

# AILBIEAnews

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ALL-INDIA LIQUID BULK IMPORTERS & EXPORTERS ASSOCIATION


## WELCOME note

Mr. P. K. Das taken over as Chairman on 1st January 2019. Team AILBIEA and its members congratulate him and pray for his continued success and good health.

**Pranab Kumar Das**
Chairman, Central Board of Indirect Taxes & Customs [CBIC].

**Bani Bhattacharya**
Chief Commissioner of Customs, Mumbai

Mr. Bani Bhattacharya is elevated as the Chief Commissioner of Customs, Mumbai Customs, Zone 1.

Shri B . Bhattacharya joined Indian Revenue Service (Customs & Central Excise) in 1986 and has worked in various assignments in Mumbai, Kolkata, Vadodara, Bangalore and New Delhi in Customs, Central Excise, Directorate Of Systems, NACIN etc . During 2005-2009 he headed the Risk Management System as ADG when this project was successfully rolled out all over India and received the PM's Award for Excellence in Public Administration. He has worked as Addl. Commissioner Customs at Air Cargo Complex Mumbai (2001-2003), Commissioner Of Customs Bangalore 2009-2012, Principal Commissioner Of Customs (General) at Mumbai Custom House (2015-2017) and has joined as Chief Commissioner Of Customs At Mumbai Zone1 w.e.f 23/1/2019. He has received the Presidential Award for distinguished record of Service in 2007 and WCO Award for Outstanding contribution to Indian Customs in 2010.

We wish him Best of Luck in his current tenure as Chief Commissioner Of Customs Mumbai zone 1 .

**Jayyant Lapsiaa**
President

We, at AILBIEA, wish you a very prosperous, satisfying, successful and a robust new year 2019!

What the New Year brings to you will depend a great deal on what you bring to the New Year! Undoubtedly, the year 2019 is very crucial and critical for our country in view of the general elections due in May 2019.

> "Despite the slowdown in country's economy in 2018, in the coming year, largely due to the volatility in international Crude Oil and weak currency, economy is poised to bounce back.

While the business leaders are apprehensively optimistic about the New Year, there is lot of uncertainty stemming from the general elections, which are expected to be closely fought battle than previously expected. This may have untold impact and implications on the markets and the economy.

Despite the slowdown in country's economy in 2018, in the coming year, largely due to the volatility in international Crude Oil and weak currency, economy is poised to bounce back.

This NDA Government, led by the vibrant and dynamic Prime Minister Shri Narendra Modiji, has initiated and brought in several path breaking reforms, some of which were absolutely bold and result oriented. The two main economy swirling measures, in form of Demonetization and introduction of Goods and Services Tax (GST), had virtually set cat amongst the pigeons, with lot of skepticism and apprehensions.

But, with the passage of time, and, after the turbulence had withered down, the positive effect of Demonetization and that of GST slowly started showing up. Now, whilst Demonetization is history, GST is gradually coping up and shredding itself of the complexities that were so akin to it. The Government, thru' the GST council, is trying its utmost best to iron out all short comings, removing all shackles, resolving intertwined interpretative issues, and, making it more vibrant and more acceptable form of Taxation.

No doubt, any changes, that, too, the ones which are unexpected and totally alien, will have their share of uncertainty, apprehensions and fear, but, as long as the changes initiated have been done with honest intentions of doing good for the economy and Trade and Industry, they should be welcome and accepted with all fairness.

> “ Never in the past, for so many decades, has any government taken and initiated bold reforms and worked towards transforming the attitude and mindset of the Bureaucracy and government officers, as this present government has done.

Never in the past, for so many decades, has any government taken and initiated bold reforms and worked towards transforming the attitude and mindset of the Bureaucracy and government officers, as this present government has done. It is evident that the government had to virtually step on the gas to fast track many key projects, which were in the public interest, and, has been relentlessly pursuing expeditious implementation of various noteworthy projects.

This has given a tremendous boost to the infrastructure industry, and, with the thrust on Digitization, the I.T. industry, too, was in for an upward swing. Optimum utilization of Inland waterways, and, transportation through coastal routes is yet another major project which is being pursued and encouraged to facilitate traffic movements across the states and cities, making the transportation sector more vibrant and robust.

Along with the flurry of infrastructural activities, boom in I.T. sector and with assuring the masses of the positive effects of demonetization and GST, the most difficult task on hand of this government was to ring in the change in mind set of its officers, at levels.

The mindset and attitude of the government officers is undergoing sea of change and the positive effects of government's resolve to infuse transparency and weed out Corruption seems to be gradually emerging, though at a very slow pace. One must understand that the rigid and autocratic attitude, a legacy left behind the British regime, which has been imbibed and adopted for the last seven decades, will take a good deal of time wear off, and, it will be very difficult for the officers and others concerned to let go of the sadistically privileged bossism, which inflated their egos and made them behave like ruthless Vigilators.

Having said that, it must also be appreciated that over the years, the transformation from Vigilators to facilitators is being seen, and, there are sincere efforts being made to toe the line and ensure adoption of the being Facilitators, in real sense of the term.

However, there are still many areas in Customs which need to undergo radical changes and rid themselves of the old antiquated laws and procedures. Even though Customs, too, has transformed and become more approachable, but, when it comes to actual implementation of certain proactive and 21st century measures, there is certainly a blockade in the form of falling back to outdated and redundant procedures, hierarchies and systems. Many officers are reluctant to take bold decisions, fearing the weird ways of the Central Vigilance Commission's approach to their decisions and also many prefer to 'Play it safe'. This attitude must be admonished and scrapped.

Unless, like the Trade is merrily held responsible, accountable and penalized for any intended, unintended or inadvertent mistakes or lapses, so must the departmental officers be held accountable and responsible for issuing unjustified orders, delaying assessments, imposing wrong classification and thrusting illogical valuation issues. These should be severely dealt with and concerned officers should be penalized and held responsible. Only then, will sanity be restored, and, the officers will fall in line in infusing transparent and corruption free working environment which will bolster the government's steely resolve to make our country into major economic power!

New year- new chapter, new verse or just the same old story? Ultimately, we write it. The choice is ours.

Let's hope that the surge in our country's growth continues at a decent pace, and, that the eventual results of the general elections will be such that the ongoing momentum and scale at which progress and reforms are being made grow higher and higher.

With warm regards,

Jayyannt

**Jayyannt Lapsiaa**
President

# Factors affecting Make in India scheme success in liquid bulk sector.


Liquid Bulk contributes to the 70% of the Customs revenue and the sector is given low priority. In fact any delay in granting the permission for Import / Export is a huge cost, as the cost of detention of the Vessel runs in few thousand dollars and keeps on mounting as the clock advances. This cost directly adds to the loss of prestigious foreign exchange and heavy cost to the Importers / Exporters. This category of Importers / Exporters is not really understood by the field formations and given a general treatment, without understanding the difference in the delay of a container and the Ship. Few are listed here below:

- Erratic culture of administration killing the scheme of Make in India and adding to the cost to the manufacture of indigenous manufactured products.
- The process of passing of the documents for import / Export is such a lengthy for the new products or the products with valuation issues.
- Imposition of ADD / IGST by own interpretation
- ICEGATE functioning
- Chanel of movement of files manually.
- Requirements of NOCs on case to case basis from CDSCO, FSSAI, AQ for the regular imports.
- Conversion of claim of benefits online and denying eligible benefits to the genuine Importers / Exporters, due to the system errors.

**Erratic culture of administration killing the scheme of Make in India and adding to the cost to the manufacture of indigenous manufactured products.**

The process of passing of the documents for import / Export is such a lengthy for the new products or the products with valuation issues.

Department is always insisting on the reduction of the interaction of the Importers / Exporters with the line staff for the status of the documents after implementing the system driven passing system. However, the handling staff is not properly educated for handling the on line passing system and many a times, it is seen that, either the system is not functioning or the officer is not conversant for handling the same. In normal course of passing the system should generate the details, which would be available to the CB's or the Importers / Exporters and the system should give the query if any and the same should be serially processed through the system. If this thing functions properly, then none of the Importers / Exporters are interested in the physical interaction of the Customs Staff. However, since each and every movement of the clock, the Importers / Exporters are incurring the cost due to various factors such as storage, detention, freight, halting of the transport vehicle, ship, etc. Hence the same is required. Today, for any new product, or difference of value, the files are manually prepared, when the apprising officer is free and the same are then sent to AC/DC-JC/ADC-CC and sent back in the same order. These files are moved manually by the Custom Peon and the same are seen when the concerned senior in the line is free. The said process takes more than a week adding to the cost to the Importers/Exporters. There should be some system driven mechanism monitoring the movement and time consumed in the process. Such files are made even for the settled matters. As various Courts have already held that the transaction value cannot be denied, without having proved that there is some concrete evidence on record but this has become a practice.

**Imposition of ADD by own interpretation**

ADD is another tool for the passing officers or Audit. In fact, all the ADD Notifications are very clearly drafted, these are particular product, country of origin & export and exporter specific. Due to higher target achievement these are levied with the higher levy of ADD. In some cases, even the orders are passed even after giving the justification and documentary evidences and failure to get the communication the Importer / Exporter is put in the Alert in the system, which stand stills the total activities of them.

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# Demand/supply scenario of liquid cargo: Regulatory framework, challenges

(L to R) Jaffrey Thomas, Director at PricewaterhouseCoopers (PwC); Jayyant L. Lapslaa, President, All India Liquid Bulk Importers and Exporters Association (AILBIEA); Anil Yendluri, Director and CEO, Krishnapatnam Port Company Limited; C.P. Rao, Chief Commissioner GST, and Central Excise, Tamil Nadu and Pondicherry; SK Rahman, IR5, Commissioner – Directorate General of Goods and Serivce Tax, Dept. of Revenue, Ministry of Finance; Ramprasad, Editor-In-Chef and Publisher, Marttime Gateway

## Demand supply scenario, regulatory challenges export and import industry faces and infrastructure solutions shipping companies can offer, were brought to the fore.

At the beginning of the conference, **Ramprasad, Editor-in-Chef and Publiser, Maritime Gateway** gave an overview on the liquid cargo vertical. The ever-growing demand for energy needs a lot of infrastructure. The stakeholders need to take cognizance of changing oil movements and the need for moving LNG and other petroleum products into the country on massive scale make it inevitable to create dedicated and customized infrastructure facilities for liquid cargo.

**Jaffrey Thomas, Director at PricewaterhouseCoopers (PwC)** India detailed on the demand-supply scenario in liquid cargo. LNG has a share of 7 per cent in energy consumption and spans across various industries. The overall realistic demand for LNG is close to 500 MMC & SCME. This indicated a lot of latent demand already setting in the market. This can be converted by adding pipeline infrastructure and logistics capacities.

India has become the fastest growing market for POL consumption in Asia. HSG, porter spirit and NAFTA together come for approximately 55 per cent and a little more than half of the PQL consumption and this trend is expected to continue further, Jeffrey added. There's a positive demand in LPG space, and the consumption is expected to reach 36 mmt by FY 2028 from the demand of 22 mmts in FY 2017. LPG imports have grown to 9 mmt from 3 mmt over a period of five years, he elaborated.

**Jayyannt L. Lapsiaa, President, All India Liquid Bulk Importers and Exporters Association (AILBIEA)** highlighted the challenges importers and exporters are facing in handling the growing volumes of liquid bulk cargo. The contribution of the liquid bulk to the port revenue is about 50 percent and in case of major ports such as Mumbai, Chennai, Kandla, Kolkata, Visakhapatnam the revenue can go up to even 75 per cent. But still, government and shipping companies are neglecting the easiest to handle liquid cargo without laying proper procedures. AILBIEA has been talking to the government and requesting for a holistic department for handling the liquid bulk and for dedicated ministry for the Exim trade

**Anil Yendluri, Director and CEO, Kirshnapatnam Port Company Limited** Informed about the developments at his port for the liquid bulk cargo handling. Krishnapatnam has become the second largest edible oil port with the handling capacity of more than two million tonnes after Kandla. To handle the growing volumes, KPCL has demarcated enough land wherein more than 4 jetters, berths for cargoes, and dedicated pipeline corridors can be built.

"Through such deliberations trade bodies can get to know what the government is doing for the industry and government also understands the requirements of the trade and the challenges of stakeholders," shared **SK Rahman, IRS, Commissioner – Directorate General of Goods and Service Tax, Dept. of Revenue, Ministry of Finance.** He detailed on the government's initiatives for the players in liquid cargo sector focusing on GST related issues.

GST has brought 95 per cent of supplier goods below 18 per cent tax bracket. In GST, the tariff rates on liquid cargo are very less. Tax returns filing has also been simplified. Earlier, Exporters and Importers used to file GST1, GST2, and GST3 returns separately, but now they need to file only GST3(b) and GST1.

Taxes on liquid cargo are fairly simple; however, the complications related to the procedures may be there, clarified **C.P. Rao, Chief Commissioner GST, and Central Excise, Tamil Nadu and Pondicherry** region. POL is the major chunk of the liquid cargo, which is not in the purview of the GST system. States get more tax percentage on petroleum products than the centre, so they don't want to lose their hold on them. However, the consensus is building up and once it's brought into the GST system, business in shipping, exporters, and importers will have a number of benefits.

# Storage infrastructure: Tank farms, safety and security

(L to R) K Vasudevan, Director, Liquidgaz Energy; P Anil Kumar, Head-Infra Task Force, BPCl; N Jithendra, Krishnapatanam Port Company Limited; Jayyant L. Lapsiaa, President, All India Liquid Bulk Importers and Exporters Association (AILBIEA)

## SOPs need to be followed while developing and operating tank farms to ensure safety. Government should bring stringent regulatory norms for building shore tank farms...

**Jayyannt L. Lapsiaa, President, AILBIEA** raised concerns on scanty safety measures some seaports and business are taking while setting up shore tank farms. "Some people build shore tanks without realizing the possible dangers, safety concerns, and various nitty-gritties involved in the tanking business" he highlighted when moderating a session in the India Liquid Cargo Summit 2018.

Building tank farms and giving them to someone else to operate, not keeping separate tanks for edible oils and industrial chemicals and hazardous liquids are some of the unethical practice that are going on. The government should bring stringent regulatory norms for building shore tank farms infrastructure as liquid bulk cargo volumes are surging significantly in all segments, Jayyant opined.

Plot area, facility design, equipment or hardware used for storage, Standard Operating Practices (SOPs), and compliance rules followed, all these aspects need to be considered while talking about the safety and security of shore tank farm infrastructure, **K. Vasudevan, Director of Liquid Gas** Explained.

His company Liquid Gas is going to set up LPG storage terminal in Krishnapatanam Port in association with National Gas Company, Oman. In this context, Vasudevan shared the major safety aspects to consider when setting up a storage infrastructure for liquid cargo. However, he confined his talk specifically to LPG storage, as an expert in that field. "Scope of safety is much wider these days. When you say safety, we look at it as HSSE – Health, Safety, Security, and Environment." Vasudevan said.

Safety always starts from the concept stage of a project. When setting up an LPG storage terminal, design plays a crucial role in safety and security. If the storage capacity is up to 10,000 tonnes refrigerator design works best and if it's more one should go for pressurized storage design, he said.

When it comes to LPG storage equipment or hardware, cylindrical or spherical steel tanks which may be above ground, underground or mounted, can be used based on the geological conditions. He informed the delegates that Standard Operating Practices (SOPs), and compliance rules and regulations to be followed at every stage to ensure zero incidents.

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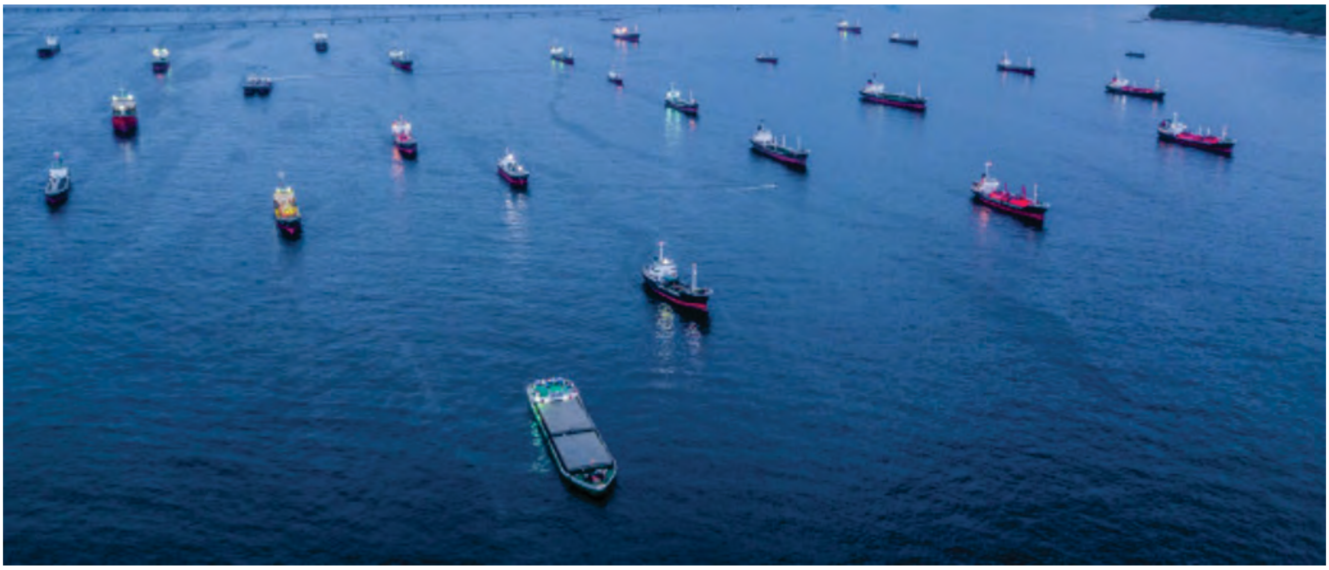
# ... Factors affecting Make in India scheme success in liquid bulk sector.



When known instead of reviewing such orders the Importers / Exporters are advised to exhaust the appeal remedies. Importers / Exporters have many other things to attend than attending such silly and unwanted issues.

**Unrealistic demand of IGST by own interpretation in RNR cases by DRI**

Recently post GST implementation, the exemption for IGST was not extended in lieu of earlier CVD for the imports under Advance Authorizations. Then the same was extended with a pre-import condition, which is not defined anywhere either under the Policy of Customs Act. The same is used as a tool by the DRI for harassing the Importers and such notices are issued from Kolkata for appearing before them personally. As seen there is no revenue loss involved in such cases. As the IGST paid or recovered from the Importers under the above transaction is available to the Importers as credit for payment of their IGST / GST payables. Such a respectable Intelligence authority is concentrating on such non-revenue matters and forcing the Importers to fly to their doors at Kolkata. In fact such matters should be handled by the local authority but for the credit of target such dirty games are played. After the Hon'ble High Courts intervention the said condition is withdrawn prospectively. Even though the IGST is available as credit, it takes time for the Importers to utilize the same depending on their payment liabilities. This results in blocking of the huge amounts, which otherwise could be productively used by them. Apart from the same, they have to invest their precious time for fighting such nonproductive issues.

> "Even though the IGST is available as credit, it takes time for the Importers to utilize the same depending on their payment liabilities. This results in blocking of the huge amounts, which otherwise could be productively used by them.

**Requirements of NOCs on case to case basis from CDSCO, FSSAI, AQ for the regular imports.**

NOCSs from CDSCO, FSSAI, AQ for the regular imports are also contributing lions share in detention factor, as such NOCs are issued on case to case basis.

**Conversion of claim of benefits online and denying eligible benefits to the genuine Importers / Exporters, due to the system errors.**

Export benefits are available for the exporters based on their export performance. DGFT has changed the mode for claim by discontinuing the manual issuance of the Scrips and started the system driven claim of benefits. None of the exporters wants to give up the benefits, as the said form the part of export realization and reduces the burden for making them competitive in the market. However DGFT wants that all the exporters to make option for their option on case to case basis for availment of such benefits. Sometimes due to the erratic behaviors of the ICEGATE the system wrongly transmits the Shipping bill to non availment option, even after the same is opted for availment while filing the Shipping Bill in the system. There are large cases pending for such errors for consideration before the DGFT.

All these may be small for the container Import / Export but a huge cost to the Bulk Importers / Exporters.

# How the Mumbai port land is going to be utilized

One of the most dynamic and result oriented Chairman, of the once a upon a time very prestigious Port in the World, i.e. Mumbai Port Trust, Mr. Sanjay Bhatia has a task cut out to shape the destiny of city of Mumbai by judiciously working out utility optimization and allocation of the huge and vast Port land spread across the city, virtually from South to North, for constructive city based development.

Being a man of action and vision, Mr. Sanjay Bhatia is ideally suited for the most complex and herculean task of planning the allocation and execution of vast area of land for various multiple uses, particularly, the allocations for the city's port based development, and, giving substantial space for the city to free itself from the already congested, squeezed and claustrophobic state, that it is in presently.

Even as the allocation of MbPT's huge land mass is going to be a very precarious and very critical operation, it remains to be seen how the Port is going to use some of the land for increasing the traffic at Mumbai port and trying its best to restore the lost glory of Mumbai Port, be increasing the traffic.

Just as JNPT was built to de-congest Mumbai, time has come when, now, Mumbai Port also needs to chip in significantly to decongest JNPT, which is virtually bursting at seams. With judicious planning and proper outlay of the port expansion plans, coupled with high quality dredging operations, to increase the existing draft of the channel, Mumbai Port can certainly bounce back and provide that much needed relief to both JNPT and city of Mumbai and suburbs by taking the load off JNPT, and, easing the congestions and traffic related issues.

In fact, Mumbai Port Trust is at a very crucial and pivotal position, with huge land at its disposal for multi utility and productive based operative areas. The Port could also look into the following areas, besides, the big plans and outlays it may have envisaged at a macro level, these areas are as follows:

[a] bolster city's development by helping in decongesting the areas with opening up of newer areas and land [b] help in creating more wider roads and freeways from the eastern costal side i.e. from Colaba to Sewri and downwards, exiting from the city parallel to the coast line. [c] Remove all illegal occupation on port land, just outside the precincts of Port, and, widen the roads, [d] help in extending the Eastern freeway, which now ends at Dana Bunder, up to Colaba, Via Ballard Estate, with few important exits and entry points at V.T., Ballard Estate and other important junctions. (This will mitigate the stress and traffic snarls on P.D'Mello Road, from Fort up to the entry point of eastern freeway). [e] To open up more land areas close to the sea, for creation of Liquid Tank Farms, with facilities of laying pipelines and loading gantries for attracting more liquid cargo, thereby reducing the load off JNPT, which is experiencing huge berthing delays. [f] Creation of Eastern Coastal Road, in form of a freeway, and, like a bypass circumventing the entry through the city, starting from Colaba and running thru' to New Mumbai and beyond. This will be a real boon to not only the city but will also result in decongesting the city and reducing precious fuel consumption.

**Mr. Sanjay Bhatia,** Mumbai Port Trust

Mr. Sanjay Bhatia had said the authority was not looking at opening up all 966.3 hectares (ha) of the port land between Wadala and Colaba for redevelopment, as the port would require most of its land for the existing commercial activities and cruise tourism, which is the new focus.

Mr. Sanjay Bhatia, said only a portion of the total land, 282.57ha across Darukhana, Haji Bunder and Cotton Green, could be freed for development, while 66% of it can be opened up for the city. He said MbPT was open to suggestions from citizens and would not insist on reclamation if the environment ministry or citizens were against it. At the same time, he pointed out that the reclaimed land could create a 93-ha garden for the city.

There is hope for seeing the city and port undergo radical changes and positive facelift, if and when the land policy is implemented with sincerity and urgency. The silver lining is that the possibilities of this happening are high because of the present Chairman Mr. Sanjay Bhatia, who is known for his astute handling of port issues and a result oriented task master.

# Liquid cargo the big fat prospects

> "When it comes to consumption of petroleum products, India is an oil guzzling nation, and the country's per capita consumption is only next to the US, EU and China. With a Y-o-Y growth of 5.3 per cent in FY2017- 18, and as high as 11.6 per cent in FY2015-16, the demand is not going to subdue any time soon.

**In a bid to reduce the disparity of gas accessibility and LNG terminals that is now concentrated on the west coast, the Petroleum Ministry aims to add capacity on the east coast. The focus is to improve penetration of the piped gas network to boost demand in the eastern parts for domestic and industrial use. With Petroleum and LNG import on a growth trajectory, liquid cargo handling at eastern ports needs to catch up with west coast terminals to fuel oil and gas-based economic growth.**

Global oil trade routes are moving East, as China and India replace the United States as top oil importers. When it comes to consumption of petroleum products, India is an oil guzzling nation, and the country's per capita consumption is only next to the US, EU and China. With a Y-o-Y growth of 5.3 per cent in FY2017- 18, and as high as 11.6 per cent in FY2015-16, the demand is not going to subdue any time soon. India fulfils almost all of its crude oil requirement from imports, and with consumption of 4.14 million barrels per day, its share is more than 4 per cent of the total world consumption and the second largest importer of oil in the world after China.

India is also import dependent for edible oil and various industrial chemicals to meet its requirement. No wonder the country's liquid cargo imports is majorly driven by 256.3 MMT of crude oil and petroleum products, and about 15 MT of edible oil. Given the enormous volume, the country requires some mammoth infrastructure at sea and land to keep the economy well oiled.

Imported liquid cargo is largely handled at seven port clusters, among which ports and terminals in Gujarat handle about 65 per cent of total crude import, followed by Mumbai, New Mangalore and Paradip handling 7-8 per cent each, and remaining ports Cochin, Chennai and Visakhapatnam handle 4-5 per cent each.

## Market size

Liquid cargo is broadly divided into 3 segments: petroleum products and crude oil, LNG, chemicals and edible oil. Based on the economic growth and energy requirement, International Energy Agency has forecasted that by the year 2040 India's economy will become 5 times of its current size and the most populous nation in the world, as a result it will have the highest energy demand in the world. India will alone contribute to about 25 per cent rise in global energy consumption, and a major part of the country's energy requirement will be fulfilled from coal and oil. Demand for imported petroleum oil and LNG will continue on an upward trend.

Despite efforts by government and private agencies to increase domestic energy production, 30 per cent of India's primary energy needs for domestic and industrial consumption are fulfilled from imported POL, LNG and coal. The country continues to struggle with oil production of just 700kb per day due to limited availability of the natural resource. With the current trend in the next two decades, India's dependency on imported oil will grow to more than 90 per cent and by the year 2040 oil import is likely to touch as high as 9.3 mb per day.

India has annual refining capacity of 235 MMT of which 194 MMT of products are consumed domestically, while the rest is exported. India is also a net exporter of Gasoline, Naptha, Jet fuel and Gas oil. The country is in the process of increasing its refining capacity to around 310 MMT by 2023. As a result there is also scope in handling liquid cargo export.

### Infrastructure gaps

Volume contribution from liquid is about one-third for most of the major ports and in case of some private ports there has been a steady growth, and combined volume of liquid and container has overtaken bulk. But still the segment is battling with some major infrastructure shortcomings.

Sharing some of the concerns pertaining to the liquid cargo transport, **Dinesh Donadi, Terminal Manager (Haldia), Reliance Industries** stressed that ports need to give priority berthing to liquid cargo carriers. Vessels have to wait for more than a week to get a berthing, and it happens at most of the ports in India, unless an industry has a dedicated port like Reliance Jamnagar unit. The market is more mature on the west coast as there is well developed network of pipeline and other modes of transport, but on the east cargo still moves through ports due to which storage capacity is required. Due to lack of pipeline network, petroleum and other products from Jamnagar unit come to Haldia by coastal vessels. Reliance also imports aviation turbine fuel from Singapore and Malaysia. The distribution network has still not reached an optimum level and there is scope for capacity augmentation and new terminals on the east coast.

Though India imports majority of POL from the Middle East, Latin America, and Africa but Indian oil majors in a bid to reduce dependency on the Middle East have acquired equity stakes in overseas oil and natural gas fields in South America, Africa, South-East Asia, and the Caspian Sea region.

While the majority of oil refining capacity, and oil and LNG imports are located on the west coast but many of them are fast aging leading to slower discharge resulting in congestion and delays. The west coast has an annual refining capacity of 63.7 MMT which falls short to meet domestic demand. On the other hand refining capacity of 88.2 MMT by private players in Gujarat mostly caters to export market for products such as naphtha, motor spirits, and jet fuel to the UAE, Singapore, Saudi Arabia, USA, Kenya, and the Netherlands. East and north eastern parts of India, central and north have installed refining capacity of 49.4 MMT, 6 MMT, and 40.3 MMT, respectively. Consumption wise northern parts of India top the list with 55.89 MMT, followed by 52.15 MMT in west, 46.67 MMT in south, and 22.28 MMT in north-east and east in FY2017-18.

Out of the total volume of 932.57 MT of overseas cargo, liquid bulk cargo volume was 353.96 MT in FY2016-17 at major ports. At Indian major ports a vessel with liquid bulk has to tackle a pre-berthing detention of about 1.62 days and turnaround time of about 3.49 before it sails out. As a result an imported liquid bulk carrier is detained for about 5 days. Kandla which was once the default hub for chemical and other liquid cargo import is losing out to other ports because of lack of berths and delays in vessel turnaround time. Due to these factors occupancy level of liquid storage tanks at Kandla have come down affecting negatively its tanker tariff. On the contrary, in its neighborhood terminals at Hazira are flourishing due to efficient and modern facilities and in 2017 alone 410 liquid carriers were handled there. The growth of liquid cargo segment can be gauzed from the fact that ports like Hazira have 80 per cent occupancy level and are looking to increase capacity from 4.45 lakh kl to about 2.50 lakh kl tank in the coming 2 years.

Liquid bulk cargo is majorly demanded across 23 refineries and these refineries import about 4 million barrel of crude per day, and refine and supply to domestic and international markets. Though liquid cargo handling is pegged at CAGR of less than 5 per cent but the segment has the potential to grow at a much faster pace if capacity constrains at ports could be addressed. There are very small number of players who cater to the storage and transport needs of this niche but high volume and fast growing segment. If we leave apart the major refiners, the liquid bulk import and export is largely a trader-driven business where cargo volume comes in fragments and inconsistently. Speaking about the trends, **T Venkataraman, MD, Goodrich Maritime** said that instead of bulk shipments, demand for unitized form and ISO tanks is growing. Importers are more keen to bring parcels of smaller size on depotto-depot basis where parcel size of as little as 20 tonne is directly delivered to their factory.

Speaking about capacity constraints, **Sajith Sreedharan, Deputy Managing Director, BMT Consultants (India),** underlined, "Significant increase in bulk chemical (including petrochemical) trades has placed substantial pressure on port infrastructure which was already lacking capacity, including for storage. Utilization rates for infrastructure in major ports (mainly storage) is 80-90 per cent as opposed to a more normal 50-70 per cent. There is a need for additional capacity. In general, this includes specialist berths which usually have far lower utilization rates and specialized handling equipment and storage.

The major gap is integrated berth and storage capacity, and this gap is often caused as their owner and operator of the storage are different. Chemicals and specialty chemicals are particularly affected."

Liquid cargo is very complex. A typical liquid chemical carrier can sail with 20 different varities of products, hence a port needs to have the required infrastructure to deal with it simultaneously. Chemical major Sasol used to bring 13-14 different chemicals in one vessel from South Africa to Kandla for about 23 receivers but later it shunned the port because of delays in discharge. Typically in case of trader-driven specialized chemical segment it is imported in parcel size of 500-2,000 metric tonne, and requires storage facility for 1-2 months at the port. Some of the other complexities of the trade are that turnaround time of a vessel also depends on the pumping capacity of a vessel. Products like edible oil are high volume but low margin commodity, so in a bid to keep a check on freight cost older vessels are hired for haulage which have very slow discharge rate as compared to chemical carriers. And it leads to longer unloading time.

Large industries like Haldia Petrochemicals despite having own pipeline network for distribution and storage facility are constrained by challenges at ports. **Ashok Ghosh, Head (Plant & EVP), Haldia Petrochemicals,** sharing his experience says that Haldia has draft limitation, which restricts the size of vessels. Due to this 50,000 dwt vessels carrying feed stock carriers are called at Visakhapatnam from where it is transferred in smaller vessels of 25,000-30,000 tonne capacity to Haldia. Various liquid jetties have different types of limitations at Haldia such as it can handle cargo only in the range of 2,000-6,000 tonne, and the jetties are highly congested leading to higher waiting period and demurrage. Due to inefficiency freight cost for raw material import goes upto \$55-60, and a draft of 13-14 metre could help direct vessel call and a saving of about \$30/tonne, and the amount is significant since the capacity of the units is 2 million tonne of naphtha. The plant aims to double its capacity from 2 million to 4 million ton but due to the port capacity restriction, the expansion is not possible. The company is now exploring option to set up a unit at a new location like Andhra Pradesh or some other place in south which has a market potential for its products such as polymers.

## The bright spots

One of the areas which require capacity creation is LNG facility at ports. Currently, India is the fourth largest LNG importer in the world. The country under various schemes is targeting to avail gas for domestic and industrial use. Cross country pipelines are under implementation and it will directly boost gas consumption as a result LNG import will grow. Currently, India imports 10 million tonnes of chemicals and petrochemicals, which is likely to grow to 46 million tonnes by the year 2030.

Moreover, in a bid to ensure energy security, national gas grids are under execution at various locations, and doubling of pipeline network from 15,000km to 30,000km is under implementation. While western parts of India have made significant progress in piped gas distribution, the next wave of growth in consumption will be from the east, south and northern parts of India. Ports on the east coast need to chip in to meet the requirement.

**PCPIR:** The ambitious target that India has set for itself is to provide gas to all households and this requires significant investment in LNG and POL handling capacity at ports. Among the 4 approved PCPIR projects, apart from Gujarat, the project in Andhra Pradesh is making steady progress. The other two states Odisha and

Tamil Nadu are also working in the direction of faster realization of projects.

Hence, the ports on the east coast need to be ready to embrace some exciting times in liquid cargo business. In a bid to reduce the disparity of gas accessibility and LNG terminals that is now concentrated on the west coast, the Petroleum Ministry aims to add capacity on the east coast. The focus is to improve penetration of the piped gas network to boost demand in the eastern parts for domestic and industrial use. With Petroleum and LNG import on a growth trajectory, liquid cargo handling at eastern ports need to catch up with west coast terminals to fuel oil and gas based economic growth.

India continues to stress on addition of capacity in Regasification LNG terminals and addition of about 83 MMTPA in the next 10 years to fulfil steady supply in the domestic market. While the work is under progress to increase capacity on the west coast, there are plans to install about 10 MMTPA on the east coast as well.

With increasing coverage and reach of natural gas infrastructure, there is an effort to bridge the imbalance in gas consumption between western and northern parts of the country and rest of India. Natural gas demand is projected to reach 746 MMSCMD in FY2029-30. Asian Development Bank backed Economic Corridor Development is another thrust area which will further fuel LNG consumption in the eastern parts of the country. Since the first phase of East Coast Economic Corridor (ECEC) focuses on the Visakhapatnam-Chennai Industrial Corridor (VCIC) covering 11 districts in Andhra Pradesh and Tamil Nadu, gas consumption is heading for a steady growth due to restriction on coal import. While ports on the east coast are adding container handling capacity to meet the requirement of production clusters, it is time to add LNG handling capacity to fulfill the energy requirement of anchor and ancillary industries coming up in the corridor. LNG re-gasification industry is likely to increase from 47.5 MMTPA by 2022 from a current level of 22 MMTPA.

**Chemical:** India being an agrarian economy, liquid chemical import for the agricultural sector and fertilizer units will continue to grow. Moreover, bulk organic and inorganic chemical constitute about 5 per cent of the liquid cargo imports in India. More than 60 per cent of India's chemical-based units are located around Vapi-Baroda industrial belt, which has aided chemical handling at ports in Gujarat like Hazira. Majority of chemical in liquid form comes from the Gulf countries. Majority of chemicals are made from naphtha and other downstream products of petroleum oil, and India depends heavily on import from Iran and other Middle East countries. One day pre-berthing delay of a chemical carrier could lead to a loss of about $20,000 depending on the size of vessel. Apart from methanol, the CIF value for all other chemicals is in the range of $600-1,800.

Chemical import has a CAGR of about 6-9 per cent. Growth in plastic and textile like polyester yarn consumption creates demand for chemical. India still has a very low per capita chemical consumption due to which the growth in import is expected.

**Edible Oil:** India imported about 15.6MT of vegetable oil in FY2017-18 as compared to 15.4MT in FY2016- 17. Lower domestic supply keeps the momentum for import of vegetable oil. And the trend is unlikely to change since India's agricultural sector is struggling at sub 2 per cent growth. Palm oil accounts for the highest volume among vegetable oil import, and a majority of it comes from Malaysia and ports on the east coast can tap this segment. Import in this segment has grown by 45 per cent in the last 5 years. India's monthly requirement is about 18 lakh tons and the country maintains a stockpile for 30 days as it comes under necessary products. Edible oil import hubs are Kolkata, Kandla, and Mundra, and the basket includes refined and crude vegetable oils like soybean and palm oil, and crude sunflower oil. Soya oil is imported from Brazil and other latin American countries. Palm oil comes from Malaysia and Indonesia. Largest volumes of edible oil comes through Kandla.

## Way forward

Liquid cargo is one segment where ports and terminals have been registering steady growth (CAGR of 0.38 per cent in the last decade). In case of major ports the share of liquid cargo has grown to about 38 per cent in FY2017-18 as compared to 33 per cent in FY2016-17.

India fulfills about 86 per cent of crude, 70 per cent of natural gas, and 95 per cent of cooking gas requirement through import, hence the demand for liquid cargo handling, storage and distribution at ports and hinterland will continue to register an upward trend. Apart from POL and LNG, edible oil and chemical imports are going to supplement further. While government-backed cross-country pipeline network is on the right track, there is an opportunity for more entrants from the private sector to complement with liquid cargo handling, storage and distribution. There is huge capacity constraint in transport of liquid cargo from shore to the factory or hinterland in a safe and efficient manner. Most the cargo is hauled by trucks, hence there is opportunity to tap this segment. Success lies in faster turnaround of vessels thus lowering or eliminating demurrage.

> “The government is mulling over this proposal because there’s sufficient capacity in the domestic industry,” Hemant Bhatt, chief executive officer of HMSA Consultancy Services.

# India Mulls Ending Local Shipping Firms’ First Right to Government Cargo

Till now, domestic shipping companies had the first right to transport export-import goods, coastal oil and bulk cargo owned by state-run firms. That may change soon.

To a question if the government is considering to withdraw the right of first refusal given to local fleet owners, Nitin Gadkari, minister of road transport and highways, shipping and water resources, “It’s in process. I can’t divulge more details.” He was speaking on the sidelines of an event in Delhi.

Under Indian cabotage law, the right of first refusal ensures local shipping companies carry bulk dry/liquid cargo of Indian public and private sector companies by matching the lowest rate quoted by foreign shipping lines. While it doesn’t increase the costs of the importer or exporter, it provides Markets Business Videos Earnings BQ Blue Exclusive an assured business to the national fleet. Foreign shipping lines can carry cargo when local fleet owners face capacity constraints.

According to the Ministry of Shipping, around 95 percent of India’s trade by volume and 70 percent by value is conducted through maritime transport.

Cargo traffic at major Indian ports in the year ended March was 679.36 million tonnes. In April-May 2018, traffic at major ports increased 2.41 percent year-on-year to 116.26 million tonnes.

“The government is mulling over this proposal because there’s sufficient capacity in the domestic industry,” Hemant Bhatt, chief executive officer of HMSA Consultancy Services.

Once implemented, the proposal, Bhatt said, will enable international shipping lines to deploy their fleet to tow cargo from one port to another consistently. “This will lead to increased competition in the shipping industry.”

Domestic Firms Oppose Move Domestic shipping companies, however, opposed the move, saying it will hurt their business.

Mumbai-based Great Eastern Shipping Corporation said in a statement: “Such a step would also be a huge setback to the continuation of India as a nation with a national flag maritime fleet.”

“The right of first refusal gives Indian companies the opportunity to conduct business at the lowest rate offered by a foreign line, at no extra cost to the consumer,” the statement read. “It’s a measure of protection that provides a benefit to Indian shipping at no cost to the economy (unlike, say, an anti-dumping duty).”

The statement referred to a government circular issued in June last year that said all government and public-sector undertaking entities were to give right of first refusal and price preference to local companies as part of the Make in India scheme. “This covered the procurement of both goods and services.” The proposed removal of right of first refusal goes completely against the spirit of this, the statement said.

The Economic Survey of 2017 had noted how local fleets are losing prominence in Indian trade.

“Indian ships saw a sharp decline in their share in carriage of country’s overseas trade while about half of the domestic shipping fleet is aged,” the survey had said. “There’s been a sharp decline in the share of Indian ships in the carriage of India’s overseas trade from about 40 percent in the late 1980s to 7 percent in 2015-16.”

# Extracts of the report presented to the RS on Development & Performance of the Ports.

The Committee is of the opinion that the development of infrastructure must be a joint effort of the State Governments, the Ports and the Ministry of Shipping, including the Central Government, as it is integral to the development and growth of the nation and integral to the economic prosperity to the States concerned and the nation at large. In view of this, the Committee applauds the efforts of the KPL authorities in bringing the various stakeholders to the table and is an example that must be followed by other Major Ports in developing their hinterland connectivity.

## COCHIN PORT TRUST

Cochin Port is a major port on the Arabian Sea - Laccadive Sea – Indian Ocean sea-route in the city of Kochi and is one of the largest ports in India. The Port lies on two islands in Kochi: Willingdon Island and Vallarpadam, towards the Fort Kochi river mouth opening onto the Laccadive Sea. The modern port was established in 1926 and has completed 91 years of active service. The International Container Transshipment Terminal (ICTT), Vallapardam, is the largest container transshipment facility in India. The Port is governed by the Cochin Port Trust (CPT), a government of India establishment.

The Chairman of the Cochin Port Trust informed the Committee that the Port has taken a U-turn since 2016-17, not only in terms of volume handled but also in terms of profit. In 2015-16 the volume of cargo handled was 22.5 MMT, which rose to 25.07 T against the set target of 24.5 MMT. Similarly, the volume of cargo handled was 29.38 MMT as against the target of 28.5 MMT. The Port has set its target as 32 MMT and the Port expresses confidence in ability to handle a volume of 32 MMT.

The Committee was informed that as against the Average pre-berthing time of 10.31 Hrs. in 2017-18, the Port has been able to achieve an average of 7.61 hours in 2018. In terms of the Average Turnaround time, the Port has been able to set an average of 1.46 days as against an average of 1.54 in 2017-18. The Port has also registered an Average Output per ship Berth of 23,3382 in 2018 tonnes as against 20,800 tonnes in 2017-18.

## MODERNIZATION OF CARGO HANDLING MECHANISM

The ICTT is equipped with 6 quay cranes and 15 rubber tyred gantry. The cranes can handle 30containers per hour which is at par with international standards. A truck enters the terminal and leaves the terminal after completing all its operations within 27 minutes. This is at par again with international standards. The terminal at Ernakulam is equipped with a mobile harbor crane which is capable of handling a load of 40 tonnes and is a port - owned crane. The Port is also equipped with marine unloading arms which is a fully mechanised facility along with quick release hooks.

At Petronet LNG, the Port is equipped with a state- of -the- art facility with a capacity of 5 MMT. As far as cement establishments are concerned, primary operators have equipped the docks with hydraulic suction facility as well as packaging facility. The mother client is situated in the north-west and the cement reaches there by ships and it is handled mechanically, packaged and thereafter sold in Kerala.

The construction of multi user liquid terminal for handling LPG, other liquid cargo etc. with a capacity of 4.10MMT including a barge berth at an anticipated cost of Rs.749 crores including investment by the PPP operator M/s IOCL.

Refurbishment and capacity enhancement of coastal liquid terminal at a cost of Rs.19.95 crores and was completed in October, 2017. Another refurbishment in the South Tanker Berth at a cost of Rs. 29.22 crores is scheduled.

## DIGITISATION OF THE PORT

RFID has been fully implemented at Ernakulum Wharf and the ICTT. Upon entering the Port, the driver need not get down from his truck. Everything is automated and the driver can complete all the operations and leave the Port from the comfort of the driver seat. This has reduced the handling time to 27 minutes. Installation of drive through scanners are underway at ICTT Vallarpadam and is scheduled for completion in July 2018. It is estimated that thescanner can scan around 60 trucks within an hour and trials are being conducted.

## CONNECTIVITY

**a) Road:** The Port is connected by National Highway 47 (544) and National highway 47- A (966B). The construction of a flyover in front of ICTT at a cost of Rs.30 crores was competed in March, 2017. Wellingdon Island is connected to National Highway - 47 A (966B) through a 2- lane carriageway link of length 5.9 km.

**b) Rail:** The Ernakulam Wharf of the Port is well connected by rail. The route length of rail connectivity of ICTTT project site at Vallarpadam is 8.86km. National Highway connectivity to ICTT route length is 17.20km. Construction of a rail over bridge, which forms a part of the rail connectivity to ICTT replacing the temporary level crossing at a cost of Rs.30 crores have been completed in April, 2018.

## CRUISE TERMINAL

The Port is also equipped with a dedicated terminal at Mattancherry for cruise ships with the capacity to handle 160 m Length Overall (LOA). The Port is equipped with 20 dedicated immigration counters along with scanning facilities. The Port has a capacity of 2000 passengers at Samudrika, Mattancherry facility. A New Passenger

Terminal is to be constructed at Ernaulam Wharf at an estimated cost of Rs.25 crores, with the capacity for ships up to 420 m LOA. The New Terminal will be spread over 2,285 square meters in terms of floor area with an estimated capacity of 3000-6000 passengers. The terminal will be equipped with 30 immigration counters and also a set of scanners and buggies. The terminal will be financed by the Ministry of Tourism with a grant of Rs.25 crores.

The ICTT was described as a milestone in logistic infrastructure development. But what followed in the years to come has proven to be problems replete with negative consequences. The Committee feels that the terminal has not lived up to the perceived expectations which subsequently ran aground since the projections were so full of loopholes that they have failed to hold water. First and foremost was the inability of the terminal to accommodate large cargo vessels due to chronic siltation. At present, very little business is taking place at the ICTT, with the terminal functioning at 35% of its capacity. On the contrary, it has proved to be a drain on Cochin Port's exchequer which is already cash strapped with huge debts, running to the tune of over Rs.700 crore to be repaid. The Committee is pleased to note the steps taken by the Port in developing a passenger cruise terminal. This is a neglected aspect of shipping in India and is a major source of revenue in other nations. Cruise Tourism must be pursued with greater vigor and the Committee is pleased to know that the Ministry of Tourism is cooperating with the Ministry of Shipping to develop Cruise Terminals.

## DEENDAYAL PORT TRUST (KANDLA PORT)

Deendayal Portis a seaport in the Kutch District of Gujarat state in western India, near the city of Gandhidham. Located on the Gulf of Kutch, it is one of the Major Ports on the west coast. Deendayal Port was constructed in the 1950s as the chief seaport to serve western India, after the partition of India.

Deendayal Port (DPT) is located some 256 nautical miles southeast of the Port of Karachi in Pakistan and over 430 nautical miles north-northwest of the Port of Mumbai (Bombay). It is the largest port of India by volume of cargo handled. Kandla Port Trust, India's busiest major port in recent years, is gearing to add substantial cargo handling capacity with private sector participation. The west coast port handled 72,225 million tonnes of cargo in 2008-09, over 11% more than the 64,920 million tonnes handled in 2007-08.Much of this growth has come from handling of crude oil imports, mainly for Essar Oil's Vadinar refinery in Gujarat. The Port is also taking measures to boost non-POL cargo. Kandla Port was renamed as Deendayal Port under the Indian Port Act of 1908.

The Port has 14 nos. of Dry Cargo Berths, 6 nos. of Oil Jetties, 4 nos. of Moorings for mid- stream handling of cargo and 1nos. of Barge Jetty at Kandla.

The Port is equipped with 12 Electrical Level Luffing Cranes (ELL) with a capacity of 12-25 tonnes capacity at berth no. 2,3,4 and 10. In addition, the Port has also procured 2 nos. Mobile Harbour Cranes of 64 tonnes in 2011 for Cargo Handling. Vadinar is small coastal town located in Devbhoomi Dwarka district of the state of Gujarat, India. The offshore oil terminal of the Deendayal Port Trust is located in Vadinar and contributes in a large.

The Chairman, DPT informed the Committee that of the traffic handled at the Port, 60 per cent of the cargo is oil and 40 per cent constitutes general cargo. Recently, two berths have been given to JM Bakshi Group through Public Private Partnership. A study was conducted recently which shows the draft available is much better than before.

The total imports of the Port amounted to Rs.812 crore and the export is 811 crores. This has remained nearly stable. The exports have increased from 238 to 288.4 MMT as per last year. The imports largely consist of coal and timber. Timber is special because this is a timber hub. There are 2400 saw mills; the Timber, both soft and hard is aggregated at the Port from where it is distributed all over the country.

## MODERNIZATION OF CARGO HANDLING MECHANISM

As per the report of the Boston Consulting Group commissioned by the Ministry of Shipping, the issue of higher rake urn around time at Deendayal Port and measures to reduce the same were discussed during various inter-ministerial meetings. The above initiative of reducing the fertilizer rake loading by way of mechanization was aimed to achieve a targeted turn round time of 6 hrs. The installation of an automated rake loading plant to reduce the rake turnaround time from 10-12 hours to 6 hours was recommended. It was reported that this would reduce the cost of handling to Rs.160/ton which is a reduction of Rs.45/ton. The mechanized bagging and rake loading facility at NG 34 of Deendayal port includes 20 nos. of bagging machines and 20 nos. wagon loaders with a design capacity to handle 1.4 MMTPA fertilizer cargo. This project is pegged at an estimated cost of Rs. 122 crores which includes a capital cost of Rs.14 crores, O&M cost of 8 years amounting to Rs. 108 crores. The work order for the same was issued to M/s Rishi Shipping Gandhidham in March 2017. All 20 units have been erected and testing and trials are underway.

As per the Master Plan devised by AECOM (construction company), full scale mechanization for handling fertilisers has been suggested in one berth to reduce the turnaround time of ships, rake turnaround time, etc. Currently, the process of handling fertilizer and cargo at Kandla, involves multiple movements and CFS for the unloading and delivery of cargo to the end users. The Port has undertaken the setting up of fully mechanized handling facility exclusively for fertilizer cargo (Urea, MOP, DAP) at the Deendayal Port. Under the proposed system, all cargo related activities from the unloading of bulk fertilizer cargo from ships to loading them into bagged fertilizer onto the wagons will be mechanized.

The project is estimated at a total cost of Rs. 338.51 crores, to be met from internal resources, with an estimated capacity of 4.5 MMTPA. The Chairman, DPT stated that the Ministry of Shipping has already approved the Standing Finance Committee Proposal. Tender documents are under scrutiny and the project is scheduled to be awarded during the 2018-19 Financial Year and completed by October 2020.

The project will feature 2 Mobile harbor cranes with mobile hoppers, a conveyer system up to the storage shed, with a shed measuring 38,500 Sq. mts, 40 bagging units and wagon loaders including 2 rakes, which can be handled simultaneously on either side of the shed. These will ensure efficient operation due to end to end mechanization. This will ensure minimal contamination of fertilizer cargo due to dedicated mechanization and closed Pre-Engineered Building Shed. This will eliminate the need for internal vehicular movement for transfer of cargo. This being automated will reduce the need for labour at the docks. A Mechanized Dust Suppressor will also be in place to ensure dust-control at the Port.

In order to improve its overall efficiency, the port has procured 2 Nos. of Mobile Harbors Cranes (MHC's). The flexibility of the MMHC's enable faster handling of cargo at non-crane berths. The upgradation is pegged at an estimate cost of Rs.71 crores (excluding IGST) and O& M costs of Rs.20 crores for 5 years. The cranes have an estimated capacity of 3.5 MMTPA. The cranes have been commissioned in May, 2018 and are presently operational. These cranes have been deployed between berths no. 7 to 9 of the Deendayal Port.

# The role of the logistics sector in driving economic growth:

The role of the logistics sector in driving economic growth cannot be overstated – just like for the rest of the country, the logistics sector is likely to be the backbone of economic development in the Eastern and North Eastern (NE) Indian states. West Bengal, in particular, with its strategic location and domestic and international trade linkages, has a definite and immediate potential to emerge as the

logistics hub for the region. This report reiterates that potential and emphasises the key steps that the state, as well as the broader region, will have to take to develop the logistics sector. The major highlights of the report are summarised below:

- The Indian logistics sector is likely to grow from USD160 billion in 2017 to USD215 billion by 2020 – this attractive growth is expected to be a consequence of the introduction of GST, growth in manufacturing, emergence of new industrial
- growth centres and increase in government investments in key infrastructure, among others
- Estimates put the market size of the West Bengal Logistics sector at USD20 billion by 202001, with a myriad positive demand and supply side factors driving its growth - The large consumer base of West Bengal, and the emerging consumer bases in states like Bihar, Odisha and North-Eastern India, underpin this lucrative potential - West Bengal's strategic location also makes it a gateway to South East Asia and Eastern and North Eastern India and especially to the growing economies of Bangladesh and Nepal - Estimates indicate that the five states of West Bengal, Bihar, Odisha, Jharkhand and Assam will grow on to contribute a quarter of India's GDP by 2035, with West Bengal capturing nearly 10 per cent02, thus representing a phenomenal growth curve for logistics sector to ride on
- The growth of the Logistics sector in West Bengal will likely also benefit from the structural positives of upcoming major infrastructural projects in the region - Major economic corridors – Eastern Dedicated Freight Corridor or Eastern, Amritsar-Kolkata Industrial Corridor, East Coast Economic Corridor, Kaladan Multi-modal Transit Transport Project and Bangladesh-China-India-Myanmar (BCIM) trade corridor – are all likely to boost logistical demand and operations – A new deep-sea port at Tajpur will enhance the state's maritime capabilities by adding on to the two existing ports at Kolkata and Haldia
- West Bengal is also well positioned to leverage existing infrastructural strengths, which includes03 having a waterfront of 950 kms, close to 16 per cent share of the total length of National Waterways, one of the highest road coverage, two operating international airports and one of the largest warehousing capacity in the Eastern part of the country
- Five potential sites in West Bengal offer the opportunity to develop end-to-end
- logistics parks with multi-modal capabilities. Cumulatively, these five locations – Dankuni, Durgapur, Tajpur, Malda city and Siliguri – have the potential to mobilise investments worth USD1.5 billion and generate as many as 30,000 direct jobs 04
- West Bengal has recently introduced a state Logistics policy; to fully harness the sector's potential, the government should now focus on strengthening coordination between industrial, infrastructural and logistical initiatives in the state, set up a Logistics Centre of Excellence, promote adoption of digital solutions for improving the efficiency of logistics service delivery, develop sector-focused skill sets among the targeted workforce and help create an enabling climate for growth of start-ups in the sector.

## OBITUARY

Mr. Raghu Warrier was the person who initiated AILBIEA News letter. He was very actively involved with our Association, had a sudden and untimely demise on 19th December 2018.

We at AILBIEA sorely miss him and offer our prayers to the departed soul and heartfelt condolences to his family.

**AILBIEA** Team

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For editorial and advertising, please write to: **ailbiea@gmail.com**



AILBIEA

**ALL-INDIA LIQUID BULK IMPORTERS & EXPORTERS ASSOCIATION**

1011, Mighty (Universal Majestic), Near RBK International School,
Ghatkopar-Mankurd Link Road, Chembur West, Mumbai 400 088, India.

Tel: **+ 91 22 6155 9910** Fax: **+ 91 22 6155 9955**