

Standing Committee Report Summary

Cargo Handling at the Major Ports

- The Standing Committee on Transport, Tourism and Culture (Chair: Mr. Derek O'Brien) submitted its report on 'Cargo Handling at the Major Ports' on December 21, 2018. Key observations and recommendations of the Committee include:
 - **Container traffic:** The Committee recommended that the existing and new ports should align their capacity expansion in line with the projected increase in coastal shipping volumes. Provision of a dedicated berth for coastal shipping should also be looked into in order to promote coastal shipping.
 - **Draft limitations:** The draft of a ship or boat is the vertical distance between the surface of the water and the lowest point of the vessel. The Committee observed that the draft at Indian ports is relatively low and does not measure up to internationally set standards. Most major ports in India have minimum draft under 12 metre, except for some younger ports which have draft of more than 14 metre. In case of containership for 1,000 TEU (Twenty-Foot Equivalent Unit, measure of a ship's cargo carrying capacity) capacities, the average draft is 8.3 metre. This increases to 15.5 metre for ships above 11,000 TEU capacities. The Committee noted that insufficient draft at Indian ports leads to increased costs and time taken. This is because cargo originating from and those that are bound for Indian ports get routed through transshipment ports like Colombo and Singapore. The Committee recommended that Indian ports should have deeper drafts, as vessels are getting bigger. This would also require greater investment in capital dredging.
 - **Role of tariff regulations:** The Committee noted that the port sector in India is facing certain tariff-related uncertainties due to the multiplicity of regimes. Tariffs at non-major ports are not regulated, and they price their services based on market and competition. However, the major ports (including private terminals) fall under the jurisdiction of a regulator, the Tariff Authority for Major Ports (TAMP). This results in a lack of a level playing field for major ports. Major ports end up losing business opportunities due to certain tariff related uncertainties as determined by TAMP. The Committee recommended that the anomalies in TAMP rules must be made reasonable in order to make it lucrative for ships to call on major ports against private ports. Further, the role of TAMP must be redefined, and a strategic and market oriented system of tariff must be set in place.
- **Efficiency of the port operations:** The Committee observed low productivity and high vessel turnaround time at Indian ports. This is due to: (i) low level of mechanisation and insufficient draft, (ii) skewed handling capacity for different types of cargo, and (iii) infrastructure constraints in ensuring hinterland connectivity. These factors push up the cost of trade and renders Indian ports less competitive. Most of the major ports have high turnaround time, their utilisation level is low and only a few have the ability to handle bigger cape-size vessels (large size bulk carriers). In comparison, Indian non-major ports (those not regulated by TAMP) have fared well. They also ensure quicker turnaround by investing in the infrastructure to handle larger vessels. The Committee recommended that India must develop cape handling capability at its key ports to ensure economies of scale for the trade.
- **Emerging container terminals:** The Committee noted that more ports do not necessarily bring in more cargo. A country's trade is a function of its policies and its openness to international commerce. A cost-effective way of augmenting port capacity to meet demand is to upgrade the capacity of existing ports. It suggested that while public investment is needed to augment port capacity, choosing investment between major and non-major ports must be made carefully. Investment in smaller new ports can yield much better returns as they would service vessels on coastal and inland waterway. Infrastructure development of one port should not be at the cost of the development of another nearby port.
- The Committee also recommended that efforts must be concentrated on the development and expansion of infrastructure that would make water transport more attractive, instead of prioritising road transport. More emphasis must be placed on the coastal route and inland waterways as a mode of transport for hinterland cargo connectivity. The Ministry of Road Transport and Highways, and the Ministry of Railways should ensure that all projects linked to port connectivity are given highest priority. Projects for inter-modal connectivity must be executed within the scheduled time period to make port operations viable and profitable.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research ("PRS"). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.