

SOUTHERN ASIA PORTS - LOGISTICS & SHIPPING 2006
SHUTTLE FEEDERING IN THE BAY OF BENGAL - SOUTHERN
ASIA & ASEAN TRADE

SLIDE 1

INTRODUCTION

Ladies & Gentlemen Good Afternoon

Twenty years back India was looked upon as a country with a million problems. Today, India is reckoned as a country with one billion opportunities. I am delighted to be here and thankful for the opportunity for this address.

I see that we have an extremely distinguished audience not only from container shipping but also its related industries. Given the wide canvass of feeder in South East Asia and its intricacies, it would be difficult to take you through the entire sweep in 20 minutes.

SLIDE 2

My is therefore 20 minute attempt to trace the evolution and the future of the feeder industry in India. India will be the focal point in today's presentation. We will use a case study approach based on our 20 years of experience.

In the delivery, I propose to take you through a **historical perspective**, the **present scenario**, **future issues** and finally some **proposals**.

SLIDE 3

HISTORICAL PERSPECTIVE

Containerisation

Whilst Worldwide containerization, of any standard form, has been around since the late 1960s, India has only been dragged into this mode over the last two decades, whilst the rest of the world has literally sailed by.

1986 is perhaps a good year to start India's container story. Incidentally, I could only lay my hands on authentic figures only from 1986 and coincidentally, **1986 was the year Bengal Tiger Line commenced operations in India.**

Believe it or not in **1986, the total volume handled out of India was only 400,000 TEUs. Today in 2006 country handles 4.8 Mn TEUs.**

SLIDE 4

Problems

Infrastructure build takes cost, commitment and time. There is the hard infrastructure and the soft infrastructure. Hard infrastructure takes the form of physical entities like ports, rail and road connectivity. Soft infrastructure is the provision of the actual transport system - in this case the physical shipping service structure offered by the feeder operators. It is logical to expect that hard infrastructure should be in place before the service providers commence - thus establishing a dependable transport system.

Unfortunately, whilst India's connection to the international trades were either via feeders or through some limited main line callers, the containerised shipping industry was born in a environment of inadequate port handling facilities and slow volume growths.

SLIDE 5

Feeder activity is dictated by time and speed and even more so in the case of shuttle feeder activity which BTL developed on all trade routes. However, ports in India were accustomed to handling break bulk and POL vessels where delays were almost taken for granted. This time appreciation for container feeder vessels to be turned around as quickly as possible, with minimum delays, took some time to be understood.

SLIDE 6

It is a fact that vessel turnaround is crucially linked to productivity and most ports didn't have adequate container handling equipment nor was there any move to prepare themselves for the container revolution. Added to this was some of the most rigid customs regulations in the region. It was expected that dealings with the customs paper work, and general port bureaucracy was often difficult to say the least.

Additionally the 1990s was 'the decade of industrial disputes'

amply reflected in the port sector. Go slows and wild cat strikes were innumerable leading to congestion and the inevitable backlogs.

Physical restrictions in some sectors eg draft limitations in Calcutta, made operations extremely arduous and inefficient and as I speak today, the draft situation at Kolkatta remains exactly the same as it was then.

Containerized cargoes to and fro India are generally heavy in their nature falling between 16-24 tonnes/teu and of low intrinsic value. This continues to result with the feeders having to contend with low freight rates and load weight restrictions.

SLIDE 7

As if these were not enough, imbalances in market traffic tops the list of difficulties encountered in operating out of India.

Given all these constraints, it is no surprise that there were many road side casualties and out of academic interest,

there are only two or three companies, which have accompanied India's container growth since outset and these continue to be the predominant players. Their efforts paved the way for establishment of a cost effective and efficient feeder structure network.

SLIDE 8

PRESENT FEEDER NETWORK

As 60% of India's exim trade is still carried by feeders, the role of the Common Feeders in building a reliable transport network, particularly in the face of such challenges is surely commendable. This network continues to provide a cost efficient service to India's foreign trade and BTL, being a Founding Father, particularly in the Bay of Bengal, is happy to have made a strong and committed contribution in building India's sea borne infrastructure.

Feeder services offer connectivity from ports which have either insufficient volumes to justify main line deviations or insufficient infrastructure to support large vessel calls.

SLIDE 9 & 10 (Average Feeder Size & Vessel Calls)

By their smaller vessel nature and multiple tonnage deployment, the frequency of sailing assured is arguably greater than any traditional weekly MLO service and provided cost efficiencies remain, and both origin and transshipment ports can handle the capacity requirements, then (bar the likes of the West coast's ports of Nvs/Mundra & Pipavaav were volumes warrant direct callers) the feeder role remains the best option.

Today numerous Feeders provide services resulting in upto 4 sailings per week on most sectors thus spoiling the shipper for choice. This investment should be recognised by the Trade where the following slides depict how feeders have deployed owned tonnage as markets have grown.

SLIDE 11 & 12 - FORECAST INDIAN CONTAINER PORT VOLUMES - GDP GROWTH AT 8% & PORT HANDLING CAPACITY BY 2012

THE FUTURE

India's container traffic from 1986 to 2006 is expected to

grow from 400,000 TEUs to 5.5. Mn Teus and strong growth in South Asia, especially India's trade, will see Indian container traffic to grow to 12 Mn Teus by 2012. (There are even some optimistic pundits, who claim that by 2012, India will handle 14 Mn teus.)

Comment: Whilst on paper, the capacity creation seems adequate, the question in everybody's mind is will these projects be completed within the time frame.

As you can see, expected growth and capacity creation are fairly close and hence it is imperative that there is no time delay in execution of these projects where dare I say we are repeating ourselves without suitable Central action being taken.

SOLUTIONS?

SLIDE 13

1. **Creation of port facilities** to meet future demand has been addressed. However, as said earlier, the key to this is speedy implementation. Much of these ideas are being

planned for Mumbai and Chennai however smaller ports such as Calcutta, Haldia, New Mangalore and Goa need to augment capacities by for example introducing temporary privatization measures.

The **Berth Reservation Scheme** is one such tool. BRS is easy to implement and has been a proven success in increasing operational efficiencies.

Our participation at Chennai port in 1999 increased berth throughput by 50% in one year alone!

Such schemes will undoubtedly help smaller ports achieving higher volume thresholds and thereafter if successful it would make eminent sense for ports to offer such experienced players continuation via the likes of a terminal BOT basis full privatisation.

2. The Trade requires fast and guaranteed connectivity. The **Indian Cabotage Act** is seen as a clear deterrent. **Lifting of cabotage restrictions** could ensure that vessels are able to dip in their port of choice enroute to transshipment hubs or directly from outer ports to Indian t/s centres. Coastal trade

is in need of long term investments to establish such relay systems.

Coastal trade in containers is yet to take off as present options are expensive/not available. Reason being that Indian flag vessel option is not available or limited to very small vessels where slot costs remain high.

Feeder operators are probably the right partners to work with for opening up this sector. Given their experience and their existing tonnage, this sector could well be prised open to serve trade interests.

3. Rail - Sea feeder network:-

60% of both the present and future of India's container trade is expected to be handled out of the West Coast ports.

Out of this 30% is expected to be moved by rail into the west ports. Currently about 40 trains are running per day. For 11.5 Mn Teus, 128 trains are required. This requirement is being planned through a combination of attracting private

participation in running trains and introducing double stack conveyance.

However, a practical solution would be to launch a rail sea feeder network connecting TKD to Singapore and Colombo. The idea (albeit not new) is to provide an Eastern gateway for cargo from the North.

Currently the infrastructure is available on both the rail and the sea network. However, the cost of rail transportation from say TKD in north to Chennai in south that makes the project unviable. The reason for that is Indian rail tariffs are probably the highest in the world. In India, rail tariff is approx. 8 cents per ton KM as compared to 2 cents in our favourite comparison country China.

Certainly given our experience in implementing such projects, it would be worthwhile for Indian railways to offer discounted rates on long hauls. This outlook would provide for balancing of cargo flows between west and the ports situated down south.

SLIDE 14

CONCLUSION:

Ladies & gentlemen in wrapping up this short presentation it is perhaps appropriate to comment on the larger shipping scene where long haul tonnage is getting progressively bigger. Maersk for example are shortly launching 12,000 teu

vessels and GL are advising that ship plans for 13,000 teus are indeed possible. This means more hubbing at the large transshipment ports and contrary to expectation perhaps less emphasis on direct calls. Whilst yes there will be some cascading of tonnage and possibly some specific end to end services and inter Asia type direct calls, the current feeder ports in India will likely remain serviced by the smaller but efficient Common Feeder companies.

In this regard the myth that feedering adds to the shipment cost is in our experience totally inaccurate as the demand/supply of through market rates dictate the Main Lines pricing policy and not what they pay to feeders. EG the

rates offered to the physical exporter whether the Main Line receives it on a direct call or via a feeder to his main line in Colombo/Salah or Singapore is the same.

Accordingly we feel the Feeder Role for ISC traffic needs to be recognised and be very much part of the consultancy brief when looking to satisfy the 12 million forecasted teus by 2012.

As BTL we are committed to play a continuing major role in the Indian Feederage market and both at a corporate as well as Group level we are gearing ourselves for such via added tonnage to our respective fleets.

However without the local infrastructure we remain 'the canoe without paddle' and so urge the relevant timely investments and or some of the above interim proposed solutions.

Thank you for your time and patience.

SLIDE 15 – THANK YOU SLIDE

SOUTHERN ASIA PORTS - LOGISTICS & SHIPPING 2006

SHUTTLE FEEDERING IN THE BAY OF BENGAL - SOUTHERN ASIA & ASEAN TRADE



B. SRIDHAR

SHUTTLE FEEDERING IN THE BAY OF BENGAL - SOUTHERN ASIA & ASEAN TRADE





SHUTTLE FEEDERING IN THE BAY OF BENGAL SOUTHERN ASIA & ASEAN TRADE

- 1986 - Bengal Tiger Line commenced operations in India.
- 1986 - total volume handled out of India was a meagre 400,000 TEUs.





SHUTTLE FEEDERING IN THE BAY OF BENGAL SOUTHERN ASIA & ASEAN TRADE

**2006 - India Handles
4.8 Mn TEUs.**

**20 Years of BTL
Operations.**





SHUTTLE FEEDERING IN THE BAY OF BENGAL SOUTHERN ASIA & ASEAN TRADE

- 1990s – Decade Of Industrial Disputes
- Poor Port Infrastructure
- Inadequate Container Handling Equipment
- Slow Volume Growths
- Physical Draft Restrictions
- Most rigid customs regulations

Port trusts suffer heavy losses due to mismanagement: CAG

United News of India NEW DELHI, Aug 20

Port trusts have suffered heavy losses, ranging from several crores of rupees due to mismanagement, according to a recent report. The Comptroller and Auditor General (CAG) has criticised the 11 port trusts for various reasons, including the purchase of vessels of inferior quality, high foreign exchange, and other losses, according to the report of the Comptroller and Auditor General (CAG) of India for 1994-95.

The CAG has also criticised the trusts for not taking any steps to improve the port facilities, which has led to a decline in the port's productivity. The CAG has also criticised the trusts for not taking any steps to improve the port's infrastructure, which has led to a decline in the port's productivity.

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28 **EXIM** Magazine Mumbai, Thursday, January 20, 2000*

Major Ports' activity comes to a virtual standstill

(Continued from page 1)

trailers and trucks. This has even been confirmed by JN Port sources. What is not possible is the transport of cargo from NSICT's Container Yard to the Container Freight Stations (CFSs), because the truck transporters "are co-operating with the striking port and dock workers".

However, the movement of containers to and from ICD yard to the terminal is not affected. "Normally, three con-

terminal and Pir Pau Chemical Terminal will continue. The Port has requested the users to come forward and co-operate with it in cargo handling operations.

Kandla Port
At Kandla Port, the oil jetty is reportedly functioning normally, although there is no movement in the cargo jetty. The authorities have made the arrangements with the naval staff to sail out the vessels if necessary.

Paradeep Port
At Paradeep Port, some 4,300 workers have stopped all activity, according to reports.

Calcutta & Haldia
The situation at Calcutta Port and Haldia Dock Complex was no different. The movement of cargo was almost at a standstill.

Cochin Port
According to an official of the Cochin Port, all the unions are participating in the strike and no work is going on. He also informed that two container vessels and three breakbulk vessels are anchored mid-stream awaiting resumption of work.

Chennai Port
According to reports, even at Chennai Port, operations are at a standstill. Eight to nine ships are at berth, including two container ships, while two other container ships are anchored mid-

Improving ports and highways

The port's failure to raise rates of hire charges in accordance with the capacity of the machinery hired was one of the reasons for the loss of Rs. 18.58 lakhs, while the expenditure on the purchase of machinery was Rs. 18.04 lakhs, going above the limit.

The Cochin Port Trust lost Rs. 6.27 crores due to delay in finalisation of rate-based rates for upward revision of non-ferrous charges. The port also incurred a loss of Rs. 3.49 crores.

The Jawaharlal Nehru Port Trust incurred an infrastructure expenditure of Rs. 11.61 crores on a bulk cargo handling system which could not be put to use due to design deficiency in the system. The cost and value of the system was not compatible with the nature of cargo handled by the port, CAG says. The port decided to discard it as scrap, but the equipment were not to be disposed of in a timely fashion.

A rising demand of Haldia Port Trust to use its gantry cranes on newly-laid pipelines resulted in not only blocking of funds of Rs. 5.2 crores but also in wastage of pipes worth Rs. 2.93 lakhs.

Ports valued at Rs. 29.52 lakhs were severely hit by MBIT since 1994. The purchase of heavy duty forklifts and equipment for trucks to improve the port's productivity is another provision.

Ports fighting to keep pace with changes

Ports are fighting to keep pace with changes in the global market. The report of the Comptroller and Auditor General (CAG) of India for 1994-95 has highlighted the need for ports to improve their infrastructure and management practices.

The CAG has also criticised the trusts for not taking any steps to improve the port's infrastructure, which has led to a decline in the port's productivity. The CAG has also criticised the trusts for not taking any steps to improve the port's infrastructure, which has led to a decline in the port's productivity.

Business Line

Massive congestion at Haldia dock

Our Bureau
Kolkata, Aug 22

THE Haldia Dock System (HDC) of Kolkata port is facing a massive congestion of ships at the Sandheads.

According to port sources, on Monday 27 vessels were waiting for berths. Of these, 19 are to load iron ore.

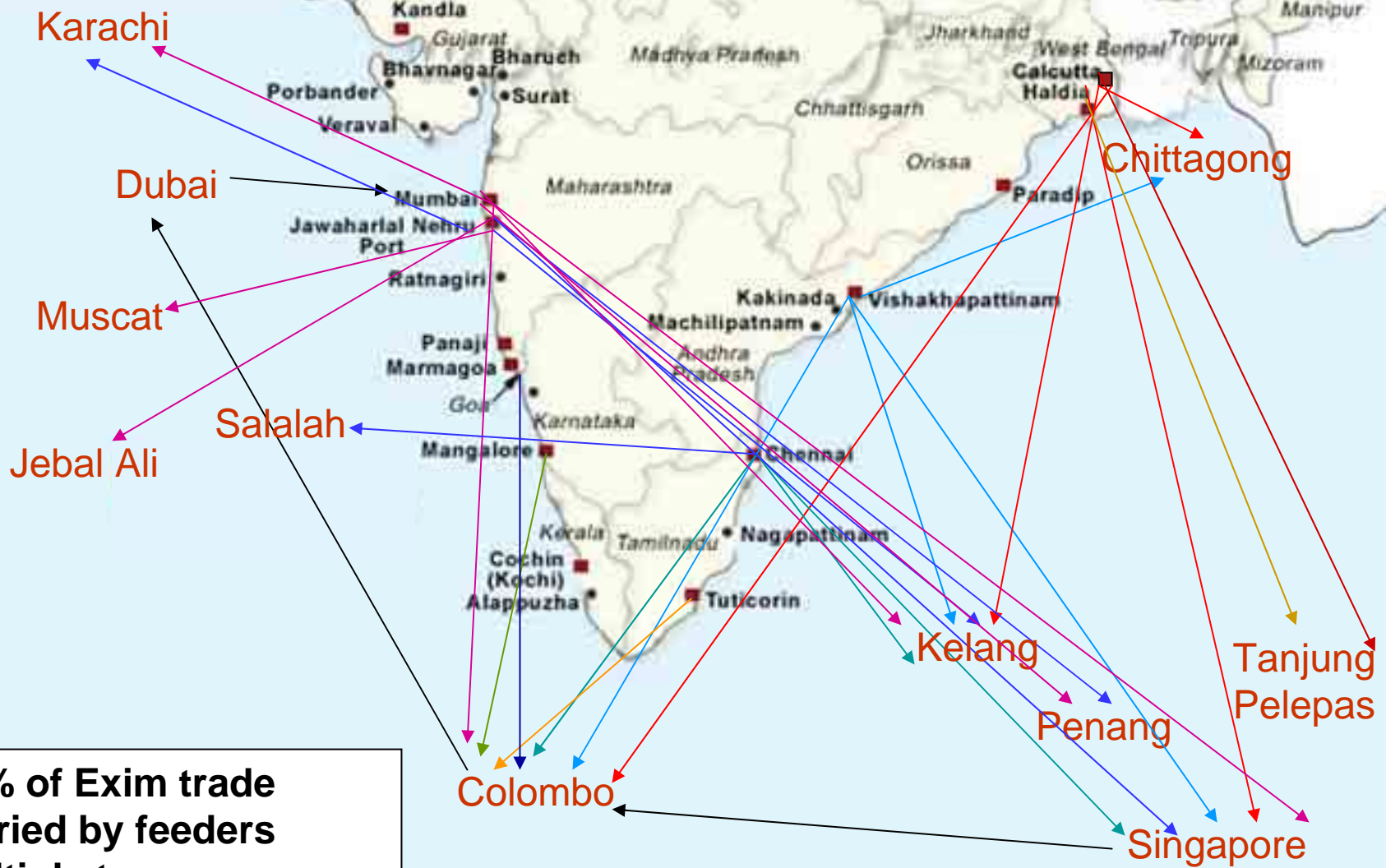
At present, HDC has 12 impounded docks and three of jetties. Of these, only two berths have installations capable of redressed loading of iron ore.

IMPORT/EXPORT IMBALANCE

(+ means Exports more, -ve means Imports more)[in TEU]

IMPORT/EXPORT IMBALANCE	2000	2001	2002	2003	2004	2005
Kolkata	-21587	-24132	-24132	-28578	-21654	-17730
Haldia	+28424	+27644	+27349	+27183	+18560	+14448
Vizag	-264	+225	-162	+99	-1531	-2840
Chennai	-11588	-25577	-2296	-18615	-24805	-23829
Tuticorin	289	-1062	1135	-93	1056	1950
Cochin	-7209	-5842	-2272	-3623	-5024	-1277
Mangaore	0	0	0	0	600	600
Goa	0	1000	-173	-71	-584	-418
Mumbai	-	-75942	-107436	-109259	-103211	-46411
JNPT	379	17932	37385	21082	21246	13120
Kandla	-	-	-	-9128	-19245	+10005
Mundra	-	-	-	1376	2405	12319

Comments: Have assumed 33% of total imbalance for JNPT and 39% of total imbalance for Mundra.



- 60% of Exim trade carried by feeders
- Multiple tonnage deployment by feeders
- Assured frequency of sailing
- Relative market growth



AVERAGE FEEDER SIZE

AVERAGE FEEDER SIZE	2000	2001	2002	2003	2004	2005
Kolkata	400	400	400	500	500	500
Haldia	400	400	400	500	500	500
Vizag	650	650	650	800	900	800
Chennai	650	650	800	1000	1000	1200
Tuticorin	400	400	350	400	500	450
Cochin	450	450	450	475	670	670
Mangaore	275	275	275	410	410	410
Goa	275	275	275	410	410	410
Mumbai	800	800	1000	1000	1200	1200
JNPT	800	800	1000	1200	1200	1200
Kandla	800	800	1000	1200	1200	1200
Mundra	-	-	-	1000	1200	1200



VESSEL CALLS

VESSEL CALLS	2000	2001	2002	2003	2004	2005
Kolkata	255	241	294	307	327	372
Haldia	226	352	423	457	501	400
Vizag	49	53	67	64	137	146
Chennai	353	257	393	382	387	502
Tuticorin	323	316	322	277	298	365
Cochin	100	100	100	100	100	100
Mangaore	36	36	36	36	36	38
Goa	36	36	36	36	36	38
Mumbai	-	388	316	298	249	220
JNPT	379	486	584	602	654	654
Kandla	-	-	-	236	208	192
Mundra	-	-	-	74	187	217
TOTAL	1757	2265	2571	2869	3120	3244

Comments: Have assumed 39% of vessel calls for JNPT as actual figures not available.



FEEDERING VOLUMES

FEEDERING VOLUMES	TEUS					
	2000	2001	2002	2003	2004	2005
Kolkata	139957	138000	101432	113638	141984	184130
Haldia	45324	51000	102331	116333	126532	106430
Vizag	20232	17929	23630	17273	30020	35638
Chennai	342546	331576	387656	415442	499327	572582
Tuticorin	105604	142324	135875	126227	145339	172342
Cochin	75331	70318	52328	70029	83696	92587
Mangaore	2000	4000	6000	7000	8817	9640
Goa	4000	6000	9000	10000	10321	9760
Mumbai	427267	268758	222340	195173	217455	190307
JNPT	372002	482388	610376	717452	779054	849724
Kandla	91000	126000	157000	174484	165416	109629
Mundra	-	-	-	17758	77050	108518
TOTAL	1,625,262	1,638,293	1,807,968	1,980,809	2,285,010	2,441,286

Comments: JNPT & Mundra actual figures not available. Hence, have assumed 33% of total volume for JNPT and 35% of total volume for Mundra.



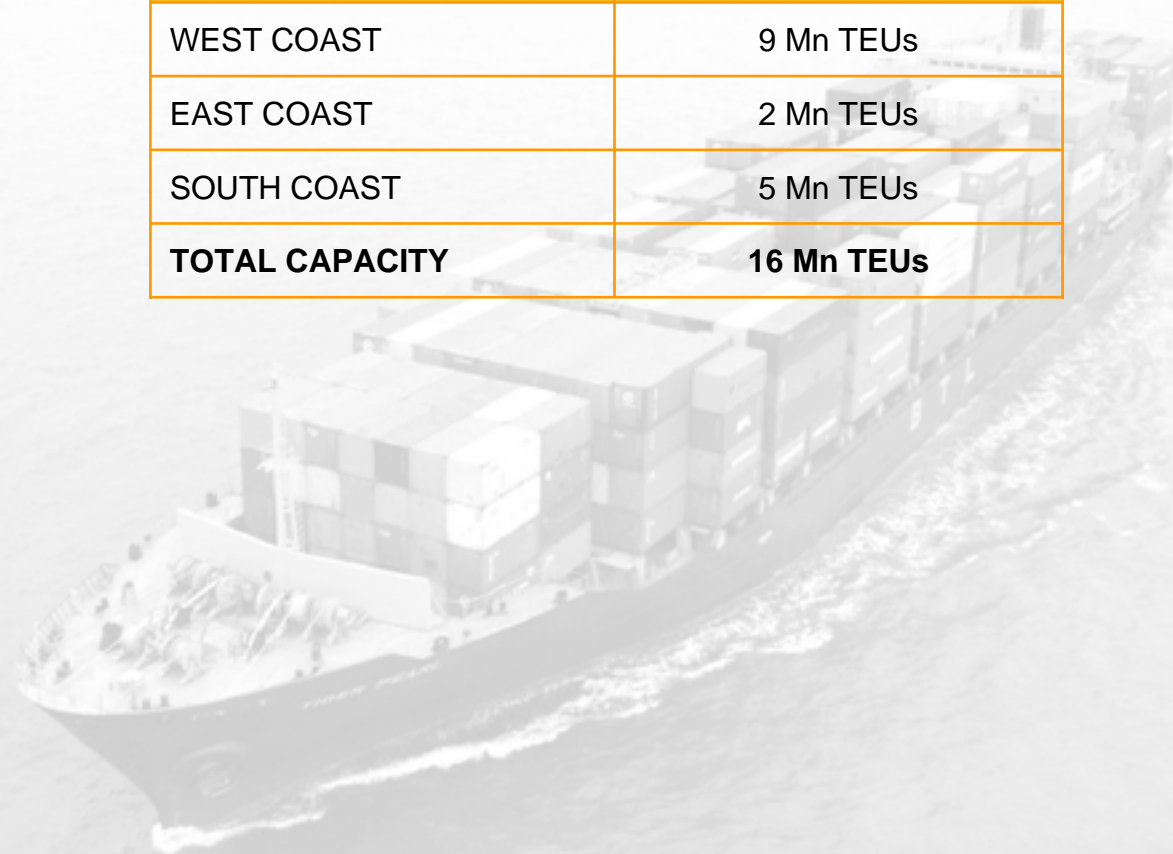
FORECAST INDIAN CONTAINER PORT VOLUMES - GDP GROWTH AT 8%

YEAR	REAL GDP GROWTH	TOTAL INDIAN CONTAINER TRAFFIC ('000 TEU)
2005	8%	5121.07
2006	8%	5826.13
2007	8%	6558.93
2008	8%	7385.60
2009	8%	8318.93
2010	8%	9236.27
2011	8%	10451.21
2012	8%	11492.27



PORT HANDLING CAPACITY BY 2012

INDIAN COASTS	CAPACITY
WEST COAST	9 Mn TEUs
EAST COAST	2 Mn TEUs
SOUTH COAST	5 Mn TEUs
TOTAL CAPACITY	16 Mn TEUs





SHUTTLE FEEDERING IN THE BAY OF BENGAL SOUTHERN ASIA & ASEAN TRADE

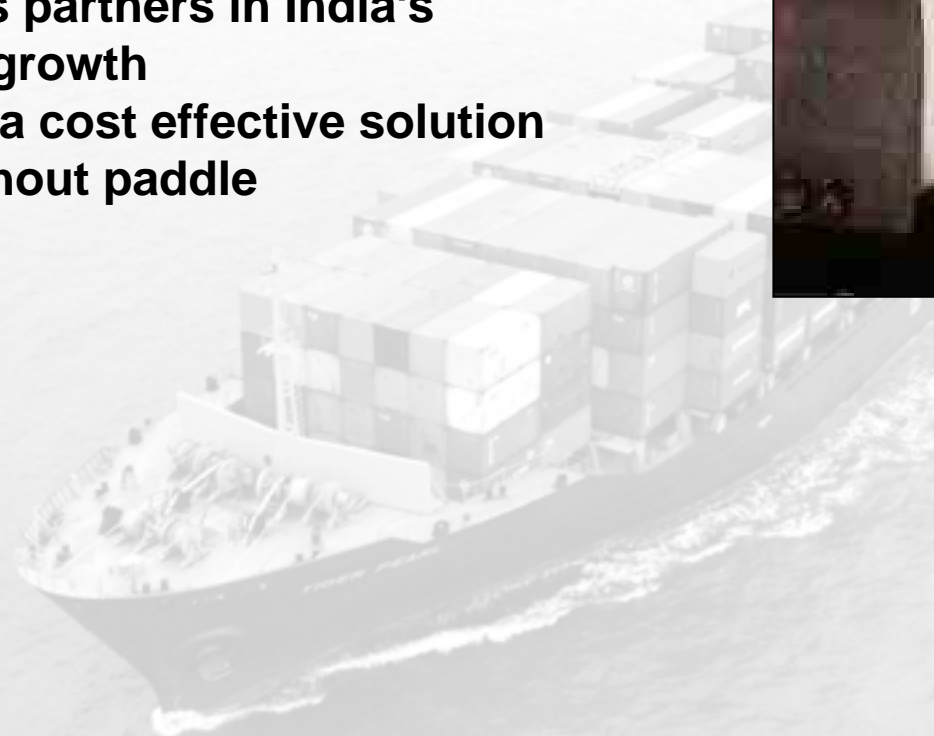
- **Creation of Port Facilities**
- **Interim Privatization Measures**
- **Lifting of cabotage restrictions**
- **Rail Sea Network**

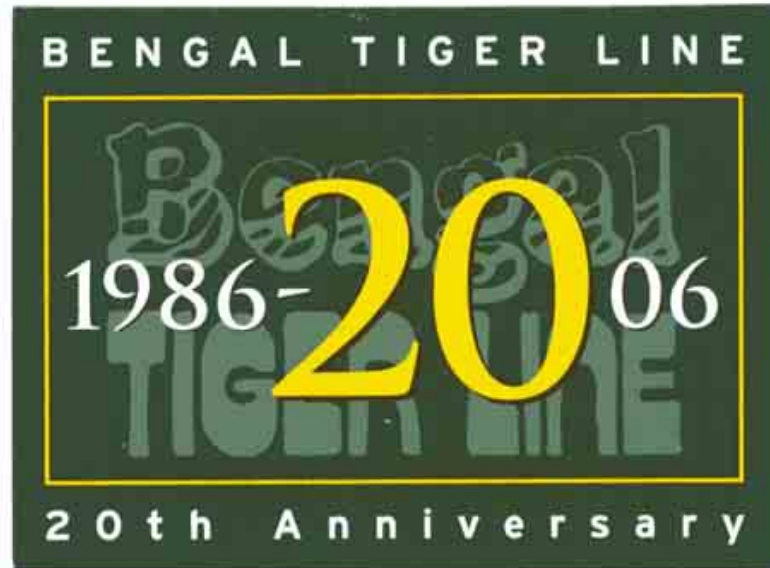




SHUTTLE FEEDERING IN THE BAY OF BENGAL SOUTHERN ASIA & ASEAN TRADE

- **Feeders as partners in India's container growth**
- **Feeders - a cost effective solution**
- **Canoe without paddle**





Thank You