



Turning up the volume

Due to its choice location, the Chongqing government is pouring funds into plans that will make the city the home of one of China's primary inland waterway port

---By Lee Perkins

China has a long history of utilising its extensive inland waterway (IWW) network, of which the Yangtze has traditionally been a vital part. Chongqing, one of the cradles of Yangtze civilisation, has been sustained by an intimate relationship with the river and has been a pilot for economic reforms since 1983.

In 1997, Chongqing became China's fourth municipality directly under the jurisdiction of the central government. With a population of over 30 million and GDP last year of RMB310 billion (US\$ 38.5 billion), Chongqing is currently the economic and industrial capital of the region, and in conjunction with downstream ports Wuhan and Nanjing, looks set to become China's primary IWW port.

"Whether one considers IWW, road, rail or air transport, Chongqing's key position is unquestionable," said Chen Wei, deputy director of the IWW Office at the Chongqing Infrastructure Development Bureau.

But given China's long love affair with water transport, recent policy has been surprisingly wasteful. Underfunding has caused infrastructure and floating equipment to deteriorate badly. The navigable network shrank from 172,000 kilometres in 1960 to 123,300 kilometres by 2004.

Hydropower dams, an inadequate multi-purpose infrastructure development approach, and a lack of coordination between ministries, have all contributed to the decline. However, as Chongqing emerges as the capital of China's western region and the controversial Three Gorges Dam approaches completion all this may be about to change.

At the centre

"Chongqing is the largest commercial port on the upper reaches of the Yangtze granting access to China's southwest, central and northeast regions. Chongqing is also China's most important western industrial zone - motor vehicle manufacturing, chemical engineering, pharmaceuticals and textiles are all developed industries, and the service sector is continuing to grow. All these factors point to Chongqing's enormous latent logistics market demand," Mr Chen went on to explain. The government has therefore moved quickly to improve conditions on the river through dredging, reef demolition, and most specifically, navigational improvements associated with the Three Gorges Dam project.

The world's third-longest river, the Yangtze, is already one of the most heavily utilised waterways in the world. Approximately one-quarter of China's enormous population lives along the 1,500 mile river basin, and the seven provinces it passes through cumulatively account for 40 percent of the nation's GDP.

"Chongqing will become a major southwest logistics hub," said Chen. "At the heart of the region's economic belt, it serves as an access point between east and west, astride a river system that connects 11 provinces and municipal districts, a linchpin connecting 400 million people inhabiting the region." Already, 27 of the global Top 500 firms have established a presence in Chongqing

and the city is now the fourth most attractive location for FDI, after Beijing, Shanghai and Shenzhen.

Currently, transit time from Chongqing to Shanghai is inconsistent due to fog, Three Gorges traffic jams, and floods, but is estimated to be seven to 15 days with freight rates at around RMB3000/teu (US\$373) and RMB5000/2 teus (US\$621). However, after completion of the Three Gorges project, transit times and costs will reduce greatly.

"Chongqing government presently plans to invest RMB1 billion (US\$124.5 million) in construction of a southwestern logistics centre. Begun in April of last year, the centre is planned for completion by 2010 making it China's primary inland logistics hub with an estimated cargo throughput of 300 million tonnes," said Chen. In fact, the government has already spent billions of dollars facilitating use of the river, developing road and rail links along its banks with huge investments focused on containerising China's inland economy.

Attracting investment

Given China's current logistics backlogs, especially in terms of raw material import handling capacity, the government hopes expanding capacity on the Yangtze will plug critical gaps in existing road and rail networks. Already, the Ministry of Communications (MOC) estimates, 80 percent of iron ore, 72 percent of crude oil, and 83 percent of the coal delivered to manufacturing enterprises along the Yangtze is carried by barge.

"By 2010, the local expressway network will be three times its current size, and the water transport network will be greatly improved," Chen added. Chongqing has access to 30 waterways of navigable size, and there are 100 IWW ports planned, among them fifteen with an annual throughput of 500,000 tonnes and twelve of these on the main Yangtze trunk, bringing a total 3000 kilometres of navigable waterway online.

"After the Three Gorges dam is full, the upper reach of the Yangtze will become a much used water route with vessels of 10,000 tons able to reach Chongqing from the coast, greatly increasing the value of the area in logistics terms," said Chen. "By 2010 Chongqing port is expected to have a throughput capacity of 1.2 million teus. Three major new rail lines are planned for construction in the area and Chongqing is intended to serve as a major hub, not just in terms of passenger transport, but also as a central node for the containerised rail traffic network development program." Within which is planned the construction of 18 major containerised rail traffic hubs nationwide.

In 2005, Chongqing port's annual container throughput exceeded 100,000 teus, 1000 times the 1993 figure. Last year the port handled 90 percent of west and southwest China's international trade. At present, the world's top 60 shipping companies already have containers in the municipality.

In addition to surface transport, air transport is also taking shape in the region. "At present, Chongqing is serviced by 108 domestic air routes and five international routes provided by 23 airlines," said Chen. "With the scheduled expansion of the Jiangbei International Airport, Chongqing's air cargo transport capacity is also expected to increase greatly." To attract logistics investment, large commercial distribution enterprises that meet the "Go West" policy requirements will be eligible for corporate income tax at the reduced rate of 15 percent before 2010. Third-party logistics enterprises established in designated underdeveloped areas will be eligible for two-year corporate income tax exemption and a further three-year reduced rate.

"By 2020 Chongqing plans to have eight containerised rail lines turning Chongqing into the major containerised transport hub for the western region. Air transport is also set for large-scale development," said Chen.

A natural choice

Under the current Five Year Plan (2006-2010), IWW development emphasis has recently shifted away from generally accelerating construction and operation of inland river ports along the Yangtze to a more focused strategic development of Chongqing, Wuhan and Nanjing with the new Shanghai Yangshan mega-port functioning as the region's deepwater transshipment point. This long-term central government commitment to the Yangtze promises a potentially bright future for all three IWW ports.

With 80 percent of China's cities located within a 1,200-mile radius, Wuhan is a natural choice. Moreover, by the end of 2008 Nanjing is expected to have completed stage four of its construction project making it the largest comprehensive foreign trade port area on the Yangtze River. According to the MOC, Nanjing expects container throughput to rise to 2.6 million teus by 2008 and 3 million by 2010.