Taking on the Transportation challenge in India

A forward competitive picture, operating realities and a realistic assessment of India's specific features and needs

Vikas M Khan

Chairman & CEO

Emirates Shipping Line

Transportation by Sea

Journey of the $100 Shoe..

From Bangalore to a warehouse in Chicago

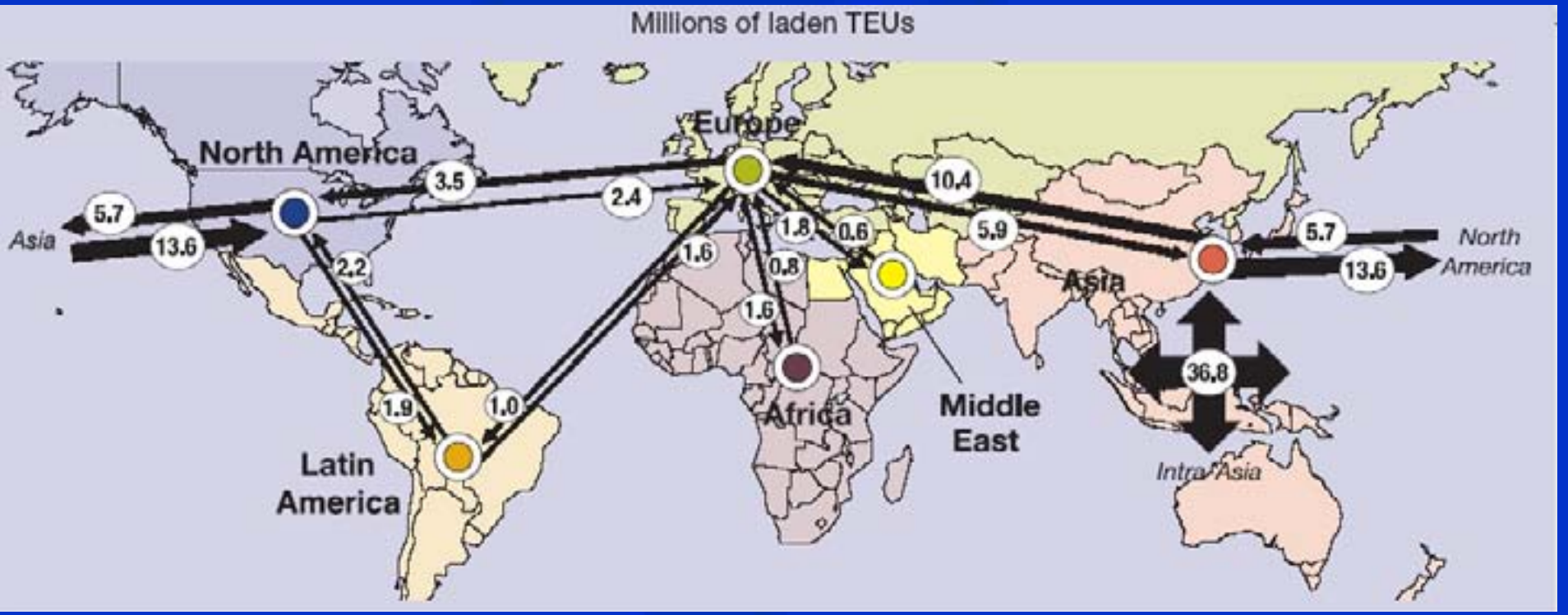
Cost of transportation Forty foot container = $ 3,879
Pairs of shoes in a Forty foot Container = 4,500

Cost per pair of shoes = 86 Cents

..and the boom continues

- Production cost of goods getting cheaper
- Improved infrastructure = greater demand
- Outsourcing increases spread of wealth
- Percolation of money due to social changes
- Increasing containerization of dry goods
- Easy access to credit multiplies consumption
- Increased information flow on the cybernet allows consumer to identify least expensive source of goods
- Containerization makes it possible for the goods to be consumed at a minimal cost of transportation.

Primary Containerized Ocean Freight Flows in 2005



Source : MergeGlobal world ocean supply & demand model.

INFRASTRUCTURE

INFRASTRUCTURE

INFRASTRUCTURE

INFRASTRUCTURE

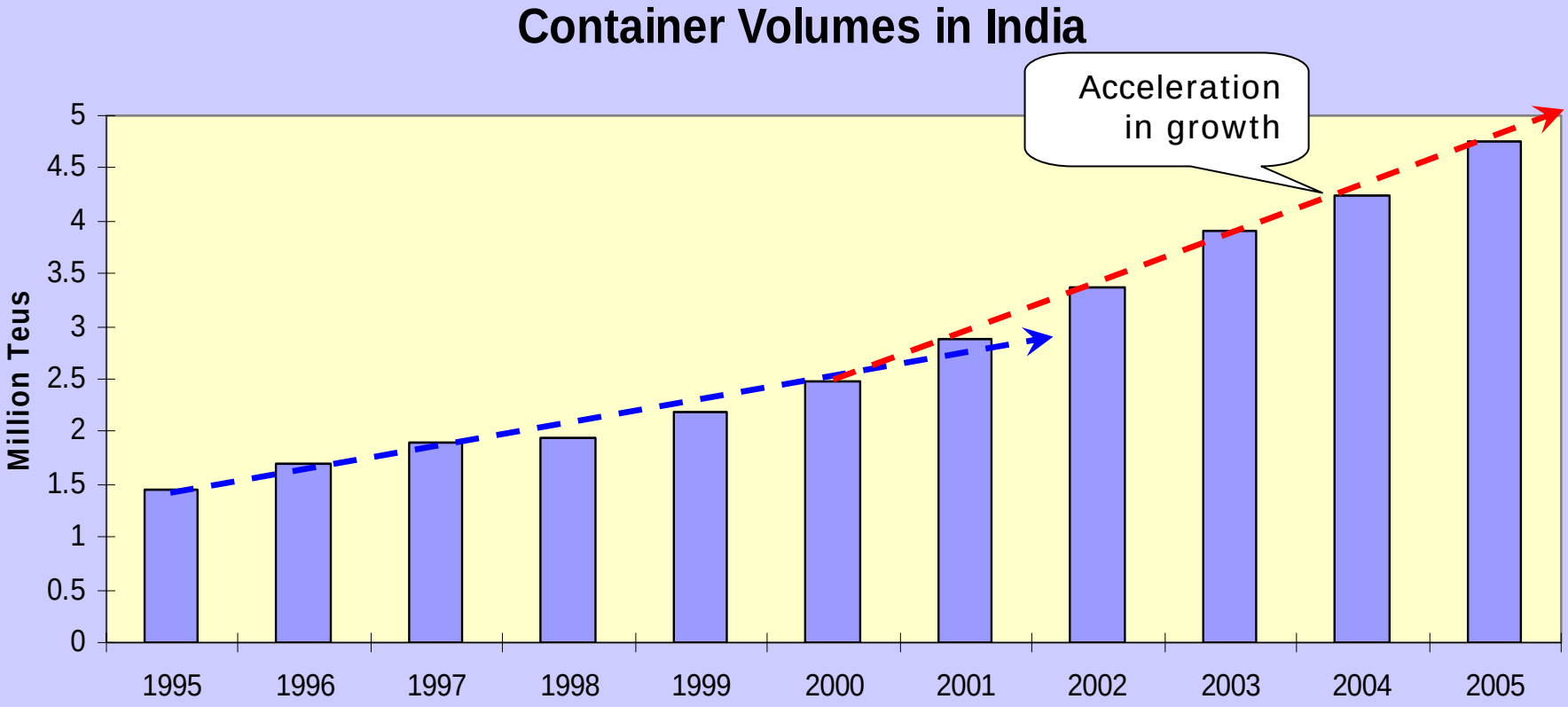
INFRASTRUCTURE

INFRASTRUCTURE

INFRASTRUCTURE

INFRASTRUCTURE

Volume Growth in India



Source – Indian Ports Association

Increased Efficiency

- Sea transportation is less expensive than transportation by road or railways
- Secondary and tertiary port development requires less infrastructure
- Terminal development can easily be handled by private operators

Cargo should be able to find the nearest coast

Portwise distribution of container throughput

Port	1995 % share		2000 % share		2005 - % share	
Mumbai	731,063	61%	1,319,426	62%	2,588,724	58%
Chennai	200,386	17%	321,960	15%	600,000	14%
Tuticorin	57,000	5%	136,612	6%	307,310	7%
Mundra		0%		0%	302,212	7%
Kolkata	117,777	10%	183,517	9%	287,755	6%
Kochi	86,450	7%	130,057	6%	185,000	4%
Rest of Indian ports	12,013	1%	39,984	2%	165,025	4%

Top two ports still carry over 70% ….. Status Quo maintained for 10 years

Supporting the inland infrastructure

- Develop secondary gateways along the coast
- Hinterlands to be encouraged to use closest coast
- Develop SEZ in the immediate vicinity of these ports
- Feeder cargo to nearest mainline port
- Although door to door transit time increases, cost reduces
- Buys time for general inland infrastructure development
- As cargo moves through secondary ports, volumes increase and secondary ports slowly graduate to mainline ports

In Summary

- Over 70% of India's throughput is from two ports
- India faces unprecedented cargo growth
- Infrastructure jam is a very high likelihood

Solution:

- Route cargo along the coast as much as possible instead of forcing through one or two gateways
- Secondary ports will follow natural growth to mainline ports

I did not put enough oil in my flickering lamps,
Why blame the wind?

Thank You