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'WE WANT TO IMPROVISE TRADITIONAL CONCEPTS OF UNLOADING BULK CARGO'

HINTERLAND CONNECTIONS

With competition hotting up, hinterland connectivity is becoming ever more important for ports in India. While ports need to ensure that their hinterland connections are fluid, other stakeholders will have to build new strategies to explore the potential of a changing environment, where cargo traffic is now getting diverted from ports to hinterlands.

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Maritime Leaders get to play on the first ever Gary Player Golf Course in India

India's leading real estate developer DLF opened the first ever 9 Hole Gary Player Championship course in the country. Widely recognized as the world's most successful golf course architectural firm, Gary Player Design is renowned for its select and ecological approach to design.

The course is a scenic parkland design with dramatic landscape enhanced by ambient lighting. The course has many firsts in the country. It has the first ever 'Island Green' in the country. Also, for the very first time, 'Sub Air Systems' have been used in India. Sub Air aeration and moisture removal system promotes healthier and stronger playing surfaces through moisture content management, subsurface aeration, and root zone temperature control. As a result, Sub-Air provides optimum aerobic subsurface growing conditions.

Celebration Bermuda, rated as one of the best grass in the world by numerous university research studies is used for the course along with Mini Verde, the best known grass for the greens around the globe. Celebration Bermuda grass is widely known for wear tolerance & recovery, drought resistance & tolerance, disease & frost resistance. Also, the course features a very large lake which is fed by treated water from DLF's state of the art sewage treatment plant and the entire golf course is irrigated by this water, in consonance with the company's ethos of a Green DLF.

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29 January, 2014

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2014 may bring cheers to shipping industry

World shipping industry appears ebullient as it is finally experiencing the green shoots of recovery, representing the beginnings of economic growth, after an unusually long and cold recession.

The shipping industry has been through rough waters for about the last five years, with a decline in global demand resulting in a substantial capacity glut, especially on the Asia-Europe route, hitting the shipping lines' revenue hard.

With global economies returning slowly to growth, consumer confidence has been on the rise. This, coupled with a revival in Chinese commodity market, have brought back some cheers to the industry in 2013. This trend is expected to continue in 2014 though it could take some time for the shipping industry's chronic overcapacity to improve.

Leading shipping lines such as Maersk, which carries 15 per cent of all seaborne containers, are optimistic that the world would emerge from the downturn in the next two years and that the demand for global containers would grow by 4-6 per cent in 2014 and 2015, up from recent forecasts of 2-3 per cent for this year.

There is no better time than carriers of all sizes to consider initiatives and investments.

While the worst is probably behind the industry, an AT Kearney report says the most successful carriers will be those that are efficient, flexible, and the easiest for customers to do business with.

Strategies to prepare for the future – including fleet composition, network design and leveraged scale are equally important; using them fully and balancing them wisely is critical for carriers to navigate the challenging waters ahead, says the report. There is no better time than carriers of all sizes to consider initiatives and investments for improving transparency and customer process.

Back home in India, there is an overpowering hope in the logistics segment on the opportunities thrown up by the proposed Tesco-Tata joint venture. The new alliance may inspire a few other companies to form similar partnerships.

Despite stringent government rules on sourcing, Tesco is taking a 50 per cent stake in the Tata-owned Trent. This shows the potential of the Indian market and the capacity to scale up. With multinational companies expected to source more from the Indian market, it will have a positive impact on the EXIM trade as well. However, the industry's expectations from the government are also huge. They want a proper policy direction on public private partnership and land acquisition.

With the government set to face an election in 2014, it may not be wise to expect any major changes in policies. But overall, 2014 is going to be a good year with fewer challenges. The success depends on how well the industry is able to handle the challenges.

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HINTERLAND CONNECTIONS

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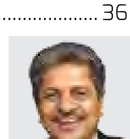
INTERVIEWS



OTHERS

Corrigendum
Container shipping firm Maersk Line calls at the Krishnapatnam Port twice a month. This figure was incorrectly printed in the last issue. The error is regretted.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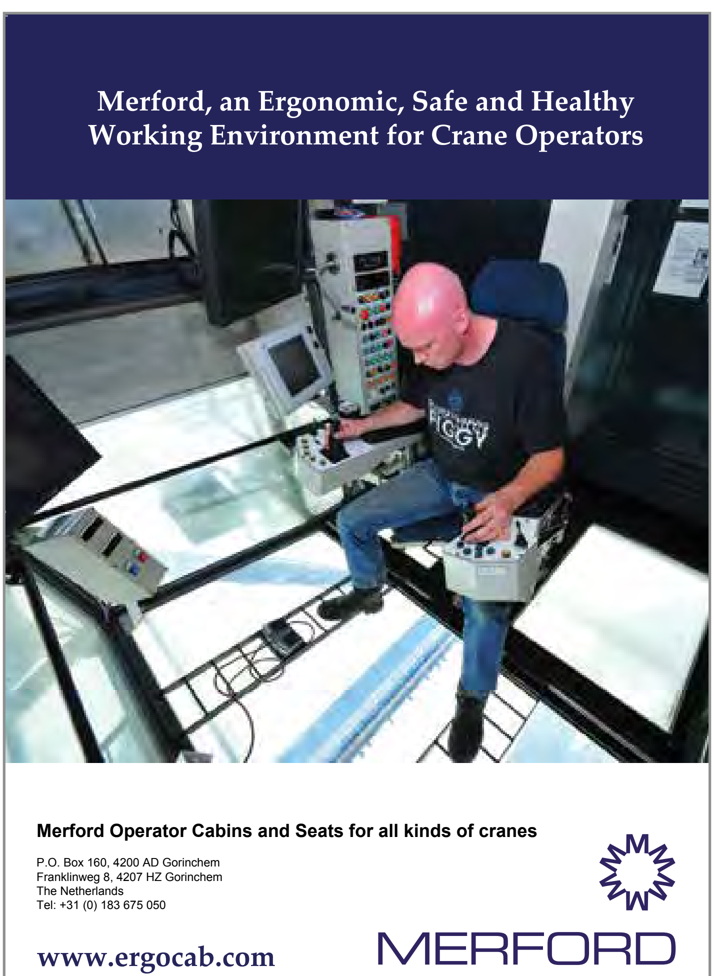
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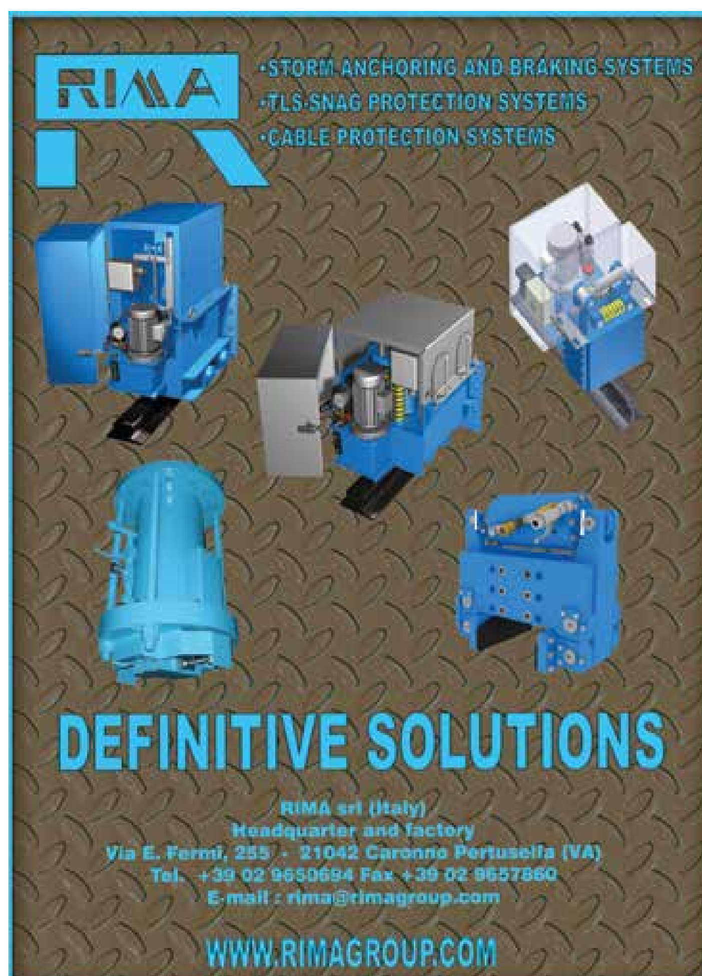
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Cochin Shipyard's first fast patrol vessel launched

Aadesh, the first of the series of 20 *Fast Patrol Vessels* built by Cochin Shipyard Limited for the Indian Coast Guard, was commissioned in December. Commodore K Subramaniam, Chairman and MD of Cochin Shipyard Limited (CSL), said two ships of the class have been delivered to the Coast Guard and the third would also be delivered by the end of December.

Logistics Post service launched in Vizag

India Post has launched the office of Logistics Post in Visakhapatnam to provide cost-effective and efficient distribution of various goods. Logistics Post, an innovative service, would take care of entire distribution side of logistics infrastructure from collection to distribution, storage to carriage, order preparation to order fulfillment at the lowest possible price. Consignments can be sent either in full truck load or less, one or multi-parcels based on the requirement. Along with these, warehousing option is also offered for storage of goods on extra payment.

Amazon.in to launch third-party logistics services

e-Commerce major Amazon.in, the marketplace launched in India by Amazon Seller Services Pvt Ltd (part of Amazon), is planning to launch its third-party logistics service in India starting with a pilot in Delhi-NCR region for order fulfillment for retailers running other ecommerce sites. The company will run the in-house logistics service on a pilot basis till February next year. Amazon already offers logistics to other vendors who sell products through its marketplace in India.

New Mangalore Port to strengthen infrastructure

To strengthen infrastructure at the port, the board of New Mangalore Port Trust (NMPT) has decided to procure two mobile harbour cranes for operation at general cargo berths. Each crane has the capacity to handle 60 tonnes of cargo. The Port has also finalised the bids for constructing the berth no. 18. The proposed berth no. 18 is likely to add a capacity of 5 million tonnes per annum to the cargo handling at the port. The new berth will be constructed from the internal resources of NMPT. Port authorities are expecting the work on civil structures to be completed in 20 months.

ParadipPort seeks private investments for expansion

Paradip Port, the only major port in Odisha, is seeking private investments for erection and commissioning of facilities to handle liquid bulk cargoes including mineral oils and vegetable oils. The decision to invite private investment was aimed at maximising the capacity utilisation and to meet the growing demand for liquid bulk cargoes in the vast hinterland. The port will allot 5 acres of land to each private investor. It will provide the requisite infrastructure facilities to port users for storage and handling of all kinds of liquid bulk cargoes including POL, non-POL cargoes such as benzene, naphtha, ethanol, CBFS and so on, as also various edible and non-edible vegetable oils.

Shipping business to be in RBS' 'capital resolution group'

Royal Bank of Scotland has decided to place its entire shipping business inside its 'capital resolution group', which will house its internal 'bad bank.' However, the bank has ruled out any plans to exit the shipping industry entirely. RBS, like other European banks, is keen to cut exposure to heavy industries like shipping. According to a bank spokesperson, the whole shipping business is being placed in the capital resolution group. "This doesn't mean we're exiting shipping. It's the best way of coherently managing the business to move it under one executive to reset the strategy," she said.

Bulgaria, Slovakia on EU grey list of flag states

Two European Union Countries – Bulgaria and Slovakia – are on the grey list of flag states in terms of the number of their ships detained, or the number of deficiencies detected on board, whilst being checked when in port. According to a recent Euroean Commission report, the ships under these flags are not yet in the low risk ("white list") category – hence they need to be checked more often.

Certain European Union (EU) Member States are struggling to meet their commitment to ratify international maritime conventions. Current EU rules promote maritime safety and set a high standard for EU flag states by requiring them to undergo a peer review of their maritime administration and develop and implement a certified quality management system for their operations. Portugal, Ireland and all landlocked flag states except Luxembourg have failed to do so.

US, Europe, China review P3 alliance

First joint meeting of maritime officials from China, the United States and the European Commission to review the proposed P3 Network, a pooling arrangement among the world's three largest operators of container vessels, was held in Washington in December this year. According to Mario Cordero, chairman of the US Federal Maritime Commission, the rapidly changing face of the global maritime sector demands `out-of-the-box' thinking and governments should share their views on global regulatory challenges and the impact on international trade.

As most of the P3 alliance companies are European owned, the EC has expressed its support of the alliance and said the network will benefit shippers by improving service standards. However, shipping companies in China and the US strongly oppose the proposal.

Chinese ships for Sri Lankan national carrier

The Sri Lankan government is planning to purchase two cargo vessels to infuse new life into the oldest national carrier Ceylon Shipping Corporation Ltd.

The Cabinet of Ministers recently approved a proposal put forward by the President for this. The purchase of the two ships has been recommended by the Cabinet Appointed Negotiating Committee (CANC). The two 64,000-tonne bulk carriers will be purchased from China at a cost of $70 million, according to a Sri Lankan cabinet spokesman. The ships will also be used to train Sri Lankan crew.

The two Chinese vessels are to be delivered within two years. CSCL is one of the oldest, experienced and reputed ship's agencies in Sri Lanka and offers liner services for Sri Lankan export and import trades at competitive freight rates.

8 European countries upset over new EU Ship Recycling Regulation

Eight European countries – Germany, France, the UK, the Netherlands, Denmark, Lithuania, Spain and Sweden – have expressed their disappointment at the new EU Ship Recycling Regulation set to enter into force later this month. These countries met to discuss the future of their industry at the first green ship recycling conference organised by the NGO Shipbreaking Platform. During the meeting, the ship recyclers and the NGO said they were disappointed with the new Regulation, which only covers the clean and safe recycling of EU-flagged ships. Most end-of-life vessels are registered under non-EU flags and it is expected that the new Regulation will provide a further incentive to flag out. Facilities around the world that satisfy a list of requirements outlined by the new Regulation will be approved and listed by the European Commission. EU flagged end-of-life ships will only be allowed to use these facilities.

Cabinet clears financial aid for KoPT

The Union Cabinet has approved the proposal for extension of financial assistance to Kolkata Port Trust (KoPT) to meet the dredging expenditure incurred by the trust for maintenance of the river/channel, an official statement said. This will make transactions through the port commercially viable for the port users, a caibinet statement said.

The scheme of financial assistance to KoPT towards dredging will be continued for ₹1,501.35 crore for the period from 2012-13 to 2015-16, with effect from April 1, 2012.

The current policy for awarding the dredging work in other major ports will be followed in respect of the dredging work to be carried out in Kolkata Port.

An ‘on account’ payment up to 90 per cent of the amount payable towards financial assistance during the previous year may be made to KoPT in the following years in equal quarterly instalments based on audit certificate for the previous year.

ASSOCHAM FOR 30% EXPORT DUTY ON IRON ORE PELLETS

Industry body Assocham has urged the Government to impose a 30 per cent export duty on overseas shipments of iron ore pellets with immediate effect to ensure higher availability of raw material to the domestic steel industry as production of iron ore has declined in the current year.

At present, the iron ore pellets do not attract any export duty, while there is a levy of 30 per cent on overseas shipments of fines and lumps. “The iron ore production has declined by 14 per cent to 70 million tonnes (mt) in the first half of the current fiscal from the level of 82 mt in the corresponding period last year,” Assocham said in a letter to the Finance Minister, P Chidambaram.

VOICES

It is the government's endeavour to make all the ports of the country profitable.

- G.K. Vasan
Union Shipping Minister

We will without doubt in five years time from now have an industry with plentiful capacity. We cannot create demand by lower prices. It is more important to remove capacity.

- Soren Skou
CEO, Maersk Line

The aim should be to create something bigger by merging several companies. It is my goal that we can catch up with the top three. I may not be able to achieve this during my time, but perhaps make a step in that direction.

- Michael Behrendt
CEO, Hapag-Lloyd

Majority of Indian ships are less competitive as mostly vessels less than 15 years old are preferred in international trade.

- D.S. Rawat
Secretary-General, Assocham

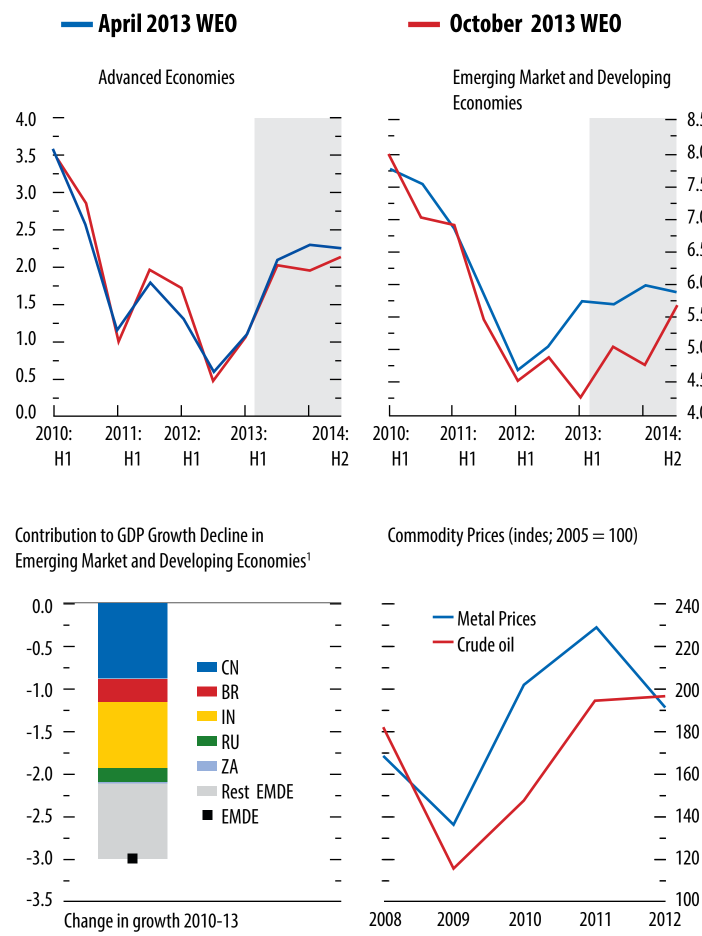
With over 41 per cent of Indian ships having crossed 20 years of operations, the shipbuilding and ship- repair industry provides opportunities worth ₹20,000 crore in the sector.

- Assocham

NUMBERS

GDP GROWTH

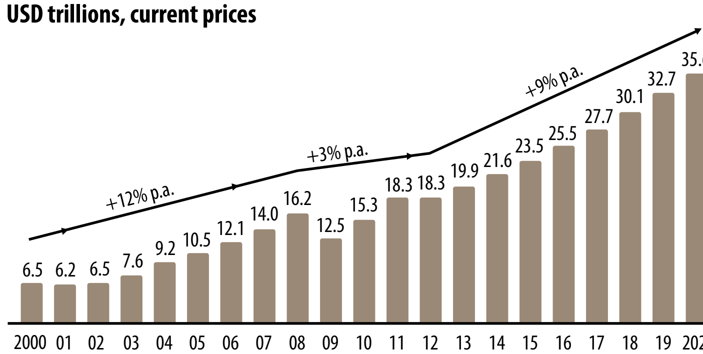
(annualised quarterly per cent change)



Sources: Haver Analytics; IMF, International Financial Statistics; and IMF staff estimates.
Note: BR = Brazil; CN = China; CO = Colombia; HK = Hong Kong SAR; ID = Indonesia; IN = India; MX = Mexico; MY = Malaysia; RU = Russia; TR = Turkey; ZA = South Africa; EMDE = emerging market and developing economies.
[1]GDP growth is weighted by 2013 purchasing-power-parity share.

WORLD MECHANDISE EXPORTS BY VALUE, 2000 - 2020

USD trillions, current prices



Shallow draft ports to benefit from SULA's deep sea transshipment infrastructure

In a pioneering operation, transshipper *MV Vighnraj*, owned and operated by Sula Shipping and Logistics, has transshipped about 69,060 metric tonnes of imported coal from the foreign vessel *MV Huayang* Pioneer at a deep sea offshore location at Sandheads, 60 miles away from Haldia Port. This is the largest parcel of coal ever discharged off Kolkata.

After the transshipment operation, more than 20 inland barges belonging to Jindal ITF, loaded with transshipped coal, transported coal to National Thermal Power Corporation, India (NTPC) Stockyard, at Farakka along the National Waterway Number One (NW1), over 550 km away.

Union Minister of Shipping G K Vasan flagged off the NTPC project to transport 3 million tonnes (mt) of imported coal a year, from Haldia Port to its Farakka thermal power station in West Bengal, through the Ganges in November this year. NTPC, the country's largest power producer, is also looking at the possibility of extending the scope of water transportation to 7.5 mt a year in the next couple of years. NTPC aims to save about ₹450 per tonne on import of coal transported through waterways.

The project will also reduce dependence on the overstretched railway and roadways network besides providing NTPC with additional capacity via a 'Clean and Green' waterborne route. Given the constraints of the Indian port sector, this project will bring a paradigm shift in logistics of bulk handling of dry bulk commodities in an environmentally safe manner, according to a release.

SULA's achievement now clears the way to Haldia/Kolkata and similar shallow draft ports to bring large Capesize vessels for offshore unloading and that too without spending huge amounts of capital on shore-based infrastructure and expensive dredging.

The transshipper *MV Vighnraj* is a custom-designed vessel fitted with cargo-handling equipment like high-speed cranes, pay loaders and self-unloading belt system. The vessel has a storage capacity of about 67,000 metric tonnes. It can load or unload cargoes to/from deep-drafted vessels. The transshipper infrastructure is supported by STS mooring arrangement including fenders, tug boats and mooring masters. The vessel has accommodation for almost 60 persons and has well-equipped cabins for port officials and tally clerks. Coal will be transported to NTPC plant at Farakka as per the tripartite agreement between NTPC, Inland Waterways Authority of India (IWAI) and JITF. This cargo, transported through environmentally friendly mode, will save over 200,000 truck moves per year, besides reducing costs, pollution and pilferage.

DHL Global Forwarding appoints new CEO in India

DHL Global Forwarding, the air and ocean freight specialist within Deutsche Post DHL, has appointed **Samar Nath** as Chief Executive Officer and Country Manager for its Indian operations.

Prior to this, Nath has worked as Executive Vice President and Managing Director for India & South Asia at CEVA Logistics and Managing Director for India & South Asia at APL Logistics.

Having served for more than 15 years with various organisations, Nath brings a wealth of experience and knowledge to the position. In his previous roles, he has an impressive track record in leading companies through various growth stages with a strong proficiency in business development, establishing start-ups and business integration.

Kelvin Leung, CEO, Asia Pacific, DHL Global Forwarding, said, "At the epicentre of the rapidly growing Asia Pacific region, India is of strategic importance to DHL's global forwarding operations. Samar is well known for his visionary leadership in the field of logistics. His appointment will help drive us towards our goal of continuously outgrowing the market and setting new standards of excellence for our customers."

Nath holds a Bachelor's degree in Commerce and an Executive MBA in Marketing Management from Jamnalal Bajaj Institute of Management, University of Mumbai.

Schenker India targets 20% revenue growth

Schenker India Pvt Ltd, part of DB Schenker – the transport and logistics division of the 39-billion euro Deutsche Bahn Group, is targeting an annual 20 per cent revenue growth in India.

Reiner Allgeier, MD, Schenker India, said, "As companies are increasingly outsourcing their logistics and warehousing functions, the contract logistics market in India is currently growing at 10-15 per cent. As demand remains strong from retail, electronics and manufacturing sectors, we are well positioned to leverage the market potential with our expertise in managing complex logistics requirement. We expect a 20-per cent growth in revenues by next year."

As part of the growth strategy to increase its share of the $225-billion logistics market, the company has laid out its expansion plans to expand its warehousing footprint by 50 per cent to 3 million sft from the existing 1.8 million sft and to grow revenues by 20 per cent annually.

Identifying India as a key growth market, the company is also exploring inorganic routes through acquisitions in the domestic distribution business to augment growth. It has recently increased its Schenker logistics centres to 11 in the country.

Schenker India, which clocked revenues of ₹1,500 crore in the last financial year, operates through ocean freight and air cargo in the export-import segment, and within the country it functions primarily in the contract logistics area that includes road transportation and managing warehousing facilities.

US Auto exports boost vessel operators' revenue

A revival in the automobile sector in the US is helping vessels operators earn more revenues. The US exported a record 1.8 million cars and light trucks last year, and shipments rose another 8.9 per cent in the first 10 months of 2013, according to data from the US Commerce. As the US imports about twice as many cars as it sends overseas, more outbound shipments help companies to fill up their carriers on return trips. American carmakers are expanding sales overseas as the industry rebounds from the worst downturn since the Great Depression and after government bailouts for General Motors Co. and Chrysler Group LLC. Ford Motor Co. said this month it would sell Mustangs in 110 countries, the most in the car's almost 50-year history. Foreign manufacturers such as Bayerische Motoren Werke AG are also increasing exports from US plants. US-made cars bound for global markets typically are carried by truck or train to a port such as Baltimore, the largest transit point for vehicles, where they're wrapped for protection from sea salt and loaded onto ships.

ClassNK tops 220 million GT

Transfer of Europe flagged vessels to Japan's Class NK has helped the classification society scale the 220 million gross tonnage (GT) for the first time this year, a statement issued by the society said.

The classification society has added 10 million GT of new tonnage to its register in the last one year after being the first society to peak the 200 million GT level last year. The latest fleet addition from European owners has been credited to the society's aggressive efforts promoting the benefits of bearing a Japanese flagged vessel. The statement issued said Greek, Turkish, Norwegian and German owners accounted for almost half the transferred tonnage this year.

The origin of Nippon Kaiji Kyokai is dated to 1899 when the society was established to promote the regulation and development of the shipping and shipbuilding industries in Japan. The early years of the society were spent promoting a wide range of shipping-related activities, very different from the focused technical role that ClassNK plays today.

The Class NK Classification Committee, which certified the ClassNK register, listed 8,511 vessels totalling 220,212,135 gross tonnes as of November 30, 2013. Since the beginning of 2013, some 800 vessels totalling more than 9 million gross tonnes have joined the ClassNK register.

Commenting on the achievement, ClassNK Chairman and President Noboru Ueda said, "The continued organic growth of our register is a result of our hard work and dedication to provide ever better services and reflects the expansion of our service in Europe and around the world."

Ueda further added that the society is currently focussing on the expansion of services. "We will continue to expand our services as well as intensify our global operations over the coming years in order to provide the global maritime community with the very best in classification services around the world," he said.

GHIAL bags CAPA 'Airport Marketing Award of the Year'

GMR Hyderabad International Airport Limited (GHIAL), which runs the Rajiv Gandhi International Airport (RGIA), has bagged the Center for Asia Pacific Aviation's (CAPA) 'Airport Marketing Award 2013' for airports under 15 mppa (million passengers per annum) across the world.

The award was presented in recognition of the innovative and dynamic marketing endeavors in adding new international routes to RGIA at the 10th annual CAPA Aviation Awards for Excellence, held at Amsterdam.

The CAPA Airport Marketing Awards are conferred upon airports that have conducted the most innovative marketing programmes instrumental in attracting new airlines. After successfully building a world class airport, GHIAL has focused on increasing connectivity from Hyderabad, positioning it as a gateway to South and Central India.

"We are delighted to be recognised by CAPA, a leading provider of independent aviation market research, analysis and data services organisation. Winning this award demonstrates our commitment in building more connections and attracting airlines to Hyderabad, benefiting passengers in this region," S G K Kishore, Chief Executive Officer, GHIAL, said.

This comprehensive and aggressive market development programme attracted many new domestic and international services, which eventually connected Hyderabad to several national and international destinations. In fact, international growth at Hyderabad has been among the highest of the six Indian metro airports.

GHIAL has also embarked upon ambitious plans to tap the large under-explored markets. Harnessing the inherent locational advantage and being in the two-hour flying range, GHIAL has conceived 'Fly via Hyderabad' programme with a mission to transform RGIA into South and Central India's gateway and hub of choice. The deployment of sales personnel in its catchment cities to influence passengers to fly via Hyderabad stands out to be the first-of-its-kind innovative marketing initiative in the aviation world.

GHIAL promoted RGIA as a south-central gateway offering quick and hassle-free connectivity between various Indian cities. It eventually adopted 18 such catchment cities located closer to Hyderabad. Through 'Fly via Hyderabad', today these cities are feeding traffic to and from Hyderabad, while also connecting to other destinations through RGIA.

APM helps evacuate containers at Nhava Sheva during congestion

The Mumbai Container Freight Station team of APM Terminals India Pvt. Ltd., part of the Inland Services division of the APM Terminals Global Terminal Network, evacuated more than 2,700 teu from the JNPT Port in a week's time, during the recent congestion at Nhava Sheva. Roads leading to the port gates were severely congested and there was a queue of vehicles, often up to 20 km. The queue meant poor productivity and extremely long turnaround time of vehicles in which shippers, shipping lines and other stakeholders from the container logistics industry were severely constrained to move containers to and from the port.

However, the Container Corporation of India (CONCOR) aided in mobilising a significant number of container trains to evacuate the port terminal and the planning and coordination of the Mumbai CFS, who worked round the clock in ensuring the highest levels of customer satisfaction during the time of crisis. The team moved the containers by rail from the port to CONCOR's facility – DRT (Dronagiri Rail Terminal) and arranged for processing of the import formalities and customs inspection for the same.

"Despite severe congestion on road, we have been able to evacuate containers through container trains with the support of CONCOR and the port terminals and also by road through efficient planning and co-ordination," said Subhasis Ghosh, Managing Director, APM Terminals India Pvt. Ltd. and Director, Inland Services, South Asia.

Workers at the Nhava Sheva International Container Terminal went on strike for weeks at a stretch demanding better wages and working conditions.

Nhava Sheva and JNPT are two of the country's busiest terminals handling large volumes of cargo and any disruption in work can lead to huge losses or the shippers and lines.

BLPL Singapore wins enterprise 50 award for second consecutive year

Targets a revenue of $100 million and a laden throughput of 100,000 teu

BLPL, the wholly owned subsidiary of Transworld Group Singapore, one of East Asia's fastest growing shipping and logistics companies, aims to achieve a revenue of $100 million and a laden throughput of 100,000 teu in the year 2014, a statement issued by the company said.

Container vessel services launched in the last quarter of 2011 will continue to be in operations, while a new service connecting Singapore with certain key ports in South East Asia is currently in the works.

With operations in 15 countries, the company's cargo handling capacity has grown from 300 teu in 2007 when it began operations to 18,000 teu presently covering some 50 ports.

The BLPL fleet consists of a mix of general purpose and special containers to carry odd-sized cargo and a large fleet of about 2,000 40-foot equivalent reefer containers (temperature controlled) to carry perishable cargo.

BLPL considers their decision to headquarter the business in Singapore as another key factor for its success as Singapore is strategically placed to be the hub for logistics and shipping in the region. On the back of this healthy growth rate, BLPL hopes to emerge as a strong regional player in the segments it operates.

"We also made the best use of the year to expand our business operations on the landside by taking Transworld GLS, our Logistics and Liner Agency division, into Vietnam and Indonesia," added Sivaswamy, Chairman and chief executive officer of Transworld Group Singapore said.

BLPL Singapore has won one of Singapore's most prestigious entrepreneurship awards, the Enterprise 50, for the second consecutive year. Established in 1995, the Enterprise 50 (E50) Awards recognises local, privately-held companies who have contributed to economic development in Singapore and abroad. It is jointly organised by *The Business Times* and KPMG (a professional services firm providing Audit, Tax and Advisory services), and supported by the Infocomm Development Authority of Singapore, International Enterprise Singapore, Singapore Business Federation and SPRING Singapore.

DB Schenker named logistics provider for 2014 CWG

DB Schenker, a leading provider of integrated logistics services, has been announced as the official logistics provider for the Glasgow 2014 Commonwealth Games (CWG).

The company, having had prior experience in providing logistics services for major sporting events, is selected to provide end-to-end services for CWG It will provide warehouse space, warehouse operations including staff and equipment services and freight transportation services.

GLASGOW 2014
XX COMMONWEALTH GAMES

"We are very proud to be the official logistics provider for the 2014 CWG. We have a strong association with the Commonwealth Games. Our team here in the UK is committed to provide logistics support and services at all times ensuring that Glasgow 2014 will always fulfill its tactical priorities," Helgi Ingolfsson, CEO, Schenker Ltd, said.

Earlier DB Schenker was an official logistics provider at Manchester 2002 CWG and Melbourne 2006 CWG. The company has worked with the International Paralympic Committee (IPC) since 2004 and recently extended its agreement to provide logistics, freight forwarding and customs clearance services throughout Sochi 2014 and Rio 2016.

DB Schenker, part of the transport and logistics division of Deutsche Bahn, the German Railways, offers comprehensive logistics services and global supply chain management and has presence in over 130 countries.

Adani Hazira Port Pvt Ltd obtains coveted ISO certification

Adani Hazira Port Private Ltd, a subsidiary of Adani Ports & SEZ Ltd, the biggest private port in the country has obtained the ISO certification for exemplary environmental, quality and occupational health and safety management at its terminal in Hazira Port, in Gujarat.

The Indian Register Quality Systems has conferred the ISO 9001:2008, 14001:2004 & OHSAS 18001:2007 certification on Adani Hazira Port Pvt Ltd, thus paving way for global recognition in the world of maritime trade.

Adani Hazira Port Pvt Ltd operates two container berths, three multipurpose berths and will shortly commence handling of Liquid cargoes.

Three certifications – ISO 14001, EcoPorts and Green Marine – help provide a framework to build a port's environmental efforts and standards by which to measure ongoing improvements.

> We are pleased to receive the reputed ISO mandate and will ensure that all our functions are of global scale. Hazira Port is set to emerge as a suitable destination for container traffic and such certifications are the step in right direction.

Capt. Anil Kishore Singh
COO – Adani Hazira Port Pvt Ltd

TEREX rides on huge order book from Antwerp and South Africa

Terex Port Solutions is scheduled to deliver 40 machines to large terminal operators

Terex Port Solutions (TPS), a part of the Material Handling & Port Solutions segment of Germany based Terex Corporation, sees an uptick in international orders of the company's straddle carriers.

TPS received several orders for diesel-electric powered Terex straddle carriers from leading container terminal operators in Antwerp and South Africa.

"Our machines have established themselves in the market with their reliability and performance," says Guido Luini, Managing Director of TPS in Würzburg.

The Belgian terminal operator PSA Antwerp NV (PSA) has just ordered eleven Terex NSC 634 E straddle carriers. Starting March 2014, these units will supplement the existing fleet in PSA's various terminals in the Port of Antwerp. The new vehicles will be fitted with custom equipment and other technical modifications will help PSA reduce maintenance costs.

Another order for four Terex NSC 634 E and three Terex NSC 644 E straddle carriers comes from Antwerp as well.

From December this year, these units will be going to the terminal operator MSC Home Terminal, a joint venture of PSA and Mediterranean Shipping Company (MSC), the world's second largest shipping line.

In the last few months, Transnet Port Terminals (TPT), a division of the state-owned South African logistics group Transnet SOC Ltd, placed follow-up orders for a total of 22 Terex NSC 644 E straddle carriers. TPT operates terminals in seven South African ports, including Durban, where 28 straddle carriers from TPS have been operated since 2012. Within the framework of an enlargement of the port, the existing fleet in Durban is being expanded with 18 new machines, 13 of which were delivered recently, with the rest following in April 2014. The order package was completed by four more machines for the container terminal in Cape Town for delivery in February 2014.

Adani Ports signs MOU with Belgian Port of Zeebrugge

Adani Ports & SEZ Ltd, India's largest private port developer and part of the Adani Group, signed a Memorandum of Understanding with the Belgian Port of Zeebrugge in the first week of December, to act as a strategic entry port for the lucrative European market.

It will now collaborate with the Belgian port to explore joint business opportunities between the two ports along with other forms of trade, shipping, railway infrastructure across India and Europe. The MoU over a period of time will help in an enhanced movement of traffic to and from APSEZ into Europe and beyond. The agreement between the two ports was signed during the visit of a Belgian business delegation led by Princess Astrid of Belgium.

> Our strategic location in the centre of India's three largest EU trade partners, Germany, Belgium and the UK, certainly is an asset for Indian exporters. This cooperation shows once again that the activities of modern ports reach much further than their breakwaters.
>
> **Joachim Coens**
> President-CEO from the Port of Zeebrugge

Speaking on the development Karan Adani, Executive Director, APSEZ said, "We are keen to jointly explore marketing endeavours to promote Indo-European trade relations across both the ports via leading shipping lines. Both the ports have complementary strengths including ability to handle VLCCs and large container ships. This MoU will help us address the European markets better and will be strategic in nature."

The Port of Zeebrugge is a coastal port located in the middle of the Hamburg–Le Havre range, at the northern entrance of the English Channel. The centrally located port is considered as a major gateway to and from Europe in general and the United Kingdom and France in particular.

Global container terminal operators, such as PSA, APMT, SIPG (Shanghai International Port Group), China Shipping Terminal Development and CMA CGM, have heavily invested with an annual capacity of 5 million teu in recent years. With around 40 per cent of its traffic originating from Indian suppliers of auto components, chemicals, food products, textiles etc., they have structured their logistics flow via the Port of Zeebrugge to reach European customers as east as Russia, Italy and Ireland.

It is also a hub for transshipments of new cars, as well as an energy hub, importing of around 15 per cent of the total LNG requirement of the European continent.

Varun Shipping may forego its DoC

The Director General of Shipping, who regulates India's maritime trade, might soon cancel the license of Mumbai-based Varun Shipping Company for failing to keep up with its financial commitments, a statement released by the regulator read.

The shipping firm was issued a notice asking it to honour its payments to various financial institutions including its employees whom it had not paid for over six months. The notice warned of punitive action indicating that the regulator would be forced to withdraw its Documents of Compliance if the company continued to ply ships without paying its employees and not abiding by sea laws crucial to the security of lives at sea.

Varun Shipping company runs ships registered in most Asian countries and owns some of the largest fleet carrying liquefied petroleum products. Despite several notices, the company has not been able to pay its sea farers and dock its ships at the shore for mandatory safety check-ups.

A DoC is a certificate issued by the DG Shipping to a company owning ships that are registered in India. It allows a company operate in Indian and international waters once it complies with the various requirements of law as stated by the International Management Code for the Safe Operation of Ships and for Pollution Prevention Code by the International Maritime Organisation.

Varun Shipping has a fleet of 20 ships comprising 10 LPG carriers and a small number of crude oil tankers and other smaller vessels used in aiding off shore drilling and oil exploration activities. While the forfeiture of the DoC could impact only vessels that are registered in India, the move would affect the company's financials directly having reported losses over the last two quarters.

Marine Engineers of 30th batch at the passing out parade of the Marine Engineering Training Institute run by the Cochin Shipyard.

APM upgrades its SCM services

APM Terminals Inland Services South Asia has upgraded its supply chain offerings by introducing new, cost-effective technology solutions to expedite and simplify processes at the kiosks.

APMT IS SA continued innovations by adding a touch screen customer service kiosk, similar to the kiosk in the retail banking industry. RFID mapped to the container freight station (CFS) management system (CONTRACK) is linked to this customer service kiosk. The kiosk located in the custom's area enables the custom house agent (CHA) to check the arrival status of the container at the CFS and the exact location of the container within the CFS. On entering container details the kiosk prints a receiving note to the CHA on the arrival status which is then presented as part of the documentation process for clearance of container.

"These cost-effective innovations provide real-time visibility of each container location in the CFS. The visibility is available to customers and their representatives at strategically placed kiosks inside the CFS and also results in better queue management, a pedestrian free yard and drives in customer satisfaction," said Subhasis Ghosh, Managing Director, APM Terminals India Pvt. Ltd. & Director, APM Terminals Inland Services, South Asia.

CONTRACK launched in 2012 was integrated with RFID technology to enable container tracking and improve customer service, operations planning and safety standards.

In the RFID-enabled container tracking solution, all incoming containers get tagged at the time of 'Gate in' with RFID tags. Zone wise yard mapping is done with global positioning system (GPS) to replicate the location in the system. Reach stackers are mounted with RFID reader/ GPS and General Packet Radio Service (GPRS) combined device. As the container moves, the current position gets updated in the system in real time with the help of GPRS communication.

APM Terminals India Pvt Ltd Has CFS facilities at Nhava Sheva, Chennai, Dadri and Pipavav.

ClassNK releases Guidelines for Gas Fuelled Ships

Leading classification society has released its second version of the Guidelines for Gas Fuelled Ships. This updated version reflects the requirements for the design of natural gas fuelled ships based on the outcome of discussions held at IMO regarding the International Code of Safety for ships using gases or other low flash-point fuels (IGF Code).

With regulations curbing atmospheric pollution and greenhouse gas emissions growing stricter amid stronger calls for a greener shipping industry, the industry is turning towards the use of natural gas as a potential cleaner alternative to liquid fuel oil. Expected reductions in gas prices due to the recent development of non-conventional energy resources such as shale gas has also led to an increase in gas fuelled ship newbuildings and projects.

For this reason, discussions on the IGF Code at the International Maritime Organization (IMO) have been accelerated in order to extend safety regulations to this growing sector of the industry. The Code will govern safety aspects of the application of natural gas for propulsion and auxiliary purposes. A draft of the Code has been in place and regularly updated since 2009, and is set to be finalised by 2014.

ClassNK published the Guidelines for Gas Fuelled Ships to provide comprehensive information on key design features including bunkering, hull structure, fire safety, and explosion prevention measures in line with the results of IMO discussions on the IGF Code.

Baltic Exchange announces significant capesize changes

The Baltic Exchange will be making significant amends to the Baltic Capesize Index including a change to its vessel description, amends to the route weightings and the addition of three new routes.

The move follows a formal consultation process with the dry bulk market which began on October 11, 2013. Trial reporting on the new routes and vessel description will begin in late January/ or early February with a lifting of the trial anticipated by the end of March 2014. The existing routes and new routes will be published side-by-side until there is no further open interest in either Forward Freight Agreements (FFAs) or options to be settled. This vessel will routinely be referred to as the Baltic Capesize 2014. When considering the prevailing timecharter market rate for the Baltic Capesize 2014 vessel, panellists should assume that, if steaming at 12 knots laden or 13 knots ballast, the vessel will consume 43mt fuel oil, no diesel at sea. The new routes that will be launched are C14, C15, C16.

> These are significant alterations which will impact traders, owners and charterers and are designed to reflect the realities of a changed dry bulk marketplace.
>
> **Jeremy Penn**
> Chief Executive, Baltic Exchange

Parallel reporting of the old and new suites of timecharter routes will continue until there is no further open interest in either Forward Freight Agreements (FFAs) or options to be settled. Once the new contract has been launched, clearing houses will not accept trades on the old contract which extend in date beyond the period for which there is existing open interest. They have also agreed to offer cost incentives to assist those who wish to migrate open interest to the new contract. Baltic Exchange Chief Executive Jeremy Penn said:"These are significant alterations which will impact traders, owners and charterers and are designed to reflect the realities of a changed dry bulk marketplace." The changes to the index will not result in any changes to the Baltic Exchange's reporting methods. The Baltic Exchange is the world's only independent source of maritime market information for the trading and settlement of physical and derivative contracts. Its international community of over 600 members encompasses the majority of world shipping interests and commits to a code of business conduct overseen by the Baltic.

Capt Suresh Bhardwaj at a felicitation ceremony organised by The Institute of Chartered Shipbrokers Chennai. He was felicitated on completion of his doctoral programme in ship management from the Plymouth University, UK.

Essar Ports enters into concession agreement with VPT

- **Total Capacity of 23 MMTPA**
- **Big Boost to third party cargo handling plan of Essar**
- **Term of Concession Agreement is 30 years**

Essar Ports Ltd. has signed a concession agreement with EssarVizag Terminals Ltd., a wholly owned subsidiary of the group with Visakhapatnam Port Trust, for development and operation of three iron ore berths at Visakhapatnam Port on build operate and transfer basis over a period of 30 years. These three berths (two outer harbour berths and one inner harbour berth) will have a combined capacity of 23 million metric tonnes per annum (MMTPA).

The project will be developed at a cost of ₹1,200 crore over a period of three years. Essar Ports will take over the two outer harbour berths soon and the operation and upgradation of the terminal will happen simultaneously. Vishakhapatnam Port handled 12.3 million tonnes of iron ore during FY13 and this traffic is readily available for these berths from commencement.

Commenting on this Rajiv Agarwal, Managing Director, Essar Ports said: "We will develop the terminal to create one of the most competitive, modernised, world-class facilities. This project will significantly increase our third-party cargo handling capacity and also boost our presence in the east coast. Iron ore export traffic at Vizag will increase substantially due to the competitiveness of this terminal which will facilitate industrial growth in the region."

This project will increase Essar Ports' total capacity for iron ore export on the east coast to 39 MMTPA with four highly mechanised iron ore berths (three in Visakhapatnam Port and one in Paradip Port). With a current capacity of 104 MMTPA, Essar is expanding terminal capacities to 181 MMTPA over the next few years. Essar Ports has three operational terminals at Hazira, Vadinar and Paradip.

Flemish masterpieces from Antwerp

A unique exhibition presenting an overview of 17th century Flemish art for the first time in India

The Antwerp Port Authority and The City of Antwerp in collaboration with Chhatrapati Shivaji Maharaj Vastu Sangrahalaya- CSMVS, (formerly the Prince of Wales Museum of Western India), will showcase for the first time in India, 'Flemish Masterpieces from Antwerp' at the Premchand Roychand Exhibition Gallery. 'The Masterpieces from Antwerp' will display in Mumbai, 28 exclusive and magnificent paintings of the collection of the Royal Museum of Fine Arts Antwerp along with 25 engravings of the print room of the Plantin-Moretus Museum. Presented in Mumbai by The Antwerp Port Authority and The City of Antwerp in collaboration with CSMVS, the exhibition will bring to India a rare opportunity for art lovers, connoisseurs, scholars and artists to study and appreciate Flemish artworks of 17th century.

'Flemish Masterpieces from Antwerp' presents a selection from the very best art that was produced in the city during the 17th century: Peter Paul Rubens (1577-1640), Anthony Van Dyck (1597-1641), Jacob Jordaens (1593-1678), Jan Brueghel I (1568-1625), David Teniers II (1610-1690), Frans Snijders (1579-1657), Jan Fijt (1611-1661) and many other highlights from the collections of Antwerp's Royal Museum of Fine Arts.The exhibition will also showcase exclusive engravings by Rubens, Jordaens, Van Dyck from the 17th Century from the Print Room of the Museum Plantin - Moretus.

Shipping industry confidence levels at three-year high: Moore Stephens

Overall confidence levels in the shipping industry rose to their highest level for more than three years over the three-month period to November 2013, says Moore Stephens. According to the latest Shipping Confidence Survey from international accountant and shipping adviser, there was encouraging news on freight rates, and evidence of an increased willingness to invest. But concern persists on overtonnaging, operating costs, and the cost of regulation. In November 2013, the average confidence level expressed by respondents in the markets in which they operate was 6.1 on a scale of 1 (low) to 10 (high), compared to the 5.9 recorded in the previous survey in August 2013. This is the highest figure since the 6.2 recorded in August 2010.

The mood of optimism apparent when a respondent noted: "We clearly see an upswing in the markets when talking to various people at various locations in the last couple of months. There is, for the first time in a long while, a general feeling of optimism. Furthermore, the economic indicators, both small and large, all over the world, are pointing in the direction of recovery."

KoPT sets record with 34,000-tonne coal discharge over a full day

Kolkata Port Trust (KoPT) has set a new record with discharge of more than 34,000-tonne coal averaged over a full day in the transshipment operation. It was carried out at Sandheads by the transshipment facility *MV Vighnraj*, owned by Sula Shipping & Logistics, while discharging the geared Supramax LOCH CRINAN carrying NTPC coal cargo destined for Farakka.

During the 60 hours duration, more than 42,000 MT (metric tonne) of imported coal cargo was discharged on to the transshipment facility which has unloaded around 8,000 MT of coal cargo on to the Jindal Barges for final discharge on to the jetty at Farakka.

With the commencement of the transshipment operations at Sandheads, NTPC's Super Thermal Power plant at Farakka has started receiving imported coal from the high seas to its generating stations through inland waterways. The very first consignment for Farakka – a ship bearing 69,060 MT of imported coal – has been full discharged on the Jetty at Farakka, after being unloaded from the foreign vessel by the transshipping facility at Sandheads.

Sandheads anchorage is located about 60 miles south of Haldia in deep waters where logistics challenges are high. KoPT has played a vital role in providing logistics for supply of bunker and fresh water, arranging tug boat, pilot and preventive officer for custom formalities.

Though the transshipped cargo is destined for NTPC Farakka plant under the tripartite agreement between NTPC, Inland Waterways Authority of India and JITF Ltd, KoPT has been leading the project in making the project possible by providing its support. With support from KoPT, the target of importing 3 MMT coal per annum can be easily achieved.

Iran seeks additional time to resolve stalemate over insurance guarantees

Iran has sought an extension of time from the Indian government to resolve issues related to India's insistence on getting financial guarantees from Tehran before New Delhi renews its approval allowing crude shipments on tankers with Iranian insurance cover.

India's shipping regulator, Director General of Shipping (DGS), had sent a letter to Iran earlier seeking a bank guarantee worth approximately ₹23 billion ($400 million) through an Indian bank to cover any potential liability in the event of maritime accidents in Indian waters.

With Iranian insurance cover due to expire on December 27, the Iranian government has sought an extension from India on the approved period for accepting tankers, until the matter is decided at the diplomatic level. The DGS grants approval allowing ships with Iranian insurance cover to enter Indian ports on a quarterly basis.

An Indian government committee looking into the matter is scheduled to meet soon to examine the response from the Iranians before making a recommendation to the petroleum and natural gas ministry.

The EU in July last year banned the import of Iranian crude by its member countries and also the provision of EU-linked insurance which included protection and indemnity cover for any shipments of Iranian crude, regardless of destination.

The insurance ban had a significant impact beyond Europe because most key shipping cover across the world was tied back to EU insurers at the time.

Vizhinjam seaport project likely to get new lease of life

It seems the Vizhinjam seaport project is set to be moving soon. The Kerala Government has floated two crucial tenders one after the other in the second week of December after an expert appraisal committee recommending conditional go-ahead for environmental clearancefor the ₹4,000-crore project.

The long-drawn project had run into rough weather with three earlier rounds having failed to reach a logical conclusion.

The last time, Welspun Infratech became the sole bidder after the Ministry of Home Affairs ruled against a rival bid put in by Adani Ports. Promoter Vizhinjam International Seaport Ltd has now issued a fresh request for qualification to develop the port.

An engineering, procurement and construction bid for a contractor for the breakwater component of the project has also been floated. The project is being developed on the landlord port model, wherein the state government will lay the infrastructure and the operator will set up the port superstructure.

The selected bidder shall be responsible for designing, engineering, financing, procurement, construction, operation and maintenance of the project. The first of the two-stage selection process involves qualification of interested parties from among the applicants.

From this, up to nine prequalified names will be shortlisted for the second stage (bid stage), comprising request for proposals. Here, bidders will be asked to submit a financial offer.

Bids will be invited on the basis of the lowest financial grant required by a bidder. A bidder may also offer to pay a premium in the form of revenue share and/or upfront payment. The grant/ premium amount shall constitute the sole criterion for evaluation of bids.

The project will be awarded to the bidder quoting the highest premium, and in the event that no bidder offers a premium, then to the bidder seeking the lowest grant.

The project is also expected to be attractive to investors due to the interest shown by the Defence Ministry, according to K Babu, Minister for Ports in Kerala.

The Union Ministry proposes to set up facilities at the proposed port, given its strategic location. The Navy and the Coast Guard have each sought a berth at Vizhinjam.

India hastens development of Iran Port

The United States and Iran have reached an agreement over Iran not furthering its nuclear activities. While the rest of world is trying to work their ways around the implications of such an agreement, India is busy too. It's advantage India.

There couldn't have been a better moment for India. Taking advantage of the thaw in US-Iran relations, India is rushing a team to Afghanistan to expedite the process of developing the Chabahar Port. Developing the port will allow India direct access to Afghan's resources and quicker transport of the coveted commodity from the Middle East.

The delegations from India will visit Chabahar and stay on for a month to assess technical details concerning the project.

Although India made clear its decision to invest about $100 million in developing the ChabaharPort, there has not been much progress on developing the port's berths and terminals because India did not want to create a flutter in the US with its overt gestures to deepen economies ties with Iran.

However, after Iran and the US reached a deal with six other nations to contain its nuclear programme, India wasted no time in sending Foreign Secretary Sujatha Singh to meet Iranian Deputy Foreign Minister EbrahimRahimpour to discuss this project among others.Indian officials have described the entrance to Afghanistan as a strategic necessity.

What encourages India particularly is that the interest to develop Iran's port does not violate any sanctions imposed by the West on Iran. Much to Pakistan's chagrin, India would now be able to establish closer ties with landlocked Afghanistan.

India's keenness to develop ChabaharPort is part of its effort to improve its trade with the Central Asian region. Chabahar, located in Iran Baluchistan province along the Makaran coast, eases India's access to Iran and landlocked Afghanistan. The two ports will invest through Indian Ports Global,an investment vehicle that was set up in 2010 by the Ministry of Shipping to enable the government to invest abroad. Iran wants India to include, as part of the deal, a commitment to develop its inchoate rail and road network.

With the Indian cabinet clearing the proposal earlier this year, a ten-year-old plan to gain access to politically instable Afghanistan has fructified. Incidentally, India, Iran and Afghanistan have a pact that allows goods to move at low tariffs. Also, the preferential agreement between these countries can boost trade volumes significantly. India's bilateral trade with Iran amounts to $15 billion, of which India's exports amount to a measly $3 billion. India can now hope to buy more oil from Iran once the direct sea link is established.

Kandla's reputation for handling the largest volume of cargo and JNPT's expertise with container ports has won them the ability to develop and manage the terminals.

The move gains significance because this is the first time a government entity is investing overseas. India's neighbours in the Middle East and South East – Dubai and Singapore –floated their own port entities years ago to tap maritime trade potential in the Asian region.

While DP World Ltd is partly controlled by Dubai, PSA International Pte Ltd is owned by the Singapore government.

While economic rationale is of significance behind this deal, India's political stability and domination in the subcontinent assume centre stage because of this pact. India's decision to invest in Chabahar is to counter China's move to run Pakistan's GwadarPort and fund Sri Lanka's Hambantota.

Hence India sees the need to bypass Pakistan to reach the Afghan province and augment trade flow. Chabahar will also be closer than Iran's existing port at Bandar Abbas. India will also aid in developing road lines from the port to Afghanistan.

With making all the right political noises, what it is left with perhaps is the math of how this deal will augment trade. Officials from the Jawaharlal Nehru Port reckon that Chabahar is located strategically for conducting business, but are unsure of how many shipping lines will call at the port yet. The port has the capacity to handle 2.5 million tonnes a year and Iran has stated that this capacity could go up to 12.5 million tonnes. In the interest of improving merchantry, Iran has declared the area surrounding Chabahar as a free trade zone.

Iran has made the area adjacent to Chabahar town a free trade zone in the hope of attractive more investments in the province known to among the poorest in the nation.

Government introduces cargo support policy to help **Indian shipbuilders**

The Government of India has introduced a new policy aimed to help the Indian shipbuilding industry that has been beleaguered by the global economic crisis. In the country's Maritime Agenda 2010-2020, the government proposes giving a boost to Indian shipbuilding in order to achieve a global market share of 5 per cent by 2020. While those drafting the policy would hope this is a small step towards that direction, analysts reckon this protectionist move would disfavour the industry than benefit it.

Maritime Bureau

Ships that are made and registered in India will be given preference over others to shift cargo within the country, is the latest policy move decided by the Indian government to help companies that build ships in India. The government announced this decision with an intention to help the beleaguered shipbuilding industry in India after it has been criticized for its impassiveness towards reforming the sector.

Coastal shipping is reserved for ships that are registered with the Indian class and foreign ships can operate in the waters only when their Indian counterparts refuse the offer. Thus far, according to the rule book, Indian flagged vessels owned by Indians enjoyed the right of first refusal in a tender while participating with other foreign flagships, even if the vessel is not manufactured in India If the Indian ships declined the right of first refusal, then foreign flagged ships built in India would be preferred.

However, the government has now added a new clause to this rule by stating that Indian made ships bearing the

> The committee of secretaries, Government of India, had considered a proposal of the Ministry of Shipping for initiating policy measures for the promotion of Indian shipyards and on an examination thereof agreed that the modality of exercise of right of first refusal should be amended under such circumstances to include the category of Indian-built Indian flag vessels, followed by Indian flag vessels for the purpose of such licences.

G L Singh
Joint director in DGS, wrote in a November 21 circular.

Indian flag are eligible to be preferred over the other categories of ships and owners to carry cargo within India.

The idea is to encourage a "Buy India" framework for ships. Similar policies are enforced by the US, Brazil, Indonesia and others to protect their shipbuilding industry.

India had, in fact, introduced similar policy changes earlier in its framework where several concessions were accorded to help the shipbuilding industry. In September this year, a Parliamentary Standing Committee on Transport suggested the country adopt a cluster method to give a fillip to the shipbuilders. The committee recommended a change in the tax provisions asking for VAT and customs duty exemption on various contracts related to ships repair and procuring capital goods from abroad.

Around 2005, the Centre had introduced a subsidy for the sector that drew a lot of private investment from Larsen and Toubro, Pipavav Defence and Offshore Engineering who forayed into building ships, joining the state owned players such as Cochin Shipyard and Mormugao Defence Shipyard.

While policymakers are hoping the latest move to give Indian shipbuilding companies a chance to compete with the foreign builders, industry personnel criticize the move as coming too little, too late. Many shipbuilding companies are complaining of commercial orders that have dried up, leaving them completely reliant on defence orders.

Analysts feel that the latest policy will not benefit owners or shipyards as there are hardly any Indian-registered bulk carriers, tankers and container ships that were built in Indian yards. They fear that this protectionist move would force fleet owners to incur higher costs opting for Indian shipyards that are not price-competitive compared to their Chinese and Korean yards.

The policy could only remotely help smaller vessels used for supporting oil exploration activities that are built in India.

An India ratings and research report released earlier this year says there is little scope for shipbuilding activity in India given the prevailing conditions. "Revenue pressure in the industry is likely to continue at least till 2014. Given capacity addition (net of scrapping) in the face of muted demand, dry bulk rates may remain under pressure in 2013 and 2014. However, container and tanker rates may exhibit higher stability around the current low levels. This may be driven by relative stability in US demand as well as in manufacturing activity in emerging nations including China. Average annual freight rates in the dry bulk, container and tanker segments exhibited a further significant yoy decline of around 42 per cent, 32 per cent and 8 per cent respectively in 2012."

Shipping companies globally have not been faring well as banks are cautious in lending to shipping companies, making it challenging for them to refinance their rupee or foreign currency borrowings. European banks in particular are facing challenges with exposure to risky assets in their own economies and are not likely to take fresh exposure to a sector such as shipping in markets such as India that are perceived to be risky, the report said suggesting that the Indian shipping market was not better placed. mg

Hapag-Lloyd & CSAV **merger on cards**

After multiple attempts to collaborate with peers and consolidate its business, Hapag Lloyd hopes the talks with Latin America's biggest container line CSAV will help both fight the slump, join the elite league and compete with them.

Maritime Bureau

Germany cargo container shipping line Hapag-Lloyd is considering a merger with Chilean coequal CompaniaSud Americana deVapores SA (CSAV) to consolidate its business and combat the three pickle points confronting all shipping line – lower rates, slowing trade and a glut in shipping capacity.

The possible deal could be the second biggest alliance after Denmark's Maersk Line, France's CMA CGM and Swiss firm MSC joined hands to share capacity on some of the world's busiest routes in Asia, Europe and Americas. What makes this deal particularly interesting is the fact is that the two shipping lines' strengths lie in different regions of the world – Hapag-Lloyd's on the main east-west trade lanes and CSAV's on the South American trade lanes – although their paths do cross a tad.

"Hapag-Lloyd and CSAV are currently maintaining discussions if a possible business combination or any other form of association would be of mutual interest. To date, these discussions have not resulted in any binding or nonbinding agreement between the parties," the German company said in a statement.

In a separate statement CSAV said it is looking at "joint shipping operations... and agreements to combine cargo" with other shipping companies. Shares of CSAV surged as much as 27 per cent in Santiago once news of the talks and probable deal surfaced

Operating more than 150 vessels, handling 5 million teu and calling at 300 ports, Hapag-Llyod is the world's sixth largest shipping line. The merger will elevate the company into the elite league of the top five companies with revenues of $12.5 billion if the proposed merger comes through.

A merger would give the carriers a combined containership fleet of just over 1.1 million teu, according to figures from Lloyd's List Intelligence. At the end of last year, CSAV operated 53 vessels with a total capacity of 104,000 teu. It owned 37 per cent of its operated fleet.

Hapag is among the handful of firms that managed to make a net profit of $22 million although its profit has been steadily trimmed by the unfavourable business environment. CSAV, on the other hand, reported a loss of $46.7 million during its third quarter compared to the over $55 million loss previously. This merger could, therefore, help both firms stay afloat.

In fact, the German firm got a lifeline after a near collapse in 2009, but was rescued in a wired deal involving many firms led by the Hamburg business people and the City of Hamburg.

Talks of coalescing and operating with CSAV came up this year after Hapag's previous attempts at a similar proposal with Singapore's Neptune Orient Lines and privately owned Hamburg Sud failed. CSAV is owned by one of Chile's wealthiest conglomerates who are principal operators of a clutch of mining, banking and beverage firms.

Hapag-Lloyd is owned by a group of shareholders including German tourism company TUI AG, HSH Nord bank AG and the city of Hamburg. TUI's chief executive Friedrich Joussen said he was hoping the talks would result in an alliance though no binding or non-binding agreement was agreed upon. The two companies already cooperate on a few of services in the Latin American region through vessel-sharing and slot-charter agreements. So, this merger is understood to be a logical extension of the existing agreement.

In March last year, Hapag entered into an alliance with five other container shipping lines in the Asia-Europe trade called G6. The other partners even included Japanese and Chinese players – APL, Hyundai Merchant Marine, Mitsui OSK Lines, NYK and Orient Overseas Container Lines.

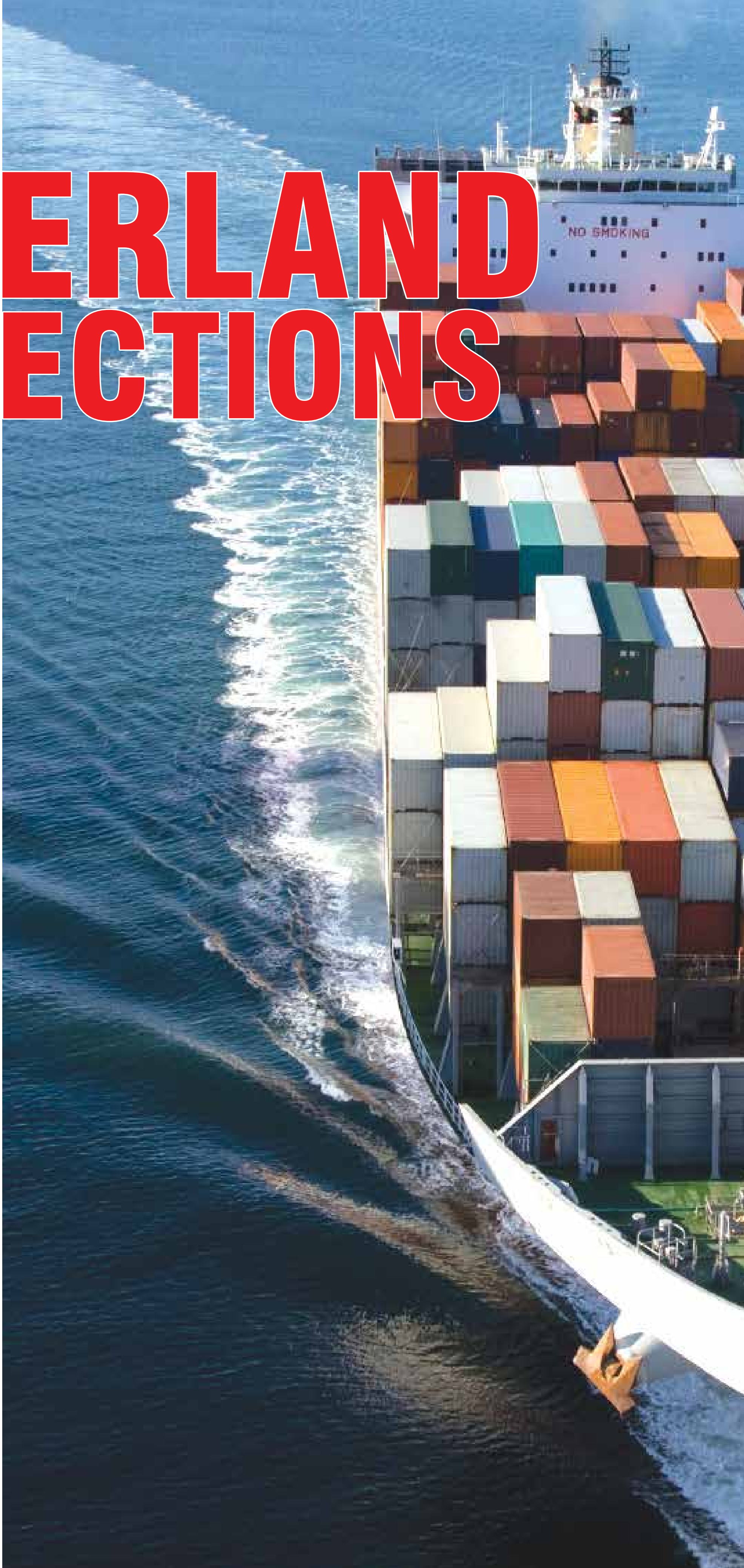
It must be noted that news of this deal comes on the back of the G6 Alliance's announcement that it planned to expand its presence to the transpacific west coast and transatlantic trade lanes.

Although alliances and not mergers are the new normal in the shipping industry, AP Moller Maersk's buyout of P&O Ned Lloyd and Hapag's buyout of CP Ships has given scope to the analysts to predict a successful round of talks between Hapag and CSAV.

Both Hapag and CSAV are renewing their existing fleet and are due to induct new ships into starting next year. Hapag said it has three more 13,200-teu Hamburg Express-class vessels due for delivery next year, atop the seven that have been delivered since mid-2012. The Latino has seven 9,300-teu vessels under construction in South Korea and the firm may take ownership of these vessels from 2014 onwards. mg

COVER STORY

HINTERLAND CONNECTIONS

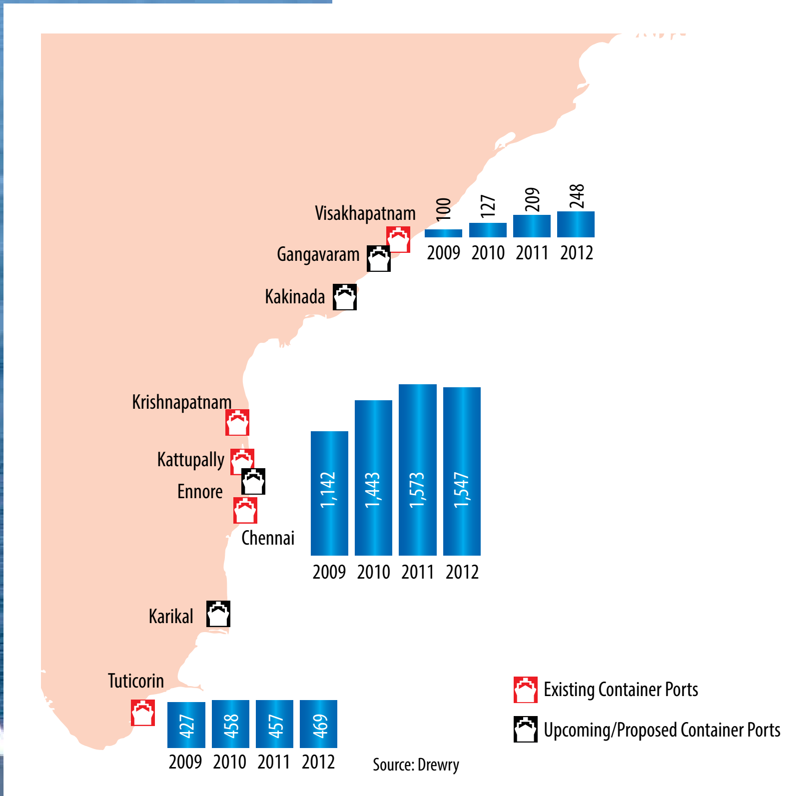


With competition hotting up, hinterland connectivity is becoming ever more important for ports in India. While ports need to ensure that their hinterland connections are fluid, other stakeholders will have to build new strategies to explore the potential of a changing environment, where cargo traffic is now getting diverted from ports to hinterlands.

Sreekala G

Gone are the days when a port could claim its own exclusive hinterland. With port development gaining momentum in India, the monopoly of major ports over hinterland is broken and better connectivity and quality services have become the deciding factors of a port's success in attracting cargo. As a result, port users are choosing the cheapest and the most user-friendly port.

"There is an urgent need to take steps to improve connectivity to ports as most Indian ports are unable to realise



their full potential due to the poor rail and road connectivity with hinterland," says DK Mohanty, Chairman & Managing Director of Dredging Corporation of India.

He points out that Paradip Port, which has celebrated Golden Jubilee recently, could achieve only 50 million tonnes in 50 years. "This was possible because of the dynamism shown by Biju Patnaik in the initial phases. Subsequently, the port has suffered because of poor connectivity with the hinterland," he says.

And, Paradip is not the only port in India that is facing problems due to poor hinterland connectivity. Ennore Port, which was lucky to receive good response from private parties at their pre-bid meeting in June this year for setting up a container terminal, needs to address road and rail connectivity issues for the project to move forward.

According to Drewry, a research and advisory organisation for the maritime sector, the recent decision to abandon a plan to construct a mega container terminal with an annual capacity of 4 million teu in Chennai has underlined the need for port development in India to encompass inland connectivity as well as maritime connectivity.

"To address this problem, India's revenue sharing model clearly needs to be made more attractive to international bidders, and this is indeed being tackled, but poor port connectivity inland also appears to be frightening terminal operators away, and remains to be addressed at several pinch points. The problem is so bad in Chennai that its Port Authority has decided to construct a multipurpose terminal instead," says the research organisation.

Things will get worse before they get better as the vehicle population in the city and container throughput at the port rises. The single road connecting Chennai Port to its hinterland is no more than 40 feet wide, with sea on one side and a large community of fisherman on the other. Currently, the road is used by pedestrians, two-wheelers, three-wheelers and trucks, including container-laden vehicles. Past attempts to widen it have been hampered by resettlement and rehabilitation issues of the families that live alongside.

Not surprisingly, therefore, two new ports with much better connectivity, Kattupally and Krishnapatnam, have started operations just to the north of Chennai, and more will follow elsewhere in India if existing hinterland connections are not improved at the same pace as port expansion.

According to Drewry, to remain competitive in Southern Asia, established ports need to spend more time on ensuring that their hinterland connections are fluid, or more new competitors will spring up on greenfield sites. Developing better port facilities alone is a short-sighted policy.

List of ICDs/CFSs approved by the Ministry of Commerce as on October 30, 2013

State	Functioning	Under Implementation	Total
Andhra Pradesh	8	9	17
Chandigarh	1	0	1
Chhattisgarh	1	0	1
Delhi	2	0	2
Goa	1	0	1
Gujarat	26	9	35
Haryana	7	7	14
Himachal Pradesh	0	1	1
Jharkhand	1	0	1
Jammu & Kashmir	1	1	2
Karnataka	5	6	11
Kerala	8	7	15
Maharashtra	35	18	53
Madhya Pradesh	5	3	8
Odisha	1	1	2
Pondicherry	2	0	2
Punjab	6	2	8
Rajasthan	8	2	10
Tamil Nadu	49	17	66
Uttar Pradesh	15	4	19
Uttarakhand	0	1	1
West Bengal	8	4	12
Total	**189**	**93**	**282**

India has a large hinterland where a significant part of the production and consumption clusters are located. This needs the development of efficient logistics infrastructure and competencies across the country.

Joseph Sandiav
Chief Operating Officer,
APM Terminals India Pvt. Ltd

Hinterland Development

"India has a large hinterland where a significant part of the production and consumption clusters are located. This needs the development of efficient logistics infrastructure and competencies across the country," says Joseph Sandiav, Chief Operating Officer, APM Terminals India Pvt. Ltd.

According to him, with 12 out of 26 Indian states covered by the sea coast, spreading across 7,517 km and about 200 small harbours, there have been multiple factors including policy failure to transform coastal shipping into a lucrative business opportunity in India. Most cargo that can be transported via costal shipments is still being transported in traditional modes like rail and road.

"Government is now making serious efforts for growth of coastal shipping in face of some serious challenges like lack of infrastructure, absence of any lucrative government schemes in terms relaxation in taxes and cumbersome customs procedure. Rail privatisation needs support and attention from the government or else there will be disinvestment in this critical sector. Rail/coastal will bring economies of scale to logistic closer to production hubs," says Sandiav.

Connectivity: The key to success

As the number of ports increases, hinterland connectivity will become one of the key factors in determining the success of a port. While ports have to look at improving connectivity, other stakeholders will have to equip themselves to take advantage of the facilities offered by a well-connected port.

Port traffic in India has increased at a CAGR of 8.1 per cent to reach 938 million tonnes with an average utilisation of 90 per cent as compared to the international average of 70 per cent. The main issues faced by ports include the severe capacity deficit, gate congestion, obsolete custom procedures, restricted draught and insufficient connectivity to their hinterlands.

Sandiav says the seaport-hinterland interaction plays an increasingly important role in shaping supply chain solutions of shippers and logistics service providers. “Scarcity concerns combined with concerns over the reliability of transport solutions have led seaports and hinterland corridors to take up a more active role in supply chains. Hinterland connections are thus a key area for competition and efficient coordination among various market players including port authorities, shipping lines, terminal operators, transport operators (rail, barge, road and short sea) and logistics service providers,” he says.

The thrust on logistics development is now gradually shifting to inlands of India. The cargo traffic too is now getting diverted from ports to hinterland areas such as Inland Container Depots (ICDs) and container freight stations (CFSs) or Dry Ports. Cargo gets consolidated and deconsolidated at these hinterlands.

The modern freight distribution requirements and increased focus on intermodal transport solutions are the main drivers of hinterland logistics.

“The new ports have shown that they can attract cargo as they offer good rail and road connectivity to end users facilities. Hinterland will naturally be shared by more terminals but the more efficient terminals in terms of prompt and reliable connectivity to respective hinterlands will get their share. The trade will welcome more terminals as the end user will get more options to choose from,” says Dhruv Kotak, Joint Managing Director, JM Baxi Group.

Developed countries like North America and Europe have efficient and very solid distribution network connecting various ports to hinterlands. According to Kotak, India is very much on the growth trajectory path and the various transport networks and modes will support each other in times to come.

“Eventually various services available at a port will decide where the future volumes go to,” he says.

After the port development phase, the integration of maritime network and inland freight distribution systems have supported the setting of dry ports and/or Inland Container Depots (ICDs) in India. Currently, the focus is on how to ensure efficiencies on inland transportation and the inland terminal services.

Plan and Benefit

Dhruv Kotak, JMD, JM Baxi Group, says the future changes in new manufacturing hubs across our country will benefit if following functions are planned by dry port operators.

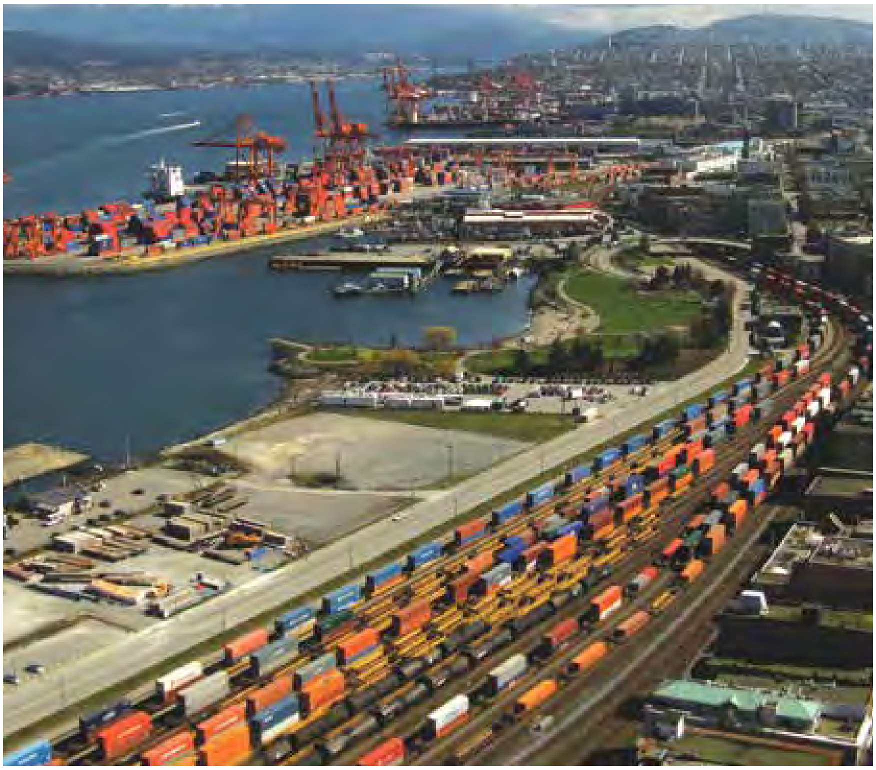
Location: Like any transport facility of significance, an inland port requires an appropriate site with good access to the rail network and it should have a land bank for future development. The Hinterland facility should have access to an area of significant economic density, such as large population base. Transportation remains the most significant logistics cost, underlining the importance of an accessible location. Several inland ports also have an airport in proximity which should help contribute and support a variety of freight activities for a region.

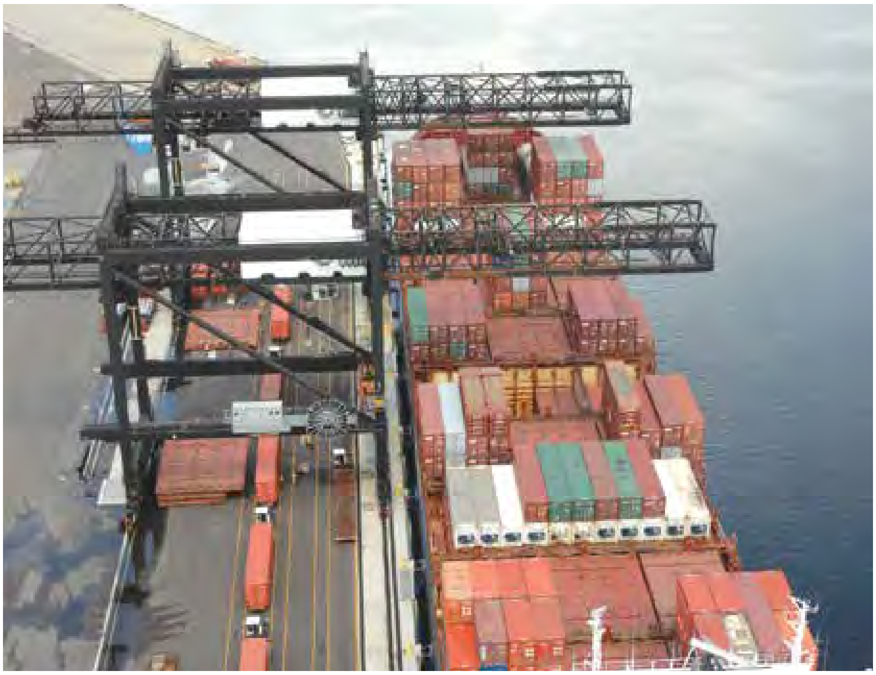
Reconciling cargo flows: Since most long distance trade – international or domestic – are increasingly getting containerised, there are numerous instances, where a regional market imports more than it exports (or vice versa). Under such circumstances, an inland port must provide the physical and logistical capabilities to ensure that empty containers are repositioned efficiently to other markets if local cargo cannot be found.

These locations can take the form of empty container depots and arrangements with the trade to have slots available for repositioning. Whether there are imbalances in container flows or not, an inland port must ensure that the inbound and outbound flows are reconciled as quickly as possible. For container owners, let them be maritime shipping or leasing companies. A rapid turnover of their assets is fundamental and will secure a continuous usage of the inland port. Effective repositioning and cargo rotation strategies will ensure higher revenue for both the container owners and the inland port operators and economical solutions for the end user as well.

Trade facilitation: An inland port can also be a fundamental structure promoting both the import and export sectors of a region, particularly for smaller businesses and trading community as they are unable to achieve economies of scale on their own. Through these, new market opportunities become possible as both imports and exports are cheaper. The pairing of dry ports is a strategy where an ICD is actively seeking agreements with other ICDs so that reciprocal supply chains are established or reinforced.

Governance: The way an inland port is operated is indicative of its potential to identify new market opportunities. Sections of an inland port can be shared facilities (e.g. distribution centres) so that smaller players can get involved by renting space and equipment. This also applies to appropriate strategies related to each stage in the life cycle of an inland terminal from its construction to its maturity where its potential has essentially been taped off.





"The effective distribution of cargo from ports to ICDs and prompt connections in terms of first and last mile from the clients' location and the ICDs can be seen as one more step in the development of containerisation and intermodal logistics in India. The geographical reach linked with modal availability, efficient and large distribution centres, depots for containers, efficient warehousing, economical transport and add on services available at the port will be the key factors that will drive the regional inland access from a particular port," says Kotak.

New business hubs

The geographical location and the connectivity from port have an important role to play in shaping the emergence and development of new business hubs.

"Inland terminals can service several functions at once. There however, cannot be a single model or strategy for an Inland port – the regional effect remains fundamental. For inbound or outbound freight flows, the inland terminal is the first tier of a functional hierarchy that defines its activities and extended hinterlands," says Kotak.

"Presently about 50 per cent of the imports go to CFSs, balance being evacuated by rail and or direct deliveries

"Concor is developing its biggest terminal at Rewari in Rajasthan. This 270-acre depot ICD would be completed in two and a half years, with a total capex of `475 crore."

by road, depending on the cargo, area and connectivity available at the port. Some industry practitioners are of the opinion that CFSs cause detention of cargo and are unnecessary if ports can provide direct delivery. From the supply chain perspective, a CFS/ICD/logistics park (LP) provides custom-bonded storage, inspection and working of containers and cargo," says Sandiav.

With most of India's containerised import cargo destined for ICDs or CFS facilities due to existing infrastructure limitations, the inland container logistics market has been projected to exceed $3.5 billion in 2013. An estimated 60 per cent of India's container shipments are destined for ICDs, with 40 per cent ultimately handled at CFS facilities.

"It is estimated that CFS market was approximately 2.4 million teu in 2012, growing at 12 per cent CAGR. There are over 220 CFSs in the country. The ICD market is estimated to be 2.16 million teu growing at 18 per cent with majority of the ICDs located in the northern and western hinterland," he says.

Game changers

Efficient rail and road connectivity to ports is a critical link across various industries – be it manufacturing, agriculture or service sectors.

The demand for modern and 'Just-In-Time' distribution-system has ensured rapid transition from port-based logistics to hinterland development.

The new ICDs and CFSs across India are offering various services including efficient packing and distribution, warehousing and even cold storage to attract cargo. Many other add-on services are being added as well.

"The 'Domestic' and EXIM Volumes are increasingly using the hinterland facilities, resulting in cargo shifting from port-based logistics to efficient hinterland-based logistics parks. India's rail and road network is getting more effective and efficient at the same time. Distance delays have reduced due to better highways connecting cities. The very efficient Indian Railways, Concor and other private rail operators offer good port connectivity to various ICDs across India and also offer last mile connectivity to the end users facilities. These features have ensured that cargo traffic at the hinterland locations grows rapidly," says Kotak.

Concor, for instance, is developing its biggest terminal at Rewari in Rajasthan. According to A K Gupta, CMD of Concor, this 270-acre depot ICD would be completed in two and a half years, with a total capex of ₹475 crore.

Currently, Concor's ICD Dadri in Uttar Pradesh, spread across 250 acres, is the company's biggest facility. Gupta feels the Rewari facility would play an important role in future in terms of revenues as it is on the Dedicated Freight Corridor (DFC) that is expected to commence by 2017.

A report by Anand Rathi Securities says, In India, roads account for the largest share of cargo traffic (~60 per cent), much higher than global standards. Rail transportation currently accounts for ~22 per cent of containerised trade and ~24 per cent of overall cargo traffic in the country. Hence, the potential to increase the share of the railways in cargo transportation is huge in India. Currently, delay in cargo movement from ports results in higher operational costs – a problem that rail transportation could very well fix.

To capitalise on the rail network (the fourth-largest in the world) traversing 64,015 km, the Indian Railways has outlined its most ambitious infrastructure project, "dedicated freight corridors" (DFC) of 3,300 km along the eastern and western routes. These routes are highly saturated and account for ~55 per cent of cargo traffic in India.

We believe that DFCs would be game changers for the entire transportation sector, and enhance throughput of various ports. With the dedicated network in place, it is expected that trailer loads can increase from ~4,000 to ~15,000 tonnes, carrying capacity from 90 containers to 400 (double stacking). Maximum speed for trains is expected to increase from 75 kmph to 100 kmph, and station spacing of 7-10 km to 40 km. With the DFCs in place, the share of rail transportation in cargo traffic movement should go up from current levels to near optimal levels of 34 per cent, says the report.

"There are critical success factors for CFSs/ICDs such as location, quality of infrastructure and assets, service levels and relationships of the operator with the business ecosystem."

Stakeholders & New strategies

The entire ecosystem around the rapidly changing logistics industry in India has undergone a massive change in the last decade and is served by various stakeholders.

The existing players and the fraternity running the ICDs and CFSs including the operators themselves, shipping lines, transporters, rail companies, warehouse operators, consolidators, freight forwarders, custom house agents and the related government authorities too are in fact the drivers of the change that we are experiencing in India.

"While the interest in ICDs as hinterland locations has increased in India, each dry port will have to operate with a local/regional economic, geographical and regulatory setting which not only define the functions taken up by the dry port, but its relations with the seaports as well," says Kotak.

But these dry ports also face challenges and they need to build new strategies to explore the potential of the changing environment.

"There are critical success factors for CFSs and ICDs such as location, quality of infrastructure and assets, service levels including information systems and relationships of the operator with the business ecosystem. Within such an environment of requirement, continuing to offer customers presence, high quality assets, integrated solutions and expertise become even more valuable for India's export and import community and thriving of the CFSs and ICDs. Further, there is lopsided development of inland depots as in some places there is over capacity while some under capacity," says Sandiav.

Kotak feels satellite terminals need to be developed closer to a particular port or ICD facilities, but mainly at the periphery of its metropolitan area (often less than 100 km), since they mainly assume a service function to the large seaport or ICD facilities.

They accommodate additional traffic and serve functions that either have become too expensive at the port such as warehousing, distribution and empty container depots. Also, the main ports or main ICDs have become saturated and the immediate infrastructure around these old facilities cannot cope with the traffic which leads to slowing the operations, which eventually leads to a lot of inefficiencies and loss to the nation.

According to Kotak, the areas with high economic density like NCR / Chennai / Mumbai / Kolkata and Mundra need Multi-Terminal cluster with the main port they are connected to. The satellite terminals can very well support the trade as they have large distribution centers connected with their regional ICDs or Ports. With growth in cargo, new terminals have to be accepted by the trade at large to ensure smoother flow of cargo. mg

REVIVING INDIAN COASTAL SHIPPING

KPMG and the Indian Coastal Conference Shipping Association (ICCSA) have released a new set of recommendations to improve coastal trade within India. The committee, comprising members representing several trade bodies in the industry,suggested various incentives that can be accorded to companies involved coastal shipping within India.

Deepika Amirapu

Maritime transport has been recognised as the most fuel-efficient, cost-effective and environment-friendly transport system. All developed countries have based their development on their efficient maritime infrastructure and policies.

In India, traditionally the West coast ports have been handling industrial and finished products along with the petroleum products, whereas the East coast ports have been handling the bulk and mineral products. However with the changing trade pattern, and Government of India's "Look-East" policy, the pattern may be subject to change in the coming years.

Though water transport has been cost-effective, and should have been the prime mode of transport given the present geographical and demographical advantage India has, it should be noted with concern that only about 7 per cent per cent of the freight moves by the coastal ships and less than 0.50 per cent moves by the Inland waterways. Other countries such as China have an enviable percentage of 46 per cent and 8.3 per cent, United States 14 and 8.3 per cent and Europe in general uses 43 per cent of waterways in freight transport. The dependence on the road and rail sector for freight movement is going to increase the logistic costs considerably, which is at a very high level of 18 per cent compared to just about 6 per cent in developed countries.

The EXIM trade is expected to grow at an average rate of 7 per cent. With the growth in the EXIM trade, and appreciating the importance of the water transport, further with demographic advantages, it is essential that pragmatic developmental steps are initiated through policy changes and necessary incentives to the maritime sector.

To achieve this objective, and secure an ideal position of modal mix of different forms of transport for reduction of wastage and the decrease of logistics cost, the differential in the cost between the various sectors is reduced by offering subsidies or by way of increasing incentives. The inland vessels and coastal vessels are allowed to move more distances and given freedom to operate around the coast within the safety norms. Further to promote the sector, necessary incentives are also given to the sector, as in road sector, at the initial stages of its development through subsidies. Such incentive programmes have been adopted in Europe, China and other countries to move towards an ideal modal mix of all forms of transportation system for reduction of cost and development. Due incentive support is also given to coastal shipowners on each tonne of cargo carried for a sea mile. Apart from these measures, the standards for cost-effective construction and operation of coastal vessels have also been formulated.

These measures will no doubt help in bringing about a seamless integration of inland, coastal and foreign-going vessels across the country. Further, the incentives will not only help in reviving the sector but also go a long way in bringing in the desired ideal modal mix. Apart from reducing the fuel costs considerably, water transport will have a positive impact on social and environmental aspects of society.

A committee constituted by the ministry recently examined the pivotal issues and suggested a few pragmatic and "doable" recommendations in its reportfor the promotion of coastal shipping.

The committee included Capt PVK Mohan, Chairman, National Shipping Board and representatives from the ICCSA, INSA, IWAI, DGLL, DGS and IRS.

Based on the deliberations, the findings of the KPMG report and having come to the conclusion that incentive scheme as adopted in other countries will facilitate the modal shift of cargo from rail/road to waterways with direct and indirect benefit, the Committee has recommended the implementation of the incentive scheme to bridge the gap of freight differential between the road/rail and waterways. The average value of differential, economy of scale by way of volume of cargo, distance covered and the freight losses in carrying empty containers on the ballast voyage have been taken into consideration in arriving at the numeric figures for pragmatic implementation.

The incentive scheme

Distance (in kms)	Subsidy per container (limited to a maximum of 300 teu only on any size vessel) (in₹)
Up to 500	1,600 (empty or loaded)
From 500 to 1000	2,300
From 1000 to 1500	3,000
Above 1500	3,500

"The Committee has recommended the implementation of the incentive scheme to bridge the gap of freight differential between the road/rail and waterways."

Outcome of the committee

This report is a result of intense deliberations by the Committee constituted for the purpose of coastal shipping standards including recommendations for giving incentive to enhance modal shift of cargo from road rail to Indian River and sea. This report comprises and is enriched through wide ranging consultations with stakeholders, including appointed expert body / consultant in KPMG.

The Committee has been candid in its evaluation of the current status

Key Observations

Some of the key observations made by the panel include:

- Wharfage (value added) for coastal vessels need to be rationalized. The industry needs a single rate for different categories of commodities (bulk, break bulk, containerized etc.) and not multiple rates by commodity within each category (sulphur, coal etc. within bulk have different rates)
- Low-cost non-major ports need to be developed to cater exclusivley to coastal shipping as has been done in UK, Japan etc.
- Transaction time needs to be reduced, especially customs related to expedite the processes and make coastal shipping more efficient
- Robust road network needs to be developed from non-major ports to improve connectivity and facilitate effective evacuation of coastal cargo
- Concessions should be offered to vessels built in India for coastal shipping
- Dedicated berths need to be allocated at major ports for coastal shipping. Notify for development of new / existing port facilities for exclusively coastal shipping traffic
- Merchant Shipping Act needs to be amended to reduce compliance cost and time
- Institutions need to be developed for training officers for creating pool of coastal shipping officers
- Applied R & D fund for Indian Shipping. For example: to develop RoRo concept, Indian made marine equipment, new ship designs such as small gas cariers etc.
- Inter and intra Minisry consultations to discuss outcomes of this report. For example. granting infrastructure status, customs & immigration procedures, simplification of carriage of freight documentation, port rates etc.
- Release coastal shipping rules (other than RSV) prepared by IRS, creation of reception facilities at all major / minor ports, creation of maritime clusters, for example, Goa (already internationally known tourist destination)
- Release IWAI model rules for adoption by maritime States so as to complement amended I V limits.
- PSU cargo / cargo reservation to boost SCI / Indian companies capacilty building initiatives.
- Concession (25 per cent-30 per cent) to Indian shipowners building coastal ships / RSV / IWAI vessels in India for Indian use.
- Increase awareness of commercial banks for accepting vessel as collateral.
- Central Government should increase investment like in road rail to create new small ports by dredging and their interconnectiveity to hinterland to make coastal shipping viable and good in terms of India's transport policy.

of coastal shipping in India, taking into account previous reports made thereon and feedback received from Maritime States and major / minor Ports. Taking a holistic view, the Committee consciously dwelled on the related aspects of Coastal Shipping Rules, revision of RSV Notification related legislated changes to define new IV limits, complemented by IWAI model rules for IV vessels as per IV amendment Act 2007 and incentive to promote coastal shipping share of domestic cargo movement from current low level of about 2 to 7 per cent.

It is hoped that the Committee's three recommendations will help in realising coastal shipping potential for the benefit of the Nation as a whole.

This report clearly establishes rationale objectively for the first time to incentivise modal shift of cargo by assistance through Ministry of Shipping, Government of India to shipowners, shippers, and mix of both for saving India's fuel bill, reduction in environment impact and to realise India's obligation towards climate change and reduction in land congestion.

This report concludes with issue of new RSV Notification; issue of new IV limits and incentive scheme based on potential commodity movement by river / sea by suitable size of vessels over wide range of distance taking into account first mile and last mile component; bunker fuel price differential between road rail and coastal shipping and interest subvention to acquire more coastal ships.

ICCSA said that as per terms of reference, suitable modification has been achieved in coastal / RSV Rules; defining new IV Limits and finally the proposal for incentive scheme in this report.

ICCSA urged the Maritime States to adopt and notify new IWAI IV rules and help kick-start coastal shipping movement as soon as possible. Also, the budget for improving first and last mile connectivity to string of ports so that multimodal transport becomes a reality in the plan period 2012-17.

Hire charges paid for time charter will be taxable as royalty: **Madras High Court**

In a recent order, the Madras High Court said the payment for use / right to use the ship would be taxable as 'royalty'. This will have far-reaching implications and Indian companies may need to review all their similar contracts (existing and past) to ascertain any exposure for past transactions.

Girish Mistry

The Shipping industry in India operates through various ship chartering models, viz. time charter, feeder vessel, bareboat charter etc. Given the economies of scale and capital investment, one of such peculiar model is operating through time charter. In this, a foreign shipping company who owns the vessel hires it to an Indian company which pays hire charges to foreign companies.

The taxability of hire charges of ship in hands of a foreign company whether as royalty or not, has always been a matter of litigation. In this backdrop, the Madras High Court recently dealt with this industry issue regarding taxability of hire charges paid for time charter. While dealing with the important aspect on taxability of time charter, the High Court in the case of Poompuhar Shipping Corporation Ltd and others, has held that the said payment being payment for use / right to use the ship and hence, would be taxable as 'royalty'.

In this case, the assessee company was engaged in the business of moving coal to various ports in India. It chartered foreign shipping vessels and entered into time charter agreements with foreign shipping companies.

The tax authorities contended that the charges paid by the assessee was on account of the use of the ship and would constitute 'royalty', within the meaning of Income Tax Act and tax treaty. The contention of assessee was that the charges paid to the foreign companies for use of the ship would not amount to use of equipment.

The High Court observed that:

- In terms of agreement, the assessee company had control over the captain and hold/ place of loading of ship would be at charterer's disposal
- The payment was made towards hiring of ships on a fixed rate per day basis

It held that payment is for right to use (any purpose), irrespective of possession, general control and custody of ship. It observed that for the purpose of understanding 'royalty', there is no necessity of emerging termination of rights of the owner, so long as the assessee has the custody and has the right for economic exploitation of the ship on payment of charges.

It further observed that irrespective of whether there is any transfer or not, the consideration paid for use or right to use simplicitor is sufficient for the consideration being called as 'royalty'. The presence or absence of possession effective/general control and custody is not relevant to decide the character of payment. While observing various clauses of agreement, the High Court observed that in terms of agreement, assessee had the right to use the ship, selecting the time and deciding route as required and therefore, consideration paid to foreign company would constitute royalty.

With regard to controversy of equipment and ship, it observed that there is no specific definition of 'equipment' in Section 9 and considering context in which it is used it would include 'ship' and it would encompass every article employed by the employer for the purposes of his business.

Based on the above, the High Court held the said payment is taxable as royalty. The above decision would have far reaching implications for all contacts having similar clause.

The court analysed the contractual arrangement and clauses of the agreement, although in substance the arrangement was contract for transportation of goods.

In light of above decision, Indian companies may need to review all their similar contracts (existing and past) to ascertain any exposure for past transactions. The companies may also need to review the way such contacts are entered into and depending on commercial feasibility, the terms of contractual arrangements may need to be appropriately drafted to capture the substance of the transaction (rather than form).

If due to commercial reasons, the contracts are not appropriately drafted, then Indian companies may be saddled additional tax liability which could be significant since most of such contracts are on "net of tax" basis (more so, if treaty benefits are not available). mg

The author is Partner - International Tax, KPMG

'Rates could see slash down due to P3 alliance'

Capt JS Gill
MD, India Agency, Xpress Feeders

Started in 1972 out of South East Asia, X-Press Feeders has grown to become one of the largest feeder carriers in the world with an annual throughput of over 2.4 million teu. Its fleet of over 60 vessels operates from six major shipping hubs and covers 143 ports throughout the world. In an interview with Deepika Amirapu, **Capt JS Gill**, Managing Director X-Press Feeders (India Agency), talks about the P3 alliance and its impact on feeder operators.

Q How has the uncertainty in the P3 alliance affected feeder operators such as your company?

A The alliance is in the nascent stage still. As it looks now, Tanjung Pelepas could be emerging as the big transshipment hub, though finally nothing has come out officially till date. This is a major concern for Singapore based feeder operators. The Port of Tanjung Pelepas' projection on enhancing the terminal is unclear as we already hear of some congestion there. As a consequence, PSA could lose some of its business to Pelepas for intra Asia trade volumes. From our understanding, we think Maersk might take the lead in the alliance by virtue of being a larger carrier. It is a small concern for us too as we do not do any appreciable business through Tanjung Pelepas. We do serve all the three partners in this region but mostly on Singapore, Port Kelang or Colombo centric transshipment point. But our strength is our operations in the other two hub ports- PSA and Port Kelang. But, fortunately, we also understand that Colombo will still remain a stable transshipment hub for our business through the P3 alliance partners. For India centric operations, Colombo cannot be ignored as the G6 will continue to call there.

Q Would you also have to re-draw the routes?

A We are widely covered in the South East Asian region and it is quite easy for us to make changes in our routes. Fortunately or unfortunately, the P3 alliance does not hold much water for us as we are still optimistic of their current business coming to us with few changes and we would continue to serve each individually and at same locations with larger volumes. Services to Colombo and Singapore have a greater role to play in our business. We have appreciable MSC business through Colombo and Hong Kong transshipment. For CMA, we do a lot of transshipment via Colombo and that will not change at this stage. As for Maersk, most of the business with us is again through Colombo.

Q Will the alliance really lead to operational efficiency and what are your thoughts on it being commercially viable?

A The service and the patterns remain the same but various trade lanes get opened up for the three players. However, among them there will be larger competition that could eventually lead to operational efficiencies. But the question is what they are going to do with ships of a smaller size.

Q What impact will this alliance have on the rates?

A Rates could certainly see a slash down and the three players will gain from economies of scale and much wider cooperation network. However, the increase in bunker costs will still continue to be prominent factor and continue to cause a dent.

"The P3 alliance could also not turn out differently than it is envisaged. We are yet to see how the alliance will lead to cost consolidation."

Q What will the consequences be for the remaining operations of the P3 that fall outside the ambit of the three east west trade lanes?

A It is difficult to say. The P3 alliance could also not turn out differently than it is envisaged. We are yet to see how the alliance will lead to cost consolidation. How all the three will gel in the partnership together is yet to be seen. It is a larger network and between the top 3, it brings in huge experience, data base and system orientation and only time could tell how this all sets in different pace and structure to liner shipping.

Q With ultra large container vessels (ULCVs) being deployed in Asia and Europe, smaller ships could be deployed in the Intra-Asia trade? What impact will this move have on your operations?

A For the feeders that are dependent on these three players, it could be troublesome. But for the others it could be business as usual and we still feel that it could show favorable avenues for feeder operators.

Q What emission reduction options are you considering for assessing? How viable are the gas scrubbers or a conversion to LNG fuel an option?

A Well, in my opinion, the emission norms are tough to implement and may not be implemented as easily as it is construed. Availability of gas and pipeline network is a huge problem. The whole design of the vessels has to be changed. Also, the efficiency on heavy fuel is far more than that on lighter fuel.

Q There is a significant increase in the number of rollovers and phantom bookings made by even big lines at ports of late. How do you read this situation?

A Every line is now talking about being much wider in operations although there is a gamut of competition everywhere. This is leading to many consortia getting together to squeeze more tonnage on a single voyage. Lines are jointly having an understanding on operating ships. If you drop capacity by about 60 per cent in a particular week, you have a ship with full capacity during the other week. In a way, it is better to lay off the ship for a week than burn fuel.

Q How has Xpress Feeders fared so far in the current year? What is your outlook for the coming year?

A This year looks good overall. We did well in the first half although the second half volumes were marginally down. Rates have seen a slide due to the uncertainties and volumes are tending to see a shift. But our utilization has been around 100 per cent at good times and may be about 80 per cent when the chips are a little lower. We look at a growing our business continually in the sector. Our business from Colombo/Singapore for India region will grow steadily. mg

'We want to improvise traditional

In India almost all the major ports and the private deep water ports are congested and cost a tremendous amount in demurrage and other wasteful charges to the Indian businesses. The costs and time associated with these delays are huge. To overcome these problems, full or partial loading and unloading of ocean-going vessels can be done offshore using a transshipment or transloading vessel.

In his first interview with Maritime Gateway, **Rajesh Mehrotra**, Chairman and Chief Executive, Sula Logistics, talks to Deepika Amirapu on the company's plans to deploy its vessels in India and overseas.

Q Could you help us understand the scope of deploying your company's self- unloading vessels at various Indian ports? How much of cargo have these ships handled?

A Right now, we are the first company that has deployed the Transshipment facility in the East Coast of India at Sandheads, off Haldia. With this infrastructure, for the first time 69,000 MT of coal was fully discharged at Sandheads off Haldia, without calling any other port. This has tripled the size of the ship being handled currently at Haldia. Next vessel with imported coal had already arrived at Sandheads.

We are contracted to transship approximately 3 million metric tonne per annum (MMTPA) of imported coal. Our transshipment facility MV Vighnraj has double or more transshipment capacity available. Actual amount of cargo handled by the transshipper will depend on the ability of the downstream logistics to handle the surplus capacity

Rajesh Mehrotra
Chairman & CEO,
Sula Logistics

of the transshipper. Due to success of this operation, Kolkata Port Trust is also reviving a draft policy for setting up of transloading facilities for handling dry bulk cargo at Haldia Dock Complex. Apart from that we are also discussing with end user, private power plants and traders who had contacted for asking our transshipment facility. There is almost approximately 20-25 MMTP of cargo waiting to be moved either directly to hinterland through the National Waterway Number 1 or at Haldia / Kolkata.

In West Coast of India, transloading operations have been carried out at Mormugao Port for iron ore export.

Q What varieties of bulk cargo do these SUL vessels handle from various locations?

A These vessels can handle any free flowing cargo dry bulk commodities such as iron ore, thermal and coking coal, petcoke, clinker,

concepts of unloading bulk cargo'

gypsum, grain etc. The partners operate several self- unloading vessels which operate worldwide on dedicated trade runs in Europe, The Caribbean, North and South Americas.

Recently, Sula partners have also signed a contract with Vale to carry out similar unloading transshipment operations in Argentina at the river mouth.

Q How is SULA's ship management division performing? With the recession impelling many firms to opt for management in-house to prune costs than outsource it to professionals, how has your business been doing? How many vessels do you manage so far?

A As of now, we are operating our own transshipment bulk vessel MV Vighnraj in India. These vessels need a lot of support – with multiple sets of crews, logistics needs and additional expertise not usually found on usual ships. We have a full cargo plant on board capable of handling full discharge of ships and it takes time to develop and build on this kind of expertise. In house management of vessel provides us the capability to manage the vessel in more cost-effective and efficient way. In future, our ship management division will act as another vertical in our business, which will be managing other owner's fleet.

Q In how many Indian ports do you provide customised services? Could you care to give us details of your business operations in India?

A At this time we are working at Sandheads off Haldia Port where we have deployed specially designed self-unloading vessel. We are closely working with government agencies, refineries, power plants, traders and end users for similar kind of projects all over India. Recently, we had proposed the self-unloading vessel having the bagging facility and storing facility on board to one of the biggest fertilizer companies in India. This inbuilt storage cum bagging facility will reduce the multiple handling of cargo, save time and also save the port storage area. This proposal was for multiple ports at west coast of India.

On the same lines, we had proposed the transshipment cum barging solutions for an upcoming power plant in west coast of India which constructed Break waters for the import of coal. Our solutions bring in huge savings of between 10-40 per cent in the supply chain of dry bulk cargo handling logistics. These savings make a huge positive difference to existing, brownfield and greenfield projects.

Q After your vessels handling the largest consignment of coal at Kolkata for state run NTPC, would you look at engaging with more clients in India, particularly at ports where the draft is low for transshipment operations?

A Yes, absolutely. We are in dialogue with a lot of commodity importers

and bulk handling service providers. This includes power plants, mines, ports and others.

The projects can be greenfield, brownfield and existing ports that can be given the capability to handle full capesize vessels with parcel sizes up to 180,000 MT without spending huge amounts in dredging and capital costs. With no major investments from the port to increase throughput of the port, transshipment solutions within short span of time permit the smaller ports to handle huge parcels of cargo.

Q Having implemented the transshipment solution at the Haldia Port, do you think this model is viable and can be replicated at other ports?

A Yes the model is viable. Like Haldia, several major and minor ports in both east coast and west coast of India have draft limitations. Cargo handing capacities at these ports are underutilised mostly due to shallow drafts and lack of infrastructure. With our solutions, ports can increase throughput dramatically without any investment on building infrastructure and dredging. We are in discussions with additional customers for deploying similar kind of operations in both the coasts of India.

Q Where do you see opportunities for growth in the Indian market?

A Most of the major ports in India are highly congested, over-utilised and are short of funds. Only few ports have deep drafts but need expensive annual dredging. We are working towards the installation and deployment of transshipment facilities at the anchorage of these ports, which will moreover act as extension of ports enabling the ports to handle bigger size vessel without investing heavily on building port infrastructure and dredging.

Similarly minor ports in India are heavily underutilised due to lack of deep water and have to spend heavily on dredging continuously for maintaining deep draft. With the deployment of our solutions, minor ports that have draft restrictions are able to handle bigger size vessel which can increase throughput dramatically.

We see tremendous growth opportunities in the ports for handling the cargo and transportation of coastal cargo through the Inland Waterways always in conjunction with existing pots and acting as a deep sea extension of existing port or shore based cargo handling terminal. Our solutions do not compete with but rather complement the efforts of existing ports.

Q Could you provide an overview of projects undertaken by Sula outside of India, stating the countries you operate in?

A Sula is a relatively new company in India. Sula Partnershave been providing their services to their clients operating in different part of the world such as the Netherlands, Norway, Italy, EU countries, The Americas including USA, Canada, Venezuela, Colombia, Brazil, The Caribbean and Mexico.

SULA Partners also operate one of the world's largest bulk transshipment terminals 'Boca Grande II' which is located off Venezuelan coast. The vessel has the capability of discharging through belts at the rate of 5,000 tonnes per hour and handling around 60 vessels per year.

Q Can you give us a break-up of your revenue from the Indian and overseas market, indicating contributions of the divisions- ship mgt, transshipment, customized services, SUL solutions?

A SULA being an Indian company has just started its operations in India. It is a privately held group and major share of revenue comes from its transshipment operations.

Q Where do you see Sula Logistics five years down the lane operating in India?

A SULA Shipping and Logistics Pvt. Ltd is a young company with a great solution that solves immediate problems, leapfrogs infrastructure problems, saves costs and protects the environment. We want to improvise the traditional concepts of unloading the bulk cargoes in fast developing and rapidly growing economies, where port infrastructure is lacking or ports suffer from congestion. SULA believes in collaboration with local partners who have a better understanding of local conditions to facilitate ship to ship, mooring support services and barging solutions.

In the next few years, we see ourselves executing quite a few and at least five full solutions including transshipment bulk vessels, full Ship to Ship services with mooring support craft, barging in collaboration with local players around the Indian Coast. Outside India. We are looking forward to locate our solutions in commodity rich regions primarily African countries the Middle East and South East Asian countries. mg

Maintaining *numero uno* position

Chennai has emerged as the automobile manufacturing hub of India due to its favourable business environment and proximity to a major port. In order to maintain this growth momentum, the city has to further simplify regulatory requirements and introduce self –certification, says a study conducted by FICCI and Bain & Company.

Vijay Kurup

It all began in 1948 in Chennai, when Ashok Leyland set up its first Automobile factory. Sixty years down the line, Chennai leads India in terms of production capacity, with an installed capacity of 12.8 lakh passenger cars and 3.5 lakh commercial vehicles a year. It has emerged as one of the top 10 global automobile manufacturing hubs. Studies by automobile giants Hyundai, Nissan and Ford, have found Chennai as the most cost-effective location for manufacturing cars.

What has made Chennai the leading automobile manufacturing city in India? What has it done differently? The saga of its rise lies not just in the proximity to a major port but in the phrase which many states in India are striving to achieve, but few are able to accomplish – 'favourable business environment'.

Chennai's credentials as the largest automotive centre in India is impressive. In the export of cars, the city port witnessed an increase of 7.79 per cent to 2,72,345 units in 2013-14 as against 2,52,640 units in the same period in the previous year. It accounts for 30 per cent of auto, 35 per cent of auto components production and 53 per cent of India's export. Its existing capacity is approximately two times that of Maharashtra and 1.7 times that of Gujarat's projected capacity. It is set to become one of the largest tyre manufacturing hubs in the world.

By 2015, India is expected to become the country with the third most automotive sales, next only to China and the United States.

Chennai is now a supplier of high value and critical automobile components to global auto giants such as General Motors, Chrysler, Toyota, Ford and Volkswagen, amongst others. Hyundai has made Chennai the manufacturing and export hub for its small cars. Hyundai's cars, i-10 and i-20 are being manufactured only in Chennai and are exported globally. Hyundai has the largest base in Chennai outside Korea. The products manufactured now include earth moving equipment, auto components, tyres, coaches, motorcycles and auto parts.

The Chennai automotive cluster enjoys the natural advantage of the proximity of a major port. The infrastructure developments are keeping pace with the increase in cargo traffic. According to the notification by the Tariff Authority for Major Ports (TAMP), the port is planning to develop a new Ro-Ro cum multipurpose berth and multi-level car park in Bharathi Dock under public private partnership (PPP) mode. The total land area of the car park facility would be 61,800 sq. m. The port trust had also invested in the elevated corridor connecting Chennai Port with Maduravoyal and the Tiruvattiyur parking yards.

Several other factors have contributed to Chennai's emergence as India's automotive leader according to a study conducted by FICCI and Bain & Company. These include:

- Regulatory compliances have been made simpler. The land allotment procedure is smoother to obtain and licenses to start an industry have been eased.
- A regular turn out skilled manpower owing to the presence of high quality engineering students passing out from the State. The state is also known for its culturally entrepreneurial populace.
- There is considerable emphasis on Research & Development (R&D) in the automotive cluster. There are eight public and private R&D and design centres. The latest to join is the National Automotive Testing and R&D Infrastructure Project (NATRiP) whose mission has been to create core global competencies in automotive sector in India.
- Increasing investments in ancillary industries through creation of India's largest component cluster.
- The Government is drafting a new auto sector policy to improve competitiveness by providing strong fiscal packages and more importantly support to develop the entire ecosystem including human resources, infrastructure and other facilities.
- Support through strong fiscal incentives for super (investment of over ₹1,500 crore and subsequently ultra-mega projects (investments of over ₹4,000 crore).

To maintain the momentum in growth of the cluster, the report calls for further simplification of regulatory requirements and introduction self-certifications. It recommends for providing technological advancement support to the SME's in target clusters through partnership and private technology players; facilitate easier access to funds through promoting linkages between industry and finance institutions. To be in the number one position is no mean task. However, to maintain that position is even more difficult. mg

Drewry

Increase in seaborne trade hides uncertain future for specialised reefer vessels

The report says despite losses for many containership operators, collectively the industry managed to return a small profit for 2012.

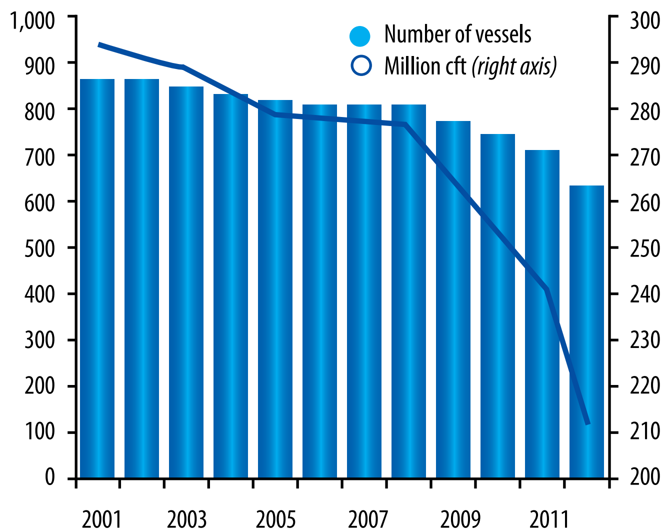
The first half of 2013 appeared to herald the start of a long awaited upturn for the specialised reefer industry. Time charter rates improved and scrapping had shrunk the fleet to more manageable levels.

Drewry's Reefer Market Review takes a look back at the developments over the last year and how they sit within the broader 10-year picture of the reefer market..

According to Drewry's latest report, the worldwide perishable reefer trade increased by 52.1 million tonnes between 2002 and 2012, which represents by a combined annual growth rate (CAGR) of 3.6 per cent. Seaborne perishable reefer cargo has increased by a CAGR of 3.3 per cent (25.6 million tonnes) from 66.8 million tonnes in 2002 to 92.4 million tonnes in 2012.

The highest percentage growth continues to be seen in the exotic fruit category (pineapples, kiwifruit and avocadoes). Despite its relatively small volume of 4.5 million tonnes in 2012, this sector has grown by a CAGR of 9.1 per cent since 2002. In terms of tonnage,

The specialised reefer fleet (100,000+ cft) during 2001-2011



Source: Drewry's Reefer Shipping Market Review & Forecast 2012/2013

the highest growth has been in the meat category (comprising poultry, pork, beef/veal, offal and sheep meat). This grew from 22.8 million tonnes in 2002 to 36.3 million tonnes in 2012 – a CAGR of 4.8 per cent. Seaborne trade in the meat category has grown by 8.3 million tonnes – a CAGR of 4.6 per cent.

Kevin Harding, editor of the report, states, "It is important to note that the import patterns have changed considerably during the past decade. Western Europe has declined to a 38 per cent share of worldwide imports – although still importing 66 million tonnes of cargo in 2012. Eastern Europe's importance has grown from an 11 per cent share in 2002 to a 13 per cent share in 2012 – with cargo tonnage increasing by 76 per cent over this period."

Despite losses for many containership operators, collectively the industry managed to return a small profit for 2012. In the specialised reefer segment, Seatrade retains its position as the largest reefer operator – but with a reduced fleet of 77 vessels, providing over 51 million cubic feet of on-deck and under-deck capacity, which is some 12.5 per cent less than that one year ago. Nevertheless, it still controls in excess of 20 per cent of the world's specialised reefer fleet capacity of vessels greater than 100,000 cubic feet.

The average age of the fleet of 600 specialised reefer ships greater than 100,000 cubic feet has increased to 24 years – despite continued heavy scrapping during the past 12 months. Star Reefers has the youngest fleet among the major operators (with an average age of 14 years), while Baltic Reefers has the oldest with an average age of 28 years.

The first half of 2013 appeared to herald the start of a long awaited upturn for the specialised reefer industry. Time charter rates improved, scrapping had shrunk the fleet to more manageable levels and the containership industry finally seemed to understand that life was not all about market share.

Summarising the current status of the market, Kevin Harding said, "The two modes of transport have experienced mixed fortunes. With the continued shrinking of the specialised reefer fleet it is unavoidable that increased cargo volumes, no matter how small, will have to be shipped by reefer container vessels. The market share between the two modes continues to move in favour of the containership and, with the specialised reefer order book remaining at zero (at least for the time being), it is inevitable that this trend will continue.

The containership mode is forecast to provide in excess of 94 per cent of overall reefer tonnage within the next few years. However, the specialised reefer industry is focused purely on refrigerated cargoes and is able to optimise cargo carriage and voyage times – thereby providing a higher percentage of annualised cargo capacity than the figures might otherwise suggest. Thus, the statistics continue to demonstrate that cargo volumes can be accommodated over both modes of transport. Forward utilisation levels for specialised reefer ships are forecast to remain stable, although total cargo tonnes carried are forecast to reduce year-on-year as the fleet shrinks." mg

(The report was published by Drewry Maritime Research and is being used with permission from the publisher.)

International seaborne trade grows, but remains vulnerable to downside risks facing the world economy, the latest United Nations Conference on Trade and Development report on Maritime Trade suggests.

UNCTAD Report 2013

While the reorientation in global production and trade continues, with developing countries contributing larger shares to world output and trade, the performance of the global economy and merchandise trade is a reminder of the high level of global economic integration and interdependence. The knock-on effects of the problems in the European Union on developing economies are tangible, while the slowdown in larger developing countries, notably China and India, is resonating in other developing regions and low-income countries. Meanwhile, and driven in particular by a rise in China's domestic demand as well as increased intra-Asian and South–South trade, international seaborne trade performed relatively well, with volumes increasing by 4.3 per cent during the year. The performance of international seaborne trade remains, nevertheless, vulnerable to downside risks as well as the uncertainty affecting the world economy and trade. It is also unfolding against a background of an operating landscape for maritime transport that is evolving and that entails some potentially game-changing trends and developments.

Some key trends currently affecting international shipping and its operating landscape include the following elements:

(a) Continued negative effect of the 2008/2009 crisis on global demand, finance and trade

(b) Structural shifts in global production patterns

(c) Changes in comparative advantages and mineral resource endowments, in particular oil and gas

(d) Rise of the South and shift of economic influence away from traditional centres of growth

(e) Demographics, with ageing populations in advanced economies and fast-growing populations in developing regions and with related implications for global production and consumption patterns

(f) Arrival of container mega ships and other transport-related technological advances

(g) Climate change and natural hazards

(h) Energy costs and environmental sustainability.

In this context, a number of challenges and opportunities with implications for international seaborne trade are also arising. Of all the prevailing challenges, however, the interconnected issues of energy security and costs, climate change and environmental sustainability are perhaps the most unsettling. Climate change in particular continues to rank high on the international policy agenda. Emerging opportunities, on the other hand, include for example:(a) deeper regional integration and South–South

Cooperation(b) Growing diversification of sources of supply enabled by technology and efficient transportation(c) Emergence of new trading partners and access to new markets facilitated by growing trade and cooperation agreements(d) Expansion/ opening of new sea routes (for example, expansion of the Panama Canal and Arctic routes)(e) Increasing involvement of other developing economies, notably in Africa and South-East Asia, in lower added value and labour-intensive sectors as China moves up the value chain and rebalances towards higher value added sectors(f) Growth in global demand induced by a growing world population and a rise in the middle class/ consuming category(g) Emergence of developing-country banks (for example, the proposed BRICS bank – Brazil,the Russian Federation, India, China and South Africa) with the potential to raise funding to meet the significant needs for investment in transport infrastructure.

"Of all the prevailing challenges, however, the interconnected issues of energy security and costs, climate change and environmental sustainability are perhaps the most unsettling."

The turn of the largest shipbuilding cycle in history

The year 2012 saw the turn of the largest shipbuilding cycle in recorded history. Between 2001 and 2011,year after year, new building deliveries reached new historical highs. Only in 2012, for the first time since 2001, was the fleet that entered into service during the year less than that delivered during the previous 12 months. In spite of this slowing down of new deliveries,the world tonnage continued to grow in 2012, albeit at a slower pace than in 2011. The world fleet has more than doubled since 2001, reaching 1.63 billion deadweight tonnes in January 2013.

Since the historical peaks of 2008 and 2009, the tonnage on order for all major vessel types has decreased drastically. As shipyards continued to deliver pre-ordered tonnage, the order books went down by 50 per cent for container ships, 58 per cent for dry-bulk carriers, 65 per cent for tankers and by 67 per cent for general-cargo ships. At the end of 2008, the dry-bulk order book was equivalent to almost 80 per cent of the fleet at that time, while the tonnage on order as of January 2013 is the equivalent of just 20 per cent of the fleet in service.

Dry-bulk ships are less often controlled by the cargo owning countries than is the case of the oil-exporting nations. Most container ships are foreign flagged as they engage in international trade, serving routes that connect several countries at the same time. Many of

Age distribution of the world merchant fleet, by vessel type, as of January 1, 2013 (Percentage of total ships and dwt)

Country grouping Types of vessels		0–4 years	5–9 years	10–14 years	15–19 years	20 years and +	Average age (years) 2013	Average age (years) 2012	Percent-age change 2012/13
WORLD									
Bulk carriers	Bulk carriers Ships	44	15	12	13	16	9.94	11.57	-1.63
	Dwt	49	16	11	13	11	8.36	9.71	-1.35
	Average vessel size (dwt)	81,514	75,173	65,405	71,528	48,211			
Con-tainer ships	Ships	23	29	18	20	10	10.81	10.73	0.08
	Dwt	34	32	16	13	5	8.25	8.24	0.01
	Average vessel size (dwt)	59,547	43,782	37,049	26,750	19,962			
General cargo	Ships	12	11	7	12	58	24.99	24.58	0.41
	Dwt	22	13	10	10	44	19.10	19.61	-0.51
	Average vessel size (dwt)	7,396	5,237	6,845	3,705	3,081			
Oil tankers	Ships	24	20	10	12	34	16.74	16.50	0.25
	Dwt	37	28	20	10	4	8.14	8.01	0.13
	Average vessel size (dwt)	69,029	64,212	87,809	35,925	5,921			
Others	Ships	17	13	10	10	50	22.57	22.29	0.28
	Dwt	23	20	13	10	34	16.07	15.84	0.23
	Average vessel size (dwt)	6,985	8,251	6,898	5,119	3,968			
All ships	Ships	20	15	10	12	44	20.4	20.30	0.03
	Dwt	40	22	14	12	12	9.60	10.19	-0.59
	Average vessel size (dwt)	40,664	32,047	31,610	21,098	6,267			

the general-cargo fleets are nationally flagged and serve the coastal or inter-island cabotage trades.

Larger ships and fewer container carriers

This year's Review also presents a special focus on 10 years of UNCTAD's Liner Shipping Connectivity Index and the related analysis of container ship deployment. The last 10 years have seen two important trends,which represent two sides of the same coin. On the one hand, ships have become bigger, and on the other hand the number of companies in most markets has diminished. As regards the number of companies, the average per country has decreased by 27 per cent during the last 10 years, from 22 in 2004 to just 16 in 2013. This trend has important implications for the level of competition, especially for smaller trading nations. While an average of 16 service providers may still be sufficient to ensure a functioning competitive market with many choices for shippers for the average country, on given individual routes, especially those serving smaller developing countries, the decline in competition has led to oligopolistic markets.

Freight rates remained suppressed by oversupply of newbuildings

In 2012, the maritime sector continued to experience low and volatile freight rates in its various segments because of surplus capacity in the global fleet generated by the severe downturn in trade in the wake of the 2008 economic and financial crisis. The steady delivery of new buildings into an already over supplied market, coupled with a weak economy, has kept rates under heavy pressure. The overall low freight rates observed in 2012 reduced carriers' earnings close to and even below operating costs, especially when bunker oil prices remained both high and volatile. As a result, carriers tried to apply various strategies to remedy the situation, in particular by reducing bunker consumption. The trend of maximising fleet efficiency, slow steaming, postponing new building deliveries, scrapping and idling some ships observed in 2011 persisted in 2012. In this difficult shipping context, many private equity funds have seized the opportunity created by tight credit markets and historically low vessel values to invest in ships and shipping companies. Between 2011 and 2012, private equity funds financed no less than 22 shipping transactions with an aggregate magnitude of more than $6.4 billion. The role of private equity funds appears fundamental for the growth of the sector and could affect its development in several ways, including through the consolidation and vertical integration of transport services.

World container port throughput surpassed 600 million 20-foot equivalent units (teu) in 2012 World container port throughput increased by an estimated 3.8 per cent to 601.8 million teu in 2012. This increase was lower than the estimated 7.3 per cent increase of 2011. This growth is also reflected in a strong port finance sector as investors look to infrastructure to provide long-term stable returns. This is paramount as a recent study forecast that developing countries will need annual investment of $18.8 trillion in real terms by 2020 to achieve even moderate levels of economic growth.

Investments within ports will lead to increases inefficiency which could help to lower transport costs by enabling goods to get to and from markets in a more timely and cost-effective manner.

Legal issues and regulatory developments

Important legal developments include the entry into force of the 2006 Maritime

Labour Convention (effective August 20, 2013) and of the 2002 Athens Convention relating to the Carriage of Passengers and their Luggage by Sea (effective April 23, 2014), as well as a range of regulatory measures to strengthen the legal framework relating to ship-source air pollution,port reception facilities and garbage management.

Moreover, different sets of guidelines have been developed with a view to facilitating the widespread adoption of the 2010 Protocol to the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, known as the 2010 HNS Convention, and of the 2009 Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships. Progress has also been made in respect of technical matters related to the implementation of the 2004 International Convention for the Control and Management of Ships' Ballast Water and Sediments. To assist in the implementation of a set of technical and operational measures to increase energy efficiency and reduce greenhouse gas emissions from international shipping, which entered into force on January 1,2013, additional guidelines and unified interpretations were adopted by the Marine Environment Protection Committee of the International Maritime Organization in October 2012 and May 2013. In addition, are solution on promotion of technical cooperation and transfer of technology relating to the improvement of energy efficiency of ships was adopted in May 2013,and an agreement was reached that a new study be initiated to carry out an update to the estimate of greenhouse gas emissions for international shipping. The issue of possible market-based measures for the reduction of greenhouse gas emissions from international shipping remained controversial, and discussion was postponed.

In relation to maritime and supply-chain security,main areas of progress include enhancements to regulatory measures on maritime security and safety,primarily under the auspices of the International Maritime Organization, as well as implementation and mutual recognition of authorized economic operator programmes.

Access of landlocked countries to seaports – introduction of a transit belt system

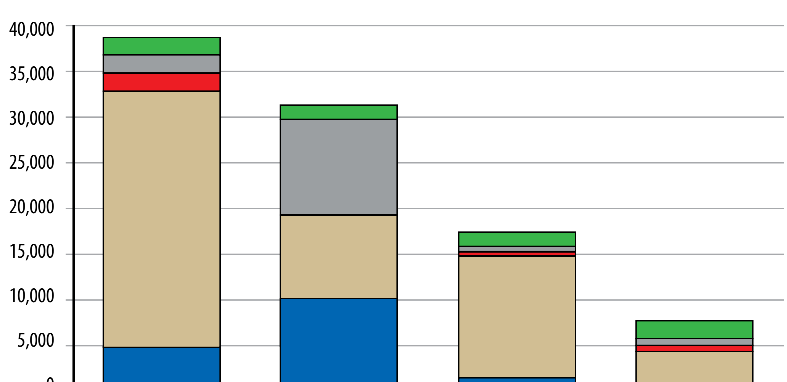
The passage of trade of landlocked countries through coastal territories to access shipping services is generally governed by a standard principle: goods in transit and their carriage are granted crossing free of fiscal duties and by the most convenient routes. In practice, however, the implementation of this basic norm suffers from numerous operational difficulties,resulting in high transport costs and long travel times, which undermine trade competitiveness and ultimately the economic development of landlocked countries.

Over the past decade, under the Almaty Programme of Action launched in 2003, new analytical tools and extensive field research have brought fresh valuable knowledge about the mechanisms explaining detected inefficiencies. Among other things, analysis has revealed that rent-seeking stakeholders may play against improvements, making transit operations unnecessarily complex and unpredictable, to the detriment of governmental and traders' efforts. Thus,by exposing conflicting forces at play along transit chains, the analysis shows that trade of landlocked countries primarily suffer from unreliability resulting from a lack of cooperation among stakeholders and is a main reason behind high transport costs and long transit times.

To correct these flaws, a new paradigm that should allow fora radical transformation of transit transport systems,thereby enabling landlocked countries reliable access to global value chains and allowing them to act in ways other than as providers of primary goods, could be introduced. The proposed approach of a transit belt system would consist of a system open to all transit cargo, based on a trusted transit operator scheme guaranteeing uninterrupted transit from seaport to hinterland and vice versa.

The transit belt system aims at making predictability of transit logistics chains a priority that governments of both landlocked and transit countries should lead, in partnership with traders, port operators and shipping lines, as main beneficiaries of the improvement. Such a reliability model solution could be made part of the priorities of the new development agenda for landlocked and transit developing countries to be adopted in 2014.

Deliveries of newbuildings, major vessel types and countries where build, 2012 (thousands of GT)



	China	Republic of korea	Japan	Others
Other	1,914	1,391	1,406	1,989
Container	1,984	10,540	390	773
General Cargo	1,833	260	472	583
Dry Bulk	28,217	8,988	13,571	3,468
Oil Tanker	4,729	10,311	1,592	877

Source: UNCTAD secretariat, on the basis of data supplied by Clarkson Research Services.
Note: Propelled seagoing merchant vessels of 100 GT and above.

TIME	JAN 30 THURSDAY (January 2014, DAY ONE)	JAN 31 FRIDAY (January 2014, DAY TWO)	FEB 01 SATURDAY (February 2014, DAY THREE)
10:00 am – 11:00 am	Inaugural Session	Plenary Session 2: Accelerating Manufacturing Growth: National Manufacturing Zones and Industrial Corridors	Session 6: Ship Building: What is the Right Strategy?
11:00 am – 12:00 pm	Exhibition Inauguration / Coffee Break	Coffee Break	Coffee Break
12:00 pm – 01:30 pm	Main Hall Plenary Session 1: Public and Private Investment in Infrastructure: Past, Present and Future	Session 3: Main Hall Maritime sector in Securing Energy Future Studio one: Krishnapatnam Port Customer Meet Studio Two: Industry Forum 4: Inland Water Transport and Coastal Shipping Studio Three: Industry Forum 5: NISAA Business Forum	Session 7: Main Hall Bunkering: Time to Chart the Roadmap
01:30 pm – 02:30 pm	Lunch	Lunch	Lunch
02:30 pm – 04:00 pm	Session 1: Main Hall Global and Regional Trends: Scenarios that are shaping the Maritime Industry Studio one: Industry Forum 1: IPPTA Surviving with new Tariff Guidelines: Review and Options Studio Two: Industry Forum 2: Shipowners Forum: How to increase tonnage under Indian Flag & FDI in shipping? Studio Three: Industry Forum 3: AMTOI & FFFAI Transportation Demands and Creating Capacities	Session 4: Main Hall Inclusive Maritime Growth and The Role of States Studio one: Round Table 3 Agro Commodities Waiting in the Wings: The Way Forward Sessions I,II & III Container Trade in 2020: Challenges and Opportunties Sessions I & II	Session 8: Ports & Terminals: Sustaining Operational Efficiency
04:00 pm – 04:30 pm	Tea Break	Tea Break	Tea Break
04:30 pm – 06:00 pm	Session 2: Main Hall The Big Debate: Cabotage: A Reality Check Studio one: Round Table 1 Rail Logistics Studio Two: Round Table 2 Fertilisers Studio Three: Adani Ports Customer Meet	Session 5: Main Hall The Changing Landscape of Hinterland and Logistics Studio one: Round Table 4 RORO Automotive Logistics	Conference Concludes
06:00 pm – 06:30 pm	Entertainment		
06:30 pm – 07:30 pm	Networking over cocktails	www.indiamaritimeweek.com	
07:30 pm onwards	Opening Night Gala Dinner		

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TO MEASURE IS TO MANAGE

Don't mistake activity with achievement.
– John Wooden

It is important to measure port performance amid the complex, challenging and competitive port operating landscape. Ports will always be evaluated first and foremost on whether they can contribute to the growth of the business of their users, and the hinterland and markets they serve

Nazery Khalid

Cranes towering over the container terminal at Northport, one of two terminals at Port Klang, Malaysia's busiest container port and the world's 12th in terms of throughout handled. With its recent purchase of six new state-of-the-art cranes which have boosted Northport's crane fleet to 32, it is poised to provide event better and optimal sea-side services to its customers.

Supersize me

Ports are the lynchpin of our global economy, facilitating 80 per cent of global trade. They operate in a very competitive, harsh business environment in a never-ending volume-game to attract port users and cargo. They invest huge sums to build, expand and upgrade their facilities and ship/cargo handling capability.

Despite the slump in seaborne trade since the global recession began in 2008, there has been no let up in port development and expansion. Trade volumes are still growing and port owners and operators know that prospect of seaborne trade must be viewed with a long-term perspective. They understand that ports which prepare capacity in advance will be the first to reap the benefit of the uptick in global trade volumes when the global economy turns the corner and picks up steam.

In the operating realm of ports, the big is getting bigger. The size of global seaborne trade has been on a clear uptrend in the last few decades. In correspondence, ports are being developed at a breakneck pace to increase their capacity and capability to handle greater throughput volumes. Bigger cranes and port equipments are being deployed, and larger container yards are built to cater to growing seaborne trade volumes. Land-side logistics and road and rail connectivity are also boosted to connect ports to the hinterland and economic centres. Bigger oil rigs are being commissioned and delivered to find more hydrocarbon energy offshore.

'The big getting bigger' phenomenon is also one of the most observable trends in the shipping sector. Merchant ships and offshore support vessels (OSV) are reaching astounding size and dimension, and impressive abilities. Not only these new generation of large vessels can carry more cargos and pull heavier loads than their older counterparts, they also have greater fuel efficiency, and more sophisticated environmental and safety features.

The rapid rise of ship size, ability and sophistication owes to the rising global demand for the goods they carry, the never-ending pursuit for marine

resources, and the advent in shipbuilding and marine equipment. In the container trade, ships that used to be a mother vessel with a 5,000-teu (twenty-foot equivalent containers) capacity ten years ago are now merely being used as feeder vessels to support giant container ships with three times that capacity.

To keep up with the trend of bigger container ships coming into play, many seaports around the world have gone through a breakneck pace in boosting their capacity and ship/cargo handling capability to attract these ships. What was almost unimaginable a mere few decades ago, container ships with an 18,000-teu capacity and 600,000-dwt (Dead Weight Tonnes) bulk carriers are now the norm. These ships can only call at ports with deep draft, long quayside, adequate equipment such as cranes and port vehicles, extensive land-based logistics support, and high levels of productivity, efficiency and safety.

Container ports without these features will be left out of the routes served by the ships. The ports need to have the kind of characteristics mentioned and a high level of performance and efficiency if they are to lure and accommodate the behemoths plying the liner trade. The big container ships operate on the basis of economies of scale, hence their owners seek to carry optimal cargo loads, voyage in and voyage out, while making as few port calls as possible. This entails calling only at major ports that can guarantee sizeable cargo loads like in Shanghai, Hong Kong, Singapore, Shenzhen, Busan, Yokohama, Port Klang, Tanjung Pelepas, Dubai, Hamburg, Antwerp and Los Angeles/Long Beach.

Good prospect

Although global trade has borne the full impact of the global recession and financial crisis, the long-term prospect of seaborne trade, and therefore the prospect of shipping and container ports, is bright. The dominance of shipping in facilitating global trade, owing to the economic efficiency it offers in carrying large volumes and varieties of goods across distances, almost guarantees that shipping will always be the transport mode of choice for world trade. Even the painful downturn and the severe capacity overhang in the shipping markets will not dislodge shipping from its perch as the most pivotal enabler of international trade.

This fact is the fuel that powers the development of container ports around the world. While shipowners have scaled back expanding their fleet, ports have not held back from expanding and upgrading. They know that in the derived-demand operating sphere of seaborne transport, ports which can provide extra capacity and superior services to their users stand to prosper.

Underscoring the tremendous rise in global trade, its scope for growth and opportunities it presents to ports, the Yangshan deepwater container port at Shanghai Port has emerged as the world's busiest container terminal. Within only a few years of operations, the port has overtaken the Big Two of the world's top global container ports, Singapore Port and Hong Kong Port, as the world's busiest container port. The jewel in the crown of China's impressive maritime trade infrastructures, Shanghai Port handled an astounding 32 million teu in 2012. In comparison, Singapore Port and Hong Kong Port handled 31.6 million teu and 23.1 million teu respectively last year.

It is worth pointing out that despite the fact that ports in Singapore and Hong Kong had long been the dominant ports in container trade in Asia, there was still room for another port to enter the fray. The feat by Shanghai Port to leapfrog the two established ports stands testimony to the need for huge port capacity to support growing global seaborne trade and the attractive long-term prospect it offers. As world population grows and the demand for manufactured goods and commodities rises in tandem, there will certainly be room for new container ports to be built and existing ones to be expanded and upgraded.

Competitive playing field

The increase in global trade volumes has spurred the development of container ports and has heightened competition among them. In Asia, seaborne container trade moves within a port system called 'hub and spokes'.

Within this system, large container ports, such as in Shanghai, Singapore and Hong Kong act as epicentres where large ships call, and containers are loaded onto and unloaded off them. These containers either come from the hinterland served by the ports or 'fed' to the ports by the smaller 'spoke' ports in the region. They also act as transshipment centres, where cargo is given value-adding treatments such as light manufacturing, packaging and labelling before being shipped to their final destinations.

In this competitive operation environment, large vessels make stopovers only at the hub ports which in turn are supported by the 'spokes or feeder ports. Cargo unloaded off the 'mother ships' at the large ports and then dispersed to the smaller ones by smaller feeder vessels.

Ports not able to offer critical mass of cargo, features, equipment, capacity and land-based support will lose out and be relegated to play a feeder role to the big ports. The need to be attractive to the large vessels has resulted in many container ports going on a development and expansion binge in the last decade.

This is especially notable in Asia, the centre of gravity of global container trade. As volumes of intra-Asian and transshipment trades rise, container ports in the region have invested huge amounts to build new container terminals, procure assets such as cranes and equipment, and boost back-office systems to cater to growing regional trade.

The keen competition to draw ships and cargo is not only among ports in the region but also among ports in the same country and even terminals in the same port. Competition is also rising between seaborne transport and other transport modes to carry cargos. Amid growing concern over the impact of shipping on the marine environment, there is a growing modal shift by shippers of goods and commodities seeking to reduce their carbon footprint. More are looking to transporting cargos using rail as an alternative to shipping.

To measure is to manage

Amid the competitive landscape, container port operators need to fork out huge capital expenditure to increase their capacity and performance to be able to serve their users satisfactorily and providing the best services at the most competitive cost. With an embarrassment of choices of container

ports offering good features and services at competitive prices, shipping lines are spoilt for choice. As such, they have become discerning in their choice of which ports to call. This choice is informed by their assessment of the ports' performance.

Performance of container ports is mainly measured by their ability to handle ships and containers – measured mainly in terms of turnaround time of ships and containers – in a cost-competitive way. In this regard, it is important that ports continuously monitor their own performance to determine and improve on areas of weaknesses, and capitalise on and consolidate their strengths. Knowing the performance of container ports is also useful to port users, port authorities, economic planners, policymakers and the public at large who are among the key stakeholders of ports. Government agencies can allocate the necessary resources to develop and upgrade ports, policymakers can plan port development and the nation can assess its competitiveness as a trading and maritime nation based on the performance of the ports.

Measuring key performance indicators such as ship and cargo turnaround time does provide a reliable means of gauging a port's performance. However, with the increasingly complex role that container ports play in facilitating the movement of goods across supply chains and in enabling global trade, there is a need to measure the performance of ports beyond just their performance of handling ships and cargos. Factors such as policy support, organisational structure, availability of financing, market access, tariff and even natural advantages arising from historical and geographical factors have influence on the performance of the ports. Differences in these areas among ports can be telling, hence should not be ignored in measuring their port performance and comparing performance among them.

Although the key performance measures for container port performance such as throughput, turnaround time and connectivity are fairly well established, they are not without limitations and flaws. Take throughput volumes for example; some ports include empty containers in counting their throughput figures, hence this measurement cannot be fully depended on to measure port performance. Measuring productivity by crane movements is also arguably unreliable as the attaining optimal crane productivity depends on circumstances such as weather and number of ship calls. The same goes with ship turnaround time, which can be influenced by events such as natural disasters, bad weather and strikes. Seaside and land congestion, which influences port users' perception of the competitiveness of ports, can be caused by incidents which are beyond the control of port operators.

"Operating in an ultra-competitive landscape, ports strive to gain competitive advantage in any way they can to retain customers and attract new ones. Some ports have shifted the focus of measuring port performance from just using 'traditional indicators."

Operating in an ultra-competitive landscape, ports strive to gain competitive advantage in any way they can to retain customers and attract new ones. Some ports have shifted the focus of measuring port performance from just using 'traditional indicators' such as throughput volume, connectivity and turnaround time. They know that port users have a wide range of options, therefore are more selective of which ports to use.

There is growing expectations of port users and other stakeholders for ports to fulfill their corporate social responsibilities. This has driven port owners and operators to look beyond the business aspects. They are also now allocating resources to undertake initiatives in areas such as environmental protection, biodiversity conservation, sustainable development and community engagement.

No performance measurement index or tool can tell the whole story about the complex environment in which ports operate. There are differences among ports in terms of location, ownership, business strategy layout, connectivity with other ports and other transport modes, assets, tariff structure, level of utilisation of technology, physical and man-made features, cargos handled, and support given by the government and port policies. Hence, the factors driving and influencing the performance of one port may differ from another port. Also, different stakeholders view port performance from different perspectives which makes it rather difficult to compare the performance of one port to another.

To be sure, the performance of ports as key trade enablers will always be measured by the way they perform in handling ships and cargos in terms of efficiency, productivity and cost-competitiveness. Ports will always be evaluated first and foremost on whether they can contribute to the growth of the business of their users, and the hinterland and markets they serve. However, ports that pay attention to the non-business areas will endear themselves to like-minded port users looking to do business with ports which do not just focus on bottom line.

As the adage goes, what is not measured is not managed. Port owners and operators which take great pains to measure their overall performance can manage their ports better, enhance their competitiveness and attractiveness, and attain greater heights.

Cranes towering over the container terminal at Northport, one of two terminals at Port Klang, Malaysia's busiest container port and the world's twelfth in terms of throughout handled. With its recent purchase of six new state-of-the-art cranes which have boosted Northport's crane fleet to 32, it is poised to provide event better and optimal sea-side services to its customers. mg

PET LOGISTICS INDUSTRY catching up in India

With the growing demand for pet transportation within and outside the country, pet-animal logistics has become a main-stream business in India. Gone are the days of carrying pets in the back seat of the car or leaving them at the local kennel when the pet-owners move or relocate to a different city or to other countries. Pet transportation has got a professional touch with more companies specialising in pet travel or pet logistics.

Itishree Samal

Pet transportation has now become an everyday affair in the country with the emergence of professional pet logistics providers and growing awareness on pet relocation.

Earlier, people used to either sell their pets or give those for adoption when they relocate to a different city or to another country. But, the trend is changing. Now, pet owners are taking help of logistics providers for relocation and transportation of their pets, said **Sanjay Goel**, Director, Pet Travel Private Limited, which specialises in safe movement of animals across the world by air and road ways.

The pet logistics providers are offering services in pretext to the travel or relocation of a pet from pickup and delivery, vaccinations, micro chipping, arranging pet passports, consultancy on import or export, documentation, health documentation, custom clearance to checking the availability of kennel services. The services also include coordination of airline routes and reservation on the shortest route flights, Animal Quarantine NOC (no objection certificate) for export and import and arrangement of veterinary services.

Transportation process

Pet transportation is done through rail, road and air to both domestic and international destinations. Air India and Jet Airways among others accept pets on board subject to their regulations.

Pets get duly vaccinated when they travel by air. The owner has to carry the vaccination record certified by a veterinarian claiming the pet is physically fit to fly. During the flight, the pet is required to be placed on an IATA specified cage ensuring to give it enough space to turn about normally while standing and to lie.

The pet relocation is a lengthy process and usually starts 90 days before the actual movement takes place. There are more 20 regulatory processes involved in global pet movement. However, in emergency situations the movement happens in 72 hours. And the cost of transportation depends on the mode of transport, destination, whether the pet is travelling as baggage or in the cargo and the size and breed of the pet. The transportation costs range between ₹25,000 and ₹1.5-2 lakh.

Industry size in India

In contrast to the global scenario, the pet logistics industry is still at a nascent stage in India.

According to Euromonitor International, the pet industry in India is now worth about ₹450 crore (over $800 million). The pet population is growing by 20 per cent year-on-year, and the total number of pets is estimated to be around 12.5 million by end of next year from the current 10 million pets owned by Indian households.

In the backdrop of the booming pet industry, the pet logistics industry is also growing in the country. The pet travel industry is growing at 30 percent.

"Verified data for domestic travel of pets is hard to come by, as irrespective of the professional transporters people use personal cars for transportation. However, when it comes to international movement of pets, the market size is about 2,000 pets per annum, while globally, around 2 million animals fly the friendly skies every year," Goel said.

Growth factors

Several factors that are driving the growth of the pet logistics industry includes increase in number of pets owned by Indian households than ever before. Also with increase in awareness on pet logistics, families now are carrying pets to vacations and to different cities or countries even when they are migrating.

Airlines, hotels and businesses in the United States are increasingly adapting to the fact that people want to bring their pets with them when they play, work, and travel, while this concept is yet to catch up in India. India is slowing moving towards the top tier of pet-friendly nations globally with more number of pet-friendly resorts, hotels, and vacation packages.

"Pets have become more humanized. People now see them as ideal travel companions and bring them on vacations. Some hotels and resorts including Mahindra Homestays Resort and Indian Hotels Group offer pet-friendly lodging, special pet meals, dog walking services, and other helpful pet resources," Dr. S K Choudhary, founder of PetFly, said adding that the trend would further boost the pet logistics industry.

According to PetRelocation.com's Summer Pet Travel survey, 60 per cent of pet owners traveled with their pet in 2010. Currently, there are around 500 pet-friendly hotels in India (petvacations.in has become a go-to travel site for pet owners searching for places to stay).

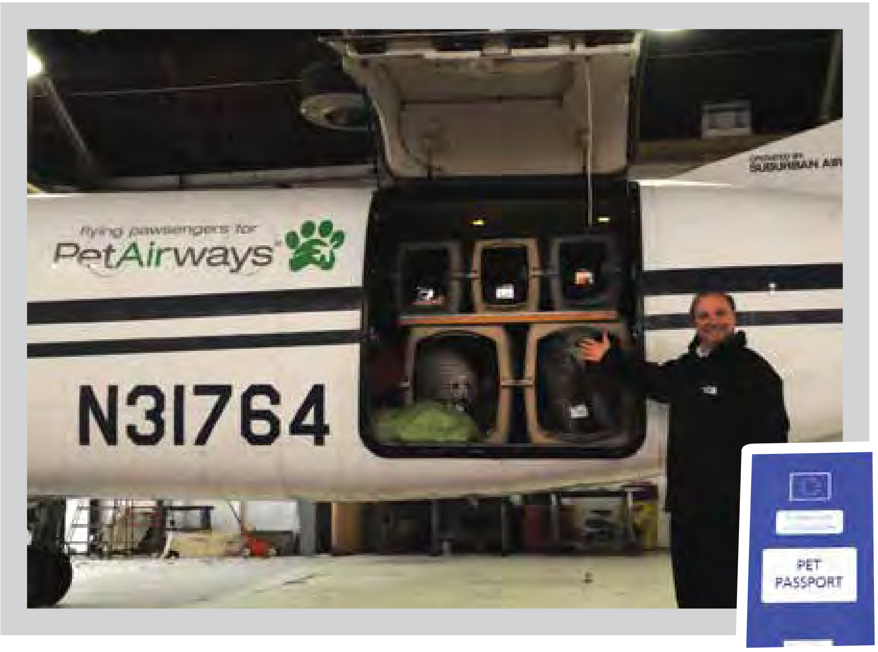
With an increased awareness on pet travel safety, more will opt for professional pet logistics providers for transportation or relocation of their pets.

Market opportunity

As the industry is comparatively new and growing at a faster rate, the sector has an immense growth potential. Currently, there are only a few players in the pet transportation business and even fewer companies that deal with international pet transport.

Goel's Pet Travel business initiated in 2009 under its moving company "Hamilton Packers".

"As the industry is comparatively new and growing at a faster rate, the sector has an immense growth potential. Currently, there are only very few companies that deal with international pet transport."



"With the business growth, we found that pet relocation cannot be taken as secondary or auxiliary business due to varied regulatory needs and emotional attachments of the clients with their pets. Hence, a dedicated separate company was formed as Pet Travel Private Limited in 2012," Goel says.

The industry has potential to generate at least an eight-figure income every year. The income potential of pet logistics depends on how large the business grows to. A business with proper branding and having presence across multiple locations will be able to sustain a higher sales volume in this sector.

"The pet travel market is rapidly growing and we are growing at a rate of 60 per cent year on year. We have already achieved break-even in first year itself," he said adding that its main competitors are Custom House Agents (CHAs) and Household Moving Companies.

The industry has immense growth opportunities so much so that now there is introductory pet insurance available such as customised pet plan insurance programs for cats and dogs. Pet travel is a multi-billion dollar industry, which experts don't see slowing down.

In parallel with the pet-animal logistics industry, the livestock logistics industry in India is also seeing an

"We need to keep ourselves updated regularly on the changing airlines rules for different breeds, availability of space on different routes to reduce transit time."

unprecedented growth backed by the retail boom and increase in consumption level. The transport of livestock has also become an everyday affair in an effort to feed people, feed parks and zoos and import a wide variety of animals from around the world. Cattle breeders, farmers and traders rely on air, marine, and surface transportation to acquire livestock.

Challenges

Despite several growth opportunities the industry has, the pet logistics providers face with multiple challenges, from coping with the health/life risks of the live animal while transporting to dealing with various global departments for international transportation of pets.

The pet logistics providers deal with government departments at global level and make the job easy by ensuring the entire process run smoothly from paperwork and immunisations to a safe transportation with personalised pickup and delivery.

"As the changing global rules and regulations and their interpretations pose a major hurdle, the biggest challenge in pet transportation is to prepare the right documents for hassle-free travel across borders where clients do not face the scare of disembarkation or any other inconvenience due to negligence or laxity of the agent," he said.

"We need to keep ourselves updated regularly on the changing airlines rules for different breeds, availability of space on different routes to reduce transit time, and in case of layover we ensure that the pet is safe and sound at the transit lounge. We also ensure that pet travels in climate controlled vehicles whenever ground logistics are involved," he added.

Though the awareness of pet relocation has increased in the last three years, still there is a large population who remains ignorant of such a service existing in the country. It hinders the growth of the industry, Choudhary said.

Dr. Choudhary's Petfly, which is based out of New Delhi and engaged in pet relocation across India and global destinations, was born after several requests from the clients at her pet clinic who needed assistance with their pet's complete relocation services from documentation, micro chipping to flight bookings. mg

India's first
Women's Sea Congress

WISTA hopes to integrate more women in the maritime sector and offer training to cadets willing to join the trade.

The Indian Chapter of the Women's International Shipping and Trading Association (WISTA) hopes to integrate more women in the maritime sector and offer training to cadets willing to join the trade, the forum decided as part of its goals for the coming year.

WISTA's Indian arm also intends to set a special scholarship fund for qualified candidates and launch a mentor-mentee programme where young professionals would shadow senior industry members to hone their skills. As part of the country's first Women's Sea Congress, The WISTA Indian President Snajam Gupta and her fellow members spelt their goals and took stock of the progress made by women professionals in the shipping trade in India. The event saw the participation of over 130 members of the shipping and trading fraternity, including invitees from the country and abroad.

Ms Karin Orsel , while sharing her personal experiences from over the years, stressed that the WISTA members should take advantage of the worldwide Network of Members and strengthen the women workforce in maritime trade.

Ms. Karin Orsel, the President of WISTA International, Ms Sanjam Sahi Gupta, the WISTA India President .They were joined by Dr.Sujata Naik Tolani and Ms Jasamin Fichte, the President of WISTA UAE.

Ms Sujata Naik Tolani, Chairperson, Tolani Shipping Company Limited & Vice Chairperson, Governing Council-Tolani Maritime Institute spoke of challenges faced by women in this industry. Subsequently, there was a panel discussion on "Gender Diversity – Integral to Growth". Discussions on the gender sensitivity issues of the industry and the prime need of the hour for woman to empower themselves with knowledge and confidence in their self-worth were raised,

The end of the formal session was marked with a presentation by Mr Adil Malia, President HR, ESSAR Group, where he spoke of "VUCA Markets - DUCA Women -a Magical Balance for Challenging Times" (Volatile , Uncertain, Complex , Ambiguous times - Dynamic, Unambiguous, Assertive, Competitive Women).

INDUSTRY FORUM — IPPTA

- The implications of the new guidelines and its impact on private port developers and investors.
- The need for port reforms to attract private investment

INDUSTRY FORUM — SHIPOWNERS'

- Indian shipping industry and government policy towards Indian tonnage
- Taxation issues concerning service tax and seafarers tax
- The incentives and impetus being given for coastal shipping
- Issues and barriers in FDI in shipping

INDUSTRY FORUM — AMTOI & FFFAI

- Infrastructure challenges hindering the coordinated growth of multimodal logistics
- The need for regulatory reforms to streamline the entire process of transport
- Investment in technology to save costs and time

INDUSTRY FORUM — IWT

- The government policy to boost inland waterways
- Constraints in development of infrastructure
- IWAI initiatives for private participation

INDUSTRY FORUMS — NISAA

- The forum will dwell on issues that need attention for improving exim trade
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- The status of various logistics infrastructure development projects
- The need for creating hub-and-spoke models and expediting rail-road connectivity

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'Spear logistics targets ₹140 crore revenue by next financial year'

Despite several operational hazards and policy issues that hinder the growth of the logistics industry, the sector is growing in leaps and bounds in India. The logistics service providers are hopeful of further growth of the industry once the proposed 'National Investment Manufacturing Zones' and GST gets implemented in the country. Cashing on the trend, Pune-based contract logistics provider Spear Logistics Private Limited has laid out a growth plan to increase its clientele base and achieve revenue target of ₹140 crore by next financial year. In an interview with Itishree Samal, Spear Logistics founder and managing director **Captain Uday Palsule** talks about how the logistics and supply chain sector is emerging as a sunrise industry and shares his company's growth plans. Edited excerpts:

Captain Uday Palsule
Founder and Managing Director, Spear Logistics

Q What is your take on the current logistics industry scenario in India?

A Unlike few years ago, the logistics industry in India is growing at a faster rate. The industry is currently pegged between $90 billion and $125 billion, and it has become an area of priority. Years of high growth in Indian economy have resulted in large volumes of traffic, thereby providing opportunities in areas such as transportation, warehousing, freight forwarding, express cargo, container and shipping services. Going forward, the strength of the logistics sector is likely to be one of the key determinants of future economic growth in the country.

Q The logistics and supply chain providers face with several operational issues. According to you, what are the top five challenges obstructing the growth of the industry and affecting their margin level?

A Of the several challenges the industry face, industrial slowdown, suspension in liberalisation process for goods and services tax (GST), dilemma between Octroi and local body tax (LBT), and challenges in transportation domain including road corruption and unreasonable number of toll booths are the most growth-obstructing factors.

Another fundamental issue is that the industry looks at reducing transaction cost rather than looking for alternative solutions to lower inventory costs; this puts stress on logistics service providers' investment ability.

Q Despite the operational hazards, the industry is showing a positive growth. What are the trends emerging in the industry?

A Construction of massive state-of-the-art logistics parks at key distribution hubs are helping to meet the specialised warehousing needs of industries. This strong growth is expected to continue with the share of the non-major ports increasing further.

Technologies such as RFID (radio frequency identification) are helping manage the logistics and inventory problems faced by companies. Visibility and improved accuracy of the information shared is greatly enhanced apart from the development of more

> "Moving from simply providing services towards solution building is the growing need and expectation of the industry. Also, contract logistics business is expected to grow in the future while collaborating efficiently and strengthening alliances."

collaborative relations across the supply chain.

With the rapid growth of 3PL companies, supply chain management (SCM) software and specialised warehouse management system (WMS) are being adopted to cater to multiple needs of logistics service providers. These enterprise resource planning solutions that cater to the varied requirements of the logistics service providers integrate their process and streamlines operations.

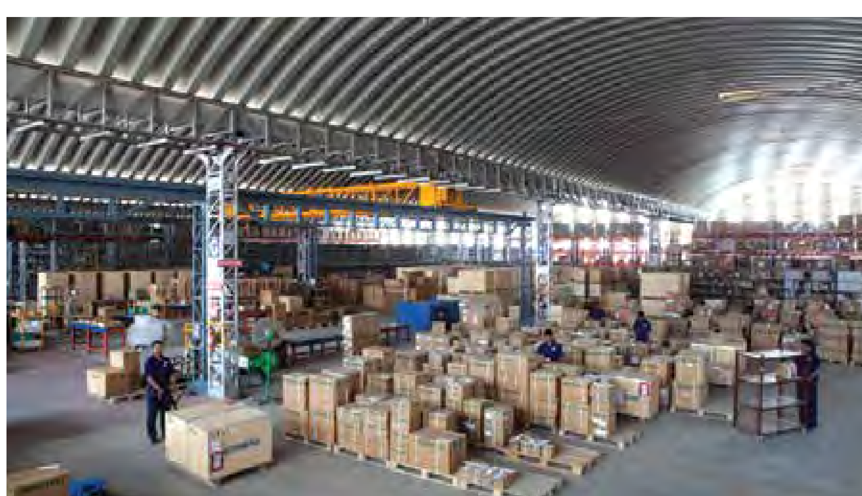
Moving from simply providing services towards solution building is the growing need and expectation of the industry. Also, contract logistics business is expected to grow in the future while collaborating efficiently and strengthening alliances. The contract logistics industry is building capability to provide complex solutions to the client, hence Spear Logistics has focused hard on this sector and it is bearing fruit now.

Q How has been Spear's growth over the years? What is your current volume of business?

A Spear logistics, being one of the premier 3PL companies in the country, is growing at 20 per cent year-on-year, which is much higher than the overall industry's growth. From a humble beginning with a 10,000-sft warehouse in 2001, we currently manage around 2.6 million sft and have a large customer base across industry verticals including automobiles, engineering, consumer durables, lubricants, retail and telecom. From earlier years where we had our footprint only in the western India, now we have presence across 25 cities in India. The company with a team of more than 1,800 employees runs 75 warehouses across cities including Mumbai, Pune, Hyderabad, Ahmedabad, Bangalore, Chennai, Coimbatore, Kochi, Nasik, New Delhi and Kolkata.

Q What is your revenue target and growth plans for next year?

A We had registered revenue of ₹77 crore (₹770 million) in the 2012-13 financial year, which was an 18 per cent increase compared to the previous year's revenue. We have set a target of achieving ₹140 crore revenue for the financial year 2014-15.



Recently, we have set up multiuser facility in Bhiwandi and Delhi. And we have already strengthened our distribution division that will contribute to our skill sets and topline considerably. We are also looking at various new products in warehousing.

Q What are the growth-driving factors for Spear?

A Our large customer base and wide presence across industry verticals has facilitated the growth momentum, and it will continue contributing in the growth in the future. Our core focus is on 'contract logistics' with emphasis on 'warehousing and distribution management'.

Production support logistics helps all aspects of inbound logistics management include kitting right up to line feed. Service parts logistics helps manage very high transaction and very high SKU warehouse complexity with very high delivery and inventory maintenance standards. Finished goods logistics looks after high volume warehouses with high transaction skew through the month and year.

The proposed National Investment Manufacturing Zones (NIMZ) are coming up across the country and they will help the logistics industry in a big way. Consolidation of services and facilities will lower costs for transportation and warehousing. It will also expose the availability and sophistication of services to prospective clients and open newer opportunities for Spear in depth and breadth of clientele.

Q Recently, you were in talks to raise $10 million. Has anything been finalised on that front?

A Yes, we had plans to raise $10 million by next year. Our plans are to enhance sophistication of our technological base so that we can offer high-productivity solutions to our clients. We will be also putting in place investment plans for shared as well as dedicated warehouses investment. Currently, we have several alternatives and choices ahead of us, and we are awaiting the right time and moment to finalise.

Q Does the industry have any scope for new players?

A New entrepreneurs can support the current players in supplier role.

> "The growth of the economy in future may driven by increased activity in the manufacturing and retail sectors. To meet this challenge, the logistics industry will have to step up."

Port logistics and support systems will also require a lot of new players. Demand for streamlined supply chains in sectors like auto, pharma, hi-tech, retail sectors is seeing a strong growth for logistics service providers and third-party logistics players. Cashing on this trend, industry veterans are trying to be entrepreneurs in this space. The area is attracting second-generation entrepreneurs as well.

Q What is the need of the hour in the Indian logistics industry?

A The urgent implementation of GST would be the most fundamental change for the logistics industry, and it has potential to completely change the logistics landscape of the country. It will integrate the logistics networks. Current Indian average speed for transportation of cargo is about 300 km per day and it is easily possible to raise it by 50 per cent with small regulation changes. Such a step would make sea change in profitability for transport businesses and will attract investment in that business. GST will enforce larger, smarter warehouses; invite organised players into contract logistics; make the industry more organised and transform the way business is carried out in India.

The growth of the economy in future is likely to be driven by increased activity in the manufacturing and retail sectors. To meet this challenge, the logistics industry will have to step up and provide value-enabling solutions by creating an environment for such a transition, increase the capability of the industry to provide such solutions, get the government and other regulatory mechanisms in the country to provide an enabling environment for facilitating value propositions in logistics. mg

e-Commerce boom triggers transformation in retail logistics

In line with the e-commerce boom, logistics companies in India are seeing a jump in their shipment volumes.

Itishree Samal

In the backdrop of booming e-Commerce in India, logistics players are seeing significant growth driven by online shopping. Retail logistics, which was confined to mega stores and malls, is now reaching all nooks and corners of the country.

Logistics, express distribution and supply chain solutions providers are tweaking their delivery model and launching new divisions to benefit from the rapidly-evolving e-commerce sector, as delivery mechanism for e-Commerce is different from the regular delivery where the e-Commerce players demand quick delivery between 2 days and 7 days.

Working under pressure of delivering the consignment within the short time frame, the retail logistics players are streamlining the entire supply chain mechanisms. Recently, DTDC Courier has launched a special division called DotZot.in exclusively for the e-Commerce sector to deliver consignments to smaller cities and towns. Also, the Hyderabad-based supply chain solutions provider Gati-KWE recently created a separate division to cater to the growing e-Commerce demand.

Industry size & growth prospects

Global online sales currently account for four percent of total retail sales, and it saw a 14.8 percent annual growth from 2007 to 2012 compared to total retail sales that grew by 0.9 percent during the period. The global e-commerce industry is growing at three to four times the rate of traditional 'brick and mortar' stores.

India's retail industry is huge and currently ranked as the fifth largest globally contributing over 5 percent to the country's GDP; online shopping is emerging as a major share in the industry.

With growing internet penetration and e-commerce players, online retail has massive growth potential in India. According to a recent report by Jones Lang LaSalle, India along with Indonesia and China are set to experience the highest rates of B2C (business to consumers) e–Commerce sales growth by 2017.

The current underdeveloped physical retail market, particularly outside the major cities in the country, will further facilitate the growth of e-Commerce industry and related logistics sector.

Another factor that driving the growth of e-Commerce supply chain segment is the current high return rates of the online consumers. In India, the return rates range between 5 per cent and 25 per cent depending on the category, the demographics of the online buyers, and their experience with online shopping.

E-commerce gives retailers the potential to reach new customers that physical locations cannot, particularly in remote, rural locations. As more and more consumers embrace e-commerce as a safe and convenient way to purchase goods, retailers will invest in logistics models exposing new products to new populations.

As e-Commerce logistics models develop, they will drive huge changes in physical distribution networks, centralisation of deliveries to retail stores via retailer-controlled distribution center. It will give rise to a new class of logistics and distribution properties including mega e-fulfillment centers, parcel hubs and delivery centers, local 'urban logistics' depots for rapid order fulfillment, and returns processing centers. mg

'There is now a stress on marketing ourselves, both to the Indian Industry as well as getting new clients overseas.'

It is barely two years since **Arun Sharma**, Chairman and Managing Director of India's IR Class has assumed office, but he has chalked and marked his tasks very clearly. Be it the internal revamping of the way his Class functions or completing audits required for the European Maritime membership, he is very much at the wheel. In his first interview with **Maritime Gateway**, Sharma tells Deepika Amirapu that his priority is to rebrand IR Class and make it a force to reckon with alongside the other Class Societies in the world. Edited excerpts-

Q What new opportunities has the membership of the International Association of Classification Societies brought about for IRS?

A It has helped us market ourselves tremendously. Apart from the major job of a classification society of ensuring safety of life at sea and marine environment protection, ever since we became members in 2012, we have been able to garner more representation in the international area. IRS has been elected to the Chair of Quality Group and the Safety Panel. Our membership to the European Commission has been sponsored by the Bulgarian government. We completed the audit in October this year and we should know the outcome by early next year. IRS will have a different level of standing as and when we get the European recognition.

Q The International Maritime Organization has approved proposed amendments to the MARPOL Annex VI regulations to reduce harmful emissions from ships. Do you think these can be implemented?

A The proposed amendments look reasonable. They have given sufficient time for ship owners for compliance.

Q What changes have you brought about to the functioning of the IR Class after taking over it helms as Chairperson?

A Various divisions have been revamped and some are still in the process of being restructured. There is now a stress on marketing ourselves, both to the Indian Industry as well as getting new clients overseas.

There is a strong MIS in place which helps monitoring revenues and expenditures that enables real time corrections as required.

Q Would you look at partnering with other organizations and consult them on innovation and best practices?

A We are open to tie ups either through Memorandum of Understanding or Joint Venture Partnerships. In fact some consultants have been put on the job to identify such companies which we can acquire and which will add value to IRClass.

There is some change in philosophy and

(Right): Vessel registered with India's IRClass. (Below): IRClass head quarters at Powai, Mumbai.

"IRS has been elected to the Chair of Quality Group and the Safety Panel. We will have a different level of standing as and once we get the European recognition."

approach that IRClass will offer services which are 'Class' and 'Beyond Class'.

Ultimately effort would be to bring IRClass to a level where it becomes a Class of choice by the clients that IRS has a qualitative standing is evidenced by the fact that we deliver Zero Port State Control detentions successfully for the last three years under the Paris and Tokyo MOU and the US Coast Guard.

Q How effectively the Flag State Inspections (FSI) and Port State Control Inspections are done in India?

A It is seen that ship-owners' who allocate adequate resources to maintain their ships and have efficient manning on board have the least problem with Port State Control Inspections.

As Class, we believe in providing solution to owners so that they can maintain their ships to acceptable standards. Only when this is not done, the Class has the option to suspend or withdraw Class.

Q Instances of Indian ships detained on the international waters for poor adherence to safety and environmental standards have doubled in 2011 than previous year. What could be the main reasons for not adhering to the safety standards and what action are you taking against erring ship owners

A Among various functions of a Classification Society, the Class does ensure that ships are maintained to particular standards with respect to the SOLAS & MARPOL conventions.

Q What in your opinion is the contribution of classification societies? Has the safety culture and environment conscious attitude changed in maritime transport due to classification procedures?

A Because of enhanced safety culture and stringent regulations, there is definitely a decline in major shipping accidents.

Q Apart from being energy efficient, what is the innovation that is influencing the ship design?

A Improved Hull & Propulsive efficiencies, better heat recovery systems and various other innovations will be important, apart from being just energy efficient.

Q Ship sizes are growing exponentially across every class over recent years. How safer the operation of such vessels can get when it comes to managing risks like grounding, spillage or collision?

A Any ship which is classed and is allowed to be put out to sea with qualified manpower is safe and will be able to manage all risks as mentioned.

New export customs system to bring Cheers to exporters in India

The new system for Customs clearances of export consignments is expected to bring down the dwell time to just a few hours and reduce transaction costs.

Itishree Samal

With the recent introduction of Risk Management System (RMS) in Exports that enables faster clearance of exports; Indian exporters have several reasons to cheer. Indian exporters will not only see the time taken for Customs clearance of export cargo consignments reducing from a few days to just a few hours, they can also save huge transaction costs. The system was introduced in November 2013 by the Finance Minister P Chidambaram.

With the increasing growth in trade volumes, traditional approach of scrutinising every document and examining every consignment is next to impossible, and the situation is likely to worsen with further increase in international trade volume. In this context, the introduction of RMS in exports has come as a saviour for the exporters of the country, an industry expert said.

RMS in Exports is a trust-based system and a part of the international cooperation efforts on trade-related issues. The RMS for exports has been developed keeping in mind the following components such as ensuring appropriate control measures for proper and speedy disbursement of drawback and other export incentives, for effective utilisation of human resources and to match the workload with the resources available, and ensuring proper and expeditious implementation of existing control over export under the applicable allied acts and rules.

Introduction of RMS in Exports in Customs locations where the

Indian Customs EDI Systems (ICES) is operational will enable low-risk consignments to be cleared based on self-assessment of the declarations by exporters and will enable the department to enhance the level of facilitation and speed up the process of cargo clearance.

"With the new system, the present practice of routine verification of self-assessment and examination of shipping bills will be discontinued, and the focus will be on quality assessment, examination, and post clearance audit of shipping bills selected by the system," a Custom official said.

A post-clearance audit function will be introduced in respect of exports after the let export order (LEO) is given for export consignment. The objective of post clearance audit is to monitor, maintain and enhance compliance levels, while reducing the dwell time of cargo. The RMS will select the shipping bills for audit, after issue of LEO, and these selected shipping bills will be directed to the audit officers for scrutiny by the ICES. With the implementation of this system, the current practice of routine assessment, concurrent audit and examination of almost all 'Bills of Entry' will be discontinued, and the focus will be on quality assessment, examination and post-clearance audit of bills of entry selected by the system.

Reaping benefits from RMS in imports which was introduced in December 2005, the Indian government launched the RMS in Exports last month. RMS was introduced in imports as a trade facilitation measure and for selective interdiction of high risk consignments for Customs control. It has been one of the most significant steps in the ongoing business process re-engineering initiative of the government. Over the years, the system for faster clearance for imports (RMS for imports) has reduced the time taken for clearance of imports from 76 hours in 2005 to three hours in 2013 and helped in bringing additional revenue of ₹2,211 crore.

According to industry insiders, the RMS for exports is poised to bring similar benefits to the exporters of the country. Benefits are expected to accrue to the trade in terms of reduced transaction costs in order to enhance the competitiveness of Indian businesses globally and enhance the global competitiveness of the country's

RMS	RMS in Imports	RMS in Exports
Introduced in	**Dec, 2005**	**Nov, 2013**
Purpose	To reduce time taken Customs clearance of imports	To reduce time taken Customs clearance of exports
Reduced time	Reduced time taken for Customs clearance of imports from 76 hours in 2005 to three hours in 2013	Expected to reduce time taken for Customs clearance of exports to a few hours from the current clearance duration of between 1.6 days and 3.8 days
Cost saving	Brought additional revenue of ₹2,211 crore between 2005 and 2013	Expected to bring similar cost-savings to the industry in lines of RMS in imports

"The IT platform for faster clearance of exports is intended to cut down the dwell time, or the duration for which cargo remains in transit storage while awaiting clearance for incoming shipments."

export goods. The system will also bring additional revenue by plugging loopholes and encourage genuine exports or imports by the traders.

The IT platform for faster clearance of exports is intended to cut down the dwell time, or the duration for which cargo remains in transit storage while awaiting clearance for incoming shipments, so that the cargo meant for exports moves up quickly and leaves the shores of India towards its ultimate destination. It will reduce the duration to a few hours from the current dwell time taken for Customs clearance in cargo exports which ranges from 1.6 days (time taken in Mumbai) to 3.68 days (time taken at the Inland Container Depot in Delhi). And also as the system allows expeditious and hassle-free clearances, it would further bring down transaction costs.

As per the government circular issued by RP Singh, director (Customs), Central Board of Excise & Customs, the RMS in exports will be implemented in two phases. In the first phase, the RMS will process the data and provide the output to ICES only up to goods examination stage. In the second phase, the RMS will also process the shipping bill data after the export general manifest is filed electronically and provide output to ICES for selection of shipping bills for drawback scrutiny and post-clearance audit.

As success of any trade facilitation measure depends on compliance of legal requirements of the trade, Finance Minister urged the trade to comply with the legal provisions Customs to ensure speedy clearance of the import and export goods by the Customs. It is also expected that the RMS for exports will bring the Customs at par with the best international practices, strike an optimal balance between facilitation and enforcement and enhance efficiency and effectiveness in meeting stakeholder expectations. With this system, it is expected the trade to make correct declarations to the Customs.

The government has also taken up several initiatives to promote the system to a wider audience globally and endorse the system at all global forums including at World Trade Organisation (WTO).

Currently, 11 Customs stations at Bangalore, Chennai, Delhi, Hyderabad, Mumbai, Pune and Tuticorin are covered under this system. Further, the system will be extended to all Electronic Data Exchange (EDI) Customs stations across the country by the year end.

Dates for your diary

It's time for trade shows, exhibitions and conferences in the maritime sector. Here are a few events lined up for the coming months.

TPM Conference 2014

March 2-5, 2014

Venue: Long Beach Convention Center & Hyatt Regency Long Beach, Long Beach, CA, USA.

TPM Conference is a must-attend annual briefing and networking gathering for the trans-Pacific and, increasingly, global container shipping community.

More information:
www.joc.com/event/tpm-conference-2014

A maritime gateway event

adani presents

INDIA MARITIME WEEK

Jan 28 - Feb 1, 2014

JW Marriott Aerocity • New Delhi

WORKSHOPS | HR SUMMIT | GOLF TOURNAMENT
INDUSTRY FORUMS | CONFERENCE | EXHIBITION

India Maritime Week 2014 is the second edition of the largest maritime conference and exhibition in the country. Scheduled to be held in January 2014 in New Delhi, the theme for IMW 2014 is **"Big Prospects, Big Challenges - India Marching Ahead".** The event is supported by the Ministry of Shipping,Government of India.

More information: www.indiamaritimeweek.com

9th Maritime Communications & Technologies Summit

March 26-27, 2014

Venue: London, UK

ACI's 9th Maritime Communications & Technologies Summit will focus on crew development and explore how they are adapting to new technologies. This summit will help prepare a shipping company to increase operational efficiency by implementing the appropriate technologies around the vessel.

More information:
www.wplgroup.com/aci

Green Ship Technology Conference 2014

March 18–20, 2014

Venue: Thon Hotel Arena, Oslo

The 11th annual GST Conference is one of the biggest green ship technology events in the industry calendar. This is an opportunity to meet and network with our superb speaker line-up of 100+ industry leaders.

More information:
www.informamaritimeevents.com/event

Containers India 2014

April 24-25

Venue: Mumbai

Some of the world's most admired speakers examine:

- How will future global and regional cargo flows change?
- What are the emerging transhipment opportunities?
- How the supply/demand balance will change?
- What Port / Terminals are doing to add value?
- How much further the containerisation process can go?

More information:
vinod@gatewaymedia.in

6th International Maritime Science Conference-IMSC 2014

April 28-29, 2014

Venue: Solin, Croatia (Hrvatska)

Faculty of Maritime Studies, Split, Croatia and Maritime Faculty Portorož, Slovenia re organising the 6th International Maritime Science Conference-IMSC 2014, which will see paper presentations and discussions on various topics including marine engineering, navigation, marine ecology, hydrography, marine automation & electronics and maritime health.

More information:
www.pfst.hr/imsc

THE 2014 GATEWAY AWARDS
THE BENCHMARK OF INDIAN MARITIME BUSINESS

Maritime Gateway Awards, April 24, 2014 Mumbai