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Krishnapatnam Port Container Terminal

New Customers, New Liners And New Cargoes

AUTO LOGISTICS

MIND THE GAP

Despite a sluggish trend in automotive exports, the segment offers huge growth opportunity in future. Being a cost competitive manufacturing base, India is an attractive destination for foreign automobile companies and most of them are looking at ramping up production facilities. But, with most ports in India lacking dedicated Ro-Ro terminals and facing connectivity and congestion issues, the country has to look at addressing issues related to infrastructure and logistics to take advantage of the projected growth in exports.

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OPENING REMARKS

Clear mandate, now time for coherent policy

A clear mandate for BJP in the general election has paved way for a stable government at the Centre. And, the excitement is palpable among investors and business establishments as they believe the next government will be able to move ahead with a decisive policy action to spur economic growth and bolster investment.

US investment bank Morgan Stanley has already predicted that the Indian economy is likely to cross the $5 trillion mark by 2025, owing to the improvement in macroeconomic indicators and expected reforms. This is a welcome change for a country that had once been projected along with China as a twin Asian giant and then witnessing its annual growth rate plunging from a peak of 9.3 per cent in the last quarter of 2010-2011 to 4.7 per cent this year.

Food, labour, infrastructure and manufacturing are the key areas where reforms are needed in order to kick-start growth. We have enough recommendations and blue-prints in place. What is lacking is the will to implement them.

On the shipping segment, the new government can look at expediting the process of achieving the capacity enhancement targets mentioned in Maritime Agenda 2020. More teamwork might be needed between the Centre and states, especially in the port sector. Need of the hour is to speed up the process of setting up maritime boards in all states which have a coastline and make these boards the nodal agency for clearances and coordination.

Need of the hour is to speed up the process of setting up maritime boards in all states.

In line with the industry wishlist, the Centre should also look at linking tariffs with the market. To ensure level-playing field for major ports and smooth function of the PPP model, the government has to take a call on the tariff authority for major ports (TAMP) and its future role.

In the long run, the new government needs to look at simplifying the present tax system in the shipping sector to attract FDI. While the 'to do' list seems longer, it is not difficult for a strong government to execute them with proper planning.

There are also other factors that contribute to the high hopes. Even though the GDP growth has gone down, infrastructure investments as part of GDP is still significant. Fundamentals of the Indian economy are strong. States like Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh have done quite well in recent years.

So, the task is cut out for the new government. If one has to go by the experience of Gujarat, the home state of Prime Minister Narendra Modi, where he served as chief minister for 12 years, it is within the achievable limit.

Ramprasad

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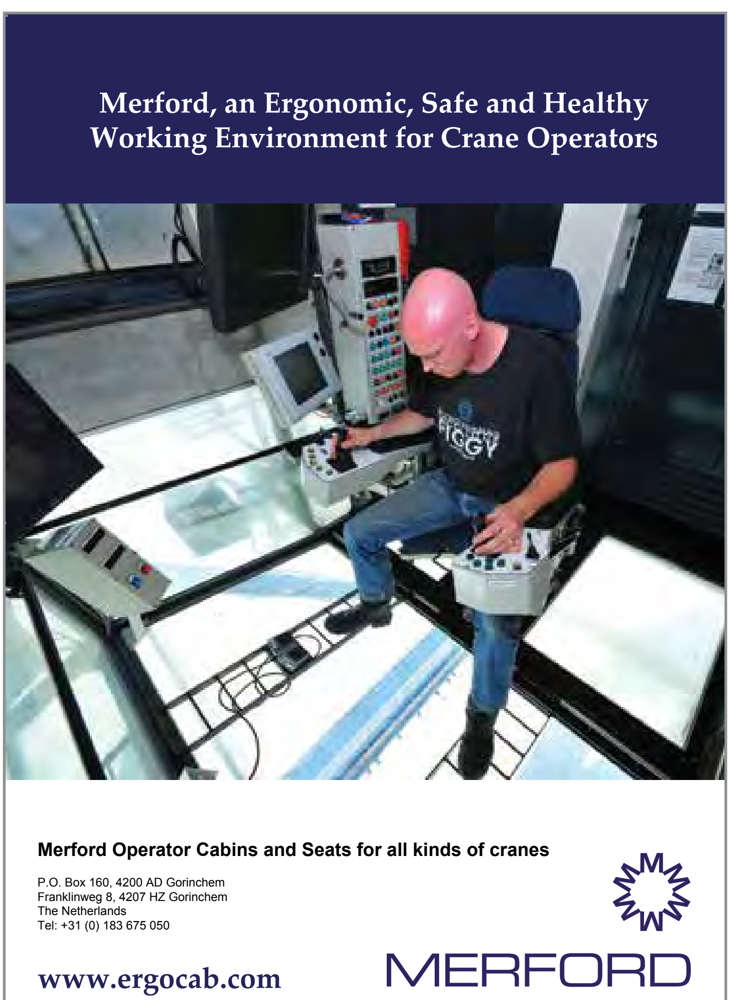
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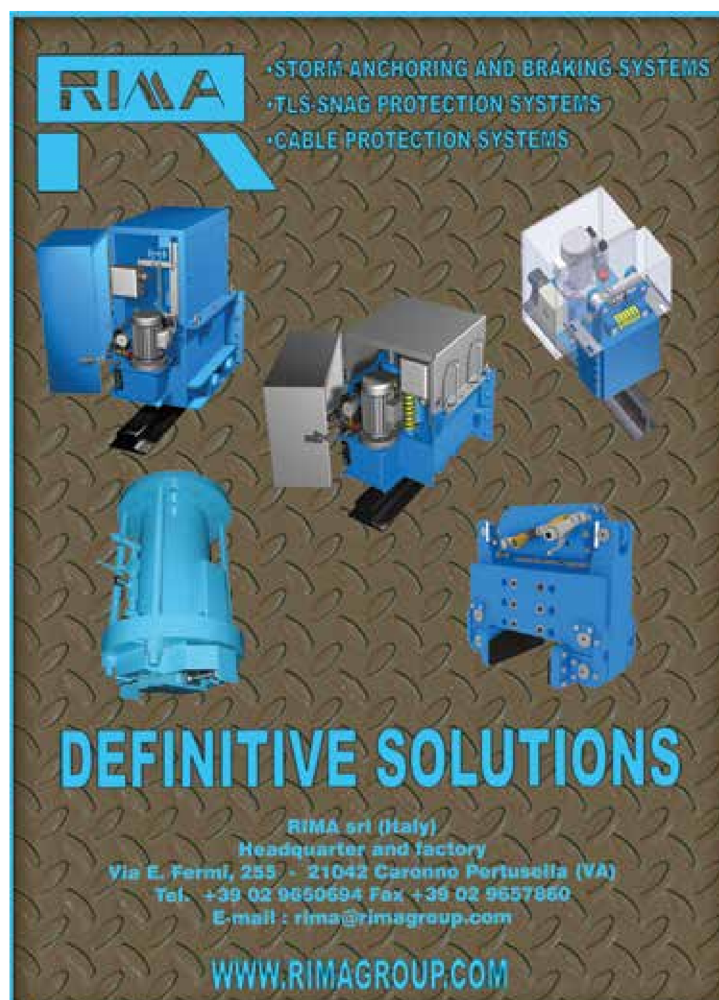
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Megamax cranes for Liverpool2

Peel Ports Group has ordered mega container cranes from Shanghai-based Zhenhua Heavy Industries Co (ZPMC) for its new Liverpool2 development. Equipped with driver-assist automation, the new STS cranes will have a twin-lift, 24 containers across outreach over stacks up to 10 units high and be capable of handling two vessels of 380 m length simultaneously. The single-lift semi-automated and remotely controlled CRMGs will have a one-over six 50-tonne lift capacity across a 13 container span. Together the cranes will reduce the time taken to transfer containers from port to road or rail, with the ability to operate at speeds in excess of 30 mph.

FLNG facilities may witness a boom

As the US readies for a boom in liquified natural gas exports, floating liquefaction facilities are poised to play a pivotal and growing role in that trend. Around 40 FLNG facilities would be online worldwide by 2020.

Floating LNG facilities have cost-savings due to their modular design as well as controlled construction conditions, since they can be built at shipyards with established workforces and procedures instead of at specific land-based sites. Different versions of FLNG facilities can be developed too, including types that are totally offshore or "dockside" just off the coast.

Uncertain future looms large for Japan shipbuilders

The nation's shipbuilding industry faces uncertain waters. As shipbuilders scramble to secure construction orders for large passenger ships and special-purpose vessels that require advanced technology, profits continue to disappoint. Shipbuilders have been able to survive thanks to the yen's depreciation, but the prospect of having to fight an uphill price war against Chinese and South Korean shipbuilders has left them deeply concerned.

While Japanese shipbuilders saw their shares in the global shipbuilding market have – from 27 per cent in 2005 to 13 per cent over a period of eight years – the combined shares of Chinese and South Korean shipbuilders increased from 53 per cent to 77 per cent in the same period.

Hanjin Shipping sinks deeper into the red

South Korea's Hanjin Shipping sank deeper into the red with a net loss of KRW224.5bn ($218.78m) in the quarter ended March 31, 2014, widening from a deficit of KRW34.7bn a year ago. The first quarter loss reflected a loss on disposal of old vessels of KRW157.3bn. Hanjin Shipping said that disposal of old vessels was part of its plans to improve financial structure.

Singapore's NOL reports $98M loss in Q1 as rates fell

Neptune Orient Lines (NOL Group) reports a $98 million loss in the first quarter of 2014, compared with a $76 million profit in Q1 2013, saying efficiency gains failed to make up for falling freight rates. The company's revenues fell 4 per cent to $2.3 billion year-over-year, but core earnings before interest, taxes, depreciation, and amortisation (EBITDA) rose to $33 million from $5 million. "Operating conditions in the first quarter had been difficult, with severe weather disruptions in Europe and North America," said President and CEO Ng Yat Chung.

Maize exports to drop on firm domestic prices

Maize exports from India are likely to remain lower this marketing year owing to higher prices due to a possible El Nino impact in the upcoming kharif season. El Nino impact would pare expectations of higher maize production in the country. According to trade sources, El Nino impact would support prices from the present levels thereby affecting exports.

Maize exports during October 2013 to April 2014 stood at 2.17 million tonnes almost 1 million tonnes lower than the corresponding period last year. For the marketing year October-September 2013-14, maize exports are expected to fall 26 per cent against 4.76 million tonnes last year.

Information phishing on the rise, warns Skuld

Information phishing has been identified as one of the main ploys used by fraudsters targeting the maritime industry. In a recent report highlighting fraud in shipping and maritime, Skuld, the mutual marine insurance company, repeated its advice that one of the key elements to fraud is information. It said fraudsters will seek to 'phish' information from various sources, and it is known that in some ports criminals actively target shipping agents as sources of information. The report points out that maritime fraud has become more common in recent years, and seen a surge not only in the number of cases, but also the variety of fraud. "As shipowners are under pressure to win new business, many have disregarded due diligence when dealing with new business partners. As both the greater reliance on IT and electronic trading platforms and documents increases, so does the need to stay ahead of the game played by the fraudsters," the report said.

Petronet to start work on Gangavaram LNG terminal soon

Petronet LNG Ltd (PLL), which has signed an agreement with Gangavaram Port Ltd for developing a liquified natural gas (LNG) terminal, said, it would start construction of the terminal in the second half of this year. "We have got all necessary clearances for construction. It should start towards the end of this year after we complete the process of awarding the work contract," said A K Balyan, Managing Director and Chief Executive Officer (CEO) of PLL.

Ulrich Ulrichs promoted to CEO of Rickmers-Linie

Ulrich Ulrichs, Chief Operating Officer of Rickmers-Linie, has been promoted to Chief Executive Officer of the heavy lift and project cargo liner service specialist. Mr Ulrichs has more than 15 years of experience in the shipping and break-bulk business.

India may allow fleet owners to register ships overseas

India's maritime regulator, the director general of shipping, is pushing for a plan that allows local shipping companies to register their ships in tax-friendly overseas jurisdictions without opening subsidiaries, in a bid to increase the national shipping capacity.

The proposal will allow local shipping companies to directly register their ships overseas sitting in India without opening subsidiaries abroad to create a new fleet category known as Indian-controlled, foreign-registered ships. The plan is also aimed at reversing a trend of local fleet owners opening subsidiaries abroad to register and operate their ships, thereby resulting in a flight of ships which would otherwise have been registered under the Indian flag.

Orders flood in for Bromma

Stockholm-based Bromma has seen the orders flood in so far this year, increasing its order intake by 20 per cent compared to the same period in 2013. The mix of yard spreaders and STS spreaders orders, most of which came from Asia Pacific and the Middle East, included replacement contracts for existing STS cranes, a trend which was also seen throughout the major part of 2013.

Bromma has also seen increasing activity and interest in its Weight Verification solution with sensors mounted on the spreader twistlocks. The company says this seems to be due to expected IMO regulations for the verification of container weight before a container can be loaded on to a vessel. Some of the larger orders received include an order for 20 STS45s for the Port of Doha, 24 YSX40Es for King Abdullah Port, 13 YSx40Es for Kenya Ports Authority and seven all-electric separating twin spreaders YTS45E for JNPT Anupam.

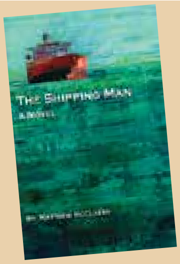
Rishi Shipping commences export box rake service

Rishi Shipping has commenced export container rake service from JN Port to Morbi for loading at Mundra. It entails bringing in empty rake from JN Port to Morbi, which is a major centre for manufacturing tiles, stuffing the rakes with export cargo, and moving them to Mundra Port for connecting to vessels. The service is being jointly operated with partners Container Corporation of India (CONCOR) and Ignazio Messina & C. (S.p.A. Italy).

HMM opens Global Documentation Centre in Mumbai

Hyundai Merchant Marine (HMM) opened its new Global Documentation Centre (GDC) in Mumbai. The GDC will handle all container transport documents such as Bills of Lading (B/L) and Customs declarations originally handled by HMM overseas offices. For the new operation, HMM has hired 90 local employees who will work at the center over three shifts, it said in a release.

Wall Street hears shipping's siren via novel *"The Shipping Man"*



Robert Fairchild is suddenly a hot name on Wall Street. Fairchild, the hero of the 2011 novel *The Shipping Man*, is a New York hedge fund manager who becomes so captivated by wild swings in freight rates that he buys a dry cargo carrier and sets off on an adventure, leading to run-ins with Somali pirates and Greek tycoons. In recent months, references to the book have turned up in hedge funds' mailings to clients, billionaire Wilbur Ross's speeches, conference calls with securities salesmen, and investment bank research reports. The book appeared for the first time this year in the annual "What Wall Street Is Reading This Spring Break" e-mail sent by Dave Lutz, the head of exchange-traded fund trading and strategy at Stifel Nicolaus. The book's popularity coincides with Wall Street's renewed interest in sea transport. Betting that shipping rates and ship prices will rebound from historical lows reached in the aftermath of the recession, private equity firms pumped more than $7.2 billion into the business in 2013, up from about $3 billion in 2012, forming partnerships with shipping companies, ordering new vessels, or buying troubled loans secured by existing ships.

VOICES

Whether it is shipping or ports, the government has no business to be in business. They (Government) should focus on policy making and leave the business of running businesses to businessmen. ”

- KM Sheth
Executive Chairman, Great Eastern Shipping

Liquid cargo is a high-paid business but at present its contribution is less than a per cent to the company's total revenues. We want to take this up significantly to about 12-15 per cent and so going ahead, our focus is to increase business from liquid cargo vertical. ”

- Prakash Tulsiani
Managing director, Gujarat Pipavav Port

A clear deadline will be set and the capacity will be ramped up to make it a user-friendly port and get ranking among top two to three ports in the country. ”

- Krishna Babu, IAS
Chairman, Visakhapatnam Port Trust

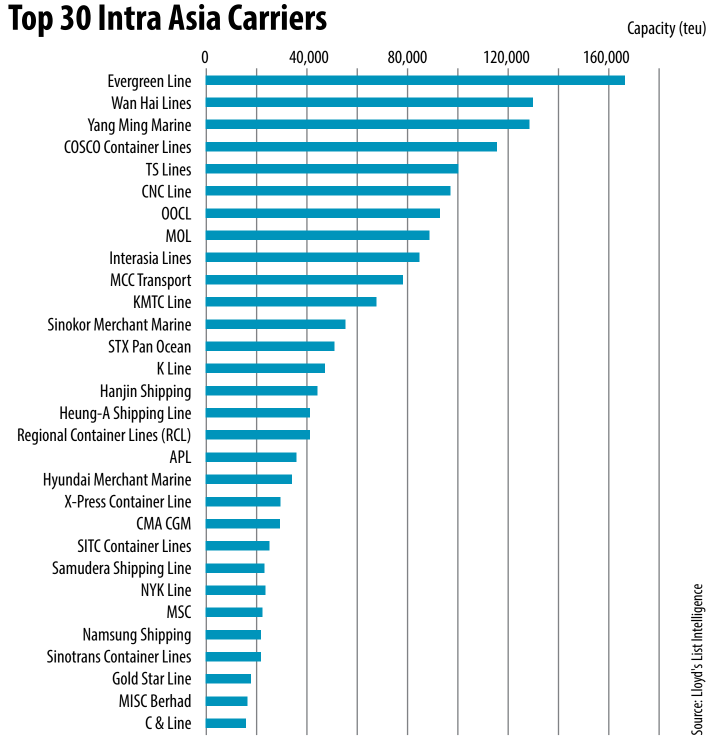
Larger ships are challenging ports, with fewer vessel calls but many more container moves per call, with the potential for landside congestion both within terminals and for hinterland transport. ”

- Martin Dixon
Director and Head of Research Products at Drewry

NUMBERS

China moves **one billion tonnes** of **coal, steel, grains** and **fertilisers** through about **12,000** specially built coastal vessels. India has just about **140** such vessels, carrying **150 million** tonnes of commodities, and accounting for 7 per cent of overall cargo movement

Top 30 Intra Asia Carriers



Source: Lloyd's List Intelligence

Intra-Asia & Southeast Asia trade (000 TEU)

Trade	2009	2010	2011	2012	2013	2014
South East Asia - South East Asia	3,284	3,671	3,766	4,092	4,441	4,828
South East Asia - East Asia	2,952	3,377	3,656	3,980	4,322	4,736
South East Asia - North Asia	1,478	1,648	1,714	1,820	1,921	2,064
East Asia - South East Asia	3,126	3,913	4,479	4,821	5,271	5,743
North East Asia - South East Asia	1,206	1,457	1,493	1,599	1,702	1,803
Others Intra Asia	**12,555**	**13,976**	**13,946**	**14,639**	**15,493**	**16,497**
Total Intra Asia	**24,601**	**28,042**	**29,054**	**30,951**	**33,150**	**35,671**

Source: Containerization International (Seabury)

ECU-LINE opens branches in Malaysia at Port Klang and Penang

ECU-LINE, part of the global conglomerate Avvashya Group and 100-percent subsidiary of Allcargo Logistics Ltd, has opened offices in Malaysia at Port Klang and Penang.

ECU-LINE is a global leader in NVOCC services and world's largest LCL service provider. With over 25 years of expertise in the industry, ECU is currently present across 90 plus countries through 200 plus offices, globally.

With a focus on consolidating its global leadership and to efficiently service its customers, ECU-LINE has been expanding its presence globally including Asia over the years. With the setup of its own offices in Malaysia's two of the biggest ports, ECU has strengthened its comprehensive network to provide NVOCC services.

Port Klang, located 38 km southwest of Kuala Lumpur, is a leading port of Malaysia and one of the fastest growing ports in the world. It has been in the top 16 busiest transshipment ports as well as container ports in the world. It runs on three different terminals: North, West and South.

> ECU-LINE's focus has always been to provide best in class services globally to its customers. Our growing expansion in key markets of Asia including Malaysia is a step forward in our goal to integrate our comprehensive global network, to create value for our customer.
>
> **Shashi Kiran Shetty**
> Executive Chairman of Allcargo Logistics & ECU Hold NV Belgium

Penang Port is located in North Western part of Malaysia. It is fully equipped to handle all types of cargos and provides a multitude of services to cater to port's various terminals and facilities.

Mahindra Logistics gets ₹200 cr funding

Mahindra Logistics Ltd. (MLL), a third-party logistics (3PL) service provider and part of the Mahindra Group, has received an investment of ₹200 crore for a significant minority stake from private equity firm Kedaara Capital.

The Mahindra Group had identified logistics as a key focus area in 2009, and since then, MLL has been part of the $800-million Mahindra Partners division, which is a quasi-private equity division of the group. To date, the group has invested ₹30 crore in this venture. "Kedaara will add significant value to our expansion plans as well as in evaluating and executing an acquisition-led growth strategy,'' Pirojshaw Sarkai, CEO, MLL, said in a statement, adding, "this is a significant step towards an initial public offering (IPO) by 2017 and achieving our vision of being India's most preferred integrated logistics service provider.'' Third-party logistics is one of the most attractive sub-segments of the Indian logistics industry.

Shantha Martin of Allcargo Logistics honoured with 'CEO of the Year'

Shantha Martin, CEO (ISC, Middle East, Africa) of ECU Line, a 100 per cent subsidiary of Allcargo Logistics, was awarded "CEO of the Year" at the International Women Leadership Forum (IWLF) in Mumbai.

The event honoured top-notch women entrepreneurs and professionals for their outstanding contribution to promoting women leadership across the globe.

International Women Leaders Forum in association with Ernst & Young and Grant Thornton has a unique agenda to celebrate womenhood, in a way never enjoyed before. Women Leadership & Innovation Awards 2014 is one such attempt to honour true leaders from corporate sector, society, business, non-government sector, government sector, and various industries that come from across India.

Sitara Shipping's Sanjam Sahi Gupta wins IWLF award

Ms Sanjam Sahi Gupta, Director of the city-based Sitara Shipping Ltd and founder President of WISTA India, was awarded the prestigious 'Leading Woman from the Shipping Industry' recognition at the International Women's Leadership Forum's (IWLF) Women Leadership & Innovation Awards 2014.

The award is presented to leading women for outstanding contribution to promote women's leadership across the globe. The awards function was organised by the IWLF in association with Ernst & Young and Grant Thornton.

Gateway Distriparks net up

Logistics company Gateway Distriparks posted a 19.8 per cent rise in its March quarter net at ₹40.3 crore. The Navi Mumbai-headquartered company said that this profit growth was partly due to reduction in provisions for deferred taxes, though it did not say what was the exact amount. For the full fiscal FY14, its post tax profit rose 7.2 per cent to ₹135.8 crore, even though the pretax profit was down 4.1 per cent. During the reporting quarter, the total income from operations dipped marginally to ₹266.90 crore, from the ₹267.14 crore in the same period year ago. Meanwhile, the company also announced that it plans to come out with an IPO of its temperature-controlled logistics subsidiary Snowman Logistics this year. The draft red herring prospectus was filed with the Securities and Exchange Board last August and the company is expected to be listed by end of 2014.

Snowman to be listed in 2014, says Gateway Distriparks

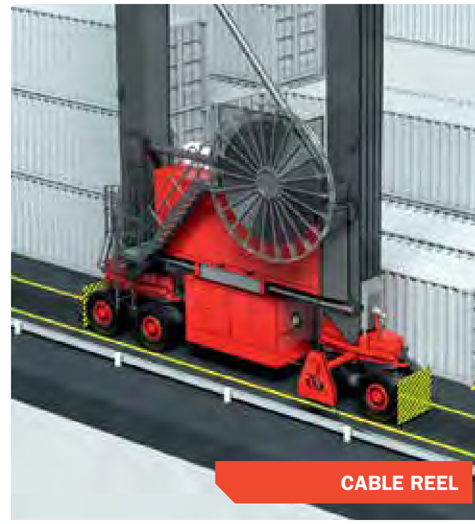
Snowman Logistics, a cold chain unit of Gateway Distriparks, will get listed in the next eight months, its promoter company said in a statement. Snowman Logistics filed a Draft Red Herring Prospectus (DRHP) with the Securities and Exchange Board of India (SEBI) in August last year. It has not yet indicated how much it hopes to raise by diluting at least 25 per cent stake through 42 million new shares. Gateway Distriparks BSE -0.40 per cent is the largest shareholder with about 54 per cent stake in the company, while Mitsubishi Logistics, Mitsubishi Corp, International Finance Corp, Norwest Venture Partners are other shareholders in the company. Snowman hopes to use the money it raises from the market to set up new cold storage and ambient warehouses and for working capital requirements. The cold chain logistics industry is mainly unorganised but many players are looking to raise money in the segment to gain from customer's new thrust on food quality and growing number of fast food restaurants.

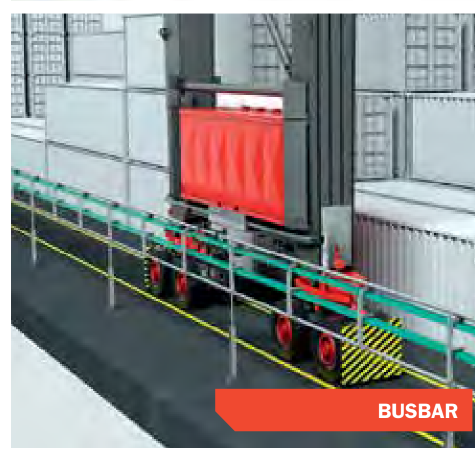
Crisil recently assigned an IPO Grade "4/5" to the company. This grade indicates that the fundamentals of the IPO are 'above average' relative to the other listed equity securities in India.

Gati reports 83 per cent rise in net profit

Logistics firm Gati Limited rose 3.58 per cent to ₹86.70 at 9:21 IST on BSE after consolidated net profit surged 83 per cent to ₹13.80 crore on 20 per cent increase in turnover to ₹386.50 crore in Q3 March 2014 over Q3 March 2013. Gati's consolidated earnings before interest taxes depreciation and amortization (EBITDA) rose 43 per cent to ₹32.20 crore in Q3 March 2014 over Q3 March 2013. Commenting on the company's quarterly performance, Mahendra Agarwal, Founder & CEO, Gati said, Gati has continued to be resilient to the economic slowdown due to high operational efficiency, specialised service offerings, aggressive stance on new business development and time-definite delivery services. Our foray in the e-commerce segment and innovation by offering value-added services has opened up opportunities that are we are harnessing to realise to full potential.Going forward, we are upbeat on the performance of EDSC and e-commerce businesses with the opening up of the market to new players and a pick-up in trade, he added.

Gati is pioneer and leader in Express Distribution and Supply Chain Solutions in India delivers 5.2 million packages per month. Having started as a cargo management company in 1989, Gati has grown into an organisation with more than 4,000 business partners and a network reach of 653 out of total 657 districts in India. Gati has over 4,500 vehicles on the road excluding their fleet of refrigerated vehicles, container shipping vessels and world class warehousing facilities across India. Furthermore, Gati has a strong market presence in the Asia Pacific region and SAARC countries. Gati has offices in India, Singapore, Hong Kong, China, Nepal and Thailand.





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KONECRANES®
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FedEx strengthens its domestic ground and supply chain growth for chain services

FedEx Corp announces the successful integration of its acquired AFL and UFL businesses in India. Since the acquisition in 2011, FedEx has focused on strengthening its domestic transportation and supply chain capabilities to meet the demands of Indian businesses. FedEx now offers end-to-end logistics solutions, including international and domestic air express services, domestic ground services, warehousing and supply chain management. With the integration complete, FedEx has expanded its service coverage from 4,000 postal codes to over 19,000 and has increased its office and hub space capacity from 300,000 to over a million square feet.

Added inventory management services via more than 900,000 square feet of warehousing space across the country. "In a little over a decade, India is expected to have as many as 18 mega-demand cities with a GDP surpassing $20 billion. The internet is also propelling small towns such as Guntur in Andhra Pradesh or Choryasi in Gujarat, into the league of top rural hubs for eCommerce in India. This is why we have expanded our network to over 90 per centof India's manufacturing GDP, thereby providing seamless access to Indian businesses with diverse logistics needs," said David Canavan, vice president, Operations, FedEx Express India. (EOIC)

Gujarat Pipavav Port Q1 net up 73 per cent at ₹61 cr

Gujarat Pipavav Port has soared 12 per cent to ₹100 after reporting a robust 73 per cent year-on-year (yoy) rise in net profit at ₹61 crore for the fourth quarter ended March 31, 2014

(Q4), on the back of strong operational performance. The company had reported a profit of ₹35.4 crore in the year-ago quarter. Total operational income of the company grew 25 per cent yoy at ₹156 crore, while expenditure declined by 4 per cent yoy at ₹65 crore over the previous year's corresponding quarter.

EBITDA (earnings before interest, taxes, depreciation and amortisation) margin improved substantially to 58.61 per cent in the March 2014 quarter from 45.77 per cent in the year-ago quarter, Gujarat Pipavav Port said in a statement.Maersk group company Gujarat Pipavav Port (APM Terminals Pipavav), one of Western India's fastest growing gateway ports.

Nissan India inaugurates new parts distribution centre in Chennai

Nissan India has inaugurated a new after-sales parts distribution centre (PDC) in Chennai at the Indospace SKCL Industrial Park in Sriperumbudur Taluk. Built over an extensive 4.8 lakh sq. feet area, the facility is Nissan's first and biggest of the additional PDCs and features a daily outbound volume of 2,800 lines per day compared to the previous facility's 700 lines.

The PDC also has an increased dispatch rate of 90 per cent and is capable of dispatching parts the same day throughout India. Nissan is also planning to open more PDCs in India with the Chennai centre as the hub.

To be directly managed by Nissan Motor India with the support of Indospace, Yusen Logistics and Nippon Express, the Chennai PDC employs around 300 floor members and was constructed in a record period of just 11 months. The new PDC is aimed to help optimising Nissan's supply chain management process in India by ensuring a more efficient delivery of spare parts to its authorised workshops. This will result in faster service delivery experience for customers thus improving customer satisfaction.

The key deliverables of the new Chennai PDC are consistent improvement in parts availability (top level of parts fill rate), VOR same day dispatch (within 24 hours delivery), continuous improvement in quality (including packaging design and full track road scheme) and 3R environmental contribution (reuse of wooden crate, returnable packaging and recycle).

Allcargo Logistics cricket team wins 13th MANSA Shipping T20 Cricket Tournament

Allcargo Logistics Cricket team won the 13th Mumbai and Nhava-Sheva Ship-Agents Association (MANSA) T20 Cricket tournament held recently in JNPT town-ship in Mumbai.

After playing six matches, Team Allcargo qualified for the final match played vs. Hind Terminals which they won by 9 wickets.

The tournament witnessed 19 shipping corporate teams' participation including names like Gateway Distriparks, JNPT, Sai Shipping, Continental CFS, Hind Terminals & Master Group.

During the league matches Team Allcargo defeated Continental CFS and previous year's champion JNPT to enter into the quarter final. The team also defeated GDL in the quarter final and Sai shipping in semi-final.

In the finals, Allcargo won the toss and elected to field. At the back of its strong bowling attack, they restricted Team Hind Terminals at a score of 127. The match was concluded in just 13.3 overs with the loss of only one wicket, taking Allcargo Logistics to bag the Winner's trophy.

The team won some individual accolades like Man of the match (both quarter-final and final), Maximum sixes in the tournament, Player of the tournament by Deepak Bhogle, Best fielder of the tournament by Virendra Yadav and Man of the match (semi-final) by Shitesh Korpe.

Concor unveils Logistics Park at Vizag

The Container Corporation of India Limited (Concor) inaugurated the first phase of its largest multi-modal logistics park (MMLP), which is coming up at a cost of ₹372 crore, at Viman Nagar opposite the Vizag Airport.

While the entire project will be spread across 100 acres, the first phase inaugurated for now will cover an area of 10 acres that will cater to exports, imports, warehousing, public bonded warehouse and reefer cargo handling facility among others. The facility is important and a critical infrastructure project for catering to exports and imports. Exporters, importers, custom house agents, freight forwarders, EXIM cargo consolidators and transporters will be the major beneficiaries of the MMLP, and once the entire 100-acre project is completed, the facility will be able to handle 4 lakh teu (Twenty Equivalent Units) of cargo.

The existing facility in the Old Town Area is being shifted to Viman Nagar in order to avoid congestion and render better services to trade. The entire facility will be operational by 2016 March. Officials also pointed out that multiple railway sidings are being built by the railways in order to handle an increase in cargo volumes. Furthermore, the facility will offer logistical solutions to trade for neighbouring states such as Chhattisgarh and Odisha apart from Andhra Pradesh.

Maersk Line Q1 net up to $454 million

The world's largest container shipping group, Maersk Line, reports it more than doubled its profits to $454 million in the first quarter of the year, up from $204 million in Q1 2013, as lower bunker prices helped make up for falling freight rates.

The company paid an average of $581 per metric tonne (pmt) for fuel over the quarter, down from $626 pmt a year earlier, while the average freight rate dropped to $2,628 per forty-foot equivalent units (FEU) from $2,770 per FEU in Q1 2013.

Unit costs fell to $2,612 per FEU from $2,871 a year earlier, and volumes rose 7.3 per cent to 2.2 million FEU, while the reversal of a $72 million impairment charge also helped the bottom line. The company also attributed the improvement partly to network efficiencies and improved vessel utilisation.

Overall, Maersk Line parent company A.P. Møller - Mærsk A/S (Maersk) reported a 1 percent increase in revenues to $11.7 billion, while profits rose to $1.2 billion from $710 million in Q1 2013. Maersk Line, which had previously predicted full-year results in line with 2013's $1.5 billion profit, now says it expects to outpace the previous year. The company now expects the P3 alliance of Maersk Line, Mediterranean Shipping Company S.A. (MSC), and CMA CGM to start operations in the fall of 2014, according to a statement.

Maersk Line's $1.5 billion profits in 2013 already represented more than triple the previous year's results, as the company benefitted from lower bunker prices and greater efficiencies.

Adani Group gets Queensland Govt nod for coal project in Australia

With the Queensland Government in Australia approving the AUD 16.5-billion coal mine development project, the Adani Group on Thursday said this would enable it to move to the next stage of project, the final environmental approval of the Federal Government of Australia.

The Queensland Government approved the Adani mining project, worth about $15.46 billion, in the Galilee Basin. The Carmichael coal mine and railway project is expected to produce up to 60 million tonnes of coal annually, which will be transported on a 190-km-long rail line to the port. The company will also have to obtain a mining lease, water licence and environmental authority.

One of the largest such projects in the world, and the largest in Australia, the Carmichael project is expected to create nearly 6,500 jobs and infrastructure facilities such as coal handling and processing plant, water supply, airport and accommodation for workers.

"We remain committed to delivering the multi-billion dollar project, with world class standards, which will directly employ thousands of people during construction and over the operational period," he added.

Developing the Carmichael coal mine with the relating rail and port infrastructure would deliver Adani's core pit-to-plug strategy.

"We welcome the decision of the Queensland Government and this allows us to move to the next stage of the project, ensuring that local and regional communities continue to be involved in the development of our projects and share the economic benefits."

Gautam Adani
Chairman, Adani Group

The Adanis have followed benchmark engineering and technological standards to achieve this milestone through careful scrutiny and assessment by the Coordinator General, he said in a press release.

Since 2011, the Adanis have owned the coal export terminal at the Port of Abbot Point, continuing the port's 30-year history of operating to the highest environmental standards.

Capt. Sarveen Narula takes charge as Director of SCI's Liner & Passenger Services division

Capt. Sarveen Narula has taken charge as Director, Liner and Passenger Services division, of the Shipping Corporation of India (SCI) with effect from May 1. He succeeds JN Das. Capt. Narula has more than 35 years of maritime experience both afloat and ashore. He has more than seven years of command experience on several types of ships including tankers, bulk carriers, cargo vessels and container vessels. Besides, he has extensive shore experience in various aspects of liner and passenger services, including port and dock operations, line operations and management, consortium formations, hazardous cargo and break-bulk shipments, safety and quality management, coastal shipping, and cargo claims and claim minimisation. Capt. Narula has chaired or participated in several workshops/conferences on coastal shipping, port development, freighting, and commercial aspects of liner trade. Prior to his appointment as Director, he was Senior Vice-President in charge of Container Services, Marketing and Break Bulk Services at SCI.

Zuidnatie inaugurates Antwerp's largest mobile harbour cranes

Antwerp terminal operator Zuidnatie NV (Zuidnatie) has inaugurated its two new large Terex Gottwald GHMK 8710 variant mobile harbour cranes. With a maximum lift capacity of 200 tonnes each they are the most powerful in the Port of Antwerp. For handling heavy project loads up to 400 tonnes, the Model 8 cranes will be equipped with the Terex Gottwald tandem lift system, which allow them to carry out full 400-tonne capacity tandem lift operations. In addition, they will be equipped with hybrid drives for cost-effective and environmentally friendly operation. With this significant upgrade of the capabilities of its crane fleet, Marcel Dubourg, Zuidnatie's CEO said, "Because both cranes in combination can deal with loads up to 400 tonnes, we are in the position to offer our customers new handling solutions."

EID-Parry's port-based sugar refinery to go on stream soon

Murugappa Group company EID-Parry is all set to commence operations at its ₹600-crore port-based sugar refinery in Kakinada, Andhra Pradesh by May end. The refinery, Silkroad Sugar Pvt Ltd, set up as a joint venture with Cargill Asia Pacific in 2006, has been idling for most of the time and the restart of operations is a significant development for the Murugappa Group. Cargill exited the venture in 2012 and EID-Parry bought its 49 per cent stake to make the refinery a wholly-owned subsidiary. A Vellayan, chairman of EID-Parry, said the 6-lakh-tonne-a-year unit will initially operate at about 4 lakh tonnes and reach full capacity in 2015-16.

Nigeria races to be world's largest LNG exporter by 2020

At a time when countries the world over are carefully considering expanding their liquefied natural gas (LNG) terminals, Nigeria is likely to be the dark horse with the country stepping the pedal on the construction of ongoing LNG terminals.

Nigeria LNG Limited, the country's leading producer of the fuel, has ordered six ships from leading ship yards in Korea and China. It has also appointed Braemar Engineering as a special maritime engineering consultant to Bonny Gas Transport Limited, the subsidiary of NLNG to ensure the fuel is transported to Europe and the Americas.

Braemar Engineering will also oversee the building of the six LNG carriers from conception to delivery over the next two years. NLNG had made its intent clear in 2012 about strengthening its fleet size. By 2016, the company will own a fleet of 30 LNG carriers with Hyundai Heavy Industries and Samsung Heavy Industries delivering the six ships. NLNG will also expand is plant size by about 40 per cent by undertaking new construction orders for close to $15 billion. Upto the last financial year since inception, the company has exported 3,000 cargo vessels of LNG cargo to different parts of the world. With the new capacity in place, NLNG will produce around 40 million tonnes of liquid fuel annually. In a statement released last year, it said, "NLNG intends to consolidate its position as one of the largest producers and exporters of LNG in the world, maintaining its position as a major and strategic supplier. Currently, NLNG delivers some 8 per cent of the world's LNG supply," the company said in its 'Facts and Figures on NLNG 2013'.

Nigeria's sudden growth comes from the shale gas boom in the US that led to lesser focus on LNG fuel, now being filled by exports from Nigeria. With continued focus on expanding its facilities and increased production, Nigeria could well be the largest exporter of LNG if it succeeds in inking long-term contracts with Asian countries such as India and China whose fuel demand is always shooting northwards. Currently, Nigeria has long-term contracts with Italy, Spain, Turkey, Portugal and France.

Blue Dart Express Q4 net down 26.5 per cent

Blue Dart Express Limited, the leading logistic player, has reported 26.5 per cent decrease in net profit at ₹30.65 crore for the quarter ended March 31, 2014, on the back of higher expenses. The company's net profit in the corresponding quarter of FY'13 was ₹41.75 crore.

The total income from the operations of the company, however, rose from ₹503.53 crore, over ₹445.99 crore in the corresponding quarter of FY 2012-13. The total expenses of the company went up from ₹462.03 crore, over ₹396.05 crore in the same period of the FY'13. The company has changed its accounting year to commence from April 1 of every year and to end on March 31 of the following year "to proactively comply with the companies Act 2013. Consequent to this, the previous accounting period was for fifteen months period from January 1, 2012 to March 31, 2013," it said.

Commenting on the results company's managing director Anil Khanna said, "Inspite of the strong headwinds faced by the Indian economy and high cost pressures, Blue Dart has performed reasonably well on all fronts and capitalised on its quality, consistency, reliability, passion and commitment."

Allcargo Susheela creates record

Allcargo Logistics Ltd, one of India's largest integrated logistics services provider, has added another feather in the cap. Allcargo's multi purpose vessel '*Allcargo Susheela*' successfully loaded nine pieces of Heavy Lift and ODC cargo from JNPT's shallow berth. It is for the first time that an Indian flag vessel has moved multiple heavy lift cargo in one go.

The cargo comprised units ranging in height from 5.5 to 6.1 meters and weighing from 62 MT to 121 MT. Same vessel had earlier carried two. generators weighing 105 MT each from Mumbai to Cochin. During last few months she was engaged in carriage of project cargo in Persian Gulf. Multiple heavy lift cargo is always a challenge for transportation. Allcargo's shipping division innovated the movement by double operation first in tandem with two cranes followed by single lift for one of the heavy piece to ensure that entire cargo is loaded and not a single piece is left behind. Thus required space was created within the vessel and all units of ODC were successfully and safely loaded, for movement. This cargo was in addition to other cargo which the vessel loaded at JNPT's shallow berth.

The cargo consignment is destined to BPCL's Cochin refinery and is scheduled to be discharged at Cochin's Ernakulam Port. With the successful completion of the first of its kind operation, Allcargo's vessel has created a new chapter in the Indian coastal shipping domain.

Goodrich Maritime holds successful first annual sales conference

The first annual sales conference of Goodrich Maritime Pvt. Ltd was held at the Acres Club, Mumbai from April 25-27, 2014. A unique conference in many respects, it saw participation from the company's pan-India sales personnel. The participants were a mix of senior and mid-level employees, and the recently inducted rank juniors. This was an enlightening opportunity for the greenhorns, stressed a release. Goodrich, which prides itself as being among the top in India in terms of versatility in the logistics segment, showcased its well-evolved logistics activities in ample measure, prominent among which were the bulk liquid, liner, reefer, chartering, CIS and domestic liquid segments. T Venkataraman and R Gopal, Managing Directors of Goodrich Maritime, actively participated.

Adani Ports' March quarter profit jumps 43 per cent to ₹530 crore

Adani Ports and Special Economic Zone Ltd (APSEZ), India's largest port developer and part of the Adani Group, on Thursday said that its consolidated profit after tax (PAT) for the fourth quarter of 2013-14 increased by 43 per cent to ₹530 crore from ₹370 crore in the same period last year.

This is without considering the Abbot Point port, which had been sold last year, APSEZ said in a stock exchange filing. The consolidated cargo handled by the company was 28.85 million tonnes (mt) in the quarter, an increase of 12 per cent over the same period last year.

The consolidated total income for the quarter increased by 19 per cent to ₹1,289 crore, compared with ₹1,082 crore in the same period last year.

APSEZ's Mundra Port handled 101.12 mt of cargo, making it the largest commercial port in India. It registered a 23 per cent growth in 2013-14, compared with a growth of 2 per cent for cargo at all major ports. It handled 2.39 million twenty foot equivalent units (teu) of containers with 38 per cent growth, compared with 3 per cent decline in container volume at all major ports.

During the March quarter, Mundra handled 26.39 mt of cargo with 15 per cent growth in the fourth quarter of 2013-14, compared with a growth of 1 per cent at all major ports. It handled 0.71 million teu of containers with 49 per cent growth as compared with no growth at all major ports.

> We had a robust year with growth on all fronts and improved margins. Our focus on integrated services, process efficiencies coupled with our customer focus will enable us to create significant value for all the stakeholders.
>
> **Sudipta Bhattacharya**
> Chief Executive Officer, APSEZ

Dakshin Bharat Gateway Terminal commences operations at VOC Port

Dakshin Bharat Gateway Terminal (DBGT), a new container terminal and the second of its kind, was inaugurated at V O Chidambaranar Port in Thoothukudi. A C Bose, Chairman of VOC Port Trust (as Tuticorin Port is now known), formally inaugurated the cargo operations at DBGT on May 11. Dakshin Bharat Gateway Terminal is a SPV incorporated by ABG Container Handling Pvt. Ltd, Mumbai and is the concessionaire implementing this PPP project at Berth No. 8 of VOC Port. DBGT has appointed a subsidiary of Bolloré Africa Logistics (BAL) as its management contractor responsible for project implementation, including operations, maintenance, commercial/ marketing and day-to-day running of this container terminal. The modern terminal is expected to be fully ready for commercial operations next year. This is BAL's first foray into the container terminal business in India.

The modern container terminal is expected to be fully ready for commercial operations next year. This is the second such container terminal facility in the port; the first is located on berth no 7. With the call of Pacific International Line's (PIL) M.V. Kota Nabil at DBGT, Tuticorin, the 0.75-million teu capacity DBGT has opened for the operation of geared vessels. DBGT has acknowledged the cooperation extended by VOC Port, Customs, PIL, CISF, the CHA Agents Association, liner agents association and other important stakeholders on this maiden call. The terminal is committed to providing world class service to all its clients and users, it stressed in a release.

KPCT celebrates a milestone

Krishnapatnam Port Container Terminal celebrated its first year of successful container operations amidst the maritime fraternity recently. The terminal has successfully achieved a milestone in cargo handling, having started operations in September 2012 and achieving a record-breaking 101,542 teu of cargo in just one and-half years of operations.

KPCT organised a trade meet in Chennai on May 9, 2014 to commemorate the milestone. Termed *Sahanav* (Coming Together), the trade meet acknowledged the support of shipping lines, feeder line operators, NVOCCs, exporters, importers, freight forwarders, customs house agencies and trade associations in achieving container growth. The stakeholders were felicitated with Customer Recognitions for their historic and volume-based performance. Director and CEO of Krishnapatnam Port Company Limited, Anil Yendluri, Advisor KPCT, Vinita Venkatesh, COO-KPCT Jithendra Nimmagadda, General Manager-KPCL, Mahesh P, Customs Advisor-KPCL, VVSN Murthy, Director-East Coast Logistics, Suresh Anand, and other senior management of the port were present on the occasion.

Valued customers and team of Krishnapatnam Port Container Terminal during the Trade Meet in Chennai on May 9.

Wheat exports from India seen heading for record as futures rise

Wheat shipments from India, the world's second-biggest grower, may climb to an all-time high as US prices rally because of drought and on concern Black Sea supplies will be disrupted, according to an industry adviser.

Sales may reach 8-10 million metric tonnes in the 12 months started April 1, for about 16 years through 2008. That exceeds the previous record of 6.8 million tonnes in 2012-2013, US government data show. Traders sold 1.3 million tonnes for April-July shipment from the new crop, mostly to the Middle East and Southeast Asia, says Vijay Iyengar, managing director at Agrocorp International Pte.

Wheat advanced 21 per cent since January, the biggest rally to start the year since at least 1960, as drought eroded US yields and violence threatened supplies from Ukraine and Russia. Supplies from Canada, the second biggest exporter, are still suffering a backlog even after the government ordered railways to boost shipments. The rally may help India find buyers for its record harvest and drain state stockpiles that are more than double the government mandate.

Transworld Group takes delivery of new container vessel

Transworld Group, Singapore, has taken delivery of its new container vessel, *M.V.OEL Bangladesh* at Singapore.

"We are in our 15th year of business since beginnings with a service to Bangladesh; to commemorate this occasion; we wish to name and dedicate this vessel to the nation," the company said in a statement.

"During this year, we intend to acquire three 1700-tue container vessels. This would enable us to replace some of our chartered tonnage with our own vessels and to go forward with our plans to expand into newer trade routes. With such economies on cost working in our favor, we will be able to provide best services at reasonable costs to our close partners and customers. This has been made possible due to all your continued efforts and team spirit," it added.

Transworld Group Singapore is one of East Asia's fastest growing shipping companies. The Group operates five subsidiaries that provide a comprehensive network of services including ship owning, feeder services, liner shipping, logistics and agency representation of major shipping lines.

Key business strength is the Group's ownership of its vessel fleet and cargo containers that ensures stability of operations. Strategically headquartered in Singapore – the world's busiest port, Transworld Group Singapore has rapidly expanded its suite of solutions. It now provides complete end-to-end shipping logistics expertise in this premier maritime hub which is connected to more than 600 ports in 120 countries around the world.

At the heart of Transworld Group Singapore, is a dynamic team of committed and experienced professionals that provide customised solutions for an industry that carries over 90 per cent of the world's trade.

Essar Ports net profit up 16 per cent in 2013-14

Essar Ports Ltd (Essar Ports), part of the Essar Group, registered a 16 per cent increase in net profit in 2013-14 to ₹383.7 crore from ₹331.6 crore in the previous fiscal. For Q4 FY14, the net profit reduced by 1 per cent to ₹90.8 crore from ₹92.1 crore in Q4 FY13. The company last week announced its audited results for the financial year 2013-14 and for the quarter ended March 2014.

Rajiv Agarwal, Managing Director of Essar Ports Ltd commented: "We have started receiving many pending approvals which will ensure early commissioning of our pending projects. With the start of operations in Vizag terminal and proposed commissioning of Salaya terminal, the revenue profile for Essar Ports is also set to diversify, thereby improving the customer mix."

Kazakhstan to increase oil exports to China

Kazakhstan has decided to increase its oil exports to China, announced the Kazakh president on Tuesday during a visit to China.

During his two-day visit to China to attend a conference on Asia confidence building, Nursultan Nazarbayev said the production in Kazakh oil field in the Caspian region would increase to 40 million tonnes in the long term.

Emphasising that Kazakhstan exported nearly 13 million tonnes of oil to China in 2013, Nazarbayev said this amount could be easily increased to 20 million tonnes in the future.

The Kazakh president added that his country also aims to increase its trade volume with China from $29 billion to $40 billion.

China became the world's second biggest oil importer after US due to its large economic growth over the last 15 years.

Nazarbayev is attending the fourth conference on Interaction and Confidence Building Measures in Asia.

Kazakhstan, which is ranked in the top 15 countries worldwide for proven oil reserves and top 20 for natural gas, would like to see increased development of its hydrocarbon sector.

State-owned KazMunayGas, a company which represents the interests of Kazakhstan in the oil and gas sector, is in fact looking to increase the nation's hydrocarbon reserves through exploration. Despite the unfulfilled hopes for the Kashagan project, Kazakhstan will continue its search for new oil and gas fields, both on land and at sea. The Eurasia Project aims to develop a vast area in the Trans-Caspian Lowland in Kazakhstan and Russia. The question is over the exploration of the deep and hard to reach Horizons field, which requires use of the most modern methods and technologies.

Gujarat Pipavav Port revises expansion plan

The Board of Directors of Gujarat Pipavav Port Ltd. (APM Terminals Pipavav) has approved a revised expansion plan that envisages an increase in container handling capacity from the current 0.85 million teu to 1.35 million teu, as against 1.5 million teu as originally planned. The bulk capacity will remain constant at 4-5 million MT as against the previous plan of increasing it to 20 million MT.

The revised capital expenditure (Capex) of ₹460 crore will be implemented in a phased manner and will consist of purchase of 3 Post Panamax cranes to replace 3 existing Panamax cranes, strengthening of existing Berth 3, dredging of Berth Pockets, phased container yard development, purchase of 4 Rubber Tyred Gantry Cranes, development of internal roads and gate complex, electrical and other allied works and post expansion bulk capacity will remain at 4-5 million MT and liquid Capacity at 2 million MT.

The Initial plan basis our environmental clearance obtained in June 2012 was scheduled to commence in Oct 2013 and was timed to sidestep the monsoon season, which prevents large-scale construction/ dredging on the seaside. The subsequent reissuance of the Environmental Clearance came at a time immediately preceding the 2014 Monsoon season, an internal assessment forecasted an inordinate delay if the initial plan was to be implemented as is – with commercial implications on the container business, which is presently near 80 per cent utilisation levels.

The revised plan will see the expanded capacity come on stream in CYQ1 2016 as against CYQ4 2015 as originally envisioned. APM Terminals Pipavav does not rule out any further expansion of bulk, container or liquid bulk facilities basis developing market conditions.

P3 operations delayed due to regulatory approvals

P3 Network, the long-term operational vessel sharing agreement on the East – West trades formed betweenCMA CGM, Maersk Line, and MSC Mediterranean Shipping Company is not expected to start operations before September this year as it continues to wait for regulatory approval.

“CMA CGM now expects P3 to start operations in Autumn 2014. The P3 partners continue their close cooperation with competition and maritime authorities in Europe and Asia to address questions and to explain the nature of P3,” the French line said in a statement. This was later confirmed by Maersk Line. The Danish carrier – Maersk Line also reported a first quarter doubling of its net profit to $454 million.

After being granted approval by the US Federal Maritime Commission (FMC) in March, the world’s top three container lines had expected to begin operating within the next few weeks. However, several regulatory authorities have yet to approve the vessel-sharing agreement, including China’s Transportation and Commerce Ministries. Since the P3 isn’t considered a merger, it can take effect in Europe immediately. But if European regulators at any time determine that it violates Article 101 of the Treaty on the functioning of the EU, authorities can dissolve the consortium.

The proposed alliance, which would initially involve 252 vessels totaling 2.6 million teu on east-west routes, would be the world’s largest carrier alliance. Since the ships operated by the P3 will be larger on average than ones operated by the other major alliances, the G6 and CKYHE, it will put the carriers at a cost advantage over most of the rest of the industry.

Views from shipper groups regarding the mega-alliance have been mixed. The China Shippers Association has expressed concern over the power the three carriers would wield in the market. The P3 will control 42 per cent of Asia-Europe capacity, 24 per cent of trans-Pacific capacity, and 40 to 42 per cent on the trans-Atlantic, according to the FMC.

On 18 June 2013, CMA CGM, Maersk Line and MSC announced the P3 Network (P3) cooperation with the intention to start operations by mid-2014. The overall aim for the partner shipping lines is to make container liner shipping more efficient with P3 and improve service quality for the shippers - their customers - due to more frequent and reliable services.

Appointments

Deputy Chairman of Chennai Port

I. Jeyakumar, an Indian Railway Traffic Service (IRTS) officer of the 1997 batch, took charge as Deputy Chairman of Chennai Port Trust (ChPT). Before joining ChPT, he was the Deputy Chairman of Kolkata Port Trust from December 3, 2012. He also held the additional charge of Chairman-cum-MD of Central Inland Water Transport Corporation of India Ltd and Hooghly Dock and Port Engineers Ltd since July 2013. Earlier, he was Director (POL) in the Ministry of Railways from September 2009 to December 2012, looking after petroleum/liquid cargo movement by rail and policy-related subjects.' As an IRTS officer, he has served in all Divisions of the Southern Railway and was in-charge of train operations and commercial functions at various places, including Tondiarpet, Thiruvananthapuram, Bengaluru, Pallakad, Trichy, Madurai and Chennai.

Mr Jeyakumar is a B.Sc (Agri) from Tamil Nadu Agricultural University and an MBA from Bharathidasan University.

Stephen Baoger to be the new MD for TNT India

TNT Express, one of the world’s largest express delivery companies, has appointed **Stephen Badger** as its Managing Director for India.

In his current role, he is responsible for growing the India operations through the identification of new opportunities. His commitment to service excellence and customer-centric approach will take the India business to the next level and reinforce the status of TNT as the "International Specialists", highlighted an official release.

Shantanu elected as Chairman of IFCBA

Shantanu Bhadkamkar, Federation Of Freight Forwarders Associations' In India (FFFAI), Chairman has been elected as immediate past Chairman of International Federation of Customs Brokers Association (IFCBA) during IFCBA World Conference held from 8-12th May 2012 at Greece.

Acknowledging importance of India in the present global Economy the next meeting of the IFCBA will be held in India. The members of FFFAI will be able to interact with the members of the IFCBA. IFCBA members will share their experience as CHA (Customs House Agent Customs Broker) in their country and will explain the activities of IFCBA.

FFFAI is the apex body of 24 Custom House Agents Associations spread across India and represents Licensed Custom House Agents (Customs Brokers). In addition, organisations which are directly or indirectly connected with freight forwarding, shipping and commerce are associated with FFFAI as allied members.

The IFCBA has been representing the interests of the worlds' customs brokers and their clients since 1990. The IFCBA works to bring about improvements in Customs policies and practices on a global basis.

These improvements benefit both members and their clients. The IFCBA e-mail service keeps member organisations updated on the latest trade information around the world. Through their meetings and conferences, they offer customs brokers the best way to keep up-to-date on matters of vital importance in the world of trade facilitation and security.

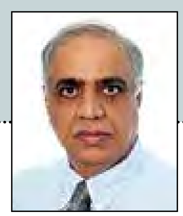
Krishna Babu takes over as Chairman of Vizag Port

Movva Tirumala Krishna Babu, an Indian Administrative Service officer of 1993 batch belonging to the Andhra Pradesh cadre, has been appointed as the Chairman of the Visakhapatnam Port Trust. He will hold the post for a period of five years from the date of assuming charge, according to an order issued by the Union Ministry of Shipping.

The Vizag Port Trust chairman post has been lying vacant since September last when the incumbent Ajeya Kallam returned to his parent AP cadre. The 1993 batch officer has been serving as Secretary, Infrastructure and Investment Department, now.

Ravi Parmar to be the Chairman of Mumbai Port

Ravi M. Parmar, IAS (1992 batch Bihar cadre), will be taking charge as the new Chairman of Mumbai Port Trust (MbPT). He has been the Deputy Chairman of MbPT since February last year.He succeeds Rajeev Gupta, IRSME, who will reportedly be taking up a position in the Ministry of Railways. He had joined the Port as Chairman in December 2011. An MA in Public Administration from the US, Mr Parmar has held several key posts in the Bihar government, including Additional Secretary, Health and Family Welfare Department; Project Director, State Aids Control Society; and Executive Director, Health Services.



Narayanan Shankar

Praveen Kumar Mishra

Ravi Kiron Kalra

IRS makes new appointments

India's classification society, Indian Register of Shipping (IRClass), has announced three new senior appointments aimed at boosting its presence in key international maritime centres. The new appointments in Singapore and London are part of IRClass' plan to expand its capabilities and geographical reach to meet growing demand in these vital markets.

Narayanan Shankar joins as Senior Vice President of Business Development in Singapore. He will co-direct business development and strategy with **Anil Devli**, Chief Operating Officer (Commercial) of IRClass. Prior to joining IRClass, Mr Shankar held roles in international ship management, ship agencies and logistics companies. **Praveen Kumar Mishra** has been appointed as Vice President of IRClass in London. He is also the member of the Statutory Panel (Environment) of International Association of Classification Society (IACS) and the Chairman of the Ballast Water Management working group of the Association of Asian Classification Societies. **Ravi Kiron Kalra** has been promoted to Head of Safety from his previous role as Senior Principal Surveyor in IRClass based in Mumbai. He has vast experience in leading vessel surveys and inspections all over the world.

Anil Devli said, "The new appointments boost IRClass' technical and management capabilities, allowing the society to offer a more diverse range of auditing and compliance solutions to its clients. They will help us move forward as we internationalise and embrace new markets.

From Negative to Stable

Moody revises its outlook for shipping

Sreekala G

Moody's has revised its outlook for the global shipping industry to stable from negative, for the first time since June 2011.

"The revision reflects our expectation that the global industry's aggregate EBITDA will rise by mid-single digits in percentage terms year-over-year in 2014, in line with our -5 per cent to 10 per cent growth range for a stable outlook," says Mariko Semetko, a Moody's Assistant Vice President and Analyst.

Moody's announced the revision in its latest report on the shipping sector titled "Change to Stable Outlook for Shipping Sector Reflects EBITDA Growth." The report further notes that cost reductions – including the effects of lower bunker prices, as well as the application of slower steaming speeds and efficiency savings – have driven the growth in EBITDA. At the same time, market conditions remain tepid, but are not deteriorating, with freight rates for the dry-bulk segment showing some improvement but those for the container segment remaining under pressure.

The sector is also saving on costs through postponing and cancelling deliveries of new vessels, scrapping the oldest and most inefficient vessels, and idling vessels.

Moody's report comes as a relief to the shipping industry as analysts continued to blame the severe tonnage glut that is not expected to diminish any time soon.

> While overcapacity remains a concern, we believe industry conditions are at a trough and that the supply-demand gap will not worsen materially. In this environment, we expect the supply of vessels will exceed demand by no more than 2 per cent, or that demand will exceed supply by up to 2 per cent
>
> **Mariko Semetko**
> A Moody's Assistant Vice President and Analyst

With roughly 85 per cent of the world's existing order book for containerships to be delivered by December 31, 2015, there will be a need to scrap 25 per cent of all boxships of more than 3,000 teu in order to maintain the current 'overcapacity', said Alan Murphy, chief operating officer and partner at SeaIntel Maritime Analysis at the TOC Container Supply Chain conference held in Singapore in April.

And despite global demand registering positive growth of 4-6 per cent a year, it is still not enough to absorb the excess shipping tonnage, Murphy said.

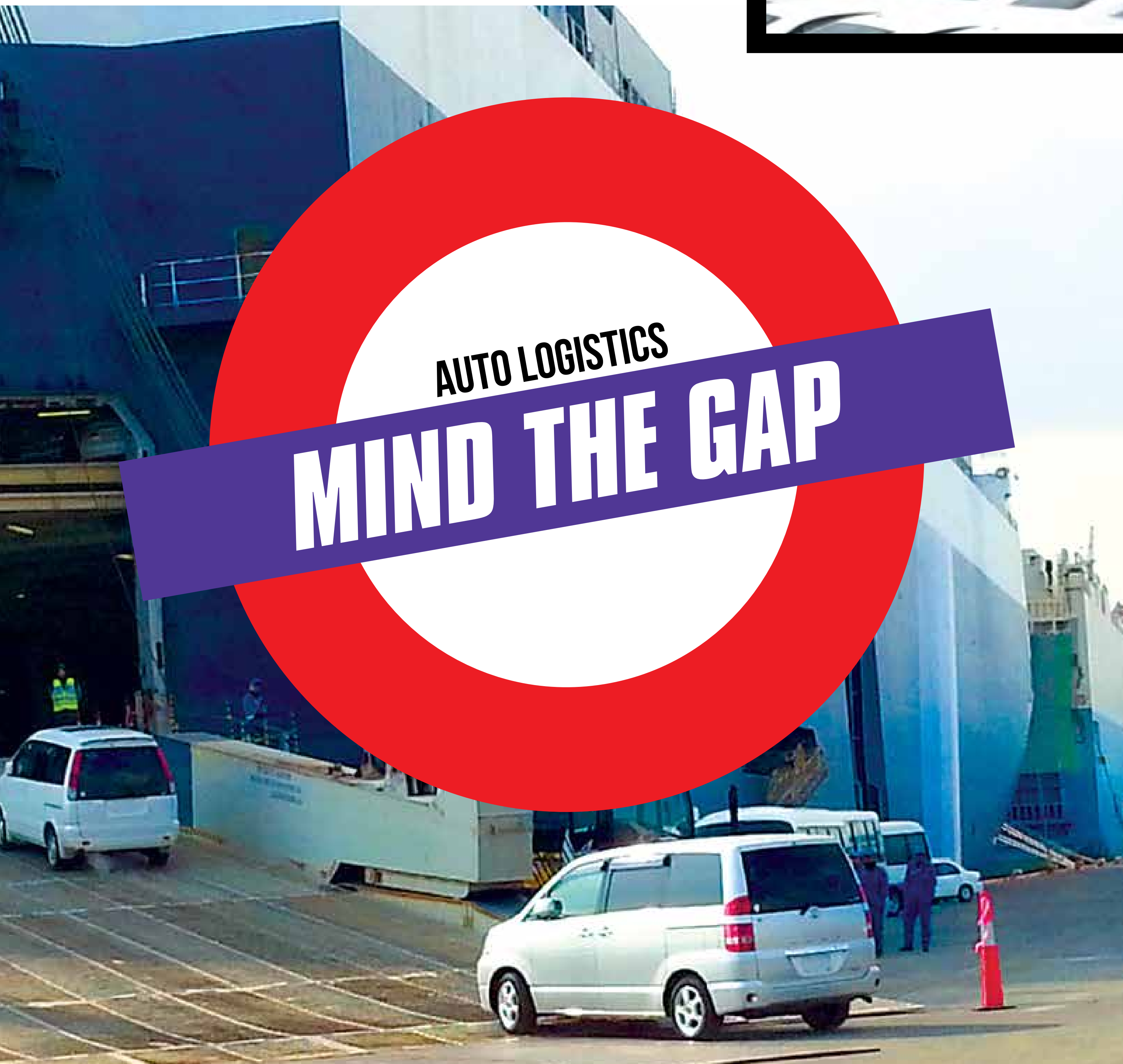
Another analyst Alphaliner forecast that new tonnage hitting the waters will be at an average of 360,000-470,000 teu per quarter going into 2015, up from 345,000 teu per quarter at present, pointing to capacity growth of 7-8 per cent on compounded average basis.

"There will be no peace for container shipping with this massive build up of new capacity," said Hua Joo, executive consultant at Alphaliner.

Tan had added that the ratio of capacity growth versus vessel demolition rate is at an unhealthy level of 3:1, and idle ship capacity is somewhere between 5-8 per cent of current tonnage.

According to Moody's, bunker fuel prices have receded to around $600 per ton from their peak of nearly $740 per ton in February 2012. The lower prices, combined with slow steaming and the use of newer and more efficient vessels, have reduced shippers' fuel costs, contributing to earnings growth.

Freight rates in the container segment remain under pressure and we expect them to remain volatile in the next 12-18 months. Market discipline through actively managing supply by postponing and cancelling deliveries, scrapping the oldest and most inefficient vessels, idling vessels and slow steaming would help stem further meaningful deterioration in box rates for container ship operators.



AUTO LOGISTICS

MIND THE GAP

Despite a sluggish trend in automotive exports, the segment offers huge growth opportunity in future. Being a cost-competitive manufacturing base, India is an attractive destination for foreign automobile companies and most of them are looking at ramping up production facilities. But, with most ports in India lacking dedicated Ro-Ro terminals and facing connectivity and congestion issues, the country has to look at addressing issues related to infrastructure and logistics to take advantage of the projected growth in exports.

Sreekala G | Deepika Amirapu | Itishree Samal

Faced with a sluggish demand, poor consumer sentiments and growing fuel prices, auto industry in India is passing through its toughest phase. But auto makers in India are yet to take their foot off the accelerator as they do not want to forego their share in what is expected to be the world's fourth largest car market. The market is projected to reach at around 9 million cars by 2020.

While the situation remains optimistic, what is worrying is the support infrastructure that is required to boost automobile exports. Most ports in the country do not even have dedicated ro-ro terminals. And the leading hub for auto exports – Chennai – facing issues like congestion and connectivity, exporters are increasingly looking at new destinations to conduct businesses.

According to the Society of Indian Automobile Manufacturers (SIAM), India's car exports remained flat at 5,50,466 units in 2013-14, as against 5,47,222 units in 2012-13. During the same time period, domestic sales fell for the second consecutive year. Domestic car sales in FY14 fell to 17,86,899 units from 18,74,055 units in 2012-13.

The country's two biggest car exporters – Hyundai Motor India Ltd (HMIL) and Maruti Suzuki India– posted a decline in shipments. HMIL, India's largest car exporter, recorded a 10.21 per cent drop in exporters to 2,33,260 cars from 2,59,811 units in 2012-13, while MSIL, the country's largest car maker, recorded 16 per cent fall in exports at 99,832 units as against 1,18,857 units in the previous financial year.

However, overseas sales by Nissan Motor India, Toyota Kirloskar Motor and Volkswagen India increased in 2013-14. Japanese car maker Nissan's exports rose 17.32 per cent to 1,16,113 units in 2013-14 from 98,971 units earlier. Toyota Kirloskar Motor's exports of passenger cars rose 16.31 per cent to 27,266 units, while Volkswagen posted an almost four-fold increase in shipments to 32,588 cars.

India's automobile exports were affected by the continuing slowdown in Europe, the biggest market for compact cars from India. Regulatory issues in countries including Algeria and Sri Lanka also affected shipments.

Big relief for the auto industry came in the form of two-wheeler exports, which grew 6.52 per cent to 20,83,938 units in 2013-14 from 19,56,378 units in 2012-13. Motorcycle exports rose 6.48 per cent to 19,82,755 units, while scooter shipments were up 3.15 per cent to 93,931 units.

Bajaj Auto exported 13,23,173 motorcycles, an increase of 2.31 per cent, while Hero MotoCorp's overseas sales declined 17.05 per cent to 1,13,238 units in 2013-14. Honda Motorcycle & Scooter India (HMSI) also recorded 7.65 per cent increase in exports at 1,11,710. India Yamaha's exports stood at 1,93,129 units, registering a growth of 45.8 per cent.

In the scooter segment, HMSI exported 51,932 units, up 20.85 per cent, while Hero MotoCorp's exports declined 28.55 per cent to 17,525 units. TVS Motor Company exported 18,693 units to foreign locations up 7.62 per cent.

In line with the high growth expectations, most companies have decided to invest in expanding facilities and adding capacities. Ford is doubling its capacity. Maruti is betting big on its Gujarat facility and the Nissan-Renault combine is looking at capacity expansion.

Experts say in the five years during 2010-15, about ₹30,000 crore is expected to be invested cumulatively by multinational auto makers in India.

But not all of these are aimed at tapping the domestic market, which is facing a down turn during the last two years. A substantial portion of the investment will be for ramping up export capacity as companies see major advantage in making India as a base for export manufacturing.

Auto makers in India are yet to take their foot off the accelerator as they do not want to forego their share in what is expected to be the world's fourth largest car market. The market is projected to reach at around 9 million cars, by 2020.

India's edge

As a manufacturing base, analysts believe India is highly cost-competitive. Unlike China where global auto MNCs have to operate in joint ventures and share their export profits with their Chinese partners, India does not impose any such constrains on foreign auto companies.

India's free trade agreements (FTAs) with other countries also make it easier for companies to explore India as a manufacturing base. India and the European Union are in negotiations to for a free trade pact. Besides, MNCs can utilise the know-how in developing cost-competitive compact cars for the Indian market in other emerging markets as well.

While the present scenario is not encouraging for auto exporters, future seems bright as many research agencies have predicted a fillip in the market by 2020. For instance, India's auto component sector is predicted to increase from $43.4 billion (2011-12) to gross revenue of $113 billion (2020-21). According to the ACMA reports, the exports are expected to increase at a CAGR (Compound Annual Growth Rate) of 17 per cent by 2021. As per RNCOS report, tyre production is predicted to touch 191 million units by the end of fiscal year 2016.

Factors like supportive government policies, optimal business environment, and accessibility of inexpensive proficient workforce that have transformed India into a global automobile hub still remain the same.

Key challenges at ports

- Poor road conditions
- Restriction in truck movements in cities
- Increasing logistics cost
- Rising fuel prices
- Lack of rail connectivity
- Poor use of inland waterways

In fact, last year, it was the automobile sector riding on the back of a falling rupee that drove India's export pack. Passenger car and two-wheeler exporters have made the most of currency depreciation and posted significant increases in foreign sales in August, which helped them partially offset subdued domestic sales. The depreciation of the rupee by over 25 per cent from January last year had helped auto companies improve margins on exports substantially.

Infrastructure

The car transportation market in India is estimated at around 1.5 million units a year and majorly dependent upon road transports for moving vehicles from plants to destinations.

Issues like poor road conditions and restriction in trucks entering the city during the day are affecting the supply chain for the automotive companies.

Also, the automotive industry is bogged down by increasing logistics costs, and it is expected to increase further due to inefficiency of existing supply chain, rising fuel prices, unavailability of drivers and high inflation rate. Compared to developed automotive markets globally including China, logistics costs as a per cent of sales is at least 30 per cent higher in India.

Also, poor connectivity to the port, lack of railway connectivity and poor use of inland waterways are affecting the movement of vehicles from the manufacturing plant to various locations. With lack of proper rail connectivity from plants to ports or to reach the customers in other parts of the country, road is the only option. In the US, nearly 50 per cent of cars are moved by trucks. In Europe and China, the inland waterways are used to transport automobiles.

With regards to railways, there is a short supply of specialised wagons – ordinary passenger coaches converted into car carriers – to transport vehicles, forcing manufacturers to use roads.

While India's automobile exports have grown significantly in the last decade, which has more than trebled since 2005, the country's port infrastructure, especially, Roll on Roll Off (Ro-Ro), terminals, could not match this growth. Port infrastructure to support auto exports in India lags behind that of other Asia Pacific countries like China and Thailand and most port do not have dedicated terminals offering full-fledged services to car exporters, leading to traffic congestion and storage limitations.

According to a PwC report at Assocham World Auto Conference, if India has to evolve into a developed economy, major focus on developing key infrastructure is necessary in the next 10 years. It points out that while project planning is efficient, execution always gets mired in a legal tangle over acquisition of land.

But the situation is slowly changing and competition is hotting up to set up dedicated Ro-Ro facilities at ports. Part of this is triggered by the private players who are willing to invest huge amounts to set up quality infrastructure. This in turn has led the government and major ports to consider expanding existing facilities and offer better services.

In November last year, while leading a delegation to Japan, Shipping Minister GK Vasan assured Japan to augment its port infrastructure, particularly at Ennore and Chennai to facilitate import of automobile components and cars from Japan. The minister had also evinced interest in seeking assistance for its port projects.

Various Japanese companies have been evincing a lot of interest in enhancing their use of the Ennore Port and Chennai ports. According to the Ministers, ports in Ennore and Chennai are catering to Japanese car exporters like Toyota and Nissan who have exported about 42,000 and 3 lakh cars, respectively.

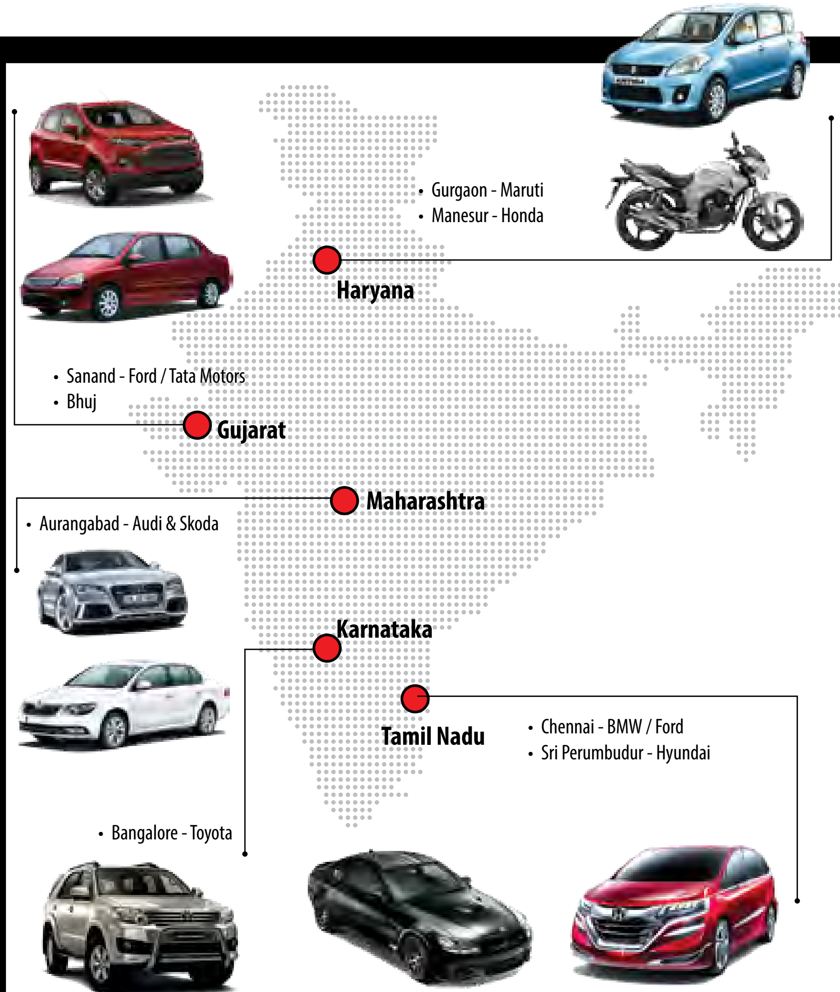
Walk the extra mile

In order to take advantage of better facilities, car manufacturers are also willing to go an extra mile and shifting to ports which are distant from their manufacturing locations. Honda Car India, whose manufacturing location is near Delhi, has started to use Ennore Port rather than the western port at Mumbai in search of better facilities.

In an effort to keep up with the growing demand, Ennore Port is planning to double its car storage capacity.

According to a port official, it is adding storage space for the cars in order to increase efficiency in handling more cars. The additional space would be ready by the middle of 2014-15. The current storage capacity for 10,000 cars and an additional storage area for 2,500 cars near the wharf is almost fully utilised. The expansion plans are a part of the port's investment estimates of ₹500 crore in the current Five Year plan.

The port is also in talks with automobile manufacturer Ford India for a long-term agreement for exports of the latter's car units. Ford currently exports around 20,000 cars from Ennore Port and this is expected to grow to 60,000 in two years, the official says.



Automobile Exports Trends

(Number of Vehicles)

Category	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Passenger Vehicles	218,401	335,729	446,145	444,326	507,318	554,686
Commercial Vehicles	58,994	42,625	45,009	74,043	92,663	79,944
Three Wheelers	141,225	148,066	173,214	269,968	362,876	303,088
Two Wheelers	819,713	1,004,174	1,140,058	1,531,619	1,947,198	1,960,941
Grand Total	1,238,333	1,530,594	1,804,426	2,319,956	2,910,055	2,898,659

(Source: SIAM)

Ennore Port has already signed a long-term agreement with Nissan Motors to facilitate export of Nissan's vehicles from here. Under the 10-year agreement, Nissan has concessions up to 60,000 units per annum in the wharfage. Besides, it can use free parking space for first 15 days and gets a priority in handling of vehicle units.

Leading original equipment manufacturers (OEMs) such as Nissan, Toyota, Volvo and Ashok Leyland use the Ennore Port to ship out vehicles.

The port has set an internal target to become the number one car exporting port by handling 250,000-300,000 units by 2014-15. The port, which exported 145,000 units in 2012-13, is expected to see an export of 175,000-200,000 units this year.

Ennore Vs Chennai

With Ennore emerging as a preferred port for auto exports, Chennai is feeling the heat. However, port users feel this healthy competition is good for the business.

"Chennai Port has the biggest among the Ro-Ro car terminals in a Major Port, but Kamarajar (Ennore) Port is fast catching up due to land availability and locational advantages. Ennore handled 2.02 lakh units in 2013-14 while Chennai handled 2.35 lakh units as against 2.72 lakh units it handled in 2012-13. This is mainly due to depressed global economic conditions," says a Chennai Port official.

Sometimes, for an automobile manufacturer in Chennai, a car carrier can make only one trip from the company's plant which is situated in the south to the Chennai Port in the north.

According to him, about 95 per cent of the cars are from Hyundai (Factory at Irungattukottai, near Sriperimbudur). A small number of Ford, whose factory is at Maraimalai Nagar, and Nissan (Factory-Sriperumbudur) cars were also handled by Chennai Port.

"Road access through the southern gate (No 10) is available only from 10 pm to 5 am and this a major hurdle to volume growth. The Elevated Road Project from the Port to Maduravoyal when commissioned will give a huge boost to the volumes at ChPT as it will provide direct and 24x7 access to the automobile hub at Sriperumbudur," he says.

The transition is important considering that despite being costlier to export cars through Ennore, exporters are preferring this port. Many believe this is a signal to the things to come. And, 10 years down the line Ennore might become the lead port in handling auto exports.

Private Ports

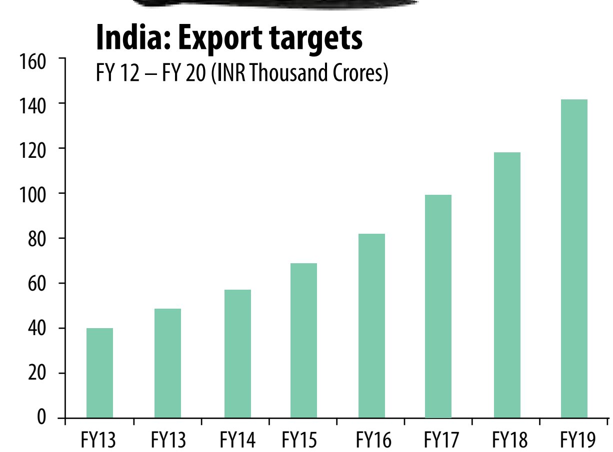
While major ports have a first mover advantage over private ports, when it comes to the case of quality of services, the latter is rapidly catching up.

Mundra Port, run by Adani Ports and Special Economic Zone Ltd (APSEZ), has become a force to reckon with in handling auto exports. Its state-of-the-art ro-ro automobile terminal with a floating pontoon (one of its kind in South Asia) was commissioned in January 2009. Mundra has one Ro-Ro terminal which handles one pure car- carrier (PCC) at a time and up to six or seven vessels a month.

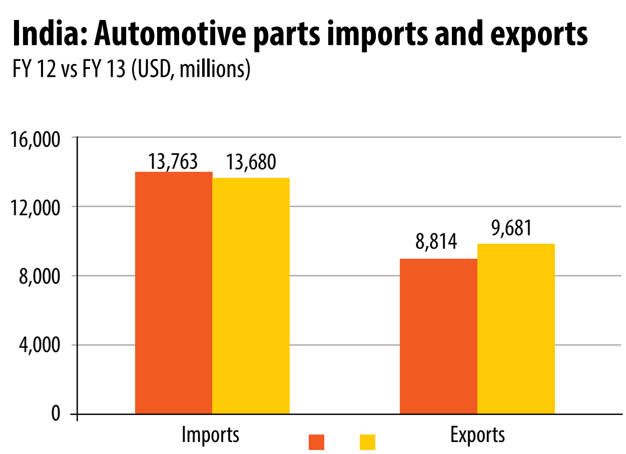
Maruti Suzuki, Tata Motors and Nissan are Mundra's our major customers and it ships out around 100,000 units every year.

The port has an electronic re ord maintenance system. It is also well connected with road and rail, making it easier for OEMs to reach the port. The 117 km Mundra-Adipur rail link ensures that inland cargo is transported efficiently.

Another private port that is making strides on east coast is Krishnapatnam. It has also invested in facilities to handle auto exports. "Currently, parking space can be provided in the container yard. Depending on the volumes, we can create a dedicated parking space as per requirement of the customer. Current parking area has sufficient lighting (High Mast lights), waiting area for the drivers, fencing for security, water



Source: Report of Working group on Auto sector -12th Five year plan



Source: ACMA, DGCIS HS Codes data

Engineering exports targets for 12th Plan

Engineering Products	Doubling Strategy Target for 2013-14	Target for 2014-15	Target for 2015-16	Target for 2016-17
Iron and Steel and Products Made of Iron and Steel	26.99	32.39	38.87	46.64
Non-Ferrous Metals and Products made of Non Ferrous Metals	11.96	14.35	17.22	20.67
Industrial Machinery	19.44	24.32	30.1	36.59
Electric Machinery and Equipment	12.86	17.43	21.36	27.42
Auto and Auto Components	19.49	23.39	28.07	33.68
Aircrafts, Spacecrafts and Parts	4.24	5.09	6.11	7.33
Ships, Boats and Floating Structures	10.63	12.76	14.38	16.32
Miscellaneous	19.4	23.28	27.94	33.52
Total Engineering Exports	**125**	**153.01**	**184.05**	**222.17**

supply, 24-hour security service, any other customised requirements of the customer can be provided," says Jithendra N, COO, KPCT.

Even though the port does not have a dedicated Ro-Ro terminal, it uses either of the current container berth or the break-bulk berth for handling the Ro-Ro vessels. "Dedicated Ro-Ro berth can be provided subject to volumes and commitment from the customers," says Jithendra.

Boost Exports

According to a Planning Commission Working Committee paper, the Working Group has set an overall export target for engineering exports at the end of the XII Plan, of $222 billion. To achieve this target, emphasis should be on strategies to creating a more competitive domestic engineering sector and promoting engineering exports through strengthening or modifying the existing set of policy instruments.

The proposed strategy also highlights the need to encourage production and export of specific engineering industries such as automobile industry and auto components. Setting up of two dedicated berths for handling automobile export cargo, one on the East coast preferably in and around Chennai and the other on the West coast, waving of MAT obligation on export earnings, promotion of hybrid and electric vehicles and Technology Upgradation and Development Scheme (TUDS) for auto components and casting are the crucial elements of the strategy.

India has a well-developed vendor base for supporting engineering industries such as machine tools, textile machinery, auto components, etc. Some of these sectors have developed global capabilities and help the engineering sector achieve global competitiveness.

The paper says non availability of long-term finance for 3-5 years to compete with foreign (Chinese) manufacturers in the case of the auto sector is a major challenge.

In the case of auto sector, in particular, the supply chain of a vehicle manufacturer comprises of multiple tiers of vendors (many of them at lower tiers being smaller units) and in the course of transactions between the vendors till the supply of component to manufacturer, some element of taxes do remain unabated for various reasons creating a disadvantage position for Indian exports.

The vehicle manufacturers are looking for encouragement for exports to countries like Bangladesh, Sri Lanka, Peru, Chile, Indonesia, Malaysia, Saudi Arabia, Iran, Israel, Netherlands, South Africa, Kenya, Algeria and UK. To meet the export target under the 12th Five Year Plan the committee also suggests earmarking space for parking, vehicle repair at the ports, where dedicated berths are being set up, to accommodate at least 20,000 vehicles at a time – like the proposed multi-level facility at Chennai port.

It recommends Minimum Alternate Tax (MAT) to be waived for export earnings, which is available in many other 'Export Focus' developing countries. It bats for a Quota System to negotiate with competing countries (including FTAs) for automobile market access through Quota System.

It says the government needs to consider having a set up either through EXIM Bank or other leading Government owned bank to provide long term finance for vehicle exports to support Institutional bulk deals as well as retail financing. The paper says the focus should be on hybrid and electric vehicles.

Train from CHINA to US

China plans to build a high-speed railway line to the US. It has also signed agreements for constructing new rail line in East Africa.

This sure sounds like something out of a science fiction novel. But if the reports in Chinese media are anything to go by, one can travel from China to US in a train in just two days.

The Chinese government is planning to build a high-speed railway line to the US. The proposed line would begin in north-east China and run up through Siberia and through a tunnel underneath the Bering Strait through Alaska and Canada to reach the continental US, according to Wang Mengshu, a railway expert and academician of the Chinese Academy of Engineering.

Crossing the Bering Strait between Russia and Alaska would require about 200 km (125 miles) of undersea tunnel, says Wang.

"Right now we are in discussions. Russia has already been thinking about this for many years," Wang said.

The project would run for 13,000 km, about 3,000 km further than the Trans-Siberian Railway. The entire trip would take two days, with the train travelling at an average of 350 km/h (220 mph).

China Daily claims that the technology to construct such a long underwater tunnel already exists and will be used to build a tunnel to connect China's Fujian province with Taiwan.

What is being called the China-Russia-Canada-America line is one of four large-scale international high-speed rail projects the country wants to build.

The first is a line that would run from London via Paris, Berlin, Warsaw, Kiev and Moscow, where it would split into two routes, one of which would run to China through Kazakhstan and the other through eastern Siberia. The second line would begin in the far-western Chinese city of Urumqi and then run through Kazakhstan, Uzbekistan, Turkmenistan, Iran and Turkey to Germany. The third would begin in the south-western city of Kunming and end in Singapore.

Recent years China has embarked on an astonishing rail construction spree. Besides, in accordance with its growing international importance it has been helping countries like Pakistan and Sri Lanka to build strategic ports as well.

Close on the heels of the plan to build a rail line to the US, China has signed formal agreements for plans to build a new railway line in East Africa in the Kenyan capital, Nairobi.

It is to run from Mombasa to Nairobi and will extend eventually to Uganda, Rwanda, Burundi and South Sudan.

In Kenya, the line is to replace a narrow-gauge track built more than 100 years ago during British colonial rule. China is to finance 90 per cent of the first stage, put at $3.8 billion, with work carried out by a Chinese firm.

Construction work on the standard gauge line is expected to start in October this year, and the 610 km (380-mile) stretch from the coast to Nairobi is due to be finished in early 2018.

"The costs of moving our people and our goods... across our borders will fall sharply," said Kenyan President Uhuru Kenyatta at a news conference after the signing also attended by the leaders of China, Uganda, Rwanda and South Sudan and representatives from Tanzania, Burundi and the African Development Bank.

In November last year, Kenyatta laid the foundation stone in Mombasa for the first phase of the project.

He had said the new link should cut the cost of sending a tonne of freight one kilometre from 20 US cents to 8.

"This project demonstrates that there is equal cooperation and mutual benefit between China and the East African countries, and the railway is a very important part of transport infrastructure development," said Chinese Prime Minister Li Keqiang. mg

Containerisation: Better Prospects Ahead

A stable government at the Centre and a good economy can help increase container trade in India. What the country needs is better connecting infrastructure, rationalisation of port charges and relaxation in cabotage laws on coastal shipping.

India, a late starter in containerisation, has seen this segment gaining momentum in the last decade owing to better infrastructure, government focus and increased private participation. Despite the higher rate recorded by the container market in the last few years compared to other commodities, such as POL, iron ore and coal, containerisation level in India continue to fall short of that in developed countries, which have achieved significant levels of 70-80 per cent.

"Containerisation in India is at around 52 per cent, which is estimated excluding the bulk commodities. Growth in container trade has distinctly slowed down for Indian ports, especially for Major Ports, because of the economic slowdown in India and economic

headwinds faced by India's major trading partners, notably Euro Zone, Americas and China. Major Ports recorded a negative CAGR of 0.35 per cent in the last three years, vis-à-vis over 6.7 per cent in the last decade," says K Ravichandran, Senior Vice President & Co-Head, Corporate Ratings, ICRA Limited. He attributes the low containerisation level in India to the high cost incurred by the trading community in India due to multi level handling of containers, lack of a balanced mix of import and export cargo, leading to high incidence of empties handling, low share of mainline vessels calling at Indian ports and high port related charges.

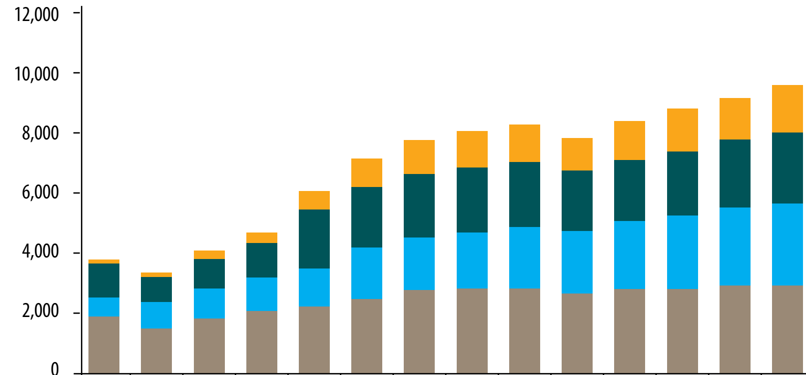
While material growth in container volumes is not expected to grow in the near term because of the weakness in the Indian economy and expectation of subdued industrial growth, Ravichandran feels, pace of recovery could change for better if there were to be a stable government at the centre, which can kick-start economic recovery and investment cycle. Long-term potential is upwards of 10 per cent if there is economic recovery in India in the medium term.

But, overall the share of bulk (dry and liquid) has come down over the years for major ports in India. The share of bulk has come down from 69 per cent of all cargo in 2005-06 to 59 per cent of all cargo in 2013-14. This is because of higher growth in container cargo and other cargo.

In FY 2014, major ports in the country handled 555.5 million tonnes of cargo, of which the share of POL was 34 per cent, coal (thermal & coking) was 19 per cent, fertilizers were 2 per cent, iron ore was 4 per cent. Containers contributed 21 per cent of the overall cargo while the rest 20 per cent was a mix of various other cargo categories.

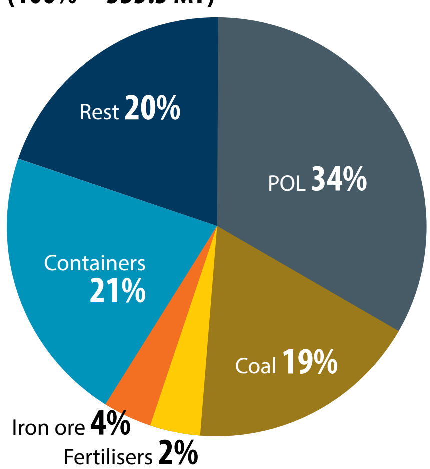
Some industry experts consider that share of containers at 21 per cent is not low as the country's major cargo consists of bulk liquid imports and dry bulk imports and exports. "These commodities cannot be totally converted into containerised traffic," says Capt. S B Mazumder, Executive Director, Seahorse Ship Agencies Pvt. Ltd

International seaborne trade, selected years (Millions of tonnes loaded)



	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013
Container	102	152	234	371	598	969	1 076	1 193	1249	1127	1275	1421	1480	1578
Other dry cargo	1123	819	1031	1125	1928	2009	2112	2141	2173	2004	2027	2084	2184	2300
Five major bulks	608	900	988	1105	1295	1709	1814	1953	2065	2085	2335	2486	2665	2786
Oil and gas	1871	1459	1755	2050	2163	2422	2698	2747	2742	2642	2772	2794	2836	2904

Cargo handled by major ports in FY14 (100% = 555.5 MT)



> Overall the share of bulk has come down over the years for major ports from 69 per cent of all cargo in 2005-06 to 59 per cent of all cargo in 2013-14. This is because of higher growth in container cargo and other cargo.

He points out that while retail goods continue to rise in exports and imports, currently there is a slowdown due to global recession over the last 4-5 years and in particular severe slow down of all manufacturing business in India.

According to Mazumdar, currently, the Indian economy needs an urgent kick-start with infrastructure development. "This will automatically result in an upswing in the manufacturing sector and thus increase in the EXIM trade. Port capacity in containerisation is well balanced with several new container terminals in the country, some of which are still under-utilised," he explains.

Ravichandran also accepts that scope for shift in trade from the bulk commodities (POL, Coal, Fertilisers & Iron Ore) is limited, as they enjoy economy of scale and competitive tariff through the traditional dry bulk ships and tankers. "However, shift from the break bulk cargo has been happening steadily, especially in agri commodities – Corn, fruits & vegetables; metals – HR coils, scrap and granite due to increase in number of small consignments to several end users," he says.

Ferro chrome and silico manganese ores which used to be shipped in earlier days in bulk vessels of high tonnage are now 70 per cent containerised and being regularly shipped via port on India's east coast to worldwide destinations. Some small parcels of iron ore fines had also started being exported in containers to China. But that came to an end due to the ban on illegal mining.

Basis of bulk cargoes getting containerised is very much related to the development of nations. In a country's early developmental stages, a lot of commodities are transported in bulk and break bulk ships due to huge demands. As countries get modernised, such bulk cargo requirements reduce gradually and hence get converted into containers due to lower demand.

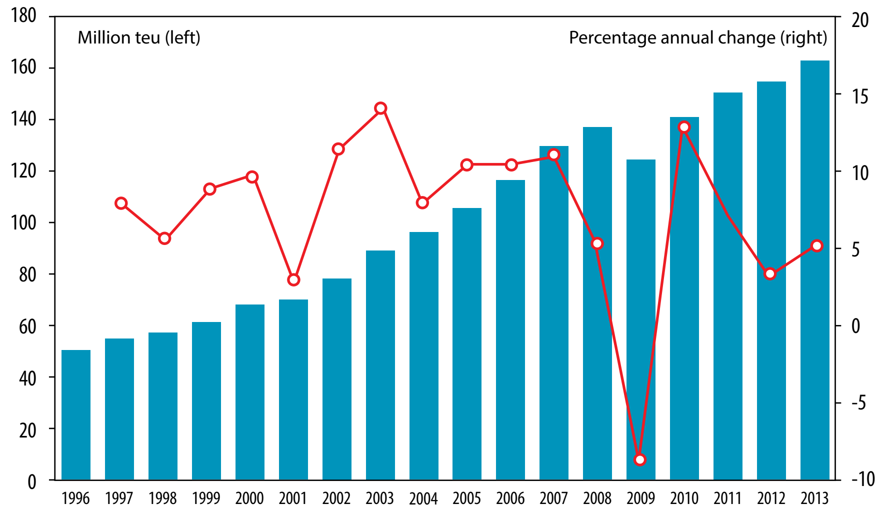
So, there is no doubt that an improvement in economic activity both in India and its major trading partners across the world can address the issue of imbalances in imports and exports. Moreover, higher thrust on export oriented manufacturing industries could change the trade dynamics, besides addressing India's balance of payment (BoP) issues.

Another factor that can encourage containerisation in the country is the rationalisation of port charges and relaxations in cabotage laws on coastal shipping. "These measures will help attract mainline vessels. Private sector should also be incentivised through proper tariff design to make meaningful returns in their PPP projects, so that they will have the motivation to educate the trade to make more use of containers," says Ravichandran.

> Infrastructure development definitely plays a major role in encouraging containerisation. More ports, better efficiency and making them more competitive can change the present cargo mix. Central and state governments need to hasten development of infrastructure.

Global container trade, 1996–2013

(Millions of teu and percentage annual change)



Source: Based on Drewry Shipping Consultants, Container Market Review and Forecast 2008/2009, and Clarkson Research Services, Container Intelligence Monthly, various issues.

The government is in fact targeting an increase in container cargo from present 21 per cent to expected 30 per cent in the current Five Year Plan. "India's target is a clear indication of the prospects of future container traffic. Thus new container ports and terminals are still coming up all over the country, especially in South India and also on East Coast up to Diamond Harbour Container Terminal of Kolkata Port Trust," says Mazumdar.

Infrastructure development definitely plays a major role in encouraging containerisation. More ports, better efficiency and making them more competitive can change the present cargo mix. In order to achieve higher levels of containerisation, Central and state governments need to hasten development of infrastructure mainly roadways and approaches to all ports for smooth flow of EXIM Cargo and good rail connectivity.

"Ports play an important role in attracting the trade, which could be in the form of high level of IT preparedness, faster clearances for the containers, liberal terms for dwell time of containers in their yard etc. Besides, ports with state-of-the-art handling infrastructure such as quay cranes and yard cranes can facilitate high productivity and faster evacuation of containers from the port premises. Connecting infrastructure in the form of dedicated multi-lane roads and several choices of container train operators can also attract the trade towards a particular port. Moreover, ports with access to several CFS operators in the vicinity can also hope to attract trade," says Ravichandran.

He feels, in terms of growth, Mundra and Pipavav ports are well placed to attract the incremental growth in the medium term, as capacity constraints and tariff related issues bog down the terminal operators at JNPT. "With leading global container terminal operators/liners behind running of these ports, such as DP World, MSC and APM, they are well placed to attract leading global liners to these ports. These ports also have good connectivity and well-developed CFS network, which facilitate trade," he says.

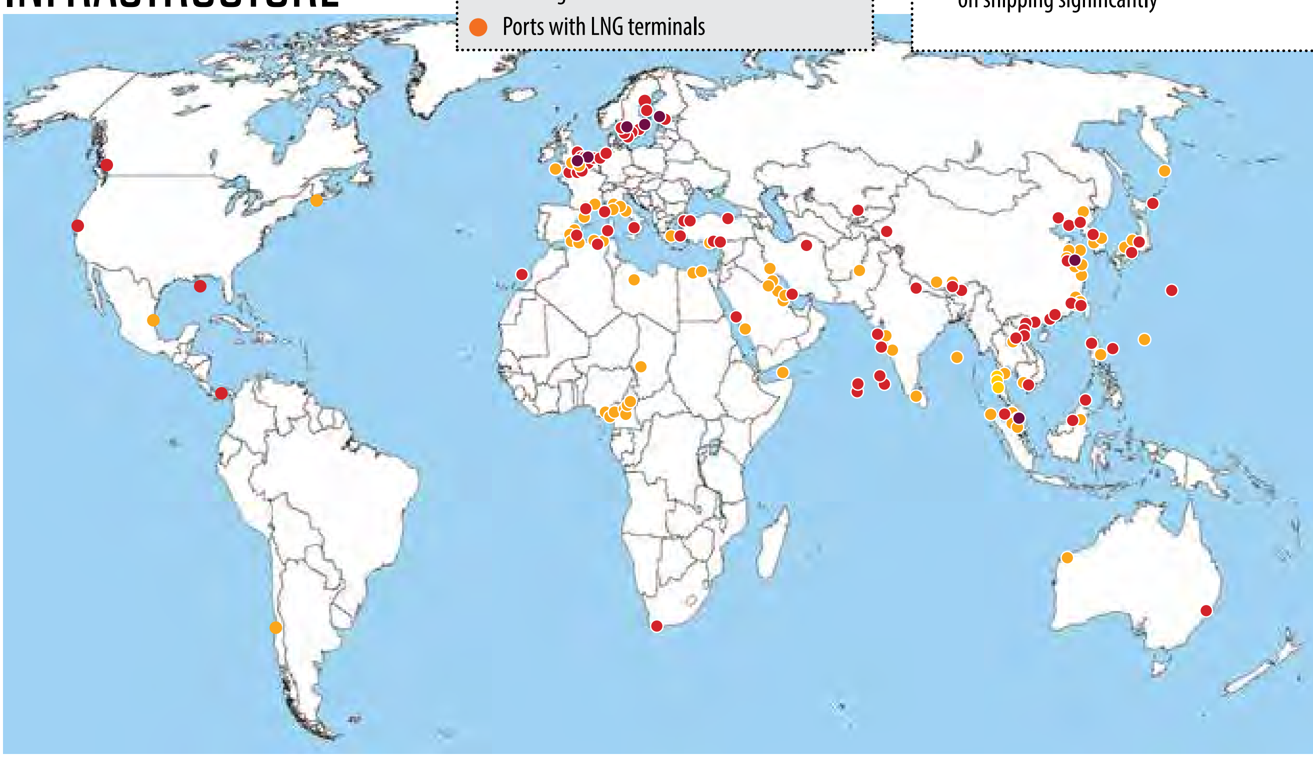
JNPT however could catch up over the next 4-5 years after the commissioning of its third terminal extension and fourth terminals. While South also holds good potential because of location of several industries, over capacity with existing terminals at Chennai, Kattupalli, Krishnapatnam and new terminal at Ennore could lead to pricing pressure in the next 3-4 years for the terminal operators. mg

LNG PRODUCTION TO BUNKERING INFRASTRUCTURE

Liquefied natural gas as a marine fuel is one of the options that shipowners can deploy to reduce emissions. But, a major challenge to its widespread use is the lack of bunkering infrastructure.

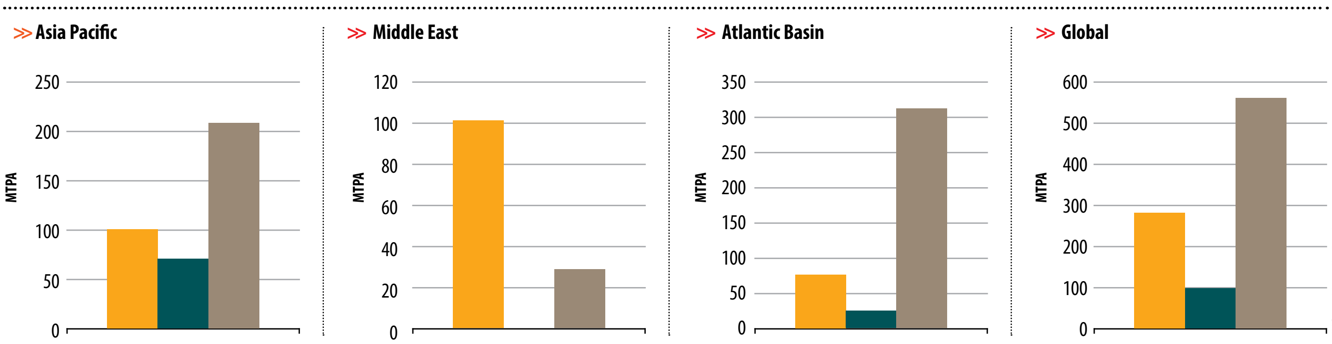
>> Market outlook

- LNG entering a period of rapid growth
- Only limited supply growth through 2015+ with strong ramp-up following
- North America, East Africa, Russia, and Australia (brownfield), all vying to win the post-2015 battle for Asia
- US export potential will have significant impact on global markets
- Significant LNG vessel deliveries to continue for the next 18 months and are expected to put downward pressure on short-term rates
- US Gulf Coast exports will increase the call on shipping significantly



>> Liquefaction capacity

Existing capacity in 2013 | Committed capacity to 2023* | Potential capacity to 2023**



Source: IHS and Lloyd's Register

* Committed capacity means currently under construction and/or final investment decision (FID) achieved

** Potential capacity means proposed and planned capacity without FID

New Customers, New Liners And New Cargoes

Krishnapatnam Port Container Terminal aims a three-fold jump in cargo handling this year.

Itishree Samal

Krishnapatnam Port Container Terminal (KPCT), which started operation in September 2012, targets a three-fold jump in cargo handling by end of this financial year. The terminal, which has handled 58,577 teu (twenty foot equivalent unit) of containers in its first full year of operation, aims at doing 150,000 teu of containers in FY 2014-15.

"We have started creating infrastructure facilities in the port even before handling cargos. We have huge tract of land, world-class cargo handling equipment, parking yard, warehousing facility and connectivity among others, which will work towards our target of achieving the three-fold growth," said KPCT Director and CEO Anil Yendluri.

The terminal has capacity to handle upto 1.2 million teu. Once the terminal reaches 65 per cent of its capacity utilisation, it will start the Phase-II of expansion to handle additional 4.8 million teu of containers. On completion of the Phase-II by 2019-20, the terminal expects to emerge as the single largest container terminal in India with a total capacity of 6.0 million teu.

Containerising new commodities

Containerisation is the way forward – starting from timber logs, agri products to granite blocks, goods are being containerised to save time and cost. As containerisation is at its nascent stage in India, going forward the segment has a huge growth potential.

"At KPCT, our success has been in introducing containerisation concept for new commodities that has not been tried so far by others. Our terminal is handling several commodities, including cement, rice, maize, sea foods, granites, chilly, tobacco and cotton in bulk quantity. As we have warehousing facility inside the port, we do the packaging ourselves and export them through containers. This saves space and handling becomes easier," Anil Yendluri said.

KPCT has laid out several aggressive marketing strategies to bring in new customers and liners, create new cargos for containerisation. To promote containerisation, KPCT regularly conducts awareness programmes, meetings and trade shows to drive exporters and

Amid tough competitions from nearby terminals, KPCT believes in not taking away cargo share from nearby container terminals, rather creating new cargo for itself.

Current Vessel Services at KPCT

SERVICE	OPERATOR	ROUTING AND PORTS	SCHEDULE	DAY OF CALL	SHIPPING LINEs AND NVOs
CHX	Maersk	Krishnapatnam - Tanjung Pelepas - Qingdao - Xingang - Pusan - Shanghai - Nansha - Tanjung Pelepas - Chennai - Krishnapatnam	Bi-Monthly	Tuesday	Maersk and Safmarine
MSC	MSC	Krishnapatnam - Chennai - Colombo - Krishnapatnam	Weekly	Saturday	MSC, Evergreen, HMM, Seapol, Forbes and Shreyas
BTL 1	BTL	Krishnapatnam - North Port Kelang - West Port Kelang - Singapore - Chennai - Krishnapatnam	Bi-Monthly	Thursday	CMA CGM, HMM, MSC, OOCL, PIL, Samudera, Wan Hai, APL, BLPL, Adithya, Blue Ocean, Caravel, Five Knot, Forbes, TLPL, Perma, Sea Hawk, Seapol and SP Container Line
BTL BOX 2	BTL	Krishnapatnam - Chennai - Colombo - Krishnapatnam	Weekly	Friday	Maersk, Safmarine, SCI, HMM, Evergreen, APL, Smart Marine, Star Line, Seapol, Forbes and Shreyas
VASI	VASI	Krishnapatnam - Yangon	Bi-Monthly	Friday	Seahorse / Vasi

importers to opt for containers. For example maize and rice which were predominantly shipped as bulk cargo are now being containerised through several awareness programmes about the options and benefits of containerisation. Same is the case of granite blocks, which used to go as break-bulk cargo from is now being shipped through containers.

Amid tough competitions from nearby terminals, KPCT believes in not taking away cargo share from nearby container terminals, rather creating new cargo for itself. For example, earlier the export of cement was very miniscule from the state of Andhra Pradesh, which has the highest number of cement plants in the country. Most of the cement plants are using only about 60 per cent of their installed capacity. In this scenario, KPCT has connected the buyers with the sellers (cement manufacturers) and facilitated the shipments by convincing the lines to start service from KPCT. As a result of such proactive approach, cement is now being exported in large volume to Colombo and Yangoon from KPCT. It has also resulted in a direct vessel call from Krishnapatnam to Myanmar, which traditionally from other terminals in India, would have been routed through Singapore or Malaysia, involving additional time and cost due to transshipment.

The terminal has created an ecosystem by partnering with customers, Liners, CHAs, FFs, transporters etc. to gain confidence of its exporters and importers by bridging the gap between all stakeholders and providing several value-added services.

Journey so far

Before KPCT started operations, the ports on the East Coast suffered from poor port infrastructure, draft restrictions, lack of modern container handling equipment (such as Quay Cranes) and inadequate hinterland connectivity.

"We found a huge gap in the container terminal space on the east coast and wanted to fulfill the gap by providing efficient, effective, competitive and customer-driven services. That's how KPCT was born," said Jithendra N, Chief Operating Officer, KPCT. The terminal commenced operation with a feeder operator and thereafter the top two liners in the world, Maersk and MSC, commenced their service and hence connecting KPCT to the network of ports across the globe.

Now, the terminal is emerging as the fastest growing non-major port in the eastern coast. Sensing the growth potential of KPCT, the Japanese agencies are contemplating to include the port in the Chennai-Bangalore Industrial Corridor (CBIC).

Isuzu Motors is already importing electronic goods. A couple of automobile firms from Bangalore are talking to us. Alstom and firms based in Sri City are also planning to tap us, he added.

Advantages of KPCT

Infrastructure-wise the terminal is ready to handle the biggest vessel sailing in the world. The terminal has two berths of 650 m length, container yard to store 20,000 teu, on-dock railway siding, covered warehouse of 200,000 sft for stuffing and de-stuffing activities etc. In addition, the terminal has a dedicated customs team within port premises along with functional EDI (Electronic Data Interface) to process all the documents for faster clearance of consignments.

"Japanese investors are interested in creating long time development say for 50 or 100 years. They are very good planners. The availability of 10,000 acres outside the port premises, water, power, deep draught and rail-road connectivity impressed them. They had three rounds of talks with us. Moreover, the inclusion of KPCT will benefit all the three southern states. It will be like a triangle and only a loop has to be extended from the corridor. Boundaries are only in maps. In reality they are regions and it will benefit all as it has three international airports and four seaports."

Anil Yendluri
Director & CEO, Krishnapatnam Port

The terminal provides quick turnaround time with average berthing time of 90 minutes from the time of vessel arrival and a trailer turnaround time of 60 minutes from entry to exit of the port. Now, the Port gets around 15 vessel calls every month which is expected to go up to 24 vessel calls very shortly.

Another biggest advantage of KPCT is the available space. Most of the older ports are within the city and face constraints of limited expansion area apart from interference with human settlement. In contrast, Krishnapatnam Port has a huge scope for expansion with having 6,800 acres.

Also, another concern is that most of the ports in India face the challenges of last mile connectivity – last stretch of road/ rail between the national highways to the port. Whereas the Krishnapatnam Port has good road and rail connectivity – with a four-lane road connecting the national grid which can handle 8,000 trucks per day, and a 19-km double-line rail (with an on-dock rail adjacent to container yard) to provide rail connectivity from the port to Chennai-Kolkata National Rail network. It has capacity to carry more than 60 trains per day (equivalent of 75-million tonne capacity per annum).

Also, there is a land corridor in between the road and rail owned by the port which can be used for upgrading the current four-lane road to six-lane or eight-lane in future. "It gives the port unparalleled scope for scalability – as in when volume increases and demand occurs, it can immediately expand its infrastructure without going for further land acquisition. This is one of the core philosophies of the port: creating world-class infrastructure ahead of the demand," Jithendra said.

With its available infrastructure, modern equipment, transparent processes and efficient hinterland connectivity, the terminal is emerging as the container terminal hub on the east coast of India.

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Sri Lanka's Vision 2020

Shifting gears to be global logistics hub

Island nation deepens maritime ties with Bangladesh; announces plan to invest $10 billion in Ports sector

Deepika Amirapu

The Sri Lanka Ports Authority, the state run arm of the island nation's that manages the country's ports announced its plans to invest $10 billion in the developing ports. The plans to augment existing facilities and create new ones are part of the country's vision to establish the nation as a reputed maritime force to reckon with in the world.

The SLPA Chief Priyath Bandu Wickrama while announcing the plans said the government has already invested $2.2 billion since 2008 to develop port and related infrastructure. A marketing campaign is now underway to attractive prospective investors to advance the country's port infrastructure. Wickrama was quoted saying, "We hope to attract major shipping and related industrialists to set up offices in Colombo, Sri Lanka's largest port." The announcement comes at a time when all the functional ports across the nation reported a 12.3 per cent increase in transshipment volumes with Colombo handling a maximum of over 3 lakh teu.

Early last year Sri Lanka opened the Hambantota Port for operations. The port was built with Chinese finance and is operated by SLPA. Speaking of the Hambantota Port and industrial zone, Wickrama said the special zone had committed investments up to $1.8 million.

In its effort to improve ties with neighbours in the Indian subcontinent and the ASEAN region, Sri Lanka has also reached out to Bangladesh and the two nations agreed to explore investments in the port sector and enhance connectivity between them by sea by signing a declaration to this effect. The Shipping Ministry of Bangladesh and Sri Lanka's Port Authority and other representatives of the port sector such as lines, feeders and other trade associations conceded benefitting from mutual sea trade in the coming years.

Currently, most exports from Bangladesh directed to the West and Australia in the South are moved by feeder vessels transporting cargo to the transshipment terminal at Colombo, Singapore and the two ports at Malaysia. The Sri Lankan authorities pushed for Bangladesh to move its cargo through Colombo stating it would save on time and cost with lower freight rates. Lanka's Wickrama said the newly developed South Harbour at Colombo would attract major shipping lines and assured more cargo space for exports coming from Bangladesh.

"The number of feeder calls between Bangladesh and Colombo has increased in the recent past and the volumes via Colombo are on the increasing trend," Wickrama said, adding that Bangladesh could choose to invest in both ports of Hambantota and Trincomalee.

These efforts are part of Sri Lanka's corporate plan drafted with a vision to handle 20 million tonnes of cargo and earn upto $1 billion as revenue from port operations each year by 2020. As part of its aspiration, the island nation also aims to achieve logistic excellence in the silk route. To be a centre of maritime excellence and operate viable green ports, is the vision's main objective.

Ports and Airports will be the key nodes linking the global supply chain and the logistics services. Therefore, in Sri Lanka ports and airports will play a significant role in connecting the region to support the transshipment and value-addition activities to connect South Asia to the rest of the world. The geographic location gives a comparative advantage to the country to be the gateway to Indian Ssubcontinent and to serve South and East Asia, Middle East and Africa on the main East West shipping route.

Since ports play a significant facilitating role for the domestic cargo base of Sri Lanka, their positioning gives greater connectivity to local manufacturing sector to both export finish goods and to import raw material for production at competitive prices. Sri Lanka too has had to invest large amounts of capital to develop its infrastructure to facilitate the requirements of modern ships as well as to increase the capacity of terminals and harbour basins to accommodate these ships. The Sri Lanka Ports Authority has given due consideration to the strategic forecasts in the global shipping trade. Therefore, action has been taken to develop ports around the country to serve the demands of various type of ships using the main East West shipping route.

Envisioning the future of Sri Lankan ports, SLPA is shifting its original thought of container hub to global logistics hub, expecting the boom in International trade that opens up a range of opportunities and challenges. SLPA accordingly, in its port vision to be the logistics excellence in the Silk Route expects to strengthen complex logistic approaches with 'one touch' information flow of all activities while sustaining the best practices at national and international level in order to improve overall economic conditions in Sri Lanka.

In its mission to deliver world class services in a sustainable environment,

> The logistics industry is expanding rapidly in response to the increasing demand of world trade. The robust trade, economic growth and liberalisation policies followed by many Asian countries have resulted in increased trade volumes. Thus ensuing increase in transportation, handling and ware housing needs. This has laid to a demand for integrated logistics solutions in the region and around the world
>
> **Priyath Bandu Wickrama**
> The SLPA Chief

SLPA emphasizes on the thought of creating a global logistic hub port in Sri Lanka, expecting to construct a multi-dimensional logistics system to integrate logistics function while opening a deep water sea port with excellent maritime access that enables to receive large vessels and to operate them in modern specialised terminals.

Strategies to achieve the above aspirations include to develop infrastructure & super structure facilities in Colombo, consolidate the position of port of Colombo as a center of maritime excellence, introduce sector specific marketing & business development programme, develop Magam Ruhunupura Mahinda Rajapaksa Port (MRMR Port) as an international service, industrial & container handling port, enhance safety & security for cargo & port users, mark global presence in strategic locations, organisation restructuring & re-designing administrative procedures, implementation of advance financial management systems, reduce carbon footprint, develop other regional ports as per their individual strengths and competitive advantages.

Aligning to the vision of the 'Mahinda Chintana Idiri Dekma' to transform Sri Lanka into strategically important economic center of the world, the Government of Sri Lanka has laid out a development policy frame work for short, medium and long term macroeconomic policies to address challenges and to make structural transformation of the economy for sustainable development. The new policy frame work is a turning point in Sri Lanka's economic development which is aimed at high growth rate, along with quantitative and qualitative output.

The highlights of the policy frame work of implementing large infrastructure development consist of mega projects of electricity generation, ports, airports, water supply, irrigation, roads, transport, revitalisation of agriculture, domestic enterprises, enhancement of public service and promotion of private sector and the SMEs. These projects are directly envisaged to develop an economically, socially and environmentally sustainable country to the future generations of Sri Lanka.

The growth model fostered by the Government policies will result and economy with accelerated development along with environment sustainability. The objective is to create a stable society with a high quality of life by doubling the per capita income to above $4000 through an annual economic growth of over 7-8 per cent and to move into and upper middle income nation in the short term. Moreover, the policy emphasizes on investments to be increased to 33-35 per cent GDP and exports to be grown at twice the rate or more of real GDP.

The Panama and Ports wait for mega ships

For mega ships and global alliances to be a viable reality, a complete rethinking of the way containers are handled to– and from the ship as well as to and from–and within the shore-side terminals is paramount.

Deepika Amirapu

The Panama Canal's grand reopening this year has had the ports pick up a head of steam readying them to welcome the laden giant carriers. And this time it's not just the US ports that are abuzz with action. Ports all round the world have uncovered huge dredgers pushing them to work deepening their water channels for the swollen ships to arrive.

The United States is currently leading in the game with both the East Coast and the West Coast investing billions of dollars ramping up their infrastructure and equipment required to lift the heavy boxes the ships carry. The vessels ports are expecting to berth have never surfaced on the sea before. With a length of 235 feet and 54 feet wider than the existing crop of vessels traversing the Panama Canal, these humungous ships can transport as much as 18,000 teu as they sail when compared to the earlier ships that could manage close to 9,000 teu or lesser. Ports along the US coasts are more enthusiastic to be the early birds because they want their ports to be functional by the time the Panama celebrates its 150 birthday in 2015.

The Ports of Savannah, Miami, New York, New Jersey and Charleston are deepening their draft to the 50 foot depth necessary to berth the mega ships, creating a rail network to be linked to national network apart from buying and upgrading cranes to handle the boxes. These new cranes required by the waterfront where a ship docks weigh between 1,600 and 2,000 tonnes, almost twice the weight of the cranes used now. Last year alone 140 cranes were delivered to different ports who were preparing to test the equipment's efficacy. Other measures underway to upgrade the land side infrastructure involve improving security arrangements to scan the voluminous cargo, building up software to efficiently manage the route interchanges between containers and trailers in the yard.

In Savannah, Georgia, the local river is being dredged while the port of Charleston in neighboring South Carolina is engaging in a similar exercise. Down South and closer to canal, Miami has its operations to deepen its channel and rail and road infrastructure through as it expects to be the hot spot for the Post Panamax vessels.

But Neil Davidson, Senior Analyst, Ports and Terminals at Drewry augurs that it's not just the ports in the US, but around 40 ports around the world that are bracing themselves to hit the jackpot once the ships arrive. But he says the ships are not all about having a deeper draft alone. These bigger ships are wider than they are longer and deeper. "They rather they tend to be wider, and stack higher on deck. So the emphasis is less on dredging and more on cranes with longer outreach and greater height."

And so, importantly, the process of cascading of vessels onto other trade routes means that 18,000-teu ships have implications for all ports globally, not just the Asia-Europe route ones.

Analysts and industry persons say the the impact of this widening of the canal will be felt by not just the ports and shipping lines but the opening of the third lane will have a cascading effect in shipyards in China and Korea, mineral rich nations such as Australia that export coal and ore and countries such as Brazil that ship out agricultural produce.

Consider this data to know just how many ships will negotiate the Panama in the next couple of years. Analytics firm Alphaliner bares the facts for our reckoning. As of February, 82 per cent of all container ship tonnage on order is for ships of 7,500-teu and above, and 52 per cent is for ships of 10,000 teu and above, according to Alphaliner data, clearly pointing to a stepped-up effort by carriers to acquire mega-ship tonnage to remain cost-competitive. Only seven ships in the 18,000 teu and over category are so far in operation, all Maersk 18,200 Triple-E ships, out of the 20 being built. The rest are under construction or just announced, including five 19,000-teu ships for China Shipping, six 18,000-teu ships for MSC and six 18,800-teu ships for UASC, according to Alphaliner.

Tony Simkus, a technical consultant to the maritime transportation industry says, "The motivation of the carriers to opt for larger capacity vessels within certain routes is that the larger vessels result in a smaller incremental cost per container transported, within certain control ranges. He simplifies the ushering in of mega ships by measuring four vital parameters. Speed, distance and fuel burnt and the average vessel loading.

"The base assumptions are always important. Round trip travel distance, which needs to be as high as possible; average travel speed, which needs to be as low as possible; average vessel loading, which has a lower limit in order for the rest of the math to make sense, as I am sure is and was true of any vessel size, but it is easier to get 70 per cent on an 8,000-teu vessel within a route than on an 18,000-teu vessel, particularly with the same calling frequency.

So, at the bottom of it all, the carriers are controlling their costs as best they can by having as few sailors take as many containers as possible as far as possible at the most efficient traveling speed, with, hopefully, the least time in port per container handled also burning lesser fuel. The vessels have been reengineered with twin engines that will run slowly guzzling only 100 tonnes of fuel instead of 200 tonnes earlier. This way, the green activists are also kept at bay as the waste heat generated shall be recovered.

Apart from all the reasons stated above, these big ships are in vogue because as Maersk Line puts it, the cost of transporting a container from China to Europe can be brought down by about a third from the current expense because it can carry 20 per cent more containers.

Going by published material thus far, one can be sure that ports are doing their bit in ensuring the land side and sea side infrastructure is being organised, ports will now have to plan to handle increased freight movement inside and outside their yards and ports. Heavily laden ships making few calls will bring more cargo and occupy more yard space than smaller ships making more trips. Also, the installation of the new cranes will assure greater outreach, but will they also ensure speed? Tony Simkus says "To handle the challenge, the port would require enormous changes to the stack side of the operation, and incredible planning on the part of operations, for they aren't handling a straw man, but heavy container weighing thousands of tonnes."

Port/terminal infrastructure and equipment requirements

Wide range of requirements in order to both physically accommodate big ships….but also to achieve the required productivity

- To be able to accommodate the current largest container ships, a port/terminal must have:
- Large enough cranes (i.e. at least 21-22 boxes across outreach)
- Sufficient large cranes (at least 3 cranes per vessel and usually at least 5 is desirable)
- Long enough berths (i.e. at least 400 metres)
- Deep enough water alongside the berth (i.e. at least 14.5 metres and up to 17 metres)
- Deep enough water in the approach channel (i.e. up to 17 metres)
- And a yard/landside operation …… and inland links …..capable of coping……

Carriers in the Big Ship Club

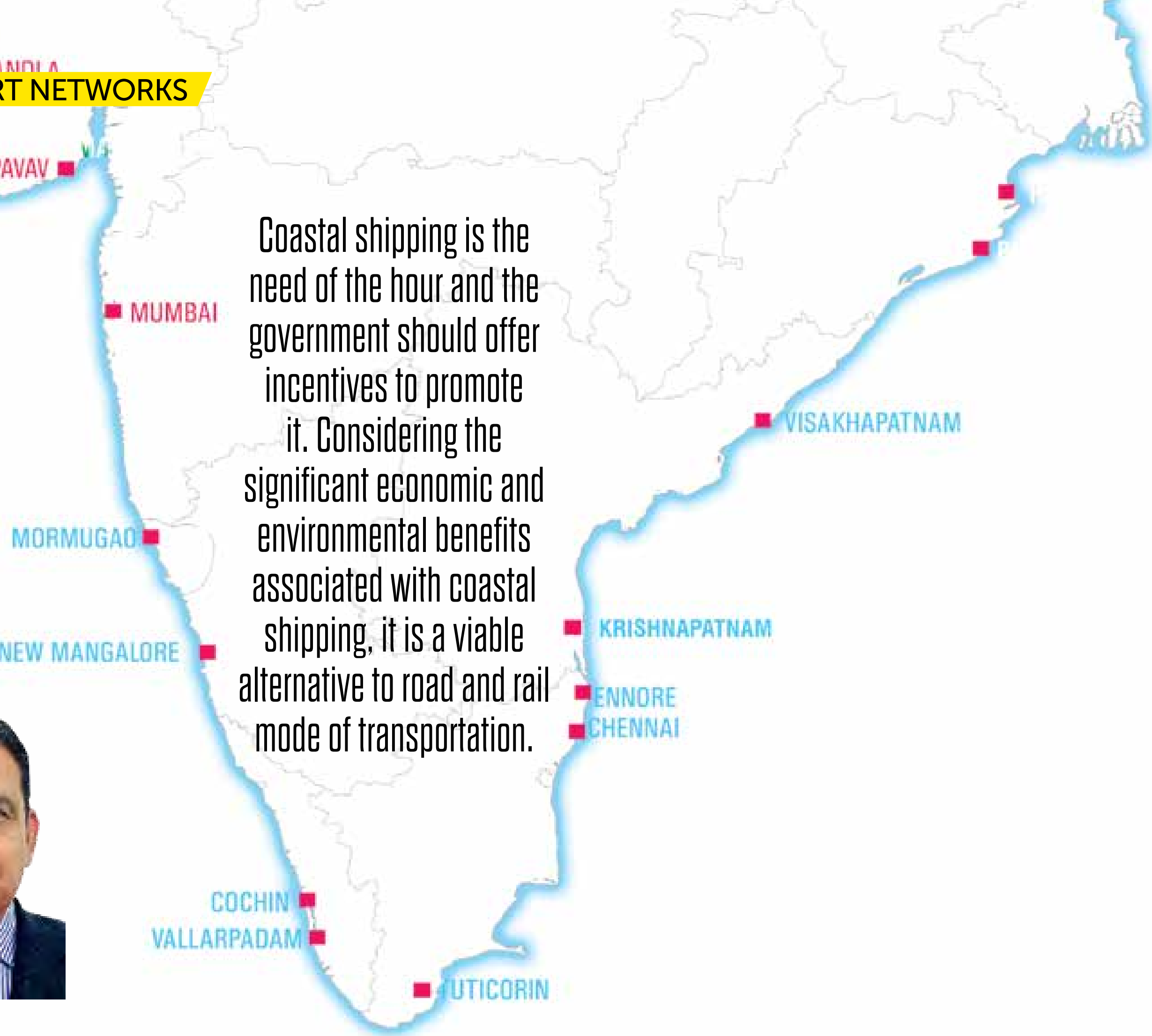
Carrier	Large Vessel Fleet
Maersk	6 x 18,270-TEU ships already delivered; another 14 in the pipeline
CSCL	5 x 19,000-TEU ships on order
UASC	6 x 18,000-TEU ships on order
MSC	6 x 18,000-TEU ships on lease in orderbook
CMA CGM	3 x 17,700-TEU ships on order for own account; 3 x 17,859-TEU vessels on lease and on order

Source: Carrier information

Once the stack operation is modified to handle this volume, the rail and truck operations also must double, or even triple their present production rates. This means increased gate hours, with the resultant labor expenditures and the need for better infrastructure leading to the terminals, more equipment needed from the railroads and more truckers needed- all of which is a challenge now at the current levels of production. "Connectivity is a critical area of impact. Bigger ships mean that volume gets concentrated into bigger peaks and this will put increased pressure on road and rail links to ports. But these are aspects which terminal operators and port authorities don't directly control," says Davidson giving the ports a breather as congestion is something that ports can't control on their own. Perhaps the one thing that ports have to re organise is the scheduling of calls to ensure the shippers don't have to go from port to port to collect their cargo.

However, the most crucial question is that of cargo. Does anyone know how to support these billion dollars of dredged investment? Analysts say the alliances were formed precisely to address this problem. The current P3 alliance between CMA CGM, Maersk and MSC would perhaps rejig their port calls to fill their ships adequately before they embark on a particular route. The Grand and New World Alliances to G6 in Asia-Europe route is also a similar arrangement between lines to plug any probable drop in cargo. The G6 is now expanding to Transpacific and Transatlantic and the Evergreen Shipping is now joining CKYH. In his presentation to the International Association of Ports and Harbours mid-term conference in Sydney, Australia held in April 2014 Neil Davidson said port rotations will be rationalised (esp. transshipment calls) but each line has too much at stake to completely drop any of their major gateway ports. He says port calls will be decided depending on where the maximum cargo is generated and the line will follow the cargo from port to port before it makes a final call at the destination.

The issue of mega ships carrying the world's cargo along is perhaps more complex than many economic concern plaguing the developed and developing economies. Come 2015, the success of these ships coursing the seas will be measured to see if such an operation is plausible. To rephrase what Jonh Paul Jones said, 'No economy would wish to have a connection with any ship that does not sail fast; for it doesn't intend to go in harm's way." mg



Coastal shipping is the need of the hour and the government should offer incentives to promote it. Considering the significant economic and environmental benefits associated with coastal shipping, it is a viable alternative to road and rail mode of transportation.

Capt. Anand Chopra

Coastal Shipping: Time to Shift

Blessed with a long coastline of about 7,500 km, coastal shipping plays a major role in the development of domestic industry and trade in India. Thus it also helps contribute a great deal to the the economy of the nation.

India has also about 14,500 km of navigable waterways, which comprise of rivers, canals, backwaters etc. Presently, not much freight is moved by Indian waterways barring on a very few stretches such as the Ganga-Bhagirathi-Hoogly river, the Brahmaputra, the rivers in Goa, the backwaters of Kerala, inland waters in Mumbai and the Godavari Krishna rivers. For promoting inland water transport, it is essential that the national waterways and other smaller rivers from tributaries are developed and linked. While Inland Waterways Authority of India (IWAI) very closely with print and digital media to increase the awareness among the trade for the promotion of the sector.

Today, when we look at transportation of goods within the country, we think only of trucks or rail as the mode of transport. However, the most cost-effective, efficient, eco-friendly and safe mode of transportation within the country is by way of coastal transportation by ships, and it is not given its due importance and share.

Presently we transport only about 7 per cent of the freight by coastal shipping which continues to be very much underutilised. Even after a decade we are still at only 7 per cent as against 30 per cent share by rail and 57 per cent by road in the total transportation. This is very low considering that coastal shipping accounts for over 40 per cent of the total transportation volumes in China and the European Countries. In USA, it is about 21 per cent. There is thus a huge potential to promote costal shipping. Further, if costal shipping is linked with the inland waterways then we could achieve seamless transportion on end-to-end basis by the costal route.

To take full advantage of the long coastline, the domestic industry and the trade should be made aware that the coastal mode of transport. The authorities should grant the same subsidies and concession which are given to the rail and road transporters. Besides this, the bunker (fuel) supply to the ships operating on the domestic coastal trade should be at par with international market rates. As things stand today, high costs are involved for coastal ship operators compared to road and rail. Inadequate facilities at a number of ports is another reason determental to promoting coastal shipping.

Furthermore, coastal shipping does not only apply to the movement of containers or other small parcels of general cargo. Presently, the infrastructure development work is going on in the country for transportation of considerable quantity of project cargo and heavy lifts. Today, there are project cargo weighing up to about 1,000 tonnes which need to moved across the country. Considering the lack of proper infrastructure which exists today, it is a sort of nightmare to transport this type of cargo by road. There are bottlenecks at every stage – whether it be from one district to another or from one state to another. Very soon as we have feeder vessels to move

There will be an acute shortage of drivers for the trailers. Coastal shipping could play an important role for the automobile industry in transporting their vehicles. At least to start with, on the short sea routes.

containers from the hub port to various other ports in the vicinity, we will soon have feeder projects cargo vessels for connecting project cargo from the hub port of the main line vessel to other ports.

The Ministry of Shipping recently came up with some incentive scheme to promote coastal shipping though it is not applicable to project cargoes. Government, Central and states should incentivise shippers who change to coastal shipping for transportation of their goods.

Besides general domestic trade, coastal shipping can play a major role in the automobile industry. Presently the automobile Industry deploys road car carriers for movement of their vehicles from the manufacturing plants to the various dealers located in the country. Considering the projected growth in production in the automobile Industry of around 700,000-800,000 units per year there will be further burden on the fragile infrastructure which we have today. There will be an acute shortage of drivers for the trailers. Coastal shipping could play an important role for the automobile industry in transporting their vehicles. At least to start with, on the short sea routes.

Many stakeholders in the shipping industry are of the view that to promote coastal shipping cabotage should be relaxed. Owing to the high capital investment involved, cabotage was introduced to safeguard the interests of Indian shipowners for the carriage of coastal cargo including domestic cargo. Cabotage is not unique only in India but is prevalent in many other countries such as USA, China, Japan, EU, Turkey etc to name a few.

Presently in our cabotage law there already exists a provision wherein if a Indian flag vessel is not available then waiver can be granted by DG Shipping after NOC from INSA.

If on the other hand the authorities decide to relax cabotage then it is important that a level-playing field exists for the Indian shipowners.

The key benefits of transporting goods via coastal shipping vis-a-vis road and rail transportation include –

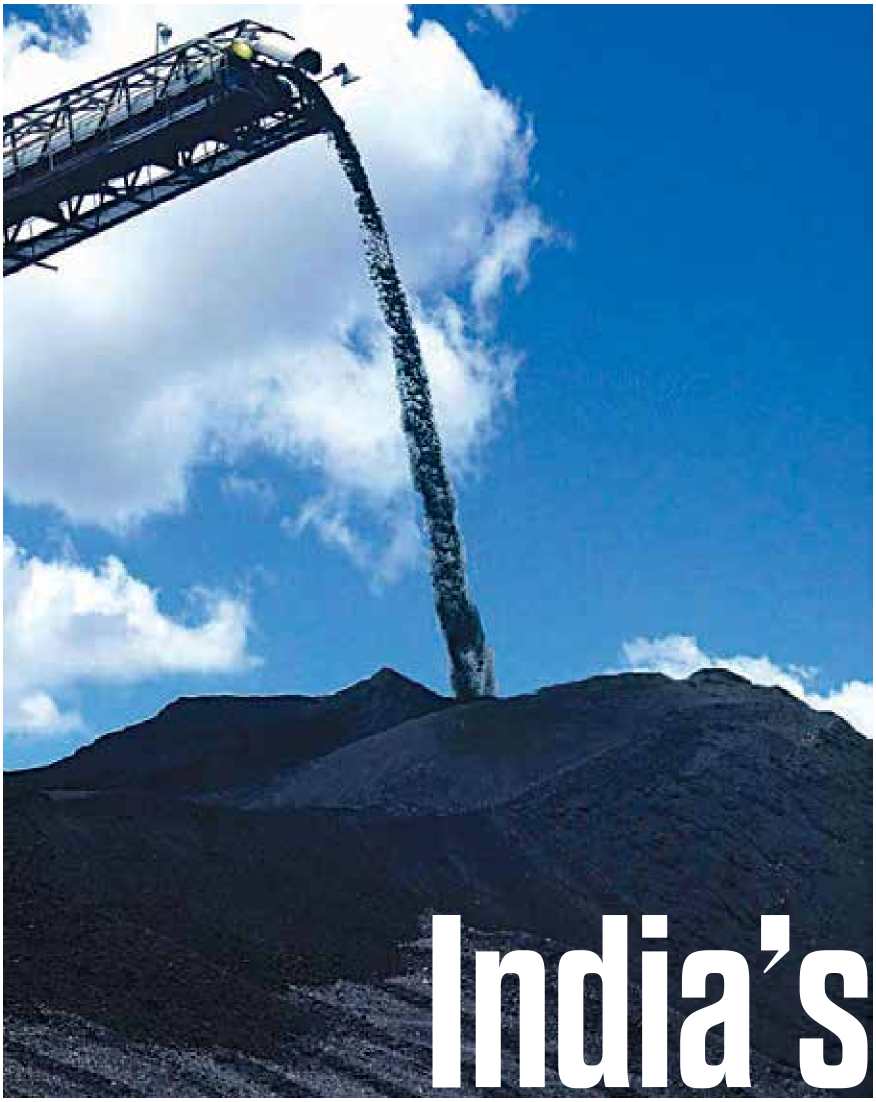
Economical mode of operation: The cost involved in coast to coast transportation of goods is about 21 per cent of road transport and 42 per cent of rail transport; Lower fuel consumption per tonne of cargo: Fuel consumption by coastal shipping is 15 per cent of consumption by road and 54 per cent of that by rail; Significantly more environment friendly: Carbon dioxide emissions from rail transport is twice from that of coastal shipping and six times that from road transport; Low rate of fatalities: Road and rail movement result in a significant loss of lives in India vis-à-vis shipping where fatalities are negligible.

With all its advantages over road and rail, it is a major loss to the country that coastal shipping in India has not grown.

Even with the government's involvement in promoting costal shipping, it has still not achieved the desired results. This can only happen provided the mindset of the people changes.

Coastal shipping is the need of the hour and should be the main focus of all stakeholders to give it a boost in promoting the same. All stakeholders should collectively work towards making this happen. mg

The author is Director (Liner and NVOCC), Doehle Danautic India Pvt Ltd. Earlier in his career, he successfully launched and managed SCI's businesses across the USA, Europe, Far East, Middle East and Africa, thus making a strong case representing a living legend in the shipping fraternity.



India's coal outlook looks bleak

With power generation utilities increasing their capacity in the backdrop of unavailability of sufficient coal in India to meet the growing requirement and the decline in rupee value which is leading to expensive imports, the outlook for coal for the year 2014-15 looks bleak.

Itishree Samal

India is facing crisis in the availability of coal and failing to meet the rising demand across the country.

According to Planning Commission projections, the total coal demand by 2017 would be around 842-million tonnes, while world's largest coal miner Coal India Limited (CIL), which accounted for over 80 per cent of domestic supplies, would not be able to produce more than 653-million tonnes.

Coal India is failing to meet its coal output target. In the financial year 2013-14, CIL reported a production shortfall of around 20 million tonnes. During the year, the company mined around 462.5 mt against the production target of 482 mt.

There are several factors responsible for this limited availability of coal within India, even the top miners of the country fails to meet their annual coal output target.

According to a top executive of Coal India, "Illegal mining and selling coal from CIL-owned coalfields in central areas by Maoists is impacting the company's coal output in a big way, which is to the tune of 3 mt and revenue losses of up to ₹600 crore a year."

As many of the country's mineral resources are located in remote forests, factors such as poverty, illiteracy and illegal mining affect the coal production activities. NTPC Ltd, the country's largest coal consumer, was unable to mine coal from its $5.5-billion Pakri-Barwadih field in Jharkhand due to illegal activities.

Dependence on thermal coal imports increasing

India relies on coal to fuel more than half of its power generation but domestic production has not kept up with capacity additions in the power sector. And any increase in the power capacity directly translates into coal demand and by extension increased the need for imports as domestic mining capacity is lagging behind.

Of India's current capacity of 237,743 megawatts (MW), around 59 per cent (or 140,723.39 MW) is fuelled by coal. And a majority of the new ultra mega power plants (around 4,000 MW units) proposed in India is expected to depend largely on imported coal.

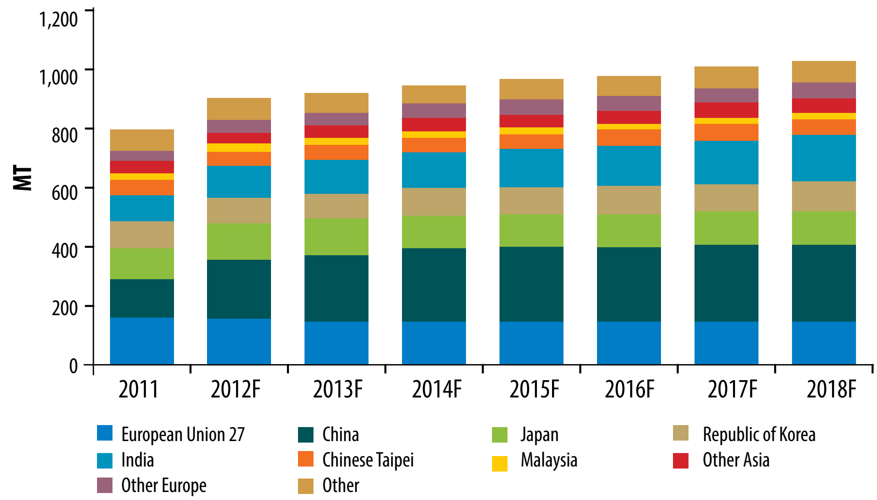
Indian thermal coal imports have remained strong over the past one year as Coal India has not been able to meet rising demand from domestic power producers. "Reliance on coal by utilities will remain high and the output from Coal India is unlikely to pick up substantially, along with dependence on imports will grow further in the coming years," according to an expert.

Limited availability of coal for domestic purposes is leading to huge dependence on imports of coal. Currently, India is the fourth largest coal importer of the world.

According to the commerce and industry ministry, coal ranks seventh in India's import bill of around $448 billion annually, after crude oil, gold and edible oils, among others. The total coal imports in last fiscal upto March 2014 was around 165 mt from 137.56 mt in 2012-13, and the year 2013 saw a 21 per cent jump in coal imports from the year before to reach 152 million tonnes.

In the midst of scarcity, power generation utilities are depending on imports. Andhra Pradesh Power Generation Corporation Limited (APGenco), which facing with the same coal availability crisis issue, is depending upon the imports of the commodity. And with its proposed capacity addition, its dependence on imports may further go up.

Global imports of thermal coal (2011–2018F)



APGenco has recently added 800 MW to its 5,092 MW thermal power, and it will commission another 800 MW by August this year and 660 MW each at Rayalseema and Kakatiya thermal plant by 2015. "With the increased capacity, we expect our coal requirement for the year 2014-15 will go upto 30 MT, of which around 27MT will come from domestic supply and the rest 3 MT (around 5 per cent) will be imported," Prabhakar Rao, Director (Coal and Logistics), APGenco, told *Maritime Gateway*.

"As domestic production struggling to meet demand, we are depending on imports. Currently we are experiencing a shortfall and there is a huge gap between the supply quantity and requirement quantity. Earlier, we used to do around 0.8-1 million tonnes of imports, while for this year our exports may go up to 3 million tonnes," he added.

Coal outlook

Imported coal is expensive. The decline in the currency is further making the imports costlier and will add to the woes of the coal importers.

Even the proposed coal mining projects by the Indian companies abroad fail to bring any hope. The US Institute for Energy Economics and Financial Analysis (IEEFA), an independent analyses and research institute on energy and environment, has come out with bleak future outlook for India's coal imports primarily from Australia.

India's biggies including Adani Enterprises and GVK Group, who have bought the rights to mine the Australia's Galilee basin under the Carmichael coal mine in Queensland in 2010 and Alpha coal mine in Queensland in 2011, are running 3-4 years behind schedule. Its report says adding that the rail, power, water and port facilities required to enable these mines to operate also are non-existent.

Overall, the outlook for coal for the year 2014-15 looks bleak with the increasing dependence on imports with the coal production failing to meet the growing requirement. It has raised the urgency for domestic producers such as Coal India to lift their flagging output. mg

Well Oiled!

Edible oil exporters, especially, groundnut oil companies are set to gain with the government relaxing minimum export price.

Sreekala G

It can be considered as a parting gift from the outgoing government to the edible oil industry. In a major boost to edible oil exporters from the country, the Centre in May cut the minimum export price (MEP) of edible oil in branded consumer packs of up to 5 kg to $1,100 per tonne from $1,400.

This notification of reduction in MEP by the Directorate General of Foreign Trade (DGFT) will help export of edible oil, especially, groundnut oil.

Even though the groundnut oil market is very limited in foreign countries, according to edible oil exporters association, this government move will result in a likely increase of over 25,000 tonnes of groundnut oil in this year

India meets 50 per cent of its edible oil demand through imports while it exports small quantities of groundnut, sunflower and rapeseed oils to cater to expatriate demand. To ensure domestic supply and contain price rise, the country used to prohibit export of unbranded edible oils in 2008 and extended it year after the year. This was relaxed and it had allowed sales abroad of cooking oils in small packs, with a cap of 20,000 tonnes in 2013-14.

Indian Oilseeds Production (Million Tons)

Oil Seeds	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Soyabean	11.340	10.65	9.5	8.5	8.9	9.46	7.96	7.05
Groundnut	4.334	6.015	5.84	5.12	5.92	6.89	5.35	6.25
Rapeseed & Mustard	7.30	6.030	7.1	6.03	6.35	4.79	6.22	7.02
Castor Seed	1.143	1.620	1.19	0.97	0.98	0.91	0.78	0.91
Sesame Seed	0.601	0.760	0.755	0.76	0.58	0.66	0.61	0.6
Sunflower	0.615	0.62	0.655	0.99	1.15	1.46	1.6	1.62
Linseed	0.117	0.13	0.16	0.16	0.13	0.18	0.19	0.2
Safflower	0.086	0.10	0.14	0.15	0.17	0.17	0.19	0.21
Niger Seed	0.080	0.09	0.1	0.08	0.08	0.07	0.07	0.11
Total	**25.616**	**26.015**	**25.44**	**22.76**	**24.26**	**24.59**	**22.97**	**23.97**

Source: Trade Estimate

Estimates suggest that India produces an average of 300,000 tonnes of groundnut oil every year and this year it can go up to 700,000 tonnes this year. India imports about 8 million tonnes of edible oils each year.

The main destination of edible oil exports will be the Middle East where a sizeable population of Indian origin stay.

As per data from trading company PEC, India is the world's leading importer and consumer of edible oils in the world. Of the total 5.0-5.5 million tonnes of vegetable oils imported by India annually, 1.3-1.5 million tonnes is soyabean oil, imported mostly form Argentina, Brazil and US , nearly 3 million tonnes of palm oil is purchased from Malaysia and Indonesia

Indian vegetable oil industry consists of 15,000 oil mills, 600 solvent extraction units, 600 vegetable oil refineries and 250 vanaspati units spread across the country crushing / processing oilseeds, oil cakes, rice bran & vegetable oils. The domestic turnover of the vegetable oil industry is over ₹125,000 crore and import-export turnover of about ₹65,000 crore per annum, consisting of ₹50,000 crore for import of vegetable oils & ₹15,000 crore for export of oilmeals, oilseeds castor oil, groundnut oil & vegetable fats of tree borne oilseeds.

Earlier, the government had lifted the export ban on 14 processed food items. The latest move comes as there is demand for these oil products, especially among the Indian diaspora. The commerce department has argued that temporary restrictions impact the credibility of Indian exporters apart from raising transparency issues. Several

Export of Oilseeds (Qty in Thousand Tons, Value in ₹Cr.)

Oilseed	2012-13		2011-12		2010-11	
	Qty.	Value	Qty.	Value	Qty.	Value
Sesame Seeds	299.52	2881.54	389.15	2641.66	398.44	2307.52
Groundnuts	535.67	4065.59	832.62	5246.45	433.75	2178.41
Mustard / Rape Seeds	30.61	129.4	37.36	124.87	14.36	41.88
Niger Seeds	17.9	90.13	28.22	117.27	12.86	44.51
Safflower Seeds	10.00	46.75	15.00	55.5	10.00	28.00
Sunflower Seeds	5.21	43.74	5.18	27.29	4.21	19.61
Total	**898.91**	**7257.15**	**1307.53**	**8213.04**	**873.62**	**4619.93**

Source: DGCIS/Trade Estimates

Major Importers of Oilmeals

(Qty. in MT)

Country	April 2014	April 2013	% Change
South Korea	52,151	58,454	(-) 10.78%
Iran	57,780	67,576	(-) 14.50%
Thailand	42,550	15,032	(+) 183.06%
Vietnam	11,084	12,243	(-) 9.47%
Taiwan	11,519	6,184	(+) 86.27%
Indonesia	7,443	7,806	(-) 4.65%
Europe	32,197	11,694	(+) 175.33%

Export of Oilmeals - April 2014

Month	Soybean Meal	Rapeseed Meal	Ground Nut Meal	Ricebran Ext.	Castor Seed Meal	Total
Apr.'14	89,883	125,872	102	600	20,378	236,835
Apr.' 13	99,451	54,077	131	11,255	32,640	197,554
Apr.'12	313,832	45,734	162	23,400	19,962	403,090
2013-14 (F.Y.)	2,781,985	916,050	2,167	97,580	533,668	4,331,450
2012-13 (F.Y.)	3,439,848	786,690	2,883	233,200	383,392	4,846,013
2011-12 (F.Y.)	3,829,521	1,248,681	2,863	176,725	341,308	5,599,098

Source: DGCIS/Trade Estimates

Export from Major Ports

(Qty. in MT)

Port	April 2014	April 2013	% Change
Kandla	156,460	131,808	(+) 18.70%
Mumbai/ JNPT	37,612	12,920	(+) 191.11%
Mundra	9,966	13,299	(-) 25.06%
Bedi	32,197	18,000	(+) 78,87%

WTO members have also been critical of the government's policy to clamp down on exports the moment there is a spurt in price of commodities – be it wheat, rice or onions.

This has triggered the government to allow the export of processed agricultural products even in the event of restriction ban on export of basic farm produce. As food inflation has shown some signs of moderation and productivity has risen, the government, in recent months, has eased restrictions on farm products.

The 14 items on which the restrictions have been eased generated a little over $630 million and in first half of the current financial year, exports are estimated at around $375 million. Despite the restrictions, India is a net exporter of farm products with shipments out of the country valued at $37 billion in 2011-12, against imports of around $17 billion.

Meanwhile, analysts say despite the increase in oilseed output, edible oil import to the country is set to hit a record high this year. The increasing direct consumption of oilseeds, including soybean, mustard seed and groundnut, has reduced their supplies available for crushing.

This year from October 2013 to November 2014, the share of imports to overall edible oil consumption is likely to hit 65.3 per cent, against 61.2 per cent in the previous year. The country's overall edible oil import is likely to stand at 11.8 million tonnes (mt) this year, against 10.7 mt in the previous year. The edible oil import bill may exceed the benchmark ₹60,000-crore mark as against ₹57,500 crore last year.

According to reports, total edible oil production from domestic sources for 2013-14 is likely to stand at 7.6 mt, compared to 7.5 mt last year. mg

Rail Tariff Authority
An Era of Price Rationalisation

Indian Railway is planning to set up a rail tariff authority to usher in a new pricing regime through a transparent process. While this will help improve the financial health of the railways, the government should amend the existing Railway Act, 1989 to provide autonomy to the authority.

Mahesh D Kadam

Transportation is the lifeline of any developing economy. The growth and development of any nation truly rests on the growth of its transport sector. The transport sector's contribution to India's GDP is 6.6 per cent. Out of which, share of railways stands at 1.2 per cent for the period. Transport by other means (road, air and water) constitute 5.4 per cent of the GDP. Road sector has emerged as the most dominant sector amongst all the modes. In freight transport, the share of roads, railways, maritime and air stands at 61.2 per cent 38.6 per cent, 0.2 per cent and 0.02 per cent respectively.

Railway Freight

The Railway (IR), considered as 'the lifeline of the Indian economy, is the third largest railway network in the world. In comparison with countries like USA, Russia and China, the cost of transport per tonne per kilo meter in India is very high almost three times that of China. The Railways has the potential to bring down the freight cost to greater extent with favourable commercial characteristics, dense and long-distance freight lines and strong flows of bulk products. The rail freight industry can be either an enabler of or constraint on economic growth. Freight traffic accounts for nearly two-third of IR's revenues. However, over the years, the railways has been losing market share – not only in freight traffic but also in passenger transport. In fact, the freight transport share of the railways in India is one of the lowest among large countries such as the US and China.

Rail Over Road

All forms of road transport have shown spectacular increase in volume since independence. Road passenger traffic and road freight traffic grew at annual rates of 8.02 per cent and 9 per cent respectively during the period 1950-51 to 2000-01. The total length of classified road networks in India as at the end March 2011 is placed at 4.7 million km, of which little over 53.8 per cent is paved. India's road density averages about 1.42 km of road length per square km of land and is much higher compared to USA (0.67 km/sq.km) and China (0.4 km/sq.km).

Transportation by road has the advantage over other means of transport because of its easy accessibility, flexibility of operations, door-to-door service and reliability. Several factors have contributed to the decline railways in both passenger and freight segment. First, there has been substantial development of motorised road transport both for passenger and freight movement.The greater share of the road mode in transport demand is explained by inherent advantages in terms of accessibility, convenience, and door-to-door delivery.

The decline of the market share of railways vis-à-vis roadways in freight can also be explained through the ratio of its freight fares to its passenger fares. Large scale cross-subsidisation of passenger services by overcharging certain categories of freight diverts freight traffic towards road thus preventing the railways from performing according to their comparative advantage.

Transport models over the last few decades have been driven by cost reduction and increased speed of freight movement. Due to lack of customer oriented services the railways has been loosing market share to roadways. At present a goods train's average is 24 km per hour as compared to 47 km per hour in case of passenger trains which are very low as compared to other developing countries.

Rail Tariff Fixation: Current Scenario

Under Railways Act, 1989, full powers for fixation of tariff have been vested with the Ministry of Railways. As Indian Railway has a social obligation to provide transport at affordable cost to economically weaker sections of society, it cannot function entirely on commercial lines. Secondly, in both freight and passenger segments, Railways are facing stiff competition from both road as well as aviation sectors, warranting a flexible and competitive policy on pricing. In fact, the tasks of regulatory functions are being exercised in the form of Parliamentary intervention by way of scrutiny by various Parliamentary Committees and through Railway Budget.

At present, Sections 30-32 of the Railway Act empower the Central Government to fix the tariff and Sections 33-48 of Railway Act deal with Railway Rates Tribunal, an Appellate Authority for disputes relating to tariff. The role of Ministry of Railways as licensor, regulator and a key player may not be conducive for attracting sizeable private investment into railways. An independent regulatory authority to fix tariff and deal with matters relating to tariff affecting PPP players would be needed. A Dispute Settlement Tribunal for PPP contracts of MoR would also greatly help in imparting credibility and predictability to the process. Appropriate changes in the Railway Act would need to be enacted to bring this about.

The present costing system on Indian Railway operates on fully distributed cost methodology. It provides data regarding marginal costs on estimation rather than actual expenditure. It may not be possible to work out an accurate and satisfactory data regarding cost of hauling a train or wagon, making it difficult to devise a dependable pricing strategy. The present system is time consuming and provides only indicative costing at macro level and may not be helpful in working out a pricing strategy at the micro level application. The system depends on a number of parameters where, dependence on ad-hoc figures become inevitable and reliability of results becomes the causality.

> The present costing system on Indian Railway operates on fully distributed cost methodology. It provides data regarding marginal costs on estimation rather than actual expenditure. It is time consuming and provides only indicative costing at macro level.

Rail Budget 2014

Ushering in a new pricing regime through a transparent process, Railway Minister announced in the interim rail budget constitution of an independent Rail Tariff Authority (RTA) in 2014 to advise the government on fixing of fares and freight. According to Railways, this would go a long way towards improving the financial health of the national transporter which will lead to growth to match expectations of the nation and provide stability by minimising volatility of market condition.

An independent Rail Tariff Authority is proposed to be set up to advise the Government on fixing of

fares and freight. The move is aimed at rationalisation of fares and freight structures for improving the fare-freight ratio and gradually bringing down cross-subsidisation between different segments. This is seen the first step towards depoliticising rail fares and inducing reforms aimed at pulling the cash-strapped railways out of financial crisis. The RTA is crucial for railways as it will recommend fare revision from time to time taking into account input cost and volatile market condition. However, the RTA's recommendation will not be mandatory for railways as, according to existing law, only the Railway Board, and not any outside body, can fix the tariff. RTA will be given mandatory powers only after the amendment of the Railway Act, 1989. To initiate the process of making RTA a mandatory body by amending the Railway Act, 1989 to insert a sub-section called Chapter 5 (A).

Rail Tariff Authority

The Indian Railways will now have a new pricing regime through a transparent process. RTA will not only consider requirements of the Railways but also engage with stakeholders to usher in a new pricing regime through a transparent process. This would lead to an era of rationalisation of fares and freight structures for improving the fare-freight ratio and gradually bringing down cross-subsidisation between different segments. It is expected that this would go a long way towards improving the financial health of the Railways and lead to growth to match expectations of the nation and provide stability by minimising volatility of revenue streams. The

> Setting up a tariff authority is not enough – it must have the autonomy to rationalise fares indexed to fuel costs. This will leave the task unfinished. As long as the RTA's recommendations are not made mandatory, tariffs cannot be genuinely de-linked from political considerations.

Railways is sharpening its marketing capability to attract more and more freight and passenger business through constructive pricing mechanisms and tariff rationalisation and through customer focus. The authority will be a five-member body. The selection committee will comprise the Cabinet secretary, chairman of the Railway Board, the finance secretary and an expert on railways. The five-member RTA – comprising a chairman and four other members – is expected to tackle the distortions between IR's freight and passenger activities by disconnecting the process of passenger fare increases from political decision making and bring it into line with the realities of the market.

Initially RTA will have limited powers, acting only as a recommendatory authority. This means that the final decision to raise passenger fares will remain in the hands of political leaders, at least in the short term.

Setting up a tariff authority is not enough – it must have the autonomy to rationalise fares indexed to fuel costs. This will leave the task unfinished. As long as the RTA's recommendations are not made mandatory, tariffs cannot be genuinely de-linked from political considerations. One major source of funding is rationalisation of tariffs and the proposed authority should have the power to do this. It will not help if it remains an advisory or recommendatory body. Necessary legislative changes should be made to make its recommendations binding on the government. The RTA is expected to lead an era of rationalisation of fares and freight structures for improving the fare-freight ratio and gradually brining down cross-subsidisation between different segments. The Railway Tariff Authority or dynamic pricing may be termed as revolutionary steps that had become absolute necessary for the survival of the Indian Railways. Nonetheless, the decision to establish the RTA is considered a major step forward in reforming the railway's finances. The setting up of the RTA is itself a big step as politicians will find it extremely difficult to overrule its recommendations.

A fast-growing Indian economy is expected to be accompanied by proportionately high demand for transportation services. According to the McKinsey's study, 65 per cent of the total freight traffic is bulk in nature and 75 per cent of the traffic in terms of Net Tonne Kilometres (NTKMs) moves over distance slabs exceeding 400 kms. This presents a huge opportunity for railways to increase their share. With modernisation and restoration of balance in the intermodal transport mix railways can be a significant engine of inclusive growth and development for the country and can potentially contribute an additional 1.5 per cent to 2 per cent to GDP. mg

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Adani Ports and SEZ:

Seizes control of Dhamra Port from L&T, Tata for ₹5,500 crore

Gautam Adani to replicate Mundra model in Dhamra

Gautam Adani led his company Adani Ports and Special Economic Zone (APSEZ) to acquire Dhamra Port from Tata and Larsen and Toubro jointly for an irresistible price of ₹5,500 crore. This deal is the biggest deal in the Indian ports sector thus far retaining Adani's position as the largest private port operator in India.

The Dhamra Port is the first port Adani will manage operationally and the acquisition comes just a year after Dhamra named Adani to be its consultant to build a modern port like Mundra. Almost immediately after the acquisition, APSEZ announced its plans for Dhamra saying it intends to augment the port's bulk handling capacity and also build a container terminal in a couple of years from now.

Adani Ports already controls and operates ports three ports on the West Coast of India at Dahej, Hazira and Mundra handling some cargo in Goa's Mormugao Port and the other major port in Gujarat in Kandla. On the East coast, the company began handling cargo quite recently at Vizag. Its international port operations include a coal loading terminal at Abbot Point in Australia where the company owns a coal mine.

Dhamra under Adani will immediately stand to benefit from this transaction as the port has a preferential agreement with Tata Steel for the company to ship its cargo through this port. Tata Steel has one of its biggest steel manufacturing plants coming up in Kalinganagar, about 150 km from the Dhamra Port. Managing director Sudipta Bhattacharya told investors that his company intends to 'implement and replicate the Mundra Port model in Dhamra as well with Odisha's hinterland growing rapidly.

The all-weather Dhamra Port currently has two huge bulk handling berths with a capacity to handle 24 million tons of cargo. Its proximity to the mineral resource region of Odisha has enabled to handle 14.3 million tonnes of cargo in the last financial year. The Dhamra Port was first commissioned to be built by the Odisha government in 2004 when L&T and Tata teamed to create one of the deepest ports in the east coast of India. The port was developed by the two companies under the build-own-operate-share and transfer model for a period of 34 years.

Iron ore and steel have been the main commodities handled at the port so far.

Located in Odisha's Bhadrak district, the port is well protected from the forces of wave and currents of the ocean by a group of barrier islands which offers remarkably tranquil conditions for port operations. For Adani, privately controlled Dhamra is a great buy as it need not invest in upgrading the existing berths. With an enviable depth of 18 m, the port can compete with both the state owned ports in Visakhapatnam and Kolkata and privately owned Krishnapatnam Port.

The mechanised loading and unloading infrastructure can berth Capesize and super Capesize vessels calling at the port from different countries. Two months ago Dhamra Port berthed a vessel with a capacity to carry 207,785 DWT cargo, the highest ever handled by any Indian port. The vessel called at the port from South Africa and was carrying coal for India.

The two fully mechanised berths of 350 m each and built in 62 km fully electrified railway line from Dhamra to Bhadrak connecting the main Howrah-Chennai line for transportation of cargo will now function as usual. The installed capacity of these two berths can handle a maximum of 24 million tonnes of cargo.

However, Adani will put up 12 additional berths including a container terminal for which DPCL has already obtained the environmental and security clearances. The company also said its focus will be on implementing technology to improve the efficiency of the port by reducing the turnaround time for ships that call at the port. Adani officials said the company's intent of buying DPCL was to expand its footprint outside of its home state Gujarat and achieve its target of raising the total handling capacity to 200 million tonnes by 2020. In the last financial year, all of Adani-controlled ports and coal handling terminals in other major ports and Australia handled about 112.75 million tonnes of cargo. mg

'Mix of organic and inorganic expansion will help us achieve our vision'

Mahindra Logistics has set a target of achieving three-fold jump in its revenues by 2020 and going for an IPO by 2017.

Pirojshaw Sarkari
Chief Operating Officer, MLL

Mahindra Logistics Limited (MLL), part of the $16.7 billion Mahindra Group, has laid out an ambitious growth target of achieving ₹6,000 crore revenue by 2020 and to become India's top integrated logistics services provider. Recently, private equity (PE) firm Kedaara Capital has bought a minority stake in MLL for ₹200 crore giving the company access to funds for expansion. Backed by the fund, the company is scouting for acquisitions in freight forwarding and network warehousing space as well as strengthening its current business portfolios. In an interview with Itishree Samal, MLL's Chief Operating Officer (CEO) **Pirojshaw Sarkari** talks about the company's ambitious growth targets and how MLL has geared up to achieve those.

Q Mahindra Logistics has recently sold a significant stake to Kedaara Capital for ₹200 crore. How is the company planning to utilise the raised capital?

A At Mahindra Logistics, we have set aggressive plans to achieve exponential, profitable growth in the next few years and achieve our vision of being India's leading and most preferred integrated logistics service provider. This investment from private equity firm Kedaara Capital, which has bought a minority stake in our company for ₹200 crore, will enable us to achieve the same by increasing service lines and acquiring business through both the organic as well as inorganic route.

Q Since inception, how has been the company's growth journey?

A 'Mahindra Logistics was at ₹900 crore when its current management took over in 2010. Since then, there has been no looking back. MLL has grown at a phenomenal rate and has reached ₹1,750 crore in F'14. This growth has been a result of a concrete, well defined and well executed strategy based on 3Ps – people, process and profits.

The first year of this growth period focused on building competence and control in automotive logistics and people transport solutions. In the second year, we invested in technology and developed IT-integration as a value proposition. Apart from that, we also expanded our industry focus and established presence in other industry segments such as FMCG, engineering and retail.

The following years witnessed activities like fine-tuning of company goals, integration of logistics services, innovations in capacity consolidation and network optimisation, exploration of international alliances, and initiatives like a quality process, multi-user warehouse investment, PE funding, to name a few.

The company has also been active on the CSR front all the way. With an aim to make its growth inclusive, MLL has initiated 'Project Falcon' which measures and tracks the carbon foot print per transported person/vehicle/unit kilometre across its logistics management and people transport solutions operations.

Q How big is the 'People transport logistics' segment in India? What is Mahindra Logistics share in the segment?

A Mahindra Logistics is the largest corporate people transport solutions provider pan-India. Our 'People Transport Solutions (PTS)' vertical provides end to end, integrated, technology enabled solutions to over 100 corporate customers. We deploy more than 6,000 vehicles, make more than 20,000 trips and employ more than 8,000 drivers per day.

> Mahindra Logistics is the largest corporate people transport solutions provider pan-India. The company has 100 corporate customers, 6,000 vehicles, more than 20,000 trips and employing 8,000 drivers per day.

Q What are your key verticals and which vertical contributes majorly in your revenue share?

A We have two business verticals – Supply Chain Management (SCM) which handles logistics operations for over 200 corporate customers across various industries like automobile, FMCG, consumer durables, hi-tech, engineering goods, etc and People Transport Solutions (PTS) which handles employee transport for over 100 corporate customers across industries like IT & ITes and finance. The SCM business vertical is the major contributor to our revenues.

Q How big is your presence in the freight forwarding, third-party logistics, road transportation, cold chains and e-commerce segments?

A IMLL has 25 offices and more than 88 operating locations across the country. We provide fully integrated third party logistics services including domestic long haul transportation by road and rail, as well as international transport for exports and imports by sea and air. We also handle secondary as well as tertiary transportation including last mile logistics.

MLL has proven expertise in automotive logistics. We handle finished vehicle logistics of over 8,00,000 vehicles per annum and deployed over 25,000 vehicles a month. We manage in-plant logistics in over 25 different manufacturing plants. We not only handle inbound, inter-unit and outbound logistics for automobile companies but also provide value added services such as 'Just-in-time Linefeed' and 'Freight Optimisation'. We handle warehousing of over 4.5 million square feet across different formats like multi-user warehouses, customised warehouses, in-plant stores etc.

Q According to recent media reports, Mahindra Logistics is targeting a ₹6,000-crore revenue by 2020; how do you plan to achieve this ambitious target of achieving three-fold revenue growth?

A We are planning to get publicly listed by the year 2017 and targeting revenue of ₹6,000 crore by 2020. We plan to achieve this through organic as well as inorganic growth. Over the past four years, we have grown rapidly by diversifying our industry segment focus, developing an integrated logistics services portfolio, and continuing to grow in our people transport solutions segment. As we build scale, we will also be looking at a variety of new and emerging areas of opportunities.

Q How are the things moving forward towards the IPO target by 2017?

A This PE investment is a significant step towards our plan for an IPO by the year 2017. Private equity firms perform a thorough due diligence before investing into any company and this itself gives confidence to other investors on route to an IPO. We are delighted to have Kedaara Capital in our board. Kedaara has a unique operating PE model which we, at MLL, can leverage effectively. We will benefit not only in terms of the operating partners experience and expertise but also Kedaara's experience in evaluating and enabling inorganic strategy and assisting transactions which will add significantly to our expansion plans. So this mix of both organic expansion as well as an aggressive inorganic strategy will help us achieve our vision of being India's leading, most preferred integrated logistics service provider.

Q Is the company looking at inorganic growth as well?

A We are now examining taking a majority stake in a freight forwarding company and two or three networked warehousing companies. However, things have been not finalised yet. And going forward, we plan to enter into variety of new and emerging areas of opportunities including networked warehousing, express, e-commerce logistics and agricultural logistics.

Q The logistics industry has gone through a major shift in the last few years. What's your opinion of the current industry and what are the emerging trends in the segment?

A Currently if you look at logistics cost as a percentage of GDP in India, today it stands approximately at 12 per cent, as against an average of 7.5 per cent to 9 per cent in most developed global economies and markets. What is restricting India from growing its logistics industry is the inadequate development in infrastructure coupled by the modal skew towards road transport. Lack of unified tax structure is making the transactions more complex and costly. The Indian logistics industry is highly fragmented with a dearth of organised large-scale players. Also, the logistics users are more reluctant to invest in technology or share their company data with the logistics service providers. Another important challenge is the lack of skilled manpower.

But that apart, there are some good stories for the industry. The industry has improved considerably in the last few years. There has been an upsurge in the number of organised 3PL players; collaboration with stakeholders for consolidation, asset utilisation, network optimisation has also gained momentum. The biggest change is that logistics service users have started seeing supply chain as a source of competitive advantage. This change in perception has encouraged innovations in supply chain.

I am hoping that the coming years will see increasing awareness among logistics users about the benefits of logistics outsourcing. The logistics industry will still see a moderate growth rate. Growth in some areas like agricultural logistics, cold chain and storage, e-commerce logistics is likely to be on a higher curve. Automotive logistics will also continue to dominate the 3PL market.

Some of the major changes we expect in the coming few years would be implementation of GST, growth of retail logistics due to FDI in retail and logistics infrastructure development by the government.

Q What initiatives Mahindra Logistics has taken in order to stay ahead of its competitors in the segments it has presence in?

A We believe that the single largest distinguishing factor would be 'technology'. Embedding technology in our customers' logistics services and integrating the same with customers' ERP would provide the required visibility and predictability to them. Today the three flows of commerce include movement of goods, information and funds. While every service provider can claim to be able to store and move the goods, very few can actually provide movement of data/information and funds. Hence, at Mahindra logistics, we have developed our own transport management solution, MILES (Mahindra Integrated Logistics Execution System) which is based on Oracle Transport Management System (OTM). MILES has, till date, automated over ₹1,000 crore of freight. Besides the obvious benefits like vehicle traceability and route and freight optimisation, MILES has the potential to offer significant and tangible reduction in the billing cycle time which can have a direct impact on the cash flow management and output of our customers. MLL works on an asset-light business model which gives us flexibility and scalability whilst allowing us to focus on our core competence of integrating resources and providing a one-stop solution to our customers' logistics and people transport needs.

> At Mahindra Logistics, we have developed our own transport management solution, MILES, which automated over ₹1,000 crore of freight with benefits like vehicle traceability and route/freight optimisation.

We have also adopted our parent group's Business Excellence Model – The Mahindra Way (TMW). TMW is an integrated approach for promoting excellence in everything that it does. It is an approach that extends beyond the quality of MLL's services to encompass excellence in all its functions, processes and operations to achieve its business objectives efficiently. MLL has a dedicated team for business excellence that uses quality management principles and tools for continuous improvement in areas like warehouse performance, inventory management, damage reduction, turnaround time improvement based on the PQCDSMS (Productivity-Quality-Cost-Delivery-Safety-Morale-Sustainability) parameters.

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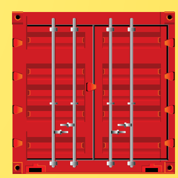
where is my cargo?



While globally people in the maritime trade are trying to understand the impact of the formation of alliances in container shipping, in India shippers, carriers and terminals are battling with one question – **Where is my cargo?** With containerisation levels at 52%, India needs to take several corrective measures for the container trade to prosper.

The second edition of **Containers India** conference will deliberate a some of these key issues and provide answers.

Key Discussions

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Drive India: Betting big on 3PL

Drive India Enterprise was successful in helping one of its clients to save losses of around ₹1.8 crore through its innovative, cutting-edge supply chain solutions.

Itishree Samal

Tata Group's logistic arm, Drive India Enterprise Solutions Ltd (DIESL), a joint venture between Tata Industries and Tata International, is betting big on the supply chain projects segment for growth in the coming years after achieving success in one of its recent supply chain projects.

Drive India Enterprise was successful in helping one of its clients to save losses of around ₹1.8 crore as a logistics and supply-chain partner for its client for setting up a solar power plant at Nokh, Rajasthan.

> "At the time of unloading, our site management team noticed that around 80 per cent of the solar mirror plates (200 mirror panels) had been crushed due to poor packaging inside the wooden box. Where the US-based supplier was not aware of Indian road conditions, and packed the cargo according to US road infrastructure which resulted in damage to cargo while moving it from port to site."
>
> **Milind Shahane**
> Executive Director and CEO, DIESL

DIESL's scope of work for the Nokh site was from customs clearance for all imported containers at Mundra (Kandla) port, followed by primary transportation of prepackaged imported solar panels from Mundra port to Nokh site along with forklift supply, labor management and unloading of solar panels.

"The biggest challenge of the project was that neither the client nor the client's supplier was aware of the desired packaging standards required for solar panel transportation in India. We did a root cause analysis and suggested to the client to allow us to repack at the port itself," he added.

The size of the solar module pallet was huge with 5.5 feet (L), 3.5 feet (W) and 5.7 feet (H).

Unloading the solar panel at the site was also a challenge as requirement of specialised forklift with 5.5 feet extended forks was not mentioned by the client at the time of commissioning, and at the time of execution the same was not available in India due to which, the consignment was on hold at the site for three days. Hence to unload the solar pallets at the site, DIESL's site management team made a 5.5 feet fork with 100 MM iron sheet which was attached as an extension on the forks on a normal telescopic forklift. This helped the team in unloading the material without any damage within 48 hours.

"With the solution of iron plate extension on the forks, we optimised the forklift cost for our client. The imported forklift rental cost for the client was very high at approximately ₹20 lakhs per year. With the customised forklift solution we were was able to roll out the site installation work within three working days. Due to this, the customer was able to save on the detention charges for the containers as well as the trailers," he said.

With the solution of repacking the solar pallets, DIESL again protected the client from a loss of ₹1.6 crores (4,000 mirrors were repacked at the port, and the cost of each mirror was ₹4,000).

Company's journey so far

DIESL, which started operations in October 2002-03 as a sourcing and

Also, the company has moved into new areas like in-plant logistics, site management, and document management in the last two years and looking at expanding its scope of opportunities to retail and cosmetics logistics sectors.

distribution partner of Tata Tele Services Limited for telecom handsets, has emerged from a standalone, open-yard to multi-client warehouses and a full-fledged 3PL service provider. It now offers all kind of logistics solutions including warehousing and distribution services to its clients across pan-India

Strengthening its position as a single-window partner for sourcing to vendor management, it currently operates in three major verticals – 3PL, industrial and site logistics and sourcing and distribution services. Under its 3PL services, it provides warehousing, primary and secondary distribution, freight forwarding, customer clearance, packaging and other value added services.

"Our vision is to become the market leader in the domestic 3PL industry by providing customised and integrated supply chain solutions to our customers. And we are working towards developing premium containerised solutions for critical surface shipments in the north to west corridor with a focus on project logistics and over-dimensional cargo (ODC) movements," he said.

Also, the company has moved into new areas like in-plant logistics, site management, and document management in the last two years and looking at expanding its scope of opportunities to retail and cosmetics logistics sectors.

"India's cosmetics market is reportedly growing at 15-20 per cent

annually, twice as fast as that of the US and European markets. And according to exports, India's retail beauty and cosmetics industry currently is pegged at $950 million and likely to almost treble to $2.68 billion by 2020. Hence, we see a lot of opportunities for 3PL players in this logistics segment," Shahane said.

DIESL currently does revenue of about ₹670 crore. "We have grown substantially in the past decade and aim to garner a good growth in the coming years. We expect a 4-5 per cent growth over the next two-three years," he said adding that the logistics sector is highly dependent upon the country's GDP growth and growth of manufacturing and infrastructure sectors. As manufacturing sector in India is not seeing any activities, the company expects a single-digit growth in revenue.

Also, the growth outlook depends a lot upon the new government policies. "As 2014 is an election year we do not expect any immediate major initiatives from the central government to boost the economy and logistics industry. Implementation of GST was one of the core areas for change but it seems to have been a passing wish list and has been put on the back burner for now," he adds.

Drive India Enterprise has geographical presence across 7,000 towns in India, with having over 6 million sft warehousing space with 212 warehouses across India (164 company-leased warehouses and 64 customer warehouses), and provides its logistics solutions to many Tata companies including Tata Teleservices, Voltas, Tata Sky, Croma and Tata Advanced Materials, along with other clients including Daikin, Wipro, Welspun, Sony, HCL Infosystems, Haldia Petrochemicals, Eureka Forbes, Apple-Aircel, ABP and Asian Paints.

Capt AK Bansal

Master Pilot Relations

Better communication and coordination between Master and Pilot will help avoid human error and avoid accidents. Courts have always held that Master is entitled to take control of the ship if he considers the Pilot to be incompetent.

As a general rule it is a good practice for port authorities to designate a pilot boarding point off their port, where Master of a ship can embark the pilot comfortably. This also gives adequate opportunity to Master and Pilot to exchange information about passage plan of the ship to enter harbor and the berthing procedure to be followed, in addition to whatever limitations there may be, in steering capabilities and engine movements of the ship. When it is well understood, pilot and the ship's company become part of one plan and a single unit.

A comfortable pilot boarding point should also allow the Master to abort his effort to embark a pilot, just in case there is a contingency such as Pilot launch break down, a sudden cancellation of berthing or a marine mishap in and around the harbor which delays the pilot from boarding.

Once the pilot boards and has exchanged courtesies, the pilot confidently takes the CON after a quick look round the bridge, A log book entry is made that the vessel is `under Master's orders and Pilot's advice.' What he asks of engine movements is promptly complied with and the helmsman naturally and immediately not only obeys his orders, but also repeats them before executing them, and again when they have been executed.

At an average and as a general rule, most accidents occur while a ship is being maneuvered in confined waters, with or without a pilot on board. Failure of tugs or engines or equipment is contributory factors. Usually, pilots employed by a port are seafarers with considerable sea experience and apply their skills on different types and designs of vessel with which they may not be familiar. Therefore they need an alert and competent bridge team with which they can easily and readily communicate, plus proper equipment in good operational condition and a ship in which propulsion and steering are in immaculate working order. For example, some ships steer better to Port than to Stbd. Response of some engines is not instant especially to stern movements. A pilot can usually, assess the steering capability of a ship after handling her for a few minutes and her engine capabilities within the first few engine movements. But Master has the responsibility to apprise him of all such matters including anchor handling gear because if and when the team work breaks down, it can have disastrous consequences.

As against this, if there is complete communication between Master and Pilot, it goes for peace of mind of both. Human error by best of professionals can never be ruled out. Error of judgment is acceptable if services are rendered in good faith. Today in most common law countries including UK, India, Australia, Canada and USA, law concerning Pilots is relatively uniform. Pilot is responsible, for his errors or omissions while conducting the ship. Master is responsible to owners and the port for consequences of any accident. Ship is invariably held liable for damages caused to port or other property in most parts of the world except in Panama Canal.

Master may, and does delegate part of his authority to his subordinates and outside assistants whom he employs. Delegation of power is not an abandonment of authority, but one way to exercise authority.

"To be in command" refers to 'power'. "To conduct a ship" refers to 'action'. Pilot is a seasoned mariner with extensive navigational skills. If pilot has been given control of the ship for navigational purposes, it is on Master's behalf and it does not mean that he has superseded the Master. Despite modern navigational equipment on board, tidal streams, currents and winds are always acting on the ship. There is no substitute for local knowledge and experience of a good pilot. His knowledge of geography, water depths, winds, tides and currents and other navigational hazards, coupled with his professional expertise, is invaluable to maritime safety. In circumstances where `instant' decisions are required, a pilot is best qualified to appraise the situation and act instantly.

Under provisions of an Act of 1812, owner or Master of a ship were not liable for loss or damage caused due to negligence, default or incompetence of a Pilot. But UK Pilotage Act 1913 repealed it. Now ship owner is

> Pilot is a seasoned mariner. If pilot has been given control of the ship for navigational purposes, it is on Master's behalf and it does not mean that he has superseded the Master.

answerable for any loss or damage caused by the vessel or by any fault of navigation of the vessel whether pilot is on board or not or whether pilotage is compulsory or not. But the 1913, and again 1983 Act, made no specific references to duties of a Pilot.

General implication is that pilot does not act simply as an adviser because an adviser is a person who merely expresses his opinion but a pilot is paid to perform a task, i.e. to safely navigate the ship for and on behalf of the Master. His major role is to exercise independent judgment during high risk operations, absolutely free of extraneous or economic pressures by anyone including owner and/or charterer, lest safety is compromised. But entire conduct of safe navigation of the ship is Master's responsibility, as it is important that chief discretion should be vested in one only.

Legal Precedent

Courts have always held that Master is entitled to take control of the ship if he considers the Pilot to be incompetent. He is also entitled to take navigation out of hands of the pilot in order to avoid immediate peril. If pilot is steering a course to certain destruction of the ship or is intoxicated, Master may interfere and ought to interfere. Again, Master is not merely entitled, but bound to point out to a compulsory Pilot that he may be mistaken in an opinion he has formed. If he does not do so, he would be neglecting his primary duty as Master.

In the case of Alexander Shukoff, a pilot was navigating a ship, at full speed in narrow waters among large number of other vessels. Course taken was such that it must have been obvious to the Master that it was his duty to call the pilot's attention to the risk. Lord Birkenhead, L.C. Held that "Master was not justified in doing nothing." to "interfere" is his legal responsibility. If he does not interfere, he would appear as a silent spectator. But if an accident ensued he must be prepared to show justification of his actions".

In the Princess Juliana case, Justice Bucknill held that "If Master sees fit to take navigation out of pilot's hands or to countermands his orders, he must show that he was justified in so doing and also that the action which he took was more calculated to avoid collision than the maneuver which he countermanded".

But in 1952 in another case it was held by Mr. Justice Wilmer that, “It would be putting too much upon a Master, to know all local signals or to expect him to be ready to query pilot's actions on matters of purely local knowledge. A Master exercising ordinary and reasonable care is entitled to rely on guidance which he obtains from the local pilot.”

But there are exceptions. In case of foreign naval ships or big cruise liners. This may have one captain for ship handling and one for command and passenger relations. Naval ships have a navigator who is a ship-handler. In such cases, pilots usually allow them to do so except that they inform port control that master of the ship is handling her. Even so, the pilot is there to protect the interest of the port and environment and to warn the master of any danger he may not have perceived, plus to guide him with information that he may need as part of local knowledge and co-ordination with shore and tugs etc. Normally all such ships have stern thrusters, bow thrusters and twin Screws. Usually, no single screw ship-master would handle his ship himself with pilot on board.

IMO's role

In 1968, IMO recognised the importance of employing experienced and qualified pilots in approaches to ports and other areas where specialised local knowledge is required and asked member Governments to organise pilotage services and to define ships and classes of ships for which pilot is mandatory. Today, Master can be held to blame for not employing a pilot, even when pilotage is not compulsory. In The Alletta 1965, it was held that a vessel can be held negligent for proceeding without a pilot in a situation where absence of a pilot or similarly informed person was dominant cause of her negligent navigation. This view can be equated to ordinary practice of seamen to take all reasonable precaution to safely navigate the ship.

Pilot is appointed by owners and they are responsible to any party injured by his act, as being the act of their agent. If a pilot is properly placed in charge of the ship's navigation, and Master ensures that that pilot's orders are promptly obeyed, he is not personally liable for misconduct, collision or damage caused by Pilot's error. But since Pilot does not represent the ship, Master is still answerable for every trespass, for and on behalf of the ship. It would not be interference to consult the pilot, or to suggest to him that measures pursued by him were not proper, or that other measures would, in all probability bring greater success. But if a pilot acts, contrary to his better judgment, on advice or suggestion of the Master, he may be held liable if an accident follows as a result. All orders given by the pilot must be executed without modification. Master can overrule pilot's order and he must if he thinks fit to do so. But such revocation must be direct and not covert interference.

Countries & Acts

Position of the pilot is aptly summarised by the Canadian Royal Commission on Pilotage, Ottawa 1968, as follows:

"To conduct a ship' must not be confused with `being in command of a ship'. “The first expression refers to action, to a personal service being employed; the second to a power. Question whether a pilot has control of navigation is a question of fact not of law. Fact that a pilot is given control of the ship for navigational purposes does not mean that he supersedes the Master in his command of the ship. Master is answerable only for his own acts, mistakes, negligence or omissions in respect of safety of navigation. He is merely servant of the owner and does not incur any civil responsibility personally, for any damage caused by pilot's error in which he did not participate or which he could not have prevented. If Master decides to overrule pilot's directions, the responsibility is transferred to him”.

In Denmark, pilotage legislation states that a pilot has no right to command the ship's crew. But if the person in command does not carry out pilot's demands in regard to navigation of the ship with necessary speed, pilot is without responsibility. In South Australia, Section 114(1) of the Harbors Act 1936 describes pilot's function as, “Duty of a pilot shall be to pilot the ship subject to authority of the Master. Master shall not be relieved, by reason of the ship being under pilotage, from responsibility of the conduct and navigation of the ship”.

Greek Pilotage Act states: "Presence of a pilot on board shall not relieve the master of his responsibility nor he is prevented by presence of pilot from navigating or manoeuvring the vessel as he thinks best. In Corinth Canal, Pilots place at disposal of the master their experience and practical knowledge of the canal, but as they cannot be acquainted with peculiarities, defects, difficulties in manoeuvring, stopping and starting of each vessel, responsibility of handling the vessel devolves solely upon the master who is held solely responsible for all damage or accidents of whatever kind resulting from navigating or handling of their ships by day or night".

Panama Canal regulations require pilot to have full control of navigation and movements of the vessel. Panama Canal company undertakes to pay immediate compensation for all damages or injuries incurred during transit.

Section A VIII/2 part 3-1, Paras 49 and 50 of STCW convention 1995 states: "Pilots presence on board does not relieve master or officer in charge of the navigational watch from their duties and obligations for safety of the ship". "If in any doubt, officer in charge of navigational watch shall seek clarification from the pilot. If doubt still exists, he shall notify the master immediately and take necessary action before the master arrives".

In practice, Pilot has a duty not only to the ship he is serving on, but also to safety of navigation of all ships in the area. Responses from pilots suggest that, although increasing attention is being focused on `human factors' in maritime safety, many bridge teams are inadequate. Thus the need to enforce improved international standards of seafarer training and certification. Crucial relationship between the pilot and senior bridge team is being dangerously hampered by poor communications, inadequate time for passage planning, commercial pressures, confusion over legal and operational responsibilities and liabilities during pilotage. Lack of time and opportunity for pilot and bridge team to exchange information is a major worry. There should be reviews of boarding locations and procedures to ensure there is sufficient time for effective communications.

Crucial relationship between the pilot and senior bridge team is being dangerously hampered by poor communications, inadequate time for passage planning, commercial pressures, confusion over legal and operational responsibilities and liabilities during pilotage.

M.T SEA EMPRESS grounded while entering Milford Haven with Pilot on board and caused extensive pollution. UK Govt, filed a case against Port Authority under Water Resources Act 1991. Court passed strictures against the Port for not providing a qualified and capable pilot as under compulsory pilotage, Master has no alternative but to rely on the port to ensure their Pilots are competent and capable. Strictures were also passed against the Master for allowing the tide to drift her out of the deep channel leading into the harbour by his failure to keep his vessel in line with transit lights as he did not know the passage plan because he did not discuss it with the pilot.

Safety of Life at Sea (SOLAS) requires that English is to be used as working language between watch keeping personnel and pilots, unless those directly involved speak a common language other than English. In 2001 IMO adopted Standard Marine Communication Phrases (SMCP), in maritime English, including phrases and responses for use in emergency.In 2003, IMO assembly adopted resolution A.960(23) on training, certification and operational procedures for maritime pilots who should be able to use Vessel Traffic Services (VTS) as an additional tool to provide information that might not otherwise be available to them.

Regulation 12 of revised chapter V of SOLAS, has already entered into force as an amendment.

Since pilotage and VTS are complementary services, the issue is how pilots and shore-based VTS can work together, as VTS relies on those who have "hands-on" control of the ship, to make on the spot decisions, under prevailing circumstances.

VTS technology is now highly developed and its use improved. A revised version of guidelines on VTS, was adopted by IMO in 1997. Regulation V/19 of SOLAS chapter V, now requires fitting of Automatic Identification System (AIS). It will greatly assist VTS centers in their operations in the future, which in turn would increase safety of Navigation of ships worldwide. mg

The author is a Master Mariner and Chairman and Managing Director, IWL INDIA Ltd. He serves as a Member, Board of advisors, AMET University Chennai and Board of Legal Studies, Indian Maritime University.

Reinvented and Launched

The new BOXHUNTER from konecranes

After several studies backed by a thorough understanding of customer needs, Konecranes launched the BOXHUNTER and reinvented the Rubber Tyred Gantry crane. Some of the new innovations are- the operator has been brought down to earth; Cabin has been brought down to the truck lane, heart of container handling action. The Boxhunter operating concept is unique and now involves complete rethinking of RTG operation and operator ergonomics.

The Boxhunter operating concept is based on advanced video and laser technology that Konecranes has developed for its top-of-the-line Automated Stacking Cranes (ASCs). Video cameras located at strategic points around the crane and a sophisticated Graphical User Interface in the cab gives operator excellent visibility everywhere he needs it.

Aptly coined Boxhunter, it was built keeping in view the needs of container terminal operators who do not need all the features or peak performance of Konecranes' top-of-the-range 16-wheel RTG. Boxhunter maintains a steady level of performance, around 15+ container movements an hour, while still offering the high reliability and low downtime.

"We are very pleased to announce the launch of the BOXHUNTER and are very much looking forward to offering this innovative crane to our customers in India", says Nitin Erande, Port Cranes & Lifttrucks AGM Konecranes India.

"We are confident that this outstanding container crane which is an excellent value for money, will meet the needs of our clients", he adds.

The new crane is built around the operator and the Graphical User Interface the operator works with. The main idea was to turn things on their head, literally, and bring operator down to ground level. With sophisticated video and laser technology which is currently available, it's no longer essential to have the cab at the top of the crane. While bringing the cab down, hoisting machinery was also relocated down to ground level. This simplifies the overall structure and brings a new ease of access to this machinery, which is great from service perspective. The boxhunter has a new counterweight system that eliminates weight of spreader from every load lifted, thus saving energy.

A simpler structure brings valuable savings to customer across the board. The new crane is the most modular and standard RTG ever, offered with a minimum of customisable options. It is delivered in containers, by regular container ship. As with all Konecranes container cranes, The new lifter can be equipped with extra operator-aiding, safety-enhancing features such as DGPS Auto steering, TRUCONNECT® and Konecranes remote monitoring services. 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.

Coastal Shipping - The Road Ahead

July 4, 2014

Venue: The Bengal Chamber of Commerce and Industry,6, Netaji Subhas Road, Kolkata

With coastal shipping on top of Agenda in shipping ministry, this seminar will look at economics of coastal shipping, incentives needed for promotion and cargo support.

More information:
Contact: Capt SB Mazumdar, Chairman, Shipping Committee, BCCI

A maritime gateway event

Containers India 2014

August 20, 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

AVEVA World Summit 2014

October 14-16, 2014

Venue: Berlin, Germany

The event will see AVEVA customers from across the world's process plant, power and marine industries coming together to share their experiences and business challenges.

More information:
www.avevaworld.aveva.com

Asian Offshore Support Journal Conference

October 8-9, 2014

Venue: Singapore

This conference is a focus for all of those involved in offshore support in Asia - from oil companies to suppliers. Shipowners will hear where oil companies will be driving the market and solution providers will be able to present to 280 plus industry experts and demonstrate their innovation and cutting edge technologies.

More information:
www.rivieramm.com

Cruise Shipping Asia Pacific

November 20-21, 2014

Venue: Hong Kong Convention & Exhibition Centre, Hong Kong

The annual cruise event will focus on the entire Pan-Asia cruise market,ingexplore the revenue outlook throughout the region.

More information:
www.cruiseshippingevents.com

Posidonia 2014

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