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Paper and Presentation by Mr. Pratim Ranjan Bose, Deputy Editor and Chief of Bureau, Hindu Business Line

Need for taking a fresh look at BBIN transport agreements with focus on multimodal transport and containerisation

Pratim Ranjan Bose[1]

Introduction:

In a globalised economy, connectivity is key to economic prosperity. On a cross-border scale, connectivity enhances scope of trade of goods and services, helping create economic value chain and wider marketplace.

Connectivity is not the only way to growth. But there is little argument that time and cost-efficient logistics, aimed at serving specific economic needs, opens up opportunities for growth. Cheaper and better air connectivity, for example, is an attribute to India's thriving medical tourism sector that has grown by more than 200 per cent between 2013 and 2016. With an estimated annual traffic of 5.4 million, growing by 25% a year, Indians are one of the world's largest high-spending outbound tourist class[2] but connectivity, or lack of it, plays a role in deciding why Indian tourists should go to Bangkok and bypass Yangon.

The context gets more complex and when it comes to goods trade. Except for very high value commodities or products, air has little or no role to play here. The available options for the trade are sea, road, rail and in the case of BBIN countries – which share common boundary with India - inland waterways (IWT). All studies indicate, IWT is the cheapest mode of transport on per km-tonne basis, followed by sea, rail, and road. There is, however, a difference in their functionality. The road transport, for example, offers door-to-door services while the rest three are line-haul solutions, transporting goods between terminals, which should be connected by other logistics options like rail, road or IWT.

In BBIN perspective, Bhutan and Nepal are landlocked. They don't have railways and, IWT potential is low due to geography. However, two largest BBIN economies - India and Bangladesh - have all options open before them.

Yet, the nearly $6 billion India-Bangladesh trade is largely road-based and non-containerised. The advantage of container lies in easy transhipment. According to Indian customs authorities, not a single container crossed the Petrapole-Benapole land border - which alone handles more than 50 per cent of the bi-lateral trade - in September 2017.

Lack of containerisation coupled with absence of motor-vehicles pact, for allowing seamless traffic, lead to loading and unloading of goods at the border gates. This in turn, contributes to congestion, higher turnaround time for vehicles servicing trade and higher costs. How costly is this arrangement? One report[3] points out that the border congestion alone costs approximately 2% of the average road consignment value of Rs 1 crore at Petrapole-Benapole border.

The cost of road transportation keeps rising inside Bangladesh as the country restricts axel-load for trucks at 8.2 tonne as against 10 tonne in India, Nepal and Bhutan.

There are at least three regional transport studies by the World Bank[4], SAARC[5] and BIMSTEC[6] and all of which are unanimous that the trade demands cheaper and better logistics options to grow. BIMSTEC study pointed out that rail movement of the cargo from India's Western coast to Bangladesh could have been 35% cheaper when compared to the sea freight via-Singapore or

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[1] Pratim Ranjan Bose is a senior journalist and the Chief of Kolkata bureau of *The Hindu Business Line*, in India.

[2] https://www.forbes.com/sites/edfuller/2017/03/14/ignore-india-at-your-peril/#f294af942258

[3] http://www.thehindubusinessline.com/economy/at-this-indobangla-border-gate-free-trade-flows-24x7/article9799224.ece

[4] Forging Subregional links in Transportation and Logistics in South Asia, 2001.

[5] SAARC Regional Multimodal Transport Study (SRMTS), 2006.

[6] Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Transport Infrastructure and Logistics Study (BTILS), 2008.

Colombo. (The cost comparisons might have change after India and Bangladesh started direct maritime trade in 2016[7].)

What is true for Bangladesh is partly true for Nepal and Bhutan. Barring third-country imports through Indian ports of Kolkata, Haldia and Visakhpatnam; there is very little container traffic and, road movement dominates trade. However, Nepal and Bhutan have existing treaties with India to allow movement of vehicles inside each other territories under some conditions. Indian Rail also carries cargo to Birgunj dry-port on the Nepalese side. Bhutan is not connected by Rail and is entirely dependent on road cargo for both bilateral trade with India or transhipment through India.

India and Bangladesh run passenger train services. However, in the absence of a rail protocol, and mismatch in gauge and rolling stock, coupled with load restrictions on Jamuna Bridge (over Padma river) that connects the Eastern and Western Bangladesh; there is no direct freight train service between the two nations. Officially bi-lateral rail cargo moves through three interchange points (Gede-Darshana, Singhabad-Rohanpur and Petrapole-Benapole) of which Gede-Darshana is the largest in terms of traffic. But the quantum of rail cargo is a fraction of the total trade[8].

The 2008 BIMSTEC study found approximately 10% of total trade moving by rail riding on primarily Bangladesh's rice imports from India. The share of rail cargo declined in the following years as Bangladesh had cut down on rice imports since 2012; bilateral trade doubled between 2006-07 and 2015-16 and; the Bangladesh Railway went on losing cargo to road. Currently rail is used mostly for carrying stones (used in construction) and other mined commodities and, limited quantity of petroleum products exported from India. There is no return traffic from Bangladesh.

India and Bangladesh do have an inland water transport and transit treaty. In 2012 the Bangladesh government withdrew the monthly renewal restriction on the protocol to give it a relatively long term status. Further the scope of transit was expanded by including Ashugunj port near Tripura. But neither the transit nor bi-lateral trade through IWT has picked up due to long travelling time and rudimentary facilities. The Inland waters are now mostly used for exporting fly-ash (a thermal power generation residue) from India to Bangladesh (Mongla Port) for possible use in land-filling.

Part-A

BBIN Rail protocol

Given this background BBIN nations are now looking for road, rail and IWT pacts following the SAARC template.

Of the three, BBIN motor vehicles agreement (MVA) was drafted as early as in 2015 to ensure seamless movement of traffic. However, it could not be translated into an agreement so far due to last minute pullout of Bhutan from the deal.

Next in line is the railway protocol. Unlike the MVA, the rail protocol will largely be an affair involving India and Bangladesh and is expected to undergo less complexity.

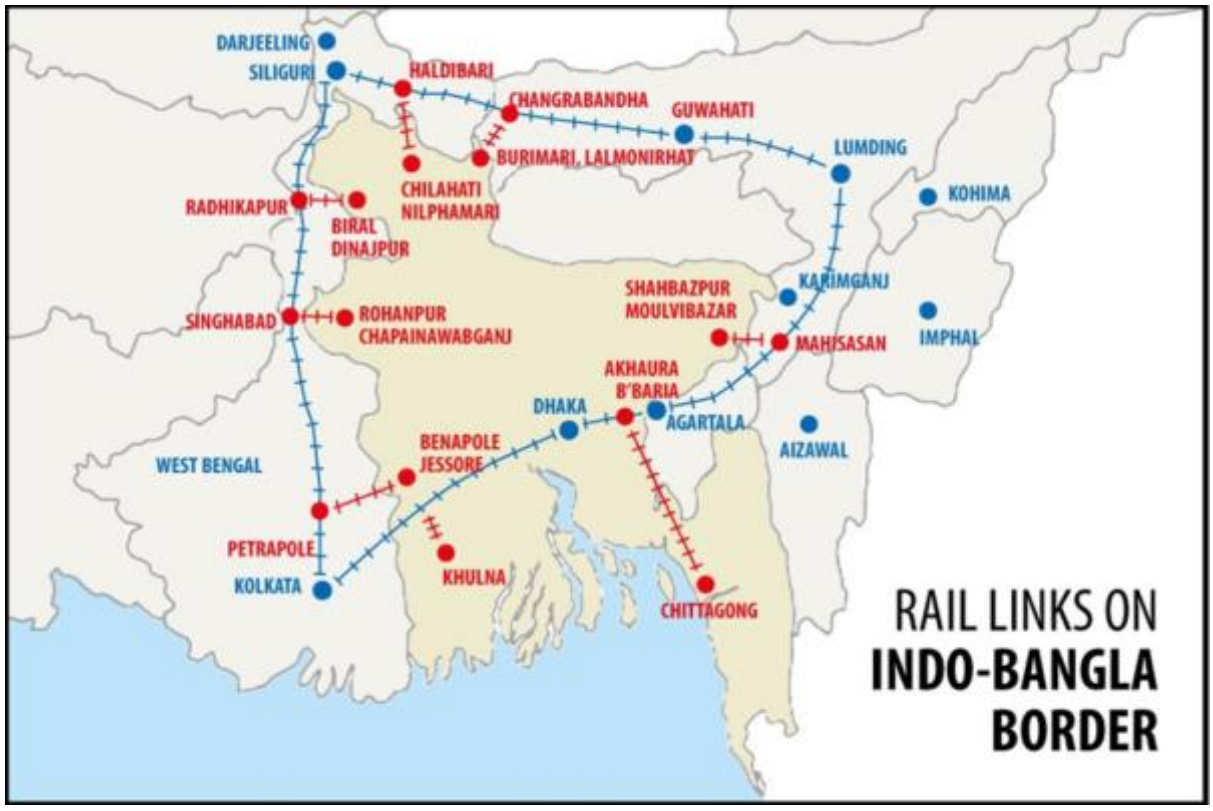
Keeping in tune with the Trans-Asian Railway Network proposed by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP); the SAARC negotiations and; the bilateral dialogue between India and Bangladesh; six rail connections are proposed between India and Bangladesh. Of the total three are operational and work is initiated on the rest.

The existing Singhabad-Rohanpur rail-link is identified for transit traffic (through India) from Bangladeshi ports to Nepal. The line will connect Nepal at Birgunj and Biratnagar, by Indian Railways, and can be used either for Nepal-Bangladesh bilateral trade or Nepal's third country imports using Bangladeshi ports (Mongla and Chittagong). The Chilahati-Haldibari link will help connect Bhutan, as

[7] http://www.thehindubusinessline.com/economy/logistics/first-direct-box-vessel-to-bangladesh-sets-sail-from-krishnapatnam-port/article8406188.ece

[8] https://timesofindia.indiatimes.com/city/kolkata/eye-on-more-goods-export-to-bdesh/articleshow/58136617.cms

and when India builds the proposed rail connectivity to Bhutan. An Indian Railway project is pending in this regard.



(Map Source: Dhaka Tribune, Bangladesh)

A line connecting Akhaura in Bangladesh will pass through Sabroom in Tripura to Chittagong Port in Bangladesh. It will help North Eastern States of India to access the Chittagong port. The Gede-Darshana route will connect Eastern and North Eastern India through Dhaka and should act as the primary route for bilateral trade by rail. The connection through Petrapole will lead to Mongla, where Bangladesh is building an SEZ to host potential Indian FDI (foreign direct investment). According to the World Bank study, Mongla is the lowest draft (4 metre, 7.5 metre at the anchorage) river port in the region. Naturally India has little reason to use it. The line will therefore help meet the potential industrial demands of the region and export cargo from Bangladesh to India, if any.

It is expected that typical to the draft-MVA, the Railway Agreement would not allow cabotage and will restrict port connectivity to third-country import needs of Nepal and Bhutan and India's North Eastern States. Ideally, the BBIN treaty should have offered Bangladesh access to Indian ports on the East coast - especially the efficient deep-sea ports like Dhamra and Paradip in Odisha, barely 500 km from Kolkata – to boost industrial activities in the Western and Northern Bangladesh which currently enjoy limited connectivity with the Southern and the Eastern parts of the country. However, Bangladesh is yet to place any such demand.

The question is: Should the BBIN rail connectivity agreement be enough to reduce trade costs and expand the scope of cross-country value chain?

Even if signed, there are some serious question marks over the on-ground success of BBIN MVA in the face of opposition from truckers lobby. The Greater Mekong Sub-region (GMS) which took pioneering effort in this direction in South Asia is still struggling to solve this puzzle.

Ideally, rail is a solution to decongest road traffic. However, considering the slow progress of various rail connectivity projects (including those constructed under Indian development cooperation), should the Rail agreement bring any reprieve to trade in the immediate future? Entering into a comprehensive multimodal deal is theoretically a better option than signing the

piecemeal agreements. But will it be a success in the current status of infrastructure gaps especially in Bangladesh?

More importantly, despite availability of rail, the bilateral trade between India and Nepal is still dominated by road. Bangladeshi trade is now fully geared to bulk movement by road. What is the surety that they will move to rail and, how can we make it happen?

The next part of the paper, will analyse these questions from the perspective of reducing logistics costs on a priority basis. The focus will be on goods movement between India and Bangladesh as this is the backbone of the BBIN trade.

PART-B

Need for a comprehensive plan to lower trade costs in the short and medium term

As the biggest economy and a net exporter to the sub-region, India has maximum interest in reducing trade costs with neighbours. The pioneering initiative was taken by the Atal Bihari Vajpayee government (1998-2004) in early 2001. The rail link of Petrapole-Benapole border (2001) and rail connection to the Nepalese gate of Birgunj (2006) - aided with Inland Container Depot (ICD) and dry-port facilities - are some of the positive outcomes of these move.

Of the two, the Birgunj facility is the most important, as it paved way for direct rail transfer of containers and bulk cargo to Nepal by Indian Railways. Bangladesh didn't agree to this arrangement. Accordingly, Indian Railway takes rakes to the Indian side of the Petrapole-Benapole border from where wagons are handed over to Bangladesh. A decade later, Petrapole rail-link stands grossly underutilised and Nepalese facility is a partial success. A quick look at the reasons behind, will give important insights into the next course of action.

Understanding the existing rail transport dynamics to Nepal and Bangladesh: According to inputs received from Indian Consulate in Birgunj, the Birgunj ICD and Railways; as in 2016-17, nearly 60% of the containerised third-country import by Nepal - worth nearly $3 billion – through Kolkata, Haldia and Vizag ports were handled by railways.

In the $4 billion bilateral trade; railways shares nearly 60 per cent of the traffic of iron and steel. Dirty-cargo exports to Nepal - like coal, fly-ash, mined products and clinker, (used by cement grinding and packing units) – mostly move by rail. But this apart, **the share of rail cargo and containerised cargo is minimal in Indo-Nepal bilateral trade. The overall share of Rail traffic, in the combined transit and bilateral trade, is estimated at 25%[9].**

To analyse the trend, containerisation is a compulsion in maritime trade. But, **the entire transit cargo is not moving by rail** for the following reasons:

1) Absence of rail connectivity to Nepalese gates other than Birgunj. Containers headed for Biratnagar, in South-West Nepal, for example travel by road. The **proposed Jogbani-Biratnagar rail connectivity will solve this puzzle.** Inclusion of multi-modal logistics clause for transit cargo and creation of container handling facility at the Indian gates, most of which are connected by rail is also an available option to increase share of rail freight in transit cargo.

2) Haldia and Kolkata port suffers from inefficient container handling practices, leading to delays and associated costs forcing a section of users to use road option.

3) Container Corporation or CONCOR has the monopoly right to carry rail consignments to Birgunj ICD. And, Nepalese importers accuse them of overcharging. CONCOR, however, argues that the trade (both bilateral and transit) being highly one-sided, they bear extra costs in returning empties. In the absence of competition and considering the inefficiency in Indian Railways (which runs cargo rakes at an average speed of 15 km/hour[10] on this route); such allegations should be taken into cognizance and be explored.

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[9] Based on inputs from Indian Consulate in Birgunj, Nepal.

[10] Forging Subregional links in Transportation and Logistics in South Asia, 2001. Pg-38

In the bilateral trade, rail is used for carrying voluminous cargo, as it is highly sensitive to logistics cost. According to the World Bank study[11], logistics costs 119% of the cargo value of limestone for 786 km road travel. On the contrary, logistics is only 44% of cargo value after 1535 km rail movement of cement. This perfectly explains why steel produced in Bhilai in India should take rail to cover 933 km to Birgunj. Also there are environmental restrictions in India on road travel of dirty cargoes, like coal, beyond 50 km.

Noticeably, beyond bulky cargoes imported by large industries, the **rail is barely used in Indo-Nepal trade. The share of containerisation is very low either on rail or road in bilateral trade. The reasons are the following:**

1) **Indian Railways that doesn't accept consignments less than a full rake.** (It has been nearly a decade or more Indian Rail stopped carrying parcel or wagon loads and wound up the marshalling yards.). Naturally **smaller importers have little option to use rail**.

2) **CONCOR doesn't run scheduled services to Birgunj for bi-lateral trade,** which means a consumer have to wait till CONCOR gets all 90 containers to fill a rake. No trader accepts this uncertainty. Also, neither **CONCOR nor Indian Rail offer any door-to-door service.** All this put together makes containerised movement by rail unattractive. Even Indian companies, like Dabur, having operations in Nepal rarely use rail for goods movement between India and Nepal.

3) There is no ready reference on the reasons behind low containerisation in India-Nepal road traffic. Ideally, the cost of container movement is higher than break bulk. But that is compensated by lower wastages of cargo and an overall savings. In India, use of containers is rising even in cement transportation. But the trend is completely missing in Indo-Nepal (and Indo-Bangla) trade. This is either due to lack of market making exercise or due to unexpectedly low savings in containerised trade. It would be time to explore the reasons.

To put it straight, Nepalese importers are forced to use the costly but more flexible road transport, which in turn is impacting competitiveness of Indian exports. The negative impacts may be felt if China offers a more competitive transport option to Nepal.

Like Nepal, Bangladesh too shows interest in taking mined material by train. Also, the trade is dominated by smaller players who cannot afford hiring a full rake. To add to the problem, unlike Nepal, Indian railways has minimal commercial interest in running cargo services to Bangladesh, in the existing form, because rake once entering Bangladesh takes a long time to return, due to capacity and system mismatch (starting from rolling stock like wagons, couplings, signalling to gauge). Containerisation has little role to play here. The axel-load restriction in Bangladesh ensures that containers are unloaded at the border. Also there is no container handling infrastructure at the border.

BBIN rail agreement and the issues involved

Bangladesh is currently witnessing major investment in improving rail infrastructure, including a host of projects under Indian development cooperation programme. The New Padma Bridge, which is scheduled for completion in end-2018, will ensure rail connectivity across the country. If all the projects are completed in time; seamless traffic will be a reality in next two to three years. And; discussions for BBIN Rail agreement are so far built on that premises. As an immediate measure, India and Bangladesh are also preparing[12] to run a container train between Kolkata and the main consumption centre in Dhaka. As per the plan, the two countries are negotiating ways to run the

[11] Forging Subregional links in Transportation and Logistics in South Asia, 2001. Pg-53.

[12] http://www.thehindubusinessline.com/economy/logistics/india-bangladesh-to-pilot-freight-train-service-in-august/article9766111.ece

freighter at less than optimal load to negotiate the current load restrictions on Jamuna Bridge. The Indian Rail Board has already entrusted CONCOR for the job.

However, there are question marks over the success of both the multilateral and bilateral rail connectivity initiatives in the immediate future:

1) To start with, there are serious concerns, if the proposed projects in Bangladesh will be completed in time. None of the BBIN countries have reputation in timely project completion. And, the records of Bangladesh are poor. If the latest media reports from Bangladesh are correct, majority of key rail projects are suffering inordinate delays[13]. Many projects under the Indian line of credit in 2010, are far from complete[14]. The Khulna-Mongla rail link which was scheduled for completion in 2018, is only 31% complete. The link is vital for Nepal to use Mongla port. Similarly the key 120 km Chittagong-Cox's Bazar link is 20% complete.

2) There are question marks over the technical feasibility of the bilateral initiative to run container train over Jamuna Bridge. The subject is long pending and the BIMSTEC study in 2008 didn't find much hope.

3) As is mentioned, the current goods train services between India and Bangladesh are economically unviable. It is not yet clear if the proposed BBIN and bilateral rail connectivity proposals are backed by a viability plan.

The trade in the region is heavily one-sided. Against a $6 billion Indi-Bangla trade; Bangladeshi exports is below $700 million (2016). Nepal's exports stands at $ 0.9 billion against import of $6.6 billion[15] (2015). This poses serious challenges to the rail freight service operator, due to return of empty rakes and the associated costs for under utilisation of rolling stock.

Unless India or other other BBIN user countries operate such services under sovereign guarantee, the nature of trade should act as a discouragement to the operator to scale up the operation or the **tariff of such services will be unexpectedly high, thereby impacting the primary agenda of reducing trade costs**. We already have such examples in the Nepal trade.

4) Under bilateral programme India is trying to start container train service to Bangladesh by CONCOR. But the Nepal experience proves that merely offering a service is not enough for containerisation. When compared to Nepal, Bangladesh has a wider import basket. The sourcing points are spread around the country. Logistically it will therefore be more challenging for CONCOR to run such services than carrying third-country imports of Nepal from Kolkata or Vizag to Birgunj. Add to this the potential load restrictions to cross Jamuna Bridge; the cost of running such services will be higher on a per tonne-km basis. Can trade afford it? Unless rail services offer a significant savings on logistics; will trade shift from break-bulk road cargo to containerised rail cargo? The question is important because, trade has full-fledged soft and hard infrastructure at Petrapole-Benapole and needs adequate economic reason to switch over to a new mode.

In short, there are many ifs and buts for the planned initiatives to be successful on ground in the immediate future.

Remedies to solve logistics cost riddle in BBIN trade:

[13] http://www.dhakatribune.com/bangladesh/development/2017/09/22/railways-priority-projects-face-delay-rising-costs/

[14] http://www.thefinancialexpress-bd.com/2017/06/17/74063/PMO-reviews-projects-under-Indian-$7.36b-LoCs-tomorrow/print

[15] Data source: The Observatory of Economic Complexity (OEC).

While the effort to establish seamless rail and motor-vehicles movement must go on; the BBIN countries would do better to tap every available opportunity in the immediate term to reduce logistics costs which is win-win for all. Taking a multimodal approach is a justified goal in this regard.

Before listing out options, we should take note of the fact that the Eastern region of India - which is contiguous to other BBIN nations - has low level of participation in the existing formal trade within the sub-region. (They do, however, witness significant exchange of goods and services through the informal channels). This coupled with one-sided nature of trade indicates that goods travel much longer distance (running into thousands of kilometre) within India, when compared to the total journey.

As discussed above, land-border trade is the only option available to Nepal and Bhutan. Theoretically, India-Bangladesh trade could have taken a cheaper sea-route to transfer cargoes originating from the West and Southern India which is dotted with efficient deep-draft sea ports. But the capacity constraint and congestion at Chittagong port in Bangladesh (with available draft of 7.5 metre and 9 metre at the anchorage) limits the practical availability of this option. The problem can be solved once Bangladesh has a deep-sea port. Till then, we have to look at following options:

1) A detailed sub-regional logistics survey is the need of the hour. The three surveys (World Bank, SRMTS and BIMSTEC) having taken a broader view did not get into detailed mapping of cargo potential and specific logistics requirements in the region. This is important to zero in on priority routes and logistics options.

2) **India-Nepal trade** is relatively more organised compared to India-Bangladesh trade. With Biratnagar rail-link under implementation, the priority here is to shift road cargo to rail and focus on containerisation. This needs serious push to Indian Railways and CONCOR to change their monopolistic business model to offer more competitive solutions to trade. Market making require effort and investments. The easy terms offered by Maersk Line on container detention to popularise Vizag port operations to Nepalese traders; is a case in point. It has invited similar offers from other liners connecting Kolkata port.

It is time CONCOR take market risk and present a more competitive model to popularise rail bound container trade in a time bound manner. Removal of freight restrictions, container aggregation from customer's doorstep and running scheduled services on at least one priority line to Nepal is the need of the hour. While CONCOR needs to step up investment in the ICD capacity expansion; Indian railways must invest in decongesting the identified rail corridor to Nepal.

3) **India-Bhutan trade** needs Indian Railways to complete the long pending 30 km link to Bhutan on a priority basis.

4) Private sector must be allowed to throw their hat for future ICD and freight train operations with Nepal and Bhutan to infuse competition.

5) While BBIN rail agreement identifies Singhbad-Rohanpur link for Nepal-Bangladesh trade; a detailed analysis is required to ensure viability of this route vis-a-vis clubbing the transit traffic to proposed India-Bangladesh container train service through Gede-Darshana. Such critical view might help roping in private players in the container train operation.

6) The India-Bangladesh trade is the most complex of the BBIN intra-regional trade in terms of its potential, depth and complexity in logistics options. Naturally it needs in-depth analysis.

   a. The existing cargo handling practices of Bangladesh are rudimentary and costly. This is true not only for intra-regional trade but also for Bangladesh's huge exports of readymade garments (RMG), where export consignments move in bulk form production units for containerisation at Chittagong Port. Containers received at the port are also unloaded from the

containers for movement in bulk form. Apart from repeated handling costs, this chokes the port capacity thereby increasing the indirect costs.

On a bilateral-scale RMG raw-material comprises 27% of Bangladesh's total imports from India and there is no through movement of containers; Bangladesh is ending up limiting the price competitiveness of RMG exports and the export potential. The same logic applies to a majority of commodities and goods. (Even liquid Oxygen cylinders which are either used for forging or healthcare are shifted to Bangladeshi vehicles[16]. The practice is not only costly but also hazardous).

b. **Harmonisation of axel-load by Bangladesh to encourage containerisation:** The primary reason behind such practices is axel-load restriction in Bangladesh limiting movement of a twenty feet container (TEU) with optimal load. Bangladesh, as mentioned before limits axel load at 8.2 tonne against 10 tonne in India, Nepal and Bhutan. The World Bank logistics report[17] identified the restriction as a major cost attribute to Bangladeshi economy.

More importantly, this restriction is source of two major ills in Bangladeshi trucking industry. The most important of all is overloading. "Trucks carrying bulk cargoes are generally overloaded," World Bank said. The reasons are easy to understand, load restrictions make truck freight expensive naturally they flout norm to remain competitive to users. Another fallout is: It restricts use of modern high capacity multi-axel trucks which are more cost efficient.

The World Bank report anticipated removal of this restriction (bringing harmonisation of standards with other BBIN countries) in 2001.

It is time, Bangladesh relaxes the axel-load restriction to 10 tonne, like other BBIN countries, and impose strict restrictions on over-loading. This single move will pave way for containerisation in intra-regional trade and improve competitiveness of Bangladeshi economy.

c. Even if Bangladesh pegs the axel-load restriction at par with rest of the BBIN countries; the infra-gaps in Bangladesh remains. Harmonisation of standards with Indian Railways and through movement of rail to the consumption centres at Dhaka and Chittagong are uncertain at least in next two to three years. This calls for revisiting the well thought out proposals by SAACR Regional Multimodal Transport Study in 2006 and BIMSTEC Transport Infrastructure and Logistics Study (BTILS) in 2008 to set up transhipment facility.

Taking a cue from BIMSTEC Study, the 9th Meeting of the Bangladesh-India Joint Working Group[18] on Trade held in Dhaka in March 2014, discussed the possibility of setting up an inter-modal transhipment facility at Ishwardi in Bangladesh that connects Gede-Darshana rain-link. If Set up this could be a highly useful, viable and win-win solution for all. Mechanised operation can complete transhipment operation on a full rake of 90 containers in only 30 minutes Europe. It would have reduced the turnaround of Indian Railway rakes and allowed Bangladesh complete flexibility in deciding on the mode of transport for the import cargo in Bangladesh. It would have also helped

[16] http://www.thehindubusinessline.com/economy/logistics/stakeholders-seek-early-implementation-of-bbin-motor-vehicles-agreement/article9549377.ece

[17] Forging Subregional links in Transportation and Logistics in South Asia, 2001

[18] http://commerce.gov.in/trade/Minutes_9th_Meeting_Inida-Bangladesh_JWG_Trade_Dhaka_12-13March_2014.pdf

Bangladesh to cut logistics costs on its exports directed to India's Northern, Western and Southern regions.

d. **Inclusion of IWT as multimodal option**: With India government investing nearly a billion dollar in Jal Marg Vikash Project[19] (JMVP) to convert 1380 km National Waterway-I from Varanasi to Kolkata on Ganga into an all-weather fairway capable to carry barges, capable to carry a train load of cargo. It is expected to shift 22 million tonne (mt) road traffic to IWT in 2022 and 45 mt in 2030. This coupled with the ongoing Dedicated Freight Corridor[20] project (for rail cargo movement) and the proposed sea port in Tajpur near Haldia is converting Kolkata into a multimodal transport hub with the existing Kolkata and Haldia Port emerging as the country's largest inland port.

BBIN might take full benefit of this infrastructure; if Bangladesh encourages movement of containerisation (as discussed above) and, if BBIN rail agreement connects IWT as a multi-modal option centering Kolkata and connecting, Mongla and other river ports in Bangladesh.

An Indian export cargo for Bangladesh originating in Hyderabad, for example, can take rail route to Kolkata. Those originating in Uttar Pradesh on the other hand can take National Waterway-I to Kolkata. From Kolkata, the export cargo can take any of the three transport modes available.

The possibilities can increase if more river ports in Bangladesh (apart from Mongla) are added to the protocol to take cargo by IWT nearer to the consumption centre in Dhaka.

The success of this approach depends on (A) containerisation and the necessary investments in container handling at Bangladeshi ports and; (B) expanding the scope of cooperation in IWT, where movement is now restricted in daytime leading to long turnaround time, shared responsibility in maintaining the fairway to optimise the prospects of cargo movement.

e) **Inclusion of Multimodal clauses may help Bangladesh tap North Eastern Indian economy better and add viability to container operation**: Apart from developing NW-1, India is also preparing to create a fairway on Brahmaputra (NW-2) from Dhubri on Bangladesh border to Sadia in the Upper and link it with NW-1 through Bangladesh for transit trade. In this direction India is also offering development assistance for river dredging[21] in Bangladesh. The creation of the fairway will make Guwahati a multimodal hub as it is connected with the rest of the North East by rail and the rail network is expanding in the region.

Bangladesh can clearly tap this opportunity to tap export opportunity in North East via-Guwahati. Allowing cabotage - so that the vessels carrying Indian transit cargo picks up Bangladeshi cargo to India – may bring viability to the trade both in terms of freight operations and lower turnaround time for return empties.

Conclusion: The BBIN sub-region has huge logistics gaps especially between India and the rest of the countries due to legacy issues. It is unwise to expect the gap to be mitigated quickly. Within India there are wide logistics gaps between Eastern Indian states, especially Bihar, and the rest of the country. The domestic politics of the participating country and the existing transport lobbies in

[19] http://www.thehindubusinessline.com/economy/logistics/jal-marg-vikas/article9711712.ece
[20] http://dfccil.gov.in/dfccil_app/home.jsp
[21] http://www.thehindubusinessline.com/economy/logistics/bangladesh-dredging/article9711709.ece

each country are stumbling blocks for quick progress in mitigating the gaps. Under the circumstances, it may be realistic to take phase-wise initiative to cut logistics cost.

Such an approach needs innovative solutions, suited to the ground conditions. This may not be available in any of the regional templates, including the ones provided by SAARC, which took broad spectrum views. Targeting containerisation, investing in transhipment facility and multimodal approach may pave way for enhanced economic activity which is crucial for long term sub-regional cooperation.

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Need for taking a fresh look at BBIN logistics agreements with focus on multimodal transport and containerisation

Pratim Ranjan Bose
Chief of Bureau, Kolkata
BusinessLine

Connectivity to Prosperity

- Connectivity is not only way to growth. But one of the essentials to growth.
- Medical Tourism and Tourism has strong connection to air connectivity.
- Indians are high-spending foreign tourists. 5.4 million rising by 25% a year. (Forbes)
- Road/Rail/Maritime/Inland Water – for Goods Trade.
- IWT cheapest on per km-tonne basis, followed by sea, rail, and road.
- Road- door-to-door. Rest Line Haul.

Cost and time efficient logistics

- Regional trade one-way. India has maximum interest in cost reduction.
- India pays 14% of GDP on logistics against 8-9% global average.
- Logistics cost higher for Bangladesh, Nepal and Bhutan higher.
- Nepal/Bhutan dependent on road. India Bangladesh have all options.
- Road transport cost highest in Bangladesh due to lower 8.2 ton axel-load restriction.
- India-Bangladesh trade logistics inferior to India-Nepal.
- **Minimum containerisation, repeated loading.**

BBIN needs logistics push

- Vehicles can ply between India, Nepal Bhutan under conditions. Not allowed between India-Bangladesh.
- BBIN MVA may face resistance from truckers like GMS.
- BIMSTEC Study - Rail can be 35% cheaper to Maritime between India and Bangladesh (Before direct shipping)
- **Nepal** connected by Rail at Birgunj ICD. Biratnagar connection coming. Road dominates.
  - Transit Cargo: Containerised. 60% Rail
  - Bilateral: Dirty and Bulky cargoes by rail. Minimum containerisation. Low rail share in total.
- **Bhutan** lacks last mile rail connectivity.
- **Bangladesh**– No transshipment facility. **Containerisation minimal**. Rail cargo insignificant due to logistics gaps.

BBIN - way to mitigate logistics gap

- BBIN Rail agreement looking to seamless connectivity. Questions on near-term solution as key projects are delayed.
- India-Bangladesh trying to run container train between Kolkata and Dhaka. Technical feasibility concerns.
- Nepal Example: Having Rail connection is no guarantee to containerisation and viability.
- Need for detailed commodity wise logistics mapping. Focus on Containerisation and Multimodal to mitigate logistics gaps.

Recommendations-1

- India-Nepal: CONCOR and IR should run scheduled services to ICDs. IR should find way to take parcel loads. Full rake clause forcing traders to opt road transport.
- Bhutan suffering due to lack of rail connectivity. Include multimodal clause. Set up ICD in Siliguri to make transport cheaper.
- Axel-load restriction is prime hurdle to container movement in Bangladesh. Chocking Chittagong Port, Benapole Land Port.
- World Bank says Bangla truckers flouting to remain competitive. Harmonisation with BBIN and strict imposition of overloading clause is win-win

Reccomendations-2

- Varanasi-Kolkata (NW1)Ganga Jal Marg (fairway), DFC making Kolkata Multimodal hub. Dhubri-Sadia (NW2) development planned.
- Delhi cargo to Bangladesh may take Jal Marg. Hyderabad Cargo can come by rail and take IWT. Bangladesh cargo can take IWT to Guwahati to take Rail to cater rest NE
- Multimodal agreement, containerisation and inclusion of more river ports in Bangladesh can decongest road.
- BIMSTEC proposal for transhipment hub inside Bangladesh valid solution infra gaps in Bangladesh are mitigated.
- Containerisation – A Must.