



## Competitiveness of South Asia's Container Ports

A Comprehensive Assessment of Performance, Drivers, and Costs

Matías Herrera Dappe and Ancor Suárez-Alemán

South Asia's seaports are crucial to the region's economy.<sup>1</sup> The region transports 75 percent of the value of its exports and imports by sea. Shipments are concentrated at the 14 largest container ports, which handle close to 100 percent of total container traffic. The performance of these ports has a crucial effect on the competitiveness of the region's trade.

Even though the South Asian port sector has experienced significant changes since the late 1990s—when the governments of India, Pakistan, and Sri Lanka reformed their port sectors to allow private participation—the performance of South Asia's ports has received little attention.

The World Bank undertook a comprehensive assessment of South Asia's container ports to support South Asian governments and stakeholders in the sector. It sought to understand the links between performance and its drivers and costs and to identify whether and how performance might be improved. The study proposes an approach for improvement based on regional and global experience.



### South Asia's global integration

Since 2000 the South Asia region has grown at an average annual rate of 6.8 percent—the second-highest economic growth in the world after East Asia. South Asia's trade also increased significantly, almost doubling its share of GDP between 2000 and 2014. But despite this progress, South Asia remains less integrated into global markets than East Asia.

South Asia's economic competitiveness has continued to lag that of other regions. According to the *Doing Business* report, South Asia trails East

Asia on cost and time for exporting or importing containers.<sup>2</sup> Global indicators such as the Logistics Performance Index and the Global Competitiveness Report highlight concerns that the region may not have the infrastructure needed to compete more successfully in the global economy.<sup>3</sup>

How ports perform affects the time, cost, and efficiency of trade, which partly determine the level of global competitiveness and the volume of trade. And the effects of port performance extend to the competitiveness of industries in the hinterlands, including in the region's landlocked nations.

1 South Asia comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

2 World Bank. 2017. *Doing Business Database*. <http://www.doingbusiness.org/>.

3 WEF (World Economic Forum). 2015. *Global Competitiveness Report*. [http://www.weforum.org/docs/wef\\_globalcompetitivenessreport\\_2014-15.pdf](http://www.weforum.org/docs/wef_globalcompetitivenessreport_2014-15.pdf).

## Container port performance is better than it was—but there is still room for improvement

With South Asia's impressive growth in trade, container traffic in the region increased by a factor of more than four. Port capacity also grew, but much more slowly than cargo growth.

With the growth in traffic, congestion at container ports across South Asia increased between 2000 and 2012. Ports offset longer waiting times by improving the efficiency of their operations at the berthing stage. More efficient use of port facilities and improvements in the scale of operations were the main drivers of increases in total factor productivity in the region. These increases helped South Asia approach East Asia in terms of efficiency in the use of port facilities. On average, South Asian container ports experienced the largest improvement in total factor productivity among ports in the Indian and Western Pacific oceans—an 80 percent improvement versus 55 percent for East Asia between 2000 and 2010.

South Asia still had significant potential to improve overall efficiency in the container port sector through scale expansion, as demonstrated by the fact that 62 percent of its container ports showed increasing returns to scale between 2008 and 2010. In 2010 the region's ports could have handled twice the throughput they did with existing facilities, had all ports performed efficiently.

But port performance varied across South Asia. Some ports, such as Colombo, JNPT, Mundra, and Qasim, improved the use of their facilities between 2000 and 2010. Others, such as Mumbai and Tuticorin, fell farther behind in performance.

### Drivers of performance in South Asia's ports

The evidence on South Asia supports global findings that so-called landlord ports, at which the private sector provides services to shipping companies, attain higher levels of operational performance and economic efficiency than ports run based on other models. Application of the landlord model in India, Pakistan, and Sri Lanka has varied, however, as have performance and investment experiences. Bangladesh is the only country on the Indian subcontinent that has not adopted the landlord model.

Ports that have better-governed port authorities, with more transparent appointment processes and independent members, also perform better. The boards of the best-performing South Asian ports exhibit high levels of professionalism, and the ports they serve have higher levels of private sector investment. Even at landlord ports, port authorities' boards generally have responsibility—either directly or through service contracts—for ancillary services such as tugging, pilotage, facilities for freight forwarders and customs inspections, and road and rail interconnectivity to the port. When performed well, all of these roles facilitate better operational performance. Effective boards seem to understand the interlinked nature of the public and private contributions that ensure the timely and efficient movements of cargo through their ports.

Competitive environments are also associated with better performance of container ports in South Asia. Ports that operated in more competitive environments during 2000–10 were, on average, more efficient in the use of their facilities. And ships at these ports also spent less time on average at port. Competition is stimulated at the initial concession stage—through open bidding—and through port policy objectives that introduce new operators as port expansion proceeds. In contested hinterlands, such as in northwest India, inter-port competition is a powerful force for improving port choice and investment.

### The way forward

Experience from across the globe, including the South Asian experience, indicates that a comprehensive approach that tackles several interrelated factors yields greater benefits than isolated improvements. A promising three-pronged approach for improving performance in the region would (a) encourage private sector participation within a well-regulated and administered landlord-port model; (b) strengthen the governance of port authorities' boards; and (c) promote competition among and within ports, in part through transparent and competitive concession bidding.

The potential gains associated with improving port performance are substantial. If every South Asian container port had been as efficient as the region's best during 2000–07, maritime transport costs for South Asian exports would have been up to 8.8 percent lower and exports would have been up to 7 percent higher.

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*Connections* is a series of knowledge notes from the World Bank Group's Transport & Information and Communication Technology (ICT) Global Practice. Covering projects, experiences, and front-line developments, the series is produced by Nancy Vandycke and Shokraneh Minovi.

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