

POINT BLANK

**COASTAL & DOMESTIC HANDLING CAN
BE A NEW GROWTH AVENUE**

National President of National Association of Container Freight Stations (NACFS) **Pramod Kumar Srivastava** features in this month's "Point Blank" section, where he talks point blank on the current trends and issues in CFS/ICD industry.

Pramod Kumar Srivastava, is the Director and CEO of Kolkata-based PDP Group. In addition to serving as National President NACFS, he is also the Chairman of West Bengal Logistics Committee under FICCI; and Director and CEO of Allied ICD Services Ltd. based in Durgapur, West Bengal. He has more than 30 years of experience in the logistics industry and aspires to deliver innovative solutions to the exim trade.

Mr. Pramod Kumar Srivastava
National President of NACFS



Q The direct port delivery (DPD) scheme had raised concerns among CFS operators, when it was rolled out few years ago, over their business prospects. Has the issue settled down? How are CFSs coping up as DPD is here to stay?

DPD is a welcome move and I expect it will reduce logistics cost, when treated as an additional facility. However, the government should not impose DPD and instead present it as an alternative option to the importers. It must be noted that many factories do not have the required infrastructure or equipment to handle loaded containers. Timely return of big lot of containers under a single Bill of Lading is also a challenge for importers. Therefore, the role of CFS operators should be valued when considering the DPD policy.

It is a unique time for CFS operators to look at this challenging scenario as an opportunity and focus on new ways to make use of the existing facilities. CFSs are focussing on value addition through technology adoption, asset management, effective manpower utilisation, etc. to reduce turnaround time and cost. Proposals to handle coastal and domestic cargo within CFS areas are being discussed and I feel that this would not only enhance CFS utilisation but also boost multimodal logistics infrastructure.

Q A few months ago, the Central Board of Excise and Customs (CBIC) had come out with new rules for setting up CFSs and ICDs in the country. Is this realistic and practical? Is NACFS demanding a relaxation in the rules?

At the outset, I would like to thank CBIC for acknowledging that the guidelines for setting up of ICDs and CFS needed to be reviewed. The new circular has given a better understanding of region-based infrastructural requirements, minimum requirement of land for setting up facilities and clarification regarding legal rights over the land for new facility setup.

However, I feel that the circular somewhat lacks the spirit of 'Less Interference and Good Governance'. The circular introduces a new point regarding annual audit of the notified facilities, which in turn

adds unnecessary compliance burden to the facilities. Moreover, the circular further states that the target volume should be achieved within 4 years of establishment. This is unrealistic as infrastructure projects require time to develop and cannot expect returns within such a short period.

NACFS has thoroughly reviewed the circular and representations have been made to CBIC and Special Secretary (Logistics) requesting relaxations on certain points of this circular. Moreover, the inputs of associations should be taken into consideration before framing out such circulars which have far-reaching effects on upcoming and existing facilities. Provisions for handling coastal and domestic cargo in demarcated areas within facilities should be a point of consideration and we hope this is looked at in the future.

Q India's EXIM trade has been hit by a shortage of containers following the disruption caused by the pandemic. What is the situation on the ground level? How can this shortage be eased?

India has always had an export-import imbalance where Imports have far outweighed Exports. As a result, there has been abundant availability of empty containers for export. However, there has been a substantial increase in exports during the past year with initiatives like 'Atmanibhar Bharat', 'Make in India', etc. The rise in exports has been surprisingly accompanied with a decline in import volume. Since India lacks container manufacturing infrastructure, our heavy dependence on reusing import containers for exports has led to a huge shortage of containers.

It is also important to point out that several uncleared import containers are lying idle at CFS due to pending NOCs from different departments. A streamlined UCC software has been introduced for disposal of uncleared customs cargo in a time-bound manner. Adoption of UCC software has already commenced and we expect that this will ensure quicker availability of import containers to be reused for export.

It is heartening to see ramping up of container manufacturing infrastructure in India. I feel that this

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will help us become self-reliant and ease the container shortage issue in the long run. With the economy returning back to normal and resurgence in foreign trade volume, it is expected that the container shortage issue should be streamlined by October 2021.

Q The government has introduced several changes in the export-import processes to facilitate ease of doing business. What in your view has been some of the good and some of the bad such moves as far as the CFS/ICD industry is concerned?

The measures of the Government to boost trade by introducing several trade friendly initiatives like 'Atmanibhar Bharat', 'Digital India', 'Faceless Assessment', etc. have been welcomed. There has indeed been an increased adoption in digital tools, paperless modes of working, accompanied by a reduction in manual intervention. The focus on coastal cargo and development of Inland waterways is highly appreciated as this has been a neglected sector in the past. The focus on rail connectivity and introduction of rail movement to Bangladesh has not only reduced logistics cost but also greatly reduced congestion at Petrapole LCS.

While these initiatives are helping the trade as a whole, there are certain areas which needs to be looked at. Issues such as **Cost Recovery Waiver** for ICDs and CFS are still a challenge and CBIC has not yet clarified pending issues of applicants. The **AEO (Authorized Economic Operator)** program is very well laid out but unfortunately, AEO logistics providers do not receive any added facilities in the ground level which needs to be addressed.

Q With large port logistics companies/terminal operators increasingly looking at hinterland facilities to control the cargo and provide end-to-end solutions to customers for revenue maximisation, what is the future of stand-alone CFS/ICD operators?

Standalone CFS/ ICD operators have to find new ways to adapt with the changing scenario. Value addition initiatives such as focusing on Multimodal Logistics, Cold Storage, building specific infrastructure based on regional market needs, etc. are required to

stay competitive. If the government allows handling of Coastal/ Domestic cargo within demarcated areas of CFS and ICD, then this could be a new growth avenue for standalone CFS and ICD operators. Collaborations with nearby container rail terminals/inland waterway terminals will help CFS and ICD operators offer end-to-end solutions to the EXIM trade.

Q What are some of the operational and financial challenges facing CFS/ICD operators in the country?

CFS and ICD operators face inconveniences due to lack of a uniform system/practice across the country. DPD volume proportions, clearance time, Port to CFS turnaround time, etc. vary at different locations. As a result, the work processes are not streamlined and Indian CFS and ICD operators are unable to implement the global best practices.

It is pertinent to note that various states in the country have still not awarded the status of 'Industry' to the logistics sector. Due to this, the CFS and ICD operators of such regions are deprived of many benefits available if given the 'Industry' status.

Q How is NACFS and CFSAI different? Why is there two associations for the CFS/ICD industry?

India has over 350 CFS and ICDs which require representation at the national level. Both the associations have a common objective of looking into the needs of the CFS and ICDs, along with recommending policy changes to maximise the utilisation of facilities. Both NACFS and CFSAI collaborate on multiple issues to come up with the best possible solutions for the benefit of the trade. Having two associations for CFS and ICDs is beneficial as exchange of ideas and opinions help in providing suitable suggestions to policy makers. It is important to note that the two associations are not just representing CFS and ICD operators but also representing the warehouses and AFS of the country.

Q How can CFS/ICD be leveraged by the EXIM trade to reduce logistics costs?

CFS and ICDs help in decongestion of seaports and

rail terminals. EXIM trade is benefited by CFS and ICDs since they lower turnaround time and cost. All the CFS and ICDs are owned/managed by experienced logistic players who understand the needs of the trade and offer customised solutions which an exporter/importer would be unable to receive otherwise.

