

## **Visakhapatnam Port focuses on capacity expansion to increase cargo handling**

The 86-year old Visakhapatnam Port Trust (VPT) is one of the 12 major ports in India and it handles 10% of the total cargo handled by these ports. VPT handles EXIM cargoes of several large corporations and public sector undertakings in critical sectors such as refinery, steel, power, fertilizer and consumer goods sectors. The port also serves as a gateway for EXIM cargo of Nepal.

In an interview to MVIRDC World Trade Center Mumbai, Mr. Shri K Rama Mohana Rao, IAS, Chairman of VPT informs that the port stares at zero growth in cargo volume in the current financial year because of the COVID crisis. However, Mr. Rao is optimistic that the port's thrust on capacity augmentation will enhance its cargo volume and competitiveness vis a vis other neighbouring ports in the coming years.

### **Excerpt of the interview:**

**Q.1. Visakhapatnam Port Trust (VPT) is one of the 12 major ports of India with 10% share in cargo handling among these 12 ports. How has the COVID-19 outbreak affected the operation of EXIM cargo traffic in March and April 2020?**

Ports across the country have been identified as centers providing essential services during lockdown. Accordingly, we have been carrying out cargo handling operations un-interruptedly. Necessary precautionary and safety measures are being taken, as per the guidelines of the Ministry of Health and Family Welfare issued from time to time, to avert spread and combating COVID 19 pandemic.

Port of Visakhapatnam has a distinct feature of possessing infrastructure for handling all types of cargoes including essential commodities like foodgrains, chemicals for pharma industry, LP Gas, Petroleum Products, Fertilisers and many other commodities carried in Containers besides input raw materials such as Coal, Crude oil, iron ore etc., that catalyze economic activity in its hinterland.

Port is successfully combating the pandemic and preventing its outbreak. However, there has been visible impact on ships calling at the port and the corresponding cargo volume. A total of 187 cargo ships were handled during 23.3.2020 to 30.4.2020 as against 210 ships handled during corresponding period of previous year. A quantity of 6.48 million tonnes of traffic was handled during 23.3.2020 to 30.4.2020 as against 7.36 million tonnes handled during corresponding period of previous year.

**Q.2. Your port has offered several relief measures to exporters, shipping lines, container freight stations and other users of your facility who are distressed by the COVID-19 crisis. In future, if the lockdown is prolonged for some more weeks, do you wish to offer further incentives to your users?**

It is important that the distress caused by the COVID 19 crisis in maritime sector is not percolated to the end customer. To ensure this, Government of India has directed all the stakeholders to provide relief to the customers. Government of India requested the Shipping Lines and the CFSs/ICDs to provide relief for container cargo. In addition, we have taken certain measures towards the relief of the trade:

- Demurrage on cargo storage which was to be collected as double the actual storage charges beyond 11 weeks, is waived

- Penalties levied for under performance against the benchmark norms is exempted
- Demurrage on import cargo cleared beyond 5 days permissible transit time is not levied.

We may consider continuing these exemptions into the future, in case the Government considers extension of the lockdown period in the larger interest of the economy.

**Q.3. What is the impact of the nation-wide lockdown on container and dry bulk cargo volume in March and April 2020?**

As already stated, cargo volume at the port has been impacted by the lockdown measures in India and in other economies of the world. Cargo traffic at VPT dropped by about 6.8% during the months of March 2020 and April 2020 as compared to the corresponding period of 2019.

While container cargo declined by about 7.6%, decline in dry bulk cargo was 10.6%. However, coastal movement of thermal coal to TANGEDCO and import of coking coal for SAIL have recorded growth during March and April 2020.

**Q.4. In 2019-20, cargo handled by your port grew 11%, despite the overall cargo volume across all major ports growing by a tepid 0.8% from the previous financial year. What is your forecast of cargo volume (both container and non container volume) in the current financial year (2020-21)?**

Forecast of cargo volumes depends (i) on the period of lockdown and (ii) how quickly the domestic and international markets recover after the lockdown. As such our volumes depend on the outlook of the refinery, steel, power, fertilizer and consumer goods sectors.

Our major customers are HPCL, IOC, BPCL, NALCO, SAIL, RINL, MMTC, NMDC, TANGEDCO, JSW Ispat, ESSAR, Rain Carbon India, Coromandel International etc., besides container sector. We are also functioning as a gateway port to the EXIM cargo of Nepal.

India's EXIM volume depends on (i) prospects of global economic growth and (ii) domestic demand. Agencies such as the UN, IMF, OECD have opined that the Global Economic prospects are very uncertain and that Global Economy is likely to face the "worst economic downturn since the Great Depression".

Though COVID 19 will impact Indian Economy significantly, to some extent, it is insulated with existence of large domestic demand. Riding on the domestic demand and other fiscal corrective measures likely to be adopted by the Government, it is estimated that Indian Economy may register a GDP growth anywhere between 0% and 3%.

Taking these factors into consideration, I believe that Indian Ports including VPT are not likely to register any growth in the current fiscal. It is almost evident that cargo traffic in the current financial year FY21 is going to be affected due to the lockdown measures. However, with a promising outlook for next year, the ports are likely to do well.

**Q.5. What are the steps your port has taken or is going to take to face competition from Adani's Kattupalli Port and Krishnapatnam Port, which are located in neighbouring states?**

I believe that healthy competition is essential for efficient functioning of ports. VPT has been working in a competitive environment since a long time with ports like Kakinada, Gangavaram and Krishnapatnam.

We have the advantage of being in the service of the nation for the past 86 years. As such, we are in a position to provide services at lesser cost due to depreciated value of assets, as compared to other ports which have come up recently.

As I have already stated, we have the necessary infrastructure to handle all types of cargoes; be it a raw material or semi-finished or finished product. This versatile feature enables us to provide effective services in competition.

During the past 7 to 8 years we have undertaken many infrastructure developments keeping in view of the requirements of trade. The major thrust areas of development were deepening of channels and berths, development of new berths with state of the art infrastructure, mechanization of the existing facilities and augmenting the evacuation facilities viz., rail and road. As a result of these, we now have competitive advantage in handling majority of the cargoes needed by the industry.

We are the only Major Port in India that has Supercapex handling facility that can handle dry bulk carriers of Coal and Iron Ore with a draft upto 18.1 meters (200,000 tonners). The SPM can handle Very Large Crude Carriers of more than 250,000 tonne crude tankers.

Our container terminal with a quay length of 450 meters is the deepest among major ports with a natural depth of 16.5 meters. The terminal can handle Container vessels of 320 meters currently. Our inner harbour with 18 berths is deepened to facilitate navigation of fully laden Panamax vessels of draft upto 14.5 meters.

About 70-75% of the cargo is handled by mechanized systems. Cargoes like iron ore, coal, POL, chemicals, Alumina, Fertilisers and containers can be handled in a fully mechanized environment. We are augmenting our infrastructure in container handling and petroleum product handling facilities further and laying stress on evacuation systems equally for efficient operations.

Recently, we have undertaken a simulation study at Singapore to explore the possibility of handling mini cape vessels in the inner harbour and larger container vessels upto 400 meters length without adding any infrastructure. The study has been successful and provided encouraging results. Our Pilots are currently being trained in this regard.

We are implementing innovative business practices and keen on promoting our trade through effective marketing strategies. We have been undertaking end to end logistic services to the users by providing services beyond port. We have enormous advantage of cargo handling capacity of more than 125 million tonnes per annum.

In view of the above initiatives and advantages, we will be able to compete with the neighbouring ports and are already geared up to handle the required quantities.

## Notifications

### Press Information Bureau, Government of India

Daily Bulletin on COVID-19

<https://pib.gov.in/PressReleasePage.aspx?PRID=1625157>

### CBIC

Fixation of Tariff Value of Edible Oils, Brass Scrap and other items

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-nt2020/csnt45-2020.pdf>

Anti-dumping duty on sodium citrate imported from China

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-add2020/csadd08-2020.pdf>