



## Container Shipping & Inland Services In India

### *Their Importance In Indian Economy*

Shipping in its present extended definition refers to the physical transportation of freights, product goods and loads by sea, land or air.

Container shipping refers to transportation of non-bulk cargo in standardized boxes made of weathering steel or **containers** by sea or air. These can be stacked, unloaded, loaded by mechanized handling systems with cranes and special forklift trucks to be transported over long distances and interchangeable between container shipping companies, rail and truck companies. (The containers for aircraft however can be custom designed by airlines to suit their aircraft, though International Air Transport Association IATA has a set of standardized aluminum container).

The container industry of our country is an indicator of where the new markets are and the strength of the economy because, those trends are easy to observe and estimate.

The report here is a general analysis of container shipping by sea and inland services in India in the context of its strengths, weaknesses and threats as also the opportunities they offer for shipping companies.

### Strength Of India's Shipping And Inland Services

India has a long coastline, spanning 7516.6 kilometres, one of the biggest peninsulas in the world. The country has about 14,500 km of navigable waterways. Indian waterways include **i) Inland waterways and ii) Sea / Ocean ways.**

Inland waterways refer to transportation by inland water bodies like rivers, canals, backwaters and creek. Major rivers like the Ganga, Yamuna, Brahmaputra, Mahanadi, Godavari, Narmada, Krishna, Kaveri etc gave birth to a number of inland river ports and jetties.

With 12 major ports and 200 minor ports carrying 95% of India's total trade in volume and 68% by value, the country is the sixteenth largest maritime country.

### Weaknesses

Countries maritime sector was affected in the past years due to many factors like under investment in the sector affecting the development of ports, inefficient judiciary system and high level of bureaucracy, tax structure not allowing Indian manufacturers to be competitive.

Water transport is not favoured due to fluctuating water level, seasonal floods, shifting of river courses. Only 3,300 km of major rivers is navigable by mechanized vessels and only around 2,000 km is actually utilized. Out of 4,300km of navigation canals only 900km is suitable for such navigation. Today, water transport has only 1% share in India's transport system, despite most fuel efficient, cost effective and eco-friendly mode of transport.

### Threats

India has a total of 1,246 shipping vessels .But around 39.8% of India's fleet of merchant ships are above 20yrs of age, 23.3% of the fleet between 0-5% and the balance spreads between age groups of 6-10 years, 11-15 years and 16-20 years.

The average age of a shipping vessel is about 26 years, and most of the existing Indian vessels need to be replaced. Because aging ships are less competitive and therefore less preferred in international trade.



A matter of concern is, share of Indian ships declined to 7.45% in 2014-15. This is significant when 95% of India's trade volume is transported by sea. In spite of having one of the largest merchant shipping fleets among developing countries, the country's total share of deadweight tonnage (DWT) or the safe weight carrying capacity is just 0.9% as in July 2015.

Also, this is when there is an increased trend of Western countries to outsource manufacturing functions to low cost countries like India which could contribute to the growth of India's marine industry.

Mumbai takes 149 hours to complete border and documentary compliance procedures (when Shanghai, world's busiest port needs just 37 hours). Multiple checkpoints and road delays cause a container that takes 11 days to get from Shanghai to Mumbai by ship, takes 20 days to reach New Delhi by road.

## **Opportunities**

### **1. Market size**

Container shipping industry surely needs to be promoted beyond doubt, when it handles about 55% of the country's merchandise trade of India's \$2 trillion economy, with export volume picking up as per the data of October 2016.

In FY 2015-16, the Indian Port sector witnessed capacity addition of 94 Million Tonnes Per Annum (MTPA), which is the highest in the history of major ports.

Containerised cargo tonnage rose 3.7% to 10.5 MT during August 2016. During April-June 2016, the ports had handled a combined volume of 2.12 million TEUs, which is roughly around 70% of the country's overall container trade.

Data gathered from 17 ports by Maersk Line show overseas shipments grew 11% in the first half of the year 2016, putting containerized trade on track to expand as much as 9%, five times the global pace forecast by the World Trade Organization.

While India accounts for a mere 6% of the global container business, the country is set to gain market share by growing at least 7-8% a year in the next five years, according to Maersk, which operates the world's largest fleet.

Container shipping is also seeing an export revival, helped by a "slight rebound" of demand in the US and Europe. Orders for agricultural goods and cars were strong among neighboring countries, South East Asia and East Africa, with the depreciating rupee also giving a boost.

To upgrade India's maritime industry and encourage economy, government has taken several measures to improve operational efficiency through mechanisation, deepening the draft and speedy evacuations.

### **2. Allocation, FDI, Tax Holidays in ports sector**

During the 12th Five-Year Plan (2012–2017) about Rs 1,80,626.23 crore is to be invested in the ports sector.

The ports sector received foreign direct investment (FDI) worth US\$ 1.64 billion between April 2000 and March 2016.

Foreign Direct Investment (FDI) allowed up to 100% under the automatic route for port and harbour construction and maintenance projects.

A 10-year tax holiday to enterprises that develop, maintain and operate ports, inland waterways and inland ports.



### 3. Investments and Developments

The Maritime India Summit 2016 attracted investments worth Rs 82,905 crores (US\$ 12.36 billion).

DP World Pvt. Ltd, world's fourth biggest container port operator, plans to invest over US\$1 billion in India, which will be used for augmenting its port-related operations.

Investment of Rs 70,000 crore (US\$ 10.44 billion) in 12 major ports and setting up of low-cost non-major ports in the next five years under 'Sagarmala' initiative.

Developing the inland waterway sector as an alternative to road and rail routes to transport goods to the nation's ports hopes to attract private investment in the sector.

A memorandum of understanding (MoU) has been signed between the Inland Waterways Authority of India (IWAI) and Dedicated Freight Corridor Corporation of India (DFCCIL) to create logistics hubs with rail connectivity at Varanasi and other places on national waterways.

The Visakhapatnam Port Trust (VPT) has outlined an Rs 3,000 crore (US\$ 444.72 million) expansion-cum-modernisation plan aimed at enhancing the port's capacity by nearly 50%. The port is estimated to invest Rs 800 crore (US\$ 118.6 million), a fourth of the planned investment, while seeking private partners to invest the remainder by way of public-private partnerships (PPPs).

The bidding documents like RFQ, RFP and Concession Agreement have been standardized to ease PPPs. Security clearance procedures have been streamlined, the major ports' developmental projects are being closely monitored.

India's largest container handling port, Maharashtra's Jawaharlal Nehru Port Trust (JNPT), plans to build a satellite port at Wadhwan near Dahanu (bordering Gujarat). It is estimated to cost Rs 10,000 crore (US\$ 1.48 billion) to build and likely to ease the congestion of ships at JNPT.

Jawaharlal Nehru Port Trust (JNPT) has signed an agreement to raise US\$ 400 million from State Bank of India and Development Bank of Singapore, to improve the infrastructure required for doubling its existing capacity to 9.85 million twenty foot equivalent units (TEUs) annually.

The government is considering a proposal to set up an Integrated National Waterways Transport Grid (INWTG), covering primarily five national waterways. The INWTG plan involves the development of these national waterways with at least 2.5 metres of least available depth (LAD), upgrade/set up priority terminals, and establish road connectivity (wherever feasible), rail and port connectivity.

Amendments to '**The National Waterways Bill, 2015**' to provide for enacting a Central Legislation to declare 106 additional inland waterways, as the national waterways.

Bringing a '**blue revolution**' entailing investment of around Rs 400,000 crore (US\$ 59.7 billion) in five years, will include developing eight major ports, making 27 industrial clusters, developing rail and road connectivity with ports.

**Green Port Initiative** will install 160.64 megawatts (MW) of solar and wind based power systems at all the major ports across the country by 2017 ensuring cost savings and energy efficiency.

#### **Stream Ahead**

Increased developments and investments indicate a healthy outlook for Indian container shipping and inland services with a definitely positive reflection in economy. Service providers like O&M (operation and maintenance), pilotage, harbouring and marine assets like barges, dredgers are also going to be benefited by such developments.



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