

Chairman's Pen



My dear fellow exporters,

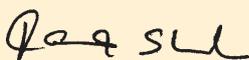
The Business Standard on September 12, 2007, reported that the Competition Commission of India (CCI) is "irked at the shipping lines forming cartels to fix freight rates". In a letter to the Shipping Ministry, the CCI has pointed out that the India-Pakistan-Bangladesh-Ceylon Conference (IPBCC), which is one of the oldest shipping conferences in the world, controls about 75% of the traffic between India and Europe needs to abide by the provisions of India's new competition law, the Competition Act, 2002, since the new Act provides for no exemption for Shipping Conferences. The Report further notes that CCI Member Shri Vinod Dhall has "warned" the shipping lines by saying that the penalties for cartels are particularly severe under the Indian law.

If true, this is indeed good news and something that the Council has been drawing the attention of the CCI as well as the Ministry of Shipping for sometime now. Further, apart from jacking up the freight rates beyond what is required by market conditions, freight rates in India seem to vary from region to region. The Ocean Freight Rates from Kolkata port, for instance, for shipments to European and Gulf destinations have increased between 60%-150% between April 2007 and September 2007. This has been further compounded by scaling down of the loadability tonnage. It needs to be noted that for engineering exports, unlike other commodity exports, freight rates constitute nearly 25%-30% of total cost of shipment and hence rent seeking in freight rates can deliver a death knell to the competitiveness of our engineering exports. This is more so at a time when conditions are most unfavourable for undertaking exports.

EEPC has been suggesting to the Government the need for a National Shipping Regulator in lines of TRAI and IRDA in the telecom and insurance sector as well as strengthening the Shipping Corporation of India so that it can at least handle 5% of total cargo from India and can have some impact on the making of freight rates in the shipping industry in the country.

As I had mentioned last week, the Council is in the process of drawing up a fresh list of items that can be included in the list of items that can be exported to Pakistan and I would urge members to suggest specific tariff lines which the Council can recommend to the Government for inclusion in the Indo-Pakistan Trade List. The Council has also submitted to the Government its Pre-Budget suggestions for the next fiscal year and will be now forwarding its suggestions with regard to the monetary and credit policies to the RBI. I urge you to send your suggestions to the Council so that they can be incorporated for onward transmission to RBI.

Yours sincerely,



(RAKESH SHAH)