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International Container Transshipment Terminal (ICTT): A Closer Study of the Commodity-wise Exports (2011-2014)

Dr. Manoj P K¹

Assistant Professor, Department of Applied Economics,
Cochin University of Science and Technology (CUSAT),
Kochi, Kerala – 682 022 (INDIA).

Joseph P S²

Ph.D Scholar (Management), AISECT University,
Mendua, Bhojpur Post, Bhopal-Chiklod Road,
Raisen District, Madhya Pradesh – 464993 (INDIA).

Abstract: It is well recognized that ports play a vital role in the transportation of goods via sea route and are inevitable players in export and import of commodities. In India there are 12 major Ports and 172 minor ports of which Cochin Port which is located at the southernmost part of the country is the only major port in the Kerala. It is one of the largest in the whole of India. International Container Transshipment Terminal (ICTT), the only transshipment port in India, comes under Cochin Port Trust. ICTT enjoys Special Economic Zone (SEZ) status and is set up under public-private partnership (PPP) mode. The paper seeks to study commodity-wise break up of exports from ICTT. It is noted that among the various commodities the exports of coffee is fast declining both in absolute and relative terms which is a matter of concern. Reasons for the fast decline in coffee exports are studied and accordingly a few remedial strategies are suggested.

Keywords: ICTT, SEZ, PPP, Terminal Handling Charges (THC), Transshipment, Mother Ships

I. INTRODUCTION

International Container Transshipment Terminal (ICTT) locally called ‘Vallarpadam Terminal’ is a Container Transshipment Terminal Commissioned by Dr. Manmohan Singh, the then Prime Minister of India on 11th February, 2011. ICTT is the only transshipment port in India and it operates in the Special Economic Zone (SEZ) area. It is set up in the public private partnership (PPP) mode based on an agreement between Dubai Port World (DPW) and Cochin Port Trust. As per this PPP agreement DPW has got the right to construct, develop and then to operate ICTT for 30 years and thereafter transfer its control to the Cochin Port Trust. Commissioning of ICTT has led to increase in the export of cargoes through this terminal port, especially that of coffee. Export of coffee contributes significantly to the foreign exchange earnings of India. But, of late, it is noted that exports of major items (like, coffee) through ICTT is fast declining, when we do a comparative study of the exports of various commodities. This trend is a matter of concern which needs to be reversed for the enhanced exports of Coffee and hence better performance of ICTT.

II. OBJECTIVES OF THE STUDY

1. To make a critical study of the export of various goods through ICTT, relative performance of such goods, and to make a closer study of coffee – one of the most prominent goods;
2. To make a detailed study of the factors that adversely affect the exports of goods through ICTT, like Terminal Handling Charges (THC), with special reference to coffee exports; and
3. To make suggestions for more effective exports of goods through ICTT, especially coffee.

III. RESEARCH QUESTIONS

1. What is the latest position regarding the performance of ICTT, particularly since 2013?
2. What has been the relative, commodity-wise pattern of exports through ICTT?
3. Is there any decline in the overall performance of ICTT; which all the commodities that are most adversely affected; and what are the reasons for such decline in performances, if any?

IV. PREVIOUS STUDY

ICTT being of recent origin studies on its performance are very scarce. Manoj P K (2015) [2] has studied an overall study of the impact of ICTT on coffee exports. Based on the data upto 2013, the gradually growing trend in exports through ICTT since its commencement in 2011 is pointed out. The present paper extends the work of Manoj P. K (2015) [2], and it makes a comparative study of goods exported through ICTT, and the latest position of the performance of ICTT.

V. RELEVANCE AND SIGNIFICANCE OF THE STUDY

The existing Terminal Handling Charge (THC) is quite high at Cochin compared to other major ports of India. (Table I and Table II). Though charges like THC are higher at ICTT, the exporters can save transit-time of their exports as more main line vessels now berth at ICTT. Besides, the exporters can save freight charges as there is no need for transshipment of containers at Colombo. Main line vessels now voyage to direct destinations from ICTT. Export containers can come down to ICTT from International Container Depot (ICD) Coimbatore, Bangalore etc., by using Vallarpadam rail line and four line roads. It is also noted that there is a good chance of ICTT becoming a transshipment hub in the future. I.T.C. Ltd., S.L.N Coffee P. Ltd, Ecom Gill Coffee Trading etc. are the major coffee exporters during the period of 2011-2013. Most grades of coffee are being exported to Italy (Trieste, Antwerp, Genova). Exporters are using following shipping lines MSC, MAERSK, CMA-CGM for exporting their cargoes. Most of the Clearing and Forwarding Agent's offices, Steamer Agent's offices, the head office of Cochin Customs are even situated on Willington Island. There is 15 kilometers distance between Port CFS and ICTT. So, it is very inconvenient to transact containers to ICTT from Port CFS, and for this purpose Ro-Ro Service is arranged for container movements between these two locations. Higher THC and other limitations as above have contributed to poor performance of ICTT in the recent past.

Table I

Terminal Handling Charges (THC) (Rupees) at Major Ports– Import Containers

Import (Size/Type)	Tuticorin	Chennai	Cochin (ICTT)	Mangalore	Marmagoa
20 D	4100	4410	7000	4470	5890
40 D	6150	6410	10250	6250	9320
40 HC	6150	6410	10250	6250	9320

Source: Customer Advisory- MAERSK LINE INDIA, Steamer Agent

Table II

Terminal Handling Charges (THC) (Rupees) at Major Ports– Export Containers

Import (Size/Type)	Tuticorin	Chennai	Cochin (ICTT)	Mangalore	Marmagoa
20 D	4700	4410	7250	4470	5890
40 D	6050	6410	10250	6250	9320
40 HC	6050	6410	10250	6250	9320

Source: Customer Advisory- MAE K LINE INDIA, Steamer Agent.

The significantly higher THC at ICTT is one of the major deterrents for the slow growth of ICTT; while other reasons include labour problems at ICTT and inconvenience caused due to a distance of about 15 km between ICTT and Cochin Port CFS. Because, offices of major Clearing and Forwarding (C & F) Agents, Steamer Agents etc. are situated at Willington Island, Kochi – at a distance of about 15 kilometre from ICTT. So these offices are forced to vacate Willington Island so as to relocate themselves in the Vallarpadam area, the place where ICTT is located.

In spite of the ‘significant increase in the export of coffee through ICTT since its inception in 2011’ as pointed out by Manoj P K (2015) [2], the latest figures suggest indications of a slowdown. Higher THC and other reasons noted above might have contributed towards the poor performance. The exact reasons need to be identified so as to frame suitable remedial measures.

VI. EXPORTS THROUGH ICTT – AN ANALYSIS OF THE TREND IN PERFORMANCE TILL 2014

The total exports through ICTT, including the community-wise break-up of such exports, during the period 2011-2014 is shown in Table III. It is noted that there is a gradually falling trend in respect of the total exports (all commodities). This declining trend is the highest in respect of Coffee, in which case the rate of fall is almost double as that of the overall rate as is evident from a higher negative slope of -112.74 for coffee as against -71.418 for total exports. (Figure I).

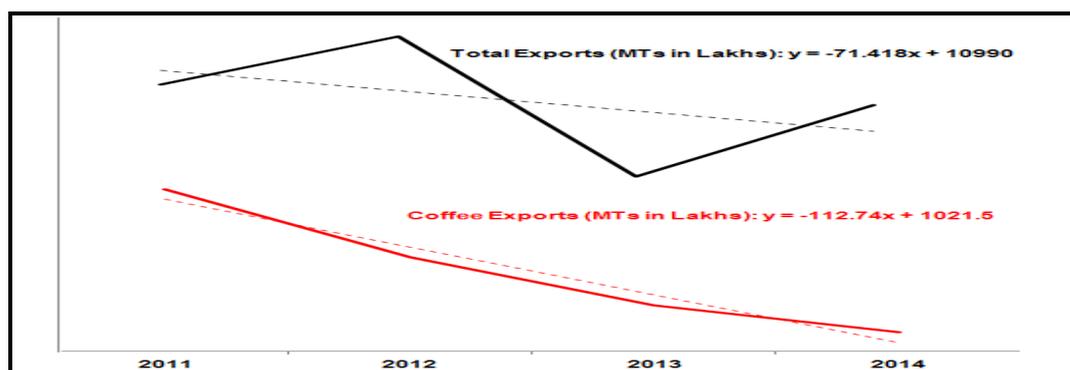
Table III
Commodity-wise exports through ICTT (2011-2014)

Particulars	2011		2012		2013		2014	
	TEUs	Kilograms	TEUs	Kilograms	TEUs	Kilograms	TEUs	Kilograms
Cashew	3382	53015325	3580	55599340	4019	62262106	4456	67528172
Coffee	5203	93280518	4445	77234631	3690	65851320	3362	59494250
Coir Products	11068	87495306	11069	87404042	11247	87831247	11548	90433004
Coir Yarn	410	2686333	442	2863222	488	3244687	377	2403011
Cotton Goods	4042	16433427	4140	17286402	4718	18646786	6568	25522408
Jute Products	597	3950907	771	4935551	1018	6284211	879	5428979
Oleoresins	636	5373951	846	6254512	1058	7426881	1028	7705780
Sea Food	13406	155663261	12323	139476072	14785	164306440	14243	158127243
Spices	5880	69658811	6354	71762843	6488	72643257	6473	72212917
Tea	7922	83596551	7279	76035165	7145	74110744	7223	72015986
Cotton Yarn	2527	22629763	4710	43896339	3523	32547856	4217	39158949
Miscellaneous	39438	492919659	41587	521203054	38841	459166368	41558	479410194
Total	94511	1086703812	97546	1103951173	97020	1054321903	101932	1079440893

Source: Compiled from the Official records of ICTT, Kochi, Kerala.

FIGURE I

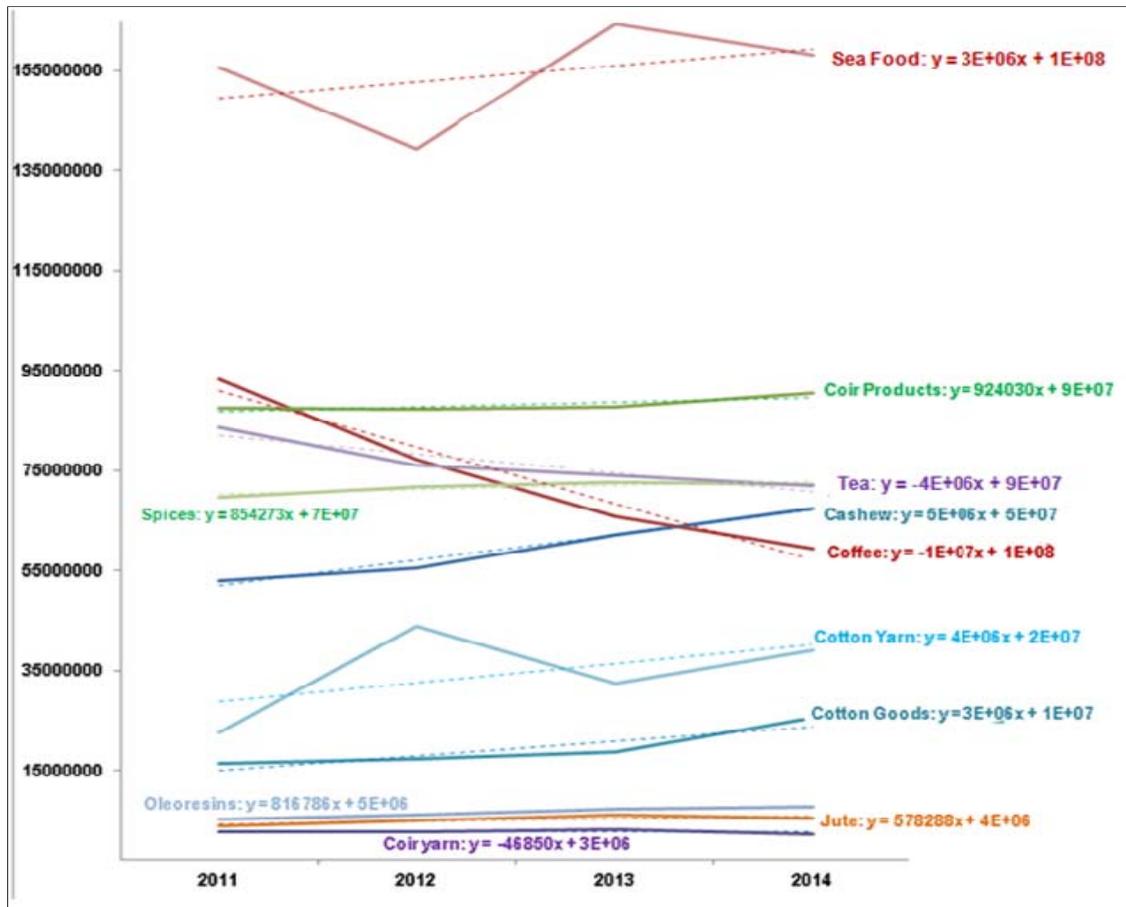
falling Trend in Total Exports and Coffee Exports through ICTT



Source: Based on figures as per the Official records of ICTT, as given in Table III.

In respect of the major commodities exported through ICTT, Sea foods have registered a generally increasing trend. Coir products, Cashew, Cotton products and Cotton yarn have also registered gradually increasing trend over the years. As already noted, the overall trend is that of declining. The highest fall is in respect of Coffee and is followed by Tea. (Figure II).

Figure II
Trend in the Exports of Major Commodities through ICTT, Kochi, Kerala



Source: Based on figures as per the Official records of ICTT, as given in Table III.

In view of the falling trend in the exports through ICTT, particularly in respect of Coffee, the exact reasons for such fall need to be identified so as to formulate suitable strategies for reversing this discouraging trend and to ensure enhanced performance of ICTT in the future. This aspect is dealt in the next section of this paper.

VII. REASONS FOR FALLING TREND IN THE EXPORTS OF COFFEE AND OTHER SIMILAR PRODUCTS

Personal discussions of the researchers using an Interview Schedule with the representatives of the major exporters of Coffee (and such other products like Tea) regarding the falling trend in their exports have revealed that exporters are tempted to prefer other ports instead of ICTT. The reasons include higher THC, labour problems (like, strikes) etc. at ICTT unlike in other ports. Table IV gives the major reasons based on field study viz. interviews with representatives of various exporters.

TABLE IV

Reasons for Falling Exports through ICTT as against other Ports

ICTT – Major deterrents for the Exporters	Other Ports (Mangalore etc.) – Attractions
Higher THC (Terminal Handling Charges)	Reasonable/Much lower THC at Mangalore Port
Cargo to be examined and customs formalities cleared at least 6 hours before vehicle berthing (That is, specific ‘Cut-off time’ is applicable).	No ‘Cut-off time’ is applicable in Mangalore Port and such other ports; unlike in the case of ICTT. This enhances convenience in such ports.

After 'Cut-off time', Special Service Request (SSR) costing Rs.2500 (plus Tax) for 20'. Container is charged at ICTT. Procedural formalities are very strict at ICTT.	No 'Cut-off time' at Mangalore Port and hence no need for SSR in Mangalore or such other ports. Cargo can be examined even after the berthing of the vessel. No need for SSR here.
After completing the Shipping Bill File and Customs Examination, the containers can stack at ICTT. 'Let Export' (i.e. permission to export granted by the Customs Supervisor is essential before the container can stack.	Container can stack immediately at the terminal in respect of Mangalore and a few other ports. 'Let Export' from the Customs Supervisor is required only at the time when the containers are loaded into the vessels.
Most of the Coffee exporters are based in Karnataka / other South-Indian states. So, transportation charges would be higher if they export through ICTT located in Kochi, Kerala, than Mangalore or Tuticorin ports.	As most of the Coffee exporters are based at Karnataka, transportation charges would be less if they choose nearby ports (Mangalore in Karnataka, Tuticorin in Tamilnadu etc.) than through ICTT, Kochi located in Kerala.
Of late, the frequency of arrival of vessels at ICTT, Kochi has been stagnant or not very encouraging whereas the frequency has increased significantly at Mangalore port.	Higher frequency of arrival of vessels since the recent past (2014 onwards) at Mangalore port has attracted more exporters to Mangalore port, leaving aside their traditional port viz. ICTT.
Higher Sales Tax and other charges (recently raised), lengthy and cumbersome clearance procedures at the Check post at Walayar, near Palakkad (Kerala – Tamilnadu border)	Because of the longer waiting time, higher sales tax and other charges etc. as are applicable at Kerala border (Walayar) could be avoided if exporters prefer Mangalore or such other ports.
Frequent labour problems (like, strikes etc.) at ICTT deter many exporters from ICTT and prefer, in stead, Mangalore or Tuticorin. Such strikes are often continuous and long-lasting because of the adamant attitude of the unions.	Labour problems (as in ICTT) are not prevalent in ports like Mangalore, Tuticorin. Naturally, the latter ports are preferred over ICTT. Strikes and similar disturbances are found to be very scarce in ports other than ICTT, Kochi, Kerala.
Cargo clearance expenses, loading and unloading charges, other miscellaneous expenses etc. are very high at ICTT, Kochi.	All these expenses are very reasonable at other ports like Mangalore, Tuticorin, Chennai etc. So, exporters are attracted towards these ports.

Source: Survey Data (compiled through personal interviews with major exporters)

VIII. SUGGESTIONS FOR MORE EFFECTIVE UTILIZATION OF ICTT AND ITS ENHANCED PERFORMANCE

Though ICTT is the only transshipment terminal in India, many exporters still prefer other ports like Mangalore, Tuticorin and Chennai. As already noted, there are many reasons for the poor performance of ICTT vis-vis other ports, in spite of many unique benefits of the former. In view of the foregoing discussions, a few suggestions are made hereunder for the enhanced performance of ICTT from its present level which is not encouraging:

- » Terminal Handling Charges (THC) is of vital significance for the exporters as they have to spend considerable amounts in this regard. Unless THC is brought down so as to match with those in other ports like Tuticorin, Mangalore or Chennai, ICTT would continue to be sidelined by the exporters. Because, THC has a direct bearing on the operational efficiency and profitability of the exporters.
- » Simplifying the procedural formalities: Procedures involved in cargo clearance such as examination by the customs authorities, obtaining their clearance, and completion of other customs formalities, like SSR, and obtaining the 'Let Export' certificate etc. are very lengthy and cumbersome at ICTT. These formalities need to be simplified, at least in line with those prevalent in other ports like Mangalore, Tuticorin etc. so that the competitiveness of ICTT could be made comparable in this regard.

- » Various expenses related to loading and unloading, and such miscellaneous charges being very high at ICTT, these need to be brought down and rationalized in such a way that these are comparable with those in other ports.
- » Industrial relations scenario at ICTT needs to be made healthier and more conducive for effective exports. Mutual understanding is required among all stakeholders, like port authorities, trade unions, exporters etc. for bringing about favourable working conditions. This in turn may require several rounds of discussions by the representatives of all these stakeholders. The need for ensuring conducive labour relations should be appraised among all concerned. Instances of strike and such other labour problems need to be minimized, if not eliminated altogether.
- » Government should take initiatives to materialize the setting up of 'Walayar-Vallarpadam' freight corridor so as to ensure hassle-free, fast, less expensive transit of export items through Kerala border (Walayar). The present system of passing such export goods through Walayar Check-post involves higher cost, lengthy waiting lines (queues) and hence high charges and undue delays. In fact, the Government has already taken some steps in this direction in the recent past. This effort needs to be monitored till it is made fully functional.
- » More effective and frequent dredging of the port is to be ensured in a cost-effective manner so as to attract more vessels, particularly the large mother ships to ICTT. At present the frequency of arrival of vessels is very less at ICTT, including the large mother ships.

IX. CONCLUDING REMARKS

Given the unique positive features of ICTT, it has got tremendous potential to come up as the most preferred export destination in India. Only thing is, because of a few operational problems and those associated with the working conditions and work culture, ICTT could not exploit its vast potential. Once these issues are sorted out, ICTT could emerge as the best transshipment in India. Various issues like labour problems, higher charges etc. that are prevalent today at ICTT could be observed to be of relatively easy to sort out. Accordingly, by projecting the many international terminal facilities that are arranged today at ICTT, it can bring back its lost customers, retain the existing customers and attract new customers into it. In such a case, the prospects of ICTT appear to be very bright in the days to come.

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AUTHOR(S) PROFILE

Dr. Manoj P K, received his M.B.A and M.Tech degrees from Cochin University of Science and Technology (CUSAT), Kerala. He has additional P.G degrees of M.Com and M.A (Economics) from IGNOU. He has qualified CAIIB Examination of IIBF, Mumbai in First Class with Distinction. He has Ph.D degree in Management from YCMOU, Maharashtra; Ph.D degree in Economics from M.G University, Kerala; and D.Litt degree in Economics from North Orissa University, Odisha. Dr. Manoj P K has passed UGC-NET in Management, Commerce, Economics and HRM disciplines and GATE in Production and Industrial Engineering. He has about 8 years' experience as Bank Officer (Canara Bank Home Finance) and Bank Manager (Oriental Bank of Commerce, Regional Office, Mumbai). He is in CUSAT service as a Faculty Member (Finance / Econometrics) since 2004. He has got more than 100 research publications (of which over 30 are in SCI Journals) and has more than 200 Citations by others. At present, his RG-Score is over 21 with Impact points of over 30. He has completed three Major Research Projects in Management, two sponsored by the ICSSR and one by the UGC. He is a recipient of many honours and awards, including the K.N Raj National Research Fellowship for Teachers in 2013.



Joseph P S, received his M.A (Politics) from University of Calicut, Kerala and M.B.A from M.G University, Kerala. Now he is in the final phase of his Ph.D degree in Management which he is pursuing at AISECT University, M.P. His Ph.D topic is in the area of international business with special reference to Coffee exports from India.