



**INTERNATIONAL CONTAINER
TRANSHIPMENT TERMINAL
BOOST FOR THE BOX TRADE**



The International Container Transhipment Terminal at Kochi, which will soon be operational, is all set to transform the Indian ports sector. The transhipment terminal will handle the largest container vessels in the world, helping Indian industry save millions of dollars every year, writes **N. B. Rao**.

THE historic city of Kochi (formerly Cochin) has attracted global traders in search of exotic spices, silk and gold for centuries. Many of the Colonial powers, including the Portuguese, the Dutch and the English, established their base in the city. The Portuguese set up the first European settlement in India at Kochi in 1500 and it remained the capital of Portuguese India for a decade.

Portuguese explorer Vasco Da Gama, who landed in Kochi in the early part of the

16th century, later became the 'viceroy' of Portuguese India and died in the city in 1524. He was buried in Kochi for a while, before his remains were shipped back to Portugal. Travellers from China, the Middle East and Europe were frequent visitors to the city, which happens to be the only Indian city in proximity to the global maritime highway, linking the crucial east-west routes from Europe to the Far East and Australia.

With the commissioning of the first phase of the ambitious, International

'THE TRANSHIPMENT HUB WILL ACCELERATE CONTAINER TRADE'

An interview with **Suresh Joseph**, general manager, DP World Cochin, which is developing the International Container Transshipment Terminal, Kochi:

When is the International Container Transshipment Terminal, Kochi, expected to become operational?

A firm date is yet to be finalised. However, it is expected to go on stream in the first quarter of 2010.

What would be the impact of the new terminal on India's external trade, in terms of cost and time savings?

For close to two decades the proposed development of a world-class container transshipment terminal was on the drawing board. Several studies were un-

dertaken by the government that clearly demonstrated the geographic advantage that Kochi enjoyed, being strategically positioned in proximity to the major global east-west trade routes.

Global trade has never been able to capture the complete potential of India's booming economy due to limited infrastructure. Road and rail facilities were not adequate enough to meet growing demand, and port infrastructure was not able to service large container ships.

This resulted in the emergence of transshipment hubs such as Colombo, the Sri Lankan capital, and Salalah in Oman,

additional handling and ultimately higher costs of transportation, which made Indian goods less competitive overseas when compared to China, Vietnam and other south-east Asian countries.

Today, 45 per cent of India's trade is transhipped over hub ports such as Colombo, Salalah and Jebel Ali in the UAE. Container trade in India has been growing year-on-year by 15 per cent; the development of a transshipment hub within the country will only accelerate this growth further.

The commissioning of the ICTT and the consequent calls of mother ves-



sels to it will bring international markets closer – and render the products cheaper – for Indian importers and exporters, by avoiding a foreign transshipment location. Moreover, inventory-carrying costs will also be positively impacted with the commissioning of the ICTT.

What is the total investment in this project, both by DP World and other partners?

The ICTT is being built in three phases. The first phase, which is due for commissioning in 2010, will see an investment of close to US\$ 270 million by DP World and the other shareholders of the company, and US\$ 320 million by the Indian government.

What kind of revenues do you expect to generate in the first year and in the fifth year of operations? How much of India's total container traffic would be handled by ICTT?

It is difficult to project the exact quantum of revenue that ICTT could generate, because it is the very first of its kind for India. The transshipment terminal at Vallarpadam, Kochi, is unique in its position. It is one of the only global transshipment hubs supported by a hinterland that extends across the country and has a captive volume of more than 8 million twenty-foot equivalent units (TEUs).

Creating a transshipment hub within the country will now give importers and exporters alternative solutions to moving their cargo at lower costs. Businessmen can now choose from road, rail, coastal and inland waterways – an inter-modal medium best suited to their requirement of cost and time.

The government is investing heavily in the support infrastructure for this project – a new four-lane national highway connecting the terminal to the west and east coasts, and to south and central India is being developed. Further, a new 8-km-long electrified rail link will give the terminal a handling capacity of 15 trains daily and connectivity to India's national rail network.

In the final phase of its development

by 2015, with a design capacity of 3 million TEUs, ICTT Vallarpadam should be handling close to 20 per cent of India's total container traffic.

Will the new terminal be able to accommodate large container vessels with capacities of over 15,000 TEUs?

The design of the ICTT includes a draft of 14.5 metres. Such a draft will facilitate the handling of the largest vessels afloat today, such as the Emma Maersk, which has a carrying capacity of 12,000 TEUs.

What is the largest container vessel that any Indian port/terminal can accommodate at present?

At present the only port in India that can handle fifth/sixth generation container vessels is Vishakapatnam port. It has a draft of 16.5 metres. The rest of the ports in India can only handle vessels with a carrying capacity of a maximum of 6,000 to 8,000 TEUs.

What is the state of rail and road connectivity from the ICTT? Will they be in place by the time the terminal is inaugurated?

The rail connectivity works are going on well and are likely to be completed well ahead of the commissioning of the terminal. There have been some challenges resulting in a delay in the completion of road connectivity works. However, the National Highways Authority of India (NHAI) has assured the Cochin Port Trust that a two-lane motorable highway would be available by the end of March 2010.

Is this the largest project that DP World has executed in India? How would you compare it with other DP World projects elsewhere in the world?

The ICTT is the largest port project undertaken by DP World in India. The ICTT is unique in the DP World portfolio in that it is one of the largest investments of DP World in emerging markets.

Container Transshipment Terminal (ICTT) in March-April this year, Kochi is all set to regain its historic position as a pre-eminent port on the international sea route.

Importantly, the establishment of the ICTT would enable large containers and carriers to dock at an Indian port for the first time, instead of off-loading and uploading cargo at transshipment hubs such as Singapore, Colombo, Salalah and Dubai.

The absence of such a hub port had resulted in large vessels and mother ships docking at other international ports. Indian exporters and importers had to ship their cargo in smaller vessels from international transshipment terminals, resulting in an increase in navigation time and costs.

Indian industry would be able to save about US\$ 215 million annually with the commissioning of the ICTT.

N Ramachandran,
chairman, Cochin Port Trust

"Indian industry would be able to save about US\$ 215 million annually with the commissioning of the ICTT at the all-weather Cochin Port Trust (CPT)," says N Ramachandran, chairman, CPT. He expects savings of about US\$ 200 for each container and a seven-to-eight day reduction in voyage time.

"The ICTT will position India as a transshipment hub, conferring major advantages to Indian exporters in terms of reduction in feeder service cost and faster shipping service if the cargo is routed through Kochi instead of Colombo, Sri Lanka," notes an analyst at Frost & Sullivan, an international consul-

SPIN-OFF PROJECTS

The International Container Transshipment Terminal (ICTT) at Vallarpadam on the outskirts of Kochi has triggered off a flurry of infrastructure development projects in and around the commercial capital of Kerala. The major projects worth over US\$ 2.15 billion include:

- A 4.62-km railway bridge, India's longest, connecting Vallarpadam to Edapally at a cost of US\$ 65 million
- A liquefied natural gas (LNG) terminal to handle 1 million tonnes of LNG, costing nearly US\$ 350 million
- A 1,250 MW power plant at Puthuvype near the LNG terminal
- A US\$ 325 million port-based special economic zone (SEZ)
- An international ship repair complex costing nearly US\$ 70 million
- Single buoy moorings for Kochi Refineries Ltd at a cost of US\$ 155 million
- A US\$ 1.5 billion petrochemicals complex (at a later stage)
- An international cruise terminal at Willingdon Island costing US\$ 85 million
- International bunkering terminal
- International marina



tancy. "The absence of a hub port in India resulted in a significant share of containers leaving an Indian port going through a feeder, with transshipment and mainline movement causing an additional delay of 40 hours to 50 hours as containers are transhipped through ports such as Colombo, Singapore, Dubai and Salalah," the analyst adds.

According to the consultancy, India's containerised transportation is poised for significant growth spearheaded by rising international trade, increasing investments in ports infrastructure by the government and through public-private partnerships (PPPs). Sea traffic carries

95 per cent of India's exports by volume and 70 per cent in value terms.

"Indian merchandise export and import registered a double-digit growth of 23 per cent during 2007-08," points out the Frost & Sullivan research analyst. "Trade was growing at over 25.3 per cent compound annual growth rate (CAGR) over the previous five years. Since a greater share of trade is moving towards finished goods requiring containerisation, container traffic in the country is experiencing an impressive growth."

Frost & Sullivan's strategic assessment of containerisation trends in India finds that container capacity handled for

international and domestic traffic stood at 9.1 million twenty-foot equivalent units (TEU) in 2008; this is projected to touch 21 million TEUs in 2014. "India is clearly emerging into the spotlight as productivity growth is strong and container volumes are slated to witness robust growth in coming years," adds the analyst.

Suresh Joseph, general manager, DP World, Cochin – which is developing the ICTT – says that the new hub would be able to handle even the largest container ship in the world, the Emma Maersk, owned by the A P Moller-Maersk Group, which has a capacity to carry about



12,000 TEUs.

Kochi is ideally located for handling such large ships because of its proximity to international maritime routes. “The greatest advantage of Kochi is its proximity to international maritime routes, to both the Mediterranean as well as the West,” explains Ramachandran. “The distance from Kochi to the Suez route is 74 nautical miles and barely 11 nautical miles to the Middle East route, which are the shortest from among Indian ports.”

The all-weather port also offers a draft of 16 metres, and provides excellent connectivity to the southern and western states of India through an elabo-

The ICTT will facilitate the handling of the largest vessels afloat today.

Suresh Joseph,
general manager, DP World Cochin

rate network of road and rail links.

The ICTT has been developed under the public-private partnership model. DP World signed an agreement with the state-owned Cochin Port Trust (CPT) in 2005 to construct, develop and operate the ICTT at Vallarpadam in Kochi. The agreement included the taking over of the operations of the Rajiv Gandhi Container Terminal (RGCT) at Kochi Port and the development of the deepwater ICTT.

For this, a special purpose vehicle (SPV) – the India Gateway Terminals Pvt Ltd – was set up with DP World having a 76 per cent stake, state-owned Container Corporation of India (Concor) a 15 per



cent stake and two other companies sharing the remaining 9 per cent equity. The SPV was given a 38-year concession on a build, operate, transfer (BOT) basis for the exclusive operation and management of the ICTT, besides managing the RGCT for four years and later transferring it to the ICTT.

Besides being the largest-single operator container terminal in India, the ICTT is also the first port in the country to operate within a special economic zone (SEZ). Construction work began in 2007 over a sprawling 115-hectare plot. The first phase is now ready for take-off within a record time. The first phase of the project, which is expected to become operational by March-April, will have a capacity of 1 million TEUs. It will feature 600 metres of quay, six super-post Panamax quay cranes and an on-dock rail-head serviced by rail-mounted gantry cranes. Ultimately, it would be expanded to cover 1.8 km of

Productivity growth in India is strong and container volumes are slated to witness robust growth in the coming years.

Frost & Sullivan,
analytical report

quay, 16 quay cranes and a capacity of 3 million TEUs. According to K Mohandas, Shipping Secretary, Government of India, a two-lane rail link and four-lane road connectivity will also be ready by March,

enabling quick movement of containers to and from the ICTT. A liquefied natural gas (LNG) terminal that will form part of the massive development occurring around Kochi is expected to be ready by next year, he adds.

Rail Vikas Nigam Ltd, a state-owned enterprise and subsidiary of Indian Railways, has developed an 8.6-km private railway for the ICTT. It includes the longest railway bridge in the country, which is 4.6-km-long, over the backwaters of Kochi. The exclusive railway line links Vallarpadam with Edappally.

The ICTT project has also kick-started other development work near Kochi. It is ultimately expected to attract over US\$ 2.15 billion in investments, boosting economic growth in the southern state and also generating thousands of jobs. Besides international trade, tourism is also expected to witness buoyant growth, as a cruise terminal is also being planned. 🌈