Mr. Santhosh Koshy Thomas

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Sir,

Sub : Port based Industrial Zone at Willingdon Island

Ref: Your letter dated 15.10.2019

The Cochin Chamber of Commerce and Industry, established in the year 1857, has completed 162 years of service to the region’s commerce, industry and trade – this year. This Chamber located in Willingdon Island is one of the oldest Chambers of Commerce in the country and a Promoter Chamber of the Associated Chambers of Commerce and Industry of India (ASSOCHAM), New Delhi, the oldest national Chamber in the country. The activities of the Chamber have undergone several changes over the years in keeping with the changing times and needs so as to provide prompt and effective services to its membership and the business community at large. Since the very beginning, the Chamber has been involved in the advancement of several public causes in the State apart from the regular Chamber activities. History tells us that the setting up of the Cochin Port was a result of active inputs from the Cochin Chamber. In recent times the Chamber also played a significant role in the conceptualization of the Cochin International Airport and moving the idea forward in its early stages. Though we are a Chamber of Commerce in the traditional sense, we have always been looking out for ways to reinvent ourselves and make relevant contributions to the society that we live in.

We take this opportunity to thank you and the State Government for it’s initiative towards improving the Ease of Doing Business in Kerala.

The State Government’s proposal to develop a Port based Industrial Zone on the Willingdon Island deserves appreciation. We are also grateful to the Government for soliciting our inputs for this prestigious project.

Currently, a Port Based Economic Zone is operational in Jawaharlal Nehru Port Trust Mumbai. The Kandla Port in Gujarat had floated global tenders in 2014 for the development of Port-based Multi-Product Special Economic Zone (PBMPSEZ) and received expressions of interest from more than 25 global players. It must be noted that port based industrialisation is expected to facilitate the setting up of Coastal Economic Zones as envisaged under the Sagarmala project.

The Indian Government is probably taking a cue from the experience of China which shows that the creation and success of SEZs there has led to economic prosperity in the coastal regions of China. The thrust areas identified for port based industrial development includes Logistics/Warehouse, Furniture, Automotive, Food Processing, Sea-food Based Value Added Products etc. The proposal is aimed at providing all basic infrastructural facilities to the investors to aid them in investing in the port based industrial parks. Currently, 14 Coastal Economic Zones are being developed under the Sagarmala project across the country including Kerala based Malabar Coastal Economic Zone which covers Ernakulam, Alapuzha, Kollam and Thiruvananthapuram districts. Subsequently, furniture, food grain and fertilisers are being mapped as the potential industrial products for the Malabar CEZ by the Sagarmala Project with Cochin Port being envisaged as the linkage port.

The geographical proximity to international maritime channels like Dubai, Singapore etc. places Kochi in an very advantageous position. However, we have been struggling to attract the trading community to our Port for various reasons that are known. Issues like high handling capacity, pricing, productivity, last-mile connectivity, labour union protests etc. have hurt the progress of the port based transactions. While the Vallarpadom Terminal was expected to bring back the Indian international cargo that otherwise was being transhipped from ports in Sri Lanka, Dubai or Singapore we find that even today, Colombo continues to tranship a lion's share of Indian cargo. The relaxation of Cabotage rules has improved the freight movement at DP World managed Vallarpadam transshipment terminal but a lot more needs to be done in this regard.

According to the Ministry of Commerce (Government of India) -Deloitte Logistics Ease Across Different States Report 2018 study on logistics infrastructure in States, Kerala’s score on facilitating an operating environment is the lowest in the country. The report was based on the responses from the operators in the State who highlighted aspects such as road restrictions, labour policy and frequent disruptions by transport unions. Higher port charges here makes exporters prefer other ports like Tuticorin and Colombo for their business. Subsequently, the Kerala Industrial and Commercial Policy 2018, made an attempt to prioritise logistics by envisaging a logistics park in every industrial park, a logistics hub in Kochi, skill development etc. However, the situation in Kerala demands a dedicated ‘logistics policy’ which shall address the specific concerns raised by the stakeholders.

Initiatives have been taken by the Central Government and the State of Maharashtra to prioritise the logistics sector for wooing industrial players and facilitating the ease of doing business. States like Gujarat have a dedicated State Port Policy that was prepared by the State Maritime Board in consultation with relevant stakeholders. The Gujarat Maritime Board had released a discussion paper in January 2017 to initiate stakeholder consultations. The policy was amended and finalised after consultations. Kerala, boasting of the presence of two international ports, should initiate the process of finalising a dedicated policy for ports.

The Government of Kerala should consider the following for promotion of Port based Industrial clusters :

1. Prepare a roadmap for implementation of the Port Based Multi-Product Special Economic Zone at Willingdon Island in consultation with relevant stakeholders. A participatory approach can improve public confidence in the project.
2. Initiate measures to improve the handling capacity, pricing, productivity, last-mile connectivity etc. Clarity ought to be sought on jurisdictional issues between SEZ authorities and Customs Authorities.
3. Augment the carrying capacity of the existing road network by providing improved facilities for uninterrupted flow of goods to the Port.
4. Draft dedicated Port and Logistics Policies for the State in consultation with the relevant stakeholders and the public at large. The Logistics Policy should highlight the Government’s vision in facilitating an end to end logistics support system in place for trading through a multi-directional approach for storage, distribution, transportation, ancillary support services, trade facilitation etc.
5. Address the irregularities and compliance issues at the Port based SEZ developed by Cochin Port Trust in Puthuvypeen which were identified in the 91st meeting of the Board of Approval on Special Economic Zones held on 6th August 2019.
6. Special incentives should be considered for the investors for investing in the Port based Industrial Project.

The Chamber would be extremely pleased and honoured to assist the Government of Kerala in ideating, formulating and implementing this ambitious project. We will be happy to participate in the meeting that you propose to convene in this regard.

we look forward to a successful collaboration for a Progressive Kerala.

With regards,

Yours faithfully

**V Venugopal**

**President**