunting shippers

The lack of emphasis on expanding container traffic is haunting shippers

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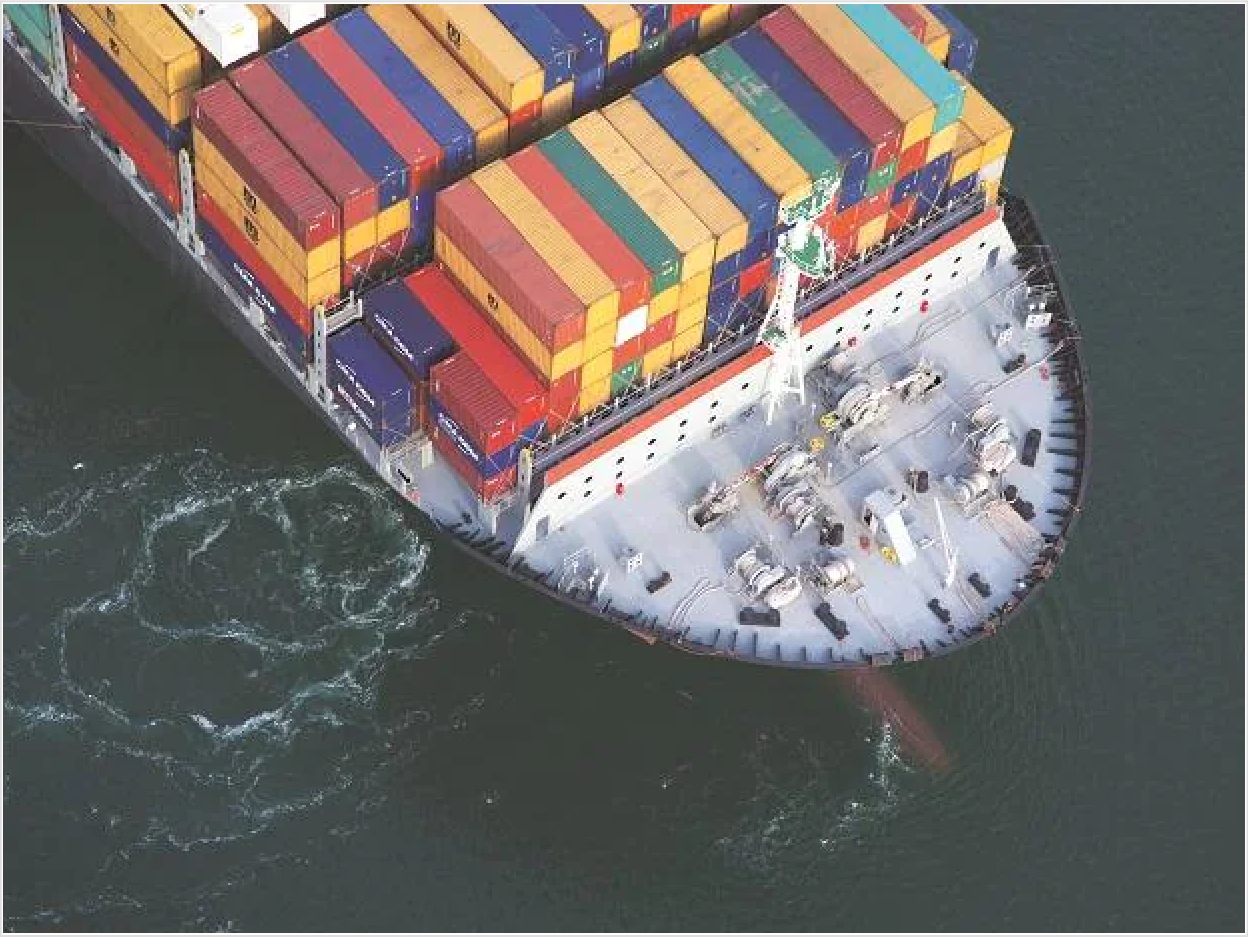

Since January this year, Indian exporters have begun to dread the shipping news. That's because most of it would be about another lot of shipping companies deciding to avoid Indian ports on account of delays.

With the global supply chain crisis showing no signs of a let-up, the container shortage has persisted. Shipping lines, therefore, are wary of ports that choke the supply of containers. India is one of those. The development has thrown up a critical shortcoming of the seven-year-old Sagarmala programme that was meant to expand the role of Indian shipping: the relative lack of importance given to expansion of container traffic capacity at the Indian ports. Of the total volume of India's overseas cargo, 17 per cent is through containers.

The turnaround speed at Indian ports is much slower at an average of 66.24 hours (according to the shipping ministry), against the top global ports' median time of less than a day. This has encouraged shipping lines to sometimes opt for Colombo or even avoid dealing with India-destined cargo altogether. Adding to the mix, the costs of containers have shot up, making exports more expensive. Data shared with Parliament shows hire charges for the smaller containers (20 feet) for a North European voyage from India have shot up from $500-550 in January 2020 to $5,600-5,700 now.

The Sagarmala programme that began in 2015 to address the pain points of Indian foreign trade has, thus, missed the bus. The vision of the Rs 5.53 trillion programme is to reduce logistics cost for foreign and domestic trade, but "with minimal infrastructure investment" (according to the shipping ministry's annual report). The programme failed to factor in the critical role of containers in global sea trade; it also got caught up trying to do too many things even as its political ownership has been diluted. Minister Nitin Gadkari had begun the programme only to cede space to Mansukh Mandaviya and now Sarbananda Sonowal.

So, progress has been sporadic at the 13 government-run major ports. The slack has been picked up by private ports such as Mundra, run by Adani Ports and Special Economic Zone Limited. Mundra, Kandla and Jawaharlal Nehru Port Trust (JNPT), all on the western seaboard, rank as the top three for the largest traffic handling capacity measured in million tonnes. But except for JNPT, they are focused on bulk cargo. "Currently, almost 70 per cent of container capacity is between JNPT and Mundra, so there is a need to diversify the capacity to other ports. Otherwise this congestion will continue," said Arunava Paul, associate director, at ratings agency CareEdge.

But JNPT, the country's top container port, is hobbled as the Railways' dedicated freight corridor to link the port with the North Indian hinterland is still not completed. The port is, therefore, choked for most of the year. Mundra scores instead with an operational 210 km rail network to Adipur where it connects with the main line. Kandla, now known as Deendayal Port, too, is primarily a port for handling bulk cargo.

Far away from them, the port with plenty of spare capacity to handle containers and where the turnaround time has improved massively to less than two days is the Tuticorin port. The port is, however, situated too far from the manufacturing heartlands of Gujarat to Haryana to make it cost effective for traders. It is, therefore, confined mostly to unloading cement and coal for Tamil Nadu's coastal power plants.

Thanks to Sagarmala, the cargo handling capacity at major ports has risen to 1,535 million tonnes by FY20, a 59 per cent increase in four years since FY16. But the actual cargo handled by the major ports has only reached 704.93 million tonnes, leaving a vast capacity un-utilised. For instance, on the eastern coast, six major ports compete for peanuts. Compared with Kandla, which picked up almost 20 per cent of the overseas cargo, the ports on Bay of Bengal picked up just a combined 24 per cent of the overseas cargo. Looming as a further threat for them is another Adani-run port, that of Krishnapatnam in Andhra Pradesh.

SAILING ON STAGNATION

Years	Traffic size (MT)	Container cargo ('000 twenty equipment unit–TEU)
FY16	606.37	8.20
FY17	647.43	8.42
FY18	679.36	9.14
FY19	699.05	9.88
FY20	704.93	9.98
FY21	672.60	9.61
FY22	406.98*	6.42

*half year

THE BIG PICTURE

- Total port capacity of 1,534.91 million tonnes (MT) per annum
- Capacity addition to grow @ CAGR of 6% till 2025
- Cargo handled 672.60 MT (FY21)
- Cargo handled 406.98 MT – FY22 (till October, 2021) –14.59% year-on-year
- Sagarmala project: more than 574 projects worth about ₹5.53 trillion for implementation between 2015 and 2035

Includes

- Ship building financial assistance policy (2016-26)
- Revision of the criteria for Right of First refusal (ROFR)
- Subsidy support to Indian shipping firms
- Integration of inland and coastal shipping
- Cabotage relaxation (foreign flag vessels to travel across Indian ports)

Faced with these conflicting aims, Sagarmala has struggled. The shipping ministry's bandwidth this year is now taken up with the global container shortage. An inter-disciplinary task force with representatives from the ministries of commerce and industry, and Railways, and finance ministry bodies such as the Central Board of Indirect Taxes and Customs, and user organisations like the Federation of Indian Export Organisations are grappling with the shortage.

One of the biggest examples of how the Sagarmala programme has slipped is in its aim to develop 14 Coastal Economic Zones (CEZ) as employment nodes, using the expanded activity around the ports as a catalyst. Three of these zones were to come up in Tamil Nadu. But pretty soon the Sagarmala Development Company Ltd entrusted with the project figured that these zones would overlap with “other initiatives of Government of India such as National Industrial Corridor Programme, Bharatmala Connectivity Programme and Dedicated Freight Corridors”, according to a Parliament reply. So, only one was planned as a pilot project at Sirkazhi in Tamil Nadu. Here, too, the anchor investor — public sector NLC India Limited (formerly Neyveli Lignite Corporation) — dropped out. An alternative plan for a port was dropped due to resistance from fishermen groups and local public. Finally, a new project feasibility report identified Kanyakumari as a possible PPP port. “However, in view of the development of (Tuticorin Port) nearby as transhipment hub, the ministry was advised to cancel the expression of interest.”