Emerging business opportunities

Photo: TransBaltic Project Manager Wiktor Szydarowski next to Jawaharlal Nehru Port Trust Chief Manager

India, along with China, is one of the fastest growing economies in the world today. The European Union is the country's largest trading partner, accounting for more than 25% of India's total exports and 21% of its total imports as of 2009. A TransBaltic delegation spent five days in India to learn more about the country's transport systems and future plans regarding its trade with Europe and the Baltic Sea region in particular.

India is becoming more intertwined with the world and its negotiations of the Free Trade Agreement (FTA) with the EU are close to successful completion after four years of talks. The agreement now expected to be signed later this year or in early 2011, is bound to affect future Indian and European trade exchange remarkably. A TransBaltic delegation consisting of partners from Sweden, Finland and Poland visited New Delhi and Mumbai to explore the projected trade patterns between India and Europe, with emphasis on the BSR. The visit was an element of project activities intended to enhance the gateway function of the Baltic Sea region in developing intercontinental freight flows. Meeting representatives of research institutes, ministries, business circles and the port industry, the delegation gained insight into the main challenges to the well functioning trade exchange and the potential impact of increased freight flows on the northern regions of Europe. Moreover, the delegates had an opportunity to identify possible synergies between the two areas that could be highlighted.

The areas of potential exchange

So far the trade exchange between India and the Baltic Sea region has been quite modest, yet showing an annual growth rate of 38% since 2000, to reach the value of USD 28 bln in 2009. Germany takes the lead as India's largest trading partner within the BSR in terms of both exports and imports. Due to its natural resources, Russia plays a significant role as an exporter and accounts for a large volume of India's imports from the BSR. Even though the past years' statistics can demonstrate an increase in trade exchange, there is still a long way to go before it approaches its full potential.

Looking beyond the potential trade exchange performance, cooperation between the two regions should also foster knowledge transfers. The BSR and India are facing many of the same challenges as regards macro-regional cooperation and efforts should not be limited to the ongoing integration process. Similarly important is building an active relationship where both parts learn from each other, finding common strengths and opportunities. The Indian interest is very much focused on developing such sectors as the environment, sustainability, ITS and, last but not least, security. This is where exchange of knowledge and building on the European experience is beneficial. Maritime education logistics training is also an area in demand, where BSR members are recognized as being in the forefront.

FTA – an opportunity and a challenge

The approaching bilateral FTA is an opportunity and a challenge at the same time, with high expectations to live up to. Issues to be dealt with include social aspects, such as labour standards and environmental requirements. For example, the green transport concept, so well-established in the European context, has not been much discussed in India yet. The agreement will determine the future structure of commodity exports to the EU, although it is impossible to outline its shape at this stage. What India would like to see is a change in attitude towards Indian exports. Some symptoms can already be observed, with their exported goods moving up within the value chain from mainly raw material to finished products and with a growing share of automotive components. No less important will be the acknowledgement of the high quality of their services and elimination of barriers for professionals from India to enter the EU labour market.

Transport infrastructure and system as the main barrier

The forecasted increase in trade exchange volumes will put much pressure on the Indian capacity for handling the flows. The logistics chain has been identified as the biggest obstacle hampering development. The existing system generates unjustifiably high costs and is in great need of improvement. The complex situation, where every state of the federation has its own tariff system for road transport (the railway is centrally-owned) is another factor affecting both the pricing policy and cost efficiency as well. The process of harmonization is currently underway, but internal connectivity also demands improvement of the hard components, like road, rail, etc. The government has acknowledged the need for and stepped up public investments in infrastructure, encouraging active participation of the private sector at the same time. To meet growing demand, PPP is being promoted by the governments as an instrument intended to facilitate development of the national road network.

Railways support both passenger and freight transport, but in the context of trade exchange, a dedicated network of railway connections is much needed. As a step in the right direction an industrial railway corridor between Delhi and Mumbai is currently under development, with the New Delhi – Kolkata line already in place. Because of the inland barriers and difficulties with crossing landlocked countries, there is no real discussion on developing a land bridge connection with the BSR. Today 90-95% of India's exports are transported by seagoing vessels. Therefore, the opportunity for growth is and will remain in the hands of the ports and shipping industry in the nearest future.

Ports and hinterland situation

13 of India's seaports are classified as major, 30% of these are owned by State governments and 70% by the Federal government. The ports' aspirations to attain the world-class standard are supported by the Government's National Maritime Development Programme (NMDP) which allows improvements to be made to port infrastructure within the next 10 years. Considering the ports' limited capacity and their problems with meeting growing demand, development of hinterland connections appears to be vital. This issue was identified and highlighted as a matter of importance only five years ago. Inland waterways offer a cheaper alternative to rail, but the infrastructure and system is much underdeveloped. Moreover, to benefit from this potential, such natural factors as flooding have to be worked around. Hinterland solutions are expensive and hard to claim for private investments.

Since 1991, India has recorded an annual increase of about 266% in container port traffic. The Jawaharlal Nehru Port (JNP) in Mumbai is India's largest container port handling roughly 6 mln TEU. It is also India's first privately-owned container terminal with well developed hinterland connections. 35% of the cargo leaves the terminal on rail to 40 different destinations every day, mainly to the northern parts of India. The terminal stands for 55% of India's turnover capacity and the business is predominantly towards Europe, mainly the Western Mediterranean and Western European ports. 36% of the cargo goes to the Far East. Although still expanding, the JNP is about to face a lack of capacity. Demand is hard to meet and the port's future depends on developing an efficient and well managed transport system. Management is an issue common to all ports and in this case it is calling for immense improvements. For example, the ports' inability to plan ahead is a major issue. Blocked roads make road transport slow and unreliable and trucks approaching the port terminal have no system for making the clearing papers reach the gates before the cargo arrives there. Sea carriers on the other hand can do their booking in advance, but that doesn't ease the problem, considering the situation on the landside. The average turnaround time in Indian ports is 3.5 days compared with 10 hours in Hong Kong. Congestion due to slow evacuation of cargo makes the number of ships calling at JNP limited and incapable of being used as a transshipment hub. Colombo and Dubai are the only two destinations used for transshipments but new ones are being looked for. The issue of empty containers putting constraints on capacity is not a problem, however, since trade with Europe is quite well balanced, in contrast to China where export prevails. To improve port management, involvement of private stakeholders is encouraged. India is following the global trend with policy frameworks already put in place enabling privatization of port facilities and services. 228 PPP projects will be implemented under the NMDP.


Photo: Wikimedia Commons

Prospects for cooperation

Meetings held at the Research and Information System for Developing Countries (RIS), the Federation of Indian Chambers of Commerce and Industry (FICCI), the Indian Ports Association, Nhava Sheva International Container Terminal Pvt. Ltd, and the Jawaharlal Nehru Port Trust provide the basis for a conclusion that the contacts established during the visit will be of further use and should be seen as an opportunity for all the parties involved. TransBaltic will work as a gateway to relevant organisations on both sides and foster the India-BSR connection, cooperation and relationship. Once the Free Trade Agreement is signed, the formula for how further cooperation to strengthen these ties can be laid out too. ■

Evelina Hansson-Malm

Future environmental regulations for shipping in the BSR

Consequences for seaports

Task 4.1 within TransBaltic's Work Package 4: Horizontal measures deals with the issue of challenges that the Baltic ports have to overcome and focuses on their development in the context of hinterland connections. In March 2011 Baltic Ports Organization issued a report, prepared on the basis of presentations delivered at TransBaltic's and BPO's second seminar "Baltic Ports and Environment – new regulations and challenges," held on 7th December 2010 in Malmö, as well as the BPO seminar "LNG in the Baltic and North Sea – Business opportunities or the cost factor for the ports," held on 12th January 2011 in Gothenburg.

The first part of the report identifies the main environmental priorities of Baltic ports according to the ESPO/EcoPorts survey. Further parts deal with future environmental regulations for shipping within the Baltic Sea

Dialogue is a necessity

■ *The report points out 10 environmental priorities for the Baltic Ports with noise, dredged material disposal and air quality in the Top 3. Do all Baltic ports have a clear vision on how to deal with these challenges?*

Well, the comparison shows that there is not much of a difference between ports in the Baltic and in other EU ports when it comes to environmental priorities. If you look at the details, disposal of dredged material is higher than in all EU ports since a lot of the Baltic coast is covered by Nature 2000. Also, Baltic ports place more emphasis on dealing with local communities. That's because the "Baltic culture of doing business" includes a dialog and proper relations with local society. It is worth mentioning that one of the Baltic ports – Helsinki – received the ESPO Award last year for sustaining the maritime identity of the city of Helsinki. Port of Helsinki moved a majority of its port operations into a new area – Vuosaari Harbour. There is also one more general difference: Baltic ports operate within a more sensitive environment, since the Baltic Sea is a highly protected area.

Tab. 1. The Top 10 environmental priorities of Baltic and European ports, 2009

No.	European ports (122) 2009	Baltic ports (44) 2009
1	Noise	Noise
2	Air quality	Dredging: disposal
3	Garbage / Port waste	Air quality
4	Dredging: operations	Relationship with local community
5	Dredging: disposal	Dust
6	Relationship with local community	Dredging: operations
7	Energy consumption	Energy consumption
8	Dust	Ship exhaust emission
9	Port development (water)	Climate change
10	Port development (land)	Port development (land)

Source: ESPO initiatives on Sustainable Development – presentation, Gun Rudeberg, 2010

■ *The report touches upon shipping's negative impact on the Baltic environment. What will change in the Baltic transport sector with new regulations on the way, aimed at reducing emissions from shipping activities? How are ports preparing for the new regulations?*

When it comes to the sulphur content in marine fuel it is primarily the shipping world, which will be directly affected but of course the overall cost impact will be spread out to some production industry (e.g. paper), transport sector (including ports), tourism and finally to costumers. Within BPO we are concerned about two main issues. Firstly, we would like to see the whole European Union working within the same regulation regime. Secondly, there is no doubt that sailing with passengers and cargo in the Baltic will become more costly, so road transport will be more competitive. Therefore, there will be some shift of cargo movement from sea to road. To what extent – no one knows now. It is still an open question what to do

and their influence on ports. The influence of Baltic maritime traffic on the environment is connected mainly with: SOx and NOx emissions, wastewater dumped into the sea and the spread of alien species, carried in ship ballast waters. However, there are several steps being undertaken to make sea transport more environmentally friendly and to reduce its disadvantageous influence on the Baltic Sea's ecosystem. One of these is the reduction requirements in NOx and SOx emissions for shipping. Annex VI of MARPOL 73/78 makes the Baltic an "SOx emission control area," demanding all ships to use fuel with a sulphur content not exceeding 0.1% from 2015. This will lead to significant cost increases for transportation by sea and, according to research reports, reduce the competiveness of sea transport. Also, Baltic ports would be in a new situation in comparison with ports in other regions of Europe. Furthermore, IMO also specifies future NOx emission limits for marine engines. Another regulation is connected with a ban on dumping untreated ship sewage directly into the Baltic Sea. When this regulation enters into force, passenger and cruise ships will be obliged to use approved sewage treatment plants capable of reducing nutrients or deliver sewage to a port reception facility. In turn, the International Convention for the Control and Management of Ships Ballast Water & Sediments deals with the third environmental problem within the Baltic Sea mentioned above.

The new environmental regulations are a great challenge to both the shipping industry and the ports. We set up an interview with Bogdan Ołdakowski, task 4.1 leader, co-writer of the report and BPO's Secretary General to talk about the issues that the Baltic ports are facing and their status on environmetal performance and management. ■


Photo: Port of Helsingborg

to minimize this "cost effect" for all Baltic Sea transport. There is no doubt that this new situation is a big challenge – also for the ports.

■ *LNG as an alternative ship fuel and a potential response to the environmental requirements for the BSR has been widely debated lately, gathering both optimists as well as sceptics. Would you like to share with our readers your opinion on this issue?*

LNG is one of the alternatives for the shipping industry currently being broadly discussed. From an environmental point of view, LNG is a cleaner fuel and according to this discussion there will be a significant portion of ships using LNG as fuel in the Baltic Sea. Again this creates challenges for ship designers, LNG traders, bunkering world, etc. Ports, of course, should follow this development very carefully and should react to market demands. It is clear that the new fuel type will need a new distribution system within the region including LNG terminals and bunkering.

■ *Ferries and cruise ships operating in the Baltic Sea carry over 80 mln passengers each year. Dumping of untreated sewage from passenger ships may become illegal in the Baltic for new ships from 2013, and from 2018 for all ships; however, this depends on the availability of adequate port reception facilities. How are ports preparing for these regulations?*

Some of the ports have already been receiving sewage from passenger ships for quite some time while others have been looking into the issue and have started preparing the necessary investment plans. There are still quite a few uncertainties (meaning of adequate port reception facilities, no special fee for sewage, how to distinguish small and bigger ports) but hopefully together with the Helcom secretariat we will be able to help ports meet the new requirements. Moreover; BPO is planning a study trip to learn how the frontrunners (Stockholm, Helsinki) are handling the reception of sewage. Also, Helcom organizes a series of consultation meetings with ports and other stakeholders.

■ *An issue which has gained importance over the years is a port's relationship with its local community and the importance of good port-city relations. How beneficial can they be? Can you give our readers some examples of fruitful relations of this kind?*

I've already mentioned that Baltic ports pay special attention to the dialog with local communities. How this communication is organized varies from port to port. The overall goal of the dialog is to guarantee smooth development of the port, so it is of utmost importance to explain to local people what the port means for the community, not only on an economic level but also in its heritage and social dimension. Many ports experience that new investments need years of consultation and preparation. Proper dialog with the local community and learning of people's expectations, and sometimes anxieties, leads to better understanding and it should smooth out port development plans.

Lena Lorenc

TransBaltic is arranging a number of debates and follow up analyses dedicated to the transport development challenges of common interest and importance for all parts of the BSR. On 7-8 June 2011, a task 4.1 seminar will be held in Elbląg, Poland, in order to enable sharing different point of views on the development for small and medium sized Baltic Sea ports.