REPORT NO.
123

सत्यमेव जयते

PARLIAMENT OF INDIA
RAJYA SABHA

DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE
ON COMMERCE

ONE HUNDRED AND TWENTY THIRD REPORT

Export Infrastructure in India

(Presented to the Rajya Sabha on 3rd May, 2016)
(Laid on the Table of Lok Sabha on 3rd May, 2016)

Rajya Sabha Secretariat, New Delhi
May, 2016/Vaisakha, 1938 (Saka)

Hindi version of this publication is also available

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(*Constituted w.e.f. 1st September, 2014*)

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RAJYA SABHA

2. Shri Joy Abraham
3. Dr. Ashok S. Ganguly
4. Shrimati Thota Seetharama Lakshmi
5. Dr. Vijay Mallya
6. Shri Shantaram Naik
7. Shri D. Kupendra Reddy
8. Shri Jesudasu Seelam
9. Dr. C.P. Thakur

#10. Shri Vayalar Ravi

LOK SABHA

11. Shri Sultan Ahmed
12. Shri Subhash Chandra Baheria
13. Shri Abhishek Banerjee
14. Shri Bodhsingh Bhagat
15. Shri Jitendra Chaudhury
16. Shri Chhotelal
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18. Dr. Kambhampati Haribabu
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27. Shri D.S. Rathod
28. Shri Charanjeet Singh Rori
29. Adv. Narendra Keshav Sawaikar
30. Shri Vinod Kumar Sonkar

@31. Shri Kamlesh Paswan

Retired w.e.f 21st April, 2015 and nominated afresh w.e.f. 30th July, 2015.

@ Nominated *w.e.f.* 25th March, 2015 vice Shri Ram Charitra nominated to Committee on Transport, Tourism and Culture.

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30. Adv. Narendra Keshav Sawaikar
31. Shri Vinod Kumar Sonkar

Consequent upon expiry of his term in the Council of States w.e.f. 17th November, 2015, ceased to be a Member of the Committee.

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*

Shri A.K. Gandhi, *Director*

Shri Narendra Kumar, *Joint Director*

Shri Amit Kumar, *Assistant Director*

INTRODUCTION

I, the Chairman of the Department Related Parliamentary Standing Committee on Commerce, having been authorised by the Committee, present this One Hundred and Twenty Third Report on Export Infrastructure in India.

2. The Committee took up the subject for detailed examination on 22nd October, 2014 and the same was notified *vide* Parliamentary Bulletin Part-II dated 22nd October, 2014. As part of examination of the subject, the Committee considered the subject in detail spanning over eight meetings wherein it heard the views of Secretaries of Department of Commerce, Ministry of Commerce and Industry, Ministry of Shipping, Ministry of Road Transport and Highways, Ministry of Civil Aviation, Ministry of Steel, Ministry of Petroleum and Natural Gas, Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, Ministry of Textiles, Ministry of Development of North Eastern Region, Department of Border Management, Ministry of Home Affairs and the representatives of Federation of Indian Export Organizations (FIEO), State Trading Corporation (STC), Metals and Minerals Development Corporation of India (MMTC), Agricultural and Processed Food Products Export Development Authority (APEDA), Marine Products Export Development Authority (MPEDA), Consumer Unity and Trust Society (CUTS International), PHD Chamber of Commerce and Federation of Indian Chambers of Commerce and Industry (FICCI). The Committee also undertook one study visit to Visakhapatnam, Hyderabad, Chikmaglur, and Bengaluru from 24th to 30th May, 2015 and had interactions with various stakeholders concerned with export infrastructure and also the representatives of the State Governments.

3. A Press Communiqué was issued on 22nd June, 2015 in the media with a view to elicit views of individuals and organizations on the subject. In response, sixteen memoranda were received **(Annexure I)**. The points raised therein have also been duly considered by the Committee.

4. The Committee considered the draft Report at its sitting held on 15th March, 2016 and adopted the same.

5. The Committee expresses its sincere gratitude to all the representatives of the various Departments / Ministries, organizations and individuals for placing before it their valuable suggestions, materials and information required in connection with the examination of the subject.

DR. CHANDAN MITRA
Chairman,
Department-related Parliamentary
Standing Committee on Commerce
Rajya Sabha

NEW DELHI;
15th March, 2016
Phalguna 25, 1937

ACRONYMS

AAI	:	Airport Authority of India
ACP	:	Agile Certified Practioner
ACTL	:	Associated Container Terminals Limited
ADB	:	Asian Development Bank
AEO	:	Authorised Economic Operator
AERA	:	Airports Economic Regulatory Authority of India
AH	:	Asian Highway
APEDA	:	Agricultural and Processed Food Products Export Development Authority
ASIDE	:	Assistance to States for Infrastructure Development of Exports
ASSOCHAM	:	The Associated Chambers of Commerce and Industry of India
ATF	:	Air Turbine Fuel
BCIM	:	Bangladesh-China-India-Myanmar
BOT	:	Build-Operate-Transfer
BRO	:	Border Roads Organization
CAGR	:	Compound Annual Growth Rate
CBEC	:	Central Board of Excise and Customs
CCTV	:	Closed Circuit Television
CFS	:	Container Freight Station
CONCOR	:	Container Corporation of India Limited
DFC	:	Dedicated Freight Corridor
DGFT	:	Directorate General of Foreign Trade
DMIC	:	Delhi - Mumbai Industrial Corridor
ECGC	:	Export Credit Guarantee Corporation of India
EDF	:	Export Development Fund
EDFC	:	Eastern Dedicated Freight Corridor
EDI	:	Electronic Data Interchange

EFP	:	Export Facilitation Programme
EPC	:	Engineering Procurement Construction
EPIP	:	Export Promotion Industrial Park
EPZ	:	Export Processing Zones
FDA	:	Food and Drug Administration
FDI	:	Foreign Direct Investment
FICCI	:	Federation of Indian Chambers of Commerce and Industry
FIEO	:	Federation of Indian Export Organization
FTP	:	Foreign Trade Policy
GDP	:	Gross Domestic Product
GT	:	Gross Tonne
GST	:	Goods and Service Tax
ICD	:	Inland Container Depot
ICP	:	Integrated Check Post
IWT	:	Inland Water Transport
JNPT	:	Jawaharlal Nehru Port Trust
JV	:	Joint Venture
LCL	:	Less-Than-Container Load
LCS	:	Land Customs Station
LPAI	:	Land Ports Authority of India
LPG	:	Liquefied Petroleum Gas
MEA	:	Ministry of External Affairs
MMD	:	Mercantile Marine Department
MPEDA	:	The Marine Products Export Development Authority
MT	:	Metric Tonnes
MTPA	:	Metric Tonnes Per Annum
NCAER	:	National Council of Applied Economic Research
NER	:	North East Region
NERAMAC	:	North Eastern Regional Agricultural Marketing Corporation

NHAI	:	National Highways Authority of India
NHIDCL	:	National Highways and Infrastructure Development Corporation Ltd.
NH	:	National Highway
NPA	:	Non Performing Assets
OSV	:	Offshore Supply Vessel
PCS	:	Port Community System
PPP	:	Public-Private Partnership
PSE	:	Public Sector Enterprises
PTFC	:	Permanent Trade Facilitation Committee
RE	:	Revised Estimates
RGIA	:	Rajiv Gandhi International Airport
RMS	:	Risk Management System
RTO	:	Regional Transport Office
SCOPE	:	Standing Committee on Promotion of Exports
SCSC	:	Sagarmala Coordination and Steering Committee
SDC	:	Sagarmala Development Company
SEZ	:	Special Economic Zone
SSC	:	State Sagarmala Committee
TAMP	:	Tariff Authority for Major Ports
TEU	:	Twenty Foot Equivalent Unit
TH	:	Trilateral Highway
VAT	:	Value Added Tax
VPT	:	Visakhapatnam Port Trust
VSA	:	Vessel-Sharing Agreement
WTO	:	World Trade Organization

REPORT

INTRODUCTION

1.1 Exports have come to be regarded as an engine of economic growth in the wake of liberalization and structural reforms in the economy. India's exports in value terms fell by 1.22% from US$ 314.41 billion to US$ 310.57 billion in 2014-15, while imports fell by 0.48% from US$ 450.19 to US$ 448.04 billion. The target of achieving $900 billion exports of merchandise and services by 2019-20 may also suffer if the desired infrastructure congenial to export activities is not put in place at the earliest.

1.2 Indian exports have grown at a Compound Annual Growth Rate (CAGR) of 14% from 2004-05 to 2014-15. India has been ranked 2nd by the Boston Consulting Groups in its Report on Global Manufacturing Cost Competitiveness Index in 2014. However, Indian exports lose its competitiveness on account of huge logistic cost. The Committee notes that the logistic cost in India is about 14 per cent of the GDP whereas in advanced economies like the US and the EU it is 8 per cent and 10 per cent of the GDP respectively. Owing to sub-optimal logistic capability, certain sectors dependent on logistics lose as much as 2% on sales return. An ASSOCHAM study conducted a few years ago shows that India runs against a disadvantage of about 11% of its trade due to deficient infrastructure. The Committee notes that deficient infrastructure and the manner in which infrastructure is being operated are the major obstacles to ensure competitiveness in manufacturing of goods and exports thereof.

1.3 The Committee notes that the issue of trade infrastructure is addressed at several levels of intervention in the Government and the whole dimension of infrastructure is distributed over in about ten Departments of the Government. There is no central institutional mechanism which deals with the complete gamut of infrastructure required for trade and industry in the country. The Secretary, Department of Commerce, Ministry of Commerce and Industry mentioned that there are practical difficulties in putting up such a mechanism for development of infrastructure projects or exclusive usage of infrastructure for export. **The Committee is of the view that absence of a composite view on infrastructure has been the major obstacle in creation of optimal infrastructure to give boost to manufacture and export in the country. It feels that there is a need to reduce the number of agencies responsible for development of infrastructure. Rather the scope of these agencies may be expanded for quicker decision making and better coordination.**

Role of Department of Commerce *vis-à-vis* promotion of export infrastructure

1.4 The Committee notes that the long-term vision of the Department of Commerce is to make India a major player in world trade by 2020 and assume a leadership role in international trade discourse commensurate with India's growing importance.

1.5 The Department formulates, implements and monitors the Foreign Trade Policy (FTP) which provides the basic framework of policy and strategy for promoting exports and trade. The Trade Policy is periodically reviewed in accordance with emerging economic scenarios in the domestic and global economy. Besides, the Department is also entrusted with responsibilities relating to multilateral and bilateral commercial relations, special economic zones, State trading, export promotion and trade facilitation and development and regulation of certain export oriented industries and commodities.

1.6 The Department makes strategic interventions in the form of ASIDE, SEZs, APEDA, MPEDA, Plantation Board etc. to address the infrastructural requirement to promote international trade apart from coordinating logistic and infrastructural issues across various Ministries. **The Committee is of the considered opinion that despite all these interventions, there is a need for a much more structured and organized interventions not only for making an assessment of the felt needs of export infrastructure but also optimal operation of that infrastructure.**

1.7 The Committee notes that the scheme, targeted to fill the gap as regards the infrastructural requirements of the country, namely, Assistance to States for Infrastructure Development of Exports (ASIDE) Scheme has gone through a major transformation in the recent Budget. The Budget 2015 has delinked ASIDE Scheme from Centre and now no funds could be routed through the Department of Commerce to States for ASIDE in 2015-16 and beyond. The Committee notes that only ₹ 50 crore has been allotted for ASIDE Scheme. The Department has sought ₹ 250 crore from Department of Expenditure in Revised Estimates (RE) in 2015-16 for the ASIDE Scheme. The Committee was given to understand that the main reason behind this delinking is the increase in the share of States in the Union taxes from 32% to 42% consequent to the recommendation of 14th Finance Commission. **The Committee is of the considered opinion that the financial allocations made under ASIDE Scheme during previous years have not been adequate. However, without taking away the credit that the Scheme, within its limited resources helped in creating export infrastructure in many States, the Committee, nonetheless, believes that the availability of increased resource at the disposal of the State Governments consequent to the recommendation of 14th Finance Commission will act as a catalyst for States to optimally take care of their export infrastructural needs without looking for assistance from the Centre. Instead of looking for small infrastructure projects, the States can now go out for export infrastructure projects of larger remit in terms of scale as well as impact bringing substantial improvement in their export profile.**

1.8 Among other initiatives to promote exports, the Committee notes that the Department of Commerce has advised all States along with all Union Territories to prepare their respective export strategies. It is satisfying to note that that till date 14 states have already appointed Export Commissioners to monitor their respective export strategy. **The Committee, however, feels that the Department of Commerce must further deepen their engagement with the State Governments and spread awareness about the merits of having an optimal export infrastructure and export promotion in general. This is important in view of the fact that barring a few exceptions, States are generally not taking desired interest in export development. They take export as a drain on their exchequer since they have to refund VAT on the products exported. This attitude of the State Governments needs to be discouraged. The Committee also hopes that introduction of Goods and Service Tax (GST) system throughout the country would also help the States to change its orientation towards export promotion in a positive manner.**

1.9 The Department of Commerce has also designated 18 nodal officers to oversee the task of mainstreaming the efforts of the States in framing their export strategies. Similarly, the Department is also making attempt to prioritize exports as the agenda of various Departments/Ministries of Government of India. The Department of Commerce has requested 22 key Departments to appoint a Joint Secretary level officer as nodal officer for exports and 15 Departments have already appointed the nodal officers. The Committee notes that Federation of Indian Export Organization (FIEO) has formulated export strategy for four States and the Department of Commerce has assigned it the task of framing export strategy for six other States. **The Committee desires that the Department get such strategy prepared for all the States and Union Territories in the country. The Committee hopes that the States would participate in export promotion in view of the potential of employment generation in the sector. It recommends the Department to make concerted effort to bring every State/UT on board on this issue.**

1.10 The Committee finds that India is all set to sign the Trade Facilitation Agreement pushed by the WTO. The Agreement aims at simplification and standardization of border procedures to expedite clearances. It is hoped that the Agreement will enhance transparency and predictability in foreign trade and reduce the transaction costs. It calls for coordination of various agencies and creation of infrastructure by employing modern technology at the border. On a query as regards our preparation to address the challenges arising out of the proposed Trade Facilitation Agreement, the Committee was apprised that the Department has commissioned a baseline study of the various aspects of the Agreement.

1.11 The Committee also notes the existence of Council for Trade Development and Promotion with the objective to infuse the spirit of exports into the States and identifying frontiers for the States and get every State into the process of decision making. **The Committee hopes that the States would utilize this forum to demand and create necessary export infrastructure for themselves. It also recommends the Department of Commerce to ensure frequent engagement between the Council and the States.**

1.12 The Committee was also informed that two high level committees, *viz.* Standing Committee on Promotion of Exports by Sea (SCOPE - Shipping) and Standing Committee on Promotion of Exports by Air (SCOPE - Air) have also been established by the Department to look into the infrastructure aspects that goes into promotion of foreign trade of the country. T**he Committee feels that SCOPE- Shipping and SCOPE-Air need to be more active to enable optimal exports in the country since there is a large-scale infrastructural gap on both the fronts.** The Committee was also informed that the Directorate General of Foreign Trade (DGFT) has gone for complete review of the processes which are involved in trade and efforts are being made to cut down the burden on the exporter as regard cost of exporting in terms of procedures. The Committee is happy to learn that the entire ecosystem for SEZ Scheme has been put online. The forms have been simplified and whole lot of processes has been straightened out with a view to lessen the transaction cost for exporters.

1.13 The Committee also learnt that the Department is proposing an interest subvention scheme wherein the Department would identify certain sectors where the cost of capital would be subsidised by a certain percentage so as to lessen the cost of capital for smaller exporters. The Department of Commerce also has an in-house mechanism for licensing Inland Container Depots (ICDs) and the Container Freight Stations (CFSs).

EXPORT INFRASTRUCTURE

2.1 During the years, India's overseas trade has expanded considerably both in terms of composition and direction due to the policy of export promotion being pursued by the Government. At the same time, efforts are being made to provide and improve the trade related infrastructure, especially the transport, to facilitate the movement of traffic more efficiently.

2.2 The Committee believes that if India has to become an exporting nation, Indian logistic infrastructure *viz.*, port, airport, road and rail must be of international standards built seamlessly through the entire system. Though the increase in transaction costs on account of logistics has made export uncompetitive, the problem is further aggravated on account of delays in loading, congestion at ports, high dwell time at airports, unavailability of dedicated examination areas at ports, unavailability of cold storage for perishables at airports and ports, connectivity issues with hinterland etc.

PORT AND SHIPPING SECTOR

3.1 Ports play a vital role in the overall economic development of the country by providing an interface between ocean transport and land based transport. There are 12 Major Ports and about 200 non-Major Ports along India's coastline which is about 7517 km. in length. The 12 Major Ports are under the administrative control of the Ministry of Shipping. The non-major ports including private ports are under the overall jurisdiction of the respective State Governments. Except for Kamarajar Port Ltd. at Ennore (Tamil Nadu), all the other 11 Major Ports are governed by the Major Port Trusts Act, 1963. Kamarajar Port Ltd. is a company incorporated under the Companies Act.

3.2 The Indian ports carry about 90% by volume and 70% by value of the country's international merchandize trade. It is estimated that port charges constitute only about 5% to 10% of the total logistics cost. The Committee notes that of the total traffic handled by all Indian Ports, around 57% is handled by Major Ports and 43% by non-Major Ports.

3.3 Traffic handled by Major Ports has increased from 463.78 Million Tonnes (MT) in the year 2006-07 up to 581.33 MT in 2014-15. Year-wise and port-wise traffic handled by the Major Ports since 2006-07 is given in the table below:-

(In Million Tonnes)

Port	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Kolkata (including Haldia)	55.05	57.33	54.22	46.43	47.55	43.25	39.92	41.39	46.29
Paradip	38.52	42.43	46.41	57.01	56.03	54.25	56.55	68.00	71.01
Visakhapatnam	56.39	64.60	63.90	65.50	68.04	67.42	59.04	58.50	58.00
Kamarajar(Ennore)	10.71	11.56	11.50	10.70	11.01	14.96	17.89	27.34	30.25
Chennai	53.41	57.15	57.49	61.05	61.45	55.70	53.40	51.11	52.54
V.O.Chidambaranar	18.00	21.48	22.01	23.79	25.73	28.10	28.26	28.64	32.41
Cochin	15.26	15.81	15.23	17.43	17.87	20.09	19.85	20.89	21.60
New Mangalore	32.04	36.02	36.69	35.53	31.55	32.94	37.04	39.37	36.56
Mormugao	34.24	35.13	41.68	48.85	50.02	39.00	17.69	11.74	14.71
Mumbai	52.36	57.04	51.88	54.54	54.59	56.19	58.04	59.18	61.66
JNPT	44.82	55.84	57.29	60.76	64.31	65.73	64.49	62.33	63.80
Kandla	52.98	64.92	72.23	79.50	81.88	82.50	93.62	87.00	92.50
TOTAL:	**463.78**	**519.31**	**530.53**	**561.09**	**570.03**	**560.13**	**545.79**	**555.49**	**581.33**

(Source: Ministry of Shipping, Government of India)

3.4 The Committee was informed that except in 2011-12 and 2012-13, the year to year growth in traffic has consistently shown a positive trend. The decline in 2011-12 and 2012-13 was due to sluggish growth in international trade during the period.

3.5 The Committee notes that out of around 200 notified non-Major Ports governed by the respective Maritime State Governments, around 64 non-Major ports handle exim cargo. Interestingly, the share of non-Major Ports in port traffic has grown steadily over the last few years from 28.63% in 2006-07 to 43% in 2014-15. Out of total port traffic of 1051.34 MT in 2014-15, Major Ports handled 581.34 MT and Non-Major Ports about 470 MT. The Ministry of Shipping ascribes the growth in cargo handled at non-Major Ports to sustained growth of these ports located in Andhra Pradesh and Gujarat which have been aided by substantial increase in the cargo traffic of coal, containers, building materials and fertilizers. The Committee, on the contrary, feels that the factors adding to diversion of cargo to non-major ports are their better operational efficiency, handling of more diverse cargo mix, better cargo handling infrastructure, presence of captive cargo in some cases and proximity to manufacturing locations. The Committee agrees that growing importance of non-Major Ports in handling cargo traffic has helped to alleviate the congestion at Major Ports. Gujarat accounted for around three fourths of the total traffic handled by non-Major Ports followed by Andhra Pradesh (17%), Maharashtra (4%) and Odisha (3%). These four Maritime States, together accounted for close to 97% of the total traffic by the Non-Major Ports during 2014-15. The Committee however is concerned over the fact that the capacity utilization in these non-Major Ports has been quite lop-sided with 14 or 15 non-Major Ports handling the major chunk of the total cargo handled by the non- major Ports. It is important that there should be optimal development of all the non-Major Ports in the country.

3.6 It has been submitted before the Committee that capacity creation in Major Ports has kept pace with the increase in traffic over the years resulting in a favorable capacity-traffic equation. The cargo handling capacity in Major Ports at the end of March 2015 was 871.52 Million Tonnes Per Annum (MTPA). The Committee notes that the likely capacity in Indian Ports would be about 2331 million tonnes by 2018-19 which is seemingly adequate in view of the expected traffic of 1430 million tonnes projected by Rakesh Mohan Committee. **The Committee, however, feels that there will be tremendous demand on port capacities once the Make in India campaign and industrial corridors take-off. Also, the recent launch of Start Up India programme will add to the momentum generated by the Make in India campaign and the industrial corridors. The Committee, therefore, recommends the Department to engage the Ministry of Shipping to factor in these developments and adequately address the likely demands on port sector.**

3.7 The Committee is of the view that Indian ports have relatively poor infrastructure and productivity. A striking reminder in this regard is the fact that the turnaround time of the Visakhapatnam port is 10 hours which is completely undesirable. The turnaround time of neighbouring Gangavaram sea port, a non-major port is much lesser. The Committee noted that the existing mechanization at this Visakhapatnam port is 60% and with the modernization/mechanization programmes in hand, Visakhapatnam Port Trust (VPT) is aiming at 100 per cent mechanization by end of 2016-17. In fact, the country lags behind international standards, especially in terms of adopting new technologies and practices, cargo handling, cargo evacuation, and customs clearance. Leading global ports largely conduct business electronically, with minimal manual intervention. Modern ports use IT enabled port network that provides real time electronic management of entry/exit of vehicles into the port area, movement of containers within the port area, assignment of container evacuation and handling, online payment for services and assignment of customs and other clearances. Such an environment is missing in Indian ports. Rather it takes five to six days on major ports like JNPT to complete all these processes.

3.8 Some of the issues affecting various ports have been tabulated below:

Port	**Issues**
JNPT	Arterial roads connecting CFS are not having a load bearing capacity.
	Existing rail route between JNPT and Delhi is congested.
	Excessive traffic and frequent failure of ICE Gate System
	Lack of parking space leading to congestion
Mumbai	Regular maintenance of lockgate at Indira Dock needed.
	Outdated equipment: 5 diesel loco are unable to haul wagons at their designated capacity.
	Rail evacuation problems as cargo is transferred to central/ western railway at Wadala interchange only during non peak hours.
Paradip	Completion of 8 km. stretch of Haridashpur- Paradip railway line needed
	No dedicated container handling cargo facilities.
New Mangalore	Need of a truck terminal and a mini CFS
	Need direct rail connectivity from ICD Bangalore/ICD Coimbatore to port by upgrading double track.
	More reefer plug-in-points need to be installed in the Port
Mormugao	Poor network of internal roads between the berths. Phase II- from near gate no. 2 to gate no. 9 is not executed.
	Multipurpose cargo terminals at Mormugao Port will add 5.7 mn tonnes. Timely completion required.
Cochin	Limited rail service.
	Terminal Handling Charges (THC) very high compared to all other south Indian terminals.
	Being an SEZ port, no space is earmarked for examination of import cargo. There is an urgent need for warehousing.
Vizag	Doubling and electrification of Raipur- Vizianagaram (RV) line.
	High dwell time for coal due to supply shortage of railway rakes.
	Dedicated examination area needed for Marine Products
Haldia/ Kolkata	CFS located in and around port vicinity leading to congestion.
	Night navigations be resumed for vessels' arrival/sailing at Kolkata Dock System

Port	**Issues**
Chennai	Non implementation of 24X7 facility: Admittance/Delivery of Cargo is happening 24 hrs. a day; but examination and appraisal activities are conducted during normal working hours only. Poor maintenance of internal roads leading to congestion.
Kakinada	Need for construction of more jetties suitable for barges ranging from 1000 to 2000 MT Midstream dredging upto 3.5 metres and deepening and strengthening of adjacent groins.

Upcoming Non Major Ports

Port	**Issues**
Karwar Port (Karnataka)	Present draft is 6.5 Meters. Need to develop additional berths and deepening of drafts for receiving larger vessels More cargo handling infrastructure required Speed up railway network between Hubli and Karwar for developing Karwar port as alternate Infrastructural facility to handle bulk cargo ships need to be created.
Belikari Port (Karnataka)	Infrastructural facility to handle bulk cargo ships need to be created.
Jaigad Port (Maharashtra)	Jaigad Port (at Ratnagiri)be developed as an alternate port for exporters of Kolhapur, Sangli and Karad district.

Source: Federation of Indian Export Organizations (FIEO) except for Kakinada Port

3.9 The Committee learns that 23 mechanization projects have been taken up during the last four years in order to improve the operational efficiency in Major Ports. It has been submitted that as a result of these there has been reduction in the average turnaround time and average pre-berthing detention in terms of hours and has enhanced the average ship berth days output on account of tonnage. **The Committee agrees that key efficiency parameters in Major Ports have shown some improvement over the years but it will serve better to remember that these parameters are still quite far from the world-class standards. Moreover, the grievance of the users of ports still continue on long turnaround time and pre-berthing detention in terms of hours. The Committee is of the considered opinion that incremental improvements take away the benefits so accrued after a short while. It is important that the improvisations are carried out lock, stock and barrel. The Committee also learnt that with some de-bottlenecking, most of the ports will add almost hundred million tonnes to the capacity without adding a berth. One such deficiency or bottleneck noticed by the Committee is absence of mobile cranes at ports. It recommends the Ministry of Shipping to urgently redress this particular constraint.**

3.10 The Committee notes that port and terminal operations in India are over regulated and subject to multiple agencies. Licensing requirements, environmental clearances, regulations related to quality of services, permissions related to starting Container Freight Stations (CFS) operations in the port area, and effective customs deployment at the terminals and/or at CFS are major issues that impede port and terminal development. The Committee notes that while major ports are subject to stringent regulatory requirements, minor ports are far less regulated. This is leading to major ports losing their overall competitiveness. **The Committee recommends that regulatory framework of major ports may also be put to minimum and adequate autonomy may be allowed to them to play according to the existing market forces.**

3.11 During the study visit of the Committee to Visakhapatnam Port Trust (VPT), it was pointed out that Tariff Authority for Major Ports (TAMP) led pricing creates disincentives for increasing efficiency for terminal operators. The regulated tariff also makes FDI into terminal operations in major ports unattractive. **The Committee feels that fixing of tariff on volume basis by the Tariff Authority for Major Ports (TAMP) needs correction as the tariff in Europe and other ports are fixed on the basis of value of cargo handled. It is of the view that TAMP should be replaced by a more market oriented framework leading to greater investment in terminal operations, their modernization, and their efficiency. This in turn would help attract more shipping to Indian ports, increase export income from port and terminal activity, and lead to the development of a genuine hub port in India. Similarly, services provided by the landlord port in India such as dredging, maintenance of berths, and effective presence of customs and other allied agency related clearance also need to be improved.**

3.12 The Committee is concerned over the poor connectivity of Indian ports with the hinterland. The Committee noted that connectivity with rail infrastructure remains very poor for most minor and several major ports. The Committee during its visit to VPT found that the port is suffering on account of slow progress in doubling and electrification of the RV (Raigad-Vizag) railway lines for quicker evacuation of rakes. Shortage of rakes has crippling impact on optimal functioning of the port. The port authorities were of the view that bulk commodity rakes may also be allowed to run under the Special Freight Train Operator Scheme. It was submitted that introduction of Route Rationalization Scheme by the Railways had an adverse impact on cargo volume of VPT as no train has moved in to Visakhapatnam port from Delhi while there used to be ten trains from Delhi in a month earlier. **The Committee desires that the Ministry of Railways take into account the general problem of rail connectivity to all ports and the concerns of the VPT in particular so that the Port Trust can deliver port services optimally.**

3.13 The Committee also noticed that road connectivity to most minor ports is very poor. Road connectivity with major ports suffer from choke points (such as single one-lane over-bridge en-route to JNPT) that creates havoc during peak operating times. Similarly, Kakinada Anchorage Port, which is one of the principal ports for export of agri commodities like rice, maize etc. for the States of Andhra Pradesh, Telengana and Odisha, has about 28 km. of single-line road network which is in a very bad shape and requires to be strengthened and converted into four lane road. The Committee was also informed that the main feeder channel used for navigating loaded and empty barges to and fro the ships anchored in mid stream requires dredging up to 3.5 meters and adjacent groins of about two kilometers on either side of the channel needs to be deepened and strengthened. **The Committee also noted that road network that connects CFS and terminals around most major ports are sub-standard and retard operational efficiency. These roads not only need to be broadened and strengthened but also an effective public transportation system should be put in place for smooth movement of men and material**

between the CFS and the ports. The Committee feels that solution to improving hinterland connectivity lies in creating dedicated infrastructure projects.

3.14 The Committee finds that to focus on improving the last mile connectivity to Ports, a new Special Purpose Vehicle, namely, Port Rail Company has been formed with equity contribution from Major Ports and Rail Vikas Nigam Limited. **The Committee hopes that the connectivity problem would be optimally solved by the Port Rail Company. The Committee desires that Port Rail Company may also undertake such infrastructure development that would ease the cost of switching between modes of transports (intra-modal connectivity).**

3.15 The Committee was informed by the representatives of Shipping Ministry that Port Community System (PCS) which provides a single window system for secure exchange of information through web services / EDI messages with all the major stakeholders of the port community like shipping agents, shipping lines, stevedores, banks, importers/exporters, CONCOR, surveyors and major regulatory agencies like Indian Customs, Mercantile Marine Department (MMD), Coast Guard etc. has been put in place in the Major Ports. The system also allows stakeholders to make electronic payment for the services from the ports. However, during deliberation with the exporters/users of Jawaharlal Nehru Port, the Committee was informed about the delay being caused due to the need for compliance of multiple processes of various agencies and it was suggested that a mechanism akin to PCS be put in place at Jawaharlal Nehru Port. The demand for such a system (PCS) by the users indicates absence of it at the port. **The Committee, therefore, recommends the Ministry of Shipping to ensure that the Port Community System (PCS) becomes a reality rather than its remaining a mere proposal on paper.**

3.16 While the port serves the exit point for goods being exported/ imported, it is the shipping lines which makes or mars the export competiveness of a country. The Committee notes that so far as the movement of traffic by ships to overseas destinations is concerned, both Indian as well as the foreign flag ships operating consortium liner shipping services have been providing the services either directly or through transshipment arrangements for the general cargo in break-bulk or containerized form. Similarly for the bulk cargo moving either as imports or exports, the services of tramp ships both Indian and foreign usually engaged on chartering basis are available to all the destinations.

3.17 The share of Indian shipping companies in carriage of India's overseas cargo accounts for only about 9 per cent. Thus, 91 per cent of India's overseas trade is carried through foreign vessels. The types of ships engaged in India's overseas trade include dry cargo liners, cellular container ships, dry cargo bulk carriers, ore/oil/bulk carriers, oil tankers (product carriers), passenger cum-cargo vessels, acid carriers, timer carriers, LPG carriers, etc. The shipping industry also caters to the requirements of coastal trade and offshore supply vessels (OSVs). India has one of the largest merchant shipping fleet among the developing countries. As on May 31, 2015, there are 1217 Indian flag vessels with a tonnage of 10.49 million GT. Out of this, 860 vessels of about 1.49 million GT are engaged in coastal trade and the remaining 356 vessels are plying in overseas trade.

3.18 The Committee notes that the capacity of Indian shipping has not kept pace with the growth in the cargo volumes. Consequently, the dependence on the foreign flag ships for the carriage of overseas trade is becoming higher and higher. Continued slippages in the share of Indian shipping in the carriage of India's overseas trade is resulting in increasing dependence on foreign flag ships for the carriage of overseas trade and in turn causing a drain on precious foreign exchange in terms of payment of freight charges, which could otherwise be used for other high priority imports or for building up indigenous infrastructure.

3.19 The Committee is of the view that the poor presence of Indian shipping lines has affected the shipping cost for export as well as import. The Committee notes that shipping cost in India is twice than that of China and near about three times that of Singapore. It is quite disconcerting that shipping a container from India costs close to USD 1,200 while from China, it is in the range of USD 600 and in Singapore, it is about USD 400. The Committee finds that the high cost of shipping has an explanation in the style of functioning of shipping lines. It is learnt that though CONCOR tariff is available online but the shipping lines are not following those tariff rates. The tariff imposed is as high as 100% over and above the CONCOR tariff in case of imports. Same is the case in export of products which also has to suffer high inland haulage charge. It has also been reported that the shipping lines are charging 7-8 per cent more than the exchange rate. These malpractices have resulted in erosion of export competitiveness. **The Committee is of considered opinion that any practice of overcharging by the shipping lines must be immediately checked. The Committee notes that the shipping lines are able to escape liability by virtue of the acceptance of the bill of lading of the shipping lines by the exporter/importer. In view of this, the Committee is of the considered opinion that the shipping lines may be brought under the ambit of the Shipping Trade Practices Act which would make them liable for unfair practices. Besides the provision of Customs Act mandating shipping lines to display their charges must be strictly implemented and the Ministry of Shipping must take all necessary measures to bring about transparency in the working of the shipping lines. The Committee also recommends the Government to take necessary measures in order to ensure that the shipping lines do not fix their own exchange rate which is 7-8 per cent more than the prevalent exchange rate. They may take the rate from the CBEC exchange rates for customs or RBI exchange rates but certainly not an exchange rate based on their whims and caprice.**

3.20 The Committee takes note of National Council of Applied Economic Research (NCAER) study according to which a 5 per cent increase in the national shipping tonnage saves or earns an additional 17 per cent of the freight bill. **The Committee agrees that there is an urgent need to augment the Indian tonnage and increase the quantity of cargo carried on Indian ships, which also calls for cargo support. The emerging sectors, where there is a potential for enhancing trade (exports and imports), need to be focused upon and ways to open up sea routes on these sectors need to be considered. It may not be forgotten that China has built global operations based on high volumes of trade and has strategically used its market power to develop large liner services that is now part of a major vessel-sharing agreement (Ocean Three). The Committee recommends the Ministry of Shipping to take all concerned Ministries/Departments whose Public Sector Enterprises (PSEs) deal in bulk cargos like coal, petroleum products, steel and fertilizer to work out for creation of additional tonnage for Indian shipping industry. There is also a need to increase fleet size and invest in newer vessels. Indian ships on average are 14-18 years old compared to global average of 10-12 years. A robust Indian shipping industry is *sine qua non* for cost effective shipping of Indian exports.**

3.21 **The Committee also feels that the Government may consider incentivizing vessel-sharing agreements (VSAs) on major regional routes creating opportunities for route network development between Indian shippers and global majors. A strategic discussion on operational feasibility and specific nature of incentives required can be initiated between global majors and large Indian private shipping companies under the aegis of Ministry of Shipping and coordinated by Ministry of Commerce and Industry.**

3.22 The Committee also takes note of the fact that the domestic shipping industry has been given incentive in terms of tonnage tax which is based on the cargo-carrying capacity of ships and is pegged at 1-2 per cent of their income in place of corporate tax which otherwise is much higher. However, the benefits accruing from tonnage tax for Indian ship owners have been negated as the industry is required to pay a dozen other taxes. Also, its administration has been plagued by bureaucratic hurdles. The perception of a bureaucratic system with too many compliance requirements, checks and hurdles has ensured that the tonnage tax has not been able to substantially expand the size of the Indian shipping industry. **The Committee desires that the Government revisit the tax structure for Indian shipping industry and create necessary environment for overall growth and development of Indian shipping.**

3.23 The Committee learns that the Ministry of Shipping has identified Colachel in Tamil Nadu and Vizhinjam in Kerala for building trans-shipment port. **The Committee welcomes this proposal as it will help address the problem of high shipping cost for a part of our export cargo. The building of these trans-shipment hubs in deep South India would enable smooth transportation and delivery of cargo to big ships travelling to Sri Lanka, which handles about two million standard containers originating in and destined for India every year, at a much reduced shipping cost, thereby, increasing our export competitiveness. The Committee recommends that the Government must create these trans-shipment hub infrastructures in a timely manner at the earliest.**

3.24 While the Committee appreciates the plan of the Ministry of Shipping to build trans-shipment ports, it is little perturbed to notice that there is no plan at present for creation of hub ports in the country. It is quite worrisome that we have not developed a single port in the country till date which can match all the parameters of a Hub Port where all kinds of vessels including the mother vessels can be called in. The argument usually proffered for non-creation of a Hub Port is that there is not enough cargo for the mother vessels of the size of 15000-18000 TEU to make a detour from the main maritime lane from China to Europe to call on the Indian coast. **The Committee is of considered opinion that absence of Hub Port is a major gap in our shipping eco-system and there is an urgent need to build one at the least. Such a facility would enable more and more direct calls of vessels including mother vessels which would help in effective reduction in trans-shipment of cargo to Singapore or Colombo thereby bringing down the cost substantially to the tune of almost 50 per cent to 80 per cent depending on the shipping distance of the destination.**

3.25 The Committee is convinced that there is a critical need for proactive policies for development of a hub port in India. This would require addressing critical concerns on trans-shipment (customs procedures), port infrastructure, reforms and incentives for cargo consolidation in order to develop coastal shipping. Hub development also requires a broad forward looking strategy that creates conditions to re-orient existing liner shipping routes and develop new ones based on India as a hub for operations. The Committee feels that in order to link Bay of Bengal network of ports with liner routes effectively, consolidation of such cargoes can take place at a West coast port that effectively competes with Colombo, such as Cochin. Further, the consolidation of west-bound cargo at a west coast port, such as Cochin, would allow liner routes connecting India with Middle-East, Africa, and Europe to terminate at Cochin and pick-up consolidated cargo from across Bay of Bengal ports. Over time east-bound routes that consolidates South East Asia and East Asia bound cargo from Bay of Bengal with cargo coming in from Middle-East and Europe will become possible by operating twin-hubs e.g. Cochin and Chennai/ Colachel. **The Committee recommends the Government to take necessary steps to hold discussions with major foreign shipping lines and take them on board as partners in the development of a strategic commercial maritime development plan for India. It also desires that the Government weave a basket of incentives and policy support to major liner**

shippers and Indian operations (including coastal shipping operators) for developing liner routes linking East and South East Asia with Europe, East Africa and Middle East with India. Such a plan should be jointly developed by Ministry of Shipping and Ministry of Commerce and Industry with hard deadlines and effective monitoring system for implementation and clearly demarcated roles and responsibilities for different Government agencies. The plan should be made integral to the industrial and freight corridor strategy of the Government of India.

3.26 The Committee finds that the western coast ports are often completely clogged. From June to December, 2014, total traffic from the Western Coast was 4.3 million TEUs (Twenty Foot Equivalent Unit-capacity of container), while for the Eastern Coast it was 1.15 million TEUs, though on both sides we have six major ports. The Committee feels that a fair share of the cargo on the western coast port can be transferred to eastern coast ports helping in better capacity utilization of the ports. However, this proposition can work if the Cabotage law is relaxed. **The Committee is of the view that relaxation in Cabotage law would help in more direct call of ships of the capacity of six thousand TEU and below, as is happening from JNPT. It is felt that more and more direct call of ships would help in avoiding trans-shipment in Singapore or Colombo, thereby, substantially bringing down the shipping cost. This would also help one of the ports on the Eastern Coast become a hub for smaller direct lines in times to come. The Committee desires that until the time the domestic shipping industry is well developed, the Cabotage law may be relaxed.**

3.27 The Committee is happy to note that the Union Cabinet on 25.03.2015 approved Sagarmala Project which enables port-led development through appropriate policy and institutional interventions and economic growth of the hinterland. The activities under the project include integrated development of islands, augmentation of capacity of existing ports and improving their efficiency, creating new and satellite ports, strengthening evacuation infrastructure including rail and road connectivity, promoting coastal and cruise shipping and inland waterways transportation. Development of Industrial zones, clusters and parks, establishment of logistics hubs, skill building of coastal communities and strengthening livelihood options including fisheries, aquaculture, and recreational tourism are integral parts of the Sagarmala Project. The funding for various components of the Project will be through a mix of budgetary support and private investment. The institutional framework includes the National Sagarmala Apex Committee, State Sagarmala Committee (SSC), Sagarmala Coordination and Steering Committee (SCSC), Sagarmala Development Company (SDC), State Maritime Boards/State Port Departments and project specific SPVs so as to ensure active participation of the States and various Central agencies. The Committee learns that an internationally reputed Consultant has been appointed to prepare the National Perspective Plan, Detailed Feasibility Reports for new Ports and other related project reports. **The Committee hopes that the concerns as mentioned in preceding paragraphs would be accounted for while preparing the working blue-prints of the project. The Committee also hopes that the project will be completed within the fixed timeline. In case the timeframe has not been fixed an early timeline may be prescribed for completion of the Project.**

3.28 The Committee is happy to learn that the Ministry of Shipping is focusing towards encouraging and motivating the ports to take up capital dredging for increasing their existing drafts so as to attract larger size vessels and some of the ports, namely, Paradip, Kamarajar (Ennore), and Mormugao have already proposals in hand to increase their drafts so as to handle large capesize vessels. The Committee notes that a total of 41 PPP projects have been made operational and 30 more PPP projects are under implementation at 12 Major Ports. In order to bring transparency, the Ministry has formulated a Model Concession Agreement to be entered into by the Port Authority with the selected bidder for developing the project facilities and rendering port services. The Ministry informed that as regards pure terminal port projects, the PPP experience has been good. However, in cases where basic infrastructural development is needed for ports or promotion of inland waterways is desired then public funding becomes essential.

3.29 The Committee agrees that for essential basic infrastructure development like the need to install large additional breakwater where there is no direct revenue flow, the financial assistance must be arranged by public funding. **The Committee hopes that the Department of Economic Affairs would leave no stone unturned for facilitating financial assistance for such infrastructure projects from World Bank, ADB or similar agencies. The Committee is also of the considered view that the Government must provide necessary support to promote inland waterways.**

ROAD SECTOR

4.1 Road is an important component of the transport infrastructure. This mode of transportation assumes higher importance in the Indian context as roads account for the largest share, that is, 60 per cent of the total cargo traffic which is much higher than average global standards. Road transport accounts for around 5 per cent of India's Gross Domestic Product and it is India's second biggest infrastructure sector after power.

4.2 India has about 48.90 lakh kilometers of road network, which is the second largest in the world in terms of length. Depending upon the custodian, the length of various categories of roads are as under:

National Highways and Expressways	1,00,087 km.
State Highways	1,42,204 km.
Other Roads	46,44,216 km.

4.3 National Highways (NHs) constitutes about 2 per cent of total road network, but carries about 40 per cent of the total road traffic. The Central Government (through the Ministry of Road Transport and Highways) is responsible for development and maintenance of National Highways. The development and maintenance works are being implemented on the agency basis. The State Governments (State PWDs), Border Roads Organization (BRO), National Highways Authority of India (NHAI) and National Highways and Infrastructure Development Corporation Ltd. (NHIDCL) are implementing the development and maintenance works on National Highways as various implementation agencies.

4.4 Despite being one of the most promising sectors of the economy, roads have been facing serious issues such as land acquisition, intense competition, poor traffic growth, poor maintenance, etc. The Committee learns that the Government has set a target of constructing 30 kilometres of road per day. The Committee was informed that against the target of 10,000 kilometres of award as envisaged by the Ministry in the year 2015, till July, 2015, 3,100 kilometres have already been completed. It was stated that the basic target is to award 8,000 to 10,000 kilometres every year to achieve the target of 30 kilometres of road construction daily as against the current rate of 18 kilometres per day.

4.5 The Committee notes that currently the national highway grid is serving only major ports. Though a proposal to connect the national highways grid to the nearly 40 non-major ports handling export-import cargo along with the 28 airports which have road connectivity issues was made to the Planning Commission at the commencement of the Twelfth Plan, the same was rejected due to resource crunch. The Committee is, however, happy to learn that the Government now aims at providing this connectivity through its new initiative, the Bharatmala programme. The programme aims at declaring 7,000 km. of new national highways in order to capture the physical contours of the northern borders as well as the left-out ports along the southern side of the country. Effectively, the non-major ports will get highway connectivity. Also, Bharatmala would cover all the land frontiers and land corridors, both on the West as well as in the North and East. To that extent, connectivity with our neighbours is expected to be substantially upgraded. The details of State roads proposed to be taken up under Bharatmala Project has been annexed at Annexure II. **The Committee welcomes this initiative and hopes that Bharatmala programme would give substantial boost to much desired seamless logistic eco-system and help make Indian export competitive in world market. The Committee desires that the project may be taken up at the earliest and completed within shortest timeline. The Committee also recommends the Ministry of Shipping to share the details with the Ministry of Road Transport and Highways about the contract of the non-major port which does not itself provide that it was the concessionaire responsibility to take up the road construction. This would help the Ministry of Road Transport and Highways take up projects for those non-major ports in right earnest.**

4.6 The Committee notes that in addition to the Bharatmala, two more new initiatives have been launched by the Government for connecting backward areas, areas of religious importance and areas of tourist importance with a network of 7,000 kilometres of fresh national highways and connecting the 123 district headquarters not covered in the National Highway Grid. There is also a programme to cover the industrial corridors, and the Eastern and Western Corridors through construction of 1,213 kilometres of new national highways. **The Committee is of the considered view that the construction of the proposed national highways would give fillip to existing export infrastructure in road sector and drive our exports. The Committee, however, would like to underline the urgency to complete the proposed projects at the earliest dateline.**

4.7 The Committee has noticed that many a projects in PPP in Build, Operate and Transfer (BOT) mode could not be completed on time. Rather, many projects are still to take-off. In view of this, it is important for the Government to look for a paradigm which can be the best mode of execution in the fastest possible time. **The Committee feels that every tool available with the Government may be exploited by it in the best possible manner to build the national highways. It is also equally important that private players are provided congenial environment in terms of Model Concession Agreement (MCA) so that they can also participate with enthusiasm in this national cause. The Committee is of considered opinion that the Ministry of Road Transport and Highways suitably employ various PPP models like BOT (Annuity), BOT (Toll), BOT (Hybrid Annuity), Design, Build, Operate and Transfer (DBOT), Engineering Procurement Construction (EPC) as per the nature and need of the Highway Projects proposed to be constructed. The Committee feels that this basket of options will attract private investments in the roads and highways sector. The Committee is also of the view that the Government must ensure that the projects are prepared properly and all statutory clearances including land acquisition are put in place so that the projects are completed in the fastest possible manner.**

4.8 Though timely delivery of goods is a *sine qua non* for export, the Committee finds that smooth transportation by road has become victim of delays due to long time taken for clearance of trucks/containers at inter-State check-posts and toll plazas. The presence of 177 inter-State check-posts and 268 toll plazas across national highways results in costly delays. The Committee was informed that the trucks/containers lose on an average 12 hours in getting cleared at toll posts while travelling from Delhi to Mumbai. **The**

Committee views such delays are unwarranted and completely unacceptable. It recommends that the Government take urgent steps to prevent such delays. The Committee feels that technological solutions like smart cards for toll payments, tag lane driving, prepaid State taxes through online facility, etc. may be adopted for smooth, hassle-free transport of cargo. There is also an urgent need to have an integrated logistic solution whereby necessary infrastructure is put in place for smooth movement from the entry ports to manufacturing or distribution locations or from manufacturers and distributors to consumers and exit ports.

4.9 The Committee feels that there is a need for green pass/channel system for EXIM cargo movement by truck. It is high time that insistence of physical inspection of trucks at various points to see if the cargo in the truck is compliant with various fiscal, product and transport related regulations needs to be done away with. There are seventeen such specific rules and acts that govern the inter-state movement of cargo, which are also used as reasons for stopping EXIM movement of trucks. The Table below lists these seventeen Acts and Rules. The implementation of such rules (and therefore the power of insistence on physical inspection) is available to state police, RTO, state FDA officials, state forest and environment department officials as the case maybe. Trucks can be stopped on mere suspicion. This makes the field of intervention and power to ask for physical inspection very wide and easily available to multiple regulators. Instances of misuse of such powers are also not uncommon.

Applicable Rules and Acts that Impact Movement of Trucks in India

Product Market	Fiscal	Transport
Essential Commodities Act	Customs Regulations	Motor Vehicles Act
Hazardous Goods (2 specific Acts)	Excise Regulations	Carriage of Goods Act
Licensed Products	Sales Tax Regulations	Police (general check)
Quality and Product Specific (7 specific acts)	Entry Tax (State and local)	
Total of 11 Specific Regulations	Total of 4 specific regulations	Total of 2 specific regulations

*Source: FICCI

4.10 **The Committee is of considered view that on the lines of imported products, a system may be devised for export products too where the Excise authorities after verifying the product for export may issue 'goods checked and sealed certificate' which may be deemed adequate to cover compliance for all the 17 Acts and Rules. Since Excise Department has verified export declaration and the legality of the export product, there should be no stoppage for physical inspection once the carrier has been granted the all-encompassing certificate. The Committee at the same time also desires that all measures must be taken to ensure that there is no contamination of products en-route to prevent any abuse of green pass system. It, therefore, recommends that for all categories of goods, container sealing quality should be improved using the best available sealing mechanism instead of the lower grade sealing used now. High quality seals are not prohibitively expensive and trade would not mind bearing the extra cost to obtain the facilitation from a green pass. For sensitive categories of goods, container trucks should be mandatorily made to have a CCTV system installed that would automatically record visual every time the container door is opened or the trucks stops for more than 5 minutes. The CCTV recording would be retrievable from a central tower mechanism. Such**

technologies are already in place in many South East Asian countries and are not very expensive to install and maintain.

4.11 **The Committee is also conscious of the fact that there is a shortage of excise and customs staff which may make it difficult to work out an optimal framework of green pass system. The Committee in the light of this constraint feels that trusted clients (Agile Certified Practioner (ACP) or Authorised Economic Operator (AEO), or a new scheme developed jointly between Ministry of Commerce and Industry and Department of Revenue based on recommendations to the Taskforce on Transaction Costs may be allowed to self-seal (with the same standardized high quality seal) and get a green pass issued for their self-sealed containers, with a Risk Management System (RMS) put in place that would have randomized physical inspection of such self-sealed containers with severe penalties for non-compliance.**

4.12 The smooth transit of goods by roadways has also been adversely affected by poor quality of roads. The quality of road deteriorates due to its wear and tear and poor maintenance thereof by the concerned authorities. The Committee strongly feels that inadequate maintenance is one of the biggest problems of Indian roads. The Government does not seem to have a clear-cut policy in this regard which is the major cause of the texture of highways suffering in a big way. The Committee notes that budget for road maintenance has always been inadequate during last ten years. Even, for the financial year 2015-16, against a requirement of ₹ 6000 crore, the Ministry has got around ₹ 2500 crore. This mismatch of 35 to 40 per cent every year for the last one decade has taken a toll on proper maintenance work adding to cost of transport as well as delays in delivery. **The Committee firmly believes that the Government must address this problem of poor roads on urgent basis. It hopes that Ministry of Finance will give due importance to the fund requirements for maintenance for roadways. Poor quality of road is as good as there being no road. While the Committee desires that adequate budget outlay must be provided by the Ministry of Finance for road maintenance, it would also like to reiterate its recommendations made in its 95th Report on Cement Industry that the Ministry of Road Transport and Highways take steps to promote cement concrete roads in the construction of national highways. Since cement concrete roads have a design life of 30 to 50 years depending on the specifications, the maintenance costs on these are nothing in comparison to maintenance of bitumen road. The Committee is also of the view that where there is difficulty in building concrete cement road, the Ministry may use rubberized bitumen to construct the highways.**

RAIL SECTOR

5.1 Indian Railways has achieved the distinction of entering the select group of world Railways, next only to China, Russia and USA by crossing the milestone of One Billion Tonne originating loading. Railways share in the bulk commodities sector is 62.5% of overall rail transportation. However, it is a fact that infrastructural development in Railways has not been commensurate with the growth in traffic volume and capacity constraints in some of the sectors is affecting the optimum utilization of the available resources.

5.2 The existing Golden Quadrilateral lines of Indian Railways (IR) carry about 60 per cent of railway freight traffic and are very congested. These routes are also India's main export arteries so the slow and unreliable service quality from hinterland to the ports leads to long and variable transit times for export consignments. Exporters have to either bear the unreliability costs of using rail or pay much higher costs of road transport to meet their shipping commitments. Both contribute to the global competitive disadvantage of India's exporters, with the cost of land transport to port often higher than the shipping cost to international markets. This is one of the reasons India's logistics costs are estimated to be higher than both developed nations and other BRICS nations. Improving overall logistics naturally requires multiple actions but, if the main line-haul transport service mode is seriously sub-standard, this will always undermine other improvements. Indian Railways run passenger services on the same tracks on which freight services are operated. To overcome this 'conflict', particularly on arterial trunk routes, Railways is creating Dedicated Freight Corridors on identified sectors with a view to optimize its potential for running both passenger as well as freight services.

5.3 Railways are already on path to improve its standards to world level by running heavier trains with high axle load, longer trains by running 2/3 trains together as single train; however, widespread proliferation of such movements will be achieved only after the dedicated freight corridors and, consequent segregation of traffic streams are established.

5.4 The total rail-bound export cargo is only 24 per cent out of which 22 per cent of the cargo is containerized. The Committee notes that during 2014-15, 160 rakes originated from ports on an average daily basis and the railways loaded about 66 rakes per day to ports. So there is an imbalance as a result of which the railways are necessarily required to position empties at ports for evacuating predominantly import traffic. It is, however, significant to note that 66 rakes which the Railways load to the ports are not all export traffic.

5.5 The Committee notes that the Railways have the required capacity to move more traffic into ports. Within the overall railway traffic for export cargo, the share of container traffic is balanced. The container traffic is balanced because what is coming into the ports is going back to their original owners, shipping lines, either in loaded condition or in empty condition. The Railways run 36 trains per day for the present level of container traffic. These 36 trains originate from our various ports, and almost the same amount of traffic is going back into the ports. The Committee is, however, perturbed to note that though 22 ports in the country can handle container traffic on the rail mode, yet, the rail container traffic is heavily skewed in favour of just three ports in the country, *viz.*, the Jawaharlal Nehru Port, Mundra Port and Pipavav Port. These three ports enjoy container traffic of 32 trains of the total 36 trains rolled out for container traffic every day. Thus, the three select ports on the West Coast are attracting all the traffic and port capacities as well as line capacities of the railways. This leaves Railway go abegging in the case of the balance 19 ports. **The Committee is of the considered view that there is an immediate need to improve the state of infrastructure utilization through a better spatial distribution of export cargo and, to some extent, within these three ports also, through a better temporal distribution.**

5.6 The Committee notes that the Chennai or Cochin ports located in the Southern part of the country do not have much problem in railways' capacity to move and evacuate traffic. The Committee, however, is concerned to note that Vallarpadam, a major port which came up only for container traffic is handling negligible container traffic today. A huge amount of capacity and investment is idling at that port. **The Committee is of the considered view that the Government needs to look for remedies to utilize the available capacity at Vallarpadam in a cost effective manner. This will also help declog the ports on Western Coast resulting in the reduced turnaround time in those ports.**

5.7 The Committee finds that the line capacities of the railways on the East Coast ports like Gangavaram, Vizag, Paradeep and Dhamra are quite congested. Though these ports are not attracting too much of export cargo either in containers or in terms of bulk cargo, yet it is a challenge for the Railways. In fact, the

Committee during its study visit discovered serious capacity constraints on evacuation from Visakhapatnam port. The reason behind it is that the Visakhapatnam-Titlagarh-Raipur and Visakhapatnam-Titlagarh-Sambalpur line are single line. **The Committee takes a serious view of the lackadaisical attitude on the part of Railways to complete the doubling of these two important lines. It recommends the Ministry of Railways to take up the doubling project on priority and complete the doubling at the earliest so that cargo can go into the port and get evacuated in timely manner.**

5.8 The Committee was apprised about the skewed tariff policy of Indian Railways where the passenger fares are subsidized to the tune of approximately ₹ 30,000 crore to keep them low especially in the lower classes. This loss of revenue has traditionally been cross subsidized through their freight business. As a result freight rates have increased regularly while passenger fares have stagnated. It was accepted that the rail freight rates are almost the highest in the world. Other modes of transport are becoming more competitive not just because of their efficiency etc. but also because railways freight rates make them appear better. Customers are exploring various options like pipelines, conveyors, inland waterways etc. regardless of whether they are the superior or most efficient option. A comparison of freight and passenger fares of Indian Railways with other Railways has been tabulated below:

Comparison of Fare and Freight Rates with World Railways

Country	Freight yield US cents/ tonne- km.	Freight yield US cents/ tonne- km. adjusted for PPP	Fare per PKM	Fare per PKM adjusted for PPP
India	2.11	1	0.6	1
China	1.49	0.58	2.4	2.7
Russia	2.2	0.75	5.2	6.7
USA	2.28	0.51	-	-
Japan	-	-	19.0	9.4
Germany	-	-	12.6	6.2

Source: World Bank (2012); Railways International overview: Issues for India

5.9 The Committee notes that rail freight rates in USA and China are about half of India while in case of passenger fares, China charges 2.7 times while Germany and Japan charge 6.2 and 9.4 times respectively. **The Committee is of the view that the higher rail freight has an adverse impact on the cost competitiveness of Indian exports. The Committee hopes that the Ministry will progressively rationalize the passenger fare and cut down the burden on the cargo movement.**

5.10 The Committee was also apprised about the slow movement of goods train. It is learnt that that average speed of goods train is 25-30 km. per hour which needs to be increased. The Committee understands that with the construction of the Western and Eastern Dedicated Freight Corridors, the speed on an average would increase to nearly 70 km. per hour. However, these projects will take some more years to get completed. **The Committee strongly feels that the Ministry of Railways undertake a traffic rationalization study to find out ways to enhance the speed of movement of goods by train since timely delivery is crucial for export cargo. The Committee notes that Indian Railways has prepared a blue print for throughput enhancement works on high density routes in 2007-08 but nothing substantial has been done for**

capacity enhancement, network decongestion etc. The Committee recommends the Ministry of Railways to complete all the pending projects of doubling with electrification for smooth traffic flow between ports and hinterland.

5.11 The Committee is also of the view that the rail corridors may be utilized for transportation of cargo beyond the land frontier. The connectivity between India and Pakistan exists through the following two links, *viz.*, Attari -Wagah (for freight and passenger services) and Munabao -Khokrapar for passenger service. Similarly, the connectivity between India-Bangladesh exists through three corridors; *i.e.* Gede-Darshana, Singhabad-Rohanpur and Petrapole-Benapole. The connectivity between India-Nepal exists on Raxaul-Birganj section after operationalisation of Birganj ICD. **The Committee desires that Department of Commerce in coordination with Ministry of Railways and Ministry of External Affairs engage the concerned neighbouring countries for the movement of goods through the rail corridors.**

5.12 **The Committee expresses its happiness over the construction of Eastern Dedicated Freight Corridor (EDFC) which will more than double the railway freight transport capacity in that corridor but more importantly enable the Railways to provide better service more reliably and at lower cost. Fast and reliable transport is of crucial importance for export business as export consignments are planned to arrive at the ports to connect with ship sailings. Ships of particular shipping lines that can carry export goods to specific destinations call at Indian ports only periodically and if a shipment misses a ship due to transit delay in rail transport, it has to wait at the port for another two or three weeks for the next ship. This causes much hardship for the exporters as delays in shipment lead to loss of business.**

5.13 Eastern Dedicated Freight Corridor (EDFC) would facilitate export of goods from ports at Kolkata, Haldia, Golden Harbour, Dhamra and Paradip from Punjab, Haryana, Uttar Pradesh and Bihar, particularly to the South Eastern Asian countries. Its contribution will be reinforced by a number of complementary developments:

(i) The Make in India initiative, coupled with development of Amritsar, Kolkata Industrial Corridor, will see the setting up of export-oriented manufacturing in the northern and eastern States. Similar developments are seen in Western DFC, where DMIC is developing industrial nodes;

(ii) Expansion and improvement of container berths at Golden Harbour, Dhamra and Paradip will improve the port infrastructure in the influence zone of EDFC, resulting in diversion of carpets and other traffic from Varanasi area to EDFC and eastern ports;

(iii) India's Look East policy is expected to increase the commerce and trade with Far East countries. EDFC will provide critical infrastructure and service support to this initiative.

AIRPORT SECTOR

6.1 Air transport serves as a crucial fastest mode of link between domestic and international markets. However, volume of total cargo handled at the Indian airports is way behind the cargo volume handled at other major international airports despite significant potential for the Indian air cargo industry. The economic importance of airport can be gauged from Dubai which otherwise has no manufacturing or industrial base but it is ranked fourth globally in cargo and passenger traffic on account of Dubai International Airport. Dubai's aviation and related industries contribute 21 per cent of total employment and 28 per cent of its GDP.

6.2 The dwell time at Indian airports is 72 hours which is in complete opposition to the global benchmark. The reason for sub-optimal air cargo handling can be seen in lack of competitive air-cargo hubs in India which not only acts as a hindrance to the development of substantive air freight transport-related export services but also adds to the cost of Indian merchandise exports or imports in the absence of direct linkages from an Indian based hub. **The Committee strongly feels that the bottlenecks like increasing dwell time, missing and non-traceable cargo, inadequate and overloaded infrastructure facility, inadequate air side infrastructure for cargo operations, less number of dedicated parking bays for freighter aircraft, inadequate off-site facility for cargo processing, congestion at cargo terminals, under utilization of terminal space, shortage of landside truck docks, vehicle holding area, airside operational space, lack of specialized storage and handling facilities for hazardous, radioactive and vulnerable cargo, poor quality of roads connecting air cargo terminals with cities, high tax regime on Air Turbine Fuel (ATF), non-availability of all major allied agencies required for clearance of cargo, lack of separate area for transit cargo, illegal encroachment of airport land, etc. have badly affected the optimal growth of air cargo sector in India and all these need to be addressed effectively.**

6.3 The Committee finds that the country has 25 international airports to handle air cargo out of which 5 are Joint Venture airports *viz.*, Delhi, Mumbai, Bengaluru, Hyderabad and Cochin Airports. It is also interesting to note that out of the 25 international airports, 4 international airports, *viz.*, Imphal, Durgapur, Port Blair and Srinagar are such airports where we don't have any international flights. So, we are effectively restricted to 21 international airports for the execution of the 'Open Sky' policy, whereby any freighter from anywhere can come. In fact, there are only eleven airports from where we are exporting or importing significantly.

6.4 The Committee undertook a study visit to Rajiv Gandhi International Airport (RGIA), Hyderabad to study the quality of infrastructure and services available for export of goods. The Committee finds that infrastructural facilities for air cargo at Joint Venture (JV) airports are better than Airport Authority of India (AAI) controlled airports. However, there is still a long way to go for the JV airports in as much as export infrastructure at the airport is concerned. **During its visit to RGIA, the Committee found that the storage facility for the perishable food crops needs to be augmented and timely delivery of cargo especially the perishable crops must be ensured. The Committee desires that APEDA subsidy may be extended to the airport to install cold storage for agro-commodities. The Committee also feels that given the centrality of location, Hyderabad could well emerge as the cargo hub for the entire country, or at least for South India. The Government may take a feasibility study to explore this possibility.** India has 'Open Sky' policy in cargo since 1992 unlike in passengers sector. Unfortunately, the Open Sky policy has not been able to deliver the desired result. The Committee notes that sixty per cent of air cargo handled is international. The growth rate of domestic air cargo in India is 8 to 9 per cent which is shade better than the international cargo growth rate. To a query about the reason for the failure in getting a robust export oriented air cargo, the Ministry of Civil Aviation ascribes this situation to the nature of cargo we export. It was submitted that our cargo includes textiles, leather goods and some fruit, vegetables, fish, and some meat. These products are low in value hence are not compatible for transportation by air which otherwise is costlier than other mode of transportation. Export cargos comprising of pharma products or precision engineering goods which are value-added are more suitable for air export. **The Committee is of the considered opinion that export through air may be increased provided the existing infrastructural bottlenecks are removed and policy aimed at ensuring reasonable air freight rates are put in place. The Committee finds the Ministry of Civil Aviation and Airports Authority of India are lacking on both the fronts. It, accordingly, recommends that suitable steps may be taken in this direction. The**

Committee would further like to impress upon the Ministry of Civil Aviation that there has been a significant transformation in the profile of export cargo. Export of sophisticated high value products like pharma products apart from perishable items like flowers and processed food products has been progressively increasing. Presence of well equipped air cargo handling airports in Tier II and Tier III cities under the control of AAI would facilitate growth of such high value industry in and around those cities, thereby, enhancing employment opportunities and economic growth in hinterland. The Committee is convinced that all AAI managed airports develop desired infrastructure for air cargo. The Committee also feels that the Ministry of Civil Aviation take necessary steps for significant increase in the share of air cargo and develop India as the regional hub for the SAARC countries.

6.5 The Committee is convinced that there is potential for India to play a larger role in the air cargo market. When compared to neighbouring countries, only 320 MT of air cargo per billion dollars of GDP output is handled in India where as in Hongkong this figure is 10,403 MT, in UAE, it is 4,748 MT and in Singapore, it stands at 4,025 MT. The air cargo logistics has grown at the Compound Annual Growth Rate (CAGR) of nearly 6.5 per cent during the last 10 years. The Ministry of Civil Aviation forecasts its growth at 6.85 per cent during 2014-19. **The Committee is concerned over this pace of growth. It is of the considered opinion that growth at such a pace will lead nowhere in becoming export superpower. The Committee desires that the Ministry firm up a perspective plan in order to give necessary boost to air cargo in the country for export purpose. The plan of action so framed must enable Tier II and Tier III cities having airports develop as regional cargo hubs with good connectivity with roads and rail network. The Committee also strongly feels that 31 non-operational airports under AAI may be utilized for dedicated air cargo.**

6.6 The Committee notes that despite a tremendous increase in volume of both export and import cargo in recent years, the air cargo handling capacity of international airports has not commensurately increased in order to enable them to play an effective role in providing real-time transport solution of cargo. A pointer in this regard is the fact that Delhi Airport which has a capacity to handle 2 million tonnes of air cargo presently handles a total volume of 6-7 million tonnes which includes both domestic and international cargo. In the North East Region (NER), Guwahati Airport handled nearly 11 million tonnes of air cargo receiving much of the air cargo from Delhi and Mumbai airports. **Despite such an increase in volume of cargo, provision for the facilities has not been given adequate attention. The Committee expresses its concern over this state of affairs and recommends the Ministry of Civil aviation and the AAI to do the needful. There is likely to be spurt in air cargo with further deepening of e-commerce and the Government must take adequate measures to not only handle the rise in traffic volume but also promote air cargo. The Committee is nonetheless happy to learn that Ministry of Civil Aviation has decided to develop Guwahati as the regional air cargo hub for NER.**

6.7 The Committee learns that the Ministry of Civil Aviation has zeroed in on developing Delhi and Chennai as the cargo hubs. It was informed that RITES Limited has been asked to prepare a Detailed Project Report (DPR) in this regard and it may take a year before the recommendations on both infrastructure side and procedure side is firmed up. **The Committee though appreciates the decision to develop Delhi and Chennai as cargo hubs, still it feels that the process of study must be expedited as there will further be an inter-ministerial consultations on the recommendations accepted by the Ministry which will again take some time before a decision is arrived at. The Committee recommends the Ministry of Civil Aviation to complete the entire exercise of study as well as inter-ministerial consultations**

within one year so that necessary infrastructure at these two airports may be put in place at the earliest.

6.8 The Committee believes that development of an optimal air cargo system is equally dependent upon efficient air logistics infrastructure. The Committee was informed that private airport operators being an effective monopoly in the geographical region of their operation are charging the logistics provider for services not regulated by Airports Economic Regulatory Authority of India (AERA), thereby, adding to the overall cost of exports. **The Committee is of the considered view that such unregulated charges need to be regulated. It recommends the Ministry of Civil Aviation to ensure that such unregulated charges are not imposed by the private airport operators. Also, space to interested logistic parties on long-term leases in the air cargo terminals should be provided under a rational and effective lease-rent agreement.**

6.9 The Committee finds that there is a near saturation of the capacity of air cargo stations of the major airports to handle the traffic. This saturation causes congestion and undue delay in transportation of products eroding the competitiveness of our exports. **In this backdrop, the Committee feels that setting up Air Freight Station like Container Freight Station may be promoted in the country. The Committee recommends that the Government firm up a policy for setting up Air Freight Stations and also ensure that Customs officials are stationed in these freight stations. The Central Board of Excise and Customs may explore the possibility of seeking compensation from such private operators towards payment of salaries/allowances for customs officials deployed in their freight stations.**

INLAND CONTAINER DEPOTS (ICDs)/CONTAINER FREIGHT STATIONS (CFSs)/ INTEGRATED CHECK POSTS (ICPs)/ LAND CUSTOM STATIONS (LCSs)

7.1 Inland Container Depot (ICD) and Container Freight Station (CFS) is one of the fastest growing segments of logistics supply chain today. They form the most important intermediary in the logistics supply chain where apart from transshipment, consolidation as well as sorting of cargo based on destination takes place. The process of custom clearance and entry of shipping bills are also initiated at this stage in the logistics chain. These facilities carry out ancillary activities such as handling, sorting, stuffing and de-stuffing and storage pertaining to import and export of goods.

7.2 The concept of dry ports was introduced in India by Container Corporation of India Ltd. (CONCOR). Today over 100 ICD's are run by similar Government undertakings like Container Corporation of Indian, Central Warehousing Corporation, Balmer Lawrie etc. CONCOR connects all major ICD's with container ports through rail links. It was observed that growth of industries and agriculture at 7 per cent with 1.4 per cent elasticity would give fillip to the transportation business of the country.

7.3 The international cargo handled by CONCOR in India increased from 1,882,277 TEU in 2009-10 to 2,152,034 TEU in 2012-13 respectively. Throughout all major ICD's in all regions, the northern region contributes to 39% of total traffic which includes major centres like Delhi, Ludhiana, Jaipur, Jodhpur followed by north-central region with 16 per cent which includes Delhi, Agra, Kanpur, etc. and all western region by 13% which includes Mumbai and JNPT.

7.4 The Committee learns that CONCOR plans to set up 15 more ICDs during the 12th Plan. Eight of these facilities are to be created in Dedicated Freight Corridor. It has also been planned to increase the present capacity of 3 million TEUs to 6 million TEUs by 2017. The Committee learns that non-provisioning of land from Railways since 2006 has acted as a constraint in the capacity augmentation of CONCOR.

Resultantly, procuring land for establishment of Dry ports has become a handicap for CONCOR. **The Committee feels that CONCOR may approach the State Governments which have created land banks for industrial estates for setting up an ICD.**

7.5 The Committee learns that the land ports suffer from lack of coordination among multiple agencies. It is, therefore, necessary that some kind of standard operating procedures may be framed for Land Customs Station. Further, the remit of Customs Clearance Facilitation Committee mechanism is limited to airports and seaports only. **The Committee recommends that the remit of Customs Clearance Facilitation Committee may also be extended to land ports. There is also a need to develop much more testing facilities at land ports so that there is a smooth facilitation of export cargo from dry ports.**

7.6 Some of the issues affecting optimal operation of various ICDs and LCSs have been tabulated below:

State	ICD/CFS	Issues & Suggestions
Uttar Pradesh	ICD Agra	Only two trains are available in a week at ICD Agra to JNPT Lack of availability of containers to avoid movement of cargo from ICD Tughlakabad to Agra
	ICD Moradabad	Additional roads inside ICD need to be made and existing ones be re-laid. Safety of the containers needs attention. Hence surveillance system needed.
Delhi/NCR	ICD TAKD/Dadri/ Patparganj	Shortage of space for land expansions that causes congestion The last mile connectivity is poor
Haryana	ACTL Faridabad	LCL movements should also be facilitated from ACTL Faridabad.
Punjab	Ludhiana	Need of scanner facility for the ICDs to be provided by Customs and space to be earmarked by CONCOR. Transit ICD and are not equipped to provide space for storage of cargo even if the same is to be stored for 2 3 days.
	Jalandhar	Cargo stuffed at Jalandhar moves through truck to ICD Ludhiana for shipment. Shipping lines at Pathankot or Jalandhar will help industry of J & K, Himachal as well.
	CFS Amritsar	Lack of rail connectivity at Chhehartta which causes increase in dwell time and dependence on CFS in Ludhiana.

State	ICD/CFS	Issues & Suggestions
Rajasthan	Jaipur	Need for rail over bridge (ROB) to reach ICD, Kanakpura.
	Jodhpur	Need of parking facilities at ICD Jodhpur to ensure safety.
Odisha	Cuttack	There is a demand for CONCOR facilities at the existing Railways siding in Jagatpur Industrial area instead of Balasore.
Assam	ICD Amingaon	Link road leading to ICD is narrow and needs to be widened.
		Power supply at the ICD is for 5-6 hours only and there is demand for dedicated feeder.
Tamil Nadu	Madurai	Higher operating cost and non availability of container freight train to the Tuticorin port.
		The entry point of ICD up to loading point at Railway yard needs attention.
	CFS Ambur, Vellore District	LCL shipments need to be allowed Container tracking is an issue due to lower levels of IT penetration.
Karnataka	Whitefield	ICD at Whitefield is congested and scope for expansion is limited due to land availability issues. Therefore it would be appropriate to plan for additional capacity of ICD Malur which has rail link.
Gujarat	ICD Ahmedabad	No separate storage area for Pharmaceutical products and space earmarked on Demand.
	ICD Surat	No train connectivity from Surat ICD to any major port.
	CFS Pipavav	Shortage of empty containers.
		CFS available only for Urea storage. Increase in demand requires additional 2 warehouses.
Maharashtra	ICD Aurangabad	Requirement of container scanning facility need to be provided by Customs.
		Demand of Aurangabad steel units to notify it as one of the designated ICDs for import of steel scrap.

State	ICD/CFS	Issues & Suggestions
	Pune (ICD Taleganon)	Need to increase container handling capacity
	CFS Dronagiri	Dronagiri node houses major CFS has no truck terminal in vicinity.
		Road connectivity to JNPT is in poor condition. Need to be brought to attention of State Government.
Madhya Pradesh	Indore (ICD Pithampur)	No provision of LCL cargo volume.
		ICD Ratlam also has space constraints.
Kerala	CFS Cochin	Roads connecting the CFS to ICTT Vallarpadam are in poor conditions and need to be repaired by State Government.
Uttarakhand	ICD Haldi, Pantnagar	This ICD is nearly ready and should be made functional immediately.
		Rice exporters have to pay reposition charges to empty containers from Moradabad which cost additional ₹ 5000 per container

Source: Federation of Indian Export Organisations (FIEO)

7.7 The Committee notes that in order to give fillip to cross border trade along our land borders, Land Ports Authority of India (LPAI) was set up in March, 2012. LPAI works to develop Integrated Check Posts (ICPs) along the land borders and manage them. These ICPs offer various facilities for export of goods through land border. The Committee notes that ICPs are being developed in phases: In Phase-I, ICPs at seven locations *viz.*, Attari (Punjab), Agartala (Tripura), Raxaul (Bihar), Petrapole (West Bengal), Jogbani (Bihar), Moreh (Manipur), Dawki (Meghalaya) have been identified for development. It was informed that out of these seven identified locations, two ICPs, namely, Attari (Punjab) and Agartala (Tripura) are operational and rest of the ICPs are at various stages of completion. The ICPs identified to be undertaken for Phase-II namely, Hili (West Bengal), Changrabandha (West Bengal), Sutarkandi (Assam), Sunauli (Uttar Pradesh), Rupaidiha (Uttar Pradesh) and Kawrpuichhuah (Mizoram).

7.8 The Committee was also sensitized about the challenges being faced by the Department in developing ICPs across the border. It was submitted that one of the challenges is the remoteness of the area which makes it very difficult to take men, machinery and material there. The problem is coupled with the very limited number of competent contractors delaying the finalization of the tender. North Eastern Region being hilly States, the working seasons is very short ranging from four to six months in a year because most of the time it rains very heavily and no work gets done. It was also submitted that the Department has to synchronize its activities with those of our counterpart countries because if we have the facility at our end but the counterpart country is not ready at the other end, then we will not be able to operationalise our ICP. **The Committee notes that the Customs Department has put in place a 'single entry permit system' by following standard operating procedure by which the vehicles from one country can come up to Land Customs Station (LCS) of the other country but due to inadequate infrastructure, the desired support**

is lacking. It was also brought to the notice of the Committee that presently about five LCSs have IT infrastructure and to bring in the IT infrastructure gradually, the Customs Department has identified a large number of LCSs. The Committee feels that the infrastructural bottlenecks may be removed at the earliest.

7.9 The Committee was further informed that recently the Government has signed an agreement with Nepal, Bangladesh and Bhutan but the protocol has to be put in place. It was hoped that once the protocol is put in place, the practice of offloading of goods at border would stop and the vehicles coming from Bangladesh side can also come to the interior part of India and the Government has agreed for providing immigration, exemptions, etc. It was also submitted that same kind of agreement is being discussed by the Government with Thailand and Myanmar also and once these agreements take concrete shape there will be free movement of our trucks to all these countries which in turn would definitely boost our export. **The Committee is satisfied over the development of various ICPs and it recommends the Government engage the neighbouring countries for early start of the ICPs.**

7.10 **The Committee is of the view that these dry ports and land stations can be utilized more effectively if a proper warehousing policy is in place. The committee notes that warehousing is an important infrastructure need for EXIM sector. The market is highly fragmented with organized players holding only about 8 per cent of the total warehousing space in India; which indicates that tremendous opportunity for modern warehouses equipped with tall designs, modular racking systems, palletisation and use of automation systems is on the increase.**

CUSTOMS FACILITATION

8.1 During its deliberations with various exporter groups/business chambers as well as during the study visit, the Committee noted that smooth customs facilitation is *sine qua non* for any optimal export framework. Central Board of Excise and Customs (CBEC) has taken steps to ensure expeditious customs clearance of imported and export goods in co-ordination with all other regulatory authorities. The Committee noticed that a high-level administrative body has been formed consisting of all stakeholders at each seaport and airport with the responsibility of ensuring expeditious customs clearance of imported and export goods. Aiming at encouraging greater stakeholder participation in Customs functioning and expeditious resolution of local issues Permanent Trade Facilitation Committee (PTFC) has been constituted. The Committee appreciates these initiatives.

8.2 The Committee learnt that though the time taken for custom clearance has reduced but the same cannot be said to stand anywhere near smooth/seamless business. The dwelling time still remains a concern. The Committee notes that the facility of customs clearance is connected to the nation-wide Electronic Data Interchange (EDI) system of Customs Department and offers 24x7 Customs clearance facility to enable the exporters to use the facility round-the-clock. The Committee was informed that ICE GATE is the server on which EDI system is working. Highlighting the Customs Export Infrastructure, it was stated that export facilitation without assessment and examination to the extent of 70% of the consignment is facilitated under Risk Management System (RMS) and bonded trucking facility has been established to ensure secure transfer and export of customs cleared consignments from other Gateway airport and Gateway ports apart from setting up of Help Desks to advise the exporters regarding procedures for customs clearance.

8.3 The Committee, however, was informed that the Electronic Data Interchange (EDI) system at times collapses resulting in delays in cargo clearance. Other constraints like non-availability of the officer on the post of Port Health Officer and also those of other regulatory agencies on 24X7 basis were also flagged that have affected smooth clearance of air cargo. The Committee also noted other bottlenecks like NOC requirement from multiple regulators and agencies, non-inter linking of EDI with various regulators, unavailability of certain accredited testing facilities that has affected the optimal growth of the Air Cargo Terminal. It was also brought to the notice of the Committee that there was a shortfall of custom personnel at the airport adding to the reasons for clearance delays. **The Committee expresses its displeasure over the fact that the Custom server (EDI) often suffers from a down time. It strongly feels that an additional server space for Customs may be provided in order to ensure that there is no downtime in EDI and an effective paperless eco-system may be set up. It also recommends that vacant position of Customs Appraisers and Superintendents may be urgently filled up. The Committee hopes that all concerned Departments/ Ministry will take necessary action in coordination with each other to address all the constraints mentioned here.**

8.4 The Committee was also sensitized about the fact that the decisions taken at the Central Board of Customs and Excise level does not percolate down since the officers working on the ground are usually not aware of various decisions taken by the Board. **The Committee emphasizes that mere good intentions just on paper are not good enough. This is more important in view of the fact that if the reforms/ policy decided at the Board level are implemented on the ground then the country can witness an upward spike of two to three per cent in the GDP.**

EXPORT FINANCE

9.1 The Committee feels that timely credit to meet the requirement of exporters particularly in tiny and small units plays an important role in boosting exports. The Committee finds that the export credit disbursed by public sector banks has largely been for post shipment credit in rupee term followed by packing credit in rupee term. The least of the total export credit has been for packing credit in foreign currency in fact, the packing credit in both rupee terms as well as in foreign currency had declined in recent past.

9.2 The Committee deliberated with the representatives of Canara Bank, Vijaya Bank and State Bank of Mysore on the issue. It noted that the export finance is predominantly directed towards those items/commodities which have been given the benefit of interest subvention scheme of the government like textile, etc. The Committee was also apprised about the status of Non Performing Assets (NPA) under export credit. It was submitted that NPAs arising out of export credit was large when compared to NPAs under domestic credit. It was informed that Indian exporters/merchant traders and importers can avail foreign currency loan from banks abroad for their trade activities. The overseas branches of the Banks extend Buyers Credit and External Commercial Borrowing to Indian importers on the strength of Letter of Intents (LOIs) issued by private/ public sector banks.

9.3 The Committee, however, is of the view that export credit has not been extended by Banks to the desired level. The reasons for slow growth in export credit in public sector banks are ascribed to global economic slowdown since 2008-09 due to economic uncertainty; crash of US and European markets especially textile market; dumping of cheap quality goods by China to developing economy; stress in some of the sectors globally. To augment the volume of export credit, the representatives of Banks have submitted that Interest Subvention Scheme on rupee export credit may be reintroduced and the premium cost on ECGC cover may also be brought down.

9.4 It was submitted that the facilities extended by Banks to the exporters includes concessional rate of interest at base rate + 0.50% p.a. irrespective of credit rating of borrowers on both pre-shipment and post-shipment finance, covering post-shipment advances under Whole Turnover Post Shipment Guarantee of Export Credit Guarantee Corporation of India (ECGC) and the entire premium is borne by the banks, introduction of Gold Card Exporter Scheme for Gold Card holder with benefits like grant of additional stand by limit, preference in packing credit in foreign currency, quicker disposal of loan application, etc. **The Committee appreciates the various products offered by Banks to facilitate a robust export credit framework but it also strongly feels that the rate of interest on such credit may be brought down. Also, the Banks must ensure regular exporters meet and have tie-up with various credit information bureaus to obtain information on the overseas parties for the benefit of export business customers.**

9.5 The Committee also deliberated with the representatives of EXIM Bank which is a dedicated financial institution in India for coordinating working of institution engaged in financing exports and imports. The range of financing programmes includes export credits and export capability creation. It also provides Export Advisory services through match making skill development and capacity building.

9.6 The Committee was informed about the Bank's vision which aimed to create export capabilities by arranging competitive finance at all stages of the business cycle. It is also involved in cluster based financing for supporting export infrastructure. The Bank runs dedicated 'Export Facilitation Programme' (EFP) for financing export related infrastructure projects in India. The various industries assisted under the Programme include Agro and Food Processing (Cluster); Aviation Services; Drugs and Pharmaceuticals (Cluster); Engineering Goods (Cluster); Exhibition Park; Logistics; Ports and other infrastructure; and Port services.

9.7 The Committee also noted efforts being made by the EXIM Bank towards export capability creation in grass-root enterprises and poverty reduction through export linkages. Enunciating the new initiatives undertaken by the EXIM Bank, it was informed that it has its focus on Project Exports through the newly established special fund, Export Development Fund (EDF) by the Government of India and administered by EXIM Bank. The EDF facility has recently been extended to Iran by way of Buyers' Credit Facility. Special Purpose Facility comprising of two windows, *viz.*, concessional window and commercial window has been worked out for financing infrastructure projects in neighbouring countries. Project Development Company is being set up for promotion of trade and investments in Cambodia, Lao PDR, Myanmar and Vietnam (CLMV) countries as well as in Africa.

9.8 The Committee found that as on 31st March, 2015, the total loan assets of the Bank stood at ₹ 86,953 crore while the non-funded portfolio was pegged at ₹ 10,847 crore. The total loan assets in percentage term comprised of Export Finance (54.5%), Term Loan to Exporters (19.5%), Overseas Investment Finance (16.8%), Import Finance (4.4%), Working Loan for Exporters (2.3%), Export Facilitation (0.7%) and others (1.7%). Similarly, the non-funded portfolio of the Bank in percentage term entailed Stand by Letters of Credit (43.9%), Performance Guarantee (21.4%), Advance Payment Guarantee (17.6%), Financial Guarantee (10.4%), Letters of Credit (5.2%), Retention Money Guarantee (1.4%) and Bid-Bond Guarantee (0.03%).

9.9 **The Committee is of the view that EXIM Bank has primarily confined its operations in coastal areas and big cities of the country. The Committee strongly feels that the Bank should reach hinterland areas so that export infrastructure may be created giving a boost to exports from those areas.**

EXPORT INFRASTRUCTURE IN NORTH EAST

10.1 North Eastern India shares land border with Bangladesh, Bhutan, China, Myanmar and Nepal and has agreements of overland trade with these countries through Land Custom Stations notified under Section 7 of the Customs Act, 1962. While for trading through LCSs situated on Bangladesh and Bhutan border, there is a Free Trade Agreement (SAFTA), Border Trade Agreement have been entered into with China and Myanmar.

10.2 The Committee was informed that border trade is different from trade through air, land or sea ports as trade through ports involves clearance through customs and has large volume. Border trade in contrast is "over-land trade" by way of "exchange of commodities" from a bi-laterally agreed list by people living along both sides of the international border.

10.3 The Committee notes that physical infrastructure including road, rail and air connectivity is a serious problem in North East. It is of prime importance that a viable policy with a focus on the improving these facilities must be firmed up. Roads are real facilitator to transport connectivity in the region and therefore need to be built and well maintained in the region. Though about 80 per cent of the District Headquarters in the North Eastern States have been covered by the National Highways and the remaining 20 per cent is supposed to be covered under the next phase of the plan which is under consideration yet connectivity within the region is not very good and it is quite difficult to travel between the States themselves.

10.4 **The Committee is of the view that all the State capitals and district headquarters must be linked with good road networks. Moreover, meter gauge railway lines that exist in the region need to be replaced with broad gauge to facilitate easy transportation of goods across the region. The network of railways should be extended to reach North east capitals. It is disconcerting to note that Sikkim is yet to be linked with railways.**

10.5 **The Committee also feels that since the distances are long, rainfall is heavy, and landslides are frequent, the air services can play a significant role in providing connectivity throughout the region. All the State capitals need to get connected with air network. Non-functioning airports should be re-built immediately for providing transport linkages. With the opening up of international trade with adjacent countries, especially ASEAN, another international airport with optimal cargo handling facilities may be opened up.**

10.6 The Committee is of the view that development of border trade with the neighbouring countries would have special significance to the economic growth of the States of North-East India due to its geographical isolation from the mainland and its relative proximity to the vibrant market economy of the neighbouring South East Asian countries. A bird's eye view of essential export infrastructure available in various States of North East Region (NER) has been highlighted below:

(i) **Arunachal Pradesh**

10.7 The Government of Arunachal Pradesh has identified seven border trade points at Indo-China border, one border trade point at Indo-Myanmar border and two border trade points at Indo-Bhutan border. Development of infrastructure is under process in Indo-Myanmar and Indo-Bhutan sector.

10.8 The Committee notes that Nampong (Pangsau Pass) Land Customs Station (LCS) located in Changlang District is the only Land Customs Station (LCS) that got approved by the Government way back in August 1951 for Indo-Myanmar border trade. The Nampong LCS is not fully operational for want of a response from Myanmar side to make it fully operational. Dongshemang LCS located in Tawang District is another

LCS being developed and proposed for Indo-Bhutan border trade by the Government of Arunachal Pradesh. The State Government has created many infrastructure projects in the Indo-Myanmar border and Indo-Bhutan border under ASIDE Scheme. There is no Export Processing Zones (EPZ) at present in Arunachal Pradesh. No proposals under EDF are stated to have been accepted by the Government of India as yet.

10.9 **The Committee notes that there are lots of difficulties for completion of paperwork by traders at the Land Customs Station (LCS). The local traders still lag behind in their marketing capabilities. Thus proper training and guidance in these areas need to be given to the traders. The infrastructure built for export purposes at the trading points needs a lot of improvement in terms of the structure, purpose, etc and the same must be built by reputed agencies or firms in order to provide world class facility. It, therefore, recommends that the Department of Commerce engage the State Government to bail it out of the above problems.**

(ii) **Assam**

10.10 Assam is sharing international border with Bangladesh, Bhutan and Myanmar and is endowed with sufficient opportunity to enhance trade with these countries. To facilitate foreign trade with various neighbouring countries bordering North-East India, Government of India has taken a new initiative to create all infrastructure facilities for the exporter of the region for development of trade and commerce. The State Government has approved five Border Trade Centres at Sutarkandi in Karimganj district, at Mankachar and Golokganj in Dhubri district, Darranga in Baksa district and Jagun in Tinsukia district to facilitate border trade with neighbouring countries like Bangladesh, Bhutan etc.

(iii) **Manipur**

10.11 The officially designated Export Point in the State is Moreh town and there is a Land Custom Station with the facilities for clearance of export documents. There is also a Land Custom Station at New Checkon, Imphal East which acts as the central processing office for export clearance. There is also a warehouse of 400 MT at Moreh which provide storage facilities of export/import goods and a weigh bridge of capacity 40 MT.

10.12 At present there is no Export Processing Zones in the State. However, a Special Economic Zone for export is being identified and developed in Thoubal District. A cold storage chain for export and import of poultry and meat is also being proposed and developed at Nilakuthi Food Park , Imphal East.

10.13 **The Committee notes that at present the EXIM trading is mainly through barter system and proper normal trading through currency and banking channel is still lacking. A major initiative to promote exports includes development of Integrated Check post at Moreh where all necessary export and import infrastructure is planned to be installed in place including facilities for immigration clearance.**

(iv) **Meghalaya**

10.14 The Committee notes that there are 10 Land Customs Stations in Meghalaya but only 8 are functional as of now. There are a total of 13 Integrated Check Posts (ICP) in India and Dawki, Meghalaya is one of the proposed ICP and currently land has been acquired for the purpose.

10.15 At present there is only one Export Processing Zone in the name of Export Promotion Industrial Park (EPIP) which is located at Byrnihat, Ri-Bhoi District, Meghalaya. The total area is approximately 259 acres.

Initially there were 52 units that were provided with land allotments in EPIP. However, at present 33 units have either become non-functional or has been closed down. It is interesting that at present none of the operational units is exporting its products as the realisation is more from domestic consumption compared to export realization. Secondly, the nearest port is very far at Haldia, West Bengal.

10.16 Border Haats have been developed based on an MoU between India and Bangladesh. At present there are two border haats in Meghalaya. One is at Kalaichar, West Garo Hills District and the other is at Balat, East Khasi Hills District. Four new border haats proposed in Meghalaya at Bholaganj, Ryngku, Sibari and Nolikata are most likely to be operational in 2016.

(v) **Mizoram**

10.17 The State of Mizoram shares its land border with Bangladesh and Myanmar. To enable Indo-Bangladesh trade, steps have been taken for setting up an ICP on the Tlabung-Thekamukh sector. The establishment of the ICP was initiated in the year 2005 and some progress has been made in terms of acquisition of land and transfer of the same to the Ministry of Home Affairs. The Committee was informed that if the process to set up the ICP could be accelerated it will help boost trade and economy in the State of Mizoram. The State Government is pursuing the matter with the Central Government requesting for an expeditious action. The other ICP is at Kawrpuichhuah where a multi-storied Trade Facilitation Centre at Tlabung (Demagiri) has been constructed at a cost of ₹ 118.00 lakhs. The proposal for assistance for a bridge over the Theka river to connect Thekamukh (Bangladesh) from Kawrpuichhuah (India) is also pending with the Ministry of Home Affairs.

10.18 **The Committee notes that Tlabung (Demagari) - Thegamukh route was the traditional trade route in this area where trading activity, both commercial and on traditional/customary lines, has been in existence since the late 19th century. This route was the main supply link to the southern Mizoram, connecting it to the bustling port of Chittagong and other parts of the British administered Chittagong Hill Tracts areas and thence to the rest of the country. Though the volume and range of formal trade underwent a steep decline in the post-independence era, especially after 1965, but informal trading activity, exchange of goods and commodities through customary/traditional means and movement of people have continued unabated till date. The Committee is of the view that opening this trade corridor would be of substantial significance to the local economies on both sides of the border, besides generating other positive externalities. Presently, the range and diversity of goods and items being exchanged/traded in this sector is quite impressive and is bound to increase in extent and quality once the trade is formalized.**

10.19 **The Committee is convinced that there is a considerable potential for boosting exports from Mizoram in agriculture, horticulture and floriculture sector besides forest based produce like Bamboo, teak etc. There is also a sizeable demand of quarry stones and stone chips from Mizoram in Bangladesh which can be tapped for earning dividends for this resource-starved region.**

10.20 As regards Indo-Myanmar border, the Committee notes that necessary infrastructure to set up Zokhawthar LCS has been completed. Even though the required export/import infrastructure have been put-in place, the connecting link on Myanmar side of the border is a major hindrance for increasing trade volume. Therefore, improvement of Rih-Kalemyo road *via* Tiddirn-Falam has been sanctioned and construction is in progress.

10.21 As a part of implementing the Look East Policy, the Kalädan Multi-Modal Transit Transport Project was taken up. This Project will cover two-lane road from Silchar to Sittwe port in Myanmar. Lawngtlai to

Indo-Myanmar Border road is under Special Accelerated Road Development Programme for Development of Roads in NER (SARDP-NE) and construction is going on whose total length is 104 Kms. This Kaladan road from Lawngtlai and Paletwa road from Myanmar will meet at the Indo-Myanmar Border called Zorinpui near Zochachhuah. An LCS at Zorinpui is being set up. The proposed Land Custom Station of Zorinpui is touching the inhabitants of Chin State of Union of Myanmar and traditional mutual benefit trade transactions have been carried out for generations by the peoples of both countries. Zorinpui will be India's Gateway to South East Asia. Zorinpui LCS to Kaletwa-Paletwa is 129 Km. by road and Paletwa to Sittwe Port in Myanmar is only 158 Km. by Inland Water Transport (IWT) through Kaladan river.

(vi) **Tripura**

10.22 Tripura has 84 per cent of its border common with the neighbouring country of Bangladesh. The estimated Indo-Bangla trade through Tripura in 2013-14 was ₹ 230.24 crore. Agreements and joint dialogues are on between India and Bangladesh for promotion of sustainable larger foreign trade with Bangladesh through the Land Custom Stations of Tripura.

10.23 The State had transport links with and through Bangladesh, before partition of India in 1947, which have since been snapped. Official trade between Tripura and Bangladesh has been going-on mainly through Akhaura check post.

10.24 Facilities for "Border Haats" have been identified for trade in the State at Kamalasagar, Boxanagar, Bamutia in West Tripura; Simantapur, Srinagar and Ekinpur in South Tripura; Pal basti (Raghna) in North District and Hirachera (Kailashahar) in Unokati District Tripura and Kamalpur in Dhalai District.

10.25 There are 8 notified Land Custom Stations (LCSs) of which 6 are operational. Among them Agartala LC station has the proper infrastructure and is fully functional. Srimantpur LC Station has been completed but not yet inaugurated. It is also worth mentioning that Dhalaighat LCS is operational for immigration purpose only.

10.26 There are no Export Processing Zones in the State. However, the Bodjungnagar Industrial Growth Centre is being developed as an EPZ to serve the purpose. The Industrial Growth Centre has created three main divisions namely- (a) Rubber Park (b) Bamboo Park (c) EPIP.

10.27 The overall infrastructure is relatively poor, and exporters are facing a lot of problems like, certifications issues, payment issues etc. The construction of a bridge over Feni River has been waiting for a long time. The DPR for the same has been sent to the Central Government for sanction. Only noteworthy step in recent times has been the Agartala -Kolkata Direct Bus Service, but other similar projects such as waterway connectivity to Chittagong and Ashuganj port are still pending.

10.28 **The Committee is of the considered opinion that the true potential of the North East Region has not been optimally harnessed. The economic activities are predominantly in primary sector with very little industrial or manufacturing activity. The industrial backwardness in the NER has largely been due to absence of necessary infrastructure for connectivity and power. It is important that these bottlenecks are removed immediately to enable this region to emerge as an economic power-house. The Committee notes that the Government has been running various programmes/schemes to promote investment and industrialization in NER but the results of these programmes/schemes have failed to impress. The Committee feels that optimal development of export infrastructure in the Region would help improve the industrial fabric of the Region apart from bringing in perceptible**

improvement in living standards of the people. The Committee finds that many ICP and LCS, in the region do not have adequate infrastructure. Many proposals for building roads and bridges to facilitate entry to the huge South East Asian markets are pending with the Government of India. Some of these have been mentioned in the preceding paragraphs. The Committee desires that the concerned Departments/Ministry take necessary steps to address the inadequacies afflicting the export infrastructure in the region.

10.29 The Committee feels that there is an immense potential for agro-processing industries *via* joint ventures with the North Eastern Regional Agricultural Marketing Corporation (NERAMAC). It is hoped that with the change in the business environment there would be a change in the situation and there would be people from other parts of the country investing in the region. **The Committee desires that the Department of Commerce in coordination with the Ministry of Development of North Eastern Region organize business summits with various organizations/business chambers to promote economic activities in the region. The Committee was given to understand that exports from NER are more of the primary products and less of processed articles and whenever we have border trade, we end up exporting primary products from our side and buying Chinese goods from the other side. The Committee is convinced that this system of trade needs to be further diversified with more export of value added products.**

10.30 **The Committee is further of the view that there is a need to strategize the whole region as one unit for export promotion. To boost the exports from the region, it is essential to further improve the intra-state/intra-region connectivity among various trade points. The Committee also feels that there is a need for entrepreneurship training to the local producers as well as extension of financial and administrative support to local producers, especially in terms of marketing of products, which could provide an impetus to exports from the region.**

10.31 The Committee feels that North Eastern Region can see immense economic development once the Stilwell Road which runs from North-East India, through Arunachal Pradesh and Myanmar and from Myanmar to China is reconstructed. However, the Committee was informed that the matter of re-opening of the Stillwell road was considered within the Ministry of External Affairs (MEA) and it has been felt that the proposal is premature at present. **The Committee hopes that MEA will engage Myanmar on reconstruction of Stilwell road as soon as the situation becomes favourable for the same.** The Committee is, however, happy to note that a road alignment from North-East India to Myanmar and from there to China is being considered under the Bangladesh-China-India-Myanmar (BCIM)-Economic Corridor which connects Kolkata *via* Dhaka and Sylhet to Silchar and Imphal and onwards into Myanmar and South-West China.

10.32 The Committee also takes note of India-Myanmar-Thailand Trilateral Highway (TH) which has been envisaged as an important connectivity project being implemented to facilitate economic integration between India and ASEAN. The agreed route of the TH (1,360 km) is identified as follows: Moreh (India), Tamu, Kalewa, Yargi, Monywa, Mandalay, Meiktila, Nay Pyi Taw, Taungoo, Oktwin, Payagyi, Theinzayat, Thaton, Hypaan, Kawkareik, Myawaddy, Mae Sot (Thailand). The entire alignment of the TH coincides with the alignment of the Asian Highway (AH) 1 which starts at Tokyo and ends at border of Bulgaria in Europe. The part of AH 1 which coincides with the TH is as follows: Mae Sot (Thailand) - Myawadi - Payagyi (- Yangon) - Meiktila - Mandalay - Tamu - Moreh (India). The Committee is happy to note that such a grand road infrastructure will enable our exporters reach both the corners of the Europe and Asia.

10.33 **The Committee strongly feels that Inland Water Transport (IWT) on the river Kaladan between Paletwa to Sittwe Port may be effectively developed. Also, the development of the port of Sittwe**

which started in December, 2010 with Indian assistance must be expedited. The Committee notes that the inland portion of the project which entails construction of 129 km. highway link between Paletwa IWT Terminal and Indo-Myanmar border *via* Kaletwa *i.e.* Zorinpui has not been firmed up so far. The Committee urges Ministry of External Affairs to finalise the arrangements with Myanmar for the construction of said highway link in order to provide unhindered flow of goods to Myanmar and further south and east to South East Asian countries.

10.34 The Committee further notes that in order to promote trade across the border, an agreement with Myanmar was signed to open a Border Haat at Pangsau Pass under the MoU on Establishment of Border Haats along the India-Myanmar border in May 2012. It would be the first of its kind along the border with Myanmar and modalities for operationalization of Border Haats have been proposed to be signed with the Government of Myanmar at an early date. **The Committee is of the view that the MEA may expeditiously take up the issue with Government of Myanmar to open the proposed Border Haat at Pangsau at the earliest.**

RECOMMENDATIONS/OBSERVATIONS—AT A GLANCE

1. **The Committee is of the view that absence of a composite view on infrastructure has been the major obstacle in creation of optimal infrastructure to give boost to manufacture and export in the country. It feels that there is a need to reduce the number of agencies responsible for development of infrastructure. Rather the scope of these agencies may be expanded for quicker decision making and better coordination.** (Para 1.3)

2. **The Committee is of the considered opinion that despite all these interventions, there is a need for a much more structured and organized interventions not only for making an assessment of the felt needs of export infrastructure but also optimal operation of that infrastructure.** (Para 1.6)

3. **The Committee is of the considered opinion that the financial allocations made under ASIDE Scheme during previous years have not been adequate. However, without taking away the credit that the Scheme, within its limited resources helped in creating export infrastructure in many States, the Committee, nonetheless, believes that the availability of increased resource at the disposal of the State Governments consequent to the recommendation of 14th Finance Commission will act as a catalyst for States to optimally take care of their export infrastructural needs without looking for assistance from the Centre. Instead of looking for small infrastructure projects, the States can now go out for export infrastructure projects of larger remit in terms of scale as well as impact bringing substantial improvement in their export profile.** (Para 1.7)

4. **The Committee, however, feels that the Department of Commerce must further deepen their engagement with the State Governments and spread awareness about the merits of having an optimal export infrastructure and export promotion in general. This is important in view of the fact that barring a few exceptions, States are generally not taking desired interest in export development. They take export as a drain on their exchequer since they have to refund VAT on the products exported. This attitude of the State Governments needs to be discouraged. The Committee also hopes that introduction of Goods and Service Tax (GST) system throughout the country would also help the States to change its orientation towards export promotion in a positive manner.** (Para 1.8)

5. **The Committee desires that the Department get such strategy prepared for all the States and Union Territories in the country. The Committee hopes that the States would participate in export promotion in view of the potential of employment generation in the sector. It recommends the Department to make concerted effort to bring every State/UT on board on this issue.** (Para 1.9)

6. **The Committee hopes that the States would utilize this forum to demand and create necessary export infrastructure for themselves. It also recommends the Department of Commerce to ensure frequent engagement between the Council and the States.** (Para 1.11)

7. **The Committee feels that SCOPE-Shipping and SCOPE-Air need to be more active to enable optimal exports in the country since there is a large-scale infrastructural gap on both the fronts.** (Para 1.12)

PORT AND SHIPPING SECTOR

8. **The Committee, however, feels that there will be tremendous demand on port capacities once the Make in India campaign and industrial corridors take-off. Also, the recent launch of Start Up India programme will add to the momentum generated by the Make in India campaign and the industrial corridors. The Committee, therefore, recommends the Department to engage the Ministry of Shipping to factor in these developments and adequately address the likely demands on port sector.** (Para 3.6)

9. **The Committee agrees that key efficiency parameters in major ports have shown some improvement over the years but it will serve better to remember that these parameters are still quite far from the world-class standards. Moreover, the grievance of the users of ports still continue on long turnaround time and pre-berthing detention in terms of hours. The Committee is of the considered opinion that incremental improvements take away the benefits so accrued after a short while. It is important that the improvisations are carried out lock, stock and barrel. The Committee also learnt that with some de-bottlenecking, most of the ports will add almost hundred million tonnes to the capacity without adding a berth. One such deficiency or bottleneck noticed by the Committee is absence of mobile cranes at ports. It recommends the Ministry of Shipping to urgently redress this particular constraint.** (Para 3.9)

10. **The Committee recommends that regulatory framework of major ports may also be put to minimum and adequate autonomy may be allowed to them to play according to the existing market forces.** (Para 3.10)

11. **The Committee feels that fixing of tariff on volume basis by the Tariff Authority for Major Ports (TAMP) needs correction as the tariff in Europe and other ports are fixed on the basis of value of cargo handled. It is of the view that TAMP should be replaced by a more market oriented framework leading to greater investment in terminal operations, their modernization, and their efficiency. This in turn would help attract more shipping to Indian ports, increase export income from port and terminal activity, and lead to the development of a genuine hub port in India. Similarly, services provided by the landlord port in India such as dredging, maintenance of berths and effective presence of customs and other allied agency related clearance also need to be improved.** (Para 3.11)

12. **The Committee desires that the Ministry of Railways take into account the general problem of rail connectivity to all ports and the concerns of the VPT in particular so that the Port Trust can deliver port services optimally.** (Para 3.12)

13. **The Committee also noted that road network that connects CFS and terminals around most major ports are sub-standard and retard operational efficiency. These roads not only need to be broadened and strengthened but also an effective public transportation system should be put in place for smooth movement of men and material between the CFS and the ports. The Committee feels that solution to improving hinterland connectivity lies in creating dedicated infrastructure projects.** (Para 3.13)

14. **The Committee hopes that the connectivity problem would be optimally solved by the Port Rail Company. The Committee desires that Port Rail Company may also undertake such infrastructure development that would ease the cost of switching between modes of transports (intra-modal connectivity).** (Para 3.14)

15. **The Committee, therefore, recommends the Ministry of Shipping to ensure that the Port Community System (PCS) becomes a reality rather than its remaining a mere proposal on paper.** (Para 3.15)

16. **The Committee is of considered opinion that any practice of overcharging by the shipping lines must be immediately checked. The Committee notes that the shipping lines are able to escape liability by virtue of the acceptance of the bill of lading of the shipping lines by the exporter/importer. In view of this, the Committee is of the considered opinion that the shipping lines may be brought under the ambit of the Shipping Trade Practices Act which would make them liable for unfair practices. Besides the provision of Customs Act mandating shipping lines to display their charges must be strictly implemented and the Ministry of Shipping must take all necessary measures to bring about transparency in the working of the shipping lines. The Committee also recommends the Government to take necessary measures in order to ensure that the shipping lines do not fix their own exchange rate which is 7-8 per cent more than the prevalent exchange rate. They may take the rate from the CBEC exchange rates for customs or RBI exchange rates but certainly not an exchange rate based on their whims and caprice.** (Para 3.19)

17. **The Committee agrees that there is an urgent need to augment the Indian tonnage and increase the quantity of cargo carried on Indian ships, which also calls for cargo support. The emerging sectors, where there is a potential for enhancing trade (exports and imports), need to be focused upon and ways to open up sea routes on these sectors need to be considered. It may not be forgotten that China has built global operations based on high volumes of trade and has strategically used its market power to develop large liner services that is now part of a major vessel-sharing agreement (Ocean Three). The Committee recommends the Ministry of Shipping to take all concerned Ministries/ Departments whose Public Sector Enterprises (PSEs) deal in bulk cargos like coal, petroleum products, steel and fertilizer to work out for creation of additional tonnage for Indian shipping industry. There is also a need to increase fleet size and invest in newer vessels. Indian ships on average are 14-18 years old compared to global average of 10-12 years. A robust Indian shipping industry is *sine qua non* for cost effective shipping of Indian exports.** (Para 3.20)

18. **The Committee also feels that the Government may consider incentivizing vessel-sharing agreements (VSAs) on major regional routes creating opportunities for route network development between Indian shippers and global majors. A strategic discussion on operational feasibility and specific nature of incentives required can be initiated between global majors and large Indian private shipping companies under the aegis of Ministry of Shipping and coordinated by Ministry of Commerce and Industry.** (Para 3.21)

19. **The Committee desires that the Government revisit the tax structure for Indian shipping industry and create necessary environment for overall growth and development of Indian shipping.** (Para 3.22)

20. **The Committee welcomes this proposal as it will help address the problem of high shipping cost for a part of our export cargo. The building of these trans-shipment hubs in deep South India would enable smooth transportation and delivery of cargo to big ships travelling to Sri Lanka, which handles about two million standard containers originating in and destined for India every year, at a much reduced shipping cost, thereby, increasing our export competitiveness. The Committee**

recommends that the Government must create these trans-shipment hub infrastructures in a timely manner at the earliest. (Para 3.23)

21. **The Committee is of considered opinion that absence of Hub Port is a major gap in our shipping eco-system and there is an urgent need to build one at the least. Such a facility would enable more and more direct calls of vessels including mother vessels which would help in effective reduction in transshipment of cargo to Singapore or Colombo thereby bringing down the cost substantially to the tune of almost 50 per cent to 80 per cent depending on the shipping distance of the destination.** (Para 3.24)

22. **The Committee recommends the Government to take necessary steps to hold discussions with major foreign shipping lines and take them on board as partners in the development of a strategic commercial maritime development plan for India. It also desires that the Government weave a basket of incentives and policy support to major liner shippers and Indian operations (including coastal shipping operators) for developing liner routes linking East and South East Asia with Europe, East Africa and Middle East with India. Such a plan should be jointly developed by Ministry of Shipping and Ministry of Commerce and Industry with hard deadlines and effective monitoring system for implementation and clearly demarcated roles and responsibilities for different Government agencies. The plan should be made integral to the industrial and freight corridor strategy of the Government of India.** (Para 3.25)

23. **The Committee is of the view that relaxation in Cabotage law would help in more direct call of ships of the capacity of six thousand TEU and below, as is happening from JNPT. It is felt that more and more direct call of ships would help in avoiding transshipment in Singapore or Colombo, thereby, substantially bringing down the shipping cost. This would also help one of the ports on the Eastern Coast become a hub for smaller direct lines in times to come. The Committee desires that until the time the domestic shipping industry is well developed, the Cabotage law may be relaxed.** (Para 3.26)

24. **The Committee hopes that the concerns as mentioned in preceding paragraphs would be accounted for while preparing the working blue-prints of the project. The Committee also hopes that the project will be completed within the fixed timeline. In case the time-frame has not been fixed an early timeline may be prescribed for completion of the Project.** (Para 3.27)

25. **The Committee hopes that the Department of Economic Affairs would leave no stone unturned for facilitating financial assistance for such infrastructure projects from World Bank, ADB or similar agencies. The Committee is also of the considered view that the Government must provide necessary support to promote inland waterways.** (Para 3.29)

ROAD SECTOR

26. **The Committee welcomes this initiative and hopes that Bharatmala programme would give substantial boost to much desired seamless logistic eco-system and help make Indian export competitive in world market. The Committee desires that the project may be taken up at the earliest and completed within shortest timeline. The Committee also recommends the Ministry of Shipping to share the details with the Ministry of Road Transport and Highways about the contract of the non-major port which does not itself provide that it was the concessionaire responsibility to take**

up the road construction. This would help the Ministry of Road Transport and Highways take up projects for those non-major ports in right earnest. (Para 4.5)

27. **The Committee is of the considered view that the construction of the proposed national highways would give fillip to existing export infrastructure in road sector and drive our exports. The Committee, however, would like to underline the urgency to complete the proposed projects at the earliest dateline.** (Para 4.6)

28. **The Committee feels that every tool available with the Government may be exploited by it in the best possible manner to build the national highways. It is also equally important that private players are provided congenial environment in terms of Model Concession Agreement (MCA) so that they can also participate with enthusiasm in this national cause. The Committee is of considered opinion that the Ministry of Road Transport and Highways suitably employ various PPP models like BOT (Annuity), BOT (Toll), BOT (Hybrid Annuity), Design, Build, Operate and Transfer (DBOT), Engineering Procurement Construction (EPC) as per the nature and need of the Highway Projects proposed to be constructed. The Committee feels that this basket of options will attract private investments in the roads and highways sector. The Committee is also of the view that the Government must ensure that the projects are prepared properly and all statutory clearances including land acquisition are put in place so that the projects are completed in the fastest possible manner.** (Para 4.7)

29. **The Committee views such delays are unwarranted and completely unacceptable. It recommends that the Government take urgent steps to prevent such delays. The Committee feels that technological solutions like smart cards for toll payments, tag lane driving, prepaid State taxes through online facility, etc. may be adopted for smooth, hassle-free transport of cargo. There is also an urgent need to have an integrated logistic solution whereby necessary infrastructure is put in place for smooth movement from the entry ports to manufacturing or distribution locations or from manufacturers and distributors to consumers and exit ports.** (Para 4.8)

30. **The Committee is of considered view that on the lines of imported products, a system may be devised for export products too where the Excise authorities after verifying the product for export may issue 'goods checked and sealed certificate' which may be deemed adequate to cover compliance for all the 17 Acts and Rules. Since Excise Department has verified export declaration and the legality of the export product, there should be no stoppage for physical inspection once the carrier has been granted the all-encompassing certificate. The Committee at the same time also desires that all measures must be taken to ensure that there is no contamination of products en-route to prevent any abuse of green pass system. It, therefore, recommends that for all categories of goods, container sealing quality should be improved using the best available sealing mechanism instead of the lower grade sealing used now. High quality seals are not prohibitively expensive and trade would not mind bearing the extra cost to obtain the facilitation from a green pass. For sensitive categories of goods, container trucks should be mandatorily made to have a CCTV system installed that would automatically record visual every time the container door is opened or the trucks stops for more than 5 minutes. The CCTV recording would be retrievable from a central tower mechanism. Such technologies are already in place in many South East Asian countries and are not very expensive to install and maintain.** (Para 4.10)

31. **The Committee is also conscious of the fact that there is a shortage of excise and customs staff which may make it difficult to work out an optimal framework of green pass system. The Committee in the light of this constraint feels that trusted clients Agile Certified Practioner (ACP) or Authorised Economic Operator (AEO), or a new scheme developed jointly between Ministry of Commerce and Industry and Department of Revenue based on recommendations to the Taskforce on Transaction Costs may be allowed to self-seal (with the same standardized high quality seal) and get a green pass issued for their self-sealed containers, with a Risk Management System (RMS) put in place that would have randomized physical inspection of such self-sealed containers with severe penalties for non-compliance.** (Para 4.11)

32. **The Committee firmly believes that the Government must address this problem of poor roads on urgent basis. It hopes that Ministry of Finance will give due importance to the fund requirements for maintenance for roadways. Poor quality of road is as good as there being no road. While the Committee desires that adequate budget outlay must be provided by the Ministry of Finance for road maintenance, it would also like to reiterate its recommendations made in its 95th Report on Cement Industry that the Ministry of Road Transport and Highways take steps to promote cement concrete roads in the construction of national highways. Since cement concrete roads have a design life of 30 to 50 years depending on the specifications, the maintenance costs on these are nothing in comparison to maintenance of bitumen road. The Committee is also of the view that where there is difficulty in building concrete cement road, the Ministry may use rubberized bitumen to construct the highways.** (Para 4.12)

RAIL SECTOR

33. **The Committee is of the considered view that there is an immediate need to improve the state of infrastructure utilization through a better spatial distribution of export cargo and, to some extent, within these three ports also, through a better temporal distribution.** (Para 5.5)

34. **The Committee is of the considered view that the Government needs to look for remedies to utilize the available capacity at Vallarpadam in a cost effective manner. This will also help declog the ports on Western Coast resulting in the reduced turnaround time in those ports.** (Para 5.6)

35. **The Committee takes a serious view of the lackadaisical attitude on the part of Railways to complete the doubling of these two important lines. It recommends the Ministry of Railways to take up the doubling project on priority and complete the doubling at the earliest so that cargo can go into the port and get evacuated in timely manner.** (Para 5.7)

36. **The Committee is of the view that the higher rail freight has an adverse impact on the cost competitiveness of Indian exports. The Committee hopes that the Ministry will progressively rationalize the passenger fare and cut down the burden on the cargo movement.** (Para 5.9)

37. **The Committee strongly feels that the Ministry of Railways undertake a traffic rationalization study to find out ways to enhance the speed of movement of goods by train since timely delivery is crucial for export cargo. The Committee notes that Indian Railways has prepared a blue print for throughput enhancement works on high density routes in 2007-08 but nothing substantial has been done for capacity enhancement, network decongestion etc. The Committee recommends the Ministry of Railways to complete all the pending projects of doubling with electrification for smooth traffic flow between ports and hinterland.** (Para 5.10)

38. **The Committee desires that Department of Commerce in coordination with Ministry of Railways and Ministry of External Affairs engage the concerned neighbouring countries for the movement of goods through the rail corridors.** (Para 5.11)

39. **The Committee expresses its happiness over the construction of Eastern Dedicated Freight Corridor (EDFC) which will more than double the railway freight transport capacity in that corridor but more importantly enable the Railways to provide better service more reliably and at lower cost. Fast and reliable transport is of crucial importance for export business as export consignments are planned to arrive at the ports to connect with ship sailings. Ships of particular shipping lines that can carry export goods to specific destinations call at Indian ports only periodically and if a shipment misses a ship due to transit delay in rail transport, it has to wait at the port for another two or three weeks for the next ship. This causes much hardship for the exporters as delays in shipment lead to loss of business.** (Para 5.12)

AIRPORT SECTOR

40. **The Committee strongly feels that the bottlenecks like increasing dwell time, missing and non-traceable cargo, inadequate and overloaded infrastructure facility, inadequate air side infrastructure for cargo operations, less number of dedicated parking bays for freighter aircraft, inadequate off-site facility for cargo processing, congestion at cargo terminals, under utilization of terminal space, shortage of landside truck docks, vehicle holding area, airside operational space, lack of specialized storage and handling facilities for hazardous, radioactive and vulnerable cargo, poor quality of roads connecting air cargo terminals with cities, high tax regime on Air Turbine Fuel (ATF), non-availability of all major allied agencies required for clearance of cargo, lack of separate area for transit cargo, illegal encroachment of airport land, etc. have badly affected the optimal growth of air cargo sector in India and all these need to be addressed effectively.** (Para 6.2)

41. **During its visit to RGIA, the Committee found that the storage facility for the perishable food crops needs to be augmented and timely delivery of cargo especially the perishable crops must be ensured. The Committee desires that APEDA subsidy may be extended to the airport to install cold storage for agro-commodities. The Committee also feels that given the centrality of location, Hyderabad could well emerge as the cargo hub for the entire country, or at least for South India. The Government may take a feasibility study to explore this possibility. The Committee is of the considered opinion that export through air may be increased provided the existing infrastructural bottlenecks are removed and policy aimed at ensuring reasonable air freight rates are put in place. The Committee finds the Ministry of Civil Aviation and Airports Authority of India are lacking on both the fronts. It, accordingly, recommends that suitable steps may be taken in this direction. The Committee would further like to impress upon the Ministry of Civil Aviation that there has been a significant transformation in the profile of export cargo. Export of sophisticated high value products like pharma products apart from perishable items like flowers and processed food products has been progressively increasing. Presence of well equipped air cargo handling airports in Tier II and Tier III cities under the control of AAI would facilitate growth of such high value industry in and around those cities, thereby, enhancing employment opportunities and economic growth in hinterland. The Committee is convinced that all AAI managed airports develop desired infrastructure for air cargo. The Committee also feels that the Ministry of Civil Aviation take necessary steps**

for significant increase in the share of air cargo and develop India as the regional hub for the SAARC countries. (Para 6.4)

42. **The Committee is concerned over this pace of growth. It is of the considered opinion that growth at such a pace will lead nowhere in becoming export superpower. The Committee desires that the Ministry firm up a perspective plan in order to give necessary boost to air cargo in the country for export purpose. The plan of action so framed must enable Tier II and Tier III cities having airports develop as regional cargo hubs with good connectivity with roads and rail network. The Committee also strongly feels that 31 non-operational airports under AAI may be utilized for dedicated air cargo.** (Para 6.5)

43. **Despite such an increase in volume of cargo, provision for the facilities has not been given adequate attention. The Committee expresses its concern over this state of affairs and recommends the Ministry of Civil aviation and the AAI to do the needful. There is likely to be spurt in air cargo with further deepening of e-commerce and the Government must take adequate measures to not only handle the rise in traffic volume but also promote air cargo. The Committee is nonetheless happy to learn that Ministry of Civil Aviation has decided to develop Guwahati as the regional air cargo hub for NER.** (Para 6.6)

44. **The Committee though appreciates the decision to develop Delhi and Chennai as cargo hubs, still it feels that the process of study must be expedited as there will further be an inter-ministerial consultations on the recommendations accepted by the Ministry which will again take some time before a decision is arrived at. The Committee recommends the Ministry of Civil Aviation to complete the entire exercise of study as well as inter-ministerial consultations within one year so that necessary infrastructure at these two airports may be put in place at the earliest.** (Para 6.7)

45. **The Committee is of the considered view that such unregulated charges need to be regulated. It recommends the Ministry of Civil Aviation to ensure that such unregulated charges are not imposed by the private airport operators. Also, space to interested logistic parties on long-term leases in the air cargo terminals should be provided under a rational and effective lease-rent agreement.** (Para 6.8)

46. **In this backdrop, the Committee feels that setting up Air Freight Station like Container Freight Station may be promoted in the country. The Committee recommends that the Government firm up a policy for setting up Air Freight Stations and also ensure that Customs officials are stationed in these freight stations. The Central Board of Excise and Customs may explore the possibility of seeking compensation from such private operators towards payment of salaries/allowances for customs officials deployed in their freight stations.** (Para 6.9)

INLAND CONTAINER DEPOTS (ICDs)/ CONTAINER FREIGHT STATIONS (CFSs)/ INTEGRATED CHECK POSTS (ICPs)/ LAND CUSTOM STATIONS (LCSs)

47. **The Committee feels that CONCOR may approach the State Governments which have created land banks for industrial estates for setting up an ICD.** (Para 7.4)

48. **The Committee recommends that the remit of Customs Clearance Facilitation Committee may also be extended to land ports. There is also a need to develop much more testing facilities at land ports so that there is a smooth facilitation of export cargo from dry ports.** (Para 7.5)

49. **The Committee notes that the Customs Department has put in place a 'single entry permit system' by following standard operating procedure by which the vehicles from one country can come up to Land Customs Station (LCS) of the other country but due to inadequate infrastructure, the desired support is lacking. It was also brought to the notice of the Committee that presently about five LCSs have IT infrastructure and to bring in the IT infrastructure gradually, the Customs Department has identified a large number of LCSs. The Committee feels that the infrastructural bottlenecks may be removed at the earliest.** (Para 7.8)

50. **The Committee is satisfied over the development of various ICPs and it recommends the Government engage the neighbouring countries for early start of the ICPs.** (Para 7.9)

51. **The Committee is of the view that these dry ports and land stations can be utilized more effectively if a proper warehousing policy is in place. The committee notes that warehousing is an important infrastructure need for EXIM sector. The market is highly fragmented with organized players holding only about 8 per cent of the total warehousing space in India; which indicates that tremendous opportunity for modern warehouses equipped with tall designs, modular racking systems, palletisation and use of automation systems is on the increase.** (Para 7.10)

CUSTOMS FACILITATION

52. **The Committee expresses its displeasure over the fact that the Custom server (EDI) often suffers from a down time. It strongly feels that an additional server space for Customs may be provided in order to ensure that there is no downtime in EDI and an effective paperless eco-system may be set up. It also recommends that vacant position of Customs Appraisers and Superintendents may be urgently filled up. The Committee hopes that all concerned Departments/Ministry will take necessary action in coordination with each other to address all the constraints mentioned here.** (Para 8.3)

53. **The Committee emphasizes that mere good intentions just on paper are not good enough. This is more important in view of the fact that if the reforms/policy decided at the Board level are implemented on the ground then the country can witness an upward spike of two to three per cent in the GDP.** (Para 8.4)

EXPORT FINANCE

54. **The Committee appreciates the various products offered by Banks to facilitate a robust export credit framework but it also strongly feels that the rate of interest on such credit may be brought down. Also, the Banks must ensure regular exporters meet and have tie-up with various credit information bureaus to obtain information on the overseas parties for the benefit of export business customers.** (Para 9.4)

55. **The Committee is of the view that EXIM Bank has primarily confined its operations in coastal areas and big cities of the country. The Committee strongly feels that the Bank should reach hinterland areas so that export infrastructure may be created giving a boost to exports from those areas.** (Para 9.9)

EXPORT INFRASTRUCTURE IN NORTH EAST

56. **The Committee is of the view that all the state capitals and district headquarters must be**

linked with good road networks. Moreover, meter gauge railway lines that exist in the region need to be replaced with broad gauge to facilitate easy transportation of goods across the region. The network of railways should be extended to reach North East capitals. It is disconcerting to note that Sikkim is yet to be linked with railways. (Para 10.4)

57. **The Committee also feels that since the distances are long, rainfall is heavy, and landslides are frequent, the air services can play a significant role in providing connectivity throughout the region. All the State capitals need to get connected with air network. Non-functioning airports should be rebuilt immediately for providing transport linkages. With the opening up of international trade with adjacent countries, especially ASEAN, another international airport with optimal cargo handling facilities may be opened up.** (Para 10.5)

58. **The Committee notes that there are lots of difficulties for completion of paperwork by traders at the Land Customs Station (LCS). The local traders still lag behind in their marketing capabilities. Thus proper training and guidance in these areas need to be given to the traders. The infrastructure built for export purposes at the trading points needs a lot of improvement in terms of the structure, purpose, etc and the same must be built by reputed agencies or firms in order to provide world class facility. It, therefore, recommends that the Department of Commerce engage the State Government to bail it out of the above problems.** (Para 10.9)

59. **The Committee notes that at present the EXIM trading is mainly through barter system and proper normal trading through currency and banking channel is still lacking. A major initiative to promote exports includes development of Integrated Check post at Moreh where all necessary export and import infrastructure is planned to be installed in place including facilities for immigration clearance.** (Para 10.13)

60. **The Committee notes that Tlabung (Demagari) - Thegamukh route was the traditional trade route in this area where trading activity, both commercial and on traditional/customary lines, has been in existence since the late 19th century. This route was the main supply link to the southern Mizoram, connecting it to the bustling port of Chittagong and other parts of the British administered Chittagong Hill Tracts areas and thence to the rest of the country. Though the volume and range of formal trade underwent a steep decline in the post-independence era, especially after 1965, but informal trading activity, exchange of goods and commodities through customary/traditional means and movement of people have continued unabated till date. The Committee is of the view that opening this trade corridor would be of substantial significance to the local economies on both sides of the border, besides generating other positive externalities. Presently, the range and diversity of goods and items being exchanged/traded in this sector is quite impressive and is bound to increase in extent and quality once the trade is formalized.** (Para 10.18)

61. **The Committee is convinced that there is a considerable potential for boosting exports from Mizoram in agriculture, horticulture and floriculture sector besides forest based produce like Bamboo, teak etc. There is also a sizeable demand of quarry stones and stone chips from Mizoram in Bangladesh which can be tapped for earning dividends for this resource-starved region.** (Para 10.19)

62. **The Committee is of the considered opinion that the true potential of the North East Region has not been optimally harnessed. The economic activities are predominantly in primary sector with very little industrial or manufacturing activity. The industrial backwardness in the NER has largely**

been due to absence of necessary infrastructure for connectivity and power. It is important that these bottlenecks are removed immediately to enable this region to emerge as an economic power-house. The Committee notes that the Government has been running various programmes/schemes to promote investment and industrialization in NER but the results of these programmes/schemes have failed to impress. The Committee feels that optimal development of export infrastructure in the Region would help improve the industrial fabric of the Region apart from bringing in perceptible improvement in living standards of the people. The Committee finds that many ICP and LCS, in the region do not have adequate infrastructure. Many proposals for building roads and bridges to facilitate entry to the huge South East Asian markets are pending with the Government of India. Some of these have been mentioned in the preceding paragraphs. The Committee desires that the concerned Departments/Ministry take necessary steps to address the inadequacies afflicting the export infrastructure in the region. (Para 10.28)

63. **The Committee desires that the Department of Commerce in coordination with the Ministry of Development of North Eastern Region organize business summits with various organizations/ business chambers to promote economic activities in the region. The Committee was given to understand that exports from NER are more of the primary products and less of processed articles and whenever we have border trade, we end up exporting primary products from our side and buying Chinese goods from the other side. The Committee is convinced that this system of trade needs to be further diversified with more export of value added products.** (Para 10.29)

64. **The Committee is further of the view that there is a need to strategize the whole region as one unit for export promotion. To boost the exports from the region, it is essential to further improve the intra-State/intra-region connectivity among various trade points. The Committee also feels that there is a need for entrepreneurship training to the local producers as well as extension of financial and administrative support to local producers, especially in terms of marketing of products, which could provide an impetus to exports from the region.** (Para 10.30)

65. **The Committee hopes that MEA will engage Myanmar on reconstruction of Stilwell road as soon as the situation becomes favourable for the same.** (Para 10.31)

66. **The Committee strongly feels that Inland Water Transport (IWT) on the river Kaladan between Paletwa to Sittwe Port may be effectively developed. Also, the development of the port of Sittwe which started in December, 2010 with Indian assistance must be expedited. The Committee notes that the inland portion of the project which entails construction of 129 km. highway link between Paletwa IWT Terminal and Indo-Myanmar border *via* Kaletwa *i.e.* Zorinpui has not been firmed up so far. The Committee urges Ministry of External Affairs to finalise the arrangements with Myanmar for the construction of said highway link in order to provide unhindered flow of goods to Myanmar and further south and east to South East Asian countries.** (Para 10.33)

67. **The Committee is of the view that the MEA may expeditiously take up the issue with Government of Myanmar to open the proposed border Haat at Pangsau at the earliest.** (Para 10.34)

MINUTES

*XII
TWELFTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 03.00 P.M. on Wednesday, the 20th May, 2015 in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Dr. Ashok S. Ganguly
4. Shri Shantaram Naik
5. Shri D. Kupendra Reddy
6. Shri Jesudasu Seelam
7. Dr. C. P. Thakur

LOK SABHA

8. Shri Sultan Ahmed
9. Shri Subhash Chandra Baheria
10. Shri Bodhsingh Bhagat
11. Shri Jitendra Chaudhury
12. Dr. Kambhampati Haribabu
13. Shri K. R. P. Prabakaran
14. Shrimati Kavitha Kalvakuntla
15. Shri Janak Ram
16. Shri D. S. Rathod
17. Shri Charanjeet Singh Rori
18. Adv. Narendra Keshav Sawaikar

SECRETARIAT

Shri S. K. Verma, *Joint Secretary and Financial Adviser*

Shri A. K. Gandhi, *Director*

Shri Narendra Kumar, *Joint Director*

Shri Amit Kumar, *Assistant Director*

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* 1st to 11th Meetings of the Committee pertain to other matters.

WITNESSES

Department of Commerce, Ministry of Commerce and Industry

1. Shri Rajeev Kher - Commerce Secretary
2. Shri J.K. Dadoo - Additional Secretary
3. Shri J.S. Deepak - Additional Secretary
4. Shri Pravir Kumar - DGFT
5. Shri Dammu Ravi - Joint Secretary

2. The Chairman, at the outset, welcomed the Members of the Committee to the meeting and informed them about the agenda. He informed the Members about the ensuing study visit of the Committee to Vishakhapatnam, Hyderabad, Chikmagalur and Bengaluru from 24th to 30th May, 2015 on the subject 'Export Infrastructure in India'. Attention of the Members was also drawn to the Rule 294 (i) of the Rules of Procedure and Conduct of Business in the Council of States (Rajya Sabha) regarding declaration of interests.

3. Chairman, thereafter, welcomed the Secretary, Department of Commerce and his colleagues to the meeting. He sought to know the Department's view on the challenges being faced by it on account of the existing export infrastructure and logistics available in the country. He desired to know whether any study has been carried out by the Department to chalk out the future requirements in export infrastructure and policy framework. He also invited the views on the issues like unavailability of dedicated examination areas at ports, inadequate cold storage facilities for perishable items at airports and ports, poor connectivity with hinterland etc., and how has it impacted our exports and the steps or measures the Government intended to take in this regard.

4. He also mentioned about the sub-optimal capacity utilization of major ports in the country and sought to know about the reasons for the same. He further sought to know about the potential available in the air cargo sector and the steps being contemplated/undertaken by the Department to tap such potential. He also enquired about the schemes put in place by the Government for creating export related infrastructure in the country. He also sought information on the likely impact of Trade Facilitation Agreement on our exports and country's preparedness in this regard.

5. Secretary, Department of Commerce apprised the Committee that the issue of trade infrastructure is addressed at several levels of intervention in the government and the whole dimension of infrastructure is distributed over in about 10 departments of the Government. He apprised the Committee about the ASSOCHAM's study done a few years ago which shows that India runs against a disadvantage of about 11% of its trade due to deficient infrastructure. He stated that deficient infrastructure and the manner in which infrastructure is being operated are the major obstacle to ensure competitiveness in manufacturing of goods and exports thereof.

6. Highlighting the fact that there is no central institutional mechanism which deals with the complete gamut of infrastructure required for trade in the country, he mentioned about the practical difficulties in putting up such a mechanism for development of infrastructure projects or exclusive usage of infrastructure for export. He briefed the Committee about the steps being contemplated/undertaken by the Department to address the issues pertaining to trade infrastructure. He submitted that the scheme, targeted to fill the gap as regards the infrastructural requirements of the country, Assistance to States for Infrastructure Development of Exports (ASIDE) has gone through a major transformation in the recent Budget. It was further brought

to the notice of the Committee that the Department has an in-house mechanism for licensing Inland Container Depots (ICDs) and the Container Freight Stations (CFSs).

7. The Committee was given to understand that consequent upon the recommendation of 14th Finance Commission, the share of states in the Union taxes through the Finance Commission has been increased from 32% to 42%. It was informed that the Budget 2015 has delinked ASIDE Scheme from Centre and now no funds could be routed through the Department of Commerce to States for ASIDE in 2015-16 and beyond that only ₹ 50 crores have been allotted for ASIDE Scheme. It was informed that the Department has sought ₹ 250 crores from Department of Expenditure in Revised Estimates (RE) in 2015-16.

8. Thereafter, a power point presentation was made by the Additional Secretary on the subject. It was informed that Indian exports have grown at a Compound Annual Growth Rate (CAGR) of 14% from 2004-05 to 2014-15. The Committee was informed about the constraints of infrastructure on trade capacity. It was stated that increase in transaction costs on account of logistics makes export uncompetitive. This problem further aggravated on account of delays in loading, congestion at ports, high dwell time at airports, unavailability of dedicated examination areas at ports, unavailability of cold storage for perishables at airports and ports, connectivity issues with hinterland etc.

9. Further, the Committee was apprised about the role being played by the Department as regard the trade infrastructure and it was submitted that apart from strategic interventions made by the Department in the form of ASIDE, SEZs, APEDA, MPEDA, Plantation Board etc., the Department is coordinating logistic and infrastructural issues across various Ministries.

10. The Secretary emphasized that despite all these interventions, there was a need for a much more structured and organized interventions not only for making an assessment of the felt needs of infrastructure but also optimal operation of that infrastructure. Further there was also a need to put in place a mechanism so that a proportional amount of the ASIDE budget is earmarked by the States out of the additional 10%allocation that goes to the States as per the Fourteenth Finance Commission for creation of trade infrastructure. It was also stated that the Central Government assign more resources for the purposes of infrastructure.

11. It was brought to the notice of the Committee that the Department of Commerce has strategized that all States along with all Union Territories would prepare their respective export strategies and till now 14 States have already appointed Export Commissioners to monitor the export strategy. Department of Commerce has designated 18 nodal officers to oversee the task of mainstreaming the efforts of the States informing the export strategies. Similarly, the Department is making attempt to prioritize exports as the agenda of Departments of Government of India. The Department of Commerce has requested 22 key Departments to appoint a Joint Secretary level officer as nodal officers for exports and 15 Departments have already appointed the nodal officers.

12. On the issue of Trade Facilitation Agreement, the Committee was apprised that the said Agreement has not yet come into force. The Agreement, however, aims at simplification and standardization of border procedures to expedite clearances. It calls for coordination of various agencies and creation of infrastructure by employing modern technology at the border. It was submitted that the Agreement will enhance transparency and predictability in foreign trade and reduce the transaction costs. At present, the Department has commissioned a baseline study of the various aspects of the Agreement.

13. The importance of the Council for Trade Development and Promotion was also highlighted by the Department. It was informed that the objective to have the Council is to infuse the spirit of exports into the States and identifying frontiers for the States and get every State into the process of decision making. The Secretary hoped that the States would utilise this forum to demand and create necessary export infrastructure for themselves.

14. The Committee was also informed that two high level committees, *viz.* Standing Committee on Promotion of Exports by Sea (SCOPE - Shipping) and Standing Committee on Promotion of Exports by Air (SCOPE - Air) are functioning under the Chairmanship of Additional Secretary (Infrastructure) in the Department of Commerce to look into the infrastructure aspects that goes into promotion of foreign trade of the country.

15. The Committee was also given to understand that the Directorate General of Foreign Trade (DGFT) has gone for complete review of the processes which are involved in trade and it is being tried to cut down the burden on the exporter as regard cost of exporting in terms of procedures. It was informed that as regards SEZ area, the Department has made the system completely online. The forms have been simplified and whole lot of processes have been straightened out with a view to lessen the transaction expenses for exporters. The Committee was also apprised that the Department is proposing an interest subvention scheme wherein the Department would identify certain sectors where the cost of capital would be subverted by a certain percentage so as to lessen the cost of capital for smaller exporters.

16. The Chairman, then, thanked them for the information provided and also requested the Department to furnish a written submission on the additional issues discussed to supplement the examination of the subject.

(The witness then withdrew)

17. A verbatim record of the proceedings of the meeting was kept.

18. The Committee then adjourned at 4.45 P.M.

XIII
THIRTEENTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 11.00 A.M. on Wednesday, the 15th July, 2015 in Committee Room No. '139', First Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Dr. Ashok S. Ganguly
4. Shri Shantaram Naik
5. Shri D. Kupendra Reddy
6. Shri Jesudasu Seelam

LOK SABHA

7. Shri Subhash Chandra Baheria
8. Shri Bodhsingh Bhagat
9. Shri Jitendra Chaudhury
10. Shri Sudheer Gupta
11. Shri Chandra Prakash Joshi
12. Shri K.R.P. Prabakaran
13. Shri T. Radhakrishnan
14. Shri Janak Ram
15. Shri Charanjeet Singh Rori
16. Adv. Narendra Keshav Sawaikar

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*
Shri A.K. Gandhi, *Director*
Shri Narendra Kumar, *Joint Director*
Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of Federation of Indian Export Organisations (FIEO)

1. Shri S.C. Ralhan, President
2. Shri Ajay Sahai, Director General and CEO

3. Shri T.S. Ahluwalia, Member, Managing Committee
4. Ms. Priyanka Mittal, Member

Representatives of Ministry of Shipping

1. Shri Rajive Kumar, Secretary
2. Dr. Alok Srivastava, Additional Secretary
3. Shri Barun Mitra, Joint Secretary
4. Shri N. Muruganandam, Joint Secretary (Ports)
5. Shri Deepak Shetty, DG (Shipping)
6. Shri A.K. Gupta, CMD, Shipping Corporation of India (SCI)
7. Shri A. Janardhana Rao, MD, Indian Ports Association (IPA)
8. Shri Neeraj Bansal, Chairman, Jawaharlal Nehru Port Trust (JNPT)
9. Shri Ravi M. Parmar, Chairman, MBPT, Kandla Port Trust (KPT)
10. Shri Atulya Mishra, Chairman, CHPT
11. Shri R.P.S. Kahlon, Chairman, Kolkata Port Trust (KoPT)
12. Shri Cyril C. George, Chairman, Mormugao Port Trust (MoPT)
13. Shri S.A.C. Bose, Chairman
14. Shri P.C. Parida, Chairman, New Mangalore Port Trust (NMPT)
15. Dr. C. Unnikrishnan Nair, Traffic Manager, Cochin Port Trust (CoPT)
16. Shri M.A. Bhaskarachar, CMD, KP Ltd.
17. Shri M.T. Krishna Babu, Chairman, VPT
18. Shri T.S. Balasubramanian, Member, TAMP

I. **ORAL Evidence of Representatives of Federation of indian export Organisations (FIEO)**

2. The Chairman, at the outset, welcomed the Members of the Committee to the meeting and informed them about the agenda. Then he welcomed the representatives of FIEO. He, thereafter, flagged various issues such as policy framework required to have a centralized monitoring on infrastructure; challenges on account of minimizing cost of transportation; desired structural reforms in the export infrastructure framework; efficacy of Council for Trade Development and Promotion; impact of ASIDE scheme in creating needed export infrastructure; impact of Trade Facilitation Agreement on custom structure, exporters, industry and agriculture; etc., and sought views thereon.

3. President, FIEO submitted that India has been ranked 2nd by the Boston Consulting Groups in its Report on Global Manufacturing Cost Competitiveness Index in 2014. However, Indian exports become uncompetitive on account of huge logistic cost. It was informed that logistic cost in India is about 14% of the GDP whereas in advanced economies like the US and EU it is 8% and 10% of the GDP respectively. The Committee was given to understand that certain sectors dependent on logistics lose 2% on sales return. It was stated that if India wants to become an exporting nation, Indian logistic infrastructure *viz.*, port, airport, road and rail must be of international standards built seamlessly through the entire system.

4. The problem of high shipping cost in India was flagged which is twice than China and near about three times that of Singapore. Even inland, the situation is no better since the cost of carrying a container from the factory in North India to a port in Western India is much more than transporting it from there to

any port in Europe. Further, the longer turnaround time at Indian ports coupled with high port handling charges and underperforming logistic systems have taken its toll on export timeline as well as export competitiveness. It was emphasized that there is a need to move from high-cost mode of road which accounts for 60% of freight traffic to low-cost mode of railway which accounts for 32% of the freight traffic to environmental mode of coastal shipping which account for only 7% of the freight. Further, the presence of 177 inter-State check-posts and 268 toll plazas across national highways results in costly delays. It was suggested that technological solutions like smart cards for toll payments, prepaid State taxes through online facility, etc. may be adopted for smooth hassle-free transport of cargo. Emphasizing on the need to have an integrated logistic solution, it was submitted that the country needs to have infrastructure from the entry ports to manufacturing or distribution locations or from manufacturers and distributors to consumers and exit ports.

5. Thereafter, a power point presentation was made for the perusal of the Committee highlighting the problem areas and suggestions thereon in respect of ports, Inland Container Deports (ICDs) and Container Freight Stations (CFSs). The growth pattern in volume of traffic in respect of major ports and non-major ports was also highlighted to underline the need for capacity augmentation and creation of innovative business solutions by the major ports. The Committee was also informed about the Management Information System (MIS) developed by the FIEO for the Department of Commerce for monitoring the turnaround time in ports and airports and also highlight bottleneck, if any, observed by them. The MIS is yet to be approved by the Department.

6. Elaborating on the need for better capacity utilization of the ports, it was suggested that till domestic shipping industry develops, the Cabotage Law may be relaxed which would help in shifting of the domestic cargo to Eastern Coast from the Western Coast.

7. Briefing the Committee about the role of States in export development, it was submitted that States are not taking desired interest in exports. They feel that export is a drain on their exchequer and they would lose VAT if export is supported. Responding to a query on the kind of engagement of FIEO with the States, it was informed that FIEO has completed export potential strategy for four States and the Department of Commerce has assigned it the task of framing export strategy for six other States. It was hoped that the States would participate in export promotion in view of the potential of employment generation in the sector. It was also felt that the central component of ASIDE Scheme may be earmarked for establishing airports and exhibition centres.

8. Dwelling upon the issue of Trade Facilitation Agreement, it was submitted that FIEO was *per se* in agreement of its signing. Dispelling the fear that there may be difficulty in its implementation, it was submitted that there will be lead time for every stakeholder to adjust themselves to the changes. Apprehensions were also expressed about an increase in imports on account of the Agreement. However, it was hoped that India being a signatory to the Agreement, Indian exporters would also get benefit in other countries.

9. The Committee's attention was also drawn on the issue of functioning of shipping lines. It was submitted that though CONCOR tariff is available online but the shipping lines are not following those tariff rates. The tariff imposed is as high as 100% over and above the CONCOR tariff in case of imports. Same is the case in export of products which also has to suffer high inland haulage charge. This has resulted in erosion of export competitiveness. It was, accordingly, requested that the shipping lines may be brought under the ambit of the Shipping Trade Practices Act which would make them liable. Till now the shipping lines could escape liability by virtue of the acceptance of the bill of lading of the shipping lines by the

exporter/importer. The issue of evading of taxes by these shipping lines and the need to have a relook at the CONCOR charges was also brought to the notice of the Committee. It was also suggested that there was a need to reduce the number of agencies responsible for development of infrastructure. Rather the scope of these agencies may be expanded for quicker decision making and better coordination.

10. The Chairman, then, thanked them for the information provided and also requested to furnish a written submission on the additional issues discussed to supplement the examination of the subject.

(The witness then withdrew)

II. **Oral Evidence of Representatives of Ministry of Shipping**

11. The Chairman, at the outset, welcomed the Secretary, Ministry of Shipping and his colleagues to the meeting of the Committee. He sought to know about the new initiatives taken by the Ministry to bring significant changes in the Indian shipping sector. He flagged issues like low budgetary allocation as compared to Road and Railway Ministry, blue print on internal generation of resources, non-building of hub port, lop-sided capacity utilization in respect of non-major ports.

12. The Chairman also raised various issues like slow progress in implementation of PPP project, delayed environmental and coastal clearances, delayed process of awarding of dredging and mechanization work, inefficient cargo handling, low productivity, inadequate draft, poor connectivity with other modes etc., impeding capacity addition at major ports. He also sought the views of the Ministry on the working of Tariff Authority for Major Ports and the reforms desired in the extant Cabotage Policy apart from the Ministry's preparedness to help the growth of the Indian shipping industry and action plan of the Ministry on non-uniform charges imposed by container line operators and freight forwarders.

13. Secretary, Ministry of Shipping, at the outset thanked the Committee for giving the opportunity to present their views on the subject. It was informed that ports play a vital role in the overall economic development of the country by providing an inter-face between ocean transport and land based transport. A power point presentation was made giving an overview of the existing ports in the country and the nature of their governance. It was submitted that the emerging global environment for international trade has opened up fresh avenues for the Maritime Sector and traffic in Indian ports has been steadily growing. Traffic handled by Major Ports has increased from 463.78 Million Tonnes (MT) in the year 2006-07 up to 581.33 MT in 2014-15.

14. It was apprised that the share of non-Major Ports in port traffic has grown steadily over the last few years from 28.63% in 2006-07 to 43% in 2014-15. The Committee was given to understand that the growing importance of non-Major Ports in handling cargo traffic has helped to alleviate the congestion at Major Ports.

15. Dwelling upon the capacity of Major Port, it was stated that capacity creation in Major Ports has kept pace with the increase in traffic over the years resulting in a favorable capacity traffic equation. The cargo handling capacity in Major Ports at the end of March 2015 was 871.52 Million Tonnes Per Annum (MTPA). It was submitted that the capacity likely to be available in the Indian Ports would be about 2331 million tonnes by 2018-19 which is more than sufficient to handle the expected traffic of 1430 million tonnes projected by Rakesh Mohan Committee. Underlining the importance of efficiency at Ports on the overall transaction costs, it was stated that key efficiency parameters in Major Ports like Average Turn

Around Time, Average Pre Berthing Detention Time and Average Output Per Ship Berth day have shown steady improvement over the years. Nonetheless, a study to benchmark the efficiency parameters of Major Ports to comparable international ports has been undertaken and for this purpose a leading consultancy firm of international repute has been engaged. The final report is expected to be available by December, 2015.

16. It was further submitted that the Ministry of Shipping is focusing towards encouraging and motivating the ports to take up capital dredging for increasing their existing drafts so as to attract larger size vessels and some of the ports, namely, Paradip, Kamarajar (Ennore), and Mormugao have already proposals in hand to increase their drafts so as to handle large capesize vessels.

17. Apprising the Committee about Public Private Partnership (PPP), it was informed that a total of 41 PPP projects have been made operational and 30 more PPP projects were under implementation at 12 Major Ports. In order to bring transparency, the Ministry has formulated a model Concession Agreement to be entered into by the Port Authority with the selected bidder for developing the project facilities and rendering port services.

18. Briefing the Committee about Tariff Authority for Major Ports (TAMP), it was informed that TAMP was constituted in April 1997 with a view to ensuring a level playing field for private operators in the ports. Guidelines for fixation of tariff in Major Ports were issued by the Government in 2005 based on cost plus principle which were replaced in 2008 by fresh guidelines for fixation of port user charges based on normative rates. Fresh Guidelines were again issued in 2013 allowing flexibility to PPP operators to link port tariffs to market forces. It was brought to the notice of the Committee that these guidelines have been well received by the trade and industry and is expected to attract more investors to port sector.

19. On the issue of mechanization and operational efficiency, the Committee was informed that 23 mechanization projects have been taken up during the last four years in order to improve the operational efficiency in Major Ports. The Committee was further informed that mechanization of Major Ports has resulted in reducing the average turnround time and average pre-berthing detention in terms of hours and has enhanced the average ship berth days output on account of tonnes. The Committee was also sensitized about the new initiatives being contemplated/implemented by the Ministry to improve the overall health of port sector in the country.

20. On the issue of high shipping cost, it was submitted that the port charges *per se* were not significant but the charges of shipping lines were quite substantial. It was stated that the solution to this problem lies in creation of Hub Port which can help in bringing down the shipping charges to the tune of almost 50% to 80% depending on the shipping distance of the destination. On the problem of overcharging by the shipping lines, it was submitted that as per the provision of Custom Act, shipping lines can be asked to display their charges and the Ministry was also looking into whether existing legal provisions can be amended in order to bring the transparency in the conduct of the shipping lines. The Secretary informed that there was a broad consensus in the Ministry that very intrusive regulatory framework for shipping lines might act counter-productive.

21. It was also submitted that the problem of high shipping cost can also be addressed by making a transshipment hub deep south so that cargo can be transported and delivered to big ships travelling just south of Sri Lanka. It was submitted that Colachel in Tamil Nadu, as identified by the consultants, is said to be the best location for a transhipment port. Also, a proposal has been made by the Government of Kerala to set up a similar hub in Vizhinjam.

22. The Committee was further informed that the Ministry is also examining the possibilities to relax the Cabotage law for Eastern Coast to enable cheaper movement of cargo as larger ships of 18 or 20 Twenty-foot Equivalent Units (TEUs) would not visit the Eastern Coast and in times to come one of the ports on the Eastern Coast may become a hub for smaller direct lines. The Committee was further apprised about the proposal to extend the list of waterways.

23. The financial allocations to the Ministry was also discussed. The Secretary stated that as regards pure terminal port projects, the PPP experience has been good. However, in cases where basic infrastructural development is needed for ports or promotion of inland waterways is desired then public funding becomes essential.

24. The Chairman thanked the Secretary for the information provided and also requested him to furnish a written submission on the additional issues discussed to supplement the examination of the subject.

(The witness then withdrew)

25. A verbatim record of the proceedings of the meeting was kept.

26. The Committee then adjourned at 1.28 P.M.

XIV
FOURTEENTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 05.00 P.M. on Thursday, the 6th August, 2015 in Room No. '63', First Floor, Parliament House, New Delhi.

MEMBERS PRESENT

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Shrimati Thota Seetharama Lakshmi
4. Shri Vayalar Ravi

LOK SABHA

5. Shri Subhash Chandra Baheria
6. Shri Bodhsingh Bhagat
7. Shri Jitendra Chaudhury
8. Shri Chhotelal
9. Shri Sudheer Gupta
10. Shri Chandra Prakash Joshi
11. Shri K.R.P. Prabakaran
12. Shrimati Kavitha Kalvakuntla
13. Shri Dhananjay Mahadik
14. Shri T. Radhakrishnan
15. Shri D.S. Rathod
16. Shri Charanjeet Singh Rori
17. Adv. Narendra Keshav Sawaikar

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*
Shri A.K. Gandhi, *Director*
Shri Narendra Kumar, *Joint Director*
Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of Ministry of Road Transport and Highways

1. Shri Vijay Chhibber, Secretary
2. Shri M.P. Sharma, Member (Technical), NHAI

Representatives of Ministry of Railways

1. Shri Kundan Sinha, Member Traffic
2. Shri H.K. Kala, Additional Member (Planning)
3. Shri Girish Pillai, Adviser (Infrastructure)

Representatives of Ministry of Civil Aviation

1. Shri Arun Kumar, Joint Secretary
2. Dr. Renu Singh Parmar, Economic Adviser
3. Shri R.K. Srivastava, Chairman, AAI
4. Shri G.K. Chaukiyal, Member (Ops), AAI
5. Ms. Neera Rawat, Director (Security), AAI

2. At the outset, the Chairman, welcomed the members of the Committee and informed them about the agenda of the meeting. Thereafter, he welcomed the Secretary, Ministry of Road Transport and Highways, Member, Traffic, Railway Board and Joint Secretary, Ministry of Civil Aviation. The Chairman in his opening remarks flagged various pertinent issues facing the overall growth and development of export infrastructure in the country and invited their suggestions to optimize the growth of export infrastructure.

3. Secretary, Ministry of Road Transport and Highways informed the Committee about the action plan contemplated by the Ministry to improve the condition of roads in the country. He informed that there is a continuing overdependence on the road sector. It was submitted that though substantial efforts are being made by the Ministry of Railways, the dependence on road is continued. He stated that currently the Ministry is serving only major ports. However, at the commencement of the Twelfth Plan, at the draft stage the Ministry suggested the Planning Commission to include a new programme to connect the national highways grid to the non-major ports along with the 28 airports which have road connectivity issues.

4. Dwelling over the new initiatives undertaken by the Ministry, he apprised the Committee about the Bharat Mala Programme. It was informed that the Programme envisages to capture the physical contours of the northern borders as well as the left-out ports along the southern side of the country. The Programme would cover all the land frontiers and land corridors, both on the West as well as in the North and East. Apart from Bharat Mala Programme, it was informed that the Ministry contemplates a programme for connecting backward areas, areas of religious importance and areas of tourist importance for which 7,000 kilometres of fresh national highways have been envisaged. The Ministry also contemplates to connect almost 123 district headquarters which are till now not covered in the National Highway Grid.

5. The Committee was informed that against the target of 10,000 kilometres of award as envisaged by the Ministry in the current year, till July 3,100 kilometres have already been completed. It was stated that the basic target is to award 8,000 to 10,000 kilometres every year to achieve the target of 30 kilometres of road construction daily as against the current rate of 18 kilometres per day. He also informed the Committee that the Ministry has written to the Secretary, Ministry of Shipping to confirm them about the non-major ports which could be taken up where the award of the contract by the non-major port does not itself provide that the concessionaire was to take up the road construction.

6. The Committee was informed that the Ministry is planning to approach CCEA with regard to 3-4 new policy initiatives with an objective of cleaning up the mess of the past 70 odd projects out of which almost 45 have been terminated and have either been re-bid or are in the process of being bid out. It was submitted that 19 projects have been resolved and 15 projects will get resolved very shortly.

7. On the issue of maintenance of roads, the Committee was informed that due to paucity of funds maintenance work is not being carried out in the desired manner. The Government emphasise on new roads and toll roads because tolling implies transferring the maintenance liability on to a private concessionaire. It was further informed that to avoid delays at the tolls technical solutions can be put in place to address the issue.

8. Member Traffic, Railway Board in his presentation shared with the Committee the capacity of the railways as regards handling the cargo including both imports and exports. He informed that the Ministry is originating almost 160 rakes on an average daily basis and loading to ports is about 66 rakes per day creating a huge imbalance as a result of which Railways required to position empty rakes at ports for evacuating predominantly import traffic. It was submitted that 22% of the total rail-bound export cargo is containerized and the total rail-bound export is only 24%. The Committee was given to understand that as far as container traffic is concerned there are 36 trains per day originating from various ports and almost the same amount of traffic is going back into the ports. It was also submitted that out of 36 trains, 32 trains are going into or coming from just three ports *i.e.* Jawaharlal Nehru Port, Mundra Port and Pipavav Port. It was informed that there is scope for improving infrastructure utilization through a better spatial distribution of export cargo and to some extent within these three ports also through a better temporal distribution.

9. The Committee was apprised that rail-bound container traffic grew by about 18% last year. In 2013-14, it was 32.5 million tonnes which grew to the tune of 38.5 million tonnes in the year 2014-15. It was submitted that the Government is in a position to sustain this growth without any significant increase in capacity through better temporal and spatial distribution of containerized cargo.

10. Informing the Committee about the preparedness of the Railway Ministry as regards Eastern Coast, it was submitted that the Railways has serious capacity constraints on evacuation from Visakhapatnam. It was brought to the notice of the Committee that a part of Visakhapatnam-Titlagarh-Raipur and Visakhapatnam-Titlagarh-Sambalpur line which was single line has already been doubled and the doubling of other parts of these lines has been sanctioned and the delay was predominantly on account of paucity of funds. It was also submitted that the Government has now been focusing on line capacity augmentation especially in congested corridors and it was hoped that significant progress would be made after completion of these projects.

11. Briefing the Committee about the Western Corridor, it was informed that the commissioning process would start in phases from the end of 2017 and get totally completed by about 2019 creating huge amount of capacity which would be available for serving ports not only in Mumbai area but also all along the Gujarat. The Committee was also apprised briefly about the initiatives being taken by the Ministry on account of doubling or electrification of lines and operating solutions to run double stack container trains. It was also submitted that the Railways is in a position now to sustain growth in moving containerised traffic from the Western Coast into the Northern hinterland and taking it back.

12. Joint Secretary, Ministry of Civil Aviation informed the Committee that since 1992 India has been following ‘Open Sky’ policy but it has not helped Indian air cargo industry. Briefing the Committee about the cargo infrastructure in the country, it was submitted that there are 25 international airports in the country and Durgapur airport, a private green-field airport, is the latest addition. Out of these 25 international airports 4 international airports are such where there are no international flights. 5 airports namely Delhi, Mumbai, Bengaluru, Hyderabad and Cochin are joint venture airports. It was submitted that growth rate of

cargo in India is 8 to 9% which is higher than the international growth rate. It was stated that the Ministry and Airports Authority of India (AAI) are committed to provide excellent infrastructure. It was brought to the notice of the Committee that there is no capacity constraint. It was submitted that airport infrastructure is not hindering the growth of air cargo in the country. It was suggested to have a single window clearance at the airport freight station so as to avoid the delay. It was further informed that the Government is trying to develop Guwahati as the regional hub for air cargo to take care of the requirement of north-east region. It was informed that the Ministry would set up the desired infrastructural facilities if there is a demand or an expected demand for air cargo.

13. Apprising the Committee about the coordination between the Ministry of Civil Aviation and other related Departments/Ministries, it was brought to the notice of the Committee that an inter-Ministerial group - 'Air Cargo Logistics Promotion Board' headed by the Secretary, Civil Aviation is in place to sort out inter-departmental issues. The Committee was informed that in India airport sector has always been passenger-centric and not cargo-centric. The growth of cargo has now started gaining importance in the Ministry as well as in the Airports Authority of India and the Government is now seriously thinking about how to pay more attention to the growth of cargo. It was submitted that RITES has been given the work of making a study whether a subsidiary corporation within the AAI could be created so as to give due focus toward cargo development in the country. Similarly, the Ministry is engaging some consultants to reduce the dwell time which is 72 hours as on today and bring it down to 6 hours which is the globally acceptable benchmark.

14. On the marketing issue, it was submitted that AAI has not been very aggressive on marketing front but AAI is thinking of how it could engage agents in the hinterland to capture the markets. It was submitted that Delhi and Chennai airports have been identified as cargo hubs and RITES has been asked to give a Detailed Project Report (DPR) about this. It was further informed that there are 20 destinations in Tier II and III cities which could be developed as regional hubs and 31 non-operational airports could be used only for dedicated air cargo.

(The witness then withdrew)

15. Thereafter, the Committee decided to meet on 10th August, 2015 at 4.00 P.M. to consider and adopt the draft 119th Report on Rubber Industry in India.

16. A verbatim record of the proceedings of the meeting was kept.

17. The Committee then adjourned at 7.27 P.M.

*I

FIRST MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 3.00 P.M. on Monday, the 8th September, 2015 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Dr. Ashok S. Ganguly
4. Shri Shantaram Naik
5. Shri Vayalar Ravi
6. Shri D. Kupendra Reddy

LOK SABHA

7. Shri Sultan Ahmed
8. Shri Subhash Chandra Baheria
9. Shri Bodhsingh Bhagat
10. Shri Sudheer Gupta
11. Shri Chandra Prakash Joshi
12. Shrimati Kavitha Kalvakuntla
13. Dr. Hari Babu Kambhampati
14. Shri Kamlesh Paswan
15. Shri K.R.P. Prabakaran
16. Shri T. Radhakrishnan
17. Shri Janak Ram
18. Shri Dipsinh Shankarsinh Rathod
19. Shri Charanjeet Singh Rori
20. Adv. Narendra Keshav Sawaikar
21. Shri Vinod Kumar Sonkar

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*

Shri A.K. Gandhi, *Director*

Shri Narendra Kumar, *Joint Director*

Shri Amit Kumar, *Assistant Director*

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* 15th Meeting of the Committee pertains to other matter.

WITNESSES

Representatives of Ministry of Steel

1. Shri Rakesh Singh, Secretary
2. Shri Syedain Abbasi, Joint Secretary
3. Shri Kalyan Maity, Director (RM&L), SAIL
4. Shri Binod Kumar, Director (Comm.), SAIL
5. Shri P. Madhusudan, CMD, RINL
6. Shri Narendra Kothari, CMD, NMDC
7. Shri G.P. Kundargi, CMD, MOIL

Representatives of Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers

1. Dr. V.K. Subburaj, Secretary
2. Dr. M. Ariz Ahammed, Joint Secretary (P)
3. Ms. Sunanda Sharma, Economic Advisor

Representatives of Ministry of Petroleum and Natural Gas

1. Shri Kapil Dev Tripathi, Secretary
2. Smt. Sushma Rath, Joint Secretary
3. Shri B. Ashok, Chairman, IOCL
4. Shri D.K. Sarraf, C&MD, ONGC
5. Shri M. Venkatesh, Director, MRPL

2. The Chairman welcomed the Members of the Committee to the first meeting of the Committee after its reconstitution on 1st September, 2015. The Committee, thereafter, as per the agenda * * *

3. The Chairman, then, discussed about the feasibility of visiting Varanasi and Gorakhpur for the Study Visit on the subject 'Export Infrastructure in India' in future. He, thereafter, welcomed the Secretary, Ministry of Steel, Secretary, Ministry of Petroleum and Natural Gas and Secretary, Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers and flagged various issues/concerns pertaining to subject 'Export Infrastructure in India' and sought their views thereon.

4. Secretary, Ministry of Steel, at the outset, informed the Committee that the public steel plants are primarily involved in import of raw-materials required in steel manufacturing. Stating that India has surpassed the United States in becoming the third biggest producer of steel in the world after China and Japan. It was submitted that in view of the capacity expansion programmes envisaged by the Government for the public steel plants, India is expected to become the second largest steel producer in the world leaving Japan behind by the end of 2016.

5. Apprising the Committee about the per capita consumption of steel in the country, he informed that the figure hovers around 60 kg as against the global average of 217-220 kg per capita per annum. Hence, there is a long way to go in terms of increase of steel consumption in India.

*** Pertains to other matter.

6. Briefing the Committee about the impediments and constraints being faced by Indian steel industry, it was submitted that the economic recovery has been slower than expectations. It was mentioned that there is a substantial financial stress in the steel sector and the cost of finance available is quite high. The Committee was also sensitized about the enormous surge in the cheap imports. It was informed that the Government has been taking necessary actions to safeguard the domestic steel industry and the import duties have been raised by 2.5% twice in the past three months and recently notices have been issued for imposition of safeguard duties. It was hoped that the precautionary measures being taken by the Government would help stabilizing the production of steel and also protect the market from an unfair onslaught of cheap imports into the country. Figures relating to import of coking coal and export of iron ore *vis-à-vis* finished steel were also shared with the Committee.

7. Dwelling on the infrastructural constraints being faced by the steel sector, it was submitted that some of Indian ports have very low draft due to which cape size vessels could not dock at these ports. This incapacity results in increase in the cost. Other infrastructural problems like poor level of mechanization of the ports, inadequate storage facility, rail and road connectivity especially in the eastern part of the country, etc., were also brought to the notice of the Committee.

8. The Committee was informed that SAIL primarily imports the raw material and not steel. It was submitted that traditionally steel products which are being imported are high technology items called CRGO steel and CRNO steel used for making transformers. Efforts are, however, being made by the Government to develop CRGO steel indigenously. The other category of steel import is of automotive steel as the existing domestic capacities have not been able to meet the demand. However, with POSCO setting up a coal rolling bill for automotive grade steel and an MoU signed by the Ministry with Arcelor Steel, it is hoped that India would soon become self-sufficient in automotive grade steel and imports of it may not be required.

9. Secretary, Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers in his submission informed the Committee that Indian pharmaceutical sector has done exceedingly well. The growth of this sector in the past ten years has been tremendous. About two lakh crore rupees worth of pharmaceuticals are being produced in the country of which one lakh crore rupee worth of pharmaceuticals are exported and rest are consumed domestically. Indian pharmaceuticals are being exported to more than 220 countries.

10. Briefing the Committee about quality parameters and good manufacturing practices, it was submitted that there are more than 12000 pharmaceuticals units in the country and most of these units are not complying with the standards prescribed by the World Health Organisation. It was submitted that the thrust of the Government is to increase the present level of 15% of these units to at least 50% which comply with the good manufacturing practices prescribed by the WHO to establish the fact that Indian drugs are not only cost effective but also of high quality. The Committee was informed that the Department is working on the Technology Upgradation Fund on the lines of Textile Upgradation Fund to ensure that small pharmaceutical units get substantial flow of funds to upgrade their capacity.

11. It was submitted that the Department has recently launched Cluster Development Programme with a total funding of about ₹ 125 crore to provide the common facilities for these pharmaceutical units for effluent treatment, training and testing.

12. Sharing the concern about huge quantity of imports especially bulk drugs and Active Pharmaceutical Ingredients (APIs), the Committee was informed that the Department is working towards a policy to establish bulk drug clusters in the country in order to enhance the capacity.

13. Informing the Committee about the importance of investments in R&D activities, it was submitted that presently the investment in the R&D activities is not as per the requirement of the industry. It was informed that unless we innovate in a very big way the future of our pharmaceuticals is going to be bleak. It was, however, submitted that the efforts are being made by the Department to enable our institutes produce skilled manpower and good scientists and have a funding mechanism to create start-ups in a very big way. The Committee was informed that the government has already established one national institute for this purpose.

14. The Committee was further apprised that the Department is also working out a medical devices policy and the recommendations made in this regard are likely to be implemented by the Department one by one. It was hoped that once these recommendations are implemented it will establish a very good system for producing medical devices in the country. The fund crisis being faced by the Department was also brought to the notice of the Committee.

15. Secretary, Ministry of Petroleum and Natural Gas in his submission informed the Committee there are 22 refineries for crude oil in the country with a refining capacity of 215 million metric tonnes per annum. 223 million metric tonnes of crude oil was processed in the year 2014-15. It was submitted that 189 million metric tonnes of crude oil was imported and about 34 million metric tonnes was available indigenously.

16. The Committee was given to understand that the whole petroleum industry is geared towards meeting the domestic requirement but there have been exports too. Briefing about the foreign investment in petroleum sector, it was submitted that foreign investment is basically in the exploration and production sector for crude oil. It was further informed that since 2010 there have been no bidding rounds for exploration blocks and production blocks and very recently the Government has decided to bid out the small and marginal fields which were earlier with ONGC and Oil India. The Committee was also apprised about the policy shift from production sharing to revenue sharing model whereby the Government has moved away from micro-management to macro management. It was further informed that the Ministry intends to come out with a larger uniform licensing policy covering all the blocks in future. The Committee was also informed that the Government has already decided to blend ethanol upto 10% and instructions to that effect have already been issued.

17. The Chairman thanked the Secretary for the information provided and also requested him to furnish a written submission on the additional issues discussed to supplement the examination of the subject.

(The witness then withdrew)

18. A verbatim record of the proceedings of the meeting was kept.

19. The Committee then adjourned at 5.08 P.M.

II
SECOND MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 3.30 P.M. on Wednesday, the 14th October, 2015 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Dr. Ashok S. Ganguly
4. Shri Shantaram Naik
5. Shri Vayalar Ravi
6. Shri D. Kupendra Reddy

LOK SABHA

7. Shri Subhash Chandra Baheria
8. Shri Bodhsingh Bhagat
9. Shri Jitendra Chaudhury
10. Shri Chandra Prakash Joshi
11. Dr. Hari Babu Kambhampati
12. Shri Dipsinh Shankarsinh Rathod
13. Shri Charanjeet Singh Rori

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*
Shri A.K. Gandhi, *Director*
Shri Narendra Kumar, *Joint Director*
Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of Ministry of Textiles

1. Shri S.K. Panda, Secretary
2. Shri A. Madhukumar Reddy, Joint Secretary
3. Smt. Sunaina Tomar, Joint Secretary
4. Smt. Anu Garg, Joint Secretary

5. Shri Alok Kumar, DC (Handlooms and Handicrafts)
6. Smt. Geeta Narayan, Joint Secretary
7. Dr. Kavita Gupta, Textile Commissioner, Mumbai

Representatives of State Trading Corporation of India Ltd. (STC)

1. Shri Khaleel Rahim, CMD
2. Shri Rajiv Chopra, Director (Marketing)
3. Shri Surender Kumar, Consultant

Representatives of Metals and Minerals Trading Corporation of India Ltd. (MMTC)

1. Shri Anand Trivedi, Director (Marketing)
2. Shri M.G. Gupta, Director (Finance)

2. At the outset, Chairman welcomed the members of the Committee and informed them about the agenda of the meeting.

3. Thereafter, he welcomed the Secretary, Ministry of Textiles and his colleagues to the meeting of the Committee. The Chairman in his opening remarks flagged various pertinent issues facing the overall growth and development of export infrastructure in the country and invited their suggestions to optimize the growth of export infrastructure.

4. Secretary, Ministry of Textiles informed the Committee that textile industry contributes to about 13% of the total export basket of the country with a share of 5% of the global market. It was submitted that textile industry is labour intensive industry and more than 10 crore people are engaged therein. Export figures were also shared with the Committee in respect of coated and laminated fabrics, knitted apparel and accessories, handicrafts, carpets, etc. It was also submitted that the Ministry of Textiles has 11 Export Promotion Councils dealing with separate garments.

5. Accepting the fact that the textile industry has not been able to do as good as it should have done, it was informed that considering the global demand it is the need of the hour to produce quality products at a competitive rate so as to enable our exporters to enter into global markets. Briefing the Committee about the major issues related to cotton, it was submitted that since China has changed its policy in this respect and accordingly it is not going in for more production of cotton which has created a major impact in India as we had been exporting about 10 lakh bales of cotton to China which has gone down drastically on account of the policy shift by China.

6. Apprising the Committee about the concern of the textile industry, it was informed that the domestic textile industry is being negatively impacted on account of two factors *viz.* cheap inputs from China and the anti-dumping duty imposed by Turkey on man-made fibre. It was further informed that excise duty to the extent of 12% on man-made fibre is also eroding the competitiveness of this industry. The Committee was also given to understand that in the new Foreign Trade Policy the benefits which were being given earlier to some countries like China, Latin America, Asian and US countries have not been withdrawn causing difficulties to the textile exports of the country.

7. Briefing the Committee about the Interest Subvention Scheme, it was submitted that the scheme ended on 31st March, 2014 and since it was a cushion for the exporters and providing them a security, Ministry of Textiles has requested Department of Commerce to extend it and the matter is under active

consideration of the Department. The Committee was also informed about the issues related to non-tariff barriers and Free Trade Agreements. It was brought to the notice of the Committee that Ministry need to have FTAs with countries of European Union and also the United States considering both the demand in these countries and the inherent capabilities of Indian textile industry. The Committee was also briefed about the various schemes being run by the Ministry of Textiles.

8. The Chairman thanked the Secretary for the information provided and also requested him to furnish a written submission on the additional issues discussed to supplement the examination of the subject.

(The witness then withdrew)

9. The Chairman thereafter welcomed the Chairman and Managing Director, State Trading Corporation of India Ltd. (STC) and the representatives of Metals and Minerals Trading Corporation of India Ltd. (MMTC) and raised various issues facing the export infrastructure in the country and sought their views and suggestions thereon.

10. Chairman and Managing Director, State Trading Corporation of India Ltd. (STC) at the outset informed the Committee that basically our imports have been higher than our exports making our trade balance always negative and it is primarily because of the import of crude oil to the extent of almost 75% of India's requirement. Thereafter a power point presentation was made giving a snapshot about the STC and the activities being undertaken by it. Thereafter, the Committee was briefed about the recent initiatives being taken by STC to boost exports. It was submitted that STC has signed an agreement with Iranian Government for export of steel plates/coils valued at approximately ₹ 17000 crore. Agreement with Iranian Railway for supply of ₹ 2.5 lakh metric tonnes of rails has also been done by STC. Apart from these initiatives, export of agro-pesticides to Iran, export of red sanders against specific orders of the Government, export of rice to Nepal, export of soya bean meal and other meals, export of cardamom and focus on trade with Russia are also being taken up by STC to increase/boost exports.

11. The Committee was also sensitized about the infrastructural bottlenecks affecting India's export. The Committee was briefly informed about the lack of adequate berths and terminals at ports particularly for larger vessels, obsolete techniques and equipments at ports; poor rail/road connectivity to the port areas; delays in availability of rakes for movements of export cargo; poor research facilities affecting high technology exports; lack of easy credit; complex and costly approval process and complex tax structure. CMD, STC also offered various suggestions to improve the export infrastructure in the country.

12. The Chairman thanked the CMD, STC for the information provided and also requested him to furnish a written submission on the additional issues discussed to supplement the examination of the subject.

13. Director (Finance), MMTC made a brief presentation before the Committee. He submitted that MMTC was set up in 1963. Briefing the Committee about the turnover, it was informed that last year the turnover has been to the tune of ₹ 18,237 crore with a profit of ₹ 47 crore. The Committee was apprised that as on date MMTC has been dealing with six core commodities. It has been exporting minerals to Japan, Korea and China. MMTC has been importing pulses, edible oils as per the requirement of the country. It has been exporting wheat also apart from pig iron. It was informed that MMTC has a steel plant which was set up in 1976 and it has been exporting pig iron to South East Asian countries. It was submitted that MMTC has been doing a lot of import of coal for supplying the same to power utility services. Apprising the Committee about the precious metals, it was submitted that MMTC has been supplying gold to exporters as well as to the domestic parties. It has also been promoting the monetization of gold.

14. It was informed that MMTC has set up Sical Logistics in Tamil Nadu with an investment of ₹ 600 crore for iron ore export but because of the policy of the government and the ban by Supreme Court, it could not export. MMTC has requested the government to give approval for convergence of import of coal considering the coal demand by the power utility services in the country. It was informed that MMTC has two investments in SEZs. One is 75 acre land at Kandla and the second is 200 acre land at Haldia. Development of Phase-I is in process at Kandla and the boundary walls have already been constructed at Haldia. The Committee was also given to understand that MMTC had constructed two godowns at Kakinada which were being used for export of rice and wheat. Both the godowns now have been given to private parties for the purpose. It was informed that MMTC has invested with the railways in the 'Own Your Wagons Scheme' and purchased six rakes to get the priority for iron ore export as well as freight discount so as to remain competitive in the international market for ten years starting from 2005 to 2015. At the end, the Committee was also briefed about the bottlenecks being faced by MMTC.

15. The Chairman thanked the representatives of MMTC for the information provided and also requested them to furnish a written submission on the additional issues discussed to supplement the examination of the subject.

(The witnesses then withdrew)

16. A verbatim record of the proceedings of the meeting was kept.

17. The Committee then adjourned at 5.42 P.M.

III
THIRD MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 3.00 P.M. on Tuesday, the 1st December, 2015 in Room No. '63', First Floor, Parliament House, New Delhi.

MEMBERS PRESENT

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Shrimati Thota Seetharama Lakshmi
4. Shri D. Kupendra Reddy

LOK SABHA

5. Shri Bodhsingh Bhagat
6. Shri Jitendra Chaudhury
7. Shri Jayadev Galla
8. Dr. Hari Babu Kambhampati
9. Shri T. Radhakrishnan
10. Shri Charanjeet Singh Rori

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*
Shri A.K. Gandhi, *Director*
Shri Narendra Kumar, *Joint Director*
Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of Ministry of Development of North Eastern Region

1. Shri Naveen Verma, Secretary
2. Shri A.M. Singh, Joint Secretary
3. Shri V.B. Pathak, Joint Secretary
4. Smt. Jhanja Tripathy, Joint Secretary & FA
5. Shri J.K. Sinha, Joint Secretary
6. Shri S.L. Meena, Joint Secretary
7. Shri S.N. Brohmo Choudhary, Sr. Economic Adviser
8. Shri B. Paul Mukiteh, Chairman and Managing Director, NEDFi

Representatives of Department of Border Management, Ministry of Home Affairs

1. Shri Anoop Kumar Srivastava, Secretary
2. Shri H.K. Makwana, Joint Secretary
3. Shri Y.S. Shahrawat, Chairman, LPAI
4. Shri A.K. Bamba, Member, LPAI
5. Shri Sandeep Kumar, JS & Commissioner, CBEC
6. Shri K.K. Sharma, ADG, BSF
7. Shri Rajiv Krishna, IG, BSF
8. Shri Deepak Kumar, IG, SSB
9. Col. Sanjay Sharma, Addl DIG, Assam Rifles
10. Shri Atul Kumar, CGM, NHAI

2. At the outset, Chairman welcomed the members of the Committee and informed them about the agenda of the meeting. Thereafter, he welcomed the Secretary, Ministry of Development of North Eastern Region and his colleagues to the meeting of the Committee. He flagged various pertinent issues facing the overall growth and development of export infrastructure in the country and invited their suggestions thereon.

3. The Secretary informed the Committee that the role of Ministry is to coordinate and facilitate the development programmes of the Ministries and State Governments and the Ministry is not involved directly in the infrastructure activity except when some states seek financial assistance under the Non Lapsable Central Pool of Resources (NLCPR) Scheme or the schemes of the North Eastern Council (NEC). It was submitted that the Ministry is involved in the monitoring of infrastructure projects of Central Ministries in NER. It was apprised that about 80% of the District Headquarters in the North Eastern States have been covered by the National Highways and the remaining 20% is supposed to be covered under the next phase of the plan which is under consideration. He accepted that despite all efforts, connectivity within the region is not very good and it is quite difficult to travel between the States themselves.

4. The Committee was also apprised about the major infrastructure programmes being undertaken by the Ministry such as programmes to develop road network in the NER, programme to connect to State capitals by rail apart from conversion of meter gauge into broad gauge, programme for development of Greenfield Airports and upgradation of existing airports, telecom plan to provide 2G mobile connectivity and optical fibre connectivity to Districts and Gram Panchayats. The Committee was then briefed about the steps being undertaken by the Ministry for connecting the neighbouring countries.

5. The Secretary apprised the Committee that the Ministry intends to set up processing industries in joint ventures with the North Eastern Regional Agricultural Marketing Corporation (NERAMAC). It was hoped that with the change in the business environment there would be a change in the situation and there would be people from other parts of the country investing in the region. It was informed that the Ministry organises business summits with various organisations for promoting economic activities in the region. The Committee was given to understand that exports from NER are more of the primary products and less of processed articles and whenever we have border trade, we end up exporting primary products from our side and buying Chinese goods from the other side.

6. Suggesting the measures for improving infrastructure bottleneck, it was submitted that there is a need to strategise the whole region as one unit for export promotion. To boost the exports from the region,

it is essential to further improve the intra-State/intra-region connectivity to various trade point. The Committee was further sensitized about the need of entrepreneurship training to the local producers. It was also informed that providing financial and administrative support to local producers, especially in terms of marketing of products, could change the State of export from the region.

7. The Chairman thanked the Secretary for the information provided and also requested him to furnish written replies on the points/queries/questions remained unanswered in the meeting to supplement the examination of the subject.

(The witness then withdrew)

8. The Chairman thereafter welcomed the Secretary, Department of Border Management, Ministry of Home Affairs and his colleagues to the meeting of the Committee. The Chairman in his introductory remarks flagged various pertinent issues facing the overall growth and development of export infrastructure in the country and sought plan of action of the Department to optimize the growth of export infrastructure.

9. The Secretary informed the Committee that in order to fillip to cross border trade along our land borders, Land Ports Authority of India (LPAI) was set up in March, 2012. Briefing the Committee about the role of LPAI, it was submitted that LPAI is to basically develop Integrated Check Posts (ICPs) along the land borders and also to manage them after they are developed. Chairman, LPAI gave a snapshot on the subject informing about the genesis, evolution and functions of LPAI. The Committee was also briefed about the various facilities being made available by the LPAI at ICPs. Dwelling upon the status of ICPs undertaken by Department for Phase-I, it was informed that seven locations *viz.* Attari (Punjab), Agartala (Tripura), Raxaul (Bihar), Petrapole (West Bengal), Jogbani (Bihar), Moreh (Manipur), Dawki (Meghalaya) were identified by the Department. It was informed that out of these seven identified locations, two ICPs namely, Attari (Punjab) and Agartala (Tripura) are operational and rest of the ICPs are at various stages of completion. The Committee then was informed about the status of ICPs undertaken for second Phase-II namely, Hili (West Bengal), Changrabandha (West Bengal), Sutarkandi (Assam), Sunauli (Uttar Pradesh), Rupaidiha (Uttar Pradesh) and Kawrpuichhuah (Mizoram).

10. The Committee was also sensitized about the challenges being faced by the Department in developing ICPs across the border. It was submitted that one of the challenges is the remoteness of the area which makes it very difficult to take men, machinery and material there. The problem is coupled with the very limited number of competent contractors delaying the finalization of the tender. North Eastern Region being hilly States, the working seasons is very short ranging from four to six months in a year because most of the time it rains very heavily and no work gets done. It was also submitted that the Department has to synchronize its activities with those of our counterpart countries because if we have the facility at our end but the counterpart country is not ready at the other end, then we will not be able to operationalise our ICP. It was suggested to make strategic arrangements with are counterpart countries to allow our operation to start so that they can accept passengers and goods at this location. It was informed that the Customs Department has put in place a 'single entry permit system' by following standard operating procedure by which the vehicles from one country can come up to Land Customs Station (LCS) of the other country but due to inadequate infrastructure, the desired support is lacking. It was also brought to the notice of the Committee that presently about five LCSs have IT infrastructure and to bring in the IT infrastructure gradually, the Customs Department has identified a large number of LCSs.

11. The Committee was further informed that recently the Government has signed an agreement with

Nepal, Bangladesh and Bhutan but the protocol has to be put in place. It was hoped that once the protocol is put in place, the practice of offloading of goods at border would stop and the vehicles coming from Bangladesh side can also come to the interior part India and the Department has agreed for providing immigration, exemptions, etc. It was also submitted that same kind of agreement is being discussed by the Government with Thailand and Myanmar also and once these agreements take concrete shape there will be free movement of our trucks to all these countries which in turn would definitely boost our export.

12. The Chairman thanked the representatives of Department of Border Management, Ministry of Home Affairs for the information provided and also requested them to furnish a written submission on the additional issues discussed to supplement the examination of the subject.

(The witnesses then withdrew)

13. A verbatim record of the proceedings of the meeting was kept.

14. The Committee then adjourned at 5.00 P.M.

IV
FOURTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 3.00 P.M. on Wednesday, the 9th December, 2015 in Room No. '63', First Floor, Parliament House, New Delhi.

MEMBERS PRESENT

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Shrimati Thota Seetharama Lakshmi
4. Shri Shantaram Naik
5. Shri Vayalar Ravi
6. Dr. C.P. Thakur

LOK SABHA

7. Shri Jitendra Chaudhury
8. Shri Jayadev Galla
9. Dr. Hari Babu Kambhampati
10. Shri K.R.P. Prabakaran
11. Shri Dipsinh Shankarsinh Rathod

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*
Shri A.K. Gandhi, *Director*
Shri Narendra Kumar, *Joint Director*
Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of Agricultural and Processed Food Products Export Development Authority (APEDA)

1. Shri Krishan Kumar, Chairman
2. Shri Sunil Kumar, General Manager
3. Dr. Tarun Bajaj, General Manager
4. Shri S.S. Nayyar, General Manager
5. Dr. Navneesh Sharma, General Manager

Representatives of Marine Products Export Development Authority (MPEDA)

1. Ms. Leena Nair, Chairman
2. Shri N. Ramesh, Director (Marketing)

Representatives of Department of Economic Affairs, Ministry of Finance

1. Shri Shaktikanta Das, Secretary
2. Dr. Saurabh Garg, Joint Secretary
3. Shri Raj Kumar, Joint Secretary
4. Shri S. Selva Kumar, Joint Secretary
5. Ms. Karamjeet Kaur, Assistant Director

Representatives of Central Board of Excise and Customs (CBEC)

1. Shri Najib Shah, Chairman
2. Shri L. Satya Srinivas, Joint Secretary

2. At the outset, Chairman welcomed the members of the Committee and informed them about the agenda of the meeting. Thereafter, he welcomed the Chairmen, APEDA and MPEDA and their colleagues to the meeting of the Committee. He flagged various pertinent issues facing the overall growth and development of export infrastructure in the country and sought their views and suggestions thereon.

3. Chairman, APEDA made a power point presentation giving a snapshot about the mandate, functions, activities of the APEDA. He informed the Committee that as per the WTO International Trade Statistics 2014, the global agri export was to the tune of USD 1.745 trillion and India was at sixth position in terms of global share in the agri exports valued USD 46.95 billion. It was submitted that the share of agri products in total merchandise exports of the country stood at 12.6 per cent out of which 55 per cent were the exports that have been monitored by APEDA. The value of this export was USD 21.34 billion. It was stated that the APEDA monitored exports have shown a positive growth of 160.99% in quantity terms and 603% in value terms during 2014-15 over 2005-06.

4. It was informed that APEDA provides financial assistance to Central/State Government/ PSUs/ Agencies/Department for setting up of post harvest infrastructure facilities; processing facilities for value addition; centers for perishable cargo (CPCs); and export testing laboratories. It was informed that 90 per cent of the eligible project cost is borne by APEDA as grant-in-aid and the balance 10 per cent is to be contributed by the concerned agency. The Committee was apprised that since 2005, APEDA has sanctioned 104 infrastructure projects across the country.

5. It was also informed that APEDA is entrusted with managing the Export Development Fund for North Eastern Region (EDF-NER). A total of 38 infrastructure projects have been sanctioned since 2000 under the EDF-NER.

6. Issues like delay in procuring land for projects, delay in finalization of O&M agency; lack of professional competence with implementing agency; frequent change of implementation agency by the State Government; poor monitoring by the State Government; and lack of adequate backward linkage were flagged by APEDA for inadequate development of common infrastructure. Also, infrastructural inadequacy of Indian ports causing vessel berthing delays; poor cargo handling techniques and equipment; lack of

access for containerized cargo; non-calling of mother vessels at Indian ports which have resulted in increased lead time and high transaction costs were also highlighted as the cause behind sub-optimal exports.

7. The Committee was briefed about various steps taken by APEDA to address infrastructural concerns to promote agri exports. It was also apprised that a study by M/s Price Waterhouse Coopers was commissioned by APEDA to identify infrastructure gaps in seven states. Infrastructural inadequacies in terms of pack houses, pre cooling facilities, processing facilities, individual quick freeze (IQF) facilities etc. have been identified. Also, creation of dedicated container terminals with proper berthing facilities and modern material handling equipment to handle container ships at exit points has been recommended.

8. As regards infrastructural development in PPP mode, it was informed that APEDA is in the process to firm up such proposal. The Committee was also informed that APEDA is making an assessment as to whether the infrastructure created by it is being optimally utilised or not.

9. Chairman, MPEDA in her submission informed the Committee about the functions of MPEDA and efforts made by it towards overall growth of the exports of marine products. The Committee was briefly informed about the export performance of marine products along with significant achievements of MPEDA.

10. It was stated that issues like poverty indebtedness of majority of the small scale fishermen, inadequate infrastructure, inadequate finance, poor connectivity to sea port, etc., have afflicted the sector for long. It was submitted that through its three quality control labs, MPEDA has tried to maintain quality of marine products. It was added that there was an urgent need to augment the value addition capacity so that the marine exports can bring in more value. Need for better hygienic conditions at fishing harbours meeting the EU standards was highlighted in order to give desired boost to marine exports. Creation of optimal infrastructure for auction, berthing, and delivering ice to fishing vessels in harbours were also flagged. It was also stated that necessary action was required for creating desired infrastructure for deep sea fishing in order to have a sustainable marine export eco-system.

11. The Chairman thanked the Chairmen of APEDA and MPEDA for the information provided and requested them to furnish a written submission on the additional issues discussed to supplement the examination of the subject.

(The witness then withdrew)

12. The Chairman thereafter welcomed the Secretary, Department of Economic Affairs and Chairman, Central Board of Excise and Customs and their colleagues to the meeting of the Committee. The Chairman in his introductory remarks flagged various pertinent issues facing the overall growth and development of export infrastructure in the country and sought plan of action to optimize the growth of export infrastructure.

13. Secretary, Department of Economic Affairs informed the Committee that the Department looks after the viability of overall infrastructural requirement of the Government. It was submitted that so far as the export infrastructure was concerned, the requirements are projected by the Department of Commerce and based on the priority given by it, the Department of Economic Affairs try to work out either a budget-funded support for that infrastructure project or a PPP structure for implementing the infrastructure projects.

14. The Committee was then briefed about the Viability Gap Funding (VGF) Scheme, administered by the Department of Economic Affairs. It was informed that the Scheme has been effective in promoting PPP projects in infrastructure sector and will help facilitate export from the country. Under the VGF Scheme, a

maximum of 40 per cent of the project cost under PPP is available as Viability Gap Funding and this contribution is shared equally between the State and the Centre for the project.

15. Secretary shared the details of the intervention made by his Department to raise funds for flagship infrastructure projects like Eastern Dedicated Freight Corridor (EDFC) Project and Western Dedicated Freight Corridor (WDFC) Project being implemented by the Ministry of Railways. It was informed that the Eastern Dedicated Freight Corridor Project proposed between Ludhiana and Kolkata has a total project cost of ₹ 30,358 crore of which ₹ 13,625 crores is loan component raised from the World Bank. The project is now in implementation mode. Similarly, Western Dedicated Freight Corridor connecting Jawaharlal Nehru Port Trust, Mumbai to Dadri, Uttar Pradesh has a total project cost of ₹ 81,459 crores and the Government has tied up a bilateral assistance from the JICA (Japanese International Cooperation Agency) on very concessional terms. It is hoped that these two freight corridors could be game changers in providing infrastructure facility for export promotion as well as for promotion of internal movement of goods.

16. It was further informed that under the National Highways Development Project (NHDP), several PPP projects are being taken up that would help in export promotion. The Committee was also briefed about the Indian Development and Economic Assistance Scheme (IDEA) being implemented by the Department of Economic Affairs and the Ministry of External Affairs through the EXIM Bank of India. This scheme has helped in project exports. The Committee was also briefed about the Export Credit and Guarantee Corporation (ECGC) which has emerged as the seventh largest credit insurer of the world in terms of coverage of national exports and plays a very important role with regard to promotion of exports.

17. The Committee was also briefed about setting up of two new international banks namely, New Development Bank (NDB) and Asian Infrastructure and Investment Bank (AIIB) which are coming up in Asia. The activities of the New Development Bank were getting operationalised and it shall start lending in the coming months. It was submitted that the Department of Economic Affairs will ask Department of Commerce for their priority in terms of exports' requirement and seek loan from these new institutions accordingly. The Department also hoped to take full benefits from AIIB which has been set up by the Chinese Government and where India is the second largest shareholder. It was also hoped that India should be able to get multilateral economic assistance by way of loans for implementation of various projects in the country.

18. Chairman, CBEC dwelt upon EDI related issues and informed the Committee that EDI has been rolled out in more than 129 locations and more than 98 per cent of Indian exports are done through the EDI. He submitted that the EDI system enjoys interface with the other major co-partners, the DGFT, banks and the SEZs and all the assessments are done online by the Department. It was also informed that the Department has put in place a Risk Management System (RMS) based on the information given by the exporter and the decision regarding clearance is taken by the system itself.

19. Dwelling on the efficiency brought about in customs clearance, it was stated that currently, the level of facilitation under RMS is more than 65 per cent. Also, the time taken for the customs between the filing of the shipping bill and the assessment and a facilitated bill of entry is under four minutes. The Committee was further informed about the incentives given to the exporters in the form of drawbacks being directly credited into the account of the exporter. It was submitted that the customs is aiming to bring in more and more transparency by increasing the levels of facilitation and increasing the levels of risk management.

20. The Committee was further informed that the process of having a single window for all export-related transaction is in progress and it was hoped that it would be finalised by the 31st January, 2016. It was

apprised that the Customs has installed 24X7 clearances in most of the major seaports and airports. It was, nonetheless, accepted that some of the agencies which are essential for the optimal use of the entire ecosystem are not in place at some places. The CBEC is working towards this eco-system. Responding to the query about the perishable cargo, it was informed that the customs has put in place instructions that no perishable cargo is to be held back, for whatsoever reasons.

21. The Chairman thanked the Secretary, Department of Economic Affairs and Chairman, CBEC for the information provided and also requested them to furnish a written submission on the additional issues discussed to supplement the examination of the subject.

(The witnesses then withdrew)

22. A verbatim record of the proceedings of the meeting was kept.

23. The Committee then adjourned at 5.47 P.M. to meet again at 3.30 P.M. on 17th December, 2015.

VI*
SIXTH MEETING

The Department-Related Parliamentary Standing Committee on Commerce met at 3.00 P.M. on Monday, the 21st December, 2015 in Committee Room 'A', First Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri Vayalar Ravi — *in the Chair*

RAJYA SABHA

2. Shri Shantaram Naik
3. Shri D. Kupendra Reddy
4. Shri Jesudasu Seelam

LOK SABHA

5. Shri Subhash Chandra Baheria
6. Shri Jitendra Chaudhury
7. Shri Jayadev Galla
8. Dr. Hari Babu Kambhampati
9. Shri K.R.P. Prabakaran
10. Shri Dipsinh Shankarsinh Rathod
11. Shri Charanjeet Singh Rori

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*

Shri Narendra Kumar, *Joint Director*

Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of the Consumer Unity & Trust Society (CUTS INTERNATIONAL)

1. Mr. Bipul Chatterjee, Deputy Executive Director
2. Mr. Vijay Singh, Centre Coordinator

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* 5th Meeting of the Committee pertains to other matter.

Representatives of PHD Chamber of Commerce

1. Mr. Sanjay Aggarwal, Chairman
2. Mr. Sanjay Beswal, Co-chairman
3. Mr. Saurab Sanyal, Secretary General

Representatives of the Federation of Indian Chambers of Commerce and Industry (FICCI)

1. Shri Binay Kumar, Senior Member
2. Dr. Pritam Banerjee, Member
3. Mr. R.R. Joshi, Member
4. Mr. S. Vaikundarajan, Member
5. Mr. Kathiresan Thankaraj, Member
6. Mr. Manab Majumdar, Assistant Secretary General

2. In the absence of the Chairman, Shri Vayalar Ravi, M.P., Rajya Sabha chaired the meeting. The Chair welcomed the members of the Committee and informed them about the agenda of the meeting. Thereafter, he welcomed the representatives of the Consumer Unity & Trust Society (CUTS International) to the meeting of the Committee. He flagged various pertinent issues facing the overall growth and development of export infrastructure in the country and sought their views and suggestions thereon.

3. Deputy Executive Director, CUTS International thanked the Committee for the opportunity to present his organization's views on the subject. He stated that in order to improve our export competitiveness and to address our commitment to the WTO, particularly to WTO Agreement on Trade Facilitation, there is an urgent need to improve extant export infrastructure. He pointed out that India's performance on logistics performance as well as composite export infrastructure index is relatively weak as compared to many of her trading partners particularly those in the developed countries' market with whom we are doing more trade as compared to other markets.

4. He informed the Committee that the CUTS International has carried out a study of the state of infrastructure at 13 ports, both seaports and land ports of India. He stated that the state of infrastructure at land ports required a higher degree of attention but this is not to suggest that sea ports are better; in fact, they too need infrastructural improvements for optimal productivity. He emphasized on the need of better coordination between the Central agencies and State agencies for holistic development of backward and forward linkages at ports. It was added that the Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme has helped in development of infrastructure in land custom stations. In view of the drastic reduction in the funding under ASIDE Scheme, it was suggested that the ASIDE Scheme may be revived in order to enable the State Government provide necessary boost to develop infrastructure in land customs stations.

5. It was pointed out that the land ports suffered due to lack of coordination among multiple agencies. Accordingly, some kind of standard operating procedures may be framed for Land Customs Station. The establishment of Customs Clearance Facilitation Committee was appreciated as it would help in cutting costs. However, the remit of this Committee is limited to airports and seaports, whereas much of the problems that we see are at land ports. It was submitted that the remit of Customs Clearance Facilitation Committee may also be extended to land ports. Need to develop much more testing facilities at ports, particularly land ports was also emphasized.

6. The Committee was informed that the working of Customs in the border areas was not sufficient. Further, the Electronic Data Interchange (EDI) System is yet to be made operational at all ports. There are also operational difficulties in the EDI System. In some cases, the system is not operating fully because of very low internet connectivity and other related reasons.

7. Issues like need and viability of multimodal infrastructure which envisaged aligning rail and road with inland waterways for promoting trade and export and the likely effect of the plan of many States to develop a number of new ports were also discussed. It was submitted that inland waterways could be another low-cost and more environment-friendly option for doing trade and would help reduce the cost of doing trade with the outside world. It was also mentioned that rather there may be focus on a few ports and it must be ensured that they are better linked with other infrastructure, particularly road and rail infrastructure so that these ports can be optimally utilized reducing the cost of doing trade. It was also felt that a study on in-bound and out-bound ships in the context of diversion caused due to the inability of Indian ports to handle mother vessels may be undertaken to understand the rise in cost of export on account of this inadequacy.

8. The Chairman thanked the representatives of the Consumer Unity & Trust Society (CUTS International) for the information provided.

(The witnesses then withdrew)

9. The Chair thereafter welcomed the representatives of PHD Chamber of Commerce to the meeting of the Committee. The Chair in his introductory remarks flagged various pertinent issues facing the overall growth and development of export infrastructure in the country and sought plan of action to optimize the growth of export infrastructure.

10. President, PHD Chamber of Commerce began his submission underlining the urgency to create a hassle free business environment and strengthening of infrastructural facilities. Briefing the Committee about the reasons that are making India's exports uncompetitive, he flagged issues like lack of export infrastructure, particularly, port-related infrastructure, low level of logistics support provided at the Indian ports and airports, procedural delays, large number of regulatory requirements, fluctuating rupee values, high freight costs, inadequate power and telecommunication infrastructure, etc. as major culprits. He stated that these factors combine together to create an environment which increases the costs rendering the exports infeasible. In addition, cumbersome Customs procedures on the border were also flagged as handicap to smooth facilitation of exports.

11. Apart from inadequacy in physical infrastructure, the representatives also flagged their concern about the manner in which an exporter is dealt with by the Government agencies. Soliciting greater faith and confidence in the exporter on the part of Government, it was submitted that issues of procedural lapse need to be sorted out in a more sympathetic manner for the industry. It was mentioned that there is a provision of policy relaxation in special circumstances in the Foreign Trade Policy itself and a Policy Relaxation Committee (PRC) to whom the matter is filed seeking relaxation under the new foreign trade policy has not given any relaxation during last one and half years. It was suggested that the Committee must be made more sensitive.

12. The Committee was also apprised about the concerns arising out of sudden changes in the foreign trade policy, especially when these changes become applicable on the very next day. Any sudden change in policy midway of the export process put the exporters at a disadvantage. It was submitted that there should be some time lag between the policy notification and its implementation and the policy change may be planned in medium-term perspective.

13. It was also suggested that the State Government should be involved more and more while framing the export policy so that the concerns of the States are also kept in mind. Also, the Indian Foreign Missions needed to play a much more pro-active role and extend stronger support for the Indian businessmen. The support of commercial Consuls in most of the embassies needed to be shored up. It was also suggested that on the lines of Chinese model, a big exporter mall may be constructed in major cities like Delhi and Mumbai where the shops are given to exporters to show-case their products. This would help the importer from the hardship of visiting various factories of exporters in different cities and towns and facilitate more exports.

14. The Chamber also submitted that upgradation of infrastructure facilities in industrial clusters would help in contributing to exports substantially. It was also felt that building of more minor ports would be useful. It was suggested that coastal shipping may be optimally promoted and all the coastal ports may be interlinked through the freight corridors. This would help in decongestion of ports and improved turnaround time.

15. Other issues like training of DGFT and Customs officials at lower levels to make them abreast about the changes in policy; need for procedural simplification of advance authorization scheme; firming up of deemed export procedure on the line of procedures similar to the import of inputs for telecom and information technology agreement items; permission for duty free import of second-hand capital goods under Export Promotion Capital Goods Scheme (EPCGS); shortage of FSSAI officials for clearing of agro-processed consignments for export etc. were also discussed.

16. The Chair thanked the representatives of PHD Chamber of Commerce for the information provided.

(The witnesses then withdrew)

17. The Chair thereafter welcomed the representatives of the Federation of Indian Chambers of Commerce and Industry (FICCI) to the meeting of the Committee. The Chair in his introductory remarks flagged various pertinent issues facing the overall growth and development of export infrastructure in the country and sought plan of action to optimize the growth of export infrastructure.

18. The representatives began their submissions with the state of logistics in the country. It was informed that internationally, the cost of logistics is seven to eight per cent of the GDP whereas in India it is fifteen per cent. This high logistic cost was an impediment not only to export competitiveness but also to the success of Make-in-India initiative. The Committee was informed that though the cost of transportation is otherwise much lower, it becomes high only because of putting up of artificial barriers like customs, excise, service tax or high railways freight rate. It was submitted that these hurdles should be removed.

19. Dwelling on the problem of customs delay, the Federation informed that the decisions taken at the Central Board of Customs and Excise level needs to percolate on the ground since the officers working on the ground are usually not aware of various decisions taken by the Board. It was emphasized that mere good intentions just on paper are not good enough. It was stated that if the reforms/policy decided at the Board level are implemented on the ground then the country can witness an upward spike of two to three per cent in the GDP. It was also agreed that many a time delay happens because of shortage of officers at ports. It was suggested that if the shortage of staff cannot be overcome then the EDI system itself could be upgraded so that the dependence on human beings reduces. It was also pointed out the Custom server (EDI) often suffers a down time. It was requested that an additional server space for Customs may be given so that there can be a paperless system and no downtime in the EDI.

20. Problem in development of an efficient air logistics infrastructure in the country was also shared. It was stated that private airport operators being an effective monopoly in the geographical region of their operation, are charging the logistics provider for services not regulated by Airports Economic Regulatory Authority of India (AERA) adding to the overall cost of exports. Such unregulated charges need to be regulated. Also, space to interested parties on long-term leases in the air cargo terminals should be provided under a rational and effective lease-rent agreement. It was also submitted that in view of the tremendous rise in the volume of air cargo and saturation of air cargo stations of the major airports to handle the traffic, Air Freight Station like Container Freight Station may be promoted.

21. The Chair thanked the representatives of the Federation of Indian Chambers of Commerce and Industry (FICCI) for the information provided.

(The witnesses then withdrew)

22. A verbatim record of the proceedings of the meeting was kept.

23. The Committee then adjourned at 5.24 P.M.

IX*

NINTH MEETING

The Department-Related Parliamentary Standing Committee on Commerce met at 4.00 P.M. on Tuesday, the 15th March, 2016 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shrimati Thota Seetharama Lakshmi
3. Shri Vayalar Ravi

LOK SABHA

4. Shri Sultan Ahmed
5. Shri Subhash Chandra Baheria
6. Shri Bodhsingh Bhagat
7. Dr. Hari Babu Kambhampati
8. Shri K.R.P. Prabakaran
9. Shri Dipsinh Shankarsinh Rathod
10. Shri Charanjeet Singh Rori
11. Adv. Narendra Keshav Sawaikar

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*

Shri A.K. Gandhi, *Director*

Shri Narendra Kumar, *Joint Director*

Shri Amit Kumar, *Assistant Director*

2. At the outset, the Chairman welcomed the Members to the meeting and informed them about the agenda of the meeting. The Committee, thereafter, considered the draft 123rd Report on 'Export Infrastructure in India' and after some discussion adopted the same without any changes and amendments therein. The Committee then authorized the Secretariat to make corrections/alteration, if any, of minor nature, in the 123rd Report on behalf of the Committee.

3. The Committee then adjourned at 4.30 P.M.

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* 7th & 8th Meetings of the Committee pertain to other matters.

XIII*
THIRTEENTH MEETING

The Department-Related Parliamentary Standing Committee on Commerce met at 10.30 A.M. on Thursday, the 2nd May, 2016 in Room No.63, First Floor, Parliament House, New Delhi.

MEMBERS PRESENT

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Shrimati Thota Seetharama Lakshmi
4. Shri D. Kupendra Reddy
5. Shri Jesudasu Seelam
6. Dr. C.P. Thakur

LOK SABHA

7. Shri Subhash Chandra Baheria
8. Shri Bodhsingh Bhagat
9. Shri Jitendra Chaudhury
10. Shri Sudheer Gupta
11. Shri Chandra Prakash Joshi
12. Shri Vinod Kumar Sonkar

SECRETARIAT

Shri A.K. Gandhi, *Director*
Shri Narendra Kumar, *Joint Director*
Shri Amit Kumar, *Assistant Director*

2. At the outset, the Chairman welcomed the Members to the meeting and informed them about the agenda of the meeting. The Committee then took up for consideration the draft ***. The Committee decided to present/lay the Reports on 3rd May, 2016 to both the Houses of Parliament.

3. It was also decided to present/lay the 123rd Report on 'Export Infrastructure in India', which was earlier adopted by the Committee (on 5th March, 2016) on 3rd May, 2016 itself along with the other Reports. Thereafter it was decided that the Reports will be presented in Rajya Sabha by the Chairman and in his absence by Shri Jesudasu Seelam, M.P. and in the absence of both of these Members, Shri D. Kupendra

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* 10th to 12th Meetings of the Committee pertains to other matter.

*** Pertains to other matters.

Reddy, M.P. will present the Reports. In Lok Sabha, the Reports would be laid by Shri Vinod Kumar Sonkar, M.P. and in his absence Shri Jitendra Chaudhury, M.P. would lay the Reports.

4. The Committee then adjourned at 11.00 A.M.

ANNEXURES

List of Stake Holders/Individuals who Submitted their Memoranda on 'Export Infrastructure in India'

Sl. No.	Name of Individual/Stakeholders	Name of Organisation	Address
1.	Shri Bipul Chatterjee Deputy Executive Director	CUTS International	D-217, Bhaskar Marg, Bani Park, Jaipur 302 016, Rajasthan, India
2.	Shri Vasant N. Ladawa President	Karnatak Chamber of Commerce & Industry	J.C. Nagar, Hubli - 580 020, Karnataka, India Email: kccihubli@rediffmail.com, kccihble@gmail.com
3.	Shri Keka Sharma Secretary General	Bharat Chamber of Commerce	9, Park Mansions, 2nd Floor, 57A, Park Street, Kolkata - 700016 Email: info@bharatchamber.com bharat.chamber@gmail.com
4.	Shri Suranjan Gupta Additional Executive Director	EEPC India	Vanijya Bhavan, 1st Floor, ITFC, 1/1, Wood Street, Kolkata - 700 016, India Email: sgupta@eepcindia.net URL: www.eepcindia.net
5.	Miss Saloni Jha, Deputy Director	FICCI	Federation House, Tansen Marg, New Delhi - 110001 Email: saloni.jha@ficci.com Website: www.ficci.com
6.	Dr. K.I. Jain Hony. Secretary General	Rajasthan Chamber of Commerce & Industry	____
7.	Dr. Jacob Crasta Founder Chairman	CME Group	Co-Chairman - ASSOCHAM (Southern Council) Former President - FKCCI, KASSIA, PIA

Sl. No.	Name of Individual/Stakeholders	Name of Organisation	Address
			Member - Prime Minister's SME Council www.cmenvirosystems.com
8.	Shri S. Parthasarathy Chief Executive Officer	Rane (Madras) Limited	____
9.	Shri J.S. Rangar, Director	Stork Rubber Products Pvt. Ltd	38th KM, NH 8, Behrampur Road, Khandsa Gurgaon 122001, India Website: www.storkrubber.com
10.	Shri Shailesh Agrawal Deputy General Manager	Larsen & Toubro Limited	Corporate Office, New Delhi 9th Floor, Ambadeep Building 14, Kasturba Gandhi Marg New Delhi 110001 Email: shailesh.agrawal@larsentoubro.com
11.	Shri Souvik Banerjee Additional Director & Head Economic Affairs & Policy	Indian Chamber of Commerce (ICC)	ICC Towers, 4, India Exchange Place Kolkata - 700 001 Email: souvik.banerjee@indianchamber.net Website: www.indianchamber.org
12.	Shri Saurabh Sanyal Secretary General	PHD Chamber of Commerce and Industry	PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi 110016 Email: sourabh.sanyal@phdcci.in
13.	Shri Bachan Singh	____	MIG Flat No. 55, Pocket-A, Sector-13, Rose Wood Apartment Phase - II, Dwarka, New Delhi - 110078
14.	Shri Ujwal Jain	____	____
15.	Dr. Thakur Chand Chaudhuri	____	217, Birji Kadamtala, Garia Kolkata - 700 084 Email: tcc300@gmail.com
16.	Shri Kaushik Vyas	____	7, Sheetal Apt. Subhanpura, Baroda, 390023

The State-wise details of identified State Roads proposed to be constructed/developed under "Bharatmala Pariyojana"

Sl. No.	State	Identified Corridor	Tentative Length (km)
1	Assam	Kochigaon - Raimana - Jaigaon - Lankapara - Birpara near NH-17	123.00
2	Bihar	Raxoul - Sonbersa	90.00
3		Chakia - Bairgania	50.00
4	Gujarat	Dwarka (NH-51)- Khambalia- Jamnagar- Dhrol- Amram- Maliya	267.00
5	Jammu & Kashmir	Punch- Uri (NH-1)	67.00
6		Qazitur on NH-1 - Tangdhar	65.00
7	Manipur	Shangshak- Nampisha- NH 102 A	90.00
8	Meghalaya	Baghmara- Rongra- Mahadeo- Ranikor	206.00
9	Punjab	Khema Karan (Indo-Pak Border)- Bhikhiwind- Chabal Kalan- Amritsar (NH-3)- Ajnala-Ramdas- Dera Baba Nanak- Gurdaspur	162.00
10		Fazilka (NH-7)- Jalalabad- Mamdot- Firozpur	85.00
11	Rajasthan	Munabao (NH-25)- Sundra- Myajlar- Dhanana- Asutar - Ghotaru - Tanot- Kishangarh (Indo-Pak Border)	275.00
12		Jaisalmer (NH-11) - Bhadasar- Ramgarh - Tanot	121.00
13		Ganganagar (NH-62)- Raisinghnagar- Anupgarh- Rojhri- Awa- Poogal- Barsatpur- Ranjitpura- Charanwala- Naukh- Bap	397.00
14		Jaisalmer (NH-11)- Kanod- Ghantiali- Nachna- Chinnu- Naukh	169.00
15		Gagaria (NH-25)- Baori Kalan- Serwa- Lakdassar- Bakhasar- Indo-Pak Border	125.00
16		Bhadasar - Sarkaritala - upto Pakisthan border	84.00
17		Nachna - Balan (Babla)	47.00

Sl. No.	State	Identified Corridor	Tentative Length (km)
18		Nachna - Bharewala	40.00
19		Pagal - Aladin K Bera - Beriyanwala	60.00
20		Jaisalmer - Myajilar	95.00
21		Anoopgarh-Surathgarh	78.00
22	Sikkim	Mangan (NH-310A) - Kodyong- Chungthang- Lachung-Yumthang- Yume-samdang- Border	90.00
23		Chumthang- Lachen Monestery- Log bridge- Rangsha- Muguthang- Pashi- Naku- Nakpolatok- Nakula (Indo- China Border)	75.00
24	Tripura	Teliamur - Amarpur - Sabroom	216.00
25		Khowai - Agartala	55.00
26	Uttarakhand	Askot- Dharchula- Tawaghat- Sirkha- Malpa- Garbyang- Lipu lekh Pass	80.00
27		Simli (NH-87E) - Narayanbagar - Kulsari - Talwari - Gwaldan - Dangoli - Baijnath - Bageshwar - Balighat - Kapkot - Sama - Quiti - Birthi - Girgaon - Ratapani - Munsiyari - Darkot - Madkot - Sheraghat - Mawani - Jolljivi	306.00
28		Bhaironghati - Nelang - Naga - Angar (near NH-108) - PDA - Medikay	70.00
29		Mana - Mussapani - Gastoli - Rattakana - Manapass	63.00
30		Joshimath - Malari	62.00
31	Uttar Pradesh	Nanpara on NH-730 - Motipar - Sujauli - Katarnighat	68.00
32		Naugarh - Geinsari - Tulsipur - Jarwa	72.00
33	West Bengal	Jangipur (NH-12)- Katiamari- Sagarpara- Jalangi- Karimpur- Tehata- Krishnanagar- Bagula- Ganrapata- bangaon- Swarupnagar- Bashirghat	275.00
34		Cooch Behar - Dinhata - Getaldah - Bangladesh border	40.00
35	Tamil Nadu	Karungulam (NH-44)- Vijayapati- Ovari Paravarnattam- Manappad- Tiruchchendur- Kayalpattinam- Tuticorin- Veppalodai- Vembar- Sayalkudi- Sikkal- Kizhakkarai- Tiruppullani- Ramananthapuram- Devipattinam- Tondi- Mimisal- Manalmelkudi- Adiramapattinam- Tagattur- Vedaranniyam- Nagappattinum	427.00

Sl. No.	State	Identified Corridor	Tentative **Length (km)**
36	Tamil Nadu & Puducherry	Puducherry - Marakkanam- Kovalam- Coromandel- Chennai	144.00
37	Odisha	Chhatarpur- Satapada	70.00
38		Konark- Astarang- Naugaon- Paradwip Port- Ratanpur- Satabhaya- Dharma- Basudevpur- Talapada- Chandipur- Chandaneshwar- Digha	430.00
39	Port Connectivity	Provide connectivity to minor ports in the State of Gujarat, Maharashtra, Karnataka, Kerala, Tamil Nadu, Pudduchery, Andhra Pradesh, Odisha and West Bengal	1000.00
	Sub Total		6239.00
	Additional Length to be adjusted depending upon suggestion of States/UTs		761.00
	Total		7,000.00

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