Multimodal Transport in India - Issues and Opportunities

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Samenvatting

Multimodaal transport ontwikkelt zich snel in India. Onder invloed van sterk toenemend containergebruik, de Multimodal Transport Act en de Goods and Services Tax ontwikkelt India een geïntegreerd transport system. De Association of Multimodal Transport Operators of India (AMTOI) speelt een belangrijke rol in de dialoog tussen overheid en bedrijfsleven over de toekomst van multimodaal transport in India. Logistiek India verwacht in 2020 USD 200 bn groot te zijn. Om dit te realiseren zal India zijn kennis over ICT oplossingen moeten inzetten en effectief moeten samenwerken op national en internationaal niveau.

Summary

India has witnessed growth in Multimodal transport in the recent times and the sector is still evolving. The advent of containerization along with initiatives from the Government such as passing Multimodal Transport Act in the Parliament in 1993 to the recent implementation of Goods and Services Tax have helped the country to progress towards an integrated transport system. The Association of Multimodal Transport Operators of India (AMTOI) represents the interests of the MTOs in India and ensures that there is a constructive dialogue between the authorities and the MTOs to further evolve Multimodal Transportation in India. It has been estimated that Indian Logistics sector will generate revenues amounting USD 200 billion by the year 2020. In order to realize this potential, the country will need to make effective use of its strengths in IT and look out for collaborations with experts in this field.

Introduction

Multimodal Transport is essentially the use of more than one mode of the four modes of transport to carry goods from Point A to Point B. A vast and geographically diversified country like India offers an excellent opportunity to practice the concept of Multimodal Transport in its true form. India has a coast line of approx. 7,517 kilometers which is serviced by 13 major ports (12 government and 1 corporate) and 187 notified minor and intermediate ports. The latest addition to major ports is Port Blair in June 2010, the 13th major port in the country. Interestingly major ports and minor ports...
have nothing to do with the volumes handled, except that Major Ports are under the Central government administration whereas minor ports are governed by the state governments. This arrangement is due to the federal structure of Indian Govt.

Cargo handling at Indian ports is projected to grow at 7.7% until 2013-14. Some 60% of India’s container traffic is handled by Jawaharlal Nehru Port in Mumbai alone. This effectively reflects that the industrial manufacturing and consumption activity is concentrated on the West and North part of the country to which Jawaharlal Nehru port acts as a Gateway. The actual multimodal transport started India in year 1853 when British rulers introduced railways, the objective of introducing railways in India was to gain access by then colonial rulers to the huge supply of raw materials available in the hinterlands of Indian subcontinent for benefit of the Newly Industrialized England then. Since then the Indian Railways have remained premier mode of transport within Indian territory, connecting the places of manufacturing and consumption in inland parts of the country to the seaports and thus manifesting multimodal transport in its true sense.

Container Corporation of India popularly known as CONCOR is an off shoot of Indian Railways. Indian Railways in the initial days and then CONCOR have played a pivotal roll in promoting multimodal transport in India. Indian Railway's initiative to containerize cargo transport put India on the intermodal freight transport map for the first time in 1966. Given India's size (almost 3,000 kilometers from North to South and East to West), rail transport is often a cheaper option for all cargo over medium and long distances, especially if the cost of inter-modal transfers can be reduced. In 1966 Indian Railways entered the market for moving door-to-door domestic cargo in special DSO containers. Although the first ISO container in India had been handled in Kochi as early as 1973, it was not until 1981 that the first ISO container was moved inland by Indian Railways to the country's first ICD at Bangalore, also managed by the Indian Railways. Expansion of the network to seven ICDs by 1988 saw an increase in container handling capacity, while along the way a strong view emerged that there was a need to set up a separate pro-active organization to promote and manage the growth of containerization in India. Hence CONCOR was Incorporated in March 1988 and commenced operations in November 1989 taking over an existing network of seven inland container depots (ICDs) from Indian Railways. It now has a network of 61 ICDs/CFSs (Container Freight Stations) throughout India. Interestingly India now has close to 300 private and public ICDs and CFSs providing Multimodal Transport infrastructure.
Over the last few decades Multimodal transport has evolved across various dimensions globally, the advent of containerization has greatly helped the promotion of Multimodal transport. Containerization ensured that the cost of transport from place of manufacturing to place consumption was reduced to less than 1% of the costs of the goods. This helped to promote multimodal transport from a simple transport by sea basis port to port to more complex link of Door-to-Door using additional modes like inland waterways, Railways and Highways. It also helped to build on advanced concepts in Multimodal transport like Land Bridges, Rail-road-Inland Waterways-Sea, LASH, Ro Ro et cetera. Apart from the need of the shippers to move the cargoes on a Door to Door basis the need of promoting Multimodal transport is also arising from some typical issues being faced by the transport sector across the globe with respect to:

1. Increasing Fuel Price  
2. Congestion on Highways  
3. Working Time Directive  
4. Driver Shortages

By the year 2020, Indian Logistics sector is estimated to generate revenues of USD 200 Billion. Lots of raw material and finished goods will have to move by means of Multimodal transport and this is a strong reason to attract infrastructure investment in this sector, which will have to be complemented by a strong regulatory framework to address the issues arising out of increased business activity.

The Multimodal transport act was passed by Indian Parliament in the year 1993; the main objective of the act was to establish a liability regime for Multimodal Transport operators. The Director General of Shipping was notified as a Competent Authority under the aegis of this law. The passing of the MMTG Act paved the way for various Indian Logistic Service providers to get themselves registered with the authorities and start issuing Multi Modal Transport Document. This helped the shipper community in India in a big way as now they could ship goods from any inland point in India to any destination in the world under a single Contract of Carriage. After enactment of the law various logistic service providers got themselves registered as Multi Modal Transport Operators and started offering Multimodal Transport Services to meet the growing requirements of India Shippers.

The MTOs could offer more comprehensive services than the normal operators, as post-registration they were equipped with international Network to handle shipments from any place to any place in the world and more importantly they also had the insurance coverage to
cover the carrier's liability which protected the shippers from the perils of Multimodal Transport across various modes.

**Role of IT**

IT is extensively used in the Indian Context of undertaking Multimodal Transport and attempts are being made to automate the entire Supply Chain System. For shipments arriving in to India, its starts with filing of manifests, then movement of goods between different custom bonded areas including the port CY, CFSs, and ICDs and then the final customs clearance before delivery. Conversely for shipments going out of India, it starts with customs clearance at the closest proximity to the shippers manufacturing facility or the warehouse till the time it exits through Gateway port using various modes of transport and bonded facilities. In order to automate the entire process, Indian Government has established Indian Customs EDI System (ICES), which is under the Central Board for Excise and Customs (CBEC), Ministry of Commerce.

ICES is now operational at 116 Custom locations within the country, which accounts for 98% of India's International trade, that entails 24,000 users and covers 700,000 shippers. It links all major entities in the supply chain like shippers, Shipping Lines, Air Lines, Airports, Sea Ports, Banks, Custodians. All this is achieved through ICEGATE, which acts as an EDI interface with all the entities. Importantly, it also contains a component of RMS (Risk Management System), which facilitates the compliant trade segregating transactions that require deeper scrutiny by customs officers.

Apart from the ICSE, various shipping lines, Airlines, CFS and ICD operators and all other entities have their own e-commerce portals through which the users can transact with the Service Providers seamlessly. The Reserve Bank of India has also introduced Real Time Guaranteed Settlement (RTGS) and National Electronic Fund Transfer (NEFT) Systems, which have greatly shortened the money settlement cycle. All these initiatives have helped to bring about substantial reduction in transaction time and costs thereby enabling smoother multimodal Transport within India.
**Association of Multimodal Transport Operators of India (AMTOI)**

In the year 1998 Association of Multimodal Transport Operators of India (AMTOI) was established. AMTOI is the only national body that represents the interests of the MTOs in India and ensures that there is a constructive dialogue between the authorities and the MTOs to further evolve Multimodal Transportation in India.

AMTOI's slogan has been catalyzing Multimodalism and staying committed to its slogan it has identified areas of improvement in the Indian Multimodal Transport Sector and will be working with various stakeholders in addressing various issues in the follow areas.

a. Providing level playing fields to all the players  
b. Meets objective of reduction of cost, time and security  
c. Promote modal switch from high cost to low cost mode  
d. Lobby for policies to attract investments and promotes Green transportation  
e. Help regulatory authorities to draft laws and rules to administer dynamic business environment

Another interesting development that is taking place in India is the implementation of GST (Goods and Service Tax). As per the federal structure of Indian Govt, it has a central Govt which has specific areas to govern like Foreign Policy, Defense et cetera where as other matters like home security, transportation, trading are all looked after by the state governents. This has essentially resulted in various states passing varying laws like Sales Tax, Octroi, and VAT hindering free movement of goods in the hinterlands of India. All this is set to change with introduction of to ensure uniform regime across the country. This will promote hassle free transport of goods across the country and help promote Multimodal transport.

In the coming years India will be an exciting place for global operators to explore opportunities in various areas of Multimodal transport, it can be in creation of infrastructure for Multimodal transports in form of transport equipment’s, terminals, warehouses etc. or it can be by becoming Multi Modal Transport Operator in India and bringing in best Global Practices.
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