



PROGRAMME REPORT

Annual Shipping Conclave
on

“Maritime Infrastructure Developments in East and North East India”

Friday, 11th November 2016 at 10.00 a.m. at Williamson Magor Hall

The Bengal Chamber of Commerce and Industry (BCC&I)

(Royal Exchange, 6, Netaji Subhas Road, Kolkata – 700001)

Programme Snapshot:-

The Bengal Chamber of Commerce and Industry (BCC&I) had organized its **fifth edition** of the **annual event** with the help of senior representatives from Government, industry leaders, policy makers, researchers, etc. for the year **2016 - 17** titled “**Maritime Infrastructure Developments in East and North East India**” on **Friday, 11th November 2016** at **10.00 a.m.** at the **Chamber premises**.

The **objective** of organizing this event was to understand the present status of Maritime Infrastructure in East and North East India and project a growth plan for its Economic development. The deliberations in this conclave also provided directions **FOR THE WAY AHEAD IN INCREASING DOMESTIC & INTERNATIONAL TRADE IN EAST AND NORTH EAST INDIA.**

The Key Speakers of the Conclave were as follows :

Shri Pravir Pandey, IA & AS, Vice – Chairman & Project Director - Jal Marg Vikas, Inland Waterways Authority of India (IWAI), Ministry of Shipping, Government of India

Shri S Balaji Arunkumar, IRTS, Deputy Chairman, Kolkata Port Trust, Ministry of Shipping, Government of India

Shri S Nishat Ali, IRTS, Group General Manager, Business Development Division, Dedicated Freight Corridor Corporation of India Limited (DFCCIL)

Shri Shakti Sinha, IAS (Retd), Director, Nehru Memorial Museum and Library & Chairman, Policy Research Group, Bureau of Research on Industry & Economic Fundamentals (B.R.I.E.F)

Mr Mahboob Ahmed, Managing Director, M/s River Line Logistics & Transport Ltd, Dhaka, Bangladesh

Shri Bharat Bushan Dev Choudhury, Director, Inland Water Transportation (IWT), Government of Assam

The Salient features of the Conclave are as follows:

- With infrastructure facilities available now, distance to North Eastern region have started reducing via Bangladesh through IWT routes as well as roadways.
- But more infrastructures like Navigational aids still not available which would have reduced the travel time further.
- As of now IWT Barges (Flat Bottom Barges) are not available except may be a handful of these, that will not help & will take time.
- For roadways, Bongaigaon is surely a problem as the trucks have to transit and again transit at Petrapole. Also, the transporters are not registered with the Customs.
- At Customs – manifestation is not done but being done amicably which takes time (paperwork). To solve, the requisite documents are required to be filed on time or beforehand the consignment reaches.
- At Bongaigaon ICD – Customs cleared containers are not being approved despite notification of 2002. The truck has to stop for three days.
- Export to Bangladesh – Only Flyash (Dirty cargo) is moving in bulk and no other cargos (oes) are moving through IWT from either sides.
- As of now three transshipments have been executed at Ashuganj where as it holds lot of potential for all other type of cargoes as Agartalla in India opens a large area.
- Duly getting connected by Road emphasis is not to Myanmar also, with TriNational Highways to N-E Countries and Bangladesh is sitting right in the Centre, having poorest Infrastructure rating development. (India – NER - Myanmar).
- Bangladesh Economy now growing fast and domestic movement is high. One constraint of Bangladesh is least availability of land space, therefore IWT development is required.
- However coastal shipping Agreement has been signed which will commence the coastal movement between India and Bangladesh.
- There are serious challenges in IWT sector for connecting NER from the Brahmaputra and Barak river due to formation of large sand dunes for which there is redundancy of Six months in the Barak River and during that time there is no activity. And in Brahmaputra, the navigability is for more than six months. Now dredging order have been awarded in both rivers in Indian side.
- Transformation of IWT is now being done in India at a faster pace.
- Proposal to Inter - connect NW – 1 & NW – 2 from Farakka Via Goplagori-Rajshahi-Gualondo in Bangladesh to Dhubri in Assam (Which is old route of the British times)
- One interesting factor got revealed that many tribals and NGOs do not want to damage the ecology and because of this they prefer the roadways over the waterways. IWT Sector is environment friendly.
- Due to more time taken by longer IWT route, the household type goods are not moving therefore development of Ashuganj port is of prime concern. But there are some issues as Land Acquisition is not yet done. The concerned agency has withdrawn and has decided to make their own godowns. This full development of Ashuganj Bi modal (IWT & Road) may take a couple of years may be five years or so, to become fully operational. There is no crane facility.
- Night navigation is not available in Sunderbans which would have reduced the voyage time to and from Bangladesh.
- Key to success is Containerization of Cargo to get started otherwise development will remain sluggish.
- Development of IWT routes will supplement the roadways and railways and may be able to reduce the burden on the chicken neck in north Bengal.

- It has been proposed to add PANGAON (In Bangladesh) in the IWT Protocol as It is already there in the coastal shipping route agreement. IWAI has already requested Bangladesh.
- For all-round connectivity even with Sonaimuri border in Bangladesh is also a gateway to NER. A private player has already built an Inland container Terminal on the Chittagong – Dhaka highway near Kumilla and Govt. of India has to agree to this development.
- Lack of synergy between the existing IWT protocol and the new coastal shipping agreement between India and Bangladesh and Ashuganj Port comes under the IWT protocol and not under Coastal Shipping Agreement and Ashuganj port comes under the Coastal Shipping Agreement then it will be great for connecting NER via Agartala.
- IWAI is designing a shallow draught cont. vessel. IWAI is working with a German firm for the proposed design.
- Internationally container barges have also started moving from Amsterdam to Paris.
- On the road due to fear of pilferage, the open truck don't move during the night, therefore Containerization is the answer on the road and waterways. Reefer containers may also be progressed in to the future.
- Govt. of India is greatly moving on the Jal Marg Vikas NW I project with studies, consultancies, tender awards and actual works.
- In Assam three ro-ro jetties will be built including one at Hasimara and the other at Dhubri, where bridges across the river are not planned.
- Connectivity from India to Myanmar is being done through the development of Sittwe port with the assistance of Govt. of India and iwt route of 198 kms of palat wariver, thereafter 50 kms by road to Manipur.
- New IWT act was passed in March 2016 by the parliament declaring 111 national waterways in five different states.
- Core activities of the Jal Marg Vikas project on NW I is capacity augmentation to have 2 m depth and 45 m bottom width channel upto Varansi so that a 200 m.t. barge can operate and be competitive with railways.

And in lean season with the following depths

Farkka – Patna: 2.5 m

Patna Ghazipur – Ballia: 2 m

Ghazipur – Varanasi: 1.5 – 1.6 m

- Additional lock gate has been approved at Farakka. Car and LNG carriers are being designed by German firm.
- M.I.T, USA and Thompson design group, New York for passenger ferry station and operation to decongest the city municipal areas.
- Ghazipur is being developed as LNG bunkering terminal duly supported by M.O.U with Petronet and Wartsilla, Norway
- Kalughat, Bihar is 30 kms upstream of Patna city on the North Bank is being developed as OD pair as Kolkata GR Jetty for containers to Nepal, which has tweaked Indo – Nepal Treaty, IWT as third mode.
- Tribeni and Kalyani will have smaller terminals Ro-Ro jetties will be constructed as 5 locations starting Haldia.
- IWAI will get designed and build about 40 nos. IWT vessels of different kind and will offer on bare boat charter / time charter to private players to operate.
- Pakur terminal will also be developed and Bangladeshi vessel will also be allowed to operate under the IWT protocol.
- Issues of disaster management are being taken care under development planning.
- A joint team of Port authorities, representatives from Inland Waterways and DFCCI has been brought in the Eastern zone to understand the issues of connectivity and how it could be addressed for further improvement in the eastern part of the country.

- The Eastern route constitute of 16% of the total routes of Indian Railways for carrying freight in different parts of the country and this route carries more than 60% of the freight and as a result it is fully congested and as a result the idea of Dedicated Freight Corridore (DFC) was started.
- There are two red corridors sanctioned, the Eastern Corridore starting from Ludhiana in the Northwest to Dankuni in the east and the other one is from Dadri in Delhi, North to the JNPT, Mumbai in the West. Now three more corridors have been announced and the sanction is under process. They are Kolkata – Mumbai East West corridor, Dehli – Chennai North South corridore and the Kharagpur – Vijaywada East Coast corridor and other corridors are on the study. This is apart from the Delhi – Mumbai industrial corridore and Amritsar – Kolkata industrial corridore where work is going on in tandem and there are many things which are complimentary amongst these corridors.
- Presently the trains running between the Corridors, their speed is just 30 kms/ hr inspite of all developments and target is to increase the speed at 75kms/hr with full volume capacity so as to improve the overall supply chain in the country.
- Induction of foreign technologies would be there for further development and improvement of the Corridors and as a result the operational cost would be less.
- The development of this corridors would not only give regional benefit but also national benefit and at the same time it would increase employment generation both direct and indirect, development of skillsets, technical upgradation, training and so on and so forth.
- The EDFC corridore especially between Son-nagar –Dankuni which actually affects West Bengal and parts of Jharkhand and Bihar and this would be constructed purely on PPP basis and a small portion i.e. the Son nagar area which is funded by Indian Railways and it has a total stretch of 58 kms where construction of railway network is already completed by DFCCI. The rest of the portion of the corridore has three parts which are EDFC 1, 2 & 3 and it would be completely funded by the World Bank.
- The western corridore, work is going on and the contracts are all awarded. It would be constructed in two phases.
- The targets for completion of both the corridors would be 2019 but for EDFC it is subject to the finalization of contracts of the PPP area.
- DFCCI has planned to run double stack containers of various wagon sizes and dimensions on the western corridore to increase the throughput and single containers of various wagon sizes on the eastern corridors. In eastern corridors, double stack containers cannot move because of the number of road over bridges situated on the corridor which is difficult to remove but DFCCI would look into this matter in the near future and see if double stack containers could also be run in the eastern corridore to increase the throughput in the eastern corridore also because running double stack containers is more beneficial than running single stack containers.
- Train length is not an issue for DFCCI and they could run as longer trains as possible and presently they are thinking to run double trains on these corridors. In the near future, DFCCI is planning to run four heavy trains together which they called as "Python" and it would finally reduce the cost of transporation and ultimately it would benefit the end customers.
- DFCCI has signed an MoU with IWAI to have a joint development of multi – modal terminals at Varanasi. This terminal is a first of its kind in India with a network of river, railways and roadways.
- DFCCI has mentioned that the existing corridors i.e. the feeder routes which are basically the coal routes are also upgraded and they would be merged with the dedicated corridors and roughly 3434 feeder routes in India would be developed /upgraded and would be merged with the dedicated corridors and this entire thing is done by Indian railways.
- DFCCI is trying to develop the Eastern corridore especially with respect to Ro – Ro traffic to de – congest the roads and to improve the freight transportation which would have an effective supply chain and a good freight management system in the country especially in the eastern part.

- The corridors would be constructed, operated, developed and maintained by DFCCI and also the future corridors. The cost of freight would be charged by Indian Railways while the Track Access Charge would be given to the respective corridors to cover their operational cost.
- The funding for the Western Dedicated Freight Corridore is fully by JICA and on the Eastern Dedicated Freight Corridore except leaving the PPP area which is about 528 kms and 58kms portion of Son-nagar which is funded by the Indian railways, the rest of the portion is funded by World Bank.
- DFCCI is working very hard with the help Indian railways, IWAI and other concerned authorities to develop/improve the freight corridors in the country to encourage seamless movement of freight transporation within the country.
- The conclave had discussed about the "Bank Loan Rating Methodology" and the objective for qualifying for credit rating is to reduce cost of borrowings and Rating is required when one company/organization is seeking for loan from banks/ NBFCs and in that case for getting loan, the evaluation of Credit as well as Strengths and Weaknesses of the company is done meticulously and based on the report, the company qualifies for loan.
- For a company, to reduce its Cost of Borrowings, the company has to reduce "Security Cover – Negotiation Power" which rests with the respective lenders.
- Documents required for Rentals for Securitization of Loans consist of Commercial papers, Masala bonds, NCDs stand by line of credit, Structured funding, etc.
- There are various types of loan normally applicable in the entire system while carrying out the entire procedure like Working capital loan, Cash credit, General purpose corporate loan, Non fund facility for ship breaking, Project loan, etc.
- For Bank loan, Credit rating is an opinion on ability and willingness to pay in full the financial obligations.
- There are three types of risk that needs to be taken into account like Business risk, Finance risk, and Management risk.
- The seminar had highlighted that there are prospects in the North Eastern states which needs to be addressed and so far the river Brahmaputra is concerned, there are altogether fifty two (52) rivers which merges into the river Brahmaputra
- The river Brahmaputra has become a Social fabric for not only for Assam but also for the other north eastern states.
- The river Brahmaputra, during rainy season causes flood in and around Assam and it stays for a considerable amount of time causing inconvenience in the industrial operations in Assam and other north eastern states, especially the Maritime trade.
- The dredging on the river Brahmaputra is not possible as the river is meandering in nature and therefore shifting of channels are done on a frequent basis.
- World Bank has allocated US \$ 150 million to provide loan to Government of Assam for preparing a "Detailed Project Report (DPR)" on the river Brahmaputra which would include Terminals on the river, Procurement of vessels for plying in the river and Manufacture of barges.
- The movement of Cargo using the river Brahmaputra is more Environment friendly as the Carbon produced by carrying cargo by road is 62 grams per km and by seaways it is only 16 grams per km.
- Regarding EXIM Trade or International Shipping, International Shipping has volumes and route distances and thus it is economical than Coastal Shipping on a longer route whereas Coastal Shipping has no definite volumes and it travels in shorter routes.
- Coastal Shipping is a natural mode of transportation than roads and/or railways so it is always economical to move cargo using Coastal Shipping as it is more environment friendly and at the same time less costly.
- Coastal shipping reduces significant cost and so far the documentation is concerned, it is different from roadways and railways.

- Penetration of Information Technology (IT) is very low in Coastal Shipping and in the present year around 1.5 lakh containers have already moved through Coastal Shipping and year – on – year (YoY) the movement is growing.
- Coastal Shipping plays a pivotal role in movement of vehicles, especially imported vehicles from one part of the country to another part for e.g. there are movement of vehicles, especially imported cars from Chennai to Kolkata. Besides, it plays a leading role in transportation of liquid bulk for e.g. LPG, petroleum products and other allied things from one place to another and it is less costly and more environment friendly than roads and/or railways.
- In Coastal Shipping, it is “Just – In – Time” concept which helps in the developments and growth of the maritime trade in a country, especially in a country like India. Coastal shipping is always economical than roads and/or railways for movement of cargo from one part of the country to another part and it would still be economical by 15-20% even if the origin of cargo is situated 200 – 250 kms in the hinterland.
- Innovation, which gives a business a new look keeping in mind its existing domain and with this it is a must to bring Innovation in Coastal Shipping to give it a new look, a new turn and of course a significant business development and growth in the maritime industry, especially in the Indian Maritime industry.
- Regarding financing of vessels and maritime equipments, banks are providing term loans with a minimum tenure of two years and maximum tenure of fifteen years depending upon the project model and cash flow.
- Reserve Bank of India has announced new schemes and provisions and so far long term financing is concerned, the entire loan is refinanced and it goes on till 80% of the life of the asset.
- Regarding “Loan to Value Ratio (LTV)”, it is 40:80 and it depends on the cargo and the place of hinterland.
- Regarding Security and Collaterals for seeking loan, a ship owner who would buy a Ship/vessel by taking loan from the bank, that ship owner has to keep that Ship/vessel as Security plus another existing Ship/vessel as collateral.
- Tax Lease, Tax Leaves, Depreciation are passed on to the owner and there are provisions to extend the cover and there are underwriters who provide “End to End” liability cover.
- For containers, liability cover is available even for door to door and P&I has extended coverage.
- In the present market scenario, it is mid – sized vessels which are more attractive for available finance and now it is barges which have come in the scenario as Government of India is showing signs of necessary IWT development.
- Some vessels are undervalued as there is stress sale happening all the time and all around the year.
- Banks, before providing financial assistant to any loan seeker, it examines/evaluates the following documents like operating margins, working capital cycle, suppliers and customers, forex, business risk profile, balance sheet, future aspects : 2-3 years net, cash flows and other necessary documents as related thereto.
- The banks, especially State Bank of India would consider adequate Loans for Barges in the near future looking at the development of Inland Water movements, especially in the Eastern region.
- In case of claims, there are various claims of P&I as mentioned in this Conclave like Claims regarding Collision of vessels, Pollution and Wreck removal, etc and P&I club would assist in settlement/handling of claims.
- In the case of pollution i.e. environment pollution, damage, claims, etc various types of measure are taken to present pollution, Cost to clean up, compensating claims, etc. Some claims are costly for e.g. claims regarding oil pollution where there are so much of conservation because of large oil pollution.
- P&I, apart from vessel coverage, also covers for damage or loss to the cargo. Bill of Lading (BL) also covers the terms in favour of ship owners.
- In Coastal Shipping and Barges, there may not be a Bill of Lading (BL) and there may be an issue to limiting the liability.

- During a maritime trade, providing pre/post dated Bill of Lading (BL) is a fraud and delivery of cargo without Bill of Lading (BL) and discharge of cargo at a port other than what has been mentioned in the contract is a serious fraud and such matters if happens would be taken into consideration with immediate effect.
- P&I covers the vessel as well as the particular cargo in that vessel right from the source port to the destination port including any activity(ies) related to any damage, etc that may happen in between the trade.
- Port and Cargo Growth is highly correlated with Global Trade and EXIM cargo growth in the country.
- Higher industrial growth in India should have a major impact on the port sector and Containerization of cargo has been gradually rising in India.
- In the context of Project Financing, Location of the project area, connectivity through Road, Rail which can ensure quick Turn Around Time (TAT) and ability to set up captive and user industries in the adjacent area of the port are very important.
- New port projects will need to quickly gather critical mass to be the logical choice for shippers & logistics service providers.
- Last but not the least, ports have to pay Minimum Alternate Tax (MAT), while SEZ developers do not have to pay MAT. Such MAT exemption to ports would encourage ports to establish linkages with many SEZs, thus improving the viability of SEZs as well. The MAT on units in SEZ has severely impacted SEZ and conversely the port based developments in the country.
