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# maritime gateway

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**– Leena Nair, Chairman, Coffee Board**

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# Waiting for reforms push

The maritime industry continues to face serious challenges with weak global demand. Though some bright spots appear here and there, majority of the sectors are struggling amid a wave of new pressures combining with familiar ones.

The oil price collapse over the past year is hitting the offshore vessel sector hard as demand falls for its services. Dry bulk shipping continues to struggle along the bottom. Weak global trade pulls down container volumes. Some of the leading shipping lines released their results and they are not good. On top of this, global economic growth remains sluggish and uncertain. Freight rates are under constant pressure and major containerised freight indices continue to see sequential declines.

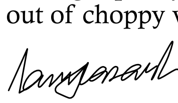
Exports, which have declined for 11 months in a row, are a major policy worry, although the government has so far done little beyond offering benefits to a few industry segments. Exports contracted 17.53 per cent to $21.35 billion in October, against $25.89 billion in October 2014. The decline in non-oil imports is more worrisome. What this means is weaker economic activity and falling investments, putting a question mark on economic recovery. A proposal to provide interest subsidy to exporters has been pending and the commerce ministry has virtually no action plan to bolster trade in medium term.

Container throughput at major ports recorded modest growth during the first seven fiscal months, compared with the same period last year, dragged down by slowing global trade. Though private ports were able to increase their net income, it happened at a slower rate than last year. With slowing ocean volumes, many ports appear unlikely to meet their targets for fiscal 2015-16. It is a different story that terminal capacities continue to grow despite slowing cargo growth.

Amidst this gloomy business scenario, some policy changes have begun to take shape. Though it is too early to assess the impact they may have on the industry, these proposed changes have certainly caused a stir. While decision like cabotage relaxation to ro-ro vessels, ODC carriers and LNG vessels and cargo support to Indian ships have brought cheer to some, the idea of re-bidding the existing terminals is causing furore. The government appears to be launching a series of policy reforms after the recent Bihar elections, signalling its intent to get moving again on economic changes. It appears that the government is not going to wait till the Budget to kick in reforms in various sectors. Reforms must be meaningful to step up investment in infrastructure, boost productivity and make the economy more efficient.

Amidst all this mayhem, Indian maritime industry seriously needs a shake up – new business opportunities and right policy measures – to lead it out of choppy waters.

“Amidst all this mayhem, Indian maritime industry seriously needs a shake up”



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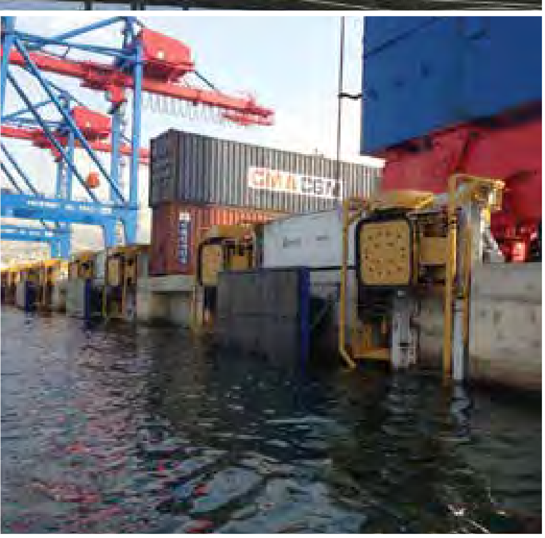

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We are a dedicated team working united for the past three generations. Commitment, dedication, patience and excellence resulting to a good service has always been our motto and that's the passion that drives us. We at Speedways welcome you to venture into a world where we define Logistics Supply Chain Management towards a whole new level.

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**3. CLEARING** **4. WAREHOUSING**
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Speedways, providing complete logistics solution to our customers with a one window service station by enabling all services when it comes to executing the supply chain management system. From freight forwarding to transportation of laden containers to warehousing cargo and crane hiring to customs clearing, a customer generally gets all the solutions under various departments of our firm when it comes to logistics.

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*"Excellence is an art won by training and habituation. We do not act rightly because we have virtue or excellence, but we rather have those because we have acted rightly. We are what we repeatedly do. excellence, then, is not an act but a habit.*

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Gaining mass success with a remarkable reputation built over the years in the sector, Speedways has now made its existence in Kolkata, Haldia, Vishakhapatnam and Raipur providing the best service to our customers at a competitive price.

## VISION

With the coming of Speedways Logistics PVT LTD, the company has now established its position in the industry providing "Total Logistics" solution with services provided for Transportation, Warehousing, Packaging, etc...

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# CONTENTS

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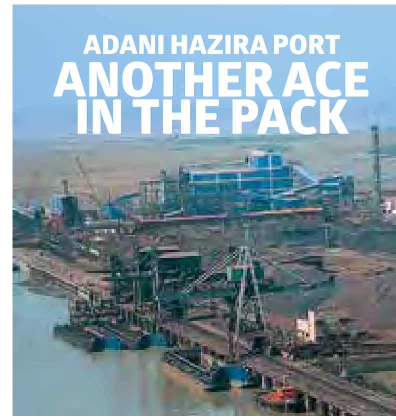


## INTERVIEWS









## PROFILE



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## CropBox: Farm in a shipping container

The Ritz-Carlton Naples is redefining the term "locally sourced produce." When Executive Chef George Fistrovich needs greens for a fresh salad at Terrazza or another of the resort's restaurants, there is no delivery truck required. He simply walks out of the hotel's back entrance and over to a 320-square-foot portable unit for his harvest. It doesn't look like much from the outside, but inside this climate-controlled trailer are rows upon rows of lettuces, herbs and other greens.

Not only is the temperature kept near 70 degrees Fahrenheit, the pH, humidity, nutrient release and other growing factors are all controlled at the touch of a button – or remotely from a smartphone. About 300 cabbages, lettuces and micro greens are now germinating in what Fistrovich calls his "Grow House." It's an invention of North Carolina-based Williamson Greenhouses, which released the CropBox one year ago, billing it as "a farm in a shipping container." The "Green & Herbs" and "Microgreens & Fodder" boxes start at about $50,000 and can be customised. A strawberry cropbox is coming soon. The Ritz-Carlton is the first hotel chain to incorporate this technology, and the Naples beach resort is its first test market. To date, there are just 13 CropBox units in the United States, said principal owner Tripp Williamson.

According CropBox data, each 320-square-foot unit yields the equivalent of one acre of field lettuce or 2,200 square feet of greenhouse space.

## Gateway rail abolishes handling charges

To help investment and export business in Punjab, Gateway Rail at its ICD at Sahnewal will not levy any terminal handling charges on export containers at their facility. This will continue until there is overall improvement in export volumes in Punjab. In a first major export initiative, Gateway Rail moved block train of Naranjan Rice Exports Pvt Ltd carrying rice in 90 racks to Mundra Port for connecting to designated vessels. This is the biggest quantity for export in one go.

## Visakhapatnam Port to use solar power

The Visakhapatnam Port Trust (VPT) plans to commission a 10-MW solar power plant by March 2016 in two phases. In the first phase, 2-MW solar power plant will be set up by January 15, 2016 and the remaining 8 MW capacity would be commissioned by March 20, 2016. VPT is the first among the major ports to go ahead with the solar power project. The project contract has been awarded to Jakson Engineers Limited of Noida that would maintain it for seven years. The total project cost is ₹60 crore, including annual maintenance cost of ₹2.5 crore.

## Flipkart invests in logistics, warehouses

Flipkart will invest around $2.5 billion in the next few years on beefing up its logistics network as part of efforts to strengthen its position in the booming e-commerce industry. $500 million will be invested over the next 4-5 years in warehousing to set up a network of 80-100 fulfilment centres across all states, more than half of them will be in tier II and III towns.

A fulfilment centre has been opened in Gundlapochampally, Hyderabad spread over 2.2 lakh sq ft and holds storage capacity of 5.89 lakh cubic ft.

## Fortigo to raise $2m funding

A soon to be launched logistics service Fortigo is in talks with Nandan Nilekani, Infosys' co-founder, to raise $2 million in seed funding. Fortigo will be providing the trucking services and will target small and medium-sized businesses and truck owners with relatively smaller-sized fleets. It will help truck owners manage and track their inventory more efficiently and help save logistics cost also. Through the startup, the truck drivers can plan their journeys and can reduce the delays in transportation.

## Government to improve trade with Latin America

To boost exports to Latin America, Indian government has asked exporters to create a supply chain through back-end operations and logistics. Exporters have been asked to create warehouses to plug the transportation gap. To this effect, The Export Promotion Council for Handicrafts (EPCH) is setting up a warehousing facility at Montevideo, Uruguay.

## The longest ship to call at Chennai Port


*MV Maersk Serangoon V.1510* is the longest vessel to call on Chennai Port. The ship will help Maersk improve operational efficiency through reduction of cost due to economies of scale. To mark the occasion, an on-boarding ceremony was organised at the Chennai Port in association with DP World.

## UK keen to invest in Indian transport infra

The British government and UK-based investors are keen to invest in India's transport infrastructure, revealed Railway Minister Suresh Prabhu. Prabhu was in London recently on the invitation of two senior UK government ministers to explore ways in which the UK can engage with India.

## Mahindra ships first Peruvian grapes

Mahindra ShubLabh Services (MSSL), the agribusiness division of Mahindra & Mahindra, is expanding its offshore sourcing of grapes with its first shipments from Peru. Mahindra shipped a container load with Red Globe from Piura in Peru's north to Europe, signalling the start of its inaugural programme from the Andean nation. MSSL is aiming to ship a total of 50 container loads of Peruvian grapes this season to a range of markets including Europe, China and India.

## India to export 200,000 tonnes of white sugar

Indian mills have contracted to export 200,000 tonnes of white sugar, taking advantage of a surge in global prices. More deals could be sealed if the government approves incentives. The latest export deals have coincided with a rally in world raw sugar prices, which hit an eight-month peak of 14.80 cents a pound. The proceeds from exports can be used to clear huge debts the mills owe to sugarcane farmers.

The government has announced new rules making it compulsory for sugar producers to increase exports to at least 4 million tonnes of sugar, both raw and whites, in the 2015/16 crushing season to cut stockpiles.

## Auction coal blocks: ASSOCHAM

To boost indigenous production of coking coal, ASSOCHAM has urged the government to put coking coal blocks on auction and allocate the same through competitive bidding. Coking coal blocks should not be allotted on nomination basis as it would delay the development of coking coal in India and create a non-level playing field in the steel industry, suggested ASSOCHAM. Allocation of coking coal blocks to steelmakers has much merit because the industry is capable of efficiently utilising 100 per cent prime coking coal reserves.

## Iron ore business in India looking up

After two years since mining was halted, Vedanta has restarted exporting iron ore from Goa to China. China is one of the biggest buyers of Goa ore. Moreover, earlier this year Indian government had reduced export duty on low-grade iron ore from 30 to 10 per cent, and as a result many Indian miners have restarted operations.

## COFCO planning alliances to import grain

China National Cereals, Oils and Foodstuffs Corp (COFCO), the country's largest food trader, is planning to import 3.5 million metric tonnes of grains every year through tie-ups with domestic shipping companies. COFCO will expand its alliance with China Shipping (Group) Co to launch five new shipping services before the end of this year between China and South America. They will primarily import soybean, corn, beef and other agricultural products.

## Aurizon eyes Indian logistics market

Queensland-based freight service provider Aurizon is eyeing investment in rail and logistics networks in India. The company is doing preliminary investigations for investing into India. "Our agenda is simple – to explore growth markets where Aurizon can leverage our capability in rail-based integrated supply chains," said chief executive Lance Hockridge. The company is particularly upbeat about India's surging demand for coal as it lifted steel production.

Cloud services allow remote monitoring of entire fleets. When data collected by automation systems is utilised in the most optimal way, we can save both costs and environment. The Internet of Things opens new possibilities for the marine industry.

**– Mikko Lepistö**
Vice President of software and automation operations, ABB

We see very weak development in the trade between Asia and Europe, and because lot of capacity is coming in, we've seen pressure on rates. What affects us more is the rates than the volume. Currency and competitiveness is surely playing a role.

**– Nils S Andersen**
CEO, Maersk

Governments can hinder or help but no country can shape the system alone. The shipping business as the backbone of world trade is driven by the power of market and it is essential that we guard it against any kind of protectionism by ensuring effective and transparent international regulations. The gap between regulators and shipping industry needs to be improved."

**– Robert Goodwill**
Minister of Shipping, UK

I don't see any reason why this trend would not continue. The average vessel size per country will continue to grow and so we expect there will be fewer companies in individual markets, and this is an increasing challenge for the smallest players.

**– Jan Hoffmann**
Head of trade facilitation at UNCTAD

As more Indian ships start participating in the regular carriage of Indian imports, other ancillary industries such as bunkering, ship repair and even shipbuilding will grow.

**– Anil Devli**
CEO, Indian National Shipowners' Association (INSA)

SHIPPING

## Maersk Line and APMT profits plunge in third quarter

Maersk Line has announced a 59 per cent year-on-year drop in its pre-tax profit during the third quarter of 2015 amid continued overcapacity and low freight rates. The company recorded a $303 million profit before tax in the three months to September 30, 2015, compared to a pre-tax profit of $740 million in the same period last year.

The Maersk Group also suffered poor results in its port operation section. APM Terminals recorded a 60 per cent plunge in profit before tax to $205 million in the third quarter of 2015, from $510 million in the same period last year.

APMT's revenue went down by 5.7 per cent from $1.1billion in the third quarter of 2014 to $1.05 billion in the three months to September 30, 2015, while the amount of containers handled fell by 8.2 per cent to 8.9 million teu in the third quarter of 2015 from 9.7 million teu in the same period last year.

## X-Press Feeders buys TransAtlantic AB

X-Press Feeders announced the purchase of TransAtlantic AB, a subsidiary of Swedish supply vessel operator Viking Supply Ships. The container operations to be sold consist of TransFeeder North Line, TransBothnia Container Line and TransFeeder South Line, with annual container volume of approximately 105,000 teu.

X-Press Feeders will continue to conduct the business under the brand TransAtlantic Container.

## IRClass acquires GML

Indian Register of Shipping (IRClass) has acquired Bengaluru-based Geological and Metallurgical Laboratories (GML), a specialist multi-discipline testing laboratory focused on chemical, mechanical, metallurgical, civil, environmental testing, calibration, failure analysis and geological investigations, as well as assisting industries in establishing laboratories and training personnel. Subsequently, IRClass also made another successful acquisition of Safess Quality Management, which deals with the inspection of cryogenic vessels.

## Maersk Line introduces two new services

Maersk Line will introduce two new services from January 2016 for its Far East/ Southeast India network, the Chennai Express (CHX) and the Chennai Express 2 (CHX2). A vessel sharing agreement on the CHX and slot charter agreement on the CHX2 has been done. The revamped network will include a Northern China direct call, head haul new direct port calls including Singapore, Hong Kong, Yantian and Port Klang, and backhaul new direct port calls including Busan, Singapore and Port Klang.

The movement of two new services would be:

CHX: Busan – Qingdao – Xingang – Busan – Shanghai – Nansha New Port – Singapore – Tanjung Pelepas – Chennai – Krishnapatnam / Kattupalli (biweekly) – Visakhapatnam – Tanjung Pelepas – Singapore

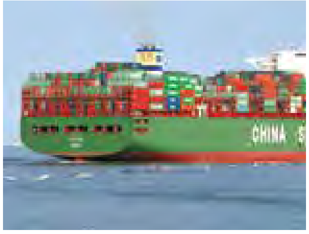
CHX2: Busan – Shanghai – Hong Kong – Yantian – Singapore – Port Klang – Chennai – Port Klang – Singapore – Shanghai

## Chinese Port in Colombo strengthens String of Pearls

The first section of a Chinese port project in Colombo, Sri Lanka is boosting the speed of India's maritime freight shipping. The $500-million investment by China Merchants Holdings International (CMHI) in Sri Lanka's first deepwater port is already paying off by handling significant volumes of Indian container traffic – and shortening local feeder routes in the process.

"Seventy per cent of the transshipment at Colombo is Indian traffic and our terminal has 32 per cent of Colombo's market after being in operation for just over a year," said Tissa Wickramasinghe, general manager, commercial and marketing, at port operator Colombo International Container Terminals (CICT). The company is 85 per cent owned by CMHI, with the rest held by the Sri Lanka Ports Authority. The port is seen as one part of the Chinese initiative to construct a "string of pearls," a line of facilities extending their reach across the Indian Ocean.

## CSCL to charter six 21,000-teu boxships built at SWS



China Shipping Container Lines (CSCL), through its wholly-owned CSCL HK, has confirmed a bareboat charter deal for six 21,000-teu containerships to be built at Shanghai Waigaoqiao Shipbuilding (SWS). CSCL had earlier announced that it planned to bareboat charter up to 11 units of 21,000-teu containerships, of which five will be options exercisable after six months of charter for the first six ships. The owner of the containerships is China Shipping Nauticgreen Holdings Company, an indirect wholly-owned subsidiary of CSG. The charter hire for each of the vessel is $41,000 per day for a period of 12 years.

## Nicaragua Canal gets green light

Chinese concession holder of the Nicaragua Canal project, Hong Kong Nicaragua Development group (HKND), has received approval from the state-run Nicaraguan Grand Interoceanic Canal Commission on the environmental and social impact studies for the waterway project, clearing the way for construction to begin.

The project entails construction of an interoceanic waterway that will be 276 kilometres long, up to 520 metres wide, 30 metres deep, link Nicaragua's Pacific and Atlantic coasts, and serve as a rival to the Panama Canal. Further projects will include roads, two deep-water ports and a free-trade zone.

## China Cosco Holdings in the red

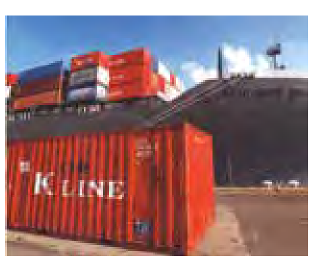
China Cosco Holdings booked a 3.8-billion yuan ($598 million) net loss for the January-September period as China's slowing economy sank demand for domestic shipping of coal and other goods. The state-owned maritime shipper had managed 1.89 billion yuan in net profit for the first half, propped up by a government subsidy for the demolition of received ships. But poor performance by core operations during the third quarter pushed the company into the red.

## Thailand proposes $20bn Silk-Road-Canal

A new canal situated in Southern Thailand called the Kra Canal could be included as part of China's Maritime Silk Road plan. A feasibility study of the new canal has already been conducted and shows that the 26-metre-deep and less-than-100-kilometre-long waterway would cost around $20 billion.

Upon completion, the canal is to offer a route that will allow ships to avoid sailing through the Malacca Strait, a region that is expected to become heavily congested in the next ten years. The canal is also anticipated to save up to 48 hours for shipping companies transiting routes between Asia and Europe. China is rumoured to be financing the project.

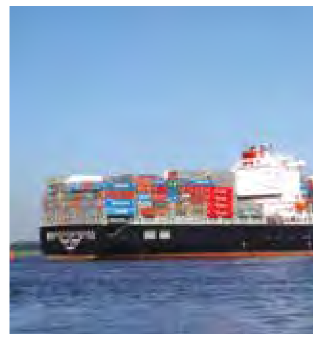
## K Line and Sharaf joins for a new venture




Japan-based Kawasaki Kisen Kaisha ("K" Line) and Sharaf Group have established a new firm, K Line Shipping & Logistics (KLSL). Based in Dubai, UAE, KLSL will carry out businesses in the fields of marine transportation, logistics, land transportation, air cargo transportation, warehousing and supply chain solutions.

According to "K" Line, the new firm will develop new businesses actively through the networks of "K" Line and Sharaf Group.

## Hanjin and Hyundai to merge?



South Korea's biggest shipping company Hanjin Shipping has confirmed that the South Korean government had asked it to consider a merger with liner Hyundai Merchant Marine (HMM), However, any merger is thought to be unlikely at the present time, with Hanjin Shipping stating a joint operation would be "hard to materialise."

## Inland Shipping Port at Jalore

The IWAI has proposed to guide and support Rajasthan government for building an Inland Shipping Port at Jalore. A canal is proposed to be built between Mori Creek and Jalore that will have a minimum draft of 3 metres. It will help in creating inland navigation facilities in western Rajasthan and business development opportunities for limestone, gypsum, lignite and cement factories can be explored by the state government. A pre-feasibility report for the project will be prepared by WAPCOS. Existing cherras and rivers like Luni may be explored for establishing connectivity from Jalore to Mori Creek.

## Elektrans adds third tanker to its fleet

In its biggest acquisition to date, Elektrans Shipping Pvt Ltd has acquired *Distya Akula,* a Suezmax crude oil tanker, co-owned with Arya Industries. The joint company has so far invested $40 million towards acquisition of vessels to its fleet. It has a deadweight tonnage of 149,834 tonnes and is the third tanker to join the fleet in the past one year. *Distya Akula* is built by Mitsui Ichihara Engineering and Shipbuilding. It has the capacity of carrying a full load of about 149,000 metric tonnes of oil.

## Special berthing facility for Indian transit shipments

Vessels carrying Indian transit shipments will enjoy special berthing facility at Bangladesh's Chittagong and Mongla seaports. "As far as Mongla Port is concerned, we will be able to provide preferential berthing facility to vessels laden with goods for transit to Indian states," said chairman of Mongla Port Authority Riazuddin Ahmed. The Chittagong Port Authority will be able to offer 'window berthing' facility instead of fixed berthing to vessels of Indian transit goods. But setting up of warehouses may be needed if the unloaded Indian goods are not transported immediately and need storage.

## Coastal shipping can save ₹40,000 crore, says govt

The government estimates that as much as ₹40,000 crore could be saved in 10 years by promoting cargo transportation through coastal shipping. Higher coastal shipment of coal by 100 MTPA and of other commodities (cement, steel, fertiliser, food grains, POL) by 50 MTPA alone could result in savings to the tune of ₹11,500 crore by 2025. Building of new coastal capacities for 120 MTPA steel and cement in southern Gujarat, central and northen Andhra Pradesh, northern Karnataka and Odisha would result in savings of another ₹8,500 crore. Dedicated road corridors for last mile connectivity and improving Customs efficiency can reduce time for exporting containers by five days in the next 10 years, saving ₹12,500 crore.

## 120 Somalis plead guilty of piracy

The Somali government has told an Indian court that close to 120 of its nationals undergoing trial in Mumbai intend to plead guilty to charges of piracy. The pirates want to submit a guilty plea in the hope of expediting the trial. The men were arrested between January and March in 2011 by a joint force from the Indian Navy and Coast Guard for hijacking two ships and holding the crew to ransom. The move to make a guilty plea came after embassy officials visited the jail where the men are being held. The trial has been underway for three years. Around 80 witnesses have deposed in the court proceedings so far.

LOGISTICS

## Allcargo wants to set up logistics parks

Allcargo Logistics wants to build logistics parks at smart cities announced by the government. "We are looking at rail corridors. Wherever the dedicated railway freight corridor passes through, there will be smart cities. If the industrial zones are set up, we will look at logistics parks. We will go and examine whether it makes for strategic fit and whether it gives us the return we want on our capital employment," said Prakash Tulsiani, COO, Allcargo Logistics. Such infrastructure projects will need the government's support in terms of tax incentives, as these are capital-intensive projects and there is a gestation period before the returns start to come in.

## Railways freight productivity declines

For the first time since 2010, freight productivity of the Indian Railways – both in distance and volume terms – declined in the first half of FY16. Freight transportation is a key bread-earner for the Indian Railways, accounting for almost 70 per cent of its total income. Overall, however, the Railway earnings reflect a growth on account of the hike in freight tariff during this period. The commodities that saw a positive net tonne kilometre (NTKM) include coal (0.68 per cent), pig iron and finished steel (7.31 per cent), fertilisers (32.29 per cent) and mineral oil including petroleum products (2.38 per cent).

## PM lays foundation stone for highway projects

Prime Minister Narendra Modi laid the foundation stone for three 341-km-long highway projects costing ₹13,802 crore at Rajiv Gandhi Education City, Sonepat. The projects include Western Peripheral Expressway, Eastern Peripheral Expressway and eight-laning of the highway section from Mukarba chowk (Delhi) to Panipat.

The 136-km-long Kundli-Manesar-Palwal (KMP) Expressway, also known as Western Peripheral Expressway project would provide high-speed link to the northern Haryana with its southern districts like Gurgaon, Faridabad and Palwal. The project spanning five districts of Sonepat, Jhajjar, Gurgaon, Mewat and Palwal would be completed at a cost of ₹4,000 crore and would help in decongestion of National Capital Territory.

## FCI to increase storage space

The Food Corporation of India (FCI) has proposed to call bids from 21 shortlisted private players to develop silos, at an estimated cost of ₹80 crore, in order to generate a storage capacity of one lakh tonnes. FCI will provide guarantee of rentals for 30 years for silo operation for the private sector to recover capital investment and maintenance charges. In addition, as per infrastructure project norms, there is a provision for 20 per cent VGF from the government.

## Medical equipment hub near Visakhapatnam

Andhra Pradesh Government has expressed plans to set up a medical equipment hub near Visakhapatnam. The proximity of ports to the region will make it easier to transport equipment. He also invited foreign delegations along with government of India representatives to visit Andhra Pradesh and zero in on suitable locations.

## North-South corridor will open access to India

If the North-South corridor, which links North Europe with South-West Asia, operates at full capacity, this will allow some European, Central Asian, Caucasus countries, as well as several regions of Russia to get access to the Persian Gulf and India.

"The North-South corridor will allow intensifying the railway transportation between Europe, South Asia and Middle East. It will significantly increase the income from local and transit railway transportation," said Javid Gurbanov, head of Azerbaijan Railways. The railway's capacity is estimated at 1.4 million passengers and 5-7 million metric tonnes of cargo per year.

## Odisha govt to construct 2,600 godowns

Odisha cabinet has approved a proposal to construct more than 2,600 godowns at a cost of ₹736.50 crore in 27 districts of the state to create storage capacity for fertilizers and other agricultural inputs. The godowns included 1,239 of 100 MT capacity and 1,362 of 300 MT capacity. 1,239 godowns would be utilised for storage of fertilisers and other agricultural inputs, 1362 godowns would be utilised for storage of paddy and agricultural produces. NABARD will provide 95 per cent of the cost under Warehousing Infrastructure Fund as loan and the state government will bear the rest 5 per cent of the cost. The project will be completed in three years.

## Cargo stuck at ICD Birgunj is being dispatched

Cargo imported from third countries that had been stuck at the ICD Birgunj since long due to the ongoing protest in the Tarai and rising insecurity in Birgunj area have started being dispatched to their respective destinations. It will take another one week to clear the goods stuck at ICD if loading of goods and customs clearance are done at a rapid pace. Security forces are escorting the cargo to ensure safe logistics. As on November 1, the additional cost being borne by Nepali importers due to the protest has exceeded ₹5 billion. Around 270 cargo containers, 40,000 tonnes of bulk cargo and 92,000 tonnes of break-bulk cargo have been stuck at the ICD.

## Integrated logistics platform Vamaship launched

Vamaship, a technology-driven integrated logistics platform, has been launched in India with an aim to provide the most cost-effective, on-time shipment fulfillment for individuals and businesses and to integrate the largely unorganised logistics process in India. Vamaship claims to be the world's first integrated logistics platform facilitating shipping through air, ocean and surface. It has also pioneered a drastic decrease in the turnaround time for ocean freight pricing, reducing it from 48 hours to just 7 seconds.

## Trial run of cargo between Kolkata and Agartala


A trial run of cargo transport between Kolkata and Agartala through Dhaka, reducing the distance by nearly two-thirds, has been flagged off as part of the Bangladesh-Bhutan-India-Nepal (BBIN) sub-regional initiative for uninterrupted cargo movement. The distance between Kolkata and Agartala will be reduced from 1,550 km to 640 km and will be further reduced by another 150 km after construction of a bridge in Bangladesh. The BBIN Motor Vehicles Agreement removes the need for transshipment of cargo at international borders between the countries and vehicles of each country would run uninterrupted through these countries through designated corridors.

## Trial run for India-Myanmar-Thailand highway

The trial run for the India-Myanmar-Thailand (IMT) trilateral highway connecting the country with South-east Asia is likely to begin from December next year. According to Vijay Chibber, Union Road Transport and Highways Secretary, "We are developing the protocol in advance and the agreement is expected to be signed by last week of March or the first week of April 2016. We hope that the trial run for IMT will commence in early December." The highway from Moreh in Manipur to Mae Sot in Thailand via Myanmar will have three verticals – passenger cars, buses and trucks.

## India mulls feasibility of bridge to Sri Lanka

India will carry out a feasibility study on a bridge linking Rameswaram in Tamil Nadu and Thalaimannar in Sri Lanka. It will be constructed over the Palk Strait that connects the Bay of Bengal in the northeast with Palk Bay and the Gulf of Mannar in the southwest. However, at its narrowest point, it is studded with a 30km chain of low islands and reef shoals collectively called Adam's Bridge. One of the Indian islands, Rameswaram, is linked to the mainland by the 2-km pamban road bridge. A proposal for providing road and rail link bridging the divide across Palk Strait had been submitted to the Asian Development Bank, for a pre-feasibility study and subsequent financing.

PORTS

## LNG terminal project scrapped

Indian consortium has scrapped plans for a $770-million liquefied natural gas (LNG) terminal in the southern Indian port town of Mangalore, balking at the low capacity use of a similar existing terminal in close proximity. The consortium, comprising oil marketer Bharat Petroleum Corporation Limited (BPCL), exploration and production major ONGC and Japan's Mitsui, had lined up the investment to build an initial 3-million-tonne-a-year LNG terminal at Mangalore, which would later have been expanded to a 5-million-tonne-a-year terminal.

## JNPT on a revamp extension plan

Eight villages spreading across more than 111 hectares of land will have to clear to make way for extension of the Jawaharlal Nehru Port Trust (JNPT). The land which comes under the inter-tidal zone has been approved by the ministry of shipping for rehabilitation of residents whose land had been acquired 25 years ago for development of JNPT. The land is adjacent to the port township, railway quarters, Customs quarters and Funde village. An inter-tidal zone area is a Coastal Regulation Zone-I area as per CRZ notification 2011 and no construction is allowed in this section. The area is part of the port area notified by MoEF in 2005 and is marked for port activities.

## Detention charges would be waived, says HTPL

Himalayan Terminals Pvt Ltd (HTPL) has decided to waive the detention charges for the period September 20 to October 29 for delay in clearance of goods from the ICD – a sigh of relief for the importers whose cargoes have been stuck at the ICD Birgunj due to the Tarai protests.

The decision was made by HTPL in view of the difficulties faced in Customs clearance by the cargoes stuck at ICD Birgunj due to the Tarai protests. With the detention charges waived, importers are expected to get relief to some extent as the movement was turning costlier with goods stuck at Kolkata Port for long and they were compelled to pay high demurrage charges levied by the port authority. Importers who have already paid fees for 40-day period will get refund soon.

## JNPT floats tender for setting up industrial units

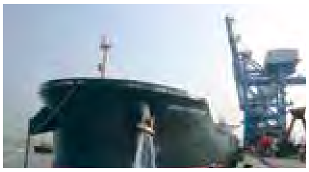
JNPT has floated a tender for invitation of EoI to set up industrial units in the upcoming smart and green port-based SEZ. The SEZ is spread across 277 hectare of land having a processing area of 200.25 hectare. The proposed site is located in Uran Taluka of Maharashtra abutting SH-54 & NH4B. The site is strategically and logistically well placed in proximity to major growth centres/nodes like Mumbai, Pune, Aurangabad, Nagpur and Nashik, Ahmedabad, Surat and Delhi. Some of the preferred sectors include FTWZ, light engineering, electronics, apparel, multi services (IT/ITES and healthcare) and renewable energy components.

## Gujarat Pipavav volume plunges

Gujarat Pipavav Port recorded a 24 per cent year-over-year decline in its container volumes during the second fiscal quarter. It was the second straight quarter of declining throughput at the minor facility on India's west coast. The private operator, also known as APMT Pipavav, handled 147,000 teu in the three months through the end of September, down from 194,000 teu in the same quarter in 2014.

The APMT unit attributed the negative performance to "global trade slowdown, realignment of shipping services and intermodal disruptions on the northern rail corridor due to heavy rains earlier this year."

## JSW Jaigarh Port handles its first container vessel



JSW Jaigarh Port is expanding by creating additional stackyard equipped with modern material handling systems and is also constructing additional berths with dedicated facilities for handling of containers. The maiden container vessel *MV SSL* Chennai called at the port, opening the gateway for container movement in Kolhapur and peripheral sector. Neighbouring regions like Ratnagiri, Chiplun, Mahad, Kolhapur, Satara, Sangli, Solapur, Belgaum, have major industrial base for foundry, textile, sea-food, agro commodities etc. The entire trade is presently operating from JNPT, Mumbai. Jaigarh Port reduces distance by 200 kms for exporters and expects to attract container traffic of at least 2,000 teus per month.

## Visakhapatnam Port to install VTMS

Visakhapatnam Port is currently undergoing a modernisation and expansion plan which includes installation of VTMS from Transas that will be integrated with the Port Operation System, X-band Radar, six CCTV cameras and an AIS Base station. The main VTS operator workstation will be equipped with three monitors to display marine traffic and a video from CCTV cameras. The second operator display unit will be installed at the ERP unit.

## Elektrans receives Samudra Manthan Award 2015

Elektrans Shipping Pvt Ltd has bagged the prestigious Samudra Manthan Award in the non-vessel owning common carrier category. The award recognises the company's stellar achievement as the foremost Indian company in the marketing of containers (both exports and imports) in 2014-15.

## Kakinada Container Terminal launched

Kakinada Container Terminal, a joint venture company of Kakinada Infrastructure Holdings Pvt Ltd and Bothra Shipping Services Pvt Ltd, has been formed to serve the trade on the eastern part of India. It will have an initial annual container handling capacity of 200,000 teu and is equipped with a 300-metre quay, mobile harbour cranes and reach stackers. The port will particularly serve east India's agricultural, seafood and commodity hinterland, which exports products like rice, sugar, maize, shrimps and paper products.

## NMPT promotes coastal shipping

In order to encourage coastal shipping, New Mangalore Port has allowed priority berthing facility for coastal vessels. A berth has been earmarked for this purpose so that ships carrying coastal cargo need not wait at the port for berthing. The documentation process for coastal cargo has also been streamlined. The port has also introduced RoRo service between Mangalore and Hazira to boost coastal shipping.

## APM Terminals Mumbai opens new facility

APM Terminals Mumbai has opened a new parking facility to provide easy access for tractor trailers carrying export cargoes. The facility is exclusively for the handling of factory-stuffed export containers arriving via road, bound for outgoing vessel calls at the terminal, and is located at the entrance of the Dedicated Access Road leading into the terminal. The tractor-trailer drivers will be able to park their trucks at the facility for a nominal sum, and upon completion of all documentation and other standard verifications, will be allowed to proceed to the terminal gates.

## Paradip Port to soon handle 300 mn tonnes of coal

Paradip Port is expected to handle nearly 300 million tonnes of coal annually soon when Mahanadi coalfield in Talcher Odisha completes its expansion project, Shipping Minister Nitin Gadkari said. Indian Port Rail Corporation is implementing a ₹4,000-crore project to link Talcher with Paradip Port under the port connectivity project. Gadkari said the coal meant for thermal plants in numerous states both in the east and west coast will be handled and coastal shipping will get a boost. Moving coal by ship will reduce the cost of power by at least ₹1 per unit.

## India's first FSRU terminal planned in Gujarat

EXMAR has entered into a binding agreement with Swan Energy Limited for the joint development and operation of Jafrabad LNG Port project to be located in Gujarat. Jafrabad LNG Port will be a 5-MTPA LNG receiving terminal, with one jettymoored Floating, Storage and Regasification Unit (FSRU). The two partners have the firm intention to expand the terminal to 10 MTPA through the deployment of a second FSRU. EXMAR will contribute its vast experience in floating LNG solutions into the integrated project management team and will participate as equity partner in the LNG receiving terminal.

## China becomes the largest exporter to India

China's share in India's total imports has risen to 15.1 per cent so far in the current financial year (April-August 2015). Between 2010-11 and 2014-15, the country's share in India's import basket grew rapidly from 11.8 per cent to 13.5 per cent. This makes China the largest exporter to India.The overall trade between the two countries has steadily risen from \$57.65 billion in 2011-12 to \$72.3 billion in 2014-15.

## Vallarpadam ICTT Exim traffic improves

The export-import traffic from Cochin, through the ICTT has seen a steep rise in the past 2-3 months. Vallarpadam ICTT has shown steady positive growth for the last seven consecutive months and is on a high after handling 51 vessels in Aug'15, 52 vessels in Sep'15 and 58 vessels in Oct' 15 with a 16 per cent increase in volume year on year and an improved month-on-month throughput for the last seven months.

## Dhamra Port to get non-government railways status

Dhamra Port Company Ltd (DPCL) in Odisha will soon get the status of 'non-government railways,' for which it has signed a commercial agreement with the ministry of railways at its east coast railway headquarters. DPCL, with help from the Odisha government, under the agreement constructed 62.5 km of railway tracks, which was the longest ever non-government railway system constructed by any private organisation. It will help DPCL to connect to the major portion of Bhadrak.

## Indian port companies to invest in Colombo project

The Indian government is keen to promote participation of port companies, private or state-owned, in the Colombo Port Expansion Project (CPEP). John Keells Holdings, one of the largest private sector companies in Sri Lanka, has sought help through Indian high commission there to identify a suitable strategic investor from India to partner them in bidding for the East Terminal at Colombo Port, the largest and busiest in South Asia. CPEP involves building three container terminals (south, east and west) sequentially, with 2.4 million teu capacity.

EXIM

## Iran to rescue of Indian rice farmers

Rice farmers and mills in India are banking on Iran to end a two-year slump in prices. Iran's decision to end curbs on imports is set to boost demand for basmati rice and send its prices soaring. Exports to Iran may increase for the first time in two years.

Basmati rice prices plunged more than 50 per cent in the past two years after Iran cut purchases and Indian farmers boosted planting. The easing of international trade sanctions on Iran sees the country having access to more supplies at a time when Thailand is looking to dispose of its near-record state stockpiles.

## Norway plans doubling of seafood exports to India

Norway is hopeful of doubling its exports to India over the next few years. "To facilitate this we have asked that the import duty of 30 per cent on seafood should be completely removed by the Indian government," said Terje E Martinussen, Managing Director of Norge. Norway had exported 275 tonnes of salmon fish worth $4 million to India in 2014. But it eyes doubling its export of salmon fish to India over next few years. India also needs to improve in terms of handling of import document to get goods cleared in an expedite manner.

## Indo-Poland trade to reach $4 billion by 2020

Poland expects its trade volume with India to grow to $4 billion by 2020 from $2 billion currently and is encouraging Poland-based companies to expand collaboration with Indian companies in a host of sectors like IT, coal, food processing, power, petrochemicals, defence, science and technology. Poland is already India's largest trading partner in Central Europe and Poland imports more than it exports to India and this trade deficit is increasing over the years. India exports cotton, textiles, chemical products, vehicles and vessels, while imports electro-mechanical appliances, mineral and chemical products, among other items.

## Indian cotton exports to rise

India, the world's biggest cotton producer, is likely to export 6.8 million bales in the 2015/16 season, up 18 per cent from a year ago as demand from Asia is expected to improve. Higher exports will cap global prices, but raise domestic prices and help bring down government purchases at the support price. According to Kavita Gupta, Textile Commissioner, higher demand from Bangladesh, Pakistan and Vietnam can offset poor demand from China. In the 2014/15 season Bangladesh surpassed China to become India's top buyer of the fibre as the world's biggest consumer began cutting import quotas to stimulate demand for domestic cotton.

## Govt extends duty incentives to boost exports


The government has extended duty incentives to a large number of products, including textiles and electronics, to increase competitiveness of Indian exports and boost shipments. Under the Merchandise Exports from India Scheme (MEIS), the Commerce Ministry has extended the duty benefits to 110 new tariff lines or products and increased rates or country coverage or both for existing 2,228 items.

Duty benefits at 2 per cent, 3 per cent and 5 per cent are provided depending upon the product and country. Global support has been extended to products including textile items, pharmaceuticals, project goods, auto components, telecom, computer, electrical, electronics and railway transport equipments. Earlier, benefits to these items were provided to a few countries.

## India to buy 10k tonnes of soymeal from China

India, which was exporting soymeal to China until three years back, has started importing it from its northern neighbour as global prices have dropped following a huge soybean crop in Brazil and the US. Feed makers are said to have contracted imports of about 10,000 tonnes of soymeal. Feed makers, who have contracted to import from China, will be getting soymeal at about $480 a tonne (₹31,394 a tonne) at their doorstep while the Indian product will cost them about ₹35,000 a tonne plus freight. After a surge in soymeal production by 46 per cent in the past five years, China has been aggressively exporting the animal feed with 1.6 million tonnes estimated for the current year.

## NALCO steps out of India

In its first overseas foray, the state-run aluminium producer Nalco has lined up a plan to invest $2.8 billion to build a smelter and a captive power unit in either Iran or Oman, depending on where it will get the fuel cheaper. The 5-lakh-tonne/year smelter will be fed on surplus alumina from its existing and proposed Indian refineries and will cater to the markets for value-added products, primarily from the automobile industries, in South Asia, Southeast Asia, Europe and the US. The proposed smelter abroad could make it competitive against even Chinese aluminium producers known for their lower costs, enabled by captive power units.

## Centre urges for quick approvals of textile parks

The central government will soon come out with a modified Technology Upgradation Fund Scheme (TUFS) to help the textile industry catalyse investments in sectors that generate employment and exports. TUFS was introduced in 1999 to attract investments in the textiles and jute sector by offering a 5 per cent interest reimbursement.

Textile Minister Santosh Gangwar has urged state governments to expedite clearances required to set up textile parks which are expected to attract an investment of ₹30,000 crore. A total of 72 textile parks have been sanctioned under the scheme for integrated textile parks till now.

## AP govt gives nod for bauxite mining

The Andhra Pradesh government has given an approval for bauxite mining in 1,212 hectares of forest land in Visakhapatnam district with certain conditions. According to a Government Order, the Principal Chief Conservator of Forests has been accorded permission to divert forest land in Chintapalli and Jerrila of Narsipatnam Forest Division in Visakhapatnam for mining lease for bauxite in favour of Andhra Pradesh Mineral Development Corporation. The legal status of the forest land being diverted shall remain unchanged as well as the compensatory afforestation over non-forest land in extent to the forest land being diverted shall be raised.

## BHEL bags orders for thermal power projects

Bharat Heavy Electricals Limited (BHEL) secured orders, cumulatively valued at ₹4,614 crore, for setting up two supercritical thermal power projects involving one unit each of 800 MW in Andhra Pradesh. The projects are 1 x 800 MW Dr Narla Tata Rao Thermal Power Station (Dr NTTPS) Stage-V of APGENCO and 1 x 800 MW Sri Damodaram Sanjeevaiah Thermal Power Station (SDSTPS) Stage-II, popularly known as Krishnapatnam Supercritical Thermal Power Project, of Andhra Pradesh Power Development Company Ltd.

## Hi-tech testing lab at Kancharapalem

The opening of a hi-tech testing lab for seafood and spices at Kancharapalem by German testing and certification giant TUV SUD will boost exports from Andhra Pradesh, Odisha, Chhattisgarh, and parts of West Bengal. For exporting seafood to the United States and the European Union, stringent quality check and certification by an accredited agency of international repute is a prerequisite. For this reason, the exporters from the city used to send their consignments to Kolkata, Hyderabad or Chennai for certification.

The lab will help address issues of managing safety, quality and logistics throughout the supply chain. Most of the seafood exports to EU are rejected for presence of antibiotic residues or microbiological contamination.

## Shashi Kiran Shetty invests in NanoHoldings LLC

Shashi Kiran Shetty, Founder & Chairman of Avvashya group, has invested in Series D round of funding of the US-based NanoHoldings LLC. This investment is aimed at providing resources to various NanoHoldings subsidiaries to accelerate commercialisation.

## JSW to add port and cement capacity

JSW Group plans to invest ₹4,000 crores to boost its port and cement capacity in the next two years. JSW Infrastructure Ltd plans to almost double its ability to handle cargo at its ports to 62 million tonnes, with a target to further increase it to 200 million tonnes by 2025, Seshagiri Rao, Group Chief Financial Officer, said. Cement capacity is estimated to increase to 17 million tonnes in the next 24 months from 6 million tonnes.

## New consul general of Belgium in Mumbai

Peter Steven Leo HUYGHEBAERT is the new Consul General of Belgium in Mumbai. He holds a Master in Political Science and Commercial Engineering. His career in Foreign Service started in March 1998 and his recent deputations were as the Ambassador of Belgium to the Republic of Côte d'Ivoire, Liberia, Sierra Leone and Ghana.

## Cochin Port offers direct service to Far East

The Port of Cochin will now have a direct sailing to the Far East as the Galex service commenced the Cochin call in their East bound trip from November 20. The service will be a big help to the exporters from Pollachi, Dindigul and surburbs who export coir fibre and related products to destinations near intermediate ports like Ningbo and Chiwan. The direct sailing ensures savings of four days of transit time and savings in overall cost of transport and gives the much needed logistic competitiveness to the emerging EXIM sector of Pollachi.

# Improve connectivity and Infra

## Time and again the industry has voiced their concern about poor hinterland connectivity and infrastructure at dry ports

by Rakesh Oruganti


Motivated by the encouragement that MG Poll received in its debut edition last month we are happy to present you the next poll focused on the most persistent concerns of the industry – hinterland connectivity, stuffing & de-stuffing at hinterland/ ports and major issues at dry ports.

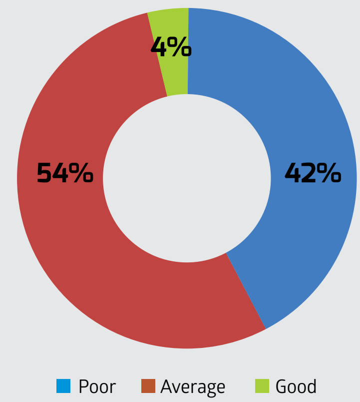
Hinterland connectivity occupies the top priority while deciding location of a port and even for shipping lines while deciding to call at a particular port. In spite of its significance, this aspect has failed to garner the required attention from governments. Major ports and private ports become inefficient due to their inability to service their hinterland because of the poor connectivity. Ultimately users pay the price for the poor supply chain issues.

In our survey, a combined ninety six per cent responded saying that hinterland connectivity is either poor or average. Only a meagre four per cent opined that the hinterland connectivity is good which clearly implies the fact, that this is one of the pertinent issues need to be revamped for better maritime infrastructure.

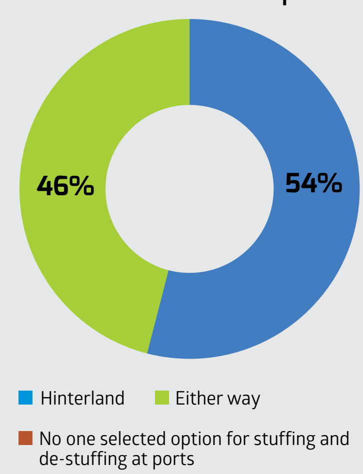
One of the other major concerns of the industry is whether stuffing and de-stuffing should happen at ports or at the factories. Fifty four per cent of respondents felt that it should happen in the hinterland rather than ports where as forty six per cent responded that it can take place either at ports or at hinterland. No one opted for the third option.

ICD's and CFS's play a pivotal role in decongesting the ports. When we tried to find out what are the major issues that plague this sector, forty two per cent expressed that it is Poor Infrastructure. Thirty five per cent of the respondents reported that they have experienced delays in evacuation is a major concern for them which is imposing huge charges to the users. Nineteen per cent responded less customs staff at dry ports is one of the major reasons for time sensitive cargo depending upon gateway ports for their EXIM cargo and meagre four per cent responded that already dry ports have more storage space than demand. If the main purpose of handling cargo through ICD's and CFS's is not served, it severely affects the whole value chain.

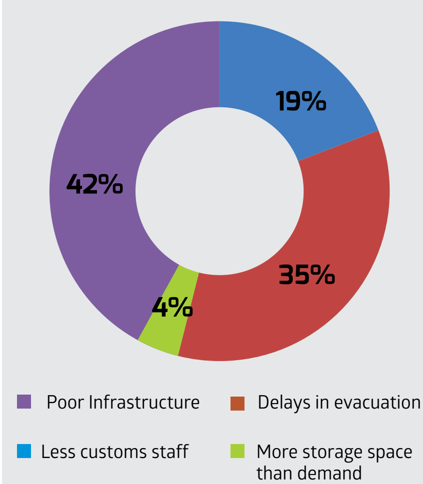
**How do you see the hinterland connected to Ports?**

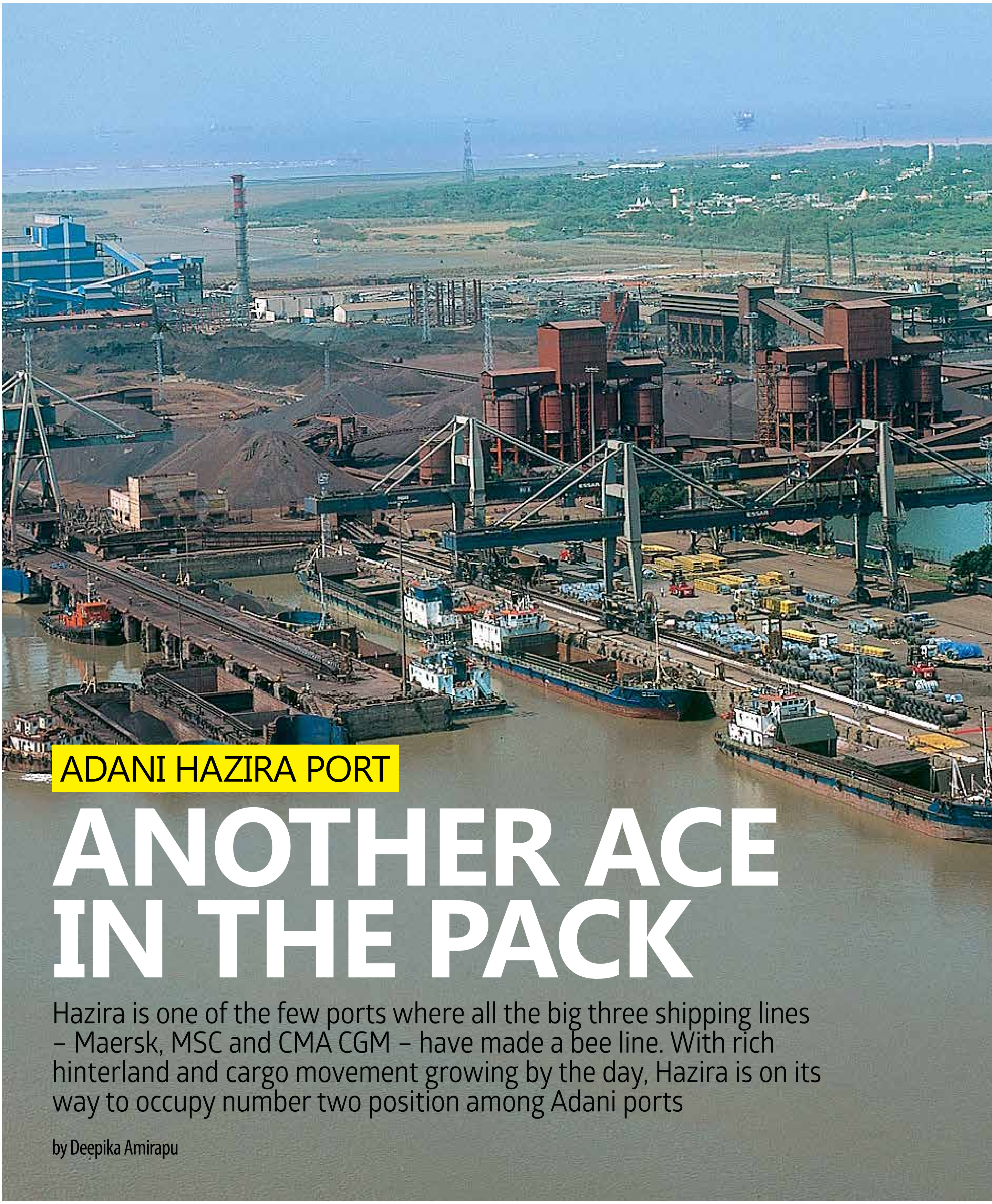



**Should stuffing and de-stuffing happen at the hinterland or at the ports?**




**What is the major problem faced by CFSs/ICDs?**



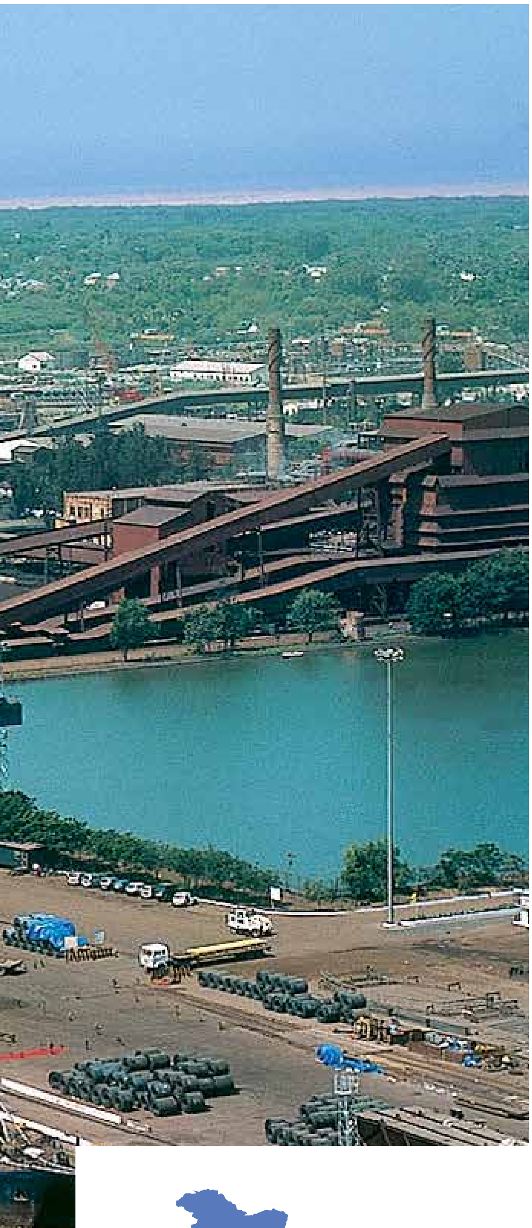


ADANI HAZIRA PORT

# ANOTHER ACE IN THE PACK

Hazira is one of the few ports where all the big three shipping lines – Maersk, MSC and CMA CGM – have made a bee line. With rich hinterland and cargo movement growing by the day, Hazira is on its way to occupy number two position among Adani ports

by Deepika Amirapu

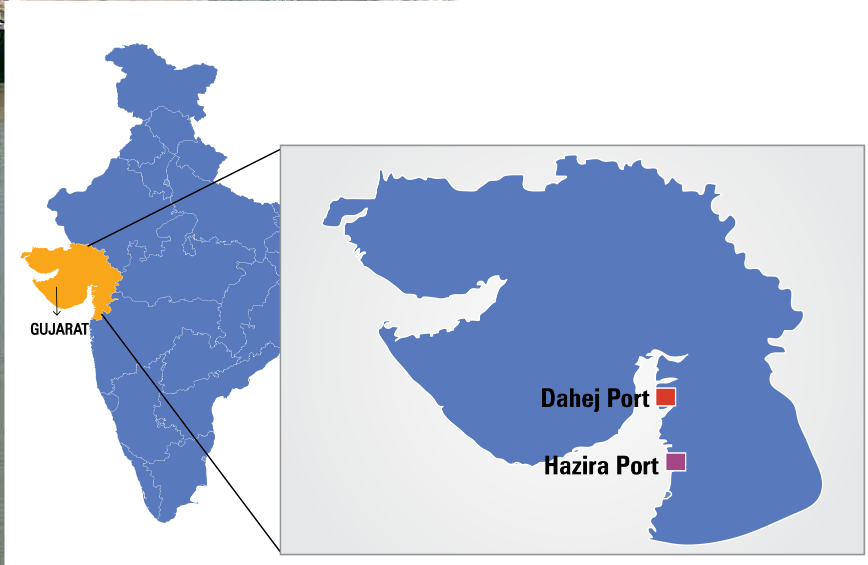


Not too far from Gujarat's glittering city of Surat where mercantile trade is known to flourish with undiminished zeal, lies Hazira, nestled in a quiet corner surrounded by some of the biggest names of Indian industry. Before the dry, asphalt road leads to the port's gates, your gaze will fall upon Kribhco, the fertilizer manufacturer's expansive passage around which the express way turns to open in to a wider space. A few hundred metres down the lane, huge boards announce the presence of Reliance Industries' and Larsen and Toubro's manufacturing plant making petrochemicals and heavy engineering equipment for India and rest of the world. Even as you wonder how many tonnes of cargo they must be bringing in and sending out every year, you are already at the port's turnstile waiting to be ushered into; allow yourself a first glimpse of the west-facing port and its facilities.

I expect to be frisked and asked for a list of documents validating my purpose of visit, but without much ado, I'm let in to the port's administrative office. I'm told it's not just visitors; even fully laden trucks are allowed entry as smoothly without much fuss if they have all their documentation sealed and stamped. This is perhaps one of the many reasons that the Adani Group's ports dotting the Indian peninsula are so sought after. The Hazira Port Private Limited was set up much after the group's first port Mundra came up in the Kutch district in 1998. Subsequently, as it aggressively added Indian and overseas ports to its portfolio, the port at Dahej was set up primarily to handle liquid and chemical cargo before Hazira came up in 2012.

At the time the port was ready to welcome vessels; five berths were qualified to handle Panamax and Capesize vessels. In the first phase of development, the port developed two container berths, three for handling bulk and break bulk cargo and the liquid terminal. Being equipped to handle all forms of cargo, the port receives large quantities of coal, rock phosphate, steel, gypsum, pet coke, fertilisers and other liquid cargo at its terminals. "Our port is positioned as an alternate to the Mumbai and Jawaharlal Nehru Ports where we can handle all forms of bulk, break bulk, container, liquid and project cargo,"

**Capt Anil Kishore Singh, the Chief Executive Officer** of the port told *Maritime Gateway***.** With over ₹3,000 crore invested since inception in constructing its facilities, the port is embarking on an ambitious expansion plan readying another multipurpose berth and an additional liquid cargo terminal anticipating a huge jump in handling this form of cargo in the coming year. By the end of the financial year 2016, HPPL would have handled almost 17 million tonnes (mt) of cargo powered by large amounts of coal, rock phosphate and container cargo. "Coal will occupy the top spot in the cargo pie chart," Capt Singh says. Almost all of this coal is diverted to the parent firm Adani's power companies that guzzle the black gold commodity to fire up the plants and provide electricity to India. While practically Hazira is as much an import port like most of India's, some amount of exports of sugar and DOP fertilizer also take place. The expansion of the berths is being undertaken taking into consideration the increase in the consumption of petroleum and associated products in the country. Most of this will be ready by the first half of 2016. Once the second phase of the liquid terminal is completed, about 86 tankages with a holding capacity of 2,25,000 kilo litres shall be ready. Currently, about 83 tankages hold 96,000 KL of different varieties of chemicals.



**"Increased containerisation in the Southern Gujarat belt will certainly bolster greater movement of containers into and outside the port. Within 300 km of distance from the port, there is a lot of cargo waiting to be containerised. But apart from this cargo, what keeps Hazira's container terminals busy is the bunch of advantages that it offers to its customers, including longer dwell time, better pricing in terms of terminal handling charges and container freight stations, allow containers to be repaired and empties to stay on the yard."**

The strategic location of the port would perhaps explain this aggressive maginification. Hazira is enveloped by the other industrialised cities of Vapi, Ankleshwar, Silvassa and Vadodara which are known for manufacturing and processing large volumes of liquid chemicals by hundreds of small and big manufacturers. The sleepy town of Ankleshwar is known to meet more than 60 per cent of India's chemical requirements. Equally, Silvassa is popular in making the plastic and ingredients required to make edible plastic bottles for the country. The presence of this industry perhaps emboldens Hazira to expand its liquid terminal.

Hazira has been quick to score and catch up with its bigger peers in the state despite being a late comer. "Needless to speak of liquid cargo, the entire rock phosphate and gypsum market has moved to Hazira from Kandla and Dahej," says Capt. Ramnath Vaidyanathan, also an Adani official who looked after Hazira previously and is now in charge of the firm's Ennore terminal. All of this imported cargo moves to Madhya Pradesh where a number of processing plants are located. The hinterland of the port for other bulk and agricultural products extends to Nothern Maharashtra, encompasses all of South Gujarat, Western and Central Madhya Pradesh. Much of the soya bean processing firms in MP source their requirements from the Hazira Port. Maharashtra's green belt areas are known to remain so and thrive because of the fertilizer imports emanating from this port majorly. Also, the proximity to the sugar belt sweetens the deal for this Adani's port than for the drier and desert like region where Mundra stands.

"Increased containerisation in the Southern Gujarat belt will certainly bolster greater movement of containers into and outside the port," avers another industry official who has tracked this port closely. Captain Ramnath also tends to agree to this argument that within 300 km of distance from the port, there is a lot of cargo waiting to be containerised. "Almost 500- 600,000 teu of cargo can be boxed and bundled out," he says. But apart from this cargo, what keeps Hazira's container terminals busy is the bunch of advantages that this port offers to its customers. "We offer a longer dwell time, better pricing in terms of terminal handling charges and container freight stations, allow containers for repair and empties to stay on our yard compared to the neighboring ports that are choked and breathless for lack of space in and around their terminals," Capt. Singh says. He's obviously referring to the state-run JNPT located about 120 nautical miles from Hazira that faces congestion problems and a lot of cargo moves over to Hazira to be transported to different parts of the world quickly and for a better price. But even as one tends to think that JNPT's loss is Hazira's gain, the head of an international shipping line whose vessel calls at Hazira is quick to point out that shippers preferring this port directly too can save up to ₹5,000 to ₹6,000 by skipping JNPT or Pipavav. "Hazira is growing also on its own merit as it currently offers us shipping lines a good window to berth our vessels. With more than 3,800 ground slots, it has grown from handling about 8,000 teu two years ago to more than 30,000 teu presently," the shipping official says. Once the customers are used to time bound cargo, they'll go nowhere he adds.

Hazira is one of the few ports where all the big three shipping lines – Maersk,

## SWOT ANALYSIS OF THE PORT

| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
|---|---|---|---|
| Handle Capesize vessels and divert cargo from JNPT, Kandla | Absence of railway siding causing drop in cargo handling | Scope for greater movement of project cargo given presence of windmill operators | Upcoming port at Dahanu |
| Low cargo handling losses | Poor sea conditions during part of the year posing navigational issues limiting entry-exit windows | Current industries expanding operations increasing cargo parcel size | New terminal at JNPT to jeopardize cargo transfers |
| Efficient berthing operations, streamlined functioning | Presence of two bridges under construction hampering road movement of cargo | Tapping large industry base at Baroda-Dahej | Prospects of container terminal at Kandla Port |
| Adequate infrastructure, yard space and no congestion. | | Completion of the Narmada bridge to improve road cargo movement | |
| Excellent road connectivity reaching up to the port gate | | | |

MSC and CMA CGM – have made a bee line to the port being assured of the volume of cargo connecting to Europe, Asia, Americas and the Middle East. The Hazira terminal at the moment hosts five weekly sailings and one fortnightly loop among the carriers. The service profile includes Maersk Line's weekly ME3 linking India, the Middle East and Europe. Another shipping line official who works for one of the Big Three said, "There's no delay whatsoever on the berthing side except during the monsoon season. The port also maintains a very good communication channel with us updating us on the schedule and window frequently." Both these officials MG spoke to pointed that the port has been very accommodative in entertaining requests from their lines to address an ad hoc situation. Once when the management was informed that the ground slots for the laden boxes were clashing with the empties, the management immediately cleared the empties within 24 hours creating space for the loaded containers. In another instance, one of these lines requested for a mid-sea clearance of cargo where a number of boxes had to unloaded from the vessel. This request too had been accepted by the port without a squirm, the liner head said. But one area where the port can bolster its performance significantly is by increasing the number of cranes to handle cargo. Currently, the port is known to deploy two RMQCs doing about 85 moves per hour. This, the industry experts say can go up 100 or breach the figure if another crane is deployed. Once all the container berths are ready, the port can handle up to 80 million tonnes of cargo in the next few years. This will spur the purchase of more cranes, customers aver.

However, the only missing link shipping lines and users point is the absence of a rail siding. This, the port management says, shall be ready in the next two years. Currently cargo is brought on rail via the Kribhco rail siding and is trucked from there to the port. "The port has to have in place the rail connectivity for it to attract more cargo. Then, it could possibly start weaning more boxes from Pipavav as much of the cargo from this port comes from the inland container depots in the northern region. So, with a rail siding, Hazira's reach can extend up to the Northern hinterland," the shipping line official said. Experts also suggest that the port should push itself and market its ability to handle larger volumes of fertilizer cargo. Just as Kandla handles all of the timber trade for the country, Hazira should project itself as the numero uno fertilizer destination for India's imports. The trade, however, has no complaints about the port's connectivity by road. With the Bombay-Delhi highway (NH-8) reaching right up to its gate, the cargo gets a free way to almost every destination it is intended to be sent. In order to enable better truck movement, the port is also constructing a parking facility for about 500 trucks close to its complex so trucks can complete all the documentation prior to entering the port premises.

Industry experts foresee a lot of potential for the port. This is because the Adani Hazira Container Terminal more than doubled the number of container boxes handled to 132,994 teu from 61,505 teu during April-September 2014. The chief executive says Hazira could soon occupy the number two position among Adani's ports if this performance continues. "We always want to stay half a step ahead of the problem," Capt. Singh said. Coupled with this approach and a continued stellar performance, Hazira will be the next coveted crest jewel in Adani's crown after Mundra has almost walked away with every award conceivable in the last few years. mg

# TARIFF REMAINS BONE OF CONTENTION

## The idea to deregulate tariff regime by re-bidding existing terminals is creating a lot of furore in the shipping industry

by Ritu Gupta

A subtle tug of war is going on these days between the Union shipping ministry (MoS) and container and bulk terminal operators at government-run ports, as the government is mulling over the idea of replacing the Tariff Authority for Major Ports (TAMP) with a deregulated tariff regime via re-bidding of existing terminals. Though the authorities are yet to take a decision on the matter, the idea itself has received heavy criticisms from the terminal operators.

The plan for a deregulated tariff regime has been mooted in a report by the Deloitte Touche Tohmatsu India Private Limited, which has proposed four options for possible migration to a deregulated tariff environment. However, the one strongly recommended by it is where the government can use open bidding for the market to determine revenue share. "To address the aspect of investor sentiment, an option can be given to the existing concessionaire to migrate to deregulated environment. Furthermore, the existing concessionaire may also be given a Right of First Refusal in the bidding process," says the Deloitte report made public by the MoS. The report further recommends that in case if the existing concessionaire doesn't emerge as the highest bidder or it doesn't exercise its right of first refusal to match quote from highest bidder, the project would have to be awarded to the highest bidder, i.e. to another entity. In such a case the existing concessionaire should be suitably compensated towards its investment in the project. A suitable indicator for such compensation can be replacement value of the assets in the project, calculated by an independent agency. However, it is also to be noted that respective concession agreements also have provisions relating to Termination Payments in case of Political Event (Political Force Majeure) in case of Authority's (Government / Port Trust's) default. Since termination of Concession Agreement in this case would not fall in any of these two categories, such Termination Payment would not be applicable. However, any compensation to the existing Concessionaire which is in excess of the compensation specified in the Concession Agreement for Authority's default can be questionable. In view of this, closure payment for existing Concessionaire can be replacement value of project assets, as estimated by an independent agency, subject to a cap of Termination Payment defined in the respective Concession Agreement for Authority's Default.

Other suggestions of Deloitte include abolition of TAMP and appointment of another competent authority. It says that if, for certain reasons, some existing concessionaires

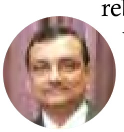
would not like to migrate to a deregulated environment, in such a case, through policy directive, the "government would need to appoint a competent authority, as per the provisions of respective concession agreements, to determine tariff." The study was commissioned by Indian Ports Association (IPA) on direction from the MoS to review the role and relevance of TAMP in the context of the port sector in India and provide a way forward. Jawahar Lal Nehru Port Container Terminal, Nhava Sheva International Container Terminal Pvt or NSICT (DP World Mumbai), APM Terminals or Gateway Terminals India (a JV between APM Terminals and CONCOR), Singapore's PSA International and JNPT's Bharat Mumbai Container Terminals Pvt will be some of the terminals impacted if the study's recommendations are implemented. The Indian Private Ports and Terminals Association (IPPTA ), which represents private ports and container and bulk terminal operators, has raised strong objections to the Deloitte recommendations. According to IPPTA, it is a matter of great concern for the industry, for trade and for India as a place to invest and do business in. R Kishore, IPPTA's president, in a letter sent to the MoS, has opposed the Deloitte suggestion saying that the existing concession agreements do not provide for rebidding, however, there is room

> **"Many industry specialists worldwide have for long urged to end the current bidding model for award of port projects in India where revenue share is the variable. It is felt that if revenue share was a fixed component and tariffs are made the variable for bidding, operations at major ports would have been able to cut costs and become more efficient."**

for contemplation of flexible tariff-fixing approach. Other industry players also agree with him. "Recent suggestions that businesses be re-tendered is unfortunate and likely to be seen as detrimental. The terminal operators want to find a mutually acceptable solution which is beneficial both for the economy and the industry," said **Julian Michael Bevis, Senior Director, Group Relations, South Asia, AP Moller Maersk.**

Many industry specialists worldwide have for long urged to end the current bidding model for award of port projects in India where revenue share is the variable. It is felt that if revenue share was a fixed component and tariffs are made the variable for bidding, operations at major ports would have been able to cut costs and become more efficient. Currently, TAMP fixes the upper limit of tariffs for port services in consultation with potential bidders and then bidding is carried out with revenue share as the criterion. To grab projects, bidders agree to shell out unreasonably high amounts as revenue share – even 40-50 per cent – and lose their ability to bring down tariffs and compete with private sector ports.

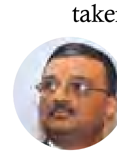
As a solution to this, Deloitte says tariff should be deregulated, which will enhance competition, improve performance and business orientation in the sector and would also encourage investors, and thus the government may move towards market-based tariff determination. But the nuances of this broad suggestion is where the contradictions come for the industry. For instance, according to IPPTA, Deloitte recommends that if the present concessionaires covered under the 2005 and 2008 guidelines wish to migrate to the 2013 guidelines then their projects need to be rebid and have laid out mechanism for rebidding. "No consultation was held with IPPTA on this issue," says **Capt. Ashok Bhattacharjee, Secretary General of IPPTA.** According to him, the fallout of this is either rebid or perish. "IPPTA does not agree with this approach as it results in a rewriting of the PPP contracts entered into between its members and the respective port trusts. The bids were won through an open and transparent system of bidding and the contracts allow for migration which should have automatically taken place. This would ensure a level playing field, honouring of the signed contracts and in accordance with the provisions of the Major Port Trust Act, 1963. Presently there is a lack of a level playing field which impacts interport and intraport competition. Recently the ministry came out with 2015 guidelines for terminals operated by major ports. This results in four different guidelines for terminals in the major port sector. For instance, JNPT's five terminals are governed by different guidelines. GTI/NSICT are under 2005 guidelines, NSICT under 2008 guidelines, BMCTPL (4thCT) under 2013 guidelines and JNPCT under 2015 guidelines. Each of the guidelines result in a different price for materially the same level of service and completely vitiates the principle of a level playing field. The 2008 guidelines and the 2013 guidelines were a result of the material and grave lacunae in the 2005 guidelines and the 2008 guidelines respectively. Operators under the 2005 guidelines are struggling and many of those whose terminals are just getting operational under the 2008 guidelines are finding how impractical the approach was under those guidelines when fixing the upfront tariff," says Bhattacharjee. IPPTA is of the view that the move to rebid will result in an extremely negative message to the investor community and negate the various initiatives to promote investment taken by the government. "We have made a representation to the Ministry and are hopeful it will be given due consideration and the matter will be resolved soon," says Bhattacharjee.



According to IPPTA, it agrees with the concept of revenue share being used as a bid parameter. However, it disagrees with the concept of reference tariff being calculated and pre-specified in the draft concession agreement for determination of the quantum of the amount of revenue share payable during the operations stage. The reason being as the market conditions and related factors which result in determination of tariff to be charged over the concession period are determined by various factors including competition, economic climate, demand, level of service, draft, connectivity and evacuation. In the spirit of true partnership, the risks should be shared by both parties to the agreement.

IPPTA further adds that it is necessary that the complete report should have been placed on the website rather than just the recommendations and way forward, so that it could be verified whether the feedback of the stakeholders have been accurately represented.

Even as the industry is anxious about the final decision of the government, the MoS is yet to decide on the matter. CB Singh, adviser to the MoS, said, "We are holding inter ministerial consultations but nothing has been decided so far. Deloitte has just made a study with some suggestions, the government has not taken a decision on that." Singh did not give a timeline for the final decision. **J Krishnan, Chairman, Logistics Committee, Madras Chamber of Commerce and Industry,** and a trustee of the Chennai Port Trust, said that while tariffs may be market-driven, performance standards must be first set, audited independently and service failures be matched by monetary relief to the users. Krishnan said the Indian port sector is yet to mature for total deregulation of tariffs, which can be market driven. Indeed, the coming times will reveal what will be the outcome of this tug of war. Industry experts hope that the final decision should be for the better, and not for making a bad situation more worse.



**Deregulating tariff regime**

- The government can use open bidding for the market to determine revenue share.
- Existing concessionaire can migrate to deregulated environment and have the option of Right of First Refusal in the bidding process
- If he doesn't meet the above options, the project is awarded to the highest bidder.

**Objections raised by IPPTA**

- The existing concession agreements do not provide for rebidding.
- Fix revenue share and make tariffs variable for bidding.
- Currently, TAMP fixes the upper limit of tariffs for port services and then bidding is carried out with revenue share as the criterion.
- Lack of level playing field: JNPT's five terminals are governed by different guidelines

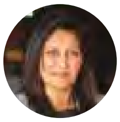
# PARTIALLY RELAXED

## The government makes amendments to cabotage law for special vehicles to encourage coastal shipping

by Ritu Gupta

The Indian government has recently relaxed the cabotage law for five years to allow certain special foreign vessels like Ro-Ro to facilitate transportation of cargo between different ports along the country's coastline. The development comes in the wake of long standing demand of the shipping industry for relaxation of the cabotage law. Before this amendment, the cabotage provisions in the Indian Merchant Shipping Act did not allow foreign flag vessels to carry local cargo from one Indian port to another. Such or similar laws are there in various other countries of the world, with the intent to promote/protect interests of domestic shipping industry. Countries like the US, China, and Indonesia have absolute cabotage only their own flagged ships are allowed for coastal cargo movement.

"The government has decided to relax cabotage only for special vessels such as Roll-On Roll-Off (Ro-Ro), Hybrid Ro-Ro, Ro-Ro cum Passenger, Pure Car Carriers, Pure Car and Truck Carriers, LNG vessels and Over-Dimensional cargo or project cargo carriers for a period of five years," said a spokesperson of the Union shipping ministry. With this relaxation, vessel operators will be allowed to bring foreign flagged vessels of this category to ply on the coastal routes, he said. "Such special vessels are in short supply in the country but since they cater to specific class of cargo, their availability will make it possible to shift cargo movement for these commodities from road and rail to coastal shipping," he added. Availability of Ro-Ro vessels is essential for the success of efforts to develop coastal shipping and decongesting roads and railways. "As an example, large automobile clusters exist at Manesar and around Chennai. Large numbers of cars are transported from north to south and vice-versa. It is possible to shift major part of this transportation to coastal shipping," said an industry expert. Not only would availability of Ro-Ro vessels decongest roads/railways, it would also enable a green mode of transport reducing fuel intensity and also reduce carbon emissions. "Any amendment is a step in the right direction, even if it has small impact. The government needs to still do a lot more where amendment of cabotage provision is concerned," said **Sharmila H Amin, Managing Director, Bertling Logistics India Pvt Ltd.**



So far, the cabotage policy in India allows first preference to Indian flagships over cargo and foreign ships. Cargo and foreign ships are allowed only when no suitable Indian flag vessel is available for the same. Indian importers and exporters use Colombo, Salalah, Singapore and Dubai hubs for shipments adding to their costs. Industry experts say relaxation in the cabotage policy is expected to bring more trade to major ports in India. At present about 60 per cent of India's exports and imports containers are transshipped through ports like Singapore and Colombo. This transshipment through ports outside the country involves not only huge expenditure but also extra 7-10 days of transit time. Transshipment is the shipment of goods or containers to an intermediate destination, and then from there to yet another destination.

Of late, the anti-cabotage lobby has become stronger with large private ports and foreign terminal operators joining hands with shippers and the government-owned ports. Shippers and port operators feel the law is an impediment for the smooth flow of cargo. The Indian Private Ports and Terminals Association (IPPTA) has asked the shipping ministry to allow foreign lines to carry transshipment cargo from one Indian port to another. Currently foreign lines are allowed to load export cargo or unload import cargo at any Indian port, but they cannot pick up an imported consignment for delivery to any other Indian port or aggregate export cargo from different ports to one Indian port. In the process, Indian ports are losing the opportunity to become hub ports, pointed out the association. IPPTA says it is seeking permission to allow foreign vessels to carry only customs sealed transshipment containers bound for export from one Indian port to other. This will help foreign lines to aggregate export cargo and in turn reduce the logistics cost for Indian exporters.

According to some industry players, there is limited capacity in the Indian shipping industry and thus relaxation on cabotage law is essential. Foreign flagged ships will not only bring the required capacity, but also competitiveness in prices and ease of planning in case of transshipment. Coastal cargo movement has inherent issue of one directional traffic leading to ship coming back empty in return trip. If foreign flagged ships are allowed for coastal cargo movement, overseas cargo ships can carry costal cargo and the issue of empty return can get addressed. Furthermore, over the years the share of Indian ships in the carriage of India's overseas trade is declining. From about 40 per cent in the late 1980s, it has declined to about 11 per cent recently. Furthermore, Indian ships are ageing, with the average age of the Indian fleet increasing from 15 years in 1999 to about 17 years in 2012. Growth in capacity of Indian flagged ships has been lagging behind compared to the growth in cargo at Indian ports. The Indian shipping industry also faces hindrance in the form of multiple taxes. Apart from the tonnage tax, which is to be paid on the basis of cargo carrying capacity of a ship, there are other taxes, which Indian ship owners are required to pay. In fact, this is also being cited as one of the reasons why international ship owners are reluctant to register their ships in India despite 100 per cent foreign direct investment (FDI) permitted through the automatic route. The taxation hurdle is also cited as one of the reasons why foreign shipping companies can offer more competitive freight charges.

## Wrong U turn?

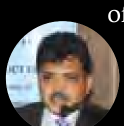
The Union shipping ministry is weighing an option to convert India's first international container transshipment terminal (ICTT) at Vallarpadam in Cochin port into a gateway facility. The terminal was made into an international transshipment hub in 2012, after the cabinet had agreed to ease cabotage policy by allowing foreign registered vessels to ship export-import (EXIM) containers out or in through the ICTT and help it emerge as an international transshipment hub. The primary objective of relaxation in cabotage policy is for ICTT to attract cargo destined for Indian ports which are presently being transshipped at Colombo and other foreign ports. The relaxation in cabotage was subject to review after three years. According to the ministry sources, the relaxation in cabotage has not had any impact on ICTT. In 2014-15, the ICTT Vallarpadam handled 365,000 teu of which the transshipment EXIM containers was only 17,000 teu," a spokesman for the ministry said. "This much of transshipment EXIM containers are handled by other gateway ports (non-transshipment terminals) as well. One of the options being considered is to have the ICTT run as a gateway facility and not as a transshipment terminal. We are also examining whether the relaxation of cabotage restriction should be extended to the ICTT alone for a further period or grant it to other transshipment ports also such as the one planned at Vizhinjam in Kerala," the ministry spokesman said adding that no final decision has been taken on the matter.


# ARE SHIPPING COSTS EXORBITANT?

## Exporters protest about exorbitant extra charges being taken by shipping lines

by Ritu Gupta

Shipping companies and other such agencies are collecting exorbitant amounts as extra charges, on top of the amounts mentioned in the Bills of Lading, thereby causing a loss to exporters and also to the exchequer. These allegations have been made by the Federation of Indian Export Organisations (FIEO). Indian exporters, already struggling due to a economical slump and tough competition, say that omission to restrict shipping costs stipulated on Bill of Lading implies that the exim industry looses more than $2 billion annually towards such shipping surcharges, terminal charges and numerous other non-negotiable charges which are primarily recovered by shipping lines and their nominated forwarders. Bill of Lading is a document issued by a carrier, or its agent, to the shipper as a contract of carriage of goods. FIEO says these issues have been addressed by neighbouring countries like Sri Lanka and Bangladesh by issuing a simple notification restricting the amounts that can be collected besides those mentioned on the Bill of Lading. "The decisions taken by Sri Lanka and Bangladesh ensure transparency and cap the cost to what has been negotiated by the shipper. Indian government can also easily plug this leakage by issue of a simple notification,"



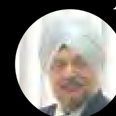
says **Khalid Khan, FIEO's Western Region Chairman.** According to him, shipping companies levy and collect charges under multiple heads (one exporter has counted 56 different types of charges) and the Indian exim community is at their mercy as their cargo is withheld till all charges claimed are paid. The charges for instance include terminal handling charge, washing charge, B/L issue charge, additional B/L charge, survey charge, container damage and repair charge, container imbalance charge, equipment maintenance charge, consolidation charge, service charge, custom clearance charge, and port congestion surcharge. A press release by FIEO states that shipping lines on an average recover a minimum of ₹5,000 per container handled at a container freight station (CFS) or taken to the importers factory for destuffing as damage and repair charges, irrespective of the condition of the container. This results in additional income of more than ₹500 crore annually for the shipping lines.

Furthermore, shipping lines brazenly do not adhere to an order of the Tariff Authority for Major Ports (TAMP) which stipulated that "no container detention charges are payable for a period of 5 days following the day the container reaches the nominated CFS of the shipping lines". As per FIEO, shipping lines recover container detention charges from the day of vessel arrival at a port. These containers remain lying at the port container yard and are not moved to the CFS for clearance. "Despite such happenings no action is initiated by any of the concerned ministries. In this scenario, it is difficult for the industry to meet with the expectations of the Prime Minister of Ease of Doing Business and Make in India," said Khan. He avers that this has been a very long standing matter and the government should now intervene.

Reacting to these allegations, C S Murty, director general of the Federation of Ship Agents Association of India (Fedsai), said that the FIEO remarks are an attempt to malign the image of the shipping lines. Ships also face various constraints, such as pre-berthing detention, hefty storage and berth hire charges, and go back as underutilised since the whole trade is facing huge imbalance in inbound and outbound traffic. "We strongly object to the misleading remark on TAMP scale of charges, since TAMP by statute governs the tariff of major port trusts which has got nothing to do with shipping lines' tariff. Moreover, trade dynamics of India with developed countries cannot be a topic of comparison, unless the level playing field is common today. Further, with the presence of so many container operators, the Indian shipping scenario is highly competitive and Indian shippers are at advantage to negotiate their price of shipping freight without any hassles," said Murthy.

His explanations notwithstanding, it is true that transaction cost at Indian ports for the industry is the most expensive in the world. There is no mechanism to monitor the working of the service providers to ensure cost effectiveness, transparency of tariffs, services and accountability.

"These allegations are being made by people who have no understanding of the shipping business. Before making allegations on the shipping lines, they first need to assess their own business practices which are reflective of their allegations. Shipping lines are international companies who abide by laws. The charges being taken are justified as per the standard practices. The FIEO officials should sit across the table and then we can argue point by point, rather than making allegations in a public forum and misguiding the entire system. Their modus operandi is to put the shipping lines under pressure and pocket all the money. They are trying to hoodwink the entire trade. For instance their charge about shipping lines taking a minimum of ₹5,000 per container as repair charges is baseless, as it is not repair but maintenance charges that is taken world over. Why should shipping lines pay for the maintenance of the containers, especially when all of them are making huge losses? A comparison of the balance sheets of the shipping lines and those making the allegations will give a better picture of who is following clean business practices. All these allegations are baseless," said **Captain Vivek Anand, President of Mumbai and Nhava-Sheva Ship-Agents Association, and also the Director at NYK lines.**



Apart from FIEO, the Synthetic & Rayon Textiles Export Promotion Council (SRTEPC) has also made similar allegations. "Exporters are fleeced by the shipping companies. If we are able to save this so called extortion charges imposed by the shipping companies and their partners from our costing, we will become competitive to a great extent in our pricing," says V Anil Kumar, executive director of SRTEPC.

Adjoining ports like those in Sri Lanka, Bangladesh and Dubai are cheaper by more than 40 per cent. Ironically, 70 per cent of the container volumes handled at Colombo Port in Sri Lanka comprise Indian cargo, which otherwise should be handled at Indian ports. According to a study by ASSOCHAM, shipping costs incurred by Indian exporters is twice as high as compared to those of China and thrice of Singapore, putting the country at a disadvantage in global trade. The study observed that the high cost of logistics could hit India's competitiveness. "Shipping a container from India costs close to $1,200 while from China, it is in the range of $600 and Singapore about $400," says the ASSOCHAM study. Till some years back Sri Lanka faced a similar situation, but from January 2014 the country made it illegal for shipping lines to collect terminal handling and other charges. It is observed that this provision led to reduction in freight cost. Further, the industry proposes that the ministries should hold a meeting with the stakeholders to discuss this matter threadbare. mg

# Betting to become a Ro-Ro hub

Ennore Port seemed to be striking the iron while it is hot. Along with the cabotage relaxation on costal Ro-Ro movement, the port has also introduced schemes that will incentivise car makers in and around the city to move even their local shipment via sea, hoping to make a good business

by Mohammed Shareef MP

Kamaraj Port Ltd, the only union government-owned port, that is run as a company at Ennore near Chennai is all set to make use of the positive business environment, which evolved with the government's recent decision on relaxation of cabotage on Ro-Ro movement. With the cabotage relaxation, the port has introduced schemes that will incentivise car makers in and around the city to move even their local shipment via sea. At present, cars sold locally are moved by road from factories to the dealers.

Only automobiles exported by global automakers from their plants in India are shipped on car carriers through ports such as Mundra, Pipavav, Mumbai, Chennai and Kamarajar. "We have implemented two schemes so that automobile companies can make use of coastal movement for their domestic shipment. First we converted the earlier system of ad-valorem into unit basis and also in the rates we have introduced 50 per cent rebate and this would incentivise coastal movement of cars," said **M A Bhaskarachar, Chairman and Managing Director of Kamarajar Port Ltd.**

Kamarajar, the only union government – owned port that is run as a company (the other 11 are run as trusts), is offering a discount from 2012 in vessel-related charges (comprising port dues, berth hire charges and pilotage) to ships including car carriers calling at the port for picking cars for exports.

"The board has taken this decision and we are planning to continue this scheme till March 31, 2016. We are hoping to get a huge share of business by implementing these schemes and Original Equipment Manufacturers (OEMs) would switch road transport into coastal movement," Bhaskarachar said.

Under the new pricing scheme, the port is charging ₹500 per unit for cars up to 1,600 cc, ₹1000 for cars above 1600 cc and ₹2,000 for heavy vehicles. The cargo-related charges for export cars are calculated on an ad valorem basis depending on the value of the cars. Original equipment manufacturers (OEMs) had argued that levying cargo-related charges on ad valorem basis for coastal shipments will not help in switching from road to sea and it was in that scenario, Kamaraj Port converted cargo-related charges for coastal movement of the cars into unit basis.

Ad valorem rates for cargo-related charges will not work out for coastal movement of cars and it is a welcome move that the port changed it into unit basis, said Captain Vignesh executive at NYK Auto Logistics (India) Pvt. Ltd, a unit of Japan's NYK Group, one of the world's top automotive ocean transporters and logistics firms.

"Cargo-related charges have to be levied as fixed charges on a per unit basis in order to make it viable for the modal shift from road to sea. This will make it easier for the OEMs to calculate the cost difference between road and coastal shipment. Good that the port has done it, however we are yet to venture into coastal movement. We are yet to ascertain several other aspects and once everything seemed to be viable for us we will try the coastal shipping out" the NYK Auto Logistics executive said.

According to OEMs and auto logistics firms, along with incentivisation of the cargo charges, several other things are also needed to be bettered. Port infrastructure, customs related issues etc. needed to be improved in order to have a speedy and hassle-free coastal movement.

At present, considering several glitches at the ports, coastal movement is not cost effective compared to road transport and it is time consuming, says Captain Vignesh. "In the present scenario, for example, via road, we can ship the cars to Mumbai in four days and as it is single mode transport, there are no hassles in reaching the cargo in this time whereas if we move the cargo via sea it would take at least seven days because coastal movement would be multimode of transport; first we have to move the cargo by road to the port and there will be waiting time at the port and in the destination port also the same process has to be followed," said Vignesh.

However considering all issues are in favour, coastal movement would be any day better a solution. It would decongest the road traffic, it would reduce the carbon footprints and with GST in place, it would be cost effective also, provided every scheme is in favour of the shipper, he added.

**"We have implemented two schemes so that automobile companies can make use of coastal movement for their domestic shipment. First we converted the earlier system of ad-valorem into unit basis and also in the rates we have introduced 50 per cent rebate and this would incentivize coastal movement of cars, said M A Bhaskarachar, chairman and managing director of Kamarajar Port Ltd."**

According to logistics firms, at present by road it would take seven to eight days to transport the cars from Chennai to up country cities like Noida etc. and to Kolkata it would take five to six days but with an uncongested port environment and hassle-free clearance, supported with friendly cargo charges coastal shipping would be the future economic and environmental friendly logistic option for moving vehicles to the countries dealers.

The factories of four passenger car makers – Ford, Nissan, BMW and Hyundai – are located in Chennai. Toyota exports cars that are made in its Bengaluru plant through Chennai and Kamarajar (Ennore) ports. Truck makers Daimler and Ashok Leyland are also located in Chennai.

In August, the government lifted curbs on foreign-registered, specialized car-carrying ships to operate in Indian waters for five years in a bid to help shift movement of such cargo from roads and railways.

The so-called cabotage law makes it mandatory to use Indian ships to transport cargo between different ports along the country's coast. Foreign ships are allowed to operate only when Indian ships are not available, after obtaining a licence from India's maritime regulator.

While Indian fleet owners do not run such specialized ships, there is potential for transporting around 105,000 cars annually using specialized ships on the Gurgaon-Mundra-Cochin, Pune-Mumbai-Chennai and Pune-Mumbai-Cochin routes, according to the shipping ministry.

Increased availability of these vessels is needed to meet the growing coastal movement of goods. In March, the shipping ministry flagged off a scheme that gives incentives to cargo owners, consignors and consignees when they transport certain identified bulk commodities, containerized cargo or automobiles on Indian vessels on local routes.

The scheme also covers transportation of vehicles wherein cargo owners shall be eligible for incentives of ₹300 per two-wheeler vehicle, ₹600 per three-wheeler vehicle and ₹3,000 for other vehicles.

These commodities have been identified on the basis of their low levels of transportation through coastal and inland waterways. Auto makers say that the incentive scheme will take off only if the government removed the stipulation to use Indian registered ships for coastal shipment. "The government has allowed foreign registered car carriers to ply on local routes because such specialized Indian registered ships are not available with Indian fleet owners. Hence, the condition to use Indian registered ships for coastal movement of cars needs amendment to make the scheme a success," said NYK Auto Logistics executive quoted above.

# Is this workable?

## There are mixed responses on the proposed rule on cargo reservation to Indian flagged vessels. While Indian shipping firms are hailing the move, international shipping firms are crying foul

by Mohammed Shareef MP

The union government's proposed rule that would require state-owned importers of oil, coal, steel and fertilizers to route at least 50 per cent of their cargoes through local shippers is hailed by Indian shipping firms and also bunker and shipbuilding markets. However, the proposed rule is being taken with a pinch of salt by a section of experts from the Indian shipping industry and being criticised by international shipping companies, on the accounts of denial of a free and fair market opened for everybody in the shipping industry.

The proposed regulation, which would see importers sign five-year contracts with local shipping firms, is said to be part of a larger plan to boost India's shipping sector. With India having paid around $57 billion to foreign shipping firms from 2013-2014, the move is expected to bring a considerable amount of business back to Indian shipping firms. According to Indian shipping industry statistics, in the early 1990s, Indian shipping lines carried one-third of the country's cargo. Two decades later, their share has slumped to barely one-tenth, reflecting the poor growth of a sector that is pivotal for the country's economic progress.

While the volume of cargo grew six-fold over the past 20 years, the domestic shipping fleet expanded at a snail's pace, just by one-and-a-half times. As a result, 90 per cent of India's sea-borne cargo is handled by overseas carriers, causing a huge drain on foreign exchange in the form of freight payment.

Indian exporters and importers shelled out an estimated $57 billion last fiscal to foreign shipping lines. A major part of this freight outgo is on account of oil imports. Out of the 172 million tonnes of crude imported last year, Indian tankers carried only 16 per cent – a steep fall from 66 per cent in 1994 when the oil cargo was reserved for Indian bottoms.

"It is a pity that a country, which has a cherished tradition of shipping and seafaring and is endowed with more than 7,500 km of coastline, dotted with 13 major ports and over 180 non-major ports, depends on foreign lines to carry bulk of its strategic oil cargo," one of the Indian industry experts lamented.

While this has been the case, one thing that remained unchanged is the shipowners' demand for cargo support. India followed a policy of

import on free-on-board and export on cost-insurance-freight basis, to ensure that Indian ships carry the country's cargo. However in the late 1980s, export cargo was exempted from this policy.

For import cargo, Indian lines continue to enjoy the first right of refusal. Transchart, the centralised agency in the Shipping Ministry, implements this for government-owned cargo. However, over a period, the volume of Transchart cargo dwindled as many public sector undertakings opted out of the scheme.

Till 2002, oil cargo was reserved for Shipping Corporation of India on a cost-plus freight basis. This was discontinued following the dismantling of the administrative price mechanism for petroleum products. Oil companies are now free to make their own arrangements.

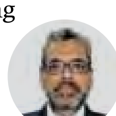
With centralised charter system discarded and with the new policy of cargo reservation, country's shipping lines are hoping for a new beginning.

"There is no incentive in the present shipping environment to buy vessels. With the newly proposed policy of reserving the cargo and a grant of a 5-year commitment will be good for the industry and provide a comfort level to the lenders," said

**A K Gupta, Chairman SCI.**

Apart from the growth of Indian shipping companies, other ancillary industries such as bunkering, ship repair and even shipbuilding is also expected to grow with the new policy, when it is implemented. With the news of proposed reservation policy, shares of the Indian firms are said to have risen by as much as 12 per cent.

"As more Indian ships start participating in the regular carriage of Indian imports, other ancillary industries such as bunkering, ship repair and even shipbuilding will grow," said **Anil Devli**, **Chief Executive of the Indian National Shipowners' Association (INSA).**



Indian shipping majors like Essar is also hopeful of the proposed rule. According to them, it's going to benefit in a way that the cargo will be reserved for Indian flagged vessels and that way the Indian shipping tonnage will go up. Once cargo is available for Indian flagged vessels, more and more shipping companies are going to flag in India.

> **"Indian exporters and importers shelled out around $57 billion last fiscal to foreign ships. A major part of this is for oil imports. Out of the 172 million tonnes of crude imported last year, Indian tankers carried only 16 per cent."**

"It is in the proposal stage and with first right of refusal and with cargo reservation, this is going to be the best policy intervention which would benefit Indian flagged vessels," said **Capt. Anoop Sharma, CEO & Director, Essar Ports and Logistics**

A source from the **Indian Oil Corporation(IOC),** commenting on the possible new rules, said, "as of now, the (Indian) fleet is not enough to meet our requirements, but the shipping ministry has said companies will raise funds on the back of 5-year contracts to buy more vessels."

Meanwhile, as domestic industry is expected to grow, international companies, which are said to have been seeing significant growth in business from India over the past several years due to international firms' lower rates and quicker turnaround times, are expected to lose out.

"Any increase in the reservation of cargo for national fleets is a cause of concern because it reduces the volume of cargo available for free traders, such as many Greek or Hong Kong shipowners," said an official from Indian branch of an international shipping company

Also for a section of other Indian shipping industry experts, the new move to bring in cargo reservation for Indian flagged vessels is a move which the industry going to incur losses. Forty years ago when a similar policy only affected the industry badly, according to **Captain Dinesh Gautama, President, Navakar Corporation.**

"If you go back forty five years ago there was policy of this kind, i.e. reservation of cargo, but that only caused problem for the exporters itself. For the exporters he want a wider variety of choice, frequency, he wants a wide choice of dropping the cargo to the places that he wants and this he can get when everything is open and put him on a level playing field. From a time where he got a choice of 50 to 60 vessels and when he is confined to only one party he would become incompetent in the industry," says Captain Dinesh Gautama.

The way to differentiate the impact of the proposed rule is describe by Captain Gautama. Government of India is producing steel and private companies are also producing steel. One of the factors that go into the prices of the coil is ocean freight rate. While the private company is left with varied choices of vessels and freight rates available, Indian public sector firm is left with a limited choice in its hand and this would be huge taxing on the Indian firm in providing steel in competitive rates to the foreign market. This would be the same case in the import scenario where with this proposal procuring of raw material for Indian companies will have to be in a confined market scenario while private companies would enjoy a free market environment.

1979 when they went for a long term contract they suffered a lot freight rate set to a low rate, even the operating company suffered loss. "This intervention should not have done in the first place because we are going more open and going for a wider variety of open market every sector and this policy would only dampen shipping industry of the country," said Captain Gautama.

However, if the government, oil and other PSUs, and the shipping lines jointly work out a strategy to expand the domestic fleet with the proposed policy change in place, this will create a win-win situation for all stakeholders in the long run, according Indian shipping industry experts. mg

# Respite in coastal shipping

High road transport costs have made the textile sector in Tamil Nadu uncompetitive not only in the domestic but also in the global market. The departure to coastal shipping as an economical mode of transport has helped the industry stay afloat

by Mohammed Shareef MP

In a state of dire straits with hardly any government support even when the industry is contributing more than 14 per cent of country's export earnings, the predominantly cotton-based textile industry in Tamil Nadu is trying their own way, in bailing out from the crisis by reducing their logistics costs, diverting raw material sourcing by coastal shipping.

To begin with the industry has tried out sourcing a little per cent of their required cotton through coastal movement from up country by entering an agreement with Indian shipping firms and Tuticorin Port. However this hasn't moved to considerable changes as countries' vessels are not having a level playing field in operating at Indian ports with several tariff issues, including bunker charges, compared to their international counter parts.

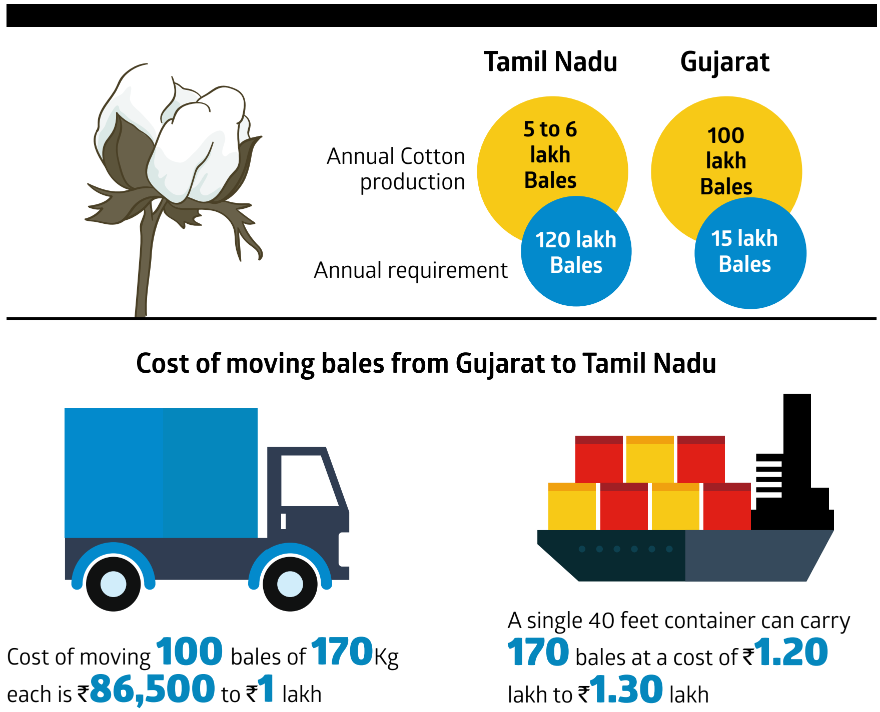
Tamil Nadu, a main hub for textile business on the global map, accounts for one-third of the textile business in the country. Textile mills in the state account for 44 per cent of the total spinning capacity of the country and 60 per cent of its yarn exports. Altogether, mills in the state earn total foreign exchange worth over ₹75,000 crore.

The livelihood of cotton farmers all over the country, survival of the powerloom, handloom and garment segments and that of the Tirupur knitting and garmenting sectors, which account for 70 per cent of the total cotton knitted garments produced in the country, depend upon the competitiveness of textile mills in the state and Tirupur accounts for ₹22,000 crore of textiles export.

The textile industry in Tamil Nadu started facing crisis since 2008 due to acute power shortage and steep increase in transport costs. The global recession of 2008-2009 and the high volatility in cotton prices in 2010-11 added to the woes. The various incentives offered by states like Gujarat, Maharashtra, Madhya Pradesh etc. in their textile policies, have made the textile sector in Tamil Nadu uncompetitive in the global market. It has incurred a loss of at least ₹15,000 crore in the last six months. In the last 10 years, more than 100 mills have closed down operations.

Dr. K Selvaraju, Secretary General, Southern India Mills' Association (SIMA), said that Tamil Nadu produces only 5-6 lakh bales of cotton per year against its annual requirement of 120 lakh bales. At the same time, Gujarat, which has 2.75 million spindles, consumes only around 15 lakh bales of cotton a year out of its annual production of over 100 lakh bales. To fill the gap in supply and demand, Tamil Nadu mills procure over 100 lakh bales of cotton from other states, especially from Gujarat and Maharashtra.

With the steep increase in lorry freight, transportation of cotton by road has become unviable. The current lorry freight fare for transporting cotton from Gujarat to Tamil Nadu is ₹865 per bale (of 170 kg). Indian vessels charge ₹672 per bale for transporting cotton from Gujarat to Tamil Nadu, which is higher than the fare of ₹433 per bale for transporting cotton from West Africa to Tamil Nadu. Currently, mills are spending ₹85,000 to transport 100 bales of 170




kg by lorry from Gujarat to Tamil Nadu, which works out to around ₹5.30 per kg, whereas China is able to transport 150 bales of cotton per 40 ft. container from Gujarat to Shanghai at $100 to $350, using empty cargo vessels returning in the same route.

Dr. Selvaraju said that, for the last four years, SIMA has been urging the government directly and also through the Confederation of Indian Textile Industry (CITI) and the Cotton Textiles Export Promotion Council (Texprocil) to relax the Cabotage Rule and permit foreign flag vessels to transport cotton and textile goods in EXIM container from the Gujarat port to either Tuticorin or Cochin port, so that the freight charge could be reduced by 50 per cent.

The appeal to exempt cabotage on foreign vessels was vehemently opposed by the Indian shipping firms. However, they were ready to work out in moving the raw material for textiles industry with a considerable rate.

SIMA and INSA agreed for an understanding to make domestic coastal shipping cost effective, as relaxation of the Cabotage Rule would affect the Indian shipping industry.

Accordingly, both SIMA and INSA members had a series of meetings at Mumbai and Coimbatore and fully realised the problems faced. It was learnt that certain local issues faced by the Indian shippers, such as duty on bunkers consumed and other taxes which are not applicable on a foreign shipping company, together with strict norms for coastal shipping, were the root causes for the higher cost of transportation for shippers.

As decided, a joint memorandum was sent to the Minister for Shipping and the Minister of State for Textiles seeking certain concessions and relaxation in the forthcoming Budget for Indian shippers. The ministers were also urged to provide duty-free bunkers for Indian flag vessels for carrying cotton and textile products on Indian coasts.

With deliberation made with INSA, the textiles industry ventured into coastal movement in sourcing the cotton. Though initially it was very little quantity, last year the industry sourced around 10 lakh bales of cotton of the total requirement of their cotton, which is around 12,000 teu in terms of container units. This financial year, the industry is planning to make it to 30 lakhs of bales sourced by coastal movement, which would be around 36,000 teu of cotton to be sourced. Over the period, the industry wanted to move almost 80 per cent of their cotton sourcing via coastal shipping, provided, the government bringing a level playing ground for the movement in terms of bunker charges, seafarer taxes etc., said Selvaraju.

According to SIMA the issues pertaining to restriction on the number of moves in ports (Tuticorin) and other port-related issues, which could be an impediment to the success of the joint efforts, would also need an intervention of the Shipping Ministry. SIMA supports the INSA demand to remove such restrictions so that greater efficiencies are achieved at the port, which can translate into better logistics services for the SIMA members.

SIMA and INSA have jointly appealed to the Centre to take a favourable decision to make cost-effective transportation of cotton and textile goods possible among Gujarat, Maharahstra, Tamil Nadu, Andhra Pradesh and Telangana, the hubs for cotton and cotton textile goods manufacturing, to sustain their global competitiveness.

At least bunker charges should be made equal to what foreign vessels are enjoying. A level playing field in terms of tariffs should be provided for coastal shipping. Government should exempt bunker charges and also seafarer taxes and concerned state governments should exempt sales taxes also because in all of these there is no parity when it compares to foreign flagged vessels. When China is carrying our cotton for 50 paisa per kg, we are carrying it for 5 to 6 rupees per kilogram.

# Solution to logistic woes?

## These Freight Villages once setup near seaports, railway hubs and highways will ensure faster movement of containerised and breakbulk cargo to the hinterland

by Vijay Kurup

The roads in the suburban areas of any metropolitan city are crammed with loaded and empty trucks and trailers either waiting to transload, or waiting for permit for entry into the city or are stranded due to congestion at the ports. All this gives rise to disorganised parking and avoidable congestion on the roadways. What if there is a land earmarked not just for parking but for a host of transport and logistic facilities? It would not only greatly reduce congestion on the roads, but also improve cargo movement and clearance of shipments. ASSOCHAM has proposed to the Centre for the creation of a Freight Village which would cater to such facilities.

A Freight Village can have the following features:

1) A localised cluster of transport and logistics facilities which are co-located and coordinated for synergies;
2) An intermodal terminal located near container storage, handling areas and warehouses linked to rail to reduce cargo handling costs and time and reduce the use of roads for containers;
3) A facility with an access to shared facilities, equipment and services;
4) A centralised management and ownership structure for long-term planning, investment, governance, environmental management and other issues.

The Freight Village, by its definition would be located near a seaport, a rail hub and highway. This would ensure faster movement of containerised and breakbulk cargo. This proximity would ensure faster evacuation of the cargo to the hinterland destinations. The shared access could also extend to other facilities, equipment and common user services.

The centralised management and ownership structure would have the responsibility for planning the long-term investment and growth as well as the short-term maintenance of the village infrastructure.

In India however no such facilities exist as yet. A Freight Village would have 'all the convenience of shopping under one roof.' Would this be an opportune time to launch the concept of Freight Village in India? ASSOCHAM firmly believes so for several reasons. The Indian economy is back on higher growth trajectory which would generate huge movement of cargo necessitating strengthening of intermodal transport links and augmenting transport capacity. Secondly, the opening of the Railways to FDI, will bring in FDI into Freight Villages.

The concept of Freight Villages could be incorporated into the concept of freight corridor development (East & West). The development of freight villages as a part of corridor development would mark a paradigm shift in India's approach to transport planning as it will cut down both costs of transportation and transit time.

A large tract of land would be required to set it up, hitherto a difficult stumbling block. The proposed changes in the Land Acquisition Act would now make it easier to acquire land for public purpose.

In his Budget Speech, the Union Finance Minister Arun Jaitley had announced that the PPP mode of infrastructure development has to be revitalised. An opportunity here for Freight Villages in India to be developed on a PPP model. Its management and governance structure should be similar to a landlord model of Port. Besides, the public sector should also be responsible for establishing corporate governance and administrative arrangements for the village, including those related to quality control, safety, and risk and environmental management.

The Public sector dry port owners (CONCOR and CWC) enjoy a huge advantage of having land available for use. The State agency could also provide land on a long-term lease on a nominal basis. Will this concept and model be successful? mg

# Stagnant for long

In spite of being the sixth largest coffee producer in the world, India contributes only 4 per cent to global exports. India's contribution to the global market can be improved with suitable government policies

by Itishree Samal

Though the domestic consumption of coffee is on the rise in India with a rise of coffee culture and mushrooming coffee chains such as Barista, Café Coffee Day and Starbucks, country's production and export of coffee sees a miniscule growth. The demand of domestic consumption is increasing at a 7 per cent annual growth rate, whereas the export is seeing less than 4 per cent growth year-on-year.

According to Coffee Board estimates, the coffee production is estimated to grow to 3.5 lakh tonnes this year, compared with 3.27 lakh tonnes in last financial year. Whereas, country's domestic consumption is pegged at around 1 lakh metric tonnes a year. Reports say consumption of coffee in non-traditional areas such as Maharashtra and Delhi is growing by 43 per cent, while the traditional markets such as Tamil Nadu, Kerala and Karnataka are witnessing a growth of 2.5 per cent a year.

Despite the rising domestic consumption, coffee exports in India remain close to the production volume. "It's because India is seeing a good growth in the re-exports segment, which involves importing of green coffee, roasting and processing in the country and re-export the value-added or instant coffee to different destinations," according to Dr. DR Babu Reddy, Deputy Director (Market Research), Coffee Board. The share of value-added coffee in the overall coffee exports has increased from 4 per cent in 2001 to 36 per cent last year; India imported 72,000-MT of green coffee for value-added variety last year.

At present, India ranks sixth among coffee producing nations globally and contributes only 4 per cent in the global coffee export.

**What's hindering the production?**

Over the years, Indian coffee production has increased 17 folds to reach 327,000 tonnes in 2014-15, from 18,893 tonnes 65 years ago. With 70 per cent share in production, Karnataka leads in production as well as area of cultivation, whereas 21 per cent of production comes from Kerala, 6-7 per cent from Tamil Nadu and remaining share is from the Araku Valley region in Andhra Pradesh, Koraput in Odisha and from north-eastern states. The area under cultivation has also increased four and half times to 423,270 ha in 214-15 from 92,523 ha in 1950-51; similarly productivity has improved by four times to 959 kg/ha from from 22 kg/ha during the same period. Globally, India ranks third in robusta coffee next to Vietnam and Brazil, and fourth in Arabica variety next to Brazil, Honduras and Guatemala.

Though there has been growth in production in last five years, which grew at 4 per cent, it has not impacted much in the overall production volume. Prior to that, the industry suffered with stagnant production between the years 2000-2007.

The production has been more or less stagnant due to several factors. First and foremost is the uncertain climatic condition in India. While other coffee growing nations have a predictable weather, India suffers from fluctuation in weather condition such as extreme heat and extreme rain. Other issues that affect the industry are shortage of labour, saline and old coffee trees, method of cultivation etc.

**Export outlook**

Currently, India exports to more than 100 countries with major destinations including EU, Turkey, Russia, US, Canada, Japan etc. Exports have remained stagnant, but there is an increase in value of shipments, which has risen to ₹5,142 crore in 2014-15, compared to ₹4,920 crore in last fiscal.

In order to make Indian coffee competitive in global markets, the government has provisions of incentives to ship to US, New Zealand, Canada, Japan, South Korea, Finland, Norway and Australia, which involves high shipping charges. For instance, though US is the largest coffee consuming country in the world, India exports less than 1 per cent of its exports to US. Also, the government is taking up measures to attract global buyers and boost exports. mg

# Future smells good

## Rising value added exports and domestic consumption signals good growth to the otherwise competitive industry

by Itishree Samal

Despite India being the seventh largest coffee producing nations in the world, it contributes only 4 per cent in the global coffee. Country's coffee export is seeing a good growth year-on-year, especially the exports of value-added, instant coffee. The share of value-added coffee exports in the overall exports increased from mere 4 per cent in 1991 to 36 per cent last year, while the export of green coffee remained more or less same.

**How is the current Indian coffee industry placed? What's your outlook for the industry?**

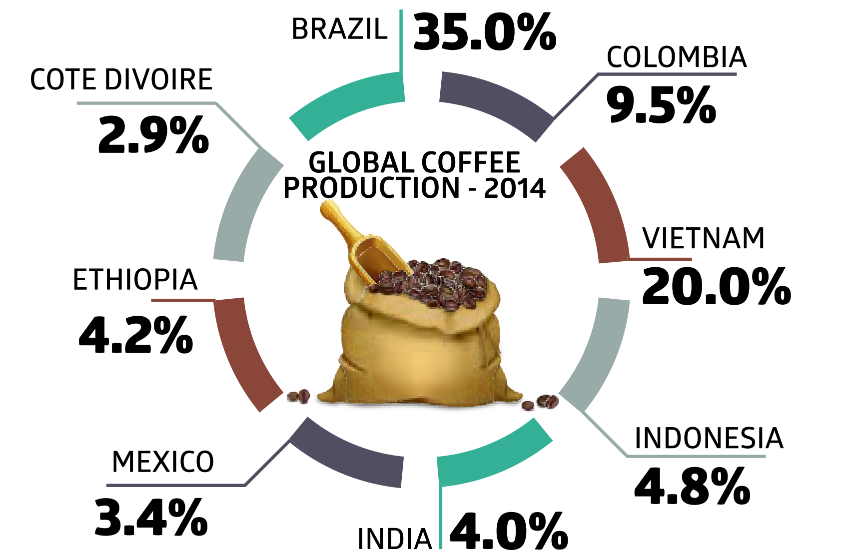
We are positive about the industry, we expect to touch an all-time high record in production to 3.55 lakh metric tonnes for FY15-16. Coffee crisis was felt all over the world during the years 2000- 2004, but from 2006 onwards, global prices started to pick up with the improved scenario globally. During the last five years, the country has been seeing good growth in production as well as exports. On export-front, India used to export an average of 2 lakh MT (metric tonnes), while during the last five years India is exporting close to 3 lakh MT every year. The export of value added variety of instant coffee is also on the rise. On the domestic front as well, demand and consumption have increased with the rise in coffee culture. At present, India consumes about 1 lakh MT of coffee every year.

**Which are the major exporting markets for Indian coffee?**

We exported to 105 countries in 2013-14 and to 108 countries last year. European Union is our major exporting destination comprising 52-55 per cent of the total exports, and EU and CIS (Commonwealth of Independent States) countries put together comprises 75 per cent. India exports green coffee to EU, while Russia and CIS countries mainly import value-added instant coffee. At present, the top importing countries include Italy (25 per cent), Germany, Russia, Belgium and Turkey. Though traditional importers have remained same over the years, Turkey has emerged as a key importer of Indian coffee in the recent years, mainly in the instant coffee segment.

**Demand from European markets reduced because of the economic slowdown. Has it affected India's exports?**

Coffee does not fall under "essential commodity", so the demand is




not changing despite the changing economic scenario in short-term period. However, currency fluctuations impact the pricing. Many countries currencies have been depreciated, which has impacted the international pricing of coffee.

**"Re-exports" is a growing segment. How has been the growth of the value-added and speciality-coffee?**

Coffee exports in India consist of both exports of Indian coffee as well re-exports (green coffee is imported, used for instant coffee preparation, then sold back to global markets). Contribution of re-exports (instant or value-added coffee exports) in overall exports is growing year-on-year; it grew from 4 per cent in 1991-91 to 36 per cent (Around 1 lakh MT in volume) last year. Though import duty is 100 per cent to import coffee to India, however duty-free import is allowed under the government clause to import green coffee, value-add and then re-export instant coffee. This is leading to a growth in re-export segment, which has further growth potential in future. The specialty coffees constituted for about 1 per cent of total exports which have increased to 5 per cent during 1991-92 to 2014-15. This shift in share of exports from dominant green coffee beans to strong speciality / value-added coffees is primarily due to the recognition of India as producer of high quality coffees in the international market.

**Which are the major markets for this re-exports category?**

Importers with "re-exports" purpose mainly look for low-cost coffee geographies to import green coffee. Majority of the imports are coming from Vietnam and Indonesia.

**While US is the largest coffee consuming country in the world; it meets most of its demand from Brazil and Columbia. What initiatives the Board is taking to make Indian coffee viable for such far away destinations?**

US is closer to the major coffee producing nations such as Brazil and Columbia, so it sources mainly from Latin American countries. Though India exports 55 per cent of its total exports to EU countries, its exports to US is less than 1 per cent. The far away shipping distance is a major concern for many exporters. The Board is incentivising exporters to export to far-off destinations such as US, Canada, Australia, Japan, New Zealand, South Korea, Finland and Norway. Board also conducts targeted international campaigns in key markets and brand building efforts for promoting Indian coffee.

**What are the other initiatives to improve coffee production and increase exports volume?**

By understanding the constraints in production, the Board is encouraging through several developmental schemes, mainly for re-plantation, water augmentation, quality upgradation etc. Generally, the plants have become old and senile in traditional coffee growing areas. To improve yields, the board is helping in re-plantation. The Board also has schemes for mechanisation in order to tackle the issues of labour shortage.

On the exports-front, the Board is incentivising exporters at the rate of ₹2 per kg for export of high value green coffee to far off destinations. It is also providing ₹3 per kg for export of value-added coffee in retail consumer pack with "India Brand" logo to improve Indian brand.

**Is there any scope to increase Indian exports?**

Globally around 80 countries produce coffee, while most of the countries contribute less than 1 per cent in global share. Largest producer Brazil contributes 35 per cent, while the second largest player Vietnam contributes 20 per cent. Though India is the sixth largest coffee producer and exporter in the world, its share is only 4 per cent. Seeing the current trend, it is difficult to increase its share further. India has several limitations including less production area.

Our production is mainly confined to traditional coffee growing states – Karnataka, Kerala and Tamil Nadu which produces more than 98 per cent of its total production, while rest is coming from newly developed regions such as Araku Valley in Andhra Pradesh, Koraput in Odisha and few north eastern states. Also, unlike major coffee producing nations, India has different climatic conditions, production methods (Indian coffee is grown under shades), etc. While India has typical dry and wet climatic conditions, other coffee producing nations have continuous rainfall throughout the year. Still Coffee Board of India is making efforts for expansion of coffee growing areas not only in non-traditional areas but also in the traditional areas.

**What other challenges faced by the Indian coffee industry?**

Productivity also gets hampered due to continuous dry spell or heavy rain as Indian coffee is grown under shade. Apart from uncertain climatic conditions, the industry faces with shortage of labour, volatility in international market prices, etc. But due to rising coffee consumption in the country, the coffee growers are protected from fluctuating international prices due to rising domestic demand.

# ‘Odisha is seeing a 20% growth in exports’

## Stable government and new proactive industrial policy make this state join the growth race

by Itishree Samal

Odisha is rising on the development map, with a 9 per cent growth in gross state domestic product, which is higher than the country GDP growth of 7 per cent. The state government has also unveiled Industrial Policy Resolution (IPR) 2015, that aims at ushering new investments in the manufacturing sector and make Odisha an investment destination for both domestic and international players.

According to Directorate of Export Promotion and Marketing (DEPM) data, exports of goods from Odisha zoomed 44.22 per cent in 2013-14 to ₹17,661 crore, compared to ₹12,246 crore in the previous financial year, mainly on accounts of increased mineral exports which surged 97.62 per cent to ₹6,227 crore in FY13-14 compared to previous year’s ₹3,151 crore.

**How do you define the current industrial scenario in Odisha?**

The overall industrial and manufacturing environment of the state has improved in the recent years. The state has recorded 9 per cent growth in gross state domestic product, which is higher than the country’s average. Though we still lag behind few states in terms of industrial production, we are hopeful we will soon join the race with the current aggressive growth. We can say the current industrial scenario of Odisha is very positive.

In addition to that, the state has a stable government which has been ruling since last 15 years, which is an added advantage to the industry. Ensuring to improve the economic sentiments of the state, the government has been taking several proactive measures in curtailing the bottlenecks and several policy hurdles. In September this year, it has announced a new industrial policy, which aims to attract investments across sectors such as food processing, exports, MSME, software, manufacturing etc.

**How has been the growth in exports and imports? Which are the major EXIM commodities?**

Imports are not substantial in Odisha, apart from coal. We may see imports of oil once the Paradip refinery project of Indian Oil Corporation (IOC) is commissioned by next year. The IOCL refinery is expected to produce 5.97 million tonnes of diesel, 3.4 million tonnes of petrol, 1.45 million tonnes of kerosene/ATF (Aviation Turbine Fuel), 5,36,000 tonnes of LPG, 1,24,000 tonnes of Naphtha and 3,35,000 tonnes of Sulphur.

In contrast to imports, the state is seeing a 15-20 per cent growth year-on-year in exports at a time when the overall country’s export is seeing a slump. The state recorded ₹18,000 crore in exports in last financial year. More than 30 per cent of the exports consist of metallurgic products, while other exporting goods include software, engineering products, sea foods etc. Sea food exports have doubled in 2013-14 to ₹1,800 crore from ₹900 crore in previous year.

**Manufacturing-wise, where does Odisha stand on the national map?**

In India, you will find more industrial development in western and northern parts of the country. While western India has rich manufacturing base, northern India is mainly big in the MSME sector. Though Odisha has been neglected so far, it is now slowly catching up in manufacturing and industrial development. According to a recent World Bank study, Odisha ranks seventh among Indian states in terms of attracting investments to the state in manufacturing. Gujarat and Andhra Pradesh ranks first and second respectively in the list. However, the state government is ambitious to put Odisha among the top three in the next two to three years.

**Which are the major industries?**

The state has huge potential for large scale industries in ferrochrome, Ferro alloys, steel, aluminum, power plants etc. With the changing mindset and entrepreneurship, the state is slowly catching up. Once the state will have the large industries, it will create way for many small and medium ancillary units.

**Jharsuguda and Kalinganagar are growing as the major industrial hubs in the state. How these two zones are shaping up?**

Nobody was heard of Kalinganagar a decade back, but now it has thrived as a major industrial hub on the east coast. Under the National Manufacturing Policy, Kalinganagar is being developed as a National Investment Manufacturing Zone (NIMZ). The region is emerging as a major industrial hub with more than eight steel majors such as Tata Steel, NINL, Jindal, VISA and MESCO having set up their manufacturing facilities. The zone has immense export potential in the coming years.

Among the projects at Kalinganagar, Tata Steel is gearing up to commission the first phase of its proposed six million tonne per annum (mtpa) capacity steel plant on November 18, 2018, the company's second steel mill after 10 mtpa capacity plant at Jamshedpur, this month. The first phase will have 3 mtpa capacity. Similarly, Neelachal Ispat Nigam Limited (NINL), a joint venture steel company promoted by trading firm MMTC and the government of Odisha, is also one of the largest producer and exporter of pig iron with 1.1 mtpa capacity in the first phase, while the second phase will have 5 million tonne capacity.

The Jharsuguda industrial belt mainly has power plants and aluminum companies.

**Which is the most preferred mode of transportation for cargo?**

We are not well placed in terms of infrastructure and connectivity and face several bottlenecks. The current rail, road and air connectivity is not up to the mark compared to other states; same is the case of alternative mode of transportation such as waterways.

At present, road is the most preferred mode of transportation keeping in mind the logistics cost. Though there is good rail connectivity between southern and eastern parts (that connects Chennai to Kolkata), not all towns and cities of the state are connected by rail. So, it becomes expensive when cargo is transported by both rail and road. The rail connectivity needs to be improved.

Also, work is in progress to develop national waterways at key places. Currently, dredging work is going on river Brahmani to connect Kalinganagar with Dhamra Port. Plans are there to connect Paradip and Dhamra Port with major industrial zones through waterways. The Kalinganagar-Dhamra Port stretch would involve movement of vessels along with cargo. A temporary terminal is being constructed at Erada in Jajpur district with vessel berthing, loading and unloading facilities.

**Few industries are facing issues in getting the raw material on time due to lack of efficient transportation infrastructure in the state. What are the other difficulties faced by the industry?**

High logistics cost still remains a concern. Though the diesel price has reduced in recent times, the transporters have not reduced their prices. They have formed a cartel and are not ready to reduce the logistics costs.

This apart, the current road infrastructure remains another concern for the industry. The state government is planning to connect Kalinganagar with both the ports with six-lane roads. At present, it is connected with two-lane road.

**Is UCCI taking up any initiatives to combat this issue?**

UCCI, along with other industry bodies such as CII, constantly in discussions with the industry and takes up the issues to higher authorities. We are now scouting to improve the means of transportation. Once more transportation options are available, the industry will be more price competitive.

**Among the existing ports in the state, which one is more preferred by the business community?**

The state has three ports – Paradip, Dhamra and Gopalpur Port. The Gopalpur Port operation has been stalled due to the cyclone last year. Of the remaining two, connectivity is not adequate to Dhamra Port. It is connected with single lane road. On the other hand, Paradip Port is well connected by both rail and road, so it is widely used by the business community here. The port has good infrastructure for bulk cargo. Most of the containerised cargo of the state goes to Vizag and Haldia Port.

**Which neighbouring ports the exporters are using?**

Both Haldia and Vizag Port are situated in close proximity; distance from Bhubaneswar to Vizag is 441 km, while distance from Bhubaneswar to Kolkata is 447 km. Most of the sea food exports happen through Vizag Port as the vessel calling is more at Vizag. Industries closer to West Bengal prefer Haldia Port.

**Is the government planning to set up any new ports or expand its maritime infrastructure?**

The state government had earlier proposed for 12 ports across the coastal regions. Of which, the government is considering setting up ports at Bahabalpur in Balasore district, Chudamani in Bhadrak district, Astarang in Puri district and at Palur in Ganjam district.

## Odisha exports on the rise

In 2013-14, Odisha exported ₹6,308 crore of metallurgical goods, ₹866 crore of engineering, chemical and allied products, ₹1,943 crore of marine products, ₹2,306 crore of software, ₹0.64 crore of handloom items and 0.26 crore of handicraft products. Textile and pharmaceutical also contributed ₹10 crore and ₹0.92 crore, respectively in exports. Kalinganagar is being developed as a National Investment Manufacturing Zone

# Nafeesa sails her way to success

Hard-pressed into running the family-owned business, Nafeesa Moloobhoy, Managing Partner of A.S. Moloobhoy & Sons, sailed through all odds and successfully anchored herself as an entrepreneur to reckon with in the marine industry. Lack of a formal degree or diploma did not deter her to foray into a male bastion.

by Reshmi Chakravarthy

"It was a man's world but is no longer. More women will dive into the oceans of opportunity and prove their mettle," asserts Nafeesa Moloobhoy, who calls the shots at the century-old company.

Travelling down the memory lane, Moloobhoy recollects why she had to venture into the business. "My husband, Adil Moloobhoy, had to retire early due to ill health and I had no choice but to take over the company to ensure that it was business as usual at Moloobhoys." Yes, you can feel the resolve behind the words. It was in 1960s that our company shifted focus from ship breaking and ship chandling to specialise in safety products for the marine industry, she recalls. Recently, the company has ventured into providing Type Specific ECDIS training for aspiring mariners.

"My husband inherited the company from his father. My children, are the fourth generation to handle the 1905-established ancestral business house," she says, with a proud grin on her face.

Under her able administration, Moloobhoys successfully secured the all-India dealership of Furuno Inc., a Japanese electronics company whose main products are marine electronics, including radar systems, fish finders and navigational instruments. "It put us firmly in the navigation business and allied services," she informs. Last year, A.S. Moloobhoys, after spending more than a century in Mazagaon, relocated to an eco-friendly office, Marathon Future-X in Lower Parel, Mumbai.

Her sheer determination and dedication reflects in placing the right value system at Moloobhoys. But that should not mean, Nafeesa is an all-business woman. The humble and thoroughly professional Nafeesa successfully juggles a demanding professional life with personal space. A homemaker at heart, she is happy that both these spheres overlap in her life as she mentors her two daughters, Ghazalah Moloobhoy and Tehzeeb Moloobhoy, recently married, in the trade.

True to her adventurous self, she has many plans chalked out for her company in the next five years. "I want our company to go public in the next five years and be the first marine service companies to be listed in the stock exchange." There is a proposal to expand internationally by opening a branch in Dubai, apart from starting a marine-related IT vertical by setting up BPO facilities to repair electronic shipboard equipment.

Plans are afoot to launch a state-of-the-art training centre for the offshore industry, offering Bosiet and Huet courses, apart from lifeboat management, certified by Opito, in collaboration with MTC who are pioneers in the field. The company also has a sizeable market share in the sale and supply of pyrotechnics.

Ask who inspires her the most and pat comes the reply, Chanda Kochhar, the MD and CEO of ICICI Bank, whom she knows personally and admires every facet of her personality. "Kochhar is not outstanding only in the professional front, she also is an affectionate mother and an homemaker. Above all, she looks petite. She is my muse," says Nafeesa.

A torchbearer to the world-class ship supplier company, Nafeesa's main focus is customer satisfaction and in the same breath, she also makes every employee feel they are working for their own family. The staff have their own guest house and enjoy going to picnics together. After a hectic schedule, Nafeesa too unwinds by seeing good movies, going for massages at spas, indulging in facials at salons.

Nafeesa aims to corporatise the trade and get due recognition for it, just like the film industry. We, at Maritime Gateway, wish success in all her endeavours and will sure be there to support her in the incredible journey. mg

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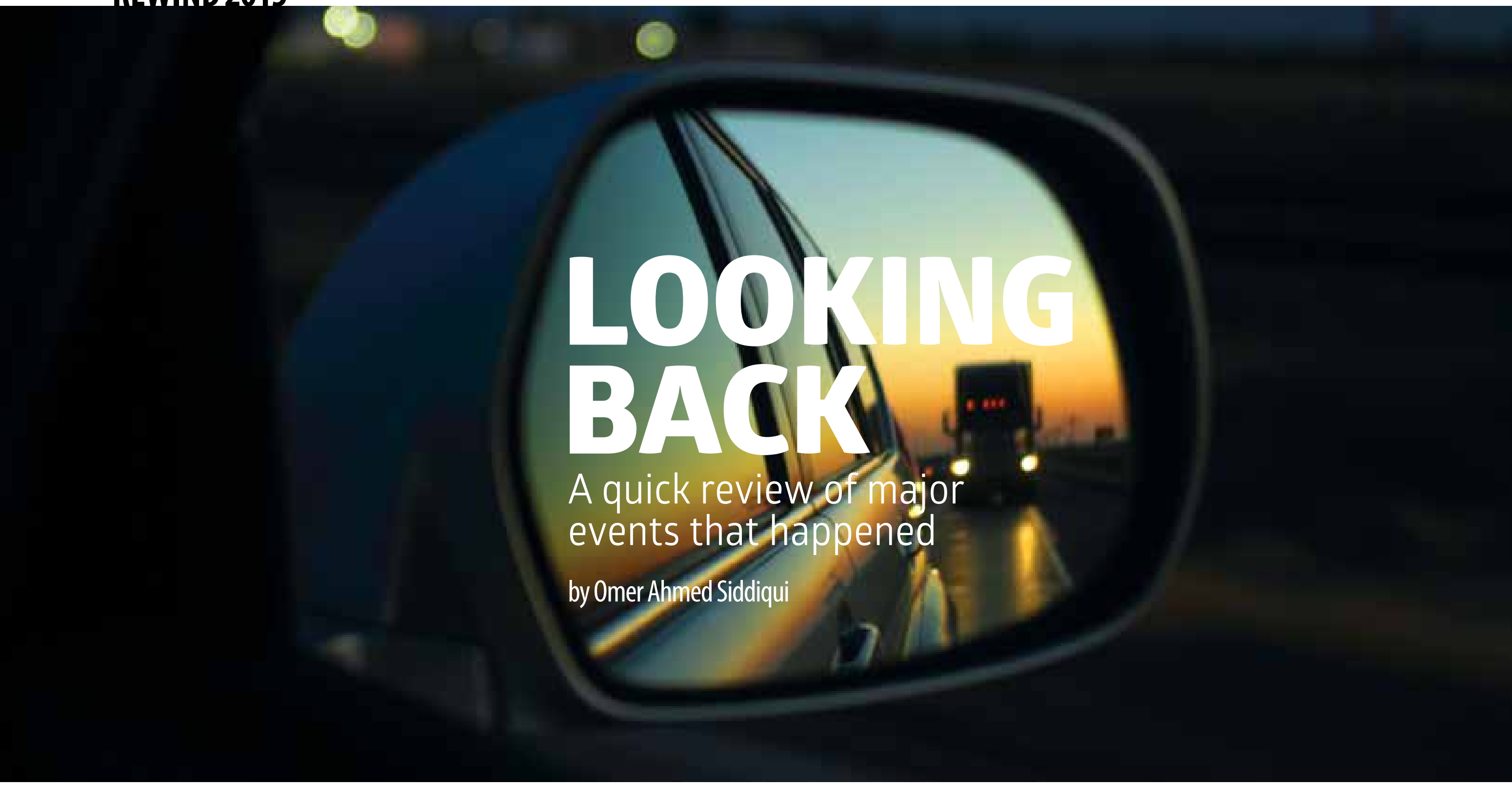


# LOOKING BACK

## A quick review of major events that happened

by Omer Ahmed Siddiqui

The past eleven months have not brought many cheers to the global maritime sector that witnessed a continued slump in world trade. However, the Indian industry guided by Prime Minister Narendra Modi's formula of port-led development has witnessed capacity expansion at various ports, new ICDs and CFSs cropping up and development of logistics infrastructure.

**Multi-product SEZ at JNPT:** The Union shipping ministry has approved ₹468 crore for the development of basic infrastructure for a multi-product SEZ at JNPT, expected to be fully functional by 2018.

**Revised policy for stevedoring and shore-handling:** The Shipping Ministry will sell permits to stevedores and shore-handling agents to undertake cargo handling operations from the non-mechanised berths of government-owned ports through auctions on a revenueshare basis for a period of three years.

**Private ports to change cargo profile:** The government is allowing private ports to set up container terminals to change their cargo profile either permanently or as a stop-gap measure to deal with circumstances that have rendered their facilities idle.

**New port at Sagar Island:** Kolkata Port Trust has formed a joint venture with the West Bengal government to set up a new port at Sagar Island in South 24 Parganas district. The port will cost ₹11,900 crore and a SPV has been formed for this purpose.

**Financial limits of major ports enhanced:** The government has enhanced the financial limits and also streamlined the powers exercisable by major port trusts. The areas covered include the powers to execute contracts and deposit works, take temporary loans or overdrafts, incur capital expenditure, sanction works, compound or compromise claims, writing off losses.

**Tuna Tekra bulk terminal at Kandla commissioned:** APSEZ has commissioned a bulk terminal at Tuna Tekra, Kandla Port, with an annual handling capacity of over 20 million tonnes. The project is expected to benefit the states of Gujarat, Rajasthan, Haryana, Punjab and Madhya Pradesh.

**Bharat Mumbai container terminal at JNPT:** Prime Minister Narendra Modi laid the foundation stone for the container terminal which will more than double the capacity of JNPT in next two years.

**Dry port at Baddi:** Baddi in Himachal Pradesh got the state's first dry port with the inauguration of an ICD by Concor. It will serve the Baddi- Barotiwala-Nalagarh hub.

**Container terminal at Kakinada:** PSA International Pte Ltd is setting up a container loading facility at Kakinada Port. PSA is said to have signed a MoU with Kakinada Seaports Ltd in this regard.

**DP World Nhava Sheva inaugurates NSIGT:** The 330-metre terminal adds 800,000 teu in capacity to the region and is able to accommodate some of the largest vessels calling at the Jawaharlal Nehru Port.

**New projects at Paradip Port Trust:** Union Minister for Road Transport, Highways and Shipping, Nitin Gadkari inaugurated projects worth ₹269 crore at Paradip Port. These include an oil jetty of 10 million tonnes capacity, draught enhancement in the central dock and MCB to 14.5 metres.

**Coastal shipping bill:** The Bangladesh cabinet and the Indian cabinet chaired by Prime Minister Narendra Modi approved proposal for coastal shipping.

**Ministry of shipping acquires ISO Certificate:** The Ministry of Road Transport and Highways has acquired ISO 9001:2008 certificate for monitoring, planning, development and maintenance of highway infrastructure.

**Cabotage partially relaxed:** The government has relaxed cabotage law for five years to allow certain special foreign vessels like Ro-Ro, Ro-Ro cum Passenger, ODC, project cargo vessels, to facilitate transportation of cargo between different ports along the country's coastline.

**PSUs to plan logistics:** The government has approved decentralisation of existing chartering arrangements. PSUs can make their own arrangements of bulk cargo movement without having to route the requirements through the Ministry of Shipping.

**Amendment to the Merchant Shipping Act:** The Merchant Shipping (second) Amendment Bill, 2013 has been passed in Rajya Sabha to amend the Merchant Shipping Act to enable India to accede to a global convention that exempts Indian vessels on international voyages from inspection and aimed at improving the working condition of seafarers.

**Excise duty on bunker relaxed for Indian ships:** In order to promote movement of cargo through coastal waters, the government has exempted Customs and excise duty on the use of bunker fuels by Indian ships.

**Coastal cargo service on west coast:** Transport Corporation of India Ltd launched its cargo container shipping service from Mundra Port, Gujarat to Kochi, Kerala.

**Documents required for EXIM reduced to 3:** The Government has reduced the mandatory documents required for import and export of goods to three documents each.

**Merchant Shipping Bill 2015:** The Union Cabinet approves introduction of the Merchant Shipping (Amendment) Bill 2015, in line with a global convention, to protect environment and human health from ballast water and sediments used in ships.

**Bhiwandi to be made logistics hub:** Bhiwandi town in Thane district is being made into a logistics and godown hub. 2,200 hectares land has been earmarked for the project.

**Developing inland waterways:** MoU signed by IWAI with the government of Odisha, Paradip Port and Dhamra Port Company Ltd to develop commercially viable stretches of National Waterway-5

**Jal Marg Vikas project started:** Work started on the 'Jal Marg Vikas' (National Waterway-1) project, which envisages developing a fairway of 1,620 km between Allahabad and Haldia stretch with a $3.5 million funding.

**Online permissions for ODC cargo:** The Road Transport and Highways Ministry has decided to grant online permissions for movement of over dimensional and over weight cargo.

**Incentivising modal shift of cargo:** The Union Ministry of Shipping has initiated a scheme to incentivise shippers who move their cargo through coastal routes and inland waterways.

**Container yard near Nanjangud:** Concor is establishing an inland container yard at Kadakola near Nanjangud which will give a boost to exports from Mysore and help local industries in moving freight to ports, saving on cost and time. Fifteen acres of land has been allocated for the project.

Senior IRS officer **Deepak Shetty** appointed Director General of Shipping.

**Ki-tack Lim** elected as IMO Secretary-General

**Singapore expands Pasir Panjang Terminal Phases 3 and 4:** The port expansion will help to cope with mega-ships and alliance complexities by increasing the overall capacity of Singapore's Port to 50 million teu by end of 2017.

**Malaysian Flag approves IRClass:** The Maritime Administration of Malaysia has authorised IRClass to act as a 'Recognised Security Organisation' towards verification and approval of ship security plans and issuance/ endorsement of International Ship Security Certificates for ships operating under Malaysian Flag Administration.

**Suez Canal expansion**: Suez Canal expanded by deepening and widening the existing canal and developing a new parallel canal which is about 22 miles long, at a cost of $8 billion.

**Cargo train from China to Europe:** A cargo train service between China's famous commodity hub Yiwu and Madrid, Spain completed its maiden trip on the 13,000-km long route.

**Bangladesh offers two SEZs to India:** Bangladesh has offered to establish two SEZ for Indian companies in Mongla and Bheramara.

**Panama Canal expansion:** The expansion doubles the capacity of the waterway, allowing the Canal to handle the larger freighters crucial to efficient global trade. The waterway will be able to handle 97 per cent of the world's vessels in the container segment

**Tianjin blast:** Two massive explosions at a warehouse that stored flammable chemicals in the port of Tianjin, northern China, have killed more than a hundred people, left hundreds more injured while causing massive damage to the cargo stored there and to areas surrounding it. mg

# Profit plunges in Q2

## Gujarat Pipavav port – Q2, FY 2016 profits decline

Net profit declined 40.6 per cent to ₹53.10 crore for the second quarter ended 30 September, as compared to ₹89.52 crore for the corresponding period in the previous year. Low sales and higher expenses are cited as the reasons for the decline in profits.
Net sales during the quarter declined to ₹140.42 crore from ₹157.15 crore in the year-ago period. Total expenses increased to ₹95.42 crore for the quarter as against ₹90.58 crore in the corresponding period.

## Adani Ports Q2 profit up 16 per cent

APSEZ reported 16 per cent increase in its net profit to ₹667 crore for the September quarter, as compared to ₹573.52 crore for the same period during the previous fiscal year. Total expenses during the quarter rose to ₹912.84 crore from ₹840.11 crore a year-ago period. Consolidated cargo handled during the quarter was 36 million tonne, an increase of 4 per cent, over corresponding period last year.

## Essar Ports Q2 FY16 net profit up 9 per cent

Essar Ports has reported 9 per cent jump in Q2 FY'16 net profit to ₹104.5 crore on a Y-O-Y basis. The port's revenue also increased by 8 per cent Y-o-Y to ₹470.3 crore. The port recorded cargo movement of 20.64 MMT during the quarter, as against 17.70 MMT during the corresponding period in the previous year. Revenue for the quarter pegged at ₹470.3 crore, an increase of 8 per cent against ₹435.3 crore in Q2FY'15.

**Essar shipping records net loss of ₹76 crore**
Essar Shipping posted a net loss of ₹76 crore for the quarter, as compared to a loss of ₹43.9 crore posted for the corresponding period last year. Total Income during the quarter stood at ₹414.6 crore.

## SCI reports eight-fold jump in profits for Q2, FY 16

Shipping Corporation of India (SCI) reported an eight-fold increase in its net profit to ₹161.21 crore in the Q2 of FY16, guided by reduction in prices as well as changes in depreciation policies. Revenue came in majorly from the tanker business, there has been a huge decline in the dry bulk earnings, even in the liner earnings. Q3 will be on same lines as Q2 if the crude prices and demand remain the same, said AK Gupta, CMD, SCI. Profit margins are expected to remain at 28-29 per cent level in the Q3.
As compared to Q2 of last year, about ₹144 crore is the benefit in bunker and about ₹50 crore gained due to the depreciation policies.

## Allcargo posts ₹1,468 crore in revenue

Total revenue from operations for Allcargo was ₹1,468.1 crore for the quarter ended September 30, 2015, almost similar to ₹1,462.5 crore for the corresponding previous period. Multimodal Transport Operations clocked total volumes of 1,17,574 teu for the quarter, as against 1,08,874 teu for the corresponding previous period, an increase of 8 per cent. The total revenue from the operations for the quarter was ₹1,232 crore as against ₹1,250 crore for the corresponding previous period.

CFS/ICD operations clocked total volumes of 77,027 teu for the quarter, as against 75,398 teu for the corresponding previous period, an increase of 2 per cent. Total revenue from these operations for the quarter was ₹112 crore, as against ₹101 crore for the corresponding previous period, an increase of 11per cent.

Project & Engineering Solutions earned a revenue of ₹138 crore as against ₹128 crore for the corresponding previous period, an increase of 8 per cent.

## Profit plunges at Gateway Distriparks

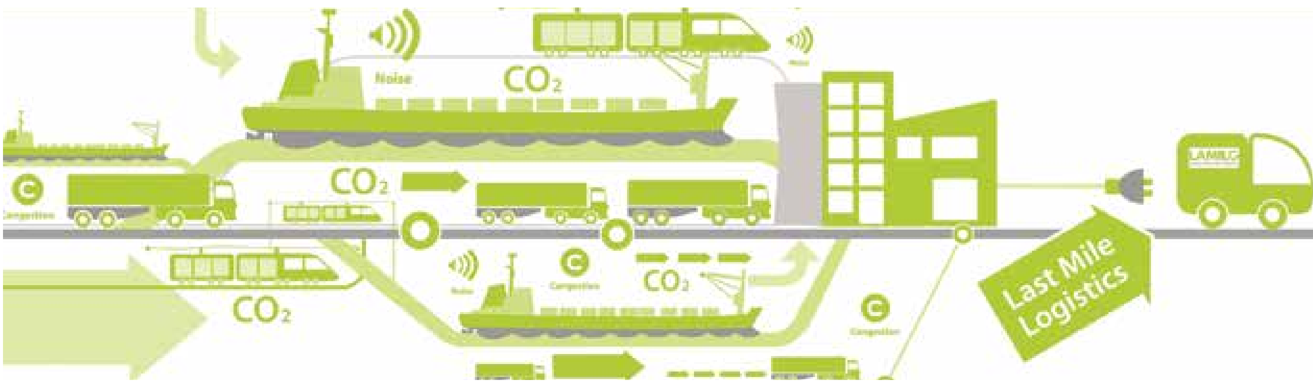
Gateway Distriparks recorded a sharp decline in net profit in the second fiscal quarter through the end of September, hit by slowing container volumes. The company made a consolidated net income of ₹29.65 crore (about $4.6 million) during July to September, down 38 per cent from ₹47.81 crore ($7.4 million) a year earlier. Total income from operations for the second quarter fell 11 per cent year-over-year to ₹261 crore.

Second-quarter operating profit was down 24 percent to ₹43.7 crore from ₹57.7 crore for the same period last year. Quarterly income from container freight station division was down 8 per cent from a year earlier to ₹82 crore. Rail logistics segment booked a revenue increase of 4 per cent to ₹179 crore in the second quarter from ₹172 crore during July-September 2014.

Gateway's net income in the first fiscal half (April to September) plunged 43 per cent from a year earlier to ₹49.5 crore, on revenue that fell 8.3 per cent year-over-year to ₹525 crore.

# Sustainable logistics

Logistics form the life line of global trade. To ensure it stays sustainable, the UN has come up with certain goals shared by the World Ocean Council, The International Railway Association and The International Road Transport Union




The United Nations has recently adopted Sustainable Development Goals (SDGs) intended to guide global efforts to alleviate poverty and promote sustainable development from 2015 to 2030. Contributing to these goals in their own way are The World Ocean Council (WOC), The International Road Transport Union (IRU) and The International Railway Association (UIC) representing respective modes of logistics and transport.

WOC has been consistently participating in monitoring and reporting on these SDG process for the ocean business community. The WOC and its efforts on ocean sustainable development are featured in "Scaling Up Sustainability Collaboration: Contributions of Business Associations and Sector Initiatives To Sustainable Development." Abstracts from the report pertaining to the shipping and logistics sector have been compiled below:

About 90 per cent of world trade is carried by sea. The commercial viability of shipping is thus central to the broader goal of sustainable development and underpins the industry's ability to deliver investments in environmental and social improvements. International Chamber of Shipping (ICS) is, therefore, keen to promote the continued economic sustainability of shipping by encouraging the cost benefit analysis of any new environmental or safety measures proposed by the industry's regulators.

**Safety and environmental standards**

The IMO International Safety Management (ISM) Code, developed with complete inputs from ICS and implemented worldwide from 2002, contains mandatory standards for both the internal and external audits of shipping companies' safety management systems. Companies and ships have to demonstrate full compliance with the Code to receive a license to operate from their flag. Moreover, the Code is implemented by the majority of shipping companies by reference to "ICS Guidelines on the Application of the ISM Code". ICS promotes the shipping industry's continuous improvement of its environmental performance – a concept central to the ISM Code.

**The International Road Transport Union (IRU)**

IRU is an international non-governmental organization aims to promote the sustainable transport of persons and goods via road networks.

The 3i strategy which IRU adopts promotes sustainable transport through three pillars: innovation, incentives and infrastructure. The strategy encourages governments to provide real business incentives to expedite the development and penetration of innovative technologies and best practices, as well as adequate infrastructure to eliminate bottlenecks, missing links and the resulting congestion.

**The International Railway Association (UIC)**

UIC counts 240 members across five continents, including railway companies, infrastructure managers, rail-related transport operators and research institutes. The UIC Environment, Energy & Sustainability (EES) Platform manages five expert networks (Energy & $CO_2$, Emissions, Sustainable Mobility, Noise and Sustainable Land Use) and a portfolio of projects focusing on the development of best practices.

**Advocacy and awareness:** In 2009 UIC organised the Train to Copenhagen in the context of the United Nations Climate Change negotiations in Copenhagen at COP15. This Climate Express was an unprecedented special train that delivered a symbolic message from Kyoto, as well as transporting key delegates from Brussels to Copenhagen by low carbon sustainable rail transport.

# No silver lining

## Government's plans to amend ship breaking code may not help the environs

by Ritu Gupta

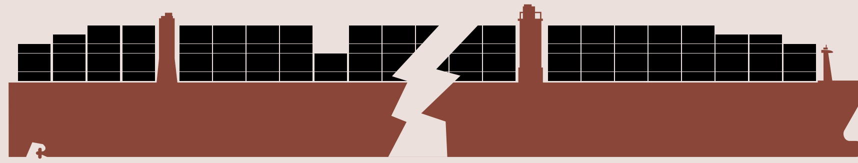
There is yet some more bad news in store for the Indian ship breaking yards. Even though the ministry is proposing changes to amend India's ship breaking code of 2013, environmentalists allege that the proposed changes are mere paper tiger, and will not do much to protect the environs. If the allegations of the environmentalists are true, then it would indeed be tragic as many old tankers, cruise liners and cargo vessels are broken by hundreds of unskilled workers using simple tools such as blowtorches on pristine beaches in India. Chemicals leak into the ocean when the tide comes in. Apart from environmental damages, this practice also leads to loss of human life as per the Mumbai-based Tata Institute of Social Sciences, some 470 workers have died in the past 20 years in accidents in Gujarat's Alang, the world's largest beach stretch for ship-breaking. Some 3,500 mostly migrant and unskilled workers operate there.

Amidst protest from many European countries, the ministry had thought of making amendments to curb such harmful practices. "The proposed changes however may not have the desired affects," says Gopal Krishna of ToxicsWatch Alliance. "Since the constitution of Ship Breaking Scrap Committee on July 22, 2014, it had two meetings on November, 2014 and March 10, 2015. This committee was modified on February 17, 2015. Its minutes were not uploaded on the website. It is quite bizarre that one of the first few things the committee plans to do is to undertake the amendment of the Ship Breaking Code 2013 which was finalised by the Inter Ministerial Committee on Ship Breaking pursuant to the Supreme Court's order of September 2007," avers Krishna. According to him, the ship breaking matter was transferred from Ministry of Steel to Ministry of Shipping in August 2014 despite protest from environmental groups. It is quite strange that Ship Breaking Scrap Committee has modified its composition to include representatives of the ship breaking industry but representatives from environmental and occupational health groups and trade unions have not been included as yet despite Supreme Court's order.

Environmentalists allege that the Indian government seems rather

### Environmentalists' concerns

- Amendment to India's ship breaking code of 2013 is a paper tiger aver environmentalists
- Vessels broken down by about **3500** unskilled workers
- harmful chemicals leak into the oceans
- About **470** workers have died in the past 20 years at Alang
- Ship breaking transferred from Ministry of Steel to Ministry of Shipping in August 2014 despite protest from environmental groups.
- Ship Breaking Scrap Committee has modified its composition to include representatives of the ship breaking industry but representatives from environmental and occupational health groups and trade unions have not been included



- Rules on disposing of hazardous waste such as asbestos are generally lax.
- Shipowners can make up to **$500** per tonne of steel from an Indian yard, as compared to **$300** in China and just **$150** in Europe
- European shipping groups such as Denmark's Maersk and Germany's Hapag-Lloyd have adopted policies to recycle only at facilities that meet international environmental standards.

### Ship breakers' voice

- Indian ship breakers see the amendment as a ploy to fill empty European yards
- Fewer than 4 per cent of all retired ocean-going ships passed through European facilities in 2014.
- Concerns about poor safety and environmental standards in India are misplaced.

unmoved by the potential hazards of the business, allege environmental organisations. For instance, the Modi government has not done much about the tax on ships imported to be broken up. This last budget also seems to have brought with it very little of material concern to the ship-recycling sector, noted Dubai-based cash buyer Global Marketing Systems (GMS). In fact prices of recycled steel rebounded from $340/ldt to more than $360/ldt post budget. "A cursory review appears to show no significant increases on taxes to the ship recycling sector, but conversely, no new duties on any freshly imported Chinese billets seem to have been imposed so far," said GMS.

Indeed the state of affairs where ship breaking is concerned is a sad one. For shipowners it is very economical to break their ships at a South Asian facility, as rules on disposing of hazardous waste such as asbestos, for example, are generally lax. Depending on raw-material prices, shipowners can make up to $500 per tonne of steel from an Indian yard, as compared to US $300 in China and just $150 in Europe. "It's a good compromise. The price Asia yards pay is significantly higher than other yards," a Greek shipowner who has recycled vessels in Bangladesh, was quoted as saying by international media. "The cash you get is usually around one-fourth of the price of a new ship. Most owners use the money for a down payment," he added. The Indian shipyard owners see the new rules as a ploy to fill empty yards in Europe. Fewer than 4 per cent of all retired ocean-going ships passed through European facilities in 2014. Haiderali G Meghani, Director of International Steel Corporation, a large ship recycling firm based in Alang, said concerns about poor safety and environmental standards in India are misplaced. "We have already been trying to improve our processes and will continue to take steps to improve safety and protect the environment," says Nitin Kanakiya, the secretary of India's Ship Recycling Industries Association. According to him, many owners register their ships in such havens as the Bahamas, Liberia, and St.Vincent for their stricter privacy laws, not in attempts to escape safety rules of Europe.

According to Krishna, the global shipping companies have turned places like Alang into the most polluted beach in the world with the complicity of Gujarat and central governments. The only hope, according to activists like Krishna, is shipowners' corporate social responsibility. European shipping groups such as Denmark's Maersk and Germany's Hapag-Lloyd have adopted policies to recycle only at facilities that meet international environmental standards. At the Galloo ship recycling yard in Belgium – the largest in Europe – the volume of ships recycled has more than quadrupled over the past 10 years to about 35,000 tonnes of steel per year. It employs only about 30 staff, with most of the heavy work done by machines. Indeed, if this wave of corporate social responsibility extends to shipowners worldwide, then only there is hope for safeguarding the pristine beaches where ships are dismantled. mg

# Fast paced demand

The success of entrepreneurs in the logistics segment, followed by a growth in adoption of technology and improved infrastructure has highlighted the need for skilled, trained and committed workforce in the country. Addressing these requirements is critical for the competitiveness of the transportation, logistics, warehousing and packaging sector in the long run

by Deepika Amirapu

According to the National Skill Development Council, the annual logistics cost in India is valued at ₹6,750 billion (US$ 135 billion) and it is growing at 8-10 per cent annually. Logistics cost by value accounts for around 13 per cent of the GDP of India – this is much higher than that in the US (9 per cent), Europe (10 per cent) and Japan (11per cent) but lower than that in countries such as China (18 per cent) and Thailand (16 per cent). In particular, the percentage-wise share of transport cost (an important constituent of total logistic cost incurred by a nation) by value of GDP has been steadily increasing. The high cost of logistics in the country is attributed to poor quality of infrastructure and inadequate service offerings when compared to countries in the Europe and Americas. This sector in India is dominated by the unorganised segment of brokers, small truck owners and transport companies, freight forwarders operating within a small radius and warehouse owners. The organised segment, reportedly, accounts for less than 10 per cent of the Indian logistics market.

As is typical in other industry segments, much of the employee workforce is usually in the lower rungs of the management where delivery boys, supervisors and floor managers are hired in droves compared to the managerial level. The type of logistics services provided in India are yet evolving; the focus in India has been on enabling 'physical distribution' as compared to developed nations where the focus has progressively shifted to 'integrated logistics management'. Traditionally, the Indian logistics industry comprises of core-service providers where contracts are issued for trucking, shipping, inland container depot and container freights station operations. But this is now gradually shifting towards 3PL and 4PL systems driven by customers demanding organised services, higher technology, more control and a one-stop solution for all movement-oriented needs.

The introduction of 3PL and 4PL services has increased the usage of all modes of transport – road, rail and sea, forcing operators to improve their efficiency levels for discerning customers. This use of multimodal transport has led to a demand for varied skill requirements which have

coerced logistics managers to redefine workforce requirement in the industry since the scope of employment has broadened from simply managing inventory to complex third-party supply chain management, intensifying the skill gap situation. This is emphasised by the fact that apart from domain training and expertise, supply chain managers are required to be analytical, capable of multi-tasking, delegation, and able to handle stressful situations. Specialised managerial, interpersonal and analytical skills are a must for the Indian Logistics industry today, particularly in its nascent stages when it struggles to overcome critical infrastructure and organisational challenges.

According to the NSDC report, the transportation, logistics, warehousing and packaging sector in India currently employs around 7.3 million persons. Of these, the maximum proportion is employed in the road transport segment and personnel employed in the road and rail transport segments constitute over 90 per cent of the total employment in this sector in India. Although 95 per cent of India's cargo is exported by sea, this sector, however, only accounts for 10 per cent of people employed in India's transport system given the high skills requirement and long periods of stay outside the country.

The skills requirements, therefore in the sea and surface transport in India are aligned to the demands of the customers and growth in technology and infrastructure.

**Emerging Skill Requirements in the Sector**

**Technological skills:** The rapid advancements in technology deployed in the transportation, logistics, warehousing and packaging sector have necessitated training in handling technology across levels and upgradation of skills with advancing technology is required. Drivers will be expected to know skills about using GPRS effectively. Emerging fields of information technology applied in logistics will also bring about the need for specialised skills. For example, internet based or mobile based track and trace services becoming more popular in India, people specialised in these systems will be in high demand.

**Better overall understanding of industry by Agents:** Logistics

## "The demand for human resource in the Transportation, Logistics, and Warehousing sector is thus expected to increase from about 7.3 million to about 25 million in another five years"

| FUNCTIONS | DISTRIBUTION |
|---|---|
| Operations | 30-35% |
| Sales and Marketing | 20-25% |
| Customer Service | 15-20% |
| HR, Admin and Finance | 10-15% |
| Senior Management | 1-5% |

**Table 1:** Functional Distribution of Human Resources in the Ship Transport Segment

| FUNCTIONS | DISTRIBUTION |
|---|---|
| Operations and Maintenance | 60-70% |
| Support Functions | 10-20% |
| Health and Safety | 3-5% |
| Corporate Management | 3-5% |

**Table 2:** Functional Distribution of Human Resources in the Railway Transport Segment

| FUNCTIONS | DISTRIBUTION |
|---|---|
| Workers (drivers, loaders, handlers) | 70-80% |
| Supervisory Staff | 10-13% |
| Middle Management | 3-5% |
| Senior Management | 1-2% |

**Table 3:** Level-wise Distribution of Human Resources in the Road Transport Segment

organisations consist of analysts who design and engineer the optimised supply chain. The customer agents implement these solutions; speak to shippers, receivers, and book loads. A customer service agent who understands all the workings of the supply chain and the transported commodity will be able to optimise delivery and lead times, saving on costs. Sound analytical skills need to be developed so that they can create efficient systems, and provide customers with information which might add value to their business. Warehouse handlers have to acquire skills in using equipments such as printing devices, scanning devices and basic computing devices. They are also expected to become conversant with more popular value addition services such as labelling, handling requirements specific to heavy or fragile material, special consolidation or bundling requirements.

**Multi-operations skills:** Multi-skilling will be required in the Transportation, Logistics, Warehousing and Packaging Sector going ahead. In case of providers dealing with multiple areas such as freight forwarding, warehousing, road transport, people with skills across areas will be required. For example, in case of 3PL or 4PL providers, people with skills across IT systems (specific to logistics) integrated with supply chain practices and basic cargo handling practices will be required. Also, with increasing track and trace service requirements by customers from service providers, people who can fulfil system requirements and simultaneously coordinate with customers will be further needed. Apart from these, the service providers need to be skilled in aspects related to state-specific rules, procedures, compliances to required paper-work and excise.

The demand for human resource in the Transportation, Logistics, and Warehousing sector is thus expected to increase from about 7.3 million to about 25 million in another five years, leading to an incremental human resource requirement for about 17.7 million persons.It is important to address skill deficiencies in the logistics segment as this function is crucial to the smooth functioning of the manufacturing, agriculture and service sectors that depend heavily on this people intensive business. Besides, increasing globalisation and a strong presence of multi-national firms doing business online require the supply chain systems to work seamlessly sourcing and delivering products with stipulated periods of time. mg

# Skilled and Speedy Support

A global leader in driveline and chassis technology as well as active and passive safety technology, ZF has presence at about 230 locations in some 40 countries. It is one of the top three automotive component suppliers worldwide. In the marine segment ZF offers propulsion systems for pleasure boats, commercial and fast crafts. For all kinds of commercial vessels ZF provides a complete line of heavy-duty transmissions.

**Size of commercial ships is increasing and the focus is on low sulphur fuels, emission reduction and slow steaming. How do you help shipping lines in the process?**

As the focus on environmental protection and energy savings in the global maritime industry increases, we see significant potential for parallel hybrid systems that enable ship owners to selectively choose electrical fuel which translates to energy and cost savings. Some of our latest products including our latest ZF W10000 & ZF 3300 PTI are both hybrid-ready products.

**Every shipping line desires for minimum down-time and life cycle cost. How can this be achieved?**

In the shipping and maritime industry, the ease of use and maintenance of maritime equipment is an important factor not just because of the high costs associated with downtime but also because of the shortage of skilled vessel operators.

In addition to offering the best performing marine propulsion units and sub-systems, we are committed to providing class-leading after-market service to ensure the highest levels of safety, reliability and efficiency for our customers.

Our commitment to service readiness is reflected in our extensive network of highly skilled engineers and service centers across the globe - three Product Competence Centres, six Regional and two Subregional Competence Centres and about 170 Local Competence Centres in 55 countries. We have skilled teams of "flying doctors" in our Regional and Subregional Competence Centres to ensure speedy support availability onsite. Our engineers go through comprehensive product trainings at ZF Marine factories in Italy, the Netherlands and Germany.

We strive for rapid response, technical support, spare parts and maintenance in the shortest possible time to ensure smooth vessel operations and highest availability for our customers.

**While LNG seems to be a suitable alternative to bunker. What are the pros and cons of retrofitting vessels to use LNG fuel?**

LNG offers reduced emissions and higher safety as compared to the heavier bunker oil. Beyond the cost of converting ships, a major impediment to the near-term development of LNG as a significant maritime fuel is the need to build additional LNG production infrastructure to support marine vessel conversions.

**What is the role/ involvement of ZF Marine in the ship building process?**

We listen to our customers to understand their needs. Our strategy is to work closely with all parties involved in the vessel design, building and operation to understand their requirements and offer suitable products that will meet or exceed these requirements. This requires global coordination as vessel designers, owners, builders and operating locations can be in different continents.

**Where do you see the demand for your products growing more – in the recreational or commercial segment? Tell us about your customers in the commercial shipping sector?**

We predominantly serve clients in the commercial shipping sector, although our systems are suitable for a wide range of applications, from pleasure cruising craft through to defense and naval vessels.

**ZF offers products across sectors ranging from aviation to automotive and marine. Is there any chance of technology transfer/sharing among these divisions?**

The 100-year old ZF Group, the parent company of ZF Marine, embodies technical excellence and invests heavily in R&D. The technology developed is shared across all business units and is accessible through our corporate R&D laboratories. ZF Marine has benefited in particular from developments in component technology (clutches, bolts, and seals), gear development, materials technology and software electronics.

**Around three years back, ZF Marine consolidated its commercial, fast boat and pleasure boat operations into two segments: Commercial and Recreational. How has the consolidation worked out for the company?**

We reorganized our business into two segments: Commercial & Fast Craft (CFC) and Pleasure Craft (PC). This has allowed us to align and focus our approach to customers, both in terms of sales and aftersales. We now also have better alignment of our product development efforts to respond to market demands and future trends.

**Which are the key technology trends that will guide the future of marine business?**

The few underlying trends for the marine industry are increasing comfort and safety for vessel crew, environment protection and energy savings, and multi-purpose assets with low cost of ownership. Technologies and designs that enable these will see increasing demand. These include hybrid propulsion, low noise and vibration systems, compact and power-dense equipment with flexible arrangements, and high efficiency components.

ZF is well placed to play a key role in shaping the future of the marine business. We have a range of hybrid-ready transmissions, industry-leading lightweight and compact transmissions, retractable and azimuth thrusters, and high efficiency fixed pitched propellers. We will continue to broaden the applications of our in-house technologies and designs, and to continuously improve our product and service offerings.

**"The few underlying trends for the marine industry are increasing comfort and safety for vessel crew, environment protection and energy savings, and multi-purpose assets with low cost of ownership."**

A ZF HRP 8000 VRM unit typically installed in tugs.

**The company seems to focus on strengthening its presence in the superyacht market. How do you plan to go about this?**

We have a range of products, in particular transmissions and controls that are well suited for the superyacht market. We are in constant dialogue with our customers to explain to them the advantages of our products and solutions, as well as any product improvements. For example, we recently introduced SUPERSHIFT 2, our next generation in shift technology that allows our transmissions to react to shift input signals almost instantaneously with less drop in engine RPM, offering passengers a smooth shift for total comfort. SUPERSHIFT 2, combined with our proven AUTOTROLL functionality, sets a new standard in safe and slow speed maneuvering.

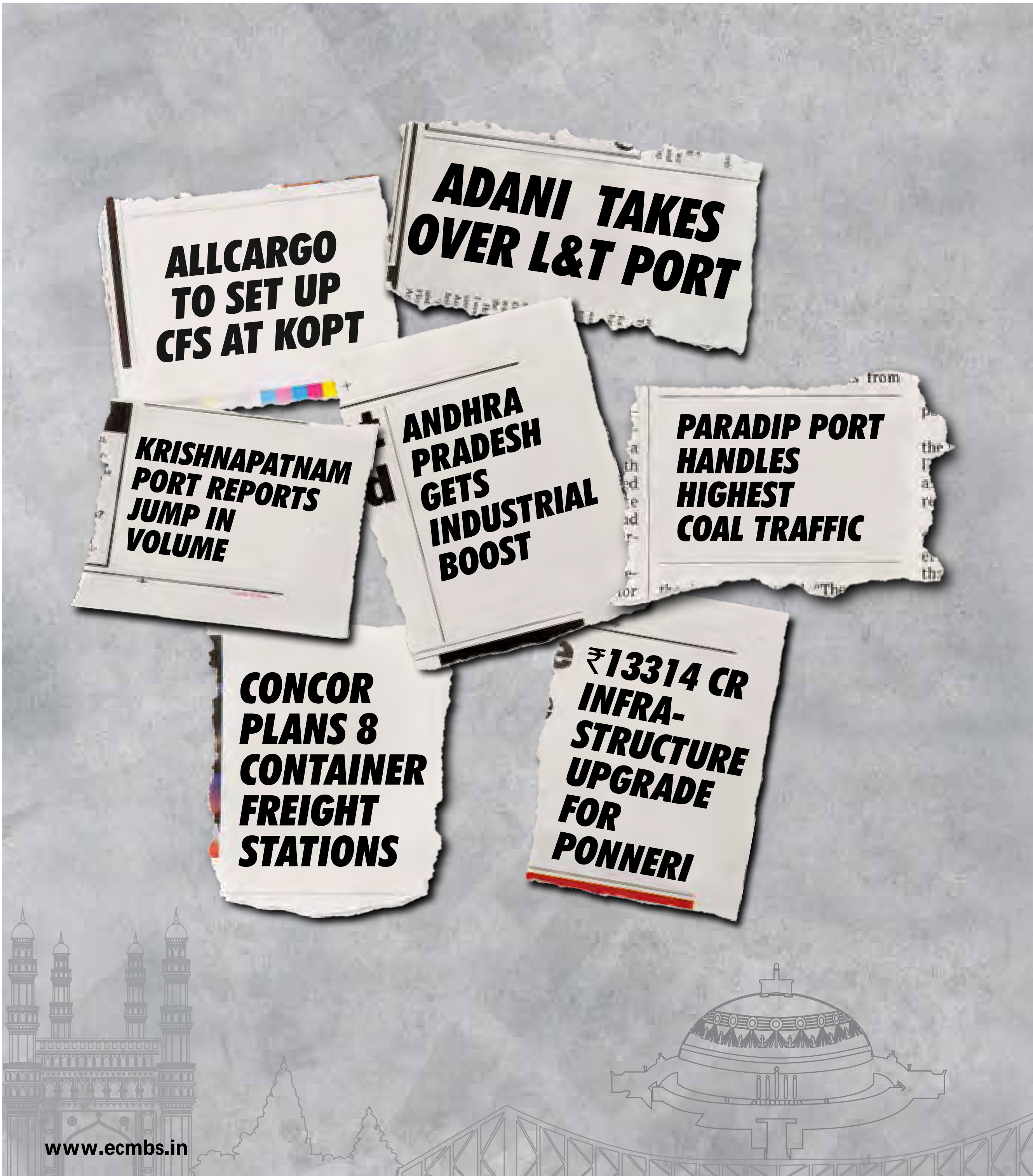
We are also working to enhance our services to superyacht owners through our extensive network of highly skilled engineers and service centers, which consists of three Product Competence Centres, six Regional and two Subregional Competence Centres and about 170 Local Competence Centres in 55 countries.

**As the marine engine technology advances, how do you ensure your product portfolio remains relevant?**

Our strategy is to leverage our core competencies in component design and technology to offer a competitive range of highly efficient propulsion products. Our core products include transmissions, thrusters, propulsion controls and fixed pitch propellers. We believe in personalised customer relationships.

**What are your short-term and long-term plans for the Indian market?**

There is presence of prominent equipment manufacturers, shipbuilders and designers in India and it is this opportunity that drove us to be a part of the INMEX. Recent announcements by the Indian government indicate an increased prominence for inland waterways, which in turn is expected to boost presence by industry players, enhancing competition. We are closely following the developments in the Indian market, and are optimistic about our growth path in the country.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# EAST COAST CONTINUES TO BE HOT FOR MARITIME BUSINESS

The presence of 13 operational ports along a 2,630 km-long eastern coastline (from West Bengal to Tamil Nadu) continues to offer significant development opportunity for investment in maritime sector. More ports in both public and private domain are planned in almost all the states on the east coast.

Capacity expansion on all counts of bulk, Ro-Ro and container is progressing at breakneck speed. Some of the major ports have shown dramatic turnaround in their performance. Ministry of Shipping has put in a time bound plan in place to improve the capacities and efficiencies at major ports.

Sizeable investments are planned in states of Andhra Pradesh and Tamil Nadu, which could trigger of manufacturing activity on the coast leading to increase in cargo traffic. Coastal movement is picking up momentum.

Maritime business on the East Coast plays a pivotal role in India's steady and stable economic growth. Upcoming industrial corridors, dedicated freight corridors, planned ports / terminals and new dry ports will also append to the growth of East Coast business. Contribution from all the above said factors will definitely spur further development in the Eastern Coast of India.

## PROGRAMME

***4th East Coast Maritime Business Summit, January 28-29, 2016***

| ***Day 1 – 28 January 2016*** | |
|---|---|
| 03.00pm | Registrations Open |
| 04.30pm – 06.30pm | CEO Roundtable:<br>**Ease of Doing Business at Ports**<br>(by invitation only) |
| 06.30pm onwards | Networking & Cocktail Dinner |

| ***Day 2 – 29 January 2016*** | |
|---|---|
| 10.00am – 11.00am | Inaugural Session:<br>**East Coast Hinterland Waiting to be Served** |
| 11.00am – 11.30am | Coffee Break |
| 11.30am – 01.30pm | Business Session 1: **Shippers Panel** |
| 01.30pm – 02.30pm | Lunch |
| 02.30pm – 04.00pm | Business Session 2: **Service Providers Panel** |
| 04.00pm | Closing Remarks |

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**JANUARY 28-29, 2016**

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# Automation at hazira terminal

Improved turnaround time and operational efficiency along with reduced operational cost are some of the key benefits of technology automation that have enabled Hazira terminal to attract more cargo

by Omer Ahmed Siddiqui

Prolonged waiting hours at the ports, lengthy and time consuming procedures at the entry and exit gates increase the loading /unloading time for trucks causing delays in the movement of cargo and extra costs incurred by shippers. This phenomenon is not uncommon at many ports in India. So, it's obvious that a port that offers quick turnaround for trucks carrying export/import cargo and streamlined procedures which are automated and error free will obviously stand apart from the competition. The Hazira Container Terminal at Adani Port is among the league of these technologically advanced ports that are a class apart.

In 2013, the port had started deploying RFID system as part of the terminal-operations solution provided by Suraj Informatics Pvt Ltd. As a result, the terminal has achieved greater cargo-management efficiency. The turnaround time for trucks arriving to load or unload cargo has reduced significantly. A steady stream of truck traffic now passes through the terminal to move cargo to and from

Europe, Africa, the Americas and the Middle East.

**The road to automation**

In 2012-13, Adani Port engaged Suraj Informatics Pvt Ltd to develop a passive ultrahigh-frequency (UHF) RFID solution for the container operations at the port. RFID tag readers were deployed at the entry and exit gates while RFID tags were supplied to trucks moving cargo in and out of the port. The data is shared with the software at the back-end that determines which trucks have arrived for which particular container. Tag readers are installed on loading equipment to identify vehicles and ensure that there are no errors, such as unloading cargo at the wrong location, or loading the incorrect goods onto a vehicle.

When a truck arrives at the port gate it is issued a temporary passive UHF RFID tag. Port authorities at the gate record the tag's ID number, along with data about the vehicle and the load it is receiving or delivering. The unique ID encoded to the tag is then linked to the software and to the information regarding the trucking company, the vehicle and the goods being transported. The software then forwards that data to the terminal's TOS solution, and the TOS software prints a receipt for the driver.

The truck then proceeds past a RFID reader that captures the tag's ID number and forwards it to the TOS software. The vehicle's status as having arrived at the terminal is updated here and it prompts the gate to open, allowing the truck to enter.

Next, the truck proceeds to the wharf location where goods are either loaded or unloaded using cranes. Here the vehicle's tag is read again by a reader installed on the crane. That data is sent to the back-end database via a ALTAI Wi-Fi connection, after which the TOS software displays information about the vehicle to the computer in front of the crane operator. The operator can then discharge or load the container as required for the assigned job, and that data is stored in the Terminal Operating System.

After loading or unloading the goods, the truck proceeds to the exit gate where the tag is again read by another interrogator. The TOS solution prints an exit-gate pass, and the terminal's boom barrier opens, allowing the truck to pass out of the terminal toward the port gate.

**Advantages of RFID technology:**

- The processes of tracking vehicles at the gate and while they are loaded or unloaded is automated
- Makes operations more efficient by preventing errors like cargo being loaded or unloaded at the wrong location
- Waiting time for shipping customers is reduced
- Enables easy tracking of trucks at the shipyard and at the wharf thereby removing manual checking of truck ID numbers for creating a record of its processes at the terminal

At the port gate exit a tag dispatcher retrieves the truck's tag. A reader installed at the gate interrogates the tag a final time as it is turned over to the staff, and the TOS software prompts the port gate boom barrier to open, enabling the truck to leave the port.

Altogether, the terminal has installed two readers each at the port entrance and exit, as well as two at each entrance and exit to the terminal itself. In addition, each crane comes equipped with a reader and an antenna, totaling approximately 70 readers installed for the container operations. At gates and on the RTG crane the tag can be read from a height of up to about 3 metres (9.8 feet), while the read range on the crane can reach 8 metres (26.2 feet).

By using the technology, the port has been able to bring down truck waiting time and labor costs, reveals Rajeshwar Bhatt, Director, Suraj


Informatics Pvt Ltd. "Since there is no data entry at the gate and the yard, the process has reduced the transaction time at the gate for each truck, along with data-entry time of the RTG operator for selection and updating each job." What's more, terminal management now knows the exact number of trucks present in the yard at any given time. The TOS solution can also issue alerts in the event that a vehicle takes more than the expected transaction time.

The automation is said to have significantly brought down annual labor costs. Proceeding with the automation process additional RFID readers were installed throughout the yard, in order to provide container-location mapping that will help terminal managers view each vehicle's exact position within the yard in real-time, as well as collect historical data for use in traffic-flow management. Encouraged by the benefits, in the second phase of installation, the port has extended the automation to other operations including general and liquid cargo. Now the entire activity at the port can be tracked using GPS technology. mg

# "Demand for logistics parks is set to increase"

Inland Group's Director Praveen Somani talks in length about the growing opportunities he sees in the Indian logistics sector, especially in the maritime sector

by Itishree Samal

**Inland which started as a cargo management company now has emerged to be a diversified group in less than 30 years. Which are the major divisions of the group?**

Over the years, we have diversified into several sectors such as logistics, power, food and beverages, etc. We have nine companies at present including Inland World Logistics, Inland Power, Inland Automate, Inland Courier, Inland Bearing Centre, BE Gold, Bharatiyam Food & Beverage, The Gopalpur Tea, Inland Logipark and Inland Lifescapes. However, logistics is our major division contributing most of the Group's revenue. IWL has presence across India as well as in Nepal, Bangladesh, Pakistan and Bhutan. We are present across verticals such as in large warehousing, FTL, LTL and in project cargo.

**Which are your key verticals in logistics?**

Road transportation is a major vertical of IWL, contributing more than 85 per cent in revenue. Around 10 per cent of revenue comes from rail transportation (Mainly in north and north-eastern regions) and 5 per cent comes from our warehousing vertical. At present, we have 357 warehouses (10 lakh sft area) across major cities such as Hyderabad, Kolkata, Delhi, Nagpur and Raipur.

**Which are your major operational geographies?**

We are present across 550 operations. Our focus for the next few years will be expanding in Indian market, given in the backdrop of the current positive economic environment. India itself is a growth centre.

**You have mentioned about having plans for CFSs under your logistics division. Please tell us in detail about your plans?**

IWL is planning to build CFSs close to port. At present, we have plans to build two CFSs – one near Mundra Port and another in the south.

We have identified a 100-acre site close to the Mundra Port to build a logistics park-cum-CFS. We will mainly target the agri-business segment as the agri cargo requires closed space for long warehousing stay. Currently, four logistics parks are there near Mundra and all are reaping good benefits. Most of those are focusing only container volume, whereas, we will focus on creating space for both bulk as well as container cargo. As per our current projection, the approximate investment will be about ₹117 crore. The viability has already been worked out.

This apart, we are planning two logistics parks – one in Ahmedabad (56-acre) and another 105-acre in Bhiwandi, a suburb of Mumbai.

**How the demand for logistics parks and CFSs is going to grow?**

At present, the demand for logistics park pan-India will be around 4 crore sft, while the current availability is only 3.25 crore sft, leaving a gap of about 75 lakh sft. The demand for logistics parks may increase 15 crore sft in next five years.

Demand for CFS is going to grow at 25 per cent in near future.

**What opportunities you see in Indian logistics sector?**

There is a lot of demand arising for bulk movement. Large projects are happening now so also demand for project cargo has increased. We expect things will start moving in 2016, and necessary infrastructure development will enhance the progress.

**What challenges do you face as a logistics player?**

First and foremost, the documentation process – every state has different requirements. Second is the development of highways, while other challenges including rising toll charges, connectivity and bad road infrastructure. In domestic logistics or fleet operation, a lot of time and energy goes in at check-posts and toll gates. If it will be checked, we can easily improve 25 per cent of fuel efficiency and 12 per cent in overall efficiency.

**What targets have you set for yourself five years down the line?**

Apart from logistics parks and CFSs, we are exploring opportunities in 'Inland Waterways'. We are in discussion with few companies for inland waterways. At present, we are operating in the Ganges route with bulk transportation from Haldia Port to Allahabad, Haridwar and central regions. We will focus on eastern to northern regions.

# Upgrade transport and logistics infrastructure

## The summit gave a clarion call for upgrading warehousing, transport and logistics infrastructure to meet the needs of growing business, especially ecommerce

MG Bureau


(From L to R): **Sailesh Bhatia,** MD, Bhatia Shipping Agencies, **Ashish S Pednekar**, President, Brihanmumbai Custom House Agents Association, **Antara Sen**, Associate Director, Indirect Taxes, Pricewaterhouse Coopers, **Subash Desai,** Hon'ble Minister for Industries, Govt of India, **Tushar Jani,** Chairman, SCA Group of Companies, **Sheena Khara,** Deputy Director , CII

The Maharashtra government is focusing on growth of e-commerce logistics in the state by creating warehousing and transport infrastructure, for which this fast growing industry is starved at present. This will also usher the demand for skilled workforce, and the Transport and Logistics (T&L) industry will need about 20 million skilled manpower by 2030. These are some of the ideas that have emerged at the Logistics Summit 2015 organised by Confederation of Indian Industry (CII).

Announcing the government's plan to develop T&L infrastructure that the e-commerce business is eagerly looking forward to at present, Subhash Desai, Minister for Industries, Government of Maharashtra set the ball rolling. "Our focus is on e-commerce, which has created a new trend by attracting customers in large numbers. Such growth has brought up some challenges in the form of warehousing and transport infrastructure needed," the minister said. Stating that the state's retail policy will be favourable to growth of e-commerce, Desai asked the stakeholder industries to join hands for this project.

Maharashtra already corners 40 per cent of the road transport and logistics business through Bhiwandi, the largest transport hub in the country located near Mumbai, besides 40 per cent of air logistics movement too. Desai also released a publication *'Goods and Services Tax – Transportation and Logistics (T&L) Sector,* co-published by CII and PwC, which said that L&T industry should adapt itself to the new ecosystem after GST implementation.

After introduction of GST, T&L industry has to identify industries that need to rejig their supply chain model, the report said.

Within 24-36 months from GST introduction, these companies should plan consolidation of warehouses, redesign of route map and adoption of technology-enabled fulfillment centre model that effect operational efficiencies, the report added.The report expressed the hope that the government is committed to bring in GST considering indications like acceptance of several states' demands, setting up committees to recommend Revenue Neutral Rate (RNR) for economy, committing a technology platform for the purpose and finally passing the Constitutional (Amendment) Bill in Lok Sabha.

With the introduction of GST, the Indian industry will be able to migrate to an efficient supply chain model as against the present supply chain model, which is dependent on tax considerations vi-a-vis operational considerations, the report said.

Desai also announced that the government is planning to regularise many things around Bhiwandi truck terminal. The government is planning to re-plan and re-develop it to bring it to global standards by improving proper access and stay infrastructure and roads. Port and railway linkages will be developed and the vicinity of JNPT will be upgraded with proper infrastructure. The state is also focusing on development of 720-km long coastline under Sagarmala project.

Taking a note of the growing demand for skilled human resources, Tushar Jani, Chairman, CII WR Logistics Subcommittee said, "About 20 million of skilled manpower is needed for this industry by 2030. Give us space in all the MIDCs in the state for imparting skill training. I request Maharashra government to prepare a comprehensive logistics policy around this.This will be a good scheme to be implemented in Marathwada and Vidarbha regions, creating livelihood to families of farmers in operating truck business or setting up warehouses," he added.

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With Asia's fastest cranes. High-speed connectivity to NH 5 via a dedicated 4-lane highway. And 42-km of internal rail network, Krishnapatnam Port is always on the go. Strategically located and equipped with world-class infrastructure, it's all you need to take your business to the next level.
Really fast!

1.2 million TEU capacity | 400 reefer points | 1.7 million sq ft of warehouse space | Dedicated customs facility | CFS within port | 365 days operation

KPCT
KRISHNAPATNAM PORT
KRISHNAPATNAM PORT CONTAINER TERMINAL

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