



'ABC for port activities should be done at regular intervals'

CMA A. Janardhan Rao
Managing Director, Indian Ports Association

Q&A

MA The Indian shipping industry has lot of potential. What steps Government has taken to ensure that the unexploited potential is realized?

Yes, the maritime industry is the backbone of the country's global trade. Around 90% of the country's import and export trade is moved through sea ports of India. Government is committed to develop ports on the continuous basis. During the recent past, the Government has taken a number of policy initiatives to boost the port sector and some of them are the introduction of:

- PPP policy
- Land Policy
- Captive Policy
- Tariff Reforms by linking it with performance
- Empowerment to Ministry and ports by way of enhanced delegation of powers
- Setting up of two New Major Ports

In addition to the above policy initiatives, attempts are also being made to develop seamless connectivity with the ports through expressways and DFCs for faster evacuation of cargo from ports and massive mechanization in the port sector to meet the increasing demand of the trade. The creation of adequate port capacities, increasing the draught levels from 14 meters to 17 meters to accommodate Post Panamax size vessels as per international standards are in currently in focus. The existing tariff regulations converted into service-level regulation to bring harmony in port trade and also encourage extensive private participation.

MA Why India has failed to attract foreign investments in shipping?

No. As per the Government policy, 100% FDI is permitted in port development projects. Huge Foreign Investment is attracted in port projects

in India. For example, in India, most of the private container terminal operators are among the top container handling companies of the world like DP World (Dubai), PSA (Singapore), AP Moller (Denmark), LDA (France), etc. and made the investment to create the world class infrastructure. Such facilities and infrastructure give a boost to the up-gradation/modernisation of major ports.

MA Do you think India needs to increase its share in the global EXIM trade? Can you please elaborate the importance of shipping transport on this expedition?

The main factors that will lead to an increase in global EXIM trade through Indian ports are as follows.

- Anticipated increase in demand in consumption of petroleum production leads to increase in import of crude.

- Anticipated exportable surplus of POL production
- Anticipated demand in natural gas for power generation, fertilizer industry, etc.
- Shortage of indigenous coal for power generation leads to increase in import of coal
- Anticipated increase in production of steel as per the national steel policy required to import coking coal
- Anticipated increase in exportable Iron ore production
- Anticipated increase in fertilizer imports
- Growth in container traffic is envisaged to international trade growth, penetration of containerization and hub and feeder service structure.

MA What are the major problems faced by the ports in India? How can the problems be overcome?

The constraints in ports are said to be lack of deep drafts, massive mechanisation, effective hinterland connectivity and efficiency in Cargo handling. However, the creation of additional cargo handling capacity is also one of the basic requirements to tackle the increased volume of cargo at major ports. The ports as well as the Government have already chalked out a number of plans to enhance the port capacity from the present level of 800 million to more than 1 billion tonnes by the end of 12th five year plan. Also, concerted efforts are being made to enhance drafts by dredging, PPP models in mechanization, composite efforts to create a modal split in evacuation and increase in productivity levels. As mentioned earlier, the Government has already taken a number of initiatives on the subject matter and resolving the issues in consultation with all the stakeholders involved to resolve such problems.

MA How did rupee depreciation affect the shipping business? What is your strategy to protect the sector from this dilemma?

The affect of rupee depreciation is not particular to the Port Sector alone but the adverse effects of the rupee devaluation in the economy will also consequence on this sector also. The fall in EXIM trade will have a large bearing the port and shipping sectors. As far as the revenue is concerned, Port charges for vessel related activities are being collected in the US \$, so loss in trade will be offset to some extent by the increased dollar rate. However, the overall impact on the shipping industry will be negative. The steps which Government

'THE GOVERNMENT AIMS TO FACILITATE ENHANCED PRIVATE INVESTMENT FOR IMPROVED SERVICES AND PORT PERFORMANCE AT PAR WITH THE BEST PRACTICES IN THE WORLD MARITIME SECTOR'

normally takes to regain the value by imposing economic regulations, viz., revision of REPO, encouraging exports, increasing import duty, etc. will be expected to boost EXIM trade and reduce the balance of trade, etc.

MA What role do you see for PPP model to boost up Port and Shipping sector in India?

The Government of India aims at facilitating enhanced private investment for improved services and port performance at par with the best practices in the world maritime sector through economic liberalization, competition, and upgraded technology. Towards this endeavour, GOI encouraging more private ports in maritime states and Private terminals in major ports also to meet the global demand and to stay internationally competitive. In fact, the PPP model in port & shipping sector is considered to be most successful & preferred model in the overall infrastructure sector.

MA Do you feel proper Cost Management techniques are necessary to enhance the efficiency and performance in this sector? Please suggest in what way Cost and Management Accountants may offer their expertise in this quest.

Yes, basically ports are service oriented organizations. Induction of various Cost and

Management techniques related to service sectors will not only enhance the efficiency and performance but also helps for the cost control/cost reduction in this sector. Activity based costing (ABC) for cargo handling, berthing, pilotage, railways activity, etc., should be done at regular intervals and a management information system to analyse the performance will be of immense use for decision making to the management for achievement of better results by way of performance and profitability.

Another area where the costing techniques are pertinent is assessing the cost benefit analysis which making the huge expenditure or investment. Ports should explore the possibilities of the scenarios like 'Make or buy', 'Inhouse or outsourcing' or 'Private or public', etc. by using appropriate costing and management techniques. However, due care must to taken before making such analysis since some of proposals may relate to social or obligatory and may be incidental if not, directly related to any activity.

A perpetual inventory system may be the need of the hour, which will perhaps reduce unwanted or obsolete inventory in the stores and in turn reduce the inventory-carrying cost and working capital.

In determining and evaluating the ideal revenue share to be obtained from private operators in PPP projects, CMAs can play a vital role.

MA What kind of support do you expect from the Government for the overall growth of this important sector?

The port and shipping sector is looking forward to enhanced delegation of existing powers and also delegate the non-statutory powers in clear terms with conditions for exercise of those powers. Also while approval is granted for a project, there should be no need of distinction between new and replacement projects as both the projects entails same outlay and hence, the distinction should be removed. Port Trust Boards be empowered to approve PPP projects at their level up to Rs.100 crore with due appraisal.

Powers to be given to the Ministry of Shipping for settling the environment clearance within the periphery of Government guidelines, so that delay on such matters could be avoided.

Government should also accord infrastructure status to dredging projects and also exemption in the import duties of port equipment & machineries etc.