Boosting Container Cargo Traffic

Why in news?

India is losing revenue on nearly a quarter of its own container cargo every year and much of this loss is of ports on the eastern coast.

What is India's transshipment status?

- Transshipment is the movement of a container or cargo from one vessel (feeder vessel) to another (mainline vessel) while in transit to its final destination.
- In 2019, Indian ports handled around 16 million twenty-foot equivalent units (TEUs) of container traffic.
- About 75% of these were gateway containers (operate directly from the port of origin to the port of destination), while 25% were transshipment containers.
- About 3.5 million TEUs were transshipped at ports outside India.
- The key international ports handling Indian transshipped containers are Colombo, Singapore and Klang in Malaysia.

What are the reasons for the loss of revenue?

- **No transshipment hub**- The loss is primarily because India does not have a transshipment hub of its own around the southern tip.
- **Unavailability of vessels-** There is an unavailability of mainline vessel calling at these ports.
- **Role of international ports**- The east coast also loses transshipped container cargo to international ports.
- Colombo benefits majorly from India's loss, taking 27-31 % and most of the east coast ports, such as Kolkata, Haldia, Vizag and VO Chidambaranar, are losing mainline/direct traffic to Colombo.
- **Additional losses**- Apart from the losses from handling transshipment containers originating/destined for India, income from vessel-related charges and employing manpower is also lost.
- **Higher logistics cost**- The transshipment cost also leads to higher logistics cost to the shipper, where the additional freight and handling cost get loaded to the overall cost.

What is the case for developing transshipment hub in India?

- The existing Indian ports that could be weighed for development into a transshipment hub are VO Chidambaranar , Cochin and Vizhinjam.
- The cost per container needs to be cheaper to the mainline vessel operator for recognising a port location as a transshipment port.
- If the transshipment facility is available at Tuticorin and Vizhinjam, it is equally beneficial to halt at these location as at Colombo.

What are the steps involved in developing the ports as transshipment hub?

- The ports can be developed into transshipment hub through the key parameters
- **Attracting an anchor shipping line-** The shipping lines' key selection parameters are proximity to the mainline maritime route and deep-draft availability.
- **Competitive/discounted tariff by the port terminal operator-** The Major Port Authorities Act, 2021, and new model concession agreement give private operators at the major ports flexibility to charge market-driven tariffs.
- **Lower** vessel-related tariffs
- **Availability of adequate parcel size**- The hinterland available to these two ports stretch to the entire east coast of India, along with parts of the west coast.
- **Governance framework**- It is for the productive port operations (IT-enabled systems for Customs and taxation).
- **Mechanisation-** It includes automation level at berths, easy and efficient handling, storage, faster turnaround time, and faster evacuation through excellent road/rail connectivity.
- **Ancillary services**- It includes services such as bunkering, crew change, international airport and hotels.

What are the benefits of setting up a transshipment hub?

- **Reduction in logistic costs**- It will reduce the logistics for shippers, as the origin or destination lap of the container would either be on road/rail or on domestic/coastal route.
- **Boosts container traffic**- It will boost higher container coastal traffic.
- **Promotes integration**- It will ensure greater integration with world trade, leading to more lines calling the country and also opening direct access to the developed markets.
- **Increased efficiency**- There would be a significant increase in efficiency and throughput, leading to keener competition from other ports in the country.

Reference

1. https://www.thehindubusinessline.com/opinion/india-can-boost-container-cargo-traffic/article6540834ece

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