

Indian infrastructure

# Out of the blue

NHAVA SHEVA

India has quietly transformed its ports. That augurs well for trade—and for reform

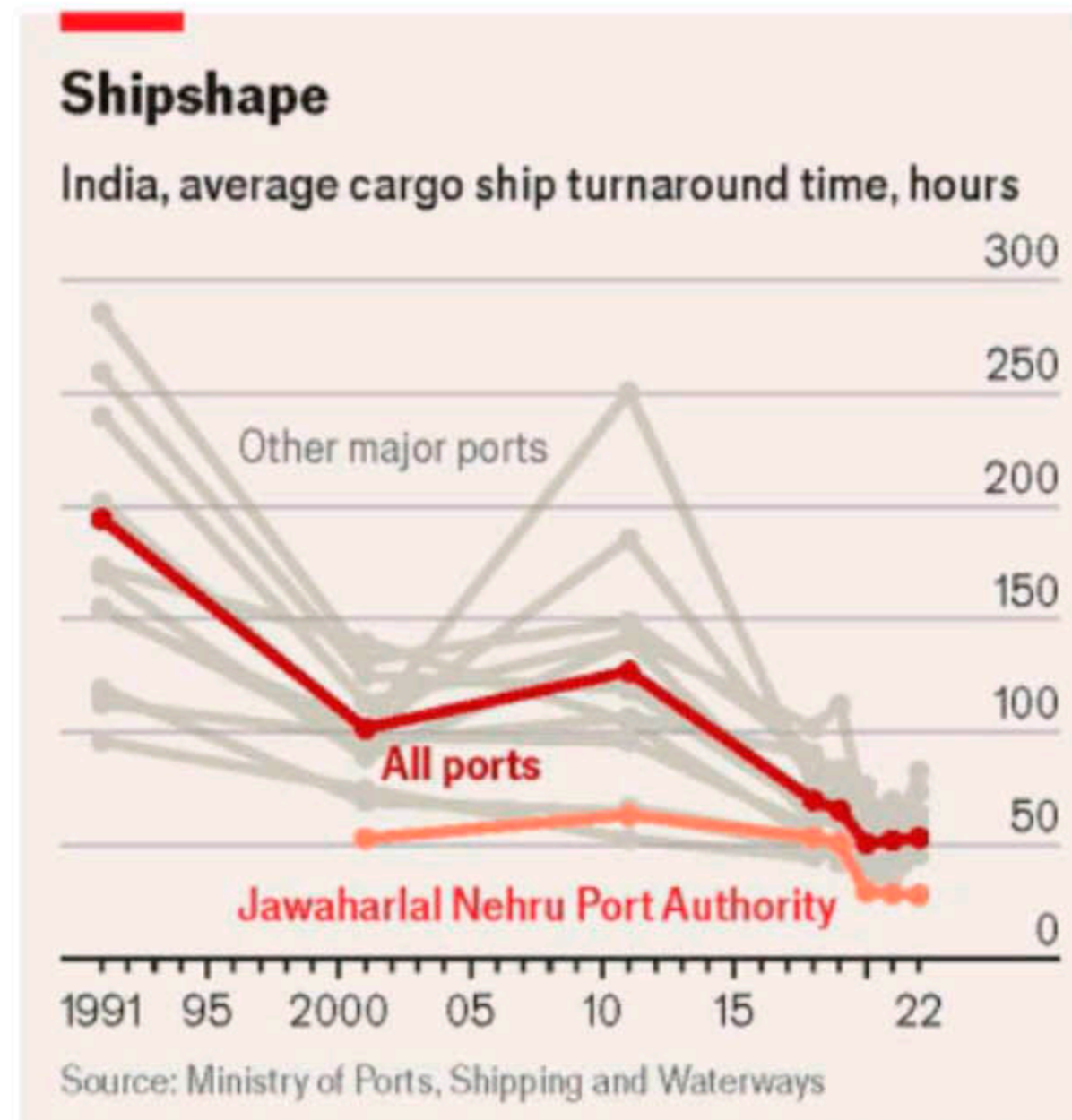
IF THERE IS one thing about which both supporters and critics of Narendra Modi, India's prime minister, can agree, it is that his biggest achievement has been to overhaul India's infrastructure. Tens of thousands of miles of motorways have been built, fast intercity trains have been waved off, dozens of urban metro lines have opened and more Indians fly on more aircraft through more airports than ever before. These are impressive feats.

There is deeper transformation going on behind the scenes, too, in sectors with which most Indians have no direct contact but which affect their lives all the same. One of these is ports, which have seen huge improvements in capacity and efficiency. This is crucial for India's economic aims: Mr Modi's government harbours ambitions of making India a manufacturing and export hub as well as a node in global supply chains. World-class ports are necessary to realise those goals. The maritime sector accounts for 95% of India's trade by volume and 65% by value.

Enormous progress has been made. At what the government classifies as its "major ports"—a dozen of them—capacity has more than doubled in the past decade from 745m tonnes to over 1,600m. Traffic at these ports (see map), which handle more than half of India's trade, jumped by 46% to 795m tonnes in the ten years to 2023. Turnaround time, or the number of hours between the arrival and departure of a cargo ship, has plummeted from 127 hours in 2010-11 to 53 hours ten years later (see chart). India rose from 54th in the World Bank's "logistics performance index" a decade ago to 38th last year.

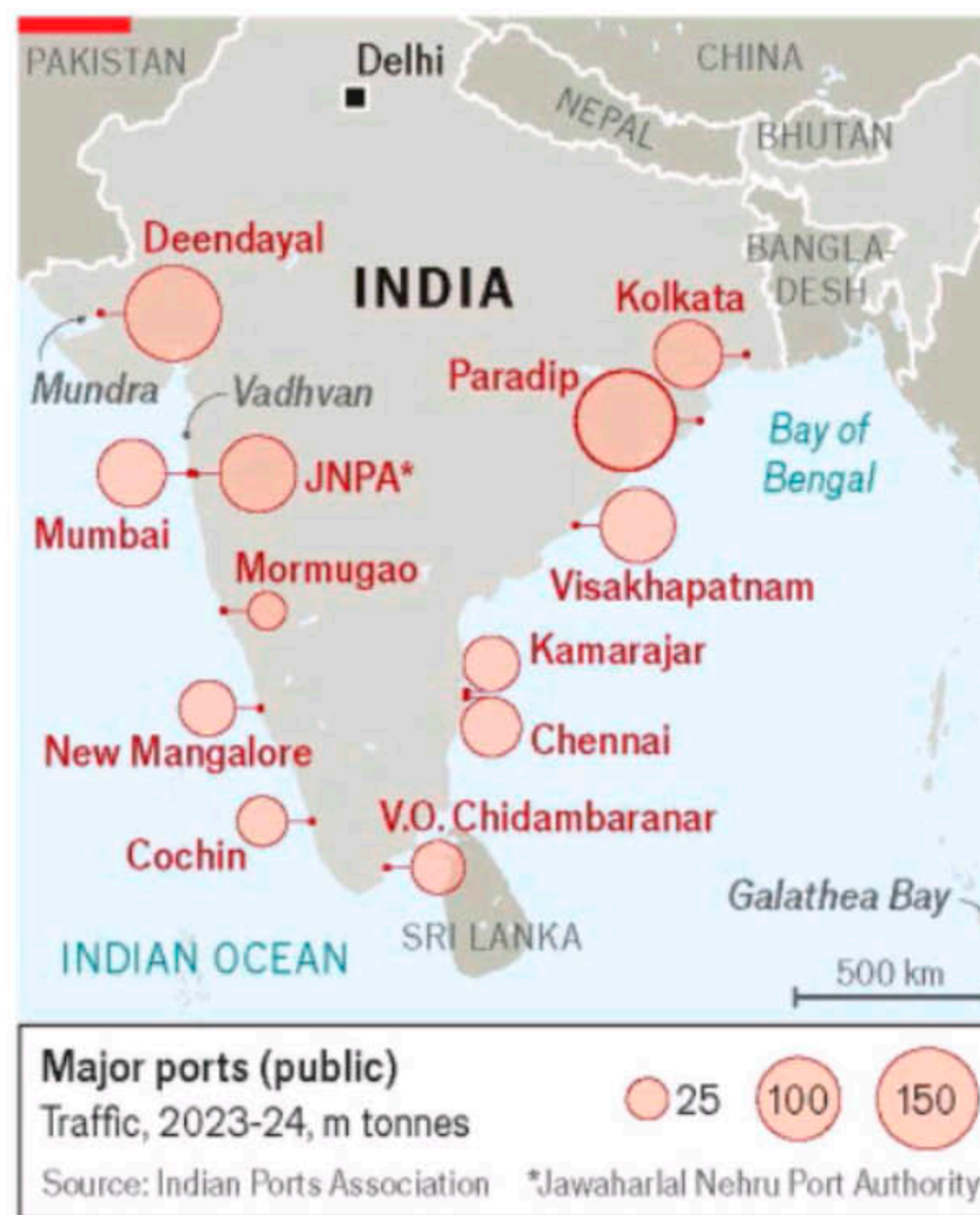
For an example, look to Nhava Sheva, across the harbour from the old docks of Mumbai, India's commercial capital. The Jawaharlal Nehru Port Authority (JNPA) was commissioned in 1989 as a modern facility to handle high-volume container traffic and take lorries off the streets of the city. It is India's most efficient public port. Turnaround times average around 21 hours, even though it accounts for half of India's container traffic and a quarter of the customs revenue at major ports.

The sea-change at JNPA and other public ports is a result of three important policies. In 1996 the government allowed the private sector to participate in building and running ports. At the same time it encouraged public ones to move to a "land-



lord model", with the port authority providing common services such as tugboats and pilots while leaving cargo operations to private firms. Today JNPA's five container terminals are all run by private operators, including Dubai's DP World and Denmark's Maersk. Others among the major ports have followed suit. Private competitors such as Mundra, run by the Adani conglomerate, have forced public ones to improve their standards too. "The days are gone when the chairman and traffic-department heads made the shipping lines wait outside," says B. Swaminathan of the Indian Maritime University in Chennai.

Second, the transport upgrade has been backed up by less visible changes. India's port-planning used to revolve around ensuring enough capacity to import grain to



feed its people, says Unmesh Sharad Wagh, JNPA's chairman. But in recent years the focus has shifted to logistics. Electronic tolling and a national tax regime have made moving goods easier and faster. One of two new rail lines intended solely for freight is complete. The government aims to cut the cost of logistics from around 8% of GDP to 5%.

The third element is modernising India's customs department. At JNPA 90% of consignments are not physically inspected and more than 80% are cleared without the need for scans. The goal, says Rajesh Pandey, the chief commissioner of customs at JNPA, is to raise that second number to 90%, speeding up the movement of goods.

### Deep thoughts

India's maritime industry still punches below its weight globally. Despite some 7,500km of coastline and over 200 ports, the country accounted for only 2.4% of global container traffic in 2021. That is about the same as the United Arab Emirates (2.3%) and far less than Singapore (4.5%). These are not manufacturing superpowers, but they are major hubs for trans-shipment. India is planning a big hub at Galathea Bay in the Nicobar Islands, located near one of the world's most important shipping routes. The location is "God's gift to India", says Vinayak Chatterjee of the Infravision Foundation, a think-tank.

Last year the government outlined its ambitions for the maritime sector by 2047, by which time Mr Modi has promised to make India a "developed country". These include quadrupling overall port capacity to 10bn tonnes, becoming a leading ship-builder and creating two new trans-shipment hubs. Experts question whether India really needs such hubs. But it is clear that India's trade infrastructure could improve. Its ports are not very prominent on global shipping routes. It also needs deeper ports to cater to bigger vessels.

JNPA, which will soon run out of space to expand, is planning a new port at Vadhvan, 130km north of Mumbai. It will be built on a man-made island off the coast and will be deep enough to accommodate some of the biggest ships in the world. But building a port is the easy part. Connectivity to the interior is still patchy. Coastal shipping is minimal. Customs processes have reduced the amount of time imports sit at docks but much less so for exports.

The success of these policies matters for reasons greater than just boosting trade. India's politicians are often criticised for focusing on visible outcomes. But fixing infrastructure most voters do not see and simplifying rules most do not consider show that the state is capable of enacting deeper reform. If India can do it with ports, that is a hopeful sign that it can do it with other parts of the economy, too. ■