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Cabotage: Does more need to be done?

India Maritime Week Version 2.0, stands by its commitment to help every sector grow in the industry. For, by and to the shipping trade. The industry gauged the collective responsibility of all its stakeholders for a bigger, better and brighter future for the country's sea trade.

IT'S TIME TO ACT

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IMW 2014 SPECIAL REPORT p.05

INDIA MARITIME WEEK™

Jan 28 - Feb 1, 2014

JW Marriott Aerocity • New Delhi

With specialised business discussions and stimulating plenary sessions, the attendees were toasted to a wide gamut of subjects that helped them assimilate the industry's desiderata.

IMW: Striving to make a difference

This is an opportunity to extend heart-felt thanks to the Shipping Ministry, the industry veterans and all the people who played a seminal role in making the second edition of India Maritime Week (IMW) a grand success.

The event has witnessed tremendous response to the various focused sessions and forums. Notwithstanding the turbulent macro economic conditions, the industry came together to discuss and analyse the existing scenario, future challenges and the opportunities lying ahead. If one is to go by the success of the event, it can be concluded that adverse times make people think and come out with innovative ideas.

As the industry has been trying to navigate through the choppy economic waters for over four years now, IMW provided the right platform for the industry to come together and share their experiences. While the success stories provided inspiration, the issues and challenges that bogged down some of the industry players gave others an opportunity to learn and improve.

It was our conscious effort to bring the stakeholders in the industry together.

Given India's future economic growth prospectus, the five-day event organized with the help of the Shipping Ministry, provided an opportunity for private players to have discussions with policy makers and other government officials. These forums helped showcase the efforts made by the governments and the changes brought about by policy makers in order to help the industry. As usual, there is a lot of expectation from the government. But it was heartening to note that given the circumstances and limitations, the government has made a lot of efforts to provide a conducive environment for investment and growth.

It was our conscious effort to bring the stakeholders in the industry together and engage them in a meaningful dialogue for a way forward and it paid off. The event demonstrated the government's commitment to ensure growth of the vast and vibrant maritime sector in the country. The industry players pledged their support to all those initiatives aimed at strengthening the country's trade and augment its infrastructure. The event also witnessed huge participation from global players and it helped us understand our position vis-à-vis other countries. It was indeed encouraging and helpful to hear from global players on what they think of India's future prospectus.

Keeping up with our commitment and renewed focus on the maritime sector, this time also, we are collating data and taking feedback from participants to prepare a note of 'recommendations' to the Shipping Ministry. We do not believe in just organizing and hosting an event. We want to a move a step further to ensure 'an outcome' that will help and strengthen the industry in the days to come.

Once again, our warmest thanks to all the well-wishers for making the Second Edition of IMW a big success.

Ramprasad
Editor-in-Chief and Publisher
ramprasad@gatewaymedia.in

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Editor-in-Chief and Publisher Ramprasad
ramprasad@gatewaymedia.in
Sr Assistant Editor Sreekala G
sreekala@gatewaymedia.in
Assistant Editor Deepika Amirapu
deepika@gatewaymedia.in
Assistant Editor Itishree Samal
itishree@gatewaymedia.in
Sr Designers Vijay Masa, Lakshmi Dandamudi
Designer Nagaraju N S

Marketing & Sales

National Satish Shetti, Manager – Sales
satish@gatewaymedia.in – 099207 05534
East Nikhil Doshi, GM – Sales
nikhil@gatewaymedia.in – 098369 96293
South & Internatioonal Vinod G, Sr Manager – MarCom
vinod@gatewaymedia.in – 099498 69349
Client Relations Shaik Fareed – Executive
fareed@gatewaymedia.in – 090143 89489
Circulation Ashok T – Marketing Executive
ashok@gatewaymedia.in – 094918 05508
Digital Edition Wesley Rajiv

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Editor: L Vijayanand Reddy

Feedback
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Besides specialised business discussions and stimulating plenary sessions, the attendees were toasted to a wide gamut of subjects that helped them assimilate the industry's desiderata.

India Maritime Week, or IMW, is a confluence of business, academic, political and independent individuals and organisations that convoke to shape global, regional and industry trends. In its second avatar, the conference celebrated and cerebrated, along with 1,000 professionals, ways how the Indian shipping sector can overcome big challenges and thrive making most of the big prospects.

The five-day event held in New Delhi at JW Marriot's chandelier-lit rooms led the industry focus on various issues that need immediate attention from the government to achieve the goals stated in the Maritime Agenda 2020. Besides specialized business discussions and stimulating plenary sessions, the attendees were toasted to a wide gamut of subjects that helped them assimilate the industry's desiderata.

Carefully structured workshops provided professionals the opportunity to lend their suggestions on innovative practices that can be implemented in their areas of work. Industry Fora flagged the concerns of trade and Roundtables facilitated deeper understanding of operational issues.

The first two days of IMW were dedicated to conducting workshops on transforming the inland container depots, container freight stations and the second summit on ports and terminals management. Day two dealt with issues of human resources faced by the country that reckons to be one of the largest sea faring nations in the world.

The inaugural session on the third day resembled a shrine as the gods of the industry assembled and vowed to work together to free the sector from various operational ills. The concurrent session on cabotage, hinterland logistics and ship building were extremely rich in content and helped confront many apprehensions.

India Maritime Week was a watershed event in many ways as it aided the industry gauge the collective responsibility of all its stakeholders for a bigger, better and brighter future for the industry. mg

Transforming ICD/CFS Business

Efficiency in operations is key to 3PL

The exim cargo business, specifically freight forwarding, custom house agents and container freight station-inland container depot segment, is comprised of various sub-segments with little integration between them. Barring a few large multinational players that are spread across the entire value chain, most of the players in this sector specialize in niche offerings specific to their core area.

(L to R) **Anil Arora**, Founder and Managing Director, MJ Logistics Services; **Ranveer Sharma**, MD, Eredene Capital Advisors; **Prashanth Kothari**, Senior Associate from Eredene Capital; **RN Meena**, GM, Commercial CWC; **K Narayan**, CONCOR.

The CFS-ICD industry is fragmented with a transaction-based business model leading to higher competition to retain clients. This transaction-based approach leads to price wars as the players do not have the necessary wherewithal to retain customers on a long-term revenue model. To address this issue and several others a special daylong workshop was convened.

The topics of discussion were the emergence of third party logistics in exim services segment, potential strategies towards 3PL, challenges of setting up and scaling 3PL services, attracting foreign capital in this venture and regulatory and policy matters.

The workshop had representations from CFS and ICD operators, port and terminal operators, shipping lines and ship agents, container train operators, freight forwarders, custom house agents and 3PL service providers.

"The railways has embarked on the development of the dedicated freight corridor. But there needs to be a rail linked logistics facility which is important for hinterland development. There needs to be more understanding between the states and the railways for a rail-linked logistics facility"

K Narayan
CONCOR

Eredene Capital Advisors led the morning session with Ranveer Sharma, Managing Director, Eredene Capital India leading the first presentation on third party logistics, its advantages and challenges. Can there be a handshake between 3PL and ICD-CFS businesses? To discuss and flesh out the issues facing such an integration was objective of his presentation. To integrate 3PL and exim businesses, one needs to address complete supply chain. The land acquisition problems in the country to set up a CFS throughout the country will not aid expansion. The second reason being that efficiency of operations would bring you only a small benefit as it would bring about only a negligible control of costs. Finally, the revenue patterns are increasingly fixed and there is a fight to keep input costs under control without the cost of operation of a teu remaining constant or increasing.

Anil Arora, Founder and Managing Director, MJ Logistics Services suggested some of the basic principles that will help transform services from a plain vanilla CFS-ICD business to a 3PL model. "Some of the principles are transaction services that would help end to end offering, a service oriented approach rather than a margin oriented approach, market insights and economies of scale will help you transition easily a more profitable business," he said.

Prashanth Kothari, Senior Associate from Eredene Capital presented a few case studies on how their investments in the CFS companies across India have implemented successful third party logistics service models. He also presented how the financial investor looks at investment opportunities, their concerns and exits of the private equity companies.

His colleague from Eredene, Ranveer Sharma, shared his optimism on the future of logistics industry in India. The size of the industry is likely to grow from $120 billion to $350 billion. With the growth drivers remaining intact, he said he saw tremendous potential for the industry to grow.

The post lunch session had two speakers from the Central Warehousing Corporation and Container Corporation

"Some of the principles are transaction services that would help end to end offering, a service oriented approach than a margin oriented approach, market insights and economies of scale will help you transition easily a more profitable business."

Anil Arora
Founder and MD, MJ Logistics Services

of India. RN Meena presented his views of how to improve operational efficiencies in the CFS-ICD sector. CFS and ICD is a component of the logistics supply chain system and the logistics cost in India is very high compared to the other BRICS countries and is ranked 46th on the logistics service index among the world. India has close to 300 functional CFS and ICDs. Mechanisation of operations such as stuffing and destuffing, inventory management, investment in IT solution are some ways costs can be checked in the ICD business.

K Narayan, the next speaker representing CONCOR spoke on rail logistics and Exim trade. Speaking on the need to move more cargo by rail instead of road, he explained how the cargo is less vulnerable to damages. Although there is a limitation on rail capacity on highly popular passenger routes and the rates have been raised unexpectedly, he felt there is a strong need for opting cargo movement through rail. "The railways have embarked on the development of the dedicated freight corridor. But there needs to be a rail-linked logistics facility which is important for hinterland development," he said. He said there needs to be more understanding between the states and the railways for a rail linked logistics facility.

The last session was a panel discussion where four eminent speakers debated on what makes the best CFS or ICD facilities. Captain Sanjeev Rishi, Advisor, Worlds Window Infrastructure moderated the session and was joined by S Padmanabhan, Director, Sattva Logistics, K Narayan and Tarun Kalra, Regional General Manager, North, MSC Agency India.

Capt Sanjeev Rishi spoke of how ICDs and CFSs complement each other and work in tandem by working as a hub and spoke model. In his opinion, the best facilities are those that respond to the trades' push and pull situation handling both erratic demands and normal service situations. Tarun Kalra spoke of how ICDs and CFSs should not be looked as places meant for custom bonding alone, but also look at decongesting ports. There is excess capacity that is created for ICDs and now is the time to provide economical services to customers in an efficient time frame. The constituent of a good ICD is also its ability to offer value added services.

The next speaker Padmanadhan from Sattva Logistics spoke of how ICDS and CFS should act as terminal operators and not as storage operators and help in decongesting the port. Adding to his points, Narayan emphasized on how the issue is about making the services cost effective. The panel concluded by agreeing that efficiency of the terminal is primary and there is a necessity to automate the terminal. The other issue was about consolidation where the land available has to be optimized.

Ports & Terminal Management

Govt Ports can't afford to be lethargic

The port sector in India is set to play an important role in the economic development of the country. The workshop provided a thorough understanding of the larger global trade picture and how ports and terminals can serve as effective nodes in maritime trade.

(L to R) **Nivesh Chaudhary**, Senior Research Analyst of Drewry Maritime services Pvt Ltd; **Capt. Suresh Amirapu**, MD, Portman; **S Gopalakrishna**, Traffic Manager, VPT; **Nownith Kumar**, Deputy Traffic Manager of New Manglore Port Trust; **Himanshu Shekhar Rawat**, Executive Engineer, Paradip Port Trust; **Anil Sahni**, VP (North India), Yangming Line India.

In the Ports & Terminal Management session, Nivesh Chaudhary, Senior Research Analyst of Drewry Maritime services Pvt Ltd, while giving a brief market over view,explained how the economic downturn was threatening to change the traditional shipping trade lanes. The year 2012 had been a bad year and 2013 worse. The global trade grew at 3.7 per cent with respect to the previous year. The traditional heavy haul trade lane between Far East and US West coast were now being surpassed by other trade lanes which until few years ago were minor in terms of volumes carried. The Far East-Middle East and Far East-South Asia trade lanes have been witnessing robust growth in volumes. If the trade volumes in these lanes were able to maintain an annual average growth rate of 10 per cent for the next 10 years, they could overtake the transpacific trade lane which is expected to maintain an annual growth rate of 3.5 per cent in the same period. The transpacific trade lane had always been one of the most sought after trade lane by the shipping lines.

The global container traffic is projected to grow at 4.3 per cent next year and the transshipment trade is expected to grow at 4.1 per cent. South Asia is expected to show a steady growth in the next five years whereas the growth in US and Europe would be depressed.

The traffic in Indian ports grew at CAGR of 7 per cent FY 2007-2013. The average capacity utilisation in the Indian ports declined to 73 per cent in 2013 and is expected to decline further in next three three years to 68 per cent. The medium- and long-term outlook for traffic in ports is expected to be strong, but subdued in short term.

Capt. Suresh Amirapu, MD, Portman echoed similar views, stating that the developed economies would not be driving the world economies any more, but would be driven by the developing economies from BRICS and now MINT – Mexico, Indonesia, Nigeria and Turkey. ASEAN is also a power house. In the forecast up to 2024, the intra-ASEAN trade is expected to be as high as $30 billion. The trade from ASEAN to China was going to be $15 billion, from ASEAN to India $6, to Japan $8. Going forward Asia will not depend on EU, US or the Middle East anymore. "Asia is going to depend on Asia," said Capt. Amaripu.

Emerging countries would be increasing their energy consumption. US is easing their dependence on oil imports because of shale gas productions. There appears to be a change in the load port for oil, with Libya commencing to export. There is going to be an increase in LNG usage in the next five years. 35 per cent of LNG traded is carried by ships and going forward this figure is set to increase.

Major dry bulks would be continued to be driven by steel production. The countries where maximum amount of consumption will happen are India, China, Brazil and Korea - all of whom would be increasing their steel output and consequently would be importing coking coal, iron ore and limestone required in the production of steel.

There is also going to be a demand

for coal for thermal power. Indonesia and Australia are the largest exporters of coal. Coal production will increase in Australia by 10 per cent in the next five years and is expected to overtake Indonesia as early as 2017.

Himanshu Shekhar Rawat, Executive Engineer, Paradip Port Trust explained how the port with limited facility could perform as good as any European port. When he visited Antwerp Port a few years back he was told that in 2010-11, the port had handled 192 million tonnes of cargo. Their berth had a quay length 150 km alongside the river from Belgium to Netherland. In Paradeep the total quay length was a mere 6 km. However last year the port handled 56 million tonnes of cargo. This year they expect to handle 66 million tonnes of cargo. They were no less efficient than any international ports, says Rawat proudly.

Rawat says that comparing major ports with private ports was not correct. Most private ports operate on terminal concept. Most terminals were "mono commodity" whereas ports handled multiple commodities including Over Dimensional Cargo (ODC), vital for development of industries. Rawat justifiably says major ports are the main gateway ports for the development of industries in the hinterland.

Nownith Kumar, Deputy Traffic Manager of New Mangalore Port Trust demonstrated how a port can overcome obstacles that can be crippling in nature and turn out to be one of the leading ports in India. When a ban was imposed by the government of Karnataka on iron ore, New Mangalore was handling 36 million tonnes of that commodity. With the unexpected ban in place, the New Mangalore Port authorities decided to take matters into their hands. The officers were deputed to approach the importers to divert the cargo to Mangalore. The initiative was successful. They also decided to tap coal imports. To this end they made Railway their partner, threshed out the logistic hiccups to bring coal to the port. The commodity substitution worked well and today the New Mangalore Port is one of the destinations for the import of coal into India.

"The developed economies would not be driving the world economies any more, but would be driven by the developing economies from BRICS and now MINT- Mexico, Indonesia, Nigeria and Turkey. ASEAN is also a power house."

Capt. Suresh Amirapu
MD, Portman

The Railways has also benefitted in the process. The Palghat division of the railways now depends on New Mangalore Port for the revenue of ₹500 crore per annum generated through this port.

New Mangaore has the advantage of having the deepest harbour in the country, i.e. 14 metres. The dwell time for any cargo in the port is less than 22 days. The coal importers are able to evacuate the coal within 12 days. The average turn of any vessel in the port is 3.16 days says Nownith proudly.

The connectivity to the hinterland points was lacking. The Railways were not interested in the connectivity. Chief Minister SM Krishna then suggested that the port become a stakeholder along with Railways and the State to develop the Hasan-Mangalore line. That decision worked and today they have a rail connectivity right upto Bellary mines – a distance of almost 200 km.

But their quest for additional cargo did not end there. They decided to target the coffee growers of Karnataka. Teams were sent out to find out the requirements of coffee exporters. Their need was they wanted a container line connecting New Mangalore Port. The mainline operators were not interested for a direct connection to the new Mangalore Port. The alternative was to approach the small feeder lines. The plan worked. They have now been successful in diverting a substantial coffee cargo to the port. Today it is the largest exporter of coffee from India. The port has three sailings per week – connecting ports of Colombo and Mundra. Mainline vessels have commenced direct calls to the ports with Cashew imports from East and West Africa. In 1974-75 the traffic was 0.9 million tonnes and in 2012-13 it was 37 million tonnes.

Nownith says that they have realized that the Government ports cannot afford to be lethargic, they have to be proactive, open up to the public, redress grievances and function 24x7 to survive in the business and stay ahead of the private ports. That was sound advice from a very successful port operator. mg

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HR in Shipping has a long way to go

The Indian maritime industry is at the crossroads. The 80,000 odd Indian seafarers constitute just 6.5 per cent of the global pool despite the fact that they have inherent advantages of competency, efficiency, fluency in English and cost-effectiveness.

There is an over-dependency on Masters and Chief Engineers who have all the responsibility but not the authority. The authority rests often with non-mariner on-shore teams that may not be clued into the on-board needs and therefore create policies that may not be in line with the 25 or so people on board each ship.

At the India Maritime Week held recently, a common consensus among speakers was that human resources in shipping have a long way to go. The productive unit in this industry is a lone ship with 25 people aboard. Innumerable interests rest on the ship, its crew and cargo as also does the owner and the globalised industry. It has remained conservative and there has not been so much innovation. It works largely upon trial and error and not on any scientific innovation.

Captain BB Sinha,while talking about the Reference Agenda for the Maritime Sector, addressed the basic question of why education was necessary. There are four reasons:

- To reduce accident and casualties
- Lower the cost of transportation
- Heighten customer satisfaction
- Sustainability of the maritime trade

Despite an enviable 7,500 km coastline, dotted with numerous ports and a rich legacy including the world's first dock at Lothal in Gujarat maritime careers are not even known to bulk of the over 50 per cent of India's population below the age of 25 and over 60 per cent below the age of 35 – the huge population with fire in its belly. Capt Pradeep Chawla advocated that the industry should take initiatives to attract the best in India. "Our industry is pretty good. At 30 we pay pretty well compared to other industries. Cadets get paid $12000 on a tanker and $25000 on a LNG. Also we give so much responsibility. They also work with the international workforce at a very young age." He felt a strong public relations drive by the industry was called for with industry contributing a small part of revenues towards this effort and also conducting job fairs etc.

"The industry should take initiatives to attract the best talent in India. Cadets get paid $12000 on a tanker and $25000 on a LNG. Also we give so much responsibility. A strong public relations drive by the industry was called for with industry contributing a small part of revenues towards this effort and also conducting job fairs etc."

Capt Naveen Passey, Managing Director, Wallem Shipmanagement (India) Pvt Ltd, felt the greatest challenge was the imbalance between demand and supply. There is no add-on in extra staff, there is a disconnect between the ship and shore side of the business and the fact that the Master is given responsibility but no authority. Power has come to the shore, he reiterated. While seafarers cater to a global audience, education has not moved forward significantly.

Capt Mahesh Yadav, Director

(Training) FOSMA, maintains that despite the potential to make India into a maritime education hub for Indian and foreign nationals, there are many hindrances to it.

Indian nationals cannot do EDGIS or SSO (Ship Security Officers) courses run by anybody if they do not have RPAV in India. They are not permitted to do a course in ship security, despite the fact that this is required in their day-to-day activities. Medical care and first aid MFA courses are not allowed. In fact there are no clear instructions. In addition, Indian nationals with good certification from abroad cannot do second level masters. If you have done the mariner's training in the UK, he cannot do the chief med from India.

He questions why India is creating a regime where students want to come and study in India but are not allowed to do so. Foreign nationals have to do a DGS approved course, have to face a number of objections, including $50 to endorse as a bank draft. The training institute cannot make it, so there is no endorsement number.

All this despite the fact that today there are 137 training institutes. In 1927 the SS Dufferin, a troop carrier was the training vessel on the seas and combined engineering, navigation etc. Then the training moved shorewards to *ISS Rajendran*. In 1992 the training became land-based at Chanakya and in 1996 the training was opened to the private sector. In 2004 the Indira Gandhi National Open University started a three-year degree course in maritime studies. Currently there are 230 institutes of maritime training. By 2011-12, 2,180 cadets have been trained.

The problem arises because decisions on these are taken by non-technical IAS officers who have no clue to the requirements and operations. As a result, the officer is afraid he can be questioned.

"Currently there are 2,000 training berths and over 8,000 candidates wanting to be trained. There is no database of the trained students. There is a severe demand-supply mismatch. Most institutes have no trained faculty. As a result, the students graduating are not industry ready. In a global industry, despite so much regulation, there has not been much change to training practices."

Currently there are 2,000 training berths and over 8,000 candidates wanting to be trained. There is no database of the trained students. There is a severe demand-supply mismatch. Most institutes have no trained faculty. As a result, the students graduating are not industry ready. In a global industry, despite so much regulation there has not been much change to training practices.

There was a law passed in 2012 that no new training institutes would be registered excepting the existing ones. The focus has to be on training of faculty, infrastructure, training facilities and performance of the students. This would help the customer and the students. Students also need help in choosing the institutes.

The focus of maritime education has been ship-based. Why not education for shore-based jobs, asks Capt BB Sinha, Director (P&A) Shipping Corporation of India. Today there is no education on maritime law or finance. The DMS course is looking beyond these issues. In an actual incident, the Captain of a bulk carrier in Tuticorin could not understand the message of the charter. He has in his custody million of dollars worth of assets. Such problems can be averted only with rigorous training.

The problems are all-pervasive. "Shipowners complain of shortage of experienced officers. We have been training people since 1986. Have a world class institute on a 45 acre campus. However, we are struggling to find men to man the vessels, increase downtime, repair and maintenance companies, litigation and pollution claims," says Capt Sinha.

CaptPradeep Chawla Director, Quality Assurance and Training Anglo-Eastern Ship Management Ltd, highlighted that despite the seafarer carrying mega structures, there is very little safety training to foster a good safety culture. He advocated human resource soft skills to effect the safety behavior change. In a global test conducted, Indian seafarers came up with a score of only 55-60 far below those of seafarers from other nations. "Training institutes do not teach safety and injury. Or the knowledge of basic safety practices. We need to bring some reform – to try and change syllabus and make it more practical and oriented towards what the industry needed." This would also help

train work forces for current and future requirements such as e-navigation, use of GPS and so on. Capt Ajay Achutan, Director MASSA, said the industry had unwillingly delegated authority of education to the ministry. There are decisions that are not congruent to the industry. The Ministry of Shipping has no HRD perspective to the industry. They speak of growth but there are no supporting documents to show the path to growth. We need to work towards making the Indian seafarer more employable."

He offered accelerated learning systems as a solution. "Today cadets are trained who don't have berths on board. We have people passing second mates and no jobs on boards. At the same time we are short on top with Masters and Chief Engineers. Are we scientifically addressing it," he asked. One solution was to train them under a controlled system in smaller numbers to become Chief Engineers.

Ms Naomi Rewari, Director Applied Research International, recommended the notion of the flipped classroom where content delivery was outside the classroom. The students are given a database and login and have access to lectures. Traditional homework takes place in the classroom with interaction in class discussions, stability problems etc which becomes more meaningful

"We have people passing second mates and no jobs on boards. At the same time, we are short on top with Masters and Chief Engineers. Are we scientifically addressing it? One solution was to train them under a controlled system in smaller numbers to become Chief Engineers. There was a common plea to identifying training and development and then chart career paths. Current seafarers are apprentices to other parts of maritime industry."

as the students have already received the content. The students are already communicating and discussing with each other. The education system has to take that into account.

Earlier the ranks got certification after eight or nine years. After that they would command the vessel in 10th or 11th year. Today despite being a high income group when sailing seafarers are quitting the sea for shore jobs by about the seventh year as they see the high risk level on shore. They prefer to come ashore and make more money. "After seven years they not available to us anymore." He recommended that education should be used to accelerate the learning curve and get chief engineers in the seventh year.

There was a common plea to identifying training and development and then chart career paths. Current seafarers are apprentices to other parts of maritime industry. There is no career path beyond Chief Engineer and Master. Capt Ajay Achuthan recommended that education be part of the agenda and career path where all faculty should be allowed to go back to sea every two years. He said that this should be part of Ministry of Shipping and Ministry of Human Resource Development agenda. However, he appealed to INSA, MASSA and FOSMA to take this up on behalf of the industry.

All these measures would enhance the awareness about the industry, bring fresh talent, broaden the education to include related shore based careers such as legal and finance and port managements. It would also allow the seafarers to share their knowledge with fresh talent and then keep making forays into the maritime career. mg

A platform to create better interface between industry and government

The Indian maritime sector has witnessed much activity in priority areas such as the Maritime Agenda 2020 gaining prominence, capacity augmentation projects taking off and more importantly, policy measures such as relaxation of cabotage and new tariff guidelines being facilitated. However, many challenges abound. The second edition of India Maritime Week will address these gaps in physical achievement of infrastructure projects, investments and trade facilitation by bringing together the maritime community and the government.

The inaugural session of the India Maritime Week was nothing short of a start-studded extravaganza with all the leaders of the shipping industry, the policy makers and young professionals gathering to effectuate a positive policy framework.

Stating the objectives of the India Maritime Week, the Editor and Chief Publisher of *Maritime Gateway* Ramprasad said in his opening remarks, "The founding principle of the IMW has three objectives. It is to bring maritime community to the national capital and showcase the size and strength of the industry, to bring all sectors of maritime trade to a single largest platform and to create a better interface with bureaucrats of fellow ministries."

"Future projects include an integrated pilotage scheme. Each port now has its own criteria and way of implementing this. We will now have a comprehensive programme run by IMU and all would get a general training and specific modules for each port."

Capt. PVK Mohan
Chairman, National Shipping Board

Riding on the success of the first edition of the IMW in 2012, where these objectives were welcomed by all stakeholders, the second edition aimed at celebrating the achievements of the sector and charting the road map for the coming years taking along all the those who are instrumental in ushering change in the sector.

The fractured economic sentiment and the uncertainty around matters of policy on several grounds did not dampen the spirits of the shipping fraternity. Indication from the Ministry of Shipping that it is likely to meet its target in port capacity additions was welcomed with resounding cheer. Its promise that aggressive action is underway on granting security clearances to new projects instilled confidence despite many blanks that the ministry drew in other areas of policy.

The revised market linked port tariff structure was unveiled, but the riders attached to it have not been received well by the industry and kept investments at bay. What the industry expects is a committed, transparent and faster response in policy response and practices.

Ramprasad called for collective wisdom and action to march ahead as the IMW is a manifestation of our collective passion for the industry; a collaborative movement to bring about positive change.

As knowledge partners of this event, KPMG released a report that detailed the potential for four different aspects of the shipping sector, namely, ports, freight forwarding, container infrastructure and water transportation.

He called for a relook of certain aspects of the public private partnership mode if more port capacity has to be created. Only the development of mega ports can offer scale in terms of operational and capital efficiency. "This will enable us to focus our attention on hinterland connectivity which can drive traffic." For this, both the private and government sector have to think together to create larger ports in the interest of the exports keeping in view the growth of the manufacturing industry that will help drive down logistic costs as well," Arvind Mahajan, Member, KPMG Board India said.

Equally important is the soft infrastructure and the industry should help its young graduates hone their skills and the maritime institutes should impart quality education and training.

"The two new ports coming in Andhra Pradesh and West Bengal will be set up as corporate entities and will not be instituted under the Major Ports Act. The request or proposal (RFP) for both ports shall be invited before the elections. The government is also looking at addressing the concerns over tariff raised by the port professionals."

Vishwapati Trivedi, IAS
Secretary, Ministry of Shipping

The brief presentation by the KPMG head was followed by a detailed analysis by the Secretary, Shipping, Mr Vishwapati Trivedi. He missed no opportunity in laying the roadmap and elaborating the corrective measures underway to help the sector grow. The two new ports coming in Andhra Pradesh and West Bengal will be set up as corporate entities and will not be instituted under the Major Ports Act. The request or proposal (RFP) for both ports shall be invited before the elections. The fourth container terminal at the Jawaharal Nehru Port Trust is among the projects worth ₹17,000 crore that will be undertaken by the Centre this year.

"There is a school of thought that each port will cut into other's capacity. Yes, there will be diversions at some time, but there will be rationalisation too," Vishwapati Trivedi said. The largest evacuation channel from the ports to the hinterland such as the Chennai-Bangalore corridor will enable quicker cargo exits from port to hinterland and vice versa.

The government is also looking at addressing the concerns over tariff raised by the port professionals as the old tariff structure is yet to be coalesced into the new regime that came into effect in 2013.

"There are issues with the tariff regimes predating 2005 and before. The government is open to looking at it but there are contractual and legal issues involved in it. We want to be entirely transparent in changing the system. I can assure you that we are open to solving issues because of the old policy guidelines."

On cabotage, the Secretary said a new policy shall be formulated in a month's time and put to test after incorporating the suggestions by the trade bodies. Coastal shipping was perhaps the only area that might not receive the expected impetus. Although the new draft report pushes for a transformative change in coastal movement of cargo, the current fiscal condition cannot afford the sub-sector any incentives, he said.

The National Shipping Board Chairman, Captain PVK Mohan, took off from where the Secretary left speaking of the new initiatives the Ministry has been supportive of.

"Future projects include an integrated pilotage scheme. Each port now has its own criteria and way of implementing this. We will now have a comprehensive programme run by IMU and all would get a general training and specific modules for each port," he said.

To help take coastal shipping forward, the maritime boards in the states have been delegated powers to monitor running of vessels along their waters.

The inaugural session concluded with both the government representatives and the private sector agreeing to work through channels and walk along the path of developing and sustaining a footing long enough to serve the country's growing demands. mg

(L to R) **Ravi Ramprasad,** Editor-in-Chief and Publisher, Maritime Gateway; **Vishwapati Trivedi**, IAS, Secretary, Ministry of Shipping; **Arvind Mahajan**, Member, KPMG Board India; **Capt. PVK Mohan**, National Shipping Board Chairman release of books on a KPMG study about shipping, ports and logistics in India.

'Govt must be willing to share project risk'

The PPP approach has been successful in attracting investments in the sector with the participation of several global port infrastructure companies who brought in operational efficiency and technology for capacity building projects such as build-operate-transfer terminals.

(L to R) **BVJK Sharma**, Joint MD and CEO, JSW Group; **Anil Singh,** Sr. VP & MD, DP World India; **Julian Michael Bevis**, Sr. Director, Group Relations, South Asia, AP-Moller-Maersk Group; **BK Chaturvedi**, Member, Planning; **Ravi Ramprasad**, Editor-in-Chief and Publisher, Maritime Gateway; **Rajiv Agarwal**, CEO & MD of Essar Ports; **Arvind Mahajan**, Member, KPMG Board India.

The first plenary session was convened to debate on public and private investment in infrastructure and how the government and industry are working together to address these challenges.

Providing further thrust to such massive infrastructure projects in the ports sector, the Ministry of Shipping came out with the Maritime Agenda enlisting the goals to be achieved by the year 2020. However, given the rather slow pace of ongoing infrastructure projects, there is a need to fast-track clearance of infrastructure projects and the role of the Cabinet Committee on Investment becomes imperative.

The first panelist, BK Chaturvedi, Member, Planning Chaturvedi spoke of the bottlenecks that are stifling the industry and the measures the planning commission is suggesting to the government to check any policy irregularity. The major gap areas identified were security clearances from various agencies, the model concession agreement that ports were bound by in PPP, performance parameters for ports and concerns centering inviting bids for new ports.

Policy guidelines for coastal shipping and improving connectivity and dredging also need a serious relook, he said. "The planning commission is looking at addressing this and we realize that coastal movement of goods is important for the growth of the shipping sector. We are working with the railways on mechanisms where we can develop and improve connectivity to the ports. Unless enough is done, we would not be able to move forward," he said.

"The major gap areas identified were security clearances from various agencies, the model concession agreement that ports were bound by in PPP, performance parameters for ports and concerns centering inviting bids for new ports."

BK Chaturvedi
Member, Planning

The next speaker Anil Swarup who heads the Project Monitor Group and also performs a dual role of being the Additional Secretary, Cabinet Secretariat spoke of how he helps unclog proposals from the cumbersome clearance process. "We have set up 12 sub-groups relating to coal, forest and environment, railways, defence, home and these sub-groups deal with the many issues that arrest speedy clearance. We also help iron out a number of issues dealt with by the states such as land acquisition, water availability, and we have meetings with the state officials where everything has discussed thread bare," he said.

About 137 projects out of 400 worth close to ₹5 lakh crore have seen the light of day where all issues have been resolved. The organisation he leads also goes a step ahead in ensuring that the promised investments are pumped in duly.

But despite many committees set up to address administrative delays, foreign investors have been let down many a time, stated Anil Singh, Senior Vice President and Managing Director, DP World India, leading the pack of companies that invested heavily almost 20 years ago in big projects. "We have a model concession agreement document that has captured the initial hiccups we went through. But that document does not allow any adjustments as we evolve. It is cast in stone and as a result, the historical documents become redundant. The new contracts and regimes overtake the old ones," he said. He elaborated on how the existence of two regimes will discourage any further investment in the sector.

The foreign investors will evaluate their project on the basis of the regulatory environment and risks involved. The confidence over the last three to four years has eroded and there needs to be a revamp.

Echoing Singh's concerns on the government's lax initiative on operational terms and conditions, Julian Michael Bevis, Senior Director, Group Relations, AP Moller Maearsk said India's legislative infrastructure has to evolve particularly when it comes to norms pertaining to the ports sector.

"Regulators have got to change their role. In the private sector, we want to see the free market, a level playing field. A level playing field is necessary for all investors to make a reasonable return because the investment is being made by them over a period of time," he said.

"We have a model concession agreement document that has captured the initial hiccups we went through. But that document does not allow any adjustments as we evolve. It is cast in stone and as a result, the historical documents become redundant."

Anil Singh
Senior Vice President & Managing Director, DP World India

Toeing the same line as the previous speakers, Rajiv Agarwal chief executive officer and managing director of Essar Ports has said the government too must be willing to share the risk of the project rather than forcing the private sector to shoulder it alone.

"We have to create a good atmosphere for investments. Infrastructure has to be created much in advance and not ad hoc. We need to clean up the basic thinking, and then project planning and implementation can be spoken of. The basic tenets of PPP have to be understood and followed," he said. He emphasized that the government cannot invest in infrastructure with the sole aim of maximizing its returns. It has to be coupled with creating world class facilities for future global trade.

The last speaker, BVJK Sharma, Joint Managing Director and Chief Executive of the JSW Group however, struck an optimistic note and spoke of opportunities that one can tap in spite of the weak economic atmosphere.

He sees this as a time to create new infrastructure and the JSW Group is working to escalate its port capacity from 30 million tonnes to 150 million tonnes per annum reducing the cost of creating new infrastructure. Redefining the abbreviation PPP as People, Planet and Profit, he talked of how this capacity challenge can be addressed by creating better infrastructure and developing an integrated logistics network. "The support of multimodal logistics parks will help us work better. Technology adoption such as electronic toll collection has helped and we want better evacuation at ports and railways," he said.

However, he also emphasized that the concession agreement needs to be relooked every ten years for long gestation infrastructure projects.

The panel concluded the session unanimously agreeing that the market is the best regulator and the Indian government has to fix the current loopholes in the system if fresh foreign direct investment has to come in.

The market is the best regulator, so let it work. This will help the consumer to maximize his gains, the strong players will succeed and the weaker ones will perish. India is not alone who are competing for international funds. The government not only has to fix the current system, but also the past. Unless India presents a good looking package, then the FDI will not come in.

A new framework for tariffs has to be evolved taking into account all the previous regimes in a way that the industry faces fewer losses as it transitions from one model to another. mg

'Growth will come from Far-East, Middle-East trade lanes'

Intra-Asia maritime growth has seen a steady growth during the last decade. With the recession cutting down exports to the West, Asian countries stand to benefit from trade among themselves, largely owing to their growing economies and population. The session looked at the trends and developments influencing the industry, especially, in the South-East Asian region and the future scenario.

(L to R) **Subhendu Das**, COO, Schenker India; **Shardul J. Thacker**, Partner, Mulla & Mulla & Craigie Blunt & Caroe; **Sabyasachi Hazara**, Former Chairman, Shipping Corporation of India; **Shailesh Garg**, Director, Drewry Maritime Services.

A Shipping is one of the most dynamic industries and it has witnessed many changes at the international level in terms of regulations and standards. With all these changes, shipowners have a really challenging phase ahead and they are short of funds. Owners may be required to spend about $1 million to comply with the change in regime.

"The other challenge is that the vessels that were ordered from 2005-08 were bought at very high prices. But thereafter the freight rates in every segment- tanker, bulk carriers, and containers collapsed. We have a situation where we have high priced ships with relatively low earning capacity and on top of that those ships vis-a-vis the current day ships are less energy efficient. The bunkering prices went up in the last few years from 2010. We are in a place where in most segments, the bunker sums up to 40-50 per cent of the total cost," said Sabyasachi Hazara, session moderator & Former Chairman, Shipping Corporation of India.

The debts on the ships have not been repaid and there are two-tier charter markets developing because the more fuel efficient are tapped at higher charter hires. "The centre of gravity of the world has changed from the west to the east, but it has not been reflected in the international organisations. We are slowly seeing changes where IMO, ICS, BIMCO were headed by people from this region, but by and large, international organisations are dictated and influenced by people from the west," he said.

Shipping is a cyclical industry. When freight rates change, supply demand scenario changes but the events post 2008 changed dramatically. 2009 was the first time when the container market faced a negative growth of 14 per cent. The market rebounded and the growth rate went to 0 per cent in 2010, followed by the fact there were not enough ships were available after which the situation turned volatile.

"This year we are looking at 4 per cent growth in global container trade and the CAGR for the next four years will remain at 5 per cent. There is a huge change in the supply change and there is a change in freight market. Shipowners have done relatively well in managing this volatility and taking deliverables managing idling of the vessels, slow steaming, consolidation and the actual supply in the market is not so imbalanced. Because of what happened in 2008 and 09, they are afraid of losing their market share. So, they are trying to protect or increase their share by toying with the freight share where ultimately the exporter is gaining," said Shailesh Garg, Director, Drewry Maritime Services.

The second change is with the size of the vessel. "The economies of scale. But once you have an 18,000 teu vessel, everybody is under pressure to fill their ships. There are two sets of charter markets where for the vessels that have been ordered during different time periods. This trend is being replicated in the container market also. Despite everybody knowing that there is a glut in vessels, they are ordering vessels. In this scenario, there are two kinds of buyers – one category who are buying ships because they are available for a lower rate and the other category that did not buy ships earlier and are buying them currently at low prices," he said.

The regional growth drivers have changed. The growth will come from new trade lanes that are Far East and Middle East that have been growing over 10 per cent in the last 5-6 years. And if this trend continues for a few more years, they will dominate and be the biggest growth lanes in the market in the container sector. Everybody is aligning their strategy to fit in this trade lane.

According to Garg, the other key change is that the Chinese influence in the global trade scenario has tapered down right from when they entered the WTO in 2001.

"The focus has shifted and the growth drivers will be Far East, Middle East and even Chinese companies are trying to be global," he said.

Shardul J Thacker, Partner, Mulla & Mulla & Craigie Blunt & Caroe focused his presentation on three challenges – compliance with environmental laws, infrastructure status for the shipping industry and legal perspective on cabotage laws to check if they are antiquated.

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Director, Drewry Maritime Services

"We have before us the illustrious example of the Posco fiasco that happened because of environmental issues in Odisha where non-clearance of port projects became a stumbling block for ₹52,000-crore steel project. In this situation, the investors are ready, policies are in place and you have a regulations, laws and interpretation that cause problems," he pointed out.

Now the Supreme Court has directed the central government to constitute a national environmental regulator for objective, independent and transparent tribunal to clear projects. So the regulator will now grant approval and not the MoEF and the state.

Why the shipping industry was not granted the infrastructure status?

"If you look at the criteria, it must be an industry that involves high sunk costs, non tradability of output, and possibility of price exclusion. The importance of a situation to a scheme of economic development, see how the industry is contributing to development and human capital, it must be included. It will bring in the benefits and will reduce the cost of borrowing, reduce operating costs of vessels and increased trade volumes resulting in higher employment," he said.

According to him, making India a transshipment hub will eventually result in ensuring that we replace a lot of business that goes to neighbouring countries. India introduced a new tax for the shipping industry from 2004 based on the cargo carrying capacity of ships instead of corporate tax. The tonnage tax cuts the tax incidence of revenue for shipping firms of 1-2 per cent vis a vis the corporate tax that ate in to their revenues of the extent of 33.9 per cent. But shipowners have to pay dozens of other taxes.

FDI investment is not coming in because there are still inefficient laws in the country's cabotage regulations.

According to Subhendu Das, COO, Schenker India, when we look into the basic problem of volatility in the shipping industry we are talking about excess capacity and downturn in the economy and this is where the uncertainty starts growing. The capacity on an overall basis in terms of teu is growing at 5-6 per cent.

Where do we stand in the logistics performance index globally? Today, from 2010, we stood at 47 ranking out of 155 countries, in 2012, we are at 46. Singapore has overtaken Germany for the first spot and Germany is no 4, Honk Kong stands at the second position.

"We are handling 15 containers in an hour in India and globally the ports handle 25 containers. We cannot just look into ports alone to improve out logistics chain. We have to look at CFS, DFC, ICDs to bring about a consolidated efficiency in the sector. We have to focus on all areas of infrastructure to deliver cargo from destination to another," he said.

The Big Debate: Cabotage A Reality Check

The Cabotage Policy was relaxed for the International Container Transshipment Terminal in Cochin Port to allow foreign vessels to operate feeder services and transship exim containers for three years. Following this, the Ministry has been requested by other ports for a similar relaxation. But despite the relaxation at ICCT and a spurt in container trade volumes, a voluminous portion of container traffic still prefers a neighboring international port.

There was a need for thorough debate on cabotage policy in view of recent relaxation at Vallarpadam. Therefore industry experts and stakeholders came together for a reality check on the current policy and suggest an economically viable course of action for India's ports and shipping sectors.

The star-studded panel comprised K Mohandas, former Secretary, Shipping, Umesh Grover, Chief Executive, Indian National Ship owners Association, Capt Deepak Tewari, Chief Executive, MSC India and K Krishnadas, Director and Chief Executive, ICTT, DP World. The key issues pertaining to the topic were: The cabotage policy for Vallarpadam and the present trade scenario, the issue of relaxation vis-à-vis container shipping and the effect of Cabotage on coastal shipping and ports in India and the future scenario.

The cabotage session was fiery and lively as Micheal Pinto, former Secretary, Shipping chaired the session and questioned each panelist on his views about the benefits of relaxing cabotage. Each member differed logically from his fellow panelists on Cabotage: To be or not to be.

How successful has the cabotage relaxation at Vallarpadam been?

Krishnadas: We received Cabotage relaxation and after that there has been little action after that. We were granted relaxation in December 2012 despite starting operations in the terminal during 2009. During 2011, there was much congestion in Chennai, Colombo and JNPT and many customers approached us. But since the policy was relaxed only in 2012, we have not been able to draw big customers namely, shipping lines. We can serve big customers since the connectivity issues have been resolved.

Captain Tewari, big shipping lines haven't come in yet. So, should we roll back cabotage?

Deepak Tewari : It is good to blame the shipping lines for the lack of success of cabotage relaxation at Vallarpadam. But if you look at our options, Colombo is a good alternative to Cochin. They are giving us deals and as a hub port for feeder connectivity Colombo works well for us.

We have not been able to get ships. So, should we give this policy a decent burial?

Rajiv Sinha: Let us first understand who decides transshipment hubs – ports or shipping lines. This business is not cargo driven, it is driven by shipping lines and so they decide which port becomes a transshipment hub. Vallarpadam was allowed the relaxation, hoping it would become a hub port. For example, when Malaysia realized that despite good infrastructure, Port Tanjung Pelapas was not resulting in a hub port, it offered very good deals to shipping lines that moved to Malaysia disowning Singapore quickly.

So, my suggestion would be let the law be the same for all shipping ports and let shipping lines choose and develop a port that is convenient for them. Today, Mundra is shipping 3 lakh containers to Pakistan from Salalah in Oman.

Do you think we made the mistake in restricting the relaxation for one port and one commodity?

Mohandas: It is the government that has to take a view when any law has to be relaxed. Vallarpadam, as all of us know, was conceived as an international container transshipment terminal and hence cabotage was relaxed for three years. It was done in the interest of the economy but there needs to be a debate on the extent of protection to the Indian industry, especially the coastal shipping industry. But having looked at the issue subsequently, in the interest of shifting transshipment from neighbouring ports to Indian ports, cabotage has to be relaxed in other ports as well among other relaxations such as tariff.

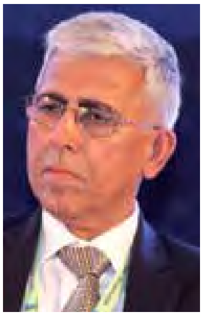
Other than the ship owners, is nobody opposed to cabotage? Is that true? If so, why is it true? If not, what do you think?

Umesh Grover: Was cabotage relaxation necessary at all? We at INSA opposed it then and even now. We feel that nothing has been achieved through the relaxation. Indian feeder operators had set up adequate tonnage, adequate slots were available and they had invested a lot of money. Give us a chance and we will prove it.

Will freight rates go down and will Indian customers benefit as we phase out cabotage?

It might go down temporarily, but that is not the only concern. The Indian exchequer faces a huge loss by allowing relaxation of cabotage. The Indian tonnage would have contributed to taxes. Foreign investment that has come in has not contributed anything.

Deepak Tewari: we operate Feeder vessels around the Indian coast at the various hub ports. If we were given relaxation of cabotage we would have collected cargo from hub ports not only outside but also from various Indian Ports. Two million teu of Indian cargo is now handled by Colombo. So, it is wrong to presume that all shipping lines do not pay tax. We do pay freight tax in India.



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Umesh Grover
CEO, Indian National Ship owners Association

Would you say that Indian Coastal Shipping will take a beating if cabotage is relaxed at other ports?

Mohandas: Empirical evidence proves otherwise. We must move towards relaxation of caboage.

Deepak Tewari: The difference if freight from one coastal port to a hub port, between an Indian flag and a foreign flag is about 50 percent.

How should the tariff structure be determined? The TAMP tariff is binding.

Mohandas: The contracts are long-term contracts and it is difficult for the public sector to amend long-term contracts. Logically, the tariff reduction must be a collective exercise between he port and terminal operator, but legally there are constraints and the ports may not be able to do it unless there is a systemic arrangement by the government.

Umesh Grover: Other reasons that are not letting transshipment grow are for reasons beyond TAMP. Try and give Indian shipowners a level playing field to see what Indian ships gives the Indian economy in terms of tax and employment.

Deepak Tewari: All we are saying that till such time that the government grants a level playing field to the Indian shipowners let the foreign ship owners take the advantage of cabotage at all ports. The panel had an interesting discussion and all panelists had strong views on both sides of the argument. While they agreed that Indian tonnage has to be protected, competition benefits everybody. Ports must be allowed to compete with one another and attract a lot of main line vessels. While coastal cargo could be reserved it for the Indian ships, exim cargo should be allowed to be moved around by international shipping lines. mg

'Acquisition of land has become major point of conflict'

Session on 'Accelerating Manufacturing Growth: National Manufacturing Zones and Industrial Corridors' discussed the policy initiatives taken by the Central government to propel industrial growth. The panelists also touched upon the challenges involved in setting up manufacturing industries and building supporting infrastructure.

(L to R) **S Padmanabhan**, Director, Sattva Logistics; **Vimal Kumar**, Assistatnt General Manager (Projects), NYK Lines – YUSEN Logistics; **Anurag Prasad**, Director (Infrastructure), Ministry of Commerce & Industries; **Manish Sharma**, ED (Logistics Leader), PWC

The Central government has been promoting policy initiatives like National Investment and Manufacturing Zones and Industrial Corridors to propel industrial growth in partnership with states. As part of the objective of the National Manufacturing Policy to enhance the share of manufacturing in GDP to 25 per cent and creating 100 million jobs in a decade, NIMZs have been envisaged as integrated industrial townships to provide a productive environment for skill development.

Session moderator Anurag Prasad, Director (Infrastructure), Ministry of Commerce & Industries, said the infrastructure division of the the Ministry of Commerce was mandated with the creation of infrastructure for growth in exports. Apart from its flagship schemes it provides assistance to states for development of infrastructure for exports, whereby it gave support to state governments and central agencies like SEZs, ports and industrial development corporations of all states to develop and bring projects. The division also funds them.

Prasad is also the member secretary of an inter-ministerial committee (IMC). It is a five-member committee with joint secretaries from the customs, railways and shipping ministries. "We issue letter of intents for setting up ICDs and CFSs. This is functioning since 1992. In the last 20 years around 200 ICDs and CFSs have been set up. It is our endeavour to meet every quarter so that applications would not be pending for long. We have guidelines for setting up ICDs and CFSs. On the receipt of the application processed in the Department of Commerce, usually we have to seek clarifications. Once the application is submitted it is circulated among other members of the IMC."

"Though these committees do not have a statutory backing but still they have slowly taken on the role of a forum where people come and put on the table what are the issues and we do try to resolve them."

Anurag Prasad
Director (Infrastructure),
Ministry of Commerce & Industries

Since 1992, 282 Letters of Intent (LoIs) have been issued and 188 CFSs and ICDs are functioning, of which 94 are under implementation. 185 projects are issued to private parties and 97 to the Central Warehousing Corporation (CWCs).

"There is another important function we carry out at the infrastructure division. We have two committees called standing committees on promotion of exports. Whatever grievances or suggestions or feedback we get from various stakeholders who transact at the seaport or airport we catalogue them, keep them with us and once every year these meetings take place. They are pretty marathon because there is a whole number of stakeholders plus there are a handsome number of regulators. Though these committees do not have a statutory backing they have slowly taken on the role of a forum where people come and put on the table what are the issues and we do try to resolve them. The results have generally been quite encouraging," Prasad said.

According to Manish Sharma, ED (Logistics Leader), PWC, even though manufacturing theme has been the underlying theme for the last couple of years, essential infrastructure for creating manufacturing growth around industrial corridors and SEZs are still lagging behind. "We are talking about infrastructure and not manufacturing activities. We are talking about enabling infrastructure for manufacturing," he explained.

We have a very stagnant contribution of manufacturing to our GDP somewhere around 15-16 per cent compared to other countries, which have a far more balanced contribution of manufacturing towards the overall GDP bucket. In our case, services sector has a larger contribution of about 55 per cent and the rest is shared between manufacturing and agriculture. "Last 7-8 years, the contribution of manufacturing has been stagnant. Beyond 2009, even in terms of its overall value, the bar has not changed much in terms of its height. So the overall contribution of it almost remained flat. That is a cause for worry because manufacturing is known to generate large downstream benefits in terms of multiplier impact on employment, income, on additional investment and all of these benefits are missing from the economy for the last few years," Sharma said.

So national manufacturing policy was an ambitious announcement which has many benefits including which is talking in terms of making India a hub for both domestic and international markets. This means we not only supply manufacturing goods in sufficient quantities to our own markets but we also become the preferred zone for manufactured commodities globally. If we are talking about penetrating the global market are we giving global capabilities to our manufacturers, enabling them in equal terms and that is the question.

It also talks about enhanced global competitiveness of India's manufacturing sector. Everybody recognizes that manufacturing has cutting edge technologies in terms of people skill, technology, innovation and many other factors including innovative financing. So the competence should essentially flow from these parameters. So there are certain guiding principles laid down in the entire policy – foreign investment in manufacturing, ability to create a far more competitive environment, make sure that manufacturing becomes much more innovative, reduce the compliance and regulatory bottlenecks, which currently plague the manufacturing sector in India and make sure we are making correction course as we go along in this direction. As a result, the concept of national manufacturing and investment zones has been put forth. This is essentially the framework for enabling the manufacturing growth.

"Availability and acquisition of land has become a major point of conflict both in terms of development and social equity. Many years of development are lost due to land issues."

Manish Sharma

ED (Logistics Leader), PWC

While this concept looks extremely welcome there are quite a number of issues that need our focus.

First is the availability and acquisition of land. Industry is land intensive, especially for players who are coming and looking at India as an alternative destination as against China and other South East Asian countries. The first requirement is how can we get land. Second is infrastructure. Third is who will develop this land, who will provide this land and who will maintain this land, operate and manage the land parcel. Who will provide the common infrastructure? The regulatory framework around it is also important.

What are the issues that players expect to grapple with – it is going to be as complex as the past or there is going to be any relaxation. Then the soft enabling infrastructure. These are the points that will underline the whole success of the NIMZs to turn around the manufacturing sector in the new 2-3 years.

Availability and acquisition of land has become a major point of conflict both in terms of development and social equity. Many years of development are lost due to land issues. Some of the major

infrastructure projects like building roads have suffered during the last 2-3 years because of the delays due to two factors – availability of land strips and compliance. That pinpoints to a very important fact about the manufacturing behavior. Delay in getting the land parcel can kill the project and kill the sector. That is what we are worried about when it comes to the case of creating infrastructure for industrial development.

If the land parcel is going to take 4-5 or longer years then what is it that the government agency or whether it is private sector what is it that is going to convince the investors about, very little convincing powers left. Delhi-Mumbai Industrial Corridor, for instance, has faced challenges in Madhya Pradesh – about 800 hectares of land from seven villages faced stiff opposition. We are seeing similar opposition in Maharashtra. Bottomline is whether it is NIMZ, or industrial corridor or SEZs they are all land intensive. So unless the land issue for creating the necessary base for industrialisation is addressed upfront in a time-bound manner this is going to be a challenge.

Then we have the new Act which has come in play. At least the Act gives us a clear way forward to what is to be given to land holders or the dependents on the land for payment. At the same time there is a whole much larger pool of stakeholders who are going to get involved. We are also seeing various other parameters creeping in for land acquisition. The subtext of land acquisition Act is quite exhaustive. As a result, the land acquisition is getting stretched. If you are talking about a private player coming in and setting up an investment manufacturing zone or even a PPP arrangement going in, he has to pay upfront for that land parcel, whereas the process for acquiring land for an industrial projects takes over a period of time. With that kind of back end approach and the lack of financial depth in the market in India there is no way somebody can make money out of the busness. Its going to be a challenging task. There has to be solutions thought around it like a government involvement, Sharma pointed out in his presentation.

"freight corridor has to be linked with industrial corridors. We need many more freight corridors. At least there is an immediate need for one from Chennai to Bangalore."

Vimal Kumar
Assistatnt General Manager (Projects), NYK Lines – YUSEN Logistics

Infrastructure within the battery limit is expected to be provided by the developer. But outside infrastructure is going to be the responsibility of the state or the government agency. Moreover, the question comes where is the money going to come from for creating this infra. There is going to be close to $1 trillion expectation as per the 12th five year plan. When you start going through the break-up of that we will realize already we are witnessing a gap in making use of that $1 trillion. Of the 50-60 lakh crore of investment we are seeing a shortfall of 10 lakh crore. After assessing all sources of finance it does not add up to $1 trillion. So there is a visible gap.

When these two factors put together, the infrastructure cannot be created by way of borrowing from the market or way of equity investment from the market for most of these industrial zones. These zones are practically Greenfield areas and in Greenfield areas the demand risk is exceptionally high. Unlike a brownfield development where there is a foreseeable demand, the Greenfield may witness demand 20 years down the line. The risk associated with such long-term prediction is very high. So we believe the entire arrangement has to be backstopped by the govt. There is no other way but for the government to step in they are going to backstop this Greenfield demand risk which is visible in case of infra projects.

Another aspect is the development models. There are many development areas within the land parcel where we can utilize the efficiency and financing of private developers. Once government starts backstopping the demand risk we can see efficiency going up in terms of development models. Those models India is very familiar with PPP models. But we are seeing PPP models moving slightly away from creation to operations of the project. No independent PPP regulator. There is no concerted information on projects awarded under PPP. So there are many challenges we are witnessing in the development model itself. Unless those challenges are addressed there are no way the industrial projects with the help of government and private participation will successfully be rolled out. The UK and Australia – two of the fine examples of the successful implementation of PPP models – could make it possible essentially due to the institutional capacity. Flexible agreements should be made so that can relook at the projects as it will take 10-15 years for implementation.

Vimal Kumar, Assistant General Manager (Projects), NYK Lines – YUSEN Logistics, talked about the importance of freight corridors. "Wherever the industrial corridors

have come up there should be a freight corridor. In India 25-30 per cent of project cost will be spent on freight. A small 20 feet container from Shanghai to China will cost $300. The same container from Chennai to Bangalore will cost ₹45,000 or $1,000. The question is how we will convince our customers? So before getting permission for an industrial corridor we need to think about freight corridor," he said.

The Central government has set up a plant in Haridwar for BHEL. But to move cargo to this place from the rest of India is a difficult task. Cost and time are extremely high. From Mumbai 45 ft container goes to Paradip in 10-12 days. From Mumbai this container will reach Dubai in 4 days. "We need many more freight corridors. At least there is an immediate need for one from Chennai to Bangalore. It will cut our cost by more than 55 per cent. We should think about coastal shipping and inland waterways. We want them also to be included in the freight corridor," said Kumar.

According to him, freight corridor has to be linked with industrial corridors. "Our automobile manufacturing is concentrated in Pune and how we can move cargo even though it is easier to move them from Chennai. Cargo size, dimension and weight are going up. In JNPT and Bombay we are facing a lot of problems. When a break bulk cargo and container come at Bombay port we find it difficult to move it. We need two billing – one for break bulk and another for container. If the cargo height is more than 5 metres, it is very difficult to take it out of the port. From Bombay, trucks are only allowed to move from 11.30 am to 4 pm and within this time period, how many trucks can go," he asked.

Now two additional berths are coming in Bombay port. It is all time consuming and cost intensive. However, without the support of dedicated freight corridors, port expansion will not yield the desired results.

'Future of India is in mega ports'

The session `Maritime Sector in Securing Energy Future' called for greater coordination between the government and private sector to address the challenges related to infrastructure and taxation. The session focused on the need for India to develop maritime infrastructure to support cleaner energy.

(L to R) **Rohit Pattanaik**, Sr Research Analyst, Drewry Maritime Services; **Parag Gupta**, MD, Vopak Terminals India; **Sharmila H Amin**, Regional Director, Bertling Logistics India; **Anup Kumar Gupta**, Advisor, Navayuga Group; **Bangar Raju**, Prof & Head of Department (Transportation Management), College of Management and Economic Studies, University of Petroleum and Energy Studies, Dehradun.

India's energy demand is projected to increase at an annual rate of 2.7 per cent from 2010 to 2035 with the country accounting for an estimated $2.3 trillion or 95.6 per cent of energy investment requirement in South Asia. India is also the world's third largest coal user and second largest liquid bulk importing country. To meet the demand for more volumes, there is a need for developing port and hinterland infrastructure besides providing mechanized cargo handling infrastructure.

"We are seeing a change in the profile of consumers in India. Spending power of consumers has gone up. We are seeing a growth in the refined product coming from transportation, electricity and irrigation. The economy even though has slowed down, it is expected to pick up growth soon," said Parag Gupta, MD, Vopak Terminals India.

A huge gap in supply and consumption of energy, is expected to raise the demand in Asian non-OECD countries and this may in turn increase the demand for storage infrastructure, Gupta says. "If there is an imbalance you need to trade or move this product through the port and India has huge growing demand for LNG. In India, independent bulk storage is still an issue. The role for independent storage is still limited. There are regulatory concerns and bulk storage is not permitted in India," he pointed out.

Vopak is engaged in independent liquid bulk storage. While it enables the import and export of bulk liquid, the company stores it temporarily as part of the value chain. Vopak provides services as well. More importantly, certain parameters like piping and loading into the rail and road tankers. It only handle the product and we do not own the product. We take care of the supply chain aspect of the product while the client can focus on core activities.

With the growing demand for LNG, there are regulatory issues that need to be addressed. There are pricing issues and there are issues related to clarity in terms of long term contract.

Challenges for independent storage industry

Major ports are saturated and private ports though are growing rapidly, there are questions related to connectivity. There is a safety concern on infrastructure structure existing at major ports. There are delays, vessel turnaround time are high and infrastructure is not up to date and contextual in terms of what the shipping sector and the storage sector needs. The industry lacks an integrated approach and is not well managed.

The efficiency levels in most of terminals is low as there are many issues – regarding safety and management – and evacuation infrastructure is not in place. "We face a lot of issues when we manage our terminal. There are many regulatory concerns especially, our relationship with the landlord. When we are looking at project implementation, we face a lot of challenges. We should also try and figure out what can be done to support this," he explained.

There is a lot of value independent storage system can add and making it safe. We have lot of control measures. But we just do not have the control measures from the transport sector to make sure that it's all done in the manner it is reliable.

Bangar Raju, Prof & Head of Department (Transportation Management), College of Management and Economic Studies, University of Petroleum and Energy Studies, Dehradun, made a presentation based on a research study on what India should do for the coal import.

"We are importing around 130 million tonnes of thermal coal every year. Working group on coal says 1,125 million tones of coal need to be imported by 2016-17. Most power plants are reluctant to import due to the high prices of coal. As part of the fuel supply agreement, Coal India is also looking for import of coal and have floated a tender recently for 5 million tonnes. If only 600 MT is met by the future coal production by Coal India and Singareni Collieries we have to import larger volumes and looking at the present port sector, where handling capacities are there, there is a

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huge challenge to handle this coal,'' he said.

The real question is which are the areas where the government should be investing in? Which area is the priority to handle this coal.

When we analysed the two indexes that have come are berthing time efficiency, which is nothing but mechanization of ports and draft. These are two areas where either the Government of India or PPP model needs to address challenges to go for the future.

"Growth of stockyards is going at very high rate and it is not good for ports. We do not recommend going for more stockyards at the ports. There is congestion and we cannot afford to have larger stockyards of coal at ports," he said.

To meet the future demands, Raju recommends the development of mega ports. He believes that the future of India is in mega ports, but with deeper drafts.

In Vizag, for instance, two terminals were given to private parties – Adani and Sterlite. They have invested a lot of money on mechanisation and unloading. But Vizag failed to go for a deeper draft. It has 12 m draft and they promised 17 m draft and Sterlite has expressed concerns. So for the PPP model to be effective, there should be adequate draft.

According to Rohit Pattanaik, Sr Research Analyst, Drewry Maritime Services, increase in demand with declining domestic production of coal has led to an increase in imports.

Maritime sector is an important cog in understanding energy security. As the country progresses its energy basket has to be diversified. You also have to look at reliable and affordable sources of energy. You need very coherent regulations. If you look at the downstream and upstream sector that will give you a very good picture about how different regulations play.

In the upstream segment there are lot of issues. In the downstream segment, India is actually a product surplus nation. We are actually exporting surplus products which are a very good sign.

In the long term strategies in terms of geostrategy, that is going to have very important role in India's long term energy strategy. This option in energy supplies is always a cause of concern. Any major disruption in Middle-East or anywhere there will lead to a massive hike in oil prices and according to studies, every $10 in the price of barrel in India leads to 0.02 per cent slowdown in GDP growth.

In India's energy basket, coal has the highest share. As India rises economically, the share of coal will come down inevitably and you are going to move on to the cleaner sources of energy. Sustainability and technology will play a major role in which energy source India looks at. In the long run geostrategy is absolutely paramount on where we source energy from. Most of our crude comes from Middle-East and coal and gas from Africa.

In the future India will have to pay more and more attention to geostrategic issues and as the country grows, India will take a greater role in addressing geostrategic issues, said Pattanaik.

In the long term, there is not much growth in the port infrastructure. The LNG space needs a lot of investment. That is where the future is since we are moving on to cleaner sources of energy.

If you look at India's crude composition most of it comes from Middle-East. Over 60 per cent of the crude imports are from there. In the long run as we become interconnected it will inevitable that India will take a greater involvement in all this.

Though we have good coal resources but the government lacks a strategy. As a result, imports of coal are increasing. There is a direct correlation between cost of imports and import volumes. The distance from the source of coal is a major factor. That why we see most of the coal coming from Indonesia due to proximity vis-à-vis South Africa.

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Drewry Maritime Services

India's current regasification capacity is 25 million tonnes per annum. In future gas is going to get a greater share of the fuel basket in India. Another 10 million tonnes is slated to come in the next two years. Even though China will remain a major player, it has one of the largest shale reserves and they are actively sourcing shale extraction technology. If China is weaned off gas, it opens up the market for India.

Anup Kumar Gupta, Advisor, Navayuga Group, talked about the maritime infrastructure in the country and how it is getting reshaped to suit the energy needs of the country.

"As time has passed we have also taken care of in our maritime segment, we have the best technology with us, we have the best safety standards with us which we have implemented in the industry. With those things, many MNCs have started utilizing our facilities after doing safety audit and all," he pointed out.

There is a vast change as far as jetty sector is concerned. When it comes to back up area we used to have liquid storage facilities where you can store all kinds of liquid. Slowly our government regulations have changed, standards have improved. Now we have separate tank farm for petroleum product, separate tank farm for specialty chemicals, separate tank farm for edible oils. The standards of all our facilities are comparable to international facilities. Our statutory compliance standards have also improved.

According to him, we are lacking in one area. While the port backup area has developed extensively, our evacuation system which is part of government's responsibility has not gone as good as our maritime sector and storage sector development.

India should focus on bunkering. Due to our taxation rules and regulations, we are unable to take care of this segment as it can bring in large volumes. "If the government can fix the tax part we have a huge opportunity there. This will also lead to an increase in petroleum volumes. Many Indian and foreign companies have started establishing their bunkering facilities in many of the ports. If that is taken care of we will have better volumes to handle through our ports," he said. mg

'Gujarat has the most successful maritime board in the country'

Session on `Inclusive Maritime Growth & the Role of States,' focused on the role played by the nine maritime states in the country to develop their maritime resources. The panel also discussed how state maritime boards can help accentuate the growth of ports and how Gujarat has emerged as the most successful maritime state in the country.

(L to R) **S Padmanabhan**, Director, Sattva Logistics; **I Ahmed**, Advisor, IPA; **K Mohandas**, Former Shipping Secretary and Part-time Chairman, KSINC; **P Jairaj Kumar**, MD, Ocean Sparkle.

Major ports under the central government have been facilitating the country's external trade for a long time. But the opening up of the economy and the spurt in international trade has led to the growth of a number of private ports. These private ports, which in a short while have become centres of excellence in terms of facilities and efficiency, are set to overtake major ports in terms of their share in handling India's cargo. Unlike in the case of major ports, state governments have played a major role in the development of private ports. Even though they are growing in scale and size private ports face a number of issues related to hinterland connectivity and conflicting legal framework.

In his opening remarks, session chair and moderator K Mohandas, Former Shipping Secretary and Part-time Chairman, KSINC, said, the role of the states in maritime sector was quite well-known. "As per the constitutional division of power, central government takes care of major ports and state governments take care of the rest of the ports (non-major ports). The development of ports has been substantial in the non-major segment and this is understandable because major ports have been there for long and cities have grown around them and there is no scope for expansion," he said.

According to him, wherever state governments have attempted to increase port capacity, their efforts have been successful. "Gujarat is the best example of a state with a clear-cut port development policy. If you look at estimates, non-major ports in Gujarat handle more than 75 per cent of the total cargo handled by non-major ports in the country. This kind of a growth is possible only if the state government has a vision, they are willing to introduce transparent process, if they are willing to make land available and have a reasonably and sensibly drafted policy around the growth of ports. That is why the creation of state maritime boards has been seen as an important," he said.

It would be useful to have a central coordinating body called state maritime boards which can promote port development and which can generally handle all maritime affairs which have to be handled at the local level. Only three states have done it so far and others are in the process of doing it from 2012-2014. What is required is a systematic arrangement at the state level.

The money is now private – whether it is major port or private port, investment comes from the private sector because in major ports the modus operandi of development is PPP. Investment of knowledge, finance and, management skills all come from the private sector only. The states could definitely do much more.

Cargo handling data is very much in favour of non-major ports or the percentage of cargo handled by major ports have been steadily increasing. "In the Maritime Agenda we had predicted 50:50 break-up of total cargo throughput by major and non-major ports to reach by 2020. But the impression now is that it could happen in next couple of years. It is a good trend and the industry and the trade would be happy if there is competition between the ports," said Mohandas.

In his presentation P Jairaj Kumar, MD, Ocean Sparkle pointed out how ports have been focusing on developing captive facilities. "Considering that the ports which have been built on single cargo support suffered when there was a decline in that cargo like Mormugao Port because of iron ore export ban, ports are now looking at diversifying their cargo profile into different commodities so that they have a better risk sharing ability. They have been collaborating with various foreign companies for technology transfer, training and consultancy services, design, planning etc," he said.

Several states have identified ship building and ship repair as a thrust sector. Port-based SEZs is another emerging business area. The Commerce Department has been very active in approving port-based SEZs. Cruise ships is also becoming very popular. Many major ports – Cochin, Mormugao and NMPT have witnessed almost 23 per cent growth in this segment. By the end of 12th plan, non-major ports would have 54 per cent of cargo, Jairaj said.

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Major ports are not growing because of constraints in land and hinterland connectivity whereas non-major ports have the advantage of land and connectivity. It is for maritime boards and respective state governments to thrust development of non-major ports.

There are three nods for ports to be successful – hinterland connectivity, port infrastructure and marine infrastructure and the draft available at these ports. None of the ports really got it right except for Reliance, which conceives ports in a different manner, he said.

The states felt that their job is done once they declared port facilities and it was left to the private port developer to think about the hinterland connectivity to get railway lines and roads laid to the ports. To evacuate cargo from ports there was multi-modal transport which was being used. They would use rail to a certain extent and rail to a certain extent, which meant that there were several points where cargo has to be off loaded and reloaded back, which is not cost effective or efficient way of handling cargo. Rail networks are mostly combined rail network for passengers and freight. Lack of dedicated freight corridor, political, social and environmental hindrances have also affected the development of hinterland and the delay in award of infra projects.

However, the government has taken initiatives to imprive the situation by offering rail-road connectivity to private ports being introduced. Measures to streamline and simplify customs and security have been initiated as well. Government is also trying to introduce GST.

We need to upgrade the existing transport models and introduce efficient and sustainable transport models that make use of optimum use of infrastructure. Besdes, we need to focus on shifting more transport to inland waterways.

Gujarat has the most successful maritime board in the country. The objective was to utilize strategic advantage of Gujarat ports. They have developed several Greenfield projects. They have identified 11 more Greenfield project sites. They have commenced the process of identifying the port developer. They are still in the process of creating captive facilities for various industries. The second objective was to develop ship building and repair hubs. They plan to have 50 per cent of the Indian ship building tonnage and 5 per cent of global tonnage in Gujarat. They have promoted this concept of cluster shipyards known an marine shipbuilding parks. The shipbuilding cluster in Dahej is a very good example. They are also promoting Ro-Ro terminal services and marine tourism. They also had a fair share of PPP projects in the various captive and operational jetties they have.

Tamil Nadu board is focusing on the development of captive facilities,

especially, for coal terminals. They are also focusing on export oriented industries – Kattupally, Ennore minor port and so on.

Maharashtra Maritime Board is once again concentrating on the development of captive facilities. They are also focusing on multi-purpose terminals and shipyards.

Total number of non-major ports declared in these states was 104, of which 47 are in operation compared to other maritime states which have only 22 ports in operation. 72 million metric tonnes of cargo was handled by non-board states in 2011-12 while others handled 280 MTs of cargo. "So we can clearly see maritime boards have been successful in driving the growth," said Jairaj.

According to I Ahmed, Advisor, IPA, the activities and development works of major ports include various components – development of berths, the connectivity, the mechanisation, dredging and various other related activities.

"Recently we conducted a study on connectivity at major ports. Over ₹60,000 crore has been envisaged for various rail, road, IWT and other projects. Shipping Ministry have also announced the development of coastal shipping for evacuation of cargo from congested hinterland through the coastal movement. Lot of incentives has been announced for coastal shipping. 5,700 km overall length has to be developed

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MD, Ocean Sparkle

as per the study through railways, roads and IWT. Component of financing is 56 per cent through railways, 14 per cent through NHAI, and state governments around 5 per cent and ports internal resources around 8 per cent. That is the basic thrust has been envisaged in the new connectivity plan," he said.

So far as traffic and capacity are concerned 5-6 years back, share of non-major ports was about 23-24 per cent. It has now reached to 42 per cent of the total maritime trade. Similarly, the capacity of non-major ports have also increased to 43 per cent of the total capacity of the maritime sector. But due to government initiatives, improvements have been noticed in port efficiency at major ports. Turnaround time has reduced from 2.6 days to around 2 days. Pre-berthing has improved from 11 hrs to 8.2 hrs till December this year. Total PPP projects approved are 53. The government is quite keen to improve the overall efficiency of major ports. There are lot of other issues being taken care of like land policy, coastal shipping policy, tariff policy. These are being streamloined in the recent past.

In his concluding remarks, Mohandas said Gujarat was the most successful among the nine maritime states in utilising the opportunity whereas Maharashtra has been slow. Karnataka has been a total failure while Kerala made some attempts but has not reached there yet. But efforts are being taken by the Kerala government. Vizhinjam container transshipment is offered for bidding.

On the east coast, Tamil Nadu has achieved moderate success. Andhra Pradesh has done some useful work. There are ports worth mentioning like Krishnapatnam, Gangavaram and Kakinada. Andhra Pradesh probably can rank number 2 after Gujarat. Odisha is also making efforts and Dhamra has come up and other ports are also being developed. West Bengal on the other hand has a very limited coastline.

Talking about the two new major ports being planned at Sagar and Andhra Pradesh, he opined that big ports can benefit immensely from the economies of scale. "Sagar is going to be a very costly exercise. The connectivity to Sagar is going to cost a lot and there will be a draft of 10 m unless huge amount is spent on dredging," he said.

In the 100 km distance around the new proposed port site in Andhra Pradesh, there are already 3-4 good ports with deep draft. "The benefit of having big ports will be lost by fragmentation. If there is a need for developing virgin Greenfield projects, it can be done by the state governments. There is no need to have them styled as major ports," he said. mg

'Bureaucracy continues to dog logistics sector'

With containerisation gaining ground, new terminals are coming up at ports and logistics service providers are adapting to new transport destination and routes. The session discussed the changing landscape of hinterland logistics and the measures needed to be taken for increasing efficiency and ensuring seamless connectivity.

The landscape of hinterland logistics has undergone dramatic changes as containerisation was ushered in. Some of the changes developed were not as expected and has required course correction. Transportation by road continues to be unorganized. There is resistance to change. The bureaucracy continues to dog the logistics sector. There is skewed development in capacities – be it ICDs or ports. The India Maritime Week provided the just opportunity to highlight these very issues and look for possible solutions.

There has always been talk of moving traffic away from road to rail. But that move can only be to a limited extent."In the advanced ports of European or Mediterranean countries,"says Vinita Venkatesh, Advisor,Krishnapatanam Port, "about 60-80 per cent of the cargo move by road and not by rail. This is something that we cannot avoid or wish away. It is therefore important for all of us whose business depends on hinterland transportation to look for solutions and see how to make the road viable. The road sector is unorganized and we need to think of how to get it into shape, said Vinita.

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Vinita Venkatesh
Advisor,Krishnapatanam Port

Another source of disquiet, particularly for the private container train operators is the fact that notwithstanding consistent increase in cargo volumes especially from the hinterland, the rail coefficient of containers has been going down. Says Manish Puri, Managing Director, APL IndiaLinx- Rail Operations, "JNPT which used to have a rail coefficient close to 30 per cent is now almost down to 18-19 per cent and on an all India basis it is down to 23-24 per cent from almost 29 per cent."Are these pointers to a shrinking market is a question that needs to be looked into.

Road network has enhanced over the last few years but the integration and interchanges between the road and rail has tended to lag behind. "The problem is more than 30 yrs old," says Jasjit Sethi, CEO TCI Logistics."There is no integration between rail and road. This is because the axle weight on road is much lower than they should be. The payload capacity to carry 1 teu is available in very few trucks." The problem lies with the axle weight restrictions. "If you have 1 axle and 2 tires the weight limit is 2 tonnes; if it becomes 4 tyres the weight limit is 7 tonnes; if you add one more axle it becomes 19 tonnes; if you add one more it becomes 24. What should have been 42 tonnes is only 24 tonnes," says Jasjit. The reasons for these restrictions dates back to the time when the roads and bridges were not strong enough to carry heavy loads and restrictions were imposed on load capacities. "Today load is being carried by illegal means by underpowered vehicles but not by the right means," says Jasjit. This needs to be set right as much of the hinterland cargo move by road. The logistics scene is dynamically changing. However the statutory amendments and permission, as in many departments of the Government, have tended to hobble.

Take the case of Vizag container Terminal where they came up with a promotional offer moving empty containers sea from Chennai to Vizag on an Indian flagged vessel. Many lines took up the offer said Vinita. But the Customs permissions just did not come through and eventually the project had to be abandoned. "The whole statutory eco-system in managing the Customs and in managing the electronic commerce is very important and also needs application," said Vinitha.

In Vallarpadam too, though the permission for Cabotage was granted, "it took the longest time for them to actually to get the permissions in place in terms of actual documentation and actual loading of the cargo," said Vinita.

There is a lack of integration between road and rail. The hubs of rail and the hubs of road are not together. "You don't have a crane working between a truck and a train at the same time. There are no parking places, no common warehouses. Last mile and first mile cost is a problem. Today the advantage of long haul is frittered away by the high cost of handling of the cargo and cooling time at these terminals," Jasjit stated. The interchange of not having a proper multimodal hub is a major issue which is hampering the cost as well as efficiency to hinterland.

In the race for intermodal and hinterland expansion, the infrastructure

"Are we getting into a place where the capacity that is being built especially as far as the hinterland terminal infrastructure is concerned is actually leading to a situation where it is becoming difficult to move cargo in large parcel sizes and the DFC is going to make it much more.."

Manish Puri
Managing Director, APL IndiaLinx - Rail Operations

development has been skewed. Anil Radhakrishnan, Managing Director, APL IndiaLinx, said, "There are too many ICDs and CFSs. In Tamil Nadu there are 60 CFSs, Maharashtra 43 and Gujarat 33. But look at the northeastern part of the country where we more ICDs need to be developed. We need to introspect here to see how a balance can be achieved.

Manish Puri, Managing Director, APL IndiaLinx - Rail Operations, echoed similar misgivings. The situation of over capacity as far as terminal infrastructure is concerned. "Are we getting into a place where the capacity that is being built especially as far as the hinterland terminal infrastructure is concerned is actually leading to a situation where it is becoming difficult to move cargo in large parcel sizes and the DFC is going to make it much more.

But the capacity is fragmenting the cargo." The NCR and western sector dominate the space as far as rail ICDs because of large volume of cargo from these areas. Currently the NCR has 8 working ICDs with 4 in pipeline, Ludhiana has 2 with 2 in the pipeline, Kanpur has 2, Hyderabad has 2, Nagpur has 2 with 3 in the pipeline. Puri says, "Other than the NCR which can possibly boast of a market which can sustain 2 to 300,000 teu facilities, none of the other markets has an aggregate size which can sustain an ICD of 100,000 teu. How do we deal with this capacity issue? We need to have solutions to tackle this or we might get into a situation that might not be financially viable and end up in a bigger mess."

The same goes for the ports. Overall in 2012, the capacity of Indian ports, east and west port combined, was 14.9 million teu whereas India's throughput was 10 million teu. "We have enough capacity, but do we have capacity at the right place," questions Anil. "We need to have an integrated country approach towards development."

The proliferation of terminals in the ports, to cater to the increasing volumes from the north has created problems of their own. HD Gujrati, Director Operations & Business Development, DFCCIL (Dedicated Freight Corridor Corporation of India), says, "more ports and ICDs lead to fragmentation of cargo. With Mundra and Pipavav the cargo started splitting. The result was that the rail transportation became costlier." There were more exports coming to one than the other which had more imports coming in. "In the process we were carrying a large number of empty rakes which were adding up the cost of transportation." Further there was division of cargo within the ports among the terminals. Cargo which was earlier going to JNPT was split between JNPCT and NSICT. Subsequently when GTIL came up there was further division of cargo and it brought with it concomitant problems of misrouting of cargo.

There are, however, success stories where terminal operators have succeeded in overcoming bureaucracy in developing infrastructure. A case in point is the rail connectivity to the Hazira Port. "The rail connectivity was a problem," said Ramnath C Vaidyanathan, Head Container Terminal, Adani Hazira Container Terminal. "Concor was reluctant to run a train to the Hazira Port. Finally it was decided to move the train from Tuglakabad to Ankleshwar which was about 74 km away from port. The Railway Receipt would be issued up to Hazira Port. The terminal would do the trucking from Ankaleshwar to the Hazira Port. Rates were found to be cheaper by ₹3,000 as compared to JNPT rates for the export leg and by ₹4,500 for the import leg."

Solutions are there. As Ramnath succinctly put it, "thinking big, doing better" is the way forward. mg

Shipbuilding: What is the Right Strategy?

India has a great potential to be a shipbuilding and ship repair hub and opportunities abound in almost every segment of this largely public sector. While the small shipbuilding industry too has immense potential to aid India's coastal shipping, unfavorable funding policies act as hurdles. The penultimate session discussed on the state of India's ship building potential, opportunities and challenges and the support from the government.

(L to R) **Anup Kumar Gupta**, Advisor, Navayuga Group; **Antony Prince**, Director and CEO, Smart Design Solutions; **Hrishikesh Narasimha**n, Joint General Manager, L&T Shipping; **DIG Vivek Vajpayee**, Principal Director, Materials, Indian Coast Guard; **Commodore Jitendran**, Consultant with the Indian Register of Ships.

Commodore Jitendran, Consultant with the Indian Register of Ships traced India's tryst with shipbuilding where he highlighted how the entry of the private sector into shipbuilding a decade and a half ago created a level playing field for all the players. Unlike the current situation, orders were pouring in then.

Today, many shipyards are dependent on naval and coast guard orders and there is little encouragement for the Indian yards in terms of overseas orders. The need of the hour is government support in the form of a comprehensive policy and a long-term vision, aided by the right strategies, for the development of this labour-intensive and employment generating sector.

For instance, an investment of $3.6 billion made in existing or new shipbuilding facilities can create an additional investment of $44.4 billion in downstream industries by 2020 and generate employment for nearly 2.5 million people.

Apart from investment for hard infrastructure, Equal focus should be laid on the technical aspects such as ship design. Lending a designer's perspective, Antony Prince, Director and Chief Executive of Smart Design Solutions spoke of how crucial it is for India to have its own ship designers and not depend on designs made abroad. "Understanding the need for good ship design, we started a ship design firm not only to develop a good, efficient economic ship that is easy to build, but also to attain the production design capability to build a good ship," he said.

The current capability in ship design is marred due to insufficient investment, lack of proper training and heavy dependence on foreign designs. But this is not the sole reason for India's share in shipbuilding being confined to less than 1 per cent. Although the Maritime Agenda 2020 asks for this percentage to peak to 10 per cent, the absence of right policies and vision, mission and planning is lacking from the government. But he says the industry is to blame too. "The industry has not done much in developing ship design because we do have private sector facilities that can produce many ships. There is initiative required for facilitating efficient shipbuilding," he reckoned.

The other X factor is cost of materials. One of the biggest requirements for shipbuilding is material - steel, machinery and equipment and Indian shipyards have to source them from foreign countries that add to 40 per cent of the cost. This is a huge sum of money, so the success of the industry hinges on a joint industry and government support to procure material at lower costs.

Other aspects that need a watch and impetus are creating ship design and testing facilities in addition to having shipyards with the necessary infrastructure. Most firms are based on production design or drafting. But these companies do not have any experience in shipbuilding. Unless a country boasts of a proven design, it is difficult to generate employment. The ship designers have to be treated at a different level and be given a chance to do a good job than commending the foreign ship designers alone.

"Shipowners have to have more faith in Indian ship design companies," Mr Prince said. Japan and Korea have their own ship design capability because they have invested heavily in design. But Indian shipyards were not able to do that as they did not have many orders some two decades ago. But in the last ten years, shipyards have been slow, but have reached somewhere in developing design in both basic and production design, he augurs.

Independent design houses have come up because of shortage of trained personnel, huge investment, design data, legacy experience and support from other stakeholders. Design companies need a lot of historical data to develop designs. Many start-up companies suffer from this weakness.

"The cost of operation is less in India and so design cost can be brought down and this helps the ship owner to minimize the capital and operating coast. The production time is substantially reduced by having a good production design."

Antony Prince
Director and Chief Executive of Smart Design Solutions

Quality in indigenous ship design needs immediate attention as it enables you to produce state-of-the-art ships that are cost competitive. Design from outside are not the latest and so the country has always to settle for designs that are outdated. The cost of operation is less in India and so design cost can be brought down and this helps the shipowner to minimize the capital and operating coast. The production time is substantially reduced by having a good production design.

Shipbuilding requires a huge capital outlay for hardware and software, leading to a huge burden for ship designers. There is an insufficient support and demand from stakeholders inhibiting development. Due to these challenges, Indian shipyards are relying on defence ship construction orders.

Amidst a whole lot of challenges, What is the secret to winning in India? The next speaker, Hrishikesh Narasimhan, Joint General Manager, L&T Shipping spoke of how a shipyard should realign its priorities. "Having a strategy is very important and implementing it is important. In addition, from a customer's point of view, on time delivery of the ship, quality and good pricing are paramount and non negotiable."

Once these aspects are taken care of, standardizing yard infrastructure, yard layout, process technology and standardizing skills have to fall into place. Narasimhan explained how their partnering with Japan's Mitsubishi helped them cut work down into smaller fragments.

Emphasizing the need to build a strong team of engineers and leaders, he said, "You need strong managers to control the organization. That is to ensure all the departments are run well and give them autonomy." Ending on an optimistic note, he foresees a change in the way shipbuilding is gaining prominence in India.

The final speaker, DIG Vivek Vajpayee, Principal Director, Materials Indian Coast Guard, spoke of how shipbuilding can promote inclusive growth among all stakeholders in the fraternity. "It has to be a win-win strategy for all. All facets of shipbuilding have to grow from designers to the builders and the owners."

Although there are gaps in the shipbuilding sector, despite many policy uncertainties, the growth of sector depends much on successful strategy, he averred.

The speakers concluded that the way ahead lies in a collaboration between the government and the private sector. They strongly believed that the government has to be a part of this game and implement policies that aid growth. The speakers expected the defence sector to collaborate with design houses to have a proven portfolio of domestic designs. A national programme for shipbuilding and ship design can alone save the industry from the throes of crisis. mg

Bunkering: Time to Chart the Roadmap

As international and domestic shipping grows across Asia, Indian ports that are strategically located on the international trade lanes have the potential to service ships with bunkering facilities. However, due to procedural, infrastructural and logistical challenges, this industry has lagged behind.

(L to R) **Anup Kumar Gupta**, Advisor, Navayuga Group; **Abdul Ghani**, DNV Petroleum Services; **Chandan Samaiyar**, Country Head, International Bunkering Middle East DMCC India; **Basheer Ahmed**, Chief Executive, Chemoil Adani; **Ashok Sharma**, Bharat Matrix.

Tedious documentation procedures of the Indian customs and complicated bunker duty calculations besides supplies from refineries add to the challenges. As for taxation, the rules are not uniform throughout India and vary from one state to another or different grades and types of bunkers.

In the light of such a scenario, the final session of the India Maritime Week focussed on the need for a unified authority to promote the industry. Examining the infrastructure issues, procedural and other challenges, the panel suggested ways on how the port-supplier-user interface can be streamlined.

Chandan Samaiyar, Country Head, International Bunkering Middle East DMCC India, steered the session elaborating on how the Indian bunker industry has been growing gradually and said it was time to lay the road map for the next decade. A decade ago, when India was seen as a high price opportunity, the products were restricted and some of the products were not available in India. The infrastructure was not adequate and all charter avoided taking charter at Indian ports and only emergency requirements were met until the port sailed to the next port of call. There was a very high tax regime of almost 14 per cent in India that made the prices extremely high.

Today, almost the entire peninsula is capable of offering the facilities as refineries are coming up on both coasts. So with respect to product availability, India can offer the 380 CST is being offered.

"The industry has progressed with a lot of private participation as earlier only oil companies were into this trade. Global bunker traders have now forayed into India and helped in improving this trade."

But if the industry needs to make a noticeable mark, like most other sub-sectors, it needs support from the government to be able to achieve a 4 million metric tonne per annum in the next three years.

Taking off at this juncture, Basheer Ahmed, Chief Executive, Chemoil Adani spoke of the bunker potential in India, the challenges and the affirmative action the industry needs to take. On a conservative basis, taking into account the volumes at all ports, the total bunker potential is about 3.1 million tonnes. The ships now are taking 120 tonnes while going from India to the nearest ports. But in Fujaira and other ports, there are vessels that take 2,000 to 5,000 tonnes.

Indian can still take up to 2 million tons while the actual potential is about 10 million tonnes. If foreign vessels have to call at Indian ports, the pricing has to be economical. Singapore offers the best price on the south east coast and Fujaira in the Middle East. Ports charge exorbitant tariff when a vessel calls for bunker, it has to pay heavily for all the port charges unlike in other ports.

But the key for efficient bunkering lies in good infrastructure – terminals with oil tanks and good loading and heating facilities. A barge loading facility or pipelines facility should be possible. Vessels should be supplied while anchoring at ports or when they are offloading cargo. Currently, only Mundra Port has the required infrastructure in India for bunkering.

Apart from inadequate infrastructure, prohibitive taxation laws is cited as a reason for the industry's poor performance. The biggest challenge is the value added tax, or VAT. Currently, Gujarat, Maharashtra do not impose VAT on for bunker supplies. However the states like AP charge a 14.5 per cent VAT on bunkering; so if the bunkers are charged 20 to 30 per cent more than the neighboring ports, it will become uncompetitive. "We are talking to the government to see how they can enable a VAT-free structure for bunkers," he said.

Cumbersome documentation comes next and these procedural delays cause Indian ports to be uncompetitive when compared to the other international ports. Normally, at international ports such as Singapore and Fujaira, a ship owner asks for a supply on a particular day and barge is immediately loaded and sent to the mother vessel. Here in India, it takes a day for documentation and only then the fuel is supplied to vessel. So, procedural requirements have to be overcome to make the process simpler. "If this is not possible then bunkering out of port limits (OPL) has to be facilitated at least."

If these challenges can be addressed, the industry can grow at 5 to 6 per cent annually, he averred.

In concurrence with Basheer's views, the next speaker, Ashok Sharma from Bharat Matrix, spelt out the global bunkering scenario and the way ahead

"Cumbersome documentation comes next and these procedural delays cause Indian ports to be uncompetitive when compared to the other international ports. So, procedural requirements have to be overcome."

Basheer Ahmed
Chief Executive, Chemoil Adani

for Indian ports. The four parameters of operating such a business are- identifying key trade routes, estimating cargo on each route, identifying the ships, service those routes and characterising types of engines and estimating fuel used by those engines.

A look at the global bunker scenario will tell you that, Asia sells 40 per cent of bunkers, followed by Europe, Middle East, North America and Latin America. Singapore is the highest bunker seller because of infrastructure, with both government support and port support. As far as Indian potential is concerned, we are geographically sandwiched between Fujaira and Singapore. If we look at the cargo traffic in India, it is huge and the growth at non-major ports is high. There are about 30,0000 vessels that called at Indian ports, but there are certain challenges.

The last speaker for the session, Abdul Ghani from DNV Petroleum Services spoke on what India can look forward to in the coming years. "In India, we see that the Kandla Port has the potential to receive the most number of vessels for bunkering so India is a reliable bunkering destination," he said. Even as infrastructure falls in to place, along with the volume, quality has to be given importance especially with the new emission norms that the IMO has released. The coming together of all the stakeholders in the industry is crucial to the bunker sector surviving. "Shipowners should also play a major role as stakeholders and specify what kind of facilities they want. Also, the barge crew will have to be trained."

The panel concluded that the association and trade organisations should aggressively pursue the government in lending the right support to help bunkering grow in India. Some of the issues pending resolution included procedure for interstate supply, the need for floating bonded supply, high taxes and inadequate infrastructure. mg

Shipowners' Forum
Let there be a level playing field

India's total tonnage is just over 11 million gross tonnes and contributes to only 8 per cent of the total exim trade. The remaining 92 per cent of India's seaborne freight is carried by foreign ships. The Shipowners' Forum was convened as a roundtable colloquium to unfold ways of increasing tonnage under the Indian Flag.

The Shipowners' Forum brought together the three main shipping associations of India – the Container Shipping lines Association, the Indian National Shipowners' Association and the ICC Shipping Association.

Making his introductory remarks as the moderator of the session, Capt Deepak Tewari, chief executive of the shipping line MSC India highlighted the key issues that were to be debated during the session. The panel consisting of two other members – Deepak Shetty, Joint Director General, Shipping and Anil Devli, COO (Commercial), Indian Register of Shipping discussed threadbare four prominent pain points troubling the Indian flag, viz. the state of Indian shipping or flag registered in India, taxation issues concerning service and seafarers' tax, incentives to coastal shipping and foreign direct investment.

Shipping was one of the first industries to get a clearance for 100 per cent investment by foreign shipowners, but has not witnessed an appreciable increase in the Indian flag and in the last five years only one shipowner flagged his ship in India. "It is an ironical situation where shipping companies around the world are manned and managed by Indian sea farers and senior management, but unable to flag ships in India," Capt Tewari said.

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Capt. Deepak Tewari
CEO, MSC Agency (India)

The reason being that the operating cost was 42 per cent higher if an owner had an Indian flagged vessel compared to a foreign vessel.

Staying on the same page and mirroring his sentiments on the complexity of operating ships in India, Shetty concurred that taxation posed a huge challenge. While he hoped the introduction of the Goods and Services Tax and the Direct Tax Code would augur better for the industry in minimizing its operating costs, he said nurturing such a hope would be in vain as he does not foresee its passage in the near future. However, he did assert to the audience that there is a silver lining in sight where smaller concerns relating to service tax can be addressed.

He spoke of other measures that were arbitrated taking into consideration the matters of contention raised by all Indian ship owners. "We have simplified certain technical clearances such as the port entry regulation of the year 2002 that is, entry of ships into anchorages. We decided that the benchmark would *mutatis mutandis* be applicable for technical clearances. So it would be transparent and once you conform to it, you will be in," he said. Other matters of maritime administration that were resolved during the last fiscal year were extending the longevity of the license issued for a vessel.

The license would be co-terminus with the registration of a new vessel and will have the same longevity as the registration. On controlled tonnage, he asked for the industry's feedback and said their inputs would be considered to simplify registration and other processes.

If the Joint DG spoke of the many administrative blockages that were cleared and rested the other with the Ministry for resolution, the next speaker, Anil Devli said the buck stops at the Prime Minister's Office to carve out a national policy for shipping.

"There is need for a national maritime thought. We need to reinstate the need for Indian shipping." If the responsibility lies with anybody, it lies with the PMO, he thundered. Shetty suggested the need for the national shipping policy to be fused into a national transportation policy.

Umesh Grover was asked, would you look at easing cabotage for exim cargo? Could you give the benefit of competition to Indian trade?

You can bring in ships if there is long term cargo support and Indian ships will grow leaps and bounds if there is this support. Look at the oil sector, there is a requirement of 3 VLCCs per day taking into considering our imports.

"Let there be a level playing filed come and at a pre determined date, all Indian cargo and all offshore activity will be necessarily be done by Indian ships or Indian controlled tonnage if Indian flag is not available."

Deepak Shetty
Joint Director General, Shipping

"The buck stops at the Prime Minister's Office to carve out a national policy for shipping. There is need for a national maritime thought. We need to reinstate the need for Indian shipping."

Anil Devli
COO (Commercial),
Indian Register of Shipping

My sincere suggestion is there should not be relaxation. Let there be a level playing filed come and at a pre determined date, all Indian cargo and all offshore activity will be necessarily be done by Indian ships or Indian controlled tonnage if Indian flag is not available.

The other ways of improving business for India flag was by incentivizing coastal shipping. Umesh Grover, representing the Indian National Shipowners' Association said Indian shipowners are open to competition even if there are lower margins, provided there is long-term cargo support. "If Indian national tonnage has to grow, trade has to grow much more," he said.

The need for increasing India's prominence in the world's waters is because the presence of a strong national fleet helps exert a considerable influence on freight rates in the route, especially when cargo is exported and imported. This ensures that India has a competitive edge in the global market.

As an extension to this thought, one might augur that the INSA would push for cabotage relaxation in other ports as well. But that was not the case. Mr Grover argues against relaxation and said the relaxation will help save cost, but not save it from the burdensome taxes.

After careful deliberation, the panel concluded that unless tax barriers and duty structures that impede the growth of investments are dealt with swiftly, India cannot improve its tonnage scenario.

AMTOI & FFFAI

Ironing out the logistical creases

An integrated transport policy determines the level of transport output and prices in various sectors. The forum focussed on the transport sector, to champion the need to bring down costs in the sector.

Senior Consultant, Planning Commission and Member Secretary, National Transport Development Policy Committee BN Puri has proposed an integrated mode of transport in the country to bring down the cost of transportation in the country. While globally transport costs have been dropping in real terms, in India even though the transportation cost in rail has come down, the real cost has actually gone up. Even the Prime Minister has been pushing for an integrated transport policy. Logistics is an important part of the urban transport plan. In the next 20 years, the bulk of the GDP is expected to come from the urban sector. Therefore, said Puri, "if we don't develop our transport or our logistics, we will not be able to achieve the envisaged growth rate of 9 to 10 per cent." Transportation forms 65 per cent of the cost, with logistics accounting for 14 to 15 per cent.

There were two parts to logistics – hard and soft. The hard part of the logistics consisted of infrastructure while the soft part consisted of the transportation, inventory, management cost etc. So while a lot of work has been done in transport infrastructure, considerable work needed to take place on the softer part which has been neglected for long and where costs have gone up.

One of the major issues that slow down this sector is the lack of uniformity of customs rules pan India, says Debashis Dutta,Chairman, Federation of Freight Forwarders Association in India.

There are other issues that hamper smooth functioning of the maritime sector in India. Unlike several other countries such as China, India does not have a single ministry for transportation. "In the absence of singe transport ministry we have suggested that we have a single office for transport strategy that will look to all modes of transportation including logistics," says Puri. He says a single entity for a more integrated development in the transportation sector is a must if you want to reduce the transportation cost. With the evolution of container boxes, the break even point between road and rail has considerably reduced. On the domestic leg we spend more than on the international leg on per tonne km basis. This is because we do not have integration of various modes of transportation. He questions the logic of integration if there isn't a proper transport policy?

Logistics Parks: Logistics parks can bring down costs considerably. A beginning has been made by the Railways who have started Logistics Parks, albeit on a small scale. Land is a major issue and the land lies with the states. So the initiatives will have to come from the State Governments. The Centre would have to bring the State Governments on board and once we have a proper transport policy there should not be a problem in implementing it, said Puri. You need some sort of forum where you can have an integrated transport system to promote transportation. What is required therefore is some policy framework to be developed, based on the multimodal logistics concept where a substantial contribution and involvement would have to be from the private sector. That has been suggested in FFFAI's report on logistics, which was published in 2010.

Puri briefly enumerated the issues in the various sectors of the transport industry that needed correction. In the roads sector about 70 per cent of truck owners who had one or two trucks, are now manning fleets of five to six trucks. Puri is confident that once the Logistics Parks come up, this fragmentation of truck operators could be checked. In a study conducted by the World Bank in 2004-5, it was found that ₹3,200 crore was lost because of check posts in the country. With the General Sales Tax regime coming, this figure is expected to come down substantially.

Progress in the railways has been very slow over the years. “People complain of paucity of funds. But I maintain that the funds are available both in the private and public sector, but the facilitating mechanism is not there. And that is where the policy comes into the picture.”It is difficult to evaluate the cost of transportation in the railways, because there are no such studies or mechanism by which to know the cost of movement of goods, except those in the private sector.

Freight Corridors: Once the Freight Corridors come up and if the suggestions in the transport policy are implemented, it would go a long way in closing the gap in the short comings of the logistics sector. We just cannot afford to falter with mega projects involving ₹1 lakh crore and above. This is where research and development play a crucial role in the development and completion of projects.

In the case of maritime, the problem is with the draft of the ports. There were no Government ports in the country which could handle container vessels in excess of 8,000 teu, though the capacity is sufficient for liquid and bulk cargoes. The containers are the key to multimodal transportation and its share of traffic is expected to go up by 25 per cent by 2020. Should cabotage be relaxed? Puri is of the opinion that cabotage is coming in the way of coastal shipping. “If we do not develop mega ports, we would lose out traffic to the neighbouring ports.” They have suggested in the report that apart from mega ports in the east and west coast there should a number hub ports which should be developed all along the coast. The private sector is willing to invest once the policies governing investments are in place, said Puri.

“Regulation should be such that it eventually paves way for deregulation and instead have some sort of an appellate body in its place. Many of the policies currently in force have proved to be a stumbling block in the maritime sector.”

B N Puri
Sr. Consultant, Planning Commission

Tushar Jani, Chairman, SCA Group of Companies stated that many of the rules currently in force in the multimodal area pertain to an era even before the containers were invented! Even today the customs Act makes the Captain of the ship responsible for any loss of cargo. Why long standing containers can’t be devanned so that they can be brought back into circulation? Some of the containers are there since 1970. In west Bengal you still need an import permit to carry domestic cargo.

The Government does realize that the maritime industry has suffered due to restrictive policies. Puri is of the opinion that regulation should be such that it eventually paves way for deregulation and instead have some sort of an appellate body in its place. Many of the policies currently in force have proved to be a stumbling block in the maritime sector.

The spectacular advances in infrastructure in the maritime sector in the East Asian countries could be ascribed to simplifying policies and procedures and effective integration with the Information Technology sector. One aspect that GST has not dealt is with the supply chain. How is it going to handle the supply chain? The stakeholders have not been consulted as to what shape it is going to take.

Puri opined that officials in the various ministries such as shipping etc have very little knowledge of shipping per se. Often their tenures are short and so there is not enough time to build up skill and knowledge. Knowledge with the Government is poor. Solution? He has advised the maritime sector to form a logistic council who can then advise the civil servants across the table on critical maritime/ transportation issues. Perhaps that is the way forward.

IWT&CS

'Innovative policies needed to push cargo movement along waterways'

A day-long session on 'Inland Water Transport and Coastal Shipping' highlighted the potential of this environmental friendly mode of transport and how to optimize it in India.

(L to R) **Sudhir Vasudev Subhedar**, President, ICC Shipping Association; **K Mohandas**, Former Shipping Secretary & Part-Time Chairman of KSINC; **Amitabh Verma**, Chairman, IWAI; **Dr Ratiranjan Mandal**, MD, SREI Infrastructure Finance Ltd.

Although the Inland Waterways Authority of India (IWAI) has been a quarter century old institution, transportation through inland waterways came to prominence recently. "National waterways (NW) 1, 2 and 3 were there but hardly any cargo movement took place along these. Even though NW4 and 5 were declared there was no money for development. The biggest breakthrough came with the movement of coal to NTPC's Farakka plant along NW1. This showed that if you have the right approach to structure projects it was possible to use the waterways for cargo movement," said K Mohandas, Former Shipping Secretary & Part-Time Chairman of KSINC.

For coastal shipping, the government is looking at an incentivisation scheme, a kind of monetary support, for movement of cargo. The Kerala government has announced a scheme of giving a grant of ₹1 per tonne per kilometer for coastal shipping in the state subject to a limit of 500 km. "There is a similar scheme proposed at the national level as well. For the modal switch to happen there has to be a long term strategy, you may have to provide the kind of infrastructure support and innovative approach," he said.

If we are able to do that the statistics would certainly favour the inland waterways movement of cargo. In Kerala, we are waiting for the NW3 work to be over to see some kind of cargo movement along inland waterways. Due to some issues in Kerala IWAI has not yet been completed the work of IW3.

"The Kerala government has asked me to chair a committee to look into the feasibility of moving hazardous cargo through waterways. This is helpful in a densely populated state like Kerala where accidents while moving hazardous cargo on roads can lead to huge collateral damage. We are gathering preliminary data for analysis. What we need is specific plans for action, specific decisions that are required," said Mohandas.

According to Amitabh Verma, Chairman, IWAI, as an organisation the distance covered in the last 4-5 years is much higher than what we had done in the preceding 20 years. "We have 5 national waterways that have been declared. NW1 is the Ganges, NW2 is the Brahmaputra and NW3 is in Kerala including the backwaters and canal system there. These are the three operational waterways we have. The fourth is the Kakinada – Puducherry Canal system which was notified in 2008. On January 24 this year, we opened an office in Chennai and we are in the process of working on the Buckingham canal. Then we have NW5 that is Talcher to Dhamra and Talcher to Pradip. Some preliminary work is done and by next financial year, we plans to make significant progress on this route," he said.

There was delay in taking up the work of NW4 and 5 because there was a feeling that we should probably explore the possibility of PPP. We did appoint a consultant and based on the report we felt that PPP may not be a good feasibility. Globally also there was no experience of development of PPP in waterways. We have not completely closed the option and are still exploring some possibilities. We can use the help of PPP for jetties, terminals and the operation of jetties, storehouses, loading and unloading facilities

"There is a proposal within the government to declare NW6 in Assam. We have a feeling that standalone waterways may not be sufficient enough. It is time to incentivize the state government as well because most of the waterways and water is with them. When we were having discussions most of the state governments were not willing to accept waterways for navigation purposes. There are no regulations for maintaining or the construction of bridges, rail line or electricity and power lines across these waterways. As a result, we are facing lot of difficulties. We want the state governments to classify the rivers so that for constructing bridges and other infrastructure certain horizontal and vertical clearance is mandatory from IWAI. This in future will help open up navigational possibilities devoid of any issues,'' said Verma.

As standalone waterways will not achieve much, it is time we had coordination with state governments. There is a gap in terms of availability of barges. There is cost saving, there is environmental benefit and people are willing to move cargo along waterways but barges are an issue. There are 12 power plants on NW1. Now we have a commitment only from NTPC for its Farakka unit. They have given a commitment for 7 years for moving 3 million tonnes of coal annually. Finally, Jindal ITF won the contract. Based on this experience NTPC has made a

"Globally, about 21 per cent of the cargo is moved through waterways. The share of waterways in moving cargo will be much higher in Germany and the Netherlands. But in India less than 1 per cent of the cargo moves through inland waterways."

Amitabh Verma
Chairman, IWAI

commitment for its Barh plant near Patna, where it has given a commitment for 10 years for 3 million tonnes to be moved annually.

The major hurdle at Farakka movement was shortage of barges. Still we do not have the adequate number of barges to move the cargo. "For Barh we were estimating to need 90-100 barges. We need to be ready with barges as well as a few private players and many public sector players have enquired about the possibility of moving cargo through waterways," he said.

Globally, about 21 per cent of the cargo is moved through waterways. The share of waterways in moving cargo will be much higher in Germany and the Netherlands. But in India less than 1 per cent of the cargo moves through inland waterways.

Now that there is a growing demand and people are willing to make a commitment we need to put in mechanisms whereby the banks and the financial institutions are willing to take barge financing in a big way, Verma pointed out.

SREI Infrastructure Finance Ltd is a leading infrastructure finance company. During the last 25 years of existence, the company has emerged as one of the largest infrastructure finance companies in the country with a market capitalisation is about $12 billion. Even though the company has presence in almost all areas of infrastructure finance, Dr Ratiranjan Mandal, MD, SREI Infrastructure Finance Ltd, admitted that the company had very little or no exposure on the waterways segment.

"But it is good to know that there exists a great potential in this segment. As a result, it is interesting to explore the possibilities," he said.

Emphasizing on the importance of some political will to back the inland waterways and coastal shipping, Capt Sudhir Vasudev Subhedar, President, ICC Shipping Association, pointed out that the industry was made to spend and commission a study on the incentivisation scheme for the sector. "The purpose of the incentive scheme was documented by KPMG for the first time. But it was not announced the way it should be. This kind of roadblock in making available ships is disappointing," he said.

He said, at the request of the industry and the Director General of Shipping, over the last 4-5 months GIC has developed for the first time a third party insurance cover for the inland vessels and coastal shipping with a cover amounting to ₹50 crore. This would cover liabilities related to crew, pollution prevention, wreck removal and damage to ports.

The movement of bulk good is important for the progress of the economy. In India rail and road are very congested due to which anybody who is involved in the logistics segment will know that a lot of inefficiencies will crop in the production, manufacturing and services which is a big opportunity lost.

"Though coastal shipping and inland waterways do not have a big role to play in the country some of the problems are related to opportunities. We did not achieve much in the past and that perhaps gives us a reason that there is a lot to be achieved in the future,'' said RP Khare, Member, Technical, IWAI.

According to him, proposed waterways number 6 on Barak river will make a very good water transport network of 4,000 km. If it can be made commercially viable by undertaking the developmental work, we are very confident that in the years to come this river network is going to be important for the logistics network of the country as this area has got so many transport bottlenecks.

Jindal ITF, which has won the tender for unloading and transporting imported coal to NTPC's Farakka plant is now looking forward to capitalising on similar projects of moving cargo on waterways. "The business opportunity on NW1 is around 1628 million tonnes. In Farakka, we have a total requirement of 10.1 million tonnes of domestic and 3 million tonnes of imported coal. Imported portion is taken care of by us. Waterways transportation is ₹1.6 paise per tonne per km broadly as against ₹1.41 agaianst railways and highways ₹2.58. All stakeholders can gain lot of values from waterways transport as 200 mt is the total requirement of imported coal for the country," said Joy Saxena, CEO, Jindal ITF.

Sandheads to Farakka distance is around 357 nautical miles. "In our case there are two phases of development. The first phase has been commissioned which has the construction of jetty, conveyor a, b and c and a total conveyor length of 983 metres. The second phase will start now. It will have construction for additional conveyor for 1,200 metre and with three junction houses," he said.

The company has a transshipper with a capacity of 65,000 tonnes and a transshipper for unloading coal from ocean going vessel at Sand heads. "We have barges required for present transportation of coal. We have successfully handled two ocean going vessels as of now. We have already unloaded 125000 tonnes of coal through barges for NTPC," he said.

According to Raj Singh, MD, Heritage River Cruises, the company started the project about 10 years ago with the help of IWAI. "Ganges along with other rivers were used for cargo transport even during historical times. We are now sort of reinventing ourselves by taking cargo or cruise through Ganges," he said.

Construction of dams has affected the navigational properties of our rivers. Plus with the advent of railways which offered cheaper option for transportation also affected waterways navigation. British used Ganges for the transportation of opium to China. "Transportation of cargo along waterways is environmental friendly and one can see heritage sites, rare flora and fauna like Gangetic dolphin while on a cruise," he said.

Yashwant Singhi, MD, Eastern Navigation, said, availability of barges was a problem mainly because they were not available where it was required for transportation of cargo. "Main problem lies in the eastern

Joy Saxena
CEO, Jindal ITF

"All stakeholders can gain lot of values from waterways transport as 200 mt is the total requirement of imported coal for the country."

sector, where we say the barges are not available. These are the barges created for iron ore cargo which are not being utilized in Kolkata. Now, Jindal has come and they need barges and the solution is in the rates, the Economics. What I want to stress on is it is not the non-availability of barges which is the problem. The problem lies in the non-availability of cargo which can be economically transported. It is not supply but demand that is the problem," he said.

When we compare ourselves with Europe, China or Brazil where the waterways are quite active we have to take into consideration the railways in our country which, is very good and effective. Now we have to compete with railways for the bulk cargo, which shows that we have to have a pricing which is equal to the railways or lesser than railways. We are unable to do that. "In order to do that we have to have a basic minimum water depth, where the fuel to load ratio becomes economical. It is seen throughout the world that wherever there is a current any water depth less than 3 metres is not going to be economical for movement of bulk cargo," Singhi pointed out.

But if you have a dedicated customer like NTPC, if you have dedicated customer like iron ore players in Goa and if there are no other alternatives then any economics will work out. But if you are looking at moving sugar from UP and taking some fertilizer from Kolkata on a regular basis then we have to look at increasing the waterways depth to minimum 3 metres. "Somehow we are not accepting the fact that 3 metres is the threshold needed for transporting cargo in an economically viable manner. Goa has lot of surplus barges due to iron ore ban and these can be deployed on east coast," he said.

While admitting that security is an issue for cargo transportation along waterways, Capt DC Sekhar, COO, Alpha Mers, said it was not a major threat for bulk cargo. "With tracking software and various systems to send warning this can be tackled. There should be local regulation appropriate to this stretch. If 50-100 barges come, the repair services, the waste, third party inspectors all this will automatically come very soon. Mutual insurance was also on the wishlist but that is now answered. Repairs and supply will come on its own," he said.

"When we compare ourselves with Europe, China or Brazil where the waterways are quite active we have to take into consideration the railways in our country which, is very good and effective. Now we have to compete with railways for the bulk cargo, which shows that we have to have a pricing which is equal to the railways or lesser than railways. We are unable to do that."

Yashwant Singhi
MD, Eastern Navigation

For the amount of money we spent on highways with acquisition of 100 metres of land all along, we need to study in certain flat land perhaps it is better to go for man-made canal. If you have silt traps in between you don't have to do full-fledged dredging of canals,'' he said.

Explaining the role of transshipment services, Rajesh Mehrotra, chairman & CEO, Sula Shipping & Logistics, said, Sula's primary USP was to try and drive 10-60,000 tonnes of cargo per day even with 3 metres of water.

"We use transshippers, where we feel they can dramatically increase the parcel size of bulk cargo and ease logistics challenges on both east and west coast of India. We are the link between the barges and ocean going vessels. We took this challenge because our partners who are based in the Netherlands and Cyprus have been doing the rivers operation of loading vessels in Venezuela, Uruguay and now in West Africa. What we do is we unload the ocean going vessel s, store and forward the cargo to inland waterways. Our ship size is about 70,000 tonnes. We have an unloading capability of 35,000 tonnes per day of coal. We operate like a floating terminal. Just this one project of NTPC, we will save about 2 lakh tones of truck movements per year,'' said Mehrotra.

According to Capt AK Shrivastava, CEO, Shipping Services, Allcargo Global Logistics, coastal shipping can cater to both domestic cargo as well as EXIM. "There is synergy between coastal shipping and inland waterways. Longer the first and last mile connectivity viability of coastal shipping will not be there. So when we are looking at coastal cargo we will not go too far inside. We limit ourselves from 100-200 km of the coastline. River system can expand the reach and the penetration of the waterborne transport. If you can combine effectively the inland waterways and coastal shipping we will be able to serve larger areas," he said. mg

NISAA

'Vision should be clear to support future container movements'

The business forum reviewed challenges, trends and gap areas that need to be addressed to cater to the growing container trade in the country.

The dedicate freight corridor is still four years from being commissioned. But Concor has very aggressively launched Multimodal Logistics Parks (MMLPs) to take on the cascade of opportunities that this ambitious and the largest project ever undertaken by the Railways, will undoubtedly offer. Perhaps Concor is among the very few Container Train Operators gearing up to meet the challenge. In the Maritime Week just concluded, the forum titled Container Trade 2020 - Challenges and Opportunities, offered the NISAA community an opportunity to highlight the future problems and challenges.

In a bold move Concor would be investing ₹6000 crores towards the development of 15 MMLPs to harness the potential of the DFC (Dedicated Freight Corridor) and the expansion of port capacities. Sanjay Swarup, Group General Manager (International Marketing), Container Corporation of India Ltd, said this Concor investment in the Twelfth Five Year Plan would function as value addition centres for cargo and would provide just-in-time inventory management. All facilities would be provided at the door step of the customer.

The facilities that would be provided at MMLP would be: ICDs, Domestic terminals and facilities to handle railway freight wagons under the PFT policy. All kinds of warehousing, transit, bonded and temperaturecontrolled warehousing would all be housed inside the MMLP. The facility would be equipped with the state-of-the-art equipment, cranes forklifts, re-stackers etc. There would be customized IT applications for operation and storage. The first MMLP is coming up at Khatuwas. Most of the MMLPs would be coming along the eastern and western corridors of the DFCand along the feeder routes in Rajasthan, Uttrakhand, Punjab, Andhra Pradesh, Maharashtra, and Gujarat. There would be one in Tamil Nadu too.

With the DFC coming in, would the terminals at either end be able to handle enormous volume of cargo that would be generated? Capt. CV Ramnath, CEO, Container Terminal, Adani Group, Adani-Hazira Port Pvt Ltd questions the possibility of JNPT handling this volume of cargo. Today JNPT is functioning at 27 per cent above capacity which would last till the 4th terminal comes into operation in 2017 when 1 million teus will be added to the capacity. This would bring respite, albeit for a limited period. When the fourth terminal is fully commenced by 2021, an additional 4.8 million teu capacity would be added which capacity would suffice till 2028-29. One rake can carry 90 teu, which is equivalent to 280 trucks. The DFC cranes would be able to carry 360 teu, equivalent to 1102 trucks. Can the port terminals handle such large volumes of cargo? Ramnath believes that after 2029 JNPT would revert to the same status it is today. Further scope for expansion would not be possible.

The solution, Ramnath believes, lies in Gujarat. Between Adani Mundra Container Terminal (AMCT) and Mundra International Container Terminal (MICT) there is scope for expansion to cater to additional volumes.

Barring few non-major ports, the drafts at the major ports would be grossly insufficient to cater to the vessels that would be diverted to call at the Indian subcontinent. The vessels which were plying in the east-west trade with capacities of 10,000 to 14,000 teu would shift to 14,000 to 18,000 teu. Vessels with capacities 6000 to 10,000 teu would shift to vessels of capacities 10,000 to 14,000 teu. In the Indian subcontinent, the vessels of capacities 3,000 to 6,000 teu would shift to 6,000 to 10,000 teu vessels. For Indian ports to survive, it should have the dimensions to handle these large vessels of capacities up to 10,000 teu. BN Puri, senior consultant, (Transport Planning Commission) & Member Secretary, NTDPC, Government of India, bluntly stated that no major port in India had the capacity to take on vessels of capacity above 9000 teu.

Another cause for concern was that no southern port in India was connected to either wings of the DFC, despite the fact that the port capacities were not a problem. Ramnath felt that there should be at least a feeder service to the ports connecting to the freight corridor. He urged that the shipping lines should now start looking at the southern ports of Chennai, Ennore, Kattupalli, Krishnapatnam and Tuticorin. These ports together were functioning at 45 per cent of its capacity. The traffic, by present projections, at the ports, is expected to catch up only by 2043.

There is going to be a reduction of cargo coming to Chennai from the neighbouring states. Mangalore which

was contributing 90 per cent of traffic would come down to 73 per cent, cargo from Andhra Pradesh would reduce from 80 per cent to 50 per cent. Reason the upcoming deep water Krishnapatnam port.

"Forty per cent of India's container cargo, amounting to 4 million teu, originates from the northern hinterland," said Prahlad Tanwar, Associate Director, Transport and Logistics, KPMG Advisory Services Pvt Ltd. It is far higher than any other region, including the western region. In terms of trends it is the fastest growing both for import and export cargo. The outlook is that it would continue to grow still further. The importance of the northern region can also be gauged by the fact that with the exception of three global forwarders, all others are based in the NCR today.

However the containerisation levels in India is 50 per cent whereas the world average is 70 per cent. Future projection will not go beyond 65 per cent because majority of commodities which are agro based would continue to be sent by bulk.

A substantial volume of cargo from the NCR region is cornered by the Pipavav Port operated by APM Terminals. Ajay Verma, General Manager, Marketing, said that from 2012 to 2013 Pipavav grew by 16 per cent vis-a-vis total throughput, rail volumes grew by 31 per cent. In 2012 the rail throughput was approximately 3,36,000 teu. In 2013 the figure escalated to 4,40,000 teu. Talks are on with the Ministry of Environment and Forest for the clearance of liquid and container terminal. With two container berths, they expect to see the port capacities through 2017.

The eastern arm of the DFC is not being constructed for double stack movement container trains but would be single stack all through its length. "This is myopic," insisted Raghu Dayal, former Managing Director,Concor. "You build a line for atleast a hundred years. Even if you are saving some cost today, you are mortgaging the interests of future generations," he said. He asked the audience, "My appeal to all of you to agitate against a single stack eastern; it should have at least a provision for double stack even if you don't construct double stack catenary today." Concor should lead this protest. Coming from one of the most respected bureaucrats with a remarkable career in the transport sector, the authorities had better sit up and take heed.

There is lots of action in the container sector. However, the vision should be clear and future provisions need to be made so that present efforts don't fall short of the mark.

IPPTA
'Let market forces decide tariffs'

Business forum conducted by the Indian Private Ports and Terminals Association (IPPTA), discussed the new tariff guidelines, its positives and the challenges faced by private operators. The forum stressed on the need to shift to a new model, where market forces will decide tariffs and a level playing field for the port sector.

The port sector in the country is set to play an important role in the economic development of India. With competition hotting up, major ports under the Central Government, is under pressure to become commercially viable entities. As public-private partnerships become the preferred more of development at major ports, there is a need to relook at the existing tariff guidelines in India.

The Ministry of Shipping came out with a new tariff guideline policy in July 2013, which is applicable to projects that are bid out after that date. However, these guidelines are not applicable to old projects that are guided by 2005 or 2008 guidelines.

"Good thing about 2013 guidelines is that it allowed ports the freedom to choose the highest tariff. This was a problem with 2008 guidelines which had some reasonable tariffs and some very low tariff. Reconginisng the issue, the government allowed ports to set their tariffs. It also changed the role of the Tariff Authority for Major Ports (TAMP) from a tariff fixation body to that of a regulator. It allowed the operator the freedom to charge upto a maximum of 15 per cent more than the notified tariff if they met the performance guidelines," said Kevin D'Souza, Director, Commercial & Business Development, DP World.

After these guidelines came out, many ports chose the highest tariffs. It saw Chennai for its project in Jawahar Dock to choose the JNPT tariff. We recently saw Diamond harbour in Kolkata choosing the Vizag tariff. Kandla also chose the JNPT tariff. Tamp has also been liberal in allowing these

tariffs. But the new guidelines still have not generated investor interest. One primary reason is we have three sets of guidelines. These different sets of guidelines have vitiated the intra-port competition scenario.

According to D'Souza, the opportunity lies with the government and industry to have a single tariff guideline to ensure level playing field for all players.

TAMP was constituted in 1996 when the first PPP project was executed. 2013 guidelines is called reference tariff and it also fixes performance linked tariffs. "If they do more than 25 moves then they are entitled for a 15 per cent increase in tariffs. It provides for payment of revenue share by PPP operators either on base tariff or on the performance linked tariff. There is also provision for grievance redressal. If the user feels that the operator has done less than 25 moves, there is a provision for making a complaint. It also asks for mandatory disclosures by the operator for transparency," said TS Balasubramanian, Chairperson, TAMP, in his presentation.

Some of the merits of the new guidelines are simplified tariff fixation. "We feel that the tariffs fixed under 2013 are slightly closer to the market rate than 2008 or 2005. It helps quick processing of proposal. In the proposals we ensure that the views of the bidder as well as users are taken seriously at a joint hearing. We feel the proposals are by and large realistic. We feel that it will lead to faster execution of projects. We also feel it will attract more investments from domestic and foreign players. I feel it is a win-win situation for both the ports, operators and users," he said.

2005 guidelines covered tariff fixation proposals of both ports and BOT operators. The idea is to bring all BOPT operators of 2005 under the 2013 formula and have a separate guideline for the port. We are trying to remove whatever the drawbacks in 2005 guideline. In the new draft guideline there won't be any mopping up of surplus revenues plus if the port earns surplus in the previous cycle they can keep the entire money and it has to be utilized either for upgradation of port infra or for meeting pension liabilities.

In the new guideline, we are allowing the entire discount given by the ports will not be mopped up. Under return on capital employed which we give under 2005 based on the net value of the asset. In the new guideline also it will be based on net value of the assets but we are going to give 100 per cent WPI increase every year.

The ports basically want a revaluation of the assets. But it was felt that it will be time consuming. Second point is that the tariff may go up exorbitantly. To avoid such a situation return will be calculated on the net value of the assets but 100 per cent WPI increase will be given year to year. Ports will also be entitled for 15 per cent incentives provided they achieve the excellent category. Even 16 per cent return will be given not only on the business assets but also on social obligation assets etc. 16 per cent return will be given on capital work on progress whereas in 2005 guideline whether the asset is commissioned they were entitled to return.

Julian Michael Bevis, Senior Director, Group Relations, South Asia, AP-Moller-Maersk Group, said, TAMP

was operated with an aim to try and introduce the basic market economics in the port segment.

"In the absence of an effective market and in the absence of real competition the government decided to set up a regulator to try and bring the discipline to the market generally. It was the aim at that time that the regulation would evolve over time as the market develops and the regulator will eventually leave the field for the market forces to determine the tariffs," he said.

Unfortunately that did not happen and we ended up with a regulator. Ports were beginning to see pressure to improve productivity and revenues at the ports. The important thing is that the legislation, the rules, set by the tariff authority has seen some changes. We have an effective market in the port sector and the regulator who is willing to change its rules.

"Industry is not against a regulator per se. It is required to ensure that the sector operates efficiently. But we already have existing regulations in this regard. What needs to be seen is how we make that transition."

Julian Michael Bevis

Sr. Director, Group Relations, South Asia, AP-Moller-Maersk Group

Bevis made it clear that going ahead the industry wanted to see market forces rule. Generally speaking, market forces are the ones driving the economy. Therefore, the more effective the market, the role of the regulator should be relaxed.

"Industry is not against a regulator per se. It is required to ensure that the sector operates efficiently. But we already have existing regulations in this regard. I hope we are moving towards it. It is a positive step that the regulator has decided to revamp the guidelines. But that should not be the last step. Last step should be to let the market forces decide on tariffs. What needs to be seen is how we make that transition and how effectively and quickly make that transition," he said.

We are a country desperate for infrastructure. So this will ultimately benefit each and every Indian citizen. Currently, we have operators who were forced to limit what they are doing which clearly is not in the national interest in the long run. We do not have a level playing field. "What the industry is after is not a place in the sun. What we are looking for is we stand or fall on our own merit and which we do according to market forces. In order to have that we need to have is a level playing field," he said.

What the government needs to understand is that at this point in time it is sending a very poor signal to the international market in respect of foreign direct investment. Country needs foreign investment. After the financial crisis in 2009-10, investment is in short supply. People are not rushing to commit their money for any projects. They are very selective. So India has to compete with others to get that money. mg

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Rail Logistics

'Core issue is about financing projects'

Can the Indian Railways allow the private sector to become partners in the containerised and bulk good movement in the country as an equal partner? This was the issue under discussion in the session on Rail Logistics.

(L to R) **Sameer Bhatnagar**, Associate Director, Consulting KPMG; **Manish Puri**, Managing Director, APL IndiaLinx - Rail Operations; **Sanjay Swarup**, Group General Manager (International Marketing), CONCOR; **Sharat C Misra**, President, ACTO speak while audience in rapt attention.

Session moderator Manish Puri maintained that rail movement was critical as a logistics backbone. The share of the Indian Railways on cargo being moved was just 30 per cent and declining. Rail movement of cargo is environmentally better and has more of the multiplier effect on the economy. Puri maintained that the industry needs to start looking not as transport service but come in as a solutions provider.

The need is to bring about creativity in how rail movement of cargo takes place. Conventionally it has been the pendulum movement where the stuffed containers are moved to a point, destuffed and restuffed or moved as empties back to the point of origin. If there is enough cargo available at both ends this is the best way to go. The container sector has worked where there has been shortage of capacity in rail. Now with three gateway ports for the north-west sector and multiple ICDs in the same market the requirement is for network planning. Consolidate volumes in one place and bring it to the hub.

For both double stack container and hub and spoke models, there has been a huge amount of resistance but in the long term it will improve service quality. New thought has to be about creative solutions with rail functioning as a network.

Regulatory and pricing issues need to be worked out. Infrastructure is a major area of concern. Despite just 30 per cent of cargo there is a capacity constraint. Railways admit to this problem. Capacity shortage is because of line problem. Passenger services are up, there is short supply of some assets. The Dedicated Freight Corridor was the right idea. The proposal of private investments in wagons is good. A lot more needs to be done but the system has to be nimble.

Look at what happens when the system is slow. The DFC was designed to decongest the JN Port. Today the JN port has more than 15 trains. But cargo has shifted to Gujarat ports. By the time infrastructure will be ready, the volume has shifted to other ports.

Rail heads in the peninsula will remain a challenge. The Bangalore-Chennai corridor is a very strong market for road. Chennai needs to get a road solution. Bulk cargo, however, is a different story. East coast has the bulk ports. Decisions for what kind of cargo should be well planned.

Sanjay Swarup Group General Manager, (International Marketing) Concor explained that 60 per cent rail cargo was delivered on 16 per cent rail route km. The network will fall short. The Delhi-Mumbai route was working on over 100 per cent capacity with the TKD-Palwal sector at a whopping 193 per cent.

The current 10 million teu in 2013 of inland penetration of rail is very low. There is a huge import export imbalance. Concor and various ICDs are present. There is a huge transaction cost with so many ICDs in a small area. Transaction costs very high for the shippers. The DFC is expected to be commissioned in March 2017. Multimodal logistics parks are planned at Khatuwas, Sriperambadur, Pantnagar, Vallarpadam, Nagpur and Baroda, among others.

Sharat C Misra, President, ACTO said the time has now come to create assets. Assets haven't been created appropriately. Rail is not just a transporter, it is the largest logistics provider in country. It has the strength and manpower to provide the services. Concor created for that purpose.

But ther is a huge shortage of track capacity. Sections have no tracks, some have double lines. The issue of terminals too remains. People believe the average running speed is 22 km/hr. This is also because train is detained at terminals. Facilities were not meant not for handling of cargo. Warehousing too has issues. There is no value addition to cargo from one terminal to another. This has to change. In these different aspects action was initiated. The DMIC should have been up by 2012. In 2017 too it will not be fully operational. Railways understand need for trackage capacity.

The terminals policy and the PFT policy have attracted attention. But while 45 of the terminals have been built or notified. These are brownfield developments with no sidings. The CRWC (Central Railside Warehouse Company Ltd) mandate to build warehouses next to track in 22 locations. This can be extended to other operators as well.

Time has now come to handle more than coal which constitutes 46 per cent of business. The automotive industry is crying for rail help. Retail manufacturing and then the concept for cold chains too is looking for rail help. Railways are no state of preparedness. Two people have taken licenses in automotive movement too. Wagons too are still in short supply. There is still a long way to go.

The core issue relates to financing of this project. Railways have not been able to attract any investments and in five years nothing much has happened. These are long gestation projects. Railways are not even taking the demand risk on itself. In Kutch Railways when the operator started making money after taking on the risk, Railways has a problem. The regulator is only for tariff and only recommendatory. What members will constitute regulator is not clear.

The Railways needs to set a clear base to give financier the security of continuity of cash flows. Rail PPP has a success of 3 per cent. Maritime has 35 per cent success in major ports and 55 per cent in non major ports.

Container traffic is a licensing policy. Railways are not a ministry of

"The Railways needs to set a clear base to give financier the security of continuity of cash flows. Rail PPP has a success of 3 per cent. Maritime has 35 per cent success in major ports and 55 per cent in non major ports."

Sharat C Misra
President, ACTO

the Government of India. It is a service provider, regulator and competitor to the private sector. Unfortunately the Railway Ministry is the prize given to alliance political partners. As a result it is mulched dry.

Container operators have put in ₹6000 cr and suffered ₹600 cr of losses. There is no real conclusion and there is a long way between problems and delivery. The Indian Railways expected ₹1 lakh cr through private participation in the Twelfth Five Year Plan. Will banks invest? They need a bankable project. The issue is who takes the demand risk? The issue is also of of land and how do you finance it. For warehousing you need a 1 km by 400 m land along the siding with no road passing through. The Railways reversed two decisions – reservation of certain goods for the private sector to carry and the hub and spoke policy. This has been reintroduced.

Kutch and Pipavav were interesting futuristic projects for port connectivity.

They suffered a lot in initial years. But global changes caused shift of cargo from JNPT. This was not a planned process. KRCL and PRCL see demand now. Costs have now come down.

Somebody who wants connectivity to port can build his own line. But is a steel plant has one line and wants to double the line and can pay for that. That land will belong to the railways. When he spends money returns will be sought. But when there are no dedicated lines and the EMU wagons and passenger traffic slow that down. Three train operators got investments. But they need to be given a fair chance.

Ports have the same problems. In all these projects, demand risk is taken by the by concessionaire. Viability gap funding too is made available. Railways or whoever is co-ordinating should assure that they will not allow the leakage to happen.

Sameer Bhtnagar, of KPMG recommended the involvement of states which is very important for land acquisition. He also recommended an independent regulator for tariff and commercial principles. The projects could get off the ground only with viable and tenable agreements. He supported expediting construction of freight corridors for more track capacity. He said that to push cargo volumes to sustainable levels it is important to get the chambers of commerce of the region involved.

Puri said the process of policy making needs to be more inclusive. Not topped up. Need to discuss this. Policy was announced but has not taken off. If the DFC can be expedited and all restrictions removed the process can be expedited.

Mishra said the Railways has currently a very dynamic board that can make things happen. His plea was to do something for containers, modify concession agreements and enhance the role according to recommendations of the Rakesh Mohan Committee. Cap on returns was conservative and must be relooked.

While the private sector is excited at the prospect of joining up with the railways, it needs bankable projects with defined time frames for implementation, where profits can be booked and terms, conditions and contracts documents are transparent and upfront. mg

Fertilisers

Urea decontrol likely to offer new opportunities

India is the world's largest fertilizer importer with phosphate-based imports increasing from China, Russia, Canada and the Middle East, owing to a growing domestic retail demand. Some Indian companies have also sought permission from the government to export crop nutrients, thereby improving prospects of trade for ports. However, like other specialized cargo types, fertilizer handling requires dedicated port infrastructure.

Audience is all ears as speakers make a point.

The fertilizers round table session was specially convened to see how the ports can better their services and discuss the growing import and export opportunities for fertilizers and the hinterland connectivity requirements available.

The forum had representation from both the industry and the government who presented their views on how an interface between ports and the exim community can accrue best productivity and freight benefits to importers and exporters.

The session was chaired by MN Bhaskaran, Executive Vice President, Nagarjuna Fertilisers. He chose to begin by stating that ambivalence would welcome and prevail in the fertilizer industry in the coming few years as he foresees a drop in imports. The price fluctuations and a policy uncertainty resulted in a drop in demand from the farmers, leading to market erosion.

"But there is an opportunity in the horizon. We are expecting urea de-control because the subsidies will be discontinued," he said, emphasizing on the future prospects.

Since the fertilizer sector is import dependent, all ports need to be equipped with sufficient infrastructure in terms of dedicated rail sidings, mechanized cargo-handling equipment, security control rooms and weighing bridges. "It is very important that the port operations are enhanced because fertilizer import is seasonal and time is of essence. So, the tonnage that is brought to the port should be planned and scheduled in such a manner that it reaches the farmland during the season," said Tapan Dutta, Director, Department of Fertilizers.

To handle cargo efficiently, there is a need to enhance the port operations in both the West and East coasts. Urea is handled by Mundra and Kandla and railway and port authorities have improved their facilities many fold. In the east coast, the Krishnapatnam port too handles a huge tonnage of finished fertilizer and has good railway connectivity.

But the problems faced by the port authorities are not confined to port capacity alone. Connecivity and rail logistics too play a major role in slowing the movement of cargo from the port to the farm.

As one of India's biggest fertilizer importers, Bhaskaran says, "There is a problem with the number of rakes because we are not able to get the required number at all ports from the railways. We also need to look at the infrastructure the railways have. In ports such as Kakinada, you have only one line available in Kakinada where even coal imports take place." This could hamper the movement of cargo.

Port players such as Krishnapatnam Port on the east coast emphasized that unlike other major ports such as Visakhapatnam that cannot accommodate very big vessels, Krishnapatnam has the capacity and can use the berth to handle fertilizers when imported and substitute it with other products such as food grains during other seasons to ensure the berths are not idle. mg

Agro Commodities

Storage, transportation issues plague agri-produce distribution

A round table discussion on agro-commodities focused on the need to address issues related to storage of transportation of agri-produce. Panelists pointed out that despite high production, India is unable to ensure adequate distribution of foodgrains among its population and unable to command good price in the global market due to poor supporting infrastructure.

Participants at the round table closely following a speaker's presentation.

India is the second largest exporter of agro-commodities in the world. To sustain the momentum, the Central government's foreign trade policy provides a 5 per cent incentive to increase export of agricultural commodities like wheat, vegetables, meat and marine products.

Although agriculture contributes only 15 per cent of our GDP we are one of the top 10 agriculture producers in the world. "India ranks number 5 in terms of arable land that we have. It ranks 7th in terms of total land under cultivation. We are currently producing around 250 MT foodgrains, 76 MT fruits and 165 MT vegetables. We are second largest in terms of fruits and vegetable production and we have just overtaken Thailand as the largest rice exporter. Last year, we did a total 25 MT exports, which 20 MT was rice and wheat and rest other serials," said Anjan Brahma, Manager, Global Strategy Group, KMPG.

According to him, despite being a net exporter our net average per capita foodgrain availability has been decreasing. From 1995-2010, we saw 444 per gramme per capita coming down to 404 gm. In terms of global hunger index we have Zimbabwe, Pakistan, Nepal, Bangladesh, Malawi and Uganda better placed than us. Besides, steady rise in prices for agricommodities.

"Despite our high production we face this situation because our infrastructure is woefully short of storage and transport of our agriproduce. We have a foodgrain storage capacity of 110 mt against a production of 250 MT. We waste 21 MT of wheat annually. We also need to look at what our ports have to offer. We need to improve warehousing facilities at ports," he said.

Rajiv Chaturvedi, Chief General Manger, PEC Ltd stressed on the need to have proper policies in place to command good pricing in the export market. "Due to improper storage and our transportation being in jute bags, generally when it comes to the case of getting the price in the international market, we do not get the right prices. International buyers also consider Indian wheat only for blending purposes. All these are due to our poor upkeep and low standards. This has to change. Private players need to set up facilities for better handling. World should get a feeling that we are here for long time. Due to political reasons, we should not put ban on exports," he said.

According to Siddharth R Amin, Director, Dr Amin Controllers, there is an irony in the entire food chain. Irony starts from the fact that we have ministries wanting to grow huge amounts of crops. "Gigantic production takes place and then there is this mismatch with storage. We do not have proper transportation facilities. The question arises why to grow so much crops. Second factor is that growing that much food is a big burden on the tax payer because the farmer gets everything on a subsidized rate. He also gets a minimum support price on his produce. If you do not have comprehensive policies to address these issues it will just add to the wastage," he said.

Besides, there are no uniform policies across the states and Centre for warehouse approvals. So it is a nightmare to get private warehouses accredited. mg

Project Cargo

'Cargo movement delays cost end user dearly'

A round table on project cargo helped highlight the difficulties faced by various players in the logistics segment, who are engaged in moving over dimensional cargo. Apart from adequate rail and road infrastructure, logistics players said, they suffered from delay in clearances adding up to the entire cost of operations.

While the movement of project cargo during monsoons would not be possible due to poor infrastructure conditions, even in the months of November, December and January, logistics players faced difficulties in moving cargo across the bridges and roads of the country.

"Some of these bridges are over 100 years old and are very strong. But with the size of cargo becoming big, we find it difficult to move them on these bridges. "Varanasi bridge for instance, the clearance is for about 9.5 metre diameter cargo. In Hooghli River we get permission to move cargo only in March and April. If a bridge is 70R it means we can move 100 tonnes per square km as per a study done along with Engineers India. On 40 R bridges, we can move maximum 49-50 tonnes of cargo in a single package. There are 30R bridges where we can move only up to 20 tonnes including vehicle weight," said Vimal Vimal Kumar, Head, Projects, NYK Lines.

The automotive industry in India is one of the fastest growing markets globally and ranks sixth largest in the world in passenger car and commercial vehicle manufacturing with an annual production of more than 3.9 million units in 2011, posting a growth of 16-18 per cent. As car exports pick up from three manufacturing clusters in South, West and North India, they require state-of-the-art terminals and port infrastructure such as ro-ro facilities. This segment also falls under project cargo.

"$1.6 trillion is the size of project logistics in India. This is what we are targeting," said Sharmila Amin, Regional Director, Bertling Logistics India. According to her, Indian players have been there even before MNCs and have finished our nuclear plants, power plants and fertilizer projects without the help of any MNC partners.

Lot of project cargo is now moved based on cargo infrastructure fee (CIF). Local players control more than 71 per cent of the market. Going ahead, there will be shortage of equipments and there will be shortage of skilled manpower, she said.

What are we going to invest in? We received FDI $19.52 billion in 1991-2004. We are going to invest up to $320 billion to be pumped in not just from India but all over in various segments of power, goods, railways and others. However, she pointed out that in the last two years, no much project cargo movement happened in the country.

With Indian economy to grow at 5.3 per cent in 2014, a major contributor for the growth of project cargo would be power segment, provided the government policies support the sector. "Potential for projects is huge but we need right policies to support them," she said.

According to CV Kumar, CEO, Goodmover Technologies, the disconnect between the thought process of the Central government and the people who give permissions at state level is so huge that it can never be bridged and that is the biggest challenge for project cargo movement on roads. mg

INDIA MARITIME WEEK
Jan 28 - Feb 1, 2014
JW Marriott Aerocity • New Delhi

WISTA India launches the Delhi Sub-Chapter at the India Maritime Week

With over 85 members in different parts of the country and over 1800 members worldwide, WISTA provides a great platform to the women of the industry to network, share ideas, and make their respective businesses grow, with education and mentoring also in focus. A sign up of close to 20 members for the Delhi sub-chapter is ready and WISTA India welcomed interested prospective members at the launch.

WISTA team

The Women's International Shipping and Trading Association, WISTA chose India's biggest shipping platform, India Maritime Week to launch its Delhi Chapter. With much fervours and aplomb, the Northern chapter of WISTA India was launched on January 29, 2014.

The President of WISTA India, Ms Sanjam Sahi Gupta inaugurated the launch along with Ms Shantha Martin, WISTA Executive committee member, Ms Sharmila Amin, Head of WISTA Membership Committee and Ms Vinita Venkatesh, Head of WISTA South India.

The Delhi chapter will be headed by Sumiit Sharma (from Doehle Danautic India Private Ltd), who spoke at the event on her experience as a WISTA member and the plans she has for the sub-chapter. Along with Ittu Sharma and Poroma Rebello, she will take care of the North Indian region and all the ICD for WISTA. 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.

"We help women to launch themselves in to larger horizons. The effort is to integrate and collaborate with the industry and academia. We hope to expand to many more cities in India in the coming year and double the membership numbers."

Sanjam Sahi Gupta
Director, Sitara SHipping

"There are various areas where women venture in where WISTA provided them an opportunity to visit a vessel and understand how it works. We also got a chance to share our thoughts on how we could bring in diversity in the way we can work to heighten the input brought to the table," said, Shantha Martin, CEO – ISC, Middle East, South & East Africa.

As part of the country's first official all-Women's shipping association, WISTA Indian President Sanjam 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 launch was heartily welcomed by all the members of the shipping fraternity with the senior officials lauding the progress made by young, enterprising women.

This platform gave WISTA an opportunity to showcase how women emerge to take up senior roles in progressive countries and international organisations. mg

INDIA MARITIME WEEK
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Tee time with Maritime!

Intellectual maritime activity took a backseat and it was merry time and bonhomie that came first. With the rugged Aravali range forming a dramatic backdrop, manicured landscapes and sparkling lakes played host to India's only Maritime Golf Grand Slam. The forbidding, frosty morning did not bridle any of the aficionados to swing their clubs to a win at the capital's finest golf course. It was day two of the India Maritime Week and the feverish excitement was palpable as over 60 enthusiasts from the industry put on their gloves and pulled out their clubs to ace it. It was the perfect weather for golf and the shippies left behind their grays and blues and got in to colourful hues. Walking around in turtlenecks and wind cheaters, the players kept walking the course to warm up before the days play commenced.

The game began at about half past eleven when the starters got off to an emphatic start by hitting a birdie. A few holes later, the usually shipshaped professionals let out jubilant shrieks cheering their fellow golfers each time someone scored. Although the wind made it difficult to control the ball, there some pros hit it with an over spin on it.

There were many funnies during the game besides all the traditional achievements. Besides debating on policy matters pertaining to the industry, Maritime Gateway believes

Usually, in all matters pertaining to serious business, play comes after work. But as exceptions to all rules exist, so does one for this too. And since being at the vanguard of escorting change has always been Maritime Gateway's practice, it took no time reversing all the rules of work!

that relationship building over a golfing game is as important as networking under neon lights. That even as decision made in the North Block and South Block hold key to the industry's success, the game over the greens, fairways are one of the best ways to build relationships that could go a long way.

As the clouds pulled over the sky and signaled the end of an eventful game, it was time to laud the longest drive, closest to the pin and the longest putt.

The game led everybody to the 19 hole in the evening where all the golfers celebrated all the biting and cheered for those who took home their titles. Amidst the din and dining, the industry members also bounced off several policy matters that were waiting to be discussed the following day.

The overall spot prizes for Closest to Pin – Hole 14 was won by **Ms. Sheila Sangwan**, Straightest Drive – Hole 5 by **Sameer Khatri** and Longest Drive – Hole 11 by **Gurdev Chimni**

The winning team included **Asit Tripathi**, **Shiela Sangwan**, **Wg Cdr Jinender Singh** and **Vinay Goyal** with 62 points. Close behind were **Gurdev Chimni, Vickram Bakshi, Vijay Anand** and **Dinkar Marla** with 64 points. And for putting up a brave front, the other team that was congratulated included **Bishwajit Pandey**, **Ravi Chopra**, **Rajendaran** and **Amit Luthra** with 65 points. mg

INDIA MARITIME WEEK™
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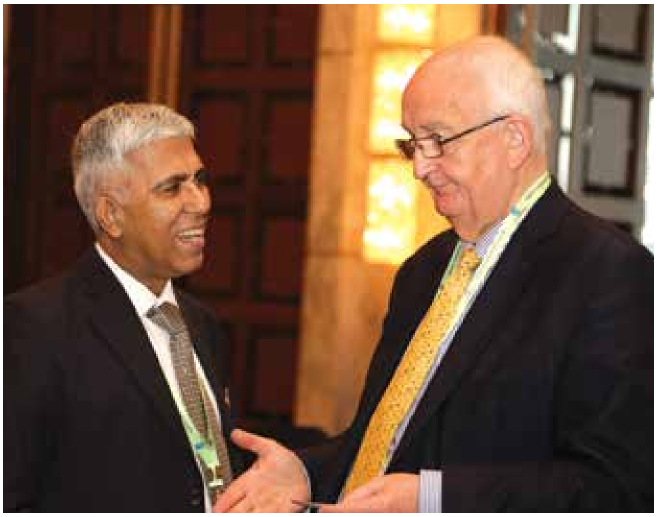
Industry under one roof...

Exploring ideas & devising strategies




30th January, 2014 | New Delhi
FERTILIZERS


Mr Siddharth R Amin

IMW 2012 Recommendations: Action Initiated

A staunch commitment to protecting and furthering the shipping sector's progress has been one of the founding and guiding principles of *Maritime Gateway*. Keeping with this proposition, your magazine has time and again made untiring efforts to voice the concerns of all its allies at various fora.

The following recommendations to the Ministry of Shipping were made during the first edition of the India Maritime Week conference held in January 2012. We are happy to apprise you that all the proposals have transitioned from the proposition stage to progressive action with the government promising the implementation of a conclusive framework to address all the concerns raised by the stakeholders.

The intention of compiling suggestions for accelerating the performance of the shipping industry fits in the context of the Maritime Agenda that was formulated to introduce and implement various policy measures to achieve the same end.

The second edition of the **India Maritime Week** has a similar set of suggestions that need to be acted upon immediately by industry's nodal ministry and related departments. These shall be presented before the Ministry after consulting all the sector specialists.

Recommendations made to the Ministry of Shipping at the India Maritime Week 2012

- Dredging of berths and navigable channels
- Port clearances
- Storage area at major ports
- Tariff revision
- Security and navigation
- Rail/road connectivity
- Coastal policy/ inland water transport

1 Dredging of Berths and Navigable Channels:

As Major Ports continue to suffer from poor draft, an action plan is recommended to address the issue on a priority basis.

Dredging and deepening projects need to be fast-tracked in view of the growing size and volume of vessels. Economies of scale can be achieved by having larger vessels call at ports. Availability of dredgers for timely completion of projects should be ensured.

Creation of a central dredging authority, as enunciated in the Maritime Agenda is essential, for which a professional agency could be tasked to draw up a structure. The agency can also explore introducing the PPP model as well as VGF for dredging projects.

Action Initiated

To tackle the issue of inadequate drafts in Indian Ports, an inter-ministerial committee has been constituted under the Chairmanship of Member, Planning Commission and the Committee has since submitted its report. The Committee broadly is of the opinion that all the major ports should maintain 14 mts of draft by the end of 12th Plan and hub ports to attain 17 mts. In the second phase, all the ports should achieve and maintain 17 mts of draft. The Committee has made various recommendations to equip Indian Ports with higher drafts in order to cater to large size vessels. It had also recommended various financing models including budgetary support, VGF and PPP.

Adequate provisions have been made in the XII Plan in this direction. DCI, a PSU major in dredging, has also developed plans to acquire more dredgers to augment dredging capacity in the country. Towards this direction, DCI will float tax-free bonds; or explore equity or capital support compensation.

2 Port Clearances

For new port projects coming up in maritime states, the state authorities insist on forest clearance in spite of an environmental clearance and nonexistence of forest at the proposed site. Expeditious clearance is desired to start construction work.

Action Initiated

Clearances, as per the law, have to be obtained by the Ports for commencement of their new projects. But, the Ministry of Shipping has taken up the matter on a regular basis with the Ministry of Environment and Forests for expeditious forest and environmental clearances. MoS has also proposed that MoEF may give one-time clearance to the overall development of the Port with a Master Plan and any project coming up within the Master Plan need not be subject to environmental clearance on piece-meal basis so that time-lag can be avoided to a great extent.

3 Storage Area at Major Ports

Land around the major ports has to be developed on a war-footing to cater to the growing storage needs of bulk cargo. As several ports are facing severe space crunch, existing grounds can be improved and rearranged to provide storage capacities and facilities.

Action Initiated

The Government is seized of the matter and instructions have been given to all major ports to augment their storage capacity in and around the ports in order to accommodate handling of all types of cargo including food grains & perishables. Now that the New Land Policy guidelines issued recently by the Ministry of Shipping to the Major Ports, Ports will gear up themselves to augment their storage areas in line with the Master Plan of the Port.

4 TAMP: Tariff Revision and Guidelines

The capacity calculation in the tariff guidelines should take into account the limiting factors beyond the control of terminal operators like depth restrictions (fully loaded vessels unable to arrive), deteriorating drafts, lock gate and tidal restrictions. Guidelines for tariff fixation should be revised and made applicable to the present tariff structure at Nhava Sheva terminals as these control more than 50 per cent of India's container throughput.

While TAMP has just revised the tariff for Nhava Sheva (GTI), it should be relooked based on new guidelines.

To bring a level-playing field in the private port sector, tariff-setting needs to be liberalised. With substantial competition in play, the apprehension of monopolistic situation does not arise as market forces will bring the desired stability.

Action Initiated

TAMP's role has been refined and re-defined. New Guidelines for Tariff setting and Revision, giving freedom to Ports and Terminal operators have been published and brought into force. These guidelines give a level-playing field to all major ports vis-a-vis non-major ports. These guidelines also boost investment at Major Ports.

MoS is also contemplating to revise the guidelines for revision of tariff for Major Ports which will simplify the procedure and set the tariff in tune with market realities.

5 Pilotage Services

Experienced pilots in good number should be provided at ports to improve safe movement of vessels in and out of anchorage.

Action Initiated

In order to streamline the entire system of providing pilotage in Ports, including capacity building and licensing of pilots, a Committee has been constituted recently under the Chairmanship of Capt PVK Mohan, Chairman, National Shipping Board. The committee will look into all aspects and examine the existing Pilotage Regulations of the Major Ports and evolve a uniform model regulations as well as a put in a mechanism to build-up the strength of licensed pilots in the country.

6 Security around Indian Ports

It is common knowledge that unidentified boats with personnel try to board ships in port anchorages, territorial waters and contiguous zones of India. Occasionally, these boarders are armed and board vessels for purposes of stealing stores (hawsers, spares etc). Neither the Government of India nor ports have any mechanism to safeguard ships calling at their ports. Approaching ships and ships at anchor have to maintain 24x7 vigil (like vigilante groups in our country) to safeguard themselves and their property.

Action Initiated

CISF has been deployed in all major ports to take care of comprehensive requirements of security at ports. It includes providing Speed Boats to CISF, manned by armed guards and keep patrolling round the clock in the channel and at anchorages. Similarly, a well-defined mechanism has in place to take care of security at SBMs too. GoI has initiated a slew of measures to put in a robust Coastal surveillance and security in the entire coast which involves multi-agencies in the frame-work.

7 PPP Policy

Revision in PPP policy so that risks are spread equally between the partners. PPP model in infrastructure needs a relook at the 'flaw' – providing the cost benefit to end users of the project. The PPP Model has worked well but is now in need for basic changes.

a) Tariff fixation should be left to prevailing market forces for container terminals.

b) Promote privatization by reducing tariff for bulk and containers

Action Initiated

Tariff Fixation has now left to the market forces by virtue of notification of new tariff guidelines.

Accordingly, MCA will also be subject to change, conforming to liberalised regime.

8 Bunkering

VAT should not be imposed on bunker supply to foreign-run vessels. Separate and simplified customs procedure should be employed for supply of bunker to foreign-run vessels. A government nodal agency which can nurture bunker industry requirement needs to be set up. All the ports should lend support and encourage bunkering In India.

Action Initiated

Cochin Port and Kandla Port are setting up specialised Bunkering Terminals in the country.

9 Rail/Road Connectivity

Pending rail and road connectivity projects should be expedited at all the major ports. The Railway Ministry should increase the length of loops at sideways and factor larger space envelopes for new rail projects.

Action Initiated

As of now, all the Major Ports have two-lane rail connectivity and four-lane road connectivity. However, to identify deficiencies in the connectivity, a high-level committee under the chairmanship of Secretary (Shipping), has been constituted and this committee will submit its report with action plan for plug the deficiencies and make the connectivity to Ports seamless. mg

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.

A maritime gateway event

Containers India 2014

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

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

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

International Maritime Transport and Logistics Conference

March 09-12

Venue: Hilton Green Plaza Hotel, Alexandria, Egypt

Logistics Industry in the Arab World

It is organized by the Maritime Research and Consultation Centre and Port Training Institute in cooperation with the International Association of Ports and Harbors (IAPH), and the International Road Transport Union (IRU) Geneva, Switzerland. The conference will shed light on the logistics performance of Arab countries.

More information:
http://www.marlog-aast.org/2014/index.php

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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