

Structural shifts aid rapid growth

The project cargo scene in the developing economies of the Indian Subcontinent remains a mixed picture. While investment in infrastructure development is still strong, positives and negatives remain for the region's project logistics companies. Ian Matheson reports.

Over the last year, India jumped up 23 places in the World Bank's Ease of Doing Business rankings to 77 out of 190 countries indexed. The World Bank now deems India an easier place in which to do business compared with other emerging nations such as Brazil (109) and South Africa (82).

Many of the developments behind this improvement are music to the ears of project logistics companies.

The World Bank highlighted an initiative introduced by India's major cities to reduce the number of days taken to deliver construction permits, from 144 days last year to 95 days, while slashing their costs from 23 percent of the building value to just 5 percent.

On cross-border trade, its rank improved from 146 to 80 as a result of the reductions in the time taken for importers and

exporters to comply with cross-border formalities, delivering major savings. Upgrades in port infrastructure and a move to online documentation also helped matters.

Mixed quarter

Meanwhile, the Indian economy had a mixed second quarter of the fiscal year, which runs from April 2018 to March 2019, after GDP had accelerated in the first quarter at the fastest pace in over two years, said FocusEconomics.

The forecaster also predicts that the country's economic growth should accelerate in the current financial year due to fading disruptions from the demonetisation programme of November 2016, which saw INR500 and INR1,000 notes removed from circulation, along with the launch of a goods and services tax (GST) in July 2017.

However, FocusEconomics warns that recent signs of fiscal slippage in the run-up to next year's general elections, escalating global trade protectionism and higher oil prices weigh on the outlook. Even so, its



experts expect GDP growth of 7.4 percent in 2018 and 2019.

That GDP growth is reflected in the fact that India's annual construction investment is expected to increase by about a third over the next five years to an average of USD170 billion per year, sparking optimism for those providing project cargo logistics services.

Road network

Sameer Parikh, director of Lift & Shift India, said this investment in Indian infrastructure should lead to improved road infrastructure and would facilitate the movement of project cargo. He pointed to the fact that Mumbai alone has several major infrastructure projects being executed, including a scheme to enhance the city's metro system, which will all bring opportunities.

Pawan Agarwal, director of Mumbai-based MFC Transport, said India's road conditions and capacity are always an issue, "although improvements in the last five years have been more rapid than in the past. But, with project cargo modules getting ever bigger and heavier, the issues with road infrastructure may never go away completely for the project forwarder."

HLPFI's correspondent in India, Joseph Fonseca, reported that developments in the infrastructure sector are proceeding at an



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Tax overhaul brings benefits

The disruption caused last year by the Indian government's implementation of the goods and services tax (GST) has been largely resolved according to companies spoken to HLPFI.

Lift & Shift's Sameer Parikh said that the predicted benefits to the road freight sector stemming from the overhaul of India's complex tax system are being seen, making cross-border trucking between Indian states more efficient. "GST introduction and elimination of checkpoints at various state borders has helped to speed up transport and reduce harassment, or delays to cargo moves on roads and in transit," he noted.

Pawan Agarwal of MFC Transport agreed the overhaul has brought more clarity and transparency to transactions, making interstate moves smoother and quicker.

Conversely, some respondents said the tax has resulted in delays to refunds and tax credits.

Another factor that is helping the project logistics sector is the government's initiative to issue permits for oversized cargo transport on national highways online. This has been a major boost to the sector following its launch in 2015.

Lift and Shift's Parikh added: "The authorities' use of the online system to issue permits, plus the mapping of viable routes by the government, has further reduced waiting and transit times. The removal of some axle weight restrictions also helps us to carry more cargo on a trailer."

Vishvendra Singh of Express Global Logistics agreed, stating that after a structured implementation of online permitting by the Ministry of Road Transport & Highways, heavy and over-dimensional transport moves have become more systematic and process driven.



An overhaul of India's oversize load permitting procedures has provided a welcome boost to the sector.

Photo: NTC

unprecedented pace, led by the construction of national highways and expressways across the country, as well as the establishment of underground metro railway networks, mostly in major cities including Mumbai, Delhi, Chennai, Hyderabad and Bengaluru.

Fonseca said: "The demand for railway coaches both from overseas and those produced domestically, under the 'Make in India' project, will continue to break records, which will mean plenty of opportunities for logistics companies that focus on such over-dimensional cargoes."

Govinda Swamy Rajendra, deputy general manager of Chandra Shipping & Trading Services, also believes that the 'Make in India' initiative, by aiming to increase domestic manufacturing via private participation, will boost both the construction of large modules and the demand for heavy lift transport services associated with them.

He explained: "This programme will give renewed focus on ten 'champion' sectors, including capital goods, automotive, defence and renewable energy, to push growth in manufacturing and generate job opportunities. The government has identified sectors that have the potential to become global champions and drive double-digit growth in manufacturing."

Uptick in project shipments

Vishvendra Singh, manager projects at Express Global Logistics, also highlighted the impact that the Make in India programme has had, leading to a significant increase in volumes of process equipment manufactured by Indian fabricators and delivering an uptick in project shipments.

Singh also noted that there are at least four fertiliser plants being revamped in India, which have also boosted logistics service providers.

Parikh at Lift & Shift added that the so-called Sagarmala project – which has resulted in significant investment into India's waterways and ports – might help to alleviate some of the impediments to project cargo transport in India. He said: "These initiatives will enable the logistics business to expand and execute transport operations, as well as expand its reach to India's hinterland more efficiently and smoothly."

Navneet Jain, Sarens managing director, India and deputy regional director, Asia Pacific and Africa, noted that while activities are picking up in civil engineering, alongside upgrades in the oil and gas sector, there is an oversupply of cranes in India following the completion of a number of refinery projects undertaken by Reliance Industries.

Sarens has permanently repositioned one of its CC8800-1 lattice boom crawler cranes in India in response to increased requests to perform sophisticated lifts.



Bangladesh infrastructure growth booms

As an emerging economy, Bangladesh is undertaking massive infrastructural development with both state and private investment, leading to rising volumes of project cargoes in the country.

While FocusEconomics predicted that the country's economic growth is likely to slow this fiscal year, it believes that it should remain robust thanks to strong private consumption and investment.

It added that Bangladesh's vulnerability to natural disasters and the high proportion of non-performing loans in the banking system cloud prospects, but its panelists forecast GDP growth over 7 per cent for the next two fiscal years nonetheless.

Mehedi Hassan, head of engineering and project operations at Dhaka-based Conveyor Group, said that there are many promising sectors in Bangladesh at present including power generation and infrastructure, offshore and onshore oil and gas exploration, as well as road and bridge infrastructure development.

Hassan said: "The country's goal to become an upper-middle-income country by 2021 will require even stronger annual growth of 7.5 to 8 percent."

He added that the greatest ongoing challenges faced by companies that need to move heavy and over-dimensional loads across Bangladesh are



inadequate road infrastructure and a lack of transportation and lifting equipment.

Insufficient river depth during the dry season in certain areas also causes a tremendous problem for transportation via inland waterways, Hassan explained. "Capital dredging and channel maintenance all year round are badly needed."

He advised anyone needing to move heavy cargoes to or from Bangladesh to remember that load restrictions have now been fully enforced on the movement of cargo from Chittagong port. "Current road and bridge-load restrictions have an impact for transporting heavy lift and over-dimensional cargoes."

Jain said that the major challenge that specialised transport engineering companies will face is executing projects in the most cost-effective manner, given the pricing pressures, but “renewed construction activity in India would offer ample opportunities to well-managed companies.”

Earlier this year Sarens permanently repositioned one of its 1,600-tonne capacity CC8800-1 lattice boom crawler cranes in India in response to increased requests to perform sophisticated lifts, particularly in the fertiliser and oil and gas markets.

Renewable opportunities

Changes in the power generation sector are creating new opportunities for project logisticians. Renewable energy projects are gathering pace across the country following a shift in government policy to support solar, wind and hydroelectric generation, instead of thermal power plants.

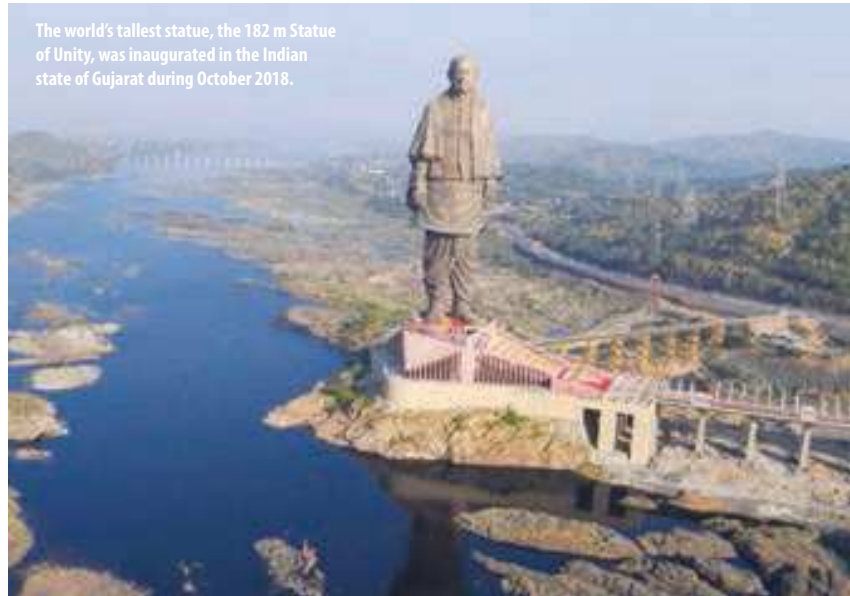
Sarens' Jain said: “The sector is seeing new technological developments with the latest policies and actions from government, which has set a target of 60 GW of wind energy capacity to be accomplished by March 2022.

“The government is working to develop the offshore segment, setting aggressive targets and plans for the first offshore wind projects at the coastal region off Gujarat.”

Singh at Express Global Logistics said that while the renewables sector, along with the Indian project market in general, has potential and volumes, it is highly competitive and price-driven, which could affect service quality and financial yield.

NTC Logistics India, a member of WCA Projects, has recently invested in a unique transportation system called the Tower Shift Adaptor, which has been designed to solve problems caused during the transportation of large wind turbines components on poor road infrastructure.

In claiming that this is the first unit of its



The world's tallest statue, the 182 m Statue of Unity, was inaugurated in the Indian state of Gujarat during October 2018.



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– Navneet Jain, Sarens

kind to be purchased by a logistics company in India, the company said that the adaptor is ideally suited to handle tower sections measuring in excess of 4.5 m in diameter.

Returning to India's leap in the World Bank's Ease of Doing Business 2018 rankings, the pan-national body's report also cited incremental reforms in a few other indicators as being key.

The World Bank said that in regards to business start-ups, India's rank improved from 156 to 137, as the time taken to start a new company was crunched from 30 days to 17 days thanks to quicker GST registration and the abolition of site inspections in Mumbai.

That will also be interesting to some of those interviewed for this report, who predict consolidations and mergers between Indian and overseas partners in the near future across the project cargo supply chain, which could increase quality and commercial competitiveness.

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Pakistan cools over CPEC developments

The likely impact of the China-Pakistan Economic Corridor (CPEC) on Pakistan's project logistics companies is examined on page 111 of this issue. CPEC could result in up to USD62 billion of Chinese investment into Pakistani energy projects.

Recently an apparent cooling of enthusiasm in Pakistan for the CPEC programme, which is a cornerstone of Chinese President Xi Jinping's Belt and Road Initiative (BRI), has unsettled Beijing, and would

have been a discussion point at the meetings held in early November between Pakistan's Prime Minister Imran Khan and the Chinese government.

However, with no major announcements of generous aid following that meeting, Pakistan will be hoping that a recent visit by a delegation from the International Monetary Fund (IMF) will bring better news as the country seeks its 13th bailout since the 1980s.

One person who will be watching those negotiations closely is Muhammad Kamran, projects director at Karachi-based Star Shipping.

“With CPEC on the verge of its second phase, other

countries such as Saudi Arabia, Russia and Japan are interested in investing in Pakistan and being included in the CPEC for future benefits.

“I believe that CPEC has brought a boost for energy generation, coal mining and industrial infrastructure in Pakistan, providing opportunities to investors, project logistics and shipping entities from all regions.”

Kamran added that Star Shipping has decided to wait until the new Pakistani government is completely established and the economy becomes more stable before it moves forward with investments in equipment and resources.