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Parag Jain Nainuttia, Chief Executive Maharashtra Maritime Board

E-COMMERCE

Gaps in Logistics: Delivery Woes

With the "click & shop" model gaining momentum in India, more and more shoppers are taking the online route to purchase a range of products starting from grocery, apparels, electronics, to furniture. Though the success of an e-commerce largely depends upon its last mile delivery, the e-commerce logistics in India suffers with several bottlenecks including inadequate infrastructure and delivery inefficiencies

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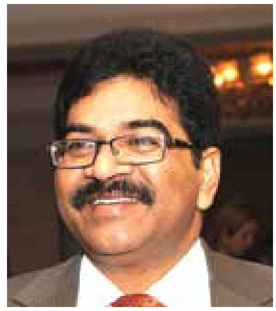
A Tactful Balancing Act



If Prime Minister's Modi's official trips to the countries were to be grouped, then certainly Japan and Australia could be bunched in to one group and the rest in to another. And this bunching of the Sumo and Syrah nations is not just a group of twitter friends, but also of tall leaders committed to special strategic and global partnerships.

Japan has been India's largest donor helping in building roads and lighting up homes. Japan's reassurance to build India should not be taken lightly and we should make good use of their largesse. Bureaucratic delays and denials should be nipped in the bud making way for easy construction. India's inclusion of Japan into the Malabar Exercise that was restricted just to Indo-US display of naval power is a welcome move. With the 'Make in India' campaign gaining tempo, Japan could be India's philosopher and guide as well in meeting infrastructure needs, now that friendship is a given.

In the last one year, Australia has also conveyed its intent to strengthen its nautical position in the Indian Ocean Region. Safety of sea-borne trade was an another key point of agreement between Australia's foreign minister and India's then external affairs head AK Antony. India should take a cue and initiate action towards enhancing maritime coalition in the IOR and the Malabar region.

Maritime cooperation could unfold a new chapter including economic interests in the blue seas connecting the two continents

Maritime cooperation can now unfold a new chapter including economic interests in the blue seas connecting the two continents. While India has been quick to call both Australia and Japan old friends, many think it's going to be a new start with both countries. The free trade agreement between India and Australia could show the way. But if Modi's tactful diplomacy and friendship with the two leaders is anything to go by, then one would be lead to think that India should improve trade ties with these nations as a token of friendship to start with. The coal and uranium from Australia could help improve fire up power plants and crude and fertilizers could be India's alternate source of securing its energy needs reducing the dependency on the Gulf.

India now has a tight rope to walk balancing both regional maritime security and enhancing trade potential with Japan and Australia so that the Chinese don't feel shortchanged. We hear that a trilateral agreement between India-Japan-Australia is in the making. This agreement should pave way to more such multilateral pacts between the countries extending in to more areas of economic cooperation and trade.

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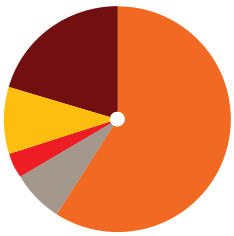
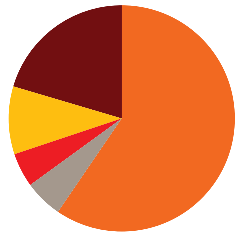
Coal Consumption in India

Estimated sector-wise coal consumption in India (2016-17)



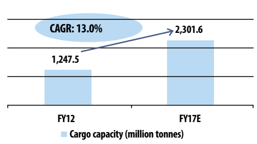
Estimated sector-wise coal consumption in India 2031-32



Source: India Energy Book 2012, (World Energy Council, Indian Member Committee)

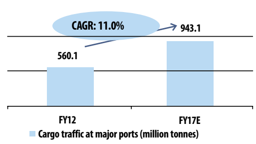
Cargo traffic projections

Increasing trade activities and private participation in port infrastructure set to support port infrastructure activity



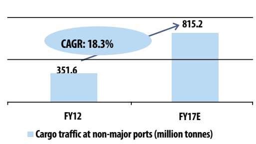
By FY17, cargo capacity in India is expected to increase to 2301.6 million tonnes from 1247.5 million tonnes in FY12

India has 13 major ports



By FT17, cargo traffic at major ports in India is expected to rise to 943.1 million tonnes from 560.1 million tonnes

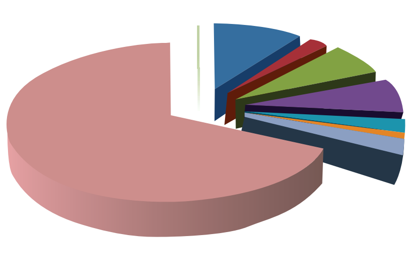
India's 176 non-major ports are strategically located on the world's shipping routes



By FY17, cargo traffic at non-major ports in India is expected to grow to 815.2 million tonnes from 351.6 million tonnes

Source: Ministry of Shipping; Planning Commission; Aranca Research, Note: E. Estimates

Crude steel production (65 countries) Jan – Sept 2014 (In thousand tonnes)



European Union (28)	-	127698
Other Europe	-	27327
CIS (6)	-	80248
North America	-	91249
South America	-	33800
Africa	-	12032
Middle East	-	20699
Asia	-	833696
Oceania	-	4016

Source: World steel association

VOICES

I met officials from the US recently and asked them to allow oil exports to India. We are keen to import oil from the US. We will look at Russia and Latin America too for oil imports. Procurement has to be diversified, taking into account the changing geopolitics in the world.

- **Dharmendra Pradhan**
Union Minister of Petroleum and Natural Gas

The officials we met with at all levels in the Indian government were interested in understanding how they can partner with industry to generate greater investment at every level of the farm-to-fork food chain. There is a real sense in New Delhi that the government is serious about the reforms that we have all heard so much about.

- **Paul Schickler**
President
DuPont and head of US delegation to India

To realise its full potential, India needs to continue making progress on its domestic reforms agenda and encourage investments. The government's efforts at improving the performance of the manufacturing sector will lead to more jobs for young Indian women and men.

- **Onno Ruhl**
World Bank country director in India

New buoy tender vessel launched by Cochin Shipyard

Cochin Shipyard launched a buoy tender vessel built for the Director General of Lighthouses and Lightships. The ship was launched by Mona Trivedi, wife of Shipping Secretary Vishwapati Trivedi. The vessel has been named 'Indira Point', in honour and memory of the 20 officials of the Department of Lighthouses and Lightships who lost their lives in the 2004 tsunami.

This is a specialised multi-purpose ship designed for transportation and placement of buoys at deep seas, recovery and maintenance of buoys, towing and mooring of light vessels, distress management.

ABG shipyard posts losses of ₹173 crore

The country's largest private sector shipbuilding yard, ABG Shipyard Limited, has reported a net loss of ₹173 crore for the quarter ended September 30 as against a net profit of ₹1 crore in the corresponding quarter of the previous fiscal due to a steep 80 per cent slump in its total income from operations.

The company said in a filing to Bombay Stock Exchange, "Due to slowdown in shipping and shipbuilding in global markets, the company faced large order cancellations. This resulted in shortage of working capital, affecting company's performance.

India will soon become second largest steel producer

India, world's fourth largest crude steel producer, is aiming to become the second largest producer of steel soon. This was announced by Narendra Singh Tomar, Steel Minister, while inaugurating Steel Pavilion at India International Trade Fair (IITF). Crude Steel capacity in the country stood at 101 million tonnes (mt) in 2013-14 and the crude steel production was 81.69 mt. India is a net exporter of finished steel and the export of total finished steel was 5.98 million tonnes in 2013-14. India maintains its position of being largest producer of sponge iron in the world, the Minister said.

Global oil giants invited to invest in India

Petroleum and natural gas minister Dharmendra Pradhan wants to make India a refining and petrochemicals hub and is wooing international energy majors such as Saudi Aramco and Sabic to invest in India's refining and petrochemicals sector.

"India already has big refining and petrochemical capacities by companies like Reliance Industries and Essar Oil... I'm asking energy majors to tie up with companies in India to set up similar large-scale capacities and use India as a base for further exports to Japan, Korea, China and other South East Asian countries. India's proximity to the region can be explored to meet the demand for refined products.

Great Eastern Shipping reports Q2 net profits

Great Eastern Shipping Company Ltd, reported a growth of 28.6 per cent in its consolidated net profits at ₹206.64 crore for the Q2 ended September 30, 2014. Rise in revenue from operations has helped in increasing the net profits. The consolidated net profit of the company stood at ₹160.63 crore during the same period a year ago. Further, the consolidated total income of the company increased by 14.4 per cent to ₹960.36 crore during Q2 2014-15, from ₹839.17 crore during the same period a year ago.

India scraps South Korean minesweeper deal

India is all set to scrap the long-pending deal for South Korean mine countermeasure vessels (MCMVs), which are highly-specialised small warships that detect, track and destroy enemy mines to keep shipping traffic safe. Allegations on agents having vitiated the entire selection process is said to be the reason for scrapping the deal.

Shipping fuel demand increases by 25 per cent

Demand for shipping fuel at major Indian ports has climbed by up to 25 per cent as the cost of refuelling at Singapore, Asia's bunkering hub, soared following the collapse of the world's leading supplier – OW Bunker.

Marine fuel prices in Mumbai, India's largest bunkering port, were still around $15 a tonne higher than in Singapore on a delivered basis, but a Singapore-based trader said shipowners could be interested in bunkering in India when the price difference between Fujairah, United Arab Emirates, and Singapore narrows.

"I'm seeing about 20-25 per cent more demand month on month," said a trader who sells fuel in India. "But buyers are also just watching the prices, as the market is still volatile, so they are trying to delay their purchases." Singapore was one of the cheapest ports in Asia to refuel.

Denmark asks to ease port tariff norms

Denmark sees vast scope for cooperation with the shipping sector in India, but wants ports in India to ease tariff norms. Addressing an event on ports and shipping organised by FICCI, Freddy Svanne, Ambassador of Denmark to India, said there was a need for tariff regulations to be relaxed in the port sector. He said he had spent five years talking to the Planning Commission and various arms of the Government but had not found any action.

Supporting Freddy's views, NN Kumar, Chairman of JN Port, also called for relaxation of tariff regulation norms, pointing out that tariffs of non-major ports are not regulated but those of major ports are. He also expressed the need for a clause that permits revisiting the contract between ports and port developers.

India may subsidise sugar exports

The sugar harvest in India, the world's biggest producer after Brazil, will probably climb to the highest level since 2012 after farmers increased plantings and abundant monsoon rainfall boosted yields. Production may total 26.25 million metric tonnes in the marketing year that began October 1. That's the highest since 26.34 million tonnes in 2011-2012, according to Indian Sugar Mills Association data. The association had forecast output of 25 million tonnes (mt) to 25.5 mt this season with domestic demand of 24.7 mt.

With output exceeding demand for a fifth year, India may need to subsidise exports to reduce stockpiles, potentially extending a global glut. "If India does subsidise exports, the world market will stay depressed for some time," Tom McNeill, director at Green Pool Commodity Specialists Pty said.

UM Motorcycles make India export hub

Miami-based UM International has announced a joint venture with Lohia Auto for entering the Indian two-wheeler market by second quarter of 2015. The manufacturing facility will be located in Kashipur, Uttarakhand and will utilise Lohia group's current facility with a capacity to produce 1 lakh units a year. The company will introduce higher capacity motorcycles ranging from 300 to 500cc in India. UM Motorcycles claims their products will be competitively priced with respect to their rivals Royal Enfield. They have chalked out a plan of opening 50 dealerships in the country by end of 2015 most of which will be based in major metro cities across the country. They will be using the facility in India as an export hub, shipping made-in-India bikes to the Asia Pacific region, Africa and even the US.

Harley Davidson to export from India

Keith Wandell, global CEO, Harley Davidson says India was one of the countries fuelling company's volume growth for the quarter. "You see countries like India and China being called out by the CEO in the earnings, as emerging markets are important for the company," said Anoop Prakash, managing director, Harley-Davidson India.

The company recently started locally manufacturing of Street 750 at its Haryana plant. Asia Pacific region reported the highest growth with 12.8 per cent for the company during April to October this year. The company is now gearing up for exporting from India. Harley looks to add more countries for shipping its India-made Street 750.

Shipping has increased pollution in open seas

Maritime traffic on the world's oceans has increased four-fold over the past 20 years, owing to growing international trade, causing more water, air and noise pollution on the open seas. In the Indian Ocean, where the world's busiest shipping lanes are located, ship traffic grew by more than 300 per cent over the 20 year period, reveals a research report.

Global Offshore Services adds Olympus to its fleet

The eighth vessel designed by Havyard for Global Offshore Services has been christened '*Olympus*'. Build number 116, Olympus, is the third in the series of Havyard's 832 design. The platform supply vessel (PSV) measures 72.19 m, has a deadweight of 4,000 tonnes and a cabin capacity of 26 persons.

"This is a type of vessel that Havyard specialises in, so there were no particular technical challenges in the building process," said Radek Kaminski, project manager for the newbuild. "But, although it was a straightforward project, the vessel was built during a particularly hectic period at the shipyard."

Foreign firms can now mine and sell coal from India

India will allow locally registered foreign firms to mine and sell coal when commercial mining is permitted as part of the opening up of the nationalised industry after four decades, Coal Secretary Anil Swarup said. To end a chronic coal shortage that cripples power plants and curb the country's imports of the fuel, the Narendra Modi government will also spend about $1 billion by 2019 to buy railway wagons and transport coal from remote mines, Swarup said.

The government in October made provisions for private firms to commercially mine coal but did not set any timeline for when actual digging will start.

The decision will open the door to global giants like Rio Tinto and BHP Billiton and help ramp up output from India's huge reserves – the world's fifth biggest. Opening up the industry will increase private coal production to about 400 million tonnes by 2019 from less than 50 million tonnes last year, Swarup said.

First empty transshipment from Kochi

The International Container Transshipment Terminal (ICTT), Vallarpadam, for the first time handled a massive 'empty transshipment' from Kochi.

It is the first time a major mainline operator using the ICTT's service to reposition its empty units back to China. Taiwan-based Wan Hai Lines has repositioned 1,273 teu empty units from Nhava Sheva to China by using ICTT as the transshipment hub. The first lot of 470 units were loaded to *M V OEL Trust* on October 31. Wan Hai Lines will connect all the empty units arriving at the ICTT to its mainline vessel *M V Wan Hai-507* of INDFEX Service, a key service connecting the Indian subcontinent to China.

Shipping lines regularly reposition empty containers to balance their inventory at different locations across the globe. However, they face a lot of difficulties in repositioning empty units from congested terminals like Nhava Sheva.

"Though such transshipments from other ports, along the east and west coasts of India, was envisaged at the planning stage of the ICTT, this is the first time shipping lines are finding it viable to use the ICTT for the purpose.

India to receive its biggest LNG cargo

India will receive its biggest shipment of liquefied natural gas in December as it prepares to import the fuel from North America. The Q-Max LNG vessel, the largest in its class with a capacity of about 260,000 cubic metres, is expected to reach Dahej in Western Gujarat state in the first week of December, Petronet LNG (PLNG) Ltd Chief Executive Officer Ashok Kumar Balyan said. It will be supplied to Indian Oil Corporation.

State-run Gail India Ltd has agreed to buy 3.5 million tonnes of LNG a year for two decades from Houston-based Cheniere Energy Inc's Sabine Pass terminal in western Cameron Parish, Louisiana. The New Delhi-based company also booked 2.3 million tonnes a year capacity in the Cove Point LNG liquefaction terminal at Lusby, Maryland.

The shipments are expected to start in 2017 or 2018. In April, Petronet signed a short-term contract with Qatar's Ras Laffan Liquefied Natural Gas Company to import 800,000 tonnes of LNG over 12 months to supply Indian oil refineries.

Beefing up maritime security

With an eye on beefing up maritime security, India is negotiating a deal with 24 countries for exchange of neutral merchant shipping data as it rolls out a national hub to tackle all aspects of coastal security to prevent another 26/11-like attack.

A final paper for the creation of the long-pending National Maritime Domain Awareness Grid (NMDA) is also complete and is pending approval with the Cabinet Committee on Security. The Indian Navy had earlier this year rolled out its National Command Control Communication and Intelligence Network (NC3I) that allows surveillance of waters around India and can even track ships in South China Sea. These are part of the decisions taken post the Mumbai terror attacks. Assistant Chief of Naval Staff (Communications Space and Network Centric Operations) Rear Admiral KK Pandey said India is looking at having a tie-up with 24 countries with which it wishes to exchange the wide-shipping data which is neutral merchant shipping data.

Australia and India plan free trade deals

During Prime Minister Narendra Modi's visit to Australia, both the countries have pledged to push for a major free trade deal. Australian Prime Minister Tony Abbott admitted that bilateral ties – worth AUS$15billion in 2013 – were "underdeveloped", hoping for the new deal in 2015. Modi told Australia, "India will be the answer to your search for new economic opportunities."

Modi said the two countries were seeking early closure on a nuclear energy agreement that will give Australia a chance to participate in one of the most secure and safe nuclear energy programmes in the world. Modi is the first Indian leader to visit Australia in 28 years. He told Australian business leaders they could expect improved investment opportunities in India. A special train called Modi Express, carrying more than 200 passengers from Melbourne to Sydney, was flagged off by an Australian minister.

Government mulling schemes to promote coastal shipping

A subsidy of ₹0.5 per tonne per km on bulk cargo, a rebate of ₹2,000 per container for container cargo and an additional 20 per cent rebate on vessel/cargo-related charges would be offered, according to a proposed plan for promoting coastal shipping. The subsidy would be provided directly to shippers of general cargo items like salt, sugar, automobiles, fertilisers, tiles, steel, cement, marble and foodgrain.

A similar subsidy scheme, offering a subsidy of ₹1 a tonne per km, was previously announced by the Kerala government, which is yet to take off. According to shipping ministry officials, an online portal is likely to be developed by National Informatics Centre, which will automate the process of subsidisation. "The shipper's consignments, from the port of origin to arrival, will be tracked online. Once the cargo reaches the destination, the tonnage will be determined and the subsidy amount will be directly transferred by the government within a stipulated time frame.

India has almost 70 per cent of 835 vessels engaged in coastal shipping, as of December last year, under the Indian flag. However, India's movement of domestic cargo through water transport is paltry in comparison to other countries. While it's 20 per cent in China, 24 per cent in Brazil and over 42 per cent in Japan, it's a lowly 7 per cent in India.

India records a decline in exports in October

India’s merchandise exports declined to the lowest since April 2014 to around $26 billion in October 2014. This is down about 10 per cent from $28.9 billion in September 2014, and down about 5 per cent from around $27.5 billion recorded in October 2013, reported the Ministry of Commerce. The Federation of Indian Export Organisations (FIEO) has expressed disappointment over the decline in exports and has urged the government to analyse the reasons to prevent a slide.

Indian exports had seen strong growth in May and June this year, hitting the double-digit growth rate for two consecutive months and prompting exporters to eye a total of $350 billion worth exports in FY2014-15. However, exports have moderated in the following months and slumped in October 2014 partly due to slowdown in export markets such as Europe and a drop in oil and other commodity prices.

According to FIEO, exports in leading sectors such as Engineering (- 9 per cent), Drugs and Pharmaceuticals (-8 per cent), Gems and jewellery (- 2 per cent), Cotton and Man-made Yarn (-14 per cent), Carpets (-2 per cent), Petroleum (-0.16 per cent), and Plastics (-17) all joined the negative list in October 2014.

Imports rose 3.62 per cent to $39.45 billion, widening trade deficite to $13.35 billion, from last october's $10.59 billion.

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Seaways ties up with McQuilling of USA

Seaways Shipping and Logistics Limited has tied up with McQuilling Partners, the third largest shipbroking firm in the world. The new venture aims to provide tanker, dry bulk, chemical and offshore brokerage services, as well as research and logistics consultancy within India and its related markets through offices in Mumbai and New Delhi. With the increasing energy requirements of the country, the entry of McQuilling into India is most appropriate. With world economy growing, there would be need for setting up of new ports in the country. Prospective bidders would benefit from the world-class technology and knowhow that their marine consultancy would provide. Also, with the new initiatives of the government towards coastal shipping, the new JV would provide a platform for foreign owners to look into the Indian market. The recent changes in regulations to help enhance the Indian tonnage, would bring in prospective owners to invest in India. All this augurs well for this world reputed company to be in India. At the launch of Seaways McQuilling India Private Limited, John Schmidt, CEO of McQuilling Partners said, "We are glad to be in India through a valued partner like Seaways. Our step is consistent with our long-term expansion plan in a strategic market like India which throws vast potential in the field of broking, research and consultancy."

Seaways Group chairman, Capt PVK Mohan said, "The synergy between Seaways and McQuilling has created a world-class platform for Indian charterers, marine interests and shipping experts. We would provide well researched services to our clients and open the international contacts to the Indian market."

19,000-teu container ship joins CSCL fleet

Hyundai Heavy Industries has completed the construction of the world's largest container ship capable of holding 19,000 twenty-foot containers and handed it over to China Shipping Container Lines (CSCL).

The ship was named as *CSCL Globe*. With the dimension of 400 m in length, 58.6 m in width, and 30.5 m in height, the *CSCL Globe* is one of the five same-class containerships commissioned by China Shipping Container Lines in May last year. The electronically controlled main engine can improve fuel efficiency by up to 20 per cent by automatically controlling fuel consumption according to the sea conditions and the speed of the vessel. After winning the first 10,000-teu containership in 2005, Hyundai Heavy Industries has since built more than 80 such ships, the largest among the world's shipbuilders. A Hyundai Heavy official said, The shipbuilding industry is planning to build ultra-large containerships over 20,000 teu. Based on our experience, we will try to win as many orders in this area.

Ban on ZPMC cranes to hurt Indian ports

India's decision to deny security clearance to the world's biggest port crane maker, China's state-owned Shanghai Zhenhua Heavy Industries Co. Ltd (ZPMC), to supply cargo handling equipment to cargo terminals at Union government-owned ports will have "serious implications" for the country's port industry, according to industry executives. The reasons for the denial have not been disclosed by the government. The decision has upset investment plans of private firms such as Dubai's DP World Ltd, Adani Ports and Special Economic Zone Ltd (APSEZ) and ABG Container Handling Pvt. Ltd that are building new container loading facilities at Jawaharlal Nehru Port, Kamarajar Port and VO Chidambaranar Port, respectively. All the three firms have separately ordered cranes from ZPMC worth a combined $115 million. It could also delay the construction schedule of these new facilities.

LOC sets up new office in Mumbai

London Offshore Consultants (LOC), the leading marine and engineering consultancy for the shipping and offshore energy sectors, has opened an office in Mumbai, India.

Located in the district of Vile Parle East, it is close to Mumbai's international and domestic airports as well as many of LOC's key shipping and energy clients. LOC Mumbai will also be well-positioned to respond to any time-sensitive requests from both its global and local clients. Paul Miles, regional head of the Middle East, India and Caspian for the LOC group said, "We have recruited Rohan Murray who is a marine engineer and Captain Valentine Dias as a marine consultant with Mark Lomas and I overseeing the management during the initial stages." Mark Lomas is the Director of LOC Middle East and India. "LOC has been very active in India for a number of years and we are very optimistic that this office will grow in the current expanding market. Clients have welcomed the prospect of a permanent LOC office in India to service their requirements."

Krishnapatnam Port bags CSR award

As part of the Dubai Maritime Week, the annual Seatrade Maritime Awards was hosted on October 27, 2014, wherein individuals and organisations from across the Middle East, Africa and the Indian subcontinent maritime and shipping industry were honoured. Widely recognised as the region's premier maritime awards, it attracted 14 entrants to the CSR category. Award winners were chosen by an independent panel of judges based on a set of fair and transparent criteria. The 2014 Seatrade Maritime Award for the category – Corporate Social Responsibility was awarded to Krishnapatnam Port Company Limited.

The port started its CSR endeavour by building 500 houses with all infrastructural amenities as a part of its rehabilitation & resettlement programme for the nearby villages. It then created community & local economy development programmes that have helped in empowering the local community to grow along with the port.

C Sasidhar, MD, Krishnapatnam Port Company Limited receiving the award from C F George, MD, Simatech Shipping LLC, alongside Chris Hayman, Chairman, Seatrade.

As part of its broad CSR framework, the port has embarked on a series of human development initiatives specifically creating novel opportunities for empowerment and enterprise building. Currently, the port invests its resources into education; skill promotion and job development; health, safety and environment; community and local economy development; and employee development. All the activities are executed through its exclusive partnership with CVR Foundation.

Bernhard Schulte Ship Management expands operations in India

Bernhard Schulte Shipmanagement (BSM), a leading Germany-based ship management company said it is planning to expand operations in India and raise the headcount by 15-20 per cent by December next year. Elaborating on the expansion plans, BSM India Deputy Director Sanklap Shukla said, "The current Key performance indicators given to Delhi and Chennai offices is that a 15 per cent increase in the pool strength with regard to the seafarers annually."

BSM currently has 4,000 seafarers from India. "A difficulty we are facing is that Indian seafarers are in fact the highest paid seafarers in the world."

"If we are able to stagnate the wages and don't start increasing the wages all over again then we are looking at substantial increase. It would even go to 20-25 per cent per annum," Shukla said. BSM India Director Swapan Paul said there is a great dearth of quality seafarers in the market and therefore the company's primary focus would be on high-quality people in order to strengthen the workforce.

Sical to use iron ore port terminals for other cargoes

Logistics provider Sical has revealed that the ban on the export of iron ore has impacted its iron ore terminal at Ennore. The terminal, though was complete in all respects, however could not commence its commercial operations. The company invested around ₹540 crore on this project.

Sical Chairman R Ram Mohan said that the investment in this subsidiary is yet to yield any financial returns. Apart from this, an amount of ₹4 crore per month is required to service the principal, interest and other expenses. To make the investment productive, the company has approached the management of Kamarajar Port at Ennore to let the terminal handle coal for TNEB units. "The Port Board has considered the proposal favourably and the company now awaits final approval from the ministry," said the company's chairman. Once the terminal is put to use it would support the company's growth plans. The company is also facing similar issues at the Mangalore Port where it has invested in an iron ore handling facility. To complete the project, the company has approached the port authorities seeking its permission to handle multiple cargoes.

Last mile connectivity for major ports

To put port connectivity works on a fast track, 12 Indian ports will pool the resources to set up a new company. The Union government is set to clear a proposal for creation of a Port Infrastructure Vikas Nigam Ltd. The company will construct, operate and maintain rail and road infrastructure to facilitate connectivity for transportation of goods from ports in India or abroad. The Union shipping ministry is in the process of seeking Cabinet approval for this. Rail Vikas Nigam Ltd, under the administrative control of Indian Railways, will undertake project development and carry out other engineering works. The movement of cargo by railway improves efficiency and reduces costs when compared to movement through road. As reported by *Business Standard*, the company's paid-up capital will be ₹50 crore, with equity participation from the 12 major port trusts. The authorised share capital will be around ₹100 crore, divided into a million equity shares of ₹1,000 each.

Maersk seeks to cut unprofitable contracts

Maersk Line plans to cut unprofitable long-term contracts and raise its shipping rate again as weak demand and persistent over capacity are likely to continue for at least two more years, a senior official at the company said. Silvia Ding, who heads the South China operations said that the current spot rate for shipments moving from Asia to Europe, the world's busiest trade route, is unprofitable, and that Maersk Line will raise its shipping rate again. "We need to be more disciplined in pushing the general rate increase to make sure it is sustainable," she said.

Several attempts by large operators such as Maersk Line and France's CMA CGM SA to push through freight increases have failed. Long-term shipping deals typically offer operators lower margins in exchange for steady revenue and volume. "If we can't get the rate up to a sustainable level, then in some cases it might mean we have to walk away from certain businesses," Ding said. Drewry Maritime Research said it expects dozens of large container vessels will be added on the Asia-Europe trade route this year, which it predicts will lead to a nearly 13 per cent boost in capacity through the end of 2015, putting further pressure on freight rates.

Container Corporation of India Ltd appoints Director

The Ministry of Railways vide order dated August 11, 2014 has communicated the appointment of N Madhusudana Rao, as part-time Government Director of Container Corporation of India Ltd (CONCOR). In this respect, the company has informed that the Board of Directors have appointed N Madhusudana Rao as director on the Board of CONCOR w.e.f. October 18, 2014.

CONCOR has announced the financial results for the quarter ended September 30, 2014. The Company has posted a net profit of ₹1,918.80 million for the quarter ended September 30, 2014 as compared to ₹2,426.80 million for the quarter ended September 30, 2013. Total Income has increased from ₹13,324.70 million for the quarter ended September 30, 2013 to ₹14,468.30 million for the quarter ended September 30, 2014.

Shipping lines need to announce low sulphur surcharges

With the deadline for the implementation of Emission Control Areas (ECAs) drawing closer, shippers have become increasingly worried over the lack of information on low-sulfur surcharges coming from shipping lines. "With one or two notable exceptions, few shipping lines have provided information to their customers on their low-sulphur fuel strategies and the extra cost to be passed on to shippers via increased rates or bunker surcharges," said Global Shippers' Forum secretary general Chris Welsh.

So far, only Maersk Line, Mediterranean Shipping Company (MSC) and CMA CGM have released details on their charges, while Orient Overseas Container Line (OOCL) has given information on its trans-Atlantic routes only.

IL&FS to develop multipurpose terminal berth at Dighi Port

IL&FS Engineering and Construction Company has bagged a contract for developing multipurpose terminal berth 5 of Dighi Port. The contract is valued at ₹179.84 crore. The project involves engineering, procurement, and construction of multipurpose berth, backup yard development, and utilities of multipurpose terminal berth 5 on north side of the port in Agardanda in Maharashtra. The scope of the contract includes design and construction of multipurpose berth, reclamation of 50 acre of backup area and other works like paved area, buildings, internal roads among others.

Maersk Q3 net profits rise by 33 per cent

A.P. Moller Maersk A/S has reported 33 per cent rise in Q3 net profits. Maersk Line increased profit by 24 per cent to $685 million ($554 million in 2013) and ROIC of 13.5 per cent (10.9 per cent in 2013). The strong result was driven by 3.7 per cent volume increase to 2,401k FFE, 0.9 per cent unit cost reduction to $2,597/FFE and average rate increase by 0.9 per cent to $2,679/FEE.

Fleet capacity increased by 6.3 per cent to 2.8 million teu as Maersk Line took delivery of three Triple-E vessels in Q3; 12 out of 20 Triple-E vessels have been delivered. Total costs increased by 2.8 per cent ($168 million) against a volume increase of 3.7 per cent. Majority of cost increase attributable to 5.3 per cent increase in terminal costs and 7.3 per cent increase in inland transportation costs.

Indonesia's focus on seaports development

Rini Soemarno, State-Owned Enterprises (SOE) minister, Indonesia has announced to focus more on the development of sea ports and public transport in the country, supporting the new president's maritime axis platform. Rini stated that, her main task (as well as the task of other new ministers) was to translate the president's vision of a strong maritime country into reality. "One of my tasks is to see how our sea ports are developed by Pelindo I to IV and how to improve them. It is the task of each minister in the new cabinet to materialise the sea-toll project," said Rini in a press release.

During his presidential campaign, President Joko "Jokowi" Widodo had reinstated a maritime-axis platform that involved a sea toll and modern fishing ships, among other things. PT Pelabuhan Indonesia III (Pelindo III) and Pelindo IV had previously stated that they were repairing 24 ports in eastern Indonesia to accelerate the implementation of the sea-toll project.

KPCT focusing on West African market

After successfully introducing regular cargo shipping services to Myanmar, Krishnapatnam Port Container Terminal (KPCT), located 30 km from Nellore, has been focusing its attention on Ivory Coast to operate cargo services to Ports of San Pedro and Abidjan (West Africa). India's trade with West Africa increased 15 times since 2003. Rice being the main export, the port also handles exports of pharmaceutical products, machinery, articles of iron, chemicals, plastics, rubber and vehicles. Over 69 per cent of India's cashew imports go to Ivory Coast, Guinea-Bissau, Benin and Ghana. Trade takes place largely from two important ports of San Pedro and Abidjan. As both the economies of India and Ivory Coast are poised to grow, KPCT is keen on becoming East India gateway for the two countries. As a first step, Krishnapatnam Port Container Terminal organised a trade meet in Abidjan recently to have a mutual dialogue for bilateral trade development with trade association.

They were familiarised with the infrastructure and operational advantages of KPCT and the ease of shipping containerised cargo owing to tariff flexibility, connectivity to cashew and timber processing units in the hinterland, various vessel services connecting KPCT with Abidjan and future trade potential benefiting West African countries.

SCI reports ₹18.5 crore profits

Shipping Corporation of India has reported net profit of ₹18.59 crore for the quarter ended September this fiscal. The company had registered a net loss of ₹123.53 crore in the comparable period of the previous fiscal. Total income of the company during the period under review went up by 3.5 per cent to ₹1,093.52 crore from ₹1,056.43 crore in the July-September quarter of previous fiscal. Total expenditure came down to ₹1,113.07 crore from ₹1,134.50 crore.

CIL may increase production to 1,000 million tonnes by 2019

Union Coal Secretary Anil Swarup has revealed that Coal India Ltd (CIL) would mine 1,000 million tonnes of coal by 2019, doubling its present production of 500 million tonnes. As Swarup reviewed different projects of Mahanadi Coalfields Ltd (MCL), a subsidiary of CIL, he said, the progress of 15 projects of MCL, including Angul-Sukinda common rail corridor, were under review. The coal ministry has targeted completion of the railway line project through which coal will be transported to various industries by December 2017. "In the initial phase, 30-35 million tonnes of coal would be transported while it would be increased to 200 million tonnes by 2019. The progress of the project is satisfactory in the state," said the coal secretary.

Recently, the Container Corporation of India (Concor) decided to invest ₹156 crore for 26 per cent equity to participate in the Angul-Sukinda railway line project. The project, being constructed under the public-private partnership (PPP) model, will provide a rail link to the steel and power plants located in Angul, Dhenkanal and Jajpur districts.

Jharsuguda-Barpali rail project to be ready by December 2017

The Central and Odisha state governments have jointly resolved to ensure completion of Jharsuguda-Barpali railway link project by December 2017. The rail line will connect different coal mines in Odisha.

The Jharsuguda-Barpali rail link project is a part of the three inter-state rail corridor projects proposed by Coal India Limited, which are dedicated to coal evacuation in Maoist-affected areas of Odisha, Chhattisgarh and Jharkhand. Two other projects are the 93-km Hazaribagh-Shivpur-Tori-Kathotia rail corridor project and the 180-km Bhupdeopur-Korichhapar-Baroud rail link project.

100 per cent FDI in railways to boost freight movement

South Korea will provide India its technical expertise to modernise the Indian railways under a Memorandum of Understanding (MoU) signed between India's Ministry of Railways and the Ministry of Land Infrastructure and Transport (MOLIT) of South Korea in Seoul.

Modernisation of Indian railways is a priority for Prime Minister Narendra Modi. To enable the transformation, his government has allowed 100 per cent FDI in railways infrastructure, a move that is also expected to boost the "Make in India" initiative. Among the new projects identified for FDI are around 11 freight lines including three new freight lines: Dankuni-Gomoh; Whitefield- Kolar; and the North-South Dedicated Freight Corridor that will connect Delhi with Chennai. Indian Railways runs around 11,000 trains everyday, of which around 4,000 are used to transport goods. Freight traffic has improved from last year and Indian Railways carried around 621.6 million tonnes of revenue earning freight traffic during April 1-October 31, 2014, which is up about 4.8 per cent y-o-y. In October 2014, the revenue earning freight traffic carried by Indian Railways was up about 8.5 per cent y-o-y.

SCI appoints DKT Allseas Shipping as its UK liner agent

De Keyser Thornton (DKT) Allseas Shipping has been appointed as the UK liner agent and representative for the Shipping Corporation of India (SCI). The company, which is based in Tilbury, Essex, will take over the agency with effect from November 1. The new agency agreement is based on a longstanding relationship DKT has with SCI. DKT has been SCI's agent in Belgium since 2008.The UK venture will add an in-depth knowledge of the UK market to the services it currently offers. SCI operates two services a week into the UK, both calling at the Port of Felixstowe in a vessel-sharing agreement. Last year, SCI's services carried a total of 41,000 teu in imports and exports into and out of the UK, and 25,000 teu into and out of Antwerp.

Mumbai to have its first marina off Princess and Victoria Docks

The Mumbai Port Trust (MbPT) has revived plans to build the city's first marina off Princess and Victoria Docks that will accommodate around 300 luxury boats, including yachts and catamarans. The port trust had made efforts to have a marina near Ferry Wharf but its bidders were not impressed with the location, near a workshop, where the draft was less. MbPT deputy traffic manager Gautam Dey said, The new location is easily accessible by road, and it will have enough space for operations and maintenance, besides leisure and shopping facilities.

MbPT has appointed Engineering Projects India Ltd (EPI) as consultants for the project. According to the trust officials, "The successful bidder will be given the area on a 30-year lease. Apart from refueling and maintenance services, the marina's operator can commercially exploit the land, for which floor space index will be granted by MbPT." The successful bidder is expected to offer minimum facilities like parking, a reception area, wireless internet access, lockers, a fueling facility, besides boat accessories and spare parts.

Delay in funds may halt work on Belapur-Uran project

Central Railway has threatened to stop work on the Seawoods-Belapur-Uran double line project as the City and Industrial Development Corporation (Cidco) has not released its share of funds – ₹78 crore – for 2013-14. The railway board has released its share of ₹39 crore this year. According to Central Railway officials, 20 per cent work on the 27-km-long corridor has been completed.

The project aims to connect residents of Jawaharlal Nehru Port Trust (JNPT), Uran, to Mumbai and Thane by railways. In anticipation of the proposed railway line, massive development has taken shape along the route. The project is being implemented on a cost-sharing basis between Cidco and the ministry of railways in the ratio of 67:33. Railway officials said the work progress depended on release of funds from Cidco. Another bottleneck for the project is that Cidco is yet to acquire and hand over land required for 2.71-km section of the line to the railways.

OOCL records modest rise in Q3 revenues

OOCL has posted a 0.5 per cent revenue increase per teu in the current Q3, as compared to 2013. This is despite a rise in third quarter volume and revenue on major networks. The shipping company has recorded a 21 per cent increase in Asia-Europe trade volumes, and a 17.3 per cent increase in revenue on Asia-Europe trade to $310 million. Trans-Pacific lines saw steadier growth, with volume increasing 6.3 per cent and revenue growing 5.5 per cent year-on-year to $519 million; a steady but not significant growth on lines that account for around one-third of OOCL's business.

"The better-than-expected supply demand conditions and the low base last year helped to support the freight rate uptrend. Looking forward, despite the recent clods over the global economy, we expect the freight rate to show a stabilisation trend in the following quarters given the low base," revealed Citi Research analysts. "On the other hand, we also see the upside of freight rate to be capped due to the industry oversupply condition, which is likely to deteriorate in 2015 if large vessel delivery starts to pick up."

Ocean Sparkle Ltd embarks on fleet improvement

The Asian Development Bank (ADB) is granting $40 million loan to Ocean Sparkle Ltd (OSL) for fleet improvements to bring further efficiency, lower freight costs, speed up shipping, and underpin the country's push to expand maritime trade, the Manila-based bank said.

The loan will help the company purchase up to 10 tug boats for use at ports in India and neighbouring South Asian markets that are located along busy east-west shipping routes. It will also help finance the acquisition of two platform supply vessels and anchor handling tug supply vessels, allowing OSL to take advantage of an expected increase in offshore oil and gas activities in the near future.

Cargo handling improves at Haldia Dock

Despite low draught in the navigation channel, Haldia Dock Complex (HDC) under the Kolkata Port Trust (KoPT) has succeeded in creating a record by loading 24 rakes in a single day. The Dock hopes to reach the 30 million tonne mark in cargo handling by the end of 2014-15. In 2013-14, the port facility had handled 28.51 million tonnes.

We have achieved a lot. Between April to October in 2013, the average turn round time for ships was 4.80 days. Between April and October, 2014, this came down to 3.02 days. The average pre-berthing waiting time for ships (due to the port) was 34.88 hours during the first seven months of 2013-14. This has now come down to 6.88 hours. The average output of cargo per ship day per vessel rose from 5,663 tonnes to 6,806 tonnes. We are at a disadvantage so far as draught is concerned but have more than adequately made up for this, said a dock official. We are also in the process of increasing the number of railway sidings to bring about further improvement, he added.

Planning some open space in Mumbai

Redevelopment of Mumbai's mostly derelict docklands is being planned that will create a waterfront where people living in the world's second-most densely populated city can go to lift their spirits, and the rich can go to play. The government has set a panel to plan the waterfront. This is a real opportunity to give Mumbai what it doesn't have, to give it open space, said Narinder Nayar, a businessman who sits on the panel. Owned by Mumbai Port Trust, the largest landowner in India's financial hub, much of the seven square kilometres up for redevelopment is occupied today by crumbling warehouses, informal housing and workers who eke out a living breaking down disused ships or sorting through scrap metal. The government, which has valued the land at $12 billion or around ₹73,200 crore, is pitching the project as a shining example of what urban regeneration in India should look like.

Global shipping industry growth dismal

The rate of growth in global fleets was "lower than that observed during any of the previous 10 years" and that the prospects for the current year suggested an even lower growth rate – a trend reflecting the downturn of the largest historical shipping cycle which peaked in 2012, reported the UN Conference on Trade and Development (UNCTAD) in its review of maritime transport 2014. Maritime shipping grew by an average of just 3.8 per cent in 2013, the equivalent of nearly 9.6 billion tons in total volumes. Much of the expansion in seaborne trade was limited to dry cargo flows such as bulk commodities, which grew by 5.6 per cent while world container port throughput grew by roughly the same amount. Last year also witnessed more of volatile maritime freight rates. All shipping segments suffered substantially, with freight rates in dry bulk and tanker markets reaching a 10-year low in 2012 and similarly low levels in the liner market. Low performance of freight rates was mainly attributable to the poor world economic development, weak demand and overcapacity in the global shipping market.

₹1,500 crore fund for shipbuilding

Indian government is in advanced stages of implementation to have a dedicated fund for shipbuilding industry to be handled by Exim Bank which will help the ailing sector with at least ₹15,000 crore of funds. The fund will be for financing the construction, refitting and repair of ships, said Exim Bank chairman and managing director Yaduvendra Mathur. The fund will serve as the equity and when combined with Exim Bank's capability to leverage ten times, can result in the availability of ₹15,000 crore in fresh liquidity to the sector.

Initially, there was talk of creating a corporation to handle this but given past experience of an unsatisfactory outcome after formation of such a body, the government may come to Exim Bank, Mathur said. "The National Manufacturing Council is strongly supporting creation of this fund within Exim Bank and the PMO is also supporting the Exim Bank," added Mathur.

At present, private sector companies like Bharti Shipyard and ABG Shipyard are engaged in the sector along with the state-run ones. Many of these companies are undergoing financial stress due to tepid conditions in the industry which experts say are cyclical in nature.

DCI to resume work at Visakhapatnam Port

Dredging Corporation of India has expressed plans to resume dredging in the inner harbour of the Visakhapatnam Port. Even as the port is reviving shipping operations, DCI is waiting for arrival of Dredger-XVI from Kakinada after completing its job in the floating dry dock at Kakinada Port in a few days. The trailing suction hopper dredger has a hopper capacity of 7,500 cubic metres.

In August, DCI dredged at the northern arm of the port after bagging the work order for ₹34.86 crore. Dredging in the inner harbour to raise the draft from 14 to 16.1 metres is being split into two – one by DCI and rock dredging by blasting by Dharti Dredging Infra Ltd. The latter is dredging rock strata at turning circle and LPG jetty at a cost of ₹212 crore.

India records decline in automobile exports

India has been witnessing a fall in automobile exports and September has been a particularly bad month with most auto makers posting double-digit drop in shipments. While some companies cite increased domestic focus for the slide in export numbers, industry experts say the advantage that India enjoyed because of its low cost of manufacturing is slowly eroding, making vehicles manufactured here less competitive in the international market.

Korean major Hyundai Motor, the top auto exporter from India, as well as Japan's Nissan Motor and French Renault have shifted exports of some models out of India, even as the government is pressing to boost local manufacturing. To attract manufactures including auto makers when regions like Eastern Europe are offering cost-effective alternative options, industry experts say India must first fix its creaky and inadequate infrastructure such as ports and roads and clear other bottlenecks, including an unfriendly tax structure.

Indian textile exports to US surge

Indian textile and garment exports to its single largest market – the US- have made a record surge this year. While a renewed buoyancy in textile and apparel exports is helped by a sharp improvement in raw material supplies, the strong performance by India this year is also a reflection of a combination of global factors – a steady improvement in demand as the American economy picks up, a progressive decline in Chinese exports to major markets such as the US, currency appreciation in Indonesia, labour unrest in Asian competitor Cambodia and safety concerns after a major factory fire in Bangladesh last year. Indian textile and apparel exports have risen nearly 7 per cent during January-August 2014, compared with an average 2 per cent annual growth in the last five years.

Restructuring ABG Shipyard Ltd

Debt-laden ABG Shipyard Ltd has started the long process of restructuring its business and reworking its debt obligations under the terms of its approved corporate debt restructuring (CDR) plan. At the behest of the shipping company's lender consortium, turnaround specialist Alvarez and Marsal (India) has been appointed to oversee the implementation of the debt restructuring package.

As part of this restructuring, a chief restructuring officer (CRO) has also been appointed. "When the restructuring package was approved, banks had mandated that a restructuring officer will be appointed who will control the company's cash flows and implement the package properly," said a senior official at a public sector bank, part of the lenders' consortium. The restructuring officer was appointed in October after an agreement to recast nearly ₹11,000 crore in debt was approved by the company's lenders. According to the restructuring agreement, all bank accounts of the company have now been shifted to a single bank, as opposed to having accounts with multiple banks earlier, so that the 22-bank consortium has complete control over the cash flow of the company.

STX steps forward to share expertise in LNG carrier building

Korea based STX Offshore & Shipbuilding Co has offered to share technology with three Indian yards for constructing LNG carriers in India. But the beleaguered South Korean shipbuilder needs India's state-owned natural gas firm GAIL (India) to relax its terms on a tender for nine vessels to let it participate. GAIL's shipyard eligibility criteria exclude STX mainly on financial grounds. "STX is the only global shipowner with experience in building LNG ships to come up with an offer to share technology with Indian yards such as Cochin Shipyard, L&T Shipbuilding, and Pipavav Defence and Offshore Engineering Co," said a spokesman for India's shipping ministry.

The purpose of setting SEZs defeated

More than 50 per cent of land allotted to special economic zones (SEZs) across the country remains idle, and its very purpose has been defeated with no significant increase in employment even as the government's revenue foregone was to the tune of ₹83,000 crore between 2007 and 2013, the comptroller and auditor general (CAG) has found.

Exposing systemic weaknesses in tax administration, a performance audit on SEZs by the CAG revealed that ineligible tax deductions were extended to companies, some of which diverted land allotted to them to other uses. There was overall decline in manufacturing in these zones. A similar study on functioning of SEZs was carried out by the parliamentary standing committee on commerce in June 2007 where it had estimated the duties foregone at over ₹1.75 lakh crore from tax holidays granted to SEZs between 2004 and 2010. The purpose of setting up SEZs was to create largescale employment, investment, exports and economic growth. The CAG report, however, said national indices on economic growth, trade infrastructure, investment and employment generation did not show any upward trend due to SEZs.

"Land acquired for public purposes was subsequently diverted (up to 100 per cent in some cases) after de-notification," the report said. "Seventeen states were not on board in implementing the special economic zones Act with matching state level legislations, which rendered the single window system ineffective. Developers and unit holders were almost left unmonitored, in the absence of an internal audit set-up. This posed a huge risk for revenue administration," the report added.

Allcargo Logistics announces Q2 2014 results

Allcargo reported its total revenue at ₹1,476.4 crore for the quarter ended September 30, 2014, as against ₹1,079.9 crore for the corresponding previous period, an increase of 37 per cent, mainly on account of increase in revenues across all the business segments of MTO, CFS and Project & Engineering. 85per cent of the revenue is from the global MTO business. EBIDTA at ₹132.5 crore for the quarter ended September 30, 2014, as against ₹101.2 crore for the corresponding previous period, an increase of 31 per cent. Total revenue at ₹2,805.3 crore for the half year ended September 30, 2014, as against ₹2,072.2 crore for the corresponding previous period, an increase of 35 per cent, mainly on account of increase in revenues across all businesses of MTO, CFS and Project and Engineering. 85 per cent of the revenue is from the global MTO business. EBIDTA at ₹258.9 crore for the half year ended September 30, 2014, as against ₹202.8 crore for the corresponding previous period, an increase of 28 per cent.

Kuehne + Nagel announces new SVP, Seafreight South Asia Pacific and MD of India


Paolo Montrone


Stephan Danne

Kuehne + Nagel has appointed Paolo Montrone as the new SVP, Seafreight, South Asia Pacific, succeeding Stephan Danne, who was recently named Managing Director, Kuehne + Nagel India.

A Kuehne + Nagel veteran of close to 25 years, Montrone brings with him strong knowledge and depth of experience within Seafreight and Logistics as a whole. His international assignments as SVP, Seafreight, South West Europe and most recent as SVP, Seafreight, North America also demonstrates his strong network and exposure to the global market. Based in Singapore, Montrone will continue to drive the development of sea freight solutions in the region.

A senior executive with more than 30 years of extensive logistics experience, Danne previously served as Kuehne + Nagel Managing Director for both Thailand and Taiwan and most recent as SVP, Seafreight, South Asia Pacific where he established a solid framework for sea freight operations in the region. The combination of his skill-set and extensive in-house knowledge puts the growth and development strategies of Kuehne + Nagel India in very safe hands.

Shipping ministry invites attorney general's opinion on regulating stevedores

The shipping ministry has sought the advice of the attorney general on a recommendation by a five-member panel to set rates for services rendered by stevedores and shore handling agents at non-public-private-partnership (non-PPP) berths of ports owned by the Union government.

"That's the crux of the issue, whether the rates for stevedores and shore handling agents should be notified by the Tariff Authority for Major Ports (TAMP) or not," a spokesperson for the shipping ministry said. "The ministry is referring the matter to attorney general for his opinion."

"The Major Port Trusts Act 1963 states that all operations in a major port (owned by the Union government) with regard to handling of cargo and subsequent operations in the port may be done either directly by the port, but if these operations are assigned to agents, such assignment shall be with the previous sanction of the Central Government, and that TAMP needs to notify rates for these operations, and that the agents so authorised shall not charge in excess of these rates for the port operations," a five-member panel of port chairmen headed by Paul Antony, chairman of Cochin Port Trust, wrote in its report on regulating stevedores.

34 highway projects up for revival

A total of 34 projects worth more than ₹26,000 crore are being forwarded for revival in the Ministry of Highways' latest presentation on infrastructure targets to the Prime Minister, Narendra Modi. The said projects, spanning over 4,084 km, are being restructured or converted from public-private partnership to Engineering, Procurement and Construction (EPC) mode to get them going. Five of these have been handed over to the concerned state governments while another 18 will be awarded in EPC mode.

Plans to revive Yamuna by 2017

Sinya Ejima, Indian head of Japan International Cooperation Agency (JICA), said that he expects to "swim and drink the Yamuna river water by 2017." Moreover, the shipping ministry has proposed to bring the river stretch in Delhi under the National Waterway Grid so that the Centre can invest and take up work of cleaning and maintaining a certain water level.

Nitin Gadkari had pushed for dredging and navigation in Yamuna soon after assuming charge. Urban development minister Venkaiah Naidu has launched the first phase of the 59-km interceptor sewer project that will help cleaning Yamuna as only treated sewage will be discharged into the three major drains that flow into the river. JICA is currently associated with 16 projects relating to sewerage and water supply with a total loan commitment of ₹28,660 crore in states, including Delhi, Uttar Pradesh, Rajasthan, Punjab, Odisha, West Bengal, Tamil Nadu, Andhra Pradesh, Kerala, Karnataka and Goa.

Maersk adds vessels to run on emission controlled routes

Maersk Line has announced tenders for 10 newbuilt feeder vessels expected to cost up to $550 million, which are optimised for use in Emissions Control Areas. The planned ships are a series of 3,400 Twenty-foot Equivalent Unit capacity vessels designed specifically to be run on lower sulfur fuel. These vessels will operate in the Baltic Sea and be ice-class strengthened. Shipyards in Japan, South Korea, and China are said to be likely to bid for the project, but market commentators noted the South Korean yards were experienced in both ice-class vessels and low sulfur designs.

Chinese shipbuilders do not have much experience in building ice-class vessels, while Japanese shipyards have not been building them for a long time. This only leaves the Koreans in the equation, reported *Tradewinds*.

Vizhinjam Port bags viability gap funding

The Vizhinjam international seaport and container transshipment terminal project has cleared another hurdle with the Union government recommending it for viability gap funding. A S Suresh Babu, Managing Director and Chief Executive Officer of Vizhinjam International Seaport Ltd. (VISL), said the Centre had recommended the project for a viability gap funding of ₹800 crore, 20 per cent of the latest estimate of ₹4,000 crore for the first stage.

Babu said the viability gap funding clearance would boost investor confidence in the project since it signalled the involvement of the Government of India. "It has significantly enhanced the prospects of getting a good concessionaire."

The bidding process to select a private partner is progressing. VISL hopes to complete the tendering process by December, paving the way for commencement of work. The viability gap funding amount will be disbursed through banks to the selected concessionaire.

Shipping lines facing reefer container scarcity

Ole Schack Petersen, head of global commercial reefer management, Maersk line has revealed that the supply of reefer containers is not keeping up with the ever-growing volumes of fresh produce being transported around the world. The scarcity of reefer equipment was a pressing issue in the perishables shipping industry and needed to be addressed quickly, particularly in the Southern Hemisphere, added Petersen.

"In the Southern Hemisphere where they have more on-off seasons, they have less equipment and they are receiving it later," Petersen said. "Carriers are not building enough containers to provide for increased demand in shipping lately." The Southern Hemisphere would generally have to divert a lot of its fresh produce away from Europe to Asian markets.

Major ports report increase in traffic

All the 10 major ports, barring Kolkata Port and New Mangalore Port, posted a marginal increase in cargo traffic for the first six months of the current financial year. All these ports put together handled 288.48 million tonnes of cargo against 276.86 million tonnes for the corresponding period last year, marking an increase of 4.2 per cent, according to data released by the Indian Ports Association. Mormugao led the pack by posting 22.25 per cent growth, followed by Kamarajar Port (15.56 per cent) and V.O. Chidambaranar Port (11.52 per cent).

Kolkata Dock System and Haldia Dock Complex posted a negative growth of 0.86 per cent. Mumbai Port was pushed to fourth slot, Jawaharlal Nehru Port to sixth and Chennai Port Trust to the ninth. Tonnage-wise, Kandla occupied the first slot, followed by Paradip, JNPT, Visakhapatnam, Mumbai and Chennai.

During April-September 2014, all ports, barring Kamarajar and Kandla, handled 40.6 million Twenty-foot Equivalent Units of containers against 37.63 million tonnes, representing 6.46 per cent. JNPT led the show followed by Chennai Port and V.O. Chidambaranar Port. Visakhapatnam registered a decline in container.

Antwerp and Rotterdam exhibit strong growth

During the first nine months of 2014, the Port of Antwerp and the Port of Rotterdam have witnessed a container throughput growth of 5.0 per cent and 4.2 per cent, respectively. Antwerp has handled around 6.7 million teu, while Rotterdam, Europe's largest port, has handled well over 9 million teu, according to *Container Management.*

Allard Castelein, CEO of the Port of Rotterdam Authority said, "With the exception of a few sectors, the port is doing pretty well. Particularly striking is the 4 per cent increase in containers." Rotterdam will be boosted by the results, especially as the completion of its Maasvlakte II development is on the horizon. Antwerp has further revealed that 10,526 ships called between January and September, a decrease of 2.3 per cent year-on-year, however, with throughput increasing, the result can be attributed to ever-larger container ships being employed by shipping companies. The Port of Antwerp generated a direct added value of $12.5 billion in 2013.

COSCO Pacific reports increase in profits

In the Q3 of 2014 COSCO Pacific reported 8.5 per cent increase in profit attributable to equity holders amounting to $86,943,000. For the nine months ended September 30, 2014, the company recorded 4.4 per cent increase in profits amounting to $233,729,000. For the first three quarters of 2014, the group's container throughput growth was satisfactory, leading to growth in profit from the terminals business. For the three months and nine months ended September 30, 2014, total throughput rose 8.7 per cent to 17,605,389 teu and 9.6 per cent to 50,086,956 teu respectively. For the three months and nine months ended September 30, 2014, the overall average utilisation rate was 95.7 per cent and 95.1 per cent respectively.

Service enhancements at Hapag-Lloyd

Hapag-Lloyd has announced enhancements to its services between New Zealand – South East Asia – North-Europe / Mediterranean (via connectivity to Fareast mainliner services).

Started in early November, Hapag-Lloyd offers extended port coverage, increased capacity and improved transit time on its New Zealand services. A new weekly service offering competitive transit time to Auckland is also introduced. The port rotation of the improved New Zealand services are as follows:

NZA1 (New Zealand Loop A-1)

Tanjung Pelepas • Singapore • Brisbane • Tauranga • Lyttelton • Port Chalmers • Tanjung Pelepas

NZA2 (New Zealand Loop A-2)

Tanjung Pelepas • Singapore • Wellington • Timaru • Napier • Auckland • Tanjung Pelepas

NZA3 (New Zealand Loop A-3)

Singapore • Tanjung Pelepas • Auckland • Tauranga • Singapore

Maersk joins Trident Alliance

Trident Alliance consisting of 10 container carriers has recently welcomed Maersk Line as a new member in order to test enforcement of new low-sulphur fuel regulations. These new regulations will be implemented in emissions control areas in Northern Europe and North America. The alliance will work together with the governments of the Baltic Sea nations to monitor compliance by shipping lines, with the International Maritime Organisation making efforts to broadcast a reduction in sulphur content to 0.1 per cent from the original 1 per cent. Maersk Group CEO Nils Smedegaard Andersen said: "The most natural thing is to talk about what's close to home, and that is the Baltics. We hope, of course, that the governments in the area will survey very closely what our competition is doing as well, so we don't give people a free ride." In order to prevent this free ride, Maersk Line has already announced low-sulphur surcharges of up to $160 per teu in the North Atlantic.

India may raise steel import duties

The Indian government is considering raising import duties on steel, as domestic steel makers have complained about surging shipments from China. A decision in this regard may be taken soon said the Steel and Mines Minister Narendra Singh Tomar. Steel imports from the dragon nation doubled in April-September from a year earlier, prompting JSW Steel Ltd and other Indian steelmakers to ask for higher import tariffs. While the government has not yet specified on how much the duties will be raised, currently the duties are in the range of 5 per cent to 7.5 per cent. Struggling with overcapacity at home, China has boosted exports of steel qualifying for a generous tax exemption to countries like India and Japan, triggering accusations that mills there are taking advantage of the rebate to sell surplus steel cheaply.

CMA CGM vessels become more energy efficient

The CMA CGM Group is retrofitting 10 of its vessels' bulbous bows to achieve improved energy efficiency for slow steaming. The modifications are in addition to the 15 CMA CGM ships that have already been retrofitted in 2013 and 2014. The bulbous bows exchanges reduce ship's fuel consumption and cut CO_2 emissions by improving the ships' wave resistance and hydrodynamic efficiency. All vessels that have entered the CMA CGM fleet in 2014 are sailing with optimised bulbous bows.

The bows were initially designed for 24 knots sailing speed, but following the implementation of the slow steaming, the group's vessels now sail at speeds between 16-18 knots. Bulbous bows have therefore been redesigned in cooperation with Hydrocéan, a French engineering company specialised in hydrodynamics and which performed the hydrodynamic calculations.
The fleet optimisation reinforces CMA CGM Group's environmental commitment, the company said, adding that its objective of 50 per cent CO_2/teu-km reduction between 2005 and 2015 is on good tracks to be reached.

New automobiles freight train from Melpakkam Sattva ICD

A freight train called *AutoLinxSM* has been recently flagged off by the former Railway Minister, DV Sadananda Gowda, from Melpakkam Sattva ICD/Rail terminal to the Container Corporation of India's multimodal logistics park at Khatuwas near New Delhi. The train would carry 300 cars manufactured by various car companies.

The launch of *AutoLinxSM* is a significant milestone for India's automotive sector and APL Logistics Vascor Automotive. This unique door-to-door service covers the entire supply chain for our customers-from assembly line to distribution centre to dealership floor, said Bill Garrett, President and CEO, Vascor.

EAST COAST IS CALLING!

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East Coast Maritime Business Summit

22-23 January, 2015

Novotel Varun Beach, Visakhapatnam

East Coast Maritime Business Summit
22-23 January, 2015
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ECMBS NEWSLETTER

PRE-CONFERENCE NEWSLETTER ON EAST COAST MARITIME BUSINESS SUMMIT 2015 DECEMBER 2014

More rice for Tripura via Bangladesh?

The Indian government may ferry another 35,000 tonnes of rice for Tripura via Bangladesh as train services in the north-eastern states have been stopped till March 2016 due to gauge conversion. The Food Corporation of India (FCI) recently ferried 10,000 tonnes of rice in two phases from Visakhapatnam Port in Andhra Pradesh via Bangladesh. "Several ships carried the rice from Visakhapatnam Port to Kolkata Port, then to Ashuganj Port in (eastern) Bangladesh. From Ashuganj Port, Bangladeshi trucks ferried the rice to FCI warehouses in Nandannagar near Agartala," FCI official Nilanjan Chowdhury told IANS.

Myanmar's average trade volume over $2.2 billion per month

Myanmar's foreign trade volume during the April-October period of this year was more than $2.2 billion on average per month. If this amount continues, total foreign trade volume at the end of 2014-2015 fiscal year will be higher than the projection of $25.7 billion, according to the Ministry of Commerce. From April 1 to October 31 of 2014-2015 fiscal year, foreign trade volume was $16013.338 million. Foreign trade is made through sea routes as well as border trade. In sea trade, imports are higher than exports while exports are more than imports in border trade. To improve the trade volume, illegal trades are being cracked down for border trade as well as sea route in which most trades are seen. Individual trading cards have been given at all border trade zones for individual trading of residents in border regions and this will help reduce illegal trade. Border trade zones which are currently operating are Muse, Lweje, Chinshwehaw and Kanpitetee in Myanmar-China border; Myawady, Techileik, Kawthaung, Myeik, Kungtung, Mawtaung and Nabulal/Hteekhee in Myanmar-Thai border; Sittwe and Maungtaw in Myanmar-Bangladesh border and Tamu and Reed in Myanmar-India border; The foreign export structure in Myanmar has to rely on a few main products including mineral resources, natural gas, teak, agricultural and aquatic products.

Kolkata dock creates record in monthly container handling

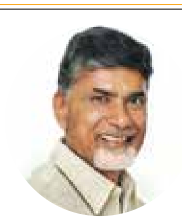
Bharat Kolkata Container Terminals Pvt Ltd, a wholly-owned unit of PSA International, is due to commence container handling operation at the Kolkata Dock System (KDS) of Kolkata Port Trust (KoPT) Terminal from December 2014 and has already started mobilising equipment. KDS handled 50,092 Twenty Feet Equivalent Units containers in September, creating record. During the first six months of the current financial year, KDS recorded a growth of 7.93 per cent in container handling as compared to the same period of the last fiscal and continued to hold third position among the major ports.

Brief News

- Krishnapatnam Port installs 'Mechanised Coal Handling system' that will enhance the berth productivity to 12 million tonnes per annum, eliminating all intermediary supply chain/logistics costs, ensuring quality, zero handling loss and faster evacuation of cargo. The port expects to handle over 40 million tonnes of cargo in the current financial year as against 25 mt handled in 2013-14.
- Andhra Pradesh government has given clearance for the second phase development of Gangavaram Port located at Visakhapatnam, at a revised cost of ₹1,318.73 crore. Expansion plan consists of four berths (1 coal+3 multipurpose) with increased cargo handling capacity from 17.55 to 41 MMTPA to be developed within 5 years.
- Visakhapatnam Port Trust to strengthen four berths in the inner harbour - EQ 2,3,4 and 5 - at a cost of ₹400 crore to enable handling of bigger vessels.
- Kamaraj Port Limited at Ennore to set up a Special Economic Zone or a Free Trade Zone over a 650 acre land acquired from the Union Salt Department. Kamaraj Port has also signed a MoU with Puducherry government to develop a port there.

"There is a huge potential for trade and allied activities by developing ports. State's development is linked with ports and hence we will focus more on this sector"

Sri N Chandrababu Naidu, Chief Minister, Andhra Pradesh



Kolkata Port Trust begins operations at Kanika Sands

After years of effort, the Kolkata Port Trust (KoPT) finally commenced transloading operations at Kanika Sands. Coal started being unloaded from the large bulk carrier carrying 72,500 tonnes of coal for the NTPC's power plant at Farakka.

With operations starting at Kanika Sands, KoPT can now carry out round the year Ship-To-Ship transloading. Operations aren't possible at the Sandheads during the monsoon due to bad weather. "Given the draft situation, the *M V Sapphire* couldn't have entered the Haldia Dock Complex,

leave alone the Kolkata Dock System with a load of 72,500 tonnes. The ship would have to berth at some other port in India but transporation of coal from there to Farakka wouldn't have been as cost-effective. We have moved the *M V Vighnraj*, a transloader, to Kanika Sands. The entire cargo from the *M V Sapphire* was shifted to the *M V Vighnraj* and it remained anchored at the deep-drafted location till daughter vessels and barges moved the coal to Farakka through National Waterway-I," a senior port official said.

Concor to participate in Angul-Sukinda railway project

Container Corporation of India Ltd will participate in Angul-Sukinda railway line (ASRL) project in Odisha, giving a boost to state's rail infrastructure and development. Concor has become a stakeholder in the ASRL project by making 26 per cent equity shares investment, a company release said. Angul-Sukinda railway line is being constructed under public private partnership (PPP) model for providing a vital alternative rail link to Angul-based steel plants with Keonjhar-Bansapani iron-ore belt and Talcher coal field to Kalinga Nagar industrial belt. Besides CONCOR, Rail Vikas Nigam Ltd, Odisha government, Odisha Mining Corporation, JSPL and IDCO are the other stakeholders of the joint venture, the release said.

Concor is also developing two multimodal logistic parks (MMLPs) at Parjang and Duburi stations of the new railway line for expanding container traffic in the state.

GAIL seeks partner for LNG import terminal at Paradip

GAIL India Ltd is looking for a strategic partner for its ₹3,108-crore floating LNG import terminal at Paradip in Odisha. GAIL has floated expression of interest (EoI) to induct a strategic partner in 4 million tonnes a year floating liquefied natural gas (LNG) terminal planned off the Paradip coast, sources privy to the development said.

FDI in Myanmar

As Myanmar opens up economically, it is attracting more attention from investors. The country received just $901 million in FDI in 2010. In 2013, that sum roughly tripled. The Myanmar Investment Commission has revised FDI targets to $5 billion for the upcoming fiscal year, and it expects FDI to grow 14 percent annually through 2030. Which countries have invested the most to date? China has funneled more than $14 billion cumulatively into Myanmar; Thailand is second with more than $10 billion. Sectors seeing the most funding include oil and gas, manufacturing, mining and hotels and tourism.

Chennai Port hunts for land to ease congestion

Chennai Port is looking for land to shift some of its operation from its premises to ease congestion, according to Port trust Chairman Atulya Mishra. This comes in the wake of Union Minister of Roadways, Highways and Shipping Nitin Gadkari suggesting to the Chennai Port Trust chairman to look out for land outside the city so that some of the operations of port are shifted. Mishra said Chennai Port is looking to have talks to with state government in identifying land near the beach. Meanwhile, the development at multimodal logistics hub and dry port at Sriperumbur to cater to containerized traffic in the port is gathering pace. Land area to an extent of 121.74 acres which is in three parcels at Mappedu near Sriperumbudur had already been taken on long lease (99 years) from SIPCOT.

The land has been parceled into 16 acres, 30 acres and 75 acres. "The work in the 16 acres of land has already been awarded to a concessionaire, Mishra said. Chennai Port has floated tenders for developing the remaining parcels of land. The proposed dry port will consolidate the position of Chennai Port as container hub on the east coast and will facilitate enhancement of the port capacity.

"SAARC Motor Vehicle Agreement for passenger and cargo vehicles movement will be path-breaking with wider scope for movement of all types of vehicles across member-states"

Sri Nitin Gadkari, Minister of Road Transport & Highways and Shipping, Government of India

Adani Ports lays foundation stone for ₹1,270-cr project

The Union Shipping Minister Nitin Gadkari has laid foundation stone for the ₹1,270-crore container terminal at Kamaraj Port (Ennore), which will be developed by Adani Ports and SEZ Ltd, through its newly floated company. The company has entered into a 37per cent revenue sharing agreement with the port management for this project and this is considered to be one of the highest in the industry in the recent times. Kamaraj Port's Chairman and Managing Director M A Baskarachar said that while ADANI Ennore Container Terminal Pvt. Ltd, company floated by Adani Ports and SEZ Ltd, will construct berths and equipment, the Port will invest around ₹300 crore in dredging and to create rail and road networks. The terminal which will come in 36.5 hectares of land will have two berths and first one will be ready in 27 months, while the second berth will be ready in two years.

Vizag: Future Logistics Hub

The east coast, which has hitherto remained largely unexplored, is poised to become a logistics hub.

The trade, which has remained largely confined to the ports of Gujarat and Mumbai, is expected to shift to the east coast in future, according to K V Mahidhar, Deputy Executive Director and Head, Confederation of Indian Industry (CII) Institute of Logistics, Chennai. "The east coast, particularly Andhra Pradesh, which has a number of coastal districts and the National Highway (NH) running close to the coast, gives it an added advantage to promote logistics in a big way. Providing roads from the ports to the National Highway would ensure seamless connectivity to the hinterland," said Mahidhar. Visakhapatnam can derive the maximum advantage as it has one of the biggest major ports, an international airport, and the NH running close to the port, airport, and the Multi Modal Logistics Park (MMLP), which would cater to the needs of logistics providers using road, rail, seaport, or airport.

Isuzu Motors AP unit to be ready by 2016

The pick-up truck unit being established by Isuzu Motors India Private Ltd. in Sri City industrial estate in Chittoor district of Andhra Pradesh will be ready by 2016, according to Managing Director Takashi Kikuchi. He said the company was at present importing the parts and assembling the trucks in Chennai at Hindustan Motors. "Our unit with an initial capacity of 50,000 pick-up trucks will be ready 2016. We will gradually increase the capacity to 1,20,000 vehicles per annum by 2019-20," he said.

"We are bullish about the Indian market and as the economy is growing the segment will register faster growth," Mr. Takashi Kikuchi said The company was investing ₹3,000 crore on its project in AP in phases. "We are very favourably located in AP, in the vicinity of Krishnapatnam Port, and on the Bengaluru-Chennai industrial corridor. We are the biggest customers of Krishnapatnam Port right now," he added.

Indian investment in Nepal

Indian ventures in Nepal are engaged in manufacturing, services (banking, insurance, dry port, education and telecom), power sector and tourism industries. Some large Indian investors include, ITC, Dabur India, Hindustan Unilever, VSNL, TCIL, MTNL, State Bank of India, Punjab National Bank, Life Insurance Corporation of India, Asian Paints, CONCOR, GMR India, IL&FS, Manipal Group, MIT Group Holdings, Nupur International, Transworld Group, Patel Engineering, Bhilwara Energy, Bhushan Group, Feedback Ventures, R J Corp, KSK Energy, Berger Paints, Essel Infra Projects Limited and Tata Projects, etc.

In recent years, hydropower sector has emerged as an attractive sector for Indian investments. Government of Nepal has issued 28 survey licenses for hydropower projects in Nepal having generation capacity of 8249 MW to Indian companies/ joint ventures.

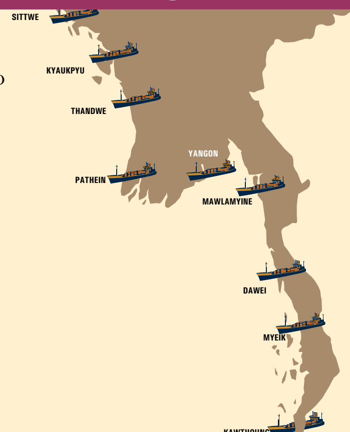
These include:

- Satluj Jal Vidyut Nigam Limited: 900 MW Arun III
- GMR: 900MW Upper Karnali and 600 MW Upper Marsyangdi
- Everest Power: 184 MW Upper Karnali St-1
- Bhilwara Energy Limited: 120 MW Likhu-4, 50 MW Balephi, 194 MW Mugu Karnali-1 & 274 MW Humla Kamali-I)
- Patel Engineering Ltd: 130 MW Budhi Gandaki ka & 260 MW Budhi Gandaki kha
- PES Energy Pvt. Ltd: 210 MW Phulkot Karnali & 216 MW Upper Trishuli-l
- LANCO Infratech Limited: 303 MW Namlan Project, 200 MW Karnali-7 & 100MW Kaligandaki Gorge

"Prime Minister Modi has emphasised rapid growth of the manufacturing sector in the eastern part of the country to match with the western part."

Smt Nirmala Sitharaman, Union Minister for Industry and Commerce, Government of India

Myanmar: Increasing Trade



Indian exports to Myanmar for the period April 2012 to March 2013 were valued at $544.66 million, while imports during the same period pegged at $1412.69 million. During the 2013-14 period, India recorded $787.01 million worth exports to Myanmar, recording 44.50 per cent increase over the previous year. Imports from Myanmar during the period were $1,395.67, marking a decline by 1.20 per cent.

There are a total of nine ports in Myanmar extending from north to south of the country. By region, one is in Yangon, three in Rakhine, one in Ayeyarwady, one in Mon and three in Tanintharyi. Yangon undertakes export and import of cargo; Sittwe, Pathein, Mawlamyine and Myeik deal only in export of cargo; and Kyaukpyu, Thandwe, Dawei and Kawthaung handle domestic cargo. The port of Yangon is the premier port of Myanmar and handles about 90 per cent of the country's exports and imports. Kyaukpyu Port, which lies on the route of Indo-China trade waterway, serves as a corridor of Mekong-India trade. The port has helped in boosting India's trade with the South East Asia countries.

Kaladan Multimodal Transit Project

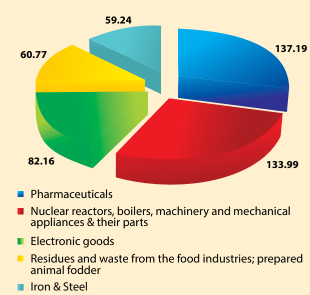
India had inked an agreement with Myanmar for the development of the Kaladan Multimodal Transit Transport Project in 2008.The Kaladan project along with India-Myanmar-Thailand trilateral highway which are expected to be completed in 2016, will open up the northeastern region to vibrant economies of the South East Asian countries.

Kaladan Project: Transit route envisaged between Kolkata (nearest Indian port / commercial hub) and Mizoram.

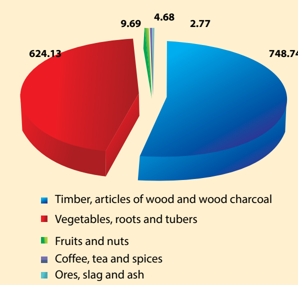
Stretch	Mode	Distance
Kolkata to Sittwe port in Myanmar	Shipping	539 km
Sittwe to Paletwa (River Kaladan)	Inland Water Transport	158 km
Paletwa to Indo-Myanmar Border (in Myanmar)	Road	110 km
Border to NH. 54 (Lawngtlai) (in India)	Road	100 km

Source: Ministry of development of north eastern region

Top five exports to Myanmar from India in 2013-14 ranked by value in $ million



Top five imports from Myanmar to India in 2013-14 ranked by value in $ million



Tamil Nadu: Infrastructure woes

Tamil Nadu's infrastructure was comparable with the best in the country and the state government, in 2012, set an ambitious target of achieving a double-digit GSDP growth annually and attracting ₹15 lakh crore worth investments by 2023. The state, unfortunately, has not moved forward from there as decision paralysis has struck the administration. Close to ₹39,000 crore worth thermal power projects, expected to generate 6,640 MW of electricity, are pending and as a result, the state has been suffering 10-20 per cent power shortage. In the road sector, ₹25,000 crore worth National Highways Authority of India projects are stuck owing to issues in land acquisition. ₹5,000 crore worth national highway projects have not progressed beyond the proposal stage. The state is fast gaining an industry-unfriendly tag. The closure of Nokia and slowing down of many electronic manufacturing units in Sriperumbudur have hit the state's tax revenue badly. Nokia, for instance, had been paying ₹222 crore VAT annually. The automobile sector in the state rolls out one out of every third car manufactured in India. But to dispatch them to Chennai Port, the manufacturers have to wait till midnight. And to cover the 19 km distance between Maduravoyal and Chennai Port, it takes 48 hours.

Courtesy: The Times of India

"I am truly delighted to host this meet and would look forward to seeing all of you here. As a Host Port, we are proud to associate ourselves with Maritime Gateway. I hope each one of you receives as much as you all give to these deliberations"

M T Krishna Babu, IAS, Chairman, Visakhapatnam Port Trust.

ODISHA: Land of cargo

Major industries in the state include power, steel, aluminum, cement and mining.

Power sector

Odisha is one of the power surplus states on the path to become the power house of India. The state government has estimated an investment of ₹54,000 crore for improving the power sector over the next five years, of which government's contribution is ₹20,000 crore. Of the proposed investment, ₹16,000 crore would be made in transmission while ₹12,000 crore in generation.

The government has decided to extend the lapsed MoU with 10 independent power producers (IPPs): GMR Kamalanga Energy Ltd, Lanco Babandh Power, Monnet Energy, Jindal India Thermal Power Ltd (JITPL), Ind-Barath Energy Utkal Ltd, CESC Ltd, Visakha Power, Mahanadi Aban Power Ltd, BGR Energy Systems and Maa Durga Power Company Ltd.

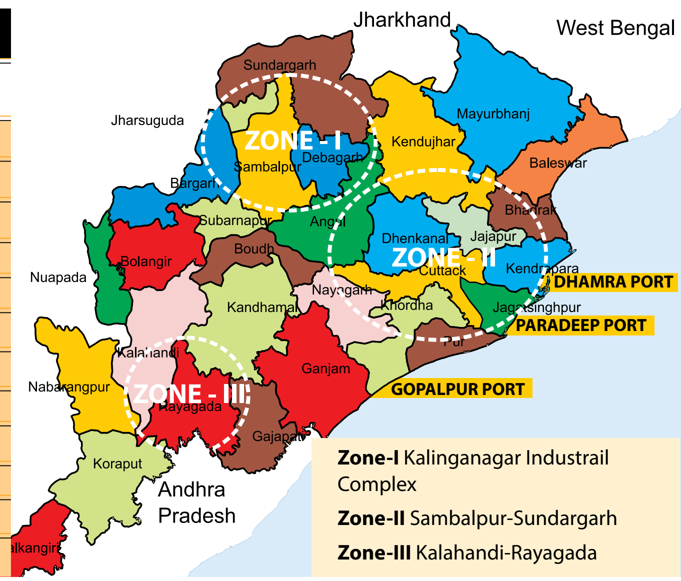
Two IPPs, Sterlite Energy and GMR Kamalanga Energy have already commissioned their units. Sterlite Energy has fully operationalized its 2,400-MW coal-based plant at Burkhamunda near Jharsuguda, GMR has put on stream two 350 MW units at Kamalanga in Dhenkanal district. The rest eight IPPs are in advanced stage of commissioning their projects.

Increasing its capacity Odisha Power Generation Corporation has commenced work on the 320-MW expansion project at its units 3 & 4 at IB Thermal Power Station.

INDUSTRIAL ZONES AND PORTS

Investment in Odisha

Sl. No.	Industrial units	INV (USD BN)
1	NINL	0.33
2	MESCO	0.19
3	VISA	0.06
4	JSS	0.29
5	MAITHAN	0.12
6	YAZDANI	0.03
7	ROHIT FERRO	0.12
8	TATA STEEL	3.96
9	UTAM GALVA	1.45
10	BRPL	0.36
11	APEEJAY (ICD)	0.05
TOTAL Inv in USD BN		7.0



Other investments in the sector include, Adani Group's plan to invest ₹12,500 crore for setting up a 2,500-MW thermal power project in Odisha. Ramakrishna Prasad Power Private Limited (RKPPL) of Hyderabad is also planning to set up a 120-MW thermal power plant in Chatrapur, in Ganjam district of Odisha.

Coal consumption

There are about 57 coal consuming units in the state that includes refractories, casting units, chemical units, coal briquettes, textile units etc. Odisha state government has recommended the Coal India Limited for allocation of 108,000 tonnes of coal for MSME units in 2014-2015.

Iron ore production

Odisha is the largest iron ore producing state in India, contributing more than 50 per cent of the country's production. For the year 2014-15, the state government has capped iron ore production at 57 million tonnes (MT).

Following the state cabinet's decision, Odisha Mining Corporation will provide minerals to the industries, which have signed MoUs with the state government for five years. In this regard, the corporation will increase its production to 9 MT in 2015-16 and 20 MT in 2016-17.

Steel

The state has 20 per cent of steel making capacity and more than 50 per cent aluminum smelting capacity in India. Adding to this, Posco India is setting up an ultimate 12 million tonne steel plant at Paradip with an investment of $12 billion. Jindal steel is setting up 6-MTPA integrated steel plant at Angul. Tata Steel plans to operate its Kalinganagar and Gopalpur units at Odisha in 2015-16. While the first phase of the 6-million tonnes per annum steel unit at Kalinganagar

"I eagerly await the Gateway Media's ECMBS event every year for three good reasons…firstly it is in Vizag, secondly the large participation from the shipping fraternity & trade and lastly the high profile speakers worth listening to. With the Indian government's 'Act East' instead of just 'Look East' policy, this year's summit will be all the more interesting as the focus is on East Coast of India."

Sushil Mulchandani, Chief Operating Officer, Visakha Conatiner Terminal Pvt Ltd

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ODISHA: Land of cargo

will be operational by the end of FY-15, construction of the ferro-alloy unit at Gopalpur will be completed in another 18 months.

Steel cluster at Kalinganagar

Know as the steel hub of the country, the cluster produces nearly 3.5 million tonnes of steel which shall be upgraded to 22-24 million tonnes in the near future. It is managed by an SPV -Jajpur Cluster Development.

The SPV has implemented the following common infrastructure / facilities with an investment of ₹80.60 crore: Road & common corridor, water supply, street lighting & power distribution infra, central tool room. Total investment made in the Kalinganagar industrial cluster is $7 billion.

Upcoming industrial clusters

Paradeep plastic cluster

Located near IOCL refinery at Paradeep, the Paradeep Plastic Park is the second plastic manufacturing cluster of Odisha being developed under the plastic park scheme of department of chemicals & petrochemicals, Govt of India. It is managed by an SPV: M/s Paradeep Plastic Park Ltd (promoted by IDCO). 120 acres of land has been provided for the purpose to the SPV by IDCO. Total project investment is $20 million. A cracker unit is proposed by IOCL to feed HDPE / LDPE to the park. Government approval has been obtained and land is in posession. Investment is invited from plastic manufacturers.

Angul aluminum cluster

The cluster is being set up on a 450-acre parcel adjacent to NALCO smelter at Angul. This is a downstream & ancillary cluster jointly promoted by IDCO and NALCO. It is the first of its kind in India with facilities for directly having aluminium in hot metal form. Components envisaged at the cluster include developed plots; warehouses/storage facilities; common facility centers; material recycling and handling facilities; skill development centers and ITIs; landscaped (green) areas, buffer zones; truck terminal and parking facilities.

Components envisaged at the Paradeep plastic cluster:

- Developed industrial plots (58%) with well connected roads, power & water pipelines
- Open space (10%)
- Warehouses/storage facilities
- Utilities : Substation(132/33/11 KV)
- Common water storage facility
- Truck park & packaging house
- Common facility centers

Investment is invited from plastic manufacturers.

Target units for the cluster: Downstream units in aluminium in casting, extrusions, cables, foils etc.

Inland container depots in Odisha

CONCOR operates one ICD at Ballasore. Apeejay Infralogistics is developing an ICD at Kalinganagar. The customs department is also planning to open an ICD at Kalinganagar steel hub. Another ICD is being planned by Paradip Port Trust.

Odisha state export policy 2014

The policy has set a target to increase export turnover from ₹12.246 crore during 2012-13 to ₹38.714 crore in a span of ten years. Containerised facilities to be improved at the ports located within the state to promote export of goods through these ports. Establishment of warehousing and inland container depot at different locations of the state has been proposed for cargo storage and customs clearance.

Coastal shipping on the east coast

Considering the vast Indian coast line and the growing pressure on other modes of domestic transport, coastal shipping has the opportunity to garner a greater percentage of India's total traffic. Catching up with this more economical mode of transport, the Food Corporation of India (FCI) is using coastal shipping for transporting food grains. FCI has contracted with Shreyas Shipping & Logistics Limited, a pioneer in coastal shipping in India, to move 20,000 tonnes of foodgrains every month by sea from Andhra Pradesh to Kerala.

This will also boost Kerala's efforts to promote coastal shipping. Carrying food grains in containers will reduse transit losses and damages. Containerised cargo can also be delivered at the door step of FCI designated depots in a seamless manner and further the movement of containers can also be tracked. There are also plans to link other minor ports such as Vizhinjam, Beypore and Azheekal in this venture. The service is further expected to enhance the connectivity and frequency to other east coast ports, thereby making Vallarpadam an ideal transshipment hub for cargo originating from India or landing up in Indian ports. According to FCI official, Kollam Port would be included in the next phase for handling cargo based on the success of Kochi.

Container handling capacity along the east coast ports in India is expected to increase from 2 million TEU in 2009 (20 per cent of India's total container-handling capacity) to 10.8 million TEU by 2020 (33 per cent of India's total container-handling capacity).

> "On East Coast there is enormous potentiality for business. We have not fully exploited the sea transportation. However, existing port infrastructure should be strengthened instead of setting up new ports"

M A Bhaskarachar, Chairman, Kamaraj Port

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Invitation from chairman, Visakhapatnam Port trust

एम.टी. कृष्णा बाबू भा.प्र.से.
आध्यक्ष

M.T. KRISHNA BABU, I.A.S
CHAIRMAN

Tel: (91) +891 2562758
2873102

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Dear Colleague,

I am writing to you with much pride and pleasure announcing the Third edition of **"East Coast Maritime Business Summit"**, a focused initiative to showcase the business potential of the east coast.

This year has heralded many changes for the country and us a sector. Several initiatives have been announced by the Ministry to facilitate and improve trade. New services to different parts of the world have been announced and we see greater traction among major and non-major ports to enhance their productivity. But what is perhaps the biggest geographical change is the creation of the new state-Andhra Pradesh. With the coast unto itself and the industries thronging to the state for investments, development is waiting to happen.

Each district in the new state has been earmarked for export-oriented development, where many industries have already pledged to set up shop. This, simply put, will result in heightened port and port-related activity for the state. It is against this backdrop that I call for all the stakeholders to be a part of this summit. A meeting of minds would help chart out and identify new hinterlands, improving connectivity to existing ones and provide a fillip to the state domestic product.

The **'East Coast Maritime Business Summit 2015'** is scheduled for two days on **22 and 23 January 2015 at Hotel Novotel Visakhapatnam Varun Beach in Visakhapatnam**, the port capital of Andhra Pradesh. I am truly delighted to host this meet and would look forward to seeing all of you here. As a Host Port, we are proud to associate ourselves with Maritime Gateway. I hope each one of you receives as much as you all give to these deliberations.

I congratulate Maritime Gateway for conceptualising and organising this conference.

I personally look forward to hosting you all in January.

Sincerely,

M.T. KRISHNA BABU, IAS
Chairman, Visakhapatnam Port Trust

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ECMBS 2015: Background

Cargo: The first to strike the pot of gold were the ports with a surge in coal imports. With the ultra-mega power plants dotting the coast, the import of black gold is only set to increase. Container traffic at many of the east coast ports has registered growth. With Andhra Pradesh inching up every space for more SEZs, the ports are gearing up to handle more cargo. Down South, Tamil Nadu enjoys the privileges bestowed by the automotive and telecom sector with most of them ramping up their production units. This session will provide insights into the hinterlands of newly born Sunrise State of Andhra Pradesh, immensely potential Odisha, rich hinterland of Jharkhand, Chhattisgarh and parts of Karnataka. Recent launch of weekly services to ports in Myanmar and Bangladesh expected to push EXIM cargo movement.

Connectivity: Existing and proposed corridor projects on the east coast are expected to be game changers in the country by creating the much required transportation capacities. The 1,839-km Eastern Dedicated Freight Corridor proposed from Ludhiana in Punjab to Sonnagar, and further connecting Dankuni is expected to carry bulk cargo. Giving a big fillip to the economic growth of residuary Andhra Pradesh, Asian Development Bank will be funding $2.5 billion to develop the Visakhapatnam-Chennai Industrial Corridor proposed by the NDA government. The corridor envisages self-sustaining industrial townships with world-class infrastructure, road and rail connectivity for freight movement to and from ports and logistics hubs, domestic, international air connectivity and uninterrupted power. The Chennai-Bangalore Industrial Corridor Project is expected to boost commerce between South India and East Asia by enabling quicker movement of goods. Cargo traffic on the two National Waterways is expected to double to around 65 million tonnes.

Infrastructure: Over the last few years new generation greenfield ports have emerged on the east coast with promises of less congestion, more expansion room, and closer proximity to growing consumer markets. These ports have been aggressive in targeting additional cargo volumes luring major exporters/importers to their docks. Many of the ports and terminals have expansion plans on the drawing boards which will add huge cargo handling capacities. With growth of container cargo on north-east looks promising, so the growth in south-east seems to be on slow pace. Market analysts expect stiff competition among port operators to gain access to the hinterland. In the near future, which facility will turn out to be customers' paradise is anybody's guess?

"Our decision to participate in the Angul-Sukinda railway line is primarily to promote the development of rail infrastructure and logistics in the state of Odisha."

Anil Kumar Gupta, CMD, CONCOR.

PROGRAMME AT A GLANCE

DAY ONE

THURSDAY, JANUARY 22 2015

2.00pm onwards	:	Registration Open
3.30pm to 4.30pm	:	CEO Round Table (By Invitation only) | High Tea
4.30pm to 5.30pm	:	Inaugural Session
5.30pm to 6.30pm	:	Keynote Session: **Maritime Business Growth on East Coast – Vision and Road Map**
6.30pm onwards	:	Networking, Cocktail Dinner

DAY TWO

FRIDAY, JANUARY 23 2015

Session One:		
9.00am to 11.00am	:	**Cargo Track:** Vibrant Hinterland and Rising Cargo Volumes
11.00am to 11.30am	:	Tea and Coffee Break
Session Two:		
11.30am to 1.30pm	:	**Connectivity Track:** Corridors of Growth
1.30pm to 2.30pm	:	Networking Lunch
Session Three:		
2.30 to 4.00pm	:	**Infrastructure Track:** Growth Strategies at Ports and Terminals
4.00pm	:	Closing Remarks

East Coast Maritime Business Summit
22-23 January, 2015
Novotel Varun Beach, Visakhapatnam

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E-COMMERCE

Gaps in Logistics: Delivery Woes

With the "click & shop" model gaining momentum in India, more and more shoppers are taking the online route to purchase a range of products starting from grocery, apparels, electronics, to furniture and home accessories. The e-retailing industry which made its debut in around 2008 with a handful of players has seen many-fold growth over the years, whereas the logistics and delivery segment that caters to e-retailing have not seen much growth during the period. Though success of e-commerce business largely depends upon an efficient last mile delivery, the e-commerce logistics in India suffers with several bottlenecks including inadequate infrastructure and delivery inefficiencies that result in delay in delivery, choked airports, and products getting misplaced among others.

Itishree Samal

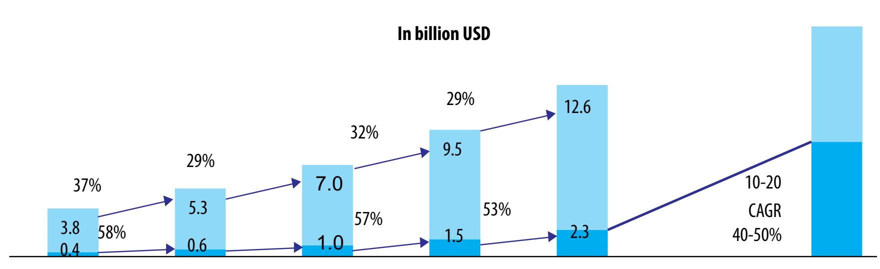
Last month, Snapdeal, one of the country's largest e-tailers, faced a delivery debacle where one of its customers received a piece of brick and a dishwashing bar instead of the mobile phone he had ordered. In a similar case this month, one of Flipkart's customers received empty boxes for three times instead of his placed pen-drive. In another blunder, Flipkart even failed to keep its 'two-to-seven-days delivery' promise on its 'Big Billion Day' sale. These instances give a clear picture of the inefficiencies existing in the logistics, packing and delivery mechanisms of the e-commerce players in the country. According to analysts, the inefficiencies are bound to happen in a market where e-commerce has seen several-fold growth in last six years as against the limited growth happened in its allied logistics sector.

The country has caught the e-commerce bug. An underdeveloped retail sector and a flourishing network of online merchants offering huge selections at cheap prices has led the shoppers to look to the Web first to buy everything from shoes and apparels to mobile phones and furniture. Flipkart alone sold 20 lakh products during its 'Big Billion Day', its biggest sales event on October 6 this year, compared to its peak sale of 1.3 lakh orders in one day in June last year. Even Amazon recorded a jump in traffic of up to 300 per cent on various days during its 30-day festive season sales this year and Snapdeal claimed to receive 3 lakh of daily orders. "With the massive adoption of online shopping, which in turn, saw e-commerce in India growing by almost 200-300 per cent over the past few months," according to an industry insider who prefers to go undisclosed.

Same was the case with the supply chain providers. End-to-end logistics services provider Gojavas, which had a peak shipment of 50,000-60,000 a day in last year's Diwali, saw its shipments rising to 100,000 a day this year. The company believes this kind of surge is bound to happen in the coming months too. "Over the next 18-24 months, this kind of stuff will happen on a daily basis. The peak we saw during the festive occasion last year now happens on a daily basis and we will have to continuously beef our systems, a company official said in a media report.

At a time where people are eagerly embracing online shopping, under-developed shipping and delivery networks are struggling to handle the explosive demand growth. The logistics infrastructure of online retailers struggles to deal with the sudden rise in the flow of shipments, leading to pile-ups at airports and packages failing to reach customers on time. For instance, leading fashion e-tailer Myntra, which has seen a significant 150-per cent y-o-y growth in last four years, is facing several delivery bottlenecks including delay in delivery. "With the increase in demand, the overall load in flight is increasing by all the e-commerce players. As the demand is much higher compared to the flight's capacity, many a time our goods are getting offloaded from the flight," Ashutosh Lawania, Co-Founder of Myntra, told MG, adding that "The situation becomes worse during festive seasons and bumper sale period." India has just six dedicated cargo aircraft, operated by Blue Dart Aviation, while the average speed of intercity trucks is a meagre 23-km

Growth in e-commerce and e-tailing



Source: Crsil, IAMAI, PwC analysis and Industry experts per hour. Though erstwhile Railway Minister Sadananda Gowda had announced in his first rail budget that railways would extend logistic support to various e-commerce companies by providing designated pick-up centres at identified stations, an alternative to the expensive air cargo, nothing has been materialised yet.

The race to sort, package and ship millions of products within a stipulated time frame and staying ahead of competitors has forced many e-tailers to create their own supply and logistics chain, including having their own fleet of delivery vehicles, customised delivery times and partnering with brick-and-mortar firms to provide pick-up points. Currently, around 50-60 per cent of delivery logistics are handled by large e-tailers themselves. “We receive over 75,000 shipments per day on an average, and close to 70 per cent of our delivery is done through our dedicated partners and rest by third-party logistics majors such as BlueDart, DTDC, First Flight, among others,” he says adding that the dedicated partners are distributed across the country and have set up 100 delivery centres. The e-tailer Myntra has 29 warehouses in Gurgaon and Bangalore.

Even Flipkart largely depends upon its in-house supply chain division, e-Kart, to meet all its deliveries. It now reaches about 1,000 cities and towns in India through its in-house logistics team and third-party partners.

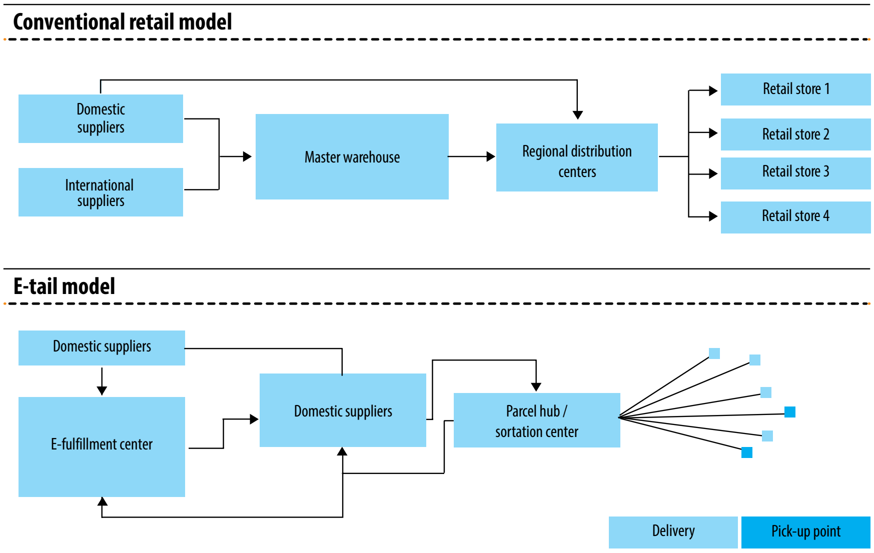
In another instance, Pepperfry, the e-tailer for furniture and home décor products, which took two-and-a-half years to ship its first 100,000 pieces of furniture, now expects to sell the same number in four months. The start-up has scaled from its initial shipping of 150 pieces a month to the current 15,000 pieces a month. Though the company has shipped furniture to 2,700 towns across the country, its own delivery network can only reach to 127 towns. “Unlike apparels and other goods, furniture requires specialised handling and delivery mechanism ensuring quick and damage-free doorstep delivery of bulky furniture,” Ashish Shah, Founder and Chief Operating Officer of Pepperfry, told MG. Pepperfry ships to 15,000 pin codes across 480 cities and hopes to touch a gross merchandise value of ₹500 crore by January. It aims to double that by end-2015. The start-up has 11 fulfillment centers in Mumbai, Bhiwandi, Jodhpur, Pune, Delhi, Bengaluru, Kolkata, Vadodara, Hyderabad, Chennai and Cochin to enable smooth and speedy delivery of products. Beyond its large-item shipment network of 127 towns, it takes the help of the third-party logistics service providers to reach other towns.

Delivery Mechanism

India has seen a huge shift in shopping. Not many options were there for consumers till the liberalisation took place in 1991 that gave way to many bigger brands to enter Indian market and gave shoppers a plethora of options to choose from. Shopping got a further boost post 2008 with the emergence of e-retailing.

India saw e-commerce boom post 2000 – initially it was majorly dominated by travel sites. It is after the year 2008 the e-retailing sector took shape. Once online shopping was unthinkable for many, while now people are buying everything online. Growth in e-retailing is majorly being driven by country’s burgeoning middle class and growing internet penetration. India is expected to become the second-largest internet users in the world after China (600 million users), overtaking the US by end of this year. According to the Internet and Mobile Association of India (IAMAI) and IMRB International report, internet users in India are expected to grow 32 per cent to reach 302 million by December 2014 from last year’s 213 million, and 354 million by June 2015. While the online shoppers were at 13 million last year, the number is growing at 30 per cent year-on-year. Betting big on this trend, many e-tailers have flooded the market across sectors taking a pie in organised retail; players such as Flipkart, Jabong, Myntra, Pepperfry, FabFurnish, HealthKart and CaratLane offering wide categories of products from apparels to furniture.

While few players have their own logistics set up for the ‘Kart to Doorsteps’ delivery, others largely depend upon third-party logistics. The “Kart to Doorstep” involves several steps – once the consumer places the order, products are brought from warehouses, gets consolidated and packed and handed over to our partners and third-party logistics players for the last mile delivery, Lalwani of Myntra says. Within the cities, the products are handled by respective transport partners and from there it goes to the delivery centres and the last mile person takes places from there to the end consumer.



At the same time, the deluge in demand, rising shipments and competition has also forced the traditional logistics players that offered plain vanilla courier services to set up efficient logistics and delivery divisions for rapid delivery of shipments. Realising the growing demand the traditional logistics players that set up dedicated e-commerce divisions such as Gati set up Econnect and DTDC created DotZot; many new players have also entered the industry providing exclusive services in e-commerce delivery and transportation including Delhivery, Ecom Express and Gojavas.

Market opportunity for logistics players

As e-commerce competition intensifies, efficient logistics providers will emerge as big winners in this fiercely competitive logistics space. According to a Crisil Research report, India's booming online retail is expected to become a whooping ₹50,000-crore industry by 2016. The e-commerce market in India is currently estimated to be worth about $3 billion according to analysts.

Currently, the logistics and delivery companies service less than a third of India's postcodes. Traditional couriers have also focused mostly on bulk business-to-business deliveries and thus lack a robust network to make numerous small deliveries to individual consumers. India needs some $2 bn in back-end investment and another 100,000-150,000 logistics employees – against an estimated 25,000 now – to cope with the projected growth of the market. The other growth driving factor is reverse logistics – products rejected by customers due to some defect or for repair need to be taken back and delivered to the customer. The e-commerce return rate in India is 10-12 per cent.

Emerging trends

- Compared to 8 million in 2012, about 35 million people are now buying products online. This number is expected to grow almost three times to 100 million in the next two years.
- India's etailing market is expected to become a $15 billion market by 2016
- Among the challenges, 67 per cent buyers highlight that the current return process is too complicated and expensive
- As customers increasingly demand shorter lead times and complain about unreliable or inexperienced third-party logistics providers, e-commerce players are confronted by a slew of logistics-related challenges
- The single weakest link to the growth of ecommerce business is the inadequacy of the logistics and last mile link
- Going forward, rapid build-out of warehouses and logistics capacity can save the delivery debacle in coming years
- As fast growth is coming from smaller cities and towns, a robust delivery network to reach the remotest town is need of the hour

Currently, for every ₹100 spent on e-tailing, ₹35 is spent on supporting services like warehousing, payment gateways, and logistics, among others. Delivery costs a platform owner 8-10 per cent implying significant burn. A Technopak suggests that the logistics industry will earn about $5 billion (over ₹30,500 crore) annually from the booming e-commerce market by 2021, which is estimated to become an upward of $32-billion industry during the period.

Betting big on the opportunity, logistics players have beefed up their expansion plan. Delhivery, which commenced operation in 2011, is expanding its capacity to address the rising demand of online shoppers. It has plans to expand its network to 260 cities from its current 175 cities by the end of 2014-15 and increase its distribution stations to 1,000 from the 225 at present by June 2015. Consumer demand is fast outstripping the supply chain capabilities of e-tailers, as well as supply chain partners like us. As a supply-side player, we need to invest more aggressively in creating capacity since even our highest projections fail during times of high demand and need to do a far better job at managing demand," a senior official of Delhivery said. Delhivery, run by e-commerce logistics firm SSN Logistics Pvt Ltd, manages shipments of 120,000-150,000 on a daily basis working with the top five e-commerce players in Delhi area.

GoJavas is also expanding its network to 200-250 cities in the next six to eight months. The company which had a headcount of 1,800 a few months back has seen to go up 3,500 in two months. It plans to expand its headcount to 4,000 employees by this year. GATI, plans to double its capacity to 60,000 customer deliveries per day, up from 30,000 now, and is building 19 new warehouses, mainly in smaller cities, to service e-commerce industry needs. mg

Start-ups in e-commerce logistics

The retail and e-commerce industry is seeing a revolutionary growth in India, where only a handful of players have their own logistics system while others solely rely on the third-party logistics service providers. Bagging this opportunity, many new players have emerged in the logistics space boosting the ecosystem. Players such as Delhivery, DotZot and Ecom Express have come up in the last few years to cater to the fast-growing sector at a faster speed.

Itishree Samal

At a time where the e-commerce industry in India is growing in leaps and bounds in the backdrop of country's exceeding 1.1 billion population, a burgeoning middle class and growing internet penetration, delivering the products/consignments bought online at customer's doorstep at scheduled time and much faster rate than competitors remains a huge concern for many of the logistics and supply chain players.

Currently, a major chunk (approx 90 per cent) of the logistics market in the country is dominated by established players such as First Flight, Fed Ex, DTDC, Gati, Bluedart, Aramex, Quantium, OnDot Courier & Cargo, TNT, Indian Postal Services, among several others. The humongous growth in the online retail space has enabled a robust delivery network and forced many existing logistics players to create separate divisions to cater to the e-commerce growth, for instance DTDC's DotZot. It has also enabled many new players emerging in the space and providing innovative, cutting-edge products. The start-ups in e-commerce logistics that have emerged in the last few years include GoJavas, Delhivery and Ecom Express.

Though some of the big e-tailers have their own delivery arms, which work on hybrid models and have presence where the order volumes are high; they face several delivery related issues such as not having adequate delivery network to reach all nook and corners of the country. For instance, Flipkart's own logistics division e-Kart is finding it tough to meet the increasing demand from over 1.8 crore registered users. Of its 13,000 employees at Flipkart, 7000 are engaged in last-mile delivery. Still, the company is looking at hiring nearly 3,000 this year for the delivery purpose. With e-commerce players such as Flipkart and Amazon launching same-day delivery across few cities and the growing need for delivery staff and an efficient last mile delivery have forced the e-tailers to depend upon the third-party logistics players who offers specialized solutions for e-commerce.

The logistics sector is a hot area for new startups as country's overall logistics market is estimated at over $100 billion, growing at a rate of about 20 per cent. The sector employs about 45 million people in the country, according to consulting firm Deloitte. In the constantly changing competitive e-commerce logistics landscape, the first-generation entrepreneurs are offering customised solutions in order to attract and retain e-commerce clients.

Startups in the space

Delhivery

Delhivery, which started its operation in 2011 from Gurgaon, is bringing innovation to the table. Unlike its counterparts, it is now exploring locker-based deliveries. It is also working on providing data analytics as a service to the offline retailers selling online. Having a reach of over 150 cities in the country, it offers a technology platform that helps thousands of small traders list products and manage sales across multiple online marketplaces. It is also partnering with offline brands that want to go online. In the past year the company has diversified from a logistics player to become an e-commerce enabler, said a company official. Recently, it has raised funds of $35 million (over ₹210 crore) from private equity fund Multiples Alternate Asset Management and existing investors.

It is targeting turnover over ₹220 crore by this fiscal. E-commerce logistics firm SSN Logistics Pvt. Ltd runs its business under the brand Delhivery.

Gojavas

Supply chain solution provider GoJavas, which has grown over three times in the past year, brought a first-of-its-kind innovative tool GoTrack, which allows customers track the exact location of their shipment on Google Maps. Earlier, the startup had introduced initiatives such as GoOpen – Open-Delivery, Go48 – 48 hours COD remittance, GoFill – Fulfillment Services, GoRupiah – Instant cash refund etc. Covering over 2,500 pincodes across 100 cities, the startup so far has delivered more than 10 million shipments. Currently, it handles nearly 50,000 shipments a day. It has a special projects team of about 20 who develop the new services, run the pilot programmes and perfect the process before handing over operations to the regular team. The e-commerce-focused logistics company recently ran a pilot in five cities for Jabong before launching GoRupiah – the instant cashback plan – in Delhi. It targets a revenue of ₹150 crore this fiscal and is already profitable. It is growing at about 15 per cent month-on-month. Its customers include Jabong, Lenskart, FabFurnish, YepMe, Healthkart and Koovs.

Ecom Express

Launched in 2013 by a group of former Blue Dart executives, Ecom Express provides specialised services like delivery staff wearing uniforms of the ecommerce site and at-home apparel trials. The firm, with an employee base of over 1,300, focuses on non-metro cities and towns to provide greater reach to clients. It is targeting to expand this to about 500 towns and cities in the next three years, with a focus on smaller centres. We opened up in Aligarh before we launched in Bangalore and now we handle over 1,000 pieces a day in that town, said TA Krishnan, 50, cofounder of Ecom Express. The startup is also setting up a fully automated hub in Delhi where machines will sort packages for shipments at various levels in order to handle the volumes that are being projected. Capital Advisors, the investment firm, pumped in over ₹100 crore into year-old Ecom Express.

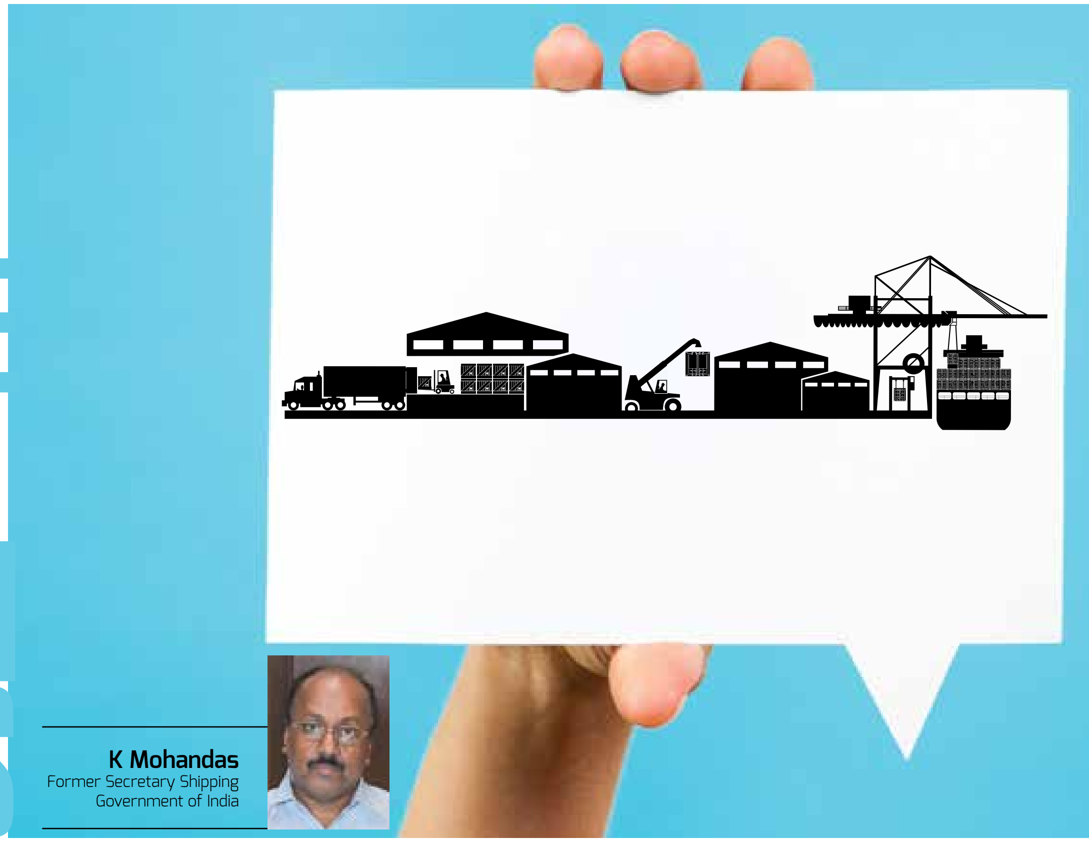
DotZot

DotZot in which DTDC one of the largest logistics companies in India holds a majority stake will set up collection centres in urban and rural locations where consumers can pick up packages and drop off the ones they want to return. The company, which is now on track to earn ₹20 crore this fiscal and ₹100 crore by 2016, uses DTDC's extensive network covering over 5,200 locations in India to deliver 12,000 shipments a day. Initially logistics companies were not able to meet the requirements of online companies, said a senior professional of DotZot said. That is now changing.

ShipRocket

ShipRocket, launched by KartRocket, a Delhi based SaaS ecommerce enablement platform, is an automated shipping and order fulfillment platform for all retailers. It provides automated shipping for 12000 pre-paid and over 6500 COD pin codes. They have acquired more than 500 merchants shipping around 50,000 orders per month. As for a start-up company tying up with multiple courier service and meeting their minimum order requirement is not feasible, they can avail free distribution through ShipRocket. KartRocket is an end-to-end ecommerce enablement platform that allows entrepreneurs to create their ecommerce store, mobile app, accept online & COD payments, ship their orders across India and also get sales from marketplaces such as Amazon, eBay and Snapdeal.

THE FUTURE OF INDIAN PORTS



K Mohandas
Former Secretary Shipping
Government of India

A flurry of activity along the Indian coasts has spurred interest among the powers in the North Block leading to a higher allocation of budgetary expense for the shipping sector. Oil, coal and container movement will fetch big returns in the years to come. **K Mohandas**, Former Secretary, Shipping, Government of India, provides a telescopic view of how India's ports will look ten years from now.

Arun Jaitley's last budget speech touched upon almost all aspects of maritime transportation – port development, connectivity, shipbuilding, Indian tonnage, coastal shipping, service tax anomalies and the seafaring profession. Such comprehensive attention to the shipping sector is unprecedented and raises expectations about the development of the generally unseen and unheralded potential of this sector, which is critical for the growth of the country's trade.

The development of ports – both the major ports under the Central Government and the non-major ports under the state governments – has been impressive, but inadequate. The Maritime Agenda envisaged a tripling of port capacity, with the major and the non-major ports having equal shares by 2020. It is perhaps appropriate now to look beyond 2020, farther into the future.

Port development in the recent past has been through the Public Private Partnership (PPP) route and will continue to be so. While some of the container terminals are world class, there is need for modernisation of the land based linkages. The railways opening up for FDI and private investments is heartening though and the structuring of PPP projects in the rail sector in the past was tough for investors. Dredging is a good candidate for PPP but it would need innovative designing of the projects.

The cargo profile is also bound to change. Oil, which is more than 30 per cent of the cargo handled at Indian ports, will probably continue at the same levels although crude imports are subject to external risks. The share of containers is more than 20 per cent. This has the potential for dramatic increase, with national policies that boost investment and trade and with some recovery in the economies in the western world. China has been the manufacturing base for the rest of the world; with a focused effort, India could also successfully 'make it in India'. The third biggest item of cargo is coal. With the budget announcing the commitment to provide 24x7 uninterrupted power supply to all homes, the power sector will witness rapid growth, thereby increasing the import of thermal coal. The demand for coking coal could also increase with the development of the steel industry. Iron ore had been a major item of export from India, but it got hit by policy paralysis and judicial overreach and became a modern case of burning down the house to kill a rat. There are several other items of cargo which would see definite growth – agricultural products, limestone, fertilizers, timber and above all heavy machinery and project equipments.

In this background, it would be interesting to assess (although somewhat subjectively) how the Indian ports will be positioned in the future, say a decade from now.

Gujarat has been the leader among Indian States in port development. Adani's Mundra Port has emerged as the largest port in India in terms of cargo handled, overtaking the nearby major port at Kandla. With additional capacity coming up for coal and containers, Mundra Port could retain its *numero uno* position for the next ten years. Kandla was the country's largest port for several years; it has several disadvantages like poor draft, maintenance dredging and the inefficiencies associated with the public sector. The establishment of SEZs will earn more business for the port. Pipavav Port managed by APM terminals in southern Gujarat has had impressive growth; the port has also benefitted from the inefficiencies in JNPT. There are several other ports in Gujarat, and some of them on the northern banks of the Gulf of Kutch, could develop as handlers of coastal cargo emanating from or destined for northern India.

JNPT being India's biggest container port, one could observe three positive developments. The award of the fourth container terminal, the capital dredging underway and the budget announcement of an SEZ could help the port increase its handling capacity. The port however needs to improve its infrastructure and procedures for the handling of the cargo other than at the berths. The Mumbai Port is developing an offshore container terminal in addition to the liquid terminals and the old terminals which handle about 20 million tonnes of bulk cargo. The port owns prime urban land in Mumbai and earns a part of its revenue from its real estate. The utilisation of precious land in the heart of the city for handling solid cargo is clearly suboptimal use of a valuable resource. The port activities in Mumbai must be restricted to tourism related ones like cruise shipping and marinas for yachts, releasing land for multi-faceted city development. Among the private ports in Maharashtra, Dighi and Jaigarh ports have been the pioneers; the improvement of the rail and road connectivity will stimulate their growth.

Mormugao Port was heavily dependent on iron ore exports and its business now is only one-fourth of what it was three years ago. Goa is a prominent location on the world tourism map, but this is not reflected in the data on cruise ship arrivals. The presence of a fishing jetty in the main harbour is a disincentive for cruise vessels. While a standalone cruise terminal may not be viable, it could be linked with other tourism infrastructure to attract private investment.

The New Mangalore Port handles a wide variety of cargo, the key items being oil and coal. The hinterland is limited, with the Bangalore industry preferring to look east in view of the better connectivity. Karnataka State has lagged behind in the development of non -major ports.

The Vallarpadam International Container Terminal in Cochin port has been a great disappointment, handling just above 3 lakh teu per year. It was intended to attract transshipment cargo being handled at foreign ports. In spite of huge investments by the private promoter DP World in the terminal, by the Central Government in the connectivity and by the port in dredging, ICTT is yet to get acceptance as a hub port for the transshipment of EXIM containers from/to the other Indian ports. The Kerala Government is developing Vizhinjam, again as a transshipment port. Vizhinjam has advantages like natural draft and proximity to the international sea routes. The primary disadvantages are that it has little land and hardly any hinterland. The Kerala Government has itself presented the project as an unviable project needing viability gap funding. The success of Vizhinjam would depend on the private promoter who is awarded the project.

The VOC Port in Tuticorin holds tremendous potential for growth. The port has an ambitious outer harbour project with an outlay of ₹11,000 crore. This could provide stiff competition to the nearby ports including Colombo. Chennai Port now handles only clean cargo and has become a loss-making enterprise due to the huge commitments on salaries and pensions. It does not have the freedom to use its gates or the adjoining roads, and has literally been choked by the city with powerful neighbours like the Secretariat and the High Court. Ideally the Chennai Port land should be utilised for the city's development, port activities being restricted to cruise terminals, marinas, water sports and the like. Ennore Port has recorded the fastest growth among the Central Government ports and will develop further. The L&T container terminal at Kattuppally is yet to take off. MARG Karaikal Port, which has a lot of potential, has been hit by the economic slowdown, but could benefit from the new power projects coming up in the region.

Andhra has a long coast line. The star port on the east coast is Krishnapatnam which has a hinterland consisting of northern Tamil Nadu, southern Andhra and south eastern Karnataka. The port has the capacity to receive cape-size vessels and has recorded impressive growth over the years. The Budget has provided for a smart city in Krishnapatnam and two other places in the Chennai-Bengaluru Industrial Corridor. Visakhapatnam will continue as a top port in India handling all types of cargo. Gangavaram, which is close to Visakhapatnam, would benefit if there is deficient service in the latter. Kakinada is also recognised in the Budget as a key region for development, especially for hardware manufacturing. The new government in the State is expected to be proactive in supporting the ports and in promoting coastal shipping.

In Odisha, Paradip handles bulk cargo, both solid and liquid. Dhamra has been acquired by Adani and has tremendous potential, with deep draft and good connectivity. Paradip and Dhamra could also get the benefit of inland waterway connectivity. These ports would also serve West Bengal.

Kolkata and Haldia are riverine ports. The Central government spends almost ₹500 crore annually on dredging; such expenditure is certainly unsustainable. The future of these ports would be in handling small vessels and barges; transloading cargo will emerge as the business model here. Barge movement further up the river would make sense, similar to the NTPC-Jindal project for Farakka. Sagar Port, proposed by the Central Government a couple of years back, is an unviable project.

The present performance, the potential and the constraints throw up certain inevitable conclusions as discussed above. However, the ultimate outcome is based on the governmental policies and actions and the unfolding economic scenario.

Suresh P Prabhu
Union Minister for Railways

Hey Prabhu!

The new railways minister Suresh Prabhu has inherited a mess of red tapism. The need of the hour is more than mere lip service

Ritu Gupta

It has started with a big bang, but for how long will the fervor continue is yet to be seen. For the time being, it seems that Suresh Prabhu is all set to implement Prime Minister Narendra Modi's agenda. Soon after taking over the reins of the railways ministry, Prabhu held discussions with the railway board on multimodal logistics projects and supervised the signing of an MoU with the transport department for the speedy construction of road over bridges on the national highways – a move that will kick-start stalled work of almost ₹10,000 crore. An online grievance redressal platform for passengers is also on the cards. "Railways cannot be seen as a part of the problem. It has to be seen as a part of the solution. Any initiative that removes the bottlenecks is praiseworthy. The big problem is that we get stuck on small issues, the last mile matters. But a solution can be found out only by innovative ideas and by not pointing fingers at anybody," Prabhu was quoted as saying by the media.

Indeed, the minister has a lot on his plate, starting from the rising expenditure on fuel and pay to stagnant passenger volumes and erosion in the share of the freight market. His biggest challenge comes in the form of delays in big private public partnership (PPP) projects. These include a part of the ₹18,000-crore (₹180 billion) Dedicated Freight Corridor (DFC) project and the Madhepura and Marhora rail coach factories, planned to be built in Bihar and West Bengal respectively. While the DFC project was to be completed in 2016, the railways is now targeting completion of the Delhi-Mumbai and Delhi-Ludhiana stretches on the western and eastern arms by 2018. "The main reason for delays is confusion about the policy on private participation. The private investor wants assured returns like freight and operation of mainland trains. But these are not on the anvil.. Also, absence of a dedicated rolling stock leasing agency is also a reason for low private participation," says R Sivadasan, a

Some of the key steps to get railways back on track

Modernisation of track & bridges	Modernise about 19,000 km of tracks on routes A, B & D special that carry 80% of traffic; eliminate level crossings & provide fencing alongside tracks.
Improving signaling system	Introduce GSM -based mobile train control communication system on A, B & C routes
Introducing new rolling stock	Invest in new generation electric and diesel locomotives, high speed coaches & heavy haul freight bogies
Modernisation of stations	Modernise 100 key stations immediately; modernise top 50 freight terminals; develop 34 logistics park for integrated transport facility
Building dedicated freight corridors	Make Eastern &Western DFCs in next 5 yrs; Upgrade feeder routes to DFCs.
Building of high speed passenger train corridors	Make high speed railway line between Ahmedabad & Mumbai in next 10 yrs
Introducing new PPP Initiatives	Attract private sector for locomotive & coach manufacturing, power units, freight terminals
Using Information and Communication Technology	Use radio frequency identification for good management of wagons & real time monitoring; computerise files
More indigenous R&D	Establish Indian Institute of Railway Research

former financial commissioner, Indian Railways.

According to experts, the government should tread cautiously, and the railway ministry should go step by step by announcing programmes in key areas, with clear goals, measurable milestones and defined timetables. Prabhu has a mammoth task ahead of him, especially considering the fact that in the first half of 2014-15 the performance of the railways has not been quite up to the mark. Freight earnings rose 10.5 per cent to ₹48,062 crore (₹480.62 billion) between April and September, the first six months of the financial year, which is well behind target. And, freight volume rose only 4.2 per cent, to 532 million tonnes (mt), showing any rise in earnings is driven by higher rates, rather than volume. The roads network continues to eat into the railways share of the freight market. “The situation has been deteriorating and passenger amenities are virtually non-existent. Railways should be considered as a profit-making organisation rather than a social service,” says Vishwas Udgirkar, senior director at Deloitte. According to experts, railways has for long required effective steps to tackle short-term issues on lack of efficiency and low quality of passenger services, beside the long-term challenges of infrastructure and capacity constraints. It has been lagging on both for a lot of reasons. The railways should also make the accounting system more transparent. This will end the scope for window-dressing of accounts to show a better balance sheet, which may have the cascading effect of making some of our political tigers acknowledge the realities of the railway rather than using it for vote bank purposes.

Prabhu should also seriously look at implementing some of the measures mentioned in the report of Sam Pitroda panel on the modernisation of the Indian railways. The report points out that modernisation of railways will increase track life, improve loading capacity and allow operations at higher speeds. These improvements will contribute to system efficiency and thus improve revenue generation in railways. The panel has also suggested levying a modernisation surcharge on passengers and disinvestment of railway PSUs among other options to generate funds. The report has urged the authorities to attract private investment to augment core capabilities related to stations, terminals, and development of high speed rail corridors. It felt that GIS mapping of land resources available with railways should be done expeditiously for complete digitisation of land records, which can then be used for monetisation of blocked assets. “Such measures and the heavy investment for modernisation of railways would certainly go a long way in strengthening the network if taken seriously,” says Sushil Jiwarajka, president of Infrastructure Industry and Logistics Federation of India (ILFI). The panel has also suggested some administrative reforms, including reorganising the railway board and constituting a railways tariff regulatory authority. It says it is crucial to empower zonal railways and the present system of seeking sanction for capital investment from the Railway Board should give way to a more decentralised form or decision making. Other suggestions include improving signalling system to avoid fatal accidents. Indeed the recommendations of the report are a step in the right direction, and many are hoping that a pro-active politician like Prabhu will appreciate their worth to ensure that the railways’ crisis does not go from being bad to worse. mg

Derailed, so soon?

Soon after joining office, the new Union railways minister sparked off a controversy when he proposed to give 2 per cent of the pending project cost to the executing teams and their chiefs as a reward for finishing work on time. According to critics, public servants should not be given monetary incentives for doing their jobs. They add that this will be a big loss for the exchequer if a project like the Dedicated Freight Corridor (DFC) gets implemented on time, with its estimated of more than ₹18,000 crore, the 2 per cent of that would be a whopping ₹360 crore, which would be given to the officials. Critics aver that the move to gratify public servants in one department for performing their official duties is likely to throw up similar demands in other departments too. Prabhu’s proposal is similar to a move by ex-finance minister Vishwanath Pratap Singh, who had announced that all tax officials would get a share of the total black money unearthed by them through raids and searches or investigations. This move was eventually dropped after all-round criticism.

Pankaj Gadhia
CEO, Lee and Muirhead

EFFICIENT PLANNING, MONITORING KEY TO SUCCESS IN PROJECT CARGO MOVEMENT

With six decades of experience in handling some of the largest projects into India for various sectors of industry, Lee and Muirhead is one of the oldest companies in the profession of project cargo movers. The company's expertise in project logistics covers the full scope of international transportation, charters to customs clearance, port handling, stevedoring, warehousing & distribution to project sites. Chief Executive Officer **Pankaj Gadhia** helps us understand his business in this interview. Edited excerpts of the interview with **Deepika Amirapu**

Q Could you please care to explain the supply chain process involved in moving project cargo?

A The project cargo that comes into India is largely imported. In most cases, it is receiving cargo on cost and freight basis under hook from the shipping lines at various ports. It is at this point that our work begins. We look in to port handling, inter-carting of cargo if required inside the port, storage, re-loading, transporting cargo to the site, unloading cargo and sometimes even engaging at project warehousing at site. In some cases, we also handle international shipments on a free on board (FoB) basis. Since we have our own custom house agency licence and port handing ability, we utilise the service of the labour from the contractors when cargo arrives.

Q Who are the customers who ask for the largest pie of your services and what differentiates between your firm and others in the market?

A Most of our customers are those from the power and infrastructure segment since they import odd sized equipment for their power generation plants or for construction purposes. Some key clients are Nuclear Power Corporation of India Ltd., for whom we handle cargo for the Kudankulam nuclear plant, Lanco, Reliance Infra, L&T, GMR, Toshiba BGR Energy.

What sets us apart from other cargo movers such as Damco, DB Schenker and other international companies is that we have our own equipment. The other upside of being an Indian company is that we can tie up with other firms for freighting with shipping lines and shipowners. The MNCs have to outsource all functions, whereas we have control on our operations and movement of cargo.

Q If you are one of the biggest movers of project cargo, what is your market share likely to be? Also please elaborate on the market for project cargo?

A It is difficult to quantify our market share since it is a highly disorganised sector. There are not definitive statistics available. But Lee and Muirhead has been among the top project cargo forwarders in the last couple of decades in the eastern and southern regions.

Q What efficiencies are involved in moving project cargo without affecting the quality of service?

A A lot of planning is required before we move cargo. And for this, we need the clients to be involved so that they give us inputs about the dimensions of the cargo before we design the solution. The weight, height and width of the cargo are crucial to design the equipment and also decide on the course of movement. The testing processes required before moving cargo are all dependent on the inputs. Timeline is another crucial factor involved in moving cargo as the equipment has to be mobilised to the port where the piece is going to be discharged. For coastal transportation, the window available for transportation becomes very crucial to meet the delivery schedule. Thus, planning and monitoring is a continuous job for us movers.

Once the customer mentions about the cargo, we also have to study the entire route checking for bridges, by-passes and construction of jetties if any and re-engineering of jetties if required. Inputs and involvement from the customer are a key to the designing of a logistics solution.

Q So how would you categorise the approach and involvement of customers given all the planning involved?

A We always involve the customers in letting them know the route and equipment planned as their involvement is crucial in designing and delivering the cargo. We have specific software that can be used for solution designing. The safety of equipment is a major issue and we also have to make sure the local villagers don't cause any trouble while moving cargo as some roads are barely wide to allow movement of ODC cargo. If the customer is involved, coordination becomes much easier. For example, we were moving some cargo for a customer where the height was a concern. When we communicated this with the customer, he altered the design of the transformer and this ensured faster transit time besides ensuring easy movement and in reducing logistics costs considerably.

Q Could you give us a break up of your revenue from all the services?

A Project cargo contributes about 80 percent to our revenue. The rest comes from freight forwarding, warehousing, bulk handling etc.

Q What challenges do you face while moving over dimensional cargo?

A The permission required while moving cargo in each state are circuitous and cumbersome. That is one aspect. Second, all our bridges are very old and they cannot take more than 70 MT in weight. The private operators making roads have their own norms of moving cargo on the road. These are infrastructural related problems in the road sector since most of our cargo is moved by road. Project cargo movement by rail is limited since availability of wagons is a problem. While BHEL and some other have some tailor-made wagons for heavy equipment, from a logistics point of view the matrix is difficult to work. We need special cranes to load and unload cargo on to the wagons. This is a challenge.

Q Given the market for requirement and movement of project cargo, are there enough suppliers of equipment movers?

A Today since the market is down, there is lot of competition. But we notice the customer also looks at dealing with companies who have experience, expertise and efficiency levels and also has his own equipment. If I am dependent on somebody for equipment, it may or may not be available when the shipment arrives. For Lee and Muirhead, the relationship and transparency with the clients has led to a number of repeat orders. But I agree that the customer is shopping around.

Q What are the most crucial factors to succeed in the Indian project cargo market?

A Operational expertise and planning. Every project is different and offers new challenges. Availability of resources including right equipment at the right time and at the right place is also crucial. Finally, you have to be flexible, customer friendly and transparent as it is not a monopoly business.

Q How fetching are returns in this sector?

A The returns vary. There is no fixed percentage. In this industry the providers do not look at individual pricing. It all depends on the type of cargo, distance involved, special equipments needed etc. In most cases even the customer is not aware of the full specification of the project cargo involved when contracts are finalsed. We providers do a costing and add a nominal profit to that. We own some of the best equipment. Pricing is the biggest risk we face apart from the risks involved in moving ODC cargo on the roads. mg

FINALLY ANCHORED

The JITF vector project of transporting coal through inland waterways is proving to be a great success

Ritu Gupta

Every cloud has a silver lining, and this has been true for the state of inland waterways in India. The dismal fate of the waterways finally took a u-turn when the much-needed bulk movement of coal started through the national waterways a few months back. Today, the project is proving to be a big success, unlike what many sceptics believed. Under the project, JITF Vector a pioneer in coastal and inland waterways business is transporting 3 million metric tonnes per annum of imported coal through the inland waterways from Sagar Islands (near Kolkata) to NTPC's thermal power plant at Farakka. JITF Vector has signed a tripartite agreement with NTPC and Inland Waterways Authority of India (IWAI) for executing the project. On behalf of NTPC, IWAI had floated a tender for the creation of infrastructure as well as transportation of coal on the waterways from the sandheads to the plant. JITF Vector was selected by IWAI in an open competitive bidding for an investment of about ₹650 crore.

The project is expected to harness the huge potential of the waterways in transporting bulk cargo such as coal, food grains, fertilisers, fly ash, over dimensional cargo and containers at a competitive cost, while also easing the burden on rail and road infrastructure. Immediate future projects may include importing 9 million tonnes of coal by NTPC from Sagar Islands to Barh in Bihar. It is indeed ironical that the Indian waterways till recently had faced a policy paralysis, as it is one of the most cost-effective and least environmentally damaging mode of transporting goods worldwide. India has 14,500 km of navigable waterways, including rivers, backwaters and canals. While the entire length of waterways is not available for mechanised transportation, a significant proportion stretching over 5,200 km of rivers and 485 km of canals is suitable for mechanised transportation. However, the sector presently has a meagre share of about 0.4 per cent in the total transport sector in India as compared to 42 per cent in Netherlands and 8.7 per cent in China and over eight per cent in the US. In China, much of the increase has occurred in recent decades, in tandem with its phenomenal industrial-agricultural growth.

The JITF Vector project would prove to be role model for exploring more options where inland waterways can be used for transportation. According to Amitabh Verma, IWAI chairman, the transportation of coal through inland waterways will be about 15 per cent cheaper than transportation by roadways or railways. Under the JITF Vector project, NTPC would save about ₹450 per tonne on import of coal transported. Earlier, coal used to be unloaded at Haldia docks and transported through railways to Farakka. The landed cost of imported coal at Farakka through Haldia was about ₹7,300 per tonne, while transportation required another ₹6,750 per tonne. Now, thanks to the JIFT Vector project, the cost of transporting a tonne of coal from Sagar Islands to Farakka is estimated at ₹1,150 per tonne. In contrast, NTPC had to earlier spend about ₹1,540 per tonne on just railways freight and port charges.

For transporting the coal, JITF vector has developed unloading facility at Farakka consisting of 2 Liebher CBG cranes and a conveyor system of 2.1 km. For unloading the coal from ocean going vessel the company has placed a floating terminal called transhipper at high seas. It has a storage capacity of 65,000 MT and can unload bigger size of vessels up to capsize at rate of up to 25,000 MT/day. The company also has a dedicated fleet of 25 barges which are being used for transportation of cargo to Farakka.

For the time being, the going seems to be good for JITF Vector. The project will bring a paradigm shift in Indian shipping operations. But many more such projects are needed to ensure that India uses the asset of inland waterways wisely. According to experts, the biggest problem plaguing the sector is a shortage of vessels (barges). Vessel building is highly capital intensive and faces difficulties in obtaining project finance from banks/FIs since it does not enjoy infrastructure status currently. “Private sector is reluctant to make investment in barges unless long term

cargo commitments for onward and return trips are made available from the user industry," says an industry player. Therefore, more companies like NTPC should come forward and show their interest in using the waterways. As of now, 10 thermal power stations are operational in the proximity of the National Waterways-1. Furthermore, 11 more thermal power plants are expected to come up in Bihar, West Bengal, and Uttar Pradesh in the next five to eight years (with a total installed capacity of 15,000 MW). The total requirement of coal for new the power stations is estimated to be around 70 million metric tonne per annum (MMTPA), of which around 14 MMTPA would be imported coal. This would need to be carried to these stations from the Haldia port, and due to this the government needs to seriously look at IWT. Furthermore, two private sector thermal power stations are slated to come in Allahabad, and they alone are looking for transporting 10 million tonnes per year of imported coal also from the Haldia region. Hence all existing and proposed thermal power plants along river Ganga are potential shippers for IWT. If these power plants provide long term commitment for transporting coal by IWT mode and IWAI can provide assured channel of 2.5 m depth or more then upto 25 MMTPA of coal could be transported by IWT mode in the coming years. Furthermore, fly ash – which is a byproduct of coal production – could also be transported through IWT to cement plants, where it is used for cement manufacturing.

But to ensure implementation of such plans, the need of the day is to create a rational institutional framework. Right now there is no level playing field between the waterways and roads/railways and experts lament that inland waterways still appears to be more of a hobby project than a serious alternative transportation option for the government. "There is an urgent need for transport subsidy for industrial units to bring IWT at par with rail and road. The government should also provide inland vessel building subsidy and freight subsidy, which were discontinued in the Eleventh Five Year plan. Vessel building should be included in priority lending for infrastructure projects and inland vessels should be a part of the tonnage tax regime," says a leading industry player.

Joy Saxena
Group President and Whole time Director, Jindal ITF

Joy Saxena, group president and whole time director, Jindal ITF, talks about the nitty-gritty of their project on transporting coal through inland waterways

Q What has been your experience so far?

A We have been able to overcome the initial issues and have successfully handled five vessels from the high seas. It is a challenging task and it was a concept which has been turned into reality. We have got great response from the shipping industry and people are looking at this as an solution to overcome the constraint of draft availability and congestion at Indian ports specially ports on the east coast of India.

Q What about the returns?

A We are in the initial phase of implementation and currently are in a process of streamlining the operations. Our prime focus is to make this possible; profitability will come by itself. It is important to understand that this is a cost-effective and viable alternative for railways and roads.

Q What operational problems is the company facing?

A Since this is a marquee project happening for the first time in India, people are not aware of the process and methodology. Even policies are not in place for this kind of operations. We faced issues in getting permission from ports, customs and all other statutory authorities.

Q What kind of policy support is required for developing the waterways?

A Policies should be such that these kind of projects are supported. We need support from ports, customs, and other such institutions. Endless support from secretary of the shipping ministry has helped us in the commencement of project. We had faced issues like custom clearance of cargo since anchorage is not a customs notified area. Therefore, sandheads and Kanika-sands were declared as customs notified area. Fast resolution of such small issues will help in more projects seeing the light of the day.

Q What are the future expansion plans?

A We are planning to bring in another transhipper and shall be actively and aggressively participating in similar projects. We are keeping track of Barh Project and Transhippment project of Haldia Dock.

Q What is happening to the proposal for exporting coal from Haldia to NTPC's Barh power plant?

A Barh tender is expected to be floated soon. We look forward for bidding in same.

Q What about lack of night navigational facilities and all a year navigability?

A IWAI is working on providing 24 hours navigational facility.

Q Do you think the PPP mode for development would be successful?

A Considering the cargo potential, PPP is definitely a successful formula if same is backed by guaranteed cargo as in case of NTPC.

Q Why are the waterways not accounting much for the total surface transportation?

A Inland waterways require substantial finance for infrastructure. People are not considering this mode as infrastructure is not sufficient whereas infrastructure developers are saying that we can develop infrastructure but users do not exist. It's a chicken and egg story. Things will change and success of our project will encourage everyone to take this mode seriously. mg

IMPORT OR NOT TO IMPORT

As warehouses grow in size and scope of operations, the role of technology here gets more complex. A technology solution that meets operational requirements and fits in the balance sheet is the need of the hour. Indigenous warehousing technologies can surely fit the bill.

Vijay Kurup

The parleys on the implementation of GST have spurred a reorganisation of warehouses across the country. A recent CBRE report stated that the logistics and warehousing market in India had attracted steady transaction activity, with large sized transactions of around 100,000–250,000 sq ft reported during the first half of 2014. The Government is funding ₹5,000 crore towards improving warehousing infrastructure. The warehouses are going to be much bigger in size and the operations therein progressively more complex. The question many of the owners/ stakeholders would be considering is, 'would it be better to go for imported or indigenous technology.'

With e-commerce gaining traction, the numbers of SKUs that are being stocked in the warehouses have dramatically increased – exacting flawless warehousing operations to satisfy customer demands. There are instances across the world where large distribution centres have choked because of labour issues leading to fall in share prices by as much as 50 per cent in the share market. "That is what a warehouse can do to a business," said Anshuman Singh, MD and CEO, Future Supply Chain Solutions, speaking in a seminar organised by CII on, Building Warehousing competitiveness 2014.

The warehouses are getting bigger, smarter and faster. A decade ago, the cost of building a warehouse was about ₹40 lakh. Today it would cost around ₹150 crore, to build an efficiently functioning warehouse. More the number of SKUs a business has, more would be the number of products. These in turn would lead to more retail shops and therefore more selling points catering to larger number of customers.

Obsolescence has taken on a new dimension. Items which became obsolete in four to five years are now easily replaceable within six months. To match these dynamic changes, the warehouses can no longer be just warehouses and godowns functions as mere godowns. Warehouses will become distribution centres, and large distribution centres, would be as good as factories.

All this would render the process of storing, sorting and distribution a highly complicated enterprise. All these activities would not be possible without technology. Today technology and automation is available off the shelf. "Getting technology is not difficult," says Anshuman. "The biggest challenge is that automation and technology being a globalised product is available at the same cost anywhere." That's the rub. Technology does not come cheap anywhere.

So should you go for imported technology? The best of technologies are available, but they come with a not too comfortable a price tag. A Sorter, for example, is a machine that sorts products based on certain parameters. If you have a vast number of products across multiple selling points, it would be a humanly impossible task to sort the products. The cost of a Sorter is about $10 million or ₹50 crore. If this equipment were to be imported into india, there would be additional costs by way of Customs Duty etc., further escalating the cost.

Would it be justifiable to buy such expensive equipment? Would it be possible to pay off a ₹50-crore product within reasonable time? Anshuman advises caution. He feels that in the US where the labour cost is about $35000 per annum, it would be possible to pay off the cost of the product within two to three years. However in India where the labour cost is just one-twentieth of that of US, it would take several more years, perhaps up to the lifetime of the product itself, to payoff.

"What is the solution then?" asks Anshuman. "You need to indianise, indigenise the product." To operate profitably, it is necessary to go for Indian products. "Get the best of global technology available at Indian costs." There is an urgent need to set up a warehousing design institute that could study international practices and offer consultancy to people interested in setting up warehouses with Indian technology. Specialised industries dealing with IT in warehousing could also develop a specialised tailor-made software programmes.

In the drive to match the ever increasing customer expectations, owners/stakeholders would need to look increasingly at indigenous warehousing technologies. Big players may be in position to import technology. However the challenge is for medium and small sized companies to embrace these very technologies to make the projects economically viable. 'Make in India,' is correctly, the right slogan!

Nagpur Future cargo hub

Despite being centrally located in India, Nagpur so far lacked logistics parks to cater to road and rail movement of cargo. The Integrated Logistics Park set up at Borkhedi can be the first step towards transforming the city into a cargo hub.

Vijay Kurup

Nagpur's potential as a cargo hub just got a shot in the arm. With the Integrated Logistics Park at Borkhedi, promoted by Vikram Logistics and Maritime Services Pvt Ltd, (VLMS), soft-launched just a month ago in July 2014, the private sector has showed its commitment to Nagpur as a cargo hub. Despite Nagpur being centrally located in India, there is a paucity of logistics parks to cater to road and rail movement of cargo.

"It is not an ICD, but an integrated logistic park," said K Sathianathan, Managing Director of VLMS. "The Integrated Logistics Park at Borkhedi will comprise of an ICD to cater to cargo, a domestic container terminal, a liquid tank farm, an automobile logistic park and a private freight container terminal to carry bulk cargo." He sees a huge requirement. "Going a little towards south in Wardha, there are many industries which we can also target, both for domestic and exim cargo."

The choice of the location was made after careful consideration. The logistic park spread over 75 acres of land is situated on the outskirts of the city. The park has 40,000 square metres of paved area for storage and handling of containers at the rail side and 2,500 sq metres of customs bonded warehouse. The automobile logistic park has an area of 5 acres and the liquid tank farm has the capacity to hold 5,000 tonnes of commodities, making it, by far the biggest logistic park in Nagpur. The yard planning for rail movement is superior in as much as the rake does not require changeover from electric to diesel and can move into the yard directly for loading and unloading of cargo, said Sathianathan. It is a mere 7 km from the Industrial Hub at Butibori. Unlike other logistics parks that are within the city limits and hence subject to traffic restrictions, the VLMS Park being a peripheral location, the cargo can completely bypass the city limits. Further, the park is just half a kilometer away from the National Highway-7. This facilitates easy movement to ports and hinterland. It also helps reduce the detention to trailers. The rail siding too is planned such that it allows rakes to move in without any change of traction. Setting up its own transport and handling agent has allowed VLMS to offer lower cost of handling and transportation to various destinations by road, than other ICDs in Nagpur. The handling agent, Vikram Logistics, has over 20 years experience. Sathianathan hinted at a superior IT system to be installed shortly which would make operations efficient.

VLMS has already made a soft launch in July with movement of domestic cargo to Mumbai. The next in line for commissioning is the Tank Farm dealing non POL products. It will cater to both EXIM and domestic cargo. Leveraging the facility's central location in the map of India, Sathianathan plans to commission the auto logistic park–a natural choice since it would serve as an ideal distribution center for various cities and towns in India. The fourth facility to be commissioned is the ICD for EXIM cargo and the last would be Private Freight Terminal to handle bulk commodities. He expects the facility to be fully functional by January 2015. But with the Nagpur facility Sathianathan has barely scratched the surface. He expects to remain busy and is confident of setting up similar facilities in Bangalore and Palwal. An FTWZ is expected to come up in Chennai, as well.

Sitting in his simple yet elegant office, Sathianathan exuded quiet confidence in the logistic park that he was launching. "We intend to provide, at one place, logistics services for different kinds of cargo." This one-stop service is the USP he is banking on. "The basket of logistics services offered by us is larger than any of our competitors. Therefore a customer coming to us does not have to go to different places for his requirements. And in the process we would be able to provide end-to-end logistics solutions by road and rail." He promises speed, reliability and transparency in his dealings, at a lesser cost and an experience that would be difficult to replicate. At a time when many other projects in north India have posted sluggish growth, Sathianathan's foray into this sector has been bold. He however has gone for a package deal, which he expects will make all the difference!

LEADER IN EVERY WAY

By developing an efficient supply system, Moser Baer has brought down instances of delays in shipments to less than 0.1 per cent of the total dispatches.

Ritu Gupta

Moser Baer is certainly a company with a difference; it is one of the few Indian companies which realises that an efficient and seamless supply chain is crucial to its global competitiveness. No wonder, the company has invested a lot of thought and energy into ensuring that its supply chain operations are linked and customer deliveries are made swiftly and at a minimal cost. The entire production planning process of the company works in perfect synergy with the logistics department. It is a bit of a trendsetter in the way exports are handled in north India and there are several 'firsts' to its credit. For instance, the first round-the-clock customs clearance facility at ICDs was introduced at its insistence. It is also one of the few companies to provide total logistics solutions to its customers. It has even built its own in-house software for managing inbound and outbound shipments to help track documents and containers instantly.

Indeed, the company owns a comprehensive logistics and supply chain system, enabled by an in-house IT system, which is integrated with freight forwarders, major shipping lines, customers and suppliers at the back-end. Moser Baer leverages this integration to respond with alacrity to changes in customer expectations and market conditions. It exports around 150+ containers per month to Europe, the US, Japan, Middle East, Australia, South America and some other destinations. It has a self-clearance team and prefers to deal directly with the shipping lines. Preferred exit ports are Mudra and Pipavav. Few of the shipments are also moved through Nhava Sheva. Moser Baer does some air exports also to meet the immediate delivery requirement of customer and also for solid state memory (SSM) business which is exported by air only. Imports are also done both by sea and air. By sea, the company imports around 150+ teus per month mainly from Thailand, China, Taiwan, Hong Kong and Middle East to ICD Dadri. By air, it imports about 50+ tonnes per month.

As one of the major containerised cargo shipping companies, Moser Baer has reduced its shipment lead time by more than 20 per cent in the last few years; it has also brought down the instances of delays in shipments to less than 0.1 per cent of the total despatches. This has happened because its applies the strategy of directly dealing with shipping lines as well as with the freight forwarder, depending upon how effectively one can meet Moser Baer KPIs. Proactive communication of the logistic team with PPC has brought

this major change, says Girish Tuteja, general manager, logistics and supply chain, Moser Baer India Ltd. Now the shipment is dispatched based on the vessel sailing days to avoid the idle time of containers lying at port. We consider seven days maximum between PGO (planned gate-out) and SOB (shipped on board). During this period, a container needs to be dispatched from the plant, get customs clearance, handed over to shipping line and arrive at port (before cut-off of planned vessel). A daily management information system helps us to plan the best suitable action to get the minimum possible transit time. Good liaison/relation with both CONCOR and shipping lines is the key to our achievement. However, at times, because of heavy congestion at the ICDs or arrival of container at port after vessel cut-off, Moser Baer ends up incurring additional cost on priority loading or “via” charges so that CRDD (customer required delivery date) is met. Furthermore, close monitoring helps us to change the port of loading to get minimum transit time. Also our self-clearance process (instead of using a third party) has contributed a lot on priority clearance/early rail-out from ICDs for planned vessel connectivity," adds Tuteja.

According to him, port congestion is a major issue faced by them in the recent past which has resulted in reduced window timing or “cut and run” situation for vessel without completing planned export container loading. Other problems include non-availability of trains with CONCOR, increased transit time between the ICDs and port and delays in clearance at times due to continuous public/customs holidays. But despite these hindrances, Moser Baer takes pride in itself for having over 99 per cent on-time deliveries to its customers. This would not have been possible without strong systems and its technology backbone. Moser Bar is an example of how robust technology infrastructure can provide critical information to people to assist them in taking right actions at the right time to meet the business goals. At Moser Baer, we have been able to align this to a large extent, borne out by the fact that we have not lost a single customer since our inception. This has been facilitated by a strong information technology system enabling seamless working of different functions towards strong customer orientation, adds Tuteja. mg

Evolution

Moser Baer India Limited headquartered in New Delhi, is a leading global tech-manufacturing company. Established in 1983, the company is one of the world's largest manufacturers of Optical Storage media like CDs and DVDs. Every fifth disc manufactured globally belongs to Moser Baer and it is the lowest cost optical media manufacturer in the world. The company is also the first to market next-generation of storage formats like Blu-Ray discs and HD-DVD in India.

Over the years the company has entered into exciting areas of solid-state media with the launch of pen drives and flash memory cards, content replication, home entertainment and is a market leader in the high growth photovoltaic space. It is the only company worldwide to receive the prestigious 5-star rating from TÜV Rheinland for three years in a row maintaining highest standards of quality in manufacturing PV modules. The company has a presence in over 100 countries, serviced through 15 marketing offices and representatives in India, US, Europe, Japan, Russia, Ukraine, Egypt, Argentina, Chile, Malaysia and has strong tie-ups with many global technology players in the optical media storage business. In the PV space, the company has a presence in the entire value chain with products being sold to more than 82 countries.

Its products are manufactured at its three state-of-the-art manufacturing facilities located in the suburbs of New Delhi employing over 8,000 employees. Through its wholly owned subsidiaries, the company manufactures photovoltaic cells and modules using crystalline silicon and thin-film technologies.

Being one of the most credible brands focused on hi-tech manufacturing and R&D activities, it continues to unfold the next-generation innovative technologies that will catapult India into a respectable manufacturing hub.

MMB LINES UP NEW PROJECTS ALONG THE WEST COAST

With a coastline of 720 km, Maharashtra is perhaps the only state apart from Gujarat that has an active maritime board. **Parag Jain Nainuttia**, current chief executive of the MMB illustrates the projects underway in the state.

Q Maharashtra Maritime Board completed 20 years shortly. What are your goals for the next five years for ports under your jurisdiction?

A Maharashtra Maritime Board (MMB) was established on November 22, 1996 and is in her 18th Year. MMB has signed Concession Agreements for developing six Greenfield ports with private entrepreneurs. Three of these ports namely, Dighi, Dhamankhol-Jaigad and Angre have commenced operations, two ports namely, Vijaydurg and Redi are awaiting environmental clearance and one port at Rewas-Aware is awaiting Right of Way (RoW) through Mumbai Port waters. It is planned to commission/ operationalise all three ports within next 3-5 years. MMB plans to stabilise the six Greenfield ports with proper rail and road connectivity during the next 4-5 years. The rail and road connectivity would give a boost to the efficiency of our ports. We are also in the process of identifying more locations, which can be considered as Phase-II for port development activities in Maharashtra.

Paraag Jain Nainuttia
Chief Executive Officer
Maharashtra Maritime Board

Q What progress has been made under the five groups of ports in the State – Bandra, Mora, Rajpuri, Ratnagiri and Vengurla?

A ***Bandra:*** We have a lighterage facility operating in Dahanu where coal is imported to support Reliance Infrastructure Ltd's 2X800 MW Power Plant. A shipyard project at village Safale in Satpati Port jurisdiction is also functional. In addition, we have given some more permissions for jetties, which are in different stages of development.

Mora: In Mora group, we have two captive jetty projects; one each for Ambuja Cements Ltd at Ulwa-Belapur and M/s JSW Dharamtar Port Pvt Ltd (Formerly Ispat Industries Ltd) at Dharamtar. One multipurpose jetty is also operational in Dharamtar creek in this group. In addition, there are six shipyard projects approved in Mora Group of Ports in locations like Vasai, Kalyan and Ulwa-Belapur. MMB is also considering development of passenger services from South Mumbai to Belapur, which will also support a marina facility. MMB operates passenger services between South Mumbai and Mandwa Port where passenger jetty and terminal facilities have been constructed by MMB. This terminal on an average handles about 10-12 lakh passengers annually.

Rajpuri Group: One captive jetty and one multipurpose jetty are operating in Revdanda creek (Kundalika river). The captive jetty handles iron-based raw material for the steel plant in the vicinity whereas the multipurpose jetty imports coal for local market and the hinterland requirements. Greenfield port is under development at Dighi in Rajpuri creek wherein two berths have already become operational. Export of bauxite and import of steel coils and coal are undertaken in this port. MMB has permitted a Ro-Ro facility from Agardanda to Rohini, which is operational. In order to give a boost to the water transport, jetties and terminal facilities for passengers are being constructed at Rajpuri, Dighi, Agardanda and Janjira Fort. There are two shipyard projects being developed in Rajpuri creek under Rajpuri Group of Ports.

Ratnagiri Group: M/s Finolex Industries Ltd has a captive jetty for importing chemical and coal to meet the raw material requirement for its PVC pipe plant at Pawas-Ranpar and captive power plant. M/s Ultra-Tech Cement brings clinker from Gujarat to the MMB jetty at Ratnagiri for its cement plant at Ratnagiri. M/s Ratnagiri Gas & Power Pvt Ltd has a captive jetty for importing LNG at Dabhol which is operational. RGPPL also has a Single Point Mooring (SPM) facility at Dabhol, which has been used for importing Naptha and HSD. There are two shipyard projects in Dabhol creek, one by M/s Bharati Shipyard and another by M/s Panduronga Timblo Industrias Ltd MMB owned jetty at Kelshi (Tal. Dapoli) is also in use for export of bauxite by M/s Ashapura Minechem Ltd Greenfield port facilities have been developed at Jaigad Port, one by M/s JSW Jaigarh Port Ltd at Dhamankhol Bay and other by M/s Angre Port Pvt Ltd (Chowgule Group) at Lavgan in Jaigad creek. Angre Port has also developed a ship repair facility, which consists of a ship-lift system. In Jaigad creek, M/s Marine Syndicate Pvt Ltd has a multipurpose jetty which is used for exporting bauxite and a ship-repair facility. Marine syndicate is constructing a Floating Dry Dock at site for repair of ships and are going to venture into ship-breaking activities, which have been approved by the MMB.

In the last few years the tide has been turning in achieving responsible and sustainable ship recycling through new regulations, public pressure and European Union intervention.

Vengurla: Two Greenfield ports at Vijaydurg and Redi have been planned in Sindhudurg district. The ports are awaiting environmental clearance before any construction activity can commence. Export of molasses is undertaken from MMB owned jetty at Vijaydurg during fair weather season and export of iorn ore is undertaken from the loading facilities at Redi Port. MMB has also approved a multipurpose jetty at Aronda for M/s White Orchid and captive jetty at Kavthani for M/s Samruddha Overseas Ltd for support its plant located in the nearby area.

Q Could you state the commodities that are shipped from and to the State's ports from India?

A ***Import:*** LNG, coal, coke, clinker, cement, coke breeze, Iron ore, Dolomite, H. B. Iron, HRS Plates, I.O. Fines, I. O. Lumpy, Limestone, Mill Scale, Rock Phosphate, Steel coils, Sulpher, Ethylene di-chloride, Ehtylene, VCM

Export: Heavy Machinery, Bauxite, Mill Scale, Molasses, Steel coils.

Q What volume of cargo is traded among the minor ports in Maharashtra and how is tariff regulated in these ports?

A Cargo during 2013-14 is 24.66 milliion tonnes. The Government of Maharashtra has notified charges for various commodities for cargo handled at captive, multipurpose and MMB jetties. Cargo handling at Greenfield port sites is governed by separate Concession Agreement and is subsidised to encourage investment in the port sector.

Q What thrust is being given to coastal shipping and moving cargo via inland waterways?

A MMB encourages coastal shipping and is currently handling about 2 million tonnes of cargo annually through coastal shipping namely, at Belapur where cement is brought in mini bulk carriers by M/s Ambuja Cements Ltd from Gujarat for bagging and consumption in local market. M/s Ultra-tech Cement also brings Clinker from Gujarat to Ratnagiri for the cement plant. MMB has allowed construction of cargo jetties in the creeks like Dharamtar, Rajpuri wherein cargo is brought through barges from the ships at anchorage through the coastal and inland waters to these facilities.

Q Would the State Maritime Board look at developing new jetties in ports this year to handle commodities?

A The Maritime Board has a policy of privatisation for cargo handling and encourages private entrepreneurs to come and invest in this sector. Additionally, the Greenfield ports under development are also undertaking construction of jetties to increase their cargo handling capacities in phases.

Q How is MMB promoting tourism in the state and how is infrastructure being bolstered to support the activities?

A MMB provides jetties for embarkation and disembarkation of passengers and tourists and is also developing water transport facilities at Rajpuri, Dighi, Agardanda and Murud-Janjira Fort. MMB is also encouraging water sport activities along the coast where good beaches are present. MMB has also provided Ro-Ro facilities Vesvi to Bagmandla for tourists visiting Harihareshwar Temple, at Dabhol-Dhopave in Dabhol creek and in Jaigad creek from Tavsal to Jaigad. These Ro-Ro facilities provide connectivity for coastal tourisms wherein tourists can move with their vehicle and spend time with nature enjoying the Konkan hospitality.

Q The Maritime States Development Council (MSDC) comprising of maritime boards, Coast Guard, State Police, and Customs was constituted to look into security related issues. What specific issues pertaining to ports in Maharashtra need to be addressed?

A The MSDC council monitors implementation of International Ship and Port Facility Security (ISPS) code in various ports and port facilities to address the security concerns. Under the ISPS code, ports have to address the security of the movement of men and material from the port to the ship and vice-versa. All port facilities, where international ships berth for cargo handling operations, are ISPS compliant. We are also encouraging smaller facilities to comply with ISPS code where cargo operations are handled through barges.

Q What actions are you taking on non-performing ports or entrepreneurs who have been sanctioned land and have not made much progress since signing the MoU?

A The ports and port facilities are regularly monitored and regular meetings are conducted with the entrepreneurs to resolve the difficulties faced for during development activities. Some cases where continuous non-performance has been observed, the projects have been cancelled.

Q What investment opportunities are available for private investors to develop ports or berths at smaller ports that cannot fund their expansion plans?

A MMB offers a gamut of opportunities from private port developers to port infrastructure, which are outlined as follows:

Investment opportunities

New Greenfield Port:	• Private Players • Terminal Developers • Dredging • Logistics Operators
Captive and Multipurpose jetties	• Terminal Developer • Logistics Operator
Inland Water Transport	• Docking Facilities • Ancillary Industries • Service Providers
Shipbuilding & Ship repair	• Shipbuilding Players • Ancillary Industries
Connectivity	• Road and Rail linkages
Marine Tourism	• Marinas • Floatels • Water sports • Ferry operators • Tour operators • Ancillary Industry

Q How does the Maritime Board finance all the new projects and those that need maintenance and upgradation?

A The Maritime Board has a policy of development of port sector through privatisation. MMB utilises its own funds for providing passenger facilities in the coastal stretches, which include passenger jetties, passenger amenities/ facilities and dredging in approach channels as well as approach roads to the terminal facilities.

MMB also undertakes coastal protection works on behalf of the State Government, for which, the funding is provided by the State Government. However, in cases where the requirements are critical and Government funding is not available, MMB utilises its own fund to provide coastal protection works.

Q What support infrastructure such as improving connectivity will be undertaken by the MMB?

A MMB is seized of the connectivity issues for the ports and jetty facilities along the coast. MMB is coordinating with the State Government and the State Public Works Department, Konkan Railway, Central Railway and Rail Vikas Nigam Ltd. (RVNL) to address various issues connected with road and rail connectivity. The MMB has also taken a decision to participate in rail connectivity issues through equity up to 11 per cent. MMB has also undertaken feasibility study for connecting Konkan Railway to Central Railway through its own funds to improve the connectivity.

Q Lack of light houses is another why coastal shipping and inland waterways has not taken off in the country. Will the MMB now look at enhancing night navigational infrastructure?

A The lighthouses are provided, constructed and maintained by the Directorate General of Light Houses and Light ships (DGLL), Government of India. In the coastal stretches and the creeks/rivers, navigational lights are provided by MMB. Sites where cargo handling is undertaken are provided with lighted navigational buoys to mark the navigational channels to facilitate night navigation.

Q The recession had caught a number of small vessel and barge operators in a whirlwind of debt and poor business. What steps will the State take to ensure smaller operators are back on their feet? Will there be a separate financing scheme in the State for smaller players to avail loans?

A Earlier a 30 per cent subsidy was available for construction of coastal vessels through Ministry of Shipping, Govt. of India, which has since been withdrawn. MMB has taken up this issue with the Ministry of shipping to revive this scheme of 30 per cent subsidy for coastal vessels. Secondly, I would like to state that recession and boost in the shipping sector generally follows a sine curve, which is cyclical. The operators in this field have to undergo these difficulties and need to inbuild sustainability to tide over periods of recession and look at alternate areas to support their operations. MMB, on its part, has also undertaken a process of revising its inland water limits to facilitate coastal movement of barges and vessels of such kind to avail of opportunities at alternate locations. mg

FAST, FASTER, FASTEST

As competition grows and carriers form alliances, shipping lines are ever on their toes to offer better and speedier customer services than their rivals.

Omer Ahmed

Maersk companies respond fastest to e-booking requests reveals a study conducted by INTTRA, an e-shipping solution provider. INTTRA ranked carriers by the speed with which they respond to electronic booking requests, something that could allow them to differentiate from other lines, and MCC Transport that handles all Intra-Asia containerized cargo for the Maersk Group tops the list. Notching the second position is Safmarine, a sister company to MCC that was acquired by Maersk Group in 1999. United Arab Shipping Company occupies the third position followed by Hamburg Süd.

In INTTRA's Ocean Carrier Booking Responsiveness Analysis, carrier responsiveness was measured across all major trade lanes on a multi-carrier e-commerce platform by looking at electronic booking times from the moment a shipper enters a booking request to the carrier's first definitive response time.

MCC delivered a responsiveness score 64 per cent faster than the median figure. The median industry responsiveness time on the INTTRA network is 113 minutes (based on INTTRA's 2014 Ocean Carrier Booking Responsiveness Analysis). Three of the top five fastest responding carriers were AP Moller-Maersk-owned.

"As the shipping industry gains new efficiencies through process automation, we recognised that responsiveness – and the speed in which shippers can book with a carrier electronically – is a critical factor driving customer satisfaction," said Naresh Potty, Chief Commercial Officer, MCC Transport.

The median response time

- Across all trade lanes, the median booking response time is 113 minutes
- The fastest trade lane – the Trans-Pacific Westbound (North America to Asia) lane has a median booking response time of 81 minutes
- Maersk Line leads this particular trade lane responding 30 per cent faster than the median time.

According to INTTRA, too many shippers still rely on manual means to conduct business – including phone calls, faxes, and email – which do not provide the same level of savings, shipment data quality, or customer satisfaction as booking electronically. In fact, manual shipping is proven to cause errors, unnecessary costs and delayed shipments.

With carriers forming four major east-west alliances, the ability to differentiate on the reliability of shipping line services is reduced because members share vessels. In response, carriers are emphasising on their customer services levels to differentiate from rivals.

When carriers respond faster:

- Operating costs are reduced
- Processes get more efficient
- Promotes further automation
- Utimately, customers are more satisfied

Maersk stands out in customer service training

Maersk Line's program for improved customer service – CARE PROgram – has been rated as 'best-in-class' training.

"A customer called me and asked whether we had hired new people," recalls a customer service manager at Maersk Line in Pakistan. The company hadn't hired any new faces in fact, but so visible was the impact of the behavioural training which all customer service staff in Maersk Line has gone through during the last two years.

"CARE PROgram" is now acknowledged as best-practice by the external benchmarking company, Corporate Executive Board (CEB) on its overall training effectiveness. CEB analysed over 500 different competency development programmes across various industries, and Maersk Line's CARE PROgram is rated 'Best in Class.' The analysis specifically highlighted how the programme successfully applies behaviours in daily work; using manager-led training; and how colleagues help each other in developing the desired competencies.

The CEB is the world's leading member-based advisory company which specialises in talent management and functional best practices. They work with 90 per cent of the Fortune 500 companies. Coaching people into new behaviour requires a very different skillset from that of traditional management, says Tom Sproat, Global Head of Customer Service at Maersk. "The success of the CARE PRO training is partly due to the fact that instead of being super problem solvers, our leaders are focusing on coaching and colleague development." MG

'RHENUS GROUP'S 100 YEARS EXPERTISE IN LOGISTICS IS A BOON FOR THE JV'

Vivek Arya
Managing Director
Rhenus Logistics India

Rhenus Logistics India Limited is a joint venture between Germany-headquartered Rhenus Group and Indian logistics player Western Arya Group, where the former recently increased its stake to 49 per cent following the merger of Western's domestic trucking activities in 2010. With a 51:49 ratio, Western Arya is the majority shareholder in the JV and brings its more than six decades of experience in transport and logistics business, while Rhenus having a wide European and Asian network and customer base brings its 100 years of expertise in a variety of logistics activities ranging from high-tech to hospital logistics and from home delivery to e-fulfillment.

In India, the JV Rhenus Logistics operates across the major gateways and provides end-to-end logistics services in freight forwarding, warehousing, distribution, value-added services, foreign trade management services, customs clearance, and handles FTL, LTL, express, milk shipments etc. In an interview with MG's Itishree Samal, Vivek Arya, Managing Director of Rhenus Logistics India, explains the company's long journey from being a transport and trucking solutions provider to become one of the leading logistics providers in India today.

Q How has been the journey so far – from an independent logistics provider to the joint venture with the European logistics major Rhenus?

A Western Arya Group, is a third-generation, family-run company that started as a transport and trucking solutions provider about 60 years back. Over the years, we have moved from domestic trucking business to other value added services such as freight forwarding, customs clearance, warehousing and distribution. In 2010, we had a tie-up with the Rhenus Group, which had acquired 25 per cent in one of our Group company Pro Logistics India, which later named as Rhenus ProLog Logistics

Ltd recently, this year we have merged our trucking business with the Rhenus Group. The latest deal involves merger of Rhenus ProLog Logistics with Western Arya which has been now rechristened as Rhenus Logistics India Ltd. The journey so far has been interesting. We have put a lot of effort in getting the people and putting the infrastructure. Today, the biggest advantage we have compared to our competitors is that we do not need to outsource any activity.

Rhenus Group is a large European company with having presence across Asia, Europe and other markets. The JV enables us to access to those markets; we now have the expertise of a 102-year-old entity, which is a biggest advantage for us. Our aim is to become an integrated logistics player having operations across segments – be it rail, road and ocean under one group.

Q Which are your major growth-driving verticals in India?

A Predominantly, we have four major business divisions – warehousing, international freight, customs clearance, and domestic freight and contract logistics. The two verticals – international freight and customs clearance – contribute more than 50 per cent in our top line, domestic freight contributes around 30 per cent in the revenue and rest comes from contract logistics. we have seen significant growth in trucking and warehousing business. But with the dollar fluctuations in the last two years, the international freight and customs business has become a little unexpected. We also have presence in liquid cargo and cater to chemical and petroleum chemical products. We do about 300,000 tonnes in liquid cargo.

Q Are you looking at venturing into newer verticals?

A We want to bring an array of products under the group in order to become an end-to-end logistics provider. We are interested in focusing on more specialised logistics services such as hi-tech logistics, hospital logistics, e-fullfillment and data management etc which are still untouched and possess a huge business potential. We have already taken some steps towards the hi-tech logistics, and yet to put the other proposed verticals on the drawing board. It may happen sometimes during the next year.

Q What opportunities do you see in the hi-tech and medical logistics divisions in the Indian market?

A Hi-tech logistics is an emerging business vertical that deals with logistics of hi-end electronics products and heavy office accessories. It could be the transportation and installation of ATM machines to Xerox machines, while the medical logistics involve the transportation of medical equipments such as C T scanners, MRI and sonography machines. The market opportunity is huge in these two segments. To put a perspective, more than 100,000 machines are expected to be installed in the next two-three years. Currently, there aren't many players in the country who offers complete end to end services from logistics to installation of these equipments. Rhenus Group being a pioneer in these two segments, it will help us in expanding in India.

Q How has been your growth?

A Rhenus Logistics India has been growing at 25 per cent year-on-year. However, we will not be able to disclose any financial numbers. The Rhenus Group is over a EURO 4 billion entity in revenue.

Q The Group recently increased its stake to 49 per cent this year from the previous 25 per cent stake. Any plans to increase the stake further?

A No, we will not liquidate any further. We would like to be the majority share holder in the JV.

Q Are you also scouting for taking the inorganic route for growth?

A Yes. Going further, we will take the inorganic route for growth. We already have set some targets in mind. However, nothing can be disclosed at this stage.

Q What are your expansion plans?

A Going forward, our focus will be on adding capacities, human capital and large customers, along with increasing our top line and bottom line. Currently, we have significant presence in warehousing with more than 11 lakh sft of warehousing space across the country. We want to add 100 trucks in our fleet of 300 trucks (200 dedicated + 100 Owned) and another 5 lakh sft in warehousing.

Q The Indian e-commerce market is set to become a ₹36,800 crore-market by 2015. Does Rhenus have any plans to enter the segment?

A The Group has a 360-degree e-fulfillment and offers complete logistics solutions for e-commerce. While in India, we believe the e-commerce market has not evolved completely compared to the western markets. Once the market matures further, we may start looking at the segment by end of 2015.

Q How do you assess the current logistics market in India?

A The market is majorly unorganised and has been stagnant since last few years. But with the new government in place, we see a lot of positivity around. Taking into account the government's announcement on the GST roll out, we expect the whole logistics landscape to undergo a sea change. We see GST as a major growth driver for our business as well.

Q What opportunities do you see in the market?

A In India, none of the existing logistics service providers even have one per cent share of the market. Having a wide array of services, we see a huge opportunity in the market. We want to double our revenue in three years. mg

Set to train, re-train and rev up industry workforce

Training institute Magic Hive could be much needed shot in the arm for the logistics industry as it promises to churn out apprentices who can hit the ground running.

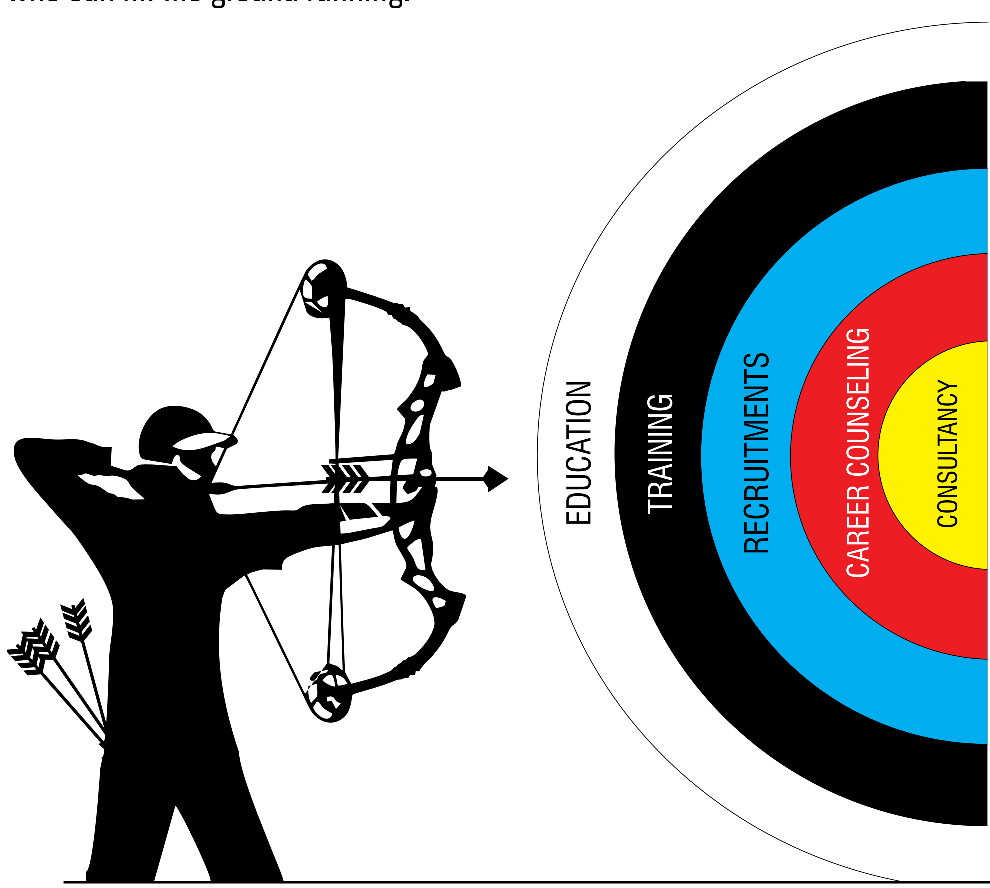
The global logistics industry in the last decade has metamorphosed from being the plain Jane cargo transporter to a more composite function requiring closer attention from providers in the wake of intense competition and demanding customers. Tighter timelines, unyielding cost structures and a small talent pool have ensured profits are always in transit for those operating in the industry.

The Indian story is no different except with the addition of infrastructure hold-ups to the list of humps slowing the pace of growth of this otherwise promising sector. All players big and small cogitating on the best possible matrix to integrate supply chain management and logistics agree the one spoke in the wheel that could be a party pooper is an ill-informed and incompetent workforce.

Employers and Schools are constantly singing the blues because candidates, they say, are not kosher for the industry. Not all students who walk in for an interview armed with a degree are savvy. But, pray, just whose job is it to show these students the ropes? While the degree helps learners get a cursory view of the industry, one would tend to pin the task on the employer to put his hire up to speed with the practices in vogue. But since no exec has the time or wherewithal to spend a few bucks training his team, he depends heavily on industry veterans like Ramkumar and Vinita who've now pledged some of their time to train people and help match the expectations of the industry.

Drawing from a combined experience of over four decades, the two professionals set up Magic Hive as a "people development" company that will be involved with all aspects of this sphere-consultancy, career counseling, recruitments, training and education, arising from a passion to give back to the industry and make a difference in enhancing quality of people in this neglected industry.

Nestled in Chennai's green neighbourhoods, this institute has training programmes for both the worker and queen bees – freshers and executives. Started as a partnership firm,



Magic Hive is the holding company that intends to offer short term courses under its subsidiary TALK to begin with for students who are inclined to pursue a career in the maritime-logistics sector. Sometime next year, the firm will begin offering diplomas in various aspects of logistics, maritime, warehousing and supply chain management. Ramkumar Ramachandran, Founder Partner, Magic Hive, who spends the better half of his day managing his firm says the aim is to offer a one-stop solution for companies looking for job-ready candidates. "Initially we intend to slant towards providing content and training in international logistics solutions and then branch out in more specific demands of the trade." Eventually, they intend to have an impact in other areas of logistics and supply chain. Students will be trained on site to provide a practical exposure and we intend to serve clients in India and abroad with our products.

Once this concept gains traction with the trade, what will follow in a couple of years will be a full-fledged two-year course readying students for employment. Vinita, who is a Director, Krishnapatnam Port who assists in the Magic Hive's functioning in her spare time says the training firm's aim to churn out productive candidates in to the industry. "We would like to establish and exhibit a quality stamp because today being good is not enough. You have to be your efficient best always," she says.

While Magic Hive's primary task is to train and alter a candidate's outlook by acclimatising them to the industry, the institute's role might be also construed as a staffing firm from where prospective employers can engage in body shopping. For this, both partners agree there has to be greater awareness among students about the opportunities in this sector. Graduates from colleges will be sensitised about the sector and employment opportunities, and those who evince interest will be mentored after a basis diagnostic test to assess their understanding. These select students will then be placed in firms at the end of the training period after handing out a degree admissible across countries.

Since this post-graduate is two summers away, TALK has hit the ground attempting to re-train professionals

"Initially we intend to slant towards providing content and training in international logistics solutions and then branch out in more specific demands of the trade. Students would be trained both on-site and off-site to be familiar with the way business happens on ground zero. The aim is to offer a one stop solution for companies looking for job ready candidates."

Ramkumar Ramachandran
Founder Partner, Magic Hive

who've already set foot in the industry. TALK expands itself as The Academy for Logistics Knowledge and is wholly owned functional subsidiary of Magic Hive. As a prequel to the graduate courses, Vinita and Ramkumar have introduced thoughtfully planned modules in freight forwarding, essentials of warehousing, shipping and super selling skills, to name a few. In the last three months, about six modules were conducted for working professionals over weekends for a nominal fee. These open-enrollment education courses provide a 360-degree view of the latest trends and developments in the particular segment. "We wish to provide genuine value to a small section of people. These short, comprehensive modules will help them with understanding the nuances and also the larger gamut of work from a knowledge perspective," Ramkumar says.

These modules are open to a cross section of people working in different areas of trade. For example, an employee working in the IT solutions wing developing a code for freight forwarding can attend this weekend course to help understand better the movement of boxes. TALK will also venture in to career counseling, guidance and placement as the two partners reckon the industry has no

Magic Hive's primary task is to train and alter a candidate's outlook by acclimatising them to the industry.

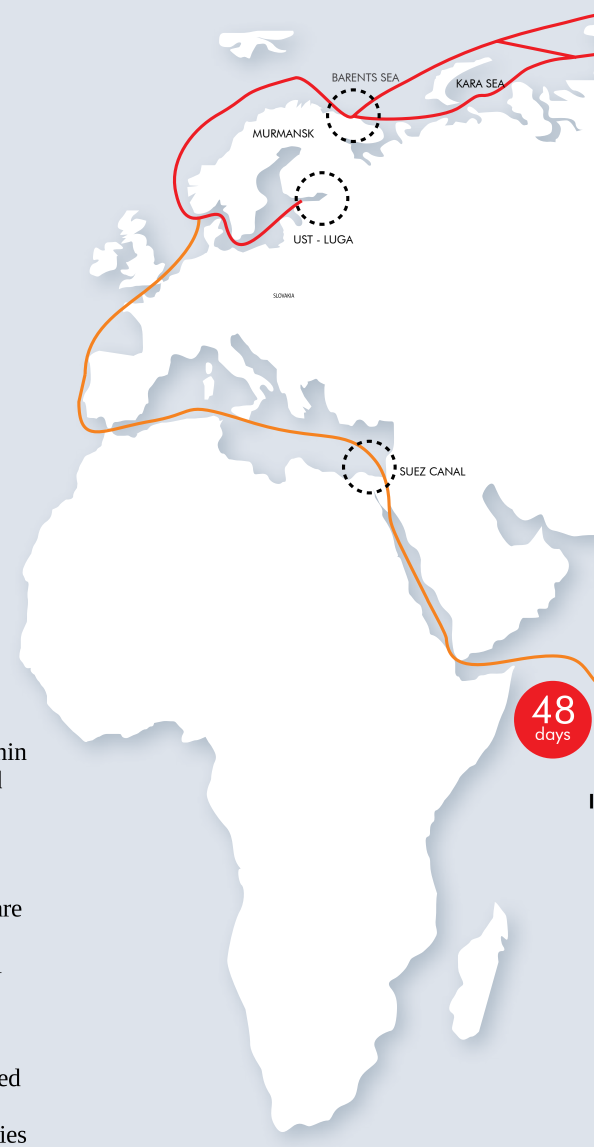
recognized body offering any support or counseling to working professionals. As heads of effort that have experienced business culture across verticals, the two promoters would eventually look at helping organisations chart a migratory path to succeeding in their business. "There are a number of medium and small scale companies that need help in restructuring their businesses. We intend to re-model their activities," Ramkumar mentions. The performance management suggested by the academy will probably revolve around bringing about changes in people deployment and management.

Once this people problem is fixed, TALK's last vertical can also help companies strategise. Mergers and acquisition, expansion in to other countries and adding new services – this will be the last dollop of honey from Magic Hive's TALK. The aim of this again, is to help the Indian Logistics industry thrive despite the shortcomings. While the courses will help the students graduate from a finishing school of sorts, other management counsels will help companies and individuals out of their growth crises. The hope is that this unorganised sector transcends these deficiencies to emerge as a more confident and dependable sector providing stability and growth to its patrons. A number of sectors in India such as Infrastructure, retail and e-commerce look forward to logistics being the game-changer. The realisation of this perception depends on how quickly its people adapt to changing times. For now, the movers who want to be part of the game, have an address to go to!

NSR distant yet doable

Expectations are high that Arctic shipping routes, particularly the Northern Sea Route (NSR), will rival traditional shipping routes and complement the Suez Canal route as a key waterway for trade to and from Asia by the middle of this century. How realistic are such scenarios?

Deepika Amirapu



A new report by The Arctic Institute on shipping traffic along the Northern Sea Route (NSR) concludes that its potential is likely overstated and limited shipping opportunities exist. This report uses data from the 2013 NSR shipping season to identify and analyse traffic patterns, point out differences compared to the Suez and Panama Canals and draw conclusions about the future potential of the NSR.

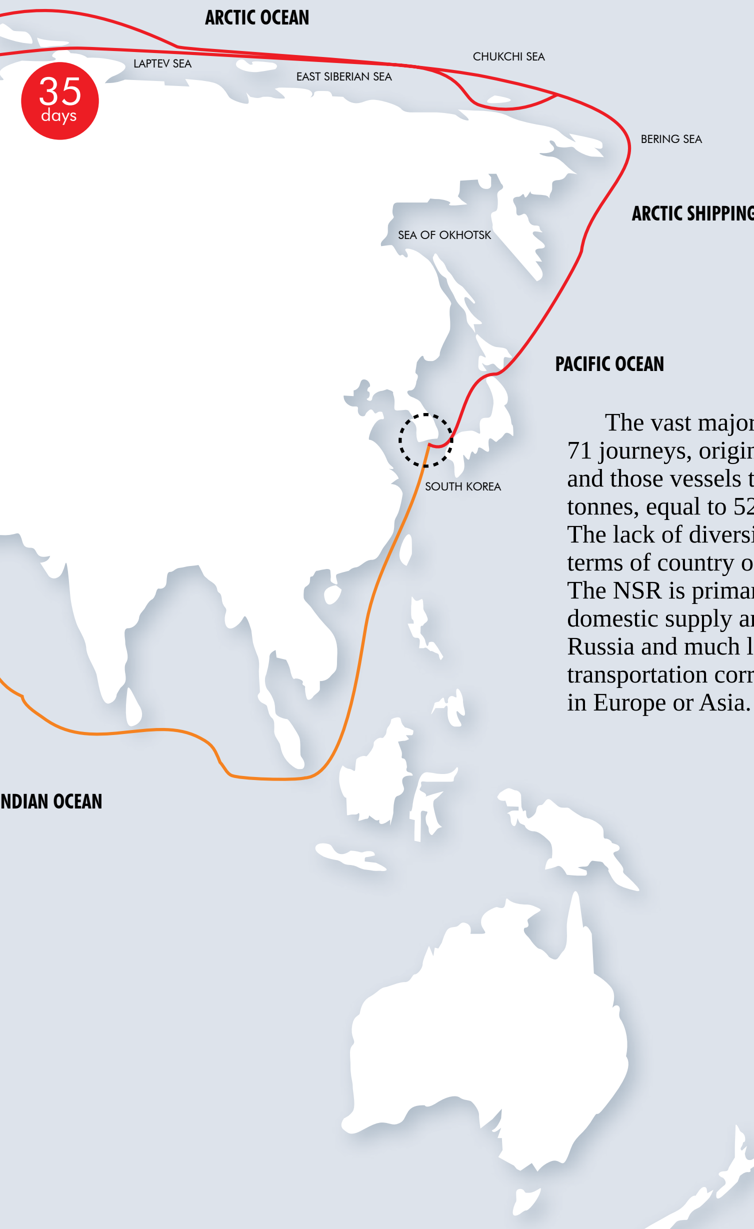
The 2013 shipping season on the Northern Sea Route (NSR) commenced on June 28 when the Russian-flagged vessel *Varzuga*, carrying 13,658 tonnes of diesel, entered the NSR at Cape Zhelaniya north of Novaya Zemlya. Over the course of 154 days a total of 49 vessels transported 1.35 million tonnes of cargo. A further 22 vessels transited the NSR unladen carrying 507,000 tonnes of ballast. The shipping season concluded on November 28 when the Russian-flagged vessel *Bukhta Slavyanka* exited the NSR at Cape Dezhnev in the Bering Strait.

The Northern Sea Route Information Office lists 71 transits for 2013 but a closer analysis of the data shows that only 41 vessels traveled the entire length of the NSR and qualify as full transits. An additional 23 vessels either departed from or arrived at ports inside the NSR and did not fully transit it. A further seven vessels traveled exclusively within the NSR. Of the 41 ships that transited the full length only 30 carried cargo, transporting 1.19 million tonnes.

Oil products, including diesel, fuel oil, and naphtha, made up the lion's share of cargo on the NSR in 2013. In total 31 vessels carried 911,000 tonnes of oil products representing 67 per cent of all cargo. Iron ore accounted for 203,000 tonnes representing 15 per cent of all cargo in 2013. General Cargo, also called break bulk cargo, accounted for 7.4 per cent of goods on the NSR. Coal deliveries represented 5.5 per cent of traffic. LNG accounted for 5 per cent of all NSR traffic in 2013 and a single vessel, the Arctic Aurora, carried 66,868 tonnes of LNG from Hammerfest to Chiba.

"Traffic patterns on the NSR differ significantly between east- and westbound transits and the NSR exhibits a strong bias for eastbound journeys. Products, primarily natural resources, are shipped to the markets in Asia, with limited cargo shipped in the opposite direction. This imbalance in the flow of goods leads to a higher share of ships traveling the route empty and thus reduces profitability," says the report's author and Executive Director, Malte Humpert.

The 2013 season saw two distinct peaks in shipping activity. In eastward direction, supplies for local communities, mainly oil products, and two iron ore shipments dominated the first two months of the season, July and August. Unfavourable ice conditions near Severnaya Zemlya and in the East Siberian Sea during the first half of September led to a drop in traffic before a second peak emerged at the end of the month. Westbound traffic commenced around July 15, about two weeks after eastbound transits. The first peak in shipping activity occurred between July 15 and August 15. Almost all volume carried during this time consisted of ballast. The second increase in shipping in late September and October included primarily oil products, general cargo and coal.



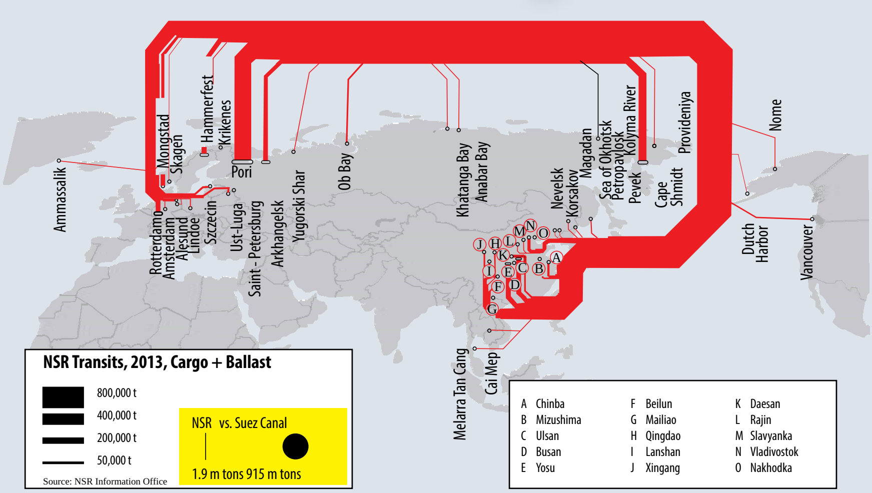
ARCTIC SHIPPING - NORTHERN SEA ROUTE 2013

The vast majority of transits, 54 of 71 journeys, originated in Russian ports and those vessels transported 705,000 tonnes, equal to 52 per cent of all cargo. The lack of diversification, especially in terms of country of origin, is striking. The NSR is primarily utilised as a domestic supply and export route for Russia and much less as an international transportation corridor by countries in Europe or Asia. Key hubs for this regional shuttle service are Murmansk and Arkhangelsk in the west, Ob Bay in the centre, and Pevek in the east. Out of 71 total transits, 43 were exclusively between Russian ports

Traffic patterns on the NSR differ significantly between east- and westbound transits. In 2013, 40 vessels traveled eastbound carrying 895,000 tonnes in cargo and 6,000 tonnes of ballast. In contrast, the 31 westbound vessels carried 460,000 tonnes of cargo and 500,000 tonnes of ballast. The NSR exhibits a strong bias for eastbound journeys. Products, primarily natural resources, are shipped to the markets in Asia, with limited cargo shipped in the opposite direction. This imbalance in the flow of goods leads to a higher share of ships traveling the route empty and thus reduces profitability. In contrast to the Suez and Panama Canals, the NSR largely represents a one-way traffic route. After delivering cargo at ports in Europe or Asia few ships make the return voyage either with or without cargo via the NSR.

The NSR remains a niche trade route with limited numbers of true transits. The export of Arctic hydrocarbon resources, primarily from Russia, and their transport along the NSR can be expected to grow over the coming years. However, this will not establish the NSR as a true trade route but in contrast place even greater emphasis on one-directional traffic from west to east. Putin's hope to establish the route as a northern export highway may yet be dashed by unfavourable market conditions, varying ice levels and the lack of available Russian icebreakers.

"The export of Arctic hydrocarbon resources, primarily from Russia, and their transport along the NSR can be expected to grow over the coming years. However, this will not establish the NSR as a true trade route but in contrast place even greater emphasis on traffic from west to east. The NSR will exist only as a transport route with mostly one-directional traffic. And outside factors, such as unfavorable market conditions, varying ice levels and the lack of available Russian icebreakers, may yet dash Putin's hope to establish the route as a northern export highway," Humpert concluded.



The report is a press release from the Arctic Institute.

The number of ultra large vessels calling at the Port of Hamburg has been on the increase for years. This is resulting in some major challenges for the port operators, shipping companies and authorities. With the introduction of the Nautical Terminal Coordination (NTK), there is now a body to handle the centralised operational coordination of mega-ship calls for the first time – long before a vessel proceeds up the estuary of the river Elbe.

Efficient Coordination of Mega-ship Calls Boosts Port of Hamburg

Since 2008, the number of ultra large vessels calling at the Port of Hamburg has increased from 621 to 989. This includes not only container ships, but also cruise ships, bulk carriers and other vessels, all of which are subject to different restrictions when navigating the estuary to and from Hamburg, caused by, for example, the water level in the river Elbe or the width of the navigation channel. These restrictions have to be taken into account when ship calls are being processed and this results in there being interdependency on the arrival or departure of other ships. With Nautical Terminal Coordination, there is now a coordinating body that monitors the interdependency of all ship entries in Northern Europe and can then identify conflict situations and reduce the impact on the entire port system.

How does NTK work? A typical traffic situation that occurred this summer and which happens in the Port of Hamburg on a regular basis serves as an example of the complexity of NTK's coordination duties:

Two container mega-ships and a bulker are coming in with the tide, while two container ships head out. The vessels are between 300 and 400 metres long and up to 56 metres wide. NTK staff monitor the ships from various terminals and calculate the possible passing options as well as the vessels' terminal arrival and departure times on the basis of their individual draughts. There are additional requirements that also have to be taken into account: When can the vessels pass under the Köhlbrand Bridge? Where may the vessels pass each other? What happens if the water levels change? Additionally various aspects also have to be considered: When will the ship currently docked at the berth be ready to go? For which shift has a terminal ordered dockers with the intention of starting work on a ship? What is the optimum operational arrangement? NTK staff members must constantly consider the effect that a decision regarding one vessel might have on the operational situation of other vessels and must update their calculations for these ships

With Nautical Terminal Coordination, there is now a coordinating body that monitors the interdependency of all ship entries in Northern Europe, identifies conflict situations and reduce the impact on the port.

accordingly. NTK monitors the ships throughout Northern Europe long before they arrive and is therefore in a position to devise coordinated operational solutions in good time. It shares these solutions with the public port authorities, who then handle the traffic situation on the river Elbe and who ultimately decide what route a vessel is to take.

Dr Stefan Behn, member of the Executive Board of HHLA and responsible for the Container segment, stresses the importance of Nautical Terminal Coordination: "We are continuing the successful work of the Feeder Logistics Center with Nautical Terminal Coordination. Both of these are prime examples of the cooperative approach that we adopt in order to jointly rise to the challenges we face in the Port of Hamburg – not only in relation to container ships, but also to much more besides. Everyone involved benefits from the work of Nautical Terminal Coordination. They refrain from trying to assert their own specific interests here and there, because this allows the system as a whole to operate more smoothly."

Heinrich Goller, Managing Director of FLZ/NTK, describes the facility's character: "It's the job of Nautical Terminal Coordination to pool communication channels and to identify the interdependency of decisions made in mega-ship handling early on and to resolve these issues as far as is possible. In contrast to public port authorities, we already track the ships on their approach routes, for example all the way from Gibraltar and in particular from the previous ports. We are therefore able to spot potential disruptions very early on and to then develop operation-based proposals. We actively coordinate the workflows and develop demand situations from the perspective of the Hamburg terminals, which we reach agreement on with the relevant public port authorities. By acting as the central point of contact, we eliminate bilateral communication for the other parties on the one hand and avoid operational friction on the other."

Nautical Terminal Coordination has been working since the start of October on the basis of a two-shift system. A third shift is set to be introduced as soon as possible, and preparations are currently under way to increase staff numbers to accommodate this. Three employees currently work for NTK. NTK's duties for the Hamburg container terminals and Hansaport include cross-terminal coordination of the preliminary planning, approach guidance and departure planning of mega-ships in the Port of Hamburg. NTK will also assume a central and active communication role in relation to the Vessel Traffic Service Centre. mg

A common perspective drives operational efficiencies

GeoMedia WebMap has enabled Bremen ports to develop a common information database which forms the base for driving operational efficiencies, enabling the entire workforce at the port to share a common operational perspective.

Germany's seaports are the interface between land and maritime transport, service centres and industrial sites. Bremen and Bremerhaven are one of the most important, with a throughput of 60 million tonnes per year; together they make up Europe's fourth largest port.

Complex Infrastructure

The seaports of the Federal State of Bremen, which includes Bremerhaven, owe much of their performance and draw to impressive infrastructure whose maintenance, operation and expansion is down to bremenports GmbH & Co. KG company, which was founded in 2001.

"We are almost like a private community," explains Ralf Franz who, as head of organisational development, data processing and IT, is responsible for the development and implementation of new IT concepts. Our responsibilities include the entire land, buildings and infrastructure management. We take care of flood and environmental protection, we carry out construction and civil engineering works, and of course, we also cover all commercial functions.

The requirements for IT solutions are diverse. My primary goal in the development of the infrastructure management concept was data and application integration, Franz recalls. "Effective working requires, as prerequisites, a non-redundant database with consistent rules, processes and metadata models. On that foundation you can build the specific applications for functions like document management, geospatial information, land and property management and commercial solutions."

Spatial references in every process

Intergraph's solution, built on GeoMedia WebMap, plays a key role in this system, because it now allows all employees to access a common spatial database, tightly integrated with their work processes. The functionality of the Web-GIS is able to reflect different users' needs, from providing an information retrieval system, to data capturing and specialist business applications.

Since every area of the business requires different information, bremenports greatly values the high level of flexibility GeoMedia WebMap affords, both in terms of data and application integration as well as the design of workflows. For us it was not a question of setting up entirely new workflows, but rather one of optimising existing processes," Franz recalls. For example, following this pragmatic approach, the electrical engineering as-completed drawings were scanned, overlain on a base map of the port with descriptive attributes and published online for users to access. This way we can see, at a glance, where to find which installations – this saves a lot of work. Additional spatial information is integrated as needed. In this way, employees managing water depth can access the latest sonar data to optimise dredging activities. In addition, real-time data are available to support smooth logistics within the port.

In the context of bridge or building management, GeoMedia WebMap provides not only the necessary spatial information, images and factual data, but also direct access to the appropriate specialist applications. Intergraph's solution provides more extensive GIS functionalities in the areas of cadastre of building lots, management of dikes and flood protection. Here the relevant data and processes can be documented and managed directly in the system.

Sustainable use

For Ralf Franz, the benefits of the Intergraph solution are being felt in many areas: "Many of our work processes have become much more effective because of our unified, geospatial information base. We now literally share a common perspective on things which, in a complex operation like ours, is priceless." Summing up, Franz is convinced that "GeoMedia also leaves us ideally equipped from the perspective of both our medium- and long-term corporate objectives." mg

OW Bunker bankruptcy: Fraud or lack of diligence?

OW Bunker collapsed under the weight of losses posted by its Singapore subsidiary Dynamic Oil Trading. What triggered the bankruptcy – a well planned fraud or mere lack of diligence – is yet to be seen.

Omer Ahmed

OW Bunker A/S, the Danish shipping-fuel supplier that sells 7 per cent of the fuel used by the world's shipping fleet, filed for bankruptcy on November 7 in Denmark, after a $125-million internal fraud and other failures surfaced, with Dynamic Oil Trading the Singapore based subsidiary at the centre of the alligations. Following the parent company, three of its subsidiaries subsequently filed Chapter 11 petitions in the US Bankruptcy Court, listing assets of as much as $50 million against debt of up to $100 million. OW Bunker informed investors that the company's equity has been wiped out due to losses at Dynamic Oil Trading.

The total number of plaintiffs filing claims against the fuel supplier has come to seven so far, and the total sum sought by them sums to $21,528,920.05.

The collapse of OW Bunker came to light when the company announced about a fraud committed by senior employees in the Singapore-based subsidiary Dynamic Oil Trading, as a result of which a previously announced $24.5 million loss was now estimated at $150 million.

Defending Lars Møller, CEO of Dynamic Oil Trading, Attorney Arvid Andersen calls it a case of "Untimely lack of care." He further states that the question is not if illegal activity has taken place, but whether internal company guidelines have been broken. The case is not that somebody has stolen money, billed fictitious trades or given kickbacks. The case is that a big credit given to one customer was built up, Andersen said. Danish business publication *Finans* quoted Andersen saying that the alleged fraud concerns massive credits to Tankoil Marine Services in the form of credit sleeving. Dynamic Oil Trading had pushed its debts to $750 million which prompted banks to refuse to extend further credit to OW Bunker which collapsed under the weight of losses posted by this subsidiary. The case could be one of the biggest trading scandals in Singapore in a decade.

Eight months before the bankruptcy, OW Bunker had issued an IPO which is the second-biggest in Denmark since 2010, valuing the company at almost $1 billion. "When you go bankrupt... months after an initial public offering, then it's a scandal," commented Jesper Langmack, head of PFA Asset Management in Copenhagen.

Several traders are speculating that the problem was likely related to the recent sharp fall in oil prices. Considered as a benchmark, Brent crude oil futures have dropped almost 30 per cent in value since June to levels last seen in 2010 as rising supplies clash with cooling demand. If OW Bunker or its subsidiary were very long on their hedges then obviously they had to suffer losses when oil prices came down, opined a trader who has had counterparty positions with OW Bunker.

Dynamic Oil Trading had $2.1 billion in sales from its incorporation in August 2012 to December 2013. The company posted net income of $8.9 million for the period, giving it a profit margin of 0.43 per cent, according to records filed with Singapore's Accounting and Corporate Regulatory Authority. These records also shed some light on its involvement in triggering the bankruptcy.

The 2013 annual report of Dynamic Oil Trading revealed that it had no significant concentration of credit risk with any single customer. It used swap contracts with maturities of less than 12 months to hedge against the floating price physical contracts. The $1 million paid-up capital company had $53 million in bank overdrafts, about $144 million in trade receivables and $71 million in trade payables, according to the Singapore records.

Growing demand for reefer containers

Shipping lines expand their fleet of reefer containers guided by the growing trade in perishables.

Omer Ahmed

Strong demand for perishables coupled with improvement in refregerated containers technology that enables long distance transport of perishable goods is fueling the global demand for reefer containers. According to a latest Drewry report, an estimated 300,000 40-foot reefer containers are expected to be added to the global fleet by 2018.

Latest Reefer Shipping Market Annual Review & Forecast by Drewry reveals that reefer capacity on the container ship fleet will increase by 22 per cent by 2018 to 1.9 million slots, growing from 1.6 million 40-foot slots in 2013.

The global reefer container fleet increased by one-third to 1.2 million teu between 2009 and 2013. Drewry estimates that the worldwide seaborne perishable reefer trade rose at an annual rate of 3.2 per cent in the 10 years to 2013, reaching 98 million tonnes last year. Sectors driving this growth have been meat and exotic fruit, with the latter rising as much as 9.3 per cent each year over the period.

Between 2013 and 2018, overall seaborne perishable reefer trade will increase by 17 per cent, providing an additional 16.5 million tonnes of cargo. In tonnage terms, reefer trade will grow by 20.5 million metric tonnes up to 2018 – 16.5 million tonnes will be organic growth and 4 million tonnes at the expense of the shrinking specialised reefer industry, forecasts Drewry.

China: Perishables trade on the rise

Rise of an affluent middle class, open trade policies and the advancement of cold treatment technology are propelling imports/exports of fruits and vegetables, which inturn is guiding the demand for seaborne transport in refrigerated containers.

FTAs drive trade in perishables

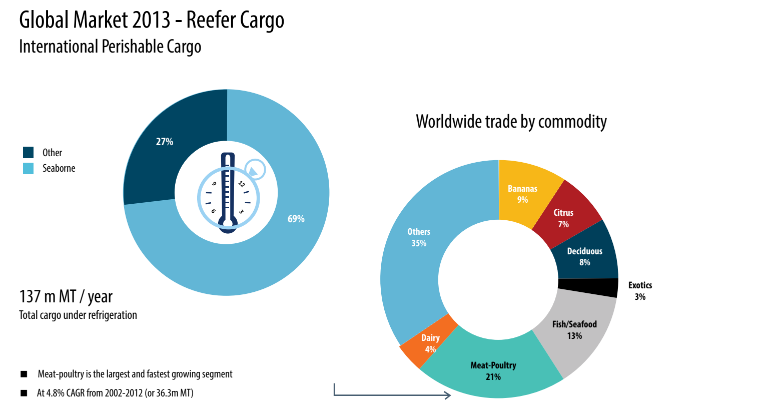
Free trade agreements (FTA) are strong drivers of the perishables transport business, opening up overseas markets that improving reefer technology had brought into play, says Ng Kar Loke, head of special cargo at APL Ltd. “The governments opening up of these markets is an important process for fruit and vegetables, but when it happens transport providers need to be able to react quickly,” he added.

Perishables exporting countries such as Canada, New Zealand and Mexico are trying hard to add more fruit and vegetable items to the trade agreements they have with China to avoid taxes as this can bring down the prices. For instance, if Mexican avocados are sold in China, they carry a 25 per cent tax.

Import/export

Import of fresh fruits in China has grown by 9 per cent per anum since 2009 with 2.7 million tonnes entering the country in 2013. Dragon fruit, mostly from Vietnam, tops the list of fruit imports, growing at 29 per cent annually over the past five years and reaching 538,542 tonnes in 2013. In the same year, China exported $7 billion worth of fresh fruit and vegetables, with imports reaching $4 billion, up 26 per cent over the past five years.

In 2013, China exported a total of 2.8 million tonnes of fresh fruit, with apples topping the list at almost 1 million tons.



Source: Drewry Container Forecaster

Fresh vegetable exports notched at 5 million tonnes. Garlic tops this list at 1.6 million tonnes, and there was an increase in demand for onion exports that grew 20 per cent year-over-year. Almost all of Hong Kong's vegetables are sourced from the mainland.

Technology

Five or six years ago, a 35-day transit from South America to China was considered impossible, but this can be done now in reefer boxes where not only is the temperature controlled, but also the atmosphere. The oxygen and carbon dioxide levels are adjusted to slow the ripening process and lengthen the fruit and vegetables' ability to emerge from a long transit as fresh as when they were packed in.

Cold chain logistics, historically a weak point for domestic distribution of perishable goods, has attracted significant investment over the past five years. "Cold storage capacity has greatly improved in China. Before it was pretty basic – brick warehouse, chain link fence and a padlock. But now investments are coming, which enables China to handle more perishable imports," said Michael Britton, Asia-Pacific region general manager at Hamburg Süd. More perishable goods that used to be transported by air are now being shipped by sea freight, slashing transport costs and enabling more affordable prices for consumers.

Reefers dominate the new Silk Way rail

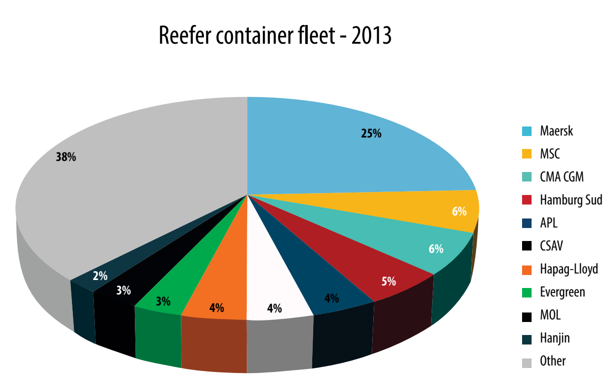
Reefer containers will form a huge part of the cargo carried on the New Silk Way rail network between China and Europe as shippers are forced to counter the extreme temperatures found on the route. Darryl Hadaway, a senior consultant for Kazakhstan-based KTZ Express said, he expects at least 50 per cent of the containers to be reefers, even in summer. The company is taking delivery of 200 45-foot reefer containers to meet the demand from shippers.

India dominates in fruit/vegetable exports

India is the second largest producer of fruits and vegetable in the world, also the second largest exporter of vegetables. The country is the world's largest producer of milk, and a top exporter of meat and seafood products.

Russia to import more from India

Indian food product exports to Russia have been negligible, partly due to the strict quality standards and Russia's



Source: Harrison Consulting and Nordea Markets preference for agriculture products from Europe and neighbouring countries.

Following an agreement between Russia's phytosanitary watchdog Rosselkhoznadzor and India's Agricultural and Processed Food Products Export Development Authority (APEDA), Russia is expected to increase imports of fruits, vegetables, meat and dairy products from India starting December 2014. The move will help boost India's seafood exports to Russia as well.

India's largest exporter of milk products, Amul, is the first Indian dairy company to enter the Russian market. According to Anatoly Sirotinin, Chief Executive, Galactica Group, the Russian dairy company will begin distribution of Amul's milk and dairy products in Russia soon.

Shippers add more of reefer containers

For shipping lines, reefer trade is a growing niche market that offers higher returns, but with higher upfront investment. To mitigate this high investment requirement for buying new reefer containers, many container lines have switched to leasing 40-foot high-cube refrigerated units, evidenced by a reported 70 per cent of new equipment orders now being for reefer boxes.

A new reefer container is priced at between $15,000 to $20,000 per 20-foot equivalent (teu) unit, 8 to 10 times the cost of a dry freight container of the same size. The trade also tends to be more seasonal than dry freight. Thus, entry barriers may be too high for newcomers. The market has become a battleground for about 10 carriers, even more concentrated than the overall container shipping industry, which counts 20 sizeable players.

Firms such as Hamburg Süd and Hapag-Lloyd, both based in Hamburg, Germany, are looking to expand reefer capacity. Hamburg Süd, which has 16 per cent of its container fleet in reefers, the highest proportion in the world, said it is planning a sizeable purchase by the end of the year. Hapag-Lloyd, which is waiting on regulatory approval in various jurisdictions for its merger with Compañia Sud Americana de Vapores, a Chilean carrier, also plans to capitalise on the growth of reefer trade.

This year, the CMA CGM Group acquired more than 7,000 of last generation 40-foot high cube reefer containers including 6,000 low consumption engines. These reefer containers reduce carbon print by 60 per cent as compared to the first generation's reefers, allowing precise controlling of the cold chain. Commodities transported by CMA CGM in reefers include fruits and vegetables, frozen food, wine, flowers and pharmaceutical products.

Ten major reefer carriers account for 63% of total reefer supply

	Owned Fleet	Leased Fleet	Total Fleet	Total Mkt Share	Containerized Mkt Share
ML	425000	25000	450000	18%	24%
MSC	40,000	80,000	120,000	5%	6%
CMA CGM	50,000	70,000	120,000	5%	6%
Hamburg Sud	90,000	10,000	100,000	4%	5%
APL	38,000	42,000	80,000	3%	4%
CSAV	10,000	70,000	80,000	3%	4%
Hapag-Llyod	45,000	21,000	66,000	3%	4%
Evergreen	59,000	-	59,000	2%	3%
MOL	32,000	18,000	50,000	2%	3%
Hanjin	35,000	7,000	42,000	2%	2%
Other lines	426,000	257,000	683,000	27%	37%
Total Container Carriers	**1,250,000**	**600,000**	**1,850,000**	**74%**	**100%**
Conventional Carriers				26%	

Source: Drewry Reefer Shipping Market Review and Forecast, Annual report, 2013/14

CMA CGM group recommenced its "Seasonal Citrus Express" for exporting citrus fruits and apples from East Mediterranean to the Black Sea. It supports citrus export development to Turkey and Egypt.

Reefer volumes carried by CMA CGM are increasing by 13 per cent per year. With its Reefer fleet of 185,000 teu, the CMA CGM Group is ranked second carrier and carry 850,000 teu per year. The company's objective is to transport one million 20-foot reefer containers before end of 2015.

United Arab Shipping Company (UASC) has expressed plans to make significant investment in new reefer units. The expansion of its fleet of refrigerated units and enhanced geographic access to the South America trades – following UASC's recently announced cooperation with Hamburg Süd – ensures that all UASC customers now have access to the important South America trades as part of UASC's comprehensive global reach, including those moving refrigerated cargo.

"Expanding our reefer fleet will ensure that we continue to offer our customers the most cutting-edge, energy-efficient solutions for the carriage of frozen and chilled cargoes," said Gareth Madsen, head of reefer management at UASC. Its reefer fleet is one of the youngest in the industry, with an average reefer container age of three years. Significantly, 80 per cent of UASC's current reefer fleet has the ability to measure the CO_2 levels of the cargo and automatically ventilate as required, enhancing both product quality and environmental performance. mg

Shipbuilders as Lessors: Growing interest in leasing business

How can shipbuilders attract more orders when many shipowners are still in financial stress? For the wealthier ones, turning into a lessor is the way to go.

In China, the world's largest shipbuilding nation, developing leasing business is especially in fashion for yards over the past few years, with several top players expanding their own fleets.

Leading the pack is CSSC Shipping, which has helped its parent China State Shipbuilding Corp expand its shipbuilding and offshore businesses. The Hong Kong-based unit would place newbuilding orders at CSSC yards backed by long-term bareboat charter commitments, targeting vessel operators unwilling to make capital investments in ships as clients.

This business model has worked well so far. CSSC Shipping booked vessels worth more than Yuan 17 billion ($2.8 billion) at the parent's group yards last year, and is now aiming to place newbuilding orders totalling Yuan 23 billion this year. Those orders include three 18,000 teu boxships on charter to CMA CGM and some jack-up drilling platforms, the two segments that CSSC had sought to enter.

The success is reflected on its parent's financial results. In the first nine months of this year, CSSC recorded net profits of Yuan 907.8 million, more than doubled from the year-ago level of Yuan 377.5 million.

Some other Chinese shipbuilders are following suit. Yangzijiang Shipbuilding, the most profitable non-state yard in China, has aimed to expand its leasing business to own at least 14 vessels, according to its latest annual report.

In March, Sinopacific Shipbuilding, a private player that focuses more on offshore supply vessels, signed a strategic cooperation agreement with AVIC Leasing to expand in this area. Other yards that act as lessors include Sainty Marine, a Jiangsu-based yard controlled by local authorities.

Elsewhere, shipbuilders have not been so keen on becoming lessors and owning ships themselves. In South Korea, yards normally only take ownership of vessels when their clients fail to meet contractual obligations. Japanese players adopt a similar approach, except for the Imabari Group.

More often than not, Shoei Kisen acts as a deal facilitator for Imabari Shipbuilding and its affiliate yards. The owner, also part of the Imabari Group, would order vessels from group yards for charter parties. Compared to Chinese players, Shoei Kisen prefers time charter contracts and positions itself as a full-fledged non-operating owner, however.

Having leasing business can undoubtedly help yards attract more clients – but it is not really everyone's game. With payments from charter parties spreading over long periods, yards needs to have access to a lot of capital to enter this business. CSSC Shipping and AVIC are linked to Chinese state conglomerates, which tend to have an easier time borrowing from banks in China. Yangzijiang and Imabari both have strong balance sheets.

Moreover, there could be more business risks for yards as lessors.

Sun Bo, vice-president of China Shipbuilding Industry Corp, another Chinese state shipbuilding giant, pointed out that charter and newbuilding markets are in "the same cycle". When charter rates are low, newbuilding prices tend to fall as well, hurting those dual players on two fronts. "We are not really keen in developing our leasing business," Dr Sun said.

Quiet newbuilding markets

Newbuilding markets were uneventful in the past 10 days, with some owners taking up the remaining 2016 slots.

Wisdom Marine, the expansion-minded Taiwanese bulker player, is set to book another two panamax vessels at $35.5 million each at Japan Marine United – a relatively higher price compared to recent deals in China.

** The article was authored by Max Tingayao Lin for the Lloyd's List.*

NEWBUILDING DEALS REPORTED FROM NOVEMBER 11

Yard	Buyer	Sector	Number	Capacity	Delivered period	Price per unit
HHIC	NA	Reefer	2	1,900 teu	2016 July	$34.1m
Sundong	Tsakos	Tanker	1+1	160,000 dwt	2017 1Q	NA
JMU	Wisodm Marine	Bulk	2	80,800 dw	2016-2017	$35.5m

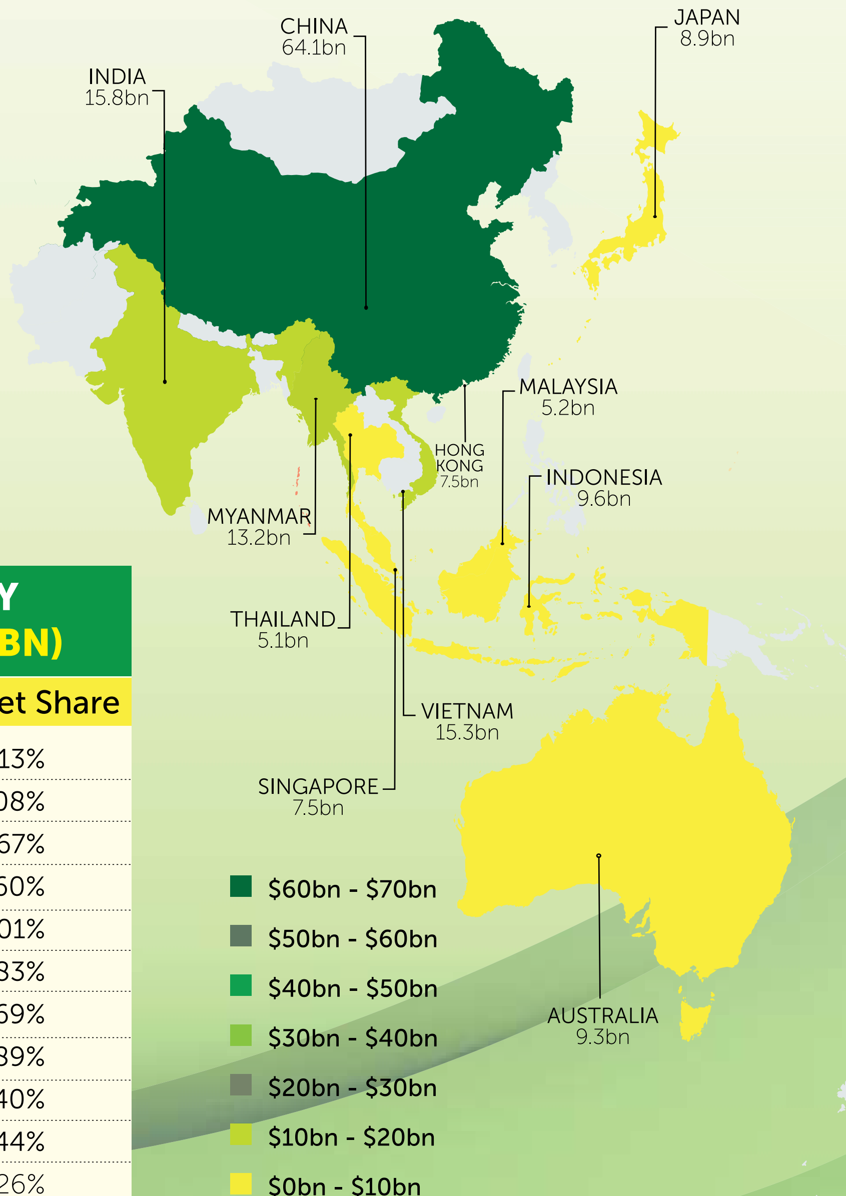
Source: Company announcements and sources, Vesselsvalue.com, Lorentzen & Stemoco and Asiasis.com

FDI ASIA-PACIFIC

FDI INTO ASIA-PACIFIC BY MARKET SHARE 2013

Country	Market Share
China	34.73%
India	8.57%
Vietnam	8.29%
Myanmar	7.16%
Indonesia	5.21%
Australia	5.01%
Japan	4.83%
Singapore	4.07%
Malaysia	2.80%
Thailand	2.78%
Other	16.55%
Total	100%

FDI INTO ASIA-PACIFIC BY CAPITAL INVESTMENT 2013 ($ BN)



FDI OUT OF ASIA-PACIFIC BY CAPITAL INVESTMENT 2013 ($BN)

Country	Capital Investment	Market Share
Japan	50.04%	28.13%
Hong Kong	48.18%	27.08%
China	18.97%	10.67%
India	13.52%	7.60%
Singapore	12.48%	7.01%
South Korea	8.59%	4.83%
Australia	8.35%	4.69%
Taiwan	5.14%	2.89%
Thailand	4.27%	2.40%
Malaysia	2.56%	1.44%
Other	5.82%	3.26%
Total	177.91	100%

FOREIGN DIRECT INVESTMENTS IN INDIA

Month	Amount of FDI inflows (In Rs. Crore)	(in US$ mn)	Y-o-Y (Value) (In Rs.)	(In US$)
January-14	13,589	2,189	1,870	32
December-13	6,819	1,101	807	1
November-13	10,257	1,638	4,459	580
October-13	7,556	1,226	-2,739	-716
Total	**38,221**	**6,154**	**4,397**	**-103**
Average	**9,555**	**1,539**	**1,099**	**-26**

Source: The FDI Report 2014

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